

ORIGINAL



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1 January 12, 2007

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Arizona Corporation Commission 2007 JAN 17 P 2: 51  
Docket Control  
1200 Washington Street  
Phoenix, AZ 85007

AZ CORP COMMISSION  
DOCUMENT CONTROL

9 RE: Addendum 1 to MOTION TO INTERVENE in the rate application of Goodman Water  
10 Company for increase in its rates and charges for utility service filed on December 29,  
11 2006.

Arizona Corporation Commission

DOCKETED

12  
13 DOCKET No. W-02500A-06-0281

JAN 17 2007

14  
15 My name, address and phone number are listed below.

16  
17  
18

**I. Request for Residential Fire Sprinkler Rate Class**

DOCKETED BY

19 I have been a Customer of the Goodman Water Company since October 1, 2005. My  
20 home is located in Phase 3-B of the DR Horton Mélange series of homes built in Eagle  
21 Crest Ranch. There are currently 42 lots number 378 to 419 in Phase 3-B located from  
22 39484 to 39208 S Mountain Shadow Dr (See Exhibit I) which were required to have a  
23 Fire Sprinkler System installed due in part that this phase created a dead end cul-de-sac  
24 with greater than 30 homes. I am one of these customers. The DR Horton homes built in  
25 Phase 3-B are the same models built in Phase 1 and Phase 2-B on 70 ft. lots also  
26 located on S. Mountain Shadow Drive and Rock Ledge Loop within the Eagle Crest  
27 Ranch development. It is my understanding from phone conversations on January 10,  
28 2007 with the Golder Ranch Fire Inspector that approved the Water Plans for this Phase,  
29 that the Fire Sprinkler System requires a minimum of a 3/4" Full Flow Meter. I currently  
30 do not know the reasoning behind the decision by Goodman Water Company to install 1"  
31 Meters vs. the 3/4" Full Flow Meters.

32

33 I request that Goodman Water Company add an additional base rate classification for  
34 those customers who are required to have a Fire Sprinkler System installed in their  
35 residential home and that the ACC Staff support this request. The Fire Sprinkler is a  
36 passive system that is separate from the rest of the house plumbing. The house  
37 plumbing is no different from those DR Horton homes in the Mélange Series with 5/8"  
38 Meters. This base rate classification should be the same as for the current 5/8 Meter  
39 customers with the sole exception for the actual installation cost difference of either a  
40 3/4" or a 1" water meter. Goodman Water Company states in their Application dated  
41 April 29, 2006, Section VII; Rate Design, Page 47, Lines 8 and 9 that "The monthly  
42 minimums are supposed to reflect the demand that customers with larger meters place  
43 on the system." I would generally agree if there were corresponding plumbing pipe sizes  
44 and fixtures that would use this capacity. But this is not the case with this group of  
45 homes. If there is an issue with creating a separate Fire Sprinkler Base Rate class then  
46 consideration should be given to the creation of a Fire Sprinkler Credit that would offset  
47 the 1" Meter or 3/4" Meter charge and bring it in line with the 5/8" Meter base rate.

48

49 This Fire Sprinkler requirement was communicated to me via a contract change order  
50 eighteen days after I signed a binding contract to build my home. (See Exhibit II  
51 attached)

1  
2 There was no mention that this system would have a larger water service vs. the  
3 standard 5/8" Meter service or that my base water rate would increase from \$18 to \$45  
4 or 150% higher. I did not learn of the base rate charge until I made an inquiry to  
5 Goodman Water Company after receiving my first water bill on November 30, 2005. I  
6 view this as a Fire Sprinkler penalty for being overrated for a service meter size vs. a  
7 house plumbed the same as having the 5/8" Meter service and no appreciable difference  
8 in water usage.

9  
10 There are still three more major building phases in the DR Horton plans that will increase  
11 our community to 958 homes. Based on the proposed road layouts and Golder Ranch  
12 Fire District's fire code there will be 151 more homes planned to be built that will require  
13 Fire Sprinklers. These homes will be part of Phase 4-C and Phase 5-B (See Exhibit III  
14 attached)

## 15 16 **II. Water Use Records for 1 inch Meters**

17  
18 The Goodman Water Company states that there are insufficient records for the one inch  
19 customers. Yet they make the statement that because we have one inch meters, we  
20 must use considerably more water than those customers with 5/8 inch Meters (See Rate  
21 Application Lines referenced above). I disagree. My home was part of the first 10 lots  
22 sold in Phase 3-B. I was one of the last houses completed in this 10 lot group and all 42  
23 lots in Phase 3-B have been completed as of December, 2006. I have attached a  
24 summary of my water bills for the year of 2006. (See Exhibit IV attached)

25  
26 We are a retired couple living in a single story Desert Oasis model of the DR Horton  
27 Homes. I contend that the water usage for this group of families would be no different  
28 than those of similar homes on 5/8" meter service as the houses are plumbed internally  
29 the same. The only difference is the passive Fire Sprinkler System. The neighborhood is  
30 a mix of new families with children, Retirees and Part-time use residences. Lots sizes  
31 range from 45 to 70 ft. Water usage is affected primarily by family size, working vs.  
32 retired persons and whether a residence has a swimming pool. Regarding swimming  
33 pools, the first time fill will skew a normal water usage distribution and therefore water  
34 readings as a group can appear to be higher than settled down usage. In this group of  
35 42 homes there were approximately 10 pools installed between 10,000 and 25,000  
36 gallons in size in 2006. There are several more pools under construction in 2007. We  
37 are not commercial customers whose building is entirely plumbed with one inch pipe for  
38 general water distribution.

39  
40 Therefore to pay a penalty of over 150% for water service based on increased demand  
41 potential over the 5/8" demand is not justified. The attached spread sheet reflects the  
42 water bills for two identical Desert Oasis Home models for 12 months of 2006. Lot 378 is  
43 my home with the 1" Meter and the Lot 274 has the 5/8" Meter. The difference in water  
44 use is minimal, perhaps affected by the fact that Lot 378 is a 2 person retired family in  
45 their first year of residence vs. Lot 274 with a 2 person working family completing their  
46 second year of residency. (See Exhibit V attached)

1 **III. Water Usage Tier Rates**

2  
3 The proposed water usage tier rates for the 5/8" Meter are more than 50% lower than  
4 comparable rates offered by the Tucson Water Company at 11,220 gallon tier levels, the  
5 Town of Marana's 12,000 gallon tier levels and Oro Valley's 10,000, 15,000, greater than  
6 25,000 gallon tier levels. The closest community of Saddlebrook and The Preserve  
7 (Ridgeview) served by the Lago Del Oro Water Company has only a one water usage  
8 tier rate structure.

9  
10 Referring to the two sample homes that I submitted (see Exhibit IV & V attached), the  
11 average monthly water usage ranges from 6,096 to 6,539 gallons. The lower tier levels  
12 of 1-4K and 4,001k to 10K and 10k plus have the effect of just allowing for a higher  
13 average cost per gallon than encouraging water conservation. My understanding that for  
14 planning purposes the average per capita daily water use is 125 gallons. For a two  
15 person household this would be 7,500 gallons per month. The proposed tier rates seem  
16 practical only for single person households and limited use residences. If I were to apply  
17 the proposed 5/8" Meter rate to my current 2006 water usage my average cost per one  
18 thousand gallons would be \$5.68 or a 158% increase. (See Exhibit IV Comments,  
19 attached)

20  
21 **IV. Timing of Rate Increase**

22  
23 I also contend that this rate increase request is premature. There are currently 470  
24 homes built since the beginning of the Eagle Crest Ranch development with the  
25 projected maximum build out at 958 Homes. (See Exhibit III attached)

26  
27 Goodman Water Company is asking for their total profit margin to be spread out among  
28 459 customers at the time of filing. There are approximately 500 lots closed today. This  
29 allows for windfall profits to be returned for those customers above the base customer  
30 count that the proposed revenues are spread across.

31  
32 Any justified rate increase should be spread out on a minimum base of 958 homes plus  
33 commercial businesses and to be implemented on a stepped basis rather than all at one  
34 time.

35  
36 **V. Impact on Property Values**

37  
38 These proposed water rates can have a significant impact on current property values  
39 and hinder the future development of Eagle Crest Ranch. Who will want to buy a home  
40 here if the water rates are from 79 to 523% higher when compared to surrounding  
41 housing developments? (See Exhibit VI attached). The rate difference is especially  
42 difficult when considering the Fire Sprinkler Penalty for those families selling the same  
43 model home against another built in a different phase of the development without a Fire  
44 Sprinkler.

1 **VI. Summary**

- 2
- 3 1. The ACC Staff needs to address the inequity in the water rate structure caused by
- 4 Fire Sprinklers and how it currently affects 42 home owners and the future of 151
- 5 new home owners in the Eagle Crest Ranch community.
- 6
- 7 2. The Goodman Water Company incorrectly assumes that they should be charging a
- 8 high rate based on demand for 1" Meter Customers. They make no consideration for
- 9 Fire Sprinkler Customers.
- 10
- 11 3. The Water Usage Tier Rates are in conflict with normal water usage resulting in an
- 12 even higher average cost per 1,000 gallons.
- 13
- 14 4. The timing of this increase is premature and that any justified rate increase will be
- 15 placed on too small a customer base providing windfall profits as new customers are
- 16 added to the base.
- 17
- 18 5. The excessive Rate Increase is not in line with surrounding towns and community
- 19 rates which will have a significant impact on property values and future home sales.
- 20

21 I hereby certify that a copy of this Addendum 1 to my Notice of Intervention originally

22 filed on December 29, 2006 has been mailed to:

23

24 Goodman Water Company, 6340 North Campbell Avenue, Suite 278, Tucson, Arizona

25 85718.

26 Lewis and Roca, LLP, One South Church Avenue, Suite 700, Tucson, Arizona 85701-

27 1611

28 Jane L. Rodda, 400 West Congress St., Tucson, Arizona 85701

29

30 Sincerely,

31 

32

33

34 Lawrence Wawrzyniak

35 39485 S. Mountain Shadow Dr.

36 Tucson, Arizona 85739

37 Telephone (520) 825-6672

38

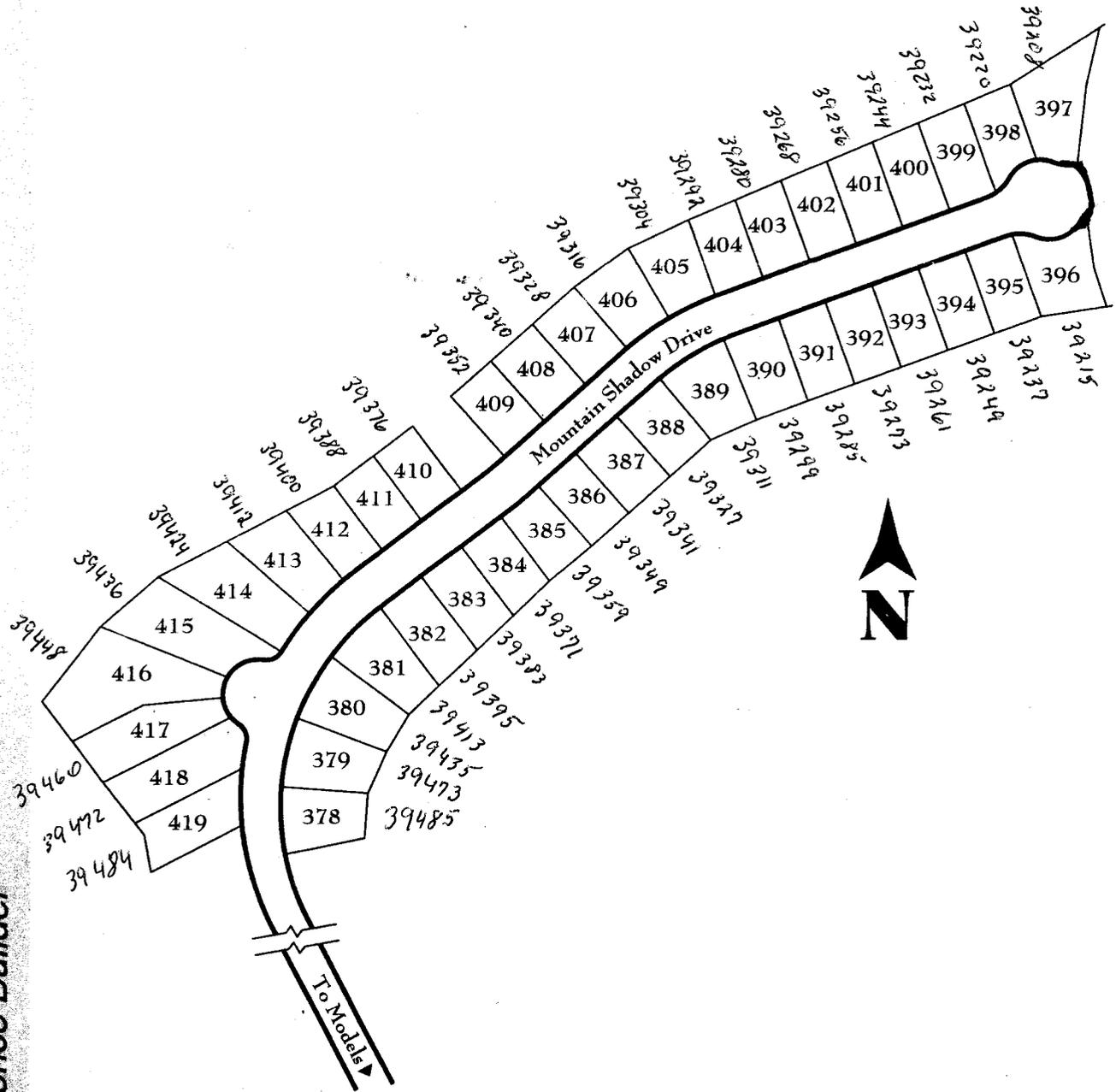
39 Cc: Arizona Corporation Commission (13)

40 Goodman Water Company (1)

41 Lewis and Roca, LLP (1)

42 Jane L. Rodda (1)

# MELANGE AT EAGLE CREST PHASE III SITE PLAN



**D·R·HORION**  
America's Confidence Builder

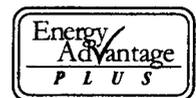
NOTE: HAND WRITTEN NUMBERS  
ARE STREET ADDRESSES FOR  
S. MOUNTAIN SHADOW DR.  
PRINTED THREE DIGIT NUMBERS  
ARE LOT NUMBERS.

DOCKET NO.  
W-02500A-06-0281

All renderings and plans are artist's conceptions actual homes may have minor differences from these drawings and are subject to change without notice.

All measurements and locations of items and features shown are approximate and may vary. All prices, features and materials are subject to change. Consult a sales representative for additional information.

LIC#124600ROC 11/04



**D·R·HORTON** DHI  
NYSE  
*America's Builder*

**D.R. Horton, Inc.**  
ADDENDUM TO PURCHASE CONTRACT

O.C.D. 1/10/2005 ADDENDUM # 1  
 DATE 1/28/2005 CONSTRUCTION STAGE # 0  
 BUYER(S) Lawrence W & Christine R Wawrzyniak  
 PRESENT ADDRESS 5 Royale Dr  
 CITY Fairport STATE NY ZIP 14450  
 HOME PHONE 585-425-2483 BUSINESS PHONE \_\_\_\_\_ BUSINESS PHONE \_\_\_\_\_  
 SUBDIVISION NAME Eagle Crest Melange Pha LOT 378 ADDRESS 39485 S Mountain Shadow D  
 MODEL NAME \_\_\_\_\_ MODEL NO. 2319 ELEVATION C

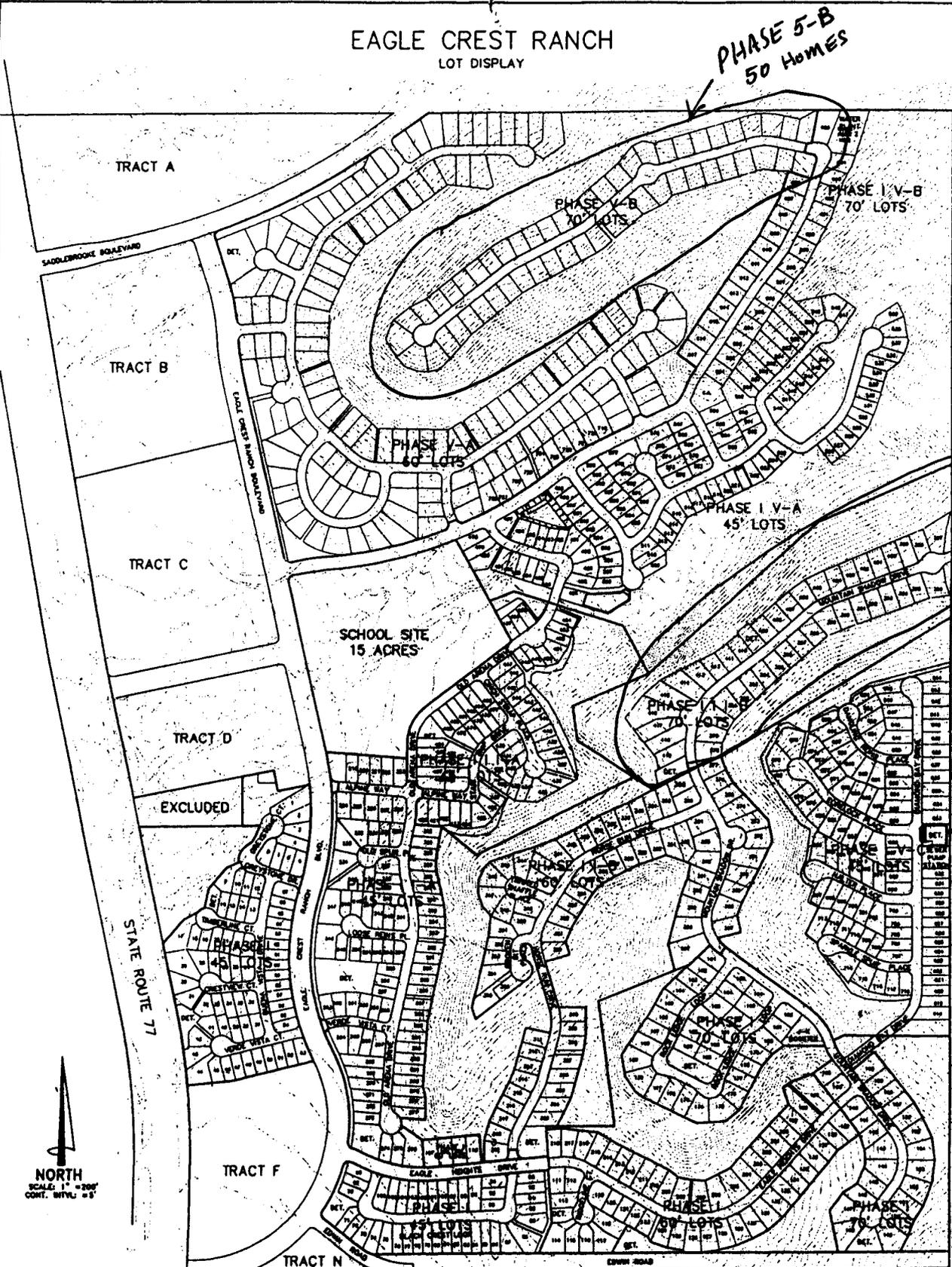
BUYER AND SELLER AGREE THAT THE TERMS AND CONDITIONS OF THE ABOVE REFERENCED CONTRACT ARE AMENDED AS FOLLOWS:

Buyer acknowledges this home will include fire sprinklers as required by fire code.

DOCKET NO  
W-02500A-06-0281

BUYER AND SELLER INSTRUCT THE ESCROW AGENT TO ACCEPT THIS INSTRUMENT AS ITS ESCROW INSTRUCTIONS. THIS AMMENDMENT SUPERSEDES ANY AND ALL PREVIOUS AMENDMENTS TO THE ABOVE-REFERENCED PURCHASE CONTRACT.

EAGLE CREST RANCH  
LOT DISPLAY



LOT SUMMARY	45'	60'	70'	TOTAL
PHASE I	106	55	57	218
PHASE I I-A	84	-	-	84
PHASE I I-B	-	34	21	159
PHASE I I I-A	58	-	-	58
PHASE I I I-B	-	-	42	42
PHASE I V-A	113	-	-	113
PHASE I V-B	-	-	27	27
PHASE I V-C	101	-	-	101
PHASE V-A	-	150	-	150
PHASE V-B	-	-	50	50
PHASE V-C	40	-	-	40
<b>TOTAL</b>	<b>477</b>	<b>256</b>	<b>200</b>	<b>933</b>

TOTAL LOTS = 958

DOCKET NO.  
W-02500A-06-0281

1/12/07  
EAGLE CREST RANCH  
LOT DISPLAY

OPW ENGINEERING, SURVEYING, L.L.C. PLANNING  
7900 E. Vantage Verde Rd. 827  
Tucson, Arizona 85718  
Sheet 1 of 1  
OPW Job No. 02500A-700



Account# 300378B  
 Fire Sprinkler System  
 Golder Ranch Fire Code  
 Dead end cul-dul-sak  
 >than 30 homes.  
 1" Meter service

39485 S. Mountain Shadow Dr  
 Tucson, AZ. 85739  
 Desert Oasis Model

**EXHIBIT IV**  
 Dr Horton  
 Lot 378  
 Phase 3-B

	Current 5/8" Base Rate	Current 1" Base Rate	Current Water Use Rate @ 2.20/k	Proposed 5/8" Base Rate	Proposed 5/8" Tier Rate 1-4 K @\$5.02/k	Proposed 5/8" Tier Rate 4,001-10 K @6.72/k	Proposed 1" Base Rate	Proposed 1" Tier Rate 1-10K @\$5.02/k
	18.00	45.00	13.86	44.87	20.08	15.46	112.19	31.63
	18.00	45.00	8.58	44.87	19.58	0.00	112.19	19.58
	18.00	45.00	10.82	44.87	20.08	6.18	112.19	24.70
	18.00	45.00	13.55	44.87	20.08	14.52	112.19	30.92
	18.00	45.00	15.09	44.87	20.08	19.22	112.19	34.44
	18.00	45.00	11.00	44.87	20.08	6.72	112.19	25.10
	18.00	45.00	11.35	44.87	20.08	7.80	112.19	25.90
	18.00	45.00	17.09	44.87	20.08	25.33	112.19	39.01
	18.00	45.00	20.13	44.87	20.08	34.61	112.19	45.93
	18.00	45.00	20.81	44.87	20.08	36.69	112.19	47.49
	18.00	45.00	14.08	44.87	20.08	16.13	112.19	32.13
	18.00	45.00	16.26	44.87	20.08	22.78	112.19	37.10
<b>Totals</b>	<b>216.00</b>	<b>540.00</b>	<b>172.62</b>	<b>538.44</b>	<b>240.46</b>	<b>205.43</b>	<b>1346.28</b>	<b>393.92</b>
2006 Water cost at current 5/8" Base Rate								388.62
2006 Water cost at current 1" Base Rate								712.62
2007 Water cost at proposed 5/8" Base Rate								984.33
2007 Water cost at proposed 1" Base Rate								1,740.20
Comments:								
In 2006 I paid an extra \$324 for my 1" service vs a 5/8" Service with no benefit or a 150% penalty								
In 2007 the rate difference between the current 5/8" & new 1" is \$1130.28 or a 523% increase								
In 2007 comparing the same 1 " Service, water cost will increase \$1027.58 or a 144% penalty because of the Fire Sprinkler								
In 2007 if a new sprinkler rate equal to the 5/8" service was in place the difference between my old 1" rate and the new 5/8" rate is still a 36% increase								
The average cost per 1k under the 5/8" Tier Rate is really \$5.68 due to artificially low break points								
The effective difference between the Current \$2.20/k rate and the new tier rates result in an average increase of 158%								



Account# 100274B  
 NO Fire Sprinkler System  
 5/8" Meter Service

40071 S. Mountain Shadow Dr  
 Tucson, AZ. 85739

Desert Oasis Model

**EXHIBIT V**  
 Dr Horton  
 Lot 274  
 Phase 2-B

	Current Base Rate	Water Use Rate @ 2.20/k	Proposed Base Rate	Proposed 5/8" Tier Rate 1-4 K @\$5.02/k	Proposed 5/8" Tier Rate 4,001-10 K @6.72/k
	18.00	11.48	44.87	20.08	14.91
	18.00	9.15	44.87	20.08	7.79
	18.00	10.32	44.87	20.08	11.35
	18.00	16.39	44.87	20.08	29.90
	18.00	12.52	44.87	20.08	18.07
	18.00	14.78	44.87	20.08	24.99
	18.00	14.72	44.87	20.08	4.63
	18.00	13.88	44.87	20.08	22.24
	18.00	11.09	44.87	20.08	13.70
	18.00	13.53	44.87	20.08	21.16
	18.00	6.64	44.87	20.08	0.13
	18.00	6.64	44.87	20.08	0.13
<b>TOTALS</b>	<b>216.00</b>	<b>141.14</b>	<b>538.44</b>	<b>240.96</b>	<b>168.99</b>
	2006 Water cost at current 5/8" Base Rate				357.14
	2007 Water cost at proposed 5/8" Base Rate				948.39
	Comments:				
	The proposed rate will effectively be 166% for this customer.				
	The average water rate per 1,000 gallons is \$5.60.				

Goodman Water Company  
Rate Comparison

EXHIBIT VI

Goodman Water Co. Actual		Goodman Water Co. Proposed		Goodman Water Base Rate as compared to Goodman Current		Oro Valley Water Co. Actual		Goodman Water Base Rate as compared to Oro Valley		Marana Water Co. Actual		Goodman Water Base Rate as compared to Marana		Lago Del Oro Water Co. SaddleBrook Actual		Goodman Water Base Rate as compared to SaddleBrook		Lago Del Oro Water Co. Ridgeview Actual		Goodman Water Base Rate as compared to Ridgeview		
Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	
5/8" Meter	\$18.00	\$44.87	149%	\$13.25	239%	\$14.00	221%	\$12.40	262%	\$25.00	79%											
1" Meter	\$45.00	\$112.19	149%	\$33.00	240%	\$34.00	230%	\$18.00	523%	\$51.00	120%											
<b>Base Rate</b>																						
<b>Goodman Current</b>																						
Water Usage Tier Rates	Cost per 1,000 Gal.	<b>Goodman Proposed</b>		<b>Oro Valley</b>		<b>Marana</b>		<b>Lago Del Oro Saddlebrook</b>		<b>Lago Del Oro Ridegview</b>												
Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	Water Usage Tier Rates	Cost per 1,000 Gal.	
5/8" Meter	\$0.00	5/8" Meter	\$5.02	5/8" Meter	\$2.08	5/8" Meter	\$0.00	5/8" Meter	\$0.00	5/8" Meter	\$1.80	5/8" Meter	\$3.41									
Over 1,000	\$2.20	1 to 4,000	\$6.72	1 to 10,000	\$2.81	0-1,000	\$2.15	0 to 2,000	\$1.80	Over 0												
		Over 10,000	\$7.72	10,001 to 25,000	\$3.76	1,001 to 10,000	\$3.00	Over 2,000														
				Over 25,000		20,001 to 30,000	\$3.90															
						30,000 to 40,000	\$4.80															
						Over 40,000	\$6.90															
<b>1" Meter</b>																						
Over 0	\$2.20	1" Meter	\$5.02	1" Meter	\$2.08	1" Meter	\$0.00	1" Meter	\$0.00	1" Meter	\$1.80	1" Meter	\$3.41									
		1 to 10,000	\$6.72	10,001-27,000	\$2.81	0-1,000	\$2.15	0 to 2,000	\$1.80	Over 0												
		10,001 to 25,000	\$7.72	Over 27,000	\$3.76	1,001 to 10,000	\$3.00	Over 2,000														
						10,001-20,000	\$3.90															
						20,001 to 30,000	\$4.80															
						30,000 to 40,000	\$6.90															
						Over 40,000																