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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-02467A-09-0333

IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR APPROVAL OF FINANCINGS.

DOCKET NO. W-02467A-09-0334

IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR AUTHORITY TO INCUR LONG-TERM
DEBT.

DOCKET NO. W-02467A-10-0483

PROCEDURAL ORDER

BY THE COMMISSION:

This case concerns requests made by Granite Mountain Water Company, Inc. ("GMWC") for modification of two different Commission decisions: Decision No. 72294 (May 4, 2011) and Decision No. 72377 (May 27, 2011). Decision No. 72294 extended compliance deadlines established in Decision No. 71869 (September 1, 2010).¹ Decision No. 72377 authorized long-term debt for specific water system improvements. At the Open Meeting on November 8, 2012, the Commission opened an A.R.S. § 40-252 proceeding to consider GMWC's requests for modification and directed the Commission's Utilities Division ("Staff") to prepare a Staff Report.

Within the six months thereafter, the dockets for Decision Nos. 72294 and 72377 were

¹ Decision No. 71869 established GMWC's current rates and charges and, *inter alia*, ordered the following: Granite Mountain Water Company, Inc. shall complete one of the following, within 18 months after the effective date of this decision, to address its inadequate storage capacity issue:

- a. Drill a replacement well to replace its existing Well No. 5 (ADWR #55-622083), or
- b. Construct and install a 110,000-gallon storage tank.

The Decision further ordered GMWC, for either option, to file an Approval to Construct ("ATC") within six months after the Decision (by March 1, 2011) and to file an Approval of Construction ("AOC") within 18 months after the Decision (by March 1, 2012). Per the Decision, replacement Well No. 5 had an expected production capacity of 65 GPM, and Staff supported GMWC's plan to drill replacement Well No. 5 and believed that replacement Well No. 5's anticipated 65 GPM capacity would allow GMWC to adequately serve its existing customers and 79 additional customers.

1 consolidated, an initial Staff Report and Supplemental Staff Report were filed, and GMWC made
2 responsive filings altering its requests.

3 On May 9, 2013, a Procedural Order was issued scheduling an evidentiary hearing to
4 commence on June 10, 2013, and requiring the filing of direct testimony and responsive testimony by
5 May 31, 2013, and June 7, 2013, respectively. The Procedural Order further required that the parties'
6 direct testimony address, at a minimum, specific enumerated questions.

7 On May 30, 2013, Staff filed a Staff Request for Extension ("Request"), stating that GMWC
8 had sent Staff's counsel a letter summarizing various actions GMWC intended to take to be
9 responsive to the May 9, 2013, Procedural Order; stating that GMWC would like more time to take
10 such actions; and stating that Staff had no objection to GMWC's request for additional time. In the
11 GMWC letter, which Staff attached to the Request, GMWC stated, *inter alia*, that "[a]n amended
12 request to modify decisions based upon this letter will be prepared and filed with the exhibits as soon
13 as we have the exhibits and prepared plans for the well and tank are approved by the engineer." In
14 the Request, Staff asked for a delay to file direct testimony, but did not specify the duration of the
15 requested delay.

16 GMWC did not make a filing in response to the Request.

17 On June 4, 2013, Staff filed a Modification to Procedural Schedule, stating that Staff had met
18 with GMWC on May 31, 2013, and that GMWC had indicated that it needed at least an additional 60
19 days. Staff requested that the testimony filing deadlines be extended by at least 60 days and that the
20 date for hearing likewise be extended by at least 60 days.

21 On June 5, 2013, a Procedural Order was issued vacating the June 10, 2013, hearing;
22 scheduling an evidentiary hearing to be held on September 23, 2013; and establishing pre-hearing
23 filing requirements and deadlines for both GMWC and Staff, including a requirement for each to
24 include in its filings responses to the questions posed in the Procedural Order of May 9, 2013, along
25 with copies of pertinent supporting documentation, and the party's position and rationale concerning
26 whether an evidentiary hearing should be held.

27 On August 5, 2013, GMWC filed an Amended Request to Modify Decisions, in which
28 GMWC stated that it intended to obtain a property referenced as the "Short Spur property," which

1 had an existing domestic well (to be called Well No. 6) and to have Well No. 6 converted to a
2 production well. GMWC further stated that it intended to purchase a prefabricated 50,000-gallon
3 storage tank and to install the storage tank on the hill beside GMWC's two existing storage tanks.
4 GMWC requested the following: (1) that Decision No. 71869 be modified to allow GMWC to add a
5 new production well and a 50,000-gallon storage tank; (2) that Decision No. 72377 be modified to
6 authorize long-term debt up to \$196,032, with the authorization expiring no sooner than June 1, 2014;
7 and (3) that GMWC's compliance item requirements be extended to comply with the Commission's
8 ruling on GMWC's request for an extension of time on Decision No. 72294. GMWC did not provide
9 any recommendation regarding whether an evidentiary hearing is needed and did not explicitly
10 respond to a number of the questions posed in the Procedural Order of May 9, 2013.

11 On August 16, 2013, GMWC filed a Supplement to Amended Request to Modify Decisions,
12 providing copies of an ADEQ Drinking Water Source Approval Form for Well No. 6, water testing
13 results for Well No. 6, an August 2013 Water Supply and Fire Flow Design Report, and an August
14 2013 letter from the Central Yavapai Fire District Fire Marshal.

15 On September 5, 2013, Staff filed a Staff Report for GMWC's Request to Modify Decision
16 Nos. 71869 and 72377 ("New Staff Report"). In the New Staff Report, Staff addressed only
17 engineering issues. Staff stated that GMWC will have adequate production and storage capacity if
18 Well No. 6 and the new 50,000-gallon storage tank are added to GMWC's system; Staff raised and
19 did not appear to resolve the issue of GMWC's compliance with Yavapai County fire flow
20 requirements; and Staff recommended that GMWC file with Docket Control, as compliance items, by
21 March 1, 2014, the AOCs issued by ADEQ for Well No. 6 and the new 50,000-gallon storage tank.
22 Staff did not provide any recommendation regarding whether an evidentiary hearing is needed and
23 did not explicitly respond to the questions posed in the Procedural Order of May 9, 2013. Staff also
24 did not address GMWC's current financing request, although it is again higher than the amount
25 previously authorized by the Commission.

26 Because neither of the parties has responded fully to the questions posed in the Procedural
27 Order of May 9, 2013, because GMWC is again requesting an increase in its long-term debt
28 authorization (although no notice of such request has been provided to its customers), and because it

1 is not appropriate for the Commission to consider a request to increase GMWC's long-term debt
2 authorization without first having had GMWC provide notice to its customers, the hearing scheduled
3 for September 23, 2013, will be vacated, and the time will instead be used to hold a procedural
4 conference at which the parties' current positions can be explained and an appropriate process for
5 going forward can be discussed.

6 IT IS THEREFORE ORDERED that the **evidentiary hearing** scheduled to commence in this
7 matter on **September 23, 2013, at 10:00 a.m.**, is hereby **vacated**.

8 IT IS FURTHER ORDERED that a **procedural conference** shall be held in this matter on
9 **September 23, 2013, at 10:00 a.m.**, in Hearing Room No. 1 at the Commission's offices at 1200
10 West Washington Street, Phoenix, Arizona 85007.

11 IT IS FURTHER ORDERED that **the parties shall be prepared, at the procedural**
12 **conference**, to identify the modifications that each party believes should be made to Decision Nos.
13 71869, 72294, and 72377; to identify the extent to which the parties' positions currently differ; to
14 explain whether the parties' differences can be reconciled prior to hearing and, if so, to what extent;
15 and to provide a joint proposal for how this matter should go forward.

16 IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules
17 31, 38, and 42 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

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

24 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
25 Communications) continues to apply to this proceeding and shall remain in effect until the
26 Commission's Decision in this matter is final and non-appealable.

27 ...

28 ...

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

4 DATED this 11th day of September, 2013.

5
6 
7 SARAH N. HARPRING
8 ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/delivered/faxed/e-mailed
this 11th day of September, 2013, to:

10 Paul D. Levie
11 GRANITE MOUNTAIN WATER COMPANY, INC.
12 P.O. Box 350
13 Chino Valley, AZ 86323
14 Attorney for Granite Mountain Water Company, Inc.

15 Arden W. Barney, Operations Manager
16 GRANITE MOUNTAIN WATER COMPANY, INC.
17 P.O. Box 350
18 Chino Valley, AZ 86323

19 Janice Alward, Chief Counsel, Legal Division
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington Street
22 Phoenix, AZ 85007-2927

23 Steven Olea, Director, Utilities Division
24 ARIZONA CORPORATION COMMISSION
25 1200 West Washington Street
26 Phoenix, AZ 85007-2927

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

By: 
Rebecca Unquera
Assistant to Sarah N. Harpring