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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

KEVIN THOMPSON – CHAIR  
NICK MYERS – VICE CHAIR  
LEA MÁRQUEZ PETERSON  
RACHEL WALDEN  
RENE LOPEZ

Arizona Corporation Commission

DOCKETED

FEB 19 2025

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
GRANITE MOUNTAIN WATER COMPANY, INC.  
FOR AN EMERGENCY RATE INCREASE.

DOCKET NO. W-02467A-24-0238

DECISION NO. 79728

OPINION AND ORDER

DATE OF HEARING: January 7, 2025  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Elizabeth Beatty  
APPEARANCES: Mr. Dewey J. Levie, on behalf of Granite Mountain Water Company, Inc.; and  
Ms. Bridget Humphrey, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

**FINDINGS OF FACT**

**Procedural History**

1. On October 22, 2024, the Commission’s Utilities Division (“Staff”) opened this docket for purposes of processing an application by Granite Mountain Water Company, Inc. (“Granite Mountain” or “Company”) for an emergency surcharge.
2. On October 24, 2024, a Procedural Order was issued regarding Consent to Email Service.

1           3.       On December 19, 2024, Granite Mountain filed its emergency rate case application  
2 (“Application”). The Application requests authority to implement an emergency rate surcharge to  
3 recover water hauling and postage expenses and an Emergency Water Augmentation Tariff.

4           4.       Also, on December 19, 2024, a Procedural Order was issued scheduling a telephonic  
5 procedural conference to commence on December 26, 2024.

6           5.       On December 26, 2024, the telephonic procedural conference was held as scheduled.  
7 Staff appeared through counsel and Mr. Dewey J. Levie, the Company’s Secretary and Treasurer,  
8 appeared on behalf of Granite Mountain. During the procedural conference, the Company and Staff  
9 agreed to have the hearing in this matter scheduled for January 7, 2025. It was determined that the  
10 hearing would be held in-person at the Commission’s offices in Phoenix, Arizona, with the option for  
11 the Company to appear remotely. The parties also discussed the provision of notice of the hearing and  
12 Application to customers.

13           6.       On the same date, by Procedural Order, a hearing in this matter was scheduled to  
14 commence on January 7, 2025. The Procedural Order required the Company to mail public notice of  
15 the Application and hearing to its customers by December 27, 2024.

16           7.       On January 2, 2025, Granite Mountain filed a certification of mailing customer notice.

17           8.       On January 7, 2024, the hearing was held as scheduled before a duly authorized  
18 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. Mr. Levie appeared  
19 via videoconference and testified on behalf of the Company. Staff appeared in person through counsel,  
20 and presented the testimony of Mr. Quinn Schoenberger, Public Utilities Analyst. No members of the  
21 public appeared to provide public comment. At the conclusion of the hearing, the matter was taken  
22 under advisement pending submission of a Recommended Opinion and Order to the Commission for  
23 consideration at a future open meeting.

24           9.       A total of 16 customer comments in opposition to the emergency rate increase were  
25 filed on January 6, 2025, January 7, 2025, and January 13, 2025. In general, those in opposition to the  
26 requested surcharge believe the Company has been negligent or slow in responding to water supply  
27 issues. On January 6, 2025, one customer comment in support of the Company’s Application was  
28 received.

1 **Background**

2 10. Granite Mountain is a Class E water utility providing water service to approximately  
3 157 connections in Yavapai County, Arizona.<sup>1</sup>

4 11. Granite Mountain's current rates were approved by the Commission in Decision No.  
5 75814 (November 21, 2016).

6 12. In July 2023, the Company's main well lost suction which caused a water shortage and  
7 resulted in the Company hauling water to meet customer demands.<sup>2</sup> Although the Company was  
8 eventually able to restore its water supply and cease water hauling, it was unable to recover previous  
9 water levels in its well.<sup>3</sup>

10 13. Mr. Levie testified that over the last year and a half, the Company has unsuccessfully  
11 drilled new wells, and expended \$50,000 contributed by the Company's President, in order to find new  
12 sources of water.

13 14. In September 2024, the Company again experienced a water shortage, which in addition  
14 to a heat wave, caused the Company to fall into a Stage three curtailment.<sup>4</sup> Mr. Levie testified that on  
15 September 3, 2024, the Company began hauling water again to meet its customers' water demands.

16 **Emergency Rate Surcharge Application**

17 15. Granite Mountain's Application requests the implementation of an Emergency Rate  
18 Surcharge in the amount of \$2.91 for 5/8 by 3/4-inch meters and \$7.27 for 1-inch meters, per month  
19 for 12 months.<sup>5</sup> The Emergency Rate Surcharge is to collect a total of \$10,819.87, the total of water  
20 hauling costs and postage expenses incurred to request customers to curtail water use.<sup>6</sup>

21 16. The Company also seeks Commission approval to implement an Emergency Water  
22 Augmentation Tariff ("EWAT") that will allow the Company to collect expenses incurred during any  
23 future emergency water shortage.<sup>7</sup>

24 17. Mr. Levie provided documentary evidence and testimony indicating that notice of the

25 <sup>1</sup> Exhibits ("Ex.") A-1 at 1.

26 <sup>2</sup> *Id.*

27 <sup>3</sup> *Id.*

28 <sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> Ex. A-1 at 2.

<sup>7</sup> Ex. A-1 at 1, Attachment 2.

1 Application and hearing was provided to customers by mail on December 26, 2024.

2 18. Along with its Application, Granite Mountain provided invoices to Staff related to  
3 previously incurred water hauling expenses.<sup>8</sup> Additionally, during the hearing, Mr. Levie testified that  
4 water hauling costs are expected to continue until the Company is able to find a permanent solution.

5 19. Last, Mr. Levie testified that Granite Mountain would be unable to maintain safe and  
6 reliable water services without the requested financial relief.

7 20. Staff's witness, Mr. Schoenberger, testified that his review included Granite Mountain's  
8 Application, financial reports, and previous Commission decisions regarding Granite Mountain. Mr.  
9 Schoenberger also testified that he reviewed the Company's invoices and confirmed that the expenses  
10 stated in the Application were consistent with the Company's invoices.

11 21. Based on his review, Mr. Schoenberger testified that Granite Mountain would be unable  
12 to maintain service pending a formal rate case. Mr. Schoenberger further testified that the continuing  
13 water hauling expenses threatens the Company's solvency

14 22. The EWAT applies only in "an emergency water shortage" which it defines as a water  
15 shortage of a serious nature, developing suddenly or unexpectedly that is out of the Company's control  
16 and demanding immediate attention. The surcharge is calculated using data from the previous month's  
17 bill divided by the gallons sold (measured in 1,000 gallons) to determine the amount of the surcharge  
18 per 1,000 gallons.

19 23. Last, Mr. Schoenberger testified that Staff recommends approval of Granite Mountain's  
20 proposed EWAT because the volumetric charge would encourage customer conservation.

21 **Staff Recommendations**

22 24. During the January 7, 2025, hearing, Staff made the following recommendations:

23 (a) That the Commission approve the Company's request to implement an emergency  
24 surcharge to collect \$10,819.87 over 12 months. Staff recommends a monthly  
25 surcharge of \$2.91 for 5/8 by 3/4-inch meters and \$7.27 for 1-inch meters, per month  
26 for 12 months or until the Commission authorizes new rates.

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<sup>8</sup> Ex. A-1 at 2.

1 (b) That the Company post a bond, before implementation of the interim emergency  
2 surcharge, by providing to the Commission's Business Office the original of a  
3 cashier's check made out to the Arizona Corporation Commission in the amount of  
4 \$10.00.

5 (c) That the Commission approve the Company's proposed EWAT.

6 (d) That the Company be required, as a compliance item in this docket, to file a full rate  
7 case using a test year that Staff deems appropriate.

8 25. Granite Mountain did not object to Staff's recommendations.

9 **Resolution**

10 26. As a general matter, our Constitution requires the Commission to ascertain the value of  
11 a utility's property within the state when determining just and reasonable rates. Ariz. Const. art. XV,  
12 §14; *Scates v. Arizona Corp. Comm'n*, 118 Ariz. 531, 534 (App. 1978). In limited circumstances,  
13 however, the Commission may engage in ratemaking without ascertaining a utility's rate base.  
14 *Residential Util. Consumer Off. v. Arizona Corp. Comm'n*, 199 Ariz. 588, 591 ¶11 (App. 2001). For  
15 example, it is appropriate for the Commission to grant interim rates as an emergency measure when (1)  
16 an emergency exists (2) a bond is posted by the utility guaranteeing a refund to customers if the interim  
17 rates paid are higher than the final rates determined by the Commission; and (3) the Commission  
18 undertakes to determine final rates after a valuation of the utility's property. *Residential Util. Consumer*  
19 *Off.*, 199 Ariz. at 591 ¶12 (citing *Scates*, 118 Ariz. at 535); Op. Att'y Gen. 71-17. As noted in Op. Att'y  
20 Gen. 71-17, courts and regulatory bodies have historically employed interim rates as an emergency  
21 measure when (1) a sudden change brings hardship to a utility; (2) the utility is insolvent; (3) the  
22 condition of the utility is such that its ability to maintain service pending a formal rate determination  
23 is in serious doubt; or (4) the Commission will be unable to grant permanent rate relief within a  
24 reasonable time.

25 27. Based on the evidence presented in this matter, we find that Granite Mountain's current  
26 circumstances constitute an emergency within the meaning of Op. Att'y Gen. 71-17, *Scates* and  
27 *Residential Util. Consumer Off.* The incurred water hauling costs and the Company's continuing efforts  
28 to find a new water source have created a situation where the Company faces insolvency and its ability

1 to maintain safe and reliable service pending a formal rate determination is in serious doubt. Granite  
2 Mountain does not have the finances necessary to meet the continuing costs of water hauling without  
3 the implementation of the proposed EWAT. Finally, the testimony established that as a result of the  
4 water hauling expenses the Company is likely to become insolvent and unable to provide safe and  
5 reliable service to its customers.

6 28. Therefore, we adopt Staff's recommendation to authorize Granite Mountain to  
7 implement an Emergency Rate Surcharge to recover the amount of \$10,819.87 over 12 months,  
8 however, we find it is reasonable to terminate the Emergency Rate Surcharge at the earlier of 12 months  
9 or the collection of \$10,819.87.

10 29. In addition to Staff's Recommendations, we find it is reasonable, with regard to Staff's  
11 Recommendation (d), that the Company be required to file a full rate case on or before December 31,  
12 2025.

13 30. We also find it reasonable to require the Company provide notice of the emergency  
14 surcharge to its customers in the Company's first billing cycle following a Decision in this matter, such  
15 notice to be in the format approved by Staff and shall contain the effective date of the surcharge.

16 31. We note that the proposed EWAT appears to be based on the Commission's standard  
17 EWAT tariff template and contains language that is not applicable to the current situation.  
18 Consequently, it is reasonable to revise the tariff and plan of administration. First, we find that it should  
19 be titled as an Interim Emergency Water Augmentation Surcharge Tariff and Plan of Administration.  
20 Second, Section I of the tariff states that it was obtained during the processing of a permanent rate  
21 application. We find that this provision should be revised to state as follows: "This tariff was obtained  
22 during the processing of an emergency rate application and has been approved by the Arizona  
23 Corporation Commission ("Commission") and shall be effective until the Commission reviews and  
24 approves a permanent tariff during a permanent rate case.

25 32. We find that the Company's inability to locate a new water source creates an ongoing  
26 emergency that threatens the Company's ability to provide safe and reliable service. As the proposed  
27 EWAT is drafted it is uncertain whether the Company's current situation comports with the proposed  
28 EWAT's definition of an "Emergency Water Shortage" which states in part the following: "Water

1 shortages that are a recurring situation, for example, each year the utility needs to haul water every  
 2 August, would not qualify as an emergency.” Consequently, we find that it is reasonable for this Interim  
 3 EWAT to delete the second sentence of the definition.

4 33. We find that Staff’s recommendations, as modified herein, and the additional conditions  
 5 described above are just, reasonable, and in the public interest and we will adopt them.

#### 6 CONCLUSIONS OF LAW

7 1. Granite Mountain Water Company, Inc. is a public service corporation within the  
 8 meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-285, 40-301 and 40-302.

9 2. The Commission has jurisdiction over Granite Mountain Water Company, Inc. and the  
 10 subject matter of the Application.

11 3. Notice of the Application was provided in accordance with the December 26, 2024,  
 12 Procedural Order, the Commission’s rules, and Arizona law.

13 4. Granite Mountain Water Company, Inc. is facing an emergency within the definition set  
 14 forth in AG Opinion No. 71-17, as discussed and approved in *Scates* and *Residential Util. Consumer*  
 15 *Off.*

16 5. Approval of the Granite Mountain Water Company, Inc.’s Application is consistent with  
 17 the Commission’s authority under the Arizona Constitution, applicable statutes, and applicable case  
 18 law.

19 6. Staff’s recommendations, as discussed and modified herein, are reasonable and should  
 20 be adopted.

#### 21 ORDER

22 IT IS THEREFORE ORDERED that Granite Mountain Water Company, Inc.’s Application for  
 23 an Emergency Rate Increase is hereby approved, consistent with the findings in this Decision.

24 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. is hereby authorized  
 25 to implement an Emergency Rate Surcharge in the amount of \$2.91 for 5/8 by 3/4-inch meters and  
 26 \$7.27 for 1-inch meters, per month for 12 months, or the recovery of \$10,819.87, whichever occurs  
 27 first.

28 ...

1 IT IS FURTHER ORDERED that the emergency surcharge shall be effective as of Granite  
2 Mountain Water Company, Inc.'s first bills issued following the effective date of this Decision.

3 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall, before  
4 implementing the Emergency Rate Surcharge, provide to the Commission's Business Office the  
5 original of a cashier's check made out to the Arizona Corporation Commission in the amount of \$10.00.

6 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall, on the same  
7 date the original cashier's check is provided to the Commission's Business Office, file with the  
8 Commission's Docket Control, as a compliance item in this docket, a notice stating that the cashier's  
9 check has been provided to the Commission's Business Office.

10 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall provide notice  
11 of the Emergency Rate Surcharge to its customers in the next billing cycle following the effective date  
12 of this Decision, in a format approved by Staff and shall file in this docket, as a compliance item, a  
13 copy of the notice.

14 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. is hereby authorized  
15 to implement an Interim Emergency Water Augmentation Tariff as revised herein and shall docket the  
16 revised Interim Emergency Water Augmentation Tariff that complies with the findings herein, as a  
17 compliance item in this docket, within 30 days of the effective date of this Decision.

18 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall file, in a new  
19 docket, as a compliance item, a full rate case application no later than December 31, 2025, using a test  
20 year that Staff deems appropriate.

21 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall, on the same  
22 date that it files a full rate case application in a new docket, file with Docket Control, as a compliance  
23 item in this docket, notice that the full permanent rate case application has been filed.

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1 IT IS FURTHER ORDERED that no future ratemaking treatment shall be inferred from the  
2 Decision in this proceeding, and that future ratemaking treatments shall be independently evaluated by  
3 Staff within the context of those rate case proceedings.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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8 CHAIR THOMPSON

  
VICE CHAIR MYERS

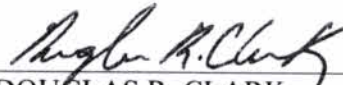
9   
10 COMMISSIONER MARQUEZ PETERSON

  
COMMISSIONER WALDEN

  
COMMISSIONER LOPEZ



12 IN WITNESS WHEREOF, I, DOUGLAS R. CLARK,  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this 19<sup>th</sup> day of February 2025.

  
17 DOUGLAS R. CLARK  
EXECUTIVE DIRECTOR

18 DISSENT \_\_\_\_\_

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20 DISSENT \_\_\_\_\_  
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1 SERVICE LIST FOR:

GRANITE MOUNTAIN WATER COMPANY, INC.

2 DOCKET NO.:

W-02467A-24-0238

3 Dewey J. Levie

4 GRANITE MOUNTAIN WATER COMPANY INC

5 PO Box 350

6 Chino Valley, AZ 86323

[djl@leviehomes.com](mailto:djl@leviehomes.com)

**Consented to Service by Email**

7 Thomas Van Flein, Director

8 Office of General Counsel

9 ARIZONA CORPORATION COMMISSION

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11 Phoenix, AZ 85007

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**Consented to Service by Email**

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