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BEFORE THE ARIZONA CORPORATION C

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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**
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**

Arizona Corporation Commission
DOCKETED
MAR 19 2009
DOCKETED BY

Notice of Filing the

Summary Testimony

by

Marshall Magruder

This filing has been mailed to known and interested parties in the Service List.

Respectfully submitted on this 19th day of March 2009

MARSHALL MAGRUDER

By Marshall Magruder

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Summary of Testimony by Marshall Magruder in the Arizona-American Water Company Rate Case (Docket No. W/SW-01303A-08-0227)

This is a significant rate case, with special emphasis on "consolidation" of the Arizona-American Water entities. My pre-filed Testimonies center around three major (of four) issues:

(1) CONSERVATION as a significant driver of water volumetric rates;
(2) EXPENSES for a Tubac Arsenic Treatment Facility;
(3) Rate CONSOLIDATION for ALL water districts in this case; and
(4) Expenses charges to this Rate Case.

The first issue finds that no proposed water volumetric rates have significantly visible "break points" for customers to use to reach lower rates by using less water. Using my water district (Tubac) as an example, the first tier (0 to 4,000 gallons) proposed rate was $3.78 (up from $1.89 or 100%) per 1,000 gallons, the second tier (4,001 to 20,000 gallons) was $4.85 (up from $2.85 or 70%), and the third tier (20,001 to well over 200,000 gallons) was $4.95 (up from $3.41 or 45%). **Three tiers are inadequate. I propose realistic "price-signal oriented" tiers**, in fact, ten progressively higher tiers. The same first tier (0-4,000 gallons) at $1.50 or a **26% decrease**, and at each additional 4,000 gallons increasing $0.50/1,000 gallons to $6.00 per 1,000 gallons at consumptions above $36,001 gallons or a **75% increase**. The lowest consuming customers pay the lowest cost per 1,000 gallons; the highest consuming customers pay the highest cost per 1,000 gallons. If "ten" tiers are rejected, then I've proposed five tiers at 0-4,000, and at 35%, 55%, 65% and 80% of the customer usage to have three tiers above the average customer's usage to imlement higher rates, with price signals, for the highest users.

The second issue involves a proposed $2.3 million Arsenic Treatment Facility in Tubac to be paid by its 532 customers, doubling rates for most customers. With excellent Company cooperation, two stimulus grants and a WIFA loan have submitted. Other options to reduce the financial impact are being considered. Until resolved, **work should not begin**. Assuming total consolidation, then arsenic costs should be integrated into all rates. **All separate, unfair, and discriminatory arsenic removal charges must be deleted.** *Consolidation is vital for fairness.*

The third issue is the MAJOR issue. **I propose consolidating all (1) Service Charges; (2) Volumetric Rates; (3) Miscellaneous Fees and Charges; and (4) Rules and Regulations for all six water districts**. As the Company's witness testified in other cases and with Company and ACC policy support, integrating AAWC's disjointed districts though consolidation is most proper. Water customers all purchase the same product (similar to electricity utilities) even through miles from other districts. All water facilities require large capital improvements at various times. Same services are provided to meet customer demands in any district, thus even cost for a unique service (such as fire water) throughout the Company should be the same. Determine total revenue requirements first, then consolidate collecting the total revenue for (1), (2) and (3). A single six-district Service Charge should be determined for each residential and commercial rate category. Multiple (five or more) tiers should be designed with a greater difference between lowest rates for lowest users, and highest rates for highest users, for fair and reasonable rates. Consolidated service charges; rates and fees, will make all six-water districts into a coordinated company. Integration of the other AAWC water districts should be accomplished at the next rate case to consolidate all water districts. Sewage water districts should consolidate charges, rates and fees during the next AAWC sewage water rate case. AAWC will be a better company after consolidation, rate cases less costly and easier to process.

The fourth issue involved removal of $10,000 from rate case costs for "witness training" but then added another$10,000 to answer a letter from a Commissioner as a *quid pro quo*.