



EXCEPTION ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION...

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- JEFF HATCH-MILLER  
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COMMISSIONER

2005 OCT 12 P 1:42

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. W501303A-02-0869

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.

7  
8 **RUCO'S EXCEPTIONS TO RECOMMENDED OPINION AND ORDER**

9 The Residential Utility Consumer Office ("RUCO") makes the following Exceptions<sup>1</sup>  
10 to the Recommended Opinion and Order ("ROO") on Arizona-American Water Company's  
11 ("Arizona-American" or "Company") application for an arsenic cost recovery mechanism  
12 ("ACRM").

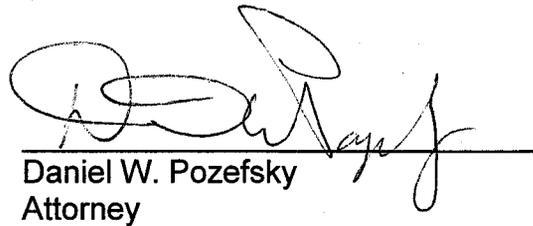
13  
14 **HOOK-UP FEES**

15 The ROO recommends that new hook-up fees applicable only to the Company's  
16 Havasu district be treated as Contributions in Aid of Construction ("CIAC"). ROO at 10.  
17 The result is that new customers will be funding the arsenic treatment plant. Generally,  
18 when a new customer pays a hook-up fee, that fee serves to fund the portion of  
19 incremental plant that is required to serve that customer. Thus, hook-up fees are used to  
20 allow growth to pay for itself. The arsenic treatment plant, however, is not growth related

21  
22 <sup>1</sup> RUCO notes that the ROO contains a typographical error. On page 8, paragraph 13 (c) of the ROO  
23 refers to the filing date of the second step as after January 23, 2000. The ROO cites to Mr. Broderick's direct  
24 testimony (and the Transcript of proceedings) as reference. On page 13 of Mr. Broderick's direct testimony  
he refers to January 23, 2007 as the filing date for the step 2 increase. A-5 at 13.

1 plant - the Company is required to build the plant regardless of future growth. It would be  
2 inappropriate to apply hook-up fees for a non-growth related purpose. Moreover, should  
3 the Commission approve the recommended hook-up fee, new customers will pay for the  
4 new arsenic plant through step-increases, the same as current customers, and also  
5 through the hook-up fee. New customers should not have to pay for the new arsenic plant  
6 twice. The Commission should reject the ROO's recommendation to approve a new hook-  
7 up fee to fund non-growth related plant.

8 RESPECTFULLY SUBMITTED this 12th day of October, 2005.

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11   
12 Daniel W. Pozefsky  
13 Attorney

14  
15  
16 AN ORIGINAL AND THIRTEEN  
17 COPIES of the foregoing filed this  
18 12th day of October, 2005 with:

19 Docket Control  
20 Arizona Corporation Commission  
21 1200 West Washington Street  
22 Phoenix, Arizona 85007  
23  
24

1 COPY of the foregoing hand delivered/  
mailed this 12<sup>th</sup> day of October, 2005 to:

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