

Arizona Corporation Commission

Ombudsman Program Overview

Ombudsman Group

- Ombudsman – Elijah Abinah
- Consumer Services – Connie Walczak & Mary Mee
- Engineering – Frank Smaila
- Revenue Requirements & Audits (RR&A) – Briton Baxter
- Policy & Programs – Ranelle Paladino

Mission Statement

To assist small water companies in interpreting and navigating the Corporation Commission rate case, financing, and compliance processes, and to provide evaluations of the long-term infrastructure and acquisition planning needs of small water companies.

Functions

To educate, provide guidance, and assistance regarding:

- Utility recordkeeping;
- Assembly of information necessary for rate cases and financing applications;
- Technical reviews of water and wastewater system needs;
- Compliance requirements.

Presentation Topics

- Short Form Rate Application / rate case process
- Annual Reports
- Emergency Surcharges
- Financing Applications
- Compliance

Short Form Rate Application

- ACC Staff in conjunction with industry representatives developed and will maintain a revised Short Form Rate Application in Excel [Short Form Rate Application](#)
- The revised application includes the Annual Report
- It includes more linking between schedules and formulas, resulting in less input
- It also includes optional schedules for adjustor mechanisms such as:
 - Purchase power and water
 - System improvement
 - Water conservation

Short Form Rate Application

How to find the new application:

1. From the ACC homepage, select the utilities division
2. Then select water from the boxes to the right
3. Next select the Applications and forms link
4. Scroll down to the rate applications
5. Select [Water Companies with Annual Gross Operating Revenues \(Including Requested Rate Relief\) of Less than \\$1,000,000 - Word Version](#) and [Water Companies with Annual Gross Operating Revenues \(Including Requested Rate Relief\) of Less than \\$1,000,000 - Excel Version](#)

You will need both documents

Rate Case Process

- RR&A Staff review the application for sufficiency
 - Verify compliance with R14-2-103
 - Bill count
 - Schedules complete, reconciled, and cross-referenced
 - Determination within 30 days.

Rate Case Process Cont

- RR&A Staff conduct a regulatory audit
 - Identify major issues
 - Develop recommended adjustments
 - Recommend a Revenue Requirement based on:
 - Return on Equity (ROE)
 - Operating Margin/Cash Flow
 - Security Covenants (DSC or TIER)
 - Recommend rate design
 - That complies with Commission policy (Decision No. 75626)
 - Percentage of revenue from fixed vs. commodity
 - Gradualism
 - Conservation
 - Customer classes
 - Cost causation relationship

Rate Case Process Cont

- Engineering Staff conduct a site visit where they:
 - Verify plant inventory and determine if the plant is used and useful
 - Find out how the system operates
 - Evaluate the condition of the system and identify any deficiencies
- Discuss operational issues with the company such as water loss, customer growth, staffing needs
- Coordinates with other State agencies (ADEQ, ADWR) on compliance issues

Rate Case Process Cont

- Consumer Services Staff review the application for:
 - Customer notice compliance
 - The proposed changes to the service charges
 - Customer complaint history

Rate Case Process Cont

- Typical findings/issues
 - Lack of recordkeeping or proper support for
 - Expense items
 - Plant assets
 - Excessive water loss
 - Use of unapproved depreciation rates
 - Customer billing issues
 - Unapproved rates
 - Non-functioning meters
 - Not billing related parties
 - Water and wastewater quality issues
 - Poor condition of the plant

Classification and Report/Testimony Issuance

- Class D utilities are those with revenues between \$250,000 and \$999,999 (including requested rate relief). The Staff Report/Testimony is due 75 days from the sufficiency date.
- Class E utilities are those with revenues less than \$250,000 (including requested rate relief). The Staff Report is due 60 days from the sufficiency date.

Annual Reports

- Recently streamlined form
- Due every year by April 15th for the information related to the prior calendar year
- Orders to show cause for failure to file

Emergency Surcharges

To be eligible utilities must meet one of these requirements:

- A sudden change that brings hardship to the Company;
- The Company becomes insolvent; or
- The condition of the Company is such that its ability to maintain service pending a permanent rate determination is in serious doubt.

Emergency Surcharges

Process:

- If the utility is eligible, Staff will open the docket.
- The utility files the application and notices customers.
- The ALJ schedules a hearing within 5 days of the filing.
- Staff reviews the application, develops a position, and presents oral testimony at the hearing.
- The ALJ issues a ROO within 7 days of the hearing.
- The Commission votes on the surcharge at the next Open Meeting.

Financing Applications

- Utilities must request and obtain Commission approval to incur debt of one year or longer and for the use of the proceeds arising from this debt.
- RR&A Staff reviews the financial aspects of these applications.
- Engineering Staff will review the financing request to:
 - Comment on the necessity of the project
 - Determine if the associated costs are reasonable

Financing Applications Cont

- Long-term debt is usually issued to borrowers below market interest rates by the Water Infrastructure Finance Authority of Arizona (WIFA). WIFA is an independent state agency that is authorized to finance the construction, rehabilitation and/or improvement of drinking water, wastewater reclamation, and other water quality facilities/projects in Arizona.
- Staff recommends that small utilities maintain strong equity positions.
- The Commission may approve a surcharge to provide the requisite debt service.
- Approval of a financing application does not imply any future ratemaking treatment.

Small Water Systems Fund

- Emergency Grant monies
 - \$500,000 from the State general fund (ARS 49-355)
 - Request initiated by Interim Operator/Manager
 - Initial request reviewed by ACC Staff
 - If Staff recommends approval then a Staff meeting is called
 - If the Commission votes to approve the request a letter is sent to WIFA
 - WIFA reviews the provided information
 - If approved by the WIFA Executive Director, the Company incurs the cost and submits a reimbursement request
 - ACC/WIFA Engineering Staff verify completed work
 - WIFA disperses the funds

Compliance issues

- ADEQ
- ADWR
- Commission Orders
- Annual Reports

ADEQ Compliance

- Staff requests a Compliance Status Report (“CSR”) from ADEQ
- ADEQ will evaluate the compliance with the current water quality standards required by Arizona Administrative Code, Title 18, Chapter 4
- Staff will obtain and review the ADEQ CSR

Arizona Department of Water Resources Compliance

Active Management Areas requirements

1. Less than 250 acre/ft per year is considered a small provider
2. More than 250 acre/ft per year is considered a large provider
3. Water Provider Compliance Report – is company in compliance

AMAs:

Phoenix

Prescott

Tucson

Santa Cruz

Pinal

Commission Orders

- Ensure compliance
- Additional filing requirement such as water loss reports