

ORIGINAL
OPEN MEETING



MEMORANDUM
RECEIVED

410

2005 SEP 14 P 12: 00

TO: THE COMMISSION

FROM: Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: September 14, 2005

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY FOR APPROVAL OF TARIFF REVISIONS TO OFFER SEPARATE SERVICE LINE AND METER INSTALLATION CHARGES (DOCKET NO. WS-01303A-05-0588)

On August 12, 2005, Arizona-American Water Company ("Arizona-American" or "the Company") filed an application for approval of tariff revisions to offer separate service line and meter installation charges to new customers in the following Districts: Sun City West, Sun City, Anthem, Tubac, Havasu, and Mohave. With this filing, the Company is also seeking approval to add an alternative meter installation charge in the Agua Fria District for customers in areas where automatic meter reading is required. On August 30, 2005, the Company filed a letter agreeing to waive the 30-day time clock to allow Staff time to complete its review of the filing.

The Agua Fria District already has separate service line and meter installation charges. The proposal therefore will make the Company's tariffs in the other districts consistent with Agua Fria's tariff. Customers wanting only a meter or a service line installation do not want to pay for both as required by the existing combined tariffs. According to the Company, in the Mohave District, for example, the majority of customers wanting installation are requesting a meter installation only. Under the proposal, a customer who only requires the meter or the line but not both would be charged a lesser amount (the charge to a customer who requires both service line and meter should not change). Per Arizona Administrative Code Rule R14-2-405.B.2, these charges are treated as advances in aid of construction and are refundable. Staff has reviewed the individual charges for the meter and the service line contained in the proposed tariff and finds them to be inconsistent with Staff's recommended charges for these components.

Attachment A contains charges for the installation of the service line and the meter for various size meters (sizes 5/8-inch to 6-inch) which Staff believes are reasonable and appropriate. The charges contained in Attachment A are typical of what most utilities would charge for the individual components. In several instances, the charges proposed by the Arizona-American do not fully comport with the charges contained in Attachment A. Therefore, Staff recommends that Arizona-American file amended tariff pages that conform to Attachment A for the Sun City West, Sun City, Anthem, Tubac, Havasu and Mohave Districts.

For meter installations where Automatic Meter Reading ("AMR") capability is required, the Company proposes to add with this filing an alternative meter installation charge of \$120 per meter. The additional \$120 charge is based on the incremental cost of the AMR meters. This charge would be the same for each size meter and would only be applicable in the Agua Fria

THE COMMISSION

September 14, 2005

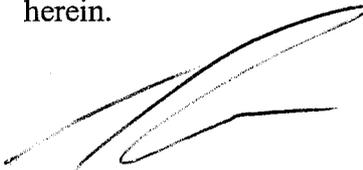
Page 2

District. According to the Company, AMR, which eliminates the need for manual meter reading, is appropriate where the Company can install the capability on large quantities of meters in an entire subdivision or in specific meter locations which create safety concerns. The Company plans to install the AMR capability in entire housing subdivisions as they are being constructed in the Agua Fria District which is the Company's fastest growing district. The Company is not planning to install the AMR capability in its other districts at this time. AMR capability would be required for meter installations the Company determines are appropriate. Staff believes that the AMR capability could be beneficial in certain applications and, therefore, recommends approval. Staff recommends that Arizona-American file amended tariff pages that conform to Attachment B for the Agua Fria District.

The proposed tariff revisions, including the modifications discussed herein, will have a *de minimus* impact on Arizona-American's revenue and income.

In Decision No. 67093 (June 30, 2004), the Commission approved rates for the Arizona-American districts at issue here. In Decision No. 67093 the Commission also approved fair value findings for each of these districts. These fair value findings are recent, and Staff has considered them in reviewing these *de minimus* tariff revisions.

Staff recommends approval of an amended tariff which includes the revisions discussed herein.



Ernest G. Johnson
Director
Utilities Division

ORIGINATOR: Del Smith

EGJ:DWS:lhms\TS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY FOR APPROVAL OF TARIFF
REVISIONS TO OFFER SEPARATE
SERVICE LINE AND METER
INSTALLATION CHARGES

DOCKET NO. WS-01303A-05-0588
DECISION NO. _____
ORDER

Open Meeting
September 27 and 28, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona-American Water Company ("Arizona-American" or "the Company") is certificated to provide water service as a public service corporation in the State of Arizona.
2. On August 12, 2005, Arizona-American filed an application for approval of tariff revisions to offer separate service line and meter installation charges to new customers in the following Districts: Sun City West, Sun City, Anthem, Tubac, Havasu, and Mohave. With this filing, the Company is also seeking approval to add an alternative meter installation charge in the Agua Fria District for customers in areas where automatic meter reading is required.
3. On August 30, 2005, the Company filed a letter agreeing to waive the 30-day time clock to allow Staff time to complete its review of the filing.
4. The Agua Fria District already has separate service line and meter installation charges. The proposal therefore will make the Company's tariffs in the other districts consistent with Agua Fria's tariff. Customers wanting only a meter or a service line installation do not want

1 to pay for both as required by the existing combined tariffs. According to the Company, in the
2 Mohave District, for example, the majority of customers wanting installation are requesting a
3 meter installation only. Under the proposal, a customer who only requires the meter or the line but
4 not both would be charged a lesser amount (the charge to a customer who requires both service
5 line and meter should not change). Per Arizona Administrative Code Rule R14-2-405.B.2, these
6 charges are treated as advances in aid of construction and are refundable. Staff has reviewed the
7 individual charges for the meter and the service line contained in the proposed tariff and finds
8 them to be inconsistent with Staff's recommended charges for these components.

9 5. Attachment A contains charges for the installation of the service line and the meter
10 for various size meters (sizes 5/8-inch to 6-inch) which Staff believes are reasonable and
11 appropriate. The charges contained in Attachment A are typical of what most utilities would
12 charge for the individual components. In several instances, the charges proposed by the Arizona-
13 American do not fully comport with the charges contained in Attachment A. Staff has
14 recommended that Arizona-American file amended tariff pages that conform to Attachment A for
15 the Sun City West, Sun City, Anthem, Tubac, Havasu and Mohave Districts.

16 6. For meter installations where Automatic Meter Reading ("AMR") capability is
17 required, the Company proposes to add with this filing an alternative meter installation charge of
18 \$120 per meter (\$120 is added to the current charge in the tariff for each size meter). The
19 additional \$120 charge is based on the incremental cost of the AMR meters. This charge would
20 only be applicable in the Agua Fria District. According to the Company, AMR, which eliminates
21 the need for manual meter reading, is appropriate where the Company can install the capability on
22 large quantities of meters in an entire subdivision or in specific meter locations which create safety
23 concerns. The Company plans to install the AMR capability in entire housing subdivisions as they
24 are being constructed in the Agua Fria District which is the Company's fastest growing district.
25 The Company is not planning to install the AMR capability in its other districts at this time. AMR
26 capability would be required for meter installations the Company determines are appropriate. Staff

27 ...

28

1 believes that the AMR capability could be beneficial in certain applications and has recommended
2 approval. Staff recommends that Arizona-American file amended tariff pages that conform to
3 Attachment B for the Agua Fria District.

4 7. Staff has recommended approval of an amended tariff which includes the revisions
5 discussed herein.

6 8. The proposed tariff revisions, including the modifications discussed herein, will have
7 a *de minimus* impact on Arizona-American's revenue and income.

8 9. In Decision No. 67093 (June 30, 2004), we approved rates for the Arizona-American
9 districts at issue here. In Decision No. 67093, we also approved fair value findings for each of
10 these districts. These fair value findings are recent, and we have considered them in reviewing
11 these *de minimus* tariff revisions.

12 **CONCLUSIONS OF LAW**

13 1. Arizona-American Water Company provides water utility service to residents within
14 the State of Arizona pursuant to multiple certificates of convenience and necessity issued by the
15 Arizona Corporation Commission.

16 2. The Commission has jurisdiction over Arizona-American Water Company, and the
17 subject matter in this Application.

18 3. Staff's recommendation in Finding of Fact Nos. 5 – 7 are reasonable and should be
19 adopted.

20 4. The Commission, having reviewed the filing and Staff's Memorandum dated
21 September 14, 2005, finds that it is in the public interest to approve an amended tariff which
22 incorporates the changes outlined in Finding of Fact Nos. 5 and 6.

23 **ORDER**

24 IT IS THEREFORE ORDERED that the tariff filing as amended herein is hereby
25 approved.

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that within thirty (30) days of this decision, Arizona-
2 American Water Company shall file with Docket Control tariff sheets in compliance with this
3 decision.

4 IT IS FURTHER ORDERED that this decision shall become effective immediately.

5

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

7

8

CHAIRMAN COMMISSIONER COMMISSIONER

9

10

11

COMMISSIONER COMMISSIONER

12

13

14

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
Director of the Arizona Corporation Commission, have
hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2005.

15

16

17

BRIAN C. McNEIL
Executive Director

18

19

DISSENT: _____

20

21

DISSENT: _____

22

EGJ:DWS:lhm\TS

23

24

25

26

27

28

1 SERVICE LIST FOR: Arizona-American Water Company
2 DOCKET NO. WS-01303A-05-0588

3 Mr. Tom Broderick
4 Manager, Government & Regulatory Affairs
5 Arizona American Water Company
6 101 Corporate Center
7 19820 North Seventh Street, Suite 201
8 Phoenix, Arizona 85024

9 Mr. Craig A. Marks
10 Corporate Counsel
11 Arizona American Water Company
12 101 Corporate Center
13 19820 North Seventh Street, Suite 201
14 Phoenix, Arizona 85024

15 Mr. Ernest G. Johnson
16 Director, Utilities Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Mr. Christopher C. Kempley
21 Chief Counsel
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

25
26
27
28

**CHARGES FOR THE SUN CITY WEST, SUN CITY, ANTHEM,
TUBAC, HAVASU AND MOHAVE DISTRICTS**

METER SIZE	SERVICE LINE CHARGE	METER CHARGE
5/8" x 3/4"	\$370.00	\$130.00
3/4"	\$370.00	\$205.00
1"	\$420.00	\$240.00
1-1/2"	\$450.00	\$450.00
2" – Turbine	\$580.00	\$945.00
2" – Compound	\$580.00	\$1,640.00
3" – Turbine	\$745.00	\$1,420.00
3" – Compound	\$765.00	\$2,195.00
4" – Turbine	\$1,090.00	\$2,270.00
4" – Compound	\$1,120.00	\$3,145.00
6" – Turbine	\$1,610.00	\$4,425.00
6" - Compound	\$1,630.00	\$6,120.00

CHARGES FOR THE AGUA FRIA DISTRICT

METER SIZE	SERVICE LINE CHARGE	METER CHARGE (WITHOUT AMR)	METER CHARGE (WITH AMR)
5/8" x 3/4"	\$370.00	\$130.00	\$250.00
3/4"	\$370.00	\$205.00	\$325.00
1"	\$420.00	\$240.00	\$360.00
1-1/2"	\$450.00	\$450.00	\$570.00
2" – Turbine	\$580.00	\$945.00	1,065.00
2" – Compound	\$580.00	\$1,640.00	\$1,760.00
3" – Turbine	\$745.00	\$1,420.00	\$1,540.00
3" – Compound	\$765.00	\$2,195.00	\$2,315.00
4" – Turbine	\$1,090.00	\$2,270.00	\$2,390.00
4" – Compound	\$1,120.00	\$3,145.00	\$3,265.00
6" – Turbine	\$1,610.00	\$4,425.00	\$4,545.00
6" - Compound	\$1,630.00	\$6,120.00	\$6,240.00

NOTE: AMR type meters will be installed in all new subdivisions and for new service locations where the company determines there is a safety or access concern.