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OPEN MEETING

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MEMORANDUM

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Arizona Corporation Commission

DOCKETED

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APR 19 2005

TO: THE COMMISSION
AZ CORP COMMISSION
DOCUMENT CONTROL
FROM: Utilities Division

DOCKETED BY	RW
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DATE: April 19, 2005

RE: IN THE MATTER OF THE APPLICATION OF NAVAJO WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR APPROVAL OF A WATER AUGMENTATION SURCHARGE TARIFF (DOCKET NO. W-03511A-05-0189)

Introduction

On March 15, 2005, Navajo Water Company, Inc. ("Company") filed a Water Augmentation Surcharge Tariff. This proposed tariff would allow the Company to make monthly adjustments to its rates and charges for water service to recover costs incurred for water augmentation costs, including bulk water purchases and transportation, which could occur if a curtailment plan tariff is approved by the Arizona Corporation Commission ("Commission").

Waiving the Timeclock

On March 17, 2005, the Company docketed a letter agreeing to waive the applicable timeclock.

Company's Water Systems

The Company is located in the Show Low area in Navajo County and consists of three independent water systems; Laguna Estates, Summer Pines and Chaparral Pines Systems. These systems serve a total of approximately 900 customers.

Proposed Water Augmentation Surcharge Tariff

The Company's proposed water augmentation surcharge tariff was developed based on the tariff approved for Pine Water Company, Inc. ("Pine Water") in its most recent rate case order, Decision No. 65914 (May 16, 2003). The surcharge will be calculated by:

"Dividing the total water hauling costs incurred in a given month by the amount of water sold that month. The resulting rate per 1,000 gallons will then be multiplied by the gallons used in that month for each customer to arrive at the surcharge per 1,000 gallons. The resulting water augmentation surcharge would then be charged in the next month's billing cycle as a separate line item on the customer's bill."

According to the Company, the imposition of this surcharge will have no impact on the rate of return realized by the Company.

Conclusions

Staff has reviewed the proposed surcharge tariff and finds that this request can only be considered in the context of a rate case filing. The requested surcharge is not revenue neutral and would increase or decrease the Company's revenues or expenses.

Staff's Recommendation

Staff recommends denial of the Company's Water Augmentation Surcharge Tariff.



Ernest G. Johnson

Director

Utilities Division

EGJ:MSJ:cal\TS

ORIGINATOR: Marlin Scott, Jr.

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF NAVAJO WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR APPROVAL OF A WATER AUGMENTATION SURCHARGE TARIFF	}	DOCKET NO. W-03511A-05-0189 DECISION NO. _____ <u>ORDER</u>
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Open Meeting
May 3 and 4, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Navajo Water Company, Inc. ("Company") is certificated to provide water as a public service corporation in the State of Arizona.
2. On March 15, 2005, the Company filed a water augmentation surcharge tariff.
3. The Company's proposed tariff would allow the Company to make monthly adjustments to its rates and charges for water service to recover costs incurred for water augmentation costs, including bulk water purchases and transportation, which could occur if a curtailment plan tariff is approved by the Arizona Corporation Commission ("Commission").
4. On March 17, 2005, the Company docketed a letter agreeing to waive the applicable timeclock.

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2 DOCKET NO. W-03511A-05-0189

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