

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

**REBUTTAL TESTIMONY  
OF  
SANDRA L. SKOUBIS  
ON BEHALF OF  
EPCOR WATER ARIZONA INC.  
APRIL 9, 2018**

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1 EXECUTIVE SUMMARY

2 Ms. Sandra L. Skoubis testifies as follows:

3 **Sponsors Rebuttal Schedules**

- 4 Schedule C-1 Rebuttal: Adjusted Test Year Income Statement  
5 Schedule C-2 Rebuttal: Income Statement Pro Forma Adjustments  
6 Schedule C-3 Rebuttal: Computation of Gross Revenue Conversion Factor

7 **Adjusted Operating Income and Operating Revenue**

8 EPCOR Water Arizona Inc.'s rebuttal position for Adjusted Revenues, Operating  
9 Expenses and Operating Income is:

Water District	Adjusted Test Year Revenues	Adjusted Test Year Operating Expenses	Adjusted Test Year Operating Income
Agua Fria	\$ 44,705,121	\$ 34,108,125	\$ 10,596,996
Anthem	10,730,199	8,919,688	1,810,511
Chaparral City	10,922,544	10,158,598	763,946
Havasu	1,801,753	1,537,941	263,811
Mohave	7,714,275	7,317,549	396,726
North Mohave	1,064,718	1,150,193	(85,475)
Paradise Valley	10,116,972	7,953,106	2,163,865
Sun City	11,794,169	12,425,128	(630,960)
Sun City West	8,665,072	7,272,867	1,392,206
Tubac	836,318	674,392	161,926
Willow Valley	942,505	877,332	65,173
<b>EPCOR Arizona</b>	<b>\$ 109,293,646</b>	<b>\$ 92,394,921</b>	<b>\$ 16,898,724</b>

10 **Operating Income Adjustments**

1 The Company's position on Commission Staff's proposed income statement adjustments  
2 is listed below. These adjustments apply to all districts unless noted.

- 3 • Partially Accept Commission Staff Adj #1- Purchased Power
- 4 • Partially Accept Commission Staff Adj #2- Purchased Water
- 5 • Partially Accept Commission Staff Adj #3- Outside Services
- 6 • Partially Accept Commission Staff Adj #4- General Office Expense
- 7 • Partially Accept Commission Staff Adj #5- Rate Case Expense
- 8 • Revised Commission Staff Adj #6- Depreciation Expense
- 9 • Revised Commission Staff Adj #7- Income Tax
- 10 • Revised Commission Staff Adj #8- Property Tax

11 The Company's position on RUCO's proposed adjustments is listed below. These  
12 adjustments apply to all districts unless noted.

- 13 • Oppose RUCO Adj #1- Remove Weather Normalization
- 14 • Oppose RUCO Adj #2- Incentive Pay Adjustment
- 15 • Partially Accept RUCO Adj #3- Purchased Water Adjustment
- 16 • Partially Accept RUCO Adj #4- Fuel and Power Adjustment
- 17 • Oppose RUCO Adj #5- CPI Adjustment
- 18 • Oppose RUCO Adj #6- Corporate Allocation Adjustment
- 19 • Partially Accept RUCO Adj #7- Rate Case Expense Adjustment
- 20 • Revised RUCO Adj #8- Depreciation Expense Adjustment
- 21 • Revised RUCO Adj #9- Property Tax Adjustment
- 22 • Revised RUCO Adj #10- Income Tax Expense

23 **Company Rebuttal Income Statement Adjustments**

- 24 • Adj JPB-IS1 REB Adjust Property Taxes
- 25 • Adj SLS-IS2 REB Federal and State Income Tax
- 26 • Adj SLS-IS3 REB Interest Synchronization
- 27 • Adj SLH-IS4 REB Regulatory Liability – ADIT Amortization – Tax Reform
- 28 • Adj XXX-IS5 REB Intentionally Left Blank
- 29 • Adj JPB-IS6 REB Adjust Depreciation Expense – Post Test Year Plant 2017
- 30 • Adj JPB-IS7 REB Adjust Depreciation Expense – Retirements
- 31 • Adj SLS-IS8 REB Adjust Insurance Other Than Group
- 32 • Adj JPB-IS9 REB Adjust CPI for 2017
- 33 • Adj JPB-IS10 REB Adjust CUS Charges
- 34 • Adj SLH-IS11 REB Adjust Outside Service Expenses
- 35 • Adj JPB-IS12 REB Adjust Postage Expense

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- 1       • Adj SLH-IS13 REB Adjust Regulatory Expense
- 2       • Adj SLH-IS14 REB Adjust General Office Expense
- 3       • Adj JPB-IS15 REB Adjust Fuel and Power Expense
- 4       • Adj JPB-IS16 REB Adjust Purchased Water Expense
- 5

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

4 A. My name is Sandra L. Skoubis. My business address is 2355 West Pinnacle Peak  
5 Road, Suite 300, Phoenix, Arizona 85027, and my business phone is 623-445-  
6 2490.

7 **Q. ARE YOU THE SAME SANDRA L. SKOUBIS (MURREY) WHO**  
8 **PROVIDED DIRECT TESTIMONY IN THIS MATTER?**

9 A. Yes.

10 **II. PURPOSE OF TESTIMONY**

11 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

12 A. I will respond to recommended adjustments to the operating expenses of EPCOR  
13 Water Arizona Inc. (“EWAZ” or “Company”) by the Arizona Corporation  
14 Commission Utilities Division Staff (“Commission Staff”) and the Residential  
15 Utility Consumer Office (“RUCO”) set forth in the direct testimonies of Mr. Brian  
16 Smith and Mr. Jeff Michlik, respectively.

17 **III. REBUTTAL SCHEDULES AND EXHIBITS (ALL DISTRICTS)**

18 **Q. PLEASE IDENTIFY THE REBUTTAL SCHEDULES YOU ARE**  
19 **SPONSORING.**

20 A. I am sponsoring the following rebuttal schedules for each of the eleven water  
21 districts:

- 22 • Schedule C-1 Rebuttal – Adjusted Test Year Income Statement  
23 • Schedule C-2 Rebuttal – Income Statement Pro Forma Adjustments

- Schedule C-3 Rebuttal – Gross Revenue Conversion Factor

**Q. DOES YOUR TESTIMONY IN THIS PROCEEDING INCORPORATE RECOMMENDATIONS OF OTHER COMPANY WITNESSES?**

A. Yes, it does. I have incorporated recommendations sponsored by Company witnesses Ms. Sheryl L. Hubbard and Mr. Jon P. Boizelle, resulting in rebuttal pro forma adjustments to test year expenses where applicable.

**IV. OPERATING EXPENSE REBUTTAL ADJUSTMENTS**

**Q. HAVE YOU REVIEWED COMMISSION STAFF'S AND RUCO'S RECOMMENDED ADJUSTMENTS TO OPERATING EXPENSES?**

A. Yes, I have. The Company proposes certain rebuttal Income Statement adjustments as outlined below, in response to Commission Staff's and RUCO's recommended adjustments. I will discuss below the Company's rebuttal adjustments and how they relate to the recommendations made by Commission Staff and RUCO.

- Adj JPB-IS1 REB Adjust Property Taxes
- Adj SLS-IS2 REB Federal and State Income Tax
- Adj SLS-IS3 REB Interest Synchronization
- Adj SLH-IS4 REB Regulatory Liability – ADIT Amortization – Tax Reform
- Adj XXX-IS5 REB Intentionally Left Blank
- Adj JPB-IS6 REB Adjust Depreciation Expense – Post Test Year Plant 2017
- Adj JPB-IS7 REB Adjust Depreciation Expense – Retirements
- Adj SLS-IS8 REB Adjust Insurance Other Than Group
- Adj JPB-IS9 REB Adjust CPI for 2017

- 1           • Adj JPB–IS10 REB     Adjust CUS Charges
- 2           • Adj SLH–IS11 REB     Adjust Outside Service Expenses
- 3           • Adj JPB–IS12 REB     Adjust Postage Expense
- 4           • Adj SLH–IS13 REB     Adjust Regulatory Expense
- 5           • Adj SLH–IS14 REB     Adjust General Office Expense
- 6           • Adj JPB-IS15 REB     Adjust Fuel and Power Expense
- 7           • Adj JPB-IS16 REB     Adjust Purchased Water Expense

8   **Q.    WHO IS SPONSORING THE *PRO FORMA* REBUTTAL ADJUSTMENTS**  
9   **LISTED ABOVE?**

10  A.    I will sponsor and discuss in greater detail those adjustments identified as “Adj  
11       SLS-ISXX REB”, where XX represents a number. The remaining adjustments are  
12       sponsored by Ms. Sheryl L. Hubbard (Adj SLH-ISXX REB) and Mr. Jon P.  
13       Boizelle (Adj JPB-ISXX REB) and are discussed in their respective rebuttal  
14       testimonies.

15       **A.    Adj JPB–IS1 REB Adjust Property Taxes**

16  **Q.    WHAT IS ADJUSTMENT JPB-IS1 REB – ADJUST PROPERTY TAXES?**

17  A.    This is a conforming *pro forma* adjustment which is addressed in Mr. Boizelle’s  
18       Rebuttal Testimony.

19       **B.    Adj SLS–IS2 REB Federal and State Income Tax**

20  **Q.    WHAT IS ADJUSTMENT SLS-IS2 REB – FEDERAL AND STATE**  
21  **INCOME TAX?**

22  A.    Adjustment SLS-IS2 REB is a conforming *pro forma* adjustment that adjusts test  
23       year income taxes to reflect the federal and state income tax effects of the pro  
24       forma adjustments included in Schedule C2- Rebuttal.



1 **Q. DID COMMISSION STAFF AND RUCO MAKE A SIMILAR**  
2 **ADJUSTMENT IN THEIR SCHEDULES?**

3 A. Yes.

4 **Q. PLEASE DISCUSS THEIR ADJUSTMENTS.**

5 A. Commission Staff recommended Income Statement Adjustment No. 7 – Income  
6 Tax, which reflects Commission Staff’s recommended adjustments to taxable  
7 income and the reduction in the federal income tax rate to 21 percent. RUCO  
8 made a similar adjustment, Adjustment No. 10 – Income Tax.

9 **Q. DOES THE COMPANY ACCEPT THESE ADJUSTMENTS?**

10 A. Yes. The Company has updated the federal income tax rate to 21 percent in its  
11 calculation of the income taxes for this Application.

12 **C. Adj SLS-IS3 REB Interest Synchronization**

13 **Q. WHAT IS ADJUSTMENT SLS-IS3 REB – INTEREST**  
14 **SYNCHRONIZATION?**

15 A. Adjustment SLS-IS3 REB is a conforming *pro forma* adjustment to interest  
16 synchronization based on rate base rebuttal adjustments.

17 **D. Adj SLH-IS4 REB Regulatory Liability – ADIT Amortization – Tax**  
18 **Reform**

19 **Q. WHAT IS ADJUSTMENT SLH-IS4 REB – REGULATORY LIABILITY –**  
20 **ADIT AMORTIZATION – TAX REFORM?**

21 A. Ms. Hubbard addresses this adjustment in her Rebuttal Testimony.

1           **E.     Adj XXX-IS5 REB Intentionally Left Blank**

2       **Q.     WHAT IS ADJUSTMENT XXX-IS5 REB – Intentionally Left Blank?**

3       A.     This is a placeholder in the schedules. It does not impact operating expenses or  
4           revenues.

5           **F.     Adj JPB-IS6 REB Adjust Depreciation Expense – Post Test Year**  
6           **Plant**

7       **Q.     WHAT IS ADJUSTMENT JPB-IS6 REB – ADJUST DEPRECIATION**  
8           **EXPENSE - POST TEST YEAR PLANT?**

9       A.     Mr. Boizelle addresses this adjustment in his Rebuttal Testimony.

10          **G.     Adj JPB-IS7 REB Adjust Depreciation Expense - Retirements**

11       **Q.     WHAT IS ADJUSTMENT JPB-IS7 REB – ADJUST DEPRECIATION**  
12           **EXPENSE - RETIREMENTS?**

13       A.     Mr. Boizelle also addresses this adjustment in his Rebuttal Testimony.

14          **H.     Adj SLS-IS8 REB Adjust Insurance Other Than Group**

15       **Q.     WHAT IS ADJUSTMENT SLS-IS8 REB – ADJUST INSURANCE OTHER**  
16           **THAN GROUP?**

17       A.     This adjustment – Insurance Other Than Group – is made up of 16 components,  
18           each of which is updated annually with our insurance provider and is based on a  
19           specific component of the business. This conforming adjustment is simply to  
20           incorporate changes in the Company’s rebuttal schedules related to changes in  
21           EWAZ’s requested revenue requirement.

22          **I.     Adj JPB-IS9 REB Adjust CPI for 2017**

23       **Q.     WHAT IS ADJUSTMENT JPB-IS9 REB – ADJUST CPI FOR 2017?**

1 A. This adjustment is addressed in the Rebuttal Testimony of Mr. Jon P. Boizelle.

2 **J. Adj JPB-IS10 REB Adjust CUS Charges**

3 **Q. WHAT IS ADJUSTMENT JPB-IS10 REB – ADJUST CUS CHARGES?**

4 A. This adjustment is addressed in the Rebuttal Testimony of Mr. Jon P. Boizelle.

5 **K. Adj SLH-IS11 REB Adjust Outside Services**

6 **Q. WHAT IS ADJUSTMENT SLH-IS11REB – ADJUST OUTSIDE SERVICES?**

7 A. This adjustment is addressed in the Rebuttal Testimony of Ms. Sheryl L. Hubbard.

8 **L. Adj JPB-IS12 REB Adjust Postage Expense**

9 **Q. WHAT IS ADJUSTMENT JPB-IS12 REB – ADJUST POSTAGE EXPENSE?**

10 A. This adjustment is addressed in the Rebuttal Testimony of Mr. Jon P. Boizelle.

11 **M. Adj SLH-IS13 REB Adjust Regulatory Expense**

12 **Q. WHAT IS ADJUSTMENT SLH-IS13 REB – ADJUST REGULATORY**  
13 **EXPENSE?**

14 A. This adjustment is addressed in the Rebuttal Testimony of Ms. Sheryl L. Hubbard.

15 **N. Adj SLH-IS14 REB Adjust General Office Expense**

16 **Q. WHAT IS ADJUSTMENT SLH-IS14 REB – ADJUST GENERAL OFFICE**  
17 **EXPENSE?**

18 A. Ms. Hubbard also addresses this adjustment in her Rebuttal Testimony.

19 **O. Adj JPB-IS15 REB Adjust Fuel and Power Expense**

20 **Q. WHAT IS ADJUSTMENT JPB-IS15 REB – ADJUST POSTAGE EXPENSE?**

21 A. This adjustment is addressed in the Rebuttal Testimony of Mr. Jon P. Boizelle.

1           **P.           Adj JPB-IS16 REB            Adjust Purchased Water Expense**

2 **Q.    WHAT IS ADJUSTMENT JPB-IS16 REB – ADJUST REGULATORY**  
3 **EXPENSE?**

4 A.    Mr. Boizelle also addresses this adjustment in his Rebuttal Testimony.

5 **V.    OTHER COMMISSION STAFF’S AND RUCO’S ADJUSTMENTS**

6 **Q.    THERE ARE OTHER INCOME STATEMENT ADJUSTMENTS THAT**  
7 **COMMISSION STAFF AND RUCO PROPOSED THAT YOU DID NOT**  
8 **ADDRESS ABOVE. WHY DID YOU NOT ADDRESS THEM?**

9 A.    The Commission Staff’s and RUCO’s adjustments discussed above were those  
10 adjustments that the Company either accepted in whole or in part. By accepting  
11 those adjustments, the Company made corresponding rebuttal adjustments as  
12 indicated above. The Company opposes any adjustments that I did not mention  
13 above. Ms. Hubbard and Mr. Boizelle detail why the Company does not accept  
14 those adjustments in their respective rebuttal testimonies. Since the Company  
15 either accepted or partially accepted all of the Commission Staff adjustments, the  
16 following adjustments opposed and rejected by the Company are those  
17 recommended from RUCO.

18 **Q.    PLEASE IDENTIFY THOSE ADJUSTMENTS BY RUCO FOR WHICH**  
19 **THE COMPANY DID NOT MAKE A REBUTTAL ADJUSTMENT?**

20 A.    The table below lists RUCO’s adjustments that the Company did not accept as  
21 well as the Company witness who addresses those concerns. Please refer to the  
22 rebuttal testimony of the Company witness listed below for more detail.

Table 1 - RUCO's Income Statement Adjustments Opposed by the Company	
	Company's Sponsoring Witness
RUCO Adj No. 1 – Weather Normalization	Mr. Jon Boizelle
RUCO Adj No. 2 – Incentive Pay	Ms. Sheryl Hubbard
RUCO Adj No. 5 – CPI Adjustment	Mr. Jon Boizelle
RUCO Adj No. 6 – Corporate Allocation Adjustment	Ms. Sheryl Hubbard

1 **Q. ARE THERE OTHER ISSUES WITH THE ADJUSTMENTS YOU WOULD**  
2 **LIKE TO ADDRESS?**

3 A. No.

4 **VI. PROPOSED TARIFFS**

5 **Q. WILL THE COMPANY BE PROVIDING UPDATED PROPOSED**  
6 **TARIFFS?**

7 A. No. The Company will not update the proposed tariffs at this time. The changes in  
8 the monthly minimum charges and commodity charges that the Company is  
9 proposing can be found in its rebuttal "H" Schedules.

10 **Q. THE COMPANY HAD REQUESTED REVISED ESTABLISHMENT, RE-**  
11 **ESTABLISHMENT AND/OR RECONNECTION OR SERVICE CHARGES**  
12 **FOR THE DISTRICTS IN THIS RATE CASE. WAS THAT REQUEST**  
13 **ADDRESSED BY ANY PARTIES?**

14 A. Yes. Commission Staff's witness, Ms. Phan Tsan, addressed the Company's  
15 proposed service charges in her Direct Testimony.

16 **Q. WHAT WERE MS. TSAN'S RECOMMENDATIONS?**

1 A. Ms. Tsan stated on pages 46-47 that “Staff concurs with the Company’s proposed  
2 service charges and recommends approval as proposed except for the following:

- 3 • Staff recommends a \$30.00 Meter Test (If correct) charge.
- 4 • Staff recommend that the Automated Meter Opt Out Establishment Fee would  
5 apply to any customer new or existing, that seeks to add this opt out service to  
6 their account. Only one establishment fee will apply to new customers  
7 choosing this opt out service.
- 8 • Staff recommends adding the following language regarding Automated Meter  
9 Opt Outs to EPCOR’s Terms and Conditions to provide additional clarity and  
10 to ensure that new customers choosing to opt out will pay only one  
11 establishment fee.
- 12 a. New customers choosing to enroll in Automated Meter Opt Out at the time  
13 of establishing new service will only pay the Automated Meter Opt Out  
14 Establishment fee and will be subject to the Monthly Manual Read Fee.
- 15 b. Current customers choosing to enroll in Automated Meter Opt Out will pay  
16 the Automated Meter Opt Out Establishment Fee and will be subject to the  
17 Monthly Manual Read Fee.”

18 **Q. WHAT IS THE COMPANY’S RESPONSE TO MS. TSAN’S**  
19 **RECOMMENDATIONS?**

20 A. The Company accepts Ms. Tsan’s recommendations and will reflect these  
21 recommendations on the final tariffs when they are submitted in compliance to a  
22 decision in this matter.

23 **Q. IN AN ATTEMPT TO STANDARDIZE ITS TARIFFS, THE COMPANY**  
24 **PROPOSED ONE COMMON FACILITIES HOOK-UP FEE TARIFF FOR**  
25 **ITS PROPOSED CONSOLIDATED WATER DISTRICT – OR ALL**

1           **STAND-ALONE WATER DISTRICTS IN THE ALTERNATIVE. WAS**  
2           **THIS COMMON FACILITIES HOOK-UP FEE TARIFF ADDRESSED BY**  
3           **ANY PARTIES?**

4   A.    Yes, Mr. Frank Smaila for Commission Staff stated in his Engineering Report that  
5           Staff does not recommend approval of the Company's proposed consolidated  
6           hook-up fee tariff.

7   **Q.    WHAT IS THE COMPANY'S RESPONSE TO THIS**  
8           **RECOMMENDATION?**

9   A.    The Company does not agree with this recommendation. The Company's position  
10          will be addressed in detail in the Rebuttal Testimony of Mr. Andrew D. Brown.

11   **Q.    STAFF ALSO COMMENTED ON THE COMPANY'S PROPOSED**  
12          **SERVICE LINE AND METER INSTALLATION CHARGES. WHAT IS**  
13          **THE COMPANY'S RESPONSE?**

14   A.    Mr. Brown will also address Commission Staff's comments on service line and  
15          meter installation charges in his Rebuttal Testimony.

16   **Q.    IN THE DIRECT TESTIMONY OF COMPANY WITNESS, MR. JOHN**  
17          **(JAKE) LENDERKING, HE REQUESTED THAT THE COMMISSION**  
18          **ELIMINATE THE BEST MANAGEMENT PRACTICES ("BMPs") AND**  
19          **RELATED REPORTING OBLIGATIONS. IS THAT STILL THE**  
20          **COMPANY'S POSITION?**

21   A.    No. The Company has re-evaluated its original request to seek approval to  
22          eliminate its BMP tariffs and has decided to retain the currently-approved water

1 BMP tariffs. The Company had communicated this updated position in its  
2 response to Staff data request FMS 13.1.

3 **Q. DOES THE COMPANY'S UPDATED POSITION CONFLICT WITH ANY**  
4 **RECOMMENDATIONS MADE BY OTHER PARTIES?**

5 A. No. In fact, the Company's current position is consistent with Staff's Engineering  
6 Report, which recommended that the Company continue following the Best  
7 Management Practices programs.

8 **VII. COMPLIANCE ITEMS**

9 **Q. DID THE COMPANY REQUEST ELIMINATION OF CERTAIN**  
10 **COMPLIANCE ITEMS IN ITS DIRECT FILING?**

11 A. Yes. I had provided a list of currently-approved compliance items for EWAZ's  
12 water districts as Exhibit SLM-1 to my Direct Testimony. EWAZ indicated that it  
13 would work with Staff to address those items that the Company felt were no  
14 longer necessary, but the list included EWAZ's recommendations as to which  
15 compliance items the Company felt were unnecessary.

16 **Q. WAS THIS REQUEST ADDRESSED BY ANY PARTIES?**

17 A. Exhibit SLM-1 was not specifically addressed in any parties' testimony. However  
18 Staff's Engineering Report did address several compliance items that are currently  
19 in effect.

20 **Q. WHICH CURRENTLY-APPROVED COMPLIANCE ITEMS WERE**  
21 **ADDRESSED IN STAFF'S ENGINEERING REPORT?**



1 A. Staff's Engineering Report recommended eliminating all reporting requirements  
2 associated with the White Tanks Hook-Up Fees and the Non-Firm Treatment  
3 Services from the White Tanks Water Treatment Plant ("White Tanks WTP").

4 **Q. WHAT IS THE COMPANY'S POSITION ON ELIMINATING THESE**  
5 **REQUIREMENTS?**

6 A. The Company agrees with Commission Staff's recommendations regarding the  
7 White Tanks compliance reporting.

8 **Q. DOES THE COMPANY HAVE OTHER CONCERNS REGARDING THE**  
9 **CURRENTLY-APPROVED COMPLIANCE ITEMS?**

10 A. Yes. The compliance requirements currently in place are issued at individual  
11 water district levels. Some items may not be warranted at a consolidated level if  
12 the Commission authorizes consolidation of the Company's districts.

13 **Q. IS THIS A VALID CONCERN WITH ANY NEW COMPLIANCE ITEMS**  
14 **THAT MAY BE APPROVED IN THIS CASE?**

15 A. Not necessarily for new compliance items because the Commission will design the  
16 compliance requirements with full knowledge of the future structure of the  
17 Company.

18 **Q. WHAT IS THE COMPANY'S PROPOSAL TO ADDRESS WATER**  
19 **COMPLIANCE ITEMS THAT ARE CURRENTLY IN EFFECT?**

20 A. The Company would like to work with Commission Staff to review current water  
21 compliance items to determine if they are still necessary or need to be updated.  
22 Some items may no longer be appropriate, or are no longer necessary. Once the

1           Company and Commission Staff have completed this process, Commission Staff  
2           and the Company will recommend an appropriate course of action for each item.

3 **Q.    DOES YOUR SILENCE ON ANY ISSUE RAISED BY ANY PARTY IN**  
4 **DIRECT TESTIMONY INDICATE YOUR ACCEPTANCE OF THEIR**  
5 **POSITION?**

6 A.    No.

7 **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 A.    Yes.