



0000172432

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

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 TIERRA BUENA WATER COMPANY,)
 INC. FOR AN INCREASE IN ITS RATES)
 AND FOR AUTHORITY TO INCUR)
 LONG-TERM DEBT)

DOCKET NOS. W-02076A-15-0135
 W-02076A-15-0024
 DECISION NO. 75682
ORDER

Open Meeting
 July 12 and July 13, 2016
 Phoenix, Arizona

Arizona Corporation Commission
DOCKETED
 AUG 05 2016

BY THE COMMISSION:

FINDINGS OF FACT

DOCKETED BY	
-------------	--

Introduction and Background

1. Tierra Buena Water Company, Inc. ("Tierra Buena" or "Company") is a class E Arizona public service corporation that provides water service to approximately 127 customers. The Company's service area is located in a non-incorporated community, north of the Town of Litchfield Park and west of the City of Glendale in Maricopa County. The current rates were authorized in Decision No. 75292, dated October 27, 2015. This Decision authorized the Company to incur long-term debt in an amount not to exceed \$904,573 pursuant to a loan agreement with the Water Infrastructure Finance Authority or Arizona ("WIFA") to fund plant needed to remedy the Company's noncompliant arsenic levels. The Decision also authorized a WIFA loan surcharge recovery mechanism that would enable Tierra Buena to pay for the principle, interest, reserve fund, and taxes related to the loan.

...

2. Decision No. 75292 stated, "IT IS FURTHER ORDERED that upon filing notice confirming the loan's execution, Tierra Buena Water Company, Inc. may file with Docket Control, in this docket, an application requesting implementation of the loan surcharge, as discussed herein." The Decision also ordered Staff to calculate the appropriate loan surcharge amount and to file a recommended order within 30 days of Tierra Buena's application requesting implementation of the loan surcharge.

3. On May 3, 2016, the Company filed documentation for a \$210,891 loan agreement with WIFA. On May 11, 2016, the Company filed a certification of loan compliance and an application for implementation of the loan surcharge.

Staff's Calculation of the Surcharge for the \$210,891 WIFA Loan

4. The Company requires an additional \$20,478.05 to pay for principal, interest, the debt reserve payment, and income tax on the loan. Accordingly, Staff has calculated the WIFA loan surcharge using the actual amount of the loan, interest rate, and customer count as shown on Schedule CSB-1 of the Staff Memorandum. Further, in compliance with Decision No. 75292, Staff has amortized the loan using 19.5 years and has reflected only the depreciation expense on the plant funded with the WIFA loan. To collect the \$20,478.05, Staff recommends approval of the WIFA loan surcharges presented below:

Table A	
<u>MONTHLY WIFA LOAN SURCHARGE</u>	
5/8 x 3/4-Inch Meter	\$ 5.37
3/4-Inch Meter	\$ 8.06
1-Inch Meter	\$ 13.44
1 1/2-Inch Meter	\$ 26.87
2-Inch Meter	\$ 43.00
3-Inch Meter Surcharge	\$ 80.62
4-Inch Meter Surcharge	\$ 134.37
6-Inch Meter Surcharge	\$ 268.74

Staff's Response to Company's "Application to Amend Decision No. 75292" filed on February 29, 2016

5. On February 29, 2016, the Company filed an "Application to Amend Decision No. 75292" to implement a water acquisition surcharge. The filing explained that WIFA declined to fund

1 \$21,704 to purchase water from Valley Utilities as WIFA cannot lend money to purchase water. On
2 page 2, beginning at line 10 of the filing, the Company stated,

3 6. "After learning about WIFA's position, the Company asked Commission staff how it
4 should proceed. Commission staff suggested the Company file a motion to amend the decision and
5 implement a surcharge to pay Valley Utilities for the water. Accordingly, the Company is filing this
6 application to amend Decision No. 75292 to implement a water acquisition surcharge."

7 7. In the Company's May 11, 2016 filing to implement the WIFA loan surcharge, the
8 Company requested that "Staff also address the issues raised in Tierra Buena's Application to Amend
9 Decision No. 75292 filed on February 29, 2016 in this docket."

10 *Staff's Response*

11 8. The Company, on page 3, line 3 of Tierra' Buena's "Application to Amend Decision
12 No. 75292" (Docket Nos. W-02076A-15-0135 and W-02076A-15-00024) filed on February 29, 2016,
13 provides two options to resolve the purchased water issue. It states, "Therefore, the Company moves
14 the Commission for either: (1) authority to implement the water acquisition surcharge; or (2) authority
15 to enter into a water exchange agreement with Valley Utilities. To this date and to Staff's knowledge
16 the Commission has not acted upon the Company's request.

17 9. Staff acknowledges that the Commission usually prefers to itself initiate any action that
18 may be taken in response to requests filed under A.R.S. § 40-252. However, in this instance, Staff
19 believes that the Company's requested amendment is substantially related to the implementation of
20 the loan surcharge mechanism. Staff therefore believes that it may be helpful to address these matters
21 at the same time. Staff respectfully suggests that the Commission reopen this matter pursuant to
22 A.R.S. § 40-252.

23 10. In the event that the Commission elects to reopen the decision and consider the
24 Company's proposed amendments, Staff would recommend that the Commission approve the
25 Company's request to enter into a water exchange agreement with Valley Utilities as discussed in the
26 Company's Application to Amend Decision No. 75292. This approval should not address any specific
27 treatment of this amendment for ratemaking purposes.

28 ...

1 **Conclusions and Recommendations**

2 11. Staff concludes that the Company should be ordered to file a full rate case application
3 no later than six years from the effective date of this order, so that Staff can determine that the
4 projects are completed and included in rate base. Further, Staff can recommend that the loan
5 surcharges or debt service be included in base rates.

6 12. Staff concludes that the Company has filed the required loan documentation pursuant
7 to Decision No. 75292.

8 13. Staff concludes that authorization of a WIFA loan surcharge that includes the debt
9 service costs on the financing is appropriate and recommends approval.

10 14. Staff recommends approval of a WIFA loan surcharge comprised of the monthly
11 customer components presented in Table A.

12 15. Staff recommends that the Company file within 30 days of a Decision in this matter a
13 WIFA loan surcharge tariff consistent with the rates reflected on Table A.

14 16. Staff recommends that the Tierra Buena Water Company, Inc. begin billing the WIFA
15 loan surcharge beginning with its next regular billing cycle after the effective date of this order.

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

18 18. Staff recommends that the Company file a full rate case application no later than six
19 years from the effective date of this order.

20 19. Staff recommends that in the event that the Commission reopens Decision No. 75292
21 pursuant to A.R.S. §40-252, that the Company's request to enter into a water exchange agreement with
22 Valley Utilities as discussed in Tierra Buena's "Application to Amend Decision No. 75292" be
23 approved.

24 20. We decline to adopt the recommendations set forth in Findings of Fact 11 and 18.

25 21. Staff's remaining recommendations are reasonable, and we adopt them, as discussed
26 herein.

27 ...

28 ...

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.

10 5. It is in the public interest to reopen and amend Decision No. 75292, and we therefore
11 approve the Company’s request to enter into a water exchange agreement as proposed in the
12 Company’s Application to amend Decision No. 75292

ORDER

13
14 IT IS THEREFORE ORDERED that the application by Tierra Buena Water Company, Inc.
15 for the implementation of its WIFA loan surcharge mechanism is approved as discussed herein.

16 IT IS FURTHER ORDERED that the Tierra Buena Water Company, Inc. is hereby
17 authorized and directed to file with the Commission’s Docket Control, as a compliance item in this
18 docket, within 30 days of the effective date of this Decision, a revised tariff setting forth the following
19 WIFA loan surcharges:

MONTHLY WIFA LOAN SURCHARGE

21	5/8 x 3/4-Inch Meter	\$ 5.37
22	3/4-Inch Meter	\$ 8.06
23	1-Inch Meter	\$ 13.44
24	1 1/2-Inch Meter	\$ 26.87
25	2-Inch Meter	\$ 43.00
	3-Inch Meter Surcharge	\$ 80.62
	4-Inch Meter Surcharge	\$ 134.37
	6-Inch Meter Surcharge	\$ 268.74

26 IT IS FURTHER ORDERED that Tierra Buena Water Company, Inc. file within 30 days of a
27 Decision in this matter a WIFA loan surcharge tariff consistent with the rates reflected on Table A.

28 ...

1 IT IS FURTHER ORDERED that the Tierra Buena Water Company, Inc. begin billing the
2 WIFA loan surcharge beginning with its next regular billing cycle after the effective date of this order.

3 IT IS FURTHER ORDERED that the Tierra Buena Water Company, Inc. notify its
4 customers of the WIFA loan surcharge tariff approved herein within 30 days of the effective date of
5 the Decision in this proceeding.

6 ...

7 ...

8 ...

9 ...

10 ...

11 ...

12 ...

13 ...

14 ...

15 ...

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

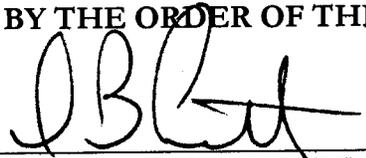
27 ...

28 ...

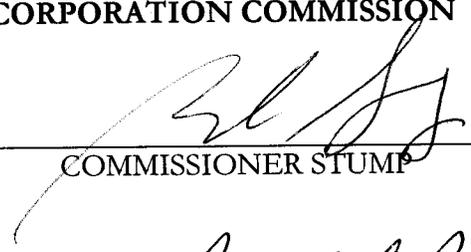
1 IT IS FURTHER ORDERED that in the event that the Commission approves Tierra Buena
 2 Water Company, Inc.'s request to amend Decision No. 75292 pursuant to A.R.S. §40-252, that Tierra
 3 Buena Water Company, Inc.'s request to enter into a water exchange agreement with Valley Utilities as
 4 discussed in Tierra Buena Water Company, Inc.'s "Application to Amend Decision No. 75292" be
 5 approved.

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

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

10 

11 CHAIRMAN LITTLE

10 

11 COMMISSIONER STUMP

12 **EXCUSED**
 13 COMM. FORESE

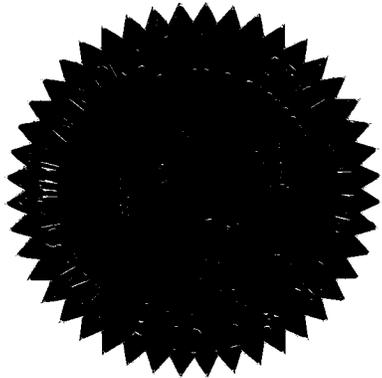
14 COMMISSIONER FORESE

13 

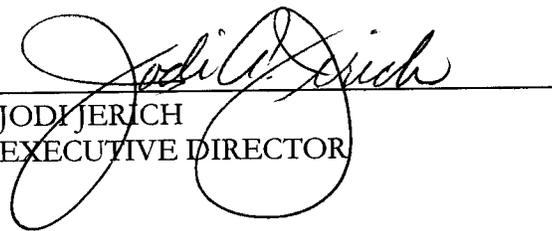
14 COMMISSIONER TOBIN

13 

14 COMMISSIONER BURNS



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
 19 Phoenix, this 5th day of August, 2016.

20 

21 JODI JERICH
 22 EXECUTIVE DIRECTOR

23 DISSENT: _____

24 DISSENT: _____

25 TMB:CSB:red/ML

26
 27
 28

1 SERVICE LIST FOR: Tierra Buena Water Company, Inc.
2 DOCKET NOS. W-02076A-15-0135 and W-02076A-15-0024

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

22
23
24
25
26
27
28