



Word on the Street

BY GARY YAQUINTO

This election cycle Arizona voters continued what has become a trend in electing Republican candidates to the ACC.

This time, the three open seats were won by three Republicans – Bob Burns, Andy Tobin and Boyd Dunn. Burns and Tobin return to the panel, while Dunn was elected to his first term. Spending by outside groups on the candidate campaigns reached new highs with Pinnacle West supporting the three Republican candidates and SolarCity supporting candidates Bill Mundell, Bob Burns and Tom Chabin.

Of note of the Commission's actions in its November open meeting is the reinstatement of the System Improvements Benefits charge for Arizona Water Company. The SIB was previously put on hold pending a final decision by the

Supreme Court, which overturned an appellate court's opinion that the SIB was illegal. At its meeting the Commission authorized Arizona Water to collect \$62,000 of the uncollected SIB balance on top of the previously approved SIB

All focus now shifts to the ACC's December 19 open meeting, which will feature the long-awaited decision on the Value of Solar docket.

surcharge.

While the November open meeting included rate increases for

several water companies as well as Navopache Electric Cooperative, all eyes now shift to the Commission's December 19th open meeting, which, (if the schedule holds) will feature the long-awaited decision on the Value of Solar docket. The Recommended Opinion & Order on this matter, if approved by the Commission, would base the export value of rooftop solar on two alternative methodologies recommended by the ACC staff. Numerous parties have filed exceptions to the ROO, and the open meeting discussion on December 19th is one not to be missed.

BREAKING NEWS

In one of the most critical issues to face the Commission this year, ACC Chair Doug Little has moved consideration of the Value of Solar ROO to the December 19th open meeting. The date was moved twice to accommodate parties' review of ALJ Jibilian's recommendation. Lengthy exceptions to the recommendation have been filed by numerous parties to the case.

a|i|c

ARIZONA INVESTMENT COUNCIL

OSBORN
MALEDON

CONSENT AGENDA

The November 2016 Open Meeting of the Arizona Corporation Commission convened at 10:00 a.m. on Thursday November 17, 2016.

The following items were approved on the Chairman's Proposed Consent Agenda:

TELECOMMUNICATION



The Commission approved XYN Communications, L.L.C.'s Application for a Certificate of Convenience and Necessity to Provide Facilities-Based Local Exchange Telecommunications Services, and its request that its services be deemed competitive. (Docket No. T-20968A-16-0158);

The Commission approved Clear Rate Telecom, L.L.C.'s Application for Approval of a Certificate of Convenience and Necessity to Provide Resold and Facilities-based long-distance, and resold and facilities-based local exchange and access telecommunications, and its request that its services be deemed competitive. (Docket No. T-20972A-16-0198);

The Commission approved the transfer of control of TerraCom, Inc. to Global Reconnect, Ins. (Docket No. T-20802A-16-0331)

WATER & WASTEWATER



The Commission approved Sahuarita Water Company, L.L.C.'s increase of its Central Arizona Groundwater Replenishment District (CAGR) adjuster fee from \$1.46 per kgal to \$1.69. The CAGR adjuster fee was previously instituted to recover costs the Company pays to CAGR for the replenishment of excess groundwater. (Docket No. W-03718A-09-0359)

System Improvements Benefit Mechanism

The Commission unanimously voted to reinstate the System Improvement Benefit ("SIB") mechanism and surcharge for Arizona Water Company's ("AWC") Eastern and Northern Groups. There was no discussion among the Commissioners.

The background on this matter is as follows: In 2013, the ACC approved the implementation of a SIB mechanism for AWC's Eastern and Northern Groups. The Company began collecting the

The ACC approved a temporary surcharge for Arizona Water Company to collect \$62,000 of the uncollected SIB balance. This is in addition to the previously approved surcharge.

SIB surcharge for the Eastern Group in October of 2014, and did so for approximately one year. The Residential Utility Consumer's Office challenged the ACC's ability to institute the SIB mechanism, and, on August 18, 2016 the Arizona Court of Appeals issued an opinion that set aside the ACC's approval of the SIB mechanism. Subsequently, on October 27, 2015, the ACC issued an Order to suspend the SIB mechanism and all compliance requirements associated with it until the outcome of further court proceedings. On August 8, 2016 the Arizona Supreme Court vacated the Court of Appeals decision, holding that the SIB mechanism meets Arizona Constitutional requirements. Because of that decision, AWC filed these Motions to Lift Stay and for Reinstatement of System Improvement Benefits mechanism for both the Northern and Eastern Group.

Because the hold was enacted in 2015, Staff calculated AWC's uncollected balance through November 17, 2016 to be \$62,502. The Commission authorized the Company to collect this amount through a temporary surcharge. The temporary surcharge will be in addition to the previously approved surcharge and will remain in effect until the outstanding balance is collected, after which it will cease. The Commission also approved AWC's request to extend the deadline to file its next Eastern Group rate case to no later than February 28, 2017, using a test year ending no later than June 30, 2016. (Docket Nos. W-01445A-12-0348 and W-01445A-11-0310)

WATER



Certificate of Convenience and Necessity

Parker Lakeview Estates Homeowners Association, Inc. DBA Parker Springs Water Company received unanimous approval to delete a portion of its certificate of convenience and necessity (CC&N), and extend its CC&N in another area. There was no discussion among the Commissioners. (Docket No. W-01853A-16-0060)

Rate Increases

The Commission had considered Montezuma Rimrock Water Company's rate and financing application during the October Open Meeting, continuing the discussion to the November open meeting to allow time for the Company, the Water Utilities Association of Arizona, and Staff to confer and make a recommendation for future oversight of the Company.

Staff was ordered during the October Open Meeting to investigate hiring an interim manager for Montezuma Rimrock. In Staff's update, they stated that they had not yet found an interim

REGULAR AGENDA *continued*

manager, but had consulted with a few companies to perform that role. Those companies, however, expressed serious trepidation to act as interim manager in opposition to the current company owner's wishes. Staff also reported that the annual cost of an interim manager would be \$27,000 – a sum greater than what the Company generates annually.

There was significant debate between the Commissioners about the role that an interim manager can play and the legal authority of the Commission to appoint such an entity in the current matter.

Chairman Little's discussion focused on three points. First, he expressed concern after reviewing Tobin Proposed Amendment #1 (requiring the Company to hire an interim manager before the approved rate relief is granted) which was adopted in the previous Open Meeting, as to the exact intent or desired outcome of the amendment. Second, he has serious concerns about the ability of the Commission to appoint an interim manager without providing the Company with notice and an opportunity to be heard. Third, he would not want this item to send the wrong message to other small water companies – that if they come before the Commission, they run the risk of losing their company.

Both Commissioners Tobin and Forese were concerned about approving any rate increases or financing with the Attorney General's investigation pending. They concluded that if an interim manager was not going to be appointed, they want to see some level of oversight, at least while the investigation is pending. Commissioner Tobin also remained intent on appointing an interim manager for the time being.

Ray Jones from the Water Users Association of Arizona appeared for public comment. He supported reconsideration of the matter, and urged the parties to consider an alternative to the appointment of an interim manager.

Staff also agrees that the appointment of an interim manager is inappropriate at this time and recommended that a Staff employee could be assigned to help oversee the books and finances of the Montezuma Rimrock.

The item was ultimately pulled from the Agenda a second time, to allow the parties to work on an oversight plan that could be presented to the Commission at a later date. (Docket Nos. W-04254A-12-0204, W-04254A-12-0205, W-04254A-12-0206, W-04254A-12-0207, W-04254A-11-0323, W-04254A-08-0361, W-04254A-08-0362)

Eagletail Water Company, LLC's

Application for Approval of Financing and for a Permanent Rate Increase was previously heard during the October 2016 Open Meeting, but was delayed for vote until the November Open Meeting. At the November Open Meeting, the Company informed the Commission that it had entered into a letter of intent to be acquired by Global Water Company. The President of Global Water spoke about the importance of receiving the rate increase the Company seeks and the ability to obtain the necessary Water Infrastructure Finance Authority of Arizona ("WIFA") financing to begin infrastructure improvements. The Commissioners commended Global Water for its actions. The Commission adopted Staff Amendment #1, which described the future acquisition of Eagletail, and the item unanimously passed as amended.

Eagletail's rates will increase 26.5 percent or \$9.78, before the loan surcharge. This results in a 74.16 percent increase over test year revenues for an operating margin of 19.73 percent. Eagletail is authorized to incur long-term financing in the form of a 20 year amortizing loan not to exceed \$174,450 through WIFA, for a new 250,000 gallon water

tank. The Company is also authorized to implement a surcharge of approximately \$30 to provide an additional \$18,282 per year to finance the loan. The funds from the surcharge will be kept in a separate interest bearing account and shall only be used to service the debt payment. (Docket Nos. W-03936A-16-0095 & W-03936A-16-0096)

Golden Shores Water Co., Inc.

Golden Shores Water Co., Inc's rate and financing application was unanimously approved, without discussion by the Commissioners. The Company provides service to 1,500 customers in Mohave County. Golden Shores originally filed a rate application in 2014 as a Class C water utility. Staff suspended the timeclock when they discovered that the Company would also need to file a financing application and update the test year. When Golden Shores re-filed its rate and financing application in the summer of 2015, the Company was reclassified as a Class D utility under the new version of A.A.C. R14-2-103. As a result, no hearing was required on the application. Staff and the Company agreed that Golden Shores should proceed under the new rules. The rates approved, including the loan surcharge, increase the revenue requirement by 15 percent and create a rate of return of 9.4 percent. Including the loan surcharge, the average monthly bill for a customer will increase by \$3.67, from \$24.74 to \$28.41. Golden Shores was also authorized to finance a loan from WIFA for \$514,700 to finance replacing meters and valves, purchase a backup generator, and to upgrade other infrastructure. The monthly loan surcharge per customer will be approximately \$2.65 (which is included in the above total increase). (Docket No. W-01815A-14-0173 & W-01815A-16-0142)

Bermuda Water Company, Inc.

Bermuda Water Company is a Class B water utility providing service to approximately 7360 residential

REGULAR AGENDA *continued*

customers and 479 commercial or industrial customers in Bullhead City, Arizona. Bermuda Water received approval to increase its water rates by \$2.43 or 11.52 percent, which would raise the typical residential bill from \$21.09 to \$23.52. This was based on an agreed-upon 9.40 percent rate of return on a 100 percent equity structure. The item was approved by a 4-0 vote with Commissioner Stump excused. (Docket No. W-01812A-15-0421)

ELECTRIC

Navopache Electric Cooperative, Inc. is a Class A, member-owned non-profit rural electric distribution cooperative serving approximately 38,500 customers in Apache, Greenlee and Gila Counties. Staff and Navopache were in agreement on all issues of the case. The Company will receive a system-wide revenue increase of 6 percent, which will produce a 5.69 percent rate of return. The average residential customer's bill will increase by 4.82 percent or \$2.67, from \$55.27 to \$57.94. Navopache used the cooperative's streamlined rate case application process. To use this process, the Company is limited to a 6 percent rate increase. Navopache has used this process before, previously requesting only a 4 percent increase. This is the second rate request in as many years. Commissioner Tobin questioned and expressed concern about the timing of so many rate cases and why the number of customer complaints had increased. Under the new streamlined rate case process for co-operatives, Navopache was required to have 6 months using the new rates before it could file for another rate increase, and that is what happened here. The rate increase was unanimously approved. (Docket No. E-01787A-16-0144)

RAILROADS

The Commission unanimously approved Union Pacific

Railroad Company's and Pima County Department of Transportation's application to upgrade an existing public at-grade crossing along Colossal Cave Road (US DOT Nos. 741-303E) and Old Vail Road (US DOT 741-304L), in the City of Vail, Pima County, Arizona. The upgrade is required to be complete within 15 months of the effective date

Rate increases were approved for Eagletail Water Co., Golden Shores Water Company, and Bermuda Water Company. Navopache Electric Cooperative also received a rate increase of 5.69 percent – its second rate increase under the new streamlined rate procedure for electric coops.

of the decision. There was no discussion among the Commissioners. (Docket No. RR-03639A-16-0160)