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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

2009 DEC 11 P 4: 04

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 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-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

Arizona Corporation Commission

DOCKETED

DEC 11 2009

DOCKETED BY

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

DOCKET NO. W-02450A-09-0081

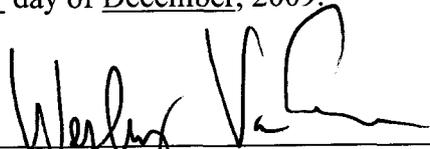
6 IN THE MATTER OF THE APPLICATION OF
7 VALENCIA WATER COMPANY – TOWN
8 DIVISION FOR THE ESTABLISHMENT OF
9 JUST AND REASONABLE RATES AND
10 CHARGES FOR UTILITY SERVICE
11 DESIGNED TO REALIZE A REASONABLE
12 RATE OF RETURN ON THE FAIR VALUE
13 OF ITS PROPERTY THROUGHOUT THE
14 STATE OF ARIZONA.

DOCKET NO. W-01212A-09-0082

STAFF'S NOTICE OF FILING

12
13 Staff of the Arizona Corporation Commission hereby provides notice of filing the Summaries
14 of the Testimony of Linda A. Jaress, Crystal S. Brown, Jian W. Liu and Darak R. Eaddy in the above-
15 referenced matter.

16 RESPECTFULLY SUBMITTED this 11th day of December, 2009.

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18 
19 _____
20 Wesley C. Van Cleve, Staff Counsel
21 Charles H. Hains, Staff Counsel
22 Ayesha Vohra, Staff Counsel
23 Legal Division
24 Arizona Corporation Commission
25 1200 West Washington Street
26 Phoenix, Arizona 85007
27 (602) 542-3402

23 **Original and thirteen (13) copies**
24 **of the foregoing were filed this**
25 **11th day of December, 2009 with:**

25 Docket Control
26 Arizona Corporation Commission
27 1200 West Washington Street
28 Phoenix, Arizona 85007

1 **Copy of the foregoing mailed this**
2 **11th day of December, 2009 to:**

3 Timothy J. Sabo, Esq.
4 ROSHKA, DeWULF & PATTEN, P.L.C.
5 One Arizona Center
6 400 East Van Buren Street, Suite 800
7 Phoenix, Arizona 85004

8 Daniel Pozefsky, Chief Counsel
9 RESIDENTIAL UTILITY CONSUMER OFFICE
10 1110 West Washington Street, Suite 220
11 Phoenix, Arizona 85007

12 Greg Patterson
13 916 West Adams, Suite 3
14 Phoenix, Arizona 85007

15 Garry D. Hays
16 LAW OFFICES OF GARRY D. HAYS, P.C.
17 1702 East Highland Avenue, Suite 316
18 Phoenix, Arizona 85016

19 Rick Fernandez
20 25849 West Burgess Lane
21 Buckeye, Arizona 85326

22
23
24
25
26
27
28
29 Roseann Osorio

**SUMMARY OF TESTIMONY
OF
CRYSTAL S. BROWN**

**GLOBAL WATER – PALO VERDE UTILITIES COMPANY, DOCKET NO. SW-20445A-09-0077
GLOBAL WATER – SANTA CRUZ WATER COMPANY, DOCKET NO. W-20446A-09-0080
WILLOW VALLEY WATER COMPANY, DOCKET NO. W-01732A-09-0079
VALENCIA WATER COMPANY – TOWN DIVISION, DOCKET NO. W-01212A-09-0082
VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION, DOCKET NO. W-02451A-09-0078
WATER UTILITY OF GREATER TONOPAH, DOCKET NO. W-02450A-09-0081**

I will appear on behalf of the Arizona Corporation Commission Staff and will testify concerning Staff's position and recommendations regarding for Global Water - Palo Verde Utilities Company ("Palo Verde"), Global Water – Santa Cruz Water Company ("Santa Cruz"), Willow Valley Water Company ("Willow Valley"), Valencia Water Company – Town Division ("Town Division"), Valencia Water Company – Greater Buckeye Division ("Buckeye"), and Water Utility of Greater Tonopah ("Tonopah"), collectively "Global Companies":

Palo Verde

Staff recommends a \$6,118,237 or 92.09 percent revenue increase from \$6,643,813 to \$12,762,050. Staff's recommended revenue increase would produce an operating income of \$4,425,069 for an 8.30 percent rate of return on an OCRB of \$53,314,083.

Santa Cruz

Staff recommends a \$1,576,527 or 16.75 percent revenue increase from \$9,409,861 to \$10,986,388. Staff's recommended revenue increase would produce an operating income of \$3,328,234 for an 8.50 percent rate of return on an OCRB of \$39,155,692.

Willow Valley

Staff recommends a \$450,347 or 95.10 percent revenue increase from \$473,527 to \$923,874. Staff's recommended revenue increase would produce an operating income of \$184,595 for an 8.20 percent rate of return on an OCRB of \$2,251,164.

Town Division

Staff recommends a \$1,516,475 or 49.93 percent revenue increase from \$3,037,462 to \$4,553,937. Staff's recommended revenue increase would produce an operating income of \$368,882 for an 8.70 percent rate of return on an OCRB of \$4,240,018.

Buckeye

Staff recommends an \$83,708 or 22.00 percent revenue increase from \$380,474 to \$464,182. Staff's recommended revenue increase would produce an operating income of \$75,254 for an 8.10 percent rate of return on an OCRB of \$929,057.

**SUMMARY OF TESTIMONY
OF
LINDA A. JARESS**

**GLOBAL WATER – PALO VERDE UTILITIES COMPANY, DOCKET NO. SW-20445A-09-0077
GLOBAL WATER – SANTA CRUZ WATER COMPANY, DOCKET NO. W-20446A-09-0080
WILLOW VALLEY WATER COMPANY, DOCKET NO. W-01732A-09-0079
VALENCIA WATER COMPANY – TOWN DIVISION, DOCKET NO. W-01212A-09-0082
VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION, DOCKET NO. W-02451A-09-0078
WATER UTILITY OF GREATER TONOPAH, DOCKET NO. W-02450A-09-0081**

The testimony of Linda Jaress addresses the following issues:

- Infrastructure Coordination and Financing Agreement Fees (“ICFAs”)
- Memoranda of Understanding and Franchise-Like Fee Pass-Through
- Pass-through of Central Arizona Groundwater Replenishment District fees (“CAGR”) (“CAGR”)
- Capital Structure
- Cost of Debt and Equity
- Distributed Renewable Energy Tariff
- Demand Side Management Program (“DSM”)
- Low Income Relief Tariff

ICFAs: Staff recommends that the fees from the ICFA contracts be accounted for as Contributions-in-aid-of-Construction (“CIAC”) for ratemaking purposes. However, the reduction to the rate bases of the Global Utilities for the ICFA CIAC should be reduced by the amount of plant the Global Utilities have voluntarily removed from rate base as excess capacity.

Staff’s reasons supporting this recommendation are:

1. The payments are made by developers in the service territory or future service territory of a Global Utility.
2. The fees are only collected in instances where a developer or landowner needs plant for utility service.
3. The ICFA contracts would not be executed absent the Global Parent/Global Utilities relationship.
4. The equity the Global Utilities claim was used to finance plant was derived from the Global Parent net income which was derived from ICFA fees accounted for as revenue.
5. The ICFA fees are cost-free capital to the Global Parent.
6. The Global Utilities claim that although the ICFA fees have several uses, none of the fees was used for utility plant.
7. Global Parent accepts ICFA fees as revenue in place of the use of CIAC by the Global Utilities.
8. Global Utilities customers should not be required to pay a return on plant with was built with cost-free capital.

9. The use of proceeds from ICFA fees as equity in the Global Utilities transfers risk of development from the developers to the rate payers.
10. The Global Utilities have no CIAC on their books. Staff believes ICFAs replace CIAC.

MOUs: Staff recommends the Global Utilities' request for a franchise-like fee pass through be denied. Some of the cities' franchise-like fees are charged to Global for serving areas outside of the city limits, the franchise-like fees have not been approved by the voters, are not actual franchise fees but are License Agreements, and the franchise-like fees change based upon certain Commission actions. The current Global Utilities' tariff addresses typical franchise fees, so a new tariff is not needed.

Pass-through of CAGR D fees: Staff recommends denial. Currently, none of the Global Utilities are charged the CAGR D fees and it is unknown when they will need to be paid. Also, it is unknown how much the fees will be, or if or when the Global Utilities actually pay the fees. However, if the Commission determines that it is in the public interest to put a mechanism in place to recover future CAGR D fees, Staff recommends the fees be collected under an adjustment mechanism similar to that recommended by Staff in the Johnson Utilities case (Docket No. WS-02987A-08-0180).

Staff believes that the Global Parent does not share any of the benefits of water storage credits it sold with the Utilities even though the Utilities own the permits necessary to facilitate the sale and purchase of water storage credits. Staff recommends that the Utilities should recognize (i.e., record) a regulatory liability equal to the net sales proceeds. The Commission could then determine the appropriate method for ratepayers to benefit from the regulatory liability in a future rate proceeding. Staff also concludes that the Utilities should file, every year, as a compliance filing in this docket, the revenue received by Global Parent or its assignee(s) from the sale of water storage credits generated by each Utility during the current year and for each prior year.

Capital Structure, Cost of Debt, Cost of Equity, Rate of Return: Staff recommends approval of the Global Utilities' requested capital structure's for Palo Verde of 45.3 percent debt and 54.7 percent equity and for Santa Cruz, 43.9 percent debt and 56.1 percent equity. Staff also recommends a hypothetical capital structure for Willow Valley and Valencia-Town of 40.0 percent debt and 60.0 percent equity be adopted because, even after adjusting equity for the acquisition premium, the capital structures were too heavily weighted toward equity. For Valencia-Buckeye, Staff recommends a capital structure of 54.9 percent debt and 45.1 percent equity which represents the actual capital structure adjusted for the acquisition premium. Staff recommends a 10 percent return on common equity for the Global Utilities and accepts the Global Utilities' recommendations for the cost of debt.

The resulting recommended rates of return are: Palo Verde, 8.3 percent; Santa Cruz, 8.5 percent, Willow Valley, 8.2 percent, Valencia-Town, 8.7 percent and Valencia-Buckeye, 8.1 percent. Staff recommends that for WUGT, the Commission determine revenue requirement by application of an operating margin because after adjusting for CIAC from the ICFAs, WUGT has negative rate base.

Distributed Renewable Energy Tariff: Staff recommends denial of the distributed renewable energy recovery tariff requested by the Global Utilities. A portion of the Arizona Public Service Company bill paid by the customers of the Global Utilities includes amounts charged pursuant to the REST rules for distributed energy. A portion of the ED3 bill paid by Global Utilities Customers may soon include charges similar to the REST Rule Tariff. With federal and state tax breaks and rebates from APS and ED3, along with amounts paid to APS and ED3 by customers in the Global's Utilities service territories, most, if not all of the costs of the distributed energy projects will have been paid for by the customers. Staff recommends that recovery of distributed energy plant be treated the same as any other water or wastewater utility plant and be subject to normal prudence and used and useful reviews before recovery in rate base.

DSM Program Tariff: Staff needs more time and information to obtain a complete understanding of the program. Therefore, Staff recommends that within 60 days of the date of the final order in this case the Global Utilities file the DSM Program tariffs for Staff's review and the Commission's consideration.

Low Income Relief Tariff: Staff also recommends that within 60 days of the docketing of the final order in this case the Global Utilities file the Low Income Relief tariff for Staff's review and the Commission's consideration.

**SUMMARY OF TESTIMONY
OF
JIAN W. LIU**

GLOBAL WATER – PALO VERDE UTILITIES COMPANY, DOCKET NO. SW-20445A-09-0077
 GLOBAL WATER – SANTA CRUZ WATER COMPANY, DOCKET NO. W-20446A-09-0080
 WILLOW VALLEY WATER COMPANY, DOCKET NO. W-01732A-09-0079
 VALENCIA WATER COMPANY – TOWN DIVISION, DOCKET NO. W-01212A-09-0082
 VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION, DOCKET NO. W-02451A-09-0078
 WATER UTILITY OF GREATER TONOPAH, DOCKET NO. W-02450A-09-0081

Valencia Water Company - Greater Buckeye Division (“Valencia Greater Buckeye”)

CONCLUSIONS:

1. ADEQ or its formally delegated agent, MCESD, reported that the Valencia Greater Buckeye drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.
2. Valencia Greater Buckeye is located in the Phoenix Active Management Area (“AMA”) and is subject to its reporting and conservation requirements. Staff received an ADWR compliance status report in May 2009. ADWR reported that Valencia Greater Buckeye is currently in compliance with departmental requirements governing water providers and/or community water systems.
3. A check with the Utilities Division Compliance Section showed no delinquent compliance items for Valencia Greater Buckeye.
4. Valencia Greater Buckeye has an approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.
5. Sun Valley/Sweetwater I, PWS #07-195, and Sweetwater II, PWS #07-129 reported water loss as:

Water System	Gallons Pumped	Gallons Sold	Water loss (%)
Sun Valley/ Sweetwater I, PWS #07-195	48,210,000	39,057,000	19.0
Sweetwater II, PWS #07-129	13,305,000*	11,586,000	12.9

*Note: Gallons Purchased.

6. During its field inspection Staff observed old water system (Sweetwater II, PWS #07-129) pumping and storage facilities that were not in service. The old water system facilities that were found not to be used and useful to the Company’s

provision of service consisted of a well (ADWR ID No. 55-802333), a 157,000 gallon storage tank, two booster pumps, and one 3,400 gallon pressure tank.

RECOMMENDATIONS:

1. Staff recommends the annual water testing expense of \$3,774 reported by Valencia Greater Buckeye be used for purposes of this application.
2. Staff recommends that within 90 days of a Decision in this matter Valencia Greater Buckeye file with Docket Control, as a compliance item in this docket, a detailed plan demonstrating how the Sun Valley/Sweetwater I, PWS #07-195, and Sweetwater II, PWS #07-129 will reduce its water loss to less than 10 percent. If Valencia Greater Buckeye finds that reduction of water loss to less than 10 percent is not cost-effective, Valencia Greater Buckeye should submit, within 90 days of a Decision in this matter, a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost-effective. In any event water loss shall not exceed 15 percent.
3. Staff recommends that Valencia Greater Buckeye use the depreciation rates delineated in Table B of Exhibit JW-1.
4. Staff recommends that the meter and service line installation charges listed under "Staff's Recommendation" in Table C of Exhibit JW-1 be adopted along with the adoption of an installation charge of "At Cost" for meter sizes of 8-inch and larger.

Water Utility of Greater Tonopah ("WUGT")

CONCLUSIONS:

1. ADEQ or its formally delegated agent, MCESD, reported that the WUGT drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.
2. The Roseview system's current storage capacity of 7,600 is inadequate to serve its 19 connections.
3. WUGT is located in the Phoenix AMA and is subject to its reporting and conservation requirements. Staff received an ADWR compliance status report on May 4, 2009. ADWR reported that WUGT is currently in compliance with departmental requirements governing water providers and/or community water systems.

4. A check with the Utilities Division Compliance Section showed no delinquent compliance items for WUGT.
5. WUGT has an approved Curtailment Plan Tariff on file with the Commission.
6. WUGT has a Backflow Prevention Tariff on file with the Commission.
7. Garden City (PWS #07-037), WPE #1, WPE #6 (PWS #07-733), Tuftes (PWS #07-617), Buckeye Ranch (PWS #07-618), and Dixie (PWS #07-030) reported water loss as:

Water System	Gallons Pumped	Gallons Sold	Water loss (%)
Garden City, PWS #07-037	2,560,000	1,960,000	23.4
WPE #1, PWS #N/A	499,000	342,000	31.5
WPE #6, PWS #07-733	2,530,000	1,758,000	23.4
Tuftes, PWS #07-617	514,000	444,000	13.6
Buckeye Ranch, PWS #07-618	13,929,000	12,521,000	10.1
Dixie, PWS #07-030	5,656,000	4,023,000	28.9

RECOMMENDATIONS:

1. Staff recommends that WUGT install a storage tank with a minimum storage capacity of 3,750 gallons for Roseview (PWS #07-082) within one year of the effective date of the order in this proceeding. Staff further recommends that WUGT file, as a compliance item in this docket, within one year of the effective date of the order in this proceeding, a copy of the AOC issued by ADEQ or MCESD for this storage addition.
2. Staff recommends that within 90 days of a Decision in this matter WUGT file with Docket Control, as a compliance item in this docket, a detailed plan demonstrating how the Garden City (PWS #07-037), West Phoenix Estates (“WPE”) #1, WPE #6 (PWS #07-733), Tuftes (PWS #07-617), Buckeye Ranch (PWS #07-618), and Dixie (PWS #07-030) water systems will reduce their water loss to less than 10 percent. If WUGT finds that reduction of water loss to less than 10 percent is not cost-effective in a system, WUGT should submit, within 90 days of a Decision in this matter, a detailed cost analysis and explanation for each system demonstrating why water loss reduction to less than 10 percent is not cost-effective. In any event water loss shall not exceed 15 percent.
3. Staff recommends the annual water testing expense of \$11,006 reported by WUGT be used for purposes of this application.
4. Staff recommends that WUGT use the depreciation rates delineated in Table B of Exhibit JW-2.

5. Staff recommends that the meter and service line installation charges listed under "Staff's Recommendation" in Table C of Exhibit JWL-2 be adopted along with the adoption of an installation charge of "At Cost" for meter sizes of 8-inch and larger.

Valencia Water Company-Town Division ("Valencia-Town")

CONCLUSIONS:

1. ADEQ or its formally delegated agent, MCESD, reported that the Valencia-Town drinking water system (PWS #07-078) is in compliance with regulatory agency requirements and is currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.
2. Valencia-Town is located in the Phoenix AMA and is subject to its reporting and conservation requirements. Staff received an ADWR compliance status report in May 2009. ADWR reported that Valencia-Town is currently in compliance with departmental requirements governing water providers and/or community water systems.
3. Staff concludes that the Valencia-Town drinking water system has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.
4. Valencia-Town has an approved Curtailment Plan Tariff on file with the Commission.
5. Valencia-Town has a Backflow Prevention Tariff on file with the Commission.
6. A check with the Utilities Division Compliance Section showed no delinquent compliance items for Valencia-Town.

RECOMMENDATIONS:

1. Staff recommends that Valencia-Town use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table B of Exhibit JWL-3.
2. Staff recommends the annual water testing expense of \$33,729 reported by Valencia-Town be used for purposes of this application.
3. Staff recommends that the meter and service line installation charges listed under "Staff's Recommendation" in Table C of Exhibit JWL-3 be adopted along with the adoption of an installation charge of "At Cost" for meter sizes of 8-inch and larger.

Santa Cruz Water Company ("Santa Cruz")

CONCLUSIONS:

1. ADEQ regulates the Santa Cruz Water System under ADEQ PWS #11-131. Based on compliance information submitted by Santa Cruz, the system has no deficiencies and ADEQ has determined that the system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ report dated 12/9/08).
2. Santa Cruz is located in the Pinal AMA and is subject to its reporting and conservation requirements. Staff received an ADWR compliance status report in April 2009. ADWR reported that Santa Cruz is currently in compliance with departmental requirements governing water providers and/or community water systems.
3. Staff concludes that Santa Cruz has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.
4. A check with the Utilities Division Compliance Section showed no delinquent compliance items for Santa Cruz.
5. Staff inspected Santa Cruz's Southwest Water Treatment and Distribution Plant (Terrazzo). This Plant was not in service and therefore not used and useful during Staff's field inspection.
6. Santa Cruz has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

RECOMMENDATIONS:

1. Staff recommends that Santa Cruz use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table B of Exhibit JW-4.
2. Staff recommends the annual water testing expense of \$36,113 reported by Santa Cruz be used for purposes of this application.
3. Staff recommends that the charges listed under "Staff's Recommendation" in Table C of Exhibit JW-4 be adopted along with the adoption of an installation charge of "At Cost" for meter sizes of 8-inch and larger.

Willow Valley Water ("Willow Valley")

CONCLUSIONS:

1. ADEQ regulates Willow Valley Water Systems under ADEQ Public Water System ("PWS") #08-040 and #08-129. Based on compliance information submitted by Willow Valley, the systems have no deficiencies and ADEQ has determined that these systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ reports dated February 13, 2009).
2. Willow Valley is not located in any AMA and is not subject to any AMA reporting and conservation requirements. Staff received an ADWR compliance status report on April 30, 2009, ADWR reported that it has determined that Willow Valley is currently in compliance with departmental requirements governing water providers and/or community water systems.
3. A check with the Utilities Division Compliance Section showed no delinquent compliance items for Willow Valley.
4. Willow Valley has an approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.
5. King Street, PWS #08-040, and Lake Cimarron, PWS #08-129 reported water loss as:

Water System	Gallons Pumped	Gallons Sold	Water loss (%)
King Street, PWS #08-040	115,312,000	91,995,000	16.8*
Lake Cimarron, PWS #08-129	13,543,000	10,379,000	20.4**

* 3,924,000 gallons of water used for flushing;

** 405,000 gallons of water used for flushing.

RECOMMENDATIONS:

1. Staff recommends that within 90 days of a Decision in this matter Willow Valley file with Docket Control, as a compliance item in this docket, a detailed plan demonstrating how Willow Valley will reduce its water loss for King Street, PWS #08-040, and Lake Cimarron, PWS #08-129 to less than 10 percent. If Willow Valley finds that reduction of water loss to less than 10 percent is not cost-effective, Willow Valley should submit, within 90 days of a Decision in this matter, a detailed cost analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost-effective. In any event water loss shall not exceed 15 percent.
2. Staff recommends the annual water testing expense of \$5,401 reported by Willow Valley be used for purposes of this application.

3. Staff recommends that Willow Valley use the depreciation rates delineated in Table B of Exhibit JWL-5.
4. Staff recommends that the meter and service line installation charges listed under "Staff's Recommendation" in Table C of Exhibit JWL-5 be adopted along with the adoption of an installation charge of "At Cost" for meter sizes of 8-inch and larger.

Palo Verde Utilities Company ("Palo Verde")

CONCLUSIONS:

1. ADEQ regulates the Palo Verde wastewater treatment plant under Permit No. 34460. Per the January 29, 2009, Compliance Status Report issued by ADEQ, the Palo Verde plant is in full compliance with ADEQ requirements.
2. A check with the Utilities Division Compliance Section showed no delinquent compliance items for Palo Verde.
3. Staff inspected Palo Verde's 1.0 MGD SBR treatment facility. This Plant was not in service and therefore not used and useful during Staff's field inspection.
4. Staff inspected Palo Verde's 0.3 MGD facultative lagoon. This facility was not in service and therefore not used and useful during Staff's field inspection.

RECOMMENDATIONS:

1. It is recommended that Palo Verde use depreciation rates by individual NARUC category as presented in Table G-1 of Exhibit JWL-6.
2. Staff recommends the annual testing expense of \$99,923 reported by Palo Verde be used for purposes of this application.

**SUMMARY OF TESTIMONY
OF
DARAK R. EADDY**

**GLOBAL WATER – PALO VERDE UTILITIES COMPANY, DOCKET NO. SW-20445A-09-0077
GLOBAL WATER – SANTA CRUZ WATER COMPANY, DOCKET NO. W-20446A-09-0080
WILLOW VALLEY WATER COMPANY, DOCKET NO. W-01732A-09-0079
VALENCIA WATER COMPANY – TOWN DIVISION, DOCKET NO. W-01212A-09-0082
VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION, DOCKET NO. W-02451A-09-0078
WATER UTILITY OF GREATER TONOPAH, DOCKET NO. W-02450A-09-0081**

I will appear on behalf of the Arizona Corporation Commission Staff and will testify concerning Staff's position and recommendations on the issue of rate design for Global Water - Palo Verde Utilities Company ("Palo Verde"), Global Water – Santa Cruz Water Company ("Santa Cruz"), Willow Valley Water Company ("Willow Valley"), Valencia Water Company – Town Division ("Town Division"), Valencia Water Company – Greater Buckeye Division ("Buckeye"), and Water Utility of Greater Tonopah ("Tonopah"), collectively "Global Companies":

Palo Verde

The typical 3/4-inch meter residential customer with a current flat rate of \$33.00 per month would experience a \$39.90 or a 120.91 percent increase in his monthly bill to \$72.90 under the Company's proposed final phased-in rates. This same customer would experience a \$26.25 or a 79.55 percent increase in his monthly bill to \$59.25 under Staff's recommended final phased-in rates.

Santa Cruz

The typical 3/4-inch meter residential customer with a median usage of 5,500 gallons would experience a \$7.90 or a 21.53 percent increase in his monthly bill, from \$36.70 to \$44.60, under the Company's proposed rates. This same customer would experience a \$1.43 or a 3.88 percent increase in his monthly bill, from \$36.70 to \$38.13, under Staff's recommended rates.

Willow Valley

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 2,000 gallons would experience a \$14.80 or an 80.22 percent increase in his monthly bill, from \$18.45 to \$33.25, under the Company's proposed rates. This same customer would experience a \$9.05 or a 49.05 percent increase in his monthly bill, from \$18.45 to \$27.50, under Staff's recommended rates.

Town Division

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 4,500 gallons would experience a \$17.83 or a 68.92 percent increase in his monthly bill, from \$25.87 to \$43.70, under the Company's proposed rates. This same customer would experience a \$9.28 or a 35.87 percent increase in his monthly bill, from \$25.87 to \$35.15, under Staff's recommended rates.

Buckeye

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 7,000 gallons would experience an \$11.60 or a 32.91 percent increase in his monthly bill, from \$35.25 to \$46.85, under the Company's proposed rates. This same customer would experience a \$4.95 or a 14.04 percent increase in his monthly bill, from \$35.25 to \$40.20, under Staff's recommended rates.

Tonopah

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,000 gallons would experience a \$54.00 or a 142.11 percent increase in his monthly bill, from \$38.00 to \$92.00, under the Company's proposed rates. This same customer would experience a \$5.20 or a 13.68 percent decrease in his monthly bill, from \$38.00 to \$32.80, under Staff's recommended rates.

In addition to my testimony regarding minimum monthly charges, volumetric charges, tier structure and typical bill impacts, I will address Staff's position and recommendations regarding certain specific miscellaneous fees and charges.