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BEFORE THE ARIZONA CORPORATION C

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF
PAYSON WATER CO., INC. AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. W-03514A-13-0111

IN THE MATTER OF THE APPLICATION OF
PAYSON WATER CO., INC. FOR AUTHORITY
TO ISSUE EVIDENCE OF INDEBTEDNESS IN
AN AMOUNT NOT TO EXCEED \$1,238,000 IN
CONNECTION WITH INFRASTRUCTURE
IMPROVEMENTS TO THE UTILITY SYSTEM;
AND ENCUMBER REAL PROPERTY AND
PLANT AS SECURITY FOR SUCH
INDEBTEDNESS.

DOCKET NO. W-03514A-13-0142

STAFF'S NOTICE OF FILING

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby submits the revised Attachment B, "Summer Water Augmentation Surcharge" for East Verde Park and the revised Attachment C "Purchased Water Surcharge Examples" for Mesa Del Caballo.

RESPECTFULLY SUBMITTED this 12th day of February, 2014.

Arizona Corporation Commission

DOCKETED

FEB 12 2014

DOCKETED BY

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1 Original and thirteen (13) copies of the
2 foregoing filed this 12th day of February,
2014 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
Phoenix, Arizona 85007

6 Copy of the foregoing mailed and emailed
7 this 12th day of February, 2014, to:

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Revised
Attachment B
SUMMER
WATER AUGMENTATION SURCHARGE TARIFF
FOR
EAST VERDE PARK

EAST VERDE PARK SUMMER WATER AUGMENTATION SURCHARGE

I. Purpose and Applicability

The Summer Water Augmentation Surcharge can only be implemented during the months of May through September.

The maximum amount of water augmentation cost that can be recovered during any given year is \$10,000.

The purpose of this tariff is to authorize Payson to make monthly adjustments to its rates and charges for water service in order to recover costs incurred for water purchases and hauling ("Water Augmentation Costs") in the event that Payson experiences extreme water shortages for the East Verde Park water system. These charges are applicable to all connections and will be assessed based on usage, as provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Avoided Production Costs" means the unit cost of production (cost per 1,000 gallons) avoided by the Company because of reliance upon augmented water rather than pumping groundwater from the Company's wells and booster stations.

"Company" means Payson Water Company.

"Curtailed Account Balance" means the monies collected under the curtailment tariff authorized in Decision No. 67821.

"Water Augmentation Cost" means the actual cost of water purchased and water hauling costs. The maximum amount of water Augmentation cost that can be recovered during any given year is \$10,000.

"Water Augmentation Quantity" means the actual quantity of augmented water (in thousands of gallons).

"Water Augmentation Surcharge" means the surcharge calculated in accordance with Section IV below.

"Surcharge Rate" means the rate per 1,000 gallons that is calculated in accordance with Section III below.

"Water Sold" means the actual quantity (in thousands of gallons) of water sold by the Company to its Customers during the month corresponding to the month in which water was purchased.

III. Surcharge Rate Calculation

The surcharge is calculated using data from the previous month's bill. For example, the water augmentation surcharge that is applied on the July bill is calculated using the June water augmentation costs and the June total gallons sold. See Attachment B.1, page 1 for an example of the calculation.

For each month that the Company augments water, the Company will calculate the Surcharge Rate per the following formula:

$$\frac{[(\text{Water Augmentation Cost} - \text{Curtailment Account Balance}^1) - (\text{Water Augmentation Quantity} \times \text{Avoided Production Costs})]}{\text{Water Sold}}$$

IV. Terms and Conditions

(A) Assessment and Billing of the Water Augmentation Surcharge: For any month in which water is purchased, after completing its billing for the month and receiving the billing for the month, Payson Water Company will make the surcharge calculation to determine the Surcharge Rate.

In the following month, Payson Water Company will bill the Summer Water Augmentation Surcharge to its customers. Each individual customer's billing for the Summer Water Augmentation Surcharge will be based on that customer's actual usage for the previous month (the month corresponding to the Water Augmentation) times the Surcharge Rate.

The Water Augmentation Surcharge shall be presented as a separate line item on the customer billing.

(B) Notice to Commission: For any month in which the Company intends to bill customers a Water Augmentation Surcharge, the Company shall provide Commission Staff notice of the Company's intent to bill the Water Augmentation Surcharge. The notice to Commission Staff shall include the following:

1. The Water Augmentation Cost.
2. The Water Augmentation Quantity.
3. A copy of the bills received for the water Augmentation.
4. A description of the system problem necessitating water Augmentation and a description of the action being taken by the Company to resolve the problem, including the date operations did or are expected to return to normal.
5. The dates for beginning and ending water Augmentation.
6. A schedule showing the calculation of the Surcharge Rate in excel format with formulas intact, including a schedule showing the determination of the Avoided Production Costs.

¹ Consideration of the Curtailment Account Balance could result in a negative cost recovered position. Therefore, the amount of the curtailment balance to be subtracted in the calculation of the water augmentation surcharge shall be limited to the amount which would not cause the surcharge to be a negative amount. However, the surcharge can be \$0 but cannot go below \$0.

EAST VERDE PARK

Water Augmentation Surcharge Calculation Example

Example 1 - Median Usage Customer - East Verde Park

This example illustrates how the water augmentation surcharge would be calculated for a East Verde Park customer using 2,000 gallons in the month of June.

[A]	[B]	[D]	[E]	[F]
Total June	June Ending	Avoided Costs	Total	Water
Water & Hauling	Curtailment	\$0.60 x 494 gallons	Gallons Sold	Augmentation
Costs	Acct. Balance	(See page 2 for	In June	Surcharge
		calculation of \$0.60)	Gallons In '000s	Per 1,000 Gallons
(\$3,000 -	\$100 -	\$296)	494 =	\$5.27
		/		

[G]	[H]	[I]
Customer's	Water	Total
June	Augmentation	Water
Usage	Surcharge	Augmentation
Gallons In '000s	(From Col. F)	Surcharge
2 x	\$5.27	on July Bill
	=	\$10.54

Calculation of Avoided Costs

Calculation of Avoided Costs			
Current Cost	Divided by	Total Gallons Sold Per 1,000 From Sch E-7	Cost Per 1,000 Gallons
Purchased Power for Wells (See Note Below) \$ 28,241	/	51,230	\$ 0.55
Depreciation Expense on Wells \$ -	/	51,230	\$ -
Chemicals \$ 2,438	/	51,230	\$ 0.05
Water Testing \$ -	/	51,230	\$ -
			\$ 0.60

Note: The \$28,241 was calculated by taking the Company's actual test year purchased pumping power expense of \$56,482 and dividing that number by 2. The purchased pumping power expense was divided by 2 to reflect that approximately half of the purchased pumping power was incurred for pumping water out of the wells and the other half of the purchased pumping power was incurred to transport the water from the storage tanks to the customers.

Revised
Attachment C

PURCHASED WATER
SURCHARGE CALCULATION
EXAMPLES
FOR
MESA DEL CABALLO

Purchased Water Surcharge Calculation Example - When Less Than 100% of All Water Purchased From Town of Payson

Examples assume that 25% of total water purchased from the Town of Payson

Example 1 - Median Usage Customer - Mesa Del Caballo

This example illustrates how the purchased water surcharge would be calculated for a Mesa Del Caballo customer using 4,500 gallons; 75% (or 3,375) from Payson Water Company and 25% (or 1,125) from the Town of Payson.

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Total Usage Assumption	% of Gallons From Town of Payson	Gallons In '000s From Town of Payson	Town of Payson Commodity Rate	Avoided Costs (See page 2 for Calculation)	Difference in Rate per 1,000 gal	Purchased Water Surcharge
	Col A x Col B	Col A x Col B	Col D - Col E	Col D - Col E	Col D - Col E	Col C x Col F
Block 1	4,000 x 25% =	1,000	\$7.48	\$ 0.60	\$ 6.88	\$ 6.88
Block 2	500 x 25% =	0.125	\$7.48	\$ 0.60	\$ 6.88	\$ 0.86
Total Usage Assumption	4,500	1.125				
			Total Monthly Surcharge			\$ 7.74 *

*Excludes Taxes

Example 2 - High Usage Customer - Mesa Del Caballo

This example illustrates how the purchased water surcharge would be calculated for a Mesa Del Caballo customer using 25,000 gallons; 75% (or 18,750) from Payson Water Company and 25% (or 6,250) from the Town of Payson.

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Total Usage Assumption	% of Gallons From Town of Payson	Gallons In '000s From Town of Payson	Town of Payson Commodity Rate	Payson Water Company Tariff Rate	Difference in Rate per 1,000 gal	Purchased Water Surcharge
	Col A x Col B	Col A x Col B	Col D - Col E	Col D - Col E	Col D - Col E	Col C x Col F
Block 1	4,000 x 25% =	1,000	\$7.48	\$ 1.93	\$ 5.55	\$ 5.55
Block 2	21,000 x 25% =	5,250	\$7.48	\$ 2.99	\$ 4.49	\$ 23.57
Total Usage Assumption	25,000	6,250				
			Total Monthly Surcharge			\$ 29.12 *

*Excludes Taxes