

OPEN MEETING AGENDA ITEM



0000004878

ORIGINAL

BEFORE THE ARIZONA CORPORATIC

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

COMMISSIONERS

RECEIVED

30NE

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

2004 MAY 21 P 3: 18

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

MAY 21 2004

DOCKETED BY *nae*

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.

DOCKET NO. WS-01303A-02-0867

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS.

DOCKET NO. WS-01303A-02-0868

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS HAVASU WATER DISTRICT.

DOCKET NO. W-01303A-02-0869

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS ANTHEM WATER DISTRICT, ITS AGUA FRIA WATER DISTRICT, AND ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT.

DOCKET NO. WS-01303A-02-0870

STAFF'S NOTICE OF ERRATA

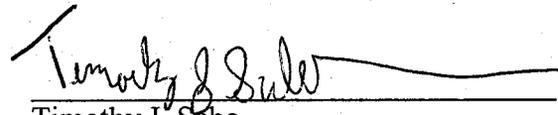
1 IN THE MATTER OF THE APPLICATION OF
2 ARIZONA-AMERICAN WATER COMPANY,
3 INC., AN ARIZONA CORPORATION, FOR A
4 DETERMINATION OF THE CURRENT FAIR
5 VALUE OF ITS UTILITY PLANT AND
6 PROPERTY AND FOR INCREASES IN ITS
7 RATES AND CHARGES BASED THEREON
8 FOR UTILITY SERVICE BY ITS TUBAC
9 WATER DISTRICT.

DOCKET NO. W-01303A-02-0908

STAFF'S NOTICE OF ERRATA

6
7 On May 17, 2004, Staff filed its Exceptions to the Recommended Opinion and Order.
8 Unfortunately, the schedules attached to the Exceptions contained inadvertent calculation errors.
9 Attached to this Notice of Errata are revised schedules that correct these errors.

10 RESPECTFULLY SUBMITTED this 21st day of May 2004.

11
12 

13 Timothy J. Sabo
14 Jason D. Gellman
15 Gary H. Horton
16 Attorneys, Legal Division
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007
20 (602) 542-3402

21 The original and twenty-one (21) copies
22 of the foregoing were filed this
23 21st day of May 2004 with:

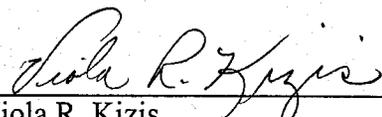
24 Docket Control
25 Arizona Corporation Commission
26 1200 West Washington Street
27 Phoenix, Arizona 85007

28 Copies of the foregoing were mailed
this 21st day of May 2004 to:

Norman D. James
Jay L. Shapiro
Fennemore Craig
3003 N. Central Avenue, Suite 2600
Phoenix, AZ 85012
Attorneys for Arizona-American Water Company

Daniel Pozefsky
RUCO
1110 W. Washington, Suite 220
Phoenix, Arizona 85007

- 1 William P. Sullivan
Martinez & Curtis
2 2712 North 7th Street
Phoenix, Arizona 85006
3 Attorneys for the Town of Youngtown
- 4 Carlton G. Young
3203 W. Steinbeck Drive
5 Anthem, Arizona 85068-1540
- 6 Frank J. Grimmelmann
42441 N. Cross Timbers Court
7 Anthem, Arizona 85086
- 8 Raymond E. Dare
Sun City Taxpayers Association
9 12630 N. 103rd Ave., Suite 144
Sun City, Arizona 85351-3467
- 10 Walter W. Meek, Pres.
11 AUIA
2100 N. Central Ave., Suite 210
12 Phoenix, Arizona 85004
- 13 John A. Buric
Warner Angle Hallam Jackson & Formanek PLC
14 3550 N. Central Ave., Suite 1500
Phoenix, AZ 85012
15 Attorneys for Fiesta RV Resort Limited Partnership
- 16 Kenneth C. Sundlof, Jr.
Robert Taylor
17 Jennings Strouss & Salmon PLC
The Collier Center, Floor 11
18 201 E. Washington Street
Phoenix, AZ 85004-2385
19 Attorneys for Sun Health Corporation
- 20 Mr. David P. Stephenson
Director of Rates and Revenues
21 American Water Works Service Co., Inc.
303 H Street, Suite 250
22 Chula Vista, California 91910

23
24 
25

Viola R. Kizis
Secretary to Timothy J. Sabo
26
27
28

REVENUE REQUIREMENT INCREASE/(DECREASE) - BY SYSTEM
 (STAFF EXCEPTIONS)

Line No.	Description	Sun City West Water	Sun City West Wastewater	Sun City Water	Mohave Water	Havasu Water	Anthem Water	Aqua Fria Water	Anthem/ Aqua Fria Wastewater	Tubac Water
1	Test Year Revenue	\$ 3,380,774	\$ 3,535,680	\$ 6,193,090	\$ 4,394,132	\$ 440,924	\$ 4,010,805	\$ 6,186,037	\$ 1,866,546	\$ 254,486
2	Test Year Operating Expenses	2,939,251	3,530,198	5,651,904	3,408,004	415,213	3,169,936	4,937,096	1,828,223	231,216
3	Test Year Operating Income	441,523	5,482	541,186	986,128	25,711	840,869	1,248,941	38,323	23,270
4	Required Operating Income	777,652	579,195	1,421,483	571,239	53,442	602,858	1,063,417	177,535	73,271
5	Operating Income Deficiency/(Excess)	336,129	573,713	880,297	(414,889)	27,731	(238,011)	(166,524)	139,212	50,001
6	Gross Revenue Conversion Factor	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
7	Increase in Gross Revenue Requirement	\$ 547,430	\$ 934,366	\$ 1,433,679	\$ (675,701)	\$ 45,163	\$ (387,632)	\$ (269,577)	\$ 226,725	\$ 81,434
8	Required Percent Increase/(Decrease) in Revenue	16.19%	26.43%	23.15%	-15.36%	10.24%	-9.66%	-4.36%	12.15%	32.00%

Calculation of Test Year Operating Expenses

9	Total Operating Expenses - Company Rejoinder	\$ 2,932,836	\$ 3,578,308	\$ 5,611,752	\$ 3,478,133	\$ 426,168	\$ 3,279,318	\$ 4,845,829	\$ 1,848,102	\$ 236,000
10	Additions:									
11	Rate Case Expense	13,355	13,967	24,464	17,360	1,742	15,839	27,514	7,373	1,005
12	OVHD - Salaries and Wages	22,464	33,696	89,857	56,161	11,232	44,928	26,208	22,464	3,744
13	OVHD - Office Supplies	182,392	168,783	322,580	163,185	14,208	53,684	165,421	30,213	9,386
14	OVHD - Insurance	19,535	16,021	57,988	18,113	1,630	11,712	22,845	3,398	2,351
15	OVHD - Miscellaneous	1,464	1,238	4,408	1,846	5,332	6,263	5,176	2,77	277
16	Salaries and Wages	288,240	343,560	639,893	515,661	114,565	364,885	690,030	238,287	60,248
17	Service Company Charges	437,098	488,101	784,680	441,464	63,753	399,981	604,339	32,750	30,483
18	Property Tax	144,424	154,355	232,694	176,511	26,084	107,215	304,154	107,246	20,483
19	Subtotal Operating Expense Additions	1,118,972	1,199,721	2,156,564	1,454,225	234,511	1,003,576	1,846,574	657,814	130,244
20	Federal and State Income Taxes	59,315	(159,096)	(68,190)	459,638	1,176	359,620	461,314	(25,712)	(9,930)
21	Total Additions	\$ 1,178,287	\$ 1,040,625	\$ 2,088,374	\$ 1,913,863	\$ 235,687	\$ 1,363,196	\$ 2,327,886	\$ 632,102	\$ 124,314
22	Deletions:									
23	Rate Case Expense	22,313	23,335	40,874	29,013	2,910	26,471	43,906	12,319	1,680
24	OVHD - Salaries and Wages	57,666	86,499	230,664	144,165	28,833	115,332	57,666	57,666	9,611
25	OVHD - Office Supplies	104,573	92,664	214,090	92,327	4,420	108,264	23,372	7,060	2,471
26	OVHD - Insurance	22,010	17,430	63,152	19,040	1,736	13,731	26,166	3,979	2,471
27	OVHD - Miscellaneous	1,462	1,237	4,389	1,840	5,300	6,226	5,142	2,75	275
28	Salaries and Wages	359,341	446,749	832,539	523,389	119,044	327,184	464,227	215,523	69,586
29	Service Company Charges	474,842	508,522	852,438	481,009	69,258	434,521	656,525	264,687	35,576
30	Property Tax - Company Rejoinder	130,976	163,121	268,318	189,357	27,185	221,191	308,791	108,625	22,972
31	Federal and State Income Taxes - Company Rejoinder	(1,311)	(250,922)	(446,242)	355,352	(13,032)	283,347	(39,542)	(99,542)	(20,135)
32	Total Operating Expense Deletions	1,171,872	1,088,735	2,059,222	1,370,338	246,642	1,472,578	2,236,621	651,981	128,098
33	Total Test Year Operating Expenses	\$ 2,939,251	\$ 3,530,198	\$ 5,651,904	\$ 3,409,004	\$ 415,213	\$ 3,169,936	\$ 4,937,096	\$ 1,828,223	\$ 231,216

Calculation of Test Year Income Taxes

36	Test Year Revenue	\$ 3,380,774	\$ 3,535,680	\$ 6,193,090	\$ 4,394,132	\$ 440,924	\$ 4,010,805	\$ 6,186,037	\$ 1,866,546	\$ 254,486
37	Less: Total Operating Expenses - Company Rejoinder	2,932,836	3,578,308	5,611,752	3,478,133	426,168	3,279,318	4,845,829	1,848,102	236,000
38	Less: Subtotal Operating Expense Additions	1,118,972	1,199,721	2,156,564	1,454,225	234,511	1,003,576	1,846,574	657,814	130,244
39	Add: Total Operating Expense Deletions	1,171,872	1,088,735	2,059,222	1,370,338	246,642	1,472,578	2,236,621	651,981	128,098
40	Synchronized Interest Expense	347,167	258,594	635,751	292,898	23,841	268,804	483,290	79,224	32,702
41	Taxable Income - Test Year	153,671	(42,178)	(150,755)	1,261,492	3,046	931,685	1,246,965	(66,613)	(15,382)
42	State Tax @ 6.988%	10,708	(28,721)	(10,505)	87,901	212	64,920	86,889	(4,642)	(1,070)
43	Federal Taxable Income	142,963	(383,458)	(140,250)	1,107,830	2,833	866,765	1,160,076	(61,972)	(14,292)
44	Federal Tax @ 34%	48,607	(130,376)	(47,685)	399,021	963	294,700	394,426	(21,070)	(4,859)
45	Total Federal & State Income Taxes	\$ 59,315	\$ (159,096)	\$ (68,190)	\$ 459,638	\$ 1,176	\$ 359,620	\$ 481,314	\$ (25,712)	\$ (9,930)

Calculation of Synchronized Interest

46	Original Cost Rate Base	\$ 11,971,281	\$ 8,916,017	\$ 21,853,479	\$ 8,713,382	\$ 8,791,741	\$ 9,269,095	\$ 16,665,182	\$ 2,791,868	\$ 1,127,661
47	Weighted Average Cost of Debt	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
48	Synchronized Interest Expense	\$ 347,167	\$ 258,594	\$ 635,751	\$ 252,898	\$ 23,841	\$ 268,804	\$ 483,290	\$ 79,224	\$ 32,702

Calculation of Test Year Income Tax Adjustment

49	Total Federal & State Income Taxes	\$ 59,315	\$ (159,096)	\$ (68,190)	\$ 459,638	\$ 1,176	\$ 359,620	\$ 481,314	\$ (25,712)	\$ (9,930)
50	Federal and State Income Taxes - Company Rejoinder	(1,311)	(250,922)	(446,242)	395,392	331,104	(13,032)	283,347	(506,184)	(39,542)
51	Test Year Income Tax Adjustment	\$ 60,626	\$ 91,726	\$ 388,052	\$ 128,534	\$ 14,208	\$ 76,273	\$ (24,870)	\$ 13,830	\$ 14,205

REVENUE REQUIREMENT BY SYSTEM - ROO vs REVISED
(STAFF EXCEPTIONS)

Line No.	Description	Sun City West Water	Sun City West Wastewater	Sun City Water	Sun City Wastewater	Mohave Water	Havasu Water	Anthem Water	Aqua Fria Water	Anthem/Agua Fria Wastewater	Tubac Water
1	Increase/(Decrease) in Gross Revenue - ROO	\$ 604,642	\$ 1,143,789	\$ 1,639,864	\$ (1,370,862)	\$ (385,925)	\$ 87,067	\$ (132,865)	\$ (538,990)	\$ 229,038	\$ 70,145
2	Increase/(Decrease) in Gross Revenue - Revised	\$ 547,430	\$ 934,366	\$ 1,433,679	\$ (750,882)	\$ (675,701)	\$ 45,163	\$ (387,632)	\$ (269,577)	\$ 226,725	\$ 81,434
3	Increase/(Decrease) to ROO Revenue Requirement L2-L1	\$ (57,212)	\$ (209,423)	\$ (206,185)	\$ 619,980	\$ (289,776)	\$ (41,904)	\$ (254,767)	\$ 270,413	\$ (2,313)	\$ 11,289
4	Revenue Requirement - ROO	\$ 3,985,416	\$ 4,679,469	\$ 7,632,954	\$ 3,717,478	\$ 4,006,207	\$ 527,991	\$ 3,877,940	\$ 5,646,047	\$ 2,095,584	\$ 324,631
5	Revenue Requirement - Revised	\$ 3,928,204	\$ 4,470,046	\$ 7,626,769	\$ 4,337,458	\$ 3,718,431	\$ 486,087	\$ 3,623,173	\$ 5,916,460	\$ 2,093,271	\$ 335,920