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Arizona Corporation Commission
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 8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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 10 IN THE MATTER OF THE APPLICATION
 OF ARIZONA WATER COMPANY, AN
 ARIZONA CORPORATION, FOR
 11 ADJUSTMENTS TO ITS RATES AND
 CHARGES FOR UTILITY SERVICE
 12 FURNISHED BY ITS EASTERN GROUP
 AND FOR CERTAIN RELATED
 13 APPROVALS.

Docket No. W-01445A-02-0619

**ARIZONA WATER COMPANY'S
 RESPONSE TO THE CITY OF CASA
 GRANDE'S MOTION TO INTERVENE**

14 Arizona Water Company ("Arizona Water") hereby responds to the motion filed by the
 15 City of Casa Grande ("the City") by which it seeks permission to intervene in Arizona Water's
 16 pending general rate case for its Eastern Group. As explained below, the City has not
 17 demonstrated any legitimate interest in Arizona Water's service to customers in other areas of the
 18 State. Therefore, intervention should be denied.

19 By way of background, Arizona Water's general rate application for its Eastern Group
 20 was filed with the Arizona Corporation Commission ("the Commission") on August 14, 2002,
 21 and on October 11, 2002, the Commission's Utilities Division ("Staff") filed a letter indicating
 22 that Arizona Water's rate application was sufficient. The general rate application includes only
 23 Arizona Water's Eastern Group, which currently consists of eight water systems that provide
 24 utility service within or in the vicinity of the following areas: Apache Junction, Superior, Bisbee,
 25 Sierra Vista, Miami, San Manuel, Oracle and Winkelman. With the exception of Apache
 26 Junction, which currently serves approximately 16,000 customers, all of the Eastern Group

1 systems are relatively small. Excluding Apache Junction, only three of the systems (Bisbee,
2 Miami and Sierra Vista) serve more than 2,000 customers.

3 Arizona Water provides service within and in the vicinity of the City of Casa Grande, but
4 that water system is not part of the Eastern Group. Instead, the Casa Grande water system is part
5 of Arizona Water's Western Group, which consists of Casa Grande, Ajo, Stanfield, White Tank
6 and Coolidge. Consequently, neither the City nor utility customers within the municipal
7 boundaries of the City (who the City claims, without support, have appointed the City as their
8 "local representative") can have any legitimate interest in adjustments to the rates and charges for
9 utility service paid by customers in, for example, Apache Junction or Bisbee.

10 The City, however, does not claim to be interested in the rates and charges for utility
11 service paid by customers within Arizona Water's Eastern Group. Instead, as the City's motion
12 concedes, the City claims an interest in a single issue: the recovery of costs resulting from the
13 new Maximum Contaminant Level ("MCL") for arsenic, with which Arizona Water must comply
14 by January 2006. The City contends that it needs to participate in this proceeding in order to
15 obtain information about and to better understand the cost recovery methodology that Arizona
16 Water may be authorized to use, which could impact future rate proceedings involving Casa
17 Grande and other Western Group systems. However, as the City has noted in its motion, it was
18 previously granted leave to intervene in Phase 2 of Arizona Water's pending rate proceeding for
19 its Northern Group systems, pending before Judge Nodes in Docket No. W-01445A-00-0962.
20 That proceeding is limited to developing a methodology and procedures by which the costs
21 associated with arsenic treatment may be recovered and the issue of rate consolidation, and the
22 City's participation should adequately protect its interests.

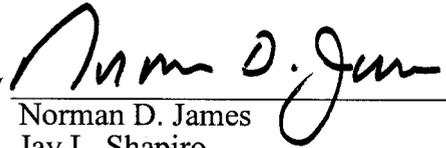
23 Arizona Water does not believe it is necessary or appropriate for the City to participate in
24 this general rate proceeding, which does not involve the Casa Grande system and will not affect
25 the rates and charges for service to those customers. Arizona Water's application for rate
26 increases will be reviewed and analyzed by Staff and by the Residential Utility Consumer Office,

1 which moved to intervene on or about September 16, 2001. Participation by the City will not
2 assist the Commission in setting rates for customers in Miami, Oracle or any other Eastern Group
3 system. Instead, the City's participation will complicate the proceeding and result in additional
4 rate case expense, which will then be passed on to Eastern Group customers in the form of higher
5 rates. This would be unfair to those customers as well as Arizona Water.

6 In short, intervention is not appropriate under the circumstances present in this case.
7 Municipalities do not normally intervene in rate proceedings before the Commission unless the
8 rate proceeding involves utility service to customers residing in that municipality. The City has
9 represented that it is interested in a single, narrow issue, as opposed to having some broader
10 interest in water utility service in other portions of the State. The City is already an intervenor in
11 Phase 2 of the Northern Group rate case where the issue of cost recovery for compliance with the
12 new arsenic MCL is now being considered. There is no justification for the City participating in
13 this general rate proceeding, which simply does not affect the customers the City purports to
14 represent. Accordingly, the City's motion should be denied.

15 RESPECTFULLY SUBMITTED this 9th day of December, 2002.

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1 An original and 13 copies of the
2 foregoing were delivered this 9th day of
December, 2002 to:

3 Docketing Supervisor
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5 Arizona Corporation Commission
6 1200 West Washington
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8 A copy of the foregoing
9 was delivered/mailed* this 9th
10 day of December, 2002 to:

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