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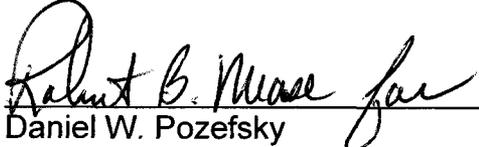
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8 IN THE MATTER OF THE APPLICATION OF  
9 CHAPARRAL CITY WATER COMPANY FOR  
10 A DETERMINATION OF THE CURRENT  
11 FAIR VALUE OF ITS UTILITY PLANT AND  
12 PROPERTY AND FOR INCREASE IN ITS  
13 RATES AND CHARGES BASED THEREON.

Docket No. W-02113A-13-0118

NOTICE OF FILING

14 The Residential Utility Consumer Office hereby provides notice of filing the Rate Design  
15 Testimony of Jeffrey Michlik, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of December, 2013.

16   
17 Daniel W. Pozefsky  
18 Chief Counsel

19 AN ORIGINAL AND THIRTEEN COPIES  
20 of the foregoing filed this 19<sup>th</sup> day  
21 of December, 2013 with:

22 Docket Control  
23 Arizona Corporation Commission  
24 1200 West Washington  
Phoenix, Arizona 85007

1 COPIES of the foregoing hand delivered/  
mailed this 19<sup>th</sup> day of December, 2013 to:

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6 Arizona Corporation Commission  
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8 Phoenix, Arizona 85007

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By Cheryl F. Faulob  
Cheryl Faulob

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. W-02113A-13-0118  
CHAPARRAL CITY WATER COMPANY FOR )  
A DETERMINATION OF THE FAIR VALUE OF )  
ITS UTILITY PLANT AND PROPERTY AND )  
FOR INCREASES IN ITS RATES AND )  
CHARGES BASED THEREON. )  
\_\_\_\_\_ )

(RATE DESIGN)

DIRECT

TESTIMONY OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

RESIDENTIAL UTILITY CONSUMER OFFICE

DECEMBER 19, 2013

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**EXECUTIVE SUMMARY**  
**CHAPARRAL CITY WATER COMPANY**  
**DOCKET NO. W-02113A-13-0118**

Chaparral City Water Company ("CCWC" or the "Company") is an Arizona "C" Corporation. On February 1, 2012, EPCOR Water (USA) Inc. ("EWUS") acquired CCWC from American States Water Company. The Company currently serves residents in the Fountain Hills area; its principal place of business is 12021 N. Panorama Drive, Fountain Hills, Arizona. The Company is engaged in the business of providing water utility services in its certificated area in Maricopa County, Arizona. The Company served approximately 13,730 customers during the test year ended December 31, 2012.<sup>1</sup> The Company's current rates were approved in Decision No. 71308, dated December 21, 2009.

RUCO recommends approval of its rate design for Chaparral City Water Company.

The Company-proposed rates would increase the monthly bill for a typical 3/4-inch meter residential customer, with an average usage of 7,870 gallons, by \$13.18 percent or 34.81 percent, from \$37.85 to \$51.02. Under the RUCO-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by \$6.60 or 17.44 percent, from \$37.85 to \$44.45.

---

<sup>1</sup> Based on the Company's 2012 annual report.

1 **I. INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the  
4 Arizona Residential Utility Consumer Office ("RUCO"). My business address is  
5 1110 West Washington Street, Suite 220, Phoenix, Arizona 85007.

6

7 **Q. Are you the same Jeffrey M. Michlik who has filed testimony pertaining to**  
8 **rate base, operating income, and revenue requirement on behalf of RUCO in**  
9 **this docket for Chaparral City Water Company's permanent rate**  
10 **application?**

11 A. Yes.

12

13 **II. BACKGROUND**

14 **Q. Please describe the Company and background of the current rate case.**

15 A. Chaparral City Water Company ("CCWC" or the "Company") is an Arizona "C"  
16 Corporation. On February 1, 2012, EPCOR Water (USA) Inc. ("EWUS") acquired  
17 CCWC from American States Water Company. The Company currently serves  
18 residents in the Fountain Hills area; its principal place of business is 12021 N.  
19 Panorama Drive, Fountain Hills, Arizona. The Company is engaged in the  
20 business of providing water utility services in its certificated area in Maricopa  
21 County, Arizona. The Company served approximately 13,730 customers during  
22 the test year ended December 31, 2012.<sup>2</sup> The Company's current rates were  
23 approved in Decision No. 71308, dated December 21, 2009.

24

25 **Q. Please briefly describe the current rate design structure?**

---

<sup>2</sup> Based on the Company's 2012 annual report.

1 A. The present rate design is based on monthly minimum charges that increase by  
2 meter size and tiered commodity rate charges per one-thousand gallons  
3 consumed. There are currently several customer classifications; residential,  
4 commercial, irrigation, hydrants, fire sprinklers, and low income.

5  
6 Only the 3/4-inch residential customer has a three-tier commodity rate design. All  
7 other residential customers and commercial customers have a two-tier commodity  
8 rate design. The irrigation and hydrant customers have a single-tier commodity  
9 rate design. The Company does not propose changes to its break-over points or  
10 current rate design structure.

11

12 **Q. Is RUCO recommending changes to the current rate design structure or**  
13 **break-over points, in its rate design?**

14 A. No.

15

16 **III. RATE DESIGN**

17 **Q. Have you prepared schedules summarizing the present, Company-**  
18 **proposed, and RUCO-recommended rates and charges?**

19 A. Yes. RUCO has presented its recommended rates in the attached Rate Design  
20 Schedule JMM-1. A brief summary of the present, Company-proposed, and  
21 RUCO-recommended rates for the 3/4-inch residential customer is presented  
22 below.

23

24 **Q. Would you please summarize the present rate design for the 3/4-inch**  
25 **residential customer?**

1 A. The present monthly minimum charge for a 3/4-inch residential customer is  
2 \$16.50. No gallons are included in the monthly minimum charge. The residential  
3 water commodity rate for the 3/4-inch residential customer is \$2.3100 per  
4 thousand gallons for 1 to 3,000 gallons, \$2.9600 per thousand gallons for 3,001 to  
5 9,000 gallons, and \$3.6100 per thousand gallons for any consumption over 9,000  
6 gallons.

7

8 **Q. Would you please summarize the Company's proposed rate design for the**  
9 **3/4-inch residential customer?**

10 A. The Company-proposed monthly minimum charge for a 3/4-inch residential  
11 customer is \$22.30. No gallons are included in the monthly minimum charge. The  
12 residential water commodity rate for the 3/4-inch residential customer is \$3.1061  
13 per thousand gallons for 1 to 3,000 gallons, \$3.9850 per thousand gallons for  
14 3,001 to 9,000 gallons, and \$4.8640 per thousand gallons for any consumption  
15 over 9,000 gallons.

16

17 **Q. Would you please summarize RUCO's recommended rate design for the 3/4-**  
18 **inch residential customer?**

19 A. RUCO recommends a monthly minimum charge for a 3/4-inch residential  
20 customer of \$19.50. No gallons are included in the monthly minimum charge.  
21 RUCO recommends the residential water commodity rate for the 3/4-inch  
22 residential customer of \$2.6500 per thousand gallons for 1 to 3,000 gallons,  
23 \$3.4900 per thousand gallons for 3,001 to 9,000 gallons, and \$4.2800 per  
24 thousand gallons for any consumption over 9,000 gallons.

25

26

1 **Q. What is the rate impact on a typical 3/4-inch meter residential customer?**

2 A. The Company-proposed rates would increase the monthly bill for a typical 3/4-  
3 inch meter residential customer, with an average usage of 7,870 gallons, by  
4 \$13.18 percent or 34.81 percent, from \$37.85 to \$51.02. Under the RUCO-  
5 recommended rate design for permanent rates, the monthly bill for a typical  
6 residential customer would increase by \$6.60 or 17.44 percent, from \$37.85 to  
7 \$44.45.

8

9 A typical bill analysis is provided on Rate Design Schedule JMM-2.

10

11 **Q. Does this conclude your rate design direct testimony?**

12 A. Yes, it does.

Rate Design

| Monthly Usage Charge                         | Present   | Company<br>Proposed Rates | RUCO<br>Recommended Rates |
|--|-----------|---------------------------|---------------------------|
| <u>Meter Size (All Classes):</u>             |           |                           |                           |
| Chaparral Residential 3/4 Inch               | \$ 16.50  | \$ 22.30                  | \$ 19.50                  |
| Chaparral Residential 1 Inch                 | 27.50     | 37.19                     | 32.53                     |
| Chaparral Residential 1-1/2 Inch             | 55.00     | 74.38                     | 65.07                     |
| Chaparral Residential 2 Inch                 | 88.00     | 119.00                    | 104.11                    |
| Chaparral Residential 3 Inch                 | 176.00    | 238.00                    | 208.21                    |
| Chaparral Residential 4 Inch                 | 275.00    | 371.88                    | 325.33                    |
| Chaparral Residential 6 Inch                 | 550.00    | 743.77                    | 650.67                    |
| Chaparral Residential 8 Inch                 | 880.00    | 1,190.02                  | 1,041.07                  |
| Chaparral Residential 10 Inch                | 1,265.00  | 1,710.66                  | 1,496.53                  |
| Chaparral Residential 12 Inch                | 2,365.00  | 3,198.19                  | 2,797.87                  |
| Chaparral Commercial 3/4 Inch                | 16.50     | 22.30                     | 19.50                     |
| Chaparral Commercial 1 Inch                  | 27.50     | 37.19                     | 32.53                     |
| Chaparral Commercial 1.5 Inch                | 55.00     | 74.38                     | 65.07                     |
| Chaparral Commercial 2 Inch                  | 88.00     | 119.00                    | 104.11                    |
| Chaparral Commercial 3 Inch                  | 176.00    | 238.00                    | 208.21                    |
| Chaparral Commercial 4 Inch                  | 275.00    | 371.88                    | 325.33                    |
| Chaparral Commercial 6 Inch                  | 550.00    | 743.77                    | 650.67                    |
| Chaparral Commercial 8 Inch                  | 880.00    | 1,190.02                  | 1,041.07                  |
| Chaparral Commercial 10 Inch                 | 1,265.00  | 1,710.66                  | 1,496.53                  |
| Chaparral Commercial 12 Inch                 | 2,365.00  | 3,198.19                  | 2,797.87                  |
| Chaparral Irrigation 3/4 Inch                | 16.50     | 22.30                     | 19.50                     |
| Chaparral Irrigation 1 Inch                  | 27.50     | 37.19                     | 32.53                     |
| Chaparral Irrigation 1.5 Inch                | 55.00     | 74.38                     | 65.07                     |
| Chaparral Irrigation 2 Inch                  | 88.00     | 119.00                    | 104.11                    |
| Chaparral Irrigation 3 Inch                  | 176.00    | 238.00                    | 208.21                    |
| Chaparral Irrigation 4 Inch                  | 275.00    | 371.88                    | 325.33                    |
| Chaparral Irrigation 6 Inch                  | 550.00    | 743.77                    | 650.67                    |
| Chaparral Irrigation 8 Inch                  | 880.00    | 1,190.02                  | 1,041.07                  |
| Chaparral Irrigation 10 Inch                 | 1,265.00  | 1,710.66                  | 1,496.53                  |
| Chaparral Irrigation 12 Inch                 | 2,365.00  | 3,198.19                  | 2,797.87                  |
| Chaparral Hydrant 3/4 Inch                   | 16.50     | 22.30                     | 19.50                     |
| Chaparral Hydrant 1 Inch                     | 27.50     | 37.19                     | 32.53                     |
| Chaparral Hydrant 1.5 Inch                   | 55.00     | 74.38                     | 65.07                     |
| Chaparral Hydrant 2 Inch                     | 88.00     | 119.00                    | 104.11                    |
| Chaparral Hydrant 3 Inch                     | 176.00    | 238.00                    | 208.21                    |
| Chaparral Hydrant 4 Inch                     | 275.00    | 371.88                    | 325.33                    |
| Chaparral Hydrant 6 Inch                     | 550.00    | 743.77                    | 650.67                    |
| Chaparral Hydrant 8 Inch                     | 880.00    | 1,190.02                  | 1,041.07                  |
| Chaparral Hydrant 10 Inch                    | 1,265.00  | 1,710.66                  | 1,496.53                  |
| Chaparral Hydrant 12 Inch                    | 2,365.00  | 3,198.19                  | 2,797.87                  |
| Chaparral Fire Sprinklers (All Meter Sizes)  | 10.0000   | 13.52                     | 13.52                     |
| Chaparral Low Income 3/4 Inch                | N/A       | 14.80                     | 12.00                     |
| Chaparral Low Income 1 Inch                  | N/A       | 29.69                     | 25.03                     |
| <u>Commodity Charge - Per 1,000 Gallons</u>  |           |                           |                           |
| <u>3/4" Meter (Residential)</u>              |           |                           |                           |
| First 3,000 gallons                          | \$ 2.3100 | \$ 3.1061                 | \$ 2.6500                 |
| 3,001 to 9,000 gallons                       | 2.9600    | 3.9850                    | 3.4900                    |
| All gallons over 9,000                       | 3.6100    | 4.8640                    | 4.2800                    |
| <u>3/4" Meter (Commercial)</u>               |           |                           |                           |
| First 9,000 gallons                          | 2.9600    | 3.9850                    | 3.4900                    |
| Over 9,000 gallons                           | 3.6100    | 4.8640                    | 4.2800                    |
| <u>1" Meter (Residential and Commercial)</u> |           |                           |                           |
| First 24,000 gallons                         | 2.9600    | 3.9850                    | 3.4900                    |
| Over 24,000 gallons                          | 3.6100    | 4.8640                    | 4.2800                    |

Rate Design

|  |        |        |        |
|--|--------|--------|--------|
| <u>1.5" Meter (Residential and Commercial)</u> |        |        |        |
| First 60,000 gallons                           | 2.9600 | 3.9850 | 3.4900 |
| Over 60,000 gallons                            | 3.6100 | 4.8640 | 4.2800 |
| <u>2" Meter (Residential and Commercial)</u>   |        |        |        |
| First 100,000 gallons                          | 2.9600 | 3.9850 | 3.4900 |
| Over 100,000 gallons                           | 3.6100 | 4.8640 | 4.2800 |
| <u>3" Meter (Residential and Commercial)</u>   |        |        |        |
| First 225,000 gallons                          | 2.9600 | 3.9850 | 3.4900 |
| Over 225,000 gallons                           | 3.6100 | 4.8640 | 4.2800 |
| <u>4" Meter (Residential and Commercial)</u>   |        |        |        |
| First 350,000 gallons                          | 2.9600 | 3.9850 | 3.4900 |
| Over 350,000 gallons                           | 3.6100 | 4.8640 | 4.2800 |
| <u>6" Meter (Residential and Commercial)</u>   |        |        |        |
| First 725,000 gallons                          | 2.9600 | 3.9850 | 3.4900 |
| Over 725,000 gallons                           | 3.6100 | 4.8640 | 4.2800 |
| <u>8" Meter (Residential and Commercial)</u>   |        |        |        |
| First 1,125,000 gallons                        | 2.9600 | 3.9850 | 3.4900 |
| Over 1,125,000 gallons                         | 3.6100 | 4.8640 | 4.2800 |
| <u>10" Meter (Residential and Commercial)</u>  |        |        |        |
| First 1,500,000 gallons                        | 2.9600 | 3.9850 | 3.4900 |
| Over 1,500,000 gallons                         | 3.6100 | 4.8640 | 4.2800 |
| <u>12" Meter (Residential and Commercial)</u>  |        |        |        |
| First 2,250,000 gallons                        | 2.9600 | 3.9850 | 3.4900 |
| Over 2,250,000 gallons                         | 3.6100 | 4.8640 | 4.2800 |
| <u>3/4" Meter (Irrigation and Hydrant)</u>     |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>1" Meter (Irrigation and Hydrant)</u>       |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>1.5" Meter (Irrigation and Hydrant)</u>     |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>2" Meter (Irrigation and Hydrant)</u>       |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>3" Meter (Irrigation and Hydrant)</u>       |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>4" Meter (Irrigation and Hydrant)</u>       |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>6" Meter (Irrigation and Hydrant)</u>       |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>8" Meter (Irrigation and Hydrant)</u>       |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>10" Meter (Irrigation and Hydrant)</u>      |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| <u>12" Meter (Irrigation and Hydrant)</u>      |        |        |        |
| All Usage                                      | 2.9600 | 3.9850 | 3.4900 |
| Fire Sprinklers (All Meter Sizes)              | 2.9600 | 3.9850 | 3.4900 |
| Standpipe Water Service - 2 Inch               | 2.9600 | 3.9850 | 3.4900 |
| Low Income 3/4 Inch                            | 2.9600 | 3.9850 | 3.4900 |
| Low Income 3/4 Inch                            | 2.9600 | 3.9850 | 3.4900 |

**Typical Bill Analysis**  
General Service 3/4-Inch Meter

| Company Proposed        | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|-------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage           | 7,870   | \$ 37.85      | \$ 51.02       | \$ 13.18        | 34.81%           |
| Median Usage            | 12,000  | \$ 52.02      | \$ 70.12       | \$ 18.10        | 34.79%           |
| <b>RUCO Recommended</b> |         |               |                |                 |                  |
| Average Usage           | 7,870   | \$ 37.85      | \$ 44.45       | \$ 6.60         | 17.44%           |
| Median Usage            | 12,000  | \$ 52.02      | \$ 61.23       | \$ 9.21         | 17.70%           |

**Present & Proposed Rates (Without Taxes)**  
General Service 3/4-Inch Meter

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | RUCO Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|------------------------|------------|
| -                   | \$ 16.50      | \$ 22.30               | 35.12%     | \$ 19.50               | 18.18%     |
| 1,000               | 18.81         | 25.40                  | 35.04%     | 22.15                  | 17.76%     |
| 2,000               | 21.12         | 28.51                  | 34.98%     | 24.80                  | 17.42%     |
| 3,000               | 23.43         | 31.61                  | 34.93%     | 27.45                  | 17.16%     |
| 4,000               | 26.39         | 35.60                  | 34.89%     | 30.94                  | 17.24%     |
| 5,000               | 29.35         | 39.58                  | 34.87%     | 34.43                  | 17.31%     |
| 6,000               | 32.31         | 43.57                  | 34.85%     | 37.92                  | 17.36%     |
| 7,000               | 35.27         | 47.55                  | 34.83%     | 41.41                  | 17.41%     |
| 8,000               | 38.23         | 51.54                  | 34.81%     | 44.90                  | 17.45%     |
| 9,000               | 41.19         | 55.52                  | 34.80%     | 48.39                  | 17.48%     |
| 10,000              | 44.80         | 60.39                  | 34.79%     | 52.67                  | 17.57%     |
| 11,000              | 48.41         | 65.25                  | 34.79%     | 56.95                  | 17.64%     |
| 12,000              | 52.02         | 70.12                  | 34.79%     | 61.23                  | 17.70%     |
| 13,000              | 55.63         | 74.98                  | 34.78%     | 65.51                  | 17.76%     |
| 14,000              | 59.24         | 79.84                  | 34.78%     | 69.79                  | 17.81%     |
| 15,000              | 62.85         | 84.71                  | 34.78%     | 74.07                  | 17.85%     |
| 16,000              | 66.46         | 89.57                  | 34.78%     | 78.35                  | 17.89%     |
| 17,000              | 70.07         | 94.44                  | 34.77%     | 82.63                  | 17.92%     |
| 18,000              | 73.68         | 99.30                  | 34.77%     | 86.91                  | 17.96%     |
| 19,000              | 77.29         | 104.16                 | 34.77%     | 91.19                  | 17.98%     |
| 20,000              | 80.90         | 109.03                 | 34.77%     | 95.47                  | 18.01%     |
| 25,000              | 98.95         | 133.35                 | 34.76%     | 116.87                 | 18.11%     |
| 30,000              | 117.00        | 157.67                 | 34.76%     | 138.27                 | 18.18%     |
| 35,000              | 135.05        | 181.99                 | 34.76%     | 159.67                 | 18.23%     |
| 40,000              | 153.10        | 206.31                 | 34.75%     | 181.07                 | 18.27%     |
| 45,000              | 171.15        | 230.63                 | 34.75%     | 202.47                 | 18.30%     |
| 50,000              | 189.20        | 254.95                 | 34.75%     | 223.87                 | 18.32%     |
| 75,000              | 279.45        | 376.55                 | 34.75%     | 330.87                 | 18.40%     |
| 100,000             | 369.70        | 498.15                 | 34.74%     | 437.87                 | 18.44%     |