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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF  
 ARIZONA-AMERICAN WATER COMPANY  
 FOR APPROVALS ASSOCIATED WITH A  
 TRANSACTION WITH THE MARICOPA  
 COUNTY MUNICIPAL WATER  
 CONSERVATION DISTRICT NUMBER ONE.

Docket No. W-01303A-05-0718

**RUCO'S REPLY BRIEF**

The Residential Utility Consumer Office ("RUCO") submits this Brief in reply to the position of the Maricopa County Municipal Water Conservation District Number One ("MWD" or "District") to deny Arizona American Water Company's ("Arizona American" or "Company") hook-up fee proposal. District Brief at 5. RUCO opposes the District's request to deny the Company's hook-up fee proposal for the all the reasons set forth in RUCO's Closing Brief. RUCO's Brief at 2-6. RUCO recommends that the Commission adopt the Company's second proposed hook-up fee option that would start at \$4,700 for a 5/8 by 3/4-inch meter. This proposal results in lesser accruals of AFUDC than the other option proposed by the Company. RUCO also has no objection to the issuance of an accounting order, or to the Company seeking adjustments to the hook-up fees and a mechanism to recover operation and maintenance costs for the White Tanks Plant in its 2008 rate case.

1 In its Brief, the District requests that, if the Commission were to authorize a hook-up fee  
2 increase, that the Commission impose certain conditions on the hook-up fee increase. RUCO  
3 does not object to the District's conditions identified in paragraphs 9 (A) and (B) in its Summary  
4 of Relief Requested in its Brief (page 5 and 6), should the Commission grant the Company's  
5 request. RUCO does object to that portion of the District's conditions identified in paragraphs  
6 9 (C), (D) and (E) on the basis that the Commission should not determine the issues raised in  
7 these paragraphs outside of a rate case.

8 **THE DISTRICT'S PLAN IS NOT A BETTER OPTION FOR THE COMPANY'S**  
9 **RATEPAYERS.**

10 Almost the entirety of the District's Brief is a comparison of the District's Plan to the  
11 Company's Plan, and how and why the District's Plan is superior to the Company's. District  
12 Brief 3-15. The District misses the point. The Company, not the District, is responsible for  
13 building the plant necessary to serve its customers. The Company is not asking the  
14 Commission to build the plant, it is asking the Commission to approve a method of financing  
15 the construction. The Company's proposed method of financing the construction is the narrow  
16 issue in this case. The Commission should not get sidetracked by the lengthy and numerous  
17 arguments raised in the District's Brief that concern matters other than this narrow issue the  
18 Commission is being asked to decide.

19 The District claims to know what is best for the Company's ratepayers. Brief at 6. In  
20 actuality, the District is looking out for the best interests of its landowners. The District has  
21 substantial assets and must use its assets "... for the benefit of the district landowners."  
22 District Brief at 3. The District acknowledges that it has a greater level of commitment to its  
23 landowners than it has for the Company's ratepayers who are not landowners. Transcript at  
24

1 488. The District is looking out for the best interests of its landowners and not all of the  
2 Company's ratepayers.

3 The District's claim that its plan is best for the Company's ratepayers appears to be  
4 based on three benefits that the Company's ratepayers will realize: (1) a subsidized plant; (2)  
5 lower operating costs; and (3) landowner credits. District Brief at 3. The Company fails to  
6 mention the many and varied reasons why the District's plan would not benefit ratepayers.  
7 See for example RUCO's Brief at 2-5. Moreover, as RUCO has set out in its Brief, the  
8 negatives outweigh the positives. Id. Again, while all this may be interesting, it is outside the  
9 narrow issue that the Commission should limit its consideration.

10  
11 **CONCLUSION**

12 In sum, the Commission should approve the Company's hook-up fee proposal (i.e. the  
13 Company's second option) to finance the cost of the White Tank Treatment plant. It is in the  
14 ratepayers best interests and fair to the Company. The Commission should also grant the  
15 Company's request for an accounting order. RUCO, however, requests that the Commission  
16 indicate in its Decision on this application that it is not predetermining the appropriateness of  
17 any future modifications to the hook-up fee or the appropriateness of any mechanism to  
18 recover operation and maintenance costs.

19  
20 RESPECTFULLY SUBMITTED this 27<sup>th</sup> day of April 2007

21  
22   
23 \_\_\_\_\_  
24 Daniel Pozefsky  
Staff Attorney

1 AN ORIGINAL AND THIRTEEN COPIES  
2 of the foregoing filed this 27<sup>th</sup> day  
3 of April 2007 with:

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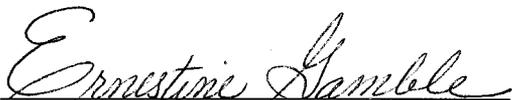
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