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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
COMMISSIONER - CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

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 UTILIZATION PLAN AND FOR AN ACCOUNTING ORDER AUTHORIZING A GROUNDWATER SAVINGS FEE AND RECOVERY OF DEFERRED CENTRAL ARIZONA PROJECT EXPENSES.	DOCKET NO. W-01656A-98-0577 DOCKET NO. SW-02334A-98-0577 **NOTICE OF FILING EXCEPTIONS**

The Sun City Taxpayers Association ("SCTA") hereby gives notice of filing its exceptions to certain aspects of the Hearing Officer's recommended order in the above-captioned proceeding.

RESPECTFULLY SUBMITTED this 24th day of January, 2000.

MARTINEZ & CURTIS, P.C.

By Paul R Michaud
William P. Sullivan
Paul R. Michaud
2712 North Seventh Street
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Attorneys for Sun City Taxpayers Association

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The original and ten (10) copies of the foregoing are filed this 24th day of January, 2000 with:

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

A copy of the foregoing is hand-delivered this 24th day of January, 2000 to:

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Chief Hearing Officer
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A copy of the foregoing is faxed this 24th day of January, 2000 to:

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By: Nancy Doyle

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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
COMMISSIONER - CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

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 UTILIZATION PLAN AND FOR AN ACCOUNTING ORDER AUTHORIZING A GROUNDWATER SAVINGS FEE AND RECOVERY OF DEFERRED CENTRAL ARIZONA PROJECT EXPENSES.	)	DOCKET NO. W-01656A-98-0577 DOCKET NO. SW-02334A-98-0577

EXCEPTIONS OF SUN CITY TAXPAYERS ASSOCIATION TO THE HEARING OFFICER'S RECOMMENDED ORDER

The Sun City Taxpayers Association ("SCTA") respectfully files its exceptions to certain aspects of the Hearing Officer's recommended order in the above-captioned proceeding.

I. INTRODUCTION

SCTA thanks the Arizona Corporation Commission for allowing a consumer watchdog group, such as SCTA, a fair opportunity to present its position in regard to implementing Central Arizona Project ("CAP") water in the Sun Cities area. SCTA has always believed that CAP water represents an important water source for the northwest valley. The use of CAP water on the existing golf courses in the communities comprising the Sun Cities, although not ideal, is the only alternative other than relinquishment that presents a potential for providing measurable benefits equal to the costs that consumers will be requested to bear. SCTA, however, vigorously opposes any Groundwater Savings Plan that is unnecessarily

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expensive or imposes "rate shock" on the Sun City communities. As such, SCTA is pleased that the Hearing Officer adopted many of SCTA's recommendations intended to reduce the unjustified $15 million approach to a Groundwater Savings Project proposed by Citizens Utilities Company ("Citizens").

II. RECOMMENDATIONS OF SCTA FOR REDUCING THE COST OF THE GROUNDWATER SAVINGS PROJECT.

SCTA engaged the services of an independent engineering consultant to conduct a fair and impartial review of Citizens' proposed $15 million long-term Groundwater Savings Project. Based on the engineering consultant's review, SCTA recommended the following to reduce the cost to ratepayers of Citizens' Groundwater Savings Project:

(1) The Commission should, at a minimum, encourage Citizens to eliminate the Storage Reservoir and a Pumping Station included in the Groundwater Savings Project because they are simply unnecessary. The existing Sun City West distribution facilities could also be more fully utilized by maximizing deliveries to all golf courses in Sun City West. Following these recommendations would reduce the cost of Citizens' $15 million Groundwater Savings Project by approximately one-third or $6 million;

(2) The Commission should encourage Citizens to develop and implement a single Joint CAP water transmission project between the Sun Cities and Citizens' Agua Fria Division rather than develop two separate projects for the Sun Cities and Citizens' Agua Fria water systems, as Citizens had proposed. This would reduce the cost of Citizens' Groundwater Savings Project by approximately $5 million, (rather than the $6 million), but would not only provide a delivery mechanism for the Agua Fria Division at a price less than initially proposed for the Sun Cities alone, but would also enable the costs for the CAP backbone transmission

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system to be spread among all three of Citizens Water Divisions, thus reducing the possibility of rate shock to all of its ratepayers;

(3) The Commission should mandate that Citizens obtain firm contracts from the golf courses before allowing Citizens to proceed with any Groundwater Savings Project involving the golf courses to ensure that the Project does not suffer a last-minute collapse or increase in the costs burden on Citizens' water customers if the golf courses pull out of the arrangement at the last minute, or threaten to pull out of the arrangement, in order to secure a lower cost of water to the golf courses; and

(4) The Commission should review Citizens' use of groundwater to ensure that the benefits from the Groundwater Savings Project are not being lost through new development. The Hearing Officer's recommendation that the Commission should restrict Citizens' right to dispose of, or recover, storage credits without its express is the first step to ensure the ratepayers are protected from losing the benefits of the proposed Groundwater Savings Project; storage credits represent potential additional groundwater withdrawals.

III. EXCEPTIONS TO THE RECOMMENDED ORDER

A. SUMMARY

Although SCTA expresses its general approval of the Hearing Officer's recommendations imposing cost-cutting conditions on Citizens' "concept" of a Groundwater Savings Project, SCTA has the following exceptions:

(1) To ensure that Citizens' preliminary design/cost estimate complies with the letter of the Commission Order, the preliminary design/cost estimate should be subject to public review and comment process, should include a detailed cost/benefit analysis, and Citizens should be required to obtain Commission approval before commencing actual construction.

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(2) To provide an incentive for Citizens to promptly finalize a long-term CAP utilization plan, Citizens' ability to earn a rate-of-return on its deferred CAP water carrying costs should not commence until such time as Citizens' preliminary design/cost estimate is reviewed and approved by the Commission;

(3) To be fair to ratepayers and shareholders alike, Citizens' deferred CAP carrying costs obligation should be split 50/50 between ratepayers and shareholders. This is because Citizens has held its CAP subcontracts since 1985, and for fifteen years has made a series of deliberate management decisions not to pursue a plan to put the CAP allocation to use until finally ordered by the Commission to do so; and

(4) To avoid wasting more than 1.3 million dollars of the ratepayer monies on an interim recharge project that offers no direct benefits to ratepayers, the interim solution should be scrapped, even if Citizens is permitted as a matter of public policy to commence collecting its deferred and on-going CAP costs while the long term recharge plans are being finalized and reviewed. SCTA believes it makes more sense to simply allow Citizens, as a matter of policy, to recover its deferred and on-going CAP charges while the long term plan is being finalized, rather than force ratepayers to spend at least an additional $328,000 annually,[1] over and above the holding costs, where the interim recharge project provides no discernable benefits to the Sun Cities and is being authorized solely to satisfy the "used and useful" test.

[1] For estimation purposes, $50 per af net delivery cost was used, multiplied by the proposed CAP allocation. CAP delivery charges are estimated at $67 to $76 per af offset with a $15 to $17 per af payment from MWD for a net cost of between $50 and $61 per af. The costs are $15 to $17 greater per af for the CAWCD recharge project. The delivery charge is in addition to the fixed capital charge of between $48 and $54 per af.

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B. CITIZENS' PRELIMINARY DESIGN/COST ESTIMATE SHOULD INCLUDE A COST/BENEFIT ANALYSIS AND ALSO BE SUBJECT TO A PUBLIC REVIEW PROCESS.

The Hearing Officer recommends that Citizens return to the drawing table to reexamine its proposed $15 million Groundwater Savings Project and return in six months with a new preliminary design/cost estimate, which must include, among other things, a review of the possibility of a Joint Project with Citizens' Agua Fria Division. The record shows that a Joint Project with the Agua Fria Division would reduce the cost of the total Project by at least $5 million and better allocate costs between existing ratepayers and new development. SCTA, however, is concerned that Citizens may not have an incentive to zealously pursue such cost saving alternatives if not held accountable. This is true in light of the fact that Citizens has held its CAP subcontracts since 1985 and has done almost nothing to develop a long-term plan until ordered by the Commission to do so or lose its chance to collect deferred CAP costs. The Company also admits that a sale of its water operations is imminent.

The recommended order is somewhat vague on a specific review procedure to examine the credibility of the results of Citizens' preliminary design/cost estimate. Thus, STCA would propose that the recommended order be amended to include a specific review process of Citizens preliminary design/cost estimate and provide a procedure for interested parties to have the opportunity to review and comment on the validity of Citizens' preliminary design/cost estimate. SCTA also proposes that as part of Citizens preliminary design/cost estimate, that the Company be required to show that any Groundwater Savings Project is the most viable, least-cost alternative for putting CAP water to use on the golf courses in the Sun Cities and provide a cost/benefit analysis demonstrating that the benefits to the ratepayers from implementation of any Groundwater Savings Project are equal to, or greater than, the costs associated therewith. Accordingly, SCTA suggests that the Hearing Officer's recommended order be amended as follows: (SCTA's proposed amendment is also provided separately in Attachment "A").

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Recommended Order, Page 16, lines 19 - 28.

DELETE AND REPLACE "While there are clearly less costly options, the Task Force represented there is general agreement in the Sun City areas for the Groundwater Savings Project. As a result, we will approve the concept of the Groundwater Savings Project and approve reasonable and prudent costs associated with the completion of the preliminary design/updated cost estimate. As part of that design/cost estimate, we will require Citizens to address: a) the feasibility of a joint facility with the Agua Fria Division including the timeframe for any such joint facility; b) the need for all major elements of its proposed plan (e.g., storage and booster stations); ~~and~~ c) binding commitments from golf courses, public and private, and the terms and conditions related thereto; d) whether the Groundwater Savings Project is the most viable, least-cost alternative for putting CAP water to use on the golf courses in the Sun Cities; and e.) a cost/benefit analysis demonstrating that the benefits to the ratepayers from implementation of any Groundwater Savings Project are equal to, or greater than, the costs associated therewith. Further we shall require Citizens to file the preliminary designed/updated cost estimate with the Commission within six months of the effective date of this Decision; that interested parties have the opportunity to review and comment on the validity of Citizens preliminary design/cost estimate; and that no construction shall commence until authorized by the Commission."

Recommended Order, Page 21, lines 1 - 6.

DELETE AND REPLACE "IT IS FURTHER ORDERED that Citizens Utilities Company shall file the results of the completion of the preliminary design/updated cost estimate within six months of the effective date of this Decision including: a) the feasibility of a joint facility with the Agua Fria Division including the timeframe for any such joint facility; b) the need for all major elements of its proposed plan (e.g., storage and booster stations); ~~and~~ c) binding commitments from golf courses, public and private, and the terms and conditions related thereto; d) whether the Groundwater Savings Project is the most viable, least-cost alternative for putting CAP water to use on the golf courses in the Sun Cities; and e.) a cost/benefit analysis demonstrating that the benefits to the ratepayers from implementation of any Groundwater Savings Project are equal to, or greater than, the costs associated therewith."

Recommended Order, Page 21, lines 8.

INSERT "IT IS FURTHER ORDERED that interested parties will have the opportunity to review and comment on the validity of Citizens preliminary design/cost estimate and that no construction on the Groundwater Savings Project shall commence until authorized by the Commission."

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C. ANY RATE-OF-RETURN ON DEFERRED CAP CHARGES SHOULD BE INCENTIVE BASED.

The Hearing Officer recommends that Citizens earn a certain rate-of-return on its deferred CAP water costs once the CAP water has been determined to be of beneficial use. The record is clear that this Commission has never before authorized any return on deferred CAP costs. Since, to date, only a "concept" for a long term CAP utilization solution has been approved by the Commission, no return should be allowed on deferred costs until the Commission has reviewed the preliminary design/updated cost estimate and authorizes construction of the Groundwater Savings Project to commence. SCTA believes that such a delay provides an incentive for Citizens to bring its long-term Groundwater Savings concept to fruition. SCTA believes that this proposal is reasonable in light of the fact that Citizens has held its CAP subcontracts since 1985 and has never pursued a viable long-term concept to put the CAP water allocation to use until now. Thus, to allow Citizens to earn a return on its deferred holding costs before a long-term Cap utilization plan is finalized, would only reward the Company for delaying putting its CAP allocation to use. Accordingly, SCTA suggests that the Hearing Officer's recommended order be amended as follows: (SCTA's proposed amendment is also provided separately in Attachment "B").

Recommended Order, Page 8, line 13 - 21.

INSERT "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 Staff's proposed 60 month collection period to be reasonable based on the period of the deferral. 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 to commence beginning when the Commission authorizes construction to commence on a long term CAP utilization plan. Lastly, we concur with RUCO's removal of any late payment penalties."

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Recommended Order, Page 20, line 9.

INSERT "The on-going CAP costs shall include a going-forward carrying cost of 4.365 percent to commence beginning when the Commission authorizes construction to commence on a long term CAP utilization plan ."

D. DEFERRED CAP HOLDING COSTS SHOULD BE SPLIT EQUALLY BETWEEN RATEPAYERS AND SHAREHOLDERS.

As explained above, Citizens has held its CAP water allocation since 1985. The record is clear that Citizens did almost nothing to develop a long term plan to put its CAP water allocation to use ten years and thereafter commenced actively exploring alternatives only because it was ordered by the Commission to do so or lose the chance to collecting deferred CAP costs. There is substantial evidence on the record that Citizens' management made a series of deliberate decisions over the years to defer CAP holding costs rather than develop a long term plan to put the CAP water allocation to use. There is also evidence in the record that since 1990, at least one other water company (Cave Creek Water Company) overcame the administrative and physical obstacles and successfully implemented a long term to put its CAP water to use on a golf course without violating the conservation requirements of the Arizona Department of Water Resources. Thus, the evidence shows that Citizens has unnecessarily deferred CAP costs for at least the last ten years.

Based upon the Hearing Officer's precedent set in the recommended order by splitting Citizens rate of return on CAP carrying costs 50/50 between ratepayers and shareholders, SCAT recommends that the deferred CAP carrying costs also be split 50/50 between ratepayers and shareholders. Accordingly, SCTA suggests that the Hearing Officer's recommended order be amended as follows: (SCTA's proposed amendment is also provided separately in Attachment "C").

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Recommended Order, Page 8, line 13 - 21.

DELETE AND REPLACE "Consistent with our determination that the CAP water will be put to beneficial use with commencement of the short-term solution, Citizens can begin recovery of deferred charges, but only 50 percent of the deferred costs may be recovered. ~~Citizens' request to begin recovery of deferred charges should be approved.~~ Further, we find Staff's proposed 60 month collection period to be reasonable based on the period of the deferral. 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."

Recommended Order, Page 20, line 7.5.

INSERT Citizens can recover 50 percent of the deferred costs.

E. RATEPAYERS SHOULD NOT BE REQUIRED TO SPEND 1.3 MILLION DOLLARS ON AN "INTERIM SOLUTION" THAT PROVIDES THEM NO BENEFITS SOLELY TO SATISFY THE USED AND USEFUL CONCEPT.

The Hearing Officer is recommending that Citizens' proposed "interim solution" be adopted by the Commission to satisfy the "used and useful" requirement in Decision No. 60172 that CAP water must be put to beneficial use prior to recovery from ratepayers. In other words, the interim solution has no other purpose but to allow Citizens to collect its deferred and on-going CAP costs while the long-term CAP Utilization Plan concept is being finalized and reviewed by the Commission. Although SCTA is a firm believer in the "used and useful" concept, SCTA opposes adopting an interim solution for the sole purpose of satisfying the "used and useful" concept where the estimated to cost to Citizens' ratepayers living in the Sun Cities will be at least $328,000 per year(see footnote 1) and more than $1,312,000 during the period the interim solution is in effect (this assumes the final Groundwater Recharge Plan is operational within four (4) years, the most optimistic estimate provided at hearing).

Under the interim solution, Citizens is to deliver CAP water to the existing MWD groundwater savings project or, if capacity is available, recharge the CAP water at the CAWCD Agua Fria Recharge Project. Both of these recharge sites are located several miles from the Sun

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Cities. The evidence was undisputed that the ratepayers of the Sun Cities will receive no direct benefit from recharge that occurs this far from their service areas. The studies shows that in order to get any benefit from recharge activity at the Aqua Fria site (the closer of the two) it would take more than twenty years, recharging 60,000 acre feet per year. Certainly recharging 6500 acre feet for only a four to six year period at a more distant site will provide no direct benefits whatsoever. Yet by taking delivery of the CAP water, the annual costs will increase not less than $328,000 over the holding costs, for the privilege of putting 6,561 AF of CAP water in the ground annually.

Thus, the interim solution makes ratepayers pay a large price ($1,312,000) for a project without any direct benefits for the sole reason of satisfying the "used and useful" concept and permitting Citizens to begin recovering deferred and on-going CAP costs. From a common sense point-of-view, this is nonsense. Under the specific circumstances presented, SCTA believes that the better approach is to scrap the interim solution and, for public interest reasons, assume that approval of the "concept" of recharging CAP water on golf courses within the Sun Cities satisfies the "used and useful" requirement. By doing this, over $1,312,000 in ratepayers' monies will be saved rather than spent needlessly on an interim plan that has no direct benefits for the ratepayers. Accordingly, SCTA respectfully requests that the Hearing Officer's recommended order be amended as follows: (SCTA's proposed amendment is also provided separately in Attachment "D").

Recommended Order, Page 6, line 17.

DELETE AND REPLACE "The interim solution puts CAP water to use, but because remote recharge projects north of the Sun Cities do not provide direct benefits to the Sun Cities, the short term solution is not useful. However, for public interest reasons, the Commission's approval of the concept of a long-term Groundwater Savings Project satisfies the requirement in Decision No. 60172 that CAP water must be put to beneficial use prior to recovery from ratepayers. Accordingly, we find that the short term solution is not necessary to put the CAP water to beneficial use to recover of CAP deferred costs and on-going costs from ratepayers. ~~We find the proposed short-term solution satisfies the requirement of Decision No. 60172 that CAP water must be put to beneficial use prior to recovery from ratepayers. While there may not be a direct benefit to the Sun City Communities, we concur with Staff that the short-term proposal could provide positive hydrological impact in the Sun Cities' area. Our approval is contingent~~

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~~upon any "water credits" not being utilized in a manner that would result in additional groundwater depletion in the Sun Cities' area~~."

IV. CONCLUSION

For the reasons explained above, SCTA generally approves the Hearing Officer's recommendations imposing cost-cutting conditions on Citizens' "concept" of a Groundwater Savings Project. However, SCTA respectfully requests that the Commission adopt the following amendments to the recommended order;

(1) The preliminary design/cost estimate should be subject to public review and comment process, should include a detailed cost/benefit analysis, and Citizens should be required to secure Commission authorization before commencing actual construction;

(2) Citizens' ability to earn a rate-of-return on its deferred CAP water carrying costs should not commence until such time as Citizens' preliminary design/cost estimate is reviewed and the Commission authorizes commencement of construction;

(3) Citizens' deferred CAP carrying costs obligation should be split 50/50 between ratepayers and shareholders; and

(4) The interim solution should be scrapped to avoid wasting more than 1.3 million dollars of ratepayer monies on a recharge project that offers no direct benefits to the Sun Cities, and that has no purpose other than to satisfy the used and useful criteria to justify Citizens recovery of deferred and on-going CAP costs.

RESPECTFULLY submitted this 24th day of January, 2000.

MARTINEZ & CURTIS, P.C.

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ATTACHEMENT A

SUN CITY TAXPAYERS ASSOCIATION'S PROPOSED AMENDMENT NO. 1

Agenda Item No. 1

Citizens Utilities Company (CAP Accounting Order)

Docket Nos. W-01656A-98-0577
SW-02334A-98-0577

Open Meeting Date: January 25, 2000

CITIZENS' PRELIMINARY DESIGN/COST ESTIMATE SHOULD INCLUDE A COST/BENEFIT ANALYSIS AND ALSO BE SUBJECT TO A PUBLIC REVIEW PROCESS.

Recommended Order, Page 16, lines 19 - 28.

DELETE AND REPLACE "While there are clearly less costly options, the Task Force represented there is general agreement in the Sun City areas for the Groundwater Savings Project. As a result, we will approve the concept of the Groundwater Savings Project and approve reasonable and prudent costs associated with the completion of the preliminary design/updated cost estimate. As part of that design/cost estimate, we will require Citizens to address: a) the feasibility of a joint facility with the Agua Fria Division including the timeframe for any such joint facility; b) the need for all major elements of its proposed plan (e.g., storage and booster stations); ~~and~~ c) binding commitments from golf courses, public and private, and the terms and conditions related thereto; d) whether the Groundwater Savings Project is the most viable, least-cost alternative for putting CAP water to use on the golf courses in the Sun Cities; and e.) a cost/benefit analysis demonstrating that the benefits to the ratepayers from implementation of any Groundwater Savings Project are equal to, or greater than, the costs associated therewith. Further we shall require Citizens to file the preliminary designed/updated cost estimate with the Commission within six months of the effective date of this Decision; that interested parties have the opportunity to review and comment on the validity of Citizens preliminary design/cost estimate; and that no construction shall commence until authorized by the Commission."

Recommended Order, Page 21, lines 1 - 6.

DELETE AND REPLACE "IT IS FURTHER ORDERED that Citizens Utilities Company shall file the results of the completion of the preliminary design/updated cost estimate within six months of the effective date of this Decision including: a) the feasibility of a joint facility with the Agua Fria Division including the timeframe for any such joint facility; b) the need for all major elements of its proposed plan (e.g., storage and booster stations); ~~and~~ c) binding commitments from golf courses, public and private, and the terms and conditions related thereto; d) whether the Groundwater Savings Project is the most viable, least-cost alternative for putting CAP water to use on the golf courses in the Sun Cities; and e.) a cost/benefit analysis demonstrating that the benefits to the ratepayers from implementation of any Groundwater Savings Project are equal to, or greater than, the costs associated therewith."

Recommended Order, Page 21, lines 8.

INSERT "IT IS FURTHER ORDERED that interested parties will have the opportunity to review and comment on the validity of Citizens preliminary design/cost estimate and that no construction on the Groundwater Savings Project shall commence until authorized by the Commission."

ATTACHEMENT B

SUN CITY TAXPAYERS ASSOCIATION'S PROPOSED AMENDMENT NO. 2

Agenda Item No. 1

Citizens Utilities Company (CAP Accounting Order)

Docket Nos. W-01656A-98-0577
SW-02334A-98-0577

Open Meeting Date: January 25, 2000

ANY RATE-OF-RETURN ON DEFERRED CAP CHARGES SHOULD BE INCENTIVE BASED.

Recommended Order, Page 8, line 13 - 21.

INSERT "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 Staff's proposed 60 month collection period to be reasonable based on the period of the deferral. 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 to commence beginning when the Commission authorizes construction to commence on a long term CAP utilization plan. Lastly, we concur with RUCO's removal of any late payment penalties."

Recommended Order, Page 20, line 9.

INSERT "The on-going CAP costs shall include a going-forward carrying cost of 4.365 percent to commence beginning when the Commission authorizes construction to commence on a long term CAP utilization plan ."

ATTACHEMENT C

SUN CITY TAXPAYERS ASSOCIATION'S PROPOSED AMENDMENT NO. 3

Agenda Item No. 1

Citizens Utilities Company (CAP Accounting Order)

Docket Nos. W-01656A-98-0577
SW-02334A-98-0577

Open Meeting Date: January 25, 2000

DEFERRED CAP HOLDING COSTS SHOULD BE SPLIT EQUALLY BETWEEN RATEPAYERS AND SHAREHOLDERS.

Recommended Order, Page 8, line 13 - 21.

DELETE AND REPLACE "Consistent with our determination that the CAP water will be put to beneficial use with commencement of the short-term solution, Citizens can begin recovery of deferred charges, but only 50 percent of the deferred costs may be recovered. ~~Citizens' request to begin recovery of deferred charges should be approved.~~ Further, we find Staff's proposed 60 month collection period to be reasonable based on the period of the deferral. 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."

Recommended Order, Page 20, line 7.5.

INSERT Citizens can recover 50 percent of the deferred costs.

ATTACHEMENT D

SUN CITY TAXPAYERS ASSOCIATION'S PROPOSED AMENDMENT NO. 4

Agenda Item No. 1

Citizens Utilities Company (CAP Accounting Order)

Docket Nos. W-01656A-98-0577
SW-02334A-98-0577

Open Meeting Date: January 25, 2000

RATEPAYERS SHOULD NOT BE REQUIRED TO SPEND 1.3 MILLION DOLLARS ON AN "INTERIM SOLUTION" THAT PROVIDES THEM NO BENEFITS SOLELY TO SATISFY THE USED AND USEFUL CONCEPT.

Recommended Order, Page 6, line 17.

DELETE AND REPLACE "The interim solution puts CAP water to use, but because remote recharge projects north of the Sun Cities do not provide direct benefits to the Sun Cities, the short term solution is not useful. However, for public interest reasons, the Commission's approval of the concept of a long-term Groundwater Savings Project satisfies the requirement in Decision No. 60172 that CAP water must be put to beneficial use prior to recovery from ratepayers. Accordingly, we find that the short term solution is not necessary to put the CAP water to beneficial use to recover of CAP deferred costs and on-going costs from ratepayers. ~~We find the proposed short-term solution satisfies the requirement of Decision No. 60172 that CAP water must be put to beneficial use prior to recovery from ratepayers. While there may not be a direct benefit to the Sun City Communities, we concur with Staff that the short-term proposal could provide positive hydrological impact in the Sun Cities' area. Our approval is contingent upon any "water credits" not being utilized in a manner that would result in additional groundwater depletion in the Sun Cities' area.~~"