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BEFORE THE ARIZONA CORPORATION COMMISSION

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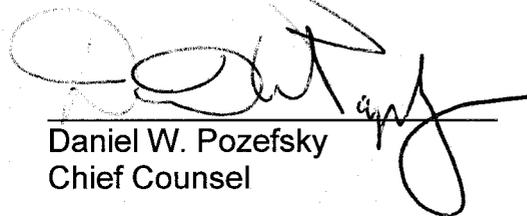
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8 IN THE MATTER OF THE APPLICATION OF
9 BERMUDA WATER COMPANY, AN
10 ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE FAIR VALUE OF
12 ITS UTILITY PLANTS AND PROPERTY AND
13 FOR INCREASES IN ITS WATER RATES
14 AND CHARGES FOR UTILITY SERVICE
15 BASED THEREON.

Docket No. W-01812A-10-0521

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Surrebuttal Testimony of William A. Rigsby in the above-referenced matter.

RESPECTFULLY SUBMITTED this 13th day of October, 2011.

18
19 

Daniel W. Pozefsky
Chief Counsel

21 AN ORIGINAL AND THIRTEEN COPIES
22 of the foregoing filed this 13th day
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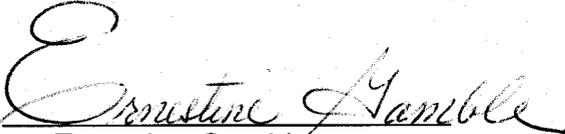
4 Teena Jibilian
5 Administrative Law Judge
Hearing Division
6 Arizona Corporation Commission

7 Janice Alward, Chief Counsel
Legal Division
8 Arizona Corporation Commission

9 Bridget Humphrey, Attorney
Kimberly Ruht
10 Legal Division
Arizona Corporation Commission

11 Steven M. Olea, Director
12 Utilities Division
Arizona Corporation Commission

13 Patrick J. Black
14 Fennemore Craig, P.C.
3003 N. Central Avenue
15 Suite 2600
Phoenix, Arizona 85012

16
17
18 By 
Ernestine Gamble

19
20
21
22
23
24

BERMUDA WATER COMPANY
DOCKET NO. W-01812A-10-0521

SURREBUTTAL TESTIMONY

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 13, 2011

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EXECUTIVE SUMMARY

RUCO accepts ACC Staff's cost of capital recommendation, which "neither accepts, denies or recommends" the use of the Florida Leverage Formula, based on Bermuda Water Company's decision to withdraw the Company's request for the adoption of the Florida Leverage Formula and adopts ACC Staff's recommendations.

1 **INTRODUCTION**

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

3 A. My Name is William A. Rigsby. I am a Public Utilities Analyst V employed
4 by the Residential Utility Consumer Office ("RUCO") located at 1110 W.
5 Washington, Suite 220, Phoenix, Arizona 85007.

6
7 **Q. Have you filed any prior testimony in this case on behalf of RUCO?**

8 A. Yes, I filed direct testimony on RUCO's cost of capital recommendations
9 for Bermuda on August 26, 2011.

10

11 **Q. Please state the purpose of your surrebuttal testimony.**

12 A. The purpose of my surrebuttal testimony is to respond to the rebuttal
13 testimony of Bermuda witnesses Kirsten Weeks and Pauline M. Ahearn,
14 which was filed on September 22, 2011.

15

16 **Q. Will RUCO be filing surrebuttal testimony on the rate base and
17 operating income issues in this case?**

18 A. No. As I stated in my direct testimony, RUCO's sole reason for
19 intervening in this case was to address Bermuda's cost of capital
20 approach which relied on a leverage methodology that was developed by
21 the staff of the Florida PSC.

22

23

1 **Q. How is your surrebuttal testimony organized?**

2 A. My surrebuttal testimony contains three parts: the introduction that I've just
3 presented; a brief summary of Bermuda's rebuttal testimony; and, my
4 response to Bermuda's rebuttal testimony.

5

6 **SUMMARY OF REBUTTAL TESTIMONY**

7 **Q. Have you reviewed Bermuda's rebuttal testimony?**

8 A. Yes.

9

10 **Q. Briefly summarize Bermuda's rebuttal testimony.**

11 A. In addition to responding to my direct testimony on cost of capital,
12 Company witness Kirsten Weeks responds to ACC Staff witness Jeffrey
13 M. Michlik on the issues of rate base, operating revenues and expenses,
14 revenue requirement, rate of return and rate design. Ms. Weeks also
15 responds to ACC Staff witness Marlon Scott Jr.'s engineering analysis. In
16 short, Ms. Weeks adopts the recommendations presented in the testimony
17 of Mr. Michlik and Mr. Scott with two minor caveats. First, Ms. Weeks
18 makes light of the fact that she is not an engineer and second, Ms. Weeks
19 states that Bermuda is willing to withdraw the Company's request for the
20 adoption of the Florida Leverage Formula, which the Company used to
21 estimate its proposed rate of return, on condition that all of ACC Staff's
22 recommendations are adopted. In his direct testimony, Mr. Michlik
23 adopted Bermuda's 8.82 percent rate of return, but neither accepted,

1 denied or recommended the use of the Florida Leverage Formula. In
2 regard to my direct testimony, Ms. Weeks introduces the rebuttal
3 testimony of Ms. Ahearn which extensively rebuts my direct testimony.
4 Ms. Weeks also takes issue with my recommended capital structure.

5
6 **RESPONSE TO REBUTTAL TESTIMONY**

7 **Q. Please respond to Bermuda's rebuttal testimony.**

8 A. Based on Bermuda's decision to withdraw the Company's request for the
9 adoption of the Florida Leverage Formula, RUCO is willing to accept ACC
10 Staff's cost of capital recommendation. Responding to Ms. Ahearn's
11 rebuttal testimony at this point would serve no purpose since the use of
12 the Florida Leverage Formula is no longer an issue.

13
14 **Q. Does this mean that RUCO also accepts the conclusions presented**
15 **in the rebuttal testimony of Ms. Ahearn?**

16 A. No. Ms. Ahearn's testimony played no part in RUCO's decision to adopt
17 ACC Staff's cost of capital recommendation in this proceeding and my
18 silence on Ms. Ahearn's testimony on my cost of capital recommendations
19 or methodology does not constitute acceptance of any part of it. RUCO's
20 decision was based entirely on the Company's decision not to pursue the
21 use of the Florida Leverage Formula.

22
23 ...

1 **Q. Does your silence on any other issues, matters or findings**
2 **addressed in the rebuttal testimony of either Ms. Weeks or Ms.**
3 **Ahearn constitute your acceptance of the Company's positions on**
4 **such issues, matters or findings?**

5 **A. No, it does not.**

6

7 **Q. Does this conclude your surrebuttal testimony on the cost of capital**
8 **issues in Bermuda's filing?**

9 **A. Yes, it does.**