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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

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AZ. CORP COMMISSION
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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

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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

**ANTHEM COMMUNITY
COUNCIL'S MOTION TO
EXCLUDE ISSUE FROM
HEARING**

Anthem Community Council (the "Council") hereby moves for an order excluding the City of Phoenix (the "City") rate matters enumerated below (collectively, the "Phoenix Issue") from being considered by the Commission during this phase of the above-docketed proceedings, and precluding the parties to this docket from proffering any argument or evidence (including without limitation any documents or direct or cross-examination testimony) on the same, so that City test year billing activity and the wastewater rates established by Decision No. 72047, dated January 6, 2011 (the "Order"), will remain unchanged until a future Arizona-American Water Company (the "Company") rate case. The Phoenix Issue is beyond the scope of this phase of the above-docketed proceedings

1 which the Commission intended to limit to the potential deconsolidation of the
2 Anthem/Agua Fria Wastewater District.

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4 **I. INTRODUCTION**

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6 In the Order, the Commission ordered this docket to remain open “for the sole
7 purpose of considering the design and implementation of stand-alone revenue requirements
8 and rate designs” for the Anthem and Agua Fria wastewater districts. To comply with the
9 Order, on April 1, 2011 the Company filed a compliance application (the “Compliance
10 Application”) setting forth the revenue requirements and rate designs for the stand-alone
11 Anthem Wastewater District and stand-alone Agua Fria Wastewater District. While the
12 Company did properly calculate the rate base and revenue requirements for both systems,
13 the Company improperly allocated a portion of revenues within the Anthem system by
14 shifting revenue into the Anthem residential class from the other water users (“OWU”)
15 class in order to lower rates for the City.

16 By way of background, the Company and the City are parties to the Anthem
17 Wholesale Water/Wastewater Service Agreement, dated September 22, 2000 (the “Phoenix
18 Interconnect Agreement”), which governs the provision of water and wastewater services
19 to an area of Phoenix west of Interstate 17. In 2011 the City informed the Company that it
20 wanted its wastewater billings to be based upon the actual wastewater flows at the
21 wastewater flume rather than upon the amount of water delivered. In the Compliance
22 Application, the Company adjusted its billing data to reduce the test year activity and
23 proposed to assess a commodity charge on the lower volume. In order to recover the
24 resulting revenue shortfall, the Company proposed revenue increases to Anthem’s
25 residential and commercial customers.

26 On June 23, 2011 the City sought leave to intervene in this docket in order to correct
27 errors in the wholesale water rates proposed in the Compliance Application and to request a
28 cost of service study as required by the Phoenix Interconnect Agreement prior to the

1 adoption and implementation of stand-alone revenue requirements and rate designs for the
2 proposed Anthem Wastewater District. According to the Surrebuttal Testimony of Denise
3 M. Olson on behalf of the City filed on October 10, 2011, there are numerous unresolved
4 rate issues that without a cost of service study may result in the unfair allocation of revenue
5 sources.

6 Staff, Anthem, the Residential Utility Consumer Office and the Verrado Community
7 Association, Inc. have each concluded that ratemaking changes to the wholesale contract
8 with the City are outside the scope of the current case.

9
10 **II. THE PHOENIX ISSUE SHOULD BE EXCLUDED FROM THIS PHASE OF**
11 **THE PROCEEDINGS.**

12
13 **A. THE PHOENIX ISSUE IS OUTSIDE THE 2008 TEST YEAR.**

14 The Company's proposed revenue increases to Anthem's residential and commercial
15 customers due to the 2011 renegotiation of the Phoenix Interconnect Agreement is outside
16 the 2008 test year and should not be considered in this deconsolidation matter. It would be
17 wrong for the Commission to alter its customer class revenue requirements for Anthem in
18 order to address a transaction that occurred three years after the end of the test year in this
19 case. Accordingly, the recent changes to the wholesale treatment rate charged to the City
20 should be excluded from this phase of the proceedings and dealt with in the next rate case
21 along with the many other changes that have taken place since 2008.

22
23 **B. THE PHOENIX ISSUE IS OUTSIDE OF THE SCOPE OF THIS PHASE**
24 **OF THE PROCEEDINGS.**

25 The purpose of this phase of the proceedings is to disaggregate the wastewater plant
26 values for the Anthem and Agua Fria wastewater systems, respectively, without changing
27 the overall Anthem/Agua Fria wastewater revenue the Company has been authorized to
28 recover and the expense and rate base findings of the Commission in Decision No. 72047.

1 If the Phoenix Issue is considered in this phase of the proceedings, it will greatly expand
2 this matter and transform this phase into a forum for resolving a contract dispute which has
3 no ratemaking relevance at this time. The issues raised by the City include, but are not
4 limited to, the following:

5 1. It is likely that the City was not given fair notice of, or a reasonable
6 opportunity to address ratemaking issues. Employees of the City have proffered testimony
7 to the effect that the Company did not provide notice of the proposed rate increase as
8 required by law. As a result, the City has not been afforded the opportunity to address
9 issues related to the proposed rate changes.

10 2. Pursuant to the Phoenix Interconnect Agreement, the Company is
11 required to support a request for a change in the rates charged to the City with a cost of
12 service study in order to determine the actual costs that the Company pays or incurs for the
13 services it specifically provides to the City. A cost of service study has not been performed
14 by the Company.

15 3. There are unresolved issues related to the measurement of the test year
16 volume of wastewater, the quality or strength of the wastewater, and the assignment of the
17 City to the commercial rate category.

18 These and other issues related to the Phoenix Interconnect Agreement are improper
19 subjects of this phase and cannot be efficiently encompassed within the framework of the
20 abbreviated deconsolidation proceeding established by the Commission.

21
22 **III. CONCLUSION**

23
24 Due to the fact that the Phoenix Issue is a post test year issue and because the
25 Commission has expressly limited scope of this deconsolidation matter, the Phoenix Issue
26 should be excluded from consideration at this time. The City wastewater billing data
27 should remain unchanged in order to reflect test year results and no wastewater rate
28 changes due to the 2011 renegotiation of the Phoenix Interconnect Agreement should be

1 considered during this phase of the proceedings.

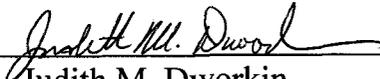
2 DATED this 20th day of October 2011.

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Respectfully submitted,

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By: 
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for FILING this 20th day of October, 2011 to:

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1200 W. Washington Street
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26 and COPY of the foregoing mailed or e-mailed
this 20th day of October, 2011, to:

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