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FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Pima Utility Company

2012 JUN 20 P 12: 32

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

JUN 20 2012

DOCKETED BY
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF PIMA UTILITY COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN
ITS WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-02199A-11-0329

IN THE MATTER OF THE APPLICATION
OF PIMA UTILITY COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN
ITS WASTEWATER RATES AND
CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: SW-02199A-11-0330

**NOTICE OF FILING LATE FILED
EXHIBITS**

Pima Utility Company ("Pima" or "Company") hereby submits this Notice of Filing Late Filed Exhibits in the above-referenced matter. The following exhibits are attached:

1. A letter dated June 18, 2012 from Meritage Homes Construction ("Meritage") to Steven M. Soriano confirming that Meritage is the successor developer to Hancock-MTH Builders, Inc. ("Hancock-MTH"). Hancock-MTH is the developer under the agreements dated April 20, 2004 between Pima and Hancock-MTH entitled "Agreement Relating to Extension of Water Distribution Facilities," and "Agreement

1 Relating to Extension of Wastewater Collection Facilities” (the “LXAs”). See Hearing
2 Exhibits S-1 and R-15.

3 2. A copy of Pima (Water Division) check #319333 for \$54,410.55 payable to
4 Meritage; and a copy of Pima (Sewer Division) check #319334 for \$38,367.15 payable to
5 Meritage. These checks represent the calculated refunds owed to Meritage under the
6 LXAs.

7 3. A letter dated June 19, 2012 signed by Austin Woffinden, Vice President
8 and Regional Counsel for Meritage, acknowledging receipt of payment from Pima.

9 4. A schedule showing computation of impact of latest information on line
10 extension agreements and developer refunds.

11 By way of explanation, during the trial Staff introduced Hearing Exhibit S-3.¹ This
12 SEC filing suggested that Meritage might have succeeded Hancock-MTH before the
13 Hancock bankruptcy.² In an effort to eliminate an issue in dispute, the Company agreed
14 to and did contact Meritage to determine for certain that they were the successor entity.³
15 Meritage confirmed that it is the successor as the letter dated June 18, 2012 from Meritage
16 filed herewith reflects. (See Exhibit 1.)

17 Having found the developer under the LXAs, Pima further represented that it
18 would pay the refunds due under the LXAs and propose pro forma adjustments in its final
19 schedules.⁴ Staff’s witness agreed that payment of the refund would constitute a known
20 and measurable change to the test year and agreed to make the appropriate adjustments in
21 its final schedules.⁵ Those refunds have now been paid as reflected in the copies of the
22

23 ¹ Staff counsel did provide a copy of this document to undersigned counsel just prior to trial.

24 ² Tr. at 109:13 – 110:13.

25 ³ *Id.* at 110:19 – 111:6.

26 ⁴ *Id.* at 461:17 – 462:6.

⁵ *Id.*; see also *id.* at 462:7-20.

1 two checks and the letter dated June 19, 2012 acknowledging receipt filed herewith. (See
2 Exhibits 2 and 3.)

3 The last exhibit filed herewith illustrates the adjustments the Company will make
4 in its final schedules. For the water division, the Company is proposing an AIAC balance
5 of \$374,236 and a gross CIAC balance of \$632,418 with an accumulated amortization
6 balance of \$346,223. For the wastewater division, the Company is proposing an AIAC
7 balance of \$0 and a gross CIAC balance of \$1,242,739 with an accumulated amortization
8 balance of \$601,088. This reflects a change from rejoinder when the Company proposed
9 an AIAC balance of \$0 and a gross CIAC balance of \$1,056,007 with an accumulated
10 amortization balance of \$346,223 for the water division and an AIAC balance of \$0 and a
11 gross CIAC balance of \$1,281,739 with an accumulated amortization balance of \$578,093
12 for the wastewater division.⁶ At that time, Pima was in agreement with RUCO to move
13 the unrefunded LXA balances to CIAC because it was believed the developer went
14 bankrupt.⁷

15 RUCO's adjustment transferred the water division's test year-end AIAC balance of
16 \$374,236 to CIAC.⁸ RUCO's adjustment also transferred to CIAC accounts payable
17 related to the water division's AIAC totaling \$49,353.⁹ The accounts payable portion
18 represented amounts Pima had previously scheduled to refund but had not for the reasons
19 stated above. The combined total of \$423,589 therefore represented the total unrefunded
20 AIAC at the end of the test year and the amount transferred to the water division's CIAC
21 balance.¹⁰ Similarly, RUCO's adjustment transferred the wastewater division's test year-

22 ⁶ See Company Rejoinder Schedule B-2, page 2 (water and wastewater).

23 ⁷ See Tr. at 101:4-20; Rejoinder Testimony of Thomas J. Bourassa – Rate Base, Income Statement, and
24 Rate Design at 6.

25 ⁸ See RUCO Surrebuttal Schedule RBM-6; Company Rejoinder Schedule B-2, page 5.

26 ⁹ *Id.*

¹⁰ *Id.*

1 end AIAC balance of \$285,313 to CIAC.¹¹ RUCO's adjustment also transferred to CIAC
2 accounts payable related to the wastewater division's AIAC totaling \$58,099.¹² The
3 accounts payable portion represented amounts Pima had previously scheduled to refund
4 but had not for the reasons stated above. The combined total of \$343,412 therefore
5 represented the total unrefunded AIAC at the end of the test year and the amount
6 transferred to the wastewater division's CIAC balance.¹³

7 Now that the refunds due through the end of the test year have been made, again a
8 known and measurable change, with respect to the water division, the Company proposes
9 to adjust the test year end AIAC balance of \$374,236 downward by \$0 for a proposed
10 balance of \$374,236. The \$0 is computed as follows:

11	AIAC related accounts payable at end of test year	\$ 49,353
12	Refund through December 31, 2010	\$(49,353)
13	Adjustment to AIAC balance	\$(0)

14 The Company proposes no adjustment to the water division's gross CIAC balance
15 at the end of the test year of \$632,418.

16 With respect to the wastewater division, the Company proposes to adjust the test
17 year end AIAC balance of \$285,313 to \$0. Since the contract expired at the end of the test
18 year, there should be no AIAC balance. The Company proposes to increase the test year
19 end gross CIAC balance of \$937,694 by \$285,313. The Company also proposes to
20 increase the wastewater division's gross CIAC balance by \$19,732 to reflect additional
21 amounts related to AIAC that should be transferred to CIAC to reflect the refund due
22 through June 30, 2009. The \$19,732 is computed as follows:

23	AIAC related accounts payable at end of test year	\$ 58,099
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24 ¹¹ See RUCO Surrebuttal Schedule TJC-5; Company Rejoinder Schedule B-2, page 5.

25 ¹² *Id.*

26 ¹³ *Id.*

1	Refund through June 30, 2009	\$ (38,367)
2	Adjustment to CIAC balance	\$ 19,732

3 The combined increase to the wastewater division's gross CIAC balance of
4 \$937,694 is \$305,045, for a total gross CIAC balance of \$1,242,739.

5 Finally, since the wastewater division's line extension agreement expired in June
6 2009, a year and a half before the end of the test year, the Company proposes to increase
7 the wastewater division's test year-end accumulated amortization balance of \$578,093 by
8 \$22,995 for a total balance of \$601,088. This adjustment is necessary as it represents the
9 additional amortization on the \$305,045 transfer from AIAC to CIAC through the end of
10 the test year. A mismatch will occur if the additional amortization is not accounted for.
11 The additional accumulated amortization is computed as follows:

12	[1] Additional amounts transferred to CIAC	\$305,045
13	[2] Amortization rate for 2009	5.0154%
14	[3] Amortization for 2009 (half-year convention) [1]x[2]x0.5	\$ 7,650
15	[4] Additional amounts transferred to CIAC	\$305,045
16	[5] Amortization rate for 2010	5.0304%
17	[6] Amortization for 2010 [4]x[5]	<u>\$15,345</u>
18	Total additional amortization [3]+[6]	\$22,995

19 Pima believes this payment and the resulting adjustments are consistent with its
20 representations at trial in this matter concerning the resolution of this disputed issue.
21 Pima is filing this information in advance of the filing of final schedules and briefs to
22 allow the parties an opportunity to confirm the payments that have been made and the
23 impact on the schedules. Pima will promptly respond to any requests for additional
24 information from Staff and RUCO.

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RESPECTFULLY SUBMITTED this 20th day of June, 2012.

FENNEMORE CRAIG, P.C.

By 
Jay L. Shapiro
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Attorneys for Pima Utility Company

ORIGINAL and thirteen (13) copies of the foregoing were delivered this 20th day of June, 2012, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

COPY of the foregoing was delivered this 20th day of June, 2012, to:

Teena Jibilian, ALJ
Hearing Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Robin Mitchell, Esq.
Scott Hesla, Esq.
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Daniel W. Pozefsky
RUCO
1110 W. Washington Street, Suite 220
Phoenix, AZ 85007

By: 
7067759.2/075040.0025

PIMA UTILITY COMPANY
Docket Nos: W-02199A-11-0329 and SW-02199A-11-0330

Notice of Filing
June 20, 2012

Exhibit 1



Austin Woffinden
Vice President –
Regional Counsel
Austin.Woffinden@meritagehomes.com
Direct: 480-515-8071
Fax: 480-375-2904

June 18, 2012

VIA ELECTRONIC MAIL

Steven M. Soriano
Senior Vice President and CFO
Robson Communities, Inc.
9532 East Riggs Road
Sun Lakes, AZ 85248
Fax: (480) 895-5455
Email: steve.soriano@robson.com

Dear Mr. Soriano:

This is to advise you that Meritage Homes Construction, Inc., an Arizona corporation (“Meritage”) is the successor to Hancock-MTH Builders, Inc. Specifically, Meritage is the successor developer in the two agreements between Hancock-MTH Builders and Pima Utility Company entitled “Agreement Relating to Extension of Water Distribution Facilities” and “Agreement Relating to Extension of Wastewater Collection Facilities,” both of which are dated April 20, 2004.

We have reviewed the schedule Pima Utility provided which calculated refunds owed under those two agreements and understand we will now be receiving refund payments from Pima. The first, in the amount of \$38,367.15, constitutes 5 years of refunds under the agreement related to the sewer facilities. We further understand that agreement is now expired and there will not be further refunds. The second payment will be in the amount of \$54,410.55, which amount is equal to 7 years of refunds under the water agreement. We further understand that there are 3 years remaining under that agreement and therefore we will receive 3 additional refund payments over the next three years beginning in or around September 2012.

Very truly yours,

A handwritten signature in black ink, appearing to read "Austin Woffinden", written over a horizontal line.

Austin Woffinden
Vice President – Regional Counsel

17851 N. 85th Street
Suite 300
Scottsdale, AZ 85255

p. 480.515.8100
f. 480.998.9178

PIMA UTILITY COMPANY
Docket Nos: W-02199A-11-0329 and SW-02199A-11-0330

Notice of Filing
June 20, 2012

Exhibit 2

PIMA UTILITY COMPANY (Water Division)

JPMorgan Chase Bank, N.A.

Stub
1 of 1

Check No. 319333
Date 06/19/12

Invoice Number	Inv Date	Payment Advice	Gross	Discount	Net
0619127751925515	061912	Water AIAC Refund 7/4-6/11	54,410.55		54,410.55
			-----	-----	-----
			54,410.55		54,410.55

Vendor No. 1925515	Name MERITAGE HOMES CONSTRUCTI	Address
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THIS CHECK IS VOID WITHOUT A GREEN & BLUE BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW

PIMA UTILITY COMPANY (Water Division)
9532 E Riggs Rd
Sun Lakes, AZ 85248-7411

JPMorgan Chase Bank, N.A.
201 N Central Ave Dept 383
Phoenix, AZ 85038

91-2/1221

319333

VOID

Date	Amount
06/19/12	***54,410.55

Pay

FIFTY FOUR THOUSAND FOUR HUNDRED TEN AND 55/100 *****

Dollars

To
The
Order
Of
MERITAGE HOMES CONSTRUCTION INC

PIMA UTILITY COMPANY (Water Division)

JPMorgan Chase Bank, N.A.

Stub
1 of 1

Check No. 319333
Date 06/19/12

Invoice Number	Inv Date	Payment Advice	Gross	Discount	Net
0619127751925515	061912	Water AIAC Refund 7/4-6/11	54,410.55		54,410.55
			-----	-----	-----
			54,410.55		54,410.55

Vendor No. 1925515	Name MERITAGE HOMES CONSTRUCTI	Address
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PIMA UTILITY COMPANY (Sewer Division)

JPMorgan Chase Bank, N.A.

Stub
1 of 1

Check No. 319334
Date 06/19/12

Invoice Number	Inv Date	Payment Advice	Gross	Discount	Net
0619127761925515	061912	Sewer AIAC Refund 7/4-6/09	38,367.15		38,367.15
			-----	-----	-----
			38,367.15		38,367.15

Vendor No. 1925515	Name MERITAGE HOMES CONSTRUCTI	Address
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THIS CHECK IS VOID WITHOUT A GREEN & BLUE BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW

PIMA UTILITY COMPANY (Sewer Division)
9532 E Riggs Rd
Sun Lakes, AZ 85248-7411

JPMorgan Chase Bank, N.A.
201 N Central Ave Dept 383
Phoenix, AZ 85038

91-2/1221

319334

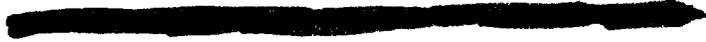
VOID

Date	Amount
06/19/12	***38,367.15

Pay

THIRTY EIGHT THOUSAND THREE HUNDRED SIXTY SEVEN AND 15/100 *****
Dollars

To
The
Order
Of
MERITAGE HOMES CONSTRUCTION INC



PIMA UTILITY COMPANY (Sewer Division)

JPMorgan Chase Bank, N.A.

Stub
1 of 1

Check No. 319334
Date 06/19/12

Invoice Number	Inv Date	Payment Advice	Gross	Discount	Net
0619127761925515	061912	Sewer AIAC Refund 7/4-6/09	38,367.15		38,367.15
			-----	-----	-----
			38,367.15		38,367.15

Vendor No. 1925515	Name MERITAGE HOMES CONSTRUCTI	Address
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PIMA UTILITY COMPANY
Docket Nos: W-02199A-11-0329 and SW-02199A-11-0330

Notice of Filing
June 20, 2012

Exhibit 3



Steven M. Soriano
Executive Vice President and CFO
Voice (480) 895-4219
Fax (480) 895-5455
E-mail: soriano@robson.com

June 19, 2012

Mr. Austin Woffinden
Vice President – Regional Counsel
Meritage Homes Corporation
17851 N. 85th Street, Suite 300
Scottsdale, AZ 85255

Dear Mr. Woffinden:

In connection with the “Agreement Relating to Extension of Water Distribution Facilities” and “Agreement Relating to Extension of Wastewater Collection Facilities,” Pima Utility Company has issued two checks (see attached) to Meritage Homes Construction, Inc. in the amounts of \$54,410.55 and \$38,367.15 for refunds due under these agreements.

Would you please sign or initial below indicating that Meritage Homes Construction, Inc. hereby acknowledges receipt of the aforementioned checks and email or fax a copy of the letter to me and our attorney Jay Shapiro at jshapiro@fclaw.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven M. Soriano", written over a horizontal line.

Steven M. Soriano

Attachments

Handwritten initials in black ink, appearing to be "AW", written above a horizontal line.

Austin Woffinden
Vice President – Regional Counsel

V:\SSORIANO\Pima Utility Co\Meritage Letter 6-19-12.doc

PIMA UTILITY COMPANY
Docket Nos: W-02199A-11-0329 and SW-02199A-11-0330

Notice of Filing
June 20, 2012

Exhibit 4

Pima Utilities Company
Computation of Impact of Latest Information on LXA's and Proposed Developer Refunds

	<u>Water Division</u>		
	[A]	[B]	[C]
	<u>Rejoinder</u>	<u>Revision</u>	<u>Difference</u>
[1] Plant-in-Service	\$ 14,571,659	\$ 14,571,659	\$ -
[2] Accumulated Depreciation	(4,788,552)	(4,788,552)	-
[3] Net Plant-in-Service	<u>\$ 9,783,107</u>	<u>\$ 9,783,107</u>	<u>\$ -</u>
Less:			
[4] Advances-in-Aid of Construction	\$ (0)	\$ 374,236	\$ 374,236
[5] Contributions-in-aid of Construction	1,056,007	632,418	(423,589)
[6] Accumulated Amortization	(346,223)	(346,223)	-
[7] Rate Base	<u>\$ 9,073,324</u>	<u>\$ 9,122,677</u>	<u>\$ 49,353</u>
[8] Depreciation	\$ 667,321	\$ 688,387	\$ 21,066
[9] Return \$'s @ 8.29% [7] x 8.29%			\$ 4,091
[10] GRCF on Return \$'s			1.3986
[11] Return \$'s with gross-up [9] x [10]			\$ 5,722
[12] Total Impact due to Revisions [8]+[11]			\$ 26,789

Water Division Notes

The LXA for the water division is not yet expired.
Line 4, col. B equals originally proposed AIAC balance of \$374,236 plus related A/P of 49,353 less the proposed refund \$49,353.
Line 5, col. B equals originally proposed CIAC gross balance
Line 6, col. B equals originally proposed A.A balance

	<u>Wastewater Division</u>		
	[A]	[B]	[C]
	<u>Rejoinder</u>	<u>Revision</u>	<u>Difference</u>
[1] Plant-in-Service	\$ 22,039,554	\$ 22,039,554	\$ -
[2] Accumulated Depreciation	(11,503,741)	(11,503,741)	-
[3] Net Plant-in-Service	<u>\$ 10,535,813</u>	<u>\$ 10,535,813</u>	<u>\$ -</u>
Less:			
[4] Advances-in-Aid of Construction	\$ (0)	\$ (0)	-
[5] Contributions-in-aid of Construction	1,281,106	1,242,739	(38,367)
[6] Accumulated Amortization	(578,093)	(601,088)	(22,995)
[7] Rate Base	<u>\$ 9,832,800</u>	<u>\$ 9,894,163</u>	<u>\$ 61,362</u>
[8] Depreciation	\$ 1,013,793	\$ 1,015,623	\$ 1,830
[9] Return \$'s @ 8.29% [7] x 8.29%			\$ 5,087
[10] GRCF on Return \$'s			1.3986
[11] Return \$'s with gross-up [9] x [10]			\$ 7,115
[12] Total Impact due to Revisions [8]+[11]			\$ 8,945

Wastewater Division Notes

The LXA for the wastewater division expired in June 2009. Therefore, the AIAC balance should be zero.
Line 5, col. B equals originally proposed CIAC gross balance of \$937,694 plus \$305,045 of transferred AIAC.
The \$305,045 to the originally proposed AIAC balance of \$285,313 plus the related A/P of \$58,099 less the proposed refund of \$38,367.
Line 6, col. B equals originally proposed A.A balance plus amortization on the \$305,045 of AIAC transferred to CIAC through the end of test year. See note above.