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Glennwilde Homeowners' Association

Homestead North Homeowners' Association

Maricopa Meadows Homeowners Association

Province Community Association

Rancho El Dorado Homeowners Association

Rancho El Dorado Phase III Homeowners Association

Rancho Mirage Master Planned Community

Homeowners Association

Senita Community Association

Sorrento Community Master Association

Arizona Corporation Commission

DOCKETED

AUG 22 2013

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman

GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

THE MATTER OF THE APPLICATION OF
VALENCIA WATER COMPANY – TOWN
DIVISION FOR THE ESTABLISHMENT OF
JUST AND REASONABLE RATES AND
CHARGES FOR UTILITY SERVICE
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE
OF ITS PROPERTY THROUGHOUT THE
STATE OF ARIZONA

Docket No. W-01212A-12-0309

NOTICE OF ERRATA

1 THE MATTER OF THE APPLICATION OF
2 GLOBAL WATER-PALO VERDE UTILITIES
3 COMPANY FOR THE ESTABLISHMENT OF
4 JUST AND REASONABLE RATES AND
5 CHARGES FOR UTILITY SERVICE
6 DESIGNED TO REALIZE A REASONABLE
7 RATE OF RETURN ON THE FAIR VALUE
8 OF ITS PROPERTY THROUGHOUT THE
9 STATE OF ARIZONA

Docket No. SW-20445A-12-0310

7 THE MATTER OF THE APPLICATION OF
8 WATER UTILITY OF NORTHERN
9 SCOTTSDALE, INC. FOR A RATE
10 INCREASE

Docket No. W-03720A-12-0311

9 THE MATTER OF THE APPLICATION OF
10 WATER UTILITY OF GREATER TONOPAH
11 FOR THE ESTABLISHMENT OF JUST AND
12 REASONABLE RATES AND CHARGES FOR
13 UTILITY SERVICE DESIGNED TO REALIZE
14 A REASONABLE RATE OF RETURN ON
15 THE FAIR VALUE OF ITS PROPERTY
16 THROUGHOUT THE STATE OF ARIZONA

Docket No. W-02450A-12-0312

14 THE MATTER OF THE APPLICATION OF
15 VALENCIA WATER COMPANY – GREATER
16 BUCKEYE DIVISION FOR THE
17 ESTABLISHMENT OF JUST AND
18 REASONABLE RATES AND CHARGES FOR
19 UTILITY SERVICE DESIGNED TO REALIZE
20 A REASONABLE RATE OF RETURN ON
21 THE FAIR VALUE OF ITS PROPERTY
22 THROUGHOUT THE STATE OF ARIZONA

Docket No. W-02451A-12-0313

19 THE MATTER OF THE APPLICATION OF
20 GLOBAL WATER-SANTA CRUZ WATER
21 COMPANY FOR THE ESTABLISHMENT OF
22 JUST AND REASONABLE RATES AND
23 CHARGES FOR UTILITY SERVICE
24 DESIGNED TO REALIZE A REASONABLE
25 RATE OF RETURN ON THE FAIR VALUE
26 OF ITS PROPERTY THROUGHOUT THE
STATE OF ARIZONA

Docket No. W-20446A-12-0314

1 THE MATTER OF THE APPLICATION OF
2 WILLOW VALLEY WATER COMPANY FOR
3 THE ESTABLISHMENT OF JUST AND
4 REASONABLE RATES AND CHARGES FOR
5 UTILITY SERVICE DESIGNED TO REALIZE
6 A REASONABLE RATE OF RETURN ON
7 THE FAIR VALUE OF ITS PROPERTY
8 THROUGHOUT THE STATE OF ARIZONA

Docket No. W-01732A-12-0315

9 The testimony of Pam Hilliard in support of the settlement agreement filed on August 21,
10 2013 contained an error in the settlement agreement price for effluent/non-potable water (\$1.89
11 per 1000 gallons). The attached amended testimony is submitted to correct the settlement price
12 to \$1.6380 per 1000 gallons.

13 RESPECTFULLY SUBMITTED this 22nd day of August, 2013.

14 RYLEY CARLOCK & APPLEWHITE

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2 filed this 22nd day of August, 2013, with:

3 Docket Control
4 Arizona Corporation Commission
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7 COPY of the foregoing mailed this
8 22nd day of August, 2013, to:

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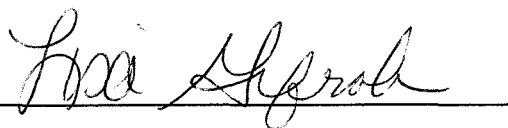
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25 By



ATTACHMENT

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 BOB STUMP, Chairman
4 GARY PIERCE
5 BREND A BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 THE MATTER OF THE APPLICATION OF
9 VALENCIA WATER COMPANY – TOWN
10 DIVISION FOR THE ESTABLISHMENT OF
11 JUST AND REASONABLE RATES AND
12 CHARGES FOR UTILITY SERVICE
13 DESIGNED TO REALIZE A REASONABLE
14 RATE OF RETURN ON THE FAIR VALUE
15 OF ITS PROPERTY THROUGHOUT THE
16 STATE OF ARIZONA

Docket No. W-01212A-12-0309

**TESTIMONY
OF
PAMELA HILLIARD
(AMENDED)**

17 THE MATTER OF THE APPLICATION OF
18 GLOBAL WATER-PALO VERDE UTILITIES
19 COMPANY FOR THE ESTABLISHMENT OF
20 JUST AND REASONABLE RATES AND
21 CHARGES FOR UTILITY SERVICE
22 DESIGNED TO REALIZE A REASONABLE
23 RATE OF RETURN ON THE FAIR VALUE
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25 STATE OF ARIZONA

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26 THE MATTER OF THE APPLICATION OF
WATER UTILITY OF NORTHERN
SCOTTSDALE, INC. FOR A RATE
INCREASE

Docket No. W-03720A-12-0311

THE MATTER OF THE APPLICATION OF
WATER UTILITY OF GREATER TONOPAH
FOR THE ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES FOR
UTILITY SERVICE DESIGNED TO REALIZE
A REASONABLE RATE OF RETURN ON
THE FAIR VALUE OF ITS PROPERTY
THROUGHOUT THE STATE OF ARIZONA

Docket No. W-02450A-12-0312

1 THE MATTER OF THE APPLICATION OF
2 VALENCIA WATER COMPANY – GREATER
3 BUCKEYE DIVISION FOR THE
4 ESTABLISHMENT OF JUST AND
5 REASONABLE RATES AND CHARGES FOR
6 UTILITY SERVICE DESIGNED TO REALIZE
A REASONABLE RATE OF RETURN ON
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THROUGHOUT THE STATE OF ARIZONA

Docket No. W-02451A-12-0313

7 THE MATTER OF THE APPLICATION OF
8 GLOBAL WATER-SANTA CRUZ WATER
9 COMPANY FOR THE ESTABLISHMENT OF
10 JUST AND REASONABLE RATES AND
11 CHARGES FOR UTILITY SERVICE
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE
OF ITS PROPERTY THROUGHOUT THE
STATE OF ARIZONA

Docket No. W-20446A-12-0314

12 THE MATTER OF THE APPLICATION OF
13 WILLOW VALLEY WATER COMPANY FOR
14 THE ESTABLISHMENT OF JUST AND
15 REASONABLE RATES AND CHARGES FOR
16 UTILITY SERVICE DESIGNED TO REALIZE
A REASONABLE RATE OF RETURN ON
THE FAIR VALUE OF ITS PROPERTY
THROUGHOUT THE STATE OF ARIZONA

Docket No. W-01732A-12-0315

17 Testimony
18 of
19 Pamela Hilliard
(Amended)

20 August 22, 2013
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1 **Q. Please state your name, position, business address, and telephone number.**

2 A. My name is Pamela Hilliard. I am a Director of Operations for Tempe/Tucson at AAM,
3 LLC, a professional community association management company. My business address
4 for the purposes of this case is 1600 W. Broadway Road, Suite 200, Tempe, Arizona
5 85282.

6 **Q. Have you previously testified before the Commission?**

7 A. Not as a witness in a hearing. I have given public comments in this case and the prior
8 rate case.

9 **Q. What communities do you manage in the Maricopa area?**

10 A. I currently oversee all community managers for AAM, LLC in the Maricopa area, and
11 directly manage the Rancho El Dorado Phase III Homeowners Association. AAM also
12 manages the Alterra Homeowners Association, Cobblestone Farms Homeowners
13 Association, Glennwilde Homeowners' Association, Homestead North Homeowners'
14 Association, Province Community Association, Rancho Mirage Master Planned
15 Community Homeowners Association, and Sorrento Community Master Association.

16 **Q. How have you been involved in this case?**

17 A. I have helped the group of 14 homeowners associations to participate in this case in an
18 organized manner by helping the group to hire an attorney and by providing my time to
19 communicate and facilitate. Through my involvement, I have become generally familiar
20 with the issues in the rate cases.

21 **Q. Are there other homeowners associations in the Maricopa area that are not part of**
22 **the 14 that have intervened in this case?**

23 A. Yes, there are other associations that did not intervene in this case.

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

25 A. The purpose of my testimony is to describe my understanding of the benefits of the
26 settlement agreement terms as they apply to homeowners associations in Maricopa.

1 **Q. What is the nature of the homeowners associations' interests in this case?**

2 A. The homeowners associations within the City of Maricopa own or manage land and
3 community facilities within their respective communities. The homeowners association
4 facilities are served with water, sewer, and some also purchase effluent and/or raw
5 groundwater from Global Water-Santa Cruz Water Company and Global Water-Palo
6 Verde Utilities Company (together, "Global Water"). As water and sewer customers, the
7 homeowners associations are interested in the water and sewer rates applicable to the
8 homeowners association facilities as those rates are operational expenses. The primary
9 concern is water costs due to the volume of water used for outdoor landscape
10 maintenance. Some associations rely on potable water for outdoor uses, and others rely
11 on raw groundwater, effluent, or a combination of both. The outdoor water expense is a
12 significant portion of the homeowners associations' operational budgets.

13 In addition to the homeowners associations' interest in monitoring their own water
14 and sewer costs, the homeowners associations are also interested in monitoring costs of
15 water and sewer service to their members, who consist of residential users within the
16 communities. Residential users must pay their own water and sewer bill, but are also
17 required to pay indirectly for the homeowners associations' bills through member dues
18 and assessments. Homeowners associations are funded by homeowners. It is important
19 that the overall water and sewer rate burden is fair to residents.

20 **Q. How many associations purchase potable water for outdoor landscaping?**

21 A. I know that Acacia Crossings Homeowners Association, Alterra Homeowners
22 Association, Desert Cedars Homeowners Association, Desert Passage Community
23 Association, Palo Brea Homeowners Association, Inc., Santa Rosa Ranches, Senita
24 Community Association, Rancho El Dorado currently use potable water.
25
26

1 **Q. How many associations purchase effluent or raw groundwater from Global Water?**

2 A. I am aware that the following communities that use effluent, raw groundwater, or a
3 combination of the two sources provided by Global Water: Villages at Rancho El Dorado
4 (1938 lots), Rancho El Dorado Phase III (2283 lots), Cobblestone (891 lots), Glennwilde
5 (1948 lots), Homestead North (2295 lots), Maricopa Meadows (1626 lots), Rancho
6 Mirage (977 lots), Sorrento (2127 lots), and Province (2150 lots). I understand that
7 Tortosa (3526 lots) will use effluent soon too. I should clarify, too, that these
8 communities use effluent when effluent is available. It is my understanding that Global
9 Water delivers raw groundwater to effluent customers during peak use times when there
10 is not enough effluent to satisfy all the demand.

11 **Q. How many households are represented by the communities that use effluent or raw**
12 **groundwater?**

13 A. It is difficult to obtain exact numbers of households for all these communities as some are
14 in the process of being built out. I gathered some numbers and estimate roughly that
15 there are already a minimum of 10,000 houses already built in these subdivisions.

16 **Q. Do you know how many households there are in the City of Maricopa?**

17 A. The population of the City of Maricopa was 43,482 according to the 2010 Census. The
18 Census also indicated there were an average of 2.68 persons per household in Pinal
19 County. Using these numbers, there are approximately 16,225 households in Maricopa.
20 So, currently, I estimate that more than half of the households in Maricopa pay the
21 effluent or raw groundwater rate indirectly through their homeowners association dues,
22 and this number will grow as these new communities are built out.

23 **Q. Are the 14 homeowners associations that intervened in this case parties to the**
24 **settlement agreement?**

25 A. We are still in the process of voting. As of today, the following associations have joined
26 the settlement agreement:

- 1 • Alterra Homeowners Association
- 2
- 3 • Cobblestone Farms Homeowners Association
- 4
- 5 • Desert Cedars Homeowners Association
- 6
- 7 • Homestead North Homeowners Association
- 8
- 9 • Maricopa Meadows Homeowners Association
- 10
- 11 • Province Community Homeowners Association
- 12
- 13 • Rancho El Dorado Homeowners Association
- 14
- 15 • Rancho El Dorado Phase III Homeowners Association
- 16
- 17 • Senita Community Association
- 18
- 19 • Sorrento Community Master Association
- 20

21 **Q. How does the settlement agreement benefit homeowners associations in the City of**
22 **Maricopa?**

23 A. I am not an expert on rate issues by any means, so we have relied on the other parties'
24 experts and testimony for the detailed rate calculations. In general, though, in evaluating
25 the impact of the settlement agreement terms on homeowners associations, we looked at
26 both the estimated impacts to the median residential customer with an eye toward
affordability for residents and associations that rely on potable water, and we also looked
at the effluent and raw groundwater rates to determine if we thought the amounts and
timing are fair.

 Although no one is excited about another rate increase, the amounts seem fair to
both groups in light of the other benefits to which Global Water agreed in the settlement
agreement. The rate increases for potable customers should be relatively small and

1 gradual as long as their usage amount does not change substantially. Global's initial
2 proposal for effluent and non-potable groundwater rates was to immediately increase
3 them by over 250%, from the current rate to \$2.00 per 1000 gallons. This would have
4 been an enormous burden for the majority of residents who live in the homeowners
5 associations that rely on effluent or raw groundwater for outdoor landscaping. The
6 settlement agreement addresses this concern by raising the effluent rate more gradually
7 from the current rate to \$1.6380 per 1000 gallons over a period of 8 years.

8 Although we would have liked to have had a lower overall increase for effluent
9 and raw groundwater, we agreed to the proposed schedule with the understanding that the
10 prices will be fixed and known for 8 years. One of the most important benefits is the
11 certainty we will achieve in both residential and effluent/raw groundwater rates over the
12 next 8 years. It is a benefit to the homeowners associations to know rate increases in
13 advance so that we can plan our budgets, and, if needed after considering all other budget
14 factors or alternative options, raise assessments gradually. It is helpful that there will be
15 no rate increase in 2014. This will allow more time for planning.

16 Another benefit we see is the resolution of the dispute regarding the treatment of
17 Global Water's Infrastructure Coordination and Financing Agreement ("ICFA") funds in
18 a manner that will provide certainty and negotiated protections to homeowners and the
19 associations regarding the effect those funds will have on rates going forward. This issue
20 has been a point of disagreement for the two rate cases I have watched.

21 I also think it is helpful that the settlement agreement, at least for the next few
22 years, phases in the rate impact of Global's sewer plant that is not currently used. I am
23 told that otherwise we might have had a big spike in rates if use of that plant started in the
24 next few years.

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

26 **A. Yes.**