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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

- W-01303A-05-0280
- WS-01303A-02-0867
- WS-01303A-02-0869
- WS-01303A-02-0870

IN THE MATTER OF THE APPLICATION OF
 ARIZONA-AMERICAN WATER COMPANY, INC.,
 AN ARIZONA CORPORATION, FOR AUTHORITY
 TO IMPLEMENT ARSENIC COST RECOVERY
 MECHANISMS FOR ITS AGUA FRIA WATER,
 AND TUBAC WATER DISTRICTS.

NOTICE OF ERRATA

The Utilities Division ("Staff") of the Arizona Corporation Commission provides this Notice of Errata. The Direct Testimony of Staff witness Crystal S. Brown which was filed on July 1, 2005 inadvertently omitted an Attachment and an Exhibits. Copies of the omitted items are attached.

RESPECTFULLY SUBMITTED this 12th day of July, 2005.

Timothy J. Sabo
 Attorney, Legal Division
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007
 (602) 542-3402

The original and thirteen (13) copies of the foregoing were filed this 12th day of July 2005 with:

Docket Control
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007

Copies of the foregoing were mailed this 12th day of July 2005 to:

Administrative Law Judge Teena Wolfe
 Hearing Division
 Arizona Corporation Commission
 1200 West. Washington Street
 Phoenix, AZ 85007

AZ CORP COMMISSION
DOCUMENT CONTROL

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RECEIVED

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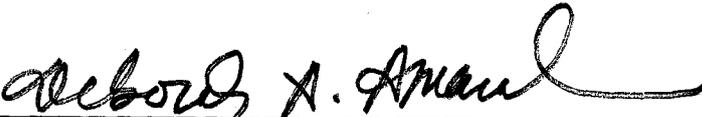
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30 Deborah A. Amaral
31 Secretary to Timothy J. Sabo

MEMORANDUM

TO: Crystal Brown
Public Utilities Analyst V
Utilities Division

FROM: Marlin Scott, Jr. *MSJ*
Utilities Engineer
Utilities Division

DATE: June 13, 2005

RE: ARIZONA AMERICAN WATER COMPANY – HAVASU WATER DISTRICT
DOCKET NO. W-01303A-05-0280 (ARSENIC IMPACT HOOK-UP FEE
TARIFF)

Introduction

Arizona American Water Company – Havasu Water District (“Havasu”) filed with its request for an Arsenic Cost Recovery Mechanism for its Agua Fria, Havasu and Sun City West Water Districts, a request for an Arsenic Impact Hook-up Fee (“AIHUF”) Tariff for its Havasu Water District. Havasu is undertaking a treatment construction project to reduce the level of arsenic concentration in its water supply so it can meet the new arsenic standard in 2006. The Company plans to use proceeds from the proposed AIHUF Tariff to assist in constructing the arsenic treatment facilities.

Staff’s Analysis

Staff has reviewed Havasu’s fee charges and recommends adjustments to the proposed fees. First, Havasu updated its capital cost from \$1,718,501 to \$1,913,228. Second, Havasu used different meter factors in calculating its proposed fee for each meter size than what Staff has been applying. Therefore, Staff has recalculated the fee charges in the AIHUF Table shown in the Tariff Schedule, resulting in Staff’s recommendation of an AIHUF of \$870 for all new 5/8 x 3/4-inch service connections and graduating for larger meter sizes.

Staff’s Recommendation

Staff recommends approval of Havasu’s Arsenic Impact Hook-up Fee Tariff as modified by Staff and reflected in Staff’s attached Tariff Schedule – Arsenic Impact Hook-up Fee.

Staff further recommends that Havasu be required to submit a calendar year status report each January 31st to the Utilities Division Compliance Section for the prior twelve (12) month period, beginning January 31, 2006, until the AIHUF Tariff is no longer in effect. This status report

Crystal Brown
June 13, 2005
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should contain a list of all customers that have paid the AIHUF Tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the AIHUF Tariff account, and a list of all facilities that have been installed with the AIHUF Tariff funds during the 12 month period.

:msj

Attachment: Tariff Schedule - Arsenic Impact Hook-up Fee

TARIFF SCHEDULE

UTILITY: Arizona American Water Co. – Havasu District
DOCKET NO.: WS-01303A-02-0867 et. al.

DECISION NO. _____
EFFECTIVE DATE: _____

ARSENIC IMPACT HOOK-UP FEE

I. Purpose and Applicability

The purpose of the Arsenic Impact Hook-up Fee ("AIHUF") payable to **Arizona American Water Company – Havasu Water District** ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing water treatment plant facilities to treat and remove arsenic. These charges are applicable to all new service connections established after the effective date of the tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting, this tariff schedule.

"Applicant" means any party entering into an agreement with the Company for the installation of water facilities to serve new service connections.

"Arsenic Treatment Facilities" means treatment equipment and related appurtenances necessary for the removal of arsenic through treatment of water to meet the 10 parts per billion ("ppb") arsenic standards.

"Company" means Arizona American Water Company – Havasu Water District, an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission's Utilities Division (same as line extension agreement).

"Service Connection" means and includes all service connections for residential, commercial, industrial, or other uses, regardless of meter size.

III. Arsenic Impact Hook-up Fee Charges

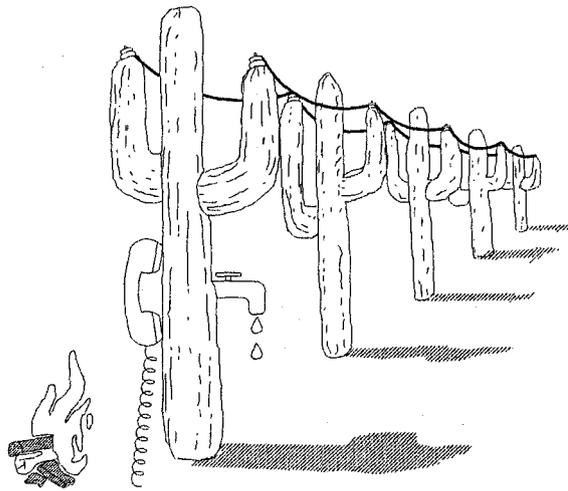
Each new service connection shall pay the Arsenic Impact Hook-up Fee derived from the following table:

ARSENIC IMPACT HOOK-UP FEE TABLE		
Meter Size	Meter Factor	Fee
5/8" x 3/4"	1	\$870
3/4"	1.5	\$1,305
1"	2.5	\$2,175
1-1/2"	5	\$4,350
2"	8	\$6,960
3"	16	\$13,920
4"	25	\$21,750
6"	50	\$43,500
8" or larger	80	\$69,600

IV. Terms and Conditions

- (A) Assessment of One Time AIHUF Charge: The AIHUF may be assessed only once per service connection, or lot within a platted subdivision (similar to service line and meter installation charges). However, this provision does not exempt from the AIHUF, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of AIHUF: AIHUF may only be used to pay for capital items of arsenic treatment facilities (including engineering and design costs for such facilities), or for repayment of loans obtained for installation of arsenic treatment facilities. AIHUF shall not be used for expenses, maintenance, or operational purposes.
- (C) Time of Payment:
- (1) In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the charges required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Commission has approved the main extension agreement in accordance with R-14-2-406(M).

- (2) In the event the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the service line and meter installation charge is due and payable.
- (D) Failure to Pay Charges, Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this AIHUF tariff.
- (E) AIHUF Non-refundable: The amounts collected by the Company pursuant to the AIHUF shall be non-refundable advances in aid of construction.
- (F) Use of Charges Received: All funds collected by the Company pursuant to the AIHUF shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of arsenic treatment facilities (including engineering and design costs for such facilities), including repayment of loans obtained for the installation of arsenic treatment facilities that will benefit the entire water system.
- (G) AIHUF in Addition to Other Charges: The AIHUF shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (H) Disposition of Excess Funds: After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the AIHUF has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.



ARIZONA CORPORATION COMMISSION

Engineering Section

TELECOPIER TRANSMITTAL SHEET

Phone (602) 542-4655 Fax (602) 542-0766

DATE: July 6, 2005
TO: Craig Marks (Fax: 623.445.2451)
OF: Az Am Water Co.
FROM: Marlin Scott, Jr. (Phone: 602.542.7272)
Utilities Engineer
REMARKS: Mr. Marks,

Per your call yesterday, I'm sending you the Exhibit and Attachment that was omitted from Staff's Direct Testimony filing for W-01303A-05-0280. We are currently working to have these documents filed in Docket Control. ~Marlin

NUMBER OF SHEETS (Including Cover Sheet): 7

Chaparral City Water Company
Average Capital Structure of Sample Water Utilities

[A] Company	[B] Long-Term Debt	[C] Common Equity	[D] Total
American States Water	49.2%	50.8%	100.0%
California Water	49.7%	50.3%	100.0%
Aqua America	53.0%	47.0%	100.0%
Connecticut Water	43.1%	56.9%	100.0%
Middlesex Water	55.4%	44.6%	100.0%
SJW Corp	<u>46.8%</u>	<u>53.2%</u>	<u>100.0%</u>
Average Sample Water Utilities	49.5%	50.5%	100.0%
Chaparral City Water Company	41.2%	58.8%	100.0%

Source: Value Line, Arizona Water's application