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BEFORE THE ARIZONA CORPORATION COMMISSION
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BOB STUMP
CHAIRMAN
GARY PIERCE
COMMISSIONER
BRENDA BURNS
COMMISSIONER
BOB BURNS
COMMISSIONER
SUSAN BITTER SMITH
COMMISSIONER

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AZ CORP 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

NOTICE OF ERRATA

The Residential Utility Consumer Office hereby provides Notice of Errata to the
Application for Rehearing of Decision No. 74568. Page 2 corrections to the first bullet point
was missing three lines. The corrected Application for Rehearing is attached.

RESPECTFULLY SUBMITTED this 21st day of July, 2014.

Daniel W. Rozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 21st day
of July, 2014 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 COPIES of the foregoing hand delivered/
mailed this 21st day of July, 2014 to:

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8 Phoenix, Arizona 85007

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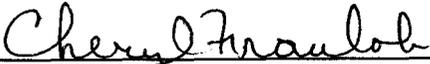
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By 
Cheryl Fraulo

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

11
12 **APPLICATION FOR REHEARING OF DECISION NO. 74568**

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

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

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- 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?
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- Tank Maintenance Expense – The Commission, breaking with its normal approach, approved the Company’s proposed tank maintenance plan which will cover the estimated costs associated with the stripping, treating and coating of the tanks over an 18 year period. These costs are not known and measurable which the Commission has required up until this case and the time period is excessive.
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- SIB – The Company admitted it could wait until the next rate case to recover the costs associated with the SIB related infrastructure. The purpose of the SIB is to help troubled water companies, not all water companies - especially financially secure ones like Chaparral with a capital structure of 85.55% equity. Chaparral was purchased by EPCOR Utilities, Inc. in 2011 and EPCOR claims that its predecessor neglected the infrastructure. In sum, this case does not warrant a SIB.
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- Cost of Capital – The Commission rejected the Judge, Staff and RUCO’s recommended weighted average cost of capital. The Commission approved Staff’s 9.60 percent cost of equity, however, rejected Staff’s proposed hypothetical capital structure and adopted the Company’s equity rich 85.55% actual capital structure also over the recommendations of Staff and RUCO. The Commission approved an 8.95 percent total cost of capital which is 89 basis points above the Judge, 105 basis points above Staff, and 97 basis points above RUCO’s total cost of capital recommendations.
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The Commission did not consider any of RUCO’s amendments in its deliberations at Open Meeting. The Commission only deliberated the Company’s proposed amendments which for the most part took away whatever balance there was in the Judge’s proposed Order and made the Commission’s ultimate Decision lopsided in favor of the Company. Sadly, the Commission did not even consider the rate impact to the ratepayers of the Company-friendly amendments it did adopt in the Open Meeting.

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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.

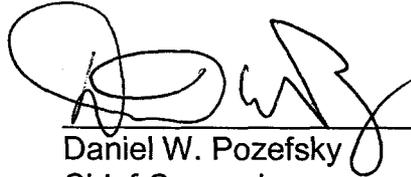
3 For the above reasons, RUCO asks that the Commission rehear this matter and consider
4 a more balanced approach for Chaparral's ratepayers.

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6 RESPECTFULLY SUBMITTED this 7th day of July, 2014.

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Daniel W. Pozefsky
Chief Counsel

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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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