



EXCEPTION ORIGINAL

**BEFORE THE ARIZONA CORPORATION COMMISSIC...
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2005 OCT 12 P 1:42

AZ CORP COMMISSION
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8 IN THE MATTER OF THE APPLICATION OF
 9 ARIZONA-AMERICAN WATER COMPANY,
 10 INC., AN ARIZONA CORPORATION, FOR
 11 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

12 IN THE MATTER OF THE APPLICATION OF
 13 ARIZONA-AMERICAN WATER COMPANY,
 14 INC., AN ARIZONA CORPORATION, FOR A
 15 DETERMINATION OF THE CURRENT FAIR
 16 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

17 IN THE MATTER OF THE APPLICATION OF
 18 ARIZONA-AMERICAN WATER COMPANY,
 19 INC., AN ARIZONA CORPORATION, FOR A
 20 DETERMINATION OF THE CURRENT FAIR
 21 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

23

24

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 Exceptions¹
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").

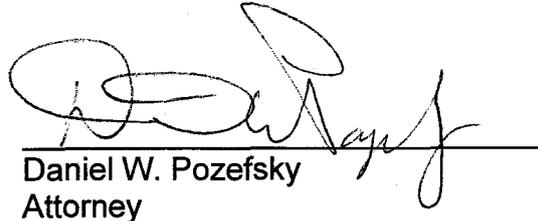
13
14 **HOOK-UP FEES**

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 ¹ 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

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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
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23
24

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

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