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BEFORE THE ARIZONA CORPORATION COMMISSION
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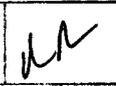
COMMISSIONERS

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MIKE GLEASON - Chairman
JEFF HATCH-MILLER
WILLIAM A. MUNDELL
KRISTIN K. MAYES
GARY PIERCE

AZ CORP COMMISSION
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In the Matter of the Application of Arizona
Water Company for Approvals Associated
with a Transaction with the Maricopa
County Municipal Water Conservation
District Number One

DOCKET NO. W-01303A-05-0718

**JOINT NOTICE OF FILING
SURREBUTTAL TESTIMONY**

Courtland Homes, Inc., Taylor Woodrow/Arizona, Inc. and CHI Construction
Company, through undersigned counsel, hereby respectively file their Surrebuttal
Testimony for the following witnesses in the above-captioned matter:

John Wittrock
Justin Iannacone
Brett Hopper

DATED this 12th day of March, 2007.

SNELL & WILMER L.L.P.

By

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1 ORIGINAL and thirteen (13) copies
2 filed with Docket Control March 12th, 2007.

3 COPY of the foregoing hand-delivered
4 March 12th, 2007, to:

5 Teena Wolfe
6 Administrative Law Judge
7 Hearing Division
8 Arizona Corporation Commission
9 1200 West Washington Street
10 Phoenix AZ 85007

11 Christopher Kempley, Chief Counsel
12 Legal Division
13 Arizona Corporation Commission
14 1200 West Washington Street
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16 Ernest G. Johnson, Director
17 Utilities Division
18 Arizona Corporation Commission
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21 COPY of the foregoing sent via
22 first class mail March 12th, 2007, to:

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON - Chairman
JEFF HATCH-MILLER
WILLIAM A. MUNDELL
KRISTIN K. MAYES
GARY PIERCE

In the Matter of the Application of Arizona
Water Company for Approvals Associated
with a Transaction with the Maricopa
County Municipal Water Conservation
District Number One

DOCKET NO. W-01303A-05-0718

SURREBUTTAL TESTIMONY

**PRE-FILED SURREBUTTAL TESTIMONY
OF JOHN WITTROCK
ON BEHALF OF COURTLAND HOMES, INC.
MARCH 12, 2006**

Snell & Wilmer
LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 Q. PLEASE STATE YOUR NAME AND EMPLOYER.

2 A. My name is John Wittrock. I am employed as President of Courtland Land, LLC,
3 the real estate arm of Courtland Homes, Inc., an Arizona corporation.

4 Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS DOCKET?

5 A. Yes. I filed direct testimony in this docket on January 24, 2006.

6 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

7 A. The purpose of my surrebuttal testimony is to respond to two issues addressed by
8 Arizona-American set forth in its direct testimony.

9 Q. PLEASE SUMMARIZE THE ISSUES THAT YOU WILL ADDRESS IN
10 YOUR SURREBUTTAL TESTIMONY.

11 A. My surrebuttal testimony will address the following:

- 12 • The testimony of Thomas Broderick relating to when the increase in the hook-
13 up fee will be applied; and
- 14 • The testimony of G. Troy Day relating to the need for developer provided
15 wells.

16 Q. WOULD YOU PLEASE STATE YOUR CONCERNS REGARDING THE
17 POSITION THAT ARIZONA-AMERICAN HAS STATED WITH
18 RESPECT TO THE PAYMENT OF HOOK-UP FEES UNDER THE
19 CURRENT TARIFF?

20 A. Yes. Courtland has not objected to the recommended increases in the Hook-Up
21 Fees set forth in the October 27, 2006, Staff Report so long as the final order of
22 the Commission expressly states that to the extent Arizona-American has
23 received payment for Hook-Up Fees under the existing tariff, if and when a new
24 tariff becomes effective, Arizona-American may not charge the difference
25 between the existing Hook-Up Fee and the new Hook-Up Fee as a condition of
26 receiving service, regardless of whether Arizona-American has provided a
27 meter.¹ Further, Arizona-American should be precluded from unilaterally
28 refunding Hook-Up Fees paid by an applicant for water service under the existing

¹ Although Courtland has already paid to Arizona-American its Hook-Up Fees, Arizona-American has not as yet "set" meters.

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tariff in order to later charge the higher Hook-Up Fees under the new tariff.

Q. DID ARIZONA-AMERICAN AGREE WITH THIS POSITION?

A. Yes. On November 6, 2006, Courtland filed comments in this docket that set forth this position. On November 13, 2006, Arizona-American filed a response indicating that it did not object to inclusion of express language in the final order with regard to this issue.

Q. HAS ARIZONA-AMERICAN SINCE MODIFIED ITS POSITION ON THIS ISSUE?

A. It is not clear. On page 16, line 21, in his pre-filed testimony Mr. Broderick was asked the question: "When should the Hook-Up Fee be applied?" In response, Mr. Broderick testified that "the hook-up fee is applicable if the tariff is effective prior to the operational acceptance under the terms of the line extension agreements. This is equivalent to the meter set date. This is exactly how a similar tariff in Anthem is applied."

Q. DO YOU AGREE WITH THIS POSITION?

A. Conceptually, yes, but I believe there needs to be further clarification. First, operational acceptance pursuant to the line extension agreements is not the same date as when meters are requested to be set. Operational acceptance is Arizona-American's acceptance of the developer's on-site distribution and transmission facilities. Meters are usually set sometime after operational acceptance. Therefore, there should be no linkage between the payment of the Hook-Up Fee and when meters are set. This is evident by the fact that Courtland has been issued letters of operational acceptance, and has paid our hook-up fee tariffs, but Arizona-American has not set meters. Pursuant to the terms of Arizona-American's line extension agreement, developers are required to pay hook-up fees upon operational acceptance *or request requesting water service to any phase*, whichever is first. Therefore, to the extent developers have paid hook-up fees pursuant to the terms of the line extension agreement prior to the effective

1 date of any new hook-up fee tariff, Arizona-American should be precluded from
2 charging the higher tariff.

3 **Q. HAVE YOU SPOKEN TO ARIZONA-AMERICAN ABOUT THIS?**

4 A. Yes. After I read Mr. Broderick's testimony, I spoke to him and asked for a
5 clarification of his position. He agreed that the meter-set date is not applicable
6 and that Arizona-American's position with respect to the pre-payment of Hook-
7 Up Fees is that so long as the fees have been paid under the existing tariff and
8 onsite facilities have been installed, Arizona-American would not seek from
9 developers the higher hook-up fees. Therefore, Arizona-American does consider
10 Greer Ranch North Phase I and Greer Ranch North Phase II Developments to
11 have satisfied this requirement relating to the payment of the Hook-Up Fees.

12 **Q. WITH THAT CLARIFICATION FROM MR. BRODERICK, DOES THAT**
13 **SATISFY YOUR CONCERN?**

14 A. Yes, with one additional comment. In practice, developers often pay Hook-Up
15 and meter fees to Arizona-American based upon the anticipated need of the
16 individual lot or home size. Once construction of homes begins, sometimes a
17 decision is made that either a larger or smaller meter is needed. Therefore, when
18 a request for a change in the meter size is made to Arizona-American, it will true-
19 up the amount(s) and refund the difference to the extent a smaller meter is
20 requested or charge the difference if a larger meter is requested at the end of a
21 project. Courtland submits that to the extent that this occurs after the effective
22 date of a new higher Hook-Up fee tariff, any true-up adjustments, whether they be
23 higher or lower, should be based on the existing tariff for which the Hook-Up
24 Fees were initially paid. I therefore request that this also be made clear in the
25 final order that the Commission adopts approving any increase in the Hook-Up
26 Fees.

27 **Q. DO YOU HAVE ANY COMMENTS IN RESPONSE TO MR. DAY'S**
28 **TESTIMONY?**

A. Yes. In my direct testimony, I stated that Arizona-American should enter into

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interim bulk sale agreements with MWD to ensure an adequate water supply until the plant is built. Mr. Day testified that developers will still need to supply wells even after the plant is built, although there may be a need for fewer wells. (*See page 4, line 14.*)

Q. HAVE YOU SPOKEN TO ARIZONA-AMERICAN ABOUT THIS?

A. Yes. After I read Mr. Day's testimony, I called him to discuss. Mr. Day stated that due to the dry-up of the MWD canal for 30 days or more each year, groundwater pumping is still critical to Arizona-American. Furthermore, wells will be used during the dry-up of the canal and for summer peaking factors in excess of plant capacity. Courtland submits that the Commission should require Arizona-American to use its best efforts not only during the construction of the plant, but also thereafter, to minimize the need and expense of the requirement that developers must provide wells in order to receive water utility service. Given that MWD has potable wells in the Agua Fria District already, Arizona-American and MWD should be encouraged to work together to utilize these wells before requiring new wells on a going forward basis before new wells are required to be drilled.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON - Chairman
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WILLIAM A. MUNDELL
KRISTIN K. MAYES
GARY PIERCE

In the Matter of the Application of Arizona
Water Company for Approvals Associated
with a Transaction with the Maricopa
County Municipal Water Conservation
District Number One

DOCKET NO. W-01303A-05-0718

SURREBUTTAL TESTIMONY

PRE-FILED SURREBUTTAL TESTIMONY
JUSTIN IANNACONE
ON BEHALF OF TAYLOR WOODROW/ARIZONA, INC.
MARCH 12, 2006

1 Q. PLEASE STATE YOUR NAME AND EMPLOYER.

2 A. My name is Justin Iannacone. I am Vice President of Land Acquisitions for
3 Taylor Woodrow/Arizona, Inc. ("Taylor Woodrow"), an Arizona corporation.

4 Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS DOCKET?

5 A. Yes. I filed direct testimony in this docket on January 24, 2006.

6 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

7 A. The purpose of my surrebuttal testimony is to respond to two issues addressed by
8 Arizona-American set forth in its direct testimony.

9 Q. PLEASE SUMMARIZE THE ISSUES THAT YOU WILL ADDRESS IN
10 YOUR SURREBUTTAL TESTIMONY.

11 A. My surrebuttal testimony will address the following:

- 12 • The testimony of Thomas Broderick relating to when the increase in the hook-
13 up fee will be applied; and
- 14 • The testimony of G. Troy Day relating to the need for developer provided
15 wells.

16 Q. WOULD YOU PLEASE STATE YOUR CONCERNS REGARDING THE
17 POSITION THAT ARIZONA-AMERICAN HAS STATED WITH
18 RESPECT TO THE PAYMENT OF HOOK-UP FEES UNDER THE
19 CURRENT TARIFF?

20 A. Yes. First, by way of background, as I stated in my direct testimony, Taylor
21 Woodrow does not object to the recommended increases in the Hook-Up Fees set
22 forth in the October 27, 2006, Staff Report so long as the final order of the
23 Commission expressly states that to the extent Arizona-American has received
24 payment for Hook-Up Fees under the existing tariff, if and when a new tariff
25 becomes effective, Arizona-American may not charge the difference between the
26 existing Hook-Up Fee and the new Hook-Up Fee as a condition of receiving
27 service, regardless of whether Arizona-American has provided a meter.¹ Further,
28 Arizona-American should be precluded from unilaterally refunding Hook-Up

¹ Although Taylor Woodrow has already paid to Arizona-American its Hook-Up Fees Arizona-American has only "set" approximately 35 meters to date.

1 Fees paid by an applicant for water service under the existing tariff in order to
2 later charge the higher Hook-Up Fees under the new tariff.

3 **Q. DID ARIZONA-AMERICAN AGREE WITH THIS POSITION?**

4 A. Yes. On November 6, 2006, Taylor Woodrow filed comments in this docket that
5 set forth this position. On November 13, 2006, Arizona-American filed a
6 response indicating that it did not object to inclusion of express language in the
7 final order with regard to this issue.

8 **Q. HAS ARIZONA-AMERICAN SINCE MODIFIED ITS POSITION ON THIS ISSUE?**

9 A. It is not clear. On page 16, line 21, in his pre-filed testimony Mr. Broderick was
10 asked the question: "When should the Hook-Up Fee be applied?" In response,
11 Mr. Broderick testified that "the hook-up fee is applicable if the tariff is effective
12 prior to the operational acceptance under the terms of the line extension
13 agreements. This is equivalent to the meter set date. This is exactly how a
14 similar tariff in Anthem is applied."

15 **Q. DO YOU AGREE WITH THIS POSITION?**

16 A. I believe there needs to be further clarification. First, operational acceptance
17 pursuant to the line extension agreements is not the date when the meters are set.
18 Operational acceptance is Arizona-American's acceptance of the developer's on-
19 site distribution and transmission facilities. Meters are usually set sometime after
20 operational acceptance. Therefore, there should be no linkage to the payment of
21 the Hook-Up Fee and meter sets. This is evident by the fact that Taylor Woodrow
22 has not been issued letters of operational acceptance but Arizona-American has
23 already set meters because the on-site infrastructure is in place. Second, the line
24 extension agreements specifically require written notification from Arizona-
25 American of confirmation of operational acceptance. However, in practice, and
26 as indicated above, a project may be at the operational acceptance stage but
27 Arizona-American has not administratively issued the formal written
28

1 acknowledgement of such. In fact, as in Taylor Woodrow's case, because the on-
2 site facilities have been installed and ready for use, Arizona-American will often
3 install meters because it considers the project to be at operational acceptance,
4 even though it has not issued the formal acknowledgement letter. Finally,
5 pursuant to the terms Arizona-American's line extension agreement, developers
6 are required to pay hook-up fees upon operational acceptance *or request*
7 *requesting water service to any phase*, whichever is first. Therefore, under the
8 existing circumstances, to the extent Taylor Woodrow has already paid Hook-Up
9 Fees pursuant to the terms of the line extension agreement prior to the effective
10 date of any new hook-up fee tariff for Sycamore Farms, Arizona-American
11 should be precluded from charging the higher tariff.

12 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING THE**
13 **PAYMENT OF HOOK-UP FEES UNDER THE EXISTING TARIFF?**

14 A. Yes. In practice, developers often pay Hook-Up and meter fees to Arizona-
15 American based upon the anticipated need of the individual lot or home size.
16 Once construction begins, sometimes a decision is made that either a larger or
17 smaller meter is needed. Therefore, when a request for a change in the meter size
18 is made to Arizona-American, it will true-up the amount(s) and refund the
19 difference to the extent a smaller meter is requested or charge the difference if a
20 larger meter is requested. Taylor Woodrow submits that to the extent that this
21 occurs after the effective date of a new higher Hook-Up fee tariff, any true-up
22 adjustments, whether they be higher or lower, should be based on the existing
23 tariff for which the Hook-Up Fees were initially paid. I therefore request that this
24 also be made clear in the final order that the Commission adopts approving any
25 increase in the Hook-Up Fees.

26 **Q. DO YOU HAVE ANY COMMENTS IN RESPONSE TO MR. DAY'S**
27 **TESTIMONY?**

28 A. Yes. In my direct testimony, I stated that Arizona-American should enter into
interim bulk sale agreements with MWD to ensure an adequate water supply until

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the plant is built. Mr. Day testified that developers will still need to supply wells even after the plant is built, although there may be a need for fewer wells. (See page 4, line 14.) Taylor Woodrow submits that the Commission should require Arizona-American to use its best efforts not only during the construction of the plant, but also thereafter, to minimize the need and expense of the requirement that developers must provide wells in order to receive water utility service. Given that MWD has potable wells in the Agua Fria District already, Arizona-American and MWD should be encouraged to work together to utilize these wells before requiring new wells on a going forward basis before new wells are required to be drilled.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON - Chairman
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Water Company for Approvals Associated
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County Municipal Water Conservation
District Number One

DOCKET NO. W-01303A-05-0718

SURREBUTTAL TESTIMONY

**PRE-FILED SURREBUTTAL TESTIMONY
OF BRETT HOPPER ON BEHALF OF
CHI CONSTRUCTION COMPANY
MARCH 12, 2006**

Snell & Wilmer

LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 **Q. PLEASE STATE YOUR NAME AND EMPLOYER.**

2 A. My name is Brett Hopper. I am employed as Vice President of Continental
3 Homes, Inc., doing business as D.R. Horton – Continental Series, one of the
4 family of companies owned and/or controlled by D.R. Horton, Inc. (“D.R.
5 Horton”). I am also Vice President of CHI Construction Company (“CHI”), the
6 land acquisition and construction entity for DR Horton – Continental Series in
7 Arizona.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS DOCKET?**

9 A. Yes. I filed direct testimony in this docket on January 24, 2006.

10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMON?**

11 A. The purpose of my surrebuttal testimony is to respond to one issue addressed by
12 Arizona-American set forth in its direct testimony.

13 **Q. PLEASE SUMMARIZE THE ISSUES THAT YOU WILL ADDRESS IN**
14 **YOUR SURREBUTTAL TESTIMONY.**

15 A. My surrebuttal testimony will address the following:

- 16 • The testimony of Thomas Broderick relating to when the increase in the hook-
17 up fee will be applied.

18 **Q. WOULD YOU PLEASE ADDRESS YOUR CONCERNS REGARDING**
19 **THE POSITION THAT ARIZONA-AMERICAN HAS STATED WITH**
20 **RESPECT TO THE PAYMENT OF HOOK-UP FEES UNDER THE**
21 **CURRENT TARIFF?**

22 A. Yes. First, by way of background, as I stated in my direct testimony, CHI has
23 already paid to Arizona-American \$1,717,900 for Hook-Up Fees pursuant to the
24 existing Commission-approved Arizona-American tariff. Additionally, CHI has
25 spent over \$4.1 million towards the construction of other back-bone
26 infrastructure and wet water development necessary for water service to Sarah
27 Ann Ranch that will also provide regional benefits to Arizona-American.

28 CHI does not object to the recommended increases in the Hook-Up Fees
set forth in the October 27, 2006 Staff Report so long as the final order of the
Commission expressly states that to the extent Arizona-American has received

1 payment for Hook-Up Fees under the existing tariff, if and when a new tariff
2 becomes effective, Arizona-American may not charge the difference between the
3 existing Hook-Up Fee and the new Hook-Up Fee as a condition of receiving
4 service, regardless of whether Arizona-American has provided a meter.¹ Further,
5 Arizona-American should be precluded from unilaterally refunding Hook-Up
6 Fees paid by an applicant for water service under the existing tariff in order to
7 later charge the higher Hook-Up Fees under the new tariff.

8 **Q. DID ARIZONA-AMERICAN AGREE WITH THIS POSITION?**

9 A. Yes. On November 6, 2006, CHI filed comments in this docket that set forth this
10 position. On November 13, 2006, Arizona-American filed a response indicating
11 that it did not object to inclusion of express language in the final order with
12 regard to this issue.

13 **Q. HAS ARIZONA-AMERICAN SINCE MODIFIED ITS POSITION ON
14 THIS ISSUE?**

15 A. It is not clear. On page 16, line 21, in his pre-filed testimony Mr. Broderick was
16 asked the question: "When should the Hook-Up Fee be applied?" In response,
17 Mr. Broderick testified that "the hook-up fee is applicable if the tariff is effective
18 prior to the operational acceptance under the terms of the line extension
19 agreements. This is equivalent to the meter set date. This is exactly how a
20 similar tariff in Anthem is applied."

21 **Q. DO YOU AGREE WITH THIS POSITION?**

22 A. I believe there needs to be further clarification. First, operational acceptance
23 pursuant to the line extension agreements is not the meter set dates. Operational
24 acceptance is Arizona-American's acceptance of the developer's on-site
25 distribution and transmission facilities. Meters are usually set sometime after
26 operational acceptance. Therefore, there should be no linkage between the
27 payment of the Hook-Up Fee and when meters are set. Second, the line extension

28 ¹ Although CHI has already paid to Arizona-American its Hook-Up Fees, Arizona-American has not as yet "set" all of the water meters.

1 agreements specifically require written notification from Arizona-American of
2 confirmation of operational acceptance. However, in practice, a project may be at
3 the operational acceptance stage, but Arizona-American has not administratively
4 issued the formal written acknowledgement of such. In fact, I am aware of
5 situations where on-site facilities have been installed and are ready for use,
6 Arizona-American will often install meters because it considers the project to be
7 at operational acceptance, even though it has not issued the formal
8 acknowledgement letter. Finally, pursuant to the terms of Arizona-American's
9 line extension agreement, developers are required to pay hook-up fees upon
10 operational acceptance *or request requesting water service to any phase*,
11 whichever is first. Therefore, under the existing circumstances, to the extent CHI
12 has already paid Hook-Up Fees pursuant to the terms of the line extension
13 agreement prior to the effective date of any new hook-up fee tariff for Sarah Ann
14 Ranch, Arizona-American should be precluded from charging the higher tariff.

15 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING THE**
16 **PAYMENT OF HOOK-UP FEES UNDER THE EXISTING TARIFF?**

17 A. Yes. In practice, developers often pay Hook-Up and meter fees to Arizona-
18 American based upon the anticipated need of the individual lot or home size.
19 Once construction begins, sometimes a decision is made that either a larger or
20 smaller meter is needed. Therefore, when a request for a change in the meter size
21 is made to Arizona-American, it will true-up the amount(s) and refund the
22 difference to the extent a smaller meter is requested or charge the difference if a
23 larger meter is requested. CHI submits that to the extent that this occurs after the
24 effective date of a new higher Hook-Up fee tariff, any true-up adjustments,
25 whether they be higher or lower, should be based on the existing tariff for which
26 the Hook-Up Fees were initially paid. I therefore request that this also be made
27 clear in the final order that the Commission adopts approving any increase in the
28 Hook-Up Fees.

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Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.