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BEFORE THE ARIZONA CORPORATI

IN THE MATTER OF THE APPLICATION)	
OF PARK WATER COMPANY, INC. FOR)	DOCKET NO.
AN EMERGENCY RATE INCREASE.)	W-02353A-09-0328
)	
IN THE MATTER OF THE APPLICATION)	DOCKET NO.
OF PARK WATER COMPANY, INC. FOR)	W-02353A-09-0329
APPROVAL OF A FINANCING)	
APPLICATION.)	EVIDENTIARY
)	
	HEARING

At: Phoenix, Arizona

Date: September 24, 2009

Filed: **OCT - 8 2009**

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(No exhibits were utilized.)

1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Hearing Room 100 of
4 said Commission, 1200 West Washington Street, Phoenix,
5 Arizona, commencing at 1:30 p.m., on the 24th day of
6 September, 2009.

7

8

9 BEFORE: YVETTE B. KINSEY, Administrative Law Judge

10

11 APPEARANCES:

12

13 For the Applicant:

14 PARK WATER COMPANY
15 Ms. Patricia O'Connor, President
16 P.O. Box 16173
Phoenix, Arizona 85011
(Appearing via teleconference.)

17

18 For the Arizona Corporation Commission Staff:

19 Mr. Kevin Torrey
20 Staff Attorney, Legal Division
1200 West Washington Street
Phoenix, Arizona 85007

21

22

23 KATE E. BAUMGARTH, RPR
24 Certified Reporter
Certificate No. 50582

25

1 ALJ KINSEY: Let's go on the record.

2 Good afternoon. I'm Administrative Law Judge
3 Yvette Kinsey, and this is the time set for the second day
4 of hearing on the application of Park Water Company for
5 financing and an emergency rate increase. This is Docket
6 No. W-02353A-09-0328, et al.

7 May I have appearances for the record.

8 For the company, Ms. O'Connor?

9 MS. O'CONNOR: Yes. This is Patricia O'Connor of
10 Park Water Company.

11 ALJ KINSEY: Thank you.

12 And for Staff?

13 MR. TORREY: Your Honor, Kevin Torrey on behalf
14 of Commission Staff.

15 ALJ KINSEY: Thank you. And there were -- I
16 think there was just a couple of things that I wanted to
17 put on the record before we get started.

18 At our last hearing we determined that an
19 additional day of hearing was needed to present the
20 evidence in this matter, and it was also determined that
21 because the company was asking to amend its application to
22 include an additional \$17,000, notice was needed to be
23 provided for the additional amount.

24 And I believe at the last hearing Staff was
25 putting on its direct case with Ms. Brown testifying, and

1 that is where we will pick up today.

2 MR. TORREY: Your Honor, I believe that is
3 correct, but I believe at the end of the case Staff had
4 closed its direct and you had directed us to file an
5 additional document in the docket addressing some
6 additional questions.

7 And just for the record, on September 16th Staff
8 did docket those additional requests as a late-filed
9 exhibit.

10 ALJ KINSEY: Okay.

11 MR. TORREY: And you had also directed
12 Ms. O'Connor to file a response to that, and on
13 September 18th she did docket her response.

14 ALJ KINSEY: All right. Yes, I did receive
15 those.

16 And I did -- based on the last procedural order I
17 do have a few more questions for Ms. Brown. If we could
18 just walk through those and then a couple more questions
19 for Ms. O'Connor after reviewing the transcript.

20 So that is kind of our game plan for today, and
21 we will see how it goes.

22 All right. And we should have Ms. Brown resworn
23 in again for her testimony today.

24

25

1 CRYSTAL BROWN,
2 recalled as a witness herein, appearing on behalf of
3 Staff, having been first duly sworn by the certified court
4 reporter, was examined and testified as follows:

5 ALJ KINSEY: And will the record reflect that we
6 have no members of the public present this morning or this
7 afternoon.

8

9

EXAMINATION

10

11 Q. (BY ALJ KINSEY) Going to Staff's supplemental
12 document, Ms. Brown, I wanted to go kind of towards the
13 end there, No. 6.

14 At the last hearing you gave some testimony
15 regarding the surcharge, and including the \$28,000 into
16 one surcharge. And I believe you came to the conclusion
17 that it would be burdensome for Park Water Company's
18 customers to bear the cost of that total surcharge as
19 opposed to the water handling portion plus the WIFA loan
20 portion.

21 So I wanted you to walk me through Staff's
22 analysis of how you came to the conclusion that it was
23 going to be burdensome for the customers.

24 A. We added up the rates or the surcharges that
25 would be calculated for the well repair costs and the rate

1 for the water hauling surcharge and determined that it was
2 approximately, I believe, \$13 or \$14.

3 Q. Okay. And that --

4 A. Oh, no. No. No. I am mistaken.

5 Let's see.

6 Q. I believe your testimony last time was that it
7 was approximately \$20 to \$25.

8 A. Right.

9 Q. Do you believe -- based on your Exhibit S-3, if
10 we know that the Park Water's customers are, I believe,
11 five-eighths-by-three-fourth-inch meter customers?

12 A. Yes.

13 Q. So they have a base rate of \$20; right?

14 A. Right.

15 Q. And then your No. 6 on your supplemental document
16 says that the average customer uses -- now, I'm not sure.
17 When you say "average gallons sold," I guess that would
18 just be the average usage by those customers?

19 A. Yes.

20 Q. So about 8,000 gallons?

21 A. Yes.

22 Q. By my calculation, what is the -- can you
23 calculate for me what the average customer would be paying
24 based on S-3 and your response to No. 6?

25 A. It would be their average bill, which is \$44.12

1 plus approximately \$25. It would be \$69.12 per month.

2 Q. Okay. And you do this all the time, Ms. Brown,
3 but walk me through your calculation for the surcharge
4 using the \$28,000 number.

5 A. Okay. They have approximately 125 customers.

6 Q. Okay.

7 A. So that means every month there is a bill for
8 each of those customers. So that would be 125 customers
9 per month and 125 bills per month. Now, if you multiple
10 that by 12 bills, that is 1500 bills.

11 Q. Okay.

12 A. And if you take the total cost of the well
13 repair --

14 Q. Which was the \$28,244, I believe was the number?

15 A. Correct. You take the \$28,244 and divide it by
16 the 1500 bills, that would tell you the amount per bill
17 for the whole year.

18 Q. Okay.

19 A. So \$28,244 divided by 1500, that would be
20 \$18.83 --

21 Q. Okay.

22 A. -- per customer per month.

23 Q. All right.

24 A. And then if you added what the surcharge was
25 calculated for the water hauling, you would get the total.

1 Q. You know, but now that \$18.83 would include the
2 water hauling costs, correct, because the \$28,244 is the
3 total amount including the water hauling, if I'm not
4 mistaken?

5 A. You are right.

6 Q. So the amount of the surcharge per month would be
7 \$18.83 if the total amount was included; is that correct?
8 That is an amount that I came up with, but I want to make
9 sure that my math was correct.

10 A. Let me just check something.

11 Yes, you are correct.

12 Q. Okay. All right. And so that would be added on
13 top of -- now, if you looked at the average bill that you
14 reported on No. 6 in your supplemental document, you came
15 up with \$44.12. My calculation was closer to 34.

16 A. That number was provided to me by the company.

17 Q. Okay. All right. And I will ask Ms. O'Connor
18 how she came up with that number.

19 But you didn't do an independent calculation on
20 the average bill for customers based on this?

21 A. No.

22 Q. The 8,000-gallon amount?

23 A. No.

24 Q. Okay. All right. So the 18 or roughly \$19 would
25 be added on top of the \$44?

1 A. Yes.

2 Q. So that is -- and going back to the analysis that
3 Staff did -- are these single-family homes? That seems
4 like a lot of water.

5 MS. O'CONNOR: Yes, they are single-family homes,
6 Your Honor.

7 ALJ KINSEY: And let the record reflect that that
8 was a response from Ms. O'Connor.

9 And, Ms. O'Connor, while I'm asking the
10 questions, are the homes on large acreage?

11 MS. O'CONNOR: Yes. The minimum acreage that
12 anybody can buy there or build there is an acre and a
13 quarter. So some have five, ten. Minimum is, and most
14 have, an acre and a quarter. Some have animals, is why
15 their water bill may be higher than a family of two or
16 four would need. Quite a few have horses or whatever they
17 do.

18 ALJ KINSEY: Okay. So the minimum was an acre
19 and a quarter?

20 MS. O'CONNOR: Uh-huh.

21 ALJ KINSEY: And do most of -- are they -- are
22 they doing anything with the land other than maybe having
23 horses for enjoyment? Are they -- there is no
24 agricultural stuff going on on the property, is there?

25 MS. O'CONNOR: None that I know of.

1 ALJ KINSEY: Okay. All right.

2 And I'm going to go back to Staff for a second,
3 Ms. O'Connor.

4 I'm sorry about that, for the record. I know it
5 will make it a little hard.

6 Q. (BY ALJ KINSEY) Can you tell me what the
7 company's debt ratio is at this point, Ms. Brown?

8 A. No. I would have to get all of their debt and
9 their equity. I could try to look through my materials or
10 my documents to try to get that.

11 But going back to the surcharge --

12 Q. Yes.

13 A. -- the \$18.83, we would have also added the
14 surcharge for the WIFA loan.

15 Q. Okay.

16 A. So that would have made it \$18.83 plus \$7.67 --
17 \$26.50.

18 Q. Okay. All right. Now, let me make sure that I
19 understand what's going to happen.

20 If, for example, the Commission approves an order
21 that includes the entire \$28,000 amount as a surcharge,
22 once the WIFA loan is approved, would that amount then be
23 rolled into the WIFA loan or do they have to wait until
24 their permanent rate case before that number can go away
25 for the customers?

1 A. From what I understand, they would have to go in
2 and amend their application to reflect approximately
3 221,000, and that would be the original 169,000 plus the
4 17,000 for the engineering and then the 28,000.

5 Q. Okay.

6 A. And the Commission would approve a loan amount
7 totaling that amount. You know, they could round it to an
8 even amount.

9 And then once the company has provided any other
10 additional documentation that WIFA needs, then according
11 to this flowchart -- let's see --

12 Q. And I have it.

13 A. Yeah, if you look at the first line of the
14 flowchart --

15 Q. Yes.

16 A. -- under where it says "debt authorization" --

17 Q. Yes.

18 A. -- it says, "A borrower has obtained a legal
19 approval of this governing body via resolution or its
20 constituents via bond election, or begin special
21 assessment process, or a financing application has been
22 approved by the Arizona Corporation Commission in order to
23 move forward with a project finance application." So --

24 Q. Go ahead.

25 A. So once they got the order, then they could

1 submit a complete application within eight weeks prior to
2 a semimonthly board meeting. Then it would go to the
3 board meeting, and then it would go through the rest of
4 the process --

5 Q. Okay.

6 A. -- outlined on this flowchart.

7 Q. Was there anything else that Staff considered
8 when it concluded that it was going to be too burdensome
9 to add that additional \$18.83 or \$26.50 onto the amount
10 for the surcharge?

11 A. Just the general economic climate.

12 Q. Okay. And the \$44 amount that the company says
13 that the average customer is now paying, in your opinion
14 would that be high or low based on your experience with
15 water utility companies of this size?

16 A. I have not done sufficient analysis to answer
17 that. It just varies if -- depending upon how new the
18 plant is, if they -- if a company just put in new plant,
19 then their water bills may be higher. If customers are
20 located kind of far apart, sometimes you need a lot of
21 plant to get the water to the customers who are not in a
22 small area. And then, as Ms. O'Connor said, customers
23 that have a lot of property and it's just their lifestyle
24 to use a lot of water.

25 Q. Okay. I will come back to this. I will ask you

1 this question, but it's probably something more for
2 Mr. Torrey to follow up on.

3 Can you think of any Commission decision where
4 it's been established that it is an emergency but the
5 company was not given a surcharge to cover the cost of the
6 emergency, the total cost?

7 A. Where the Commission determined?

8 Q. Where Staff recommended that the case be viewed
9 as an emergency and the recommendation was that the
10 company not be given a surcharge that would cover the
11 total cost of the emergency?

12 A. No, I can't.

13 Q. At the last hearing we talked a little bit
14 about -- it was based on Ms. O'Connor's question to me
15 about whether or not she could make a loan to the company
16 for that \$28,000.

17 In your analysis did you look at whether or not
18 you thought it would be appropriate for the company just
19 to take that \$28,000 and have it be reflected as paid-in
20 capital? Do you believe Ms. O'Connor should take -- pay
21 the \$28,000 and have it reflected as paid-in capital?

22 A. No.

23 Q. And can you tell me why?

24 A. Well, based upon my discussion with Ms. O'Connor,
25 she stated that she wouldn't have enough -- well, she

1 didn't state this -- but what I gathered from talking to
2 her that she wouldn't have enough money to -- for her
3 retirement.

4 Q Okay. If the company were able to get short-term
5 outside financing to pay the \$28,000, would the company --
6 from an outside source, like a bank of some sort -- would
7 the company be able to still roll that into the WIFA loan
8 once the application was completed? I know we talked
9 about they would have to amend it to include the
10 additional amounts. So would there be any hiccup if the
11 company was able to do that?

12 A I don't know.

13 Q Okay. I'm going to ask you to just walk me
14 through the time frame for completing this process for the
15 company based on Staff's recommendations.

16 So we are looking at the surcharge for the water
17 hauling. Approximately, once the order comes out and is
18 approved, how soon after that would we be able to
19 implement the surcharge for water hauling?

20 A I believe it would be able to be implemented
21 immediately from the effective date of the order.

22 Q Okay. And then we are thinking that the WIFA
23 loan approval will be anywhere from maybe three to
24 six months?

25 A Yes.

1 Q. And did that three to six months include where we
2 are now, because she has already filed the application?
3 Or was that from the point that we left off where the
4 Commission approves the order and then are we looking at
5 three to six months from there?

6 A. From what I understand from talking to WIFA, the
7 application that they filed on the WIFA web site for
8 initial application, now that would be the item in the
9 third block to the first line of this flowchart. It says,
10 "Once on the PPL," which is the project priority list, "a
11 community must meet WIFA's readiness to proceed criteria,
12 that is to demonstrate legal, financial, technical,
13 managerial, and institutional capabilities."

14 And that is what that initial application is for.

15 Q. Okay.

16 A. WIFA would look over the information on that to
17 determine if they met that criteria.

18 And then once they got a loan -- you see the next
19 bottom arrow it says, "Request a project finance
20 application" -- they have to submit another application.

21 Q. Okay.

22 A. And Ms. Incognito said that it just depends upon
23 the applicant at that time, how timely they are in filing
24 the necessary documents to apply for that -- or to close
25 on the loan.

1 Q. Okay. So probably -- I think what I hear you
2 saying is that three- to six-time period probably doesn't
3 start until we get to that second block there in the
4 schematic here?

5 A. Right.

6 Q. Okay. And once they get the WIFA loan approved,
7 Staff is recommending that they apply for the WIFA loan
8 surcharge?

9 A. Yes.

10 Q. And generally how long does that take?

11 A. I would say about 60 days.

12 Q. Okay. And in that process is it something that
13 has to go before the full Commission for the approval or
14 is it just something that Staff reviews and says -- is it
15 like a tariff change? Do you know for sure?

16 A. I don't, but if we could take a quick break, I
17 could find out.

18 Q. All right. Okay. I will come back to it.

19 And then once we have the -- do you believe the
20 WIFA loan surcharge could be immediately implemented, or
21 how long would it take from there?

22 A. Well, if it had to go before the Commission, it
23 could be implemented from the date of the Commission
24 order, but they wouldn't collect the money, you know,
25 until maybe the next billing cycle.

1 Q Okay. All right.

2 And in your review, Ms. Brown, does Staff have
3 any type -- does Staff have -- did you have a plan for
4 if -- let me start over.

5 One of the things that Ms. O'Connor talked about
6 at the last hearing was her concern that if they had
7 another outage and they have to go back to these same
8 vendors, because they haven't been paid for the work that
9 they did for the previous outage, they may not be inclined
10 to come out and service them again if they needed it.

11 Is there any plan that Staff can think of that
12 would help the company to overcome that concern? Because
13 it's a concern for me too, in the fact that I would hate
14 to have to see them come back to us for another emergency
15 in another, you know, 60 days or something like that.

16 A No, Staff does not have a plan other than the one
17 you just mentioned; you come in for another emergency rate
18 case.

19 ALJ KINSEY: Okay. Mr. Torrey, did my questions
20 generate any more questions that you think you need to
21 follow up on with Ms. Brown?

22 MR. TORREY: No, Your Honor.

23 ALJ KINSEY: Okay. Thank you, Ms. Brown. And I
24 know I put you on the spot here, but I'm trying to nail it
25 down and understand where we are going to be going from

1 here.

2 And I did have a couple more questions for you,
3 Ms. O'Connor.

4 Did you have any more questions for Ms. Brown
5 while we were here?

6 MS. O'CONNOR: No. I understand pretty well what
7 she is saying.

8 ALJ KINSEY: Okay. And then just a couple of
9 things that I wanted to follow up with you, and can I go
10 ahead and have you sworn in?

11 MS. O'CONNOR: Absolutely.

12

13 PATRICIA O'CONNOR,
14 recalled as a witness herein, appearing on behalf of the
15 Applicant, having been first duly sworn by the certified
16 court reporter, was examined and testified as follows:

17

18 EXAMINATION

19

20 Q. (BY ALJ KINSEY) And so, Ms. O'Connor, you heard
21 Ms. Brown's testimony regarding making a loan to the
22 company?

23 A. Yes.

24 Q. So you do understand basically what she is saying
25 is that if you were to make the loan and there is no way

1 to pay you back within that 12-month period, that it would
2 be considered paid-in capital, so just an investment in
3 the company?

4 A. Yes, I do.

5 Q. Okay. And do you by chance remember the name of
6 the person at ADWR that confirmed that this water table
7 issue is happening?

8 A. Not at the moment, no, I don't.

9 Q. Okay. And can you just give me an update again
10 on the status of the bills to the vendors? Have you heard
11 any more from the vendors?

12 A. Just more messages. Did I hear anything yet?
13 You know, originally they thought once we started having
14 these hearings, that I was going to be authorized to get
15 money from them. So I update them every time we have had
16 a hearing. And then the last time I did not see that that
17 was going to happen, that it was still the, that if I put
18 the money in, that it's going to be a capital investment,
19 and I don't have that kind of money to invest in. So it's
20 just kind of sitting there.

21 Q. And do you think that -- I asked Ms. Brown about
22 an outside short-term loan.

23 Do you think that the company might be able to do
24 something like that to be able to pay the vendors off
25 until the WIFA loan comes in?

1 A. So then am I understanding that correctly, that
2 it would be okay for me to borrow the money to pay the
3 vendors from somebody else, as long as I don't loan the
4 money?

5 Q. I believe that Ms. Brown's testimony was she
6 thought that if you took out an outside loan, that that
7 amount could be rolled into the WIFA loan, that you would
8 have to amend the WIFA loan to include the total \$28,000
9 amount.

10 ALJ KINSEY: Is that not correct, Ms. Brown?

11 MS. BROWN: That is not correct.

12 ALJ KINSEY: Okay. Tell me what you said then.

13 I'm sorry if I misinterpreted it.

14 MS. BROWN: I did not know whether or not, if she
15 took out a loan from an outside lender, whether or not she
16 could use the funds from the WIFA loan to repay that
17 vendor. I do not know that, whether or not she can do
18 that.

19 Q. (BY ALJ KINSEY) Okay. So I guess, Ms. O'Connor,
20 you would have to explore that option on your own.

21 A. Yes.

22 ALJ KINSEY: But, Ms. Brown, let me make sure
23 that we are giving correct information to Ms. O'Connor.

24 Would that short-term loan be one, if she got an
25 outside financial company to give her a short-term loan,

1 it would fall within the realm of a loan that would not
2 need to be approved by the Commission?

3 MS. BROWN: If that loan were paid off before the
4 12 months ended, that would be a short-term loan.

5 ALJ KINSEY: Okay. Did you hear that,
6 Ms. O'Connor?

7 MS. O'CONNOR: Yes, it would be a short-term
8 loan, and then it would not have to be approved by the
9 Commission.

10 Is that correct?

11 ALJ KINSEY: Is that correct, Ms. Brown?

12 MS. BROWN: That's correct, but it would have to
13 be Park Water and the lender, not Ms. O'Connor. But it
14 would have to be Park Water -- she would be the
15 president -- but it would be between Park Water and the
16 lender.

17 ALJ KINSEY: Okay. Did you hear that part,
18 Ms. O'Connor?

19 MS. O'CONNOR: I cannot be the whole owner of the
20 debt?

21 ALJ KINSEY: Right. And you cannot personally
22 take out the loan. The loan would have to be taken out by
23 the company, the entity Park Water.

24 MS. BROWN: And Park Water, they would have to
25 use Park Water financial statements. If there is any kind

1 of security involved, it would have to be Park Water's
2 and not Ms. O'Connor's.

3 MS. O'CONNOR: Okay.

4 Q. (BY ALJ KINSEY) And I'm sure that Staff -- if
5 you decided to go that route or use that route, Staff
6 would be able to confer with you just to see if you were
7 on the right track.

8 A. Got you. Okay.

9 Q. Okay. And regarding Staff's testimony or
10 Ms. Brown's testimony earlier concerning the surcharge
11 amount of \$26.50, if we included the total \$28,000 amount
12 and the \$7.67 for WIFA loan surcharge, do you believe that
13 the customers of Park Water could afford to do that?

14 A. The \$27 figure, is that including a base of 20?

15 Q. No.

16 A. Pardon?

17 Q. No, it would not. That would be on top of
18 whatever the base rate plus their gallon usage would be.
19 That \$27 would be in addition to that.

20 A. A \$27 increase? So they have a \$20 base rate and
21 then \$27? So before they use any water they will already
22 get a bill for \$47.

23 Q. Yes.

24 A. Is that what I'm hearing?

25 Q. Yes, it is. Uh-huh. That is the scenario.

1 If that were the scenario, do you believe that
2 the customers of Park Water would be able to afford that
3 surcharge of \$27?

4 A. Well, that is kind of frightening for me. How
5 did it go from \$8 a month up to \$27?

6 Q. That was just a hypothetical situation that I put
7 in front of Ms. Brown. And based on her calculation it
8 would be approximately \$26.50 per month.

9 MS. BROWN: Ms. O'Connor, that would be
10 collecting the \$28,244 in one year's time.

11 MS. O'CONNOR: Oh, into one year's time?

12 MS. BROWN: Right. It would be well repair cost.

13 MS. O'CONNOR: I see. After one year then it
14 would drop?

15 MS. BROWN: Yeah, it would drop. And it also
16 includes the WIFA loan surcharge of \$7.67 for a total of
17 \$26.50.

18 MS. O'CONNOR: Is how much?

19 ALJ KINSEY: She says it's \$7.67 for the WIFA
20 loan.

21 MS. O'CONNOR: Per person?

22 ALJ KINSEY: \$7.67.

23 MS. O'CONNOR: Per person per month?

24 ALJ KINSEY: Per person per month, and that
25 amount would not change. After the end of the year, it

1 would remain the same; correct?

2 MS. BROWN: Correct. But I don't know offhand if
3 that amount includes the \$17,000 for the engineering
4 costs.

5 ALJ KINSEY: So it could be -- and I believe when
6 I sent out the procedural order, I think I came up with a
7 number that was closer to \$10.

8 MS. BROWN: Yeah.

9 Q. (BY ALJ KINSEY) So, Ms. O'Connor, we are just
10 checking here to make sure.

11 When I calculated the total amount -- let me see.

12 Staff recommends an emergency surcharge of
13 \$3.68 per month to cover the water hauling and a separate
14 surcharge to cover the WIFA loan. When you include that
15 additional \$17,000 in there, it comes out to \$10.57 per
16 month for customers served by three-fourths-inch meters.

17 So that would be the monthly surcharge for the
18 WIFA loan.

19 MS. BROWN: Approximately.

20 Q. (BY ALJ KINSEY) Approximately. So that \$26
21 number would be even higher.

22 And based on that, do you believe that the
23 customers of Park Water could afford to pay that?

24 A. Well, there are going to be a lot of them that
25 are hit hard.

1 Q Tell me a little bit more about the customers of
2 Park Water.

3 A We have some that are retirees and some that are
4 quite wealthy that have built, you know, a nicer home.
5 The Greeks, you know, recently they put in a pretty nice
6 home so that they can be near the monastery and invite
7 their friends over from Greece to stay there, but there
8 are some.

9 As a matter of fact, right now, I would say, we
10 have got people that are, you know, behind on their water
11 bill, and I'm reluctant to shut them off because they
12 would not have water. So those smaller segments, I don't
13 know what that number is, but I know that there are some
14 that are on fixed incomes.

15 Q Okay. And what percentage would you say are
16 retirees?

17 A If I had to guess out of 125, I would say maybe
18 20.

19 Q About 20. Okay?

20 A Some work at the prison or wherever they work.

21 Q Okay. And would you describe the homes in the
22 area to be average or above average?

23 A I would say -- some are mobiles and some are
24 stick builds and some are kind of poverty looking.

25 ALJ KINSEY: Okay. Ms. Brown, was there anything

1 else that you wanted to add?

2 MS. BROWN: You had mentioned in the last hearing
3 that there was an inconsistency between the -- oh, then
4 no. Mr. Torrey said that he would handle what I was just
5 going to discuss.

6 ALJ KINSEY: Okay. Sounds good.

7 Anything else, Ms. O'Connor, before I go to
8 Mr. Torrey?

9 MS. O'CONNOR: No, I'm fine. Thank you.

10 ALJ KINSEY: Okay. Thank you.

11 Mr. Torrey, you want to clear up a couple items?

12 MR. TORREY: Just one thing, Your Honor. At the
13 last hearing the last time we were here, I thought we made
14 that clarification, but just in case we didn't, I want to
15 make sure it got in the record.

16 In the Staff report, in the executive summary, in
17 the first paragraph Staff makes reference to the cost of
18 this entire construction project of \$28,244. That same
19 figure appears again in paragraph 2 of the body of the
20 report and then on page 2 of the engineering memorandum.
21 But on the very last page of the Staff report, the second
22 to the last paragraph --

23 ALJ KINSEY: And that's the Staff report?

24 MR. TORREY: Yes. On the second to the last
25 paragraph of the last page Staff makes reference to that

1 figure, but it's \$28,284. I believe you had noted the
2 inconsistency in the last hearing. I just wanted to
3 clarify that the final figure of the \$28,284 is the
4 incorrect figure. It is \$28,244.

5 ALJ KINSEY: Okay. I thought -- based on what I
6 calculated I thought it was the \$28,244, but I wanted to
7 make sure.

8 MR. TORREY: And that's correct.

9 ALJ KINSEY: So I don't believe we covered that.

10 MS. BROWN: \$28,244 is correct.

11 ALJ KINSEY: Okay. Great.

12 Mr. Torrey, anything else before we conclude?

13 Ms. Brown, if you have any clarifying information
14 that would be helpful, I would appreciate it.

15 MR. TORREY: Your Honor, Ms. Brown has something
16 to clarify that I think is better coming from her than
17 from me.

18 ALJ KINSEY: Okay. GO ahead, Ms. Brown.

19 MS. BROWN: In Staff's last Staff report we had
20 recommended a water hauling surcharge, which we did a
21 late-filed exhibit, and we used the company's most current
22 customer count, which was 125. Staff had originally used
23 140.

24 ALJ KINSEY: Right.

25 MS. BROWN: Well, in the calculation of the WIFA

1 loan surcharge, the ARSM, that would also need to be
2 reflected in that calculation.

3 ALJ KINSEY: Okay.

4 MS. BROWN: But Ms. O'Connor, you know, could
5 call Staff and we could run her through the calculation to
6 get it correct.

7 ALJ KINSEY: So let me make sure I understand
8 what you just said, Ms. Brown.

9 So when you filed your late-filed exhibit, the
10 water hauling surcharge went to \$4.13, is that correct,
11 based on 125 monthly customers?

12 MS. BROWN: Yes, it did.

13 ALJ KINSEY: Okay. And you were just saying that
14 Ms. O'Connor could contact Staff -- I'm sorry. Walk me
15 through the last part of your statement just one more
16 time.

17 MS. BROWN: Okay. We had two separate
18 surcharges: a water hauling surcharge, which we just
19 discussed, and then we had a WIFA loan surcharge.

20 ALJ KINSEY: Right.

21 MS. BROWN: So Ms. O'Connor could contact Staff
22 to get the correct calculation for the WIFA loan
23 surcharge.

24 ALJ KINSEY: Okay. And can you please file that
25 also as a late-filed exhibit?

1 MS. BROWN: Yes.

2 ALJ KINSEY: Because I did calculate it, I think,
3 based on your document that is included in this Staff
4 report, but it's always better to have an expert do the
5 calculations than have me do it.

6 And I believe that is the \$10.57 amount that I
7 came up with, but I would much rather Staff calculate it
8 and give me the number.

9 MS. BROWN: Do you want it with the loan amount
10 including the \$17,000 and including the water hauling?

11 ALJ KINSEY: You know, if you can give me an
12 analysis of both, that would be great. So, yes, the
13 answer to that is yes: one with, as Staff proposed it,
14 with a separate surcharge for the water hauling and a
15 separate one for the WIFA loan; and then an analysis of
16 the entire \$28,244 plus the WIFA loan based on our new
17 numbers of 125 customers.

18 MS. BROWN: So on the second analysis, you wanted
19 to include the original \$169,000, the \$17,000 for the
20 engineering and then \$28,000 for the combined well repair
21 and water hauling?

22 ALJ KINSEY: Because I believe we did that
23 analysis earlier, which is when we came up with that
24 \$18.83. Because I asked you to do it on the fly, it's
25 probably better for you to make sure you go through it and

1 give us the correct number.

2 And based on Staff's recommendations,
3 Ms. O'Connor, are you in agreement -- the recommendations
4 that Staff has in its Staff report, are you in agreement
5 with those recommendations?

6 MS. O'CONNOR: Yes, I am.

7 ALJ KINSEY: Okay. And the other thing that I
8 would like for Staff to include in its late-filed exhibit
9 is just an analysis of how that WIFA surcharge process
10 will happen, if its just something that Staff reviews or
11 if it's something that would need to go before the full
12 Commission.

13 MS. BROWN: Okay.

14 ALJ KINSEY: And I believe that was the only
15 other outstanding thing that I had on my list.

16 Mr. Torrey, anything else?

17 MR. TORREY: Just to make sure that I'm clear on
18 the WIFA surcharge information that you just requested,
19 it's my understanding that you are requesting how and at
20 what time the actual mechanism would go into place.

21 ALJ KINSEY: Including that, but also once the
22 company files its application, what is the process from
23 there?

24 MR. TORREY: Okay.

25 ALJ KINSEY: Does it require us to have a

1 hearing? Does it require full approval by the Commission?
2 Or is it just something that Staff simply reviews, gives
3 an okay on and the company proceeds, because I'm just not
4 sure.

5 MR. TORREY: That's the whole process for a
6 company getting a WIFA surcharge added to their current
7 rates?

8 ALJ KINSEY: That's correct.

9 MR. TORREY: Okay.

10 ALJ KINSEY: And I believe that was it.
11 Anything else?

12 MR. TORREY: Nothing from Staff, Your Honor.

13 ALJ KINSEY: Ms. O'Connor, anything else?

14 MS. O'CONNOR: No. That's it. I'm fine.

15 ALJ KINSEY: Ms. Brown, do you have any idea how
16 long it will take you to do those calculations? I'm
17 really hoping that we can get this order on the -- what
18 month are we in -- October open meeting, which means that
19 my deadline is next week, Wednesday or Thursday.

20 MS. BROWN: I can try to get it in by Friday.

21 ALJ KINSEY: That is tomorrow. Are you sure?

22 MS. BROWN: Yeah.

23 ALJ KINSEY: That would be great.

24 So that will be our goal, to try to work to get
25 it on the next open meeting, Ms. O'Connor, so we can get

1 the process going, and I will work to the best of my
2 ability to make it happen.

3 MS. O'CONNOR: I appreciate all your efforts.

4 ALJ KINSEY: All right. And thank you so much.

5 MS. O'CONNOR: Thank you all.

6 ALJ KINSEY: And good luck today.

7 (The hearing concluded at 2:27 p.m.)

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1 STATE OF ARIZONA)
) ss.
 2 COUNTY OF MARICOPA)

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7 I, KATE E. BAUMGARTH, RPR, Certified Reporter
 8 No. 50582, for the State of Arizona, do hereby certify
 9 that the foregoing printed pages constitute a full, and
 10 accurate transcript of the proceedings had in the
 11 foregoing matter, all done to the best of my skill and
 12 ability.

13

14 WITNESS my hand this 1st day of October, 2009.

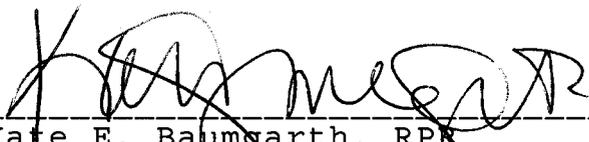
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 Kate E. Baumgarth, RPR
 Certified Reporter, No. 50582

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