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BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
CHAPARRAL CITY WATER COMPANY FOR
A DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASE IN ITS
RATES AND CHARGES BASED THEREON.

Docket No. W-02113A-13-0118

ORIGINAL

APPLICATION FOR REHEARING OF DECISION NO. 74568

Pursuant to A.R.S. § 40-253, the Residential Utility Consumer Office ("RUCO") hereby applies for rehearing of Decision No. 74568, docketed on June 20, 2014 (the "Decision" or "Order").

Unfortunately there is little, if anything in Decision No. 74568 for ratepayers. In fact, in RUCO's view, it is a decision which favors the shareholders at the expense of the ratepayers. The following examples (out of many) show how far the Commission went to decide this case in the interests of the Company:

- Depreciation Expense Methodology - The Commission rejected the recommendations of the Administrative Law Judge, Staff and RUCO requiring the Company to use the vintage year group method of depreciation. The vintage year group method of depreciation provides for no further depreciation to be calculated on fully depreciated plant. Why should the Company be able to continue to recover depreciation expense on fully depreciated plant?

1 tanks over an 18 year period. These costs are not known and measurable which
2 the Commission has required up until this case and the time period is excessive.

- 3 • SIB – The Company admitted it could wait until the next rate case to recover the
4 costs associated with the SIB related infrastructure. The purpose of the SIB is to
5 help troubled water companies, not all water companies - especially financially
6 secure ones like Chaparral with a capital structure of 85.55% equity. Chaparral
7 was purchased by EPCOR Utilities, Inc. in 2011 and EPCOR claims that its
8 predecessor neglected the infrastructure. In sum, this case does not warrant a
9 SIB.
- 10 • Cost of Capital – The Commission rejected the Judge, Staff and RUCO's
11 recommended weighted average cost of capital. The Commission approved
12 Staff's 9.60 percent cost of equity, however, rejected Staff's proposed hypothetical
13 capital structure and adopted the Company's equity rich 85.55% actual capital
14 structure also over the recommendations of Staff and RUCO. The Commission
15 approved an 8.95 percent total cost of capital which is 89 basis points above the
16 Judge, 105 basis points above Staff, and 97 basis points above RUCO's total cost
17 of capital recommendations.

18 The Commission did not consider any of RUCO's amendments in its deliberations at
19 Open Meeting. The Commission only deliberated the Company's proposed amendments which
20 for the most part took away whatever balance there was in the Judge's proposed Order and
21 made the Commission's ultimate Decision lopsided in favor of the Company. Sadly, the
22 Commission did not even consider the rate impact to the ratepayers of the Company-friendly
23 amendments it did adopt in the Open Meeting.

24 There was no lack of material the Commission could have seized upon to provide some
balance to the case. RUCO in its Exceptions outlined several reasonable adjustments the
Commission could have considered making to the ROO. RUCO further set forth its arguments
in great detail on every issue that the Commission ultimately rejected in its Closing Brief, Reply

1 Brief and Exceptions including numerous reasons the Commission should reject the SIB which
2 RUCO incorporates by reference here¹.

3 For the above reasons, RUCO asks that the Commission rehear this matter and consider
4 a more balanced approach for Chaparral's ratepayers.

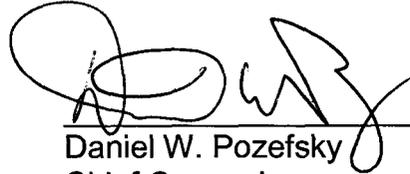
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RESPECTFULLY SUBMITTED this 7th day of July, 2014.

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Daniel W. Pozefsky
Chief Counsel

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11 AN ORIGINAL AND THIRTEEN COPIES
12 of the foregoing filed this 7th day
of July, 2014 with:

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16 COPIES of the foregoing hand delivered/
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¹ Given the number of issues in this case where the Commission ultimately rejected RUCO's position, RUCO will not make this Application for Rehearing lengthy when it can just as easily reference its arguments in its Closing and Reply Briefs. RUCO does not have anything else to add to the arguments it made in its Briefs.

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