

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

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COMMISSIONERS

KRISTIN K. MAYES, Chairman 2010 MAY 28 A 11: 49  
GARY PIERCE  
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SANDRA D. KENNEDY  
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AZ CORP COMMISSION  
DOCKET CONTROL

DOCKET NO. W-01303A-98-0507

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
AN ARIZONA CORPORATION, FOR  
ADJUSTMENTS TO ITS RATES AND  
CHARGES FOR UTILITY SERVICE FOR ITS  
PARADISE VALLEY WATER DISTRICT

Arizona Corporation Commission  
**DOCKETED**

MAY 28 2010

DOCKETED BY

**ARIZONA-AMERICAN WATER COMPANY  
PARADISE VALLEY WATER DISTRICT  
NOTICE OF FILING  
CAP SURCHARGE FOR YEAR 2010**

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Arizona-American Water Company ("Company") hereby refiles its tariff and schedules setting forth its revised CAP Surcharge for 2010 for the Paradise Valley Water District, as authorized by Decision No. 61831 (July 20, 1999). The company originally filed its Paradise Valley Water CAP Surcharge for 2010 on March 9, 2010. Staff responded by filing a Memorandum on April 30, 2010 stating that they could not approve the surcharge calculation at that time. Staff had two concerns regarding the calculation. The first concern involved the Company's assertion that Decision 68858 authorized it to transfer power cost savings reimbursed by Motorola from the surcharge calculation to calculations in base rates. Staff finds no discussion of this issue in the Decision and concludes that the Commission did not authorize any such transfer. The Company accepts Staff's position on this issue and will exclude the Motorola reimbursement and revert back to the original power costs savings for the CAP surcharge calculation. The second issue involved the Company's inclusion of the Tonopah Recharge Facility fee. Staff finds this to be an unauthorized new charge. The Company disagrees with Staff on their finding based on Commission authorization of the Company's proposed change per Decision 71410 on pages 57-58 (see attached) and therefore is replacing the Salt River Project Charges with the Tonopah Desert Recharge Facility Charges.

The revised applicable surcharge rate of \$0.2441 per 1,000 gallons, consists of a surcharge of \$0.0872 per 1,000 gallons to recover the under collection of prior years' surcharge for the years 2006, 2007, 2008, and 2009, to be in effect for 3 years starting July 1, 2010, plus a surcharge of \$.1570 per 1,000 gallons for the collection of the current annual capital and delivery charges.

1 The revised combined surcharge of \$0.2441 is applicable to all residential customers using in  
2 excess of 45,000 gallons during a monthly billing cycle and to all non-residential customers  
3 except customers who are reselling water provided by the Company. Also attached are copies of  
4 a schedule and supporting documents showing the computation of the surcharge amount for  
5 2010. Attached are 8 pages including one schedule titled "2010 Annual CAP Surcharge Tariff  
6 Update Schedule" and seven supporting spreadsheets.

7  
8 The existing combined CAP Surcharge is \$0.2009 per 1,000 gallons and was effective February  
9 1, 2006. Unfortunately, the Company under collected in each year (2006, 2007, 2008 and 2009)  
10 the existing amount was in effect as displayed on line 40 of the schedule. The total current under  
11 collection is \$444,516.

12  
13 Please note the Company has completed the five year amortization of deferred CAP costs and a  
14 \$0 cost is displayed on lines 23 and 33 of the schedule for deferred CAP costs.

15  
16 In spite of the under collection which kept customers' rates lower than otherwise, the Company  
17 apologizes for not filing since 2006 for an annual revision to its Paradise Valley CAP Surcharge.  
18 Although Special Condition #3 of the tariff calls for a revised tariff filing by December 1 of each  
19 year, the Company intends alternatively to file its next revised CAP Surcharge in January 2011  
20 so that it can incorporate actual data for all of 2010 in that filing.

21  
22  
23 This revised surcharge is automatically effective 30 days from this filing as per the terms of the  
24 approved tariff.

25 The Company's contact person for this filing is:

26 Sandra L. Murrey, Rate Analyst  
27 Arizona-American Water Company  
28 2355 W. Pinnacle Peak Road, Suite 300  
29 Phoenix, AZ 85027  
30 (623) 445-2490  
31 Sandra.Murrey@amwater.com

32  
33 **RESPECTFULLY SUBMITTED** on May 28, 2010.

34  
35  
36   
37 Sandra L. Murrey  
38 Rates Analyst  
39 Arizona-American Water Company  
40 2355 W. Pinnacle Peak Road, Suite 300  
41 Phoenix, AZ 85027  
42

1 Original and 13 copies **filed**  
2 on May 28, 2010, with:  
3  
4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington  
7 Phoenix, Arizona 85007  
8  
9 Copies of the foregoing **mailed**  
10 on May 28, 2010, to:  
11  
12 Legal Division  
13 Arizona Corporation Commission  
14 1200 West Washington St.  
15 Phoenix, Arizona 85007  
16  
17 Steve Olea  
18 Director  
19 Utilities Division  
20 Arizona Corporation Commission  
21 1200 West Washington St.  
22 Phoenix, Arizona 85007  
23  
24 Daniel Pozefsky  
25 Counsel  
26 Residential Utility Consumer Office  
27 1110 West Washington Street  
28 Suite 220  
29 Phoenix, Arizona 85007  
30  
31 Brian Bozzo  
32 Compliance and Enforcement Manager  
33 Utilities Division  
34 1200 West Washington St.  
35 Phoenix, AZ 85007  
36  
37  
38  
39  
40  
41 By: \_\_\_\_\_  
42

		8th Revised	SHEET NO.	<u>4</u>
Arizona-American Water Company		Cancelling	7th Revised	SHEET NO
(Name of Company)	Paradise Valley Water District			<u>4</u>
	(Name of Service Area)			

**CAP SURCHARGE**

**APPLICABILITY**

Applicable to all customers of Paradise Valley Water District except Sales for Resale.

**TERRITORY**

Portions of the City of Scottsdale and the Town of Paradise Valley, and vicinity, Maricopa County.

**RATES**

**Surcharge Rate:**

Per Customer

Residential Customers:

In excess of 45,000 gallons ..... \$ 0.2441 per 1,000 gallons

All Non-Residential Customers except Sale for Resale Customers:

For all usage ..... \$ 0.2441 per 1,000 gallons

**SPECIAL CONDITIONS:**

1. The Company is authorized to recover CAP related costs based on its CAP allocation of 3,231 AF.
2. Total annual CAP costs will be determined by summing: a) annual Municipal & Industrial (M & I) water service charges, b) monthly M & I operations, maintenance and replacement (OM&R) costs, c) Tonopah Desert Recharge Project costs, d) annual production cost savings, e) the overcollected or undercollected surcharge from the previous twelve months period, and f) amortization over 5 years of deferred CAP M & I water service capital charges.
3. The Company will annually file with the Commission by December 1 the proposed annual CAP surcharge for the next calendar year. The filing shall contain all documentation to support the proposed surcharge.
4. The annual CAP surcharge will be calculated based on the historic consumption of the applicable customers from the previous twelve months.
5. The revised CAP surcharge will be effective on January 1 of each year.
6. Total deferred CAP costs of \$533,115 as of 12/31/99 will be amortized over a period of 5 years.
7. Collection of the CAP surcharge will not generate a positive operating income to Paradise Valley Water Company. It is intended only to recover CAP related costs.
8. The CAP surcharge will appear on each applicable customer bill as a separate charge.

ISSUED:	<u>MAY 28, 2010</u>		EFFECTIVE:	<u>JUL 01, 2010</u>
	Month Day Year			Month Day Year
ISSUED BY:	<u>Thomas M. Broderick, Director – Rates &amp; Regulation</u>			
	<u>2355 W. Pinnacle Peak Rd., Suite 300, Phoenix, AZ 85027</u>			
	<u>Decision No. 61831</u>			

# PARADISE VALLEY WATER DISTRICT 2010 ANNUAL CAP SURCHARGE TARIFF UPDATE SCHEDULE CENTRAL ARIZONA PROJECT WATER COSTS

Line	Description	Year 2007			Year 2008			Year 2009			Year 2010		
		Calculation (2006 Costs) Cost per Annual AF Charge	Annual Expense		Calculation (2007 Costs) Cost per Annual AF Charge	Annual Expense		Calculation (2008 Costs) Cost per Annual AF Charge	Annual Expense		Calculation (2009 Costs) Cost per Annual AF Charge	Annual Expense	
1	Going Forward Expenses -												
2	Total Water Allocation Available - 3,231 AF												
3	Water Allocation												
4													
5	1180 - M & I Capital Charge per AF	\$21.00	\$67,851		\$21.00	\$67,851		\$18.00	\$58,158		\$15.00	\$48,465	
6	1181 - M & I Delivery Charges per AF	\$87.00	\$281,097		\$91.00	\$294,021		\$108.00	\$348,948		\$118.00	\$381,258	
7	1178 - SRP Wheeling Charge per AF (2006-7)	\$22.63	\$73,118		\$0.00	\$0		\$0.00	\$0		\$0.00	\$0	
8	1178 - CAP - Tonopah Desert Recharge Facility per AF (2006- )	\$0	\$0		\$8.00	\$25,848		\$8.00	\$25,848		\$8.00	\$25,848	
9			<u>\$422,066</u>			<u>\$387,720</u>			<u>\$432,954</u>			<u>\$455,571</u>	
10													
11	<b>Annual Costs Savings:</b>												
12	Task Order 1177 - Annual Costs Savings Purchased Power		-\$179,225			-\$179,225			-\$179,225			-\$179,225	
13	Task Order 1179 - Annual Costs Savings ADWR Fees		-\$8,688			-\$9,478			-\$9,478			-\$9,478	
14	This is based on 3,158 AF less pumping												
15	(83 AF is owed to SRP for water loss)												
16													
17	<b>Task Order 1175 - Amortization of Deferred CAP Charges:</b>												
18	Total Deferred Charges Per Decision No. 61831		\$533,115			\$533,115			\$533,115			\$533,115	
19	Amortization Period of 5 Years												
20	Annual Amortization												
21	Amortization per month												
22	Amortization period ended June 2004												
23	Amortization for 2005 and beyond												
24			<u>\$0</u>			<u>\$0</u>			<u>\$0</u>			<u>\$0</u>	
25	<b>Current Annual Costs Before Overcollection/Undercollection of Prior Year's Costs</b>		<u>\$234,153</u>			<u>\$199,017</u>			<u>\$244,251</u>			<u>\$266,868</u>	
26													
27													
28													
29													
30	<b>(Overcollection)/Undercollection of Prior Year's Surcharge</b>												
31	Prior (Overcollection)/Undercollection		\$108,676 (a)			\$182,371			\$279,688			\$342,271	
32	Task Order 1173 - CAP Surcharge Revenue Collections		-\$146,110			-\$136,814			-\$131,587			-\$137,159	
33	Task Order 1175 - Amortization of Prior Deferred CAP Charges		\$0			\$0			\$0			\$0	
34	Task Order 1176 - Amortization of Interest Costs		\$0			\$0			\$0			\$0	
35	Task Order 1177 - Costs Savings Power Costs		-\$179,225			-\$179,225			-\$179,225			-\$179,225	
36	Task Order 1178 - SRP Charges (2006-7) or Tonopah Storage Charges (2008-9)		\$69,079			\$73,095			\$25,848			\$25,848	
37	Task Order 1179 - Costs Savings ADWR Fees		-\$8,688			-\$8,688			-\$9,478			-\$9,478	
38	Task Order 1180 - M & I Capital Charges		\$72,698			\$67,851			\$63,005			\$53,312	
39	Task Order 1181 - M & I Delivery Charges		\$264,942			\$281,097			\$294,021			\$348,948	
40	Total (Overcollection)/Undercollection		<u>\$182,371</u>			<u>\$279,688</u>			<u>\$342,271</u>			<u>\$444,516</u>	
41													
42													
43													
44	<b>Total Annual Sales for Surcharge (2008 PV Rate Case)</b>		<u>\$416,524</u>			<u>\$478,704</u>			<u>\$586,522</u>			<u>\$711,384</u>	
45													
46	<b>3-Year Surcharge Per 1,000 Gallons - Total Undercollection (Ln 37/Ln 41)</b>												
47													
48	<b>On-going Surcharge Per 1,000 Gallons - Current Annual Costs (Ln 25/Ln41)</b>												
49													
50	<b>Total CAP Surcharge (Ln43 + Ln45)</b>												
51	Note: 3,231 AF was received in 2006, 2007, 2008 and 2009												
52													
53	<b>(a) - Balance carried forward from 2007 filing.</b>												

# **ATTACHMENTS**

**PARADISE VALLEY WATER COMPANY**  
**2010 ANNUAL CAP SURCHARGE TARIFF UPDATE**  
**TASK ORDER 1173 - CITY SERVICE CODE G**  
**CAP SERVICE CHARGE REVENUE COLLECTIONS**

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
Beg Balance	<u>-\$1,981,991.95</u>	
Jan	-\$11,688.71	Recorded Per City Service Code G
Feb	-\$6,879.55	Residential Consumption > 45 units at \$.0769 per unit.
Mar	-\$9,053.40	All Other Customers at all units at \$.0769 per unit.
Apr	-\$6,259.38	
May	-\$10,852.74	
Jun	-\$18,326.46	
Jul	-\$16,365.82	
Aug	-\$16,402.42	
Sep	-\$16,877.86	
Oct	-\$11,340.18	
Nov	-\$12,886.48	
Dec	<u>-\$9,176.93</u>	
<b>*2006 Revenues</b>	<b><u>-\$146,109.93</u></b>	
<b>Total</b>	<b><u>-\$2,128,101.88</u></b>	

  

<u>Monthly Journal Entry:</u>		
a. Record the monthly surcharge		
Debit A/R		Asset
Credit Task Order 1173		Task Order
b. Collections of Monthly surcharge		
Debit Cash		Asset
Credit A/R		Asset

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
Beg Balance	<u>-\$2,128,101.88</u>	
Jan	-\$6,589.21	Recorded Per City Service Code G
Feb	-\$4,147.38	Residential Consumption > 45 units at \$.0769 per unit.
Mar	-\$5,703.81	All Other Customers at all units at \$.0769 per unit.
Apr	-\$8,268.89	
May	-\$10,735.50	
Jun	-\$13,723.30	
Jul	-\$19,834.78	
Aug	-\$16,644.18	
Sep	-\$14,840.11	
Oct	-\$13,780.79	
Nov	-\$14,081.25	
Dec	<u>-\$8,464.46</u>	
<b>*2007 Revenues</b>	<b><u>-\$136,813.66</u></b>	
<b>Total</b>	<b><u>-\$2,264,915.54</u></b>	

  

<u>Monthly Journal Entry:</u>		
a. Record the monthly surcharge		
Debit A/R		Asset
Credit Task Order 1173		Task Order
b. Collections of Monthly surcharge		
Debit Cash		Asset
Credit A/R		Asset

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
Beg Balance	<u>-\$2,264,915.54</u>	
Jan	-\$4,884.20	Recorded Per City Service Code G
Feb	-\$4,006.85	Residential Consumption > 45 units at \$.0769 per unit.
Mar	-\$5,099.60	All Other Customers at all units at \$.0769 per unit.
Apr	-\$9,239.58	
May	-\$11,742.14	
Jun	-\$13,823.25	
Jul	-\$18,467.05	
Aug	-\$16,644.18	
Sep	-\$13,724.66	
Oct	-\$13,572.15	
Nov	-\$10,949.66	
Dec	<u>-\$9,433.95</u>	
<b>*2008 Revenues</b>	<b><u>-\$131,587.27</u></b>	
<b>Total</b>	<b><u>-\$2,396,502.81</u></b>	

  

<u>Monthly Journal Entry:</u>		
a. Record the monthly surcharge		
Debit A/R		Asset
Credit Task Order 1173		Task Order
b. Collections of Monthly surcharge		
Debit Cash		Asset
Credit A/R		Asset

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
Beg Balance	<u>-\$2,396,502.81</u>	
Jan	-\$4,295.51	Recorded Per City Service Code G
Feb	-\$4,956.74	Residential Consumption > 45 units at \$.0769 per unit.
Mar	-\$6,000.17	All Other Customers at all units at \$.0769 per unit.
Apr	-\$8,368.43	
May	-\$9,937.20	
Jun	-\$14,418.11	
Jul	-\$17,088.62	
Aug	-\$17,166.25	
Sep	-\$17,197.53	
Oct	-\$13,843.66	
Nov	-\$12,660.32	
Dec	<u>-\$11,226.79</u>	
<b>*2009 Revenues</b>	<b><u>-\$137,159.33</u></b>	
<b>Total</b>	<b><u>-\$2,533,662.14</u></b>	

  

<u>Monthly Journal Entry:</u>		
a. Record the monthly surcharge		
Debit A/R		Asset
Credit Task Order 1173		Task Order
b. Collections of Monthly surcharge		
Debit Cash		Asset
Credit A/R		Asset

**PARADISE VALLEY WATER COMPANY  
2010 ANNUAL CAP SURCHARGE TARIFF UPDATE  
TASK ORDER 1175  
AMORTIZATION OF PRIOR DEFERRED CAP CHARGES**

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
<b>Beg Bal</b>	<b>\$533,115.00</b>	
Jan	\$0.00	Amortization of Prior Deferred CAP Charges
Feb	\$0.00	Comprised of the following items:
Mar	\$0.00	Per Rate Case Decision No. 61831 Date July 26, 1999
Apr	\$0.00	Amortization Period: 5 Years
May	\$0.00	Monthly Amortization
Jun	\$0.00	Adjustment:
Jul	\$0.00	Per DPS & BKT
Aug	\$0.00	Amortization Period: 60 Months
Sep	\$0.00	Monthly Amortization
Oct	\$0.00	Total Amortization
Nov	\$0.00	
Dec	\$0.00	
<b>2004 Expense</b>	<b>\$0.00</b>	
<b>Total</b>	<b>\$533,115.00</b>	

**Monthly Journal Entry:**

Debit - Task Order Order 1173  
Credit - Deferred CAP Acct No. 186490.1

Amortization does not go through the P & L Statement.

**PARADISE VALLEY WATER COMPANY**  
**2010 ANNUAL CAP SURCHARGE TARIFF UPDATE**  
 TASK ORDER 1177  
 COSTS SAVINGS - POWER COSTS

<u>Date</u>	<u>Amounts</u>
<b>Beginning Balance</b>	<b>-\$716,901.48</b>
Unrecorded - 2004	-\$179,225.00
Unrecorded - 2005	-\$179,225.00
	<hr/>
<b>Adjusted Total</b>	<b>-\$1,075,351.48</b>
<b>2006</b>	
Jan	\$0.00
Feb	-\$17,922.50
Mar	-\$17,922.50
Apr	-\$17,922.50
May	-\$17,922.50
Jun	-\$17,922.50
Jul	-\$17,922.50
Aug	-\$17,922.50
Sep	-\$17,922.50
Oct	-\$17,922.50
Nov	-\$17,922.50
Dec	\$0.00
	<hr/>
<b>Total</b>	<b>-\$179,225.00</b>
	<hr/>
	<b>\$0.00</b>
	<hr/>
	<b>-\$179,225.00</b>
	<hr/>
<b>2006 Ending Balance</b>	<b>-\$1,254,576.48</b>
<b>2007</b>	
Jan	\$0.00
Feb	-\$17,922.50
Mar	-\$17,922.50
Apr	-\$17,922.50
May	-\$17,922.50
Jun	-\$17,922.50
Jul	-\$17,922.50
Aug	-\$17,922.50
Sep	-\$17,922.50
Oct	-\$17,922.50
Nov	-\$17,922.50
Dec	\$0.00
	<hr/>
<b>Total</b>	<b>-\$179,225.00</b>
	<hr/>
<b>2007 Ending Balance</b>	<b>-\$1,433,801.48</b>
<b>2008</b>	
Jan	\$0.00
Feb	-\$17,922.50
Mar	-\$17,922.50
Apr	-\$17,922.50
May	-\$17,922.50
Jun	-\$17,922.50
Jul	-\$17,922.50
Aug	-\$17,922.50
Sep	-\$17,922.50
Oct	-\$17,922.50
Nov	-\$17,922.50
Dec	\$0.00
	<hr/>
<b>Total</b>	<b>-\$179,225.00</b>
	<hr/>
<b>2008 Ending Balance</b>	<b>-\$1,613,026.48</b>
<b>2009</b>	
Jan	\$0.00
Feb	-\$17,922.50
Mar	-\$17,922.50
Apr	-\$17,922.50
May	-\$17,922.50
Jun	-\$17,922.50
Jul	-\$17,922.50
Aug	-\$17,922.50
Sep	-\$17,922.50
Oct	-\$17,922.50
Nov	-\$17,922.50
Dec	\$0.00
	<hr/>
<b>Total</b>	<b>-\$179,225.00</b>
	<hr/>
<b>2009 Ending Balance</b>	<b>-\$1,792,251.48</b>

Basis

Computation: 3,231 AF \* 97.78% \* \$56.73 = \$179,225

Basis

Computation: 3,231 AF \* 97.78% \* \$56.73 = \$179,225

Basis

Computation: 3,231 AF \* 97.78% \* \$56.73 = \$179,225

Basis

Computation: 3,231 AF \* 97.78% \* \$56.73 = \$179,225

**PARADISE VALLEY WATER COMPANY**  
**2010 ANNUAL CAP SURCHARGE TARIFF UPDATE**  
**TASK ORDER 1178**  
**SALT RIVER PROJECT CHARGES (2006-2007)**  
**TONAPAH DESERT RECHARGE FACILITY (2008 - BEYOND)**

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
<b>Beginning Balance</b>	<b>\$352,170.15</b>	
Jan	\$0.00	Based on 2006 invoice from Salt River Project - \$21.99 per AF 3,231 acre feet distributed over 10 months.
Feb	\$6,907.88	
Mar	\$6,907.88	
Apr	\$6,907.88	
May	\$6,907.88	
Jun	\$6,907.88	
Jul	\$6,907.88	
Aug	\$6,907.88	
Sep	\$6,907.88	
Oct	\$6,907.88	
Nov	\$6,907.88	
Dec	<u>\$0.00</u>	
<b>2006 Total</b>	<b><u>\$69,078.78</u></b>	
<b>Ending Balance</b>	<b><u>\$421,248.93</u></b>	
<b>Beginning Balance</b>	<b>\$421,248.93</b>	
Jan	\$0.00	Based on 2007 invoice from Salt River Project - \$22.63 per AF 3,231 acre feet distributed over 10 months.
Feb	\$7,309.49	
Mar	\$7,309.49	
Apr	\$7,309.49	
May	\$7,309.49	
Jun	\$7,309.49	
Jul	\$7,309.49	
Aug	\$7,309.49	
Sep	\$7,309.49	
Oct	\$7,309.49	
Nov	\$7,309.49	
Dec	<u>\$0.00</u>	
<b>2007 Total</b>	<b><u>\$73,094.90</u></b>	
<b>Ending Balance</b>	<b><u>\$494,343.83</u></b>	
<b>Beginning Balance</b>	<b>\$494,343.83</b>	
Jan	\$0.00	Water Storage Fee to CAP Tonopah Desert Recharge Facility for 3,231 AF per year at \$8 per AF ** Company's proposed change to recharge the CAP allocation at Tonopah Desert Recharge was authorized in Decision 71410, p.58, 1.11-12 See tab DEC 71410 for detail
Feb	\$0.00	
Mar	\$0.00	
Apr	\$0.00	
May	\$0.00	
Jun	\$0.00	
Jul	\$0.00	
Aug	\$25,848.00	
Sep	\$0.00	
Oct	\$0.00	
Nov	\$0.00	
Dec	<u>\$0.00</u>	
<b>2008 Total</b>	<b><u>\$25,848.00</u></b>	
<b>Ending Balance</b>	<b><u>\$520,191.83</u></b>	
<b>Beginning Balance</b>	<b>\$520,191.83</b>	
Jan	\$0.00	Water Storage Fee to CAP Tonopah Desert Recharge Facility for 3,231 AF per year at \$8 per AF
Feb	\$0.00	
Mar	\$0.00	
Apr	\$10,872.00	
May	\$14,978.00	
Jun	\$0.00	
Jul	\$0.00	
Aug	\$0.00	
Sep	\$0.00	
Oct	\$0.00	
Nov	\$0.00	
Dec	<u>\$0.00</u>	
<b>2009 Total</b>	<b><u>\$25,848.00</u></b>	
<b>Ending Balance</b>	<b><u>\$546,039.83</u></b>	

**PARADISE VALLEY WATER COMPANY**  
**2010 ANNUAL CAP SURCHARGE TARIFF UPDATE**  
 TASK ORDER 1179  
 ADWR COSTS SAVINGS

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
<b><u>Beginning Balance</u></b>	<b><u>-\$42,422.93</u></b>	
Jan	\$0.00	
Feb	-\$868.80	Recurring Journal Entry Not Set Up
Mar	-\$868.80	
Apr	-\$868.80	Included in Tariff computation but not booked
May	-\$868.80	
Jun	-\$868.80	Computation: 3,231AF * 97.78% * \$2.75 = \$8,688
Jul	-\$868.80	
Aug	-\$868.80	
Sep	-\$868.80	
Oct	-\$868.80	
Nov	-\$868.80	
Dec	\$0.00	
<b>Total</b>	<b><u>-\$8,688.00</u></b>	
<b>2006 Ending Balance</b>	<b><u>-\$51,110.93</u></b>	
<b><u>Beginning Balance</u></b>	<b><u>-\$51,110.93</u></b>	
Jan	\$0.00	
Feb	-\$868.80	Recurring Journal Entry Not Set Up
Mar	-\$868.80	
Apr	-\$868.80	Included in Tariff computation but not booked
May	-\$868.80	
Jun	-\$868.80	Computation: 3,231AF * 97.78% * \$2.75 = \$8,688
Jul	-\$868.80	
Aug	-\$868.80	
Sep	-\$868.80	
Oct	-\$868.80	
Nov	-\$868.80	
Dec	\$0.00	
<b>Total</b>	<b><u>-\$8,688.00</u></b>	
<b>2007 Ending Balance</b>	<b><u>-\$59,798.93</u></b>	
<b><u>Beginning Balance</u></b>	<b><u>-\$59,798.93</u></b>	
Jan	\$0.00	
Feb	-\$947.80	Recurring Journal Entry Not Set Up
Mar	-\$947.80	
Apr	-\$947.80	Included in Tariff computation but not booked
May	-\$947.80	
Jun	-\$947.80	Computation: 3,231AF * 97.78% * \$3.00 = \$9,478
Jul	-\$947.80	
Aug	-\$947.80	
Sep	-\$947.80	
Oct	-\$947.80	
Nov	-\$947.80	
Dec	\$0.00	
<b>Total</b>	<b><u>-\$9,478.00</u></b>	
<b>2008 Ending Balance</b>	<b><u>-\$69,276.93</u></b>	
<b><u>Beginning Balance</u></b>	<b><u>-\$69,276.93</u></b>	
Jan	\$0.00	
Feb	-\$947.80	Recurring Journal Entry Not Set Up
Mar	-\$947.80	
Apr	-\$947.80	Included in Tariff computation but not booked
May	-\$947.80	
Jun	-\$947.80	Computation: 3,231AF * 97.78% * \$3.00 = \$9,478
Jul	-\$947.80	
Aug	-\$947.80	
Sep	-\$947.80	
Oct	-\$947.80	
Nov	-\$947.80	
Dec	\$0.00	
<b>Total</b>	<b><u>-\$9,478.00</u></b>	
<b>2009 Ending Balance</b>	<b><u>-\$78,754.93</u></b>	

**PARADISE VALLEY WATER COMPANY**  
**2010 ANNUAL CAP SURCHARGE TARIFF UPDATE**  
 TASK ORDER 1180  
 M & I CAPITAL CHARGES

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
<b><u>Beginning Balance</u></b>	<b>\$837,312.46</b>	
Jan	\$0.00	Actual Invoices booked in May and November 2006
Feb	\$0.00	2nd Half of 2006 (billed May 2006) - \$24 per AF
Mar	\$0.00	1st Half of 2007 (billed November 2006) - \$21 per AF
Apr	\$0.00	
May	\$38,772.00	
Jun	\$0.00	
Jul	\$0.00	
Aug	\$0.00	
Sep	\$0.00	
Oct	\$0.00	
Nov	\$33,925.50	
Dec	\$0.00	
<b>2006 Total</b>	<b><u>\$72,867.50</u></b>	
<b>2006 Ending Balance</b>	<b><u>\$910,009.96</u></b>	
<b><u>Beginning Balance</u></b>	<b>\$910,009.96</b>	
Jan	\$0.00	Actual Invoices booked in May and November 2007
Feb	\$0.00	2nd Half of 2007 (billed May 2007) - \$21 per AF
Mar	\$0.00	1st Half of 2008 (billed November 2007) - \$21 per AF
Apr	\$0.00	
May	\$33,925.50	
Jun	\$0.00	
Jul	\$0.00	
Aug	\$0.00	
Sep	\$0.00	
Oct	\$0.00	
Nov	\$33,925.50	
Dec	\$0.00	
<b>2007 Total</b>	<b><u>\$67,851.00</u></b>	
<b>2007 Ending Balance</b>	<b><u>\$977,860.96</u></b>	
<b><u>Beginning Balance</u></b>	<b>\$977,860.96</b>	
Jan	\$0.00	Actual Invoices booked in May and November 2008
Feb	\$0.00	2nd Half of 2008 (billed May 2008) - \$21 per AF
Mar	\$0.00	1st Half of 2009 (billed November 2008) - \$18 per AF
Apr	\$0.00	
May	\$33,925.50	
Jun	\$0.00	
Jul	\$0.00	
Aug	\$0.00	
Sep	\$0.00	
Oct	\$0.00	
Nov	\$29,079.00	
Dec	\$0.00	
<b>2008 Total</b>	<b><u>\$63,004.50</u></b>	
<b>2008 Ending Balance</b>	<b><u>\$1,040,865.46</u></b>	
<b><u>Beginning Balance</u></b>	<b>\$1,040,865.46</b>	
Jan	\$0.00	Actual Invoices booked in May and November 2009
Feb	\$0.00	2nd Half of 2009 (billed May 2009) - \$18 per AF
Mar	\$0.00	1st Half of 2010 (billed November 2009) - \$15 per AF
Apr	\$0.00	
May	\$29,079.00	
Jun	\$0.00	
Jul	\$0.00	
Aug	\$0.00	
Sep	\$0.00	
Oct	\$0.00	
Nov	\$24,232.50	
Dec	\$0.00	
<b>2009 Total</b>	<b><u>\$53,311.50</u></b>	
<b>2009 Ending Balance</b>	<b><u>\$1,094,176.96</u></b>	

**PARADISE VALLEY WATER COMPANY**  
**2010 ANNUAL CAP SURCHARGE TARIFF UPDATE**  
 TASK ORDER 1181  
 M & I DELIVERY CHARGES

<u>Date</u>	<u>Amounts</u>	<u>Basis</u>
<b><u>Beginning Balance</u></b>	<b>\$1,408,715.86</b>	
Jan	\$26,494.20	Cost per acre foot = \$82 3,231 af = full allocation
Feb	\$26,494.20	
Mar	\$26,494.20	
Apr	\$26,494.20	
May	\$26,494.20	
Jun	\$26,494.20	
Jul	\$26,494.20	
Aug	\$26,494.20	
Sep	\$26,494.20	
Oct	\$26,494.20	
Nov	\$0.00	
Dec	<u>\$0.00</u>	
<b>2006 Total</b>	<b><u>\$264,942.00</u></b>	
<b>2006 Ending Balance</b>	<b><u>\$1,673,657.86</u></b>	
<b><u>Beginning Balance</u></b>	<b>\$1,673,657.86</b>	
Jan	\$0.00	Cost per acre foot = \$87 3,231 af = full allocation
Feb	\$28,109.70	
Mar	\$28,109.70	
Apr	\$28,109.70	
May	\$28,109.70	
Jun	\$28,109.70	
Jul	\$28,109.70	
Aug	\$28,109.70	
Sep	\$28,109.70	
Oct	\$28,109.70	
Nov	\$28,109.70	
Dec	<u>\$0.00</u>	
<b>2007 Total</b>	<b><u>\$281,097.00</u></b>	
<b>2007 Ending Balance</b>	<b><u>\$1,954,754.86</u></b>	
<b><u>Beginning Balance</u></b>	<b>\$1,954,754.86</b>	
Jan	\$0.00	Cost per acre foot = \$91 3,231 af = full allocation
Feb	\$29,402.10	
Mar	\$29,402.10	
Apr	\$29,402.10	
May	\$29,402.10	
Jun	\$29,402.10	
Jul	\$29,402.10	
Aug	\$29,402.10	
Sep	\$29,402.10	
Oct	\$29,402.10	
Nov	\$29,402.10	
Dec	<u>\$0.00</u>	
<b>2008 Total</b>	<b><u>\$294,021.00</u></b>	
<b>2008 Ending Balance</b>	<b><u>\$2,248,775.86</u></b>	
<b><u>Beginning Balance</u></b>	<b>\$2,248,775.86</b>	
Jan	\$0.00	Cost per acre foot = \$108 3,231 af = full allocation
Feb	\$34,894.80	
Mar	\$34,894.80	
Apr	\$34,894.80	
May	\$34,894.80	
Jun	\$34,894.80	
Jul	\$34,894.80	
Aug	\$34,894.80	
Sep	\$34,894.80	
Oct	\$34,894.80	
Nov	\$34,894.80	
Dec	<u>\$0.00</u>	
<b>2009 Total</b>	<b><u>\$348,948.00</u></b>	
<b>2009 Ending Balance</b>	<b><u>\$2,597,723.86</u></b>	

1 proposed System Benefits Surcharge.<sup>261</sup> RUCO states that while it recommends the implementation  
 2 of the Company proposed System Benefits Surcharge, it is sensitive to the Town's arguments  
 3 opposing it.<sup>262</sup> It is reasonable at this time to eliminate the High Block Usage Surcharge and to leave  
 4 the Public Safety Surcharge set at zero. The record does not support the Company's request to  
 5 implement a Systems Benefit Surcharge as proposed, and it therefore will not be authorized at this  
 6 time.

## 7 2. CAP Surcharge

8 Until recently, the Company was sourcing water from the PCX-1 well, which is owned by  
 9 Salt River Project ("SRP"), in exchange for SRP's use of Arizona-American's Paradise Valley Water  
 10 district 3,231 acre feet CAP allocation.<sup>263</sup> The Company discontinued use of the PCX-1 well in May  
 11 2008,<sup>264</sup> due to its trichloroethylene ("TCE") contamination. To maintain supply, the Company  
 12 added storage capacity and is replacing retired Well No. 12 with a new well to bring the district's  
 13 production capacity back to its original level of 2200 GPM.<sup>265</sup> The Company is no longer  
 14 exchanging its 3,231 Paradise Valley Water district CAP allocation with SRP for use of the PCX-1  
 15 well. Instead, the Company is currently recharging the district's CAP allocation at the Tonopah  
 16 Desert Recharge Project, which is owned by the Central Arizona Water Conservation District  
 17 ("CAWCD") at a cost of \$8 per acre foot, and recovering it from wells in the Paradise Valley Water  
 18 district.<sup>266</sup> The Company states that this allows it to fully utilize the district's CAP allocation in  
 19 alignment with the Arizona Department of Water Resources ("ADWR") Phoenix Active  
 20 Management Area ("AMA") goal of safe yield.<sup>267</sup> The Company states that it has plans to evaluate  
 21  
 22  
 23  
 24

25 <sup>261</sup> Town of Paradise Valley Resolution Number 1185. A copy of Resolution No. 1185 was filed in this docket on March  
 13, 2009.

26 <sup>262</sup> RUCO Brief at 15.

27 <sup>263</sup> Rebuttal Testimony of Company witness John C. (Jake) Lenderking (Exh. A-21) at 7.

28 <sup>264</sup> Direct Testimony of Staff witness Dorothy M. Hains (Exh. S-3) at 10.

<sup>265</sup> Revised Direct Testimony of Company witness John C. (Jake) Lenderking (Exh. A-21) at 8.

<sup>266</sup> *Id.*

<sup>267</sup> *Id.*

1 other storage options closer to the district.<sup>268</sup>

2       The Company's current CAP Surcharge for the Paradise Valley Water district is \$0.2009 per  
3 thousand gallons for all residential usage in excess of 45,000 gallons per month, and for all non-  
4 residential usage. The CAP Surcharge is set at a level to allow the Company to recover SRP water  
5 delivery charges and administrative charges totaling \$22.62 per acre foot; annual CAP Municipal and  
6 Industrial ("M&I") water service charges of \$91 per acre foot; and M&I capital charges of \$21 per  
7 acre foot.<sup>269</sup> Arizona-American proposes to lower the amount of the CAP Surcharge to account for  
8 the difference between the former \$22.62 per acre foot SRP water delivery and administrative  
9 charges and the current \$8 per acre foot CAWCD storage cost. No party opposed adjusting the  
10 surcharge amount. The Company's proposed change to the existing CAP Surcharge is reasonable  
11 and appropriate, and will be authorized. We will order the Company to take into account any  
12 overcollection that has occurred since the date of the changes in the Company's CAP Surcharge  
13 costs, in calculating the lower surcharge amount.  
14  
15

## 16 VIII. OTHER ISSUES

### 17 A. Tubac Water district ACRM (Tubac Water district)

18 Arizona-American must provide arsenic treatment for its Tubac Water district water  
19 supply.<sup>270</sup> The Company requests approval of an ACRM for the Tubac Water district that is  
20 essentially identical to the ACRMs previously approved for the Company's Agua Fria Water, Havasu  
21 Water, Paradise Valley Water, and Sun City Water districts, with the inclusion of the associated  
22 engineering overheads, consistent with the Commission's treatment in Docket No. W-01445A-00-  
23 0962.<sup>271</sup> Arizona-American had originally included the Tubac Water district in its application that  
24 resulted in Decision No. 68310, which approved an ACRM two-step rate increase process for its  
25 Agua Fria, Havasu and Sun City West water districts, but subsequently requested that Tubac Water  
26

27 <sup>268</sup> *Id.* at 9.

<sup>269</sup> Rebuttal Testimony of Company witness John C. (Jake) Lenderking (Exh. A-21) at 7-8; Decision No. 68131 at 4-5.

<sup>270</sup> Direct Testimony of Company witness Joseph E. Gross (Exh. A-1) at 8.

28 <sup>271</sup> Revised Direct Testimony of Thomas A. Broderick (Exh. A-11) at 25.