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OPEN MEETING



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MEMORANDUM  
RECEIVED

Arizona Corporation Commission

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2011 MAY -6 P 3:02

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 4, 2011

DOCKETED BY	
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RE: ARIZONA WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO IMPLEMENT ARSENIC COST RECOVERY MECHANISM FOR ITS VERDE VALLEY WATER SYSTEM (DOCKET NO. W-01445A-08-0440)

**Introduction**

Pursuant to Decision Nos. 66400 and 71845, Arizona Water Company ("Company," "Applicant" or "AWC") filed an application on October 12, 2010, with the Arizona Corporation Commission ("Commission") requesting authorization to implement Step One of the Arsenic Cost Recovery Mechanism ("ACRM") for its Pinewood, Rimrock and Sedona water systems (collectively, "Verde Valley System") in its Northern Group.

AWC proposes a \$90,075 annual ACRM surcharge revenue requirement. For the Sedona system, AWC requests a Step-One ACRM surcharge of \$0.28 on the monthly customer charge and \$0.0418 per 1,000 gallons on the commodity rate. The Company estimates (based on 9,297 gallons used on the 5/8-inch meter) that the average residential customer bill would increase by approximately \$0.67, from \$39.75 to \$40.42 (1.7 percent). For the Pinewood/Rimrock system, AWC requests a Step-One ACRM surcharge of \$0.28 on the monthly minimum customer charge and no surcharge on the commodity rate. The Company estimates (based on 3,208 gallons used on the 5/8-inch meter) that the average residential customer bill would increase by approximately \$0.28, from \$34.15 to \$34.43 (0.8 percent).

Staff recommends a Step-One ACRM surcharge for only the Sedona water system, for the reasons explained below, comprised of a \$0.40 monthly customer charge (5/8-inch meter)<sup>1</sup> and a \$0.0418 per 1,000 gallons commodity rate to correspond with its recommended arsenic surcharge revenue requirement of \$90,075. Staff calculates that these ACRM surcharges would increase the monthly bill for the Sedona average residential customer using 9,297 gallons by \$0.79, from \$39.75 to \$40.54 (2.0 percent). The surcharge should not apply to Pinewood/Rimrock customers, and it should have no impact on their monthly bills.

<sup>1</sup> The ACRM monthly minimum surcharge increases by meter size.

## **Background**

On January 23, 2001, the Environmental Protection Agency (“EPA”) reduced the drinking water maximum contaminant level of arsenic from 50 parts per billion (“ppb”) to 10 ppb. All community water systems and non-transient non-community water systems need to comply with the new federal rule by the January 23, 2006, deadline.<sup>2</sup>

In August 2008, AWC filed an application with the Commission for an adjustment to its rates and charges for all 17 of its water systems. The rate application included a request for an ACRM for Sedona that conforms with the ACRM authorized in Decision No. 66400 (October 14, 2003) for its Northern Group. On August 25, 2010, the Commission issued Decision No. 71845 approving an ACRM for the Sedona water system.

On October 12, 2010, AWC filed an application to implement Step One of its ACRM for its consolidated Verde Valley System. In conformity with Decision Nos. 66400 and 71845, AWC seeks a surcharge to recover a return on its arsenic remediation investment, depreciation expense and related income taxes. The Company is not seeking recovery of new or additional Operating and Maintenance expenses at this time.

## **Residential Utility Consumer Office (“RUCO”) Analysis**

On December 7, 2010, RUCO filed its report on its audit of AWC’s Verde Valley System Step-One ACRM surcharge request. RUCO recommends adoption of the Company’s application as filed.

## **Staff Analysis**

### **ACRM Filing Requirements**

Decision Nos. 71845 and 66400 require AWC to file ten schedules as follows: balance sheet, income statement, earnings test, rate review, arsenic revenue requirement, surcharge calculation, adjusted rate base schedule, construction work in progress ledger, three-factor allocation and typical bill analysis.

AWC filed the following schedules for the Verde Valley System:

1. Balance Sheet – a balance sheet for its Verde Valley System which is the most current balance sheet at the time of the filing – December 31, 2009.
2. Income Statement – a most current income statement for its Verde Valley System - period ending December 31, 2009.

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<sup>2</sup> Qualified small water systems are allowed up to three two-year extensions.

3. Earnings Test Schedule – an “Earnings Test” schedule for the twelve months ending December, 2009, for its Verde Valley System.
4. Rate Review Schedule – a Verde Valley System schedule including the effects of the proposed increase.
5. Arsenic Revenue Requirement Calculation – a Verde Valley System arsenic revenue requirement calculation for step one.
6. Surcharge Calculation – separate, detailed surcharge calculations for both the Minimum Charge and Commodity Charge for the Verde Valley System.
7. Adjusted Rate Base Schedule – a Verde Valley System schedule showing the effects of the arsenic plant investment.
8. Construction Work In Progress (“CWIP”) Ledger – a ledger showing the arsenic construction work in progress accounts for the Verde Valley System.
9. Three factor allocation schedule – a schedule showing the factors attributable to all the districts within the Northern Group.
10. Typical Bill Analysis – ACRM Step 1 – a separate typical bill analysis showing the effects on residential customers at the average residential usage for the Verde Valley System.

Staff performed an examination of AWC’s Verde Valley System Step-One ACRM surcharge filing and concludes that, although the Company’s posting of amounts to the CWIP ledger accurately reflect the Company’s records, reconciled to the invoices submitted, and are mathematically correct, the filing does not conform to Decision No. 71845.

The Company established the Verde Valley System by combining the Pinewood, Rimrock, and Sedona water systems. Commission Decision No. 71845, dated August 25, 2010, created common monthly minimum charges and commodity rates for the Pinewood and Rimrock water systems effectively creating a Pinewood/Rimrock system. Decision No. 71845 also established monthly minimum charges for the Sedona water system identical to those in the Pinewood/Rimrock system. However, Decision No. 71845 established commodity rates for the Sedona water system that differ from the Pinewood/Rimrock system, and that Decision makes no mention of a Verde Valley System.

The Company’s filing proposes to apply an ACRM surcharge to customers in the Pinewood/Rimrock water system as well as those in the Sedona water system. Further, the Company’s application asserts that it limited application of the proposed ACRM commodity rate surcharges to Sedona customers in order to gradually bring the commodity rates for Sedona closer to those of Pinewood and Rimrock, consistent with the Company’s consolidation plan

approved in Decision No. 71845. The Company's consolidation plan anticipates full consolidation of rates among all of its water systems in Arizona in a subsequent rate case.

Contrary to the Company's assertion, the Commission did not adopt its rate consolidation plan. Instead the Commission stated, "We make no finding, at this time, regarding the issue of whether full system consolidation should ultimately be approved. Rather, we expect the Company to provide detailed supporting testimony and documentation in a future case, or cases, to justify a single-tariff pricing proposal."<sup>3</sup>

Decision No. 71845 authorized AWC to implement a new ACRM for the Sedona system subject to compliance with the conditions established in Decision No. 66400. Decision No. 71845 makes no reference to granting an ACRM for the Pinewood/Rimrock system. Nevertheless, the Company's filing proposes to apply an ACRM surcharge to customers in the Pinewood/Rimrock water system as well as those in the Sedona water system. Even if an ACRM had been authorized for the Pinewood/Rimrock water system, the Company's proposal to charge a commodity surcharge in the Sedona system but not in the Pinewood/Rimrock system does not conform to the authorized provisions of Decision No. 66400. No provision of Decision No. 66400 allows discriminatory application of the commodity rate portion of the ACRM surcharge by customer location. Staff concludes that the Step-One ACRM surcharge is only applicable to the Sedona water system.<sup>4</sup>

The Company proposes a \$90,075 annualized ACRM surcharge revenue requirement. Staff reviewed the components and calculation of the Company's proposed \$90,075 ACRM revenue requirement and concurs with it.

Decision No. 66400 specifies that the ACRM rate design generate 50 percent of the ACRM surcharge revenue requirement from monthly customer charges and 50 percent from commodity rates. A rate design compliant with the specifications of Decision No. 66400 and providing annual revenue of \$90,075 only from Sedona customers is composed of a surcharge of \$0.40 for the monthly customer charge (5/8-inch meter) and \$0.0418 per 1,000 gallons for the commodity rate. Staff calculated that these ACRM surcharges would increase the monthly bill for the average residential Sedona customer using 9,297 gallons by \$0.79, from \$39.75 to \$40.54 (2.0 percent). The surcharge should not apply to Pinewood/Rimrock customers, and it should not impact their monthly bills.

The authorized ACRM provides for the calculation of a surcharge based on financial records and an Earnings Test Schedule that limit the ACRM surcharge revenue to an amount that would not result in a rate of return for the Sedona water system that exceeds that authorized in Decision No. 71845.<sup>5</sup> The \$90,075 ACRM surcharge revenue requirement complies with this requirement.

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<sup>3</sup> Decision No. 71845, p. 53, lines 13-16.

<sup>4</sup> An ACRM was also authorized for the Superstition system that is not part of the proposed Verde Valley System.

<sup>5</sup> The authorized rate of return is 7.87 percent.

**Examination of Utility Plant In Service**

Staff performed a field inspection and verified that the Sedona arsenic treatment facilities related to the Step 1 ACRM surcharge request are in service and providing water that meets the new arsenic standard.

**Recommendations**

Staff recommends approval of the ACRM surcharges presented on Schedule GTM-1.

Staff further recommends that the Company file with the Commission an arsenic cost recovery surcharge tariff consistent with ACRM Schedule GTM-1 within 30 days of the effective date of the Commission Decision.

Staff further recommends that AWC notify its Sedona customers of the arsenic cost recovery surcharge tariff approved herein within 30 days of the effective date of the Commission Decision.



for

Steven M. Olea  
Director  
Utilities Division

EGJ:GTM:sms\WVC

ORIGINATOR: Gary McMurry

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

IN THE MATTER OF THE APPLICATION  
 OF ARIZONA WATER COMPANY FOR  
 AUTHORITY TO IMPLEMENT ARSENIC  
 COST RECOVERY MECHANISM FOR ITS  
 VERDE VALLEY SYSTEM

DOCKET NO. W-01445A-08-0440  
 DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
 May 24 and 25, 2011  
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. Pursuant to Decision Nos. 66400 and 71845, Arizona Water Company (“Company,” “Applicant” or “AWC”) filed an application on October 12, 2010, with the Arizona Corporation Commission (“Commission”) requesting authorization to implement Step One of the Arsenic Cost Recovery Mechanism (“ACRM”) for its Pinewood, Rimrock and Sedona water systems (collectively, “Verde Valley System”) in its Northern Group.

Background

2. On January 23, 2001, the Environmental Protection Agency (“EPA”) reduced the drinking water maximum contaminant level of arsenic from 50 parts per billion (“ppb”) to 10 ppb.

3. All community water systems and non-transient non-community water systems need to comply with the new federal rule by the January 23, 2006, deadline.<sup>1</sup>

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<sup>1</sup> Qualified small water systems are allowed up to three two-year extensions.

1           4.       In August 2008, AWC filed an application with the Commission for an adjustment  
2 to its rates and charges for all 17 of its water systems.

3           5.       The rate application included a request for an ACRM for Sedona that conforms  
4 with the ACRM authorized in Decision No. 66400 (October 14, 2003) for AWC's Northern  
5 Group.

6           6.       On August 25, 2010, the Commission issued Decision No. 71845 approving an  
7 ACRM for the Sedona water system.

8 Company's Current Application

9           7.       On October 12, 2010, AWC filed an application to implement Step One of its  
10 ACRM for its Verde Valley System.

11          8.       The Company established the Verde Valley System by combining the Pinewood,  
12 Rimrock, and Sedona water systems.

13          9.       In conformity with Decision Nos. 66400 and 71845, AWC seeks a surcharge to  
14 recover a return on its arsenic remediation investment, depreciation expense and related income  
15 taxes. The Company is not seeking recovery of new or additional Operating and Maintenance  
16 expenses at this time.

17          10.       The Company's filing proposes to apply an ACRM surcharge to customers in the  
18 Pinewood/Rimrock water system as well as those in the Sedona water system.

19          11.       The Company's application asserts that it limited application of the proposed  
20 ACRM commodity rate surcharges to Sedona customers in order to gradually bring the commodity  
21 rates for Sedona closer to those of Pinewood and Rimrock, consistent with the Company's  
22 consolidation plan approved in Decision No. 71845. The Company's consolidation plan  
23 anticipates full consolidation of rates among all of its water systems in Arizona in a subsequent  
24 rate case.

25          12.       AWC proposes a \$90,075 annual ACRM surcharge revenue requirement.

26          13.       For the Sedona system, AWC requests a Step-One ACRM surcharge of \$0.28 on  
27 the monthly customer charge and \$0.0418 per 1,000 gallons on the commodity rate.

28 ...

1           14.     The Company estimates (based on 9,297 gallons used on the 5/8-inch meter) that  
2 the average residential customer bill would increase by approximately \$0.67, from \$39.75 to  
3 \$40.42 (1.7 percent) for the Sedona System.

4           15.     For the Pinewood/Rimrock system, AWC requests a Step-One ACRM surcharge of  
5 \$0.28 on the monthly minimum customer charge and no surcharge on the commodity rate.

6           16.     The Company estimates (based on 3,208 gallons used on the 5/8-inch meter) that  
7 the average residential customer bill would increase by approximately \$0.28, from \$34.15 to  
8 \$34.43 (0.8 percent) for the Pinewood/Rimrock system.

9 Residential Utility Consumer Office ("RUCO") Analysis

10           17.     On December 07, 2010, RUCO filed its report on its audit of AWC's Verde Valley  
11 System Step-One ACRM surcharge request.

12           18.     RUCO recommends adoption of the Company's application as filed.

13 ACRM Filing Requirements

14           19.     Decision Nos. 71845 and 66400 require AWC to file ten schedules as follows:  
15 balance sheet, income statement, earnings test, rate review, arsenic revenue requirement, surcharge  
16 calculation, adjusted rate base schedule, construction work in progress ledger, three-factor  
17 allocation and typical bill analysis.

18           20.     AWC filed the following schedules for the Verde Valley System:

- 19           a.     Balance Sheet – a balance sheet for its Verde Valley System which is the  
20                most current balance sheet at the time of the filing – December 31, 2009.
- 21           b.     Income Statement – a most current income statement for its Verde Valley  
22                System - period ending December 31, 2009.
- 23           c.     Earnings Test Schedule – an "Earnings Test" schedule for the twelve  
24                months ending December, 2009 for its Verde Valley System.
- 25           d.     Rate Review Schedule – a Verde Valley System schedule including the  
26                effects of the proposed increase.
- 27           e.     Arsenic Revenue Requirement Calculation – a Verde Valley System arsenic  
28                revenue requirement calculation for step one.
- f.     Surcharge Calculation – separate, detailed surcharge calculations for both  
                  the Minimum Charge and Commodity Charge for the Verde Valley System.



- 1 g. Adjusted Rate Base Schedule – a Verde Valley System schedule showing  
2 the effects of the arsenic plant investment.
- 3 h. Construction Work In Progress (“CWIP”) Ledger – a ledger showing the  
4 arsenic construction work in progress accounts for the Verde Valley System.
- 5 i. Three factor allocation schedule – a schedule showing the factors  
6 attributable to all the districts within the Northern Group.
- 7 j. Typical Bill Analysis – ACRM Step 1 – a separate typical bill analysis  
8 showing the effects on residential customers at the average residential usage  
9 for the Verde Valley System.

8 Staff Analysis

9 21. Staff performed a field inspection and verified that the Sedona arsenic treatment  
10 facilities related to the Step 1 ACRM surcharge request are in service and providing water that  
11 meets the new arsenic standard.

12 22. Staff performed an examination of AWC’s Verde Valley System Step-One ACRM  
13 surcharge filing and concludes that, although the Company’s posting of amounts to the CWIP  
14 ledger accurately reflect the Company’s records, reconcile to the invoices submitted, and are  
15 mathematically correct, the filing does not conform to Decision No. 71845.

16 23. Staff recommends a Step-One ACRM surcharge for only the Sedona system, for the  
17 reasons explained below, comprised of a \$0.40 monthly customer charge (5/8-inch meter)<sup>2</sup> and a  
18 \$0.0418 per 1,000 gallons commodity rate to correspond with its recommended arsenic surcharge  
19 revenue requirement of \$90,075.

20 24. Staff calculates that these ACRM surcharges would increase the monthly bill for the  
21 Sedona average residential customer using 9,297 gallons by \$0.79, from \$39.75 to \$40.54 (2.0  
22 percent).

23 25. Staff concludes that the surcharge should not apply to Pinewood/Rimrock  
24 customers, and it should not impact their monthly bills.

25 26. Staff recommends approval of its recommended ACRM surcharges as presented in  
26 Schedule GTM-1.

27 \_\_\_\_\_  
28 <sup>2</sup> The ACRM monthly minimum surcharge increases by meter size.

1           27. Staff recommends that the Company file with the Commission an arsenic cost  
2 recovery surcharge tariff consistent with Schedule GTM-1 within 30 days of the effective date of  
3 the Commission Decision in this matter.

4           28. Staff recommends that AWC notify its Sedona customers of the arsenic cost  
5 recovery surcharge tariff approved herein within 30 days of the effective date of the Commission  
6 Decision in this matter.

7 Conclusions and Recommendations

8           29. Decision No. 71845 authorized AWC to implement a new ACRM for the Sedona  
9 system subject to compliance with the conditions established in Decision No. 66400.

10           30. Decision No. 71845 made no reference to granting an ACRM for the  
11 Pinewood/Rimrock system.

12           31. Decision No. 71845 established monthly minimum charges for the Sedona water  
13 system identical to those in the Pinewood/Rimrock system.

14           32. Decision No. 71845 established commodity rates for the Sedona water system that  
15 differ from the Pinewood/Rimrock system, and that Decision makes no mention of a Verde Valley  
16 System.

17           33. The Company's filing proposes to apply an ACRM surcharge to customers in the  
18 Pinewood/Rimrock water system as well as those in the Sedona water system, based on the  
19 Company's assertion that the Commission adopted its rate consolidation plan.

20           34. Contrary to that assertion, in Decision No. 71845, we stated, "We make no finding,  
21 at this time, regarding the issue of whether full system consolidation should ultimately be  
22 approved. Rather we expect the Company to provide detailed supporting testimony and  
23 documentation in a future case, or cases, to justify a single-tariff pricing proposal."<sup>3</sup>

24           35. The Company's proposal to charge a commodity surcharge in the Sedona system  
25 but not in the Pinewood/Rimrock system does not conform to the authorized provisions of  
26 ...

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<sup>3</sup> Decision No. 71845, p. 53, lines 13-16.

1 Decision No. 66400. No provision of Decision No. 66400 allows discriminatory application of the  
2 commodity rate portion of the ACRM surcharge by customer location.

3 36. We conclude that the Step-One ACRM surcharge is only applicable to the  
4 customers in the Sedona water system.<sup>4</sup>

5 37. The authorized ACRM provides for the calculation of a surcharge based on  
6 financial records and an Earnings Test Schedule that limit the ACRM surcharge revenue to an  
7 amount that would not result in a rate of return for the Sedona water system that exceeds that  
8 authorized in Decision No. 71845.<sup>5</sup>

9 38. Staff and the Company agree that \$90,075 is the appropriate amount for the ACRM  
10 revenue requirement. We find this conclusion to be reasonable and we adopt it.

11 39. Decision No. 66400 specifies that the ACRM rate design generate 50 percent of the  
12 ACRM surcharge revenue requirement from monthly customer charges and 50 percent from  
13 commodity rates.

14 40. We find that Staff's recommended surcharge rates, as presented in the attached  
15 Schedule GTM-1 and applicable only to the customers of the Sedona system, are reasonable and  
16 should be adopted.

17 41. We find that Staff's conclusions and recommendations as discussed in Findings of  
18 Fact Nos. 21 through 25 are reasonable and should be adopted.

#### 19 CONCLUSIONS OF LAW

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

22 2. The Commission has jurisdiction over the Company and of the subject matter of the  
23 application.

24 3. Approval of the filing does not constitute a rate increase as contemplated by A.R.S.  
25 § 40-250.

26 ...

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28 <sup>4</sup> An ACRM was also authorized for the Superstition system that is not part of the proposed Verde Valley System.

<sup>5</sup> The authorized rate of return is 7.87 percent.

1           4.       The Commission, having reviewed the application and Staff's memorandum, dated  
2 May 10, 2011, concludes that the Company's request to implement an ACRM surcharge is lawful  
3 and in the public interest.

4                                           ORDER

5           IT IS THEREFORE ORDERED that the application by Arizona Water Company for the  
6 implementation of a Step One ACRM is approved for all customers in the Sedona water system.

7           IT IS FURTHER ORDERED that the Step One ACRM surcharge for Arizona Water  
8 Company shall be in accordance with the rates as discussed herein.

9           IT IS FURTHER ORDERED that Arizona Water Company file with the Commission an  
10 arsenic cost recovery surcharge tariff consistent with the attached Schedule GTM-1 within 30 days  
11 of the effective date of this Decision.

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IT IS FURTHER ORDERED that Arizona Water Company shall notify its Sedona customers of the arsenic cost recovery surcharge tariff approved herein within 30 days of the effective date of this Decision.

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

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

CHAIRMAN	COMMISSIONER
COMMISSIONER	COMMISSIONER
	COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director 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 \_\_\_\_\_, 2011.

\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

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

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

SMO:GTM:sms/WVC

1 SERVICE LIST FOR: Arizona Water Company  
2 DOCKET NO. W-01445A-08-0440

3 Mr. Jay Shapiro, Esq.  
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6 Attorney for Arizona Water Company

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10 Mr. Steven M. Olea  
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14 Ms. Janice Alward  
Chief Counsel  
15 Arizona Corporation Commission  
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Residential Customers

Sedona	Tier One			Tier Two			Tier Three				
	Current Monthly Usage Charge	Monthly Minimum Equivalent	ACRM Monthly Usage Charge	New Monthly Minimum	Step 1 Commodity Surcharge	Old Commodity Rate	New Commodity Rate	Upper Limit	Old Commodity Rate	New Commodity Rate	Upper Limit
5/8" x 3/4" Meter	\$ 23.10	1.0	\$ 0.40	\$ 23.50	\$ 0.0418	\$ 1.5317	\$ 1.5735	3,000	\$ 1.9147	\$ 2.3910	10,000
1"	\$ 55.75	2.4	\$ 0.97	\$ 56.72	\$ 0.0418	\$ 1.9147	\$ 1.9565	10,000	\$ 2.3910	\$ 2.4328	Infinite
2"	\$ 184.81	8.0	\$ 3.20	\$ 186.01	\$ 0.0418	\$ 1.9147	\$ 1.9565	125,000	\$ 2.3910	\$ 2.4328	Infinite
3"	\$ 369.62	16.0	\$ 6.40	\$ 376.02	\$ 0.0418	\$ 1.9147	\$ 1.9565	298,000	\$ 2.3910	\$ 2.4328	Infinite
4"	\$ 577.54	25.0	\$ 10.00	\$ 587.54	\$ 0.0418	\$ 1.9147	\$ 1.9565	493,000	\$ 2.3910	\$ 2.4328	Infinite
6"	\$ 1,155.07	50.0	\$ 20.00	\$ 1,175.07	\$ 0.0418	\$ 1.9147	\$ 1.9565	925,000	\$ 2.3910	\$ 2.4328	Infinite
8"	\$ 1,848.12	80.0	\$ 32.00	\$ 1,880.12	\$ 0.0418	\$ 1.9147	\$ 1.9565	1,500,000	\$ 2.3910	\$ 2.4328	Infinite
10"	\$ 2,656.67	115.0	\$ 46.00	\$ 2,702.67	\$ 0.0418	\$ 1.9147	\$ 1.9565	2,262,000	\$ 2.3910	\$ 2.4328	Infinite

Commercial Customers

Sedona	Tier One			Tier Two			Tier Three				
	Current Monthly Usage Charge	Monthly Minimum Equivalent	ACRM Monthly Usage Charge	New Monthly Minimum	Step 1 Commodity Surcharge	Old Commodity Rate	New Commodity Rate	Upper Limit	Old Commodity Rate	New Commodity Rate	Upper Limit
5/8" x 3/4" Meter	\$ 23.10	1.0	\$ 0.40	\$ 23.50	\$ 0.0418	\$ 1.9147	\$ 1.9565	10,000	\$ 2.3910	\$ 2.4328	Infinite
1"	\$ 55.75	2.4	\$ 0.97	\$ 56.72	\$ 0.0418	\$ 1.9147	\$ 1.9565	40,000	\$ 2.3910	\$ 2.4328	Infinite
2"	\$ 184.81	8.0	\$ 3.20	\$ 186.01	\$ 0.0418	\$ 1.9147	\$ 1.9565	125,000	\$ 2.3910	\$ 2.4328	Infinite
3"	\$ 369.62	16.0	\$ 6.40	\$ 376.02	\$ 0.0418	\$ 1.9147	\$ 1.9565	298,000	\$ 2.3910	\$ 2.4328	Infinite
4"	\$ 577.54	25.0	\$ 10.00	\$ 587.54	\$ 0.0418	\$ 1.9147	\$ 1.9565	493,000	\$ 2.3910	\$ 2.4328	Infinite
6"	\$ 1,155.07	50.0	\$ 20.00	\$ 1,175.07	\$ 0.0418	\$ 1.9147	\$ 1.9565	925,000	\$ 2.3910	\$ 2.4328	Infinite
8"	\$ 1,848.12	80.0	\$ 32.00	\$ 1,880.12	\$ 0.0418	\$ 1.9147	\$ 1.9565	1,500,000	\$ 2.3910	\$ 2.4328	Infinite
10"	\$ 2,656.67	115.0	\$ 46.00	\$ 2,702.67	\$ 0.0418	\$ 1.9147	\$ 1.9565	2,262,000	\$ 2.3910	\$ 2.4328	Infinite

Industrial Customers

Sedona	Tier One			Tier Two			Tier Three				
	Current Monthly Usage Charge	Monthly Minimum Equivalent	ACRM Monthly Usage Charge	New Monthly Minimum	Step 1 Commodity Surcharge	Old Commodity Rate	New Commodity Rate	Upper Limit	Old Commodity Rate	New Commodity Rate	Upper Limit
5/8" x 3/4" Meter	\$ 21.74	1.0	\$ 0.40	\$ 22.14	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A
1"	\$ 54.36	2.4	\$ 0.94	\$ 55.30	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A
2"	\$ 173.96	7.5	\$ 3.01	\$ 176.97	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A
3"	\$ 347.92	15.1	\$ 6.02	\$ 353.94	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A
4"	\$ 543.62	23.5	\$ 9.41	\$ 553.03	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A
6"	\$ 1,087.25	47.1	\$ 18.83	\$ 1,106.08	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A
8"	\$ 1,739.60	75.3	\$ 30.12	\$ 1,769.72	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A
10"	\$ 2,500.67	108.3	\$ 43.30	\$ 2,543.97	\$ 0.0418	\$ 1.6801	\$ 1.7219	Infinite	\$ -	\$ -	N/A

ARIZONA WATER COMPANY  
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ACRM Schedule GTM-1  
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Construction Customers

Sedona	Current Monthly Usage Charge	Monthly Minimum Equivalent	ACRM Monthly Usage Charge	New Monthly Minimum	Step 1 Commodity Surcharge	Old Commodity Rate	New Commodity Rate	Upper Limit	Old Commodity Rate	New Commodity Rate	Upper Limit
2"	\$ 184.81	1.0	\$ 0.40	\$ 185.21	\$ 0.0418	\$ 1,914.7	\$ 1,956.5	125,000	\$ 2,391.0	\$ 2,432.8	Infinite
3"	\$ 369.62	16.0	\$ 6.40	\$ 376.02	\$ 0.0418	\$ 1,914.7	\$ 1,956.5	325,000	\$ 2,391.0	\$ 2,432.8	Infinite
4"	\$ 577.54	25.0	\$ 10.00	\$ 587.54	\$ 0.0418	\$ 1,914.7	\$ 1,956.5	500,000	\$ 2,391.0	\$ 2,432.8	Infinite

Resale Customers

Sedona	Current Monthly Usage Charge	Monthly Minimum Equivalent	ACRM Monthly Usage Charge	New Monthly Minimum	Step 1 Commodity Surcharge	Old Commodity Rate	New Commodity Rate	Upper Limit	Old Commodity Rate	New Commodity Rate	Upper Limit
5/8" x 3/4" Meter	\$ 23.10	1.0	\$ 0.40	\$ 23.50	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A
1"	\$ 57.75	2.5	\$ 1.00	\$ 58.75	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A
2"	\$ 184.81	8.0	\$ 3.20	\$ 188.01	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A
3"	\$ 369.62	16.0	\$ 6.40	\$ 376.02	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A
4"	\$ 577.54	25.0	\$ 10.00	\$ 587.54	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A
6"	\$ 1,155.07	50.0	\$ 20.00	\$ 1,175.07	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A
8"	\$ 1,848.12	80.0	\$ 32.00	\$ 1,880.12	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A
10"	\$ 2,656.67	115.0	\$ 46.00	\$ 2,702.67	\$ 0.0418	\$ 2,248.9	\$ 2,290.7	Infinite	\$ -	\$ -	N/A

Decision No. \_\_\_\_\_