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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY FOR
APPROVALS ASSOCIATED WITH A
TRANSACTION WITH THE MARICOPA
COUNTY MUNICIPAL WATER
CONSERVATION DISTRICT NUMBER ONE.

DOCKET NO. W-01303A-05-0718

PROCEDURAL ORDER

BY THE COMMISSION:

On October 11, 2005, Arizona-American Water Company ("Arizona-American" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for certain approvals associated with a transaction with its Agua Fria Water District and the Maricopa County Municipal Water Conservation District Number One ("MWD") in order to enable Applicant to obtain treatment at the planned White Tanks Plant of a portion of Applicant's Central Arizona Project ("CAP") Water allocation. MWD proposes to construct a regional water-treatment facility known as the White Tanks Plant to treat surface water delivered over CAP facilities. In association with the planned transaction with MWD, Applicant requests Commission approval of the issuance of evidence of indebtedness in the amount of approximately \$37,414,000 for a 40-year capital lease obligation with an interest rate of 275 basis points over the long-term Treasury bond rate; approval of the transfer of certain assets to MWD; and approval of proposed increases to and extension of Applicant's existing CAP Hook-Up Fee tariff assessed to new-home construction. In association with the capital lease, Applicant also seeks Commission approval of its proposed ratemaking treatment and recovery method for capital and operating costs; and a prudence finding.

On December 14, 2005, a telephonic Procedural Conference was held, as requested by Arizona-American and the Commission's Utilities Division Staff ("Staff"), for the purpose of discussing Arizona-American's proposed procedural schedule for the conduct of the proceedings in this matter. Counsel for Arizona-American and Staff appeared. Arizona-American proposed

1 completing public notice of its application and the hearing by January 9, 2006, and that a hearing be
2 held on the application during the week of March 6, 2006. Staff did not oppose the proposed
3 procedural schedule.

4 Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern
5 the preparation and conduct of this proceeding.

6 IT IS THEREFORE ORDERED that the **hearing** in the above-captioned matter shall
7 commence on **March 7, 2006, at 10:00 a.m.**, or as soon thereafter as is practical, at the
8 Commission's offices, 1200 West Washington, Phoenix, Arizona 85007.

9 IT IS FURTHER ORDERED that the **pre-hearing conference** in the above-captioned matter
10 shall be held on **March 2, 2006 at 2:00 p.m.**, or as soon thereafter as is practical, at the
11 Commission's offices, 1200 West Washington, Phoenix, Arizona 85007.

12 IT IS FURTHER ORDERED that the Staff Report and/or any direct testimony and associated
13 exhibits to be presented at hearing on behalf of Staff shall be reduced to writing and filed on or before
14 **February 6, 2006.**

15 IT IS FURTHER ORDERED that any direct testimony and associated exhibits to be presented
16 at hearing on behalf of intervenors shall be reduced to writing and filed on or before **February 6,**
17 **2006.**

18 IT IS FURTHER ORDERED that any rebuttal testimony and associated exhibits to be
19 presented at hearing by the Company shall be reduced to writing and filed on or before **February 27,**
20 **2006.**

21 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have
22 been prefiled as of February 27, 2006, shall be made **prior to or at the pre-hearing conference.**

23 IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to
24 pre-filed testimony shall be reduced to writing and filed no later than five days before the witness is
25 scheduled to testify.

26 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
27 except that all motions to intervene must be filed on or before **January 23, 2006.**
28

1 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
 2 regulations of the Commission, except that: for discovery requests made though **January 25, 2006**,
 3 any objection to discovery requests shall be made within 7 days¹ of receipt and responses to
 4 discovery requests shall be made within 10 days of receipt; thereafter, objections to discovery
 5 requests shall be made within 5 days and responses shall be made in 7 days, the response time may be
 6 extended by mutual agreement of the parties involved if the request requires an extensive compilation
 7 effort; and no discovery requests shall be served after **February 28, 2006**.

8 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
 9 discovery, any party seeking discovery may telephonically contact the Commission's Hearing
 10 Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such a
 11 request, a procedural hearing will be convened as soon as practicable; and that the party making such
 12 a request shall contact all other parties to advise them of the hearing date and shall at the procedural
 13 hearing provide a statement confirming that the other parties were contacted.²

14 IT IS FURTHER ORDERED that any motions filed in this matter that are not ruled upon by
 15 the Commission within 10 days of the filing date of the motion shall be deemed denied.

16 IT IS FURTHER ORDERED that any responses to motions shall be filed within five days of
 17 the filing date of the motion.

18 IT IS FURTHER ORDERED that any replies shall be filed within five days of the filing date
 19 of the response.

20 IT IS FURTHER ORDERED that Applicant shall provide public notice of the hearing in this
 21 matter, in the following form and style, with the heading in no less than 12 point bold type and the
 22 body in no less than 10 point regular type:

23 **PUBLIC NOTICE OF HEARING ON THE**
 24 **APPLICATION OF ARIZONA-AMERICAN WATER COMPANY FOR FINANCING**
 25 **APPROVAL AND OTHER APPROVALS ASSOCIATED WITH A TRANSACTION WITH**
 26 **ITS AGUA FRIA WATER DISTRICT AND THE MARICOPA COUNTY MUNICIPAL**
WATER CONSERVATION DISTRICT NUMBER ONE
(DOCKET NO. W-01303A-05-0718)

27 ¹ "Days" means calendar days.

28 ² The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

1 On October 11, 2005, Arizona-American Water Company ("Applicant") filed
2 with the Arizona Corporation Commission ("Commission") an application for certain
3 approvals associated with a transaction with its Agua Fria Water District and the
4 Maricopa County Municipal Water Conservation District Number One ("MWD") in
5 order to enable Applicant to obtain treatment at the planned White Tanks Plant of a
6 portion of Applicant's Central Arizona Project ("CAP") Water allocation. MWD
7 proposes to construct a regional water-treatment facility known as the White Tanks Plant
8 to treat surface water delivered over CAP facilities. In association with the planned
9 transaction with MWD, Applicant requests Commission approval of the issuance of
10 evidence of indebtedness in the amount of approximately \$37,414,000 for a 40-year
11 capital lease obligation with an interest rate of 275 basis points over the long-term
12 Treasury bond rate; approval of the transfer of certain assets to MWD; and approval of
13 proposed increases to and an extension of Applicant's existing CAP Hook-Up Fee tariff
14 assessed to new-home construction. In association with the capital lease, Applicant also
15 seeks Commission approval of its proposed ratemaking treatment and recovery method
16 for capital and operating costs; and a prudence finding.

17 The Commission's Staff will make a recommendation to the Commission
18 regarding Applicant's proposals. The Commission will determine the appropriate relief
19 to be granted based on the evidence of record in this proceeding. The Commission is not
20 bound by the proposals made by the Company, Staff, or any intervenors and, therefore,
21 the relief granted in this proceeding may differ from that requested by the Applicant.
22 Copies of the application and proposed tariffs are available at the Company's offices
23 19820 North 7th Street, Suite 201, Phoenix, Arizona 85024, and the Commission's offices
24 for public inspection during regular business hours. Copies of all filings by all parties in
25 this proceeding are also available on the Commission's website at www.cc.state.az.us
26 using the eDocket function.

27 The Commission will hold a hearing on this matter beginning **March 7, 2006, at**
28 **10:00 a.m.**, at the Commission's offices, 1200 West Washington, Phoenix, Arizona.
Public comments will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate
circumstances, interested parties may intervene. Any person or entity entitled by law to
intervene and having a direct and substantial interest in the matter will be permitted to
intervene. If you would like to intervene, you must file a written motion to intervene
with the Commission, and you must send copies of the motion to the Applicant or its
counsel, and to all parties of record in the case. Your motion to intervene must contain
the following:

1. Your name, address, and telephone number, and the name, address, and
telephone number of any party upon whom documents are to be served in
your place, if desired.
2. A short statement of your interest in the proceeding (e.g., a customer of
Applicant, a shareholder of the Applicant, etc.).
3. A statement certifying that a copy of your motion to intervene has been
mailed to Applicant or its counsel and to all parties of record in the case.

Arizona Administrative Code R14-3-105 governs the granting of intervention in this
proceeding, except that all motions to intervene must be filed on or before **January 23,**
2006. The granting of intervention, among other things, will entitle an intervenor to
present sworn evidence at hearing and to cross-examine other witnesses, and to be mailed
copies of all filings made in the case. You do not need to intervene in order to appear at

1 the hearing and make a statement for the record, or to file written comments in the record
2 of the case.

3 If you have any questions or concerns about this application or have any objections to its
4 approval, or wish to make a statement in support of it, you may write the Consumer
5 Services Section of the Commission at 1200 W. Washington St., Phoenix, AZ 85007,
6 call 1-800-222-7000, or appear at the hearing and provide comment.

7 The Commission does not discriminate on the basis of disability in admission to its public
8 meetings. Persons with a disability may request a reasonable accommodation such as a
9 sign language interpreter, as well as request this document in an alternative format, by
10 contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail
11 lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange
12 the accommodation.

13 IT IS FURTHER ORDERED that the Company shall cause a copy of the above notice to be
14 published in a newspaper of general circulation in its Agua Fria Water District service territory by
15 **January 9, 2006.**

16 IT IS FURTHER ORDERED that the Company shall mail to each of its Agua Fria Water
17 District customers a copy of the above notice by **January 9, 2006.**

18 IT IS FURTHER ORDERED that the Company shall file certification of mailing and
19 publication as soon as practicable after the mailing and publication have been completed, but no later
20 than **January 23, 2006.**

21 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing of same,
22 notwithstanding the failure of an individual customer to read or receive the notice.

23 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
24 Communications) applies to this proceeding and shall remain in effect until the Commission's
25 Decision in this matter is final and non-appealable.

26 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
27 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

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1 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
2 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

3 DATED this 19th day of December, 2005

4
5 
6 TEENA WOLFE
7 ADMINISTRATIVE LAW JUDGE

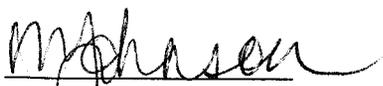
8 Copies of the foregoing mailed
9 this 19 day of December, 2005 to:

10 Craig A. Marks
11 Arizona-American Water
12 19820 N. 7th Street, Ste. 201
13 Phoenix, AZ 85024

14 Christopher Kempley, Chief Counsel
15 Legal Division
16 ARIZONA CORPORATION COMMISSION
17 1200 W. Washington Street
18 Phoenix, Arizona 85007

19 Ernest Johnson, Director
20 Utilities Division
21 ARIZONA CORPORATION COMMISSION
22 1200 W. Washington Street
23 Phoenix, Arizona 85007

24 Arizona Reporting Service, Inc.
25 2627 N. Third Street, Suite Three
26 Phoenix, Arizona 85004-1103

27 By: 
28 Molly Johnson
Secretary to Teena Wolfe