

ORIGINAL

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MEMORANDUM

Arizona Corporation Commission

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TO: THE COMMISSION

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FROM: Utilities Division

DEC 31 2008

DATE: December 31, 2008

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AZ CORP COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR AUTHORITY TO IMPLEMENT AN ARSENIC COST RECOVERY MECHANISM FOR ITS CASA GRANDE AND STANFIELD SYSTEMS IN ITS WESTERN GROUP (DOCKET NO. W-01445A-04-0650)

I. Introduction

Pursuant to Decision No. 68302, Arizona Water Company ("Company", "Applicant" or "AWC") filed an application on August 18, 2008, with the Arizona Corporation Commission ("Commission") requesting authorization to implement Step-Two of its Arsenic Cost Recovery Mechanism ("ACRM") for the Casa Grande system, and Step-One for its Stanfield system.

On September 16, 2008, the Company amended its application to include capital charges previously removed in its Casa Grande system concerning its Well 27/Lake in the Desert well site in the amount of \$505,458. The Company stated that the well went into service in July 2008.

The monthly arsenic surcharge per customer was established to aid the Company in its efforts to comply with the United States Environmental Protection Agency's ("EPA") new arsenic maximum contaminant level of 10 particles per billion ("ppb") which went into effect on January 23, 2006. The EPA reduced the drinking water standard for arsenic from 50 ppb to 10 ppb effective January 23, 2006.

Pursuant to Decision No. 68302, The Company filed the required schedules for Commission approval prior to the implementation of the ACRM for its Casa Grande and Stanfield water systems.

II. Background

On November 14, 2005, the Commission issued Decision No. 68302, regarding a general rate increase for the Company's Western Group. That Decision authorized the filing of an ACRM for the Western Group which was consistent with Decision No. 66400 requirements for the Company's Northern Group.

On March 10, 2008, the Commission issued Decision No. 70192, which authorized the implementation of the Company's Casa Grande system Step-One ACRM.

The Step-One surcharge added \$1.89 to the monthly customer charge for a customer with a 5/8- x 3/4-inch meter and \$.1558 per 1,000 gallons to the commodity rate. The Step-One surcharge increased the average residential customer bill by approximately \$3.27 from \$22.11 to \$25.38 (14.8 percent).

On September 16, 2008, AWC filed an amended application to implement Step-Two of its Casa Grande ACRM. This application seeks to recover eligible arsenic related O&M costs and additional arsenic related plant in service not being recovered in the existing Step-One surcharge.

III. Company's Current Application

Casa Grande Step Two

In its amended application, filed September 16, 2008, the Company requests a Step-Two ACRM surcharge. The typical bill analysis for a 5/8" x 3/4" residential customer in its Casa Grande system indicates that the Step-Two surcharge would increase the average customer bill using 8,543 gallons per month by \$1.09, from \$25.44 to \$26.53 (4.3%) as shown on Schedule DRR-3. The monthly minimum charge would increase by \$0.59 for additional arsenic plant in service and \$0.09 for twelve months of Deferred Operation and Maintenance Costs ("DO&M") for a total of \$0.68 from the current monthly customer charge for a 5/8-inch meter of \$12.37 to \$13.05. The commodity charge increase is \$0.0394 per thousand gallons for arsenic plant in service and \$0.0072 per 1,000 gallons for twelve months of DO&M for a total of \$0.0466, from \$0.1558 to \$0.2024. After twelve months, the DO&M surcharges would be removed. Schedule DRR-1 shows the original rate case charges, the increase for Step One and Step Two arsenic related charges, and the effects of removing the DO&M costs after twelve months.

Staff performed an audit of all invoices and authorized work order charges concerning the plant in service and DO&M charges. Initially, Staff removed \$79,665 from the plant in service, which reduced the revenue requirement by \$13,890, to which the Company concurred. On November 22, 2008, the Company offered evidence (invoices and accounting orders) which removed the necessity of the adjustments made by Staff. To prevent the need of offering exceptions to the Staff Report, Staff adjusted its Schedules according to the information provided, which in turn are in agreement with the Company's amended application schedules.

If this application is approved, it will include recovery of deferred O&M expenses which will cease after the 12 month recovery period. At the end of the 12 month period, the average monthly bill will decrease by \$0.16 from \$26.53 to \$26.37 (0.60 percent) related to decreases of \$0.09 per month for a 5/8-inch meter and \$.0072 per thousand gallons related to the recovery of DO&M expenses.

Stanfield Step One

The Company's amended application, filed September 16, 2008, did not impact the Stanfield request for a Step-One ACRM surcharge. The typical bill analysis for a 5/8" x 3/4" residential customer in its Stanfield system indicates that the Step-One surcharge would increase the average customer bill using 9,162 gallons per month by \$36.30, from \$38.55 to \$74.85 (94.2%) as shown on Schedule DRR-4. The monthly minimum charge would increase by \$17.16 from \$14.65 to \$31.81 (117.1 percent). The commodity rate per thousand gallons would increase by \$2.09 on each of the three tiers. (Schedule DRR-3)

Staff audited all invoices and accounting charges and found them to be mathematically correct and charged to the accounts as described in the application.

The Company has a Water Services Agreement for its Stanfield Well No. 1, with Basin Water Company ("Basin"), a California corporation, in which Basin and Arizona Water Company agree that Basin "shall design, construct, install, maintain, and own the facilities to treat water produced by the Well."¹ The Company agrees to pay Basin a monthly standby fee of \$5,200. Basin's embedded interest cost for the facilities is 8.0 percent.

The Company's application has three alternative recovery designs, two of which transfer Stanfield's ACRM Step One costs to its Casa Grande system. The Company states that:

The Company's two alternative proposals, which include the partial consolidation of the Step-2 ACRM surcharge for the Casa Grande system and the Step-1 ACRM surcharge for the Stanfield system, are appropriate because the Casa Grande and Stanfield systems are functionally one unit, in terms of management, operating personnel, customer service, operation, and administration, and share the same regional source of water. The Company will be filing a Company-wide rate case in September 2008 in which it is proposing consolidation of Casa Grande and Stanfield systems.²

Staff recommends that the cost transference from one system to another be considered in the current rate case setting. Staff recommends that each system be treated on a stand-alone basis until the issue is resolved in the rate case currently under consideration. Schedule DRR-5 shows the Company's alternative charge designs and their customer impact on each system.

¹ Water Services Agreement page 1.

² Company Application – pages 4 and 5.

IV. Authorization for an Arsenic Cost Recovery Mechanism (Decision Nos. 66400 and 68302)

Decision No. 68302 conditioned approval of an ACRM surcharge based on the criteria developed by Decision No. 66400.

V. Staff's Analysis

A. ACRM Schedules

Each of the Company's ACRM filings for its Casa Grande Step-Two and Stanfield Step-One filing include the following schedules:

1. Balance Sheet – as of December 31, 2007.
2. Income Statement – period ending December 31, 2007.
3. Income Statement Adjustments (Earnings Test) – to conform to Decision No. 68302.
4. Rate Review – a rate review filing for the systems.
5. Arsenic Revenue Requirement – an arsenic revenue requirement calculation for its Casa Grande Step-Two and Stanfield Step-One filings.
6. Surcharge Calculation – a detailed surcharge calculation for each system.
7. Rate Base – a schedule showing the elements and the calculation of the rate base – period ending December 31, 2007.
8. Construction Work In Progress (“CWIP”) Ledger – a ledger showing the construction work in progress account.
9. Three Factor Allocation – a schedule showing the allocation factors to be used for expense allocation. The “three factors” include ratios of each system's Plant in Service, General Metered Customers, Salaries and Wages, as they relate to the total for all systems.
10. Typical Bill Analysis – Casa Grande ACRM Step 2 and Stanfield Step-1 – A typical bill analysis showing the effects on residential customers at the average residential usage of 8,843 gallons for Casa Grande customers and average residential usage of 9,142 gallons for its Stanfield customers.

The above schedules provide for the calculation of a surcharge based on financial records and an Earnings Test Schedule to limit the ACRM's for both the Step-Two and Step-One revenues to an amount that would not result in a rate of return exceeding the rate authorized in Decision No. 68302.

B. Filing Requirements Compliance

Staff does not note any deficiencies related to the Company's ACRM filing.

C. Staff's Adjustments to Company Schedules

Casa Grande Step-Two

Staff has made no adjustments to the Company Schedules. Staff originally reduced arsenic plant in service for the Casa Grande Step-2 amounts by \$79,542, which in turn reduced the revenue requirement by \$13,651 from \$1,741,450 to \$1,727,799. The Company submitted files on November 22, 2008, providing both the missing invoices and accounting entries. Therefore, Staff's recommended surcharge agrees with the Company's amended application filed.

Stanfield Step-One

Staff audited all invoices and supporting documentation concerning the Company schedules. Staff determined that the supporting schedules reflect the documentation amount submitted and that all schedules conformed to those required by Decision 66400. Staff did not find any mathematical or formula errors in the application.

C. Typical Bill Analysis Effects of Application

Casa Grande Step-Two

Using Staff's recommended revenue requirement, the Casa Grande Step-Two average residential customer bill would increase by approximately \$1.09 from \$25.44 to \$26.53 (4.3 percent). Supplanting the previously approved Step-One amounts of \$12.37 per month for a 5/8-inch meter and \$0.1558 per thousand gallons, the Step-Two surcharge would be \$13.05 per month for a 5/8 inch meter and \$0.0466 per thousand gallons.

This 4.3 percent increase would be in addition to the effect of the previously approved Step-One surcharge, which increased the average residential bill by \$3.27 from \$22.17 to \$25.44 (14.7 percent). The total, cumulative effect, of Step-Two on the average residential bill is an increase of \$4.36 from \$22.17 to \$26.53 (19.7 percent).

If this application is approved using Staff's recommended rates, it will include recovery of deferred O&M expenses which will cease after the 12-month recovery period. At the end of

the 12-month period, the average residential 5/8 x 3/4-inch meter using an average of 8,853 gallons per month would then decrease by \$0.11 from \$26.53 to \$26.42 (0.4 percent) which includes decreases of \$.09 per month for a 5/8-inch meter and \$.0072 per thousand gallons related to the recovery of deferred O&M expenses.

As is also indicated on Schedule DRR-1, Staff recommends approval of a single permanent Step-Two ACRM surcharge that supplants and absorbs the previously approved Step-One ACRM surcharge and adds the costs for net incremental plant added subsequent to the Step-One filing and on-going, recoverable, and arsenic related O&M expenses to remain in effect until the effective date of new rates established in the pending rate case or twelve months from the effective date of the Step-Two surcharge.

Stanfield Step-One

Using Staff's recommended revenue requirement, which does not recognize the transference to Casa Grande Customers of \$105,000, the Stanfield Step One average residential customer bill using 9,142 gallons would increase by approximately \$36.30 from \$38.55 to \$74.85 (94.2 percent).

The Company proposed two cost transference plans from Stanfield to its Casa Grande customers which limited the Stanfield Step-One increase to either 10.5-percent or 25.0-percent, respectively.

VI. Conclusions and Recommendations

The Company's application contains filed schedules that conform to the requirements of Decision No. 68302. Staff concludes that the ACRM schedules provide for the calculation of a surcharge based on financial records and an Earnings Test Schedule that limit the ACRM surcharge revenue to an amount that would not result in a rate of return exceeding that authorized in Decision No. 68302.

Staff concludes that the Company has adequately supported the amounts requested for recovery of its Casa Grande Step-Two Deferred O&M expenses and its Stanfield Step-One filing.

Staff further concludes that any cost transference from the Stanfield to Casa Grande customers be resolved within the current pending rate case (Docket No.W-01445A-08-0465).

Staff further concludes that neither Decision No. 68302 nor Decision No. 70192 prohibits the recognition of additional arsenic related plant subsequent to the implementation of Step-One, as argued by the Residential Utility Consumers Office ("RUCO").

Staff further concludes that Arizona Water Company has already complied with the requirement to file permanent rate applications for its various systems no later than September 30, 2008.

Staff recommends approval of the rates as shown on the Casa Grande Step-Two Schedule DRR-1 and Stanfield Step-One Schedule DRR-2. As is also indicated on Schedule DRR-1, Staff recommends, for the Casa Grande system, approval of a single permanent Step-Two ACRM surcharge that supplants and absorbs the previously approved Step-One ACRM surcharge and which adds the costs for net incremental plant added subsequent to the Step-One filing and on-going, recoverable, and arsenic related O&M expenses.

Staff further recommends approval of a temporary Step-Two ACRM surcharge as shown on Schedule DRR-1 to recover the Deferred O&M expenses as authorized in Decision No. 70192. This temporary surcharge will cease 12 months subsequent to the effective date of the surcharge established in this proceeding. RUCO agrees with the recovery mechanism itself, but disagrees with the recovery amount.

Staff further recommends that the Company file with the Commission an arsenic remediation surcharge tariff for the Casa Grande system consistent with Schedule DRR-1.

Staff further recommends that the Company file with the Commission an arsenic cost recovery surcharge tariff for the Stanfield system consistent with Schedule DRR-2.

Staff recommends that AWC notify its customers of the arsenic cost recovery surcharge tariffs approved herein within 30 days of the effective date of this Decision.

for 

Ernest G. Johnson
Director
Utilities Division

EGJ:DR:lhm\CH

ORIGINATOR: Dennis Rogers

CASA GRANDE ACRM STEP-TWO TARIFF

MONTHLY USAGE CHARGE	Decision No. 68302		Arsenic Step One Surcharge		Decision No. 70192		Arsenic Step Two Surcharge		Deferred O&M Surcharge		Staff Recommended Step Two Monthly Minimum Rates		Percent Increase From 68302		Percent Increase From 70192		Staff Recommended After Twelve Mo. O&M Deferral		Percent Increase From 68302		Percent Increase From 70192	
5/8" X 3/4" Meter	\$	10.48	\$	1.89	\$	12.37	\$	2.48	\$	0.0900	\$	13.05	24.52%	5.50%	\$	12.96	23.66%	5.50%	\$	31.15	23.61%	5.04%
1-inch Meter	\$	25.20	\$	4.54	\$	29.74	\$	5.95	\$	0.0900	\$	31.24	23.97%	5.04%	\$	31.15	23.61%	5.04%	\$	77.98	23.58%	4.82%
2-inch Meter	\$	63.10	\$	11.38	\$	74.48	\$	14.88	\$	0.0900	\$	78.07	23.72%	4.82%	\$	77.98	23.58%	4.82%	\$	129.95	23.59%	4.78%
3-inch Meter	\$	105.15	\$	18.96	\$	124.11	\$	24.80	\$	0.0900	\$	130.04	23.67%	4.78%	\$	129.95	23.59%	4.78%	\$	260.10	23.71%	4.84%
4-inch Meter	\$	210.25	\$	37.92	\$	248.17	\$	49.85	\$	0.0900	\$	260.19	23.75%	4.84%	\$	260.10	23.66%	4.79%	\$	454.95	23.66%	4.79%
6-inch Meter	\$	367.90	\$	66.35	\$	434.25	\$	87.05	\$	0.0900	\$	455.04	23.69%	4.79%	\$	454.95	23.66%	4.79%	\$	849.95	23.66%	4.79%
8-inch Meter	\$	367.90	\$	66.35	\$	434.25	\$	87.05	\$	0.0900	\$	455.04	23.69%	4.79%	\$	454.95	23.66%	4.79%	\$	849.95	23.66%	4.79%
10-inch Meter	\$	1,205.20	\$	217.35	\$	1,422.55	\$	285.20	\$	0.0900	\$	1,490.49	23.67%	4.78%	\$	1,490.40	23.66%	4.78%	\$	2,980.89	23.66%	4.78%
Gallons included in minimum																						
Commodity Rates																						
5/8" X 3/4" Meter	\$	1.0000	\$	0.1558	\$	1.1558	\$	0.1952	\$	0.0072	\$	1.2024	15.58%	4.03%	\$	1.1952	20.24%	3.41%	\$	1.6821	13.61%	2.40%
0 to 3,000 gallons	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$	1.8452	12.27%	2.18%
3,001 to 10,000 gallons	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
10,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			
0 to 67,000 Gallons	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
67,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			
0 to 296,000 Gallons	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
296,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			
0 to 552,000 Gallons	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
552,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			
0 to 1,195,000	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
1,195,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			
0 to 2,160,000	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
2,160,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			
0 to 7,292,000	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
7,292,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			
0 to 7,292,000	\$	1.6500	\$	0.1558	\$	1.8058	\$	0.1952	\$	0.0072	\$	1.8524	9.44%	2.58%	\$	1.8452	12.27%	2.18%	\$			
7,292,001 Gallons and over	\$	1.4869	\$	0.1558	\$	1.6427	\$	0.1952	\$	0.0072	\$	1.6893	10.48%	2.84%	\$	1.6821	13.61%	2.40%	\$			

STANFIELD ACRM STEP-ONE TARIFF

MONTHLY USAGE CHARGE	<u>Decision No. 68302</u>	<u>Arsenic Step One Surcharge</u>	<u>Step One Minimum Charge</u>
5/8" X 3/4" Meter	\$ 14.65	\$ 17.16	\$ 31.81
1-inch Meter	\$ 36.63	\$ 42.91	\$ 79.54
2-inch Meter	\$ 117.20	\$ 137.28	\$ 254.48
3-inch Meter	\$ 234.40	\$ 274.56	\$ 508.96
4-inch Meter	\$ 366.25	\$ 429.00	\$ 795.25
6-inch Meter	\$ 732.50	\$ 858.00	\$ 1,590.50
8-inch Meter	\$ 1,172.00	\$ 1,372.80	\$ 2,544.80
10-inch Meter	\$ 1,684.75	\$ 1,973.40	\$ 3,658.15
Gallons included in minimum	0	0	0
<u>Commodity Rates</u>		<u>Arsenic Step One Surcharge</u>	<u>Step One Commodity Charge</u>
<u>5/8" X 3/4" Meter</u>			
0 to 3,000 gallons	\$ 2.0300	\$ 2.0891	\$ 4.1191
3,001 to 10,000 gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
10,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>1-inch Meter</u>			
0 to 67,000 Gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
67,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>2-inch Meter</u>			
0 to 296,000 Gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
296,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>3-inch Meter</u>			
0 to 552,000 Gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
552,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>4-inch Meter</u>			
0 to 1,195,000	\$ 2.8900	\$ 2.0891	\$ 4.9791
1,195,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>6-inch and 8-inch Meters</u>			
0 to 2,160,000	\$ 2.8900	\$ 2.0891	\$ 4.9791
2,160,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>10-inch Meter</u>			
0 to 7,292,000	\$ 2.8900	\$ 2.0891	\$ 4.9791
7,292,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891

CASA GRANDE ACRM STEP-TWO
TYPICAL BILL ANALYSIS
RESIDENTIAL CUSTOMER 5/8" X 3/4" METER

Line No.	[A] <u>Gallons Consumption</u>	[B] CASA GRANDE <u>Present Rates</u>	[C] CASA GRANDE <u>Proposed Rates</u>	[D] CASA GRANDE <u>Percent Increase</u>
1	0	\$12.37	\$13.05	5.5%
2	1,000	13.53	14.25	5.4%
3	2,000	14.68	15.45	5.3%
4	3,000	15.84	16.66	5.2%
5	4,000	17.48	18.35	5.0%
6	5,000	19.12	20.04	4.8%
7	6,000	20.77	21.73	4.6%
8	7,000	22.41	23.41	4.5%
9	8,000	24.05	25.10	4.4%
10	9,000	25.69	26.79	4.3%
11	10,000	27.34	28.48	4.2%
12	11,000	29.14	30.33	4.1%
13	12,000	30.95	32.19	4.0%
14	13,000	32.75	34.04	3.9%
15	14,000	34.56	35.89	3.9%
16	15,000	36.37	37.74	3.8%
17	20,000	45.39	47.01	3.6%
18	25,000	54.42	56.27	3.4%
19				
20				
21				
22	Average Residential Consumption	8,843	8,843	
23				
24	Average Residential Bill	\$25.44	\$26.53	4.3%
25				
26				
27	Minimum Rate	\$ 12.37	\$ 13.05	
28				
29	Commodity (per M Gallon)			
30	0-3,000 Gallons	\$ 1.1558	\$ 1.2024	
31	3,001 - 10,000 Gallons	\$ 1.6427	\$ 1.6893	
32	Over 10,000 Gallons	\$ 1.8058	\$ 1.8524	
33				
34	Gallons In Minimum	0	0	
35	Gallons In 1st Block	3,000	3,000	
36	Gallons In 2nd Block	10,000	10,000	
37	Gallons In 3rd Block	999,999	999,999	

STANFIELD ACRM STEP-ONE
TYPICAL BILL ANALYSIS
RESIDENTIAL CUSTOMER 5/8" X 3/4" METER

Line No.	[A] <u>Gallons Consumption</u>	[B] STANFIELD <u>Present Rates</u>	[C] STANFIELD <u>Proposed Rates</u>	[D] STANFIELD <u>Percent Increase</u>
1	0	\$14.65	\$31.81	117.1%
2	1,000	16.68	35.93	115.4%
3	2,000	18.71	40.05	114.0%
4	3,000	20.74	44.17	113.0%
5	4,000	23.63	49.15	108.0%
6	5,000	26.52	54.13	104.1%
7	6,000	29.41	59.10	101.0%
8	7,000	32.30	64.08	98.4%
9	8,000	35.19	69.06	96.3%
10	9,000	38.08	74.04	94.4%
11	10,000	40.97	79.02	92.9%
12	11,000	44.57	84.71	90.1%
13	12,000	48.17	90.40	87.7%
14	13,000	51.77	96.09	85.6%
15	14,000	55.37	101.78	83.8%
16	15,000	58.97	107.47	82.2%
17	20,000	76.97	135.91	76.6%
18	25,000	94.97	164.36	73.1%
19				
20				
21				
22	Average Residential Consumption	9,162	9,162	
23				
24	Average Residential Bill	\$ 38.55	\$ 74.85	94.2%
25				
26				
27	Minimum Rate	\$ 14.65	\$ 31.81	
28				
29	Commodity (per M Gallon)			
30	0-3,000 Gallons	\$ 2.0300	\$ 4.1191	
31	3,001 - 10,000 Gallons	\$ 2.8900	\$ 4.9791	
32	Over 10,000 Gallons	\$ 3.6000	\$ 5.6891	
33				
34	Gallons In Minimum	0	0	
35	Gallons In 1st Block	3,000	3,000	
36	Gallons In 2nd Block	10,000	10,000	
37	Gallons In 3rd Block	999,999	999,999	

VARIOUS PROPOSALS COMBINING CASA GRANDE & STANFIELD

CASA GRANDE STEP-TWO				
<u>Alternative</u>	<u>From</u>	<u>To</u>	<u>Increase</u>	<u>Percent</u>
"A"	\$ 25.44	\$ 26.53	\$ 1.09	4.3%
"B"	\$ 25.44	\$ 26.79	\$ 1.35	5.3%
"C"	\$ 25.44	\$ 26.75	\$ 1.31	5.1%

STANFIELD STEP-ONE				
<u>Alternative</u>	<u>From</u>	<u>To</u>	<u>Increase</u>	<u>Percent</u>
"A"	\$ 38.55	\$ 74.85	\$ 36.30	94.2%
"B"	\$ 38.55	\$ 42.61	\$ 4.06	10.5%
"C"	\$ 38.55	\$ 48.17	\$ 9.62	25.0%

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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 WATER COMPANY, AN
ARIZONA CORPORATION, FOR
AUTHORITY TO IMPLEMENT ARSENIC
COST RECOVERY MECHANISMS FOR
ITS CASA GRANDE AND STANFIELD
SYSTEMS IN ITS WESTERN GROUP

DOCKET NO. W-01445A-04-0650

DECISION NO. _____

ORDER

Open Meeting
January 13 and 14, 2009
Phoenix, Arizona

BY THE COMMISSION:

I. INTRODUCTION

Pursuant to Decision Nos. 68302, 70192, and 66400, Arizona Water Company (“Company”, “Applicant” or “AWC”) filed an application on August 18, 2008, with the Arizona Corporation Commission (“Commission”) requesting authorization to implement Step-Two of its Arsenic Cost Recovery Mechanism (“ACRM”) for the Casa Grande system, and Step-One for its Stanfield system.

On September 16, 2008, the Company amended its application to include capital charges previously removed in its Casa Grande system concerning its Well 27/Lake in the Desert well site in the amount of \$505,458. The Company stated that the well went into service in July 2008.

The monthly arsenic surcharge per customer was established to aid the Company in its efforts to comply with the United States Environmental Protection Agency’s (“EPA”) new arsenic maximum contaminant level of 10 particles per billion (“ppb”) which went into effect on January

...

1 23, 2006. The EPA reduced the drinking water standard for arsenic from 50 ppb to 10 ppb
2 effective January 23, 2006.

3 **II. Background**

4 The United States Environmental Protection Agency ("EPA") reduced the drinking water
5 standard for arsenic from 50 parts per billion ("ppb") to 10 ppb effective January 23, 2006.

6 On November 14, 2005, the Commission issued Decision No. 68302, regarding a general
7 rate increase for its Western Group. That Commission Decision authorized the filing of an ACRM
8 for the Western Group which was consistent with Decision No. 66400 requirements for the
9 Company's Northern Group.

10 On March 10, 2008, the Commission issued Decision No. 70192, which authorized the
11 implementation of the Company's Casa Grande system Step-One ACRM.

12 The Step-One surcharge added \$1.89 to the monthly customer charge for a customer with a
13 5/8- x 3/4-inch meter and \$.1558 per 1,000 gallons to the commodity rate. The Step-One surcharge
14 increased the average residential customer bill by approximately \$3.27 from \$22.11 to \$25.38
15 (14.8 percent).

16 On September 16, 2008, AWC filed an amended application to implement Step-Two of its
17 Casa Grande ACRM. This application seeks to recover eligible arsenic related O&M costs and
18 additional arsenic related plant in service not being recovered in the existing Step-One surcharge.

19 **Casa Grande Step Two**

20 In its amended application, filed September 16, 2008, the Company requests a Step-Two
21 ACRM surcharge. The typical bill analysis for a 5/8" x 3/4" residential customer in its Casa Grande
22 system indicates that the Step-Two surcharge would increase the average customer bill using 8,543
23 gallons per month by \$1.09, from \$25.44 to \$26.53 (4.3%) as shown on Schedule DRR-3. The
24 monthly minimum charge would increase by \$0.59 for additional arsenic plant in service and \$0.09
25 for twelve months of Deferred Operation and Maintenance Costs ("DO&M") for a total of \$0.68
26 from the current monthly customer charge for a 5/8-inch meter of \$12.37 to \$13.05. The
27 commodity charge increase is \$0.0394 per thousand gallons for arsenic plant in service and
28 \$0.0072 per 1,000 gallons for twelve months of DO&M for a total of \$0.0466, from \$0.1558 to

1 \$0.2024. After twelve months, the DO&M surcharges would be removed. Schedule DRR-1
2 shows the original rate case charges, the increase for Step-One and Step-Two arsenic related
3 charges and the effects of removing the DO&M costs after twelve months.

4 **Stanfield Step-One**

5 The Company's amended application, filed September 16, 2008, did not impact the
6 Stanfield request for a Step-One ACRM surcharge. The typical bill analysis for a 5/8" x 3/4"
7 residential customer in its Stanfield system indicates that the Step-One surcharge would increase
8 the average customer bill using 9,162 gallons per month by \$36.30, from \$38.85 to \$74.55 (94.2%)
9 as shown on Schedule DRR-4. The minimum monthly charge would increase by \$17.16 from
10 \$14.65 to \$31.81 (117.1 percent). The commodity rate per thousand gallons would increase by
\$2.09 on each of the three tiers. (Schedule DRR-2)

11 On December 31, 2008, RUCO filed its report on its audit of AWC's Casa Grande Step-
12 Two ACRM and Stanfield's Step-One surcharge requests. RUCO recommends adoption of the
13 Company's application as filed with the Stanfield Step-One charges being limited to AWC's 10.5-
14 percent increase option.

15 The Company's application has three alternative recovery designs, two of which transfer
16 Stanfield's ACRM Step One costs to its Casa Grande system. The Company states that:

17 The Company's two alternative proposals, which include the partial
18 consolidation of the Step-2 ACRM surcharge for the Casa Grande system and
19 the Step-1 ACRM surcharge for the Stanfield system, are appropriate because
20 the Casa Grande and Stanfield systems are functionally one unit, in terms of
21 management, operating personnel, customer service, operation, and
administration, and share the same regional source of water. The Company
will be filing a Company-wide rate case in September 2008 in which it is
proposing consolidation of Casa Grande and Stanfield systems.¹

22 Staff recommends that the cost transference from one system to another be considered in
23 the current rate case setting. Staff recommends that each system be treated on a stand-alone basis
24 until the issue is resolved in the rate case currently under consideration. Schedule DRR-5 shows
25 the Company's alternative charge designs and their customer impact on each system.

26 ...

27 _____
28 ¹ Company Application – pages 4 and 5.

1 Authorization for an Arsenic Cost Recovery Mechanism (Decision No. 66400)

2 On October 14, 2003, the Commission issued Decision No. 66400 granting AWC the
3 authority to implement an Arsenic Cost Recovery Mechanism. The Decision also required AWC
4 to file pertinent schedules and information to support its ACRM charges and that AWC file a full
5 rate application no later than September 30, 2007 using a 2006 test year. A Commission
6 Administrative Law Judge issued a Procedural Order on December 29, 2006 revising the rate filing
7 date to September 30, 2008 and the test year to 2007.

8 Decision No. 66400 conditioned approval of an ACRM surcharge on the following criteria:

- 9 1. AWC shall file the schedules to show the actual cost of construction of arsenic related
10 facilities and that the projected rate of return with the ACRM does not exceed
11 authorized levels. AWC shall also file any relevant data requested by Staff to support
12 the ACRM increase.
- 13 2. AWC shall file a full rate application no later than September 30, 2007, based on a
14 2006 test year.²
- 15 3. AWC shall identify as a separate line item on customer bills the charges attributable to
16 federally mandated arsenic reduction costs. At least four times annually, the bills shall
17 include in bold print or distinguishing ink color that the ACRM costs are the result of
18 federal mandates by the United States Environmental Protection Agency.
- 19 4. AWC shall continue to monitor the availability of grants and low-cost financing
20 sources for arsenic treatment facilities in order to mitigate the rate impact on its
21 customers.
- 22 5. The ACRM schedules provide for the calculation of a surcharge based on financial
23 records and an Earnings Test Schedule that limit the ACRM surcharge revenue to an
24 amount that would not result in a rate of return exceeding that authorized in Decision
25 66400.

26 Filing Requirements Compliance

27 Staff does not note any deficiencies related to the Company's ACRM filings.

28 Staff's Analysis**ACRM Schedules**

The Company's Sedona and Rimrock Districts filing includes the following schedules:

² Subsequently revised by a Procedural Order, dated December 29, 2006, to September 30, 2008, based on a 2007 test year.

1. Balance Sheet – as of December 31, 2007.
2. Income Statement – period ending December 31, 2007.
3. Income Statement Adjustments (Earnings Test) – to conform to Decision No. 68302.
4. Rate Review – a rate review filing for the Casa Grande and Stanfield Systems.
5. Arsenic Revenue Requirement – an arsenic revenue requirement calculation for Stanfield’s Step-One and Casa Grande’s Step-Two.
6. Surcharge Calculation – a detailed surcharge calculation for each system.
7. Rate Base – a schedule showing the elements and the calculation of the rate base.
8. Construction Work In Progress (“CWIP”) Ledger – a ledger showing the construction work in progress account.
9. Typical Bill Analysis – ACRM Step 1 – A typical bill analysis showing the effects on residential customers at the average residential usage of at 8,843 gallons for Casa Grande customers and 9,162 gallons for Stanfield customers.

Staff concluded that the filed schedules conform to the methodologies originally required by Decision No. 66400.

The ACRM schedules provide for the calculation of a surcharge based on financial records and an Earnings Test Schedule that limit the ACRM surcharge revenue to an amount that would not result in a rate of return exceeding that authorized in Decision No. 68302.

Staff’s Adjustments To Company Schedules:

Casa Grande Step-Two

Staff has made no adjustments to the Company schedules. Staff originally reduced arsenic plant in service for the Casa Grande Step-2 amounts by \$79,542, which in turn reduced the revenue requirement by \$13,651 from \$1,741,450 to \$1,727,799. The Company submitted files on November 22, 2008 providing both the missing invoices and accounting entries. Therefore, Staff’s recommended surcharge agrees with the Company’s amended application filed.

Stanfield Step-One

Staff audited all invoices and supporting documentation concerning the Company Schedules. Staff determined that the supporting schedules reflect the documentation amount

1 submitted and that all schedules conformed to those required by Decision 66400. Staff did not
2 find any mathematical or formula errors in the application.

3 * * * * *

4 Having considered the entire record herein and being fully advised in the premises, the
5 Commission finds, concludes, and orders that:

6 FINDINGS OF FACT

7 1. Pursuant to Decision Nos. 66400, 68302 and 70192, the Company seeks an arsenic
8 cost recovery mechanism surcharge tariff in this proceeding authorizing a monthly surcharge per
9 customer to aid the Company in it efforts to comply with the Environmental Protection Agency's
10 ("EPA") new arsenic maximum contaminant level of 10 particles per billion ("ppb") which went
11 into effect on January 23, 2006.

12 2. Pursuant to Decision No. 66400, the Company filed the required schedules prior to
13 the implementation of the ACRM.

14 3. Staff determined that all the Company's filings reflect the correct amounts of
15 ACRM plant that is considered to be used and useful, along with related adjustments to
16 accumulated depreciation and depreciation expense.

17 4. Staff determined that the arsenic treatment facilities related to the Step-1 and Step-2
18 ACRM surcharge requests were in service and providing water that now meets the new arsenic
19 standard.

20 CONCLUSIONS OF LAW

21 1. The Company is a public water service corporation within the meaning of Article
22 XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

23 2. The Commission has jurisdiction over the Company and of the subject matter of the
24 application.

25 3. Approval of and arsenic cost recovery mechanism is consistent with the
26 Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and
27 applicable case law.

28 ...

1 SERVICE LIST FOR: Arizona Water Company
2 DOCKET NO. W-01445A-04-0650

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26 Phoenix, Arizona 85007

27

28

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-04-0650

CASA GRANDE ACRM STEP-TWO TARIFF

MONTHLY USAGE CHARGE	Decision No.		Arsenic Step One		Decision No. 70192		Arsenic Step Two		Deferred O&M Surcharges		Staff Recommended		Percent Increase	
	No. 68302	No. 70192	Surcharges		No. 70192		Surcharges				From 68302	From 70192	From 68302	From 70192
5/8" X 3/4" Meter	\$ 10.48	\$ 12.37	\$ 1.89	\$ 2.48	\$ 0.0900	\$ 13.05	\$ 0.0900	\$ 2.48	\$ 0.0900	\$ 24.52%	5.50%	\$ 12.96	23.66%	5.50%
1-inch Meter	\$ 25.20	\$ 29.74	\$ 4.54	\$ 5.95	\$ 0.0900	\$ 31.24	\$ 0.0900	\$ 5.95	\$ 0.0900	23.97%	5.04%	\$ 31.15	23.61%	5.04%
2-inch Meter	\$ 63.10	\$ 74.48	\$ 11.38	\$ 14.88	\$ 0.0900	\$ 78.07	\$ 0.0900	\$ 14.88	\$ 0.0900	23.72%	4.82%	\$ 77.98	23.58%	4.82%
3-inch Meter	\$ 105.15	\$ 124.11	\$ 18.96	\$ 24.80	\$ 0.0900	\$ 130.04	\$ 0.0900	\$ 24.80	\$ 0.0900	23.67%	4.78%	\$ 129.95	23.59%	4.78%
4-inch Meter	\$ 210.25	\$ 248.17	\$ 37.92	\$ 49.85	\$ 0.0900	\$ 260.19	\$ 0.0900	\$ 49.85	\$ 0.0900	23.75%	4.84%	\$ 260.10	23.71%	4.84%
6-inch Meter	\$ 367.90	\$ 434.25	\$ 66.35	\$ 87.05	\$ 0.0900	\$ 455.04	\$ 0.0900	\$ 87.05	\$ 0.0900	23.69%	4.79%	\$ 454.95	23.66%	4.79%
8-inch Meter	\$ 367.90	\$ 434.25	\$ 66.35	\$ 87.05	\$ 0.0900	\$ 455.04	\$ 0.0900	\$ 87.05	\$ 0.0900	23.69%	4.79%	\$ 454.95	23.66%	4.79%
10-inch Meter	\$ 1,205.20	\$ 1,422.55	\$ 217.35	\$ 285.20	\$ 0.0900	\$ 1,490.49	\$ 0.0900	\$ 285.20	\$ 0.0900	23.67%	4.78%	\$ 1,490.40	23.66%	4.78%

Gallons included in minimum	Decision No.		Arsenic Step One		Decision No. 70192		Arsenic Step Two		Deferred O&M Surcharges		Staff Recommended		Percent Increase	
	No. 68302	No. 70192	Surcharges		No. 70192		Surcharges				From 68302	From 70192	From 68302	From 70192
Commodity Rates	\$ 1,000	\$ 1,155	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,2024	\$ 0.0072	\$ 0.1952	\$ 0.0072	15.58%	4.03%	\$ 1,1952	20.24%	3.41%
5/8" X 3/4" Meter	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
0 to 3,000 gallons	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
3,001 to 10,000 gallons	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
10,001 Gallons and over	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
1-inch Meter	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
0 to 67,000 Gallons	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
67,001 Gallons and over	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
2-inch Meter	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
0 to 296,000 Gallons	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
296,001 Gallons and over	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
3-inch Meter	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
0 to 552,000 Gallons	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
552,001 Gallons and over	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
4-inch Meter	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
0 to 1,195,000	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
1,195,001 Gallons and over	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
6-inch and 8-inch Meters	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
0 to 2,160,000	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
2,160,001 Gallons and over	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
10-inch Meter	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%
0 to 7,292,000	\$ 1,4869	\$ 1,6427	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,6893	\$ 0.0072	\$ 0.1952	\$ 0.0072	10.48%	2.84%	\$ 1,6821	13.61%	2.40%
7,292,001 Gallons and over	\$ 1,6500	\$ 1,8058	\$ 0.1558	\$ 0.1952	\$ 0.0072	\$ 1,8524	\$ 0.0072	\$ 0.1952	\$ 0.0072	9.44%	2.58%	\$ 1,8452	12.27%	2.18%

Decision No. _____

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-04-0650

Schedule DRR-2

STANFIELD ACRM STEP-ONE TARIFF

MONTHLY USAGE CHARGE	Decision No. 68302	Arsenic Step One Surcharge	Step One Minimum Charge
5/8" X 3/4" Meter	\$ 14.65	\$ 17.16	\$ 31.81
1-inch Meter	\$ 36.63	\$ 42.91	\$ 79.54
2-inch Meter	\$ 117.20	\$ 137.28	\$ 254.48
3-inch Meter	\$ 234.40	\$ 274.56	\$ 508.96
4-inch Meter	\$ 366.25	\$ 429.00	\$ 795.25
6-inch Meter	\$ 732.50	\$ 858.00	\$ 1,590.50
8-inch Meter	\$ 1,172.00	\$ 1,372.80	\$ 2,544.80
10-inch Meter	\$ 1,684.75	\$ 1,973.40	\$ 3,658.15
Gallons included in minimum	0	0	0
<u>Commodity Rates</u>		Arsenic Step One Surcharge	Step One Commodity Charge
<u>5/8" X 3/4" Meter</u>			
0 to 3,000 gallons	\$ 2.0300	\$ 2.0891	\$ 4.1191
3,001 to 10,000 gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
10,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>1-inch Meter</u>			
0 to 67,000 Gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
67,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>2-inch Meter</u>			
0 to 296,000 Gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
296,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>3-inch Meter</u>			
0 to 552,000 Gallons	\$ 2.8900	\$ 2.0891	\$ 4.9791
552,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>4-inch Meter</u>			
0 to 1,195,000	\$ 2.8900	\$ 2.0891	\$ 4.9791
1,195,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>6-inch and 8-inch Meters</u>			
0 to 2,160,000	\$ 2.8900	\$ 2.0891	\$ 4.9791
2,160,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891
<u>10-inch Meter</u>			
0 to 7,292,000	\$ 2.8900	\$ 2.0891	\$ 4.9791
7,292,001 Gallons and over	\$ 3.6000	\$ 2.0891	\$ 5.6891

CASA GRANDE ACRM STEP-TWO
TYPICAL BILL ANALYSIS
RESIDENTIAL CUSTOMER 5/8" X 3/4" METER

Line No.	[A] <u>Gallons Consumption</u>	[B] CASA GRANDE <u>Present Rates</u>	[C] CASA GRANDE <u>Proposed Rates</u>	[D] CASA GRANDE <u>Percent Increase</u>
1	0	\$12.37	\$13.05	5.5%
2	1,000	13.53	14.25	5.4%
3	2,000	14.68	15.45	5.3%
4	3,000	15.84	16.66	5.2%
5	4,000	17.48	18.35	5.0%
6	5,000	19.12	20.04	4.8%
7	6,000	20.77	21.73	4.6%
8	7,000	22.41	23.41	4.5%
9	8,000	24.05	25.10	4.4%
10	9,000	25.69	26.79	4.3%
11	10,000	27.34	28.48	4.2%
12	11,000	29.14	30.33	4.1%
13	12,000	30.95	32.19	4.0%
14	13,000	32.75	34.04	3.9%
15	14,000	34.56	35.89	3.9%
16	15,000	36.37	37.74	3.8%
17	20,000	45.39	47.01	3.6%
18	25,000	54.42	56.27	3.4%
19				
20				
21				
22	Average Residential Consumption	8,843	8,843	
23				
24	Average Residential Bill	\$25.44	\$26.53	4.3%
25				
26				
27	Minimum Rate	\$ 12.37	\$ 13.05	
28				
29	Commodity (per M Gallon)			
30	0-3,000 Gallons	\$ 1.1558	\$ 1.2024	
31	3,001 - 10,000 Gallons	\$ 1.6427	\$ 1.6893	
32	Over 10,000 Gallons	\$ 1.8058	\$ 1.8524	
33				
34	Gallons In Minimum	0	0	
35	Gallons In 1st Block	3,000	3,000	
36	Gallons In 2nd Block	10,000	10,000	
37	Gallons In 3rd Block	999,999	999,999	

STANFIELD ACRM STEP-ONE
TYPICAL BILL ANALYSIS
RESIDENTIAL CUSTOMER 5/8" X 3/4" METER

Line No.	[A] <u>Gallons Consumption</u>	[B] <u>STANFIELD Present Rates</u>	[C] <u>STANFIELD Proposed Rates</u>	[D] <u>STANFIELD Percent Increase</u>
1	0	\$14.65	\$31.81	117.1%
2	1,000	16.68	35.93	115.4%
3	2,000	18.71	40.05	114.0%
4	3,000	20.74	44.17	113.0%
5	4,000	23.63	49.15	108.0%
6	5,000	26.52	54.13	104.1%
7	6,000	29.41	59.10	101.0%
8	7,000	32.30	64.08	98.4%
9	8,000	35.19	69.06	96.3%
10	9,000	38.08	74.04	94.4%
11	10,000	40.97	79.02	92.9%
12	11,000	44.57	84.71	90.1%
13	12,000	48.17	90.40	87.7%
14	13,000	51.77	96.09	85.6%
15	14,000	55.37	101.78	83.8%
16	15,000	58.97	107.47	82.2%
17	20,000	76.97	135.91	76.6%
18	25,000	94.97	164.36	73.1%
19				
20				
21				
22	Average Residential Consumption	9,162	9,162	
23				
24	Average Residential Bill	\$ 38.55	\$ 74.85	94.2%
25				
26				
27	Minimum Rate	\$ 14.65	\$ 31.81	
28				
29	Commodity (per M Gallon)			
30	0-3,000 Gallons	\$ 2.0300	\$ 4.1191	
31	3,001 - 10,000 Gallons	\$ 2.8900	\$ 4.9791	
32	Over 10,000 Gallons	\$ 3.6000	\$ 5.6891	
33				
34	Gallons In Minimum	0	0	
35	Gallons In 1st Block	3,000	3,000	
36	Gallons In 2nd Block	10,000	10,000	
37	Gallons In 3rd Block	999,999	999,999	

ARIZONA WATER COMPANY - ACRM

Schedule DRR-5

DOCKET NO. W-01445A-04-0650

VARIOUS PROPOSALS COMBINING CASA GRANDE & STANFIELD

CASA GRANDE STEP-TWO				
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<u>Alternative</u>	<u>From</u>	<u>To</u>	<u>Increase</u>	<u>Percent</u>
"A"	\$ 25.44	\$ 26.53	\$ 1.09	4.3%
"B"	\$ 25.44	\$ 26.79	\$ 1.35	5.3%
"C"	\$ 25.44	\$ 26.75	\$ 1.31	5.1%

STANFIELD STEP-ONE				
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<u>Alternative</u>	<u>From</u>	<u>To</u>	<u>Increase</u>	<u>Percent</u>
"A"	\$ 38.55	\$ 74.85	\$ 36.30	94.2%
"B"	\$ 38.55	\$ 42.61	\$ 4.06	10.5%
"C"	\$ 38.55	\$ 48.17	\$ 9.62	25.0%