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BEFORE THE ARIZONA CORPORATION COMMISSION

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2005 AUG 29 A 11: 33
AZ CORP COMMISSION
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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, SUN CITY WEST WATER, HAVASU WATER, AND TUBAC WATER DISTRICTS.

Docket No. W-01303A-05-0280

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.

Docket No. WS-01303A-02-0867

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS HAVASU WATER DISTRICT

Docket No. W-01303A-02-0869

RUCO'S CLOSING BRIEF

1 IN THE MATTER OF THE APPLICATION OF
2 ARIZONA-AMERICAN WATER COMPANY,
3 INC., AN ARIZONA CORPORATION, FOR A
4 DETERMINATION OF THE CURRENT FAIR
5 VALUE OF ITS UTILITY PLANT AND
6 PROPERTY AND FOR INCREASES IN ITS
7 RATES AND CHARGES BASED THEREON
8 FOR UTILITY SERVICE BY ITS ANTHEM
9 WATER DISTRICT, ITS AGUA FRIA WATER
10 DISTRICT, AND ITS ANTHEM/AGUA FRIA
11 WASTEWATER DISTRICT.

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9 **RUCO'S CLOSING BRIEF**

8 The Residential Utility Consumer Office ("RUCO") submits the following points in
9 support of its recommendation that Arizona-American Water Company, Inc.'s ("Company")
10 proposed Arsenic Cost Recovery Mechanism ("ACRM") be approved by the Commission.

11 The Company's proposed ACRM is patterned after the ACRM approved by the
12 Commission in Arizona Water Company's Northern Division case. See Decision No.
13 66400. The ACRM is a step increase mechanism designed to recover the Company's
14 incremental investment in arsenic treatment plant, depreciation, return, and O&M costs
15 associated with media replacement/regeneration/waste disposal. R-1 at 2¹. The ACRM
16 as proposed contains adequate safeguards to assure compliance with the law and
17 regulatory precedent. RUCO supports the proposed ACRM for the most part; however
18 there are two points which RUCO makes the following comments.

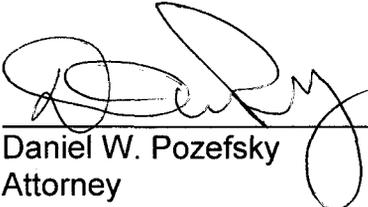
19 First, the Company is proposing that a hook-up fee be established for its Havasu
20 district that would be used as a source of funding for the arsenic treatment plant. Id. at 4-
21 5. Generally, when a new customer pays a hook-up fee, that fee serves to fund the portion
22 of incremental plant that is required to serve that customer. Thus, hook-up fees are used

23
24 ¹ For ease of reference, trial exhibits will be identified similar to their identification in the Transcript of Proceedings. The transcript page number will identify references to the Transcript.

1 to allow growth to pay for itself. The arsenic treatment plant, however, is not growth
2 related plant. It would be inappropriate to apply hook-up fees for a non-growth related
3 purpose. Moreover, if a hook-up fee were approved, new customers would pay for the
4 new arsenic plant through step-increases, the same as current customers, and also
5 through the hook-up fee. Id. New customers should not have to pay for the new arsenic
6 plant twice. The Commission should reject the Company's proposal to apply a hook-up
7 fee as a source to fund the new arsenic treatment plant.

8 Second, the Company raises the issue of a timely review period for Staff or any
9 other party to review the prudence of the new arsenic plant after it is built. A-6 at 9. The
10 Company refers to the Arizona Water "precedent" which the Company notes establishes
11 an "expectation of 45 to 90 day from filing to effectiveness." Id. In Arizona Water's
12 Northern Division case, the Commission did not establish a specific period or an
13 expectation. Decision No 66400 at 15. Nor did the Commission limit the review to just the
14 numbers. Instead, the Commission left the period of review open noting that all parties had
15 the right to analyze all the relevant issues and, if necessary the Commission will hold a
16 short hearing to examine any unresolved issues. Id. RUCO recommends the
17 Commission apply the same standard in this case.

18 RESPECTFULLY SUBMITTED this 29th day of August, 2005.

19 
20 _____
21 Daniel W. Pozefsky
22 Attorney

1 AN ORIGINAL AND THIRTEEN
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3 day of August, 2005 with:

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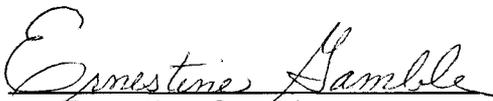
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