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BEFORE THE ARIZONA CORPORATION COMMISSION

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7
8 IN THE MATTER OF THE APPLICATION OF
9 ARIZONA WATER COMPANY, AN ARIZONA
10 CORPORATION, FOR A DETERMINATION
11 OF THE FAIR VALUE OF ITS UTILITY
12 PLANT AND PROPERTY, AND FOR
13 ADJUSTMENTS TO ITS RATES AND
14 CHARGES FOR UTILITY SERVICE
15 FURNISHED BY ITS WESTERN GROUP
16 AND FOR CERTAIN RELATED
17 APPROVALS.

Docket No. W-01445A-10-0517

Arizona Corporation Commission
DOCKETED

FEB 23 2012

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NOTICE OF FILING

18 The RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO") hereby provides notice of
19 filing the Testimony Summaries of William A. Rigsby, Rodney Moore, Timothy Coley, and Jodi
20 A. Jerich, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 23rd day of February, 2012

Michelle L. Wood
Counsel

1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 23rd day
3 of February, 2012 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

5 COPIES of the foregoing hand delivered/
6 mailed this 23rd day of February, 2012 to:

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By Cheryl Fraulob
Cheryl Fraulob

Arizona Water Company
Docket No. W-01445A-10-0517
Rate Application

SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the settlement testimony of Residential Utility Consumer Office ("RUCO") witness William A. Rigsby, on the proposed settlement agreement ("Agreement") on Arizona Water Company's ("AWC" or "Company") application for a permanent rate increase for its Western Group operating systems, which was filed with the Arizona Corporation Commission ("ACC" or "Commission") on Wednesday, February 15, 2012. RUCO supports the Agreement and Mr. Rigsby will testify to the following:

RUCO supports the Agreement reached between AWC, Staff of the Arizona Corporation Commission, RUCO, Abbott Laboratories ("Abbott"), and the Water Utilities Association of Arizona ("WUAA") (collectively referred to as the "Signatory Parties").

Under the Agreement, AWC has agreed to accept a Western Group fair value rate base ("FVRB") of \$53,234,209 which is \$838,586 lower than the \$54,072,795 originally proposed by the Company in its amended application filed on May 9, 2011, and is \$204,948 lower than the \$53,439,157 FVRB recommended by RUCO.

SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY (Cont.)

The Agreement contains a level of required increase in gross revenue for AWC's Western Group of \$3,224,403, which is \$1,339,707 lower than the \$4,564,110 level of increase originally proposed by the Company and \$75,423 higher than the \$3,147,980 recommended by RUCO.

The Signatory Parties have agreed to a cost of long-term debt of 6.82 percent, a cost of common equity of 10.00 percent, and a capital structure comprised of 49.03 percent long-term debt and 50.97 percent common equity which produces a weighted average cost of capital, or rate of return, of 8.44 percent.

The Agreement adopts a rate design that excludes a declining use adjustment which was originally proposed by the Company, and has the full support of Abbott, which is one of AWC's large industrial customers in the Company's Casa Grande service area.

The Signatory Parties have also resolved or agreed to a number of other issues such as consolidating the Company's Stanfield system into the Pinal Valley system (which RUCO supported in its direct testimony) while leaving White Tank and Ajo as stand alone operating systems. Also under the Agreement, AWC will not pursue the Company's request for a Distribution System Improvement Charge ("DSIC") in this proceeding.

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WITNESS SUMMARY OF RODNEY L. MOORE
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the Direct Testimony given by Rodney L. Moore.

Mr. Moore's limited involvement in this proceeding was to file RUCO's direct rate designs for the Pinal Valley, White Tank and Ajo Systems. Mr. Moore's rate design pre-dates the Settlement Agreement and had recommended the following typical monthly bills for residential customers with average consumption on a 5/8" X 3/4" meter:

<u>SYSTEM</u>	<u>PRESENT RATE</u>	<u>PROPOSED RATE</u>	<u>% CHANGE</u>
Pinal Valley (Casa Grande)	\$29.51	\$31.36	6.27%
Pinal Valley (Coolidge)	\$28.59	\$30.24	5.75%
Pinal Valley (Stanfield)	\$39.17	\$30.65	-21.75%
White Tank	\$52.16	\$66.66	27.79%
Ajo	\$50.24	\$45.58	-9.28%

RUCO'S position has been modified via the settlement negotiations. RUCO's current position is more fully and accurately set forth in the witness summaries and testimonies of RUCO's witnesses, Jodi Jerich and William Rigsby who filed testimony in support of the settlement agreement.

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SUMMARY OF THE DIRECT TESTIMONY OF TIMOTHY J. COLEY
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the issues set forth in RUCO's direct testimony of witness Timothy J. Coley on Arizona Water Company's Western Group application for a permanent rate increase for the water systems of Pinal Valley, White Tank, and Ajo. A full discussion of the rate base and operating income issues are contained in the above referenced document. RUCO witnesses, Mr. Rodney Moore, addressed RUCO's rate design while Mr. William Rigsby sponsored RUCO's cost of capital recommendation and other policy related issues. Mr. Coley testified on Direct only. His Direct Testimony does not include modifications which resulted from RUCO's participation in settlement negotiations

On Direct, RUCO's rate base and operating income recommendations were based on two rate base adjustments and four operating income adjustments. For the Pinal Valley System, RUCO recommended a \$2,672,556 or 16.13 percent revenue increase to provide a \$3,834,846 operating income for an 8.19 percent rate of return on a \$46,846,040 fair value rate base. On Direct, RUCO's recommendations reflected two rate base adjustments for a \$551,991 reduction and four operating income adjustments for a \$78,218 increase in adjusted test year operating income.

Because RUCO did not agree with the consolidation of the White Tank System with the Pinal Valley System on Direct, RUCO recommended a \$481,317 or 30.38 percent revenue increase to provide a \$458,975 operating income for an 8.19 percent rate of return on a \$5,606,782 fair value rate base.

SUMMARY OF THE TESTIMONY OF TIMOTHY J. COLEY (Cont.)

For the Ajo System on Direct, RUCO recommended a (\$5,893) or (-1.16) percent revenue decrease to provide a \$80,742 operating income for an 8.19 percent rate of return on a \$986,335 fair value rate base. On Direct, RUCO's recommendations reflected two rate base adjustments for a \$6,165 reduction and four operating income adjustments for a \$1,958 increase in adjusted test year operating income.

RUCO's position has been slightly modified as a result of the settlement negotiations. RUCO Director, Ms. Jodi Jerich, and Chief of Accounting and Rates, Mr. Rigsby, more fully and accurately set forth RUCO's settlement position in their testimony in support of the settlement agreement.

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SUMMARY OF THE TESTIMONY OF JODI A. JERICH
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

RUCO supports the proposed Settlement Agreement. Settlement negotiations were open and all parties had an opportunity to participate fully throughout the negotiations. The end result is an Agreement that RUCO finds provides benefits for both the utility and the consumer and is in the public interest.

The proposed Settlement Agreement benefits ratepayers for the following reasons:

1. It adopts a revenue requirement that is only \$76,423 higher than the amount recommended by RUCO but \$1,311,184 lower than the amount requested by Arizona Water.
2. It provides Ajo customers with a rate decrease.
3. It provides Stanfield customers with a rate decrease.
4. It provides White Tanks customers with a rate increase that is less than the increase originally recommended by RUCO.
5. It provides Pinal Valley customers (excluding Stanfield) with a rate increase that is less than the increase originally requested by Arizona Water.
6. It adopts RUCO's recommendations regarding the DSIC and rate consolidation.