



0000166702

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED  
2015 NOV -5 P 1:39  
AZ CORP COMMISSION  
DOCKET CONTROL

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

COMMISSIONERS

- SUSAN BITTER SMITH
- BOB BURNS
- BOB STUMP
- DOUG LITTLE
- TOM FORESE

IN THE MATTER OF THE APPLICATION OF  
UTILITY SOURCE, LLC, AN ARIZONA  
CORPORATION, FOR A DETERMINATION  
OF THE FAIR VALUE OF ITS UTILITY  
PLANTS AND PROPERTY AND FOR  
INCREASES IN ITS CHARGES FOR UTILITY  
SERVICE BASED THEREON.

DOCKET NO. WS-04235A-13-0331

**SETTLEMENT TESTIMONY OF ERIK  
NIELSEN/INTERVENOR**

Arizona Corporation Commission

DOCKETED

NOV 05 2015

DOCKETED BY 

**INTRODUCTION**

**Q. Please state your name and role in this matter.**

A. Erik Nielsen. I am a customer of Utility Source in Bellemont, AZ and an intervenor in this case. I have undergraduate degrees in Economics and Political Science from the University of California, San Diego, an MS in Public Policy from Rutgers University and a PhD in Natural Resources from the University of Idaho. I have worked in the private sector as a consultant on social and economic impacts of resource development and am currently an Associate Professor of Environmental Science and Policy in the School of Earth Sciences and Environmental Sustainability at Northern Arizona University.

**Q. What is the purpose of your Testimony?**

To explain my endorsement of the Settlement Agreement reached between Utility Source L.L.C. and the other parties involved in this rate case.

**Q. Why do you think this overall agreement is in the public interest?**

This agreement reduced the overall revenue requirement increase for the Company from \$190,043 in the ROO to \$177,255 (wastewater division) and \$206,184 in the ROO to 94,777 (water division). While these are still significant increases of 148% for the wastewater division and 28% for the water division, and 60% overall across both divisions, I think this settlement helps to ameliorate the impacts to consumers given the complex and unique history of this case. Overall at the end of the phase in it will increase the average residential customer (4,123 gallons) combined bill from \$59.02 to \$124.55 or 111%. I support the revenue requirements

1 for the company that decrease the overall impact on residential customers from the ROO. The overall rate  
2 increase is more reasonable for customers than the ROO and is a result primarily of the imputation of the  
3 stand pipe revenue and associated costs to the test year base on earnings from the first year of service. The  
4 rate design also allows Utility Source to recover more of their revenue requirement from monthly minimums  
5 on the water and wastewater accounts and thereby providing them more stability which we hope will be  
6 good for the long term sustainability of the company and quality service. While these monthly minimums  
7 may decrease the ability of customers to conserve and reduce use of this scarce resource as well as their  
8 monthly bills, it will reduce our overall bill.

8 **Q. Why do you think the agreement for the water division is in the public interest?**

9 The settlement revenue requirement for the water division is \$428,723 representing an increase of \$94,774  
10 or a 28.38% increase overall. For the median residential water user (3,500 gallons) at the end of the three  
11 year phase in this would increase the monthly rate from \$35.30 to \$57.27 or an increase of 62%. For the  
12 average water user (4,123 gallons) this would increase the monthly rate from \$38.58 to \$60.38 or an increase  
13 of 56.52%.

14 The negotiated financial settlement reduces the impact on residential customers in three ways. First it  
15 recognizes the revenue generated by the standpipe operations, and imputing that revenue and new plant for  
16 the test year reduces the revenue requirement for the water division customers. Including these revenues  
17 decreases the residential median increase from 91.83% in the ROO to 62% in the settlement agreement.  
18 Second, the phased in approach to the rate increase will ease the rate shock over three years and  
19 presumably will allow planned residential developments to be built over the next three years before the next  
20 rate case. If these 300 plus customers come on line I would anticipate a reduction in average residential  
21 rates and the ability of the company to request hookup fees to defer additional costs required for  
22 infrastructure. Finally, increasing the monthly use fee provides the company with revenue stability while still  
23 allowing consumers some ability to ameliorate these rate increases through conservation measures.

23 **Q. Why do you believe the settlement agreement for the waste water division is in the public interest?**

24 A. The settlement revenue requirement for the wastewater division is \$296,719 representing an increase of  
25 \$177,255 or a 148.38% increase overall. For the median residential wastewater user (3,500 gallons) at the  
26 end of the phase in would increase the monthly rates from 20.44 to 64.17 or an increase of 213.94%. For the  
27 average water user (4,123 gallons) this would increase the monthly rate from \$24.08 to \$67.22 or an increase  
28 of 179%.

1 The financial settlement agreement reduced the company's revenue increase in revenue from \$190,043  
2 (ROO) to \$177,255 and allowed the company to collect approximately 65% of the revenue requirement  
3 through fixed monthly service charges. The rate increase is less than it would otherwise be so in the ROO so  
4 it is a more reasonable rate. The phased in approach helps to ameliorate the rate shock for customers and  
5 allows for future development to help offset these increases by the next rate case.

6 **Q. What do you think about the date for the next test year and rate case?**

7 A. Given the potential for significant development within the Company's CC&N over the next three years, I  
8 believe this earlier rate case is in the public interest to assure that rates can be adjusted accordingly and I  
9 hope that the Company would consider requesting hook-up fees for these new customers to offset any  
10 additional infrastructure costs.

11 **Q. What do you think about the post-decision company duties outlined in the settlement agreement?**

12 A. I believe that the post settlement provisions in the settlement are commonsense approaches to deal with  
13 the concerns about system reliability and security.

14 **Q. Does this conclude your testimony?**

15 A. Yes

16  
17 RESPECTFULLY SUBMITTED this 4th day of November, 2015.

18  
19 

20 Erik Nielsen  
21 4680 N. Alpine Drive  
22 P.O. Box 16020  
23 Bellemont, Arizona 85015

24 **Original and thirteen (13) copies of**  
25 **the foregoing filed this 4th day of**  
26 **November, 2015, with:**

27 Docket Control  
28 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Copy of the foregoing mailed this  
4th day of November, 2015, to:

Steve Wene, Esq.  
MOYES SELLERS & HENDRICKS, LTD.  
1850 North Central Avenue, Suite 1100  
Phoenix, Arizona 85004  
[swene@law-msh.com](mailto:swene@law-msh.com)  
Attorneys for Utility Source, LLC

Daniel Pozefsky  
Residential Utility Consumer Office  
1110 West Washington St., Suite 220  
Phoenix, Arizona 85007

Terry Fallon  
4561 Bellemont Springs Drive  
Bellemont, Arizona 85015