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BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP 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

**NOTICE OF FILING
STAFF'S REBUTTAL TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Rebuttal Testimony of
Steven M. Olea of the Utilities Division in the above-referenced matter.

RESPECTFULLY SUBMITTED this 27th day of May, 2009.

Kevin O. Torrey, Attorney
Janet Wagner, Attorney
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007
(602) 542-3402

Arizona Corporation Commission
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1 Copy of the foregoing mailed this
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3 Steve Wene, Esq.
4 Moyes Storey Law Offices
5 1850 North Central Avenue, Suite 1100
6 Phoenix, Arizona 85004

7 David Green
8 Wickenburg Ranch Water, LLC
9 c/o M3 Builders
10 4222 East Camelback, H100
11 Phoenix, Arizona 86018

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF)
WICKENBURG RANCH WATER, LLC, AN)
ARIZONA LIMITED LIABILITY COMPANY,)
FOR A RATE ADJUSTMENT)
_____)

DOCKET NO. W-03994A-07-0657

DIRECT

TESTIMONY

OF

STEVEN M. OLEA

ASSISTANT DIRECTOR

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MAY 27, 2009

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1 **INTRODUCTION**

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

3 A. Steven M. Olea, 1200 West Washington, Phoenix, Arizona, 85007.

4
5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by the Arizona Corporation Commission (“Commission”) as the Assistant
7 Director for the Utilities Division (“Division”).

8
9 **Q. Please state your educational background.**

10 A. I graduated from Arizona State University (“ASU”) in 1976 with a Bachelors Degree in Civil
11 Engineering. From 1976 to 1978, I obtained 47 graduate hours of credit in Environmental
12 Engineering at ASU.

13
14 **Q. Please state your pertinent work experience.**

15 A. From April 1978 to October 1978, I worked for the Engineering Services Section of the
16 Bureau of Air Quality Control in the Arizona Department of Health Services (“ADHS”). My
17 responsibilities were to inspect air pollution sources to determine compliance with ADHS
18 rules and regulations.

19
20 From November 1978 to July 1982, I was assigned to the Technical Review Unit of the
21 Bureau of Water Quality Control (“BWQC”) in ADHS (this is now part of the Arizona
22 Department of Environmental Quality [“ADEQ”]). My responsibilities were to review water
23 and wastewater construction plans for compliance with ADHS rules, regulations, and
24 Engineering Bulletins.

1 From July 1982 to August 1983, I was assigned to the Central Regional Office, BWQC,
2 ADHS. My responsibilities were to conduct construction inspections of water and
3 wastewater facilities to determine compliance with plans approved by the Technical Review
4 Unit. I also performed routine operation and maintenance inspections to determine
5 compliance with ADHS rules and regulations, and compliance with United States
6 Environmental Protection Agency requirements.

7
8 From August 1983 to August 1986, I was a Utilities Consultant/Water-Wastewater Engineer
9 with the Division. My responsibilities were to provide engineering analyses of Commission
10 regulated water and wastewater utilities for rate cases, financing cases, and consumer
11 complaint cases. I also provided testimony at hearings for those cases.

12
13 From August 1986 to August 1990, I was the Engineering Supervisor for the Division. My
14 primary responsibility was to oversee the activities of the Engineering Section, which
15 included one technician and eight Utilities Consultants. The Utilities Consultants included
16 one Telecommunications Engineer, three Electrical Engineers, and four Water-Wastewater
17 Engineers. I also assisted the Chief Engineer and performed some of the same tasks that I
18 had performed as a Utilities Consultant.

19
20 In August 1990, I was promoted to the position of Chief Engineer. My duties were
21 somewhat the same as when I was the Engineering Supervisor, except that I was less
22 involved with the day-to-day supervision of the Engineering Staff and more involved with
23 the administrative and policy aspects of the Engineering Section.

1 In April 2000, I was promoted to my present position as one of two Assistant Directors of the
2 Division. In this position, I assist the Division Director in the policy aspects of the Division.
3 I am primarily responsible for matters dealing with water and energy.
4

5 **PURPOSE**

6 **Q. What was your assignment in this case?**

7 A. To provide the Utilities Division Staff's ("Staff") response to the testimony filed by
8 Wickenburg Ranch Water, LLC ("Wickenburg Ranch" or "Company").
9

10 **Q. What is the purpose of this prefiled testimony?**

11 A. In providing Staff's response to the Company's testimony, this testimony will discuss why
12 Staff believes it is in the public interest for Wickenburg Ranch to adopt a proactive water
13 conservation program.
14

15 **Q. Would you please summarize your testimony?**

16 A. Commission Decision No. 70741 prohibits the Company from using groundwater in
17 ornamental lakes and water features or to irrigate the golf course. Staff believes that this is a
18 reasonable requirement since it will conserve groundwater use by the Company, may delay
19 the need for acquiring additional wells, and will provide energy and O&M expense savings
20 related to the Company's pumps and other equipment. In addition, the Company has already
21 stated that it does not plan to sell groundwater to the golf course for irrigation purposes.
22

23 Commission Decision No. 70741 also requires the Company to implement at least ten (10)
24 Best Management Practices ("BMPs"). Staff believes that this is a reasonable requirement
25 because these BMPs will promote the efficient use of groundwater through conservation.
26 The Company should be required to provide further detail and explanation as to exactly how

1 it will implement those BMPs that it has chosen. The Company should also be required to
2 submit proposed tariffs for any of those BMPs that would impose requirements and or
3 charges/fees on customers, or require the Company to provide rebates/payments to
4 customers.

5
6 Commission Decision No. 70741 requires the Company to propose tariffs for implementing
7 low-water-use landscaping and rainwater catchment as conditions of service. Staff believes
8 that this is a reasonable requirement because this too will promote the efficient use of
9 groundwater through conservation. With regard to proposed tariffs for low-water-use
10 landscaping and rainwater catchment systems as conditions of service, the Company should
11 be required to submit such proposed tariffs along with as much detail as possible to allow the
12 Commission to fully consider such proposals to determine whether or not they are practical
13 and cost-efficient.

14
15 Finally, Commission Decision No. 70741 requires the Company to work with the wastewater
16 provider to obtain effluent for the golf course, etc. This requirement is reasonable because
17 the use of effluent will also conserve groundwater in the area, which will have a beneficial
18 effect on both the efficiency of the Company's plant and system and the quality of service
19 that the Company's ratepayers experience. In addition, it appears that the Company already
20 plans to use effluent to irrigate the golf course.

21
22 **BACKGROUND**

23 **Q. When was Wickenburg Ranch first certificated as a public service corporation?**

24 **A.** November 22, 1972. Please see footnote #1, page 4, Decision No. 70741.

1 **Q. Has the Company ever had any customers?**

2 A. No. Please see Finding of Fact No. 2, page 4, Decision No. 70741.

3
4 **Q. Please describe how Staff approached the Company's rate increase application in this**
5 **docket.**

6 A. Because the Company had no customers and no existing plant that would be used for the
7 planned development (Finding of Fact No. 3, page 4, Decision No. 70741), and because the
8 original rates for Wickenburg Ranch had been established with its original Certificate of
9 Convenience and Necessity ("CC&N") (Finding of Fact No. 1, page 4, Decision No. 70741),
10 Staff approached this rate application as if it were a new CC&N application for ratemaking
11 purposes. If Staff had analyzed this rate application as a typical rate application, Staff
12 probably would have recommended no rate increase or may have even found the application
13 to be insufficient due to lack of actual operating data.

14
15 **Q. So are you saying that this was an unusual rate application?**

16 A. Exactly. I do not recall ever seeing a rate increase application for a company that had been
17 certificated for approximately 35 years, where the company had no plant and no customers.
18 That is why, for rate setting purposes, Staff basically treated Wickenburg Ranch as a start-up
19 company.

20
21 **CONSERVATION BEST MANAGEMENT PRACTICES**

22 **Q. Are there reasons why groundwater conservation programs would be appropriate for**
23 **efficient operation of a water system?**

24 A. Groundwater in Arizona is a precious resource that should be handled as such. The wasteful
25 or inefficient use of groundwater could result in higher operational costs due to increased
26 wear and tear on equipment and additional energy costs. It could also result in the need to

1 develop additional wells sooner than would otherwise be necessary or that might not be
2 necessary at all to keep up with demand. In addition, if a company needs to move larger
3 quantities of water throughout its system because of higher demand, that could result in the
4 company having to put in larger and more expensive infrastructure to accomplish this. The
5 costs of additional plant as well as the associated expenses are ultimately borne by ratepayers
6 in higher rates. For these reasons, appropriate conservation programs are desirable from an
7 operational perspective.

8
9 **Q. Company witness Peter Chan states that he knows of no other water company that has**
10 **been required to adopt best management practices by the Commission. Do you agree**
11 **with this statement?**

12 A. No, two examples of where the Commission has required BMPs for water companies are
13 Perkins Mountain and Double Diamond.

14
15 There are also instances in which water companies have voluntarily proposed conservation
16 measures as part of their overall business plans. For example, the Global Water entities have
17 voluntarily adopted various conservation measures. This example demonstrates an
18 acknowledgement of the cost savings and operational efficiencies that conservation measures
19 have the potential to produce.

20
21 These examples illustrate a developing trend before the Commission. In light of these
22 relatively recent developments, it is reasonable for the Commission to consider the
23 imposition of conservation measures.

1 **Q. Company witness Marvin Glotfelty states that the Arizona Department of Water**
2 **Resources (“ADWR”) has determined that the Company “has demonstrated that**
3 **groundwater of adequate quantity and quality is physically, legally, and continuously**
4 **available to meet the projected demand for 100 years.” Do you agree with this**
5 **statement?**

6 A. Not exactly, based on the information that I have. I have a copy of a letter from ADWR
7 dated February 11, 2008. Attached to the letter is an ADWR Decision and Order (dated
8 February 11, 2008) stating that CDC Wickenburg Water, LLC (“CDC”) has demonstrated a
9 groundwater availability of 1,224.00 acre-feet for at least 100 years. I have not seen anything
10 issued by ADWR to Wickenburg Ranch. In speaking with the ADWR, they have stated that
11 CDC should have notified ADWR regarding the name change to Wickenburg Ranch. Upon
12 such notification, ADWR would have reviewed the information to make sure that all the
13 pertinent information had not changed. If the pertinent information had not changed, then
14 ADWR would have issued a new Decision and Order to Wickenburg Ranch Water, LLC.
15 However, having said that, if all the pertinent information for CDC is still valid for
16 Wickenburg Ranch, then the Company should have 1,224.00 acre-feet of groundwater
17 available for at least 100 years. This, together with the information contained in Finding of
18 Fact No. 14, Decision No. 70741, demonstrates that Wickenburg Ranch should have
19 adequate water available for its development for 100 years.

20
21 **Q. If the Company has demonstrated a 100-year adequate groundwater supply, why does**
22 **Staff believe that a groundwater conservation program is in the public interest for**
23 **Wickenburg Ranch?**

24 A. Two primary reasons. First, just because the Company has demonstrated that it currently has
25 enough groundwater for 100 years does not mean that it should not treat it as a precious
26 commodity, i.e., preserve it and conserve it whenever possible. Second, the Order and

1 Decision issued by ADWR does not state that this 100-year adequate groundwater supply is
2 absolute. The Order and Decision states (among other things) that

- 3
- 4 1. ADWR may “periodically review and modify the designation for good cause as
5 conditions warrant”, and
 - 6
 - 7 2. ADWR may “revoke this designation at any time if the findings of fact or the
8 conclusions of law upon which this designation is based change or are invalid, or
9 if an adequate water supply no longer exists.”
- 10

11 **Q. In Decision No. 70741, the Commission imposed several groundwater conservation-**
12 **related requirements on the Company. The first such requirement prohibits**
13 **Wickenburg Ranch from selling groundwater to any customer for the purpose of**
14 **irrigating any golf courses, filling ornamental lakes, or for use in water features within**
15 **the CC&N. This requirement is contained on Page 20, beginning at line 17, of the**
16 **Decision. What is Staff’s opinion regarding this requirement?**

17 **A.** The restriction prohibiting the use of groundwater for golf courses is basically a reiteration of
18 what the Company plans on doing anyway. According to Finding of Fact No. 16 on Page 7
19 of Decision No. 70741, Wickenburg Ranch is not planning to supply groundwater to the golf
20 course. The golf course will initially be irrigated using its own wells; later, it will use
21 effluent, as effluent becomes available.

22

23 With regard to the prohibition on using groundwater for ornamental lakes and water features,
24 I do not know whether these features are planned for this development; if they were planned,
25 this prohibition would have the effect of conserving the Company’s use of groundwater,
26 decreasing the Company’s energy use, and decreasing the wear and tear on the Company’s
27 pumps.

1 **Q. The second groundwater conservation related requirement begins at line 22 on Page 20**
2 **of Decision No. 70741. This ordering paragraph requires the Company to implement at**
3 **least ten (10) BMPs and submit those to Docket Control. Only one of those BMPs could**
4 **come from the Public Awareness/PR or Education and Training categories of BMPs.**
5 **Please explain what BMPs are.**

6 A. The BMPs are a list of water conservation measures that were developed by ADWR, through
7 a stakeholder process, as part of ADWR's modification to its Third Management Plan. The
8 BMPs are part of ADWR's Modified Non-Per Capita Conservation Program ("Modified
9 NPCCP").

10
11 **Q. Are all water systems throughout the State required to comply with the Modified**
12 **NPCCP?**

13 A. No, the Modified NPCCP applies only within ADWR's Active Management Areas
14 ("AMAs"). Those systems inside the AMAs that are required to participate in the Modified
15 NPCCP are all large municipal providers (cities, towns, and private water companies serving
16 more than 250 acre-feet of ground water per year) that do not have a Designation of Assured
17 Water Supply and that are not regulated as a large untreated water provider or an institutional
18 provider. Water providers outside the AMAs are not required by ADWR to participate in the
19 program or to implement any BMPs.

20
21 **Q. Are water providers outside the AMAs prohibited from implementing BMPs as listed**
22 **in ADWR's Modified NPCCP?**

23 A. No.

1 **Q. For those water providers inside the AMAs that participate in the Modified NPCCP,**
2 **how many BMPs are they required to implement?**

3 A. It varies by size of system. All systems must implement a basic water conservation
4 education program. Those systems which have up to 5,000 connections must implement at
5 least one (1) additional BMP; for those which have from 5,001 to 30,000 connections, five
6 (5) additional BMPs must be implemented; and for those which have over 30,000
7 connections, ten (10) additional BMPs must be implemented.

8
9 **Q. Has the Company complied with the ordering paragraph requiring the implementation**
10 **of the ten (10) BMPs?**

11 A. Not completely. On May 11, 2009, the Company filed a list of the ten (10) BMPs that it
12 plans on implementing within its CC&N; however, the Company did not explain or discuss
13 how it would implement these BMPs. For example, the Company chose BMP #6.8 – Water
14 Harvesting Retrofit Rebate/Incentive. In order for the Company to implement this BMP, it
15 should submit a detailed explanation of how the Company plans on administering this
16 program along with an appropriate tariff for Commission review and approval. The
17 proposed tariff filing should discuss the associated costs of the program and any implications
18 for the Company's rates.

19
20 **Q. Company witness Peter Chan states that implementing ten (10) Best Management**
21 **Practices is impractical for a new or small water company. Do you agree with this**
22 **statement?**

23 A. No, because it all depends on the ten BMPs that are chosen. For example, two of the BMPs
24 available are #6.2 – High Efficiency Toilet Rebate and #6.9 – Landscape Conversion. These
25 two would be impractical for a new company, since all the toilets and landscaping to be

1 installed should already be water efficient, i.e., toilets would not have to be removed and
2 retrofitted, and landscaping would not have to be converted.

3
4 I would not necessarily disagree with Mr. Chan's statement that a small water company may
5 not be able to afford rebates or conservation research in the absence of specific rate relief;
6 however, Wickenburg Ranch seems to disagree with Mr. Chan. The reason I say this is
7 because, as I discussed above, the Company has submitted a list of the 10 BMPs that it plans
8 to implement, including a rebate program and another program that would support the
9 development of new technologies and products. If Wickenburg Ranch believes that it cannot
10 afford to implement rebates or to support the development of new technologies, then it is
11 unclear why the Company has proposed to implement these particular BMPs without
12 requesting specific rate relief.

13
14 Of the ten BMPs submitted by Wickenburg Ranch, there are three that may be questionable
15 as to their appropriateness for the Company: #6.8 – Water Harvesting Retrofit
16 Rebate/Incentive, #7.5 – Implementation of Smart Irrigation technology, and #7.7 –
17 Providing Financial Support or In-kind Services for Development of New Conservation
18 Technologies and Products. However, once the Company submits its planned method of
19 implementation for these three BMPs, they may prove to be totally practical and cost
20 effective for Wickenburg Ranch. It is Staff's opinion that the other seven BMPs proposed by
21 Wickenburg Ranch are reasonable for a new water company.

1 **Q. If the three BMPs that you identified as questionable do not prove to be appropriate for**
2 **Wickenburg Ranch, are there other BMPs that Staff believes the Company could**
3 **choose to come into compliance with Decision No. 70741?**

4 A. Yes, such as, but not limited to, #3.3 – Water Budgeting Program, #5.1 - Low Water Use
5 Landscaping Requirements for Residential, Multi-family, Non-residential, and/or Common
6 Areas (this would also comply with another portion of Decision No. 70741 as discussed
7 below), #5.2 - Water Tampering/Water Waste Ordinances, #5.3 - Plumbing Code
8 Requirements, and others.

9
10 **Q. Company witness Chan states that, “[u]nlike a city, town or county, a water company**
11 **does not have the legal authority to require its private customers to make most of the**
12 **improvements suggested in Category 5.” Several of the BMPs you listed above come**
13 **from Category 5. Does this mean that you disagree with Mr. Chan?**

14 A. Although I am not offering a legal opinion, as a layman, I both agree and disagree with
15 Mr. Chan. I agree that a water company regulated by the Commission does not on its own
16 have the authority to require its customers to comply with the requirements contained in
17 Category 5 of the BMP list. However, the Commission has the ability to grant such authority
18 to a water company through Commission- approved tariffs. For example, the Commission
19 could approve a tariff dealing with #5.1 - Low Water Use Landscaping Requirements for
20 Residential, Multi-family, Non-residential, and/or Common Areas. By approving such a
21 tariff, the Commission would give the water company the authority to refuse service to any
22 customer who did not comply with such a tariff and give the water company the authority to
23 terminate service to a customer who was found to be in violation of such a tariff.

1 **Q. Company witness Chan states that he believes “the decision to adopt Best Management**
2 **Practices” is “essentially a management decision that should be left to the Water**
3 **Company.” Do you agree with this statement?**

4 A. No. If that were the case, ADWR would not have passed a requirement for water systems to
5 adopt BMPs, nor would the Commission have to take steps to bring about appropriate
6 conservation measures. If one thinks about it from a logical perspective, it is not natural for a
7 utility to want to promote conservation. Conservation is essentially the selling of less
8 product. The less product a company sells, the less profit it will probably make. Therefore, a
9 company, left to its own, would probably not promote conservation, i.e., the management
10 decision would normally be to promote the selling of more product, instead of conserving it.

11
12 **Q. Mr. Chan also states that BMPs should not be required until after there is a history of**
13 **water service. Do you agree?**

14 A. Again, I both agree and disagree. It depends on which BMPs are chosen. If the BMP chosen
15 is one having to do with providing rebates for exchanging high volume flush toilets with low
16 flush toilets, I would agree that program would apply only to an older, established water
17 system with a history of providing service to customers with high volume flush toilets.
18 However, if the BMP chosen deals with installing low water use plants for landscaping, I
19 believe that program should be implemented, if possible, before there is water service, so that
20 customers are spared the expense of having to remove high water use landscaping to convert
21 to low water use landscaping.

1 **Q. So is part of what you are saying above is that implementing conservation requirements**
2 **prior to serving any customers is appropriate and probably more effective and efficient**
3 **than implementation after a water system is established?**

4 A. Yes, primarily because it is usually much easier and less costly to install things up front than
5 it is to retrofit. The Company has the opportunity to set up a conservation program from day
6 one. I term it an opportunity because as new customers are connected, beginning with the
7 first customer, each customer will know what is expected of him/her with regard to water
8 conservation. The Company can avoid having to break customers of possible wasteful and
9 inefficient water use habits by having those customers develop efficient water conserving
10 habits from the first day they become customers. Staff can see no real downside to
11 Wickenburg Ranch implementing a proactive water conservation at this time, while such a
12 program should provide long term benefits to both the Company and its customers.

13
14 **Q. The third groundwater conservation related requirement begins on line 27 of the 20th**
15 **page of Decision No. 70741. Here, the Commission requires Wickenburg Ranch to file**
16 **appropriate tariffs for Commission consideration that would condition the provision of**
17 **water service to any customer on the implementation of full xeriscape landscaping in**
18 **the front yards, as well as the installation of rainwater catchment systems. Has the**
19 **Company yet submitted such tariffs?**

20 A. No, Decision No. 70741 gives the Company until July 31, 2009, to submit these proposed
21 tariffs.

22
23 **Q. Would the landscaping tariff required by Decision No. 70741 qualify as a BMP?**

24 A. Yes, specifically BMP #5.1 – Low Water Use Landscaping Requirements for Residential,
25 Multi-family, Non-residential, and/or Common Areas.

1 **Q. Was BMP #5.1 listed by the Company in the filing it submitted to the Commission on**
2 **May 11, 2009?**

3 A. No.

4
5 **Q. With regard to the Commission requirement concerning rainwater catchments systems,**
6 **would this qualify as a BMP?**

7 A. Yes, BMP #6.8, listed by the Company in its May 11, 2009 submittal, deals with rainwater
8 catchment systems.

9
10 **Q. In Staff's opinion, does Decision No. 70741 require the Company to affirmatively**
11 **implement the landscaping requirements and the requirement for rainwater catchment**
12 **systems at this time?**

13 A. No, the Commission did not order Wickenburg Ranch to implement these requirements. The
14 Commission ordered the Company to file appropriate tariffs for Commission consideration.
15 The Commission also ordered Wickenburg Ranch to submit, "at a minimum, the
16 requirements for implementing such a condition of service, details of the estimated costs to
17 the Company associated with implementation of the condition of service, proposed customer
18 fees and charges, and any other information that Wickenburg Ranch Water, LLC believes
19 would assist the Commission in evaluating these tariffs."

20
21 **Q. Does Staff have an opinion as to why the Commission required the Company to submit**
22 **the above information along with its tariffs?**

23 A. Staff believes that the reason was to allow the Company to justify whatever charges/fees
24 might be included in the tariffs along with any customer requirements that the Company
25 might want to impose. In addition, the filing of such information would also allow the
26 Company to justify why having such tariffs would not be practical or cost effective.

1 **Q. Does Staff believe that, once Wickenburg Ranch submits its proposed landscaping and**
2 **rainwater catchment tariffs along with all the required information, the Commission**
3 **could decide that such tariffs are neither practical nor cost effective and, therefore,**
4 **decide that such tariffs should not be required?**

5 A. Yes. In particular, rainwater catchment systems may not prove practical or cost-effective for
6 Wickenburg Ranch. Nothing in Decision No. 70741 forecloses the Commission from
7 reaching that conclusion.

8
9 **Q. The last groundwater conservation related requirement orders Wickenburg Ranch to**
10 **work with the wastewater provider in its CC&N area to ensure that, when effluent**
11 **becomes available, such effluent is used for golf course irrigation, ornamental lakes,**
12 **and water features. Do you know if this has yet taken place?**

13 A. Based on the information that Staff has at this point, a wastewater provider has not yet been
14 established for this development. It is Staff's understanding that a sister entity to
15 Wickenburg Ranch will be created to provide the wastewater service. If this is indeed the
16 case, it should be fairly simple to set up a means whereby the wastewater provider would
17 provide the effluent for any golf course irrigation, ornamental lakes, and/or water features.
18 Such an arrangement would provide an effective use of effluent that would benefit all
19 concerned, *i.e.*, the Company, the wastewater provider, and the ratepayers of both.

20
21 **RECOMMENDATIONS**

22 **Q. Based on the above discussion, what are Staff's recommendations regarding the**
23 **groundwater conservation related requirements set forth in Decision No. 70741?**

24 A. With regard to the prohibition of using groundwater in ornamental lakes and water features
25 or to irrigate the golf course, Staff believes that this is a reasonable requirement since it will
26 conserve groundwater use by the Company, may delay the need for acquiring additional

1 wells, and provide energy and O&M expense savings related to the Company's pumps and
2 other equipment. In addition, the Company has already stated that it does not plan to sell
3 groundwater to the golf course for irrigation purposes.

4
5 With regard to the implementation of the ten (10) BMPs, Staff believes that this is a
6 reasonable requirement because these BMPs will promote the efficient use of groundwater
7 through conservation. The Company should be required to provide further detail and
8 explanation as to exactly how it will implement those BMPs that it has chosen. The
9 Company should also be required to submit proposed tariffs for any of those BMPs that
10 would impose requirements and or charges/fees on customers, or require the Company to
11 provide rebates/payments to customers.

12
13 With regard to the requirement that the Company propose tariffs for implementing low-
14 water-use landscaping and rainwater catchment systems as conditions of service, Staff
15 believes that this requirement is reasonable because this too will promote the efficient use of
16 groundwater through conservation. The Company should be required to submit such
17 proposed tariffs along with as much detail as possible to allow the Commission to fully
18 consider such tariffs and determine whether or not they are practical and cost efficient.

19
20 With regard to requiring the Company to work with the wastewater provider to obtain
21 effluent for the golf course, etc., this requirement is reasonable because the use of effluent
22 will also conserve groundwater in the area, which will have a beneficial effect on both the
23 efficiency of the Company's plant and system and the quality of service experienced by the
24 Company's ratepayers. In addition, it appears that the golf course already plans to use
25 effluent to irrigate the golf course when effluent becomes available.

- 1 **Q. Does this conclude your direct testimony?**
- 2 **A. Yes, it does.**