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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission
DOCKETED
DEC 18 2014

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES LLC FOR AN
INCREASE IN ITS WATER AND
WASTEWATER RATES FOR CUSTOMERS
WITHIN PINAL COUNTY, ARIZONA, RE
CAGRD ADJUSTOR FEES

DOCKET NO. WS-02987A-08-0180
DECISION NO. 74861
ORDER

Open Meeting
December 11 and 12, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On October 27, 2014, pursuant to Decision No. 71854 (August 24, 2010), and as modified by Decision No. 73284 (July 30, 2012) and Decision No. 74701 (August 21, 2014), Johnson Utilities L.L.C. ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGRD") adjustor fees.

2. Decision No. 71854 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGRD for replenishment of excess groundwater. The conditions, as modified by Decision No. 73284, require the Company to submit, by October 25 of each year, for Commission consideration, its proposed CAGRD fees for the next twelve-month period (along with documentation from the relevant state agencies to support the ...

1 calculations), to apply to all water sold after December 1.¹ Accordingly, the Company made the
2 instant filing.

3
4 **Background**

5 3. The CAGR D was established by the Arizona Legislature to serve as a groundwater
6 replenishment entity for its members, and it provides a mechanism for designated water supply
7 providers such as Johnson to demonstrate a 100-year water supply. Members pay the CAGR D to
8 replenish groundwater pumped by the member that exceeds the specified pumping limits. The
9 CAGR D is recognized as an important tool in Arizona's groundwater conservation efforts.

10
11 **Calculation of the CAGR D Adjustor Fees**

12 4. Decision No. 71854 specified nine conditions regarding the CAGR D adjustor.
13 Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees paid
14 by the Company for the most current year . . . shall be divided by the gallons sold by the Company in
15 that year to determine a CAGR D adjustor fee per 1,000 gallons."²

16 5. Condition Nos. 2 and 3 ordered that the Company "place all CAGR D monies
17 collected from customers in a separate, interest bearing account," only to be withdrawn for the annual
18 payment to the CAGR D, due on October 15 of each year.³ Decision No. 74701 revised Decision No.
19 71854 in regard to the segregation of CAGR D funds: "In the event of a shortfall, the Company shall
20 only reimburse itself by withdrawing each month from the CAGR D Account (sic) an amount not to
21 exceed 1/12th of the shortfall advanced by the Company until the full amount of any advance has been
22 returned to the Company."⁴

23 6. In addition, although the order did not contain an explicit provision for a true-up, the
24 parties were in agreement that such an annual true-up would occur at the time of the adjustor reset

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27 ¹ Decision No. 73284, page 3, lines 2 - 8.

28 ² Decision No. 71854, page 38, lines 22 - 26.

³ Decision No. 71854, page 38, lines 12 - 16.

⁴ Decision No. 74701, page 2, lines 14 - 16.

1 each year. This understanding was confirmed by the Commission's provision for a true-up in
2 Decision No. 72634.⁵

3 **Pinal AMA**

4 7. On October 27, 2014, Johnson filed for the reset of CAGR D adjustor fees for both
5 the Phoenix AMA and the Pinal AMA. On November 24, 2014, the Company acknowledged that the
6 2013 CAGR D invoice for the Pinal AMA has been revised. The Company indicated that it intends to
7 recalculate its proposed adjustor fee for the Pinal AMA and submit that portion of its application at a
8 later date. Staff will need to assess the revised information before making a specific recommendation
9 related to the revised Pinal CAGR D rate.

10 **Phoenix AMA**

11 **True-up**

12 8. The 2012 CAGR D invoice for the Phoenix AMA replenishment assessment was
13 \$3,785,764.72. The Company reports that collections and interest as of September 30, 2014, total
14 \$4,199,332.54.⁶

15 9. This true-up calculation indicates an under-collection of approximately \$189,657.47 as
16 follows:

17	a.	2011 under-collection of CAGR D fee	\$ 223,910.35
18			
19	b.	2012 CAGR D invoice	\$3,785,765.72
20	c.	Less: Collections and interest through September, 2014	<u>\$4,199,332.54</u>
21			
22	d.	2012 CAGR D over-collection [A+B-C]	\$ <u>(189,657.47)</u>

23 ...
24 ...
25 ...

27 ⁵ Decision No. 72634, page 4, line 19 through page 5, line 10.

28 ⁶ Company's application dated October 27, 2014.

1 **Adjustor Fee**

2 10. The 2013 CAGR D invoice for Johnson’s Phoenix AMA totals \$4,176,509.30. The
3 Company’s 2013 annual report as submitted to the Arizona Department of Water Resources
4 (“ADWR”) indicates annual water sales (in 1,000 gallons) of 2,478,226.

5 11. Staff’s calculation of the new CAGR D adjustor fee is shown below. The fee is
6 \$1.61.

7	a.	2013 CAGR D invoice	\$ 4,176,509.30
8	b.	Less 2012 over-collection	\$ (189,657.47)
9	c.	Amount to be recovered	\$ 3,986,851.83
10		[A+B]	
11	d.	Total 1,000 gallons sold in 2013	<u>2,478,226</u>
12	e.	Charge per 1,000 gallons [C÷D]	\$ <u>1.61</u>

14
15 **Conclusions and Recommendations**

16 12. Staff concludes that the Company has duly filed a sufficient request to revise the
17 CAGR D adjustor fee, as required by Decision No. 73284.

18 13. Staff recommends approval of the CAGR D adjustor fee for the Phoenix AMA as
19 described herein.

20 14. Staff recommends that the Company file, within 7 days of a Decision in this matter,
21 the Phoenix AMA CAGR D adjustor fee tariff consistent with the rate approved herein.

22 15. Staff recommends that the Company notify its customers of the Phoenix AMA
23 CAGR D adjustor fee tariff approved herein in the first bill in which this fee appears.

24 16. Staff recommends that the CAGR D adjustor fee authorized herein become effective
25 for all billings after December 1, 2013.

26 17. Staff recommends that the Company apply for a reset of the CAGR D adjustor fees
27 for the Pinal AMA within 30 days of the effective date of this order.

28 ...

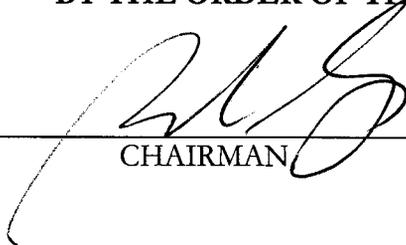
1 IT IS FURTHER ORDERED that Johnson Utilities L.L.C. docket with the Commission as a
2 compliance matter, within seven (7) days of the effective date of this Decision, Phoenix AMA
3 CAGR D adjustor fee tariff consistent with the rate approved herein.

4 IT IS FURTHER ORDERED that Johnson Utilities L.L.C. shall notify its customers of the
5 Phoenix AMA CAGR D adjustor fee approved herein in the first bill in which this fee appears.

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

7

8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

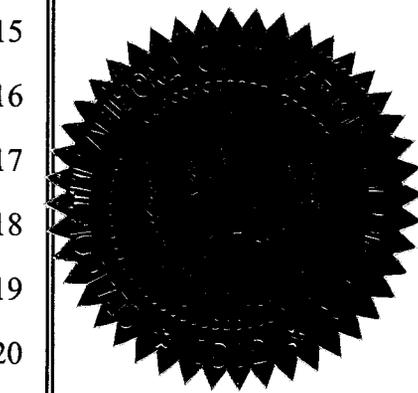
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CHAIRMAN


COMMISSIONER

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COMMISSIONER


COMMISSIONER


COMMISSIONER



15 IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of
16 the Arizona Corporation Commission, have hereunto, set my hand and
17 caused the official seal of this Commission to be affixed at the Capitol,
in the City of Phoenix, this 18th day of
December, 2014.

18
19 
JODI JERICH
EXECUTIVE DIRECTOR

21
22 DISSENT: _____

23
24 DISSENT: _____

25 SMO:JK:sms\RRM

26

27

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