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BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES, Chairman  
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2009 MAR 18 P 4: 32

AZ CORP COMMISSION  
DOCKET CONTROL

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

MAR 18 2009

DOCKETED BY *MM*

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  
TESTIMONY SUMMARY

1 Arizona-American Water Company hereby files a testimony summary for Mr. G. Troy  
2 Day. Mr. Day's summary was inadvertently omitted from yesterday's filing. That filing did  
3 include a summary for Mr. Lenderking, which was not listed as being filed.

4 The Company apologizes for any inconvenience it may have caused.

1 RESPECTFULLY SUBMITTED on March 18, 2009.  
2  
3

4  <sup>CA</sup>

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15 **Original** and 15 copies **filed**  
16 on March 18, 2009, with:

17  
18 Docket Control  
19 Arizona Corporation Commission  
20 1200 West Washington  
21 Phoenix, Arizona 85007  
22

23 **Copies** of the foregoing **delivered**  
24 on March 18, 2009, to:

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26 Hon. Kristin K. Mayes, Chairman  
27 Arizona Corporation Commission  
28 1200 West Washington St.  
29 Phoenix, Arizona 85007  
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31 Hon. Gary Pierce, Commissioner  
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36 Hon. Sandra D. Kennedy, Commissioner  
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By:   
\_\_\_\_\_  
Courtney Appelhans

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

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

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DOCKET NO. SW-01303A-08-0227

**TESTIMONY SUMMARY  
FOR  
G. TROY DAY  
ON BEHALF OF  
ARIZONA-AMERICAN WATER COMPANY  
MARCH 18, 2009**

1 **REBUTTAL TESTIMONY**

2 Mr. Day testifies as follows:

3 **Tank-Maintenance Program**

4 Staff recommended that the Commission reject Arizona-American's proposed tank-maintenance  
5 program. Arizona-American acknowledges that it did not propose a clear program and did not  
6 support it with enough data. Therefore, Arizona-American offers a revised program that should  
7 be more acceptable to Staff.

8 Tank maintenance is one of the largest single maintenance expenses for a water utility. Although  
9 it is a relatively predictable expense for the Company, a particular district might see more or less  
10 than its proportionate share during a rate case test year. For a smaller district, the expense can  
11 have a significant impact on rates. By funding tank-maintenance by an annual accrual, the rate  
12 impact of the maintenance can be spread over many years, lessening the rate impact on  
13 customers.

14 Under the revised program Arizona-American would perform inspections, interior coating, and  
15 exterior painting every 14 years for every tank. It is more cost effective to only have to take a  
16 tank out of service once every 14 years, rather every seven years.

17 Arizona-American used information from Arizona Water and data from our Missouri-American  
18 Water affiliate, which has over 100 tanks and many years of tank maintenance records. Based on  
19 this study and our experience with the Arizona climate and water-quality characteristics, we  
20 believe that 14 years is an appropriate timeframe for maintenance of both interiors and exteriors.  
21 This time period is more customer friendly for costs while still allowing us to maintain our  
22 valuable assets in a timely manner.

23 Maintenance costs are based on the costs used by Arizona Water. Interior coating is at \$4.22  
24 /sq.ft., and exterior coating is at \$1.68/sq.ft.

25 Arizona-American projects that it will spend approximately \$4.4 million over the next 14 years.  
26 In her rebuttal Schedule C-2, Ms. Hubbard calculates the proposed revised annual tank-  
27 maintenance accrual by district. The adjustment is detailed on ADJ SLH-5 Tank Maintenance  
28 for each district.

29 The tank maintenance funds would be accounted for in a reserve account that could only be used  
30 for tank maintenance. Second, Arizona-American can annually report on the status of the  
31 account, including the funds collected, the maintenance performed, and the year-ending fund  
32 balance.

33 **Small Meter Replacement Standard**

34 Arizona-American strives to replace small meters after 15 years of usage. Meters need to be  
35 replaced over time, because meter accuracy also decreases over time. These inaccuracies are in  
36 the customers' favor, but the result is inaccurate billing, inaccurate rate calculations, and  
37 inaccurate water-loss computations. This is consistent with a study performed in 1995 by the  
38 City of Phoenix.