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October 4, 2011

Arizona Corporation Commission
DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

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

Re: Goodman Water Company
Docket No. W-02500A-10-0382

To Whom It May Concern:

Enclosed for filing in the above-referenced proceeding are fourteen (14) copies of the Prepared Testimony of Thomas J. Bourassa and fourteen (14) copies of the Prepared Testimony of Jim Shiner in Support of the Settlement Agreement.

Thank you for your assistance in docketing the enclosed document. Please let me know if you have any questions regarding the same.

Sincerely,

Robert J. Metli

cc: All parties w/enclosures

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7
8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 IN THE MATTER OF THE APPLICATION
10 OF GOODMAN WATER COMPANY, AN
11 ARIZONA CORPORATION, FOR (i) A
12 DETERMINATION OF THE FAIR VALUE
13 OF ITS UTILITY PLANT AND PROPERTY
14 AND (ii) AN INCREASE IN ITS WATER
15 RATES AND CHARGES FOR UTILITY
16 SERVICE BASED THEREON.

DOCKET NO. W-02500A-10-0382

17
18 **PREPARED TESTIMONY OF**

19 **THOMAS J. BOURASSA**

20 **ON BEHALF OF GOODMAN WATER COMPANY**
21 **IN SUPPORT OF THE SETTLEMENT AGREEMENT**

22
23 **October 4, 2011**
24
25
26

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY.**

2 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 **Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

6 A2. On behalf of the applicant, Goodman Water Company ("GWC" or the
7 "Company").

8
9 **Q3. HAVE YOU PREVIOUSLY SUBMITTED DIRECT, REBUTTAL, AND**
10 **REJOINDER TESTIMONY IN THE INSTANT CASE?**

11 A3. Yes, my direct testimony was submitted in support of the initial application in this
12 docket. There were two volumes, one addressing rate base, income statement and
13 rate design, and the other addressing cost of capital. My rebuttal testimony was
14 also submitted in two separate volumes. My rejoinder testimony was also
15 submitted in two volumes. Each of those testimonies included my associated
16 schedules.

17
18 **Q4. WHAT IS THE PURPOSE OF THIS SETTLEMENT TESTIMONY?**

19 A4. I will provide testimony in support of the proposed Settlement Agreement between
20 the Company, RUCO, and the intervenors; Mr. Wawrzyniak and Mr.
21 Schoemperlen.

22
23 **Q5. WHAT ARE THE KEY POINTS OF CONTENTION THAT ARE**
24 **ADDRESSED IN THE PROPOSED SETTLEMENT AGREEMENT?**

25 A5. The proposed Settlement Agreement addresses at least two major points of
26

1 contention. First, the final positions of signatory parties regarding "excess
2 capacity", the revenue requirement, and required increase are significantly
3 different. Second, there is a fair amount of anger and resentment towards the
4 Company in the Eagle Crest Community resulting from the rate case.

5
6 **Q6. THE SIGNATORIES TO THE SETTLEMENT AGREEMENT AGREED**
7 **THAT THE SETTLMENT WOULD TAKE THE FORM A "BLACK BOX"**
8 **SETTLMENT FORMAT. WHAT IS A "BLACK BOX" SETTLEMENT?**

9 A6. A "black box" settlement means that although the parties agree on the revenue
10 requirement, they do not agree on certain principles or positions and therefore do
11 not assign specific amounts to any item or assign specific details on how the
12 revenue requirement was determined.

13
14 **Q7. UNDER THE "BLACK BOX" SETTLEMENT FORMAT, ONLY THE**
15 **SPECIFIC ISSUES IDENTIFIED ARE AGREED TO BY THE SIGNATORY**
16 **PARTIES, BUT NO SPECIFIC REVENUE/EXPENSE, OR RATE BASE**
17 **ADJUSTMENTS ARE SPECIFICALLY DELINEATED. WHY IS SUCH A**
18 **FORMAT IN THE PUBLIC INTEREST?**

19 A7. "Black box" settlements are sometimes the only way to resolve issues among
20 parties in a rate case.

21
22 **Q8. PLEASE IDENTIFY THE TOTAL REVENUE INCREASE AND REVENUE**
23 **REQUIREMENT AGREED TO IN THE PROPOSED SETTLEMENT**
24 **AGREEMENT AND HOW DOES IT COMPARE TO THE PARTIES FINAL**
25 **POSITIONS IN THE CASE?**

1 A8. The signatory parties agree to a rate increase of \$138,000 and a total revenue
2 requirement of \$732,459. The positions of the parties at this stage of the
3 proceeding with respect to the revenue requirement and rate increase are:

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
4 RUCO	\$ 603,174	\$ 8,715	1.47% ¹
5 Staff	\$ 775,283	\$ 202,604	34.08% ²
6 Interveners	\$ 498,047	\$ (74,704) ³	-13.04% ⁴
7 Company	\$ 855,107	\$ 260,648	43.85% ⁵

8
9
10 **Q9. PLEASE IDENTIFY THE FAIR VALUE RATE BASE AGREED TO IN**
11 **THE PROPOSED SETTLEMENT AGREEMENT AND HOW DOES IT**
12 **COMPARE TO THE REJOINDER AND/OR SURREBUTTAL POSITIONS**
13 **OF THE PARTIES IN THE INSTANT CASE?**

14 A9. The agreed upon fair value rate base ("FVRB") is \$1,755,118. The positions of the
15 parties at this stage of the proceeding with respect to the rate base are:

	<u>OCRB</u>	<u>FVRB</u>
16 RUCO	\$ 1,755,188	\$ 1,755,118 ⁶
17 Staff	\$ 2,077,253	\$ 2,077,253 ⁷
18 Interveners	\$ 1,317,239	\$ 1,317,239 ⁸

19
20 ¹ RUCO Surrebuttal Testimony of Timothy J. Coley.

21 ² Staff Revised Schedules of Gordon L. Fox received on August 17, 2011.

22 ³ Company proposed direct adjusted test year revenue of \$572,751 minus \$498,047 as shown in
23 Schoemperlen Surrebuttal Schedule D on page 15 of Surrebuttal Testimony of James
Schoemperlen.

24 ⁴ \$(74,704) divided by \$572,751.

25 ⁵ Goodman Rejoinder Testimony of Thomas J. Bourassa.

26 ⁶ RUCO Surrebuttal Testimony of Timothy J. Coley.

⁷ Surrebuttal Testimony of James Schoemperlen.

1 Company Rejoinder \$ 2,298,376 \$ 2,298,376⁹
2

3 **Q10. IN PARAGRAPH 2.3 OF THE PROPOSED SETTLEMENT AGREEMENT,**
4 **THE SIGNATORY PARTIES AGREE THAT AS A CONDITON OF**
5 **APPROVAL OF THIS AGREEMENT, THE COMMISSION SHOULD**
6 **AUTHORIZE GOODMAN TO DEFER \$269,307 OF ACCUMULATED**
7 **DEPRECIATION THROUGH THE END OF THE TEST YEAR AND TO**
8 **DEFER ANNUAL DEPRECIATION OF \$44,136 ON UTILITY PLANT**
9 **CURRENTLY IN SERVICE. PLEASE EXPLAIN THIS PROVISION.**

10 A10. This provision recognizes that the agreed upon revenue requirement and lower rate
11 base does not recognize certain plant and equipment constructed since the last rate
12 case. This provision is a key provision as the Company's rates have not and will
13 not include depreciation at least until the next rate case some time after January 1,
14 2015.

15
16 **Q11. WILL THE COMPANY BE SEEKING ANY INTEREST ON THE**
17 **DEFERRED DEPRECIATION EXPENSE DESCRIBED ABOVE?**

18 A11. No.

19
20 **Q12. IN PARAGRAPH 2.5, THE SIGNATORY PARTIES AGREE TO DEFER**
21 **THE ISSUE OF EXCESS CAPACITY AT THIS TIME. WHAT IS THE**
22 **SIGNIFICANCE OF DEFERRING THIS ISSUE?**

23 A12. Since the signatory parties could not agree on the issue of the existence of "excess
24

25 ⁸ \$(74,704) divided by \$572,751.

26 ⁹ Goodman Rejoinder Testimony of Thomas J. Bourassa.

1 capacity”, the resolution of this issue is deferred until the next rate case.

2
3 **Q13. WHAT IS THE TOTAL PERCENT RATE INCREASE AGREED TO BY**
4 **THE SIGNATORY PARTIES AND HOW DOES THIS COMPARE TO THE**
5 **REJOINER AND/OR SURREBUTTAL POSITIONS OF THE PARTIES IN**
6 **THE INSTANT CASE?**

7 A13. As stated earlier, the rate increase is \$138,000 or an increase over the adjusted test
8 year revenues of 23.2%.

9
10 **Q14. IN PARAGRAPH 2.6, THE SIGNATORY PARTIES AGREE TO A THREE**
11 **(3) YEAR PHASE-IN OF THE RATE INCREASE. HOW IS THIS A**
12 **FURTHER BENEFIT TO THE RATE PAYERS?**

13 A14. The phase-in spreads out the overall rate increase of 23.2% over three years
14 mitigating the impact of the rate increase on rate payers. The rate payers will see a
15 rate increase at the average usage of 11.8% in the first year, a 5.8% increase in year
16 two, and a 5.8% increase in year three.

17
18 **Q15. WILL THE COMPANY BE SEEKING RECOVERY OF THE FOREGONE**
19 **REVENUES AND INTEREST ASSOCIATED WITH THOSE REVENUES?**

20 A15. No. This is another benefit to rate payers as there will be no “hang-over” effect at
21 the end of the phase-in period. Typically, recovery of the foregone revenues
22 requires a rather substantial increase in rates for some period of time at the end of
23 the phase-in period. This provision will result in a savings to rate payers.

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Q16. IN PARAGRAPH 2.8, THE COMPANY AGREES NOT TO FILE FOR ANOTHER PERMANENT INCREASE IN RATES FOR WATER SERVICE UNTIL AT LEAST JANUARY 1, 2015, USING A TEST YEAR NO EARLIER THAN THE 12 MONTHS ENDED DECEMBER 31, 2014. IS THIS ALSO A BENEFIT TO RATE PAYERS?

A16. Absolutely. The rate payers will have the assurance that the Company will not seek additional revenue until at least 2015.

Q17. PLEASE IDENTIFY THE RATES UNDER THE PROPOSED SETTLEMENT AGREEMENT?

A17. The final proposed rates are:

<u>All Classes</u>			
<u>Meter</u>	<u>Monthly</u>	<u>Gallons included</u>	
<u>Size</u>	<u>Minimum</u>	<u>in Monthly Minimum</u>	
5/8	\$ 45.25	0	
3/4	\$ 67.88	0	
1	\$ 113.13	0	
1 1/2	\$ 226.25	0	
2	\$ 362.00	0	
3	\$ 678.75	0	
4	\$1,131.25	0	
6	\$2,282.50	0	

1 The commodity charges and tiers by meter size are:

2 Residential, Commercial and Irrigation Class

3 Meter		Charge
4 <u>Size</u>	<u>Tier (gallons)</u>	<u>per 1,000 gallons</u>
5 5/8x3/4 Inch	1 to 3,000	\$ 4.560
6	3,001 to 10,000	\$ 9.300
7	Over 10,000	\$10.600
8 3/4 Inch	1 to 3,000	\$ 4.560
9	3,001 to 9,000	\$ 9.300
10	Over 9,000	\$10.600
11 1 Inch	1 to 22,500	\$ 9.300
12	Over 22,500	\$10.600
13 1 1/2 Inch	1 to 34,000	\$ 9.300
14	Over 34,000	\$10.600
15 2 Inch	1 to 45,000	\$ 9.300
16	Over 45,000	\$10.600
17 3 Inch	1 to 68,000	\$ 9.300
18	Over 68,000	\$10.600
19 4 Inch	1 to 90,000	\$ 9.300
20	Over 90,000	\$10.600
21 6 Inch	1 to 135,000	\$ 9.300
22	Over 135,000	\$10.600
23 <u>Standpipe (Construction)</u>		
24 All Meter Sizes	All gallons	\$10.600

25

26

1 The rate will be phased-in as follows:

2 YEAR 1

3

4 All Classes

5 Meter	6 Monthly	7 Gallons included
8 <u>Size</u>	9 <u>Minimum</u>	10 <u>in Monthly Minimum</u>
11 5/8	12 \$ 40.94	13 0
14 3/4	15 \$ 61.41	16 0
17 1	18 \$ 102.35	19 0
20 1 1/2	21 \$ 204.70	22 0
23 2	24 \$ 327.52	25 0
26 3	\$ 614.10	0
4	\$1,023.50	0
6	\$2,047.00	0

15 The commodity charges and tiers by meter size are:

16 Residential, Commercial and Irrigation Class

17 Meter	18 Tier (gallons)	19 Charge
20 <u>Size</u>	21 <u>per 1,000 gallons</u>	
22 5/8x3/4 Inch	23 1 to 3,000	24 \$ 4.140
	25 3,001 to 10,000	26 \$ 8.410
	27 Over 10,000	28 \$ 9.481
29 3/4 Inch	30 1 to 3,000	31 \$ 4.140
	32 3,001 to 9,000	33 \$ 8.410
	34 Over 9,000	35 \$ 9.481
36 1 Inch	37 1 to 22,500	38 \$ 8.410

1		Over 22,500	\$ 9.481
2	1 ½ Inch	1 to 34,000	\$ 8.410
3		Over 34,000	\$ 9.481
4	2 Inch	1 to 45,000	\$ 8.410
5		Over 45,000	\$ 9.481
6	3 Inch	1 to 68,000	\$ 8.410
7		Over 68,000	\$ 9.481
8	4 Inch	1 to 90,000	\$ 8.410
9		Over 90,000	\$ 9.481
10	6 Inch	1 to 135,000	\$ 8.410
11		Over 135,000	\$ 9.481

Standpipe (Construction)

13	All Meter Sizes	All gallons	\$ 9.481
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YEAR 2

All Classes

18	Meter	Monthly	Gallons included
19	<u>Size</u>	<u>Minimum</u>	<u>in Monthly Minimum</u>
20	5/8	\$ 43.19	0
21	3/4	\$ 64.79	0
22	1	\$ 107.98	0
23	1 1/2	\$ 215.95	0
24	2	\$ 345.52	0
25	3	\$ 647.85	0

1	4	\$1,079.75	0
2	6	\$2,159.00	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

5	Meter		Charge
6	<u>Size</u>	<u>Tier (gallons)</u>	<u>per 1,000 gallons</u>
7	5/8x3/4 Inch	1 to 3,000	\$ 4.350
8		3,001 to 10,000	\$ 8.830
9		Over 10,000	\$ 9.993
10	3/4 Inch	1 to 3,000	\$ 4.350
11		3,001 to 9,000	\$ 8.830
12		Over 9,000	\$ 9.993
13	1 Inch	1 to 22,500	\$ 8.830
14		Over 22,500	\$ 9.993
15	1 1/2 Inch	1 to 34,000	\$ 8.830
16		Over 34,000	\$ 9.993
17	2 Inch	1 to 45,000	\$ 8.830
18		Over 45,000	\$ 9.993
19	3 Inch	1 to 68,000	\$ 8.830
20		Over 68,000	\$ 9.993
21	4 Inch	1 to 90,000	\$ 8.830
22		Over 90,000	\$ 9.993
23	6 Inch	1 to 135,000	\$ 8.830
24		Over 135,000	\$ 9.993

1 Standpipe (Construction)

2 All Meter Sizes All gallons \$ 9.993

3
4 YEAR 3

5 All Classes

6	Meter	Monthly	Gallons included
7	<u>Size</u>	<u>Minimum</u>	<u>in Monthly Minimum</u>
8	5/8	\$ 45.25	0
9	3/4	\$ 67.88	0
10	1	\$ 113.13	0
11	1 1/2	\$ 226.25	0
12	2	\$ 362.00	0
13	3	\$ 678.75	0
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16
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18 Residential, Commercial and Irrigation Class

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9		Over 68,000	\$10.600
10	4 Inch	1 to 90,000	\$ 9.300
11		Over 90,000	\$10.600
12	6 Inch	1 to 135,000	\$ 9.300
13		Over 135,000	\$10.600

14 Standpipe (Construction)

15	All Meter Sizes	All gallons	\$10.600
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17 **Q18. DO YOU BELIEVE THAT THE COMMISSION'S ADOPTION OF THE**
18 **PROPOSED SETTLEMENT AGREEMENT STRIKES A FAIR BALANCE**
19 **OF THE INTERESTS BETWEEN THE COMPANY AND RATE PAYERS?**

20 A18. Yes, under the circumstances of the instant case I believe the proposed Settlement
21 Agreement strikes a fair balance between the Company and its rate payers.

23 **Q20. DOES THAT CONCLUDE YOUR TESTIMONY?**

24 A20. Yes.

1 LAWRENCE V. ROBERTSON, JR.
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2 P.O. Box 1448
Tubac, Arizona 85646
3 (520) 398-0411
4 Attorney for Applicant

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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8 IN THE MATTER OF THE APPLICATION
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DOCKET NO. W-02500A-10-0382

13
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16
17 **PREPARED TESTIMONY OF**

18 **JAMES A. SHINER**

19
20 **ON BEHALF OF GOODMAN WATER COMPANY**
21 **IN SUPPORT OF THE SETTLEMENT AGREEMENT**

22
23 **October 4, 2011**

1 **Q.1 Please state your name and business address.**

2 A.1 My name is James A. Shiner, and my business address is 6340 N. Campbell
3 Avenue, Suite 278, Tucson, Arizona 85718.
4

5 **Q.2 What is your relationship with Goodman Water Company (“Company”)?**

6 A.2 I am President of the Company and a member of the Board of Directors. In
7 addition, I am one of the three (3) owners of the Company; and, in this testimony in
8 support of the proposed Settlement Agreement, dated September 15, 2011
9 (“Settlement Agreement”), I am speaking on behalf of all of the Company’s
10 owners and directors.
11

12 **Q.3 Are you the same James A. Shiner who has previously testified on behalf of**
13 **the Company in this proceeding?**

14 A.3 Yes.
15

16 **Q.4 What is the nature and scope of your testimony at this time?**

17 A.4 I will be discussing those factors which influenced the owners and directors of the
18 Company to agree to the terms of the Settlement Agreement, which reflects
19 significant concessions by the Company vis-à-vis its litigation position(s) during
20 previous stages of the evidentiary hearings in this case. Mr. Thomas J. Bourassa,
21 the Company’s utility rate consultant, will be presenting testimony regarding the
22 details of the Settlement Agreement and the ratemaking matters therein addressed.
23

24 **Q.5 What are the factors which occasioned the willingness of the Company and its**
25 **owners and directors to (i) enter into settlement negotiations with**

1 **representatives of the Residential Utility Consumer Office (“RUCO”) and the**
2 **Individual Intervenors, James Schoemperlen and Lawrence Wawrzyniak;**
3 **and, (ii) agree to make the significant concessions to which you previously**
4 **referred?**

5 A.5 There were two (2) central factors. The first was a genuine desire by the
6 Company’s owners and directors to endeavor to address and heal the very severe
7 rift which had developed between the Company and its customers, the residents of
8 the Eagle Crest Ranch community, as a result of the Company’s September 17,
9 2010 rate increase application. While we had an awareness of customer
10 unhappiness with the proposed rate increase shortly after the application was filed,
11 the depth and intensity of that dissatisfaction and its implications for the future
12 relationship between the Company and its customers became increasingly evident
13 with each passing hearing day and public comment session. The Company’s
14 owners and directors intend to have a long-term relationship with the Company’s
15 customers. Thus, we concluded that it was in the Company’s interest (i) to
16 sincerely explore the possibility of a settlement of this rate case; and, (ii) to be
17 willing to make significant concessions vis-à-vis the Company’s previous litigation
18 position(s) in this case, as long as we did not jeopardize or unduly burden the
19 Company’s near- and long-term financial circumstances.

20 The second factor influencing the decision to explore and ultimately reach
21 agreement with RUCO and Messrs. Schoemperlen and Wawrzyniak was the
22 realization that the Company would never fully recover the costs of prosecuting
23 this case, even if the Commission’s final decision provided for recognition of the
24 \$160,000 in rate case expense we had most recently proposed, and the
25 Commission’s Staff had supported, amortized over four (4) years. As of mid-

1 August of this year, the Company's actual incurred rate case expense was over
2 \$250,000. In addition, we were looking at two (2) or more days of evidentiary
3 hearings when we reconvened in September. Further, there would have been
4 additional consultant and attorneys' fees associated with post-hearing briefs,
5 possible Exceptions to the Recommended Opinion and Order ("ROO") and
6 appearing at the Open Meeting at which the ROO would be considered by the
7 Commission and a final decision rendered on the Company's application. In all
8 likelihood, the Company would never recover these additional expenditures, and
9 there was an increasing possibility that they could (if not would) offset (if not
10 eclipse) the Company's requested increase in rates. Thus, the prospect of bringing
11 the rate case to an earlier conclusion was worth pursuing.

12 In summary, these two (2) factors played a critical role in our decision to
13 participate in the settlement negotiations which thereafter occurred, and in our
14 willingness to make the concessions we made to reach a settlement. I should also
15 note, parenthetically, that the lower rates contained in the proposed settlement
16 agreement, coupled with a more positive community environment has the potential
17 to yield marginally better home sales and additional connections.

18
19 **Q.6 Which of these two (2) factors was the most important to the Company?**

20 **A.6** They were both very important, but for the different reasons I have just described.
21 However, I cannot emphasize enough the desire of the Company's owners and
22 directors to make a genuine effort to try and heal the rift that had developed
23 between the Company and its customers, in order that collectively we might work
24 together to make Eagle Crest Ranch one of southern Arizona's more desirable
25 living areas.

1 In that regard, I want to express our deep appreciation for the constructive
2 and forward-looking approach that Messrs. Schoemperlen and Wawrzyniak
3 brought to the settlement negotiations; and, also, our appreciation for the positive
4 and facilitating role which RUCO contributed to the process throughout. The
5 residents of the Eagle Crest Ranch community were very well represented by those
6 three (3) parties.

7
8 **Q.7 Did you participate in the settlement negotiations?**

9 A.7 Yes, both directly and indirectly. Alexander Sears and I personally participated in
10 the final (and definitive) negotiating session which occurred in the Eagle Crest
11 Ranch vicinity on August 26, 2011. Mr. Sears is the majority shareholder and also
12 Chairman of the Company's Board of Directors. Previously, he and I had been
13 intimately involved with the other members of the Company's settlement
14 negotiating team in (i) developing the Company's initial settlement proposal and
15 (ii) analyzing the responses of Messers. Schoemperlen and Wawrzyniak and
16 RUCO to that proposal. Because Mr. Sears and I were each out-of-state, we were
17 not able to attend the initial settlement negotiation session at RUCO's offices on
18 August 19, 2011.

19
20 **Q.8 Why was the Commission's Staff not invited to participate initially in the**
21 **settlement negotiations?**

22 A.8 Basically, there were two (2) circumstances which influenced (from our
23 perspective) the decision not to initially include the Commission Staff in the
24 discussions. The first circumstance was the fact that the Company and the
25 Commission's Staff were not that far apart relatively speaking in terms of the

1 amount of rate increase which the Company should be granted, whereas, the
2 Company and RUCO and the Individual Intervenors were the proverbial "miles
3 apart." Accordingly, we decided to focus on ascertaining whether or not that
4 distance could be closed to a mutually acceptable "mid-point."

5 The second circumstance was the limited timeframe within which we were
6 attempting to arrange for and conduct settlement negotiations. Given previous
7 scheduling commitments of the various people who would be involved, and how
8 those preexisting commitments would in turn limit the days upon which everyone
9 could meet for settlement negotiating purposes, we decided to initially focus on
10 Messrs. Schoemperlen and Wawrzyniak and RUCO for the reason I have
11 previously mentioned.

12 Third, I was told Commission Staff had no objection to this approach.
13

14 **Q.9 Did the Company intend to ultimately explore the prospect of settlement of the**
15 **rate case with the Commission's Staff?**

16 A.9 Yes, that was our intent all along. In that regard, one of our rate case attorneys
17 (Mr. Robertson) orally advised one of the Commission Staff attorneys (Ms. Vohra)
18 sometime in mid-August while he was at the Commission in Phoenix on other
19 business that some preliminary settlement negotiations were about to begin with
20 Messrs. Schoemperlen and Wawrzyniak and RUCO. I have since heard that there
21 may have been a misunderstanding between them as to the scope of matters to be
22 addressed in those negotiations. But, clearly our intent was to advise the
23 Commission's Staff of the pendency of such negotiations.

24 Finally, I want to emphasize that at no time did the Company or the
25 members of its settlement negotiating team ever intend, in any manner, to offend

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the Commission's Staff or discount its importance in this case; and, if the seriatim approach we took to the settlement negotiations had that unintended effect, I sincerely apologize.

Q.10 Do the Company and its owners and directors believe that the proposed Settlement Agreement should be approved by the Commission?

A.10 Yes, we do and we strongly support the same. I will defer to Messrs. Schoemperlen and Wawrzyniak and RUCO to articulate their respective positions and underlying reasons, but I believe that their support is equally strong.

Q.11 What about the position of the Commission's Staff?

A.11 As of the time of the filing of this testimony, I do not know what position the Commission Staff has decided to adopt. It is my understanding that at a meeting with representatives of RUCO, the Company and Mr. Wawrzyniak on September 8, 2011, the Commission's Staff did indicate that it would not be a signatory party to the Settlement Agreement, since it had not been a participant in the negotiations which resulted in the same.

I understand the position of the Commission's Staff in that regard. However, following evaluation of the Settlement Agreement and testimony of those signatory parties supporting the same, it is the Company's hope that the Commission's Staff will decide to either support or take no position on the Settlement Agreement.

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Q.12 Does this conclude your prepared testimony in support of the Settlement Agreement?

A.12 Yes, it does. As I previously indicated, Mr. Bourassa's prepared testimony in support of the Settlement Agreement will be discussing the details of that document.