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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

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

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AZ CORP COMMISSION DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF MORENCI WATER AND ELECTRIC COMPANY FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. E-01049A-11-0300

IN THE MATTER OF THE APPLICATION OF MORENCI WATER AND ELECTRIC COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES FOR ITS WATER DEPARTMENT.

DOCKET NO. W-01049A-11-0311

RATE CASE
PROCEDURAL ORDER

BY THE COMMISSION:

On July 29, 2011, Morenci Water and Electric Company ("MWE" or "Company") filed with the Arizona Corporation Commission ("Commission") an Application to establish new rates for both its Water and Electric Departments (Docket No. E-01049A-11-0300).

On August 3, 2011, MWE filed a Notice of Errata that corrected its proposed rate structure for its Water Department.

On August 8, 2011, MWE filed a separate application requesting new rates for its Water Department (Docket No. W-01049A-11-0311), in order to clarify that the Company was seeking rates for the Water Division as well as the Electric Division.

On August 9, 2011, MWE filed a Motion to Consolidate the two dockets.

On September 27, 2011, in both dockets, MWE filed a letter to request an extension of time to determine the sufficiency of the two rate applications. MWE states that the extension is being requested in order for the Company to provide the Commission's Utilities Division ("Staff") with additional information.

On October 6, 2011, MWE filed an Amendment to its Application, submitting revised schedules in support of its Application for both its Water and Electric Departments.

1 On November 21, 2011, Staff filed a Request for Procedural Schedule which states that after
2 conferring with the Company, the parties jointly propose the following procedural schedule:

| | |
|--|-----------------|
| 3 Staff/Intervenors Direct Testimony | April 25, 2012 |
| 4 Staff/ Intervenors Rate Design/Cost of Service | May 9, 2012 |
| 5 Company Rebuttal | June 22, 2012 |
| 6 Staff/Intervenors Surrebuttal | July 23, 2012 |
| 7 Company Rejoinder | August 10, 2012 |
| 8 Prehearing Conference | August 16, 2012 |
| 9 Hearing | August 20, 2012 |

10 Staff states further that Staff does not oppose the Company's request to consolidate these matters.

11 Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to
12 govern the preparation and conduct of this proceeding.

13 IT IS THEREFORE ORDERED that Docket Nos. E-01049A-11-300 and W-01049A-11-0311
14 are consolidated.

15 IT IS FURTHER ORDERED that a **hearing in this matter is hereby scheduled to**
16 **commence on August 20, 2012, at 10:00 a.m.**, or as soon thereafter as is practical, at the
17 Commission's Tucson offices **400 West Congress, Room 222, Tucson, Arizona 85701.**

18 IT IS FURTHER ORDERED that a **telephonic pre-hearing conference in this matter is**
19 **hereby scheduled to commence on August 16, 2012, at 10:00 a.m.**, or as soon thereafter as is
20 practical, at the Commission's Tucson offices **400 West Congress, Room 218, Tucson, Arizona**
21 **85701.** Parties should contact the Hearing Division at 602 542-4250, prior to the date of the pre-
22 hearing conference to obtain instructions for telephonic participation.

23 IT IS FURTHER ORDERED that **direct testimony** and associated exhibits (except that
24 related to rate design and cost of service) to be presented at hearing on behalf of **Staff and**
25 **intervenors shall be reduced to writing and filed on or before April 25, 2012.**

1 IT IS FURTHER ORDERED that **direct testimony** and associated exhibits **related to rate**
2 **design and cost of service** to be presented at hearing on behalf of **Staff and intervenors** shall be
3 reduced to writing and filed on or before **May 9, 2012**.

4 IT IS FURTHER ORDERED that **rebuttal testimony** and associated exhibits to be presented
5 at hearing by the **Company** shall be reduced to writing and filed on or before **June 22, 2012**.

6 IT IS FURTHER ORDERED that any **surrebuttal testimony** and associated exhibits to be
7 presented by **Staff or intervenors** shall be reduced to writing and filed on or before **August 10,**
8 **2012**.

9 IT IS FURTHER ORDERED that any **rejoinder testimony and associated exhibits** to be
10 presented at hearing by the **Company** shall be reduced to writing and filed on or before **August 10,**
11 **2012**.

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

14 IT IS FURTHER ORDERED that any **objections to testimony or exhibits that have been**
15 **prefiled shall be made before, or at, the August 16, 2012, pre-hearing conference.**

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

18 IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to
19 prefiled testimony, with the exception of rejoinder testimony, shall be reduced to writing and filed no
20 later than five calendar days before the witness is scheduled to testify. Substantive corrections,
21 revisions, or supplements to prefiled rejoinder testimony shall be reduced to writing and presented on
22 the first day of hearing.

23 IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the
24 prefiled testimony of each of their witnesses and **shall file each summary at least two working**
25 **days before the witness is scheduled to testify.**

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

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 April 11, 2012.**

3 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
4 regulations of the Commission, except that until July 23, 2012, any objection to discovery requests
5 shall be made within 7 calendar days of receipt¹ and responses to discovery requests shall be made
6 within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made within
7 5 calendar days and responses shall be made within 7 calendar days. The response time may be
8 extended by mutual agreement of the parties involved if the request requires an extensive compilation
9 effort.

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

13 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
14 discovery, any party seeking resolution of a discovery dispute may telephonically contact the
15 Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery
16 dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and
17 that the party making such a request shall forthwith contact all other parties to advise them of the
18 hearing date and shall at the hearing provide a statement confirming that the other parties were
19 contacted.²

20 IT IS FURTHER ORDERED that any responses to motions shall be filed within five calendar
21 days of the filing date of the motion.

22 IT IS FURTHER ORDERED that any replies shall be filed within five calendar days of the
23 filing date of the response.

24
25
26
27 ¹ The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. MST
will be considered as received the next business day.

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

1 IT IS FURTHER ORDERED that any motions which are filed in this matter and which are
 2 not ruled upon by the Commission within 20 calendar days of the filing date of the motion shall be
 3 deemed denied.

4 IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in
 5 this matter, in the following form and style with the heading in no less than 14-point bold type and
 6 the body in no less than 10-point regular type:

7 **PUBLIC NOTICE OF HEARING ON THE APPLICATION OF**
 8 **MORENCI WATER AND ELECTRIC COMPANY**
 9 **FOR A RATE INCREASE**
 10 **(DOCKET NO. E-01049A-11-0300)**
 11 **(DOCKET NO. W-01049A-11-0311)**

12 **Summary**

13 On July 29, and August 9, 2011, Morenci Water and Electric Company ("MWE"
 14 or "Company") filed applications with the Arizona Corporation Commission
 15 ("Commission") to establish rates for both its Water Department (Docket No. W-
 16 01049A-11-0311) and Electric Department (Docket No. E-01049A-11-0300). The
 17 dockets have been consolidated.

18 **Water Department**

19 MWE operates water systems in Morenci and Clifton and seeks to maintain
 20 separate rate structures for each system.

21 For Morenci, MWE proposes a gross revenue increase of \$193,069, or
 22 approximately 33.16 %, for a return of negative 10.8 % on a fair value rate base
 23 of \$3,294,872. MWE proposes phasing-in the increase in three steps over two
 24 years. If the Company's proposal for Morenci were to be adopted by the
 25 Commission in its entirety, in Step 1, a customer with a 5/8 inch meter, with an
 26 average monthly consumption of 8,675 gallons, would see a bill increase of \$2.01,
 27 or 9.55%, from \$21.01 to \$23.02. In Step 2, the average 5/8 inch meter customer
 28 would see a bill increase of \$2.33, or 10.14%, from \$23.02 to \$25.35. In Step 3,
 the average 5/8 inch meter customer would see a bill increase of \$2.43, or 9.6%,
 from \$25.35 to \$27.78. At the end of the third step, the cumulative increase would
 total \$6.77, or 32.22%, for the average 5/8 inch meter customer.

For Clifton, MWE proposes a gross revenue increase of \$58,304, or
 approximately 33.39 %, for a return of negative 11.10% on a fair value rate base
 of \$585,414. MWE proposes phasing-in the increase in three steps over two years.
 If the Company's proposal for Clifton were to be adopted by the Commission in
 its entirety, in Step 1, a customer with a 5/8 inch meter, with an average monthly
 consumption of 7,268 gallons, would see a bill increase of \$1.73, or 10.23%, from
 \$16.96 to \$18.69. In Step 2, the average 5/8 inch meter customer would see a bill
 increase of \$1.97, or 10.5%, from \$18.69 to \$20.66. In Step 3, the average 5/8

1 inch meter customer would see a bill increase of \$2.06, or 9.99%, from \$20.66 to
 2 \$22.72. At the end of the third step, the cumulative increase would total \$5.76, or
 33.96%, for the average 5/8 inch meter customer.

3 These examples are for illustrative purposes only, and the actual percentage rate
 4 increase for individual customers would vary depending upon meter size, service
 5 type, and quantity of service provided.

6 Electric Department

7 MWE is requesting an increase in revenues of \$12,744, or 0.02%, for its Electric
 8 Department, for a 5.75% rate of return on a fair value rate base of \$19,992,153.
 9 MWE proposes no overall rate increase for residential and small commercial
 10 customers, by maintaining the monthly service charge at \$5.50 for residential and
 small commercial customers, and establishing an adjusted energy charge of
 \$0.07628 per kWh. The Company is proposing a new large commercial customer
 class for users of over 60,000 kWh per year, proposing to set the monthly service
 charge for these customers at \$35.00.

11 If the Commission adopts the Company's proposal in its entirety, the average
 12 residential customers using 604 kWh a month, would not experience a change in
 13 the current average bill of \$51.57 (excluding taxes and Renewable Energy
 Charge). Neither does the Company estimate that the average small commercial
 14 customer, using 1,262 kWh a month would experience a change in the current bill
 of \$101.77. Under the Company's proposal, the average large commercial
 15 customer using 29,030 kWh per month, would experience a monthly increase of
 \$29.50, or 1.31%, from \$2,219.91 to \$2,249.41.

16 These examples are for illustrative purposes only and the actual percentage rate
 17 increase for individual customers would vary depending upon the type and
 18 quantity of service provided.

19 The Commission's Utilities Division Staff ("Staff") is in the process of auditing
 20 and analyzing the applications, and has not yet made any recommendations
 regarding MWE's proposed rates. The Commission will determine the
 21 appropriate relief to be granted based on the evidence presented by the parties.
 The Commission is not bound by the proposals made by MWE, Staff, or any
 22 intervenors; therefore, the final rates approved by the Commission may be higher
 or lower than the rates requested by the Company.

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

24 Copies of the application and proposed rates are available from MWE
 [COMPANY INSERT HOW AND WHERE AVAILABLE], at the
 25 Commission's Docket Control Center at 1200 West Washington, Phoenix,
 Arizona, and at the Commission's Tucson Office at Room 218, 400 West
 26 Congress, Tucson, Arizona, for public inspection during regular business hours
 and on the Internet via the Commission's website (www.azcc.gov) using the e-
 27 Docket function.
 28

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning on **August 20, 2012, at 10:00 a.m., or as soon as practical thereafter at the Commission's Tucson offices, Room 222, 400 West Congress St, Tucson, Arizona 85701.** Public comments will be taken at the beginning of the hearing. Written public comments may be submitted by mailing a letter referencing Docket Nos. E-01049A-11-0300 and W-01049A-11-0311 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than April 11, 2012, and send a copy of the motion to MWE or its counsel and to all parties of record. Your motion to intervene must contain the following:

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

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before April 11, 2012. If 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 Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of intervention, amount other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable

1 accommodation such as a sign language interpreter, as well as request this
2 document in an alternative format, by contacting the ADA Coordinator, Shaylin
3 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.

4 IT IS FURTHER ORDERED that MWE shall **mail** to each of its customers a copy of the
5 above notice, (may be included as a bill insert) **such mailing to be complete by January 31, 2012,**
6 and shall cause a copy of such notice to be **published** at least once in a newspaper of local circulation
7 in the Company's service territories, with **publication to be completed no later than January 31,**
8 **2012.**

9 IT IS FURTHER ORDERED that **MWE shall file certification of mailing/publication** as
10 soon as practicable after the mailing/publication has been completed.

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

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

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

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

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

27 IT IS FURTHER ORDERED that given the Company's agreement to extend the period to
28

1 determine sufficiency and the jointly proposed hearing schedule, the deadline for a final order in this
2 matter pursuant to A.A.C. R14-2-103 shall be deemed to be November 30, 2012.

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 30th day of November, 2011.

8
9 
10 JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

11 Copies mailed this 30th day
12 of November, 2011 to:

13 Michael W. Patten, Esq.
14 Jason D. Gellman
15 Roshka De Wulf & Patten, PLC
16 One Arizona Center
17 400 East Van Buren Street, Suite 800
18 Phoenix, AZ 85004
19 Attorneys for MWE

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25 By: 
26 Jane L. Rodda
27
28