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AZ CORP COMMISSION
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Arizona Corporation Commission

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MAR 25 2011

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COMMISSIONERS

- GARY PIERCE – Chairman
- BOB STUMP
- SANDRA D. KENNEDY
- PAUL NEWMAN
- BRENDA BURNS

IN THE MATTER OF THE COMMISSION ON
 ITS OWN MOTION INVESTIGATING THE
 FAILURE OF TRUXTON CANYON WATER
 COMPANY TO COMPLY WITH
 COMMISSION RULES AND REGULATIONS.

DOCKET NO. W-02168A-10-0247

STAFF'S CLOSING BRIEF

The Utilities Division of the Arizona Corporation Commission (“Staff”) submits the following Closing Brief in the above referenced matter. The brief addresses Staff’s recommendation concerning the transfer treatment of the Water Supply Agreement (“Agreement”) between the Claude K. Neal Family Trust (“Trust”) and the Valle Vista Property Owners Association (“Valle Vista”) to Truxton Canyon Water Company (“Truxton or Company”).

The Arizona Corporation Commission (“Commission”) issued an Order to Show Cause against Truxton on August 10, 2010, ordering the Company to appear before the Hearing Division and show cause why its actions do not constitute a violation of Arizona law and Commission rules and regulations. On September 2, 2010, a Procedural Order was issued by Administrative Law Judge Yvette Kinsey (“ALJ” or “Judge Kinsey”) setting a hearing date for January 18, 2010 and delineating a schedule for discovery and pre-filed testimony for the Company and Utilities Division Staff (“Staff”).

On December 21, 2010 Valle Vista filed a motion to intervene stating that as customers, property owners and as an Arizona corporation that any complaints, Staff recommendations or potential management and rate changes will have an impact upon Valle Vista. Despite being fully within Truxton’s certificated area, Valle Vista is currently not a customer or rate payer of the Company but instead receives water from the Trust through a separate water supply agreement

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1 (“Agreement”). Valle Vista was granted intervention on January 5, 2011. On January 18, 2011, a
2 full public hearing was held. Prior to hearing, Staff and Truxton entered into a Stipulated
3 Agreement¹ (“Stipulation”) concerning the alleged actions and Staff’s recommendations for the
4 Company. Consequently, a significant portion of the hearing focused on aspects of the Stipulation
5 that concerned Valle Vista, principally Staff’s recommendation concerning the transfer treatment of
6 the Agreement between the Trust and Valle Vista to Truxton. Due to inadequate public notice
7 provided by the Company, another day of hearing was scheduled for February 28, 2011.

8 During the February 28 hearing, there was additional discussion between the parties and the
9 ALJ concerning the transfer treatment of the Agreement between the Trust and Valle Vista. At the
10 conclusion of the hearing, Judge Kinsey directed each party to brief its position on the treatment of
11 the Agreement.

12 It is Staff’s opinion that Truxton should be serving all of the customers within its certificated
13 area, including Valle Vista. Staff’s recommendation, contained in Alexander Igwe’s Surrebuttal
14 Testimony at page 12, provides a realistic compromise for the Company and Valle Vista to achieve
15 the transition. Staff believes that many of the issues raised at the February 28 hearing delve into rate
16 setting matters best explored in the context of a full rate case.

17 It is Staff’s recommendation that the transfer of the Trust’s customers to the Company occur
18 within 30 days of the Commission’s Order in this matter. To facilitate the transfer of customers, Staff
19 has recommended that the Company be granted special contract rates for Valle Vista. The rate for
20 Valle Vista or “the Golf Course Rate” would be \$1.1437 per 1,000 gallons plus applicable tax rates.
21 Under conditions where the Company must supply water to Valle Vista from a source other than the
22 Heckberry Area Well Field, an additional charge of \$0.35 per 1,000 gallons, plus applicable tax
23 would also apply. Truxton would be required to file a revised tariff including these special contract
24 rates, subject to Staff’s approval, within 30 days of the effective date of the Order.²

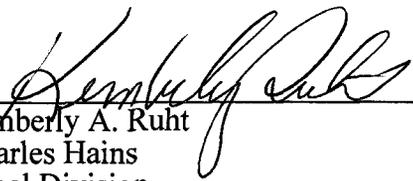
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27 ¹ Exhibit S-1: Stipulation Agreement between Utilities Division Staff and Truxton Canyon Water Company.
28 ² Exhibit S-3: Alex Igwe’s Surrebuttal Testimony at 12.

1 The issue concerning the treatment of the agreement between the Trust and Valle Vista is a
2 peripheral issue to those contained in the Order to Show Cause. To that end, Staff believes that the
3 current OSC may proceed to a decision utilizing Staff's compromise recommendation regarding the
4 treatment of the Agreement and the transfer of the Trust's water customers to the Company.

5 Staff respectfully requests that the Commission honor adopt Staff's recommended special
6 contract rate.

7 RESPECTFULLY SUBMITTED this 25th day of March, 2011.

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10 
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