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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.

DOCKET NO. W-01412A-12-0195

PROCEDURAL ORDER

BY THE COMMISSION:

On May 30, 2012, Valley Utilities Water Company, Inc. ("Valley Utilities") filed with the Arizona Corporation Commission ("Commission") an application requesting an order establishing the fair value of its plant and property used to provide water utility services and approving permanent rates and charges designed to produce a fair return thereon. Valley Utilities asserted that its current rates and charges, established in Decision No. 71482 (February 3, 2010), are inadequate to provide Valley Utilities a fair rate of return on the fair value of its plant and property devoted to public water utility service. Valley Utilities asserted that for its test year ending December 31, 2011 ("TY"), it had adjusted gross revenues of \$1,454,522, adjusted operating income of \$19,630, and a fair value rate base ("FVRB") of \$2,201,395, for a rate of return of 0.89 percent. Valley Utilities requested an increase in revenues of \$157,015, or 10.79 percent, and asserted that this increase would result in a rate of return on its FVRB of 6.451 percent. Valley Utilities further requested that the Commission make permanent the Arsenic Remediation Surcharge Mechanism ("ARSM") approved in Decision No. 71287 (October 7, 2009), which is set to expire on the earlier of August 31, 2013, or the effective date of the rates established in this proceeding.

On July 3, 2012, the Commission's Utilities Division ("Staff") filed a Letter of Sufficiency stating that Valley Utilities' rate application had met the sufficiency requirements as outlined in Arizona Administrative Code ("A.A.C.") R14-2-103 and that Valley Utilities had been classified as a

1 Class B Utility.

2 On July 5, 2012, a Procedural Order was issued establishing a procedural schedule for this
3 matter, which included a procedural conference to be held on July 20, 2012, for the purpose of
4 discussing the procedural schedule and any additional preliminary issues raised by the parties.

5 On July 6, 2012, Valley Utilities filed a Motion for Changes to Procedural Order (“Motion”),
6 requesting changes to the deadlines for prefiled testimony other than rejoinder testimony and to the
7 dates for the prehearing conference and hearing. Valley Utilities also requested that the July 20,
8 2012, procedural conference be vacated or rescheduled, due to the unavailability of lead counsel, and
9 asserted that Staff had no objection to the requested schedule changes. Valley Utilities also stated
10 that alternate counsel was available to attend the July 20, 2012, procedural conference if held.

11 On July 20, 2012, a procedural conference was held as scheduled before a duly appointed
12 Administrative Law Judge of the Commission, at the Commission’s offices in Phoenix, Arizona, with
13 Valley Utilities and Staff appearing through counsel. It was determined that the deadlines for
14 prefiled testimony other than rejoinder testimony would be altered as requested in the Motion; that
15 the deadline for rejoinder testimony would be February 19, 2013; and that the dates for the prehearing
16 conference and hearing would be altered as requested in the Motion. It was further determined that a
17 Procedural Order would be issued setting forth the revised procedural schedule, with any additional
18 conforming date changes.

19 Thus, it is now reasonable and appropriate to amend the procedural schedule for this matter as
20 discussed at the procedural conference of July 20, 2012.

21 IT IS THEREFORE ORDERED that the procedural schedule established in the Procedural
22 Order of July 5, 2012, is hereby vacated.

23 IT IS FURTHER ORDERED that the **hearing** in this matter shall commence on **February**
24 **27, 2013, at 10:00 a.m.**, in Hearing Room No. 1 at the Commission’s offices at 1200 West
25 Washington Street, Phoenix, Arizona 85007, and shall continue, as necessary, at **9:00 a.m. on**
26 **February 28 and March 1, 2013.**

27 IT IS FURTHER ORDERED that the **pre-hearing conference** in this matter shall be held on
28 **February 22, 2013, at 1:00 p.m.**, in Hearing Room No. 1 at the Commission’s offices in Phoenix,

1 Arizona.

2 IT IS FURTHER ORDERED that the **direct testimony** and associated exhibits to be
3 presented at hearing by **Staff or an intervenor** shall be reduced to writing and filed on or before
4 **December 31, 2012.**

5 IT IS FURTHER ORDERED that **rebuttal testimony** and associated exhibits to be presented
6 at hearing by **Valley Utilities** shall be reduced to writing and filed on or before **January 18, 2013.**

7 IT IS FURTHER ORDERED that **surrebuttal testimony** and associated exhibits to be
8 presented by **Staff or intervenors** shall be reduced to writing and filed on or before **February 8,**
9 **2013.**

10 IT IS FURTHER ORDERED that **rejoinder testimony** and associated exhibits to be
11 presented at hearing by **Valley Utilities** shall be reduced to writing and filed on or before **February**
12 **19, 2013.**

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

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

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

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

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

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

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

7 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
8 except that **all motions to intervene must be filed on or before October 12, 2012.**

9 IT IS FURTHER ORDERED that **discovery** shall be as permitted by law and the rules and
10 regulations of the Commission, except that **until January 18, 2013**, any objection to discovery
11 requests shall be made within 7 calendar days of receipt¹ and responses to discovery requests shall be
12 made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made
13 within 5 calendar days and responses shall be made within 7 calendar days. The response time may
14 be extended by mutual agreement of the parties involved if the request requires an extensive
15 compilation effort.

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

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

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.
Arizona time 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 motion, other than a Motion to Intervene, that is filed
 2 in this matter and that is not ruled upon within 20 calendar days of the filing date of the motion shall
 3 be deemed denied.

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

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

8 IT IS FURTHER ORDERED that **Valley Utilities shall provide public notice of the**
 9 **hearing** in this matter, in the following form and style, with the heading in no less than 18-point bold
 10 type and the body in no less than 10-point regular type:

11 **PUBLIC NOTICE OF HEARING ON THE APPLICATION OF VALLEY UTILITIES**
 12 **WATER COMPANY, INC. FOR A PERMANENT RATE INCREASE**
 13 **(DOCKET NO. W-01412A-12-0195)**

14 **Summary**

15 On May 30, 2012, Valley Utilities Water Company, Inc. ("Valley Utilities") filed with
 16 the Arizona Corporation Commission ("Commission") an application requesting a
 17 permanent increase in its rates and charges for water utility services. Valley Utilities
 18 asserted that its current rates and charges, established in Decision No. 71482 (February
 19 3, 2010), are inadequate to provide Valley Utilities a fair rate of return on the fair
 20 value of its plant and property devoted to public water utility service. Valley Utilities
 21 asserted that for its test year ending December 31, 2011 ("TY"), it had adjusted gross
 revenues of \$1,454,522, adjusted operating income of \$19,630, and a fair value rate
 base ("FVRB") of \$2,201,395, for a rate of return of 0.89 percent. Valley Utilities
 requested an increase in revenues of \$157,015, or 10.79 percent, and asserted that this
 increase would result in a rate of return on its FVRB of 6.451 percent. Valley Utilities
 further requested that the Commission make permanent the Arsenic Remediation
 Surcharge Mechanism ("ARSM") approved in Decision No. 71287 (October 7, 2009),
 which is set to expire on the earlier of August 31, 2013, or the effective date of the
 rates established in this proceeding.

22 Under Valley Utilities' proposal, the monthly bill for a residential customer served by
 23 a ¾" meter, with average monthly usage of 9,425 gallons, would increase from \$38.78
 24 to \$43.80, an increase of \$5.02 or 12.96%. The current arsenic remediation surcharge
 of \$8.26 per month would also be retained, bringing the customer's total monthly bill
 to \$52.06.

25 The Commission's Utilities Division ("Staff") is in the process of auditing and
 26 analyzing the application, and has not yet made any recommendations regarding
 Valley Utilities' proposed rate increase. The Commission will determine the
 appropriate relief to be granted based on the evidence presented by the parties. **THE**
 27 **COMMISSION IS NOT BOUND BY THE PROPOSALS MADE BY VALLEY**
 28 **UTILITIES, STAFF, OR ANY INTERVENORS; THEREFORE, THE FINAL**
RATES APPROVED BY THE COMMISSION MAY DIFFER FROM AND

1 **MAY BE HIGHER OR LOWER THAN THE RATES REQUESTED BY**
2 **VALLEY UTILITIES OR RECOMMENDED BY OTHER PARTIES.**

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

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

9 **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 February 27, 2013, at 10:00 a.m.** Oral public comments
13 will be taken on the first day of hearing.

14 Written public comments may be submitted by mailing a letter referencing Docket No.
15 W-01412A-12-0195 to Arizona Corporation Commission, Consumer Services Section,
16 1200 West Washington, Phoenix, AZ 85007, or by e-mail. For a form to use and
17 instructions on how to e-mail comments to the Commission, go to
18 http://www.azcc.gov/divisions/utilities/forms/1_publiccommentform.pdf. If you
19 require assistance, you may contact the Consumer Services Section at 1-800-222-
20 7000.

21 **About Intervention**

22 The law provides for an open public hearing at which, under appropriate
23 circumstances, interested parties may intervene. Any person or entity entitled by law
24 to intervene and having a direct and substantial interest in the matter will be permitted
25 to intervene. If you wish to intervene, you must file an original and 13 copies of a
26 written motion to intervene with the Commission no later than **October 12, 2012**, and
27 send a copy of the motion to Valley Utilities or its counsel and to all parties of record.
28 Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any person 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 Valley Utilities, a shareholder of Valley Utilities, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to Valley Utilities 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 **October 12, 2012**. If representation by counsel is required by Arizona Supreme Court Rule 31, 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, among 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

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

7 IT IS FURTHER ORDERED that Valley Utilities shall, **as soon as possible, but no later**
8 **than August 27, 2012, mail** to each of its customers a copy of the above notice **and cause a copy** of
9 such notice **to be published at least once in a newspaper(s) of general circulation in Valley**
10 **Utilities' service territory.**

11 IT IS FURTHER ORDERED that Valley Utilities shall **file certification of mailing and**
12 **publication** as soon as possible after the mailing and publication have been completed, but **no later**
13 **than September 17, 2012.**

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

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 appearances at all hearings
21 and procedural conferences, as well as all 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 the Commission.

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

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

...

...

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

4 DATED this 23rd day of July, 2012.

6
7 
8 SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/delivered
10 this 23rd day of July, 2012, to:

11 Jay L. Shapiro
12 FENNEMORE CRAIG
13 3003 North Central Avenue, Suite 2600
14 Phoenix, AZ 85012
15 Attorneys for Valley Utilities Water Company, Inc.

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

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

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

21 By: 
22 Debra Broyles
23 Secretary to Sarah N. Harpring