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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
DOUG LITTLE

Arizona Corporation Commission

DOCKETED

JUL 02 2015

DOCKETED BY 

14 IN THE MATTER OF THE APPLICATION OF
15 INDIADA WATER COMPANY, INC., FOR
16 APPROVAL OF A PERMANENT INCREASE
17 IN ITS WATER RATES.

DOCKET NO. W-02031A-10-0168

18 IN THE MATTER OF THE APPLICATION OF
19 ANTELOPE RUN WATER COMPANY FOR
20 APPROVAL OF A PERMANENT INCREASE
21 IN ITS WATER RATES.

DOCKET NO. W-02327A-10-0169

22 IN THE MATTER OF THE APPLICATION OF
23 BOB B. WATKINS DBA EAST SLOPE
24 WATER COMPANY FOR APPROVAL OF
25 ITS PERMANENT INCREASE IN ITS
26 WATER RATES.

DOCKET NO. W-01906A-10-0170

27 IN THE MATTER OF THE APPLICATION OF
28 BOB B. WATKINS DBA EAST SLOPE
WATER COMPANY, INDIADA WATER
COMPANY, INC., AND ANTELOPE RUN
WATER COMPANY FOR APPROVAL OF A
TRANSFER OF ASSETS AND
CERTIFICATES OF CONVENIENCE AND
NECESSITY.

DOCKET NO. W-01906A-10-0171
DOCKET NO. W-02031A-10-0171
DOCKET NO. W-02327A-10-0171

1 IN THE MATTER OF THE APPLICATION OF
2 BOB B. WATKINS DBA EAST SLOPE
3 WATER COMPANY FOR AUTHORITY TO
INCUR LONG-TERM DEBT.

DOCKET NO. W-01906A-10-0183

4 IN THE MATTER OF THE APPLICATION OF
5 INDIADA WATER COMPANY, INC. FOR
6 AUTHORITY TO INCUR LONG-TERM
DEBT.

DOCKET NO. W-02031A-10-0184

7 IN THE MATTER OF THE APPLICATION OF
8 ANTELOPE RUN WATER COMPANY FOR
9 AUTHORITY TO INCUR LONG-TERM
DEBT.

DOCKET NO. W-02327A-10-0185

**COMMENTS REGARDING
STAFF MEMORANDUM AND
PROPOSED ORDER**

12
13 East Slope Water Company, Inc. ("Company" or "East Slope") hereby files its
14 comments regarding Staff's memorandum and proposed order.

15
16 **1.0 Preliminary Statement**

17 First, East Slope appreciates WIFA's comments requesting prompt consideration
18 of this matter as well as its position that the debt service reserve should be included in the
19 surcharge. Staff's acceptance of this position is welcomed as well. In fact, WIFA, Staff,
20 and the Company agree on most issues. Accordingly, there are only three points that East
21 Slope is raising for Commission consideration.

22
23 **2.0 Approvals of Construction**

24 Staff's position is that all of the projects can be completed in less than a year. This
25 is not possible. After this decision becomes final, it will take approximately three to four
26 months to finalize the WIFA loan. The Company's engineer estimates it will take 16
27 months to complete the project after the loan is approved. Therefore, East Slope requests
28

1 that the compliance deadline for submitting the Approval of Construction should be
2 March 31, 2017.

3
4 **3.0 Additional Wells.**

5 The Company understands that both Staff and WIFA agree with East Slope that at
6 least one water production well is needed. As pointed out in the Application to Amend,
7 however, environmentalists have raised objections to the drilling of any replacement well
8 and have raised the specter of litigation unless an extremely expensive and time
9 consuming hydrology study is conducted even though the proposed wells are nine miles
10 away from the San Pedro River. Neither the Company nor WIFA want to expose the
11 customers to costly litigation. Therefore, the scope of work as proposed no longer
12 includes the proposed replacement well.
13
14

15 With that said, the Company has recently learned that the environmentalists'
16 position may be softening and the threat of litigation may be lifted. Therefore, East Slope
17 requests a provision in the order that would allow for the Company to drill a well if it
18 requests a provision in the order that would allow for the Company to drill a well if it
19 could be done without the unnecessary hydrology studies or litigation. East Slope
20 proposed adding the following provision as the second paragraph in the Order section at
21 the bottom of page 5 of the proposed order:
22

23 "IT IS FURTHER ORDERED that East Slope Water Company may revise the
24 scope of projects described in Exhibit A to include the drilling of a well provided it files
25 notice of the proposed revision in this docket, Staff approves the proposed revision within
26 60 days, and the overall cost of the project does not exceed loan amount approved in this
27 matter."
28

1 **4.0 Interconnection**

2 The only material disagreement between Staff and the Company relates to the
3 proposed interconnection with Pueblo del Sol Water Company (“PDS”). The Company
4 proposed an interconnection between its system and PDS’s system to alleviate water
5 shortages during the summer months. Staff agrees this is a good idea. Unfortunately,
6 Staff took this proposal and turned it into regulatory mandate that does not work.
7
8

9 First, Staff makes the interconnection a condition for closing the construction
10 stage of the WIFA loan. As WIFA pointed out back in March, the Company needs to
11 close the construction loan before September 1, 2015 or a balloon payment for the
12 remainder of the design loan of \$282,748 will be due. Second, Staff proposes that the
13 interconnection agreement must also prove that PDS’s water system will provide the
14 Company’s West System with as much water as needed to serve its customers. Third,
15 Staff does not address the fact that based upon the existing tariffs, the cost to purchase
16 water from PDS is substantially higher than the amount East Slope can charge its
17 customers for the same water.
18
19
20

21 To be clear, East Slope has no problem with the interconnection proposal; it was
22 the Company’s proposed solution to the water shortage issue. However, the Commission
23 should not turn this solution into a regulatory hurdle that has to be overcome before it can
24 enter into the WIFA loan to address its water supply issues. Further, East Slope believes
25 that the Commission should allow the Company to recover any additional cost of
26 purchasing water from PDS through a surcharge. Put another way, the Company should
27 not have to sell the water at a lower price than what it pays to acquire it from PDS. There
28

1 should be a surcharge in place so that the cost of this water is simply passed on to the
2 customer, and therefore, is revenue neutral to East Slope. If the Company seeks to have a
3 purchase water surcharge, then it should submit the proposal to Staff for consideration
4 and approval.
5

6 RESPECTFULLY SUBMITTED this 2nd day of July, 2015.
7

8 **MOYES SELLERS & HENDRICKS LTD.**
9

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12
13 Copies of the foregoing electronically
14 sent this 2nd day of July, 2015 to:

15 Docket Control
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, Arizona 85007

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