

OPEN MEETING ITEM



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

ORIGINAL



ARIZONA CORPORATION COMMISSION

22

DATE: May 18, 2004  
DOCKET NOS: WS-01025A-03-0350  
TO ALL PARTIES:

RECEIVED  
2004 MAY 18 A 8:45  
AZ CORP COMMISSION  
DOCUMENT CONTROL

Enclosed please find the recommendation of Administrative Law Judge Jane Rodda. The recommendation has been filed in the form of an Opinion and Order on:

AJO IMPROVEMENT COMPANY

(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

MAY 27, 2004

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

JUNE 15 AND 16, 2004

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For more information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

Arizona Corporation Commission

**DOCKETED**

MAY 18 2004

DOCKETED BY

BRIAN C. McNEIL  
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MARC SPITZER, Chairman  
4 WILLIAM A. MUNDELL  
5 JEFF HATCH-MILLER  
6 MIKE GLEASON  
7 KRISTEN K. MAYES

8 IN THE MATTER OF THE APPLICATION OF  
9 AJO IMPROVEMENT COMPANY FOR A RATE  
10 INCREASE.

DOCKET NO. WS-01025A-03-0350

DECISION NO. \_\_\_\_\_

11 OPINION AND ORDER

12	DATE OF PUBLIC COMMENT:	March 18, 2004
13	PLACE OF PUBLIC COMMENT:	Ajo, Arizona
14	DATE OF HEARING:	April 1, 2004
15	PLACE OF HEARING:	Phoenix, Arizona
16	ADMINISTRATIVE LAW JUDGE:	Jane L. Rodda
17	IN ATTENDANCE:	Mike Gleason
18	APPEARANCES:	Mr. Michael Patten, Roshka, Heyman & DeWulf, PLC, attorneys for Ajo Improvement Company;
19		Mr. Robert Geake, Vice President and General Counsel, Arizona Water Company; and
20		Mr. David Ronald, Staff Attorney on behalf of the Utilities Division of the Arizona Corporation Commission.

21  
22  
23 **BY THE COMMISSION:**

24 Having considered the entire record herein and being fully advised in the premises, the  
25 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

26 FINDINGS OF FACT

27 1. Ajo Improvement Company ("AIC" or "Company") is certificated by the Commission  
28 to provide electric, water and wastewater service to customers in and around the unincorporated

1 community of Ajo, Pima County, Arizona.

2 2. AIC provides water service to approximately 1,119 customers and sewer service to  
3 approximately 1,089 customers.

4 3. On May 28, 2003, AIC filed an application with the Commission to increase its water  
5 revenues approximately \$111,123 (or an increase of 17.3 percent over test year ended December 31,  
6 2002 revenues), and an increase in sewer revenues of approximately \$156,315 (or 163.7 percent  
7 over test year revenues).

8 4. The Company's current water rates were set in Decision No. 54709 (October 10,  
9 1985). Its current wastewater rates were set in Decision No. 55233 (October 16, 1986).

10 5. On June 25, 2003, Commission Utilities Division Staff ("Staff") notified the Company  
11 that its application did not meet the sufficiency requirements of A.A.C R14-2-103.

12 6. On June 10 and 12, 2003, AIC filed amendments to its application.

13 7. On July 14, 2003, Staff notified the Company that its application met the sufficiency  
14 requirements of A.A.C. R14-2-103, and classified the Company as a Class B utility.

15 8. By Procedural Order dated August 11, 2003, the Commission set the matter for  
16 hearing at its offices in Phoenix, Arizona, set a public comment meeting in Ajo, Arizona, and  
17 established deadlines for pre-filing written testimony.

18 9. On September 15, 2003, the Commission granted intervention to Arizona Water  
19 Company ("AWC"), a wholesale water customer of AIC.

20 10. On October 15, 2003, pursuant to the September 15, 2003 Procedural Order, AIC filed  
21 an Affidavit of Proof of Mailing that it had mailed notice of the hearing to its customers on October  
22 2, 2003.

23 11. On January 9, 2004, Staff filed the Direct Testimony and Exhibits of Crystal Brown  
24 and John Chelus. On February 6, 2004, AWC filed the Direct Testimony and Exhibits of Sheryl  
25 Hubbard.

26 12. On February 27, 2004, the Company filed the Rebuttal Testimony of Dan Neidlinger.

27 13. Upon agreement of the parties, and by Procedural Order dated March 12, 2004, the  
28 deadline for filing Surrebuttal Testimony and exhibits was extended to March 17, 2004. Staff and

1 AWC filed Surrebuttal Testimony on March 17, 2004.

2 14. On March 18, 2004, a public comment meeting was held at the Ajo Community  
3 Center, Ajo, Arizona. Several customers spoke, generally expressing concern about the size of the  
4 proposed increase.

5 15. On March 18, 2004, after being approached by the Company, Staff filed a Notice of  
6 Proposed Settlement Discussions.

7 16. On March 31, 2004, Staff filed a Notice of Stipulation ("Stipulation") which set out  
8 the terms of a settlement reached between Staff, the Company and AWC, concerning the revenue  
9 requirement and rate design.

10 17. On April 1, 2004, the hearing convened as scheduled at the Commission's Phoenix  
11 offices. Each party presented witnesses who testified in support of the Stipulation.

12 18. In the test year ended December 31, 2002 ("Test Year"), AIC's Water Department  
13 earned total revenues of \$641,644, which produced an adjusted operating loss of \$43,767, for a  
14 negative rate of return on an adjusted rate base of \$115,786. The Wastewater Department earned  
15 revenues totaling \$95,505 in the Test Year, resulting in an adjusted operating loss of \$78,326, for a  
16 negative rate of return on an adjusted rate base of \$219,254.

17 19. Prior to entering into the Stipulation, the Company proposed an increase in total  
18 revenue of \$111,125, to \$752,769, to produce Operating Income of \$9,275 (based on the Company's  
19 Application), and a rate of return of 10 percent, based on a Company-proposed rate base of \$92,745.  
20 For the Wastewater Department, the Company proposed an increase in gross revenue of \$156,318,  
21 to \$251,823, which would result in operating income of \$21,782, and a 10 percent rate of return on a  
22 Company-proposed rate base of \$217,822.

23 20. For the Water Department, Staff recommended a \$68,833, or 10.73 percent, revenue  
24 increase from \$641,644 to \$710,477, which based on Staff's recommended expenses, would produce  
25 Operating Income of \$10,187, for an 8.8 percent rate of return on a Fair Value Rate Base ("FVRB")  
26 of \$115,786. For the Wastewater Department, Staff recommended a \$135,071, or 141.43 percent,  
27 revenue increase from \$95,505 to \$230,576. Staff's recommended revenue increase would produce  
28 an Operating Income of \$19,291, and an 8.8 percent rate of return on an adjusted FVRB of

1 \$219,254.

2 21. AWC purchases treated water from AIC through one delivery point to serve AWC's  
3 nearly 700 customers. AIC and AWC have an agreement under which no more than half of AWC's  
4 actual daily consumption can be taken between 7:00 a.m. and 7:00 p.m. Prior to entering into the  
5 Stipulation, AWC was concerned that neither the Company's nor Staff's proposed rate designs  
6 recognized the service limitations under which AWC receives water or excluded any of the costs  
7 that are not attributable to the service to AWC.

8 22. Prior to the Stipulation, the AIC argued that Staff's proposed cost of equity of 8.5  
9 percent is unreasonably low; that Staff utilized a federal income tax rate significantly lower than the  
10 actual rate paid by AIC; that Staff's proposed inverted block rates are not needed to encourage  
11 conservation; that the inverted block rates are not cost-based; that seasonal water rates are  
12 preferable; and that the rates proposed by AWC do not adequately cover the total costs of providing  
13 it with treated water.

14 23. Under the terms of the Stipulation, AIC agreed to Staff's proposed revenue  
15 requirements, and agreed to rate design schedules, a copy of which are attached as Exhibit A hereto  
16 and incorporated herein. AWC stipulated only to the water rates that affected it, and did not express  
17 opinion one way or the other on the revenue requirement or wastewater rates. AIC and AWC agreed  
18 that the stipulations relating to the income tax calculations and to the rate of return are only  
19 applicable to this particular case for purposes of settlement.

20 24. AIC's current rates, the Company-proposed rates, and the stipulated rates and charges  
21 for treated water are as follows:

	<u>Present Rates</u>	<u>Proposed Company</u>	<u>Stipulated Rates</u>
<u>MONTHLY USAGE CHARGE:</u>			
Treated Water			
5/8" x 3/4" Meter	\$ 9.00	\$ 9.25	\$ 9.45
3/4" Meter	--	--	9.45
1" Meter	15.00	15.75	15.75
1 1/2" Meter	25.00	26.25	26.25
2" Meter	50.00	52.50	52.50
3" Meter	100.00	105.00	105.00

1	4" Meter	200.00	210.00	210.00
2	6" Meter	300.00	300.00	300.00
3	<u>COMMODITY RATES -</u>			
4	<u>TREATED WATER</u>			
5	For 5/8 & 3/4 inch meters – per			
6	1,000 Gallons	2.54	3.14	
7	First 3,000 Gallons			2.50
8	3,001-10,000 Gallons			2.90
9	In excess of 10,000 Gallons			3.30
10	1 Inch meter – per 1,000 Gallons	2.54	3.14	
11	First 25,000 Gallons			2.90
12	Over 25,000 Gallons			3.30
13	1 1/2 inch meters	2.54	3.14	
14	First 42,000 Gallons			2.90
15	Over 42,000 Gallons			3.30
16	2 inch meters	2.54		
17	First 63,000 Gallons			2.90
18	Over 63,000 Gallons			3.30
19	3 inch meters	2.54		
20	First 120,000 Gallons			2.90
21	Over 120,000 Gallons			3.30
22	4 inch meters	2.54		
23	First 290,000 Gallons			2.90
24	Over 290,000 Gallons			3.30
25	6 inch meters	2.54		
26	First 290,000 Gallons			2.90
27	Over 290,000 Gallons			3.30
28	Commodity Rates for Public Water Systems (During Off-Peak hours) – Treated Water for 1,000 Gallons (Applies to 4 inch meters and larger)			2.80
29	<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u> (Refundable pursuant to A.A.C. R14-2-40-5)			
30	5/8" x 3/4" Meter	100.00	400.00	400.00
31	3/4" Meter	--	--	450.00
32	1" Meter	150.00	500.00	500.00

1	1 ½" Meter	200.00	750.00	750.00
	2" Meter	250.00	1,300.00	1,300.00
2	3" Meter	250.00	1,300.00	2,000.00
	4" Meter	Cost	Cost	3,000.00
3	6" Meter	Cost	Cost	6,035.00

SERVICE CHARGE:

5	Establishment	25.00	25.00	25.00
6	Establishment (After Hours)	--	40.00	40.00
	Meter Test (If Correct)	Cost **	Cost**	Cost **
7	Deposit	*	*	*
	Deposit Interest	*	*	*
8	Reestablishment (Within 12 Months)	***	***	***
9	Re-connection of Service (regular hours)	10.00	50.00	25.00
10	Re-connection of Service (after hours)	--	65.00	40.00
11	NSF Check	10.00	20.00	20.00
12	Deferred Payment	1.5%	1.5%	1.5%
13	Meter Reread (If Correct)	10.00	10.00	10.00
14	Late Charge	1.5%	1.5%	1.5%

\* Per Commission rule A.A.C. R-14-2-403(B).

\*\* Cost includes materials, labor and overheads

\*\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

25. The rates for untreated water and for the Wastewater Department are attached as Exhibit A. The parties agreed to adopt Staff's proposed rates for the Wastewater Department.

26. The parties have agreed to Staff's recommended adjusted Original Cost Rate Base of \$115,786 for the Water Department and \$219,254 for the Wastewater Department. Staff's adjustments to rate base, as reflected in the testimony of Ms. Brown, are reasonable and should be adopted. The Company has waived Reconstruction Cost New less Depreciation ("RCND") and consequently, its Original Cost Rate Base is deemed to be its Fair Value Rate Base.

27. Under the stipulated rates, the median monthly water bill for the 5/8 inch meter would increase from \$20.18 to \$21.01, or 4.11 percent, and the average monthly water bill would increase from \$23.51 to \$24.81, or 5.53 percent.

1           28.     Under the stipulated rates, the typical residential wastewater bill would increase from  
2 \$6.08 to \$15.65, an increase of \$9.57, or 157.4 percent.

3           29.     The relatively large percentage increase in the wastewater rates is a result of  
4 significant capital improvements made to AIC's wastewater improvement plant. Phelps Dodge,  
5 AIC's parent company, paid for the improvements which exceeded \$1.8 million. The Company  
6 wrote off all but \$200,000 of the capital improvements and did not seek to have them included in  
7 rate base.

8           30.     The Arizona Department of Environmental Quality ("ADEQ") has determined that the  
9 water system is currently delivering water that meets the water quality standards required by  
10 Arizona Administrative Code, Title 18, Chapter 4.

11           31.     The U. S. Environmental Protection Agency has reduced the maximum contaminant  
12 level ("MCL") in drinking water from 50 micrograms per liter ( $\mu\text{g}/\text{l}$ ) to 10  $\mu\text{g}/\text{l}$ . The date for  
13 compliance with the new MCL is January 23, 2006. The most recent lab analysis by the Company  
14 indicated that the arsenic level in the source supply is 75  $\mu\text{g}/\text{l}$ . AIC has the treatment facilities in  
15 place to bring the level down to 22  $\mu\text{g}/\text{l}$ . This level of treatment is adequate to reach the current  
16 MCL of 50  $\mu\text{g}/\text{l}$ , but will fall short of meeting the new standard of 10  $\mu\text{g}/\text{l}$ . The Company will be  
17 required to implement a plan to address this issue, which could mean installing additional treatment  
18 facilities or locating better sources of water to achieve 10  $\mu\text{g}/\text{l}$  or less.

19           32.     Staff recommends that the Company, within six (6) months from the effective date of  
20 a Decision in this case, submit a report to the Commission's Utilities Division describing what steps  
21 the Company is planning to take in order to reduce the arsenic level in its water to a concentration of  
22 below 10  $\mu\text{g}/\text{l}$ .

23           33.     AIC is not within any Active Management Area, and is not subject to reporting and  
24 conservation rules.

25           34.     A curtailment tariff is an effective tool to allow a water company to manage its  
26 resources during periods of shortages due to pump breakdowns, droughts or other unforeseeable  
27 events. Since AIC does not have a curtailment tariff, Staff believes this rate application provides an  
28 opportune time to prepare and file such a tariff. Staff recommends that the Company file a

1 curtailment tariff within 45 days of the date of the effective date of any Decision pursuant to the  
2 application. The tariff shall be submitted to the Director of the Utilities Division for his review and  
3 certification. Staff also recommends that the tariff generally conform to the sample tariff posted on  
4 the Commission website or available upon request from Staff.

5 35. ADEQ reported that the wastewater system is in non-compliance with the state aquifer  
6 protection rules for the following: a) exceedance of total fluoride on April 28, 2003, monitoring  
7 point 15494; b) exceedance of total arsenic on April 28, 2003, monitoring point 15494; c) missing  
8 data for daily average flow, all weekends, 2<sup>nd</sup> quarter of 2003; and d) exceedance of freeboard, 2<sup>nd</sup>  
9 quarter of 2003, monitoring point 15498.

10 36. Staff recommends that any permanent rates and charges in this matter shall become  
11 effective on the first day of the month after the Director of the Utilities Division receives notice from  
12 ADEQ that AIC's Wastewater Department meets the standards required by the A.A.C.

13 37. AIC is current on its property and sales taxes.  
14

### 15 CONCLUSIONS OF LAW

16 1. AIC is a public service corporation within the meaning of Article XV of the Arizona  
17 Constitution and A.R.S. §§ 40-282 and 40-285.

18 2. The Commission has jurisdiction over AIC and of the subject matter of the  
19 application.

20 3. Notice of the application was given in accordance with the law.

21 4. The stipulated rates and charges as set forth and approved herein, and attached as  
22 Exhibit A, are reasonable.

23 5. The recommendations set forth in Findings of Fact Nos. 32, 34 and 36 are reasonable  
24 and should be adopted.

### 25 ORDER

26 IT IS THEREFORE ORDERED that the rates and charges set forth in Exhibit A are approved  
27 and Ajo Improvement Company shall file on or before June 30, 2004, a tariff that complies with the  
28 rates and charges approved herein.

1 IT IS FURTHER ORDERED that the new rates and charges for the Water Department shall  
2 be effective for all service provided on and after July 1, 2004, and that the rates and charges for the  
3 Wastewater Department shall be effective for all service provided on and after the first of the month  
4 following Ajo Improvement Company's notification to the Director of the Utilities Division that  
5 ADEQ has determined that its Wastewater Department meets the standards required by the Arizona  
6 Administrative Code.

7 IT IS FURTHER ORDERED that within 30 days of the effective date of this Order, Ajo  
8 Improvement Company shall notify its customers of the rates and charges authorized herein and the  
9 effective date of same.

10 IT IS FURTHER ORDERED that Ajo Improvement Company shall provide Staff a copy of  
11 the notice that it sends to customers within 60 days of the effective date of this Order.

12 IT IS FURTHER ORDERED that Ajo Improvement Company shall, within six (6) months  
13 from the effective date of this Decision, submit a report to the Commission's Utilities Division  
14 describing what steps the Company is planning to take in order to reduce the arsenic level in its water  
15 to a concentration that will meet the new requirement.

16 ...  
17 ...  
18 ...  
19 ...  
20 ...  
21 ...  
22 ...  
23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

1 IT IS FURTHER ORDERED that Ajo Improvement Company shall file with the Director of  
2 the Utilities Division, for his review and certification, a curtailment tariff within 45 days of the date  
3 of the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6  
7  
8 CHAIRMAN COMMISSIONER COMMISSIONER

9  
10 COMMISSIONER COMMISSIONER

11  
12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this \_\_\_\_ day of \_\_\_\_\_, 2004.

16  
17 BRIAN C. McNEIL  
EXECUTIVE SECRETARY

18 DISSENT \_\_\_\_\_

19 DISSENT \_\_\_\_\_

20 JR:mj

21  
22  
23  
24  
25  
26  
27  
28

1 SERVICE LIST FOR: AJO IMPROVEMENT COMPANY

2 DOCKET NO.: WS-01025A-03-0350

3

4 Fred Menzer  
Ajo Improvement Company  
New Cornelia Branch  
5 PO Drawer  
Ajo, Arizona 85321

6

7 Michael Patten  
Roshka Heyman & DeWulf, PLC  
One Arizona Center  
8 400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

9

10 Dan Neidlinger  
Neidlinger & Associates  
3020 North 17<sup>th</sup> Drive  
11 Phoenix, Arizona 85015

12 Robert W. Geake  
Vice President and General Counsel  
13 Arizona Water Company  
P.O. Box 29006  
14 Phoenix, Arizona 85038-9006

15 Christopher Kempley, Chief Counsel  
Legal Division  
16 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
17 Phoenix, Arizona 85007

18 Ernest Johnson, Director  
Utilities Division  
19 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
20 Phoenix, Arizona 85007

21

22

23

24

25

26

27

28

**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

**DECISION NO. \_\_\_\_\_**

WATER DEPARTMENT  
SERVICE LINE AND METER INSTALLATION CHARGES:  
 (Refundable pursuant to A.A.C. R14-2-40-5)

5/8" x 3/4" Meter	400.00
3/4" Meter	450.00
1" Meter	500.00
1 1/2" Meter	750.00
2" Meter	1,300.00
3" Meter	2,000.00
4" Meter	3,000.00
6" Meter	6,035.00

SERVICE CHARGE:

Establishment	25.00
Establishment (After Hours)	40.00
Meter Test (If Correct)	Cost **
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	***
Re-connection of Service (regular hours)	25.00
Re-connection of Service (after hours)	40.00
NSF Check	20.00
Deferred Payment	1.5%
Meter Reread (If Correct)	10.00
Late Charge	1.5%

\* Per Commission rule A.A.C. R-14-2-403(B).

\*\* Cost includes materials, labor and overheads

\*\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

DECISION NO. \_\_\_\_\_

Ajo Improvement Company - Wastewater Department  
 Docket No. WS-01025A-03-0350  
 Test Year Ended December 31, 2002

Schedule CSB-16

**RATE DESIGN**

	Present Rates	--Proposed Rates--	
		Company	Staff
Residential Service - Per Month	\$ 6.08	\$ 16.64	\$ 15.65
Commercial and Municipal			
Regular Service	\$ 6.08	\$ 21.91	\$ 19.60
Additional Toilets	\$ 1.53	None	None
Restaurants with Dishwashers	\$ 18.43	\$ 50.44	\$ 46.14
Additional Monthly Commercial Charges:			
Laundromats - Per Washing Machine	\$ 2.93	\$ 8.02	\$ 7.33
Wash Racks - Per Rack	\$ 2.93	\$ 8.02	\$ 7.33
Residential Equivalents (REU):			
Industrial and Commercial - Per REU	\$ 6.08	\$ 16.64	\$ 15.65
Schools - Per REU	\$ 6.08	\$ 16.64	\$ 15.65

**Service Charges:**

	Present Rates	--Proposed Rates--	
		Company	Staff
Establishment (Regular Hours)	\$ 25.00	\$ 25.00	\$ 25.00
Establishment (After Hours)	(a)	\$ 40.00	\$ 40.00
Re-establishment Within 12 Months	(b)	(b)	(b)
Re-connection of Service (Regular Hours)	\$ 10.00	\$ 50.00	\$ 25.00
Re-connection of Service (After Hours)	(a)	\$ 65.00	\$ 40.00
NSF Check Charge	\$ 10.00	\$ 20.00	\$ 20.00
Late Charge	1.50%	1.50%	1.50%
Deferred Payment Finance Charge	1.50%	1.50%	1.50%
Service Calls - After Hours Only	\$25/hr	\$40/hr	\$40/hr
Deposits	(d)	(d)	(d)
Deposit Interest	(d)	(d)	(d)

(a) No current tariff.

(b) Monthly minimum times months off system ( Rule A.A.C. R14-2-603D)

(c) Per A.A.C. R14-2-603D

(d) Per A.A.C. R14-2-603B

**DECISION NO.**