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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

R. J. ...
AZ CORP ... Arizona Corporation Commission
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2012 SEP 27 AM 9:54 SEP 27 2012

DOCKETED BY [Signature]

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

DOCKET NO. W-02068A-11-0471

PROCEDURAL ORDER

BY THE COMMISSION:

On December 27, 2011, Eden Water Company ("Eden" or "Cooperative") filed an application with the Arizona Corporation Commission ("Commission") for a permanent rate increase.

Eden filed amendments to its application on January 24, 2012.

On January 26, 2012, the Commission's Utilities Division ("Staff") notified the Cooperative that its amended application was deficient.

On January 30, 2012, Eden filed another amendment to its application.

On June 22, 2012, Staff notified the Cooperative that its application was sufficient and classified Eden as a class D utility.

On September 7, 2012, Staff filed a Staff Report, recommending rates and charges different than those requested by the Cooperative. The Staff Report directed parties to file any comments to the Staff Report by September 19, 2012.

On September 21, 2012, Eden docketed a request for a two week extension of time to review and respond to the Staff Report because the Cooperative's president had not received the Staff Report until September 19, 2012.

Under the circumstances, the Cooperative's requested extension is reasonable.

Also on September 21, 2012, the Cooperative docketed an Affidavit and a copy of a revised customer notice that the Cooperative states was mailed to its customers on or about August 7, 2012. The Cooperative mailed the revised notice to its customers at the direction of Staff, because the

1 original notice mailed when the application was filed contained an error about existing rates.

2 In addition to any comments to the Staff Report that the Cooperative would like to file, the
3 completeness of the record and the preparation of an Order in this case will benefit from Eden's
4 responses to the following:¹

5 1. The Staff Report references that in the test year ended December 31, 2010, the
6 water loss on the system was 28 percent, and that in 2011, the annual report
7 indicates that water loss was 43 percent. Does the Cooperative know, or have a
8 theory why the water loss was so high? Please review Staff's recommendations
9 concerning correcting the water loss situation, and if the Cooperative is able,
10 indicate what measures will be needed to bring the water loss to no more than 10
11 percent by December 31, 2013.

12 2. Staff recommends rates that would decrease the typical residential bill for a 5/8 x
13 3/4 inch meter with a median usage of 5,234 gallons by \$3.73, or 10.88 percent,
14 from \$34.27 to \$30.54 (including the emergency surcharge)² and would increase
15 the typical bill for a 2 inch meter customer with a median usage of 3,000 gallons
16 by \$105.70, or 216.56 percent, from \$48.90 to \$154.80 (including the emergency
17 surcharge).³ The Staff Report also indicates that there are only two 2 inch meter
18 customers. What type of customers are the 2 inch meter customers (i.e. are they
19 residential or commercial)? If they are commercial customers, what type of
20 businesses are they? Explain the circumstances such that the median usage of these
21 customers is only 3,000 gallons?

22 The Cooperative should file any other comments it believes would assist the Commission in
23 understanding the circumstances that affect this rate application.

24 In addition, the preparation of the Order in this matter would benefit from clarification from
25 Staff on the following questions:

26 ¹ Eden should address these questions by the dates below whether or not it files additional comments to Staff's
27 recommendations.

² If the emergency surcharge is not included, the median 5/8 x 3/4 inch meter bill would increase by \$0.66 of 2.71 percent.

28 ³ Considering only base rates, Staff's rates would increase the median 2 inch meter bill by \$111.70, or 259.16 percent,
from \$43.10 to \$154.80.

- 1 1. Does Staff believe that the revised notice that the Cooperative states was sent
2 to its customers on or about August 7, 2012, to be sufficient? Did Staff review
3 the revised notice before it was sent?
- 4 2. Please provide additional comment about Staff's recommended rate design,
5 and in particular the disparate affect on the 2 inch meter customers. Did Staff
6 consider the principle of gradualism in its recommendation? Does Staff have
7 any comments about how it came to its recommendations for rates and why its
8 recommended rates are fair and reasonable and in the public interest?
- 9 3. If Staff has background on the cause of the water loss problem, please provide
10 additional information.⁴
- 11 4. Please explain the reasoning behind Staff's adjustment to purchased water
12 expense? Does Staff's adjustment assume that the Cooperative will be able to
13 reduce water loss to no more than 10 percent by December 31, 2013? Did
14 Staff consider the reasons for the extraordinarily high water loss and/or Eden's
15 status as a cooperative, in making its recommended adjustment? Why or why
16 not?

17 Rate case applications for Class D water utilities such as Eden, may be processed without a
18 hearing. In this case, the parties will supplement the record with additional information which may
19 enable the matter to proceed without an evidentiary hearing. However, either party should feel free
20 to request a hearing if it believes a hearing would be in the public interest. Furthermore, depending
21 on the responses to the questions above, and any additional comments by the Cooperative, it may be
22 determined that an evidentiary hearing is necessary for a thorough and complete record.

23 IT IS THEREFORE ORDERED that **Eden's request for an extension to respond to the**
24 **Staff Report is granted and that Eden shall file any comments to the Staff Report and its**
25 **responses to the questions set forth herein by October 11, 2012.**

26 IT IS FURTHER ORDERED that **Staff shall file** its responses to the questions set forth
27

28 ⁴ If Staff does not have additional information that is not already contained in the Staff Report, a short statement to that effect is sufficient.

1 herein by **October 11, 2012.**

2 IT IS FURTHER ORDERED that the **parties may file replies** to the information provided by
3 the other party by **October 21, 2012.**

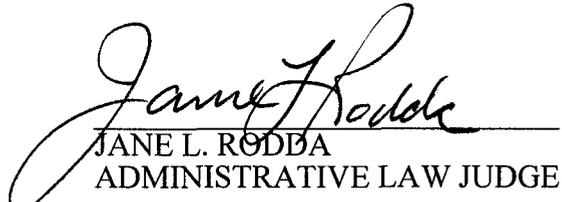
4 IT IS FURTHER ORDERED that the circumstances of the delay in receiving the Staff
5 Report, and the need to supplement the record, warrants the **suspension of the time clock pursuant**
6 **to A.A.C. R14-2-103.**

7 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized
8 Communications) continues to apply to this proceeding.

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

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

14 DATED this 25th day of September, 2012.

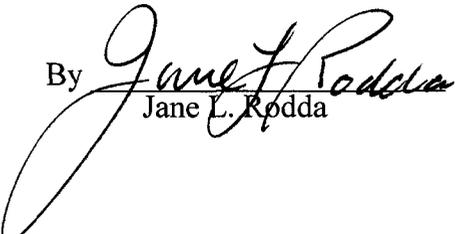

JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

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19 Copies of the foregoing mailed
20 this 25th day of September, 2012,
to the following:

21 Jay D Colvin
22 Sebrina Davis
23 Eden Water Company
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Eden, AZ 85535

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By 
Jane L. Rodda

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