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BEFORE THE ARIZONA CORPORATION COMMISSION

8 DOUG LITTLE, CHAIRMAN
9 BOB STUMP, COMMISSIONER
10 BOB BURNS, COMMISSIONER
11 TOM FORESE, COMMISSIONER
12 ANDREW TOBIN, COMMISSIONER

Arizona Corporation Commission

DOCKETED

MAY 11 2016

DOCKETED BY

13 IN THE MATTER OF THE APPLICATION OF
14 ARIZONA WATER COMPANY, AN ARIZONA
15 CORPORATION, FOR A DETERMINATION
16 OF THE FAIR VALUE OF ITS UTILITY
17 PLANT AND PROPERTY, AND FOR
18 ADJUSTMENTS TO ITS RATES AND
19 CHARGES FOR UTILITY SERVICE
20 FURNISHED BY ITS WESTERN GROUP AND
21 FOR CERTAIN RELATED APPROVALS.

Docket No.: W-01445A-15-0277

**ABBOTT LABORATORIES'
NOTICE OF FILING
TESTIMONY IN
SUPPORT OF SETTLEMENT**

22 Abbott, through its undersigned counsel, hereby provides notice of filing the Testimony of Kevin
23 Kemp in the above-referenced matter.

24 RESPECTFULLY SUBMITTED this 11th day of May 2016.

25 By Michele Van Quathem
26 Michele Van Quathem, Atty. No. 019185
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Attorney for Abbott Laboratories

1 An original and thirteen copies of the
2 foregoing filed this 11th day of
3 May 2016 with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 W. Washington St.
7 Phoenix, Arizona 85007

8 Copies of the foregoing hand delivered this
9 11th day of May 2016 to:

10 Sarah N. Harpring
11 Administrative Law Judge
12 Hearing Division
13 Arizona Corporation Commission
14 1200 W. Washington St.
15 Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

16 Thomas M. Broderick
17 Director, Utilities Division
18 Arizona Corporation Commission
19 1200 W. Washington St.
20 Phoenix, Arizona 85007

21 Copies of the foregoing mailed this
22 11th day of May 2016 to:

23 Steven A. Hirsch
24 Quarles & Brady LLP
25 2 North Central Ave.
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27 Phoenix, Arizona 85004
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By _____

1 that Abbott then treats in Abbott's reverse osmosis treatment system, and then incorporates in the plant's
2 liquid nutritional products. Arizona Water Company adds chlorine to this raw water supply, but does
3 not otherwise treat it before delivery to Abbott's plant.

4 In support of Abbott's request, Abbott offered the testimony of Dan Neidlinger, a rate expert, on
5 March 21, 2016. Mr. Neidlinger testified regarding Arizona Water Company's cost of providing this
6 non-potable service to Abbott. Mr. Neidlinger demonstrated that Abbott would be paying a 37.62%, or
7 \$220,540, revenue subsidy to other customer classes at the rates requested in Arizona Water Company's
8 application. Abbott instead proposed to lower the projected rate subsidy by adopting a larger basic
9 service charge with a commodity rate of \$1.30 per thousand gallons.

10 **Q7. WHAT RATE IS PROPOSED FOR ABBOTT IN THE SETTLEMENT AGREEMENT?**

11 A7. The settlement agreement adopts Mr. Neidlinger's recommended rates, with a higher basic
12 service charge for the six-inch meter of \$1,200 per month, and with a commodity rate of \$1.30 per
13 thousand gallons. It is my understanding that the settlement rates reduce, but do not eliminate, the rate
14 subsidy paid by Abbott. Abbott believes the proposed settlement rate is fair because the new rate moves
15 the rate closer to the cost of providing the service.

16
17 **Q8. WHAT OTHER PROVISIONS IN THE SETTLEMENT DIRECTLY AFFECT**
18 **ABBOTT?**

19 A8. The Settlement Agreement and schedules continue to recognize that Abbott should not have to
20 pay the arsenic surcharge for its 6-inch non-potable service since that water is not treated. Abbott will
21 continue to pay the arsenic surcharge on its smaller meters that provide potable water to the facility. In
22 addition, since Abbott's six-inch meter water service is different in character than Arizona Water
23 Company's other industrial potable water service, Abbott's non-potable service will be reflected as a
24 separate service category on the new tariff.
25
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28

1 **Q9. DO YOU HAVE AN OPINION ON THE FACTORS RELATING TO THE OVERALL**
2 **REVENUE REQUIREMENT?**

3 A9. Abbott supports the final settlement numbers agreed by the parties. Abbott did not offer
4 testimony on the various issues related to the overall revenue requirement, so I am not prepared to testify
5 on the details of those numbers.

6
7 **Q10. DO YOU BELIEVE THE SETTLEMENT AGREEMENT TERMS, IF ADOPTED BY**
8 **THE COMMISSION, ARE IN THE PUBLIC'S BEST INTERESTS?**

9 A10. Yes.

10 **Q11. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A11. Yes, it does.
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