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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

MAR 17 2010

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF GRANITE MOUNTAIN WATER COMPANY, INC. FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-02467A-09-0333

IN THE MATTER OF THE APPLICATION OF GRANITE MOUNTAIN WATER COMPANY, INC. FOR APPROVAL OF FINANCINGS.

DOCKET NO. W-02467A-09-0334

PROCEDURAL ORDER

BY THE COMMISSION:

On June 30, 2009, Granite Mountain Water Company, Inc. ("Granite Mountain") filed with the Arizona Corporation Commission ("Commission") a Rate Application requesting a rate increase of \$14,797, equal to approximately 20 percent of its 2008 test year ("TY") total operating revenues of \$73,987.¹ Granite Mountain stated in its Rate Application that it had provided notice of the Rate Application to all of its customers on June 29, 2009, but the notice form included with the Rate Application failed to quantify the increase requested and did not include the pages from the Rate Application setting forth the current and proposed rates and charges. Granite Mountain's Rate Application showed that Granite Mountain had three long-term debts outstanding during the TY—a January 2004 loan in the amount of \$27,773.65; a March 2006 loan in the amount of \$26,365; and an April 2007 loan in the amount of \$78,655 (collectively referred to herein as the "three loans"). The Rate Application showed that the total amounts of the three loans were outstanding.

Also on June 30, 2009, in a separate docket, Granite Mountain filed a Financing Application requesting authority to obtain a line of credit in the amount of \$125,000, to be used primarily to fund

¹ Granite Mountain also stated its TY total operating revenues as \$74,122. It is currently unclear which figure is accurate.

1 the design and construction of a 50,000 gallon water storage tank, retaining wall, and required
2 fencing, and requesting authority to issue three promissory notes totaling \$132,793.65, which arose
3 from the three loans. Granite Mountain stated in the Financing Application that the three promissory
4 notes had already been paid in full from operations and were no longer outstanding obligations.
5 Granite Mountain also included an exhibit stating that Granite Mountain's customers had been
6 notified of the Financing Application on June 29, 2009, although it did not specify how the customers
7 had been notified or provide any additional proof of notice such as a dated bill insert.

8 On July 17, 2009, a Granite Mountain customer filed comments opposing the rate increase in
9 the Rate Application docket.

10 On July 30, 2009, the Commission's Utilities Division Staff ("Staff") filed a Letter of
11 Deficiency and Data Request in the Rate Application docket.

12 On August 11, 2009, a Procedural Order was issued consolidating the Rate Application
13 docket and the Financing Application docket and requiring Granite Mountain to mail each of its
14 customers notice of the consolidated matter by August 24, 2009, and to file certification of mailing
15 notice with the Commission by September 3, 2009.

16 On August 14, 2009, Granite Mountain filed a response to Staff's Letter of Deficiency and
17 Data Request. In its response, Granite Mountain provided revised Rate Application pages related to
18 revenues and its requested rate increase, plant, water loss, long-term debt, bill counts, and its balance
19 sheet and provided documentation for expenses. Granite Mountain showed its TY revenues as
20 \$74,122; stated that its water loss during the TY was partially due to non-billed meters that were not
21 being read and that consumed approximately 1,320,600 gallons during the TY; showed reduced
22 gallons pumped during the TY; and showed that the three loans were no longer outstanding and that
23 the entire principal balance for each had been paid during the TY.

24 On August 27, 2009, Granite Mountain filed certification of mailing notice of this
25 consolidated matter, including a copy of the notice provided to its customers.

26 On September 2, 2009, Staff issued a Second Letter of Deficiency and Data Request.

27 On September 15, 2009, a customer filed comments in opposition to the Rate Application.
28

1 On September 17, 2009, Granite Mountain filed a response to Staff's Letter of Deficiency and
2 Data Request. In its response, Granite Mountain provided revised Rate Application pages related to
3 plant, depreciation, and its balance sheet.

4 On October 19, 2009, Staff issued a letter of Sufficiency stating that Granite Mountain's
5 applications had met the Commission's sufficiency requirements and that Granite Mountain had been
6 classified as a Class D utility.

7 On December 1, 2009, a bundle of documents that appear to be revised Rate Application
8 pages were filed with the Commission. The documents, which include a number of handwritten
9 notations, are not accompanied by a cover sheet and do not in any other way identify who filed them.
10 Among other things, the documents show revised TY operating revenues of \$80,626; revised
11 proposed miscellaneous service charges; and revised plant in service for the TY. They also include a
12 copy of an "Easement and Agreement for Ninety Nine Years," dated December 28, 2001, between
13 the Paul D. and Rae Levie Trust, Granite Mountain, and Daniel Paul Levie ("Easement Agreement").
14 Under the Easement Agreement, Daniel Paul Levie grants to Granite Mountain two 20' x 20'
15 permanent well sites together with easements for the two existing wells, well sites, well houses, main
16 lines, water lines, pumps, and other facilities as they exist in, on, and over two properties owned by
17 him, in return for which Granite Mountain provides Daniel Paul Levie the sum of \$10.00 plus free
18 use of water on one of the properties, a discounted price for the use of water on the other property,
19 and forgiveness of existing accumulated charges for the first property.

20 On January 4, 2010, Staff filed its Staff Report for the Rate Application and Financing
21 Application, recommending that the Rate Application be approved using Staff's recommended rates
22 and charges and that the Financing Application be denied. Because Staff recommended a larger
23 revenue requirement than requested by Granite Mountain, Staff recommended that Granite Mountain
24 notify its customers of Staff's recommended increase in revenue and rates. Regarding the Financing
25 Application, Staff stated that the line of credit for which Granite Mountain requests approval has
26 already been secured by Granite Mountain without approval; that Granite Mountain has already
27 drawn on the line of credit; and that the construction project for which the line of credit was to be
28 used has already been completed with the exception of connecting the new storage tank to the

1 existing system. Staff added that Granite Mountain has not yet obtained an Approval to Construct
2 from the Arizona Department of Environmental Quality. Staff stated that the line of credit is not a
3 loan and recommends that it be classified as paid-in-capital, which needs no Commission approval.
4 Staff further stated that the other three loans included in the Financing Application need no further
5 consideration as they are paid in full.

6 Granite Mountain did not file a response to the Staff Report.

7 Nothing has been filed in the docket to indicate that Granite Mountain has provided its
8 customers notice of Staff's recommended increase in revenue and rates.

9 The record in this matter is not sufficient to allow the Commission to reach a decision on
10 either Granite Mountain's Rate Application or its Financing Application, as too many unanswered
11 questions remain. Thus, it is appropriate to hold a procedural conference in this matter to discuss the
12 questions that remain and how this matter will proceed.

13 It is also appropriate to require Granite Mountain to provide its customers with specific notice
14 of Staff's recommended revenue requirement and rates, as they are significantly increased from those
15 proposed by Granite Mountain. It is appropriate to delay the provision of such notice, however, until
16 after the procedural conference scheduled herein, as it may be necessary to schedule a hearing, and
17 one notice could be used for both purposes.

18 Finally, it is appropriate to suspend the timeframe in this matter to allow development of an
19 adequate record for the Commission to reach its decision.

20 IT IS THEREFORE ORDERED that a **procedural conference** in this matter shall be held on
21 **March 29, 2010, at 10:00 a.m.**, or as soon thereafter as is practicable, in Hearing Room No. 1 at the
22 Commission's Offices at 1200 West Washington Street, Phoenix, Arizona 85007, for the purpose of
23 discussing the questions that remain unanswered in the record for this matter and how this matter will
24 proceed.

25 IT IS FURTHER ORDERED that **the timeframe in this matter is hereby suspended.**

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

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

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

6 DATED this 17th day of March, 2010.

7
8 
9 SARAH N. HARPRING
10 ADMINISTRATIVE LAW JUDGE

11 Copies of the foregoing mailed/delivered
12 this 17th day of March, 2010, to:

13 Matthew Lauterbach, Chief Operating Officer
14 GRANITE MOUNTAIN WATER
15 COMPANY, INC.
16 2465 West Shane Drive
17 Prescott, Arizona 86305

18 Janice Alward, Chief Counsel
19 Legal Division
20 ARIZONA CORPORATION COMMISSION
21 1200 W. Washington Street
22 Phoenix, Arizona 85007

23 Steven M. Olea, Director
24 Utilities Division
25 ARIZONA CORPORATION COMMISSION
26 1200 W. Washington Street
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28 ARIZONA REPORTING SERVICE INC.
2200 N. Central Ave., Suite 502
Phoenix, AZ 85004-1481

29 By: 
30 Debra Broyles
31 Secretary to Sarah N. Harpring