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COMMISSIONERS

SUSAN BITTER SMITH – Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF BN LEASING CORPORATION., A
DELAWARE CORPORATION, d.b.a.
AUBREY WATER COMPANY, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS WATER
RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO: W-03476A-15-0286

NOTICE OF FILING WRITTEN
NOTICE OF APPLICATION TO
CUSTOMERS

BN Leasing Corporation, d.b.a. Aubrey Water Company, an Arizona public service corporation (“Aubrey” or the “Company”), hereby submits a copy of the written notice provided to Aubrey’s customers on August 11, 2015, attached hereto as Exhibit A. Attached hereto as Exhibit B is the August 12, 2015 affidavit of Ms. Bonnie O’Conner concerning the mailing of the written notice of the Company’s application for an increase in its water rates and charges to Aubrey’s customers.

RESPECTFULLY SUBMITTED this 14th day of August, 2015.

FENNEMORE CRAIG, P.C.

Arizona Corporation Commission
DOCKETED

AUG 14 2015

DOCKETED BY
MB

By

Patrick J. Black
2394 E. Camelback Road
Suite 600
Phoenix, Arizona 85016
Attorneys for Aubrey Water Co.

1 ORIGINAL and thirteen (13) copies filed
2 this 14th day of August, 2015, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington St.
6 Phoenix, AZ 85007

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8 By: WMM

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EXHIBIT A



Important Message from Aubrey Water Company

For many decades, the BNSF Railway, through Aubrey Water Company, has provided safe, reliable and affordable water services to the community of Seligman and surrounding areas. We are proud of our record and are committed to providing sustainable water services to the community into the future. In 2010 Aubrey Water Company completed the process of replacing a storage tank constructed in the '30s, and pump stations constructed in 1960. Additionally, wells constructed in the '40s were rehabilitated and a 6.5 mile long pipeline constructed in 1916 was tested and upgraded. These water system improvements will be the backbone of a sustainable water supply for Seligman for many years into the future.

Additional water system investments are needed to address aging pipelines within Seligman that are leaking below ground and to insure continued compliance with regulatory requirements. Considering the ongoing investment needs, Aubrey Water Company applied to the Arizona Corporation Commission for an increase in rates on August 6, 2015.

The Process & Timeline

The Arizona Corporation Commission has jurisdiction over the service and rates of all public service utilities in Arizona. The Commission will thoroughly review our request and have the final say on the amount of the rate increase ultimately approved. The Commission process is expected to take a minimum of 7 months to complete. A rate increase will not go into effect until the Arizona Corporation Commission gives its approval, which is not likely to occur prior to February of 2016.

Additional Questions

We understand that our customers will have questions and we will faithfully communicate with you throughout the rate case filing. There will be an official public comment period, but we welcome your questions and comments at any time. You can submit questions by email to aubreyrates@outlook.com or call us at (800) 315-5333. We have enclosed answers to frequently asked questions and will provide additional information as the rate increase process progresses.

Our Commitment

Our commitment to our customers is to provide high quality water services and to be responsive to your questions, comments and concerns. We take great pride in being able to provide you with a quality product and we appreciate your feedback.



Aubrey Water Company—Rate Increase

Frequently Asked Questions

Why is this rate increase needed?

Providing sustainable water service to Seligman is a complex undertaking. Seligman's source of water is two wells located six miles southwest of Seligman on the Big Chino Wash near the Canyon Mouth Reservoir. From the wells, water is pumped to Seligman through a 6.5 mile long pipeline constructed in 1916. In Seligman, a storage tank maintains a 24 hour supply of water from which booster pumps deliver the water to the homes and businesses throughout Seligman.

Prior to new improvements completed in 2010, most of the facilities providing water service to Seligman were constructed between 1930 and 1960. These facilities were of top quality and served the community's needs for many years. However, after decades of reliable service, the facilities had reached the end of their useful lives and needed to be replaced.

In 2010, Aubrey Water Company completed the process of replacing these facilities. Both wells were rehabilitated and fitted with new pumps, the 1916 pipeline was tested and upgraded, and a new water storage tank and booster station was constructed. These improvements and other system upgrades were financed by the BNSF Railway at a cost of over \$1.5 million.

Why has Aubrey decided to increase rates now?

Since 2010, Aubrey Water Company and the BNSF Railway have subsidized the water system rather than increase water rates to cover the cost of the investments made in 2010. However, additional water system investments are needed to address aging pipelines within Seligman that are leaking below ground and to insure continued compliance with regulatory requirements. Continuing to subsidize the water system is not a long-term sustainable solution to providing water service in Seligman. Sustainable water service requires the water system users to begin paying the true cost of water service.

What is the process for making a rate change?

Aubrey Water Company has started the process by filing a rate application with the Arizona Corporation Commission. The Commission staff will now thoroughly review the application and will ask for supporting information. Based upon their review, Commission Staff will make a recommendation regarding the requested increase to an Administrative Law Judge. Depending upon the case facts and level of customer input, the Judge may hold a public hearing. Customer input is an important part of the Commission's analysis of the requested rate increase and is a factor in determining whether a hearing will be conducted. However, customers should be aware that the Commission may act without a public hearing. The Judge will write a recommended order for the five Commissioners to consider. The Commissioners will consider the recommendation in a public meeting and can choose to accept the order, modify the order or reject the order. New rates, if approved, would go into effect once the Commissioners render a decision. This process is expected to take a minimum of 7 months from start to finish.



Aubrey Water Company—Rate Increase Frequently Asked Questions

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When will I see this rate increase on my bill?

The increase will not go into effect until approved by the Arizona Corporation Commission. The Commission's review and approval process is expected to take a minimum of 7 months to complete. It is not unusual for the process to be extended for several additional months.

What is Aubrey doing to mitigate the impact of the rate increase?

During the process of constructing the system improvements, the BNSF Railway provided management, accounting, engineering and other related construction services to Aubrey at no cost. These costs can increase the cost of system improvements by a substantial amount and are typically included in rates.

Aubrey has delayed filing for the rate increase for over four years after making system improvements in 2010. This delay in increasing rates has collectively saved Aubrey's customers over \$1.0 million in potential increased charges with a typical residential customer saving over \$1,200 each.

In its filing, Aubrey has requested a lower than normally requested return on its investment and lower than normal depreciation expense. In addition, Aubrey has worked hard to keep its costs for operations and maintenance low.

Lastly, Aubrey is committed to working with its customers and Commission Staff to identify additional mitigating measures that can be implemented during the rate increase process.

How much will my bill increase?

The water bill for average residential customer usage of 4,656 gallons per month is proposed to increase from \$21.48 per month to \$52.16 per month. The actual increase will depend on your individual usage. All rates, including rates for commercial customers, will increase by a similar percentage with rates for larger meters increasing slightly more than rates for smaller meters.

That seems like a large increase, will it take effect all at once or be phased?

Rate increases this large are sometimes phased, but not always. Ultimately, the Commission will decide how much the rates will be increased and whether or not the rates are phased. Aubrey is open to a reasonable phasing-in of the rate increase and will be discussing the option of phasing the rate increase with customer groups and Commission Staff as the rate increase request progresses.



Aubrey Water Company—Rate Increase Frequently Asked Questions

Page 3

How do the proposed rates for Aubrey compare to others in the area?

Water rates are unique to individual communities and the challenges they face in providing water service. Water rates can vary significantly from community to community. Although different, the rate paid in each community is appropriate for that community. Accordingly, comparing rates only provides a general comparison that should not be used as either justification for or opposition to any particular rate increase requested for a specific community. The following table compares both Aubrey's current and proposed rate to other water providers along I-40.

Water Provider & Rate	Average Residential Bill - 4,656 gallons	Residential Bill - 10,000 gallons
Aubrey Water (Current Rates)	\$ 21.48	\$ 33.50
Ash Fork Water Service	28.67	52.69
City of Flagstaff (inside city) ¹	31.57	62.87
City of Flagstaff (outside city) ¹	34.72	69.16
City of Williams ²	39.71	79.15
Aubrey Water (Proposed Rates)	52.16	81.55
Bellefont (ACC Proposed) ³	58.33	116.85
Bellefont (Company Proposed) ³	85.03	175.20
¹ 3% Annual Increase proposed 2016 through 2020 ² Subject to Annual Inflation Increases ³ Utility Source, LLC, Rate Case Pending Before ACC		

How can I get involved?

Customers should bring to the Commission's attention any questions or concerns related to the Company's proposed rate increase. Customers may have the right to intervene in this matter. Customers wishing to communicate with the Commission, or request information on intervention in the proceeding, should contact the Commission's Consumer Services Section at 800-222-7000. In addition, customers may view the application and all other case documents and track progress online at the Commission's website www.azcc.gov. Once on the website use e-DOCKET to access Docket No. W-03476A-15-0286.

How can I get additional questions answered?

We welcome your questions and comments at any time. You can submit questions by email to aubreyrates@outlook.com or call us at (800) 315-5333 .

EXHIBIT B

AFFIDAVIT

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STATE OF ARIZONA)
) ss.
County of Pima)

I, the undersigned, after being first duly sworn upon my oath, hereby affirm as follow:

- 1) I am over the age of eighteen.
- 2) I have personal knowledge of the statements set forth herein and I am competent to testify at a hearing or trial with respect to the same.
- 3) I certify that on behalf of BN Leasing Corporation, d.b.a. Aubrey Water Company ("Company"), on August 11, 2015, I mailed, or caused to be mailed, to each of the Company's customers a copy of the notice of the Company's application for an increase in its water rates and charges, a copy of which is attached hereto.


Bonnie O'Connor

SUBSCRIBED AND SWORN TO before me, a Notary Public, this 12th day of August, 2015.


Notary Public

My Commission Expires:

5/27/2019

