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BEFORE THE ARIZONA CORPORATION COMMISSION

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2008 DEC 17 P 2:03

AZ CORP COMMISSION
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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 AGUA FRIA WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT, AND TUBAC WATER DISTRICT.

DOCKET NO. W-01303A-08-0227

Arizona Corporation Commission

DOCKETED

DEC 17 2008

DOCKETED BY 

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 MOHAVE WASTEWATER DISTRICT.

DOCKET NO. SW- 01303A-08-0227

NOTICE OF FILING LETTER

- 1 Arizona-American hereby responds to Commissioner Mayes' November 10, 2008, letter
- 2 to the Docket requesting an analysis addressing the predicted impacts of statewide and select
- 3 consolidation of Arizona-American's water systems.

1 RESPECTFULLY SUBMITTED on December 17, 2008.

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15 **Original** and 15 copies **filed**
16 on December 17, 2008, with:

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18 Docket Control
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23 **Copies** of the foregoing **mailed**
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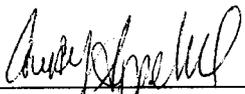
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By:



Courtney Appelhans



December 17, 2008

Re: Rate Consolidation

Dear Parties to the Docket:

The Company herein responds to Commissioner Mayes' November 10, 2008, letter to the Docket requesting "...an analysis addressing the predicted impacts of statewide and select consolidation of Arizona-American's water systems."

The Company will provide Parties the requested analysis on February 6, 2009, along with its rebuttal testimony in the case. The analysis will contain a calculation of consolidated rates for Arizona-American's eight water districts as single tariffs.

The impact analysis the Company is preparing is primarily a flexible spreadsheet which will be provided electronically to Parties and enable them to input assumptions and run their own "what-if" rate consolidation scenarios for different combinations of water districts. Since there are so many existing rate tariffs, the spreadsheet will only have the initial capability to consolidate a few tariffs – our most popular tariffs today – the 5/8" and 3/4" residential meters and 1", 1-1/2" and 2" commercial meters.

Also contained within the spreadsheet will be the *unconsolidated* rates for easy comparison to consolidated rates.

Since practical and theoretical considerations may result in other Parties supporting something less than full (or no) consolidation (for some years to come), the Parties can use the electronic version of the Company's spreadsheet to calculate consolidated rates for water district groupings of their choice and even change both the number of rate blocks and their rates if so inclined in support of a Party's advocacy of something less than full (or no) consolidation of Arizona-American's eight existing water districts as that Party determines is appropriate.

A quick review of existing and proposed residential tariffs at the same customer usage level indicates that Arizona-American's relatively *lower* priced water districts are presently Sun City and Mohave. The relatively *middle* price range districts are Paradise Valley, Sun City West, and Agua Fria. The relatively *higher* priced districts are Havasu, Anthem, and Tubac. The Company projects that *unconsolidated* water rates in Anthem and Tubac will become even more relatively *higher* priced in the next few years based on the pending rate case (Tubac) and a new rate case the Company will file in 2009 (Anthem).

Commissioner Mayes' letter also asked for an analysis of "...operations under a statewide consolidation..." However, the Company already operates as a statewide entity and, therefore, no analysis of rate consolidation's impact on operations is necessary or useful. Consolidation would streamline and make more efficient the ratemaking process for all and reduce long-term



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rate case expenses, especially if our eight communities respond favorably to the long-term benefits of rate consolidation.

The Company requests that Parties to the case review the Company's analysis, then run their own "what-ifs" and provide their initial rate consolidation recommendations, if any, in their surrebuttal testimony due February 27, 2009.

Sincerely,

Thomas Broderick, Director, Rates & Regulation for AZ, NM and TX