



0000149856

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

Arizona Corporation Commission

DOCKETED

DEC - 8 2013

DOCKETED BY nr

IN THE MATTER OF THE APPLICATION OF
SUNRISE WATER COMPANY FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PROPERTY AND FOR
AN INCREASE IN ITS WATER RATES AND
CHARGES FOR UTILITY SERVICE.

DOCKET NO. W-02069A-08-0406

DECISION NO. 74209

ORDER

Open Meeting
November 13 and 14, 2013
Phoenix, Arizona

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. Sunrise Water Co. ("Sunrise") is a Class B water utility providing service to approximately 1,450 customers in a service area of approximately 3.9 square miles located in Peoria, Arizona. Sunrise has only one shareholder and is organized as a subchapter S corporation.

2. On December 23, 2009, the Commission issued Decision No. 71445, granting Sunrise a permanent rate increase in its first rate case since 1983. Due to its status as an S corporation, Sunrise was denied recovery of income tax expense. (See Decision No. 71445 at 29-37.)

3. On February 22, 2013, in Decision No. 73739, issued in a generic water utilities docket, the Commission adopted a Revised Policy Statement regarding the ratemaking treatment of income tax expense for tax pass-through entities ("Policy Statement"). The Policy Statement provided as follows:

[W]e are persuaded that a tax pass-through entity should be allowed to recover income tax expense as a part of its cost of service and that its revenue requirement should be grossed up for the effect of income taxes.

1 We are persuaded that the failure to include income tax expense
2 needlessly discriminates against tax pass-through entities and creates an
3 artificial impediment to investment in utility infrastructure. Neither of
4 these outcomes serves the interests of rate payers. Thus, we hereby adopt
5 a new policy which allows imputed income tax expense in the cost of
6 service for limited liability companies, Subchapter S corporations and
7 partnerships. While sole proprietorships are not technically tax pass-
8 through entities, the arguments supporting the inclusion of income tax
9 expense for tax pass-through entities are equally applicable in the case of
10 sole proprietorships. Thus, the policy will apply to sole proprietorships as
11 well as tax pass-through entities.

12 This new policy will be applied in pending and future rate cases. Also,
13 companies that have been denied recognition of income tax expense in the
14 past may make a filing under A.R.S. § 40-252 to modify the revenue
15 requirement authorized in their most recent rate case order to include
16 income tax expense prospectively from the date of an order of the
17 Commission approving the A.R.S. § 40-252 filing.¹

18 4. On June 14, 2013, Sunrise filed a Motion to Amend Decision No. 71445 Pursuant to
19 A.R.S. § 40-252 ("Motion"). In the Motion, Sunrise requested to have Decision No. 71445 amended
20 to allow Sunrise to recover income tax expense as part of its cost of service, consistent with Decision
21 No. 73739. Sunrise included an Exhibit A to its Motion, showing income tax at personal tax rates of
22 \$29,403 and a revenue requirement change of \$31,231.

23 5. At its Staff Meeting on June 27, 2013, the Commission approved a motion to reopen
24 Decision No. 71445 under A.R.S. § 40-252.

25 6. On June 28, 2013, a Procedural Order was issued scheduling a procedural conference
26 for August 5, 2013.

27 7. On August 5, 2013, the procedural conference was held, with Sunrise and the
28 Commission's Utilities Division ("Staff") appearing through counsel. Sunrise asserted that customer
notice and an opportunity for intervention were appropriate, but that Sunrise did not desire for a
hearing to be held. Staff agreed with Sunrise, but stated that a hearing could become appropriate
depending on the circumstances.

8. On August 6, 2013, a Procedural Order was issued requiring Sunrise to send its
customers notice and to post notice on its website; requiring Sunrise to file certification of notice; and
establishing deadlines for intervention, a Staff Report, any intervenor filing, and Sunrise's response
to the Staff Report and any intervenor filing.

¹ Decision No. 73739 at Att. 1 at 2.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

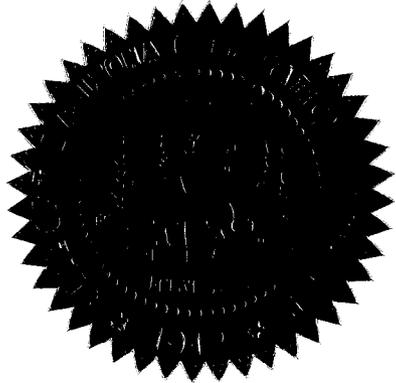
ORDER

IT IS THEREFORE ORDERED that Sunrise Water Company's Withdrawal of Motion to Amend Decision No. 71445 is granted, and this proceeding is hereby closed.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

		
CHAIRMAN	COMMISSIONER	
		
COMMISSIONER	COMMISSIONER	COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 3rd day of December 2013.



JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
SH:ru

1 SERVICE LIST FOR:

SUNRISE WATER COMPANY

2 DOCKET NO.:

W-02069A-08-0406

3 Craig Marks
4 CRAIG A. MARKS, P.C.
5 10645 North Tatum Blvd., Suite 200-676
6 Phoenix, AZ 85028
7 Attorney for Sunrise Water Company

8 Mr. Marvin E. Collins
9 Manager
10 Sunrise Water Company
11 9098 West Pinnacle Peak Road
12 Peoria, AZ 85383

13 Janice Alward, Chief Counsel
14 Legal Division
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, AZ 85007

18 Steven M. Olea, Director
19 Utilities Division
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington Street
22 Phoenix, AZ 85007

23
24
25
26
27
28