

OPEN MEETING AGENDA ITEM



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2014 MAY 22 A 8:04

ORIGINAL

AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF PAYSON WATER CO., INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03514A-13-0111

Arizona Corporation Commission

DOCKETED

MAY 22 2014

DOCKETED BY

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

DOCKET NO: W-03514A-13-0142

EXCEPTIONS TO STAFF'S RECOMMENDED
EMERGENCY INTERIM PWAM ORDER-05/22/14

Intervenor Kathleen M. Reidhead, "KMR", files exceptions to Arizona Corporation Commission, "Staff's", Recommended Order and proposed Purchase Water Adjustor Mechanism, "PWAM" tariff for Mesa del Caballo, "Mdc".

KMR's primary objection is that she believes Staff and Payson Water Company, "PWC", are more concerned with placing the interconnect pipeline into "plant in service" than the reasons stated in the proposed order, specifically "Staff's concern" noted in item 15 in "FINDINGS OF FACT". The argument that PWAM carnage will be less than the previous water hauling carnage is not an adequate reason to authorize this PWAM. Staff has never promoted the most obvious idea of inspecting PWC's wells to help mitigate the claimed water shortages over the last 5 years time. Therefore, item 15 must be viewed with blatant skepticism for "Staff's concern". Putting water through this interconnect pipeline will not

justify the Commission's previous decision to authorize the pipeline¹. That decision was wrongly made² and must be rescinded, per A.R.S. §40-252. Putting the pipeline into service will only make that process more difficult and costly in the end.

KMR's second exception is to strenuously dispute item #1 in "FINDINGS OF FACT" listed in the proposed order: "**MDC has experienced chronic water shortages during the summer months over the past five years**". PWC's own documents filed in this case show a history of false information, inaccurate information, misleading information and missing information³ that has been used to establish the appearance of a crisis and obtain prior Decisions⁴ by this Commission, without providing legitimate evidence of their claims. The claims of the past 5 years have simply been repeated over and over again to give the illusion that the claimed water shortages are well known and properly documented. They are not. The decision in 2010⁵ authorizing PWC to haul water to MdC was made based on fraudulent information supplied by the Company to Staff.⁶ However, after almost 5 years, it is still not clear if a true emergency ever existed and/or what the problem is/was with the Company wells in MdC. But what is clear is that fraud has been perpetrated⁷ to obtain the water hauling tariff⁸ and the people of MdC have been economically abused. Furthermore, when a Company shows up to a rate case with bad books, excessive miscellaneous expenses, insufficient data and showing large payments of Dividends, the ACC should immediately be suspicious of this Company's business practices and scrutinize their requests more closely. Therefore, an email sent by the Company President is not adequate proof to establish an emergency, especially in light of the volume of evidence to the contrary.

Commissioners, we are here today to discuss this PWAM tariff. However, the decision you are asked to make is not made in a vacuum. There is a long history with Brooke Utilities and the Payson Water Company, "PWC". There is history of their dealings with Pine-Strawberry, with Star Valley and with MdC. So what we see happening here is not an isolated incident. It is a well established pattern over many years, of which you, as the governing authority, must certainly be aware. Brooke Utilities and PWC have failed for many years in their responsibility to properly maintain our water systems. Now they are seeking to capitalize on many years of neglect, poor maintenance and service and claim an "emergency" situation exists. It is unfounded that there is an emergency. Just as it was unfounded in 2010, when the Commission authorized a water hauling tariff for MdC that has cost people their homes and caused incalculable misery to families in MdC⁹. Just as it was unfounded in 2013, when the

¹ See Decision 74175 issued on 10/25/2013.

² See post-hearing brief of Kathleen M. Reidhead filed on 03/10/2014, Document #151657, pages 1-4.

³ See post-hearing brief of Kathleen M. Reidhead filed on 03/10/2014, Document #151657.

⁴ Decision 71902 issued on 09/28/2010 and Decision 74175 issued on 10/25/2013.

⁵ Decision 71902 issued on 09/28/2010.

⁶ See post-hearing brief of Kathleen M. Reidhead filed on 03/10/2014, Document #151657, pages 5 & 6.

⁷ Ibid, pages 5-14.

⁸ Decision 71902 issued on 09/28/2010.

⁹ See testimony of Richard Burt at Phase 2 Hearing on 02/05/2014, Document #151329, pages 218-219, also available @ 04:39:00-04:46:00 of the archived video. See testimony of Lois & Bobby Jones at Phase 1 Hearing on 09/25/2013, Document #148254, pages 14, 15, 16 & 17 and testimony of J. Stephen Gehring at Phase 1 Hearing on

Commission authorized the interconnect pipeline¹⁰ in an expedited Phase 1 proceeding without affording the ratepayers their due process rights, under claims of an "emergency". And we will not stand by and allow another decision be made with devastating consequences for the ratepayers based on *another* unfounded emergency, supported by nothing more than a May 6, 2014 email sent by the Company President.

What has taken place over the last 5 years is a travesty. Water hauling should never have taken place in northern Gila County without establishing a **true** emergency existed. ACC Staff did **not** do proper due diligence in evaluating the Company's claims in 2009 & 2010. I refer you to my post-hearing brief filed on March 10, 2014 which details evidence on the record filed by PWC's own Exhibit A-17.¹¹

For that reason, KMR respectfully asks you to REJECT ***in its entirety*** the Staff's Recommended Order and let's **now** establish for the record, what is exactly wrong with the Company's 7 wells in MdC? Jason Williamson, the current President of PWC, testified that he has not examined those wells to determine that. So what **EXACTLY** has caused this "claimed" emergency? The Company owns 7 wells in MdC and when those wells were built, they were tested and shown to be producing a combined total of 106 gpm¹². According to Exhibit A-17 - Exhibit 4, the Company adequately supplied water to MdC during 2002 to 2008 with production of between 52 and 80 gpm. So if PWC's wells were properly functioning today, as they were from 2002 to July 2009, there would be no need for water hauling, interconnect pipelines or PWAMs. So let's have the Company explain what happened to their formerly stable wells. The story that Robert Hardcastle gave you in 2010 does not hold up under scrutiny¹³. And current President Jason Williamson could not answer that under oath, as he admits he has never inspected them. Let's have an independent inspection of those wells and confirm if they are experiencing problems and what, if any, those problems are **BEFORE** you authorize another costly water tariff that will result in more damage in MdC. You have a responsibility to mitigate the damages to the consumers, ***which should be your highest priority at this point.***

You will further harm people without proper identification of the problem or determination if the problem even truly exists. You must find the root cause and truth about the claimed water crisis before you order a solution that will continue to harm the ratepayers, once again using a "claim" of emergency circumstances without proof. There are numerous scenarios that would cause water shortages and numerous solutions that cost FAR less than any of the "solutions" that have been authorized so far. You owe this to the people of MdC. So please do not continue down a destructive path, heaping more and more damages on top of the one bad decision (#71902) that started this whole sequence of events.

09/25/2013, Document #148254, pages 26, 27, 28 & 29. Also available at 00:10:20 - 00:15:15 and 00:28:42 - 00:33:24 of the archived video.

¹⁰ See Decision 74175 issued on 10/25/2013.

¹¹ See Document #148688 filed on 10/01/2013.

¹² See attached Exhibit A.

¹³ See post-hearing brief of Kathleen M. Reidhead filed on 03/10/2014, Document #151657, pages 5-6.

You should act now and immediately order an independent inspection of the Company wells in MdC and establish for a FACT what the problem is with all 7 wells before anymore tariffs are approved. Wells #55-631113, #55-500270, #55-801698, #55-513409, #55-556148, #55-801699 and #55-631112. Water produced from Company wells is substantially less expensive to the consumer than anything the Company or the ACC have proposed or authorized. Yet nobody, to my knowledge, has inspected the wells in the last 5 years.

I looked at the location of the Company's 7 wells in MdC, and 5 of the 7 wells are located in the areas identified by Stephen Noel of Southwest Water Consultants in his interpretation of the Zonge Engineering Study conducted in 2010 as favorable for high capacity groundwater production wells - see Exhibit A attached. This casts even further doubt on the Company's claims that they cannot produce adequate water there. The evidence is overwhelming - and it clearly shows that you **should not** trust the Company's claims. They are refuted by their own filings. I have identified at least 20 accounting and data irregularities in the Company's filings. Commissioners, please weigh this carefully before you decide.

The Town of Payson, "TOP", has 2 monitoring wells within 1 mile of MdC which show the water level underground has not significantly changed since 2008¹⁴ and 9 new private wells drilled in MdC since 2011¹⁵ have proven that there is **IN FACT** water for productive wells at less than 300 feet below ground. A professional Hydrology Study was conducted in MdC in 2010 and a Certified Geologist concluded that there was water available there and told the Company exactly where to drill new wells or deepen existing wells to have success¹⁶. You will very likely find that there has never been any legitimate reason to haul water and there is no legitimate reason to sell TOP water to MdC through an interconnect pipeline now. This is a ruse to get the customers of PWC to help pay for the expensive Cragin pipeline project.

We Intervenors are the whistle blowers. We are shining a light on PWC to show you who these people are and we are going to continue to shine a light on the corruption that we see so very clearly. This is not a failed public relations campaign, this is not a case of miscommunication or misunderstanding, this is a case of documented fraud.

This problem is not going to go away until it is properly addressed. PWC has already lost control of their false narrative. You've had the opportunity to see and hear the people who gave testimony at the April 11th Public Comment Hearing in Payson. So it would be unwise, at this point, to make any decision based upon "emergency" claims without establishing them for certain. Because of the consequences, these facts should not be ignored. People have already lost their homes. Families have been devastated by the water hauling exercises. These are good people and they deserve fair treatment.

¹⁴ See Exhibit KMR-3, Supplement to Pre-filed Testimony filed on 01/06/2014, Document #150656, Exhibit KMR-B.

¹⁵ See Exhibit KMR-4, Supplement to Pre-filed Testimony filed on 01/07/2014, Document #150679, Exhibit KMR-G.

¹⁶ See PWC Exhibit A-17, Exhibit C filed on 10/1/2013, Document #148688.

You, Commissioners, have the responsibility to stop this water Company from further abuse of their customers. They are gaming the system and cooking the books¹⁷. I am convinced, after a careful study of the evidence, that they have defrauded the ratepayers with this "claimed" water crisis. It is a gross dereliction of their duty as a public service Corporation and a violation of the public trust. And you folks are tasked with the responsibility to stop it.

What should happen is that you ***immediately*** order an independent inspection of the wells in MdC and ask the Arizona Attorney General to conduct a criminal investigation into the matter. The Intervenors have already provided a roadmap for you and any investigator to follow.

All the power players who are supporting the Cragin pipeline should go forward in finding ways to build that pipeline. I am not trying to stop that. But it is unconscionable to go about funding it in this devious and destructive way. Hurting the poor and the elderly is no way to accomplish the Cragin pipeline. It is shameful.

Respectfully submitted this 22nd day of May, 2014.

By Kathleen M. Reidhead
Kathleen M. Reidhead, Intervenor
14406 S. Cholla Canyon Dr.
Phoenix, AZ 85044

ORIGINAL and thirteen (13) copies of the foregoing were filed this 22nd day of May, 2014 with:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

COPY of the foregoing was mailed this 22nd day of May, 2014 to:

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Bakersfield, CA 93308

Glynn Ross
405 S. Ponderosa
Payson, AZ 85541

¹⁷ See Exhibit SN-5, Exhibit A - Document #150103 filed on 01/31/2014.

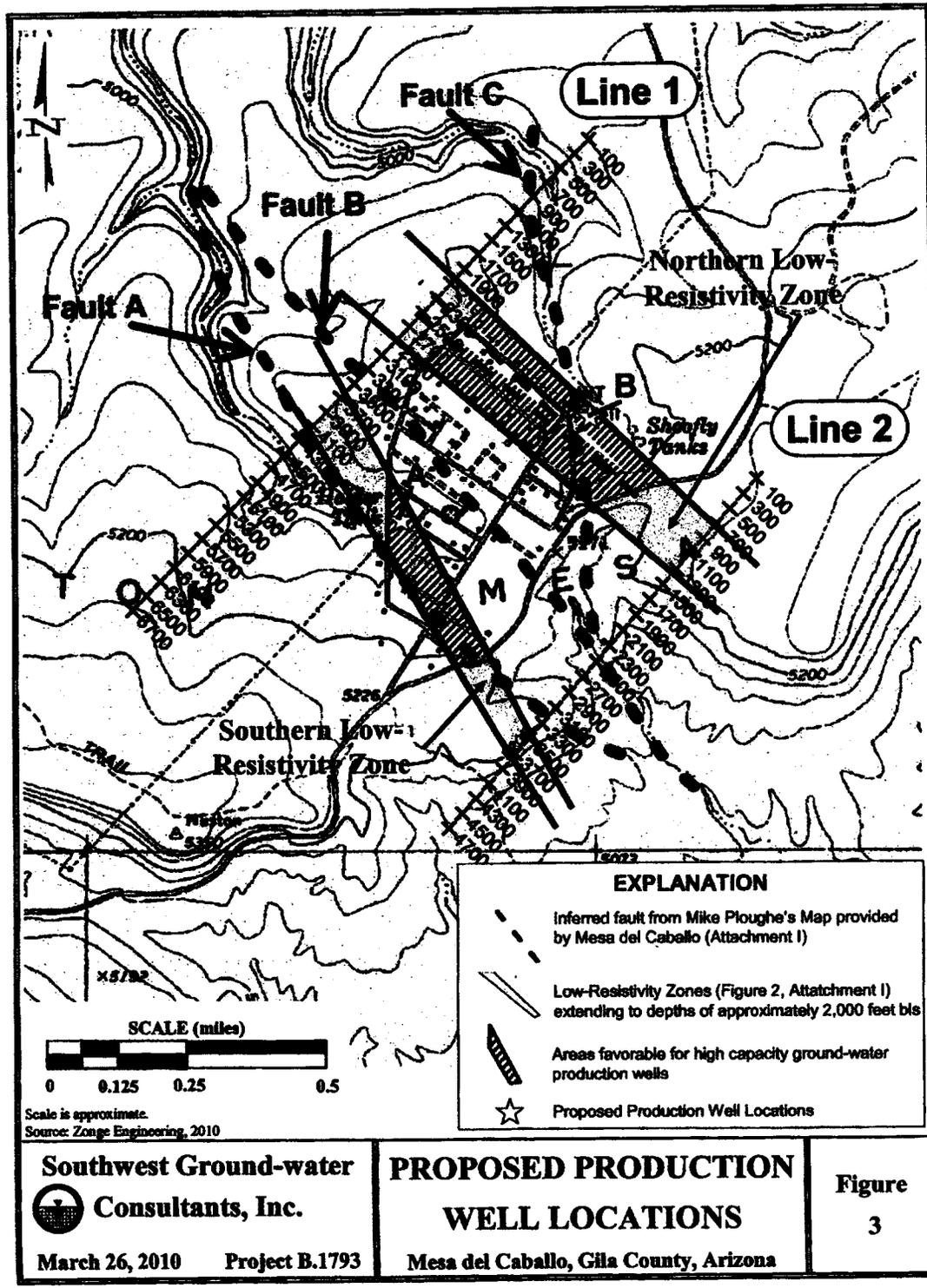
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Aathleen M. Reidhead

EXHIBIT A



Southwest Ground-water Consultants, Inc.
 March 26, 2010 Project B.1793



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Well Registry Information

Registration Number **55-631113**

General Construction Status Owner Driller Pump Data

Well Construction Information

Well Depth (ft) 565 Water Level (ft bls) 120
 Casing Depth (ft) 104 Casing Diameter (in) 6 Casing Type P - STEEL - PERFORATED OR SLOTTED CASING

Well Data

No. of Holes Irrigated Acres 0 Acre Ft Annum Intended Capacity (GPM) 0

Pump Completion Report

Tested Capacity(GPM) 22 Pump Capacity(GPM) 22 Draw Down (ft) 0
 Pump Type 0 - NO PUMP CODE LISTED Power Type 0 - NO POWER CODE LISTED Method of Discharge X - NONE

Place of Use

Township N/S 1/2 T Range E/W 1/2 R Section 160 Acre 40 Acre 10 Acre Cadastral

No records to display.

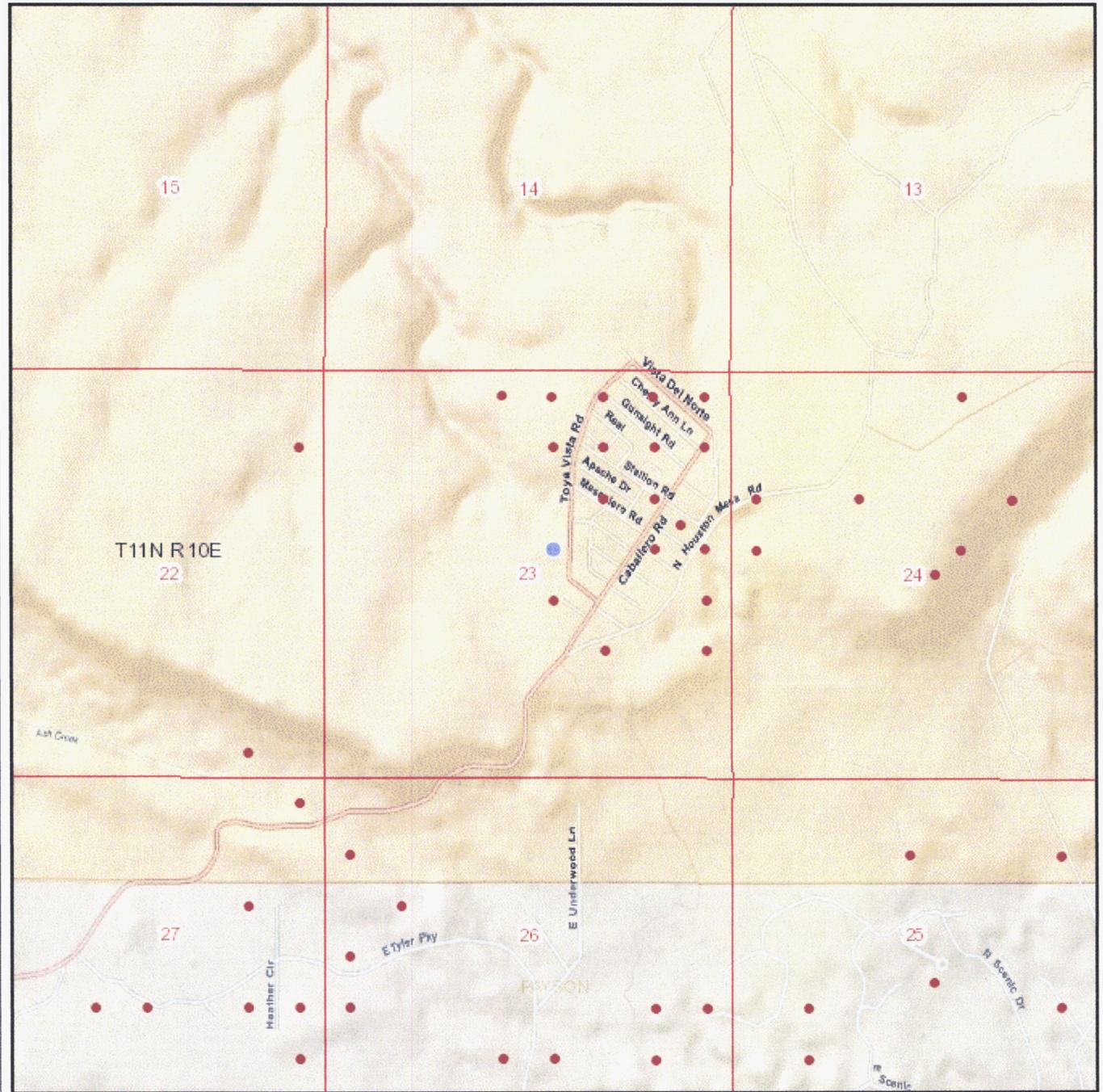
Well Registry is ADWR's well database containing reported information on well status, location and construction.

e:

PWC Well #55-631113

Well Depth 565 ft.
Tested Capacity 22 gpm

Well Registry Map



Blue dot near center of map is well # 55-631113
 This is in the area identified by Southwest Groundwater Consultants as favorable for high capacity groundwater production wells.

Director
Sandra A. Fabritz-Whitney



Arizona Department of Water Resources

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Well Registry Information

Registration Number **55- 500270**

General Construction Status Owner Driller Pump Data

Well Construction Information

Well Depth (ft)	450	Water Level (ft bls)	146		
Casing Depth (ft)	98	Casing Diameter (in)	6	Casing Type	P - STEEL - PERFORATED OR SLOTTED CASING

Well Data

No. of Holes	Irigated Acres	0	Acre Ft Annun	Intended Capacity (GPM)	0
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Pump Completion Report

Tested Capacity(GPM)	18	Pump Capacity(GPM)	0	Draw Down (ft)	0
Pump Type	S - SUBMERSIBLE	Power Type	T - ELECTRIC MOTOR 1 - 5 HP	Method of Discharge	1 - BUCKET - BARREL - STOPWATCH

Place of Use

Township	N/S	1/2 T	Range	E/W	1/2 R	Section	160 Acre	40 Acre	10 Acre	Cadastral
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No records to display.

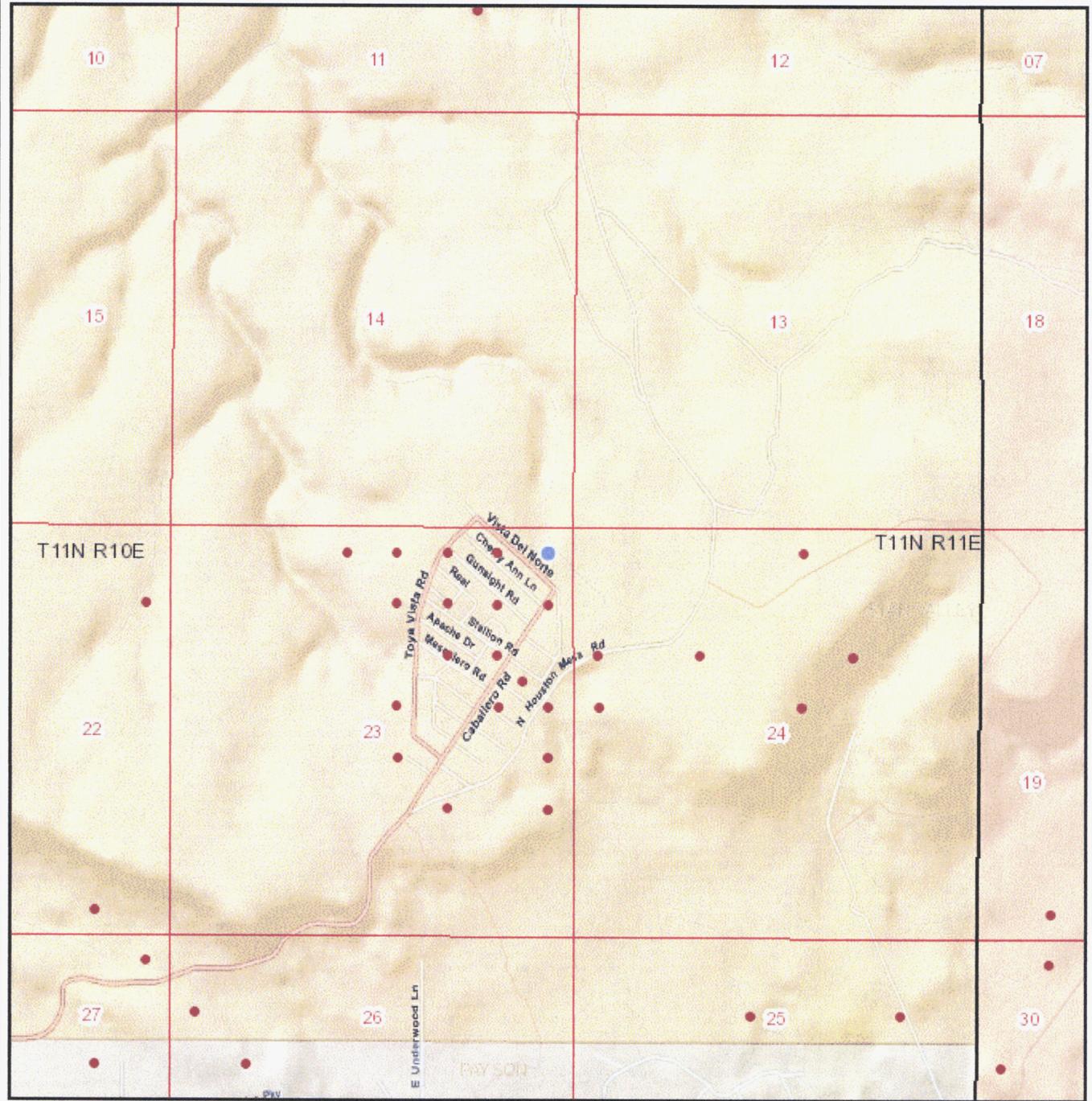
Well Registry is ADWR's well database containing reported information on well status, location and construction.

e:

PWC Well # 55 - 500270

Well Depth 450 ft.
Tested Capacity 18 gpm

Well Registry Map



Blue dot near center of map is well #55-500270

This is in the area identified by Southwest Groundwater Consultants as favorable for high capacity groundwater production wells.

Director
Sandra A. Fabritz-Whitney



Arizona Department of Water Resources



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Well Registry Information

Registration Number **55-801698**

General Construction Status Owner Driller Pump Data

Well Construction Information

Well Depth (ft)	250	Water Level (ft bsl)	120		
Casing Depth (ft)	100	Casing Diameter (in)	6	Casing Type	P - STEEL - PERFORATED OR SLOTTED CASING

Well Data

No. of Holes	Irrigated Acres	0	Acre Ft Annum	Intended Capacity (GPM)	0
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Pump Completion Report

Tested Capacity(GPM)	7	Pump Capacity(GPM)	7	Draw Down (ft)	0
Pump Type	0 - NO PUMP CODE LISTED	Power Type	0 - NO POWER CODE LISTED	Method of Discharge	X - NONE

Place of Use

Township	N/S	1/2 T	Range	E/W	1/2 R	Section	160 Acre	40 Acre	10 Acre	Cadastral
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No records to display.

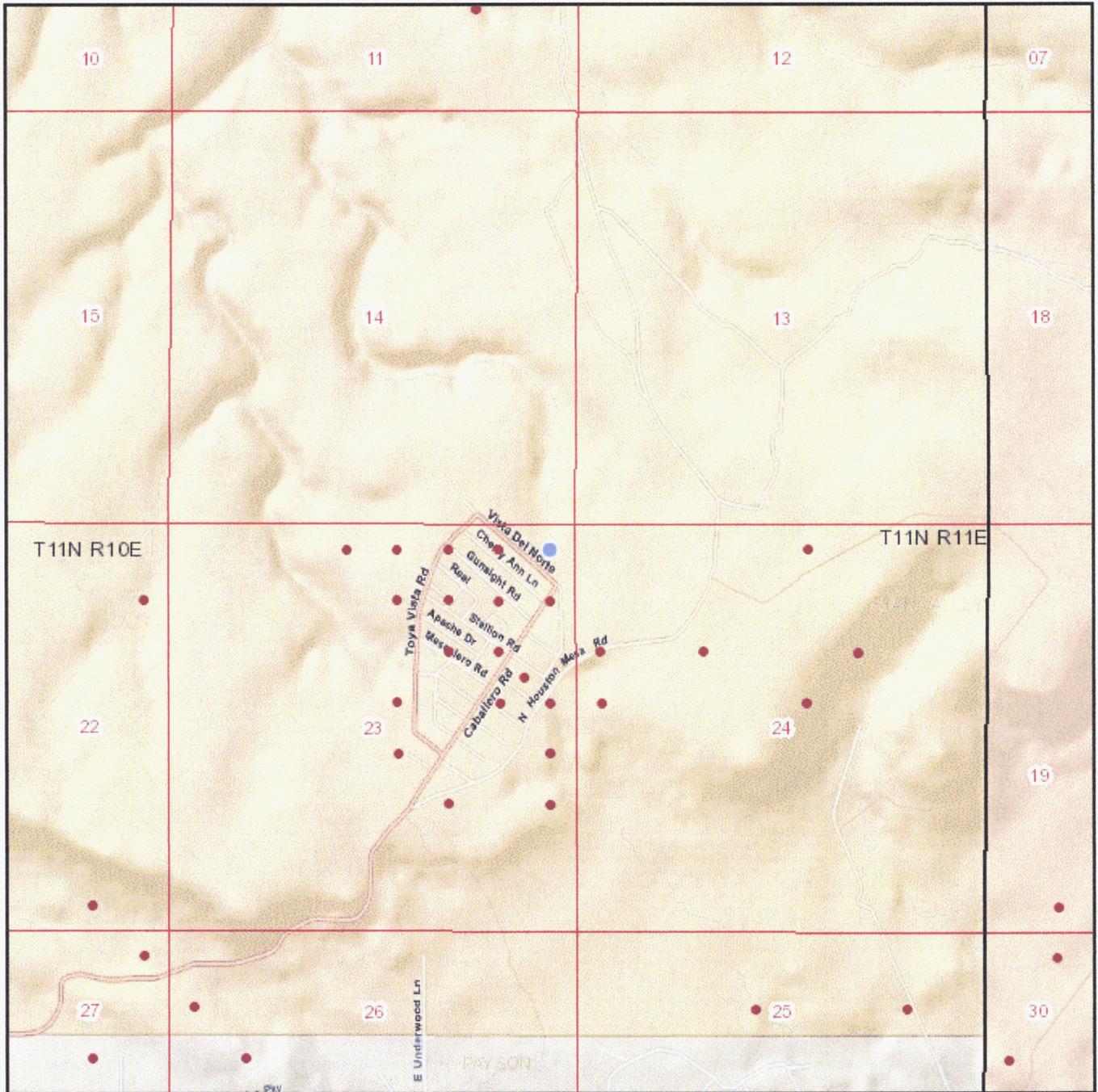
Well Registry is ADWR's well database containing reported information on well status, location and construction.

e:

PWC Well #55-801698

Well Depth 250 ft.
Tested Capacity 7 gpm

Well Registry Map



Blue dot near center of the map is well #55-801698

This is in the area identified by Southwest Groundwater Consultants as favorable for high capacity groundwater production wells.

Director
Sandra A. Fabritz-Whitney



Arizona Department of Water Resources

Arizona Department of Water Resources



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Well Registry Information

Registration Number **55- 513409**

[General](#)
 [Construction](#)
 [Status](#)
 [Owner](#)
 [Driller](#)
 [Pump Data](#)

Well Construction Information

Well Depth (ft)	395	Water Level (ft bls)	150
Casing Depth (ft)	395	Casing Diameter (in)	6
		Casing Type	P - STEEL - PERFORATED OR SLOTTED CASING

Well Data

No. of Holes	Irigated Acres	0	Acre Ft Annum	Intended Capacity (GPM)	35
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Pump Completion Report

Tested Capacity(GPM)	20	Pump Capacity(GPM)	20	Draw Down (ft)	254
Pump Type	S - SUBMERSIBLE	Power Type	T - ELECTRIC MOTOR 1 - 5 HP	Method of Discharge	2 - METER

Place of Use

Township	N/S	1/2 T	Range	E/W	1/2 R	Section	160 Acre	40 Acre	10 Acre	Cadastral
11	N	0	10	E	0	23				A11010023000

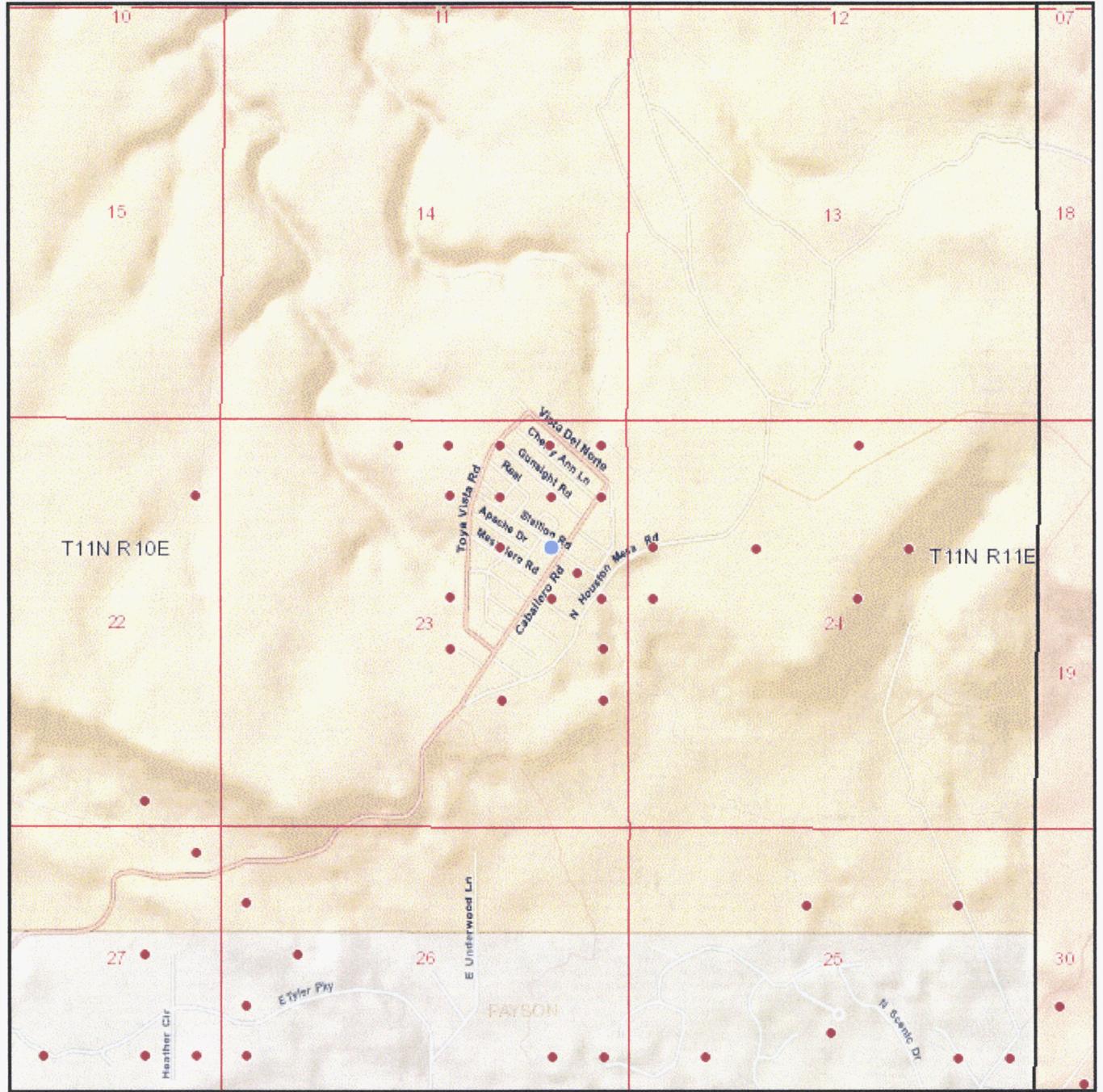
Well Registry is ADWR's well database containing reported information on well status, location and construction.

e:

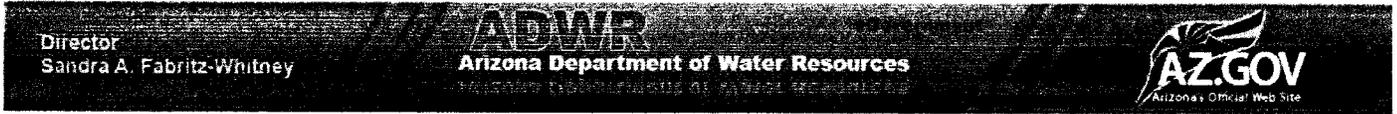
PWC Well #55-513409

Well Depth 395 ft.
Tested Capacity 20 gpm

Well Registry Map



Blue dot near the center of the map is well #55-513409
 This is along Fault B, which is not in the area identified by Southwest Groundwater Consultants as favorable for high capacity groundwater production wells.



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Well Registry Information

Registration Number **55- 556148**

General Construction Status Owner Driller Pump Data

Well Construction Information

Well Depth (ft) 400 Water Level (ft bls) 190
 Casing Depth (ft) 400 Casing Diameter (in) 6 Casing Type P - STEEL - PERFORATED OR SLOTTED CASING

Well Data

No. of Holes Irrigated Acres 0 Acre Ft Annum Intended Capacity (GPM) 50

Pump Completion Report

Tested Capacity(GPM) 25 Pump Capacity(GPM) 18 Draw Down (ft) 110
 Pump Type S - SUBMERSIBLE Power Type T - ELECTRIC MOTOR 1 - 5 HP Method of Discharge 2 - METER

Place of Use

Township N/S 1/2 T Range E/W 1/2 R Section 160 Acre 40 Acre 10 Acre Cadastral

No records to display.

Well Registry is ADWR's well database containing reported information on well status, location and construction.

e:



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Well Registry Information

Registration Number **55- 801699**

General Construction Status Owner Driller Pump Data

Well Construction Information

Well Depth (ft) 200 Water Level (ft b/s) 124
 Casing Depth (ft) 80 Casing Diameter (in) 6 Casing Type P - STEEL - PERFORATED OR SLOTTED CASING

Well Data

No. of Holes Irrigated Acres 0 Acre Ft Annum Intended Capacity (GPM) 0

Pump Completion Report

Tested Capacity(GPM) 7 Pump Capacity(GPM) 7 Draw Down (ft) 0
 Pump Type 0 - NO PUMP CODE LISTED Power Type 0 - NO POWER CODE LISTED Method of Discharge X - NONE

Place of Use

Township N/S 1/2 T Range E/W 1/2 R Section 160 Acre 40 Acre 10 Acre Cadastral

No records to display.

Well Registry is ADWR's well database containing reported information on well status, location and construction.

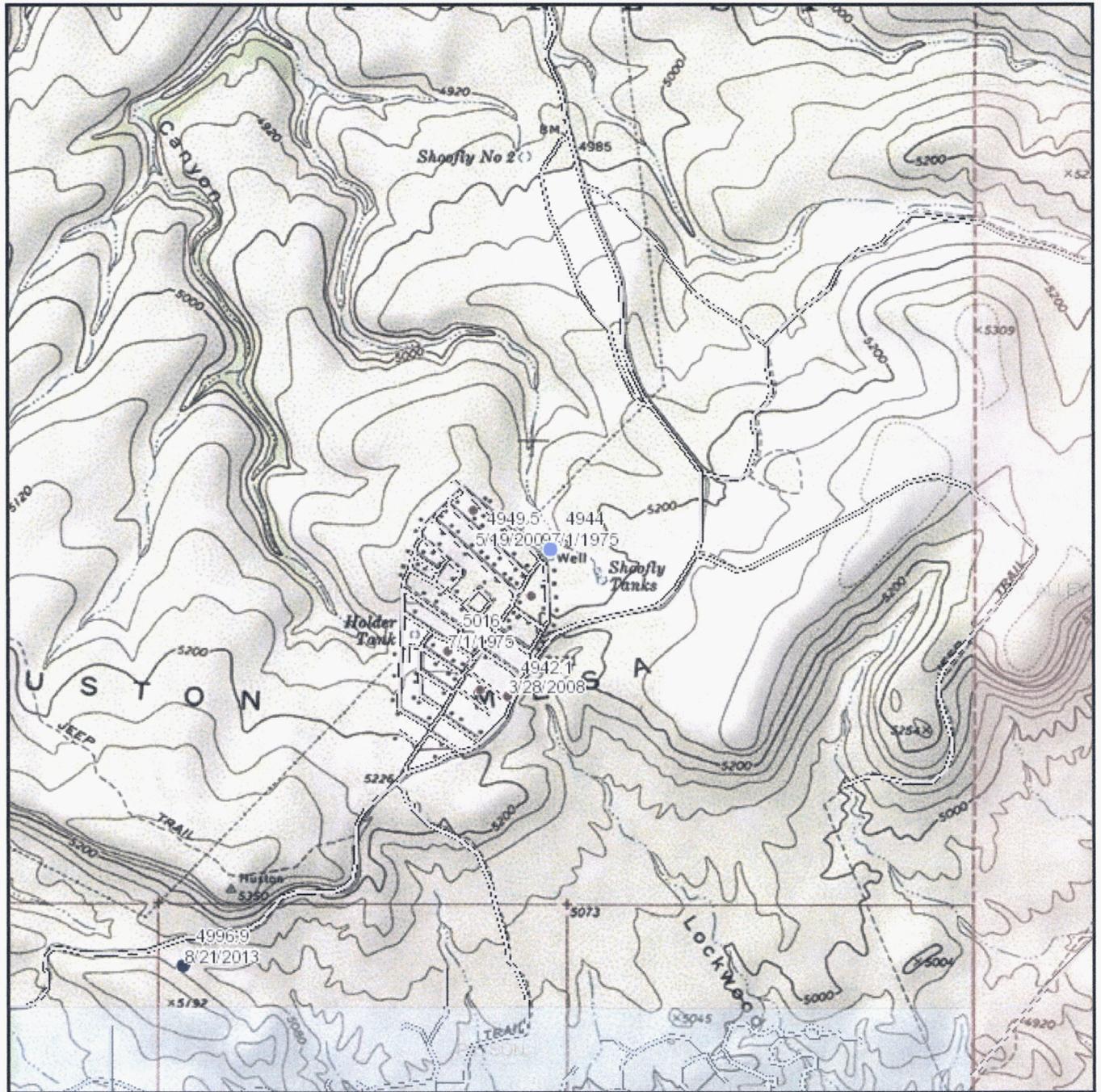
e:

PWC Well # 55-801699

Well Depth 200 ft.

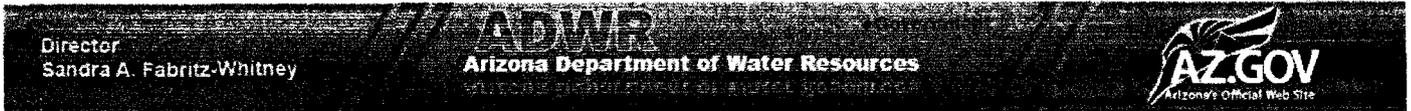
Tested Capacity 7 gpm

GWSI Map



Blue dot near center of map is well #55-801699

This is in the area identified by Southwest Groundwater Consultants as favorable for high capacity groundwater production wells.



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Well Registry Information

Registration Number **55- 631112**

General Construction Status Owner Driller Pump Data

Well Construction Information

Well Depth (ft)	220	Water Level (ft bls)	124		
Casing Depth (ft)	80	Casing Diameter (in)	5	Casing Type	P - STEEL - PERFORATED OR SLOTTED CASING

Well Data

No. of Holes	Irrigated Acres	0	Acre Ft Annum	Intended Capacity (GPM)	0
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Pump Completion Report

Tested Capacity(GPM)	7	Pump Capacity(GPM)	7	Draw Down (ft)	0
Pump Type	0 - NO PUMP CODE LISTED	Power Type	0 - NO POWER CODE LISTED	Method of Discharge	X - NONE

Place of Use

Township	N/S	1/2 T	Range	EW	1/2 R	Section	160 Acre	40 Acre	10 Acre	Cadastral
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No records to display.

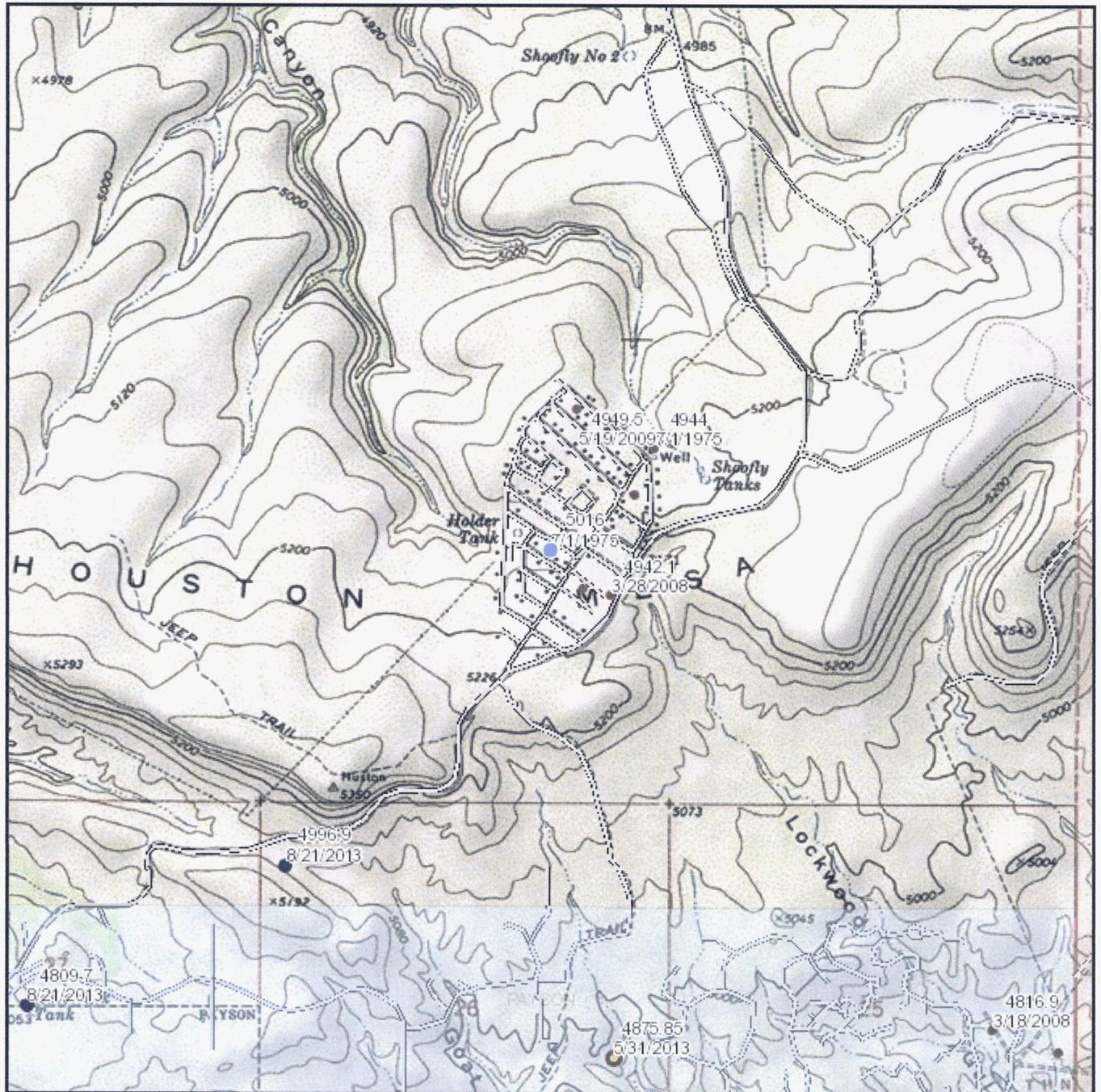
Well Registry is ADWR's well database containing reported information on well status, location and construction.

e:

PWC Well #55-63112

Well Depth 220 ft.
Tested Capacity 7gpm

GWSI Map



Blue dot near center of map is well # 55-63112
This is very close to the area identified by Southwest Groundwater Consultants as favorable for high capacity groundwater production wells.