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2008 JUN -2 A 11: 56

June 2, 2008

AZ CORP COMMISSION  
Mr. Craig A. Marks DOCKET CONTROL  
Craig A. Marks, PLC  
3420 East Shea Boulevard, Suite 200  
Phoenix, Arizona 85028

Arizona Corporation Commission  
DOCKETED

JUN -2 2008

Mr. Paul Li  
Arizona American Water Company  
19820 North 7th Street, Suite 201  
Phoenix, Arizona 85024

DOCKETED BY  
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RE: ARIZONA AMERICAN WATER COMPANY, INC., 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 AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT, AND TUBAC WATER DISTRICT AND 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 AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT DOCKET NO. WA-01303A-08-0227

LETTER OF DEFICIENCY

Dear Messrs. Mark and Li:

In reference to your rate application received on May 1, 2008 with an effective date of May 2, 2008, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application. These deficiencies are listed by system, except for the engineering oriented deficiencies which are grouped together, on the enclosed attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

In addition to the deficiencies that we have listed, Staff has serious concerns with the nature of your rate application filing, primarily the inclusion within the filing of applications for three systems that have pending rate applications, namely Anthem Water, Anthem Wastewater

and Agua Fria Wastewater. Staff and Arizona-American have agreed to meet to discuss Staff's concerns on June 6, 2008.

The Staff person assigned to your application is Gerald Becker. He can be reached at (602) 542-0831, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Elijah O. Abinah", with a long horizontal stroke extending to the right.

Elijah O. Abinah  
Assistant Director, Utilities Division

EOA:GWB:red

CC: Docket Control Center  
Lyn Farmer, Hearing Division  
Delbert Smith, Engineering  
Consumer Services  
Legal Division

**Arizona American Water Company, Deficiencies Docket No. WS-01303A-08-0227**

The Company should submit to Docket Control revised schedules and supplemental information to correct the deficiency items listed below and make conforming changes to its testimony.

**Agua Fria Water**

1. The following rate schedule tariff amounts provided in the application on schedule H-3 could not be traced to a docketed tariff schedule or the previous rate case Commission Decision No. 67093 or ACRM Decision No. 68825.
  - a) C2M3 Arizona Water Contract \$0 base charge, 1.78 first 8,000 gallons / 2.24 > 8 K
  - b) C4M2 Agua Fria OPA \$191.75 base charge, \$1.93 for all usage
  - c) B6MO4 Private Fire 4-inch \$35.22 base charge, no volume charge
  - d) E6MO6 Private Fire 6-inch \$126.60 base charge, no volume charge
  - e) C7M2 Agua Fria Irrigation Raw \$0 base charge, \$0.50 for all usage
  
2. The following rates on schedule H-3 do not agree with the filed tariff schedule as the application excludes the commodity rate shown here in bold.
  - a) C6MO4            \$27.25 base charge and \$1.38 commodity charge (all usage)
  - b) C6MO6            \$40.86 base charge and \$1.38 commodity charge (all usage)
  - c) C6MO8            \$54.48 base charge and \$1.38 commodity charge (all usage)
  - d) C6MO12          \$163.44 base charge and \$1.38 commodity charge (all usage)
  
3. The 6-Inch service installation charge as per the tariff schedules should be \$6,020, not \$1,630 as shown on the application on H-3.
  
4. The application schedule H-3 contains service installation tariffs for 3, 4, and 6-inch turbine meter. Tariff schedule 10a dated 7/1/04 contains no such tariffs.

	Per H-3	Per Tariff
a) 3-inch turbine	\$745	\$765 (agrees w/application for compound)
b) 4-inch turbine	\$1090	\$1120 (agrees w/application for compound)
c) 6-inch turbine	\$1,630	\$6,020

5. The application schedule H-3 contains meter installation tariffs for 2, 3, 4, and 6-inch turbine meter installations. The tariff schedule 10a dated 7/1/04 contains no such tariffs.

	Per H-3	Per Tariff
d) 3-inch turbine	\$1420	\$2195 ( agrees w/application for compound)
e) 4-inch turbine	\$2270	\$3145 ( agrees w/application for compound)
f) 6-inch turbine	\$4425	\$6120 (agrees w/application for compound)

**Agua Fria Wastewater**

None of the rates shown on the H-3 agree with the rates per ACC Decision No. 67093 for either the monthly customer charge or the commodity rate. The differences for each of the four rate classes are shown below:

	Per H-3	Per Tariff
E1MS1	\$30.22/mo., \$3.7917/1,000 gal	\$27.25/mo., \$2.545/1,000 gal
E2MS2	\$45.33/mo., \$3.7917/1,000 gal	\$30.48/mo., \$2.545/1,000 gal
E2MS3	\$60.50/mo., \$3.7917/1,000 gal	\$40.64/mo., \$2.545/1,000 gal
E2MS4	\$120.97/mo., \$3.7917/1,000 gal	\$81.26/mo., \$2.545/1,000 gal

**Tubac Water**

1. Per schedule H-3 rate schedule F2M1C is a commercial meter whereas per schedule H-2 and H-5 rate schedule F2M1C is residential.
2. The application schedule H-3 shows service installation charges for 1-inch of \$660 (\$420+\$240) while the tariff schedule shows \$600.
3. The application schedule H-3 includes service and meter installation charges for 3-inch, 4-inch, 6-inch, and over 6-inch meters which are not included in the tariff schedule 2a dated 7/1/04. The tariff schedule states instead that all charges are to be equal to actual total costs of installation.

	Per H-3	Per tariff
		(All meters > 2-inch charges to be of installation)
<b>Service Installations</b>		
3-Inch turbine	\$745	
3-inch compound	\$765	
4-inch turbine	\$1090	
4-inch compound	\$1120	
6-inch turbine	\$1610	
6-inch compound	\$1630	
<b>Meter Installations</b>		
3-Inch turbine	\$1420	
3-inch compound	\$2195	
4-inch turbine	\$2270	
4-inch compound	\$3145	
6-inch turbine	\$4425	
6-inch compound	\$6120	

4. F1M1A: Under the second tier it should read 20,000 gals.
5. F1M1B, F1M1D, F1M1E, should be changed to Commercial.
6. The 4-inch 6-inch 8-inch inch Meter were omitted, they need to be listed according to tariff schedule 1 dated 7/1/04.
7. Under Service & Meter Installation Charges: The total for both meter and service installation charges would need to be combined to reflect tariff schedule 2a dated 7/1/04.
8. According to tariff schedule 2a dated 7/1/04,
9. Regarding the 2-inch meter size: \$2,220.00 is for the compound and not the turbine. This is in line with item #3 listed above.

**Sun City West Water**

1. The rates on Schedule H-3 for the lines indicated below are not consistent with approved rates on file as indicated below:

Line	Description	Block	Base Charge	Volume Charge
1	Residential 5/8 & 3/4	First 4,000 gal	\$5.87	\$0.8500
2		Next 15,000 gal		\$1.2850
3		Infinite		\$1.5510
4	Residential 1-inch	First 40,000 gal	\$14.97	\$1.2850
5		Infinite		\$1.5510
6	Residential 1.5-inch	First 100,000 gal	\$32.08	\$1.2850
7		Infinite		\$1.5510
8	Residential 2-inch	First 150,000 gal	\$47.05	\$1.2850
9		Infinite		\$1.5510
10	Residential 3-inch	First 275,000 gal	\$81.26	\$1.2850
11		Infinite		\$1.5510
12	Residential 4-inch	First 400,000 gal	\$120.82	\$1.2850
13		Infinite		\$1.5510
14	Commercial 5/8 & 3/4	First 15,000 gal	\$5.87	\$1.2850
15		Infinite		\$1.5510
28	Private Fire 4-inch	Infinite	\$35.22	\$1.09
29	Private Fire 6-inch	Infinite	\$52.84	\$1.09
30	Private Fire 8-inch	Infinite	\$70.45	\$1.09

2. The rates on Schedule H-3 for the following do not exist in the present tariff: Commercial Meter Sizes 1-inch, 2-inch, 3-inch, 4-inch and 6-inch which are referenced in Line's 16 thru 27 of Schedule H-3.
3. The H-3 schedules are lacking rates reflected in the approved tariff for the following Meter

Sizes and must be added:

Meter Size	Block	Base Charge	Volume Charge
6-inch	550,000	\$165.73	\$1.2850
	Infinite		\$1.5510
8-inch	1,300,000	\$374.23	\$1.2850
	Infinite		\$1.5510
10-inch	-		
12-inch	-		
Private Fire 10-inch	Infinite	\$131.72	\$1.09

Also, H-3 doesn't include rates for construction/untreated CAP, effluent sales, effluent credit sales ES-1, groundwater withdrawal fee, and groundwater savings fees. These are all present in the tariff but not shown in H-3.

4. Service Line and Meter Installation Charges on Schedule H-3 are shown by component and the approved tariffs show the amounts in total as indicated below:

Meter Size	Rate
5/8-inch	\$500.00
3/4-inch	\$575.00
1-inch	\$660.00
1.5-inch	\$900.00
2-inch	\$2220.00
Over 2-inch – charges are to be equal to actual total costs of installation.	

**Anthem water**

1. Rates in H-3 do not match the tariff rates, except for the wholesale base charges, and fire 4-inch, 6-inch and 8-inch, and irrigation base charges.
2. Several rates are missing from H-3. These include commercial 4-inch, commercial 8-inch, fire 3-inch and fire 10-inch.
3. For the 1.5-inch commercial Classes, Anthem water proof of revenues use 109K gallons for break over instead of 125K gallons in the tariff.
4. H-2 schedule does not provide actual test year revenue by rate class.
5. The Service and Meter Installation Charges on Schedule H-3, Page 2 do not reflect the Rates on Sheet 5a of the current tariff showing the Installation Rates for the 5/8-inch to 2-inch Meter as a total and for Over 2-inch as actual cost. The present tariff shows a

combined cost for Service and Meter Installation Charges which the Company should reflect on its Schedule H-3 as present rates.

**Anthem Wastewater**

1. Rates in the application H-3 do not match the tariff rates.
2. Treatco rates are not included in H-3.
3. Miscellaneous charges section of the tariff is not included in H-3. E schedules.
4. Misc. adjustments in Anthem wastewater schedules are not described or supported.
5. Anthem wastewater rate class E1MS1 includes categories for negative 7K and negative 6K gallons of usage. These need to be explained and/or reclassified as billing adjustments, as necessary.

**Mohave Water**

1. Schedule H-3 page 1, lines 39 through 44 reflect rates that are not approved in Decision No. 69440:

Rate	Base Charge	Volume Charge
BHC Veteran Memorial – 5/8-inch meter	--	First 500,000 gals \$1.300000 Over 500,000 gals \$1.500000
Havasu Commercial 2-inch	\$39.88	First 60,000 gals \$1.555000 Over 60,000 gals \$1.870000
Havasu Commercial 4-inch	\$68.64	First 110,000 gals \$1.555000 Over 110,000 gals. \$1.870000

2. The following are included on the approved tariff but are missing from schedules H-3 Page 1:

Fire:	
12-inch	\$17.80
14-inch	\$20.78
20-inch	\$29.69
Public Sprinkler Head	\$0.51

3. Schedule H-3, page 2: In decision 69440 the service line and meter installation charges are not separated as indicated on Schedule H-3 as shown below:

Service & Meter Installation Charges

5/8-inch x 3/4-inch Meter	\$500.00
3/4-inch Meter	575.00
1-inch Meter	660.00
1 1/2-inch Meter	900.00
2-inch Turbine Meter	1,525.00
2-inch Compound Meter	2,220.00
3-inch Turbine Meter	2,165.00
3-inch Compound Meter	2,960.00
4-inch Turbine Meter	3,360.00
4-inch Compound Meter	4,265.00
6-inch Turbine Meter	6,035.00
6-inch Compound Meter	7,750.00

4. Schedule H-3, page 2 lacks reference to Miscellaneous rates that are included in Decision No. 69440.

Maximum charge for water and sewer Establishment or re-establishment including sewer	\$40.00	(company indicated \$20.00)
Included as part of establishment of sewer utility	\$20.00	
Disconnection of Water Utility Service	\$25.00	
Deposit Requirement (Residential)	*	
Deposit Requirement (non-residential)	*	
Deposit Interest	*	
Deferred Payment, Per month	1.50%	
Charge for moving customer meter Customer requested per Rule R14-2-405B	cost	
Late Charge per month	1.50%	

\* Per Commission ACC R14-2-403.B

**Mohave Wastewater**

Schedule H-3 page 1 includes Rate P2MS4, Mohave Sewer Comm. LG, All Usage, rate of \$64.00 which was not approved in Decision No. 69440 and reflected on approved tariffs.

**Havasu Water**

1. Schedule H-3 page 1 lines 1 through 8 should reflect the current tariff charges per

Decision No. 67093 Sheet No. 1.

2. Schedule H-3 page 1 - lines 9 through 32 should reflect the current tariff charges per Decision No. 67093 Sheet No. 1.
3. Schedule H-3 page 2 - lines 11 through 15 for meter installations should reflect the correct charges as listed in the tariff per Decision No. 67093 Sheet No. 4a.
4. Schedule H-3 page 2: No installation charges should be listed for lines 16 through 23. Replace with wording as listed in the tariff per Decision No. 67093 Sheet No. 4a.
5. Schedule H-3 page 2, Remove lines 31 through 38 to reflect tariff amounts.
6. Schedule H-3 page 2 - line 3 show \$34.00. Replace with current tariff charge of \$35.00 per Decision No. 67093 Sheet No. 4.
7. Schedule H-3 page 2 - Note lines 10 through 23 are not in alignment, creating incorrect totals.

*Engineering Oriented Deficiencies*

1. The requested water usage data is incomplete. The usage data should be submitted on an individual system basis instead of on an aggregate district basis. Therefore, the Company should resubmit the individual system water usage data for six systems (08-032, 08-062, 08-137, 08-037, 08-163 & 08-333) in Mohave Water District; three systems (07-531, 07-695 & 07-080) in Agua Fria Water District. The requested water usage data for each system should include, but is not limited to, monthly water sold (in gallons), monthly water pumped (in gallons), monthly number of customers, well production (in gallons per minute), and storage tank capacity (in gallons).
2. The monthly wastewater flow data for each system should include, but is not limited to, number of customers, monthly flow (in gallons) and monthly peak day flow (in gallons). The submitted wastewater flow data in the application represents aggregate District wastewater flow not individual system flows. Therefore, the Company should provide wastewater flow data for two systems (Wishing Well system & Arizona Gateway system) in the Mohave Wastewater District and three systems (Verrado system, Russell system and Agua Fria Northeast system) in Agua Fria Wastewater District.