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AZ CORP COMMISSION
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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Docket No. WS-01303A-02-0867

**ARIZONA-AMERICAN WATER
COMPANY'S NOTICE OF FILING
SUPPLEMENTS TO DIRECT
TESTIMONY AND RELATED
SCHEDULES**

17 Arizona-American Water Company ("the Company") hereby files Supplements to
 18 the Direct Testimony of David P. Stephenson, Ronald L. Kozoman and Thomas Bourassa
 19 in the above-entitled matter. Attached to this supplemental testimony are certain revised
 20 schedules, which are explained in the testimony.

21 This supplemental testimony and related schedules are filed for the purpose of
 22 addressing the items identified in a letter dated December 23, 2002, by John S. Thornton,
 23 Jr. on behalf of the Utilities Division ("Staff"), and accompanying "List of Items Causing
 24 the Filing to be Insufficient." Since the Company's Application was filed on November
 25 22, 2002, the Company's consultants have worked closely with Staff in order to answer
 26 questions and provide additional information that would assist Staff with its review of the

1 sufficiency of the Application pursuant to A.A.C. R14-2-103(B)(7). Although certain of
2 the items were, in fact, erroneously identified, the Company's paramount goal is to
3 cooperate with Staff and avoid disputes over Staff's review, which is narrow and limited
4 to verifying whether the Company's Application contains the schedules and other data
5 specified in R14-2-103 for Class A water and sewer utilities. This supplemental testimony
6 and accompanying schedules should eliminate any questions or concerns identified by
7 Staff, and allow the Application to proceed without further delay.

8 DATED this 3rd day of January, 2003.

9 FENNEMORE CRAIG

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

14 ORIGINAL and 15 copies
15 of the foregoing were
delivered this 3rd day
of January, 2003, to:

16 Docket Control
17 Arizona Corporation Commission
1200 W. Washington St.
18 Phoenix, AZ 85007

19 COPY of the foregoing was
delivered this 3rd day of
20 January, 2003 to:

21 Timothy J. Sabo
Staff Attorney
22 Legal Division
Arizona Corporation Commission
23 1200 W. Washington St.
Phoenix, AZ 85007

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John S. Thornton, Jr.
Chief, Accounting & Rates
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
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By 
1375051.1

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4 Attorneys for Arizona-American
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6
7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE
9 APPLICATION OF ARIZONA- AMERICAN WATER COMPANY, AN DOCKET NO. WS-01303A-02-0867
10 ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE
12 CURRENT FAIR VALUE OF ITS
13 UTILITY PLANT AND PROPERTY
14 AND FOR INCREASES IN ITS RATES
15 AND CHARGES BASED THEREON
16 FOR UTILITY SERVICE BY ITS SUN
17 CITY WEST WATER AND SUN CITY
18 WEST WASTEWATER DISTRICTS.

19 **SUPPLEMENT TO DIRECT TESTIMONY OF**
20 **DAVID P. STEPHENSON**
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I. INTRODUCTION..... 1
II. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER DISTRICT(NO. 5) AND WASTEWATER DISTRICT (NO. 4) 1

1373854.1

1 **I. INTRODUCTION**

2 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT**
3 **TESTIMONY?**

4 A. The purpose of this supplemental testimony is to respond to Staff's List of Items
5 Causing the Filing to be Insufficient dated December 23, 2002 ("Staff
6 Insufficiency Finding"). In addition, the Company is concurrently filing
7 supplements to the direct testimony of Thomas Bourassa and Ronald L. Kozoman
8 in response to the Staff Insufficiency Finding.

9 **Q. HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?**

10 A. In this testimony, I address Staff's expressed concerns over the application for the
11 Sun City West water and wastewater districts. Specifically, I address Staff's
12 conclusion that Arizona-American's rate filings are insufficient because the
13 Company's D Schedules did not present dollar values. The remaining items listed
14 as causes of the insufficiency determination are addressed by Mr. Bourassa and
15 Mr. Kozoman in the supplements to their direct testimony filed concurrently
16 herewith.

17 **II. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER DISTRICT(NO.**
18 **5) AND WASTEWATER DISTRICT (NO. 4)**

19 **Q. IN THE STAFF INSUFFICIENCY FINDING, STAFF INDICATES THAT**
20 **THE D SCHEDULES DO NOT HAVE DOLLAR VALUES. DO YOU**
21 **HAVE ANY COMMENT?**

22 A. Yes, Staff correctly notes that the D-1 and D-2 Schedules lack "dollar values," but
23 the Company is not aware that the Commission's rules require that dollar amounts
24 be included in the D Schedules. The D-1 and D-2 Schedules show the percentages
25 of debt and equity and their respective cost, including their weighted costs. These
26 schedules provide support for the weighted cost of capital. I also do not believe it

1 is Staff's practice to include dollar value in its cost of capital schedules.

2 **Q. HOW DOES THE COMPANY RESPOND TO STAFF'S FINDING**
3 **CONCERNING THE D SCHEDULES?**

4 A. Although Arizona-American disagrees that this is a basis for an insufficiency
5 finding, we have revised the D-1 and D-2 Schedules for the Sun City West water
6 and wastewater districts to reflect the amounts of debt and equity in its capital
7 structure. These schedules are attached hereto at Tab A.

8 **Q. PLEASE YOU EXPLAIN THE DOLLAR VALUES YOU PROVIDED.**

9 A. The amounts shown on the D-1 and D-2 Schedules reflect the debt and equity of
10 the former Citizens properties of Arizona-American as a whole, rather than on a
11 district-by-district basis. Because Arizona-American is an Arizona corporation
12 and raises capital (debt and equity) on a company-wide basis, it is necessary to
13 identify its capital structure on a company-wide basis. The debt and equity for the
14 acquisition of the Citizens properties can easily be identified, at this time, and
15 therefore we have done so for this filing. None of the different rate structures
16 established during Citizens' ownership, have individual capital structures, nor can
17 any of the Company's individual districts borrow funds or separately maintain
18 capital accounts. Consequently, Arizona-American is requesting that its capital
19 structure for the acquisition of the former Citizens property be used in
20 determining the cost of capital for each district.

21 **Q. DO ANY OF THESE REVISIONS TO THE D SCHEDULES AFFECT THE**
22 **COMPANY'S COST OF CAPITAL ANALYSIS OR THE AMOUNT**
23 **SHOWN ON SCHEDULE A-1?**

24 A. No.

25 **Q. DOES THAT CONCLUDE THE SUPPLEMENT TO YOUR DIRECT**
26 **TESTIMONY?**

1 A. Yes.

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A

Arizona American
Test Year Ended December 31, 2001
Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Stephenson

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate (a)	Dollar Amount	Percent of Total	Cost Rate (a)
1	Long-Term Debt	165,583,119	59.89%	3.04%	177,583,119	60.00%	3.15%
2							
3	Stockholder's Equity	110,888,158	40.11%	4.61%	118,888,158	40.00%	11.50%
4							
5	Totals	276,471,277	100.00%	7.65%	296,471,277	100.00%	7.75% (b)
6							

(a) See D-2
 (b) Used on A-1

SUPPORTING SCHEDULES:

- D-1
- D-3
- D-4
- E-1

Line No. 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 29

Arizona American
 Test Year Ended December 31, 2001
 Cost of Long Term Debt

Exhibit
 Schedule D-2
 Page 1
 Witness: Stephenson

Line No.	Description of Debt	End of Test Year			End of Projected Year				
		Amount Outstanding	Percent	Interest Rate	Composite Cost	Amount Outstanding	Percent	Interest Rate	Composite Cost
1									
2	Long-Term Debt	154,948,119	56.04%	4.92%	2.76%	154,948,119	52.26%	4.92%	2.57%
3	Long-Term Debt	10,635,000	3.85%	7.30%	0.28%	10,635,000	3.85%	7.30%	0.28%
4	Long-Term Debt	-	0.00%	0.00%	0.00%	12,000,000	3.89%	7.60%	0.30%
5									
6									
7									
8									
9									
10	Totals	165,583,119	59.89%		3.04%	177,583,119	60.00%		3.15%

Supporting Schedules:

- 11
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7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE
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CITY WEST WATER AND SUN CITY
WEST WASTEWATER DISTRICTS.

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18 **SUPPLEMENT TO DIRECT TESTIMONY OF**
19 **THOMAS J. BOURASSA, CPA**
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I. INTRODUCTION..... 1

II. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 2 AND
SUN CITY WASTEWATER NO. 1..... 2

III. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 3 AND
SUN CITY WEST WASTEWATER NO. 2..... 4

IV. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 4 AND
SUN CITY WASTEWATER NO. 3..... 5

V. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 6 AND
SUN CITY WEST WASTEWATER NO. 5..... 7

1 I. INTRODUCTION

2 Q. **WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT**
3 **TESTIMONY?**

4 A. The purpose of this supplemental testimony is to respond to Staff's List of Items
5 Causing the Filing to be Insufficient dated December 23, 2002 ("Staff
6 Insufficiency Finding"). In addition, the Company is concurrently filing
7 supplements to the direct testimony of David P. Stephenson and Ronald L.
8 Kozoman in response to the Staff Insufficiency Finding.

9 Q. **HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?**

10 A. In this testimony, I address Staff's expressed concerns over the application for the
11 Sun City West water and wastewater districts. Specifically, Staff claims to have
12 found seven reasons that the filing for the Sun City West water district is not
13 sufficient and six reasons that the filing for the Sun City West wastewater district
14 is insufficient. I address several of those findings. My responses are identified
15 consistent with the numbering in the Staff Insufficiency Finding. Those items in
16 the Staff Insufficiency Finding not covered in my supplemental testimony are
17 addressed by either Mr. Stephenson or Mr. Kozoman.

18 Q. **HAVE YOU MADE ANY CHANGES AS A RESULT OF STAFF'S**
19 **FINDINGS?**

20 A. Yes. Revised Schedules B-2, B-3 and A-4 are attached hereto at Tab A. I wish to
21 point out, however, that none of the changes affect the plant in service, rate base,
22 and/or the revenue requirement in this case.

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1 **II. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 2 AND SUN**
2 **CITY WASTEWATER NO. 1**

3 **Q. MR. BOURASSA, STAFF CLAIMS THAT THE PLANT IN SERVICE ON**
4 **SCHEDULE B-2, PAGE 1 AND PAGE 2 DO NOT TIE TO THE**
5 **SCHEDULES B-2, PAGE 5 AND E-1, PAGE 1. DO YOU AGREE?**

6 A. No, I do not agree. A thorough examination of all the B-2 schedules provided in
7 the original filing clearly demonstrates that the amounts do properly tie together.

8 **Q. WOULD YOU PLEASE EXPLAIN HOW THE PLANT AMOUNT ON THE**
9 **SCHEDULE E-1 TIES TO THE SCHEDULE B-2, PAGE 1 AND PAGE 2?**

10 A. The plant in service amount shown on E-1 has been adjusted to reflect the amount
11 shown on the B-2, page 1 and page 2 as follows:

- 12 1. Plant in service at 12/31/2001 (E-1) **less**
- 13 2. Plant adjustments (AFUDC for both Sun City West water and Sun
14 City West wastewater) from prior rate case (B-2, page 2) **less**
- 15 3. General Plant (as shown B-2, page 5) pooled to Maricopa Common
16 Plant **plus**
- 17 4. Common plant allocation (as shown on B-2, page 2) **equals**
- 18 5. Plant in service (as shown on B-2, page 1 and 2).

19 **Q. AND THIS IS ILLUSTRATED IN THE B-2 SCHEDULES?**

20 A. Yes. Schedule B-2, page 2, illustrates both the common plant allocation as well as
21 the plant adjustments from the last rate proceeding dated May 7, 1997 (test year
22 ending March 1995). There is no specific general plant on this schedule. Instead,
23 the general plant has been replaced by allocated common plant. The support for the
24 common plant allocation appears on Schedules B-2, page 3 and page 4. Schedule
25 B-2, page 2 also reflects the adjustments from the prior rate case.

26 Schedule B-2, page 5 shows the general plant balance prior to the common

1 plant allocation. This schedule also reflects the prior rate case plant adjustments.
2 Adding the plant adjustments to the plant balance on Schedule B-2, page 5 results
3 in a match with the balance shown on Schedule E-1.

4 Schedule B-2, pages 6a through 6c show the plant additions and balances by
5 year since the last rate case. This schedule also shows the prior rate case plant
6 adjustments as well as the general plant before the common plant allocation.
7 Again, the total of the column labeled "2001 Plant Balance" on Schedule B-2,
8 page 6c plus the plant adjustments equals the amount on Schedule E-1.

9 **Q. HAVE YOU PROVIDED A SCHEDULE RECONCILING THE PLANT**
10 **BALANCE ON E-1 TO THE PLANT BALANCE ON B-2, PAGE 1?**

11 A. Yes. I have prepared a supplementary plant reconciliation schedule attached
12 hereto at Tab A. This schedule follows the formula outlined above.

13 **Q. WHAT IS THE BASIS FOR THE COMMON PLANT ALLOCATION**
14 **ADJUSTMENT?**

15 A. The common plant allocation adjustment was made to equitably allocate plant that
16 is shared with other districts. For example, office furniture and equipment,
17 software, communications equipment, buildings are all shared. All of the general
18 plant for the Maricopa districts was pooled and reallocated based on year-end
19 customer counts. The handling of the general plant in the instant case is consistent
20 with treatment approved in the prior rate case for these districts, where the
21 amounts on the E-1 and B-2 Schedules were not the same.

22 **Q. WHY DID THE COMPANY MAKE THE AFUDC ADJUSTMENT?**

23 A. To reflect the prior Commission decision disallowing the AFUDC amount
24 included in plant.

25 **Q. DID YOU DISCUSS THIS MATTER WITH STAFF REPRESENTATIVES**
26 **BEFORE THE STAFF INSUFFICIENCY FINDING WAS ISSUED?**

1 A. Yes. I discussed concerns raised over both the B-2 and E-1 schedules with Staff
2 on two separate occasions. Unfortunately, it appears my explanations were not
3 considered in Staff's review.

4 **III. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 3 AND SUN**
5 **CITY WEST WASTEWATER NO. 2**

6 **Q. MR. BOURASSA, STAFF NEXT CLAIMS THAT THE ACCUMULATED**
7 **DEPRECIATION ON SCHEDULE B-2, PAGE 1 AND PAGE 2 DO NOT**
8 **TIE TO THE SCHEDULES B-2, PAGE 5 AND E-1, PAGE 1. DO YOU**
9 **AGREE?**

10 A. No, for the same reasons explained above for the plant balances.

11 **Q. PLEASE EXPLAIN.**

12 A. The accumulated depreciation amount shown on E-1 has been adjusted to reflect
13 the amount shown on the B-2, page 1 and page 2 as follows:

- 14 1. Accumulated depreciation at 12/31/2001 (E-1) **less**
- 15 2. Accumulated depreciation plant adjustments from the prior rate case
16 (B-2, page 2) **less**
- 17 3. Accumulated depreciation on General Plant (as shown B-2, page 5)
18 pooled to Maricopa Common Plant accumulated depreciation **plus**
- 19 4. Common plant accumulated depreciation allocation (as shown on B-
20 2, page 2) **equals**
- 21 5. Accumulated depreciation (as shown on B-2, page 1 and 2).

22 **Q. HOW IS THIS ILLUSTRATED IN THE B-2 SCHEDULES?**

23 A. Schedule B-2, page 2, illustrates both the common plant allocation accumulated
24 depreciation as well as the plant adjustment accumulated depreciation. There is no
25 specific general plant accumulated depreciation on this schedule. Instead, the
26 general plant accumulated depreciation has been replaced by allocated common

1 plant accumulated depreciation. The support for the common plant allocation
2 appears on Schedules B-2, page 3 and page 4. Also on Schedule B-2, page 2, you
3 will also find adjustments from the prior rate case.

4 Schedule B-2, page 5 shows the general plant accumulated depreciation
5 balance prior to the common plant allocation. This schedule also reflects the prior
6 case plant adjustments. Adding the plant accumulated depreciation adjustments to
7 the accumulated depreciation balance on Schedule B-2, page 5 results in a match
8 with the balance shown on Schedule E-1.

9 **Q. AND YOU EXPLAINED THIS TO STAFF'S AUDITORS?**

10 A. Yes. As I stated earlier in my testimony, I met with Staff representatives on two
11 separate occasions. While the accumulated depreciation balance issue was not
12 specifically addressed, my explanations on the plant balances should have allowed
13 Staff to verify the accumulated depreciation balances, since they follow exactly the
14 explanations given for the plant balances.

15 **IV. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 4 AND SUN**
16 **CITY WASTEWATER NO. 3**

17 **Q. STAFF ALSO CONTENDS THAT THE INTENDED ADJUSTMENTS TO**
18 **ADVANCES IN AID OF CONSTRUCTION AND CONTRIBUTIONS IN**
19 **AID OF CONSTRUCTION ON LINES 13-17 OF SCHEDULE B-2, PAGE 1**
20 **AND SCHEDULE B-3, PAGE 1 ARE NOT CLEARLY SHOWN. IS THIS**
21 **TRUE?**

22 A. No, it is not true. As explained in my direct testimony, Adjustments 4 and 5 are
23 clearly labeled on the specific B Schedules Staff identifies. Each schedule
24 contains a footnote referencing the nature of the adjustments. Nevertheless, to
25 assist Staff in reviewing the filing, attached at Tab A are revised B-2, page 1 and
26 B-3, page 1 Schedules, with relabeled adjustments 4a, 4b, 5a, and 5b, as well as

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relabeled footnote references.

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1 **V. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 6 AND**
2 **SUN CITY WEST WASTEWATER NO. 5**

3 **Q. STAFF ALSO CONTENDS THAT THE PLANT BALANCE ON**
4 **SCHEDULE E-5, PAGE 1 DO NOT TIE TO THE TOTAL PLANT ON**
5 **SCHEDULE B-2 PAGES 1 AND 2. DO YOU HAVE ANY COMMENT?**

6 A. I agree that at first glance the numbers are not the same. However, as I explained
7 above, and as explained to Staff during my informal discussions before the Staff
8 Insufficiency Finding was issued, the plant balance has been adjusted. In the
9 instant case, the adjustments were for disallowed plant as ordered in a prior
10 Commission decision as well as for common plant.

11 **Q. HOW DOES THE PLANT AMOUNT ON SCHEDULE E-5 TIE TO THE**
12 **PLANT AMOUNT ON SCHEDULE B-2, PAGE 1 AND PAGE 2?**

13 A. The plant in service balance as of December 31, 2001 shown on Schedule E-5 is
14 the same as shown on Schedule E-1 for the Sun City West water district. The
15 same is true for the Sun City West wastewater district. The explanation for the
16 amount on Schedule E-5 follows exactly as described above for the amount on
17 Schedule E-1.

18 **Q. WHY HAVE YOU REVISED SCHEDULE A-4?**

19 A. Although Staff did not cite any cause for insufficiency regarding Schedule A-4 for
20 either the Sun City West water or wastewater district, footnote (a) referring to
21 unadjusted amounts was incorrect. The gross utility plant in service amounts are
22 the adjusted amounts shown on Schedule B-2, page 6a-6c.

23 **Q. HAVE YOU MADE ANY OTHER CHANGES?**

24 A. Yes. I have revised Schedule B-4, page 3, for both the Sun City West water and
25 wastewater districts to show the RCN accumulated depreciation in the footnote
26 calculation. These changes do not affect the plant or accumulated depreciation

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balances on this schedule and were made to further aid Staff even though this matter was not identified in the Staff Insufficiency Finding.

Q. DOES THAT CONCLUDE THE SUPPLEMENT TO YOUR DIRECT TESTIMONY?

A. Yes. I want to reiterate that none of the changes made to the Company's filing in response to Staff's Insufficiency Finding impact the plant in service, rate base, and/or the revenue requirement requested by Arizona-American in this docket.

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A

Arizona American - Sun City West Water
 Test Year Ended December 31, 2001
 Construction Expenditures
 and Gross Utility Plant in Service

Exhibit
 Schedule A-4
 Page 1
 Witness: Bourassa

		REVISED		
		<u>Construction</u>	<u>Net Plant</u>	<u>Gross</u>
<u>Line</u>	<u>No.</u>	<u>Expenditures</u>	<u>Placed</u>	<u>Utility</u>
			<u>in</u>	<u>Plant</u>
			<u>Service</u>	<u>in Service</u>
				<u>(a)</u>
	1			
	2	-		28,091,019
	3			
	4	691,634	773,756	28,864,775
	5			
	6	1,084,870	(163,196)	28,701,579
	7			
	8	605,596	817,211	29,518,790
	9			
	10	576,012	576,012	30,094,801
	11			
	12	(a) Adjusted (See B-2, page 6a-c)		
	13			
	14			
	15	<u>SUPPORTING SCHEDULES:</u>		
	16	B-2		
	17	E-5		
	18	F-3		
	19			

Arizona American - Sun City West Water
 Test Year Ended December 31, 2001
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 1
 Witness: Bourassa

REVISED

Line No.		Actual at End of <u>Test Year</u>	Proforma <u>Label</u>	Adjustments <u>Amount</u>	Adjusted at end of <u>Test Year</u>
1	Gross Utility				
2	Plant in Service	\$ 30,464,605	(1)	-	\$ 31,153,379
3			(2)	610,000	
4	Less:		(6)	-	
5			(8)	78,774	
6	Accumulated				
7	Depreciation	<u>5,814,088</u>	(3)	396,935	<u>6,211,024</u>
8					
9	Net Utility Plant				
10	in Service	\$ 24,650,516			\$ 24,942,355
11					
12	Less:				
13	Advances in Aid of				
14	Construction (Ratemaking Purposes Only)	13,515,231	(4a)	(733,277)	12,151,160
15			(5a)	(630,794)	
16	Contributions in Aid of				
17	Construction - Net (Ratemaking	341,274	(4b)	(489)	971,578
18	Purposes Only)		(5b)	630,794	
19	Customer Meter Deposits	1,225			1,225
20	Deferred Income Taxes	-			-
21	Investment Tax Credits	-			-
22	Plus:				
23	Unamortized Finance				
24	Charges	-			-
25	Deferred Tax Assets	-			-
26	Working capital	-			-
27	Citizens Acquisition Adjustment	-	(7)	8,164,652	8,164,652
28					
29	Total	<u>\$ 10,792,786</u>			<u>\$ 19,983,043</u>

- 32 (1) Additional Plant at Closing
- 33 (2) Plant to be completed by 12/31/2002.
- 34 (3) Additional Accumulated Depreciation at Closing
- 35 (4) Increase (decrease) AIAC (4a) and CIAC (4b) to amount at Closing
- 36 (5) Adjust 5% of AIAC (5a) to CIAC (5b) for Ratemaking Purposes
- 37 (6) Intentionally Left Blank
- 38 (7) Acquisition Adjustment Premium
- 39 (8) Orcom Costs

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 41 SUPPORTING SCHEDULES:
 42 B-2

RECAP SCHEDULES:
 B-1

Arizona American - Sun City West Water
 Test Year Ended December 31, 2001
 RCND Rate Base Proforma Adjustments

Exhibit
 Schedule B-3
 Page 1
 Witness: Bourassa
REVISED

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	\$ 43,132,059	(1)	-	\$ 43,820,833
3			(2)	610,000	
4	Less:		(6)	-	
5			(7)	78,774	
6	Accumulated				
7	Depreciation	<u>8,556,514</u>	(3)	396,935	<u>8,953,449</u>
8					
9	Net Utility Plant				
10	in Service	\$ 34,575,545			\$ 34,867,384
11					
12	Less:				
13	Advances in Aid of				
14	Construction (Ratemaking Purposes Only)	19,010,737	(4a)	(1,031,439)	17,092,013
15			(5a)	(887,284)	
16	Contributions in Aid of				
17	Construction - Net (Ratemaking	480,041	(4b)	(688)	1,366,637
18	Purposes Only)		(5b)	887,284	
19	Customer Meter Deposits	1,225			1,225
20	Deferred Income Taxes	-			-
21	Investment Tax Credits	-			-
22	Plus:				
23	Unamortized Finance				
24	Charges	-			-
25	Deferred Tax Assets	-			-
26	Working capital	-			-
27	Citizens Acquisition Adjustment	-			-
28					
29	Total	<u>\$ 15,083,542</u>			<u>\$ 16,407,508</u>

- 31
- 32 (1) Additional Plant at Closing
- 33 (2) Plant to be completed by 12/31/2002.
- 34 (3) Additional Accumulated Depreciation at Closing
- 35 (4) Increase (decrease) AIAC (4a) and CIAC (4b) to amount at Closing (Trended)
- 36 (5) Adjust 5% of AIAC (5a) to CIAC (5b) for Ratemaking Purposes
- 37 (6) Intentionally Left Blank
- 38 (7) OrCom Costs

39
 40 SUPPORTING SCHEDULES:
 41 B-4
 42

RECAP SCHEDULES:
 B-1

Arizona American - Sun City West Water
 RCND Plant Summary
 at December 31, 2001

Exhibit
 Schedule B-4
 Page 3
 Witness: Bourassa
 REVISED

Line No.	Account No.	Description	Trended	
			Reproduction Cost New	Accumulated Depreciation
1		Intangible		
2	301.00	Organization	\$ 32,145	\$ -
3	302.00	Franchises	2,149	-
4	303.00	Miscellaneous Intangibles	-	-
5		Subtotal Intangible	\$ 34,293.63	\$ -
6				
7		Source of Supply		
8	310.00	Land and Land Rights	\$ 18,280.50	\$ -
9	311.00	Structures and Improvements	495,285	146,453
10	312.00	Collecting and Impounding Res.	-	-
11	313.00	Lakes, Rivers, Other Intakes	-	-
12	314.00	Wells and Springs	1,715,871	390,046
13		Subtotal Source of Supply	\$ 2,229,437	\$ 536,499
14				
15		Pumping		
16	320.00	Land and Land Rights	\$ 74,089	\$ -
17	321.00	Structures and Improvements	391,321	118,790
18	323.00	Other Power Production	-	-
19	325.00	Electric Pumping Equipment	6,824,428	2,852,141
20	326.00	Diesel Pumping Equipment	5,597	1,775
21	328.10	Gas Engine Pumping Equipment	2,124	617
22		Subtotal Pumping	\$ 7,297,559	\$ 2,973,322
23				
24		Water Treatment		
25	330.00	Land and Land Rights	\$ -	\$ -
26	331.00	Structures and Improvements	50,878	-
27	332.00	Water Treatment Equipment	187,608	(3,860)
28		Subtotal Water Treatment	\$ 238,486	\$ (3,860)
29				
30		Transmission and Distribution		
31	340.00	Land and Land Rights	\$ -	\$ -
32	341.00	Structures and Improvements	-	-
33	342.00	Distribution, Reservoirs, & ST	1,033,423	250,424
34	343.00	Transmission and Distribution	18,287,917	3,934,252
35	344.00	Fire Mains	260	32
36	345.00	Services	8,229,925	(436,911)
37	346.00	Meters	2,262,959	448,305
38	348.00	Hydrants	2,512,461	660,409
39	349.00	Other Transmission & Distribution	-	-
40		Subtotal Transmission and Distribution	\$ 32,326,945	\$ 4,856,511
41				
42		General		
43	389.00	Land and Land Rights	\$ -	\$ -
44	390.00	Structures and Improvements	31,886	11,155
45	391.00	Office Furniture and Equipment	46,777	46,956
46	391.10	Computer Equipment	88,055	(4,324)
47	392.00	Transportation Equipment	381,047	233,870
48	393.00	Stores Equipment	796	613
49	394.00	Tools, Shop and Garage	26,508	7,456
50	395.00	Laboratory Equipment	5,290	1,960
51	396.00	Power Operated Equipment	32,146	14,319
52	397.00	Communication Equipment	43,571	43,946
53	398.00	Miscellaneous Equipment	56,376	20,318
54		Subtotal General	\$ 712,451	\$ 376,270
55				
56				
57				
58		AFUDC adjustment 3/95	(521,033)	(111,783)
59		TOTAL WATER PLANT	\$ 42,318,138	\$ 8,626,958
60				
61				
62		* AFUDC Accumulated Depreciation		
63		AFUDC Adjustment	\$ 431,998	
64		Years	6.75	
65		Composite Rate	2.33%	
66		Total	\$ 67,942	
67		Plus A/D @ 3/95 per Staff	24,739	
68		Total A/D at 12/2001	\$ 92,681	
69		Trended Amount (Trend Factor from 1995)	1.2061	111,783
70		Trended Cost (Trend Factor from 1995)	1.2061	521,033

SUPPORTING SCHEDULES

B-4, Page 4+

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Arizona American - Sun City West Wastewater
 Test Year Ended December 31, 2001
 Construction Expenditures
 and Gross Utility Plant in Service

Exhibit
 Schedule A-4
 Page 1
 Witness: Bourassa

Line No.	Description	Construction Expenditures	REVISED	
			Net Plant Placed in Service	Gross Utility Plant in Service (a)
1				
2	Prior Year Ended 12/31/1998	-		33,377,105
3				
4	Prior Year Ended 12/31/1999	1,003,482	961,057	34,338,162
5				
6	Prior Year Ended 12/31/2000	5,774,869	5,224,970	39,563,132
7				
8	Test Year Ended 12/31/2001	446,742	(30,309)	39,532,823
9				
10	Projected Year Ended 12/31/2002	236,759	236,759	39,769,582
11				
12	(a) Adjusted (See B-2, page 6a-6c)			
13				
14				
15	<u>SUPPORTING SCHEDULES:</u>			
16	B-2			
17	E-5			
18	F-3			
19				
20				
21				
22				
23				
24				
25				
26				
27				

Arizona American - Sun City West Wastewater
 Test Year Ended December 31, 2001
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 1
 Witness: Bourassa

REVISED

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	\$ 38,810,451	(1)	(513)	\$ 39,101,812
3			(2)	213,100	
4	Less:		(6)	-	
5			(8)	78,774	
6	Accumulated				
7	Depreciation	<u>13,515,241</u>	(3)	775,004	<u>14,290,245</u>
8					
9	Net Utility Plant				
10	in Service	\$ 25,295,210			\$ 24,811,567
11					
12	Less:				
13	Advances in Aid of				
14	Construction (Ratemaking Purposes Only)	16,142,093	(4a)	(875,799)	14,502,979
15	Contributions in Aid of		(5a)	(763,315)	
16					
17	Construction - Net (Ratemaking	696,356	(4b)	(999)	1,458,672
18	Purposes Only)		(5b)	763,315	
19	Customer Meter Deposits	525			525
20	Deferred Income Taxes	-			-
21	Investment Tax Credits	-			-
22	Plus:				
23	Deferred Finance				
24	Charges	-			-
25	Deferred Tax Assets	-			-
26	Working capital	-			-
27	Citizens Acquisition Adjustment	-	(7)	10,401,376	10,401,376
28					
29	Total	<u>\$ 8,456,236</u>			<u>\$ 19,250,767</u>

- 32 (1) Additional Plant at Closing
 33 (2) Plant to be completed by 12/31/2002.
 34 (3) Additional Accumulated Depreciation at Closing
 35 (4) Increase (decrease) AIAC (4a) and CIAC (4b) to transferred amount.
 36 (5) Adjust AIAC (5a) and CIAC (5b) for Ratemaking Purposes
 37 (6) Intentionally Left Blank
 38 (7) Acquisition Adjustment Premium
 39 (8) Orcom Costs

41 SUPPORTING SCHEDULES:

42 B-2
 43 E-1

RECAP SCHEDULES:

B-1

Arizona American - Sun City West Wastewater
 Test Year Ended December 31, 2001
 RCND Rate Base Proforma Adjustments

Exhibit
 Schedule B-3
 Page 1
 Witness: Bourassa

REVISED

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	\$ 58,640,772	(1)	(513)	\$ 58,932,134
3			(2)	213,100	
4	Less:		(6)	-	
5			(7)	78,774	
6	Accumulated				
7	Depreciation	<u>20,644,090</u>	(3)	775,004	<u>21,419,094</u>
8					
9	Net Utility Plant				
10	in Service	\$ 37,996,682			\$ 37,513,040
11					
12	Less:				
13	Advances in Aid of				
14	Construction (Ratemaking Purposes Only)	24,328,488	(4a)	(1,319,957)	21,858,105
15	Contributions in Aid of		(5a)	(1,150,427)	
16	Construction - Net (Ratemaking	1,049,510	(4b)	(1,505)	2,198,432
17	Purposes Only)		(5b)	1,150,427	
18	Customer Meter Deposits	525			525
19	Deferred Income Taxes	-			-
20	Investment Tax Credits	-			-
21	Plus:				
22	Deferred Finance				
23	Charges	-			-
24	Deferred Tax Assets	-			-
25	Working capital	-			-
26	Citizens Acquisition Adjustment	-			-
27					
28	Total	<u>\$ 12,618,159</u>			<u>\$ 13,455,978</u>

- 31 (1) Additional Plant at Closing
- 32 (2) Plant to be completed by 12/31/2002.
- 33 (3) Additional Accumulated Depreciation at Closing
- 34 (4) Increase (decrease) AIAC (4a) and CIAC (4b) to amount at Closing (trended)
- 35 (5) Adjust AIAC (5a) and CIAC (5b) for Ratemaking Purposes
- 36 (6) Intentionally Left Blank
- 37 (7) Orcom Costs

38
 39 SUPPORTING SCHEDULES:
 40 B-4

RECAP SCHEDULES:
 B-1

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Arizona American - Sun City West Wastewater
 RCND Plant Summary
 at December 31, 2001

Exhibit
 Schedule B-4
 Page 3
 Witness: Bourassa
REVISED

Line No.	Account No.	Description	Trended Reproduction Cost New	Accumulated Depreciation
1		Intangible		
2	301.00	Organization	\$ 8,370	\$ -
3	302.00	Franchises	1,740	-
4	303.00	Miscellaneous Intangibles	5,946	-
5		Subtotal Intangible	<u>\$ 16,056</u>	<u>\$ -</u>
6				
7		Treatment & Discharge		
8	310.00	Land and Land Rights	\$ 745,494	\$ -
9	311.00	Structures and Improvements	4,460,216	2,596,079
10	312.00	Preliminary Treatment	1,690,078	878,569
11	313.00	Primary Treatment Equipment	1,615,967	758,232
12	314.00	Secondary Treatment Equipment	8,457,854	3,419,789
13	315.00	Tertiary Equipment	6,214,209	1,361,956
14	316.00	Disinfection Equipment	423,463	269,346
15	317.00	Effluent Lift Station E	1,311,801	544,857
16	318.00	Outfall Line	173,094	124,615
17	319.00	Sludge, Treatment & Distribution	1,868,143	688,311
18	321.00	Influent Lift Station	97,224	15,370
19	322.00	General Treatment Equipment	1,017,847	140,779
20		Subtotal Treatment & Discharge	<u>\$ 28,075,389</u>	<u>\$ 10,797,903</u>
21				
22		Collection and Influent		
23	340.00	Land and Land Rights	\$ 34,397	\$ -
24	341.00	Structures and Improvements	389,627	60,110
25	342.00	Collection System Lift	1,897,026	1,666,445
26	343.00	Collection Mains	15,934,945	4,654,189
27	344.00	Force Mains	1,568,335	443,024
28	345.00	Discharge Services	4,097,064	1,168,011
29	348.00	Manholes	5,100,900	1,559,747
30		Subtotal Collection and Influent	<u>\$ 29,022,295</u>	<u>\$ 9,551,526</u>
31				
32		General		
33	389.00	Land and Land Rights	\$ -	\$ -
34	390.00	Structures and Improvements	1,283,529	36,415
35	391.00	Office Furniture and Equipment	162,862	(2,916)
36	391.10	Computer Equipment	35,611	(1,259)
37	392.00	Transportation Equipment	256,541	76,681
38	393.00	Stores Equipment	13,263	(286)
39	394.00	Tools, Shop and Garage	114,584	9,804
40	395.00	Laboratory Equipment	66,245	14,817
41	396.00	Power Operated Equipment	14,045	1,794
42	397.00	Communication Equipment	362,501	116,033
43	398.00	Miscellaneous Equipment	88,564	32,184
44		Subtotal General	<u>\$ 2,397,742</u>	<u>\$ 283,267</u>
45				
46				
47		AFUDC adjustment 3/95	(292,741)	(89,214)
48		TOTAL WASTEWATER PLANT	<u>\$ 59,218,742</u>	<u>\$ 20,543,481</u>
49				
50				
51		* AFUDC Accumulated Depreciation		
52		AFUDC Adjustment	\$ 242,717	
53		Years	6.75	
54		Composite Rate	3.55%	
55		Total		\$ 58,161
56		Plus A/D @ 3/95 per Staff		15,808
57		Total A/D at 12/2001		<u>\$ 73,969</u>
58		RCN Trend Factor from 1995	1.2061	<u>\$ 89,214</u>
59	Plant	RCN Trend Factor from 1995	1.2061	<u>\$ 292,741</u>
60				
61		SUPPORTING SCHEDULES		
62		B-4, Page 4+		
63				
64				

Arizona American
Schedule E-1 To Schedule B2, page 1, Plant Reconciliation

	Mohave	Havasu	Aqua Fria (**)	Anthem Water	Anthem Sewer (*)	Sun City Water (*)	Sun City Sewer	SC West Water	SC West Sewer
Plant Balance E-1	\$ 22,821,782	\$ 1,989,979	\$ 53,321,381	\$ 4,195,817	\$ 23,347,399	\$ 39,364,286	\$ 17,987,373	\$ 29,950,787	\$ 39,775,541
Less Plant Adjustments (B-2, p2)	-	-	217,801	-	-	450,822	93,075	431,998	242,717
AFUDC	-	-	-	-	-	148,497	96,727	-	-
Plant	1,330,518	153,858	601,473	300,860	705,317	4,572,145	125,064	580,556	2,180,953
Less General Plant B-2, p5	1,351,379	116,468	1,273,919	320,243	249,219	2,174,303	2,071,343	1,526,371	1,458,580
Plus Common Plant Alloc B-2, p2	\$ 22,842,643	\$ 1,952,589	\$ 53,776,026	\$ 4,215,200	\$ 22,891,301	\$ 36,367,125	\$ 19,643,850	\$ 30,464,604	\$ 38,810,451
Calculated Plant B2, p1	22,842,642	1,952,588	53,776,026	4,215,200	22,891,302	36,367,124	19,643,850	30,464,605	38,810,451
Plant B-2, p1	1	1	-	-	(1)	1	-	(1)	-
Diff									

(*) Corrected E-5
(**) Corrected B-2, p2

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Water Company, Inc.

5
6
7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

DOCKET NO. WS-01303A-02-0867

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26
**SUPPLEMENT TO DIRECT TESTIMONY OF
RONALD KOZOMAN, CPA**

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I. INTRODUCTION..... 1
II. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 1 1
III. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 7 AND
SUN CITY WEST WASTEWATER NO. 6..... 3

1374592.1

1 **I. INTRODUCTION**

2 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT**
3 **TESTIMONY?**

4 A. The purpose of this supplemental testimony is to respond to Staff's List of Items
5 Causing the Filing to be Insufficient dated December 23, 2002 ("Staff
6 Insufficiency Finding"). In addition, the Company is concurrently filing
7 supplements to the direct testimony of David P. Stephenson and Thomas Bourassa
8 in response to the Staff Insufficiency Finding.

9 **Q. HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?**

10 A. In this testimony, I address Staff's expressed concerns over the application for the
11 Sun City West water and wastewater districts. Specifically, I address two of the
12 reasons Staff has concluded that the filings for these two districts are insufficient
13 and those reasons are identified consistent with the numbering in the Staff
14 Insufficiency Finding. Those items in the Staff Insufficiency Finding not covered
15 in my supplemental testimony are addressed by either Mr. Stephenson or Mr.
16 Bourassa.

17 **Q. HAVE YOU MADE ANY CHANGES AS A RESULT OF STAFF'S**
18 **FINDINGS?**

19 A. Yes, and where appropriate revised schedules are attached hereto at Tab A. I wish
20 to point out, however, that none of the changes effect the plant in service, rate
21 base, and/or the revenue requirement in this case.

22 **II. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 1**

23 **Q. MR. KOZOMAN, ARE THE BILL COUNT REVENUES AND THE BOOK**
24 **REVENUES FOR SUN CITY WEST WATER DISTRICT MATERIALLY**
25 **DIFFERENT?**

26 A. No, I do not believe so and cannot agree with Staff on this issue. The difference

1 between the book revenue and the bill count revenues for this district is 0.45%.

2 **Q. HAVE YOU DISCUSSED THIS ISSUE WITH STAFF?**

3 A. Yes. Subsequent to the filing on November 22, 2002, Mr. Bourassa and I have
4 met with Staff on several occasions to answer questions and assist Staff in
5 reviewing Arizona-American's filings, including each district's bill count. I
6 provided Staff with a corrected bill count for the 5/8 inch residential customers.
7 Schedule H-5 (WWRE 5/8 Inch) was reformatted because the original H-5
8 Schedules were printed before being reconciled to general ledger revenues. The
9 Company filed these revised schedule pages with Docket Control at the Arizona
10 Corporation Commission on December 20, 2002 at Staff's insistence.

11 **Q. WHAT WAS THE ACCEPTED TOLERANCE (DIFFERENCE TO THE**
12 **BOOK REVENUE) THE COMPANY UTILIZED?**

13 A. To insure the bill count data generated an acceptable level of revenues, a tolerance
14 of 0.5 percent was used. In the instant case, the revenues from the bill counts were
15 within 0.045 percent or \$15,045 of the book revenues of \$4,860,398. In my
16 experience, this is well within Staff's accepted tolerance level. A supplementary
17 schedule showing the revenue reconciliation and tolerance is attached hereto at
18 Tab A.

19 **Q. ARE THE REVENUES FROM THE BILL COUNT ALWAYS EQUAL TO**
20 **THE BOOK REVENUES?**

21 A. No. In fact, they are very rarely equal to book revenues for several different
22 reasons. First, the rate books used to confirm the revenues from the bill count
23 typically compute revenues based on the midpoint of a usage range. For example,
24 7,500 gallons is the midpoint of the usage range between 7,000 gallons and 7,999
25 gallons. In contrast, book revenues may be based on bills that are computed on
26 actual use. Second, the billing system used may not pick up billing adjustments in

1 the same period as the original bill or billing adjustments may not be entered into
2 the billing system. That is, a billing adjustment may actually be made in, for
3 example, June, but it is not reflected in the billing system until July. Or, the billing
4 adjustments may not be contained in the billing system, but instead made as a
5 journal entry in the general ledger, which either reduces or increases revenue. All
6 of these accounting practices are acceptable, but still result in discrepancies
7 between bill count revenues and book revenues.

8 **Q. CAN YOU EXPLAIN WHY THE STAFF FOUND A REVENUE
9 DIFFERENCE OF 1.34 PERCENT IN ITS SUFFICIENCY LETTER?**

10 A. I have reviewed Staff's bill count rate books to determine why their bill count does
11 not generate the same revenues as the Company's bill count and discovered that
12 Staff used the wrong bill counts for residential customers on 5/8 inch meters. As I
13 previously testified, I provided a correct bill counts to Staff and these schedules
14 were formally filed with Docket Control on December 20, 2002.

15 **Q. HAVE YOU PROVIDED THE COMMISSION STAFF WITH A COPY OF
16 YOUR WORKBOOKS?**

17 A. Yes, as explained above, Mr. Bourassa and I provided workbooks and other
18 information to Staff shortly after the filing was made.

19 **III. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 7 AND SUN
20 CITY WEST WASTEWATER NO. 6**

21 **Q. STAFF ALSO CLAIMS THAT THE CERTAIN "H" SCHEDULES ARE
22 MISSING PRESENT AND PROPOSED RATES WHAT HAS THE
23 COMPANY DONE TO RESPOND TO THIS FINDING?**

24 A. For the Sun City West water district Staff found that Schedule H-4, page 13 (the
25 bill comparison for the Commercial 6 Inch Meter) failed to include the present and
26 proposed rates. Schedules correcting this are attached hereto.

1
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Staff also found that Schedule H-3, page 2 for Sun City West wastewater is missing present and proposed rates. However, Schedule H-3 for Sun City West wastewater includes prices for all other charges by the wastewater entity. The charges for NSF checks (non-sufficient funds checks), establishment fees, deferred payments, and late fees are shown on the Sun City West water Schedule H-3. The Company does not collect an establishment fee or NSF charge for both water and sewer.

Q. AND NONE OF THE CHANGES REFLECTED IN YOUR REVISED SCHEDULES IMPACT THE PRESENT OR PROPOSED RATES/REVENUES AS REFLECTED ON THE COMPANY'S SCHEDULES H-1 AND H-2 CORRECT?

A. That is correct.

Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

A

**Arizona American / Revenues Per C-1 and H-1
Comparison of Revenues Per Schedule C-1 and Schedule H-1
Docket No. WS01303A-02-0867 through WS01303A-02-0870**

Exhibit
Schedule 1
Page 1
Witness: Kozoman

	C-1	H-1	H-1	H-1	Difference	Difference	Difference	Difference
	Schedule	Schedule	Schedule	Schedule	in Dollars	in Dollars	in Percent	in Percent
	Adjusted	Present	Proposed	Proposed	Present	Proposed	Present	Proposed
	Present	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues
Agua Fria Water								
Other Revenue	5,846,076	6,263,965	5,843,506	6,261,396	2,570	2,569	0.044%	0.041%
Total Revenues	339,961	339,961	339,961	339,961	-	-		
	6,186,037	6,603,926	6,183,467	6,601,357	2,570	2,569	0.042%	0.039%
Anthem Water (Distco)								
Other Revenue	2,060,418	2,359,500	2,056,021	2,355,103	4,397	4,397	0.213%	0.186%
Total Revenues	1,950,387	1,950,387	1,950,387	1,950,387	-	-		
	4,010,805	4,309,887	4,006,408	4,305,490	4,397	4,397	0.110%	0.102%
Anthem / Agua Fria Wastewater								
Other Revenue	880,474	1,319,463	877,116	1,316,104	3,358	3,359	0.381%	0.255%
Total Revenues	986,072	986,072	986,072	986,072	-	-		
	1,866,546	2,305,535	1,863,188	2,302,176	3,358	3,359	0.180%	0.146%
Havasu Water								
Balancing Revenue	430,392	627,376	424,081	618,157	-	(1)	0.000%	0.000%
Other Revenue	10,532	10,532	10,532	10,532	-	-		
Total Revenues	440,924	637,908	440,924	637,909	-	(1)	0.000%	0.000%
Mohave Water								
Balancing Revenue	4,285,427	4,869,437	4,237,286	4,814,653	-	-	0.000%	0.000%
Other Revenue	108,705	108,705	108,705	108,705	-	-		
Total Revenues	4,394,132	4,978,142	4,394,132	4,978,142	-	-	0.000%	0.000%
Sun City Water								
Other Revenue	6,079,671	11,446,038	6,065,944	11,432,312	13,727	13,726	0.226%	0.120%
Total Revenues	113,419	113,419	113,419	113,419	-	-		
	6,193,090	11,559,457	6,179,363	11,545,731	13,727	13,726	0.222%	0.119%
Sun City Wastewater								
Other Revenue	5,085,481	5,721,717	5,085,003	5,721,239	478	478	0.009%	0.008%
Total Revenues	2,859	2,859	2,859	2,859	-	-		
	5,088,340	5,724,576	5,087,862	5,724,098	478	478	0.009%	0.008%
Sun City West Water								
Other Revenue	3,343,134	4,822,758	3,328,089	4,807,533	15,045	15,225	0.450%	0.316%
Total Revenues	37,640	37,640	37,640	37,640	-	-		
	3,380,774	4,860,398	3,365,729	4,845,173	15,045	15,225	0.445%	0.313%
Sun City West Wastewater								
Other Revenue	3,534,678	5,498,302	3,530,475	5,493,532	4,203	4,770	0.119%	0.087%
Total Revenues	1,002	1,002	1,002	1,002	-	-		
	3,535,680	5,499,304	3,531,477	5,494,534	4,203	4,770	0.119%	0.087%

Arizona American - Sun City West Sewer
 Revenue Summary
 Test Year ended December 31, 2001
 Step-One Rate Increase

Exhibit
 Schedule H-1
 Page 1
 Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Present Sewer Revenues	Proposed Sewer Revenues	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential Units (WSR)	2,789,886	3,906,527	\$ 1,116,642	40.02%	79,255	79,266	79.25%	79.26%
2	Commercial Units (SSC)	76,035	106,463	30,427	40.02%	2,166	2,166	2.16%	2.16%
3	Commercial Large User (WS6)	12,683	17,736	5,053	39.84%	0,366	0,366	0.36%	0.36%
4	Multi-family Residential Units (AC WSRE)	553,264	774,706	221,442	40.02%	15,726	15,726	15.72%	15.72%
5									
6									
7	Commercial additional toilets (WS1)	70,575	98,805	28,230	40.00%	2,000	2,000	2.00%	2.00%
8	Commercial per dishwasher (WS2)	11,241	15,737	4,496	40.00%	0,326	0,326	0.32%	0.32%
9	Commercial per wash machine (WS3)	3,247	4,545	1,298	39.98%	0,099	0,099	0.09%	0.09%
10	Commercial per wash rack (WS4)	2,497	3,496	998	39.98%	0,076	0,076	0.07%	0.07%
11	Miscellaneous Revenues	1,002	1,002	-	0.00%	0,036	0,036	0.03%	0.02%
12	Subtotal of Revenues	\$ 3,520,431	\$ 4,929,017	\$ 1,408,586	40.01%	100.00%	100.00%	100.00%	100.00%

Line No.	Revenue Annualization	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Bills to be Issued
15	Residential Units (WSR)	3,134	4,389	1,255	40.02%	193
16	Commercial Units (SSC)	7,089	9,925	2,837	40.02%	307
17	Commercial Large User (WS6)	681	954	273	40.00%	15
18	Multi-family Residential Units (AC WSRE)	(424)	(594)	(170)	40.00%	(80)
19	Commercial additional toilets (WS1)			-		
20	Commercial per dishwasher (WS2)	566	792	226	39.98%	57
21	Commercial per wash machine (WS3)					
22	Commercial per wash rack (WS4)					
23	Total Revenue Annualization	\$ 11,046	\$ 15,467	4,420	40.02%	492
24						
25						
26	Total Revenues	\$ 3,531,477	\$ 4,944,483	1,413,006	40.01%	

Arizona American - Sun City West Sewer
 Changes in Representative Rate Schedules
 Test Year ended December 31, 2001

Exhibit
 Schedule H-3
 Page 2
 Witness: Kozoman

REVISED

Line		Present	Proposed
<u>No.</u>	<u>Other Service Charges</u>	<u>Rates</u>	<u>Rates</u>
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Delinquent)		
4	Reconnection (After Hours)		
5			
6	Deposit		
7	Deposit Interest		
8	Re-Establishment (With-in 12 Months)		
9			
10	NSF Check		
11	Deferred Payment, Per Month (b)		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17	Rates for above charges are listed on Schedule H-3, Page 3, for Sun City West Water.		
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 141.00	\$ 203.89	\$ 62.89	44.60%
1,000	141.93	205.23	\$ 63.30	44.60%
2,000	142.86	206.57	\$ 63.71	44.60%
3,000	143.79	207.91	\$ 64.12	44.59%
4,000	144.72	209.25	\$ 64.53	44.59%
5,000	145.65	210.59	\$ 64.94	44.59%
6,000	146.58	211.93	\$ 65.35	44.58%
7,000	147.51	213.27	\$ 65.76	44.58%
8,000	148.44	214.61	\$ 66.17	44.58%
9,000	149.56	216.23	\$ 66.67	44.58%
10,000	150.68	217.85	\$ 67.17	44.58%
11,000	151.80	219.47	\$ 67.67	44.58%
12,000	152.92	221.09	\$ 68.17	44.58%
13,000	154.04	222.71	\$ 68.67	44.58%
14,000	155.16	224.33	\$ 69.17	44.58%
15,000	156.28	225.95	\$ 69.67	44.58%
16,000	157.40	227.57	\$ 70.17	44.58%
17,000	158.52	229.19	\$ 70.67	44.58%
18,000	159.64	230.81	\$ 71.17	44.58%
193,000	355.64	514.31	\$ 158.67	44.62%
194,000	356.76	515.93	\$ 159.17	44.62%
234,000	401.56	580.73	\$ 179.17	44.62%
237,000	404.92	585.59	\$ 180.67	44.62%
239,000	407.16	588.83	\$ 181.67	44.62%
250,000	419.48	606.65	\$ 187.17	44.62%
251,000	420.60	608.27	\$ 187.67	44.62%
255,000	425.08	614.75	\$ 189.67	44.62%
257,000	427.32	617.99	\$ 190.67	44.62%
276,000	448.60	648.77	\$ 200.17	44.62%
281,000	454.20	656.87	\$ 202.67	44.62%
Average Usage				
241,750	\$ 410.24	\$ 593.29	\$ 183.05	44.62%
Median Usage				
239,000	\$ 407.16	\$ 588.83	\$ 181.67	44.62%

Present Rates:

Monthly Minimum:	\$ 141.00
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 8,000	\$ 0.93
Up to 999,999,999	\$ 1.12
Over 1,000,000,000	\$ 1.12
	\$ 1.12

Proposed Rates:

Monthly Minimum:	\$ 203.89
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 8,000	\$ 1.34
Up to 999,999,999	\$ 1.62
Over 1,000,000,000	\$ 1.62
	\$ 1.62