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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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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

Arizona Corporation Commission

DOCKETED

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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/AGUA FRIA WASTEWATER DISTRICT, ITS SUN CITY WASTEWATER DISTRICT AND ITS SUN CITY WEST WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

STAFF'S NOTICE OF FILING WITNESS SUMMARY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Witness Summary of Gerald W. Becker of the Utilities Division.

RESPECTFULLY SUBMITTED this 10th day of November 2011.

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**WITNESS SUMMARY OF GERALD W. BECKER
ARIZONA-AMERICAN WATER COMPANY, INC.
DOCKET NOS. W-01303A-09-0343; SW-01303A-09-0343
DECONSOLIDATION PHASE
NOVEMBER 10, 2011**

Arizona-American Water Company, Inc. ("AAW" or "Company") filed a compliance application with the Arizona Corporation Commission ("Commission") on April 1, 2011, to comply with the requirements of Decision No. 72047. Decision No. 72047 requires AAW to file no later than April 1, 2011, an application to set forth the revenue requirements and rate designs for an Anthem Wastewater District ("Anthem") and an Agua Fria Wastewater District ("Agua Fria"), each on a stand-alone basis. The Company's application states that Decision No. 72047 authorized an overall rate increase of 53.98 percent on a combined basis over the previous rates and the stand-alone rate increases for Anthem and Agua Fria would have been 15.5 percent and 139.7 percent, respectively.

Staff has reviewed the filing and agrees with the total amount of the Company's restated increase for each district on an overall basis. However, Staff disagrees with the Company's rate design calculation of the rates for Anthem. Staff disagrees with Anthem's rate design due to differences in the treatment of activity related to the City of Phoenix.

Staff further recommends that the deconsolidation issue also be evaluated with information relative to the non-deconsolidated rates approved in Decision No. 72047, in addition to being evaluated against the test year rates, as the Company proposes in its application. On this second basis, a typical Anthem 5/8 x 3/4-inch meter residential customer with a median usage of 7,000 gallons would experience a \$14.29, or a 19.11 percent decrease from \$74.80 to \$60.51, under the Company's proposed methodology and an \$18.55, or a 24.80 percent decrease from \$74.80 to \$56.25, under Staff's recommended rates. Also on this second basis, the typical Agua Fria 5/8 x 3/4-inch meter residential customer with a median usage of 7,000 gallons would experience a \$47.11, or a 62.98 percent increase from \$74.80 to \$121.91, under both the Company's proposed methodology and under Staff's recommended rates.

Staff recommends that any approval granted in this proceeding be subject to certain conditions as follows:

1. That the billing activity remain unchanged for the activity with the City of Phoenix.
2. That any adjustments to rates be shared proportionately by all customers, except for the newly-created group of effluent customers.
3. That the rate for the effluent group remain unchanged.

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Mr. Becker's Surrebuttal Testimony discusses the commodity rates for the Other Wholesale Utilities / City of Phoenix activity of \$3.17 per thousand gallons ("k gals") and clarifies that the rate of \$3.17 per k gals is the rate in effect during the test year and not the rate approved in Decision No. 72047. The rate approved in Decision No. 72047 is \$5.5760 per k gals, which is the same commodity rate charged for all other commercial customers.