

ORIGINAL



0000106305

BEFORE THE ARIZONA CORPORATION CO.....

RECEIVED

2009 DEC 18 A 10:49

AZ CORP COMMISSION
DOCKET CONTROL

- 1
- 2 KRISTIN K. MAYES
CHAIRMAN
- 3 GARY PIERCE
COMMISSIONER
- 4 SANDRA D. KENNEDY
COMMISSIONER
- 5 PAUL NEWMAN
COMMISSIONER
- 6 BOB STUMP
COMMISSIONER

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

Docket No. SW-20445A-09-0077

17 IN THE MATTER OF THE APPLICATION OF
18 VALENCIA WATER COMPANY – GREATER
19 BUCKEYE DIVISION FOR THE
20 ESTABLISHMENT OF JUST AND REASONABLE
21 RATES AND CHARGES FOR UTILITY SERVICE
22 DESIGNED TO REALIZE A REASONABLE RATE
23 OF RETURN ON THE FAIR VALUE OF ITS
24 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 18 2009

DOCKETED BY	<i>MM</i>
-------------	-----------

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

Docket No. W-02450A-09-0081

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

Docket No. W-01212A-09-0082

9
10 **NOTICE OF FILING TESTIMONY SUMMARIES**

11
12 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
13 Testimony Summaries of William A. Rigsby and Rodney L. Moore, in the above-referenced
14 matter.

15
16 RESPECTFULLY SUBMITTED this 18th day of December, 2009.

17
18 

19 Daniel W. Pozefsky
20 Chief Counsel

21 AN ORIGINAL AND THIRTEEN COPIES
22 of the foregoing filed this 18th day
23 of December, 2009 with:

24 Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 COPIES of the foregoing hand delivered/
mailed this 18th day of December, 2009 to:

2 Dwight D. Nodes, Asst. Chief
3 Administrative Law Judge
Hearing Division
4 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

5 Janice Alward, Chief Counsel
6 Legal Division
Arizona Corporation Commission
7 1200 West Washington
Phoenix, Arizona 85007

8 Steven M. Olea, Director
9 Utilities Division
Arizona Corporation Commission
10 1200 West Washington
Phoenix, Arizona 85007

11 Wesley C. Van Cleve, Attorney
Legal Division
12 Arizona Corporation Commission
1200 West Washington
13 Phoenix, Arizona 85007

14 Michael W. Patten
Timothy Sabo
15 Roshka, DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren St., Ste.800
16 Phoenix, Arizona 85004

17 Greg Patterson
916 W. Adams - 3
18 Phoenix, Arizona 85007

19
20 By 
21 Ernestine Gamble
Secretary to Daniel Pozefsky

22
23
24

Global Utilities
Docket No. SW-02445A-09-0077 et al.
Rate Case

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

The following is a summary of the significant issues set forth in both the direct and the surrebuttal testimony of RUCO witness William A. Rigsby, on Global Utilities' ("Global Utilities" or "Company") application for a permanent rate increase for six of the Company's operating systems. Mr. Rigsby is providing testimony on a number of required revenue, rate design and cost of capital issues associated with Global Utilities' request for a rate increase. The underlying theory and rationales for Mr. Rigsby's recommendations on these issues are contained in the above referenced documents. The significant issues associated with the case are as follows:

REQUIRED REVENUE

Distributed Renewable Energy Recovery Tariff – Mr. Rigsby is recommending that the Commission deny Global Utilities' request for a distributed renewable energy recovery tariff which would establish an adjustor mechanism, similar to the arsenic cost recovery mechanism, to recover costs associated with plant additions that utilize renewable energy technology.

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

Infrastructure Coordination and Financing Agreements – Mr. Rigsby is recommending that the Commission treat funds collected through the Company's Infrastructure Coordination and Financing Agreements ("ICFA") as contributions in aid of construction.

Franchise Fee Pass-Through – Mr. Rigsby is recommending that the Commission adopt Global Utilities request to recover a portion of the Company's franchise fees as an operating expense as opposed to passing it through directly to ratepayers.

Public Private Partnership Agreements – Mr. Rigsby is recommending that any remaining portion of franchise fees negotiated through Public Private Agreements (that are currently being paid for by the unregulated Global Parent entity) not be recoverable in rates.

RATE DESIGN

Rate Consolidation – RUCO is recommending that the Commission reject Global Utilities proposed rate consolidation for three of the six operating systems included in the Company's filing.

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

Phased-In Rates – RUCO is recommending that the Commission adopt Global Utilities proposal to phase in rates over a three-year period for Palo Verde Utilities Company.

Rebate Threshold Rates – RUCO is recommending that the Commission reject Global Utilities the volumetric rebate element that is part of the Company's rebate threshold rates proposal.

COST OF CAPITAL

Weighted Average Cost of Capital – Mr. Rigsby is recommending that a blanket 8.03 percent weighted average cost of capital be applied to the fair value rate bases ("FVRB") of Global Utilities six operating systems. Mr. Rigsby's 8.03 percent figure is the result of his recommended capital structure, his recommended cost of long-term debt, and his recommended cost of common equity.

Capital Structure – Mr. Rigsby is recommending that the Commission adopt a blanket capital structure comprised of approximately 38 percent debt and 62 percent common equity for all six of Global Utilities' six operating systems.

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

Cost of Long-Term Debt – Mr. Rigsby is recommending that the Commission adopt a 6.45 percent cost of long-term debt. His recommended 6.45 percent cost of long-term debt represents the weighted average cost of Global Utilities' various debt issuances.

Cost of Common Equity – Mr. Rigsby is recommending a 9.00 percent cost of common equity. His 9.00 percent figure falls on the high side of his range of common equity estimates that were derived from both the discounted cash flow ("DCF") and capital asset pricing model ("CAPM") methodologies.

Global Utilities
Docket No. SW-02445A-09-0077 ET AL
Rate Application

SUMMARY OF THE TESTIMONIES OF RODNEY L. MOORE
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the Direct and Surrebuttal Testimonies given by Rodney L. Moore applicable to RUCO's recommended conditions for a permanent rate increase. A full disclosure of the issues and conditions are contained in the referenced documents.

The Company and RUCO are in substantial agreement with the adjustments to:

- Accumulated Depreciation;
- Elimination of Unbilled Revenues and Other Accounting Entries;
- Miscellaneous Revenues;
- Annualize Revenues and Expenses to reflect Post Test Year Customer Counts;
- Employee Salaries and Wages and Benefits;
- Contractual Services - Management Fees;
- Purchased Power Expense;
- Advertising Expense;
- Rate Case Expense;
- Pass-Through of ACC and RUCO Annual Assessment; and
- Changes to Service and Miscellaneous Charges and Tariffs.

The testimonies of Mr. Moore address the following outstanding issues:

Rate Base

Infrastructure Coordination and Financing Agreements ("ICFAs") – RUCO has revised its position on the treatment of ICFAs and is now recommending all ICFAs be treated as contributions in aid of construction ("CIAC").

Operating Income

Depreciation Expense – Mr. Moore’s adjustment reflects depreciation expense based on RUCO’s adjusted gross plant-in-service, which was adjusted to recognize RUCO’s ratemaking treatment of the Infrastructure Coordination and Financial Agreements (“ICFAs”) as Contributions In Aid of Construction (“CIAC”).

Property Tax Expense – Mr. Moore’s adjustment reflects property tax expense based on RUCO’s calculation of adjusted and proposed operating revenues. However, since filing of Mr. Moore’s surrebuttal schedules, a computation error has been discovered with the use of incorrect property tax rates in the calculation. The correct computation will be reflected in the post-hearing final schedules.

Central Arizona Groundwater Replenishment District (“CAGRDR”) –This adjustment reflects RUCO’s position to treat the adjusted test year CAGRDR fees of zero dollars as an operating expense as opposed to the Company’s proposal to receive approval of a mechanism to recover future fees by means of a pass-through surcharge. However, RUCO will accept the Commission’s position on this subject as authorized in the Decision related to the Johnson Utilities rate case, which is expected prior to the issuance of the recommended opinion and order in the instant case.

Bad Debt Expense – Mr. Moore's has not altered RUCO position and does recommend accepting Global's original adjustment to test year operating expense for bad debt expense. The Company now removes the test year adjustment and requests recognition of bad debt expense related to the increase in revenue requirement.

Federal and State Income Taxes Expense – Mr. Moore's adjustment reflects income tax expenses calculated on RUCO's recommended revenues and expenses.

Rate Design

Mr. Moore's proposed rate design is generally consistent with the Company's proposed rate design, but reflects RUCO's recommended revenue requirement and provides proof the design will produce the appropriate revenue requirement.

Mr. Moore provides a comparison of the impact on a typical bill between the Company's original filing and RUCO's surrebuttal position.

PVUC

The typical 3/4-inch metered residential customer with a current flat rate of \$33.00 per month would experience a \$38.11 or a 115.48% increase in their monthly bill to \$71.11 under the Company's proposed rates. This

same customer would experience a \$20.51 or a 62.16% increase in their monthly bill to \$53.51 under RUCO's recommended rates.

RUCO agrees with the Company to recommend the rate increase for PVUC be phased in over three years, with one-third of the approved increase be added to the present rate each year. The phased in rate would result in a three-year annual increase of \$6.84 or 20.73%.

SCWC

The typical 3/4-inch metered residential customer with a median usage of 5,500 gallons would experience a \$7.23 or a 19.70% increase in their monthly bill from \$36.70 to \$43.93 under the Company's proposed rates. This same customer would experience a \$0.72 or a 1.95% increase in their monthly bill from \$36.70 to \$37.42 under RUCO's recommended rates.

VWC - TD

The typical 5/8 X 3/4-inch metered residential customer with a median usage of 4,500 gallons would experience a \$19.23 or a 74.33% increase in their monthly bill from \$25.87 to \$45.10 under the Company's proposed rates. This same customer would experience a \$16.75 or a 64.74% increase in their monthly bill from \$25.87 to \$42.62 under RUCO's recommended rates.

RUCO would also support a Company recommendation for similar phased in rate treatment for VWC – TD as Global has proposed for PVUC.

VWC - GB

The typical 5/8 X 3/4-inch metered residential customer with a median usage of 7,000 gallons would experience a \$19.10 or a 54.18% increase in their monthly bill from \$35.25 to \$54.35 under the Company's proposed rates. This same customer would experience a \$12.44 or a 35.30% increase in their monthly bill from \$35.25 to \$47.69 under RUCO's recommended rates.

WUGT

The typical 5/8 X 3/4-inch metered residential customer with a median usage of 5,000 gallons would experience a \$58.04 or a 152.74% increase in their monthly bill from \$38.00 to \$96.04 under the Company's proposed rates. This same customer would experience a \$4.77 or a 12.55% decrease in their monthly bill from \$38.00 to \$33.23 under RUCO's recommended rates.

WWWC

The typical 5/8 X 3/4-inch metered residential customer with a median usage of 2,000 gallons would experience a \$16.30 or an 88.35% increase in their monthly bill from \$18.45 to \$34.75 under the Company's proposed rates. This same customer would experience an \$11.05 or a 59.87% increase in their monthly bill from \$18.45 to \$29.50 under RUCO's recommended rates.

RUCO would also support a Company recommendation for similar phased in rate treatment for WWWC as Global has proposed for PVUC.

Conclusions and Recommendations

Mr. Moore concludes that the approval of this application will be consistent with the public interest if the Commission adopts the following recommendations:

	DIRECT TESTIMONY	SURREBUTTAL TESTIMONY
Percentage Increase In Median Typical Residential Customer's Monthly Bill:		
PVUC	91.90%	61.84%
SCWC	-0.47%	1.95%
VWC – Town Div.	67.17%	64.74%
VWC – GB Div.	36.95%	35.30%
WUGT	105.83%	-12.55%
WWWC	59.15%	59.87%

Summary of the Testimonies of Rodney L. Moore
Global Utilities
Docket No. SW-02445A-09-0077 ET AL

Recommended Revenue Requirement:

PVUC	\$13,572,142	\$11,735,213
SCWC	\$11,235,208	\$11,000,572
VWC – Town Div.	\$4,415,560	\$4,434,724
VWC – GB Div.	\$429,179	\$437,851
WUGT	\$607,256	\$339,503
WWWC	\$861,957	\$867,000

Recommended OCRB/FVRB:

PVUC	\$64,011,238	\$53,844,005
SCWC	\$45,902,454	\$39,797,227
VWC – Town Div.	\$4,539,198	\$4,443,607
VWC – GB Div.	\$895,377	\$895,377
WUGT	\$2,563,849	(\$6,157,665)
WWWC	\$2,177,504	\$2,207,149

Recommended Required Operating Income:

PVUC	\$4,747,235	\$4,324,960
SCWC	\$3,404,242	\$3,196,668
VWC – Town Div.	\$336,638	\$356,928
VWC – GB Div.	\$66,403	\$71,920
WUGT	\$190,141	\$27,270
WWWC	\$161,489	\$177,287

Recommended Percentage Increase In Revenue Requirement:

PVUC	108.12%	76.63%
SCWC	23.32%	16.90%
VWC – Town Div.	52.55%	46.00%
VWC – GB Div.	27.42%	15.08%
WUGT	80.29%	30.93%
WWWC	82.03%	83.09%