ORIGINAL

0000105362

RECEIVED

2009 NOV 24 P 4: 01

AZ CORP COMMISSION
DOCKET CONTROL

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 COMMUNITY WATER OF GREEN VALLEY FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PROPERTY AND FOR AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICES	DOCKET NO. W-02304A-08-0590

INITIAL POST-HEARING BRIEF
OF COMMUNITY WATER COMPANY OF GREEN VALLEY

NOVEMBER 24, 2009

Arizona Corporation Commission
DOCKETED

NOV 24 2009

DOCKETED BY

TABLE OF CONTENTS

I. INTRODUCTION.

On December 9, 2008, Community Water Company of Green Valley ("CWGV" or the "Company") filed its application for a rate increase before the Arizona Corporation Commission ("Commission"). It did so, because it needs increased rates to meet operating costs – including funding necessary infrastructure additions and covering higher operation and maintenance expenses. Adequate funding for CWCGV is vital because it needs to raise rates to meet operating costs, so it can continue to provide safe and reliable service.

CWCGV is a non-profit corporation that is compliant with all regulatory requirements. It has a long and successful track record of providing good quality service to its customer base – mostly consisting of retirees. In fact, at least 85 percent of its customer base is residential – and the vast majority of those residential customers are retired persons[1]. There are, however, a growing number of families within CWCGV's service territory.

The evidence clearly shows that a rate increase is necessary to provide the Company with sufficient revenues to meet its operating costs, finance its obligations, and continue to provide safe and reliable service. Mr. Arturo R. Gabaldón, President of CWCGV, testified that the Company has been operating at a deficit the last few years, and increased costs of adding necessary facilities – including those for arsenic treatment, a transmission main and additional storage – make increased rates vital[2]. The Company undertook an extensive campaign to inform its member-customers about this application. While most are likely not thrilled with any increase, they understand the necessity that the Company be able to fund its operations.

The Commission's Utilities Division Staff ("Staff") agrees that a rate increase for the Company is warranted. The Parties are close in terms of the how much of an increase in revenues is warranted. Both Parties propose similar rate designs. The remaining issues that the Company and Staff disagree about are regarding specific rate base adjustments and how exactly the rate

---

[1] Tr. at 25-26.
[2] Tr. at 32-33

design should be structured – as well as miscellaneous charges and installation charges for 5/8-inch meters with radio-read equipment for new subdivisions and customers.

The Company demonstrates through the testimony of its witnesses Mr. Gabaldón and Thomas J. Bourassa that a 26.58 percent increase is warranted. This translates to a revenue increase of $803,315, for a total revenue requirement of $3,825,058[3]. Staff's recommendations are not wildly divergent from the Company – as Staff recommends a 26.27 percent increase. That translates to a revenue increase of $790,351 and a total revenue requirement of $3,798,428[4]. Both CWCGV and Staff support a 15.00 percent operating margin for the Company. Most of the difference in the revenue recommendations centers around the dispute over whether Contributions in Aid of Construction ("CIAC") related to Construction Work in Progress ("CWIP") should be included in the rate base calculation. Further, while both Parties support and recommend an inverted-block rate structure, the Company believes that its rate design better balances all of the relevant factors important to designing rates. The Company also believes that a monthly minimum charge for construction customers is reasonable and that miscellaneous charges (*e.g.*, Call Out Charges) should be increased to reflect the actual cost CWCGV incurs to perform those services. Finally, the Company is putting forth a significant effort to install radio-read technology throughout its service territory. The Company amended its original request to increase its Meter Installation Charge by $83 (in its Rebuttal Filing for a total of $238) for 5/8-inch customers in new subdivisions and for new customers to reflect the increased cost associated with adding radio-read equipment. After further consultation with Staff, the Company is now withdrawing that proposal and returning to its original request to increase the Meter Installation Charge to $155[5].

The Company's final schedules are those provided as part of Mr. Bourassa's Rejoinder Testimony, admitted as part of his sworn testimony[6]. The Company submits its requests are

---

[3] *See* Rejoinder Testimony of Thomas J. Bourassa (Admitted as Exhibit A-7) at 1.
[4] *See* Surrebuttal Testimony of Pedro M. Chavez (Admitted as Exhibit S-4) at 3. The Company understands that Staff testified as to additional adjustments to accumulated depreciation that may or may not affect these figures.
[5] The Company still proposes to increase all other service line and meter installation charges as reflected in its Rejoinder schedule H-3, at page 4.
[6] Tr. at 92.

reasonable, based on the testimony of Mr. Gabaldón (CWCGV's President since 2006 and who has been with the Company since 1990), and the testimony of an experienced regulatory rate analyst who has been involved in dozens of rate cases. CWCGV's believes its application, and all of the requests it makes, are just and reasonable, supported by substantial evidence and should be approved by the Commission.

II. CIAC RELATED TO CWIP SHOULD BE EXCLUDED FROM THE RATE BASE CALCULATION.

The evidence is clear that neither Party proposed to include CWIP in rate base in this case. Because CWIP is not in rate base, CIAC related to CWIP should not be in rate base. This is because including CIAC in rate base without the corresponding plant cost creates a mismatch between rate base, revenues and expenses[7]. The bottom line is that CWIP is for plant not yet in service – and CIAC related to CWIP is funds contributed toward *future* plant that – as Staff puts it – may ultimately be put into rate base[8]. The problem with Staff's adjustment is that the CIAC related to CWIP and *future* plant is deducted from the net plant in service at *present.*

Both the Company and Staff properly deduct $14,578,352 of CIAC from net plant in service (to determine the amount of rate base) because that amount of CIAC is related to plant in service and serving customers. But Staff deducts an additional $537,531 of CIAC from net plant in service. That amount of CIAC relates to CWIP and does not relate to net plant in service. By doing so, Staff does not allow any return an additional $537,531 that funded plant *presently* in service and that was not advanced or contributed. In other words, there is $537,531 that was provided by the "investors" (*i.e.*, the Company's member-customers) that the Company will not earn a return on. As Mr. Bourassa stated during the October 28, 2009 hearing, this *understates* earnings because Staff's adjustment includes half of the ratemaking treatment and because the

[7] *See* Rebuttal Testimony of Thomas J. Bourassa (Admitted as Exhibit A-6) at 5.
[8] See Direct Testimony of Pedro M. Chavez (Admitted as Exhibit S-3) at 6.

plant related to the $537,531 is not included in the rate base calculation[9]. This results in negative impacts to the Company's cash flow and its revenue requirement.

As Mr. Bourassa explained in his pre-filed Rebuttal Testimony, a fundamental tenet of ratemaking is that CIAC in rate base should be revenue neutral. The utility should not earn a return on any CIAC-funded plant[10]. CIAC is amortized to offset the depreciation expense related to CIAC-funded plant in rate base. This results in zero impact on expenses – in addition to no return on rate base[11]. The balance is preserved.

Including CIAC related to CWIP in rate base without the corresponding plant knocks it out of balance and results in a non-revenue-neutral adjustment. This is because CIAC related to CWIP is still amortized without the corresponding depreciation expense to keep the adjustment revenue neutral, as Mr. Bourassa demonstrates by example in his Rebuttal Testimony and reproduced below:

> "Using the example above and assuming a 5-percent depreciation rate:
>
> - If $100 of plant is in rate base, then there would be depreciation of $5 ($100 times 5 percent); and $100 of CIAC in rate base would have amortization of $(5) ($100 times 5 percent. The result would be net to zero in expenses.
> - If $0 of plant is in rate base and CIAC is $100, then depreciation would be $0, but amortization will be $(5). This would result in a net $(5) less depreciation in expenses. Ultimately expenses and the revenue requirement will be understated by $5."[12]

This is why Staff's adjustment includes only half of the ratemaking treatment.

The Company feels a real and significant impact if Staff's proposed adjustment is included[13]. Therefore, this is not merely a timing issue because it is uncertain when and if plant related to CWIP will ever be included in rate base. Even so, inclusion of that plant will not incur after a subsequent rate case (a process likely to last at least two-to-three years if CWCGV must allow any new rates to be in effect for nine-to-twelve months). The Company incurs a significant

---

[9] Tr. at 128-29.
[10] Bourassa Rebuttal at 6.
[11] Id.
[12] Bourassa Rebuttal at 7.
[13] Tr. at 108-09; Tr. at 125-26.

impact to its bottom line and the Company feels the impact of the mismatch as a result of the adjustment to include CWIP-related CIAC in the rate base calculation[14]. That violates the revenue-neutral principle for determining just and reasonable rates in this case.

Further, while Staff has reviewed this case to determine whether its revenue requirement recommendation provides the Company with sufficient cash flow, it is also clear from reviewing the Staff testimony in this case that its $790,931 revenue increase recommendation is derived from its adjustments made to revenue requirements – and the inclusion of CIAC related to CWIP in the rate base calculation[15]. The majority of Staff's pre-filed testimony in this case is dedicated to discussion of rate base and operating income adjustments – as is appropriate to do in a rate case. Further, the Company does not deny that cash flow considerations were an important consideration for Staff. But this adjustment (and all adjustments to rate base and operating income), remain key determinants of revenue requirements and the amount of revenue increase recommended – as well as why Staff's revenue increase recommendation is lower than the Company's recommendation.

Finally, any CIAC related to plant not in service or factored into the rate base determination should also be excluded from that calculation. Staff attempts to differentiate CIAC related to CWIP from CIAC related to other plant not found to be used and useful. Staff has taken out CIAC related to plant held for future use or plant determined to have excess capacity. But like CWIP, plant held for future use and plant with excess capacity could be included in rate base – in a subsequent rate case – if determined at that time to be used and useful[16]. CWIP is also not used and useful plant by definition[17]. Staff admitted during the evidentiary hearing (when discussing pre-filed testimonies of Staff involving other utilities) that it has removed CIAC related to plant not found to be used and useful from the rate base calculation during[18]. While Staff attempts to distinguish those cases because the adjustments did not involve CWIP, the fact remains that Staff

---

[14] Tr. at 108-09.

[15] *See* Chavez Surrebuttal, Schedules PMC-2 and PMC-4; Tr. at 197-99.

[16] Tr. at 126-27.

[17] Tr. at 106.

[18] Tr. at 172 (regarding Surrebuttal Testimony of Crystal Brown in the Far West Water & Sewer rate application, Docket No. 05-0801, and the Surrebuttal Testimony of Jeffery Michlik in the ongoing Johnson Utilities rate proceeding, Docket No. 08-0180).

removed CIAC related to plant it believe was not used and useful. But as Mr. Bourassa testified, plant not completed is not used and useful and CWIP is not used and useful[19]. While it may be appropriate to include CWIP in rate base in some cases, the Company did not make that request in this case. Without removing the corresponding CIAC related to plant taken out of rate base, the mismatch still occurs[20].

The evidence and testimony points to a fundamental mismatch occurring if Staff's adjustment to include $537,531 of CWIP-related CIAC in the rate base calculation. This constitutes a real and significant difference to the competing revenue requirement recommendations. Because CWIP is not included in rate base, the "investors" (*i.e.*, member-customers of CWCGV) cannot get excess earnings because the funds contributed go toward *future* plant. Staff's adjustment deducts the CWIP-related CIAC from *present* plant. Amortization of CIAC results in a non-revenue-neutral impact because the corresponding depreciation expense would not be included in this case. For all of these reasons, Staff's adjustment to include CWIP-related CIAC in the rate base determination should not be adopted.

III. THE COMPANY'S RATE DESIGN APPROPRIATELY BALANCES IMPORTANT FACTORS, IS BASED ON A JUST AND REASONABLE DESIGN APPROVED IN THE LAST RATE PROCEEDING, AND SHOULD BE ADOPTED.

The Company supports an inverted-block rate design going forward. The Company further recognizes the need to promote conservation within its service territory. Indeed, the evidence is undisputed that CWCGV has long been a leader in promoting conservation in southern Arizona, and is seeking new ways to encourage the efficient use of water. But a rate design must balance conservation with the need to provide some measure of revenue stability for the Company[21]. CWCGV's rate design provides that revenue stability, gets a more uniform rate increase across the

---

[19] Tr. at 106, 109.
[20] Tr. at 107.
[21] Tr. at 119.

board, provides a third tier for residential customers from 0 to 3,000 gallons (the "lifeline" tier) and incorporates all those factors into an inverted-block rate design to promote conservation[22].

The Company's rate design includes the same breakover points between tiers that were approved in its last rate case[23]. In that case, the Commission adopted Staff's rate design[24]. The first tier for the Company's proposed rate design for residential customers is 91 cents below the second tier[25] – which is a substantial discount in the commodity rate for that first tier. This also is an increase over the 57-cent difference between the first and second tiers for residential customers under the current rate design. Even so, Staff admits the Company's rate design promotes an efficient use of water[26].

Staff's rate design has more extreme differences between the commodity rates for all tiers and for both residential and commercial classes. For instance, the difference between Staff's commodity rates for residential customers jumps $1.20 from the first-tiered rate of $1.30 per 1,000 gallons to $2.50 per 1,000 gallons[27]. The differences between the Company's tiered commodity rates are more gradual than what Staff proposes.

The effect of this is that more the burden of revenue recovery is shifted onto the backs of commercial and larger-metered customers under Staff's rate design than under the Company's proposal[28]. Staff admits to the greater burden being placed on commercial customers under its proposal[29]. As Mr. Gabaldón explained during the evidentiary hearing, most of the Company's commercial customers are retail outlets or small business customers[30]. Indeed, $75,400 must be collected from a much smaller customer base if Staff's rate design is adopted[31]. This is result of Staff's rate design shifting two percent more of the burden onto commercial customers – versus the

---

[22] Tr. at 114-15.
[23] *See* Decision No. 69205 (December 21, 2006)
[24] Id. at Finding of Fact No. 34.
[25] See Bourassa Rejoinder, Schedule H-3 at page 1.
[26] Tr. at 174.
[27] *See* Chavez Surrebuttal, Schedule PMC-14 at page 1.
[28] *See* Bourassa Rebuttal at 13.
[29] Tr. at 177-78.
[30] Tr. at 26-27.
[31] Bourassa Rebuttal at 14.

Company's proposal shifting 0.5 percent more of the burden onto commercial customers[32]. Overall the Company's rate design is more equitable because it better balances all of the competing factors that go into designing rates, and is based on tiers and breakover points already determined to be just and reasonable in Decision No. 69205. For these reasons, the Commission should approve the Company's rate design proposal.

IV. CONSTRUCTION CUSTOMERS SHOULD BE CHARGED MONTHLY MINIMUMS GOING FORWARD.

During the course of discovery proceedings in this case, Staff discovered that the Company was inadvertently charging construction customers a monthly minimum that was inconsistent with the Company's authorized tariff in effect after conclusion of the last rate case. As stated in Mr. Gabaldón's Rejoinder Testimony, the Company agrees to provide these customers a full refund of those charges and has been working with Staff to confirm the details. It was also the Company's intent to provide to these customers on its letterhead a brief explanation of what occurred. The Company filed its initial proposal in this docket on November 10, 2009. The Company understands Staff's proposed changes and will comply with Staff's Recommendations – including a compliance filing indicating the amount actually refunded to customers. Further, the Company had provided additional data to Staff so that it could verify the Company's calculation of the amounts owed. It is our understanding that Staff agrees to that amount. Further, attached to this Brief as Appendix A is an updated version of the proposed letter to customers incorporating Staff's suggestions. The Company does not dispute that these customers should not have been charged monthly minimums. The issue remains, however, over whether constructions customers should be charged monthly minimums based on meter size prospectively.

The Company believes, going forward, construction customers should have a monthly minimum charge apply to them based on the size of the meter. CWCGV incurs costs to read the meter and to send out bills – even at zero usage[33]. The fact that the highest commodity rate applies

---

[32] Id. at 13-14.
[33] *See* Rebuttal Testimony of Arturo R. Gabaldón (Admitted as Exhibit A-3) at 6; Tr. at 40.

to construction customers at all levels of usage is irrelevant if the construction customer uses little to no water; CWCGV still incurs costs for the service it provides to those customers. Other customers must bear those costs if construction customers do not[34]. Further, Mr. Gabaldón testifies that construction customers will be less inclined to return the meter – based on his personal knowledge as President of the Company and his extensive experience at CWCGV[35].

While Staff argued that requiring deposits from construction customers provides incentive to return the meter, this is offset by the favorable six-percent interest applied to deposits. The Company believes a more realistic two-percent rate should apply to those deposits – as it reflects interest provided by banks of certificates of deposit and money markets[36]. Further, Staff admits no indication exists that these rates will jump to six percent anytime soon[37]. If the six-percent deposit interest remains in effect, the incentive to return meters because of a deposit dissipates.

Fundamentally, this issue boils down to the cost causer paying for costs the Company incurs providing service to that customer. It is not in dispute the construction customer impose costs on CWCGV because it must read those customers' meters and send those customers bills – even if they use no water[38]. Mr. Gabaldón's first-hand knowledge of CWCGV's operations and the information he gathers over the course of his responsibilities adds to the credibility of his testimony on this issue. Further, charging construction customers a monthly minimum can no longer be considered unprecedented[39]. For the reasons stated in this Section, CWCGV requests the Commission apply monthly minimum charges to construction customers based on the meter size.

---

[34] Tr. at 40.
[35] Tr. at 72-73.
[36] Bourassa Rebuttal at 16.
[37] Tr. at 181.
[38] Tr. at 50.
[39] *See* Decision No. 71308 (October 21, 2009) at 70 (regarding Chaparral City Water Company).

V. THE COMPANY'S PROPOSED MISCELLANEOUS CHARGES REFLECT THE ACTUAL COSTS IT INCURS TO PROVIDE THESE SERVICES.

The Company's proposed miscellaneous charges are the actual charges it incurs for these services, and are therefore reasonable. Specifically regarding Call Out charges, both Mr. Gabaldón and Mr. Bourassa testified that:

- $35 per hour is the average of service-employee-eligible charges (not including overtime) and includes employee-related expenses[40];
- The charge includes FICA and Medicare taxes that the Company must pay, along with transportation costs[41];
- While a straight-time two-hour minimum was a policy decision by CWCGV's volunteer board, $70 for Call Out compares favorably to what a plumber would charge for the same service[42]; and
- Charging the cost causer for the actual cost to provide service rather than passing along that cost to the other member-customers of the Company[43].

In short, the service personnel who respond to the after-hours calls cost the Company an average of $35 per hour, including payroll overhead, benefits and the average time to perform a call out[44]. On Sundays and holidays these service personnel appropriately get double time[45]. By placing the actual costs of providing various services on the cost causers, the Company is able to propose rates where the amount of revenue requirement that must be obtained by metered revenues is less than what Staff recommends (*i.e.* the Company proposes that approximately $775,000 of the revenue increase come from metered revenues versus $790,351 that Staff proposes – because approximately $27,000 of the revenue increase would come from miscellaneous charges)[46]. For all

---

[40] Tr. at 76, 80.
[41] Tr. at 99.
[42] Tr. at 77, 84.
[43] Tr. at 81-82.
[44] *See* Rejoinder Testimony of Arturo R. Gabaldón (Admitted as Exhibit A-7) at 3; Tr. at 95-96.
[45] Gabaldón Rebuttal at 8; Gabaldón Rejoinder at 4.
[46] Bourassa Rejoinder, Schedule C-1, at pages 1-2; Tr. at 94-95.

of these reasons, CWCGV requests that its proposal to increase miscellaneous charges be approved[47].

VI. THE COMPANY WITHDRAWS ITS REQUEST TO INCREASE ITS METER INSTALLATION RELATING TO RADIO-READ METERS MADE IN ITS REBUTTAL TESTIMONY.

The Company recognizes the great potential of installing meters with radio-read technology throughout its service territory. Those meters can better help both the Company and its customers identify leaks, and the days, times and seasons that customers use the most water.[48] Specifically, the technology allows the Company to download information from the meter at a customer's request (for no charge) and show how that customer is using water[49]. Radio-read meters can save the Company time and money, partially because the meter reader does not have to open up the meter to read it[50]. CWCGV is just beginning to learn the potential of these meters as a significant means towards the goal of water conservation in its service territory.

Consequently, the Company has undertaken to replace existing meters with radio-read meters for existing customers through its existing meter change-out program. Since the cost to replace every customer's meter with a radio-read meter would equal approximately $2.5 million, the Company has taken an incremental approach by identifying the meters most difficult to read and the areas of highest consumption[51]. It is a gradual, but significant, approach to eventually reaching the goal of having every meter in the Company's service territory a radio-read meter.

Notably, the Company purchased radio-read technology compatible with its existing software and meter-reading system. This prevented CWCGV from additional costs of having to invest in new software and equipment to implement radio-read technology in its service territory[52]. In short, the Company is moving forward with implementing an important water conservation tool in a cost-effective manner.

---

[47] *See* Bourassa Rejoinder, Schedule H-3, at page 3.1
[48] Gabaldón Rebuttal at 3.
[49] Tr. at 29, 36-37.
[50] Tr. at 27.
[51] Gabaldón Rebuttal at 3; Tr. at 30-32.
[52] Tr. at 30, 39.

Related to the Company's goals of implementing radio-read technology throughout its service territory is to require such technology for all new subdivisions and any new residences or businesses requiring a new connection. Consequently, the Company made a request (in its Rebuttal Filing) to increase the meter installation charge[53]. CWCGV had requested an additional $83 increase (adding to the increase it requested in its Direct Filing) solely to reflect the additional cost for radio-read technology added to the meters. Staff agreed with the Company's initial request, but opposed the additional $83 increase to the meter installation charge.

Upon further discussions with Staff, the Company withdraws its request for the additional $83 in this case. The Company may address this issue in its next rate case. Consequently, the Company's proposal is for a total service and meter installation charge of $600 for 5/8-inch customers. The Company believes that Staff agrees with this request.

VII. CONCLUSION.

The Company's mission remains to reliably deliver drinking water to its customers that meets all regulatory requirements, and to maintain a sustainable water supply for its customers. The Company also remains committed to advancing the goal of water conservation and maintaining a current and future water supply for its member-customers. Further, CWCGV will continue to explore means to utilize renewable sources of water – including its Central Arizona Project allocation. The evidence is clear that the Company has and will remain committed to being an active participant in promoting conservation and shaping water policy in southern Arizona.

Equally clear is the Company's commitment to its member-customers. The Company strives to treat its customers well and provide customers high-quality service in a cost-effective manner. The Company has taken great steps to improve the reliability of its system (*e.g.*, adding storage and transmission mains) and maintain its compliance with all water quality standards (*e.g.*, adding arsenic treatment facilities for all of its groundwater wells). To continue to do so, it must

[53] Tr. at 71-72.

receive increased rates adequate to cover the costs of funding the new infrastructure and increased operation and maintenance expenses.

The Company believes all of its proposed adjustments to rate base, as well as test-year revenues and expenses to be appropriate and that would produce a fair rate of return on fair value rate base. The rates and charges the Company proposes would provide it with sufficient cash flow. Finally, the Company believes its application proposes just and reasonable rates. For all of the reasons stated in pre-filed testimony and as shown through the evidence presented at the hearings, the Company requests that the Commission issue a final order that:

(1) approves its rate application (as amended through the Company's pre-filed testimony and as set forth in its updated schedules in its Rejoinder Filing);

(2) approves a revenue increase totaling $803,315 (26.58 percent) for a total revenue requirement of $3,805,258.

(3) approves the Company's rate design, including monthly minimum charges for construction customers based on meter sizes;

(4) increases miscellaneous charges as set forth in the Company's final schedules contained in its Rejoinder Filing.

RESPECTFULLY SUBMITTED this 24th day of November, 2009.

By ______________________________

Jason D. Gellman
ROSHKA DEWULF & PATTEN, PLC.
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Original and thirteen copies of the foregoing filed this 24th day of November, 2009, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered this 24th day of November, 2009, to:

Lyn A. Farmer, Esq.
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Janice Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arturo R. Gabaldon
President
Community Water Company of Green Valley
1501 South La Canada
Green Valley, AZ 85614-1600

Thomas J. Bourassa
139 W. Wood Drive
Phoenix, Arizona 85029

By Debbie Amaral

Appendix A

[DATE]

[CONSTRUCTION CUSTOMER & ADDRESS]

Re: Your Construction Water Account: [ACCOUNT NO.]

Dear Customer,

During the discovery process for the Company's pending rate case before the Arizona Corporation Commission, its Utilities Division Staff brought to the Company's attention that it was charging construction customers monthly minimum charges inconsistent with its authorized tariff that went into effect in March 2007. Staff brought this error to the Company's attention in August 2009. The Company then verified the amounts that each construction customer was inadvertently charged subsequent to Staff bringing it to the Company's attention. This information has been shared with Staff.

While charging monthly minimums to construction customers was inadvertent, we regret that your account was charged monthly minimums inconsistent with the Company's currently-authorized tariffs. We apologize for the error. Please find with this letter a check that refunds the amount incorrectly billed to you. Please call our office if you have any questions.

Sincerely,
Community Water Company of Green Valley

Pierre Hanhart,
Controller