



0000151694

RECEIVED

2014 MAR 10 P 4:28

Arizona Corporation Commission

DOCKETED

MAR 10 2014

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

1 FENNEMORE CRAIG, P.C.
2 Jay L. Shapiro (No. 014650)
3 2394 E. Camelback Road, Suite 600
4 Phoenix, Arizona 85016
5 Telephone (602) 916-5000

6 Attorneys for Payson Water Co., Inc.

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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.

DOCKET NO: W-03514A-13-0111

ORIGINAL

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

DOCKET NO: W-03514A-13-0142

23 **INITIAL CLOSING BRIEF**

24 **March 10, 2014**

25
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Table of Contents

OPENING COMMENTS..... 1
FACTS AND LAW..... 4
I. OVERVIEW OF PWC..... 4
 A. Ownership History 4
 B. PWC’s Water Resources..... 5
 C. Rates..... 7
II. THE LEGAL FRAMEWORK FOR RATEMAKING IN ARIZONA..... 8
ARGUMENT AND RELIEF REQUESTED..... 14
CONCLUSION 17

DEFINED TERMS

	Full Name/Description	Abbreviated term
1		
2		
3	Arizona Corporation Commission	Commission
4	Arizona Corporation Commission Utilities Division Staff	Staff
5		
6	Arizona Department of Environmental Quality	ADEQ
7	Brooke Utilities, Inc.	BUI
8	C&S Water Company	C&S Water
9	Debt Service Recovery	DSR
10	Decision No. 74175 (October 25, 2013)	Phase 1 Decision
11	East Verde Park Estates	EVP
12	Fair Value Rate Base	FVRB
13	JW Water Holdings, LLC	JW Water
14	Kathleen M. Reidhead	Reidhead or KMR
15	Mesa del Caballo	MDC
16	Mesa del Caballo Emergency Interim Water Augmentation Surcharge Tariff	MDC Water Augmentation Surcharge Tariff
17	Payson Water Company	PWC or the Company
18	Purchased Water Adjustor Mechanism	PWAM
19	Salt River Project	SRP
20	Suzanne Nee	Nee or SN
21	Thomas Bremer	Bremer
22	Town of Payson	TOP
23	United Utilities, Inc.	United Utilities
24	Water Infrastructure Financing Authority	WIFA
25	Weighted Average Cost of Capital	WACC
26		

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

TABLE OF ABBREVIATIONS AND CONVENTIONS

Payson Water Co., Inc. uses the following abbreviations in citing to the pre-filed testimony in this brief. Other documents that were admitted as exhibits during the hearing are cited by hearing exhibit number. Other citations to testimony and documents are provided in full, including (where applicable) the Commission’s docket number and filing date.

PAYSON WATER CO., INC. PRE-FILED TESTIMONY

Pre-Filed Testimony	Hearing Exhibit	Abbreviation
Supplemental Direct Testimony of Jason Williamson (Phase 1)	A-1	Williamson Dt.
Responsive Testimony of Jason Williamson (Phase 1)	A-2	Williamson Rt.
Responsive Testimony of Thomas J. Bourassa (Phase 1)	A-3	Bourassa Rt.
Direct Testimony of Thomas J. Bourassa – Rate Base	A-6	Bourassa Dt.
Direct Testimony of Thomas J. Bourassa – Cost of Capital	A-7	Bourassa COC Dt.
Rebuttal Testimony of Thomas J. Bourassa – Rate Base	A-8	Bourassa Rb.
Rebuttal Testimony of Thomas J. Bourassa – Cost of Capital	A-9	Bourassa COC Rb.
Rejoinder Testimony of Thomas J. Bourassa – Rate Base	A-10	Bourassa Rj.
Rejoinder Testimony of Thomas J. Bourassa – Cost of Capital	A-11	Bourassa COC Rj.
Supplemental Rejoinder Testimony of Thomas J. Bourassa	A-12	Bourassa Supp. Rj.
Direct Testimony of Robert T. Hardcastle	A-13	Hardcastle Dt.
Rebuttal Testimony of Jason Williamson	A-14	Williamson Rb.
Rejoinder Testimony of Jason Williamson	A-15	Williamson Rj.
Supplemental Rejoinder Testimony of Jason Williamson	A-16	Williamson Supp. Rj.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STAFF PRE-FILED TESTIMONY

Pre-Filed Testimony	Hearing Exhibit	Abbreviation
Direct Testimony of Jian W. Liu	S-7	Liu Dt.
Surrebuttal Testimony of Jian W. Liu	S-8	Lius Sb.
Supplemental Surrebuttal Testimony of Jian W. Liu	S-9	Liu Supp. Sb.
Direct Testimony of John Cassidy – Cost of Capital	S-10	Cassidy COC Dt.
Direct Testimony of John Cassidy – Financing	S-11	Cassidy Dt.
Surrebuttal Testimony of John Cassidy	S-12	Cassidy Sb.
Supplemental Surrebuttal Testimony of John Cassidy	S-13	Cassidy Supp. Sb.
Direct Testimony of Crystal Brown	S-14	Brown Dt.
Surrebuttal Testimony of Crystal Brown	S-15	Brown Sb.
Supplemental Surrebuttal Testimony of Crystal Brown	S-16	Brown Supp. Sb.

KATHLEEN M. REIDHEAD PRE-FILED TESTIMONY

Pre-Filed Testimony	Hearing Exhibit	Abbreviation
Direct Testimony of Kathleen Reidhead	KMR-1	KMR Dt.
Surrebuttal Testimony of Kathleen Reidhead	KMR-2	KMR Sb.
Supplement to Pre-Filed Testimony (filed January 6, 2014)	KMR-3	KMR Supp. 1
Supplement to Pre-Filed Testimony (filed January 7, 2014)	KMR-4	KMR Supp.2
Response to Supplemental Rejoinder Testimony	KMR-5	KMR Supp.3

Pre-Filed Testimony	Hearing Exhibit	Abbreviation
Supplement to Pre-Filed Testimony (Filed February 3, 2014)	KMR-6	KMR Supp.4

SUZANNE NEE PRE-FILED TESTIMONY

Pre-Filed Testimony	Hearing Exhibit	Abbreviation
Surrebuttal Testimony	SN-1	SN Sb.
Supplement to Pre-Filed Testimony (filed January 6, 2014)	SN-2	SN Supp.1
Supplement to Pre-Filed Testimony (January 7, 2014)	SN-3	SN Supp.2
Response to Supplemental Rejoinder Testimony	SN-4	SN Supp.3
Supplement to Pre-Filed Testimony (filed January 31, 2014)	SN-5	SN Supp.4
Supplement to Pre-Filed Testimony (filed February 6, 2014)	SN-6	SN Supp.5

THOMAS BREMER PRE-FILED TESTIMONY

Pre-Filed Testimony	Hearing Exhibit	Abbreviation
Notice of Errata and Revision (filed November 19, 2013)	TB-1	TB Dt.
Responses to Payson Water Co. (filed January 6, 2014)	TB-2	TB Supp.1
Pre-Filed Testimony – Responses to Payson Water Co. (filed January 13, 2014)	TB-3	TB Supp.2
Responses to First Set of Data Requests from Payson Water Co. (filed January 23, 2014)	TB-4	TB Supp.3
Response to Staff's Notice of Filing Regarding Summer WATER Augmentation Surcharge for EVP (filed February 14, 2014)	TB-5	TB Supp.4

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

OTHER PORTIONS OF THE RECORD

Document	Hearing Exhibit	
Exhibit C-1 (Phase 1)	A-4	
Revised Staff Report C&S Water Co. – Revised Schedule 3 (Phase 1)	A-5	
Notice of Filing water supply alternatives	A-17	
Notice of Late-Filed Exhibit (WIFA grant application)	A-18	
Notice of Late-Filed Exhibit (ADEQ Consent Order)	A-19	
Decision No. 71902 (Phase 1)	S-1	
Staff Report (Phase 1)	S-2	
Revenue Generated from the monthly minimum (Phase 1)	S-3	
Decision No. 67821 (Phase 1)	S-4	
Decision No. 74175 (Phase 1)	S-5	
Decision No. 71902 (curtailment tariff)	S-6	
Decision No. 62320	S-17	
Staff's Notice of Filing	S-18	
Hearing Transcript		Tr.
8965856.3/073283.0006		

1 PWC hereby submits its Initial Closing Brief in support of its request for a
2 determination of the fair value of its utility plant and property and for the establishment of
3 rates and charges for water utility service based thereon.¹

4 **OPENING COMMENTS**

5 This is the first rate case for PWC since it was formed by the former sole
6 shareholder BUI, and the first time customers will experience an increase in the rates for
7 water utility service since the year 2000.² After years of below cost water utility service,
8 rate increases are now necessary if the Company is to recover its costs of service and be
9 afforded a reasonable opportunity to earn its authorized return on fair value rate base.

10 Adoption of Staff's recommended rate base, operating expense levels, and capital
11 structure/rate of return would result in just and reasonable rates in this rate case.
12 Likewise, adoption of Staff's consolidated, inverted block, tiered rate design, including
13 the recommended PWAM, should provide PWC a reasonable opportunity to recover its
14 revenue requirement. That is what PWC seeks in this rate case – a reasonable chance to
15 earn a revenue requirement that recovers its operating expenses and provides a return on
16 the fair value of its assets devoted to service. PWC is entitled to no more and no less.³

17 There are no issues in dispute between PWC and Staff at this stage of the rate case.
18 In addition to accepting Staff's recommended rates, including all components of the
19 revenue requirement and rate design, PWC no longer disputes Staff's other
20

21 ¹ The key for defined terms, abbreviations and citations to a witnesses' pre-filed testimony
22 is set forth in pages ii to vi following the Table of Contents. The table also lists the
23 hearing exhibit numbers of the parties' pre-filed testimony. Except where noted, other
24 hearing exhibits are cited by the hearing exhibit number and, where applicable, by page
25 number, e.g., Ex.S-13 at 2. The transcript of the hearings is cited by page number, e.g.,
26 Tr. at 1.

² *C&S Water*, Decision No. 62320 (February 17, 2000) (Ex. S-17); *United Utilities*,
Decision No. 62401 (March 30, 2000).

³ See *Scates v. Ariz. Corp. Comm'n*, 118 Ariz. 531, 578 P.2d 612 (App. 1978), discussed
infra at Section II.

1 recommendations. Specifically, PWC has entered into a Consent Order with ADEQ
2 regarding the third-party owned wells it gets water from within the MDC system.⁴ As a
3 result, Staff's recommended condition for rates to go into effect is satisfied.⁵ Also, PWC
4 will not dispute Staff's recommended annual cap on hauling charges for the EVP system.⁶
5 PWC remains committed to minimizing hauling as a remedy for historic water shortages
6 in parts of its CC&N, and accepts Staff's goal to incent the Company to continue to
7 pursue workable solutions.⁷

8 The new owner/operator of PWC has worked very hard since purchasing the
9 Company's stock in June 2013 to resolve long-standing issues that have seemingly
10 plagued the Company and its customers for a number of years. Among other things, the
11 Company (1) has borrowed \$275,000 from WIFA and is commencing construction of the
12 TOP-MDC pipeline, which pipeline is intended to bring water to MDC without hauling;
13 (2) reestablished water sharing agreements with well owners in MDC, which wells are
14 now subject to the Consent Order the Company recently worked out with ADEQ; and
15 (3) applied for a WIFA grant for the purpose of studying the water supply situation in
16 EVP;⁸ (4) established a new Customer Service Center in Arizona as a means to address
17 some of the ongoing CSC complaints; (5) replaced flow meters on production wells in
18 Gisela and East Verde Park that have showed more use than production in previous years'
19 annual reports; and (6) changed the Company's disconnection policy to notify customers
20 by door hanger in advance of physical water disconnection, drastically reducing the

21 ⁴ See PWC's Notice of Late-Filed Exhibit filed concurrently with this brief. The Consent
22 Order is consecutively numbered as Ex. A-19, and will be referred to by exhibit number
hereinafter.

23 ⁵ Liu Supp. Sb. at 1; Tr.at 623:24 – 624:6 (Smith).

24 ⁶ See Brown Supp. Sb. at 9.

25 ⁷ See Liu Dt. at 7:6-12; Tr. at 311-312 (Williamson), 641:8-18 (Smith).

26 ⁸ See Phase 1 Decision (Ex. S-5) at 15, Ordering Paragraph No. 1; Notice of Compliance
with Decision No. 74175 (filed March 4, 2014); Ex. A-19; Ex. A-18.

1 number of service disconnections.

2 Through these and other efforts, the Company is seeking to ensure safe and reliable
3 water utility service to all of its customers, at present and in the future. But it needs this
4 Commission's further help. The Company is bleeding. It cannot pay its current bills,
5 let alone earn a return and attract the capital necessary to make necessary improvements,
6 including a number of system upgrades wanted by the customers.⁹ The revenue increase
7 suggested by Staff and accepted by the Company is the minimum the Company needs to
8 begin the process of becoming financially viable. This relief is necessary and cannot
9 come soon enough.¹⁰

10 Generally, the intervenors would deny the Company any and all necessary rate
11 relief. Their reasons vary – from first requiring further investment in infrastructure,¹¹
12 to second-guessing the TOP-MDC line,¹² all the way to unsupported and outlandish
13 allegations of a criminal conspiracy by the Company and its counsel.¹³ The intervenors'
14 more outrageous allegations and conduct throughout this proceeding have placed the
15 Company in the unenviable position of having to try defend itself from the very people
16 (or at least a small number of them) that it is trying to serve. In this respect, the Company
17 again needs the Commission's help. PWC needs this Commission to look past the pent-
18 up frustration, misinterpretations of the process and technical information, and, in some

19 ⁹ See Williamson Rb. at 5:3-4; Bourassa Supp. Rj. at 3:9-16; Tr. at 54:18 – 55:5
20 (Bourassa), 379:4-12 (Williamson), 757:4-8 (Brown).

21 ¹⁰ The time clock on this case expires roughly April 14, 2014. Besides its continuing
22 inability to pay its bills (See, e.g., Tr. at 379:4-12 (Williamson); Williamson Supp. Rj. at
23 8:11-12), the summer season starts in late May, bringing the ongoing water supply
challenges in MDC back to crises level. It cannot be overstated that PWC needs rate
relief in effect May 1, 2014, before it has to meet the summer demand for more water at a
time when less is historically available.

24 ¹¹ See generally, TB Dt.; Tr. at 33:13-21 (Bremer).

25 ¹² E.g., KMR Sb. at 5:26 – 6:16; KMR.Supp.3 at 4-5.

26 ¹³ See, e.g., KMR Supp.3 at 6:27 – 7:2, 8:9-18; Tr. at 484:21 – 485:10, 507:4 – 508:23
(Reidhead).

1 cases, personal agendas. PWC needs the Commission to focus on the substantial evidence
2 of the Company's efforts since the ownership change, the clear need for substantial rate
3 relief, and the recommendations by Staff as accepted by PWC that are just, reasonable,
4 and in the public interest.

5 FACTS AND LAW

6 I. OVERVIEW OF PWC

7 A. Ownership History

8 In August of 1996, BUI acquired the C&S Water and United Utilities water
9 systems.¹⁴ The two water utilities were made up of numerous individual water systems,
10 nine of which eventually became PWC: Deer Creek (owned by C&S Water), and Mead's
11 Ranch, EVP, Flowing Springs, Geronimo Estates/Elusive Acres, MDC, Whispering Pines,
12 Gisela/Tonto Creek Shores, and Quail/Star Valley (all owned by United Utilities).¹⁵
13 PWC presently owns and operates eight of those systems. The Town of Star Valley took
14 the Company's assets and the customers in the Quail/Star Valley system under eminent
15 domain in May 2012.¹⁶

16 In the late 1990's, BUI reorganized seven separate water companies and more than
17 forty systems it had acquired, including C&S Water and United Utilities, into five
18 separate subsidiaries, one being PWC.¹⁷ The reorganization was approved by the
19 Commission in Decision No. 60972 (July 19, 1998).¹⁸ Eventually, C&S Water and

20 ¹⁴ Hardcastle Dt. at 2:2-10.

21 ¹⁵ *Id.*

22 ¹⁶ *Id.*

23 ¹⁷ Hardcastle Dt. at 2:11-16.

24 ¹⁸ *Id.* The Commission specifically found, at page 5, paragraph 8, that "[t]he geographic
25 regrouping and transferring of the water systems is intended to result in operating,
26 administrative, and regulatory reporting efficiencies." The same holds true of the
proposal to consolidate the one remaining separate system – Gisela – with the other
seven systems. Tr. at 49-51 (Bourassa), 699-700, 703-704 (Brown); Williamson Rj. at
13:13-21. The oppositions to consolidation by one or more of the intervenors are not
supported by substantial evidence and would not be in the public interest.

1 United Utilities were dissolved. Two others, Pine Water Co., Inc. and Strawberry Water
2 Company were condemned in 2009 by a local county improvement district.¹⁹

3 On May 31, 2013, JW Water acquired the stock of three utility companies from
4 BUI, including PWC, the lone surviving entity from the reorganization that the
5 Commission had approved nearly 15 years ago. As of June 1, 2013, PWC is owned and
6 operated by JW Water; BUI no longer owns any interest in or operates PWC.²⁰

7 **B. PWC's Water Resources**

8 PWC owns 17 wells, and has water-sharing agreements providing it access to water
9 pumped from three other wells.²¹ PWC's service territory covers several different areas in
10 Central, Arizona, in and around the TOP and the Mogollon Rim. This part of Arizona's
11 arid environment has long faced water supply challenges, such as those faced by the TOP
12 and the Company's MDC and EVP systems.²² For a number of years, the Company has
13 augmented water supplies by hauling water into the MDC system, and to a lesser extent,
14 the EVP system.²³

15 After researching available options, and, specifically, after determining that further
16 well drilling in MDC was not prudent, the Company began focusing its attention on
17 working with the TOP on the Cragin Pipeline Project.²⁴ Once constructed, the Cragin
18 Pipeline will deliver SRP renewable water supplies from the C.C. Cragin Reservoir to the
19 MDC system. The Cragin Pipeline Project was estimated to give MDC access to as much
20

21 ¹⁹ See Notice of Condemnation (filed October 9, 2009 in Docket No. W-03513A-09-0485)
22 (Strawberry); Notice of Condemnation (filed October 9, 2009 in Docket No. W-03512A-
09-0486) (Pine).

23 ²⁰ Williamson Dt. at 1:9-11.

24 ²¹ See Liu Dt., Exhibit JWL at 1-2; Hardcastle Dt. at 7:19-24.

25 ²² Tr. at 641:8-18 (Smith).

26 ²³ Hardcastle Dt. at 3:5-9.

²⁴ Hardcastle Dt. at 8:15-25; Williamson Dt. at 4:18-20.

1 as 72-acre-feet of renewable water supplies annually.²⁵ Although PWC believes it has
2 found a long-term solution to MDC's water shortages, the project's scheduled completion
3 date is now delayed until roughly 2017.²⁶

4 Fortunately, the Cragin Pipeline Project has already brought some infrastructure in
5 close proximity to MDC. As a result, the new owner/operator recently discovered the
6 opportunity to build a line connecting the TOP infrastructure to the Company's MDC
7 system.²⁷ This line, known as the TOP-MDC interconnection, was the subject of Phase 1
8 of this consolidated docket and the Phase 1 Decision. The TOP-MDC line is being
9 constructed so that PWC can buy water from Payson and deliver into the MDC system
10 without hauling now, not when Cragin is complete sometime in the future.²⁸

11 Taking on a loan in the amount of \$275,000 at a time when the Company cannot
12 pay its bills in the ordinary course is a substantial risk for the new owner/operator.
13 But the TOP-MDC pipeline reflects the current owner's commitment to improving PWC's
14 water supplies. The Company is focused on evaluating each system's needs so it can plan
15 for and make additional necessary capital investment to continue to provide safe and
16 reliable water utility service to customers.²⁹ The solutions already underway for EVP
17 reflect this commitment as well. The new owner wants to be able to make prudent
18 investment of capital in infrastructure and water supply improvements for PWC.³⁰

19 ²⁵ Hardcastle Dt. at 10:7-10.

20 ²⁶ Williamson Rj. at 5:20-22.

21 ²⁷ Williamson Dt. at 5:9-23.

22 ²⁸ The WIFA loan closed on February 19, 2014. In compliance with the Phase 1 Decision,
23 on March 4 the Company made its WIFA loan surcharge filing, and on March 6 applied
24 for elimination of the MDC Water Augmentation Surcharge Tariff that is currently in
effect. Also in compliance with the Phase 1 Decision, on December 9, 2013 PWC had
posted a \$10,000 bond, which guarantees a refund to customers for any excess surcharge
amounts paid by them prior to a final determination in the rate case.

25 ²⁹ See Liu Dt. at 5-7.

26 ³⁰ See Tr. at 312:6-8, 373:23-25 (Williamson). Notably, there will be no return on the
investment in the TOP-MDC line. The debt service recovery surcharge approved in the

1 **C. Rates**

2 PWC's current rates were approved in Decision No. 62320 and Decision No.
3 62401. C&S Water's rates went into effect on or about March 1, 2000. United Utilities'
4 rates went into effect on or about May 1, 2000. There were no rate cases from 2000 until
5 this Commission-ordered rate case was filed in April 2013.³¹

6 It is not entirely clear why the previous owner/operator waited so long to file for
7 new rates. The costs of doing business have increased substantially over the intervening
8 years and the Company has been providing below-cost service for sometime.³² It appears
9 that BUI was subsidizing the cost of service by infusing cash into the Company to meet its
10 operating expenses.³³ It is clear that when the stock was sold and ownership changed, the
11 Company's bank accounts were essentially empty.³⁴ Now, the Company is operating at a
12 substantial loss, unable to pay all of its bills when they come due, and waiting desperately
13 for this rate order.³⁵

14 While the Commission had its reasons for ordering the Company to file this rate
15 case, rate relief is warranted now, nearly 15 years after the current rates were set. During
16 the test year ended December 31, 2012, PWC's adjusted gross revenues from water utility
17 service were only \$320,525.³⁶ The adjusted operating income was (\$182,479) for a return
18 on rate base equal to negative 27.27 percent.³⁷ Put simply, PWC is entitled to a rate
19 increase no matter why the case was initiated.

20 Phase 1 Decision provides only enough cash to fund the loan payments. Ex. S-5 at 12:12-
21 20.

22 ³¹ See Ex. S-17; Decision No. 62401.

23 ³² Hardcastle Dt. at 5:13-21; Tr. at 704:11-16 (Brown).

24 ³³ See Bourassa Supp. Rj. at 3:9-16; Tr. at 737:9-16 (Brown).

25 ³⁴ Tr. at 250:18-24 (Williamson).

26 ³⁵ See Tr. at 54:18 – 55:5 (Bourassa); Tr. at 196:7-17 (Williamson).

³⁶ Bourassa Dt. at Schedule A-1.

³⁷ *Id.*

1 **II. THE LEGAL FRAMEWORK FOR RATEMAKING IN ARIZONA**

2 In Arizona, the Commission is responsible for setting “just and reasonable” rates
3 and charges for utility services furnished by utilities.³⁸ The process followed by the
4 Commission in setting rates that are “just and reasonable” has been summarized as
5 follows:

6 The general theory of utility regulation is that total revenue,
7 including income from rates and charges, should be sufficient
8 to meet a utility’s operating costs and to give the utility and
9 its stockholders a reasonable rate of return on the utility’s
10 investment. To achieve this, the Commission must first
11 determine the “fair value” of a utility’s property and use this
12 value as the utility’s rate base. The Commission then must
13 determine what the rate of return should be, and then apply
14 that figure to the rate base in order to establish just and
15 reasonable tariffs.³⁹

16 Nearly 100 years of decisions by Arizona courts have required the Commission to
17 set rates that will produce sufficient revenue to allow the utility to recover its operating
18 expenses and earn a reasonable rate of return on the fair value of its property devoted to
19 public service.⁴⁰ Thus, as the Arizona Court of Appeals explained in *Scates*:

20 [T]he rates established by the Commission should meet the
21 overall operating costs of the utility and produce a reasonable
22 rate of return. It is equally clear that the rates cannot be
23 considered just and reasonable if they fail to produce a
24 reasonable rate of return or if they produce revenue which
25 exceeds a reasonable rate of return.⁴¹

26 ³⁸ See Ariz. Const. Art. 15, § 3.

³⁹ *Scates*, 118 Ariz. at 533-34, 578 P.2d at 614-15 (citations omitted). See also *US West Comm., Inc. v. Ariz. Corp. Comm’n*, 201 Ariz. 242, 244, 34 P.3d 351, 353, ¶ 13 (2001) (The “fair value [of the utility’s plant and property] has been the factor by which a reasonable rate of return [is] multiplied to yield, with the addition of operating expenses, the total revenue that a corporation could earn.”) (citing *Scates*).

⁴⁰ See *US West*, 201 Ariz. at 246, 578 P.2d at 355, ¶ 18 (“a line of cases nearly as old as the state itself has sustained the traditional formulaic approach” to setting rates).

⁴¹ *Scates*, 118 Ariz. at 534, 578 P.2d at 615.

1 This is all PWC seeks in this case. It is beyond dispute that PWC is not receiving revenue
2 sufficient to cover its operating costs and expenses, let alone achieve a reasonable return
3 on its investment. Here, the current owners of PWC have dramatically improved the
4 Company's outlook in terms of improving service for customers and solving the
5 Company's long-standing water supply problems. The Commission should recognize
6 PWC's commitment to those improvements and approve Staff's recommended rates not
7 only as required by Arizona law, but as necessary as a matter of fundamental fairness and
8 to encourage this type of proactive effort by utility owners.

9 While the starting point of a permanent rate application is the utility's actual,
10 recorded results during the test year, those results must be adjusted to obtain a normal and
11 more realistic relationship between rate base, revenue and expenses that will be
12 representative of the period *when the new rates are in effect*. The Commission's
13 regulation defining the filing requirements in support of a proposed increase in rates and
14 charges for service specifically contemplates consideration of post-test year
15 circumstances. For example, the term "pro forma adjustments" is defined as:

16 Adjustments to actual test year results and balances to obtain
17 a normal or more realistic relationship between revenues,
expenses and rate base.⁴²

18 The clear message of *Scates* is that rates are *not* just and reasonable if they do not
19 produce sufficient revenue to allow for recovery of reasonable operating expenses and a
20 fair rate of return.⁴³ "A utility is entitled to a fair rate of return on the fair value of its
21 property, no more and no less."⁴⁴ That is the fundamental principle upon which this
22 Commission has set rates for many, many years. "What the company is entitled to ask is a

23
24 ⁴² A.A.C. R14-2-103(A)(3)(i).

25 ⁴³ See generally, *Scates*, 118 Ariz. 531, 578 P.2d 612.

26 ⁴⁴ *Litchfield Park Service Co. v. Ariz. Corp. Comm'n*, 178 Ariz. 431, 434, 874 P.2d 988,
991 (App. 1994) (internal quote omitted).

1 fair return upon the value of that which it employs for the public convenience. On the
2 other hand, what the public is entitled to demand is that no more be exacted from it . . .
3 than the services rendered . . . are reasonably worth.”⁴⁵ The Commission certainly has a
4 duty to protect the public interest, but that duty is based on preventing “excessive and
5 discriminatory rates and inferior service.”⁴⁶

6 The constitutional basis for Arizona’s fair value ratemaking process is the principle
7 that requiring a utility to provide service without fair compensation is a taking of the
8 company’s property without due process of law.⁴⁷ It also runs counter to the concept of
9 requiring a water company to provide water service to all customers located within that
10 company’s CC&N. Consumers are entitled to protection from excessive rates, but they
11 are never entitled to receive service at rates that fail to provide a reasonable return.⁴⁸
12 Put another way, customers are entitled to service from a regulated water company
13 holding a valid CC&N, but customers are not allowed to deprive the water company from
14 receiving revenue sufficient to covers its costs and provide a fair and reasonable return on
15 its investment. As the United States Supreme Court has explained, “[r]ates which are not
16 sufficient to yield a reasonable return on the value of the property used at the time it is
17 being used to render the service are unjust, unreasonable and confiscatory, and their
18 enforcement deprives the public utility company of its property in violation of the
19 Fourteenth Amendment.”⁴⁹ Nor do the customers obtain any interest in the utility or its
20 property by paying for service. As the United States Supreme Court has explained:

21 ⁴⁵ *Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 149, 294 P.2d 378, 381
22 (1956) (quoting *State of Missouri ex rel. SW Bell Tele. Co. v. Public Service Comm’n*, 262
U.S. 276 (1923)).

23 ⁴⁶ *SW Gas Corp. v. Ariz. Corp. Comm’n*, 169 Ariz. 279, 286, 818 P.2d 714, 721
24 (App. 1991) (quoting *Petrolane-Ariz. Gas Serv. v. Ariz. Corp. Comm’n*, 119 Ariz. 257,
259, 580 P.2d 718, 720 (1978)).

25 ⁴⁷ *Simms*, 80 Ariz. at 149, 294 P.2d at 380 (citing *Smyth v. Ames*, 169 U.S. 466 (1898)).

26 ⁴⁸ *Scates*, 118 Ariz. at 534, 578 P.2d at 615.

⁴⁹ *Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm’n*, 262 U.S. 679, 690

1 Customers pay for service, not for the property used to render
2 it. Their payments are not contributions to depreciation or
3 other operating expenses or to the capital of the company.
4 By paying bills for service they do not acquire any interest,
5 legal or equitable, in the property used for their convenience
6 or in the funds of the company. Property purchased out of
7 moneys received for service belongs to the company just as
8 does that purchased out of proceeds of its bonds and stock.⁵⁰

6 That fundamental principle of utility law holds especially true under the circumstances of
7 this case.

8 Under these basic constitutional principles, the Commission must provide a fair
9 return to utilities in both good and bad economic times. The cost to provide utility service
10 does not necessarily go down because some customers are less able to afford the rate
11 increase. Therefore, it would be unlawful, for example, for the Commission to reduce an
12 otherwise prudent operating expense because economic conditions might make it more
13 difficult for some customers to pay the cost of service. Likewise, the value of a fair value
14 rate base based solely on original cost less depreciation does not change based on
15 customer ability to pay. Approval of such arguments, by definition, violates Article 15 of
16 Arizona's constitution along with violating 100 years of Arizona decisions applying and
17 interpreting Arizona's utility ratemaking principles. It also arguably would constitute a
18 regulatory taking of the utility's property.

19 To the extent current economic conditions are relevant to determining a revenue
20 requirement, they are already incorporated in the parties' cost of capital analysis. The cost
21 of equity is derived by market-based finance models – the Discounted Cash Flow model
22 and the CAPM – that assume an investor is evaluating the future return on an investment
23 in publicly traded utility stocks.⁵¹ These models rely on current stock prices and other

24 (1923).

25 ⁵⁰ *Bd. of Pub. Utility Comm'rs v. New York Tele. Co.*, 271 U.S. 23, 32 (1926).

26 ⁵¹ See Cassidy COC Dt. at 13-14.

1 market data for a proxy group of water utilities, the stock of which is traded on major
2 stock exchanges. The Commission should not impose an additional “discount” that is not
3 supported by the testimony, based on non-specific difficulties experienced by individual
4 consumers. A utility must be given an opportunity to earn a return that is commensurate
5 with the returns earned by enterprises with comparable risks.⁵² The failure to do so would
6 violate the comparable earnings standard and, therefore, the utility’s constitutional
7 rights.⁵³

8 It is important in this case to note that the decision of the court in *Arizona*
9 *Community Action* does not stand for the proposition that the Commission may lower
10 rates below the cost of service because current economic conditions are unfavorable or
11 some customers live closer to or below the poverty line. *Arizona Community Action*
12 overturned a Commission decision allowing an automatic rate increase if the utility’s
13 equity returns fell below a certain threshold.⁵⁴ The court recognized that APS could
14 manipulate equity returns by changing its capital structure, and held that the Commission
15 could not establish an automatic adjustment based solely on a factor that the utility
16 controlled.⁵⁵ But *Arizona Community Action* does not contradict *Scates, Simms*, and the
17 many other cases establishing that a fair return is the touchstone for setting just and
18 reasonable rates. In fact, *Arizona Community Action* expressly recognizes that “[a] utility
19 has the right to assure its investors a reasonable return.”⁵⁶ Any interpretation of *Arizona*
20 *Community Action* in support of the proposition that the Commission may lower rates
21 below the cost of service because of the economic situation of some customers would

22
23 ⁵² See, e.g., Roger A. Morin, *New Regulatory Finance* 9-12 (Public Utility Reports, Inc. 2006) (“*Morin*”).

24 ⁵³ *Bluefield Waterworks*, 262 U.S. at 692 – 93.

25 ⁵⁴ *Ariz. Comm’ty Action*, 123 Ariz. at 231, 599 P.2d at 187.

26 ⁵⁵ *Id.*

⁵⁶ *Id.*

1 violate Article 15, § 3 of the Arizona Constitution and would violate *Simms, Scates* and a
2 host of Arizona decisions relating to utility rate making.

3 Lastly, the process and procedures the Commission follows to gather and consider
4 evidence in setting rates are quasi-judicial in character. Perhaps the clearest statement of
5 the Commission's duties is found in *State ex rel. Corbin v. Ariz. Corp. Comm'n*, 143 Ariz.
6 219, 223-24, 693 P.2d 362, 366-67 (App. 1984), which explained:

7
8 [A proceeding to fix rates] carries with it fundamental
9 procedural requirements. There must be a full hearing. There
10 must be evidence adequate to support pertinent and necessary
11 findings of fact. Nothing can be treated as evidence which is
12 not introduced as such. ... Facts and circumstances which
13 ought to be considered must not be excluded. Facts and
14 circumstances must not be considered which should not
15 legally influence the conclusion. Findings based on the
16 evidence must embrace the basic facts which are needed to
17 sustain the order. ...

18
19 A proceeding of this sort requiring the taking and weighing of
20 evidence, determinations of fact based upon the consideration
21 of the evidence, and the making of an order supported by
22 such findings, has a quality resembling that of a judicial
23 proceeding. Hence it is frequently described as a proceeding
24 of a *quasi judicial* character. The requirement of a "full
25 hearing" has obvious reference to the tradition of judicial
26 proceedings in which evidence is received and weighed by
the trier of the facts. The "hearing" is designed to afford the
safeguard that the one who decides shall be bound in good
conscience to consider the evidence, to be guided by that
alone, and to reach his conclusion uninfluenced by extraneous
considerations which in other fields might have play in
determining purely executive action. The "hearing" is the
hearing of evidence and argument.⁵⁷

22 In this case, the only substantial evidence supports adoption of Staff's recommendations
23 across the board. Put another way, there is no substantial evidence supporting any
24 arguments in opposition to approval of Staff's recommended rates. Here, the

25
26 ⁵⁷ *Id.* at 224, 693 P.2d at 367, quoting *Morgan v. United States*, 298 U.S. 468 (1936).

1 overwhelming evidence in the record supports approval of Staff's recommended rates as a
2 matter of fact and as a matter of Arizona law.

3 **ARGUMENT AND RELIEF REQUESTED**

4 PWC seeks a revenue requirement of \$610,256.⁵⁸ This is based on a WACC equal
5 to 9 percent being applied to fair value rate base equal to \$504,684,⁵⁹ and total adjusted
6 operating expenses at proposed rates equal to \$564,835.⁶⁰ The requested revenue
7 requirement represents an increase in total revenues of \$289,731 over test year revenues,⁶¹
8 an increase of 90.39 percent.⁶² The resulting operating income is \$45,422.⁶³ Each of
9 these components necessary to set new rates comes from Staff's recommendations.⁶⁴
10 The Company has dropped all challenges to and accepted all of Staff's recommendations
11 for rate base, operating expenses, capital structure and rate of return.⁶⁵ Staff's
12 recommendations represent refinement and some compromise by both parties as this case
13 progressed through discovery and prefiled testimony, which is common in Commission
14 rate proceedings.⁶⁶ As Staff explained, this revenue requirement is based on what is
15 necessary for PWC to recover its cost of service, which includes a return on the fair value
16

17 ⁵⁸ Brown Supp. Sb. at Schedule CSB-1. This is \$110,054 less than the revenue increase
18 requested in the Company's application (Bourassa Dt. at Schedule A-1 shows total
19 revenue requirement of \$720,310 so \$720,310 less \$610,257 is \$110,054), and \$70,540
20 less than the Company's requested revenue requirement at the rebuttal stage of these
proceedings. Bourassa Rb. at Schedule A-1 shows total revenue requirement of \$680,797
so \$680,797 less \$610,257 is \$70,540.

21 ⁵⁹ Brown Supp. Sb. at Schedule CSB-1.

22 ⁶⁰ Brown Supp. Sb. at Schedule CSB-7.

23 ⁶¹ Brown Supp. Sb. at Schedule CSB-1.

24 ⁶² *Id.*

25 ⁶³ *Id.*

26 ⁶⁴ Brown Supp. Sb. at 2; Cassidy Supp. Sb. at 3.

⁶⁵ Tr. at 42:2-14, 47:14-16, 81:8-10 (Bouassa).

⁶⁶ See Tr. 106:17 – 107:3 (Bourassa); see also Brown Supp. Sb. at 4:9-15.

1 of used and useful plant.⁶⁷

2 The Company also agrees to Staff's recommended rate design. Staff's rate design
3 follows the characteristic inverted three-tier rate design for water utilities regulated by the
4 Commission.⁶⁸ This rate design, like Arizona's Groundwater Management Act,
5 recognizes that the entire state of Arizona is a desert and that water is a limited
6 commodity.⁶⁹ Under an inverted block rate design, customers pay more for water
7 purchased in the upper tiers than for water purchased in lower tiers.⁷⁰ Under Staff's
8 proposed rates, for the prior United Utilities systems, the average present bill for a
9 5/8x3/4 inch customer using 2,903 gallons per month is \$21.60, and the proposed bill will
10 be \$47.22, an increase of \$25.62 or 118.60 percent. For the prior C&S Water systems
11 (Gisela), the present bill for a 5/8x3/4 inch customer using 6,961 gallons per month is
12 \$27.30, and the proposed bill will be \$64.30, an increase of \$37.00 or 135.53 percent.⁷¹
13 The rate increase experienced by customers in Gisela is higher relative to the customers in
14 the other systems because Gisela's current rates are lower, and because customers in that
15 system currently use higher amounts of water than in the other systems. If the
16

17 ⁶⁷ At least one intervenor has attempted to argue that Staff's revenue requirement is
18 actually being calculated to meet the 1.2 debt service coverage required by WIFA.
19 *See, e.g.,* Tr. at 666 – 673 (Cassidy). This position illustrates a lack of understanding of
20 the ratemaking process, and more importantly, it reflects these intervenors refusal to
21 accept clear and convincing evidence that contradicts their allegations. Sadly, the
22 overwhelming contradictory evidence should have assuaged these concerns. Had that
23 intervenor been represented by legal counsel, that counsel could not have pursued that
24 argument without running afoul of various Arizona ethical rules. The revenue
25 requirement recommended by Staff and accepted by the Company is based on recovery of
26 operating expenses plus a return on fair value rate base. Brown Supp. Sb. at 2-3. The
Company seeks and is entitled to no more and no less. The determination of a debt
service coverage is an after the fact calculation that has no impact on the revenue
requirement itself. Tr. at 664:17 – 665:9 (Cassidy).

24 ⁶⁸ *See* Tr. at 47:17 – 48:1 (Bourassa).

25 ⁶⁹ *See* Tr. at 641:8-18 (Smith).

26 ⁷⁰ *See* Tr. at 160:25 – 161:5 (Bourassa).

⁷¹ Brown Supp. Sb. at Schedule CSB-18.

1 consolidated rates recommended by Staff are approved, these sorts of intra-system
2 anomalies should be eliminated.

3 Staff's rate design also includes a PWAM. The PWAM is necessary to allow the
4 Company to recover the cost of water purchased from Payson to be delivered to customers
5 in the MDC system *solely* from the MDC customers. There are no purchased water costs
6 in Staff's recommended operating expenses adopted by PWC,⁷² and the PWAM operates
7 as a simple pass-through to customers who are billed based on usage.⁷³ Like the DSR
8 Surcharge approved in the Phase 1 Decision, the PWAM is part of the relief aimed at
9 addressing the long-standing water supply shortages plaguing MDC. Again, like that debt
10 surcharge, the costs will be borne *solely* by customers in that system.⁷⁴

11 The Company also requested approval of a Water Augmentation Surcharge Tariff
12 for the EVP system.⁷⁵ The Company modeled this proposed tariff on the one approved by
13 the Commission for PWC's MDC system, the only such tariff of which the Company is
14 aware. Staff supports the augmentation tariff for EVP, but with modifications.⁷⁶ First,
15 Staff has imposed a cap on the amount of hauling costs that can be spent annually.⁷⁷

16 _____
17 ⁷² Tr. at 738:24 – 739:3 (Brown).

18 ⁷³ Tr. at 802:17 – 803:1 (Brown).

19 ⁷⁴ The Company and Staff went to great pains to counter the misunderstandings and
20 misstatements by the intervenors concerning which customers would pay the costs of the
21 TOP-MDC line. *See, e.g.,* Williamson Rt., Exhibit JW-RT1; Williamson Rj. at 14-15;
22 Ex. S-5 at Findings of Fact Nos. 16-17. Consistent with the Phase 1 Decision, the costs
23 directly associated with this water will be paid *solely* by MDC customers under Staff's
24 PWAM. *E.g.,* Tr. at 63:2-5 (Bourassa). Notably, none of the intervenors that presented
25 testimony – Reidhead, Nee or Bremer (KMR Dt. at 1:33-34; SN Sb. at 1:35-36; TB Dt.
26 at 3), lives in MDC; only two intervenors, Burt and Gehring live in MDC, and little to
none of the public comment was from the other more than 350 MDC customers. As such,
despite their extensive protests regarding the long-awaited solutions for MDC's water
problems, Reidhead and Nee will not be required to pay the debt service recovery
surcharge approved in the Phase 1 Decision or the PWAM (if approved as recommended).

⁷⁵ Williamson Rb. at 8-9.

⁷⁶ *See* Tr. at 643:6-14 (Smith).

⁷⁷ Brown Supp. Sb. at 9:17-19.

1 The Company herein agrees to Staff's recommended annual cap of \$10,000. While PWC
2 notes this is lower than the amount spent on hauling to EVP in some recent years,⁷⁸
3 the new owner/operator believes the need to augment supplies in the EVP system can be
4 limited relative to the recent past with some different water supply management
5 approaches.⁷⁹

6 Second, Staff recommends that the EVP Water Augmentation Surcharge Tariff not
7 contain the additional curtailment measures and penalties found in the tariff for MDC.⁸⁰
8 Instead, EVP, which does not appear to be subject to nearly the same type of water supply
9 crises as MDC, will continue to be operated under the Curtailment tariff already in effect
10 for EVP and all of the Company's systems.⁸¹ Staff's adjustment, which is supported by
11 the Company, appears to be responsive to the concerns expressed by Intervenor Bremer
12 with respect to the form of Water Augmentation Tariff.⁸² The elimination of the more
13 draconian curtailment measures deemed necessary by the Commission for MDC address
14 those concerns.

15 CONCLUSION

16 This has been a very difficult rate case. There is no better illustration of that
17 difficulty than the fact that the parties needed five days for hearings despite there being
18 only two minor disagreements between Staff and the Company, both of which are no
19 longer in dispute. The Company regrets having to blame any of its customers, but the
20 truth is, in this case, it was the customer-intervenors that intervened that prolonged and
21

22 ⁷⁸ Tr. at 347:11 – 348:4 (Williamson).

23 ⁷⁹ See Tr. at 311:23 – 312:11 (Williamson).

24 ⁸⁰ See Tr. at 643:6-14 (Smith).

25 ⁸¹ Ex. S-6.

26 ⁸² See, e.g., TB Supp. 2 at 2:19-20 (“The curtailment plan . . . includes . . . water hauling surcharges as well as unjust water disconnection and reconnection fees for violations of the curtailment requirements.”).

1 unduly complicated this rate case.

2 Of course, customers are free to intervene and participate in rate cases. But some
3 of the intervenors have literally attacked the Company, its consultant, its counsel, and the
4 Staff and its lawyer, Ms. Mitchell, accusing Staff and the Company as being engaged in
5 some sort of conspiracy to defraud them.⁸³ These allegations are as outrageous as they are
6 false. The Company and its attorneys and consultants have acted in the public interest and
7 the Commission should applaud the Company's efforts to improve service and solve the
8 water supply problems, while also managing the Company through very challenging
9 financial conditions.⁸⁴ The Commission should summarily dismiss and disregard the
10 various absurd and unsupported conspiracy claims by the intervenors.

11 Staff, the Company's new owner/operator, and its consultant and counsel
12 are working very hard to improve everything about the Company. Their efforts have
13 resulted in a recommendation for just and reasonable rates along with other necessary
14 relief to protect the customers and allow the Company to further improve its utility
15 services. Only three of the seven actively participating intervenors presented evidence in
16 this rate case. And none of those intervenors presented rate schedules, or a recommended
17 rate base or appropriate levels of all operating expenses. The fact that the intervenors
18 can't or won't accept that PWC desperately needs rate relief now, does not make the
19 recommended rates unreasonable. There is substantial evidence that Staff's
20 recommendations result in just and reasonable rates in this rate case.

21 ⁸³ See, e.g., KMR Supp.3 at 6:27 – 7:2, 8:9-18; Tr. at 484:21 – 485:10, 507:4 – 508:23
22 (Reidhead); Intervenor Burt's Request for Acknowledgment of Misrepresentation of Fact
23 by Robin Mitchell in Her Redress to Include a Serious Implied Threat (filed February 14,
2014).

24 ⁸⁴ Perhaps the saddest irony of this case is that the customers that wish to deprive the
25 Company of adequate increases in revenue sufficient for the new owner/operator to keep
26 PWC solvent and able to provide safe and reliable water service, are seeking to ensure the
return of the former owner/operator. BUI has not yet been paid in full for the stock of
PWC and could enforce its security and take back the Company should the Company's
financial situation worsen and the new owner/operator be unable to keep it afloat.

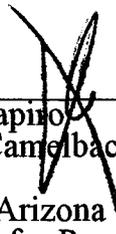
1 Each of the intervenors appears to have his or her own reasons and agenda for
2 opposition and vehement disdain for this utility. Again, they are entitled to oppose the
3 Company's rates. But even pro per parties and intervenors are held to the same legal
4 standards as everyone else. To say the least, these illusory claims, in whole and in part,
5 do not justify denial of necessary and reasonable rate relief for PWC. These claims are
6 not supported by substantial or competent evidence, like the recommendations of Staff
7 and PWC. As a consequence of there being no evidentiary or other cause to reject these
8 recommendations, Staff's recommended rates should be adopted by this Commission.
9 And soon, so that PWC can get back to work making itself a better, healthier water utility.

10 Accordingly and based on the foregoing, and the substantial evidence in the record
11 in this matter, PWC respectfully requests the following relief:

- 12 a. A finding that the fair value PWC's property devoted to water service is
13 \$504,684;
- 14 b. Approval of an overall rate of return on such rate base equal to 9.00 percent;
- 15 c. A determination of a revenue requirement of \$610,256 which constitutes
16 increases over adjusted test year water revenues of \$289,731, or 90.39 percent over the
17 test year; and
- 18 d. Approval to implement new rates effective no later than May 1, 2014.

19 RESPECTFULLY SUBMITTED this 10th day of March, 2014.

20 FENNEMORE CRAIG, P.C.

21
22 By 
23 Jay L. Shapiro
24 2394 E. Camelback Road
25 Suite 600
26 Phoenix, Arizona 85016
Attorneys for Payson Water Co., Inc.

1 **ORIGINAL** and thirteen (13) copies
2 of the foregoing were filed
3 this 10th day of March, 2014, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington Street
6 Phoenix, AZ 85007

5 **COPY** of the foregoing was hand-delivered
6 this 10th day of March, 2014, to:

7 Dwight D. Nodes , Assistant Chief Administrative Law Judge
8 Arizona Corporation Commission
9 1200 W. Washington Street
10 Phoenix, AZ 85007

9 Robin Mitchell, Legal Division
10 Arizona Corporation Commission
11 1200 W. Washington Street
12 Phoenix, AZ 85007

12 **COPY** of the foregoing was e-mailed/mailed
13 this 10th day of March, 2014, to:

13 Kathleen M. Reidhead
14 14406 S. Cholla Canyon Dr.
15 Phoenix, AZ 85044

15 Thomas Bremer
16 6717 E. Turquoise Ave.
17 Scottsdale, AZ 85253

17 Bill Sheppard
18 6250 N. Central Ave.
19 Phoenix, AZ 85012

19 J. Stephen Gehring
20 Richard M. Burt
21 8157 W. Deadeye Rd.
22 Payson, AZ 85541

22 Suzanne Nee
23 2051 E. Aspen Dr.
24 Tempe, Arizona 85282

24 Glynn Ross
25 405 S. Ponderosa
26 Payson, AZ 85541

26 By: 