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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

2011 APR 21 P 2:39

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

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission
DOCKETED

APR 27 2011

DOCKETED BY

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 WATER COMPANY'S DISTRICTS.

DOCKET NO. SW-01303A-09-0343

PROCEDURAL ORDER SETTING HEARING FOR CONSIDERATION OF COMPLIANCE APPLICATION

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 was granted to the Residential Utility Consumer Office ("RUCO"); Anthem Community Council ("Council"); Sun City West Property Owners and Residents Association ("PORA"); W.R. Hansen; the Water Utility Association of Arizona; the Camelback Inn,

1 Sanctuary on Camelback Mountain, the Intercontinental Montelucia Resort and Spa, and the
2 Scottsdale Cottonwoods Resort and Suites (collectively the “Resorts”); the Town of Paradise Valley;
3 the Anthem Golf and Country Club; Marshall Magruder; DMB White Tank, LLC (“DMB”); Mashie,
4 LLC dba Corte Bella Golf Club; Larry D. Woods; and Philip H. Cook.

5 On January 6, 2011, the Commission issued Decision No. 72047 in these dockets. Decision
6 No. 72047 left the dockets open for the sole purpose of considering the design and implementation of
7 stand-alone revenue requirements and rate designs for separate Anthem Wastewater and Agua Fria
8 Wastewater districts as agreed to in the settlement reached by the Company, the Council, RUCO and
9 the Commission’s Utilities Division (“Staff”) during the Open Meeting at which Decision No. 72047
10 was considered.¹ Decision No. 72047 ordered the Company to file, by April 1, 2011, an application
11 supporting consideration of stand-alone revenue requirements and rate designs for separate Anthem
12 Wastewater and Agua Fria Wastewater districts, and made the rates approved for the Anthem/Agua
13 Fria Wastewater district interim, subject to change pursuant to a Commission determination on the
14 Company’s April 1, 2011 filing.²

15 On April 1, 2011, the Company filed its Compliance Application to Support Consideration of
16 Stand-Alone Revenue Requirements and Rate Designs for the Anthem/Agua Fria Wastewater District
17 (“Compliance Application”). The filing included direct testimony and exhibits concerning the
18 separate revenue requirements and separate rate designs for new Anthem Wastewater and Agua Fria
19 Wastewater districts on a stand-alone basis using the combined authorizations in Decision No. 72047.

20 On April 4, 2011, a procedural order was issued setting a procedural conference to commence
21 on April 19, 2011, in order to provide an opportunity for discussion of a procedural schedule, public
22 notice of the Compliance Application, and other procedural issues prior to the issuance of a
23 procedural order governing the processing of the Compliance Application.

24 On April 19, 2011, DMB filed a Notice of Substitution of Counsel.

25 On April 19, 2011, the procedural conference convened as scheduled. Appearances were
26 entered through counsel for the Company, the Council, Anthem Golf and Country Club, DMB,

27
28 ¹ Decision No. 72047 at 84, 121. The terms of the Agreement appear on pages 44-45 of Decision No. 72047.

² Decision No. 72047 at 121.

1 RUCO, and Staff. The parties discussed public notice issues and the timing of discovery and pre-
2 filing testimony.

3 In the Compliance Application, the Company proposed that it be required to provide notice
4 by first-class mail to each customer in the existing Anthem/Agua Fria Wastewater district, but that it
5 not be required to publish additional newspaper notice. The Company explained that given the large
6 number of Arizona-American water and wastewater districts in Phoenix's west valley area,
7 newspaper notices could unduly confuse customers in regard to whether the deconsolidation
8 proposed in the Compliance Application could affect them, and that notice by First-Class U.S. Mail
9 would make it much more likely that affected customers will receive actual notice of the Compliance
10 Application. At the procedural conference, differing views were offered on an appropriate means of
11 noticing customers. The Council stated that further notice was not necessary; DMB indicated that
12 notice should be given, and that newspaper publication of notice, in addition to mailed notice to
13 individual customers, would provide notice to homeowners who might not be currently residing at
14 their property; RUCO stated that notice is required, and that a bill insert notice would be sufficient;
15 and Staff stated that notice is not required by rule or statute, but that the public interest requires
16 additional notice.

17 The public interest requires that notice of the hearing on the Compliance Application be
18 provided to all customers of the Company's Anthem/Agua Fria Wastewater district. As the Company
19 stated, given the large number of Arizona-American water and wastewater districts in Phoenix's west
20 valley area, newspaper notice could unduly confuse customers of other Arizona-American districts in
21 regard to whether the deconsolidation proposed in the Compliance Application could affect them. In
22 order to provide the widest possible, and clearest, notice of the hearing on the Compliance
23 Application, the Company will be required to provide notice of the Compliance Application by First-
24 Class U.S. Mail to each customer in the existing Anthem/Agua Fria Wastewater district, and in
25 addition, to provide notice by First-Class U.S. Mail to each homeowners' association in the existing
26 Anthem/Agua Fria Wastewater district.

27 In discussion of the timing of the parties' filing of testimony on the Compliance Application,
28 the parties indicated that they would require 60 to 90 days to conduct initial discovery and to docket

1 their direct testimony.

2 The Commission now issues this procedural order to govern the preparation and conduct of
3 this proceeding.

4 IT IS THEREFORE ORDERED that the **hearing** in the above-captioned dockets **on the**
5 **Compliance Application to Support Consideration of Stand-Alone Revenue Requirements and**
6 **Rate Designs for the Anthem/Agua Fria Wastewater District** is hereby scheduled to commence on
7 **October 17, 2011, at 10:00 a.m.**, or as soon thereafter as practicable, at the Commission's offices,
8 1200 West Washington Street, **Hearing Room #1**, Phoenix, Arizona 85007.

9 IT IS FURTHER ORDERED that that a pre-hearing conference shall be held on **October 14,**
10 **2011, commencing at 2:00 p.m.**, at the Commission's Phoenix offices, for the purpose of scheduling
11 witnesses and the conduct of the hearing.

12 IT IS FURTHER ORDERED that the **direct testimony** and associated exhibits to be
13 presented at hearing **on behalf of Staff and intervenors** shall be reduced to writing and filed on or
14 before **July 26, 2011**.

15 IT IS FURTHER ORDERED that any **rebuttal testimony and associated exhibits to be**
16 **presented at hearing by the Company** shall be reduced to writing and filed on or before **August 23,**
17 **2011**.

18 IT IS FURTHER ORDERED that any **surrebuttal testimony and associated exhibits to be**
19 **presented by Staff and intervenors** shall be reduced to writing and filed on or before **September**
20 **20, 2011**.

21 IT IS FURTHER ORDERED that any **rejoinder testimony and associated exhibits to be**
22 **presented at hearing by the Company** shall be reduced to writing and filed on or before **October**
23 **11, 2011**.

24 IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m. on the date the**
25 **filing is due**.

26 IT IS FURTHER ORDERED that any **objections to testimony or exhibits that have been**
27 **prefiled as of October 5, 2011, shall be made before or at the October 14, 2011 prehearing**
28 **conference**.

1 IT IS FURTHER ORDERED that all testimony filed shall include a table of contents which
2 lists the issues discussed.

3 IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to
4 prefiled testimony shall be reduced to writing and filed no later than five calendar days before the
5 witness is scheduled to testify.

6 IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the
7 prefiled testimony of each of their witnesses and shall file each summary at least two working days
8 before the witness is scheduled to testify.

9 IT IS FURTHER ORDERED that copies of summaries shall be served upon the
10 Administrative Law Judge, the Commissioners, and the Commissioners' aides as well as the parties
11 of record.

12 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
13 except that **all motions to intervene must be filed on or before June 24, 2011.**

14 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
15 regulations of the Commission, except that until **August 10, 2011**, any objection to discovery
16 requests shall be made within 7 calendar days of receipt³ and responses to discovery requests shall be
17 made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made
18 within 5 calendar days and responses shall be made within 7 calendar days. The response time may
19 be extended by mutual agreement of the parties involved if the request requires an extensive
20 compilation effort.

21 IT IS FURTHER ORDERED that for discovery requests, objections, and answers, if a
22 receiving party requests service to be made electronically, and the sending party has the technical
23 capability to provide service electronically, service to that party shall be made electronically.

24 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
25 discovery, any party seeking resolution of a discovery dispute may telephonically contact the
26 Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery

27 _____
28 ³ The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. MST will be considered as received the next business day.

1 dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and
2 that the party making such a request shall forthwith contact all other parties to advise them of the
3 hearing date and shall at the hearing provide a statement confirming that the other parties were
4 contacted.⁴

5 IT IS FURTHER ORDERED that any motions which are filed in this matter and which are
6 not ruled upon by the Commission within 20 calendar days of the filing date of the motion shall be
7 deemed denied.

8 IT IS FURTHER ORDERED that any responses to motions shall be filed within five calendar
9 days of the filing date of the motion.

10 IT IS FURTHER ORDERED that any replies shall be filed within five calendar days of the
11 filing date of the response.

12 IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in
13 this matter, in the following form and style with the heading in no less than 18-point bold type and
14 the body in no less than 10-point regular type:

15
16 **PUBLIC NOTICE OF HEARING ON THE APPLICATION OF ARIZONA-**
17 **AMERICAN WATER COMPANY MADE IN COMPLIANCE WITH**
18 **DECISION NO. 72047 TO SUPPORT CONSIDERATION OF STAND-ALONE**
19 **REVENUE REQUIREMENTS AND RATE DESIGNS FOR THE**
20 **ANTHEM/AGUA FRIA WASTEWATER DISTRICT**
21 **(DOCKET NO. W-01303A-09-0343 ET AL.)**

22 **Summary**

23 On April 1, 2011, Arizona-American Water Company ("Company") filed with the
24 Arizona Corporation Commission ("Commission"), in compliance with Commission
25 Decision No. 72047, an Application to Support Consideration of Stand-Alone
26 Revenue Requirements and Rate Designs for the Anthem/Agua Fria Wastewater
27 District ("Compliance Application"). The Commission ordered the Company to file
the Compliance Application in Decision No. 72047, and kept the record open in that
rate proceeding for the sole purpose of considering the design and implementation of
stand-alone revenue requirements and rate designs for separate Anthem Wastewater
and Agua Fria Wastewater districts as agreed to in the settlement reached by the
Company, the Council, RUCO and the Commission's Utilities Division ("Staff")
during the Open Meeting at which Decision No. 72047 was considered.

Decision No. 72047 approved a rate increase which resulted in an increase to \$67.97
per month for an average water usage (5,632 gallons/month) Anthem/Agua Fria

28 ⁴ The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before
seeking Commission resolution of the controversy.

1 Wastewater district customer with a 5/8 x 3/4-inch water meter. Under the proposal in
 2 the Compliance Application, the new monthly wastewater rates for an average water
 3 usage (5,814 gallons/month) residential customer with a 5/8 x 3/4-inch water meter in
 4 a stand-alone Anthem Wastewater district would decrease to \$51.95, and the new
 monthly wastewater rates for an average water usage (5,297 gallons/month) residential
 customer with a 5/8 x 3/4-inch water meter in a stand-alone Agua Fria Wastewater
 district would increase to \$108.34.

5 The Commission will determine the appropriate relief to be granted on the
 6 Compliance Application based on the evidence presented by all the parties. The rates
 approved by the Commission may be higher or lower than the rates proposed by the
 Company.

7 **How You Can View or Obtain a Copy of the Compliance Application Proposal**

8 Copies of the Compliance Application and proposed deconsolidated rates are available
 9 from Arizona-American Water Company, [company address]; at [web page]; at the
 Commission's Docket Control Center, 1200 West Washington, Phoenix, Arizona, for
 10 public inspection during regular business hours; and at the Commission's website
www.azcc.gov using the e-Docket function, located at the bottom of the website
 homepage.

11 **Arizona Corporation Commission Public Hearing Information**

12 The Commission will hold a hearing on the Compliance Application beginning
October 17, 2011, at 10:00 a.m., at the Commission's offices, **Hearing Room #1**,
 13 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on
 the first day of the hearing. Written public comments may be submitted by mailing a
 14 letter referencing Docket No. W-01303A-09-0343 et al. to Arizona Corporation
 Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ
 15 85007, or by e-mail.

16 For a form to use and instructions on how to e-mail comments to the Commission, go
 to <http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf>. If you
 17 require assistance, you may contact the Consumer Services Section at 602.542.4251 or
 1.800.222.7000.

18 **Unless you are already a party to this docket, if you do not intervene in this**
 19 **proceeding, you will receive no further notice of the proceedings in this docket.**
 20 **However, all documents filed in this docket are available online** (usually within 24
 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket
 21 function, located at the bottom of the website homepage. RSS feeds are also available
 through e-Docket.

22 **About Intervention**

23 The law provides for an open public hearing at which, under appropriate
 24 circumstances, interested parties may intervene. Any person or entity entitled by law
 to intervene and having a direct and substantial interest in the matter will be permitted
 to intervene.

25 If you wish to intervene, you must file an original and 13 copies of a written motion to
 26 intervene with the Commission no later than **June 24, 2011**, and send a copy of the
 motion to the Company or its counsel and to all parties of record. Your motion to
 27 intervene must contain the following:

- 1 1. Your name, address, and telephone number, and the name, address, and
2 telephone number of any party upon whom service of documents is to
3 be made, if not yourself;
- 4 2. A short statement of your interest in the proceeding (e.g., a customer of
5 the Company, a shareholder of the Company, etc.); and
- 6 3. A statement certifying that you have mailed a copy of the motion to
7 intervene to the Company or its counsel and to all parties of record in
8 the case.

9 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except
10 that all motions to intervene must be filed on or before **June 24, 2011**. All parties
11 must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and
12 A.R.S. § 40-243 with respect to the practice of law. For information about requesting
13 intervention, go to <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The
14 granting of intervention entitles a party to present sworn evidence at hearing and to
15 cross-examine other witnesses. **Intervenors' direct testimony and supporting
16 exhibits must be prefiled with the Commission on or before July 26, 2011, as set
17 forth in the Commission's procedural order issued April 27, 2011.** Failure to
18 intervene will not preclude any interested person or entity from appearing at the
19 hearing and providing public comment on the application or from filing written
20 comments in the record of the case.

21 **ADA/Equal Access Information**

22 The Commission does not discriminate on the basis of disability in admission to its
23 public meetings. Persons with a disability may request a reasonable accommodation
24 such as a sign language interpreter, as well as request this document in an alternative
25 format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail
26 sabernal@azcc.gov, voice phone number 602.542.3931. Requests should be made as
27 early as possible to allow time to arrange the accommodation.

28 IT IS FURTHER ORDERED that the Company shall mail to each of its customers in the
Anthem/Agua Fria Wastewater district, and to each of the homeowners' associations located in the
Anthem/Agua Fria Wastewater district, a copy of the above notice by First-Class U.S. Mail, with
mailing to be completed no later than **May 20, 2011**.

IT IS FURTHER ORDERED that the Company shall file certification of mailing as soon as
practicable after the mailing and publication have been completed.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing,
notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules
31 and 38 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance
with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Arizona

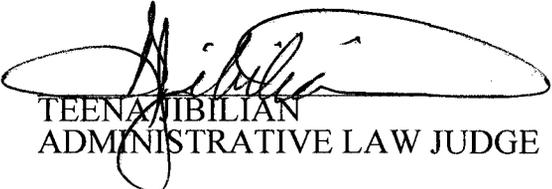
1 Supreme Court Rule 42). Representation before the Commission includes appearances at all hearings
2 and procedural conferences, as well as all Open Meetings for which the matter is scheduled for
3 discussion, unless counsel has previously been granted permission to withdraw by the Administrative
4 Law Judge or the Commission.

5 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
6 Communications) continues to apply to this proceeding and shall remain in effect until the
7 Commission's Decision in this matter is final and non-appealable.

8 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
9 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

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

13 DATED this 27th day of April, 2011.

14
15
16 
17 TEENA MIBILIAN
ADMINISTRATIVE LAW JUDGE

18 Copies of the foregoing mailed/delivered
19 this 27th day of April, 2011 to:

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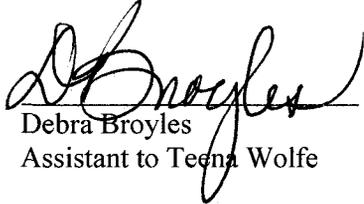
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