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ARIZONA CORPORATION COMMISSION



0000151007

Chief Administrative Law Judge

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2014 JAN 24 P 4: 16

January 24, 2014

DOCKETED

ORIGINAL

TO: ALL PARTIES OF RECORD

RE: IN THE MATTER OF THE APPLICATIONS OF VALENCIA WATER COMPANY – TOWN DIVISION, GLOBAL WATER – PALO VERDE UTILITIES COMPANY, WATER UTILITY OF NORTHERN SCOTTSDALE, WATER UTILITY OF GREATER TONOPAH, INC., VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION, GLOBAL WATER – SANTA CRUZ WATER COMPANY AND WILLOW VALLEY WATER CO., INC. FOR RATE INCREASE

DOCKET NOS. W-01212A-12-0309; SW-20445A-12-0310; W-03720A-12-0311; W-02450A-12-0312; W-02451A-12-0313; W-20446A-12-0314 and W-01732A-12-0315

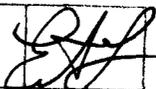
The Recommended Opinion and Order in the above-captioned matter that was docketed and mailed on January 21, 2014, inadvertently omitted page 43. Attached is the missing page 43 in the Recommended Opinion and Order.

Please make a note of this change on your copy of the Recommended Opinion and Order. The deadline for filing exceptions is unchanged.

Arizona Corporation Commission

DOCKETED

JAN 24 2014

DOCKETED BY 

Respectfully,



Dwight D. Nodes
Administrative Law Judge

1200 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701-1347

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SERVICE LIST FOR:

VALENCIA WATER COMPANY, INC.,
GLOBAL WATER – PALO VERDE UTILITIES
COMPANY; WATER UTILITY OF NORTHERN
SCOTTSDALE; WATER UTILITY OF
GREATER TONOPAH, INC.; VALENCIA
WATER COMPANY – GREATER BUCKEYE
DIVISION; GLOBAL WATER – SANTA CRUZ
WATER COMPANY AND WILLOW VALLEY
WATER CO., INC.; GLOBAL WATER
RESOURCES, INC.; HASSAYAMPA UTILITIES
COMPANY; PICACHO COVE WATER
COMPANY; AND PICACHO COVE UTILITIES
COMPANY

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03720A-12-0311; W-02450A-12-0312; W-02451A-
12-0313; W-20446A-12-0314; and W-01732A-12-
0315

Timothy Sabo

Michael Patten

ROSHKA, DeWULF & PATTEN PLC

400 E. Van Buren, Suite 800

Phoenix, AZ 85004

Attorneys for Valencia Water Company, Inc., Global
Water – Palo Verde Utilities Company; Water Utility of
Northern Scottsdale; Water Utility of Greater Tonopah, Inc.;
Valencia Water Company – Greater Buckeye Division; Global
Water – Santa Cruz Water Company and Willow Valley
Water Co., Inc.; Global Water Resources, Inc.; Hassayampa Utilities Company;
Picacho Cove Water Company; and Picacho Cove Utilities Company

Garry D. Hays

THE LAW OFFICES OF GARRY D. HAYS, PC

1702 East Highland Ave., Suite 204

Phoenix, AZ 85016

Attorneys for New World Properties, Inc.

Jeffrey W. Crockett

BROWNSTEIN HYATT FARBER SCHRECK, LLP

One East Washington Street, Suite 2400

Phoenix, AZ 85004

Attorneys for New World Properties, Inc.

Daniel W. Pozefsky, Chief Counsel

Residential Utility Consumer Office

1110 West Washington Street, Suite 200

Phoenix, AZ 85007

Lawrence V. Robertson, Jr.
ATTORNEY AT LAW
P.O. Box 1448
Tubac, AZ 85646
Attorney for the City of Maricopa, Arizona

Michele Van Quathem
Sheryl A. Sweeney
RYLEY CARLOCK & APPLEWHITE
One N. Central Ave., Suite 1200
Phoenix, AZ 85004-4417
Attorneys for Maricopa Area
Homeowners Associations

Robert J. Metli, Esq.
MUNGER CHADWICK, P.L.C.
2398 E. Camelback Road, Suite 240
Phoenix, AZ 85016
Attorneys for Sierra Negra Ranch

Barry W. Becker
Bryan O'Reilly
SNR MANAGEMENT LLC
50 S. Jones Blvd., Suite 101
Las Vegas, NV 89107

Steven P. Tardiff
44840 W. Paitilla Lane
Maricopa, AZ 85139

William P. Sullivan
CURTIS, GOODWIN, SULLIVAN
UDALL & SCHWAB, P.L.C.
501 E. Thomas Rd.,
Phoenix, AZ 85012
Attorneys for Willow Valley Club Assn.

Willow Valley Club Association
c/o Gary McDonald, Chairman
1240 Avalon Avenue
Havasu City, AZ 86404

Dana L. Jennings
42842 W. Morning Dove Lane
Maricopa, AZ 85138

Andy and Marilyn Mausser
20828 North Madison Dr.
Maricopa, AZ 85138

Page 4

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

Steve Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

1 series of rate cases – which the courts have found would not be in the public interest. (*Arizona Corp.*
2 *Comm'n v. Ariz. Public Service Co.*, 113 Ariz. 368, 371, 555 P.2d 326, 329 (1976).) Staff also cites
3 *Arizona Community Action Assoc. v. Ariz. Corporation Comm'n*, wherein the Arizona Supreme Court
4 upheld the Commission's approval of step increases associated with CWIP additions (although the
5 court rejected using APS' return on equity as the sole criterion for triggering an increase). (123 Ariz.
6 228, 229-231, 599 P.2d 184, 186-187.) In that case, the court stated that it did not find fault with the
7 Commission's attempt to avoid a constant series of extended rate hearings by allowing step increases
8 based upon the updated CWIP adjustments. (*Id.*) Staff contends that the SIB mechanism does not
9 suffer from the "sole criterion" deficiency rejected by the court because the SIB does not employ an
10 earnings test, or any other test, that would be subject to control by the Company.

11 Staff disputes RUCO's "single issue ratemaking" arguments, claiming that contrary to
12 RUCO's assertions, the Arizona Constitution does not include that terminology, and under the
13 holding in *Scates*, a full rate case is not required for every rate adjustment given the court's statement
14 that "[t]here may well be exceptional situations in which the Commission may authorize partial rate
15 increases without requiring entirely new submissions." (*Scates*, 118 Ariz. at 537, 578 P.2d at 618.)
16 The court in *Scates* stated that it was not deciding "whether the Commission could have referred to
17 previous submissions with some updating or whether it could have accepted summary financial
18 information." (*Id.*) Staff claims that the SIB mechanism requires updated information to be
19 submitted by the Company and there is no reason to assume that the Commission would not consider
20 that information in its evaluation of each SIB surcharge filing.

21 Staff points out that the SIB mechanism has a number of protections built in, including that: it
22 was developed within the context of a full rate case; it is limited to replacement projects used to serve
23 existing customers; the surcharge would be capped at five percent of the approved revenue
24 requirement, subject to true-up; the Company would be required to file a full rate case within five
25 years from the date of the order; each step increase can only be implemented after approval by the
26 Commission and only after a fair value finding and earnings test which indicates that the Company
27 will not be earning more than its authorized rate of return; the SIB mechanism may be suspended by
28 the Commission; and the Company will be required to perform the same earnings test approved in