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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

7 IN THE MATTER OF THE APPLICATION
 8 OF ARIZONA-AMERICAN WATER
 9 COMPANY, AN ARIZONA CORPORATION,
 10 FOR A DETERMINATION OF THE
 CURRENT FAIR VALUE OF ITS UTILITY
 11 PLANT AND PROPERTY AND FOR
 INCREASES IN ITS RATES AND CHARGES
 12 BASED THEREON FOR UTILITY SERVICE
 BY ITS ANTHEM WATER DISTRICT AND
 13 ITS SUN CITY WATER DISTRICT, AND
 POSSIBLE RATE CONSOLIDATION FOR
 ALL OF ARIZONA-AMERICAN
 COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission
DOCKETED

APR - 6 2010

DOCKETED BY	<i>[Signature]</i>
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14 IN THE MATTER OF THE APPLICATION
 15 OF ARIZONA-AMERICAN WATER
 16 COMPANY, AN ARIZONA CORPORATION,
 17 FOR A DETERMINATION OF THE
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 18 PLANT AND PROPERTY AND FOR
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 19 BASED THEREON FOR UTILITY SERVICE
 BY ITS ANTHEM/AGUA FRIA
 20 WASTEWATER DISTRICT, ITS SUN CITY
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 21 CITY WEST WASTEWATER DISTRICT,
 AND POSSIBLE RATE CONSOLIDATION
 FOR ALL OF ARIZONA-AMERICAN
 COMPANY'S DISTRICTS.

DOCKET NO. SW-01303A-09-0343

**DMB WHITE TANK, LLC'S
MOTION TO INTERVENE IN
PHASE TWO (RATE DESIGN AND
RATE CONSOLIDATION)**

23 Pursuant to A.A.C. R14-3-105, DMB White Tank, LLC ("DMB"), an Arizona
 24 limited liability company, hereby moves to intervene in the second phase of the above-
 25 entitled matter pending before the Arizona Corporation Commission (the "Commission")
 26 pertaining to rate design and rate consolidation. In support of this motion, DMB states as

1 follows:

2 DMB is the developer of a real estate project known as Verrado, which is located
3 in the Town of Buckeye, in Maricopa County. Verrado contains nearly approximately
4 8,800 acres of land. At present, one-third of Verrado is built, consisting of 3,000 homes
5 and lots, a commercial core, an 18-hole championship golf course, Verrado Elementary
6 School, Verrado High School, and multiple park, trails and open space systems.

7 The applicant in this matter, Arizona-American Water Company, Inc. ("Arizona-
8 American"), holds Certificates of Convenience and Necessity authorizing to provide water
9 and sewer utility service to customers and landowners in Verrado.¹ Such service is
10 provided by two Arizona-American "districts" called the Agua Fria Water District and the
11 Agua Fria Wastewater District. DMB owns land in Verrado that it intends to develop in
12 the future and, therefore, DMB is affected by the rates and charges for water and sewer
13 utility service.

14 Moreover, DMB owns and operates an 18-hole golf course in Verrado called the
15 Raven Golf Club at Verrado. Sewage effluent produced by Arizona-American's
16 wastewater treatment plant in Verrado is sold to DMB and reused for golf course
17 irrigation pursuant to an ADEQ reuse permit. Therefore, the rate charged by Arizona-
18 American for effluent directly and materially affects DMB's golf course operations.
19 DMB has access to groundwater, and will be forced to substitute groundwater for effluent
20 (and other non-potable water) if the rates charged by Arizona-Americans is unreasonable
21 or excessive.

22 In a recent decision, the Commission authorized Arizona-American to charge \$227
23 per acre foot for sewage effluent. *See* Decision No. 71410 (Dec. 8, 2009). As in this case,
24 Arizona-American sells effluent to a golf course in Mohave County, which is then reused

25 ¹ Arizona-American is actually the successor in interest to Citizens Communications Company
26 and Citizens Water Services Company of Arizona, which were authorized to provide water and
sewer utility service to Verrado in 2001. *See* Decision No. 64307 (Dec. 28, 2001).

1 for turf irrigation. Consequently, DMB believes that the rate Arizona-American charges
2 for effluent deliveries in Verrado should be approximately equal to \$227 per acre foot.
3 Such rate will encourage the use of effluent for turf irrigation and provide Arizona-
4 American with a low cost means of disposing of its effluent in accordance with state and
5 federal environmental laws and standards, rather than encouraging the use of other water
6 resources for turf irrigation.

7 Arizona-American also charges approximately \$837 per acre foot for “non-
8 potable” water that is delivered to the Verrado golf course. This water consists of raw
9 (untreated) Central Arizona Project (“CAP”) water. The current cost for CAP water,
10 established by the Central Arizona Water Conservation District, is \$133 per acre foot.
11 The Maricopa Water District, which transports raw CAP water to the Verrado area for
12 Arizona-American, charges an additional \$27.40 per acre foot, bringing Arizona-
13 American’s total cost to obtain CAP water to \$160.40 per acre foot. Thus, Arizona-
14 American charges more than five times the cost of obtaining raw CAP water for “non-
15 potable” water service in Verrado. This rate is unreasonable and discourages the use of
16 renewable CAP water in lieu of groundwater, in contravention of state water policy.

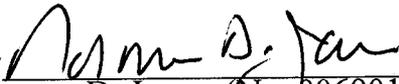
17 Based on its review of the filings in this case, it does not appear that any party has
18 addressed the cost of sewage effluent in Verrado. Furthermore, it appears that the rate for
19 non-potable water is grossly excessive and violates basic cost of service principles. Given
20 the state’s policy of encouraging the use of effluent and renewable water instead of
21 groundwater, DMB believes that the Commission should review these rates in connection
22 with the second phase of the above-entitled matter, and establish rates that are just and
23 reasonable and in the public interest by encouraging the reuse of effluent for golf course
24 irrigation.

25 In short, DMB, as a customer and landowner within Arizona-American’s
26 certificated area, clearly has the right to intervene in the second phase of this proceeding,

1 relating to rate design and rate consolidation. The issues summarized above concern
2 fundamental rate design principles as well as water management policy. The Commission
3 should allow DMB to intervene to ensure that these issues are fully and carefully
4 considered in developing an appropriate rate design for Arizona-American.

5 RESPECTFULLY SUBMITTED this 6th day of April, 2010.

6 FENNEMORE CRAIG, P.C.

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13 An original and 13 copies
14 of the foregoing was delivered this 6th
day of April, 2010, to:

15 Docket Control
16 Arizona Corporation Commission
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19 was delivered/mailed this 6th day of
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