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BEFORE THE ARIZONA CORPORATION COMMISSION

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2012 JAN 17 A 9:48

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 ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission

DOCKETED

JAN 17 2012

DOCKETED BY

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, SUN CITY WASTEWATER DISTRICT, AND SUN CITY WEST WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

INITIAL BRIEF OF ARIZONA-AMERICAN WATER COMPANY

1 Arizona-American Water Company ("Arizona-American") hereby submits its initial brief
2 in the above-captioned case.

3 I. ARIZONA-AMERICAN FULLY COMPLIED WITH DECISION NO. 72047

4 On January 6, 2011, the Commission issued Decision No. 72047 in this docket. Among
5 other things Decision No. 72047 approved new rates for Arizona-American's Anthem-Agua Fria
6 Wastewater District. An issue in the docket was whether to deconsolidate the Anthem-Agua Fria

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1 Wastewater District into two new separate districts: an Anthem Wastewater District; and an
2 Agua Fria Wastewater District. Decision No. 72047 left this docket open for the sole purpose of
3 considering the design and implementation of stand-alone revenue requirements and rate designs
4 for a separate Anthem Wastewater District and a separate Agua Fria Wastewater District as
5 agreed to in the Agreement reached by Arizona-American, the Anthem Community Council
6 (“Council”), the Residential Utility Consumer Office, and the Commission's Utilities Division
7 (“Staff”). Decision No. 72047 also ordered Arizona-American to file, by April 1, 2011, an
8 application supporting consideration of stand-alone revenue requirements and rate designs as set
9 forth in that Agreement.

10 On April 1, 2011, Arizona-American complied with Decision No. 72047 by filing an
11 application, supported by the pre-filed direct testimony of Sandra L. Murrey.¹ Decision No.
12 72047 approved an overall rate increase of 53.98% for customers in the Anthem/Agua Fria
13 Wastewater District. As required by Procedural Orders dated April 4, 2011, and July 15, 2011,
14 Arizona-American subsequently filed rebuttal testimony and rejoinder testimony by Ms.
15 Murrey.²

16 A hearing was held on October 17, 2011, for the purpose of taking public comments.

17 Evidentiary hearings were held from November 14 through November 17, 2011. Ms.
18 Murrey testified on behalf of Arizona-American. At the hearing, Ms. Murrey modified her
19 testimony by striking certain portions and by adopting Staff’s rate-design schedules (GWB-1 –
20 GWB-8), as prepared by Staff Witness Gerald Becker.³ Mr. Becker’s schedules showed that if
21 the Commission were to deconsolidate Arizona-American’s Anthem-Agua Fria Wastewater Rate
22 District, an average Anthem residential customers would see a 24.79% rate decrease from the
23 rates approved by Decision No. 72047. An average Agua Fria residential customer would see a
24 63.41% rate increase over the rates approved by Decision No. 72047.

¹ Exhibit A-1.

² Exhibits A-3 and A-4.

³ Exhibits A-2 and S-2.

1 Thomas Broderick also testified for Arizona-American during the evidentiary hearings
2 for the purpose of answering questions from Judge Jibilian and the parties that were outside the
3 scope of Ms. Murrey's testimony.

4 Through its filings, responses to discovery questions, and testimony, Arizona-American
5 has fully complied with Decision No. 72047. Arizona-American takes no position concerning
6 whether the Commission should deconsolidate the Anthem-Agua Fria Wastewater District.

7 **II. ARIZONA-AMERICAN IS NO LONGER ASKING THE COMMISSION TO**
8 **POSTPONE WINTER-AVERAGE RATE DESIGN**

9 In Ms. Murrey's Direct Testimony, she asked the Commission to consider whether a
10 winter-average rate design is appropriate for either or both districts in the event of rate
11 deconsolidation or whether that additional rate design change would overly confuse customers in
12 both districts, and stated that Arizona-American would prefer to further postpone winter-average
13 rate designs.⁴ Arizona-American is no longer asking the Commission to postpone winter-
14 average rate design primarily because the initial winter measurement period is already upon us
15 and residential customers have already been notified of this fact and of the June 2012 switch to a
16 winter tariff.

17
18 **Respectfully submitted** on January 17, 2012, by:

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⁴ Exhibit A-1 at 12:13-25

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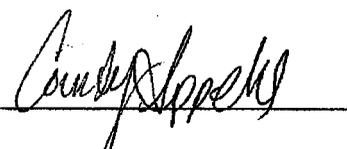
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