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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- 1 DOUG LITTLE - CHAIRMAN
- 2 BOB STUMP
- 3 BOB BURNS
- 4 TOM FORESE
- 5 ANDY TOBIN

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AZ CORP COMMISSION
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7 IN THE MATTER OF THE PETITION OF
8 ARIZONA WATER COMPANY FOR AN
9 INCREASE OF AREA TO BE SERVED AT
CENTRAL HEIGHTS, ARIZONA.

DOCKET NO. W-01445A-14-0305

STAFF'S NOTICE OF FILING
DIRECT TESTIMONY

10 The Utilities Division Staff ("Staff") of the Arizona Corporation Commission
11 ("Commission") hereby files the Direct Testimony of Staff Witness Blessing Chukwu, in the above-
12 captioned matter.

13 RESPECTFULLY SUBMITTED this 13th day of June, 2016.

Robin R. Mitchell
Brian E. Smith
Attorneys, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

19
20 ORIGINAL and thirteen (13) copies of the
foregoing filed this 13th day of June, 2016, with:

21 Docket Control
22 Arizona Corporation Commission
23 1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

JUN 13 2016

24 COPIES of the foregoing were eMailed
25 this 13th day of June 2016, to:

DOCKETED BY

26 Garry D. Hays
27 The Law Offices of Garry D. Hays, PC
28 2198 East Camelback Road, Suite 305
Phoenix, AZ 85016
Attorney for City of Globe
ghays@lawgdh.com

1 Steven Hirsch
Bryan Cave, L.L.P.
2 One Renaissance Squire
2 North Central Ave., Suite 2200
3 Phoenix, Arizona 85004-4406
Attorney for Arizona Water Company
4 sahirsch@bryancave.com

5 William J.Sims III
SIMS MURRAY, LTD
6 2020 N. Central Ave., Ste. 670
Phoenix Arizona 85004
7 Attorney for City of Globe
wjsims@simsmurray.com

8

9

10 marica A. Merty

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA WATER COMPANY FOR AN)
INCREASE OF AREA TO BE SERVED AT)
CENTRAL HEIGHTS, ARIZONA)
_____)

DOCKET NO. W-01445A-14-0305

DIRECT
TESTIMONY
OF
BLESSING NKIRUKA CHUKWU
EXECUTIVE CONSULTANT III
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JUNE 13, 2016

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. PURPOSE OF TESTIMONY.....	2
III. STAFF'S POSITION	2

**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-14-0305**

This testimony provides Utilities Division Staff's ("Staff") response regarding issues raised in the Procedural Order issued May 17, 2016.

Staff believes the Settlement Agreement is in the public interest because it fairly resolves the dispute between Arizona Water Company ("AWC") and the City of Globe ("Globe") (collectively "Parties") over which entity will serve customers in and around the Northern and Southern disputed areas. It will limit customer confusion and provides a roadmap for future expansion by Globe and AWC. Approval and implementation of the Settlement Agreement will also allow the Parties to avoid the expense of litigation associated with the disputed service areas, including dismissal of the currently pending lawsuits. The transition period allows both Parties to plan for the transfer and provides that AWC will retain its CC&N area. AWC will also be able to meet its fire-flow demand with the help of Globe. For all of these reasons, Staff believes that approval of the Settlement Agreement is in the public interest.

The Settlement Agreement is bilateral and voluntary, and entered into as a result of good faith negotiations and compromise between the Parties. Under the Settlement Agreement, current customers in the Northern Disputed Area will continue to be billed by Globe and will pay the rates and charges as determined by Globe. AWC's tariff on Cross Connection will apply. New customers who establish new service connections in the Northern Disputed Area will be charged AWC's rates and charges. To an extent, the Settlement Agreement serves as a Borderline Agreement in the Northern Disputed Area. The Parties agreed, among other things, for Globe to continue serving its existing customers located in the Northern Disputed Area and for AWC to serve new customers who establish new service connections in the Northern Disputed Area.

Staff was not a party to the Settlement Agreement and is not in the position to discuss the reasonableness of the sales price paid for infrastructure being transferred to AWC.

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address, by whom and where you are employed and**
3 **in what capacity.**

4 A. My name is Blessing Nkiruka Chukwu. My business address is 1200 West Washington Street,
5 Phoenix, Arizona 85007. I am employed by the Utilities Division ("Staff") of the Arizona
6 Corporation Commission ("ACC" or "Commission") as an Executive Consultant III.

7
8 **Q. Please describe your educational and professional background.**

9 A. I received a B.S. in Accounting and a M.B.A. in Finance from the University of Central
10 Oklahoma. I was employed for over eight years by The City of Oklahoma City ("City") in
11 various capacities. For approximately eight years of my employment with the City, I was an
12 Administrative Aide with the responsibility of overseeing the various Environmental
13 Protection Agency's mandates on Stormwater Quality within the Corporate City limits. Prior
14 to being an Administrative Aide, I was a Budget Technician where I was responsible for
15 reviewing, analyzing, and recommending budget requests and/or proposed budgets, fund
16 transfers, appropriations and/or any other budget related issues proposed by assigned
17 departments. Prior to joining the Commission, I was employed by the Oklahoma
18 Corporation Commission ("OCC") for five years in the Public Utility Division, where I held
19 various Public Utility Regulatory Analyst positions of increasing responsibilities. My
20 responsibilities at the OCC included processing of applications consisting of rates and
21 charges, streamline tariff revisions and requests for Certificates of Convenience and Necessity
22 ("CC&N") filed by local exchange telecommunications companies, payphone providers,
23 resellers, and operator service provides. I also reviewed mergers and acquisitions,
24 Interconnection Agreements (including Arbitrations), and performed special projects as
25 requested by the Director of Public Utility Division and/or the Commissioners.

1 **Q. How long have you been employed with the ACC?**

2 A. I have been employed with the ACC since May 27, 2003.

3
4 **Q. What are your responsibilities as an Executive Consultant III?**

5 A. My responsibilities include, but are not limited to, serving on the case teams; development of
6 policies and procedures for appropriate regulatory oversight of public utilities; review of
7 applications for CC&N, review of applications for rate cases and writing Staff Reports and
8 Testimony.

9
10 **Q. Have you testified previously before this Commission?**

11 A. Yes, I have testified before this Commission.

12
13 **II. PURPOSE OF TESTIMONY**

14 **Q. What is the purpose of your testimony?**

15 A. The purpose of my testimony is to provide Utilities Division Staff's ("Staff") response
16 regarding issues raised in the Procedural Order issued May 17, 2016.

17
18 **Q. What are the issues raised in the May 17, 2016 Procedural Order?**

19 A. In the May 17, 2016 Procedural Order, Arizona Water Company ("AWC"), the City of Globe
20 ("Globe") and Staff were directed to file testimony addressing (1) the propriety of having
21 Globe's rates charged in AWC's CC&N service area; (2) the reasonableness of the sale price
22 paid for the infrastructure being transferred to AWC, and how the price was determined; and
23 (3) whether and, if so, why the Settlement Agreement is in the public interest.

24
25 **III. STAFF'S POSITION**

26 **Q. Is the approval of the Settlement Agreement in the public interest?**

27 A. Yes, it is.

1 **Q. Why does Staff believe the approval of the Settlement Agreement in the public**
2 **interest?**

3 A. Staff believes the Settlement Agreement is in the public interest because it fairly resolves the
4 dispute between AWC and Globe (collectively "Parties") over which entity will serve
5 customers in and around the Northern and Southern disputed areas. It will limit customer
6 confusion and provides a roadmap for future expansion by Globe and AWC. Approval and
7 implementation of the Settlement Agreement will also allow the Parties to avoid the expense
8 of litigation associated with the disputed service areas, including dismissal of the currently
9 pending lawsuits. The transition period allows both Parties to plan for the transfer and
10 provides that AWC will retain its CC&N area. AWC will also be able to meet its fire-flow
11 demand with the help of Globe. For all of these reasons, Staff believes that approval of the
12 Settlement Agreement is in the public interest.

13
14 **Q. What is Staff's position regarding the propriety of having Globe's rates charged in**
15 **AWC's CC&N service area?**

16 A. The Settlement Agreement is bilateral and voluntary, and entered into as a result of good faith
17 negotiations and compromise between competitors. Under the Settlement Agreement,
18 current customers in the Northern Disputed Area will continue to be billed by Globe and will
19 pay the rates and charges as determined by Globe. AWC's tariff on Cross Connection will
20 apply. New customers who establish new service connections in the Northern Disputed Area
21 will be charged AWC's rates and charges. It is not uncommon for utility providers to enter
22 into Borderline Agreements in order to serve customers in each other's territory. To an
23 extent, the Settlement Agreement serves as a Borderline Agreement in the Northern Disputed
24 Area. The parties agreed, among other things, for Globe to continue serving its existing
25 customers located in the Northern Disputed Area and for AWC to serve new customers who
26 establish new service connections in the Northern Disputed Area.

27

1 **Q. What is Staff's position regarding the reasonableness of the sale price paid for the**
2 **infrastructure being transferred to AWC, and how the price was determined?**

3 A. Staff was not a party to the Settlement Agreement and is not in the position to discuss the
4 reasonableness of the sales price paid for infrastructure being transferred to AWC or how
5 that price was determined. Perhaps this issue is best to be reviewed in AWC's next rate case.

6
7 **Q. Does this conclude your direct testimony?**

8 A. Yes, it does.