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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

- KRISTIN K. MAYES - Chairman
- GARY PIERCE
- PAUL NEWMAN
- SANDRA D. KENNEDY
- BOB STUMP

IN THE MATTER OF THE APPLICATION OF
LAGOON ESTATES WATER COMPANY, INC.
FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-01825A-09-0345

PROCEDURAL ORDER

BY THE COMMISSION:

On July 2, 2009, Lagoon Estates Water Company, Inc., ("Lagoon") filed with the Arizona Corporation Commission ("Commission") an application for a rate increase, requesting an increase in revenues of \$30,000, or approximately 15 percent, over unaudited 2008 test year ("TY") operating revenues of \$199,609. Lagoon stated that it operated at a loss during the TY and showed an operating loss for the TY of \$6,281. Lagoon stated that it had mailed notice to each of its customers contemporaneously with filing its application, but the customer notice included with the application states incorrectly that Lagoon experienced an operating loss of \$30,055 during the TY. Lagoon's application shows excessive water loss for the TY, which Lagoon stated was partially due to its having irrigated a local youth sports field at no charge. Lagoon's application also shows that Lagoon does not currently have an irrigation rate, a standpipe rate, or a construction rate.

On July 22, 2009, Lagoon filed a revised application page.

On August 13, 2009, the Commission's Utilities Division Staff ("Staff") issued a Letter of Deficiency requesting additional data, and Lagoon filed two revised application pages.

On November 25, 2009, Staff issued a Letter of Sufficiency, classifying Lagoon as a Class D utility.

On December 4, 2009, a Procedural Order was issued requiring Lagoon to mail its customers revised notice of its rate application and to file certification of mailing notice and requiring Staff to file with Docket Control all of the documents provided to Staff by Lagoon and not yet docketed.

1 On December 30 and 31, 2009, Staff docketed the documents that had been submitted to it by
2 Lagoon in support of its application.

3 On January 5, 2010, Lagoon filed an affidavit of service stating that notice had been mailed to
4 each of its customers on December 30, 2009.

5 On January 15, 2010, a customer comment was docketed opposing the rate increase,
6 apparently due to the current state of the economy.

7 On January 20, 2010, a customer comment was docketed opposing the rate increase because
8 of water quality and service problems. The customer asserted that the water is an orange/brown
9 color, is so dirty that it stains everything with which it comes into constant contact, and cannot be
10 used for cooking without ruining cookware. The customer further asserted that the water is not
11 potable, that the lines are full of dirt and constantly in need of repair, that Lagoon's personnel often
12 damage lines and leave customers without service or running meters for days at a time, that home
13 plumbing equipment needs to be replaced frequently because of damage caused by the water, and that
14 many of the customer's neighbors purchase hauled water for drinking and cooking.

15 On February 10, 2010, Staff filed its Staff Report, recommending that Lagoon's rate
16 application be approved using Staff's recommended rates and charges. Staff did not address the
17 substance of the customer comments related to water quality and service problems. Staff's
18 recommended rates include a construction water rate, although the Staff Report does not mention
19 construction water elsewhere, and Lagoon does not currently have a construction water rate and did
20 not request a construction water rate in its application. In addition, Staff did not analyze whether
21 Lagoon's providing irrigation water for a local youth sports field at no charge is permissible under
22 Lagoon's current tariff.

23 On February 18, 2010, Lagoon filed comments to justify its requested \$5.00 late fee, for
24 which Staff did not recommend approval in the Staff Report.

25 The record in this matter currently is not adequate for the Commission to render a decision on
26 Lagoon's application. Thus, it is appropriate to require Lagoon to file additional information in
27 response to questions and to require Staff to file a response to Lagoon's filing. In addition, it is
28 appropriate to extend the Commission's time frame to issue its decision in this matter.

1 IT IS THEREFORE ORDERED that Lagoon shall, by May 24, 2010, file with Docket
2 Control responses to the following questions, along with any available supporting
3 documentation:

- 4 • What is Lagoon's response to the customer comments regarding water discoloration
5 and water quality problems?
- 6 • How frequently do Lagoon's water systems experience water discoloration?
- 7 • What is Lagoon's explanation for any water discoloration?
- 8 • Has Lagoon tested the discolored water to ensure that it complies with Arizona
9 Department of Environmental Quality maximum contaminant level standards? (If so,
10 please provide copies of the test results.)
- 11 • What has Lagoon done to remedy any water discoloration issues on its systems?
- 12 • How frequently has Lagoon had water service interruptions on its systems from
13 January 1, 2008, to the present?
- 14 • What is Lagoon's explanation for any such water service interruptions?
- 15 • Why did Lagoon irrigate a local youth sports field at no charge during the TY?
- 16 • Which of Lagoon's water systems irrigated the sports field?
- 17 • How much water was provided and over what period of time?
- 18 • Was the water provided to irrigate the sports field included in the water pumped figure
19 provided by Lagoon for one of its systems for the TY?
- 20 • Is the sports field associated with a Lagoon customer account?
- 21 • If so, how much would have been charged to the account for the irrigation water
22 provided during the TY if Lagoon had used its tariffed rates for the applicable meter
23 size to charge for the irrigation water?
- 24 • How does Lagoon typically provide irrigation water to its customers?
- 25 • How does Lagoon typically bill for irrigation water provided to its customers?
- 26 • Does Lagoon desire to have an approved irrigation rate?
- 27 • If so, what irrigation rate is proposed?

28

- 1 • What is Lagoon's explanation for the excessive water loss experienced by its smaller
- 2 system during the TY?
- 3 • What is Lagoon's current practice regarding construction water?
- 4 • How does Lagoon currently provide construction water—through unassigned
- 5 standpipes used by multiple customers (if so, how many), through assigned meters
- 6 used by one customer each (if so, how many construction meters are there and of what
- 7 size), or through both unassigned standpipes and assigned construction meters?
- 8 • How does Lagoon bill for construction water?
- 9 • How does Lagoon bill for standpipe water?

10 IT IS FURTHER ORDERED that **Staff shall, by June 21, 2010, file its response to**

11 **Lagoon's filing, which shall include an analysis of Lagoon's compliance with its current tariff**

12 **and any revisions that Staff desires to make to the Staff Report.**

13 IT IS FURTHER ORDERED that **Lagoon shall, by July 6, 2010, file any reply that it may**

14 **have to Staff's responsive filing, along with any available supporting documentation.**

15 IT IS FURTHER ORDERED that the **Commission's time frame to issue a decision in this**

16 **matter is hereby extended by 71 days.**

17 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules

18 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admission

19 *pro hac vice*.

20 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized

21 Communications) applies to this proceeding and shall remain in effect until the Commission's

22 Decision in this matter is final and non-appealable.

23 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive

24 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

25 DATED this 26th day of April, 2010.

27 
28 SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

1 Copies of the foregoing mailed/delivered
2 this 26th day of April, 2010, to:

3 Stanley Miller, Controller
4 LAGOON ESTATES WATER COMPANY, INC.
5 2600 North 44th Street, Suite 208
6 Phoenix, AZ 85008

7 Janice Alward, Chief Counsel, Legal Division
8 ARIZONA CORPORATION COMMISSION
9 1200 West Washington Street
10 Phoenix, AZ 85007

11 Steven M. Olea, Director, Utilities Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
14 Phoenix, AZ 85007

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By: 
Debra Broyles
Secretary to Sarah N. Harpring