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BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF  
WHY UTILITY COMPANY, INC. FOR A  
RATE APPLICATION

DOCKET NO. W-02052A-05-0529

IN THE MATTER OF THE APPLICATION OF  
WHY UTILITY COMPANY, INC. FOR  
APPROVAL OF FINANCING

DOCKET NO. W-02052A-05-0528

STAFF MEMO RE: APPLICANT'S  
RESPONSE

On December 6, 2005, Staff filed a Staff Report on the above-captioned application filed by Why Utility Company, Inc. ("Why"). Why filed its Response to the Staff Report on December 29, 2005. Staff has prepared a memorandum (see Attachment 1) in response to Why's comments on the Staff Report.

RESPECTFULLY SUBMITTED this 5<sup>th</sup> day of January 2006.

*David Ronald*

David M. Ronald  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

The original and thirteen (13) copies of the foregoing were filed this 5<sup>th</sup> of January 2006 with:

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

Copy of the foregoing were mailed this 5<sup>th</sup> day of January, 2006 to:

Deborah R. Scott  
Kimberly A. Grouse  
Snell & Wilmer LLP  
One Arizona Center  
400 East Van Buren  
Phoenix, AZ 85004-2292

*Roseann Osorio*

# ATTACHMENT 1

## MEMORANDUM

TO: David Ronald  
Legal Division

FROM: Elena Zestrijan  
Utilities Division

DATE: January 4, 2006

RE: RESPONSE TO COMPANY'S RESPONSE (Filed 12/29/2005) TO STAFF REPORT, FOR WHY UTILITY COMPANY, INC. APPLICATION FOR A PERMANENT INCREASE IN WATER RATES AND APPROVAL OF FINANCING (DOCKET NO. W-02052A-05-0529 & W-02052A-05-0528)

Staff disagrees with Company's Response - Page 1, Line 26 through Page 3, Line 13 – Depreciation Expense.

The Company has not provided Staff with retirements or replacement invoices of the pumping equipment prior to the test year. Staff based its calculation on Staff Engineer's going forward depreciation rates. The new information offered in the Company's response is unsubstantiated and un-audited. Staff continues to recommend depreciation as outlined in the Staff Report.

Staff disagrees with Company's Response - Page 3, Line 14, through Page 4, Line 4 – Financing/Rates.

The Company has confused "average" usage with "median" usage. There is no "shortfall" of revenue as Staff based its revenue requirement on results obtained from auditing the Company's books.

Staff's recommended rates will provide the Company with sufficient revenue to cover financing debt to fund the purchase and construction of arsenic removal equipment and sufficient cash flow for the Company to service its customers.

Furthermore, Staff's recommendations encourage the Company to file rate increase applications every three to five years rather than waiting another 39 years.

Originator: E. Zestrijan