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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION  
DOCKET CONTROL

DOCKETED BY

IN THE MATTER OF THE APPLICATION  
OF APPALOOSA WATER COMPANY  
FOR APPROVAL OF A FINANCING  
APPLICATION.

DOCKET NO. W-03443A-10-0143

IN THE MATTER OF THE APPLICATION  
OF APPALOOSA WATER COMPANY FOR  
APPROVAL OF A RATE INCREASE.

DOCKET NO. W-03443A-11-0040

**PROCEDURAL ORDER AMENDING  
PROCEDURAL RATE CASE SCHEDULE  
AND GRANTING MOTION TO  
CONSOLIDATE**

On April 10, 2011, Appaloosa Water Company ("Appaloosa" or "Company") filed with the Arizona Corporation Commission an application requesting approval to obtain financing through the Water Infrastructure Financing Authority in the amount of \$855,193 to construct a 500,000 gallon storage tank, to purchase an emergency generator, and to extend the Company's main line.

On January 26, 2011, Appaloosa filed with the Commission an application for a permanent increase in its water rates and charges, using a test year ending December 31, 2009. Appaloosa's application requested an increase in rates to generate an additional \$131,153 over total test year revenues.

On February 10, 2011, the Commission's Utilities Division ("Staff") filed a Request of Suspension of Timeclock ("Request"). In its Request, Staff stated that after Staff reviewed Appaloosa's Application and discussed the Application with Appaloosa, Appaloosa agreed to file an amended application using a 2010 test year. Staff requested a suspension of the timeclock until Appaloosa had filed its amended application.

On February 17, 2011, Appaloosa filed an amended application using a 2010 test year.

On February 24, 2011, by Procedural Order, Staff's Request of Suspension of Timeclock was granted.

On March 21, 2011, Mr. John E. Blann, Jr. filed a Motion to Intervene stating that he is a

1 residential customer of Appaloosa Water Company and that he will be impacted if an increase in  
2 water rates is granted. No objections were filed to Mr. Blann's request for intervention.

3 On April 19, 2011, by Procedural Order, Mr. John E. Blann, Jr.'s Motion to Intervene was  
4 granted.

5 On June 22, 2011, Appaloosa filed a second amended application using a test year ending  
6 December 31, 2010. The amended application requests authorization to increase its rates to generate  
7 an additional \$140,888 in annual revenues, approximately a 100percent increase over its reported test  
8 year revenues of \$140, 888.

9 On July 22, 2011, Staff issued a Letter of Sufficiency in this docket stating that Appaloosa's  
10 application has met the sufficiency requirements as outlined in A.A.C. R14-2-103 and that Appaloosa  
11 has been classified as a Class C utility.

12 On July 26, 2011, by Procedural Order, the hearing in this matter was scheduled to commence  
13 on January 17, 2012 and other procedural deadlines were established.

14 On August 2, 2011, Staff filed a Motion to Consolidate requesting consolidation of  
15 Appaloosa's Rate Application (Docket No. W-03443A-11-0040), with its Financing Application  
16 (Docket No. W-03443A-11-0143).<sup>1</sup> The Motion states that issues involved in the two applications  
17 are substantially related and consolidation will allow for the efficient use of Staff's resources in  
18 analyzing these matters.

19 Staff's request for consolidation of the Rate Application and Finance Application dockets is  
20 reasonable and should be granted. The July 26, 2011, Procedural Order contained abbreviated  
21 timeframes for processing this case and Staff will require the amount of time allocated pursuant to  
22 A.A.C. R14-2-103(B)(11)(b), for its review and analysis of the rate application. Accordingly, the  
23 procedural schedule must be revised to accommodate these now consolidated proceedings and the  
24 date for the hearing rescheduled to avoid conflicts with the Commission's Hearing calendar.

25 Pursuant to A.A.C. R14-2-103 and A.A.C. R14-3-101 *et seq.*, the Commission now issues this  
26 Procedural Order to govern the preparation and conduct of this proceeding.

27  
28 <sup>1</sup> On April 10, 2010, Appaloosa filed an application with the Commission requesting approval to obtain financing through the Water Infrastructure Financing Authority in the amount of \$855,193 to construct a 500,000 gallon storage tank, to purchase an emergency generator, and to extend of the Company's main line.

1 IT IS THEREFORE ORDERED that the **hearing** scheduled for **January 17, 2012, at 10:00**  
2 **a.m., is hereby rescheduled to March 5, 2012,** or as soon thereafter as is practicable, at the  
3 Commission's offices, 1200 West Washington Street, **Hearing Room No. 1,** Phoenix, Arizona.  
4 **Additional hearing dates** shall proceed on **March 6, 2012, in Hearing Room No. 1,** if necessary.

5 IT IS FURTHER ORDERED that the **Staff Report or direct testimony and associated**  
6 **exhibits** to be presented at hearing by **Staff** shall be reduced to writing and filed on or before  
7 **December 5, 2011.**

8 IT IS FURTHER ORDERED that the **direct testimony and associated exhibits** to be presented  
9 at hearing by intervenor(s) shall be reduced to writing and filed on or before **December 5, 2011.**

10 IT IS FURTHER ORDERED that the **rebuttal testimony and associated exhibits** to be  
11 presented at hearing by **Appaloosa** shall be reduced to writing and filed on or before **January 10, 2012.**

12 IT IS FURTHER ORDERED that the **surrebuttal testimony and associated exhibits** to be  
13 presented at hearing by **Staff or intervenors** shall be reduced to writing and filed on or before  
14 **February 3, 2012.**

15 IT IS FURTHER ORDERED that any **rejoinder testimony and associated exhibits** to be  
16 presented at hearing by **Appaloosa** shall be reduced to writing and filed on or before **February 21, 2012.**

17 IT IS FURTHER ORDERED that **any objections to testimony or exhibits** that have been  
18 filed as of **February 21, 2012,** shall be made on or before **February 27, 2012.**

19 IT IS FURTHER ORDERED that **any substantive corrections, revisions, or supplements**  
20 **to the pre-filed testimony** shall be reduced to writing and filed no later than **February 27, 2012.**

21 IT IS FURTHER ORDERED that **Appaloosa and Staff** shall file a joint Status Report  
22 discussing any issues that have been resolved and how they were resolved on or before **February 27, 2012.**

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1 IT IS FURTHER ORDERED that Appaloosa shall provide public notice of the hearing in  
 2 this matter, in the following form and style, with the heading in no less than 12-point bold type:

3 **PUBLIC NOTICE OF HEARING ON THE APPLICATION OF**  
 4 **APPALOOSA WATER COMPANY FOR AUTHORITY TO OBTAIN**  
 5 **FINANCING AND APPROVAL OF A RATE INCREASE.**  
 6 **(DOCKET NO. W-03443A-10-0143 ET AL.)**

7 On April 10, 2010, Appaloosa Water Company ("Appaloosa" or "Company") filed  
 8 with the Arizona Corporation Commission ("Commission") an application for  
 9 authorization to obtain financing through the Water Infrastructure Financing Authority  
 10 ("WIFA") in the amount of \$855,193 to construct a 500,000 gallon storage tank, to  
 11 purchase an emergency generator, and to extend the Company's main line.

12 On January 26, 2011, Appaloosa filed an application with the Commission requesting  
 13 approval for a permanent increase in its water rates and charges, using a test year  
 14 ending December 31, 2009. On June 22, 2011, Appaloosa filed an amended rate  
 15 application using a test year ending December 31, 2010. The amended application  
 16 requests authorization to increase its water rates to generate an additional \$140,888 in  
 17 annual revenues, approximately a 100percent increase over its reported test year  
 18 revenues of \$140,888. The amended rate application requests an increase in monthly  
 19 minimum service charges, in commodity charges for metered customers, in service  
 20 line and meter installation charges, and in service related charges. The amended  
 21 application states that a rate increase is needed due to an increase in postal rates,  
 22 property taxes, and arsenic removal costs. Additionally, the amended application  
 23 states that the increase is needed so that the Company can purchase new software for  
 24 billing, construct a new storage tank, electrical generator system, and replace its  
 25 existing meters to reduce its water loss.

26 Appaloosa's financing and rate applications have been consolidated for further  
 27 processing by the Commission.

28 The Commission's Utilities Division Staff ("Staff") is in the process of auditing and  
 analyzing Appaloosa's records and has not yet made a recommendation regarding  
 Appaloosa's rate or finance applications. The Commission is not bound by the  
 proposals made by Appaloosa, Staff, or any intervenors. The Commission will issue a  
 Decision regarding Appaloosa's rate and finance applications following consideration  
 of testimony and evidence presented at an evidentiary hearing. The final rates and  
 financing authority approved by the Commission may be higher or lower than those  
 proposed by Appaloosa or Staff.

Copies of the applications are available at Appaloosa's offices [insert addresses] and  
 at the Commission's offices at 1200 West Washington Street, Phoenix, Arizona, for  
 public inspection during regular business hours, and on the internet via the  
 Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-docket function.

The Commission will hold a hearing on the consolidated applications on **March 5, 2012, at  
 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, **Hearing Room  
 No. 1**, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.  
 Written public comments may be submitted via e-mail (visit  
<http://www.azcc.gov/Divisions/Utilities/consumerservices.asp> for instructions), or by  
 mailing a letter referencing Docket No. W-03443A-10-0143 et. al., to: Arizona  
 Corporation Commission, Consumer Services Section, 1200 West Washington Street,

1 Phoenix, Arizona 85007. If you require assistance, you may contact the Consumer  
2 Services Section at 1-800-222-7000 or 602-542-4251.

3 The law provides for an open public hearing at which, under appropriate  
4 circumstances, interested parties may intervene. Any person or entity entitled by law  
5 to intervene and having a direct and substantial interest in the matter will be permitted  
6 to intervene. If you wish to intervene, you must file an original and 13 copies of a  
7 written motion to intervene with the Commission no later than **October 28, 2011**, and  
8 send a copy of the motion to Appaloosa or its counsel and to all parties of record.  
9 Your motion to intervene must contain the following:

- 10 1. Your name, address, and telephone number and the name, address, and  
11 telephone number of any person upon whom service of documents is to be  
12 made, if not yourself;
- 13 2. A short statement of your interest in the proceeding (e.g., a customer of  
14 Appaloosa, etc.); and
- 15 3. A statement certifying that you have mailed a copy of the motion to  
16 intervene to Appaloosa or its counsel and to all parties of record in the case.

17 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except  
18 that all motions to intervene must be filed on or before **October 28, 2011**. If  
19 representation by counsel is required by Arizona Supreme Court Rules 31 and 38,  
20 intervention will be conditioned upon the intervenor obtaining counsel to represent the  
21 intervenor. For information about requesting intervention, visit the Commission's  
22 website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of  
23 intervention, among other things, entitles a party to present sworn evidence at hearing  
24 and to cross-examine other witnesses. However, failure to intervene will not preclude  
25 any interested person or entity from appearing at the hearing and providing public  
26 comment on the application or from filing written comments in the record of the case.

27 The Commission does not discriminate on the basis of disability in admission to its  
28 public meetings. Persons with a disability may request a reasonable accommodation  
such as a sign language interpreter, as well as request this document in an alternative  
format, by contacting the ADA Coordinator Shaylin Bernal, e-mail  
SAbernal@azcc.gov, voice phone number 602-542-3931. Requests should be made as  
early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that by **August 31, 2011**, Appaloosa shall mail a copy of the  
above notice to each of its customers in its service area and shall cause the above notice to be  
published in a newspaper(s) of general circulation in its service territory.

IT IS FURTHER ORDERED that Appaloosa shall file certification of mailing and  
publication as soon as practicable after mailing/publication has been completed, but not later than  
**September 20, 2011**.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing/  
publication, notwithstanding the failure of an individual customer to read or receive the notice.

1 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,  
2 except that all **Motions to Intervene** must be filed on or before **October 28, 2011**.

3 IT IS FURTHER ORDERED that **any objections to intervention** shall be filed on or before  
4 **November 14, 2011**.

5 IT IS FURTHER ORDERED that any motion filed in this matter, other than a motion to  
6 intervene, that is not ruled upon by the Commission within 20 calendar days of the filing date of the  
7 motion shall be deemed denied.

8 IT IS FURTHER ORDERED that any response to a motion, other than responses to motions  
9 to intervene, shall be filed within five calendar days of the filing date of the motion.

10 IT IS FURTHER ORDERED that any reply related to a motion shall be filed within five  
11 calendar days of the filing date of the response to the motion.

12 IT IS FURTHER ORDERED that the timeclock in this matter remains suspended.

13 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized  
14 Communications) applies to this proceeding, as the matter is now set for public hearing, and shall  
15 remain in effect until the Commission's Decision in this matter is final and non-appealable.

16 IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules  
17 31 and 38 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

18 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance  
19 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Arizona  
20 Supreme Court Rule 42). Representation before the Commission includes the obligation to appear at  
21 all hearings, procedural conferences, and Open Meetings for which the matter is scheduled for  
22 discussion, unless counsel has previously been granted permission to withdraw by the Administrative  
23 Law Judge or Commission.

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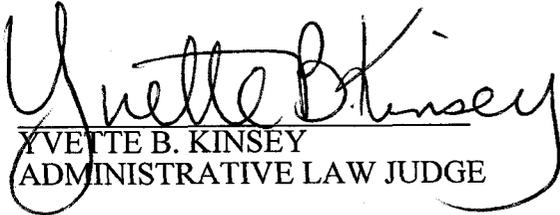
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1 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
2 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

3 DATED this 5<sup>th</sup> day of August, 2011.

4  
5  
6   
7 YVETTE B. KINSEY  
ADMINISTRATIVE LAW JUDGE

8 Copies of the foregoing mailed  
9 this 5<sup>th</sup> day of August 2011, to:

10 Joe Cordova, President  
11 APPALOOSA WATER COMPANY  
12 P.O. Box 3150  
13 Chino Valley, AZ 86323

14 John E. Blann, Jr.  
15 2925 Harrison Drive  
16 Chino Valley, AZ 86323

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

22 Steven M. Olea, Director  
23 ARIZONA CORPORATION COMMISSION  
24 1200 West Washington Street  
25 Phoenix, Arizona 85007

26 ARIZONA REPORTING SERVICE, INC.  
27 2200 North Central Avenue, Suite 502  
28 Phoenix, AZ 85004-1481

By:   
Debra Broyles  
Secretary to Yvette B. Kinsey