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BEFORE THE ARIZONA CORPORATION COMMISSION

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, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA-AMERICAN COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission DOCKETED

AUG 6 2010

DOCKETED BY [Signature]

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, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA-AMERICAN COMPANY'S DISTRICTS.

DOCKET NO. SW-01303A-09-0343

CORTE BELLA'S RESPONSE BRIEF

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Mashie, LLC (Mashie), an Arizona limited liability company doing business as Corte Bella Golf Club ("Corte Bella"), hereby submits the following response brief in the above-captioned rate case.

In its Opening Brief, Corte Bella asked the Commission to order an effluent rate for the Anthem/Agua Fria Wastewater District ("District") and further requested that the rate be set at \$250 per acre foot, the rate advocated by DMB White Tank ("DMB").<sup>1</sup> This

<sup>1</sup> Corte Bella Opening Brief pp. 4-5.

1 filing responds to Arizona-American Water Company's ("Arizona-American") proposal  
2 regarding a waste water tariff for the Anthem/Agua Fria Wastewater District.

3  
4 **1. An Effluent Tariff for the Agua Fria Wastewater District.**

5 On the "Effluent Rate" issue, Arizona-American submits that it "is no longer  
6 requesting that a wastewater tariff be set for the Anthem/Agua Fria Wastewater District."<sup>2</sup>  
7 Presumably, Arizona-American also intends, by this sentence, that it is no longer  
8 requesting an effluent rate for the District. This is both unexpected and odd. First, DMB,  
9 not Arizona-American, requested that an effluent rate be set for the District. Second,  
10 Arizona-American does not suggest or argue that it has quit selling effluent, or that the  
11 effluent is not produced by plant and facilities owned and operated by the District.  
12 Rather, Arizona-American recommends that effluent purchasers pay the neighboring  
13 Anthem Water District, at a rate of \$1.64 per 1,000 gallons (\$534 per acre-foot), for  
14 effluent purchased from the District. As DMB plainly articulated through testimony and  
15 in its Post-Hearing Brief, the effluent sold by Arizona-American is produced by plant and  
16 facilities owned by the District and thus any effluent sold in the District should be sold  
17 pursuant to a wastewater district tariff that returns the revenue to the District.<sup>3</sup> DMB's  
18 argument and logic are not disputed by Arizona-American. Nonetheless, Arizona-  
19 American inexplicably recommends that the Commission not order a wastewater tariff –  
20 without actually stating why Arizona-American opposes an effluent tariff for the District.  
21 Given Arizona-American's silence on the core issue of properly aligning effluent  
22 production costs and revenue, the Commission is obliged to correct the improper revenue  
23 shift identified by DMB by setting an effluent rate and allowing the District to collect  
24 revenue from effluent produced by its facilities.

25 \_\_\_\_\_  
26 <sup>2</sup> Arizona-American Post-Hearing Brief at 42.

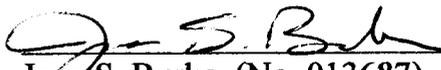
<sup>3</sup> DMB Post-Hearing Brief at 3-6.

1           **2. The Effluent Rate**

2           The \$534 per acre foot rate advanced by Arizona-American for non-potable water  
3 in the Anthem Water District is more the twice the \$250 per acre foot effluent rate  
4 proposed by DMB. In its Post-Hearing Brief, Arizona-American does not respond to  
5 hearing testimony describing current effluent market conditions and cost incentives.  
6 DMB and Corte Bella explained at the hearing that for effluent to sell in the District, it  
7 must be priced at roughly what private water utilities typically charge in Arizona, namely  
8 \$200 and \$250 dollars per acre foot.<sup>4</sup> If the effluent is not priced in that range, users will  
9 substitute a less expensive water source (e.g. groundwater) for the effluent. Arizona-  
10 American does not dispute DMB and Corte Bella's assertions during the hearing that  
11 effluent will not sell at \$534 per acre foot and that the higher rate could actually result in  
12 an overall reduction in revenue for Arizona-American. The only reasonable conclusion  
13 supported by the testimony, witness statements and opening briefs is that the going rate  
14 for effluent in the state is far less than the \$534 per acre foot rate proposed by Arizona-  
15 American.

16           For these reasons, Corte Bella asks the Commission to set a rate for effluent in the  
17 Agua Fria Wastewater District of \$250 per acre-foot for the effluent produced and sold in  
18 the District.

19           RESPECTFULLY SUBMITTED this 6<sup>th</sup> day of August, 2010.

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<sup>4</sup> DMB Post-Hearing Brief at 8; Corte Bella Opening Brief at 8-9.

1 ORIGINAL and thirteen (13) copies of the foregoing  
2 filed this 6<sup>th</sup> day of August, 2010, with:

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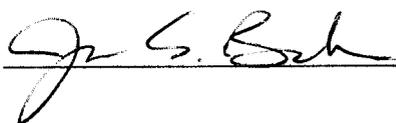
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