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Arizona Corporation Commission

BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

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CARL J. KUNASEK
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AZ CORP COMMISSION
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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 RECOVER OF
DEFERRED CENTRAL ARIZONA
PROJECT EXPENSES.

Docket No. W-01656A-98-0577
Docket No. SW-02334A-98-0577

COMMENTS OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

Background

On October 1, 1998, Sun City Water Company (Sun City) and Sun City West Utilities Company (Sun City West), (collectively, the Companies) filed an application for approval of a Central Arizona Project (CAP) water utilization plan and for an accounting order authorizing a groundwater savings fee and recovery of deferred CAP expenses. The water utilization plan consisted of both a long-term plan and an interim CAP usage plan. Under the interim plan the Company would deliver its entire Sun City and Sun City West CAP allocation to the already existing Maricopa Water District (MWD) groundwater saving project. The CAP water was to be delivered through an existing distribution system to farms located in MWD's service area that had historically used groundwater. For every acre-foot of groundwater not pumped by MWD farmers, Sun City and Sun City West would be legally entitled to recover that water through

1 wells to meet the existing demands in Sun City and Sun City West. Under the long-term plan
2 the entire Sun City and Sun City West CAP allocation was to be used to irrigate golf courses
3 that had historically pumped groundwater in the Sun City and Sun City West service territories.
4 As a result, every gallon of groundwater not pumped by the golf courses was to be preserved
5 for potable water uses. The long-term plan would require the construction of a transmission
6 line, delivery system, additional storage, and booster pumps. Citizens predicted the necessary
7 infrastructure for the long-term plan could be completed by 2003 at an approximate cost of \$15
8 million.

9 Decision No. 62293, dated February 1, 2000 found that the proposed interim plan met
10 the used and useful standard and authorized CAP water tariffs for Sun City and Sun City West
11 to begin recovery of the deferred CAP costs and the cost of the interim CAP usage plan.
12 Regarding the long-term plan, the Commission ordered that the Companies be required to file
13 within six months of the decision a preliminary design/updated cost estimate. That update was
14 to address the following:

- 15 1) The feasibility of a joint facility with the Agua Fria Division including the time
16 frame for any such joint facility;
- 17 2) The need for all major elements of the proposed plan (e.g. storage and booster
18 stations); and
- 19 3) Binding commitments from golf courses, public and private, and the terms and
20 conditions related thereto.

1 **The Engineering Report**

2 Sun City and Sun City West filed the required preliminary design/updated cost study on
3 August 1, 2000. The binding agreements with the golf courses were filed on October 31, 2000.

4 The preliminary engineering report continues to estimate an approximate \$15 million
5 cost for the golf course CAP usage plan. This is despite the fact that the current engineering
6 plan no longer calls for additional storage facilities and booster pumps. The \$15 million cost
7 relates primarily to a transmission line to move the CAP water from the canal to Sun City and
8 Sun City West, a monitoring and control system, and a distribution system for Sun City (Sun
9 City West will be able to utilize an existing distribution system).

10 **RUCO's Position**

11 RUCO does not believe the Companies should be given authorization at this time to
12 undertake such a costly project for several reasons. First, the Companies are currently
13 utilizing CAP water, in furtherance of state water policy and goals, through their water
14 exchange with MWD. The water exchange with MWD is allowing the Companies to utilize
15 CAP water at the lowest cost possible. The MWD exchange required zero capital investment.
16 In fact, the MWD exchange generates revenue because MWD pays the Companies \$16 per
17 acre-foot for the CAP water the Companies deliver. In contrast, the golf course plan will
18 ultimately increase the Companies' rate bases by \$15 million, as well as create increased
19 annual operating costs. Upon completion the plan will result in rate shock.

20 Second, the sale of these properties to American Water Works is currently pending
21 before this Commission. It would not be in the public's best interests to authorize an
22 expensive project for a company that ultimately will not be responsible for the project.

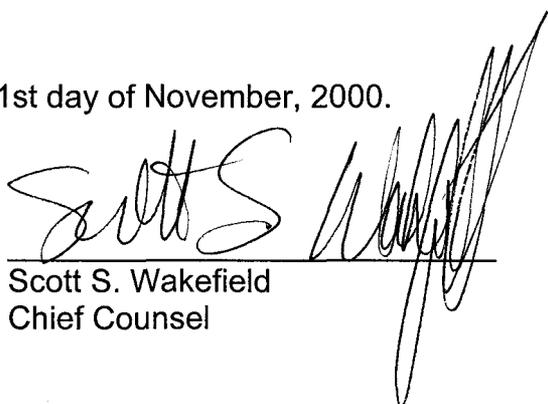
1 Third, one of Citizens other water properties, the Agua Fria Water Division, currently
2 has pending before this Commission an application for approval of a hook-up fee to recover
3 Agua Fria's deferred CAP costs, as well as the on-going cost of recharging CAP water at the
4 MWD Recharge Facility. RUCO questions why the Sun City and Sun City West's ratepayers
5 are to be condemned to the inevitable rate shock the golf course CAP usage plan will entail,
6 while the Agua Fria customers can benefit from the use of CAP water at a relatively low cost.

7 Fourth, the Companies only just yesterday filed the required binding agreements with
8 the golf courses. RUCO has not had sufficient time to adequately review these agreements as
9 of the date of these comments. The Commission's procedural schedule issued on August 24,
10 2000 allows the parties to this docket fifteen days following the filing of the golf course
11 agreements to respond and provide comments. After such review, RUCO may file additional
12 comments that address the agreements.

13 **Recommendations**

14 Based on the above discussed issues, RUCO recommends that that the Commission
15 find that the \$15 million golf course CAP usage plan is not in the public interest at this time and
16 that the water exchange with MWD meets state water policy goals, represents the least cost
17 solution, and is in the public interest.

18 RESPECTFULLY submitted this 1st day of November, 2000.

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Scott S. Wakefield
Chief Counsel

1 AN ORIGINAL AND TEN COPIES
of the foregoing filed this 1st day
2 of November, 2000 with:

3 Docket Control
Arizona Corporation Commission
4 1200 West Washington
Phoenix, Arizona 85007

5
6 COPIES of the foregoing hand delivered/
mailed this 1st day of November, 2000 to:

7 Jerry Rudibaugh, Chief Administrative Law Judge
Hearing Division
8 Arizona Corporation Commission
1200 West Washington
9 Phoenix, Arizona 85007

10 Robert Metli, Attorney
Legal Division
11 Arizona Corporation Commission
1200 West Washington
12 Phoenix, Arizona 85007

13 Deborah Scott, Director
Utilities Division
14 Arizona Corporation Commission
1200 West Washington
15 Phoenix, Arizona 85007

16 Russ Mitten
Citizens Utilities Company
17 High Ridge Park
Stamford, Connecticut 06905

18
19 Ray Jones
General Manager
Sun City Water Company
20 P.O. Box 1687
Sun City, Arizona 85372

21
22 Paul Michaud
Martinez & Curtis
2712 North Seventh Street
23 Phoenix, Arizona 85006

24

1 Walter W. Meek, President
Arizona Utility Investors Association
2 2100 North Central Avenue, Suite 210
Phoenix, Arizona 85004

3
4 William G. Beyer
Beyer, McMahon & LaRue
10448 West Coggins, Suite C
5 Sun City, Arizona 85351

6
7 By Cheryl Fraulob
Cheryl Fraulob

8

9

10

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12

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