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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

IN THE MATTER OF THE APPLICATION )  
OF CHAPARRAL CITY WATER COMPANY )  
FOR A DETERMINATION OF THE )  
CURRENT FAIR VALUE OF ITS UTILITY )  
PLANT AND PROPERTY AND FOR )  
INCREASE IN ITS RATESAND CHARGES )  
BASES THEREON. )  
\_\_\_\_\_ )

DOCKET NO. W-02113A-13-0118  
DECISION NO. 75526  
ORDER  
PLAN OF ADMINISTRATION FOR A  
CENTRAL ARIZONA PROJECT  
SURCHARGE

Open Meeting  
April 12<sup>th</sup> and 13<sup>th</sup>, 2016  
Phoenix, Arizona

Arizona Corporation Commission  
**DOCKETED**  
APR 22 2016

DOCKETED BY	<i>Y9</i>
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BY THE COMMISSION:

FINDINGS OF FACT

**Introduction**

1. On June 20, 2014, the Arizona Corporation Commission (“Commission”) authorized Chaparral City Water Company (“CCWC” or “Company”) to implement a Central Arizona Project (“CAP”) Surcharge in Decision No. 74568. The Company was also ordered to file within 30 days a CAP Surcharge Plan of Administration (“POA”) that substantially conforms to the CAP Surcharge POA labeled as Sustainable Water Surcharge POA attached to Decision No. 74568 as Exhibit A, for Commission review and approval.

2. On July 21, 2014, in compliance with Decision No. 74568, CCWC filed a proposed POA for the CAP Surcharge. Staff reviewed CCWC’s POA as submitted and recommended modifications. On December 10, 2015, the Company docketed a revised proposed POA.



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ORDER

IT IS THEREFORE ORDERED that the attached CAP Surcharge Plan of Administration be, and hereby is approved for Chaparral City Water Company.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

*[Handwritten signature: B. Blutt]*

CHAIRMAN

**EXCUSED**  
COMM. STUMP

COMMISSIONER

*[Handwritten signature: The House]*

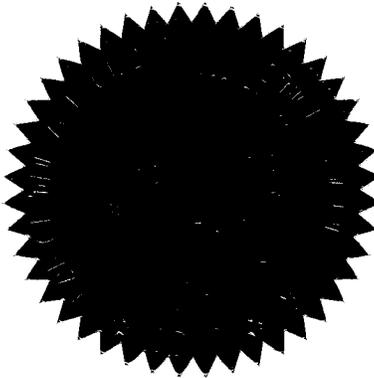
COMMISSIONER

*[Handwritten signature: L. M. Tol]*

COMMISSIONER

*[Handwritten signature: Robert S. Lamm]*

COMMISSIONER



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 22nd day of April, 2015.

*[Handwritten signature: Jodi Jerich]*  
\_\_\_\_\_  
JODI JERICH  
EXECUTIVE DIRECTOR

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

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

TMB:MJR:red\BH

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SERVICE LIST FOR: Chaparral City Water Company  
DOCKET NO. W-02113A-13-0118

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# ATTACHMENT A

**Chaparral City Water Company**  
**Central Arizona Project (CAP) Water Surcharge Mechanism**  
**Plan of Administration**

This document is the Plan of Administration (“POA”) for the administration of Chaparral City Water Company’s (“CCWC” or the “Company”) Central Arizona Project (“CAP”) water Surcharge Mechanism (CAP Surcharge). The purpose of the Plan is to describe how CCWC will administer the CAP Surcharge as approved by the Arizona Corporation Commission in Docket No. W-02113A-13-0118.

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## **I. Overview**

CCWC is a public service corporation providing water utility service in Maricopa County, Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission. CCWC is dependent on CAP water to provide water service to its customers. The CAP Surcharge mechanism has been closely modeled after two other existing surcharge mechanisms known as Groundwater Savings Fee mechanisms which EPCOR successfully implemented for its Sun City Water and Sun City West Water districts. The components of the POA, are as described in Decision No. 74568. The CAP Surcharge POA addresses over- and under- recovery of CAP expenses in base rates.

## **II. General Description - Surcharge**

The purpose of the CCWC CAP Surcharge mechanism is to recover additional company costs or to provide refunds to its customers in periods when the cost of CAP water offset by credits differs from the amount collected in the previous year. The Company will make annual filings (the first filing due January 31, 2016, or within thirty days of the effective date of a Decision approving the POA, then by January 31<sup>st</sup> of each year thereafter) to adjust the CAP Surcharge rate. The CAP Surcharge rate will be billed per thousand gallons sold similar to a commodity rate for all customers. The CAP Surcharge will appear on customers' bills as a separate line item labeled "CAP Surcharge". This rate will be adjusted annually (effective thirty days after a Decision approving the POA, then March 1<sup>st</sup> of each year thereafter) to true up the previous year's activity and reflect the current year's costs.

## **III. Components of the CAP Surcharge Mechanism**

The CAP Surcharge mechanism is implemented via an annual reconciliation which includes: 1) Amount Included in Base Rates, 2) Water Loss Adjustment, 3) Prior Year Under/Over) Recovery, 4) Projected Current Year Expenses, and 5) A Surcharge or Refund Rate per 1,000 gallons of usage for the next year.

***Amount Included in Base Rates***

Decision No. 74568 included an amount of \$1,156,477 in base rates. This amount represented the amount of purchased water expense in the test year ending December 31, 2012, increased to 2014 rates provided by the Central Arizona Water Conservation District (“CAWCD”).<sup>1</sup> When water sales are equal to water sales in the 2012 test year, the Company will collect this amount through base rate revenues every year. The purpose of the surcharge is to recover the amount over or under \$1,156,477, plus or minus previous year’s surcharges or refunds in any given year.

***Water Loss Adjustment***

Decision No. 74568 agreed with Staff that the CAP purchased water be adjusted for water loss in the amount of \$39,598<sup>2</sup> for the test year. The water loss adjustment is to be calculated annually by using an acceptable water loss of 10 percent and decreasing the CAP surcharge pro-rata for the amount over 10 percent. This calculation is shown on illustrative Schedule C.

***Prior Year Under / (Over) Recovery***

This component accounts for the under- or over- recovery of the prior year’s costs through the surcharge. The computation is:

- 1) Annual costs for the previous year ending December 31 (Illustrative Schedule A).
- 2) Less an adjustment for water loss over 10 percent (Illustrative Schedule C)
- 3) Less Surcharge Revenues collected through the previous year ending December 31 (Illustrative Schedule A)
- 4) Less CAP expense included in base rates in the amount of \$1,156,477
- 5) Plus or minus a sales volume adjustment to 2012 test year consumption (Illustrative Schedule D)

<sup>1</sup> Direct Testimony Gerald Becker p. 21, at 24.

<sup>2</sup> Decision No. 74568 p. 26, at 14.

- 6) Surcharge per 1,000 gallons based on the net amount of over- or under- recovery

***Projected Current Year Expense***

This component accounts for the current year's projected expenses and is a computation of:

- 1) Projected costs for the next year (Illustrative Schedule E)
- 2) Less an adjustment for projected water loss over 10 percent (Illustrative Schedule C).
- 3) Less CAP expense included in base rates in the amount of \$1,156,477.
- 4) Plus or minus a sales volume adjustment to the 2012 test year consumption (Illustrative Schedule D).
- 5) Expected over- or under- collection based on actual consumption for the previous year.
- 6) Surcharge or refund per 1,000 gallons based on the net expected amount of over- or under- recovery.

***Total Surcharge or Refund Rate per 1,000 gallons sold***

This last component sums the first two components of the CAP Surcharge, the Rate per 1,000 gallons sold – Previous Year and the Rate per 1,000 gal. – Current Year. The result is the amount of surcharge or refund to customers per 1,000 gallons sold.

**IV. Procedure and Reporting**

The Company shall file its first surcharge request within thirty days of a Decision approving the POA to be effective no sooner than thirty days after the surcharge request is approved. Thereafter the Company shall file its surcharge request by January 31st each year to be effective on March 1st of the same year.

In September of each year CCWC will perform a mid-year review of the surcharge. In this review CCWC will compare the water ordered for the current year with the actual water received to

date. If CCWC finds that it has not been taking as much water as previously scheduled, it shall request that the CAWCD offer the amount to be remarketed so that CCWC can be credited for that amount of water. The amount to be credited to CCWC shall be included in the surcharge calculations in the line CAP Remarketing Credit for prior year.

Each January, CCWC will reconcile the water ordered for the previous year with water actually received. If CCWC received less water than ordered, CCWC will calculate the amount that CAWCD will credit to CCWC. The amount to be credited to CCWC shall be included in the surcharge calculations in the line CAP Power Credit for prior year.

On or before January 31st of each year thereafter CCWC will submit to the Commission as a compliance item a report showing its collections under the CAP Surcharge that includes a calculation of any under- or over- recovery with details showing each component's contribution to the change in balance from the prior year. This will be in the form of the attached exhibits.

**V. Illustrative Schedules**

Annual Reconciliation

Schedule A - Costs and Revenue

Schedule B - Actual Consumption (1,000 gals)

Schedule C - Water Loss Worksheet

Schedule D - Sales Volume Worksheet

Schedule E - Projected Costs

## Chaparral City Water Company CAP Surcharge Annual Reconciliation

### Recovery Target and Tariff Calculations Data as of 12/31/15

**Contents**

- Schedule A - Previous Year's Actual Expense and Revenue
- Schedule B - Previous Year's Actual Customer Consumption
- Schedule C - Water Loss Worksheet
- Schedule D - Sales Volume Adjustment Worksheet
- Schedule E - Current Year's Projected Costs.

<b>Prior Year Under/(Over) Recovery</b>		<u>Notes</u>
2015 Annual Costs net of water loss adjustment	\$ 1,292,064	from Schedule A from Schedule A <u>a</u> from Schedule D
2015 Surcharge Revenues	\$ -	
Authorized CAP Expense In Base Rates	\$ (1,156,477)	
Sales Volume Adjustment	\$ (9,528)	
2015 Under/(Over) Collected	\$ 126,058	
Actual Consumption (kgals)	1,802,187	from Schedule B <u>b</u>
<b>Surcharge Rate per 1,000 gal. - Previous Year</b>	<b>\$ 0.0699</b>	
<b>Projected Current Year Expense</b>		
Projected 2016 Annual Costs including water loss adjustment	\$ 1,051,486	from Schedule E
Authorized CAP Expense In Base Rates	\$ (1,156,477)	
Sales Volume Adjustment	\$ (9,528)	from Schedule D
Projected 2016 Under/(Over) Collected	\$ (114,519)	
Projected Consumption (kgals)	1,802,187	<u>c</u> <u>d</u>
<b>Surcharge Rate per 1,000 gal. - Current Year</b>	<b>\$ (0.0635)</b>	
<b>Total Surcharge Rate Per Kgal</b>		
<b>Surcharge Rate per 1,000 gal. - TOTAL</b>	<b>\$ 0.0064</b>	<u>e</u>

**Notes**

- a Source: Final Schedule GWB-11, Col [A] (Company Purchased Water (\$1,065,953)) plus Col [D] (Staff Adjustment (9\$90,524)) [Excludes water loss adjustment, it is made in Schedule A of this workbook]
- b The per kgal rate to be assessed in 2016 for unrecovered expense in 2015
- c Projected consumption is equal to prior year's actual consumption
- d The per kgal rate to be assessed in 2016 for projected unrecovered expense in 2016
- e The total per kgal rate to be assessed on all consumption in 2016 (the sum of b and d)

**75526**

Numbers Are For Illustrative Purposes Only

**Chaparral City Water Company - CAP Surcharge  
Schedule A - Costs and Revenue**

75526

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Surcharge Revenue *	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Costs / Expense</b>													
Municipal and Industrial Charges	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$107,052	\$107,052	\$107,052	\$1,210,403
Capital Charges	-	-	-	-	97,999	-	-	-	-	102,454	-	-	200,453
MWD Storage (Credit)	-	-	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	-	-	(9,600)
Other Storage Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
CAP Power Credit for prior year	-	-	(63,382)	-	-	-	-	-	-	-	-	-	(63,382)
CAP Remarketing Credit for prior year	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expense / Costs	\$98,805	\$98,805	\$34,223	\$97,605	\$195,604	\$97,605	\$97,605	\$97,605	\$97,605	\$208,305	\$107,052	\$107,052	\$1,337,873
Water Loss Adjustment - Schedule C													\$ (45,810)
Total 2015 Annual Costs including Water Loss Adjustment													\$ 1,292,064

\* Note - The surcharge will not be in effect in 2015, thus no revenues are shown. In future years this field will be populated with actual surcharge revenues.

Numbers Are For Illustrative Purposes Only

**Chaparral City Water Company - CAP Surcharge  
Schedule B - Actual Consumption (kgals)**

75526

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015 Actual Consumption	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	1,802,187

Note - The annual surcharge calculation will be based on projected consumption (kgals) which is the previous year's actual consumption and this table will display the actual monthly consumption. The 2015 annual consumption amount listed above is for illustrative purposes only and displayed evenly throughout the year.

Decision No.

Numbers Are For Illustrative Purposes Only

**Chaparral City Water Company - CAP Surcharge  
Schedule C - Water Loss Worksheet**

LINE NO.		
1	One plus allowable water loss	110.00%
2	One plus actual water loss	113.90%
3	Allowable portion	96.58%
4	Disallowable portion	3.42%
5	Actual Purchased Water Expense incurred in prior year (2015)	\$ 1,337,873
6	Water Loss Adjustment (line 4 x line 5)	\$ 45,810

Line 1: Maximum acceptable level of water losses  
 Line 2: Actual level of water losses as reported on 2015 Annual Report (the 13.9% for this example is from G Becker)  
 Line 3: Line 1 / Line 2  
 Line 4: 1 - line 3  
 Line 5: Total Expenses / Cost from Schedule A  
 Line 6: Line 4 x line 5

NOTE: If line 2 is equal to or less than 110.00% this adjustment (line 6) is set to 0.00

Numbers Are For Illustrative Purposes Only

**Chaparral City Water Company - CAP Surcharge  
Schedule D - Sales Volume Worksheet**

LINE NO.		
1	2012 Test Year Consumption	1,787,460
2	Previous Year Consumption	1,802,187
3	Percentage of Test Year Consumption	100.82%
4	Sales Adjustment Factor	-0.82%
5	Authorized CAP Expense in Base Rates	\$ 1,156,477
6	Sales Volume Adjustment	\$ (9,528)

Line 1: 2012 Test Year Consumption from Company's Schedule H Final  
 Line 2: 2015 Consumption from Schedule B  
 Line 3: Line 2 / Line 1  
 Line 4: 100% minus Line 3  
 Line 5: Per Schedule GWB-1, Col [A] plus Col [D]  
 Line 6: Line 5 times Line 4

**Chaparral City Water Company - CAP Surcharge  
Schedule E - Projected Costs**

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Cost / Expense	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Municipal and Industrial Charges	#####	\$ 90,697	\$ 90,697	\$ 90,697	\$ 90,697	\$ 90,697	\$ 90,697	\$ 90,697	\$ 90,697	\$ 96,322	\$ 96,322	\$ 96,322	\$ 1,105,235
Capital Charges					102,454					106,908			209,362
MWD Storage (Credit)	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-	-	(8,000)
Other Storage Charges	-	-	-	-	-	-	-	-	-	-	-	-	(10,000)
CAP Power Credit for prior year	-	-	-	-	-	-	-	-	-	-	-	-	(209,309)
CAP Rermarketing Credit for prior year	-	-	(90,697)	(90,697)	(27,906)	-	-	-	-	-	-	-	(209,309)
Total Projected Expense / Costs	\$ 90,697	\$ 90,697	\$ (1,000)	\$ (1,000)	\$ 164,244	\$ 89,697	\$ 89,697	\$ 89,697	\$ 89,697	\$ 202,230	\$ 96,322	\$ 96,322	\$ 1,097,296
Water Loss Adjustment - Schedule C													\$ (45,810)
Projected 2016 Annual Costs including water loss adjustment													\$ 1,051,486

\* Note - The surcharge will not be in effect in 2015, thus no revenues are shown. In future years this field will be populated with actual surcharge revenues.

	2016	2017
CAP M&I Rate	\$ 161	\$ 166 per acre foot
CAP Capital Rate	\$ 23	\$ 24 per acre foot
CAP Underground Storage Rate	\$ 10	\$ 12 per acre foot
MWD Storage (Credit) Rate	\$ (16)	\$ (16) per acre foot
Total CAP Allocation	8909	8909 acre feet
Water Ordered for 2016	6760	6963 acre feet
Water to be Stored at a CAP Facility	0	0 acre feet
Water to be Stored at MWD	500	600 acre feet