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ORIGINAL

THE ARIZONA CORPORATION COMMISSION

1999 OCT -8 A 11:56

AZ CORP COMMISSION  
DOCUMENT CONTROL

- 2 CARL J. KUNASEK
- CHAIRMAN
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- 4 COMMISSIONER
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- COMMISSIONER

6 IN THE MATTER OF THE JOINT  
 7 APPLICATION OF SUN CITY WATER  
 COMPANY AND SUN CITY WEST  
 8 UTILITIES COMPANY FOR APPROVAL OF  
 9 CENTRAL ARIZONA PROJECT WATER  
 UTILITIZATION PLAN AND FOR AN  
 10 ACCOUNTING ORDER AUTHORIZING A  
 11 GROUNDWATER SAVINGS FEE AND  
 12 RECOVER OF DEFERRED CENTRAL  
 ARIZONA PROJECT EXPENSES.

DOCKET NO. W-01656A-98-0577  
~~SW-02334A-98-0577~~  
 WS

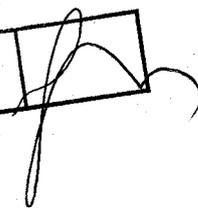
**NOTICE OF FILING  
REJOINDER TESTIMONY**

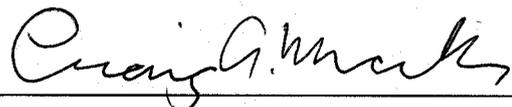
13 Citizens Utilities Company hereby provides Notice of Filing Rejoinder  
 14 Testimony for Carl W. Dabelstein, Ray L. Jones, Terri Sue C. Rossi, and Blain  
 15 Akine in the above-referenced docket.

16 RESPECTFULLY SUBMITTED this October 8, 1999.

Arizona Corporation Commission  
**DOCKETED**

OCT 08 1999

DOCKETED BY 



Craig A. Marks  
 Associate General Counsel  
 Citizens Utilities Company  
 2901 N. Central Avenue, Suite 1660  
 Phoenix, Arizona 85012

25 Original and ten copies filed this  
 26 October 8, 1999, with:

- 27 Docket Control
- Arizona Corporation Commission
- 28 1200 West Washington
- 29 Phoenix, Arizona 85007

1 Copies of the foregoing mailed/delivered  
2 this October 8, 1999, to:

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4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, Arizona 85007

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8 Arizona Corporation Commission  
9 1200 West Washington  
10 Phoenix, Arizona 85007

11 Deborah R. Scott  
12 Arizona Corporation Commission  
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17 2828 North Central Avenue  
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19 Phoenix, Arizona 85004

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10448 W. Coggins, Ste. C  
Sun City, Arizona 85351

By:   
Joann Zychlewicz

G:\Craig~docs\CAP Notice of Filing Rejoinder Testimony.doc

1 **INTRODUCTION**

2 Q. Please state your name and business address.

3 A. My name is Carl W. Dabelstein. I am Vice-President for Regulatory Affairs  
4 of the Public Service Sector of Citizens Utilities Company. My business  
5 address is 2901 North Central Avenue, Phoenix, Arizona 85012.

6  
7 Q. Are you the same Carl W. Dabelstein that filed Rebuttal Testimony in this  
8 proceeding?

9 A. Yes.

10  
11 Q. What is the purpose of your testimony?

12 A. I am filing rejoinder testimony to the surrebuttal testimony of RUCO  
13 witness Ms. Cortez, Arizona Corporation Commission Staff Witness Mr.  
14 Fernandez, and Sun City Taxpayers Association witness Mr. Husted.

15  
16 **REJOINDER TO MS. CORTEZ AND MR. FERNANDEZ**

17 Q. With what elements of these witnesses' testimony do you disagree?

18 A. Both Ms. Cortez and Mr. Fernandez continue to oppose the inclusion of a  
19 return on the unamortized balance of the deferred CAP capital costs during  
20 the recovery period.

21  
22 Q. On what basis do they support their position?

23 A. Ms. Cortez bases her position on the assertion that the CAP deferred  
24 payments do not meet the "used-and-useful" test and that the Commission,  
25 in its Decision No. 61831, denied Paradise Valley Water Company the  
26 inclusion of carry costs or a return on its deferred CAP costs for which  
27 recovery was being allowed in rates.

1 Q. Do you agree with her position?

2 A. No, I do not. As more fully addressed in the testimonies of Ms. Rossi and  
3 Mr. Jones, the used and useful test has been met with respect to our CAP  
4 water deferred capital payments. Consistent with the traditional application  
5 of the used-and-useful test, once it has been met, such amounts are  
6 reflected in rates, including a return on the unamortized balance.

7

8 With respect to Commission Decision No. 61831, there are other decisions  
9 that also address the propriety of considering the time value of money  
10 associated with deferred CAP capital payments. For example, in Decision  
11 No. 58120 (December 1992), an Arizona Water Company rate case, the  
12 Commission did allow that company to include in rate base deferred CAP  
13 capital payments relating to the portion satisfying the used-and-useful test.  
14 The order notes that RUCO did not challenge the inclusion of the deferred  
15 CAP costs in rate base. The order also explicitly recognized the time value  
16 of money by stating that Arizona Water could accrue AFDC on the deferred  
17 balances, for which recovery through rates had not yet been granted, if it  
18 chose to do so.

19

20 Q. With what do you disagree about Mr. Fernandez's position?

21 A. Mr. Fernandez characterizes CAP cost recovery as a pass-through, which  
22 should not be subject to a rate of return. I do not agree with that  
23 characterization, and would also submit that, under most pass-through  
24 mechanisms, cost recovery occurs within a relatively short period of time  
25 (i.e., monthly, quarterly, etc), thereby mitigating the effect of not  
26 recovering the time value of money.

27

28

29

1 **REJOINDER OF MR. HUSTEAD**

2 Q. With what portions of the surrebuttal testimonies of the Sun City Taxpayers  
3 Association witness Mr. Hustead do you disagree?

4 A. At Page 10 of his surrebuttal testimony, Mr. Hustead alleges that Mr. Jones  
5 and I have mischaracterized the Commission's findings in Decision No.  
6 60172. He then proceeds to cite certain elements from the Commission's  
7 Decision No. 58750. At Page 16 of his surrebuttal testimony he then  
8 recommends against any recovery of a return on deferred CAP costs.

9  
10 For the reasons previously stated, I obviously disagree with his position on  
11 the consideration of a return or carrying charges in connection with  
12 deferred CAP capital costs.

13  
14 Q. Please elaborate.

15 A. With respect to Mr. Hustead's allegation that Mr. Jones and I have  
16 mischaracterized the Commission's Decision No. 60172, I submit that the  
17 Order is quite specific with respect to the deferral and cost recovery. As  
18 clearly indicated at Page 10 of the Decision, Citizens was not permitted cost  
19 recovery at that time because it had not satisfied the used and useful test,  
20 and did not meet the "known and measurable" test, because it has no  
21 definitive plan for CAP water use. The Order also states, (page 10, l.14),  
22 "We will, however, allow Citizens to defer CAP capital costs for future  
23 recovery from ratepayers when the CAP allocation has been put to  
24 beneficial use for Citizens' ratepayers" (*emphasis added*). It is noteworthy  
25 that the Commission did not order deferral solely for future regulatory  
26 consideration; it ordered deferral for "future recovery from ratepayers".  
27 Clearly it intended to permit rate recovery when the required tests were  
28 satisfied.

1 At this time both of the required cost recovery tests have been met.

2 Therefore, Citizens should be afforded a reasonable opportunity recovery its  
3 deferred CAP capital costs, including a return.

4  
5 Q. Does this conclude your rejoinder testimony?

6 A. Yes. It does.  
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1 **INTRODUCTION**

2 Q. Please state your name and business address.

3 A. My name is Ray L. Jones. My business address is 15626 N. Del Webb  
4 Boulevard, Sun City, Arizona 85351.

5  
6 Q. Are you the same Ray L. Jones who presented pre-filed direct and rebuttal  
7 testimonies in these proceedings on behalf of Sun City Water Company and  
8 Sun City West Utilities Company (collectively "Citizens")?

9 A. Yes, I am.

10  
11 Q. What is the purpose of your testimony?

12 A. I am addressing the rebuttal testimonies of Mary Elaine Charlesworth on  
13 behalf of the Sun City Taxpayers Association ("SCTA") and Claudio M.  
14 Fernandez on behalf of the Arizona Corporation Commission  
15 ("Commission") Staff.

16  
17 **REJOINDER TO MARY ELAINE CHARLESWORTH**

18 Q. Have you reviewed Ms. Charlesworth's surrebuttal testimony?

19 A. Yes, I have.

20  
21 Q. What is the nature of Ms. Charlesworth's testimony?

22 A. Ms. Charlesworth's testimony is largely a restatement of previous testimony  
23 with a few new arguments added. As explained in detail in the rejoinder  
24 testimony of Terri Sue C. Rossi, Ms. Charlesworth's testimony continues to  
25 be largely superfluous to the question at hand—what CAP water use plan  
26 should be implemented in the Sun Cities?

1 Q. Are there any particular areas of Ms. Charlesworth's testimony that you  
2 would like to address?

3 A. Yes, I would. Ms. Charlesworth attempts to justify her position by  
4 misrepresenting the actions of Citizens in this matter. As the General  
5 Manager of this operation I feel compelled to respond.

6  
7 Q. Please continue.

8 A. Ms. Charlesworth characterizes Citizens as simply a "...for profit  
9 company...imposing costs on its ratepayers..." While Citizens is entitled by  
10 the Arizona Constitution to a fair return, in this case, Citizens is not  
11 imposing costs or anything else on its ratepayers. The plan before the  
12 Commission is not Citizens' plan. It is the CAP Task Force's plan. It is  
13 indisputably a plan developed and supported by the communities of Sun  
14 City and Sun City West. The plan is supported by Citizens as the best plan  
15 for these communities, not because it is necessarily best for Citizens, but  
16 rather, because the communities have decided that it is best for them.

17  
18 Q. Do you agree with Ms. Charlesworth's statement that Citizens dictated  
19 which persons were allowed to participate in the Task Force and that  
20 Citizens controlled the agendas of the meetings, along with the flow of  
21 information.

22 A. No, I do not. This is a blatant misrepresentation of Citizens' role in this  
23 matter. Citizens took the hard-learned lessons from Commission Decision  
24 60172 to heart. Clearly, no party to that case, except Citizens, felt that  
25 Citizens had adequately consulted with and considered the community in  
26  
27  
28  
29

1 proposing the Agua Fria Recharge Project as Citizens' preferred option. In  
2 the end, Citizens too came to believe that the community had not  
3 adequately participated. Citizens was determined not to repeat its mistake.  
4

5 On pages 8 through 17 of her direct testimony, Ms. Rossi thoroughly  
6 explained the CAP Task Force, Citizens' role in the Task Force, how the  
7 Task Force was designed and formed and other matters related to the  
8 development and implementation of the Task Force. Specifically, Ms. Rossi  
9 addresses the issue of how the groups who participated in the Task Force  
10 were picked and how individual members were assigned. Citizens hired an  
11 independent, professional facilitator who interviewed more than a dozen  
12 community leaders in Sun City, Sun City West, and Youngtown including  
13 representatives of those parties who intervened in the 1995 rate  
14 proceeding. And in fact, representatives of SCTA were interviewed.  
15

16 Based on these interviews, Citizens sent out letters to the leaders of the  
17 organizations recommended for participation explaining the CAP Task Force  
18 process, inviting each group to assign two individuals to represent their  
19 organizations on the Task Force. Citizens obtained membership  
20 authorization forms from each participating organization indicating who the  
21 official representatives would be. The forms were signed by the presidents  
22 of each organization. The membership authorization form signed by Ms.  
23 Charlesworth is attached as Exhibit RLJ-1.  
24

25 Not only did SCTA and the other organizations pick their own members, but  
26 as indicated in Ms. Rossi's Rebuttal Testimony, Ms. Charlesworth began  
27 attending the Task Force meetings and behaved as a third authorized  
28  
29

1 representative for SCTA. Neither Citizens nor the other Task Force  
2 members objected to this or attempted to stop it. SCTA even brought their  
3 attorney to a Task Force meeting, where he also behaved like a Task Force  
4 member. Task Force members did object to this fourth SCTA  
5 representative, but Citizens did not object. To my knowledge, no other  
6 Task Force member was represented by counsel at Task Force meetings.

7  
8 Fred L. Kreiss, then General Manager for Citizens' Maricopa Water  
9 Operations, assigned Terri Sue C. Rossi and me to be Citizens' two Task  
10 Force representatives.

11  
12 Ms. Charlesworth's contention -- that Citizens hand-picked the CAP Task  
13 Force members and controlled the Task Force -- is baseless.

14  
15 Q. Considering the SCTA testimony in its entirety, why does the SCTA believe  
16 that the CAP Task Force's plan should not be implemented in Sun City?

17 A. SCTA employs paradoxical and inconsistent arguments to support its  
18 position.

19  
20 As an example, SCTA argues that the water-use option must provide  
21 tangible, direct benefits. Simultaneously, SCTA argues that the water-use  
22 option must be the least-cost option. The goal is to pit these two standards  
23 against one another to force a standoff. Next, SCTA argues that all least-  
24 cost alternatives cannot provide direct benefits. SCTA then argues that all  
25 direct-benefit projects are not least-cost alternatives. So, if the water-use  
26 option is consistent with one standard, it cannot be consistent with the  
27 other. Thus, no project is acceptable, except of course relinquishment.

1 What SCTA fails to recognize is that its own preferred option,  
2 relinquishment, is inconsistent with both of SCTAs standards.  
3 Relinquishment provides no direct benefit and costs more than storing CAP  
4 water at the Agua Fria Recharge Project or at the MWD GSF. The costs  
5 associated with relinquishment are discussed in the Final Task Force Report.  
6 On page 10, the Task Force report indicates that pumping costs will  
7 increase 50% over today's pumping costs. Additionally, just to reacquire  
8 the same amount of CAP water at a later date would cost \$2.30 per month  
9 per household, versus the \$1.35 per household per month proposed by the  
10 Task Force to payback the deferrals and to recharge the CAP water today.  
11

12 **REJOINDER TO CLAUDIO M. FERNANDEZ**

13 Q. Can you explain why Mr. Fernandez cannot reconcile the statement in your  
14 Rebuttal Testimony that Citizens is asking for recovery of \$1,356,220?

15 A. Yes, I can. My figure is in error. As explained by Mr. Fernandez, Mr.  
16 Dabelstein's Rebuttal Testimony presented incorrect figures for the amount  
17 of recovery of deferred CAP charges for both Sun City and Sun City West.  
18 My figure of \$1,356,220 is the sum of the two incorrect numbers contained  
19 in Mr. Dabelstein's Rebuttal Testimony.  
20

21 The amounts in my Rebuttal Testimony at Page 10, Line 2 and 6, should be  
22 \$1.3 million instead of \$1.5 million and \$1,195,515 instead of \$1,356,220.  
23

24 Q. Please explain the \$423,696 (\$157,464 attributed to the Sun Cities)  
25 December payment referenced in your Rebuttal Testimony?  
26  
27  
28  
29

1 A. The payment is the first one-half of the Year 2000 capital charge.  
2 Assuming the Commission allowed Citizens to begin charging for ongoing  
3 CAP costs on January 1, 2000, none of this amount would be deferred.  
4

5 Q. Is Mr. Fernandez correct when he concludes that Citizens should not be  
6 allowed to collect carrying charges because the company did not take  
7 physical possession of its CAP water allocation for 16 years after the  
8 contract was signed?

9 A. No, he is not correct. First, the term of the CAP contracts begin in 1993  
10 when the CAP project was declared complete, not in 1985 when they were  
11 signed. Only six years of the contract has passed.

12  
13 Second, Mr. Fernandez's premise is not consistent with the intended time for  
14 using CAP water. CAP water allotments were based on year-2034  
15 population estimates and water-usage estimates. Clearly, the general  
16 conclusion that all water should have been used beginning in the first year  
17 of the contract is not correct. It has always been anticipated that CAP  
18 subcontractors would phase in CAP use over time. This is evidenced by the  
19 April 19, 1985, letter from William P. Brink, P.E., Environmental Engineer  
20 for Citizens, to the U.S. Bureau of Reclamation and related Preliminary  
21 Water Delivery Schedule for CAP Water Service attached as RLJ-2. This  
22 document clearly shows that Citizens has always intended to phase-in the  
23 use of CAP water. The mere fact that the Bureau of Reclamation requested  
24 the schedule, is evidence that they did not envision CAP subcontractors  
25 taking their full allotment in the first year of a subcontract. In fact, if the  
26 CAP Task Force's plan is approved by the Commission, CAP usage will be  
27 well ahead of the 1985 projections.

1 Third, Citizens has been making substantial efforts to put CAP water to use.  
2 Those efforts include water-resource planning studies, feasibility studies,  
3 presenting Citizens plan in the 1995 rate case, sponsoring the CAP Task  
4 Force and making this filing. Citizens is not asking for recovery of any of  
5 these costs.

6  
7 Finally, when compared to other West Valley CAP Subcontractors, Citizens  
8 is making appropriate efforts to put its CAP water to use. Of the 16 West  
9 Valley CAP Subcontractors only Glendale and Peoria currently use CAP  
10 water, with Peoria beginning use only last year. It should be noted that  
11 Glendale and Peoria are closest to the CAP canal and have developed a joint  
12 project. It is a natural progression for CAP use to spread outward from the  
13 canal to the more distant users.

14  
15 When reviewed objectively, Citizens is exactly on track with its use of CAP  
16 water. It is not correct to link the payment of capital charges to the use of  
17 CAP water in the early years of a subcontract. The task of using CAP water  
18 is large and complex. It is necessary and normal to incur capital costs prior  
19 to actually using CAP water.

20  
21 Q. Does this conclude your testimony?

22 A. Yes, it does.  
23  
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25  
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29

## MEMORANDUM

TO: Terri Sue C. Rossi, Water Resources Supervisor  
 FROM: SUN CITY TAXPAYERS ASSOCIATION  
 SUBJECT: Authorized Representatives for Public Planning Process  
 ATE: February 2, 1998  
 CC: File

## ORGANIZATION

Name: SUN CITY TAXPAYERS ASSOCIATION  
 Address: 12630 N. 103 RD AVE  
 Phone Number: 933-7530  
 Facsimile Number: \_\_\_\_\_

## AUTHORIZED REPRESENTATIVES:

Name: PRESTON WELCH  
 Home Address: 13018 N. 99TH DRIVE  
 Home Phone: 933-6343  
 Home Facsimile: \_\_\_\_\_

Name: RAY DARE  
 Home Address: 10725 W CHERYL DR.  
 Home Phone: 972-8460  
 Home Facsimile: \_\_\_\_\_

As president of the organization listed above, I authorize the above listed individuals to represent my organization in the public planning process. Should our Board change either of the individuals listed above, we will inform you of that change in writing under the signature of the president.

MARY ELAINE CHARLESWORTH  
 Printed Name

Mary Elaine Charlesworth  
 Authorized Signature

2/5/98  
 Date

APR 22 1985

DEC

# CITIZENS UTILITIES COMPANY



EXHIBIT RLJ-2

ADMINISTRATIVE OFFICES • HIGH RIDGE PARK • STAMFORD, CONNECTICUT 06905 • 203/329-8800

**ELECTRIC**

KINGMAN, ARIZ  
LAKE HAVASU CITY, ARIZ  
NOGALES, ARIZ  
KAUALI, HAWAII  
WALLACE, IDAHO  
NEWPORT, VT

April 19, 1985

Mr. Edward M. Hallenbeck, Project Manager  
Arizona Projects Office  
U. S. Bureau of Reclamation  
P. O. Box 9980  
Phoenix, AZ 85068

**GAS**

NOGALES, ARIZ  
LA JUNTA, COLO

Re: Preliminary Schedule for  
Delivery of CAP Water

**TELEPHONE**

BULLHEAD CITY, ARIZ  
KINGMAN, ARIZ  
LAKE HAVASU CITY, ARIZ  
ALTURAS, CAL  
BURNLEY, CAL  
ELK GROVE, CAL  
FERNDALE, CAL  
RIO VISTA, CAL  
SUSANVILLE, CAL  
BIG RUN, PA  
NEW BETHLEHEM, PA

Dear Mr. Hallenbeck:

Enclosed, per your request, is a completed "Preliminary Water Delivery Schedule for CAP Water Service" for the following water companies:

1. Sun City Water Company
2. The Agua Fria Division of Citizens Utilities Company
3. The Santa Cruz Water Division of Citizens Utilities Company

**WATER**

RIVIERA, ARIZ  
SUN CITY, ARIZ  
SUN CITY WEST, ARIZ  
TUBAC, ARIZ  
FELTON, CAL  
FERNDALE, CAL  
GUERNEVILLE, CAL  
JACKSON, CAL  
LOS ALTOS, CAL  
MONTARA, CAL  
NO SACRAMENTO, CAL  
SANTA ROSA, CAL  
WEST SACRAMENTO, CAL  
WALLACE, IDAHO  
ADDISON, ILL  
KOKOMO, IND  
BRIMFIELD, OHIO  
WESTERVILLE, OHIO  
LAKE HERITAGE, PA  
ROYERSFORD, PA  
WIND GAP, PA  
WYOMISSING HILLS, PA

These schedules represent our present estimate of the annual increase in Citizens' use of its Central Arizona Project (CAP) water allocation. However, Citizens' scheduled use of the CAP water supply may change, depending upon the future rate and density of development within its certificated area.

CITIZENS UTILITIES COMPANY

Mr. Edward M. Hallenbeck

-2-

April 19, 1985

We understand that these preliminary delivery schedules are only intended to assist the Bureau of Reclamation in approximating CAP water delivery requirements during the early years of the project. Accordingly, such submission does not commit any water company to enter into a contract for yearly receipt of CAP water corresponding to these schedules.

Very truly yours,

*WPS*  
William P. Brink, P.E.  
Environmental Engineer

WPB:dr

E22B:4

Enclosure

cc: D. E. Chardavoyne, CUC ✓  
L. J. Smith, Esq., Evans, Kitchel & Jenckes

bcc: B. E. Taylor  
S. Gudovic  
W. J. Raymo  
D. B. Petty

**Preliminary Water Delivery Schedule  
for CAP Water Service**

Name Citizens Utilities Company, Agua Fria Division and Sun City Water Company

Address High Ridge Park

Stamford, CT, ~~Arizona~~ 06905  
Zip Code

Phone # 203/329-8800

Representative William P. Brink, P.E., Environmental Engineer

Are you planning to contract for CAP water?

Yes   X   No \_\_\_\_\_

Have you executed a CAP water service subcontract?

Yes \_\_\_\_\_ No   X  

Would you be interested in a contract for interim water service?

Yes \_\_\_\_\_ No   X  

Please indicate approximately how much CAP water you plan to schedule for delivery in the following years. If you do not intend to schedule water for delivery in a given year, enter -0-:

1985	<u>          0          </u>	acre feet
1986	<u>          0          </u>	acre feet
1987	<u>          0          </u>	acre feet
1988	<u>          0          </u>	acre feet
1989	<u>          0          </u>	acre feet
1990	<u>          0          </u>	acre feet
1991	<u>          0          </u>	acre feet
1992	<u>          0          </u>	acre feet
1993	<u>          0          </u>	acre feet
1994	<u>          0          </u>	acre feet
1995	<u>          380          </u>	acre feet
1996	<u>          770          </u>	acre feet
1997	<u>         1,150          </u>	acre feet
1998	<u>         1,540          </u>	acre feet
1999	<u>         1,920          </u>	acre feet
2000	<u>         2,300          </u>	acre feet

Please return this form by March 15, 1985 to:

U. S. Bureau of Reclamation  
Arizona Projects Office  
P. O. Box 9980  
Phoenix, Arizona 85068  
Attn: Pam Kohnken

1 **INTRODUCTION**

2 Q. Please state your name, title and business address.

3 A. My name is Terri Sue C. Rossi. I am the Manager of Water Resources for  
4 Citizens Water Resources. My business address is 15626 N. Del Webb  
5 Boulevard, Sun City, Arizona 85351.

6  
7 Q. Are you the same Terri Sue C. Rossi who presented pre-filed direct and  
8 rebuttal testimonies in these proceedings on behalf of Sun City Water  
9 Company and Sun City West Utilities Company (collectively "Citizens")?

10 A. Yes, I am.

11  
12 Q. What is the purpose of your rejoinder testimony?

13 A. I am responding to the rebuttal testimonies of Mary Elaine Charlesworth  
14 and Dennis Husted for the Sun City Taxpayers Association ("SCTA"), and  
15 Marylee Diaz Cortez for the Residential Utility Consumer Office ("RUCO").  
16

17 **REJOINDER TO MARY ELAINE CHARLESWORTH**

18 Q. Have you reviewed Ms. Charlesworth's surrebuttal testimony?

19 A. Yes.  
20

21 Q. Please summarize SCTA's reasons for why Sun City Water Company  
22 customers should be free of their responsibility to pay for CAP water?

23 A. Ms Charlesworth's arguments are summarized below.

- 24 1. Citizens has never presented and refuses to present evidence of any  
25 direct benefits justifying the Task Force's recommended plan.  
26 2. Citizens has never weighed the costs and benefits of using CAP water.  
27  
28  
29

- 1 3. Citizens has waited fourteen years to put its CAP allocation to use,  
2 wasting years of life in its CAP subcontract.
- 3 4. Citizens created and controlled a supposedly "community-based" task  
4 force where unwitting participants were forced by Citizens to agree to  
5 an expensive, unnecessary project just to make a profit.
- 6 5. Relinquishment, as an option, was never fully considered by the CAP  
7 Task Force.
- 8 6. The decision to use CAP water can only be made by a vote of 78,000  
9 ratepayers in Sun City and Sun City West.
- 10 7. The estimated cost for the groundwater savings project for the golf  
11 courses is more expensive than it needs to be.
- 12 8. Citizens signed its CAP subcontract as an incentive for development  
13 and never intended to use the supply for existing water users.
- 14

15 Q. Please address the first two arguments.

16 A. SCTA contends that Citizens has not provided any evidence of direct  
17 benefits and has not weighed the costs of the project against the benefits  
18 derived. The CAP Task Force spent considerable time developing evaluation  
19 criteria and water-use options before evaluating each option against the  
20 established criteria. As indicated in my rebuttal testimony on pages 17  
21 through 19, the most important criterion to the Task Force was direct  
22 benefits. Cost was also important to the Task Force. The process of  
23 weighing the various options against direct benefits, cost and other criteria  
24 is described in detail in the Task Force's Final Report. The results of the  
25 analysis are reported as part of the appendix. Simply because SCTA  
26 disagrees with the outcome of the extensive analysis conducted by the Task  
27 Force does not mean that the analysis was never done.

1 Perhaps when SCTA testifies that "Citizens" has not done such an analysis,  
2 SCTA means that Citizens has not conducted an analysis independent of the  
3 work conducted by the Task Force as a whole. Citizens believes the  
4 analysis conducted by the Task Force is more than acceptable, and it does  
5 not need to be replicated by Citizens to be valid.  
6

7 Q. What about SCTA's charge that Citizens waited 14 years to use its CAP  
8 allocation?

9 A. First, as SCTA must know from having received copies of all of Citizens'  
10 subcontracts during its second data request, the 50-year duration on the  
11 subcontract did not commence until 1993 when the U.S. Secretary of  
12 Interior declared the CAP substantially complete. Thus, the relevant period,  
13 if any, is six years.  
14

15 Citizens has hardly been sitting on its hands for six years. In response to  
16 SCTA's second data request number 2.17 (see Exhibit TSCR-1), Mr. Ray L.  
17 Jones provided a lengthy historical account of Citizens' actions since the  
18 mid-80s regarding the CAP allocation. In addition to this, SCTA  
19 understands that capital charges for the CAP did not begin until the end of  
20 1993. The subcontract charges paid by Citizens before the first capital  
21 charge, which are not included in the deferral subject to this proceeding,  
22 were not exhausted until 1995. In 1995, Citizens filed an application with  
23 the ACC that included a plan to use CAP water and recover the deferred  
24 and ongoing CAP costs. In 1997, that request was rejected. In 1998,  
25 Citizens began its final effort to put CAP water to use. This filing is the  
26 culmination of that final effort.  
27  
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29

1       Moreover, Mr. Jones' rebuttal testimony (pages 8 and 9) explains how,  
2       before 1990, groundwater savings projects were not even legal. And that  
3       until 1998, the Maricopa Water District ("MWD") did not even operate a  
4       groundwater savings facility (GSF). Until MWD's GSF was permitted, there  
5       was no available project in the Northwest Valley to put Citizens' CAP  
6       allocation to use.

7  
8       On page 14, of Mr. Dennis Husted's testimony, SCTA reasons that Citizens  
9       could have delivered its CAP allocation to the golf courses as soon as the  
10      CAP canal began delivering water to the Phoenix area. This is not true. If  
11      CAP had been delivered directly to the golf courses as a customer of  
12      Citizens, the courses would have increased Citizens' total water use by 43%  
13      and the two utilities would have exceeded their gallons-per-capita-per day  
14      (GPCD) requirements by 53%. While the same physical benefit would be  
15      derived, the customers of Sun City and Sun City West would not receive  
16      any regulatory benefit. In fact, the opposite is true, they would have been  
17      put in jeopardy. Moreover, delivering the water directly to the golf courses  
18      is not the best and highest use of the CAP water. By delivering CAP water  
19      to the groundwater savings facility with the golf courses, Sun City Water  
20      Company and Sun City West Utilities Company are legally able to offset a  
21      like amount of groundwater pumping, thereby deriving direct, physical  
22      benefits and regulatory benefits.

23  
24      The only way the golf courses could take CAP water directly, and not put  
25      the two utilities in jeopardy of exceeding GPCD requirements, is if the CAP  
26      allocations were to be transferred to the two Recreation Centers. Under  
27      such a scenario, and per transfer and relinquishment policies of the CAP,  
28

1 the Recreation Centers could expect to pay not only the deferral, but also  
2 the capital charges not included in the deferral, a modest rate of return and  
3 a 5% administrative fee. Moreover, the only source of revenue for the golf  
4 courses would be the same people who will be paying under the Task Force  
5 proposal, except that the Recreation Centers would be unable to derive  
6 revenues from commercial operations. Clearly, the groundwater savings  
7 project with the golf courses is a more cost-effective approach.  
8

9 Q. Did Citizens control the CAP Task Force and impose a result?

10 A. Absolutely not. SCTA attempts to characterize the CAP Task Force and its  
11 members as Citizens' group of mindless lackeys. As the project manager  
12 for the CAP Task Force and as a member of the Task Force, I am offended  
13 by Ms. Charlesworth's characterization of her peers, of Mr. Jones and of  
14 me.  
15

16 If Citizens could have controlled the outcome of the Task Force, the final  
17 recommendation would have been to store the CAP water at CAP's Agua  
18 Fria Recharge Project, the exact proposal Citizens made in the 1995  
19 proceeding, but which failed to gain support from SCTA or the other  
20 community groups. As documented in ACC staff's third data request CF-15,  
21 Citizens supported the Agua Fria Recharge Project as the permanent  
22 solution during the CAP Task Force. It should be noted, that Citizens'  
23 preferred option would have resulted in no costs exceeding actual costs to  
24 store CAP water at the Agua Fria Recharge Project. Under Citizens'  
25 proposed plan the costs of the project would be passed straight through.  
26 Citizens would realize zero profit.  
27  
28  
29

1 Despite Citizens preference for the Agua Fria Recharge Project, Citizens  
2 supported the recommendation of the entire Task Force, because Citizens  
3 was committed to allowing the public planning process to work without  
4 controls. Citizens was prepared to live with any outcome whether that be  
5 Citizens preferred outcome, a groundwater savings project with golf  
6 courses, or relinquishment. Even today, Citizens is prepared to accept any  
7 of these alternatives including relinquishment. What Citizens will not do is  
8 continue to incur significant costs without recovery from its customers.  
9 This is not acceptable. Citizens made this clear during the Task Force  
10 process and continues to maintain this position today. If the customers of  
11 Sun City Water Company do not want to pay these costs, then they must  
12 relinquish the allocation.  
13

14 Q. Did the Task Force consider the option of relinquishment?

15 A. Yes. As I discussed in my Rebuttal Testimony (pages 3-6), the Task Force  
16 spent more time on relinquishment than any other option.  
17

18 Q. Should the matter of the use of CAP water be put to a vote?

19 A. No. Such a procedure would usurp the authority and powers of the  
20 Commission. It is totally inappropriate, and, if implemented, would  
21 establish a horrendous precedent, that would result in equally egregious  
22 public policy.  
23

24 Even so, the surveys conducted by the Task Force show conclusively that  
25 support for using CAP water in the Sun Cities is overwhelmingly positive.  
26 An election would simply validate the surveys and would only delay  
27 implementation of the preferred option.  
28  
29

1 Q. Is it relevant that the cost estimates for the groundwater savings project  
2 with the golf courses may be higher than actual costs may be?

3 A. No. Mr. Blaine Akine, in his rebuttal and rejoinder testimonies addresses  
4 this issue. The estimates prepared by Brown and Caldwell for the Task  
5 Force were conservative estimates, by design intended only to provide  
6 order-of-magnitude costs to compare one project to another. It is  
7 unfortunate that SCTA failed to consider retaining Mr. Husted during the  
8 Task Force process, when his efforts could have been more productive than  
9 they are today as an expert witness opposing the project.

10

11 Q. Did Citizens, as SCTA argues, sign its CAP subcontracts to provide an  
12 incentive for growth in its service areas?

13 A. No. Citizens' CAP subcontracts were assigned to Citizens based on a year-  
14 2034 projected population of approximately 145,000 people. At that time  
15 of the assignment, Sun City was built out and Sun City West was already  
16 under construction. While SCTA might be able to argue that Citizens signed  
17 the Agua Fria subcontract to facilitate growth in Agua Fria, SCTA cannot  
18 make that same argument for Sun City and Sun City West. Those  
19 developments were already built, or in the process of being built. There  
20 was no incentive that needed to be provided. The CAP allocation intended  
21 for Sun City and Sun City West was clearly intended to be used by the  
22 existing Sun City customers and the soon-to-be Sun City West customers.

23

24 Regarding Agua Fria's subcontract, SCTA portrays Citizens as having  
25 nefarious motives for obtaining a CAP allocation for water users not extant  
26 in Agua Fria in 1985. Citizens believes just the opposite. Citizens would

27

28

29

1 have been remiss to forgo the CAP allocation and assume the Agua Fria  
2 Division could rely indefinitely on groundwater to meet its eventual build-  
3 out needs.

4  
5 Q. Earlier in your testimony, you indicated that Citizens will accept any option  
6 including relinquishment. Does that mean Citizens does not support the  
7 Task Force recommendation to construct a groundwater savings facility with  
8 local golf courses?

9 A. No. We learned a number of important lessons from the Task Force  
10 process. First of all, we learned the people in Sun City, Sun City West and  
11 Youngtown are concerned about their future, and they do want to take  
12 responsibility for their water consumption. Second, the CAP allocation is a  
13 highly valued resource to these communities. The people view the CAP  
14 water as their allocation. And in fact, it truly is a public resource. Citizens  
15 is simply the vehicle through which this vital resource is brought to the  
16 community.

17  
18 Finally, through the Task Force process, we realized that the community  
19 leaders, not Citizens, understand what their people need and want. And  
20 the Task Force made the best choice. The groundwater savings project  
21 with the local golf courses provides the most immediate, direct benefit for  
22 the least amount of money. The Task Force has further reinforced its  
23 rationale for choosing the groundwater savings project with local golf  
24 courses in both its direct and rebuttal testimonies.

1 **REJOINDER TO DENNIS HUSTEAD**

2 Q. Have you reviewed Mr. Hustead's surrebuttal testimony?

3 A. Yes.

4  
5 Q. How much of Sun City Water Company's CAP allocation could be used on  
6 the golf courses in Sun City West, assuming Mr. Hustead's recommendation  
7 of maximizing the golf course demand in Sun City West could be effected?

8 A. In his rebuttal testimony, Mr. Blaine Akine is correct when he states that  
9 there is only 613 acre-feet of golf course demand that could be offset with  
10 Sun City's CAP allocation. Mr. Hustead contends there is 5,161 acre-feet.  
11 On page 14 of Mr. Hustead's testimony, he acknowledged that "some of the  
12 golf courses currently rely on long-term storage credits generated from  
13 stored effluent." As Mr. Akine explained in his rebuttal testimony, the  
14 expansion courses in Sun City West use the long-term effluent storage  
15 credits. They are required to do so by County ordinance. This ordinance is  
16 public information and can be readily obtained by SCTA. The effluent  
17 recovered and used on these courses was the subject of a separate  
18 proceeding before the Commission earlier this year, where SCTA intervened  
19 and objected. SCTA should be aware that these courses have no choice but  
20 to use effluent.

21  
22 Mr. Hustead reasons that if the courses are required to use effluent, the  
23 County would consider amending its ordinance to accommodate Sun City  
24 and Sun City West. While Mr. Hustead may be confident that Citizens can  
25 effect a change in a highly controversial county ordinance, Citizens is not.  
26  
27  
28  
29

1 Citizens believes it will be easier to effect a water delivery agreement  
2 between Citizens and the two Recreation Centers, especially since the  
3 parties have a common goal.  
4

5 With the water use from the expansion courses deducted, the total demand  
6 of the Sun City West courses is 4,481 acre-feet. Less Sun City West's CAP  
7 allocation (2,372 acre-feet) there is 2,109 acre-feet of golf course demand  
8 remaining. The two private courses, not associated with the Recreation  
9 Centers, use 1,496 acre-feet leaving only 613 acre-feet of demand that  
10 could be met with Sun City's CAP allocation.  
11

12 Q. Mr. Husted argues that the private courses should not be excluded from  
13 participating in the groundwater savings project. Do you agree?

14 A. Yes. From Citizens' perspective, CAP water can be delivered to private  
15 courses just as easily as Recreation Center courses. It is the Recreation  
16 Centers who have opposed the participation of the private courses based on  
17 their past interaction with the private courses. Mr. Husted claims that  
18 Citizens excluded the private courses from the Task Force. Mr. Husted did  
19 not participate in the Task Force and has no basis for this opinion. And in  
20 fact, Citizens did not determine which groups would participate in the Task  
21 Force. The community organizations, of which SCTA was one, made this  
22 decision. The private courses were not given seats on the CAP Task Force,  
23 because the community organizations interviewed by the facilitator did not  
24 recommend their participation. If the community organizations had asked  
25 for the private course participation, there would have been such  
26 representation. Still, the available demand with the private courses is only  
27 2,109 acre-feet, not even half of Sun City's CAP allocation.  
28  
29

1 Q. Should Mr. Husted be concerned about applying Sun City's CAP allocation  
2 in Sun City West in excess of Sun City West's CAP allocation?

3 A. Yes, he should. The State of Arizona allocated 4,189 acre-feet of CAP water  
4 to Sun City and 2,372 acre-feet to Sun City West. The State of Arizona  
5 recently confirmed these allocations, when Citizens executed a new  
6 subcontract for Sun City West. Where these allocations are legally and  
7 physically used is an important part of the State's transfer and  
8 relinquishment policies.

9  
10 If Sun City wants Sun City West to pay for the costs associated with Sun  
11 City's CAP allocation then Sun City needs to transfer its allocation to Sun  
12 City West. It is unlikely that this transfer would be 100% successful for  
13 Sun City West, as other water utilities would be given an opportunity to  
14 demonstrate a need for the supply. All or part of the allocation could be  
15 lost to the Sun Cities. What SCTA is arguing is the maximization of benefits  
16 to Sun City customers at the expense of Sun City West customers.

17  
18 **REJOINDER TO MARYLEE DIAZ CORTEZ**

19 Q. Have you reviewed Ms. Diaz Cortez's rebuttal testimony?

20 A. Yes.

21  
22 Q. Please describe RUCO's proposed CAP charge?

23 A. RUCO has proposed a commodity charge that would be placed on all water  
24 used in excess of 15,000 gallons in Sun City and 11,000 gallons in Sun City  
25 West. The proposed charges as adjusted in RUCO's surrebuttal testimony  
26 are \$.231 in Sun City and \$.401 in Sun City West.

1 Q. Is there such a thing as "excess groundwater" and should the cost of CAP  
2 be placed only on customers responsible for pumping "excess  
3 groundwater"?

4 A. Excess groundwater, as defined by Ms. Diaz Cortez, is groundwater pumped  
5 in excess of Total Gallons Per Capita Per Day (GPCD) rates. This  
6 terminology is not normally associated with the Total GPCD program or  
7 groundwater. There is a term used in the assured water supply program  
8 called "allowable groundwater". This is the amount of groundwater deemed  
9 to be consistent with the safe yield goal of the management plan. I believe  
10 what Ms. Diaz Cortez is referring to is "groundwater overage". This is the  
11 amount of groundwater pumped in excess of the Total GPCD requirement  
12 that ADWR can legally take enforcement action against.

13  
14 As discussed in my rebuttal testimony, ADWR considers groundwater to be  
15 the last source of supply used. Only the groundwater portion of the  
16 overage can be acted upon by ADWR. RUCO's rate structure considers CAP  
17 water to be the last supply used instead of groundwater. To be consistent  
18 with the conservation requirement, CAP water needs to be the first supply  
19 source used and groundwater the last.

20  
21 Moreover, as discussed on pages 25 and 26 of my rebuttal testimony, it is  
22 the use of groundwater that causes the need for CAP water. If every  
23 person in Sun City and Sun City West used its total GPCD allotment, then  
24 Citizens would still pump nearly 20,000 acre-feet of groundwater. While  
25 this is totally consistent with the GPCD requirement, it is inconsistent with  
26 the goal of safe yield since 20,000 acre-feet of groundwater is being  
27 extracted and no water is being returned to the aquifer.

1 Q. Please discuss further why RUCO's proposed rate structure is not  
2 appropriate.

3 A. The GPCD requirements are very complicated, needlessly so. I can  
4 appreciate Ms. Diaz Cortez's frustration with my rebuttal testimony. In an  
5 attempt to simplify the conservation requirements for this proceeding, I will  
6 focus on Sun City West's requirements and demonstrate that RUCO's  
7 assumed 11,000 gallons-per-month usage is inconsistent with the GPCD  
8 program. I have attached a copy of the actual spreadsheet that ADWR  
9 used to calculate Sun City West's conservation requirement (see Exhibit  
10 TSCR-2) back in the mid 80s. Please refer to Table 2-20 of Exhibit TSCR-2.  
11 While Sun City West's total GPCD requirement for 1998 is 201, the  
12 residential GPCD is 159. A GPCD of 201, allows roughly 11,000 gallons per  
13 month. (201 x 1.8 persons per occupied dwelling x 365 day/yr / 12 mo/yr).  
14 A GPCD of 159 allows only 8,700 gallons per month. Collectively,  
15 residential users were allowed to use 4,965 acre-feet in 1998. In fact, they  
16 used 5,022 acre-feet, 357 acre-feet over their allowance in 1998.

17  
18 Commercial users do not have per-capitas, but based on the per-capita  
19 allowance, in 1998, commercial customers could use 797 acre-feet and be  
20 consistent with the Total GPCD requirement. In 1998, they in fact used  
21 903 acre-feet, 106 acre-feet over their allowance. In total, customers  
22 exceeded their allowances by 463 acre-feet. Thus, commercial users were  
23 responsible for less than 23% of that overage.

24  
25 Q. If you assumed that GPCD overages should be the basis for allocating the  
26 cost of CAP water, who would be the cost causer in Sun City West?

27  
28  
29

1 A. While I do not advocate that approach and I think it is unwise to assign  
2 blame for GPCD overages, in the example I just explained residential users  
3 would be responsible for 75% of the overage. If you follow RUCO's logic,  
4 the residential customers exceeding 8,700 gallons per month should pay  
5 75% of the cost of CAP water.

6  
7 Q. Why do you not advocate this approach of placing the cost of CAP water on  
8 those users who exceed the GPCD requirement, irrespective of whether  
9 they are allowed 11,000 gallons a month, 8,700 gallons or some other  
10 number?

11 A. The purpose of using CAP water is not to meet GPCD requirements, it is to  
12 reach a balance between the amount of groundwater pumped and the  
13 amount of water naturally and artificially replenished into the same aquifer.  
14 Likewise, as I explained in my rebuttal testimony, water conservation is  
15 simply another tool water managers use to reach that balance. Moreover,  
16 it is hard to justify placing the cost of using 2,372 acre-feet of water on  
17 customers, whether commercial or residential, for purportedly wasting 433  
18 acre-feet of groundwater. RUCO inappropriately links the Total GPCD  
19 program with the use of CAP water, and the Commission should not adopt  
20 this approach even if the approach was already used in the Paradise Valley  
21 Water Company proceeding. It was not correct then, and it is not correct  
22 today. Finally, due to the nature of Sun City and Sun City West, RUCO's  
23 approach actually disadvantages many of the people RUCO is trying to  
24 protect.

1 Q. Under RUCO's proposed rate design, who will pay for CAP water?

2 A. Based on the bill frequency analyses Citizens provided to RUCO in its  
3 second data request, I analyzed RUCO's proposed rate design. My analysis  
4 shows that only 47% of commercial customers, primarily with meters one  
5 inch or greater, in Sun City and Sun City West combined, will pay 40% of  
6 the CAP charge proposed by RUCO. My analysis further reveals that these  
7 same customers used only 21% of the water delivered to all customers. On  
8 the residential side, only 17% of the residential customers, again primarily  
9 those customers with meters one inch or greater, will pay 60% of the CAP  
10 charge proposed by RUCO. These residential customers used 44% of the  
11 water delivered to all customers. With residential and commercial  
12 customers combined, 18% of all customers will pay for 100% of the CAP  
13 charge proposed by RUCO. These same customers used only 65% of the  
14 water delivered to all customers.

15  
16 Q. Under RUCO's proposed rate design, who is free from paying for CAP  
17 water?

18 A. The bill frequency analysis reveals that 82% of all customers (53% of  
19 commercial customers and 82% of residential customers), all primarily with  
20 meters less than one inch, would avoid paying RUCO's CAP charge. The  
21 analysis also reveals that these customers use 35% of the water delivered  
22 to all customers.

23  
24 Q. Based on your analysis of the bill frequency analysis, is RUCO's proposed  
25 rate design fair?

26

27

28

29

1 A. No. The entire CAP charge proposed by RUCO will be born by only 18% of  
2 all customers – residential and commercial. These customers use only 65%  
3 of the water delivered to all customers. RUCO reasons that they should pay  
4 for 100% of these costs because their water use is presumed to be in  
5 excess of the GPCD requirements set for the two utilities. The GPCD  
6 overage for both utilities amounts to 21% of the water delivered to those  
7 customers who would pay RUCO's proposed CAP charge. It is patently  
8 unfair that 18% of the customers be required to pay 100% of RUCO's CAP  
9 charge, because the two utilities exceeded their GPCD requirement by less  
10 than 2000 acre-feet, an amount that represents less than 10% of the total  
11 water use of the two utilities.

12  
13 In essence, RUCO's rate design concept places the cost of using CAP water  
14 on customers with one-inch meters or greater, irrespective of whether they  
15 are commercial or residential customers. If you are a single family home  
16 with no homeowner affiliation, this is good news for you. In Sun City and  
17 Sun City West, however, there are numerous single family and duplex  
18 homes that receive irrigation from homeowner associations meters greater  
19 than one-inch in size.

20  
21 Q. Earlier in your testimony you indicate that RUCO's rate design actually  
22 hurts the people they are trying to protect. Can you give a specific  
23 example?

24 A. Yes. For my rejoinder testimony, I used a case study of units 31 and 32 in  
25 Sun City West that I prepared for the Municipal Technical Advisory  
26 Committee that advised ADWR during the development of the Municipal  
27 Conservation Program for the Third Management Plan. These two units  
28  
29

1 make up our billing cycle 330. This cycle would be considered a high water  
2 use area by Sun City West standards. There are 185 single family,  
3 individually metered, homes in units 31 and 32. In addition to these 5/8 x  
4 3/4 meters, there are 21 homeowner association (HOA) meters one-inch and  
5 greater that are used to irrigate the landscape in units 31 and 32.  
6

7 These units were constructed in 1992, and according to the conservation  
8 requirement, they are entitled to approximately 9,100 gallons per month.  
9 On average these accounts use 4,322 gallons per month. As such, these  
10 customers would pay nothing for CAP water under RUCO's proposal. Based  
11 on the Task Force's rate design, they would be assessed \$1.46 per  
12 household or \$3,241 collectively.  
13

14 If you stopped here, you might conclude that these customers are  
15 conserving water wisely and that RUCO's proposal is appropriate. But in  
16 fact, this water use represents only indoor water use. The remainder of the  
17 water is provided by the 21 HOA meters that used over 16 millions gallons  
18 of water to irrigate landscape surrounding the 185 homes. Under RUCO's  
19 proposal, these HOA accounts collectively delivered roughly 13.3 million  
20 gallons in excess of 2.7 million gallons allowed under RUCO's proposal.  
21 Based on RUCO's proposed CAP charge, these accounts would be assessed  
22 \$5,356—65% more than under the Task Force's proposal. If RUCO  
23 adjusted its proposal to be consistent with the GPCD requirement allowing  
24 9,100 gallons per month, the cost would be \$5,548 or 71% more than  
25 under the Task Force proposal.  
26  
27  
28  
29

1 Collectively, Citizens delivers 24 million gallons of water during the year to  
2 both the individual and HOA accounts in cycle 330. If the water delivered  
3 to the HOA was instead delivered to the individual accounts, then each  
4 single family meter would average 10,800 gallons per month, which under  
5 RUCO's proposal would mean they would pay nothing. Instead, because  
6 the irrigation water is master metered, they will pay over \$5,000, which is  
7 significantly more than they would pay under the Task Force's groundwater  
8 savings fee.

9  
10 Costs should be allocated fairly across all types of home-owners and  
11 customers. RUCO's rate design does not do this. The Task Force's rate  
12 design fairly allocates costs and should be approved.

13  
14 Q. Does this conclude your testimony?

15 A. Yes.

**CITIZENS UTILITIES COMPANY  
SUN CITY AND SUN CITY WEST WATER  
DOCKET NOS. W-01656A-98-0577 & SW-02334A-98-0577  
SUN CITY TAXPAYERS ASSOCIATION'S  
SECOND SET OF DATA REQUEST**

**WITNESS: RAY L. JONES**

**DATA REQUEST NO SCTA 2.17:**

Prior to entering into its CAP Subcontracts, what analyses did Citizens perform to evaluate other viable water resources in lieu of CAP water? Provide copies of such analyses.

**RESPONSE:**

When Citizens made its decision to enter into CAP subcontracts, the Company relied on the large body of studies prepared by the State of Arizona and the United States regarding the merits of the project. These studies and analyses are too numerous to provide in this data request. Copies of most of these reports, however, are available at the libraries of the CAP and ADWR.

Because there were no other renewable water supplies available to Citizens in 1985, the analyses conducted by Citizens is limited to accepting nothing, all or part of the CAP allocation needed for the area. The results of this analysis was presented in a memorandum located in attachment 2.17 (A) that was presented to Isher Jacobson, President of Citizens Utilities Company by David Chardavoyne, Vice-President of Water in November of 1984.

Based on the fact that Citizens requested and obtained extensions on three separate occasions, it appears that the decision to sign the subcontracts was a difficult one for Citizens to make. The subcontracts were originally tendered on June 11, 1984, for Agua Fria and on July 2, 1984, for Sun City Water Company. As such, the original deadlines were set at December 11, 1984 and January 2, 1985. The final extensions granted to Citizens were July 17, 1985 for Agua Fria and August 16, 1985 for Sun City Water. Citizens had approximately 13 months to decide whether or not to sign the subcontract.

**CITIZENS UTILITIES COMPANY  
SUN CITY AND SUN CITY WEST WATER  
DOCKET NOS. W-01656A-98-0577 & SW-02334A-98-0577  
SUN CITY TAXPAYERS ASSOCIATION'S  
SECOND SET OF DATA REQUEST**

**DATA RESPONSE NO SCTA 2.17 CONT'D:**

During this time period, Citizens attempted to find alternatives that would allow Citizens to preserve the allocations for existing and future customers either through a surcharge or by finding alternative entities to hold the subcontracts until Citizens needed the allocation.

Citizens relied on two different vehicles for establishing a surcharge. The first was a generic application filed by the Water Utilities Association of Arizona. On October 7, 1984, this request was denied (Decision No. 54265). The second vehicle, two unique emergency applications filed each for Agua Fria and Sun City Water Company, was not heard during the critical time period and was ultimately withdrawn and dismissed without prejudice on September 4, 1986 (Decision No. 55182) [see attachment 2.6(A)].

In May of 1985, Citizens began serious negotiations with both the Maricopa Water District and the City of Glendale to temporarily assign all or part of the CAP allocations to these entities until such time as Citizens would need the water. On June 4, 1985, Glendale passed a resolution expressing its intent to contract. On June 20, 1985, the District passed a similar resolution. On the same day, Citizens tendered a draft agreement to the City of Glendale. To Citizens' knowledge, no agreement was tendered to the District.

Negotiations broke down in July of 1985, after CAP, ADWR and BOR personnel reviewed the agreement and began to express concerns about the nature of the agreements being negotiated. In particular, the regulators were concerned with the proposal that half of Sun City Water Company's allocation would be irrevocably assigned to Glendale, an action the regulators described as inconsistent with the principle underlying the allocation. By entering into these agreements, the regulators were concerned that Sun City would not benefit from the CAP water intended to be used in that area.

Ultimately, the negotiations failed to produce an agreement satisfactory to Citizens, Glendale and the regulators. With all avenues exhausted, no additional extensions were granted.

**CITIZENS UTILITIES COMPANY  
SUN CITY AND SUN CITY WEST WATER  
DOCKET NOS. W-01656A-98-0577 & SW-02334A-98-0577  
SUN CITY TAXPAYERS ASSOCIATION'S  
SECOND SET OF DATA REQUEST**

**DATA RESPONSE NO SCTA 2.17 CONT'D:**

In the end, Citizens was faced with either signing the subcontracts or forever losing control of the resource. Faced with pressing deadlines, Citizens made a decision to sign the subcontracts.

Since that time, the Commission has validated Citizens' decision. In 1994, the Commission (Decision No. 58750) approved a deferral order for expenses related to CAP capital charges. In 1997, the Commission (Decision No. 60172) found that evidence presented by Citizens, the Arizona Department of Water Resources and the Commission indicate that the demand of existing customers is contributing to the depletion of underground aquifers. The Commission also found that the excessive withdrawals lead to problems like decreased water levels, diminished water quality, land subsidence and other consequences.

As such, the Commission found Citizens decision to obtain CAP allocations was a "prudent planning decision". The Commission also found that Citizens contracted for CAP water to meet the continuing groundwater requirements for existing customers and provided the CAP water is actually used, these customers will benefit from the allocation.

Since signing its CAP subcontract, numerous additional reports and studies have been published reinforcing earlier concerns about groundwater declines, land subsidence and other water management concerns. These studies are available at the library of Arizona Department of Water Resources. Some of the more important studies include the following:

*An Application of the Regional Groundwater Flow Model of the Salt River Valley, "Analysis of Future Water Use and Supply Conditions: Current Trends Alternatives", Arizona Department of Water Resources (October 1996); and*  
*Water Resource Planning Study, Volume 1,*  
Water Resources Associates, Inc. (March 1994).

**CITIZENS UTILITIES COMPANY  
SUN CITY AND SUN CITY WEST WATER  
DOCKET NOS. W-01656A-98-0577 & SW-02334A-98-0577  
SUN CITY TAXPAYERS ASSOCIATION'S  
SECOND SET OF DATA REQUEST**

**DATA RESPONSE NO SCTA 2.17 CONT'D:**

As evidence has continued to mount substantiating serious water management problems, ADWR has responded accordingly, promulgating increasingly more stringent regulations as evidenced by subsequent management plans and new rules, such as assured and adequate water supply and well spacing.

Encouragement from the Commission, ADWR and CAP, results from the numerous studies conducted in the last thirty years, and increasingly stringent regulations have continued to reinforce Citizens' resolve that signing and retaining rights to CAP water was the correct decision in 1985 and is the correct decision in 1999.

The most significant reason Citizens has retained its CAP allocation since May 7, 1997 is because the communities of Sun City, Sun City West and Youngtown asked to be given an opportunity to decide the fate of their CAP allocation. In 1998, these communities were provided a forum to make that decision. In May of 1998, the communities decided to keep the CAP allocation and to use it to irrigate golf courses in lieu of using groundwater. Since that time, members of the CAP Task Force have collected responses from nearly 1,400 respondents in the Sun Cities regarding CAP water. Nearly 94% of those respondents favor keeping the CAP allocation. Only 6% oppose keeping the CAP allocation.

Citizens committed to file the recommendation of the communities as a request before the Arizona Corporation Commission. On October 1, 1998, Citizens effected that filing.

**2.17 (A) Central Arizona Project (CAP) Water Allocation Contracts.**

FINAL (MAG)\*

Table 1-3

Exhibit TSCR-2

1 Base Year	1985
Total Pumpage (mg)	800.81
Single Family Use (mg)	378.84
4 Single Family Interior (gpcd)	65.00
5 Multi-family Use (mg)	257.81
6 Multi-family Interior (gpcd)	65.00
7 Industrial Use (mg)	0.00
8 Industrial Lowest 2 months (mg)	0.00
OR Interior Use (%)	0.00
9 Commercial Use (mg)	102.46
10 Commercial Lowest 2 months (mg)	6.85
OR Interior Use (%)	0.00
11 Public/Other Use (mg)	0.00
12 Public/Other Lowest 2 months (mg)	0.00
OR Interior Use (%)	0.00
13 1990 Non-res. Use (mg)	120.00
OR % of base year gpcd	0.00
14 1990 Lost Water (%)	7.70
15 1995 Non-res. Use (mg)	167.00
OR % of base year gpcd	0.00
16 1995 Lost Water (%)	7.70
17 2000 Non-res. Use (mg)	269.91
OR % of base year gpcd	0.00
18 2000 Lost Water (%)	7.70

	Current Code Effective	Year Base Year	Conservation Programs Effective	1st Projected Year	2nd Projected Year
	0	1985	1990	1995	2000
19 Population	3,795	10,450	11,733	16,329	26,391
20 SF Housing Units	1,380	3,971	5,454	7,880	12,186
21 MF Housing Units	536	1,544	2,121	3,064	4,739
22 SF Persons/HU	2.07	1.98	1.62	1.56	1.63
23 MF Persons/HU	1.75	1.67	1.37	1.32	1.38
24 Water Cost (\$/1000g)	1.20	1.20	1.20	1.20	1.20
25 Marginal Water Cost (\$/1000g)	0.50	0.50	0.50	0.50	0.50
26 Energy Cost (\$/therm)		0.65	0.65	0.65	0.65
27 Wastewater Treatment Cost (\$/1000g)		0.60	0.60	0.60	0.60
28 Interest Rate (%)		3.00	3.00	3.00	3.00
29 SF HU with Turf (%)	5.00				
30 SF HU with any type	0.00				
31 MF HU with Turf (%)	25.00				
32 MF HU with any type	0.00				
33 1987 Target (gpcd)	219.00				
Proj. NR (Target/Ex GPCD)	219.00				
			NON-RES LAND: (%)		
			1985	0.33	
			1990	0.33	
			1995	0.33	
			2000	0.33	



1 **INTRODUCTION**

2 Q. Please state your name and business address.

3 A. My name is Blaine Akine. My business address is 12425 W. Bell Road, Suite  
4 C306, Surprise, Arizona 85374.

5  
6 Q. Are you the same Blaine Akine who presented rebuttal testimony in these  
7 proceedings on behalf of Sun City Water Company and Sun City West  
8 Utilities Company (collectively, "Citizens")?

9 A. Yes, I am.

10  
11 Q. What is the purpose of your testimony?

12 A. I am providing rejoinder testimony to the surrebuttal testimony of Mr.  
13 Dennis Husted for the Sun City Taxpayers Association.

14  
15 **REJOINDER – DENNIS HUSTEAD**

16 Q. Have you reviewed Mr. Husted's surrebuttal testimony?

17 A. Yes, I have.

18  
19 Q. What is your assessment of Mr. Husted's testimony?

20 A. It is largely a restatement of his original testimony presented in these  
21 proceedings on behalf of the Sun City Taxpayers Association. He has not  
22 presented any new information to refute information presented within my  
23 prior rebuttal testimony.

24  
25 Q. Have you changed your position that, despite the lack of enforceable  
26 contracts with the Recreation Centers and its use of conservative cost  
27 estimates, the Task Force's recommended plan is valid?

1 A. No, my position is unchanged. As explained in detail within my rebuttal  
2 testimony, the CAP Task Force's recommended plan for using CAP water on  
3 golf courses is a valid plan. By evaluating available options and formulating  
4 a plan, the Task Force completed the critical first step in the very complex  
5 process of actually bringing CAP water to the Sun Cities. Once the plan is  
6 approved, then it is appropriate to focus effort on working out details, such  
7 as obtaining all required agreements and contracts with golf courses and  
8 completing a detailed engineering analysis to determine exactly what  
9 components should be included in the final design of the project.

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11 Furthermore, in rebuttal testimony filed by Carole Hubbs, President of the  
12 Recreation Centers of Sun City West, on behalf of the CAP Task Force, Ms.  
13 Hubbs eloquently affirms the desire of both Recreation Centers to  
14 participate in this project, as is evidenced by resolutions passed by each  
15 Recreation Center. Ms. Hubbs testifies that it would be premature to enter  
16 into contracts with the golf courses prior to Commission approval of the  
17 groundwater savings project.

18  
19 Brown and Caldwell's cost estimate for the CAP Task Force's recommended  
20 plan was intentionally based on conservative assumptions to compensate  
21 for the unknowns that could not be fully analyzed during the CAP Task  
22 Force process. By making these conservative assumptions, Brown and  
23 Caldwell provided the CAP Task Force with a cost for implementing their  
24 plan that is not likely to be exceeded. The Brown and Caldwell estimate is  
25 not and was never intended to be a design for the project. Only after the  
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1 completion of detailed engineering analysis, will it be appropriate to select  
2 the final configuration of the system needed to bring CAP water to the golf  
3 courses in Sun City and Sun City West.  
4

5 Q. Did Mr. Husted provide any testimony that changes your position that a  
6 joint CAP transmission pipeline with the Agua Fria Division is not a valid  
7 option?

8 A. No, he did not. For the reasons stated in my rebuttal testimony, the Agua  
9 Fria Division is not interested in participating in a joint pipeline at this time.  
10

11 Q. Do you agree with Mr. Husted's opinion that the MWD Beardsley Canal  
12 could also be utilized to transport CAP water to Sun City/Sun City West?

13 A. No, I don't agree. Unlike the Agua Fria Division, Sun City and Sun City  
14 West residents are not within MWD's boundaries and thus do not have the  
15 inherent opportunity of utilizing the MWD Beardsley Canal to transport CAP  
16 water. Currently, MWD does not have a policy permitting the wheeling of  
17 water through their facilities to destinations outside of MWD boundaries.  
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19 Q. Does this conclude your testimony?

20 A. Yes, it does.  
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