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Arizona Corporation Commission

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AZ CORP COMMISSION
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MAR - 1 2004

GLEASON PROPOSED AMENDMENT # 1

DOCKETED BY	<i>CRP</i>
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TIME/DATE PREPARED: 11:30a.m. / March 1, 2004

COMPANY: Arizona Water Company

AGENDA ITEM NO. U-13

DOCKET NO. W-01445A-02-0619

OPEN MEETING DATE: March 2, 2004

Page 27, line 9, after the period, INSERT "According to Mr. Kennedy, arsenic treatment capital costs are estimated to be approximately \$573 per customer in the Apache Junction system and \$1,309 per customer in the Superior system (Ex. A-17, at 7)."

Page 28, DELETE lines 9-28.

Page 29, DELETE lines 1-9. INSERT:

"We agree with Staff and RUCO that the Apache Junction and Superior systems should not be consolidated. These two systems are physically separate. Consolidation for ratemaking purposes absent an interconnected system results in the ratepayers of one system subsidizing the costs incurred by the ratepayers of the other.

This Commission has routinely rejected Arizona Water's requests to consolidate systems for ratemaking purposes. In 1992, the Commission cautioned Arizona Water that while we agreed to develop a three-group concept to process future rate applications, "the rate application must preserve the individuality of the data and rates for each company within the group." The three-group concept should not be a "path toward rate consolidation" of distinct systems (Decision 58120 at 33-34). In 2001, the Commission refused to approve the utility's request to consolidate the Northern Group's five systems into two sets of tariffs (Decision 64282). Last year, in the Arizona Water Northern Group arsenic cost recovery matter, the Commission denied the consolidation of the Sedona and Rimrock systems for ratemaking purposes (Decision No. 66400). In this pending matter, Staff witness Ron Ludders testified that when systems are not interconnected and have different costs of service, rate consolidation is inappropriate and would result in "cross-subsidization among systems and results in unfair rates." (Ex. S-44 at 34).

Arizona Water testified that it will interconnect the two systems within two years (Ex. A-10 at 4-5; Ex. A-17, at 7). However, these systems were not linked during the test year or within 12 months after the end of the test year. Arizona Water requested rate consolidation of these two systems at the time it filed its Application on August 14, 2002. Yet, nineteen months later, physical interconnectedness is still two years out. The Commission's rules require that the test year selected be "the most recent practical data available prior to the filing." A.A.C. R-14-2-103(A)(3)(p). In the past, the Commission has allowed consideration of *known and measurable* post-test year data, generally for not more than 12 months after the end of the test year. Arizona Water expects to file a rate case involving the Apache Junction system in three years (Ex. A-11, at 12). By then, the Apache Junction and Superior systems should be newly linked. The Company and Staff can conduct proper cost of service studies at that time. Therefore, the Commission rejects the proposal to consolidate rates for the two systems because these systems will merge at a future date."

Page 39, DELETE Finding of Fact 16. INSERT new Finding of Fact 16:

"16. Arizona Water's proposal to consolidate the Superior and Apache Junction systems is denied."

DELETE Finding of Fact 22. INSERT new Finding of Fact 22:

"22. For the Apache Junction system, the rates set herein produce a decrease in annual revenues of 3.29 percent which results in a decrease of 11.56% for the average usage $\frac{5}{8} \times \frac{3}{4}$ inch meter customer and a decrease of 7.65% for the median $\frac{5}{8} \times \frac{3}{4}$ inch customer."

Page 40, DELETE Finding of Fact 28. INSERT new Finding of Fact 28:

"28. For the Superior system, the rates herein produce an increase in annual revenues of 50.60 percent which results in the average usage $\frac{5}{8} \times \frac{3}{4}$ inch meter customer experiencing an increase of 44.29% and the median usage $\frac{5}{8} \times \frac{3}{4}$ inch customer experiencing an increase of 47.03%."

REVISED EXHIBIT D
 RATE DESIGN

	Apache Junction	Superior	Bisbee	Miami	Oracle	San Manuel	Sierra Vista	Winkelman
Monthly Usage Charge:								
5/8" x 3/4" Meter	\$ 12.43	\$ 24.73	\$ 16.28	\$ 15.44	\$ 19.31	\$ 19.94	\$ 15.37	\$ 12.95
1" Meter	\$ 32.24	\$ 62.03	\$ 43.63	\$ 38.87	\$ 40.62	\$ 42.51	\$ 32.65	\$ 38.15
2" Meter	\$ 122.20	\$ 159.84	\$ 140.58	\$ 129.86	\$ 166.69	\$ 234.67	\$ 125.25	\$ 81.75
3" Meter	\$ 246.39	\$ 402.51	\$ 267.25	\$ 248.35	\$ 220.51	\$ 358.76	\$ 284.14	\$ 241.28
4" Meter	\$ 443.46	\$ 478.87	\$ 476.35	\$ 497.76	\$ 286.45	\$ 453.35	\$ 367.41	\$ 451.22
6" Meter	\$ 714.72	\$ 771.79	\$ 662.53	\$ 875.26	\$ 341.11	\$ 538.19	\$ 604.72	\$ 616.16
8" Meter	\$ 862.25	\$ 926.15	\$ 891.27	\$ 1,163.12	\$ 625.36	\$ 854.56	\$ 725.66	\$ 764.18
10" Meter	\$ 1,003.50	\$ 1,157.69	\$ 1,200.36	\$ 1,305.25	\$ 837.19	\$ 1,228.50	\$ 907.08	\$ 935.02

Gallons Included in Minimum Charge:

5/8" x 3/4" Meter	0	0	0	0	0	0	0	0
1" Meter	0	0	0	0	0	0	0	0
2" Meter	0	0	0	0	0	0	0	0
3" Meter	0	0	0	0	0	0	0	0
4" Meter	0	0	0	0	0	0	0	0
6" Meter	0	0	0	0	0	0	0	0
8" Meter	0	0	0	0	0	0	0	0
10" Meter	0	0	0	0	0	0	0	0

Fire Hydrants Used For Construction Water

Commodity Rates :								
Per 1,000 Gallons (In Excess of Minimum)	N/A							
Per 1,000 Gallons for 0 to 10,000 Gallons	\$ 1,7760	\$ 5,1600	\$ 2,5840	\$ 3,1400	\$ 4,9850	\$ 1,7040	\$ 1,5520	\$ 1,1360
Per 1,000 Gallons for 10,001 to 25,000 Gallons	\$ 2,2200	\$ 6,4500	\$ 3,2300	\$ 3,9250	\$ 6,2310	\$ 2,1300	\$ 1,9400	\$ 1,4200
Per 1,000 Gallons for Gallons in Excess of 25,000	\$ 2,6640	\$ 7,7400	\$ 3,8760	\$ 4,7100	\$ 7,4770	\$ 2,5560	\$ 2,3280	\$ 1,7040

Service Line and Meter Installation Charge:

5/8" x 3/4" Meter	(a)							
1" Meter	(a)							
2" Meter	(b)							
3" Meter	(b)							
4" Meter	(b)							
6" Meter	(b)							

(a) No charge for 5/8" and 1" if on existing pipelines. Full cost for 5/8" and 1" if on new pipelines.

(b) Full cost for 2" and larger if on existing or new pipelines.

ARIZONA WATER COMPANY
 DOCKET NO. W-01445A-02-0619
 TEST YEAR ENDED DECEMBER 31, 2001

	Apache Junction	Superior	Bisbee	Miami	Oracle	San Manuel	Sierra Vista	Winkelman
Service Charges:								
Establishment	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
Guarantee Deposit	(c) 16.00	(c) 16.00	(c) 16.00	(c) 16.00	(c) 16.00	(c) 16.00	(c) 16.00	(c) 16.00
Reconnection for Delinquency (per disconnection)	(d) 16.00	(d) 16.00	(d) 16.00	(d) 16.00	(d) 16.00	(d) 16.00	(d) 16.00	(d) 16.00
Re-establishment								
Service Call Out (After Regular Working Hours Only)	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Returned Check Charge	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Meter Re-read (After Regular Working Hours Only)	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Meter Test	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Late Charge	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)

(c) Per Commission Rule A.A.C. R14-2-403B

(d) Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.

N/A No current tariff.

(e) 1.5 percent after 15 days