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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED \$3,400,000.

DOCKET NO. SW-02361A-15-0207
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF LIBERTY UTILITIES (BLACK MOUNTAIN SEWER) CORP., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AN CHARGES FOR UTILITY SERVICE BASED THEREON.

DOCKET NO. SW-02361A-15-0207

SETTLEMENT TESTIMONY OF

MAYOR LES PETERSON

Town of Carefree

January 27, 2016

Arizona Corporation Commission

DOCKETED

JAN 27 2016

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1 **INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Les Peterson. My business address is 8 Sundial Circle, Carefree,
4 Arizona 85377. I am the Mayor of the Town of Carefree ("Town").
5

6 **Q. ARE YOU THE SAME LES PETERSON WHO PROVIDED DIRECT**
7 **TESTIMONY IN THIS PROCEEDING ON NOVEMBER 24, 2015 IN**
8 **SUPPORT OF A PROPOSED SETTLEMENT AGREEMENT?**

9 A. Yes. The proposed settlement that was the subject of that testimony was between
10 Liberty Utilities (Black Mountain Sewer) Corp. ("Liberty Black Mountain" or the
11 "Company"), the Town, the Boulders Homeowners Association ("BHOA"), and
12 CP Boulders, LLC dba the Boulders Resort and Wind P1 Mortgage Borrower,
13 L.L.C. I will refer to that proposed settlement in this testimony as the
14 "Town/Resort Agreement."
15

16 **Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

17 A. My settlement testimony supports the Settlement Agreement (the "Comprehensive
18 Settlement Agreement") filed in this matter on January 20, 2016 between Liberty
19 Black Mountain, the Arizona Corporation Commission Utilities Division Staff
20 ("Staff"), the Residential Utility Consumer Office ("RUCO"), the Town, and CP
21 Boulders, LLC (the "Resort").
22

23 **COMPREHENSIVE SETTLEMENT AGREEMENT**

24 **Q. HOW DID THERE COME TO BE TWO SETTLEMENT AGREEMENTS**
25 **PROPOSED IN THIS MATTER?**

26 A. The issues that the Town desired to be addressed in this proceeding centered

1 primarily on the closure of Liberty Black Mountain's Boulders wastewater
2 treatment plant (the "Plant" or "Boulders WWTP") and the rate impacts related to
3 that closure; the Company's commercial wastewater service rates; and the
4 availability of an alternative tariff for breweries to aid the in Town's economic
5 development efforts to attract such businesses. In advance of the deadline for
6 filing direct testimony in this matter, the Town, the Resort, BHOA and the
7 Company were able to reach agreement of those issues and other issues, and thus
8 those entities entered into the Town/Resort Agreement.¹ After the filing of the
9 Town/Resort Agreement, RUCO and Staff filed their direct testimony in this
10 matter. The Company, the Town, the Resort, RUCO and Staff have subsequently
11 reached an agreement for resolution of all the issues in this matter, and thus have
12 proposed what has been titled the Comprehensive Settlement Agreement.

13
14 **Q. DOES THE COMPREHENSIVE SETTLEMENT AGREEMENT**
15 **REPLACE THE TOWN/RESORT AGREEMENT?**

16 A. No. It modifies the Town/Resort Agreement in some respects, but pursuant to
17 Section 1.3.3 of the Comprehensive Settlement Agreement, the Town/Resort
18 Agreement remains in effect except as modified by the Comprehensive Settlement
19 Agreement.

20
21 **Q. IN WHAT RESPECTS DOES THE COMPREHENSIVE SETTLEMENT**
22 **AGREEMENT MODIFY THE TOWN/RESORT AGREEMENT?**

23 A. The Comprehensive Settlement Agreement modifies the method by which certain
24

25 ¹ BHOA is not a party to this proceeding, but some provision of the Town/Resort Agreement would impact the
26 appeal of the Commission's Decision No. 73855 (currently pending in the Arizona Court of Appeals as Case No. 1 CA-CV 14-0643), in which BHOA is an intervenor. Because BHOA is a necessary party to resolve that appeal proceeding, it was necessary that BHOA be a party to the Town/Resort Agreement.

1 plant closure costs will be recovered, but not the amount of such costs that will be
2 recovered. Where the Town/Resort Agreement provided for recovery of those
3 costs through various surcharges, the Comprehensive Settlement Agreement
4 provides that the closure costs will be recovered through base rates.
5

6 **Q. WHAT DOES THE COMPREHENSIVE SETTLEMENT AGREEMENT**
7 **ADDRESS THAT GOES BEYOND THE MATTERS OF THE**
8 **TOWN/RESORT AGREEMENT?**

9 A. The Comprehensive Settlement Agreement also addresses a number of ratemaking
10 issues that were raised by Staff and RUCO in their direct testimony.
11

12 **Q. WHAT ASPECTS OF THE TOWN/RESORT AGREEMENT ARE LEFT**
13 **INTACT BY THE COMPREHENSIVE SETTLEMENT AGREEMENT?**

14 A. The Comprehensive Settlement Agreement retains the date of November 30, 2018
15 as the date by which the Company will close the Boulders WWTP. It also retains
16 a commercial rate design that is based on water usage data as proposed by the
17 Company in its application in response to the Commissions directive in Decision
18 Nos. 71865, rather than the current commercial rate design. Further, the
19 Comprehensive Settlement Agreement retains the Company's agreement that it
20 will not recover \$200,000 of its costs incurred in connection with the Boulders
21 WWTP, and that \$108,000 of the costs the Company has incurred in connection
22 with that closure will be recovered through the effluent rate paid by the Resort.
23

24 **Q. DOES THE TOWN SUPPORT THE COMPREHENSIVE SETTLEMENT**
25 **AGREEMENT'S MODIFICATIONS TO THE TOWN/RESORT**
26 **AGREEMENT?**

1 A. Yes, as the modifications only affect the method by which the Company may
2 recover the plant closure costs, and do not further modify the amount of such costs
3 which may be recovered.

4
5 **Q. DOES THE TOWN SUPPORT THE RESOLUTION OF THE**
6 **ADDITIONAL MATTERS THAT WERE NOT ADDRESSED IN THE**
7 **TOWN/RESORT AGREEMENT?**

8 A. Yes. The Town is supportive of the resolution of these additional issues in a
9 manner that is acceptable to the Company, RUCO and Staff.

10

11

12 **CONCLUSION**

13 **Q. WHAT SPECIFICALLY ARE YOU REQUESTING FROM THE**
14 **COMMISSION AT THIS TIME?**

15 A. The Town is requesting that the Commission approve the Comprehensive
16 Settlement Agreement, and approve the Town/Resort Agreement as modified by
17 the Comprehensive Settlement Agreement.

18

19 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

20 A. Yes.

21

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