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BEFORE THE ARIZONA CORPORATION COMMISSION

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2014 JUL 21 P 3:59

AZ CORP COMMISSION
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ORIGINAL

IN THE MATTER OF THE APPLICATION OF CHAPARRAL CITY WATER COMPANY FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASE IN ITS RATES AND CHARGES BASED THEREON.	DOCKET NO. W-02113A-13-0118 DECISION NO. 74568 NOTICE OF COMPLIANCE FILING
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In compliance with Decision No. 74568, Chaparral City Water Company, hereby files the attached CAP Surcharge Plan of Administration as a compliance item in this docket.

RESPECTFULLY SUBMITTED on July 21, 2014.

Sandra L. Murrey

Sandra L. Murrey
Rate Analyst
EPCOR Water Arizona, Inc.
2355 W. Pinnacle Peak Rd, Suite 300
Phoenix, AZ 85027

Original and 13 copies filed on July 21, 2014, with:

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

Copies of the foregoing emailed on July 21, 2014 to:

Brian K. Bozzo
Compliance and Enforcement Manager
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

JUL 21 2014

DOCKETED BY

1 Water Company in this proceeding is hereby approved.

2 IT IS FURTHER ORDERED that Chaparral City Water Company shall file, within 60 days, a
3 Plan of Administration for the Low Income Program approved herein for Commission review and
4 approval.

5 IT IS FURTHER ORDERED that Chaparral City Water Company shall file within 90 days in
6 this docket, a report that details the monthly usage of each meter size and customer class for the
7 January-December 2013 calendar year, and shall annually file in this docket, commencing on or
8 before March 30, 2015, and until the filing of its next rate case, a report that details the monthly
9 usage of each meter size and customer class for the prior January-December calendar year. Staff
10 shall analyze the data, and if Staff believes that Commission action should be taken, shall provide a
11 recommendation to the Commission.

12 IT IS FURTHER ORDERED that Chaparral City Water Company is hereby authorized to
13 implement a CAP Surcharge, and shall file, within 30 days, a CAP Surcharge Plan of Administration
14 that substantially conforms to the CAP Surcharge Plan of Administration (currently labeled as
15 Sustainable Water Surcharge Plan of Administration) attached hereto as Exhibit A, for Commission
16 review and approval.

17 IT IS FURTHER ORDERED that the BMP tariffs proposed by Chaparral City Water
18 Company are hereby approved, and Chaparral City Water Company shall file tariffs conforming to
19 those appearing in Hearing Exhibit A-26 at the time it files the new rate schedules authorized herein.

20 IT IS FURTHER ORDERED that Chaparral City Water Company shall notify its customers,
21 in a form acceptable to Staff, of the Best Management Practices tariffs authorized in this proceeding
22 and their effective date by means of either an insert in the next regularly scheduled billing or by a
23 separate mailing, and shall provide copies of the Best Management Practices tariffs to any customer
24 upon request.

25 IT IS FURTHER ORDERED that Chaparral City Water Company is hereby authorized to
26 request recovery of actual expenses associated with the implemented Best Management Practices
27 tariffs in its next general rate application.

28 IT IS FURTHER ORDERED that Chaparral City Water Company is hereby authorized to

Chaparral City Water Company

CAP Surcharge Plan of Administration

**Central Arizona Project (CAP) Water Surcharge Mechanism
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of Chaparral City Water Company’s (“CCWC” or the “Company”) Central Arizona Project (“CAP”) water Surcharge Mechanism (“CAP Surcharge”). The purpose of the Plan is to describe how CCWC will administer the CAP Surcharge as approved by the Arizona Corporation Commission in Docket No. W-02113A-13-0118. This plan is being filed as required in decision number 74568 issued June 20, 2014.

I. Overview

CCWC is a public service corporation providing water utility service in Maricopa County, Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission. CCWC is dependent on CAP water to deliver to its customers. The CAP Surcharge mechanism has been closely modeled after two other current surcharge mechanisms known as Groundwater Savings Fee mechanisms which EPCOR successfully employs in its Sun City Water and Sun City West Water districts.

II. General Description - Surcharge

The purpose of the CAP Surcharge mechanism is to recover the difference in costs of CAP water and the costs or credits associated with underground storage and recovery of CAP water from the adjusted 2012 test year costs of \$1,116,879 as approved in this case, Docket No. W-02113A-13-0118. The Company will make annual filings (by January 31, 2016, then each January 31st thereafter) to adjust the CAP Surcharge rate. The CAP Surcharge rate will be billed on a rate per thousand gallons sold basis similar to a commodity rate for all customers. The CAP Surcharge will appear on customers' bills as a separate line item labeled "CAP Surcharge." This rate will be adjusted annually (effective March 1, 2016, then each March 1st thereafter) to true up the previous year's activity and reflect the current year's costs.

III. Components of the CAP Surcharge Mechanism

The CAP Surcharge Mechanism will include the following:

- Section 1 - Prior Year Under/(Over) Recovery – This section accounts for the under/(over) recovery of the prior year's costs through the surcharge. It encompasses all of the previous year's revenues and expenses and shows the calculation of the under/(over) collection as well as the calculation to either (credit) or charge customers

for the (over)/under collection in the previous year. It is supported by a sheet showing monthly revenue/expense calculations and a sheet outlining the previous year's customer consumption by month. The end result of the calculations in Section 1 is a rate per thousand gallons which reflects (over)/under recovery of the previous year's actual expense.

- Section 2 – Estimated Payments/Expense for the Applicable Year – This section estimates the payments and credits that will occur in the applicable year. It includes the cost of the CAP water associated with the expected delivery of the scheduled amount of CAP water in that year, the capital charge for the entire allocation of 8,909 acre feet as required by the CAP Subcontract, and the cost or (credit) associated with storing CAP water underground.
- Section 3 – Total Estimated Increased Expense – This section uses the total from Section 2 and removes the amount of CAP expense approved in Decision Number 74568 to arrive at a total estimated increased expense.
- Section 4 – Current Year Per Kgal Calculation – This section uses the total from Section 3 and divides it across a projected level of consumption based on the same period from the prior year (to be the test year consumption of 1,784,344 kgals in the first year of the CAP Surcharge) to arrive at a rate per thousand gallons for the current year's expenses.
- Section 5 – Total Monthly Surcharge Per Kgal – This section sums the two components of the CAP Surcharge, the previously (over)/under collected amount reflected as a rate per kgal and the current year expense reflected as a rate per kgal – the summation of Sections 1 and 4.

V. Reporting

The Company shall file its first surcharge request by January 31, 2016 to be effective on March 1, 2016.

On or before January 31st of each year thereafter CCWC will submit to the Commission as a compliance item a report showing its collections under the CAP Surcharge that includes a calculation of any under/(over) recovery with detail showing each component's contribution to the change in balance from the prior year. This will be in a form similar to the attached exhibit.

Chaparral City Water Company

CAP Surcharge

Calculation Sample

Chaparral City Water Company

CAP Surcharge Update

Recovery Target and Tariff Calculations

Data as of 12/31/15

		Chaparral City Water Co.	
1 - Prior Year Under/(Over) Recovery			
2015 Annual Costs		\$ 1,339,201	
2015 Surcharge Revenues		\$ -	
CAP Expense In Base Rates		<u>\$ (1,116,879)</u>	
2015 (Over) Under Collected			\$ 222,322
2015 Consumption (kgals)			1,802,187
Monthly Rate per 1,000 gal. - Previous Years			<u><u>\$ 0.1234</u></u>
2 - Estimated Payments/Expense for 2016			
<u>CAP Payments</u>	<u>2016 Rates</u>	<u>Acre Feet Allocation</u>	
M&I Delivery Rate	\$ 161	7,375 b	\$ 1,187,375
Capital Charge Rate	\$ 23	8,909 c	\$ 204,907
Storage (Credit) or Expense	\$ (16)	917 d	<u>\$ (14,672)</u>
Total			<u>\$ 1,377,610</u>
3 - Total Estimated Increased Expense			
Projected 2016 Expense Recovery Total		\$ 1,377,610	
CAP Expense In Base Rates		<u>\$ (1,116,879)</u>	
Difference		\$ 260,731	
4 - Current Year Per Kgal Calculation			
Total 2016 Recovery Target		\$ 260,731	
Projected Consumption (kgals)		1,802,187	a
Monthly Rate per 1,000 gal. - Current		<u>\$ 0.1447</u>	
5 - Total Monthly Charge Per Kgal			
Monthly Rate per 1,000 gal. - TOTAL		<u><u>\$ 0.2681</u></u>	

- a Prior year's consumption.
- b Total acre feet ordered for 2016.
- c Total allocation.
- d All 917 acre feet are scheduled to be stored at the MWD GSF and earn a credit of the contract rate per acre foot.

Numbers Are For Illustrative Purposes Only

Chaparral City Water Company CAP Surcharge Reconciliation 2015 Revenue and Expense

	2015												Totals	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
Surcharge Revenue *	96,490	96,490	96,490	96,490	96,490	96,490	96,490	96,490	96,490	96,490	96,490	96,490	96,490	1,157,875
M&I	-	-	-	-	-	-	-	-	-	-	-	-	-	195,998
Cap Charges	-	-	(1,834)	(1,834)	(1,834)	(1,834)	(1,834)	(1,834)	(1,834)	(1,834)	(1,834)	(1,834)	(1,834)	(14,672)
Underground Storage (Credit) or Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAP Credit for prior year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expense / Annual Costs	96,490	96,490	94,656	94,656	192,655	94,656	94,656	94,656	94,656	192,655	96,490	96,490	96,490	1,339,201

* Note - The surcharge will not be in effect in 2015, thus no revenues are shown. In future years this field will be populated with actual surcharge revenues.

Numbers Are For Illustrative Purposes Only

**Chaparral City Water Company
CAP Surcharge**

Prior Year's Consumption												TOTAL
2015												2015
January	February	March	April	May	June	July	August	September	October	November	December	
150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	1,802,187
Total Consumption												

Note - The annual surcharge calculation will be based on the previous year's actual consumption and this table will display the actual monthly consumption. The 2015 annual consumption amount listed above is for illustrative purposes only and displayed evenly throughout the year.