

ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION OF
EPCOR WATER ARIZONA, INC., AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE CURRENT FAIR VALUE OF ITS UTILITY
PLANT AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES FOR UTILITY
SERVICE BY ITS MOHAVE WATER DISTRICT,
PARADISE VALLEY WATER DISTRICT, SUN
CITY WATER DISTRICT, TUBAC WATER
DISTRICT, AND MOHAVE WASTEWATER
DISTRICT.

DOCKET NO. WS-01303A-14-0010

DECISION NO. 75268

**NOTICE OF COMPLIANCE
FILING
PLAN OF ADMINISTRATION -
TANK MAINTENANCE**

1 In compliance with Decision No. 75268, issued on September 8, 2015, EPCOR Water
2 Arizona Inc. ("Company") hereby files the attached Plan of Administration for the Tank
3 Maintenance Program for the Paradise Valley Water District as a compliance item in this docket.
4 The Company has worked closely with Commission Staff to develop this Plan which is
5 acceptable to Staff.

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Respectfully submitted on November 6, 2015.

Sandra L. Murrey

Sandra L. Murrey
EPCOR Water Arizona Inc.
2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

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Original and 13 copies **filed**
on November 6, 2015, with:
Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing **emailed**
on November 6, 2015 to:
Brian K. Bozzo
Compliance and Enforcement Manager
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

1	Deposit	(a)
	Deposit Interest	(a)
2	NSF Check	\$25.00
	Deferred Payment (per month)	1.5%
3	Late Payment Fee (per month)	1.5%
	After hour service charge (b)	\$35.00
4	(a) Per Commission Rules R14-2-603.B	
5	(b) After Hours Service: After regular working hours, on Saturday, Sunday or holidays if at the customer's request.	

6 In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use and franchise tax. Per Commission Rule 14-2-609(D)(5).

7 **SERVICE LINE CONNECTION**
8 **CHARGES:**

9	Residential	Cost
	Commercial	Cost
10	School	Cost
	Multiple Dwelling	Cost
11	Mobile Home Park	Cost
12	Effluent	Cost

13 **TREATMENT PLANT HOOK-UP**
14 **FEE:**

14	4" Connection	\$785.00
15	6" Connection	1,570.00
16	8" Connection	2,748.00

17 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall notify its affected
18 customers of the revised schedules of rates and charges authorized herein by means of an insert in its
19 next regularly scheduled billing in a form and manner acceptable to the Commission's Utilities
20 Division Staff.

21 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall evaluate, in a cost
22 effective manner, the depreciation rates it proposes for the next rate case for each of its districts.

23 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall file documentation with
24 Docket Control explaining any significant transactions (more than 25 basis points of a District's rate
25 base) it records to adjust its plant records and accumulated depreciation in compliance with
26 Commission decisions. This requirement will cease upon the issuance of a Decision in the next
27 general rate cases for each of the Divisions in this proceeding.

28 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall prepare a Plan of

1 Administration regarding its tank maintenance program for the Paradise Valley Water District, in a
2 form acceptable to Staff, and file the Plan of Administration within 60 days of the effective date of
3 this Decision, with Docket Control, as a compliance item in this docket.

4 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall prepare a Plan of
5 Administration regarding the Power Cost Adjustor Mechanism, in a form acceptable to Staff, and file
6 the Plan of Administration within 60 days of the effective date of this Decision, with Docket Control,
7 as a compliance item in this docket.

8 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall evaluate, in a cost
9 effective manner, the depreciation rates it proposes for the next rate case for each Division.

10 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc. shall file a rate case for all of
11 its systems by no later than July 1, 2018, using a 2017 test year, and include in the application rate
12 consolidation options as an alternative to treating all of the systems as independent.

13 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc.'s proposed low income tariffs
14 are approved. The Company is authorized to defer revenues lost associated with the Mohave
15 Wastewater District low income program and may request recovery of the deferred amount in its next
16 rate case.

17 IT IS FURTHER ORDERED that EPCOR Water Arizona, Inc.'s proposed SIB mechanism is
18 approved, subject to the conditions and requirements discussed herein.

19 IT IS FURTHER ORDERED that the implementation of the proposed SIB mechanism is
20 stayed pending further order of the Commission.

21 IT IS FURTHER ORDERED that the depreciation rates set forth in Exhibits A through E,
22 attached hereto, are adopted.

23 IT IS FURTHER ORDERED that in the event EPCOR Water Arizona, Inc. places any plant-
24 in service in the accounts referenced in Footnote 1 of Exhibits A through E, attached hereto, the
25 Company is directed to file an application proposing a depreciation rate for such accounts, and Staff
26 shall prepare a Recommended Order for the Commission's consideration that proposes an appropriate
27 depreciation rate for those accounts to be effective beginning with the plant in-service date.

28 IT IS FURTHER ORDERED that, with respect to the Paradise Valley tank maintenance

**EPCOR Water Arizona Inc.
Paradise Valley Water District
Tank Maintenance Program
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of EPCOR Water Arizona Inc.’s (“EPCOR” or the “Company”) Tank Maintenance Program (“Program”) for its Paradise Valley Water District. The purpose of the Plan is to describe how EPCOR will administer the Program as approved by the Arizona Corporation Commission in Docket No. WS-01303A-14-0010. This plan is being filed as required in Decision Number 75268 issued September 8, 2015.

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I. Overview

EPCOR is an Arizona public service corporation engaged in providing water utility service in several different parts of Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission.

II. General Description – Tank Maintenance Program

The purpose of this Plan of Administration is to define the tank maintenance program for Paradise Valley Water District and establish the process for administration of the program. The tank maintenance program was developed to ensure maintenance occurs at a frequency that balances the timing necessary to effectively and economically extend the life of these assets through maintenance activities and in a manner that is not overly burdensome to the customer. As part of normal operating procedures, EPCOR routinely inspects the tanks. There is no clear industry standard frequency for tank maintenance, however, AWWA recommends that recoating of the interior and exterior of tanks occur between 10 and 15 years. The program has been developed based on the number of tanks in the district, the size of those tanks, and the material from which they have been constructed. Program timeframes therefore will vary among districts. Based on the factors listed above, the Paradise Valley Tank Maintenance Program covers a 14-year period which was determined in an effort to balance the cost associated with maintaining the district's tanks, the timing of the proposed maintenance schedule and the associated cost impact to customers.

III. Basis for Program

In 2010, the Paradise Valley Water District procured the services of Tank Industry Consultants ("TIC") to perform inspections on one tank in this district. TIC is a professional engineering firm specializing in the design, specification, and evaluation of storage tanks. The scope of services performed by TIC included a careful study of the tank's interior, exterior, foundations, and accessories with an NACE-certified inspector. The resulting report by TIC included a

detailed analysis of the tank's condition, recommended maintenance activities, suggested schedule of repairs, and an engineer's estimate of the cost to perform those repairs. The following items were inspected by TIC and addressed in their reports:

1. Site conditions, including observations of site access, general site security, site maintenance and foundation deficiencies.
2. Tank exterior conditions, including observations of dimensions of all manholes, vents, condition of exterior coating thickness, coating adhesion and metal corrosion, and baseline dimensions for comparison.
3. Tank interior conditions, including observations of the condition of the coating thickness, coating adhesion, metal corrosion, and observation of any debris, and baseline conditions for comparison.

Based on the observations by a professional inspector, TIC recommended that both the interior and exterior of the tank be stripped and recoated in addition to making modifications of the tank overflow, the exterior ladder and tank manhole. The inspection results on this tank are indicative of the general condition of the other tanks in this district therefore resulting in the overall tank maintenance strategy for Paradise Valley.

IV. Components of Program

The Paradise Valley Water District has nine tanks included in this program (refer to Exhibit 1). The in-service dates for these tanks range from 1995 to 2006. All of the tanks included in this program are constructed of steel and are in need of interior and exterior recoating. Many will require non-capital structural repairs. This plan encompasses a 14-year period. The total cost approved for this program is \$1,731,208 with an associated annual expense of \$123,657.71.

Tank maintenance expenses will not occur in every month of the fiscal year or at ratable levels on an annual basis. The Company will make every effort to perform tank maintenance at times of the year when the tanks can be taken out of service without causing service level interruptions to customers. This is typically in the low demand times of the year.

V. Accounting

Funds expended for tank maintenance will be separately identified by the Company and recorded in account 5900 – Other Costs which will be rolled up into the Maintenance Expense category on the Company’s Income Statement.

VI. Compliance Reports

The Company will track the amounts expended on tank maintenance and make annual filings regarding such costs (refer to Exhibit 2). The first tracking report will include costs expended in the first year beginning September 1, 2015 through August 31, 2016, along with a download of activity in account 5900 as well as copies of invoices as supporting documentation. The report will also notify parties if there is a change in the anticipated schedule. It will be filed by September 30, 2016 and then annually thereafter throughout the duration of the program.

On or before September 30, 2029, the Company will perform a reconciliation for the 14-year program period commencing September 1, 2015 through August 31, 2029. A comparison of the costs expended during the program period to the total costs approved for the program of \$1,731,208 will be performed resulting in either an under/(over) recovery of costs

Upon completion of the final reconciliation, the Company shall file a report identifying the true-up amount. At that time, depending on the amount of the true-up, the Company will work with Commission Staff to determine the best method in which to refund/collect the true-up amount.

EXHIBIT 1

EPCOR Water Arizona Inc. - Paradise Valley Water District

Tank Name	60th Street	Clearwater Hills #1	Clearwater Hills #2	Clearwater Hills #3	Club Estates	Country Club #1	Country Club #2	Racquet Club	Stone Canyon	Total
Tank Capacity (Gallons) and Size	200,000 38x24	102,000 27X24	100,000 27X24	20,000 13X20	30,000 16X20	500,000 60X24	360,000 50X24	102,000 27X24	90,000 26X24	
No. Item										
Clean & Paint Exterior										
1 Epoxy/Polyurethane System	\$ 24,100	\$ 15,800	\$ -	\$ 6,100	\$ 7,300	\$ 43,700	\$ 35,000	\$ 15,800	\$ -	\$ 147,800
2 Containment (lead)	\$ 40,100	\$ 26,200	\$ -	\$ 10,200	\$ 12,200	\$ 72,800	\$ 58,300	\$ 26,200	\$ -	\$ 246,000
Clean & Paint Interior										
3 3 - Coat Epoxy System	\$ 92,800	\$ 37,200	\$ 55,800	\$ 13,000	\$ 24,100	\$ 126,000	\$ 96,700	\$ 37,200	\$ 35,200	\$ 518,000
4 Cathodic Protection	\$ 10,000	\$ 9,000	\$ 9,000	\$ 6,000	\$ 6,000	\$ 12,000	\$ 11,000	\$ 9,000	\$ 8,000	\$ 80,000
Miscellaneous Chipping & Grinding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Seam Sealing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7 Pit Repair	\$ 17,100	\$ 5,800	\$ 8,700	\$ 2,300	\$ 3,100	\$ 28,000	\$ 20,100	\$ 5,800	\$ 5,400	\$ 96,300
8 Exterior Flexible Piping Connections (2)	\$ 12,000	\$ 6,120	\$ 6,000	\$ 1,200	\$ 1,800	\$ 30,000	\$ 21,600	\$ 6,120	\$ 5,400	\$ 90,240
9 Overflow Pipe & Install Check Valve	\$ 12,000	\$ 6,120	\$ 6,000	\$ 1,200	\$ 1,800	\$ 30,000	\$ 21,600	\$ 6,120	\$ 5,400	\$ 90,240
10 External Ladder Well Removal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11 Exterior Ladder Replacement	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	\$ 24,000
12 Exterior Ladder Safe-Climbing Device	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 18,000
13 Vandal Deterrent - Safety Cage Door	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 9,000
14 Additional Roof Safety Railing Installation	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 36,000
15 Existing Roof Safety Railing Modifications	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 18,000
16 Additional Shell Manhole	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 135,000
17 Additional Roof Manhole	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18 Clog Resistant Vent	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 67,500
19 Contingency Items	\$ 23,960	\$ 13,774	\$ 11,700	\$ 7,150	\$ 8,780	\$ 37,400	\$ 29,500	\$ 13,774	\$ 9,090	\$ 155,128
20 Total cost (Each Storage)	\$ 263,560	\$ 151,514	\$ 128,700	\$ 78,650	\$ 102,580	\$ 417,400	\$ 331,300	\$ 157,514	\$ 99,990	\$ 1,731,208

Annual Tank Maintenance Expense (14 Year Plan)

\$ 123,658

