

ORIGINAL

OPEN MEETING ITEM



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COMMISSIONERS
TOM FORESE - Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD W. DUNN

OPEN MEETING AGENDA ITEM



ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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2017 MAR 30 P 3:25

Arizona Corporation Commission

DOCKETED

DATE: MARCH 30, 2017

DOCKET NO.: W-02168A-17-0042

MAR 30 2017

TO ALL PARTIES:

DOCKETED BY

Enclosed please find the recommendation of Administrative Law Judge Yvette B. Kinsey. The recommendation has been filed in the form of an Opinion and Order on:

TRUXTON CANYON WATER COMPANY, INC.
(EMERGENCY RATES)

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:

All parties have waived the 10 days for filing of exceptions

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:

APRIL 5, 2017 AND APRIL 6, 2017

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.

TED VOGT
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 Kacie Cannon, ADA Coordinator, voice phone number 602-542-3931, E-mail KCannon@azcc.gov.

1 On this 30th day of March, 2017, the following document was filed with Docket Control as a
2 Recommended Opinion and Order from the Hearing Division, and copies of the document were mailed
3 on behalf of the Hearing Division to the following who have not consented to email service. On this
4 date or as soon as possible thereafter, the Commission's eDocket program will automatically email a
5 link to the filed document to the following who have consented to email service.

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9 Phoenix, AZ 85004
10 Attorneys for Truxton Canyon Water Company, Inc.

11 Timothy La Sota, Acting Director
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By: RTallman
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 TOM FORESE – Chairman
4 BOB BURNS
5 DOUG LITTLE
6 ANDY TOBIN
7 BOYD W. DUNN

8 IN THE MATTER OF THE APPLICATION OF
9 TRUXTON CANYON WATER COMPANY, INC.
10 FOR AN EMERGENCY RATE SURCHARGE.

DOCKET NO. W-02168A-17-0042

DECISION NO. _____

11 OPINION AND ORDER

12 DATE OF HEARING: March 23, 2017
13 PLACE OF HEARING: Phoenix, Arizona
14 ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey
15 APPEARANCES: Mr. Steve Wene, MOYES SELLERS & HENDRICKS,
16 LTD, on behalf of Truxton Canyon Water Company, Inc.;
17 and
18 Ms. Bridget Humphrey, Staff Attorney, Legal Division,
19 on behalf of the Utilities Division of the Arizona
20 Corporation Commission.

21 **BY THE COMMISSION:**

22 On February 16, 2017, the Arizona Corporation Commission (“Commission”) Utilities
23 Division (“Staff”) filed a Memorandum which resulted in the opening of this docket.

24 On February 17, 2017, Truxton Canyon Water Company, Inc. (“Truxton” or “Company”) filed
25 an application with the Commission seeking an emergency rate surcharge.

26 On February 23, 2017, a Procedural Order was issued scheduling a procedural conference in
27 this matter for February 28, 2017. On the same date, a Procedural Order was issued regarding Consent
28 to Email Service.

On February 28, 2017, the procedural conference was held as scheduled. The Company and
Staff appeared through counsel. Discussions were held regarding a hearing date and other procedural
deadlines. The parties agreed that the hearing in this matter should be held on March 23, 2017. Staff

1 agreed that it would file a short summary of its testimony on or before March 20, 2017.

2 On March 1, 2017, by Procedural Order, the hearing in this matter was scheduled for March
3 23, 2017, and other procedural deadlines were established.

4 On March 3, 2017, Truxton filed a Notice of Filing of Customer Notice of Emergency Rate
5 Surcharge Application.

6 On March 20, 2017, Staff filed Staff's Summary of Testimony.

7 On March 22, 2017, a comment was filed in the docket in opposition to the emergency rate
8 surcharge.

9 On March 23, 2017, Truxton filed a Notice of Filing of Customer Notice of Emergency Rate
10 Surcharge Application.

11 The hearing convened, as scheduled, on March 23, 2017, at the Commission's offices in
12 Phoenix, Arizona, before a duly authorized Administrative Law Judge. Truxton and Staff were
13 appeared through counsel. At the hearing, the Company agreed to expedite the transcript in this matter.¹

14 * * * * *

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

17 **FINDINGS OF FACT**

18 **Background/Compliance**

19 1. Truxton is a public service corporation providing water utility services to approximately
20 960 metered customers. Truxton's water system is located in the vicinity of Kingman, Arizona, in
21 Mohave County. Truxton's Certificate of Convenience and Necessity ("CC&N") area encompasses
22 approximately five-and-one half square miles.

23 2. Truxton is currently charging rates authorized in Commission Decision No. 74835
24 (November 14, 2014).

25 3. According to Staff, Truxton's water system is comprised of three active wells, one 155
26 gallons per minute ("GPM") arsenic treatment plant, 580,000 gallons of storage capacity, and a
27

28 ¹ The transcript was docketed at 12:37 p.m. on March 30, 2017.

1 distribution system.² Staff states the Company owns four inactive wells and one inactive 20,000 gallon
2 storage tank.³

3 4. According to an Arizona Department of Environmental Quality (“ADEQ”) Compliance
4 Status Report, dated October 21, 2016, Truxton’s water system has major deficiencies in monitoring
5 and reporting for not meeting the following requirements: 1) Arsenic testing at the entry points to its
6 distribution system quarterly; and 2) deficiencies in disinfection byproducts stage 1 and stage 2.⁴ Based
7 on these deficiencies, ADEQ cannot determine if Truxton’s system is currently delivering water that
8 meets water quality standards.⁵

9 5. Staff states that Truxton also has one delinquency with the Commission’s Utilities
10 Division because Decision No. 74833 (November 14, 2014) required Truxton to be in full compliance
11 with ADEQ by March 28, 2016.

12 6. Truxton’s witness testified that in order to meet ADEQ requirements for arsenic, the
13 Company had to complete one year of quarterly testing for arsenic in order to be in compliance.⁶ The
14 witness testified that the arsenic treatment plant did not become operational until July of 2016 and all
15 of the necessary reporting has not been completed and therefore the Company will remain out of
16 compliance until that time.⁷

17 7. Truxton is not located within any Active Management Area (“AMA”) as designated by
18 the Arizona Department of Water Resources (“ADWR”). According to Staff, ADWR had determined
19 as of October 13, 2016, that Truxton’s water was compliant with departmental requirements governing
20 water providers and/or community water systems.⁸

21 ...

22 ...

23 ...

24 ...

25 ² Exhibit S-1.

26 ³ Id.

27 ⁴ Id.

28 ⁵ Id.

⁶ Tr. at 30.

⁷ Id.

⁸ Exhibit S-1.

1 **Application**

2 8. On February 16, 2017, Truxton filed an emergency rate application seeking authority
3 to: 1) impose a Water Infrastructure Finance Authority ("WIFA") loan surcharge to pay debt service
4 on a proposed \$248,944 WIFA loan; and 2) impose a second surcharge to increase the Company's
5 water service rates by \$92,437 to meet WIFA's 1.2 Debt Service Coverage ("DSC") requirement.⁹

6 9. Truxton's application states that an increase in base rates and the WIFA loan are needed
7 to fund the construction and improvements to its Hualapai 1 Well and Well site. In Decision No.
8 74835, Truxton stated that the Hualapai 1 Well is used as a secondary well source when the wells in its
9 Hackberry Well field cannot provide enough water for all of Truxton's customers.¹⁰ Truxton also
10 stated that the Hualapai 1 Well is mainly used during the summer months when the Valley Vista
11 Property Owners Association ("VVPOA") golf course's demand for water is high.¹¹ The evidence in
12 that Decision showed that the Hualapai 1 Well has failed numerous times, causing the golf course to
13 go without water for as long as 73 days during the peak summer season.¹²

14 10. Truxton proposes, in this docket, to replace two old diesel engines (circa 1963) operated
15 by natural gas that are used to pump water from the Hualapai 1 Well to the golf course and Truxton's
16 other customers during the summer peak demand.¹³ In addition to replacing the two diesel engines
17 with a single electric operated well pump, Truxton proposes to also purchase two used natural gas
18 operated on-site generators, complete the electric power line extension to the Well site, install a new
19 6-foot tall chain link fence around the Well and Well site, complete on-site wiring and electric
20 equipment installation, and complete on-site piping to support installation of the new pumping
21 facilities.¹⁴

22 11. Truxton states that replacing the two diesel engines with a single electric powered pump
23 is necessary because the diesel engines are old, replacement parts are no longer available and have to
24 be made, the engines are likely to fail during this year's summer peak, as they frequently have, and the

25 _____
26 ⁹ Exhibit A-1.

¹⁰ Decision No. 74835 at 28.

¹¹ Id.

¹² Id.

¹³ Exhibit A-1 at 2.

¹⁴ Exhibit S-1 at Engineering Report at 2.

1 golf course will be without water, potentially causing the golf course lawn to die.¹⁵

2 **WIFA Loan Surcharge**

3 12. Truxton requests authorization to obtain a loan in the amount of \$248,944 through
4 WIFA to cover the cost of the capital improvement projects. In Decision No. 74835, the Commission
5 stated that because the upgrades to the Hualapai 1 Well would mainly benefit VVPOA's golf course,
6 the financing for capital improvement projects (as the ones discussed in this application) should
7 consider the appropriate cost allocation related to upgrading Hualapai 1 Well.¹⁶

8 13. Truxton proposes a 30/70 split cost allocation for the capital improvement projects,
9 attributing 30 percent of the costs to the five meters serving the VVPOA golf course and 70 percent to
10 Truxton's other customers. Under Truxton's proposal, debt service on a \$248,944 WIFA loan, would
11 require annual payments of \$23,658.¹⁷ Truxton estimates that a WIFA loan surcharge, using the 30/70
12 allocation, may result in a \$1.27 surcharge for the typical residential customer using a 3/4-inch meter.¹⁸

13 14. Staff recommends that the Commission authorize Truxton to obtain a 20-year
14 amortizing loan through WIFA, for an amount not to exceed \$347,557,¹⁹ to finance the needed capital
15 improvement projects.

16 15. Staff provided the table below that lists the Company's proposed plant additions and
17 associated cost estimates and Staff's recommended adjustments:²⁰

	Plant Item	Company's Estimate	Staff's Estimate
18	1 New Well Pump and Motor¹		
19	ADEQ Permit Fee (Tax free)	N/A	800.00
20	Labor to mobilize/demobilize material and equipment to job site by vendor	2,500.00	2,500.00
21	Labor cost of pulling existing natural gas operated pump out of well and set new electric well pump @ 960' depth in well by vendor	14,400.00	14,400.00
22	One Gould 12CMC pump (12" with 14 stage, 1,000 GPM) by vendor	18,825.00	18,825.00
23	One 300-HP Vertical Hollo shaft	31,293.00	31,293.00
24	Premium efficient, inventor duty fabricated well head (material/labor) by vendor	8,905.00	8,905.00

25 ¹⁵ Tr. at 12-15.

26 ¹⁶ Decision No. 74835 at 33.

27 ¹⁷ Exhibit A-1 at 2.

28 ¹⁸ Id.

¹⁹ Staff's Memorandum had the total estimated costs of the capital improvements at \$310,342. However, Staff's calculations included some mathematical errors and the correct estimated cost is \$347,557.

²⁰ Exhibit S-1 at 1.

1	Tax (5.4275%)	4,120.75	4,120.75
	Subtotal	80,044.00	80,044.00
2	Contingency (10%) ²	N/A	8,084.00
3	Engineering/Administration/Legal fee (15%)	N/A	12,126.00
	Total	80,044.00	101,054.00
4	2 Used Emergency Generators³		
5	Two used natural gas powered generators (35 KVA)	35,000.00	8,000.00 ⁶
6	Subtotal	35,000.00	8,000.00
7	Contingency (10%)	N/A	800.00
	Engineering/Administration/Legal fee (15%)	N/A	1,200.00
8	Total	35,000.00	10,000.00
9	3 Permanent Power⁴		
	Offsite Power Line	150,000.00	N/A
10	1.9 mile 3 phase power line extending from US Highway 66 @ south of Valle Vista Subdivision		165,000.00 ⁵
11	Subtotal	150,000.00	165,000.00
12	Contingency (10%)	N/A	16,500.00 ²¹
13	Engineering/Administration/Legal fee (15%)	N/A	24,750.00
14	Total	150,000.00	206,250.00
15	4 New Fencing⁴	5,000.00	
16	550' long 6' tall chain link fence with a gate (estimated by Staff)		11,503.00
17	Subtotal	5,000.00	11,503.00
18	Contingency (10%)	N/A	1,150.00
	Engineering/Administration/Legal fee (15%)	N/A	1,725.00
19	Total	5,000.00	14,378.00
20	5 On-site Electric⁴	9,200.00	
21	Control Panel Installation	N/A	3,000.00
22	Electric Power Line upgrade	N/A	5,000.00
23	Subtotal	9,200.00	8,000.00
24	Contingency (10%)	N/A	800.00
25	Engineering/Administration/Legal fee (15%)	N/A	1,200.00
26	Total	9,200.00	10,000.00
27	6 On-site Piping	4,700.00	4,700.00
28	Subtotal	4,700.00	4,700.00
	Contingency (10%)	N/A	470.00

²¹ Staff inadvertently miscalculated the 10 percent contingency amount for the Permanent Power improvement. The number should be \$16,500 rather than \$1,650. The same error occurred in the calculation of the 15 percent Engineering/Administration/Legal Fees for the Permanent Power improvements. The number should be \$24,750 rather than \$2,475, which would result in a total cost of \$206,250 for the Permanent Power improvements. Therefore, the total cost of the projects is estimated to be \$347,557 and that amount will be used in this proceeding.

	Engineering/Administration/Legal fee (15%)	N/A	705.00
1	Total	4,700.00	5,875.00
2	Total	248,944.00	347,557.00²²

Notes:

1. Per conversation with Drill Tech Inc. (the Vendor), no new concrete footing will be needed.
2. Based on the Response to Data Request No. STF1.4, the Company suggested 10 contingency costs. Staff is recommending 15 percent to be added to cover Engineering and Legal Fees.
3. Based on the Response to Data Request No. STF 1.17 and 1.18, the Company cost estimate assumes the installation of two used natural gas operated 35 KVA portable generators and no warranty.
4. The Company did not provide any information to support its estimated cost.
5. Staff's cost estimate is based on a quote provided by Mohave Electric Cooperative on December 13, 2016.
6. Staff's estimate is based on \$4,000 per generator for a total cost of \$8,000.

16. The Company supports Staff's adjustments to the total cost of the proposed improvements.²³

17. Staff supports the Company's proposal allocating 30 percent of the surcharge to the five meters serving the VVPOA golf course and 70 percent to Truxton's other customers. Staff stated that it based its cost allocation conclusion on the Hualapai 1 Well pumping data provided by the Company, showing the amount of water used by the VVPOA golf course from April 2016 to November 2016.²⁴

18. Staff's proposed adjustments to the cost of the proposed capital improvement projects, using the 70/30 cost allocation, may result in estimated WIFA loan surcharges of \$2.01 for a 3/4-inch residential customer and a \$456.00 surcharge for a 6-inch golf course meter.²⁵

DSC Surcharge

19. Truxton states that it had a revenue shortfall of approximately \$92,000 in 2015.²⁶ Truxton states that in order to qualify for the WIFA loan it must increase its operating revenues to insure WIFA that the debt can be repaid.²⁷ Therefore, Truxton is requesting approval of an increase in its base rates to meet the 1.2 minimum DSC WIFA requirement.²⁸ Truxton requests an increase in base rates in the amount of \$92,437 to meet the DSC requirement.

²² Based on the error noted above, the total estimated amount for the capital improvement projects is \$347,557.

²³ Tr. at 7.

²⁴ Tr. at 36.

²⁵ These estimated surcharges have been revised to take into account the total cost of the improvements in the amount of \$347,557.

²⁶ Tr. at 20.

²⁷ Id.

²⁸ The Debt Service Method equates revenue requirements to the total of operating expenses (other than depreciation) and the amount necessary to meet debt-service (principal and interest) requirements.

1 20. Truxton proposes implementing a DSC surcharge that will be allocated between the
2 VVPOA golf course and Truxton's other customers on a 30/70 split, respectively. Under Truxton's
3 proposal, the DSC surcharge would be applicable to the five meters that serve the VVPOA golf course
4 at an estimated surcharge of \$1,078.40 per month²⁹ and Truxton's other 962 customer accounts at \$2.40
5 per month.³⁰

6 21. Staff recommends approval of the Company's proposed \$92,437 increase in base rates
7 to meet the DSC requirements.³¹

8 22. Staff also recommends allocating 30 percent of the \$92,437 increase to the five meters
9 that serve water to the VVPOA golf course and 70 percent to Truxton's other customers.

10 23. Further, as illustrated in Staff's Schedule CSB-1, attached hereto and incorporated
11 herein as Exhibit A, Staff also recommends approval of the application using Staff's recommended
12 DSC monthly surcharge of \$5.50 for 3/4-inch meter residential customers and a \$1,249.15 monthly
13 surcharge for 6-inch metered customers serving water to the golf course.

14 **Resolution**

15 24. Attorney General ("AG") Opinion No. 71-17 (May 25, 1971) states, it is appropriate for
16 the Commission to grant interim rates as an emergency measure when (1) sudden change brings
17 hardship to a company, (2) the company is insolvent, (3) the condition of the company is such that its
18 ability to maintain service pending a formal rate determination is in serious doubt, or (4) the
19 Commission will be unable to grant permanent rate relief within a reasonable time. In *Scates v. Arizona*
20 *Corporation Commission*, the Arizona Court of Appeals recognized this standard and, additionally,
21 that (1) a bond must be posted to protect the company's customers and allow for refund in the event
22 that the interim rates are excessive, and (2) the granting of interim rates must be followed by a full rate
23 case in which just and reasonable rates are established after the fair value of the company's property is
24 determined.³² The *Scates* test was cited with approval in *Residential Utility Consumer Office v. Arizona*
25 *Corporation Commission*, 20 P.3d 1169, 1173 (Ariz. App. 2001) ("*Rio Verde*").

26 _____
27 ²⁹ \$92,437 x .7 = \$64,706/ 12 mo. = \$5,392 \$5,392/5 meters = \$1,078/ mo.

28 ³⁰ Exhibit A-1 at 2.

³¹ Exhibit S-1 at 1.

³² 578 P.2d 612, 616 (Ariz. App. 1978).

1 25. We find that Truxton's need to replace the two diesel engines including other associated
2 capital improvements constitutes an "emergency" within the definition set forth in AG Opinion No.
3 71-17, as discussed and approved in the *Scates* and *Rio Verde* cases cited herein, and that the
4 replacement of the diesel engines and associated capital improvements is an appropriate emergency
5 response to ensure that the Company is able to provide uninterrupted service to its customers.

6 26. We also find that it is just and reasonable, and in the public interest, to authorize Truxton
7 to implement an interim emergency DSC monthly surcharge as described in Exhibit A, attached hereto
8 and incorporated herein.

9 27. Further, we find it appropriate to authorize Truxton to obtain a 20-year amortizing loan
10 from WIFA in an amount not to exceed \$347,557, to fund the construction of the improvements at the
11 Hualapai 1 Well and well site. We also find it just and reasonable, and in the public interest, to
12 authorize Truxton to implement an interim emergency WIFA loan surcharge, as illustrated in Exhibit
13 B attached hereto and incorporated herein, for an estimated amount of \$2.01 for a 3/4 -inch residential
14 customer and an estimated surcharge of \$456.00 for a 6-inch golf course meter.

15 28. In addition, we will require the Company to file, no later than June 30, 2018, a full
16 permanent rate case, using a test year ending December 31, 2017.

CONCLUSIONS OF LAW

17
18 1. Truxton is a public service corporation within the meaning of Article XV of the Arizona
19 Constitution and A.R.S. §§ 40-285, 40-301, and 40-303.

20 2. The Commission has jurisdiction over Truxton and the subject matter of the application.

21 3. Notice of the emergency rate application was provided in accordance with the law.

22 4. Truxton is facing an "emergency" within the definition set forth in AG Opinion No. 71-
23 17, as discussed and approved in the *Scates* and *Rio Verde* cases cited herein.

24 5. It is just and reasonable and in the public interest to adopt the Company's emergency
25 rate application, as discussed herein.

26 6. Approval of the Company's application for emergency interim rate relief, as described
27 herein, is consistent with the Commission's authority under the Arizona Constitution, applicable
28 statutes, and applicable case law.

1 number of customers at the time of the loan closing. In addition, the Company shall calculate the total
2 revenue needed to pay the debt service, reserve, and taxes using an allocation of 30 percent to the five
3 meters that serve water to the Valle Vista Property Owners Association golf course and 70 percent to
4 Truxton's other customers.

5 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc., shall file as a
6 compliance item in this docket, within fifteen (15) days of the execution of any financing transaction
7 authorized herein, a notice confirming that such execution has occurred and a certification by an
8 authorized Company representative that the terms of the financing fully comply with the authorizations
9 granted.

10 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc., shall provide to the
11 Commission's Utilities Division, upon request, a copy of any loan documents executed pursuant to the
12 authorizations granted herein.

13 IT IS FURTHER ORDERED that approval of the Water Infrastructure Financing Authority
14 surcharge shall be rescinded if Truxton Canyon Water Company, Inc. has not drawn funds from the
15 Water Infrastructure Finance Authority loan within one year from the effective date of this Decision.

16 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc., shall file, as a
17 compliance item in this docket, within thirty (30) days of the effective date of this Decision, proof that
18 it has completed the required customer notice.

19 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc., shall track and
20 separately record as a regulatory liability the surcharge proceeds associated with the debt service
21 reserve fund. The Company should maintain an accurate balance of the regulatory liability until its
22 obligation to ratepayers is completely satisfied.

23 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc., shall set up a separate
24 interest bearing bank account the same month the Water Infrastructure Finance Authority surcharge
25 mechanism takes effect, and starting the first month the Water Infrastructure Finance Authority loan
26 surcharge is collected from Truxton Canyon Water Company's customers, the Company shall deposit
27 all revenues collected from the Water Infrastructure Finance Authority surcharge mechanism in that
28 separate interest bearing account, to be used only for making payments on the Water Infrastructure

1 Financing Authority loan and the annual income taxes related to the loan for the capital improvement
2 projects described herein.

3 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. request for an increase
4 in its base rates in the amount of \$92,437 also needed to meet Debt Service Coverage for the Water
5 Infrastructure Finance Authority requirements, is hereby approved.

6 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. is authorized to
7 assess, as a separate line item on each metered customer's monthly bill, interim emergency Debt
8 Service Coverage surcharge, as described in Exhibit A, attached hereto and incorporated herein.

9 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc.'s Debt Service
10 Coverage surcharge request shall be effective on the first of the month following the month in which
11 the Company files its application to implement the surcharge, but no earlier than thirty (30) days after
12 the filing. Upon compliance, the surcharge shall become effective without further action of the
13 Commission unless Staff files an objection or request for additional time to analyze the proposed
14 surcharges within 30 days of the filing.

15 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall, within thirty
16 (30) days after the effective date of this Decision, mail, or deliver notice of the approved interim
17 emergency surcharges to its customers, in a form and manner acceptable to Staff, by means of an insert
18 in the Company's next regularly scheduled billing.

19 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall, within thirty
20 (30) days after the effective date of this Decision, file with the Commission's Docket Control, as a
21 compliance item in this docket, a revised tariff reflecting the approved interim emergency surcharges.

22 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall, before
23 implementing the interim emergency Debt Service Coverage surcharge approved herein, provide to the
24 Commission's Business Office the original of a cashier's check made out to the Arizona Corporation
25 Commission in the amount of \$10.

26 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall, on the same
27 date the original cashier's check is provided to the Commission's Business Office, file with the
28 Commission's Docket Control, as a compliance item in this docket, an original and 1 copy of a notice

1 stating that the cashier's check has been provided to the Commission's Business Office.

2 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall, no later than
3 June 30, 2018, in a new docket, file with the Commission's Docket Control a full permanent rate case
4 application prepared using a test year ending December 31, 2017.

5 IT IS FURTHER ORDERED that Truxton Canyon Water Company, Inc. shall, on the same
6 date that it files a full permanent rate case application in a new docket, file with the Commission's
7 Docket Control, as a compliance item in this docket, notice that the full permanent rate case application
8 has been filed.

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1 IT IS FURTHER ORDERED that the emergency surcharges approved herein shall be interim
2 and that funds collected through the emergency surcharge rates are subject to true-up and refund if
3 necessary.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6
7

8 CHAIRMAN FORESE COMMISSIONER DUNN

9
10 COMMISSIONER TOBIN COMMISSIONER LITTLE COMMISSIONER BURNS

11
12 IN WITNESS WHEREOF, I, TED VOGT, Executive Director of
13 the Arizona Corporation Commission, have hereunto set my
14 hand and caused the official seal of the Commission to be affixed
15 at the Capitol, in the City of Phoenix, this _____ day
16 of _____ 2017.

17 TED VOGT
18 EXECUTIVE DIRECTOR

19 DISSENT _____

20 DISSENT _____
21 YK/rt

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1 SERVICE LIST FOR:

TRUXTON CANYON WATER COMPANY, INC.

2 DOCKET NO.:

W-02168A-17-0042

3 Steve Wene

4 MOYES SELLERS & HENDRICKS LTD

1850 N. Central Ave., Suite 1100

5 Phoenix, AZ 85004

6 Attorneys for Truxton Canyon Water Company, Inc.

7 Timothy La Sota, Acting Director

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8 ARIZONA CORPORATION COMMISSION

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11 **Consented to Service by Email**

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Truxton Canyon Water Company, Inc.
 Docket No. W-02168A-17-0042
 Emergency Rate Surcharge Financing

Schedule CSB-1
 Page 1 of 3

EXHIBIT A

Line
 No. **MINIMUM DSC (I.E. BASE RATE INCREASE) SURCHARGE**

1 **Step 1 - Revenue Increase**
 2 \$92,437.00 Total Increase in Base Rates (Includes Taxes)
 3
 4 **Step 2 - Annual Surcharge Rev. Requ. for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course**
 5 \$92,437.00 From Line 2
 6 70% Multiplied by 70%
 7 \$64,705.90
 8
 9 **Step 3 - Annual Surcharge Revenue Requirement for the 5 Meters Serving the Golf Course**
 10 \$92,437.00 From Line 2
 11 30% Multiplied by 30%
 12 \$27,731.10
 13

14 **Step 4 - Equivalent Bills for All Truxton's Customers EXCEPT the 5 Meters Serving the Golf Course**

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	953	12	17,154
1" Meter	2.5	4	12	120
1½" Meter	5	0	12	-
2" Meter	8	4	12	384
3" Meter	15	0	12	-
4" Meter	25	0	12	-
6" Meter	50	0	12	-
		<u>961</u>		<u>17,658</u>

29 **Step 5 - Monthly Surcharge for the 5/8 x 3/4-Inch Meter Size Customers EXCEPT Golf Course**

30
 31 \$64,705.90 Total Annual Surcharge Revenue Requirement (from Step 2)
 32 17,658 Divided by: Total Number of Equivalent Bills (from Step 4)
 33 \$3.66 Monthly Surcharge for 5/8 x 3/4-Inch Customers
 34

35 **Step 6 - Monthly Surcharge for All Meter Size Customers EXCEPT those serving Golf Course**

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	\$3.66	\$3.66
3/4" Meter	1.5	\$3.66	\$5.50
1" Meter	2.5	\$3.66	\$9.16
1½" Meter	5	\$3.66	\$18.32
2" Meter	8	\$3.66	\$29.32
3" Meter	15	\$3.66	\$54.97
4" Meter	25	\$3.66	\$91.61
6" Meter	50	\$3.66	\$183.22

53

54 Step 7 - Equivalent Bills for the 5 Meters Serving the Golf Course

55	Col A	Col B		Col C		Col D		Col E
56	Meter Size	NARUC Multiplier		Number of Customers		Number of Months in Year		Equivalent Bills Col B x C X D
59	5/8"x 3/4" Meter	1	x	0	x	12	=	-
60	3/4" Meter	1.5	x	1	x	12	=	18
61	1" Meter	2.5	x	0	x	12	=	-
62	1½" Meter	5	x	0	x	12	=	-
63	2" Meter	8	x	2	x	12	=	192
64	3" Meter	15	x	0	x	12	=	-
65	4" Meter	25	x	1	x	12	=	300
66	6" Meter	50	x	1	x	12	=	600
67				<u>5</u>				<u>1,110</u>

69 Step 8 - Monthly Surcharge for the 5/8 x 3/4-Inch Golf Course Meter Size Customers

70 \$27,731.10 Total Annual Surcharge Revenue Requirement (from Step 3)

71 1,110 Divided by: Total Number of Equivalent Bills (from Step 7)

72 \$24.98 Monthly Surcharge for 5/8 x 3/4-Inch Customers

75 Step 9 - Monthly Surcharge for All Meter Sizes for the Golf Course

76	Col A	Col B		Col C		Col D
77	Meter Size	NARUC Multiplier		5/8" x 3/4" Customers' Surcharge		Surcharge by Meter Size Col B x C
80	5/8"x 3/4" Meter	1	x	\$24.98	=	\$24.98
81	3/4" Meter	1.5	x	\$24.98	=	\$37.47
82	1" Meter	2.5	x	\$24.98	=	\$62.46
83	1½" Meter	5	x	\$24.98	=	\$124.91
84	2" Meter	8	x	\$24.98	=	\$199.86
85	3" Meter	15	x	\$24.98	=	\$374.74
86	4" Meter	25	x	\$24.98	=	\$624.57
87	6" Meter	50	x	\$24.98	=	\$1,249.15

90 Step 10 - Verify Annual Surcharge Revenue for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course

91	Col A	Col B		Col C		Col D		Col E
92	Meter Size	Number of Customers		Number of Months in Year		Surcharge by Meter Size		Annual Surcharge Rev Col B x C X D
95	5/8"x 3/4" Meter	0	x	12	x	\$3.66	=	-
96	3/4" Meter	953	x	12	x	\$5.50	=	62,859
97	1" Meter	4	x	12	x	\$9.16	=	440
98	1½" Meter	0	x	12	x	\$18.32	=	-
99	2" Meter	4	x	12	x	\$29.32	=	1,407
100	3" Meter	0	x	12	x	\$54.97	=	-
101	4" Meter	0	x	12	x	\$91.61	=	-
102	6" Meter	0	x	12	x	\$183.22	=	-
103		<u>961</u>						<u>64,706</u> (from Step 2)

110

111
 112 Step 11 - Verify Annual Surcharge Revenue for 5 Meters Serving the Golf Course

113	Col A	Col B		Col C		Col D		Col E
114				Number of		Surcharge		Annual
115		Number of		Months in		by		Surcharge Rev
116	Meter Size	Customers		Year		Meter Size		Col B x C X D
117	5/8"x 3/4" Meter	0	x	12	x	\$24.98 =		-
118	3/4" Meter	1	x	12	x	\$37.47 =		450
119	1" Meter	0	x	12	x	\$62.46 =		-
120	1½" Meter	0	x	12	x	\$124.91 =		-
121	2" Meter	2	x	12	x	\$199.86 =		4,797
122	3" Meter	0	x	12	x	\$374.74 =		-
123	4" Meter	1	x	12	x	\$624.57 =		7,495
124	6" Meter	1	x	12	x	\$1,249.15 =		14,990
125		<u>5</u>						<u>27,731</u> (from Step 3)

Truxton Canyon Water Company, Inc.
Docket No. W-02168A-17-0042

EXHIBIT B**RESIDENTIAL**

Meter Size	AWWA Multiplier	Residential Surcharge
5/8-inch	1	\$1.34
3/4-inch	1.5	\$2.01
1-inch	2.5	\$3.35
1.5-inch	5	\$6.70
2-inch	8	\$10.72
3-inch	16	\$21.44
4-inch	25	\$33.50
6-inch	50	\$67.00

GOLF

Meter Size	AWWA Multiplier	Golf Surcharge
5/8-inch	1	\$9.12
3/4-inch	1.5	\$13.68
1-inch	2.5	\$22.80
1.5-inch	5	\$45.60
2-inch	8	\$72.96
3-inch	16	\$145.92
4-inch	25	\$228.00
6-inch	50	\$456.00