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BEFORE THE ARIZONA CORPORATION COMMISSION

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JUL-16 2014

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ARIZONA CORPORATION COMMISSION  
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DOCKET NO. WS-04235A-13-0131

ORIGINAL

**PROCEDURAL ORDER**  
**(New Procedural Schedule)**

COMMISSIONERS

BOB STUMP- Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

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

**BY THE COMMISSION:**

On September 27, 2013, Utility Source, LLC ("Utility Source") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the current fair value of its utility plants and property and for increases in its rates and charges for water and wastewater utility service provided to customers in the Company's service area in Coconino County, Arizona. Utility Source's application uses a test year ending December 31, 2012 ("TY"). The vast majority of Utility's Source's customers are residential customers served by 3/4-inch water meters. Utility Source's wastewater rates use each customer's water meter size and water consumption data to establish each month's wastewater charges, and Utility Source proposed in its application to add monthly minimum charges for wastewater services, based on water meter size.

On October 24, 2013, Staff filed a Letter of Sufficiency indicating that Utility Source's application had met the sufficiency requirements outlined in A.A.C. R14-2-103 and classifying Utility Source as a Class C utility.

On October 29, 2013, a Procedural Order was issued scheduling a Procedural Conference to discuss discrepancies within the application that made it impossible to provide accurate notice of the impacts of Utility Source's proposed rates and charges for some customers. The Procedural Order also suspended the timeframe in this matter.

1 A Procedural Conference was held on November 12, 2013, and Utility Source agreed to file  
2 an amended application.

3 On January 9, 2014, Utility Source filed an Amended Rate Application to address the issues  
4 raised regarding the original application.

5 On March 6, 2014, Staff filed a Letter of Sufficiency indicating that Utility Source's  
6 application had been deemed sufficient by operation of law and that Utility Source had been  
7 classified as a Class C utility.

8 On March 14, 2014, by Procedural Order, this matter was set for hearing to commence on  
9 August 19, 2014, and other procedural requirements and deadlines were established.

10 On April 24, 2014, Utility Source filed a Notice of Customer Mailing, stating that notice had  
11 been mailed to its customers on April 18, 2014, several days after the April 14, 2014, notice deadline  
12 established by Procedural Order.

13 On April 30, 2014, Utility Source filed a Notice of Filing Certificate of Publication, providing  
14 that the prescribed notice had been published in the *Arizona Daily Sun* on April 18, 2014.

15 On July 1, 2014, Erik Nielsen filed a Motion to Intervene dated June 28, 2014, several weeks  
16 after the June 6, 2014, deadline established by Procedural Order. Mr. Nielsen identified himself as a  
17 Utility Source customer.

18 On July 7, 2014, Terry Fallon filed a Motion to Intervene dated July 2, 2014. Mr. Fallon  
19 identified himself as a Utility Source customer

20 Also on July 7, 2014, the Residential Utility Consumer Office ("RUCO") filed an Application  
21 to Intervene and Motion to Modify the Procedural Schedule.

22 On July 9, 2014, Utility Source filed a Response to RUCO's Application to Intervene, stating  
23 that the request was untimely and prejudicial and should be denied.

24 On July 10, 2014, Staff filed a Request to Modify Procedural Schedule, requesting that the  
25 deadline for Staff's direct testimony be extended by three weeks and that all other procedural dates  
26 and deadlines be adjusted accordingly.

27 Later on July 10, 2014, Staff filed a Request for a Procedural Conference or a Stay, stating  
28 that several new issues had come to light in this matter and that Staff needed time for additional

1 discovery and to prepare direct testimony. Staff asserted that the new issues merited an extension  
2 beyond what Staff had requested in its Request to Modify Schedule; that Mr. Nielsen, Mr. Fallon, and  
3 RUCO were in support of Staff's new Request; and that Utility Source was opposed to Staff's  
4 Request.

5 On July 11, 2014, a Procedural Order was issued scheduling a procedural conference to be  
6 held on July 15, 2014, at the Commission's offices in Phoenix, Arizona, and staying the timeclock  
7 and procedural schedule for this matter pending a ruling on the motions.

8 On July 15, 2014, a procedural conference was held as scheduled, with Utility Source, Staff,  
9 and RUCO appearing through counsel, and Mr. Nielsen and Mr. Fallon appearing pro se.<sup>1</sup> Staff's  
10 Requests and the three intervention requests were discussed at length. Staff stated that the newly  
11 identified issues concerned a large standpipe for bulk water sales currently under construction in  
12 Utility Source's service area, for which no discussion had been included and no pro forma  
13 adjustments had been made in the Amended Rate Application, as well as the appropriate treatment of  
14 Well No. 4 for purposes of establishing rate base, as the need for Well No. 4 may be greater as a  
15 result of new standpipe sales. Staff requested that the deadline for its direct testimony be extended to  
16 September 4, 2014, to allow for additional discovery and analysis concerning these issues, and that  
17 the rest of the procedural schedule be adjusted accordingly. Mr. Nielsen, Mr. Fallon, and RUCO  
18 explained their interests in this matter and why their intervention requests had not been made earlier,  
19 and all three were amenable to Staff's requested extension of the procedural schedule in this matter.  
20 Only Utility Source opposed the three requests for intervention and the requested extension of the  
21 procedural schedule in this matter, asserting that the delay would be prejudicial. Utility Source did  
22 not, however, characterize the newly raised issues as irrelevant or outside the scope of this  
23 ratemaking matter. During the procedural conference, intervention was granted to Mr. Nielsen, Mr.  
24 Fallon, and RUCO. Additionally, it was determined that the deadline for Staff and Intervenors to file  
25 direct testimony would be extended to September 4, 2014, and that the remainder of the procedural  
26 schedule would be adjusted accordingly, although the August 19, 2014, hearing date would be  
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28 <sup>1</sup> Mr. Nielsen, Mr. Fallon, and counsel for Utility Source attended telephonically.

1 retained to hold a public comment proceeding. In light of the newly raised issues, Utility Source  
 2 requested that it be provided 30 days to prepare its rebuttal testimony and three weeks to prepare its  
 3 rejoinder testimony. It was determined that a Procedural Order would be issued to establish the  
 4 modified schedule for this matter.

5 IT IS THEREFORE ORDERED that the pre-hearing conference scheduled for **August 14,**  
 6 **2014**, is hereby **vacated**.

7 IT IS FURTHER ORDERED that the evidentiary hearing scheduled for **August 19, 2014,**  
 8 shall proceed only for the purpose of taking **public comment**.

9 IT IS FURTHER ORDERED that the additional hearing dates of **August 20 and 21, 2014,**  
 10 are hereby **vacated**.

11 IT IS FURTHER ORDERED that the **procedural schedule** for this matter established in the  
 12 Procedural Order of March 14, 2014, is hereby **replaced with the following**:

<b>Procedural Item</b>	<b>Old Schedule</b>	<b>New Schedule</b>
Staff & Intervenor Direct Testimony & Exhibits	July 14, 2014	September 4, 2014
Company Rebuttal Testimony & Exhibits	July 30, 2014	October 3, 2014
Staff & Intervenor Surrebuttal Testimony & Exhibits	August 6, 2014	October 20, 2014
Company Rejoinder Testimony & Exhibits	August 12, 2014	November 7, 2014
Pre-Hearing Conference (Deadline for Issues Matrix, Objections to Prefiled Testimony or Exhibits)	August 14, 2014, at 10:00 a.m.	November 13, 2014, at 10:00 a.m.
First Hearing Date	August 19, 2014, at 10:00 a.m.	November 18, 2014, at 10:00 a.m.
Additional Hearing Dates (as needed)	August 20-21, 2014, at 9:00 a.m.	November 19-21, 2014, at 9:00 a.m.

25 IT IS FURTHER ORDERED that the **timeclock** for this matter is hereby **suspended**.

26 IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules  
 27 31, 38, 42 and A.R.S. §40-243 with respect to practice of law and admission *pro hac vice*.

1 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance  
2 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Arizona  
3 Supreme Court Rule 42). Representation before the Commission includes appearances at all hearings  
4 and procedural conferences, as well as all Open Meetings for which the matter is scheduled for  
5 discussion unless counsel has previously been granted permission to withdraw by the Administrative  
6 Law Judge or the Commission.

7 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended  
8 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

9 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
10 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

11 DATED this 16<sup>th</sup> day of July, 2014.

  
SARAH N. HARPRING  
ADMINISTRATIVE LAW JUDGE

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15 Copies of the foregoing mailed  
this 16<sup>th</sup> day of July, 2014, to:

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