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ARIZONA CORP. COMM
900 W CONGRESS STE 218 TUCSON AZ 85701

COMMISSIONERS

Susan Bitter Smith, Chairman

Bob Burns

Tom Forese

Doug Little

Bob Stump

2015 SEP 29 A 9:41

ARIZONA CORP. COMM

In the matter of the Application of ERCOR Water Arizona, Inc., for a determination of the current fair value of its utility plant and property and for increases in its rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

Docket No. WS-01303A-14-0010

28 September 2015

**APPLICATION FOR REHEARING OF DECISION NO. 75268
BECAUSE IT FAILS TO MEET LEGAL REQUIREMENTS**

by Marshall Magruder

DOCKETED BY
SEP 29 2015
JK

Arizona Corporation Commission
DOCKETED

This Application for a Rehearing of Decision No. 75268 of 8 September 2015 is filed in accordance with A.R.S. §40-253 because its rates, charges, and fees are in violation of several Legal Requirements and also clearly is rate discrimination violation of A.R.S. §40-248. These Legal Requirements, discussed below, require all rates, charges, and fees to not be different but to be the same same for ALL persons, regardless of a customer's location, for the same service. The so-called "districts" in this Order are not public service companies but are "administrative units" or "profit centers". It is required by law that public service companies not discriminate based on the location of customers for the same service.

An example that shows the residential monthly rate for one district for its first 1000 gallons of water is presently \$0.72 and the Order increased to \$0.73 while another district present rate is \$1.90 and was raised to \$2.76 only because these customers were at a different location, the core legal issue of this filing. This is blatant rate discrimination.

Table 1, from my prior filings, is attached that clearly shows rate discrimination for average residential rate payers and other previously filed tables, show very different Service Charges; Fees; Rate Classes, Categories and Tiers and other 'surcharges' based on location.

The entire rate structure must be consolidated into ONE rate structure for all of these water and for its wastewater customers in order to meet the Legal Requirements.

Continuing unreasonable rates and unfair rates in the form of rate discrimination violates the Arizona Constitution and Statutes.

My filings proposed Consolidated rates, based on all water districts, with no changes to the additional revenue based on Return on Revenue approved by the Order.

1 **I. LEGAL REQUIREMENTS**

2 My Exceptions in this case was in the form of a Motion to Remand of 13 Aug 2015 in
3 order to adjudicate the Legal Requirements and produce a rate schedule that complies with all
4 Legal Requirements. Verbal comments by the Staff Counsel during the Open Meeting did not
5 provide any legal justification for violations enumerated in that Motion but, in summary, said
6 that is how it has always been done.

7
8 Continuing an injustice that has existed for decades for another half-decade is plain not
9 fair or reasonable when a simple revision to the rate structure I proposed eliminates rate
10 discrimination. The Legal Requirements, enumerated in prior filings in this docket, include

11 1. Arizona Constitution, Title XV section 12 reads as follows:

12 ***Charges for service; discrimination; free or reduced rate transportation***

13 ***Section 12. All charges made for service rendered, or to be rendered, by public service***
14 ***corporations within this state shall be just and reasonable, and no discrimination in***
15 ***charges, service, or facilities shall be made between persons or places for rendering a***
16 ***like and contemporaneous service,***¹

17 2. Arizona Revised Statutes

18 a. Section §40-334.B reads:

19 ***40-334. Discrimination between persons, localities or classes of service as to rates,***
20 ***charges, service or facilities prohibited.***

21 ***B. No public service corporation shall establish or maintain any unreasonable***
22 ***difference as to rates, charges, service, facilities or in any other respect, either***
23 ***between localities or between classes of service.***

24 b. Sections §40-361.A and .C, state:

25 ***A. Charges demanded or received by a public service corporation for any***
26 ***commodity or service shall be just and reasonable. Every unjust or***
27 ***unreasonable charge demanded or received is prohibited and unlawful.***"

28 Therefore, any **deviation** or **variation** from the Arizona Constitution or Statues is
29 **unlawful** and must be remedied as soon as possible to eliminate unreasonable charges.

30 3. Commission Order No. 71410 (8 Dec 2009) in the "last rate case" required the next
31 rate case to include consolidated rates, stated:

32 ***IT IS FURTHER ORDERED that this docket shall remain open for the limited***
33 ***purposed of consolidation in the Company's next rate case with a revenue-neutral***
34 ***change to rate design of all Arizona-American Water Company's water districts ...***
35 ***after appropriate public notice.***²

¹ Magruder Direct Testimony at 13:10-15; Surrebuttal Testimony, 26 Feb. 2015, **Exhibit Magruder-2** at 1.

² Arizona Corporation Commission Decision and Order No. 71410 at 78:14-23 as fully quoted in Magruder Post-Hearing Brief (17 April 2015) at III.A.1c; Magruder Direct Testimony (23 Jan 2015) at 15:17-30;

1 4. Precedence in prior rate cases and that consolidated rates are used by all electric,
2 natural gas, telecommunications, and railroads regulated by the Commission. I filed an
3 Exception in an UNSE rate case to consolidate residential and small business rates in Mohave
4 and Santa Cruz Counties, approved in Decision No. 70360, that states:

5
6 ***IT IS FURTHER ORDERED that UNS Electric, Inc., shall consolidate the rates for
7 customers in Mohave and Santa Cruz Counties into a single rate structure.***³

8 Also, in a separate UNS Gas rate case I was a party, the Commission decided not to
9 approve different rates in Snowflake and Nogales, to avoid rate discrimination.

10 5 Legal case rulings as cited in the Magruder Post-Hearing Brief and others include:

11 a. Town of Wickenburg v. Sabin (1948) 68 Ariz. 73, 200P 342:

12
13 *"Public service corporations must treat all their customers fairly and without unjust
14 discrimination and give all of them the same service on equal terms at uniform rates
15 without discriminating between customers similarly situated as to the character of the
16 service rendered or charges made and as regards discrimination in rates or service in the
17 public utility field, a municipal corporation stands in the same position as a private
18 corporation."*

19 b. Arizona Corp. Comm. v. Southern Pac. Co. (1906) 87 Ariz. 310 P.2D 765.

20 *"Utilities may not pick and choose, serving only portions of territory covered by their
21 franchises which it is presently profitable for them to serve and restricting development of
22 remaining portions by leaving their inhabitants in discomfort without services which they
23 along can render."*

24 It is clear, the rates shall be the same for all customers receiving the same service, no
25 matter the location of the ratepayer. [Emphasis in these quotes has added]

26 II. EVIDENCE OF RATE DISCRIMINATION

27 This party has presented compelling evidence on three major issues that include:

28 1. The present and proposed rates fail to comply with the Arizona Constitution and
29 Arizona Revised Statutes, a Commission Order; with significant locational and unreasonable
30 differences in rates that violate these Legal Requirements. They are not fair and just rates for
31 the same service for ALL ratepayers, regardless of location. They are capricious and arbitrary.

32 2. A proposed "low income plan" also violates these Legal Requirements, is inequitable,
33 proven to be dysfunctional, and has failed to provide for rate relief for lower income ratepayers.

34 3. The present and proposed rate structure fail to promote Arizona's water conservation
35 goals, discriminate against small businesses and residential customers, stimulates rate shock,
do not provide viable "price signals" or incentives for customers to reduce water consumption,

³ Commission Decision No. 70360 of 27 May 2008 at 88 in Docket E-04204A-06-0783.

1 violates Arizona Legal Requirements, and will require a complete revision because they
2 accelerate known unreasonable differences between service area locations. They unfairly
3 burden the Company, based primarily on legacy convolutions, that results multiple rate cases
4 and expenses for the Company, Commission staff, RUCO and any other party.

5 6 III. DOCUMENTATION

7 All previous filings in this docket by this party are considered incorporated herein in
8 whole and not repeated but they shall be considered as part of this filing. Attached excerpts
9 from the Magruder Post-Hearing Brief include Table 1 (of 7) that all show rate discrimination,
10 the company's position on combining rates, discussion on a consolidated rate schedule from
11 the last rate case for the entire company, excerpts from the Constitution, ARS, cases, etc., a
12 consolidated water rate schedule that meets the revenue requirements from the last rate case.

13 IV. CONCLUSION

14 In conclusion, it is necessary for this public service corporation to present, one
15 company-wide set of rates in this rate case for these customers (four districts) in a rehearing in
16 order for the Commission to approve fair and reasonable rates now and all other customers as
17 soon as practicable.

18 We must preserve our diminishing and critical water resources for our citizens by not
19 rewarding the highest consuming users with low rates and the lowest rate increases.

20 Most importantly, solutions for these issues **do not impact the company's revenue.**

21 Other issues raised are included in the Magruder Post-Hearing Brief that need active
22 consideration before any final implementation of Commission Order No 75268.

23 My case has provided an abundance of evidence, and conclusions, and advocates
24 simple solutions to ALL three major issues and the others that arose during the proceedings
25 with reasonable recommendations for the Company to revise the structure of its rates to

- 26
27 a. Combine water rates to eliminate unreasonable differences based on location,
28 b. Provide equitable and fair rates for all customers, explicitly those with lower incomes,
29 c. Conserve water by using cost as a driver for a revenue-neutral water rate design.

30 RESPECTFULLY SUBMITTED this 28th day of September 2015.

31
32 
33 By _____
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TABLE 1. COMPARISON OF PRESENT AND PROPOSED RESIDENTIAL COSTS FOR MONTHLY AVERAGE USAGE.⁴

1(a) PRESENT COST: Average Usage, Monthly Cost, and Cost per 1000 Gallons Of Water

AVERAGE Monthly Usage	Residential Rate Categories							
	5/8 and 3/4-inch meter service				1-inch meter service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
In gallons	8,348	7,203	19,271	6,800	13,838	14,786	55,400	23,601
Present COST	\$53.57	\$17.35	\$52.30	\$20.63	\$146.05	\$43.44	\$165.40	\$80.90
COST per 1000 gallons	\$6.42 w/ARCM	\$2.41	\$2.71	\$3.03	\$10.55 w/ARCM	\$2.94	\$2.99	\$3.43

1(b) EPCOR FINAL PROPOSAL: Average User Monthly Cost and Cost Increase

[Based on EPCOR's 6 April 2015 Final Schedule H-2]

Proposed COST INCREASE	+\$32.72 (+25.50)	+\$2.79	+\$4.47	+\$8.63	+\$46.55 (55.05)	+\$6.20	+\$14.20	+\$21.92
Proposed COST (+DAMRO Tubac only)	\$86.29 (+\$25.50) \$110.79	\$20.46	\$56.76	\$29.26	\$192.60 (+\$55.05) \$247.65	\$49.64	\$179.60	\$102.82
Percent COST INCREASE	+61.07% (+108.68%)	+17.91%	+8.54%	+41.84%	+31.87% (69.57%)	+14.27%	+8.58%	+27.10%
COST per 1000 gals (+DAMRO Tubac only)	\$10.34 +1.77 \$12.11	\$2.84	\$2.96	\$4.30	\$13.92 +\$1.77 \$24.69	\$3.35	\$3.24	\$4.36

1(c) MAGRUDER CONSOLIDATED RATES: Monthly Cost for Average User and Water Lifeline

[Based on Magruder Direct Testimony, Appendix 3, for Combined Rates in the "last rate case"]

AVERAGE Usage Cost	\$39.81	\$36.95	\$64.33	\$35.94	\$49.45	\$52.30	\$179.54	\$78.74
Water Lifeline @ 3,000 gallons	\$17.44	\$17.44	\$17.44	\$17.44	\$22.94	\$22.94	\$22.94	\$22.94

1(d) MAGRUDER COMBINED RATES PLUS 10% REVENUE INCREASE, AVERAGE USE COST

[Based on Magruder Direct Testimony, Appendix 3, for Combined Rates in the "last rate case"]

AVERAGE Usage Cost	\$43.79	\$40.64	\$70.76	\$39.54	\$54.41	\$57.53	\$197.49	\$86.61
Cost Change	(\$11.91)	+\$23.28	+\$18.46	+\$18.91	(\$91.64)	+\$14.09	+\$31.79	(\$5.71)
COST/1000 gals	(18.3%)	+134.2%	+35.3%	+91.7%	(62.8%)	+32.4%	+19.2%	(\$7.05)
Water Lifeline @ 3,000 gallons	\$19.15	\$19.15	\$19.15	\$19.15	\$25.23	\$25.23	\$25.23	\$25.23

1(d) EPCOR ORIGINAL PROPOSAL: PRESENT AVERAGE USER MONTHLY COST AND INCREASE

[Based on EPCOR's 14 October 2014 Schedules H-2]

Proposed COST INCREASE	+\$47.19	+\$3.82	+\$5.06	+\$9.06	+\$82.49	+\$8.47	+\$16.05	+\$23.41
Proposed COST	\$101.76	\$21.17	\$57.36	\$29.69	\$228.54	\$51.91	\$181.45	\$104.31
Percent INCREASE in COST	+88.1%	+22.0%	+9.7%	+43.9%	+56.5%	+19.5%	+9.7%	+28.7%

A proposed EPCOR Deferred Arsenic Media Replacement O&M (DAMRO) surcharge of \$1.77 per 1,000 gallons is included for Tubac (in bracket). No other locations have a DAMRO surcharge for their arsenic treatment plants. [Ref: EPCOR Final Schedule H-3, page 6].

⁴ Magruder Direct Testimony, Table 2.11-1, 23:3-17; Magruder Surrebuttal Testimony, Table 2-11-1 (Rev A), 9:9-35; Magruder Direct Testimony, Appendix 3, 55-58.

1 Table 1(a) shows that the PRESENT average customer's bill is higher in one service
2 area than the other service areas. Considering the cost per 1000 gallons (used to normalize for
3 different average use) in the different service areas, the Present rates are at least twice that for
4 any of the other service area. For example, Tubac average 5/8&3/4-inch customer uses 8,348
5 gallons with a \$53.75 bill while a Paradise Valley customer uses 19,271 gallons costing \$52.30,
6 for 230.8% more water consumed. All the monthly costs and the cost per 1000 gallons
7 variations are significantly different in both Rate Categories. The Present average monthly
8 costs are significantly different, highly variable, and thus are unreasonable.

9 Table (1)b shows the latest EPCOR PROPOSED average customer's bill will have
10 increased the monthly cost differences and deviate even more from their present bills [Table
11 1(a)]. The proposed average 5/8&3/4-inch customer's bill could increase from \$2.79 to \$8.63 in
12 three locations and by \$32.72 in the Tubac service area. When adding the \$25.50 for a
13 proposed Deferred Arsenic Media Replacement O&M (DAMRO) surcharge, the Tubac bills
14 could increase to \$110.79 for this Rate Category. The 1-inch Rate Category proposed
15 increases for the Average using customer from \$6.20 to \$21.92 for three service areas and by
16 \$58.22 (= \$32.72 + \$25.50 DAMRO) per month or 108.68%, compared to between 8.54% to
17 41.84%. The normalized average cost per 1000 gallons also shows significantly higher
18 deviations between service areas, over a 250% difference. The Proposed monthly average
19 costs have unreasonable differences between service areas for the same contemporaneous
20 service.

21 Table 1(c) shows the consolidated monthly cost for an average user for all eight service
22 areas to meet the revenue requirements in the "last rate case." The only difference between
23 rates are based on the monthly amount of water consumed. As discussed later in III.B for a
24 *Water Lifeline* for 3,000 gallons is \$17.44 and \$11.94 for these two residential Rate Categories.

25 Further, Table 1(d) hypothetically assumes a revenue rate increase by 10%, thus, the
26 average cost from Table 1(c) times ten percent is reflected. These are fair and reasonable rate
27 for a 10% revenue increase.

28 Table 1(e) shows the original EPCOR proposed average customer costs for comparison.

29 .The predominance of customer water usage is a distribution curve skewed towards the
30 higher user ends or tail. An "Average" usage results in a higher usage than the "Median" usage,
31 where half use more and the other half use less water. "Media" is a better measure than
32 "average" for usage and is based on the consumption where 50% of the users consume more
33 and 50% consume less water in the same rate category.

34 III.A.3.d. The Company's Position on Combining or Consolidating Rates.

35 Based on the bifurcation from the "last rate case", now ACC Docket No. SW/W-01303A-
09-0343 (hereafter Docket 09-0343), EPCOR has submitted detailed Testimony on 19
September 2014, that very strongly supports combining or consolidating rates for all wastewater
districts. Further, in response to a Commissioner's questions, in an EPCOR filed a letter of 8
December 2014 in the above docket, that stated:

EPCOR's responses are as follows:

1. EPCOR has supported and continues to support consolidation because it will provide our customers with fair, efficient and predictable rates.

2. EPCOR's position has not changed.

1 The AAWC Chief Executive Officer, several times, in the "last rate case," testified he fully
2 supported consolidated rates. Thus, my position supports both Companies views.

3 a The same rationale is reflected my testimony and briefs in the "last rate case" that
4 emphasized the benefits for the Company, staff and RUCO and most importantly, fairness,
5 equality, and reasonableness for all ratepayers. Any other approach for the design of rate
6 structure, in my opinion, is contrary to the Arizona legal requirements, and specifically, does not
7 comply with the Commission's Order in the "last rate case".

8 An ongoing wastewater rate case in Docket 09-0343 now includes all the EPCOR
9 wastewater districts. On 8 August 2014, EPCOR filed in Docket 09-0343, its plan to
10 "consolidated" wastewater rate schedules for its wastewater administrative districts. This
11 EPCOR filing, and subsequent filings, presents detailed arguments that describe the numerous
12 and significant benefits of rate consolidation for those ratepayers, the Company and accounting
13 efficiencies for both Staff and RUCO. These same rate consolidation factors and benefits also
14 directly pertain to EPCOR's water administrative service areas.

15 Previously, on 25 April 2015, Mr. Magruder requested a consolidated water rate
16 schedule be in the present docket to comply with Commission Decision and Order No. 71410 of
17 8 December 2009 on page 78 as discussed in II.B above.

18 **III.A.3.e. A Sample Consolidated Rate Schedule and Typical Ratepayer-Impacts.**

19 The Party did not file a Consolidate Rate Case in the present case, however, during the
20 course of the "last rate case", a complete rate structures was filed using the Company's over 20
21 inter-linked massive Microsoft Excel databases. After iterations, considering all Rate Classes
22 and Rate Categories (except those in Table 7 above) or about 97% of the customer revenue, in
23 **Exhibit MM-3**, the resultant three pages provide the entire rate structure for all eight water
24 service areas.⁵

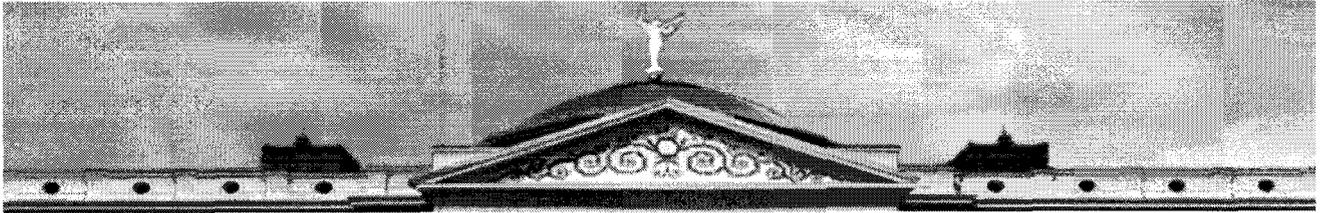
25 If the Exhibit MM-3 rate schedule were adopted and the Company files a rate case, it
26 could simply multiply all service charges and volumetric rates by a proposed increase, by 1.09
27 for a nine percent rate increase. This is simple, fair, and reasonable. It provides customers an
28 understandable set of rate changes. Future emphasis on *Total Revenue* may remain an
29 important part of future rate cases, as the complex, unfair and unreasonable increases in the
30 present and proposed rate structures are minimized⁶.

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33
34
35 ⁵ In "last rate case", Magruder Notice of Filing Consolidated Rate Schedule," 25 June 2010 in Docket 09-0343,
Appendix A, 3-6. This Rate Schedule is included herein as **Exhibit MM-3**.

⁶ Table 2.8-1, Magruder Direct Testimony, 19:4-15.

3 a

4 **Handout of Excerpts from the**
5 **Arizona State Constitution,**
6 **Arizona Revised Statutes, and**
7 **Arizona Revised Statutes - Annotated**



8
9
10
11
12 **ARIZONA STATE CONSTITUTION**

13
14 **Title XV - The Corporation Commission**

15
16 Charges for service; discrimination; free or reduced rate transportation

17 Section 12. **All charges** made for service rendered, or to be rendered, by public service
18 corporations within this state **shall be just and reasonable**, and **no discrimination** in charges,
19 service, or facilities **shall be made between persons or places** for rendering a like and
20 contemporaneous service, except that the granting of free or reduced rate transportation may be
21 authorized by law, or by the corporation commission, to the classes of persons described in the act
22 of Congress approved February 11, 1887, entitled An Act to Regulate Commerce, and the
23 amendments thereto, as those to whom free or reduced rate transportation may be granted.

24 **ARIZONA REVISED STATUTES (excerpt)**

25 **Chapter 2 - Public Service Corporations Generally**

26
27 **Article 1 - Regulation by Corporation Commission**

28 40-203. Power of commission to determine and prescribe rates, rules and practices of public
29 service corporations

30 When the commission finds that the rates, fares, tolls, rentals, charges or classifications, or any of
31 them, demanded or collected by any public service corporation for any service, product or
32 commodity, or in connection therewith, or that the rules, regulations, practices or contracts, are
33 unjust, discriminatory or preferential, illegal or insufficient, the commission shall determine and
34 prescribe them by order, as provided in this title.

1 Article 3 – Investigations, Hearings and Appeals

2 40-248. Reparation of overcharge; action to recover overcharge; limitations

- 3
- 4 A. When complaint is made to the commission concerning any rate, fare, toll, rental or charge made by
5 any public service corporation, and the commission finds, after investigation, that the corporation has
6 made an excessive or discriminatory charge, the commission may order that the corporation make
7 reparation to the complainant with interest at the legal rate from the date of collection, if no
8 **discrimination** will result from such reparation. If the corporation does not comply with the order for
9 payment of reparation within the time specified in the order, an action may be brought to recover the
10 amount thereof.
- 11 B. All complaints concerning excessive or discriminatory charges shall be filed with the commission
12 within two years from the time the cause of action accrues, and the action to enforce the order shall be
13 brought within one year from the date of the order of the commission.
- 14 C. The **remedy afforded in this section is cumulative** and in addition to any other remedy provided for
15 failure of a public service corporation to obey an order or decision of the commission.

16 Article 6 – Services and Facilities

17 40-334. **Discrimination between persons, localities or classes of service as to rates, charges, service**
18 **or facilities prohibited**

- 19 A. A public service corporation **shall not**, as to rates, charges, service, facilities or in any other respect,
20 make or grant any preference or advantage to any person or subject any person to any prejudice or
21 disadvantage.
- 22 B. No public service corporation shall establish or maintain any unreasonable difference as to rates,
23 charges, service, facilities or in any other respect, either between localities or between classes of
24 service.
- 25 C. The commission may determine any question of fact arising under this section.

26 Article 7 – Rates and Schedules

27 40-361. Charges by public service corporations required to be just and reasonable; service and facilities
28 required to be adequate, efficient and reasonable; rules and regulations relating to charges or service
29 required to be just and reasonable

- 30 A. **Charges** demanded or received by a public service corporation for any commodity or service **shall be**
31 **just and reasonable.** Every **unjust or unreasonable charge demanded or received is prohibited**
32 **and unlawful.**
- 33 B. Every public service corporation shall furnish and maintain such service, equipment and facilities as
34 will promote the safety, health, comfort and convenience of its patrons, employees and the public,
35 and as will be in all respects adequate, **efficient** and reasonable.

1 C. All rules and regulations made by a public service corporation affecting or pertaining to its charges or
2 service to the public shall be **just and reasonable**.

a .

3 40-362. Power of commission to investigate interstate rates

4
5 A. The commission may investigate all existing or proposed interstate rates, fares, tolls, charges and
6 classifications, and all rules and practices in relation thereto, for or in relation to the transmission
7 of messages or conversations, where any act in relation thereto takes place within this state.

8 B. When the proposed or existing rates are excessive or discriminatory, or in violation of the acts of
9 Congress, or in conflict with the orders or regulations of the interstate commerce commission, the
10 commission may apply to the interstate commerce commission or to any court of competent
11 jurisdiction for relief.

12 40-365. Filing of rate schedules by public service corporations

13 Under rules and regulations the commission prescribes, every public service corporation shall file with
14 the commission, and shall print and keep open to public inspection, schedules showing all rates, tolls,
15 rentals, charges and classifications to be collected or enforced, together with all rules, regulations,
16 contracts, privileges and facilities which in any manner affect or relate to rates, tolls, rentals,
17 classifications or service. The commission may, from time to time, approve or fix rates, tolls, rentals or
18 charges in excess of or less than those shown by the schedules. The commission may, from time to time,
19 determine and prescribe by order such changes in the form of the schedules as it finds expedient, and
20 modify the requirements of any of its orders, rules, or regulations.

21 40-367. Changes of rates; notice; filing; exception

22 A. No change shall be made by any public service corporation in any rate, fare, toll, rental, charge or
23 classification, or in any rule, regulation or contract relating to or affecting any rate, toll, fare, rental,
24 charge, classification or service, or in any privilege or facility, except after thirty days notice to the
25 commission and to the public as provided in this chapter.

26 B. **Notice** shall be given by filing with the commission and keeping open for public inspection new
27 schedules stating plainly the change to be made in the schedules then in force, and the time when the
28 change will go into effect.

29 C. The commission, for good cause shown, may allow changes **without** requiring the thirty days **notice**
30 provided for in this section by an order specifying the changes so to be made and the time when they
31 shall take effect, and the manner in which they shall be filed and published.

32 D. When any change is proposed attention shall be directed to the change on the schedule filed with the
33 commission by some mark, designated by the commission, immediately preceding or following the
34 item.
35

Quote from

a

*Arizona Revised Statutes – Annotated,
Volume 12, Sections 30-101 to 40-End (Excerpt)*

“Discrimination Between persons, discrimination

“Public service corporations must treat all their customers fairly and **without unjust discrimination** and give all of them the same service on equal terms at uniform rates without discriminating between customers similarly situated as to the character of the service rendered or charges made and as regards **discrimination in rates** or service in the public utility field, a municipal corporation stands in the same position as a private corporation.”

Town of Wickenburg v. Sabin (1948) 68 Ariz. 73, 200 P .2d 342.

“Discrimination Between localities, discrimination

“**Utilities may not pick and choose**, serving only portions of territory covered by their franchises **which it is presently profitable for them to serve** and restricting development of remaining portions by leaving their inhabitants in discomfort without services which they along can render.”

Arizona Corp. Commission v. Southern Pac. Co. (1906) 87 Ariz. 310 P.2D 765.

3 a

4 **CONSOLIDATED RATE SCHEDULES**
5 **BY MARSHALL MAGRUDER**

- 6 1.
- Scope
- . This filing consists of copies of spreadsheets computed using the version 4 of the
-
- 7 Company's Consolidated Rates Microsoft Excel program. Two Excel files have been
-
- 8 provided to all parties with email so that compatible reviews can be compared.
-
- 9 2.
- References
- . Upon inclusion of the two Excel files (included in the electronic submission of
-
- 10 these schedules and indicated by * below), with updated Excel files from the version 4
-
- 11 Company's Consolidated Water Model are incorporated by reference in this submission:

12 AZAW Consol rates Water – Residential v4 Step 1.xls (dated 2 June 2010)
13 AZAW Consol rates Water – Residential v4 Step 2.xls (dated 2 June 2010)
14 AZAW Consol rates Water – Residential v4 Step 3.xls (dated 2 June 2010)
15 AZAW Consol rates Water – Residential v4 Step 4.xls (dated 2 June 2010)
16 AZAW Consol rates Water – Residential v4 Step 5.xls (dated 2 June 2010)
17 AZAW Consol rates Water – nonpotable v4 Step 1.xls (dated 2 June 2010)
18 AZAW Consol rates Water – nonpotable v4 Step 2.xls (dated 2 June 2010)
19 AZAW Consol rates Water – nonpotable v4 Step 3.xls (dated 2 June 2010)
20 AZAW Consol rates Water – nonpotable v4 Step 4.xls (dated 2 June 2010)
21 AZAW Consol rates Water – nonpotable v4 Step 5
22 AZAW Consol rates Water – PF v4 Step 1.xls (dated 2 June 2010)
23 AZAW Consol rates Water – PF v4 Step 2.xls (dated 2 June 2010)
24 AZAW Consol rates Water – PF v4 Step 3.xls (dated 2 June 2010)
25 AZAW Consol rates Water – PF v4 Step 4.xls (dated 2 June 2010)
26 AZAW Consol rates Water – PF v4 Step 5.xls (dated 2 June 2010)
27 AZAW Consol rates Water – Commercial v4 Step 1.xls (dated 2 June 2010)*
28 AZAW Consol rates Water – Commercial v4 Step 2.xls (dated 2 June 2010)
29 AZAW Consol rates Water – Commercial v4 Step 3.xls (dated 2 June 2010)
30 AZAW Consol rates Water – Commercial v4 Step 4.xls (dated 2 June 2010)
31 AZAW Consol rates Water – Commercial v4 Step 5.xls (dated 2 June 2010)
32 AZAW Consol rates Water – Total v4 Step 1.xls (dated 2 June 2010)*
33 AZAW Consol rates Water – Total v4 Step 2.xls (dated 2 June 2010)
34 AZAW Consol rates Water – Total v4 Step 3.xls (dated 2 June 2010)
35 AZAW Consol rates Water – Total v4 Step 4.xls (dated 2 June 2010)
*AZAW Consol rates Water – Total v4 Step 5.xls (dated 2 June 2010)
*Stepped Rate Summary v4.xls (dated 2 June 2010)

36 3. Discussion of Consolidated Schedules.

- 37 a.
- Water District Schedules
- . The Rate Consolidation Schedules for the eight Water Districts
-
- 38 use the references cited above. The "Assumptions" in file "AZAW Consol rates Water –
-
- 39 Total v4 Step 1.xls" are provided in Attachment A. The above files contain mean and
-
- 40 average customer usage data and specific changes for each district, rate category, and
-
- 41 class. There are no other Model changes (other an correcting a minor summing function
-
- 42 in Commercial Step 1 provided to all parties). A Step 1 solution is provided herein. Steps
-
- 43 2 to 5 will be discussed in the Brief.
-
- 44 b.
- Wastewater District Schedules
- . This party plans to accept AAWC's Consolidation Wastewater
-
- 45 Rate Schedules, therefore no Wastewater Consolidated is presented.
-
- c.
- Miscellaneous Fees and Charge Schedule
- . These are in the Direct Testimony and will be
-
- discussed further in the Brief.

1 **Attachment A**

2 **ASSUMPTIONS IN THE MAGRUDER CONSOLIDATED RATES MODEL**

3 **ARIZONA WATER COMPANY CONSOLIDATED RATES MODEL - WATER**

4 **Percentage of Consolidated Rates Step 1**

5

6

7

8

9

Sun City	100.000%
SCW	100.000%
Agua Fria	100.000%
Anthem	100.000%
Tubac	100.000%
Mohave	100.000%
Havasu	100.000%
PV	100.000%

10 **Residential Rates and Blocks**

10 **Commercial, OPA, Turf Rates and Blocks**

11 **5/8" - 3/4"**

11 **5/8" - 3/4"**

12

13

14

15

Customer Charge		\$14.50
First	3,000	\$0.9800
Next	7,000	\$2.5000
Next	15,000	\$3.0000
Next	20,000	\$3.5000
Over	45,000	\$4.0000

12

13

14

15

Customer Charge		\$17.50
First	3,000	\$0.9800
Next or First	7,000	2.5000
Next	15,000	3.0000
Next	25,000	3.5000
Over	45,000	4.0000

16

17

18

19

Customer Charge		\$20.00
First	3,000	\$0.9800
Next	7,000	\$2.5000
Next	15,000	\$3.0000
Next	30,000	\$3.5000
Over	50,000	\$4.0000

16

17

18

19

Customer Charge		\$30.00
First		\$0.9800
Next or First	10,000	2.5000
Next	15,000	3.0000
Next	40,000	3.5000
Over	75,000	4.0000

20 **1 1/2"**

20 **1 1/2"**

21

22

23

Customer Charge		\$70.00
First	3,000	\$0.9800
Next	22,000	\$2.5000
Next	25,000	\$3.0000
Next	50,000	\$3.5000
Over	100,000	\$4.0000

21

22

23

Customer Charge		\$70.00
First		\$0.9800
Next or First	25,000	2.5000
Next	25,000	3.0000
Next	150,000	3.5000
Over	200,000	4.0000

24 **2"**

24 **2"**

25

26

27

Customer Charge		\$110.00
First	30,000	\$1.7500
Next	70,000	\$2.5000
Next	100,000	\$3.0000
Next	100,000	\$3.5000
Over	300,000	\$4.0000

25

26

27

Customer Charge		\$110.00
First		\$2.5000
Next or First	100,000	2.5000
Next	100,000	3.0000
Next	300,000	3.5000
Over	500,000	4.0000

28 **3"**

28 **3"**

29

30

31

Customer Charge		\$245.00
First	25,000	\$2.0000
Next	75,000	\$2.5000
Next	100,000	\$3.0000
Next	100,000	\$3.5000
Over	300,000	\$4.0000

29

30

31

Customer Charge		\$245.00
First		\$2.5000
Next or First	1,000,000	2.5000
Next	2,000,000	3.0000
Next	3,000,000	3.5000
Over	6,000,000	4.0000

32 **4"**

32 **4"**

33

34

35

Customer Charge		\$395.00
First	100,000	\$2.0000
Next	100,000	\$2.5000
Next	100,000	\$3.0000
Next	200,000	\$3.5000
Over	500,000	\$4.0000

33

34

35

Customer Charge		\$395.00
First		\$2.5000
Next or First	100,000	2.5000
Next	200,000	3.0000
Next	1,700,000	3.5000
Over	3,500,000	4.0000

6"			6"		
Customer Charge		\$700.00	Customer Charge		\$700.00
First	100,000	\$2.0000	First		\$2.5000
Next	100,000	\$2.5000	Next or First	1,000,000	2.5000
Next	250,000	\$3.0000	Next	3,000,000	3.0000
Next	500,000	\$3.5000	Next	3,000,000	3.5000
Over	950,000	\$4.0000	Over	7,000,000	4.0000

Apartments Not Consolidated - Present rates remain in effect.

Non-Potable Rate

Customer Charge	\$ -
All Consumption	\$1.2700

Private Fire Rate

2" Customer Charge	\$10.00
3" Customer Charge	\$22.50
4" Customer Charge	\$40.00
6" Customer Charge	\$90.00
8" Customer Charge	\$160.00
10" Customer Charge	\$250.00
12" Customer Charge	\$360.00

Hydrants Customer Charge	\$14.00
--------------------------	---------

Water Districts Included in Rate Consolidation Included? Yes=1, No=0

Sun City	1
SCW	1
Agua Fria	1
Anthem	1
Tubac	1
Mohave	1
Havasupai	1
PV	1

Note: Extraneous blank lines and Tab Color lines were removed.

**ARIZONA AMERICAN WATER COMPANY
Summary of Consolidated Water Rates**

	Revenue from Consolidated Rates	Target Revenue	Difference
Residential (a)	55,828,012	56,101,076	(273,065)
Commercial	13,410,100	12,510,487	899,613
OPA (b)	391,571	205,193	186,378
Sale For Resale (c)	283,898	279,308	4,590
Misc- Non-Potable	1,047,982	2,178,733	(1,130,752)
Private Fire	637,590	436,640	200,950
Total	71,599,152	71,711,438	(112,286)

(a) Includes Multi-family - rates are not consolidated.

(b) OPA in Aqua Fria (State Prison) and in Mohave consolidated to Commercial rates.

(c) Includes Peoria Public Interruptible in Sun City, PI Surprise and Water Contract in Agua Fria and City of Phoenix in Anthem whose rates are not consolidated.

Note: The above summary shows that the Target Revenue is \$112,286 short of meeting the total revenue from the proposed Consolidated Rate. This was deliberate as an amount more than \$112,000 was being proposed by both the Commission Staff and RUCO to be deleted from the Target Revenue, thus by having the Target Revenue exceeding the Income received by Consolidated Rates. If this was not obtained, then adjusting the rates listed could be slightly modified to make this happen.