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47

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W-00000C-98-0153

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01 UTILITIES - NEW APPLICATIONS

- NEW CC&N
RATES
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EXTENSION OF CC&N (TERRITORY)
TARIFF - NEW (NEXT OPEN MEETING)
REQUEST FOR ARBITRATION (Telecommunication Act)
FULLY OR PARTIALLY ARBITRATED INTERCONNECTION AGREEMENT (Telecom. Act.)
VOLUNTARY INTERCONNECTION AGREEMENT (Telecom. Act)
MAIN EXTENSION
CONTRACT/AGREEMENTS
COMPLAINT (Formal)
RULE VARIANCE/WAIVER REQUEST
SITING COMMITTEE CASE
SMALL WATER COMPANY -SURCHARGE (Senate Bill 1252)
SALE OF ASSETS & TRANSFER OF OWNERSHIP
SALE OF ASSETS & CANCELLATION OF CC&N
FUEL ADJUSTER/PGA
MISCELLANEOUS Specify

02 UTILITIES - REVISIONS/AMENDMENTS TO PENDING OR APPROVED MATTERS

- APPLICATION COMPANY DOCKET NO.
TARIFF
PROMOTIONAL
DECISION NO. DOCKET NO.
COMPLIANCE
DECISION NO. DOCKET NO.

SECURITIES or MISCELLANEOUS FILINGS

- 04 AFFIDAVIT
12 EXCEPTIONS
18 REQUEST FOR INTERVENTION
48 REQUEST FOR HEARING
24 OPPOSITION
50 COMPLIANCE ITEM FOR APPROVAL
32 TESTIMONY
47 COMMENTS
29 STIPULATION
38 NOTICE OF INTENT (Only notification of future action/no action necessary)
43 PETITION
46 NOTICE OF LIMITED APPEARANCE
39 OTHER Specify

Date
John D. Newman - CAWCB
Print Name of Applicant/Company/Contact person/Respondent/Atty.
Phone

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ARIZONA CORPORATION
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Director of Utilities

Ms. Deborah R. Scott
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

Subject: Comments on Water Task Force Report - Docket No. W-00000C-98-0153

Dear Ms. Scott:

The Central Arizona Water Conservation District (CAWCD) appreciates the opportunity to comment on the Interim Report of the Arizona Corporation Commission's Water Task Force (Report). CAWCD was created in 1971 for the specific purpose of contracting with the United States to repay the reimbursable construction costs of the Central Arizona Project (CAP). In 1983, CAWCD was also given authority to operate and maintain completed project features. CAWCD collects funds to repay the United States through capital charges collected from its customers (subcontractors). Therefore, the issue of cost recovery by CAP municipal and industrial (M&I) subcontractors is very important to CAWCD. We applaud the Commission's efforts to develop policies to address problems that private water companies and their customers face. With this in mind, the primary purpose for this letter is to provide comments on that portion of the report dedicated to the findings of the Water Supply Subcommittee (Chapter IV).

CAWCD supports Commission staff's proposal that CAP capital costs should be recoverable by a private water company on an interim basis once the company has submitted an acceptable plan to the Commission which defines how the CAP supply will actually be used. We are concerned, however, that the proposal requires that the CAP water be used within five years of the approval of the plan, "with no time extensions allowed." Our concern is based on the fact the original allocations of CAP water, made in 1983 by the Secretary of the Interior, were based on long-term population projections. Therefore, many entities holding CAP subcontracts will not need all of their CAP entitlements for a number of years into the future. It would not be appropriate to require them to take all of their CAP entitlement within five years in order to obtain cost recovery when demands within their service areas could not support use of the full entitlement. Therefore, CAWCD recommends that the Commission staff's proposal be modified so that the individual water providers' particular circumstances can be considered on a case-by-case basis, as proposed by the Arizona Department of Water Resources (ADWR).

CAWCD also supports the development of a standardized application for approval of cost recovery plans. This application should clearly define all components necessary in a water company's plan for making use of its CAP supplies. It should be clear that if the company's plan meets all of the requirements, then the Commission will approve cost recovery if the plan is

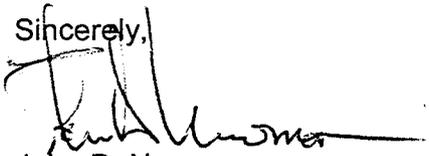
Ms. Deborah R. Scott
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implemented. Development of such an application will serve at least two purposes: (1) applications received by the Commission will be standardized, thus simplifying the Commission staff's review and decision-making process, and (2) water companies will know all of the requirements which must be satisfied in order to recover CAP costs.

Finally, the report indicates that ADWR has made a proposal regarding recovery of Central Arizona Groundwater Replenishment District (CAGRDR) replenishment costs. While ADWR's proposal is supported by CAWCD, it does not appear to go far enough. The CAGRDR is operated by CAWCD under authority provided by the state legislature in 1993. Beginning in 1995, after the adoption of the new Assured and Adequate Water Supply Rules by ADWR, the CAGRDR began enrolling members. There are two types of CAGRDR members: (1) member service areas, which consist of the entire service area of a municipal provider, and (2) member lands, which consist of a single subdivision. Member service areas pay the CAGRDR through a replenishment tax authorized under ARS Title 48, Chapter 22, Article 4. Most member service areas are municipalities whose water rates do not fall under the regulatory oversight of the Commission. Therefore, these municipalities can recover the cost of the replenishment tax through their water rates. Most private water companies have chosen not to enroll their service areas as member service areas of the CAGRDR because they fear that the Commission will not approve recovery of the replenishment tax. Therefore, they require that all new subdivisions in their service area enroll as member lands. The replenishment assessment is then collected from each individual parcel owner through the County property tax process, and the water provider does not have to worry about recovery of replenishment costs. Therefore, only new growth within these water providers' service areas will be required to offset groundwater use with replenishment. However, it must be recognized that the existing and future customers need to play a role in reducing groundwater overdraft. Therefore, CAWCD proposes that the Commission consider a policy that allows recovery of replenishment taxes paid by private water companies that have enrolled their service areas in the CAGRDR. This appears to be consistent with the Commission's desire to assist in the preservation of the state's groundwater.

Thank you again for the opportunity to provide comments. If you have any questions, please call me at 623-869-2338.

Sincerely,



John D. Newman
Assistant General Manager