

OPEN MEETING



0000132344

MEMORANDUM

41

RECEIVED
AZ CORP COMMISSION

TO: THE COMMISSION

FROM: Utilities Division

ORIGINAL

APR 7 9 11 AM '99

DATE: April 5, 1999

DOCUMENT CONTROL

RE: ARIZONA WATER COMPANY'S APPLICATION FOR AN INCREASE IN THE PURCHASED WATER ADJUSTMENT MECHANISM FACTOR FOR THE SAN MANUEL SYSTEM (DOCKET NO. W-01445A-99-0154)

On March 17, 1999, Arizona Water Company (Company) filed for an increase in the Purchased Water Adjustment Mechanism (PWAM) for its San Manuel System to reflect an increase in the cost of purchased water due to the loss of a legal battle with BHP Copper, the successor to Magma Copper. This caused the Company to have to agree to a new and adverse water supply agreement in order to be able to supply its customers. The Company's San Manuel System has no wells; all water is purchased from BHP Copper. The previous supply agreement between Magma Copper and the Company contained a price of \$0.36 per 1,000 gallons. This price was increased to \$0.57 per 1,000 gallons in 1995, and the new agreement provides for a price of \$0.60 per 1,000 gallons. The real problem with the new agreement is not the cost, but rather the fact that the supply is interruptible or even cancelable at BHP Copper's sole discretion.

The PWAM factor for the San Manuel System was set at \$0.000 by Decision No. 58120, dated December 23, 1992. According to the Company's tariffs, changes in purchased water expense equivalent to \$0.01 per 1,000 gallons (0.001 per 100) are required before the Company may file for a new PWAM rate.

The Company's proposed modification is for a \$0.03 increase per 1,000 gallons sold (\$0.003 per 100), including minimum gallons. With the implementation of the proposed change, the average residential increase would be \$0.38 monthly (1.4 percent) from \$26.85 to \$27.23, based on an average usage of 12,407 gallons per month.

Staff, therefore, recommends approval of the \$0.024 per 100 gallons, including minimum gallons, PWAM charge, effective June 1, 1999.

Ray T. Williamson

Ray T. Williamson
Acting Director
Utilities Division

Arizona Corporation Commission

DOCKETED

RTW:JJR:smm\PB

APR 07 1999

Originator: James J. Rolle

DOCKETED BY
JZm

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN
Commissioner - Chairman
3 TONY WEST
Commissioner
4 CARL J. KUNASEK
Commissioner
5

6 IN THE MATTER OF ARIZONA WATER)
COMPANY'S APPLICATION FOR AN)
7 INCREASE IN THE PURCHASED WATER)
ADJUSTMENT MECHANISM FACTOR FOR)
8 THE SAN MANUEL SYSTEM)

DOCKET NO. W-01445A-99-0154
DECISION NO. _____
ORDER

9 Open Meeting
10 April 19 and 20, 1999
Phoenix, Arizona
11

12 BY THE COMMISSION:

13 FINDINGS OF FACT

14 1. Arizona Water Company ("AWC" or "Company") is an Arizona public service
15 corporation certified to provide water service to customers through eighteen systems located
16 throughout the State.

17 2. On March 17, 1999, the Company filed an application to change their Tariff AM-254,
18 which is the Purchased Water Adjustment Mechanism ("PWAM") for their San Manuel System from
19 \$0.21 to \$0.24 per thousand gallons (\$0.024 per 100), including minimum gallons.

20 3. Arizona Water Company's San Manuel System has no wells; all the water is purchased
21 from BHP Copper, the successor to Magma Copper Company, AWC's previous supplier. The PWAM
22 rate for the San Manuel System was set at zero when AWC had new company-wide base rates
23 approved on December 23, 1992, per Decision No. 58120. In 1995, Magma threatened to cut off the
24 water supply if AWC did not agree to a steep rate increase and possible curtailment or even
25 discontinuance of water service at Magma's discretion. AWC sued Magma, but paid an increase of
26 \$0.21 per 1,000 gallons to \$0.57 per 1,000 gallons at that time. In Decision No. 59075, dated May 4,
27 1995, the Commission set the PWAM at \$0.21 per 1,000 gallons (\$0.021 per 100) for the San Manuel
28 System. Subsequent to that event, AWC lost their lawsuit to BHP Copper, Magma's successor, and
has had to enter into a new agreement on BHP's terms. The new agreement raises the water price to

1 \$0.60 per 1,000 gallons, compared to \$0.36 per 1,000 gallons for the base period, effective June 1,
2 1999. AWC has requested an increase of \$0.03 per 1,000 gallons, to \$0.24 per 1,000 gallons effective
3 June 1, 1999.

4 4. Staff has reviewed the Company's request, the new water supply agreement, and the
5 Company's computation of the required PWAM. The Company's request is in accordance with the
6 agreement and the new PWAM calculation is correct. Staff will propose an increase in the PWAM.

7 5. With the implementation of the Staff-proposed PWAM factor, the average residential
8 bill will increase \$0.38 monthly (1.4 percent) from \$26.85 to \$27.23, based on an average usage of
9 12,407 gallons per month.

10 6. Staff recommends approval of a PWAM rate of \$0.024 per 100 gallons, including
11 minimum gallons to become effective with the first billing cycle in June, 1999.

12 CONCLUSIONS OF LAW

13 1. Arizona Water Company is an Arizona public service corporation within the meaning
14 of Article XV, Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over Arizona Water Company and its Purchased Water
16 Adjustment Mechanism.

17 3. Approval of the new PWAM factor will not result in an increase in rates within the
18 meaning of A. R. S. Section 40-250.

19 4. The Commission, having reviewed the Company's application and Staff's Memorandum
20 dated April 5, 1999, concludes that approval of the proposed PWAM rate change is in the public
21 interest.

22 ORDER

23 THEREFORE, IT IS ORDERED that Arizona Water Company's PWAM factor be increased
24 to \$0.024 per 100 gallons, including minimum gallons, to become effective with the first billing cycle
25 in June, 1999.

26 ...

27 ...

28 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

THEREFORE, IT IS ORDERED that Arizona Water Company's PWAM factor be increased to \$0.024 per 100 gallons, including minimum gallons, to become effective with the first billing cycle in June, 1999.

IT IS FURTHER ORDERED that AWC submit revised rate schedules to its tariff to reflect the change in the PWAM rate by May 28, 1999.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

COMMISSIONER - CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, STUART R. BRACKNEY, Acting Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 1999.

STUART R. BRACKNEY
Acting Executive Secretary

DISSENT: _____

RTW:JJR:mmm