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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
WICKENBURG RANCH WATER, LLC  
(FORMERLY CDC WICKENBURG WATER,  
LLC) FOR APPROVAL OF A RATE  
ADJUSTMENT.

DOCKET NO. W-03994A-07-0657

**CASH WORKING CAPITAL  
ADJUSTMENT**

Staff does not recommend a cash working capital allowance for Wickenburg Ranch, LLC because the Company failed to provide support justifying the need for one. A cash working capital allowance is generally only granted to larger companies when there is a demonstrated need to cover the time lag between cash payments to vendors and cash receipts from customers (e.g., lead lag study). Staff has found that Class C and above sized utilities will typically have a negative cash working capital component and do not need additional funding through this mechanism. In Wickenburg's case, we have only Company projections for receipts and expenditures and no way to substantiate if there is any time lag between the receipt and disbursement of funds. In the absence of actual data showing that there is a positive need for a cash working capital allowance, Staff does not believe that one is appropriate.

RESPECTFULLY SUBMITTED this 25<sup>th</sup> day of November, 2008.

Arizona Corporation Commission

DOCKETED

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DOCKETED BY *MM*

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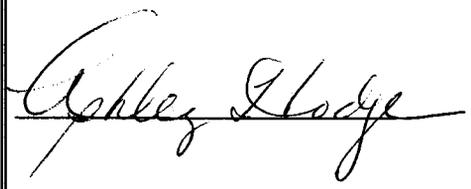
1 Original and thirteen (13) copies  
2 of the foregoing were filed this  
3 25<sup>th</sup> day of November, 2008 with:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85008

8 Copy of the foregoing mailed this  
9 25<sup>th</sup> day of November, 2008 to:

10 Steve Wene, Esq.  
11 Moyes Storey Law Offices  
12 1850 North Central Avenue, Suite 1100  
13 Phoenix, Arizona 85004

14 David Green  
15 Wickenburg Ranch Water, LLC  
16 c/o M3 Builders  
17 4222 East Camelback, H100  
18 Phoenix, Arizona 86018

19 

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24  
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27  
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# **EXHIBIT 1**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

IN THE MATTER OF THE APPLICATION OF )  
WICKENBURG RANCH WATER, LLC FOR )  
AN INCREASE IN ITS RATES )  
\_\_\_\_\_ )

DOCKET NO. W-03994A-07-0657

LATE FILED

EXHIBIT

OF

GARY T. MCMURRY

PUBLIC UTILITIES ANALYST IV

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

NOVEMBER 25, 2008

**EXECUTIVE SUMMARY  
WICKENBURG RANCH WATER LLC  
DOCKET NO. W-03994A-07-0657**

At the October 8, 2008, hearing for the Wickenburg Ranch Water LLC's ("Wickenburg" or "Company") rate application, the Administrative Law Judge requested that Staff further consider the appropriateness of recognizing a cash working capital allowance in rate base and file a late exhibit to report its recommendation. The purpose of this testimony is to comply with that request.

Staff continues to recommend against including a cash working capital allowance in rate base for Wickenburg because it is not and cannot be supported by lead-lag study.

1 **I. INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Gary McMurry. I am a Public Utilities Analyst employed by the Arizona  
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”).  
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6  
7 **Q. Please describe your educational background and professional experience.**

8 A. I received a Bachelor of Science degree in Business Administration with a major in  
9 Accounting from the University of Arizona in 1979, and I have earned professional  
10 designations as a Certified Fraud Examiner and as a Certified Internal Auditor.

11  
12 My prior work experience includes approximately 20 years of auditing (both internal and  
13 external), five years as a bank examiner and two years of Investigations work. Prior to  
14 joining the Commission, I was employed by the Office of Audit and Analysis for the  
15 Department of Transportation, primarily as a construction auditor.

16  
17 In 2007, I began employment at the Commission as a Public Utilities Analyst IV in the  
18 Finance and Regulatory Analysis Section. Since coming to the Commission, I have  
19 participated in a number of rate cases and other regulatory proceedings involving  
20 primarily water utilities. I have also attended various seminars and classes on general  
21 regulatory and business issues, including the National Association of Regulatory Utility  
22 Commissioners (“NARUC”) Utility Rate School and the Institute of Public Utilities  
23 Annual Regulatory Studies Program (“Camp NARUC”).

24  
25  
26

1 **Q. Briefly describe your responsibilities as a Public Utilities Analyst.**

2 A. I am responsible for the examination and verification of financial and statistical  
3 information included in assigned utility rate applications. I develop revenue requirements,  
4 design rates, and prepare written reports, testimony and schedules to present Staff's  
5 recommendations to the Commission. I am also responsible for testifying at formal  
6 hearings on these matters.

7  
8 **Q. Are you the same Gary T. McMurry that sponsored the revenue requirements and**  
9 **rate design portions of the Staff Report filed on September 3, 2008, ("Staff Report")**  
10 **and presented oral testimony at the hearing on October 8, 2008?**

11 A. Yes.

12  
13 **Q. What is the purpose of your testimony in this case?**

14 A. The purpose of my testimony is to comply with a request by the Administrative Law  
15 Judge at the hearing to further consider the appropriateness of recognizing a cash working  
16 capital allowance in rate base for the Wickenburg Ranch Water LLC's ("Wickenburg" or  
17 "Company") and to file a late exhibit to report its recommendation.

18  
19 **Q. What was the Staff Report recommendation regarding inclusion of an allowance for**  
20 **cash working capital in rate base?**

21 A. Staff recommended disallowance of the Company's proposed \$134,998 cash working  
22 capital allowance in rate base because it was based on the formula method instead of a  
23 lead-lag study.

24

25

1 **Q. Has Staff changed its recommendation regarding inclusion of an allowance for cash**  
2 **working capital in rate base?**

3 A. No. Staff continues to recommend against including a cash working capital allowance in  
4 rate base for Wickenburg.

5  
6 **Q. Why should rate base not include a cash working capital allowance?**

7 A. A lead-lag study is the best method for determining whether the cash working capital is  
8 positive or negative. In this case, there is no lead-lag study and no transaction data upon  
9 which to conduct a study. In the absence of a lead-lag study, there is no reason to assume  
10 that there is a positive cash working capital requirement. Accordingly, Staff consistently  
11 recommends no cash working capital allowance in rate base for Class A, B or C utilities in  
12 the absence of a lead-lag study.

13  
14 **Q. Does this conclude your direct testimony?**

15 A. Yes, it does.