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## Memorandum

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AZ CORP COMMISSION  
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**DATE:** December 9, 2010

**TO:** Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

**FROM:** April Robitaille, Assistant 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

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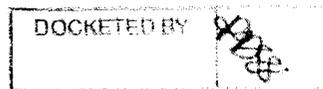
Enclosed is an original and 14 copies of our **EXCEPTIONS OF ANTHEM GOLF AND COUNTRY CLUB**. Please conform one of the copies, and return it to us in the envelope provided. Thank you for your consideration.

Enclosures

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Arizona Corporation Commission  
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OPEN MEETING AGENDA ITEM

BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES  
Chairman

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GARY PIERCE  
Commissioner

AZ CORP COMMISSION  
DOCKET CONTROL

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

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  
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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

EXCEPTIONS OF ANTHEM GOLF AND COUNTRY CLUB

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

1 Pursuant to A.A.C. R14-3-110(B), the Anthem Golf and Country Club (the "Club") hereby  
2 submits its Exceptions to the November 30, 2010, Recommended Opinion and Order ("ROO") as to  
3 the Arizona-American Water Company's ("AAWC" or "Company") applications for rate increases  
4 in the dockets listed above.<sup>1</sup>

5 **I. INTRODUCTION**

6 The Club is located within both AAWC's Anthem Water District ("Water District") and  
7 Anthem/Agua Fria Wastewater District ("Wastewater District"). The Club irrigates its golf courses  
8 with non-potable water generated by the Wastewater District. The Club is the Water District's  
9 largest Non-Potable Irrigation water customer<sup>2</sup> and its only wastewater effluent user.<sup>3</sup> The Club  
10 additionally has 17 commercial accounts with the Company, through which the Club receives water  
11 for its clubhouse facilities.

12 The Club files this exception for three reasons: first, to request clarification as to whether  
13 the Water District's "Potable Irrigation Rate" included in the ROO has been mislabeled; second,  
14 depending on the clarification received, to request that the Commission set the Water District's  
15 Non-Potable Irrigation Rate at a more reasonable rate than that proposed in the ROO; and, finally,  
16 to request that the commercial rates for the Water District be set in accordance with those requested  
17 by the Company.

18 **II. CLARIFICATION AS TO WATER DISTRICT "POTABLE IRRIGATION" RATE**

19 The Club's primary concerns in this case were based on the Company's proposed increase in  
20 the Water District's Non-Potable Irrigation Rate. As described in the Direct Testimony Regarding  
21 Issues Other than Rate Structure of Desi Howe, the Club's irrigation supplies are provided by the  
22 Company and, to the Club's knowledge, consist largely or exclusively of wastewater effluent  
23 treated by the Wastewater District.<sup>4</sup> The ROO agrees with the positions of DMB White Tank, LLC  
24 ("DMB"), Mashie, LLC dba Corte Bella Golf Club ("Corte Bella"), the Club, the Company and  
25 ACC Staff that for wastewater effluent delivered within the Wastewater District, an Effluent rate

26 <sup>1</sup> Pursuant to A.A.C. R14-3-110(B), exceptions to a recommended opinion and order are to be filed  
27 within ten days of the service of a recommended opinion and order. The ROO was served on  
28 November 30, 2010 and counsel for the Club did not receive it until December 2, 2010. The cover  
letter transmitting the ROO provides that exceptions are to be filed by 4:00 p.m. on or before  
December 9, 2010 – nine days after the ROO was issued. Based on the date the ROO was served  
and the date it was received by the Club, the Club files these exceptions within the ten day deadline  
provided in A.A.C. R14-3-110(B).

<sup>2</sup> Exh. AGCC-1, at 4:19-23.

<sup>3</sup> Post-Hearing Brief of Arizona-American Water Company, at 42:22.

<sup>4</sup> Exh. AGCC-1, at 5:5-6.

1 should be established in the Wastewater District at \$0.77/1,000 gallons.<sup>5</sup> The Club takes no  
2 exception to the establishment of this Effluent rate.

3 Based on the ROO's establishment of an Effluent rate in the Wastewater District, the Club  
4 seeks clarification regarding the ROO's inclusion of a "Potable Irrigation" rate in the schedule of  
5 Water District rates.<sup>6</sup> Prior to this rate case, the Water District's rates included the Non-Potable  
6 Irrigation rate pursuant to which the Club received its golf course irrigation supplies. Given that,  
7 under the ROO, effluent delivered to the Club will now be governed by the Wastewater District's  
8 Effluent rate, the Club is unclear whether the "Potable Irrigation" rate is mislabeled and intended to  
9 refer to non-potable irrigation supplies that the Water District may deliver, other than the treated  
10 wastewater effluent supplies that will be delivered pursuant to the Wastewater District's new  
11 Effluent rate, or whether, as the Company states in its Exceptions, the Non-Potable Irrigation rate is  
12 to be eliminated altogether and the ROO's inclusion of a Potable Irrigation rate is in error.

### 13 **III. THE COMMISSION SHOULD SET A REASONABLE RATE FOR NON-POTABLE** 14 **IRRIGATION SUPPLIES**

15 If it is the case that the "Potable Irrigation" rate is a mislabeled Non-Potable Irrigation rate,  
16 as described in Section II, above, and this rate is to be maintained, and not eliminated as the  
17 Company believes is the case, this rate would presumably apply to non-potable water delivered to  
18 the Club for irrigation, which is not treated wastewater effluent that will be covered under the  
19 Wastewater District's Effluent rate.<sup>7</sup> The Water District's present Non-Potable Irrigation rate is  
20 \$1.43/1,000 gallons, set in 2008, through Commission Decision 70372. This rate represented an  
21 increase of over 130% from the previous rate. An additional 79% increase in these proceedings, to  
22 \$2.5648/1,000 gallons<sup>8</sup>, would represent a total increase, since 2008, of over 300%.

23 If a Non-Potable Irrigation rate is to be maintained, the Club believes that the proposed rate  
24 of \$2.5648/1,000 gallons would not represent a reasonable rate for the delivery of non-potable  
25 irrigation supplies to the Club and asks that, if a Non-Potable Irrigation rate is to be set in the Water  
26 District, that the Commission set a more reasonable rate. On the basis of the rate labeled as the  
27 Water District's "Potable Irrigation" rate, it appears that the ROO adopts Staff's recommendation as  
28

<sup>5</sup> ROO, at 83:17-21, Exh. A, vi.

<sup>6</sup> ROO, Exh. A, at ii.

<sup>7</sup> It is not entirely clear to the Club whether there are such non-effluent non-potable supplies to which this rate would apply, but as the ROO contains such a rate, the Club, for the purposes of this exception, assumes this to be the case.

<sup>8</sup> ROO, Exh. A, at ii.

1 to the setting of a Non-Potable Irrigation rate for the Water District.<sup>9</sup> Perhaps because the rate was  
2 meant to be eliminated, nowhere in the ROO is any rationale explained as to why \$2.5468/1,000  
3 gallons represents a reasonable rate and the Club has previously articulated why this rate would not  
4 be reasonable, and the Company itself requested a lower rate.<sup>10</sup>

5 Throughout its testimony and briefing in these proceedings, the Club has explained that no  
6 increase would be reasonable as to the non-potable rate, and that the Company's own evidence  
7 supported the *lowering* of the Water District's non-potable irrigation rate.<sup>11</sup> The Non-Potable  
8 Irrigation rate was increased in the Company's prior rate case, despite the fact that the Company's  
9 cost of service analysis showed that the increased rate disproportionately burdened Non-Potable  
10 Irrigation customers with the Water District's cost of service. Based on the Company's proposed  
11 maintenance of the existing rate structure, the proposed rate structure will maintain the  
12 disproportionate burden on non-potable irrigation customers of carrying the Water District's costs  
13 of service.<sup>12</sup> The Company did not propose, nor does it appear that Staff's proposed rate takes into  
14 account, any change in rate structure for the setting of this rate.<sup>13</sup>

15 Finally, the \$2.5648/1,000 gallons rate proposed by the ROO (as well as the present rate of  
16 \$1.43/1,000 gallons) is out of line with the non-potable irrigation rates charged by many other  
17 private utilities in the State, as shown in the table below:

Utility	Rate (/1,000 gal)	Classification
Chaparral City Water	\$2.90	Potable/Irrigation
Fountain Hills Sanitary District	\$1.17	Effluent
Gold Canyon Sewer Company	\$0.79	Effluent
Hassayampa Utility Company	\$1.22	Effluent
Johnson Utility Wastewater District	\$0.62	Effluent
Palo Verde Utility Company	\$0.31	Effluent
Rio Verde Utility Company	\$0.97	Effluent
Rio Verde Utility Company	\$1.08	Non-Potable GW

21 If the Non-Potable Irrigation rate is to be maintained, and not eliminated as the Company  
22 intended, based on the cost of service concerns that the Club has identified, the fact that the  
23 Company itself proposed a much lower rate, and in light of the non-potable irrigation rates charged  
24 for comparable supplies, the ROO's proposed rate of \$2.5468/1,000 gallons is not reasonable and a  
25 more reasonable rate, consistent with those displayed in the table above, should be set.

26 <sup>9</sup> Staff's June 25, 2010 Final Schedule JMM-1.

27 <sup>10</sup> Company's June 25, 2010 Anthem Water District Schedule H-3 Rvsd.

28 <sup>11</sup> See Exh. AGCC-2, at 4-6; attachments to AGCC-2; Club Reply Br. at 3:9-11.

<sup>12</sup> See Exh. AGCC-2, attachments.

<sup>13</sup> See Exh. AGCC-2, at 4-6.

1 **IV. THE COMPANY'S PROPOSED COMMERCIAL WATER DISTRICT RATE**  
2 **DESIGN SHOULD BE IMPLEMENTED**

3 As described above, the Club's primary concern in these proceedings has been the proposed  
4 increases to the rates the Company charges for the Club's golf course irrigation supplies. However,  
5 in addition to its irrigation accounts with the Company, the Club also has 17 commercial water  
6 accounts with the Water District, with metered connections ranging in size from 5/8" to 2". With  
7 only the conclusory finding that they are "appropriate and reasonable", the ROO adopts  
8 Commission Staff's recommended Water District rate design.<sup>14</sup> The Club concurs with the  
9 Company, RUCO<sup>15</sup> and the Anthem Community Council ("Council")<sup>16</sup> and believes that the  
10 Company's rate design for Water District commercial rates is more appropriate and should be  
11 adopted.

12 The Water District commercial rate structure proposed by Staff results in increases of  
13 roughly 45% for the basic Monthly Use Charges for commercial customers as well as increases of  
14 greater than 100% for both the Tier 1 and Tier 2<sup>17</sup> consumptive rates.<sup>18</sup> At the same time as the  
15 drastic increases in the Tier 1 and Tier 2 rates, the breakpoints between Tiers 1 and 2 are decreased  
16 for each rate – in the case of meters larger than 1", the Tier 1 amounts have been slashed by two  
17 thirds.<sup>19</sup> This will have the impact of pushing commercial users into the Tier 2 rates (which have  
18 been increased by 170%) much sooner than they would have previously been or would have been  
19 under the rate structure supported by the Company, RUCO and the Council. For this reason, the  
20 Club joins with the Council in its opposition to Staff's proposed tier breakpoints.<sup>20</sup>

21 Taken in sum, given the proposed lowering in the breakpoints for commercial customers,  
22 coupled with larger than proportional increases in the second tier rates, the Club's 17 commercial  
23 Water District accounts may bear out the worst case scenario that the Council has predicted, as the  
24 Club has calculated that its commercial account bills will rise by as much as 250 percent.<sup>21</sup> The  
25 Club reiterates the positions of the Counsel, RUCO and the Company and requests that the

23 <sup>14</sup> ROO, at 82

24 <sup>15</sup> ROO, at 75; RUCO Br. at 67; RUCO Reply Br. at 24.

25 <sup>16</sup> ROO, at 75; Council Reply Br. at 20.

26 <sup>17</sup> Tier 2 rates are increased by over 175%.

27 <sup>18</sup> ROO, Exh. A, at i, ii. T

28 <sup>19</sup> ROO, Exh. A, at i, ii. For 5/8" and 3/4" meters, the breakpoint is decreased from 10,000 gallons to 9,000 gallons; for 1" meters, the breakpoint is decreased from 46,000 gallons to 18,000 gallons; for 1.5" meters, the breakpoint is decreased from 109,000 gallons to 34,000 gallons, for 2" meters the breakpoint is decreased from 185,000 gallons to 53,000 gallons.

<sup>20</sup> ROO, at 75; Council Reply Br. at 20.

<sup>21</sup> ROO, at 76; Council Reply Br. at 18, 20.

1 Company's rate structure be implemented for commercial rates in the Water District.

2 **V. CONCLUSION**

3 The Club respectfully requests that the Commission clarify the ambiguity in the ROO  
4 regarding Anthem Water District irrigation rates, should any such rate be maintained, if appropriate,  
5 make changes to the ROO to adopt its recommendations as to the setting of a reasonable non-  
6 potable irrigation rate, and adopt of the Company's proposed Water District Commercial rate  
7 structure.

8 DATED: December 9, 2010

Respectfully submitted,

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11 By: \_\_\_\_\_  
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ORIGINAL and thirteen (13) copies of the  
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1200 West Washington  
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