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Arizona Corporation Commission

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Attorneys for Intervenor
Beaver Dam Property Owners' Association

DOCKETED BY

**BEFORE THE ARIZONA
CORPORATION COMMISSION**

IN THE MATTER OF THE
APPLICATION OF BEAVER DAM
WATER COMPANY, INC. FOR A
RATE INCREASE.

Docket No. W-03067A-12-0232

**BDPOA'S NOTICE OF FILING
SURREBUTTAL TESTIMONY OF
JEROME BRICK**

Pursuant to the Assistant Chief Administrative Law Judge's Procedural Order (p. 2) dated November 20, 2012, Intervenor Beaver Dam Property Owners' Association ("BDPOA"), by and through undersigned counsel, hereby provides notice of its filing of the attached Surrebuttal Testimony of Jerome Brick in this docket.

RESPECTFULLY SUBMITTED this 1st day of February, 2013.

LUBIN & ENOCH, P.C.

Jarrett J. Haskovec, Esq.
Attorney for Intervenor BDPOA

Original and thirteen (13) copies
of BDPOA's Notice of Filing Surrebuttal
Testimony filed this 1st day
of February, 2013, with:

Arizona Corporation Commission
Docket Control Center
1200 West Washington Street
Phoenix, Arizona 85007-2996

1 Copies of the foregoing mailed
2 this same date to:

3 Bob Frisby, President
4 Beaver Dam Water Company, Inc.
5 P.O. Box 550
6 Littlefield, Arizona 86432

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1 **Q1. PLEASE STATE YOUR NAME.**

2 A1. My name is Jerome Brick.

3 **Q2. ARE YOU THE SAME JEROME BRICK WHO PREVIOUSLY FILED DIRECT**
4 **TESTIMONY ON BEHALF OF THE BEAVER DAM PROPERTY OWNERS'**
5 **ASSOCIATION ("BDPOA") IN THIS DOCKET?**

6 A2. Yes.

7 **Q3. ARE YOU STILL A RESIDENT OF THE RESIDENTIAL SUBDIVISION**
8 **DEVELOPMENT KNOWN AS "BEAVER DAM RETIREMENT PARK" ("THE**
9 **PARK")?**

10 A3. Yes.

11 **Q4. IS THE PARK (OR PART OF IT) ALSO KNOWN AS THE "BEAVER DAM RV**
12 **RESORT" OR "THE RESORT"?**

13 A4. Yes, it is sometimes called that.

14 **Q5. PLEASE PROVIDE A SUMMARY OF YOUR REBUTTAL TESTIMONY.**

15 A5. In my surrebuttal testimony, I first observe that the proposed rate of return under Beaver
16 Dam Water Company's ("BDWC" or "the Company") rebuttal and Staff's direct is higher
17 than the rate of return adopted by the Commission for comparably-sized utilities in recent
18 decisions (p. 2). With respect to operating income and rate design (p. 2), I explain why,
19 for a variety of economic, social, historical, and other reasons, the Commission should
20 maintain the collective billing status for the BDPOA that it has had in place for the past
21 25 years and why the Commission should reject the arguments for converting to
22 individual billing advanced by the Company (in its rebuttal) and Staff (in its direct). I
23 further explain that under both the Company's and Staff's rate designs (including
24 individual billing), BDPOA members would face extreme rate shock as their bills would
25 effectively treble from one month to the next. Finally, I present a rate design proposal
26 that would serve to increase BDPOA-derived revenue in a manner consistent with
27 gradualism and the Commission's historical treatment of the BDPOA as a collective for
28 rate-making purposes.

RATE OF RETURN

Q6. WHAT, IF ANY, GENERAL OBSERVATION DO YOU HAVE TO OFFER WITH RESPECT TO THE PROPOSED RATE OF RETURN IN THIS MATTER?

A6. As we observed in our Application to Intervene in this matter, we believe the Company’s proposed rate of return in this matter – 8.725%¹ – is high. Staff, however, proposed an even higher rate of return for the Company in its direct testimony, *to wit*, 9.63%.² While the BDPOA is not in a position to offer any independent analysis from a consultant regarding the cost of capital and an appropriate rate of return here, I would note Staff’s observation in a recent rate case involving a comparably-sized utility providing wastewater service that an overall rate of return of 7.36% is “comparable to that adopted by the Commission for other utilities in recent decisions.”³ In that case, the Commission ultimately adopted a required rate of return of 7.25%.⁴

OPERATING INCOME AND RATE DESIGN ISSUES

Q7. DOES STAFF SUPPORT THE COMPANY’S PROPOSAL TO CONVERT TO INDIVIDUAL BILLING FOR BDPOA CONNECTIONS?

A7. Yes, the Staff Report indicates Staff does support such a conversion.

Q8. WHAT RATIONALE DOES STAFF OFFER AS TO WHY THEY SUPPORT SUCH A CONVERSION?

A8. According to the Staff Report, Staff offers the blanket rationale that “[i]ndividual billing appropriately makes each customer responsible for water consumption and allows each customer control over his/her bill.”⁵

¹ See Rebuttal Testimony of Thomas J. Bourassa (“Bourassa Rebuttal”), BDWC, at 17.

² *Id.*

³ See Decision No. 71956 at 8.

⁴ *Id.* at 8-9.

⁵ See Staff Report at 5.

1 **Q9. DO YOU AGREE WITH THE RATIONALE GIVEN?**

2 A9. No, I do not at all agree that such is the case with respect to Park residents in light of
3 some unique characteristics of the Park and the BDWC's and Staff's minimum-charge-
4 heavy proposed rates. Staff offers no further specifics or illustrations showing how or
5 why that is so in the case of the BDPOA.

6 **Q10. PLEASE EXPLAIN WHY YOU DISAGREE WITH THIS RATIONALE.**

7 A10. Even as a collective for billing purposes, the BDPOA and its members have gone to great
8 lengths to limit their own water consumption. Because of these efforts, the high number
9 of seasonal residents in the Park (approximately 128 out of 177 are seasonal residents),
10 and the composition of the Park (predominantly made up of RVs and relatively small
11 park model homes), Park residents do not use much water each month. Moreover, there
12 is absolutely no indication that anyone is failing to conserve simply because they believe
13 others within the Park will be subsidizing their relatively higher water usage to some
14 degree. Finally, because the vast majority of BDWC's individual residential rates and
15 charges comes in the form of a fixed monthly minimum charge, Park residents would
16 have very little actual control over their water costs if individual billing were adopted.

17 **Q11. PLEASE GIVE ME AN EXAMPLE TO ILLUSTRATE WHAT YOU MEAN.**

18 A11. Certainly. In the 2011 test year, BDPOA members collectively utilized approximately
19 2,778,253.5 gallons of water provided by BDWC, as their billing statements, attached
20 hereto as Exhibit E, show. Based on these bills, the rough monthly breakdown of water
21 usage over the year is as follows:
22
23
24
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BDPOA Water Usage During the Current Test Year

Month (2011)	Gallons of Water	Month (2011)	Gallons of Water
January	335,441	July	77,000
February	341,000	August	92,000
March	413,000	September	116,000
April	377,000	October	140,000
May	318,000	November	208,000
June	243,000	December	117,812.5
		Annual Total	2,778,253.5

I say “rough monthly breakdown” because the billing periods do not perfectly coincide with the corresponding calendar month, which has particular consequences at the beginning and the end of the year. For instance, for the December 2010/January 2011 bill and the December 2011/January 2012 bill, I had to determine the appropriate share of the days falling within the 2011 test year (5 days and 29 days, respectively) and to include a proportionate amount of the bill within the test year. Accordingly, for the December 2010/January 2011 bill, because 5 days out of the 34 day billing period fell within January 2011, I took $5/34 \times 343,000$ gallons billed, or 50,411, which I added to the January 2011 bill total of 285,000 for a total January sum of 335,441. Similarly, I accounted for the 3 days of the December 2011/January 2012 bill that did not fall within the test year and made appropriate downward adjustments to the monthly gallons figure for December. Nevertheless, I believe these figures are more accurate than the Company’s somewhat lower estimate of BDPOA’s annual usage in 2011 of \$2,740,000 gallons,⁶ even if the January, December, and total figures are not properly rounded.

Dividing the annual usage amount by 12, the resulting average usage was 231,521.125

⁶ See Bourassa Rebuttal, Exhibit TJB-RB-3.

1 gallons per month in 2011. Further dividing this amount by 177, the average monthly
2 usage was 1,308 gallons per BDPOA connection. A comparison to the average and
3 median 5/8 x 3/4-inch meter customers monthly usage in the test year of 6,577 gallons
4 and 4,250 gallons, respectively,⁷ reveals that BDPOA members already use considerably
5 less BDWC-provided water than other residential customers – approximately 3,000 to
6 5,000 gallons less per month than average residential customers in this class. That is so
7 even though the BDPOA is billed as a collective entity. There is every reason to believe
8 that BDPOA members are already cost-conscious consumers of water and no substantial
9 reason to believe they are not. Indeed, given that the Park community is mostly made up
10 of retirees who generally have fixed incomes and are often of modest means, residents are
11 sensitive to even a minimal increase in their monthly costs.

12
13 Based on this water usage under current rates (2,778,253.5 gallons multiplied by
14 \$3.15/thousand gallon) and the BDPOA’s monthly minimum charges (\$1,375 times 12
15 months, or \$16,500), BDWC derived revenue of approximately \$25,251.50 from the
16 BDPOA during the test year, a figure slightly higher than the Company’s estimate of
17 \$25,131 in revenue.⁸

18 **Q12. WHY DO YOU SAY “THE BDWC’S AND STAFF’S MINIMUM-CHARGE-
19 HEAVY RATES” UNDER THE PROPOSED INDIVIDUAL BILLING
20 ARRANGEMENT WOULD LIMIT THE EXTENT OF AN INDIVIDUAL
21 RESIDENT’S CONTROL OVER HIS OR HER WATER COSTS?**

22 A12. Assuming current average usage (1,308 gallons per month) continues, the overwhelming
23 majority of the average Park resident’s water bill under the Company’s or Staff’s
24 proposed rate design (including individual billing) would be derived from fixed monthly
25

26
27 ⁷ See Staff Report, Schedule JAC-5.

28 ⁸ See Bourassa Rebuttal, at 41, Rebuttal Schedule H-1.

1 minimum charges, as the following table demonstrates:⁹

2
3 **Park Residents' Projected Water Bills Under Company's and Staff's Proposals**
4 **(Assuming Current Average Usage of 1,308 Gallons Per Resident)**

5

	Company-Rebuttal	Staff-Direct
6 Monthly Minimum Charge	\$31.52	\$27.50
7 Usage Charge	\$3.23	\$2.62
8 Total Estimated Bill	\$34.75	\$30.12
9 % of Bill Representing Fixed	90.7	91.3
10 Monthly Charges		

11 Consequently, since the resident's usage would have such a small impact on the overall
12 bill under proposed (individual) rates, Park residents would have an extremely limited
13 incentive to conserve and control the only variable part of their bill – usage – under the
14 proposed individual rates. In other words, increasing the fixed service charge mutes the
15 price signal to customers to conserve by reducing the share of water bill cost savings that
16 customers experience when they conserve water.

17
18 Moreover, by recovering fixed costs through such high minimum service charges, the
19 Company would be effectively removing (or at least drastically reducing) any risks it
20 would bear related to its volume of water sales. To put it differently, the Company stands
21 a great chance of making money from its customers even if it does not sell much water.

22
23 To give you a further example of this, let's assume a given resident uses considerably
24 more water than average – let's say 5,000 gallons per month, or nearly *four times* as much
25 water as the average resident. The following table illustrates the resulting bill impact:

26
27
28 ⁹ See Bourassa Rebuttal, at 24-26; Staff Report, Schedule JAC-4.

1 **Park Residents' Projected Water Bills Under Company's and Staff's Proposals**

2 **(Assuming Usage of 5,000 Gallons Per Resident)**

3

	Company-Rebuttal	Staff-Direct
4 Monthly Minimum Charge	\$31.52	\$27.50
5 Usage Charge	\$12.35	\$14.00
6 Total Estimated Bill	\$43.87	\$41.50
7 % of Bill Representing Fixed	71.8	66.3
8 Monthly Charges		

9

10 Even assuming nearly four times more water consumption than the average Park resident,
11 the fixed charge portion of the bill would still represent approximately two-thirds or more
12 of the resident's overall bill. Here again, the high fixed monthly charges proposed would
13 mute the price signal that should be sent to customers and limit their ability to control
14 their water bills in any significant way.

15 **Q13. ARE THERE ANY OTHER REASONS YOU BELIEVE CONVERTING TO**
16 **INDIVIDUAL BILLING FOR PARK RESIDENTS WOULD NOT MAKE SENSE?**

17 A13. Beyond the extreme rate shock it would engender for individual residents when their bills
18 suddenly treble from one month to the next, as I discussed in my direct testimony, there
19 are several significant reasons for not allowing the conversion. In the first place, it is
20 worth pointing out that the collective billing status has been in place since 1987 when the
21 BDWC was first granted a Certificate of Convenience and Necessity,¹⁰ so any change in
22 this regard would be a departure from how the Commission has treated the BDPOA for
23 rate purposes over the past 25 years.

24

25 Second, the Company's proposed conversion to individual billing is a solution in search
26 of a problem. I am here as the elected representative of the BDPOA to report to you that

27

28 ¹⁰ See Decision Nos. 55788 at 8-9 and 71415 at 17.

1 a majority of Park residents, whether seasonal or year-round and whether residing in an
2 RV or a single family home, prefers being billed under the *status quo* arrangement (by
3 which the BDPOA pays the water bill and seeks an equal per lot reimbursement via the
4 BDPOA assessment) rather than the individual billing alternative. Members are frankly
5 not that concerned about small variations in usage among the residents. The current
6 arrangement offers our members the convenience of not having to write a separate check
7 and mail it in every month (with postage) in order to pay their water bills (or to otherwise
8 have to take some step(s) to pay the bill and record the expenditure). Members can rest
9 assured that the BDPOA will pay the bill on time in the first instance, which is helpful to
10 our seasonal residents who may have to forward mail or change their address for mailing
11 purposes at least a couple of times per year.

12
13 Third, the current collective billing arrangement affords substantial economies and
14 benefits to the Company and ultimately to rate payers – economies and advantages that
15 also serve to distinguish it from current residential customers with 5/8 x 3/4-inch meters.

16 Among other things:

17 (1) The Company does not need to read 177 individual water meters every
18 month to determine water usage; rather, it only has to read one. Likewise,
19 the Company does not have to utilize its employees and/or outside
20 contractors to address a host of other issues related to having 177 separate
21 meters within the Park, including fielding questions from potentially 177
22 separate customers about their individual accounts, meters, and meter
23 readings; testing the meters; and repairing the meters.

24 (2) BDWC does not need to generate, print, and mail out monthly billing
25 statements to 177 individual customers (with its attendant costs) or to
26 engage in all of the associated collection efforts that could entail. It only
27 has to send one billing statement, which is always paid in full on time, as
28 Exhibit E shows for the test year. The current arrangement effectively

1 removes any collection-related risks the Company would otherwise face.

- 2 (3) Because BDPOA members generally maintain water service year-round
3 under the current arrangement, even if they are only seasonal residents of
4 the Park, this arrangement limits the number of potential calls related to
5 disconnecting and reestablishing service the Company might otherwise
6 receive.

7 Accordingly, and in light of the dearth of cost-of-service information for particular
8 customer classes in this docket, there is no basis for finding that the cost of serving
9 BDPOA members is remotely similar to the costs of serving current 5/8 x 3/4-inch
10 residential customers.

11
12 Finally, I would note that, given the number of BDWC's customers in the test year (305)
13 and the relatively few commodity rate categories/meter sizes in which it presently has
14 connections (6 out of 11 rate categories),¹¹ there is no reason to believe it would be
15 administratively burdensome or difficult for BDWC to maintain the *status quo* by
16 allowing the BDPOA to remain in a separate category (along with another RV park).¹² In
17 fact, to keep this rate structure would be to recognize the BDPOA's unique status among
18 customers in light of the foregoing realities.

19
20 All things considered, the Company's proposal to convert the BDPOA to individual
21 billing, notwithstanding the BDPOA's long-established collective billing status with the
22 costs savings it offers to the Company, is only seriously offered as a revenue generation
23 measure. It serves no further purpose beyond increasing its own operating expenses,
24 which the Company will no doubt seek to recover in its next rate case. For all of these
25 reasons, I do not believe the proposed rates (including converting to individual billing)

26
27 ¹¹ See Staff Report, at 2 and Attachment A, at 1-3.

28 ¹² *Id.*

1 *vis-à-vis* the BDPOA and its members would be just and reasonable.

2 **Q14. DO YOU DISPUTE BDWC’S CLAIM THAT BILLING THE BDPOA AS A**
3 **COLLECTIVE IS UNFAIR TO PARK RESIDENTS WHO RESIDE IN RVs, MAY**
4 **USE RELATIVELY LESS WATER, AND THEREFORE ARE ALLEGEDLY**
5 **SUBSIDIZING OTHER RESIDENTS?¹³**

6 A14. Yes, I do. First, as I noted before, there is no actual, wide-spread perception of unfairness
7 among Park residents concerning the present arrangement, Mr. Frisby’s suggestion to the
8 contrary notwithstanding.

9
10 Second, I would note that Mr. Frisby does not indicate the date of BDWC’s “last
11 submittal design report to ADEQ” or the period of time over which the comparative
12 water-usage data referenced was collected, nor does he provide a copy of the submittal to
13 substantiate the relative average usage numbers asserted.¹⁴

14
15 Third, Mr. Frisby asserts in this regard that currently, within the Park, “there are 100 RV
16 lots and 77 single-family residences.”¹⁵ Candidly, I am not quite sure how he arrived at
17 these numbers. It may depend, in part, on how one categorizes the existing types of
18 housing. There are several types of homes within the Park, including RVs, park models,
19 mobile homes, and stick-built homes, and I am not sure how Mr. Frisby categorized these
20 types to fit them within the larger categories he uses. Nevertheless, assuming the
21 accuracy of Mr. Frisby’s figures as to relative lot ownership within the Park, *to wit*, that
22 the proportion of Park residents owning RVs to residents owning single-family homes is
23 100:77, the BDPOA’s average monthly usage would be weighted so as to reflect RV-
24 owning residents’ usage to a greater extent than the usage of other residents.

25
26 ¹³ See Rebuttal Testimony of Bob Frisby, BDWC, at 11-12.

27 ¹⁴ *Id.*

28 ¹⁵ *Id.*

1 Fourth, I would observe that the portion of BDWC's bills resulting from water sales to
2 the BDPOA under the current rate structure is relatively small (approximately \$730 per
3 month on average at \$3.15 per gallon based on the above average monthly usage
4 compared to the fixed monthly minimum charge of \$1,375). Given that all of the
5 proposals offered here would, in the case of the BDPOA, generally serve to shrink the
6 proportion of the bill related to usage compared to existing rates, any cross-subsidization
7 on volumetric charges that may exist is likely to be even smaller going forward on a
8 percentage-of-total-bill basis.

9
10 Finally, as I explained before, the economies and cost savings afforded by BDPOA's
11 collective status ultimately redounds to the benefit of all BDPOA member-rate payers.

12 **Q15. DOES THE STAFF REPORT PROVIDE ANY ANALYSIS AS TO HOW**
13 **COMPANY- OR STAFF-PROPOSED RATES (INCLUDING THE**
14 **CONVERSION) WOULD IMPACT THE WATER BILLS OF PARK**
15 **RESIDENTS?**

16 A15. No. While Staff does analyze how the proposed rates would impact current residential
17 customers with a 5/8 x 3/4-inch meter and average usage,¹⁶ Staff offers no analysis as to
18 how the proposed rates would impact Park residents who would be converted to
19 individual billing with 5/8 x 3/4-inch meters under the Company's proposal. This is so
20 even though BDPOA connections make up approximately 180 of the 445 total BDWC
21 connections as of the end of the current test year and are presently a stand-alone
22 residential rate category.¹⁷ Any analysis in this regard would have revealed the
23 overwhelming magnitude of the rate increase proposed for such residents and the extreme
24 rate shock that would accompany the adoption of any such proposals.

25
26
27 ¹⁶ See Staff Report, at 1, 6-7, Schedule JAC-5.

28 ¹⁷ See Staff Report, at 2 and Attachment A, at 1-3.

1 The Staff Report focuses on a potential water bill increase of 15.85% or 16.40% for the
2 average and median 5/8 x 3/4-inch users, respectively, under the Company's direct
3 proposal, or a bill increase of 11.27% or 5.7% for the average and median 5/8 x 3/4-inch
4 users, respectively, under Staff's direct proposal. However, what the Staff Report fails to
5 mention is that a Park resident converted to individual billing with an average use of
6 1,308 gallons per month would be facing a monthly bill increase from the current test
7 year average of \$11.89 (\$25,250 / 12 months / 177 residents) to \$34.75 (under the
8 Company's rebuttal proposal, as shown above) or \$30.12 (under Staff's direct proposal),
9 an increase of 193.3% and 153.3%, respectively, in a single rate case.

10 **Q16. IN ITS REBUTTAL TESTIMONY, THE COMPANY REVISED THE RATE**
11 **RELIEF IT IS REQUESTING. IT NOW SEEKS A TOTAL REVENUE**
12 **INCREASE OF \$49,285 AND PROPOSES CHANGES "IN RATES TO THE**
13 **BDPOA . . . CUSTOMERS [THAT WILL] HELP[] GENERATE ABOUT \$39,000"**
14 **OF ITS ALLEGED REVENUE LOSS.¹⁸ HOW WOULD SUCH A CHANGE IN**
15 **RATES IMPACT PARK RESIDENTS ON AVERAGE, USING THE COMPANY'S**
16 **FIGURES?**

17 A16. Using the Company's figures and assuming the BDPOA's 2011 average usage on a per
18 lot basis, \$39,033 spread over 177 lots would mean an increase of \$220.53 per lot per
19 year. This would represent a monthly increase of \$18.38 per lot, or 154.6%, over existing
20 rate levels.

21 **Q17. DO YOU BELIEVE THE COMPANY'S RATES WOULD GENERATE \$39,033 IN**
22 **ADDITIONAL REVENUE FROM THE BDPOA?**

23 A17. Based on my review, I believe the Company's proposed rates could actually likely
24 generate a \$48,560 revenue increase from the Park above and beyond the existing
25 \$25,250 level. I will explain how I reached that figure.

26
27
28 ¹⁸ See Bourassa Rebuttal, at 15, 17, 41, and associated schedules, including Rebuttal
Schedule C-2 at 5 and H-1.

1 The individual monthly minimum charges would collectively generate \$66,948.48 in
2 revenue (\$31.52 x 12 months x 177 lots). Given that individual residents are unlikely to
3 go over the Company's 5,000 gallon commodity rate break-over point in light of 2011
4 average usage (and since such an assumption would thus lead to a more conservative
5 volumetric charge figure for present purposes), the Company's commodity rates would
6 produce another \$6,862.13 in revenue (1,308 gallons/lot x \$2.47/thousand gallons x 12
7 months x 177 lots). The sum of the charges thus generated is \$73,810.61, which would
8 represent an increase of approximately \$48,560 over current levels.

9 **Q18. DO YOU HAVE ANY RECOMMENDATIONS AS TO A RATE DESIGN FOR**
10 **BDPOA CONNECTIONS THAT WILL SERVE TO INCREASE BDPOA-**
11 **DERIVED REVENUE IN A MANNER CONSISTENT WITH GRADUALISM**
12 **AND THE COMMISSION'S HISTORICAL RATE DESIGN AS TO THE**
13 **BDPOA?**

14 A18. Yes, I do.

15 **Q19. WHAT IS YOUR PROPOSAL?**

16 A19. The BDPOA proposes a rate design for itself with the following key features:

- 17 (1) The BDPOA retains its collective billing status and is charged a monthly
18 minimum equal to \$15 per lot served, which, at test year levels, would yield a
19 monthly charge of \$2,655, or \$31,860 on an annual basis.
- 20 (2) The BDPOA is charged at Staff's proposed two-tier, 6" meter commodity rates (0
21 to 400,000 gallons = \$4.00/gallon; Over 400,000 gallons = \$5.00/gallon). During
22 the test year, based on BDWC's billing statements, these commodity rates would
23 produce another \$11,132.50 in revenue for BDWC.

24 **Q20. HOW WOULD YOUR PROPOSAL CHANGE BDWC'S REVENUE PICTURE?**

25 A20. Together, such increases in monthly minimum charges and usage charges would produce
26 approximately \$42,992.50 in revenue for BDWC, an increase of \$17,741.00 over
27 BDPOA-derived revenue in 2011 (\$25,251.50). Under this proposal, the balance of the
28 revenue increase BDWC seeks would need to be allocated over the rest of its customer

1 base.

2 **Q21. WHAT IMPACT WOULD THIS HAVE ON THE BDPOA AND ITS MEMBERS?**

3 A21. Spreading this revenue over 177 lots, each lot's share of the BDPOA water bill would
4 increase from \$11.89 per month during the test year to \$20.24, a monthly increase of
5 \$8.35 or 70.2%. This level of bill increase in total dollars would be greater than the
6 dollar increase for the average 5/8 x 3/4-inch meter customer under the rates currently
7 being proposed by the Company (Rebuttal) and Staff (Direct), even though the average
8 5/8 x 3/4-inch customer uses approximately 3,000 to 5,000 more gallons each month.¹⁹

9 **Q22. HOW DID YOU ARRIVE AT YOUR PROPOSAL CONCERNING MONTHLY**
10 **MINIMUM CHARGES?**

11 A22. As I noted above, individual billing under proposed rates would cause extreme rate shock
12 to Park residents and does not make sense for a variety of other economic, social, and
13 historical reasons, so I maintained collective billing as a feature of the rate design.
14 However, I also considered that the 6" meter rates proposed by the Company and Staff
15 would not produce the revenues on the order BDWC needs to generate. The monthly
16 minimum charge I propose (\$15 per HOA lot served) is a return to the monthly minimum
17 charges for the BDPOA in effect between 1987 and December 1, 2009.²⁰ It produces
18 considerably more revenue for BDWC than the current minimum does while keeping the
19 percentage of the overall average bill increase in the double-digits range (70.2%). A
20 deviation from the typical minimum charge schedule is also justified in light of the
21 Commission's historical treatment of the BDPOA and its unique characteristics, as I
22 described before. Finally, it ensures that the BDPOA will only be charged for lots that
23 are served.

24 **Q23. WHY DO YOU INCLUDE ELEMENTS OF STAFF'S PROPOSED COMMODITY**
25 **RATE DESIGN IN YOUR PROPOSAL?**

26 _____
27 ¹⁹ See Bourassa Rebuttal, at 26; Staff Report, Schedule JAC-5.

28 ²⁰ See Decision Nos. 55788 at 8-9 and 71415 at 19.

1 A23. I did so for two principal reasons. First, to the extent increasing commodity rates
2 generally do have an impact on the customer demand even when monthly minimum
3 charges are high, the higher commodity rates and lower break-over points proposed by
4 Staff may provide some marginal gains in promoting water conservation on a system-
5 wide basis. Second, Staff's relatively higher commodity rates and lower break-over
6 points would produce another \$2,381 (\$11,132.5 - \$8,751.50) in additional revenue for
7 BDWC over existing rates, ensuring that commodity rates would play a role in providing
8 a part of the revenue increase allocated to the BDPOA.

9 **Q24. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A24. Yes, although my silence on any issue discussed in testimony should not necessarily be
11 construed as agreement with the matters or arguments raised by other parties therein.

12 F:\Tiffany\BDPOA -- Surrebuttal Testimony (final).wpd

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Exhibit E

Beaver Dam Water
 PO BOX 485
 BEAVER DAM, AZ 86432 (928) 347-5000



METER READ	12/02/10 147041000	01/05/11 147384000	USAGE 343000	AMOUNT
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Prior Balance 3,262.51
 Payments -3,262.51
 WATER 2,455.45

DUE DATE	01/20/11	AMT. DUE	2,672.76
ACCT. NO.	443	IF LATE PAY	2,712.85
BILL DATE	01/06/11	SERV. TYPE	Beaver Dam 1

Tax 217.31
 Total Due 2,672.76

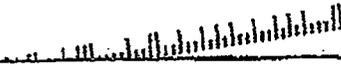
STREET ADDRESS
 1 Beaver Dam Resort

DUE DATE	01/20/11	IF LATE PAY	2,712.85
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RETURN THIS STUB WITH PAYMENT

ACCT. NO.	443	AMT. DUE	2,672.76
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BEAVER DAM HOMEOWNERS
 PO BOX 485
 BEAVER DAM AZ 86432



December 2010 Water Bill

FLAT ANNUAL FEE \$ 1,375.00
 USAGE - 343,000 Gall @ \$3.15 4,080.45
 TAXES @ 2.35% 217.31
\$ 2,672.76

*Approved 1/8/11
 W. J. [Signature]*

PO BOX 550
BEAVER DAM, AZ 86432



METER READ	01/05/11	02/01/11	USAGE	AMOUNT
	147384000	147669000	285000	2,272.75

Prior Balance 2,672.76
 Payments -2,672.76
 WATER 2,272.75

DUE DATE	02/20/11	AMT DUE	2,473.89
ACCT. NO.	443	FEES	2,511.00
BILL DATE	02/02/11	SERV. TYPE	Beaver Dam 1

Tax 201.14
 Total Due 2,473.89

STREET ADDRESS
 1 Beaver Dam Resort

DUE DATE 02/20/11
 AMT DUE 2,511.00

RETURN THIS STUB WITH PAYMENT

ACCT. NO. 443
 AMT DUE 2,473.89

BEAVER DAM HOMEOWNERS
 PO BOX 485
 BEAVER DAM AZ 86432

6422+9485

January 2011 Water Bill

Feat Mounny Fee \$ 1,375.00
 Usage - 285,000 Gall @ 3.15 897.75
 * 2,272.75
 Taxes @ 8.25% 201.14
 * 2,473.89

REC 2/10/11
 OK KB
 4880

Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432



METER HEAD	02/01/11	03/01/11	USAGE	AMOUNT
147669000	148010000	341000		
Prior Balance				2,473.89
Payments				-2,473.89
WATER				2,449.15

DUE DATE	03/20/11	AMT. DUE	2,665.90
ACCT. NO.	443	IF LATE PAY.	2,705.89
BILL DATE	03/02/11	SRV. TYPE	Beaver Dam 1

Tax 216.75
 Total Due 2,665.90

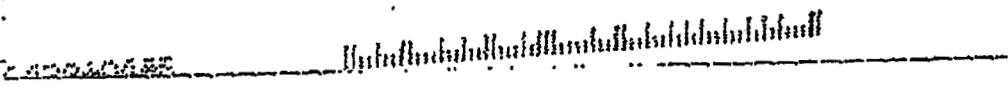
STREET ADDRESS
 1 Beaver Dam Resort

DUE DATE	03/20/11	IF LATE PAY	2,705.89
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RETURN THIS STUB WITH PAYMENT

ACCT. NO.	443	AMT. DUE	2,665.90
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BEAVER DAM HOMEOWNERS
 PO BOX 485
 BEAVER DAM AZ 86432



FEB, 2011 WATER BILL

FLAT MONTHLY RATE \$1,375.00
 USAGE - 1,074.15
 341,000 GAL @ \$3.15 \$ 2,449.15
 TAXES @ 8.55% 216.75
 \$ 2,665.90
 (BY)

Approved
 3/4/11
 [Signature]

OK WB 3/4/11

Code to 4880

Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432

METER READ	03/01/11 148010000	04/04/11 148023000	USAGE 213000	AMOUNT

Prior Balance 2,665.90
 Payments -2,665.90
 WATER 2,675.95



DUE DATE	04/20/11	AMT. DUE	2,912.77
ACCT. NO.	443	IF LATE PAY	2,956.46
BILL DATE	04/04/11	SERV. TYPE	Beaver Dam 1

Tax 236.82
 Total Due 2,912.77

STREET ADDRESS	
1 Beaver Dam Resort	
ACCT. NO.	443
AMT. DUE	2,912.77

DUE DATE	04/20/11	IF LATE PAY	2,956.46
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RETURN THIS STUB WITH PAYMENT

BEAVER DAM HOMEOWNERS
 PO BOX 485
 BEAVER DAM AZ 86432

2 PAGES

Beaver Dam Water

MARCH 2011 WATER BILL

Flat Monthly Rate	\$ 1,375.00
Usage	1,300.95
① 113,000 @ \$3.15	\$ 2,675.95
Taxes @ 8.85%	236.82
Total	* 2,912.77
	②

Approved
 4/2/11

OK TB 4/7/11

Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432

(928) 387-5000



METER READ	04/04/11	05/02/11	USAGE	AMOUNT
	148423000	148800000	377000	

Prior Balance 2,912.77
 Payments -2,912.77
 WATER 2,562.55

DUE DATE	05/20/11	AMT. DUE	2,789.33
ACCT. NO.	443	IF LATE PAY	2,831.17
BILL DATE	05/02/11	SERV. TYPE	Beaver Dam 1

Tax 226.78
 Total Due 2,789.33

STREET ADDRESS	
1 Beaver Dam Resort	
ACCT. NO.	443
AMT. DUE	2,789.33

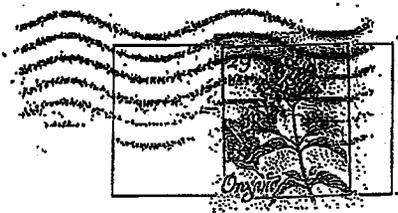
DUE DATE	05/20/11	IF LATE PAY	2,831.17
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RETURN THIS STUB WITH PAYMENT

BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
 ST GEORGE UT 84770



Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432 (928) 347-5000



METER READ	05/02/11	05/31/11	USAGE	AMOUNT
	148800000	149118000	318000	

Prior Balance 2,789.33
 Payments -2,789.33
 WATER 2,376.70

DUE DATE	06/20/11	AMT DUE	2,587.03
ACCT. NO.	443	IF LATE PAY	2,625.84
BILL DATE	06/02/11	SERV. TYPE	Beaver Dam

Tax 210.33
 Total Due 2,587.03

STREET ADDRESS	
1 Beaver Dam Resort	
ACCT. NO.	443
AMT. DUE	2,587.03

DUE DATE	06/20/11	IF LATE PAY	2,625.84
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RETURN THIS STUB WITH PAYMENT

BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
 ST GEORGE UT 84770



Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432 (928) 347-5000



METER READ	05/31/11	07/05/11	TRADE #	ACCOUNT #
	149118000	149361000	243000	

Prior Balance 2,587.03
 Payments -2,587.03
 WATER 2,140.45

DUE DATE	07/20/11	AMT. DUE	2,329.88
ACCT. NO.	443	IF LATE PAY	2,364.83
BILL DATE	07/05/11	SRV. TYPE	Beaver Dam

Tax 189.43
 Total Due 2,329.88

STREET ADDRESS
 1 Beaver Dam Resort

DUE DATE	07/20/11	IF LATE PAY	2,364.83
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RETURN THIS STUB WITH PAYMENT

ACCT. NO.	443	AMT. DUE	2,329.88
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BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
 ST GEORGE UT 84770



Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432 (928) 347-5000



METER READ	07/30/11 149438000	09/03/11 149530000	USAGE 92000	AMOUNT
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Prior Balance	1,760.70
Payments	-1,760.70
WATER	1,664.80

DUE DATE 09/20/11	AMT. DUE 1,812.14
ACCT. NO. 443	IF LATE PAY 1,839.32
BILL DATE 09/02/11	SERV. TYPE Beaver Dam 1

Tax	147.34
Total Due	1,812.14

STREET ADDRESS
 1 Beaver Dam Resort

DUE DATE 09/20/11	IF LATE PAY	1,839.32
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RETURN THIS STUB
 WITH PAYMENT

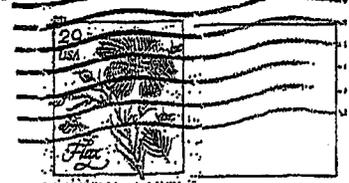
ACCT. NO. 443	AMT. DUE 1,812.14
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BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
 ST GEORGE UT 84770



Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432

(928) 347-5000



METER READ	09/03/11	10/03/11	USAGE	AMOUNT
	149530000	149646000	116000	2011

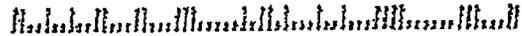
Prior Balance 1,812.14
 Payments -1,812.14
 WATER 1,740.40

DUE DATE	10/20/11	AMT. DUE	1,894.43
ACCT. NO.	443	IF LATE PAY	1,922.85
BILL DATE	10/04/11	SRV. TYPE	Beaver Dam

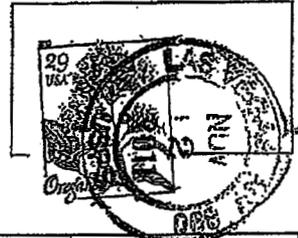
Tax	154.03	STREET ADDRESS	
Total Due	1,894.43	1 Beaver Dam Resort	
DUE DATE	10/20/11	IF LATE PAY	1,922.85
		ACCT. NO.	443
		AMT. DUE	1,894.43

RETURN THIS STUB
 WITH PAYMENT

BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
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Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432 (928) 347-5000



METER READ	10/03/11	10/28/11	USAGE	AMOUNT
	149646000	149786000	140000	

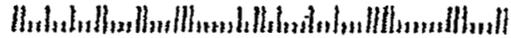
Prior Balance 1,894.43
 Payments -1,894.43
 WATER 1,816.00

DUE DATE 11/20/11	AMT. DUE 1,976.72
ACCT. NO. 443	IF LATE PAY 2,006.37
BILL DATE 11/01/11	SRV. TYPE Beaver Dam 1

Tax 160.72		
Total Due 1,976.72		1 Beaver Dam Resort
DUE DATE 11/20/11	IF LATE PAY 2,006.37	ACCT. NO. 443
		AMT. DUE 1,976.72

RETURN THIS SLIP WITH PAYMENT

BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
 ST GEORGE UT 84770



Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86432

PHONE: (928) 347-5000



METER READ	10/28/11	12/02/11	USAGE	AMOUNT
	149786000	149994000	208000	1,976.72

Prior Balance 1,976.72
 Payments -1,976.72
 WATER 2,030.20

DUE DATE	12/20/11	AMT. DUE	2,209.87
ACCT. NO.	443	DATE PAID	2,243.02
BILL DATE	12/03/11	SRV. TYPE	Beaver Dam

Tax 179.67
 Total Due 2,209.87

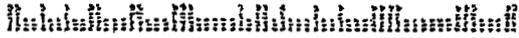
STREET ADDRESS	
1 Beaver Dam Resort	
ACCT. NO.	443
AMT. DUE	2,209.87

DUE DATE	12/20/11	DATE PAID	2,243.02
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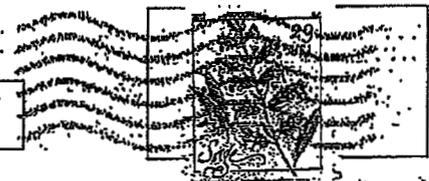
RETURN THIS STUB WITH PAYMENT

BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
 ST GEORGE UT 84770

7042541



Beaver Dam Water
 PO BOX 550
 BEAVER DAM, AZ 86413 (928) 347-5000



METER READ	12/02/11	150124000	USAGE	AMOUNT
	149994000	150124000	130000	130.00

Prior Balance 2,209.87
 Payments -2,243.02
 WATER 1,784.50

DUE DATE 01/20/12	AMT. DUE 1,909.28
ACCT. NO. 443	IF LATE PAY 1,937.92
BILL DATE 01/03/12	SERV. TYPE Beaver Dam

Tax 157.93	
Total Due 1,909.28	STREET ADDRESS 1 Beaver Dam Resort

DUE DATE 01/20/12	IF LATE PAY	1,937.92	RETURN THIS STUB WITH PAYMENT	ACCT. NO. 443	AMT. DUE 1,909.28
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***** CR
 BEAVER DAM HOMEOWNERS
 401 E TABERNACLE ST B
 ST GEORGE UT 84770

770+2541

