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BEFORE THE ARIZONA CORPORATIO

COMMISSIONERS

MARC SPITZER - Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

2004 MAR 31 P 3:35  
AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF AJO  
IMPROVEMENT COMPANY FOR RATE  
ADJUSTMENTS IN ITS WATER AND  
WASTEWATER RATES.

DOCKET NO. WS-01025A-03-0350

STAFF'S NOTICE OF FILING  
SUMMARY OF TESTIMONY

Staff of the Arizona Corporation Commission hereby files the Summary of Testimony of  
Crystal S. Brown of the Utilities Division and John A. Chelus of the Engineering Division in the  
above-referenced matter.

RESPECTFULLY SUBMITTED this 31<sup>st</sup> day of March 2004.

*David Ronald*

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The original and thirteen (13) copies  
of the foregoing were filed this  
31<sup>st</sup> day of March 2004 with:

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

Copies of the foregoing were mailed this  
31<sup>st</sup> day of March 2004 to:

Jane L. Rodda  
Administrative Law Judge  
400 West Congress Street  
Tucson, Arizona 85701

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Arizona Corporation Commission  
DOCKETED

MAR 31 2004

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**SUMMARY OF TESTIMONY  
OF CRYSTAL BROWN  
AJO IMPROVEMENT COMPANY  
WATER AND SEWER DEPARTMENTS  
DOCKET NO. WS-01025A-03-0350  
MARCH 31, 2004**

I will appear on behalf of the Arizona Corporation Commission Staff and will testify concerning Staff's position and recommendations regarding Ajo Improvement Company's application for a permanent rate increase in the areas of cost of capital, revenue requirement, and rate design. My testimony is summarized below:

For the Water Department, Staff recommends a \$68,833, or 10.73 percent, revenue increase from \$641,644 to \$710,477. Staff's proposed revenue increase would produce an operating income of \$10,187 for an 8.8 percent rate of return on an original cost rate base of \$115,786. Staff's recommended rates would decrease the typical residential bill with a median usage of 4,275 gallons, from \$19.86 to \$19.67, for a decrease of \$0.18 or 0.9 percent.

For the Wastewater Department, Staff recommends a \$135,071, or 141.43 percent, revenue increase from \$95,505 to \$230,576. Staff's proposed revenue increase would produce an operating income of \$19,291 for an 8.8 percent rate of return on an original cost rate base of \$219,254. Staff's recommended rates would increase the typical residential bill from \$6.08 to \$15.65, for an increase of \$9.57 or 157.4 percent.

**SUMMARY OF TESTIMONY  
OF JOHN A CHELUS  
AJO IMPROVEMENT COMPANY  
WATER AND SEWER DEPARTMENTS  
DOCKET NO. WS-01025A-03-0350  
MARCH 31, 2004**

**Water Division**

**CONCLUSIONS**

- I. ADEQ reported TOTAL COMPLIANCE with the state drinking water rules. ADEQ certified that the water system is delivering water that does not exceed any maximum contaminant level and meets the water quality standards of the Safe Drinking Water Act.
- II. The system has adequate storage and well capacity.

**RECOMMENDATIONS**

- I. Staff recommends that Ajo Improvement Company use depreciation rates by individual National Association of Regulatory Utilities Commissioners (NARUC) category, as delineated in Exhibit 4 of the Direct Testimony.
- II. Staff recommends that the Company file a curtailment tariff within 45 days after the effective date of any decision and order pursuant to this application. The tariff shall be submitted to the Director of the Utilities Division for his review and certification. Staff also recommends that the tariff shall generally conform to the sample tariff found posted on the Commission's web site ([www.cc.state.az.us/utility](http://www.cc.state.az.us/utility)) or available upon request from Commission Staff.
- III. Staff recommends adopting the meter and service line installation charges proposed by the Company with the modifications proposed by Staff as shown in table 1 Section L of the Direct Testimony.
- IV. Staff recommends that the Company, within 6 months from the effective date of a decision in this proceeding, submit a report to the Commission's Utilities Division describing what steps the Company is planning to take in order to reduce the arsenic level in its water to a concentration below 10 µg/l.
- V. The Company reported water testing expenses for Ajo Water of \$440 for the test year ending December 31, 2002. Staff considers the reported expense reasonable.

Wastewater Division

**RECOMMENDATIONS**

- I. Staff recommends that Ajo Improvement Company use depreciation rates by individual National Association of Regulatory Utilities Commissioners (NARUC) category, as delineated in Exhibit 4 of the Direct Testimony.
- II. Staff recommends that any permanent rates and charges in this matter shall become effective on the first day of the month after the Director of the Utilities Division receives notice from the Arizona Department of Environmental Quality that Ajo Improvement Company – Wastewater Division meets the standards required by the Arizona Administrative Code.