

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE, Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

IN THE MATTER OF THE APPLICATION
OF EPCOR WATER ARIZONA INC. FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR
INCREASES/DECREASES IN ITS RATES
AND CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS AGUA FRIA,
ANTHEM, CHAPARRAL, HAVASU,
MOHAVE, NORTH MOHAVE, PARADISE
VALLEY, SUN CITY, SUN CITY WEST,
TUBAC, AND WILLOW VALLEY WATER
DISTRICTS AND FOR CONSIDERATION
OF CONSOLIDATION PROPOSALS

DOCKET NO: WS-01303A-17-0257

**REJOINDER TESTIMONY
OF
FRANK METZLER
ON BEHALF OF
EPCOR WATER ARIZONA INC.
MAY 9, 2018**

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EXECUTIVE SUMMARY

Frank Metzler provides additional testimony in support of EPCOR Water Arizona Inc.'s ("EWAZ" or "Company") request to include post-test year plant in rate base for the Central Division. Specifically, Mr. Metzler responds to the surrebuttal testimonies on this item from Arizona Corporation Commission Utilities Division Staff and the Residential Utility Consumer Office.

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Frank Metzler. My business address is 15626 N. Del Webb Blvd., Sun
5 City, Arizona 85351, and my business phone is (623) 445-2439.

6 **Q. ARE YOU THE SAME FRANK METZLER WHO PROVIDED DIRECT**
7 **AND REBUTTAL TESTIMONY IN THIS MATTER?**

8 A. Yes.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REJOINDER TESTIMONY.**

11 A. The purpose of my testimony is to further justify the post-test year plant the
12 Company is requesting inclusion of in its case for its operations within the Central
13 Division. I respond to testimony from Arizona Corporation Commission Utilities
14 Division Staff ("Commission Staff") and the Residential Utility Consumer Office
15 ("RUCO").

16 **III. POST-TEST YEAR PLANT.**

17 **Q. IS THERE STILL A SIGNIFICANT DIFFERENCE BETWEEN THE**
18 **POST-TEST YEAR PLANT THE COMPANY IS REQUESTING AND**
19 **WHAT COMMISSION STAFF HAS RECOMMENDED?**

20 A. Yes, Commission Staff appears to exclude those projects that were identified as
21 individual projects after our Application was filed. This is based on examination
22 of Commission Staff witness Frank Smaila's Surrebuttal Testimony. It appears

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1 that he disallowed a large number of projects presumably because they were not
2 identified by individual project numbers in the Company's Application.

3 **Q. CAN YOU EXPLAIN WHY CERTAIN INDIVIDUAL PROJECTS WERE**
4 **NOT IDENTIFIED AS SUCH IN THE COMPANY'S APPLICATION?**

5 A. Mr. Stuck explains this in detail in his Rejoinder Testimony, and I concur with his
6 description.

7 **Q. TO YOUR KNOWLEDGE, DID MR. SMAILA ACKNOWLEDGE THE**
8 **MAJORITY OF THE PROJECTS EXCLUDED FROM POST-TEST YEAR**
9 **PLANT DURING HIS SITE VISIT TO THE SYSTEMS WITHIN THE**
10 **CENTRAL DIVISION?**

11 A. Yes. In the Central Division, I believe Mr. Smaila observed and acknowledged
12 the majority, if not all, of these projects. This includes projects that were either
13 under a blanket project number or replacements to broken items that occurred
14 during 2017. Those site visits provided Mr. Smaila with a thorough and complete
15 opportunity to ascertain that those projects were, in fact, in service serving test
16 year customers. Many of the projects were below ground at the time of inspection
17 so we made sure to show Mr. Smaila where there were pavement cuts and
18 concrete collars that would evidence replacement of below grade assets such as
19 water lines and valves.

20 **Q. WERE THERE ANY SPECIFIC PROJECTS YOU WANTED TO**
21 **PROVIDE FURTHER TESTIMONY ABOUT?**

22 A. Yes. I wanted to provide additional testimony about the Corte Bella Tank Site
23 expansion (Project No. 1002755 in Agua Fria) since it appears Commission Staff

1 maintained its recommendation to remove \$1,862,205 from post-test year plant. I
2 provided extensive testimony explaining the reasons for including all of the
3 \$2,689,415 on page 9 of my Rebuttal Testimony. These reasons include:

- 4 1. The need for adequate storage capacity (volume of water not exceeding 125%
5 of total storage capacity);
- 6 2. The ability to repair the existing storage tank at AF 100 without any service
7 disruptions; and
- 8 3. The cost-effectiveness of building a 1.25 MG storage tank as opposed to
9 building and subsequently replacing smaller storage tanks, which is not
10 feasible or cost-effective.

11 **Q. WAS THERE ADDITIONAL INFORMATION YOU WANTED TO**
12 **PROVIDE ON THIS PROJECT?**

13 A. Yes. Based on my further examination of this project, it appears Commission
14 Staff excluded all costs related to the additional storage tank, but included all of
15 the costs of modifying the site to enable construction of the storage tank (*i.e.*, Staff
16 included the \$827,210 for the site modification, but none of the \$1,862,205 for the
17 tank itself). If Commission Staff believes only a portion of the new tank is
18 justifiable at this point in time given current system demand, then at a minimum,
19 some portion of the cost of the second storage tank should be included in post-test
20 year plant.

21 **Q. IS THE COMPANY ALSO ADJUSTING ITS POST-TEST YEAR PLANT**
22 **REQUEST TO REMOVE A PROJECT?**

23 A. Yes. The Company reexamined Project No. 1004404 – which is a project
24 involving the extension of a 12-inch water main to the northwest corner of Luke

1 Air Force Base. While we believe the project will improve regional water
2 distribution in that area, the Company is removing that project from post-test year
3 plant. The total cost for that project was \$1,650,851.

4 **Q. DO YOU HAVE ANY RESPONSE TO RUCO WITNESS JEFF MICHLIK'S**
5 **SURREBUTTAL TESTIMONY ON POST-TEST YEAR PLANT?**

6 A. From an operational perspective – a six-month cutoff is unrealistic for the reasons
7 described in my Rebuttal Testimony. In addition, my pre-filed testimony
8 demonstrates how these projects are the product of efficient and prudent decision-
9 making and part of an overall plan to maintain safe and reliable service within the
10 Central Division. These projects are revenue neutral and benefit existing
11 customers.

12 **Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**

13 A. Yes.