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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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Arizona Corporation Commission

DOCKETED

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

AUG 13 2009

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
RATE INCREASE.

DOCKET NO. W-04254A-08-0361

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
FINANCING APPLICATION.

DOCKET NO. W-04254A-08-0362

PROCEDURAL ORDER

BY THE COMMISSION:

On July 16, 2008, Montezuma Rimrock Water Company, LLC ("Montezuma") filed with the Arizona Corporation Commission ("Commission") a Rate Application requesting a rate increase of \$32,000, equal to approximately 35.15 percent of its unaudited 2007 test year ("TY") total operating revenues of \$91,050,¹ to cover the cost of acquiring an arsenic treatment system and integrating the arsenic treatment system with Montezuma's current facilities. Montezuma stated that all of its wells are currently exceeding the Environmental Protection Agency's and Arizona Department of Environmental Quality's ("ADEQ's") 10 parts per billion maximum contaminant level for arsenic. The Rate Application stated that Montezuma had provided notice of the Rate Application to all of its customers on July 16, 2008, but did not include a sample notice with the current and proposed rates and charges attached.

Also on July 16, 2008, Montezuma filed a Financing Application requesting authority to obtain a loan of \$150,000 from the Water Infrastructure Finance Authority of Arizona ("WIFA") to cover the expense of an arsenic treatment system.² In the Financing Application, Montezuma

¹ In a later amendment to its application, Montezuma stated that its TY total operating revenues were \$96,265.23, for which a \$32,000 increase would represent an increase of approximately 33.24 percent.

² Montezuma later filed a copy of a WIFA Project Financial Assistance Priority List Application, dated June 3, 2008, requesting a WIFA loan of \$165,000 for arsenic treatment facility acquisition and installation.

1 included a copy of the standard form of public notice for financing cases, but did not make any
2 assertions regarding having provided notice to its customers by mail or through publication.

3 The Commission's Utilities Division Staff ("Staff") issued two Letters of Deficiency
4 regarding the Rate Application, to which Montezuma responded by filing amended Rate Application
5 pages on August 29, December 4, and December 30, 2008. On January 20, 2009, Staff issued a
6 Letter of Sufficiency for the Rate Application, classifying Montezuma as a Class D water system.

7 On February 4, 2009, the dockets for the Rate Application and the Financing Application
8 were consolidated by Procedural Order.

9 On June 15, 2009, a Staff Report was issued for the consolidated matter. In the Staff Report,
10 Staff recommends approval of Staff's proposed rates and charges and approval of Montezuma's
11 Financing Application. Regarding notice of the two applications, Staff states that an affidavit of
12 mailing of customer notification was filed on April 14, 2008, although no copy of the affidavit is
13 included in the Staff Report, and that date predates the filing of the applications. In addition, Staff
14 recommends that Montezuma be ordered to file, by December 31, 2009, an ADEQ Approval of
15 Construction ("AOC") for the arsenic treatment plant to be funded by the WIFA loan and an ADEQ
16 AOC for the new Well #4. There is no information in the Staff Report concerning whether
17 Montezuma has already received an ADEQ Approval to Construct ("ATC") for either of these items,
18 although Staff did state that Well #4 is currently under construction, which suggests that an ATC has
19 been received for Well #4.

20 Montezuma did not file a response to the Staff Report.

21 Before this matter can proceed further, it is necessary to take steps to ensure that
22 Montezuma's customers receive adequate notice of both the Rate Application and the Financing
23 Application. In addition, it is necessary to obtain documentation regarding whether Montezuma has
24 received an ATC from ADEQ for Well #4, whether Montezuma has received an ATC from ADEQ
25 for the arsenic treatment plant to be funded through the WIFA loan for which approval is requested in
26 this matter, the estimated length of time necessary to complete construction of Well #4, the estimated
27 start date for construction of the arsenic treatment plant, and the estimated length of time necessary to
28 complete construction of the arsenic treatment plant. In addition, it is appropriate to extend the time

1 frame in this matter to accommodate the time needed for Montezuma to provide adequate notice and
2 to make the filings required herein.

3 IT IS THEREFORE ORDERED that **Montezuma shall, by August 27, 2009, send to each**
4 **of its customers, by First Class U.S. Mail, the following notice,** with the heading in at least 12-
5 point bold type and the body in at least 10-point regular type, **along with a complete copy of**
6 **Schedule DRE-4 from the Staff Report:**

7 **NOTICE OF MONTEZUMA RIMROCK WATER COMPANY,**
8 **L.L.C.'S APPLICATIONS FOR A RATE INCREASE AND**
9 **FOR APPROVAL OF FINANCING**
10 **Docket Nos. W-04254A-08-0361 et al.**

11 Montezuma Rimrock Water Company, L.L.C. ("Montezuma") has filed with the
12 Arizona Corporation Commission ("Commission") a Rate Application requesting a rate
13 increase of \$32,000, equal to approximately 33.24 percent of its unaudited 2007 test
14 year total operating revenues of \$96,265.23, to cover the cost of acquiring an arsenic
15 treatment system and integrating the arsenic treatment system with Montezuma's
16 current facilities. Montezuma has stated that all of its wells are currently exceeding the
17 Environmental Protection Agency's and Arizona Department of Environmental
18 Quality's 10 parts per billion maximum contaminant level for arsenic.

19 Montezuma has also filed a Financing Application requesting authority to obtain a loan
20 of \$165,000 from the Water Infrastructure Finance Authority of Arizona ("WIFA") to
21 cover the expense of the arsenic treatment system.

22 The Commission's Utilities Division Staff ("Staff") has analyzed both applications and
23 has recommended that they be approved, although Staff has recommended approval of
24 its proposed rates rather than those proposed by Montezuma. Staff's recommended
25 rates would decrease the monthly bill for a customer served by a 5/8" x 3/4" meter with
26 average usage of 5,813 gallons from \$38.00 to \$37.78 and with median usage of 4,415
27 gallons from \$35.42 to \$34.29. Staff has also recommended approval of an Arsenic
28 Remediation Surcharge Mechanism that would result in a monthly arsenic surcharge of
\$6.41 for a customer served by a 5/8" x 3/4" meter, assuming a \$165,000 WIFA loan.

The Commission will consider the Rate Application and Financing Application
together as a consolidated matter. The Commission is not bound by the proposals made
by Montezuma, Staff, or any intervenors. The rates and charges ultimately approved by
the Commission may be higher or lower than the rates and charges requested in the
Rate Application and recommended by Staff.

The Commission may act upon the applications without a hearing. Regardless of
whether a hearing is held, written customer comments will be placed in the file, which
the Commission will review before making its final decision on the applications. It is
important that customers wishing to comment do so promptly so that the Commission
can consider customer comments and concerns in reaching its decision.

Customers should bring to the Commission's attention any questions or concerns
related to either application, including concerns as to service, billing procedures, or
other factors important in determining the reasonableness of the proposed rates and
charges or the financings. Copies of the Rate Application, Financing Application, and
Staff Report are available at Montezuma's office at [insert address] and the
Commission's Docket Control at 1200 West Washington Street, Phoenix, AZ 85007
for public inspection during regular business hours and on the Internet via the

1 Commission website (www.azcc.gov) using the e-Docket function. If you have
2 questions about either application, you may contact Montezuma at **[insert telephone**
3 **number]**. If you wish to file written comments on either application or want further
4 information, you may contact the Commission's Consumer Services Section by calling
5 1-800-222-7000 or 602-542-4251. Written public comments may also be filed by
6 mailing an original and 13 copies of the comments (referencing Docket No. W-
7 04254A-08-0361 et al.) to the Commission's Docket Control at 1200 West Washington
8 Street, Phoenix, AZ 85007.

9 Any person entitled by law to intervene and having a direct and substantial interest in
10 this matter will be permitted to intervene. A person desiring to intervene must file a
11 Motion to Intervene with the Commission's Docket Control and serve the Motion upon
12 Montezuma or its counsel. A Motion to Intervene shall contain at least the following:

- 13 1. The name, address, and telephone number of the proposed intervenor and of any
14 person upon whom service of documents is to be made if different than the intervenor;
- 15 2. A short statement of the proposed intervenor's interest in the proceeding
16 (customer, etc.);
- 17 3. Whether the proposed intervenor desires a formal evidentiary hearing on the
18 applications and the reasons for such a hearing; and
- 19 4. A statement certifying that a copy of the Motion to Intervene has been mailed to
20 Montezuma or its counsel.

21 The granting of Motions to Intervene shall be governed by Arizona Administrative
22 Code R14-3-105. If a hearing is scheduled in this matter, a deadline for Motions to
23 Intervene will be established in the Procedural Order scheduling the hearing.

24 IT IS FURTHER ORDERED that **Montezuma shall, by September 10, 2009, file**
25 **certification of mailing notice** to its customers, which shall include one sample notice letter with the
26 required attachments.

27 IT IS FURTHER ORDERED that **Montezuma shall, by September 10, 2009, file**
28 **documentation** regarding whether Montezuma has received an ATC from ADEQ for Well #4,
whether Montezuma has received an ATC from ADEQ for the arsenic treatment plant to be funded
through the WIFA loan for which approval is requested in this matter, the estimated length of time
necessary to complete construction of Well #4, the estimated start date for construction of the arsenic
treatment plant, and the estimated length of time necessary to complete construction of the arsenic
treatment plant.

IT IS FURTHER ORDERED that **the Commission's time frame for issuing a decision in**
this matter is hereby extended by 30 days.

IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules
of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro*
hac vice.

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 13th day of August, 2009.

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6 SARAH N. HARPRING
7 ADMINISTRATIVE LAW JUDGE

8 Copies of the foregoing mailed/delivered
9 this 13th day of August, 2009, to:

10 Patricia D. Olsen, Manager
11 MONTEZUMA RIMROCK WATER
12 COMPANY, LLC
13 Post Office Box 10
14 Rimrock, Arizona 86335

15 Janice Alward, Chief Counsel
16 Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 W. Washington Street
19 Phoenix, Arizona 85007

20 Steve Olea, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 W. Washington Street
24 Phoenix, Arizona 85007

25 By: 
26 Debra Broyles
27 Secretary to Sarah N. Harpring
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