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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE- Chairman
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AZ CORP COMMISSION

DOCKET CONTROL

DOCKET NO. W-03718A-15-0213

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, LLC, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES.

**STAFF'S NOTICE OF FILING
DIRECT TESTIMONY (RATE DESIGN
AND COST OF SERVICE)**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of Staff Witness Teresa B. Hunsaker in the above docket.

RESPECTFULLY SUBMITTED this 12th day of February 2016.

Brian E. Smith, Attorney
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Original and thirteen (13) copies of the foregoing filed this 12th day of February 2016 with:

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Phoenix, Arizona 85007

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Arizona Corporation Commission

DOCKETED

FEB 12 2016

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Interim Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-03718A-15-0213
SAHUARITA WATER COMPANY, LLC, FOR A)
DETERMINATION OF THE CURRENT FAIR)
VALUE OF ITS UTILITY PROPERTY AND)
FOR THE ESTABLISHMENT OF JUST AND)
REASONABLE RATES AND CHARGES)
_____)

(RATE DESIGN)

DIRECT

TESTIMONY

OF

TERESA B. HUNSAKER

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 12, 2016

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**EXECUTIVE SUMMARY
SAHUARITA WATER COMPANY, LLC
DOCKET NO. W-03718A-15-0213**

Sahuarita Water Company, LLC (“SWC” or “Company”) is an Arizona Limited Liability Company. The Company is engaged in the business of providing water utility services in Sahuarita, Arizona. The Company served approximately 5,500 customers during the test year ended December 31, 2014. The Company’s original Certificate of Convenience and Necessity Application was approved in Decision No. 59431 dated December 28, 1995. The Company’s current authorized rates and charges were determined in Decision No. 72177 dated February 11, 2011.

RATE DESIGN:

Staff recommends approval of its rate design and service charges.

TYPICAL BILL ANALYSIS:

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,500 gallons would experience a \$3.79 or a 12.52 percent increase in their monthly bill, from \$30.28 to \$34.07, under the Company’s proposed rates. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,500 gallons would experience a \$0.32 or a 1.04 percent increase in their monthly bill, from \$30.28 to \$30.59, under Staff’s recommended rates.

1 **INTRODUCTION**

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

3 A. My name is Teresa B. Hunsaker. I am a Public Utilities Analyst III employed by the Arizona
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”). My
5 business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Teresa B. Hunsaker who previously submitted direct testimony in
8 this case?**

9 A. Yes, I am.

10
11 **Q. What is the scope of your testimony in this case?**

12 A. I am presenting Staff’s analysis and recommendations regarding Sahuarita Water Company,
13 LLC’s (“SWC” or “Company”) application for a permanent increase in its rates and charges
14 for water utility service within Pima County, Arizona.

15
16 **Q. What is the basis of your testimony in this filing?**

17 A. Based on the adjustments and revenue requirement recommended by Staff, I am presenting
18 Staff’s recommended rate design.

19
20 **BACKGROUND**

21 **Q. Please review the background of this application.**

22 A. SWC is an Arizona limited liability company engaged in the business of providing water utility
23 services in Sahuarita, Arizona. The Company served approximately 5,500 customers during
24 the test year ended December 31, 2014. The Company’s original Certificate of Convenience
25 and Necessity Application was approved in Decision No. 59431 dated December 28, 1995.

1 The Company's current authorized rates and charges were determined in Decision No. 72177
2 dated February 11, 2011.

3
4 **RATE DESIGN**

5 **Q. Would you please summarize the present rate design for the Company?**

6 A. The present monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch \$17.15;
7 3/4-inch \$26.80; 1-inch \$42.88; 1 1/2-inch \$85.75; 2-inch \$137.20; 3-inch \$274.40; 4-inch
8 \$428.75; and 6-inch \$875.50. No gallons are included in the monthly minimum charge. The
9 water commodity charges for all meter sizes and customer classes is \$2.50 per thousand
10 gallons for zero to 3,000 gallons, \$3.75 per thousand gallons for 3,001 to 9,000 and \$4.50 per
11 thousand gallons for any consumption over 9,000 gallons. The present rate design also has a
12 commodity charge for standpipe/construction water of \$4.50 per thousand gallons for all
13 usage.

14
15 **Q. Would you please summarize the Company's proposed rate design?**

16 A. The Company's proposed monthly minimum charges by meter size are as follows: 5/8 x
17 3/4-inch \$19.12; 3/4-inch \$28.68; 1-inch \$47.81; 1 1/2-inch \$95.61; 2-inch \$152.98; 3-inch
18 \$305.96; 4-inch \$478.06; and 6-inch \$956.11. Zero gallons are included in the monthly
19 minimum charge. The Company proposed commodity charges for the 5/8 x 3/4-inch and
20 the 3/4-inch meters are \$2.888 per thousand gallons for zero to 3,000 gallons, \$4.188 per
21 thousand gallons for 3,001 to 9,000 gallons, and \$4.988 per thousand gallons for any
22 consumption over 9,000 gallons. The proposed commodity rate tiers for the larger
23 residential, commercial, and irrigation customers vary by meter size, but are \$4.188 per
24 thousand gallons for the first tier and \$4.988 per thousand gallons for any consumption over
25 the first tier. The Company is proposing a commodity charge rate of \$4.988 per 1,000 gallons
26 for standpipe customers for all usage.

1 **Q. Would you please summarize Staff's recommended rate design for the Company?**

2 A. Staff's recommended rates and charges are presented on Schedule TBH-1. Staff's
3 recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
4 \$17.46; 3/4-inch \$27.11; 1-inch \$43.19; 1 1/2-inch \$86.06; 2-inch \$137.51; 3-inch \$274.71; 4-
5 inch \$429.06; and 6-inch \$857.81. Zero gallons are included in the monthly minimum charge.
6 For the 5/8 x 3/4-inch and 3/4-inch meter residential customers, Staff recommends
7 commodity charges of \$2.50 per thousand gallons for zero to 3,000 gallons, \$3.50 per
8 thousand gallons for 3,001 to 9,000 gallons, and \$4.50 per thousand gallons for any
9 consumption over 9,000 gallons. Staff's recommended larger residential, commercial, and
10 industrial commodity rates have two tiers and vary by meter size, set at \$3.75 per thousand
11 gallons for the first tier and \$4.50 per thousand gallons for any consumption over the first
12 tier. Staff recommends no change in the commodity charge of \$4.50 per 1,000 gallons for
13 standpipe customers for all usage.

14

15 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in**
16 **Sahuarita?**

17 A. The typical 5/8 x 3/4-inch meter residential customers with a median usage of 4,500 gallons
18 would experience a \$3.79 or a 12.52 percent increase in their monthly bill, from \$30.28 to
19 \$34.07, under the Company's proposed rates. The typical 5/8 x 3/4-inch meter residential
20 customers with a median usage of 4,500 gallons would experience a \$0.32 or a 1.04 percent
21 increase in their monthly bill, from \$30.28 to \$30.59, under Staff's recommended rates. A
22 typical bill analysis is provided on Schedule TBH-2.

23

24 **Q. What does Staff recommend for service line and meter installation charges?**

25 A. Staff recommends the service line and meter installation charges as discussed in Table P of
26 the previously docketed Staff Engineering Report and as presented in Schedule TBH-1.

1 **Q. What does Staff recommended for other service charges?**

2 A. Staff's recommended other service charges are presented in Schedule TBH-1 and reflect
3 Staff's experience of what are reasonable and customary charges.
4

5 **Q. Did the Company propose an after hour service charge of \$50.00?**

6 A. Yes, the Company proposed an after hour service charge to replace the non-business
7 reconnection of water utility service of \$40.00.
8

9 **Q. What does Staff recommend for the after hour service charge?**

10 A. Staff accepts the proposed change by the Company of \$50.00 for after hour service charge to
11 replace the non-business reconnection of water utility service of \$40.00.
12

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

14 A. Yes, it does.

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8 x 3/4" Meter	\$17.15	\$19.12	\$17.46
3/4" Meter	26.80	28.68	27.11
1" Meter	42.88	47.81	43.19
1 1/2" Meter	85.75	95.61	86.06
2" Meter	137.20	152.98	137.51
3" Meter	274.40	305.96	274.71
4" Meter	428.75	478.06	429.06
6" Meter	857.50	956.11	857.81
Commodity Rates	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8 x 3/4" & 3/4" Meter - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 3,000 Gallons	\$2.500	\$2.888	\$2.500
From 3,001 to 9,000 Gallons	3.750	4.188	3.750
Over 9,000 Gallons	4.500	4.988	4.500
5/8 x 3/4" & 3/4" Meter - Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 9,000 Gallons	\$3.750	\$4.188	\$3.750
Over 9,000 Gallons	4.500	4.988	4.500
1" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 20,000 Gallons	\$3.750	\$4.188	\$3.750
Over 20,000 Gallons	4.500	4.988	4.500
1 1/2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 55,000 Gallons	\$3.750	\$4.188	\$3.750
Over 55,000 Gallons	4.500	4.988	4.500
2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 90,000 Gallons	\$3.750	\$4.188	\$3.750
Over 90,000 Gallons	4.500	4.988	4.500
3" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 200,000 Gallons	\$3.750	\$4.188	\$3.750
Over 200,000 Gallons	4.500	4.988	4.500
4" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 350,000 Gallons	\$3.750	\$4.188	\$3.750
Over 350,000 Gallons	4.500	4.988	4.500

RATE DESIGN CONT.

Commodity Rates	Present Rates			Company Proposed Rates			Staff Recommended Rates		
6" - Residential, Commercial & Industrial									
Gallons Included in Minimum		0			0			0	
Excess of Minimum - per 1,000 Gallons									
From 1 to 750,000 Gallons		\$3.750			\$4.188			\$3.750	
Over 750,000 Gallons		4.500			4.988			4.500	
Construction/Bulk									
Gallons Included in Minimum		0			0			0	
Excess of Minimum - per 1,000 Gallons									
All Gallons		\$4.500			\$4.988			\$4.500	
Service Line and Meter Installation Charges									
	Present Rates			Company Proposed Rates			Staff Recommended Rates		
	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge
5/8" x 3/4" Meter	\$445	\$155	\$600	\$445	\$155	\$600	\$445	\$155	\$600
3/4" Meter	445	255	700	445	255	700	445	255	700
1" Meter	495	315	810	495	315	810	495	315	810
1½" Meter	550	525	1,075	550	525	1,075	550	525	1,075
2" Turbine Meter	830	1,045	1,875	830	1,045	1,875	830	1,045	1,875
2" Compound Meter	830	1,890	2,720	830	1,890	2,720	830	1,890	2,720
3" Turbine Meter	1,045	1,670	2,715	1,045	1,670	2,715	1,045	1,670	2,715
3" Compound Meter	1,165	2,545	3,710	1,165	2,545	3,710	1,165	2,545	3,710
4" Turbine Meter	1,490	2,670	4,160	1,490	2,670	4,160	1,490	2,670	4,160
4" Compound Meter	1,670	3,645	5,315	1,670	3,645	5,315	1,670	3,645	5,315
6" Turbine Meter	2,210	5,025	7,235	2,210	5,025	7,235	2,210	5,025	7,235
6" Compound Meter	2,330	6,920	9,250	2,330	6,920	9,250	2,330	6,920	9,250
Over 6"	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost
Service Charges									
Establishment or Reestablishment of Water Utility Service:									
Establishment			\$25.00			\$25.00			\$25.00
Establishment (after hours)			40.00			N/A			N/A
Reestablishment (within 12 months)			*			*			*
Reconnection of Water Utility Service:									
During normal business hours			25.00			25.00			N/A
During non-business hours			40.00			N/A			N/A
Reconnection (delinquent)			N/A			N/A			25.00
After Hours Service Charge			N/A			50.00			50.00
Meter Test (if correct)			25.00			25.00			25.00
Meter Re-Read			N/A			25.00			25.00
Deposit Requirement			**			**			**
Deposit Interest			6%			6%			6%
NSF Check			15.00			15.00			15.00
Deferred Payment (per month)			1.5%			1.5%			1.5%
Late Charge (per month)			***			***			***
Charge of Moving Customer Meter - Customer Request			At Cost			At Cost			At Cost
Main Extension and Additional Facilities			At Cost			At Cost			At Cost
* Per Commission Rule A.A.C. R14-2-403.D. Number of months off the system times the monthly minimum.									
** Per Commission Rules (R14-2-403.B)									
*** Minimum \$5.00 or 1.5% per month.									

TYPICAL BILL ANALYSIS						
General Service 5/8 x 3/4-Inch Meter						
Company Proposed	Gallons		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,677		\$30.94	\$34.81	\$3.87	12.50%
Median Usage	4,500		\$30.28	\$34.07	\$3.79	12.52%
Staff Recommended						
Average Usage	4,677		\$30.94	\$31.25	\$0.31	1.00%
Median Usage	4,500		\$30.28	\$30.59	\$0.32	1.04%
Present & Proposed Rates (Without Taxes)						
General Service 5/8 x 3/4-Inch Meter						
Gallons	Present		Company Proposed	%	Staff Recommended	%
	Minimum Charge	\$17.15	Minimum Charge	\$19.12	Minimum Charge	\$17.46
	1st Tier Rate	\$2.500	1st Tier Rate	\$2.888	1st Tier Rate	\$2.500
	1st Tier Break-over	3,000	1st Tier Break-over	3,000	1st Tier Break-over	3,000
	2nd Tier Rate	\$3.750	2nd Tier Rate	\$4.188	2nd Tier Rate	\$3.750
	2nd Tier Break-over	9,000	2nd Tier Break-over	9,000	2nd Tier Break-over	9,000
	3rd Tier Rate	\$4.500	3rd Tier Rate	\$4.988	3rd Tier Rate	\$4.500
Consumption	Rates		Rates	Increase	Rates	Increase
-	\$17.15		\$19.12	11.49%	\$17.46	1.81%
1,000	\$19.65		\$22.01	12.00%	\$19.96	1.58%
2,000	\$22.15		\$24.90	12.40%	\$22.46	1.40%
3,000	\$24.65		\$27.78	12.71%	\$24.96	1.26%
4,000	\$28.40		\$31.97	12.58%	\$28.71	1.09%
5,000	\$32.15		\$36.16	12.47%	\$32.46	0.96%
6,000	\$35.90		\$40.35	12.39%	\$36.21	0.86%
7,000	\$39.65		\$44.54	12.32%	\$39.96	0.78%
8,000	\$43.40		\$48.72	12.27%	\$43.71	0.71%
9,000	\$47.15		\$52.91	12.22%	\$47.46	0.66%
10,000	\$51.65		\$57.90	12.10%	\$51.96	0.60%
11,000	\$56.15		\$62.89	12.00%	\$56.46	0.55%
12,000	\$60.65		\$67.88	11.91%	\$60.96	0.51%
13,000	\$65.15		\$72.86	11.84%	\$65.46	0.48%
14,000	\$69.65		\$77.85	11.78%	\$69.96	0.45%
15,000	\$74.15		\$82.84	11.72%	\$74.46	0.42%
16,000	\$78.65		\$87.83	11.67%	\$78.96	0.39%
17,000	\$83.15		\$92.82	11.62%	\$83.46	0.37%
18,000	\$87.65		\$97.80	11.58%	\$87.96	0.35%
19,000	\$92.15		\$102.79	11.55%	\$92.46	0.34%
20,000	\$96.65		\$107.78	11.52%	\$96.96	0.32%
25,000	\$119.15		\$132.72	11.39%	\$119.46	0.26%
30,000	\$141.65		\$157.66	11.30%	\$141.96	0.22%
35,000	\$164.15		\$182.60	11.24%	\$164.46	0.19%
40,000	\$186.65		\$207.54	11.19%	\$186.96	0.17%
45,000	\$209.15		\$232.48	11.15%	\$209.46	0.15%
50,000	\$231.65		\$257.42	11.12%	\$231.96	0.13%
75,000	\$344.15		\$382.12	11.03%	\$344.46	0.09%
100,000	\$456.65		\$506.82	10.99%	\$456.96	0.07%