

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE PETITION BY  
EPCOR WATER NEW MEXICO INC.  
FOR ADJUSTMENT OF WATER RATES  
FOR ITS CLOVIS DISTRICT**

**Case No. 18-00124-UT**

**EPCOR WATER NEW MEXICO INC.,**

**Petitioner.**

**PETITION**

EPCOR Water New Mexico Inc. (“EWNM” or “Company”) hereby petitions the Commission for authority to adjust its rates for water service in its Clovis district, stating:

1. EWNM is a New Mexico corporation engaged in the business of distributing water to the public in New Mexico and is a public utility subject to regulation by the New Mexico Public Regulation Commission (the “Commission”) under the New Mexico Public Utility Act. EWNM’s full legal name, mailing address and telephone number are:

EPCOR Water New Mexico Inc.  
Attn: Daniel S. Baillet, Vice President and General Manager  
1515 Lomas Blvd. NW  
Albuquerque, NM 87104  
(505) 633-8060  
[dbaillet@epcor.com](mailto:dbaillet@epcor.com)

The name, address and telephone number of EWNM’s attorneys are:

Montgomery & Andrews, P.A.  
Attn: Jeffrey J. Wechsler, Esq.  
Thomas W. Olson, Esq.  
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Post Office Box 2307  
Santa Fe, NM 87504-2307  
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[tolson@montand.com](mailto:tolson@montand.com)  
[kolson@montand.com](mailto:kolson@montand.com)

2. EWNM provides water service in three districts. EWNM's Clovis district includes the service area in and around Clovis, New Mexico. Its Edgewood district and Thunder Mountain district include service areas in and around Edgewood, New Mexico.
3. Through this Petition and the related advice notice, testimony, and exhibits, EWNM seeks to adjust its service rates for only its Clovis district. This case will not affect rates or service for EWNM's Edgewood district or Thunder Mountain district.
4. EWNM was formerly known as New Mexico-American Water Company, Inc. ("NMAW"). The Company's name was changed to EPCOR Water New Mexico Inc. following the acquisition of the stock of NMAW by EPCOR USA ("EUSA") in 2012 as authorized by the Final Order issued on December 23, 2011 in Case No. 11-00085-UT.
5. EWNM's last general rate case for its Clovis district was Case No. 11-00196-UT, which concluded with a Final Order Adopting Recommended Decision in Part (the 2012 Rate Order) issued on May 29, 2012. Case No. 11-00196-UT was filed by NMAW prior to the acquisition by EUSA based on a test year ending December 31, 2010. The instant case is the first general rate case for the Clovis district since the acquisition and under ownership of EWNM by EUSA. Seven years have elapsed between the test years for the instant case and the previous case.
6. Contemporaneously with this Petition, EWNM is filing Advice Notice No. 40, dated August 31, 2018, giving notice to the public and the Commission of the filing of the revised rate schedules (the "proposed rates") enumerated therein.
7. In support of this Petition and the proposed rates, EWNM is filing four volumes containing the schedules, testimonies and workpapers required by 17.12.730 NMAC, and EWNM hereby incorporates those testimonies, schedules, and workpapers in this Petition by reference.

8. As explained more fully in the accompanying testimony and schedules, EWNM intends to demonstrate that:

- (a) Present rates for its Clovis district are inadequate to allow EWNM the opportunity to recover its full costs of providing water utility service, including a fair return on its investment in providing such service, and such rates are therefore unjust, unreasonable and unlawful;
- (b) Based upon EWNM's operating experience for the twelve-month period ending December 31, 2017 (the "test year") and its investment as of the end of the test year in plant and property used and useful in providing water utility service, adjusted in each case for the effects of known and measurable conditions occurring during the test year and within a reasonable time thereafter, EWNM is entitled to the opportunity to earn additional annual water revenue of \$910,113; and
- (e) The proposed rates filed with Advice Notice No. 40 are in other respects just, reasonable and lawful.

9. The proposed rates also include proposed Second Amended Rate Rider No. 7, Purchased Water and Power Cost Adjustment Clause, through which EWNM seeks authorization to periodically adjust its commodity rates with a surcharge designed to recover actual costs of purchased water (but not water rights) and electrical energy used in producing water. The costs of purchased water and electrical power are subject to periodic variations that are outside of EWNM's control. The proposed adjustment mechanism will enable EWNM to adjust rates timely and efficiently for cost increases and decreases without the necessity of filing general rate cases, and will assist EWNM in its program of leasing water supplies as a cost effective alternative to exclusive reliance on the acquisition of additional water rights and the completion of new wells to maintain its water supplies at adequate levels. Rate Rider No. 7 is comparable to the purchased gas adjustment clauses currently authorized by 17.10.640 NMAC and the fuel and purchased power cost adjustment clauses authorized by 17.10.550 NMAC, and is proposed

pursuant to NMSA 1978, § 62-8-7(F). As explained in the testimonies of Daniel S. Bailet and Jon P. Boizelle, Second Amended Rate Rider No. 7 includes modifications to the currently effective Rate Rider No. 7 intended to update the base cost of purchased water and power to current levels and to extend the frequency of the adjustments to annually in order to reduce swings in the adjustment factor caused by the current quarterly filings.

10. In this filing, EWNM is introducing three new customer assistance programs that will have modest effects on its service rates but which are intended to be revenue neutral for EWNM. The first, Original Rate Rider No. 8, is the Low Income Program which will offer monthly credits of \$10.00 to a limited number of qualified low income applicants and will be supported by a monthly rate surcharge applicable to all Clovis customers. The second, Original Rate Rider No. 9, is the Deployed Service Member Credit Program which will provide temporary rate relief for a limited number of service members serving away from their primary residence for an extended period of time and whose residence is unoccupied during the period of deployment. The costs of this program will be deferred for recovery in EWNM's next rate case. The third, Original Rate Rider No. 10, is the Disabled Military Veteran Credit Program which will offer monthly credits of \$10.00 to a limited number of service members who have suffered a disability as a result of their service. The costs of this program will also be deferred for recovery in EWNM's next rate case. These customer assistance programs are more fully described in the testimony of Jon P. Boizelle.

11. EWNM is also proposing Original Rate Rider No. 11 to establish a surcredit to share posting fees collected from May 29, 2012 through December 31, 2017.

12. EWNM is also proposing Original Rate Rider No. 12 to establish an annual water revenue adjustment mechanism ("WRAM") designed to enable annual adjustments to EWNM's

rates intended to adjust for changes in customer usage patterns and reduce the frequency of rate cases. The WRAM is explained more fully in the accompanying testimony of Jon P. Boizelle.

13. In compliance with 17.1.2.19 B(2)(c)(i) NMAC, EWNM advises that it is requesting the following changes to the ratemaking treatment on which its present rates are based:

A. EWNM proposes to include an allocated portion of the cost of maintaining its Albuquerque administrative office in its cost of service. As more fully explained in the accompanying testimony of Jon P. Boizelle, the office is necessary, used and useful in rendering service to its three districts.

14. In compliance with 17.1.2.10.B(2)(c)(ii) NMAC, EWNM advises the Commission that its operating and financial condition continue to be adversely affected by the accelerating decline in productivity of the Ogallala aquifer, which is EWNM's only current source of water supply, and the mounting operating and capital challenges in maintaining an adequate water supply in the face of the decline. These circumstances are more fully described in the testimonies of Daniel S. Bailet and Thomas S. Torres submitted in support of this Petition. The principal factors necessitating the increase requested in this case are increases of approximately \$20 million in investment in utility plant, increase in the cost of equity capital over the rate allowed in EWNM's last general rate case, increases in certain categories of operating expenses, and declining usage per customer and sales revenue. The need to recover its investment in low-producing wells is contributing to an additional increase in depreciation expense as supported by the depreciation study which is described in the testimony of John F. Guastella. The amount of the increase is partially offset by the decrease in federal income tax rates pursuant to the 2017 tax reform act, commonly referred to as the "2017 Tax Cuts and Jobs Act."

15. Pursuant to 17.1.2.10.B(2)(a) NMAC, EWNM has attached to this Petition as Exhibit “A” a copy of the form of notice to be sent to ratepayers and published pursuant to 17.1.2.10.C NMAC. Exhibit “A” includes the comparisons, required by 17.1.2.10.C(2)(d) NMAC, between the new rates and the present rates, as well as the other information required by 17.1.2.10.C(2) NMAC.

16. In accordance with 17.1.2.10.B(2)(d) NMAC, EWNM advises the Commission that it believes it has complied with each part of the Commission’s final order in each of EWNM’s cases decided during the preceding five years.

WHEREFORE, EWNM respectfully asks the Commission (i) to promptly conduct such investigations and hearings with respect to this Petition and the rates filed under Advice Notice No. 40 as it deems necessary, (ii) upon the conclusion of such investigations and hearings to promptly authorize the proposed rates to become effective as provided by law, or, in the alternative, to promptly determine the value, for ratemaking purposes, of the properties EWNM devoted to the rendition of water utility service, the fair rate of return which EWNM is entitled to earn thereon, the total annual revenues which are required to pay the full costs of providing water utility service and yield that rate of return, and appropriate rates designed to produce those total annual revenues, and (iii) to order such other or further relief as may be appropriate under the circumstances.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By  \_\_\_\_\_

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**IN THE MATTER OF THE PETITION BY  
EPCOR WATER NEW MEXICO INC.  
FOR ADJUSTMENT OF WATER RATES  
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**Case No. 18-00124-UT**

**EPCOR WATER NEW MEXICO INC.,**

**Petitioner.**

**NOTICE**

Pursuant to 17.1.2.53.C NMAC, notice is hereby given to all water service customers of EPCOR Water New Mexico Inc. (“EWNM”) that:

1. On August 31, 2018, EWNM filed with the New Mexico Public Regulation Commission its Advice Notice No. 40 and accompanying proposed Eleventh Revised Rate No.1, Tenth Revised Rate No. 2, , Sixth Revised Rate No. 5, Second Revised Rate Rider No. 7, Original Rate Rider No. 8, Original Rate Rider No. 9, Original Rate Rider No. 10, Original Rate Rider No. 11, and Original Rate Rider No. 12 proposing revised rates for its Clovis service district (the “Proposed Rates”), and petitioned the Commission for authorization to place the Proposed Rates into effect. The Commission has suspended the Proposed Rates pending a public hearing and has docketed this proceeding as NMPRC Case No. 18-00124-UT. The undersigned has been designated Hearing Examiner for this proceeding.

2. Through the Proposed Rates, EWNM is requesting additional annual revenues from its water utility operations in its Clovis service district of \$910,113, representing an increase of 8.47% above its adjusted water service revenues for the twelve months ending December 31, 2017. In addition, EWNM is proposing certain changes and additions to its purchased water and power cost adjustment clause, First Revised Rate Rider No. 7, through which EWNM seeks authority to adjust rates periodically based on variations in the cost of purchased water and electrical energy

**Exhibit A**



used in producing water. The proposed rate increase will affect all of EWNM's customer classifications in the Clovis service district.

The following tables compares General Water Service rates, the Proposed Rates, with the current water service rates for each customer classification in the Clovis service district. The Clovis municipal franchise charge of 2% will appear as a separate line item on bills to customers within the Clovis city limits.

Customer Classification	General Metered Rates/Kgal <sup>1</sup>			School & Municipal Service Rates/Kgal <sup>1</sup>		
	Present	Proposed	% Change	Present	Proposed	% Change
Residential (0-4,500 Gallons)	\$ 3.6440	\$ 3.9981	9.72%			
Residential (4,501-15,000 Gallons)	\$ 4.5549	\$ 5.0098	9.99%			
Residential (> 15,000 Gallons)	\$ 5.2382	\$ 5.6625	8.10%			
Commercial 3/4" (0-22,400 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 3/4" (> 22,400 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 1" (0-63,600 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 1" (> 63,600 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 1 1/2" (0-67,300 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 1 1/2" (> 67,300 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 2" (0-187,000 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 2" (> 187,000 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 3" (0-261,800 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 3" (> 261,800 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 4" (0-336,600 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 4" (> 336,600 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 6" (0-897,700 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 6" (> 897,700 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 8" & above (0-897,700 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 8" & above (> 897,700 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 10" & above (0-897,700 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 10" & above (> 897,700 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Commercial 12" & above (0-897,700 Gallons)	\$ 4.0619	\$ 4.4073	8.50%			
Commercial 12" & above (> 897,700 Gallons)	\$ 4.6711	\$ 5.1856	11.01%			
Public Authority (0-135,307,300 Gallons)				\$ 3.5432	\$ 3.5432	0.00%
Public Authority (> 135,307,300 Gallons)				\$ 4.2519	\$ 4.2519	0.00%
SW Cheese Contract						
(310,000 Daily Minimum-490,000 Gallons)	\$ 1.5376	\$ 1.9220	25.00%			
SW Cheese Contract (> 490,000 Gallons)	\$ 1.8833	\$ 2.3541	25.00%			
Public Fire <sup>2</sup>	\$ 0.0000	\$ 0.0000	0.00%			
Private Fire <sup>2</sup>	\$ 0.0000	\$ 0.0000	0.00%			

<sup>1</sup> Water service is actually measured and billed in units of 100 cubic feet (Ccf) 1 Ccf = 750 gallons

<sup>2</sup> The Company will bill Public and Private Fire on a monthly basis

Meter Size	General Metered Service Charge Rates			School & Municipal Service Charge Rates		
	Present	Proposed	% Change	Present	Proposed	% Change
5/8" – 3/4"	\$14.34	\$15.58	8.64%	\$14.34	\$15.58	8.64%
1"	\$21.52	\$23.38	8.64%	\$21.52	\$23.38	8.64%
1 1/2"	\$35.87	\$38.97	8.64%	\$35.87	\$38.97	8.64%
2"	\$50.21	\$54.55	8.64%	\$50.21	\$54.55	8.64%
3"	\$71.72	\$77.92	8.64%	\$71.72	\$77.92	8.64%
4"	\$129.10	\$140.26	8.64%	\$129.10	\$140.26	8.64%
6"	\$179.30	\$194.80	8.64%	\$179.30	\$194.80	8.64%
8"	\$358.60	\$389.60	8.64%	\$358.60	\$389.60	8.64%
10"	\$502.02	\$545.41	8.64%	\$502.02	\$545.41	8.64%
12"	\$932.37	\$1,012.96	8.64%	\$932.37	\$1,012.96	8.64%
Public Fire <sup>1</sup>	\$32.01	\$32.01	0.00%			
Private Fire <sup>1</sup>	\$63.14	68.60	8.64%			

<sup>1</sup> The Company will bill Public and Private Fire on a monthly basis

EPCOR WATER NEW MEXICO - CLOVIS DISTRICT						
Typical Base Rate Bills - Residential 5/8" Meter						
Usage <sup>1</sup>		Present Charges	Proposed Charges	Difference		
Gallons	Cubic Feet			Amount	Percent	
0	0	\$ 14.34	\$ 15.58	\$ 1.24	8.64%	
5,000	668	\$ 33.03	\$ 36.09	\$ 3.06	9.27%	
10,000	1,337	\$ 55.80	\$ 61.14	\$ 5.34	9.56%	
15,000	2,005	\$ 78.60	\$ 86.21	\$ 7.61	9.68%	
25,000	3,342	\$ 130.99	\$ 142.84	\$ 11.85	9.05%	

<sup>1</sup> Water service is actually measured and billed in units of 100 cubic feet (Ccf) 1 Ccf = 750 gallons

3. The above changes stated by class and, for residential customers, by consumption levels are for informational purposes only, and the final rate design may vary from the rates ultimately charged to each class and for each consumption level.

4. EWNM is also requesting approval of changes to its purchase water cost adjustment clause mechanism which will allow future annual changes in the purchased water costs and related power costs to be added to all rates to recover the cost of water purchased for resale on its Clovis system. The changes will also increase the base cost of purchased water and power included in EWNM's service rates to current levels.

5. Original Rate Riders 8 through 10, included in the Proposed Rates, proposes three new customer assistance programs that will affect service rates but which EWNM intends to be revenue neutral. The first is the Low Income Program which will offer monthly credits of \$10.00 to a limited number of qualified low income applicants and will be supported by a monthly rate surcharge applicable to all Clovis customers. The second is the Deployed Service Member Credit Program which will provide temporary rate relief for a limited number service members serving away from their primary residence for an extended period of time and whose residence is unoccupied during the period of deployment. The costs of this program will be deferred for recovery in EWNM's next rate case. The third is the Disabled Military Veteran Credit Program which will offer monthly credits of \$10.00 to a limited number of service members who have suffered a disability as a result of their service. The costs of this program will also be deferred for recovery in EWNM's next rate case

6. Original Rate Rider 11, included in the Proposed Rates, proposes to establish a surcredit to share posting fees collected from May 29,2012 through December 31, 2017,

7. Original Rate Rider 12, included in the Proposed Rates, proposes to establish an annual water revenue adjustment mechanism (WRAM) designed to enable annual adjustments to EWNM's rates intended to adjust for changes in customer usage patterns and reduce the frequency of rate cases.

8. Although EWNM is proposing no change to the rates effective in its Edgewood district in this case, cost and other determinations may be made in this case that could affect rates in the Edgewood district in future cases.

9. The Hearing Examiner has established the following procedural schedule for NMPRC Case No. 18-00124-UT:

A. A public hearing will be held beginning at \_\_\_\_ on \_\_\_\_\_, 201\_\_ at the Commission's offices, P.E.R.A. Building, 1120 Paseo de Peralta, Santa Fe, New Mexico 87501, for the purpose of hearing and receiving testimony, exhibits, arguments and any other appropriate matters in order to determine whether the Proposed Rates or other rates, if appropriate, should be approved by the Commission.

B. Any person who desires to intervene to become a party to this case must file a motion for leave to intervene, pursuant to 1.2.2.23.A NMAC on or before \_\_\_\_\_, 2018.

C. The Commission Staff and any intervenors shall file any direct testimony on or before \_\_\_\_\_, 201\_\_.

D. Any rebuttal testimony shall be filed on or before \_\_\_\_\_, 201\_\_.

Interested persons should contact the Commission for confirmation of the hearing date, time and place since hearings are, on occasion, rescheduled.

10. Any interested person may examine the rate filings together with any exhibits and related papers that may be filed at EWNM's main business office, 1005 Norris Street, Clovis, New Mexico 88102-0430, telephone: (575) 763-5536, or at the Commission's offices, 224 E. Palace Avenue, Santa Fe, New Mexico 87501, telephone: (505) 827-6940.

11. Any interested person may intervene by filing a motion for leave to intervene pursuant to 1.2.2.23.A NMAC herein on or before the date specified above.

12. Any interested person may appear at the time and place of hearing and make a written or oral comment at the hearing pursuant to the Commission's Utility Division Procedures, 1.2.2.23.F NMAC, without becoming an intervenor. Interested persons may also send written comments, which shall reference NMPRC Case No. 18-00124-UT, to the Commission at P.O. Box

1269, Santa Fe, NM 87504-1269. All such comments will not be considered as evidence in this case.

13. The Commission's Utility Division Procedures, 1.2.2 NMAC, will apply to the proceeding except as modified by order of the Commission or Presiding Officer in this proceeding.

14. **ANY PERSON WITH A DISABILITY REQUIRING SPECIAL ASSISTANCE IN ORDER TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE OFFICES OF THE COMMISSION AS SOON AS POSSIBLE PRIOR TO THE COMMENCEMENT OF THE PROCEEDINGS MENTIONED HEREIN.**

15. Further information may be obtained by contacting either EWNM or the Commission at the addresses and telephone numbers provided above.

**ISSUED** at Santa Fe, New Mexico this \_\_ day of \_\_\_\_\_, 2018.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

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<Name>  
**Hearing Examiner**