

OPEN MEETING AGENDA ITEM



0000153506

1 Suzanne Nee  
2 2051 E. Aspen Drive  
3 Tempe, AZ 85282  
4 Telephone: (602) 451-0693  
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RECEIVED

2014 MAY 22 A 10:46

6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

MAY 22 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

DOCKET NO: W-03514A-13-0142

ORIGINAL

**INTERVERNOR EXCEPTION TO STAFF'S  
Recommended Order - 05/22/14**

29  
30 Suzanne Nee, "SN", submits this Exception to Staff's Recommended Order ("ROO") and  
31 proposed Purchased Water Adjustor Mechanism ("PWAM") Tariff for Mesa Del Caballo ("MDC") dated  
32 May 19<sup>th</sup>, 2012 and proposed order dated May 20, 2014, which filings are materially the same.  
33

34 Staff refuses to consider Intervenors' filings based on PWC's own filings on this matter. The  
35 Company's own 2012 water usage data for Mesa Del Caballo shows that most of the 589,000 gallons  
36 charged to Mesa Del Caballo were fraudulently charged. The only apparent problem at Mesa Del  
37 Caballo is a lack of water storage tanks. Payson Water Company, in this case seemed to try to hide this  
38 fraud by never putting the water use data from MDC, the Water Sharing Agreements ("WSA") and  
39 Water Purchased from the Town of Payson ("TOP") all in the same spreadsheet. Nor was it ever pointed  
40 out by staff engineer, Mr. Jian Liu, that it would have been impossible to haul and store most of this  
41 589,000 gallons at MDC since their storage is only 105,000 gallons. See Exhibit A which shows Payson  
42 Water Company's ("PWC") 2012 pt. 2 Annual Report pages 8 & part of 9 combined.  
43

1  
2 Exhibit A shows in column seven, the accumulated water, [Pumped x (1 – Leakage) – Sold] + any  
3 water Hauled in from TOP. The problem with col. 7 is that the water storage at MDC is **only 105,000**  
4 gallons. Where did that water go when it was brought in? Even in June, the only month where gallons  
5 sold were greater than gallons pumped, there would have been enough to cover this shortage from the  
6 previous months. July and August show there could have been a combined shortage of 91,000 gallons,  
7 but this is the extent of the shortage. September through December show a surplus. Therefore,  
8 because MDC's system cannot hold more than 105,000 gallons, it is apparent that PWC's own data  
9 shows that the water had to be hauled both into and OUT of MDC. The customers of MDC were  
10 **overcharged for approximately 500,000 gallons** of water. Exhibit B shows more detail of the  
11 calculations that support Exhibit A.  
12

13 The 2012 MDC Water use data is condemning, but PWC didn't even include the water use data  
14 for MDC in 2011. Where is that data? Why hasn't Staff asked for it? It appears the 2011 water use data  
15 is worse than the 2012 water use data. More evidence of the deceptions perpetrated by Payson Water  
16 Company in these proceedings. Mr. Williamson, new PWC president, also in his Rejoinder made an  
17 apparent math error to show that water was not hauled out of East Verde Park ("EVP"). Mr. Hewlett,  
18 EVP fuel tank driver, gave public comment that he saw water being hauled out of EVP. Without the  
19 math error, the leakage at EVP was 7.5%, not 1.6% as claimed by Mr. Williamson in his testimony. Excel  
20 spreadsheets don't make subtraction errors; people have to put them in there. Neither PWC nor Staff  
21 ever have tried to explain these "errors."  
22

23 I implore the Commissioners to look at this information. How can you impose the PWAM on the  
24 customers at MDC when we can't trust PWC's data? Who knows how much they will claim goes through  
25 that line? They have committed fraud in 2012, probably also in 2011, what is to keep them from doing it  
26 in the future?  
27

28 Payson Water Company is setting Mead Ranch up for future water shortages. They tried to  
29 repair an old, leaky 10,000 gallon tank. It took them 12 days to determine the old tank repair wouldn't  
30 work. We were down to one 10,000 gallon tank. On May 21<sup>st</sup>, PWC installed a 2,500 gallon replacement  
31 tank. For 69 customers, this works out to about 45 gallons per customer per day on the weekends. This  
32 is not an adequate water supply. If PWC services its customers like this when under the scrutiny of the  
33 ACC, imagine how they treat us when you are not looking! Exhibit C – Photo of old tank (10,000 gal.)  
34 next to new tank (2,500 gal).  
35  
36

37 I ask that the Commissioners do not follow Staff's lead in this and allow this fraud to continue.  
38 One way or the other, the Intervenors have shown and documented clear evidence of fraud. ACC  
39 Commissioners must review the arguments and evidence presented by the Intervenors and make a  
40 careful and deliberate effort to confront the truth. Commissioners, as you were reminded many times  
41 during the Public Comment Hearing in Payson on April 11th, you are our elected officials and we are  
42 counting on you to protect the public trust.  
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3 Respectfully submitted this 22<sup>nd</sup> day of May, 2014.

4  
5 By Suzanne Nee  
6 Suzanne Nee  
7 2051 E. Aspen Drive  
8 Tempe, AZ 85282  
9

10 ORIGINAL and thirteen (13) copies  
11 of the foregoing were filed this 22<sup>nd</sup>  
12 day of May, 2014 with:

13  
14 Docket Control  
15 Arizona Corporation Commission  
16 1200 W. Washington Street  
17 Phoenix, AZ 85007  
18

19  
20 COPY of the foregoing was mailed  
21 this 22<sup>nd</sup> day of May, 2014 to:

22  
23  
24 Jay Shapiro (Attorney for Payson Water Co., Inc.)  
25 Fennemore Craig P.C.  
26 2394 E. Camelback Road, Suite 600  
27 Phoenix, AZ 85016  
28

J. Stephen Gehring  
8157 W. Deadeye Rd.  
Payson, AZ 85541

29 Robert Hardcastle  
30 3101 State Road  
31 Bakersfield, CA 93308  
32

Glynn Ross  
405 S. Ponderosa  
Payson, AZ 85541

33 William Sheppard  
34 6250 North Central Avenue  
35 Phoenix, AZ 85012  
36

Kathleen M. Reidhead  
14406 S. Cholla Drive  
Phoenix, AZ 85044

37 Thomas Bremer  
38 6717 E. Turquoise Ave.  
39 Scottsdale, AZ 85253  
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# Exhibit A

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<b>COMPANY NAME:</b> Payson Water Co., Inc.
<b>Name of System:</b> Mesa del Caballo <b>ADEQ Public Water System Number:</b> PWS 04-030

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2012**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	WSA		TOP	MAX STORAGE 105
				GALLONS PURCHASED (Thousands)	GALLONS PURCHASED (Thousands)	GALLONS STORAGE (Thousands)	
JANUARY	364	1001	1005				
FEBRUARY	361	1010	1170				98
MARCH	364	940	977				83
APRIL	364	1093	1192				119
MAY	361	1125	1187	508		51	169
JUNE	362	1279	1226			286	337
JULY	365	1292	1298			163	437
AUGUST	360	1129	1163			47	457
SEPTEMBER	362	1072	1243	2874			562
OCTOBER	363	1022	1105	12		42	628
NOVEMBER	363	951	1003				627
DECEMBER	364	1029	1066	10			608
<b>TOTALS →</b>		12948	13441	3404		589	608

MDC Storage – ref PWC 2012 Annual Report, pt1. pg27

STORAGE TANKS	
Capacity	Quantity
40,000	1
20,000	1
15,000	3

40,000  
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# Exhibit B

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	A	B	C	D	E
			$B*(1-.053) - A$	C1 (C1+...Cn) + En	
2012	Sold (Thous)	Pump (Thous)		Storage Gallons (Thous)	Hauled TOP(Thous)
Jan	1001	1005			
Feb	1010	1170	98	98	
March	940	977	-15	83	
April	1093	1192	36	119	
May	1125	1187	-1	169	51
June	1279	1226	-118	337	286
July	1292	1298	-63	437	163
August	1129	1163	-28	457	47
September	1072	1243	105	562	
October	1022	1105	24	628	42
November	951	1003	-1	627	
December	1029	1066	-19	608	
	12,943	13,635	19		589
	Leakage	0.053			
		5.3%			

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# Exhibit C

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