

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

APR 29 2016

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2016 APR 29 P 1:33

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: April 29, 2016

DOCKETED BY *Kg*

RE: IN THE MATTER OF THE APPLICATION OF TRUXTON CANYON WATER COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT. (DOCKET NO. W-02168A-15-0369)

I. Introduction and Background

Truxton Canyon Water Company, Inc. ("Truxton" or "Company") is an Arizona public service corporation that provides water to approximately 950 residential and commercial customers in the vicinity of Kingman, Mohave County, Arizona. Decision No. 75453, authorized the Company to borrow \$350,950 from the Water Infrastructure Finance Authority ("WIFA") to construct an arsenic treatment facility and a surcharge mechanism to collect the monies to pay the principle, interest, reserve fund, and taxes related to the loan.

Decision No. 75453 stated, "IT IS FURTHER ORDERED that upon filing of the loan closing notice, Truxton Canyon Water Company, Inc. shall file in this docket, a Water Infrastructure Finance Authority loan surcharge tariff application requesting implementation of the associated surcharge. The application shall follow the same methodology presented in the Staff Report to calculate the additional revenue needed to meet its loan obligations, using the actual loan terms, and the actual number of customers at the time of loan, and using the result of that calculation to develop its surcharge tariff application."

On April 22, 2016, the Company filed an application for approval of its WIFA loan surcharge.

II. Review of WIFA Loan Surcharge Calculation Methodology

Based on the actual \$350,950 WIFA loan and the 4.675 percent interest rate, the Company requires an additional \$40,298.31 annually to pay for the principle, interest, reserve fund, and taxes related to the loan. To collect the \$40,298.31, the Company proposes a monthly WIFA loan surcharge of \$2.17 for a customer with a 3/4-inch meter, as shown in Schedule CSB-1. Staff has reviewed the Company's methodology of calculating the WIFA loan surcharge as ordered in Decision No. 75453. Staff concludes that the Company has correctly calculated the surcharge and recommends adoption.

Staff recommends approval of the WIFA Loan surcharges presented below:

MONTHLY WIFA LOAN SURCHARGE

5/8 x 3/4-Inch Meter	\$ 1.45
3/4-Inch Meter	\$ 2.17
1-Inch Meter	\$ 3.61
1 1/2-Inch Meter	\$ 7.23
2-Inch Meter	\$ 11.57
3-Inch Meter Surcharge	\$ 21.69
4-Inch Meter Surcharge	\$ 413.06
6-Inch Meter Surcharge	\$ 826.12

Staff recommends that the Company be required to file with the Commission a WIFA loan surcharge tariff consistent with the rates reflected above.

Staff recommends that the Company notify its customers of the WIFA Loan surcharge tariff approved herein within 30 days of the effective date of the Decision in this proceeding.

IV. Conclusions and Recommendations

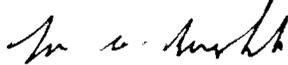
Staff concludes that the Company has filed the required loan documentation pursuant to Decision No. 75453.

Staff concludes that authorization of a WIFA loan surcharge that includes the debt service costs on the financing is appropriate.

Staff recommends approval of a WIFA loan surcharge comprised of the monthly customer components presented in Schedule CSB-1.

Staff recommends that the Company file within 30 days of a Decision in this matter a WIFA loan surcharge tariff consistent with the rates reflected on Schedule CSB-1.

Staff recommends that the Company notify its customers of the WIFA loan surcharge tariff approved herein within 30 days of the effective date of the Decision in this proceeding.



Thomas M. Broderick
Director
Utilities Division

TMB:CSB:nr/BH

ORIGINATOR: Crystal S. Brown

WIFA LOAN SURCHARGE CALCULATION

1 Loan Amount: \$350,950
 2 Term: 20
 3 WIFA Interest & Fee rate: 4.675%
 4
 7 **Step 1 - Find the Annual Payment on Loan**
 8 \$27,463.20 Annual Principle and Interest Payment - From Loan Amortization Schedule Column 8
 9
 10 **Step 2 - Find the Annual Interest Payment on Loan**
 11 \$16,166.91 Annual Interest Payment on Debt - From Loan Amortization Schedule Column 6
 12
 13 **Step 3 - Find the Annual Principal Payment on Loan**
 14 \$11,296.18 Annual Principal and Interest Payment - From Loan Amortization Schedule Column 7
 15
 16 **Step 4 - Find the Gross Revenue Conversion Factor**
 17 1.649996016 From Rate Case
 18
 19 **Step 5 - Find the Incremental Income Tax Factor**
 20 1.65000 minus 1 = 0.65000
 21

22 **Step 6 - Find the Annual Income Tax Component of Surcharge Revenue**
 23 0.65000 Incremental Income Tax Factor - From Step 5
 24 \$11,296.18 Multiplied by: Annual Principal Payment on Loan - From Step 3
 25 \$7,342.47 Annual Income Tax Component of the Annual Surcharge Revenue
 26
 27 **Step 7 - Find the Debt Reserve Component of the Annual Surcharge Revenue**
 28 \$27,463.20 Annual Principal and Interest Payment - From Step 1
 29 20% Multiplied by: One-fifth of Annual Principal and Interest Payment
 30 \$5,492.64 Debt Reserve Component of the Annual Surcharge Revenue for first five years
 31
 32 **Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan**
 33 \$7,342.47 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
 34 \$27,463.20 Plus: Annual Principal and Interest (from Step 1)
 35 \$5,492.64 Plus: Annual Reserve Fund Deposit (from Step 7)
 36 \$40,298.31 Total Annual Surcharge Revenue Requirement for the Loan
 37

Step 9 - Find the Equivalent Bills For All CUSTOMERS EXCEPT VALLEY VISTA 4-INCH & 6-INCH METERED CUSTOMERS

All Customers Except Valley Vista 4-Inch and 6-Inch Metered Customers

Meter Size	Col A	Col B	Col C	Col D	Col E
	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills	Col B x C x D
5/8" x 3/4" Meter	1	0	12	-	-
3/4" Meter	1.5	949	12	17,082	
1" Meter	2.5	4	12	120	
1 1/2" Meter	5	0	12	-	
2" Meter	8	4	12	384	
3" Meter	15	0	12	-	
4" Meter	0	0	0	-	
6" Meter	0	0	0	-	
		<u>957</u>		<u>17,586</u>	

60 **Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers**
 61 \$25,428.23 Total Annual Surcharge Revenue Requirement (\$40,298.31 x 63.1% Consistent with Decision No. 74835, page 51, lines 10-14)
 62 17,586 Divided by: Total Number of Equivalent Bills
 63 \$ 1.45 Monthly Surcharge for 5/8" x 3/4" Customers
 64

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers
 Surcharge for all Customers EXCEPT VALLEY VISTA 4-Inch and 6-Inch Metered Customers

Meter Size	Col A	Col B	Col C	Col D
	NARUC Multiplier	5/8" x 3/4" Customers'	Surcharge	Surcharge by Meter Size Col B x C
5/8" x 3/4" Meter	1	\$ 1.45	\$	1.45
3/4" Meter	1.5	\$ 1.45	\$	2.17
1" Meter	2.5	\$ 1.45	\$	3.61
1 1/2" Meter	5	\$ 1.45	\$	7.23
2" Meter	8	\$ 1.45	\$	11.57
3" Meter	15	\$ 1.45	\$	21.69
4" Meter	-	\$ -	\$	-
6" Meter	-	\$ -	\$	-

Line No.	WIFA LOAN SURCHARGE CALCULATION
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1 **Step 12 - Find the Equivalent Bills For VALLEY VISTA'S 4-INCH & 6-INCH METERED CUSTOMERS**
 2 **Equivalent Bills For Valley Vista 4" & 6" Metered Customers**

Col A	Col B	Col C	Col D	Col E
	NARUC	Number of	Number of	Equivalent
	Multiplier	Customers	Months in	Bills
Meter Size			Year	Col B x C x D
5/8"x 3/4" Meter	-	0	0	-
3/4" Meter	-	0	0	-
1" Meter	-	0	0	-
1½" Meter	-	0	0	-
2" Meter	-	0	0	-
3" Meter	-	0	0	-
4" Meter	25	1	12	300
6" Meter	50	1	12	600
		<u>2</u>		<u>900</u>

17 **Step 13 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers**
 18 \$14,870.08 Total Annual Surcharge Revenue Requirement (\$40,298.31 x 36.9% Consistent with Decision No. 74835, page 51, lines 10-14)
 19 900 Divided by: Total Number of Equivalent Bills
 20 \$ 16.52 Monthly Surcharge for 5/8 x 3/4" Customers

21

22 **Surcharge For Valley Vista 4" & 6" Customers**

Col A	Col B	Col C	Col D
	NARUC	5/8" x 3/4"	Surcharge by
	Multiplier	Customers'	Meter Size
Meter Size		Surcharge	Col B x C
5/8"x 3/4" Meter	1	\$ -	\$ -
3/4" Meter	1.5	\$ -	\$ -
1" Meter	2.5	\$ -	\$ -
1½" Meter	5	\$ -	\$ -
2" Meter	8	\$ -	\$ -
3" Meter	15	\$ -	\$ -
4" Meter	25	\$ 16.52	\$ 413.06
6" Meter	50	\$ 16.52	\$ 826.12

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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 TRUXTON CANYON WATER INC.)
 FOR AUTHORITY TO INCUR LONG-)
 TERM DEBT – APPLICATION FOR)
 SURCHARGE)

DOCKET NO. W-02168A-15-0369
 DECISION NO. _____
ORDER

Open Meeting
 May 3 and May 4, 2016
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction and Background

1. Truxton Canyon Water Company, Inc. (“Truxton” or “Company”) is an Arizona public service corporation that provides water to approximately 950 residential and commercial customers in the vicinity of Kingman, Mohave County, Arizona. Decision No. 75453, authorized the Company to borrow \$350,950 from the Water Infrastructure Finance Authority (“WIFA”) to construct an arsenic treatment facility and a surcharge mechanism to collect the monies to pay the principle, interest, reserve fund, and taxes related to the loan.

2. Decision No. 75453 stated, “IT IS FURTHER ORDERED that upon filing of the loan closing notice, Truxton Canyon Water Company, Inc. shall file in this docket, a Water Infrastructure Finance Authority loan surcharge tariff application requesting implementation of the associated surcharge. The application shall follow the same methodology presented in the Staff Report to calculate the additional revenue needed to meet its loan obligations, using the actual loan

1 terms, and the actual number of customers at the time of loan, and using the result of that calculation
2 to develop its surcharge tariff application.”

3 3. On April 22, 2016, the Company filed an application for approval of its WIFA loan
4 surcharge.

5 **Review of WIFA Loan Surcharge Calculation Methodology**

6 4. Based on the actual \$350,950 WIFA loan and the 4.675 percent interest rate, the
7 Company requires an additional \$40,298.31 annually to pay for the principle, interest, reserve fund,
8 and taxes related to the loan. To collect the \$40,298.31, the Company proposes a monthly WIFA loan
9 surcharge of \$2.17 for a customer with a 3/4-inch meter, as shown in Schedule CSB-1. Staff has
10 reviewed the Company’s methodology of calculating the WIFA loan surcharge as ordered in Decision
11 No. 75453. Staff concludes that the Company has correctly calculated the surcharge and recommends
12 adoption.

13 5. Staff recommends approval of the WIFA loan surcharges presented below:

14 **MONTHLY WIFA LOAN SURCHARGE**

15	5/8 x 3/4-Inch Meter	\$ 1.45
16	3/4-Inch Meter	\$ 2.17
17	1-Inch Meter	\$ 3.61
18	1 1/2-Inch Meter	\$ 7.23
19	2-Inch Meter	\$ 11.57
20	3-Inch Meter Surcharge	\$ 21.69
21	4-Inch Meter Surcharge	\$ 413.06
22	6-Inch Meter Surcharge	\$ 826.12

23 6. Staff recommends that the Company be required to file with the Commission a WIFA
24 loan surcharge tariff consistent with the rates reflected in paragraph 5.

25 7. Staff recommends the Company be required to notify its customers of the WIFA loan
26 surcharge tariff approved herein within 30 days of the effective date of the Decision, in this
27 proceeding.

28 8. We find that Staff’s conclusions and recommendations are reasonable and should be
adopted.

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CONCLUSIONS OF LAW

1
2 1. The Company is a public service corporation within the meaning of Article XV of the
3 Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

4 2. The Commission has jurisdiction over the Company and of the subject matter of the
5 application.

6 3. Approval of a WIFA loan surcharge is consistent with the Commission's authority
7 under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

8 4. It is in the public interest to approve the Company's request for implementation of the
9 WIFA loan surcharge as discussed herein.

ORDER

11 IT IS THEREFORE ORDERED that the application by Truxton Canyon Water Company,
12 Inc. for the implementation of its WIFA loan surcharge mechanism is approved as discussed herein.

13 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. is hereby
14 authorized and directed to file with the Commission's Docket Control, as a compliance item in this
15 docket, within 30 days of the effective date of this Decision, a revised tariff setting forth the following
16 WIFA loan surcharges:

MONTHLY WIFA LOAN SURCHARGE

5/8 x 3/4-Inch Meter	\$ 1.45
3/4-Inch Meter	\$ 2.17
1-Inch Meter	\$ 3.61
1 1/2-Inch Meter	\$ 7.23
2-Inch Meter	\$ 11.57
3-Inch Meter Surcharge	\$ 21.69
4-Inch Meter Surcharge	\$ 413.06
6-Inch Meter Surcharge	\$ 826.12

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1 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall notify its
2 customers of the WIFA loan surcharge tariff approved herein within 30 days of the effective date of
3 this Decision.

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

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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9 CHAIRMAN

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2016.

18 _____
19 JODI JERICH
EXECUTIVE DIRECTOR

20 DISSENT: _____

21
22 DISSENT: _____

23 TMB:CSB:nr/BH
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1 SERVICE LIST FOR: Truxton Canyon Water Company, Inc.
2 DOCKET NO. W-02168A-15-0369

3 Mr. Steve Wene
4 Moyes Sellers & Hendricks, LTD.
5 1850 North Central Avenue, Suite 1100
6 Phoenix, Arizona 85004

7 Mr. Thomas M. Broderick
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Ms. Janice M. Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Mr. Dwight Nodes
18 Chief Administrative Law Judge, Hearing Division
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, AZ 85007

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Line No.	WIFA LOAN SURCHARGE CALCULATION	
1	Loan Amount:	\$350,950
2	Term:	20
3	WIFA Interest & Fee rate :	4.675%
4		
7	Step 1 - Find the Annual Payment on Loan	
8	\$27,463.20	Annual Principle and Interest Payment - From Loan Amortization Schedule Column 8
9		
10	Step 2 - Find the Annual Interest Payment on Loan	
11	\$16,166.91	Annual Interest Payment on Debt - From Loan Amortization Schedule Column 6
12		
13	Step 3 - Find the Annual Principal Payment on Loan	
14	\$11,296.18	Annual Principal and Interest Payment - From Loan Amortization Schedule Column 7
15		
16	Step 4 - Find the Gross Revenue Conversion Factor	
17	1.64996016	From Rate Case
18		
19	Step 5 - Find the Incremental Income Tax Factor	
20	1.65000	minus 1 = 0.65000
21		
22	Step 6 - Find the Annual Income Tax Component of Surcharge Revenue	
23	0.65000	Incremental Income Tax Factor - From Step 5
24	\$11,296.18	Multiplied by: Annual Principal Payment on Loan - From Step 3
25	\$7,342.47	Annual Income Tax Component of the Annual Surcharge Revenue
26		
27	Step 7 - Find the Debt Reserve Component of the Annual Surcharge Revenue	
28	\$27,463.20	Annual Principal and Interest Payment - From Step 1
29	20%	Multiplied by: One-fifth of Annual Principal and Interest Payment
30	\$5,492.64	Debt Reserve Component of the Annual Surcharge Revenue for first five years
31		
37	Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan	
38	\$7,342.47	Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
39	\$27,463.20	Plus: Annual Principal and Interest (from Step 1)
40	\$5,492.64	Plus: Annual Reserve Fund Deposit (from Step 7)
41	\$40,298.31	Total Annual Surcharge Revenue Requirement for the Loan
42		

Step 9 - Find the Equivalent Bills For All CUSTOMERS EXCEPT VALLEY VISTA 4-INCH & 6-INCH METERED CUSTOMERS

All Customers Except Valley Vista 4-Inch and 6-Inch Metered Customers

Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
5/8" x 3/4" Meter	1	0	12	-
3/4" Meter	1.5	949	12	17,082
1" Meter	2.5	4	12	120
1 1/2" Meter	5	0	12	-
2" Meter	8	4	12	384
3" Meter	15	0	12	-
4" Meter	0	0	0	-
6" Meter	0	0	0	-
		<u>957</u>		<u>17,586</u>

Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers
 \$25,428.23 Total Annual Surcharge Revenue Requirement (\$40,298.31 x 63.1% Consistent with Decision No. 74835, page 51, lines 10-14)
 17,586 Divided by: Total Number of Equivalent Bills
 \$ 1.45 Monthly Surcharge for 5/8 x 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers
 Surcharge for all Customers EXCEPT VALLEY VISTA 4-Inch and 6-Inch Metered Customers

Col A	Col B	Col C	Col D
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
5/8" x 3/4" Meter	1	\$ 1.45	\$ 1.45
3/4" Meter	1.5	\$ 1.45	\$ 2.17
1" Meter	2.5	\$ 1.45	\$ 3.61
1 1/2" Meter	5	\$ 1.45	\$ 7.23
2" Meter	8	\$ 1.45	\$ 11.57
3" Meter	15	\$ 1.45	\$ 21.69
4" Meter	-	\$ -	\$ -
6" Meter	-	\$ -	\$ -

Line No.	WIFA LOAN SURCHARGE CALCULATION
----------	--

1 **Step 12 - Find the Equivalent Bills For VALLEY VISTA'S 4-INCH & 6-INCH METERED CUSTOMERS**
 2 Equivalent Bills For Valley Vista 4" & 6" Metered Customers

Col A	Col B	Col C	Col D	Col E
	NARUC	Number of	Number of	Equivalent
Meter Size	Multiplier	Customers	Months in	Bills
			Year	Col B x C X D
5/8"x 3/4" Meter	-	0	0	-
3/4" Meter	-	0	0	-
1" Meter	-	0	0	-
1 1/2" Meter	-	0	0	-
2" Meter	-	0	0	-
3" Meter	-	0	0	-
4" Meter	25	1	12	300
6" Meter	50	1	12	600
		<u>2</u>		<u>900</u>

16
 17 **Step 13 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers**
 18 \$14,870.08 Total Annual Surcharge Revenue Requirement (\$40,298.31 x 36.9% Consistent with Decision No. 74835, page 51, lines 10-14)
 19 900 Divided by: Total Number of Equivalent Bills
 20 \$ 16.52 Monthly Surcharge for 5/8 x 3/4" Customers

21
 22 **Surcharge For Valley Vista 4" & 6" Customers**

Col A	Col B	Col C	Col D
	NARUC	5/8" x 3/4" Customers'	Surcharge by Meter Size
Meter Size	Multiplier	Surcharge	Col B x C
5/8"x 3/4" Meter	1	\$ -	\$ -
3/4" Meter	1.5	\$ -	\$ -
1" Meter	2.5	\$ -	\$ -
1 1/2" Meter	5	\$ -	\$ -
2" Meter	8	\$ -	\$ -
3" Meter	15	\$ -	\$ -
4" Meter	25	\$ 16.52	\$ 413.06
6" Meter	50	\$ 16.52	\$ 826.12