

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION C

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**COMMISSIONERS**

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

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Arizona Corporation Commission

DOCKETED

SEP 2 2014

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DOCKETED BY

DOCKET NO. W-01445A-11-0310

IN THE MATTER OF THE APPLICATION OF  
 ARIZONA WATER COMPANY, AN  
 ARIZONA CORPORATION, FOR A  
 DETERMINATION OF THE FAIR VALUE OF  
 ITS UTILITY PLANT AND PROPERTY, AND  
 FOR ADJUSTMENTS TO ITS RATES AND  
 CHARGES FOR UTILITY SERVICE  
 FURNISHED BY ITS EASTERN GROUP AND  
 FOR CERTAIN RELATED APPROVALS.

**CERTIFICATION OF CUSTOMER  
NOTICE – SYSTEM IMPROVEMENT  
BENEFITS SURCHARGE**

**ORIGINAL**

Decision No. 73938 of the Arizona Corporation Commission entered on June 27, 2013 in the above-captioned matter directed Arizona Water Company to notify its customers of any System Improvement Benefits ("SIB") surcharge at least 30 days prior to such SIB surcharge becoming effective. On July 30, 2014, the Commission issued Decision No. 74590 approving a SIB surcharge for Arizona Water Company's Cochise system.

IT IS HEREBY CERTIFIED THAT on or before September 2, 2014, Arizona Water Company notified each of its Cochise customers of the SIB surcharge approved in Decision No. 74590 by means of a billing insert. A copy of the notice is attached hereto as Exhibit A.

RESPECTFULLY SUBMITTED this 2nd day of September, 2014.

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ARIZONA WATER COMPANY

By:  \_\_\_\_\_

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1 **ORIGINAL** and thirteen (13) copies of the foregoing filed this 2nd day of September, 2014, with:

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

6 **COPY** of the foregoing hand-delivered this 2nd day of September, 2014, to:

7 Lyn Farmer, Chief Administrative Law Judge  
8 Hearing Division  
9 Arizona Corporation Commission  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

12 Steven M. Olea, Director  
13 Utilities Division  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

17 Janice Alward, Chief Counsel  
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1 COPY of the foregoing e-mailed and/or mailed this 2nd day of September, 2014, to:

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# **EXHIBIT A**



## NOTICE OF SYSTEM IMPROVEMENT BENEFITS SURCHARGE

Arizona Water Company has completed a variety of water system improvements to maintain safe, adequate and reliable water service to its customers. Many of these improvements involve replacing aging water distribution system infrastructure such as water mains and service connections. Replacing aging infrastructure improves water quality, flow and reliability, including fire protection, and helps conserve water by reducing the number of water system leaks and breaks. Recently, Arizona Water Company completed improvement projects at a cost of \$570,000 in its Cochise division, including:

<u>Description of Improvement Project</u>	<u>Total Cost</u>
• Installed 1,778 feet of 6-inch water main, 23 service connections and a public fire hydrant on Bowers and Marie Streets.	\$123,000
• Installed 770 feet of 6-inch water main and 11 service connections on Ocotillo Street.	\$83,500
• Installed 1,459 feet of 4-inch water main and 17 service connections on Ledge Avenue, Quality Road and alleys.	\$134,000
• Installed 850 feet of 8-inch water main, 75 feet of 6-inch water main, 11 service connections and 2 public fire hydrants on Cole Avenue.	\$174,500
• Installed 287 feet of 6-inch water main and 3 service connections on Church Street.	\$55,000

On July 30, 2014, the Arizona Corporation Commission issued Decision No. 74590 in Docket No. W-01445A-11-0310 authorizing the implementation of a System Improvement Benefits surcharge to recover a portion of these improvement costs.

**What is a System Improvement Benefits surcharge?** The Arizona Corporation Commission approved the System Improvement Benefits mechanism in Decision No. 73938, dated June 27, 2013. The System Improvement Benefits mechanism is a surcharge on customers' water bills to recover a portion of the costs associated with distribution system improvements that have been completed and placed in service. Eligible costs are limited to projects that replace existing aging and failing infrastructure. The System Improvement Benefits mechanism also includes important customer protections, such as limiting surcharge revenues to no more than five percent of total revenues in any year, and an Efficiency Credit equal to five percent of the System Improvement Benefits mechanism revenues.

**What are the benefits of the System Improvement Benefits mechanism?** Replacing aging and failing infrastructure improves water quality, flow and reliability, including fire protection, and helps conserve water by reducing the number of water system leaks and breaks. The System Improvement Benefits mechanism also protects customers by gradually spreading over time the costs of replacing aging and failing water system infrastructure, thereby avoiding drastic increases in water bills.

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**How much is the surcharge?** The Arizona Corporation Commission has approved the following monthly System Improvement Benefits surcharge and Efficiency Credit for each listed customer meter size:

<u>Meter Size</u>	<u>Monthly Gross Surcharge</u>	<u>Monthly Efficiency Credit</u>	<u>Monthly Net Surcharge</u>
5/8 x 3/4-inch	\$0.86	-\$0.04	\$0.82
1-inch	\$2.15	-\$0.10	\$2.05
1 1/2-inch	\$4.30	-\$0.20	\$4.10
2-inch	\$6.88	-\$0.32	\$6.56
3-inch	\$13.76	-\$0.64	\$13.12
4-inch	\$21.50	-\$1.00	\$20.50
6-inch	\$43.00	-\$2.00	\$41.00
8-inch	\$68.80	-\$3.20	\$65.60
10-inch	\$98.90	-\$4.60	\$94.30

**How can I get more information?** You can get more information on the System Improvement Benefits mechanism, Arizona Water Company's infrastructure improvement plan, and the System Improvement Benefits surcharge by calling our local office in Bisbee at (520) 432-5321, or in Sierra Vista at (520) 458-5660.