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BEFORE THE ARIZONA CORPORATION C

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Arizona Corporation Commission

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11 IN THE MATTER OF THE APPLICATION OF

12 ARIZONA-AMERICAN WATER COMPANY,

13 AN ARIZONA CORORATION, FOR A

14 DETERMINATION OF THE CURRENT FAIR

15 VALUE OF ITS UTILITY PLANT AND

16 PROPERTY AND FOR INCREASES IN ITS

17 RATES AND CHARGES BASED THEREON

18 FOR UTILITY SERVICE BY ITS ANTHEM

19 WATER DISTRICT AND ITS SUN CITY

20 WATER DISTRICT.

Docket No. W-01303A-09-0343

ORIGINAL

21 IN THE MATTER OF THE APPLICATION OF

22 ARIZONA-AMERICAN WATER COMPANY,

23 AN ARIZONA CORORATION, FOR A

24 DETERMINATION OF THE CURRENT FAIR

VALUE OF ITS UTILITY PLANT AND

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

**RUCO'S RESPONSE TO ANTHEM COMMUNITY COUNCIL'S ("ANTHEM")**  
**REQUEST FOR RECONSIDERATION OF COMMISSION'S DENIAL OF MOTION**  
**FOR STAY OF PROCEEDINGS**

The Residential Utility Consumer Office ("RUCO") hereby responds to Anthem Community Council's ("Anthem") Request for Reconsideration of the Commission's Denial of

1 Motion for Stay of Proceedings as follows. RUCO joins in most of the concerns expressed in  
2 Anthem's Request.

3 As a preliminary matter, RUCO has not yet decided its position regarding the  
4 consolidation of all of the Company's wastewater divisions. That is not the question here –  
5 the present question from RUCO's perspective is the Commission's process in its  
6 consideration of the consolidation of the Company's wastewater divisions.

7 RUCO agrees with Anthem that this matter should be considered in the context of a  
8 new rate case for all of its wastewater districts. The Company should also be required to  
9 provide cost of service studies and other supporting information. Aside from the fact that  
10 such a task will require, at a minimum, cost of service studies to be complete, the  
11 Commission ordered this process in Decision No. 73227 – (“the Deconsolidation Order”) –  
12 see page 41. At this point, the Company, among other things, has not quantified what the  
13 additional expenses or additional savings will be should the Commission consider  
14 consolidation of all the districts.

15 Staff has requested that the Commission, in furtherance of its consideration of total  
16 system wastewater consolidation, reopen past Commission Decision Nos. 72047, 73221,  
17 73227, 73230 and 73837 under A.R.S. Section 40-252. All of these decisions fall out of the  
18 Company's last rate case, Decision No. 72047, which included the Anthem/Aqua Fria  
19 Wastewater system, Sun City Wastewater and Sun City West Wastewater systems. The  
20 Company has a total of five<sup>1</sup> wastewater systems – the fifth system - Mohave Wastewater  
21 was not part of the rate case that resulted in Decision No. 72047 and the other decisions  
22

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23 <sup>1</sup> Counting Anthem/Agua Fria as two systems.  
24

1 listed above. The Mohave Wastewater District is part of the Company's current application<sup>2</sup>  
2 (WS-01303A-14-0010).

3 In sum, what Staff is proposing is in lieu of a new system wide rate case that the  
4 Commission ordered, the Commission can proceed by opening up the old rate case for four  
5 of the five systems, and using the information in the pending rate case for the fifth system. In  
6 other words, the Commission will be considering two different revenue requirements (the  
7 revenue requirement approved in the four system case, and the revenue requirement being  
8 considered in the current EPCOR case).

9 RUCO is at a loss to understand why the Commission would consider such a  
10 proposal. If the Commission were to reopen the prior rate case (for the four systems) to  
11 reconsider the rate design the Commission would be limited to the revenue requirement it  
12 has already approved. The reconsideration of the rate design would have to be done in a  
13 revenue neutral manner. Moreover, the test year for the last Anthem/Agua Fria, Sun City and  
14 Sun City West Wastewater rate case ended December 31, 2008. Using a stale test year in  
15 itself creates many legal challenges. For instance, customer growth has changed since  
16 2008. Whether the Company's customer counts have increased or decreased, its revenues  
17 have changed as has its earnings. Likewise, the Company's expenses and ratebase have  
18 changed. It is likely that the Commission had these concepts in mind when in consideration  
19 of consolidation, it ordered the Company to file a system-wide rate case in Decision No.  
20 73227.

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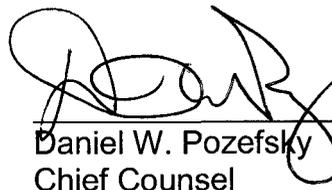
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23  
24 <sup>2</sup> The last Mohave Wastewater case was Docket No. SW-01010A-08-0227, which resulted in Decision  
No. 71410 dated December 8, 2009.

1 Including the Mohave Wastewater system in the Commission's consideration  
2 introduces a new revenue requirement. In this case, it is only proposed at this point. Staff's  
3 proposal of combining an old case with a new case to consider consolidation assures that  
4 consolidation of all of the systems would not be revenue neutral and fraught with legal  
5 concerns.

6 The issue of system wide consolidation is perhaps the biggest issue before the  
7 Commission concerning the water industry. At the present time the Company has not filed a  
8 system wide rate case, a cost of service study or anything which would show the current  
9 expenses and savings associated with consolidation - and the hearing is scheduled for  
10 November 12, 2014, just over two months. The Commission should not move forward with a  
11 process which is legally questionable, guaranteed to be revenue un-neutral and highly  
12 unlikely to provide the necessary support for an informed decision.

13 For the foregoing reasons, RUCO joins the concerns raised by Anthem in its Motion  
14 and requests the Commission reconsider its process and require the Company to file a  
15 system-wide rate case and provide current cost of service studies - which is exactly what the  
16 Commission ordered in Decision No. 73227.

17 RESPECTFULLY SUBMITTED THIS 3rd day of September, 2014.

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20 Daniel W. Pozefsky  
21 Chief Counsel  
22  
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1 AN ORIGINAL AND THIRTEEN COPIES  
of the foregoing filed this 3rd day  
2 of September, 2014 with:

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