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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- GARY PIERCE, Chairman
- BOB STUMP
- SANDRA D. KENNEDY
- PAUL NEWMAN
- BRENDA BURNS

2011 OCT 11 P 3:10

Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT 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, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

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NOTICE OF FILING SURREBUTTAL TESTIMONY OF ROBERT RIALS ON BEHALF OF CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.

mcw
Mack drucker & watson
Attorneys at Law
3200 North Central Avenue, Suite 1200
Phoenix, Arizona 85012
602/778-9900

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1 Lawrence V. Robertson, Jr.
2 P.O. Box 1448
3 Tubac, Arizona 85646-1448
4 *Attorney for Anthem Community Council*

5 Daniel W. Pozefsky, Chief Counsel
6 Residential Utility Consumer Office
7 1110 West Washington, Suite 220
8 Phoenix, Arizona 85007

9 Larry Woods, President
10 Property Owners and Residents Association
11 13815 East Camino Del Sol
12 Sun City West, Arizona 85375-4409

13 W.R. Hansen
14 12302 West Swallow Drive
15 Sun City West, Arizona 85375

16 Greg Patterson
17 916 West Adams Street, Suite 3
18 Phoenix, Arizona 85007
19 *Attorney for Water Utility Association of Arizona*

20 Jeff Crockett & Robert Metli
21 SNELL & WILMER
22 One Arizona Center
23 400 East Van Buren Street
24 Phoenix, Arizona 85004-2202
25 *Attorneys for the Resorts*

26 Andrew M. Miller
27 Attorney for the Town of Paradise Valley, Arizona
28 6401 East Lincoln Drive
Paradise Valley, Arizona 85253

Bradley J. Herrema
Robert J. Saperstein
BROWNSTEIN HYATT FARBER SCHRECK, LLP
21 East Carrillo Street
Santa Barbara, California 83101
Attorneys for Anthem Golf and Country Club

- 1 Marshall Magruder
- 2 P.O. Box 1267
- 3 Tubac, Arizona 85646
- 4
- 5 Norman D. James
- 6 FENNEMORE CRAIG, P.C.
- 7 3003 North Central Avenue, Suite 2600
- 8 Phoenix, Arizona 85012
- 9 *Attorneys for DMB White Tank, LLC*
- 10
- 11 Larry D. Woods
- 12 15141 West Horseman Lane
- 13 Sun City West, Arizona 85375
- 14
- 15 Joan S. Burke
- 16 LAW OFFICE OF JOAN S. BURKE
- 17 1650 North First Avenue
- 18 Phoenix, Arizona 85003
- 19 *Attorney for Corte Bella Golf Club*
- 20
- 21 Philip H. Cook
- 22 10122 West Signal Butte Circle
- 23 Suns City, Arizona 85373
- 24
- 25 Michele Van Quathem
- 26 RYLEY CARLOCK & APPLEWHITE
- 27 One N. Central Ave., Suite 1200
- 28 Phoenix, Arizona 85004-4417
- Attorneys for Verrado Community Association, Inc.*

mdw
Mack drucker & watson
Attorneys at Law
3200 North Central Avenue, Suite 1200
Phoenix, Arizona 85012
602/778-9900

- 1 Desi Howe
- 2 Anthem Golf & Country Club
- 3 2708 West Anthem Club Drive
- 4 Anthem, Arizona 85086

- 5 Sun City Grand Community Association
- 6 Palm Center
- 7 19726 North Remington
- 8 Surprise, Arizona 85374

- 9 Frederick G. Botha
- 10 23024 N. Giovota Drive
- 11 Sun City West, AZ 85375

- 12 Pauline A. Harris Henry, President, Board of Directors
- 13 RUSSELL RANCH HOMEOWNERS' ASSOCIATION, INC.
- 14 21448 N. 75th Avenue, Suite 6
- 15 Glendale, AZ 85308

- 16 Gary Verburg, City Attorney
- 17 Daniel L. Brown, Assistant City Attorney
- 18 OFFICE OF THE CITY ATTORNEY
- 19 200 W. Washington, Suite 1300
- 20 Phoenix, AZ 85003
- 21 *Attorneys for City of Phoenix*



MDW
Mack drucker & watson
Attorneys at Law
3200 North Central Avenue, Suite 1200
Phoenix, Arizona 85012
602/778-9900

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SURREBUTTAL TESTIMONY OF ROBERT RIALS
ON BEHALF OF
CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.

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I. INTRODUCTION

Q. PLEASE PROVIDE YOUR NAME, POSITION, BUSINESS ADDRESS AND TELEPHONE NUMBER.

A. My name is Robert E. Rials. I am President of the Board of Directors for Corte Bella Country Club Association, Inc. ("Corte Bella"). The business address for Corte Bella is 22155 North Mission Drive, Sun City West, Arizona, 85375. My business phone is 623-328-5068.

Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS CASE?

A. Yes, I did.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my testimony is to express Corte Bella's concerns regarding the proposed "phase-in" or "revenue transition" plan set forth by Anthem Community Council's ("Anthem") witness, Dan Neidlinger. My testimony also addresses the "cost of service" and "subsidization" arguments made by Mr. Neidlinger.

Q. DOES THE PROPOSED "PHASE-IN" OR "REVENUE TRANSITION" PLAN STILL RESULT IN RATE SHOCK TO CORTE BELLA RESIDENTS?

A. Yes. Anthem's proposal still constitutes rate shock and has a significant impact on Corte Bella residents.

As you know, Corte Bella residents already experienced a 54% increase in wastewater rates in early 2011. This cannot be overlooked when evaluating Anthem's proposal. An increase of 54% in 2011, coupled with a combined increase of 60% over the next three (3) years (thereby increasing the average wastewater bill from \$67.97 a month to \$108.34 a month), clearly constitutes rate shock. Corte Bella residents would experience a sizeable increase in their wastewater bills for four (4) consecutive years. That is entirely unreasonable.

Again, Corte Bella is an age-restricted community in which a vast majority of its residents are on fixed and/or reduced incomes. Corte Bella residents are

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struggling in this economy and cannot absorb another increase in wastewater rates on top of the 54% increase implemented earlier this year. To make matters worse, Corte Bella residents are also facing a potential 82.9% increase in water rates as part of Docket No. W-01303A-10-0448.

Anthem's proposed "phase-in" or "revenue transition" plan cannot disguise the fact that Corte Bella residents (and other Agua Fria customers) will endure a 139.7% increase in wastewater rates since 2010.

Q. WITH THE CURRENT MAKEUP OF THE ANTHEM / AGUA FRIA WASTEWATER DISCTRICT, DO YOU FIND ANTHEM'S "COST OF SERVICE" ARGUMENT PRACTICAL AND/OR PERSUASIVE?

A. No. Anthem proposed deconsolidation because their residents receive no service from the Northwest Treatment Plant and, therefore, do not wish to pay for any costs associated therewith. This "cost of service" argument is not practical and/or persuasive.

In this regard, the four (4) service areas in the Anthem / Agua Fria Wastewater District (i.e., Anthem, Corte Bella, Verrado and Russell Ranch) are not physically connected in any way. Each of these service areas utilizes a separate wastewater collection system and treatment plant. Thus, it is not practical to dismantle the district based solely on what wastewater facilities serve which areas. Consistent herewith, no other party (except Anthem) advocated for deconsolidation during the full rate proceeding.

In response to Corte Bella's second set of data requests, Arizona-American also admitted that systems are not required to be interconnected for rates to be consolidated.

Q. DO YOU FIND ANTHEM'S "SUBSIDIZATION" ARGUMENT TROUBLING?

Yes. First off, Anthem originally proposed consolidation so that other districts could subsidize its facilities. However, because the Commission did not adopt full rate consolidation (in large part because of the impact to customers in other districts), Anthem now proposes deconsolidation. This is unfair to Agua Fria customers – who now face an additional 60% increase in wastewater rates.

Secondly, there is no way to determine whether or how much Agua Fria customers have subsidized Anthem customers over the past ten (10) years by paying for costs associated with Anthem's wastewater system. Anthem fails to

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acknowledge any prior benefits it received while being part of a consolidated district. And, if deconsolidation is approved, Anthem customers can still propose consolidation to have the costs of their future facilities subsidized by customers in other districts. This is simply unfair.

Lastly, according to Arizona-American, Agua Fria customers will likely subsidize any future capital improvements to Anthem's wastewater system. This shows that all residents will continue to benefit by keeping the Anthem / Agua Fria Wastewater District intact.

III. CONCLUSION

Q. IN YOUR OPINION, SHOULD THE COMMISSION DECONSOLIDATE THE ANTHEM / AGUA FRIA WASTEWATER DISTRICT?

A. No. Corte Bella believes the Commission should leave the Anthem / Agua Fria Wastewater District intact and maintain the rates set forth in Decision No. 72047.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.