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COMMISSIONERS

- 1
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AZ CORP COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

DOCKET NO. W-01445A-12-0348

**NOTICE OF FILING SUMMARIES  
OF TESTIMONY**

BRYAN CAVE LLP  
TWO NORTH CENTRAL AVENUE, SUITE 2200  
PHOENIX, ARIZONA 85004-4406  
(602) 364-7000

15 Pursuant to the Procedural Order dated September 19, 2012, Applicant Arizona  
 16 Water Company (the "Company") provides notice of the filing of the Summaries of  
 17 Testimony for Joel M. Reiker and Pauline Ahern in the above-entitled matter. The  
 18 Company expects to call these witnesses on Monday, May 13, 2013.

19 RESPECTFULLY SUBMITTED this 8th day of May, 2013.

20 BRYAN CAVE LLP

21 Arizona Corporation Commission  
 22 DOCKETED  
 23 MAY 08 2013

24 By Steven A. Hirsch  
 25 Stanley B. Lutz  
 26 Two N. Central Avenue, Suite 2200  
 27 Phoenix, AZ 85004-4406  
 28 Attorneys for Arizona Water Company

DOCKETED BY [Signature]

BRYAN CAVE LLP  
TWO NORTH CENTRAL AVENUE, SUITE 2200  
PHOENIX, ARIZONA 85004-4406  
(602) 364-7000

1 ORIGINAL and 13 copies of the foregoing  
2 filed this 8th day of May, 2013, with:

3 Docket Control Division  
4 Arizona Corporation Commission  
5 1200 W. Washington Street  
6 Phoenix, AZ 85007

7 COPIES of the foregoing hand-delivered  
8 this 8th day of May, 2013, to:

9 Janice Alward, Chief Counsel  
10 Legal Division  
11 Arizona Corporation Commission  
12 1200 W. Washington Street  
13 Phoenix, AZ 85007

14 Steven M. Olea  
15 Director, Utilities Division  
16 Arizona Corporation Commission  
17 1200 W. Washington Street  
18 Phoenix, AZ 85007

19 Daniel W. Pozefsky, Chief Counsel  
20 Residential Utility Consumer Office  
21 1110 W. Washington Street, Suite 220  
22 Phoenix, AZ 85007

23 Arizona Reporting Service, Inc.  
24 2200 N. Central Avenue, Suite 502  
25 Phoenix, AZ 85004-1481

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ARIZONA WATER COMPANY  
Docket No. W-01445A-12-0348  
Rate Application

SUMMARY OF THE TESTIMONY OF JOEL M. REIKER  
ON BEHALF OF ARIZONA WATER COMPANY

Mr. Reiker provides testimony in support of the Settlement Agreement between the Company and the Arizona Corporation Commission Utilities Division Staff docketed on April 15, 2013. He will sponsor the Settlement Agreement and exhibits associated with that Agreement. He will provide a summary of the proceedings leading up to the settlement and testify that the negotiations were open, transparent and inclusive of all parties, with each such party having an equal opportunity to participate and fully express their respective positions.

Mr. Reiker will also testify that although RUCO was not a signatory to the Settlement Agreement, RUCO vigorously participated and contributed to the compromise reached between the Company and Staff on a 10.00% ROE, which results in an overall weighted average cost of capital of 8.44%.

Mr. Reiker will also testify (at the hearing and additionally by incorporation of his testimony in the Eastern Group Phase 2 proceeding, No. 11-0310) in support of the SIB Mechanism, and will offer testimony as to how the SIB Mechanism works. He will also explain how the parties reached a negotiated compromise concerning declining usage determinants, and why those determinants should not result in further erosion of the Company's ROE beyond the already-compromised 10.00% figure set forth in the Settlement Agreement.

Finally, Mr. Reiker will present responsive testimony to the observations of RUCO's witness, William A. Rigsby, and explain why the SIB mechanism and manner of dealing with declining usage do not shift risk to customers or justify a reduction of ROE further from the 10.00% figure set forth in the Settlement Agreement.

ARIZONA WATER COMPANY  
Docket No. W-01445A-12-0348  
Rate Application

SUMMARY OF THE TESTIMONY OF PAULINE AHERN  
ON BEHALF OF ARIZONA WATER COMPANY

Ms. Ahern will testify that RUCO witness William A. Rigsby is incorrect that the SIB Mechanism shifts risk from the Company to customers and requires a further reduction in the negotiated, compromised 10.00% rate of return as reflected in the Settlement Agreement. She will provide empirical evidence that RUCO's perceived reduction in risk is not reflected in the volatility of equity risk premiums or beta, two standard measures of risk. Further, Ms. Ahern will testify that the residential and commercial declining usage adjustment adopted in the Settlement Agreement does not shift risk from the Company to customers, justifying further reduction to the compromised 10.00% proposed rate of return because it is a pro forma adjustment adopted by the parties in settlement to reflect conditions that are expected to prevail during the time new rates are in place, and not a risk factor.

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