

ORIGINAL

OPEN MEETING



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MEMORANDUM

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Arizona Corporation Commission

DOCKETED

2016 JAN 19 A 9 03

TO: THE COMMISSION

JAN 19 2016

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: January 19, 2016

DOCKETED BY *JK*

RE: IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES, LLC FOR AN INCREASE IN ITS WATER AND WASTEWATER RATES FOR CUSTOMERS WITHIN PINAL COUNTY, ARIZONA. (DOCKET NO. WS-02987A-08-0180)

SUBJECT: Proposed CAGR D adjustor fees.

I. INTRODUCTION

On October 8, 2015, pursuant to Decision No. 71854 (August 24, 2010), and as modified by Decision Nos. 73284 (July 30, 2012) and 74701 (August 21, 2014), Johnson Utilities, LLC ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR D") adjustor fees.

Decision No. 71854 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGR D for replenishment of groundwater. The conditions, as modified by Decision No. 73284, require the Company to submit, by October 25 of each year for Commission consideration, the proposed CAGR D fees for the next twelve-month period (along with documentation from the relevant state agencies to support the calculations), to apply to all water sold after December 1.¹ The Company made an initial filing on October 8, 2015, requesting the adjustor reset for usage billed in 2016. On November 6, 2015, the Company filed a notice of consent to extend the time for filing the Staff Report and Proposed Order.

II. BACKGROUND

The CAGR D was established by the Arizona Legislature to serve as a groundwater replenishment entity for its members, and it provides a mechanism for designated water supply providers such as Johnson to demonstrate a 100-year water supply. Members pay the CAGR D to replenish groundwater pumped by the member that exceeds specified pumping limits. The CAGR D is recognized as an important tool in Arizona's groundwater conservation efforts.

¹ Decision No. 73284, page 3, lines 2-8.

III. CALCULATION OF THE CAGR D ADJUSTOR FEES

Decision No. 71854 specified nine conditions regarding the CAGR D adjustor. Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees paid by the Company for the most current year... shall be divided by the gallons sold by the Company in that year to determine a CAGR D adjustor fee per 1,000 gallons."²

Condition Nos. 2 and 3 ordered that the Company "place all CAGR D monies collected from customers in a separate interest bearing account," withdrawals to be made only to pay the annual CAGR D fee due on October 15 of each year³. Decision No. 74701 revised Decision No. 71854 in regard to the segregation of CAGR D funds: "In the event of a shortfall, the Company shall only reimburse itself by withdrawing each month from the CAGR D Account an amount not to exceed 1/12th of the shortfall advanced by the Company until the full amount of any advance has been returned to the Company."⁴ Decision No. 75129 revised Decision No. 74701 in regard to the CAGR D shortfall reimbursements to remove the limitation "that requires the Company to reimburse itself for advancing shortfalls in the CAGR D account at the rate of 1/12th of the shortfalls per month."⁵

Although Decision No. 71854 did not contain an explicit provision for a true-up, the parties were in agreement that such an annual true-up would occur at the time of the adjustor reset each year. This understanding was confirmed by the Commission's provision for a true-up in Decision No. 72634.⁶

In its 2015 CAGR D adjustor reset, the Company is proposing a new calculation methodology that will match the CAGR D collections for a specific year to the CAGR D invoice that was generated by the usage for that year. The invoice that the Company receives from the CAGR D in October of each year is for the preceding calendar year⁷. The Commission-approved calculation follows condition No. 6 of Decision No. 71854, which nets the prior years over/under collection and the CAGR D invoice with the collections and interest from the prior October through September of the current year to calculate a new over/under collection amount. The new over/under collection amount is then added to the most current CAGR D invoice resulting in an amount to be collected. This amount is then divided by the total gallons sold in the prior year to determine the new rates generally effective in December.

The Company's calculations show that there has been a large cumulative under-collection from 2011 through 2014 in the amount of \$3,191,879 for its Phoenix Active Management Area ("AMA") and \$262,618 for its Pinal AMA. As a result of this under-collection the Company has calculated a rate of \$3.23 per thousand gallons ("kgal") for its Phoenix AMA, and a rate of \$1.75 per kgal for its Pinal AMA. Due to the impact that this level of increase would have on ratepayers, the

2 Decision No. 71854, page 38, lines 22 - 26.

3 Decision No. 71854, page 38, lines 12 - 16.

4 Decision No. 74701, page 2, lines 14 - 16.

5 Decision No. 75129, page 2 lines 4 - 7.

6 Decision No. 72634, page 4, starting on line 19 through page 5, line 10.

7 The October 2015 CAGR D invoice was for the water used in the 2014 calendar year.

Company proposes a two year phase in with the first phase at a rate of \$2.57 per kgal for its Phoenix AMA, and a rate of \$1.23 per kgal for its Pinal AMA. Staff has reviewed the Company's proposed calculations and the supporting documentation submitted with its request. Staff disagrees with the methodology employed by the Company to calculate the true-up and hence also disagrees with the resulting proposed adjustor rate as discussed below.

Staff believes the current Commission-approved calculation methodology is more appropriate than the Company's revised method because the Company's approach effectively ignores the amounts collected in 2015 of \$2,823,428.65 for the Phoenix AMA and \$73,430.78 for the Pinal AMA and actually extends the timing lag associated with CAGR D usage, billing and the subsequent collection of the adjustor fees. In addition, Staff believes that any proposed alterations to the current calculation methodology and any cumulative true-up would be more appropriately addressed within the context of a full rate case where the CAGR D adjustor mechanism can be considered along with all other rate issues.

PHOENIX AMA – DETAILED DISCUSSION

Company True-up

The total collections from 2011 to 2014 are \$11,811,594.79. The collections for 2010 and 2011 have been revised from what was originally reported by the Company. For 2010, the Company originally reported \$1,722,734.00⁸ in collections which has been revised to be \$150,915.59 and for 2011 the Company originally reported \$1,683,480.23⁹ which has been revised to be \$1,591,545.31. This results in a combined overstatement of \$1,663,753.33. The total in CAGR D invoices from 2011 to 2014 is \$14,959,648.42. The Company received a credit from CAGR D in 2012 for \$672,729 that had not previously been included in the calculation. The Company has calculated a net under collection of \$3,148,053.63.

a.	2010 & 2011 Collections	\$ 1,742,460.90
b.	2012 Collections	1,984,962.78
c.	2013 Collections	3,741,551.00
d.	2014 Collections	<u>4,342,620.11</u>
e.	Cumulative Collections [A+B+C+D]	\$11,811,594.79
f.	2011 CAGR D	\$ 3,070,866.12
g.	2012 CAGR D	3,113,035.56
h.	2013 CAGR D	4,176,509.30
i.	2014 CAGR D	<u>4,599,237.44</u>
j.	Cumulative CAGR D [F+G+H+I]	\$14,959,648.42
k.	2011-2014 Net under collection [E – J]	<u>\$(3,148,053.63)</u>

8 Decision No. 72634, page 5, line 9

9 Decision No. 73617, page 3, line 23

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Company Adjustor Fee

The 2014 CAGR D invoice for Johnson's Phoenix AMA totals \$4,599,237.44. The Company's 2014 annual report as submitted to the Arizona Department of Water Resources ("ADWR") indicates annual water sales of 2,409,289 (1,000 gallons).

The Company's calculation of the new CAGR D adjustor fee is shown below. The fee is \$3.22, however, the Company proposes a two year phase-in with a fee of \$2.57 for the first year.

a.	2014 CAGR D invoice	\$4,599,237.44
b.	Plus cumulative under-collection	<u>3,148,053.63</u>
c.	Amount to be recovered [A+B]	7,747,291.07
d.	Total water sold in 2014 (1,000 gallons)	<u>\$ 2,409,289</u>
e.	Charge per 1,000 gallons [C ÷ D]	<u>\$ 3.22</u>

Staff True-up

The 2013 CAGR D invoice for the Phoenix AMA annual replenishment assessment was \$4,176,509.30. The Company reports that collections and interest as of September 30, 2015, total \$3,985,657.30. Staff agrees with the corrections to the 2010 and 2011 collections and 2012 CAGR D invoice amounts. This true-up calculation indicates an over-collection of approximately \$718,393.88 as follows:

a.	2012 over-collection of CAGR D invoice ¹⁰	\$(909,245.88)
b.	2013 CAGR D invoice	4,176,509.30
c.	Less: Collections and interest through September, 2015	<u>3,985,657.30</u>
d.	2013 CAGR D over-collection [A+B-C]	\$(718,393.88)

Staff Adjustor Fee

The 2014 CAGR D invoice for Johnson's Phoenix AMA totals \$4,599,237.44. The Company's 2014 annual report as submitted to ADWR indicates annual water sales of 2,409,289 (1,000 gallons).

Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$1.61.

a.	2014 CAGR D invoice	\$4,599,237.44
b.	Less over-collection from 2013	<u>718,393.30</u>
c.	Amount to be recovered [A+B]	3,880,843.56
d.	Total water sold in 2014 (1,000 gallons)	<u>2,409,289</u>
e.	Charge per 1,000 gallons [C ÷ D]	<u>\$1.61</u>

¹⁰ Staff calculates that actual collections from September 2010 through September 2011 should have been \$1,162,785.74 and accepts the Company's revised 2012 CAGR D invoice amount. Staff recalculated each year of the adjustor mechanism with the revised amounts using the current methodology to determine a revised 2012 over-collection.

PINAL AMA – DETAILED DISCUSSION*Company True-up*

The total collections from 2011 to 2014 are \$348,444.62. The collections for 2010 and 2011 have been revised from what was originally reported by the Company. For 2010, the Company originally reported \$62,192.00¹¹ in collections which has been revised to be \$5,743.25 and for 2011, the Company originally reported \$55,133.76¹² which has been revised to be \$50,476.13. This results in a combined overstatement of \$61,106.38. The total in CAGR D invoices from 2011 to 2014 is \$611,359.88. The Company has calculated a net under collection of \$262,915.26.

a.	2010 & 2011 Collections	\$ 56,219.38
b.	2012 Collections	57,719.01
c.	2013 Collections	86,274.94
d.	2014 Collections	<u>148,231.29</u>
e.	Cumulative Collections [A+B+C+D]	\$ 348,444.62
f.	2011 CAGR D	\$ 72,995.62
g.	2012 CAGR D	117,186.64
h.	2013 CAGR D	99,681.03
i.	2014 CAGR D	<u>321,496.59</u>
j.	2014 CAGR D [F+G+H+I]	\$ 611,359.88
k.	2011-2014 Net under collection [E – J]	<u><u>\$(262,915.26)</u></u>

Company Adjustor Fee

The 2014 CAGR D invoice for Johnson's Phoenix AMA totals \$321,496.59. The Company's 2014 annual report as submitted to ADWR indicates annual water sales of 332,894 (1,000 gallons).

The Company's calculation of the new CAGR D adjustor fee is shown below. The fee is \$1.76, however, the Company proposes a two year phase-in with a fee of \$1.23 for the first year.

a.	2014 CAGR D invoice	\$ 321,496.59
b.	Plus cumulative under-collection	<u>262,915.26</u>
c.	Amount to be recovered [A+B]	584,411.85
d.	Total water sold in 2014 (1,000 gallons)	<u>332,894</u>
e.	Charge per 1,000 gallons [C ÷ D]	<u><u>\$1.76</u></u>

Staff True-up

The 2013 CAGR D invoice for the Pinal AMA annual replenishment assessment was \$99,681.03. The Company reports that collections and interest as of September 30, 2015, total

11 Decision No. 72634, page 6, line 10

12 Decision No. 73617, page 4, line 26

\$108,596.03. This true-up calculation indicates an over-collection of approximately \$19,812.17 as follows:

a.	2012 over-collection of CAGR invoice ¹³	\$ (10,897.14)
b.	2013 CAGR invoice	99,681.03
c.	Less: Collections and interest through September, 2015	<u>108,596.06</u>
d.	2013 CAGR over-collection [A+B-C]	\$ (19,812.17)

Staff Adjustor Fee

The 2014 CAGR invoice for Johnson's Pinal AMA totals \$321,496.59. The Company's 2014 annual report as submitted to ADWR indicates annual water sales of 332,894 (1,000 gallons).

Staff's calculation of the new CAGR adjustor fee is shown below. The fee is \$0.91.

a.	2014 CAGR invoice	\$321,496.59
b.	Less over-collection from 2013	<u>19,812.17</u>
c.	Amount to be recovered [A+B]	301,684.42
d.	Total water sold in 2014 (1,000 gallons)	<u>332,894</u>
e.	Charge per 1,000 gallons [C ÷ D]	<u>\$0.91</u>

VI. CONCLUSIONS AND RECOMMENDATIONS

Staff concludes that the Company has duly filed the appropriate request to revise the CAGR fee, as required by Decision No. 73284.

Staff recommends approval of the CAGR adjustor fees as described herein, using Staff's calculation following the historical methodology including prior year adjustments.

Staff recommends that the Company file, within 7 days of a Decision in this matter, CAGR adjustor fee tariffs consistent with the rates approved herein.

¹³ Staff calculates that actual collections from September 2010 through September 2011 should have been \$40,735.13. Staff recalculated each year of the adjustor mechanism with the revised amounts using the current methodology.

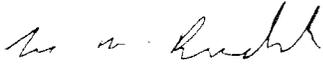
THE COMMISSION

January 19, 2016

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Staff recommends that the Company notify its customers of the CAGR_D adjustor fee tariffs approved herein within 30 days from the effective date of the Decision.

Staff recommends that the CAGR_D adjustor fees authorized herein become effective for all water sold after February 1, 2016.



Thomas M. Broderick

Director

Utilities Division

TMB:BAB:red\RRM

ORIGINATOR: Briton Baxter

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Interim Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES LLC FOR AN
INCREASE IN ITS WATER AND
WASTEWATER RATES FOR CUSTOMERS
WITHIN PINAL COUNTY, ARIZONA, RE
CAGR D ADJUSTOR FEES

DOCKET NO. WS-02987A-08-0180
DECISION NO. _____
ORDER

Open Meeting
February 2 and 3, 2016
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On October 8, 2015, pursuant to Decision No. 71854 (August 24, 2010), and as modified by Decision No. 73284 (July 30, 2012) and Decision No. 74701 (August 21, 2014), Johnson Utilities L.L.C. ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR D") adjustor fees.

2. Decision No. 71854 authorized the Company to implement an adjustor mechanism, subject to certain conditions, to recover the costs paid to the CAGR D for replenishment of excess groundwater. The conditions, as modified by Decision No. 73284, require the Company to submit, by October 25 of each year, for Commission consideration, its proposed CAGR D fees for the next twelve-month period (along with documentation from the relevant state agencies to support the

1 calculations), to apply to all water sold after December 1.¹ Accordingly, the Company made the
2 instant filing on October 8, 2015, requesting the adjustor reset for usage billed in 2016. On
3 November 6, 2015, the Company filed a notice of consent to extend the time for filing the Staff
4 Report and Proposed Order.

5 **Background**

6 3. The CAGR D was established by the Arizona legislature to serve as a groundwater
7 replenishment entity for its members, and it provides a mechanism for designated water supply
8 providers such as Johnson to demonstrate a 100-year water supply. Members pay the CAGR D to
9 replenish groundwater pumped by the member that exceeds the specified pumping limits. The
10 CAGR D is recognized as an important tool in Arizona's groundwater conservation efforts.

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

12 4. Decision No. 71854 specified nine conditions regarding the CAGR D adjustor.
13 Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees paid
14 by the Company for the most current year . . . shall be divided by the gallons sold by the Company in
15 that year to determine a CAGR D adjustor fee per 1,000 gallons."²

16 5. Condition Nos. 2 and 3 ordered that the Company "place all CAGR D monies
17 collected from customers in a separate, interest bearing account," only to be withdrawn for the annual
18 payment to the CAGR D, due on October 15 of each year.³ Decision No. 74701 revised Decision No.
19 71854 in regard to the segregation of CAGR D funds: "In the event of a shortfall, the Company shall
20 only reimburse itself by withdrawing each month from the CAGR D Account an amount not to
21 exceed 1/12th of the shortfall advanced by the Company until the full amount of any advance has been
22 returned to the Company."⁴ Decision No. 75129 revised Decision No. 74701 in regard to the
23 CAGR D shortfall reimbursements to remove the limitation "that requires the Company to reimburse
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27 ¹ Decision No. 73284, page 3, lines 2 - 8.

28 ² Decision No. 71854, page 38, lines 22 - 26.

³ Decision No. 71854, page 38, lines 12 - 16.

⁴ Decision No. 74701, page 2, lines 14 - 16.

1 itself for advancing shortfalls in the CAGR D account at the rate of 1/12th of the shortfalls per
2 month.”⁵

3 6. In addition, although the order did not contain an explicit provision for a true-up, the
4 parties were in agreement that such an annual true-up would occur at the time of the adjustor reset
5 each year. This understanding was confirmed by the Commission’s provision for a true-up in
6 Decision No. 72634.⁶

7 7. In its 2015 CAGR D adjustor reset, the Company is proposing a new calculation
8 methodology that will match the CAGR D collections for a specific year to the CAGR D invoice that
9 was generated by the usage for that year. The invoice that the Company receives from the CAGR D in
10 October of each year is for the preceding calendar year⁷. The Commission-approved calculation
11 follows condition No. 6 of Decision No. 71854, which nets the prior years over/under collection and
12 the CAGR D invoice with the collections and interest from the prior October through September of
13 the current year to calculate a new over/under collection amount. The new over/under collection
14 amount is then added to the most current CAGR D invoice resulting in an amount to be collected.
15 This amount is then divided by the total gallons sold in the prior year to determine the new rates
16 generally effective in December.

17 8. The Company’s calculations show that there has been a large cumulative under-
18 collection from 2011 through 2014 in the amount of \$3,191,879 for its Phoenix Active Management
19 Area (“AMA”) and \$262,618 for its Pinal AMA. As a result of this under-collection the Company has
20 calculated a rate of \$3.23 per thousand gallons (“kgal”) for its Phoenix AMA, and a rate of \$1.75 per
21 kgal for its Pinal AMA. Due to the impact that this level of increase would have on ratepayers, the
22 Company proposes a two year phase in with the first phase at a rate of \$2.57 per kgal for its Phoenix
23 AMA, and a rate of \$1.23 per kgal for its Pinal AMA. Staff has reviewed the Company’s proposed
24 calculations and the supporting documentation submitted with its request. Staff disagrees with the
25
26

27 ⁵ Decision No. 75129, page 2, lines 4 - 7

28 ⁶ Decision No. 72634, page 4, line 19 through page 5, line 10.

⁷ The October 2015 CAGR D invoice was for the water used in the 2014 calendar year.

1 methodology employed by the Company to calculate the true-up and hence also disagrees with the
2 resulting proposed adjustor rate as discussed below.

3 9. Staff believes that the current Commission-approved calculation methodology is more
4 appropriate than the Company's revised method because the Company's approach effectively ignores
5 the amounts collected in 2015 of \$2,823,428.65 for the Phoenix AMA and \$73,430.78 for the Pinal
6 AMA and actually extends the timing lag associated with CAGR D usage, billing and the subsequent
7 collection of the adjustor fees. In addition, Staff believes that any proposed alterations to the current
8 calculation methodology and any cumulative true-up would be more appropriately addressed within
9 the context of a full rate case where the CAGR D adjustor mechanism can be considered along with all
10 other rate issues.

11 **Phoenix AMA – Detailed discussion**

12 *Company True-up*

13 10. The total collections from 2011 to 2014 are \$11,811,594.79. The collections for 2010
14 and 2011 have been revised from what was originally reported by the Company. For 2010, the
15 Company originally reported \$1,722,734.00⁸ in collections which has been revised to be \$150,915.59
16 and for 2011 the Company originally reported \$1,683,480.23⁹ which has been revised to be
17 \$1,591,545.31. This results in a combined overstatement of \$1,663,753.33. The total in CAGR D
18 invoices from 2011 to 2014 is \$14,959,648.42. The Company received a credit from CAGR D in 2012
19 for \$672,729 that had not previously been included in the calculation. The Company has calculated a
20 net under collection of \$3,148,053.63 as follows:

21	a.	2010 & 2011 Collections	\$ 1,742,460.90
22	b.	2012 Collections	1,984,962.78
	c.	2013 Collections	3,741,551.00
23	d.	2014 Collections	<u>4,342,620.11</u>
	e.	Cumulative Collections [A+B+C+D]	\$11,811,594.79
24	f.	2011 CAGR D	\$ 3,070,866.12
	g.	2012 CAGR D	3,113,035.56
25	h.	2013 CAGR D	4,176,509.30
	i.	2014 CAGR D	<u>4,599,237.44</u>
26	j.	Cumulative CAGR D [F+G+H+I]	\$14,959,648.42
27	k.	2011-2014 Net under collection [E – J]	<u><u>\$(3,148,053.63)</u></u>

28 ⁸ Decision No. 72634, page 5, line 9

⁹ Decision No. 73617, page 3, line 23

Company Adjustor Fee

11. The 2014 CAGR D invoice for Johnson's Phoenix AMA totals \$4,599,237.44. The Company's 2014 annual report as submitted to the Arizona Department of Water Resources ("ADWR") indicates annual water sales of 2,409,289 (1,000 gallons).

12. The Company's calculation of the new CAGR D adjustor fee is shown below. The fee is \$3.22, however, the Company proposes a two year phase-in with a fee of \$2.57 for the first year.

a.	2014 CAGR D invoice	\$4,599,237.44
b.	Plus cumulative under-collection	<u>3,148,053.63</u>
c.	Amount to be recovered [A+B]	7,747,291.07
d.	Total water sold in 2014 (1,000 gallons)	<u>\$ 2,409,289</u>
e.	Charge per 1,000 gallons [C ÷ D]	<u>\$ 3.22</u>

Staff True-up

13. The 2013 CAGR D invoice for the Phoenix AMA annual replenishment assessment was \$4,176,509.30. The Company reports that collections and interest as of September 30, 2015, total \$3,985,657.30. Staff agrees with the corrections to the 2010 and 2011 collections and 2012 CAGR D invoice amounts. This true-up calculation indicates an over-collection of approximately \$718,393.88 as follows:

a.	2012 over-collection of CAGR D invoice ¹⁰	\$(909,245.88)
b.	2013 CAGR D invoice	4,176,509.30
c.	Less: Collections and interest through September, 2015	<u>3,985,657.30</u>
d.	2013 CAGR D over-collection [A+B-C]	\$(718,393.88)

Staff Adjustor Fee

14. The 2014 CAGR D invoice for Johnson's Phoenix AMA totals \$4,599,237.44. The Company's 2014 annual report as submitted to ADWR indicates annual water sales of 2,409,289 (1,000 gallons).

15. Staff's calculation of the new CAGR D adjustor fee is shown below. The fee is \$1.61.

...

...

¹⁰ Staff calculates that actual collections from September 2010 through September 2011 should have been \$1,162,785.74 and accepts the Company's revised 2012 CAGR D invoice amount. Staff recalculated each year of the adjustor mechanism with the revised amounts using the current methodology to determine a revised 2012 over-collection.

1	a.	2014 CAGR invoice	\$4,599,237.44
2	b.	Less over-collection from 2013	<u>718,393.30</u>
3	c.	Amount to be recovered [A+B]	3,880,843.56
4	d.	Total water sold in 2014 (1,000 gallons)	<u>2,409,289</u>
5	e.	Charge per 1,000 gallons [C ÷ D]	<u>\$1.61</u>

5 **Pinal AMA – Detailed discussion**

6 *Company True-up*

7 16. The total collections from 2011 to 2014 are \$348,444.62. The collections for 2010 and
 8 2011 have been revised from what was originally reported by the Company. For 2010, the Company
 9 originally reported \$62,192.00¹¹ in collections which has been revised to be \$5,743.25 and for 2011, the
 10 Company originally reported \$55,133.76¹² which has been revised to be \$50,476.13. This results in a
 11 combined overstatement of \$61,106.38. The total in CAGR invoices from 2011 to 2014 is
 12 \$611,359.88. The Company has calculated a net under collection of \$262,915.26 as follows:

13	a.	2010 & 2011 Collections	\$ 56,219.38
14	b.	2012 Collections	57,719.01
15	c.	2013 Collections	86,274.94
16	d.	2014 Collections	<u>148,231.29</u>
17	e.	Cumulative Collections [A+B+C+D]	\$ 348,444.62
18	f.	2011 CAGR	\$ 72,995.62
19	g.	2012 CAGR	117,186.64
20	h.	2013 CAGR	99,681.03
21	i.	2014 CAGR	<u>321,496.59</u>
22	j.	2014 CAGR [F+G+H+I]	\$ 611,359.88
23	k.	2011-2014 Net under collection [E – J]	<u>\$(262,915.26)</u>

20 *Company Adjustor Fee*

21 17. The 2014 CAGR invoice for Johnson's Phoenix AMA totals \$321,496.59. The
 22 Company's 2014 annual report as submitted to ADWR indicates annual water sales of 332,894 (1,000
 23 gallons).

24 18. The Company's calculation of the new CAGR adjustor fee is shown below. The fee
 25 is \$1.76, however, the Company proposes a two year phase-in with a fee of \$1.23 for the first year.

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¹¹ Decision No. 72634, page 6, line 10

¹² Decision No. 73617, page 4, line 26

1	a.	2014 CAGR invoice	\$ 321,496.59
	b.	Plus cumulative under-collection	<u>262,915.26</u>
2	c.	Amount to be recovered [A+B]	584,411.85
	d.	Total water sold in 2014 (1,000 gallons)	<u>332,894</u>
3	e.	Charge per 1,000 gallons [C ÷ D]	<u>\$1.76</u>

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5 *Staff True-up*

6 19. The 2013 CAGR invoice for the Pinal AMA annual replenishment assessment was
7 \$99,681.03. The Company reports that collections and interest as of September 30, 2015, total
8 \$108,596.03. This true-up calculation indicates an over-collection of approximately \$19,812.17 as
9 follows:

10	a.	2012 over-collection of CAGR invoice ¹³	\$ (10,897.14)
	b.	2013 CAGR invoice	99,681.03
11	c.	Less: Collections and interest through September, 2015	<u>108,596.06</u>
12	d.	2013 CAGR over-collection [A+B-C]	\$ (19,812.17)

13 *Staff Adjustor Fee*

14 20. The 2014 CAGR invoice for Johnson's Pinal AMA totals \$321,496.59. The
15 Company's 2014 annual report as submitted to ADWR indicates annual water sales of 332,894 (1,000
16 gallons).

17 21. Staff's calculation of the new CAGR adjustor fee is shown below. The fee is \$0.91.

18	a.	2014 CAGR invoice	\$321,496.59
	b.	Less over-collection from 2013	<u>19,812.17</u>
19	c.	Amount to be recovered [A+B]	301,684.42
	d.	Total water sold in 2014 (1,000 gallons)	<u>332,894</u>
20	e.	Charge per 1,000 gallons [C ÷ D]	<u>\$0.91</u>

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22 **Conclusions and Recommendations**

23 1. Staff concludes that the Company has duly filed a sufficient request to revise the
24 CAGR adjustor fees, as required by Decision No. 73284.

25 2. Staff recommends approval of the CAGR adjustor fees as described herein, using
26 Staff's calculation following the historical methodology including prior year adjustments.

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¹³ Staff calculates that actual collections from September 2010 through September 2011 should have been \$40,735.13. Staff recalculated each year of the adjustor mechanism with the revised amounts using the current methodology.

1 IT IS FURTHER ORDERED that Johnson Utilities L.L.C. docket with the Commission as a
2 compliance matter, within seven (7) days of the effective date of this Decision, CAGR D adjustor fee
3 tariffs consistent with the rate approved herein.

4 IT IS FURTHER ORDERED that Johnson Utilities L.L.C. shall notify its customers of the
5 CAGR D adjustor fees approved herein in the first bill in which this fee appears.

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

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8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN COMMISSIONER

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COMMISSIONER COMMISSIONER COMMISSIONER

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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 _____ day of
_____, 2016.

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JODI JERICH
EXECUTIVE DIRECTOR

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22

DISSENT: _____

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DISSENT: _____

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TMB:BAB:red\RRM

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