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6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE  
 9 APPLICATION OF CORNADO  
 10 UTILITIES, INC. FOR A CERTIFICATE  
 11 OF CONVENIENCE AND NECESSITY  
 TO PROVIDE WASTEWATER SERVICE  
 IN PINAL COUNTY, ARIZONA.

DOCKET NO: SW-04305A-05-0086

12 IN THE MATTER OF THE  
 13 APPLICATION OF CORONADO  
 14 UTILITIES, INC., AN ARIZONA  
 CORPORATION, FOR AUTHORITY TO  
 15 ISSUE SHORT AND LONG-TERM  
 DEBT INSTRUMENTS IN  
 CONNECTION WITH FINANCING  
 16 THE ACQUISITION OF THE  
 WASTEWATER UTILITY PLANT OF  
 BHP COPPER, INC. AND  
 17 CONSTRUCTING IMPROVEMENTS  
 THERETO.

DOCKET NO. SW-04305A-05-0087

(Consolidated)

NOTICE OF FILING REBUTTAL  
TESTIMONY OF JASON P.  
WILLIAMSON

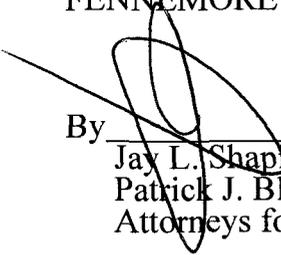
19 Coronado Utilities, Inc., an Arizona corporation, hereby submits this Notice of  
 20 Filing Rebuttal Testimony of Jason P. Williamson in the above-referenced matter.

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RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of January, 2006.

FENNEMORE CRAIG, P.C.

By   
Jay L. Shapiro  
Patrick J. Black  
Attorneys for Coronado Utilities, Inc.

ORIGINAL and 15 copies of the foregoing  
filed this 24<sup>th</sup> day of January, 2006 with:

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

COPIES of the foregoing hand-delivered  
this 24<sup>th</sup> day of January, 2006 to:

Jeff Hatch-Miller, Chairman  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

William A. Mundell, Commissioner  
Arizona Corporation Commission  
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1 Jason Gellman  
2 Arizona Corporation Commission  
3 Legal Division  
4 1200 West Washington Street  
5 Phoenix, AZ 85007

6 COPIES of the foregoing sent  
7 via e-mail and U.S. mail this  
8 24<sup>th</sup> day of January, 2006 to:

9 Jane Rodda, Administrative Law Judge  
10 Hearing Division  
11 Arizona Corporation Commission  
12 400 West Congress  
13 Tucson, AZ 85701

14 COPIES of the foregoing sent  
15 via U.S. mail this 24<sup>th</sup> day of January, 2006 to:

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DOCKET NO. SW-04305A-05-0087

**(Consolidated)**

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**REBUTTAL TESTIMONY OF JASON P. WILLIAMSON**

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1 **I. INTRODUCTION.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jason P. Williamson and my business address is 6825 E. Tennessee,  
4 Suite 547, Denver Co 80224.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION IN**  
6 **THIS PROCEEDING?**

7 A. Yes, on behalf of the applicant, Coronado Utilities, Inc. ("Coronado"), I testified  
8 twice before the presiding administrative law judge. In addition, my Direct  
9 Testimony for the January 27, 2006 hearing was prefiled on December 28, 2005.

10 **Q. WHY ARE YOU SUBMITTING THIS PREFILED REBUTTAL**  
11 **TESTIMONY?**

12 A. To provide Coronado's response to the Second Amended Staff Report filed  
13 January 17, 2006.

14 **Q. DOES CORONADO HAVE ANY OBJECTION TO THE ANALYSES OR**  
15 **RECOMMENDATIONS CONTAINED IN THE SECOND AMENDED**  
16 **STAFF REPORT?**

17 A. Just one. Staff's recommendation that the Commission order Coronado to file a  
18 rate case 15 months after the new wastewater facility is constructed and phase two  
19 rates take effect is ill-advised. As a compromise, we recommend that the  
20 Commission require a rate filing no less than 24 months after the phase two rates  
21 take effect.

22 **II. RESPONSE TO SECOND AMENDED STAFF REPORT.**

23 **Q. HAVE YOU REVIEWED THE SECOND AMENDED STAFF REPORT?**

24 A. Yes, and as stated, we are in agreement with Staff on this report, including the Staff  
25 recommendations, with the exception of Staff's recommendation that Coronado be  
26 ordered to file a rate case within 15 months of phase two rates going into effect.

1 **Q. PLEASE DESCRIBE THE RATE PHASING BEING RECOMMENDED BY**  
2 **STAFF AND CORONADO?**

3 A. In my direct testimony filed in December, Coronado proposed to add a third phase  
4 to the implementation of new rates. Phase one would take effect upon issuance of  
5 a Commission order approving the requested CC&N and remain in effect until the  
6 new wastewater treatment facility is completed. Phase two rates would take effect  
7 when the new plant is in service, approved by ADEQ and after notice is provided  
8 to customers. Phase two, which is being made possible by a subsidy from BHP  
9 Copper, would remain in effect for 12 months, at which time the third and final  
10 phase would take effect. Staff has accepted this proposal without material change.

11 **Q. DID STAFF PREVIOUSLY RECOMMEND THAT THE COMMISSION**  
12 **REQUIRE CORONADO TO FILE A RATE CASE?**

13 A. Yes, Staff recommended that the Company file a rate case after three full years of  
14 operation, a recommendation that Coronado accepted. In the Second Amended  
15 Staff Report, Staff now seeks to move that filing up and recommends that it be  
16 made 15 months after the plant is completed and the second phase rates take effect.

17 **Q. DOES STAFF EXPLAIN THE REASON FOR CHANGING ITS**  
18 **RECOMMENDATION?**

19 A. Staff merely asserts that this recommendation will insure that rates and costs are  
20 synchronized.

21 **Q. DOES CORONADO AGREE?**

22 A. No, if anything, Staff's accelerated timetable for a rate case will make it more  
23 likely that Coronado's rates and costs are not synchronized.

24 **Q. WHY IS THAT MR. WILLIAMSON?**

25 A. Because a rate case filed 15 months after the new wastewater treatment facility is  
26 brought into service is too soon. Let's assume that the new plant is placed on line

1 and the phase two rates go into effect on January 1, 2007. Under Staff's  
2 recommendation, a rate case would have to be filed by March 31, 2008. In order to  
3 meet that deadline, it is unlikely we would even have a full test year of operating  
4 expenses with the new plant in service because it is likely to take us 4-6 months to  
5 prepare a rate case.

6 **Q. WOULD IT BE APPROPRIATE TO FILE A RATE CASE BASED ON A**  
7 **TEST YEAR THAT DID NOT INCLUDE 12 MONTHS OF OPERATING**  
8 **THE NEW TREATMENT FACILITY?**

9 A. Absolutely not. The operating expenses of a brand new facility that are being used  
10 to set new rates would not bear a realistic relationship to Coronado's true costs of  
11 operating during the period new rates will be in effect.

12 **Q. COULDN'T CORONADO MOVE MORE QUICKLY AND PREPARE A**  
13 **RATE CASE IN THREE MONTHS BASED ON A TEST YEAR ENDING**  
14 **DECEMBER 31, 2007?**

15 A. Frankly, I don't know, but let's assume we can—that still does not mean that the  
16 filing would be based on data that accurately reflects Coronado's costs of operating  
17 with the new treatment plant in service.

18 **Q. WHY IS THAT MR. WILLIAMSON?**

19 A. Because it is unrealistic to assume that the plant will go into operation on January 1  
20 and there will be no significant changes that impact operating expenses during the  
21 first 12 months. Most problems with a new facility will become known in the first  
22 year and steps taken to address those problems will likely have an effect on  
23 Coronado's operating expenses. Requiring us to file a rate case based on a test  
24 year that includes the start up of the new plant runs the risk that our test year  
25 operating expenses will not accurately reflect our costs during the period the new  
26 rates will be in effect. In fact, while I cannot be certain, I would venture to guess

1 that Staff's recommendation will result in artificially high rates because it is likely  
2 that the longer we can operate the new facility before seeking rate increases the  
3 more likely we can address any operational issues and, if possible, find ways to  
4 reduce costs.

5 **Q. WHAT DOES CORONADO RECOMMEND?**

6 A. We recommend that a rate case be required no less than 24 months after the new  
7 plant is in service and the phase two rates go into effect. That would leave us 6-8  
8 months to operate the plant and address any issues, 12 months for a test year and 4-  
9 6 months to prepare and file the rate case. This way we can maximize the  
10 likelihood that the test year operating expenses will bear a close relationship to the  
11 costs that will be incurred on a going-forward basis, a benefit to both Coronado and  
12 its customers.

13 **Q. DOES THAT CONCLUDE YOUR REBUTAL TESTIMONY?**

14 A. Yes.

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