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BEFORE THE ARIZONA CORPORATION CO

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

AUG 25 2010

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

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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 AND FOR CERTAIN RELATED APPROVALS BASED THEREON.

DOCKET NO. W-01445A-08-0440

DECISION NO. 71845

OPINION AND ORDER

DATES OF HEARING:

August 28, (Pre-Hearing Conference); August 31, September 1, 2, 3, 4, 8, 9, 10, and 11, 2009

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Dwight D. Nodes

APPEARANCES:

Mr. Norman D. James and Mr. Jay L. Shapiro, FENNEMORE CRAIG, on behalf of Arizona Water Company;

Ms. Michele L. Van Quathem, RYLEY, CARLOCK & APPLEWHITE, on behalf of Abbott Laboratories;

Mr. Nicholas J. Enoch, LUBIN & ENOCH, PC, on behalf of IBEW Local 387;

Ms. Michelle Wood, on behalf of the Residential Utility Consumer Office; and

Mr. Wesley Van Cleve and Ms. Ayesha Vohra, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

1 Oracle, and Superior. Two other systems in the Pinal AMA, Stanfield and Tierra Grande, are
2 exempted due to their size. (*Id.*)

3 AWC states that although it appears Chairman Mayes contemplated additional BMP
4 requirements for systems within AMAs, as well as a funding mechanism, none of the parties
5 addressed the issue, "given the hearing's length and complexity." (*Id.*) As a result, the Company
6 asserts that there is not sufficient evidence upon which to base an informed decision, and it would be
7 inappropriate to consider the issue at this time. AWC suggests that the Commission could convene a
8 second phase of the case to consider the issues. (*Id.* at 106.)

9 We agree that the record in this case is not developed sufficiently on the issue of funding
10 mechanisms for BMPs. However, we believe it is reasonable to require AWC to address
11 conservation and submit for Commission approval, within 120 days of the effective date of this
12 Decision, additional Best Management Practices ("BMPs") (as outlined in ADWR's Modified non-
13 Per Capita Conservation Program). AWC shall submit BMPs for its systems as follows: for the
14 Superstition and Casa Grande systems AWC shall submit 10 BMPs for each system; for the
15 Coolidge, Lakeside, Overgaard and Sedona systems, AWC shall submit 10 BMPs for each system;
16 for the Bisbee, Sierra Vista, San Manuel, Oracle, Miami, White Tank, Pinewood and Rimrock
17 systems, AWC shall submit five BMPs for each system; for the Stanfield, Winkelman and Ajo
18 systems, AWC shall submit three BMPs for each system. Where systems may be consolidated, AWC
19 shall apply the higher BMP submission for the consolidated system. A maximum of two of these
20 BMPs may come from the "Public Awareness/PR or Education and Training" categories of the
21 BMPs. AWC may request cost recovery of actual costs associated with the BMPs implemented in its
22 next rate case.

23 **D. CAP Hook-Up Fees**

24 Staff points out that, in Decision No. 68302, the Commission approved a Central Arizona
25 Project ("CAP") hook-up fee for AWC's Casa Grande, Coolidge, and White Tank systems, subject to
26 the condition that the issue would be revisited in the Company's subsequent rate filing. (Decision No.
27 68302, at 58.) According to Company witness Reiker, due to the slowdown in the housing market,
28 uncertainty regarding future growth, and the short time that the hook-up fees have been in place, the

1 Company proposes that the evaluation of the CAP hook-up fees should be deferred to the next rate
 2 case for the Western Group. (Ex. A-18; at 5-6.) Staff agreed with the Company's request and
 3 recommended that AWC be permitted to continue collecting the existing CAP hook-up fees for the
 4 Casa Grande, Coolidge, and White Tank systems until the Company's next Western Group rate case,
 5 or by December 31, 2012, whichever comes first. (Ex. S-24, at 28-29.)

6 Staff's recommendation is reasonable and shall be adopted. Accordingly, AWC should be
 7 permitted to continue collecting the existing CAP hook-up fees for the Casa Grande, Coolidge, and
 8 White Tank systems until the Company's next Western Group rate case, or by December 31, 2012,
 9 whichever comes first.

10 * * * * *

11 Having considered the entire record herein and being fully advised in the premises, the
 12 Commission finds, concludes, and orders that:

13 **FINDINGS OF FACT**

14 1. On August 22, 2008, AWC filed with the Commission an application for increases in
 15 its rates and charges for water utility service for all 17 of its systems, using a test year ending
 16 December 31, 2008.

17 2. On September 22, 2008, Staff filed a Letter of Insufficiency stating that AWC's rate
 18 application did not meet the sufficiency requirements as outlined in A.A.C R14-2-103 and listing the
 19 items Staff required to deem the application sufficient for processing.

20 3. On September 29, 2008, the Company filed its Response to the Insufficiency Letter.

21 4. On October 15, 2008, Staff filed a letter stating that, with the revisions docketed on
 22 September 29, 2008, the above-captioned application met the sufficiency requirements outlined in
 23 A.A.C. R14-2-103.

24 5. On October 23, 2008, a Procedural Order was issued scheduling a procedural
 25 conference for November 23, 2008.

26 6. On October 24, 2008, RUCO filed an Application to Intervene.

27 7. On November 3, 2009, the procedural conference was held as scheduled. During the
 28 conference, Staff proposed a 90-day extension of the normal time clock deadlines for processing the