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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

MAR 21 2013

- BOB STUMP – Chairman
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

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IN THE MATTER OF THE APPLICATION OF
PAYSON WATER COMPANY ON BEHALF OF
ITS MESA DEL CABALLO SYSTEM FOR
APPROVAL OF A WATER AUGMENTATION
SURCHARGE/EMERGENCY RATE TARIFF.

DOCKET NO. W-03514A-10-0116

IN THE MATTER OF THE NOTICE OF FILING
OF PAYSON WATER COMPANY'S PROPOSED
CHANGES TO ITS CURTAILMENT TARIFF
(MESA DEL CABALLO SYSTEM).

DOCKET NO. W-03514A-10-0117

DECISION NO. 73774

**ORDER DENYING EXTENSION OF
TIME DEADLINE CONTAINED IN
DECISION NOS. 71902 AND 72679**

Open Meeting
March 12 and 13, 2013
Phoenix, Arizona

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the
Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. September 28, 2010, the Arizona Corporation Commission ("Commission") issued
Decision No. 71902 which approved the application of Payson Water Company, Inc. ("Company" or
"Applicant") on behalf of its Mesa Del Caballo ("MDC") system for an emergency water
augmentation surcharge tariff ("Surcharge") on an interim basis to allow the Applicant to recover
costs for the bulk water purchases needed to supply water to customers on its MDC System. In
Decision No. 71902, the Commission also approved certain changes to MDC's Curtailment Tariff.

2. The Commission's approval of the Company's application for a Surcharge was

1 conditioned upon the Company filing by September 27, 2011, with the Commission, as a compliance
2 item, an application for permanent rate relief.

3 3. On September 8, 2011, the Company filed a Motion for an Extension of Time
4 (“Motion”), until January 31, 2012, for approval by the Commission to file its permanent rate
5 application. The Company in its Motion stated as follows:

6 The Surcharge is designed to allow Payson Water to recover its costs of
7 supplementing water supplies for its Mesa Del Caballo system between
8 the months of May and September each year. These costs are merely
9 passed through to the end-user, and do not include the recovery of any
10 administrative costs, nor does it provide Payson Water with any excess
11 funds or profit. In order to provide an accurate accounting of the costs
12 for supplemental water supplies, Payson Water will need information
13 and data through the 2011 season when water augmentation was
14 necessary – including all water augmentation that occurs in September,
15 2011. In addition, Payson Water has been required to augment the Mesa
16 Del Caballo system with water supplies outside the time the Surcharge is
17 in effect (i.e. January and February 2011), and expects further water
18 augmentation will be necessary for September 2011. These costs are not
19 currently recovered from ratepayers.

20 4. The Company stated that a 2011 test year will provide the Company and the
21 Commission with the full and complete information necessary to provide a basis for permanent rate
22 relief.

23 5. The Company stated further that a 120-day delay should not have a negative impact on
24 Applicant’s customers; in fact, it would delay any rate increase that may result from the rate
25 application.

26 6. The Company believed that granting its Motion for delay was in the public interest,
27 and requested that the Commission grant such approval.

28 7. On September 29, 2011, the Commission’s Utilities Division (“Staff”) filed a Staff
Memorandum in response to the Company’s Motion in which Staff recommended approval of the
requested extension until March 31, 2012, in order for the Company to file an application for a
permanent rate increase.

 8. Staff stated that it would be more efficient and less costly for the Company to file a
rate application which utilized a complete 2011 calendar year for the test year. Staff agreed that an
extension would benefit rate payers by delaying any possible rate increase and would benefit the

1 Company by not requiring it to incur additional accounting expense.

2 9. Staff contacted the Company's attorney who indicated that the Company's goal was to
3 file its rate application as soon as possible after the end of calendar year 2011, using a 2011 test year.

4 10. Staff believed that additional time beyond January 31, 2012, would be appropriate to
5 allow the Company to prepare and submit an adequate rate application pursuant to A.A.C. R14-2-
6 103. Therefore, Staff recommended that the Applicant be granted an extension until March 31, 2012,
7 to file a permanent rate application that utilizes a complete 2011 test year.

8 11. On November 17, 2011, the Commission issued Decision No. 72679, which granted
9 the Company an extension of time until March 30, 2012, in which to file a permanent rate application
10 as recommended by Staff.

11 12. On November 1, 2012, the Company filed a second Motion for an Extension of time
12 until May 1, 2013, for approval by the Commission to file its permanent rate application. The
13 Company in this Motion states as follows:

14 Since August 2009, Payson Water – in conjunction with the Mesa Del Caballo
15 Water Committee (“Committee”) and several customers – explored the feasibility
16 of addressing chronic water shortages by participating in the C.C. Cragin Pipeline
17 Project (“Pipeline”). The Pipeline is being developed by the Town of Payson to
18 deliver Salt River Project (“SRP”) renewable water supplies from the C.C. Cragin
19 reservoir, located approximately 25 miles northeast, to Payson, Arizona. The
20 Pipeline route passes very close to Payson Water's Mesa Del Caballo's system,
and an interconnection can give the company access to as much as 72 acre-feet of
renewable water supplies annually. Payson Water has conducted several analyses
of the potential costs for this water, and has shared this with the Committee and
individual customers. To date, there is overwhelming support for moving forward
with an interconnection to the Pipeline. However, this will come at a cost that
will require Commission approval.

21 13. The Company stated that it has executed a supply agreement with SRP and is now in
22 the final stages of approving and executing an operational distribution agreement with the Town of
23 Payson to deliver Cragin water to MDC's customers.

24 14. The Company further stated that it will be filing a financing application to recover the
25 costs of an interconnection, and the issues addressed therein will be inextricably linked to its rate
26 case, which has not yet been filed.

27 15. The Company stated further that it is requesting that the deadline set forth in Decision
28 No. 72679 be extended to May 1, 2013, coupled with the additional requirement of filing a financing

1 application to address MDC's long term water supply need.

2 16. The Company believes that granting its additional Motion for delay is in the public
3 interest, and requests that the Commission grant such approval.

4 17. On January 2, 2013, Staff filed a Staff Memorandum in response to the Company's
5 second Motion for a delay in this matter stating that Decision No. 72679 ordered that "no further
6 extension be granted absent good cause shown," and that the Company's second Motion was filed
7 seven months after the expiration of the last authorized filing date of March 31, 2012.

8 18. Staff further stated that it had filed a Staff Report on July 19, 2012, in Docket Nos. W-
9 03514A-12-0300 and W-03514A-12-0301 with regard to another emergency water tariff by the
10 Company for its East Verde Park System ("EVP").

11 19. Staff states that in its report filed on July 19, 2012, Staff stated the following:

- 12 • that Staff did not recognize an emergency situation in those filings;
- 13 • that the Company was out of compliance with the Commission for not
14 timely filing its, then overdue by four months, permanent rate case filing
15 in this proceeding;
- 16 • that the Company should immediately prepare its overdue permanent rate
17 case filing and incorporate the tariff requests embodied in Docket No. 12-
18 0300 and 12-0301 into its rate case filing for the entire water utility; and
- 19 • that the pending financing situation cited by the Company for not filing its
20 rate case, should not keep the Company from filing as it could be
21 consolidated with the rate case filing at a later time, after the rate case had
22 been filed.

23 20. Staff reiterates further again its recommendations in its July 19, 2012, filing in this
24 case as follows:

25 Staff does not believe that the pending financing issues should continue to further
26 delay the completion of the Company's outstanding obligation to file a permanent
27 rate case. Staff does not believe that it is in the public interest to delay the rate
28 case filing any further. Staff recommends denial of any further time extensions.
Staff further recommends that the Company file its permanent rate case filing
immediately.

29 21. Under the present circumstances, we agree with Staff and find that no further
30 extension of time should be granted, and the Company should immediately file its permanent rate
31 application within 30 days of the effective date of this Decision. Continued noncompliance with
32 Commission decisions could result in the Company being charged with a violation of A.R.S. § 40-
33 424 for being in contempt of the Commission, as well as the termination of the surcharge.

CONCLUSIONS OF LAW

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1. The Company is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.
2. The Commission has jurisdiction over Applicant and of the subject matter of the extension request addressed herein.
3. The denial of the Company's Motion for a further delay to file its permanent rate application should be denied.

ORDER

IT IS THEREFORE ORDERED that the Payson Water Company, Inc. is hereby denied an extension of time to file its permanent rate application as required by Decision No. 71902.

IT IS FURTHER ORDERED that the Payson Water Company, Inc. shall file its permanent rate case application within 30 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

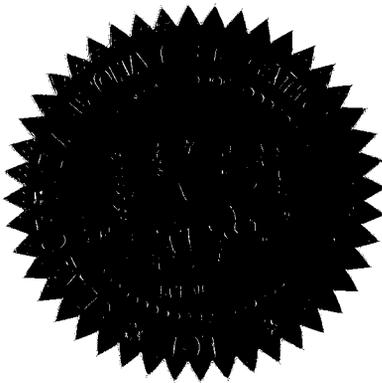
CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of March 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

MES:db

1 SERVICE LIST FOR: PAYSON WATER COMPANY, INC. – MESA DEL
2 CABALLO SYSTEM

3 DOCKET NOS.: W-03514A-10-0116 AND W-03514A-10-0117

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