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BEFORE THE ARIZONA CORPORATION COMMISSION

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

2004 MAR 31 P 3: 51  
AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

MAR 31 2004

DOCKETED BY

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 STIPULATION

On May 28, 2003, Ajo Improvement Company ("Company") filed with the Arizona Corporation Commission ("Commission") a rate application. The Commission granted intervention to Arizona Water Company ("AWC") on September 14, 2003.

On March 18, 2004, Utilities Division Staff ("Staff") of the Commission filed a Notice of Proposed Settlement Discussions. On March 24, 2004, Staff, the Company and AWC met and had settlement discussions.

The Company has agreed to stipulate to Staff's revenue requirement (as outlined in Staff's testimony). In addition, the Company has agreed to stipulate to the following Staff schedules (which were previously filed):

- 1. Direct Testimony- Water Department: Schedule CSB-1, CSB-2, CSB-3, CSB-15
- 2. Direct Testimony- Wastewater Department: Schedule CSB-1, CSB-2, CSB-3, CSB-7, CSB-13
- 3. Surrebuttal Testimony- Water Department: Surrebuttal Schedule CSB-1.

Furthermore, Staff and the Company have stipulated to two revised rate design schedules (see attached). The proposed settlement rates are for treated water and untreated water. A typical bill analysis for treated water has also been attached to this pleading. Copies of all three attachments have been provided to AWC.

AWC has stipulated to the following items only:

- 1. Staff's monthly service charge for 4" meters: \$210.00 per month.
- 2. Staff's commodity rate for public water systems (during off-peak hours) for treated water: \$2.80 per 1,000 gallons (in excess of minimum).

1 AWC takes no position to the other items in this notice stipulated to by Staff and the  
2 Company.

3 The stipulations relating to the income tax calculations and to the rate of return by Staff and  
4 the Company in this case are only applicable to this particular case for purposes of settlement.

5 **RESPECTFULLY SUBMITTED** this 30<sup>th</sup> day of March 2004.

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8 David M. Ronald  
9 David M. Ronald  
10 Attorney, Legal Division  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007  
14 (602) 542-3402

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

13 Docket Control  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

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

17 Jane L. Rodda  
18 Administrative Law Judge  
19 400 West Congress Street  
20 Tucson, Arizona 85701

20 Michael W. Patten  
21 Roshka Heyman & DeWulf, PLC  
22 One Arizona Center  
23 400 East Van Buren Street  
24 Suite 800  
25 Phoenix, Arizona 85004

23 Fred Menzer  
24 Ajo Improvement Company  
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Angela L. Bennett secretary to  
David M. Ronald

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**AJO IMPROVEMENT CO  
CALCULATION OF WATER REVENUES  
PROPOSED SETTLEMENT RATES - TREATED WATER**

DESCRIPTION	PRESENT REVENUES	PROPOSED REVENUES	INCREASE	PERCENT INCREASE
<b>TREATED WATER:</b>				
5/8" Meters	\$306,818	\$332,111	\$25,293	8.24%
1" Meters	14,219	16,465	2,246	15.80%
1 1/2" Meters	79	83	4	5.06%
2" Meters	54,085	65,413	11,328	20.94%
3" Meters	8,776	9,786	1,010	11.51%
4" Meters	164,957	181,717	16,760	10.16%
<b>Total Treated Water</b>	<b>\$548,934</b>	<b>\$605,575</b>	<b>\$56,641</b>	<b>10.32%</b>

	MONTHLY SERV. CHG.	COMMODITY RATE (000)
<b>PROPOSED RATES - TREATED:</b>		
5/8" X 3/4" Meters & 3/4" Meters:	\$9.45	
First 3,000 Gallons		\$2.50
Next 7,000 Gallons		2.90
Over 10,000 Gallons		3.30
 1" Meters:	 \$15.75	
First 25,000 Gallons		\$2.90
Over 25,000 Gallons		3.30
 1 1/2" Meters:	 \$26.25	
First 42,000 Gallons		\$2.90
Over 42,000 Gallons		3.30
 2" Meters:	 \$52.50	
First 63,000 Gallons		\$2.90
Over 63,000 Gallons		3.30
 3" Meters:	 \$105.00	
First 120,000 Gallons		\$2.90
Over 120,000 Gallons		3.30
 4" Meters :	 \$210.00	
First 180,000 Gallons		\$2.90
Over 180,000 Gallons		3.30
 6" Meters	 \$300.00	
First 290,000 Gallons		\$2.90
Over 290,000 Gallons		3.30
 Commodity Rates for Public Water Systems (During Off-Peak Hours) - Treated Water (1) Per 1,000 Gallons (In Excess of Minimum)		   \$2.80

**NOTE:**

(1) Applicable for Service From Meter  
    Sizes of 4" or Greater

**AJO IMPROVEMENT CO**  
**CALCULATION OF WATER REVENUES**  
**PROPOSED SETTLEMENT RATES - UNTREATED WATER**

DESCRIPTION	PRESENT REVENUES	PROPOSED REVENUES	INCREASE	PERCENT INCREASE
<b>UNTREATED WATER:</b>				
5/8" Meters	\$10,315	\$11,665	\$1,350	13.09%
2" Meters	28,784	33,172	4,388	15.24%
3" Meters	37,746	41,596	3,850	10.20%
4" Meters	8,789	9,276	487	5.54%
<b>Total Treated Water</b>	<b>\$85,634</b>	<b>\$95,709</b>	<b>\$10,075</b>	<b>11.77%</b>

	MONTHLY SERV. CHG.	COMMODITY RATE (000)
<b>PROPOSED RATES - UNTREATED:</b>		
5/8" X 3/4" Meters & 3/4" Meters:	\$9.45	
First 10,000 Gallons		\$1.70
Over 10,000 Gallons		2.04
1" Meters:	\$15.75	
First 25,000 Gallons		\$1.70
Over 25,000 Gallons		2.04
1 1/2" Meters:	\$26.25	
First 42,000 Gallons		\$1.70
Over 42,000 Gallons		2.04
2" Meters:	\$52.50	
First 63,000 Gallons		\$1.70
Over 63,000 Gallons		2.04
3" Meters:	\$105.00	
First 120,000 Gallons		\$1.70
Over 120,000 Gallons		2.04
4" Meters :	\$210.00	
First 180,000 Gallons		\$1.70
Over 180,000 Gallons		2.04
6" Meters	\$300.00	
First 290,000 Gallons		\$1.70
Over 290,000 Gallons		2.04

**AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002**

**TYPICAL BILL ANALYSIS - TREATED WATER**

DESCRIPTION	WATER USAGE	BILL AT: (1)		PERCENT INCREASE
		PRESENT RATES	PROPOSED RATES	
5/8" METERS:	3,000	\$16.62	\$16.95	1.99%
	5,000	21.70	22.75	4.84%
	10,000	34.40	37.25	8.28%
	15,000	47.10	53.75	14.12%
	20,000	59.80	70.25	17.47%
	25,000	72.50	86.75	19.66%
	30,000	85.20	103.25	21.19%
	40,000	110.60	136.25	23.19%
	50,000	136.00	169.25	24.45%
Median Usage	4,400	\$20.18	\$21.01	4.13%
Average Usage	5,711	23.51	24.81	5.54%
1" METERS:	5,000	\$27.70	\$30.25	9.21%
	10,000	40.40	44.75	10.77%
	15,000	53.10	59.25	11.58%
	20,000	65.80	73.75	12.08%
	25,000	78.50	88.25	12.42%
	30,000	91.20	104.75	14.86%
	40,000	116.60	137.75	18.14%
	50,000	142.00	170.75	20.25%
	Median Usage	6,000	\$30.24	\$33.15
Average Usage	15,961	55.54	62.04	11.70%
2" METERS:	20,000	\$100.80	\$110.50	9.62%
	40,000	151.60	168.50	11.15%
	63,000	210.02	235.20	11.99%
	80,000	253.20	291.30	15.05%
	100,000	304.00	357.30	17.53%
	150,000	431.00	522.30	21.18%
	200,000	558.00	687.30	23.17%
	250,000	685.00	852.30	24.42%
	Median Usage	30,000	\$126.20	\$139.50
Average Usage	96,672	295.55	346.32	17.18%

## NOTES:

(1) Excluding Revenue Taxes