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Before the Arizona Corporation Commission

Bob Stump - Chairman  
Gary Pierce - Commissioner  
Brenda Burns - Commissioner  
Bob Burns - Commissioner  
Susan Bitter Smith - Commissioner

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AZ CORP COMMISSION  
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2014 NOV 3 PM 1 29

ORIGINAL

In the matter of Epcor Water Arizona, Inc. of ) Docket Nos SW-01303A-09-0343  
a hearing on rate consolidation/deconsolidation ) W-01303A-09-0343  
proposals for possible rate changes for utility )  
service in all of its Arizona wastewater districts )

I am submitting rebuttal testimony on the following five issues:

- 1 - Epcor's responsibility to provide complete, accurate, up-to-date information for this proceeding
- 2 - Epcor's estimate of 6 - 12 months to separate each community's data from the combined data of the Agua Fria district
- 3 - Epcor's attempt to pass on to consumers their own costs of \$375,000 to separate each community's data from the combined data of Agua Fria district
- 4 - Epcor's omission of significant hidden costs in full consolidation
- 5 - ACC's priorities at this proceeding

I am also including my set of questions to various intervenors and their responses.

My wife and I wish receive all future information by email at fgbotha45@gmail.com

Respectfully submitted on November 3, 2014

Frederick G. Botha

Arizona Corporation Commission  
DOCKETED  
NOV 3 2014

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11/3/2014

This rebuttal testimony focuses on five issues:

1 - Epcor's responsibility to provide complete, accurate, up-to-date information for this proceeding

2 - Epcor's estimate of 6 - 12 months to separate each community's data from the combined data of the Agua Fria district

3 - Epcor's attempt to pass on to consumers their own costs of \$375,000 to separate each community's data from the combined data of Agua Fria district

4 - Epcor's omission of significant hidden costs in full consolidation

5 - ACC's priorities in this proceeding

1 - Epcor's responsibility to provide complete, accurate, up-to-date information for this proceeding

As pointed out by several expert witnesses and other intervenors, the following information is needed before any discussions can start or decisions can be reached on reviewing or changing wastewater rates:

Easily accessible, audited information on current and historical rates, income and expenses in an online, internet system - similar to Epcor's current billing and accounts receivable system

Information on the current fair value of all property, including combined Agua Fria community data and Epcor's Glendale investments

Information for any previous, current or future period for any or all combinations of communities or districts

Information on plant performance and efficiency

Information on Epcor's planned plant investments and expenses, not in dollars, but translated into forecasted rates in all communities and districts - not \$9.3 million for Sun City, \$4.9 million for Sun City West and \$5.3 for Anthem.

Information on typical 'what if' queries to make useful comparisons

In response to my questions Sheryl Hubbard stresses Epcor's high level of commitment to customer service and yet in her rebuttal testimony she does not give any priority to updating Epcor's current rates, income and expenses information system at all. Also, she vigorously protests against any changes in rates to the Agua Fria district that would reduce Epcor's revenue stream, yet she completely ignores the continuing high costs to consumers of Epcor's delays in providing up-to-date information.

In response to the urgency for up-to-date information, she cannot meet a deadline of June 30, 2015 - 8 months from now - and instead extends dates to September 30, 2015, and September 30, 2016 for reviewing and changing rates. Is this a high level commitment to customer service?

Both Arizona American Water and Epcor, after their purchase of Arizona American Water, could easily have installed rates, income and expense systems that are permanently up-to-date, similar to Epcor's current billing and accounts receivable information system which is permanently up-to-date.

With her extensive accounting and systems experience, has she and Shawn Bradford been aware of the significant advantages and availability of online, internet banking and retail systems, as many consumers are - systems that use identical hardware and software technology to Epcor's? If so, why was priority given not to the rates, income and expenses system but to the billing and accounts receivable system instead?

Expecting consumers to rely on the slow and cumbersome process of accessing documents at Epcor's offices or scanned documents on ACC's website are far from consumer service oriented. How well could Epcor's staff manage using their own or ACC's scanned documents? If Epcor staff need computer systems to access up-to-date information rapidly, is it a surprise that consumers need the same facilities as well?

The delays caused by Epcor not providing accurate, complete, up-to-date information are preventing this proceeding from starting and need to be addressed immediately.

If such an information system had been set up when the Agua Fria district was set up, it would have saved consumers significant cost and time.

High rates from duplicated plant facilities could have been foreseen before the different communities were grouped together into the Agua Fria district.

High rates could also have been avoided for Agua Fria consumers and costs of the excess plant capacity installed in the North West Valley could have been fairly allocated.

Costs of wastewater facilities between Sun City West and Corte Bella could have been allocated fairly.

Any increase in rates in Corte Bella for the new borehole could have been presented to consumers before the borehole was drilled.

In order to assist Epcor to meet their proclaimed high standards of customer service, please will Judge Nodes order Epcor to roll back their current water and wastewater rates for all consumers at this proceeding to the levels when they purchased Arizona American Water.

Please will Judge Nodes also order Epcor to maintain these rates until Epcor's implements an information system providing complete, accurate and up-to-date rates, income and expense information.

As an additional incentive, please will Judge Nodes order Epcor to refund to consumers all charges made at the higher rates since their purchase of Arizona American Water. This will ensure that Epcor take as long as they need to implement a new system.

Please will Judge Nodes provide full explanations of the decisions he takes.

2 - Epcor's estimate of 6 - 12 months to separate each community's data from the combined data of the Agua Fria district

Epcor has responded to three sets of questions from me on this topic but has presented no clear indication yet to support their estimate of 6 - 12 months to separate out each community's data.

Epcor has not provided any specific, detailed examples of how or why any current asset or liability in the combined data of the Agua Fria district cannot be converted easily and quickly into each community's data.

Instead Epcor has provided only vague comments about how difficult the separation and conversion process will be.

One way to do the separation is to allocate each community's data proportionally according to specific criteria acceptable to the ACC, such as annual consumption, current plant value, number of consumers or any combination of these or other measures.

Against Epcor's estimate, it may take as little as a few minutes to completely separate and convert the Agua Fria district data into each community's data, if appropriate allocation criteria are used.

Please will Judge Nodes order Epcor to provide a description to show in detail the steps required to convert several of the most complex assets and liabilities in the Agua Fria district data, using allocation criteria acceptable to the ACC.

This will contribute to determining whether the complete process of separating out each community's data can be done and how long it will take.

3 - Epcor's attempt to charge consumers for their own costs of \$375,000 to separate each community's data from the combined data of Agua Fria district

Epcor estimates that it will cost \$375,000.00 to separate each community's consumer data from the combined data of the Agua Fria district.

Epcor do not mention that they are willing to accept the costs of improving and updating their billing, accounts receivable and other information systems but refuse to accept the costs of improving and updating their rates and income and expense information systems.

Also, Epcor do not mention that when they purchased Arizona American Water, they became legally responsible for Arizona American Water's assets and liabilities, including their information systems - whether these meet their expectations or not.

The responsibilities for improving and updating these systems and for the costs of separating each community's data are Epcor's and not the Agua Fria district's.

Please will Judge Nodes order Epcor to withdraw their proposed claim of \$375,000.00 and to pay these costs themselves in order to update and improve their rates and income and expense systems with the data of each community - for exactly the same reasons they accept paying the costs to update and improve their other information systems, including their billing and accounts receivable systems.

#### 4 - Epcor's omission of significant hidden costs in full consolidation

Consolidation does not automatically reduce total costs of water or wastewater or make their supply more efficient - all it does is spread total costs over the total number of consumers. It is understandable that some consumers will be elated if their wastewater rates are significantly reduced as a result of this proceeding, but we need to be aware of other dangers ahead.

Just as important as consolidation in reducing rates are the effective design, location, use and management of the different plants and their raw materials.

These factors can be tracked easily only by an effective online, internet computer system providing performance information on the different factors in wastewater management for Epcor, the ACC, RUCO and consumers to evaluate.

Shawn Bradford of Epcor in his testimony on September 8, 2014, pointed out that communities do not have to be contiguous or next to each other to be grouped into the same district. This is misleading. To achieve economies of scale in plant location and size, it is vital to locate communities as close to each other as possible. The dangers of having separate plants for each community and combining communities that are not close to each other could not be clearer now than in the Agua Fria district - almost complete duplication of plant facilities with no economies of scale.

Shawn Bradford, whose responsibility is Information Technology, also did not point out how important an effective online, internet system is for Epcor, the ACC, RUCO and consumers in order to track the performance of each of the different factors that combine to provide high quality water and wastewater facilities. Without such an information system who knows which plants are performing well or not and what needs to be done to address poor performance issues at each plant? Full consolidation reduces total costs only if each plant is effectively managed and its performance is easily and continuously tracked.

Two of the most important factors in charging a fair system of rates are, first, districts of matching communities where economies of scale can be attained and, second, an online, internet system that provides permanent up-to-date information on the factors that track effective water and wastewater management and provide early warning signals of significant rate increases - in time for consumers to react.

In her testimony on September 8, 2014, and in her responses to my questions, Sheryl L. Hubbard showed that she has extensive qualifications and experience in accounting systems and in the water and wastewater industry. Against this background, why does she refuse in her responses to my questions to speculate on the significant advantages of online, internet information systems for Epcor, ACC, RUCO and consumers, instead of supporting them? It does not make any business sense at all.

## 5 - ACC's priorities in this proceeding

Full or partial consolidation on its own is not the complete solution to reducing Agua Fria's or any other district's rates.

The focus of this proceeding is three sets of rates required by ACC from Epcor that cannot be produced completely or accurately until other closely associated issues are resolved first. Consequently, none of these following issues can be excluded from this proceeding.

First, Epcor's responsibility to provide complete, accurate, up-to-date information for this proceeding.

Second, ACC's responsibility to provide a fair system of setting up districts of communities with sufficient consumers to use the facilities and afford the rates.

Third, ACC's responsibility to provide a fair system of allocating unused plant capacity.

Setting up rate affordable districts and allocating unused plant capacity are two root causes of Agua Fria's high rates and need to be resolved before starting to review consolidation or deconsolidation. Both Dan L. Neidlinger and Kent Simer, expert witnesses, draw attention to these issues.

Existing districts with long established water and wastewater systems are not the cause of Agua Fria's high rates. Would it not have been more opportune for them to contribute through consolidation when Agua Fria was set up instead, although it might be prudent for them to look ahead now to the advantages of consolidation later on?

Fourth, Epcor's, ACC's and RUCO's responsibilities to provide early warnings of water or wastewater rates that are way above average before they come into effect - in terms of forecasted rates and not mere planned plant investments in dollars.

To wait for consumers to petition against way above average rates contravenes Epcor's, ACC's and RUCO's public mandates to protect consumers against unfair rates.

Without addressing and resolving these four priorities first, any consolidation or deconsolidation will be based on incomplete and inaccurate information and will produce highly controversial, disputed and disruptive results, as is happening now.

If Agua Fria district included communities with economies of scale and a fair allocation of unused Northwestern plant capacity, rates would be affordable and consolidation unnecessary. Sun City and Sun City West might not have to resort to taking further action. These issues will not go away unless they are addressed and resolved and the responses to my questions in this testimony shows how little we know about fair Agua Fria costs.

Questions 1 from Fred Botha

FGB 1-1

Briefly, what is the background to the \$23 m in refund payments that Arizona American Water may have wrongfully paid to a developer and wanted to include in Anthem's water and wastewater base?

FGB 1-2

Has this claim been settled and who has paid the costs?

FGB 1-3

How have the costs been included in Epcor's accounts for Anthem?

FGB 1-4

If no claim had ever been made and the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?

FGB 1-5

What were the initial costs of the Northwest Valley Treatment Plant and how much of these initial costs were allocated to each community at inception and subsequently?

FGB 1-6

What have been the subsequent costs of the Northwest Valley Treatment Plant and how much has been allocated to each community towards these costs?

FGB 1-7

If the Northwest Valley Treatment plant had not been constructed, what would Agua Fria's water and wastewater rates be now?

FGB 1-8

What are the different methods of allocating costs of construction of a facility that is not fully utilised at inception?

- allocate total costs of construction at inception to all existing users?
- allocate utilised costs of construction at inception to all existing users and postpone residual costs to future users with owner of facility carrying the unutilised costs?
- other methods?

**EPCOR**  
**DOCKET NOS. W&SW-01303A-09-0343**  
**RESPONSES TO DATA REQUEST DATED OCTOBER 11, 2014 FROM FRED BOTHA**  
**TO DAN NEIDLINGER**

**FGB 1-1 Briefly, what is the background to the \$23m in refund payments that Arizona American Water may have wrongfully paid to a developer and wanted to include in Anthem's water and wastewater base?**

RESPONSE: A detailed discussion of the refund payments by Arizona American to Pulte Homes and the ultimate ratemaking treatment thereof is contained in the Commission's Decision No. 72047.

**FGB 1-2 Has this claim been settled and who has paid the costs?**

RESPONSE: See response to FGB 1-1.

**FGB 1-3 How have the costs been included in Epcor's accounts for Anthem?**

RESPONSE: See response to FGB 1-1.

**FGB 1-4 If no claim had ever been made and the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?**

RESPONSE: None of the costs of the Northwest Valley Treatment Plant are currently included in the phased-in wastewater rates for Anthem. All of the allocated costs from this plant are now assigned to the Agua Fria Wastewater District.

**FGB 1-5 What are the initial costs of the Northwest Valley Treatment Plant and how much of these initial costs were allocated to each community at inception and subsequently?**

RESPONSE: I do not know the answer to this question with respect to the initial costs and ratemaking treatment. In the 2009 proceeding, Staff allocated 28% of the costs of the Northwest Treatment Plant to the then combined Anthem/Agua Fria Wastewater District. This allocation percentage was accepted by the Commission.

**FGB 1-6 What have been the subsequent costs of the Northwest Valley Treatment Plant and how much has been allocated to each community towards these costs?**

RESPONSE: See response to FGB 1-5.

**FGB 1-7 If the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?**

RESPONSE: See response to FGB 1-4.

**FGB 1-8 What are the different methods of allocating costs of construction of a facility that is not fully utilized at inception?**

- **Allocate total costs of construction at inception to all existing users?**
- **Allocate utilized costs of construction at inception to all existing users and postpone residual cost to future users with owner of facility carrying the underutilized costs?**
- **Other methods?**

**RESPONSE:** I cannot provide definitive answers to these hypothetical questions. The Commission looks at these issues on a case by case basis and may decide to include all of the costs or defer some of the costs to a future case.

**RESPONSES OF EPCOR WATER ARIZONA, INC. TO MR. BOTHA'S FOURTH SET  
OF DATA REQUESTS  
W-01303A-09-0343  
SW-01303A-09-0343**

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**FGB 4-1**

**Question: Briefly, what is the background to the \$23 m in refund payments that Arizona American Water may have wrongfully paid to a developer and wanted to include in Anthem's water and wastewater base?**

**Response: See Commission Decision No. 72047.**

**FGB 4-2**

**Question: Has this claim been settled and who has paid the costs?**

**Response: See Decision No. 72047 which addresses that issue.**

**FGB 4-3**

**Question: How have the costs been included in EPCOR's accounts for Anthem?**

**Response: See Decision No. 72047.**

**FGB 4-4**

**Question: If no claim had ever been made and the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?**

**Response: EWAZ continues to object to this request on relevance grounds and because it calls for speculation.**

**FGB 4-5**

**Question: What were the initial costs of the Northwest Valley Treatment Plant and how much of these initial costs were allocated to each community at inception and subsequently?**

**Response: See Commission Decision Nos. 72047, 70372 and 70209.**

**RESPONSES OF EPCOR WATER ARIZONA, INC. TO MR. BOTHA'S FOURTH SET  
OF DATA REQUESTS  
W-01303A-09-0343  
SW-01303A-09-0343**

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**FGB 4-6**

**Question: What have been the subsequent costs of the Northwest Valley Treatment Plant and how much has been allocated to each community towards these costs?**

**Response: See Decisions listed in response to FGB 4-5.**

**FGB 4-7**

**Question: If the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?**

**Response:**

**EWAZ continues to object to this request on relevance grounds and because it calls for speculation.**

**FGB 4-8**

**Question: What are the different methods of allocating costs of construction of a facility that is not fully utilised at inception?**

- allocate total costs of construction at inception to all existing users?**
- allocate utilised costs of construction at inception to all existing users and postpone residual costs to future users with owner of facility carrying the unutilised costs?**
- other methods?**

**Response:**

**In the first rate case application in which a completed facility is placed in rate base, a determination of whether the facility is "used and useful" is made by the Arizona Corporation Commission. The rate base determined by the Commission is one element that the Commission utilizes to determine the company's revenue requirement.**



## RESIDENTIAL UTILITY CONSUMER OFFICE

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Janice K. Brewer  
Governor

Patrick J. Quinn  
Director

October 20, 2014

Fred Botha  
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Re: RUCO Response to Questions dated October 11, 2014

Mr. Botha:

In response to your letter and questions dated October 11, 2014, we would suggest that you send them to EPCOR Water Arizona, Inc. for the appropriate response. The Residential Utility Consumer Office does not have the answers to those questions.

If you would like to discuss this matter further, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Pozefsky", written over a white background.

Daniel Pozefsky  
Chief Counsel

**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF'S RESPONSES TO  
FIRST SET OF DATA REQUESTS  
"FRED BOTHA"  
DOCKET NOS. W-01303A-09-0343 AND SW-01303A-09-0343**

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**FGB 1-1.** Briefly, what is the background to the \$23 m in refund payments that Arizona American Water may have wrongfully paid to a developer and wanted to include in Anthem's water and wastewater base?

**RESPONSE:**

Objection, this data request seeks information that is beyond the scope of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the foregoing objections and without waiving the objections, Staff responds as follows: a discussion of the background may be found in Decision No. 72047, which can be found on the Commission eDocket website.

**RESPONDENT:** Gerald Becker, Executive Consultant III

**FGB 1-2.** Has this claim been settled and who has paid the costs?

**RESPONSE:**

Objection, this data request seeks information that is beyond the scope of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the foregoing objections and without waiving the objections, Staff responds as follows: Please see the response to FGB 1-1.

**RESPONDENT:** Gerald Becker, Executive Consultant III

**FGB 1-3.** How have the costs been included in EPCOR's accounts for Anthem?

**RESPONSE:**

Objection, this data request seeks information that is beyond the scope of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the foregoing objections and without waiving the objections, Staff responds as follows: Please see the response to FGB 1-1.

**RESPONDENT:** Gerald Becker, Executive Consultant III

**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF'S RESPONSES TO  
FIRST SET OF DATA REQUESTS  
"FRED BOTHA"  
DOCKET NOS. W-01303A-09-0343 AND SW-01303A-09-0343**

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**FGB 1-4.** If no claim had ever been made and the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?

**RESPONSE:**

**Objection, this data request seeks information that is beyond the scope of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.**

**RESPONDENT: Gerald Becker, Executive Consultant III**

**FGB 1-5.** What were the initial costs of the Northwest Valley Treatment Plant and how much of these initial costs were allocated to each community at inception and subsequently?

**RESPONSE:**

**Objection, this data request seeks information that is beyond the scope of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the foregoing objections and without waiving the objections, Staff responds as follows: a history of the Northwest Valley Treatment Plant and its treatment for ratemaking purposes may be found in Decision No. 70209, Decision No. 70372 and Decision No. 72047, which may be found on the Commission's eDocket website.**

**RESPONDENT: Gerald Becker, Executive Consultant III**

**FGB 1-6.** What have been the subsequent costs of the Northwest Valley Treatment Plant and how much has been allocated to each community towards these costs?

**RESPONSE:**

**Objection, this data request seeks information that is beyond the scope of this proceeding, is vague and is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the foregoing objections and without waiving the objections, Staff responds as follows: Please see response to FGB 1-6.**

**RESPONDENT: Gerald Becker, Executive Consultant III**

**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF'S RESPONSES TO  
FIRST SET OF DATA REQUESTS  
"FRED BOTHA"  
DOCKET NOS. W-01303A-09-0343 AND SW-01303A-09-0343**

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**FGB 1-7.** If the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?

**RESPONSE:**

Objection, this data request seeks information that is beyond the scope of this proceeding, is vague, calls for speculation and is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the foregoing objections and without waiving the objections, Staff responds as follows: There are multiple factors that are considered in determining rates, not all of which are identified in this data request.

**RESPONDENT:** Gerald Becker, Executive Consultant III

**FGB 1-8.** What are the different methods of allocating costs of construction of a facility that is not fully utilized at inception?

- Allocate total costs of construction at inception to all existing users?
- Allocate utilized costs of construction at inception to all existing users and postpone residual costs to future users with owner of facility carrying the unutilized costs?
- Other methods?

**RESPONSE:**

Objection, this data request seeks information that is beyond the scope of this proceeding, is unduly burdensome and is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding the foregoing objections and without waiving the objections, Staff responds as follows: Generally, plant will be included in rate base to the extent it is used and useful. The amount of rate base is a factor in the calculation of the revenue requirement.

**RESPONDENT:** Gerald Becker, Executive Consultant III

Verrado Community Association, Inc,'s Response to Botha First Set of Data Requests  
Company: Docket No.: Epcor Water Arizona, Inc.  
W-013034-09-0343; SW-013034-09-0343

Response provided by: Michele Van Quathem, Attorney for Verrado Community Association, Inc.

FGB 1-1 :

Briefly, what is the background to the \$23 m in refund payments that Arizona American Water may have wrongfully paid to a developer and wanted to include in Anthem's water and wastewater base?

Verrado Response to FGB 1-1:

Objection and Response: Verrado Community Association, Inc. was not a party to the referenced transaction and has no information regarding this topic other than access to the same information that is available to the public through the Arizona Corporation Commission's records.

FGB 1-2:

Has this claim been settled and who has paid the costs?

Verrado Response to FGB 1-2

Objection and Response: Verrado Community Association, Inc. was not a party to the referenced transaction and has no information regarding this topic other than the same access to information that is available to the public through the Arizona Corporation Commission's records.

FGB 1-3:

How have the costs been included in Epcor's accounts for Anthem?

Verrado Response to FGB 1-3:

Objection.

This question requests Epcor's accounting information and should be directed to Epcor.

**FGB 1-4:**

If no claim had ever been made and the Northwest Valley Treatment plant had not been constructed, what would Anthem's water and wastewater rates be now?

**Verrado Response to FGB 1-4:**

Objection. This question calls for speculation. To the extent the question requests Epcor's accounting information, the question should be directed to Epcor.

**FGB 1-5:**

What were the initial costs of the Northwest Valley Treatment Plant and how much of these initial costs were allocated to each community at inception and subsequently?

**Verrado Response to FGB 1-5:**

Objection. This question requests Epcor's cost and accounting information and should be directed to Epcor.

**FGB 1-6:**

What have been the subsequent costs of the Northwest Valley Treatment Plant and how much has been allocated to each community towards these costs?

**Verrado Response to 1-6:**

Objection. This question requests Epcor's cost and accounting information and should be directed to Epcor.

**FGB 1-7 :** If the Northwest Valley Treatment plant had not been constructed what would Anthem's water and wastewater rates be now?

**Verrado Response to FGB 1-7:**

Objection. This question calls for speculation. To the extent this question requests Epcor's accounting information, it should be directed to Epcor.

FGB 1-8:

What are the different methods of allocating costs of construction of a facility that is not fully utilized at inception?

- Allocate total costs of construction at inception to all existing users?
- Allocated utilized costs of construction at inception to all existing users and postpone residual costs to future users with owner of facility
- Other methods?

Verrado Response to FGB 1-8:

Objection. This question appears to call for a new expert opinion outside the scope of the current proceeding, and does not seek information in Verrado's possession. To the extent this question relates to the policy opinions regarding rate design already offered by Mr. Simer in his Direct Testimony on behalf of Verrado Community Association, Inc., Mr. Simer will be made available for cross-examination at the hearing in this matter.