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BEFORE THE ARIZONA CORPORATION COMMISSION

ORIGINAL

2 COMMISSIONERS

3 DOUG LITTLE - Chairman
4 BOB STUMP
4 BOB BURNS
5 TOM FORESE
5 ANDY TOBIN

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

7 IN THE MATTER OF THE APPLICATION OF
8 SOUTHLAND UTILITIES COMPANY, INC. FOR
8 AN INCREASE IN RATES.

DOCKET NO. W-02062A-15-0224

PROCEDURAL ORDER

9 **BY THE COMMISSION:**

10 On June 30, 2015, Southland Utilities Company, Inc. ("Southland" or "Company") filed with
11 the Arizona Corporation Commission ("Commission") an application for a permanent rate increase
12 ("Application").

13 On August 25, 2015, the Commission's Utilities Division ("Staff") issued its Sufficiency Letter
14 indicating that Southland's Application was sufficient under the Arizona Administrative Code and
15 classified the Company as a Class D public service utility.

16 Staff filed its Staff Report in this docket on November 9, 2015.

17 On November 24, 2015, Southland filed its comments to the Staff Report. The Company
18 objected to certain of Staff's recommendations and conclusions.

19 On December 1, 2015, a Procedural Order was issued directing Staff to file a reply to the
20 Company comments by December 22, 2015, and directing the Company to submit comments to Staff's
21 reply by January 15, 2016. The Procedural Order also extended the time clock to March 11, 2016.

22 Staff docketed a Supplemental Staff Report on December 22, 2016, and Southland filed its
23 Comments to Staff's Reply on January 15, 2016.

24 After review of the supplemental filings, additional information is needed from the parties.

25 IT IS THEREFORE ORDERED that **Staff shall file a reply addressing the points noted**
26 **below on or before March 11, 2016.**

- 27 • Property Tax Rate – On Schedule 3 of the Staff Report regarding Property Taxes, on the lines
28 labeled "Assessment Ratio" and "Composite Property Tax Rate," Staff used an 18.5% property

1 tax assessment ratio and a 12.98% composite property tax rate. Staff used a property tax
 2 assessment ratio other than the statutory rate for 2016 of 18.0%, please explain why an alternate
 3 rate is appropriate.

- 4 • Loan Payments – The Staff Report – Schedule JLK-6, and Southland’s Supplemental Financial
 5 Data (page 24 of the Company’s Application) both show interest expense of \$31,660 and
 6 principal repayment of \$36,562 for total debt service payments of \$78,655. In addition,
 7 Schedule JLK-6 shows \$15,731 for Debt Serve Reserve Payment for total loan payments of
 8 \$83,953 or monthly payments of \$6,996. However, the Company’s Summary of WIFA Bank
 9 Account Activity – Schedule 5, shows monthly payments of \$7,646 or \$91,752 annually. Please
 10 reconcile/explain the apparent discrepancy between the loan payments on the Summary of
 11 WIFA Bank Account Activity and the amounts shown in the Staff Report and in the
 12 Supplemental Financial Data of the Company’s Application. In addition, Staff shall verify the
 13 actual interest rate on the 2014 debt service.
- 14 • CIAC/Amortization – Staff shall respond to Southland’s arguments regarding CIAC/CIAC
 15 amortization on pages 1-5 of the Company’s Comments to Staff’s Reply. At a minimum, the
 16 response shall include: (1) a detailed account of Rate Base Adjustments A and B to
 17 Contributions Gross (\$104,130) and Accumulated Amortization of CIAC (\$5,884),
 18 respectively; (2) an explanation of the appropriate CIAC amortization rate(s) to apply and the
 19 amounts and periods in which to apply them in the intervening years between the prior rate case
 20 and the current rate case; and (3) the appropriateness of using projections for the amounts of
 21 loan payments for 2015 and 2016 .

22 IT IS FURTHER ORDERED that Staff shall provide a complete set of schedules, including a
 23 cash flow analysis, with any revisions/corrections.

24 IT IS FURTHER ORDERED that **Southland shall file its comments to Staff’s Reply on or**
 25 **before April 1, 2016.**

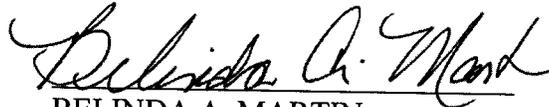
26 IT IS FURTHER ORDERED that the **time clock in this matter is extended to May 6, 2016.**

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28 ...

1 IT IS FURTHER ORD ERED 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 19th day of February, 2016.

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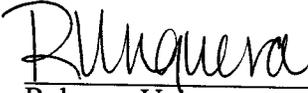
7 BELINDA A. MARTIN
8 ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/delivered
10 this 19th day of February, 2016, to:

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28