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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

RECEIVED
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IN THE MATTER OF THE APPLICATION OF
COMMUNITY WATER OF GREEN VALLEY
FOR A DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PROPERTY AND
FOR AN INCREASE IN ITS WATER RATES
AND CHARGES FOR UTILITY SERVICES

DOCKET NO. W-02304A-08-0590

**NOTICE OF FILING
WITNESS SUMMARIES**

Community Water Company of Green Valley ("CWCGV") files the Witness summaries for
Arturo R. Gabaldon and Thomas J. Bourassa.

RESPECTFULLY SUBMITTED this 20th day of October, 2009.

By

Jason D. Gellman
Michael W. Patten
ROSHKA DEWULF & PATTEN, PLC.
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Arizona Corporation Commission
DOCKETED

OCT 20 2009

Original and thirteen copies of the foregoing
filed this 20th day of October, 2009, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY

ROSHKA DeWULF & PATTEN, PLC

ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 Copy of the foregoing hand-delivered
2 this 20th day of October, 2009, to:

3 Lyn A. Farmer, Esq.
4 Chief Administrative Law Judge
5 Hearing Division
6 Arizona Corporation Commission
7 1200 West Washington Street
8 Phoenix, Arizona 85007

9 Janice Alward, Esq.
10 Chief Counsel, Legal Division
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 Steve Olea
15 Director, Utilities Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007

19 Arturo R. Gabaldon
20 President
21 Community Water Company of Green Valley
22 1501 South La Canada
23 Green Valley, AZ 85614-1600

24 Thomas J. Bourassa
25 139 W. Wood Drive
26 Phoenix, Arizona 85029

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By Mary Appolito

WITNESS SUMMARY – ARTURO R. GABALDÓN

Arturo R. Gabaldón has been the President of Community Water Company of Green Valley (“CWCGV” or “Company”) since 2006. His Direct Testimony details his background and experience with the Company, as well as his training and education as a Certified Public Accountant. His Direct Testimony describes the Company as a 501C(12) non-profit Arizona cooperative. He describes the four groundwater wells and the rest of the Company’s system and the Company’s efforts in ensuring safe and reliable service. The Company has a Central Arizona Project allocation of 2,858 acre-feet, but currently procures all of its water from the Santa Cruz aquifer. Mr. Gabaldón testifies that the rate increase is needed to meet increasing operating costs and to ensure that the Company can finance necessary infrastructure additions – including \$3 million for new transmission mains, reservoirs and other replacements. Further, the Company has experienced and will continue to experience growth within its service territory. Finally, in his Direct Testimony, Mr. Gabaldón describes the Company’s water conservation plan, and its involvement as the founding member of Water Conservation Alliance of Southern Arizona (WaterCASA).

In his Rebuttal Testimony, Mr. Gabaldón updates the Company’s efforts and requirements for water conservation – including an agreement with Arizona Department of Water Resources (ADWR), demonstration gardens, and efforts to install radio-read meters. Mr. Gabaldón testifies about additional efforts the Company undertook to educate its member-customers about its proposed rate increase – including a presentation about its proposal at the Annual Meeting of Members (April 23, 2009) and a special meeting to address any comments or concerns about the rate increase request (August 4, 2009).

Mr. Gabaldón further testifies about the issue involving charging construction water customers monthly minimums. While the Company agrees that these customers should not have been charged a monthly minimum from the time its current rates were in effect, Mr. Gabaldón articulates the Company’s position that construction customers should be charged a monthly minimum going forward. Mr. Gabaldón details the costs the Company incurs even when there is no use by these customers. Regarding miscellaneous charges, Mr. Gabaldón testifies that its proposal to increase several of these charges is due to the actual costs it incurs to perform these services for customers.

In his Rejoinder Testimony, Mr. Gabaldón testifies that the Company agrees to refund construction water customers (totaling approximately \$20,000) and will work with Staff to determine how to do so. He further reiterates the Company’s position to charge construction water customers a monthly minimum charge going forward. The Company maintains its proposal to increase several miscellaneous charges be approved because those charges reflect the actual costs the Company incurs for performing those services.

WITNESS SUMMARY – THOMAS J. BOURASSA

Mr. Thomas J. Bourassa is a Certified Public Accountant and sponsors the supporting schedules to the Application by Community Water Company of Green Valley (“CWCGV” or “Company”) for an adjustment to its rates and charges. He describes the Company’s proposal for a 15-percent operating margin (resulting in a 7.65% return on Fair Value Rate Base (FVRB)). Mr. Bourassa describes adjustments made to Original Cost Rate Base (OCRB) in the “B” Schedules, Income Statement in the “C” Schedules, and describes the Company’s proposed rate design and supporting “H” Schedules. Because CWCGV is a non-profit cooperative, no cost of capital analysis was conducted.

In his Rebuttal Testimony, Mr. Bourassa responds to the Direct Testimony of Arizona Corporation Commission Utilities Staff (“Staff”). While the Company adopts several Staff adjustments, the Company takes issue with several other adjustments. Specifically, Mr. Bourassa testifies against Staff’s proposal to include Contributions-in-aid-of-Construction (“CIAC”) related to Construction Work in Progress (“CWIP”) in rate base. Including CIAC in rate base without the corresponding plant cost results in a mismatch between rate base, revenues and expenses. Mr. Bourassa discusses this mismatch extensively in his Rebuttal Testimony. Further, Mr. Bourassa details two errors in Staff’s computation of Accumulated Depreciation.

Regarding construction water charges, Mr. Bourassa testifies the Company’s proposal to charge construction customers a monthly minimum charge going forward. Mr. Bourassa describes how, even with no monthly use, CWCGV must still incur costs to read the meter and spend administrative time tracking the meter. By charging a monthly minimum, construction meter customers will be encouraged to return the meter when no longer in use.

Mr. Bourassa also details the differences between Staff’s proposed rate design and the Company’s proposed rate design including:

- Breakover points for and 5/8-inch and ¾-inch commercial meters and 1-inch and larger meters (Staff’s breakover points are lower than the Company’s)
- Commodity rate differentials, where Staff’s proposed rate design shifts revenue recovery from the smaller residential meters to larger-metered customers much more than the Company’s proposed design. Staff’s design shifts revenues 2 percent from residential to commercial; the Company’s design shifts revenues ½ percent from residential to commercial. The Company believes its rate differentials to be significantly more gradual than what Staff proposes – in that approximately \$75,000 is shifted to far fewer customers.

Regarding Miscellaneous Charges, the Company proposes a deposit interest of two percent because of low interest rates currently provided by banks on certificates of deposit (“CD”) and money markets. Further, Mr. Bourassa details the Company’s proposal to increase several

miscellaneous and meter and service line installation charges that accurately reflect the actual costs of providing these services.

In his Rejoinder Testimony, Mr. Bourassa testifies as to the Company's final proposed revenue requirement and proposed rate increase as follows:

Revenue Requirement: \$3,825,058

Revenue Increase: \$803,315

% Increase: 26.58%

While the Company and Staff are in agreement on the majority of issues and adjustments in this case, Mr. Bourassa testifies about several of the remaining outstanding issues – including CIAC in rate base, accumulated depreciation, removal of construction meter minimum charge revenues, rate design, and miscellaneous charges. Finally, Mr. Bourassa testifies that meter size charge for 5/8-inch meters be increased from \$155 to \$283 to reflect the higher cost of radio-read meters.

The Company maintains its proposal for a 15% operating margin – but has amended its rate base proposal to \$7,504,829 (versus Staff's proposal of \$6,698,108).