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BEFORE THE ARIZONA CORPORATION CO

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**COMMISSIONERS**  
GARY PIERCE - Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

2012 MAR 23 PM 2 08

Arizona Corporation Commission  
**DOCKETED**

MAR 23 2012

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS EASTERN GROUP AND FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-11-0310

**STAFF'S NOTICE OF FILING  
ERRATA**

The Staff ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the following Errata to the Direct Testimony of Bentley Erdwurm filed on March 13, 2012.

Subsequent to filing, Staff identified an error in its rate design calculations. Correction of the error necessitates revisions to the Executive Summary, Schedule DBE-1, page 1 of 7 (a typical bill analysis for Superstition (Apache Junction, Superior and Miami) residential customers), and Schedule DBE-2 (pricing and tier structure).

A revised Executive Summary is attached hereto as Exhibit A with changes shown in italics.

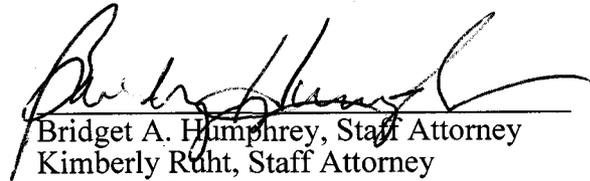
A revised page 1 of Schedule DBE-1 (revised) is attached hereto as Exhibit B.

A revised Schedule DBE-2 (revised) is attached hereto as Exhibit C, with changes shown in reverse display format (white type on black background).

Additionally, Staff notes an inconsistency in the Executive Summary to the Direct Testimony of John A. Cassidy. In his testimony, Mr. Cassidy recommends a 7.9 percent overall rate of return; however, the summary incorrectly states that Staff is recommending an 8.0 percent overall rate of return.

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1 RESPECTFULLY SUBMITTED this 23<sup>rd</sup> day of March, 2012.

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12 Original and thirteen (13) copies  
13 of the foregoing were filed this  
14 23<sup>rd</sup> day of March, 2012 with:

15 Docket Control  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Copies of the foregoing were mailed  
20 this 23<sup>rd</sup> day of March, 2012 to:

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# **EXHIBIT A**

**EXECUTIVE SUMMARY**  
**(REVISED 03/22/12 FOR CHANGE IN SUPERSTITION RATES)**  
**ARIZONA WATER COMPANY, INC.**  
**DOCKET NO. W-01445A-11-0310**

This testimony includes Staff recommendations for service areas in the Eastern portion of Arizona Water Company, Inc. ("Company") related to rate design, other service charges, and a normalization adjustment proposed by the Company related to use-per-customer. Staff's rate design recommendations are consistent with the cost of providing service, and generally include an inverted block structure that encourages the efficient use of scarce resources. Staff recommends an inverted block rate structure for industrial customers taking service through a meter of less than 6 inches and a flat rate structure for industrial customers with meters 6 inches or greater and for sales for resale. Currently there are no larger industrial customers with meters 6 inches or greater in the Eastern portion of the system. Staff recommends rejection of all use-per-customer normalization adjustments because these adjustments do not meet the known and measurable standards of the Arizona Administrative Code. The Company's change in use-per-customer estimates – the basis for the normalization adjustments – is unstable and varies with the time frame of the analysis.

*For Superstition (Apache Junction, Superior and Miami) 5/8 x 3/4-inch meter residential customers with an average usage of 6,321 gallons would experience an increase of \$9.82, or a 29.0 percent increase in his/her monthly bill, from \$33.84 to \$43.66, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$1.39, or a 4.1 percent increase in his/her monthly bill, from \$33.84 to \$35.23.*

*For Superstition (Apache Junction, Superior and Miami) 5/8 x 3/4-inch meter residential customers with a median usage of 4,594 gallons would experience an increase of \$8.51, or a 29.4 percent increase in his/her monthly bill, from \$28.91 to \$37.42, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$0.31, or a 1.1 percent increase in his/her monthly bill, from \$28.91 to \$29.22.*

For Bisbee 5/8 x 3/4-inch meter residential customers with a with an average usage of 4,832 gallons would experience an increase of \$6.64, or a 20.5 percent increase in his/her monthly bill, from \$32.43 to \$39.07, under the Company's proposed rates. Under Staff's recommended rates, the same customers with would experience a decrease of \$1.94, or a 6.0 percent decrease in his/her monthly bill, from \$32.43 to \$30.49.

For Bisbee 5/8 x 3/4-inch meter residential customers with a with a median usage of 3,308 gallons would experience an increase of \$6.64, or a 26.0 percent increase in his/her monthly bill, from \$25.56 to \$32.20, under the Company's proposed rates. Under

Staff's recommended rates, the same customers with would experience a decrease of \$1.92, or a 7.5 percent decrease in his/her monthly bill, from \$25.56 to \$23.64.

For Sierra Vista 5/8 x 3/4-inch meter residential customers with an average usage of 7,995 gallons would experience an increase of \$9.49, or a 36.6 percent increase in his/her monthly bill, from \$25.95 to \$35.44, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$1.79, or a 6.9 percent increase in his/her monthly bill, from \$25.95 to \$27.74.

For Sierra Vista 5/8 x 3/4-inch meter residential customers with a median usage of 5,610 gallons would experience an increase of \$8.57, or a 39.2 percent increase in his/her monthly bill, from \$21.89 to \$30.46, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$1.08, or a 4.9 percent increase in his/her monthly bill, from \$21.89 to \$22.97.

For San Manuel 5/8 x 3/4-inch meter residential customers with an average usage of 7,139 gallons would experience an increase of \$18.93, or a 43.4 percent increase in his/her monthly bill, from \$43.61 to \$62.54, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$3.95, or a 9.1 percent increase in his/her monthly bill, from \$43.61 to \$47.56.

For San Manuel 5/8 x 3/4-inch meter residential customers with a median usage of 5,426 gallons would experience an increase of \$14.36, or a 38.0 percent increase in his/her monthly bill, from \$37.82 to \$52.18, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$2.88, or a 7.6 percent increase in his/her monthly bill, from \$37.82 to \$40.70.

For Oracle 5/8 x 3/4-inch meter residential customers with an average usage of 5,140 gallons would experience an increase of \$7.40, or a 17.2 percent increase in his/her monthly bill, from \$43.05 to \$50.45, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience a decrease of \$0.33, or a 0.8 percent decrease in his/her monthly bill, from \$43.05 to \$42.72.

For Oracle 5/8 x 3/4-inch meter residential customers with a median usage of 3,958 gallons would experience an increase of \$6.30, or a 17.0 percent increase in his/her monthly bill, from \$37.00 to \$43.30, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience a decrease of \$0.32, or a 0.9 percent decrease in his/her monthly bill, from \$37.00 to \$36.68.

For SaddleBrooke Ranch 5/8 x 3/4-inch meter residential customers with an average usage of 3,405 gallons would experience an increase of \$11.00, or a 38.0 percent increase in his/her monthly bill, from \$28.96 to \$39.96, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$2.91, or a 10.1 percent increase in his/her monthly bill, from \$28.96 to \$31.87.

For SaddleBrooke Ranch 5/8 x 3/4-inch meter residential customers with a median usage of 2,567 gallons would experience an increase of \$9.89, or a 38.7 percent increase in his/her monthly bill, from \$25.53 to \$35.42, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$2.50, or a 9.8 percent increase in his/her monthly bill, from \$25.53 to \$28.03.

For Winkelman 5/8 x 3/4-inch meter residential customers with an average usage of 9,398 gallons would experience an increase of \$9.71, or a 31.6 percent increase in his/her monthly bill, from \$30.74 to \$40.45, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$0.81, or a 2.6 percent increase in his/her monthly bill, from \$30.74 to \$31.55.

For Winkelman 5/8 x 3/4-inch meter residential customers with a median usage of 6,635 gallons would experience an increase of \$7.96, or a 30.9 percent increase in his/her monthly bill, from \$25.75 to \$33.71, under the Company's proposed rates. Under Staff's recommended rates, the same customers would experience an increase of \$0.27, or a 1.1 percent increase in his/her monthly bill, from \$25.75 to \$26.02.

# **EXHIBIT B**

Superstition / Apache Junction - Superior - Miami  
Typical Bill Analysis  
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Change	Percent Change
Average Usage	6,321	\$33.84	\$43.66	\$ 9.82	29.02%
Median Usage	4,594	\$28.91	\$37.42	\$ 8.51	29.44%
<b>Staff Recommended</b>					
Average Usage	6,321	\$33.84	\$35.23	\$ 1.39	4.11%
Median Usage	4,594	\$28.91	\$29.22	\$ 0.31	1.07%

Present & Proposed Rates (Without Taxes)  
General Service 5/8 x 3/4-Inch Meter

Consumption Gallons	Present	Company Proposed	Staff Recommended
	3/4"	3/4"	3/4"
Minimum Charge	\$ 17.52	\$ 23.00	\$ 18.10
1st Tier Rate	2.2820	2.8882	1.8580
1st Tier Breakover	3,000	3,000	3,000
2nd Tier Rate	2.8527	3.6103	3.4789
2nd Tier Breakover	10,000	10,000	10,000
3rd Tier Rate	3.5663	4.5129	5.1830
	<b>Present Bill</b>	<b>Company Bill and % Change</b>	<b>Staff Bill and % Change</b>
-	\$17.52	\$23.00 31.28%	\$18.10 3.31%
1,000	\$19.80	\$25.89 30.76%	\$19.96 0.81%
2,000	\$22.08	\$28.78 30.34%	\$21.82 -1.18%
3,000	\$24.37	\$31.66 29.91%	\$23.67 -2.87%
4,000	\$27.22	\$35.27 29.57%	\$27.15 -0.26%
5,000	\$30.07	\$38.89 29.33%	\$30.63 1.86%
6,000	\$32.92	\$42.50 29.10%	\$34.11 3.61%
7,000	\$35.78	\$46.11 28.87%	\$37.59 5.06%
8,000	\$38.63	\$49.72 28.71%	\$41.06 6.29%
9,000	\$41.48	\$53.33 28.57%	\$44.54 7.38%
10,000	\$44.33	\$56.94 28.45%	\$48.02 8.32%
11,000	\$47.90	\$61.45 28.29%	\$53.40 11.48%
12,000	\$51.47	\$65.96 28.15%	\$58.79 14.22%
13,000	\$55.03	\$70.48 28.08%	\$64.17 16.61%
14,000	\$58.60	\$74.99 27.97%	\$69.55 18.69%
15,000	\$62.17	\$79.50 27.88%	\$74.94 20.54%
16,000	\$65.73	\$84.01 27.81%	\$80.32 22.20%
17,000	\$69.30	\$88.53 27.75%	\$85.70 23.67%
18,000	\$72.87	\$93.04 27.68%	\$91.08 24.99%
19,000	\$76.43	\$97.55 27.63%	\$96.47 26.22%
20,000	\$80.00	\$102.07 27.59%	\$101.85 27.31%
25,000	\$97.83	\$124.63 27.39%	\$128.77 31.63%
30,000	\$115.66	\$147.19 27.26%	\$155.68 34.60%
35,000	\$133.49	\$169.76 27.17%	\$182.60 36.79%
40,000	\$151.32	\$192.32 27.09%	\$209.51 38.45%
45,000	\$169.16	\$214.89 27.03%	\$236.43 39.77%
50,000	\$186.99	\$237.45 26.99%	\$263.34 40.83%
75,000	\$276.14	\$350.27 26.85%	\$397.92 44.10%
100,000	\$365.30	\$463.09 26.77%	\$532.49 45.77%

# **EXHIBIT C**

Arizona Water Company-Eastern  
Docket No. W-01445A-11-0310  
Pricing and Tier Structure

REVISED 03/22/2012

Superstition Company Proposal				
Res	Comm	Ind	Constr	Resale
\$ 23.00	\$ 23.00	\$ 29.00	\$ 23.00	\$ 23.00
2,8880	3,6090	2,7500	3,6090	3,6090
4,5130	4,5130	2,7500	4,5130	3,6090

Superstition Staff Tiers	
3,000	
10,000	
22,500	
45,000	
70,000	
140,000	
220,000	
450,000	
725,000	
1,000,000	

Superstition Staff Proposal				
Res	Comm	Ind	Constr	Resale
\$ 18.10	\$ 18.10	\$ 24.14	\$ 18.10	\$ 18.10
1,8580	3,4780	2,2890	3,4780	3,4780
5,3830	5,3830	2,9370	5,3830	3,4780

Superstition Minimum Charge	
1st Tier Rate	
2nd Tier Rate	
3rd Tier Rate	

Bisbee Company Proposal				
Res	Comm	Ind	Constr	Resale
\$ 20.00	\$ 20.00	\$ 29.00	\$ 20.00	\$ 20.00
3,6040	4,5050	5,7500	4,5050	4,5050
5,6310	5,6310	5,7500	5,6310	4,5050

Bisbee Staff Tiers	
3,000	
10,000	
20,000	
40,000	
65,000	
140,000	
225,000	
450,000	
725,000	
1,000,000	

Bisbee Staff Proposal				
Res	Comm	Ind	Constr	Resale
\$ 14.00	\$ 14.00	\$ 24.14	\$ 14.00	\$ 14.00
2,7500	4,5000	2,2890	4,5000	4,5000
6,0000	6,0000	2,9370	6,0000	6,0000

Bisbee Minimum Charge	
1st Tier Rate	
2nd Tier Rate	
3rd Tier Rate	

Sierra Vista Company Proposal				
Res	Comm	Ind	Constr	Resale
\$ 20.00	\$ 20.00	\$ 24.14	\$ 20.00	\$ 20.00
1,6710	2,0880	2,2890	2,0880	2,0880
2,6100	2,6100	2,9370	2,6100	2,0880

Sierra Vista Staff Tiers	
3,000	
10,000	
20,000	
40,000	
65,000	
140,000	
225,000	
450,000	
725,000	
1,000,000	

Sierra Vista Staff Proposal				
Res	Comm	Ind	Constr	Resale
\$ 14.00	\$ 14.00	\$ 24.14	\$ 14.00	\$ 14.00
1,2500	2,0000	2,2890	2,0000	2,0000
2,7500	2,7500	2,9370	2,7500	2,7500

Sierra Vista Minimum Charge	
1st Tier Rate	
2nd Tier Rate	
3rd Tier Rate	

Arizona Water Company-Eastern  
Docket No. W-01445A-11-0310  
Pricing and Tier Structure

REVISED 03/22/2012

**San Manuel**

Company Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000	\$ 23.00	\$ 4.8370		
30,000		\$ 6.0460		
65,000			\$ 2,5000	
100,000				\$ 7.5580
220,000				
350,000				
725,000				
1,175,000				
1,700,000				

**Company Proposal**

Res	Comm	Ind	Constr	Resale
\$ 23.00	\$ 23.00	\$ 18.00	\$ 23.00	\$ 23.00
4.8370				
6.0460				6.0460
7.5580				6.0460

**San Manuel**

Staff Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000				
21,000				
40,000				
62,500				
125,000				
197,500				
400,000				
605,000				
925,000				

**Staff Proposal**

Res	Comm	Ind	Constr	Resale
\$ 22.00	\$ 22.00	\$ 24.14	\$ 22.00	\$ 22.00
3.0000				
4.0000				4.0000
6.6800				6.6800

**Oracle**

Company Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000	\$ 23.00	\$ 4.8370		
30,000		\$ 6.0460		
65,000			\$ 2,5000	
100,000				\$ 7.5580
220,000				
350,000				
725,000				
1,175,000				
1,700,000				

**Company Proposal**

Res	Comm	Ind	Constr	Resale
\$ 23.00	\$ 23.00	\$ 18.00	\$ 23.00	\$ 23.00
4.8370				
6.0460				6.0460
7.5580				6.0460

**Oracle**

Staff Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000				
21,000				
40,000				
63,000				
127,500				
200,000				
400,000				
640,000				
900,000				

**Staff Proposal**

Res	Comm	Ind	Constr	Resale
\$ 19.50	\$ 19.50	\$ 24.14	\$ 19.50	\$ 19.50
4.1000				
5.1000				5.1000
7.2500				7.2500

**SaddleBrooke Ranch**

Company Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000	\$ 23.00	\$ 4.8370		
30,000		\$ 6.0460		
65,000			\$ 2,5000	
100,000				\$ 7.5580
220,000				
350,000				
725,000				
1,175,000				
1,700,000				

**Company Proposal**

Res	Comm	Ind	Constr	Resale
\$ 23.00	\$ 23.00	\$ 18.00	\$ 23.00	\$ 23.00
4.8370				
6.0460				6.0460
7.5580				6.0460

**SaddleBrooke Ranch**

Staff Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000				
21,000				
40,000				
63,000				
127,500				
200,000				
400,000				
640,000				
900,000				

**Staff Proposal**

Res	Comm	Ind	Constr	Resale
\$ 17.50	\$ 17.50	\$ 24.14	\$ 17.50	\$ 17.50
4.1000				
5.1000				5.1000
7.2500				7.2500

Arizona Water Company-Eastern  
Docket No. W-01445A-11-0310  
Pricing and Tier Structure

REVISED 03/22/2012

**Winkleman**

Company Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000	\$19.00	\$19.00	\$2,5000	\$2,5000
30,000	\$1,9510	\$2,4380	\$2,4380	\$3,0480
65,000				
100,000				
220,000				
350,000				
725,000				
1,175,000				
1,700,000				

**Company Proposal**

Res	Comm	Ind	Constr	Resale
\$19.00	\$19.00	\$19.00	\$19.00	\$19.00
\$1,9510				
\$2,4380	\$2,4380	\$2,5000	\$2,4380	\$2,4380
\$3,0480	\$3,0480	\$2,5000	\$3,0480	\$2,4380

**Winkleman**

Staff Tiers	Minimum Charge	1st Tier Rate	2nd Tier Rate	3rd Tier Rate
3,000				
10,000				
30,000				
65,000				
100,000				
200,000				
300,000				
650,000				
1,000,000				
1,500,000				

**Staff Proposal**

Res	Comm	Ind	Constr	Resale
\$ 15.00	\$ 15.00	\$ 18.65	\$ 15.00	\$ 15.00
\$ 1,2500				
\$ 2,0000	\$ 2,0000	\$ 1,7700	\$ 2,0000	\$ 2,0000
\$ 3,0000	\$ 3,0000	\$ 2,2700	\$ 3,0000	\$ 3,0000