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DOCKET CONTROL

RYLEY CARLOCK & APPLEWHITE
One North Central Avenue, Suite 1200
Phoenix, Arizona 85004-4417
Telephone: 602/258-7701
Telecopier: 602/257-9582
Michele L. Van Quathem – 019185
Attorneys for Verrado Community Association, Inc.
and DMB White Tank, LLC

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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 **Verrado Community Association, Inc.'s Notice of Late-Filed Exhibit**

Verrado Community Association, Inc. ("Verrado"), through its undersigned counsel, hereby provides notice of filing an Amended Exhibit V-1. As the undersigned stated on the record in the hearing in this matter on December 16, 2011, the admitted Exhibit V-1 did not contain all pages of testimony submitted with Verrado's pre-filed direct testimony as docketed on June 27, 2011 in this matter. The attached Amended Exhibit V-1 is a complete copy and should be used in place of Exhibit V-1.

///

DATED this 20th of December, 2011.

RYLEY CARLOCK & APPLEWHITE

By Michel Van Quathem
Michele Van Quathem
One North Central Avenue, Suite 1200
Phoenix, Arizona 85004-4417
Attorneys for Verrado Community Association, Inc.
mvanquathem@rcalaw.com

ORIGINAL and 13 copies of the foregoing filed this 20th of December, 2011, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

COPY of the foregoing mailed this 20th day of December, 2011, to:

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Lyn Farmer
Hearing Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Greg Patterson
Water Utility Association of Arizona
916 W. Adams, Suite 3
Phoenix, Arizona 85007

Thomas H. Campbell
Michael T. Hallam
Lewis and Roca LLP
40 N. Central Ave., Suite 1900
Phoenix, Arizona 85004

Janice Alward, Chief Counsel
Charles Hains, Attorney
Kimberly Ruht, Attorney
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Michelle Wood, Counsel
Residential Utility Consumer Office
1110 W. Washington St., Suite 220
Phoenix, Arizona 85007

Joan S. Burke
Law Office of Joan S. Burke
1650 N. First Ave.
Phoenix, Arizona 85003
Attorney for Corte Bella Golf Club

Kenneth Hewitt
18729 N. Palermo Court
Surprise, Arizona 85387

Curtis S. Ekmark
Ekmark & Ekmark, L.L.C.
6720 N. Scottsdale Rd., Suite 261
Scottsdale, Arizona 85253
Attorneys for Sun City Grand Community Association

Jim Weihman, Vice President BOD
The Happy Trails Community Assoc.
17200 W. Bell Road
Surprise, Arizona 85374

Peggy H. Rahkola, President BOD
Arizona Traditions HOA
17221 N. Citrus
Surprise, Arizona 85374

William B. Lipscomb
Kingswood Parke Community Assoc.
14976 W. BottletreeAve.
Surprise, Arizona 85374

Kevin Chiarello
Greer Ranch South HOA
16074 W. Christy
Surprise, Arizona 85379

Garry D. Hays
The Law Offices of Garry D. Hays, PC
1702 East Highland Avenue, Suite 204
Phoenix, Arizona 85016

Nicholas Mascia
The Surprise Farms III Community Assn
1600 W. Broadway Rd., Suite 200
Tempe, Arizona 85282

Jerome M. Ellison II
Cortessa Community Association
P.O. Box 25466
Tempe, Arizona 85285-5466

Jeanne Stockard
Northwest Ranch HOA
4742 N 24th St., Suite 325
Phoenix, Arizona 85016

Susan Harr
Summerfield at Litchfield
19 Subdivision HOA
20 13201 N. 35" Ave., Suite B-3
Phoenix, Arizona 85029

Dana Rosenbaum
Surprise Farms Community Assn, Phase 1A
P.O. Box 25466
Tempe, Arizona 85285-5466

Timothy L Duffy
Cindy J. Duffy
19997 N. Half Moon Drive
Surprise, Arizona 85374

Mike Smith
Sierra Montana HOA
c/o Rossmar & Graham
15396 N 83rd Ave., Bldg. B, Suite 101
Peoria, Arizona 85381

Jan Garcia
Sycamore Estates Parcel 13
Community Association
1600W Broadway Rd, Suite 200
Tempe, Arizona 85282

Jared Evenson
Cross River HOA
1600 W Broadway Rd, Suite 200
Tempe, Arizona 85282

Jim Oravetz
Legacy Parc South HOA
1600W Broadway Rd, Suite 200
Tempe, Arizona 85282

Stan Mucha
The Sun Village Community Association
17300 N Sun Village Pkwy
Surprise, Arizona 85374

Owen Dejanovich
Clearwater Farms Three HOA
P. O. Box 72
Waddell, Arizona85355

Thomas and Laurie Decatur
924 Torridon, Ct.
Pickerington, OH 43147

Sharon Wolcott
20117 N Painted Cove Lane
Surprise, Arizona 85387

William and Erin Parr
18044 W. Georgia Ct.
Litchfield Park, Arizona 85034

Brian O'Neal
21373 W. Brittle Bush Lane
Buckeye, Arizona 85396

Mike Albertson
6634 N. 176thAve.
Waddell, Arizona 85355

Craig and Nancy Plummer
17174 W. Saguaro Lane
Surprise, Arizona 85388

Peter and Rochanee Corpus
8425 N. 181" Drive
Waddell, Arizona 85355

Kate E. Baumgarth
Arizona Reporting Service, Inc.
2200 North Central Avenue, Suite 502
Phoenix, Arizona 85004

By _____

Jay L. Shapiro
Patrick J. Black
Fennemore Craig
3003 N Central Ave., Suite 2600
Phoenix, Arizona 85012

Michael D. Bailey, City Attorney
C1ty of Surprise
16000 N. Civic Center Plaza
Surprise, Arizona 85374

Frederick G. Botha
Mary L. Botha
23024 N. Giovota Drive
Sun City West, Arizona 85375

Amended
Exhibit V-1

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RYLEY CARLOCK & APPLEWHITE
One North Central Avenue, Suite 1200
Phoenix, Arizona 85004-4417
Telephone: 602/258-7701
Telecopier: 602/257-9582
Michele L. Van Quathem – 019185
Attorneys for Verrado Community Association, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

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SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

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 **Notice of Filing Verrado Community Association, Inc.'s Direct Testimony on Issues Other than Rate Design**

Verrado Community Association, Inc., through its undersigned counsel, hereby provides notice of filing the Direct Testimony of Melinda Gulick and Kent Simer in the above-referenced matter.

DATED this 27th day of June, 2011.

RYLEY CARLOCK & APPLEWHITE

By Michele Van Quathem
Michele Van Quathem
One North Central Avenue, Suite 1200
Phoenix, Arizona 85004-4417
Attorneys for Verrado Community Association, Inc.
mvanquathem@rcalaw.com

Arizona Corporation Commission
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ORIGINAL and 13 copies of the foregoing filed this 27th day of June, 2011, with:

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

COPY of the foregoing mailed this 27th day of June, 2011, to:

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Thomas H. Campbell
Michael T. Hallam
Lewis and Roca LLP
40 N. Central Ave., Suite 1900
Phoenix, AZ 85004
Attorneys for Arizona-American Water Co.

Tina Jibilian, ALJ
Hearing Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Greg Patterson
Water Utility Association of Arizona
916 W. Adams, Suite 3
Phoenix, Arizona 85007

Michelle Wood, Counsel
Residential Utility Consumer Office
1110 W. Washington St., Suite 220
Phoenix, Arizona 85007

Curtis S. Ekmark
Ekmark & Ekmark, L.L.C.
6720 N. Scottsdale Rd., Suite 261
Scottsdale, Arizona 85253
Attorneys for Sun City Grand Community Association

Joan S. Burke
Law Office of Joan S. Burke
1650 N. First Ave.
Phoenix, Arizona 85003
Attorney for Corte Bella Golf Club

Kenneth Hewitt
18729 N. Palermo Court
Surprise, Arizona 85387

By _____

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
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BRENDA BURNS

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

Direct Testimony
of
Melinda Gulick
on behalf of Verrado Community Association, Inc.
June 27, 2011

Executive Summary

Melinda Gulick is the President of Verrado Community Association, Inc. (the "Association"). Ms. Gulick describes the Association's concerns regarding Arizona-American Water Company's proposed large residential and potable irrigation water rate increases, each of which, if granted, will significantly impact Verrado residents.

Verrado is a new community of homes and businesses located near the White Tank Mountains in Buckeye, Arizona. Verrado is expected to have approximately 11,000 homes spanning 8,800 acres. Currently, there are roughly 1813 homes occupied in the community, approximately nine businesses and four schools. All of Verrado's water and sewer service is provided by Arizona-American Water Company.

The Association is a non-profit corporation that serves approximately 5892 current Verrado residents through a variety of services and community and recreational activities. The Association is seriously concerned about the impact of a large water rate increase on its current residents. Water rates were just increased approximately 26% in Arizona-American Water Company's December 2009 rate case (see Decision No. 71410). This concern is aggravated by a current proposal to increase the Agua Fria Wastewater District residential sewer rates up to 139.7% through a potential deconsolidation of the Anthem/Agua Fria Wastewater District in case number WS-01303A-09-0343.

Verrado's residents include many people who are on fixed or reduced incomes that have already been significantly impacted by adverse economic conditions in the Phoenix area in recent years. The Association opposes any unfair or untimely increases in water and sewer rates, especially during these trying economic times, and requests that the Commission carefully examine and consider in making its decision on this case all of the consumer comments and proposed remedies entered in this docket.

Verrado residents will also be impacted by increases to the Association's overall costs. The Association manages various physical facilities and landscaping within the commonly-owned areas throughout Verrado. Common areas are watered with potable water provided by Arizona-American Water Company. Effluent is not yet available at locations and in sufficiently reliable quantities to water landscaping for the Verrado Community Association.

The Association currently pays a rate of $2.7280 per 1,000 gallons for delivery of potable irrigation water. In the current version of the schedules, the Company's proposed commodity rate appears to be a flat $ 4.988622 for all meter sizes, plus a new base charge that varies by meter size. The proposed change in the commodity rate alone would increase costs for water 83% for the Association, equaling an estimated overall increase for test year usage (July 1, 2009-June 30, 2010) of $392,000. This is an enormous and unreasonable increase, and cannot

be sufficiently mitigated by additional conservation. Ms. Gulick describes the steps the Association has already taken to conserve water.

Q. Please state your name, position, business address, and telephone number.

A. My name is Melinda Gulick. I am the current President of Verrado Community Association, Inc. (the "Association"). I am also employed by DMB Associates as Vice President of Community Life. My business address for the Association is 4236 North Verrado Way, Suite A200, Buckeye, Arizona 85396.

Q. Have you previously testified before the Commission?

A. No.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the Association and its interest as an Intervenor in this case. In particular, I am describing the Association's concerns regarding Arizona-American Water Company's proposed large residential and potable irrigation water rate increases, each of which, if granted, will significantly impact Verrado residents.

Q. Please describe Verrado.

A. Verrado is a new community of homes and businesses located near the White Tank Mountains in Buckeye, Arizona. Verrado is expected to have approximately 11,000 homes spanning 8,800 acres. Currently, there are roughly 1813 homes occupied in the community, approximately nine businesses and four schools. All of Verrado's water and sewer service is provided by Arizona-American Water Company.

Q. Please describe the Association.

A. The Association is a non-profit corporation that serves approximately 5892 current Verrado residents through a variety of services and community and recreational activities.

Q. Please described the Association's interest in this case.

A. The Association has two overriding interests in this case. First, the Association is seriously concerned about the impact of a large water rate increase on its current residents. Water rates were just increased approximately 26% in Arizona-American

Water Company's December 2009 rate case (see Decision No. 71410). Our concern is aggravated by a current proposal to increase the Agua Fria Wastewater District residential sewer rates up to 139.7% through a potential deconsolidation of the Anthem/Agua Fria Wastewater District in case number WS-01303A-09-0343.

Verrado's residents include many people who are on fixed or reduced incomes that have already been significantly impacted by adverse economic conditions in the Phoenix area in recent years. The Association opposes any unfair or untimely increases in water and sewer rates, especially during these trying economic times, and requests that the Commission carefully examine and consider in making its decision on this case all of the consumer comments and proposed remedies entered in this docket.

Second, the Association pays water bills too, and Verrado residents will be impacted by increases to the Association's overall costs. In 2010, water costs represented 14 % of the Association's overall spending. Because of the significant portion of the Association's funds that go to landscape watering and maintenance, any increase in those costs will have a direct upward impact on owner's assessments.

In particular, the Association manages various physical facilities and landscaping within the commonly-owned areas throughout Verrado. The Association is responsible for collecting assessments payable pursuant to the community's Charter, and using these funds to support the common areas, including paying water bills to Arizona-American Water Company. Common areas are watered with potable water provided by Arizona-American Water Company. Effluent is not yet available at locations and in sufficiently reliable quantities to water landscaping for the Verrado Community Association.

Q. What rate is Arizona-American Water Company charging for the water used by the Association to water common area landscaping?

A. The Association currently pays an "irrigation" rate of $2.7280 per 1,000 gallons for delivery of potable irrigation water. Annual water use for the twelve months ending June 30, 2010 (the test year) was 173,279,158 gallons.

Q. What new rate is Arizona-American proposing for this service?

A. In the current version of the schedules, the Company's proposed commodity rate appears to be a flat $ 4.988622 for all meter sizes, plus a new base charge that varies by meter size. The proposed change in the commodity rate alone would increase costs for water 83% for the Association, equaling an estimated overall increase for test year usage (July 1, 2009-June 30, 2010) of $392,000. This is an enormous and unreasonable increase.

Q. Is it possible to reduce the impact of a rate increase by decreasing the Association's water use?

A. Yes – through conservation. However, the Association has already taken steps to conserve water because we already had a significant financial incentive to do so. Any further conservation the Association might be able to achieve is unlikely to provide significant relief from the economic impact of such a large rate increase.

Q. What measures has the Association already taken to conserve water?

A. The Association takes water conservation seriously. Verrado faces challenges with both wind and slope, and we must be diligent to maximize every drop of water. First and foremost, the Verrado Community Association has a state-of-the-art Rain Bird MaxiCom irrigation system. The system monitors every emitter's status, which allows us to immediately address any issue that may arise such as leaks or blocks. Irrigation is scheduled based on real-time weather as determined by twice daily readings from the onsite weather station. All watering is done at night to reduce evaporation, and plants are watered only to their wilting point. Recently, we updated 10,000 nozzles within Verrado that emit a heavier water droplet to ensure the water hits the ground and reduces evaporation. So far, after a four month test, the nozzles are reducing water usage by 30%. In addition to our infrastructure, we employ DLC Resources as our landscape contractor, and require it to follow The Irrigation Association's Turf and Landscape Irrigation Best Management Practices. DLC Resources has assigned both a Certified Irrigation Auditor and a Certified Water Manager to our community, one of whom was

recently recognized nationally by the Environmental Protection Agency's WaterSense program for excellence in demonstrated results in irrigation efficiency.

The Verrado Community Association follows best practices for turf management, which include aeration and soil conditioning, allowing us to use less water. DMB also provided highly-trained oversight for our water and landscape programs, by Scott Rowan, who carried the certification of Irrigation Auditor during the design and development of the Verrado Community. He currently oversees all Landscape and Maintenance for the Verrado Community Association.

Q. Does this conclude your testimony in this case?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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

Direct Testimony
of
Kent Simer
on behalf of DMB White Tank, LLC
June 27, 2011

1420157

Executive Summary

Kent Simer is a rate consultant for K. R. Saline & Associates, PLC ("KRSA"), which provides ongoing consulting and engineering services for numerous irrigation and electrical districts, municipal utilities and tribal utilities located throughout the Southwest.

Mr. Simer is addressing the proposed increase in revenue requirements made by the Arizona-American Water Company for their Agua Fria Water District.

Mr. Simer testifies that the proposed rate has significant rate shock implications stemming from the placement of the White Tanks Regional Water Treatment Plant into the rate base. Coinciding with the downturn in the economy, the construction of the treatment plant preceded the growth intended to support its need. Without a sufficient customer base, the increase in revenue requirements will result in an 82.89% rate increase for the average residential customer in the Agua Fria Water District.

Arizona-American is proposing to adopt a declining residential usage mechanism to account for under collections due to conservation efforts made by the utility. Mr. Simer testifies on the likely cause of declining residential usage and whether it constitutes the need for the requested adjustment.

Mr. Simer testifies against the request to change depreciation rates at this time. The adoption of new depreciation rates at this time would only increase the severity of the rate shock impact on the customers. Insufficient evidence has been provided that would demonstrate the need for new depreciation rates at this time. Adoption of new depreciation rates instead of using existing rates does not provide any greater guarantee that Arizona-American will earn a reasonable rate of return.

To mitigate the impact of the requested rate increase, Mr. Simer testifies that a phase-in of the rate increase would be appropriate. A phase-in would smooth the transition to the new rates and would provide more time for recovery in the housing industry, potentially spreading the rate increase across additional customers.

Q1. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A1. My name is Kent R. Simer. My business address is 160 N. Pasadena, Suite 101, Mesa, Arizona. I am a Utility Rate Consultant for K. R. Saline & Associates, PLC, a firm that provides electrical engineering services, management consulting, and ongoing business operational services primarily to wholesale public electric utilities.

Q2. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS AND EXPERIENCE.

A2. I have been employed at K. R. Saline & Associates, PLC for the past thirteen years providing various services to our clients. For the past six years my primary responsibilities have included performing cost-of-service and rate design, economic analyses and computer-aided modeling for power supply planning, load forecasting, financial forecasting, and cost/benefit analysis for various municipal, tribal and public utilities throughout Arizona.

I have a Bachelors Degree in Interdisciplinary Studies in Business and Communications from Arizona State University. Additionally I have completed American Public Power Association basic and advanced Utility Cost of Service and Retail Rate Design courses.

Q3. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A3. No.

Q4. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A4. I am appearing on behalf of the Verrado Community Association, Inc. ("Verrado"). Verrado is a customer of Arizona-American's Agua Fria Water District ("AAWC"), and has as members numerous residential and commercial customers who are directly impacted by the rates proposed by AAWC.

Q5. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?

A5. The purpose of my testimony is to discuss the rate shock implications of the proposed increase to residential customers, the impact of placing the cost of the White Tanks Regional Water Treatment Plant into the rate base, whether it is necessary to change

depreciation rates at this time, and why the use of a Declining Usage Adjustment is not appropriate in this case.

Q6. WHAT IS THE RATE SHOCK IMPLICATION OF THE WATER RATE INCREASE PROPOSED BY AAWC?

A6. As requested by AAWC, the average residential customer (per the revised Schedule H) would see an 82.89% increase in their monthly billing for water provided by AAWC. To an average residential customer, this would result in a $25.13 increase in their monthly water bill and $301.54 in their annual costs for water. By any standard, this increase would result in rate shock to AAWC's customers and should be mitigated.

Q7. WHAT IS THE PRIMARY DRIVER IN THE REQUESTED INCREASE TO AAWC'S AGUA FRIA WATER DISTRICT CUSTOMERS?

A7. The single largest driver in the proposed increase to AAWC's Agua Fria District water customers is the proposed inclusion in rate base of the newly constructed White Tanks Regional Water Treatment Plant. At a total cost of $63.9 million, the plant was placed in service in November of 2009.

Q8. WHEN AAWC FIRST PROPOSED TO CONSTRUCT THE WHITE TANKS REGIONAL WATER TREATMENT PLANT, HOW WAS IT REPRESENTED THAT THE CAPITAL COSTS OF THE WHITE TANKS PLANT WOULD BE PAID?

A8. In Decision 69914 dated September 27, 2007, AAWC proposed that new development pay for the plant through payment of additional hook-up fees. AAWC was granted a substantial increase to its Water Facilities Hook-up Fees. In its request to increase its hook-up fees, AAWC stated

> "Arizona-American believes that its proposal to finance the White Tanks Project with hook-up fees, which will be treated as contributions in aid of construction ("CIAC"), is equitable because customer growth is largely driving the need for the plant (Surrebuttal Testimony of Thomas M. Broderick, Exh. A-7 at 7)."

At the time of that decision, AAWC represented that the increased hook-up fees would cover a substantial portion of the capital requirements to construct the White Tanks Plant, and as a result would not be included in AAWC's rate base. However, due to the continuing decline of the U.S. economy and more specifically the significant decline in the residential housing market in the metro Phoenix area, as of May 2011 only $2.6 million had been collected from hook-up fees. AAWC now proposes to have its existing Agua Fria Division customers pay for the difference. The obvious rate shock result of this proposal is manifested in AAWC's request to include the $63.9 million in rate base and its associated return rather than having collected that amount from CIAC.

Q.9 IF THE WHITE TANKS REGIONAL WATER TREATMENT PLANT IS DETERMINED NOT "USED AND USEFUL" TO CUSTOMERS DURING THE TEST YEAR, WHAT WOULD BE THE IMPACT ON RATES OF EXCLUDING THE PLANT'S CAPITAL COSTS?

A.9. The White Tanks Regional Water Treatment Plant is a significant driver in the proposed increase needed in revenue requirements. The exclusion of the White Tanks Regional Water Treatment Plant capital costs from rate base for the test year would mitigate rate shock to the customers in the Agua Fria Water Division. Though it is difficult to remove the exact costs of the plant in the provided revised Schedules A-F, an effort was made to try to capture the impact the plant has on existing customers. Removing the White Tanks original cost of $63,893,324 and associated adjustments in adjustment TMB-2 from the rate base, along with the operating expense amount $1,549,627 as stated in the testimony provided by Ian C. Crooks and additional O&M adjustments made in ADJ LJG-20 from the operating expenses, the rate shock for residential customers would be reduced from an 82.89% rate increase to a rate increase of 37.29%, a difference of $166 per year for the average residential customer.

Q10. WHAT SHOULD ARIZONA-AMERICAN OR THE COMMISSION DO TO MINIMIZE THE RATE SHOCK OF THE REQUESTED REVENUE INCREASE?

A10. Arizona-American is seeking an overall revenue increase of $20.8 million, $17.5 million of which is directly allocated to the Agua Fria Water District. The impact to Agua Fria Water District will result in an 82.89% rate increase, which will cause significant rate shock to Agua Fria customers. If the plant, or any portion of it, is determined not used and useful, then the related costs should be excluded from rate base in this case. For any portion of the plant that is determined used and useful during the test year, then I recommend a several year phase-in of the requested rate increase to lessen the impact on AAWC's customers.

In Decision 71878 dated September 15, 2010, the Commission adopted a 3-year revenue phase-in for Global Water's Palo Verde division due to significant capital investment made in advance of need in that area. Similar circumstances exist in AAWC's current rate request and a three step phase-in would allow customers time to adapt to the new rates. The addition of time may also provide opportunities for customer growth as local economies improve, potentially spreading the requested rate relief over a greater customer base.

Q11. COULD YOU PLEASE DISCUSS AAWC's PROPOSED DECLINING USAGE ADJUSTMENT?

A11. The declining usage adjustment proposed by Arizona-American is a *pro forma* adjustment that would decrease test-year revenues to reflect anticipated losses due to "a sustained trend of declining residential usage". In the direct testimony of Mr. Kiger on behalf of AAWC, reduced residential consumption is claimed to be the result of increased efforts in water conservation through the use of increasing block tariff structures and best management practices ("BMPs").

Q12. SHOULD THE COMMISSION ACCEPT ARIZONA-AMERICAN'S DECLINING USAGE ADJUSTMENT?

A12. No. The price elasticity of inclining block rates and the use of BMPs has been shown in some cases to lead to conservation by consumers and thus declining usage per customer.

However, the adjustment as proposed looks at the decline in usage during the 2006 through 2010 time period, during which the nation has experienced a significant economic recession and highly unusual housing downturn. Nationally, vacancy rates are at their highest levels since 1980 and census tracts with significant foreclosure activity recorded a vacancy rate of nearly 19% in 2010[1] Arizona fringe communities surrounding the metropolitan Phoenix area saw disproportionate increases in foreclosures and increases in available housing inventory due to a national housing crash. In and near the Agua Fria Water District, the Town of Surprise has been impacted similar to other Agua Fria water customers. The housing resale market was heavily impacted by foreclosure activity with 43% of all homes in 2008 being bought out of foreclosure. The disproportionally high amount of properties purchased out of foreclosure demonstrates the high level of foreclosures in the housing inventory. What is not illustrated in the following graph is the length of time these houses sit empty due to foreclosure, which can often be for months.

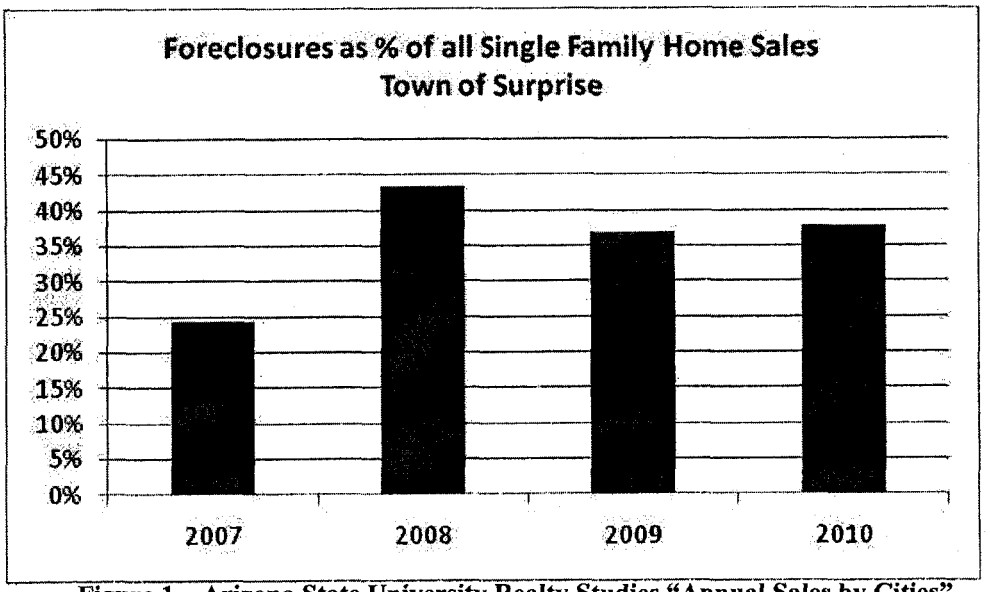

Figure 1 – Arizona State University Realty Studies "Annual Sales by Cities"

[1] "The State of the Nations Housing", Joint Center for Housing Studies, Harvard University. 2011. http://www.jchs.harvard.edu/publications/markets/son2011/son2011_appendix_tables.pdf

The Verrado community lies even further on the outskirts of the city and it is likely to have experienced foreclosure activity that is similar to the Town of Surprise. The resulting increase in empty houses likely played a greater role in the cause for declining average use per customer than tiered rates and BMPs. Though the decrease in water use is significant in its impact to local utilities, it is also a temporary response to economic conditions that is likely to improve as economies improve and empty houses are again occupied.

Declines in residential use per customer are likely the result of a multitude of events. For ratemaking purposes this is important to consider when determining whether the proposed rate adjustment is fair and equitable for customers. The Declining Usage Adjustment is not of sufficient magnitude to warrant extraordinary rate treatment. Similar to staff's response in Decision 71845 (pages 69-71) regarding Arizona Water Company's request for a purchased water adjuster mechanism, the commission should reject AAWC's declining residential usage adjuster because (1) decline in residential use has not had significant impact on AAWC; (2) adjustor mechanism would not incentivize AAWC to seek cost reducing alternatives; and (3) the adjustment mechanism is burdensome and not administratively efficient, and the related cost of administration could exceed potential benefits.

As part of the cost of equity discussions in Decision 71410 (pages 41-45) the Commission pointed out that Arizona-American should not be shielded "from the negative impacts of today's economy that affect its ratepayers and virtually every other business." This declining residential usage adjustment is another attempt to shield the Company from the current economic cycle and it would be premature to establish a mechanism that would smooth out the ups and downs of the economy on the shoulders of their customer base. If declining residential usage is purely the result of the price elasticity of the cost of water then this adjustment will only add to the revenue gap being collected in the adjuster.

Q13. ARIZONA-AMERICAN IS REQUESTING TO CHANGE DEPRECIATION RATES. WHAT IS THE STATED PURPOSE FOR THE CHANGE AT THIS TIME AND HOW WERE THE RATES DETERMINED?

A13. Arizona-American is requesting to adjust depreciation rates to "establish depreciation rates that are reasonably applicable to the depreciable assets of the water and wastewater systems of the Company." *See* Application, p. 13. The depreciation study presented by Mr. Guastella utilized comparative average service lives incorporating data from utilities around the country, NARUC established policies for asset depreciation, and Company O&M records. The study also included a review of net salvage values to more accurately capture asset retirement costs.

Q14. WHAT IS THE IMPACT OF THE PROPOSED DEPRECIATION RATES?

A14. According to Schedule E-1 of the Depreciation study, the Agua Fria Water System would see an increase in depreciation expense of $2,252,589 for the water utility.

Q15. SHOULD ARIZONA-AMERICAN'S PROPOSED DEPRECIATION RATES BE ACCEPTED AT THIS TIME?

A15. No. The adjustment to depreciation rates proposed by Arizona-American will contribute to the significant rate shock that the customers will experience from the rates proposed in this case. Arizona-American does not make it clear why it is necessary to change depreciation rates at this time and has not demonstrated that current depreciation rates are more or less appropriate than the depreciation rates determined by the comparative average service life methodology proposed by Mr. Guastella. In response to staff requests, the company further states that "the course corrections in depreciation rates would likely not be so significant as to render past depreciation accruals as unreasonable" further demonstrating that existing rates may be just as suitable.

The Company states that it may use sub-accounts for any extraordinary retirements where established depreciation rates or salvage values were not sufficient. To help mitigate the rate impact to customers, the Company should continue to use existing depreciation rates

until such a time that actual retirement costs can be collected in sufficient amounts to accurately determine appropriate depreciation rates for Arizona-American's water and wastewater utilities in Arizona. Arizona-American should rely on sub-accounts for extraordinary retirements to record depreciation expense for assets that demonstrate retirement costs differing significantly from existing depreciation rates and salvage values.

Q16. DOES THIS CONCLUDE YOUR TESTIMONY?

A16. Yes.

STATEMENT OF QUALIFICATIONS
OF
KENT R. SIMER

EDUCATION

BIS, Business and Communication, Arizona State University, 2003
MBA, (Coursework toward), University of Phoenix

CERTIFICATIONS & TRAINING

American Public Power Association – Basic Utility Cost of Service and Retail Rate Design (2005)
American Public Power Association – Advanced Utility Cost of Service and Retail Rate Design (2005)
American Public Power Association – Rate and Utility Management Seminars (Ongoing)

RELEVANT WORK EXPERIENCE

Electrical District No. 3 – Annual Cost of Service and Rate Design Analysis (Since 2003)
San Carlos Irrigation Project – Annual Cost of Service and Rate Design Analysis (Since 2005)
Electrical District No. 3 – Load Forecast (Annually)
Imperial Irrigation District – Annual Load Forecast (2001-2008)
Town of Thatcher – Electric Utility Unbundled Cost of Service and Rate Design Study (2004)
San Carlos Irrigation Project – Electric Utility Unbundled Cost of Service and Rate Design Study (2006)
City of Safford – Electric Utility Unbundled Cost of Service and Rate Design Study (2007)
City of Safford – Gas Utility Unbundled Cost of Service and Rate Design Study (2007)
Town of Wickenburg - Electric Utility Unbundled Cost of Service and Rate Design Study (2007)
Electrical District No. 4 – Load Forecast (2008)
Navajo Tribal Utility Authority – Power Requirements Study (2008)
San Carlos Irrigation Project – Electric Unbundled Utility Cost of Service and Rate Design Study (2011)
Multiple Electric Utilities –Revenue Requirement Forecasting / Planning (Ongoing)

Mr. Simer is a rate consultant for K. R. Saline & Associates, PLC. ("KRSA"), which provides ongoing consulting and engineering services for numerous irrigation and electrical districts, municipal utilities and tribal utilities located throughout the Southwest. Many of KRSA's clients were created to bring electrical service to rural areas to facilitate groundwater pumping for agricultural purposes. Over time these clients have extended their electrical service offerings to residential and commercial customers, and have seen their agricultural wells repurposed for commercial pumping and potable water development. Mr. Simer provides various consulting services for these clients.

Employed since 1998, Mr. Simer's experience in the utility industry includes economic analyses and computer-aided modeling for power supply planning, load forecasting, financial forecasting, cost/benefit analysis and rate studies. Mr. Simer participates with several regional public power organizations that seek to find the balance between environmental and cultural stewardship of water resources and federal project power development on the Colorado River. Mr. Simer assists in analysis of Western Area Power Administration rate filings and participates in Public Information Forums and Public Comment Forums for federal rate making for Parker-Davis Project power rates, Parker-Davis Project transmission rates, Pacific NW-SW Intertie transmission rates, Boulder Canyon Project power rates, and Salt Lake City Area Integrated Projects power and transmission rates.

Ongoing Consulting Services Include:

Project: Financial and Economic Studies
Project Description: Economic analysis of operations, financial modeling, forecasting, cash management analyses and electric rate studies, including cost-of-service and bundled and unbundled rate design.

Project: Load Forecasting
Project Description: Long range load forecasting based on econometric and time series techniques that incorporated regional economic, demographic, and climatological data to develop independent energy forecasts for the various customer classes and the peak demand for the total system. Forecasts of energy and demand were developed for low and mid-range as well as high range expectations of future economic conditions.

Project: Integrated Resource Plans.
Project Description: Conservation and Renewable Energy programs, Integrated Resource Plans, evaluation of long-term and short-term power supply alternatives, demand-side planning and special resource pooling and resource integration arrangements.

Special Projects Include:

Project: Standard Market Design Study
Project Description: Investigating the effects of Standard Market Design and the implementation of Locational Marginal Pricing methodologies. This included development of a generation cost data database, simulation of powerflow models under existing and proposed scenarios, and analysis of the data created from the simulations.

Project: Solar Feasibility Study
Project Description: Developed a twenty-year utility rate model based on forecasted commercial load. Load profile was analyzed for its suitability under existing available time-of-use and net metering rate tariffs to determine the most financially beneficial solution. Model included development of utility rate increase assumptions, net metering determination, and calculation of applicable fees and taxes. Feasibility analysis included review of current utility renewable incentives, federal and state tax implications, and project capital planning. Feasibility package included all necessary data and materials to aid customer in making their solar decision.