

COMMISSIONERS
DOUG LITTLE – Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

AZ CORP COM
DOCKET CONTROL

ORIGINAL

DATE: OCTOBER 6, 2016

2016 OCT 6 AM 11 09

DOCKET NOS.: W-04254A-12-0204; W-04254A-12-0205; W-04254A-12-0206; W-04254A-12-0207; W-0425A-11-0323; W-04254A-08-0361; AND W-04254A-08-0362

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Scott Hesla. The recommendation has been filed in the form of an Order on:

MONTEZUMA RIMROCK WATER COMPANY, LLC
(ORDER PURSUANT TO A.R.S. §40-252)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

OCTOBER 17, 2016

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

OCTOBER 27, 2016 AND OCTOBER 28, 2016

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

OCT 06 2016

DOCKETED BY 


JODI A. JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701-1347

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

On this 6th day of October, 2016, the following document was filed with Docket Control as a Recommended Order from the Hearing Division, and copies of the document were mailed on behalf of the Hearing 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 filed document to the following who have consented to email service.

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By: 
Debbi Person
Assistant to Scott Hesla

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

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

8 IN THE MATTER OF THE APPLICATION OF
9 MONTEZUMA RIMROCK WATER COMPANY,
10 LLC FOR APPROVAL OF FINANCING TO
11 INSTALL A WATER LINE FROM THE WELL ON
12 TIEMAN TO WELL NO. 1 ON TOWERS.

DOCKET NO. W-04254A-12-0204

13 IN THE MATTER OF THE APPLICATION OF
14 MONTEZUMA RIMROCK WATER COMPANY,
15 LLC FOR APPROVAL OF FINANCING TO
16 PURCHASE THE WELL NO. 4 SITE AND THE
17 COMPANY VEHICLE.

DOCKET NO. W-04254A-12-0205

18 IN THE MATTER OF THE APPLICATION OF
19 MONTEZUMA RIMROCK WATER COMPANY,
20 LLC FOR APPROVAL OF FINANCING FOR AN
21 8,000-GALLON HYDRO-PNEUMATIC TANK.

DOCKET NO. W-04254A-12-0206

22 IN THE MATTER OF THE RATE APPLICATION
23 OF MONTEZUMA RIMROCK WATER
24 COMPANY, LLC.

DOCKET NO. W-04254A-12-0207

25 JOHN E. DOUGHERTY,
26
27 COMPLAINANT,

DOCKET NO. W-04254A-11-0323

28 V.
29 MONTEZUMA RIMROCK WATER
30 COMPANY, LLC,
31
32 RESPONDENT.

33 IN THE MATTER OF THE APPLICATION OF
34 MONTEZUMA RIMROCK WATER
35 COMPANY, LLC FOR APPROVAL OF A RATE
36 INCREASE.

DOCKET NO. W-04254A-08-0361

37 IN THE MATTER OF THE APPLICATION OF
38 MONTEZUMA RIMROCK WATER
39 COMPANY, LLC FOR APPROVAL OF A
40 FINANCING APPLICATION.

DOCKET NO. W-04254A-08-0362

DECISION NO. _____

ORDER PURSUANT TO
A.R.S. § 40-252

1 Open Meeting
2 October 27 and 28, 2016
3 Phoenix, Arizona

3 **BY THE COMMISSION:**

4 * * * * *

5 Having considered the entire record herein and being fully advised in the premises, the
6 Commission finds, concludes, and orders that:

7 **FINDINGS OF FACT**

8 **I. Procedural History and Background**

9 1. Montezuma Rimrock Water Company, LLC (“Montezuma” or “Company”) is an
10 Arizona public service corporation, wholly owned by Patricia Olsen, and is a Class E water utility
11 providing service to approximately 223 customers in a community located approximately ten miles
12 northeast of Camp Verde, Yavapai County, Arizona.

13 2. On May 30, 2014, the Arizona Corporation Commission (“Commission”) issued
14 Decision No. 74504 granting, among other things, Montezuma’s requests for approval to finance the
15 purchase and installation of: (1) one 8,000 gallon hydro-pneumatic pressure tank (“Pressure Tank”)
16 pursuant to a loan agreement with Ms. Olsen’s son, Sergei Arias, at a total cost of \$18,541, which will
17 be funded by an associated surcharge mechanism; and (2) four 20,000 gallon storage tanks (“Storage
18 Tanks”) pursuant to a loan agreement with the Water Infrastructure Finance Authority of Arizona
19 (“WIFA”), at a total cost of \$108,000, which will be funded by an associated surcharge mechanism.
20 Prior to collecting the surcharge associated with the Pressure Tank, Decision No. 74504 required the
21 Company to complete the installation of the tank and file a copy of the Approval of Construction
22 (“AOC”) issued by the Arizona Department of Environmental Quality (“ADEQ”).

23 3. Decision No. 74504 also resolved a formal complaint against the Company filed by Mr.
24 John Dougherty, an intervenor in this consolidated proceeding. The Commission found that “[t]he
25 facts of this case indicate that the Company and its owner knowingly filed what appear[ed] to be
26 misleading information and documents with the Commission, apparently in an effort to avoid
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1 Commission jurisdiction.”¹ The Commission therefore referred the matter to the Attorney General’s
2 Office for possible further action under Arizona law.²

3 4. On March 22, 2016, Montezuma contemporaneously filed two requests to modify the
4 financing approvals for the Pressure Tank and Storage Tanks pursuant to Arizona Revised Statutes
5 (“A.R.S.”) § 40-252.

6 5. In its request to modify the financing approval for the Pressure Tank, the Company
7 states that it cannot begin installing the tank because it does not have enough money to engage an
8 engineer and apply for the AOC and Approval to Construct (“ATC”) from ADEQ. As a result, the
9 Company requests that Decision No. 74504 be modified to allow the Company to begin collecting the
10 surcharge in order to provide the Company with the funds necessary to begin the process of installing
11 the Pressure Tank.

12 6. In its request to modify the financing approval for the Storage Tanks, the Company
13 indicates that WIFA will not process the Company’s loan application while there is an investigation
14 pending by the Attorney General’s Office. According to the Company, the Rural Community
15 Assistance Corporation (“RCAC”) has offered to enter into a loan agreement with Montezuma to
16 provide the funds necessary to purchase and install the Storage Tanks. The Company therefore requests
17 that Decision No. 74504 be modified to allow the Company to obtain a loan from RCAC rather than
18 WIFA.

19 7. On June 14, 2016, the Commission considered the Company’s requests, with notice and
20 opportunity to be heard, and voted to reopen Decision No. 74504 pursuant to A.R.S. § 40-252. The
21 Commission directed the Commission’s Utilities Division (“Staff”) to review the Company’s requests
22 and file a Staff Report and Recommended Order for the Commission’s consideration at an Open
23 Meeting. The Commission further directed Staff to contact the Attorney General’s Office to determine
24 the status of the pending investigation against the Company.

25 8. On June 17, 2016, Mr. Dougherty filed a response opposing the Company’s requests to
26 modify Decision No. 74504. In his response, Mr. Dougherty expresses concern that the Company’s

27 ¹ Decision No. 74504 at 155.

28 ² To date, the Commission has not received a response from the Attorney General’s Office regarding its review of this matter.

1 loan agreement with RCAC will likely cost more than a loan agreement with WIFA.³ Mr. Dougherty
 2 further expresses doubt and disagreement that the Company lacks the funds necessary to install the
 3 Pressure tank without the surcharge.

4 9. On July 26, 2016, Staff filed its Staff Report recommending approval of the Company's
 5 requests, subject to certain terms and conditions.

6 10. Also on July 26, 2016, Staff filed a copy of a letter issued to the Attorney General's
 7 Office requesting that the Commission be advised as to the status of the pending investigation.

8 11. On September 1, 2016, the Company filed a Consent to Email Service.⁴

9 12. No party filed comments in response to the Staff Report.

10 **II. Staff Report**

11 **A. Pressure Tank**

12 13. Decision No. 74504 required the Company to complete the installation of the Pressure
 13 Tank and file a copy of the AOC from ADEQ prior to collecting any surcharge to recover the costs of
 14 that project. Given the Company's representation that it does not have the necessary funds available
 15 to start the project, Staff believes it is reasonable to permit Montezuma to begin collecting a direct
 16 surcharge for the purchase and installation of the Pressure Tank. Staff recommends that the direct
 17 surcharge associated with the Pressure Tank be authorized to begin with the next regularly scheduled
 18 billing after the effective date of the Commission's Decision in this matter, and automatically expire
 19 after the surcharge is collected for twelve (12) consecutive months.

20 14. Staff estimates that the Company will incur the following costs associated with the
 21 installation of the Pressure Tank:

22	Cost of Pressure Tank:	\$15,000
23	Cost of Installation:	3,541
24	Engineering Costs: ⁵	<u>6,000</u>
25	Total:	<u>\$24,541</u>

26 ³ Mr. Dougherty asserts that if the Company is allowed to seek financing with RCAC, all costs greater than financing from
 27 WIFA should be borne by Ms. Olsen, personally.

28 ⁴ The Commission's Hearing Division was unable to verify the email address provided by the Company in its filing. As a
 result, the Commission is unable to grant the Company's request to consent to email service.

⁵ Staff's estimated engineering costs include the cost of obtaining the AOC from ADEQ.

1 15. Based on Staff's estimated costs, the direct surcharge for the 5/8 x 3/4-inch meter
2 residential customer will be \$8.78 per month. According to Staff, the direct surcharge will increase the
3 typical monthly bill for residential customers with median usage of 4,112 gallons⁶ from \$40.43 to
4 \$49.21, or a 21.7 percent increase, for twelve (12) consecutive months.

5 16. To ensure proper accounting, Staff recommends that the Company be ordered to deposit
6 the direct surcharge funds into a separate interest-bearing account, and that the only withdrawals from
7 that account be for the purpose of funding the purchase and installation of the Pressure Tank. Staff
8 recommends that the Company be ordered to file with Docket Control a full accounting of the funds
9 received and disbursed from that account once the project is completed. If the Company has collected
10 more funds through the direct surcharge than were necessary to complete the project, Staff recommends
11 that the Company be ordered to credit the amount of the overage to customers in its next monthly
12 billing, with each customer receiving an equal portion of the overage amount, and that the Company
13 file notice with Docket Control showing that such credits have been made.

14 **B. Storage Tanks**

15 17. Decision No. 74504 authorized the Company to finance a loan in an amount not to
16 exceed \$108,000 from WIFA, the proceeds of which will be used to fund the purchase and installation
17 of the Storage Tanks. WIFA has informed the Company that it is not currently willing to fund the loan
18 until the pending investigation by the Attorney General's Office is resolved. According to the
19 Company, RCAC has offered to fund the loan, notwithstanding the pending investigation.

20 18. Staff reviewed the proposed loan with RCAC and notes that the terms are different than
21 originally proposed by WIFA. According to Staff, the WIFA loan provided for a 20-year amortizing
22 loan at a subsidized interest rate of approximately 4.4 percent. The proposed loan with RCAC provides
23 for a 10-year amortizing loan at a maximum interest rate of 8.0 percent. Staff notes that while there is
24 a large difference in the interest rates, the total cost of the RCAC loan will be lower due to the shorter
25 term of the loan. Based on Staff's financial analysis, the total cost of the WIFA loan is estimated to be
26 \$162,513 (\$108,000 in principal, and \$54,513 in interest), and the total cost of the proposed RCAC

27
28 ⁶ Staff states that it relied on the median water usage information provided in the Company's last rate case (test year 2011).

1 loan is estimated to be \$157,241 (\$108,000 in principal, and \$49,241 in interest).⁷ Under the
 2 circumstances, Staff recommends approval of the proposed RCAC loan to replace the previously
 3 approved loan from WIFA. Staff further recommends approval of a RCAC loan surcharge mechanism
 4 that shall automatically expire after ten (10) years.

5 19. Staff estimates that the RCAC loan surcharge for the 5/8 x 3/4-inch meter residential
 6 customer may be \$5.62 per month. According to Staff, the estimated surcharge would increase the
 7 typical monthly bill for residential customers with median usage from \$40.43 to \$46.05, or a 13.9
 8 percent increase, for a period of ten (10) years.

9 20. To ensure proper accounting, Staff recommends that the Company be ordered to deposit
 10 the RCAC loan surcharge funds into a separate interest-bearing account, and that the only withdrawals
 11 from that account be for the purpose of paying the debt service obligation on the loan with RCAC.
 12 Staff recommends that the Company be ordered to file with Docket Control a full accounting of the
 13 funds received and disbursed from that account once the project is completed. If the Company has
 14 collected more funds through the surcharge than were necessary to complete the project, Staff
 15 recommends that the Company be ordered to credit the amount of the overage to customers in its next
 16 monthly billing, with each customer receiving an equal portion of the overage amount, and that the
 17 Company file notice with Docket Control showing that such credits have been made.

18 **C. Combined Bill Impact**

19 21. Staff notes that the direct surcharge and RCAC loan surcharge will only be concurrent,
 20 if at all, for a period of less than a year. In the event that both surcharges are in effect at the same time,
 21 the typical monthly bill for the 5/8 x 3/4-inch meter residential customer with median usage may
 22 increase from \$40.40 to \$54.83, or a 35.6 percent increase, during that period.

23 **D. Contributions In Aid of Construction ("CIAC")**

24 22. Staff notes that ratepayers are being asked to directly fund both the Pressure Tank and
 25 Storage Tanks through loan surcharges. According to Staff, it is important to ensure that ratepayers
 26 are not subsequently required to fund these investments a second time by including the cost of those
 27

28 ⁷ Staff notes that these estimates are based on the most recently available information.

1 investments in rate base in a future rate case. Staff therefore recommends that the Company be ordered
2 to recognize the ratepayer supplied funding associated with the principal payment portions of the
3 surcharges as non-investor supplied CIAC in future rate cases so that depreciation expense and rate of
4 return associated with the assets being paid for by ratepayers through these surcharges are not passed
5 through to ratepayers a second time.

6 **III. Staff's Recommendations**

7 23. Staff recommends:

- 8 • The removal of ordering paragraphs in Decision No. 74504, beginning at line 23
9 of page 162 through line 22 of page 164;
- 10 • Approval of an additional \$6,000 in engineering and other costs for the purchase
11 and installation of an 8,000 gallon hydro-pneumatic pressure tank. Along with
12 what was approved in Decision No. 74504, this brings the total approved cost to
13 \$24,541;
- 14 • Authorization to begin implementation of a direct surcharge to cover the
15 approximate \$24,541 cost for the 8,000 gallon hydro-pneumatic pressure tank,
16 with the next regularly scheduled billing after the effective date of this Decision.
17 This direct surcharge shall run for twelve consecutive months and then
18 automatically expire. The specific rates are reflected on Schedule DWC-1 of
19 the Staff Report and indicate that 5/8-inch meter customer rate as \$8.78 per
20 month and the 3/4-inch meter customer rate as \$13.17 per month;
- 21 • That Montezuma be ordered to establish a separate interest-bearing account to
22 deposit the direct surcharge funds into and that the only withdrawals allowed be
23 in payment of the specific cost items approved for the hydro-pneumatic tank;
- 24 • That Montezuma, if it has collected more funds than necessary to complete the
25 hydro-pneumatic storage tank project, be ordered to credit the amount of the
26 overage in its next monthly billing, with each customer receiving an equal
27 portion of the overage amount, and the Company shall file a notice with the
28 Commission showing that such credits have been made;

- 1 • That with regard to Montezuma's request for approval of financing in the form
2 of a loan agreement with RCAC, that:
- 3 1. Montezuma is authorized to incur a 10-year amortizing loan in an
4 amount not to exceed \$108,000 pursuant to a loan agreement with
5 RCAC, at an interest rate not to exceed 8.0 percent per annum, for the
6 purpose of purchasing and installing four 20,000 gallon storage tanks;
 - 7 2. Montezuma shall, within 30 days after executing the RCAC loan, file
8 with the Commission's Docket Control, as a compliance item in this
9 docket, a true and complete copy of all RCAC loan documents executed;
 - 10 3. Montezuma shall, within 30 days after executing any financing
11 transaction authorized herein, file with the Commission's Docket
12 Control, as a compliance item in this docket, a notice confirming that the
13 execution has occurred and a certification by an authorized Montezuma
14 representative that the terms of the financing fully comply with the
15 authorizations granted;
 - 16 4. Any unused authorization to incur debt authorized herein shall expire on
17 December 31, 2016;
 - 18 5. Montezuma is authorized, subject to the requirement for a surcharge
19 implementation application to be filed and a surcharge amount and
20 effective date to be approved by the Commission, to charge an RCAC
21 loan surcharge to meet its RCAC loan debt service and associated loan
22 obligation;
 - 23 6. After having filed in this docket a true and complete copy of all RCAC
24 loan documents executed, Montezuma shall file in this docket an
25 application requesting permission to implement the associated RCAC
26 loan surcharge;
 - 27 7. Staff shall, within 30 days after Montezuma files an application
28 requesting permission to implement the surcharge, calculate the

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appropriate RCAC loan surcharge, based on the actual loan debt service (interest and principal) payments and using the current customer count at the time of loan closing, to provide the cash flow adopted in this proceeding, and prepare and file a recommended order to Commission consideration;

8. Montezuma is authorized, in connection with the RCAC loan approved herein, to pledge its assets in the State of Arizona pursuant to A.R.S. § 40-285 and Arizona Administrative Code (“A.A.C.”) R18-15-104;

9. Montezuma is authorized to engage in any transaction and to execute any documents necessary to effectuate the authorizations as to the RCAC loan approved herein;

10. That such financing authority is expressly contingent upon Montezuma’s use of the proceeds from the RCAC loan solely for the purposes set forth in its April 12, 2013, application in this matter;

11. Montezuma shall segregate all funds collected under the RCAC loan surcharge in a separate interest-bearing account and may use those funds only for the purpose of making the debt service payments for the actual RCAC loan debt service (principal and interest);

12. The RCAC loan surcharge will expire automatically upon the end of the term for the RCAC loan, unless the RCAC loan surcharge is first reduced or otherwise modified by Commission Order; and

13. If, when the RCAC loan surcharge ends, Montezuma has collected more funds through the RCAC loan surcharge than were needed to make the RCAC loan debt service payments, Montezuma shall credit the amount of the overage in its next monthly billing, with each customer receiving an equal portion of the overage amount, and Montezuma shall file a notice with the Commission showing that such credits have been made;

- That Montezuma be ordered to recognize the ratepayer supplied funding

1 associated with the principal payment portion of these surcharges as non-
2 investor supplied Contributions in Aid of Construction in future rate cases so
3 that depreciation expense and rate of return associated with the assets being paid
4 for by ratepayers through these surcharges are not passed through to ratepayers
5 a second time; and

6 • That Montezuma file, as a compliance item in this docket, the AOC upon
7 issuance from ADEQ.

8 **IV. Conclusion**

9 24. The Company represents that it currently does not have the funding necessary to begin
10 the process of installing the Pressure Tank. Under the circumstances, we agree with Staff that the
11 Company should be allowed to begin collecting the direct surcharge in order to raise the funds
12 necessary to commence and complete the installation of the Pressure Tank.

13 25. Given that the total cost to customers will be lower under the terms of the loan with
14 RCAC than with WIFA, we find that it is reasonable, consistent with sound financial practices, and in
15 the public interest to grant Montezuma the authority to incur a 10-year amortizing loan in an amount
16 not to exceed \$108,000 pursuant to a loan agreement with RCAC, at an interest rate not to exceed 8.0
17 percent per annum, for the purpose of purchasing and installing four 20,000 gallon storage tanks, as
18 discussed herein.

19 26. We find that Staff's recommendations, as set forth in Findings of Fact No. 23, are
20 reasonable, appropriate, in the public interest, and should therefore be adopted.

21 27. In addition to Staff's recommendations, we find that it is reasonable and appropriate to
22 direct Montezuma to provide the following notice to its customers, as a compliance item in this docket,
23 in a form acceptable to Staff, by means of an insert in its next regular scheduled billing: (1) information
24 explaining the direct surcharge, including the monthly surcharge amounts based on meter size and the
25 effective date; and (2) information explaining the RCAC loan surcharge, including the estimated
26 surcharge amounts based on meter size and the estimated effective date. The Company shall file copies
27 of the notice provided to customers with Docket Control within ten (10) days of the date notice is sent
28 to customers.

CONCLUSIONS OF LAW

1
2 1. Montezuma Rimrock Water Company, LLC is a public service corporation within the
3 meaning of Article XV of the Arizona Constitution and Title 40 of the Arizona Revised Statutes.

4 2. The Commission has jurisdiction over Montezuma Rimrock Water Company, LLC and
5 over the subject matter of the Company's requests to modify Decision No. 74504, and to make the
6 modifications discussed herein pursuant to A.R.S. § 40-252.

7 3. Notice of this proceeding and an opportunity to be heard have been given in the manner
8 prescribed by law.

9 4. The authorizations granted herein are for lawful purposes which are within the corporate
10 powers of the Company, are compatible with the public interest, with sound financial practices, and
11 with the proper performance by the Company of service as a public service corporation, and will not
12 impair the Company's ability to perform that service.

13 5. The financing approved herein is for the purposes stated in the financing application, is
14 reasonably necessary for those purposes, and is not reasonably chargeable to operating expenses or to
15 income.

16 6. Approval of the proposed financing should not guarantee or imply any specific
17 treatment of any capital additions for ratemaking or rate base purposes.

18 7. Staff's recommendations, as set forth in Findings of Fact No. 23, as well as the
19 additional requirement set forth in Findings of Fact No. 27, are reasonable and should be adopted.

20 8. The Commission, having reviewed the Staff Report, finds and concludes that it is in the
21 public interest to modify Decision No. 74504, as discussed herein.

22 **ORDER**

23 IT IS THEREFORE ORDERED that, pursuant to A.R.S. § 40-252, Decision No. 74504 is
24 hereby modified in accordance with the terms and conditions set forth in Findings of Fact Nos. 23 and
25 27, and as discussed herein.

26 IT IS FURTHER ORDERED that the ordering paragraphs in Decision No. 74504, beginning at
27 Line 23 of Page 162, through Line 22 of Page 164, are hereby modified in accordance with the findings
28 herein.

1 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC is hereby
2 authorized to implement a direct surcharge mechanism, with its next regularly scheduled billing
3 following the effective date of this Decision, according to the rates set forth in Schedule DWC-1 of the
4 Staff Report submitted in this matter.

5 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall open a
6 separate interest-bearing account in which all direct surcharge monies collected from customers will
7 be deposited. Montezuma Rimrock Water Company, LLC shall only disburse funds from this account
8 for payment of the purchase and installation of the 8,000 gallon hydro-pneumatic pressure tank, as
9 discussed herein.

10 IT IS FURTHER ORDERED that the direct surcharge shall automatically expire, without
11 further order of the Commission, after Montezuma Rimrock Water Company, LLC collects the
12 surcharge for twelve (12) consecutive months.

13 IT IS FURTHER ORDERED that if, when the direct surcharge expires, Montezuma Rimrock
14 Water Company, LLC has collected more funds through the loan surcharge than were needed to
15 purchase and install the 8,000 gallon hydro-pneumatic pressure tank, Montezuma Rimrock Water
16 Company, LLC shall credit the amount of the overage in its next monthly billing, with each customer
17 receiving an equal portion of the overage amount, and the Company file notice showing that such
18 credits have been made.

19 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC is authorized to
20 incur long-term debt financing pursuant to a loan agreement with the Rural Community Assistance
21 Corporation, in the form of a 10-year amortizing loan, in an amount not to exceed \$108,000, at an
22 interest rate not to exceed 8.0 percent per annum, for the purpose of purchasing and installing the four
23 20,000 gallon storage tanks, as discussed herein.

24 IT IS FURTHER ORDERED that such authority is expressly contingent upon Montezuma
25 Rimrock Water Company, LLC's use of the loan proceeds for the purposes set forth in the financing
26 application dated April 12, 2013.

27 IT IS FURTHER ORDERED that any unused debt authorization granted in this proceeding
28 shall terminate on December 31, 2016.

1 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC is hereby
2 authorized to pledge, mortgage, lien, and/or otherwise encumber its assets and revenues in the State of
3 Arizona pursuant to A.R.S. § 40-285 and A.A.C. R18-15-104, in connection with the loan with the
4 Rural Community Assistance Corporation, as authorized herein.

5 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC is hereby
6 authorized to engage in any transaction and to execute any documents necessary to effectuate the
7 authorizations in connection with the loan with the Rural Community Assistance Corporation, as
8 granted herein.

9 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall file with
10 Docket Control, as a compliance item in this docket, within thirty (30) days of the execution of the loan
11 with Rural Community Assistance Corporation, a true and complete copy of all executed loan
12 documents.

13 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall file with
14 Docket Control, as a compliance item in this docket, within thirty (30) days of the execution of any
15 financing transaction authorized herein, a notice confirming that such execution has occurred and a
16 certification by an authorized Company representative that the terms of the financing fully comply with
17 the authorizations granted herein.

18 IT IS FURTHER ORDERED that, upon filing notice confirming the loan's execution, and filing
19 a true and complete copy of all executed loan documents, Montezuma Rimrock Water Company, LLC
20 may file with Docket Control, in this docket, an application requesting implementation of the loan
21 surcharge, as discussed herein, to meet its debt service obligation on the loan with the Rural Community
22 Assistance Corporation.

23 IT IS FURTHER ORDERED that the Commission's Utilities Division Staff shall calculate the
24 appropriate loan surcharge amount and prepare and file a recommended order for Commission
25 consideration, within thirty (30) days of the filing of Montezuma Rimrock Water Company, LLC's
26 application requesting implementation of the loan surcharge.

27 IT IS FURTHER ORDERED that upon approval of the loan surcharge, Montezuma Rimrock
28 Water Company, LLC shall open a separate interest-bearing account in which all loan surcharge monies

1 collected from customers will be deposited. Montezuma Rimrock Water Company, LLC shall only
2 disburse funds from this account for debt service payments to Rural Community Assistance
3 Corporation, as discussed herein.

4 IT IS FURTHER ORDERED that the loan surcharge shall expire automatically upon the end
5 of the term of the loan with the Rural Community Assistance Corporation, or as otherwise ordered by
6 the Commission.

7 IT IS FURTHER ORDERED that if, when the loan surcharge expires, Montezuma Rimrock
8 Water Company, LLC has collected more funds through the loan surcharge than were needed to make
9 the debt service payments, Montezuma Rimrock Water Company, LLC shall credit the amount of the
10 overage in its next monthly billing, with each customer receiving an equal portion of the overage
11 amount, and the Company file notice showing that such credits have been made.

12 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall provide
13 the following notice to its customers, as a compliance item in this docket, in a form acceptable to Staff,
14 by means of an insert in its next regular scheduled billing: (1) information generally explaining the
15 direct surcharge, including the monthly surcharge amounts based on meter size and the effective date;
16 and (2) information generally explaining the surcharge associated with the loan from the Rural
17 Community Association Corporation, including the estimated surcharge amounts based on meter size
18 and the estimated effective date.

19 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall file with
20 Docket Control, as a compliance item in this docket, within ten (10) days after the date notice is sent
21 to its customers, a copy of the notice provided to customers.

22 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC recognize the
23 ratepayer supplied funding associated with the principal payment portion of the surcharges as non-
24 investor supplied Contributions in Aid of Construction in all future rate cases.

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Montezuma Rimrock Water Company, LLC shall file with
2 Docket Control, as a compliance item in this docket, a copy of the Approval of Construction upon
3 issuance from the Arizona Department of Environmental Quality.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6
7

8 CHAIRMAN LITTLE

COMMISSIONER STUMP

9
10 COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

11
12 IN WITNESS WHEREOF, I, JODI A. JERICH, Executive
13 Director of the Arizona Corporation Commission, have hereunto
14 set my hand and caused the official seal of the Commission to be
affixed at the Capitol, in the City of Phoenix, this
day of _____ 2016.

15
16
17 JODI A. JERICH
EXECUTIVE DIRECTOR

18
19 DISSENT _____

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21 DISSENT _____
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1 SERVICE LIST FOR:

MONTEZUMA RIMROCK WATER COMPANY, LLC

2 DOCKET NO.:

W-04254A-12-0204; W-04254A-12-0205; W-04254A-12-0206; W-04254A-12-0207; W-04254A-11-0323; W-04254A-08-0361; and W-04254A-08-0362

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25 Phoenix, AZ 85007

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