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Arizona Corporation Commission

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Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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To the Parties in

Dockets ~~W-01303A-09-0343 and SW-01303A-09-0343~~
Dockets W-01303A-08-0227 and SW-01303A-08-0227

Subject: Comments on New Issues, Conclusions and Recommendations

This party requested on 11 July 2011 to withdraw from the proceedings in Dockets W/WS-01303A-09-0343 which was approved in the Procedural Order of 15 July 2011.

Recent filings in the above four dockets have brought forth three new inter-related issues that require resolution. It should be noted this Party remains an Intervening Party in the proceedings in Dockets W/WS-01303A-08-0227 that led a resultant Decision No. 72047 of 6 January 2011 and also to the later rate case dockets W/WS-01303A-09-0343.

New Issues:

First issue. Commission Decision No. 72047 at 123:14-17 requires the Arizona American Water Company [or successor] to file in its next rate case, a Consolidated Rate Structure proposal, applicable to all customers. Apparently, now in these dockets, deconsolidation is now being considered, challenging the precepts set forth in Decision No. 72047. All parties clearly expected that the "next rate case" will include a Consolidated Rate Structure and that the present issues involving Anthem/Agua Fria Wastewater will not impact that decision.

Second Issue. Commission Decision No. 71410 of 8 December 2009 at 81:17-19 requires the Company to file of a low-income tariff for the Agua Fria, Havasu, Mohave, Tubac Sun City West, and Paradise Valley water districts. A filing by the Company on 27 July 2011 states a rate case has been filed for only three water districts in Docket W-01303A-10-0448. This fails to meet the filing requirements as the other statewide water districts were omitted.

Third Issue. The Company requested on 27 July 2011 that development of the administrative procedures to qualify ratepayers for a low-income rate and separate tariff be delayed until 2014. As shown in this party's testimony in these dockets, the only "just and reasonable" rates, without discrimination, are to establish a cost-effective "low income rate schedule" as the First Tier or "Life Line" rates for ALL customers.¹ A First Tier for the first 3,000 or 4,000 gallons of water consumed is based on AAWC's

¹ Arizona Constitution Article XV, Sec. 12, requires rates not to discriminate between "persons or places".

testimony that a person requires about 300 gallons a month to cover all basic needs. This should be the same in all water districts with a consolidated Service Charge under \$15.00 for the 5/8 & 3/4-inch connections and a water consumption or usage rate of \$1.00 or less per 1,000 gallons in the First Tier. At this rate, the First Tier is below the necessary revenue for the company, thus the higher tiers must be increased to ensure that the company receives its required revenue. Since many small businesses water needs are similar to residential customers, the "Life Line" rates should also pertain. There was general agreement during the hearings that a low-income, First Tier rate structure also promotes water conservation, as higher Tier consuming customers would have higher costs/1000 gallons to subsidize the low cost of the "Life Line" First Tier for all customers. This issue clearly belongs in the next rate case along with forthcoming Consolidated Rate Structure proposals.

Conclusions:

1. The ongoing AAWC rate case in Docket W-01303A-10-0448 violates Decision No. 72047 since only three of the six AAWC water divisions are included.
2. It is neither cost-effective or "just and reasonable" to propose separate low-income tariffs since such tariffs will discriminate between persons and places, clearly in violation of the Arizona Constitution, Article XV, Section 12.

Recommendations:

1. That the AAWC rate case in Docket W-01303A-10-0448 be terminated until all six AAWC water divisions are filed with a Consolidate Rate Structure statewide.
2. That the next AAWC rate cases include a First Tier with a low Service and Consumption charges for ALL customers as a way to ensure all low income customers are covered, thus concurring with the Company's 27 July 2011 request.
3. That the present rates remain until completion of the next water and the next wastewater rate cases when a Consolidated Rate Structures are to be proposed.

Respectfully submitted this date of 19 August 2011, as shown on the Service List below.



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