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BEFORE THE ARIZONA CORPORATION COMMISSION
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Docket No. W-01303A-08-0227

Arizona Corporation Commission
DOCKETED

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8 IN THE MATTER OF THE APPLICATION OF
9 ARIZONA-AMERICAN WATER COMPANY,
10 AN ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE CURRENT FAIR
12 VALUE OF ITS UTILITY PLANT AND
13 PROPERTY AND FOR INCREASES IN ITS
14 RATES AND CHARGES BASED THEREON
15 FOR UTILITY SERVICE BY ITS AGUA FRIA
16 WATER DISTRICT, HAVASU WATER
17 DISTRICT, MOHAVE WATER DISTRICT,
18 PARADISE VALLEY WATER DISTRICT,
19 SUN CITY WEST WATER DISTRICT AND
20 TUBAC WATER DISTRICT.

Docket No. SW-01303A-08-0227

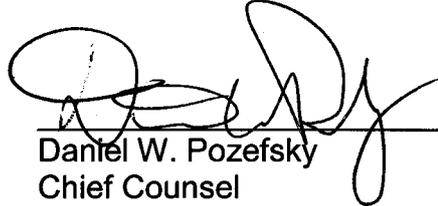
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RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS AGUA FRIA
WASTEWATER DISTRICT, ANTHEM
WASTEWATER DISTRICT AND MOHAVE
WASTEWATER DISTRICT

NOTICE OF FILING

TESTIMONY SUMMARY OF WILLIAM A. RIGSBY, CRRA

1 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing
2 the Testimony Summary of William A. Rigsby, CRRA in the above-referenced matter.

3 RESPECTFULLY SUBMITTED this 20th day of March, 2009.

4 
5 _____
6 Daniel W. Pozefsky
7 Chief Counsel

8 AN ORIGINAL AND FIFTEEN COPIES
9 of the foregoing filed this 20th day
10 of March, 2009 with:

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15 COPIES of the foregoing hand delivered/
16 mailed this 20th day of March, 2009 to:

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22 Phoenix, Arizona 85007

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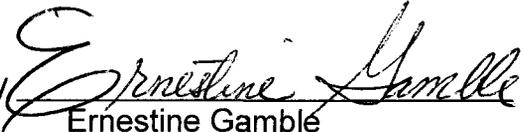
1 Commissioner Bob Stump
Arizona Corporation Commission

2
3 Meghaen Duger
Advisor to Commissioner Stump

4

5

6

By 
Ernestine Gamble
Secretary to Daniel Pozefsky

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**Arizona-American Water Company
Docket No. W-01303A-08-0227
Rate Case**

**SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY, CRRRA
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE**

The following is a summary of the significant issues set forth in both the direct and the surrebuttal testimony of RUCO witness William A. Rigsby, CRRRA, on Arizona-American Water Company's ("Arizona-American" or "Company") application for a permanent rate increase for seven of the Company's operating districts in the state of Arizona. Mr. Rigsby is providing testimony on the cost of capital issues associated with Arizona-American's request for a rate increase. The underlying theories and rationales for Mr. Rigsby's recommendations on these issues are contained in the above referenced documents. The significant issues associated with the case are as follows:

Weighted Cost of Capital – Mr. Rigsby is recommending that a 7.00 percent weighted cost of capital be applied to Chaparral's fair value rate base ("FVRB"). Mr. Rigsby's 7.00 percent figure is the result of his recommended capital structure, his recommended cost of long-term debt, and his recommended cost of common equity.

Capital Structure – Mr. Rigsby is recommending that the Commission adopt a capital structure, based on the Company's response to ACC Staff data request

SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY, CRRA (Cont.)

PMC 15.1 dated October 10, 2008, which is comprised of 55.2 percent long-term debt and 44.8 percent common equity.

Cost of Long-Term Debt – Mr. Rigsby is recommending that the Commission adopt a 5.46 percent cost of long-term debt. Mr. Rigsby's recommended 5.46 percent cost of long-term debt is the weighted cost of the Arizona-American's various debt issuances and is also based on the Company's response to ACC Staff data request PMC 15.1 dated October 10, 2008.

Cost of Common Equity – Mr. Rigsby is recommending an 8.88 percent cost of common equity. Mr. Rigsby's 8.88 percent figure is a mean average of the results of his cost of common equity analysis, which used both the discounted cash flow ("DCF") and capital asset pricing model ("CAPM") methodologies. These are the two methods that RUCO and ACC Staff have consistently used for calculating the cost of equity capital in rate case proceedings in the past, and are the methodologies that the ACC has given the most weight to in setting allowed rates of returns for utilities that operate in the Arizona jurisdiction.