

BEFORE THE ARIZONA CORPORATION COMMISSION

1 STAFF OF THE UTILITIES DIVISION, ) DOCKET NO.  
 2 ) W-02105A-04-0880  
 3 Complainant,  
 4 vs. )  
 5 MOUNT TIPTON WATER COMPANY, INC., )  
 6 Respondent. ) DOCKET NO.  
 7 ) W-02105A-03-0303  
 8 IN THE MATTER OF THE APPLICATION ) PREHEARING  
 9 OF MOUNT TIPTON WATER COMPANY, ) CONFERENCE  
 10 INC. FOR A RATE INCREASE. )

Arizona Corporation Commission  
**DOCKETED**

At: Phoenix, Arizona  
Date: March 3, 2005  
**MAR 22 2005**

DOCKETED BY *WV*

REPORTER'S TRANSCRIPT OF PROCEEDINGS

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	)	
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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 1 of said  
4 Commission, 1200 West Washington Street, Phoenix, Arizona,  
5 commencing at 1:34 p.m., on the 3rd day of March, 2005.

6  
7 BEFORE: TEENA WOLFE, Administrative Law Judge

8  
9 APPEARANCES:

10 For the Arizona Corporation Commission:

11 Mr. David Ronald  
12 Staff Attorney, Legal Division  
13 1200 West Washington Street  
Phoenix, Arizona 85007-2927

14 For Mount Tipton Water Company, Inc.:

15 Mr. William Thompson  
16 and Ms. Judy Morgan  
17 15996 N. Ironwood Drive  
P.O. Box 38  
18 Dolan Springs, Arizona 86441  
(Appearing telephonically)

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CECELIA BROOKMAN, RPR  
Certified Court Reporter  
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1 ALJ WOLFE: We'll go on the record. Welcome  
2 to the Arizona Corporation Commission. This is the time  
3 and place set for a prehearing conference in the matter of  
4 the Staff of the Utilities Division, complainant, versus  
5 Mount Tipton Water Company, Inc., respondent, Docket No.  
6 W-02105A-04-0880; and in the matter of the application of  
7 Mount Tipton Water Company, Inc. for a rate increase,  
8 Docket No., W-02105A-03-0303.

9 My name is Teena Wolfe and I'm the  
10 administrative law judge assigned to this proceeding.

11 We'll begin today by taking appearances,  
12 beginning with the complainant.

13 MR. RONALD: David Ronald here for Staff of  
14 the Arizona Corporation Commission, Your Honor.

15 ALJ WOLFE: And for Mount Tipton Water  
16 Company.

17 MR. THOMPSON: Bill Thompson. I'm secretary  
18 of the Mount Tipton Water Company.

19 MS. MORGAN: Judy Morgan, office manager of  
20 Mount Tipton Water Company.

21 ALJ WOLFE: Thank you. A procedural order was  
22 issued on February 15th, 2005, setting a prehearing  
23 conference for today for the purpose of discussing the  
24 procedures that will govern this matter.

25 As the procedural order stated, the purpose is

1 just to discuss those procedures. At this time, I'll  
2 allow Staff to address the issues that it wants to address  
3 today.

4 MR. RONALD: Thank you, Your Honor. Staff has  
5 been in contact with the company, specifically Judy  
6 Morgan, discussing the complaint. There are six counts in  
7 the complaint. At this time, Staff has reason to believe  
8 that the company has complied with or will be able to  
9 comply with all six of the violations alleged in the  
10 complaint.

11 What Staff would propose at this time is to  
12 set a status conference for April 30th or an approximate  
13 date, if that doesn't work with the court's calendar. At  
14 that time, if the company has complied with all the  
15 violations and the six counts of the complaint, the Staff  
16 would move to dismiss the complaint.

17 The other thing that Staff would want to see  
18 done by that time is that the company would be current on  
19 all their payments to WIFA. If those two requirements are  
20 fulfilled, Staff would be dismissing the complaint at that  
21 time.

22 If the company has been unable to comply with  
23 being current on their WIFA payments and the allegations  
24 in the complaint, Staff at that time would ask that a  
25 hearing date be set and that an interim manager be

1 immediately appointed.

2 Staff believes from now until April 30th  
3 should be enough time if the company does intend to comply  
4 with what Staff is asking for.

5 The other thing that Staff wanted to bring up,  
6 Staff would like to know who a contact person would be for  
7 the board of directors. We understand we have  
8 Mr. Thompson on the phone today, and if he's going to be  
9 the designated contact person for Staff, that's fine. But  
10 Staff has been unable to reach Mr. Kelly Schwab, the  
11 president of the board at all, and believes that he would  
12 at this time not be someone that Staff could rely on as a  
13 contact person. Thank you, Your Honor.

14 ALJ WOLFE: Thank you, Mr. Ronald.  
15 Mr. Thompson, would you like to respond?

16 MR. THOMPSON: Unfortunately, I'm unfamiliar  
17 with where we stand with the WIFA payments. I thought  
18 that we were current with all our WIFA payments, but  
19 evidently we are not. I believe in 30 days, whatever  
20 these complaints are, I've been assured by Judy Morgan  
21 that we can comply, so that's pretty much where we stand.

22 As far as Kelly Schwab, I'm a little concerned  
23 why he's not returning your calls. I just left a board  
24 meeting before I went on vacation, and none of this was  
25 brought up. So I'm a little in the dark on this, and I

1 apologize, Your Honor. But we are willing to do whatever  
2 it takes to comply in any area. We want to do the right  
3 thing, that's why we're all involved in this, and trying  
4 to make the proper decisions.

5 Does that pretty much answer your questions,  
6 Your Honor?

7 ALJ WOLFE: Thank you, Mr. Thompson. I do  
8 have some questions because at the rate case hearing, I  
9 was the presiding administrative law judge on that case  
10 and Ms. Morgan testified at the case and represented the  
11 company in that matter, and then whenever the --

12 MR. RONALD: Judge, sorry to interrupt. I  
13 think it might be a different Ms. Morgan.

14 MS. MORGAN: Yes, it is.

15 MR. THOMPSON: That was Sue Morgan, Your  
16 Honor.

17 ALJ WOLFE: Okay, excuse me, I was under the  
18 wrong impression, because I know that Sue Morgan, then,  
19 she testified at the hearing, and it was Sue Morgan who  
20 agreed to all the conditions in the Staff's  
21 recommendations at the hearing, and then I understand that  
22 she was no longer working for the company by the time that  
23 the order was considered by the Commission. Is that your  
24 understanding?

25 MS. MORGAN: Yes.

1 ALJ WOLFE: Mr. Thompson.

2 MR. THOMPSON: Yes, she was let go for some  
3 interoffice actions that were improper.

4 ALJ WOLFE: I don't want to get into that, but  
5 what I am concerned about is whether there is someone  
6 who -- just as Mr. Ronald said, I share his concerns. I'm  
7 concerned that there be someone who is in charge of the  
8 operations of the company. Who would that be?

9 MR. THOMPSON: Kelly Schwab is the president,  
10 Your Honor, and he is the one that is handling most of the  
11 day-to-day items that come up. However, Judy is in the  
12 office, she's abreast of everything that's going on, but  
13 before she can make an action she needs to come before the  
14 board to do that. We're a brand-new board, Your Honor.

15 I'd like to explain this real quick. The  
16 other board left us almost in knee deep jeopardy. WIFA  
17 was about to foreclose in the first half of the history  
18 with us, and we tried every action we could to make up  
19 these payments. That's why I'm a little shocked. We're  
20 behind right now. We're doing things by leaps and bounds,  
21 and I don't know if now is a good time to explain it or  
22 not, but we are about to apply for some grants for  
23 engineering to our 30- and 40-year-old lines. We're about  
24 to apply for extensions of our lines and get grant money  
25 to do this and to add to the tools that we have to operate

1 with. We're on a shoe string. We've applied on several  
2 occasions to get a rate increase for the cheapest water in  
3 the State of Arizona, is my understanding. And we just  
4 can't get ahead enough to do anything more than what we  
5 have done, and that was to make up our payments. And  
6 we're trying to stay abreast of that right now. But I  
7 hope that this would help you some. It's in everybody's  
8 heart at the board now to keep this water company together  
9 and do everything we can to just have to carry its own.  
10 The rate increase is a big issue.

11 We're trying to apply for, like I say, some  
12 grants. We have some holding tanks we're going to get to  
13 from the Indian reservation. When they lay them down  
14 we'll pick them up for a better water service, and  
15 hopefully some of the issues that have come up in the past  
16 will no longer be an issue. We'll have water for the  
17 immediate demand. I think that that's explaining it  
18 briefly as to where we are right now.

19 ALJ WOLFE: Mr. Thompson, has the company been  
20 charging the new rates that were authorized in the last  
21 rate case?

22 MR. THOMPSON: Yes, ma'am, I believe that we  
23 have been. But here again, we're still the lowest in the  
24 state and we're trying to, when we picked up from a board  
25 that has almost bankrupt us, for whatever the reasons I

1 guess aren't really important, but they've done a real  
2 injustice to the water company. We're trying to patch  
3 this up and make it a viable concern, and our concerns are  
4 for the community. We don't make decisions unless it's  
5 for the betterment of all of the community, and so that's  
6 kind of where we are right now, Your Honor.

7 ALJ WOLFE: And I'm sure the Commission  
8 appreciates the work that you're doing. I understand this  
9 is a nonprofit company.

10 Can you affirm right now that the company is  
11 no longer spending hookup fees for operating expenses.

12 MR. THOMPSON: I believe you have to ask Judy  
13 that. I don't operate in the day-to-day realm. I get to  
14 my board meeting about twice a month. Judy is still  
15 there, she can answer that question.

16 ALJ WOLFE: Does the board understand that the  
17 company has been ordered to cease that practice?

18 MR. THOMPSON: Your Honor, this is the first  
19 that I've heard about it at all. I think it's just been  
20 interoffice and not been brought up to the board. Kelly  
21 Schwab might know but it's something we should have been  
22 abreast of, I suppose. I apologize.

23 ALJ WOLFE: Before the next status conference,  
24 Mr. Thompson, I would ask that you take a copy of the rate  
25 case decision to the board and make sure that every board

1 member understands the requirements of that rate case  
2 decision. That's an order of the Commission, and the  
3 company is required to abide by it.

4 MR. THOMPSON: Yes, ma'am.

5 ALJ WOLFE: So if you would say that in the  
6 meantime you will tell the board what I just said, then I  
7 would be willing to set a status conference for 60 days,  
8 as Staff recommended, and then we can look and see if the  
9 company is in compliance with the requirements of those  
10 conditions at that time.

11 MR. THOMPSON: Yes, Your Honor, I would be  
12 willing to do that. I would be more than willing to do  
13 that, and I appreciate your patience in this matter. When  
14 I get back off my vacation, I will definitely get right on  
15 this and we'll start proceeding, doing a positive  
16 turnaround on this.

17 ALJ WOLFE: In the meantime, if Staff needs to  
18 contact the company what number should they call and who  
19 should they contact as a responsible decisionmaking person  
20 for the company?

21 MR. THOMPSON: Judy, if you're still there,  
22 maybe you can give Ed Bartlett's number until I get back.  
23 It's just that I'm 2,000 miles away being able to answer  
24 any questions without making long-distance phone calls to  
25 find out. Maybe you could leave Ed Bartlett's number.

1 He's the vice-president and I'm sure he could answer the  
2 question. He needs to get involved in this.

3 MS. MORGAN: Okay.

4 ALJ WOLFE: Ms. Morgan, could you speak that  
5 number very clearly into your phone.

6 MS. MORGAN: I sure can. I'll have to find  
7 that number.

8 ALJ WOLFE: Okay.

9 MS. MORGAN: Okay, Ed Bartlett, 767-4428, area  
10 code 928.

11 ALJ WOLFE: Mr. Ronald, did you get that  
12 information?

13 MR. RONALD: Just to go back, that was  
14 928-767-4428?

15 MS. MORGAN: That's right.

16 MR. RONALD: Thank you, Your Honor.

17 ALJ WOLFE: That's Ed Bartlett?

18 MS. MORGAN: Yes.

19 ALJ WOLFE: He's the vice-president of the  
20 board?

21 MS. MORGAN: Yes, ma'am.

22 MR. THOMPSON: Your Honor, I would be happy to  
23 give you my number as a backup, if it's important at all.  
24 I'll be more than willing to do whatever I could. I went  
25 on vacation, I would have just given you my number. If it

1 pleases you, I'll be happy to give you my cell phone  
2 number.

3 ALJ WOLFE: Mr. Ronald.

4 MR. THOMPSON: 928-303-1215.

5 ALJ WOLFE: Mr. Thompson, do you believe that  
6 60 days is a sufficient amount of time for this status  
7 conference?

8 MR. THOMPSON: Yes, ma'am, I do. I talked  
9 with Judy Morgan about this. She said within 30 days we  
10 could probably get something done, but it may be 30 days  
11 before I get back, so 60 days would be deeply appreciated.

12 ALJ WOLFE: Okay. Friday, April 29th we could  
13 have a procedural conference. Is the afternoon more  
14 convenient for you than the morning?

15 MR. THOMPSON: Any time, Your Honor, is fine  
16 with me.

17 ALJ WOLFE: We'll set it for 2:00 p.m.,  
18 Friday, April 29th.

19 MR. THOMPSON: That's fine with me, Your  
20 Honor.

21 Judy, did you get that information?

22 MS. MORGAN: Yes, I did.

23 ALJ WOLFE: Mr. Ronald, it's my understanding,  
24 if Staff is satisfied with the company's compliance with  
25 the rate case decision, at that time they'll file a motion

1 to withdraw the complaint before then?

2 MR. RONALD: Yes, Your Honor.

3 ALJ WOLFE: So if there's been no motion to  
4 withdraw the complaint we'll have a status conference on  
5 the April 29th date. If there's any further filing that  
6 needs to be made it can be made in this docket just as  
7 these documents that we received yesterday were made. You  
8 will send an original and 15 copies to Docket Control;  
9 correct?

10 MS. MORGAN: Yes, ma'am.

11 ALJ WOLFE: Is there anything further?

12 MR. RONALD: Also, Your Honor, just so the  
13 company understands, we're going to be looking at whether  
14 they're current on their WIFA payments, also.

15 ALJ WOLFE: I think Mr. Thompson indicated  
16 that he was going to check into that.

17 MR. THOMPSON: Yes, ma'am, I will.

18 ALJ WOLFE: Okay, if there's nothing further  
19 then you can get back to your vacation, Mr. Thompson.

20 MR. THOMPSON: Thank you very much. I'm  
21 baby-sitting right now. Thank you very much.

22 ALJ WOLFE: Thank you for calling in, we  
23 appreciate it.

24 MR. THOMPSON: Thank you.

25 MS. MORGAN: Thank you, everyone.

1 ALJ WOLFE: You're welcome, thank you  
2 Ms. Morgan. We're adjourned.  
3 (The prehearing conference concluded at  
4 1:49 p.m.)

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1 STATE OF ARIZONA )  
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WITNESS my hand this 15th day of March, 2005.

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