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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- BOB STUMP, Chairman
- GARY PIERCE
- BRENDA BURNS
- SUSAN BITTER SMITH
- BOB BURNS

DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF )  
 TUCSON ELECTRIC POWER COMPANY ) DOCKET NO. E-01933A-12-0291  
 FOR THE ESTABLISHMENT OF JUST AND )  
 REASONABLE RATES AND CHARGES ) NOTICE OF FILING OF  
 DESIGNED TO REALIZE A REASONABLE ) SOUTHERN ARIZONA WATER  
 RATE OF RETURN ON THE FAIR VALUE OF ) USERS ASSOCIATION  
 ITS OPERATIONS THROUGHOUT THE )  
 STATE OF ARIZONA. )

Southern Arizona Water Users Association hereby provides notice of filing of the prepared Direct Testimony of Richard L. Darnall in the above-docketed proceeding.

Dated this 11<sup>th</sup> day of January 2013.

Respectfully submitted,

*Lawrence V. Robertson, Jr.*

Lawrence V. Robertson, Jr.  
Attorney for Southern Arizona Water Users Association

The original and thirteen (13) copies of the foregoing will be filed this 11<sup>th</sup> day of January 2012 with:

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

A copy of the same served by e-mail or first class mail this same date to:

All Parties of Record

Arizona Corporation Commission  
**DOCKETED**

JAN 11 2013

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**Prepared Direct Testimony**

**Of**

**Richard L. Darnall**

**For**

**Southern Arizona Water Users Association**

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**Prepared Direct Testimony  
Of  
Richard L. Darnall  
For  
Southern Arizona Homebuilders Association**

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**INTRODUCTION**

10 **Q.1 Please state your name and business address.**

11 A.1 My name is Richard L. Darnall and my business address is 4645 South Lakeshore  
12 Drive, Tempe, Arizona, 85282.

13  
14  
15

16 **Q.2 By whom are you employed?**

17 A.2 I am employed by Utility Resource Strategies Consulting Group, LLC as an  
18 Executive Consultant. Utility Strategies Consulting Group (“USCG”) provides a  
19 wide range of consulting services to electric, gas and water utilities throughout the  
20 western United States.

21  
22

23 **Q.3 Please describe your background and consulting experience.**

24 A.3 I have a Bachelors of Science degree in Accounting from the University of  
25 Wyoming and was a practicing Certified Public Accountant for approximately 25  
26 years. I have over 35 years of utility experience. I started out my utility career  
working for a large investor owned utility located in the Pacific Northwest ending  
up as Director of Planning and Budgets. I then worked for a large consulting firm  
located in Phoenix, Arizona for 10 years before starting my own firm. I then  
started my own firm, Utility Resource Services, Inc., before merging,  
approximately 8 years ago, with Utility Strategies Consulting Group, LLC. I have  
testified before numerous state regulatory agencies and the Federal Energy

1 Regulatory Commission.

2  
3 **Q.4 Who are you representing in this case?**

4 A.4 I am appearing on behalf of the Southern Arizona Water Users Association  
5 (“SAWUA”). SAWUA’s membership consists of publically- and privately-owned  
6 providers of potable and wastewater services, and some who use electricity for  
7 agricultural pumping purposes. At present SAWUA’s members purchase  
8 electricity from Tucson Electric Power Company (“TEP”) under rate schedules and  
9 tariffs currently designated as PS-43 (Municipal Water Pumping-Firm), PS-45  
10 (Municipal Water Pumping-Intermittent) and GS-31 (Agricultural Pumping-  
11 Interruptible).

12  
13 **Q.5 Where are SAWUA’s members located, and why was SAWUA formed?**

14 A.5 SAWUA’s members are located within the municipal boundaries of the City of  
15 Tucson, the Town of Marana, the Town of Oro Valley, the Town of Sahuarita, and  
16 various unincorporated areas in Pima County (including the community of Green  
17 Valley) and Pinal County.

18 SAWUA is a nonprofit corporation under the laws of the State of Arizona,  
19 and was incorporated in 1999 for the promotion of common business interests of its  
20 members, pursuant to Section 501(c)(6) of the Internal Revenue Code. The rates  
21 that SAWUA’s members pay for electricity is an example of such a common  
22 business interest, and thus SAWUA decided to participate as an Intervenor in this  
23 proceeding. As indicated in its October 25, 2012 Application for Leave to  
24 Intervene, electric rates represent a significant operating expense for SAWUA’s  
25 members in connection with their respective operations.  
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**Q.6 Who are SAWUA's members?**

A.6 SAWUA's current members are as follows: Avra Water Co-Op, BKW Farms, Community Water Company of Green Valley, FICO/Farmers Water Co., Flowing Wells Irrigation District, Green Valley Domestic Water Improvement District, Kai Farms, Town of Marana Municipal Water System, Metro Water District, Oro Valley Water Utility, Pima County Regional Wastewater Reclamation Department, Red Rock Utilities, L.L.C., Sahuarita Water Company, Town of Sahuarita Wastewater and Tucson Water Department. In that regard, the City of Tucson's Water Department and the Town of Sahuarita provide wastewater (and non-potable water) services in the service areas of various members of SAWUA.

**Q.7 What is the purpose of your testimony?**

A.7 I was asked to review TEP's Schedule G, Allocated Cost of Service and Schedule H, Rate Design and determine if the methodology and analyses used by TEP were fair and reasonable in terms of the rate impact upon the Municipal and Irrigation Pumping customers, which include SAWUA's members. Additionally, I have been asked to review the testimony and exhibits of the ACC Staff, RUCO and other interveners as the same pertain to Schedules G and H and determine if their methodologies and analyses (and resulting rate impact(s) and recommendations) are fair and reasonable with respect to Municipal and Irrigation Pumping customers.

**Q.8 Based upon your review and analyses of TEP's Schedules G and H what have you concluded?**

A.8 I believe TEP's schedules G and H, as revised, provide a fair allocation of costs to

1 the Municipal and Irrigation Pumping class of customers, and that TEP's proposed  
2 rate design will allow TEP to recover an appropriate level of revenues with respect  
3 to that class of customers.  
4

5 **Q.9 In your last two answers, you have referred to Municipal and Irrigation**  
6 **customers as a single class, and in an earlier answer, you indicated that**  
7 **SAWUA's members currently purchase electricity from TEP under one or**  
8 **more of Rate Schedules PS-43, PS-45 or GS-31. What is SAWUA's**  
9 **understanding, based on TEP's direct testimony and exhibits, as to what types**  
10 **of customers would be served under TEP's proposed new Rate Schedule GS-**  
11 **43?**

12 A.9 It is SAWUA's understanding that TEP's proposed new Rate Schedule GS-43 will  
13 include customers who currently purchase electricity under Rate Schedules PS-43,  
14 PS-45 or GS-31. Thus, Rate Schedule GS-43 would be available to the following  
15 types of customers (i) public and private potable water and non-potable service  
16 providers, (ii) public and private wastewater service providers, and (iii) agricultural  
17 pumping. In that regard, electricity purchased under Rate Schedule GS-43 could  
18 be used for (i) wells and booster stations used for domestic supply and reclaimed  
19 water, (ii) pump stations used for wastewater conveyance and treatment and (iii)  
20 agricultural pumping.  
21

22 **Q.10 Have you as yet reviewed the cost allocation and rate design testimony of the**  
23 **ACC Staff, RUCO and other Intervenors?**

24 A.10 No. That testimony is being filed contemporaneously with my cost allocation and  
25 rate design testimony on behalf of SAWUA. To the extent any of their cost  
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allocation and/or rate design proposals might adversely impact SAWUA's members, I will address the same in Surrebuttal Testimony on behalf of SAWUA. Similarly, if TEP should propose anything adverse to SAWUA's members in TEP's forthcoming Rebuttal Testimony, I will address that as well in my Surrebuttal Testimony.

**Q.11 Does this conclude your prepared direct testimony?**

A.11 Yes it does.