



0000173009

1 ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

2 COMMISSIONERS

3 DOUG LITTLE – Chairman
4 BOB STUMP
5 BOB BURNS
6 TOM FORESE
7 ANDY TOBIN

Arizona Corporation Commission

DOCKETED

AUG 22 2016

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8 IN THE MATTER OF THE APPLICATION
9 OF JOHNSON UTILITIES, L.L.C., DBA
10 JOHNSON UTILITIES COMPANY, FOR AN
11 INCREASE IN ITS WATER AND WASTE-
12 WATER RATES FOR CUSTOMERS
13 WITHIN PINAL COUNTY, ARIZONA.

DOCKET NO. WS-029872-008-010
**PETITION TO AMEND DECISION 75130
PURSUANT TO A.R.S. §40-252**

12 Johnson Utilities, L.L.C. ("Johnson Utilities" or "Company") hereby submits this Petition
13 to Amend Decision 75130 pursuant to A.R.S. § 40-252 ("Petition"). Johnson Utilities requests
14 that the Commission eliminate the rate case filing requirement in Decision 75130 to allow the
15 Company to determine the timing of its next rate case. Johnson Utilities requests that this
16 Petition be approved without a hearing.

17 **I. HISTORY OF THE RATE CASE FILING REQUIREMENT.**

18 In an April 26, 2013, Staff Report and Order addressing Johnson Utilities' request for an
19 allowance of income tax expense in rates in this docket, Staff recommended inclusion of income
20 tax expense in rates as requested but also recommended that the Company file a rate case by
21 June 30, 2015, using a 2014 test year. Johnson Utilities opposed Staff's recommendation on the
22 grounds that (i) it was unnecessary; and (ii) it would cause the Company to apply for a rate
23 increase earlier than would otherwise be the case. In Decision 73992, the Commission approved
24 the Company's requested inclusion of income tax expense in rates but also adopted Staff's
25 recommendation regarding a rate case filing requirement using a 2014 test year. Decision 73992
26 issued in July 2013 was the first time the rate case filing requirement appeared in an order in this
27 docket.

1 On July 26, 2013, Johnson Utilities filed a Petition for Rehearing of Decision 73992
2 Pursuant to A.R.S. § 40-253 for the limited purpose of reconsidering the rate case filing
3 requirement in the decision. In Decision 74695, the Commission modified Decision 73992 to
4 (among other things) extend the deadline for filing a rate case from June 30, 2015, using a 2014
5 test year, to June 30, 2016, using a 2015 test year.

6 On May 22, 2015, Johnson Utilities filed a petition to amend Decision 74695 to either
7 remove the rate case filing requirement altogether, or alternatively, to extend the deadline for
8 filing its next rate case to June 30, 2017, using a 2016 test year. In Decision 75130, the
9 Commission modified Decision 74695 to extend the deadline for filing a rate case from June 30,
10 2016, using a 2015 test year, to June 30, 2017, using a 2016 test year.

11 Johnson Utilities continues to believe that the rate case filing requirement should be
12 eliminated so that the Company can determine the timing for filing for new rates and charges
13 based upon a careful consideration of all of the relevant facts.

14 **II. JOHNSON UTILITIES IS ADDING SIGNIFICANT NEW PLANT IN THE**
15 **NEXT FEW YEARS.**

16 Over the next few years, Johnson Utilities will construct millions of dollars of plant
17 additions, improvements and expansions in order to serve its growing customer base. A brief
18 description of the planned plant additions and estimated construction costs for 2017 is set forth
19 in the following table:

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Description	Estimated Cost
Build Copper Basin WRP, Phase 1, 1.5 MGD	\$15,000,000
Upgrade Section 11 WWTP, Phase 1, 3.2 MGD	\$8,000,000
Pecan WRP, Phase III, 1 MGD	\$7,000,000
Install New Sewer & Effluent Lines	\$1,100,000
Install New Water Main – Attaway/Judd – 4 miles	\$740,000
UV Replacement (ALL WRP's)	\$569,880
Ironwood & Precision Recharge Sites	\$500,000
Magma Well #1	\$450,000
McRae Well	\$200,000
Anthem Well #2	\$150,000
Hunt to Hunt Water Line	\$79,000
Skyline to Hunt Water Line	\$77,400
Johnson Ranch to Hunt Water Line	\$70,000
Sierra Vista North Water Line	\$35,400
Total	\$33,971,680

Requiring the premature filing of a rate case using a 2016 test year will very likely lead to the filing of back-to-back rate cases in order for Johnson Utilities to rate base the plant that will be constructed in 2017 and the following years. Rate cases are expensive to prepare, file and prosecute, and rate case expense is ultimately borne by a utility's customers. In the absence of demonstrable and legitimate reasons for requiring a rate case, a public utility should determine the timing for filing for new rates and charges based upon a careful consideration of all of the relevant facts. Such a policy is in the public interest.

III. ELIMINATING THE RATE CASE FILING REQUIREMENT WILL NOT HARM CUSTOMERS.

Johnson Utilities currently has some of the lower water and wastewater rates in Arizona. This fact is borne out by an analysis the Company performed based on data available from the

1 Water Infrastructure Finance Authority of Arizona, a copy of which is attached hereto as
2 Attachment 1. The analysis shows that a typical Johnson Utilities water bill is in the lower 25th
3 percentile for all water utilities in Arizona and in the lower 10th percentile for water utilities
4 located within a 25-mile radius of the Company. A typical Johnson Utilities wastewater bill is
5 in the middle 50th percentile for all utilities in Arizona and for utilities within a 25-mile radius of
6 the Company. This is remarkable in light of the fact that the Company operates several water
7 and wastewater systems spread over a service area that runs from Apache Junction to Queen
8 Creek to Florence, a distance of over 20 miles between them.

9 It also bears noting that Johnson Utilities currently has a 3% operating margin for its
10 water division and the authorized rate of return for its wastewater division is only 8%. When the
11 Company does come in again for a rate case, it will almost certainly be seeking an increase in its
12 rates and charges. RUCO previously supported a delay in the test year for Johnson Utilities,
13 stating that “[f]rom RUCO’s perspective, unless there is a compelling reason, we are in no hurry
14 to get rate increases for our customers. So if we can delay an extra year, from our perspective
15 that makes sense.”¹ While the RUCO witness acknowledged during cross-examination from
16 Staff that a rate case filing *could* result in a rate decrease, he testified that “I would expect that
17 99 percent of the time, if you looked, they are increased.”²

18 With rates that are generally lower than other water and wastewater rates in Arizona,
19 there is no basis to accelerate the filing of a rate case. Thus, the rate case filing requirement in
20 Decision 75130 may be eliminated without causing risk of harm to rate payers, and it serves the
21 public interest to do so.

22 **IV. CONCLUSION.**

23 For the reasons discussed herein, Johnson Utilities requests that the Commission
24 eliminate the rate case filing requirement in Decision 75130 to allow the Company to determine
25 the timing of its next rate case. The current rate case filing requirement will very likely cause
26 the Company to file back-to-back rate cases and the expenses of those rate cases will ultimately
27

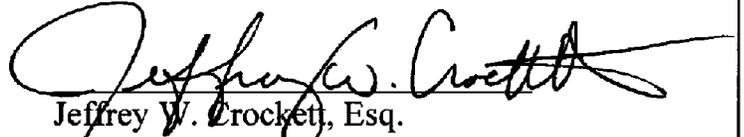
28 ¹ Transcript from March 13, 2014, Rehearing at 11-12.

² *Id.* at 46, lines 16-25.

1 be borne by rate payers. The Company's current rates for water and wastewater service are
2 some of the lower rates in Arizona. Thus, it is in the public interest to grant the Company's
3 request as set forth herein.

4 RESPECTFULLY submitted this 22nd day of August, 2016.

5 CROCKETT LAW GROUP PLLC

6 

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10 ORIGINAL and thirteen (13) copies filed
11 this 22nd day of August, 2016, with:

12 Docket Control
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15 COPY of the foregoing hand-delivered
16 this 22nd day of August, 2016, to:

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ATTACHMENT 1



Water and Wastewater Rate Comparison

**Restated Results from the
2015 WIFA Water and Wastewater Rates Survey**

Rates as of April 2015
Last Updated: September 9, 2015

Prepared by:

Brad Cole
Chief Operating Officer
Johnson Utilities, LLC
(July 7, 2016)

Background

Johnson Utilities, LLC is providing this report to highlight how well its water and wastewater rates rank when compared to other utilities in the state, those with a similar number of accounts, those with the same type of ownership, and those utilities within a 25 mile radius of its service area in the San Tan Valley.

Data Source

The Water Infrastructure Finance Authority of Arizona ("WIFA") in conjunction with the Environmental Finance Center ("EFC") conducted an annual water and wastewater rates survey based on the successful rates survey used for several years in other states. The survey collected rate sheets and annual financial reports from utilities across the State of Arizona.

The sampled utilities serve over 94 percent of all customers who are directly billed for their water or wastewater use by utilities in the state. The information contained in the resulting data tables and online tools allows for comparisons and benchmarking of current rates (and other financial data) and can assist officials and staff as they make decisions related to water and wastewater services.

Who is WIFA?

WIFA is an independent agency of the State of Arizona whose mission is to maintain and improve water quality in Arizona by providing financial assistance and technical assistance for basic water infrastructure.

Who is EFC?

The Environmental Finance Center at the University of North Carolina at Chapel Hills works with local communities and government agencies to address environmental management challenges by developing innovative financial management and environmental policy strategies and systems.

What Type of Organizations Were Included in the Study?

The organizations included in the study were Associations, Co-ops, Counties, Domestic Water and Domestic Wastewater Improvement Districts, For-Profits, Municipalities, Not-for-Profits, and Sanitary Districts. In total, 354 utilities participated in the survey and as much as 392 unique rate structures were analyzed corresponding to these utilities.

Unique to Johnson Utilities

The area served by Johnson Utilities in its Pinal County Franchise Area is 18 miles long by 17 miles wide. The uniqueness and sheer size of this service area requires a tremendous amount of assets to be operated, maintained and periodically replaced. There are 13 water plants, 36 wells, 40 sewer lift stations, 367 miles of gravity collection/force mains, 398 miles of water transmission/distributions lines, a fleet of 40 vehicles including heavy construction equipment, and 4 wastewater treatment plants providing service to 25,722 water customers and 34,891 wastewater customers each month. Despite all these cost centers, Johnson Utilities is proud to boast how effective and efficient it is. Further, is proud to maintain some of the lowest water and wastewater utility bills in the state.

Results

Johnson Utilities, LLC consistently proved to have some of the lowest water and wastewater rates in the State of Arizona. The bullets below highlight the results of the survey.

Water

At \$31.51, and when compared to:

- All the utilities in the State, Johnson Utilities' water bills are in the lower 25-percentile.
- All the utilities with a similar number of accounts, Johnson Utilities' water bills are below the median bill rate of \$34.77 a month.
- All the utilities with the same ownership type, Johnson Utilities' water bills are in the lower 25-percentile.
- All the utilities located within a 25-mile radius, Johnson Utilities' water bills are in the lower 10-percentile.

Sewer

At \$42.00, and when compared to:

- All the utilities in the State, Johnson Utilities' sewer bills are in the middle 50-percentile and just slightly above the median bill with a value is \$37.50.
- All the utilities with a similar number of accounts, Johnson Utilities' sewer bills are in the middle 50-percentile and lower than the median bill with a value of \$55.55.
- All the utilities with the same ownership type, Johnson Utilities' sewer bills are in the middle 50-percentile and lower than the median bill with a value of \$43.80.
- All the utilities located within a 25-mile radius, Johnson Utilities' sewer bills are in the middle 50-percentile and equal to the median bill with a value of \$42.00.

Combined Water and Sewer

At \$73.51, and when compared to:

- All the utilities in the State, Johnson Utilities' combined water and sewer bills are in the middle 50-percentile and slightly above the median bill with a value of \$67.84.
- All the utilities with a similar number of accounts, Johnson Utilities' combined water and sewer bills are in the middle 50-percentile and below the median bill with a value of \$77.58.
- All the utilities with the same ownership type, Johnson Utilities' combined water and sewer bills are in the middle 50-percentile and below the median bill with a value of \$84.75.
- All the utilities with a 25-mile radius, Johnson Utilities' combined water and sewer bills are in the lower 10-percentile.

The following pages contain screenshots of the WIFA
AZ Water and Wastewater Rates Dashboard

Water

WATER vs All Companies in Arizona



AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



Johnson Utilities Company

Rates Comparison | Financial Benchmarks | Characteristics | Links | [Edit Data or Add Utility](#)

Select residential bill and monthly consumption amount

Water Bill
 Sewer Bill
 Water + Sewer Bill

7,500 gallons
 1,003 cubic feet

Monthly Water Bill: \$31.51

Select comparison group: All Utilities

Comparing to all utilities in survey

348 rate structures compared

Effects of raising rates by: 0%

Bill Comparison

Water Bill at 7,500 gallons
 Median: \$40.58

Min \$6.25 Max \$210.78

Conservation Signal

Water Price/1,000 Gallons, after 10,000 Gallons
 Median: \$3.50

Min \$0.00 Max \$58.83

Cost Recovery

Operating Ratio Incl. Deprec. 2014

0.97

Affordability

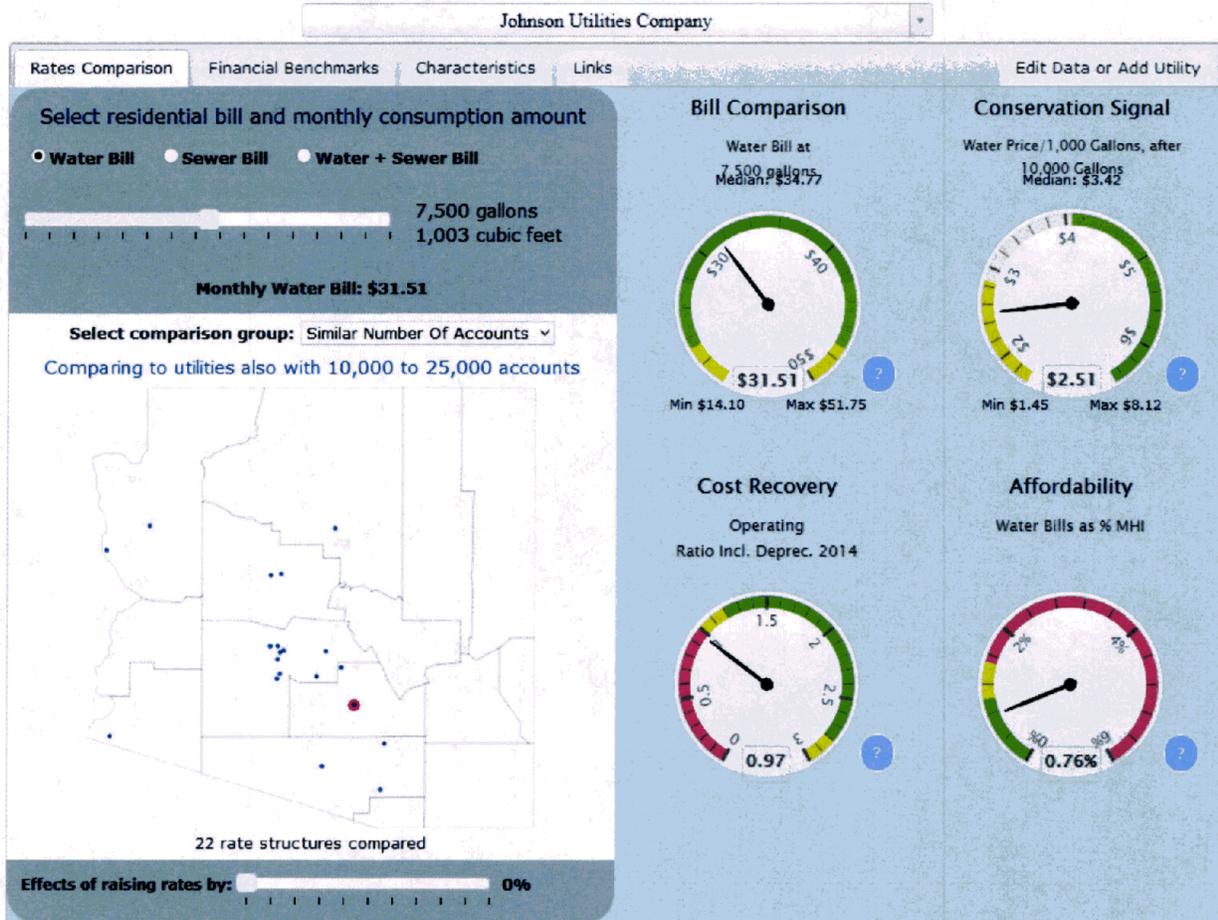
Water Bills as % MHI

0.76%

WATER vs Utilities with Similar Number of Accounts



AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



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WATER vs Utilities of Same Ownership Type



AZ Water and Wastewater Rates Dashboard

Rates as of April 2015

Last updated: September 9, 2015



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WATER vs All Utilities within 25 miles



AZ Water and Wastewater Rates Dashboard

Rates as of April 2015

Last updated: September 9, 2015



Johnson Utilities Company

Rates Comparison | Financial Benchmarks | Characteristics | Links | Edit Data or Add Utility

Select residential bill and monthly consumption amount

Water Bill
 Sewer Bill
 Water + Sewer Bill

7,500 gallons
 1,003 cubic feet

Monthly Water Bill: \$31.51

Select comparison group: Within 25 miles distance

Comparing to all utilities within 25 miles of your utility

18 rate structures compared

Effects of raising rates by: 0%

Bill Comparison

Water Bill at 7,500 gallons
Median: \$44.76

Min \$6.25 Max \$75.37

Conservation Signal

Water Price/1,000 Gallons, after 10,000 Gallons
Median: \$3.26

Min \$0.50 Max \$8.80

Cost Recovery

Operating Ratio Incl. Deprec. 2014

Affordability

Water Bills as % MHI

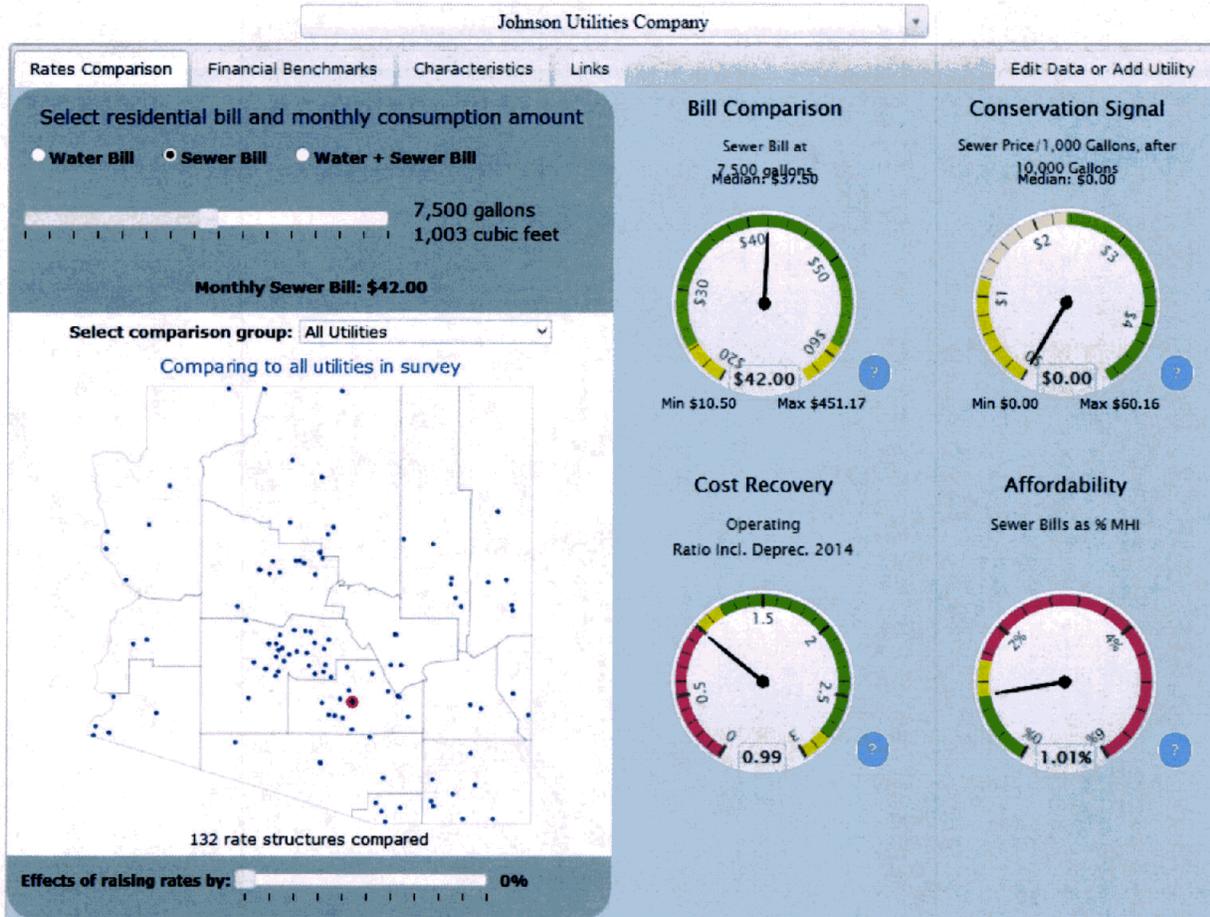
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Wastewater (Sewer)

SEWER vs All Utilities in Arizona



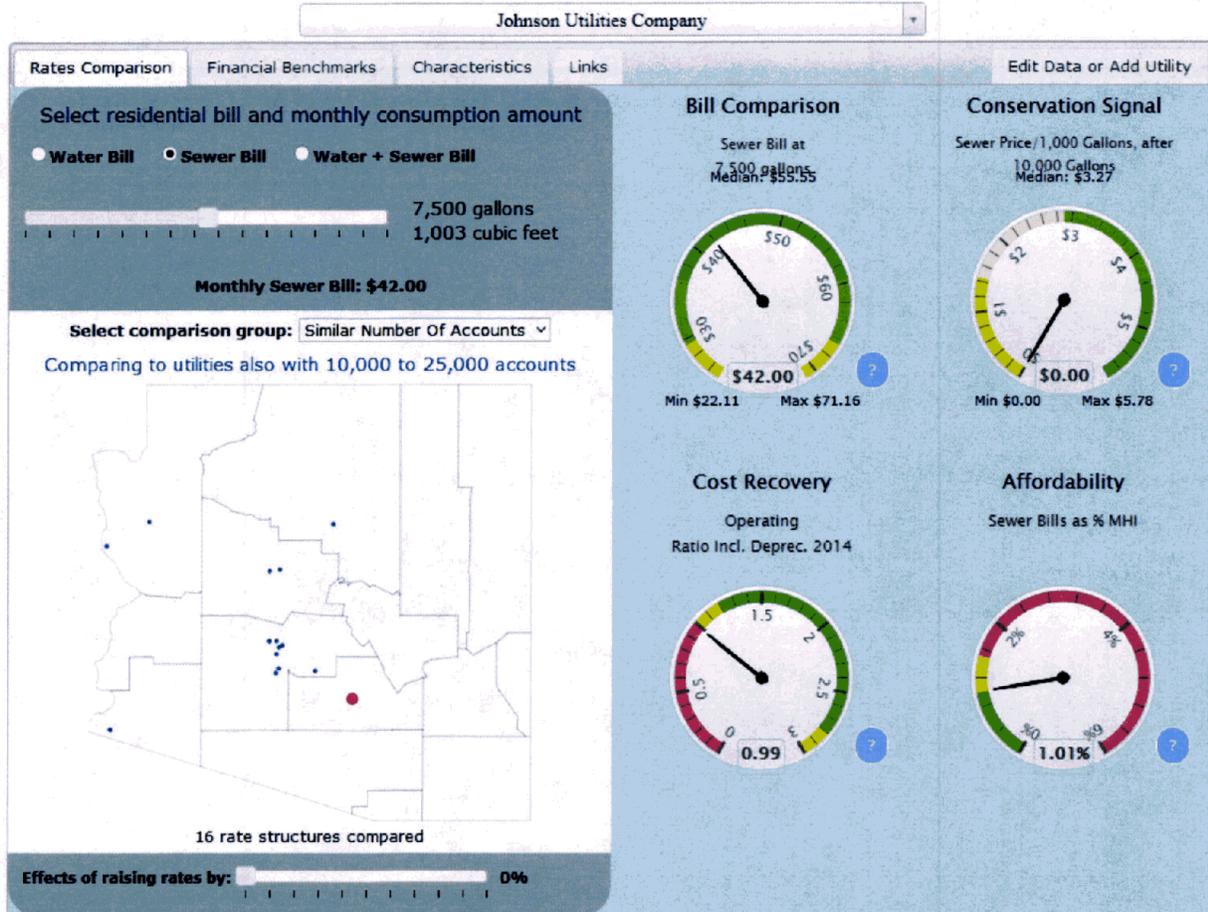
AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



SEWER vs Utilities with Similar Number of Accounts



AZ Water and Wastewater Rates Dashboard
Rates as of April 2015
 Last updated: September 9, 2015

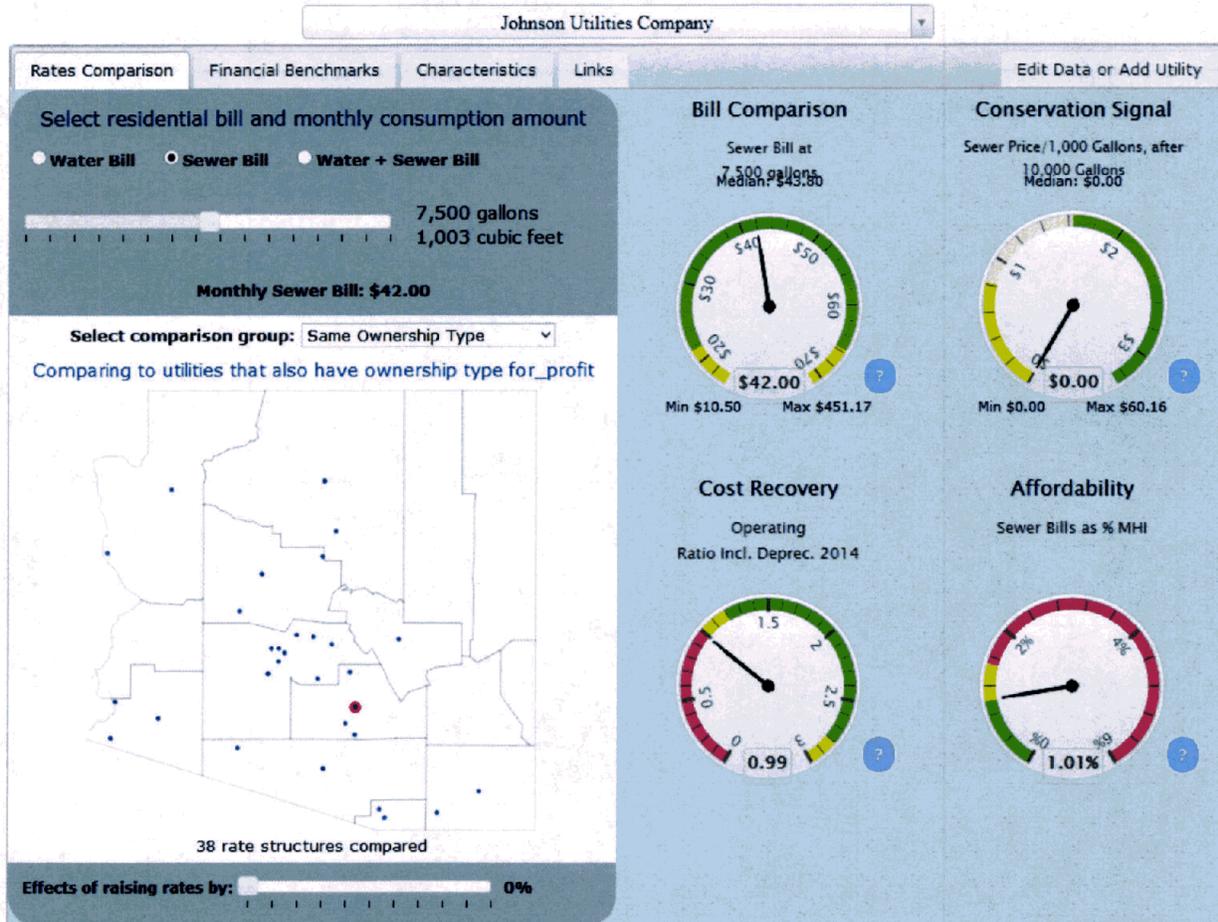


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SEWER vs Utilities of Same Ownership Type



AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



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SEWER vs All Utilities within 25 miles



AZ Water and Wastewater Rates Dashboard

Rates as of April 2015
 Last updated: September 9, 2015



Johnson Utilities Company

Rates Comparison | Financial Benchmarks | Characteristics | Links | [Edit Data or Add Utility](#)

Select residential bill and monthly consumption amount

Water Bill
 Sewer Bill
 Water + Sewer Bill

7,500 gallons
 1,003 cubic feet

Monthly Sewer Bill: \$42.00

Select comparison group: Within 25 miles distance

Comparing to all utilities within 25 miles of your utility

11 rate structures compared

Effects of raising rates by: 0%

Bill Comparison

Sewer Bill at 7,500 gallons
 Median: \$42.00

Min \$23.28 Max \$64.34

Conservation Signal

Sewer Price/1,000 Gallons, after 10,000 Gallons
 Median: \$0.00

Min \$0.00 Max \$4.35

Cost Recovery

Operating Ratio Incl. Deprec. 2014

0.99

Affordability

Sewer Bills as % MHI

1.01%

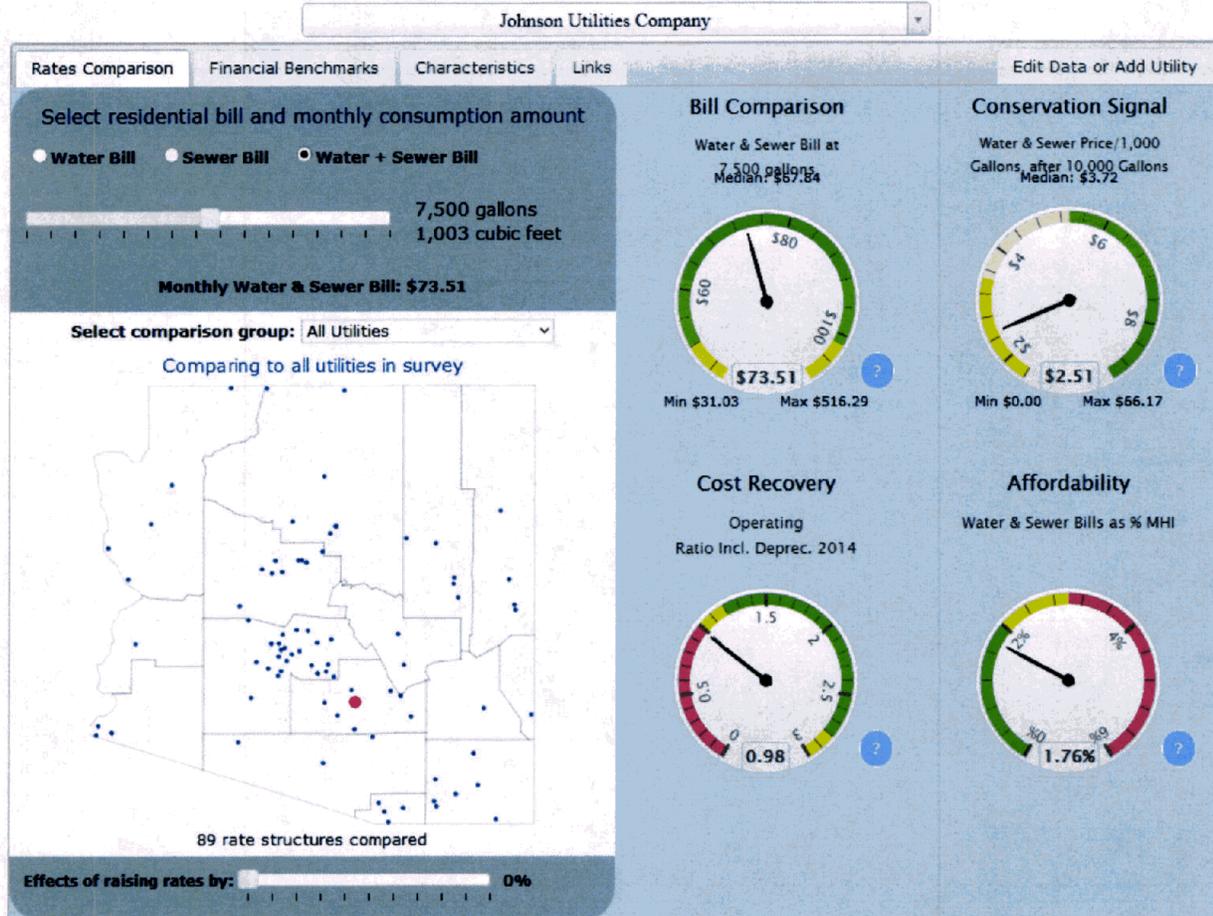
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Water + Wastewater (Sewer) Combined

WATER + SEWER vs All Utilities in Arizona



AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



WATER + SEWER vs Utilities with Similar Number of Accounts



AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



Johnson Utilities Company

Rates Comparison
Financial Benchmarks
Characteristics
Links
Edit Data or Add Utility

Select residential bill and monthly consumption amount

Water Bill
 Sewer Bill
 Water + Sewer Bill

7,500 gallons
 1,003 cubic feet

Monthly Water & Sewer Bill: \$73.51

Select comparison group: Similar Number Of Accounts

Comparing to utilities also with 10,000 to 25,000 accounts

16 rate structures compared

Effects of raising rates by: 0%

Bill Comparison

Water & Sewer Bill at 7,500 gallons
 Median: \$73.51

Min \$39.60 Max \$121.27

Conservation Signal

Water & Sewer Price/1,000 Gallons, after 10,000 Gallons
 Median: \$7.16

Min \$1.45 Max \$12.86

Cost Recovery

Operating Ratio Incl. Deprec. 2014

0.98

Affordability

Water & Sewer Bills as % MHI

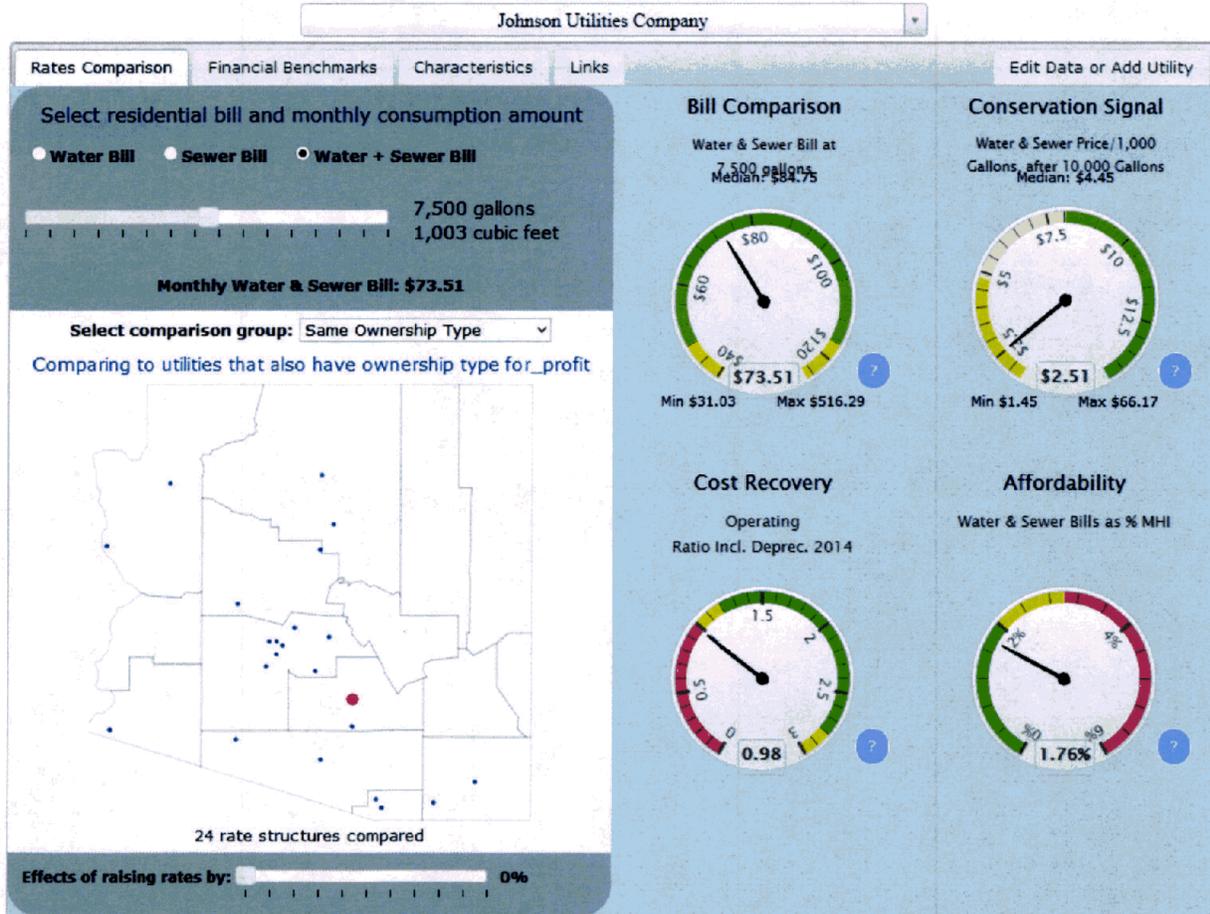
1.76%

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WATER + SEWER vs Utilities of Same Ownership Type



AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



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WATER + SEWER vs All Utilities within 25 miles



AZ Water and Wastewater Rates Dashboard Rates as of April 2015 Last updated: September 9, 2015



Johnson Utilities Company

Rates Comparison
Financial Benchmarks
Characteristics
Links
Edit Data or Add Utility

Select residential bill and monthly consumption amount

Water Bill
 Sewer Bill
 Water + Sewer Bill

7,500 gallons
 1,003 cubic feet

Monthly Water & Sewer Bill: \$73.51

Select comparison group: Within 25 miles distance

Comparing to all utilities within 25 miles of your utility

5 rate structures compared

Effects of raising rates by: 0%

Bill Comparison

Water & Sewer Bill at 7,500 gallons
Median: \$

Min \$72.45 Max \$96.90

Conservation Signal

Water & Sewer Price / 1,000 Gallons, after 10,000 Gallons
Median: \$unknown

Min \$2.51 Max \$6.56

Cost Recovery

Operating Ratio Incl. Deprec. 2014

0.98

Affordability

Water & Sewer Bills as % MHI

1.76%

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