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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

MAY 27 2005

COMMISSIONERS

- JEFF HATCH-MILLER -- Chairman
- WILLIAM A. MUNDELL
- MARC SPITZER
- MIKE GLEASON
- KRISTIN K. MAYES

DOCKETED BY	<i>RS</i>
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IN THE MATTER OF THE APPLICATION OF
 CHAPARRAL CITY WATER COMPANY, INC.,
 AN ARIZONA CORPORATION, FOR A
 DETERMINATION OF THE CURRENT FAIR
 VALUE OF ITS UTILITY PLANT AND
 PROPERTY AND FOR INCREASES IN ITS
 RATES AND CHARGES FOR UTILITY SERVICE
 BASED THEREON.

DOCKET NO. W-02113A-04-0616

STAFF'S NOTICE OF FILING
WITNESS SUMMARIES

Staff of the Arizona Corporation Commission hereby files the Witness Summary of Jamie Moe, of the Utilities Division in the above-referenced matter.

RESPECTFULLY SUBMITTED this 27th day of May, 2005.

David Ronald

David M. Ronald
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The original and thirteen (13) copies of the foregoing were filed this 27th day of May, 2005 with:

Docket Control
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007

Copy of the foregoing were mailed this 27th day of May, 2005 to:

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2005 MAY 27 P 3:11

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**SUMMARY OF PRE-FILED TESTIMONY
BY JAMIE R. MOE FOR
CHAPARRAL CITY WATER COMPANY
DOCKET NO. W-02113A-04-0616**

Staff recommends total annual operating revenue of \$7,012,536 and operating income of \$1,139,416 for a 7.60 percent rate of return on an original cost rate base ("OCRB") of \$14,992,322, or a 6.23 percent rate of return on a fair value rate base ("FVRB") of \$18,301,855. Staff's recommended revenue represents an increase of \$809,692, or 13.05 percent over test year revenues of \$6,202,844. Under Staff's revised recommended rates, the average residential ¾-inch meter customer consuming 9,187 gallons per month would experience a \$3.22, or 10.55 percent, increase in his/her monthly bill from \$30.49 to \$33.71.

Staff recommends denial of rate base treatment for the post test year plant related to the expansion to the Shea Water Treatment Plant. It is inappropriate to include post test year plant which is revenue producing in rate base.

Staff recommends allowance of the Fountain Hills Boulevard transmission main into rate base. Staff finds that the transmission main would have been necessary for test year customers as it loops the water system and will assist the Company in compliance with arsenic remediation. Staff finds that any potential revenues associated with the transmission main are incidental to the benefits ratepayers will receive.

Staff recommends denial of the Company's proposed adjustment mechanisms for purchased water and purchased power. Staff's analysis does not show a material level of fluctuation for these accounts which demonstrated the need for the adjustment mechanisms.

Staff recommends normalization adjustments based upon a three year historical average to adjust the operating expense accounts related to Office Supplies, Outside Services, Transportation Expenses and Miscellaneous Expenses. Due to changes in the expense levels in the previous three years, an appropriate rate making tool is to normalize these expenses.

Staff recommends that the amounts collected by the Company pursuant to the off-site hook-up charge shall be non-refundable CIAC, as this is the typical regulatory treatment of hook-up charges of this nature. Staff also recommends that all funds collected by the Company as off-site hook-up fees be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of the off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system, and that the Company shall file a calendar year report be each February 28th with the Compliance Manager of the Utilities Division of the Arizona Corporation Commission annually detailing all changes in the account.

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BY JAMIE R. MOE FOR
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DOCKET NO. W-02113A-04-0616**

Staff recommends an inverted tier rate design that consists of three tiers for the residential 3/4-inch meter customers and two tiers for all others. The additional tier for the residential 3/4-inch meters is for the first 3,000 gallons, an estimate of residential non-discretionary use. Except for the 3,000 gallon breakover point for the non-discretionary tier, breakover points increase by meter size. Efficiency in water use is encouraged by producing a higher customer bill with increased consumption or use of a larger meter. Staff's recommended rates are presented on Schedules JRM-29.