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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
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2013 AUG 21 P 4: 09

AZ CORP COMMISSION
DOCKET CONTROL

THE MATTER OF THE APPLICATION OF)
VALENCIA WATER COMPANY -TOWN DIVISION)
FOR THE ESTABLISHMENT OF JUST AND)
REASONABLE RATES AND CHARGES FOR)
UTILITY SERVICE DESIGNED TO REALIZE A)
REASONABLE RATE OF RETURN ON THE FAIR)
VALUE OF ITS PROPERTY THROUGHOUT THE)
STATE OF ARIZONA.)

DOCKET NO. W-01212A-12-0309

IN THE MATTER OF THE APPLICATION OF)
GLOBAL WATER - PALO VERDE UTILITIES)
COMPANY FOR THE ESTABLISHMENT OF JUST)
AND REASONABLE RATES AND CHARGES FOR)
UTILITY SERVICE DESIGNED TO REALIZE A)
REASONABLE RATE OF RETURN ON THE FAIR)
VALUE OF ITS PROPERTY THROUGHOUT THE)
STATE OF ARIZONA)

DOCKET NO. SW-20445A-12-0310

IN THE MATTER OF THE APPLICATION OF)
WATER UTILITY OF NORTHERN SCOTTSDALE)
FOR APPROVAL OF A RATE INCREASE.)

DOCKET NO. W-03720A-12-0311

IN THE MATTER OF APPLICATION OF WATER)
UTILITY OF GREATER TONOPAH FOR THE)
ESTABLISHMENT OF JUST AND REASONABLE)
RATES AND CHARGES FOR UTILITY SERVICE)
DESIGNED TO REALIZE A REASONABLE RATE)
OF RETURN ON THE FAIR VALUE OF ITS)
PROPERTY THROUGHOUT THE STATE OF)
ARIZONA.)

DOCKET NO. W-02450A-12-0312

IN THE MATTER OF THE APPLICATION OF)
VALENCIA WATER COMPANY - GREATER)
BUCKEYE DIVISION FOR THE ESTABLISHMENT)
OF JUST AND REASONABLE RATES AND)
CHARGES FOR UTILITY SERVICE DESIGNED TO)
REALIZE A REASONABLE RATE OF RETURN ON)
THE FAIR VALUE OF ITS PROPERTY)
THROUGHOUT THE STATE OF ARIZONA.)

DOCKET NO. W-02451A- 12-0313

Arizona Corporation Commission
DOCKETED

AUG 21 2013

DOCKETED BY *nr*

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tucson, Arizona 85746

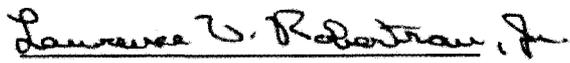
LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 IN THE MATTER OF THE APPLICATION OF)
GLOBAL WATER – SANTA CRUZ WATER) DOCKET NO. W-20446A-12-0314
2 COMPANY FOR THE ESTABLISHMENT OF JUST)
AND REASONABLE RATES AND CHARGES FOR)
3 UTILITY SERVICE DESIGNED TO REALIZE A)
REASONABLE RATE OF RETURN ON THE FAIR)
4 VALUE OF ITS PROPERTY THROUGHOUT THE)
STATE OF ARIZONA.)

6 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01732A-12-0315
WILLOW VALLEY WATER COMPANY FOR THE)
7 ESTABLISHMENT OF JUST AND REASONABLE)
RATES AND CHARGES FOR UTILITY SERVICE)
8 DESIGNED TO REALIZE A REASONABLE RATE)
OF RETURN ON THE FAIR VALUE OF ITS)
9 PROPERTY THROUGHOUT THE STATE OF)
ARIZONA.)

11 The City of Maricopa, Arizona hereby provides notice of filing of the Prepared Direct
12 Testimony of Paul Jepson on behalf of the City of Maricopa With Respect to the Settlement
13 Agreement in the above-docketed proceedings.

14 Dated this 21st day of August 2013.

15 Respectfully submitted,
16 
17 Lawrence V. Robertson, Jr.
18 Attorney for City of Maricopa

19 and
20 Denis Fitzgibbons
21 City Attorney for
City of Maricopa, Arizona

22 The original and thirteen (13) copies
23 of the foregoing will be filed the 21st
day of August 2013 with:

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

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

All Parties of Record

1 Prepared Direct Testimony

2 Of

3 Paul Jepson

4 On Behalf

5 of

6 City of Maricopa, Arizona

7 With Respect to the Settlement Agreement

8 **Q.1 Please state your name, business address and relationship with the City of**
9 **Maricopa.**

10 A.1 My name is Paul Jepson. My relationship with the City of Maricopa ("City") is
11 that of Intergovernmental Affairs Director, and my business address in that
12 capacity is 45145 west Madison Avenue, Maricopa, Arizona 85239.

13
14 **Q.2 Are you the same Paul Jepson whose prepared Direct Testimony on behalf of**
15 **the City was docketed in these proceedings on July 8, 2013?**

16 A.2 Yes, I am. At the time my initial Prepared Direct Testimony was submitted to the
17 Commission's Docket Control on July 8, 2013, I was Assistant to the City
18 Manager of the City. Subsequently, I was promoted to my current position as
19 Intergovernmental Affairs Director.

20
21 **Q.3 What is the purpose of your testimony at this time?**

22 A.3 I am providing testimony on behalf of the City with respect to the Settlement
23 Agreement which was docketed in these proceedings on August 13, 2013.

24
25 **Q.4 Is the City a Signatory to that Settlement Agreement?**

26 A.4 Yes it is.

27
28 **Q.5 Did you personally participate in the settlement discussions and related**

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1 activities which resulted in the Settlement Agreement which is now before the
2 Commission?

3 A.5 Yes I did. I was in attendance at the two (2) settlement discussion sessions which
4 took place in the Commissioners' Conference Room on July 18 and 19, 2013.
5 Thereafter, I was a member of the City's settlement negotiating team reviewing
6 various drafts of language circulated among the parties to the Settlement
7 Agreement discussions and making suggestions with respect to the City's
8 negotiating objectives and language designed to achieve those objectives. In
9 addition, I participated in several Executive Sessions with the Mayor and Council
10 at which we discussed the progress of the settlement negotiations and the extent to
11 which the City's strategic objectives were being addressed.

12
13 **Q.6 In your July 8, 2013 prepared Direct Testimony you indicated that a reason**
14 **the City requested leave to intervene in these proceedings was because it was**
15 **concerned about the significant increase in rates which was then being**
16 **requested by Global Water – Santa Cruz Water Company (“Santa Cruz”)**
17 **and Global Water – Palo Verde Utilities Company (“Palo Verde”), is that**
18 **correct?**

19 A.6 Yes, the City's concern in that regard was in terms of the economic impact of the
20 requested increase in rates upon both residents of the City, who are customers of
21 Santa Cruz and Palo Verde, and upon the City itself as a customer of each of those
22 utility companies.

23
24 **Q.7 Have the City's concerns in that regard been adequately addressed by the**
25 **Settlement Agreement filed on August 13, 2013, in the opinion of the City?**

26 A.7 Yes. In that regard, on August 20, 2013 the Mayor and Council of the City
27 adopted a Resolution authorizing execution of the Settlement Agreement on behalf
28 of the City by its Mayor. That Resolution includes an itemized list of the benefits

1 which the Mayor and Council concluded that ratepayers of the Santa Cruz and
2 Palo Verde systems and the City would receive under the Settlement Agreement;
3 and, a copy of that Resolution is attached to this testimony as Appendix "A."
4

5 **Q.8 With reference to itemized benefit number 5 as set forth in the City's August**
6 **20, 2013 Resolution, it is noted that Santa Cruz and Palo Verde will not be**
7 **allowed to file another rate increase application until May 31, 2017, and that**
8 **they will not use a rate case test period ending before December 31, 2016.**
9 **This provision also appears at Section 1.5 (sixth bullet point) and at**
10 **Subsection 2.1.1 of the August 13, 2013 Settlement Agreement. However,**
11 **Subsection 6.3.3.3 refers to Santa Cruz and Palo Verde not being able to**
12 **include any portion of the Southwest Plant in a rate case application "prior to**
13 **May 31, 2016, the end of the agreed upon stay out." Please address what**
14 **appears to be a discrepancy as to the length of the "stay out" period provided**
15 **for in the Settlement Agreement as the same relates to the Santa Cruz and**
16 **Palo Verde systems.**

17 **A.8** The addition of the one-year extension to the "stay out" provision under the
18 Settlement Agreement, which is addressed at Section 1.5 (sixth bullet point) and
19 Subsection 2.1.1, as the same relates to the Santa Cruz and Palo Verde systems
20 was the result of last minute negotiations. However, the language of those two
21 provisions clearly indicates that it is intended to govern when either or both of
22 those systems may file another rate case. The reference to May 31, 2016 in
23 Subsection 6.3.3.3 is merely an inadvertent oversight that was not corrected prior
24 to the filing of the Settlement Agreement. That date should be construed to be
25 May 31, 2017 in order to harmonize the same with Section 1.5 (sixth bullet point)
26 and Subsection 2.1.1.

27
28 **Q.9 In your July 8, 2013 prepared Direct Testimony you indicated a second**

1 reason for the City's request for leave to intervene was to be in a position to
2 ascertain if that portion of the requested increase in rates by Santa Cruz and
3 Palo Verde, attributable to Global Water, Inc.'s ("Global") use of funds
4 obtained by Global under Infrastructure Coordination and Finance
5 Agreements ("ICFAs") was consistent with certain criteria set forth in the
6 June 11, 2011 Resolution No. 11-40 of the City, in which the City had
7 conditionally supported the use of ICFAs as a means for financing water,
8 wastewater and recycled water infrastructure on a regional basis. Has the
9 Settlement Agreement satisfactorily addressed the City's interest in that
10 regard?

11 A.9 Yes. Section 1.5 (ninth bullet point) of the Settlement Agreement notes that the
12 Settlement Agreement includes resolution of issues relating to ICFAs. In that
13 regard, Article VI of the Settlement Agreement deals at length with the treatment
14 of ICFAs generally speaking, and also with specific reference to (i) future ICFAs
15 and Global's agreement to terminate its use of the same moving forward, (ii) past
16 funds received under existing ICFAs and (iii) future ICFA fees received under
17 existing ICFAs. In sum, the provisions of the Settlement Agreement resolved to
18 the satisfaction of the City any ICFA issues that might relate to the Santa Cruz and
19 Palo Verde systems and the City itself.

20
21 **Q.10 Does the City believe that Commission approval of the Settlement Agreement**
22 **here under consideration would be in the best interest of ratepayers of the**
23 **Santa Cruz and Palo Verde systems and the City itself?**

24 A.10 Yes, it does.

25
26 **Q.11 Does that conclude your prepared Direct Testimony with respect to the**
27 **Settlement Agreement on behalf of the City?**

28 A.11 Yes, it does.

Appendix “A”

**August 21, 2013 Paul Jepson Direct Testimony With
Respect to Settlement Agreement
Global Water Rate Case
Docket Nos. W-01212A-12-0309 et al**

RESOLUTION NO. 13-30

A RESOLUTION OF THE MAYOR AND CITY COUNCIL FOR THE CITY OF MARICOPA, ARIZONA, AUTHORIZING THE CITY OF MARICOPA TO EXECUTE THE PROPOSED SETTLEMENT AGREEMENT OF THE RATE ADJUSTMENT APPLICATIONS OF GLOBAL WATER RESOURCES, INC. ("GLOBAL"), INCLUDING THE INDIVIDUAL APPLICATIONS OF GLOBAL WATER – SANTA CRUZ WATER COMPANY ("SANTA CRUZ") AND GLOBAL WATER – PALO VERDE UTILITIES COMPANY ("PALO VERDE")

RECITALS

WHEREAS, on July 9, 2012, Global Water filed rate increase Applications with the Arizona Corporation Commission ("Commission") for several of its water and wastewater utility affiliates, including its Santa Cruz and Palo Verde affiliates, which respectively provide water and wastewater public utility services to individuals and businesses located within the municipal boundaries of the City of Maricopa, Arizona; and,

WHEREAS, in such Applications Santa Cruz proposed an aggregate increase in its rates of 26.1% and Palo Verde proposed an aggregate increase in its rates of 27.9%; and

WHEREAS, the City of Maricopa recognizes the importance of Global, Santa Cruz and Palo Verde being financially sound in order that Santa Cruz and Palo Verde may be in a position to provide ongoing adequate and reliable service to their respective ratepayers; and,

WHEREAS, the City of Maricopa nevertheless concluded that the aforesaid increase in revenues requested by Santa Cruz and Palo Verde was too high; and,

WHEREAS, on February 22, 2013, the City of Maricopa, Arizona, filed its Application for Leave to Intervene in the aforesaid rate proceeding, as the same pertains to Global Water's Santa Cruz and Palo Verde systems, because of a concern upon the part of the City of Maricopa, Arizona, as to the magnitude of the rate increases Global Water was proposing for ratepayers served by its Santa Cruz and Palo Verde systems; and,

WHEREAS, the City of Maricopa's request for intervention was granted by the Commission on March 12, 2013; and,

WHEREAS, a Procedural Order also issued by the Commission prescribed a series of procedural events and dates which would precede an evidentiary hearing on the aforesaid rate increase Applications, including those of Santa Cruz and Palo Verde; and,

WHEREAS, such Procedural Order provided for the possibility of settlement discussions in addition to and in advance of commencement of the evidentiary hearing upon said applications; and,

WHEREAS, settlement discussions did in fact occur, in person and by email and telephonic communications among representatives of Global and its utility affiliates,

Commission Staff, RUCO, the City of Maricopa, the Maricopa Area HOAs, New World Properties, Inc., Sierra Negra Ranch, L.L.C. and Willow Valley Club Association from July 18, 2013 to August 12, 2013; and,

WHEREAS, a Settlement Agreement resulting from such settlement discussions was filed with the Commission's Docket Control on August 13, 2013; and,

WHEREAS, the City of Maricopa was an active participant throughout such settlement discussions; and,

WHEREAS, similar to the last rate case involving Global and its Santa Cruz and Palo Verde utility affiliates, the City of Maricopa shared a number of negotiating objectives with the Commission's Staff and RUCO, and also in the current rate proceeding with the Maricopa Area HOAs; and,

WHEREAS, the following benefits have been negotiated for Santa Cruz and Palo Verde ratepayers and the City of Maricopa under the Settlement Agreement:

1. Under the Settlement Agreement Santa Cruz's original revenue requirement request of \$2,730,367 has been reduced to \$1,556,046, representing a reduction of \$1,174,321 or 44% of the original request. In addition, Palo Verde's original revenue requirement request of \$3,662,560 has been reduced to \$1,888,939, representing a reduction of \$1,778,621 or 51% of the original request.

2. Only an aggregate or total increase of 10.4% shall be allowed for the Santa Cruz median residential customer and an aggregate or total increase of 10.5% for the Palo Verde median residential customer versus the original aggregate or total proposed rate increases of 29.0% and 24.0% for such customers, respectively, proposed by Santa Cruz and Palo Verde. In that regard, Santa Cruz median residential customer rates will not be increased until 2015, and the increase in that year will be 2.0%. Palo Verde median residential rates also will not be increased until 2015, and the increase in that year will be 5.0%.

3. The aforesaid rate increases to Santa Cruz and Palo Verde ratepayers shall be phased in over an 8-year period (2014-2021), with no increase in the first year of the phase-in period, and the phase-in shall apply to all classes of customers on the Santa Cruz and Palo Verde systems.

4. The average annual increase over the 8-year (2014-2021) phase-in period to Santa Cruz and Palo Verde median residential customers will be approximately 1.30%.

5. As a special negotiated concession for Santa Cruz and Palo Verde system ratepayers and the City of Maricopa, Santa Cruz and Palo Verde will not file another rate increase application before May 31, 2017, and will not use a rate case test period ending before December 31, 2016, which means any rate increase resulting from Santa Cruz's or Palo Verde's next rate case would not take effect until mid 2018 or later, with rates between now and then being based upon Santa Cruz's and Palo Verde's 2009-2011 expenses, as adjusted downward by the Commission Staff in the current rate case.

6. Santa Cruz and Palo Verde shall not seek to recover any revenues authorized by the Commission in this rate case, or related carrying charges, which are not recovered during the 8-year (2014-2021) phase-in period.

7. Recycled water or effluent rate increases to Santa Cruz and Palo Verde ratepayers will also be phased-in over the 8-year (2014-2021) phase-in period and "capped" at \$1.64 per 1,000 gallons.

8. By reason of inclusion in rate base of the Palo Verde Lagoon Clean Closure and Conversion Project and revenues resulting under the Settlement Agreement that Global and Palo Verde intend to devote to completion of said project, ratepayers and residents living in the area intended to be benefited by that project will benefit from such completion, which Global and Palo Verde represent will allow better control of the water released in the Santa Rosa Wash, among other benefits.

9. Global will not enter into any new Infrastructure Coordination and Financing Agreements ("ICFA") from the effective date of a Commission decision approving the Settlement Agreement.

10. With respect to future fees to be paid by parties to existing ICFA's, \$1,250 shall be paid to Santa Cruz and Palo Verde, respectively, as Hook-Up Fees ("HUF"), to be placed into a segregated bank account reserved solely for use by each utility in connection with construction of future infrastructure to meet future demand, thereby contributing to the financial stability of each utility to provide adequate and reliable service to their respective ratepayers.

WHEREAS, the City of Maricopa believes it could not improve upon the aforesaid benefits available to Santa Cruz and Palo Verde ratepayers and the City of Maricopa under the Settlement Agreement by declining to sign the Settlement Agreement, but rather proceeding to a hearing with the City of Maricopa in opposition to the same; and,

WHEREAS, the benefits to be achieved under the Settlement Agreement for Global utility affiliates and their respective ratepayers as a whole would appear to be confirmed by the fact that several parties to the currently pending rate proceeding have already signed the Settlement Agreement, including Global and its utility affiliates, the Commission's Staff, RUCO and various Maricopa Area HOAs; and,

WHEREAS, the language of the Settlement Agreement provides that the extension of the "stay out provision" (benefit no. 5 above), which represents a special negotiated concession for Santa Cruz and Palo Verde system ratepayers and the City of Maricopa, will in effect be deleted from the Settlement Agreement if the City of Maricopa does not become a party thereto.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council for the City of Maricopa, Arizona, that the City of Maricopa, Arizona believes that its execution of the aforesaid Settlement Agreement would be in the best interest of ratepayers of the Santa Cruz and Palo Verde systems and the residents of the City of Maricopa.

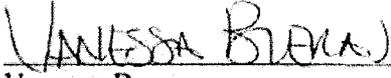
NOW, THEREFORE, BE IT FURTHER RESOLVED that the Mayor of the City of Maricopa is hereby authorized to execute on behalf of the City of Maricopa a signature page to the aforesaid Settlement Agreement and cause the same to be filed with the Commission's Docket Control in Phoenix, Arizona.

PASSED AND ADOPTED by the Mayor and Council of the City of Maricopa, Arizona, this 20th day of August, 2013.



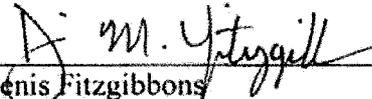
Christian Price
Mayor

ATTEST:



Vanessa Bueras
City Clerk

APPROVED AS TO FORM:



Denis Fitzgibbons
City Attorney