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Arizona Corporation Commission

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4 Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

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

DOCKET NO: W-03514A-13-0111

11 IN THE MATTER OF THE APPLICATION
 12 OF PAYSON WATER CO., INC., AN
 ARIZONA CORPORATION, FOR
 13 AUTHORITY TO: (1) ISSUE EVIDENCE
 OF INDEBTEDNESS IN AN AMOUNT
 14 NOT TO EXCEED \$1,238,000 IN
 CONNECTION WITH INFRASTRUCTURE
 15 IMPROVEMENTS TO THE UTILITY
 SYSTEM; AND (2) ENCUMBER REAL
 16 PROPERTY AND PLANT AS SECURITY
 FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

**STIPULATION FOR
 PROCEDURAL ORDER
 BIFURCATING PROCEEDING
 AND ESTABLISHING CASE
 SCHEDULE**

18 At the request of the Administrative Law Judge, Payson Water Company ("PWC")
 19 and the Utilities Division ("Staff") of the Arizona Corporation Commission (collectively,
 20 the "parties") file this Stipulation for Procedural Order Bifurcating Proceeding and
 21 Establishing Case Schedule. As set forth herein, the first phase of the proceeding
 22 ("Phase I") would involve consideration of PWC's request for expedited financing
 23 approval along with approval of certain interim rate relief in the form of rate surcharges
 24 and/or adjustors in order to construct a new water transmission line to connect its
 25 Mesa del Caballo system to the Town of Payson water supplies. Because of the dire need
 26 for water in the Mesa del Caballo area coupled the present opportunity to end water

1 hauling by next summer, Staff agrees with the expedited treatment of this portion of the
 2 financing. The second phase ("Phase II") would involve (1) the remainder of the
 3 Company's request for financing approval; and (2) establishing the fair value of PWC's
 4 plant and property used for providing water utility service and setting permanent rates
 5 thereon designed to produce a fair return on such fair value rate base and the resolution of
 6 any remaining issues, if any, with the expedited financing request.

7 The parties request that the ALJ bifurcate the proceeding and recommend adoption
 8 of the following procedural schedule.

9 **Phase I**

10	11	12	13	14	15
	Current Date	Proposed Date	Item		
	N/A	09/18/13	Staff Report		
	N/A	09/23/13	Response to Staff Report		
	N/A	09/25-26/13	Hearing Days		
	N/A	10/16/13	Open Meeting ¹		

16 **Phase II**

17	18	19	20	21	22
	Current Date	Proposed Date	Item		
	09/30/13	10/15/13	All Motions to Intervene		
	10/16/13	10/30/13	Staff/Intervenor Direct Testimony		
	11/08/13	11/26/13	Company Rebuttal Testimony		
	11/22/13	12/20/13	Staff/Intervenor Surrebuttal Testimony		
	12/04/13	01/06/14	Company Rejoinder Testimony		

23
 24
 25 ¹ PWC and Staff agree to waive any requirement that a recommended opinion and order ("ROO") be issued no less
 26 than 10 days before the open meeting so long as the parties are provided at least 3 days to review a ROO and file
 exceptions, if necessary.

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Current Date	Proposed Date	Item
12/06/13	Any day the week of 01/06/14	Prehearing Conference
12/09/13	01/13/14	1st day of Hearing ²
	04/XX/14	Open Meeting

In addition, attached hereto as **Exhibit A** is a revised form of public notice, addressing both phases, developed jointly by Staff and the Company. The two parties also ask that the form of notice be approved and a new date for notice be established.

RESPECTFULLY SUBMITTED this 5th day of September, 2013.

FENNEMORE CRAIG, P.C.

By 
 Jay L. Shapiro
 2394 E. Camelback Road
 Suite 600
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 Attorneys for Payson Water Co., Inc.

Utilities Division of the Arizona Corporation
 Division

By 
 Robin R. Mitchell
 1200 W. Washington Street
 Phoenix, Arizona 85007
 Attorneys for Utilities Division

² This hearing date assumes that the matter is not settled, in whole or in part. If the parties are able to settle the issues in dispute, Staff and the Company will then request a modified schedule more appropriate for a settlement in a rate case. Moreover, at the conclusion of the hearing, the parties will confer and agree on briefing dates that will allow for the issuance of a ROO in time for a ROO to be issued and the matter decided at the Commission's Open Meeting date in April 2014 and for new rates to go into effect no later than May 1, 2014.

1 ORIGINAL and thirteen (13) copies
of the foregoing were filed
2 this 5th day of September, 2013, with:

3 Docket Control
Arizona Corporation Commission
4 1200 W. Washington Street
Phoenix, AZ 85007

5 COPY of the foregoing was hand delivered
6 this 5th day of September, 2013, to:

7 Chairman Bob Stump
Arizona Corporation Commission
8 1200 W. Washington Street
Phoenix, AZ 85007

9 Commissioner Gary Pierce
10 Arizona Corporation Commission
1200 W. Washington Street
11 Phoenix, AZ 85007

12 Commissioner Brenda Burns
Arizona Corporation Commission
13 1200 W. Washington Street
Phoenix, AZ 85007

14 Commissioner Bob Burns
Arizona Corporation Commission
15 1200 W. Washington Street
16 Phoenix, AZ 85007

17 Commissioner Susan Bitter Smith
Arizona Corporation Commission
18 1200 W. Washington Street
Phoenix, AZ 85007

19 Dwight D. Nodes
20 Assistant Chief Administrative Law Judge
Arizona Corporation Commission
21 1200 W. Washington Street
Phoenix, AZ 85007

22 Steven M. Olea, Director
23 Utilities Division
Arizona Corporation Commission
24 1200 West Washington
Phoenix, Arizona 85007

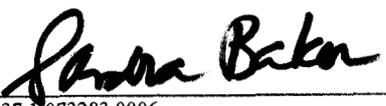
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EXHIBIT

A

PUBLIC NOTICE OF APPLICATIONS BY
PAYSON WATER CO., INC.
DOCKET NOS. W-03514A-13-0111 and W-003514A-13-0142
(consolidated)

SUMMARY OF APPLICATIONS

Rate Application

On April 22, 2013, Payson Water Co., Inc. ("PWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for determination of the fair value of its utility plant and property and for increases in its water rates and charges for utility service. In its application, the Company requested 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 proposed 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 4,001 and 10,000 gallons per month; and \$6.75 per thousand gallons for all usage over 10,000 gallons per month. **Under PWC's initial 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 proposed 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 4,001 and 10,000 gallons per month; and \$6.75 per thousand gallons for all usage over 10,000 gallons per month. **Under PWC's initial 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.**

Financing Application

In addition to the proposed rate increases described above, on May 27, 2013, PWC filed a financing application with the Commission: *In the Matter of the Application of Payson Water Co., Inc., for Authority to Issue Evidence of Indebtedness in an Amount Not to Exceed \$1,238,000 in Connection with Infrastructure Improvements to the Utility System; and Encumber Real Property and Plant as Security for Such Indebtedness.* PWC is seeking authority to borrow money associated with an interconnection to the Cragin Pipeline, along with certain surcharges to cover the debt costs associated with financing this infrastructure project.

Case Status

On August 15, 2013, PWC filed a motion to consolidate and expedite the rate and financing applications. PWC seeks expedited approval to borrow up to \$275,000 of the total financing sought for the Cragin Project so it can build a line to connect the Town of Payson system to PWC's Mesa del Caballo system before next summer. In addition, PWC seeks expedited approval of certain rate relief so that it can service the debt to be incurred to build the pipeline connecting the Town's system to the PWC's and pay for the water to be purchased from the Town. On August 26, 2013 the two applications were consolidated.

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING PWC'S PENDING APPLICATIONS. STAFF'S EVALUATION OF THE APPLICATIONS 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 APPLICATIONS BASED ON THE EVIDENCE PRESENTED IN THIS CONSOLIDATED PROCEEDING.

If you have any questions concerning how either of the applications may affect your bill or other substantive questions about the applications, you may contact the Company at **7581 E. Academy Boulevard, Suite 229, Denver, Colorado 80230; telephone no. (800) 270-6084 (TOLL FREE); or email at info@jwwater.net.**

How You Can View Or Obtain Copies of the Applications

Copies of the applications are available from the Company's offices, 7581 E. Academy Boulevard, Suite 229, Denver, Colorado 80230, and 1010 S. Stover Road, Payson, Arizona; and at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the internet via the Commission website (www.azcc.gov) using the e-docket function and W-03514A-13-0111.

PUBLIC HEARING INFORMATION

This matter is divided into two phases. The first phase of the proceeding ("Phase I") will involve consideration of PWC's request for expedited financing approval along with approval of certain interim rate relief in the form of rate surcharges. The second phase of the proceeding ("Phase II") will involve (1) the remainder of the Company's request for financing approval; and (2) the setting of permanent rates.

The Phase I hearing will begin on **September 25, 2013, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, Hearing Room No. 2, Phoenix, Arizona.

The Phase II hearing will begin on **January 13, 2014, 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 hearings. 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, Arizona, 85007, or by e-mail. 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 (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 **October 15, 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 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 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 October 15, 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 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 hearings and providing public comment on the applications or from filing written comments in the record of the case.**

ADA/EQUAL ACCESS INFORMATION

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