



Arizona Utility  
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# EXCEPTION



0000045944

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK  
CHAIRMAN

JAMES M. IRVIN  
COMMISSIONER

WILLIAM A. MUNDELL  
COMMISSIONER

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AZ CORP COMMISSION

JAN 21 11 15 AM '00

DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

JAN 21 2000

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

DOCKETED BY  
DOCKET NO. W-01656A-98-0577  
SW-02334A-98-0577

## EXCEPTIONS BY THE ARIZONA UTILITY INVESTORS ASSOCIATION TO THE HEARING OFFICER'S RECOMMENDED OPINION AND ORDER

### 1. Introduction

The Arizona Utility Investors Association (AUIA) believes that the Chief Hearing Officer has acted prudently by embracing the recommendations of the local community in this matter.

The community-based CAP Task Force concluded that the public interest would be served best if Citizens Utilities retained its Central Arizona Project allocation and deployed the resource in a manner that delivers the most direct benefit to the community.

The Task Force concluded further that the costs of holding and utilizing CAP water should be borne by ratepayers in Citizens' Sun City and Sun City West service areas.

For the most part, the recommended order accepts the solutions proffered by the CAP Task Force and the cost recovery methods put forward by Citizens. The order strays off the mark in two respects: rate of return on deferred costs and the period of deferred cost recovery.

## **2. Rate of Return**

With the adoption of the interim solution proposed by the CAP Task Force, Citizens' CAP expenditures now meet the requirements of Decision No. 60172 and the used and useful test. However, because the interim solution "is not a direct benefit to the customers of the Companies," (Pg. 8, Line 18) the Hearing Officer proposes to cut the rate of return on deferred costs to 4.365 percent, half of Citizens' authorized cost of capital.

AUIA takes issue with this rationale. Once the expenditure has been found to be used and useful, there is no plausible reason for denying the Company its authorized rate of return. Furthermore, Citizens has been denied a return on its investment in past years and is not seeking or receiving any retroactive return.

## **3. Recovery Period**

Citizens proposed that its deferred costs be recovered over 42 months, the period during which the long-term Groundwater Savings Project will be planned, designed and constructed. Staff recommended 60 months, approximating the period during which deferred cost were accumulated. The Hearing Officer concurred with Staff (Pg. 8, Line 15).

AUIA believes it would be more appropriate for the deferred cost recovery period to coincide with the interim solution and for this customer charge to end when the long-term project is completed. Therefore, the recovery period should be 42 months.

## **4. Recommendations**

Based on the foregoing, AUIA proposes the following amendment to the Discussion section, beginning at Page 8, Line 13:

"Consistent with our determination that the CAP water will be put to beneficial use with commencement of the short-term solution, Citizens' request to begin recovery of deferred charges should be approved. Further, we find Citizens' Staff's proposed 42 60 month collection period to be reasonable based on the period of deferral.

*Page 3, AUIA Exceptions*

As to the requested carrying charges going forward, we agree with Citizens that a certain rate of return is appropriate once the CAP water has been determined to be of beneficial use. ~~Because it is not a direct benefit to the customers of the Companies, we find the appropriate rate of return should be reduced from the authorized rate of return.~~ Accordingly, we shall approve a going-forward carrying cost of 50 percent of the authorized 8.73 percent cost of capital ~~or 4.365 percent.~~ Lastly, we concur with RUCO's removal of any late payment penalties."

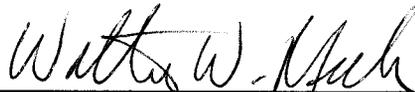
In addition, AUIA proposes the following amendments to the Order section, at Pg. 20, Line 7:

" • The deferred CAP costs shall be collected utilizing Citizens proposed rate design over a ~~60~~ 42 month period;"

And at Page 20, Line 8:

" • The deferred CAP costs shall be include a going-forward carrying cost of ~~4.365~~ 8.73 percent;"

RESPECTFULLY SUBMITTED,  
This 21st day of January, 2000



WALTER W. MEEK, PRESIDENT

Original and ten (10) copies of the above Exceptions were filed this 21st day of January, 2000, with:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

**CERTIFICATE OF SERVICE**

Copies of the above Exceptions were hand-delivered this 21st day of January, 2000, to:

Carl J. Kunasek, Chairman  
James M. Irvin, Commissioner  
William A. Mundell, Commissioner  
Lyn Farmer, Legal Division  
Deborah Scott, Utilities Division  
Jerry Rudibaugh, Hearing Division  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

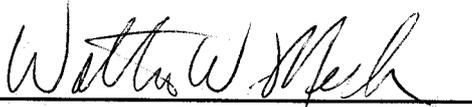
Copies of these Exceptions were mailed this 21st day of January, 2000, to the following parties of record:

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