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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
GLOBAL WATER - PALO VERDE UTILITIES
COMPANY FOR THE ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES FOR UTILITY
SERVICE DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE OF ITS
PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. SW-20445A-09-0077

IN THE MATTER OF THE APPLICATION OF
VALENCIA WATER COMPANY - GREATER
BUCKEYE DIVISION FOR THE ESTABLISHMENT OF
JUST AND REASONABLE RATES AND CHARGES FOR
UTILITY SERVICE DESIGNED TO REALIZE A
REASONABLE RATE OF RETURN ON THE FAIR
VALUE OF ITS PROPERTY THROUGHOUT THE
STATE OF ARIZONA

DOCKET NO. W-02451A-09-0078

IN THE MATTER OF THE APPLICATION OF
WILLOW VALLEY WATER CO. FOR THE
ESTABLISHMENT OF JUST AND REASONABLE
RATES AND CHARGES FOR UTILITY SERVICE
DESIGNED TO REALIZE A REASONABLE RATE OF
RETURN ON THE FAIR VALUE OF ITS PROPERTY
THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-01732A-09-0079

IN THE MATTER OF THE APPLICATION OF
GLOBAL WATER - SANTA CRUZ WATER COMPANY
FOR THE ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES FOR UTILITY
SERVICE DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE OF ITS
PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-20446A-09-0080

IN THE MATTER OF THE APPLICATION OF
WATER UTILITY OF GREATER TONOPAH FOR
THE ESTABLISHMENT OF JUST AND REASONABLE
RATES AND CHARGES FOR UTILITY SERVICE
DESIGNED TO REALIZE A REASONABLE RATE OF
RETURN ON THE FAIR VALUE OF ITS PROPERTY
THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-02450A-09-0081

**NOTICE OF FILING
WITNESS SUMMARIES**

Arizona Corporation Commission

DOCKETED

DEC 11 2009

DOCKETED BY

1 IN THE MATTER OF THE APPLICATION OF
2 VALENCIA WATER COMPANY – TOWN DIVISION
3 FOR THE ESTABLISHMENT OF JUST AND
4 REASONABLE RATES AND CHARGES FOR UTILITY
5 SERVICE DESIGNED TO REALIZE A REASONABLE
6 RATE OF RETURN ON THE FAIR VALUE OF ITS
7 PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-01212A-09-0082

**NOTICE OF FILING
WITNESS SUMMARIES**

6 Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water
7 Company, Valencia Water Company – Town Division, Valencia Water Company – Greater
8 Buckeye Division, Water Utility of Greater Tonopah and Willow Valley Water Co. (collectively,
9 the “Global Utilities”) file the Witness Summaries of Trevor T. Hill, Matthew J. Rowell, Patty
10 Greco, Jamie Moe and Graham S. Symmonds.

11 RESPECTFULLY SUBMITTED this 11th day of December 2009.

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Witness Summary Hill

**Summary of the Testimony
of Trevor Hill
Docket Nos. SW-02445A-09-0077 et al.**

My direct testimony explains the history of Global Water, our core mission and our achievements in achieving 40% reductions in water usage for the communities we serve.

I address the impact of the economy on our growth, revenues, and our customers. I detail the steps we took to avoid the necessity of any rate increase, including 40% staff reductions, the elimination of all pay raises and bonuses, and the implementation of our "Economies and Efficiencies Task Force", which together reduced our expenses \$2.1 million. Additionally we excluded 84% of executive salaries from rate consideration by placing those costs with the shareholders. Our shareholders also bear the costs of public outreach and education, marketing, and lobbying.

Understanding the severity of the downturn led us to propose phasing-in rate recovery for our largest utility (in terms of rate base) Palo Verde Utilities over a three-year period.

I detail the industry's transition to what we call "Total Water Management", which requires regional planning, integration of water, wastewater, and recycled water services, and a close relationship between utility, developers, consumers, and government. Those elements are necessary to ensure that the long term needs of our environment and our populace drive our investment and usage decisions.

I describe our Public – Private Partnership ("P3") agreements and our Infrastructure Coordination and Financing Agreements ("ICFA"). I explain how our ICFA's are a critical and necessary to our Total Water Management conservation approach and our regional approach to infrastructure. As part of that discussion, I also describe how ICFA's allowed us to acquire small, water-only utilities, and the major investments we made to create integrated, sustainable systems in two regions of our state that face extreme growth and water challenges – Western Pinal and Western Maricopa Counties.

Rebuttal Testimony

In my rebuttal testimony, I again reiterate the intent, goals, reasons, and purpose for Total Water Management. I explain that we have actual proven results in Maricopa of a community that uses 40% less water than its neighbors; and we have a plan in Belmont (western Maricopa County) for a huge community that will use 60% less water than its neighbors. I urge the parties to recognize that Global Water is achieving results that no other company is even approaching. And I detail how the P3s and ICFA are integral to that success.

I detail the science behind Arizona's water challenges, and the growth dynamics that will only exacerbate those challenges. I point out that Global Water believes Arizona can build an exportable model of water management.

I update the parties on the economic situation in our service areas, and the challenges our customers face, and detail our Demand-Side Management Plan which was developed as we met with and learned from our customers. Mr. Symmonds describes that plan in detail.

I explain our deep concern with Staff's decision to unilaterally exclude \$32 million of plant from any rate consideration, ever, when Global itself had excluded that plant from consideration in this case. I describe why I believe CIAC has destroyed utility companies in Arizona and it only reduces our chances to deal with Arizona's water and growth challenges. I also describe how a negative rate base makes future investments financially unsustainable.

I describe what I believe to be the most important issue in all resource decisions: Sustainability. I define it and describe it, using third-party references, and arguing that the parties in this case are in error by treating water ratemaking as a simple mathematical problem. I detail the four steps toward water sustainability, and describe how our methods (including ICFA) help us down that path.

I describe the view of investment and project evaluation from the foremost text on water management, *Water Reuse*, and urge the parties to consider those factors more carefully. I urge Staff to reconsider its view that CIAC is more in the public interest than any other factor, apparently trumping consolidation of small water-only companies in the path of growth, the benefits and challenges of coordinated regional planning, and the costs and benefits of sustainability.

I detail a five-pronged test for whether ICFA use was in the public interest, and propose that any amount the Company fails to prove met that test should be CIAC.

Rejoinder Testimony

I respond to the public comment session in my rejoinder testimony. I explain that we are very concerned with the impact on HOAs and low-income customers and we have significantly increased our commitment to those customers in response. I explain the factual error of those who say Global executives have "million dollar salaries and bonuses" by detailing the specific salaries, bonuses, and compensation of our executives.

I provide the parties with still further references and evidence on Total Water Management as an internationally accepted approach. And I show specifically how ICFA benefit that approach, and specific accounting evidence to assuage any concern that the money was used for other purposes.

I disagree with Staff's imputation of acquisition costs to rate base – reiterating that Global Water did not seek, has never sought, and has no intention of ever seeking, an acquisition adjustment that forces customers to pay for assets twice.

I walk the parties through the financial documents and evidence which detail precisely when ICFA funds were received for the WMC acquisition and when Global Water paid WMC for the acquisition – putting to rest any notion that “debt was used” for that transaction.

Finally, I show that the Industrial Development Authority of Pima County specifically included the “Southwest Plant” in the bond; these are the very assets Staff excluded from any rate base consideration, ever. I walk the parties through the evidentiary documents that describe the actual payments made by Global Parent on those bonds, and I break out the portion attributable to the Southwest Plant. I show that Global Parent will continue to incur about \$2 million a year in actual carrying costs for that plant.

Witness Summary
Symmonds

**Summary of the Testimony
of Graham Symmonds
Docket Nos. SW-02445A-09-0077 et al.**

DIRECT TESTIMONY

Total Water Management (TWM)

TWM represents an approach to water resources management that ensures sustainability. It maximizes the use of recycled water and minimizes the requirement for potable water. By doing so, we achieve a reduction in water demand and a reduction in overall operating costs for our utilities. TWM incorporates the “right water for the right use”. This allows for non-potable sources to be used for outside use and for toilet flushing. The result is that we save on finding new sources, and we reduce and hedge against increases in treatment costs and the requirement to remove contaminants from water that is not destined for human consumption.

TWM also requires a utility to think regionally and deploy regional-scaled infrastructure. This means three pipe-systems: potable water mains, sewer mains and recycled water mains, sized to take advantage of economies of scale. Failing to do this today will handicap future generations by increasing potable water requirements and increasing operating costs. Our infrastructure decisions made today will determine our future options with respect to water management.

We demonstrate that by employing TWM, the annual savings in a community the size of Maricopa are over 300,000,000 gallons per year.

Mr. Symmonds also discusses the engineering benefits of regional infrastructure and the perils of developer-led infrastructure decisions.

Rate Design

Mr. Symmonds describes an innovative rate design termed “Rebate Threshold Rates”. The Rebate Threshold Rate (RTR) structure is a conservation-incenting rate design that builds off of the three-tiered rate structure commonly approved by the Commission. An RTR structure drives conservation into water consumption and rewards customers for conservation. The RTR involves:

1. A volumetric rebate;
2. Six volumetric tiers instead of three; and
3. Revenue decoupling via increased minimum charge.

With this design, lower use results in lower consumer costs while ensuring the utility's finances remain sound. Further, it places the ultimate control of costs well within the management capabilities of the consumer. In fact, consumers getting below the rebate threshold can be shown to save in the order of \$115/year over current rates.

Proposed changes to Miscellaneous Fees and Charges

Mr. Symmonds proposes the creation of or changes to the following Miscellaneous Service tariffs:

1. Meter Exchange Fee
2. Water Theft Charge
3. Hydrant Meter Deposit Charge
4. Lock/Security Tab Cutting Charge
5. Source Control Tariff
6. Unauthorized Discharge Fee
7. Deposit Interest
8. Miscellaneous Fees:
 - a. Establishment
 - b. Establishment (after hours)
 - c. Reconnection (Delinquent)
 - d. After hours Service Charge
 - e. Meter Re-read (if correct)
 - f. Meter Test Fee
 - g. NSF Check

Mr. Symmonds also discusses the improvements made to the Willow Valley Water Company systems and the opportunity for distributed renewable energy in the water/wastewater utility sector.

REBUTTAL TESTIMONY

Mr. Symmonds updates the State's current drought and long-term water supply situation. He also describes the extended public outreach program completed by Global, including detailing the public meetings and communications Global has had with customers. Mr. Symmonds describes in detail the Long-Term Storage Credit program conducted by an unregulated subsidiary of Global Parent (West Maricopa Combine) and counters Staff's claim that there are financial benefits that should be imputed to the regulated utilities. As the utilities are not involved in the construction or operation of the recharge facility, and do not pay to acquire water or recharge that water, Global maintains that no financial imputation is appropriate.

Mr. Symmonds also explains why a Certificate of Assured Water Supply (CAWS) is an inferior water management tool compared to a Designation of Assured Water Supply (DAWS). Mr. Symmonds describes the agency benefits (continuous review), the consumer benefits (sourcing of water) and the utility benefits (water management responsibility) of a DAWS.

Mr. Symmonds also introduces a Low Income Relief Tariff designed to provide assistance to those consumers in financial hardship (at less than 200% of the federal poverty guidelines) and funded through a surcharge on existing customers.

Mr. Symmonds introduces a proposed Demand-Side Management Program (DSM) designed to provide financial and technical assistance to large water consumers and residential homeowners. This program is funded by Global by diverting a percentage of the recycled water rate to the program, and would fund the following elements (and others as needed):

Item	Residential	Commercial/ Industrial	HOA	Overall
Turf Replacement	X		X	
Weather Data Centers	X	X	X	
Soil Moisture Probes			X	
Irrigation Control Protocols	X	X	X	
Water Main Leak Detection Systems				X
Salt Management Strategies	X		X	
Rebates For: <ul style="list-style-type: none"> • Dual Flush Toilet Systems • Reduction of Meter Size • Rainwater Catchment Systems 	X	X	X	
Automated Pressure Regulation				X
Water-Saving Components: <ul style="list-style-type: none"> • Spring-Loaded Potable Water Check Valves • Smart Irrigation Controllers 	X	X	X	

Mr. Symmonds responds to Staff's recommendation that an additional 150,000 gallons storage tank is required at the Greater Tonopah Sun Valley system by pointing out that a standby well exists to provide back up supply.

Mr. Symmonds acknowledges the requirement for water loss control, and suggests that a percentage is not the only consideration, but the age, pipe length, pipe diameter and pressure all have an impact on water loss. Mr. Symmonds shows the development of the Gallons per Hour per Mile per Inch (GPHMI) metric which accounts for these parameters, and that a system with high percentage water loss can have a low GPHMI (and vice versa).

RATE DESIGN REBUTTAL TESTIMONY

Mr. Symmonds acknowledges RUCO's adoption of portions of the RTR structure (six tiers and increased fixed charges) demonstrates that combining financial and social messaging increases the success rate of conservation initiatives. Mr. Symmonds counters RUCO's argument that the RTR "artificially" raises the rates at the higher tiers (all inverted tier structures do this), that the RTR provides rebates to those already below the threshold (all conserving customers should be rewarded regardless of when they started) and that the RTR does not apply to large consumers who appreciably decrease consumption (the majority of users in Global service areas is residential and DSM program is proposed to provide opportunities for large users to reduce).

Mr. Symmonds points out that Staff's rate design for recycled water would incorrectly incent the use of groundwater over recycled water. In addition, the Staff Rate design ignores the opportunities for increased granularity of tiers and provides a lower volumetric cost to higher users (Mr. Symmonds acknowledges this assessment does not factor in the fixed charge portion).

Mr. Symmonds counters Staff's position that the RTR is too complicated to understand and that the transition to six tiers is too drastic to be accomplished in one move.

Mr. Symmonds demonstrates the need for and appropriateness of fixed monthly fees for construction meters.

Mr. Symmonds reiterates the arguments for increases in the following charges:

1. Miscellaneous Fees:
 - a. Establishment
 - b. Establishment (after hours)
 - c. Reconnection (Delinquent)
 - d. After hours Service Charge
 - e. Meter Re-read (if correct)
 - f. Meter Test Fee
 - g. NSF Check

Mr. Symmonds acknowledges agreement on the following:

1. Meter Exchange Fee
2. Hydrant Meter Deposit Charge
3. Source Control Tariff

Mr. Symmonds explains why Rule 410 does nothing to protect or compensate the utility for water theft and tampering actions, and unauthorized dumping and renews his support for:

1. Water Theft Charge
2. Lock/Security Tab Cutting Charge
3. Unauthorized Discharge Fee

Mr. Symmonds proposes a compromise for Deposit Interest, in that the rate would be set at the rate of a 1 year CD.

REJOINDER TESTIMONY

Mr. Symmonds begins his testimony by countering some claims heard at the Public Comment session held in Maricopa. Specifically he disproves a water quality assertion, and discusses inefficient watering practices in the community. In addition he describes the recycled water disposition plan as an element of total water management.

Mr. Symmonds proposes to phase in recycled water rates over five years to

1. Mitigate the immediate impact to HOAs.
2. Allow for a more gradual HOA budget impact and allow HOAs to comply with statutory limits on annual increases.
3. Provide time for the HOAs to participate in the DSM program to reduce their water use.
4. Allow the community to transition to water efficiency gradually
5. Avoid knee-jerk reactions that could affect the community aesthetically.

Finally, Mr. Symmonds describes the sale of the Hassayampa Recharge Facility by West Maricopa Combine, an unregulated subsidiary of Global Parent.

RATE DESIGN REJOINDER TESTIMONY

Mr. Symmonds reiterates the benefits of the RTR structure, and again counters Staff's assertion that a three tier, non-rebate rate design provides better conservation potential.

Mr. Symmonds acknowledges Staff's recycled water/non-potable water split as innovative, but ultimately physically difficult to deploy because of the physical infrastructure layout. Mr.

Symmonds again proposes a recycled/non-potable water rate of \$2.00/1000 gallons. He details the phased nature of the rates to mitigate impacts on HOAs:

Year	Recycled Water/Non-Potable Water \$/1000 gallons
2009	\$0.31
2010	\$0.65
2011	\$0.99
2012	\$1.32
2013	\$1.66
2014	\$2.00

Mr. Symmonds acknowledges continued consensus with Staff on miscellaneous tariffs:

1. Customer Meter Exchange Fee (Size)
2. Hydrant Meter Deposit Charge
3. Unauthorized Discharge Fee
4. Source Control Tariff and Charges

Mr. Symmonds removes his objections to Staff's service fees for the following:

1. Establishment Fees
2. After Hours Fees
3. Reconnect Fees
4. NSF Fees

Finally, Mr. Symmonds reiterates the need for a new look at the Deposit Interest and the lack of enforcement/recovery available from Rule 410 for Lock/Security Tab Cutting and Water Theft.

Witness Summary
Rowell

**Summary of the Testimony
of Matt Rowell
Docket Nos. SW-02445A-09-0077 et al.**

Summary of Rowell Direct Testimony

Mr. Rowell's Direct Testimony addresses three issues: Single Tariff Pricing (i.e., rate consolidation), the treatment of the revenue collected by Global Parent from the ICFA agreements, and the Cost of Capital of the Global Utilities.

Single Tariff Pricing: Mr. Rowell discusses the benefits of rate consolidation in general in that it promotes consolidation and regionalization of water systems. He also describes the specific benefits of Global's proposal to consolidate the rates of its three West Valley utilities. The primary benefit of this consolidation is that it will alleviate the significant potential rate shock associated with Global's recommended rates for the Water Utility of Greater Tonopah (WUGT.)

ICFAs: Mr. Rowell describes and quantifies the ICFA fees collected to date. The ICFA fees were intended to offset the significant carrying costs associated with Global's strategy of employing regionally scaled infrastructure and to offset the significant acquisition premiums associated with the purchase of several Global utilities. Global's customers have not been asked to fund the carrying costs or acquisition premiums. Thus the ICFA fees offset real costs borne by Global Parent that rate payers have not been (and will not be) asked to cover. Therefore it is not necessary to adjust the Global Utilities' proposed rates to account for the ICFA fees.

Cost of Capital: Global proposes a cost of equity of 10% based on recent Commission decisions (not on a detailed cost of equity analysis.) Global proposes to impute parent level debt into Palo Verde and Santa Cruz thus lowering their overall cost of capital. The capital structures, costs of debt and overall costs of capital of the other Global Utilities are also presented.

Summary of Rowell Rebuttal Testimony

Mr. Rowell's rebuttal testimony responds to Staff's recommendation to treat 100% of the ICFA fees as CIAC, illustrates the clear efficiency benefits of Global's strategy of employing regionally scaled infrastructure and offers a compromise position on cost of capital.

Rebuttal of Staff's position: The primary flaws in Staff's position are: (1) Staff acknowledges that less than 100% of the ICFA fees collected were available to use to fund plant but Staff treats 100% of the fees collected as if they were used to fund plant. (2) ICFA fees are not "cost-free" capital as Staff contends. (3) Even if ICFA fees were considered to be "cost-free" capital,

Staff's recommendation goes far beyond what is necessary to protect ratepayers from paying a return on "cost-free" capital (which is Staff's stated goal.)

Efficiency Benefits of Regionally Scaled Infrastructure: The lower operating costs of the Global Utilities relative to a sample of their peers are illustrated.

Cost of Capital: Mr. Rowell reaffirms Global's recommendation to use a 10% cost of equity. Mr. Rowell explains that as a compromise position Global accepts the capital structures and cost of debt proposed by RUCO for several of the Global Utilities.

Summary of Rowell Rate Design Rebuttal Testimony

Mr. Rowell shows that Global's rate consolidation proposal is consistent with criteria for such consolidation previously laid out by Staff. He also explains that Staff's rejection of the consolidation proposal is driven by Staff's recommended revenue requirement not by any flaws in the consolidation proposal itself.

Summary of Rowell Rejoinder Testimony

Mr. Rowell's rejoinder testimony points out that Staff's recommendation not only requires a significant reduction in Global's current rate base, it also would preclude inclusion of the "Southwest" plant from rate base treatment in future rate cases. Mr. Rowell points out that the fundamental flaw in Staff's position (Staff acknowledges that less than 100% of the ICFA fees collected were available to use to fund plant but Staff treats 100% of the fees collected as if they were used to fund plant) is not adequately addressed in their Surrebuttal. Mr. Rowell also points out that Staff's concerns about the high cost of equity financing are addressed by Global's acceptance of a hypothetical capital structure. Additionally, Staff's assertions regarding the income tax effect of ICFA fees are rebutted. Mr. Rowell also points out that Staff's assertion that the acquisition premium of the West Maricopa Combine acquisition was not funded by ICFA fees is directly and explicitly contradicted by Global's audited financial reports. In addition, Staff's recommendation removes parent level revenues but does not address the parent level expenses that were not allocated to the utilities. Mr. Rowell also corrects an error in how Staff's "plant per customer" comparisons were calculated and points out that operating costs are typically a larger component of utility revenue requirement than is the return on plant.

Witness Summary

Moe

**Summary of the Testimony
of Jamie Moe
Docket Nos. SW-02445A-09-0077 et al.**

Mr. Moe's Testimony addresses the Company's proposed adjustments to test year rate base, operating revenues and expenses as well as the following rate pass-through and adjustor mechanisms:

- Distributed Renewable Energy Recovery Tariff
- Central Arizona Groundwater Replenishment District (CAGR) Fee Pass-Through
- Franchise Fee Pass-Through
- Property Tax Adjustor

Rate Base:

The Company has not proposed any adjustments to test year rate base, with the exception of agreeing to RUCO's adjustment related to their recalculation of Accumulated Depreciation. The Company does not believe the imputation of ICFA fees to CIAC is appropriate and thus makes no corresponding adjustment. The Company proposes the following rate base balances for each utility:

Palo Verde	\$64,011,238
Santa Cruz	45,902,454
Valencia - Town Division	4,443,607
Valencia - Buckeye Division	895,377
Greater Tonopah	2,563,849
Willow Valley	2,207,149

Adjustments to Revenues and Expenses:

The parties are in substantial agreement in regards to the adjustments to test year revenues and exceptions. Much of the disparity between the Company's proposed operating expenses and those of Staff and RUCO are related to the imputation of CIAC and its effect reducing depreciation expense. Additionally, although all parties agree to the use of test year bad debt expense, the Company proposes the use of actual test year bad debt expense as opposed to the bad debt write-offs Staff uses in its adjustment. The Company proposes the following adjusted test year levels of operating expenses for each utility:

Palo Verde	\$6,727,048
Santa Cruz	7,656,434
Valencia - Town Division	3,628,692
Valencia - Buckeye Division	368,860
Greater Tonopah	416,705
Willow Valley	2,207,149

Revenue Requirement:

The Company proposes the following revenue requirements for each system (and the proposed Consolidated of Town Division, Buckeye and WUGT), as compared to the adjusted test year revenues:

	Adjusted Test Year	Proposed	Increase \$	Increase %
Palo Verde	\$6,643,812	\$15,602,936	\$8,959,124	134.85%
Santa Cruz	9,409,861	12,933,524	3,523,663	37.45%
Valencia - Town Division	3,037,462	4,649,122	1,611,660	53.06%
Valencia - Buckeye Division	380,474	488,871	108,396	28.49%
Greater Tonopah	259,304	882,733	623,429	240.42%
Willow Valley	473,527	940,634	467,107	98.64%
Total	20,204,441	35,497,819	15,293,379	75.69%
West Valley Consolidated	3,670,303	6,035,619	2,365,317	64.44%

Distributed Renewable Energy Recovery Tariff:

The methodology behind the Distributed Renewable energy Recovery Tariff would be similar to that of the Arsenic Cost Recovery Mechanism (ACRM) approved by the Commission in recent proceedings. After the utility completes construction on its renewable energy plant, it would file an application detailing the cost of the plant, the technical specifications of the plant's operational characteristics and capacities, and its related expenses. Through the application, the utility would request recovery of a return on the plant, depreciation expense and related expenses. As with the ACRM surcharge methodology, the renewable energy surcharge would consist of a monthly minimum and commodity charge component.

By passing the REST, the Commission has encouraged the future construction of renewable energy plant throughout Arizona, and the Commission has made a statement about the importance of such projects to the future of our state. The Global Utilities believe that conservation, both energy and water related, is a social responsibility of all citizens, individual and corporate alike.

However, without the proper incentives, many environmentally responsible projects are cost prohibitive. The approval of the Distributed Renewable Energy Recovery Tariff is in the public interest, and should be available to all water and wastewater utilities, not solely the Global Utilities. Approval of the Distributed Renewable Energy Recovery Tariff allows for the timely recovery of costs for utilities, encouraging them to invest in the renewable energy technologies so important to Arizona. By using an approach, these investments could occur outside the cost burden and delayed timing of a rate case. The Distributed Renewable Energy Recovery Tariff will provide a real incentive for water and wastewater companies to invest in distributed renewable energy projects.

Central Arizona Groundwater Replenishment District (CAGRDR) Fee Pass-Through:

All CAGRDR members pay a certain amount per acre-foot annually according to a rate determined each year by the CAGRDR. The rate is computed separately for each Active Management Area (AMA) to offset the projected costs of replenishment activities in the AMA. Whether the fees are paid by the consumer or the utility are determined by the assured water supply status: Designated providers must pay these fees directly; for non-Designated providers, the fees are passed through to the consumer by way of property tax assessments.

The CAGRDR reviews operating and capital expenses annually, and determines fees based on those expenses. The Global Utilities propose that these fees be recovered as a pass-through expense, similar to sales tax expense, as it is a tax levied on actual consumption of water. The CAGRDR rate would likewise be applied to the individual customer's consumption.

Currently, none of the Global Utilities are directly charged the CAGRDR fees. However, WUGT is working on the completion of a Designation of Assured Water Supply ("DAWS"), and will become subject to direct CAGRDR fees. Due to the benefits related to water conservation and regional planning of resources related to a DAWS, it is important that water utilities that elect to apply for a Designation are provided this pass-through to help offset the costs.

Franchise Fee Pass-Through:

The Global Utilities have an Operating / License Agreement with the City of Maricopa that provides the Global Utilities various benefits, including the to use the public rights of way, similar to a traditional franchise agreement. Because this franchise-like fee is based on gross revenues, it is like sales taxes, and it is therefore appropriate for a pass-through mechanism. If the ACC does not believe a pass through mechanism is appropriate, then expenses need to be increased for recovery.

Property Tax Adjustor:

The Company believes that property taxes have become an increasingly volatile expense and are concerned that this trend will continue given the current situation of the economy. Unfortunately, this is an expense that is outside of the Company's control.

Over Santa Cruz's three-year history on Schedule E-2, Property Tax has moved from 2.2% of operating expenses in 2006 to 5.8% in 2008 demonstrating a significant level of volatility as well. In fact, they range from 2.7% to 6.4% of the operating expenses, and in some cases are equivalent to the power and treatment costs. Since the Commission has considered power and treatment costs adjustors in the past, it is our belief that some form of adjustor or pass through is appropriate in these cases.

Witness Summary
Greco

**Summary of the Testimony
of Patty A. Greco
Docket Nos. SW-02445A-09-0077 et al.**

Direct Testimony

I adopt Greg Barber's Direct Testimony, which describes Global's cost allocation system. This system is based on NARUC's "Guidelines for Cost Allocation and Affiliate Transactions". I also provide examples of how the cost allocation system works and the decision process of how an expense is coded.

In addition, I provide the actual cost of debt for each of the utilities in this case.

Cost of Debt

Valencia Water Company— Town Department; Valencia Water Company – Greater Buckeye Department and Willow Valley Water Company have received loans through the Water Infrastructure Financing Authority ("WIFA").

Cost of Valencia Town Division WIFA Loans				
	12/31/2008		Interest	
WIFA Loan	Balance		Rate	
WIFA 920024-99	\$	43,427	5.81%	0.11%
WIFA 920102-06	\$	2,338,158	6.75%	6.63%
Total	\$	2,381,585		6.73%

Cost of Valencia Greater Buckeye Division WIFA Loans				
	12/31/2008		Interest	
WIFA Loan	Balance		Rate	
WIFA 920072-03	\$	43,351	4.69%	1.21%
WIFA 920103-06	\$	94,825	6.65%	3.75%
Stewart Title (Garcia)	\$	29,925	8%	1.42%
Total	\$	168,101		6.38%

Cost of Tonopah WIFA Loans				
WIFA Loan	12/31/2008		Interest	
	Balance		Rate	
WIFA 920071-03	\$	77,649	4.38%	0.67%
WIFA 920104-06	\$	431,705	6.65%	5.64%
Total	\$	509,354		6.30%

Cost of Willow Valley WIFA Loans				
WIFA Loan	12/31/2008		Interest	
	Balance		Rate	
WIFA 920010-98	\$	143,557	6.13%	3.86%
WIFA 920078-03	\$	84,396	4.38%	1.62%
Total	\$	227,953		5.48%

Global Parent has obtained capital through bond issuances utilizing public IDA funds. The cost of the IDA Bonds is as follows:

Cost of Bond Debt Calculation				
Bond			Interest	Weighted
Due Date	Amount		Rate	Debt
12/1/2017	\$	6,910,000	5.45%	0.33%
12/1/2022	\$	6,215,000	5.60%	0.30%
12/1/2032	\$	23,370,000	5.75%	1.17%
12/1/2013	\$	1,635,000	5.50%	0.08%
12/1/2037	\$	52,500,000	6.55%	2.99%
12/1/2018	\$	1,315,000	6.38%	0.07%
12/1/2038	\$	23,235,000	7.50%	1.51%
Total	\$	115,180,000		6.45%

As detailed in Mr. Rowell's testimony, however, in some cases, the Global Utilities have agreed to use RUCO's consolidated cost of debt.