

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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7  
8 IN THE MATTER OF THE APPLICATION OF  
9 GOODMAN WATER COMPANY, AN  
10 ARIZONA CORPORATION, FOR (i) A  
11 DETERMINATION OF THE FAIR VALUE OF  
ITS UTILITY PLANT AND PROPERTY AND  
(ii) AN INCREASE IN ITS WATER RATES  
AND CHARGES FOR UTILITY SERVICE  
BASED THEREON.

Docket No. W-02500A-10-0382

12  
13 **JOINT PARTIES OPENING BRIEF**

14 The Residential Utility Consumer's Office ("RUCO"), Goodman Water Company  
15 ("Goodman"), Intervenors Larry Wawrzyniak, and Jim Schoemperlen, (collectively, the  
16 "Joint Parties") file this Opening Brief in support of the proposed Settlement Agreement  
17 ("Settlement or Agreement") in the Goodman Water Company rate case.  
18

19 **INTRODUCTION**

20 The Settlement resolves the outstanding issues among the Joint Parties. But more  
21 importantly, the Settlement provides a bridge between the Company and the community  
22 with the common goal of facilitating sustained growth while healing the long term discord  
23 that had existed between the Company and the community. Given the past relationship, it  
24 seemed highly improbable that when the hearing began the Company and the community

1 could put aside their differences and reach an acceptable resolution of the highly  
2 contentious issues involved in this case. It was only after the Joint Parties made a sincere  
3 and exerted effort to look for a compromise that an accord was reached that resolves the  
4 Joint Parties' concerns to the satisfaction of every party involved. The Settlement is a fair  
5 resolution of the outstanding issues which is well within the Commission's discretion to  
6 approve and does not offend the law or Arizona's Constitution in any manner. Perhaps the  
7 most telling sign that this Agreement is in the public interest is the support for the  
8 Agreement which has been expressed by the community and during public comment. The  
9 Settlement is in the public interest and the Commission should adopt the Agreement.

10  
11 **The Settlement provides substantial benefits to the ratepayers and the  
Company and is in the public interest.**

12 The benefits of the Agreement are far reaching. To the Company, the Agreement:

- 13 • Eliminates litigation risks associated with RUCO's and Intervenors' claims of  
14 excess capacity.
- 15 • Goodman receives a 23.21% rate increase phased-in over three years, totaling  
\$138,000 in the final year of the phase-in. (Section 2.1)
- 16 • Goodman may defer \$269,307 of accumulated depreciation through the end of  
17 the test year and defer the recording of annual depreciation of \$44,136 on  
utility plant not included in rate base for the purpose of this rate case during  
the "stay out" period. (Section 2.3)
- 18 • While the Settlement Agreement freezes rates for four years, Goodman may  
file for emergency rates during that time period, if necessary.
- 19 • Improved relations with the community
- 20 • Resolves for this case disputed rate case issues including land valuation,  
excess capacity, and rate case expense thereby reducing the risk of protracted  
litigation costs.

21 RUCO-11 at 6 -9.<sup>1</sup>

22 To RUCO, the intervenors, and the community, the Agreement:

23 \_\_\_\_\_  
24 <sup>1</sup> For ease of reference, trial exhibits will be identified similar by their identification in the Transcript of Proceedings. The transcript volume number will identify references to the transcript.

- 1 • Establishes Goodman's FVRB at \$1,755,118 which is lower than Staff's
- 2 recommended FVRB of \$2,077,253 and the Company's underlying
- 3 recommendation of \$2,298,376. (Section 2.2)
- 4 • The overall revenue increase of \$138,000 is significantly less than what either
- 5 Staff or Goodman recommends. (Sections 1.9 and 2.1)
- 6 • The rate increase is phased in over three (3) years. (Section 2.6)
- 7 • Goodman waives its right to foregone revenues and any interest associated
- 8 with the phase in period. (Section 2.6)
- 9 • Goodman is not entitled to receive accrued interest or carrying charges on the
- 10 amount of deferred depreciation expense. (Section 2.4)
- 11 • Goodman may not file for another rate increase for at least four (4) years
- 12 (Section 2.8)
- 13 • The rate design adopted in the Settlement Agreement provides a small rate
- 14 decrease for the first year for customers who use less than 3,000 gallons per
- 15 month.
- 16 • Defers the excess capacity argument to a future rate case with the possibility
- 17 of having this issue become moot if the developers are able to build out the
- 18 community during the next four years.
- 19 • Resolves for this case, disputed rate case issues including land valuation,
- 20 excess capacity, and rate case expense, thereby reducing the risk of
- 21 protracted litigation costs.
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13 Id. Altogether, there is a lot to like and little to dislike about this Settlement.

14 **The basis for Staff's recommendation to reject the Settlement lacks merit**

15 Unfortunately, not everyone sees it this way. Staff recommends that the Settlement  
16 be rejected. S-11 at 7. Following are a list of Staff's reasons for rejection and the Joint  
17 Party's responses.

18 1) Staff Complaint - The absence of a specified operating income and rate of  
19 return is a significant defect of the Settlement. S-11 at 5

20 Joint Parties Response: The Joint Parties agree that the Commission in its  
21 final order must specify the rate of return. See for example Morris vs. Arizona Corporation  
22 Commission, 24 Ariz.App.454, 457, 539 P.2d 928, 931 (1975) ("The duty of the  
23 Commission to establish fair value rate base and rate of return is the necessary foundation  
24

1 of ratemaking.”). It is not however, fatal to the Settlement if the rate of return is not  
2 specified in the Settlement as long as there is support for the rate of return in the record  
3 and the Commission identifies a rate of return in the final Decision. Transcript at 714, 762.  
4 There is no case in Arizona that states or even suggests that a Settlement Agreement  
5 must specify the rate of return or the operating income for that matter. Nor is there a case  
6 in Arizona that states or suggests that a Settlement Agreement cannot take a “Black Box”  
7 format. During the proceedings, RUCO presented a revenue requirement exhibit which  
8 lists the rate of return for each of the three phase-in years. RUCO-12. For ratemaking  
9 purposes, the proposed increase in revenues recognized during the third and final year of  
10 the phase-in is \$138,000. Id. To arrive at its operating income, RUCO has calculated a  
11 FVROR of 9.68% based on a FVRB of \$1,755,118. Id. There is ample evidence in this  
12 record to support the 9.68% fair value rate of return figure which the Commission may  
13 approve in addition to the Settlement. Id.

14 The lack of a specified operating income, like the rate of return, is not a fatal defect  
15 of the Settlement. Transcript at 761-762, 766-767. However, unlike the rate of return  
16 figure, it is not necessary to specify the operating income in the order as long as there is  
17 support for the operating income in the record. The operating income is nothing more than  
18 a quick calculation - it is the product of the FVRB and the FVROR, both of which have  
19 been identified and supported in the record. The Commission can state the operating  
20 income in its final Decision if it deems it appropriate. It is not, however, a necessary  
21 component of the Settlement.

22 In fact, Goodman witness Bourassa addressed this very issue in a previous  
23 Commission settlement case:

1 There was a question about the level of detail in this settlement because it  
2 doesn't provide operating expenses or operating income, and I would just  
3 like to mention that the Commission has approved a similar settlement in  
4 the Bella Vista Water case, and Staff signed that settlement. That  
5 settlement only had revenue requirement, fair value rate base, rate of  
6 return. And it was approved.

7 Transcript at 701-702.

8 2) Staff Complaint – The deferral provision of the Settlement (paragraph  
9 2.3) contemplates not only deferral of the depreciation going forward, but also the  
10 restatement of depreciation expense incurred in the past. The latter is retroactive  
11 ratemaking. S-11 at 6.

12 Joint Parties Response: - The deferral provisions of the Settlement do  
13 not result in retroactive ratemaking. The depreciation that is being deferred has never  
14 been recognized in rates nor will be until the Commission approves recovery of it.  
15 Transcript at 767. Hence, there can be no “retroactive ratemaking.” The retroactive  
16 ratemaking doctrine prohibits the Commission from adjusting current rates to make up for  
17 previous over- or under-collections of costs in prior periods. Associated Gas Distributors,  
18 Petitioner, v. Federal Energy Regulatory Commission, Respondent, and Consolidated  
19 Cases, United States Court of Appeals, District of Columbia Circuit., 898 F.2d 809, March  
20 30, 1990. The Joint Parties are requesting that the Commission defer until a future rate  
21 case plant and its associated depreciation that is at issue in this case and identified in  
22 RUCO witness, Tim Coley’s surrebuttal schedule TJC-5. RUCO-8, Schedule TJC-5, A-20  
23 at pp. 2.3. The hope is that as growth occurs, this plant will become used and useful and  
24 hence, will not be “excess capacity.” While there may be disagreement among the Joint

1 Parties on the issue of excess capacity, the Settlement's resolution and recommendation  
2 on the issue is satisfactory to all of the Joint Parties. A-20 at pp. 2.5.

3 Staff claims that the Settlement restates accumulated depreciation expense in the  
4 past. The Settlement does not restate accumulated depreciation expense approved in a  
5 prior case. When questioned at the hearing, Staff's witness Gordon Fox referred to  
6 "organizational expenses" that were part of the Company's last rate case. Transcript at  
7 994. Mr. Fox's testimony, however, was far from conclusive – Mr. Fox could only  
8 "anticipate" that some of the organizational costs referenced by Mr. Coley were  
9 "...included in some prior rate case." Id. First, the organizational costs that are subject to  
10 deferral in the Settlement are not costs that were approved in a prior rate case, and there  
11 is no evidence to the contrary in that regard. Staff, admits it has not done the analysis to  
12 even make the conclusion. Id. Second, there is no depreciation associated with the  
13 organizational costs because such costs are not depreciable and thus are not part of the  
14 depreciation costs being deferred in the Settlement.

15 Company witness Bourassa addressed this issue as follows:

16 Now, with respect to the depreciation in this case, there has been no  
17 determination of the accumulated depreciation balance that will be  
18 included in rate base on the plant that's been added since the rate  
19 case. There has been no determination in this case on plant added  
20 since the last rate case and that will be included in this rate base.

21 So I do not view the fact that the parties have proposed to defer  
22 annual depreciation or to defer an amount of accumulated  
23 depreciation that we can quantify on that plant that will not be  
24 recognized in this particular case as retroactive ratemaking.

Transcript at 1032.

Staff is under the misconception that the Settlement defers some plant and  
depreciation that was approved in rates from the Company's prior rate case. However,

1 Tim Coley's surrebuttal schedule TJC-5 clearly identifies plant placed into operation after  
2 the last rate case that is being deferred under the Settlement Agreement. Mr. Coley's  
3 schedule(s) identify the plant that is being deferred with sufficient specificity and none of  
4 this plant was in rate base prior to this rate case. The Company's witness, Thomas  
5 Bourassa testified:

6 I would add, as Ms. Jerich pointed out, that one of the key  
7 schedules in the underlying record is RUCO's surrebuttal schedule  
8 TJC-5 which delineates the amounts by account of plant value being  
9 removed from plant in service, and the amount of the accumulated  
10 depreciation also being removed from accumulated depreciation.

11 We also have TJC-10 which identifies the amount of difference  
12 in the depreciation expense between, based upon those adjustments to  
13 the plant in service.

14 Transcript at 759.

15 Now, here, we can demonstrate through TJC-5 that the plant, that  
16 RUCO's \$269,000 accumulated depreciation number was based on  
17 plant that has never been recognized in rates. Neither has the return on  
18 that plant ever been recognized. So it's hard to argue to make the  
19 assumption that somehow the utility has recovered all of its  
20 depreciation expense in the intervening years.

21 Transcript at 1037.

22 The plant and associated depreciation that will be deferred under the Settlement was in no  
23 part approved in rates from the Company's prior rate case.

24 Staff also argues that, "... deferring depreciation expense creates an  
intergenerational transfer of costs from current ratepayers to future ratepayers". S-11 at 6.  
James Schoemperlen in his direct testimony addresses Staff's concern. JS41 at 6.  
Whether that inequity would be Staff's admitted 620 current rate payers paying for Staff's  
total capacity calculation of 933 connections or the Company's adjusted total capacity  
estimation of 1,195 connections (resulting from correcting the computation of fire flow to  
remove the commercial requirement which does not exist) indicated in Staffs supplemental

1 report and late filed exhibit<sup>2</sup>, it would result in a difference of 314 (934-620) to 475 (1,195-  
2 620) or an “intergenerational” inequity of between 51% (314/620) and 77% (475/620). This  
3 is a truly material inequity and Staff chooses to ignore it. Also, staff refers to the transfer to  
4 future rate payers of the cost recovery responsibility when in fact they are the ones that  
5 should be paying for the excess capacity, so Staff is using the concept incorrectly. This is  
6 truly “results oriented” rate making.

7           3) Staff Complaint - The “Black Box” approach precludes the determination or  
8 inference of elements necessary for determining the revenue requirement in a future rate  
9 case. S-11 at 3. The underlying adjustments and resulting components of RUCO’s rate  
10 base cannot be assumed and plant and its corresponding depreciation cannot be  
11 identified. Id. at 4-5. This lack of identification is further exacerbated by the absence of  
12 specified depreciation rates. Id. at 5.

13           Joint Party’s Response – This complaint, like Staff’s other complaints, rings  
14 hollow. The Settlement adopts RUCO’s proposed FVRB. RUCO’s witness, Timothy J.  
15 Coley provided testimony on the ratebase. See RUCO 7 and 8. RUCO’s excess capacity  
16 adjustment adopted in the Settlement is identified and specified in detail in Mr. Coley’s  
17 surrebuttal schedule TJC-5. RUCO-8, Schedule TJC-5. In the same schedule, Mr. Coley  
18 identifies the excess capacity plant adjustment and its associated accumulated  
19 depreciation of \$269,307 which is referenced in paragraph 2.3 of the Settlement. This  
20 information is a part of the record and will be easy for any individual working on a future  
21 rate case to access. In addition, these types of “black box” settlement agreements have  
22

23 \_\_\_\_\_  
24 <sup>2</sup> S-11 at 3, Staff’s Notice of Filing Late-Filed Exhibits, September 8<sup>th</sup> 2011 – Exhibit 1 page 1 of 2 Step #1.

1 been approved by the Commission in the past. (See Bourassa testimony cited above,  
2 Transcript at 701-702).

3 Likewise, Mr. Coley's surrebuttal schedule TJC-10 itemizes and identifies the  
4 annual depreciation deferral amount of \$44,136 referred to in paragraph 2.3 of the  
5 Settlement. RUCO-8, Schedule TJC-10. Mr. Coley's surrebuttal schedule TJC-3 identifies  
6 and itemizes RUCO's ratebase recommendation of \$1,755,118 adopted in the Settlement.  
7 Everything that is necessary for the Commission's consideration of the Settlement and to  
8 set just and reasonable rates is set out and identified in the record. Moreover, this  
9 information is public and easy to access.

10 It is true that the record does not itemize the ratebase to the level of detail where  
11 each piece of plant is separately identified, and each particular piece of pipe or water main  
12 is spelled out. That level of detail is not typically part of a rate case and is simply not  
13 necessary. If Staff is suggesting that level of detail is necessary, there are numerous  
14 reasons why the Commission should reject Staff's suggestion, the very least of which is  
15 the extra time and work required by all of the parties to generate that level of detail and the  
16 significant upward impact it will have on rate case expense.

17 The fact that the Settlement does not specify the depreciation rates should not be  
18 considered as a basis for rejecting the Settlement. No party, including Staff, suggested  
19 that the depreciation rates be changed in the underlying case. Should the Joint Parties'  
20 underlying recommendations be rejected as deficient since depreciation rates were not  
21 addressed? Of course not – the simple fact is that unless there is a recommendation to  
22 change the depreciation rates, the depreciation rates set in the Commission's last decision  
23 are approved. Failing to state this in the Settlement, like not stating it in a party's direct or  
24

1 surrebuttal case, at most is an oversight and not fatal to a party's position or the  
2 Settlement.

3 4) Staff's Complaint – The provisions of paragraph 2.3 of the Settlement (the  
4 depreciation deferral provisions) would have ratepayers pay a second time since  
5 ratepayers have already paid any expenses that have occurred prior to the time the  
6 regulatory authority authorized the deferral. S-11 at 6

7 Joint Parties Response– This complaint lacks merit and is perhaps the most  
8 far-fetched of all Staff's complaints. When questioned at the hearing, Staff's witness  
9 Gordon Fox explained that ratepayers are paying for the plant that is the subject of the  
10 excess capacity through the current rates and therefore allowing further recovery in a  
11 future rate case will result in ratepayers paying a second time. Transcript at 991-993.  
12 According to Mr. Fox, this is part of the "regulatory framework". Id. This is a concept that  
13 none of the Joint Parties have ever heard. See for example Transcript at 1039. The  
14 regulatory compact requires ratepayers to pay in rates only costs approved by the  
15 Commission. Since the plant at issue was placed in operation after the last rate case, the  
16 current rates do not cover the costs, including depreciation expense, associated with it.  
17 The depreciation in question has never been approved by the Commission. The  
18 Company's witness, Tom Bourassa noted "This depreciation, the deferred accumulated  
19 depreciation of \$269,000 and the \$44,000 going forward -- let's start with the \$269,000.  
20 That is depreciation that is on plant that has never been recognized by this Commission  
21 and has never been put into rates. So ratepayers have not paid any depreciation on that  
22 plant." Transcript at 767. Costs that are excluded from consideration in rates are not  
23 charged to customers unless the Commission approves their recovery – that is the  
24 regulatory compact. Only after the Commission approves the costs for recovery is a rate

1 design considered to determine how the rates will be collected among the different  
2 classes. Accordingly, Staff's complaint should be rejected by the Commission.

3 5) Staff Complaint – Staff concludes that there is no excess capacity and the  
4 Settlement reaches no conclusion on the issue of excess capacity at this time. S-11 at 4.

5 Joint Parties Response – The Settlement purposely reaches no conclusion as to  
6 whether or not any excess capacity exists at this time. S-11 at 3. The Joint Parties  
7 recognize that the issue of excess capacity is a highly contentious issue and the  
8 Settlement provides a way of addressing the issue in a manner acceptable to all of the  
9 Joint Parties. Nonetheless, some of the Joint Parties take issue with the conclusions Staff  
10 reaches in its Supplemental Staff Report and those parties offer the following brief, and by  
11 no means all-inclusive, comments for the record in response to Staff's Report. Staff  
12 projected "... that the Company could have 875 service connections within a five-year  
13 period." S-11 at 3. Staff used that projection to base its conclusion that there is no excess  
14 capacity. The intervener, James Schoemperlen testified that "Staff has used a statistically  
15 invalid method for its projection". JS-42 at 9, Schedule D. Also In his view, Staff  
16 calculated the capacity of the water system incorrectly by using commercial fire flow  
17 requirements when the Company's engineer, Mark Taylor, admitted that no commercial  
18 property requiring commercial fire flow was currently in the development and that none  
19 was included in the forecast period. Transcript at 438, 475, 488-495. Staff has not proved  
20 there is no excess capacity since the basis of Staff's forecast relied on a statistically invalid  
21 method.

22 Staff next goes on to state that there are operational reasons why there is no  
23 excess capacity in the second plant but does not come up with a reasonable proportion of  
24 the new plant added which is required for the current capacity. In some cases Staff

1 indicates that only three customers are serviced by the configuration but the “Entire Water  
2 Plant #3” (second plant) would be required to service these customers. S-11 at 3-4. Here  
3 Staff appears to arguing that the entire 290,000 gallons would be required to service only  
4 three customers. This is illogical!

5 In sum, at the very least, the excess capacity issue remains highly contentious,  
6 which further supports the Settlement’s recommendation to defer the matter for a future  
7 rate case where it is quite possible it will have resolved itself by then.

8 **Staff’s alternative proposal should be rejected.**

9 Staff has proposed an “alternative resolution” which adopts the Settlement’s  
10 \$138,000 revenue increase<sup>3</sup>; Staff’s surrebuttal proposed \$2,077,253 FVRB) and Staff’s  
11 surrebuttal level of operating expense. S-11, Schedule GLF-1. Staff’s further proposes to  
12 keep the Settlement’s three year phase-in and stay out provisions. Id. at 7. The Joint  
13 Parties appreciate Staff’s attempt to mitigate its surrebuttal recommendation, but for  
14 numerous reasons the Joint Parties oppose Staff’s alternative resolution.

15 First, the Joint Parties cannot accept a higher ratebase recommendation with the  
16 same level of proposed revenue increase. A larger ratebase is not in the ratepayer’s best  
17 interest. Staff’s higher ratebase includes the plant that is the subject of the excess capacity  
18 issue. The excess capacity issue is the most contentious issue in this case and adopting  
19 a ratebase that includes the excess capacity will further aggravate the poor relationship  
20 that exists between the community and the Company. Instead of offering some type of  
21 compromise on the issue of excess capacity, Staff has chosen to take an inflexible  
22

23  
24 <sup>3</sup> The Joint Parties believe that Staff’s proposed revenue increase is in fact in error, and the actual increase is approximately \$30,000 higher. Transcript at 700.

1 approach on the excess capacity issue and shift the entire risk of growth on the back of the  
2 ratepayer. The irony here is that the Company is not even recommending that approach  
3 anymore. Staff's approach is unacceptable to the Joint Parties.

4         Second, it is not only the ratepayers who lose under Staff's alternate resolution. A  
5 low cost of equity is not in the shareholder's best interests. Although Staff did not list its  
6 proposed cost of equity<sup>4</sup>, there is evidence in the record which shows that it is less than  
7 Staff's cost of debt (8.5%) and even lower than Staff's FVROR recommendation (7.45%).  
8 Transcript at 1046. By the Company's calculations, Staff's proposed cost of equity is  
9 "something like 7.2 or 7.25" percent. Id. A low cost of equity is troubling to the Company  
10 for several reasons. Id. Equity is typically more expensive than debt. There is no  
11 evidence in this case that would indicate it should be the other way around. Another  
12 potential downside to the Company (and industry) is the bad precedent such a low cost of  
13 equity may establish for water utilities going forward. A very low cost of equity could also  
14 increase the likelihood that the Company could overearn going forward. When all is  
15 considered, Staff's proposal is not preferable over the Settlement to either the ratepayer or  
16 the Company.

17         Assuming, for the sake of argument, Staff's proposal was in the public's interest, the  
18 Commission could not approve it without the Company's consent. The Company supports  
19 the Settlement which renders Staff's alternate resolution moot. Neither Staff, nor the  
20 Commission can require the Company to waive foregone revenues associated with Staff's  
21 phase-in proposal which even Staff admits. Transcript at 990. In the absence of the  
22  
23

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24 <sup>4</sup> Staff's failure to specify a cost of equity is puzzling, since Staff is complaining about the Settlement's lack of identifiable information.

1 Company's approval, the Commission lacks the authority to approve Staff's alternate  
2 proposal. The Commission should reject Staff's alternate proposal.

### 3 **CONCLUSION**

4 It is rare that the regulatory process can have the result of bringing a community  
5 and a utility closer together. If anything, a process which almost always raises rates has  
6 the opposite effect. The Settlement here provides the Commission with a unique  
7 opportunity to achieve a result unheard of in regulatory ratemaking – raising rates while at  
8 the same time possibly healing a very broken relationship that had existed between the  
9 Company and the community. The Settlement also balances the interests of the Company  
10 and its ratepayers and it is clearly in the public interest. It is unfortunate that Staff would  
11 oppose the Settlement.

12 As the public has pointed out in Public Comment and in letters to the docket, there  
13 are ratepayers that are worrying about how many times they can flush their toilet for fear of  
14 the financial effects of the original rate request. There are educators who transferred to  
15 Arizona from New York City that are worried they will not be able to stay in the community  
16 due to the anticipated rate increase. These are important people to the community. Under  
17 the Settlement, low usage customers will see an actual decrease in their rates in the first  
18 year. This Settlement is justice for them. Other ratepayers who worked so hard to include  
19 attractive plantings and floral arrangements as part of their landscaping and have added  
20 significantly to the beauty of the subdivision will not have to remove all this, depreciating  
21 the value of the community. This is also justice for them. And for all who were worried  
22 about the continual spiraling unreasonable water costs which would force them to leave  
23 the community, the average 4.7% increase per year over the rate period is justice for them  
24 too.

1 To the credit of Goodman Water Company, they have come to realize what the  
2 effect of a significant rate increases would be on the community, especially given the  
3 current economic environment. All parties to the negotiations have realized the mutual  
4 interdependence of both the community and the Company. It is true that the fates of each  
5 are intertwined. One cannot succeed without the success of the other. The central point  
6 that made the Settlement possible was the fact that Joint Parties put off the determination  
7 of excess capacity until a future period. This is justice for both the community and the  
8 water company. For the community, it is justice since the price of an agreement such as  
9 the one proposed by Staff would be the possibility that rates would spiral out of control in  
10 the future if development did not occur and Staff decided to increase the rate of return to  
11 9.3%. This is justice for the water Company since deferral of the depreciation and  
12 accumulated depreciation would be allowed and they would get the value of their  
13 investment back as it becomes fully used. Also, this is a good sense business decision for  
14 the Water Company since they have traded community derision for community co-  
15 operation and support for development. This agreement has the ability to usher in a new  
16 era of community and water Company co-operation, if it is given a chance.

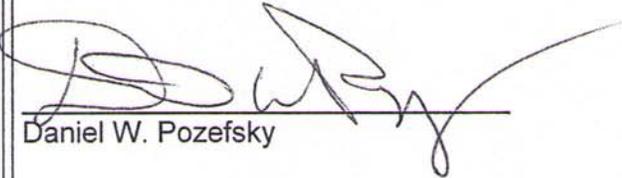
17 One wonders why the Staff cannot see this. Staff's approach will only lead to  
18 setting up the water Company and the community as adversaries.

19 The Joint Parties recommend that the Commission approve the Settlement and  
20 reject Staff's position.

21  
22  
23  
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1 RESPECTFULLY SUBMITTED this 2<sup>nd</sup> day of December, 2011.

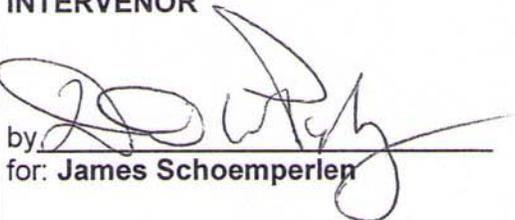
2  
3 **RESIDENTIAL UTILITY CONSUMER  
OFFICE**

4   
5  
6 Daniel W. Pozefsky

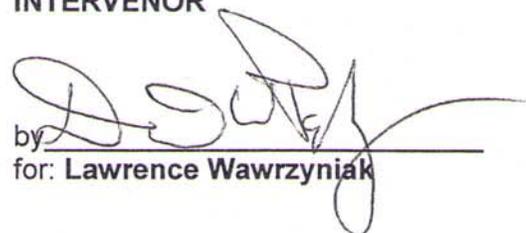
**GOODMAN WATER COMPANY**

7  
8   
9 by  
10 for: Robert J. Metli/Lawrence J. Robertson

11 **INTERVENOR**

12   
13 by  
14 for: James Schoemperlen

**INTERVENOR**

15   
16 by  
17 for: Lawrence Wawrzyniak

18 AN ORIGINAL AND THIRTEEN COPIES  
19 of the foregoing filed this 2<sup>nd</sup> day  
20 of December, 2011 with:

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

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Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission

Janice Alward, Chief Counsel  
Legal Division  
Arizona Corporation Commission

Bridget Humphrey  
Legal Division  
Arizona Corporation Commission

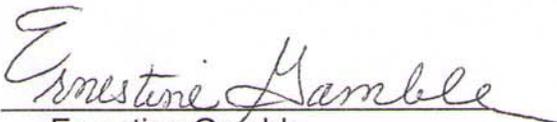
Steven M. Olea, Director  
Utilities Division  
Arizona Corporation Commission

1 Lawrence V. Robertson, Jr.  
2 Goodman Water Company  
3 P. O. box 1448  
4 Tubac, Arizona 85646

5 Lawrence Wawrzyniak  
6 Intervenor  
7 39485 S. Mountain Shadow Drive  
8 Tucson, Arizona 85739

9 James Schoemperlen  
10 Intervenor  
11 39695 S. Horse Run Drive  
12 Tucson, Arizona 85739

13 Robert J. Metli  
14 Munger Chadwick PLC  
15 2398 E. Camelback Road  
16 Suite 240  
17 Phoenix, AZ 85016-9002

18 By   
19 Ernestine Gamble  
20  
21  
22  
23  
24