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1 FENNEMORE CRAIG, P.C.
 Norman D. James (No. 0069010) NOV 19 P 4: 47
 2 Jay L. Shapiro (No. 014650)
 3 3003 N. Central Ave. AZ CORP COMMISSION
 Suite 2600 DOCKET CONTROL
 4 Phoenix, Arizona 85012
 Attorneys for Chaparral City Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

7 IN THE MATTER OF THE APPLICATION
 8 OF CHAPARRAL CITY WATER
 9 COMPANY, INC., AN ARIZONA
 10 CORPORATION, FOR A
 11 DETERMINATION OF THE FAIR VALUE
 OF ITS UTILITY PLANT AND
 PROPERTY AND FOR INCREASES IN
 ITS RATES AND CHARGES FOR
 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-02113A-07-0551

NOTICE OF FILING

12 Chaparral City Water Company, an Arizona corporation ("Company"), hereby
 13 submits this Notice of Filing in the above-referenced matter. Specifically filed herewith is
 14 the Supplemental Rebuttal Testimony of Thomas J. Bourassa (Rate Base, Income
 15 Statement, Revenue Requirement, Rate Design), which presents the Company's proposal
 16 of a lower income tariff first introduced in the October 31, 2008 Rebuttal Testimony of
 17 Thomas J. Bourassa.

DATED this 19th day of November, 2008.

FENNEMORE CRAIG, P.C.

Arizona Corporation Commission

DOCKETED

NOV 19 2008

DOCKETED BY	<i>Mn</i>
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By

Norman D. James
 Jay L. Shapiro
 3003 North Central Avenue, Suite 2600
 Phoenix, Arizona 85012
 Attorneys for Chaparral City Water Company

1 **ORIGINAL** and thirteen (13) copies
2 of the foregoing were filed
3 this 19th day of November, 2008, with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 W. Washington St.
7 Phoenix, AZ 85007

8 **Copy of the foregoing was hand delivered**
9 this 19th day of November, 2008, to:

10 Teena Wolfe, Administrative Law Judge
11 Hearing Division
12 Arizona Corporation Commission
13 1200 W. Washington St.
14 Phoenix, AZ 85007

15 Robin Mitchell, Esq.
16 Legal Division
17 Arizona Corporation Commission
18 1200 W. Washington Street
19 Phoenix, AZ 85007

20 Daniel W. Pozefsky, Esq.
21 Residential Utility Consumer Office
22 1110 W. Washington Street, Ste. 200
23 Phoenix, AZ 85007

24 **Copy of the foregoing mailed**
25 this 19th day of November, 2008, to

26 Craig A. Marks Esq.
10645 N. Tatum Blvd.
Suite 200-676
Phoenix, AZ 85028

By: *Maia San Jose*
2135034.1/10696.016

1 FENNEMORE CRAIG, P.C.
Norman D. James (No. 006901)
2 Jay L. Shapiro (No. 014650)
3003 N. Central Avenue
3 Suite 2600
Phoenix, Arizona 85012
4 Attorneys for Chaparral City
Water Company, Inc.

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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8 IN THE MATTER OF THE APPLICATION
OF CHAPARRAL CITY WATER
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DOCKET NO. W-02113A-07-0551

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18 **SUPPLEMENTAL REBUTTAL TESTIMONY OF**
19 **THOMAS J. BOURASSA**
20 **(RATE BASE, INCOME STATEMENT,**
21 **REVENUE REQUIREMENT, RATE DESIGN)**
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I. INTRODUCTION AND PURPOSE1
II. PROPOSED LOW INCOME TARIFF.....1

2130134.1

1 **I. INTRODUCTION AND PURPOSE.**

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

3 A. My name is Thomas J. Bourassa and my business address is 139 W. Wood Drive,
4 Phoenix, AZ 85029.

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE**
6 **INSTANT CASE?**

7 A. Yes, my direct testimony was submitted in support of the initial application filed
8 on September 26, 2007, and my rebuttal testimony was filed on October 31, 2008.

9 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL REBUTTAL**
10 **TESTIMONY?**

11 A. To present the Chaparral City Water Company's ("CCWC" or "Company")
12 proposal for approval of a lower income tariff.

13 **II. PROPOSED LOW INCOME TARIFF.**

14 **Q. DOES THE COMPANY CURRENTLY HAVE A LOW INCOME TARIFF?**

15 A. No.

16 **Q. WHY IS THE COMPANY PROPOSING THAT A LOW INCOME TARIFF**
17 **BE APPROVED IN THIS RATE CASE?**

18 A. Low income tariffs are an established regulatory tool used by regulatory
19 commissions to provide some relief to lower income ratepayers. The Commission
20 has approved low income tariffs for a number of utilities, and with the recent
21 downturn in our economy, the Commission has focused even more on the need for
22 these tariffs. As a result, CCWC wants to provide an opportunity for those
23 customers that truly need assistance to lower their cost of water utility service.

24 **Q. DOES THE LOW INCOME TARIFF IMPACT THE COMPANY'S**
25 **REVENUE REQUIREMENT?**

26

1 A. No. The low income tariff shifts the recovery of the revenue requirement between
2 customers. Those customers that pay the normal rates for water utility service are
3 subsidizing those customers that obtain a discount on the cost.

4 **Q. HAS THE COMPANY PREPARED A LOW INCOME TARIFF?**

5 A. Yes. Attached at **Bourassa Supplemental Rebuttal Exhibit 1** is the Company's
6 proposed low income tariff.

7 **Q. WOULD YOU PLEASE DESCRIBE THE COMPANY'S PROPOSED LOW**
8 **INCOME TARIFF?**

9 A. Yes. Customers meeting the qualifications as set forth in the proposed tariff would
10 receive a 15 percent discount off their water bill. The primary criteria would be
11 based on the combined gross annual income of all persons living in the household.
12 For example, as shown on the proposed tariff, a 4-person household with a total
13 gross annual income of less than or equal to \$31,800 would meet the criteria. As
14 defined in the proposed tariff, gross annual household income means all money
15 and non-cash benefits, available for living expenses, from all sources, both taxable
16 and non-taxable, for all people who live in the home.

17 **Q. HOW WOULD A CUSTOMER SIGN UP FOR THE PROGRAM?**

18 A. By completing an application and eligibility declaration and submitting proof of
19 income to the Company. The form of the application and eligibility declaration
20 would be approved by the Commission. A sample application and eligibility
21 declaration is attached as **Bourassa Supplemental Rebuttal Exhibit 2**.

22 **Q. HOW WERE THE GROSS ANNUAL HOUSEHOLD INCOME LIMITS**
23 **DETERMINED IN THE PROPOSED TARIFF?**

24 A. The income guidelines are based on 150 percent of the 2008 federal poverty
25 guidelines.
26

1 **Q. WOULD THE GROSS ANNUAL INCOME LIMITS BE UPDATED**
2 **ANNUALLY?**

3 A. Yes. Federal poverty guidelines are updated annually and published in the Federal
4 Register (January). Accordingly, the Company would update its gross annual
5 household income limits annually.

6 **Q. HOW WOULD CUSTOMERS BE MADE AWARE OF THE LOW**
7 **INCOME TARIFF PROGRAM?**

8 A. Providing customers with information about the low income tariff program will be
9 an ongoing process. Notice of the new rates implemented in this rate case would
10 include information about the low income tariff. Additional information would be
11 provided by bill inserts, and on CCWC's website. In addition, new customers
12 would be made aware of the program upon signing up for new service.

13 **Q. HOW WOULD THE COMPANY TRACK THE PROGRAM COSTS AND**
14 **PROGRAM COST RECOVERY?**

15 A. The program costs (the discounts given to participants plus a 10% fee for
16 administration and carrying costs) would be recovered from non-participants via a
17 commodity surcharge. The Company would maintain a balancing account to keep
18 track of the program costs and the collections made from non-participants. The
19 surcharge would be computed annually based on the prior year costs and
20 collections.

21 **Q. WHEN WOULD THE COMMODITY SURCHARGE TO NON-**
22 **PARTICIPANTS BEGIN?**

23 A. One year after the program begins. In order to determine a basis for the first
24 surcharge computation, the CCWC will track the program costs for 12 months.
25 Upon completion of the 12-month period, the Company will compute a surcharge
26 intended to collect the prior year's program costs over the next 12 months.

1 Accordingly, the first year surcharge will be computed by dividing the program
2 costs by the gallons sold to non-participants during the 12-month period.
3 Subsequently, the program costs and surcharge collections will be accumulated in
4 the balancing account for the next 12-month period. The next year's surcharge
5 will be computed by dividing the balancing account balance by the gallons sold to
6 non-participants during most recent 12-month period.

7 **Q. CAN YOU PLEASE PROVIDE AN ILLUSTRATION?**

8 A. Yes. Assume that during the first 12 months of the program \$20,000 in costs are
9 incurred (including the administrative fee and carrying costs) and 500,000
10 thousand gallons were sold to non-participants during that 12-month period. The
11 commodity surcharge for the second year would be \$0.04 per 1,000 gallons
12 (\$20,000 divided by 500,000 thousand gallons). If during the second year,
13 \$25,000 in program costs are incurred, \$22,000 is recovered via the surcharge to
14 non-participants, and 550,000 thousand gallons are sold to non-participants, then
15 the commodity surcharge for the third year would be \$0.0418 per 1,000 gallons
16 (\$20,000 program costs for first year less \$22,000 in surcharge collections plus
17 \$25,000 programs costs for the second year) divided by 550,000 thousand gallons).

18 **Q. WOULD THE COMPANY BE WILLING TO SUBMIT AN ANNUAL
19 REPORT TO THE COMMISSION?**

20 A. Yes. CCWC expects that it will need to submit an annual report showing the
21 number of participants for the year, the discounts given to participants,
22 administration fee and carrying costs, and the collections made from non-
23 participants though the surcharge. The Company would also report the balance of
24 the low income balancing accounts and show a computation of the next year's
25 commodity surcharge and submit updated gross annual income guidelines for the
26 next year.

1 **Q. WOULD THE SURCHARGE APPEAR SEPARATELY ON CUSTOMER**
2 **BILLS?**

3 A. Yes. The surcharge would be identified as "Low Income Assistance Charge."

4 **Q. DOES THE COMPANY HAVE AN ESTIMATE OF HOW MANY**
5 **CUSTOMERS WILL QUALIFY FOR THE LOW INCOME TARIFF**
6 **DURING THE FIRST YEAR NEW RATES WILL BE IN EFFECT?**

7 A. As CCWC has no prior experience administering this type of program in Fountain
8 Hills, it can only offer a rough guess. One source researched stated that 4.6% of
9 all residences in Fountain Hills were below the 2007 Federal poverty level. With
10 an approximate connection count of 13,500, there would be 621 connections with
11 no reduction for non-residential accounts. Of this total, CCWC estimates that half
12 of the accounts are in individually metered residential connections as opposed to
13 those living in master-metered apartment buildings. Out of these roughly 300
14 eligible connections, the Company assumes that two-thirds would participate and
15 sign up for the program.

16 **Q. WHAT WOULD BE THE IMPACT ON AN AVERAGE CUSTOMER**
17 **BILL?**

18 A. Based on the existing bill for median usage on a 3/4" meter currently at \$24.94, the
19 impact would result in a reduction of \$3.74.

20 **Q. WHAT WOULD BE THE COSTS OF THE PROGRAM ON THE ABOVE**
21 **ESTIMATES?**

22 A. Our best estimate of the annual surcharge would be \$3.74 times twelve months,
23 times 200 accounts, times 1.10% for the administrative charge and carrying costs.
24 This would equal approximately \$9,875 per year.

25 **Q. WHAT IS THE ESTIMATED TOTAL ADMINISTRATION FEE AND**
26 **CARRYING COSTS OF THE PROGRAM?**

1 A. About \$900 (\$3.74 times 12 months times 200 customers times 10 percent).

2 **Q. WHAT WOULD BE THE SURCHARGE BASED ON THE 2006 GALLONS**
3 **SOLD?**

4 A. About ½ cent per 1,000 gallons, or about 4 cents on the average ¾ inch customer
5 bill.

6 **Q. PLEASE EXPLAIN.**

7 A. Per the Company's rebuttal filing, the gallons sold, including the gallons from the
8 revenue annualization, is 1,863,004 thousand gallons (2,084,339 thousand gallons
9 minus 221,335 thousand gallons from the revenue annualization). The gallons
10 sold to participants will be 20,280 thousand gallons (8,450 gallons for average ¾
11 inch customer times 12 months times 200 customers divided by 1,000). The gallon
12 basis for the surcharge will be 1,842,724 thousand gallons (1,863,004 thousand
13 gallons minus 20,280 thousand gallons). Dividing \$9,500 by 1,824,724 thousand
14 gallons yields a surcharge of about ½ cent. The average ¾ inch customer uses 8.45
15 thousand gallons, so the surcharge for an average ¾ inch bill would be about 4
16 cents (8.45 thousand gallons times ½ cent) per month.

17 **Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL REBUTTAL**
18 **TESTIMONY ON THE COMPANY'S PROPOSED LOW INCOME**
19 **TARIFF?**

20 A. Yes.

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**BOURASSA SUPPLEMENTAL REBUTTAL
EXHIBIT 1**

**CHAPARRAL CITY WATER COMPANY (CCWC)
ALTERNATE RATES FOR WATER (ARW)
DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION**

APPLICABILITY

Applicable to residential water service for domestic use rendered to low-income households where the customer meets all the Program Qualifications and Special Conditions of this rate schedule.

TERRITORY

Within all Customer Service Areas served by the Company.

RATES

Fifteen percent (15%) discount applied to the regular filed tariff.

PROGRAM QUALIFICATIONS

1. The CCWC bill must be in your name and the address must be your primary residence or you must be a tenant receiving water service by a sub-metered system in a mobile home park.
2. You may not be claimed as a dependent on another person's tax return.
3. You must reapply each time you move.
4. You must renew your application every two years, or sooner, if requested.
5. You must notify CCWC within 30 days if you become ineligible for ARW.
6. Your total gross annual income of all persons living in your household cannot exceed the income levels below:

Effective January 1, 2008

<u>No. of Person In Household</u>	<u>Total Gross Annual Income</u>
1	\$15,600
2	21,000
3	26,400
4	31,800
5	37,200
6	42,600

For each additional person residing in the household, add \$5,400.

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(Continued)

For the purpose of the program the "gross household income" means all money and non cash benefits, available for living expenses, from all sources, both taxable and non taxable, before deductions for all people who live in my home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from:	Scholarships, grants, or other aid	Profit from self-employment
Savings accounts, stocks or bonds	used for living expenses	(IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF(AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

SPECIAL CONDITIONS

1. Application and Eligibility Declaration: An Application and eligibility declaration on a form authorized by the Commission is required for each request for service under this schedule. Renewal of a customer's eligibility declaration will be required, at least, every two years.
2. Commencement of Rate: Eligible customers shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by the Utility.
3. Verification: Information provided by the applicant is subject to verification by the Utility. Refusal or failure of a customer to provide documentation of eligibility acceptable to the Utility, upon request by the Utility, shall result in removal from this rate schedule.
4. Notice From Customer: It is the customer's responsibility to notify the Utility if there is a change of eligibility status.
5. Rebilling: Customers may be re-billed for periods of ineligibility under the applicable rate schedule.
6. Mobile home Park and Master-metered: A reduction will be calculated in the bill of mobile home park and master-metered customers, who have sub-metered tenants that meet the income eligibility criteria, so an equivalent discount (15%) can be passed through to eligible customer(s).

**BOURASSA SUPPLEMENTAL REBUTTAL
EXHIBIT 2**

