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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

JUN 17 2005

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IN THE MATTER OF THE APPLICATION ) DOCKET NO. W-01445A-04-0650  
 OF ARIZONA WATER COMPANY, AN )  
 ARIZONA CORPORATION, FOR )  
 ADJUSTMENTS TO ITS RATES AND ) **NOTICE OF FILING OF**  
 CHARGES FOR UTILITY SERVICE ) **WITNESS SUMMARY OF**  
 FURNISHED BY ITS WESTERN GROUP ) **EDWARD F. HARVEY**  
 AND FOR CERTAIN RELATED )  
 APPROVALS )

The City of Casa Grande gives notice of the filing of witness summary of Edward F. Harvey. The witness summary is attached hereto.

Respectfully submitted this 17<sup>th</sup> day of June, 2005.

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DOCUMENT CONTROL

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Original and thirteen (13) copies of  
the foregoing were filed this 17<sup>th</sup> day of  
June, 2005, with:

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**ARIZONA WATER COMPANY**

**Docket No. W-01445A-04-0650**

**SUMMARY OF THE TESTIMONY OF EDWARD F. HARVEY  
ON BEHALF OF THE CITY OF CASA GRANDE**

The following is a summary of the significant issues set forth in both the direct and the surrebuttal testimony of City of Casa Grande ("City") witness Edward F. Harvey.

Recovery of CAP M&I deferred costs: Mr. Harvey recommends that the CAP M&I deferred costs be paid by future customers because CAP water will primarily serve those future customers. He offers two ways in which these costs could be recovered: (1) surcharge on new customers' bills; and (2) creation of a one-time water resource fee for all new customers.

Preparation of a Water Resource Management Plan: Mr. Harvey recommends that the Company prepare and submit a complete Water Resource Management Plan outlining its plans for recovery of CAP M&I deferred costs, recovery of arsenic treatment costs, use of CAP water, and use of other water resources. The City should be involved in the creation and development of the Plan. Until the Company submits a Plan, they should not be able to recover any CAP M&I deferred costs.

Arsenic Cost Recovery: Mr. Harvey recommends that the Company make greater efforts to enter a cooperative agreement with the City to obtain low interest loans or grants for construction of the arsenic treatment facility so that the cost to ratepayers is as low as possible.

Risk: Mr. Harvey rejects the Company's assertion that it faces special risks that warrant an upward adjustment in its rate of return. He recommends that the rate of return calculations be conservative and that return on equity be calculated using historical data instead of speculative forecasts.

Purchased Power/Water Adjustments: Mr. Harvey agrees with Staff's position on this issue.

Rate Design: Mr. Harvey is opposed to the Company's rate design. He recommends that the Company provide a cost-of-service study by meter size and by volume of water sold in support of any rate design proposal.

Reimbursement of Legal Fees: Mr. Harvey agrees with Staff and RUCO that the Company should not be reimbursed for its legal fees.