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BEFORE THE ARIZONA CORPORATION COMMISSION

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3 BOB STUMP,  
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Commissioner  
5 BRENDA BURNS  
Commissioner  
6 SUSAN BITTER SMITH,  
Commissioner  
7 BOB BURNS,  
Commissioner

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
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MAY 3 2013

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8  
9 IN THE MATTER OF THE APPLICATION )  
OF VAIL WATER COMPANY FOR A )  
10 DETERMINATION OF THE FAIR VALUE )  
OF ITS UTILITY PLANT AND PROPERTY )  
11 AND FOR AN INCREASE IN ITS RATES )  
AND CHARGES BASED THEREON )

DOCKET NO. W-01651B-12-0339

12  
13 **NOTICE OF FILING TESTIMONY**  
14 **IN SUPPORT OF SETTLEMENT AGREEMENT**

15 Attached is the Testimony of Mr. Christopher Volpe in support of the Settlement  
16 Agreement filed on behalf of Vail Water Company.

17 RESPECTFULLY SUBMITTED this 3rd day of May, 2013.

18 LEWIS AND ROCA

19  
20 *Michael McNulty*  
21 Michael McNulty  
22 Michael Hallam  
23 Lewis and Roca, LLP  
40 N. Central Avenue  
Phoenix, Arizona 85004  
Attorneys for Vail Water Company

24 ORIGINAL and thirteen (13) copies  
25 of the foregoing filed this 3rd day of  
26 May, 2013 with:

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Arizona Corporation Commission  
Docket Control – Utilities Division  
1200 W. Washington Street  
Phoenix, Arizona 85007

Copy of the foregoing mailed  
this 3rd day of May, 2013 to:

Jane L. Rodda  
Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
400 West Congress St., #218  
Tucson, AZ 85701

Copy of the foregoing hand-delivered  
this 3rd day of May, 2013 to:

Janice Alward, Esq.  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Mr. Steven M. Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF  
VAIL WATER COMPANY FOR A  
DETERMINATION OF THE FAIR VALUE OF  
ITS UTILITY PLANT AND PROPERTY AND  
FOR AN INCREASE IN ITS RATES AND  
CHARGES BASED THEREON

**DOCKET NO. W-01651B-12-0339**

**TESTIMONY OF CHRISTOPHER VOLPE  
IN SUPPORT OF SETTLEMENT AGREEMENT  
ON BEHALF OF VAIL WATER COMPANY  
May 3, 2013**

**TESTIMONY OF  
CHRISTOPHER VOLPE  
IN SUPPORT OF SETTLEMENT  
ON BEHALF OF  
VAIL WATER COMPANY  
MAY 3, 2013**

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**  
3 **NUMBER.**

4 **A.** My name is Christopher (“Kip”) Volpe. My business address is 1010 N. Finance Center  
5 Drive, Suite 200, Tucson, AZ 85710, and my business phone number is 520-571-1958,  
6 ext. 105.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 **A.** I am employed by TEM Corp., a management company that performs management  
9 services for Vail Water Company (“Vail” or the “Company”) under a service contract.

10 **Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR VAIL.**

11 **A.** I am a Vice President of Vail and oversee the administration and operations of the  
12 Company.

13 **II. PURPOSE OF TESTIMONY**

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 **A.** I will provide testimony in support of the proposed Settlement Agreement. I will discuss  
16 briefly the settlement process, the settlement terms, and the benefits of the settlement.

17 **III. SETTLEMENT PROCESS**

18 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE PROCEEDINGS LEADING**  
19 **UP THE SETTLEMENT.**

20 **A.** On July 27, 2012, Vail filed with the Commission an Application for a rate increase. In  
21 its Application, Vail requested an increase in revenues of \$44,144 or 1.89 percent. The  
22 Company’s Application also requested a rate of return of 10.4 percent. Following  
23 multiple rounds of discovery and following the filing of the Company’s Rebuttal  
24 Testimony, the parties began discussing the potential for a settlement.

1 **Q. PLEASE DESCRIBE THE SETTLEMENT PROCESS.**

2 **A.** A formal settlement conference was noticed and held at the Commission's offices on  
3 April 18, 2013. At this conference, the parties negotiated the points of disagreement in  
4 their respective testimonies. Staff accepted some of the Company's positions and  
5 rejected others. By the conclusion of this settlement conference, the parties had  
6 substantially agreed on the terms of a settlement.

7 **IV. SETTLEMENT TERMS**

8 **Q. PLEASE DESCRIBE THE MAJOR TERMS OF THE SETTLEMENT.**

9 **A.** The Settlement Agreement provides for a revenue increase of \$21,480 and a rate of return  
10 of 9.1 percent. The Agreement also establishes a fair value of rate base for the Company  
11 of \$3,315,108. As part of the settlement, Vail agreed to Staff's proposed rate design and  
12 also consented to Staff's preferred treatment of certain surcharges and hook-up-fees  
13 related to the Company's CAP project. The parties also agreed that Vail will provide  
14 timesheets for management services from TEM Corp. to support claimed management  
15 fee expenses in future rate cases.

16 **Q. DID THE SETTLEMENT INCLUDE AN AGREEMENT ON THE**  
17 **IMPLEMENTATION OF A CAP SURCHARGE?**

18 **A.** Yes. After multiple discussions with Staff, the parties have agreed upon a CAP  
19 surcharge, including its components, and a Plan of Administration. The surcharge will  
20 allow the Company to address certain expenses related to direct delivery of CAP water to  
21 the Company's service territory, a policy supported by the state of Arizona and by the  
22 Commission. As part of that surcharge, customers will share in any profits received by  
23 the Company from the sale of long term storage credits.

1 **V. PUBLIC INTEREST**

2 **Q. WHY IS THE APPROVAL OF THIS SETTLEMENT IN THE PUBLIC**  
3 **INTEREST?**

4 **A.** The terms of the settlement provide a reasonable resolution of the issues presented during  
5 this rate case. Although the settlement incorporates a rate of return that is lower than the  
6 rate sought by Vail, Vail believes it will be able to continue operating effectively and  
7 providing safe and reliable water service to its customers under the terms of the  
8 Settlement Agreement. Perhaps most importantly, the settlement supports the  
9 Company's direct use of a renewable resource in its service territory. The Settlement  
10 Agreement is the product of candid discussions between Vail and Staff and illustrates a  
11 willingness of the parties to find common ground and to reach a compromise that both  
12 parties believe is in the public interest.

13 **VI. CONCLUSION**

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**  
15 **SETTLEMENT AGREEMENT?**

16 **A.** Yes.