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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

MAY 05 2005

DOCKETED BY	NR
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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. 67818
ORDER

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

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

7
8 "Dividing the total water hauling costs incurred in a given month by the amount of
9 water sold that month. The resulting rate per 1,000 gallons will then be multiplied
10 by the gallons used in that month for each customer to arrive at the surcharge per
11 1,000 gallons. The resulting water augmentation surcharge would then be charged
12 in the next month's billing cycle as a separate line item on the customer's bill."

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

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

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

19 **CONCLUSIONS OF LAW**

20 1. The Company is an Arizona public service corporation within the meaning of
21 Article XV, Section 2, of the Arizona Constitution.

22 2. The Commission has jurisdiction over the Company and of the subject matter in
23 this Application.

24 3. The Commission, having reviewed the request for approval of the tariff and Staff's
25 Memorandum, dated April 19, 2005, and concludes that it is not in the public interest to approve
26 the Water Augmentation Surcharge Tariff.

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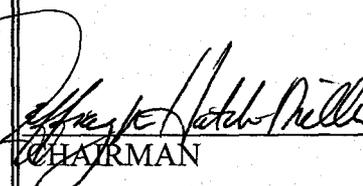
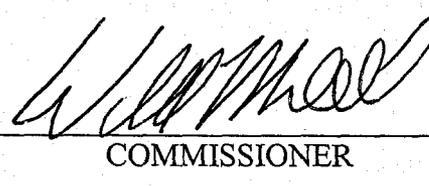
1 4. Under Article XV, Section 14 of the Arizona Constitution, the proposed tariff
2 cannot be approved without a fair value finding.

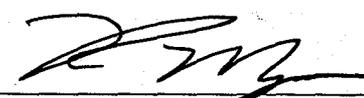
3 ORDER

4 IT IS THEREFORE ORDERED that the proposed Water Augmentation Surcharge Tariff
5 for Navajo Water Company, Inc. is denied.

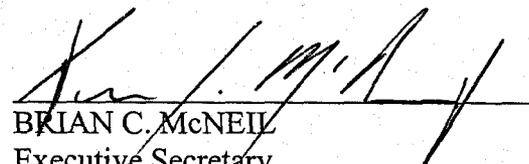
6 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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11 CHAIRMAN COMMISSIONER COMMISSIONER

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13  
14 COMMISSIONER COMMISSIONER

15 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
16 Secretary of the Arizona Corporation Commission, have
17 hereunto, set my hand and caused the official seal of this
18 Commission to be affixed at the Capitol, in the City of
19 Phoenix, this 5th day of May, 2005.

20 
21 BRIAN C. McNEIL
22 Executive Secretary

23 DISSENT: _____

24
25 DISSENT: _____

26 EGJ:MSJ:cal\TS

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1 SERVICE LIST FOR: Navajo Water Company, Inc.

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

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