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BEFORE THE ARIZONA CORPORATION COMMISSION

220

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS SUN CITY
WASTEWATER AND SUN CITY WEST
WASTEWATER DISTRICT.

DOCKET NO. WS-01303A-06-0491

NOTICE OF FILING DIRECT TESTIMONY

Staff of the Arizona Corporation Commission hereby files the Direct Testimony of Gerald
Becker of the Utilities Division, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 5th day of July, 2007.

Maureen A. Scott, Senior Staff Counsel
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Legal Division
Arizona Corporation Commission
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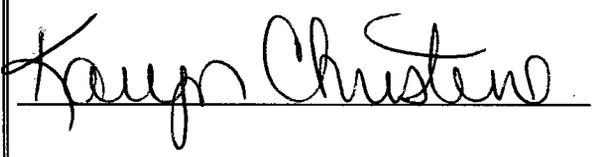
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DIRECT
TESTIMONY
OF
GERALD BECKER

DOCKET NO. WS-01303A-06-0491

**IN THE MATTER OF THE APPLICATION OF
ARIZONA AMERICAN WATER COMPANY
FOR A DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS SUN CITY
WEST WASTEWATER DISTRICTS**

JULY 5, 2007

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA AMERICAN WATER COMPANY)
FOR A DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
RATES AND CHARGES BASED THEREON)
FOR UTILITY SERVICE BY ITS SUN CITY)
WEST WASTEWATER DISTRICTS)

DOCKET NO. WS-01303A-06-0491

DIRECT
TESTIMONY
OF
GERALD BECKER
PUBLIC UTILITIES ANALYST V
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JULY 5, 2007

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**EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY
WASTEWATER DISTRICT
DOCKET NO. WS-01303A-06-0491**

On August 4, 2006, Arizona-American Water Company Inc. - Sun City West Wastewater District ("Sun City West" or "Company") filed a revised general rate application. Arizona-American Water Company Inc. is a for profit company providing wastewater to customers in Sun City West, Arizona in Maricopa County. Sun City West served approximately 15,000 customers during the 2005 test year. The testimony of Mr. Gerald Becker represents Staff's recommend rate design.

Sun City West's present sewer rates are mostly flat rates, except that customers classified as large Commercial and Industrial customers include both a fixed customer charge and a volumetric charge above the first 20,000 gallons.

Consistent with direction provided in Decision No. 67093, the Company proposes to introduce volumetric charges to all of its wastewater bills. The customer charges and usages subject to volumetric charges increase in tandem with the size of the water meters. As wastewater is not metered, the volumetric charges are based on customers' water consumption as measured by the water meters. The volumetric charge is applied only to the first block of water usage in the residential class and the size of the first block varies with the size of the water meter. The Company also recommends continuance of the existing practice of excluding the first 20,000 gallons from the volumetric rate for the large commercial and industrial customers.

Staff also recommends a rate design that includes a volumetric component, but it differs from the Company's proposal in several ways. First, for all customers with a meter larger than 2 inches, Staff recommends that the volumetric charge apply to all metered water use. Second, although Staff recommends application of the volumetric charge to the same maximum use level of 5,000 gallons as the Company proposes for 5/8-inch meters, for customers with 3/4-inch, 1-inch, 1.5-inch and 2-inch meters, Staff recommends different maximum use levels to which the volumetric charge would be applied than the Company proposes. Staff selected the maximum use level to which the volumetric rate would apply based on the equivalent flow capacities for each meter size. Third, Staff does not propose to exclude any usage from the volumetric charge for the large commercial and industrial customers. Staff's rate structure is designed to promote better matching of cost causation and cost recovery and, thus, efficient use of wastewater resources.

Staff's recommended rate design would generate revenue of \$6,109,804, including \$2,581,652 from volumetric sales. The typical residential bill with median use of 6,000 gallons would increase by \$9.97, or 48.5 percent, from \$20.56 to \$30.53. However, the minimum charge for a residential customer declines by \$2.50, from \$20.56 to \$18.03, giving customers more control of their bills.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Gerald Becker. I am a Public Utilities Analyst V employed by the Arizona
4 Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff").
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Gerald Becker that previously filed testimony on behalf of Staff in
8 this docket for the Arizona-American Water Company, Inc. – Sun City West
9 Wastewater ("Sun City West" or "Company") permanent rate application
10 pertaining to the subjects rate base, operating revenues and expenses and revenue
11 requirement?**

12 A. Yes.

13
14 **Q. What is the subject of the testimony you are submitting at this time?**

15 A. The purpose of this testimony is to present Staff's rate design recommendations.

16
17 **Q. Have you reviewed the rate design testimony submitted by Sun City West in this
18 case?**

19 A. Yes. I reviewed Company witness, Mr. Charles E. Loy's testimony.

20
21 **Q. Is the Company proposing any major changes in the rate structure?**

22 A. Yes. Consistent with the direction provided in Decision No. 67093, the Company is
23 proposing a migration from a rate design that is mostly based on flat rates to a billing
24 methodology that has volumetric components. Staff also recommends a rate design that
25 includes a volumetric component, but it differs from the Company's proposal in several
26 ways as discussed below.

1 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

2 **Q. Briefly summarize how Staff's rate design testimony is organized.**

3 A. Staff's rate design testimony is organized to present a discussion of the present rates, the
4 Company's proposed rates, and Staff's recommended rates for Sun City West. Schedules
5 GWB-1 and GWB-2 are provided to further describe Staff's rate design.

6
7 **Present Rate Design**

8 **Q. Please provide an overview of the Company's present rates.**

9 A. The following is a general description of the present rate design. Details of the rate
10 designs are presented on Schedule GWB-1. Presently, Sun City West wastewater rates are
11 flat rate, except that bills for customers classified as large Commercial and Industrial
12 include both a fixed customer charge and a volumetric charge above the first 20,000
13 gallons of metered water use. All multi-unit residential housing is billed at the same
14 charge per unit. Commercial customers, other than large commercial and industrial, are
15 also subject to a flat fee per additional items such as toilets, dishwashers, etc. Large
16 commercial and industrial customers pay a customer charge and a volumetric rate for
17 metered water use exceeding 20,000 gallons.

18
19 **Sun City West's Proposed Wastewater Rate Design**

20 **Q. Please provide an overview of the Company's proposed rate structure.**

21 A. Consistent with the direction provided in Decision No. 67093, the Company proposes that
22 customers receiving metered water service from an Arizona-American entity would
23 change from flat rate service to rates that include a volumetric component. As wastewater
24 is not metered, the volumetric charges are based on customers' water consumption as
25 measured by their water meters. The volumetric charges are based on each thousand
26 gallons of water usage up to a volumetric threshold in each rate class. The first 20,000

1 gallons of metered water use would continue to be excluded from large commercial and
2 industrial customer bills. All gallons above 20,000 gallons would be billed at a volumetric
3 rate that is lower than that paid by other customers whose volumetric rate is applied only
4 up to an established use level. Customers receiving wastewater service but not water
5 service from an Arizona-American entity will continue to be billed on a flat fee basis. The
6 Company should endeavor to work with alternate water providers to obtain water use data
7 so as to bill volumetrically consistent with other customers. For all metered rate classes,
8 customer charges are based on and increase with the water meter size. Separate
9 volumetric rates are established for (1) commercial (2) residential and (3) large
10 commercial and industrial.

11
12 **Staff's Recommended Wastewater Rate Design**

13 **Q. Please describe Staff's recommended rate structure.**

14 A. Staff's rate structure is designed to promote better matching of cost causation and cost
15 recovery and, thus, efficient use of resources. Staff recommends a rate design that
16 includes a volumetric component, but it differs from the Company's proposal in several
17 ways. First, for all customers with a meter larger than 2 inches, Staff recommends that the
18 volumetric charge apply to all metered water use. Second, although Staff recommends
19 application of the volumetric charge to the same maximum use level of 5,000 gallons as
20 the Company proposes for 5/8-inch meters, for customers with 3/4-inch, 1-inch, 1.5-inch
21 and 2-inch meters, Staff recommends different maximum use levels to which the
22 volumetric charge would be applied than the Company proposes. Staff selected the
23 maximum use level to which the volumetric rate would apply based on the equivalent flow
24 capacities for each meter size. Third, Staff does not propose to exclude any usage from
25 the volumetric charge for the large commercial and industrial customers. Staff's
26 recommendation includes a volumetric component for all customer classes except those

1 customers who do not receive metered water service from the Company. As with the
2 Company's proposal, customers receiving wastewater service but not water service from
3 an Arizona-American entity will continue to be billed on a flat fee basis. These unmetered
4 customers account for \$51,180 or 0.83% of Staff proposed revenue of \$6,108,804.

5
6 Staff's rates are designed to yield Staff's recommended revenue requirement.

7
8 **Q. Please provide additional rate design considerations.**

9 A. As discussed above, Staff recommends a design that includes a volumetric rate applied
10 only up to specified volumetric thresholds for all customers with a 2-inch or smaller
11 meter. For customers with a meter larger than 2 inches, Staff recommends that all usage
12 be subject to volumetric charges. Applying the volumetric rate only up to a specified
13 threshold is intended to avoid billing wastewater customers with smaller water meters for
14 engaging in activities that are not associated with wastewater service such as outdoor
15 watering. As water customers' metered water use increases, the likelihood that each
16 incremental gallon is used for some purpose not associated with wastewater production
17 also increases. Use of large volumes of water by customers with smaller meters is often
18 associated with watering of lawns, filling of pools, and other activities that are not
19 associated with wastewater service.

20
21 Most customers with large meters are associated with multi-unit housing and commercial
22 operations. For this reason, Staff recommends application of a volumetric wastewater rate
23 only up to the specific volumetric thresholds for customers with smaller meter sizes and to
24 all gallons for customers with meters larger than 2 inches.

1 **Q. What method was used by Staff to determine the monthly minimum charges and**
2 **volumetric charges?**

3 A. Staff calculated monthly minimum charges and volumetric charges that would produce
4 Staff's revenue requirement. Staff selected these rates based on a combination of monthly
5 minimum charges and volumetric charges that would maintain the same ratio of monthly
6 minimum charge revenue to total revenue that exists in the Company's proposed rates.
7 Due to Staff's view that the volumetric rate should be applied to all metered water use,
8 Staff re-calculated the billable gallons for the residential, commercial and large
9 commercial and industrial groups. Staff derived commodity rates by dividing the desired
10 commodity revenue for residential and commercial groups by respective billable gallons.

11
12 **Q. Did Staff prepare schedules showing the present, Company proposed, and Staff**
13 **recommended monthly minimums and volumetric rates for each rate class?**

14 A. Yes. Staff Schedule GWB-1 shows the present monthly minimum charges and volumetric
15 rates, the Company's proposed monthly minimum charges and volumetric rates and
16 Staff's recommended monthly minimum charges and volumetric rates.

17
18 **Q. Did Staff prepare a schedule showing the average and median monthly residential**
19 **bills under present rates, the Company's proposed rates, and Staff's recommended**
20 **rates for each of the water systems?**

21 A. Yes. Staff Schedule GWB-2 presents average and median monthly bills using present
22 rates, the Company's proposed rates and Staff's recommended rates.

23
24 **Q. Did the Company propose any changes to its wastewater system service charges?**

25 A. No. The Company has not proposed changes to service charges. The Company's rate
26 design proposal is shown on the Company's Revised Schedule H-3.

1 **Q. What wastewater system service charges does Staff recommend?**

2 A. Staff's recommendations for service charges are shown in Schedule GWB-1.

3

4 **Q. What is the impact of Staff rate design on a typical residential customer?**

5 A. The bill for a typical residential customer with median use of 6,000 gallons would increase
6 by \$9.97, or 48.5 percent, from \$20.56 to \$30.53.

7

8 **Q. Has the Company submitted a recommendation for the format and content of its
9 tariff's in addition to rates and charges?**

10 A. No. No proposal for the format or content of the tariffs was included in the application
11 except for the specific rate recommendations made by the Company. The Company
12 should endeavor to provide better descriptions of residential, commercial and large
13 commercial and industrial users.

14

15 **Q. Does this conclude your direct testimony?**

16 A. Yes, it does.

RATE DESIGN

Monthly Minimum Charge		Present	Company Proposed	Staff Recommended
Rate Schedule	Description			
B1MS1	General Sanitary Sewer Service Rate Residential - All	\$ 20.56	See Below	See Below
B1MS1A	Residential 5/8-3/4" & 3/4" Single Unit	\$ 20.56	\$ 18.10	\$ 18.03
B1MS1B	Residential 1" Single Unit	\$ 20.56	\$ 45.25	\$ 27.68
B1MS1C	Residential 1 1/2" Single Unit	\$ 20.56	\$ 90.50	\$ 43.75
B1MS1D	Residential 2" Single Unit	\$ 20.56	\$ 144.80	\$ 63.04
B1MS1E	Residential 3" Single Unit	\$ 20.56	\$ 271.50	\$ 63.04
B1MS1F	Residential 4" Single Unit	\$ 20.56	\$ 452.50	\$ 63.04
B1MS1G	Residential 6" Single Unit	\$ 20.56	\$ 905.00	\$ 63.04
B1MS1H	Residential 8" Single Unit	\$ 20.56	\$ 1,448.00	\$ 63.04
B1MS10	Residential Flat Fee Single Unit	\$ 20.56	\$ 31.15	\$ 63.04
B1MS2A	Residential 5/8-3/4" & 3/4" Multi Unit		\$ 18.10	\$ 18.03
B1MS2B	Residential 1" Multi Unit	\$ 20.56	\$ 45.25	\$ 27.68
B1MS2C	Residential 1 1/2" Multi Unit	\$ 20.56	\$ 90.50	\$ 43.75
B1MS2D	Residential 2" Multi Unit	\$ 20.56	\$ 144.80	\$ 63.04
B1MS2E	Residential 3" Multi Unit	\$ 20.56	\$ 271.50	\$ 63.04
B1MS2F	Residential 4" Multi Unit	\$ 20.56	\$ 452.50	\$ 63.04
B1MS2G	Residential 6" Multi Unit	\$ 20.56	\$ 905.00	\$ 63.04
B1MS2H	Residential 8" Multi Unit	\$ 20.56	\$ 1,448.00	\$ 63.04
B1MS20	Residential Flat Fee Multi Unit	\$20.56 per unit	\$ 31.15	See Below
B2MS1A	Commercial 5/8-3/4" & 3/4" Single Unit	\$ 29.25	\$ 18.10	\$ 18.03
B2MS1B	Commercial 1" Single Unit	\$ 29.25	\$ 45.25	\$ 27.68
B2MS1C	Commercial 1 1/2" Single Unit	\$ 29.25	\$ 90.50	\$ 43.75
B2MS1D	Commercial 2" Single Unit	\$ 29.25	\$ 144.80	\$ 63.04
B2MS1E	Commercial 3" Single Unit	\$ 29.25	\$ 271.50	\$ 63.04
B2MS1F	Commercial 4" Single Unit	\$ 29.25	\$ 452.50	\$ 63.04
B2MS1G	Commercial 6" Single Unit	\$ 29.25	\$ 905.00	\$ 63.04
B2MS1H	Commercial 8" Single Unit	\$ 29.25	\$ 1,448.00	\$ 63.04
B2MS10	Commercial Flat Fee Single Unit	\$ 29.25	\$ 44.31	\$ 40.95
B2MS2A	Commercial 5/8-3/4" & 3/4" Multi Unit	\$ 29.25	\$ 18.10	\$ 18.03
B2MS2B	Commercial 1" Multi Unit	\$ 29.25	\$ 45.25	\$ 27.68
B2MS2C	Commercial 1 1/2" Multi Unit	\$ 29.25	\$ 90.50	\$ 43.75
B2MS2D	Commercial 2" Multi Unit	\$ 29.25	\$ 144.80	\$ 63.04
B2MS2E	Commercial 3" Multi Unit	\$ 29.25	\$ 271.50	\$ 63.04
B2MS2F	Commercial 4" Multi Unit	\$ 29.25	\$ 452.50	\$ 63.04
B2MS2G	Commercial 6" Multi Unit	\$ 29.25	\$ 905.00	\$ 63.04
B2MS2H	Commercial 8" Multi Unit	\$ 29.25	\$ 1,448.00	\$ 63.04
B2MS20	Commercial Flat Fee Multi Unit	\$ 29.25	\$ 44.31	See Below
B2MS1LA	Commercial Large User 5/8-3/4" & 3/4" Single Unit	\$ 57.50	\$ 53.00	\$ 18.03
B2MS1LB	Commercial Large User 1" Single Unit	\$ 57.50	\$ 132.50	\$ 27.68
B2MS1LC	Commercial Large User 1 1/2" Single Unit	\$ 57.50	\$ 265.00	\$ 43.75
B2MS1LD	Commercial Large User 2" Single Unit	\$ 57.50	\$ 424.00	\$ 63.04
B2MS1LE	Commercial Large User 3" Single Unit	\$ 57.50	\$ 795.00	\$ 63.04
B2MS1LF	Commercial Large User 4" Single Unit	\$ 57.50	\$ 1,325.00	\$ 63.04
B2MS1LG	Commercial Large User 6" Single Unit	\$ 57.50	\$ 2,650.00	\$ 63.04
B2MS1LH	Commercial Large User 8" Single Unit	\$ 57.50	\$ 4,240.00	\$ 63.04
B2MS2LA	Commercial Large User 5/8-3/4" & 3/4" Multi Unit	\$ 57.50	\$ 53.00	\$ 18.03
B2MS2LB	Commercial Large User 1" Multi Unit	\$ 57.50	\$ 132.50	\$ 27.68
B2MS2LC	Commercial Large User 1 1/2" Multi Unit	\$ 57.50	\$ 265.00	\$ 43.75
B2MS2LD	Commercial Large User 2" Multi Unit	\$ 57.50	\$ 424.00	\$ 63.04
B2MS2LE	Commercial Large User 3" Multi Unit	\$ 57.50	\$ 795.00	\$ 63.04
B2MS2LF	Commercial Large User 4" Multi Unit	\$ 57.50	\$ 1,325.00	\$ 63.04
B2MS2LG	Commercial Large User 6" Multi Unit	\$ 57.50	\$ 2,650.00	\$ 63.04
B2MS2LH	Commercial Large User 8" Multi Unit	\$ 57.50	\$ 4,240.00	\$ 63.04
Flat Fee Services:				
B1MS1	General Sanitary Sewer Service Rate Commercial Per Unit	\$ 29.25	\$ 44.31	\$ 40.95
B1MS2	General Sanitary Sewer Service Rate Additional Toilet	\$ 6.72	None	\$ 9.41
B1MS3	General Sanitary Sewer Service Rate Restaurants Per Dishwasher	\$ 53.91	None	\$ 75.47
B1MS4	General Sanitary Sewer Service Rate Laundromats Per Wash Machine	\$ 12.58	None	\$ 17.61
B1MS5	General Sanitary Sewer Service Rate Commercial Per Wash Rack	\$ 28.35	None	\$ 36.89

Commodity Charge		Present	Company Proposed	Staff Recommended
B1MS1	General Sanitary Sewer Service Rate Residential - All	None	See Below	See Below

B1MS1A	Residential 5/8-3/4" and 3/4" Single Unit	First 5,000	\$ -	\$ 3.10	\$ 2.50
		Over 5,000	\$ -	\$ -	\$ -
B1MS1B	Residential 1" Single Unit	First 10,000	\$ -	\$ 3.10	
		Over 10,000	\$ -	\$ -	
		First 12,500			\$ 2.50
		Over 12,500			\$ -
B1MS1C	Residential 1 1/2" Single Unit	First 35,000	\$ -	\$ 3.10	
		Over 35,000	\$ -	\$ -	
		First 25,000			\$ 2.50
		Over 25,000			\$ -
B1MS1D	Residential 2" Single Unit	First 55,000	\$ -	\$ 3.10	
		Over 55,000	\$ -	\$ -	
		First 40,000			\$ 2.50
		Over 40,000			\$ -
B1MS1E	Residential 3" Single Unit	First 100,000	\$ -	\$ 3.10	
		Over 100,000	\$ -	\$ -	
		ALL			\$ 2.50
B1MS1F	Residential 4" Single Unit	First 200,000	\$ -	\$ 3.10	
		Over 200,000	\$ -	\$ -	
		ALL			\$ 2.50
B1MS1G	Residential 6" Single Unit	First 200,000	\$ -	\$ 3.10	
		Over 200,000	\$ -	\$ -	
		ALL			\$ 2.50
B1MS1H	Residential 8" Single Unit	First 200,000	\$ -	\$ 3.10	
		Over 200,000	\$ -	\$ -	
		ALL			\$ 2.50
B1MS10	Residential Flat Fee Single Unit	N/A	\$ -	None	None
				\$ -	
B1MS2A	Residential 5/8-3/4" & 3/4" Multi Unit	First 5,000	None	\$ 3.10	\$ 2.50
		Over 5,000	None	\$ -	\$ -
B1MS2B	Residential 1" Multi Unit	First 10,000	None	\$ 3.10	
		Over 10,000	None	\$ -	
		First 12,500	None		\$ 2.50
		Over 12,500	None		\$ -
B1MS2C	Residential 1 1/2" Multi Unit	First 35,000	None	\$ 3.10	
		Over 35,000	None	\$ -	
		First 25,000	None		\$ 2.50
		Over 25,000	None		\$ -
B1MS2D	Residential 2" Multi Unit	First 55,000	None	\$ 3.10	
		Over 55,000	None	\$ -	
		First 40,000	None		\$ 2.50
		Over 40,000	None		\$ -
B1MS2E	Residential 3" Multi Unit	First 100,000	None	\$ 3.10	
		Over 100,000	None	\$ -	
		ALL	None		\$ 2.50
B1MS2F	Residential 4" Multi Unit	First 200,000	None	\$ 3.10	
		Over 200,000	None	\$ -	
		ALL	None		\$ 2.50
B1MS2G	Residential 6" Multi Unit	First 200,000	None	\$ 3.10	
		Over 200,000	None	\$ -	
		ALL	None		\$ 2.50
B1MS2H	Residential 8" Multi Unit	First 200,000	None	\$ 3.10	
		Over 200,000	None	\$ -	
		ALL			\$ 2.50
B1MS20	Residential Flat Fee Multi Unit				
B2MS1A	Commercial 5/8-3/4" & 3/4" Single Unit	First 5,000		\$ 3.79	\$ 2.60
		Over 5,000		\$ -	\$ -
B2MS1B	Commercial 1" Single Unit	First 10,000		\$ 3.79	
		Over 10,000		\$ -	
		First 12,500		\$ -	\$ 2.60
		Over 12,500		\$ -	\$ -
B2MS1C	Commercial 1 1/2" Single Unit	First 35,000		\$ 3.79	
		Over 35,000		\$ -	
		First 25,000			\$ 2.60
		Over 25,000			\$ -
B2MS1D	Commercial 2" Single Unit	First 55,000		\$ 3.79	
		Over 55,000		\$ -	
		First 40,000			\$ 2.60
		Over 40,000			\$ -
B2MS1E	Commercial 3" Single Unit	First 100,000		\$ 3.79	
		Over 100,000		\$ -	
		ALL			\$ 2.60
B2MS1F	Commercial 4" Single Unit	First 400,000		\$ 3.79	
		Over 400,000		\$ -	
		ALL			\$ 2.60
B2MS1G	Commercial 6" Single Unit	First 400,000		\$ 3.79	
		Over 400,000		\$ -	
		ALL			\$ 2.60

B2MS1H	Commercial 8" Single Unit	First 200,000		\$	3.79		
		Over 200,000		\$	-	\$	2.60
B2MS10	Commercial Flat Fee Single Unit	ALL					
		NONE					
B2MS2A	Commercial 5/8-3/4" & 3/4" Multi Unit	First 5,000		\$	3.79	\$	2.60
		Over 5,000		\$	-	\$	-
B2MS2B	Commercial 1" Multi Unit	First 10,000					
		Over 10,000		\$	3.79		
		First 12,500		\$	-	\$	2.60
		Over 12,500				\$	-
B2MS2C	Commercial 1 1/2" Multi Unit	First 35,000		\$	3.79		
		Over 35,000		\$	-		
		First 25,000				\$	2.60
		Over 25,000				\$	-
B2MS2D	Commercial 2" Multi Unit	First 55,000		\$	3.79		
		Over 55,000		\$	-		
		First 40,000				\$	2.60
		Over 40,000				\$	-
B2MS2E	Commercial 3" Multi Unit	First 100,000		\$	3.79		
		Over 100,000		\$	-		
B2MS2F	Commercial 4" Multi Unit	ALL					
		First 400,000		\$	3.79		
		Over 400,000		\$	-		
		ALL				\$	2.60
B2MS2G	Commercial 6" Multi Unit	First 400,000		\$	3.79		
		Over 400,000		\$	-		
B2MS2H	Commercial 8" Multi Unit	ALL				\$	2.60
		First 200,000		\$	3.79		
		Over 200,000		\$	-		
B2MS20	Commercial Flat Fee Multi Unit	ALL				\$	2.60
B2MS1LA	Commercial Large User 5/8-3/4" & 3/4" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS1LB	Commercial Large User 1" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS1LC	Commercial Large User 1 1/2" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS1LD	Commercial Large User 2" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS1LE	Commercial Large User 3" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS1LF	Commercial Large User 4" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS1LG	Commercial Large User 6" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS1LH	Commercial Large User 8" Single Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LA	Commercial Large User 5/8-3/4" & 3/4" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LB	Commercial Large User 1" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LC	Commercial Large User 1 1/2" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LD	Commercial Large User 2" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LE	Commercial Large User 3" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LF	Commercial Large User 4" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LG	Commercial Large User 6" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B2MS2LH	Commercial Large User 8" Multi Unit	First 20,000	\$ -	\$	-		
		Over 20,000	\$ 1.25	\$	1.40		
		ALL				\$	2.60
B1MS1	General Sanitary Sewer Service Rate Commercial Per Unit	N/A	\$ 29.25	\$	44.31	\$	40.95
B1MS2	General Sanitary Sewer Service Rate Additional Toilet	N/A	\$ 6.72	NONE		\$	9.41

B1MS3	General Sanitary Sewer Service Rate Restaurants Per Dish	N/A	\$ 53.91	NONE	\$ 75.47
B1MS4	General Sanitary Sewer Service Rate Laundromats Per Wash	N/A	\$ 12.58	NONE	\$ 17.61
B1MS5	General Sanitary Sewer Service Rate Commercial Per Wash	N/A	\$ 26.35	NONE	\$ 36.89

NOTE: Regarding BSMS1- BSMS5: Flat Rate
Wastewater rates are available only to customers
without metered water service provided by
Arizona American

Miscellaneous Charges

Annual Fee for Industrial Discharge Service
For those customers consuming an amount of water less than or equal to 50,000 gallons per month through one or more water meters to the same facility, inclusive of meters used for irrigation

	\$500.00		\$500.00	\$500.00
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For those customers consuming more than 50,000 gallons per month of water through one or more water meters to the same facility, inclusive of meters used for irrigation	\$1,000.00		\$1,000.00	\$1,000.00
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Service and Meter Installation Charges

1. Service Installations:

Meter Size				
5/8"	\$370.00		\$370.00	\$370.00
3/4"	\$370.00		\$370.00	\$370.00
1"	\$420.00		\$420.00	\$420.00
1 1/2"	\$450.00		\$450.00	\$450.00
2" - Turbine	\$580.00		\$580.00	\$580.00
2" - Compound	\$580.00		\$580.00	\$580.00
3" - Turbine	\$745.00		\$745.00	\$745.00
3" - Compound	\$765.00		\$765.00	\$765.00
4" - Turbine	\$1,090.00		\$1,090.00	\$1,090.00
4" - Compound	\$1,120.00		\$1,120.00	\$1,120.00
6" - Turbine	\$1,610.00		\$1,610.00	\$1,610.00
6" - Compound	\$1,630.00		\$1,630.00	\$1,630.00
Over 6"	charges are to be equal to actual total costs of installation.			

2. Meter Installations:

Meter Size				
5/8"	\$130.00		\$130.00	\$130.00
3/4"	\$205.00		\$205.00	\$205.00
1"	\$240.00		\$240.00	\$240.00
1 1/2"	\$450.00		\$450.00	\$450.00
2" - Turbine	\$945.00		\$945.00	\$945.00
2" - Compound	\$1,640.00		\$1,640.00	\$1,640.00
3" - Turbine	\$1,420.00		\$1,420.00	\$1,420.00
3" - Compound	\$2,195.00		\$2,195.00	\$2,195.00
4" - Turbine	\$2,270.00		\$2,270.00	\$2,270.00
4" - Compound	\$3,145.00		\$3,145.00	\$3,145.00
6" - Turbine	\$4,425.00		\$4,425.00	\$4,425.00
6" - Compound	\$6,120.00		\$6,120.00	\$6,120.00
Over 6"	charges are to be equal to actual total costs of installation.			

Service Establishment, Reestablishment and/or Reconnection Charge

1. During normal business hours.	\$30.00		\$30.00	\$30.00
2. During non business hours.	\$40.00		\$40.00	\$40.00

Insufficient Funds (NSF) Check Charge

Charge for each instance the customer tenders payment for service with an NSF check	\$10.00		\$10.00	\$10.00
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Customer Requested Meter Reread Charge

Charge for customer requested meter rereading, provided that the original reading was not in error.	\$5.00		\$5.00	\$5.00
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Meter Test Charge

Charge for testing a meter upon the customer's request, charged to the customer. However, if the meter is found to be over registering by more than three percent (3%), no meter-testing fee will be charged to the customer.	\$10.00		\$10.00	\$10.00
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Arizona American - Sun City West Wastewater
 Test Year Ended December 2005
 Analysis of Revenues by Detailed Class

Rate Schedule	Description	Average Consumption or Units	Current Rates *			Company Proposed			Average			Median			% Increase		
			Average	Median	Change	Average	Median	Change	Average	Change	Change	Average	Change	Change	Average	Change	% Increase
B1MS1A	Residential 5/8 by 3/4" and 3/4" Single Unit	6,710	4,696	20.56	20.56	33.60	33.60	\$	20.56	\$	33.60	\$	13.04	63.42%	\$	13.04	63.42%
B1MS1B	Residential 1" Single Unit	28,779	21,250	61.68	61.68	49.10	49.10	\$	61.68	\$	49.10	\$	(12.58)	-20.40%	\$	(12.58)	-20.40%
B1MS1D	Residential 2" Single Unit	9,231	8,167	246.72	246.72	172.70	172.70	\$	246.72	\$	172.70	\$	(74.02)	-30.00%	\$	(77.12)	-31.26%
B2MS1A	Commercial 5/8 by 3/4" and 3/4" Single Unit	16,688	9,000	29.25	29.25	37.05	37.05	\$	29.25	\$	37.05	\$	7.80	26.67%	\$	7.80	26.67%
B2MS1B	Commercial 1" Single Unit	28,815	11,050	58.50	58.50	83.15	83.15	\$	58.50	\$	83.15	\$	24.65	42.14%	\$	24.65	42.14%
B2MS1C	Commercial 1 1/2" Single Unit	37,917	19,143	146.25	146.25	223.15	223.15	\$	146.25	\$	223.15	\$	76.90	52.58%	\$	16.26	11.12%
B2MS1D	Commercial 2" Single Unit	81,100	36,833	204.75	204.75	353.25	353.25	\$	204.75	\$	353.25	\$	148.50	72.53%	\$	80.28	39.21%
B2MS1E	Commercial 3" Single Unit	162,280	87,500	409.50	409.50	649.50	649.50	\$	409.50	\$	649.50	\$	240.00	58.61%	\$	194.52	47.50%
B2MS1LC	Commercial Large User 1 1/2" Single Unit	1,096,542	50,750	1,403.75	1,403.75	2,302.80	2,302.80	\$	1,403.75	\$	2,302.80	\$	899.05	64.05%	\$	855.55	82.17%
B2MS1LE	Commercial Large User 3" Single Unit	811,250	760,000	1,046.25	1,046.25	2,432.40	2,432.40	\$	1,046.25	\$	2,432.40	\$	1,386.15	132.49%	\$	1,378.50	140.31%
B2MS1LF	Commercial Large User 4" Single Unit	36,708	10,000	20.56	20.56	33.60	33.60	\$	20.56	\$	33.60	\$	13.04	63.42%	\$	13.04	63.42%
B1MS2A	Residential 5/8 by 3/4" and 3/4" Multi Unit	10,405	61,000	61.68	61.68	76.00	76.00	\$	61.68	\$	76.00	\$	14.32	23.22%	\$	14.32	23.22%
B1MS2B	Residential 1 1/2" Multi Unit	60,650	42,766	143.92	143.92	199.00	199.00	\$	143.92	\$	199.00	\$	55.08	38.27%	\$	55.08	38.27%
B1MS2C	Residential 2" Multi Unit	55,693	39,981	246.72	246.72	315.30	315.30	\$	246.72	\$	315.30	\$	68.58	27.80%	\$	22.08	8.95%
B1MS2D	Residential 4" Multi Unit	10,130,250	8,630,000	5,921.00	5,921.00	762.50	762.50	\$	5,921.00	\$	762.50	\$	(5,158.50)	-87.12%	\$	(5,158.50)	-87.12%
B2MS2B	Commercial 1" Multi Unit	83,139	61,000	58.50	58.50	83.15	83.15	\$	58.50	\$	83.15	\$	24.65	42.14%	\$	24.65	42.14%
B2MS2C	Commercial 1 1/2" Multi Unit	104,000	10,750	146.25	146.25	223.15	223.15	\$	146.25	\$	223.15	\$	76.90	52.58%	\$	(17.85)	-12.21%
B2MS2D	Commercial 2" Multi Unit	139,904	118,500	204.75	204.75	353.25	353.25	\$	204.75	\$	353.25	\$	148.50	72.53%	\$	148.50	72.53%
B2MS2G	Commercial 6" Multi Unit	220,917	205,000	1,111.50	1,111.50	1,742.59	1,742.59	\$	1,111.50	\$	1,742.59	\$	631.09	56.78%	\$	570.45	51.32%

Rate Schedule	Description	Average Consumption or Units	Current Rates **			Staff Recommended			Average			Median			% Increase		
			Average	Median	Change	Average	Median	Change	Average	Change	Change	Average	Change	Change	Average	Change	% Increase
B1MS1A	Residential 5/8 by 3/4" and 3/4" Single Unit	6,710	4,696	20.56	20.56	30.53	30.53	\$	20.56	\$	30.53	\$	9.97	48.49%	\$	9.97	48.49%
B1MS1B	Residential 1" Single Unit	28,779	21,250	61.68	61.68	31.43	31.43	\$	61.68	\$	31.43	\$	(30.25)	-49.04%	\$	(30.25)	-49.04%
B1MS1D	Residential 2" Single Unit	9,231	8,167	246.72	246.72	86.44	86.44	\$	246.72	\$	86.44	\$	(160.28)	-64.96%	\$	(162.88)	-66.02%
B2MS1A	Commercial 5/8 by 3/4" and 3/4" Single Unit	16,688	9,000	29.25	29.25	31.03	31.03	\$	29.25	\$	31.03	\$	1.78	6.09%	\$	1.78	6.09%
B2MS1B	Commercial 1" Single Unit	28,815	11,050	58.50	58.50	60.18	60.18	\$	58.50	\$	60.18	\$	1.68	2.87%	\$	1.68	2.87%
B2MS1C	Commercial 1 1/2" Single Unit	37,917	19,143	146.25	146.25	134.75	134.75	\$	146.25	\$	134.75	\$	(11.50)	-7.86%	\$	(53.10)	-36.31%
B2MS1D	Commercial 2" Single Unit	81,100	36,833	204.75	204.75	167.04	167.04	\$	204.75	\$	167.04	\$	(37.71)	-18.42%	\$	(45.51)	-22.23%
B2MS1E	Commercial 3" Single Unit	162,280	87,500	409.50	409.50	484.24	484.24	\$	409.50	\$	484.24	\$	74.74	18.25%	\$	(117.66)	-28.73%
B2MS1LC	Commercial Large User 1 1/2" Single Unit	53,429	50,750	98.75	98.75	181.55	181.55	\$	98.75	\$	181.55	\$	82.80	83.85%	\$	80.10	83.22%
B2MS1LE	Commercial Large User 3" Single Unit	1,096,542	807,000	1,403.75	1,403.75	2,915.24	2,915.24	\$	1,403.75	\$	2,915.24	\$	1,511.49	107.68%	\$	1,119.99	107.56%
B2MS1LF	Commercial Large User 4" Single Unit	811,250	760,000	1,046.25	1,046.25	2,171.64	2,171.64	\$	1,046.25	\$	2,171.64	\$	1,125.39	107.56%	\$	1,056.84	107.54%
B1MS2A	Residential 5/8 by 3/4" and 3/4" Multi Unit	36,708	10,000	20.56	20.56	30.53	30.53	\$	20.56	\$	30.53	\$	9.97	48.49%	\$	9.97	48.49%
B1MS2B	Residential 1" Multi Unit	10,405	61,000	61.68	61.68	52.68	52.68	\$	61.68	\$	52.68	\$	(9.00)	-14.59%	\$	(2.75)	-4.46%
B1MS2C	Residential 1 1/2" Multi Unit	60,650	42,766	143.92	143.92	106.25	106.25	\$	143.92	\$	106.25	\$	(37.67)	-26.17%	\$	(37.67)	-26.17%
B1MS2D	Residential 2" Multi Unit	55,693	39,981	246.72	246.72	163.04	163.04	\$	246.72	\$	163.04	\$	(83.68)	-33.92%	\$	(83.68)	-33.92%
B1MS2F	Residential 4" Multi Unit	10,130,250	8,630,000	5,921.00	5,921.00	25,388.04	25,388.04	\$	5,921.00	\$	25,388.04	\$	19,467.04	328.78%	\$	15,717.04	265.45%
B2MS2B	Commercial 1" Multi Unit	83,139	61,000	58.50	58.50	40.68	40.68	\$	58.50	\$	40.68	\$	(17.82)	-30.46%	\$	(17.82)	-30.46%
B2MS2C	Commercial 1 1/2" Multi Unit	104,000	10,750	146.25	146.25	108.75	108.75	\$	146.25	\$	108.75	\$	(37.50)	-25.64%	\$	(37.50)	-25.64%
B2MS2D	Commercial 2" Multi Unit	139,904	118,500	204.75	204.75	167.04	167.04	\$	204.75	\$	167.04	\$	(37.71)	-18.42%	\$	(37.71)	-18.42%
B2MS2G	Commercial 6" Multi Unit	220,917	205,000	1,111.50	1,111.50	637.64	637.64	\$	1,111.50	\$	637.64	\$	(473.86)	-42.63%	\$	(515.46)	-46.38%

* Current rates based on amount per unit, not volumes
 Current Rates are per the Company's testimony by Charles Loy
 page 12 of 17. Amount provided for "typical bill" used for both
 average and median bill amounts., except for rate B2MS1F.