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BEFORE THE ARIZONA CORPORATION COMMISSION

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2010 JUN 16 P 3:20

ARIZONA CORP COMMISSION  
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Arizona Corporation Commission

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7  
8 IN THE MATTER OF THE APPLICATION OF  
9 BELLA VISTA WATER CO., INC., AN  
10 ARIZONA CORPORATION, FOR A  
11 DETERMINATION OF THE FAIR VALUE OF  
ITS UTILITY PLANTS AND PROPERTY AND  
FOR INCREASES IN ITS WATER RATES  
AND CHARGES FOR UTILITY SERVICE  
BASED THEREON.

Docket No. W-02465A-09-0411

12 IN THE MATTER OF THE APPLICATION OF  
13 NORTHERN SUNRISE WATER COMPANY,  
14 INC., AN ARIZONA CORPORATION, FOR A  
15 DETERMINATION OF THE FAIR VALUE OF  
16 ITS UTILITY PLANTS AND PROPERTY AND  
FOR INCREASES IN ITS WATER RATES  
AND CHARGES FOR UTILITY SERVICE  
BASED THEREON.

Docket No. W-20453A-09-0412

17 IN THE MATTER OF THE APPLICATION OF  
18 SOUTHERN SUNRISE WATER COMPANY.,  
19 INC., AN ARIZONA CORPORATION, FOR A  
20 DETERMINATION OF THE FAIR VALUE OF  
ITS UTILITY PLANTS AND PROPERTY AND  
FOR INCREASES IN ITS WATER RATES  
AND CHARGES FOR UTILITY SERVICE  
BASED THEREON.

Docket No. W-20454A-09-0413

21 IN THE MATTER OF THE JOINT  
22 APPLICATION OF BELLA VISTA WATER  
23 CO., INC., NORTHERN SUNRISE WATER  
24 COMPANY, INC., AND SOUTHERN  
SUNRISE WATER COMPANY., INC., FOR  
APPROVAL OF AUTHORITY TO  
CONSOLIDATE OPERATIONS, AND FOR

Docket No. W-02465A-09-0414  
Docket No. W-20453A-09-0414  
Docket No. W-20454A-09-0414

30  
A

1 THE TRANSFER OF UTILITY ASSETS TO  
2 BELLA VISTA WATER CO., INC,  
3 PURSUANT TO ARIZONA REVISED  
4 STATUTES 40-285.

5 **NOTICE OF ERRATA TO SUPPLEMENTAL**  
6 **DIRECT TESTIMONY OF WILLIAM A. RIGSBY**

7 The Residential Utility Consumer Office ("RUCO") hereby submits this Notice of Errata  
8 to the Supplemental Direct Testimony of William A. Rigsby. Mr. Rigsby's Supplemental  
9 Direct Testimony contains two typographical errors. The first is on page 3 of the testimony.  
10 Line 21 refers to RUCO's recommended cost of debt of 6.28 percent. It should be 6.27  
11 percent. The second is on Supplemental Schedule WAR-1 at Page 1 of 3 for Bella Vista  
12 Water Company, Inc. (Stand Alone). The title above the calculation should read "Weighted  
13 Average Cost of Capital" as opposed to "Weighted Average Cost of Capital - Consolidated."  
14 Corrected copies of the pages of Mr. Rigsby's Supplemental Direct Testimony are attached  
15 for the convenience of the parties.

16 RESPECTFULLY SUBMITTED this 16<sup>th</sup> day of June, 2010.

17 

18 Michelle L. Wood  
19 Counsel

20 AN ORIGINAL AND THIRTEEN COPIES  
21 of the foregoing filed this 16<sup>th</sup> day  
22 of June, 2010 with:

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

1 COPIES of the foregoing hand delivered/  
mailed this 16<sup>th</sup> day of June, 2010 to:

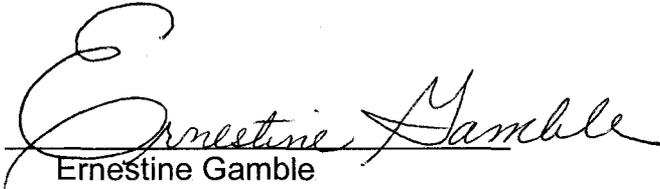
2  
3 Jane L. Rodda  
4 Administrative Law Judge  
5 Hearing Division  
6 Arizona Corporation Commission

7  
8 Janice Alward, Chief Counsel  
9 Robin Mitchell, Counsel  
10 Legal Division  
11 Arizona Corporation Commission

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13 Steven M. Olea, Director  
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By   
Ernestine Gamble

1 **SUMMARY OF RECOMMENDATIONS**

2 Q. What are RUCO's capital structure, cost of debt and weighted average  
3 cost of capital recommendations for BVWC, NSWC and SSWC on a  
4 stand-alone basis?

5 A. RUCO is recommending the following capital structure, cost of debt and  
6 weighted average cost of capital recommendations for BVWC, NSWC and  
7 SSWC on a stand-alone basis:

8

9 **Bella Vista Water Company**

10 BVWC Capital Structure – For BVWC, I am recommending that the  
11 Commission adopt BVWC's proposed capital structure, which is  
12 comprised of 27.76 percent long-term debt and 72.24 percent common  
13 equity.

14

15 BVWC Cost of Debt – For BVWC, I am recommending that the  
16 Commission adopt the Company-proposed cost of debt of 6.27 percent,  
17 which is the average weighted cost of debt of BVWC's various loans.

18

19 BVWC Weighted Average Cost of Capital – Based on the results of my  
20 recommended capital structure, I am recommending an 8.24 percent cost  
21 of capital for BVWC, which is the weighted cost of my recommended 6.27  
22 percent cost of long-term debt and my recommended 9.00 percent cost of  
23 common equity. My recommended weighted average cost of capital for

WEIGHTED AVERAGE COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) CAPITAL RATIO	(E) COST RATE	WEIGHTED COST RATE
1	Long-Term Debt	\$ 1,697,323	\$ -	\$ 1,697,323	27.76%	6.27%	1.74%
2	Common Equity	4,416,118	-	4,416,118	72.24%	9.00%	6.50%
3	Total Capitalization	\$ 6,113,441	\$ -	\$ 6,113,441	100.00%		

4 WEIGHTED AVERAGE COST OF CAPITAL

8.24%

REFERENCES:

- COLUMN (A): COMPANY, SCHEDULE D
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) LINES 1 & 2 / LINE 4
- COLUMN (E): LINE 1; SCHEDULE WAR-1, PAGE 2, LINE 2; TESTIMONY WAR
- COLUMN (F): COLUMN (D) x COLUMN (E), LINE 4; LINE 1 + LINE 2