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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

Arizona Corporation Commission

- SUSAN BITTER SMITH - Chairman
- BOB STUMP
- BOB BURNS
- DOUG LITTLE
- TOM FORESE

DOCKETED

SEP 28 2015

DOCKETED BY [Signature]

2015 SEP 28 P 2: 57

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-15-0277

RATE CASE PROCEDURAL ORDER

BY THE COMMISSION:

On July 31, 2015, Arizona Water Company ("AWC") filed with the Arizona Corporation Commission ("Commission") a Notice of Intent to File General Rate Case and Request for Accounting Order ("Notice") for AWC's Western Group, comprised of the White Tank, Ajo, and Pinal Valley (Casa Grande, Coolidge, Tierra Grande, and Stanfield) service areas ("White Tank," "Ajo," and "Pinal Valley"). In the Notice, AWC also requested authority for an accounting order allowing it to record the cost of delivering Central Arizona Project ("CAP") water to its Western Group customers in 2015, net of grants and other credits, as a deferred asset on its balance sheet. AWC requested that the accounting order issue be resolved in the rate case.

On August 7, 2015, AWC filed a Notice of Filing of Central Arizona Project Water Use Plans, including the CAP Water Use Plans for Pinal Valley and White Tank.

On August 21, 2015, AWC filed an Application for an order approving adjustments to its Western Group rates and charges and requesting other approvals ("Application"). In its Application, AWC requested an increase in annual revenues for the Western Group systems of \$6,010,408, or 28.33 percent, to obtain an 8.93 percent rate of return on an original cost rate base of \$67,417,785. In addition, AWC requested:

- Continuation of currently authorized CAP Municipal and Industrial ("M&I") fees in Pinal

1 Valley and White Tank;

- 2 • Rate base treatment of \$4,398,823 in additional deferred CAP M&I capital charges in Pinal  
3 Valley, amortized over 20 years;
- 4 • Deferral and recovery over 3 years of \$357,500, the net cost of delivering 5,000 acre feet of  
5 CAP water to Pinal Valley general service customers;
- 6 • Annual recovery of \$715,000 in net ongoing CAP M&I capital and delivery charges related to  
7 delivery of 5,000 acre feet of CAP water to Pinal Valley general service customers;
- 8 • A new CAP surcharge to recover increases in net cost per acre foot of CAP water, increased  
9 costs related to quantity of CAP water delivered, and recovery of additional deferred CAP M&I  
10 capital charges as they become used and useful;
- 11 • Continuation of the current Off-Site Facilities Fee (“OSFF”) Tariff for Pinal Valley, to fund a  
12 Pinal Valley Recharge and Recovery Facility;
- 13 • Authorization of a new OSFF Tariff for White Tank, to fund construction of a White Tank  
14 Recharge and Recovery Facility;
- 15 • Authorization to implement a System Improvement Benefit (“SIB”) surcharge;
- 16 • Continuation of the Arsenic Cost Recovery Mechanism (“ACRM”) for the Western Group  
17 systems; and
- 18 • Authorization of a Nitrate Cost Recovery Mechanism (“NCRM”) for the Western Group  
19 systems, to comply with federal Safe Drinking Water Act standards.

20 On September 14, 2015, The Commission’s Utilities Division (“Staff”) filed a Letter of  
21 Sufficiency indicating that AWC’s Application had met the sufficiency requirements of A.A.C. R14-  
22 2-103 and classifying AWC as a Class A Utility.

23 On September 15, 2015, the Residential Utility Consumer Office (“RUCO”) filed an  
24 Application to Intervene.

25 This matter should now be set for hearing, and a procedural schedule should be established. In  
26 addition, as no objection has been made to RUCO’s Application to Intervene, RUCO’s application  
27 should be granted.

28 IT IS THEREFORE ORDERED that the **hearing** in the above-captioned matter shall

1 commence on **May 9, 2016, at 10:00 a.m.**, or as soon thereafter as is practicable, at the Commission's  
2 offices, 1200 West Washington Street, **Hearing Room No. 1**, Phoenix, Arizona 85007. The hearing  
3 shall continue, as needed, at 9:00 a.m. on May 10 through May 13, 2016, in the same location.

4 IT IS FURTHER ORDERED that a pre-hearing conference shall be held on **May 6, 2016**,  
5 commencing at **1:00 p.m.**, or as soon thereafter as is practicable, at the Commission's offices, 1200  
6 West Washington Street, **Hearing Room No. 1**, Phoenix, Arizona 85007, for the purpose of discussing  
7 the scheduling of witnesses, the conduct of the hearing, and any other procedural matters for the  
8 hearing.

9 IT IS FURTHER ORDERED that **direct testimony, except rate design testimony**, and  
10 associated exhibits to be presented at hearing on behalf of **Staff or an intervenor** shall be reduced to  
11 writing and filed on or before **March 4, 2016**.

12 IT IS FURTHER ORDERED that **rate design direct testimony** and associated exhibits to be  
13 presented at hearing by **Staff or an intervenor** shall be reduced to writing and filed on or before **March**  
14 **11, 2016**.

15 IT IS FURTHER ORDERED that **rebuttal testimony** and associated exhibits to be presented  
16 at hearing by **AWC** shall be reduced to writing and filed on or before **April 6, 2016**.

17 IT IS FURTHER ORDERED that **surrebuttal testimony** and associated exhibits to be  
18 presented at hearing by **Staff or an intervenor** shall be reduced to writing and filed on or before **April**  
19 **27, 2016**.

20 IT IS FURTHER ORDERED that any **rejoinder testimony** and associated exhibits to be  
21 presented at hearing by **AWC** shall be reduced to writing and filed on or before **May 5, 2016**.

22 IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m. on the date the filing**  
23 **is due**, unless otherwise indicated above.

24 IT IS FURTHER ORDERED that **all testimony filed shall include a table of contents** that  
25 lists the issues discussed.

26 IT IS FURTHER ORDERED that **any objections to prefiled testimony or exhibits** shall be  
27 made before or at the **May 6, 2016**, pre-hearing conference.  
28

1 IT IS FURTHER ORDERED that any **substantive corrections, revisions, or supplements to**  
2 **prefiled testimony**, with the exception of rejoinder testimony, **shall be reduced to writing and filed**  
3 **no later than May 6, 2016**. Substantive corrections, revisions, or supplements to prefiled rejoinder  
4 testimony shall be reduced to writing and presented on the first day of hearing.

5 IT IS FURTHER ORDERED that each party shall prepare a brief, written summary of the  
6 prefiled testimony of each of its witnesses and **shall file each summary no later than May 6, 2016**.

7 IT IS FURTHER ORDERED that copies of the summaries shall be served upon the  
8 Administrative Law Judge, the Commissioners, and the Commissioners' advisors as well as the parties  
9 of record.

10 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,  
11 except that **all motions to intervene must be filed on or before December 30, 2015**.

12 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and  
13 regulations of the Commission, except that until **April 6, 2016**, any objection to discovery requests  
14 shall be made within 7 calendar days of receipt<sup>1</sup> and responses to discovery requests shall be made  
15 within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made within  
16 5 calendar days and responses shall be made within 7 calendar days. The response time may be  
17 extended by mutual agreement of the parties involved if the request requires an extensive compilation  
18 effort.

19 IT IS FURTHER ORDERED that for discovery requests, objections, and answers, if a receiving  
20 party requests service to be made electronically, and the sending party has the technical capability to  
21 provide service electronically, service to that party shall be made electronically.

22 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel  
23 discovery, any party seeking resolution of a discovery dispute may telephonically contact the  
24 Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery  
25 dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and  
26 that the party making such a request shall forthwith contact all other parties to advise them of the  
27

28 <sup>1</sup> The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. Arizona time will be considered as received the next business day.

1 hearing date and shall at the hearing provide a statement confirming that the other parties were  
2 contacted.<sup>2</sup>

3 IT IS FURTHER ORDERED that any motion that is filed in this matter and that is not ruled  
4 upon within 20 calendar days of the filing date of the motion shall be deemed denied.

5 IT IS FURTHER ORDERED that any response to a motion shall be filed within five calendar  
6 days of the filing date of the motion.

7 IT IS FURTHER ORDERED that any reply shall be filed within five calendar days of the filing  
8 date of the response.

9 IT IS FURTHER ORDERED that AWC shall provide public notice of the hearing in this  
10 matter, in the following form and style, with the heading in no less than 14-point bold type and the  
11 body in no less than 10-point regular type:

**PUBLIC NOTICE OF HEARING ON THE APPLICATION OF  
ARIZONA WATER COMPANY FOR A DETERMINATION OF THE FAIR  
VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR ADJUSTMENTS  
TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS  
WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS.  
(DOCKET NO. W-01445A-15-0277)**

**Summary**

16 On August 21, 2015, Arizona Water Company (“AWC” or “Company”) filed with the  
17 Arizona Corporation Commission (“Commission”), in the above-captioned docket, an  
18 Application requesting a permanent annual revenue increase of approximately  
19 \$6,010,408, or 28.33 percent over test year revenues, for its Western Group Systems,  
including White Tank, Ajo, and Pinal Valley (Casa Grande, Coolidge, Tierra Grande,  
and Stanfield) (“Application”).

20 In its Application, AWC also requested the following (1) continuation of current  
21 Central Arizona Project (“CAP”) Municipal and Industrial (“M&I”) fees for Pinal  
22 Valley and White Tank; (2) rate base treatment of almost \$4.4 million in deferred CAP  
23 M&I capital charges, to be amortized over 20 years; (3) deferral and recovery of  
24 \$357,500 as the net cost of delivering CAP water to Pinal Valley general service  
25 customers, to be recovered over 3 years; (4) annual recovery of \$715,000 in net ongoing  
26 CAP M&I capital and delivery charges related to delivery of CAP water to Pinal Valley  
27 general service customers; (5) a new CAP surcharge to recover increases in net cost  
per acre foot of CAP water, increases related to the quantity of CAP water delivered,  
and additional deferred CAP M&I capital charges as they become used and useful; (6)  
continuation of the current Off-Site Facilities Fee (“OSFF”) for Pinal Valley; (7)  
authorization of a new OSFF for White Tank; (8) authorization to implement a System  
Improvement Benefits (“SIB”) surcharge; (9) continuation of the Arsenic Cost  
Recovery Mechanism (“ACRM”) for the Western Group systems; and (10)

28 <sup>2</sup> The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

1 authorization of a Nitrate Cost Recovery Mechanism (“NCRM”) for the Western Group  
2 systems.

3 According to the Application, a residential customer served by a 5/8” x 3/4” meter and  
4 with average water usage in each system would experience the following increase in  
5 the customer’s monthly bill if AWC’s proposed rates were adopted:

System	Average Usage (gallons)	Current Bill	Proposed Bill	Increase \$	Increase %
Pinal Valley	7,800	\$29.62	\$38.22	\$8.61	29.06%
White Tank	11,700	\$52.20	\$67.46	\$15.26	29.24%
Ajo	4,000	\$40.98	\$49.39	\$8.40	20.50%

6 The actual percentage rate increase for individual customers would vary depending  
7 upon the system and the type and quantity of service provided.

8 The Commission’s Utilities Division (“Staff”) is in the process of reviewing and  
9 analyzing the Application, and has not yet made a recommendation regarding AWC’s  
10 requests. The Commission will issue a Decision regarding AWC’s Application  
11 following consideration of testimony and evidence presented by all parties at an  
12 evidentiary hearing. **THE COMMISSION IS NOT BOUND BY THE PROPOSALS MADE BY AWC, STAFF, OR ANY INTERVENORS, AND THE FINAL RATES APPROVED BY THE COMMISSION MAY BE HIGHER, LOWER, OR DIFFERENT THAN THE RATES PROPOSED BY AWC OR BY OTHER PARTIES.**

13 **How You Can View or Obtain a Copy of the Rate Proposal**

14 Copies of the application and proposed rates are available from AWC [COMPANY  
15 INSERT HOW AND WHERE AVAILABLE]; at the Commission’s Docket Control  
16 Center at 1200 West Washington, Phoenix, Arizona, for public inspection during  
17 regular business hours; and on the Commission’s website ([www.azcc.gov](http://www.azcc.gov)) using the e-Docket function.

18 **Arizona Corporation Commission Public Hearing Information**

19 The Commission will hold a hearing on this matter beginning **May 9, 2016, at 10:00 a.m. in Hearing Room No. 1**, at the Commission’s offices, 1200 West Washington Street, Phoenix, Arizona, 85007. Public comments will be taken on the first day of hearing.

20 Written public comments may be submitted by mailing a letter referencing Docket No. W-01445A-15-0277 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission’s website ([www.azcc.gov](http://www.azcc.gov)) using the “Submit a Public Comment for a Utility” function. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000.

21 **About Intervention**

22 The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person’s intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties’ witnesses. However, failure to intervene will not preclude any

interested person or entity from appearing at the hearing and providing public comment on the Application or from filing written comments in the record of the case.

To request intervention, you must file an **original and 13 hard copies** of a written request to intervene with Docket Control, 1200 West Washington, Phoenix, AZ 85007, **no later than December 30, 2015**. You also **must** serve a copy of the request to intervene on each party of record, on the same day that you file the request to intervene with the Commission. Information about intervention and sample intervention requests are available on the Commission's website ([www.azcc.gov](http://www.azcc.gov)) using the "Intervention in Utility Cases" link.

Your request to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any person upon whom service of documents is to be made, if not yourself;
2. A reference to **Docket No. W-01445A-15-0277**;
3. A short statement explaining:
  - a. Your interest in the proceeding (e.g., a customer of the utility, etc.),
  - b. How you will be directly and substantially affected by the outcome of the case, and
  - c. Why your intervention will not unduly broaden the issues in the case;
4. A statement certifying that you have served a copy of the request to intervene on the utility or its attorney and all other parties of record in the case; and
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31, 38, and 42, as applicable.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **December 30, 2015**. If representation by counsel is required by Arizona Supreme Court Rule 31, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor.

**ADA/Equal Access Information**

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, E-mail [SAbernal@azcc.gov](mailto:SAbernal@azcc.gov), voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that AWC shall **mail** to each of its Western Group customers a copy of the above notice, as a bill insert beginning with the first available billing cycle, and shall cause a copy of such notice to be **published at least once in a newspaper** of general circulation in AWC's Western Group service areas, with mailing and publication to be completed no later than **October 30, 2015**.

1 IT IS FURTHER ORDERED that AWC shall file certification of mailing and publication as  
2 soon as possible after the mailing and publication have been completed, but no later than November  
3 20, 2015.

4 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing/publication  
5 of same, notwithstanding the failure of an individual customer to read or receive the notice.

6 IT IS FURTHER ORDERED that RUCO's Application to Intervene in this matter is hereby  
7 granted.

8 IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules  
9 31, 38, and 42 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

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

16 IT IS FURTHER ORDERED that, as permitted under A.A.C. R14-3-107(B), each party to this  
17 matter may opt to receive service of all filings in this docket, including all filings by parties and all  
18 Procedural Orders and Recommended Opinions and Orders/Recommended Orders issued by the  
19 Commission's Hearing Division, via email sent to an email address provided by the party rather than  
20 via U.S. Mail. To exercise this option, a party shall:

- 21 1. Ensure that the party has a valid and active email address to which the party has regular  
22 and reliable access ("designated email address");
- 23 2. Complete a Consent to Email Service form, available on the Commission's website  
24 ([www.azcc.gov](http://www.azcc.gov));
- 25 3. File the original and 13 copies of the Consent to Email Service form with the  
26 Commission's Docket Control, also providing service to each party to the service list;

- 1           4.     Send an email, containing the party's name and the docket number for this matter, to
- 2                 HearingDivisionServicebyEmail@azcc.gov from the designated email address, to allow
- 3                 the Hearing Division to verify the validity of the designated email address;
- 4           5.     Understand and agree that service of a document on the party shall be complete upon
- 5                 the sending of an email containing the document to the designated email address,
- 6                 regardless of whether the party receives or reads the email containing the document;
- 7                 and
- 8           6.     Understand and agree that the party will no longer receive service of filings in this
- 9                 matter through First Class U.S. Mail or any other form of hard-copy delivery, unless
- 10                and until the party withdraws this consent through a filing made in this docket.

11           IT IS FURTHER ORDERED that a party's consent to email service shall not become effective  
12 until a Procedural Order is issued approving the use of email service for the party. The Procedural  
13 Order shall be issued only after the party has completed steps 1 through 4 above, and the Hearing  
14 Division has verified receipt of an email from the party's designated email address.

15           IT IS FURTHER ORDERED that a party's election to receive service of all filings in this matter  
16 via email does not change the requirement that all filings with the Commission's Docket Control must  
17 be made in hard copy and must include an original and 13 copies.

18           IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized  
19 Communications) applies to this proceeding and shall remain in effect until the Commission's Decision  
20 in this matter is final and non-appealable.

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

23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

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

4 DATED this 28<sup>th</sup> day of September, 2015.

5  
6  
7   
8 SARAH HARPRING  
ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/delivered  
10 this 28<sup>th</sup> day of September, 2015 to:

11 Steven A. Hirsch  
12 Coree E. Neumeyer  
13 BRYAN CAVE LLP  
14 Two North Central Avenue, Suite 2200  
15 Phoenix, AZ 85004  
16 Attorneys for Arizona Water Company

Janice Alward, Chief Counsel  
Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, AZ 85007

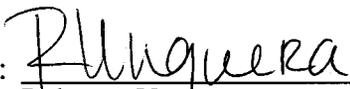
14 E. Robert Spear  
15 General Counsel  
16 Arizona Water Company  
17 PO Box 29006  
18 Phoenix, AZ 85038-9006

Thomas Broderick, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, AZ 85007

17 Mr. Joseph D. Harris, Vice President and  
18 Treasurer  
19 Arizona Water Company  
20 PO Box 29006  
21 Phoenix, AZ 85038-9006

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Phoenix, AZ 85006

20 Daniel W. Pozefsky, Chief Counsel  
21 Residential Utility Consumer Office  
22 1110 West Washington Street, Suite 220  
23 Phoenix, AZ 85007

23 By:   
24 Rebecca Unquera  
25 Assistant to Sarah Harpring