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BEFORE THE ARIZONA CORPORATION COMMISSION

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7

8 IN THE MATTER OF THE APPLICATION OF
9 ARIZONA-AMERICAN WATER COMPANY,
10 AN ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE CURRENT FAIR
12 VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS ANTHEM
WATER DISTRICT AND ITS SUN CITY
WATER DISTRICT.

Docket No. W-01303A-09-0343

13 IN THE MATTER OF THE APPLICATION OF
14 ARIZONA-AMERICAN WATER COMPANY,
15 AN ARIZONA CORPORATION, FOR A
16 DETERMINATION OF THE CURRENT FAIR
17 VALUE OF ITS UTILITY PLANT AND
18 PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT, ITS SUN CITY WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT.

Docket No. SW-01303A-09-0343

Arizona Corporation Commission
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**RUCO'S NOTICE OF FILING
TESTIMONY SUMMARIES**

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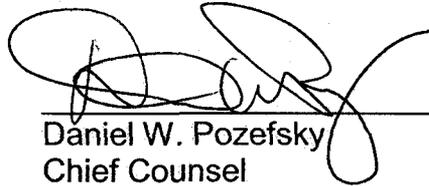
21 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing

22 the Testimony Summaries of Jodi A. Jerich and Rodney L. Moore, in the above-referenced

23 matter.

24

1 RESPECTFULLY SUBMITTED this 20th day of May, 2010.

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4 
5 Daniel W. Pozefsky
6 Chief Counsel

7 AN ORIGINAL AND THIRTEEN COPIES
8 of the foregoing filed this 20th day
9 of May, 2010 with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

14 COPIES of the foregoing hand delivered/
15 mailed this 20th day of May, 2010 to:

16 Teena Wolfe
17 Administrative Law Judge
18 Hearing Division
19 Arizona Corporation Commission
20 1200 West Washington
21 Phoenix, Arizona 85007

22 Janice Alward, Chief Counsel
23 Legal Division
24 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Thomas H. Campbell
Michael T. Hallam
Lewis and Roca LLP
40 North Central Avenue
Phoenix, AZ 85004

Judith M. Dworkin
Sacks Tierney PA
4250 N. Drinkwater Blvd., 4th Floor
Scottsdale, AZ 85251-3693

Lawrence V. Robertson, Jr.
P.O. Box 1448
Tubac, AZ 85646-1448

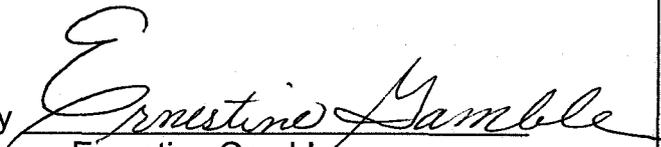
W. R. Hansen
12302 West Swallow Drive
Sun City West, AZ 85375

Greg Patterson
916 W. Adams, Suite 3
Phoenix, AZ 85007

Jeff Crockett, Esq.
Robert Metli, Esq.
SNELL & WILMER L.L.P.
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004-2202

1 Bradley J. Herrema
Robert Saperstein
2 Brownstein Hyatt Farber Schreck, LLP
21 East Carrillo Street
3 Santa Barbara, CA 93 10 1
4 Andrew M. Miller
Town of Paradise Valley
5 6401 E. Lincoln Drive
Paradise Valley, AZ 85253
6 Marshall Magruder
7 P. O. Box 1267
Tubac, AZ 85646-1267
8 Norman D. James
9 Fennemore Craig, P.C.
3003 N. Central Avenue, Suite 2600
10 Phoenix, AZ 85012
11 Larry D. Woods
15141 West Horseman Lane
12 Sun City West, AZ 85375
13 Joan S. Burke
Law Office of Joan S. Burke
14 1650 N. First Avenue
Phoenix, AZ 85003
15 Philip H. Cook
16 10122 West Signal Butte Circle
Sun City, AZ 85373
17 Scottsdale Citizens For Sustainable
18 Water
7322 East Cactus Wren Road
19 Scottsdale, AZ 85250-4526
20 Kristin Mayes, Chairman
Arizona Corporation Commission
21
22 Giancarlo Estrada
Advisor to Chairman Mayes
23 Commissioner Gary Pierce
Arizona Corporation Commission
24

John Le Sueur
Advisor to Commissioner Pierce
Commissioner Paul Newman
Arizona Corporation Commission
Alan Stephens
Advisor to Commissioner Newman
Commissioner Sandra D. Kennedy
Arizona Corporation Commission
Christina Arzaga-Williams
Advisor to Commissioner Kennedy
Commissioner Bob Stump
Arizona Corporation Commission
Amanda Ho
Advisor to Commissioner Stump

By 
Ernestine Gamble

Arizona-American Water Company
Docket Nos. W-01303A-09-0343 & SW-01303A-09-0343
Rate Consolidation

SUMMARY OF THE RATE CONSOLIDATION DIRECT TESTIMONY OF JODI
A. JERICH ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

RUCO opposes rate consolidation in this docket.

RUCO believes that the cost of service ratemaking should be the presumptive rule for the Commission. Only when the Commission can identify case-specific public policies in support of rate consolidation should it approve a rate design that deviates from cost of service. (p. 5)

RUCO opposes rate consolidation for the following reasons: (pp. 3-4)

1. Legal infirmity to consolidate some systems whose fair value rate base was calculated using a 2007 test year while others are based on a 2008 test year.
2. Inability to design consolidated rates that provide a "revenue neutral change to the rate design of all the Company's water districts..."¹
3. Strong opposition against rate consolidation by customers who would have to subsidize rates of ratepayers in other districts.
4. Lack of interest in rate consolidation by customers who would immediately benefit from rate consolidation.²
5. Stark distortion of price signals that work against the Commission's important goal of water conservation.
6. Lack of a sufficiently attractive public policy reason to deviate from cost of service rate design.

¹ See Decision No. 71410, p. 78, lines 14-19.

² Since RUCO filed its Direct Testimony on rate consolidation, it has received numerous emails and letters from Anthem residents regarding rate consolidation.

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7. Existence of certain contractual rates for certain ratepayer classes in certain districts makes rate consolidation complex if not impractical.³

Furthermore, RUCO is concerned that rate consolidation eliminates the Company's need to maintain prudent cost controls since the widespread sharing of these costs minimizes the rate increase. This may incent the Company to unnecessarily inflate its rate base. The New Hampshire Public Utilities Commission had this concern and RUCO believes it is appropriate that this same concern be vetted in Arizona. If the Commission approves a consolidated rate design, RUCO urges the Commission to explore safeguards that require the Company to maintain sufficient detail in its books for Staff, RUCO and any other intervenors to adequately analyze the prudence and accuracy of its expenses. (p.16)

Additionally, RUCO does not believe individual residential ratepayers in other districts have any real idea that the notice they received as a bill insert regarding rate consolidation will have the actual dollar impact revealed in Staff's three consolidation models. (p. 23)

Finally, RUCO believes mitigating rate shock is a worthy goal of rate consolidation. In this rate case, Anthem would be the immediate beneficiary of consolidation. However, in all three of Staff's proposed consolidation scenarios, not only is Anthem's cost of service rate increase mitigated, **it is completely eliminated** and its

³ See Michlik Direct Testimony; pp. 18-19.

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costs are shifted to other ratepayers whose rates where increased only a few months ago based on their districts' individual costs of service. (p. 21)

RUCO believes that, with consolidation, ratepayers are willing to pay a little bit more in the beginning knowing that the benefit will be returned to them in the future. However, there will be resistance if the initial cost shift is too much. RUCO has determined that consolidation in this docket produces too drastic a swing in rates. The elimination of any increase for Anthem swings too far. This rate decrease results in an unduly large cost shift to other districts, such as Sun City. (pp. 22-23)

Arizona-American Water Company
Docket Nos. W-01303A-09-0343 & SW-01303A-09-0343
Rate Application – Rate Design

SUMMARY OF THE RATE DESIGN DIRECT TESTIMONY OF RODNEY L.
MOORE ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the Direct Rate Design Testimony 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.

Mr. Moore's participation in this rate case was limited to:

1. Developing a set of accurate bill determinants,
2. Producing a rate design to correctly portray RUCO's position on stand-alone rates, and
3. Providing proof the design will produce the appropriate revenue requirement.

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

Mr. Moore's recommended rate design generates revenues on a system-by-system basis. The rate design displayed on his schedules is based on no consolidation or revenue shifting among any of the districts. The monthly basic service fees and commodity charges were developed from the Company's present rate structure and vary only to reflect RUCO's adjustment to the proposed revenue requirement.

RUCO's Director Jodi Jerich, will provide testimony detailing the reasons RUCO opposes rate consolidation in this proceeding.