

OPEN MEETING



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MEMORANDUM

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Arizona Corporation Commission

2015 JAN 22 P 4: 50

TO: THE COMMISSION

DOCKETED

FROM: Utilities Division

JAN 22 2015

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DATE: January 22, 2015

DOCKETED BY

ORIGINAL

RE: 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. (DOCKET NO. WS-02987A-08-0180)

SUBJECT: Proposed CAGR D adjustor fees.

I. Introduction

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 ("CAGR D") adjustor fees.

Decision No. 71854 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGR D for replenishment of groundwater. The conditions, as modified by Decision No. 73284, require the Company to submit, by October 25 of each year for Commission consideration, the proposed CAGR D fees for the next twelve-month period (along with documentation from the relevant state agencies to support the calculations), to apply to all water sold after December 1.¹ The Company made an initial filing on October 27, 2014, requesting the adjustor reset for usage billed in 2015. On December 22, 2014, Johnson amended its application for the Pinal Active Management Area ("AMA,") restating the request for a CAGR D reset. The revised bill from CAGR D included previously-unapplied offsets against the Company's replenishment obligation.

II. Background

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

III. Calculation of the CAGR D Adjustor Fees

Decision No. 71854 specified nine conditions regarding the CAGR D adjustor. Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees paid by the

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

Company for the most current year . . . shall be divided by the gallons sold by the Company in that year to determine a CAGR D adjustor fee per 1,000 gallons.”²

Condition Nos. 2 and 3 ordered that the Company “place all CAGR D monies collected from customers in a separate, interest bearing account,” withdrawals to be made only to pay the annual CAGR D fee due on October 15 of each year.³ Decision No. 74701 revised Decision No. 71854 in regard to the segregation of CAGR D funds: “In the event of a shortfall, the Company shall only reimburse itself by withdrawing each month from the CAGR D Account an amount not to exceed 1/12th of the shortfall advanced by the Company until the full amount of any advance has been returned to the Company.”⁴

Although Decision No. 71854 did not contain an explicit provision for a true-up, the parties were in agreement that such an annual true-up would occur at the time of the adjustor reset each year. This understanding was confirmed by the Commission’s provision for a true-up in Decision No. 72634.⁵

Pinal AMA

On October 27, 2014, Johnson filed for the reset of CAGR D adjustor fees for both the Phoenix AMA and the Pinal AMA. The CAGR D reset for the Phoenix AMA was approved by Decision No. 74861 on December 18, 2014. On November 24, 2014, the Company acknowledged that the 2013 CAGR D invoice for the Pinal AMA had been revised. The Company recalculated its proposed adjustor fee for the Pinal AMA and filed the amended application on December 22, 2014. Staff has reviewed the revised information before making a specific recommendation related to the revised Pinal CAGR D rate. The current CAGR D fee for the Pinal AMA is \$0.43 per 1,000 gallons.

True-up

The 2012 CAGR D invoice for the Pinal AMA annual replenishment assessment was \$117,186.84. The Company reports that collections and interest as of September 30, 2014, total \$137,126.44.⁶ This true-up calculation indicates an over-collection of approximately \$22,658.08 as follows:

a.	2011 over-collection of CAGR D invoice	\$ (2,545.07)
b.	2012 CAGR D invoice	117,186.64
c.	Less: Collections and interest through September, 2014	<u>137,299.65</u>
d.	2012 CAGR D over-collection [A+B-C+D]	<u>\$ (22,658.08)</u>

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.

⁵ Decision No. 72634, page 4, starting on line 19 and continuing through page 5, line 10.

⁶ Company’s application dated December 22, 2014.

Adjustor Fee

The 2013 CAGR D invoice for Johnson's Pinal AMA totals \$99,681.03. The Company's 2013 annual report as submitted to the Arizona Department of Water Resources ("ADWR") indicates annual water sales of 282,430 (1,000 gallons).

Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$0.27.

a.	2013 CAGR D invoice	\$ 99,681.03
b.	Less over-collection from 2012	<u>(22,658.08)</u>
c.	Amount to be recovered [A+B]	77,022.95
d.	Total sold in 2012 (1,000 gallons)	<u>282,430</u>
e.	Charge per 1,000 gallons[C ÷ D]	<u>\$ 0.27</u>

VI. Conclusions and Recommendations

Staff concludes that the Company has duly filed a sufficient request to revise the CAGR D adjustor fee of the Pinal AMA, as required by Decision No. 73284 and modified by Decision 74701.

Staff recommends approval of the CAGR D adjustor fee for the Pinal AMA as described herein.

Staff recommends that the Company file, within 7 days of a Decision in this matter, a CAGR D adjustor fee tariff for the Pinal AMA consistent with the rates approved herein.

Staff recommends that the Company notify its customers of the CAGR D adjustor fee tariff approved herein within 30 days from the effective date of the Decision.

Staff recommends that the CAGR D adjustor fees for the Pinal AMA authorized herein become effective for all water sold after February 1, 2015.

Steven M. Olea
Director
Utilities Division



SMO:JK:sms\RRM

Originator: Jorn Keller

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BEFORE THE ARIZONA CORPORATION COMMISSION

- SUSAN BITTER SMITH
Chairman
- BOB STUMP
Commissioner
- BOB BURNS
Commissioner
- DOUG LITTLE
Commissioner
- TOM FORESE
Commissioner

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
CAGR D ADJUSTOR FEES

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

Open Meeting
February 3 and 4, 2015
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 ("CAGR D") 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 CAGR D 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 CAGR D 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 On December 22, 2014, Johnson amended
2 its application for the Pinal Active Management Area (“AMA”), restating the request for a CAGR
3 reset. CAGR had issued a revised invoice, reducing the Company’s obligation.

4 Background

5 3. The CAGR 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 to
8 replenish groundwater pumped by the member that exceeds the specified pumping limits. The
9 CAGR is recognized as an important tool in Arizona’s groundwater conservation efforts.

10 Calculation of the CAGR Adjustor Fees

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

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

22 6. In addition, although the order did not contain an explicit provision for a true-up, the
23 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 7. The Company proposes a rate of \$0.27 per 1,000 gallons for its Pinal AMA. Staff has
4 reviewed the Company's proposed calculations and the supporting documentation submitted with its
5 request. Staff agrees with the methodology employed by the Company to calculate the true-up and
6 the proposed adjustor rate.

7 **Pinal AMA**

8 On October 27, 2014, Johnson filed for the reset of CAGR D adjustor fees for both the
9 Phoenix AMA and the Pinal AMA. The CAGR D reset for the Phoenix AMA was ordered by
10 Decision No. 74861 on December 18, 2014. On November 24, 2014, the Company acknowledged
11 that the 2013 CAGR D invoice for the Pinal AMA had been revised. The Company recalculated its
12 proposed adjustor fee for the Pinal AMA and filed the amended application on December 22, 2014.
13 Staff has reviewed the revised information before making a specific recommendation related to the
14 revised Pinal CAGR D rate.

15 The current CAGR D fee for the Pinal AMA is \$0.43 per 1,000 gallons.

16 **True-up**

17 The 2012 CAGR D invoice for the Pinal AMA replenishment assessment was \$117,186.64.
18 The Company reports that collections and interest as of September 30, 2014, total \$137,126.44.⁶

19 This true-up calculation indicates an over-collection of approximately \$22,658.08 as follows:

20	a.	2011 over-collection of CAGR D fee	\$ (2,545.07)
21			
22	b.	2012 CAGR D invoice	117,186.64
23	c.	Less: Collections and interest through September, 2014	137,126.44
24			
25	d.	2012 CAGR D over- collection [A+B-C]	\$ <u>(22,658.08)</u>
26			

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

28 ⁶ Company's application dated December 22, 2014.

1 **Adjustor Fee**

2 8. The revised 2013 CAGR D invoice for Johnson's Pinal AMA totals \$99,681.03. The
3 Company's 2013 annual report as submitted to the Arizona Department of Water Resources
4 ("ADWR") indicates annual water sales of 282,430 (1,000 gallons).

5 9. Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$0.27.

6	a.	2013 CAGR D invoice	\$ 99,681.03
7	b.	Less 2012 over-collection & rate	\$ <u>(22,658.08)</u>
8		adjustment	
9	c.	Amount to be recovered [A+B]	\$ 77,022.95
10	d.	Total sold in 2013 (1,000	<u>282,430</u>
11		gallons)	
12	e.	Charge per 1,000 gallons	\$ <u>0.27</u>
13		[C ÷ D]	

15 **Conclusions and Recommendations**

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

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

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

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

24 14. Staff recommends that the CAGR D adjustor fee authorized herein become effective
25 for all billings after February 1, 2015.

26 15. We find that Staff's recommendations are reasonable and should be adopted.

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CONCLUSIONS OF LAW

1. The Company is a public water service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

2. The Commission has jurisdiction over the Company and the subject matter of the application.

3. Approval of the proposed Pinal AMA CAGR D adjustor fee is consistent with the Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

4. It is in the public interest to approve the Company's request for implementation of the Pinal AMA CAGR D adjustor fee as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the application by Johnson Utilities L.L.C. to implement a new CAGR D adjustor fee for the Pinal AMA is approved for all customer billings for water sold after February 1, 2015.

IT IS FURTHER ORDERED that the CAGR D adjustor fee for Johnson Utilities L.L.C. shall be \$.27 per 1,000 gallons for the Pinal AMA.

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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, the Pinal AMA
3 CAGRD 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 CAGRD 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.

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

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CHAIRMAN COMMISSIONER

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COMMISSIONER COMMISSIONER COMMISSIONER

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IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of
the Arizona Corporation Commission, have hereunto, set my hand and
caused the official seal of this Commission to be affixed at the Capitol,
in the City of Phoenix, this _____ day of
_____, 2015.

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JODI JERICH
EXECUTIVE DIRECTOR

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DISSENT: _____

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DISSENT: _____

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SMO:JK:sms\RRM

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