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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

MAY 13 2016

DOCKETED BY	<i>[Signature]</i>
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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. 75553

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.

...

...

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

10
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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IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall notify its customers of the WIFA loan surcharge tariff approved herein within 30 days of the effective date of this Decision.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

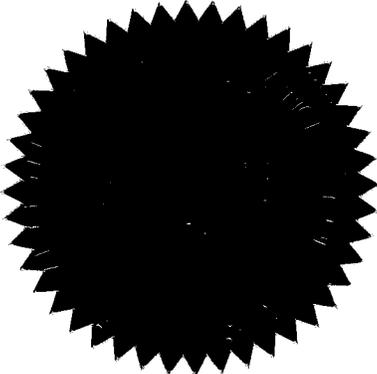
[Signature]
CHAIRMAN

[Signature]
COMMISSIONER

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COMMISSIONER

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COMMISSIONER

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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 13th day of May, 2016.

[Signature]
JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:CSB:nr/BH

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 Columnn 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
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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>

59
 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

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

3	Col A	Col B	Col C	Col D	Col E
4				Number of	Equivalent
5		NARUC	Number of	Months in	Bills
6	Meter Size	Multiplier	Customers	Year	Col B x C X D
7	5/8" x 3/4" Meter	-	0	0	-
8	3/4" Meter	-	0	0	-
9	1" Meter	-	0	0	-
10	1 1/2" Meter	-	0	0	-
11	2" Meter	-	0	0	-
12	3" Meter	-	0	0	-
13	4" Meter	25	1	12	300
14	6" Meter	50	1	12	600
15			<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**

23	Col A	Col B	Col C	Col D
24			5/8" x 3/4"	Surcharge by
25		NARUC	Customers'	Meter Size
26	Meter Size	Multiplier	Surcharge	Col B x C
27	5/8" x 3/4" Meter	1	\$ -	\$ -
28	3/4" Meter	1.5	\$ -	\$ -
29	1" Meter	2.5	\$ -	\$ -
30	1 1/2" Meter	5	\$ -	\$ -
31	2" Meter	8	\$ -	\$ -
32	3" Meter	15	\$ -	\$ -
33	4" Meter	25	\$ 16.52	\$ 413.06
34	6" Meter	50	\$ 16.52	\$ 826.12