

47

Docket No. WS-01303A-02-086



RECEIVED

2003 SEP 19 P 1:33

AZ CORP COMMISSION DOCUMENT CONTROL

From: Robert J Healey <bobhealey@juno.com>
To: ACC.UTIL(mailmaster)
Date: 9/12/2003 4:40:40 PM
Subject: Arizona American Water fixed rate structure

Dear Commissioners Hatch-Miller, Irvin, Spitzer, Mundell, and Gleason: I have read that the Arizona American Water Co. (AAWC) is applying for substantial increases in its water and sewer rates. This message does not provide any data that would influence your decision about the amount of those increases to be authorized, although I am concerned that your staff do a thorough study of this matter because of the large increases requested.

Rather, this is to request your examination of the rate structure which is largely a fixed rate structure to be extended in the rate increase proposed by AAWC. There is much discussion by the media, politicians, et al in Arizona about the need to conserve water*. However, there is little or no incentive to do so in the rate structure of AAWC. My water & sewer bill in May '03 was \$28.06 (including taxes, etc.) for a billed usage of 5000 gallons. My bill in August '03 was \$23.74 for a billed usage of 1000 gallons. Reducing my usage by 80% (4000 gallons) reduced my bill by only 15% (\$4.32). The wastewater charges, which are 100% fixed, accounted for 59% and 70% respectively of the May and August bills. The fixed rate portion of my other utilities appears much more reasonable compared to AAWC. In the past, people have survived without electricity or gas, but no one has survived for long without water. Why then are water/wastewater rates not structured to conserve water?

From the AAWC's point of view, with the current rate structure, there is little incentive to assure delivery of water. Hypothetically, if they delivered no water at all, they would still be authorized to collect most of their normal revenue. The attitude of their staff reflects this position. When I asked for a calibration of my water meter because I couldn't believe that my wife and I were using as much water as the billing stated, the AAWC representative acted like I was over reacting to a potential difference in my bill of a dollar or two. (By the way, I would like to know if the ACC rules/regulations address the issue of meter accuracy.)

In previous actions (e.g., the pipeline to Sun City and Sun City West), AAWC has shown that they think any capital expenditure should be recovered in fixed rate charges. I don't believe that is the norm in most business endeavors. In the case of wastewater facilities, they might argue that there is currently no measurement of wastewater from each customer and therefore costs must be recovered in fixed charges. This is grossly untrue and unfair. Although all of the water used by customers does not reach the wastewater plant, the water meter can be used as an indicator of wastewater delivered. Customers delivering large amounts of wastewater to the plant are, in effect, subsidized through the fixed charges by customers delivering small amounts. A rate structure which would promote water conservation would charge for each 100 gallons (not 1000) registered on the meter. The rate would cover not only the cost of delivering the water but the cost of wastewater processing. In the case of my May '03 bill of \$28.06 a structure which would encourage water conservation would contain a fixed charge of \$3.50 and a usage charge of \$0.50 per 100 gallons, yielding \$28.50 in revenue for 5000 gallons delivered (including taxes, etc.). This sort of usage structure would not only encourage water conservation, but would also

Arizona Corporation Commission

DOCKETED

SEP 19 2003

DOCKETED BY	CML
-------------	-----

encourage the water company to properly maintain the system so that they are at all times ready and able to deliver water to meet their customers' needs. Any inability to do so would significantly cost the company in lost revenue.

I realize that the suggested structure is oversimplified, but I think it represents a reasonable target toward which your staff can work, including all the details.

Reasonable people will recognize that the water company must be able to recover costs with a reasonable profit. I believe that the Arizona Corporation Commission has the duty and responsibility to assure that the rate structure allows for this, given good business management. However, I also believe that the Arizona Corporation commission does not have the responsibility to guarantee the water company's revenues regardless of the amount or condition of the water delivered (via fixed charges).

* With my August bill, AAWC included a flyer entitled "Water News" which led off with "Summer water conservation equals dollars and sense. Using less water can cut your water bill and preserve natural resources." In my opinion this is just Public Relations hogwash. As the data above indicates, very large cuts in water usage yield minuscule dollar savings.

Please let me know that you have received this message. Later, if your time permits, I would appreciate knowing your views on this subject. Thank you.

Robert J. Healey
bobhealey@juno.com

14809 W. Blue Verde Dr.
Sun City West, AZ
85375

Tel. 623-546-1929

=====
This message and any attachments have been scanned for viruses and other malicious content by the Arizona Corporation Commission. The message may have been altered by the removal of malicious content.

If you have any questions, please contact
postmaster@cc.az.gov
=====