

ORIGINAL



0000148839

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

Arizona Corporation Commission

DOCKETED

OCT 10 2013

2013 OCT 10 A 9:42

AZ CORP COMMISSION  
DOCKET CONTROL

DOCKETED BY

COMMISSIONERS

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

DOCKET NO. SW-03437A-13-0292

IN THE MATTER OF THE APPLICATION OF VERDE SANTA FE WASTEWATER CO., INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.

RATE CASE  
PROCEDURAL ORDER

**BY THE COMMISSION:**

On August 30, 2013, Verde Santa Fe Wastewater Co., Inc. ("VSF" or "Company") filed with the Arizona Corporation Commission ("Commission") an application requesting an order establishing the fair value of its plant and property used to provide wastewater utility services and approving permanent rates and charges designed to produce a fair return thereon. VSF asserted that its current rates and charges, established in Decision No. 60779 (April 8, 1998), are inadequate to provide VSF a fair rate of return on the fair value of its plant and property devoted to public water utility service. VSF asserted that for its test year ending December 31, 2012 ("TY"), it had adjusted gross revenues of \$479,551, an adjusted operating loss of \$3,950, and a fair value rate base ("FVRB") of \$421,336, resulting in a rate of return of negative 0.94 percent. VSF requested an increase in revenues of \$65,213, or 13.60 percent, and asserted that this increase would result in a rate of return on its FVRB of 11.00 percent.

On September 5, 2013, VSF filed several corrected Schedule H pages.

On September 11, 2013, the Commission's Hearing Division received and docketed an anonymous comment concerning VSF's application.

On September 16, 2013, VSF filed a Notice of Errata correcting a statement on the first page of its application regarding VSF's ownership and correcting a Schedule H page.

1 On September 27, 2013, the Commission's Utilities Division ("Staff") issued a Letter of  
2 Sufficiency indicating that VSF's application had met the sufficiency requirements as outlined in the  
3 Arizona Administrative Code ("A.A.C.") R14-2-103 and that VSF had been classified as a Class C  
4 utility.

5 Pursuant to A.A.C. R14-2-103(B)(11)(a), it is now necessary and appropriate to establish a  
6 procedural schedule in this matter.

7 IT IS THEREFORE ORDERED that the **hearing** in this matter shall commence on **March**  
8 **31, 2014, at 10:00 a.m.**, or as soon thereafter as is practicable, in Hearing Room No. 1 at the  
9 Commission's offices at 1200 West Washington St., Phoenix, Arizona 85007, and shall continue, if  
10 necessary, at **9:00 a.m. on April 1, 2014.**

11 IT IS FURTHER ORDERED that the **pre-hearing conference** for this matter shall be held on  
12 **March 26, 2014, at 1:00 p.m.**, in Hearing Room No. 1 at the Commission's offices in Phoenix,  
13 Arizona.

14 IT IS FURTHER ORDERED that the **direct testimony** and associated exhibits to be  
15 presented at hearing by **Staff or an intervenor** shall be reduced to writing and filed on or before  
16 **February 10, 2014.**

17 IT IS FURTHER ORDERED that **rebuttal testimony** and associated exhibits to be presented  
18 at hearing by **VSF** shall be reduced to writing and filed on or before **February 27, 2014.**

19 IT IS FURTHER ORDERED that **surrebuttal testimony** and associated exhibits to be  
20 presented by **Staff or an intervenor** shall be reduced to writing and filed on or before **March 13,**  
21 **2014.**

22 IT IS FURTHER ORDERED that **rejoinder testimony** and associated exhibits to be  
23 presented at hearing by **VSF** shall be reduced to writing and filed on or before **March 21, 2014.**

24 IT IS FURTHER ORDERED that all filings shall be made by **4:00 p.m.** on the date the filing  
25 is due, unless otherwise indicated above.

26 IT IS FURTHER ORDERED that each party shall individually prepare, and bring to the pre-  
27 hearing conference, copies of an issues matrix setting forth all disputed issues in the case. Each  
28

1 party's matrix shall indicate the position of each party on each disputed issue and shall indicate  
2 whether the disputed issue remains in dispute or has been resolved and, if resolved, in what manner.

3 IT IS FURTHER ORDERED that any objections to prefiled testimony or exhibits shall be  
4 made before or at the pre-hearing conference to be held in this matter.

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

10 IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-  
11 105, except that all motions to intervene must be filed on or before **December 20, 2013**.

12 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and  
13 regulations of the Commission, except that until **February 27, 2014**, any objection to discovery  
14 requests shall be made within 7 calendar days of receipt<sup>1</sup> and responses to discovery requests shall be  
15 made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made  
16 within 5 calendar days and responses shall be made within 7 calendar days. The response time may  
17 be extended by mutual agreement of the parties involved if the request requires an extensive  
18 compilation effort or for other good cause.

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

22 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel  
23 discovery, any party seeking resolution of a discovery dispute may telephonically contact the  
24 Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery  
25 dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and  
26 that the party making such a request shall forthwith contact all other parties to advise them of the

27

28 <sup>1</sup> The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. Arizona time will be considered as received the next business day.

1 hearing date and shall at the hearing provide a statement confirming that the other parties were  
2 contacted.<sup>2</sup>

3 IT IS FURTHER ORDERED that any motion, other than a Motion to Intervene, that is filed  
4 in this matter and that is not ruled upon within 20 calendar days of the filing date of the motion shall  
5 be deemed denied.

6 IT IS FURTHER ORDERED that any response to a motion shall be filed within five calendar  
7 days of the filing date of the motion.

8 IT IS FURTHER ORDERED that any reply shall be filed within five calendar days of the  
9 filing date of the response.

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

**PUBLIC NOTICE OF HEARING ON THE APPLICATION OF**  
**VERDE SANTA FE WASTEWATER CO., INC.**  
**FOR A PERMANENT RATE INCREASE**  
**(DOCKET NO. SW-03437A-13-0292)**

**Summary**

16 On August 30, 2013, Verde Santa Fe Wastewater Co., Inc. ("VSF" or "Company")  
17 filed with the Arizona Corporation Commission ("Commission") an application  
18 requesting an order establishing the fair value of its plant and property used to provide  
19 water utility services and approving permanent rates and charges designed to produce  
20 a fair return thereon. VSF asserted that its current rates and charges, established in  
21 Decision No. 60779 (April 8, 1998), are inadequate to provide VSF a fair rate of return  
22 on the fair value of its plant and property devoted to public service. VSF asserted that  
23 for its test year ending December 31, 2012 ("TY"), it had adjusted gross revenues of  
24 \$479,551, an adjusted operating loss of \$3,950, and a fair value rate base ("FVRB") of  
25 \$421,336, resulting in a rate of return of negative 0.94%. VSF requested an increase  
26 in revenues of \$65,213, or 13.60 percent, and asserted that this increase would result in  
27 a rate of return on its FVRB of 11.00 percent. Under VSF's proposal, the regular  
monthly bill for a residential customer would increase from \$40.00 to \$45.68, an  
increase of \$5.68 or 14.20%. VSF also proposes to add a monthly deferred payment  
fee and an after-hours service charge.

28 The Commission's Utilities Division ("Staff") is in the process of auditing and  
analyzing the application, and has not yet made any recommendations regarding  
VSF's proposed rate increase. The Commission will determine the appropriate relief  
to be granted based on the evidence presented by the parties. **THE COMMISSION  
IS NOT BOUND BY THE PROPOSALS MADE BY VSF, STAFF, OR ANY**

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

1 **INTERVENORS; THEREFORE, THE FINAL RATES APPROVED BY THE**  
 2 **COMMISSION MAY DIFFER FROM AND MAY BE HIGHER OR LOWER**  
 3 **THAN THE RATES REQUESTED BY VSF OR RECOMMENDED BY**  
 4 **OTHER PARTIES.**

5 **How You Can View or Obtain a Copy of the Rate Proposal**

6 Copies of the application and proposed rates are available from VSF [COMPANY  
 7 INSERT HOW AND WHERE AVAILABLE] and at the Commission's Docket  
 8 Control Center at 1200 West Washington, Phoenix, Arizona, for public inspection  
 9 during regular business hours, and on the Internet via the Commission's website  
 10 (www.azcc.gov) using the e-Docket function.

11 **Arizona Corporation Commission Public Hearing Information**

12 The Commission will hold a hearing on this matter in Hearing Room No. 1 at the  
 13 Commission's offices at 1200 West Washington Street, Phoenix, Arizona 85007. The  
 14 **hearing will commence on March 31, 2014, at 10:00 a.m.** Oral public comments  
 15 will be taken on the first day of hearing.

16 Written public comments may be submitted by mailing a letter referencing Docket No.  
 17 SW-03437A-13-0292 to Arizona Corporation Commission, Consumer Services  
 18 Section, 1200 West Washington, Phoenix, AZ 85007. If you require assistance, you  
 19 may contact the Consumer Services Section at 1-800-222-7000.

20 **About Intervention**

21 The law provides for an open public hearing at which, under appropriate  
 22 circumstances, interested parties may intervene. Any person or entity entitled by law  
 23 to intervene and having a direct and substantial interest in the matter will be permitted  
 24 to intervene. Anyone who wishes to intervene must file an original and 13 copies of a  
 25 written motion to intervene with the Commission no later than **December 20, 2013**,  
 26 and send a copy of the motion to VSF or its counsel and to all parties of record. A  
 27 motion to intervene must contain the following:

- 28 1. The name, address, and telephone number of the proposed intervenor and of  
 any person upon whom service of documents is to be made if different from  
 that of the intervenor;
- 29 2. A short statement of the proposed intervenor's interest in the proceeding (e.g.,  
 a customer or potential customer of the Company, a member or shareholder of  
 the Company, etc.);
- 30 3. A statement certifying that a copy of the motion to intervene has been mailed  
 to the Company or its counsel and to all parties of record in the case; and
- 31 4. If the proposed intervenor is not represented by an attorney who is an active  
 member of the Arizona State Bar, and is not an individual representing himself  
 or herself, information and any appropriate documentation demonstrating the  
 intervenor's compliance with Arizona Supreme Court Rules 31, 38, and 42, as  
 applicable.

32 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except  
 33 that **all motions to intervene must be filed on or before December 20, 2013.** If  
 34 representation by counsel is required by Arizona Supreme Court Rule 31, intervention  
 35 will be conditioned upon the intervenor obtaining counsel to represent the intervenor.  
 36 For information about requesting intervention, visit the Commission's website at

1 <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of  
2 intervention, among other things, entitles a party to present sworn evidence at hearing  
3 and to cross-examine other witnesses. However, failure to intervene will not preclude  
any interested individual or entity from appearing at the hearing and providing public  
comment on the application or from filing written comments in the record of the case.

4 **ADA/Equal Access Information**

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

11 IT IS FURTHER ORDERED that VSF shall, as soon as possible, but no later than  
12 **November 15, 2013, mail to each of its customers** a copy of the above notice and cause a copy of  
13 such notice to be published at least once in a newspaper(s) of general circulation in VSF's service  
14 territory.

15 IT IS FURTHER ORDERED that VSF shall **file certification** of mailing and publication of  
16 the above notice as soon as possible after the mailing and publication have been completed, but no  
17 later than **December 2, 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 all parties must comply with Arizona Supreme Court Rules  
21 31 and 38 and A.R.S. §40-243 with respect to practice of law and admission *pro hac vice*.

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

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

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

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

6 DATED this 10th day of October, 2013.

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

  
SARAH N. HARPRING  
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed  
this 10th day of October, 2013 to:

Jay L. Shapiro  
FENNEMORE CRAIG, P.C.  
2394 E. Camelback Road, Suite 600  
Phoenix, AZ 85016  
Attorneys for Verde Santa Fe Wastewater Co., Inc.

Janice Alward, Chief Counsel  
Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, AZ 85007

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

ARIZONA REPORTING SERVICE, INC.  
2200 N. Central Ave., Suite 502  
Phoenix, AZ 85004-1481

By:   
Tammy Velarde  
Assistant to Sarah N. Harpring