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RIO VERDE UTILITIES, INC.
DOCKET NOS. WS-02156A-00-0321 & WS-02156A-00-0322 ARIZONA CORP COMMISSION
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Summary of Testimony of Dan L. Neidlinger

My original and revised overall recommendations concerning revenue requirements are summarized on my Schedules DLN-1 (Direct) and DLN-3 (Surrebuttal). I originally recommended a \$203,100 or 22.25% increase in water revenues and a \$111,667 or 20.72% increase in sewer revenues in contrast with the Company's requested increases of 51% and 40% in water and sewer revenues, respectively. These percentages are inclusive of the existing "temporary" CAP surcharge, which I assume will be rolled into base rates in this proceeding. In my Surrebuttal Testimony, I accepted certain of the Company's proposed adjustments, which raised my recommended revenue increases to \$246,079 (water) and \$112,853 (sewer). The largest reason for the difference between my proposed revenue requirements and those of the Company is my exclusion from rate base of water and wastewater plant that clearly represents excess capacity at the present time.

I am recommending that the current rates be adjusted upwardly on a modified across-the-board basis. Finally, I recommend that water and sewer connect fees both be increased to \$2,000. The current level of connect fees would continue to be treated as revenues, but the increases: \$1,500 for water and \$1,000 for sewer, would be treated as contributions-in-aid to plant.

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