

ORIGINAL

# OPEN MEETING



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## MEMORANDUM

Arizona Corporation Commission  
**DOCKETED**

OCT 12 2016

DOCKETED BY *P.A.*

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AZ CORP COMMISSION  
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2016 OCT 12 A 9:22

TO: THE COMMISSION  
FROM: Utilities Division  
DATE: October 12, 2016

RE: IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA INC. FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT AND MOHAVE WASTEWATER DISTRICT (DOCKET NO. WS-01303A-14-0010)

### INTRODUCTION

Enclosed are the Arizona Corporation Commission ("ACC" or "Commission") Staff's memorandum and recommended opinion and order for the application of EPCOR Water Arizona, Inc. for approval to implement the purchased power adjustor mechanism (Docket No. WS-01303A-14-0010). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's recommended opinion and order.

You may file comments to the recommendations of the recommended opinion and order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before October 24, 2016.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled for **October 27, 2016**, at 10:00 a.m. and **October 28, 2016**, at 10:00 a.m.

If you have any questions about this matter, please contact Briton Baxter of our Staff at (602) 542-7195, or Thomas Broderick, Director, at (602) 542-7270.

### BACKGROUND

On August 30, 2016, EPCOR Water Arizona ("EPCOR" or "Company") filed a request for approval to implement the Purchased Power Adjustor Mechanism ("PPAM") that was approved in Decision No. 75268, issued on September 8, 2015, for the period of July 1, 2015, to June 30, 2016, for the Mohave, Paradise Valley, Sun City, and Tubac Water Districts and for the Mohave Wastewater District.

As outlined in the Plan of Administration ("POA"), the PPAM allows the Company to pass through to its customers any increases or decreases in purchased power costs resulting from rate

changes from the ACC regulated electric service providers that serve the districts as mentioned. This filing reflects the first annual adjustments proposed by the Company under this mechanism.

The Company's PPAM calculation resulted in a credit of \$0.01 per thousand gallons for the Mohave Water District and a credit of \$0.10 per thousand gallons for the Tubac Water District. For the Paradise Valley and Sun City Water Districts, the PPAM calculations resulted in rates that did not meet the adjustment threshold per the POA; therefore, the Company is not seeking an adjustment for those districts at this time, but proposes that the power costs be carried forward for consideration in the future. The PPAM for Mohave Wastewater results in a credit that varies by customer class. The residential customers will receive a credit per customer of \$0.46, the commercial customers will receive a credit of \$0.93, the other public authority customers will receive a credit of \$6.44, the large commercial/industrial customers will receive a credit of \$2.61 and effluent customers will receive a credit of \$23.44.

The Company requests approval to implement the PPAM adjustments as stated herein, effective October 1, 2016.

## RECOMMENDATIONS

Staff has reviewed the Company's calculations and recommends approval of the implementation of the PPAM and the resulting surcharges. Staff recommends approval of the following PPAM surcharges, effective for 12 months, beginning on October 1, 2016:

Tubac Water District: credit of \$0.10 per thousand gallons  
Mohave Water District: credit of \$0.01 per thousand gallons  
Mohave Wastewater (Residential): credit of \$0.46 per customer  
Mohave Wastewater (Commercial): credit of \$0.93 per customer  
Mohave Wastewater (Other public authority): credit of \$6.44 per customer  
Mohave Wastewater (Large commercial/industrial): credit of \$2.61 per customer  
Mohave Wastewater (Effluent): credit of \$23.44 per customer

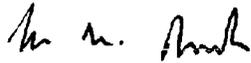
Staff recommends that the changes in power costs for the Paradise Valley and Sun City Water Districts be carried forward to the following year per the POA.

THE COMMISSION

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Staff recommends that all future PPAM surcharge filings become effective 30 days after the Company files its request for an adjustment, unless Staff files with Docket Control a Staff Memo stating any exceptions and the reasons for those exceptions.



Thomas M. Broderick  
Director  
Utilities Division

TMB:BAB: red\RRM

ORIGINATOR: Briton Baxter

THE COMMISSION

October 12, 2016

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EPCOR Water Arizona Inc.  
Docket No. WS-01303A-14-0010

On this 12th day of October, 2016, the foregoing document was filed with Docket Control as a Utilities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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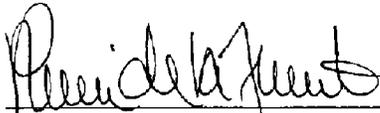
THE COMMISSION

October 12, 2016

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By:   
Renee de la Fuente  
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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 EPCOR WATER ARIZONA INC. FOR A )  
DETERMINATION OF THE CURRENT )  
FAIR VALUE OF ITS UTILITY PLANT )  
AND PROPERTY AND FOR AN )  
INCREASES IN ITS RATES AND )  
CHARGES FOR UTILITY SERVICE BY ITS )  
MOHAVE WATER DISTRICT, PARADISE )  
VALLEY WATER DISTRICT, SUN CITY )  
WATER DISTRICT, TUBAC WATER )  
DISTRICT AND MOHAVE WASTEWATER )  
DISTRICT )

DOCKET NO. WS-01303A-14-0010  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
October 27 and 28, 2016  
Phoenix, Arizona

BY THE COMMISSION:

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes and orders that:

FINDINGS OF FACT

1. On August 30, 2016, EPCOR Water Arizona ("EPCOR" or "Company") filed a request for approval to implement the Purchased Power Adjustor Mechanism ("PPAM") that was approved in Decision No. 75268, issued on September 8, 2015, for the period of July 1, 2015, to June 30, 2016, for the Mohave, Paradise Valley, Sun City, and Tubac Water Districts and for the Mohave Wastewater District.

...

1           2.       As outlined in the Plan of Administration ("POA"), the PPAM allows the Company to  
2 pass through to its customers any increases or decreases in purchased power costs resulting from rate  
3 changes from the Commission regulated electric service providers that serve the districts as  
4 mentioned. This filing reflects the first annual adjustments proposed under this mechanism.

5           3.       The Company's PPAM calculation resulted in a credit of \$0.01 per thousand gallons  
6 for the Mohave Water District and a credit of \$0.10 per thousand gallons for the Tubac Water  
7 District. For the Paradise Valley and Sun City Water Districts, the PPAM calculations resulted in rates  
8 that did not meet the adjustment threshold per the POA; therefore, the Company is not seeking an  
9 adjustment for those districts at this time, but proposes that the power costs be carried forward for  
10 consideration in the future. The PPAM for Mohave Wastewater results in a credit that varies by  
11 customer class. The residential customers will receive a credit per customer of \$0.46, the commercial  
12 customers will receive a credit of \$0.93, the other public authority customers will receive a credit of  
13 \$6.44, the large commercial/industrial customers will receive a credit of \$2.61 and effluent customers  
14 will receive a credit of \$23.44.

15           4.       Staff has reviewed the Company's calculations and recommends approval of the  
16 implementation of the PPAM and the resulting surcharges.

17           5.       Staff recommends approval of the following PPAM surcharges, effective for 12  
18 months, beginning on October 1, 2016:

19                   Tubac Water District: credit of \$0.10 per thousand gallons

20                   Mohave Water District: credit of \$0.01 per thousand gallons

21                   Mohave Wastewater (Residential): credit of \$0.46 per customer

22                   Mohave Wastewater (Commercial): credit of \$0.93 per customer

23                   Mohave Wastewater (Other public authority): credit of \$6.44 per customer

24                   Mohave Wastewater (Large commercial/industrial): credit of \$2.61 per customer

25                   Mohave Wastewater (Effluent): credit of \$23.44 per customer

26           6.       Staff recommends that the changes in power costs for the Paradise Valley and Sun City  
27 Water Districts be carried forward to the following year per the POA.

28 ...



1 IT IS FURTHER ORDERED that the surcharges as proposed by the Company detailed in  
2 Finding of Fact number 5 are approved and shall become effective October 1, 2016.

3 IT IS FURTHER ORDERED that all future PPAM surcharge filings shall become effective  
4 30 days after the Company files its request for an adjustment, unless Staff files with Docket Control a  
5 Staff Memo stating any exceptions and the reasons for those exceptions.

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

8  
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10 CHAIRMAN LITTLE

COMMISSIONER STUMP

11  
12 COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

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

19 \_\_\_\_\_  
20 JODI JERICH  
EXECUTIVE DIRECTOR

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

22  
23 DISSENT: \_\_\_\_\_

24 TMB:BAB:PNT:red/RRM  
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1 EPCOR Water Arizona Inc.  
Docket No. WS-01303A-14-0010

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