



0000059462

ORIGINAL

RECEIVED

FEB 06 2002 JAN 17 P 3:43

REHEARING

AZ CORP COMMISSION
DOCUMENT CONTROL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

ARIZONA WATER COMPANY
Robert W. Geake (No. 009695)
Vice President and General Counsel
3805 Black Canyon Highway
Phoenix, Arizona 85015-5351
Telephone: (602) 240-6860

FENNEMORE CRAIG
A Professional Corporation
Norman D. James (No. 006901)
Jay L. Shapiro (No. 014650)
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913
Telephone: (602) 916-5000

Attorneys for Arizona Water Company

Arizona Corporation Commission

DOCKETED

JAN 17 2002

DOCKETED BY	
-------------	--

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, FOR
ADJUSTMENTS TO ITS RATES AND
CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS NORTHERN GROUP
AND FOR CERTAIN RELATED
APPROVALS.

Docket No. W-01445A-00-0962

APPLICATION FOR REHEARING

Arizona Water Company ("Arizona Water" or "Company") hereby applies for a rehearing of Decision No. 64282 (docketed December 28, 2001) (the "Decision") pursuant to A.R.S. § 40-253. Specifically, Arizona Water seeks a rehearing on two issues:

- (1) The correction of certain service charges that were inadvertently modified by the Decision; and
- (2) The refusal to extend Arizona Water's waiver concerning its long-standing use of a single, company-wide composite depreciation rate.

A ruling in the Company's favor on these issues will not affect the Company's revenue requirement or the monthly minimum charges and commodity rates for water service that were approved in the Decision.

This application is supported by the following memorandum of points and authorities.

1 MEMORANDUM OF POINTS AND AUTHORITIES

2 **A. THE DECISION INADVERTENTLY MODIFIED CERTAIN COMPANY**
3 **SERVICE CHARGES.**

4 In its application, Arizona Water proposed two minor changes to its existing service-
5 related charges. First, Arizona Water requested an increase in its charge for the return of "NSF"
6 checks from \$10 to \$25. Second, Arizona Water requested approval of a charge for delinquent
7 payments, under which it would apply a 1.5 percent late fee to bills delinquent more than 15 days.
8 The Utilities Division ("Staff") concurred with Arizona Water's proposed changes. See Direct
9 Testimony of Crystal S. Brown at 27 (Lakeside), 51 (Overgaard), 75 (Sedona), 98 (Pinewood)
10 and 121 (Rimrock).¹ Those charges were approved in the Decision, and no other party proposed
11 any changes to Arizona Water's service-related charges in this case.

12 Unfortunately, the Decision made two additional changes to Arizona Water's service-
13 related charges that were not proposed or supported by any party. First, the charge for a meter
14 test was reduced from \$50 to \$20. Since there is no evidence in the record supporting this
15 change, it appears to have been entirely inadvertent.

16 Secondly, the Decision modified the language in Arizona Water's existing tariff schedule
17 concerning guarantee deposits. Arizona Water's existing tariff expressly states that the Company
18 may require a deposit that is equal to two times the average customer class bill from applicants
19 for residential service, and a deposit equal to two and one-half times the estimated maximum
20 monthly bill for a non-residential customer's estimated monthly bill. See Company Schedules H-
21 8 and H-9 (copies attached). This deposit requirement is consistent with A.A.C. R14-2-403(B)
22 and dovetails with Arizona Water's general tariff schedule setting forth the terms and conditions
23 under which water service to new applicants will be established. The Decision, however,
24 eliminates the language found in the existing tariff schedules and, instead, substitutes a footnote

25
26 ¹ The Residential Utility Consumer Office ("RUCO") did not oppose any of Arizona Water's
service-related charges in its testimony.

1 that simply refers to A.A.C. R14-2-403(B). Again there was no evidence or discussion of the
2 rationale for this change, and it appears to have been inadvertent.

3 Arizona Water respectfully requests that the Commission issue an order amending the
4 Decision so as to authorize Arizona Water to file a tariff schedule for its Northern Group systems
5 that is consistent with Schedule H-9 of its rate application. Under the circumstances, Arizona
6 Water believes that a further hearing is not necessary concerning this request for relief.

7 **B. THE COMMISSION SHOULD EXTEND A WAIVER TO ALLOW THE**
8 **COMPANY TO CONTINUE TO MAINTAIN ITS LONG-STANDING**
9 **DEPRECIATION PRACTICES ON A CONSISTENT BASIS.**

10 Since its inception in 1955, when Arizona Water acquired the water operations of Arizona
11 Public Service Company ("APS"), the Company has consistently computed its annual
12 depreciation expense and maintained its accumulated provision for depreciation using a single,
13 Company-wide composite depreciation rate. This methodology was adopted, in part, to maintain
14 consistency with the water depreciation accounting and financial reporting followed by APS for
15 the water utility assets it sold to Arizona Water.

16 The NARUC Uniform System of Accounts for Water Utilities states in the description of
17 Depreciation Expense, Account 403: "A single composite depreciation rate may be used if
18 approval from the commission is obtained." The Commission has repeatedly approved the
19 Company's continued use of the composite depreciation methodology. Staff admits that the
20 Company's methodology is simpler to calculate and administer, but favored a change under the
21 mistaken belief that it would produce more accurate results.

22 The Decision states: "given the small difference between the current composite rate and
23 the result of implementing the component structure, we will grant the Company's requested
24 waiver and adopt Arizona Water's proposed 2.59 percent composite depreciation rate in this
25 proceeding." Decision at 12. The Company's composite rate indicates an overall service life
26 estimate of 38.6 years. Staff's component depreciation recommendation results in an overall

1 service life estimate of 39.7 years. As the Decision acknowledges, there is no material difference.

2 Despite the additional cost and complexity involved in setting up and maintaining 900
3 new accounts on a monthly basis, as explained in the Corrected Rebuttal Testimony of Ralph J.
4 Kennedy at 9-10, the Decision takes away the very same waiver it grants: "we believe it is
5 appropriate for Arizona Water to develop component depreciation rates *for all 18 of its systems*.
6 Therefore, the Company should file in its next rate case application, a schedule of component
7 depreciation rates for all of its systems." Decision at 12 (italics supplied).

8 The Commission has issued decisions approving the use of composite depreciation rates
9 by other water utilities. *See, e.g., Bermuda Water Company*, Decision No. 61854 (July 21, 1999)
10 (approving use of 2.76 percent composite depreciation rate); *Litchfield Park Service Co.*,
11 Decision No. 60831 (April 30, 1998) (approving use of 2.62 percent composite depreciation rate
12 for water division and 2.52 composite depreciation rate for sewer division). The use of a single
13 composite depreciation rate simplifies depreciation accounting, resulting in less complicated rate
14 proceedings, which is one of the goals discussed in the *Interim Report of the Arizona Corporation*
15 *Commission's Water Task Force* (Oct. 28, 1999). Instead of furthering the Water Utility Task
16 Force's recommendation to simplify rate proceedings, the Decision will complicate both the
17 Company's monthly accounting and future rate proceedings and add an unjustified cost of
18 accounting that the Company's customers will have to bear. Given the lack of a material
19 difference between the use of a single, composite depreciation rate and Staff's component
20 depreciation recommendation, there is no reason to force Arizona Water to alter its depreciation
21 accounting method.

22 **C. CONCLUSION.**

23 For the foregoing reasons, Arizona Water respectfully submits that a rehearing on the
24 issues set forth above should be granted and, in lieu of an additional evidentiary hearing, that the
25 Commission enter an order amending the Decision to authorize the Company to: (1) file a tariff
26 schedule for its Northern Group systems consistent with its Schedule H-9 of its rate application,

1 and (2) continue to compute its annual depreciation expense and maintain its accumulated
2 provision for depreciation using a single company-wide depreciation rate.

3 RESPECTFULLY SUBMITTED this 17th day of January, 2002.

4 FENNEMORE CRAIG

5
6 By Norm D. James
7 Norman D. James
8 Jay L. Shapiro
9 3003 North Central Avenue
10 Suite 2600
11 Phoenix, AZ 85012
12 Attorneys for Applicant
13 Arizona Water Company

11 An original and 10 copies of the
12 foregoing and attached documents
13 were delivered this 17th day of
14 January, 2002 to:

14 Docketing Supervisor
15 Docket Control
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, AZ 85007

17 A copy of the foregoing
18 and attached documents
19 were delivered this 17th day of
20 January, 2002 to:

19 Chairman William Mundell
20 Arizona Corporation Commission
21 1200 W. Washington St.
22 Phoenix, AZ 85007

22 Commissioner Jim Irvin
23 Arizona Corporation Commission
24 1200 W. Washington St.
25 Phoenix, AZ 85007

24 Commissioner Marc Spitzer
25 Arizona Corporation Commission
26 1200 W. Washington St.
Phoenix, AZ 85007

1 Hercules Dellas, Aide to Chairman Mundell
2 Arizona Corporation Commission
3 1200 W. Washington St.
4 Phoenix, AZ 85007

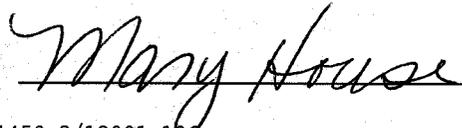
5 Patrick Black, Aide to Commissioner Irvin
6 Arizona Corporation Commission
7 1200 W. Washington St.
8 Phoenix, AZ 85007

9 Paul Walker, Aide to Commissioner Spitzer
10 Arizona Corporation Commission
11 1200 W. Washington St.
12 Phoenix, AZ 85007

13 Dwight Nodes
14 Administrative Law Judge
15 Hearing Division
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, AZ 85007

19 Christopher C. Kempley
20 Chief Counsel
21 Legal Division
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, AZ 85007

25 Daniel W. Pozefsky, Attorney
26 Residential Utility Consumer Office
2828 N. Central Ave., Suite 1200
Phoenix, AZ 85004

By: 
1261450.2/12001.188

ARIZONA WATER COMPANY



Docket No. W-1445A-00-

2000 RATE HEARING EXHIBIT

For Test Year Ended 12/31/99

TARIFF SCHEDULE

ARIZONA WATER COMPANY
Phoenix, Arizona

Filed by: James R. Livingston
Title: President
Date of Original Filing: 4-27-83

**ALL SERVICE AREAS, excluding Northern Group:
Lakeside, Overgaard, Pinewood, Sedona, Rimrock**

A.C.C. No. 364
Cancelling A.C.C. No. None
Tariff or Schedule No. SC-252

Filed:
Effective: For all service rendered
on or after

SERVICE CHARGES

AVAILABILITY:

In all cities, towns and unincorporated areas in which the Company has a general water utility business.

1. **ESTABLISHMENT** - \$16.00, each time an account is established for all customers.
2. **GUARANTEE DEPOSIT** - Residential - maximum: Two (2) times the average customer class bill. Non-Residential - maximum: Two and one-half (2 1/2) times that customer's estimated maximum monthly bill.
3. **RECONNECTION FOR DELINQUENCY** - \$16.00, each time customer is disconnected.
4. **RE-ESTABLISHMENT** - Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
5. **SERVICE CALL OUT** - During regular working hours - No charge. After regular working hours, on Saturdays, Sundays or holidays - \$35.00.
6. **RETURN OF NSF CHECK** - \$10.00 for each check returned.
7. **METER RE-READ** - No charge, if done during regular working hours, otherwise, a \$35.00 service call out.
8. **METER TEST** - No charge for the first test; for the second test for the same customer within any twelve (12) month period, \$50.00, or actual time and material, whichever is greater.
9. **SERVICE LINE AND METER INSTALLATION** - No charge for 5/8" and 1" if on existing pipelines. Full cost for 5/8" and 1" if on new pipelines. Full cost for 2" and larger if on existing or new pipelines. Advances for service line and meter installation shall be refundable.

ADJUSTMENT:

Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

TERMS AND CONDITIONS:

Subject to the Company's Tariff Schedule TC-243.

TARIFF SCHEDULE

ARIZONA WATER COMPANY

Phoenix, Arizona

Filed by: James R. Livingston
Title: President

Date of Original Filing:

System:

**Northern Group: Lakeside, Overgaard, Pinewood, Sedona, Rimrock
SERVICE CHARGES**

A.C.C. No. 445
Cancelling A.C.C. No. None
Tariff or Schedule No. SC-265
Filed:
Effective: For all service rendered
on or after

AVAILABILITY:

In all cities, towns and unincorporated areas in which the Company has a general water utility business.

1. **ESTABLISHMENT** - \$16.00, each time an account is established for all customers.
2. **GUARANTEE DEPOSIT** - Residential - maximum: Two (2) times the average customer class bill. Non-Residential - maximum: Two and one-half (2½) times that customer's estimated maximum monthly bill.
3. **RECONNECTION FOR DELINQUENCY** - \$16.00, each time customer is disconnected.
4. **RE-ESTABLISHMENT** - Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
5. **SERVICE CALL OUT** - During regular working hours - No charge. After regular working hours, on Saturdays, Sundays or holidays - \$35.00.
6. **RETURNED CHECK** - \$25.00 for each check returned.
7. **METER RE-READ** - No charge, if done during regular working hours, otherwise, a \$35.00 service call out.
8. **METER TEST** - No charge for the first test; for the second test for the same customer within any twelve (12) month period, \$50.00, or actual time and material, whichever is greater.
9. **SERVICE LINE AND METER INSTALLATION** - No charge for 5/8" and 1" if on existing pipelines. Full cost for 5/8" and 1" if on new pipelines. Full cost for 2" and larger if on existing or new pipelines. Advances for service line and meter installation shall be refundable.
10. **LATE CHARGE** - Any payment not received within fifteen (15) days from the postmark date of the bill will be delinquent and subject to a late charge of one and one-half percent (1-½%) per month.

ADJUSTMENT:

Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

TERMS AND CONDITIONS:

Subject to the Company's Tariff Schedule TC-243.