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June 30, 2003

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VIA HAND DELIVERY

Mr. John S. Thornton, Jr.  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

JUN 30 2003

DOCKETED BY *CM*

Re: *Ajo Improvement Company: Application for Adjustments in  
Water and Wastewater Rates – Docket No. SW-01025A-03-0350*

Dear Mr. Thornton:

Ajo Improvement Company ("AIC" or the "Company") hereby responds to your June 25, 2003 letter, which noted certain deficiencies in AIC's application in this docket. With respect to the deficiencies identified in your letter, AIC states:

**Deficiency 1 – Schedule D:** Ajo Improvement Company is a Class C water and wastewater utility. Accordingly, Schedules D-2, 3 and 4 are not required for sufficiency. The Company, however, is filing these additional schedules at Staff's request.

**Deficiency 2 – Six-Inch Meter Rate:** The attached revised Schedule H-3, p. 1 of 2, includes the present and proposed monthly service charge for 6" meters. There are currently no 6" meters on the Company's system.

**Deficiency 3 – Water Re-Establishment Charge – AAC Reference:** The attached revised Schedule H-3, p. 2 of 2, the AAC reference of R14-2-403.D rather than R14-2-403 as filed.

**Deficiency 4 – Refundable Meter Advance Schedule:** The deficiency letter states that the current tariff shows a schedule of refundable advances for 3", 4" and 6" meters. This is not entirely incorrect. The current tariff shows refundable advance amounts for meter sizes up to 3" and indicates that the advance requirement for 4" and 6" meters shall be based on cost. The schedule of refundable advances shown on Schedule H-3, p. 2 of 2, of the original filing omitted the 3" meter. This omission has been corrected on the

ROSHKA HEYMAN & DEWULF

ACC Utilities Division  
Docket No. SW-01025A-03-0350  
June 30, 2003  
Page 2

revised Schedule H-3, p. 2 of 2. Advances for all meter installations for meter sizes of 4" and larger shall continue to be based on cost rather than a scheduled dollar amount.

**Deficiency 5 – Present and Proposed Sewer Rates – Restaurants with Dishwashers:** Sewer Department Schedule H-3, p. 1 of 2, has been revised to show basic monthly and additional charges, at present and proposed rates, for restaurants with dishwashers.

**Deficiencies 6, 7 & 8 – ACC References – Sewer Schedule H-3, p. 2 of 2:** The revised Sewer Department Schedule H-3, p. 2 of 2, incorporates the appropriate AAC references as requested by Staff.

All of the additional or revised schedules are attached to this letter.

We believe we have corrected the identified deficiencies and we request that Staff move forward with the processing of AIC's application in this docket.

Please call me if you have any questions.

Sincerely,



Michael W. Patten

MWP/djj  
Enclosures

Original +15 copies of the foregoing  
filed with Docket Control

cc: Ron Smith (w/enclosure)  
Dan Neidlinger (w/enclosure)

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

DETAIL OF LONG-TERM & SHORT-TERM DEBT

DESCRIPTION	12-31-02 AMOUNT	INTEREST RATE	PROJECTED 12-31-03	TERMS
Long Term Debt	\$311,963	10.00%	\$311,964	Due 12-31-08
Short Term Debt	0	0.00%	0	
Total Debt	<u>\$311,963</u>	<u>10.00%</u>		

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

DETAIL OF PREFERRED STOCK

DESCRIPTION	12-31-02 AMOUNT	DIVIDEND RATE	PROJECTED 12-31-03	TERMS
Preferred Stock	\$0	0.00%	\$0	

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

RETURN ON COMMON EQUITY

DESCRIPTION	PERCENT RETURN 12-31-02	PERCENT RETURN 12-31-03
Common Stock	10.00%	10.00%

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

PROPOSED CHANGES IN WATER RATES

DESCRIPTION	PRESENT RATE	PROPOSED RATE
MONTHLY SERVICE CHARGES:		
5/8" Meters	\$9.00	\$9.45
1" Meters	15.00	15.75
1 1/2" Meters	25.00	26.25
2" Meters	50.00	52.50
3" Meters	100.00	105.00
4" Meters	200.00	210.00
6" Meters	300.00	315.00
ALL WATER USAGE - PER 1,000 GAL.:		
Treated Water	\$2.54	\$3.14
Untreated Water	1.75	1.85

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

**PROPOSED CHANGES IN OTHER RATES & CHARGES**

DESCRIPTION	PRESENT RATE	PROPOSED RATE
<b>SERVICE CHARGES:</b>		
Establishment of Service:		
Regular Hours	\$25.00	No Change
After Hours	NR (1)	\$40.00
Re-Establishment of Service Within 12 Months:		
Monthly Minimum Times Months Disconnected for Both Water and Sewer Service ( R14-2-403D )		No Change No Change
Re-Connection of Service:		
Regular Hours	\$10.00	\$50.00
After Hours	NR (1)	\$65.00
Water Meter Test ( If Correct )	Cost of Test (2)	No Change
Water Meter Relocation at Cust. Request	Cost of Move (2)	No Change
Meter Re-read ( If Correct )	\$10.00	No Change
NSF Check Charge	\$10.00	\$20.00
Late Charge	1 1/2% Per Mo.	No Change
Deferred Payment Finance Charge	1 1/2% Per Mo.	No Change
Service Calls - Per Hour:		
After Hours Only	\$25.00	\$40.00
Deposit Requirements	ACC Rule R14-2-403B	No Change
Deposit Interest	ACC Rule R14-2-403B	3.50%
 <b>REFUNDABLE METER INSTALLATION CHARGES:</b>		
Scheduled Installation Charges:		
5/8" X 3/4" Meters	\$100.00	\$400.00
1" Meters	\$150.00	\$500.00
1 1/2" Meters	\$200.00	\$750.00
2" Meters	\$250.00	\$1,300.00
3" Meters	\$300.00	\$2,000.00
Unscheduled Installation Charges:		
Charges For Installation of Meters That are 4" or Greater In Diameter Shall be Based on Actual Costs (2).		

**NOTES:**

- (1) No Currently Approved Rate
- (2) Cost Includes Materials, Labor and Overheads

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

**PROPOSED CHANGES IN SEWER RATES**

DESCRIPTION	PRESENT RATE	PROPOSED RATE
Residential Service - Per Month	\$6.08	\$16.64
Small Commercial:		
Per Unit Per Month	\$6.08	\$21.91
Additional Per Toilet Fixture	1.53	None
Restaurants With Dishwashers:		
Basic Monthly Service	\$6.08	\$16.64
Additional Monthly Charge	\$12.35	\$33.80
Additional Monthly Commercial Charges:		
Laundromats - Per Washing Machine	\$2.93	\$5.09
Wash Racks - Per Rack	\$2.93	\$5.09
Residential Equivalents (REU):		
Industrial & Commercial - Per REU	\$6.08	\$16.64
Schools - Per REU	\$6.08	\$16.64

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

PROPOSED CHANGES IN OTHER RATES & CHARGES

DESCRIPTION	PRESENT RATE	PROPOSED RATE
<b>SERVICE CHARGES:</b>		
Establishment of Service:		
Regular Hours	\$25.00	No Change
After Hours	NR (1)	\$40.00
Re-Establishment of Service Within 12 Months:		
Monthly Minimum Times Months Disconnected for		No Change
Both Water and Sewer Service ( R14-2-603D )		No Change
Re-Connection of Service: ( R14-2-603D)		
Regular Hours	\$10.00	\$50.00
After Hours	NR (1)	\$65.00
NSF Check Charge	\$10.00	\$20.00
Late Charge	1 1/2% Per Mo.	No Change
Deferred Payment Finance Charge	1 1/2% Per Mo.	No Change
Service Calls - Per Hour:		
After Hours Only	\$25.00	\$40.00
Deposit Requirements	ACC Rule R14-2-603B	No Change
Deposit Interest	ACC Rule R14-2-603B	3.50%

NOTE:

(1) No Currently Approved Rate