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BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

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

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AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV 26 2013

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IN THE MATTER OF THE APPLICATION OF  
CERBAT WATER COMPANY FOR APPROVAL  
OF A RATE INCREASE.

DOCKET NO. W-02391A-13-0234

PROCEDURAL ORDER

BY THE COMMISSION:

On July 2, 2013, Cerbat Water Company ("Cerbat" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.

On July 31, 2013, the Commission's Utilities Division ("Staff") filed a Letter of Deficiency stating that Cerbat's Application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-103. The Deficiency Letter set forth the additional required information by the Company.

On August 2, 2013, Staff filed a Letter of Sufficiency stating that Cerbat's Application had met the sufficiency requirements as outlined in A.A.C. R14-2-103 and that the Company had been classified as a Class D Utility. According to the Sufficiency Letter, Staff anticipated filing its Staff Report by October 17, 2013.

On August 8, 2013, Cerbat filed a Schedule of Current and Proposed Charges.

On August 13, 2013, Cerbat filed a proposed Curtailment Tariff.

On August 19, 2013, Cerbat filed a revised Curtailment Tariff.

On October 17, 2013, Staff filed an unopposed Request for Extension to file its Staff Report. Staff indicated that it would not be able to meet the October 17, 2013, deadline for filing the Staff Report and requested an extension of the deadline to October 31, 2013.

Staff's request for Extension was granted by Procedural Order dated October 21, 2013.

On October 31, 2013, Staff filed a Staff Report recommending approval of Staff's rates and

1 charges contingent upon the Company establishing a payment plan with the Mohave Assessor's  
2 Office for delinquent property taxes.

3 On November 14, 2013, Staff filed an Amended Staff Report.

4 On November 18, 2013, Staff filed a Notice of Errata to correct the rate design in its  
5 Amended Staff Report.

6 After review of the record in this matter, additional information is necessary to clarify certain  
7 issues and concerns as follows:

8 a. The Application indicates Accumulated Deferred Income Tax ("ADIT") of \$100,434.  
9 The Amended Staff Report, Schedule CLP-2 indicates a \$0 balance in both the Company column and  
10 Staff's recommended adjusted column. Please explain the discrepancy between the Company's  
11 Application and the Staff Report regarding ADITs and provide support for the recommendation.

12 b. Please clarify whether Staff is in complete agreement with the billing determinants in  
13 pages 27a through 31c of the Company's Application for the 3/4-inch, 1-inch and standpipe customer  
14 classes. If Staff has adopted any changes to the Company-proposed billing determinants, provide a  
15 complete set of Staff's billing determinants for each customer class along with an explanation of  
16 Staff's adjustments.

17 c. Please clarify the Present, Company-proposed and Staff's recommended break-over  
18 points in the respective rate designs. (Schedule CLP-4-1 appears to indicate a break-over point of  
19 7,000 gallons for the Present, Company-proposed and Staff recommended rates, but Schedule CLP-5  
20 appears to show a break-over point at 9,000 gallons for the Present and 7,000 gallons for the  
21 Company-proposed and Staff-recommended rates, while the Company's Application at page 9  
22 appears to show a break-over at 9,000 gallons for Present rates and 7,000 gallons for Company-  
23 proposed rates).

24 d. Clarify the discrepancy between the recommended Water Testing Expense in the  
25 Engineering Report and the Amended Staff Report (the Engineering Report indicates a recommended  
26 expense of \$1,655, and the Amended Staff Report, Schedule CLP-3 indicates a Water Testing  
27 Expense of \$611).

28 e. Please review the Cash Flow Analysis Schedule CLP-6, in particular: 1) verify that the

1 \$5,243 Interest Expense and \$1,844 Principal Repayment are correct for the \$331,875, 4.20 percent  
2 interest rate loan with a 4/2/2012 issuance date and a 4/1/2031 maturity date; 2) verify the calculation  
3 of Net Income with specific attention to the effect Interest Expense has in its calculation; 3) explain  
4 why the Advance in Aid of Construction ("AIAC") Refund payments (the Application indicates  
5 AIAC refunds of \$9,369) should or should not be included in the cash flow analysis; and 4) identify  
6 the amount, if any, of the annual debt service reserve fund payment required by the Company's  
7 WIFA loan, and explain whether it should or should not be included in the cash flow analysis.

8 f. Please provide the calculations for Staff's recommended Property Tax Expense and  
9 Income Tax Expense.

10 g. Please file updated Schedules to reflect all changes, if any.

11 h. Please provide the Hearing Division with a complete set of electronic files in an Excel  
12 format that support all of Staff's recommendation including billing determinants reconciled to test  
13 year and recommended revenue.

14 IT IS THEREFORE ORDERED that given the need to clarify and supplement the record in  
15 this case, the applicable **time clock established in A.A.C. R14-2-103 is suspended.**

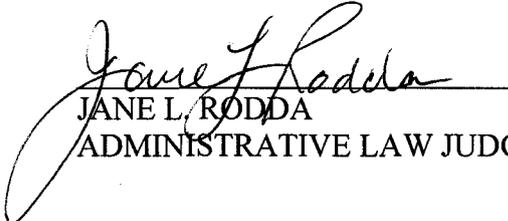
16 IT IS FURTHER ORDERED that **Staff shall provide a Revised/Amended Staff Report** and  
17 updated Schedules addressing, at a minimum, the issues identified above **by January 8, 2014.**

18 IT IS FURTHER ORDERED that the **Company shall file any comments** to the  
19 Revised/Amended Staff Report **by January 22, 2013.**

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

23 DATED this 25<sup>th</sup> day of November, 2013.

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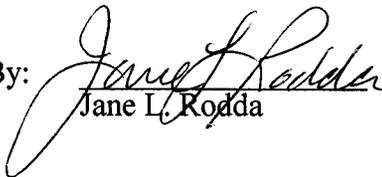
  
JANE L. RODDA  
ADMINISTRATIVE LAW JUDGE

1 Copies of the foregoing mailed/delivered  
this 25 day of November, 2013, to:

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13 By:   
Jane L. Rodda

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