



0000161816

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

Arizona Corporation Commission
DOCKETED
SEP 16 2015

DOCKETED BY 

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY 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, AND POSSIBLE RATE
CONSOLIDATION FOR ALL OF
ARIZONA-AMERICAN WATER
COMPANY'S DISTRICTS

DOCKET NOS. SW-01303A-09-0343
W-01303A-09-0343

DECISION NO. 75272
ORDER EXTENDING TIME DEADLINE
CONTAINED IN DECISION NO. 74881

Open Meeting
September 8 and 9, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. In Decision No. 74881, the Arizona Corporation Commission ("Commission") ordered EPCOR Water Arizona, Inc. ("EWAZ" or "Company") to file a rate case for all five of its wastewater districts on or before September 30, 2015. According to the Decision, the rate filing must "allow the parties to examine the information on a fully consolidated basis and on a separate wastewater system basis. A fully deconsolidated wastewater proposal, by system, shall also be included in the rate filing."

...
...

1 2. On August 12, 2015, EWAZ filed a request pursuant to A.R.S. § 40-252, to extend the
2 deadline to file the case until April 29, 2016 with a December 31, 2015 test year. In support of its
3 filing, EWAZ states:

- 4 • its accounting records are maintained on two different systems because the
5 systems had been purchased from American Water and that these records need
6 to be reconciled;
- 7 • that it believes its cost allocation methodology needs to be reevaluated and
8 updated¹;
- 9 • that its efforts to deconsolidate its systems into smaller districts has never been
10 required before and that these efforts are detailed and time-intensive;
- 11 • that it wishes to avoid problems that it experienced in its recent case in Docket
12 No. WS-01303A-14-0010;
- 13 • that it needs clarification from the Commission regarding deconsolidation; and
- 14 • a December 31, 2015 test year will provide adequate actual data since new rates
15 became effective on January 1, 2015 and again on September 1, 2015.²

16 The Company represented to Staff that it notified all of the parties to the filing of its request,
17 and at that time, no party expressed any opposition to the request. The Company has also indicated
18 that it will contact all of the parties to advise them that the matter will be heard by the Commission at
19 the September 8, 2015 Open Meeting and will file a letter in the docket stating as such.

20 **Staff's Review of EWAZ's Application**

21 3. Staff has reviewed the Company's filing and recommends that the Commission
22 approve the Company's request for extension, subject to the following conditions:

- 23 a. There shall be no further test year or other extensions granted.
- 24 b. EWAZ shall file its application in full compliance with the requirements of
25 Decision No. 74881.
- 26 c. EWAZ shall, at its own expense, provide written notice (acceptable to Staff) to
27 all affected customers explaining the reasons for the delays in easy to
28 understand, lay person language, along with the revised date when the filing
will occur.
- d. EWAZ is on notice that systemic and other reconciliation costs related to its
acquisition of systems from American Water are subject to disallowance in a
future rate proceeding.

26 ¹ Discussion with the Company clarified that the Company's intentions are to determine the degree to which additional
27 costs might be charged directly instead of allocating such costs and to retain its existing allocation methodology.

28 ² Decision No. 74881 decreased the rates effective January 1, 2015 for Agua Fria, Anthem and Mohave wastewater districts
while increasing the rates for Sun City and Sun City West wastewater districts. A pending decision in Docket No. WS-
01303A-14-0010 increased the rates effective September 1, 2015 for Mohave wastewater customers, subject to a three year
phase-in.

1 e. Staff has reviewed the Company's costs of approximately \$612,000 through
2 July 31, 2015 that the Company has deferred and expects to recover under the
3 accounting order granted in Decision No. 74588. Staff has reviewed the costs
4 incurred to date, identified certain areas of concern, and discussed those
5 concerns with the Company. The Company has agreed to limit the total
6 amount eligible for deferral and possible future recovery to \$400,000, as a
7 condition of being granted an extension of time until April 29, 2016.
8 Therefore, approximately \$212,000 shall be removed from the deferral and is
9 ineligible for rate recovery also as a 2015 test-year expense in the upcoming
10 rate case.

11 4. A review of the compliance database for EWAZ found that the Company has an
12 unresolved delinquency regarding its water loss in its Havasu Water District. In Docket No: W-
13 01303A-10-0448, Decision No. 73145, the Company was required to file with Docket Control, by
14 March 1, 2013, for Staff's review and approval, five-year plans to determine the most cost-effective
15 approach to address non-revenue water in the Mohave and Havasu Water Districts, based on leak
16 survey and system analysis. On March 1, 2013 the Company made the required filing for both
17 districts. However, Staff reviewed the filing and determined that the Company's filing for its Havasu
18 Water District was inadequate. Staff notified the Company of its concerns, but the Company has yet
19 to make the necessary corrections and re-file its five-year plan with regards to its Havasu Water
20 District.

21 5. Staff recommends that the Commission approve the Company's request for an
22 extension subject to the conditions discussed above.

23 6. We find the Company's request to be reasonable, as a complete and accurate
24 application is an important first step in the rate case process. Staff's recommendation for the
25 extension of time to file a rate application, subject to the conditions as set forth in Findings of Fact
26 No. 3 should be adopted.

27 CONCLUSIONS OF LAW

28 1. EPCOR Water Arizona, Inc. is a public service corporation within the meaning of
Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over EPCOR Water Arizona, Inc. and over the
subject matter of the application.

...

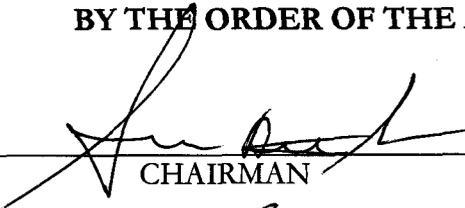
1 3. EPCOR Water Arizona, Inc.'s extension request is reasonable and should be granted,
2 subject to the conditions noted herein.

3 ORDER

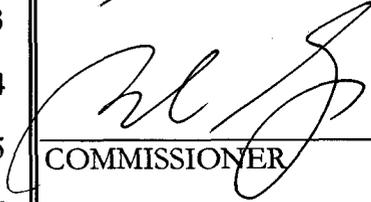
4 IT IS THEREFORE ORDERED that the deadline for EPCOR Water Arizona, Inc.'s to file a
5 rate application, as required by Decision No. 74881, is extended to April 29, 2016 and that EPCOR
6 Water Arizona, Inc. shall use a test year ending December 31, 2015, subject to conditions noted
7 herein.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9
10 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

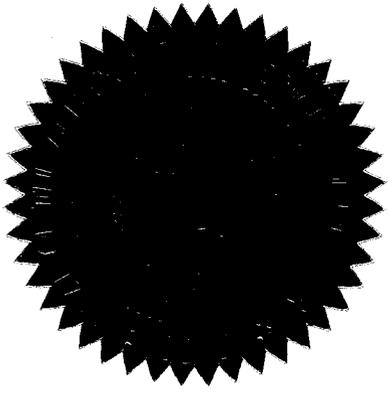
11
12 
CHAIRMAN

11
12 
COMMISSIONER

13
14
15 
COMMISSIONER

14
15 
COMMISSIONER

14
15 
COMMISSIONER



17 IN WITNESS WHEREOF, I, JODI JERICH, Executive
18 Director of the Arizona Corporation Commission, have
19 hereunto, set my hand and caused the official seal of this
20 Commission to be affixed at the Capitol, in the City of
Phoenix, this 16th day of September, 2015.

21 
JODI JERICH
EXECUTIVE DIRECTOR

23 DISSENT: _____

25 DISSENT: _____

26 TMB:GWB:red/RRM

27
28

1 SERVICE LIST FOR: EPCOR WATER ARIZONA, INC.
 2 DOCKET NOS. SW-01303A-09-0343 and W-01303A-09-0343

3 Thomas H. Campbell
 4 Michael T. Hallam
 5 LEWIS AND ROCA ROTHGERBER, LLP
 6 201 E. Washington, Suite 1200
 7 Phoenix, AZ 85004
 8 tcampbel@lrrlaw.com
 9 mhallam@lrrlaw.com
 10 Shubbard@epcor.com
 11 Attorneys for EPCOR Water Arizona, Inc.

12 Lawrence V. Robertson, Jr.
 13 Munger Chadwick, P.L.C. (of Counsel)
 14 P.O. Box 1448
 15 Tubac, AZ 85646-1448
 16 tubaclawyer@aol.com
 17 Attorney for Anthem Community Council

18 Daniel Pozefsky
 19 Chief Counsel
 20 Residential Utility Consumer Office
 21 1110 West Washington Street, Suite 220
 22 Phoenix, AZ 85007
 23 dpozefsky@azruco.gov
 24 cfraulob@azruco.gov

25 Jeffrey W. Crockett
 26 BROWNSTEIN HYATT FARBER
 27 SCHRECK LLP
 28 One East Washington Street, Suite 2400
 Phoenix, AZ 85004
jcrockett@bhfs.com
julie.bluesky@gmail.com
 Attorney for Russell Ranch Homeowners
 Association, Inc.

Andrew M. Miller, Town Attorney
 Town of Paradise Valley
 6401 East Lincoln Drive
 Paradise Valley, AZ 85253
amiller@paradisevalleyaz.gov

Michele L. Van Quathem
 RYLEY CARLOCK & APPLEWHITE
 One North Central Avenue, Suite 1200
 Phoenix, AZ 85004-4417
mvanquathem@rcalaw.com
lgefroh@rcalaw.com
 Attorneys for Verrado Community Assn., Inc.

Cynthia S. Campbell
 Paul Norman
 Assistant City Attorneys
 Office of the City Attorney
 CITY OF PHOENIX
 200 West Washington, Suite 1300
 Phoenix, AZ 85003-1611
cynthia.campbell@phoenix.gov
paul.norman@phoenix.gov

Judith M. Dworkin
 Roxanne S. Gallagher
 SACKS TIERNEY, P.A.
 4250 North Drinkwater Blvd., Fourth Floor
 Scottsdale, AZ 85251-3693
Judith.Dworkin@SacksTierney.com
Roxann.Gallagher@SacksTierney.com
Jessica.Chester@SacksTierney.com
 Attorneys for Anthem Community Council

Bradley J. Herrema
 Robert J. Saperstein
 BROWNSTEIN HYATT FARBER
 SCHRECK, LLP
 21 E. Carillo Street
 Santa Barbara, CA 93101
BHerrema@bhfs.com
RSaperstein@bhfs.com
 Attorneys for Anthem Golf and
 Country Club

Diane Smith
 Government Affairs Committee
 13234 W. Cabrillo Drive
 Sun City West, AZ 85375
skylar_98@q.com

1 Albert E. Gervenack
14751 W. Buttonwood Drive
2 Sun City West, AZ 85375
3 agervenack@bmi.net

4 Karen D. Proctor
11716 W. Villa Chula Court
5 Sun City, AZ 85373
6 Kdprocto@gmail.com

7 Douglas Edwards
Government Affairs Committee
13517 W. Sola Drive
8 Sun City West, AZ 85375
9 d.edwards795@yahoo.com

10 Frances A. Noe
11756 W. Daley Ln.
11 Sun City, AZ 85373
12 noeshomes@earthlink.net

13 Regina Shanney-Saborsky
Government Affairs Committee
14 c/o Corte Bella Country Club
22155 North Mission Drive
15 Sun City West, AZ 85375
16 rsaborsky@cox.net

17 Robert J. McKenzie, Jr.
41633 N. Panther Creek Trail
18 Anthem, AZ 85086
19 jrbobmck@gmail.com

Greg Eisert, Director & Chairman
Government Affairs Committee
Sun City Homeowners Association
10401 W. Coggins Drive
Sun City, AZ 85351
gregeisert@gmail.com

Frederick G. Botha
Mary L. Botha
23024 North Giovota Drive
Sun City West, AZ 85375
fgbotha45@gmail.com

Mr. Thomas M. Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Dwight Nodes
Chief Administrative Law Judge, Hearing
Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

20
21
22
23
24
25
26
27
28