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0000051612

THIS AMENDMENT:

Passed as amended by _____

Not Offered _____

Withdrawn _____

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SPITZER PROPOSED AMENDMENT # 1

2002 AUG 19 P 3:49

TIME/DATE PREPARED 4:00 p.m./ August 19, 2002

**AZ CORP COMMISSION
DOCUMENT CONTROL**

COMPANY: MOUNTAIN PASS UTILITY AGENDA ITEM NO. U-18
COMPANY, PICACHO WATER
COMPANY AND PICACHO SEWER
COMPANY

DOCKET NO. SW-03841A-01-0166, W- OPEN MEETING DATE: AUGUST 20,
0352A-01-0169 and SW-03709A-01-0165 2002

PAGE 3, LINE 3

AFTER: “ (“AIACs”),”

INSERT: “which Staff refers to as”

Arizona Corporation Commission

DOCKETED

AUG 19 2002

PAGE 6, LINE 23

AFTER: “refund amounts was based on a”

DELETE: “5-year” and

INSERT: “either 10-year or 15-year”

DOCKETED BY *CAH*

BEGINNING PAGE 7, LINE 19

DELETE EVERYTHING AFTER: “We find Staff and RUCO’s arguments compelling in this matter.”

THROUGH PAGE 8, LINE 9, ENDING WITH: “they are appropriate in these matters.”

AND INSERT: “However, we do not agree that AIACs are a ‘cost free source of capital’ merely because their costs are not included in Rate Base. A.A.C. R14-2-406.D requires companies to refund “a minimum amount equal to 10% of the total gross annual revenue from water sales” for a period of not less than ten years. Revenues refunded or deferred have the same effect as a cost to the entity and increase the likelihood of financial instability thus necessitating the more frequent filing of rate cases.

Given that each of the developments in question is an age-restricted master planned community; we recognize that the difficulty of implementing rate increases over the objections of ratepayers will add to the cost and complexity of rate cases and will increase the likelihood that the utility will under-earn in violation of the Commission’s obligation to ensure just and reasonable rates. This Commission must balance the interests of ratepayers in having low rates with the long-term interests of ratepayers and utilities in ensuring that utilities are financially sound and able to meet both anticipated operating and maintenance costs and unanticipated operating and maintenance costs.

Therefore, we find that in this case, the use of 100% equity financing is in the long-term interest of ratepayers and the utilities.”