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COMMISSIONERS

BOB STUMP, Chair **2013 SEP -3 P 2: 13**
GARY PIERCE
BRENDA BURNS, AZ CORP COMMISSION
BOB BURNS DOCKET CONTROL
SUSAN BITTER SMITH

IN 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, INC. FOR A
RATE INCREASE

Docket Nos. W-03720A-12-0311

IN THE MATTER OF THE 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

**NOTICE OF FILING
WITNESS SUMMARIES
REGARDING SETTLEMENT
AGREEMENT**

Arizona Corporation Commission

DOCKETED

SEP - 3 2013

DOCKETED BY nr

1 IN THE MATTER OF THE APPLICATION OF
2 GLOBAL WATER – SANTA CRUZ WATER COMPANY
3 FOR THE ESTABLISHMENT OF JUST AND
4 REASONABLE RATES AND CHARGES FOR UTILITY
5 SERVICE DESIGNED TO REALIZE A REASONABLE
6 RATE OF RETURN ON THE FAIR VALUE OF ITS
7 PROPERTY THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-20446A-12-0314

5 IN THE MATTER OF THE APPLICATION OF
6 WILLOW VALLEY WATER COMPANY FOR THE
7 ESTABLISHMENT OF JUST AND REASONABLE
8 RATES AND CHARGES FOR UTILITY SERVICE
9 DESIGNED TO REALIZE A REASONABLE RATE OF
10 RETURN ON THE FAIR VALUE OF ITS PROPERTY
11 THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. W-01732A-12-0315

**NOTICE OF FILING
WITNESS SUMMARIES
REGARDING SETTLEMENT
AGREEMENT**

10 Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water
11 Company, Valencia Water Company – Town Division, Valencia Water Company – Greater
12 Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co. and Water Utility
13 of Northern Scottsdale (collectively, the “Global Utilities”) and Global Water Resources, Inc.,
14 Hassayampa Utility Company, Inc., Global Water – Picacho Cove Utilities Company and Global
15 Water – Picacho Cove Water Company (collectively, the “Global Intervenors”, and with the
16 Global Utilities, “Global”) provide notice of filing the attached witness summaries of Ron
17 Fleming, Matthew J. Rowell and Paul Walker in support of the Settlement Agreement.
18

19 RESPECTFULLY SUBMITTED this 3rd day of September, 2013.

20 ROSHKA DEWULF & PATTEN, PLC

21
22 By 
23 Michael W. Patten
24 Timothy J. Sabo
25 One Arizona Center
26 400 East Van Buren Street, Suite 800
27 Phoenix, Arizona 85004

Attorneys for Global Utilities

1 Original +13 copies of the foregoing
filed this 3rd day of September 2013, with:

2 Docket Control
3 Arizona Corporation Commission
4 1200 West Washington
Phoenix, AZ 85007

5 Copies of the foregoing hand-delivered/mailed
6 this 3rd day of September 2013 to:

7 Dwight D. Nodes, Esq.
8 Assistant Chief Administrative Law Judge
9 Hearing Division
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, AZ 85007

Lawrence V. Robertson, Jr., Esq.
Of Counsel, Munger Chadwick
P.O. Box 1448
Tubac, Arizona 85646
Attorney for the City of Maricopa

13 Janice Alward, Esq.
14 Chief Counsel, Legal Division
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, AZ 85007

Denis M. Fitzbibbons, Esq.
Fitzgibbons Law Offices, P.L.C.
1115 E. Cottonwood Lane, Suite 150
Casa Grande, AZ 85122
Attorney for the City of Maricopa

18 Steven M. Olea
19 Director, Utilities Division
20 Arizona Corporation Commission
21 1200 West Washington
22 Phoenix, AZ 85007

Willow Valley Club Association
c/o Gary McDonald, Chairman
1240 Avalon Avenue
Havasu City, AZ 86404

23 Garry D. Hays, Esq.
24 The Law Offices of Garry D. Hays, PC
25 1702 East Highland Avenue, Suite 204
26 Phoenix, AZ 85016

Steven P. Tardiff
44840 W. Paitilla Lane
Maricopa, AZ 85139

27 Jeffrey W. Crockett, Esq.
Brownstein Hyatt Farber Schreck, LLP
One East Washington Street, Suite 2400
Phoenix, Arizona 85004

Andy and Marilyn Mausser
20828 North Madison Drive
Maricopa, AZ 85138

Daniel W. Pozefsky, Esq.
Chief Counsel
Residential Utility Consumer Office
1110 West Washington Street, Suite 200
Phoenix, Arizona 85007

Robert J. Metli, Esq.
Munger Chadwick, PLC
2398 E. Camelback Road, Suite 240
Phoenix, Arizona 85016

Barry W. Becker
Bryan O'Reilly
SNR Management, LLC
50 S. Jones Blvd., Suite 101
Las Vegas, Nevada 89107

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Michele Van Quathem, Esq.
Ryley Carlock & Applewhite
One North Central Avenue, Suite 1200
Phoenix, AZ 85004-4417

William P. Sullivan, Esq.
Curtis, Goodwin, Sullivan, Udall & Schwab
501 East Thomas Road
Phoenix, AZ 85012-3205
Attorney for the Willow Valley Club
Association

By Albbie Amarel

SUMMARY OF TESTIMONY

RON FLEMING

Mr. Fleming is the President of Global Water Resources, Inc. and of each of the Global Utilities. Mr. Fleming testifies in support of the Settlement Agreement. He explains that the settlement discussions were vigorous, frank and open to all parties. He explains that the Settlement Agreement will strengthen the balance sheets of the Global Utilities while also protecting customers in following ways:

1. The Settlement Agreement is phased-in over eight years in Maricopa (Santa Cruz and Palo Verde). Moreover, the average annual increase over the 8-year (2014-2021) phase-in period for Santa Cruz and Palo Verde median residential customers will be less than 1.5%.
2. The rate increases for the other systems will be phased-in over three years, with the exception of Northern Scottsdale, whose revenue requirement is not changed.
3. There is no rate increase for customers in the first year (2014).
4. Only 28% of the de-imputed CIAC is applied to active rate base and the rate impact of that de-imputation is phased in over eight years.
5. The Global Utilities' current low income relief program is continued, and extended to include Northern Scottsdale.
6. Santa Cruz and Palo Verde may not file a new rate application until May 31, 2017, and the other utilities may not file until May 31, 2016.
7. Water customers using less than the conservation rebate threshold amount earn a rebate.
8. The non-potable and recycled water rate is reduced from the proposed \$2.00 per 1,000 gallons to \$1.638 per 1,000 gallons. In Maricopa, the new rate will be phased in over 8 years, taking it from the current \$0.57 per 1,000 gallons to \$1.638 per 1,000 gallons.

Mr. Fleming also sponsors Global's System Improvement Benefit ("SIB") Mechanism proposal for the Willow Valley. He explains the significant infrastructure needs in Willow Valley and Global's detailed plan to address these issues.

Mr. Fleming also provides updated water loss data.

In his rebuttal testimony, Mr. Fleming responds to the concerns to the testimony in opposition to the settlement by Sierra Negara Ranch (SNR) and New World Properties (NWP). Mr. Fleming shows how SNR and NWP continue to benefit from their ICFA's. He also explains the alternatives SNR and NWP had to entering into an ICFA. He also explains the Consumer Price Index (CPI) provisions in the ICFA's, and he rebuts SNR's and NWP's claims of competitive disadvantage and their purported concerns about Global's financial condition.

SUMMARY OF TESTIMONY

MATT ROWELL

Mr. Rowell sponsors the Schedules attached to the Settlement Agreement, and he explains the Settlement revenue requirement, cost of capital, and rate design.

In his Rebuttal Testimony, Mr. Rowell explains that the revenue requirement for the Water Utility of Greater Tonopah was developed in exactly the manner as recommended by New World Properties, Inc.'s witness Alexander Igwe. Mr. Rowell also explains why the Commission should not subsidize the profits of developers through artificially low water rates, as suggested by New World Properties, Inc.'s witness Richard Jellies.

SUMMARY OF TESTIMONY

PAUL WALKER

Mr. Walker's testimony in support of the settlement provides further detail on how the Settlement Agreement deals with Infrastructure Coordination and Financing Agreements (ICFA). He testifies that under the Settlement Agreement there will be no new ICFA's. Mr. Walker also explains how the Settlement Agreement addresses past ICFA revenues, including the "de-imputation" of CIAC that was imputed in the last rate case. Mr. Walker also provides additional detail on the treatment of future ICFA revenues and how that relates to the proposed hook-up fees for the Global Utilities.

Mr. Walker also testifies in support of the proposed System Improvement Benefit (SIB) Mechanism for Willow Valley. He explains how the SIB mechanism allows for the funding of needed infrastructure improvements while preventing rate shock through gradual rate adjustments.

In his rebuttal testimony, Mr. Walker explains a mathematical error in the testimony of New World Properties witness Richard Jellies. He also responds to the suggestion of Sierra Negra Ranch witness John O'Reilly that the Commission should regulate Global Water Resources, Inc. as a public utility.