

INTERVENTION
ORIGINAL



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AZ CORP COMMISSION
DOCKET CONTROL

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9 BEFORE THE ARIZONA CORPORATION COMMISSION

10 COMMISSIONERS:

Arizona Corporation Commission

DOCKETED

JUN 23 2011

11 GARY PIERCE, Chairman
12 SANDRA D. KENNEDY
13 PAUL NEWMAN
14 BOB STUMP
15 BRENDA BURNS

DOCKETED BY

15 IN THE MATTER OF THE APPLICATION OF
16 ARIZONA-AMERICAN WATER COMPANY, AN
17 ARIZONA CORPORATION, FOR A
18 DETERMINATION OF THE CURRENT FAIR VALUE
19 OF ITS UTILITY PLANT AND PROPERTY AND FOR
20 INCREASES IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER DISTRICT,
SUN CITY WASTEWATER DISTRICT, AND SUN
CITY WEST WASTEWATER DISTRICT.

W-01303A-09-0343

DOCKET NO. SW-01303A-09-0343

CITY OF PHOENIX'S MOTION TO
INTERVENE AND NOTICE OF ERRORS
IN EXHIBIT "A" TO DECISION NO. 72047

21 Pursuant to A.A.C.R. 14-3-105, the City of Phoenix ("Phoenix") through counsel
22 undersigned hereby seeks leave to intervene in this matter, and provides notice that pages ii, iv and vi
23 of Exhibit "A" to Decision No. 72047 for Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343
24 contain errors for the wholesale water rates to be charged in years 2011, 2012 and 2013 respectively.

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1 Pursuant to A.R.S. § 40-253, Phoenix respectfully requests a limited rehearing to allow the correction
2 of the errors in Exhibit "A". Phoenix's motion to intervene and notice of errors are supported by the
3 following facts and information.

4 **FACTS AND INFORMATION**

5 **I. MOTION TO INTERVENE**

6 **A. Phoenix's Interest in Docket No. SW-01303A-09-0343.**

7
8 1. On January 6, 2011, the Commission issued Decision No. 72047 in the above-
9 captioned docket. Among other things, Decision No. 72047 required Arizona-American Water
10 Company ("Arizona-American") to "file, no later than April 1, 2011, an application supporting
11 consideration of stand-alone revenue requirements and rate designs as set forth in the Agreement
12 reached during the Open Meeting for the Anthem Wastewater District and Agua Fria Wastewater
13 district."

14 2. On or about April 1, 2011, to comply with this requirement, Arizona-American
15 filed a Compliance Application that included the direct testimony of Sandra L. Murrey. The Compliance
16 Application and Ms. Murrey's testimony directly affect Phoenix's interests in Anthem related to the
17 Anthem Wastewater District and an agreement between Arizona American and Phoenix titled, "Anthem
18 Wholesale Water/Wastewater Service Agreement dated September 22, 2000" ("Anthem Service
19 Agreement").

20 3. Table 5 to the Compliance Application and which is a part of Ms. Murrey's
21 testimony affects the wastewater rate charged to Phoenix under the Anthem Service Agreement as
22 part of the proposed Anthem Wastewater Revenue Requirement Increase.

23
24 4. Further, consistent with page 13 of Ms. Murrey's testimony filed with the
Commission, Phoenix requests that the charges to Phoenix under the rates approved by the

1 Commission be based on actual cost of service for collecting and treating wastewater generated in the
2 Phoenix service area of Anthem and that wastewater flows for the purpose of billing be measured at
3 the Phoenix-to-Anthem wastewater flume rather than on the potable water delivered. These changes
4 may affect revenues and rates for the Anthem area.

5 **B. Future Service List.**

6 Phoenix is mailing a copy of this motion and notice to every party on the Commission's
7 service list in Docket No. SW01303A-09-0343. Phoenix affirmatively requests that it be included on
8 the service list for this docket.

9 **C. Phoenix's Representatives.**

10 Please serve copies of all pleadings, data requests, and other documents in this phase
11 of Docket No. SW-01303A-09-0343 to:

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14 City of Phoenix
15 Water Services Department
200 W. Washington, 9th Fl.
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13 Andy Terrey
14 City of Phoenix
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13 Daniel L. Brown
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15 200 W. Washington, Suite 1300
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16 **D. Requested Relief**

17 Phoenix requests that the Final Decision by the Commission include a wastewater rate
18 that is based on actual cost service as required under the Anthem Wholesale Water/Wastewater
19 Service Agreement and that wastewater flow for the purpose of billing be measured at the Phoenix-to-
20 Anthem wastewater flume.

21 **II. NOTICE OF ERRORS TO EXHIBIT "A".**

22 **A. Factual Background.**

- 23
24 1. Section 5.12.1 of the Anthem Service Agreement sets out the rates charged to
Phoenix by Arizona American for the West Anthem (Zone 8CP) area of the

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Phoenix water delivery system. Section 5.12.1(a) sets out a charge of \$2.32 per one thousand gallons (Kgal) of potable water ("Wholesale Potable Water Rate") delivered less Arizona American's then applicable raw water charges per one thousand gallons of Ak Chin Water. This rate may be changed but any changes must be based on changes to actual costs paid or incurred by Arizona American to provide this service.

2. Section 5.12.2 of the Anthem Service Agreement sets out the rates charged to Phoenix by Arizona American to deliver potable water by wheeling services. Section 5.12.2(a) sets out a charge of \$0.30 per one thousand gallons (Kgal) of potable water delivered ("Wheeling Water Rate"). This rate may be changed but any changes must be based on changes to actual costs paid or incurred by Arizona American to provide this service.
3. Pages ii, iv and vi of Exhibit "A" to Decision No. 72047 set out the rates applicable to Phoenix as "Wholesale (Phoenix) OWU" in the amounts of \$0.5102 / Kgal (year 2011), \$0.5465 / Kgal (year 2012) and \$0.5828 / Kgal (year 2013) respectively without distinguishing whether these rates are the Wholesale Potable Water Rate or the Wheeling Water Rate.
4. At no point has Arizona American furnished any type of analysis to Phoenix to support a change to either the Wholesale Potable Water Rate or the Wheeling Water Rate as required by Section 5.12 of the Anthem Service Agreement.
5. Phoenix acknowledges that 20 days has passed since the issuance of the Commission's Decision No. 72047. However, Phoenix was not furnished legal notice as required by law of the rate increases proposed by Arizona American in

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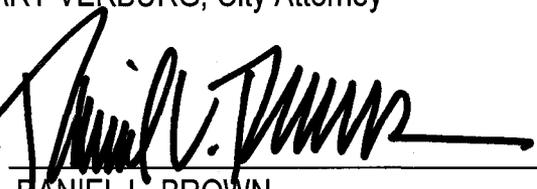
Docket No. W-01303A-09-0343, and therefore, was not afforded the opportunity to address and clarify these errors before the Commission's Decision No. 72047 was issued.

B. Requested Relief

Phoenix requests that the Commission set a limited rehearing for the sole purpose to clarify pages ii, iv and vi to "Exhibit "A" to set out a Wholesale Potable Water Rate of \$2.32 per one thousand gallons delivered and a Wheeling Water Rate of \$0.30 / Kgal delivered unless Arizona American can support a change in either rate by submitting an analysis to Phoenix of the actual costs paid or incurred by Arizona American with respect to providing the respective services under the Anthem Wholesale Water/Wastewater Service Agreement.

RESPECTFULLY SUBMITTED this 19 day of JUNE, 2011.

GARY VERBURG, City Attorney

By 

DANIEL L. BROWN
Assistant City Attorney
200 W. Washington, Suite 1300
Phoenix, Arizona 85003-1611

Original and 13 copies of the foregoing hand delivered this 23RD day of June, 2011 to:

Docket Control
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4 Copies of the foregoing mailed this
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10 COMMISSIONERS:

- 11 GARY PIERCE, Chairman
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BRENDA BURNS

15 IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY, AN
16 ARIZONA CORPORATION, FOR A
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17 OF ITS UTILITY PLANT AND PROPERTY AND FOR
INCREASES IN ITS RATES AND CHARGES BASED
18 THEREON FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER DISTRICT,
19 SUN CITY WASTEWATER DISTRICT, AND SUN
CITY WEST WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

CITY OF PHOENIX MOTION TO
INTERVENE AND NOTICE OF ERRORS
IN EXHIBIT "A" TO DECISION NO. 72047

21 DIRECT TESTIMONY
22 OF
ANDY TERREY
23 ON BEHALF OF
THE CITY OF PHOENIX
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DOCKET NO. SW-01303A-09-0343

**CITY OF PHOENIX MOTION TO
INTERVENE AND NOTICE OF ERRORS
IN EXHIBIT "A" TO DECISION NO. 72047**

21 **DIRECT TESTIMONY**
22 **OF**
ANDY TERREY
23 **ON BEHALF OF**
THE CITY OF PHOENIX
24 **EXHIBIT I**

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. Andy Terrey
4 City of Phoenix
5 Water Services Department
6 200 W. Washington, 8th Fl.
7 Phoenix, AZ 85003-1611
8 602-256-3433

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 A. I am employed by the City of Phoenix Water Services Department. I currently work in the
11 department's Water Engineering and Construction Management Division as a project
12 coordinator.

13 **Q. WHAT ARE YOUR PRIMARY RESPONSIBILITIES FOR THE CITY OF PHOENIX?**

14 A. I oversee and manage a wide variety of projects related to potable water, reclaimed water, and
15 wastewater infrastructure improvements. My primary responsibilities include: coordinating
16 water reuse projects and acting as a liaison for reclaimed water customers, assisting staff with
17 groundwater recharge and recovery projects, overseeing projects and studies related to
18 distribution system water quality optimization, and managing projects related to reducing
19 distribution system water losses.

20 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.**

21 A. I graduated with a Bachelor of Science degree in Agricultural Engineering from the University of
22 Arizona in 1987. After graduation, I worked one year for the Toro Company as an applications
23 engineer. In 1989, I was hired by the City of Phoenix Water Services Department to work as a
24 Water Resource Specialist in the department's Water Conservation and Resource Division. In

1 1999, I was transferred to the Water Engineering Division and was eventually promoted to
2 Water Services Project Coordinator. I have been in this position for the past 12 years.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

4 **A.** No.

5 **II. SCOPE AND PURPOSE OF TESTIMONY RELATED TO PHOENIX'S MOTION TO**
6 **INTERVENE IN DOCKET NO. SW-01303A-09-0343**

7 **Q. WHY DOES PHOENIX SEEK TO INTERVENE IN THE ABOVE-REFERENCED DOCKET?**

8 **A.** Phoenix seeks to intervene in this matter to clarify the rate that applies to wholesale wastewater
9 services for the West Anthem Service Area and to ensure charges are based on the actual amount of
10 wastewater generated by Phoenix.

11 The rate Phoenix pays for wholesale wastewater services provided by Arizona American Water (AAW)
12 is established in Article 8.5 of the Anthem Wholesale Water/Wastewater Service Agreement between
13 the City of Phoenix, Arizona and Citizens Water Resources Company of Arizona (Agreement
14 No.93040). The Agreement was assigned to AAW when they acquired the Anthem system from
15 Citizens Water Resources.

16 The initial wholesale wastewater services rate established in the Agreement was \$2.32 per thousand
17 gallon of potable water delivered through the AAW-to-Phoenix potable water delivery point. The
18 Agreement acknowledges that the rate can be altered from time to time by the Arizona Corporation
19 Commission (ACC) with or without the consent of AAW, but those requested changes must be based
20 on changes in actual costs paid or incurred by AAW with respect to the wastewater service provided.

21 In other words, the wholesale wastewater services rate must be based on actual cost of service.

22 The Phoenix Wholesale Commodity Charge approved by the AAC is \$5.5760 per 1,000 gallons (Kgal)
23 of water delivered through the AAW-to-Phoenix interconnect. This is the same rate charged other
24 commercial customers. The Residential Commodity Charge is \$4.9946 per Kgal.

1 Table 1 summarizes billed consumption in West Anthem by customer class during calendar year 2010.

2 **Table 1 – Billed Consumption by Customer Type**

<u>Customer Type</u>	<u>Kgal</u>	<u>Percent</u>
3 Residential	116,513	67.4%
4 Commercial	30,168	17.5%
5 Landscape	26,080	15.1%
6 All Accounts	172,761	100%

7 Only 17.5% of billed consumption is from commercial customers, the rest is residential consumption, or
8 landscape water usage from which no wastewater is generated. Based on these percentages, Phoenix
9 does not believe that applying the commercial wastewater rate to all water usage represents actual
10 cost of service.

11 Phoenix also believes that charges should be based on flows as measured at the Phoenix-to-Anthem
12 wastewater flume rather than on potable water delivered because this measurement reflects the actual
13 amount of wastewater collected and treated by AAW.

14 **Q. HOW SHOULD THE WHOLESALE OWU RATE BE DETERMINED?**

15 A. Phoenix requests that a study be completed to determine the cost of providing wholesale wastewater
16 service to West Anthem. The study should consider flow, Total Suspended Solids (TSS), and
17 Chemical Oxygen Demand (COD). Phoenix and other Sub-Regional Operation Group (SROG) cities
18 use this approach to determine how to appropriate the cost of operating the 91st Avenue Wastewater
19 Treatment Plant and its associated wastewater collection infrastructure.

20 **III. SCOPE AND PURPOSE OF TESTIMONY RELATED TO PHOENIX'S NOTICE OF ERRORS IN**
21 **EXHIBIT "A" TO DECISION NO. 72047.**

22 **Q. WHY IS PHOENIX REQUESTING CORRECTION OF THE WHOLESALE OWU RATE AND**
23 **INCLUSION OF A WATER WHEELING RATE?**

24 A. The rate Phoenix pays for wholesale water and water wheeling services provided by AAW is
established in Article 5.12 of the Anthem Wholesale Water/Wastewater Service Agreement between
the City of Phoenix, Arizona and Citizens Water Resources Company of Arizona (Agreement
No.93040). The initial wholesale water rate was \$2.32 per Kgal of potable water delivered less the

1 applicable raw water charges per thousand gallons of Ak Chin water. The initial water wheeling rate
2 was \$0.30 per kgal of potable water delivered. Table 2 shows the published rates for Wholesale
3 (Phoenix) OWU Water currently set out in Decision No. 72047.

4 **Table 2 – Published Rates for Wholesale OWU Water**

<u>Year</u>	<u>\$/per kgal</u>
2011	0.5102
2012	0.5465
2013	0.5828

7 Based on the previous rates, Phoenix believes that the published rate for Wholesale OWU Water is
8 actually the rate for intended for wheeled water which is 0.30 unless AAW furnishes a cost of service
9 study that supports the proposed amounts above. Also, the rate for water wheeling has not been
10 published. Therefore, Decision No. 72047 should include both rates and both rates should reflect the
11 actual cost of service.

12 **Q. IS PHOENIX ALSO REQUESTING REVIEW OF THE WHOLESALE OWU RATE AND THE WATER
13 WHEELING RATE?**

14 **A.** Yes. The Agreement acknowledges that the rate can be changed by the Arizona Corporation
15 Commission (ACC) with or without the consent of AAW, but those changes must be based on actual
16 cost of service. Because of this requirement, Phoenix requests that a study be completed to determine
17 the actual cost of providing wholesale water and water wheeling services to West Anthem.

18 **Q. DID PHOENIX RECEIVE NOTICE FROM ARIZONA AMERICAN OF THE PROPOSED RATE
19 CHANGES TO THE WHOLESALE AND WHEELING RATES PRIOR TO THE ISSUANCE OF THE
20 COMMISSION'S DECISION?**

21 **A.** I did not receive an official notice from Arizona American Water. I recall that sometime during late
22 summer of last year, Jeffery Stuck told me by phone that AAW would be increasing water and sewer
23 rates in the Anthem area. I told Mr. Stuck that based on my understanding of the wholesale
24 agreement, the new rates should be based on actual cost of service. Later in the fall, I sent Mr. Stuck
an email asking if Arizona American Water was still planning on increasing the water and sewer rates,

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and if so, how much would the increase be and when it would take effect. He responded that he did not know.

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CITY OF PHOENIX MOTION TO
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21 DIRECT TESTIMONY
OF
22 TAMMY RYAN
ON BEHALF OF
23 THE CITY OF PHOENIX
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**DIRECT TESTIMONY
OF
TAMMY RYAN
ON BEHALF OF
THE CITY OF PHOENIX
EXHIBIT 2**

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. Tammy Ryan
4 City of Phoenix
5 Water Services Department
6 200 W. Washington, 9th Floor
7 Phoenix, AZ 85003-1611
8 602-534-6879

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by the City of Phoenix Water Services Department as the Management
9 Services Administrator.

10 **Q. WHAT ARE YOUR PRIMARY RESPONSIBILITIES FOR THE CITY OF PHOENIX?**

11 A. I manage the Budget and Fiscal; CIP Planning; and Contracts, Facilities, and Real Estate
12 sections of the Water Services Department. My primary responsibilities include planning,
13 directing, and managing the following: development, analysis, oversight, and reporting of
14 department operating and capital budgets; financial and cost accounting; implementation of
15 fiscal management controls; development of department policies; capital budget planning,
16 scheduling, and controls; development of contracts; and coordination of real estate and facility
17 issues.

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19 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.**

20 A. I have a Bachelor of Science degree in Business Administration from Montana Tech (1988) and
21 a Master's Degree in Public Administration from Arizona State (1998). I have been employed
22 by the City of Phoenix since August, 2000. I have served as an Internal Auditor, a Budget
23 Analyst in both the Water Services and Budget and Research Departments, and Lead Water
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and Wastewater Economic Analyst in the Finance Department. I have been in my current position since May, 2006.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. No.

II. SCOPE AND PURPOSE OF TESTIMONY RELATED TO NOTICE TO CITY OF PHOENIX.

Q. DID PHOENIX RECEIVE NOTICE FROM ARIZONA AMERICAN OF THE PROPOSED RATE CHANGES TO THE WHOLESALE AND WHEELING RATES PRIOR TO THE ISSUANCE OF THE COMMISSION'S DECISION?

A. No. We did not receive notification of the proposed rate changes to wholesale and wheeling rates prior to the issuance of the Commission's decision. I verbally questioned Budget and Fiscal Section staff as to whether anyone had received notice and I e-mailed the Department Executives and the Water Production Division Head to confirm if they had received notification. All responded in the negative.