

ORIGINAL



0000161901

RECEIVED
MEMORANDUM
AZ CORP COMMISSION
DOCKET CONTROL

2015 SEP 8 PM 4:20

TO: Docket Control Center

FROM: Thomas M. Broderick
Director
Utilities Division

DATE: September 8, 2015

RE: STAFF REPORT FOR THE COMMISSION INQUIRY CONCERNING
POSSIBLE SOLUTIONS AND FUNDING MECHANISMS FOR SMALL
WATER COMPANIES, DOCKET NO. W-00000C-15-0250

Attached is the Staff Report for the Arizona Corporation Commission's Inquiry Concerning Possible Solutions and Funding Mechanisms for Small Water Companies, Docket No. W-00000C-15-0250.

TMB:JL:VW:red

Originator: Vicki Wallace

Arizona Corporation Commission
DOCKETED
SEP 08 2015

DOCKETED BY
TV

SERVICE LIST FOR: Arizona Corporation Commission – Generic Investigation
DOCKET NO. W-00000C-15-0250

Mr. G. Robert Frisby
Beaver Dam Water Company, Inc.
PO Box 550
Littlefield, Arizona 86432

Mr. Jason Williamson
Pivotal Companies
c/o Bensch Ranch Utilities, Coronado
Utilities, Navajo Water Co., Inc., Payson
Water Company, Pine Meadows Utilities,
LLC, Rainbow Parks, Inc., The Links at
Coyote Wash Utilities, LLC, Tonto Basin
Water Co., Inc., Verde Santa Fe Wastewater
7581 East Academy Boulevard, Suite 229
Denver, Colorado 80230

Mr. Terry Theken
Greenehaven Sewer Company, Inc. and
Greenehaven Water Company
PO Box 5122
Greenehaven, Arizona 86040

Mr. Chris Civer
Lake Pleasant Sewer Company and Lake
Pleasant Water Company
2390 East Camelback Road, Suite 310
Phoenix, Arizona 85016

Mr. Steve Soriano
Robson Companies
c/o Lago Del Oro Water; Mountain Pass
Utility Company; Picacho Sewer Company;
Picacho Water Company; Pima Utility
Company; Quail Creek Water Company;
Ridgeview Utility Company; Saddlebrooke
Water Company; Santa Rosa Utility Company,
and Santa Rosa Water Company
9532 East Riggs Road
Sun Lakes, Arizona 85248

Ms. Heather Pugsley
Seven Canyons Water Treatment Company
755 Golf Club Way
Sedona, Arizona 86336

Ms. Nancy Miller
Sunstate
c/o Arizona Windsong Realty, Inc.; Citrus
Park Water Co.; El Prado Water Company,
Inc.; Green Acres Water Company;
Rancheros Bonitos Water Co., LLC; Tacna
Water Management Company, and Tierra
Mesa Estates Water Co.
4743 East 30th Place
Yuma, Arizona 85365

Mr. Jon P. Coulter
Woodruff Water Company, Inc. and
Woodruff Utility Company, Inc.
17207 North Perimeter Drive, Suite 200
Scottsdale, Arizona 85255

Mr. Paul Juhl
Southwestern Utility Management
c/o A. Petersen Water Company, Inc.; Anway
Manville LLC Water Company; Cedar Grove
Water, Inc.; Chaparral Water Properties, Inc.;
Clear Springs Utility Company; East Slope
Water Company; Francesca Water Company;
Goodman Water Company; Halcyon Acres
Annex #2 Water Co., Inc.; La Casita Water
Company, Inc.; Mescal Lakes Water Systems
Inc.; Mirabell Water Company, Inc.; Mountain
Glen Water Service, Inc.; Naco Water
Company, LLC; Park Water Company, Inc.;
Sandario Water Company; Sonoita Valley
Water Company; Southland Utilities
Company; Starlight Water Co.; Thim Utility
Co.; Thim Water Corporation; Valle Verde
Water Company; Vernon Valley Water, Inc,
and WATCO, Inc.
PO Box 364
Overgaard, Arizona 85933

Mr. Roy Archer
Ajo Improvement Company
PO Drawer 9
Ajo, Arizona 85321

Mr. Dick Lockwood
Baca Float Water Company
PO Box 1536
Tubac, Arizona 85646

Mr. Gary Biasi
Biasi Water Company, Inc.
PO Box 518
Beaver Dam, Arizona 86432

Mr. Andrew Stokes
Cloud Nine Water Company, Inc.
96 Bel Aire Place, Suite 140
Sierra Vista, Arizona 85635

Mr. Leonard Mardian
Double Diamond Utilities, Inc.
3636 North Central Avenue, Suite 700
Phoenix, Arizona 85012

Ms. Sheryl Hubbard
EPCOR Water Arizona, Inc. and Chaparral
City Water Company
2355 West Pinnacle Peak Road, Suite 300
Phoenix, Arizona 85027

Mr. Charles Bush
Fisher's Landing Water & Sewer Works, LLC
PO Box 72188
Yuma, Arizona 85365

Mr. Michael Saunders
Francisco Grande Utility Company
12684 West Gila Bend Highway
Casa Grande, Arizona 85193

Mr. George Johnson
Johnson Utilities, LLC
5230 East Shea Boulevard, Suite 200
Scottsdale, Arizona 85254

Mr. Randy Sosin
Oak Creek Utility Corporation
PO Box 1796
Sedona, Arizona 86339

Mr. Mark Weinberg
Red Rock Utilities, LLC and Spanish Trail
Water Co.
2200 East River Road, Suite 115
Tucson, Arizona 85718

Mr. James Thomson
Rio Verde Utilities, Inc.
25609 North Danny Lane, Suite 1
Rio Verde, Arizona 85263

Mr. David Rall
Sunrise Utilities, LLC
190 East Mesquite Boulevard, Unit A
Mesquite, Nevada 89027

Mr. Rafe Cohen
Sunrise Vistas Utilities Company
PO Box 8555
Ft. Mohave, Arizona 86427

Mr. Ron Bunce
Equity Lifestyle Properites, Inc.
MHC Operating Limited Partnership dba The
Sedona Venture Water Company
2 North Riverside Plaza, Suite 800
Chicago, Illinois 60606

Mr. Lonnie Mc Cleve
Utility Source, LLC
20525 East Chandler Heights Road
Queen Creek, Arizona 85142-9500

Mr. Kevin Tarbox
Willow Springs Utilities, LLC
3275 West Ima Road, Suite 275
Tucson, Arizona 85741

Mr. Kevin Larson
Abra Water Company, Inc.
PO Box 515
Paulden, Arizona 86334

Mr. Jim West
ACME Water, LLC
365 East Coronado Road, Suite 200
Phoenix, Arizona 85004-1560

Mr. David Schofield
Adaman Mutual Water Company
16251 West Glendale Avenue
Litchfield Park, Arizona 85340

Ms. Victoria Bonnet
Aguila Water Services, Inc.
PO Box 1086
Sun City, Arizona 85372

Mr. Arden Barney
Antelope Lakes Water Company; Chino
Meadows II Water Company, and Granite
Mountain Water Company
PO Box 350
Chino Valley, Arizona 86323

Mr. Tristan Wright
Antelope Water Company
PO Box 843
Wellton, Arizona 85356

Mr. Joseph Cordovana
Appaloosa Water Company
PO Box 3150
Chino Valley, Arizona 86323

Ms. Patti Jent
Arivaca Townsite Cooperative Water
Company, Inc.
PO Box 398
Arivaca, Arizona 85601

Mr. William M. Garfield
Arizona Water Company and Golden
Corridor Water Company
PO Box 29006
Phoenix, Arizona 85038-9006

Mr. Lewis Hume
Ash Fork Development Association, Inc.
PO Box 436
Ash Fork, Arizona 86320-0436

Ms. Carol Gonzales
Ashcreek Water Company; Carter Water
Company; and Lyn-Lee Water Company
PO Box 825
Thatcher, Arizona 85552

Mr. Blaine Bilderback
Aubrey Water Company
PO Box 961050
Ft. Worth, Texas 76161

Mr. Norm Baker
AVM-2005, LLC
6263 North Scottsdale Road, Suite 265
Scottsdale, Arizona 85250

Ms. Cathy Kuefler
Avra Water Co-op, Inc.
11821 West Picture Rocks Road
Tucson, Arizona 85743

Mr. Ron Fleming
Global Water Resources, Inc.
c/o Balterra Sewer Corp.; Global Water –
Palo Verde Utilities; Global Water –
Picacho Cove Utilities Company, Inc.; Global Water –
Picacho Cove Water Company, Inc.; Global
Water – Santa Cruz Water Company, Inc.;
Hacienda Acres Water System; Hassayampa
Utility Company; Valencia Water; Water
Utility of Greater Tonopah; Water Utility of
Northern Scottsdale; and Willow Valley Water
Company
21410 North 19th Avenue, Suite 220
Phoenix, Arizona 85027

Ms. Judy A. Lopez
Beardsley Water Company and Turner
Ranches Water & Sanitation Co.
c/o First National Management
PO Box 1020
Apache Junction, Arizona 85217-1020

Mr. Greg Sorensen
Liberty Water Company
c/o Bella Vista Water; Black Mountain Sewer;
Entrada Del Oro Sewer Company; Gold
Canyon Sewer; Litchfield Park Service
Company; and Rio Rico Utilities
12725 West Indian School Road, Suite D101
Avondale, Arizona 85392

Ms. Klaudia Ness
Bellemont Water Company
PO Box 31176
Flagstaff, Arizona 86003

Ms. Wendy Barnett
Bermuda Water Company; Perkins Mountain
Water Company, and Perkins Mountain
Utility Company
1240 East State Street, Suite 115
Pahrump, Nevada 89048

Mr. Don Ross
Berneil Water Company and Cordes Lakes
Water Company
PO Box 219
Tempe, Arizona 85280-0219

Ms. Karen A. Samuel
Bidegain Water Company
c/o Samuel Accounting Services
247 South Hill Street
Globe, Arizona 85501

Mr. Steve Gudovic
Big Park Water Company and Little Park
Water Company
45 Castle Rock Road, Suite 4
Sedona, Arizona 86351

Mr. Ken Nagy
Bonita Creek Land & Homeowners'
Association
251 Big Al's Run
Payson, Arizona 85541

Ms. Susanne Knight
Boynton Canyon Enchantment Homeowners
Association Water Utility Company
525 Boynton Canyon Road
Sedona, Arizona 86336

Mr. Tim Kylo
Kyllo Development Corp. dba Bradshaw
Mountainview Water Company and
Humboldt Water Systems, Inc.
PO Box 10593
Sedona, Arizona 86339

Mr. Don Bohlier
Bradshaw Water Company
PO Box 12758
Prescott, Arizona 86304

Mr. Robert T. Hardcastle
Brooke Water, LLC and Circle City Water
Company, LLC
PO Box 82218
Bakersfield, California 93380

Mr. Dallas C. Gant, Jr.
Caballeros Water Company, Inc.
1551 South Vulture Mine Road
Wickenburg, Arizona 85390

Mr. Mike Gallego
Cactus-Stellar, Ltd.
HCR 2, Box 469
Tucson, Arizona 85735

Mr. Stanley Bullard
Camp Verde Water System, Inc. and Verde
West Irrigation
PO Box 744
Camp Verde, Arizona 86322

Mr. Robert D. Gordon
Casa Grande South Water Company and Casa
Grande West Water Co., Inc.
117 E. Second Street
Casa Grande, Arizona 85222

Mr. Vernon Cardwell
C-D Oasis Water Company
1665 10th Street
Douglas, Arizona 85607

Mr. Rick Neal
Cerbat Water Company and Truxton Canyon
Water Company
7313 East Concho Drive, Suite B
Kingman, Arizona 86401

Mr. Dave Grundy
Cibola Mutual Water Company, Inc.
RR2, Box 77
Cibola, Arizona 85328

Ms. Debra Kilgore
Cienega Water Company
7804 Riverside Drive
Parker, Arizona 85344

Mr. JJ Guerin
Clearwater Utilities Co.
20441 West Cheyenne Road
Buckeye, Arizona 85326

Mr. Roger Wagner
Coldwater Canyon Water Company
PO Box 637
Black Canyon City, Arizona 85324

Mr. Arturo R. Gabaldon
Community Water Company of Green Valley
1501 South La Canada
Green Valley, Arizona 85622-1600

Ms. Linda Stevens
Dateland Public Service Co., Inc.
PO Box 3011
Dateland, Arizona 85333

Mr. Ben Thomas
Dateland Water LLC
PO Box 98
Anacortes, Washington 98221

Mr. Scott Wootton
Desert Valencia Water, Inc.
10826 North Sand Canyon Place
Oro Valley, Arizona 85737

Mr. Scott Gray
Diversified Water Utilities, Inc.
4700 East Thomas Road, Suite 203
Phoenix, Arizona 85018

Mr. Bill Linville
Doney Park Water
5290 East Northgate Loop
Flagstaff, Arizona 86004

Mr. Todd R. Bremner
Double R. Water Distributors, Inc.
500 Lake Havasu Avenue North, Suite C100
Lake Havasu City, Arizona 86403

Ms. Patti Wynn
DS Water Company
PO Box 786
Desert Springs, Arizona 86432

Ms. Susan E. Haas
Eagletail Water Company, L.C.
PO Box 157
Tonopah, Arizona 85354

Ms. Sebrina Davis
Eden Water Company, Inc.
9488 North Hot Springs Road
Eden, Arizona 85535

Mr. Dennis Price
Ehrenberg Improvement Association
PO Box 50
Ehrenberg, Arizona 85334-0050

Mr. James Vermilyea
Empirita Water Company, Inc.
2850 East Skyline Drive, Suite 100
Tucson, Arizona 85718

Ms. Paula Capestro
Far West Water & Sewer, Inc.
13157 East 44th Street
Yuma, Arizona 85367

Mr. Matthew Bailey
Farmers Water Co.
PO Box 7
Sahuarita, AZ 85629

Mr. Scott Gold
Flagstaff Ranch Water Co., Inc. and Mormon
Lake Water Co.
PO Box 10775
Phoenix, Arizona 85064

Ms. Patricia Ashbrook
Forest Highlands Water Company
2425 William Palmer
Flagstaff, Arizona 86001

Ms. Amanda McCord
Fort Mojave Tribal Utilities Authority
PO Box 5559
Mohave Valley, Arizona 86446

Mr. Jimmy A. Deere
Gadsden Water Company, Inc.
PO Box 519
Somerton, Arizona 85350

Ms. Linda Wayland
Golden Shores Water Company, Inc.
PO Box 37
Topock, Arizona 86436

Mr. Kirk Gray
Graham County Utilities, Inc.
PO Drawer B
Pima, Arizona 85543

Mr. Terry Williamson
Grand Canyon Caverns and Inn, LLC
PO Box 180
Peach Springs, Arizona 86434

Mr. David Crowl – DC Sampling
Grandview Water Company, Inc.
11632 South 194th Drive
Buckeye, Arizona 85326

Mr. Richard Horsley
Granite Dells Water Co.
3025 North Highway 89
Prescott, Arizona 86301

Mr. Robert Busch
Granite Oaks Water Users Association, Inc.
PO Box 4947
Chino Valley, Arizona 86323

Mr. Kal Miller
Groom Creek Water Users Association
PO Box 3897
Prescott, Arizona 86302

Mr. Rudolf H. Barsotti
Halcyon Acres Water Users Association, Inc.
PO Box 18448
Tucson, Arizona 85731-8448

Mr. Troy L. Scott
Harrisburg Utility Company, Inc.
PO Box 905
Salome, Arizona 85348

Ms. Amie Sulger
Heart Cab Co., Inc. dba Sulger Water
Company #2
2567 North Calle Segundo
Huachuca City, Arizona 85616

Mr. William F. Lesko
Heckethorn Water Company
4400 East Button Lane
Flagstaff, Arizona 86005

Ms. Susan Stroud
High Country Pines Water Company, Inc.
6033 North 4th Place
Phoenix, Arizona 85012

Ms. Barbara Dunlap
Hillcrest Water Company
915 East Bethany Home Road
Phoenix, Arizona 85014

Ms. Carol E. Cowan
Holiday Water Company and Lucky Hills
Water
PO Box 309
Tombstone, Arizona 85638

Ms. Ginny Lowe
Woody's Enterprises, Ltd. dba Ho-Tye Water
Company
580 West Wickenburg Way
Wickenburg, Arizona 85390

Mr. John W. Rueter
Hydro-Resources, Inc.
PO Box 3246
549 Camper Village
Grand Canyon, Arizona 86023

ICR Water Users Association, Inc.
PO Box 2344
Prescott, Arizona 86302-2344

Mr. William H. Johnston
Jackson Spring Estates Home and Property
Owners Association
6139 East Hermosa Vista Drive
Mesa, Arizona 85215

Mr. John D. Ratliff
Joshua Valley Utility Co.
5219 North Casa Blanca Drive, Suite 55
Paradise Valley, Arizona 85253

Ms. Judi Schuetz
Katherine Resort Water Company
7885 Quince Street
La Mesa, California 91941

Ms. Evelyn R. Thorne
Kohl's Ranch Water Company, Inc.
PO Box 206
Payson, Arizona 85547

Mr. Stan Miller
Lagoon Estates Water Company
2600 North 44th Street, Suite 203
Phoenix, Arizona 85008

Mr. Dugan McDonald
Lake Verde Water Company, Inc.
PO Box 2777
Camp Verde, Arizona 86322

Ms. Lisa Sullivan
Lakewood Water Company; Saguaro Water
Company; and Tierra Linda Homeowners
Association, Inc.
PO Box 14858
Tucson, Arizona 85732

Mr. Omar Mejia
Las Quintas Serenas Water Company
PO Box 68
Sahuarita, Arizona 85629

Mr. Robert J. Canfield
Lazy C Water Service
PO Box 1
Tucson, Arizona 85702

Mr. Rick Kautz
Livco Water Company and Livco Sewer
Company
PO Box 659
Concho, Arizona 85924

Ms. Julie Baker
Loma Estates Water Co., LLC
11620 Bella Sierra Trail
Prescott, Arizona 86305

Mr. Bevan Barney
Loma Linda Water Company
PO Box 967
Thatcher, Arizona 85552

Mr. Tom Lord
Lord Arizona Water Systems, Inc. and
Sitgreaves Water Company
PO Box 3048
Show Low, Arizona 85902

Ms. Jody Carlson
Los Cerros Water Company, Inc.
4003 North Flowing Wells Road, Suite 111
Tucson, Arizona 85705

Mr. Steven McAdams
McAdams Water Company
10434 230th Street
Delta, Iowa 52550-8545

Ms. Laura Guth
Martinez Lake Sewer Company and Shepard
Water Company
10430 North Martinez Lake Road
Yuma, Arizona 85365

Mr. Neil Petersen
McNeal Water Company
PO Box 12776
Ft. Huachuca, Arizona 85670-2776

Ms. Wendy Ferguson
Michael's Ranch Water Users' Association
1 Michaels Ranch Drive
Sedona, Arizona 86336

Mr. Robert Chris Rockwell
Mohawk Utility Company
36140 Antelope Drive
Wellton, Arizona 85356

Mr. Alfredo Rubio
Monte Vista Water Co., LLC
4762 North Rustler Place
Douglas, Arizona 85607

Ms. Patricia Olsen
Montezuma Rimrock Water Company, LLC
3031 East Beaver Creek Road
Rimrock, Arizona 86335

Mr. Peter Reznick
Mountain Dell Water, Inc.
1492 West Palmer Avenue
Flagstaff, Arizona 86005

Mr. Joseph Duarte
Mount Tipton Water Co., Inc.
PO Box 38
Dolan Springs, Arizona 86441

Mr. Bob Fletcher
New River Utility Company, Inc.
7939 West Deer Valley Road
Peoria, Arizona 85382

Mr. William E. Jackson, Jr.
Oak Creek Public Service, LLC
PO Box 103
Cornville, Arizona 86325

Mr. Jack Seeley
Oak Creek Water Co., No. 1
90 Oak Creek Boulevard
Sedona, Arizona 86336

Mr. Steve Anderson
Oatman Water Company, LLC
c/o Wilbert G. Anderson
1 East Camelback Road, Suite 1100
Phoenix, Arizona 85012

Mr. Kathleen M. Day
Orange Grove Water Company, Inc.
PO Box 889
Yuma, Arizona 85366-0889

Ms. Gail Spain
Parker Lakeview Estates Homeowners
Association, Inc.
7947 South Coronado Trail
HC1 Box 474
Elgin, Arizona 85611

Mr. Richard Darnall
Peoples Valley Water Company
PO Box 88006
Phoenix, Arizona 85080

Mr. Bill McCabe
Picacho Peak Water Company
28784 Stonehenge Drive
Chesterfield, Michigan 48047

Mr. Ed Kile
Picacho Water Improvement Corporation
6240 East Monitor
Picacho, Arizona 85141

Mr. Lance Wischmeier
Pine Valley Water Company
480 Raintree Road
Sedona, Arizona 86351

Mr. Nathan Castillo
Pinecrest Water Company, Inc.
PO Box 97
Nutrioso, Arizona 85932

Ms. Vera Hendrix
Ponderosa Utility Corporation
949 Osage
Flagstaff, Arizona 86005

Mr. Rick Coffman
Pueblo del Sol Water Company
4226 Avenida Cochise, Suite 13
Sierra Vista, Arizona 85635

Mr. Wyman Shepherd
11301 East Indigo Road
Prescott Valley, Arizona 86315

Mr. Mike Glover
Q Mountain Mobile Home Park Water
PO Box 4930
Quartzsite, Arizona 85359

Mr. Bruce Jacobson
Q Mountain Water Inc.
1334 South 5th Avenue
Yuma, Arizona 85364

Mr. Albert Lannon
Rancho Del Conejo Community Water Co-
op, Inc.
13130 West Rudasill Road
Tucson, Arizona 85743

Mr. Rhonda Mallis Rosenbaum
Ray Water Company
414 North Court Avenue
Tucson, Arizona 85701

Ms. Juanita Carbajal
Rillito Water Users Association
PO Box 668
Rillito, Arizona 85654

Ms. Karen Hartwell
Rincon Water Company
HC #70 Box 3601
Sahuarita, Arizona 85629

Mr. Michael Leach
Roosevelt Lake Resort, Inc.
PO Box 695
Roosevelt, Arizona 85545

Mr. Gary P. Brasher
Rose Valley Water Company, Inc.
PO Box 1444
Green Valley, Arizona 85622-1444

Ms. Marian Homiak
Sahuarita Water Company, LLC
4549 East Fort Lowell Road
Tucson, Arizona 85712

Mr. Horst Kraus
Kraus Investments L.C. dba Shangri-La
Ranch
44444 North Shangri-La Lane
New River, Arizona 85087

Mr. Terry Hill
Sherman Pines Homeowners Assoc., Inc.
1203 East Pine Ridge Drive
Prescott, Arizona 86303

Mr. Jerry M. Graham
South Rainbow Water Coop.
27205 South 170th Avenue
Buckeye, Arizona 85326

Mr. Broc C. Hiatt
Spring Branch Water Company, Inc.
1223 South Clearview Avenue, Suite 103
Mesa, Arizona 85209

Mr. Michael Suggs
Sterling Water Company
12438 North Saguardo Boulevard, Suite 114
Fountain Hills, Arizona 85268

Mr. Edward A. Elliott
Stoneman Lake Water Company, Inc.
PO Box 10061
Sedona, Arizona 86339

Ms. Diana Crites
Sun Leisure Estates Utilities Co., Inc.
PO Box 1074
Yuma, Arizona 85366

Mr. Jimmy L. Harris
Sun Valley Farms Unit IV Water Company,
Inc.
3698 East Hashknife Draw Road
San Tan Valley, Arizona 85140

Mr. Narvol D. Bales
Sunizona Water Company and Wayward
Wind's
5416 East Highway 181
Pearce, Arizona 85625

Ms. Beth Wand
Great Prairie Oasis LLC dba Sunland Water
Company
7502 East Hazelwood Street
Scottsdale, Arizona 85251

Mr. Steven D. Campbell
Sunrise Water Co. and West End Water Co.
9098 West Pinnacle Peak Road
Peoria, Arizona 85383

Mr. Brent Mullen
Tall Pines Estates Water & Improvement
HC 31 Box 25
Mormon Lake, Arizona 86038

Mr. Ruel Rogers
The Morenci Water and Electric Company
PO Box 68
Morenci, Arizona 85540

Mr. Robert L. Prince
Tierra Buena Water Company and Valley
Utilities Water Co., Inc.
12540 West Bethany Home Road
Litchfield Park, Arizona 85340

Tierra Linda Water Company, Inc.
PO Box 14858
Tucson, Arizona 85732

Mr. James C. Rea
Tonto Creek Water Company, LLC
PO Box 13993
Mesa, Arizona 85216

Mr. Jeff Daniels
Tonto Village Water Co., Inc. and Utility
Systems, LLC
173 South Blackfoot Road
Payson, Arizona 85541

Mr. Daniel H. O'Connell
Tortolita Water Co., Inc.
3573 East Sunrise Drive, Suite 133
Tucson, Arizona 85718

Mr. Chris Brainard
Tusayan Water Development Association,
Inc.
c/o Quality Inn
PO Box 520
Grand Canyon, Arizona 86023

Mr. Christopher Hill
Twin Hawks Utility, Inc.
PO Box 70022
Tucson, Arizona 85737

Mr. Christopher Volpe
Vail Water Company
1010 North Finance Center Drive, Suite 200
Tucson, Arizona 85710

Mr. Bobbie L. Wood
Valley Pioneer's Water Company, Inc.
5998 West Chino Drive
Golden Valley, Arizona 86413

Mr. Charles Keating
Valley View Water Company
2930 East Elm Street
Phoenix, Arizona 85016

Mr. Alan Williams
Verde Lakes Water Corporation
2867 South Verde Lakes Drive, Suite B
Camp Verde, Arizona 86322-6595

Ms. Marla Wilkerson
Verde Lee Water Co., Inc.
PO Box 1322
Clifton, Arizona 85533

Mr. Dane Bullard
Verde West Irrigation
PO Box 744
Camp Verde, Arizona 86322

Mr. Thomas Stoddard
Virgin Mountain Utilities Company, Inc.
PO Box 668
Littlefield, Arizona 86432

Viva Development Corporation
PO Box 12863
Tucson, Arizona 85732

Mr. Samuel DuBois
Walden Meadows Community Co-op
9325 Donegal Drive, Suite A
Wilhoit, Arizona 86332

Mr. Scott R. Dunton
Walnut Creek Water Co., Inc.
119 East Andy Devine Avenue
Kingman, Arizona 86401

Mr. Allen Ginsberg
West Village Water Company
1120 West University Avenue, Suite 200
Flagstaff, Arizona 86001

Mr. V. David Arthur
White Hills Water Company, Inc.
PO Box 30626
Mesa, Arizona 85275

Ms. Cindy Leath
White Horse Ranch Owners Association, Inc.
c/o HOAMCO
PO Box 10000
Prescott, Arizona 86304

Mr. Jon Cheney
White Mountain Water Company
PO Box 24204
Tempe, Arizona 85285

Mr. Stan Reed
Wickenburg Ranch Water, LLC and
Wickenburg Ranch Wastewater, LLC
PO Box 16460
Phoenix, Arizona 85011

Mr. Phil Auernheimer
Winchester Water Company, LLC
PO Box 86453
Phoenix, Arizona 85080

Janice E. Worden and Lawrence A. Worden
dba Worden Water Company
15150 West Ajo Way, Suite 568
Tucson, Arizona 85735

Mr. Stan Kephart
Yarnell Water Improvement Association
PO Box 727
Yarnell, Arizona 85362

Mr. JimmyLee Todd
Yucca Water Association, Inc.
PO Box 575, Frontage Road
Yucca, Arizona 86438

Ms. Sandy Sutton
WIFA
1110 West Washington Street, Suite 290
Phoenix, Arizona 85007

Mr. Thomas M. Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Dwight Nodes
Chief Administrative Law Judge, Hearing
Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**ARIZONA CORPORATION COMMISSION
GENERIC INVESTIGATION**

DOCKET NO. W-00000C-15-0250

**IN THE MATTER OF THE COMMISSION'S INQUIRY
CONCERNING POSSIBLE SOLUTIONS AND
FUNDING MECHANISMS FOR SMALL WATER COMPANIES**

SEPTEMBER 8, 2015

INTRODUCTION AND BACKGROUND

At an Arizona Corporation Commission (“ACC” or “Commission”) Staff Meeting on July 7, 2015, Utilities Division Staff (“Staff”) was directed to research options for permanent funding mechanisms for the Small Water Systems Fund (“SWSF”) established by Arizona Revised Statutes (“A.R.S.”) § 49-355.

As per A.R.S. § 49-355, the SWSF is available to provide emergency grants of money to repair or replace failing water infrastructure of water systems¹ serving no more than 500 connections that are being managed or operated by interim managers (“IM’s”) appointed by the ACC. There are currently six small water companies that have IM’s appointed by the Commission,² five of which serve fewer than 500 connections.

Although the SWSF has existed since 2006,³ it has not had any appropriated funds available from the legislature since 2010. Therefore, the Commission tasked Staff with exploring alternative mechanisms for funding the SWSF.

Discussion among the Commissioners at the July 7, 2015 Staff Meeting centered around:

- Creation of a new utility assessment solely for the SWSF, similar to the assessment used to collect monies for the Utilities Revolving Regulatory Fund (“URRF”) (A.R.S. § 40-401), and the manner of the assessment;
- Imposition of a new surcharge in rate cases on a case-by-case basis;
- Whether the SWSF should be housed at the ACC or WIFA; and
- Any additional legislation next session needed to accomplish this effort.

On July 10, 2015, Staff docketed and mailed a letter to more than 185 individuals associated with Commission-regulated water companies seeking comment on the funding ideas discussed at the July 7th Staff Meeting as well as new ideas. The letter requested input via Docket Control by August 7, 2015.

¹ The Commission regulates approximately 280 water companies throughout the State, but these water companies operate over 400 water systems. EPCOR Water Arizona Inc., for example, operates many water systems, the smallest of which is Arizona Gateway with only 12 connections. Each water system is assigned a unique public water system identification number from the Arizona Department of Environmental Quality (“ADEQ”).

² Valle Verde Water Company, IM Bonnie O’Connor, Southwestern Utility Management, Inc., 781 customers; Ashcreek Water Company, IM Flavio Gonzalez, approximately 110 customers; Golden Corridor Water Company, IM William Garfield of Arizona Water Co., approximately 61 customers; Green Acres Water Company, IM Nancy Miller, approximately 58 customers; Sabrosa Water Company, IM Don Bohler, approximately 68 customers, and Citrus Park Water Company, IM Nancy Miller, approximately 23 customers.

³ When the SWSF was created in 2006, it received a one-time appropriation from the General Fund of \$750,000, of which \$705,572 was disbursed by the Water Infrastructure Finance Authority of Arizona (“WIFA”) in fiscal years 2007 through 2010. There were nine (9) water system requests that were approved and funded through the SWSF.

COMMENT SUMMARY

Docket Control received only eight responses to Staff's July 10 letter. The respondents were: EPCOR Water Arizona Inc. ("EPCOR"), Arizonans for Responsible Water Policy ("ARWP"), Groom Creek Water Users Association ("Groom Creek"), Water Utilities Association of Arizona ("WUAA"), Jason Williamson (owner of several small water companies), Southwestern Utility Management, Inc. ("SUM"), the Arizona Department of Environmental Quality ("ADEQ") and the Residential Utility Consumer Office ("RUCO").

Some of the major themes raised by the respondents are briefly summarized below:

- Although sympathetic to the plight of affected small water companies, WUAA expressed concern that any new fee on customers' bills may be larger than expected especially in the future. WUAA indicated there was not currently an industry consensus without first knowing the impact.
- SUM commented that it understood the need for the fund as many small water companies have aging infrastructure needing replacement but did not feel that it was prudent to assess all water companies regardless of size.
- ARWP, EPCOR and WUAA all oppose funding the SWSF through surcharges in individual rate cases. It was pointed out that small water companies do not regularly file rate cases as larger utilities do, so the burden to fund the SWSF via this mechanism would be inequitable. WUAA also commented that using a rate case surcharge approach would render impossible the calculation of the proper amount of the surcharge. ARWP, WUAA and EPCOR expressed a preference for a new statutory (pass-through) assessment that all water companies would contribute to.
- EPCOR feels that the SWSF will address short-term needs but not address the long term viability of small, troubled water systems. EPCOR believes the SWSF could serve as a means of enabling financial mismanagement and improper system maintenance while penalizing well-run water systems. Groom Creek also expressed displeasure that recovering and compliant small water utilities would be required to pay for management failure of some small water utilities. WUAA shares some of the same concerns although supports providing the Commission with financial resources to assist failed water companies and their customers.
- EPCOR suggests that a more productive and cost effective alternative is to continue to pursue industry consolidation. To further this concept, it was noted the SWSF could be used as a step towards consolidation, i.e., allowing access to this interim funding could trigger a formal process that involves the system possibly being acquired by a strong financial and operational utility. WUAA also supports the acquisition and consolidation of small water utilities. EPCOR did not describe a more formal process in its comments. Staff notes that most small water systems are

unattractive acquisitions for larger water companies unless located adjacent to or close by a larger company system.

- EPCOR also noted that if assessment funding were pursued that the following should occur:
 - Clearly define emergency in legislation and cap the SWSF at a maximum of \$100,000.
 - Limit to a single request annually with a requirement to submit a plan of getting to financial stability within a reasonable timeframe.
 - Include replacement cost of infrastructure in future rate cases to ensure sufficient revenues available to cover its replacement.
 - Define direction over funding and authority over A.R.S., § 49-355.
- RUCO raised several questions that it felt needed to be answered before offering any meaningful comments and recommendation. Questions involving past fund administration, plans for future administration, impact, and ratemaking treatment, etc. were mentioned.
- ADEQ commented that the SWSF was established in ADEQ statutes but felt that either Agency (ADEQ or WIFA) was competent to administer the Fund.
- SUM also suggested that the ACC explore a funding mechanism such as the one utilized by domestic water improvement districts (“DWID’s). The DWID’s have a separate charge on bills referred to as a “Repair and Replacement Surcharge” (“R and R”) that enables them to build a fund to be utilized when an emergency need arises. It was indicated that a change in ACC rules would possibly be needed.
- SUM noted that forming a separate assessment fund for the SWSF might result in higher costs for Interim Managers (“IM”) to implement. SUM also mentioned that such a fund could be beneficial to all small water companies rather than being limited only to those small water companies with IM’s appointed by the ACC.
- Jason Williamson suggested that small wastewater utilities also be eligible for funding through the SWSF.

DISCUSSION AND ANALYSIS

Staff considers the main themes identified by the respondents to be as follows: a) The fairness of assessing well-run companies to benefit failed companies; b) Determining who contributes to and who benefits from the SWSF; c) Establishing a plan for administering the SWSF; and d) Miscellaneous comments.

1. *Fairness of assessing well-run companies to benefit failed companies.*

Staff shares some of the concerns regarding the fairness of requiring water customers to pay into a fund for which they will be *ineligible* for by virtue of receiving service from a water system with more than 500 customers. A core principle of economic regulation is cost causation; whereby, those that benefit from utility service pay the cost of that service. On the other hand, Staff recognizes the enormous difficulty of small water companies challenged by a lack of management expertise, economies of scale, financial resources and regulatory expertise to solve problems, especially in emergency situations.

Another key principle of economic regulation is cost aggregation. Faced with the high fixed costs and low marginal costs associated with water service, aggregating costs under a single utility provider will generally enable achieving economies of scale, efficiency and better service at lower rates. Cost aggregation and cost causation can often be at odds and require balancing.

In recent rate cases several water companies with multiple water systems advocated for all or nearly all of its customers to - following a transition period - pay a single tariffed rate, even though system-specific costs of service sometimes differed significantly. System consolidation favors cost aggregation over cost causation principles. Several Class A water companies already have approved consolidated rates and are in a transition to single tariffs. Since the rate consolidation process sometimes results in some water customers paying considerably more while some other customers pay less in order to achieve the goals of rate consolidation, Staff concludes that fairness suggests that the larger water utilities arguments for aggregation and consolidation be extended in support of funding the SWSF to benefit small water systems.

Staff agrees with the respondents who distinguished between the short term and long term needs of troubled water systems. Access to funding from the SWSF will help restore operations in a short-run emergency. However, a sustainable long-term solution is beyond the scope of the SWSF and will require further regulatory reforms including compelling troubled water companies with to file rate cases. Often existing rates are too low because the troubled company has not timely applied for a rate increase even though its costs of service have increased substantially since the prior rate decision. Staff agrees with EPCOR's proposal for a requirement to submit a plan of reaching financial stability within a reasonable timeframe.

Staff considered, but is not presently recommending, SWSF recipients match SWSF funds received. Staff is concerned that approved recipients may not have matching funds available on a timely basis.

2. *Determining who benefits from and who contributes to the SWSF.*

Several respondents questioned the wisdom of limiting access to the SWSF to systems with Commission-appointed IMs, noting that this limits access presently to six companies out of more than 200 water companies serving fewer than 500 connections. Staff agrees with the comments that the SWSF would be beneficial to many small water companies not managed or operated by a Commission-appointed IM. While there may be an argument that opening eligibility to non-Commission-approved IM's may reward poor management, Staff shares the concern that limiting

access in such a way may create perverse incentives for small water systems to accelerate a Commission-appointed IM instead of retaining competent management assistance via contract. In recent years, Staff has recommended troubled water companies retain professional management assistance through private contract instead of through Commission selection to avoid the Commission becoming overly entangled in the day to day management of too many small water companies. If the requirement of a Commission-appointed IM remains in place for SWSF eligibility, then some small water companies may not timely obtain competent management assistance on their own accord and, thus, force the Commission to appoint an IM. Staff recommends the Commission support revising A.R.S. § 49-355 to eliminate the requirement of a Commission-appointed IM.

As for who should contribute to the SWSF, Staff believes that **all** customers of water companies operating water systems should contribute to the fund. Further, Staff agrees with ARWP, EPCOR and WUAA that they should do so via a new statutory assessment designated solely to fund the SWSF and not via surcharges established in individual rate cases. The approximately 280 Commission-regulated water companies operating in the State serve approximately 450,000 customers. The approximately 200 Commission-regulated water companies serving less than 500 connections each serve approximately 22,000 customers. Staff believes the Commission should initially fund the SWSF at approximately \$450,000 per year or at a cost of \$1 per year per all customers.⁴ The SWSF funding, therefore, would increase through time as water customer growth occurs.

One respondent expressed interest in expanding the SWSF to include wastewater companies. Staff recommends against this worthwhile proposal at the present time. There are approximately 280 water companies as compared to approximately 50 wastewater companies. No wastewater companies yet have a Commission-appointed IM. There will likely be inadequate funding of the SWSF to address all the immediate needs of small water systems even without wastewater companies competing for funding. This extension concept should be reviewed in the future.

3. *Establishing a plan for administering the SWSF.*

Several respondents asked for additional clarity on how the funds would be administered. EPCOR also expressed the need for “emergency” to be more clearly defined. Staff does not agree that emergency needs to be more narrowly defined so long as the SWSF is administered in the same manner as it was in the past, which ultimately required the Commission’s review and approval before grants from the SWSF were made available. Staff recommends the Commission follow the historical process for administering the SWSF, modified as necessary to comply with Arizona’s Grant Statutes.⁵ The historical SWSF process consisted of the following elements:

- ACC Utilities Director receives the request for funding.

⁴ If, alternatively, **only** those systems with 500 or less customers paid the assessment, then the assessment would need to be approximately \$20.45 per year per customer (\$450,000 divided by 22,000 customers equals \$20.45).

⁵ See A.R.S. § 41-2701, *et seq.* Staff has not identified specific changes to the historical process required by Arizona’s Grant Statutes. If the Commission moves forward with funding the SWSF, Staff will work with legal division to ensure the SWSF administrative process complies with those requirements.

- The request is evaluated by the ACC Utilities Division Staff, including determination of status of existing infrastructure, reasonableness of estimated cost to remedy, and financial circumstances of the requesting company in order to correct or avoid an interruption of water service.
- If approval is recommended, a letter to WIFA is prepared and discussed with Commissioners in an ACC Staff Meeting. If approved by the Commission, the letter is signed by the Chairman and sent to WIFA.⁶
- According to WIFA, once the ACC recommendation is received by WIFA (as required by current statute), the water company is asked to submit a grant application that is reviewed by WIFA Staff and a Resolution is prepared. The Resolution is then submitted to the WIFA Board.
- During this process, WIFA staff reviews the detailed invoices and conducts a site visit prior to the final disbursement of funds.
- Any subsequent review of funds utilized by the IM for infrastructure needs would be made through the next emergency or permanent rate case proceeding.

As far as collecting funds for the SWSF, Staff recommends the administration process be similar to the process used to collect URRF funds, whereby:

- The newly created assessment would be made simultaneously with the yearly assessment of the URRF.
- The ACC obtains a legislative appropriation for the fund consistent with \$1 per customer per year.
- The ACC issues a letter to each company each year identifying the amount of the assessment and collects the assessment payments.
- The ACC then transfers payments to the SWSF account, which is maintained by WIFA.

4. *Staff Responses to Miscellaneous Comments.*

- SUM recommends implementing a new surcharge on individual water companies to self-generate funds to be placed in separate emergency accounts for use by each company similar to the practice utilized by DWIDs. Staff agrees with SUM that this mechanism would probably require a rule change to implement. Staff believes DWIDs would take more time to set up, to adequately and timely fund and to properly administer than under Staff's proposal herein.
- EPCOR recommends that companies receiving grants should have future rates based on the replacement costs of new infrastructure to ensure sufficient revenues are available to cover replacement. Staff notes that the Commission would ultimately decide how to treat contributions and how to value new plant in a future rate case.

⁶ The Commission can order the filing of a financial improvement plan at this point in the process.

- WUAA asks whether an owner of a failed Company will be able to “reclaim” the system once it is brought into compliance and thereby unfairly benefit from the SWSF. Staff notes this is only likely relevant in situations of IM’s. Staff is sensitized to this issue which will require a case by case analysis based on the facts of each situation.

STAFF CONCLUSION AND RECOMMENDATION

Staff has reviewed the responses and information currently available and recommends the Commission:

1. Revise A.R.S. § 49-355 to expand eligibility of the SWSF to all Commission regulated water systems serving 500 or fewer connections.
2. Create a separate SWSF assessment applied to all water systems with an initial funding of approximately \$450,000 annually at a cost of \$1 per customer per year.
3. Continue to administer the SWSF in the manner in which it has been in the past.
4. Require fund recipients to submit a plan of reaching financial stability within a reasonable timeframe in its approval of a request.
5. Revise A.R.S. § 49-355 to eliminate the requirement of a Commission-appointed IM.