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BEFORE THE ARIZONA CORPORATI

COMMISSIONERS

Arizona Corporation Commission

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AZ CORP COMMISSION

DOCKET CONTROL

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

JUL 02 2013

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DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF
PAYSON WATER CO., INC. AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. W-03514A-13-0111

RATE CASE
PROCEDURAL ORDER

BY THE COMMISSION:

On April 22, 2013, Payson Water Co., Inc. ("PWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water rates and charges for utility service.

On May 17, 2013, the Commission's Utilities Division ("Staff") filed a Letter of Deficiency.

On May 22, 2013, PWC filed a Response to Staff's Letter of Deficiency.

On June 3, 2013, the Staff issued a Letter of Sufficiency pursuant to Arizona Administrative Code ("A.A.C.") R14-2-103, and classified the Company as a Class C utility.

Pursuant to A.A.C. R14-3-109, the Commission issues this Procedural Order to govern the preparation and conduct of this proceeding.

IT IS THEREFORE ORDERED that the **hearing in this matter shall commence on December 9, 2013, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, **Hearing Room No. 2**, Phoenix, Arizona.

IT IS FURTHER ORDERED that a **pre-hearing conference shall be held on December 6, 2013, at 10:00 a.m.**, at the Commission's offices.

IT IS FURTHER ORDERED that the **Staff Report** and/or any direct testimony and associated exhibits to be presented at hearing **on behalf of Staff shall be reduced to writing and filed on or before October 16, 2013.**

IT IS FURTHER ORDERED that any **direct testimony** and associated exhibits to be

1 presented at hearing on behalf of **intervenors shall be reduced to writing and filed on or before**
2 **October 16, 2013.**

3 IT IS FURTHER ORDERED that any **rebuttal testimony** and associated exhibits in response
4 to the Staff Report or Intervenor testimony to be presented at hearing **by the Company shall be**
5 **reduced to writing and filed on or before November 8, 2013.**

6 IT IS FURTHER ORDERED that any **surrebuttal testimony** and associated exhibits to be
7 presented **by the Staff and/or intervenors shall be reduced to writing and filed on or before**
8 **November 22, 2013.**

9 IT IS FURTHER ORDERED that any **rejoinder testimony** and associated exhibits to be
10 presented at the hearing by the Company **shall be reduced to writing and filed on or before**
11 **December 4, 2013.**

12 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have
13 been pre-filed as of **December 4, 2013**, shall be made on or before **December 6, 2013.**

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

19 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
20 except that **all motions to intervene must be filed on or before September 30, 2013.**

21 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
22 regulations of the Commission, except that until **November 8, 2013**, any objection to discovery
23 requests shall be made within 7 calendar days of receipt¹ and responses to discovery requests shall be
24 made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made
25 within 5 calendar days and responses shall be made within 7 calendar days. The response time may
26

27 _____
28 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.

1 be extended by mutual agreement of the parties involved if the request requires an extensive
2 compilation effort.

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

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

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

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

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

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

23 ...

24 ...

25 ...

26 ...

27 _____

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

PUBLIC NOTICE OF HEARING ON THE
RATE APPLICATION OF
PAYSON WATER COMPANY, INC.
DOCKET NO. W-03514A-13-0111

On April 22, 2013, Payson Water Co., Inc. ("PWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water rates and charges for utility service. By its application, the Company is requesting an increase in gross annual revenues of \$399,785, or approximately 125 percent over its 2012 test year revenues.

For residential customers with a 5/8-inch x 3/4-inch meter in the former "United Systems" (*i.e.*, **Mead's Ranch, East Verde Estates, Flowing Springs, Geronimo Estates/Elusive Acres, Mesa del Caballo, Whispering Pines, and Gisela/Tonto Creek Shores**), the Company is proposing to increase the monthly minimum charge from \$16.00 to \$39.24, with a three-tier commodity charge structure of \$2.75 per 1,000 gallons for the first 4,000 gallons of usage per month; \$4.75 per thousand gallons for usage between 4,000 and 10,000 gallons per month; and \$6.75 per thousand gallons for all usage over 10,000 gallons per month. **Under PWC's proposal, a 5/8-inch x 3/4-inch meter residential customer with average monthly usage of 2,856 gallons would experience an increase of \$25.58 per month, from the current \$21.51 to \$47.09, or 118.90 percent.**

For residential customers with a 5/8-inch x 3/4-inch meter in the former "C&S System" (*i.e.*, **Deer Creek**), the Company is proposing to increase the monthly minimum charge from \$17.00 to \$39.24, with the same three-tier commodity charge structure of \$2.75 per 1,000 gallons for the first 4,000 gallons of usage per month; \$4.75 per thousand gallons for usage between 4,000 and 10,000 gallons per month; and \$6.75 per thousand gallons for all usage over 10,000 gallons per month. **Under PWC's proposal, a 5/8-inch x 3/4-inch meter Deer Creek residential customer with average monthly usage of 6,961 gallons would experience an increase of \$37.00 per month, from the current \$27.30 to \$64.30, or 135.51 percent.**

In addition to the proposed base rate increases described above, PWC is seeking to impose a surcharge on customers in the Mesa del Caballo system associated with a planned interconnection to the Cragin Pipeline, which is expected to be completed by September 2015. In a separate docket (W-03514A-13-0142), the Company is seeking approval to obtain a loan of \$1,238,000 from the Water Infrastructure Financing Authority ("WIFA"), which would result in an additional estimated monthly surcharge for Mesa del Caballo customers of approximately \$30.75. Under PWC's proposal, the WIFA surcharge would not be implemented until the Cragin interconnection is completed and final approval is obtained from the Commission.

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING THE APPLICATION. STAFF'S EVALUATION OF THE APPLICATION MAY RESULT IN A RECOMMENDATION THAT THE COMMISSION APPROVE OR DENY THE COMPANY'S PROPOSALS, OR THAT THE COMPANY'S CURRENT OVERALL RATES BE EITHER DECREASED OR INCREASED. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATE-MAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO PWC'S APPLICATION BASED ON THE

EVIDENCE PRESENTED IN THIS PROCEEDING.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **[COMPANY SHOULD INSERT NAME, ADDRESS, TELEPHONE NUMBER, AND E-MAIL ADDRESS FOR CUSTOMER CONTACTS CONCERNING THE APPLICATION].**

How You Can View or Obtain a Copy of the Application

Copies of the Application are available at the Company's offices **[INSERT ADDRESS]** and at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the internet via the Commission website ([/www.azcc.gov/](http://www.azcc.gov/)) using the e-docket function.

Public Hearing Information

The Commission will hold a **hearing** on this matter beginning **December 9, 2013, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, Hearing Room No. 2, Phoenix, Arizona,.

Public comments will be taken at the beginning of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. W-03514A-13-0111 to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by email. 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/PublicCommentForm.pdf>. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or (520) 628-6550.

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 the original and 13 copies of a written motion to intervene with the Commission no later than **September 30, 2013**, and send a copy of the motion to the Company, or its counsel, and all other parties of record. Your motion 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 the Company, etc.).
3. A statement certifying that you have mailed a copy of the motion to intervene to the Company 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 September 30, 2013. 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, among other things, entitles a party to present sworn

1 evidence at the hearing and to cross-examine other witnesses. However, failure to
2 intervene will not preclude any interested person or entity from appearing at the
3 hearing and providing public comment on the Application or from filing written
4 comments in the record of the case.

3 **ADA/Equal Access Information**

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

7 IT IS FURTHER ORDERED that the Company shall **mail** to each of its customers a copy of
8 the notice by **August 30, 2013**, and shall cause the notice to be published at least once in a newspaper
9 of local circulation in its service territory, with **publication** to be completed no later than **August 30,**
10 **2013.**

11 IT IS FURTHER ORDERED that the Company shall docket an **affidavit of mailing and**
12 **publication** no later than **September 16, 2013.**

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

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

18 IT IS FURTHER ORDERED that all parties must comply with the Rules of the Arizona
19 Supreme Court 31 and 38, and A.R.S. §40-243 regarding the practice of law and admission *pro hac*
20 *vice*.

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

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 Arizona 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 by subsequent Procedural Order or by ruling at hearing.

3 DATED this 2nd day of July, 2013.

4 

5 DWIGHT D. NODES
6 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

7 Copies of the foregoing mailed
8 this 2nd day of July, 2013, to:

9 Robert T. Hardcastle
10 PAYSON WATER CO., INC.
11 3101 State Road
12 Bakersfield, CA 93308

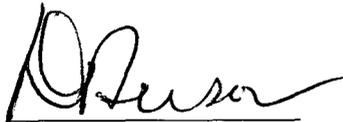
13 Jay L. Shapiro
14 FENNEMORE CRAIG, P.C.
15 2394 E. Camelback Road, Suite 600
16 Phoenix, Arizona 85016
17 Attorneys for Payson Water Co., Inc.

18 Janice Alward, Chief Counsel
19 Legal Division
20 ARIZONA CORPORATION COMMISSION
21 1200 W. Washington Street
22 Phoenix, Arizona 85007

23 Steven M. Olea, Director
24 Utilities Division
25 ARIZONA CORPORATION COMMISSION
26 1200 W. Washington Street
27 Phoenix, Arizona 85007

28 ARIZONA REPORTING SERVICE, INC.
2200 N. Central Avenue, Suite 502
Phoenix, Arizona 85004-1481

By:



Debbi Person
Assistant to Dwight D. Nodes