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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman

BOB STUMP
Commissioner

PAUL NEWMAN
Commissioner

SANDRA D. KENNEDY
Commissioner

BRENDA BURNS
Commissioner

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AZ CORP COMMISSION
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Arizona Corporation Commission
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SEP 8 2011

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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 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.

Docket No. SW-01303A-09-0343

RESPONSE TO MR. MARSHALL MAGRUDER

On August 19, 2011, Mr. Marshall Magruder, an intervener in Dockets W-01303A-09-0343, SW-01303A-09-0343, W-01303A-08-0227 and SW-01303A-08-0227 filed comments on three "new" issues.

1 While the Company appreciates Mr. Magruder's continuing attention to and
2 involvement in these earlier cases, we offer the following clarifications to his comments:

3 1. Mr. Magruder's first issue concerns whether it is appropriate for the
4 Commission to consider "deconsolidation" at this time in light of Decision No. 72047. In
5 response, the Company notes that Mr. Magruder misquoted Decision No. 72047 as
6 requiring a proposal for rate consolidation in the *next* rate case; rather, that decision
7 requires the Company to file a rate consolidation proposal "...in a *future* rate application."
8 (Page 123, Line 16). The Company also notes that Decision No. 72047 requires the
9 Company to file an application supporting stand-alone revenue requirements for the
10 Anthem and Agua Fria wastewater districts (Page 121, Lines 12-16). That compliance
11 application, filed April 1, 2011, in Docket 09-0343, is the deconsolidation compliance
12 case Mr. Magruder is speaking about, but it is not the next (or future) rate case for the
13 Company. The Company is in compliance with Decision No. 72047.

14 2. Mr. Magruder's second issue concerns whether the Company was out of
15 compliance with Decision No. 71410 because its next rate case filing (Docket 10-0448) did
16 not include all the water districts in the case which resulted in Decision No. 71410. In
17 response, the Company notes that Decision No. 71410 was issued December 8, 2009, and
18 contained a compliance requirement that the Company work with Staff and file a low
19 income tariff only 23 days later by December 31, 2009. Obviously, such a short
20 compliance cannot be interpreted as the Commission requiring the filing of a new rate case.
21 However, as Staff and the Company discussions have progressed, both parties have realized
22 that a rate case is the best vehicle for approving a low income tariff. As a result, the
23 Company has proposed a low income tariff in Docket 10-0448 for its Agua Fria, Havasu
24 and Mohave districts. Staff has agreed with that approach.

25 3. Mr. Magruder's third issue was fully considered by the Commission in
26 Docket 09-0343.

1 RESPECTFULLY SUBMITTED this 8th day of September, 2011.

2 ARIZONA-AMERICAN WATER COMPANY

3 *Thomas Broderick* *TB*

4 _____
5 Thomas Broderick
6 2355 W. Pinnacle Peak Rd.
7 Suite 300
8 Phoenix, AZ 85027

8 ORIGINAL and thirteen (13) copies
9 of the foregoing filed this 8th day
10 of September, 2011, with:

10 The Arizona Corporation Commission
11 Utilities Division – Docket Control
12 1200 W. Washington Street
13 Phoenix, Arizona 85007

13 Copy of the foregoing hand-delivered
14 This 8th day of September, 2011, to:

14 Steve Olea
15 Utilities Division
16 Arizona Corporation Commission
17 1200 W. Washington Street
18 Phoenix, Arizona 85007

17 Teena Jibilian, Administrative Law Judge
18 Hearing Division
19 Arizona Corporation Commission
20 1200 W. Washington Street
21 Phoenix, Arizona 85007

20 Robin Mitchell
21 Legal Department
22 Arizona Corporation Commission
23 1200 W. Washington Street
24 Phoenix, Arizona 85007

23 Janice Alward, Chief Counsel
24 Legal Department
25 Arizona Corporation Commission
26 1200 W. Washington Street
Phoenix, Arizona 85007

26 Copy of the foregoing mailed
this 8th day of September, 2011, to:

1 Daniel Pozefsky, Chief Counsel
RESIDENTIAL UTILITY
2 CONSUMER OFFICE
1110 W. Washington Street, Suite 220
3 Phoenix, AZ 85007

4 Paul E. Gilbert
Franklyn D. Jeans
5 BEUS GILBERT PLLC
4800 North Scottsdale Road, Suite 6000
6 Scottsdale, AZ 85251
Attorneys for Clearwater Hills
7 Improvement Association

8 Michael W. Patten.
Timothy J. Sabo
9 ROSHKA DeWULF & PATTEN, PLC
One Arizona Center
10 400 East Van Buren Street, Suite 800
Phoenix, AZ 85004-2262
11 Attorneys for the Town of Paradise Valley

12 Andrew Miller, Town Attorney
TOWN OF PARADISE VALLEY
13 6401 East Lincoln Drive
Paradise Valley, AZ 85253-4328

14 Robert Metli
15 SNELL & WILMER
One Arizona Center
16 400 East Van Buren Street
Phoenix, AZ 85004-2202
17 Attorneys for The Camelback Inn and Sanctuary
on Camelback Mountain

18 Carole McHale-Hubbs
19 21511 North Limousine Drive
Sun City West, Az. 85375-6557
20 Attorney for Property Owners and Residents
Association

21 Joan S. Burke
22 LAW OFFICE OF JOAN S. BURKE
1650 North First Avenue
23 Phoenix, AZ 85003
Attorney for Corte Bella
24 Property Owners and Residents Association
25 13815 East Camino Del Sol
Sun City West, AZ 85375-4409
26

Nicholas Wright
1942 East Desert Greens Drive
Fort Mohave, AZ 86426-8883

Patricia Elliott
1980 East Desert Greens Drive
Fort Mohave, AZ 86426

Keith Doner
5516 Pearl St
Fort Mohave, AZ 86426-6733

Hallie McGraw
4105 Del Monte Ave
Las Vegas, NV 89102-3853

Steven Colburn
1932 East Desert Greens Lane
Fort Mohave, AZ 86426-6724

Shanni Ramsay
1310 Maple Ct.
Martinsville, IN 451-8086

Dennis Behmer
1966 East Desert Greens Lane
Fort Mohave, AZ 86426-6724

Ann Robinett
1984 East Desert Greens Lane
Fort Mohave, AZ 86426-6724

Don Grubbs and Liz Grubbs
5894 Mt. View Road.
Fort Mohave, AZ 86426-8862

Mike Kiernan
5931 South Desert Lakes Drive
Fort Mohave, AZ 86426-9105

Jacquelyn Valentino
5924 South Desert Lakes Drive
Fort Mohave, AZ 86426-9105

Ikuko Whiteford
1834 Fairway Bend
Fort Mohave, AZ 86426-6726

Marshall Magruder
P.O. Box 1267
Tubac, AZ 85646-1267

- | | | |
|----|---|--|
| 1 | Thomas J. Ambrose
7326 East Montebello Avenue
Scottsdale, AZ 85250-6045 | Rebecca M. Szimhardt
1930 E. Desert Greens Drive
Fort Mohave, AZ 86426 |
| 2 | | |
| 3 | Andy Panasuk
1929 East Desert Greens Lane
Fort Mohave, AZ 86426 | Judith M. Dworkin
Sacks Tierney PA
4250 N. Drinkwater Blvd., Fourth Floor
Scottsdale, AZ 85251-3693
judith.dworkin@sackstierney.com
Attorney for Anthem Community Council |
| 4 | | |
| 5 | Lance Ryerson
1956 East Desert Greens Drive
Fort Mohave, AZ 86426-8883 | Lawrence V. Robertson, Jr.
P.O. Box 1448
Tubac, AZ 85646-1448
tubaclawyer@aol.com
Attorney for Anthem Community Council |
| 6 | | |
| 7 | Louis Wilson
1960 Fairway Drive
Fort Mohave, AZ 86426-8873 | Larry Woods
Property Owners and Residents Assoc.
13815 E. Camino Del Sol
Sun City West, AZ 85375-4409 |
| 8 | | |
| 9 | Joe M. Souza
1915 E. Desert Greens Drive
Fort Mohave, AZ 86426-8802 | Bradley J. Herrema
Robert J. Saperstein
Brownstein Hyatt Farber Schreck, LLP
21 E. Carrillo St
Santa Barbara, CA 83101
BHerrema@BHFS.com
RSaperstein@BHFS.com |
| 10 | | |
| 11 | Betty Newland
2000 Crystal Drive
Fort Mohave, AZ 86426-8816 | W.R. Hansen
12302 W. Swallow Drive
Sun City West, AZ 85375 |
| 12 | | |
| 13 | Tom Sockwell
Mohave County Board of Supervisors
1130 Hancock Road
Bullhead City, AZ 86442-5903 | Greg Patterson
Water Utility Association of Arizona
916 W. Adams, Suite 3
Phoenix, AZ 85007
greg@azcpa.org |
| 14 | | |
| 15 | Wilma E. Miller
1915 E. Desert Greens Drive
Fort Mohave, AZ 86426-8802 | Desi Howe
Anthem Golf and Country Club
2708 W. Anthem Club Drive
Anthem, AZ 85086 |
| 16 | | |
| 17 | Boyd Taylor
1965 E. Desert Greens Drive
Fort Mohave, AZ 86426-8884 | Norman D. James
Fennemore Craig, P.C.
3003 N. Central
Suite 2600
Phoenix, AZ 85012
njames@fclaw.com
Attorney for DMB White Tank, L.L.P. |
| 18 | | |
| 19 | George E. & Patricia A. Cocks
1934 East Shasta Lake Drive
Ft. Mohave, Arizona 86426-6712 | |
| 20 | | |
| 21 | Raymond Goldy
2066 E. El Rodeo Rd., Lot 54
Fort Mohave, AZ 86426-8904 | |
| 22 | | |
| 23 | Joe M. Souza
1915 E. Desert Greens Drive
Fort Mohave, AZ 86426-8802 | |
| 24 | | |
| 25 | Betty Newland
2000 Crystal Drive
Fort Mohave, AZ 86426-8816 | |
| 26 | | |

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2
3
4
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6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Philip H. Cook
10122 W. Signal Butte Circle
Sun City AZ 85373

Larry D. Woods
15141 W. Horseman Lane
Sun City West, AZ 85375
larry@lwoods.com

Michele L. Van Quathem
Ryley Carlock & Applewhite
One N. Central Ave., Suite 1200
Phoenix, AZ 85004
Attorneys for Verrado Community Ass'n

Chad R. Kaffer
Troy B. Stratman
Mack Drucker & Watson, PLC
3200 N. Central Ave., Suite 1200
Phoenix, AZ 85012
Attorneys for Corte Bella Country Club HOA



Courtney Appelhans

Frederick G. Botha
23024 N. Giovota Drive
Sun City West, AZ 85375

Pauline A. Harris Henry
President of Board of Directors
Russell Ranch HOA
21448 N. 75th Avenue, Suite 6
Glendale, AZ 858308

Gary Verburg, City Attorney
Daniel L. Brown, Assistant City Attorney
Office of the City Attorney
200 W. Washington, Suite 300
Phoenix, AZ 85003-1611
Attorneys for the City of Phoenix