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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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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 FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, HAVASU WATER DISTRICT, AND MOHAVE WATER DISTRICT.

DOCKET NO. W-01303A-10-0448

STAFF'S NOTICE OF FILING SECOND SURREBUTTAL TESTIMONY AND WITNESS SUMMARIES

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby provides Notice of Filing the Second Surrebuttal Testimony of Dorothy Hains in the above-referenced matter.

RESPECTFULLY SUBMITTED this 1st day of December, 2011.

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01303A-10-0448
ARIZONA-AMERICAN WATER COMPANY,)
AN ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE CURRENT FAIR)
VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON FOR)
UTILITY SERVICE BY ITS AGUA FRIA WATER)
DISTRICT, HAVASU WATER DISTRICT, AND)
MOHAVE WATER DISTRICT)

SURREBUTTAL TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

DECEMBER 1, 2011

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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 has previously filed testimony in this Arizona-
7 American Water Company ("Company") Agua Fria Water District, Havasu Water
8 District and Mohave Water District rate proceeding?**

9 A. Yes.

10

11 **Q. What is the purpose of your surrebuttal testimony?**

12 A. To hopefully clarify issues raised by the Homeowner Association Class regarding the
13 White Tanks Regional Water Treatment Plant ("White Tanks") which is owned and
14 operated by the Company. The issues are: (1) White Tanks used and usefulness; and, (2)
15 excess capacity.

16

17 **II. WHITE TANKS USED AND USEFULNESS**

18 **Q. Mr. Shaw, the Homeowner Association Class's witness states "groundwater can be
19 pumped directly out of the ground and distributed to customers without any
20 treatment if it meets primary and secondary water quality standards." Does Staff
21 agree with this statement?**

22 A. Generally speaking, Mr. Shaw's statement is correct. However, if the groundwater is
23 under the direct influence of surface water, then Arizona Department of Environmental
24 Quality ("ADEQ") regulations require further treatment before the groundwater can be
25 used as potable water.

26

1 **Q** **Mr. Shaw voiced his opinion that the usefulness of the White Tanks plant is very**
2 **limited due to the fact that the Central Arizona Project (“CAP”) canal is physically**
3 **shut down for annual maintenance for seventy two consecutive days in the winter.**
4 **What is your response to this statement?**

5 A. For large companies, water treatment plants undergo scheduled maintenance which does
6 not impair the used and usefulness of the property. All the CAP surface water treatment
7 plants in the Phoenix vicinity, such as the City of Phoenix Municipal Water Treatment
8 System, the Cave Creek Water treatment system and the Chaparral City Water System
9 have to shut down in the winter due to canal maintenance. This scheduled maintenance is
10 needed to keep plant operating efficiently and effectively. The Company plans to
11 schedule maintenance for the White Tanks plant so that the plant maintenance coincides
12 with the canal maintenance and canal down time. It would be unreasonable to expect that
13 the Company to forego an opportune time to perform life extending maintenance on
14 facilities, especially when there is no surface water for the White Tanks Plant to process
15 during the canal down time.

16
17 **Q. Is the White Tanks plant used and useful?**

18 A. Yes. The White Tanks plant relieves the need to use groundwater in the Company’s Agua
19 Fria Water District and therefore is useful to the Company’s provision of water service to
20 its customers. Using less groundwater is a State goal, especially in Active Management
21 Areas.

1 **III. DOES THE WHITE TANKS PLANT HAVE EXCESS CAPACITY?**

2 **Q. Mr. Shaw stated that the actual firm capacity of the White Tanks is 20 million gallons**
3 **per day (“MGD”), rather than the 13.4 MGD capacity proffered by the Company.**

4 **Does Staff agree with Mr. Shaw’s opinion?**

5 A. No. Based on ADEQ Engineering Bulletin #10, two or more of all treatment units shall be
6 provided, and the Maricopa County Department of Environmental Services (“MCDES”)
7 defines firm capacity as the available capacity of a system or process with the largest unit
8 out of service. Based on this definition, the largest treatment unit in the White Tanks is
9 6.67 MGD dissolved air flotation (“DAF”), there are three 6.67 MGD DAF units in the
10 White Tanks, it is clear that the firm capacity for the White Tanks is 13.4 MGD.

11
12 **Q. Does the White Tanks plant contain excess capacity?**

13 A. No. The Company’s CAP allocation is 11,093 acre-feet (3,614 million gallons) of water
14 per year. In order to treat the annual CAP allocation over 293 days (365 day subtracts 72
15 days), the Company would treat 12.3 MGD (3,614 MG divided by 293 days) on daily
16 basis. Based on 2010 White Tanks water usage data, the peak month was October and
17 peak day demand was 12.5 MGD. Based on 2011 data the peak month was June and
18 peak day demand was 14.23 MGD. According to the Company (see attached response to
19 Staff Data Request (“DR”) #15.3), the production goal for the White Tanks is to annually
20 treat Agua Fria District’s entire 11,093 acre-feet of CAP allocation.

1 **Q. Was installation of the White Tanks plant reasonable?**

2 **A.** Yes. Based on the Company response to RUCO DR # 16.1 (attached), water quality in the
3 Agua Fria District is deteriorating; extensive treatment to remove inorganic chemicals in
4 the well water is becoming more prevalent. It would be very costly for the Company to
5 utilize wellhead treatment or other forms of centralized treatment to reduce chemicals
6 exceeding their allowed Maximum Contaminant Level. Staff believes that the installation
7 of the White Tanks plant was a practical, cost effective treatment option to resolve water
8 quality and water quantity issues. Therefore, in Staff's opinion the White Tanks plant
9 installation was reasonable.

10

11 **Q. Does this conclude your surrebuttal testimony?**

12 **A.** Yes, it does.

Surrebuttal Testimony of Dorothy Hains

Docket No. W-01303A-10-0448

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ATTACHMENTS

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-10-0448

Response provided by: Ian Crooks
Title: Director of Engineering
Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027
Company Response Number: STF 15.3

- Q: Please refer to Exhibit E of Mr. Shaw's Direct Testimony. It appears that the White Tanks Plant has treated 25% more CAP water during summer 2011 than summer 2010. Can it safely be said that the 25% increased treatment capacity is predicted to occur each year in the next three years?
- A: In 2010, the White Tanks Plant experienced three events that caused production to be lower than otherwise anticipated. The details of these events are explained in the testimony of Company witness Mr. Crooks. In 2011, the White Tanks Plant experienced only one event that caused reduced production. This is the reason why White Tanks Plant produced more water in 2011 than 2010. The production goal for the White Tanks Plant is to treat Agua Fria District's entire 11,093 acre-feet of CAP allocation on a yearly basis.

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-10-0448

Response provided by: Brad Finke, P.E.

Title: Manager of Developer Services

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: RUCO 16.1.

Q: Regarding the Company's response to Surprise DR 2.4, please identify the wells which experienced significant water quality issues- arsenic, nitrates, chromium, and fluoride. Please identify specific well and its specific water quality issues.

- a. Please provide any and all documentation regarding water quality issues that resulted in violations by regulatory authorities.
- b. Please provide any and all documentation regarding the costs associated with remedying the water quality issues of each well which have not yet been addressed as a capital or operating expense in existing rates or tariffs. Please report information by well, specific water quality issue, and cost to remedy water quality issues.

A: The table on the following page identifies the wells that experienced significant water quality issues. Please note that though there currently is not a "maximum contaminant level" listed in the Drinking Water Standards for chromium-6, this contaminant is emerging as a contaminant of concern.

- a. There have not been any violations in regards to water quality issues. The water from the wells listed in the table on the following page is either treated to remove the contaminant of concern, or is blended with other wells to reduce the concentrations of such contaminants to acceptable levels. Further, some of the below listed wells were not accepted by Arizona American Water due to poor water quality.
- b. All of the costs associated with remedying the water quality issues of the listed accepted wells have been previously addressed as a capital or operating expense in existing rates or tariffs.

Well	Water Quality Issue
Agua Fria Well 1.1	High levels of arsenic
Agua Fria Well 1.2	High levels of arsenic
Agua Fria Well 1.4	High levels of arsenic and fluoride
Agua Fria Well 1.5	High levels of arsenic
Agua Fria Well 2.1	High levels of arsenic
Agua Fria Well 2.2	High levels of arsenic
Agua Fria Well 2.3	High levels of arsenic
Agua Fria Well 5.1	High levels of arsenic
Agua Fria Well 5.2	High levels of arsenic and fluoride
Agua Fria Well 9.1	High levels of arsenic
Agua Fria Well 9.2	High levels of arsenic and fluoride
Agua Fria Well 9.3	High levels of nitrates and arsenic
Agua Fria Well 9.4	High levels of nitrates and arsenic
AFTL Well 1 (aka Cortessa Well 1)	High levels of arsenic
AFTL Well 2 (aka Sarah Ann Ranch Well 1)***	High levels of arsenic and fluoride
AFTL Well 2 (aka Sarah Ann Ranch Well 2)***	High levels of arsenic and fluoride
AFTL Well 4 (aka White Tank Foothills Well 1)	High levels of arsenic
Agua Fria Well 12.1***	High levels of nitrates and fluoride
Agua Fria Well 14.2***	High levels of nitrates
Agua Fria Well 14.3	High levels of nitrates

***Wells not accepted.