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VAIL WATER COMPANY
1010 N Finance Center Dr., Suite 200, Tucson, AZ 85740

2016 FEB -3 P 1: 28

AZ CORP COMMISSION
DOCKET CONTROL

January 25th, 2016

Arizona Corporation Commission
Utilities Division Director
1200 West Washington
Phoenix, AZ 85007-2996

2nd SUBMITTAL (CONSOLIDATED DOCKETS)

Docket: W-01651B-99-0351 Decision# 62450
Docket : W-01651B-99-0406 Decision# 62450
Action:
Submit each January 31st, beginning January 31, 2001, covering the previous year, annual reports regarding the amount of CAP Hook-up fee and CAP Service Fees COLLECTED

Dear Sir or Madam:

In response to the above decision, Vail Water Company **has not collected any CAP service fees and Hookup fees for 2014.** Pursuant to the opinion and order dated May 7th, 2013 eliminating CAP Hookup Fee under (Docket# W-01651B-12-0339 Decision# 73995 page 10 paragraph 50 and order Page 17) and opinion and order dated January 26, 2012 and March 29, 2012 (Docket W-01651B-99-0351 Decision # 73218) page 14 eliminating CAP Service (Surcharge) fee.

If you have any questions please do not hesitate to contact me at (520) 571-1958, extension 7105, via fax at (520) 571-1961, or at kvolve@estesco.net.

Sincerely,

Christopher T. Volpe
Vice President

Attachments

Arizona Corporation Commission
DOCKETED
FEB 03 2016
DOCKETED BY *KV*

1 45. In its Rebuttal Testimony, VWC asserted that the TEM management fees totaling
2 \$126,683, translates to \$2.73 per customer per month, which the Company argued was reasonable.³⁴
3 The Company disputed the cost-effectiveness of seeking competitive bids for the TEM services and
4 defended its process for determining the costs to allocate to VWC.

5 **B. Settlement Agreement**

6 46. In the Proposed Settlement Agreement, VWC and Staff agree that:

7 (a) In the test year, VWC's revenue was \$2,183,759;

8 (b) That its FVRB is \$3,315,108;

9 (c) That the FVRB includes deferred LTSCs of \$1,081,028, and that all recharge
10 credits sold by the Company must be priced at a minimum to recover all direct costs of the CAP
11 water, including ADWR's 5 percent cut to the aquifer;

12 (d) That for ratemaking purposes, the Company's capital structure of 100 percent
13 equity should be used, and that the cost of equity should be 9.1 percent; and

14 (e) That VWC should be authorized an annual increase in revenue of \$21,480, or 0.98
15 percent, for an annual revenue requirement of \$2,205,239.³⁵

16 47. The Settlement Agreement adopts Staff's rate design.

17 48. The Company agreed that in future rate cases, the Company will obtain timesheets for
18 management services from TEM to support the management fees requested for recovery.

19 49. The Settlement Agreement also adopts a CAP Surcharge mechanism that will allow
20 the collection of the actual CAP costs as they fluctuate annually. The proposed CAP Surcharge will
21 include the costs of: 1) CAP M&I capital charges; 2) CAP delivery charges
22 ("OM&R"); and 3) wheeling charges from the City of Tucson. The CAP Surcharge will begin at
23 zero and be adjusted annually as described in the Proposed Plan of Administration.

24 50. The Settlement Agreement eliminates the CAP Hook-up Fee Tariff.

25 ...
26 ...
27 _____
28 ³⁴ Ex A-7 Bourassa Reb at 16-19. Ex A-6 Volpe Reb at 2-6.

³⁵ Settlement Agreement at Sections II and III.

1 Constitution and ARS §§ 40-250 and 40-251.

2 2. The Commission has jurisdiction over VWC and the subject matter of the Rate
3 Application.

4 3. Notice of the Rate Application was provided in the manner prescribed by law.

5 4. The Settlement Agreement and Plan of Administration for the CAP Surcharge, and the
6 rates and charges authorized herein are just and reasonable and should be approved.

7 **ORDER**

8 **IT IS THEREFORE ORDERED that the Settlement Agreement between Vail Water**
9 **Company the Arizona Corporation Commission Utilities Division Staff and the Plan of**
10 **Administration for the CAP Surcharge attached hereto as Exhibit A, are hereby approved.**

11 IT IS FURTHER ORDERED that Vail Water Company shall file with Docket Control, as a
12 compliance item in this docket, by July 31, 2013, revised rate schedules setting forth the rates and
13 charges as contained in the Settlement Agreement attached hereto as Exhibit A.

14 IT IS FURTHER ORDERED that the rates and charges approved herein shall be effective for
15 all service provided on and after August 1, 2013, except that the effective date of the CAP Surcharge
16 will be set by a future Commission Order.

17 IT IS FURTHER ORDERED that Vail Water Company shall notify its customers of the rates
18 and charges authorized herein, and their effective date, in a form acceptable to the Commission's
19 Utilities Division Staff, by means of an insert in its next regularly scheduled billing or as a separate
20 mailing.

21 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,
22 Vail Water Company shall collect from its customers a proportionate share of any privilege, sales or
23 use tax per A.A.C. R14-2-409(D).

24 IT IS FURTHER ORDERED that when determining the profit element of Component 6 of the
25 CAP Surcharge, the higher of the sales price or fair market value of the Long Term Storage Credits
26 should be used.

27 ...

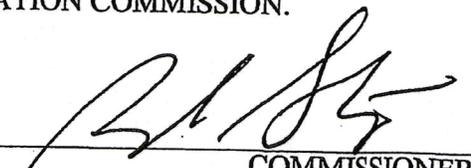
28 ...

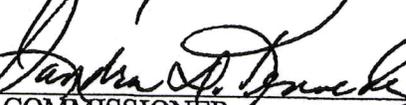
1 IT IS FURTHER ORDERED that Vail Water Company is authorized to collect the CAP
2 Hook-up Fees authorized in Decision No. 62450, but that the CAP Surcharge is terminated, both
3 effective immediately.

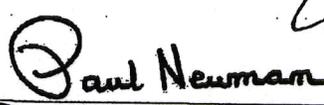
4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

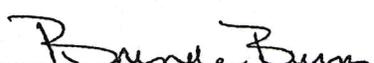
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

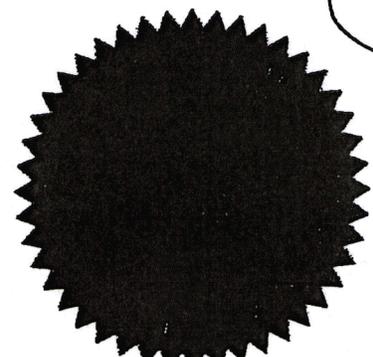
6
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8 CHAIRMAN


COMMISSIONER

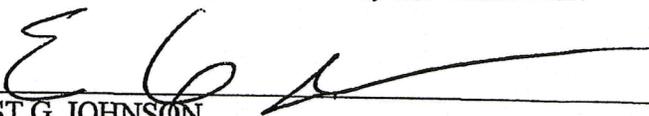
9 
10 COMMISSIONER


COMMISSIONER


COMMISSIONER



11
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this 5th day of June 2012.


17 ERNEST G. JOHNSON
18 EXECUTIVE DIRECTOR

19 DISSENT _____

20 DISSENT _____