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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission
DOCKETED

DEC 17 2015

DOCKETED BY *KE*

IN THE MATTER OF THE APPLICATION)
OF SAHUARITA WATER COMPANY, LLC)
("SWC") FOR AN OPINION AND ORDER)
OF THE COMMISSION (i) DETERMINING)
THE FAIR VALUE OF THE UTILITY)
PROPERTY OF SWC FOR RATEMAKING)
PURPOSES, (ii) FIXING A JUST AND)
REASONABLE RATE OF RETURN)
THEREON, (iii) APPROVING RATES AND)
CHARGES DESIGNED TO PRODUCE)
REVENUES SUFFICIENT TO RECOVER)
SWC'S COST OF SERVICE AND)
AUTHORIZED RATE OF RETURN, AND)
(iv) PROVIDING FOR THE RECOVERY OF)
CERTAIN FINANCING AND OPERATING)
EXPENSES THROUGH A SURCHARGE)
AND A PASS THROUGH TARIFF)
RESPECTIVELY -

DOCKET NO. W-03718A-09-0359
DECISION NO. 75351
ORDER

RE: CAGR ANNUAL FEE
ADJUSTMENT

Open Meeting
December 08 and 09, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On October 15, 2015, pursuant to Decision No. 72177 (February 11, 2011) and as modified by Decision No. 73283 (July 30, 2012), Sahuarita Water Company, LLC ("SWC" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR") adjutor fee.

1 2. Decision No. 72177 authorized the Company to implement an adjustor mechanism,
2 subject to certain conditions, to recover the costs paid to the CAGR D for replenishment of excess
3 groundwater. The conditions as modified by Decision No. 73283 require the Company to submit, by
4 October 25 of each year, for Commission consideration, its proposed CAGR D fee for the next
5 twelve-month period (along with documentation from the relevant state agencies to support the
6 calculations), to apply to all water sold after December 1. Accordingly, the Company made the instant
7 filing on October 15, 2015, requesting as adjustor reset for sales billed in 2016.

8 **Background**

9 3. The CAGR D was established by the Arizona legislature to serve as a groundwater
10 replenishment authority. It provides a mechanism for designated water supply providers such as SWC
11 to demonstrate a 100-year water supply. Members pay the CAGR D to replenish groundwater
12 pumped by the member that exceeds the specified pumping limits. The CAGR D is recognized as an
13 important tool in Arizona's groundwater conservation efforts.

14

15 **Calculation of the CAGR D Adjustor Fees**

16 4. Decision No. 72177 specified nine conditions regarding the CAGR D Adjustor.
17 Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees paid
18 by the Company for the most current year shall be divided by the gallons sold by the Company in that
19 year to determine a CAGR D adjustor fee per 1,000 gallons."¹

20 5. In addition, although the Order did not contain an explicit provision for a true-up, the
21 parties were in agreement that such an annual true-up would occur at the time of the annual adjustor
22 reset. This understanding was confirmed by the Commission's provision for a true-up in Decision
23 No. 72204.²

24 The Company proposes a rate of \$1.46 per thousand gallons ("kgal"). Staff has reviewed the
25 Company's proposed calculations and the supporting documentation submitted with its request. Staff
26
27

28 ¹ Decision No. 72177 page 41, lines 15-17.

² Dec. No. 72204, page 2, lines 1-7.

1 agrees with the methodology employed by the Company to calculate the true-up, and it recommends
2 the Company's proposed adjustor fee of \$1.46.

3 **True-up**

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5 The CAGR D invoice to Sahuarita for the 2013 annual replenishment assessment was
6 \$512,734.32. SWC reports that, as of September 30, 2015, the Company will have total collections
7 and interest of \$470,908.87.³

8 6. This true-up calculation indicates an under-collection of \$81,884.52 as follows:

9	a.	2012 under-collection of CAGR D	\$ 40,059.07
10	b.	2013 CAGR D invoice	512,734.32
11		Less: Collections and interest through September 2015	<u>470,908.87</u>
12	d.	2014 CAGR D under-collection [a+b-c]	<u>\$ 81,884.52</u>

13 **Adjuster Fee**

14 The 2013 CAGR D invoice to SWC states total charges due of \$582,826.06. The Company
15 proposes a per kgal adjustor charge of \$1.46, based on water produced of 455,501 kgls or 1,397.7 acre
16 feet. Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$1.46.

17			
18	a.	2014 CAGR D invoice	\$ 582,826.06
19	b.	Plus under-collection from 2014	<u>81,884.52</u>
20	c.	Amount to be recovered [a+b]	\$ 664,710.58
21	d.	Total kgal sold in 2014	<u>455,501</u>
22	e.	Charge per kgal [c ÷ d]	<u>\$ 1.46</u>

23 **Conclusions and Recommendations**

24 7. Staff concludes that the Company has duly filed the appropriate request to revise the
25 CAGR D adjustor fees as required by Decision No. 73283.

26 8. Staff recommends approval of the CAGR D adjustor fee as described herein.

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28 ³ Company's application filed October 15, 2014.

1 IT IS FURTHER ORDERED that Sahuarita Water Company, LLC shall notify its customers
2 of the CAGR adjutor fee approved herein within 30 days of the effective date of this Decision.

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

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5 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN


COMMISSIONER

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EXCUSED
COMM. STUMP

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COMMISSIONER


COMMISSIONER

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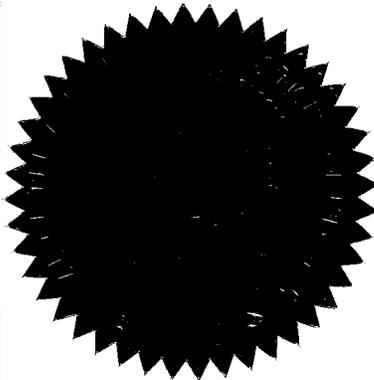
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IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of
the Arizona Corporation Commission, have hereunto, set my hand and
caused the official seal of this Commission to be affixed at the Capitol,
in the City of Phoenix, this 17th day of
December,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


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB: DC:nr/WVC

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