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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS  
GARY PIERCE, Chairman  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BOB STUMP  
BRENDA BURNS

Docket No. W-01303A-09-0343  
SW-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, SUN CITY  
WASTEWATER DISTRICT, AND SUN  
CITY WEST WASTEWATER DISTRICT

**DMB White Tank, LLC's  
Initial Closing Brief**

DMB White Tank, LLC ("DMB"), through its undersigned counsel, submits the following Initial Closing Brief requesting that the Commission (1) make no changes to the current effluent rate established in Commission Decision No. 72047, and (2) reject the proposed deconsolidation of Arizona-American Water Company's ("Arizona-American" or "Company") Anthem/Agua Fria Wastewater District.

**I. STATEMENT OF THE ISSUES**

This is a compliance matter arising out of Commission Decision No. 72047 in this case. Decision No. 72047 stated:

Good public policy requires the Commission to correctly assign cost responsibility for all ratemaking components in as expeditious a manner as possible, and deconsolidation of Anthem/Agua Fria Wastewater District is

1 consistent with such action. However, the record does not include adequate rate  
2 base or operating income information to immediately implement stand-alone rate  
3 designs for the resulting Anthem Wastewater district and Agua Fria Wastewater  
4 district at this time. Therefore, we will (i) approve the rates adopted herein for  
5 Anthem/Agua Fria Wastewater district as a consolidated district on an interim  
6 basis, and (ii) order the docket in the instant proceeding to remain open for the  
7 sole purpose of considering the design and implementation of stand-alone  
8 revenue requirements and rate designs as agreed to in the settlement reached  
9 during the Open Meeting for the Anthem Wastewater district and Agua Fria  
10 Wastewater district as soon as possible. The Company shall file its initial  
11 application no later than April 1, 2011.<sup>1</sup>

12 Before making a determination regarding the proposed deconsolidation of the Anthem/Agua  
13 Fria Wastewater District, the Commission wished to examine stand-alone rate base and  
14 operating income information. The Company filed a compliance application on April 1, 2011,  
15 and a hearing was held November 14, 15, 16, and 17, 2011.

16 The current issue before the Commission is whether to adopt stand-alone revenue  
17 requirements and rate designs, and thus deconsolidate the Anthem/Agua Fria Wastewater  
18 District rates, in light of the information gathered in the record since Decision No. 72047 was  
19 issued, including that the typical customer in the proposed deconsolidated Agua Fria  
20 Wastewater District would expect a 133.9% increase from \$52.12 to \$121.91 per month.<sup>2</sup>

## 21 **II. DMB'S POSITION ON DECONSOLIDATION**

22 DMB is supportive of the Verrado Community Association's position that  
23 deconsolidation should be denied for the reasons cited in Verrado Community Association's  
24 Initial Closing Brief. If deconsolidation is ordered, however, DMB asserts the effluent rate  
25 established in Decision No. 72047 should remain the same as it was in that decision for all the  
26 reasons cited by DMB and other parties in the previous proceedings, including that the effluent  
27 rate level adopted by the Commission encourages the use of effluent for turf irrigation rather  
28 than groundwater.<sup>3</sup>

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<sup>1</sup> Decision No. 72047, p. 84.

<sup>2</sup> Ex. S-1, p. 7.

<sup>3</sup> Decision No. 72047, pp. 80-81; Ex. V-3, pp. 3-4.

1 **III. APPLICABLE STANDARDS**

2 In this rate case, the Commission is charged with determining if the charges proposed by  
3 Arizona-American in a deconsolidated scenario are “just and reasonable.” Ariz. Const. Art. 15,  
4 § 12; A.R.S. § 40-361. In doing so, the Commission may consider a variety of facts and  
5 ratemaking policies.<sup>4</sup>

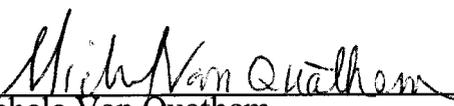
6 **IV. ARGUMENT**

7 **Rate Design: The Effluent Rate should Remain the Same.**

8 DMB purchases effluent generated by the Verrado Wastewater Plant for use on the Raven  
9 Golf Club at Verrado golf course and for construction uses. Earlier in this case, DMB and other  
10 parties with golf course interests, demonstrated to the Commission that the effluent rate should  
11 be set at a specific level that encourages use of effluent over groundwater. The Commission  
12 agreed, and set the effluent rate at \$250 per acre-foot.<sup>5</sup> DMB asserts that, if deconsolidation is  
13 ordered, the effluent rate established in Decision No. 72047 should remain at \$250 per acre-foot  
14 for all the reasons cited in the previous proceedings, including that the rate level encourages the  
15 use of effluent for turf irrigation.<sup>6</sup> No party is proposing to change this effluent rate.<sup>7</sup>

16 DATED this 17<sup>th</sup> day of January, 2012.

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24  
25 <sup>4</sup> November 14, 2011 Transcript of Proceedings, Volume I (“Tr.I”) at 42:7-16 (Staff does not take a position on  
the proposed deconsolidation, but agrees the Commission may consider factors in addition to cost of service);  
26 November 15, 2011 Transcript of Proceedings, Volume II (“Tr.II”) at 277:20-278:3, 298:25-302:14.

27 <sup>5</sup> Decision No. 72047, pp. 80-81; Ex. V-3, pp. 3-4.

28 <sup>6</sup> *Id.*

<sup>7</sup> Tr.I at 43:4-9; Ex. S-1, p. 8; Ex. A-4, p. 2.

1 ORIGINAL and 13 copies of the foregoing  
2 filed this 17<sup>th</sup> day of January, 2012, with:

3 Docket Control  
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5 1200 West Washington  
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7 COPY of the foregoing mailed this  
8 17<sup>th</sup> day of January, 2011, to:

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