

ORIGINAL



0000129842

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

RECEIVED

Arizona Corporation Commission

DOCKETED

2011 SEP 20 P 1:02

SEP 20 2011

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS EASTERN GROUP AND FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-11-0310

PROCEDURAL ORDER

BY THE COMMISSION:

On August 5, 2011, Arizona Water Company ("AWC") filed with the Arizona Corporation Commission ("Commission") an application requesting adjustments to its rates and charges for utility service provided by its Eastern Group water systems, including its Superstition (Apache Junction, Superior, and Miami); Cochise (Bisbee and Sierra Vista); San Manuel; Oracle; SaddleBrooke Ranch; and Winkelman water systems. AWC's rate application uses a test year ending December 31, 2010. In addition to requesting an overall increase in revenue, AWC's application proposes consolidation of the Bisbee and Sierra Vista water systems into the Cochise water system; consolidation of the San Manuel, Oracle, and SaddleBrooke Ranch water systems into the Falcon Valley water system; authorization of an arsenic cost recovery mechanism ("ACRM") for the Eastern Group water systems such as the ACRM authorized in Decision No. 71845 (August 25, 2010) for the Sedona and Superstition water systems; authorization to implement a Distribution System Improvement Charge ("DSIC"); authorization to implement Off-Site Facilities Fees of \$3,500 and up for new service connections in the service area; and continuation of a Monitoring Assistance Program ("MAP") surcharge previously authorized for the Eastern Group water systems.

On September 6, 2011, the Commission's Utilities Division ("Staff") filed a Letter of Sufficiency stating that AWC's rate application has met the sufficiency requirements as outlined in

1 Arizona Administrative Code (“A.A.C.”) R14-2-103 and that AWC has been classified as a Class A
2 Utility.

3 AWC’s Western Group water systems currently have a permanent rate case application
4 pending in Docket No. W-01445A-10-0517 (“Western Group rate case”), for which an evidentiary
5 hearing is scheduled to commence on February 21, 2012. In the Western Group rate case, AWC
6 revealed that it would be filing a rate application for the Eastern Group water systems in mid-to-late
7 2011, and Staff agreed to use its best efforts to process both rate applications within the timeline
8 required by A.A.C. R14-2-103.

9 On September 8, 2011, a Procedural Order was issued in this docket scheduling a procedural
10 conference for September 19, 2011, at 10:00 a.m., at the Commission’s offices in Phoenix, for the
11 purpose of discussing the scheduling for this matter.

12 On September 14, 2011, the Residential Utility Consumer Office (“RUCO”) filed an
13 Application to Intervene and Request to Modify the Procedural Schedule, stating that counsel for
14 RUCO had a scheduling conflict and was unable to attend the procedural conference on September
15 19, 2011, at 10:00 a.m.

16 On September 15, 2011, a Procedural Order was issued moving the procedural conference on
17 September 19, 2011, to 1:00 p.m.

18 On September 19, 2011, the procedural conference was held, as scheduled, at the
19 Commission’s offices in Phoenix, Arizona. AWC, Staff, and RUCO appeared through counsel, and
20 RUCO was granted intervention without objection. The scheduling for this matter was discussed,
21 and it was determined that the hearing in this matter will commence on May 14, 2012, at 10:00 a.m.
22 and continue, as necessary, starting at 9 a.m. on May 15-18, 21, and 24-25. As Staff’s engineering
23 witness, Katrin Stukov, will be unavailable for several weeks beginning May 21, it was agreed that
24 her testimony will be taken out of order if necessary to accommodate her absence. Dates were also
25 established for the filing of testimony, the filing of any settlement agreement, and a prehearing
26 conference.

27 It is now necessary and appropriate to establish the procedural schedule in this matter.

28 IT IS THEREFORE ORDERED that the **hearing** in this matter shall commence on **May 14,**

1 **2012, at 10:00 a.m.**, in Hearing Room No. 1 at the Commission's offices at 1200 West Washington
2 Street, Phoenix, Arizona 85007, and shall continue, as necessary, at **9:00 a.m. on May 15-18, May**
3 **21, and May 24-25, 2012.**

4 IT IS FURTHER ORDERED that the **pre-hearing conference** in this matter shall be held on
5 **May 9, 2012, at 1:00 p.m.**, in Hearing Room No. 1 at the Commission's offices in Phoenix, Arizona.

6 IT IS FURTHER ORDERED that the **direct testimony** and associated exhibits to be
7 presented at hearing by **Staff or an intervenor** shall be reduced to writing and filed on or before
8 **March 2, 2012.**

9 IT IS FURTHER ORDERED that **any settlement agreement** reached by the parties **shall be**
10 **filed by March 30, 2012.**

11 IT IS FURTHER ORDERED that **rebuttal testimony** and associated exhibits to be presented
12 at hearing by **AWC** shall be reduced to writing and filed by **March 30, 2012.**

13 IT IS FURTHER ORDERED that **surrebuttal testimony** and associated exhibits to be
14 presented by **Staff or intervenors** shall be reduced to writing and filed on or before **April 23, 2012.**

15 IT IS FURTHER ORDERED that **rejoinder testimony** and associated exhibits to be
16 presented at hearing by **AWC** shall be reduced to writing and filed on or before **May 7, 2012.**

17 IT IS FURTHER ORDERED that **all testimony filed shall include a table of contents** which
18 lists the issues discussed.

19 IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m.** on the date the
20 filing is due, unless otherwise indicated above.

21 IT IS FURTHER ORDERED that **each party shall individually prepare, and bring to the**
22 **pre-hearing conference, copies of an issues matrix** setting forth all disputed issues in the case.
23 Each party's matrix shall indicate the position of each party on each disputed issue and shall indicate
24 whether the disputed issue remains in dispute or has been resolved, in prefiled testimony or
25 otherwise.

26 IT IS FURTHER ORDERED that any **objections to prefiled testimony or exhibits** shall be
27 made before or at the pre-hearing conference to be held in this matter.

28 IT IS FURTHER ORDERED that any **substantive corrections, revisions, or supplements**

1 **to prefiled testimony**, with the exception of rejoinder testimony, shall be reduced to writing and filed
2 no later than five calendar days before the witness is scheduled to testify. Substantive corrections,
3 revisions, or supplements to prefiled rejoinder testimony shall be reduced to writing and presented on
4 the first day of hearing.

5 IT IS FURTHER ORDERED that each party shall prepare a brief, **written summary** of the
6 prefiled testimony of each of its witnesses and **shall file each summary at least two working days**
7 **before the witness is scheduled to testify.**

8 IT IS FURTHER ORDERED that copies of the summaries shall be served upon the
9 Administrative Law Judge, the Commissioners, and the Commissioners' aides as well as the parties
10 of record.

11 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
12 except that **all motions to intervene must be filed on or before December 30, 2011.**

13 IT IS FURTHER ORDERED that **discovery** shall be as permitted by law and the rules and
14 regulations of the Commission, except that **until March 30, 2012**, any objection to discovery
15 requests shall be made within 7 calendar days of receipt¹ and responses to discovery requests shall be
16 made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made
17 within 5 calendar days and responses shall be made within 7 calendar days. The response time may
18 be extended by mutual agreement of the parties involved if the request requires an extensive
19 compilation effort.

20 IT IS FURTHER ORDERED that for discovery requests, objections, and answers, if a
21 receiving party requests service to be made electronically, and the sending party has the technical
22 capability to provide service electronically, service to that party shall be made electronically.

23 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
24 discovery, any party seeking resolution of a discovery dispute may telephonically contact the
25 Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery
26 dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and

27 _____
28 ¹ The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. Arizona time will be considered as received the next business day.

1 that the party making such a request shall forthwith contact all other parties to advise them of the
2 hearing date and shall at the hearing provide a statement confirming that the other parties were
3 contacted.²

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

7 IT IS FURTHER ORDERED that any response to a motion shall be filed within five calendar
8 days of the filing date of the motion.

9 IT IS FURTHER ORDERED that any reply shall be filed within five calendar days of the
10 filing date of the response.

11 IT IS FURTHER ORDERED that AWC shall provide public notice of the hearing in this
12 matter, in the following form and style, with the heading in no less than 18-point bold type and the
13 body in no less than 10-point regular type:

14 **PUBLIC NOTICE OF HEARING ON THE APPLICATION OF ARIZONA WATER**
15 **COMPANY FOR A PERMANENT RATE INCREASE**
16 **(DOCKET NO. W-01445A-11-0310)**

17 **Summary**

18 On August 5, 2011, Arizona Water Company ("AWC") filed with the Arizona
19 Corporation Commission ("Commission") an application requesting adjustments to its
20 rates and charges for utility service provided by its Eastern Group water systems,
21 including its Superstition (Apache Junction, Superior, and Miami); Cochise (Bisbee
22 and Sierra Vista); San Manuel; Oracle; SaddleBrooke Ranch; and Winkelman water
23 systems. AWC's rate application uses a test year ending December 31, 2010, and
24 requests an increase in revenues of \$5,268,560, or approximately 25.68 percent over
25 test year total operating revenues. In addition to requesting an overall increase in
26 revenues, AWC's application proposes consolidation of the Bisbee and Sierra Vista
27 water systems into the Cochise water system; consolidation of the San Manuel, Oracle,
28 and SaddleBrooke Ranch water systems into the Falcon Valley water system;
authorization of an arsenic cost recovery mechanism ("ACRM") for the Eastern Group
water systems such as the ACRM authorized in Decision No. 71845 (August 25, 2010)
for the Sedona and Superstition water systems; authorization to implement a
Distribution System Improvement Charge ("DSIC"); authorization to implement Off-
Site Facilities Fees of \$3,500 and up for new service connections in the service area;
and continuation of a Monitoring Assistance Program ("MAP") surcharge previously
authorized for the Eastern Group water systems.

² The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

1 The Commission's Utilities Division ("Staff") is in the process of auditing and
 2 analyzing the application, and has not yet made any recommendations regarding
 3 AWC's proposed rate increase. The Commission will determine the appropriate relief
 4 to be granted based on the evidence presented by the parties. **THE COMMISSION
 5 IS NOT BOUND BY THE PROPOSALS MADE BY AWC, STAFF, OR ANY
 6 INTERVENORS; THEREFORE, THE FINAL RATES APPROVED BY THE
 7 COMMISSION MAY DIFFER FROM AND MAY BE HIGHER OR LOWER
 8 THAN THE RATES REQUESTED BY AWC OR RECOMMENDED BY
 9 OTHER PARTIES.**

How You Can View or Obtain a Copy of the Rate Proposal

6 Copies of the application and proposed rates are available from AWC [COMPANY
 7 INSERT HOW AND WHERE AVAILABLE] and at the Commission's Docket
 8 Control Center at 1200 West Washington, Phoenix, Arizona, for public inspection
 9 during regular business hours, and on the Internet via the Commission's website
 10 (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

10 The Commission will hold a hearing on this matter in Hearing Room No. 1 at the
 11 Commission's offices at 1200 West Washington Street, Phoenix, Arizona 85007. The
 12 **hearing will commence on May 14, 2012, at 10:00 a.m.** Oral public comments will
 13 be taken on the first day of hearing.

13 Written public comments may be submitted by mailing a letter referencing Docket No.
 14 W-01445A-11-0310 to Arizona Corporation Commission, Consumer Services Section,
 15 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and
 16 instructions on how to e-mail comments to the Commission, go to
 17 <http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf>. If you
 18 require assistance, you may contact the Consumer Services Section at 1-800-222-
 19 7000.

About Intervention

17 The law provides for an open public hearing at which, under appropriate
 18 circumstances, interested parties may intervene. Any person or entity entitled by law
 19 to intervene and having a direct and substantial interest in the matter will be permitted
 20 to intervene. If you wish to intervene, you must file an original and 13 copies of a
 21 written motion to intervene with the Commission no later than **December 30, 2011**,
 22 and send a copy of the motion to AWC or its counsel and to all parties of record.
 23 Your motion to intervene must contain the following:

- 21 1. Your name, address, and telephone number, and the name, address, and
 22 telephone number of any party upon whom service of documents is to
 23 be made, if not yourself;
- 24 2. A short statement of your interest in the proceeding (e.g., a customer of
 25 AWC, a shareholder of AWC, etc.); and
- 26 3. A statement certifying that you have mailed a copy of the motion to
 27 intervene to AWC or its counsel and to all parties of record in the case.

26 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except
 27 that all motions to intervene must be filed on or before December 30, 2011. If
 28 representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme
 Court, intervention will be conditioned upon the intervenor obtaining counsel to
 represent the intervenor. For information about requesting intervention, visit the

1 Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.
2 The granting of intervention, among other things, entitles a party to present sworn
3 evidence at hearing and to cross-examine other witnesses. However, failure to
4 intervene will not preclude any interested person or entity from appearing at the
5 hearing and providing public comment on the application or from filing written
6 comments in the record of the case.

4 **ADA/Equal Access Information**

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

8 IT IS FURTHER ORDERED that AWC shall, **as soon as possible, but no later than**
9 **November 4, 2011, mail** to each of its customers a copy of the above notice as a bill insert **and**
10 **cause a copy of such notice to be published at least once in a newspaper(s) of general circulation**
11 **in AWC's service territory.**

12 IT IS FURTHER ORDERED that AWC shall **file certification of mailing and publication**
13 **as soon as possible** after the mailing and publication have been completed, but **no later than**
14 **November 25, 2011.**

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

17 IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules
18 31 and 38 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.


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

25 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
26 Communications) applies to this proceeding and shall remain in effect until the Commission's
27 Decision in this matter is final and non-appealable.
28

1 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
2 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

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

6 DATED this 20th day of September, 2011.

7
8 
9 SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

10 Copies of the foregoing mailed/delivered
11 this 20th day of September, 2011, to:

12 Steven A. Hirsch
13 Stanley B. Lutz
14 BRYAN CAVE, LLP
Two North Central Avenue, Suite 2200
Phoenix, AZ 85004-4406
Attorneys for Arizona Water Company

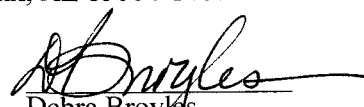
15 Robert Geake
16 ARIZONA WATER COMPANY
P.O. Box 29006
Phoenix, AZ 85038

17 Daniel W. Pozefsky
18 RESIDENTIAL UTILITY CONSUMER OFFICE
1110 West Washington Street, Suite 220
Phoenix, AZ 85007

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

22 Steven M. Olea, Director
23 Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
24 Phoenix, AZ 85007

25 ARIZONA REPORTING SERVICE, INC.
26 2200 N. Central Ave., Suite 502
Phoenix, AZ 85004-1481

27 By: 
28 Debra Broyles
Secretary to Sarah N. Harpring