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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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2015 JUL 15 A 10:48
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUL 15 2015

DOCKETED BY TV
DOCKET NO. WS-01303A-15-0018

IN THE MATTER OF THE APPLICATION OF
EPCOR WATER ARIZONA, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WASTEWATER
UTILITY SERVICE IN MARICOPA COUNTY,
ARIZONA.

DOCKET NO. WS-01303A-15-0018

PROCEDURAL ORDER

BY THE COMMISSION:

On January 27, 2015, EPCOR Water Arizona, Inc. ("EPCOR") filed with the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("CC&N") to provide wastewater service in Maricopa County to approximately 32 separately described contiguous and noncontiguous portions of land, together totaling 4,414.36 acres, all located in an area surrounding State Route 303 between Camelback Road and Peoria Avenue ("Service Area"). The Service Area has a western most boundary of 183rd Avenue and an eastern most boundary of 143rd Avenue and includes several parcels in close proximity to Luke Air Force Base. EPCOR intends to construct and operate a regional wastewater reclamation facility to cover the Service Area. The Service Area is expected to include three new developments known as Granite Vista, Cordillera, and Allen Ranches, and to experience additional rapid growth.

On February 13, 2015, EPCOR filed a Notice of Errata including replacement pages and supporting documents for its CC&N application.

On February 26, 2015, the Commission's Utilities Division ("Staff") issued a Letter of Sufficiency stating that EPCOR's application had met the sufficiency requirements outlined in the Arizona Administrative Code ("A.A.C.").

On March 10, 2015, a Procedural Order was issued establishing a procedural schedule and associated requirements. *Inter alia*, the hearing for this matter was scheduled to commence on May

1 6, 2015, and EPCOR was ordered to provide notice by April 1, 2015, both by mail and publication.

2 On March 23, 2015, Staff filed a Request for Procedural Order Extending Schedule, in which
3 Staff requested that the Staff Report due date be extended from April 10, 2015, to May 11, 2015, and
4 the rest of the procedural schedule adjusted accordingly. Staff stated that the requested extension had
5 been discussed with EPCOR and that EPCOR had no objection to it.

6 On March 24, 2015, a Procedural Order was issued changing the May 6, 2015, evidentiary
7 hearing to a public comment proceeding; requiring EPCOR to make a filing regarding whether public
8 notice had been provided and in what manner; scheduling the evidentiary hearing for June 19, 2015;
9 establishing other procedural requirements and deadlines; and extending the time clock for this matter
10 by 45 days.

11 On May 5, 2015, Staff filed a Staff Request for Procedural Order Extending Schedule,
12 requesting that the deadline for the Staff Report be extended from May 11, 2015, to June 26, 2015.
13 Staff stated that EPCOR had provided updated schedules to Staff late on May 1, 2015, and that Staff
14 needed additional time to analyze the materials provided, which Staff characterized as “substantially
15 a new application.” Staff also stated that while EPCOR was generally amenable to an extension of
16 time, EPCOR had not agreed with Staff’s requested extension.

17 On May 6, 2015, the public comment proceeding was held, with EPCOR and Staff
18 represented by counsel. No members of the public attended. Discussion was then held regarding
19 Staff’s requested extension, with EPCOR expressing disagreement with Staff’s characterization of
20 the updated schedules and proposing a more brief extension. Because EPCOR stated that public
21 notice of the June 19, 2015, hearing date had been provided by both mail and publication, the parties
22 were informed that the June 19, 2015, date would be used for another public comment proceeding.
23 When it was determined that EPCOR’s updated schedules proposed rates that would result in higher
24 monthly bills for the average residential customer,¹ EPCOR was directed that notice would again be
25 required, to reflect the revised rates. EPCOR was also directed to file the updated schedules as soon
26 as possible. A new hearing schedule was also discussed.

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¹ EPCOR estimated that the average residential customer will have water consumption of 7,000 gallons.

1 On May 7, 2015, a Procedural Order was issued rescheduling the evidentiary hearing to
2 commence on July 22, 2015; retaining the June 19, 2015, hearing date for public comment;
3 establishing other procedural requirements and deadlines; and extending the Commission's time
4 clock by 46 days.

5 On May 8, 2015, EPCOR filed its revised schedules and filed a revised response to a Staff
6 data request.

7 On May 14, 2015, EPCOR filed affidavits of mailing and publication related to notice of the
8 June 19, 2015, hearing date.

9 On June 10, 2015, EPCOR filed affidavits of mailing and publication showing that notice of
10 the July 22, 2015, hearing date had been mailed to water customers/landowners in the service area
11 and to Adaman Water Company on May 14, 2015, and had been published in the *Arizona Republic*
12 on May 20, 2015. The notice explained that EPCOR's proposed rates and charges would result in a
13 monthly bill of \$89.33 for a residential customer with water consumption of 7,000 gallons.²

14 On June 26, 2015, Staff filed its Staff Report, in which Staff recommended approval of
15 EPCOR's CC&N application, subject to a number of conditions, among them adoption of Staff's
16 recommended rates and charges, which would result in a monthly bill of \$189.86 for a residential
17 customer with water consumption of 7,000 gallons. Staff also recommended, *inter alia*, that the
18 Commission not consider in rate base the Advances in Aid of Construction ("AIAC") and
19 Contributions in Aid of Construction ("CIAC") resulting from the Water Facilities Main Extension
20 Agreements ("WFAs") and Wastewater Facilities Onsite Extension Agreements ("MXAs") entered
21 into by EPCOR's predecessor in interest; that EPCOR be required to refund any funds received thus
22 far through the WFAs and MXAs, in accordance with A.A.C. R14-2-606(C)(5); that EPCOR be
23 required to infuse additional paid-in-capital as part of a future plan to build equity and fund plant
24 additions for the new CC&N service area; and that EPCOR's MXAs be compliant with A.A.C. R14-
25 2-606. Staff stated that the WFAs and MXAs would be considered debt.

26 On July 10, 2015, EPCOR filed a Response to Staff Report, strongly objecting to the Staff
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28 ² The prior notices had referenced the rates and charges included in EPCOR's application, which included a lower monthly minimum charge and higher commodity rate.

1 recommendations described above. EPCOR also asserted that Staff's recommended rates and
2 charges would generate almost \$1 million in excess revenues (based on Staff's recommended rate
3 base, rate of return, and adjusted operating expenses).

4 On July 13, 2015, Staff filed a Revised Staff Report. The cover page to the Revised Staff
5 Report states that a number of numerical changes have been made to the Finance and Regulatory
6 Analysis Memorandum, but does not explain them further or identify any other revisions that may
7 have been made to Staff's analysis or recommendations. Staff's recommended rates and charges in
8 the Revised Staff Report would result in a monthly bill of \$145.99 for a residential customer with
9 water consumption of 7,000 gallons.

10 Staff's recommended rates and charges greatly exceed those about which interested persons
11 received notice, and it is necessary to discuss whether additional notice to landowners and other
12 interested persons, and re-opening of the intervention period, is appropriate.³ Additionally, it is
13 appropriate to discuss whether additional filings, such as direct and responsive testimony, should be
14 required to ensure the creation of a robust record concerning the facts behind and impacts of the
15 WFAs and MXAs and the facts and analysis behind Staff's determinations that they represent debt
16 and should be disregarded in creating EPCOR's revenue requirement and rates and, further, that any
17 funds received thereunder should be refunded. It is also appropriate to discuss whether EPCOR
18 requires additional time to respond to the Revised Staff Report, should it be determined that no
19 additional pre-hearing notice or filings are needed. Thus, a procedural conference should be
20 scheduled.

21 IT IS THEREFORE ORDERED that a **procedural conference** shall be held on **July 21,**
22 **2015, at 11:00 a.m.,** in Hearing Room No. 1 at the Commission's offices at 1200 West Washington
23 Street, Phoenix.

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28 ³ It is possible that some interested persons may become interested in intervening or providing public comment upon learning of Staff's recommendations.

1 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
2 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
3 hearing.

4 DATED this 15th day of July, 2015.

6 
7 SARAH N. HARPRING
8 ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/delivered
10 this 15th day of July, 2015, to:

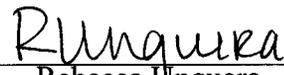
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