ARIZONA CORPORATION COMMISSION

# 

**RATE APPLICATION**

**FOR WASTEWATER COMPANIES**

**WITH ANNUAL GROSS OPERATING REVENUES**

**(INCLUDING REQUESTED RATE RELIEF)**

**OF LESS THAN $1,000,000**

PER ARIZONA ADMINISTRATIVE CODE R14-2-103

**Details at website:** [**www.azcc.gov**](http://www.azcc.gov/)

Enter Utility Name

**UTILITY NAME**

Enter Test Year ending

**TEST YEAR ENDED**

Enter the docket number

**DOCKET NUMBER**

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application, please call (602) 542-4251 for ACC Small Water Ombudsman assistance or see our website at: [**www.azcc.gov**](http://www.azcc.gov/)

IN ORDER TO PROCESS YOUR APPLICATION PLEASE FORWARD THE ORIGINAL PLUS ONE COPY OF THE **APPLICATION** TO:

ARIZONA CORPORATION COMMISSION DOCKET CONTROL CENTER

1200 WEST WASHINGTON STREET

PHOENIX, ARIZONA 85007

Or you may use the Commission’s eFiling portal to submit your documents electronically. Visit this page on the ACC’s website for more information: <http://www.azcc.gov/eFileforUtilitiesInstruction.asp>

**TABLE OF CONTENTS**

WASTE[WATER RATE APPLICATION CHECKLIST 2](#_TOC_250021)

[GENERAL INSTRUCTIONS 3](#_TOC_250020)

[NARRATIVE DESCRIPTION OF APPLICATION FOR RATE ADJUSTMENT 4](#_TOC_250019)

[AFFILIATE RELATIONSHIP 6](#_TOC_250018)

[STATEMENTS IN SUPPORT OF RATE REQUEST 7](#_TOC_250017)

[CURRENT AND PROPOSED RATES AND CHARGES INSTRUCTIONS 9](#_TOC_250016)

[SERVICE CHARGES INSTRUCTIONS 10](#_TOC_250014)

[UTILITY PLANT IN SERVICE INSTRUCTIONS 11](#_TOC_250012)

INCOME TAX 12

CUSTOMER NOTIFICATION 15

# **WASTEWATER RATE APPLICATION CHECKLIST**

Please use the following checklist to ensure that all necessary attachments are included in the application. Provide an explanation for any omitted item.

**ORIGINAL APPLICATION PACKAGE ITEMS**

1. The Arizona Department of Revenue ("ADOR") certificate of compliance letter of good standing. To request a certificate of compliance, use the Tax Clearance Application (Form# 10523) found on the ADOR website at <http://www.azdor.gov/Forms/Other.aspx>. (Send in the certificate of compliance with your application.)
2. Plant Additions - Please provide a list of all plant additions by year and NARUC plant account number put into service since the last rate case. For each plant addition project **over $2,500** in total costs, please provide (1) a list showing the individual cost components of the plant addition and (2) provide invoices to support each cost component shown on the list. Please cross-reference the amounts on the list to the invoices.
3. Salaries and Wages – Please provide a list of all employees broken down by position, with a list of their duties and responsibilities. Individual employee salary information needs to be provided directly to Commission Staff within 10 days of filing the application (Acct. 701)
4. Purchased Wastewater Treatment – Please provide (1) a list showing the individual cost components of the total purchased wastewater treatment expense and (2) invoices to support the **three** highest amounts shown on the list. (Acct. 710)
5. Purchased Power – Please provide (1) a list showing the individual cost components of the total purchased power expense and (2) invoices to support the **three** highest amounts shown on the list. (Acct. 715)
6. Repairs and Maintenance – Please provide (1) a list showing the individual cost components of the total purchased repairs and maintenance expense and (2) invoices to support the **three** highest amounts shown on the list. (Acct. 720.1)
7. Outside Services – Outside/Contractual Services – Please provide (1) a list showing the individual cost components of the total purchased outside services expense and (2) invoices to support the **three** highest amounts shown on the list for each of the sub-accounts. (Accts. 730-734 and 736)
8. Miscellaneous Expense – Please provide (1) a list showing the individual cost components of the miscellaneous expense and (2) invoices to support the **three** highest amounts shown on the list. (Acct. 775)
9. Statements from the county for Property Tax expenses incurred during the Test Year. (Acct. 408.11)

# **GENERAL INSTRUCTIONS**

Processing the request for a rate adjustment requires completion of ALL PARTS of this application, including associated schedules. Specifically schedules 1-13 of the Excel file are required and should be printed out and submitted with the application. Schedules 14 and 15 are optional, as is using Items #4-9 in the format provided. Work papers 1, 3, 4, and 5 are required to be completed and to be made available to Staff as part of the rate case, but do not need to be printed out and filed with the application. Complete the Narrative Description of the Application for Rate Adjustment on pages 4 and 5, as well as the statements on pages 6 through 8. Read the accompanying instructions, download the associated excel file and fill out schedules 1 through 13 and any supplemental schedules and associated surcharge/adjustor mechanisms [included in the workbook.](#_bookmark16) Dollar amounts should be rounded to the nearest dollar. NO ENTRY SHOULD BE LEFT BLANK. If an amount is zero, enter a zero. **Any application that is found to be insufficient will not be processed until the deficiencies are corrected per A.A.C. R14-2-103.B.7.**

A completed application also **requires** notification of customers of the rate request. The format of the customer notification letter is provided on page 15 of this application. Use the language and form of this letter in notifying customers. Schedules 7 and 8 of the application must also be sent with the notice. A copy the notice and schedules, together with a **notarized** cover letter stating the method of customer notification and the date the notification was sent to the customers, **must** be docketed within 15 days of the filing of the application. Note the notice should not be sent to customers until the application is docketed, as the notice requires the full docket number.

Please provide any supplementary information the Company believes will assist in the evaluation of the rate request. For example, if expense items are substantially different from the latest annual report filed with the Commission, or if significant plant additions have been made since the prior rate increase, attach supporting explanations for those changes to the application. Clearly label any attachments and staple them to the application.

Selection of a Test Year for the utility is an important part of the application. A Test Year older than the year reflected in the most current Annual Report filed with the Utilities Division is usually considered outdated. Questions regarding the selection of a Test Year should be addressed to the ACC’s Small Water Ombudsman Office at (602) 542-2556.

**NARRATIVE DESCRIPTION OF APPLICATION FOR RATE INCREASE**

Instructions:

Please provide the reasons for your requested rate adjustment by checking the appropriate box(es) below. If desired, the Company may also attach a written narrative regarding its reasons for the requested rate adjustment. Your narrative may also include efforts made by the utility to control costs/expenses and/or mitigate the amount of rate adjustment.

Changes in current, compared to past operations that necessitate the rate adjustment. Please explain:

Enter text.

Descriptions and/or calculations of adjustments made to amounts that are included in this application that are different than amounts recorded in your books/ledgers (pro forma adjustments). Please explain:

Enter text.

Significant factors influencing your revenues, expenses and/or rate base. Please explain:

Enter text.

Anticipated growth/decline in customers expected in the next two years, the amount of anticipated construction to serve those customers, and how financed; the type of customers served by the utility, e.g. residential, irrigation, small retail businesses, large commercial, etc. Please explain:

Enter text.

Anticipated construction. Please explain:

Enter text.

Other factors. Please explain:

Enter text.

# 

|  |  |
| --- | --- |
| Company Name: Enter Company Name | Test Year Ended: Enter Test Year ending |

Please indicate a **yes** or **no** answer to the questions below and provide an explanation where necessary.

An affiliate relationship is one where an entity is directly or indirectly controlled by or controls another entity. This includes but is not limited to the power to direct the management policies of such entity, whether through ownership of voting securities, by contract, or otherwise.

Does the Company have a relationship with another entity that may include corporations, partnerships, sole proprietorships, limited liability corporations (LLCs), as well as common ownership of a water company and another entity such as a development company or wastewater company? **Choose an item.**

If **Yes**, please identify the affiliate.

Enter text.

Are any assets owned jointly with any affiliated or subsidiary entities? Choose an item.

If **Yes**, please provide a description of each jointly owned asset, its cost, and the percentage of the asset owned by the utility. (Please note the amounts reported on Schedules 3 through 5 should only include the percentage of plant owned by the utility.)

Enter text.

Were any of the assets constructed or acquired from an affiliated or subsidiary entity? Choose an item.

If **Yes**, please identify the affiliated entity, the relationship with the utility, and a detailed listing of all transactions reflected in the Plant accounts. Also include detail for other balance sheet accounts, such as Advances, Contributions in Aid of Construction, inter-company payables and receivables, as well as affiliated revenues and expenses from the Company's Income Statement.

Enter text.

# STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request.

Enter Company Name (the "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending Enter Test Year. The Company had total operating revenues of $Enter amount, served Enter number of metered customers metered and Enter number of un-metered customers un-metered customers, and sold Enter number of gallons sold gallons of water during the Test Year.

The Company is requesting Choose an item. in revenues in the amount of $Enter amount. Total annual operating revenues, if the Company is granted the rate adjustment, will be $Enter amount.

Is the Company current on all property taxes? Choose an item.

The Company is current on all sales taxes. (Please see checklist item 2 on page 1.) Choose an item.

The Company intends to notify its customers of its application for a rate adjustment on Enter the date. A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, WILL BE PROVIDED SUBSEQUENT TO THE APPLICATION BEING FILED. (See [page 1](#_bookmark17)4)

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation (“OCLD”) plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

Please identify the utility’s organizational structure from the drop-down box: Choose an item.

## *Note: If a corporation, please list stockholders and the respective number of shares owned below. Attach additional pages if needed.*

|  |  |
| --- | --- |
| **Stockholders** | **Number of Shares Owned** |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

I have read and completed this application, and to the best of my knowledge all of the information contained herein, and attached to this application, is true and correct.

|  |  |
| --- | --- |
| Name of Authorized Representative (print):  Enter Name | Company Name:  Enter Company Name |
| Title: Enter title | Address: Enter address |
| Signature: | Continue address |
| Date: Enter the date. | Phone Number: Enter phone# |
| E-mail Address: Enter email | Fax Number: Enter fax# |

**CURRENT AND PROPOSED RATES AND CHARGES**

Complete the cells highlighted in gray on schedule 7 in the associated spreadsheet, showing rates and charges currently in effect, and those proposed by the Company. Specify the customer class or classes (i.e., residential, commercial, industrial, etc.), the rate structure (flat or measured), and the service size in the drop down boxes in rows 8-10 on schedule 6.

MONTHLY CHARGE:

Enter the minimum rate for each category of customer currently approved by the Commission for your utility in the last rate proceeding. Propose a minimum rate for every category listed on Page 5. If other than a flat rate is used or proposed, enter the commodity (or excess) charge for the gallonage the customer will be charged for gallons used over those allowed in the minimum charge, for example, $1.25 per 1,000 gallons. If excess charges vary with gallonage used, enter the rates and gallons covered in each tier of consumption in the space provided, for example:

|  |  |  |
| --- | --- | --- |
| First Tier | Up to 3,000 gallons | $1.00 per 1,000 gallons |
| Second Tier | 3,001 to 10,000 gallons | $1.50 per 1,000 gallons |
| Third Tier | Over 10,000 gallons | $2.50 per 1,000 gallons |

If a flat rate is currently approved or proposed, enter the monthly rate in the space provided.

**SERVICE CHARGES INSTRUCTIONS**

Listed below are current and proposed service charges as appropriate. Commission Rules should be consulted in proposing new service charges. Please list current and proposed rates on Page 7, as well as any service charges not listed below you currently, or propose to charge.

|  |  |
| --- | --- |
| **Service Charge**  **(Commission Rule)** | Description |
| Service Lateral Installation Charge  (R14-2-606) | A refundable Advance in Aid of Construction paid by a new customer to cover the cost of installing all customer piping. Propose a charge for every pipe size listed on schedule 7. |
| Establishment  (R14-2-603.D) | A charge covering the cost to establish a new account for a person requesting service where the customers facilities are ready and acceptable to the utility, and do not require construction by the utility. |
| After Hours Service Charge  (R14-2-403.D.2) | A charge covering the cost of establishment, re-establishment and reconnection-delinquent after normal hours at the customer’s request or for the customer’s convenience. After Hours Service Charge will be in addition to the charge for any utility service provided. |
| Deposit  (R14-2-603.B) | A refundable security deposit not exceeding two times the average residential class bill for residential customers, and not exceeding two and one-half times a non-residential customer's estimated maximum monthly bill. |
| Deposit Interest  (R14-2-603.B.3) | A Commission approved annual percentage interest rate applied to customer deposits. A six percent rate shall be applied if the company does not specify an interest rate with the Commission. |
| Re-establishment and Reconnection  (R14-2-603.D.1) | A charge for service at the same location where the same customer had ordered a service disconnection within the preceding twelve- month period. |
| NSF Check  (R14-2-608.E) | A fee for each instance where a customer tenders payment for utility service with an insufficient funds check. |
| Deferred Payment  (R14-2-409.G.6) | Applicable monthly finance charges (interest rate) applied in a deferred payment agreement between the company and a customer. |
| Late Payment Fee  (R14-2-608.F) | Late fee to be applied due to payment not received by the utility by the due date. In the absence of an approved tariff, the late fee is not to exceed 1 ½% of the delinquent bill. Delinquent bill shall be subject to the utility’s termination procedures as set forth in R14-2-609. |

**UTILITY PLANT IN SERVICE** **INSTRUCTIONS**

**Instructions for Title sheet**

To assist with the completion of Schedule 3 please refer to the Commission Decision issued in the Company's prior rate case. That Decision established the value for the Original Cost of the plant and accumulated depreciation at the end of the prior test year. It may be necessary to refer to the associated Staff Report for individual account detail relating to the totals listed in the Decision. Update the cells highlighted in grey in columns I and J with this information.

**Instructions for the Work papers**

Please complete work papers 1, 3, 4, and 5. These work papers are not required to be printed off and filed with the application, but will be requested by Staff to assist with the audit of the rate case. On the work papers update all cells highlighted in grey. This includes the year(s) on work paper 1, which should begin with the year immediately following the test year in the last rate case through the test year in the current application, and the dollar amounts of all plant additions and retirements for each account by year.

***Note: For assistance with any of the above, please contact the ACC’s Small Water Ombudsman Office at 602-542-2556.***

INCOME TAX

The Commission allows federal and state income tax expense for taxable “type-C” corporations calculated by Staff at authorized tax rates. See Decision No. 73739.

For other entities such as Sole-Proprietorships, Partnerships, S-Corporations, Limited Liability Companies (“LLCs”), Trusts, and other taxable or pass-through entities the Commission has determined that an income tax allowance can be included in the utilities’ expenses. The allowance will be based on the lower of the taxes computed using the Type-C corporate tax rates or the combined effective personal tax rates of the entities’ owners.

In order for Staff to be able to calculate the effective personal tax rates of the entities’ owners, the following information must be included in this application:

1. Names of all the owners.
2. The percentage of profit/(loss) assigned to each owner.
3. The owners’ personal federal and state income tax filing status (i.e. single, married filing jointly, etc.).
4. If any of the owners are a pass-through or potential pass-through entity such as an S- Corporation or a Trust, then the ownership breakdown of the entity/trust will also be required including all the information listed above.

If the utility fails to provide all of the necessary information required, the Commission has determined that no income tax allowance will be recognized.

The following is an example of the calculations that Staff will make. For this situation, the Company is owned by a single person, registered as an LLC, whose income tax filing status is Married Filing Jointly. In this example, the Company has $50,000 in taxable income, and the calculations use 2020 tax brackets. As is shown in the results, per the Commission income tax policy the individual calculation would be used because it results in the lower total taxes.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Income taxes based on individual calculations: | | | | |
|  |  |  |  |  |
| State Income Tax | | Taxable Income | | $50,000 |
| Over | But not Over | Amount plus | % | Taxes |
| $0 | $53,000 | $0 | 2.59% | $1,295 |
| $53,001 | $106,000 | $409 | 3.34% | $0 |
| $106,001 | $318,000 | $1,315 | 4.17% | $0 |
| $318,000 | $999,999,999 | $2,394 | 4.50% | $0 |
|  |  |  |  | $1,295 |
|  |  |  |  |  |
| Federal Income Tax | | Taxable Income | | $48,705 |
|  |  |  |  |  |
| Over | But not Over | Amount plus | % | Taxes |
| $0 | $19,750 | $0 | 10.00% | $0 |
| $19,751 | $80,250 | $1,975 | 12.00% | $5,449 |
| $80,251 | $171,050 | $9,235 | 22.00% | $0 |
| $171,051 | $326,600 | $29,211 | 24.00% | $0 |
| $326,601 | $414,700 | $66,543 | 32.00% | $0 |
| $414,701 | $622,050 | $94,735 | 35.00% | $0 |
| $622,051 | $9,999,999,999 | $167,308 | 37.00% | $0 |
|  |  |  |  | $5,449 |

|  |  |
| --- | --- |
| Calculation of corporate income tax: |  |
| Arizona Taxable Income | $50,000 |
| Arizona State Income Tax Rate | 4.9% |
| Arizona Income Tax | $2,450 |
| Federal Taxable Income | 47,550 |
| Federal Income Tax @ 21% | $9,985 |
| Combined Federal and State Income Tax | $12,330 |

# **BILL COUNT INSTRUCTIONS**

**Instructions for Schedule 6**

A Bill Count must be provided for each of the customer types and service sizes the Company had in service during the Test Year. This information will be entered on Schedule 6 from the drop-down boxes which are linked to Schedule 7, but ensure that the information is accurate and update as necessary on both schedules. Update the information in the gray highlighted cells with the counts at each level of flow for each service lateral. For all flows over 100,000 gallons enter the exact usage in rows 36 through 57. Hide any columns and/or rows that aren't needed.

The first step in producing the Bill Count is to collect all monthly bills rendered for wastewater sales during the 12 months of the Test Year. The collection of bills must include bills to part-time customers and to customers who are no longer on the system, but who were on the system for any part of the Test Year.

Only include bills for wastewater services during the Test Year. For example, assume that the Test Year runs from January 1st to December 31st (calendar year) and you normally bill on January 5th. The bill sent out at that time would cover December 1st through the 31st usage of the prior year and should not be included. The first billing to be used for the year would be the February 5th billing and the last billing to be used would be the billing of January 5th of the succeeding year.

***Note: For explanation of any of the above, please contact the ACC’s Small Water Ombudsman Office at 602-542-2556.***

**CUSTOMER NOTIFICATION**

Enter Company Name has applied to the Arizona Corporation Commission for an adjustment in rates. The current rates have been in effect since Enter month and year. **Choose an item.** in rates is necessary at this time due to Enter the reason for the Company’s request, as summarized on pages 3 and 4. Based on the Company's un-audited Test Year results, Enter Company Name realized an operating **Choose an item.** of $Enter amount. The Company is requesting **Choose an item.** of $Enter amount or Enter percentage% of total revenues. Please see the attached Schedules 7 and 8 of the Company's application for the current and proposed rates.

The Application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street and at Enter Company name and physical address **Please be advised that the rates and charges ultimately approved by the Commission may be higher or lower than the rates and charges requested in the Application.**

Customer input is an important part of the Commission's analysis of the requested adjustment and is a factor in determining whether a hearing will be conducted. Customers should bring to the Commission's attention any questions or concerns related to the Company's Application, including service, billing procedures or other factors important in determining the reasonableness of charges. Customers may have the right to intervene in this matter. Customers wishing to communicate with the Commission, or request information on intervention in the proceeding, should contact the Commission's Consumer Services Section at 800-222-7000 (if located outside the Phoenix local calling area) or 602-542-4251 in the Phoenix local calling area. Written public comments may be submitted by mailing a letter referencing **Docket No.** **Enter the docket number, including matter number after the application has been docketed** to the Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission’s website ([www.azcc.gov](http://www.azcc.gov)) by clicking on “Cases and Open Meetings” and “Make a Public Comment in a Docket”.

Customers are advised that the Commission may act upon the Application without a hearing. Regardless of whether a formal hearing is held, customer comments submitted in writing will be placed in the office file, which the Commission reviews prior to making its final decision on the Application. It is important that customers contact the Commission within 15 days of the receipt of this notice so that the Commission's Staff can consider customer comments and concerns in developing its recommendations to the Commission.