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BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

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AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION)
OF SUN CITY WATER COMPANY AND)
SUN CITY WEST UTILITIES COMPANY)
FOR APPROVAL OF CENTRAL ARIZONA)
PROJECT WATER UTILIZATION PLAN)
AND FOR AN ACCOUNTING ORDER)
AUTHORIZING A GROUNDWATER)
SAVINGS FEE AND RECOVERY OF)
DEFERRED CENTRAL ARIZONA PROJECT)
EXPENSES)

DOCKET NOS. W-01656A-98-0577
~~SW-02334A-98-0577~~
WS

STAFF'S NOTICE OF FILING
TESTIMONY

Staff of the Arizona Corporation Commission hereby files the direct testimony of Claudio M. Fernandez and Marlin Scott, Jr., of the Utilities Division, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 15th day of October, 1999.

Robert J. Metli, Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

The original and ten copies of the foregoing filed this 15th day of October, 1999, with:

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

COPIES of the foregoing mailed this 15th day of October, 1999 to:

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**SUMMARY OF DIRECT TESTIMONY
OF
MARLIN SCOTT, JR.
UTILITIES CONSULTANT
ARIZONA CORPORATION COMMISSION**

The following is a summary of the significant issues in the direct testimony of Marlin Scott, Jr.:

CAP water utilization plan – Staff Engineering reviewed the CAP water utilization plan and concurred with the Task Force's recommendation for the long-term and interim solutions.

- The interim solution would resolve the “used and useful” criteria when CAP water is put to use.
- The long-term solution, Groundwater Savings Project with the golf courses, is the most favorable solution because;
 1. The CAP water would directly be applied on to the golf courses,
 2. The high use consumption golf courses would stop pumping groundwater and,
 3. The direct use of CAP water on to the golf courses would eliminate any type of groundwater pumping to use this CAP water, even through the use of recharge wells.
- The cost estimates of the long-term project are very preliminary. Until more final details are developed for this project, Staff Engineering is unable to give a final opinion as to the reasonableness and appropriateness of these costs.

**SUMMARY OF RECOMMENDATIONS
STAFF WITNESS CLAUDIO M. FERNANDEZ**

DEFERRED CAP CHARGES

Staff's recommendations regarding the Deferred CAP Charges are as follows:

1. Recovery of Deferred CAP Charges of \$1,197,209 over a period of 60-month.
2. A surcharge for the recovery of Deferred Cap Charges as follows:
Sun City Water – Residential - \$0.3402 per month, per household.
Sun City Water – Commercial - \$0.335 per 1,000 gallons.
Sun City West – Residential - \$0.3678 per month per household.
Sun City West – Commercial - \$0.0437 per 1,000 gallons.
3. Submit an annual informational report to the Director of Utilities showing the amounts collected and the outstanding balance.
4. Termination of the Deferred CAP Charges surcharge when the outstanding balance is recovered and any over-collection should be applied to the On-Going CAP Costs.

ON-GOING CAP COSTS

Staff's recommendations regarding the On-Going CAP Costs are as follows:

1. Recovery of On-Going CAP Costs of \$702,027 annually.
2. A surcharge for the recovery of the On-Going CAP Costs as follows:
Sun City Water – Residential - \$1.0036 per month, per household.
Sun City Water – Commercial - \$0.0996 per 1,000 gallons.
Sun City West – Residential - \$1.1026 per month per household.
Sun City West – Commercial - \$0.1299 per 1,000 gallons.
3. When the Agua Fria Recharge Project becomes operational, the Sun Cities should be required to utilize this recharge facility instead of the Maricopa Water District.
4. The Sun Cities should file for an adjustment to the On-Going CAP Costs to reflect any price fluctuations in the recharge costs or billing determinants.

5. Submit an annual informational report to the Director of Utilities reflecting the amounts collected through the On-Going CAP Costs Surcharge.
6. If the Sun Cities fail to recharge their CAP water allocation prior to the implementation of the long-term solution, the Deferred CAP Cost surcharge should be terminated. The Sun Cities should also forfeit recovery of the Deferred CAP Costs and refund all monies collected through the surcharge.

PIPELINE PROJECT

Staff recommends that the Sun Cities be required to file a financing plan by June 30, 2000, describing how the Company intends to fund the pipeline project.