

# Inscription Canyon Water Company

Annual Meeting  
June 15<sup>th</sup>, 2021

# Agenda

- ▶ **Call to order**
- ▶ **Introduction of the board**
- ▶ **Vote to approve minutes from the ICWC 2020 annual meeting ( no members yet)**
- ▶ **Finance Report**
- ▶ **Operations Report**
- ▶ **2021/22 Rate Case**
- ▶ **Public comment and questions**

# Finance and Treasurer's Report

Giles Howard

# Operations Report

Mark Armstrong

# Items of Note from past year:

- ▶ Total water pumped was up 17% over 2019
- ▶ Metered loss 364% higher than 2019
  - ▶ Sterling Ranch new line flushing
  - ▶ Molly Way regular flushing
- ▶ Water delivered to members was up 18% y/y
- ▶ Water delivered to the TRR Lake was up 14% y/y
- ▶ Unaccounted for water losses were down 14.6% y/y to 3.13%
- ▶ Landscape use was up 20% with most of the increase in Whispering Canyon
- ▶ Construction use was up 31% y/y

# ICWC 2021 Planned Activities

- ▶ ACC Rate Case - Commence in June
- ▶ TRR system Capacity/water use Plan
- ▶ TRR expansion to Sterling Ranch and Cooper Hawk Ridge
- ▶ WC expansion to phases 5-7 and 11
- ▶ Reallocation of funds for Capital and contingency accounts
- ▶ Engineering and documentation project
  - ▶ Emergency Power for ICR wells
- ▶ ICR Lot 1-180 ARC transfer to Owners
- ▶ Disposal of old water meters
- ▶ New building structure for ICR well #1
- ▶ Continued hydrant camera surveillance
- ▶ Annual hydrology testing

# 2021 / 22 Rate Case

# Inscription Canyon Water Company

- ▶ A Non-Profit Private Utility Company, regulated by the State of AZ
- ▶ Was founded 26 years ago as ICR Water Users Assoc. and was re-incorporated in 2020 for legal liability reasons.
- ▶ Serves 4 communities in Williamson Valley AZ - 14 miles north of Prescott
  - ▶ Inscription Canyon Ranch
  - ▶ The Preserve
  - ▶ Whispering Canyon
  - ▶ Talking Rock Ranch
- ▶ Serves Approximately 750 households, the TRR Club/amenities and the non-effluent portion of irrigation for the TRR Golf course
  - ▶ Approximately 250 new residences are under construction or in planning for 2021-2023 in the 4 communities.
- ▶ ICWC pumps and treats approximately 175 Million gallons of water per year from 5 wells on the Mint Creek Aquifer north of the communities.



# Who determines how much customers pay for water?

- ▶ The water rates are the result of a periodic negotiation between the AZ Corporation Commission and the Utility. Each time this occurs it is referred to as a “Rate Case”
- ▶ As part of this process, the ACC is charged with:
  - ▶ Making sure rate payors are being charged fairly based on current and estimated future costs as well as making sure the Utility is being managed to stay solvent and operational (rates not too high or too low)
  - ▶ The Company proposes the rate structure (Tariff) based on its operating costs from the prior year, and its estimates of future equipment replacement costs.
    - ▶ In the Tariff, there may be different rates for different usage volumes or meter sizes.
- ▶ The Arizona Corporation Commission expects Utilities to file for Rate changes (usually increases) approximately every 5 years or as economic or business circumstances change.
  - ▶ The Rate Case itself is an administrative process presided over by an Administrative Law Judge.
- ▶ Once the Judge and their staff are satisfied that the Utility is requesting an appropriate rate schedule (Tariff), the recommendation is reviewed by the Commissioners in a public hearing. If approved, the Administrative Judge’s Order to implement the new rates goes into force.

# Why a Rate Case now?

- ▶ Our Last Rate Case was executed in 2009
  - ▶ The AZ Corporation Commission has put us on notice, given the magnitude of changes in our service area since then.
- ▶ There have been significant changes in our systems since 2009
  - ▶ Infrastructure complexity and supply volume has changed substantially in the past 5 years. Projected growth for the next 5 years is also substantial
  - ▶ A new 25 year term of the 100 year lease on 2 of the company's wells went into effect in 2020 with a market based increase in purchased water rates of 25%.
  - ▶ The consumer price index has appreciated 24.6% in the past 12 years, and so costs for contracted services and system maintenance have increased accordingly.
  - ▶ With system infrastructure, such as tanks and pumps, now ranging in age from 10-25 years (well into their forecasted operating lives), we require appropriate reserves to be set aside for equipment replacement in the future.

# What is the Process and Timeline?

- ▶ Contract a Utility Accounting Consultant - Completed
- ▶ Gather financial and cost/expenditure information - June
  - ▶ 2020 is the “base year”
- ▶ Submit a rate case application to the ACC - Approximately July
  - ▶ A copy of the application and rate proposal is mailed to all customers.
- ▶ ACC legal and financial staff have 30 days to review and comment/question.
- ▶ ACC staff then have 6 months to provide their report and recommendations
  - ▶ Lots of back and forth communications
- ▶ The administrative Judge issues a recommendation to accept the staff report.
- ▶ There is an open meeting in front of the AZ Corporation Commissioners - End of year
- ▶ If approved, the Judge issues a decision and order to proceed with the agreed upon rate tariff.

# What is the anticipated Financial Outcome?

- ▶ In 2020, ICWC contracted with a Utility rate consultant to estimate the potential rate impact of a rate case based on 2020 run rates.
  - ▶ Two scenarios were used to estimate the new rate structure. One including the golf course water revenue and the second without.
- ▶ The resulting financial impact on customers was estimated to be an 11.5% rate increase with the golf course revenue, and approximately 26% without it.
  - ▶ This demonstrated that though the golf course rate is less than the residential rate per 1000 Gallons, (based on volume and delivery simplicity), that the golf course is currently subsidizing residential rates.
- ▶ Based on this estimate, the board has proposed that the same 11.5% increase be applied to both residents and the golf course in the proposed rate case.
- ▶ The ACC can request a different increase based on their guidelines
- ▶ The Board has budgeted \$ 25K for consulting fees. We do not anticipate any substantial legal fees.
- ▶ The rate increase would be effective when the process is complete - Year end or Q1 of 2022.

# Members Comment and Questions

- ▶ Identify yourself
- ▶ Be polite
- ▶ Limit your time to allow others to speak