



0000005467

ORIGINAL

RECEIVED

57

1 FENNEMORE CRAIG  
A Professional Corporation  
2 Norman D. James (No. 006901)  
Jay L. Shapiro (No. 014650)  
3 3003 North Central Avenue  
Suite 2600  
4 Phoenix, Arizona 85012-2913  
Telephone: (602) 916-5000

2004 JUN 11 P 4:00

AZ CORP COMMISSION  
DOCUMENT CONTROL

5 Attorneys for Arizona-American  
6 Water Company

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

**DOCKET NOS.** WS-01303A-02-0867  
WS-01303A-02-0868  
W-01303A-02-0869  
WS-01303A-02-0870  
W-01303A-02-0908

**(CONSOLIDATED)**

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

**ARIZONA-AMERICAN WATER  
COMPANY'S NOTICE OF FILING  
OPEN MEETING HANDOUTS**

Arizona Corporation Commission

**DOCKETED**

JUN 11 2004

DOCKETED BY

21 IN THE MATTER OF THE  
APPLICATION OF ARIZONA-  
AMERICAN WATER COMPANY, AN  
22 ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT  
23 FAIR VALUE OF ITS UTILITY PLANT  
AND PROPERTY AND FOR  
204 INCREASES IN ITS RATES AND  
CHARGES BASED THEREON FOR  
25 UTILITY SERVICE BY ITS MOHAVE  
WATER AND HAVASU WATER  
26 DISTRICTS.

1 IN THE MATTER OF THE  
2 APPLICATION OF ARIZONA-  
3 AMERICAN WATER COMPANY, AN  
4 ARIZONA CORPORATION, FOR A  
5 DETERMINATION OF THE CURRENT  
6 FAIR VALUE OF ITS UTILITY PLANT  
7 AND PROPERTY AND FOR  
8 INCREASES IN ITS RATES AND  
9 CHARGES BASED THEREON FOR  
10 UTILITY SERVICE BY ITS ANTHEM  
11 WATER, AGUA FRIA WATER AND  
12 ANTHEM/AGUA FRIA WASTEWATER  
13 DISTRICTS.

14 IN THE MATTER OF THE  
15 APPLICATION OF ARIZONA-  
16 AMERICAN WATER COMPANY, AN  
17 ARIZONA CORPORATION, FOR A  
18 DETERMINATION OF THE CURRENT  
19 FAIR VALUE OF ITS UTILITY PLANT  
20 AND PROPERTY AND FOR  
21 INCREASES IN ITS RATES AND  
22 CHARGES BASED THEREON FOR  
23 UTILITY SERVICE BY ITS TUBAC  
24 WATER DISTRICT.

25  
26

1 Arizona-American Water Company hereby provides notice of certain handouts that  
2 it intends to use during the Open Meeting on June 15, 16 and 18, 2004, in connection with  
3 consideration of the Recommended Opinion and Order ("RO") issued by the  
4 Administrative Law Judge on April 26, 2004. True copies of these handouts are attached  
5 hereto.

6 RESPECTFULLY SUBMITTED this 11<sup>th</sup> day of June, 2004.

7 FENNEMORE CRAIG

8  
9 By Norm D. James  
10 Norman D. James  
11 Jay L. Shapiro  
Attorneys for Arizona-American Water  
Company

12 ORIGINAL and 21 copies  
13 of the foregoing were  
delivered this 11<sup>th</sup> day  
of June, 2004, to:

14 Docket Control  
15 Arizona Corporation Commission  
1200 W. Washington St.  
16 Phoenix, AZ 85007

17 COPY of the foregoing was  
delivered this 11<sup>th</sup> day of  
18 June, 2004 to:

19 Chairman Marc Spitzer  
Arizona Corporation Commission  
1200 W. Washington St.  
20 Phoenix, AZ 85007

21 Commissioner William Mundell  
Arizona Corporation Commission  
1200 W. Washington St.  
22 Phoenix, AZ 85007

23 Commissioner Mike Gleason  
Arizona Corporation Commission  
1200 W. Washington St.  
24 Phoenix, AZ 85007  
25  
26

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

Commissioner Jeff Hatch-Miller  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Commissioner Kristin Mayes  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Phillip J. Dion III, Esq., Aide to Chairman Spitzer  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Adam Stafford, Aide to Commissioner Mundell  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Jodi Jerich, Esq., Aide to Commissioner Gleason  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Dean Miller, Aide to Commissioner Hatch-Miller  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

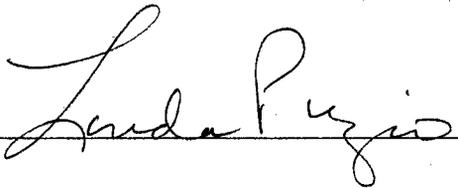
Jerry Hays II, Aide to Commissioner Mayes  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Teena Wolfe, Esq.  
Administrative Law Judge  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ

Timothy Sabo, Esq.  
Gary Horton, Esq.  
Legal Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ

- 1 Ernest G. Johnson, Director  
2 Utilities Division  
3 Arizona Corporation Commission  
4 1200 West Washington  
5 Phoenix, AZ
- 6 Daniel Pozefsky, Esq.  
7 Residential Utilities Consumer Office  
8 1110 W. Washington, Suite 220  
9 Phoenix, AZ 85007  
10 Attorney for Intervenor Residential Utility  
11 Consumer Office
- 12 And a copy mailed this *11<sup>th</sup>*  
13 day of June, 2004 to:
- 14 William P. Sullivan, Esq.  
15 Larry K. Udall, Esq.  
16 Martinez & Curtis  
17 2712 N. 7<sup>th</sup> St.  
18 Phoenix, AZ 85006  
19 Attorneys for Intervenor Town of Youngtown
- 20 Walter Meek  
21 Arizona Utility Investors Association  
22 2100 N. Central Ave.  
23 Phoenix, AZ 85004  
24 Pro Se
- 25 Frank J. Grimmelmann  
26 42441 N. Cross Timbers Court  
Anthem, AZ 85086  
Pro Se
- Raymond E. Dare  
Sun City Taxpayers' Association  
12630 N. 103<sup>rd</sup> Ave., Suite 144  
Sun City, AZ 85351-3476  
Pro Se
- Carlton G. Young  
3203 W. Steinbeck Dr.  
Anthem, AZ 85086  
Pro Se
- John Buric, Esq.  
Warner Angle Hallam Jackson & Formanek  
3550 N. Central Ave., Suite 1500  
Phoenix, AZ 85012  
Attorneys for Intervenor Fiesta RV Resort

1 Kenneth C. Sundlof, Jr., Esq.  
2 Jennings, Strouss & Salmon  
3 The Collier Center, 11th Floor  
4 201 E. Washington St.  
5 Phoenix, AZ 85004-2385  
6 Attorneys for Intervenor Sun Health Corporation

7 By   
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

1555024

Open Meeting  
Handout 1

**ARIZONA-AMERICAN WATER COMPANY**  
**Comparison of Company Requested and Recommended Revenue Increases**

<u>District</u>	<u>Company Requested Revenue Increase</u>	<u>Recommended Order Revenue Increase</u>	<u>Company Percent Change</u>	<u>Recommended Order Percent Change</u>
Sun City West Water	\$ 1,156,931	\$ 547,430	34.22%	16.19%
Sun City West Wastewater	\$ 1,565,307	\$ 934,366	44.27%	26.43%
Sun City Water	\$ 4,453,755	\$ 1,433,679	71.92%	23.15%
Sun City Wastewater	\$ 260,879	(\$ 750,882)	5.13%	-14.76%
Mohave Water	\$ 142,344	(\$ 675,701)	3.24%	-15.38%
Havasu Water	\$ 123,933	\$ 45,163	28.11%	10.24%
Anthem Water	(\$ 12,809)	(\$ 387,632)	-0.32%	-9.66%
Agua Fria Water	\$ 62,372	(\$ 269,577)	1.01%	-4.36%
Anthem/Agua Fria Wastewater	\$ 311,419	\$ 226,725	16.68%	12.15%
Tubac Water	<u>\$ 181,931</u>	<u>\$ 81,434</u>	<u>71.49%</u>	<u>32.00%</u>
Ten District Total	\$ 8,246,082	\$ 1,185,005	27.58%	3.35%

Open Meeting  
Handout 2

ARIZONA-AMERICAN WATER COMPANY

Typical Monthly Residential Bills Under Recommended Order

	<u>Water Usage (gal)</u>			<u>Present Rates</u>			<u>Recommended Rates</u>			<u>Dollar Increase</u>			<u>Percentage Increase</u>		
	<u>Average Usage</u>	<u>Median Usage</u>	<u>Average Usage</u>	<u>Median Usage</u>	<u>Average Usage</u>	<u>Median Usage</u>	<u>Average Usage</u>	<u>Median Usage</u>	<u>Average Usage</u>	<u>Median Usage</u>	<u>Average Usage</u>	<u>Median Usage</u>	<u>Average Usage</u>	<u>Median Usage</u>	<u>Percentage Increase</u>
Sun City West Water	7,171	6,000	\$11.67	\$10.58	\$13.34	\$11.84	\$1.68	\$1.26	\$1.40%	14.40%	11.91%				
Sun City West Wastewater	N/A	N/A	\$16.24	\$16.24	\$20.56	\$20.56	\$4.32	\$4.32	26.60%	26.60%	26.60%				
Sun City Water	8,361	7,000	\$11.17	\$10.11	\$13.95	\$12.47	\$2.78	\$2.36	24.87%	23.35%					
Sun City Wastewater	N/A	N/A	\$12.87	\$12.87	\$10.97	\$10.97	\$(1.90)	\$(1.90)	-14.76%	-14.76%					
Mohave Water	7,500	5,000	\$18.27	\$14.57	\$15.16	\$12.19	\$(3.10)	\$(2.38)	-16.98%	-16.33%					
Havasu Water	7,659	5,000	\$19.46	\$15.68	\$21.67	\$17.54	\$2.21	\$1.86	11.36%	11.86%					
Anthem Water (3/4-inch meter)	7,753	7,000	\$31.51	\$30.00	\$24.19	\$23.11	\$(7.32)	\$(6.90)	-23.24%	-23.00%					
Agua Fria Water	7,002	5,000	\$22.46	\$18.90	\$20.78	\$16.66	\$(1.68)	\$(2.24)	-7.48%	-11.85%					
Anthem - Agua Fria Wastewater <sup>1</sup>	8,854	8,000	\$30.00	\$30.00	\$38.12	\$38.12	\$8.11	\$8.11	27.03%	27.03%					
Tubac	13,177	8,000	\$39.19	\$28.63	\$53.39	\$38.64	\$14.20	\$10.01	36.23%	34.96%					

<sup>1</sup> The district's commodity charge for wastewater service applies to the first 7,000 gallons of water used each month.

**ARIZONA-AMERICAN WATER COMPANY**

**Requested and Approved Returns on Equity  
In Recent Rate Cases of Affiliates**

<u>Name of Affiliate</u>	<u>Effective Date of Order</u>	<u>Requested ROE</u>	<u>Approved ROE</u>
Hawaii-American Water Company	Apr. 22, 2004	10.90%	10.60%
Pennsylvania-American Water	Jan. 16, 2004	12.00%	10.60%
Indiana-American Water Company	Nov. 6, 2002	11.50%	10.50%
Iowa-American Water Company	Feb. 21, 2002	11.33%	10.45%
Ohio-American Water Company	Feb. 7, 2002	11.75%	10.30%
Illinois-American Water Company	Aug. 12, 2003	11.02%	10.27%
California-American (Monterey)	Feb. 23, 2003	10.68%	10.26%
New Mexico-American Water Company	Dec. 12, 2003	11.15%	10.08%
Missouri-American Water Company	April 16, 2004	11.00%	10.00%
Tennessee-American Water Company	Aug. 7, 2003	11.00%	9.90%
Virginia-American Water Company	Nov 23, 2003	10.75%	9.80%
New Jersey-American Water Company	Feb. 18, 2004	11.25%	9.75%
E'Town Water Company (N.J.)	Feb. 18, 2004	11.25%	<u>9.75%</u>
<b>Average ROE Approved</b>			<b>10.17%</b>
Arizona-American Water Company (Recommended Order)	N/A	11.50%	9.00%
West Virginia-American Water Company (On Appeal)	Jan. 2, 2004	11.00%	7.00%

**ARIZONA-AMERICAN WATER COMPANY**

**Recommended Returns on Fair Value  
Rate Bases by District and  
Recent Interest Rates**

<b><u>District</u></b>	<b><u>Rate of Return on Rate Base</u></b>
Sun City Water	4.32%
Sun City Wastewater	4.37%
Tubac Water	5.12%
Havasu Water	5.44%
Mohave Water	5.46%
Sun City West Wastewater	5.48%
Sun City West Water	5.70%
Agua Fria Water	6.20%
Anthem Water	6.38%
Anthem/Agua Fria Wastewater	6.43%
Recommended Return on Rate Base	6.50%

<b><u>Debt Instrument</u></b>	<b><u>May 13, 2004 Rate</u></b>
10-Year Treasury Bonds	4.85%
20-Year Treasury Bonds	5.61%
Moody's Aaa Industrial Bonds	6.18%
Moody's Baa Industrial Bonds	6.87%