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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

DOCKETED

AUG 13 2010

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- 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 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

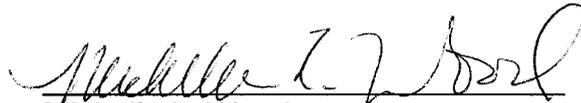
Docket No. W-20454A-09-0414

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 FILING**

6 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
7 Amended Testimony Summary of Timothy J. Coley in the above-referenced matter.

8 RESPECTFULLY SUBMITTED this 13th day of August, 2010.

9 

10 Michelle L. Wood
Counsel

11 AN ORIGINAL AND THIRTEEN COPIES
12 of the foregoing filed this 13th day
of August, 2010 with:

13 Docket Control
14 Arizona Corporation Commission
15 1200 West Washington
Phoenix, Arizona 85007

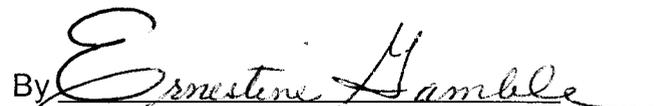
16 COPIES of the foregoing hand delivered/
mailed this 13th day of August, 2010 to:

17 Jane L. Rodda
18 Administrative Law Judge
Hearing Division
19 Arizona Corporation Commission

20 Janice Alward, Chief Counsel
21 Robin Mitchell, Counsel
Legal Division
Arizona Corporation Commission

Steven M. Olea, Director
Utilities Division
Arizona Corporation Commission

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22
23 By 
Ernestine Gamble

Bella Vista Water Company, Inc.
Docket No. W-02465A-09-0411 et al.
Rate Case

SUMMARY OF THE TESTIMONY OF TIMOTHY J. COLEY
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the issues set forth in both the direct and the surrebuttal testimonies of RUCO witness Timothy J. Coley, on Liberty Water's application for a permanent rate increase for the water operations of Bella Vista Water Company ("BVWC"), Northern Sunrise Water Company ("NSWC"), and Southern Sunrise Water Company ("SSWC"). A full discussion of the rate base, operating income, and other issues associated with BVWC, NSWC, and SSWC request are contained in the above referenced documents. RUCO witness, Mr. Rodney Moore, will address the remaining revenue requirement issues for these companies in his testimony. RUCO witness, Mr. William A. Rigsby, will address the cost of capital issues associated with BVWC, NSWC, and SSWC requests for rate relief. RUCO Director, Ms. Jodi Jerich, will address RUCO's position on rate consolidation. I will address one rate base issue, one operating income issue, and one other issue associated with the case as follows:

RATE BASE:

RUCO Rate Base Adjustment #3 – Accumulated Deferred Income Taxes
("ADIT") – RUCO's pre-hearing revised ADIT adjustment calculates the ADIT balances for the consolidated BVWC and the stand-alone BVWC, NSWC, and SSWC based on the Company's proposed methodology, which includes the

SUMMARY OF THE TESTIMONY OF TIMOTHY J. COLEY (Cont.)

Advances in Aid of Construction ("AIAC") as a separate line item component in the ADIT calculation. The adjustment reduces the Company's consolidated BVWC rate base by \$813,019. On an individual stand-alone basis, RUCO's revised adjustments reduce the Company's rate bases of the BVWC, NSWC, and SSWC for ADIT as follows:

| <u>Company</u> | <u>RUCO ADIT Adjustments</u> |
|----------------|----------------------------------|
| BVWC | \$ 608,066 |
| NSWC | \$ 57,846 |
| SSWC | \$ 84,728 |

Note: The three systems on a stand-alone basis do not reconcile to the consolidated BVWC ADIT Adjustment. This is due to the three systems different effective income tax rates on a stand-alone basis.

OPERATING INCOME:

RUCO Operating Adjustment #6(a) – Central Office Costs ("APT") Allocations – RUCO disallowed the majority of the APT cost allocations as not needed and/or is not of a benefit in the provisioning of RRUI utility services to ratepayers. The adjustment reduces the consolidated BVWC APT cost allocations by \$140,134. On an individual stand-alone basis, RUCO's adjustments to the APT cost allocations are as follows:

SUMMARY OF THE TESTIMONY OF TIMOTHY J. COLEY (Cont.)

| <u>Company</u> | RUCO APT <u>Adjustments</u> |
|----------------|--------------------------------|
| BVWC | \$ 122,927 |
| NSWC | \$ 5,088 |
| SSWC | \$ 12,118 |

RUCO Operating Adjustment #6(b) – Company Adjusted Rebuttal Central Office Costs (“APT”) Allocations – In the consolidated BVWC’s rebuttal testimony, the Company proposed a downward adjustment for the central office costs from \$144,906 to \$125,830, which is a difference of \$19,076. RUCO disallowed the majority of the APT costs but did allow a marginal amount of the costs. The adjustment decreases outside services costs by \$1,093 on a consolidated BVWC basis. On an individual stand-alone basis, RUCO’s adjustments to the Company’s rebuttal downward adjustment of the APT cost allocations are as follows:

| <u>Company</u> | RUCO APT <u>Adjustments</u> |
|----------------|--------------------------------|
| BVWC | \$ 959 |
| NSWC | \$ 40 |
| SSWC | \$ 95 |

SUMMARY OF THE TESTIMONY OF TIMOTHY J. COLEY (Cont.)

RUCO Operating Adjustment #6(c) – Central Office Cost (“APT”) Allocations Overstated in Adjusted Test-Year – The Company provided a response to RUCO DR #3.01 that showed \$144,906 of APT costs for BVWC consolidated for the adjusted test-year. In a response to RUCO informal data request 5.01, the Company showed a total of \$156,149 in APT costs for the test-year rather than the \$144,906 that was shown in the response to RUCO DR 3.01. The Company’s response to RUCO DR 5.01 reconciled to the Company’s Outside Services – Other account found in the rate application on a consolidated BVWC basis. Apparently, the Company’s test-year book amount was overstated by the difference of the two amounts (\$156,149 - \$144,906), which is a difference of \$11,243. The \$11,243 was allocated to the stand-alone BVWC, NSWC, and SSWC based on customer count. On an individual stand-alone basis, RUCO’s adjustments to the Company’s overstatement of the APT cost allocations in its rate application are as follows:

| <u>Company</u> | <u>RUCO APT Adjustments</u> |
|----------------|---------------------------------|
| BVWC | \$ 9,863 |
| NSWC | \$ 408 |
| SSWC | \$ 972 |

SUMMARY OF THE TESTIMONY OF TIMOTHY J. COLEY (Cont.)

OTHER ISSUES:

Hook Up Fee Tariff ("HUF")

RUCO does not support the Company's HUF as proposed for the reason that any monies received pursuant to the HUF tariff should immediately be recorded as CIAC on receipt, in compliance with NARUC USOA and the Commission's prior determinations of the proper treatment of non-investor supplied funds.