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Farber I Sch



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**Memorandum**

**Via Federal Express**

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**DATE:** April 30, 2010  
**TO:** Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007  
**FROM:** April Robitaille, Asst. to Bradley J. Herrema  
**RE:** In the Matter of the Application of Arizona-American Water Company  
Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343

---

Enclosed is an original and 14 copies of our Notice of Filing Direct Testimony of Desi Howe. Please conform one of ~~the copies~~, and return it to us in the envelope provided. Thank you for your consideration. *face page*

:gml  
Enclosures

SB 543955 v1:098000.0015

Arizona Corporation Commission  
**DOCKETED**

MAY - 3 2010

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DOCKET CONTROL

**ORIGINAL**

**BEFORE THE ARIZONA CORPORATION COMMISSION  
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KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

2010 MAY -3 A 11: 19

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  
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

**ANTHEM GOLF AND COUNTRY CLUB'S NOTICE OF FILING DIRECT TESTIMONY  
REGARDING RATE STRUCTURE AND RATE CONSOLIDATION**

The Anthem Golf and Country Club hereby files the Direct Testimony Regarding Rate  
Structure and Rate Consolidation of Desi Howe.

**BROWNSTEIN HYATT FARBES SCHRECK, LLP**  
21 East Carrillo Street  
Santa Barbara, CA 93101

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RESPECTFULLY SUBMITTED this 30th day of April 2010.

By:   
Bradley J. Herrema  
Brownstein Hyatt Farber Schreck, LLP

**BROWNSTEIN HYATT FARBER SCHRECK, LLP**  
21 East Carrillo Street  
Santa Barbara, CA 93101

**PROOF OF SERVICE**

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ORIGINAL and thirteen (13) copies of the  
of the foregoing filed  
this ~~12~~<sup>30</sup>th day of April 2010 with:

Docket Control  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

Copy of the foregoing served,  
by United States Mail,  
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28 Scottsdale, AZ 85250

Dated: April 30, 2010

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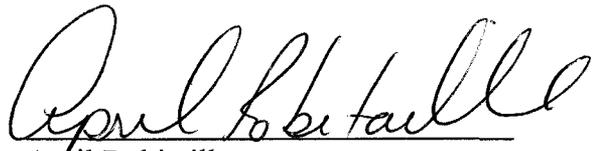
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Teena Wolfe, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF ARIZONA-AMERICAN WATER  
COMPANY, AN ARIZONA  
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DETERMINATION OF THE CURRENT  
FAIR VALUE OF ITS UTILITY PLANT  
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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  
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ANTHEM/AGUA FRIA WASTEWATER  
DISTRICT, ITS SUN CITY WASTEWATER  
DISTRICT AND ITS SUN CITY WEST  
WASTEWATER DISTRICT

DOCKET NO. SW-01303A-09-0343

**DIRECT TESTIMONY  
REGARDING RATE STRUCTURE AND RATE CONSOLIDATION  
OF  
DESI HOWE  
ON BEHALF OF  
ANTHEM GOLF AND COUNTRY CLUB  
MAY 3, 2010**

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**EXECUTIVE SUMMARY**

Desi Howe testifies that:

The Club receives water for irrigation purposes from the Company pursuant to its Anthem Water District Non-Potable Irrigation Rate. The present rate is \$1.43/1,000 gallons and the Company is proposing an increase of roughly 79% to \$2.5648/1,000 gallons. The Company is not proposing rate design changes at the district level, and has not prepared a cost of service study for this case, but allocated requested revenue requirement increases by district pro-rata to each customer class/tariff for that district. Since it has not submitted a new cost of service study, the Company has indicated that it will accept any party's use of cost of service data from the previous rate case for each district.

The present and proposed rate structure in the Anthem Water District disproportionately allocates the costs of service to Non-Potable Irrigation Rate customers. This does not achieve either of the objectives of having rates represent costs of service or inducing water conservation. The Club's water use is dictated by limits set by the Arizona Department of Water Resources and the weather. The Club is already incentivized to use as little water as possible, as a means of reducing its own irrigation costs, which represent the Club's largest operating utility expense.

The Club does not take a position on rate consolidation, but defers to the Commission's discretion as to whether consolidation should be ordered in this case. The Club is interested in additional detail on any Company proposal that would limit the increase in the Non-Potable Irrigation Rate. If the Company proposes to establish a statewide framework for non-potable rates in conjunction with the recommendations of the Arizona blue ribbon panel on water sustainability, a more concrete proposal should be addressed in its May 14, 2010 testimony.

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**  
3 **NUMBER.**

4  
5 A. My name is Charles Desmond "Desi" Howe, Jr. My business address is 2708 W. Anthem  
6 Club Drive, Anthem, Arizona 85086, and my business phone is 623-742-6201.

7 **Q. ARE YOU THE SAME DESI HOWE THAT SUBMITTED DIRECT TESTIMONY**  
8 **REGARDING ISSUES OTHER THAN RATE STRUCTURE ON BEHALF OF ANTHEM**  
9 **GOLF AND COUNTRY CLUB IN THIS CASE ON FEBRUARY 22, 2010?**

10 A. Yes.

11  
12 **II. PURPOSE OF TESTIMONY**

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY REGARDING RATE DESIGN**  
14 **AND RATE CONSOLIDATION IN THIS CASE?**

15  
16 A. On February 22, 2010, I submitted testimony regarding the Anthem Golf and Country  
17 Club's (the "Club's") use of water received from Arizona-American Water Company (the  
18 "Company") for its irrigation purposes, and to outline the potential impacts of the proposed rate  
19 increase on the Club. This testimony is intended to describe the proposed rate structure for the  
20 Club's rates and present the Club's position regarding rate design and rate consolidation. For a  
21 summary of my testimony, please see the preceding Executive Summary.

22 **III. THE COMPANY'S PROPOSED RATE STRUCTURE**

23 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RATE STRUCTURE FOR**  
24 **THE CLUB'S WATER RATES.**

25 A. As described in my February 22, 2010 testimony, the Club receives water for irrigation  
26 purposes from the Company pursuant to its Anthem Water District Non-Potable Irrigation Rate.  
27 (Howe, Page 4, lines 19-23.) The present rate is \$1.43/1,000 gallons. In the present rate case, the  
28 Company initially requested a 104.22% increase among all rates in the Anthem District (Gutowski

1 Schedule H-3, Page 1.) In response to Staff's rebuttal testimony, the Company has agreed to reduce  
2 its requested rate increase for the Anthem District to a rate of \$2.5648/1,000 gallons, which would  
3 constitute a roughly 79% increase.

4  
5 As described in the Revised Direct Testimony of Thomas M. Broderick, in this rate case the  
6 Company is not proposing rate design changes at the district level, and has not prepared a cost of  
7 service study for this case. (Broderick Revised Direct, Page 8, lines 3-5.) The Company has  
8 allocated requested revenue requirement increases by district pro-rata to each customer class/tariff  
9 for that district. Since it has not submitted a new cost of service study, the Company has indicated  
10 that it accepts any party's use of the cost of service data from the previous rate case for each district  
11 for purposes of supporting rate design proposals in this case. (Broderick Revised Direct, Page 8,  
12 lines 6-8.)

13 **Q. WHAT IS THE CLUB'S POSITION ON THE COMPANY'S PROPOSED RATE**  
14 **STRUCTURE FOR THE ANTHEM WATER DISTRICT?**

15 A. In the previous rate case for the Anthem Water District (Docket No. WS-01303A-03-  
16 04043), the Club filed comments on the Anthem Water District's rate structures as proposed (March  
17 27, 2008 Comments of Desi Howe) and comments on the Recommended Opinion & Order (May  
18 21, 2008 Comments of Desi Howe) (collectively, the "2008 Comments"). In its 2008 Comments,  
19 the Club detailed its concerns with the rate structure in the Anthem Water District, including that  
20 the rate did not achieve the Company's stated goals, as it disproportionately burdened Non-Potable  
21 Irrigation Rate customers relative to the cost of service described in the Company's cost-of-service  
22 study for the Anthem Rate District.

23 The Club also commented that it did not agree with the Company's testimony that the  
24 setting of an irrigation rate significantly higher than that required to recover the costs of service  
25 would "promote its efficient use while remaining competitive with alternatives", nor did it agree  
26 with the Recommended Opinion & Order that this disproportionate burden would "promote  
27 conservation." The Club also took exception to the use of this cost-shifting mechanism that would  
28 "mitigate the revenue increase for other customers" while one of the Company's stated goals in  
designing rates in the Anthem Water District was to "steadily move toward cost-based rates while

1 treating customers equitably.” The 2008 Comments are attached hereto as Exhibit AGCC-1 and the  
2 concerns the Club expressed in those comments are reiterated below.

3  
4 **Q. WILL THE COMPANY’S PROPOSED NON-POTABLE IRRIGATION RATE**  
5 **STRUCTURE RESULT IN GREATER WATER CONSERVATION BY THE CLUB?**

6 A. No. The Club does not require any additional incentives toward efficient use or water  
7 conservation. The Club’s water use for irrigation is already limited by many factors. Initially, the  
8 Club, as an industrial turf irrigator within the Phoenix Active Management Area, is limited by a  
9 prescribed conservation allotment as to the amount of water that may be used to irrigate the Club’s  
10 courses. Secondly, the Club is not able to significantly reduce its irrigation water consumption.  
11 The Club has already taken steps to minimize its water use through the implementation of efficient  
12 irrigation technology. While the Club has taken these steps to minimize use, its irrigation water use  
13 is to a large extent out of its control, as the primary variable affecting it – the weather – is out of the  
14 Club’s control.

15 Finally, as described in my March 22, 2010 Testimony, irrigation water is the largest  
16 component of the Club’s utilities budget. (Howe, Page 5, lines 21-26.) For this reason, the Club  
17 already has sufficient incentive to minimize its water use – as a means of minimizing its own  
18 operating costs. The irrigation rate increases proposed by the Company will not have the effect of  
19 decreasing the Club’s irrigation water use, but only the effect of increasing its irrigation costs.

20 **Q. IS THE CLUB OTHERWISE CONCERNED THAT THE PROPOSED NON-**  
21 **POTABLE IRRIGATION RATE GREATLY EXCEEDS THE COST OF SERVICE?**

22  
23 A. Yes. Based on the Company’s proposed maintenance of the existing rate structure, the  
24 proposed rate structure will maintain the disproportionate burden on non-potable irrigation  
25 customers of carrying the Anthem District’s costs of service. The primary component of the  
26 irrigation water delivered to the Club is treated wastewater effluent. This supply exists independent  
27 of irrigators’ needs for it. It is a constant supply, based on its origination from the hardened demand  
28 of interior water use within Anthem. The infrastructure needed to treat wastewater within the  
Anthem Community is necessary regardless of the Club’s irrigation use with the treated effluent. If

1 the Club did not use the treated wastewater effluent, the Company would have to pay to have the  
2 water transferred to another location for storage and recovery before it could be put to use. The  
3 Club's use of reclaimed water for irrigation purposes does a service to the community and the  
4 Anthem/Agua Fria Wastewater System by providing one mechanism for the safe disposition of the  
5 community's wastewater.

6 The Club is also concerned as to the allocation of effluent costs as between Non-Potable  
7 Irrigation Rate customers and the extent to which these may overlap with wastewater treatment  
8 costs being recovered through wastewater rates. It is unclear to the Club why in the Anthem  
9 District effluent is sold by the Water District, when it is generated by the Wastewater District, when  
10 other Company Wastewater Districts, such as the Mohave Wastewater District, have a separate  
11 "effluent tariff."

12 **V. RATE CONSOLIDATION**

13 **Q. DOES THE CLUB TAKE A POSITION REGARDING RATE CONSOLIDATION?**

14  
15 A. No. The Club defers to the Commission's discretion as to whether consolidation should be  
16 ordered in this case.

17 **Q. WHAT IS THE CLUB'S POSITION ON THE INCORPORATION OF THE**  
18 **RECOMMENDATIONS OF ARIZONA'S BLUE RIBBON PANEL ON WATER**  
19 **SUSTAINABILITY?**

20  
21 A. Prior to the inclusion of the concept in the April 7, 2010 Rebuttal Testimony of Thomas M.  
22 Broderick (Broderick, Pages 15-16), the Club was unaware that the Company intended to propose  
23 the use of such a mechanism as part of the present rate case. Initially, the Club is interested in any  
24 proposal by the Company that would result in a reduction in the requested increase in the Non-  
25 Potable Irrigation Rate. However, the Club questions whether setting rates in order to incentivize  
26 use of non-potable supplies would accomplish that goal within the Anthem District, as the District  
27 is plumbed to allow extensive effluent use and the only water supplies available to the Course are  
28 non-potable supplies. If the Company wishes to consider the implementation of such a mechanism,  
a more concrete proposal should be addressed in its May 14, 2010 testimony.

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**IV. CONCLUSION**

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY REGARDING RATE DESIGN AND RATE CONSOLIDATION?**

**A. Yes.**

**Exhibit AGCC-1**

WS-01303A-06-0403

ORIGINAL

ARIZONA CORPORATION COMMIS  
UTILITY COMPLAINT FORM

4760

Investigator: Trish Meeter

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion No. 2008 67078

Date: 3/13/2008

Complaint Description: 08A Rate Case Items - Opposed  
N/A Not Applicable

Complaint By: First: Desi Last: Howe

Account Name: Anthem Golf & Country Club

Home: (000) 000-0000

Street: [REDACTED]

Work: [REDACTED]

City: [REDACTED]

CBR: [REDACTED]

State: AZ Zip: [REDACTED]

is: Business

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AZ CORP COMMISSION  
DOCKET CONTROL

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: [REDACTED]

Contact Phone: [REDACTED] Commission

Nature of Complaint:

3/12 xxxxxx DOCKET NO. WS-01303A-06-0403 xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

DOCKETED

MAR 17 2008

RE: Docket No. WS-01303A-03-0403

DOCKETED BY [REDACTED] ne

Pursuant to the Administrative Law Judge's October 5, 2006 Procedural Order in the above referenced rate proceeding, the Anthem Golf and Country Club (the "Club") submits the following comments in regard to the Arizona American Water Company's (AAWC) requested rate increases. The Club objects to AAWC's proposed increase in its irrigation rate. The requested 130% increase in the irrigation rate would result in an increase in the Club's annual bills on the order of hundreds of thousands of dollars and would disproportionately burden irrigation customers.  
The Club

The Club is a 36-hole championship golf course, consisting of the Ironwood and Persimmon 18- hole courses. Tucked into the quiet beauty of the high Sonoran desert foothills, the unique hillside setting provides extraordinary mountainous views. In addition to the 36 holes of golf, the Club features two clubhouses, tennis courts, pools, spa services, formal and casual dining, golf shops, locker rooms, and fitness facilities.

The Club currently has 602 memberships providing golf privileges to the Club's courses. Additionally, each of the over 2800 lot owners within the Anthem Community are considered social members of the Club and have membership privileges to the Club's social and fitness facilities, and reduced greens fees for use of the Club's courses.

The Club maintains the courses through irrigation with reclaimed water provided by AAWC subject to its irrigation rate, The Ironwood and Persimmon courses are permitted to be irrigated with reclaimed water, pursuant to two Arizona Department of Environmental Quality reclaimed water permits. Based on the Anthem Community's location and a Maricopa County ordinance precluding the Club's extraction of groundwater for

# ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

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irrigation purposes, AAWC represents the Club's sole irrigation water supply.

### Impact of Proposed Rate Increase

AAWC's irrigation rate under its present tariff provides a commodity rate of \$ 0.62 per 1,000 gallons. In the current proceeding, while backing down from its initially requested 200 % increase in irrigation rates, AAWC continues to request an increase of over 130% in the irrigation rate - to \$1.43 per thousand gallons.

The Club's irrigation water supply is its lifeblood. Without water for irrigation, the Club could not continue its operations, and the corresponding benefits provided by the Club to the Community- the recreational opportunities, the aesthetic impacts of maintaining a green course, as well as the increase in real estate values realized by homeowners within the Community due to the proximity and availability of the Club- would cease. A rate increase that undermines the Club's ability to operate profitably not only might deprive the Anthem community of these benefits, but might further disrupt the unstable real estate market in the community, where many homes are already in foreclosure proceedings.

In 2007, the two 18 hole courses used approximately 400,000 thousand gallons of irrigation water delivered by AAWC, representing over \$265,000 in annual water bills. This is the largest component of the Club's annual utilities budget - over one third - and under AAWC's proposed rate increases, in a year like 2007, these costs would rise to over \$600,000. This almost \$350,000 increase would raise the Club's irrigation water costs from one third to almost 75% of its annual utilities budget.

AAWC has justified its rate increases, in part, as representing the true cost of the services provided to its water and wastewater customers. The Club's membership rates are similarly structured in order to take into account the costs of the Club's operation. Unfortunately, if the Commission grants the proposed increase in irrigation rates, the Club's operation costs would rise significantly, requiring the Club to similarly raise its members' dues.

### Equity of Proposed Irrigation Rate Increase

AAWC's proposed increase in its irrigation rate is greater proportionately than the increase proposed for any other class of water customers. AAWC supports its rate design through the testimony of Charles Loy. Mr. Loy's testimony justifies the disproportionate irrigation rate increase based on the goals identified in his written direct testimony, including:

"Set irrigation rates significantly higher to promote its efficient use while remaining competitive with alternatives"; and

"Steadily move toward cost-based rates while treating customers equitably."

(Direct Testimony of Charles Loy, September 26, 2006, p. 7.) It is the Club's view that AAWC's proposed increases in irrigation rates will not accomplish either of these goals.

The Club does not require any additional incentives toward efficient use or water conservation-as described above, its largest utility cost operating cost is its water usage. The Club is already incentivized to minimize its water use - as a means of minimizing its costs. In order to minimize its water use, the Club utilizes water efficient irrigation technology. And, while Mr. Loy justifies the disproportionate increase to be borne by irrigation customers based on their use being more elastic than that of other classes of customers (Direct Testimony of Charles Loy, September 26, 2007, p. 10), this is not the case as the primary variable affecting its water use - the weather - is out of its control. The irrigation rate increases proposed by AAWC will not have the effect of decreasing the Club's irrigation water use, but only the effect of raising its irrigation costs.

While Mr. Loy states that one of the goals for his rate design was to move toward cost-based rates while treating customers equitably, his testimony demonstrates that irrigation customers are being asked to bear a disproportionate share of the proposed move toward cost-based rates. While AAWC has asked to increase residential water rates less than necessary to reflect its costs of residential service, AAWC would raise irrigation

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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water rates to almost twice the cost of service. AAWC has requested a 130% increase in irrigation rates while the cost of service study relied upon by Mr. Loy indicates a rate increase of only 46% would bring AAWC's irrigation rate into equilibrium with its costs of providing irrigation water. (Direct Testimony of Charles Loy, September 26, 2006, p. 8; Exhibit CEL-1.)

Mr. Loy states that this almost 300% difference is fair, based on the "significant costs and resources associated with the delivery of water that is ultimately used for irrigation purposes." (Direct Testimony of Charles Loy, September 26, 2006, p. 9.) As Mr. Loy states, the primary component of the irrigation water delivered to the Club is treated wastewater effluent. This is water that is already being delivered to the community for residential or commercial use, and there is no additional infrastructure necessary to deliver it to the Community -the reclaimed water is simply water that has already served its initial purpose that is being reused. Every gallon of reclaimed water put to use by the Club for irrigation purposes is one additional gallon of potable water available to AAWC's customers for other purposes. The infrastructure needed to treat wastewater within the Anthem Community is necessary regardless of the Club's irrigation use with the treated effluent, and while the Club may not pay a portion of those infrastructure and treatment costs as part of its irrigation rate, it does pay those costs through its own wastewater rates associated with the Club's clubhouses, fitness facilities, maintenance buildings and golf course restrooms.

Mr. Loy's testimony's discussion of the rates charged by other reclaimed water suppliers within the State is not relevant to the present proceedings. As the Commission is aware, the Anthem Community is an isolated community and the Club must rely on AAWC's Anthem system for its water supplies. The Club's use of reclaimed water for irrigation purposes does a service to the community and the AntbemiAgua Fria Wastewater System by providing a means for the safe disposition of the community's wastewater.

**Conclusion**

The Club asks that the Commission consider these comments in its ruling on irrigation water rate increases proposed by AAWC in this proceeding. These rate increases will disproportionately burden irrigation users with those claimed costs of service that AAWC wishes to pass through to its ratepayers. Though not discussed in these comments, the agreements underlying AAWC's costs have never been approved by the Commission and AAWC's costs could have been more fairly recouped through AAWC's ex ante determination of a rate increase schedule approved by the Commission. The rate increases requested by AAWC would constitute the type of rate shock disfavored by the Commission - increasing the Club's irrigation costs by hundreds of thousands of dollars annually. While any rate increase will substantially impact the Club's operating costs, the Club believes the Commission Staff's proposed rate increase to \$0.88 per thousand gallons to be more reasonable.

Should you have any questions on comments, please feel free to contact me.

Desi Howe  
Regional Manager  
\*End of Complaint\*

**Utilities' Response:**

**Investigator's Comments and Disposition:**

Letter to customer:

March 14, 2008

RE: ARIZONA AMERICAN WATER

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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Dear Mr. Howe,

Your letter on behalf of Anthem Golf & Country Club regarding the Arizona American Water ("AAW") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the AAW application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000.

Sincerely,

Trish Meeter  
Consumer Service Analyst  
Utilities Division  
\*End of Comments\*

**Date Completed: 3/14/2008**

**Opinion No. 2008 - 67078**

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OPEN MEETING AGENDA ITEM

ORIGINAL RECEIVED

Arizona Corporation Commission  
Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

2008 MAY 21 P 2: 24

Arizona Corporation Commission  
47  
Anthem  
GOLF & COUNTRY CLUB  
MAY 21 2008

RE: **Comments of Anthem Golf and Country Club on Recommended Opinion & Order**  
Docket No. WS-01303A-06-0403

DOCKETED BY  
nr

The Anthem Golf and Country Club (the "Club") submits the following comments regarding the Administrative Law Judge's Recommended Opinion & Order ("ROO") in the above-captioned proceeding. The Club maintains its 36-hole championship golf course through irrigation with reclaimed water provided by the Arizona American Water Company (AAWC) subject to its irrigation rate. Based on the Anthem Community's location and a Maricopa County ordinance precluding the Club's extraction of groundwater for irrigation purposes, AAWC represents the Club's sole source of irrigation water supply.

Comments were previously submitted by the Club (docketed March 17, 2008) in this proceeding, objecting to AAWC's requested irrigation rate increase, based on its disproportionate burden on irrigation customers ("March 17 Comments"). Those comments are incorporated herein by reference.

**The ROO would Increase AAWC's Irrigation Rate by 131%**

Initially, the ROO incorrectly describes its recommended increase in irrigation rates. The ROO recommends an increase in AAWC's irrigation rate from \$0.88 per 1,000 gallons to \$1.43. (ROO, 13:15-17.) However, AAWC's current tariff includes an irrigation rate of \$0.62 per 1,000 gallons. ([http://www.cc.state.az.us/Divisions/Utilities/Tariff/anthem\\_water\\_tariffs.pdf](http://www.cc.state.az.us/Divisions/Utilities/Tariff/anthem_water_tariffs.pdf).) Increasing the irrigation rate to \$1.43 is a 131% increase, not the 63% increase indicated in the Recommended Option – a substantial difference. The ROO should be corrected in order to accurately describe the impact of its recommendations on AAWC's irrigation customers.

**The ROO's Irrigation Rate Increase is Not Reasonable**

As mentioned above, the ROO finds the 63% increase in AAWC's irrigation rate from \$0.88 per 1,000 gallons to \$1.43 per 1,000 gallons to be reasonable. It should again be pointed out, however, that the increase to \$1.43 per 1,000 gallons is actually a 131% increase in AAWC's irrigation rate. The ROO recommends the increase in the irrigation rate on the basis that it will "promote conservation and mitigate the revenue increase for other customers." (ROO, 13: 15-17.) This finding, and the recommendation for adoption on that basis, is unsupported in the ROO and the Club believes such an increase to be unreasonable, in light of the following:

- As described in the March 17 Comments, irrigation customers, such as the Club, have pre-existing incentives to minimize water use, and an increased water rate will not create any greater incentive to conserve water. The Club's water demands are relatively consistent, with the primary variable affecting its water use from year to year being the weather, which is outside the Club's control. As the Club's irrigation costs are the largest

component of its utilities budget, the Club is already incentivized to minimize its water use to whatever extent it is able. Assuming that the recommended increased irrigation rate becomes effective June 1, 2008, the Club's projected irrigation water costs will increase over \$245,000 during the final seven months of 2008. Using an average year's projected irrigation water use, the 131% increase in irrigation rates would result in an increase of almost \$350,000 in the Club's annual irrigation water costs. The ROO's proposed 131% increase in irrigation rates will not have the effect of reducing the Club's irrigation water use, but only the effect of raising its irrigation costs.

- The majority of the water provided to AAWC's irrigation customers is treated wastewater. This supply exists independent of irrigators' needs for it. It is a constant supply, based on its origination from the hardened demand of interior water use within the Anthem Community. Irrigation use of this treated wastewater provides the community with a convenient mechanism for its disposition, and the Club's use of treated wastewater in lieu of potable water frees that potable water for use elsewhere in the community.
- The proposed 131% increase in AAWC's irrigation rate disproportionately burdens irrigation customers with AAWC's revenue increase. (See ROO, [irrigation rate increase will "mitigate the revenue increase for other customers."].) AAWC's own expert, Charles Loy, acknowledged this in his testimony, where he stated that only a 46% increase in irrigation rates was necessary to bring the rate into equilibrium with the cost of providing the service.

The ROO provides no support for its finding that the recommended 131% increase in irrigation rates is reasonable in light of these facts. The Club asks that the Commission, in adopting an order in these proceedings, address these issues. Should you have any questions or comments, please feel free to contact me.

  
Desi Howe  
Regional Manager

CC: Mike Gleason, Commission Chairman  
William A. Mundell, Commissioner  
Jeff Hatch-Miller, Commissioner  
Kristin K. Mayes, Commissioner  
Gary Pierce, Commissioner