

PUBLIC NOTICE OF HEARING ON ARIZONA WATER COMPANY'S APPLICATION TO SET RATES AND CHARGES 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-22-0286)

Summary

On November 15, 2022, Arizona Water Company ("AWC" or "Company") filed a Notice of Intent to file a Rate Application with the Arizona Corporation Commission ("Commission").

On December 15, 2022, AWC filed a Rate Application for its Eastern Group which consists of the Southeastern Region (Apache Junction, Superior, Miami, Bisbee, Sierra Vista, and Winkelman water systems) and Falcon Valley (Falcon Valley, Oracle, Saddlebrooke Ranch, and San Manuel water systems).

The Company asserts that for the test year ending June 30, 2022 ("TY"), AWC had adjusted operating income of approximately \$3 million and an original cost rate base ("OCRB") of \$117.9 million and fair value rate base ("FVRB") of \$171.2 million resulting in a rate of return of 2.55 percent on OCRB. AWC's proposed rates and charges that would produce an overall revenue increase of \$9.7 million or approximately 32 percent, to produce an 8.21 percent rate of return on the Company's OCRB or a 5.97 percent rate of return on its FVRB. The Company requests that its new rates take effect no later than January 15, 2024.

In addition, AWC proposes further consolidation of rates within its Southeastern Region and Falcon Valley service areas. The Company also requests to continue its approved Central Arizona Project surcharge as well as its Purchased Power Adjustor Mechanism.

The Company requests to expand the applicability of its Arsenic Cost Recovery Mechanism ("ACRM") to address compliance with federal regulation of "forever chemicals" and to then rename the ACRM the Federal Compliance Cost Recovery Mechanism ("FCCRM"). AWC estimates that FCCRM investments will total approximately \$43 million. AWC also proposes to continue its System Improvement Benefits ("SIB") surcharge mechanism to recover a return on and of net investments made between rate cases for water main and water service connection replacements, and to be administered consistent with the currently approved SIB mechanism for the Eastern Group.

AWC requests the implementation of a new Tax Expense Adjustment Mechanism to allow it to adjust for changes to federal and state income taxes. The Company also proposes to increase the Water Availability Fee charged to developers in Apache Junction, and to implement a new Sustainable Water Acquisition Mechanism to acquire and maintain a sustainable water supply for the Eastern Group water systems.

The Company's proposed rates and charges are intended to produce the following revenue increases within each service area:

Service Area	Fair Value Rate Base	Revenue Increase	Percentage Increase
Southeastern Region Includes: (Apache Junction, Miami, Superior, Bisbee, Sierra Vista, and Winkelman)	\$154,469,516	\$9,088,399	34.12%
Falcon Valley Includes: (Falcon Valley, Oracle, Saddlebrooke Ranch, and San Manuel)	\$16,710,797	\$669,409	17.11%

The Company's proposed rates and charges would result in the following monthly bills for a residential customer served by a 5/8" x 3/4" meter, with the indicated typical monthly usage:

Service Area	Current Rates [including current surcharges]	Typical Usage (gals/month)	Proposed Rates
Apache Junction	\$39.66	5,400	\$52.96
Miami	\$39.66	5,400	\$52.96
Superior	\$39.66	5,400	\$52.96
Bisbee	\$39.66	5,400	\$52.96
Sierra Vista	\$41.01	6,100	\$55.56
Winkelman	\$35.24	5,700	\$53.97
Falcon Valley	\$48.55	4,400	\$58.63
Oracle	\$48.55	4,400	\$58.63
Saddlebrooke Ranch	\$48.55	4,400	\$58.63
San Manuel	\$48.55	4,400	\$58.63

NEITHER THE COMMISSION'S UTILITIES DIVISION ("STAFF") NOR ANY INTERVENOR HAS YET MADE ANY RECOMMENDATION REGARDING AWC'S APPLICATION. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RELIEF TO BE GRANTED IN RESPONSE TO THE COMPANY'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS MATTER. THE FINAL RATES APPROVED BY THE COMMISSION MAY BE HIGHER, LOWER, OR DIFFERENT THAN THE RATES PROPOSED BY AWC OR BY OTHER PARTIES.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact Arizona Water at: **Kelly M. Hauert by mail at 3805 N. Black Canyon Highway, Phoenix, AZ 85015; by telephone at 602-240-6860; or by email at rates@azwater.com.**

How You Can View or Obtain a Copy of the Application

Copies of the Application are available from AWC at **3805 N. Black Canyon Highway, Phoenix, AZ 85015**; at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and the Commission's office at 400 West Congress Street, Suite 218, Tucson, Arizona, during regular business hours; and on the Commission website (www.azcc.gov) using the e-Docket function and the Docket Number shown above.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **September 18, 2023, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona 85007.

Additional Public Comment Meetings

The Commission will take public comment on these matters at the following dates and times, and in the following manner:

DATE	TIME	MANNER
Monday, July 24, 2023	5:00 p.m. – 6:30 p.m., or until the last speaker has concluded, whichever occurs later.	<u>Telephonic:</u> To provide telephonic public comments, call 1-877-309-3457, and this code: 801972877##
Monday, September 18, 2023	10:00 a.m., prior to the beginning of the first day of hearing.	<u>In-person and telephonic:</u> In-person participation will be in the hearing room at the Commission's offices at 1200 West Washington Street, Phoenix, Arizona 85007. To provide telephonic public comments, call 1-877-309-3457, and this code: 801972877##

Written public comments may be submitted by mailing a letter referencing **Docket No. W-01445A-22-0286** to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission's website (www.azcc.gov) using "Cases and Open Meetings" and "Make a Public

Comment in a Docket." If you require assistance, you may contact the Consumer Services Section at 602-542-4251 or 1-800-222-7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket unless you sign up to Follow the Docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website (www.azcc.gov) using the e-Docket function. **Information on how to Follow a Docket is available on the Commission's website by clicking on "Cases and Open Meetings" and "Follow a Docket or Document Type."**

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person's intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties' witnesses. **Intervention is not required for you to appear at the hearing and provide public comment, to file written comments in the docket for the case, or to receive emailed notice of each filing made in the case by following the docket.**

Information about what intervention means, including an explanation of the rights and responsibilities of an intervenor, is available on the Commission's website (www.azcc.gov) by clicking on "Cases and Open Meetings" and then clicking on "Intervene in a Case." The information includes a Sample Intervention Request and a Fillable Intervention Request Form.

To request intervention, you must file a written request to intervene, either (a) by filing a hard copy request (meeting filing requirements) with Docket Control (Docket Control, 1200 West Washington, Phoenix, AZ 85007), or (b) by **eFiling** the request. Your request **must be filed or eFiled no later than June 12, 2023**. Instructions and restrictions for eFiling are available on the Commission's website at <http://azcc.gov/hearing/efile-for-utilities-instruction>. You also **must** serve a copy of the request to intervene on each party of record, on the same day that you file the request to intervene with the Commission.

Your request to intervene **must** contain the information below:

1. Your name, address, and telephone number;
2. The docket number for the case in which you are requesting to intervene;
3. A short statement explaining:
 - a. Your interest in the proceeding (e.g., a customer of the regulated company involved, etc.),
 - b. How you will be directly and substantially affected by the outcome of the case, and
 - c. Why your intervention will not unduly broaden the issues in the case;
4. A statement certifying that you have sent a copy of your request to intervene to the regulated company or its attorney and to all other parties of record in the case; and
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31.1, 31.2, 31.3, 38, 39, and 42, as applicable. This only applies if you are NOT representing yourself and you are not a licensed attorney.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before June 12, 2023.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Carolyn Buck, E-mail ADACoordinator@azcc.gov, voice phone number 602-542-2247. Requests should be made as early as possible and no later than 48 hours in advance of the event to allow time to arrange the accommodation.