OPEN MEETING ITEM

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BOB STUMP – Chairman
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SUSAN BITTER SMITH

ARIZONA CORPORATION COMMISSION

DATE: FEBRUARY 21, 2014

DOCKET NOS.: W-02467A-09-0333, W-02467A-09-0334, AND W-02467A-10-0483

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sarah N. Harpring. The recommendation has been filed in the form of an Order on:

GRANITE MOUNTAIN WATER COMPANY, INC.
(A.R.S. § 40-252)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

MARCH 3, 2014

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MARCH 11, 2014 and MARCH 12, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission
DOCKETED
FEB 21 2014
DOCKETED BY

JODI JERICH
EXECUTIVE DIRECTOR

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

BEFORE THE ARIZONA CORPORATION COMMISSION

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 DECISION NO. _____ **ORDER**

Open Meeting
March 11 and 12, 2013
Phoenix, Arizona

BY THE COMMISSION:

This case concerns Granite Mountain Water Company, Inc.'s requests, pursuant to A.R.S. § 40-252, for modification of requirements created in several Commission decisions. The requirements pertain to the addition of plant sufficient to address an inadequate storage capacity issue, authority to incur long-term debt, and the filing of a permanent rate case application.

DISCUSSION

Background

Granite Mountain Water Company, Inc. ("GMWC") is a for-profit Arizona "S" corporation and Class D water utility providing service to approximately 110 customers in a service area located approximately three miles north of Prescott, in Yavapai County. GMWC is wholly owned by Paul D. Levie and Rae Levie, husband and wife, who also own Chino Meadows II Water Company ("Chino Meadows"), a Class C water utility providing service to approximately 889 customers in Yavapai County's Chino Valley.

In Decision No. 71869 (September 1, 2010),[1] issued in Docket Nos. W-02467A-09-0333 and W-04267A-09-0334 ("rate case docket"), the Commission established GMWC's current rates and charges and ordered GMWC to remedy an inadequate storage capacity problem by completing one of the following within 18 months after the effective date of the Decision (by March 1, 2012): (1) drill a replacement well to replace its existing Well No. 5,[2] or (2) construct and install a 110,000-gallon storage tank. For either option, the Commission also required GMWC, within six months after the Decision (by March 1, 2011), to file an Approval to Construct ("ATC") and, within 18 months after the effective date of the Decision (by March 1, 2012), to file an Approval of Construction ("AOC"). Further, the Commission required GMWC to file a permanent rate case application within two years after the effective date of the Decision (by September 1, 2012).

In February 2011, GMWC sent the Commission's Utilities Division ("Staff") a letter requesting an extension of time to drill a replacement well. In response, Staff issued a Memorandum stating that GMWC had taken preliminary steps to drill a replacement well by establishing easements with Yavapai County and gaining permitting approval from the Arizona Department of Water Resources ("ADWR") before applying to the Arizona Department of Environmental Quality ("ADEQ") for an ATC. Staff recommended that the compliance filing deadlines for both the ATC and AOC for the replacement well be extended by six months (to September 1, 2011, and September 1, 2012). In Decision No. 72294 (May 4, 2011),[3] issued in the rate case docket, the Commission granted the extension, which resulted in a September 1, 2012, deadline to resolve the inadequate storage capacity issue; a September 1, 2011, deadline to file an ATC for the replacement well;[4] and a September 1, 2012, deadline to file an AOC for the replacement well.

In December 2010, in Docket No. W-02467A-10-0483 ("financing docket"), GMWC filed an application requesting authority to incur long-term debt in the amount of $181,320 to finance water system improvements, including a replacement well for Well No. 5 and a new 50,000-gallon storage

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[1] Official notice is taken of this Decision.

[2] Well No. 5 is formally identified by Well Registration No. 55-622083.

[3] Official notice is taken of this Decision.

[4] An ATC for a proposed replacement well (Well Registration No. 55-220316) was filed in the rate case docket on May 23, 2011. It showed that the well would replace Well No. 5. ADWR's online Well Registry database shows that the drilling authority for Well Registration No. 55-220316 expired on June 4, 2013. Official notice is taken of this information, available through https://gisweb.azwater.gov/waterresourcedata/WellRegistry.aspx.

tank. GMWC requested authority to incur most of the long-term debt through a loan from the Water Infrastructure Finance Authority of Arizona ("WIFA") and any remainder of the amount needed through a bank loan from National Bank of Arizona. In May 2011, in the financing docket, the Commission issued Decision No. 72377 (May 27, 2011),[5] authorizing GMWC to incur long-term debt, in the form of one or more 18- to 22-year amortizing loans, in a total amount not to exceed $181,320, pursuant to loan agreement/s with WIFA and/or the National Bank of Arizona, at an interest rate not to exceed the prime rate plus three percent. The Decision required GMWC to make the following compliance filings: by September 1, 2011, an ATC for the proposed well;[6] by March 1, 2012, an ATC for the storage tank;[7] by September 1, 2012, an AOC for the proposed well, and by March 1, 2013, an AOC for the storage tank.

On February 28, 2012, in the rate case docket, GMWC filed a Request for Waiver, asserting that GMWC's rate application filing requirement, imposed by Decision No. 71869, was incompatible with a requirement imposed on Chino Meadows in Decision No. 72896 (February 21, 2012)[8] for Chino Meadows to use the same test year as GMWC in its next rate case. GMWC requested a waiver of the September 1, 2012, rate application filing deadline adopted in Decision No. 71896. On April 17, 2012, Staff filed a memorandum recommending that the rate application filing deadline be extended to September 30, 2013, and that the application use a test year ending no earlier than March 31, 2013. The Commission subsequently issued Decision No. 73155 (May 18, 2012),[9] in the rate case docket, extending to September 30, 2013, the deadline for GMWC to file its rate application and requiring GMWC to use a test year ending no earlier than March 31, 2013.

On July 19, 2012, in the rate case docket, GMWC filed a document requesting another extension of the deadline to address its inadequate storage capacity problem, this time from September 1, 2012, to December 1, 2012. In addition, GMWC requested permission to resolve the problem without using a replacement well for Well No. 5. GMWC stated that it had been unable to obtain financing to replace Well No. 5 and install a new 50,000-gallon storage tank. GMWC

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[5] Official notice is taken of this Decision.
[6] As stated above, an ATC for the then-proposed replacement well was filed in the financing docket on May 23, 2011.
[7] An ATC for the storage tank was filed in the financing docket on October 7, 2011.
[8] Official notice is taken of this Decision.
[9] Official notice is taken of this Decision.

proposed instead to have Mr. Levie purchase a one-acre lot adjacent to GMWC's existing water system, upon which a domestic well (Well Registration No. 55-210719, located at 2475 W. Short Spur Trail) already existed, and then to have Mr. Levie sell the domestic well to GMWC and grant GMWC public utility easements. GMWC would then petition ADWR to convert the domestic well to a production well (to be called "Well No. 6"). GMWC asserted that Well No. 6's proximity to GMWC's water main would result in significant savings to GMWC and its customers and that the 90-day extension requested would allow time for the purchase and for GMWC to obtain the required approvals from ADWR and ADEQ.

No action was taken in response to GMWC's July 19, 2012, request.

Procedural History for this A.R.S. § 40-252 Matter

On October 22, 2012, in the rate case docket and the financing docket, GMWC filed Requests to Modify Decision, asking that Decision Nos. 72294 and 72377 be modified. GMWC requested that Decision No. 72294 be modified by allowing addition of a new production well as a third option to address its inadequate storage capacity problem and by extending the deadlines to address the inadequate storage capacity problem, to file an ATC, and to file an AOC. GMWC stated that WIFA had extended its deadline for loan resolution to August 17, 2013, so as to allow for modification of the scope of the project, with Commission approval. GMWC also asserted that the cost of the projects for which the financing had been approved in Decision No. 72377 would be 25 percent higher than originally expected, or approximately $240,808, due to WIFA's requirement for "Davis-Bacon" Act compliance. GMWC asserted that it no longer desired to go forward with its plan to drill a new well and build a tank on-site, but instead desired to acquire a domestic well and purchase a prefabricated water storage tank, at a total estimated cost of $196,032. GMWC requested that Decision No. 72377 be modified to allow for the newly proposed projects; to allow for long-term debt not to exceed $196,032; to have any unused authorization to incur long-term debt terminate no earlier than June 1, 2014; and to have the compliance item deadlines established in Decision No. 72377 extended consistent with the Commission's ruling on GMWC's request as to Decision No. 72294.

At the Open Meeting of November 8, 2012, the Commission discussed GMWC's requests for modification of Decision No. 72294 and Decision No. 72377, passed a motion to open an A.R.S. § 40-252 proceeding, and directed Staff to prepare a Staff Report regarding the requests.

On January 10, 2013, in both the rate case docket and the financing docket, Staff filed a Staff Report recommending, *inter alia*, that GMWC be authorized to incur long-term debt in the form of an 18- to 22-year amortizing loan from WIFA in an amount not to exceed $158,000, at an interest rate not to exceed 5.00 percent, for the purpose of purchasing an existing well or drilling a new well with a minimum 100 gallon per minute ("GPM") capacity; installing a new storage tank with a minimum 100,000-gallon storage capacity; or providing any combination of production and storage capacity to reach the minimum capacity needed. Staff further recommended that a December 31, 2013, filing deadline be established for the AOC for the option selected; that any unused debt authorization also expire on December 31, 2013; that GMWC be directed to provide notice to its customers of the modifications sought, if it had not already done so, and file proof of such notice; and that GMWC be required, in the month the loan closed and every month thereafter, to set aside $9.00 of each customer bill in a separate interest-bearing account, with the funds to be used only to pay the WIFA debt. Staff stated that it recommended a lower amount of long-term debt because WIFA had increased its debt service coverage ratio ("DSC") requirement from 1.20 to 1.50, and Staff had thus determined that GMWC no longer had sufficient debt service capacity to finance the originally authorized $181,320.

On January 18, 2013, in both the rate case docket and the financing docket, GMWC filed a request for an extension of time to respond to the Staff Report. GMWC stated that it had not received the Staff Report until January 16, 2013.[10] GMWC appeared to believe that the extension request would be considered at the Open Meeting of January 22, 2013.

On January 29, 2013, in both the rate case docket and the financing docket, GMWC filed a response to the Staff Report asserting that because WIFA had extended its original Loan Resolution to August 15, 2013, the 1.50 DSC should not apply to GMWC's WIFA loan. GMWC "concede[d] its request" to have its long-term debt authorization increased from $181,320 to $196,032 and

[10] The Staff Report had been sent to the wrong mailing address for GMWC; GMWC had filed notice of an address change on November 26, 2012.

requested instead that the Commission extend the expiration dates of Decision No. 72377, using GMWC's proposed extension dates rather than the earlier dates recommended by Staff. GMWC also asserted that GMWC's water supply should be sufficient with its two existing production wells, with a combined capacity of 76.41 GPM; its two water storage tanks, with a combined capacity of 61,700 gallons; addition of a new 50,000-gallon storage tank; and either re-drilling of Well No. 5 or addition of the newly proposed Well No. 6. GMWC indicated a preference for adding Well No. 6 because of Well No. 6's greater distance from GMWC's other active production wells and likely lesser impact on draw-down levels as well as GMWC's concerns regarding the slowly increasing nitrate levels for Well No. 5 over the last few years.

On February 5, 2013, a Procedural Order was issued consolidating the rate case docket and financing docket and requiring Staff to file a Supplemental Staff Report addressing GMWC's response to the Staff Report, making any desired changes to the recommendations in the Staff Report, making a recommendation concerning provision of notice, and making a recommendation regarding whether an evidentiary hearing should be held. The Procedural Order directed GMWC to file a response to the Supplemental Staff Report by April 1, 2013.

On March 11, 2013, Staff filed a Supplemental Staff Report stating that Staff would not interfere with an agreement between GMWC and WIFA for WIFA to fund a loan in the amount of $181,320, although Staff had determined that GMWC's financial health had deteriorated since Decision No. 71869; that GMWC would have a DSC of 1.30 with a loan of $181,320, at a 5.00-percent interest rate, and 20-year amortization; that Staff recommended an authorized loan amount of $181,320, conditioned on WIFA's not requiring a DSC greater than 1.20; that Staff recommended GMWC be required to set aside $10.00 per customer per month rather than $9.00 per customer per month for use to repay the WIFA loan; that Staff recommended an April 30, 2014, deadline for GMWC to file a copy of the AOC for the plant added to address its inadequate storage capacity problem; that GMWC and Staff continued to disagree on the need for additional storage capacity; that GMWC could not place Well No. 6 into service until after ADWR had evaluated well-pumping test results and ADEQ had issued a New Source Approval; that if Well No. 6 produced a sustained 35 GPM, GMWC would still need another 40 GPM of production or another 65,000 gallons of storage

capacity; that no new customer notice was needed because GMWC no longer sought to increase the authorized loan amount; and that Staff was not recommending, but had no objection to, a hearing.[11]

On April 8, 2013, a Procedural Order was issued directing GMWC to comply with the Procedural Order of February 5, 2013.

Also on April 8, 2013, GMWC filed its response to the Supplemental Staff Report. In its response, GMWC requested that any unused authorization to incur long-term debt terminate no sooner than June 1, 2014, and that the deadlines for addressing its inadequate storage capacity and filing ATCs and AOCs likewise be extended.[12] GMWC asserted that it had sufficient space to add only one 50,000-gallon water storage tank, which had been predesigned and would be located adjacent to an existing tank; that Well No. 6 (#55-210719) could produce 70 GPM, but had a maximum allowable pumping capacity of 35 GPM; that GMWC would seek ADWR approval to increase the maximum allowable pumping capacity after purchasing the well; that GMWC would not contest a set-aside amount of $10.00 per customer per month to repay the WIFA loan; and that GMWC appreciated and agreed with Staff's assertion that no customer notice or hearing was needed.

On April 10, 2013, GMWC filed notice of substitution of counsel for the consolidated matter, substituting Mr. Levie as counsel for GMWC.[13]

On May 9, 2013, a Procedural Order was issued scheduling an evidentiary hearing to commence on June 10, 2013, and requiring the filing of direct testimony and responsive testimony by May 31, 2013, and June 7, 2013, respectively. The Procedural Order required each party to respond in its testimony to a number of specifically enumerated questions, primarily related to GMWC's plan to add Well No. 6.

On May 30, 2013, Staff filed a Request for Extension, stating that GMWC had sent Staff a letter indicating that GMWC needed additional time. Staff asked for a delay to file direct testimony, without specifying duration, and attached the GMWC letter, which stated that an amended request to modify decisions would be prepared and filed with exhibits as soon as GMWC had the exhibits and

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[11] Staff filed an Addendum the following day to correct the service list included in the Supplemental Staff Report.

[12] GMWC noted that it had previously requested filing deadlines of June 1, 2013, and June 1, 2014, which were quickly approaching; that ADEQ's review might take 53 to 83 business days; and that ADWR would also have processing time.

[13] GMWC had used outside counsel for its most recent prior request to have the decision in the rate case docket modified, which resulted in Decision No. 73155 (May 18, 2012).

the engineer had approved the prepared plans for the well and tank. GMWC stated that a space had been prepared for a new 50,000-gallon storage tank; that GMWC had arranged for Mr. Levie's daughter to purchase the Short Spur property, with closing on February 5, 2013; that GMWC had hired engineering consultants to ensure that the Short Spur well and additional storage would meet ADEQ requirements; that a deed for the Short Spur well site and an easement were being prepared for signatures to place the well and easement in GMWC's name; that GMWC desired for the hearing to be postponed to allow GMWC time to "achieve the foregoing proposals and reduce the same to agreement"; and that once it was determined that the well production and additional storage capacity would meet the necessary requirements, GMWC would be ready for Commission approval.

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

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

On August 5, 2013, GMWC filed an Amended Request to Modify Decisions ("Amended Request"), in which GMWC stated that the Short Spur well had come into GMWC's control and had been tested; that the WIFA financing commitment was to expire on August 15, 2013; that GMWC was concerned about slowly increasing nitrate levels in its existing production wells; that GMWC's Well No. 5 is a "grandfathered" well that can and will eventually be replaced, although GMWC is concerned about its proximity to the existing production wells; that GMWC intended to work with the purchaser of the Short Spur property to acquire the well, well site, and additional easements and a large part of the acreage for a future well and other uses; and that GMWC intended to comply with the requirement to address its inadequate water supply by adding a new production well on the Short

Spur property and a 50,000-gallon water storage tank on the same hill where the existing storage tanks are located. GMWC stated that purchasing a prefabricated tank and acquiring the Short Spur well would be less expensive than constructing a storage tank onsite and drilling a new well. GMWC once again requested modification of Decision No. 72377 to allow for long-term debt not to exceed $196,032; to have unused authorization to incur long-term debt expire no sooner than June 1, 2014; and to have the compliance item deadlines listed in Decision No. 72377 extended to comply with the Commission's ruling on GMWC's request for an extension of time as to Decision No. 72294. GMWC stated: "GMWC agrees to provide the additional new well on Short Spur and an additional 50,000 gallon storage tank adjacent to the existing 2 tanks on the hill (112,667 total) at the current tank locations." GMWC stated that there was not a well to purchase; that GMWC could not be sure that a newly drilled well on the first intended well site would have a 100 GPM capacity if it were to drill; that the Short Spur property was the best option; that GMWC also had a future prospective well site within 660 feet of Well No. 5 that could be used for a new larger diameter well to replace Well No. 5 and could be drilled any time funds were available; and that GMWC was in the process of working with ADWR to convert the Short Spur well to a non-exempt production well and to determine its maximum pumping capacity. GMWC stated that installing a 110,000-gallon storage tank was not possible because there was only space for a 50,000-gallon storage tank; that GMWC was willing and ready to file AOCs for the new production well and storage tank; that GMWC requested that the costs and expenses incurred to purchase the new production well and install the required infrastructure and storage tank be considered beneficial to its customers in GMWC's future rate case; that GMWC would require authorization to pledge its assets in Arizona under A.R.S. § 40-285 in connection with any indebtedness authorized in this proceeding;[14] that GMWC requested an expiration date of June 1, 2014, for any unused authorization to incur debt granted in this proceeding; that GMWC requested authorization to engage in any transaction and execute any documents necessary to effectuate the authorizations granted; that GMWC agreed to file with Docket Control, within 60 days after the execution of any financing transaction authorized in this proceeding, as a

[14] This authorization was implicitly granted in Decision No. 72377.

compliance item in this matter, a letter summarizing the transaction, and to provide a copy of the loan documents to Staff's Compliance Section; and that GMWC agreed to set aside, in a separate interest-bearing account, starting in the month of WIFA loan closure and continuing every month thereafter, $10.00 per customer bill, to be used only to repay WIFA. GMWC also requested that Staff reexamine an engineering report prepared by GMWC's engineering consultants, who had concluded that GMWC already had more than 60,000 gallons of water storage capacity. GMWC attached a copy of its May 2013 letter to the Commission's Legal Division, a graph showing the nitrate testing levels for Wells No. 3 and 4 for the period of 1997 through 2012, January 2013 pump test results for the Short Spur well, a breakdown of estimated project costs to drill a replacement well for Well No. 5[15] and build a tank versus converting Well No. 6 and installing a prefabricated tank, a copy of a July 2013 Water Supply and Fire Flow Design Report prepared for GMWC by its engineering consultants showing that "Well # 6" would produce 70 GPM, and a copy of a November 1996 letter from the Central Yavapai Fire District in which a variance for fire flow requirements was granted for Granite Mountain Homesites Unit 5 and Granite Park Ranch.

On August 16, 2013, GMWC filed a Supplement to its Amended Request, providing copies of July 2013 water testing results prepared for submission to ADEQ for drinking water source approval for Well No. 6; a copy of a signed and sealed August 2013 Water Supply and Fire Flow Design Report prepared for GMWC by its engineering consultants, showing that Well No. 6 would produce 35 GPM and concluding that the addition of a third well would make GMWC's water system adequate to provide the needed water demand for the subdivision at total build out;[16] and a copy of an August 2013 letter from the Central Yavapai Fire District Fire Marshal stating that the Granite Mountain Homesites subdivision has no fire hydrants and that fire sprinkler systems in each home are an acceptable alternative.

On September 5, 2013, Staff filed another Staff Report ("New Staff Report"). In the New Staff Report, Staff addressed only engineering issues, asserting that Staff had received ATCs for Well

[15] GMWC showed an estimate not accounting for Davis-Bacon Act compliance and a higher estimate accounting for Davis-Bacon Act compliance.

[16] The August 2013 report also showed more lots served (123 versus 112), lower historic water usage demand per lot per day (228 gallons versus 265 gallons), and a lower fire flow storage capacity requirement (30,000 gallons versus 60,000 gallons).

No. 6 and the new 50,000-gallon storage tank and that GMWC would have adequate production and storage capacity if a new Well No. 6 (predicted to produce 70 GPM) and a new 50,000-gallon storage tank were installed on GMWC's system. Staff recommended that GMWC file with Docket Control, as compliance items, by March 1, 2014, copies of the AOCs issued for Well No. 6 and the new 50,000-gallon storage tank. Staff did not make a recommendation regarding the need for a hearing and did not explicitly respond to the questions posed in the Procedural Order of May 9, 2013.

On September 11, 2013, a Procedural Order was issued vacating the evidentiary hearing scheduled for September 23, 2013, and scheduling a procedural conference to be held instead. The Procedural Order directed the parties to be prepared, at the procedural conference, to identify the modifications each party believed should be made to Decision Nos. 71869, 72294, and 72377; to identify the extent to which the parties' positions differed; to explain whether and to what extent the parties' differences could be reconciled prior to hearing; and to provide a joint proposal for how the matter should go forward.

On September 23, 2013, the procedural conference was held as scheduled. Staff appeared through counsel, and GMWC appeared through Arden W. Barney, Operations Manager, who explained that Mr. Levie was unable to attend.[17] Staff stated that it stood by its position in the Supplemental Staff Report regarding GMWC's financial condition and ability to borrow. Because the parties had not discussed this matter since the Procedural Order was issued, a recess was taken to allow the parties to engage in such discussions. After the recess, the parties indicated that GMWC would be ready to file its rate application by September 30, 2013; that ATCs had already been obtained; that AOCs could be obtained and submitted to the Commission by March 1, 2014; and that the parties continued to disagree concerning the maximum amount of financing GMWC should be authorized to obtain. Staff stated that from an engineering perspective, the parties agreed that GMWC should be able to implement its proposed third option to address its inadequate water storage

[17] Because Mr. Levie is GMWC's counsel, Mr. Barney was questioned so that it could be determined whether he would be qualified to represent GMWC as permitted under A.R.S. § 40-243 and Arizona Supreme Court Rule 31(d)(28). His responses indicated that he would be so qualified. Mr. Barney was told that Mr. Levie should have appeared on behalf of his client or requested in writing for the procedural conference to be rescheduled to a time when he could attend to represent GMWC. Mr. Barney indicated that he and Mr. Levie had believed they would just be meeting with Staff that morning.

capacity, with modified compliance deadlines except as to the rate application deadline. The parties reported that Mr. Barney needed to consult with Mr. Levie to determine what level of financing GMWC actually desired to obtain, and Mr. Barney stated that GMWC should be able to provide its position on the financing amount within approximately 10 days. Mr. Barney was advised that customer notice would be required, and a hearing would be held, if the financing amount requested were greater than the $181,320 amount authorized in Decision No. 72377. Mr. Barney was also told that the ATCs needed to be filed in this docket and that Mr. Levie needed to make a filing if he no longer intended to serve as GMWC's counsel. Mr. Barney confirmed that the most recent deadline for the WIFA loan had passed, but stated that GMWC had filed a new application with WIFA, for a loan in the amount of approximately $196,000, and that GMWC had been told by WIFA that GMWC just needed to get approval from the Commission to proceed with the loan. Mr. Barney stated that WIFA was just waiting for a Commission-approved financing amount and would then consider GMWC's application on WIFA's next hearing date. Staff again questioned whether GMWC could support a loan in an amount greater than the $181,320 amount previously approved by the Commission. Mr. Barney was directed to speak to Mr. Levie and to communicate with Staff as soon as possible about what financing authority GMWC desired to obtain. It was determined that Staff would make a filing as soon as GMWC and Staff had reached an understanding about GMWC's actual financing request.[18] Staff was directed to include in the filing an update of Staff's analysis of the financing requested. Mr. Barney indicated his understanding and that he would have the ATCs filed in this matter.

On September 30, 2013, GMWC filed a Request for Extension of Deadline ("Extension Request"), seeking an extension of the deadline to file its rate application, originally established in Decision No. 71869 and previously extended, in Decision No. 73155, to September 30, 2013.[19] In

[18] Counsel for Staff volunteered to make the filing so that GMWC could avoid travel associated with a procedural conference.

[19] The deadline for GMWC's rate application was extended in Decision No. 73155, per GMWC's request, so as to be consistent with the anticipated filing deadline for a permanent rate case application to be filed by its sister utility, Chino Meadows Water Co, Inc., established in Decision No. 72896 (February 21, 2012). In Decision No. 72896, the Commission ordered as follows: "IT IS FURTHER ORDERED that in order to eliminate further disputes related to cost allocations, Chino Meadows II Water Company shall file its next general rate case using the same test year as is used in the next rate case for its sister utility, Granite Mountain Water Company, Inc."

the Extension Request, GMWC stated that as a result of discussing its financing approval request with Staff, and consulting with ARICOR Water Solutions, LLC, GMWC understood that it was not yet prepared to file a rate application. GMWC also stated that "due to the expected requirements related to approval of its financing request, construction of facilities being financed w[ould] not be completed until June 30, 2014." GMWC described two alternate procedural schedules for its rate application and ultimately requested to have its rate application deadline extended to December 31, 2014, and to use a test year ending no later than June 30, 2014. GMWC did not clarify its financing request.

Staff did not file a response to GMWC's Extension Request.

On October 18, 2013, a Procedural Order was issued raising concerns about GMWC's having again amended its requested modifications to Commission Decisions and not having identified the financing authority for which it was requesting approval, although GMWC had been advised of the different procedures necessitated by different financing requests. The Procedural Order reminded GMWC that the Commission had considered, in Decision No. 71869, whether to initiate an Order to Show Cause ("OSC") proceeding due to GMWC's violations of Commission statutes and orders,[20] but had decided "to give GMWC an opportunity to demonstrate its intent to comply with the law by complying with [Decision No. 71869]." *Inter alia*, the Procedural Order required GMWC and Staff to engage in discussions and, jointly or separately, to file documentation: (1) specifically identifying GMWC's currently proposed financing; (2) setting forth Staff's analysis of and position on the proposed financing; (3) specifically identifying GMWC's proposed deadline to file a rate application and the proposed test year for that rate application; (4) setting forth Staff's position on GMWC's proposed deadline to file a rate application and the proposed test year for that rate application; (5) including copies of the ATCs obtained for GMWC's Well No. 6 and 50,000-gallon storage tank project; and (6) setting forth a proposed procedural schedule, required to include proposed dates for customer notice and an evidentiary hearing if GMWC were again requesting to have its financing

[20] These included a persistent pattern of failure to obtain prior Commission authorization for long-term debt (in spite of having been expressly ordered in several Decisions not to obtain any loans or enter into any other financial arrangements without prior Commission authorization), failure to properly monitor meters on its system, and intentional provision of both free and discounted water to its owners' son and of free water for landscaping purposes to its owners' development.

authorization increased above $181,320. Additionally, Mr. Levie was directed to make a filing if he no longer intended to serve as counsel for GMWC.

On December 2, 2013, GMWC and Staff jointly filed a response to the Procedural Order ("joint response"), explaining that the parties had met in November 2013; that GMWC was seeking a loan for $181,320, at an interest rate of 5.00 percent, amortized over 20 years; that Staff had determined that GMWC had sufficient debt service capacity for such a loan; that GMWC desired to file its rate application by June 30, 2014, using a 2013 test year; that Staff was amenable to the requested rate application filing date and test year, but recommended no further extensions be granted; and that no procedural schedule or customer notice was needed because GMWC was withdrawing its request to have its financing authorization increased above $181,320. The parties attached to the joint response Staff's financial analysis and what were described as ATCs for "Well No. 6 and the 50,000 gallon storage tank project." The ATCs attached to the joint response filed on December 2, 2013, were an August 22, 2013, ATC for "Well #6 . . . 70 GPM new source well (55-622083) and . . . waterline and related fittings";[21] and a September 27, 2011, ATC "to construct 1-50,000 gallon water storage tank and associated yard piping."

On January 2, 2014, a Procedural Order was issued requiring GMWC to file, by January 23, 2014, all of the information necessary for the Commission to understand GMWC's current intentions for making system improvements to come into compliance with the Commission's requirement for GMWC to address its inadequate storage capacity issue; GMWC's current intentions for financing the system improvements; and the current status of each governmental approval GMWC needed to obtain to bring its intention to fruition. The Procedural Order also scheduled a procedural conference to be held on January 30, 2014.

On January 13, 2014, Staff issued a Memo stating that GMWC had requested an extension of the deadline for its rate application, until December 31, 2014, with a test year ending no later than June 30, 2014, but that GMWC's request for an extension of time until June 30, 2014, was acceptable

[21] Well ID number 55-622083 is assigned to Well No. 5, not to the Short Spur well/Well No. 6.

to Staff. Staff also referred to the December 2, 2013, filing for Staff's recommendation on the rate case requirement.

On January 22, 2014, GMWC filed a Response to Procedural Order, confirming that ADWR had denied its initial application to convert Well No. 6 to a non-exempt production well with a pumping capacity of 70 GPM, but that GMWC had reapplied to have Well No. 6 converted to a non-exempt production well with a pumping capacity of 35 GPM, which GMWC's engineering consultant had determined to be adequate for fire requirements and foreseeable growth. GMWC confirmed that its current plan was to have Well No. 6 converted and to install a new 50,000-gallon storage tank, using funds from WIFA, for which approval could be obtained as soon as the Commission granted approval. GMWC also explained that the ATC to connect Well No. 6 to its system had inadvertently included the Well ID number for Well No. 5 and that GMWC was working with ADEQ to obtain a corrected ATC. GMWC also asserted that its ATC for the 50,000-gallon tank had not expired. GMWC further stated that it had secured an additional well site for future replacement of Well No. 5. The attachments to the filing included, inter alia, the December 2013 ADWR denial letter for Well No. 6 conversion, GMWC's new application for Well No. 6 conversion, the August 2013 engineering report, maps showing the locations of the various wells and other features in the service area, and the 2011 engineer's plans and ATC for the 50,000-gallon storage tank.

On January 30, 2014, the procedural conference proceeded as scheduled, with both GMWC[22] and Staff appearing through counsel. GMWC clarified its current plan to add Well No. 6 to its system, once ADWR approved the conversion of Well No. 6 to a non-exempt production well with a capacity of 35 GPM; to add a 50,000-gallon storage tank to its system on a space already prepared to receive it; to pay for the improvements with the proceeds of a WIFA loan in the originally authorized amount of $181,320; to complete the improvements by the end of June 2014; and to file its rate application by the end of June 2014, using a test year ending December 31, 2013. GMWC requested Commission approval of its plan. GMWC also provided a corrected ATC to connect Well No. 6 to

[22] Mr. Levie represented Granite Mountain. Mr. Barney also attended.

its system and agreed to docket a copy of that ATC. GMWC stated that it is still amenable to having a portion of each customer bill set aside to cover the costs of the WIFA loan. In addition, GMWC explained that its plan to drill a replacement well for Well No. 5 is something to be completed in the future, not currently using the funds from the WIFA loan. GMWC explained at length that the addition of Well No. 6 to its system is preferable to replacing Well No. 5 because the water from Well No. 6 is further from GMWC's other production wells and is in an upstream area that is farther from Granite Mountain Stables and thus less likely to experience increasing nitrate levels that may necessitate additional water treatment. GMWC also asserted that it is less costly to convert Well No. 6 than it will be to re-drill a replacement well for Well No. 5. Staff confirmed its understanding of GMWC's current plan and asserted its belief that GMWC's current plan (adding the converted Well No. 6 as a production well with a capacity of 35 GPM and adding a 50,000-gallon storage tank) will address GMWC's inadequate storage capacity problem; that Staff believes GMWC has sufficient financial ability to cover the debt service on a WIFA loan in the original amount of $181,320; and that Staff believes GMWC should be permitted to file a rate application by June 30, 2014, using a test year ending December 31, 2013. Staff also confirmed its belief that it is appropriate to require GMWC to set-aside $10.00 of each customer bill to be used only to pay the WIFA loan. Staff stated that it desires for GMWC to complete the project before it experiences peak summer usage.

On January 31, 2014, GMWC filed a copy of the corrected ATC for Well No. 6.

On February 13, 2014, GMWC filed a Second Response to Procedural Order, explaining that GMWC had received ADWR's response to the conversion application for Well No. 6, in which ADWR granted the non-exempt status requested, but with a reduced maximum annual volume of water of 30 acre feet per year, equivalent to 18.6 GPM. GMWC asserted that, per its engineering consultant, GMWC would still meet the Commission's requirements as to water production and fire flow.

On February 14, 2014, a Procedural Order was issued requiring Staff, by February 19, 2014, to make a filing stating whether the reduction in the authorized capacity of Well No. 6, from the anticipated 35 GPM to 18.6 GPM, altered Staff's position that GMWC's current plan would be

sufficient to address GMWC's inadequate storage capacity issue or in any way would alter Staff's recommendations in this matter.

On February 19, 2014, Staff filed a Staff Notice of Filing stating that Staff had reviewed the February 13, 2014, filing by GMWC and had concluded, based on several listed factors, that at capacity of 18.6 GPM for Well No. 6, GMWC would still meet the Commission's requirement for additional water production and fire flow.

GMWC's Current Obligations and Proposed Modifications

Based upon the filings in this matter, and the discussions at the procedural conference on January 30, 2014, GMWC currently requests that the Commission revise Decision Nos. 71869, 72294, 72377, and 73155 as follows:

Original Requirement/Authorization & *Source*	**Prior Modification/s & *Source***	**Modification Currently Requested**
Complete one of the following to address its inadequate storage capacity issue, by March 1, 2012: (1) Drill a replacement well to replace Well No. 5, or (2) Construct and install a 110,000-gallon storage tank. *Decision No. 71869*	Compliance deadline extended to September 1, 2012. *Decision No. 72294*	Add the following third compliance option for GMWC to address its inadequate storage capacity issue, with an extended compliance deadline of June 30, 2014: (3) Add a production well and a 50,000-gallon water storage tank.
File the ATC for the replacement well or the 110,000-gallon storage tank by March 1, 2011. *Decision No. 71869*	For the replacement well option, deadline extended to September 1, 2011. *Decision No. 72294*	Modify the filing requirement to allow for the third compliance option and also to extend according to other extended dates.
File the AOC for the replacement well or the 110,000-gallon storage tank by March 1, 2012. *Decision No. 71869*	For the replacement well option, deadline extended to September 1, 2012. *Decision No. 72294*	Modify the filing requirement to allow for the third compliance option and also to extend deadline to June 30, 2014.
File a permanent rate case application by September 1, 2012. *Decision No. 71869*	Filing deadline extended to September 30, 2013, and GMWC required to use a test year ending no	Extend the filing deadline to June 30, 2014, and allow use of a test year ending December 31,

	earlier than March 31, 2013. *Decision No. 73155*	2013.
Authorized to incur long-term debt, in the form of one or more 18- to 22-year amortizing loans, in a total amount not to exceed $181,320, pursuant to loan agreement/s with WIFA and/or National Bank of Arizona, at an interest rate not to exceed prime rate at closing plus three percent, to finance drilling a replacement well for Well No. 5 and constructing/installing a new 50,000-gallon storage tank, with unused authorization expiring on December 31, 2012. *Decision No. 72377*	N/A	Modify the authorization to allow use of the loan proceeds for addition of a production well and a 50,000-gallon storage tank and to extend the expiration date for any unused authorization to June 30, 2014. GMWC intends to obtain financing from WIFA.
File all executed financing documents related to authorizations, within 60 days after executing financing transaction/s. *Decision No. 72377*	N/A	Modify the filing requirement to allow GMWC to file a letter summarizing the financing transaction and to provide a copy of the loan documents to Staff's Compliance Section.
File ATC for proposed replacement well by September 1, 2011. *Decision No. 72377*	N/A	Modify the filing requirement to allow for the third compliance option and also to extend the ATC filing deadline according to other extended dates.
File ATC for new 50,000-gallon storage tank by March 1, 2012. *Decision No. 72377*	N/A	Modify the filing requirement to allow for the third compliance option and also to extend the ATC filing deadline according to other extended dates.
File AOC for proposed replacement well by September 1, 2012. *Decision No. 72377*	N/A	Modify the filing requirement to allow for the third compliance option and also to extend the AOC filing deadline

		to June 30, 2014.
File AOC for new 50,000-gallon storage tank by March 1, 2013. *Decision No. 72377*	N/A	Modify the filing requirement to allow for the third compliance option and also to extend the AOC filing deadline to June 30, 2014.

Staff's Recommendations

In its February 19, 2014, filing, Staff stated that it concluded GMWC would meet the Commission's requirement for additional water production and fire flow through an analysis based on data provided by GMWC in its filing of August 16, 2013, and the following: (1) water use data reported in GMWC's 2012 annual report filed with the Commission; (2) well production data for GMWC's existing wells, and 18.6 GPM for Well No. 6; (3) storage capacity data for GMWC's existing storage tanks, and 50,000 gallons of new storage; and (4) a fire flow requirement of 1,000 GPM for one hour.

Staff has recommended:

1. That GMWC be permitted to address its inadequate storage capacity issue by adding to its water system a new production well (understood to be Well No. 6, which is now expected to have production capacity of 18.6 GPM) and a new 50,000-gallon storage tank;

2. That GMWC's authority to obtain long-term debt in the form of a WIFA loan[23] in an amount up to $181,320, be extended to June 30, 2014;

3. That GMWC be required to file with Docket Control, as a compliance item, by June 30, 2014, copies of the AOCs for the new Well No. 6 and for the new 50,000-gallon storage tank;[24]

4. That GMWC be required, in the month the loan closes and every month thereafter, to set aside $10.00 per customer in a separate interest-bearing account, with the funds to be used only to repay GMWC's WIFA debt;

5. That GMWC be permitted to file its rate application by June 30, 2014, and to use a test year ending December 31, 2013;

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[23] GMWC has indicated that it intends to obtain a WIFA loan and that WIFA is waiting for GMWC to obtain Commission authorization for the loan.

[24] Staff stated that no used and useful determination has been made and that no particular treatment of this plant should be inferred for ratemaking or rate base purposes in the future.

6. That no further extensions of the deadline to file GMWC's rate application be granted; and

7. That no additional customer notice or evidentiary hearing be required for the Commission to act on GMWC's requests, as GMWC no longer requests to have the amount of approved long-term debt increased.[25]

GMWC agrees with Staff's recommendation to require GMWC to set aside $10.00 per customer per month, in a separate interest-bearing account, to be used only to repay the WIFA debt. GMWC also agrees that it is not necessary to provide additional customer notification or to hold an evidentiary hearing before the Commission issues a Decision in this matter.

Resolution

In Decision No. 71869, the Commission found that GMWC was planning to drill a replacement Well No. 5, with an expected production capacity of 65 GPM, that Staff supported GMWC's plan to drill replacement Well No. 5, that Staff believed replacement Well No. 5's anticipated 65 GPM production capacity would allow GMWC adequately to serve its existing customers and 79 additional customers, and that GMWC's inadequate storage capacity problem could be rectified either by drilling a replacement well or by installing a new 110,000-gallon storage tank.[26] Staff did not recommend, and the Commission did not adopt, a specific GPM requirement for the replacement well to replace Well No. 5.

In Decision No. 72377, issued approximately eight months later, the Commission found that GMWC had decided to drill a new replacement Well No. 5 and to install a new 50,000-gallon storage tank (Tank No. 3) and that Staff had determined the projects to be reasonable and the costs of the projects to be reasonable.[27] Staff recommended that the financing to cover the estimated costs of the projects be approved, and the Commission approved the proposed financing and established deadlines for GMWC to make compliance filings for the proposed replacement well and the proposed storage tank.[28]

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[25] Staff stated that it would not object to a hearing.
[26] Decision No. 71869 at 13-14.
[27] Decision No. 72377 at 2, 4.
[28] Decision No. 72377 at 6-8.

Rather than going through with the initial plan to drill a replacement well for Well No. 5, GMWC determined that it would be more beneficial to its customers to obtain the Short Spur well, Well No. 6, and have it converted to a non-exempt production well. The delay in resolving this matter resulted primarily from this changed plan and also from the denial of GMWC's original application to convert the Short Spur well/Well No. 6 to a production well.

GMWC has experienced increasing nitrate levels for its current active well sites, which are in close proximity to Granite Mountain Stables, and is also concerned about drilling a replacement well for Well No. 5 in such close proximity to Well Nos. 3 and 4 because of the potential drawdown. GMWC's preference for using Well No. 6 appears to be reasonable. Additionally, adding a converted Well No. 6 to its system, rather than digging a replacement well for Well No. 5, has the benefit of providing a known water source. There is always the possibility that any newly dug well will not be productive or will have water quality issues that are unforeseen. GMWC also has reported that it is less expensive to acquire and add the converted Well No. 6 to the system than it would be to dig and construct a new Well No. 5, and this savings would benefit GMWC's ratepayers.

GMWC has previously engaged in transactions preferential to GMWC's owners and their family members, something about which the Commission expressed concern in Decision No.71869.[29] GMWC is aware that this type of self-preferential dealing is disfavored by the Commission. GMWC will be required, in its next rate case, to provide complete information regarding the costs of acquiring Well No. 6 and the easements necessary for its use as a production well, to demonstrate that these transactions did not result in the type of self-preferential dealing that has occurred with GMWC in the past. If the Commission were to determine in GMWC's next rate case that GMWC has structured these transactions in a manner inconsistent with the public interest and with the best interests of GMWC's ratepayers,[30] GMWC will not be permitted to recover the full amount claimed and could be subjected to additional adverse actions.

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[29] *See, e.g.,* Decision No. 71869 17-18, 31-33.

[30] For example, if the Commission determines that the price paid to the owner of the Short Spur parcel to obtain Well No. 6 and the easement to access and use Well No. 6 is unreasonably high, or that the transaction/s to obtain Well No. 6 and the related easement were structured in a manner to enrich Mr. Levie and/or members of his family, to the detriment of GMWC's ratepayers, GMWC could be subjected to adverse actions.

Staff's analysis indicates that GMWC's inadequate storage capacity problem would be resolved if GMWC were to acquire and add to its system a new production well with a capacity of 18.6 GPM and a storage tank with a capacity of 50,000 gallons. For the sake of GMWC's current and future ratepayers, it is important that the inadequate storage capacity problem be resolved so that service is not adversely impacted. As both GMWC and Staff appear to believe that GMWC can comply with the June 30, 2014, deadline discussed at the procedural conference of January 30, 2014, we will adopt the deadline. Additionally, we will require GMWC to set aside $10.00 per customer per month in a separate, interest-bearing account, with the proceeds to be used only to pay on the WIFA loan, as GMWC agrees with the set-aside recommendation, and the set-aside of these funds should help to ensure that GMWC is able to make timely payments on the WIFA loan once obtained. We will also adopt the rate case application deadline agreed upon by the parties.

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. GMWC is a for-profit Arizona "S" corporation and Class D water utility providing service to approximately 110 customers in a service area located approximately three miles north of Prescott, in Yavapai County.

2. GMWC is wholly owned by Paul D. Levie and Rae Levie, husband and wife, who also own Chino Meadows, a Class C water utility providing service to approximately 889 customers in Yavapai County.

3. In Decision No. 71869 (September 1, 2010), GMWC's current rates and charges were authorized, and GMWC was ordered to complete one of the following within 18 months (by March 1, 2012) to address its inadequate storage capacity issue: (1) drill a replacement well to replace its existing Well No. 5, or (2) construct and install a 110,000-gallon storage tank. The Decision required GMWC to file, within six months (by March 1, 2011), an ATC for the replacement well or 110,000-gallon storage tank and, within 18 months (by March 1, 2012), an AOC for the replacement well or

storage tank. The Decision also ordered GMWC to file a permanent rate case application within two years after the Decision (by September 1, 2012).

4. The Commission has twice modified Decision No. 71869 under A.R.S. § 40-252, in response to requests made by GMWC. In Decision No. 72294 (May 4, 2011), the Commission extended by six months the deadlines to file an ATC and an AOC for the planned replacement well, resulting in an ATC filing deadline of September 1, 2011, and an AOC filing deadline of September 1, 2012. In Decision No. 73155 (May 18, 2012), the Commission extended to September 30, 2013, the deadline for GMWC to file a permanent rate case application and required GMWC to use in the application a test year ending no earlier than March 31, 2013.

5. In Decision No. 72377 (May 27, 2011), GMWC was authorized to incur long-term debt, in the form of one or more 18- to 22-year amortizing loans, in a total amount not to exceed $181,320, pursuant to a loan agreement or agreements with WIFA and/or the National Bank of Arizona, at an interest rate not to exceed the prime rate plus three percent. GMWC's plan at the time was to use the proceeds to drill a replacement well for Well No. 5 and to construct a new 50,000-gallon water storage tank. The Decision required GMWC to file, by September 1, 2011, an ATC for its proposed replacement well; by March 1, 2012, an ATC for its proposed storage tank; by September 1, 2012, an AOC for its proposed replacement well; and by March 1, 2013, an AOC for its proposed storage tank. The Decision also provided that any unused authorization to incur the approved long-term debt would expire on December 31, 2012.

6. On October 22, 2012, GMWC filed Requests to Modify Decision, requesting that both Decision No. 72294 and Decision No. 72377 be modified.

7. At the Open Meeting of November 8, 2012, the Commission discussed GMWC's Requests to Modify Decision, passed a motion to open an A.R.S. § 40-252 proceeding, and directed Staff to prepare a Staff Report regarding GMWC's requests.

8. The dockets for Decision No. 72294 (in which Decision No. 71869 and Decision No. 73155 were also issued) and for Decision No. 72377 were consolidated in a Procedural Order issued on February 5, 2013, after Staff had issued its initial Staff Report in both dockets.

9. On September 30, 2013, GMWC filed a Request for Extension of Deadline, requesting that the deadline to file its permanent rate application be extended to December 31, 2014, and that it be permitted to use a test year ending no later than June 30, 2014.

10. The detailed procedural history for this A.R.S. § 40-252 matter is set forth in the preceding section of this Decision.

11. GMWC has filed an ATC authorizing the addition of Well No. 6 to its system and has filed an ATC for the addition of a 50,000-gallon storage tank to its system.

12. GMWC currently requests to have Decision Nos. 71869 and 72294 modified:

(a) To allow GMWC to address its inadequate storage capacity issue by acquiring and adding to its system, by June 30, 2014, a production well and a 50,000-gallon storage tank; and

(b) To change the filing requirements for ATCs and AOCs to allow for the production well and 50,000-gallon storage tank and to extend the filing deadlines to coincide with the requested June 30, 2014, deadline to address the inadequate storage capacity issue.

13. GMWC currently requests to have Decision Nos. 71869 and 73155 modified to extend to June 30, 2014, the deadline for GMWC to file a permanent rate case application and to require GMWC to use a test year ending December 31, 2013.

14. Because Decision Nos. 71869 and 73155 were issued in the same docket as and are inextricably related to Decision No. 72294, it is reasonable and appropriate and in the public interest to consider GMWC's requests to modify Decision Nos. 71869 and 73155 along with GMWC's request to modify Decision No. 72294.

15. GMWC currently requests to have Decision No. 72377 modified:

(a) To allow for the authorized $181,320 in long-term debt to be used to cover the costs of acquiring and adding a production well and a 50,000-gallon storage tank;

(b) To extend to June 30, 2014, the expiration date for any unused authorization;

(c) To require GMWC, within 60 days after execution of the financing documents, to docket a letter summarizing the financing transaction and provide a copy of the executed loan documents to Staff's Compliance Section (rather than requiring GMWC to docket copies of the financing documents);

(d) To extend the filing deadlines for the ATCs for the production well and storage tank, to be consistent with the other extended deadlines; and

(e) To extend the filing deadlines for the AOCs for the production well and storage tank, to June 30, 2014.

16. Staff has determined that GMWC would have adequate production and storage capacity if it were to add to its system a new production well, Well No. 6, with a production capacity of 18.6 GPM, and a new 50,000-gallon storage tank.

17. Staff has determined that GMWC would have a DSC of 1.50 percent and sufficient debt service capacity if it were to obtain a loan for $181,320, with a five-percent interest rate, amortized over 20 years.

18. GMWC's current requests for modification of Decision Nos. 71869, 72294, 73155, and 72377, as set forth in Findings of Fact Nos. 12, 13, and 15, are reasonable and appropriate and should be granted.

19. Staff's recommendation to require GMWC to set aside $10.00 per customer per month, in a separate interest-bearing account, to be used only to repay the long-term debt for which authorization is extended herein, is reasonable and appropriate and should be adopted.

20. It is reasonable and appropriate to resolve GMWC's current modification requests without providing additional notice to customers and without holding an evidentiary hearing.

21. It is reasonable and appropriate and in the public interest to require GMWC to provide, in its next rate case, full information regarding the amount paid to acquire Well No. 6 and the easements for access to Well No. 6, along with an explanation of and supporting documentation for the manner in which the value of each was determined.

CONCLUSIONS OF LAW

1. GMWC is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-252, 40-281, 40-282, 40-285, 40-301, 40-302, and 40-303.

2. The Commission has jurisdiction over GMWC and the subject matter of GMWC's requests made herein.

3. It is reasonable and appropriate and in the public interest to grant GMWC's current requests for modification of Decision Nos. 71869, 72294, 73155, and 72377, as set forth in Findings of Fact Nos. 12, 13, and 15.

4. It is reasonable and appropriate and in the public interest for the Commission to take the actions described in Findings of Fact Nos. 14 and 18 through 21.

5. A.R.S. § 40-252 authorizes the Commission to alter or amend a Decision made by it upon notice to the corporation affected and after an opportunity to be heard as upon a complaint.

6. GMWC was provided notice and an opportunity to be heard in this matter.

ORDER

IT IS THEREFORE ORDERED that Decision Nos. 71869 and 72294 are hereby modified:

1. To allow Granite Mountain Water Company, Inc. to address its inadequate storage capacity issue by acquiring and adding to its system, by June 30, 2014, a production well and a 50,000-gallon storage tank;
2. To deem the Approvals to Construct already filed by Granite Mountain Water Company, Inc., for the addition of Well No. 6 as a production well and the addition of a 50,000-gallon storage tank, to have already satisfied the requirements for GMWC to file copies of Approvals to Construct for the plant additions to address the inadequate storage capacity issue; and
3. To allow Granite Mountain Water Company, Inc. to satisfy the requirements for filing of Approvals of Construction by filing, no later than June 30, 2014, copies of an Approval of Construction for Well No. 6 and copies of an Approval of Construction for the 50,000-gallon storage tank.

IT IS FURTHER ORDERED that Decision Nos. 71869 and 73155 are hereby modified to extend to June 30, 2014, the deadline for Granite Mountain Water Company, Inc. to file a permanent rate case application and to require Granite Mountain Water Company, Inc. to use in its permanent rate case application a test year ending December 31, 2013.

IT IS FURTHER ORDERED that Decision No. 72377 is hereby modified:

1. To allow Granite Mountain Water Company, Inc. to use the funds obtained through the long-term debt of up to $181,320 authorized therein to cover the costs of acquiring and adding to its system a production well and a 50,000-gallon storage tank;
2. To extend to June 30, 2014, the expiration date for any unused authorization to incur the long-term debt authorized therein;
3. To allow Granite Mountain Water Company, within 60 days after execution of the financing documents for the long-term debt authorized therein, in lieu of docketing copies of those executed financing documents, to docket a letter summarizing the financing transaction/s and provide a copy of the executed financing documents to the Commission's Utilities Division's Compliance Section;
4. To deem the Approvals to Construct already filed by Granite Mountain Water Company, Inc., for the addition of Well No. 6 as a production well and the addition of a 50,000-gallon storage tank, to have already satisfied the requirements for GMWC to file copies of Approvals to Construct for these plant additions; and
5. To allow Granite Mountain Water Company, Inc. to satisfy the requirements for filing of Approvals of Construction by filing, no later than June 30, 2014, copies of an Approval of Construction for Well No. 6 and copies of an Approval of Construction for the 50,000-gallon storage tank.

IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall, beginning in the month the financing documents are executed for the loan authorized in Decision No. 72377, and for which the authorization is extended and broadened herein, and continuing each month until the associated long-term debt is paid in full, set aside from each customer's bill payment the amount of $10.00, which shall be deposited in a separate interest-bearing account established for the purpose of receiving such funds.

IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall use the funds collected in the separate interest-bearing account, established as required by the previous ordering paragraph, only to repay the loan authorized in Decision No. 72377, and for which authorization is extended and broadened herein.

IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall, in its next permanent rate case application, provide full information regarding the amounts paid to acquire Well No. 6 and the easements for access to Well No. 6, along with an explanation of and supporting documentation for the manner in which the value of each was determined.

IT IS FURTHER ORDERED that the provisions of Decision Nos. 71869, 72294, 73155, and 72377 that are not modified by this Decision remain in full force and effect.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____day of _____ 2014.

_____
JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
SH:tv

SERVICE LIST FOR: GRANITE MOUNTAIN WATER COMPANY, INC.

DOCKET NO.: W-02467A-09-0333, W-02467A-09-0332, AND W-02467A-10-0483

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