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6 **BEFORE THE ARIZONA CORPORATION COMMISSION**
7

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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

DOCKET NO: W-03514A-13-0111

Arizona Corporation Commission
DOCKETED

APR 25 2014

DOCKETED BY 

17 **IN THE MATTER OF THE APPLICATION**
18 **OF PAYSON WATER CO., INC., AN**
19 **ARIZONA CORPORATION, FOR**
20 **AUTHORITY TO: (1) ISSUE EVIDENCE**
21 **OF INDEBTEDNESS IN AN AMOUNT**
22 **NOT TO EXCEED \$1,238,000 IN**
23 **CONNECTION WITH INFRASTRUCTURE**
24 **IMPROVEMENTS TO THE UTILITY**
25 **SYSTEM; AND (2) ENCUMBER REAL**
26 **PROPERTY AND PLANT AS SECURITY**
27 **FOR SUCH INDEBTEDNESS.**
28
29

DOCKET NO: W-03514A-13-0142

INTERVENOR Public Comment
04/25/14

30 Commissioners most of you do not know Mr. Hardcastle, like we, the captive customers know Mr.
31 Hardcastle. He is a shrewd lawyer, he knows how to take advantage of the loopholes in regulatory audit
32 of Class C, private water utilities in Arizona.

33
34 Commissioner Gary Pierce – You were elected in 2006 and again in 2010. So I am sure you have heard
35 of Mr. Hardcastle from many former customers of Mr. Hardcastle’s in the Pine/Strawberry community.
36 They came up with \$3.5 Million in 2009 to buy back their water infrastructure rather than put up with
37 further questionable water hauling charges and rates increases while their water system deteriorated
38 from years of neglect. You were a former business owner of a gas station and a Budget Rental Car
39 business. You are familiar with the challenges of increasing revenue while keeping within a fixed
40 budget. Can you please hold Messieurs Hardcastle/Williamson accountable for letting their Misc./Mgt.
41 expenses run rampant at a 19% increase per year for the last 11 years?

1 Commissioner Brenda Burns, in 2010 you were elected to a 4 year term on the Corporation Commission.
2 You too were the manager of a family business. You worked to help reduce the Senate's annual multi-
3 million dollar budget by over 8%. You know it is possible to reduce excessive spending. It is not the
4 Payson Water Company's customers' fault that the owners/managers of this company refuse to get
5 multiple bids and leverage owning multiple water companies to get the lowest costs possible. They
6 prefer to spend customers' money and come before the ACC insisting on rate increases to get their 9%
7 Return on Equity. (And by the way, how is the \$275,000 WIFA loan, which was taken out by the PWC
8 not debt? Not one customer at MDC signed the WIFA loan. If they all put in their own wells and did not
9 need PWC water, what party is responsible to pay off the WIFA loan?) Please do not allow this rate
10 increase for owners/managers who have not demonstrated that they have earned a 6% rate of return
11 on capital, let alone a 9% return.

12

13 Chairman Stump, you were elected to the ACC in 2008 and again in 2012. So you were also around
14 during the Pine/Strawberry days and again for the Star Valley/Quail Valley condemnation sale of their
15 water system. You serve on the National Association of Regulatory Commissioners whose members
16 "are responsible for assuring reliable utility service at fair, just, and reasonable rates." You have
17 received accolades from the Tucson Citizen for "...pursuing fairness for Arizona residents." Chairman
18 Stump, you were at the special Open Meeting for Public Comment in Payson on April 11th. You heard
19 Mr. Rappaport, the former Mayor of Star Valley, who also has a house in Whispering Pines comment,
20 Document # 152953, Special Open Meeting Public Comment, (pg. 70, lines 3-25 and pg. 71, lines 1-3)
21 comment,

22

23 "I wrote Hardcastle a check for \$700,000. The day after he cashed the check, the complete Star
24 Valley System went on the fritz. We had to replace pumps, infrastructure to the tune of almost
25 \$300,000. I have known Hardcastle since 2000. ... He is an attorney. He knows how to play the
26 game. And he did this directly for money. That's all this is about.

27

28 The company that now owns Payson Water Company will also own the sewer system in Star
29 Valley, which has been out of compliance from the day it was put in.

30 And that's a fact. And the Corporation Commission has done zip to do anything about it.

31

32 Now, I don't know any of you people. You don't know me. But I sure as hell wouldn't depend
33 on Staff to make decisions. You are our elected officials. You are the ones that bear the
34 responsibility for this. And I can see legal action regardless of how this comes out. And I am
35 behind everybody on this, and I will give you my all on it. I promise you that."

36

1 Chairman Stump, we the customers, voters, taxpayers of Payson Water Company, and even previous
2 customers of Mr. Hardcastle, implore you not to allow this egregious rate increase for systems that are
3 in the same shape as Star Valley's was. They are dilapidated. We have no hope of any upgrades to the
4 other communities, only higher rates to provide Messieurs Hardcastle/Williamson for a return on
5 investment that they haven't earned. We implore you to be fair and reasonable to the customers.

6
7 Commissioners Susan Bitter Smith and Bob Burns, you were elected to the ACC in Jan 2013, so you do
8 not have the long history of knowing Mr. Hardcastle and how he has raped Arizona citizens for years
9 while the ACC has done nothing. But you two were also in Payson for public comment. And you have
10 no doubt read all the deceptions, the incomplete and incorrect Annual reports, and testimony supplied
11 by Messieurs Hardcastle and Williamson.

12
13 You should be suspicious about why this company was sold in the middle of this combined, expedited,
14 ugly proceeding. Mr. Hardcastle is a shrewd lawyer. He could not testify to "tell the whole truth and
15 nothing but the truth" and also answer Intervenors' questions about the water hauling at the
16 community of Mesa Del Caballo. It would be too risky for him, so instead he has handed over
17 management to someone that could answer, "I don't know" or "that was before I took over the
18 company."

19
20 Mr. Jian Liu, the Staff engineer who also was not able to testify, (when the hearing was backed up to
21 coincidentally occur when Mr. Liu was having surgery) made a mistake in his calculations. In his Nov.
22 15th, 2013, Direct Testimony, Document #149555 pg. 76 of 91, he calculated leakage at Mesa Del Caballo
23 as (Gallons Pumped – Gallons Sold)/Gallons Sold = (13,635,000 – 12,943,000)/12,943,000 = 5.08% (I
24 came up with 5.3%.) However, what Mr. Liu failed to include in this calculation is the 589,000 gallons
25 claimed to have been hauled to MDC in 2012.

26 The calculation for gallons leaked should have been: 13,635,000 + 589,000 = 14,224,000 – 12,943,000 =
27 **1,281,000 gallons leaked** or about 107,000 gallons per month or **9.9% leakage**. This leakage is nearly **2X**
28 Mr. Liu's calculations. With such a large leakage, one has to question in which direction the water was
29 hauled at MDC, in or OUT?

30
31 Commissioners Susan Bitter Smith and Bob Burns, how many times did the ACC Staff error in the
32 Company's favor? Do you think we customers are stupid people? We are honest, tax paying, hard
33 working voters of Arizona that just want justice and what is fair and reasonable to expect from our
34 elected officials. Why should two out-of-state, business owners hold such sway with the ACC? Please
35 stop the rape of Arizona private water utility customers.

36

1 Finally, I would like to comment on the Arizona Corporation Commission's legal team's March 21, 2014
2 Reply Brief, document #151940. In it, Ms Robin R. Mitchell and Mr. Brian E. Smith, on pg. 4, lines 1-5
3 state,

4
5 "Mr. Bremer, Ms. Nee and Ms. Reidhead **appeared** at the Phase 1 hearing to give public comment. At
6 no time did they request to intervene. Thus, these intervenors cannot demonstrate that they have
7 standing to assert a due process violation associated with the Phase 1 proceeding. Absent a showing
8 that a constitutionally protected interest is affected, the protections embodied in due process do not
9 attach.

10
11 However, Staff legal in the above statement is falsifying facts in evidence. I did NOT attend the Phase 1
12 hearing as I testified in my Dec. 18th Surrebuttal Testimony, document #151202, pg.1, lines 39-41, "SN
13 would like to have attended the Phase Public Hearing at 10:00 am at the Arizona Corporation
14 Commission and give public comment. However, SN was not able to do this due to the method of
15 mailing this information."

16
17 Once again, the Arizona Corporation Commission's Staff not only did not listen to an intervenor even
18 though Ms Mitchell was present during my testimony. My due process rights were violated due to the
19 not being able to be present at Phase 1 to make comment. Why did the Company insist to combine the
20 Cragin tie-in with the rate increase case to increase its complexity? The discrepancies in Company
21 records and testimony resulted in the estimated \$195,000 Commission Regulatory expense, annualized
22 at \$65,000 per year that Staff has allowed. As such, my property in the form of the proposed rate
23 increases will be taken away without due process participation in the entire proceedings.

24

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28 Respectfully submitted this 25th day of April 2014.

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By 
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2 **ORIGINAL** and thirteen (13) copies
3 of the foregoing were filed this 25th
4 day of April, 2014 with:

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6 Docket Control
7 Arizona Corporation Commission
8 1200 W. Washington Street
9 Phoenix, AZ 85007

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11 **COPY** of the foregoing was mailed
12 this 25th day of April, 2014 to:

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