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BEFORE THE ARIZONA CORPORATION COMMISSION
RECEIVED

COMMISSIONERS

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

2013 SEP 10 P 2:25

AZ CORP COMMISSION
DOCKET CONTROL

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

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.

DOCKET NO. W-03514A-13-0142

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 in Docket No. W-03514A-13-0111 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 ("Rate Application").

On May 27, 2013, PWC filed with the Commission an application in Docket No. W-03514A-13-0142 for authority to (1) issue evidence of indebtedness in an amount not to exceed \$1,238,000 on the terms and conditions set forth by the Water Infrastructure and Finance Authority ("WIFA"), and (2) encumber its real property and utility plant as security for such indebtedness ("Finance Application").

On June 3, 2013, the Rate Application was deemed sufficient and PWC was classified as a Class C utility.

Arizona Corporation Commission

DOCKETED

SEP 10 2013

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1 On July 2, 2013, a Procedural Order was issued setting the Rate Application for hearing
2 beginning December 9, 2013, establishing other procedural filing dates, and ordering notice by mail
3 and publication. The notice was not mailed or published due to subsequent motions by the Company
4 regarding consolidation and the Finance Application.

5 On August 15, 2013, PWC filed a Motion to Consolidate Proceedings and Request for
6 Expedited Procedural Schedule. PWC requested that the Rate and Finance dockets be consolidated
7 and that a new, expedited procedural schedule be established to enable the Company to pursue an
8 opportunity to build an interconnection between the Town of Payson and PWC's Mesa del Caballo
9 system.

10 On August 20, 2013, Staff filed its Response to Motion to Expedite. Staff stated that it did
11 not oppose the consolidation request, but opposed PWC's request to expedite the entire proceeding.
12 Staff proposed that a procedural conference be convened to discuss scheduling.

13 On August 22, 2013, PWC filed a Reply in Support of Motion to Consolidate Proceedings
14 and Request for Expedited Procedural Schedule. The Company stated that the entire consolidated
15 proceeding should be expedited to afford rate relief in conjunction with commencement of the
16 pipeline project, or that the matter should be bifurcated with expedited consideration of the Finance
17 Application and interim rate relief.

18 By Procedural Order issued August 26, 2013, Docket Nos. W-03514A-13-0111 and W-
19 03514A-13-0142 were consolidated, and a procedural conference was scheduled for September 4,
20 2013.

21 On September 4, 2013, the procedural conference was conducted as scheduled, at which the
22 parties discussed procedures for processing the consolidated cases.

23 On September 5, 2013, PWC filed a Stipulation for Procedural Order Bifurcating Proceeding
24 and Establishing Case Schedule. In the stipulation, PWC and Staff propose to proceed in two phases,
25 with a Phase 1 hearing regarding the Finance Application commencing on September 25, 2013, and a
26 Phase 2 hearing on the Rate Application beginning on January 13, 2014. Other procedural dates are
27 also listed and a proposed customer notice is attached to the filing.

28

1 In order to process the Company's Finance Application on an expedited basis, it is reasonable
2 to grant the request for an expedited hearing for the Phase 1 proceeding, with an expedited notice
3 requirement for the Mesa Del Caballo customers. **In the Phase 1 proceeding, both the Company
4 and Staff should address the requirements for granting interim rate relief under Arizona law.**
5 The requested procedural schedule for Phase 2 will be modified slightly to allow additional time for
6 intervenor participation, as reflected in the ordering paragraphs below.

7 IT IS THEREFORE ORDERED that the **hearing in Phase 1 shall commence on September
8 25, 2013, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, **Hearing Room
9 No. 2**, Phoenix, Arizona.

10 IT IS FURTHER ORDERED that the **hearing in Phase 2 shall commence on January 13,
11 2014, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, **Hearing Room No.
12 2**, Phoenix, Arizona.

13 IT IS FURTHER ORDERED that a **pre-hearing conference in Phase 2 shall be held on
14 January 8, 2014, at 10:00 a.m.**, at the Commission's offices.

15 IT IS FURTHER ORDERED that the **Phase 1 Staff Report** and/or any direct testimony and
16 associated exhibits to be presented at hearing **on behalf of Staff shall be reduced to writing and
17 filed on or before September 18, 2013.**

18 IT IS FURTHER ORDERED that any response to the **Staff Report in Phase 1** shall be filed
19 **by September 23, 2013.**

20 IT IS FURTHER ORDERED that the **Staff Report** and/or any direct testimony and
21 associated exhibits to be presented at hearing **on behalf of Staff for Phase 2 shall be reduced to
22 writing and filed on or before November 15, 2013.**

23 IT IS FURTHER ORDERED that any **direct testimony** and associated exhibits to be
24 presented at hearing on behalf of **Intervenors for Phase 2 shall be reduced to writing and filed on
25 or before November 15, 2013.**

26 IT IS FURTHER ORDERED that any **rebuttal testimony** and associated exhibits in response
27 to the Staff Report or Intervenor testimony to be presented at hearing **by the Company for Phase 2
28 shall be reduced to writing and filed on or before December 6, 2013.**

1 IT IS FURTHER ORDERED that any **Phase 2 surrebuttal testimony** and associated exhibits
2 to be presented by **Staff and/or Intervenors shall be reduced to writing and filed on or before**
3 **December 20, 2013.**

4 IT IS FURTHER ORDERED that any **Phase 2 rejoinder testimony** and associated exhibits
5 to be presented at the hearing by the Company **shall be reduced to writing and filed on or before**
6 **January 6, 2014.**

7 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have
8 been pre-filed as of **January 6, 2014**, shall be made on or before **January 8, 2014.**

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

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

16 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
17 regulations of the Commission, except that until **December 6, 2013**, any objection to discovery
18 requests shall be made within 7 calendar days of receipt¹ and responses to discovery requests shall be
19 made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made
20 within 5 calendar days and responses shall be made within 7 calendar days. The response time may
21 be extended by mutual agreement of the parties involved if the request requires an extensive
22 compilation effort.

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

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

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

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

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

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

18 **PUBLIC NOTICE OF HEARING ON THE**
19 **RATE AND FINANCING APPLICATIONS OF**
20 **PAYSON WATER COMPANY, INC.**
DOCKET NOS. W-03514A-13-0111 AND W-03514A-13-0142

21 On April 22, 2013, Payson Water Co., Inc. ("PWC" or "Company") filed with the
22 Arizona Corporation Commission ("Commission") an application for a determination
23 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.

24 For residential customers with a 5/8-inch x 3/4-inch meter in the former "United
25 Systems" (*i.e.*, **Mead's Ranch, East Verde Estates, Flowing Springs, Geronimo
26 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

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.

1 1,000 gallons for the first 4,000 gallons of usage per month; \$4.75 per thousand
 2 gallons for usage between 4,000 and 10,000 gallons per month; and \$6.75 per
 3 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.**

4 For residential customers with a 5/8-inch x 3/4-inch meter in the former "C&S System"
 5 (i.e., **Deer Creek**), the Company is proposing to increase the monthly minimum
 6 charge from \$17.00 to \$39.24, with the same three-tier commodity charge structure of
 7 \$2.75 per 1,000 gallons for the first 4,000 gallons of usage per month; \$4.75 per
 8 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.**

9 Financing Application

10 In addition to the proposed rate increases described above, on May 27, 2013, PWC
 11 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
 12 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
 13 Indebtedness* (Docket No. W-03514A-13-0142). **PWC is seeking to impose a
 surcharge on customers in the Mesa del Caballo system associated with a planned
 14 interconnection to the Cragin Pipeline. 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
 15 Mesa del Caballo customers of approximately \$30.75.**

16 Case Status

17 On August 15, 2013, PWC filed a motion to consolidate and expedite the rate and
 18 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
 19 Town of Payson system to PWC's Mesa del Caballo system before next summer. On
 August 26, 2013 the two applications were consolidated and will be considered in In
 addition, **PWC seeks expedited approval of a rate surcharge associated with the
 20 \$275,000 financing so that it can service the debt to be incurred to build the
 pipeline connecting PWC's Mesa Del Caballo system to the Town's system, and
 21 pay for the water to be purchased from the Town (Phase 1).**

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

27
 28 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:

1 **7581 E. Academy Boulevard, Suite 229, Denver, Colorado 80230; Telephone No. (800) 270-6084 (TOLL FREE); or email at info@jwwater.net.**

2 **How You Can View or Obtain a Copy of the Application**

3 Copies of the Application are available at 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 Street, 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.

6 **Public Hearing Information**

7 This matter is divided into two phases. The first phase of the proceeding ("Phase 1") 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 2") will involve (1) the remainder of the Company's request for financing approval; and (2) the setting of permanent rates.

10 **The Phase 1 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, 85007.

12 **The Phase 2 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, 85007.

14 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, 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.

18 **About Intervention**

19 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 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:

- 23 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.
- 25 2. A short statement of your interest in the proceeding (e.g., a customer of the Company, etc.).
- 27 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.

1 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except
2 that all motions to intervene must be filed on or before **October 30, 2013**. If
3 representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme
4 Court, intervention will be conditioned upon the intervenor obtaining counsel to
5 represent the intervenor. For information about requesting intervention, visit the
6 Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.
7 The granting of intervention, among other things, entitles a party to present sworn
8 evidence at the hearing and to cross-examine other witnesses. However, failure to
9 intervene will not preclude any interested person or entity from appearing at the
10 hearing and providing public comment on the Application or from filing written
11 comments in the record of the case.

7 **ADA/Equal Access Information**

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

11 IT IS FURTHER ORDERED that the Company shall **mail** to each of its customers a copy of
12 the notice by **October 15, 2013**, and shall cause the notice to be published at least once in a
13 newspaper of local circulation in its service territory, with **publication** to be completed no later than
14 **October 15, 2013**. For customers in the Mesa Del Caballo system, notice shall be mailed by no
15 later than **September 20, 2013**.

16 IT IS FURTHER ORDERED that the Company shall docket an **affidavit of mailing and
17 publication** no later than **October 30, 2013**.

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

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

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

26 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance
27 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the
28 Rules of the Arizona Supreme Court). Representation before the Commission includes the obligation

1 to appear at all hearings and procedural conferences, as well as all Open Meetings for which the
2 matter is scheduled for discussion, unless counsel has previously been granted permission to
3 withdraw by the Administrative Law Judge.

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

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

8 DATED this 10th day of September, 2013.

9
10 
11 _____
12 DWIGHT D. NODES
13 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

12 Copies of the foregoing mailed
13 this 10th day of September, 2013, to:

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

Steven M. Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

17 Robert Hardcastle
18 3101 State Road
19 Bakersfield, CA 93308

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

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

23 By: 
24 Tammy Velarde
25 Assistant to Dwight D. Nodes
26
27
28