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ARIZONA, COLORADO, MONTANA,
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DISTRICT OF COLUMBIA

OF COUNSEL TO
MUNGER CHADWICK, P.L.C.

October 9, 2007

Arizona Corporation Commission
DOCKETED

OCT 11 2007

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

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AZ CORP COMMISSION
DOCKET CONTROL

Re: Las Quintas Serenas Water Co.
Docket Nos. W-01583A-04-0178,
W-01583A-05-0326 and W-01583A-05-0328

To Whom It May Concern:

Pursuant to the Second Ordering Paragraph of the September 24, 2007 Procedural Order issued in the above-referenced docketed proceedings, enclosed for filing are the original and seventeen (17) copies of the Prepared Direct Testimony of Kaycee Conger on behalf of Las Quintas Serenas Water Co.

Thank you for your assistance with regard to this matter.

Sincerely,



Lawrence V. Robertson, Jr.

cc: Hon. Jane L. Rodda
Ernest Johnson
Christopher Kempley
Kevin Torrey
Parties of Record
Las Quintas Serenas Water Co.

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OCT 10 2007

ARIZONA CORP. COMM
400 W CONGRESS STE 218 TUCSON AZ 85701

1 PREPARED DIRECT TESTIMONY
2 OF
3 KAYCEE CONGER
4 ON BEHALF OF
5 LAS QUINTAS SERENAS WATER CO.
6 (DOCKET NO. W-01583A-04-0178, W-01583A-05-0326, W-01583A-05-0340)

7 **Q.1 Please state your name and your business address.**

8 A.1 Kaycee Conger. My business address is 75 W. Calle de las Tiendas, Suite 115-B,
9 Green Valley Arizona, 85614.

10 **Q.2 Are you employed by Las Quintas Serenas Water Co. ("LQS") and, if
11 so, in what capacity?**

12 A.2 Yes. I am the Administrative Manager for LQS.

13 **Q.3 Please describe the responsibilities and functions associated with that
14 position.**

15 A.3 My responsibility areas include the following: Office/Administrative
16 Management of Day-to-Day Operations; Public Relations; Budget; Scheduling;
17 Contracts/Agreements; Primary Interface with Professional Services Entities,
18 Regulatory Agencies, and State-County-Town Offices; Company Regulatory
19 Compliance; Submittal of Compliance Reports (such as Payroll, Tax, Agency);
20 Vulnerability Assessment and Emergency Response Plans; and Publication of
21 Company Policies, Procedures, and Manuals.

22 **Q.4 How long have you been employed by LQS?**

23 A.4 8 - 1/2 years.

24 **Q.5 Are you familiar with the Fire Sprinkler Service Tariff being proposed
25 by LQS?**

26 A.5 Yes. I was LQS' principal point of contact with the neighboring water companies
27 as well as the company's engineering consultant and legal counsel in connection
28 with (i) researching the subject, (ii) preparing the proposed tariff and (iii)
presenting the proposed tariff to the LQS Board of Directors for approval.

The proposed Fire Sprinkler Service Tariff for LQS was generally patterned after
a similar tariff included in the rate schedules of Community Water of Green
Valley. However, certain revisions and significant language additions were made
to the LQS tariff in order to specifically address the current capacity limitations of

1 the LQS system. Of particular significance in this regard are the terms and
2 conditions in the sections on "Area of Availability," "Limited Applicability" and
3 "Special Provisions," which are prerequisites to receiving service under LQS'
4 proposed tariff.

5 **Q.6 Does LQS expect the customers with fire sprinkler systems to**
6 **continue to pay the monthly service charge and the arsenic**
7 **remediation surcharge they currently pay should the proposed**
8 **tariff be approved?**

9 A.6 No. If the proposed Fire Sprinkler Service Tariff is accepted and approved by the
10 Commission, those customers with fire sprinkler systems who opt and qualify to
11 receive service under the tariff would only be responsible for those charges listed
12 within the tariff. They would no longer pay a monthly minimum, based on meter
13 size, or monthly ARSM Surcharge.

14 **Q.7 Would Commission approval of the proposed Fire Sprinkler Service**
15 **Tariff affect the level of revenue LQS would otherwise receive from its**
16 **customers; and, if so, how and why?**

17 A.7 Approval of the proposed Fire Sprinkler Service Tariff would result in a reduction
18 in the level of revenues received by LQS. This is because LQS would no longer
19 receive the monthly minimum and the monthly ARSM Surcharge associated with
20 those water system connections which transferred to the new Fire Sprinkler
21 Service Tariff. The revenues which would result from the new tariff, as to those
22 service connections, would be substantially less than those currently received
23 from the applicable monthly minimum and monthly ARSM Surcharges.

24 **Q.8 How will LQS meet those expenses it would otherwise have paid from**
25 **those "lost" revenues?**

26 A.8 It will have to pay those expenses from other revenues generated on its water
27 system.

28 **Q.9 How long is it anticipated that this revenue "shortfall" will last?**

Until LQS' next rate case.

Q.10 When does the company expect to submit its next rate case?

Early 2009.

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Q.11 Why does LQS believe that it can continue to fully pay its operating expenses until 2009, given this potential revenue “shortfall”?

A.11 LQS anticipates only a small number of its current and currently foreseeable customers will both have a desire, and qualify for, fire sprinkler service under the proposed tariff. Thus, it believes that the revenue “shortfall” resulting from Commission approval of the proposed Fire Sprinkler Service Tariff would be relatively small within the context of LQS’ overall water system revenues, and thus manageable. However, it should be recognized that this is a calculated risk, based on certain assumptions.

Q.12 What was the catalyst that caused LQS to consider proposing a Fire Sprinkler Service Tariff at this time rather than at the company’s next rate case, as is the usual practice?

A.12 Although the company was anticipating submitting a proposed Fire Sprinkler Service Tariff in its next rate case, the recently expressed interest of the Commissioners in considering the subject at this point in time accelerated LQS’ presentation of such a proposal.

Q.13 Does that complete your testimony?

A.13 Yes.