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BEFORE THE ARIZONA CORPORATION

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AZ CORP COMMISSION
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COMMISSIONERS

KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE COMMISSION ON
ITS OWN MOTION INVESTIGATING THE
FAILURE OF TRUXTON CANYON WATER
COMPANY TO COMPLY WITH
COMMISSION RULES AND REGULATIONS.

DOCKET NO. W-02168A-10-0247

**STAFF'S NOTICE OF FILING
SURREBUTTAL TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony
of Alexander I. Igwe and Dorothy Hains of the Utilities Division in the above docket.

RESPECTFULLY SUBMITTED this 23rd day of December 2010.

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Legal Division
Arizona Corporation Commission
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Original and thirteen (13) copies
of the foregoing filed this
23rd day of December 2010 with:

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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF)
THE ARIZONA CORPORATION COMMISSION)
ON ITS OWN MOTION INVESTIGATING THE)
FAILURE OF TRUXTON CANYON WATER)
COMPANY TO COMPLY WITH COMMISSION)
RULES AND REGULATIONS.)

DOCKET NO. W-02168A-10-0247

COMPLAINNT AND PETITION
FOR AN ORDER TO SHOW CAUSE

SURREBUTTAL

TESTIMONY

OF

ALEXANDER IBHADE IGWE, CPA

EXECUTIVE CONSULTANT III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

DECEMBER 23, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION.....	1
PURPOSE OF TESTIMONY	1
OVERVIEW OF THE COMPANY'S REBUTTAL TESTIMONY	1
RESPONSE TO THE REBUTTAL TESTIMONY OF MR. CHRIS HOPPER	3
RESPONSE TO THE REBUTTAL TESTIMONY OF MR. RICK NEAL	5
RECOMMENDATIONS	12

EXECUTIVE SUMMARY
TRUXTON CANYON WATER COMPANY, INC.
DOCKET NO. W-02168A-10-0247

On December 10, 2010, Truxton Canyon Water Company ("Truxton" or "Company") filed its rebuttal testimony in response to Staff's direct testimony. Truxton's rebuttal testimony addresses Staff's recommendations in its direct testimony, without explicitly addressing Staff's allegations that it was in violation of state statutes or Commission Rules. In most instances, Truxton agrees to comply with Staff's recommendation. However, in a few instances, the Company objects to Staff's recommendations. For example, on page 4, line 26 -68 of Mr. Neal's testimony, the Company contends that it "...does not agree that the Commission can or should take over management of the Company if for some reason the Company has not met this recommendation." In another instance, the Company argues that it is more practical to require it to be in *material* compliance with the Arizona Department of Environmental Quality ("ADEQ") rules and regulations, rather than Staff's recommended *full* compliance, due to its perceived difficulty with meeting the United States Environmental Protection Agency ("EPA") arsenic standards of 10 parts-per-billion. Also, the Company objects to Staff's recommendation that the Commission appoint an interim manager to oversee its operations if its in not in full compliance with the Commission and ADEQ rules and regulations by September 30, 2011. Also, the Company objects to Staff's recommendation that the Commission authorize Staff to appoint an interim manager if its next rate case does not meet sufficiency requirements by November 30, 2011. Finally, Truxton objects to Staff's recommendation that the Commission order the Trust to transfer Valle Vista Property Owners Association ("Golf Course") to Truxton. However, the Company has indicated the Trust's willingness to transfer its water supply contract with the Valle Vista to Truxton, subject to certain conditions.

Staff has reviewed Truxton's arguments against Staff's recommendations in this proceeding. Staff concludes that the Company has not provided any persuasive explanation or justification why Staff should revise its recommendations. However, Staff has modified its recommendation regarding the Trust operations within the Company's Certificate of Convenience and Necessity ("CC&N"), specifically as it relates to the Golf Course. Also, Staff has slightly modified its recommendation regarding the Company's deadline for being in full compliance with the Arizona Department of Environmental Quality ("ADEQ") rules and regulations.

Based on these finding, Staff recommends as follows:

1. That the Commission order the Trust to immediately cease and desist from providing water service within Truxton's CC&N or the Trust should immediately file a CC&N application to provide this service.
2. That the Commission order the Trust to transfer its existing Water Supply Agreement ("Agreement") with the Golf Course to Truxton, no longer than 30 days from the effective date of Commission Order in this docket or the Trust should immediately file a CC&N application.

3. That the Commission authorize Truxton to charge the Golf Course, the Agreement's prevailing rate of \$1.1437 per 1,000-gallons plus applicable tax rates ("Golf Course Rate"), until further order of the Commission.
4. That the Commission authorize Truxton to charge additional \$0.35 per 1,000-gallons plus applicable tax, if its water supply to the Golf Course is purchased from sources other than the Heckberry Area Well Field.
5. That the Commission does not authorize Truxton to adjust the Golf Course Rate, based on annual Consumer Price Index ("CPI").
6. That the Commission order Truxton to file a revised tariff with Docket Control, as a compliance item in this docket, 30 days from the effective date of Commission Order, showing the Golf Course Rate.
7. That the Commission order Truxton to file a report with Docket Control, no later than 30 days from the date of the Commission Order in this proceeding, confirming that the Trust has transferred all its customers within Truxton's CC&N, including but not limited to the Golf Course or that the Trust has filed a CC&N application.
8. That the Commission order Truxton to be in full compliance with ADEQ rules and regulations no later than September 30, 2011.
9. That once Truxton signs an ADEQ Consent Order, that the Commission authorize Truxton to be in full compliance with ADEQ rules and regulations no later than September 30, 2011 or the compliance deadlines established in ADEQ Consent Order, whichever comes later.
10. That the Commission order Truxton to be fully in compliance with Commission rules and regulations, no later than September 30, 2011.
11. That the Commission order Staff to appoint an Interim Manager for Truxton, without further action of the Commission, if Truxton is not fully in compliance with all Commission and ADEQ rules and regulations by September 30, 2011 or the compliance deadlines established in the ADEQ Consent Order, whichever comes later.
12. That the Commission order Truxton to repair all leaks known as of December 31, 2010, within its water systems, no later than June 30, 2011.
13. That the Commission order Truxton to maintain no less than 20 psi at all meters, under all flow conditions, within its certificated area, no later than June 30, 2011.

14. That the Commission order Truxton to record its long-term debt obtained from the Trust without prior Commission approval as additional paid-in capital by the Trust.
15. That the Commission order Truxton to bring its accounting books and records into compliance with National Association of Regulatory Utility Commissioners Uniform Systems of Accounts and Generally Accepted Accounting Principles, no later than 30 days from the date of Commission decision in this docket.
16. That the Commission order Truxton to file a rate case no later than September 30, an 2011, based on a Test Year ending June 30, 2011,
17. That the Commission order Truxton to have the Trust grant Staff full access to the Trust's accounting books and records, for Staff's regulatory audit, during Truxton's rate case proceeding.
18. That the Commission authorize Staff to appoint an Interim Manager for Truxton, without further action of the Commission, if its rate case filing does not meet sufficiency requirements by November 30, 2011.
19. That if the Trust fails to grant Staff complete access to its accounting books and records, 30 days from the date of a written request by Staff, the Commission should authorize Staff to appoint an Interim Manager for Truxton, without further action of the Commission.
20. That the Commission order Truxton to file any Notice of Violation ("NOV") issued by ADEQ, with Docket Control within 7 days of receipt of such NOV. Subsequent to the transmission of such NOV, Truxton will continue to provide copies to Docket Control of all relevant documents, including but not limited to any documents or pleadings filed by ADEQ and/or by Truxton relating to the NOV and the steps Truxton takes to come in compliance, until the ultimate resolution of the NOV.
21. That the Commission order Truxton to comply with A.A.C. R14-2-411(A)(2) on the issue of timely response to its customers and the Commission.
22. That the Commission order Truxton to comply with R14-2-406 on the issue of Main Line Extension Agreements ("MXA").

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Alexander Ibhade Igwe. My business address is 1200 West Washington
4 Street, Phoenix, Arizona 85007.

5
6 **Q. Are you the same Alexander Ibhade Igwe who on November 10, 2010, filed direct**
7 **testimony regarding the Arizona Corporation Commission Staff allegations against**
8 **Truxton in an Order to Show Cause (“OSC”)?**

9 A. Yes.

10

11 **PURPOSE OF TESTIMONY**

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. My surrebuttal testimony addresses issues raised by Truxton Canyon Water Company
14 (“Truxton” or “Company”) in its rebuttal testimony. More specifically, my testimony will
15 discuss pertinent issues raised by Truxton’s witnesses, Chris Hopper and Rick Neal, in its
16 response to the Utilities Division Staff (“Staff”) alleged violation of the Arizona
17 Corporation Commission (“Commission”) rules and regulations.

18

19 **OVERVIEW OF THE COMPANY’S REBUTTAL TESTIMONY**

20 **Q. Does Truxton dispute its alleged violations of Commission rules and regulations, as**
21 **cited in Staff’s Order to Show Cause?**

22 A. No. The Company has not provided any evidence in its rebuttal testimony refuting the
23 alleged violations of Commission rules and regulations.

1 **Q. Did the Company provided any evidence disproving Staff's alleged violation of**
2 **Commission rules and regulations in its rebuttal?**

3 A. No. Truxton's rebuttal testimony addresses Staff's recommendations in its direct
4 testimony, without explicitly addressing to Staff's allegations. In most instances, Truxton
5 agrees to comply with Staff's recommendation; while in a few instances, the Company
6 objects to Staff's recommendations. For example, on page 4, line 26 -68 of Mr. Neal's
7 testimony, the Company contends that it "...does not agree that the Commission can or
8 should take over management of the Company if for some reason the Company has not
9 met this recommendation." In another instance, the Company argues that it is more
10 practical to require it to be in *material* compliance with the Arizona Department of
11 Environmental Quality ("ADEQ") rules and regulations, as against Staff's recommended
12 *full* compliance, due to its perceived difficulty with meeting the United States
13 Environmental Protection Agency ("EPA") arsenic standards of 10 parts-per-billion.
14 Also, the Company objects to Staff's recommendation that the Commission appoint an
15 interim manager to oversee its operations if its in not in full compliance with the
16 Commission and ADEQ rules and regulations by September 30, 2011. Finally, Truxton
17 objects to Staff's recommendation that the Commission order the Trust to transfer Valle
18 Vista Property Owners Association ("Valle Vista") to Truxton. However, the Company
19 has indicated the Trust's willingness to transfer its water supply contract with the Valle
20 Vista to Truxton, subject to certain conditions.

21
22 **Q. Please describe how your surrebuttal testimony organized.**

23 A. My surrebuttal testimony addresses specific issues raised by each of the Company's
24 witnesses, Messrs Hopper and Neal.

1 **RESPONSE TO THE REBUTTAL TESTIMONY OF MR. CHRIS HOPPER**

2 **Q. Does the Company disagree with Staff's recommendation that its long-term debt**
3 **purportedly obtained from the Claude K. Neal Family Trust be recorded as**
4 **additional paid-in capital?**

5 A. Yes. According to Mr. Hopper, the Company disagrees with Staff's recommendation that
6 the long-term debt purportedly obtained from its parent, the Claude K. Neal Family Trust
7 ("Trust"), without Commission prior authorization, be recorded as additional paid-in
8 capital.

9
10 **Q. Did the Company provide any justification for disagreeing with Staff's**
11 **recommendation?**

12 A. No. The Company did not provide any explanation or justification for disagreeing with
13 Staff's recommendation to capitalize its long-term debt purportedly obtained from the
14 Trust without Commission prior authorization. However, the Company indicates its
15 understanding of "...the applicable rules and Staff's position." The Company did not
16 elaborate on its disagreement with Staff's recommendation.

17
18 **Q. Does Staff continue to recommend that the Company's reported long-term debt be**
19 **capitalized as an additional paid-in capital by the Trust?**

20 A. Yes.

21
22 **Q. Please comment on the Company's report that it has brought its books and records**
23 **into compliance with Commission rules and regulations, as of January 1, 2010.**

24 A. In my direct testimony, Staff had recommended that the Company provides evidence in
25 support of any claim that its books and records are now in compliance with the National
26 Association of Regulatory Commissioners ("NARUC") Uniform System of Accounts

1 (“USoA”) and the Generally Accepted Accounting Principles (“GAAP”). The Company
2 continues to avow that its books and records are now in compliance with Commission
3 rules and regulations without providing corroborating documentary evidence. Once again,
4 Staff urges the Company to provide a copy of its general ledger or other documentary
5 evidence, showing that its books and records have been in compliance with Commission
6 rules and regulations, as of January 1, 2010.

7
8 **Q. Has Staff confirmed that the Company’s books and records are now in compliance**
9 **with Commission rules and regulations?**

10 A. No. Staff has not had the opportunity to independently verify the Company’s claim that
11 its books and recorded have been in compliance with NARUC USoA and GAAP, since
12 January 1, 2010. However, Staff finds that examination of the Company’s books and
13 record for compliance with Commission rules and regulations can best be achieved during
14 Truxton’s rate filing.

15
16 **Q. Did the Company oppose Staff’s recommendation that it require the Trust to grant**
17 **Staff access to the Trust accounting books and records.**

18 A. The Company has no opposition to the Trust granting Staff access to the Trust accounting
19 books and records as they pertain to the water company. However, Truxton contends that
20 the Trust is not a regulated entity and that some of the Trust accounting books and records
21 contain personal financial data. Therefore, the Company argues that this should preclude
22 Staff from examining all of the trust’s accounting books and records that are unrelated to
23 Truxton’s operations as a Public Service Corporation (“PSC”).

1 **Q. Please comment on Truxton's contention that the Trust could preclude Staff from**
2 **examining Trust accounting books and records deemed confidential and unrelated to**
3 **Truxton.**

4 A. Staff disagrees with Truxton's contention that Staff could be restricted from examining
5 some of the Trust accounting books and records, it deems private and confidential. First,
6 the Trust has a documented long history of commingling the Company's funds with its
7 operations, without satisfactory explanation. As a result, Staff may find it necessary to
8 perform a complete examination of the Trust accounting books and records to determine
9 the extent of commingling. Second, the Company has been selling water within Truxton's
10 CC&N without any certification as a PSC. Finally, Staff is open to signing a
11 Confidentiality Agreement with the Trust to protect the privacy of its personal records.

12
13 **Q. Does Staff continue to recommend that Truxton requires the Trust to make all its**
14 **accounting books and records available for Staff's examination?**

15 A. Yes.

16
17 **RESPONSE TO THE REBUTTAL TESTIMONY OF MR. RICK NEAL**

18 **Q. Please state the Company's position on Staff's recommendation that the Commission**
19 **order Truxton to be fully in compliance with Commission rules and regulations, no**
20 **later than September 30, 2011.**

21 A. The Company is "...willing to work to resolve any issues that Staff wants resolved within
22 this time-frame..." However, the Company contends that Staff has not identified such
23 issues that need resolution. Also, the Company argues that "...if a compliance matter
24 cannot be reasonably achieved in that time-frame, an exception to this rule should be
25 included." The Company identifies compliance with EPA arsenic contamination levels as
26 an example where an exception might be warranted.

1 **Q. Please comment on the Company's contention that Staff has not identified all issues**
2 **in this proceeding.**

3 A. The Company's assertion is erroneous and misleading. Staff cited all instances of
4 Truxton's violation of Commission rules and regulations in the Commissioner signed
5 OSC. In addition, Staff specifically identified engineering issues raised in ADEQ Notice
6 of Violations ("NOV") as other instances of Company violations of regulatory rules and
7 regulations. Based on these facts, it is disingenuous of the Company to allege that Staff
8 has failed to identify Truxton's violations of Commission rules and regulations.

9
10 **Q. Please comment on the Company's request that it should be granted an exemption**
11 **from certain compliance deadlines set forth in Staff's recommendations.**

12 A. The Company has not provided any justification why it cannot be in full compliance with
13 Commission rules and regulations, no later than September 30, 2011. Staff understands
14 the Company's concern regarding its ability to meet EPA arsenic contamination levels.
15 However, it is imperative to remind Truxton that it ought to have been in compliance with
16 EPA arsenic standards as of January 23, 2006. If Truxton finds that it cannot be in full
17 compliance with Commission order in this proceeding, the Company is at liberty to seek a
18 waiver from such deadlines, by demonstrating why the pertinent deadlines cannot be met
19 in a timely manner.

20
21 **Q. Is Staff recommending any revision to its recommended deadlines in this**
22 **proceeding?**

23 A. No. Staff's recommended deadlines provide the Company with ample time to be in full
24 compliance with Commission rules and regulations.

1 **Q. Does the Company disagree with Staff's recommendation that the Trust cease and**
2 **desist from providing water service within Truxton's CC&N?**

3 A. Yes, in part. The Company contends that the Commission should not order the Trust to
4 immediately cease providing water service within its CC&N. In the alternative, the
5 Company argues that the Trust, with the consent of the Golf Course, should be authorized
6 to transfer its existing contract to Truxton.

7
8 **Q. What is the Company's argument for allowing the Trust to continue to provide water**
9 **service to the Golf Course?**

10 A. The Company states that the Trust has been providing water to the Golf Course for over
11 40 years. And that requiring the Golf Course to purchase water under Truxton's tariff
12 could negatively impact the Golf Course's ability to continue to operate.

13
14 **Q. Please comment on the Company's assertion that the Commission should not order**
15 **the Trust to cease and desist from providing water service within its certificated**
16 **territory.**

17 A. The Company's argument for allowing the Trust to continue to infringe upon its CC&N is
18 simply a reflection of its lack of independence from its parent, the Trust. It is
19 inconceivable that any other utility would advocate that an unregulated entity be allowed
20 to infringe upon its CC&N. Staff finds that it is inappropriate for the Trust to continue to
21 act as a PSC without Commission regulation. In other words, if the Trust desires to
22 engage in the provision of water service in Arizona, it should first obtain its own CC&N
23 and comply with Commission regulations.

1 **Q. Does Staff agree with the Company's alternate proposal that the Commission**
2 **authorize the Trust to transfer its existing contract with the Golf Course to Truxton?**

3 A. Staff is not opposed to the Company's proposal that the Commission order the Trust to
4 assign its existing Water Supply Agreement ("Agreement") with the Golf Course to
5 Truxton. Under the existing terms of this Agreement dated April 24, 2002, the Golf
6 Course receives 200 million-gallons water a year at the current rate of \$1.1437 plus
7 applicable tax per 1,000-gallons. An added charge of \$0.35 plus applicable tax per 1,000-
8 gallons is assessed if the water supply is delivered from sources other than the Heckberry
9 Area Well Field.

10
11 **Q. Has the Trust indicated the terms of water supply to Truxton, if the Commission**
12 **approves its proposal for the Trust to assign the Agreement with the Golf to the**
13 **Trust?**

14 A. Yes. Mr. Neal has confirmed that the Trust is willing to supply Truxton with additional
15 20 million-gallons of water to enable it continue to meet water demand from the Golf
16 Course, at the rate \$1.01 per 1,000-gallons. As of September 1, 2010, the Trust has
17 amended its water supply agreement with Truxton to the rate \$1.01 per 1,000-gallons for
18 purchased water. Because the Trust Agreement with the Golf Course will subsist under
19 the Company's proposal, Truxton will continue to charge the Golf Course \$1.1437 plus
20 applicable tax per 1,000-gallons. This proposal will enable Truxton to earn approximately
21 \$26,700 per year from the Golf Course.

22
23 **Q. Does Staff recommend approval of the Company's proposal for the Commission to**
24 **order the Trust to assign its Agreement with the Golf Course to Truxton?**

25 A. Yes. Staff finds that since the Trust does not hold a CC&N, it is not authorized to provide
26 water service in Arizona. More importantly, the Golf Course is within Truxton's CC&N

1 and Truxton is the entity certificated to provide water service to the Golf Course.
2 Accordingly, Staff recommends that the Commission order the Trust to transfer its
3 Agreement with the Golf Course to Truxton, no later than 30 days from the effective date
4 of the decision in this docket. As discussed above, Commission approval of this proposal
5 will enable Truxton to generated additional \$26,700 from the Golf Course. In the
6 alternative, the Trust should be required to immediately file a CC&N application.
7

8 **Q. Is it necessary for the Commission to authorize Truxton to charge the Golf Course**
9 **existing rates under the Agreement?**

10 A. Yes. The Golf Course is very concerned that it will be unable to purchase water for its
11 operations at Truxton's current rate of \$2.50 per 1,000-gallons, per Decision No. 63713
12 dated June 6, 2001. Staff finds that it is necessary for the Commission to authorize
13 Truxton to charge the Golf Course the Agreement's prevailing rate of approximately
14 \$1.1437 per 1,000-gallons plus applicable tax rates ("Golf Course Rate"). Further, Staff
15 recommends that the Commission should not authorize Truxton to adjust the Golf Course
16 Rate, based on an annual Consumer Price Index ("CPI"). Further, Staff recommends that
17 Golf Course Rate be reviewed and incorporated in the Company's tariff in its next rate
18 case. Further, Staff recommends that Truxton files a revised tariff with Docket Control, as
19 a compliance item in this docket, showing the base Golf Course Rate. Finally, Staff
20 continues to recommends that the Commission order Truxton to file a report with Docket
21 Control, no longer than 30 days from the date of the Commission Order in this proceeding,
22 confirming that the Trust has transferred all its customers within Truxton's CC&N,
23 including but not limited to the Golf Course, or confirming that the Trust has filed a
24 CC&N application.

1 **Q. Does the Company object to Staff's recommendation that the Commission authorize**
2 **Staff to appoint an interim manager, without further action of the Commission if its**
3 **rate case filing does not meet sufficiency requirements by November 30, 2011?**

4 A. Yes. The Company contends that it "...does not agree that the Commission can, or
5 should, take over the management if for some reason that the Company has not met its
6 recommendation."

7
8 **Q. Does Staff agree with the Company's assertions regarding the Commission**
9 **authority?**

10 A. No. The Company is mistaken to contest Commission authority to appoint an interim
11 manager if its rate case filing does not meet sufficiency requirements by November 30,
12 2011, or for any other reasons within the powers of the Commission. Perhaps it is
13 pertinent to remind Truxton the OSC derived from the Company's many years of violating
14 Commission rules and regulations, primarily due to its poor management practices.
15 Staff's recommendations provide the Company with ample opportunity to effectively
16 manage its operations in accordance with its responsibilities as a PSC. The Company can
17 prevent the Commission from appointing an interim manager by fulfilling its obligations
18 as a PSC and adhering strictly to Commission Orders in this proceeding.

19
20 **Q. Is the Company opposed to Staff's recommendation that the Commission order**
21 **Truxton to be fully in compliance with ADEQ rules and regulations, no later than**
22 **September 30, 2011, or by the date required in any ADEQ Consent Order, which**
23 **ever date comes first**

24 A. Yes. The Company seems to object to Staff's recommendation to be in *full* compliance
25 with ADEQ rules rather than *material* compliance. Second, the Company opposes Staff's

1 recommendation that it be in full compliance no later than September 30, 2011, or by the
2 date required in any ADEQ Consent Order, which ever date comes first.

3
4 **Q. Please comment on the Company's concerns regarding compliance with ADEQ rule**
5 **and regulations.**

6 A. Staff continues to recommend that the Company be in full compliance with ADEQ rules
7 and regulations. As a PSC, the Company has the obligation to be and remain in
8 compliance with all regulatory agencies in Arizona. As the record indicates, the Company
9 has consistently violated both Commission and ADEQ rules and regulations. This
10 proceeding is intended to insure that the Company fulfills its obligation as a PSC in
11 Arizona. Accordingly, the purpose of this proceeding will not be purposeful, if the
12 Commission orders Truxton to be in material compliance, a term that is, at best, vague. If
13 the Company finds that it cannot timely meet any condition stipulated herein or in ADEQ
14 Consent Order, the Company could make a filing, at that time, demonstrating why a
15 waiver is necessary in that specific instance.

16
17 **Q. Please comment on the Company's objection to be in compliance with ADEQ rules**
18 **and regulations no longer than September 30, 2011.**

19 A. The Company's objection to Staff's recommendation that Truxton be in full compliance
20 no later than September 30, 2011, or by the date required in any ADEQ Consent Order,
21 which ever date comes first, in unwarranted. It appears the Company's contention is that
22 it would rather abide by the deadline established in an ADEQ Consent Order. However,
23 to Staff's knowledge, Truxton has not signed a Consent Order with ADEQ. Based on
24 these facts, Staff continues to recommend that the Company be in full compliance with
25 ADEQ rules and regulations no later than September 30, 2011. However, if the Company
26 signs ADEQ's Consent Order prior to a Commission order in this proceeding, Staff will

1 not be opposed to the Commission authorizing Truxton to meet the compliance deadlines
2 established in ADEQ Consent Order.
3

4 **RECOMMENDATIONS**

5 **Q. Please state Staff's recommendations in this proceeding.**

6 **A. Staff recommends as follows:**

- 7
- 8 1. That the Commission order the Trust to immediately cease and desist from
9 providing water service within Truxton's CC&N or the Trust should immediately
10 file a CC&N application to provide this service.
11
- 12 2. That the Commission order the Trust to transfer its existing Water Supply
13 Agreement ("Agreement") with the Golf Course to Truxton, no longer than 30
14 days from the effective date of Commission Order in this docket or the Trust
15 should immediately file a CC&N application.
16
- 17 3. That the Commission authorize Truxton to charge the Golf Course, the
18 Agreement's prevailing rate of \$1.1437 per 1,000-gallons plus applicable tax rates
19 ("Golf Course Rate"), until further order of the Commission.
20
- 21 4. That the Commission authorize Truxton to charge additional \$0.35 per 1,000-
22 gallons plus applicable tax, if its water supply to the Golf Course is purchased
23 from sources other than the Heckberry Area Well Field.
24
- 25 5. That the Commission does not authorize Truxton to adjust the Golf Course Rate,
26 based on annual Consumer Price Index ("CPI").
27
- 28 6. That the Commission order Truxton to file a revised tariff with Docket Control, as
29 a compliance item in this docket, 30 days from the effective date of Commission
30 Order, showing the Golf Course Rate.
31
- 32 7. That the Commission order Truxton to file a report with Docket Control, no later
33 than 30 days from the date of the Commission Order in this proceeding,
34 confirming that the Trust has transferred all its customers within Truxton's CC&N,
35 including but not limited to the Golf Course or that the Trust has filed a CC&N
36 application.
37
- 38 8. That the Commission order Truxton to be in full compliance with ADEQ rules and
39 regulations no later than September 30, 2011.
40
- 41 9. That once Truxton signs an ADEQ Consent Order, that the Commission authorize
Truxton to be in full compliance with ADEQ rules and regulations no later than

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September 30, 2011 or the compliance deadlines established in ADEQ Consent Order, whichever comes later.

10. That the Commission order Truxton to be fully in compliance with Commission rules and regulations, no later than September 30, 2011.
11. That the Commission order Staff to appoint an Interim Manager for Truxton, without further action of the Commission, if Truxton is not fully in compliance with all Commission and ADEQ rules and regulations by September 30, 2011 or the compliance deadlines established in the ADEQ Consent Order, whichever comes later.
12. That the Commission order Truxton to repair all leaks known as of December 31, 2010, within its water systems, no later than June 30, 2011.
13. That the Commission order Truxton to maintain no less than 20 psi at all meters, under all flow conditions, within its certificated area, no later than June 30, 2011.
14. That the Commission order Truxton to record its long-term debt obtained from the Trust without prior Commission approval as additional paid-in capital by the Trust.
15. That the Commission order Truxton to bring its accounting books and records into compliance with National Association of Regulatory Utility Commissioners Uniform Systems of Accounts and Generally Accepted Accounting Principles, no later than 30 days from the date of Commission decision in this docket.
16. That the Commission order Truxton to file a rate case no later than September 30, 2011, based on a Test Year ending June 30, 2011,
17. That the Commission order Truxton to have the Trust grant Staff full access to the Trust's accounting books and records, for Staff's regulatory audit, during Truxton's rate case proceeding.
18. That the Commission authorize Staff to appoint an Interim Manager for Truxton, without further action of the Commission, if its rate case filing does not meet sufficiency requirements by November 30, 2011.
19. That if the Trust fails to grant Staff complete access to its accounting books and records, 30 days from the date of a written request by Staff, the Commission should authorize Staff to appoint an Interim Manager for Truxton, without further action of the Commission.
20. That the Commission order Truxton to file any Notice of Violation ("NOV") issued by ADEQ, with Docket Control within 7 days of receipt of such NOV. Subsequent to the transmission of such NOV, Truxton will continue to provide copies to Docket Control of all relevant documents, including but not limited to

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any documents or pleadings filed by ADEQ and/or by Truxton relating to the NOV and the steps Truxton takes to come in compliance, until the ultimate resolution of the NOV.

21. That the Commission order Truxton to comply with A.A.C. R14-2-411(A)(2) on the issue of timely response to its customers and the Commission.

22. That the Commission order Truxton to comply with R14-2-406 on the issue of Main Line Extension Agreements (“MXA”).

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE COMMISSION ON)
ITS OWN MOTION INVESTIGATING THE)
FAILURE OF TRUXTON CANYON WATER)
COMPANY TO COMPLY WITH)
COMMISSION RULES AND REGULATIONS)

DOCKET NO. W-02168A-10-0247

SURREBUTTAL

TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

DECEMBER 23, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. MAINTainING MINIMUM 20 PSI PRESSURE.....	1
III. INTERCONNECTION METER INSTALLATION	3

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5
6 **Q. Are you the same Dorothy Hains who previously filed testimony in the Commission
7 On Its Own Motion Investigating The Failure of Truxton Canyon Water Company
8 (“Truxton Canyon” or “Company”) To Comply With Commission Rules And
9 Regulations?**

10 A. Yes.

11
12 **Q. What is the purpose of your Surrebuttal Testimony?**

13 A. In my surrebuttal testimony I will address the Company’s rebuttal of Staff’s
14 recommendations regarding, (1) maintaining pressure of not less than 20 pounds per
15 square inch (“psi”) at the customer meter under all flow conditions within the Company’s
16 service area and, (2) the Company’s opposition to Staff’s recommendation that meters be
17 installed at the interconnection points where water delivered to the Company from the
18 Claude K. Neal Family Trust (“Trust”) enters the Truxton Canyon water system.

19
20 **II. MAINTAINING MINIMUM 20 PSI PRESSURE**

21 **Q. Please describe the 20 psi requirement.**

22 A. Arizona Administrative Code Rule R14-2-401.19 requires a Company to deliver water at a
23 minimum pressure of 20 psi at the customer meter, or point of delivery to the customer.

1 **Q. Does the Company agree that there is insufficient pressure at an auto repair facility**
2 **operated by a customer within its service area?**

3 A. Yes. Based on the December 10 response, the Company stated that pressure at the auto
4 repair shop “may” fall under 20 psi sometimes. The Company believes the pressure
5 problem is due to the auto repair facility being located at a higher elevation in the service
6 area than the Company’s other customers. Furthermore, the Company has informed Staff
7 that the installation of a booster pump will resolve the customer’s pressure problem.

8
9 **Q. In its rebuttal testimony did the Company agree to install a booster pump?**

10 A. No. The Company stated that the customer should be responsible for installing a booster
11 pump on the customer’s side of the meter.

12
13 **Q. Does Staff agree with the Company that this customer should install his own booster**
14 **pump?**

15 A. No. The applicable Commission rule clearly states that it is the Company’s responsibility
16 provide a minimum pressure of 20 psi at the customer meter. In Rick Neal’s Rebuttal
17 Testimony, Answer 6, Page 3, line 12, he asserts, “the Company currently maintains 20
18 psi at the meters within the system.” However, based on the Company’s December 10
19 response discussed above, it is unclear to Staff if the Company is claiming that the
20 maintains 20 psi at the meter of the auto repair facility, it has offered no evidence of that.
21 Until the Company can submit evidence that it is complying with this requirement, Staff
22 continues to stand behind its recommendation that the Company is responsible for
23 installation of a booster pump on its side of the customer meter.

1 **III. INTERCONNECTION METER INSTALLATION**

2 **Q. Please describe the Company's water system.**

3 A. The Company purchases water from the Trust. The Trust owns the wells and storage
4 facilities serving Truxton Canyon customers. The Company owns and operates the
5 distribution system serving its customers. There are no interconnection meters installed in
6 between the Trust system and the Company's distribution system.

7
8 **Q. Please explain why Staff recommended that the Company install meters at the point
9 of interconnection.**

10 A. Interconnection meters are important to meter water moving from the Trust's system to
11 the Company's. Staff will utilize the information provided by these meters to determine
12 the level of non-account or lost water within the Company's distribution system. This
13 information is critical in light of the history of frequent leaks within the Company
14 distribution system. This information will allow Staff to determine if the Company's
15 water loss exceeds 10 percent.

16
17 **Q. Did the Company agree to install the interconnection meters?**

18 A. No. The Company said in its rebuttal testimony that it cannot afford to install these
19 meters.

20
21 **Q. Would Staff object to the Company's suggestion that the Trust install, own and
22 operate the interconnection meters?**

23 A. No. Staff continues to recommend that the Company file with Docket Control as a
24 compliance item, under this same docket for Staff's review and certification, documents
25 showing that the interconnection meters have been installed and placed in service within
26 90 days of the effective date of the Decision in this matter.

1 **Q. Does this conclude your Surrebuttal Testimony?**

2 A. Yes, it does.