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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

Arizona Corporation Commission

COMMISSIONERS

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2003 MAR 14 P 2:07

MARC SPITZER, Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON

MAR 14 2003

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AZ STATE COMMISSION  
DOCUMENT CONTROL

1445

DOCKET NO. W-01455A-02-0619

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS EASTERN GROUP AND FOR CERTAIN RELATED APPROVALS.

SECOND RATE CASE  
PROCEDURAL ORDER

**BY THE COMMISSION:**

On August 14, 2002, Arizona Water Company ("AWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for an increase in its rates.

On October 23, 2002, a Rate Case Procedural Order was issued setting the application for hearing on June 23, 2003, and establishing associated procedural deadlines.

On February 27, 2003, the Commission's Utilities Division Staff ("Staff") filed a Motion to Continue all Procedural Deadlines, Continue Hearing, and for Tolling of the Rate Case Time-Clock ("Motion"). The Motion requested that the due date for Staff's testimony set forth in the Rate Case Procedural Order be extended for 105 days, and that the hearing date and all associated deadlines be extended accordingly.

Intervenor Residential Utility Consumer Office ("RUCO") filed a response to the Motion on February 27, 2003. RUCO stated that it did not object to the Motion.

On March 5, 2003, AWC filed a response requesting that the Motion be denied.

On March 10, 2003, Staff filed a reply in support of its Motion.

On March 11, 2003, a Procedural Order was issued setting oral argument on the Motion for March 13, 2003.

1 Oral argument took place as scheduled. The Company, RUCO and Staff entered appearances  
2 through counsel and provided argument in support of their pleadings.

3 The Company filed its application based on a test year ending December 31, 2001. The  
4 application requests, however, that twelve months of post-test year plant be included in rate base.  
5 Staff and RUCO argued that in order for the parties to analyze the twelve months of post-test year  
6 plant that the Company has requested be included in rate base, it is necessary to extend the existing  
7 procedural deadlines as requested by Staff's Motion to allow time for the Company to provide  
8 requested information they believe is related to the 2002 plant, and for Staff and RUCO to analyze  
9 that data and prepare testimony based on their analysis.  
10

11 The Company argued that the requested continuance and tolling of the rate case time-clock  
12 for Commission processing of its application is unnecessary. However, the Company believes that  
13 the Commission should consider the following three factors when considering whether to include  
14 plant in rate base that was placed in service after the end of the test year: 1) whether the plant was  
15 placed in service a reasonable time before the hearing; 2) whether the plant is revenue-neutral; and  
16 3) whether the cost of the plant is verified. Staff and RUCO believe that to support a determination  
17 on those factors, the Company must provide more information than that provided in the application.  
18 Staff has requested that information, and the Company verified that it has provided information as  
19 follows: on February 24, 2003, it provided actual cost information for the requested post-test year  
20 plant; and on March 7, 2003 it provided a listing of plant placed in service from January 31, 2002  
21 through December 31, 2002, with its effect on rate base, revenues and expenses. The Company  
22 further indicated that it will also provide the final audited 2002 expenses on March 14, 2003.  
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25 The 105 day time extension that Staff requested in its Motion would allow 90 days after the  
26 Company provides the final portion of the information that Staff and RUCO believe is necessary for  
27  
28

1 them to complete their analysis and prepare their testimony regarding inclusion of the requested post-  
2 test year plant in rate base. The Company argued that a delay of 15-20 days should be sufficient, but  
3 Staff and RUCO argued that 90 days is the minimum amount of time required for their analysis. The  
4 Company indicated that if given a choice between either having the post-test year plant analyzed in  
5 this rate case, with the additional time for such analysis, or foregoing the consideration of its request  
6 to include the twelve months of post-test year plant in rate base, that the Company would choose to  
7 have the post-test year plant analyzed. Given the dates on which the Company has provided and will  
8 provide the requested information outlined above, (February 24, March 7, and March 14, 2003) the  
9 extension of time as requested is reasonable in order to allow any further discovery related to the data  
10 provided on those dates, and a careful analysis of the data. It is necessary to have as complete a  
11 record as possible on which to base a decision in this matter.  
12

13         At the conclusion of the oral arguments, Staff's Motion was therefore granted. The granting  
14 of Staff's Motion should in no way be interpreted as a pre-determination of the issue of whether any  
15 post-test year plant should be included in rate base for ratemaking purposes in this proceeding.  
16

17         The issue of the depreciation schedules that the Company filed with its application was also  
18 argued. The Company's component depreciation schedules, which were required by the  
19 Commission's Decision in the Company's prior rate case, were based on a 1987 cost of service study.  
20 Staff believes that the Company should be required to provide new schedules based on the more  
21 recent 1991 cost of service study. The Company argues that the schedules provided would favor the  
22 ratepayers, and that it should not be required to provide replacement schedules. Based on the  
23 arguments presented, it was ruled that the Company will not be required to provide updated  
24 schedules, but that the ruling would not preclude the Company from providing updated schedules if it  
25 so desired. It is necessary to clarify that if the Company does wish to provide updated schedules, it  
26 should notify Staff expeditiously of its intent to do so.  
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1 IT IS THEREFORE ORDERED that Staff's Motion to Continue all Procedural Deadlines,  
2 Continue Hearing, and for Tolling of the Rate Case Time-Clock is hereby granted.

3 IT IS FURTHER ORDERED that the granting of Staff's Motion to Continue all Procedural  
4 Deadlines, Continue Hearing, and for Tolling of the Rate Case Time-Clock shall not be interpreted as  
5 a pre-determination of the issue of whether any post-test year plant should be included in rate base for  
6 ratemaking purposes in this proceeding.

7 IT IS FURTHER ORDERED that Arizona Water Company shall notify Staff within 15 days  
8 of whether it intends to file updated component depreciation schedules.

9 IT IS FURTHER ORDERED that the hearing currently set for June 23, 2003, is hereby  
10 continued to and shall commence on **September 22, 2003 at 10:00 a.m.**, or as soon thereafter as is  
11 practical, at the Commission's offices, 1200 West Washington, Phoenix, Arizona 85007.

12 IT IS FURTHER ORDERED that the time-clock for a final Commission Decision in this  
13 matter is hereby extended by 90 days.

14 IT IS FURTHER ORDERED that public comment will be taken on June 23, 2003, as set forth  
15 in the public notice provided by the Company pursuant to the October 23, 2002 Rate Case Procedural  
16 Order, and shall also be taken at the commencement of the hearing on September 22, 2003.

17 IT IS FURTHER ORDERED that a pre-hearing conference shall be held on **September 17,**  
18 **2003, at 1:30 p.m.** at the Commission's Phoenix offices, for the purpose of scheduling witnesses and  
19 the conduct of the hearing.

20 IT IS FURTHER ORDERED that direct testimony and associated exhibits to be presented at  
21 hearing on behalf of Staff shall be reduced to writing and filed on or before **July 8, 2003.**

22 IT IS FURTHER ORDERED that direct testimony and associated exhibits to be presented at  
23 hearing on behalf of intervenors shall be reduced to writing and filed on or before **July 8, 2003.**

1 IT IS FURTHER ORDERED that rebuttal testimony and associated exhibits to be presented  
2 at hearing by the Company shall be reduced to writing and filed on or before **August 5, 2003.**

3 IT IS FURTHER ORDERED that surrebuttal testimony and associated exhibits to be  
4 presented by the Staff and intervenors shall be reduced to writing and filed on or before **September**  
5 **3, 2003.**

6 IT IS FURTHER ORDERED that rejoinder testimony and associated exhibits to be presented  
7 at the hearing on behalf of the Company shall be reduced to writing and filed on or before  
8 **September 11, 2003.**

9 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have  
10 been prefiled as of September 11, 2003, shall be made before or at the September 17, 2003 pre-  
11 hearing conference.

12 IT IS FURTHER ORDERED that all testimony filed shall include a table of contents that lists  
13 the issues discussed.

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

17 IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the  
18 pre-filed testimony of each of their witnesses and shall file each summary by 1:30 p.m. on  
19 **September 18, 2003.**

20 IT IS FURTHER ORDERED that copies of the above-ordered summaries shall be served  
21 upon the Presiding Officer, the Commissioners, and the Commissioners' aides, as well as the parties  
22 of record.

23 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and  
24 regulations of the Commission, except that: until September 11, 2003, any objection to discovery  
25 requests shall be made within 7 days<sup>1</sup> of receipt and responses to discovery requests shall be made  
26 within 10 days of receipt; thereafter, objections to discovery requests shall be made within 5 days and  
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28 <sup>1</sup> "Days" means calendar days.

1 responses shall be made in 7 days<sup>1</sup>; the response time may be extended by mutual agreement of the  
2 parties involved if the request requires an extensive compilation effort; and no discovery requests  
3 shall be served after September 15, 2003.

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

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

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

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

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

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

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

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  
4 DATED this 16<sup>th</sup> day of March, 2003.

5  
6  
7   
8 TEENA WOLFE  
ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/faxed/delivered  
10 this 14<sup>th</sup> day of March, 2003 to:

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