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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONER

7 IN THE MATTER OF THE APPLICATION OF
8 ARIZONA-AMERICAN WATER COMPANY,
9 AN ARIZONA CORPORATION, FOR A
10 DETERMINATION OF THE CURRENT FAIR
11 VALUE OF ITS UTILITY PLANT AND
12 PROPERTY AND FOR INCREASES IN ITS
13 RATES AND CHARGES BASED THEREON
14 FOR UTILITY SERVICE BY ITS AGUA FRIA
WATER DISTRICT, ANTHEM 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

APR - 6 2010

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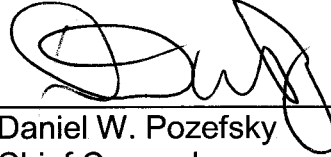
15 IN THE MATTER OF THE APPLICATION OF
16 ARIZONA-AMERICAN WATER COMPANY,
17 AN ARIZONA CORPORATION, FOR A
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19 VALUE OF ITS UTILITY PLANT AND
20 PROPERTY AND FOR INCREASES IN ITS
21 RATES AND CHARGES BASED THEREON
22 FOR UTILITY SERVICE BY ITS AGUA FRIA
23 WASTEWATER DISTRICT, ANTHEM
24 WASTEWATER DISTRICT AND MOHAVE
WASTEWATER DISTRICT.

Docket No. SW-01303A-08-0227

**NOTICE OF FILING RUCO'S
REPORT ON
ARIZONA-AMERICAN WATER
COMPANY, INC.'S
STEP ONE ARSENIC FILING -
TUBAC DISTRICT**

1 The Residential Utility Consumer Office ("RUCO") hereby provides its Audit Report of
2 Arizona-American Water Company Inc.'s Step One ACRM filing for its Tubac Water District.

3 RESPECTFULLY SUBMITTED this 6th day of April, 2010.
4

5 
6 _____

7 Daniel W. Pozefsky
8 Chief Counsel

9 AN ORIGINAL AND THIRTEEN COPIES
10 of the foregoing filed this 6th day
11 of April, 2010 with:

12 Docket Control
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 COPIES of the foregoing hand delivered/
17 mailed this 6th day of April, 2010 to:

18 Teena Wolfe
19 Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

24 Janice Alward, Chief Counsel
Legal Division
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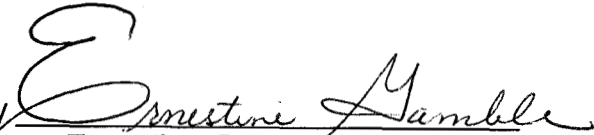
Miles H. Kiger, Rate Analyst
Arizona-American Water Company
2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

1 Marshall Magruder
P. O. Box 1267
2 Tubac, Arizona 85646-1267

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By 
Ernestine Gamble

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TO: Jodi Jerich, Director
Dan Pozefsky, Chief Counsel
William Rigsby, Acting Chief Accounting and Rates

FROM: Rodney Moore, Public Utilities Analyst V

RE: **TUBAC WATER DISTRICT** - Report on RUCO's audit of the Arizona-American Water Company filing for an Arsenic Cost Recovery Mechanism (ACRM) Step 1 rate increase for its Tubac Water District.

AUDIT OBJECTIVE: The purpose and objective of this audit was to verify the capital expenditures of the recently completed arsenic plant in the Tubac Water District, to verify that the plant is in service, verify compliance with Decision Nos. 71410 and 66400 authorizing the ACRM, and verify the accuracy of the requested ACRM surcharge.

AUDIT PROCEDURES: I performed the following audit procedures:

- 1) Verified that all schedules that are required by Decision No. 66400 are included in the application.
- 2) Reviewed Earnings Test for compliance, accuracy, and determined if the Company had passed the Earnings Test.
- 3) Reviewed all arsenic plant invoices, looking for such things as misallocations, unreasonable costs, non-arsenic plant costs, double billings etc.
- 4) Verified accuracy of Task Order totals and grand total.
- 5) Reviewed Revenue Requirement calculations for accuracy and compliance.
- 6) Reviewed rate design for compliance with 50/50 requirement, accuracy of calculations, and checked the reasonableness of the billing determinants by comparing to the prior rate case.
- 7) Verified that the Tubac plant was in-service.

Jodi Jerich, Director
Dan Pozefsky, Chief Counsel
William Rigsby, Acting Chief Accounting and Rates
Page 2

AUDIT FINDINGS: The Tubac Water District ACRM filing is accurate and in compliance with Decision Nos. 71410 and 66400.

AUDIT RECOMMENDATIONS:
RUCO agrees with the Company's ACRM request.
RUCO recommended ACRM step 1 rate increases are displayed on attached schedule RUCO ACRM -1.

RUCO ADJUSTMENT TO ACRM - TUBAC WATER DISTRICT

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	RUCO ADJUSTMENT	RUCO AS ADJUSTED
Arsenic Plant Revenue Requirement				
1	Gross Arsenic Plant in Service/Rate Base	\$ 866,062	\$ -	\$ 866,062
2	Accumulated Depreciation Of Arsenic Plant	-	-	-
3	Arsenic Rate Base	\$ 866,062		\$ 866,062
4	Required Rate of Return (Dec. No. 71410)	7.33%		7.33%
5	Required Operating Income	\$ 63,482		\$ 63,482
6	Gross Revenue Conversion Factor (Dec. No. 71410)	1.42740		1.42740
7	Revenue Required - Return on Arsenic Treatment Plant	\$ 90,615		\$ 90,615
8	Depreciation Rate on Arsenic Treatment Plant (Co. Workpapers)	3.92%		3.92%
9	Depreciation on Arsenic Treatment Plant (Co. Workpapers)	\$ 33,991		\$ 33,991
10	Lease Charges - Capital Portion	\$ -	\$ -	\$ -
11	Revenue Required - Capital Costs	\$ 124,606		\$ 124,606
12	Recurring O&M	\$ -	\$ -	\$ -
13	Revenue Required - Recurring O&M Expenses	\$ 124,606		\$ 124,606
14	Revenue Required - Deferred O&M Expenses	\$ -	\$ -	\$ -
15	Total Revenue Required - Step 1	\$ 124,606		\$ 124,606

16 COMPANY PROPOSED

RATES	CURRENT RATES	PROPOSED	PROPOSED	TOTAL
	DEC. NO. 68302	ACRM STEP 1	ACRM STEP 2	PROPOSED
		BASE SURCHARGE	DEFERRED O&M SURCHARGE	
17 Basic Monthly Minimum Service Charge 5/8" X 3/4" Meter	\$ 24.70	\$ 3.99	\$ -	\$ 28.69
18 Commodity Rates Per 1,000 Gallons 0 to 3,000 gallons	\$ 1.9000	\$ 0.7040	\$ -	\$ 2.6040
19 3,001 to 10,000 gallons	\$ 3.0000	\$ 0.7040	\$ -	\$ 3.7040
20 10,001 - 20,000 gallons	\$ 4.0000	\$ 0.7040	\$ -	\$ 4.7040
21 20,001 gallons and over	\$ 6.0000	\$ 0.7040	\$ -	\$ 6.7040

RUCO PROPOSED

RATES	CURRENT RATES	PROPOSED	PROPOSED	TOTAL
	DEC. NO. 68302	ACRM STEP 1	ACRM STEP 2	PROPOSED
		BASE SURCHARGE	DEFERRED O&M SURCHARGE	
22 Basic Monthly Minimum Service Charge 5/8" X 3/4" Meter	\$ 24.70	\$ 3.99	\$ -	\$ 28.69
23 Commodity Rates Per 1,000 Gallons 0 to 3,000 gallons	\$ 1.9000	\$ 0.7040	\$ -	\$ 2.6040
24 3,001 to 10,000 gallons	\$ 3.0000	\$ 0.7040	\$ -	\$ 3.7040
25 10,001 - 20,000 gallons	\$ 4.0000	\$ 0.7040	\$ -	\$ 4.7040
26 20,001 gallons and over	\$ 6.0000	\$ 0.7040	\$ -	\$ 6.7040

Arizona-American Water Company
Tubac Water District
Docket No. W-01303A-08-0227
12 Months Ending December, 2009
Arsenic Surcharge Calculation

[A] [B] [C] [D] [E] [F] [G] [H] [I] [J]

Line No.	Growth	Customers	Total Gallons Sold	Gallons Sold Per Cust.	Average Customers at 31-Dec-07	Estimated Customers at 31-Dec-08	Estimated Average Customers	Minimum Multiples	Equivalent Meters	Monthly Base	Base Total	Monthly Deferred	Deferred Total
1	Dec. 2006 (Year 1)	588	90,653,000	154,172	480	481	480	1.0	480	\$ 3.99	\$ 23,007	\$ -	\$ -
2	Dec. 2007 (Year 2)	589	86,341,000	146,589	44	44	44	3.0	132	11.98	6,327	-	-
3	Year 2 minus Year 1	1	(4,312,000)	(7,582.6)	42	42	42	5.8	246	23.35	11,768	-	-
4	Percentage Change	0.17%	-4.76%	-4.92%	2	2	2	9.3	19	37.28	895	-	-
5	Avg Gallons (Col B Ln 1 + Col B Ln 2 + 2)		88,497,000		18	18	18	18.7	336	74.55	16,103	-	-
6					3	3	3	29.2	88	116.76	4,203	-	-
7					-	-	-	58.3	-	232.87	-	-	-
8					-	-	-	93.3	-	372.75	-	-	-
9													
10	Meter Size				589	590	589		1,300		\$ 62,303		\$ -
11	5/8-inch												
12	1-inch												
13	2-inch												
14	3-inch												
15	4-inch												
16	6-inch												
17	8-inch												
18	10-inch												

Line	Description	Minimum Surcharge	Commodity Surcharge
22	Total	\$ 589	\$ 62,303
23			
24	Calculation of Recurring O&M Surcharge		
25	Total recurring O&M costs (ACRM-2, Pg 1, Col (C) Line 13)	\$ 124,606	
26	Minimum Revenue (Col B Ln 26 + 2)		
27	Minimum Revenue (Col B Ln 26 + 2)	\$ 62,303	\$ 62,303
28	Commodity Revenue (Col B Ln 26 + 2)		
29			
30	Monthly Increment Per Equivalent Meter		
31	Equivalent Meters (Col F Ln 22 x 12 Months)	15,598	
32			
33	Minimum Surcharge (Col C Ln 27 + Ln 31)	\$ 3.99	
34			
35	Average Gallons (Col B Ln 5)		88,497,000
36			
37	Commodity Surcharge (Col D Ln 28 + Ln 35)	\$ 0.7040	
38			
39			
40	Calculation of Deferred O&M Surcharge		
41	Total deferred O&M costs (ACRM-2, Pg 1, Col (C) Ln 14)	\$ -	
42	Monthly Minimum Revenue (Col B Ln 41 + 2)		
43	Commodity Revenue (Col B Ln 41 + 2)		
44			
45	Monthly Increment Per Equivalent Meter		
46	Equivalent Meters (Col F Ln 22 x 12 Months)	15,598	
47			
48	Minimum Surcharge (Col C Ln 42 + Ln 46)	\$ -	
49			
50	Average Gallons (Col B Ln 5)		88,497,000
51			
52	Commodity Surcharge (Col D Ln 43 + Ln 50)	\$ -	