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RECEIVED

2014 JAN 31 P 1:32 ORIGINAL

6 BEFORE THE ARIZONA CORPORATION COMMISSION
7

8 IN THE MATTER OF THE APPLICATION
9 OF PAYSON WATER CO., INC., AN
10 ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE FAIR VALUE
12 OF ITS UTILITY PLANTS AND
13 PROPERTY AND FOR INCREASES IN ITS
14 WATER RATES AND CHARGES FOR
15 UTILITY SERVICE BASED THEREON.
16

DOCKET NO: W-03514A-13-0111

Arizona Corporation Commission
DOCKETED

JAN 31 2014

DOCKETED BY 

17 IN THE MATTER OF THE APPLICATION
18 OF PAYSON WATER CO., INC., AN
19 ARIZONA CORPORATION, FOR
20 AUTHORITY TO: (1) ISSUE EVIDENCE
21 OF INDEBTEDNESS IN AN AMOUNT
22 NOT TO EXCEED \$1,238,000 IN
23 CONNECTION WITH INFRASTRUCTURE
24 IMPROVEMENTS TO THE UTILITY
25 SYSTEM; AND (2) ENCUMBER REAL
26 PROPERTY AND PLANT AS SECURITY
27 FOR SUCH INDEBTEDNESS.
28

DOCKET NO: W-03514A-13-0142

SUPPLEMENT TO PRE-FILED
TESTIMONY

29 SECOND SET OF DATA REQUESTS
30 FROM PAYSON WATER CO., INC.
31 TO SUZANNE NEE
32

33 2.1. Admit that the previous stockholder of PWC was Brooke Utilities. If you deny this data request,
34 please explain with specificity the basis for your denial.
35

36 I do not have a Finance degree, but my understanding is that Brooke Utilities does own the subsidiaries
37 of Payson Water Company, Tonto Basin Water Company, and Navajo Water Company. BUI thus owns
38 the stock of those subsidiaries. But Mr. Robert T. Hardcastle, who owns Brooke Utilities, Inc. would be
39 the ultimate shareholder of these stocks.
40
41
42

1 2.2. Admit that PWC cannot raise its own rates. If you deny this data request, please explain with
2 specificity the basis for your denial.

3
4 PWC cannot raise its own rates. It must submit an Application for a rate increase to the Arizona
5 Corporation Commission. It is the Arizona Corporation Commission's responsibility to allow customers
6 to participate in these proceedings to make sure that the rates imposed on customers are "fair and
7 reasonable" to both the company and its customers.
8
9

10 2.3. Admit that PWC never sought or received a rate increase during the period of time that it was
11 owned and operated by Brooke Utilities. If you deny this data request, please explain with specificity
12 the basis for your denial.

13
14 To my knowledge, PWC never sought or received a rate increase during the period of time that it was
15 owned and operated by Brooke Utilities.
16
17

18 2.4. Identify the exact amounts of the expenses referenced in your responsive testimony (at p.2,
19 ls.13-15) and explain your basis for testifying that such expenses are "high".
20

21 1) High legal expenses:

22 From ACC Analyst Ms Crystal Brown's Testimony Schedule CSB-7, line 21 of Operating Income, Company
23 Test year as filed, shows Reg. Comm. Exp. – Rate Case of \$65,000 for 2012. She allows this amount in,
24 not adjusting it to average the cost over several years.
25

26 2) From ACC Analyst Ms Crystal Brown's Surrebuttal Schedule CSB-11

27 Line 1 – Miscellaneous Expenses as filed by Company 2012: \$37,531. This amount is greater than the
28 sum total of ALL Miscellaneous Expenses that PWC claimed on their 2001 Annual Report filed with the
29 Corporation Commission. PWC's Total Misc. Expenses in 2001 were \$36,067.
30

31 Line 14 - Salaries & Wages \$47,998.99.
32

33 Line 27) Professional Fees: \$31,210.70
34

35 Line 27) Management Fees: \$13,281.62
36

37 3) High Miscellaneous Expenses- SN noted in her document #0000150673, pg. 2, paragraphs 4-8, 3 other
38 actually private owned water companies in Arizona with a Misc. Expense to Total Operating Expenses of
39 2.7%, 1.22%, and 2.1%. Compared to PWC's 44.6%, 39.2%, and 42.1% of Misc. Expense to Total
40 Operating Expense 2010-2012, respectively.
41
42
43

1 Also, see attached **Exhibit A- DR2_SN, PWC_Notable Costs_Vs Misc Expenses.**

2
3 Mr. Hardcastle in his original Testimony document # W-03514A-B, pg. 5, ls. 15-21,
4 Have there been any recent, significant changes or increases in Operating Expenses? Yes. During the
5 last several years, PWC's costs to do business have increased as other businesses have experienced the
6 same thing. The most notable expense increases are related to electrical utility costs,
7 insurance costs, property taxes, telephone costs, and chemical costs related to water treatment.
8 Otherwise, legal costs and expenses related to customer litigation, in significant part resulting from past
9 Commission recommendations, have caused the Company's costs to increase significantly.

10
11 The spreadsheet clearly shows the expenses Mr. Hardcastle claims are causing PWC to need a rate
12 increase, are actually -4.8% since 2001. It is the Misc. Expenses that have increased from \$36,067 in
13 2001 to \$249,525 in 2012, an almost 600% increase. Nearly all of this to fund his Central Office
14 Allocated costs. \$249,525/12 months per year/1499 customers (includes Star/Quai Valley customers) =
15 \$13.87 per month per customer to fund his Central Office allocation.

16
17 2.5. Admit that at least four different legal actions are pending against PWC. If you deny this data
18 request, please explain with specificity the basis for your denial.

19
20 I can believe there are four different legal actions that are pending against PWC.

21
22 2.6. If customers and/or landowners in the Company's service territory sue the Company, why
23 shouldn't the cost of defending such lawsuits be recovered as an operating expense as you appear to be
24 asserting in your response testimony (at p.3, ls. 31-35)?

25
26 Coming from private industry, if a company does something that causes harm to its customers, the
27 company can face legal actions. However, the harmed customers don't have to pay the legal fees. I
28 suppose it is legal for Payson Water Company to expense the company and thus us, its customers, for
29 our claims that we've been treated unfairly.

30
31 2.7. For each of the three utilities you identify in your response testimony (at p.3, ls. 25-30), using
32 the 2012 calendar year, state the number of customers served, the rate base, the total operating
33 expenses, the amount of each individual operating expense, and the specific expenses and amounts
34 included by that entity in Miscellaneous expense.

35
36 1) Valencia Water Company(Greater Buckeye)- This data can be found in the company's annual report
37 at:

38 [http://www.azcc.gov/Divisions/Utilities/Annual%20Reports/2012/Water/Valencia_Water_Company_Inc_\(Greater_Buckeye_Division\).pdf](http://www.azcc.gov/Divisions/Utilities/Annual%20Reports/2012/Water/Valencia_Water_Company_Inc_(Greater_Buckeye_Division).pdf)

39 2) Adaman Mutual Water Company:

40 http://www.azcc.gov/Divisions/Utilities/Annual%20Reports/2012/Water/Adaman_Mutual_Water_Company.pdf

41 3) Ponderosa Utility:
42
43

1 http://www.azcc.gov/Divisions/Utilities/Annual%20Reports/2012/Water/Ponderosa_Utility_Corporatio
2 [n.pdf](http://www.azcc.gov/Divisions/Utilities/Annual%20Reports/2012/Water/Ponderosa_Utility_Corporatio)

3
4
5 2.8. State with specificity each and every "repair" or "maintenance" activity you believe is necessary
6 to be undertaken with respect to wells in EVP and MDC as claimed in your response testimony at p.3, ls.
7 37-41, and for each such activity state the estimate cost to complete.

8
9 Again, see Exhibit A, in 2001, PWC paid \$0 for Repairs & Maintenance, then \$144 in 2002, \$98 in 2003,
10 \$0 again in 2004, \$16,552 in 2005, \$0 in 2006, \$0 in 2007, then suddenly in 2008 Repairs & Maintenance
11 start to climb from \$12,273, to \$20,684, \$15,492, \$22,692, \$27,774 in 2009 through 2012, respectively.
12 At the Public Comment Hearing on Jan. 8th and in several letters written to the ACC from customers,
13 many customers have noted no improvements in their systems with items ranging from exposed pipes,
14 to low pressure.

15
16 I am a ratepayer, not a water company engineer or technician. I do not have the knowledge of exactly
17 what needs to be done to properly maintain a pump and water system and its associated costs.

18
19 2.9. State with specificity the estimated cost to drill a well in MDC as you recommend the Company
20 do in your response testimony at p.3, ls. 37-41, and for each such activity state the estimate cost to
21 complete. In answering this request, state the location where such well should be drilled, the depth, the
22 size, the type ad cost of the pump for the well you recommend the Company drill in MDC.

23
24 Again, I am a ratepayer, I simply noted in my document #0000150673, that PWC has increased the
25 gallons pumped at MdC from 6,824 (Thousand) gallons pumped in 2006 to 13,635 (Thousand) gallons
26 pumped in 2012 for a 99.8% increase in gallons pumped. I also pointed out that the gallons sold to MdC
27 were 12,943 (Thousand) gallons, which are lower than the 13,635 (Thousand) gallons pumped in 2012.

28
29 Mr. Williamson's Supplemental Rejoinder Testimony, January 15th on pg. 6, ls. 15-21, states, "After
30 researching, the Company determined that the figures provided in the 2012 annual report were both
31 incomplete and incorrect." (Here he is referring to PWC Water Use Data in annual reports.)

32
33 I am not a hydrology engineer, I cannot answer where or how much drilling at MdC should cost. The
34 company has the knowledge to determine this information.

35
36
37
38
39
40 2.10. Do you have any hydrologic, geologic, or hydrogeologic evidence to support your belief that
41 another well can be drilled in MDC and that such well would be sufficiently productive to justify the
42 cost?

1 I reference the 9 new wells since 2011 is from my Supplement to Pre-Filed Testimony on 1/7/14,
2 Document #150679, Exhibit KMR-G.

3
4 2.11. If the Company drills a new well in MDC as you recommend, and that well fails to produce an
5 adequate amount of water, will you still be willing to pay rates that include a recovery on and of the cost
6 of the well you recommend the Company drill?

7 I am not the President of PWC, but it seems possible to divert some of the expenses spent of the Central
8 Office to paying the expense of drilling a new well.

9
10 2.12. State with specificity your basis for claiming (at p.3, ls. 37-38 of your response testimony) that
11 the Company has "not maintained or improved the water infrastructure of these communities in at least
12 13 years". In answering this request, identify and include any and all evidence in your possession to
13 support your testimony.

14
15 See Exhibit A Repairs & Maintenance PWC 2001-2012. Also, testimony from Customers at the Public
16 Comment Hearing, and I also reference Consumer Comments, Document # 0000150047 from Lanny A.
17 Kope, EdD, Mead Ranch, "This company has made no capital improvements to the system nor has it
18 provided any enhancements which warrant such an exorbitant rate increase. The water service is the
19 same as it was when I first built my home in 1961. It is a gravity flow system where water is pumped up
20 to a holding tank and then dispensed by gravity to my home. The water pressure is minimal and has
21 never been improved. To get adequate pressure for washing off a porch, for example, requires a booster
22 pump be installed."

23
24 2.13. Admit that you were served a copy of the Company's rejoinder testimony by mail the day it was
25 filed, January 6, 2014. If you deny this data request, please explain with specificity the basis for your
26 denial.

27
28 Yes, I admit that the Company's rejoinder testimony did eventually get to my address.

29
30
31
32
33 Respectfully submitted this 31st day of January, 2014.

34 By 
35 _____
36 Suzanne Nee, Intervenor
37 2051 E. Aspen Drive
38 Tempe, AZ 85282

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40
41 **ORIGINAL** and thirteen (13) copies
42 of the foregoing were filed this 31st
43 day of January, 2014 with:

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Docket Control
Arizona Corporation Commission
1200 W. Washington Street
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COPY of the foregoing was mailed
this ^{31st} ~~20th~~ day of ^{January} ~~December~~, 2013 to:
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Exhibit A

