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FENNEMORE CRAIG, P.C. 2007 MAR 15 P 4: 34  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF LITCHFIELD PARK SERVICE  
COMPANY FOR AN ACCOUNTING  
ORDER AUTHORIZING THE DEFERRAL  
OF COSTS ASSOCIATED WITH EFFORTS  
TO ADDRESS THE POTENTIAL  
CONTAMINATION OF WATER SUPPLY  
LOCATED IN MARICOPA COUNTY,  
ARIZONA

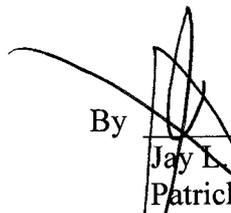
DOCKET NO. W-01427A-06-0807  
**NOTICE OF FILING  
DIRECT TESTIMONY**

Litchfield Park Service Company hereby submits this Notice of Filing Direct  
Testimony in the above-referenced matter. Specifically, filed herewith is the Direct  
Testimony of Greg Sorensen.

RESPECTFULLY SUBMITTED this 15th day of March, 2007.

FENNEMORE CRAIG, P.C.

By

  
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Arizona Corporation Commission  
**DOCKETED**  
MAR 15 2007

DOCKETED BY 

1 An original and 13 copies of the  
2 foregoing was hand-delivered this  
3 15th day of March, 2007 to:

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

8 Charles H. Haines, Esq.  
9 Legal Division  
10 Arizona Corporation Commission  
11 1200 West Washington  
12 Phoenix, AZ 85007

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9 IN THE MATTER OF THE APPLICATION | DOCKET NO. W-01427A-06-0807  
10 OF LITCHFIELD PARK SERVICE  
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14 TO ADDRESS THE POTENTIAL  
15 CONTAMINATION OF WATER SUPPLY  
16 LOCATED IN MARICOPA COUNTY,  
17 ARIZONA

18 **DIRECT TESTIMONY OF**

19 **GREG SORENSEN**  
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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY.**

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

3 A. My name is Greg Sorensen. My business address is 12725 W. Indian School Road,  
4 Suite D-101, Avondale, AZ 85323.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Algonquin Water Services ("AWS") as Vice President of  
7 Finance. Like the Applicant, Litchfield Park Service Company ("LPSCO" or the  
8 "Company"), AWS is owned by Algonquin Water Resources of America, a  
9 wholly-owned subsidiary of the Algonquin Power Income Fund. I also hold the  
10 title of Controller for the Infrastructure Division of Algonquin Power Income Fund.

11 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES?**

12 A. I oversee the accounting, customer service, and administration duties for AWS,  
13 which manages and operates 17 utilities in Arizona, Texas, Missouri, and Illinois.  
14 This includes responsibility for the integrity of the financial records, monthly and  
15 annual financial reporting requirements, budgeting, rate case planning and  
16 oversight, directing customer service activities, and setting policies and procedures  
17 as it relates to my departments.

18 **Q. WHAT IS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND  
19 BEFORE GOING TO WORK FOR AWS?**

20 A. I received a Bachelor's degree in Accounting from Wake Forest University in  
21 1993. I worked for Arthur Andersen as a staff and senior auditor for 5 years, after  
22 which I was a Director of Financial Reporting & Analysis, Controller, and VP  
23 Finance for Excel Agent Services, an international call center company. I am a  
24 Certified Public Accountant in the State of Georgia (license # CPA017709).

25 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

26 A. Yes, on 3 or 4 other occasions.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**  
2 **PROCEEDING?**

3 A. No.

4 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

5 A. To explain the Company's request for an accounting order.

6 **Q. WHAT IS AN ACCOUNTING ORDER?**

7 A. An order that allows the Company to defer certain costs into a designated NARUC  
8 account for future ratemaking treatment.

9 **Q. WHY DOES LPSCO NEED AN ACCOUNTING ORDER?**

10 A. LPSCO is incurring costs to address potential groundwater contamination in its  
11 CC&N. Such contamination was not caused by the Company.

12 **Q. ARE THE COMPANY'S WELLS CONTAMINATED?**

13 A. Not at this time, but there is a significant possibility that several of the Company's  
14 wells will be impacted by contamination from a nearby Superfund site, referred to  
15 as the Phoenix-Goodyear Airport Area Superfund site. The contamination is the  
16 result of solvents such as trichloroethylene ("TCE") entering into the groundwater  
17 due to former activities of Unidynamic Phoenix Inc., now owned by Crane Co., the  
18 potentially responsible party. The moving zone of groundwater contamination is  
19 referred to as the TCE Plume. In July 2006, LPSCO representatives learned that  
20 the TCE plume emanating from the Phoenix-Goodyear Airport Area Superfund site  
21 has the potential to contaminate as many as 6 wells owned and operated by the  
22 Company. Five of these wells are in operation serving customers today, with the  
23 sixth one used as a "standby" well. Additionally, the TCE Plume may adversely  
24 impact three wells on which the Company has purchase options.

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1 **Q. ARE STEPS BEING TAKEN TO ADDRESS THE POSSIBLE**  
2 **CONTAMINATION OF SOME OF THE COMPANY'S WELLS?**

3 A. Yes. The Company has been working with the U.S. Environmental Protection  
4 Agency and Crane Co.'s consultants, Arcadis, regarding location for placing  
5 monitoring or sentinel wells between the known TCE Plume and the LPSCO wells.  
6 The Company has increased sampling of its wells that have the most potential to be  
7 impacted, Wells, TW1 and TW2, far in excess of the required frequency of once  
8 every three years to once per week. The results of this weekly sampling are  
9 provided to Arcadis and U.S. Environmental Protection Agency to help them in  
10 modeling the TCE Plume. It was thought that more frequent sampling was prudent  
11 to ensure that the Company's water supply continues to be safe for its customers.  
12 Finally, the Company has commenced drilling of additional wells to replace TW1  
13 and TW2 should they become contaminated. This is being done to ensure the  
14 Company's customers continue to have adequate, safe, and reliable drinking water.

15 **Q. IS LPSCO SEEKING APPROVAL TO ADDRESS GROUNDWATER**  
16 **CONTAMINATION IN THIS DOCKET?**

17 A. No. All LPSCO is seeking in this docket is an accounting order. This is really just  
18 a simple accounting matter, which is why I am the one testifying. I would point  
19 out though, the Company will also have engineering and operations personnel  
20 available at the hearing to answer any questions concerning the potential  
21 contamination of groundwater and LPSCO's past, current and future remedial  
22 efforts.

23 **Q. WILL THIS ACCOUNTING ORDER IMPACT THE CURRENT RATES**  
24 **FOR WATER UTILITY SERVICE?**

25 A. No. The order merely defers costs the Company is incurring to address the  
26 potential groundwater contamination so that such costs can be considered in future

1 rate cases. The accounting order will not have any impact on current rates.

2 **Q. WHAT TYPES OF COSTS IS LPSCO INCURRING TO ADDRESS THE**  
3 **POTENTIAL GROUNDWATER CONTAMINATION?**

4 A. LPSCO has already incurred costs evaluating the potential impact of groundwater  
5 contamination on its wells and exploring its options and remedies. These costs are  
6 largely engineering, hydrologic, legal, accounting and costs associated with our  
7 efforts to inform the community and regulators. The Company will soon incur  
8 capital costs to drill or purchase replacement wells for TW1 and TW2. We also  
9 expect to incur increases in operation and maintenance costs from alternative  
10 (replacement) water sources; litigation costs related to defending the Company  
11 against lawsuits; litigation costs related to seeking restitution from  
12 polluters/contaminators; capital costs of acquiring and/or constructing alternative  
13 (replacement) sources of water; and capital costs and/or operating expenses to treat  
14 contaminated water supplies. All of these costs would be deferred pursuant to the  
15 requested accounting order, as would any settlement costs and/or amounts received  
16 as a result of settlements or damages awards in litigation with  
17 polluters/contaminators.

18 **Q. SO ANY AMOUNTS RECEIVED BY THE COMPANY AS A RESULT OF**  
19 **LITIGATION SETTLEMENTS OR DAMAGE AWARDS WOULD ALSO**  
20 **BE SUBJECT TO FUTURE RATEMAKING?**

21 A. Yes.

22 **Q. WOULD THE REQUESTED ACCOUNTING ORDER COVER COSTS**  
23 **ALREADY INCURRED?**

24 A. The Company believes it should. LPSCO was forced to immediately begin  
25 incurring costs to address a potential threat to its customers. LPSCO has been  
26 proactive in doing the right thing to protect its ratepayers. The Company should

1 not be punished because it takes time to obtain the necessary regulatory approvals.

2 **Q. ARE YOU AWARE OF ANY ACCOUNTING RULES THAT PRECLUDE**  
3 **THE DEFERRAL OF COSTS ALREADY INCURRED UNDER AN**  
4 **ACCOUNTING ORDER?**

5 A. I am not aware of any such prohibition nor should there be. Much of ratemaking is  
6 by its very nature retroactive. We always incur costs today and recover them  
7 tomorrow. Here, no recovery is being sought or authorized. The prudence and  
8 recoverability of every cent included in the deferral account will be subject to strict  
9 Commission scrutiny in a future rate case. The only criterion for deferral should be  
10 whether the costs relate to the Company's efforts to address the potential or actual  
11 contamination of groundwater in the vicinity of several of its wells.

12 **Q. WILL LPSCO AGREE TO KEEP THE COMMISSION REASONABLY**  
13 **INFORMED OF THE STATUS OF THE POTENTIAL**  
14 **CONTAMINATION?**

15 A. Yes, and we have kept Staff and local governments informed of the situation over  
16 the past several months.

17 **Q. DO THE COMPANY'S OWNERS AND MANAGERS RECOGNIZE THE**  
18 **SERIOUSNESS OF THE CIRCUMSTANCES?**

19 A. Absolutely, and we know how serious this matter will be taken by our customers  
20 and this Commission. We agree that it must be taken seriously and are doing  
21 everything reasonably possible to address the potential contamination. We do not  
22 intend to allow our ratepayers to be exposed to contaminated water supplies.

23 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

24 A. Yes.

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