

ORIGINAL



0000105049

Arizona Corporation Commission

DOCKETED

NOV 16 2009

Sheila Stoeller

From: Bob Golembe [anthem@cox.net]
 Sent: Saturday, November 14, 2009 12:33 PM
 To: Mayes-WebEmail; Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web
 Cc: Sheila Stoeller
 Subject: Complaint: Arizona American Water Rate Filing; Docket: W-01303A-09-0343

DOCKETED BY

AZ CORP COMMISSION
 DOCKET CONTROL

SW-01303A-09-0343

Dear Chairwoman Mayes and Commissioners:

If ever there was ever a rate case that shouts: "rate shock" this is it! Arizona American Water's (AAW) application for this rate increase at its Anthem Water/Anthem Wastewater Agua Fria District is truly an application for "rate shock" vs. a fair value rate increase.

This application calls for an increase of 100% for water and 81% for wastewater. As a measure of impact on my water bill, AAW provided me with an estimate of the new rates, if approved as submitted. For 4,000 gal., 1-inch meter, my total water bill increases \$83.85 per month or \$1006.20 per year (without taxes). This follows the June 2008 (Decision 70372) increase of \$33.34 per month or \$400.08 per year (without taxes). **These amounts are patently egregious and outrageous!**

As you may know, a substantial part of this increase is for the repayment of infrastructure. The June 2008 Decision 70372 included a repayment/refund of \$4 million. This new docket includes an additional \$28.1 million in refunds. I asked AAW how much of the proposed increase is due to the \$28.1 refund? Ms. Joni Jaje McGlothlin, Arizona American Water External Affairs Manager, stated in an email to me: "*What I can tell you is that **most of the proposal** is to pay for the infrastructure you are already using.*"

At the June 2008 hearing for Decision 70372, Commissioner Mayes prefaced her vote of "No" with the following commentary. To wit:

"COM. MAYES: Well, I really view this case as a case of a thousand missed opportunities. In 1998, this Commission missed an opportunity to prevent this agreement from happening and to set rates that would have paid for the infrastructure. In the early 2000s the company missed an opportunity repeatedly to file for a hookup fee which would have prevented the rate shock that is going to occur today. And today we missed an opportunity to lower the rate increase.

I took a moment to add up what we didn't do. And on the water side, if you count the Mayes and Mundell amendments that did not pass, we did not approve 23.19 percent of additional reductions that could have passed and could have helped mitigate rate shock, let me repeat that, 23.19 percent that we voted down or this Commission voted down from the Mayes and Mundell amendments on the water side and 9.67 percent on the wastewater side.

So I don't say this lightly, and I do appreciate the work of the parties and the work of my fellow Commissioners, but I don't think that I have ever been so disappointed by a vote of this Commission. We had a chance to right a wrong that was inflicted on the consumers of Anthem and we didn't do it.

This rate increase is patently unfair. It asks current customers to pay a bill that they didn't know was coming, didn't have a chance to protest and didn't have an opportunity to prepare for. And I can't say that I have ever seen a case before that cried out so much for us to apply Article 15, Section 3 as well as the Community Action Association case that Commissioner Mundell so rightly cited in the past.

I would add there is no evidence that any utility in the State of Arizona has ever been financed in such a patently unfair way to consumers. And I think it is important to note that by leaving the true-up payments in the rate base, we are subjecting, we are forever allowing them to be in rate base and subjecting all future ratepayers to paying for those unfair costs.

Two years from now, I guarantee Arizona-American, or actually not even two years from now, this year, Arizona-American is going to ask to increase the cost of equity. And that may or may not happen, but those balloon payments, those true-up payments are still going to be in rate base. And so the consumers will be subjected potentially to a higher cost of equity on top of the true-up payments.

This is an extraordinary case. Never before has this Commission approved such a large rate increase based on such flawed circumstances. I vote no."

The time has come. If approved at or near the requested proposed increase, the community of Anthem will suffer and be damaged. Changes in lifestyle, impact on real estate value/sales, increases in HOA dues and increases at retail stores are realities. We implore you to consider ways to mitigate this heavy and unreasonable burden on our community.

If there is any hope to mitigate this "rate shock", it has to come from the Arizona Corporation Commission. Please consider:

- Invoking ARS 40-252, Rescission or amendment of orders by commission; collateral attack on final orders or decisions prohibited on Decision 70372.
- Remove the repayment/refund millions entirely from the rate increase (which we pay forever), that is in agreement with Commissioner Mayes Amendment #1 of the June 2008 Decision 70372.
- Move the repayment/refund millions from our "Base Rate" to a special "Assessment" amortized over 20-25 years (date certain termination).
- Adjust the water and wastewater usage to reflect reality (all water consumed does NOT go to waste).
- Eliminate the 3/4 and 1-meter rate to one aggregate rate. A gallon of water is a gallon of water, period! Those households with a fire sprinkler (mandated by the Fire Dept.), should not pay a premium as it takes less water to put out a house fire with sprinklers than not.
- Follow through the study and evaluation on the consolidation of Arizona American Water Districts.
- Impose a senior rate to help those on fixed income.

Thank you for your efforts,

Bob Golembe
2816 W. Plum Hollow Drive
Anthem, AZ