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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

**ORIGINAL**

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

Docket No. SW-01303A-09-0343

**VERRADO COMMUNITY  
ASSOCIATION, INC.'S  
RESPONSE TO ANTHEM COMMUNITY  
COUNCIL'S REQUEST FOR  
RECONSIDERATION OF  
COMMISSION'S DENIAL OF MOTION  
FOR STAY OF PROCEEDINGS**

Verrado Community Association, Inc. ("Verrado"), through its undersigned counsel,  
submits the following Response to Anthem Community Council, Inc.'s Request for

1 Reconsideration of Commission’s Denial of Motion for Stay of Proceedings docketed on August  
2 28, 2014 (the “Motion”).

3 Verrado requests again that the Anthem Motion be denied, and incorporates by reference  
4 herein Verrado’s August 19, 2014 Response to Anthem Community Council Inc.’s Motion to  
5 Stay Proceedings. Verrado continues to urge the Commission’s fast attention to this matter  
6 through these proceedings.

7 Verrado also wishes to address one new legal argument raised in Anthem’s Motion. On  
8 pages 9 and 10 of the Motion, Anthem argues that re-consolidation of the Anthem and Agua  
9 Fria Wastewater Districts<sup>1</sup> “conceivably might constitute a violation of the Scates case...”  
10 because the data to be relied upon is nearly six years old (based upon a 2008 test period), or in  
11 the case of the Mohave Wastewater District, was based upon a 2007 test period. Scates v. Ariz.  
12 Corp. Comm’n, 118 Ariz. 531, 578 P.2d 612 (App. 1978).

13 In Scates, the Arizona Court of Appeals reviewed the Commission’s approval under  
14 A.R.S. section 40-250 of a net rate increase of almost \$5 million for a company between rate  
15 cases based solely on evidence of certain increased costs for providing the particular services at  
16 issue. In the present case, however, there should be no such net rate increase. The present  
17 proceedings are distinguishable from the holding in Scates because Epcor Arizona Water Inc.  
18 (“Epcor”) has stated that it is not seeking an overall increase in revenue, and presumably Epcor  
19 will demonstrate in its direct testimony that its proposed rate design alternative(s) will not  
20 increase its revenue.

21 If Anthem’s argument is instead that the Arizona Constitution requires that no individual  
22 customer or customer class experience a rate increase relative to another individual customer or  
23 customer class as a result of a A.R.S. § 40-252 order, without current examinations of the fair  
24 value of a utility’s property and rate of return, then Anthem’s argument calls into question the  
25

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26 <sup>1</sup> Due to Anthem’s reference to the test year of the Mohave Wastewater District in this argument, Anthem  
27 appears to be also addressing the other consolidation and de-consolidation scenarios presented in Epcor’s  
28 August 8, 2014 filing.

1 constitutional of the prior Anthem/Agua Fria de-consolidation decision made by the  
2 Commission. The Commission's de-consolidation decision, Decision No. 73227, was made in  
3 June 2012 based upon a January 2011 determination of fair value and rate of return that was in  
4 turn based upon 2008 test year data. Anthem's constitutional argument seems to support  
5 issuance of an immediate corrective order under A.R.S. § 40-252, ordering reconsolidation of  
6 the Agua Fria and Anthem rates, returning them to the same amounts determined just and  
7 reasonable in Decision No. 72047 (the original rate case decision in this matter), pending  
8 Epcor's filing of a new rate case for all districts.

9 The remaining substantive arguments in Anthem's Motion will be addressed by Verrado  
10 in testimony and subsequent briefing as this process moves forward.

11 DATED this 2nd day of September, 2014.

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21 ORIGINAL and 13 copies of the foregoing  
22 filed this 2nd day of September, 2014, with:

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27 COPY of the foregoing mailed this  
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