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BEFORE THE ARIZONA CORPORATION COMMISSION

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Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
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Commissioner
KRISTIN K. MAYES
Commissioner

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION, FOR ADJUSTMENTS TO ITS
RATES AND CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS WESTERN GROUP AND FOR
CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-04-0650

Staff's Notice of Filing

The Utilities Division ("Staff") hereby provides notice of filing of Staff's Summary of
Direct Testimony of Staff Witness Lyndon Hammon (to be adopted by Steven M. Olea) and
Supplemental Testimony of Steven M. Olea.

RESPECTFULLY SUBMITTED this 16th day of June 2005.

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The original and thirteen (13) copies
of the foregoing were filed this
16th day of June 2005 with:

Docket Control
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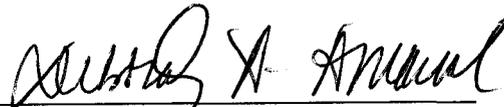
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**SUMMARY OF THE DIRECT TESTIMONY
OF
STAFF WITNESS
LYNDON R. HAMMON
(TO BE ADOPTED BY STEVEN M. OLEA)
AND
SUPPLEMENTAL TESTIMONY OF STEVEN M. OLEA
IN THE RATE CASE FILED BY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-04-0650**

The Testimony of Mr. Lyndon R. Hammon is being adopted by Mr. Steve Olea upon Mr. Hammon's retirement.

- (1) The Arizona Department of Environmental Quality ("ADEQ") reported that all six water systems are in **total** compliance with its rules and regulations. ADEQ determined that all six systems are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.
- (2) Staff recommends the adoption in this rate case of the previously approved depreciation schedule presented on page 18 of Mr. Ralph Kennedy's direct testimony. *(Staff recommends that this should be addressed by an ordering paragraph in the final Decision and Order.)*
- (3) Expense Adjustments:
 - (a) The Company's water testing expense for the Western Group was at or below Staff's expectation based upon usual and customary water testing methodology and expenses. Staff recommends acceptance of the Company's water testing expense (Adjustment No. 12 in Schedule C-2 of original application).
 - (b) Staff recommends acceptance of the Company's expense adjustment for tank maintenance (Adjustment No. 13 in Schedule C-2 of original application).
- (4) Tariffs:
 - (a) Staff recommends that the MA-262 tariff, "Monitoring Assistance Program Surcharge", ("MAP") be revised, company-wide, to conform with the new DEQ, MAP fee structure. Staff also recommends that the revised MA-262 tariff be filed with the Director of the Utilities Division for review and certification, and the filing of that revised tariff shall be made within 60 days of a decision in this matter, but no later than the Company's annual surcharge calculation for each water system

participating in MAP. *(Staff recommends that this should be addressed by an ordering paragraph in the final Decision and Order.)*

- (b) Staff recommends that Arizona Water Company file a new Non-Potable Central Arizona Project Water tariff for Casa Grande, Coolidge, and White Tanks within 60 days of the date of a final decision in this rate case. The new tariff shall conform to the new Apache Junction Non-Potable Central Arizona Project Water tariff, which was approved pursuant to Decision No. 66849. *(Staff recommends that this should be addressed by an ordering paragraph in the final Decision and Order.)*
- (5) Central Arizona Project ("CAP") Municipal and Industrial ("M&I") Capital Charges:

Staff recommends approval of cost recovery of CAP M&I deferred and on-going capital charges through CAP Hook-up Fee Tariffs, but only with Staff's recommended conditions.