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Arizona Corporation Commission

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11 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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

Docket No. W-01445A-00-0962

**ARIZONA WATER COMPANY'S  
JOINDER IN STAFF'S OBJECTION**

17 Arizona Water Company, the Applicant in the above-entitled matter ("Arizona Water"),  
18 hereby joins in the objection which was filed by the Utilities Division ("Staff") of the Arizona  
19 Corporation Commission ("the Commission") on or about September 23, 2002, regarding the  
20 application to intervene filed by City of Casa Grande.

21 As stated by Staff in its objection, the above-entitled matter relates to Arizona Water's  
22 application for adjustments to its rates and charges for water utility service provided by its  
23 Northern Group systems (Sedona, Pinewood, Rimrock, Overgaard and Lakeside). The City of  
24 Casa Grande is not served by any Northern Group system. The particular surcharge mechanism  
25 that will be considered and, hopefully, approved by the Commission will therefore apply only to  
26 the Northern Group; it will not apply to any customers served by Arizona Water's Casa Grande

1 system.

2 Assuming that the Commission ultimately approves a surcharge mechanism, allowing  
3 Arizona Water to recover the additional costs associated with treating its water for arsenic, it is  
4 uncertain whether and when this mechanism will be employed outside of the Northern Group. A  
5 surcharge mechanism of this nature must normally be approved in the context of a general rate  
6 proceeding, in which the "fair value" of the utility's plant and property is determined and used to  
7 set rates. *See Residential Utility Consumer Office v. Ariz. Corp. Comm'n*, 199 Ariz. 588, 20 P.3d  
8 1169 (App. 2001) (holding that the Commission cannot impose a rate surcharge based on a  
9 specific cost increase without first determining a utility's fair value rate base). Consequently,  
10 Arizona Water cannot request that a surcharge mechanism be implemented with respect to its  
11 Casa Grande system (or any other of its systems outside of the Northern Group) unless and until it  
12 files a general rate application for that system. At the present time, Arizona Water has no plans to  
13 file an application seeking rate increases for its Casa Grande system.<sup>1</sup> In the event that such an  
14 application is filed in the future, the City of Casa Grande will have the right to intervene in that  
15 proceeding and to obtain information and data regarding how rates are designed and whether any  
16 "cross-subsidies" exist.

17 In short, as argued by Staff, Casa Grande's participation in this phase is unnecessary and  
18 will only complicate and delay the proceeding. The second phase of the Northern Group rate case  
19 is limited to the development of an appropriate method to recover costs associated with arsenic  
20 treatment and certain related issues. It is apparent from its application that Casa Grande seeks to  
21 enlarge the issues involved in this proceeding. This should not be allowed.

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25 <sup>1</sup> Arizona Water recently filed an application seeking adjustments to its rates and charges to utility  
26 service by its Eastern Group systems (Apache Junction, Superior, Bisbee, Sierra Vista, Miami,  
San Manuel, Oracle and Winkelman). Again, Casa Grande is not affected by that application.

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RESPECTFULLY SUBMITTED this 25<sup>th</sup> day of September, 2002.

FENNEMORE CRAIG

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