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1 ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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2008 DEC 30 P 4: 17

AZ CORP COMMISSION
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7
 8 IN THE MATTER OF THE APPLICATION OF
 ARIZONA WATER COMPANY, AN ARIZONA
 9 CORPORATION, FOR AUTHORITY TO
 IMPLEMENT ARSENIC COST RECOVERY
 10 MECHANISM FOR ITS WHITE TANK
 SYSTEM IN ITS WESTERN GROUP.

Docket No. W-01445A-04-0650

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13 **NOTICE OF FILING**

14 The Residential Utility Consumer Office ("RUCO") hereby provides its Audit Report of
 15 Arizona Water Company's filing for an Arsenic Cost Recovery Mechanism ("ACRM") Step 1
 16 rate increase for its White Tank System.

17
18 RESPECTFULLY SUBMITTED this 30th day of December, 2008.

19
20
21 Arizona Corporation Commission

DOCKETED

22 DEC 30 2008

23 DOCKETED BY 

24 
 Daniel W. Pozefsky
 Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 30th day
3 of December 2008 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

5 COPIES of the foregoing hand delivered/
6 mailed this 30th day of December 2008 to:

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By 
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21 ARIZONA WATER COMPANY
22 Post Office Box 29006
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TO: Stephen Ahearn, Director
Dan Pozefsky, Chief Counsel

FROM: Rodney Moore, Public Utilities Analyst V

RE: **WHITE TANK** - Report on RUCO's audit of the Arizona Water Company filing for an Arsenic Cost Recovery Mechanism (ACRM) Step 1 rate increase for its White Tank system.

AUDIT OBJECTIVE: The purpose and objective of this audit was to verify the capital expenditures of the recently completed arsenic plant in the White Tank system, to verify that the plant is in service, verify compliance with Decision Nos. 68302 and 66400 authorizing the ACRM, and verify the accuracy of the requested ACRM surcharge.

AUDIT PROCEDURES: I performed the following audit procedures:

- 1) Verified that all schedules that are required by Decision No. 66400 are included in the application.
- 2) Reviewed Earnings Test for compliance, accuracy, and determined if the Company had passed the Earnings Test.
- 3) Reviewed all arsenic plant invoices, looking for such things as misallocations, unreasonable costs, non-arsenic plant costs, double billings etc.
- 4) Verified accuracy of Task Order totals and grand total.
- 5) Reviewed Revenue Requirement calculations for accuracy and compliance.
- 6) Reviewed rate design for compliance with 50/50 requirement, accuracy of calculations, and checked the reasonableness of the billing determinants by comparing to the prior rate case.
- 7) Verified that the White Tank plant was in-service.

Stephen Ahearn, Director
Dan Pozefsky, Chief Counsel
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AUDIT FINDINGS: The White Tank ACRM filing is accurate and in compliance with Decision Nos. 68302 and 66400.

AUDIT RECOMMENDATIONS:
RUCO agrees with the Company's ACRM request.
RUCO recommended ACRM step 1 rate increases are displayed on attached schedule RUCO ACRM -1.

RUCO ADJUSTMENT TO ACRM - WHITE TANK WATER SYSTEM

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] RUCO ADJUSTMENT	[C] RUCO AS ADJUSTED
	Arsenic Plant Revenue Requirement			
1	Gross Arsenic Plant in Service/Rate Base	\$ 1,274,012	\$ -	\$ 1,274,012
2	Accumulated Depreciation Of Arsenic Plant	-	-	-
3	Arsenic Rate Base	\$ 1,274,012		\$ 1,274,012
4	Required Rate of Return (Dec. No. 68302)	8.90%		8.90%
5	Required Operating Income	\$ 113,387		\$ 113,387
6	Gross Revenue Conversion Factor (Dec. No. 68302)	1.63246		1.63246
7	Revenue Required - Return on Arsenic Treatment Plant	\$ 185,100		\$ 185,100
8	Depreciation Rate on Arsenic Treatment Plant (Co. Workpapers)	2.78%		2.78%
9	Depreciation on Arsenic Treatment Plant (Co. Workpapers)	\$ 35,432		\$ 35,432
10	Lease Charges - Capital Portion	\$ -	\$ -	\$ -
11	Revenue Required - Capital Costs	\$ 220,532		\$ 220,532
12	Recurring O&M	\$ -	\$ -	\$ -
13	Revenue Required - Recurring O&M Expenses	\$ 220,532		\$ 220,532
14	Revenue Required - Deferred O&M Expenses	\$ -	\$ -	\$ -
15	Total Revenue Required - Step 1	\$ 220,532		\$ 220,532

16 COMPANY PROPOSED

	RATES	CURRENT RATES DEC. NO. 68302	PROPOSED ACRM STEP 1 BASE SURCHARGE	PROPOSED ACRM STEP 2 DEFERRED O&M SURCHARGE	TOTAL PROPOSED
17	Basic Monthly Minimum Service Charge 5/8" X 3/4" Meter	\$ 16.05	\$ 4.79	\$ -	\$ 20.84
18	Commodity Rates Per 1,000 Gallons 0 to 3,000 gallons	\$ 1.6000	\$ 0.3198	\$ -	\$ 1.9198
19	3,001 to 10,000 gallons	\$ 2.2500	\$ 0.3198	\$ -	\$ 2.5698
20	10,001 gallons and over	\$ 2.5500	\$ 0.3198	\$ -	\$ 2.8698

RUCO PROPOSED

	RATES	CURRENT RATES DEC. NO. 68302	PROPOSED ACRM STEP 1 BASE SURCHARGE	PROPOSED ACRM STEP 2 DEFERRED O&M SURCHARGE	TOTAL PROPOSED
21	Basic Monthly Minimum Service Charge 5/8" X 3/4" Meter	\$ 16.05	\$ 4.79	\$ -	\$ 20.84
22	Commodity Rates Per 1,000 Gallons 0 to 3,000 gallons	\$ 1.6000	\$ 0.3198	\$ -	\$ 1.9198
23	3,001 to 10,000 gallons	\$ 2.2500	\$ 0.3198	\$ -	\$ 2.5698
24	10,001 gallons and over	\$ 2.5500	\$ 0.3198	\$ -	\$ 2.8698

