

**COMMISSIONERS**  
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BOB STUMP



0000094078

Interim Executive Director

**ARIZONA CORPORATION COMMISSION**

February 25, 2009

To: Docket Control **ORIGINAL**

RE: Arizona American Water Company - Customer Comments  
Docket Nos. W-01303A-08-0227 and SW-01303A-08-0227

Please docket the attached 3 customer comments OPPOSING the above filed rate case.

Customer comments can be reviewed in E-docket under the above docket numbers.

Filed by: Utilities Division – Consumer Services

Arizona Corporation Commission  
**DOCKETED**  
FEB 25 2009

DOCKETED BY *MM*

**RECEIVED**  
2009 FEB 25 1 P 3:49  
AZ CORP COMMISSION  
DOCKET CONTROL

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

**Investigator:** Deb Reagan

**Phone:** [REDACTED]

**Fax:** [REDACTED]

**Priority:** Respond Within Five Days

**Opinion No. 2009 76994**

**Date:** 2/25/2009

**Complaint Description:** 08A Rate Case Items - Opposed  
N/A Not Applicable

**Complaint By:** **Richard J. Griese**

**Account Name:** Richard J. Griese

**Home:** (000) 000-0000

**Street:** [REDACTED]

**Work:**

**City:** Tubac

**CBR:**

**State:** AZ **Zip:** 85646

**is:**

**Utility Company:** Arizona - American Water Company

**Division:** Water

**Contact Name:** Karl Wilkins

**Contact Phone:** [REDACTED]

**Nature of Complaint:**

\*\*\*\*\* REFERRED FROM CHAIRMAN MAYES' OFFICE \*\*\*\*\*

\*\*\* W-01303A-08-0227 AND SW-01303A-08-0227 \*\*\*

\*\*\*\* TUBAC WATER DISTRICT \*\*\*\*

Customer sent the following e-mail -

From: [REDACTED]  
Sent: Monday, February 23, 2009 9:55 AM  
To: Mayes-WebEmail  
Subject: Docket No. W-01303A-08-0227

Dear Chairman Mayes,

I am writing regarding the rate increase being proposed by the Arizona American Water Corporation for our village of Tubac. (Docket No. W-01303A-08-0227) While I realize that a private company - a utility - is in business to make a profit, I believe that some consideration must be given to those that the company serves. If the proposed increase for both the company increases due to operating costs and the impact of the EPA arsenic are put into effect, my water costs will exceed my average monthly costs for my electric and gas utilities.

This amount of increase on my monthly utilities expense will be difficult for a retired person on a fixed income. Not only will the increase affect my living standard, but it would have an impact on the property value of my residence. Who would want to buy a home with huge water bills?

I know this is a difficult problem, but I ask you to consider some imaginative solution which will spread this burden over a larger number of home owners. Any help you can provide will be appreciated.

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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Sincerely,

Richard J. Griese

[REDACTED]  
Tubac, AZ 85646

\*End of Complaint\*

**Utilities' Response:**

**Investigator's Comments and Disposition:**

Responded with the following e-mail -

Dear Mr. Griese,

Thank you for your recent e-mail to Chairman Mayes. It has been assigned to me for a response. I am a Consumer Analyst in the Utilities Division.

Your comments regarding the Arizona American Water Company-Tubac rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission to be made part of the record. The Commission will consider your comments before a decision is rendered in the Company application.

The concerns raised in letters, e-mails and phone calls received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me at [REDACTED]

Deborah Reagan  
Public Utilities Consumer Analyst  
Utilities Division  
\*End of Comments\*

**Date Completed: 2/25/2009**

**Opinion No. 2009 - 76994**

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**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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**Investigator:** Carmen Madrid

**Phone:** (602) 542-0848

**Fax:** (602) 542-2129

**Priority:** Respond Within Five Days

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**Opinion No. 2009 76979**

**Date:** 2/25/2009

**Complaint Description:** 08A Rate Case Items - Opposed  
N/A Not Applicable

**Complaint By:** **Robert W. Gray**

**Account Name:** Robert W. Gray

**Home:** (000) 000-0000

**Street:** 2298 C. de Anza

**Work:** (000) 000-0000

**City:** Tubac

**CBR:** bobgray32@gmail.com

**State:** AZ **Zip:** 00000

**is:** E-Mail

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**Utility Company:** Arizona - American Water Company

**Division:** Water

**Contact Name:** n/a

**Contact Phone:** n/a

**Nature of Complaint:**

\*\*\*\*\*REFERRED FROM CHAIRMAN MAYES' OFFICE\*\*\*\*\*

\*\*\*\*\*TUBAC WATER SYSTEM\*\*\*\*\*

From: Bob Gray [mailto:bobgray32@gmail.com]  
Sent: Saturday, February 21, 2009 10:01 AM  
To: Mayes-WebEmail  
Subject: AZ Water's proposal -- not a pretty picture

Chairman Kristin K. Mayes

Water costs are already very high, understandably. The proposed 72.7% increase in water rates is out of financial reach for most if not all residents within the Arizona American Water system. When the costs for arsenic treatment are added, bringing the proposed increases up to a whopping 196% increase, an impossible situation will have been created.

Many residents will be forced to move creating even greater financial pressures on Arizona Water ...

Irrigation of residential landscaping will be severely reduced, or stopped altogether resulting in native weeds and brush invading residential areas thereby increasing fire hazards and depreciating the attractiveness of neighborhoods ...

Property values will plummet ...

The area served by Arizona Water will become a deserted desert populated with vacated homes and blowing dust ...

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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This is not a pretty picture. Tax payers are already bailing out Wall Street and the mortgage and banking systems. We are being heavily burdened with Federal "stimulus programs. The stock market is in the toilet with no signs of a recovery soon to come. Arizona Water's proposal is not an acceptable solution. There has to be a better, more equitable, financially sound way to resolve Arizona Water's problems.

Please, we implore you, do not approve Arizona Water's proposal.

Respectfully,

Robert W. Gray  
2298 C. de Anza  
Tubac  
520-825-9877  
\*End of Complaint\*

**Utilities' Response:**

**Investigator's Comments and Disposition:**

Responded with the following letter via e-mail:

February 25, 2009

Mr. Robert W. Gray  
2298 C. de Anza  
Tubac, AZ

Dear Mr. Gray:

Your comments regarding the Arizona-American Water Company (AAWC) rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the AAWC application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000.

Sincerely,

Carmen Madrid  
Public Utility Consumer Analyst  
Utilities Division

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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Filed in Docket No. W-01303A-07-0227 & SW-01303A-08-0227  
\*End of Comments\*

**Date Completed: 2/25/2009**

**Opinion No. 2009 - 76979**

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February 20, 2009

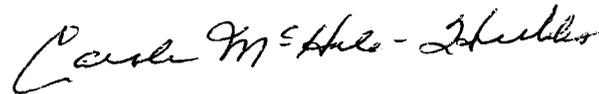
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

Re: Docket No. W-01303A-08-0227  
SW-01303A-08-0227

Dear Commissioners,

Enclosed herewith is a copy of Data Requests and attendant attachments that PORA, Sun City West, AZ., has submitted to Arizona/American Water Company on February 18, 2009. These Data requests represent some of the concerns that PORA, Sun City West has in the subject Dockets. Please take these under consideration in determining rate increases in this case.

Respectfully



Carole McHale-Hubbs  
Attorney for PORA, Sun City West

RECEIVED

FEB 25 2009

AZ CORP COMM  
Director Utilities

ARIZONA WATER COMPANY

RATE APPLICATION

DOCKET NO. W-01-393A-08-0227

DOCKET NO. SW-01-303A-08-0227

PORA, SUN CITY WEST, FIRST SET OF DATA REQUESTS  
TO ARIZONA-AMERICAN WATER COMPANY

- 1.01 Please provide copies of all data requests and the Company's response to such requests by all other parties in this docket.
- 1.02 Please explain how much of the \$9.57 basic charge in Table I, Rates & Basic Charge is allocated to arsenic removal and is this charge to equipment only.
- 1.03 Please explain how much of the proposed adjusted basic charge of \$15.00 in Table I, Rates & Basic Charge will be allocated to arsenic removal and explain the purpose and application of the \$5.43 proposed increase.
- 1.04 Please explain how much of the requested rate increase by Arizona-American Water is attributed to arsenic removal including equipment, operation and maintenance.
- 1.05 Please explain which line items on Schedule C-1, Adjusted Test Year Income Statement contain costs related to arsenic removal and quantify the costs.
- 1.06 Please provide the amount of arsenic recovery charges for all water districts subject to the captioned docket numbers.
- 1.07 Please provide the number of meters count in Sun City West Water District included on Schedule A-1, Computation of Increase in Gross Revenue Requirement referred to in lines 21, 22 & 23. Please provide count per line.
- 1.08 Please supply the tier rates and proposed adjustments requested for the following water districts: Agua Fria, Havasu, Mohave, Paradise Valley & Tubac.
- 1.09 Please note that in Illinois American Water Company's rate increase application 8-31-2007, the Illinois ICC determined that operating expenses should not include incentive compensation for management employees nor advertising expense because they did not benefit water users and should not be recovered through water rates. Please supply the percentage rate and amounts that are charged to expenses for incentive compensation and advertising and what adjustments are requested in the water rate increase proposal.

- 1.10 Please confirm that management fees for the parent company, American Water Works Company Inc., are nearly one billion dollars for the test year as imputed by adjusted test year management fees of \$999,903 charged to Sun City West Water District, (SCWWD), Schedule C-1, Adjusted Test Year Income statement, considering that SCWWD has 15,428 customers representing .1% of American Water Works Company customer base of fifteen million customers.
- 1.11 Please justify an 83% increase in depreciation and amortization in six years, (2001-2007), as exhibited on Schedule C-1 and Exhibit Slide 15. The adjusted rate increase for SCWWD represents .5% of American Water Works Company's 2007 depreciation and amortization expense of \$269,330,000. As previously stated, SCWWD represents .1% of American Water Works Company customer base.
- 1.12 Please explain how Labor and Customer Accounting Costs can increase 91.6% in six years, 15.3% annually, (\$436,692 to \$836,692), as exhibited on Schedule C-1, Adjusted Test Year Income Statement and Slide Exhibit 15, considering that SCWWD was practically built out in 2001 so labor demands and customer accounting were nearly static from 2001 to 2007 and annual inflation was three percent annually.
- 1.13 Please verify the increase of employee health insurance and pensions increase in SCWWD from \$28,819 in 2001 to \$328,819 in 2007 as exhibited in C-1, Adjusted Test Year Income Statement and Exhibit Slide 15. The increase is 1140%, or 190% annually.
- 1.14 Please quantify the amount of American Water Works Company's \$752,641,000 Goodwill write-off in 2008, per their 10 Q submittal to the SEC dated 11-06-08, that will be allocated to SCWWD, which will decrease the SCWWD's net profit.
- 1.15 Please explain where the \$1.60 monthly charge for Groundwater Savings Fee for 5/8-3/4" meters is applied. These charges accumulate approximately \$300,000 per year from SCWWD and have been in effect for nine to ten years. Has any credit been made for this large assessment to SCWWD and, if so, please provide the data.

  
Carole McHale Hubbs, Intervenor, PORA, SCWWD.

**Attachments:**

Table I, Rate & Basic Charges  
Schedule C-1, Adjusted Test Year Income Statement  
Schedule A-1, Computation of Increase in Gross revenue  
Exhibit Slide 15

AZ/AMER. DISCRIMINATORY

2/10/09

RATE TABLES

TABLE I

Rates & Basic Charges

	NOW	ADJUSTED	\$ CHANGE	% CHANGE
I. up to 4,000 gallons	1.31	2.88	1.57	119.9%
II. 4001-15,000 gallons	1.74	3.17	1.43	82.2%
III. 15,001 + gallons	2.01	3.41	1.40	69.7%
IV. AVERAGE 6,704 gallons				
1st. 4,000 gallons	1.31	2.88	1.57	119.7%
Next 2,704 gallons	1.74	3.17	1.43	82.2%
* BASIC CHARGE				
BASIC CHARGE	9.57	15.00	5.43	56.8%
*Includes step 1 ARSENIC CHARGES				

TABLE II

TOTAL RATE & BASIC CHARGE IMPACT [#]

In dollars & percentage

(Monthly Charges)

I. up to 4,000 gallons	\$14.81	\$26.52	\$11.71	79.1%
II. 4001-15,000 gallons	\$33.95	\$61.39	\$27.44	81. %
III. 15,001 + gallons assume 20,000	\$44.00	\$78.87	\$34.37	78.2%
IV. AVERAGE 6,704 gallons	\$19.52	\$35.10	\$15.58	79.9%

[#] Includes Basic charge, water charge + arsenic charge but does not include wastewater or taxes.

To check your individual rate impact. e-mail: [azrates@amwater.com](mailto:azrates@amwater.com)  
Have account # & service address, including city.

Bill Hansen  
623-556-9873

Arizona American Water Company - Sun City West Water  
 Test Year Ended December 31, 2007  
 Adjusted Test Year Income Statement

Exhibit  
 Schedule C-1  
 Page 1  
 Witness: Hubbard

Line No.	[A] Test Year Book Results	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	<b>Revenues</b>				
2	\$ 4,303,616	\$ 1,357,414	\$ 5,661,030	4,276,305	\$ 9,937,336
3	1,853,019	(1,812,618)	40,401		40,401
4					
5	<u>\$ 6,156,635</u>	<u>\$ (455,204)</u>	<u>\$ 5,701,431</u>	<u>\$ 4,276,305</u>	<u>\$ 9,977,736</u>
6	<b>Operating Expenses</b>				
7	\$ 643,462	\$ 59,755	\$ 703,217		\$ 703,217
8	252,671	(255,361)	(2,690)		(2,690)
9	725,810	104,264	830,074		830,074
10	95,331	132,558	227,889		227,889
11	4,391	-	4,391		4,391
12	996,569	3,334	999,903		999,903
13	145,525	45,595	191,120		191,120
14	72,512	65,187	137,699		137,699
15	9,737	24,065	33,802		33,802
16	58,622	-	58,622		58,622
17	131,441	2,035	133,476	1,711	135,187
18	14,331	-	14,331		14,331
19	57,226	-	57,226		57,226
20	243,650	(11,242)	232,408		232,408
21	110,302	137,026	247,328		247,328
22	1,371,936	(48,395)	1,323,541		1,323,541
23	139,898	39,998	179,896	45,150	225,047
24	53,716	12,116	65,832		65,832
25	(233,528)	(90,531)	(324,059)	1,632,518	1,308,459
26					
27	<u>\$ 4,893,602</u>	<u>\$ 220,404</u>	<u>\$ 5,114,006</u>	<u>\$ 1,679,379</u>	<u>\$ 6,793,385</u>
28	<u>\$ 1,263,033</u>	<u>\$ (675,608)</u>	<u>\$ 587,425</u>	<u>\$ 2,596,926</u>	<u>\$ 3,184,351</u>
29	<b>Other Income &amp; Deductions</b>				
30	17,621	(17,621)	-		-
31	1,033,373	69,549	1,102,922		1,102,922
32	(372)	-	(372)		(372)
33	90,780	-	90,780		90,780
34	<u>\$ (924,600)</u>	<u>\$ (87,170)</u>	<u>\$ (1,011,770)</u>	<u>\$ -</u>	<u>\$ (1,011,770)</u>
35	<u>\$ 338,433</u>	<u>\$ (762,777)</u>	<u>\$ (424,344)</u>	<u>\$ 2,596,926</u>	<u>\$ 2,172,582</u>

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Supporting Schedules:  
 E-2 C-2

Recap Schedules:  
 A-1

\\Schedules\2007 Sun City West Water Sch. A-F.xls\

Arizona American Water Company - Sun City West Water  
 Test Year Ended December 31, 2007  
 Computation of Increase in Gross Revenue Requirement

Exhibit  
 Schedule A-1  
 Page 1  
 Witness: Broderick

Line No.					
1	Original Cost Rate Base			\$ 37,901,085	
2					
3	Adjusted Operating Income			587,425	
4					
5	Current Rate of Return			1.55%	
6					
7	Required Operating Income			\$ 3,183,691	
8					
9	Required Rate of Return			8.40%	
10					
11	Operating Income Deficiency			\$ 2,596,266	
12					
13	Gross Revenue Conversion Factor			1.6471	
14					
15	Increase in Gross Revenue Requirement			\$ 4,276,305	
16					
17					
18	Customer	Present	Proposed	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 4,871,589	\$ 8,577,266	\$ 3,705,677	76.07%
22	Commercial	746,640	1,274,122	527,483	70.65%
23	Private Fire	42,798	85,597	42,798	100.00%
24					
25	Total Water Revenues	<u>\$5,661,027</u>	<u>\$9,936,985</u>	<u>\$4,275,958</u>	<u>75.53%</u>
26					
27	Other Revenue	40,401	40,401	-	0.00%
28					
29					
30	Total Revenues	<u>\$5,701,428</u>	<u>\$9,977,386</u>	<u>\$4,275,958</u>	<u>75.00%</u>
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40	Supporting Schedules:				
41	B-1				
42	C-1				
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50	\\Schedules\2007 Sun City West Water Sch. A-F.xls\				

## San City West Water Expenses

### 2001 versus 2007

- **Primary reasons for expense increases are:**
  - Shared corporate and support services, National call center and National laboratories, and Reporting & Compliance, \$0.9 million
  - Depreciation, \$0.6 million
  - Electricity and chemicals, \$0.5 million
  - Arizona labor and customer service accounting, \$0.4 million
  - Employee health insurance and pension, \$0.3 million
  - 10- year water tank maintenance program, \$0.1 million