



0000169893

BEFORE THE ARIZONA CORPORATION COMMISSION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

DOUG LITTLE  
Chairman  
BOB STUMP  
Commissioner  
BOB BURNS  
Commissioner  
TOM FORESE  
Commissioner  
ANDY TOBIN  
Commissioner

Arizona Corporation Commission  
**DOCKETED**

APR 22 2016

DOCKETED BY

IN THE MATTER OF THE APPLICATION  
OF HUMBOLDT WATER SYSTEMS, INC.  
FOR APPROVAL OF A FINANCING  
APPLICATION  
  
IN THE MATTER OF THE APPLICATION  
HUMBOLDT WATER SYSTEMS, INC. FOR  
APPROVAL OF A RATE INCREASE. -  
AUTHORITY TO IMPLEMENT ITS  
ARSENIC COST RECOVERY MECHANISM

DOCKET NO. W-02197A-12-0410

DOCKET NO. W-02197A-13-0115

DECISION NO. 7522

ORDER

Open Meeting  
April 12 and 13, 2016  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. Pursuant to Decision No. 74386, Humboldt Water Systems, Inc. ("Humboldt" or "Company") filed an application on December 21, 2015, with the Arizona Corporation Commission ("Commission") requesting to implement Step-One of the Arsenic Cost Recovery Mechanism ("ACRM").

2. The Commission established the ACRM to aid the Company in its efforts to comply with the United States Environmental Protection Agency's ("EPA") arsenic maximum contaminant level ("MCL") of 10 particles per billion ("ppb") which went into effect on January 23, 2006. The EPA reduced the drinking water standard for arsenic from 50 ppb to 10 ppb. The ACRM aid is effectuated through collection of a monthly arsenic surcharge that may include fixed and/or volumetric charges.

...

1 **Background**

2 3. On September 20, 2012, Humboldt filed with the Commission a financing application  
3 seeking authorization of a \$160,000 Water Infrastructure Financing Authority of Arizona (“WIFA”)  
4 loan in order to finance construction of its nitrate and arsenic treatment facilities. On April 26, 2013,  
5 the Company filed a rate increase application with the Commission. On May 6, 2013, Humboldt filed  
6 an amendment to its application in the Finance Docket modifying its request to obtain a WIFA loan in  
7 the amount of \$300,000, rather than \$160,000. On July 12, 2014, by Procedural Order, the finance and  
8 rate case dockets were consolidated. On March 19, 2014, the Commission issued Decision No. 74386  
9 establishing new rates for the Company, granting approval of its financing application, and authorization  
10 in the amount of \$301,528, for the Company to implement an ACRM to recover costs associated with  
11 its nitrate and arsenic treatment facilities.

12 4. On March 10, 2012, the Company submitted the required loan documentation for a  
13 \$151,528 loan from WIFA in order to begin implementation of its ACRM. The Company is requesting  
14 that the arsenic surcharge recover the principal, interest, and loan reserve payments on its WIFA loan.  
15 The Company is not currently seeking recovery of new or additional operating and maintenance  
16 expenses.

17 **Calculation of Arsenic Surcharge**

18 5. Decision No. 74386, ordered that upon the Company’s filing of the appropriate WIFA  
19 loan documentation, Staff shall calculate the arsenic cost recovery mechanism surcharge and file the  
20 appropriate surcharge amount to be collected from Humboldt’s customers according to their meter size.  
21 Staff has calculated the ACRM surcharge necessary to recover debt service cost and reserve deposit  
22 requirements Staff’s calculation utilized the Company’s customer billing determinants to compute the  
23 appropriate ACRM surcharge based on meter size. Staff’s ACRM surcharge is calculated to be collected  
24 as a monthly surcharge in addition to the customary monthly minimum charge and does not include a  
25 volumetric component.

26 6. To compute the ACRM surcharge, Staff utilized loan data provided by WIFA. This data  
27 updates the information provided by the Company in its loan documentation filing.

28





1 IT IS FURTHER ORDERED that Humboldt Water Systems, Inc. shall notify its customers  
2 of the arsenic cost recovery surcharge tariff approved herein within 30 days of the effective date of  
3 this Decision.

4 IT IS FURTHER ORDERED that Humboldt Water Systems, Inc. shall file a permanent rate  
5 case application within five years of the effective date of this Decision.

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

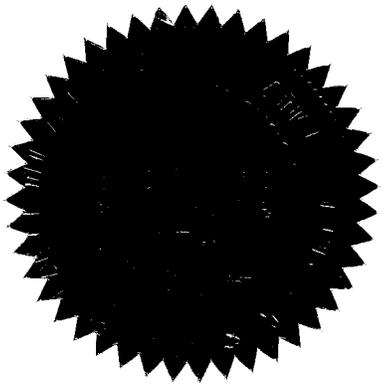
7  
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9   
10 CHAIRMAN

**EXCUSED**  
COMM. STUMP

11 COMMISSIONER

12     
13 COMMISSIONER COMMISSIONER COMMISSIONER



14  
15 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
16 Director of the Arizona Corporation Commission, have  
17 hereunto, set my hand and caused the official seal of this  
18 Commission to be affixed at the Capitol, in the City of Phoenix,  
19 this 22nd day of April, 2016.

20   
21 JODI JERICH  
EXECUTIVE DIRECTOR

22 DISSENT: \_\_\_\_\_

23 DISSENT: \_\_\_\_\_

24 TMB:BCA:nr/CHH  
25  
26  
27  
28

- 1 SERVICE LIST FOR: Humboldt Water Systems, Inc.
- 2 DOCKET NO. W-02197A-12-0410 and W-02197A-13-0115
  
- 3 Timothy Kylo
- 4 Post Office Box 10593
- 5 Sedona, Arizona 86339
  
- 6 Mr. Thomas M. Broderick
- 7 Director, Utilities Division
- 8 Arizona Corporation Commission
- 9 1200 West Washington Street
- 10 Phoenix, Arizona 85007
  
- 11 Ms. Janice M. Alward
- 12 Chief Counsel, Legal Division
- 13 Arizona Corporation Commission
- 14 1200 West Washington Street
- 15 Phoenix, Arizona 85007
  
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28

Humboldt's Water Systems, Inc.  
 Docket Nos. W-02197A-13-0115 AND W-02197A-12-0410  
 Test Year Ended: October 31, 2012

Schedule BCA-1

CALCULATION OF SURCHARGE AMOUNT FOR  
 ARSENIC AND NITRATE TREATMENT PLANT  
 BASED ON ACTUAL LOAN AMOUNT AND CHARGES

Installation of Arsenic and Nitrate Treatment Plant	\$ 301,528	Less:	\$ 150,000	\$ 151,528
Total Yearly Interest and Principal Payments Based on a 20-year WIFA Loan and a 4.20% Interest Rate.				\$ 11,396
Reserve Deposit Requirement				<u>\$2,279</u>
				\$ 13,675
Total Annual Surcharge Revenue Requirement for the Loan				\$ 13,675
Total Equivalent Annual Bills				4,416
5/8" x 3/4" Meter Surcharge Amount	\$ 13,675	÷	4,416	\$ 3.10
3/4" Meter Surcharge Amount	\$ 3.10	x	1.0	\$ 3.10
1" Meter Surcharge Amount	\$ 3.10	x	2.5	\$ 7.74
1 1/2" Meter Surcharge Amount	\$ 3.10	x	5.0	\$ 15.48
2" Meter Surcharge Amount	\$ 3.10	x	8.0	\$ 24.77
3" Meter Surcharge Amount	\$ 3.10	x	16.0	\$ 49.55
4" Meter Surcharge Amount	\$ 3.10	x	25.0	\$ 77.42
6" Meter Surcharge Amount	\$ 3.10	x	50.0	\$ 154.84

Meter Size	Number of Customers	Customer Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	193	1	193	2,316	\$ 3.10	\$ 37.16	\$ 7,172.05
3/4" Meter	133	1	133	1,596	3.10	37.16	4,942.40
1" Meter	2	2.5	5	60	7.74	92.90	185.80
1 1/2" Meter	1	5	5	60	15.48	185.80	185.80
2" Meter	4	8	32	384	24.77	\$ 297.29	1,189
3" Meter	-	16	-	-	49.55	-	-
4" Meter	-	25	-	-	77.42	-	-
6" Meter	-	50	-	-	\$ 154.84	-	-
<b>TOTAL</b>	<b>333</b>		<b>368</b>	<b>4,416</b>			<b>\$ 13,675</b>

Humboldts Water Systems, Inc.  
 Docket Nos. W-02197A-13-0115 and W-02197A-12-0410  
 Test Year Ended: October 31, 2012

Schedule BCA-2

TERMS OF THE LOAN  
 Loan Closed: May 30, 2014

**TERMS OF PROPOSED WIFA LOAN**

**Terms and Conditions**

Loan Amount	\$151,528
Term (No. of Years)	20
Combined Interest & Fee Rate	
Interest Rate Index	5.25%
Subsidy Rate Index	80.00%
Combined Interest & Fee Rate	4.2%
Debt Service Reserve Requirement	20.00%
Annual Debt Service	\$11,396
Number of Years Debt Service Reserve Funded	5

**Monthly Fixed payment to WIFA**

*Years 1 through 5(November 2019)*

Monthly Fixed Payments to WIFA	\$950
Monthly Debt Service Reserve Deposit	\$190
Monthly Replacement Fund Deposit	\$0.00
<b>Total Monthly Fixed Payment</b>	<b>\$1,140</b>

*Years 6 through 20*

Monthly Fixed Payments to WIFA	\$950
Monthly Debt Service Reserve Deposit	0.00
Monthly Replacement Fund Deposit	\$ 190
<b>Total Monthly Fixed Payment</b>	<b>\$1,140</b>

**Annual Fiscal Impact**

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	\$11,396	\$2,279	\$0.00	\$13,675
2	11,396	\$2,279	0.00	\$13,675
3	11,396	\$2,279	0.00	\$13,675
4	11,396	\$2,279	0.00	\$13,675
5	11,396	\$2,279	0.00	\$13,675
6	11,396	0.00	2,279.20	\$13,675
7	11,396	0.00	2,279.20	\$13,675
8	11,396	0.00	2,279.20	\$13,675
9	11,396	0.00	2,279.20	\$13,675
10	11,396	0.00	2,279.20	\$13,675
11	11,396	0.00	2,279.20	\$13,675
12	11,396	0.00	2,279.20	\$13,675
13	11,396	0.00	2,279.20	\$13,675
14	11,396	0.00	2,279.20	\$13,675
15	11,396	0.00	2,279.20	\$13,675
16	11,396	0.00	2,279.20	\$13,675
17	11,396	0.00	2,279.20	\$13,675
18	11,396	0.00	2,279.20	\$13,675
19	11,396	0.00	2,279.20	\$13,675
20	11,396	0.00	2,279.20	\$13,675
21	0.00	0.00	0.00	0.00
22	0.00	0.00	0.00	0.00
23	0.00	0.00	0.00	0.00
24	0.00	0.00	0.00	0.00
25	0.00	0.00	0.00	0.00
26	0.00	0.00	0.00	0.00
27	0.00	0.00	0.00	0.00
28	0.00	0.00	0.00	0.00
29	0.00	0.00	0.00	0.00
30	0.00	0.00	0.00	0.00
	<b>\$227,920</b>	<b>\$11,396</b>	<b>\$34,188</b>	<b>\$273,504</b>