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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WASTEWATER AND SUN CITY WEST WASTEWATER DISTRICTS.

DOCKET NO. WS-01303A-06-0491

Arizona Corporation Commission

**DOCKETED**

AUG 08 2007

DOCKETED BY

**PROCEDURAL ORDER REQUIRING  
ADDITIONAL CUSTOMER NOTICE**

**BY THE COMMISSION:**

On July 28, 2006, Arizona-American Water Company ("Arizona-American" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for an increase in its rates for utility service by its Sun City Wastewater and Sun City West Wastewater Districts.

By Procedural Order issued February 15, 2007, the hearing in this matter was scheduled to commence on August 23, 2007, and associated procedural deadlines were set, including a date by which the Company was required to publish notice of the application and the hearing.

On March 14, 2007, the Company filed an Affidavit of Publication indicating that it had published notice as required by the February 15, 2007 Procedural Order.

On May 7, 2007, the Commission issued a Procedural Order setting public comment sessions on the application, and requiring publication of notice of the public comment sessions. The notice required by the May 7, 2007 Procedural Order indicated that under the Company's proposal, a residential customer's bill for wastewater service in the Sun City Wastewater District would increase from the current rate of \$10.98 per month to \$14.40 per month (approximately 31.17 percent), and in the Sun City West Wastewater District would increase from the current rate of \$20.56 per month to \$30.73 per month (approximately 49.46 percent).

1 On June 26, 2007, the Company filed Affidavits of Publication, indicating that it had  
2 published notice of the application and the hearing, as required by the May 7, 2007 Procedural Order,  
3 in the Arizona Business Gazette on May 10, 2007, and in the Daily News-Sun on May 12, 2007.

4 On July 17, 2007, the Commission's Utilities Division ("Staff") filed a Request for a  
5 Procedural Conference ("Request"). In the Request, Staff stated that recently filed testimony of the  
6 parties includes changes to rate design that would have an impact on certain customer rates far  
7 greater than the average increase projected earlier in the case, and subsequently provided in the  
8 customer notice. Staff stated that it had therefore requested that the Company prepare a letter to  
9 notify those of its customers who could potentially be subject to the greater-than-originally-projected  
10 rate impact. Staff stated that both the Company and Staff would like the Company to send such a  
11 notice to the potentially affected customers as soon as possible so that the customers will have a  
12 meaningful opportunity to participate in any proceedings before the Commission. Staff requested  
13 that a Procedural Conference be set on an expedited basis to allow the parties to discuss the requested  
14 additional customer notice.

15 By Procedural Order issued July 18, 2007, a Telephonic Procedural Conference was set for  
16 July 20, 2007.

17 On July 19, 2007, the Residential Utility Consumer Office ("RUCO") filed its Response to  
18 Staff's Request for Procedural Conference.

19 The Telephonic Procedural Conference was held as scheduled. The Company, RUCO, and  
20 Staff appeared through counsel, and intervenors Sun City Taxpayers Association and Philip Jansen  
21 appeared. During the Telephonic Procedural Conference, there was general agreement that some  
22 customers should be notified that their rates could be impacted to a much greater degree than  
23 originally noticed, if changes to rate design appearing in recently filed testimony were to be adopted  
24 by the Commission. It was unclear during the Telephonic Procedural Conference which customers  
25 should receive the requested additional notice. Staff and the Company were therefore directed to  
26 make a filing indicating which customers they believe should receive additional notice.

27 On July 23, 2007, the Company docketed a Response, and on July 25, 2005, filed a Revised  
28 Response. The July 25, 2007 Response included spreadsheets listing individual customers' account

1 numbers. No explanation of the spreadsheet was included. The filing did not include sufficient detail  
2 to allow the issuance of a Procedural Order specifying which classes of customers should receive  
3 additional notice. Further explanation was required prior to ordering the Company to provide  
4 additional notice.

5 On July 30, 2007, a Procedural Order was issued directing the Company to file, no later than  
6 August 3, 2007, a detailed explanation of which of its customers Arizona-American Water Company  
7 believes should receive additional notice of a possibly larger rate increase than originally noticed.  
8 The Procedural Order required that the filing include 1) a listing of the classes of customers who  
9 should receive the notice, and 2) the criteria by which Arizona-American Water Company chose  
10 those classes of customers, and 3) any other information that would assist in a determination of which  
11 classes of customers should receive additional notice. The Procedural Order also directed the other  
12 parties to this proceeding, including the Commission's Utilities Division Staff, to file, within three  
13 calendar days of the Company filing ordered above, their response, if any, to the Company's filing.

14 On August 1, 2007, the Company filed its Response to Procedural Order. Therein, the  
15 Company proposes to re-notify all Sun City Wastewater Company customers, both residential and  
16 commercial, who may receive a rate increase in excess of 31.17 percent, if the Company's revenue  
17 requirement and rate design proposal filed on July 9, 2007, is adopted by the Commission. The  
18 Company states that it chose 31.17 percent as a threshold for additional notification for all Sun City  
19 Wastewater customer classes because it is the lesser of the percentage increase indicated in two prior  
20 formal written notices to Sun City Wastewater customers. The Company also stated that it  
21 understands that all parties to this proceeding agreed that the Company should provide additional  
22 notice only to its Sun City Wastewater customers. The Response to Procedural Order included as  
23 attachments a proposed form of notice and a table showing the proposed rate increases for average  
24 usage customers by meter size.

25 No party filed a response to the Company's August 1, 2007 filing.

26 Under one of the Company's proposals filed on July 9, 2007, some customers would receive a  
27 larger rate increase than originally noticed. The criteria recommended by the Company under which  
28 customers should receive additional notice is reasonable, and additional notice will be ordered for

1 those customers. We do not agree with the Company that no Sun City West Wastewater customers  
2 require additional notice. We will require that all Sun City Wastewater customers who would receive  
3 a rate increase greater than 31.17 percent under the Company's rebuttal testimony rate design  
4 proposal be provided with additional notice. We will further require that all Sun City West  
5 Wastewater customers who would receive a rate increase greater than 49.47 percent under the  
6 Company's rebuttal testimony rate design proposal be provided with additional notice. We find that  
7 the table attached to the Company's response may cause more confusion than clarification for the  
8 noticed customers. This is because under the proposed rate design, the impact on individual customer  
9 classes varies widely. We will instead require that the notice direct customers to contact the  
10 Company's Community Relations Manager in order to determine the impact on their individual  
11 accounts.

12 Additional time should be allowed for customers to request intervention in this matter  
13 following their receipt of the additional notice. If new intervention requests are filed, it may be  
14 necessary to continue the currently scheduled hearing to allow sufficient time for intervenors to  
15 prepare for hearing. The current parties to this case are therefore put on notice at this time that the  
16 hearing will be continued if it appears necessary, based on the nature of intervention requests  
17 received, if any, in response to the notice of the possibility of larger than originally projected rate  
18 increases under the Company's alternate rate design proposal.

19 **IT IS THEREFORE ORDERED that current parties to this case are hereby put on notice**  
20 **that the hearing in this matter will be continued if necessary due to intervention requests**  
21 **received in response to the additional customer notice of the possibility of larger than originally**  
22 **projected rate increases under Arizona-American Water Company's alternate rate design**  
23 **proposal presented in its rebuttal testimony.**

24 **IT IS FURTHER ORDERED that the deadline for intervention in this matter is hereby**  
25 **extended to August 23, 2007.**

26 **IT IS FURTHER ORDERED that Arizona-American Water Company shall provide**  
27 **additional notice to all Sun City Wastewater customers who would receive a rate increase greater**  
28 **than 31.17 percent under the Company's rebuttal testimony rate design proposal, and to all Sun City**

1 West Wastewater customers who would receive a rate increase greater than 49.47 percent under the  
2 Company's rebuttal testimony rate design proposal.

3 IT IS FURTHER ORDERED that Arizona-American Water Company shall provide the  
4 above-ordered additional public notice of the hearing in this matter, in the following form and style,  
5 with the heading in no less than 12 point bold type and the body in no less than 10 point regular type:

6 **PUBLIC NOTICE OF POSSIBILITY OF LARGER THAN ORIGINALLY PROJECTED**  
7 **RATE INCREASES UNDER THE COMPANY'S ALTERNATE RATE DESIGN PROPOSAL**  
8 **IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER**  
9 **COMPANY FOR FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY**  
10 **SERVICE BY ITS SUN CITY WASTEWATER AND SUN CITY WEST WASTEWATER**  
11 **DISTRICTS**  
12 **DOCKET NO. WS-01303A-06-0491**

13 On July 28, 2006, Arizona-American Water Company ("Company") filed an  
14 application with the Arizona Corporation Commission ("Commission") for an increase  
15 in operating income. The Company is currently requesting an increase in operating  
16 income for its Sun City Wastewater District of approximately 28.54 percent  
17 (\$1,279,305), and for its Sun City West Wastewater District of approximately 41.33  
18 percent (\$1,875,812). **Under one of the Company's recently filed rate design**  
19 **proposals for wastewater rates, which is based on actual water usage by the**  
20 **individual account, certain customers' bills for wastewater service would**  
21 **experience rate increases of a much greater percentage than the amount of the**  
22 **increases set forth in prior customer notification of the rate increase request.**  
23 These high-percentage rate increases can potentially affect some residential customer  
24 accounts and some commercial customer accounts.

25 **This letter is to inform you that you have been identified as one the customers**  
26 **who may experience, if one of the Company's rate design proposals is adopted by**  
27 **the Commission, a wastewater bill increase significantly higher than the overall**  
28 **average percentage increase originally requested by the Company.**

**The Company can calculate the impact of its rate design proposals on your**  
29 **account. If you would like the Company to calculate the impact of its proposals on**  
30 **your account, please contact Todd Walker, Community Relations Manager, at 623-**  
31 **815-3112 or at [Todd.Walker@amwater.com](mailto:Todd.Walker@amwater.com).**

32 Other parties to this case have made alternative proposals, and the Commission will  
33 determine the appropriate rate relief to be granted based on the evidence of record in  
34 this proceeding. The Commission is not bound by the proposals made by the  
35 Company, Staff, or any intervenors and, therefore, the final rates approved in this  
36 docket may be lower or higher than the rates requested by the Company. Copies of the  
37 application and proposed tariffs, and of proposals made by other parties to the case,  
38 are available at the Company's offices [insert address] and on the internet via the  
Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-docket function.

1 The Commission has scheduled a **hearing** on this matter to commence on **August 23,**  
2 **2007, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington, Phoenix,  
3 Arizona. Public comments will be taken on the first day of the hearing. A **pre-**  
4 **hearing conference** is scheduled to convene on **August 17, 2007, at 2:00 p.m.** If you  
5 plan to request intervention in this matter (see below), and would like to attend the  
6 pre-hearing conference, you may raise procedural issues at that time.

7 The law provides for an open public hearing at which, under appropriate  
8 circumstances, interested parties may intervene. Intervention shall be permitted to any  
9 person entitled by law to intervene and having a direct and substantial interest in the  
10 matter. **If you desire to intervene, you must file a written motion to intervene with**  
11 **the Commission no later than August 23, 2007.** You must send a copy of the  
12 motion to intervene to the Company or its counsel and to all parties of record. Your  
13 motion to intervene must contain the following:

- 14 1. Your name, address, and telephone number and the name, address and  
15 telephone number of any party upon whom service of documents is to  
16 be made if not yourself.
- 17 2. A short statement of your interest in the proceeding (e.g., a customer of  
18 the Company, a shareholder of the Company, etc.).
- 19 3. A statement certifying that you have mailed a copy of the motion to  
20 intervene to the Company or its counsel and to all parties of record in  
21 the case.

22 The granting of intervention, among other things, entitles a party to present sworn  
23 evidence at the hearing and to cross-examine other witnesses. However, failure to  
24 intervene will not preclude any interested person or entity from appearing at the  
25 hearing and providing public comment on the application or from filing written  
26 comments in the record of the case. You will not receive any further notice of this  
27 proceeding unless you request it.

28 Written public comments may be submitted via email, or by mailing a letter  
referencing Docket Number WS-01303A-06-0491 to: Arizona Corporation  
Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007  
(visit [http://www.azcc.gov/divisions/util/forms/public\\_comment.pdf](http://www.azcc.gov/divisions/util/forms/public_comment.pdf) for a form and  
instructions). If you require assistance, you may contact the Consumer Services  
Section of the Commission at 1-800-222-7000. If you wish to listen to proceedings in  
this matter without participating, you may access the audio webcast of the proceedings  
via the Commission's website (visit <http://www.azcc.gov/divisions/it/audio.asp>).

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 Linda Hogan, E-mail [Lhogan@azcc.gov](mailto:Lhogan@azcc.gov),  
voice phone number 602/542-3931. Requests should be made as early as possible to  
allow time to arrange the accommodation.

IT IS FURTHER ORDERED that the Company shall mail to each of its Sun City Wastewater  
customers who would receive a rate increase greater than 31.17 percent under the Company's rebuttal

1 testimony rate design proposal, and to each of its Sun City West Wastewater customers who would  
2 receive a rate increase greater than 49.47 percent under the Company's rebuttal testimony rate design  
3 proposal, a copy of the above notice, no later than **August 13, 2007**.

4 IT IS FURTHER ORDERED that the Company shall file certification of mailing as soon as  
5 practical after the mailing has been completed.

6 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing of same,  
7 notwithstanding the failure of an individual customer to read or receive the notice.

8 IT IS FURTHER ORDERED that all remaining procedural deadlines remain unchanged at  
9 this time.

10 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized  
11 Communications) applies to this proceeding and shall remain in effect until the Commission's  
12 Decision in this matter is final and non-appealable.

13 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
14 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

15 Dated this 8<sup>th</sup> day of August, 2007

16  
17  
18   
19 TEENA WOLKE  
ADMINISTRATIVE LAW JUDGE

20 Copies of the foregoing **FAXED**  
this 8<sup>th</sup> day of August, 2007 to:

21 Craig A. Marks  
22 CRAIG A. MARKS, PLC  
23 3420 East Shea Blvd., Suite 200  
Phoenix, AZ 85028

24 Paul Li  
25 ARIZONA-AMERICAN WATER COMPANY  
19820 North 7<sup>th</sup> Street, Suite 201  
Phoenix, AZ 85024

26 Tracy Spoon  
27 SUN CITY TAXPAYERS ASSOCIATION  
12630 North 103<sup>rd</sup> Avenue, Suite 144  
Sun City, AZ 85351

28

1 Scott S. Wakefield, Chief Counsel  
RESIDENTIAL UTILITY CONSUMER OFFICE  
1110 West Washington, Suite 220  
2 Phoenix, AZ 85007  
3

4 Copies of the foregoing mailed/delivered  
5 this 9th day of August, 2007 to:

6 Craig A. Marks  
CRAIG A. MARKS, PLC  
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7 Phoenix, AZ 85028

8 Paul Li  
ARIZONA-AMERICAN WATER COMPANY  
9 19820 North 7<sup>th</sup> Street, Suite 201  
Phoenix, AZ 85024

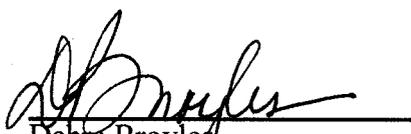
10 Tracy Spoon  
11 SUN CITY TAXPAYERS ASSOCIATION  
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12 Sun City, AZ 85351

13 Philip Jansen  
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14 Sun City West, AZ 85375

15 Scott S. Wakefield, Chief Counsel  
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17 Christopher Kempley, Chief Counsel  
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18 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
19 Phoenix, AZ 85007

20 Ernest G. Johnson, Director  
Utilities Division  
21 ARIZONA CORPORATION COMMISSION  
1200 West Washington  
22 Phoenix, AZ 85007

23  
24 By:   
25 Debra Broyles  
26 Secretary to Jeena Wolfe  
27  
28