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MEMORANDUM

TO: Docket Control
FROM: Utilities Division
DATE: March 5, 2015

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AZ CORP COMMISSION
DOCKET CONTROL

RE: APPLICATION OF ARIZONA AMERICAN WATER COMPANY FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASE 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 NOS. SW-01303A-09-0343 & W-01303A-09-0343)

SUBJECT: REQUEST FOR CLARIFICATION OF DECISION NO. 74881

On February 12, 2015, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed a request for clarification on two points of Arizona Corporation Commission ("Commission") Decision No. 74881. This memorandum is the Utilities Division Staff's ("Staff") response.

Based on EPCOR's filing, it seems that EPCOR is unclear as to what exactly the Commission meant by "full deconsolidation". Staff believes Decision No. 74881 is clear on this point. The sentence beginning on line 5, page 35, states, "A fully deconsolidated wastewater proposal, *by system*, shall also be included in the rate filing" (emphasis added). Staff believes this is a clear and unambiguous statement requiring the Company to file a wastewater deconsolidation proposal that separates each wastewater system by wastewater treatment plant. (This same statement is also contained in Paragraph 2.5 of the Settlement Agreement.)

Staff agrees with EPCOR that there will be a cost to develop the above described deconsolidated wastewater proposal. However, Staff believes that there is a manner in which the Company can develop this proposal for substantially less than the \$350,000 estimated by EPCOR. Staff has discussed this in detail with the Company.

Staff also agrees with EPCOR that if the Commission is of the opinion that it no longer wants to consider deconsolidation, it should so inform the Company through an Arizona Revised Statute § 40-252 proceeding in order to avoid any unnecessary costs. However, if the Commission has not made such a determination, Staff believes that the only way for the Commission to have all the appropriate information to adequately and properly evaluate deconsolidation, EPCOR's deconsolidation proposal must be as described above - by system, i.e., by wastewater treatment plant.

-Steven M. Olea
Director
Utilities Division

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Arizona Corporation Commission
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Original and thirteen (13) copies
of the foregoing were filed this
5th day of March, 2015 with:

Docket Control
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Copies of the foregoing were emailed
this 14th day of November, 2014 to:

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