



0000046328

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

1  
2 WILLIAM A. MUNDELL  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 MARC SPITZER  
COMMISSIONER  
5

2001 AUG 31 A 10: 53

AZ CORP COMMISSION  
DOCUMENT CONTROL

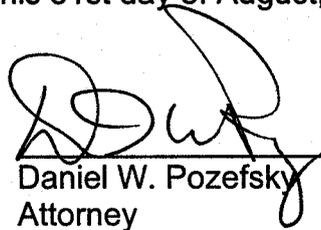
6 IN THE MATTER OF THE JOINT  
7 APPLICATION OF SUN CITY WATER  
8 COMPANY AND SUN CITY WEST  
9 UTILITIES COMPANY FOR APPROVAL  
10 OF CENTRAL ARIZONA PROJECT  
WATER UTILIZATION PLAN AND FOR AN  
ACCOUNTING ORDER AUTHORIZING A  
GROUNDWATER SAVINGS FEE AND  
RECOVERY OF DEFERRED CENTRAL  
ARIZONA PROJECT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

Docket No. W-01656A-98-0577  
Docket No. SW-02334A-98-0577

11  
12 **NOTICE OF FILING**

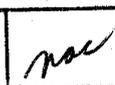
13 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the  
14 Supplemental Surrebuttal Testimony of Marylee Diaz Cortez, in the above-referenced matter.

15 RESPECTFULLY SUBMITTED this 31st day of August, 2001.

16  
17   
18 Daniel W. Pozefsky  
Attorney

19  
20 Arizona Corporation Commission  
**DOCKETED**

21 AUG 31 2001

22  
23 DOCKETED BY 

1 AN ORIGINAL AND TEN COPIES  
2 of the foregoing filed this 31st day  
3 of August, 2001 with:

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

5 COPIES of the foregoing hand delivered/  
6 mailed this 31st day of August, 2001 to:

7 Jane L. Rodda  
8 Acting Assistant Chief Administrative  
9 Law Judge  
10 Hearing Division  
11 Arizona Corporation Commission  
12 1200 West Washington  
13 Phoenix, Arizona 85007

11 Christopher Kempley, Chief Counsel  
12 Janet Wagner, Staff Counsel  
13 Legal Division  
14 Arizona Corporation Commission  
15 1200 West Washington  
16 Phoenix, Arizona 85007

14 Steve Olea, Acting Director  
15 Utilities Division  
16 Arizona Corporation Commission  
17 1200 West Washington  
18 Phoenix, Arizona 85007

17 Michael Grant  
18 Gallagher & Kennedy, PA  
19 2575 East Camelback Road  
20 Phoenix, Arizona 85016  
21 Attorneys for Citizens Communications Company

20 Ray Jones  
21 General Manager  
22 Sun City Water Company  
23 P.O. Box 1687  
24 Sun City, Arizona 85372

1 William Sullivan  
Martinez & Curtis, P.C.  
2 2712 North Seventh Street  
Phoenix, Arizona 85006  
3 Attorneys for Sun City Taxpayers Association

4 Barbara Goldberg  
Steptoe & Johnson, LLP  
5 Two Renaissance Square  
40 North Central Ave., 24<sup>th</sup> Fl.  
6 Phoenix, Arizona 85004

7 Walter W. Meek, President  
Arizona Utility Investors Association  
8 2100 North Central Ave., Suite 210  
Phoenix, Arizona 85004

9  
10 William G. Beyer  
5632 West Alameda Road  
Glendale, Arizona 85310  
11 Attorney for Recreation Centers of Sun City  
and Recreation Centers of Sun City West

12

13

14 By Linda Reeves  
Linda Reeves

15

E:\Water-Sewer\Citizens CAP plan (98-0577)\supp surreb test-nof.doc

16

17

18

19

20

21

22

23

24

SUN CITY WATER COMPANY AND SUN CITY WEST UTILITIES COMPANY

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

SUPPLEMENTAL SURREBUTTAL TESTIMONY

OF

MARYLEE DIAZ CORTEZ

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

AUGUST 31, 2001

1 Q. Please state your name for the record.

2 A. My name is Marylee Diaz Cortez.

3

4 Q. Have you previously testified in this docket?

5 A. Yes. I filed direct testimony on September 10, 1999, surrebuttal testimony  
6 on October 1, 1999, testified at a hearing on October 8, 1999, and filed  
7 supplemental testimony on July 10, 2001.

8

9 Q. What is the purpose of your supplemental surrebuttal testimony?

10 A. The purpose of my supplemental surrebuttal is to address the issue of rate  
11 shock as presented in the responsive testimony of Staff witness Claudio  
12 M. Fernandez.

13

14 Q. Please summarize the Staff's position on rate shock.

15 A. The Staff states that implementation of the Ground Water Savings Plan  
16 (GSP) will result in a total rate increase of approximately 50%. It attributes  
17 25% of the required increase to current under earnings and 25% to the  
18 GSP. The Staff next concludes that the necessary GSP rate increase  
19 does not constitute rate shock.

20

21

22

23

1 Q. Does the Staff's estimation of the necessary rate increase agree with the  
2 estimation you presented in your July 10, 2001 supplemental testimony?

3 A Yes. I estimated that a rate increase of approximately 45% would be  
4 required, of which 22% was attributable to current under earnings.

5

6 Q. Since both the Staff and RUCO have estimated approximately the same  
7 required rate increase, why does the Staff conclude that the GSP will not  
8 result in rate shock?

9 A. The Staff states that even in the absence of the GSP, the Company will  
10 require a rate increase of approximately 25% due to current under  
11 earnings. It then concludes that the *incremental* 25% increase for the  
12 GSP does not *in and of itself* represent rate shock.

13

14 Q. Does this argument make sense?

15 A. No. A 50% increase is rate shock, regardless whether the entire  
16 magnitude of the increase is directly attributable to the GSP. In the  
17 absence of the GSP, a 25% increase will not cause what I would term rate  
18 shock. However, the 50% increase required if the GSP is implemented  
19 does represent rate shock. Staff's attempt to apportion the required  
20 increase between causing factors is a thinly disguised attempt to  
21 recognize the needed 50% increase, but to deny that it represents rate  
22 shock. Despite the Staff's attempt, the fact remains that only a 25%  
23 increase will be required in the absence of the GSP, which does not

1 represent rate shock. If the GSP is implemented the required increase is  
2 50%, which does represent rate shock.

3

4 Q. Does this conclude your supplemental surrebuttal testimony?

5 A. Yes.