

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION C...

- 1
- 2 BOB STUMP
CHAIRMAN
- 3 GARY PIERCE
COMMISSIONER
- 4 BRENDA BURNS
COMMISSIONER
- 5 BOB BURNS
COMMISSIONER
- 6 SUSAN BITTER SMITH
COMMISSIONER
- 7

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ORIGINAL

Docket No. SW-01428A-13-0042

Arizona Corporation Commission

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Docket No. W-01427A-13-0043

8 IN THE MATTER OF THE APPLICATION OF
9 LITCHFIELD PARK SERVICE COMPANY,
10 AN ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE FAIR VALUE OF
12 ITS UTILITY PLANTS AND PROPERTY AND
13 FOR INCREASES IN ITS WASTEWATER
14 RATES AND CHARGES BASED THEREON
15 FOR UTILITY SERVICE.

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15 AN ARIZONA CORPORATION, FOR A
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17 ITS UTILITY PLANTS AND PROPERTY AND
18 FOR INCREASES IN ITS WATER RATES
19 AND CHARGES BASED THEREON FOR
20 UTILITY SERVICE.

RUCO'S EXCEPTIONS

19 The Residential Utility Consumer Office ("RUCO") submits the following exceptions to the
20 Recommended Opinion and Order ("ROO") in the above matter. RUCO only takes exception to
21 the ROO in the above matter as concerns the recommendations regarding the System
22 Improvement Benefit Surcharge ("SIB") for the water and wastewater systems. RUCO's
23 opposition to the water and wastewater SIBs here is mostly for the same reasons RUCO has
24 made clear in other water cases before the Commission where a water SIB has been proposed.

1 RUCO has other specific reasons for not supporting the wastewater SIB. RUCO does support
2 the proposed Settlement.

3

4 **THE COMMISSION SHOULD NOT APPROVE THE SIB FOR THE WASTEWATER DIVISION**

5 This is the first case the Commission is considering the wastewater SIB. Neither the
6 Company nor Staff has shown why such a mechanism is necessary for a wastewater system. It
7 is not enough to assume that a wastewater surcharge mechanism is necessary in this case just
8 because the Commission has in the past approved a water surcharge mechanism for other
9 utilities. Again, the facts of this case are different, the circumstances of this case are different,
10 and the needs of this Company are different.

11 At the hearing there was testimony that the wastewater SIB Plan of Administration
12 ("POA") was written by Staff with the collaboration of the Company shortly before the hearing in
13 this matter. There was no showing in this case why a SIB is necessary for wastewater.
14 Exhibit C of the ROO is Table 1 of the wastewater SIB. RUCO does not take issue with the
15 narratives explaining the improvements. That misses the point – plant improvements are part of
16 providing service and part of the regulatory compact. Exhibit C does not explain, nor is there
17 any testimony explaining why we need extraordinary ratemaking for routine improvements to
18 wastewater plant.

19 Moreover, unlike the Eastern Division case, the wastewater POA was not the result of
20 many parties coming together which included other wastewater utilities and utility investment
21 groups. Wastewater infrastructure is different than water infrastructure. Concerns such as
22 water loss which was the origin of the DSIC are not relevant with wastewater. The Commission
23 should not act as a rubber stamp, approving every application that comes before it – there
24 needs to be an express showing in each case to support approval. There is no reason why the

1 Company cannot request the repair and/or replacement of its wastewater infrastructure in a
2 traditional rate case where the infrastructure itself and all the costs and savings associated with
3 it can be scrutinized with the normal safeguards to the ratepayer –resulting in just and
4 reasonable rates.

5

6 **THE SIBS ARE NOT IN THE RATEPAYER'S BEST INTERESTS**

7 The ROO's reasoning for the recommended approval of the SIB is consistent with the
8 Commission's findings in AWC's Eastern Division case (Decision No. 73938) and AWC's
9 Northern Division case (Decision No. 74081). The ROO discusses RUCO's position at length
10 and RUCO's filings in AWC's Eastern and Northern Division cases also set forth in grand and
11 vivid detail the basis for RUCO's opposition. RUCO would refer the Commission to those
12 documents as they pertain to the SIB¹ should there be any question.

13

14 **CONCLUSION**

15 For the reasons stated above, the Commission should not approve the water and
16 wastewater SIBs in this case.

17

18 RESPECTFULLY SUBMITTED this 2nd day of April, 2014.

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Daniel W. Pozefsky
Chief Counsel

¹ In the Eastern Division case the ROE was also at issue. The ROE in this case was resolved in the Settlement and hence RUCO makes no reference to those arguments as they are inapplicable here.

1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 2nd day
3 of April, 2014 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
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5 COPIES of the foregoing hand delivered/
6 Mailed this 2nd day of April, 2014 to:

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