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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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Arizona Corporation Commission

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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 ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT.

DOCKET NO. W-01303A-09-0343

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 ANTHEM/AGUA FRIA WASTEWATER DISTRICT, ITS SUN CITY WASTEWATER DISTRICT AND ITS SUN CITY WEST WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

PROCEDURAL ORDER

BY THE COMMISSION:

On July 2, 2009, Arizona-American Water Company ("Arizona-American" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for rate increases for its Anthem Water District, Sun City Water District, Anthem/Agua Fria Wastewater District, Sun City Wastewater District, and Sun City West Wastewater District.

Intervention in this matter has been granted to the Residential Utility Consumer Office ("RUCO"), Anthem Community Council, Sun City West Property Owners and Residents Association ("PORA"), W.R. Hansen, and the Water Utility Association of Arizona.

On February 2, 2010, a procedural order was issued granting a request by the Commission's Utilities Division ("Staff") to extend the time deadline for Staff to file its rate design testimony. The

1 procedural order extended the time deadline for Staff and intervenors to file their rate design
2 testimony from March 8, 2010, to March 22, 2010. The time deadline for the Company to file
3 rebuttal testimony on the issue of rate design was also extended, from March 22, 2010, to April 5,
4 2010.

5 On February 19, 2010, a procedural order was issued granting a request by RUCO for a one
6 week extension of time for RUCO to file its revenue requirement testimony. The procedural order
7 extended the deadline from February 22, 2010, to March 1, 2010, for Staff and intervenors to file
8 direct testimony on issues other than rate design.

9 On March 1, 2010, a procedural order was issued granting Staff's February 26, 2010 request
10 for an additional one week extension of time to file its revenue requirement testimony, due to a need
11 for the Company to reconcile plant values contained in the Company's direct case with those
12 contained in data responses. The procedural order extended the deadline from March 1, 2010 to
13 March 8, 2010, for Staff and intervenors to file direct testimony on issues other than rate design.
14 Staff was also directed to arrange to meet and confer with all parties to discuss possible changes to
15 other filing deadlines in this proceeding, and to request that a procedural conference be convened so
16 that proposals may be discussed by all parties.

17 On March 1, 2010, The Camelback Inn, Sanctuary on Camelback Mountain, the
18 Intercontinental Montelucia Resort and Spa, and the Scottsdale Cottonwoods Resort and Suites
19 (collectively the "Resorts") filed a Motion to Intervene. The Resorts are not customers of any
20 Arizona-American district included in this docket. In the filing, the Resorts stated that on February
21 10, 2010, the Resorts learned that this case was pending, and were provided an agenda to a meeting at
22 the offices of the Company entitled "Rate Consolidation Scenarios." The Resorts attached a copy of
23 the agenda to their Motion to Intervene, and state that it informed them that Staff will be making a
24 rate consolidation proposal on March 22, 2010 in this docket, and that responsive testimony to Staff's
25 proposal would be due on or about April 5, 2010. The Resorts state that February 10, 2010 was the
26 first time that the Resorts had notice that the parties in this case were moving forward with rate
27 consolidation, and that a possible consolidated rate structure would be developed for the
28

1 Commission's consideration in this case that would then be applied to the other districts. The Resorts
 2 noted that there may be other customers of Arizona-American's service districts that have not been
 3 provided notice of this proceeding and may be directly and substantially affected by rate
 4 consolidation. The Resorts requested a waiver of the intervention deadline, based upon the lack of
 5 consolidation of the two dockets and therefore lack of notice, and that they be granted intervention.

6 On March 5, 2010, Arizona-American filed its Response to the Resorts' Motion to Intervene
 7 and Request for Additional Intervention. In its Response, Arizona-American did not object to the
 8 granting of intervention and also requested that the intervenors from Docket Nos. W-01303A-08-
 9 0227 et al. ("08-0227 Docket") be granted intervention in this case.¹

10 On March 5, 2010, Staff filed a Motion for Extension and Request for Procedural Conference.
 11 Staff stated that in accordance with the March 1, 2010 Procedural Order, Staff met with the parties to
 12 discuss any proposed schedule changes. Staff included in its filing the proposed schedule as follows:

Testimony	Current Due Date	New Date
Company Rebuttal (Revenue Requirement)	March 22, 2010	Unchanged
Staff/Intervenor Rate Design/Consolidation	March 22, 2010	March 29, 2010
Company Rebuttal (Rate Design/Consolidation)	April 5, 2010	Unchanged
Staff/Intervenor Surrebuttal	April 12, 2010	April 15, 2010
Company Rejoinder	At hearing	Unchanged

18 On March 8, 2010, the Anthem Community Council filed its Support for the Commission
 19 Staff's Motion for Extension and Request for Procedural Conference.

20 Discussion

21 Decision No. 71410 was issued on December 8, 2009, in Arizona-American's most recent
 22 rate case. The Company's prior rate filing included its Agua Fria Water and Agua Fria Wastewater
 23 districts, Anthem Water and Anthem Wastewater districts, Havasu Water district, Mohave Water and
 24 Mohave Wastewater districts, Paradise Valley Water district, Sun City West Water district and Tubac
 25

26 ¹ The following parties were intervenors in the 08-0227 Docket: RUCO, Clearwater Hills Improvement Association
 27 ("Clearwater Hills"), the Town of Paradise Valley ("Town"), George E. Cocks, Patricia A. Cocks, Nicholas Wright,
 28 Raymond Goldy, Lance Ryerson, Patricia Elliott, Boyd Taylor, Keith Doner, Hallie McGraw, Rebecca M. Szimhardt,
 Wilma E. Miller, Joe M. Souza, Steven D. Colburn, Shanni Ramsay, Dennis Behmer, Ann Robinett, Betty Newland, Don
 Grubbs, Liz Grubbs, Mike Kleman, Jacquelyn Valentino, Louis Wilson, Ikuko Whiteford, Marshall Magruder, the
 Camelback Inn and Sanctuary on Camelback Mountain, Tom Sockwell, Andy Panasuk, Thomas J. Ambrose, and PORA.

1 Water district. Decision No. 71410 ordered the following:

2
3 IT IS FURTHER ORDERED that this docket shall remain open for
4 the limited purpose of consolidation in the Company's next rate case with
5 a separate docket in which a revenue-neutral change to rate design of all
6 Arizona-American Water Company's water districts or other appropriate
7 proposals or all Arizona-American's water and wastewater districts or
8 other appropriate proposals may be considered simultaneously, after
9 appropriate public notice, with appropriate opportunity for informed
10 public comment and participation.

11 Decision No. 71410 at 78.

12 Decision No. 71410 also includes the following discussion:

13 We believe that the issue of consolidation merits thorough vetting,
14 discussion and public participation. In the instant proceeding, parties have
15 argued that further development of the issue is needed. Accordingly, we
16 find it reasonable to defer this issue in the instant rate case but keep this
17 docket open for the limited purpose of consolidation discussion.

18 While the Commission will defer addressing consolidation in the
19 instant case, we believe this issue is of critical importance and that
20 unnecessary delay does not allow customers to benefit from administrative
21 expediency, economies of scale and other efficiencies which would
22 otherwise occur through consolidation. Accordingly, we will require
23 Commission Staff to propose at least one consolidation proposal in the
24 Company's next rate case which will allow parties and the public ample
25 opportunity to have notice of this issue and participate in that discussion.
26 We also believe the Company should commence a dialogue with its
27 customers as soon as practicable, and will require it to initiate town hall-
28 style meetings in all of its service territories to begin communicating with
consumers the various impacts of system consolidation in each of those
service territories, and to collect feed-back from consumers on such
consolidation.

Decision No. 71410 at 51.

22 On August 24, 2009, prior to the issuance of Decision No. 71410, the instant application was
23 found sufficient.

24 On August 26, 2009, a procedural order was issued scheduling a procedural conference to
25 provide an opportunity for discussion of a hearing schedule, public notice, and other procedural
26 issues prior to the issuance of a Rate Case Procedural Order.

27 On September 2, 2009, the procedural conference was convened as scheduled. Appearances
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1 were entered by counsel for the Company, RUCO, and Staff. At the procedural conference, the
2 Company indicated its plans to file a separate rate consolidation application.² Based on that
3 indication, the issue of appropriate customer notice of a rate consolidation proposal was brought to
4 the attention of the parties present.³ The procedural conference was recessed to allow the parties time
5 to meet and discuss an appropriate form of notice.

6 On September 3, 2009, the procedural conference reconvened. The Company stated that it
7 intended to proceed with the application as filed, and not to file the rate consolidation application
8 discussed the previous day.⁴ The parties were directed to file an agreed-upon form of notice, which
9 they subsequently filed on September 14, 2009.

10 A Rate Case Procedural Order was issued on September 24, 2009. The Company was ordered
11 to provide notice of the application in the form proposed by the Company and agreed to by Staff.
12 The notice made no mention of rate consolidation and was provided only to customers of the
13 Arizona-American districts in this application.

14 The Resorts' Motion to Intervene and Staff's Motion for Extension and Request for
15 Procedural Conference both reference Staff's plans to file a rate consolidation proposal when it files
16 its rate design testimony in this case. While the substance of the proposal is unknown at this time, if
17 such a proposal is to be considered in this docket, the notice issues that were raised at the September
18 2, 2009, procedural conference must be properly addressed.

19 The Resorts' Motion to Intervene has not been opposed. Their request is reasonable and
20 should be granted.

21 A procedural conference should be scheduled to discuss proper and appropriate notice related
22 to any rate consolidation proposal made in this docket. The Company's March 5, 2010 Request for
23 Additional Intervention should also be considered during the procedural conference.

24 IT IS THEREFORE ORDERED that the March 1, 2010, Motion to Intervene filed by the
25 Camelback Inn, Sanctuary on Camelback Mountain, the Intercontinental Montelucia Resort and Spa,
26 and the Scottsdale Cottonwoods Resort and Suites (collectively the "Resorts") is hereby granted.

27 ² Transcript of September 2, 2009 Procedural Conference at 5.

28 ³ *Id.* at 14-20.

⁴ *Id.* at 27.

1 IT IS FURTHER ORDERED that a **procedural conference** shall be held on **March 12,**
2 **2010**, commencing at 10:00 a.m., or as soon thereafter as practicable, at the Commission's offices,
3 1200 West Washington Street, **Hearing Room 1**, Phoenix, Arizona.

4 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
5 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
6 hearing.

7 DATED this 9th day of March, 2010.

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9
10 
11 TEENA WOLFE
ADMINISTRATIVE LAW JUDGE

12 Copies of the foregoing mailed/delivered
13 This 9th day of March, 2010 to:

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Secretary to Teena Wolfe

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