

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

OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

RECEIVED
DOCKET CONTROL

2015 JUL 29 AM 10 41

DATE: JULY 29, 2015

DOCKET NO.: W-04015A-15-0083

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda Martin. The recommendation has been filed in the form of an Order on:

GREAT PRAIRIE OASIS L.L.C. DBA SUNLAND WATER COMPANY
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

AUGUST 7, 2015

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

AUGUST 18, 2015 AND AUGUST 19, 2015

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

JUL 29 2015

DOCKETED BY	
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JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SBernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 SUSAN BITTER SMITH - Chairman
4 BOB STUMP
5 BOB BURNS
6 TOM FORESE
7 DOUG LITTLE

8 IN THE MATTER OF THE APPLICATION OF
9 GREAT PRAIRIE OASIS L.L.C. DBA SUNLAND
10 WATER COMPANY FOR A RATE INCREASE.

DOCKET NO. W-04015A-15-0083

DECISION NO. _____

ORDER

11 Open Meeting
12 August 18 and 19, 2015
13 Phoenix, Arizona

14 **BY THE COMMISSION:**

15 Having considered the entire record herein and being fully advised in the premises, the
16 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

17 **FINDINGS OF FACT**

18 **Procedural History**

19 1. In Decision No. 73254 (July 30, 2012), the Commission authorized a \$122,050 loan
20 from the Water Infrastructure Finance Authority ("WIFA") to Great Prairie Oasis L.L.C. d/b/a
21 Sunland Water Company ("Sunland" or "Company"), and approved a rate increase. The Commission
22 directed the Company to file another rate application no later than three years after the effective date
23 of the Decision.

24 2. In Decision No. 73827 (April 10, 2013), the Commission authorized the Company to
25 implement a WIFA Loan Surcharge.

26 3. In compliance with Decision No. 73254, Sunland filed a rate application on March 6,
27 2015, and amended the application on March 30, 2015 ("Application").

28 4. On April 1, 2015, the Commission's Utilities Division ("Staff") filed a Letter of
Sufficiency indicating that the Application met the Commission's sufficiency requirements outlined
in Arizona Administrative Code ("A.A.C.") R14-2-103, and classifying Sunland as a Class E Utility.

1 5. On May 27, 2015, Staff filed a Staff Report recommending approval of Staff's
2 recommended rates and charges.

3 6. A Procedural Order was issued on June 11, 2015, directing Staff to file a response to
4 certain concerns raised in the Staff Report. Staff docketed its response on June 26, 2015.

5 7. Sunland did not file any objections or comments to the Staff Report or to Staff's
6 response to the Procedural Order.

7 8. The Company provided its customers with notice of the Application on March 6,
8 2015. In response to the notice, seven customers filed comments opposed to the requested rate
9 increase.

10 **Background**

11 9. Sunland is an Arizona limited liability company and Class E public service
12 corporation providing water utility service to customers approximately five miles southeast of the
13 City of Casa Grande, in Pinal County. During the 2014 test year, Sunland provided service to
14 approximately 77 residential customers, all served by 5/8 x 3/4-inch meters.

15 10. Sunland's system includes two wells yielding a total of 500 gallons per minute, two
16 10,000-gallon storage tanks, one 5,000-gallon pressure tank, two booster pumps, transmission and
17 distribution mains, and 87 5/8 x 3/4-inch service meters. Staff determined that Sunland has adequate
18 production capacity to serve its present customer base and reasonably anticipated growth, which is
19 minimal, and has adequate storage capacity.

20 11. Sunland is located within the Arizona Department of Water Resources ("ADWR")
21 Pinal Active Management Area. According to a May 1, 2015, ADWR Compliance Status Report, the
22 Company is in compliance with ADWR requirements governing water providers/community water
23 systems.

24 12. According to an Arizona Department of Environmental Quality Compliance Status
25 Report dated April 7, 2015, Sunland is currently delivering water meeting the water quality standards
26 of 40 CFR 141 and A.A.C. Title 18, Chapter 4.

27 13. Sunland is in good standing with the Arizona Department of Revenue.
28

1 14. Staff's Compliance Section database shows no delinquent compliance items for
2 Sunland and the Company is in good standing with the Commission's Corporations Division.

3 15. Sunland has approved Curtailment and Backflow Prevention Tariffs on file with the
4 Commission. The Company also has an approved Best Management Practices Tariff.

5 16. Staff's Consumer Services Section reports that for the period of January 1, 2012,
6 through May 20, 2015, two complaints were filed against Sunland.

7 **Rate Application**

8 17. Sunland's current and proposed rates and charges and Staff's recommended rates and
9 charges are as follows:

10 <u>MONTHLY USAGE CHARGE:</u> (All Classes)	<u>Present</u> <u>Rates</u>	<u>Company</u> <u>Proposed</u>	<u>Staff</u> <u>Recommended</u>
11 5/8" x 3/4" Meter	\$14.00	\$18.00	\$20.18
12 3/4" Meter	21.00	27.00	75.00
12 1" Meter	35.00	45.00	125.00 ¹
13 1-1/2" Meter	70.00	90.00	150.00
13 2" Meter	112.00	144.00	240.00
14 3" Meter	224.00	288.00	480.00
14 4" Meter	350.00	450.00	750.00
15 6" Meter	700.00	900.00	1500.00

16 **COMMODITY RATES (Per 1,000 Gallons):**

17 **5/8" x 3/4" Meter (Residential)**

17 1 to 3,000 gallons	\$2.00	\$3.50	\$4.08
18 3,001 to 9,000 gallons	4.25	5.75	6.12
18 Over 9,000 gallons	5.75	8.50	10.36

19 **3/4" Meter (Residential)**

20 1 to 3,000 gallons	2.00	3.50	4.08
20 3,001 to 9,000 gallons	4.25	5.75	6.12
21 Over 9,000 gallons	5.75	8.50	10.36

22 **3/4" Meter (Commercial and Industrial)**

22 1 to 3,000 gallons			4.08
23 3,001 to 9,000 gallons			6.12
23 Over 9,000 gallons			10.36

24 **1" Meter (Commercial and Industrial)**

24 1 to 35,000 gallons			6.12
25 Over 35,000 gallons			10.36

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27
28 ¹ The Staff Report lists the rate for a 1-inch meter as \$75.00. We believe this is an inadvertent error. Based on typical monthly usage charges for a 1-inch meter, we believe this charge should be \$125.00.

1	<u>1-1/2" Meter (Commercial and Industrial)</u>	
	1 to 120,000 gallons	6.12
2	Over 120,000 gallons	10.36
3	<u>2" Meter (Commercial and Industrial)</u>	
	1 to 225,000 gallons	6.12
4	Over 225,000 gallons	10.36
5	<u>3" Meter (Commercial and Industrial)</u>	
	1 to 500,000 gallons	6.12
6	Over 500,000 gallons	10.36
7	<u>4" Meter (Commercial and Industrial)</u>	
	1 to 800,000 gallons	6.12
8	Over 800,000 gallons	10.36
9	<u>6" Meter (Commercial and Industrial)</u>	
	1 to 1,500,000 gallons	6.12
10	Over 1,500,000 gallons	10.36
11	<u>Standpipe or Bulk</u>	
	Minimum	\$35.00
12	Per Gallon	0.05
13	All Gallons – Per 1,000 Gallons	\$10.36

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Present Rates</u>	<u>Company Proposed</u>	<u>----- Staff Recommended -----</u>			
			<u>Service Line</u>	<u>Meter</u>	<u>Total</u>	
15						
16	5/8 x 3/4" Meter	\$350.00	\$350.00	\$260.00	\$90.00	\$350.00
17	3/4" Meter	350.00	350.00	222.00	128.00	350.00
	1" Meter	400.00	400.00	244.00	156.00	400.00
18	1-1/2" Meter	500.00	500.00	256.00	244.00	500.00
	2" Turbine Meter	750.00	750.00	332.00	418.00	750.00
19	2" Compound Meter	Cost	Cost	Cost	Cost	Cost
	3" Turbine Meter	Cost	Cost	Cost	Cost	Cost
20	3" Compound Meter	Cost	Cost	Cost	Cost	Cost
	4" Turbine Meter	Cost	Cost	Cost	Cost	Cost
21	4" Compound Meter	Cost	Cost	Cost	Cost	Cost
	6" Turbine Meter	Cost	Cost	Cost	Cost	Cost
22	6" Compound Meter	Cost	Cost	Cost	Cost	Cost

SERVICE CHARGES:

	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
23			
24	Establishment	\$30.00	\$35.00
	Reconnection (Delinquent)	30.00	30.00
25	After Hours Service Charge	25.00	25.00
	Meter Test (If Correct)	25.00	25.00
26	Meter Re-Read (If Correct)	15.00	20.00
	NSF Check	20.00	25.00
27	Deposit	*	*
	Deposit Interest	*	*
28	Re-Establishment (Within 12 Months)	**	**

Deferred Payment (Per Month)	1.5%	1.5%	1.5%
Late Fee (Per Month on Unpaid Balance)	1.5%	\$25.00	\$10.00

Monthly Service Charge for Fire Sprinkler

All Meter Sizes (All Classes)	N/A	N/A	***
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* Per Commission Rule A.A.C. R14-2-403(B)

** Months off system times monthly minimum per A.A.C. R14-2-403(D)

*** 2.0% of monthly minimum for a comparably sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

18. Sunland proposed an original cost rate base ("OCRB") of \$198,675 and waived the right to have its fair value rate base ("FVRB") determined using reconstruction cost new.

19. Staff determined that Sunland's FVRB is equivalent to its OCRB and is \$196,966, reflecting an overall decrease of \$1,709 from Sunland's proposed OCRB. Staff's adjustments to Sunland's OCRB reduced plant in service to reflect the plant in service account balances from the prior Decision, increased accumulated depreciation, and decreased the cash working capital allowance, which Staff determined using the formula method.

20. Sunland did not object to Staff's recommended OCRB.

21. We find that Staff's adjustments to Sunland's OCRB are reasonable and appropriate. We further find that Sunland's FVRB is equivalent to its OCRB and is \$196,966.

22. Sunland reported test year operating revenues of \$32,761, operating expenses of \$35,225, for an operating loss of \$2,464, and no return on rate base.

23. Staff accepted Sunland's test year operating revenues, reduced Sunland's total operating expenses to \$28,026, and determined Sunland's adjusted operating income to be \$4,735, which reflected a 2.4 percent return on rate base. Staff's changes to test year operating expenses resulted from adjustments to purchased power, repairs and maintenance, outside services, water testing, rents, insurance, rate case expense, depreciation expense, and property and income tax expenses.

24. Sunland proposed a transportation expense of \$1,640. Staff noted that Sunland did not keep any mileage logs, but based on the 2014 Internal Revenue Service reimbursement rate of \$.56 per mile, Staff accepted the Company's proposed transportation expense. However, Staff recommended that Sunland be ordered to keep a mileage log in compliance with NARUC standards.

1 25. Sunland did not object to Staff's adjustments to test year operating expenses.

2 26. We find that Staff's adjustments to Sunland's test year operating expenses are
3 reasonable and appropriate, and we adopt Staff's adjusted operating expense of \$28,026. We further
4 find that Sunland's adjusted test year operating income was \$4,735.

5 27. Sunland's proposed rates and charges would produce annual operating revenues of
6 \$45,997, an increase of \$13,236, or approximately 40.40 percent, over test year revenues of \$32,761.
7 Sunland's proposed operating expenses of \$36,100 would result in operating income of \$9,897, a
8 4.98 percent rate of return on Sunland's FVRB, and would generate a cash flow of \$4,040.

9 28. Staff also recommends total operating revenue of \$45,997. With Staff's proposed
10 operating expenses of \$29,951, Staff's recommended rates and charges would result in operating
11 income of \$16,046, an 8.15 percent rate of return on Sunland's FVRB, and a cash flow of \$10,175.

12 29. Staff noted in the Staff Report that during the 2014 test year, the Company did not
13 meet the revenue requirement adopted in the last rate case. As such, Sunland's managing member
14 advanced a total of \$24,250, which was treated as paid in capital. In addition, on November 24,
15 2014, WIFA advised Sunland that it was no longer in compliance with WIFA's Debt Service
16 Coverage Requirement ("DSC")² under the terms of the WIFA loan.

17 30. Based on Sunland's proposed revenues and expenses, the resulting cash flow of
18 \$4,040 represents a DSC of 1.4.

19 31. Based on Staff's proposed revenues and expenses, the resulting cash flow of \$10,175
20 reflects a DSC of 1.9.

21 32. Sunland's proposed rates and charges and Staff's recommended rates and charges
22 would have the following impact on 5/8 x 3/4-inch meter customers with median and average usage:

Usage (gallons)	Current	Sunland Proposed		Staff Recommended			
	Bill	Bill	Increase	Increase	Bill	Increase	Increase
Median (3,626)	\$27.87	\$39.60	\$11.73	42.1%	\$36.25	\$8.38	30.1%
Average (4,750)	\$32.65	\$46.06	\$13.41	41.1%	\$43.13	\$10.48	32.1%

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28 ² DSC represents the number of times internally generated cash will cover required principal and interest payments on debt. A DSC of less than 1.0 means that debt service obligations cannot be met by cash generated from operations.

1	<u>2" Meter (Commercial and Industrial)</u>	
	1 to 225,000 gallons	6.12
2	Over 225,000 gallons	10.36
3	<u>3" Meter (Commercial and Industrial)</u>	
	1 to 500,000 gallons	6.12
4	Over 500,000 gallons	10.36
5	<u>4" Meter (Commercial and Industrial)</u>	
	1 to 800,000 gallons	6.12
6	Over 800,000 gallons	10.36
7	<u>6" Meter (Commercial and Industrial)</u>	
	1 to 1,500,000 gallons	6.12
8	Over 1,500,000 gallons	10.36
9	<u>Standpipe or Bulk</u>	
	All Gallons - Per 1,000 Gallons	\$10.36

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11 **SERVICE LINE AND METER INSTALLATION CHARGES:**
 (Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>	
13	5/8 x 3/4" Meter	\$260.00	\$90.00	\$350.00
	3/4" Meter	222.00	128.00	350.00
14	1" Meter	244.00	156.00	400.00
	1-1/2" Meter	256.00	244.00	500.00
15	2" Turbine Meter	332.00	418.00	750.00
	2" Compound Meter	Cost	Cost	Cost
16	3" Turbine Meter	Cost	Cost	Cost
	3" Compound Meter	Cost	Cost	Cost
17	4" Turbine Meter	Cost	Cost	Cost
	4" Compound Meter	Cost	Cost	Cost
18	6" Turbine Meter	Cost	Cost	Cost
	6" Compound Meter	Cost	Cost	Cost

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20 **SERVICE CHARGES:**

20	Establishment	\$35.00
	Reconnection (Delinquent)	30.00
21	After Hours Service Charge	25.00
	Meter Test (If Correct)	25.00
22	Meter Re-Read (If Correct)	20.00
	NSF Check	25.00
23	Deposit	*
	Deposit Interest	*
24	Re-Establishment (Within 12 Months)	**
	Deferred Payment (Per Month)	1.5%
25	Late Fee (Per Month on Unpaid Balance)	\$10.00

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26	<u>Monthly Service Charge for Fire Sprinkler</u>	
27	All Meter Sizes (All Classes)	***

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- * Per Commission Rule A.A.C. R14-2-403(B)
- ** Months off system times monthly minimum per A.A.C. R14-2-403(D)
- *** 2.0% of monthly minimum for a comparably sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

In addition to the collection of its regular rates and charges, the company shall collect from customers their proportionate shares of any privilege, sales, or use tax, in accordance with A.A.C. R14-2-409(D)(5).

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all water service provided by Great Prairie Oasis L.L.C. dba Sunland Water Company on and after September 1, 2015.

IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company shall notify its customers of the authorized rates and charges and their effective date by means of an insert in its next regular scheduled billing, in a form acceptable to Staff, and shall, within 10 days after the date notice is sent to its customers, file with the Commission's Docket Control, as a compliance item in this docket, a copy of the notice provided.

IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company shall log and document all transportation expenses on a going forward basis.

IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company shall use the depreciation rates shown in Table B of the Engineering Report to the Staff Report on a going forward basis.

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1 IT IS FURTHER ORDERED that Great Prairie Oasis L.L.C. dba Sunland Water Company
2 shall continue to file annually, as part of its Annual Report to the Utilities Division, an affidavit
3 attesting that Great Prairie Oasis L.L.C. dba Sunland Water Company is current in paying its property
4 taxes in Arizona.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
7
8

9 CHAIRMAN _____ COMMISSIONER

10
11 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER

12
13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto set my hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the City of Phoenix,
17 this _____ day of _____ 2015.

18 JODI JERICH _____
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____
22 BM:ru

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28

1 SERVICE LIST FOR: GREAT PRAIRIE OASIS L.L.C. DBA SUNLAND
2 WATER COMPANY

3 DOCKET NO.: W-04015A-15-0083

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