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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

DEC 10 2010

DOCKETED BY NR

IN THE MATTER OF THE APPLICATION  
OF ARIZONA-AMERICAN WATER  
COMPANY – AN ARIZONA  
CORPORATION, FOR ADJUSTMENTS TO  
ITS GROUNDWATER SAVINGS FEE FOR  
UTILITY SERVICE IN ITS SUN CITY  
WATER DISTRICT AND ITS SUN CITY  
WEST WATER DISTRICT

DOCKET NO. W-01656A-98-0577  
WS-02334A-98-0577

DECISION NO. 72046  
ORDER

Open Meeting  
December 6, 2010  
Phoenix, Arizona

BY THE COMMISSION:

**Introduction**

1. Pursuant to Decision No. 62293, Arizona-American Water Company (“Az-Am” or “Company”) filed an application on September 24, 2010, with the Arizona Corporation Commission (“Commission”) revising its Groundwater Savings Fee (“GSF”) surcharge rate. The GSF surcharge rate requested for the Sun City Water District is a credit of (\$0.8325) per household per month for residential customers and a credit of (\$0.0590) per 1,000 gallons for all usage for commercial, public authority, and irrigation customers. The GSF surcharge rate requested for the Sun City West Water District is a credit of (\$0.1245) per household per month for residential customers and a credit of (\$0.0131) per 1,000 gallons for all usage for commercial customers. These amounts are to be effective as of November 1, 2010, and run for one year to offset the over-

1 collected balances that have accumulated less the estimated Central Arizona Project ("CAP") 2011  
2 costs.

3 2. The Sun City Water District over-collection amounts to \$710,046 (as of August  
4 2010) and is offset by its 2011 estimated CAP costs of \$337,913 resulting in an estimated over-  
5 collected balance of \$372,133 that the requested GSF credit is intended to cover. The Sun City  
6 West Water District over-collection amounts to \$228,079 (as of August 2010) and is offset by its  
7 2011 estimated CAP costs of \$191,341 resulting in an estimated over-collected balance of \$36,738  
8 that the requested GSF credit is intended to cover.

9 3. The current GSF surcharge for the Sun City Water District is \$1.565 per household  
10 per month for residential customers and \$0.1192 per 1,000 gallons for all usage for all users other  
11 than residential. The current GSF surcharge for the Sun City West Water District is \$1.5958 per  
12 household per month for residential customers and \$0.1740 per 1,000 gallons for all usage for all  
13 users other than residential. These current rates have been in effect since December 1, 2005.  
14 Although Decision No. 62293 indicated that the Company was to file an annual revision/update of  
15 the GSF surcharge by November 1, of each year to become effective the following December 1,  
16 the Company failed to revise the GSF surcharge since November 1, 2005, resulting in the current  
17 rate effective December 1, 2005.

### 18 **Background**

19 4. On October 1, 1998, Az-Am filed with the Commission an application for approval  
20 of a CAP water utilization plan, authorization of a groundwater savings fee, and recovery of CAP  
21 expenses. Decision No. 62293 authorized the current calculation methodology which allows the  
22 Company to collect its current CAP capital and delivery charges and offsets those expenses with  
23 groundwater replenishment credits. For the first five years of the GSF surcharge there was an  
24 additional charge attributed to deferred CAP charges. These deferred charges, having now been  
25 fully collected, are no longer a component of the current GSF surcharge calculation.

26 5. The Commission established the GSF surcharge to aid the Company in its efforts to  
27 utilize renewable sources of water and minimize its use of ground water.

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1 **Calculation of CAP Surcharge**

2 6. The Company was to file annual revisions/updates of the GSF surcharge and did so  
3 regularly for the first five years. However, the Company has failed to file an update of the GSF  
4 surcharge since November 1, 2005, resulting in the previously described over-collections.

5 7. The Company's application indicates that the requested GSF surcharge credit rates  
6 should eliminate (or substantially reduce) the over-collected balances within a 12-month period.  
7 The Company requests that the new surcharge credit rates become effective November 1, 2010.

8 8. Staff finds the Company's requested GSF surcharge credit rates acceptable. All  
9 residential customers in the Sun City Water District will experience a \$2.3975 reduction in their  
10 monthly bill. All residential customers in the Sun City West Water District will experience a  
11 \$1.7203 reduction in their monthly bill.

12 9. Staff believes that, in its next rate application filed for the Sun City Water District  
13 and the Sun City West Water District, the Company should include the CAP capital and delivery  
14 charges and the offsetting replenishment credits in its costs included in its base rates, thereby  
15 eliminating the need for the GSF surcharge in the future.

16 10. The Company's requested GSF surcharge credit rates are reasonable and should be  
17 authorized to become effective November 1, 2010.

18 11. Staff's recommendation that the Company incorporate, in its next applications filed  
19 for the Sun City Water District and the Sun City West Water District, a description of how to  
20 include in base rates the CAP capital and delivery charges along with the offsetting replenishment  
21 credits and the elimination of the GSF surcharge is reasonable and should be adopted.

22 12. To facilitate the Company's annual revision of its GSF surcharge, we conclude that  
23 the Company should file its annual revision by January 31 of each future year beginning in 2012,  
24 with an effective date for the revised tariff of the following March 1. The Commission recently  
25 approved this same annual revision dating for the Company's Paradise Valley Water District CAP  
26 surcharge adjustor mechanism in Decision No. 71841, August 10, 2010. The annual filings should  
27 continue until such time as the Company files its next rate case for the Sun City Water District and  
28 the Sun City West Water District.

CONCLUSIONS OF LAW

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2 1. The Company is a public service corporation within the meaning of Article XV of  
3 the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

4 2. The Commission has jurisdiction over the Company and of the subject matter of the  
5 application.

6 3. Approval of a GSF surcharge is consistent with the Commission's authority under  
7 the Arizona Constitution, Arizona statutes, and applicable case law.

8 4. It is in the public interest to approve the Company's request for implementation of  
9 the GSF surcharge as discussed herein.

10 ORDER

11 IT IS THEREFORE ORDERED that the application by Arizona-American Water  
12 Company for the implementation of its GSF surcharge is approved as discussed herein.

13 IT IS FURTHER ORDERED that Arizona-American Water Company shall file a revised  
14 GSF surcharge tariff as discussed herein within 15 days of the effective date of this Decision.

15 IT IS FURTHER ORDERED that Arizona-American Water Company shall notify its  
16 customers of the revised CAP surcharge tariff approved herein by December 15, 2010.

17 IT IS FURTHER ORDERED that Arizona-American Water Company shall file its annual  
18 revision of the GSF surcharge with the Commission no later than January 31 of each future year  
19 beginning in 2012, with an effective date of the following March 1. The filings shall continue  
20 until further order of the Commission.

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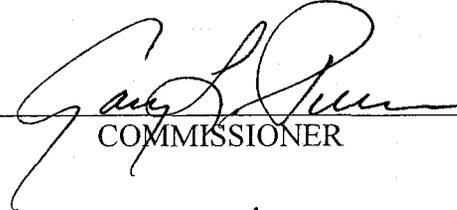
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1 IT IS FURTHER ORDERED that Arizona-American Water Company shall incorporate, in  
 2 its next applications filed for the Sun City Water District and the Sun City West Water District, a  
 3 description of how to include in base rates the CAP capital and delivery charges along with the  
 4 offsetting replenishment credits and the elimination of the GSF surcharge.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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 7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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 9 CHAIRMAN

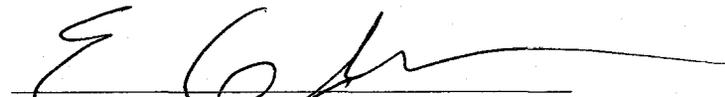
  
 COMMISSIONER

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COMMISSIONER

  
 COMMISSIONER

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 14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
 15 Executive Director of the Arizona Corporation Commission,  
 16 have hereunto, set my hand and caused the official seal of  
 17 this Commission to be affixed at the Capitol, in the City of  
 18 Phoenix, this 10<sup>th</sup> day of December, 2010.

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 19 ERNEST G. JOHNSON  
 20 EXECUTIVE DIRECTOR

21 DISSENT: \_\_\_\_\_

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 23 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR: Arizona-American Water Company  
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