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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
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SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF)
RIO RICO UTILITIES, INC., AN ARIZONA)
CORPORATION, FOR A DETERMINATION OF)
THE FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
WATER AND WASTEWATER RATES AND)
CHARGES FOR UTILITY SERVICE BASED)
THEREON.)

DOCKET NO. WS-02676A-09-0257

**NOTICE OF FILING
RIO RICO PROPERTIES, INC.'S
SUMMARY OF WITNESS
TESTIMONY**

Rio Rico Properties, Inc. files the witness summary of Matthew J. Rowell.

RESPECTFULLY SUBMITTED this 9th day of March 2010.

ROSKA DEWULF & PATTEN, PLC

By Timothy J. Sabo

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Original and 13 copies of the foregoing
filed this 9th day of March 2010 with:

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

Arizona Corporation Commission

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By Mary Spolito

**Summary of the Testimony
of Matthew J. Rowell
Docket No. WS-02676A-09-0257**

I have filed Direct and Surrebuttal Testimony in this case.

In my Direct Testimony, I provided an overview of the purpose of Hook Up Fees (“HUFs”) and their history in Arizona. I testified that HUFs are not appropriate when there is no need for additional off-site capacity. I also testified that if a HUF is approved for Rio Rico Utilities it should provide that the HUF is the sole source of developer or landowner funding for off-site infrastructure. Also, if approved, a HUF should not apply in the following instances:

- subdivisions for which Main Extension Agreements have been executed;
- subdivisions for which the Company has started providing service; and
- subdivisions for which the Company has accepted on-site facilities.

Additionally, if approved, the HUF should contain a provision for an offset where a developer provides offsite facilities, including water production or wastewater treatment capacity, to the Company.

In my Surrebuttal Testimony, I rebut Company witness Greg Sorensen’s assertion that a HUF is necessary to “balance” the Company’s capital structure. I demonstrate that the Company already has a high amount of CIAC and thus adding more CIAC is unnecessary for the purpose of “balancing” the capital structure. Additionally, I point out that the use of the HUF to “balance” the capital structure is inconsistent with the language in the Company’s proposed HUF and with the Company’s responses to data requests. I also point out the problematic ambiguities in the Company’s proposed HUF and provide revised HUFs that clear up those ambiguities. The revised HUFs also include language indicating that HUF payments will be offset by developer provided off-site facilities, including water production or wastewater treatment capacity, and that the HUFs will not apply in the following instances:

- subdivisions for which Main Extension Agreements have been executed;
- subdivisions for which the Company has started providing service; and
- subdivisions for which the Company has accepted on-site facilities.

I also recommend that if the Commission does not approve the HUF it order the Company not to asses any off-site CIAC charges until the Commission either: (1) approves a HUF; or (2) the Commission issues a finding that additional off-site capacity will be needed in the near-term.