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BEFORE THE ARIZONA CORPORATION

IN THE MATTER OF THE APPLICATION OF )	
LITCHFIELD PARK SERVICE COMPANY, AN )	DOCKET NOS.
ARIZONA CORPORATION, FOR A )	SW-01428A-09-0103
DETERMINATION OF THE FAIR VALUE OF )	W-01427A-09-0104
ITS UTILITY PLANTS AND PROPERTY AND )	W-01427A-09-0116
FOR INCREASES IN ITS WASTEWATER RATES) )	W-01427A-09-0120
AND CHARGES FOR UTILITY SERVICE BASED) )	
THEREON. )	
)	
AND ALL RELATED MATTERS. )	
)	
)	PUBLIC COMMENT

At: Phoenix, Arizona  
 Date: January 4, 2010  
 Filed: **JAN 12 2010**

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1 BE IT REMEMBERED that the above-entitled and  
2 numbered matter came on regularly to be heard before the  
3 Arizona Corporation Commission, in Hearing Room 1 of  
4 said Commission, 1200 West Washington Street, Phoenix,  
5 Arizona, commencing at 10:00 a.m. on the 4th of January,  
6 2010.

7  
8 BEFORE: KRISTIN K. MAYES, Chairman

9 DWIGHT D. NODES, Assistant Chief  
Administrative Law Judge

10 APPEARANCES:

11  
12 For the Applicant:

13 FENNEMORE CRAIG  
14 By Mr. Jay L. Shapiro  
3003 North Central Avenue, Suite 2600  
15 Phoenix, Arizona 85012

16 For Residential Utility Consumer Office:

17 RUCO  
18 By Ms. Michelle Wood  
1110 West Washington Street, Suite 220  
19 Phoenix, Arizona 85007

20 For City of Litchfield Park:

21 CURTIS, GOODWIN, SULLIVAN, UDALL & SCHWAB, PLC  
22 By Mr. William P. Sullivan  
501 East Thomas Road  
23 Phoenix, Arizona 85012

24  
25

1 APPEARANCES:

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For the Arizona Corporation Commission Staff:

3

Mr. Kevin O. Torrey  
Staff Attorney, Legal Division  
1200 West Washington Street  
Phoenix, Arizona 85007

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COLETTE E. ROSS  
Certified Reporter  
Certificate No. 50658

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1 ACALJ NODES: Let's go on the record.

2 Good morning, and welcome to the Arizona  
3 Corporation Commission. We are scheduled this morning  
4 for a public comment session in the Litchfield Park  
5 Service Company rate case and related matters.

6 My name is Dwight Nodes, and I am the  
7 administrative law judge assigned to the case.

8 And before we get started with public comment, I  
9 would like to just go over a few things here this  
10 morning before we take the appearances of the parties in  
11 attendance.

12 First of all, the Corporation Commission is a  
13 body that is constitutionally created. The Commission  
14 is comprised of five statewide elected Commissioners who  
15 sit and decide the various cases that come before them.

16 And the process that is in place for cases such  
17 as this, where an investor owned utility company comes  
18 before the Commission seeking an increase in their rates  
19 and charges, is that they file an application. Various  
20 parties, including the Commission Staff, the Residential  
21 Utility Consumer Office, get involved and performs  
22 audits. We also have other private intervenors. In  
23 this case we have the City of Litchfield Park,  
24 PebbleCreek communities, Westcor/Goodyear development  
25 company. And they also intervene and take positions on

1 various issues.

2           And let me point out that the Chairman of the  
3 Commission, Chairman Kris Mayes, has joined us, joined  
4 me here on the bench. And we may have other  
5 Commissioners in attendance or who are listening  
6 through, on their computers or in their offices. So in  
7 any event, we have a transcript being made so all the  
8 Commissioners will be aware of the public comment that  
9 is received here this morning. So, and I want you to  
10 know the Commissioners take the public comment very  
11 seriously. They pay close attention to the comments of  
12 the customers of the utility company to be made aware of  
13 what concerns there are out there.

14           And let me just very briefly tell the people in  
15 the audience what the process is. Once we -- now, after  
16 today's public comment session, starting tomorrow we  
17 will start an evidentiary hearing, which is like a  
18 trial. We will take testimony from expert witnesses.  
19 We will have evidence introduced through various  
20 documents and exhibits. And once all that information  
21 is collected, the parties will file post-hearing briefs.  
22 I will take that information and put together a  
23 recommended opinion and order that will then be subject  
24 to exceptions from the parties. The Commissioners will  
25 then schedule the matter for an open Commission meeting.

1 At that point, the Commissioners at the open meeting  
2 will discuss the case. Very often the Commissioners  
3 propose amendments to the order. And if the amendments  
4 pass, then those become part of the final order of the  
5 Commission. So that is, in just a nutshell, the process  
6 that is involved here at the Corporation Commission.

7 And the purpose today is to hear what the  
8 various customers of the utility company that is before  
9 the Commission have to say. And the way we take those  
10 is we, as I am sure most of you know, you have signed  
11 various slips, and I will call in the order that I have  
12 those slips before me for you to come forward. And if  
13 you will come to the podium and just speak into the  
14 microphone clearly, then we will take those in the order  
15 in which they were submitted.

16 And before I go to take the appearances of the  
17 parties, Chairman Mayes, did you have any comments?

18 CHMN. MAYES: Thank you, Your Honor. Appreciate  
19 the chance to just say a few opening words.

20 And I want to let everyone know who is here who  
21 is listening on the phone that I have been following  
22 this case closely and I have followed this company  
23 closely for practically my entire tenure at the  
24 Commission.

25 As many of you know, I was involved in

1 attempting to get the company to address its odor  
2 concerns or the concerns about odors in the area and  
3 have been -- was asked to actually attend several years  
4 ago a city council meeting about this company. So it is  
5 something that -- you know, service quality issues will  
6 be addressed in this case. The rate case obviously is  
7 of concern to the community. And we will be asking, the  
8 Commissioners and the Judge and obviously the parties of  
9 the case will be asking questions about both the rate  
10 increase proposal and service quality issues. And I  
11 want you to be assured that the Commissioners have this  
12 case on their radar screen and we will continue to do so  
13 throughout the pendency of the case.

14 One of the, one of the great things about our  
15 process is that it is very open and accessible. And I  
16 am glad to see you all here today to participate in our  
17 case. We want to invite you to come here throughout the  
18 case. I don't know how many days it is scheduled for  
19 hearing but, you know, ours is an open process  
20 throughout and we certainly welcome your participation  
21 and your attendance, if you have the stamina to stay  
22 with us.

23 So thank you, Your Honor, and look forward to  
24 the public comment.

25 ACALJ NODES: Thank you, Chairman Mayes.

1           And to follow up on the Chairman's comments, one  
2 other way that you can continue to listen to the  
3 evidentiary portion of the hearing is to go to the  
4 Commission's website and click on Hearing Room 1. And  
5 you will get the audio feed from the hearing as it goes  
6 forward. And we have it scheduled for another -- a week  
7 long hearing. We don't know exactly how long it will  
8 take, but that's the best estimate at this point of how  
9 long the evidentiary portion of the hearing will last.  
10 So feel free to either attend in person or follow  
11 through the Commission's website.

12           Okay. With that, I am going to first take  
13 appearances on behalf of the parties. And first, on  
14 behalf of the applicant, Litchfield Park Service  
15 Company.

16           MR. SHAPIRO: Thank you. Good morning, Judge  
17 Nodes. Good morning, Chairman. Jay Shapiro from  
18 Fennemore Craig on behalf of the applicant, Litchfield  
19 Park Service Company. With me today for public comment  
20 on behalf of the company is Mr. Greg Sorensen and  
21 Mr. Matthew Garlick.

22           ACALJ NODES: All right. And on behalf of the  
23 City of Litchfield Park.

24           MR. SULLIVAN: Thank you, Your Honor. William  
25 Sullivan of the law firm Curtis, Goodwin, Sullivan,

1 Udall & Schwab here on behalf of the City of Litchfield  
2 Park. And with your leave, I am going to listen to the  
3 comments very intently but would like to do so through  
4 your facilities by phone or by the website.

5 ACALJ NODES: Sure. That's fine, Mr. Sullivan.  
6 Thank you.

7 On behalf of the Residential Utility Consumer  
8 Office.

9 MS. WOOD: Good morning, Your Honor and  
10 Commissioner Mayes. Michelle Wood on behalf of the  
11 Residential Utility Consumer Office. And here with me  
12 today is William Rigsby.

13 ACALJ NODES: Thank you.

14 And on behalf of the Commission.

15 MR. TORREY: Good morning, Your Honor, Chairman  
16 Mayes. Kevin Torrey on behalf of Commission Staff.

17 ACALJ NODES: All right. Thank you, Mr. Torrey.

18 All right. Again, I am going to call out the  
19 names in order. And I am going to apologize in advance  
20 for mispronunciations of anyone's names. Please bear  
21 with me. I will do the best I can. And feel free to  
22 correct any pronunciation error that you, that you hear.

23 First slip I have is from a John Mullen. And,  
24 Mr. Mullen, welcome and good morning. And again, for  
25 everyone, just speak, if you would, directly into the

1 microphone and go ahead with your comments.

2 MR. MULLEN: Thank you, Your Honor, Madam Chair,  
3 members of the Commission, others who are here today.  
4 Appreciate the opportunity to speak for a few minutes  
5 here.

6 One thing I would like to say initially is that  
7 the hearing procedure, although it has been set up, I  
8 would like to see the opportunity for the applicant to  
9 make an opening statement so that, when we make our  
10 comments, we can make them based for the record on what  
11 we hear. Now, I understand the evidentiary hearing  
12 later will have some opportunity. But for them to come  
13 and hear their initial position would be helpful for us  
14 just for future hearings.

15 ACALJ NODES: Okay. And we did not ask for that  
16 ahead of time. But I am sure if you would --

17 Well, Mr. Shapiro, do you want to, maybe that  
18 would be helpful, before we take appearances, just a  
19 real brief synopsis of the company's position and the  
20 major issues that you are aware of in the case so that  
21 people will have a little bit of a feel for what is  
22 going to be discussed in the evidentiary portion?

23 MR. SHAPIRO: Sure, happy to do that, Judge.

24 I think obviously LPSCO is asking for what are  
25 significant rate increases. This is the first rate

1 increase by LPSCO in a number of years. It is the first  
2 rate increase by the owners, which was Algonquin Power  
3 Income Fund, Liberty Water, the actual shareholder and  
4 operator when they purchased the company several years  
5 ago. They had waited because there was a lot of large  
6 plant items being built. They wanted to complete all  
7 those items.

8 Those items are the primary driver of the rate  
9 increase. You have a large reservoir. You have arsenic  
10 treatment. You have the Palm Valley water reclamation  
11 facility, which Chairman Mayes mentioned. And then you  
12 have some additional improvements that were made to  
13 address odors and enhance reliability. Those  
14 improvements that were made by Algonquin a couple years  
15 ago are a significant issue in the case. RUCO is  
16 claiming that there were some design and construction  
17 flaws. The company disagrees. So that three and a  
18 half million dollars of plant is a significant issue in  
19 this case.

20 The other second most significant issue is the  
21 manner in which costs are allocated by the parent  
22 companies to LPSCO. That is part of what Liberty Water  
23 and Algonquin refer to as their shared services model.  
24 It operates at a Liberty Water level and then there are  
25 costs that also come from the parent company. The

1 allocation of those costs and whether or not those costs  
2 provide benefit is probably the second most significant  
3 issue.

4 As is often the case in a rate case, the  
5 company's return on its investment is always at issue  
6 between the parties. This case is no different. And  
7 then you have some significant issues regarding the rate  
8 design. All parties are using the Commission's  
9 traditional inverted block rate design which does  
10 promote conservation, or certainly is intended to  
11 promote conservation, but that the parties have some  
12 differences in the application of that rate design,  
13 which also some differences which affect the City of  
14 Litchfield Park significantly as well as the City of  
15 Goodyear, which is a wholesale purchaser of water.

16 I think those are the most significant issues.  
17 Algonquin, Liberty Water and LPSCO take very seriously  
18 the concerns that Chairman Mayes brought up that were a  
19 problem before. They hope to demonstrate in this case  
20 and in all their rate cases that they are providing a  
21 high quality level of service at a very reasonable price  
22 and that they take very seriously the kind of problems  
23 that they had with odors. And they believe they have  
24 addressed that. And we hope the evidence will support  
25 all of that.

1 ACALJ NODES: All right. Thank you.

2 Ms. Wood, did you want to make any statement  
3 before we move forward with the public comment?

4 MS. WOOD: We have not prepared an opening  
5 statement for today, Your Honor. I had it was  
6 anticipated for tomorrow.

7 But I would like to comment that the issues with  
8 regard to the improvements, as the company refers to  
9 them, RUCO has significant concerns as to whether or not  
10 a good portion, some 3.5 million, of that improvement is  
11 actually reducing what was done poorly before. And we  
12 do not think that the ratepayers should have to pay  
13 twice to have an operational facility.

14 The other issue is that, to the extent that it  
15 is ultimately revealed, is how much has the company  
16 expanded their components of their facility. We have  
17 not received a clear indication from the company about  
18 that issue. And we reserve our final position upon  
19 their disclosure of that information.

20 The other issue is the allocation of unsupported  
21 costs from Algonquin Power Trust. I am not sure if  
22 that's the same entity as Algonquin Power Investment  
23 Fund or not. It is not clear in the record. What is  
24 clear in the record is that there is a lack of support  
25 for those costs.

1           So those are additional issues that I would add  
2 and reserve our right to do a full opening statement  
3 tomorrow. Thank you.

4           ACALJ NODES: Mr. Torrey, on behalf of Staff, do  
5 you have any comments?

6           MR. TORREY: Your Honor, Staff likewise was not  
7 going to give an opening today and will give one  
8 tomorrow. But just to make a comment on what Ms. Wood  
9 has stated, Staff also has spent a lot of time looking  
10 at the shared services model and is prepared to address  
11 those issues that have arisen on that tomorrow.

12           And today with me is Mr. Scott who will be  
13 discussing the improvements that Ms. Wood has mentioned  
14 a few minutes ago, that apparently there was a separate  
15 docket where some of these issues were discussed. After  
16 the last meeting that we had here last week, Mr. Scott  
17 and I discussed his participation in that and discussed  
18 that with the parties. And that's something that we are  
19 willing to bring up and have on the record here in the  
20 context of this proceeding, if that will help the  
21 Chairman and the other Commissioners make a decision on  
22 those issues.

23           We are ready to address those as well.

24           ACALJ NODES: All right. Very well.

25 Mr. Mullen, do you want to go ahead with your comments

1 then?

2 MR. MULLEN: Thank you. And I appreciate the  
3 opportunity that you have had to conduct this so we have  
4 a baseline to go from this morning. I have three issues  
5 that I want to briefly cover that would have been  
6 brought up through the media that we are aware of prior  
7 to the meeting here. That's probably the reason we are  
8 here.

9 One is there has been information that costs are  
10 involved in the monitoring and doing some help with  
11 cleanup for the plume that has been emanating south of  
12 the area here. Our concerns about that are that's not  
13 something, if there is costs involved with that, that's  
14 not something that the customers should bear nor the  
15 company should bear but should be borne by the agency  
16 and the company responsible for that disaster, if we  
17 want to call it that, and follow-up. So whatever costs  
18 are involved with that, that needs to be taken care of  
19 by the appropriate agencies and those responsible for  
20 that.

21 The second thing is if there were initial costs  
22 for all the improvements that have been going on for the  
23 last several years for Litchfield Park Service Company,  
24 why weren't the rate increases incrementally presented  
25 so we could keep on top of that rather than have to come

1 with a huge increase at a particular time like this? I  
2 think that bears some consideration from the Commission.

3           Lastly, there has also been some information  
4 forwarded, whether it is true or not I am not sure but  
5 hopefully it comes out tomorrow, that is during the  
6 process of the development of costs and development for  
7 infrastructure that have been put forth by the service  
8 company in terms of applying for developments,  
9 residential developments, for example, I understand from  
10 the planning standpoint that in order to get approval  
11 for development, SunCor or other entities like that have  
12 to have access to the water. Water has to be provided  
13 and guaranteed from the companies. And then before  
14 development can actually start or building can start, it  
15 has to be, infrastructure has to be put in. That  
16 infrastructure includes water mains and the meters and  
17 so forth and so on. Those costs have to be paid up  
18 front by the service company. If those developments  
19 don't come to fruition, if they are not completed, if  
20 they are not ready for building, the infrastructure is  
21 still there. Somebody has to pay for it, but I don't  
22 believe the customer, the cities, the commercial  
23 entities or the residential customers existing right now  
24 should have to pay for that.

25           Thank you for your time, appreciate the chance

1 to make a comment.

2 ACALJ NODES: Thank you, Mr. Mullen. I  
3 appreciate you taking the time to come out to make your  
4 public comment this morning.

5 Next slip I have, I think it is Cline Preble.  
6 It says I oppose. I didn't know if -- did you want to  
7 speak this morning or you just wanted to be on record as  
8 being opposed to the rate case?

9 MR. PREBLE: I will speak.

10 ACALJ NODES: Please.

11 MR. PREBLE: Thank you, Your Honor, Madam Chair.  
12 I had not indicated that I wanted to speak because I did  
13 not know the extent of the intent of the water company.  
14 This has clarified it somewhat.

15 I would repeat what Mr. Mullen said, if you  
16 will, quite strongly his position. And I could only  
17 hope that I would have had a proportionate increase in  
18 my income in investments as the water company proposes  
19 in their rate. I think it should be looked at  
20 carefully, probably a little excessive.

21 Other than that, that's all I have at this time.  
22 Thank you.

23 ACALJ NODES: Okay. Again, thank you for your  
24 comments.

25 Next is Ed Juengst.

1 MR. JUENGST: Good morning, Your Honor,  
2 Commissioner Mayes.

3 ACALJ NODES: Good morning.

4 MR. JUENGST: I live out at PebbleCreek in  
5 Goodyear. I am here as a resident but also I happen to  
6 be on the board of directors of the HOA there. And I  
7 have heard a lot about this from our residents who are  
8 very concerned. And I am going to try and summarize  
9 briefly those concerns. And there are 17 other people  
10 here with the PebbleCreek group this morning. And I  
11 think that shows that we are concerned about this.

12 Many of our residents are retired, living on  
13 fixed incomes. Many have seen losses in their  
14 investments and in their retirement income in the last  
15 couple years, coupled with very large increases in  
16 medical costs.

17 It seems to many people in our community and to  
18 me that this is basically an excessive percentage  
19 increase to be requested at one time. It seems to me  
20 like it is backwards. Spending money for years and  
21 years and not having an increase and then suddenly  
22 coming up with a large increase just seems backwards to  
23 me.

24 I do recognize personally that costs for  
25 wastewater treatment plants and water distribution

1 systems are capital intensive and very high. As an  
2 elected official in New Hampshire I served on a  
3 committee that studied and recommended a new wastewater  
4 treatment. So certainly costs are there. But it seems  
5 to me the way this is coming on, having spent supposedly  
6 all this money for many years and no increase and then  
7 nearly a 100 percent increase just seems to the public  
8 to be very, very unreasonable.

9 Thank you.

10 ACALJ NODES: Thank you, Mr. Juengst.

11 Next is Georgia Lord. Good morning.

12 MS. LORD: Thank you, Your Honor and  
13 Commissioner Mayes. I am Georgia Lord. I live in  
14 PebbleCreek. I have lived in the community for  
15 11 years.

16 I want to thank you for this opportunity for our  
17 citizens to come before you. I understand that water is  
18 the new gold of the desert, and we all know that it is  
19 going to continue to be more expensive as the years go  
20 on. But processing the water in west valley is somewhat  
21 difficult and does entail additional costs.

22 My concern is the 120 percent increase without  
23 considering an incremental increase. And you heard this  
24 morning that people are on a budget in PebbleCreek, and  
25 a retirement budget. And for them to make that

1 120 percent increase in one year is unreasonable. I  
2 believe that you should be looking at somewhat of an  
3 incremental increase.

4 And then my other concern is that my  
5 understanding of public utility companies is normally  
6 the profit margin is somewhere between 6 and 9 percent.  
7 If I am correct in estimating this, it is at 11 percent.  
8 And I think that's beyond what the normal usage is.

9 They have incurred a lot of costs in this last  
10 year due to our complaints as citizens due to the smell.  
11 And I thank the Commission for taking action upon that.  
12 I think they still need to be monitored. I have noticed  
13 from time to time odor.

14 So I think this hearing will be very  
15 interesting. And I want to thank all the people that  
16 showed up today to give a real life effect that this  
17 increase has on them. Thank you.

18 ACALJ NODES: Thank you very much for your  
19 comments.

20 Next is William Campbell states that I oppose,  
21 too much too soon. I don't know if Mr. Campbell wanted  
22 to speak. It doesn't indicate that he does.

23 MR. CAMPBELL: No, that's fine. Thank you.

24 ACALJ NODES: Okay. Thank you for coming to the  
25 Commission this morning and participating.

1 Next slip is Rae McMillan, states opposed and  
2 she does not want to speak. Says the citizens should  
3 not have to pay for bad judgment of the water company.

4 George McMillan similarly is opposed but does  
5 not want to speak. States he is a resident and we  
6 should not have to increase our payment due to poor  
7 judgment of the water company.

8 Ruth Cox is opposed and states Liberty Water  
9 expects us old ratepayers to compensate them for the bad  
10 business deal.

11 The next slip is Bob Nastri. He is opposed,  
12 says, and the comments he wrote, why not raise limit of  
13 fees across, south, of I-10, discriminatory problem  
14 here.

15 Okay. Next is Duane Deacon. And he is opposed,  
16 should increases -- should increases should have been  
17 done incrementally. Money should not be spent and then  
18 sought out.

19 The next is Bernadine Helriegel. Her comments  
20 written out, the proposed water rate increase is beyond  
21 unreasonable and should certainly be within the confines  
22 of percent of inflation. Perhaps the City of Goodyear  
23 should assume the responsibility of providing water to  
24 those homes, businesses north of I-10.

25 Thanks for those comments. And if any of you,

1 as I am reading your names, if you do want to orally  
2 speak, feel free to just so indicate. But otherwise, I  
3 will just read the comments that you have written here,  
4 because it appears that that's how you would prefer to  
5 participate.

6 Janice Shields is opposed. It states the  
7 percentage of increase is unreasonable. Concern about  
8 possible subsidiary for sale of bottled water per  
9 manta.com., a water bottling company has same address  
10 and phone as LPSCO, making \$500,000 a year and employing  
11 one to two employees. Why cannot City of Goodyear take  
12 over LPSCO, duplicate services in west valley.

13 Next is Murray Hale, states that he is opposed  
14 to the increase.

15 Donald Hamilton also is opposed to the rate  
16 increase from PebbleCreek.

17 And Bill Nantau, I am not sure if I pronounced  
18 it correctly.

19 MR. NANTAU: Yes, Your Honor, you did.

20 ACALJ NODES: Okay. Please come forward then.

21 MR. NANTAU: Good morning, Your Honor and Madam  
22 Chairman. And thank you for this opportunity. I have  
23 three concerns.

24 The first one is what has already been alluded  
25 to, service management by the service company. I agree

1 that nothing seems to be done or planned in covering  
2 these costs over the period since 2002.

3 My second concern is I live in the Wigwam Creek  
4 HOA area. So this increase hits me twice, not only as  
5 water usage, but my HOA association will increase the  
6 rates as well.

7 And then thirdly, the City of Avondale seems to  
8 have similar demographics and water supply issues as far  
9 as treatment problems and growth and that kind of thing.  
10 But yet their rates are much lower than what the company  
11 is proposing.

12 So those are my three concerns.

13 ACALJ NODES: Okay.

14 MR. NANTAU: Thank you.

15 ACALJ NODES: Thank you for taking time to come  
16 and appear today.

17 The next slip is Don McLosh. States he is  
18 opposed, 100 percent increase is terrible.

19 The next slip is Karen Collins. And her  
20 comments are retired, on fixed income, higher medical  
21 insurance bills, no raise in social security, rate  
22 request is unfair and ridiculous.

23 Thomas Collins from PebbleCreek also states that  
24 he is opposed.

25 Sandra -- is it Kohls -- from PebbleCreek states

1 I am on, like most at PebbleCreek, fixed, set income,  
2 increased medical costs and no cola increase. Taxes  
3 went up.

4 Thanks for those comments.

5 Next is Bill, and I am, I am just -- it starts  
6 with a W. Weibell it might be. And states I am on  
7 social security and can't afford this raise in rates.

8 Alan Krob would like to speak. Mr. Krob.

9 MR. KROB: Thank you very much. I also  
10 appreciate the hearing, Your Honor and Madam Chairman.  
11 I appreciate this kind of a venue where we can come and  
12 express ourselves, but also learn a lot. I came opposed  
13 because I look at the increase as unfathomable and  
14 unconscionable as far as I am concerned as far as the  
15 amount. But as I have listened and learned what is  
16 behind some of this as far as overhead costs from the  
17 parent company, that was information I wasn't aware of  
18 before.

19 That also concerns me, that any kind of an  
20 organization or a business that has been in place for  
21 eight years and has had investments in its capital  
22 through those years and has done nothing accept  
23 accumulate and dump them on the customers as they are at  
24 this point is unconscionable, especially in the economic  
25 conditions that our country is in right now.

1 Businessmen throughout our country right now are belt  
2 tightening. They are downsizing. They are reducing  
3 their employees' hours and they are doing what it takes  
4 to survive and get through. And I just find it quite  
5 amazing that at this point in our country's economic  
6 history that this organization comes through with these  
7 kinds of increase requests.

8 Thank you again.

9 ACALJ NODES: Again, thank you for your  
10 participation.

11 Rita Jansen is opposed, apparently does not want  
12 to speak.

13 Helen Still from PebbleCreek strongly opposes  
14 double increase to \$80 from \$40 a month.

15 All right. Thanks for those comments.

16 Ann Carter also from PebbleCreek, opposed,  
17 increase is not needed, I am a senior on fixed income.

18 Thank you.

19 Vikki White is opposed. This increase is  
20 unfounded. To increase double is not appropriate.

21 Loretta Macken is also opposed.

22 Joe Macken is opposed, states I oppose the rate  
23 increase.

24 Thank you.

25 Josephine Leonard is opposed and states I am

1 submitting petitions.

2 And feel free to do so. Okay? You have them  
3 with you?

4 MS. LEONARD: Right.

5 ACALJ NODES: If you will, after we are done  
6 with the comments, if you will bring those forward and  
7 hand them to the court reporter, the woman sitting right  
8 in front here, we will see that those get submitted into  
9 the docket --

10 MS. LEONARD: All right.

11 ACALJ NODES: -- of the case. And thank you for  
12 your participation and for coming down here this morning  
13 to the Commission.

14 MS. LEONARD: You are welcome.

15 ACALJ NODES: Tony Contresceri is opposed.

16 MR. CONTRESCERI: Opposes, for the record.

17 ACALJ NODES: Okay. Thank you.

18 Thomas Walker, Litchfield Park, also is opposed.

19 Barbara Robey does not want to speak but states  
20 the increase in water and sewer are not reasonable with  
21 100 percent water and 87 percent sewer increases.

22 James Reid would like to speak and also states  
23 money spent over the last seven years should not be  
24 given back all at one time. Mr. Reid.

25 MR. REID: Thank you.

1 ACALJ NODES: Good morning.

2 MR. REID: Good morning. My name is James Reid.  
3 Madam Chair, Judge, Your Honor, appreciate it. I have  
4 the same comment that you have heard already by many  
5 other people here, and it has to do with the rate of  
6 increase that's being asked for, at this point these  
7 folks here.

8 But while I think -- I don't know if any  
9 consideration has been given to what has actually gone  
10 on in the particular zone that these gentlemen are  
11 functioning with their company. If you recall, in the  
12 last couple years one of the highest foreclosure rates  
13 in the valley are right around this particular area  
14 here. A lot of us maybe have had investments in  
15 properties that have gone sour because of the economy,  
16 nothing to do with ours. The value of our homes have  
17 gone down substantially. We can't control that. We are  
18 not able to deduct anything from our taxes for the loss  
19 of what we had. We still have to pay the same thing  
20 even though our values are not there.

21 And for anybody to ask for this kind of an  
22 increase, from \$27.20 a month to \$49.22 a month for the  
23 same thing, I can't understand it. From \$18.64 to \$41,  
24 that's 120 percent. That's just totally -- it is unreal  
25 that anybody would ever think that they would have the

1 audacity to ask for that kind of money. Okay?

2 But just keep in mind, if you would, please,  
3 that most of us -- I am one of those people now that has  
4 been downsized out of my job. I worked for two  
5 companies. They both folded in the last two months. So  
6 I don't have the ability. Now I have to readjust all my  
7 world, not just for the use of my water. So please, as  
8 you are looking over these requests, keep that in mind,  
9 that we all have problems.

10 And I think the gentleman's point about what  
11 this groundwater infection that's coming towards our  
12 water, that should be borne, like the gentleman said, by  
13 the people that are causing that problem, not by we  
14 citizens.

15 And I thank you for your time.

16 ACALJ NODES: Thank you, Mr. Reid.

17 David Iwanski, it says for City of Goodyear, but  
18 would like to speak as a Liberty Water Company customer,  
19 not as a political subdivision. Thanks. Good morning.

20 MR. IWANSKI: Good morning, Judge Nodes, Madam  
21 Chair. My name is Dave Iwanski. I have the good  
22 fortune of serving as the water resource manager for  
23 Goodyear, Arizona. Also here today is Mr. Jerry  
24 Postema. He is our deputy director for water,  
25 wastewater and sanitation.

1           And we greatly appreciate the opportunity to  
2 provide public comment. I am representing Goodyear as a  
3 Liberty Water customer and not representing Goodyear as  
4 a political subdivision.

5           Our city is a significant water customer for  
6 parks, facilities, and rights of way to the tune of over  
7 \$200,000 per year. In addition, we have a bulk water  
8 delivery agreement that Mr. Shapiro referenced which  
9 carries with it an additional \$500,000 annually.

10           As a customer we are gravely concerned about the  
11 size of the rate increase and the reasonableness of the  
12 rate of return. Additionally we feel Liberty could have  
13 done a significantly better job of outreach given the  
14 fact that we jointly share the challenges of developing  
15 additional groundwater supplies and face challenges  
16 related to protecting drinking water supplies from  
17 Superfund related contamination.

18           We plan on following the case closely and  
19 provide more formal comments during the evidentiary  
20 portion if procedure allows. Thank you, Your Honor.

21           ACALJ NODES: Chairman Mayes.

22           CHMN. MAYES: Thank you, Your Honor.

23           Mr. Iwanski, good to see you here today. Can I  
24 ask you, when you said Liberty could have done a better  
25 job of outreach, I think you meant or indicated on the

1 plume issue, can you elaborate on what you mean by that?

2 MR. IWANSKI: The fact of the matter is the city  
3 and Liberty have a shared risk with regard to PGA north  
4 related contamination. We work with them closely. To  
5 date Goodyear has done most of the heavy lifting with  
6 regard to remediation. If there is opportunity for a  
7 public/private partnership to reduce costs, we do want  
8 to meet with them to find out what the opportunities  
9 might be for a mutual benefit.

10 CHMN. MAYES: Okay. When you say Goodyear has  
11 done all the heavy lifting, can you elaborate on that?

12 MR. IWANSKI: Absolutely. Goodyear has made  
13 available property, easements, rights of way for  
14 monitoring wells and extraction wells. And we expedite  
15 all of the Superfund related permitting. We have a "put  
16 it on the top of the pile" policy to expedite cleanup.

17 CHMN. MAYES: Okay. Thank you.

18 MR. IWANSKI: My pleasure.

19 ACALJ NODES: Thank you, Mr. Iwanski.

20 MR. IWANSKI: Thank you, Your Honor.

21 ACALJ NODES: Next slip is Alan Johnson, who  
22 would like to speak.

23 MR. JOHNSON: Thank you for the opportunity.

24 ACALJ NODES: Good morning.

25 MR. JOHNSON: One of the things that has

1 bothered me is I heard people come up here and say,  
2 well, we need something more reasonable or more  
3 incremental. And, quite frankly, my view of this  
4 application is that it is cynical, and it is obscene in  
5 the amount. And I am not willing to concede that any  
6 increase is appropriate or reasonable. I am not willing  
7 to concede that the 2002 rate is the one that we must  
8 base everything on.

9 I would ask the Corporation Commission to go  
10 back and look at the basis for the rate in 2002, and  
11 maybe go back years. I don't like the way this company  
12 is run. I don't like what they have done. But this  
13 rate increase is obscene.

14 You know, if the Corporation Commission wants to  
15 get hosannas from the group from Litchfield Park because  
16 you only give them a 10 percent increase, I am not happy  
17 with that unless there is a real justification for it.  
18 I think the only other reason for this increase amount  
19 is that they overpaid for the company to begin with and  
20 are trying to save their shareholders. There is no  
21 reason for us to do that. The ratepayers don't have to  
22 do that.

23 Thanks for your time.

24 ACALJ NODES: Okay. Thank you, Mr. Johnson.

25 And just to make, if I can, a couple of

1 observations or comments, you know, Mr. Johnson raises a  
2 point about don't give the company any percentage of the  
3 requested increase. But just to make it clear, what the  
4 company submits in its application is a request. We  
5 have a number of very professional Staff auditors, some  
6 of whom who will be testifying at the evidentiary  
7 portion. The Residential Utility Consumer Office also  
8 has professional experts who will be offering testimony.  
9 And so, and just to be clear, they will make separate  
10 recommendations based on the evidence as they have, as  
11 they perceive it.

12 So that's why we have the full, you know, week  
13 long evidentiary hearing, is to sort out all of the  
14 competing interests, the competing testimony and  
15 evidence in the case. And if you are able to follow  
16 along through the Commission's website, you may find it  
17 interesting and enlightening to some extent. And we  
18 certainly invite you to do that.

19 At the end of the day, though, I am going to  
20 make the initial attempt to sort out the evidence and I  
21 will make my recommendation to the Commission. And  
22 ultimately it is the five Commissioners who are elected  
23 who decide how much, if any, of an increase LPSCO or any  
24 of the other utilities that are regulated by the  
25 Commission are allowed to increase their rates.

1           And I speak from experience. The Commissioners  
2 will, on their agendas, sometimes go many days at a  
3 time. They take these cases very seriously. They take  
4 the customers' comments to heart. They listen to all  
5 the public comment and read through it very carefully.  
6 So I just want to assure all the people who showed up  
7 this morning, that this Commission takes their comments  
8 and their concerns very seriously, and just to give you  
9 that assurance.

10           And, Chairman Mayes, if you wanted to make any  
11 additional comments...

12           CHMN. MAYES: I would. Thank you, Your Honor.  
13 And thanks for those comments. I wholly agree with  
14 them.

15           On hearing the public comment, I wanted to raise  
16 a couple questions to the parties and put everyone on  
17 notice that I will be asking for these issues to be  
18 addressed.

19           First, whatever the parties' ultimate  
20 recommendation is in this case or winds up being in this  
21 case with regard to the rate of return, I would like to  
22 know, I would like to have proposals from the parties on  
23 phased-in rates, some kind of a phase-in proposal  
24 regardless of what your proposed rate increase is in the  
25 case. I would like to see that. And it is important, I

1 raise this now because this is important, for those who  
2 are listening, for these issues to be thrashed out,  
3 vetted in the evidentiary hearing. Oftentimes in the  
4 past, unfortunately we have seen, you know, phase-in  
5 proposals probably too late in the process. So I would  
6 like to make sure that a phase-in proposal is addressed  
7 in the evidentiary hearing in this case.

8 I would also like the parties, and I made this  
9 request in the APS rate case, to address specifically in  
10 your testimony the impact of the economy on this case  
11 and what impact and what weight the Commission should  
12 give the economy in making our decision given home  
13 foreclosure rates and the very significant unemployment  
14 rate in Arizona.

15 And then finally, given, Your Honor, the level  
16 of public comment we had today, the fact that we  
17 apparently are going to have a petition submitted to us,  
18 I intend to ask at our next staff meeting whether my  
19 colleagues would like to do a public comment session in  
20 PebbleCreek or in a suitable location. It seems to me  
21 that there might be enough interest in the community for  
22 us to actually go to PebbleCreek. And it is a long way  
23 for people to come down here to the Commission. So I  
24 will put that on our next staff meeting agenda which I  
25 believe will be next week.

1 Thank you.

2 ACALJ NODES: All right. Thank you, Chairman.

3 Are there any other folks here today who would  
4 like to make any further statements who haven't had the  
5 opportunity to do so?

6 Yes, sir. Please come forward. And if you  
7 could, state your name and spell your last name for the  
8 court reporter.

9 MR. NASTRI: Bob Nastri, N-A-S-T-R-I. I am not  
10 prepared, I don't have anything written, but from  
11 listening to the testimony here today, okay, I don't  
12 understand why we didn't have proposed rate increases  
13 for the last five years from these people, incremental  
14 increases to let us know what their problems were.  
15 Okay? They just simply decided to dump everything on us  
16 in the five-year, six-year period. Okay? That doesn't  
17 seem very fair.

18 Okay. The second thing is, is that there are a  
19 lot of retired people here, okay, including myself.  
20 Okay. My portfolio has been hit by about 45 percent. I  
21 don't know about everybody else. But I don't think any  
22 one of you people here are retired. Okay? Do you know  
23 how that affects you? No, because you haven't exhibited  
24 it. So this is an emotional appeal for you, Chairman  
25 Mayes, whatever it is, to understand what this means to

1 these people. Okay? This is very detrimental.

2 The second thing is we have HOAs and now we have  
3 a rate increase, okay, double hits. I don't think we  
4 should have a double hit. I don't think we should have  
5 a hit, unless these people prove that their investment  
6 company is able to show us how they screwed up. Okay?  
7 Because that's exactly what they did. They flat screwed  
8 up. And I, I look at that and I look at what happened  
9 to Cerberus with the Mercedes-Benz and stuff like that  
10 when they bought out Chrysler and how they screwed up  
11 and now where they are at. There is no identification  
12 as to what they did, how they did it and why they didn't  
13 let us know what their problems were. Okay?

14 That's all I have to say.

15 ACALJ NODES: Okay. Thank you for your  
16 comments.

17 Anyone else? Yes, sir. And just state your  
18 name again for the record.

19 MR. MULLEN: John Mullen. I just have one  
20 request. The evidentiary hearings that are going to be  
21 on the website, will they be archived so we can access  
22 them after the fact? We are working all day long, we  
23 want to catch it 5:00 at night; we will be able to go in  
24 and pick those up?

25 ACALJ NODES: Unfortunately, they are not. That

1 is one thing that the Commission is attempting to work  
2 towards. But as I hope you might understand, the state  
3 has its own unique budget concerns and we don't know how  
4 quickly we will be able to actually achieve that. As of  
5 right now, though, unfortunately they are not archived.  
6 And so you would have to listen to the proceedings live.

7           There will be transcripts made, of course. And  
8 you are, once they are docketed in Docket Control, you  
9 could come down and read them after the fact. I know  
10 that's not very convenient for you, but... And the  
11 transcripts, you can pay for a small amount of the  
12 transcripts on a per page basis. But given the contract  
13 with the court reporters, you can't take whole  
14 transcripts out because of that.

15           MR. MULLEN: Could they not, the transcripts, be  
16 archived like many city council meetings so that we can  
17 read them on the web, the transcripts archived?

18           MR. SHAPIRO: Judge Nodes, the company will put  
19 the transcripts of the proceeding on its website. And  
20 they have already expedited ordering so they will be  
21 available a week after.

22           ACALJ NODES: Okay. All right. I think the, I  
23 think they are on Docket Control's website, the e-Docket  
24 function if you go onto the Commission's website. But  
25 it will be -- it takes about usually 10 days after the

1 actual hearing date before they appear and get docketed  
2 and appear on the Commission's website. So just keep  
3 all those facts in mind. But that's another option that  
4 would be available.

5 MR. MULLEN: Certainly, because we would like to  
6 have access.

7 One final comment. If the company involved here  
8 is so hurting for capital, there are capital markets  
9 available to them, stock options, bonds, things like  
10 that they can go to where the shareholders can benefit  
11 from those aspects of the investment market. And I  
12 would suggest that those avenues be explored by the  
13 company in terms of instead of coming to the customers  
14 already here to pay for the infrastructure and things  
15 that they are developing now.

16 Thank you.

17 ACALJ NODES: Okay. Thank you very much.

18 Okay. Anyone else that wants to comment?

19 (No response.)

20 ACALJ NODES: All righty. Again, we want to  
21 thank you all for taking the time to come today and  
22 offer your comments either written or verbally. And we  
23 will take the petitions. Feel free to also submit any  
24 additional written comments you would like in the  
25 docket. You can send them in to the Commission's Docket

1 Control Division, 1200 West Washington, Phoenix, 85007.  
2 And just put the Docket No., if you would, on whatever  
3 you submit, and we will make sure those are included in  
4 the public comment docket. All right.

5 CHMN. MAYES: Just as a final matter, just if my  
6 colleagues agree with me to have a public comment  
7 session in PebbleCreek, we will do everything we can to  
8 notify the community, including getting notice to the  
9 Arizona Republic and then probably -- I don't know if we  
10 require the company to make notice or if we make --  
11 sometimes we do, or usually we do, Your Honor. I don't  
12 know how you would handle that, but certainly we will  
13 announce it during the pendency of the case. So we will  
14 do everything we can to get the word out about that.

15 ACALJ NODES: Yes. And, Chairman Mayes, I think  
16 typically it has been publication that would be  
17 required, but it usually, for LPSCO, my recollection is  
18 it would be in the West Valley View, which is  
19 substantially less expensive to publish in and probably  
20 more perhaps directly read as far as any notice of the  
21 hearing goes. But we will wait for the Commission to  
22 vote on that proposal at your staff meeting and we will  
23 proceed accordingly. And I am sure, if that does  
24 happen, there will be some press release associated with  
25 it as well. So we will make sure that the community, to

1 the extent we can, gets notice of whatever additional  
2 public comment meeting the Commission will hold.

3 Yes, sir. If you, again, if you come forward to  
4 the microphone and state your name again for of the  
5 court reporter.

6 MR. PREBLE: Cline Preble, Litchfield Park. If  
7 I may make a suggestion to you, Madam Chairman, we live  
8 in Pebble -- or in Litchfield Park. PebbleCreek is a  
9 gated community. Maybe a consideration might be a  
10 centralized location to the serving area where the folks  
11 that want to come over there don't have to go through  
12 the process of entering the gate and the security.

13 Nothing against that, but it is just a little easier.

14 CHMN. MAYES: Okay. That's a very good point.  
15 And we will do our best to find the best possible  
16 location and probably in a public place. So...

17 ACALJ NODES: Yes, Mr. Nastri. Could you come  
18 forward again to the microphone.

19 MR. NASTRI: Yes. A suggestion, my suggestion  
20 would be maybe we can talk Wigwam Creek into having  
21 their auditorium opened up and have everybody come up.

22 CHMN. MAYES: What is -- is that a school?

23 MR. NASTRI: No. That's Wigwam area, the area  
24 itself. It is a hotel, it is a resort.

25 ACALJ NODES: Oh, the Wigwam Resort.

1 MR. NASTRI: Right.

2 ACALJ NODES: Okay. Another option might be I  
3 think there are some schools there as well. That might  
4 be an alternative in that area.

5 MR. NASTRI: Correct.

6 ACALJ NODES: Thank you for that suggestion.

7 All right. Again, thank you all for coming out.  
8 We appreciate your participation. And listen in to the  
9 evidentiary hearing if you have the opportunity, or come  
10 back down in person if you would like to do that as  
11 well.

12 All right. We are adjourned until tomorrow  
13 morning at 9:30 for the evidentiary hearing.

14 (The proceedings concluded at 10:55 a.m.)

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1 STATE OF ARIZONA )  
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 2 COUNTY OF MARICOPA )

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I, COLETTE E. ROSS, Certified Reporter No. 50658 for the State of Arizona, do hereby certify that the foregoing printed pages constitute a full, true and accurate transcript of the proceedings had in the foregoing matter, all done to the best of my skill and ability.

WITNESS my hand this 5th day of January, 2010.

*Colette E. Ross*

COLETTE E. ROSS  
 Certified Reporter  
 Certificate No. 50658