

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



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ARIZONA CORPORATION COMMISSION

ORIGINAL

April 20, 2010

To: Docket Control

RE: Arizona American Water Company - Customer Comments
Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343

Please docket the attached 31 customer comments OPPOSING a rate increase and/or consolidation in above cases.

Customer comments can be reviewed in E-docket under the above docket numbers.

Filed by: Utilities Division - Consumer Services

Arizona Corporation Commission
DOCKETED
APR 20 2010

DOCKETED BY *MS*

RECEIVED
2010 APR 20 P 3:45
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

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End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86477

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carolyn Buck

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86472

Date: 4/20/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: First: **Brett** Last: **Dawson**

Account Name: Brett Dawson

Home: (000) 000-0000

Street: N/A

Work: (000) 000-0000

City: Anthem

CBR:

State: AZ Zip: 85086

is: E-Mail

Utility Company: **Arizona - American Water Company**

Division: Water

Contact Name: Karl Wilkins

Contact Phone: (623) 815-3107

Nature of Complaint:

4/20/10

RE: Arizona American Water*****ANTHEM*****OPPOSED*****
W-01303A-090343 & SW-01303A-09-0343

From: Dawson, Brett
Sent: Monday, April 19, 2010 12:55 PM
To: Utilities Div - Mailbox
Subject: Anthem Water Rate Increase

I am a resident of Anthem and oppose the 100% water rate increase. A permanent rate increase will further hurt our community's residents, economy and real estate values.

Brett Dawson
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.
End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86472

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

NJ Office: Suite

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End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86473

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86474

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carolyn Buck

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86475

Date: 4/20/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: First: **Tonya** Last: **Carroll**

Account Name: Tonya Carroll

Home: (000) 000-0000

Street: N/A

Work: (000) 000-0000

City: ANTHEM

CBR:

State: AZ Zip: 85086

is: E-Mail

Utility Company: **Arizona - American Water Company**

Division: Water

Contact Name: Karl Wilkins

Contact Phone: (623) 815-3107

Nature of Complaint:

4/20/10

RE: Arizona American Water*****ANTHEM*****OPPOSED*****
W-01303A-090343 & SW-01303A-09-0343

From: tonya carroll [mailto:
Sent: Monday, April 19, 2010 11:52 AM
To: Utilities Div - Mailbox
Subject: water rate increase in Anthem

Arizona Corporation Commission,
Please deny the water rate increase in Anthem.
Thank you, Tonya Carroll
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.
End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86475

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carolyn Buck

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86465

Date: 4/20/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: **John & Christine Marrone**

Account Name: John & Christine Marrone

Home: (000) 000-0000

Street:

Work: (000) 000-0000

City: ANTHEM

CBR:

State: AZ Zip: 85086

is: E-Mail

Utility Company: **Arizona - American Water Company**

Division: Water

Contact Name: Karl Wilkins

Contact Phone: (623) 815-3107

Nature of Complaint:

4/19/10

REFERENCE: AZ American Water*****ANTHEM*****OPPOSED*****
Docket No. W-01303A-09-0343 & SW-01303A-09-0343

From: Christine Marrone [mailto:]
Sent: Saturday, April 17, 2010 8:41 PM
To: Utilities Div - Mailbox
Subject: Anthem & Arizona American Water's proposed rate increase

Christine Marrone

ANTHEM, AZ 85086

Please, hear our collective concerns here in Anthem concerning a water rate increase.

This community of hard working Americans cannot afford to pay such a huge increase to a corporation for a basic and essential utility.

Even the power to conserve water is being taken out of our hands when we have to pay such an enormous fee for basic sewer and water.

There are many issues concerning this increase, but the bottom line is we are being ripped- off!

Please be fair and judge accordingly, we're counting on it.

Sincerely,

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

John and Christine Marrone

End of Complaint

Utilities' Response:

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Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86465

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Stephen Eley

Anthem, AZ 85086
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.
End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86459

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Director and Treasurer, ACCCA HOA
Chairperson, ACCCA Finance Committee

Bought in Anthem April 2004 and moved permanently from California in September 2004

Commentary:

This commentary is based on information provided by Arizona American Water at the Public Comment Hearing held by the Arizona Corporation Commission at the Anthem Community Center, April 7, 2009. There were two documents made available by the Company, which I will reference as (1) Anthem's Water & Wastewater Campus, Frequently Asked Questions; and (2) Water and Wastewater Rate Consolidation.

My comments below are in reference to the financial information provided in (1) and deal with Phase One of the case only.

According to Arizona American Water's FAQ, [(1), page 1], the company paid, \$141 million to Del Webb for the water and wastewater treatment facilities, and "only about \$116 million is reflected in current rates." That leaves \$25 million, which they say they need to collect to make them whole on their investment. The \$25 million figure has also been cited in press reports (for example, The Arizona Republic, today, 17 April 2010).

For purposes here, I will assume that \$25 million is the amount they seek to recover. In (1), page 3; they report that there are approximately 8,300 residential customers in Anthem, and that the average residential customer will experience a water bill increase of \$38.79 a month, an increase from \$37.22 to \$76.48, or 104% per month. The average waste water charge is \$47.99, which would increase by \$39.26 to \$87.25, or 82% per month. That means total water and waste water charges would on average increase from \$85.21 to \$163.73, or 92% (a total of \$78.05) per month.

Factually, there are approximately 9,866 residential customers in Anthem: 2,866 homes in Anthem Country Club and approximately 7,000 homes in Parkside. With approximately 9,866 homes paying an average of \$78.05 extra monthly, that is an increase in revenues (with no increase in costs) of \$770,041 monthly for a total annual revenue increase of \$9,240,496 per year. If we use the current American Water estimated cost of capital at 6.3%, and look at residential customers only, recovery would be in 36 months or 3 years. Financially speaking, this is unconscionable.

To extend the analysis, we can easily assume that the Arizona American Water Campus has a useful life of another 25 years to 50 years.

*Amortizing the \$25,000,000 over a 25 year period and using the estimated Average Weighted Cost of Capital of 6.3%, recovery would be \$165,690 per month. This would then equate to an average residential customer increase of \$16.79 per month or 19.7%. (If we included amounts for the HOA's, Council, and community businesses in this recovery, the average residential customer increase would be closer to 10%.)

*Amortizing the \$25,000,000 over a 30 year period and using the estimated Average Weighted Cost of Capital of 6.3%, recovery would be \$154,743 per month. This would equate to an average residential customer increase of \$15.68 per month or 18.4%. (If we included amounts for the HOA's, Council, and community businesses in this recovery, the average residential customer increase would be less than 10%.)

Either of the above discounted cash flow calculations is more reasonable than what is being proposed and would further facilitate inclusion in a rate basis going forward. The subject facility is only about 10 years old, and Arizona American Water states that the Anthem Water Campus already meets new EPA standards for arsenic, provides adequate fire flows (a matter of some dispute according to fire personnel), and delivers reclaimed water to parks and the golf courses (which ClubCorp and the Anthem Community Council store for the water company at no charge).

I would encourage the Commission to reject the proposed request. In addition, I encourage the Corporation

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Commission to revisit the 2008 rate decision which was also fatally flawed.

Further Implications for Residents:

As the Corporation Commission has already heard and holds in testimony, all of the residents of Anthem Communities have a Council obligation to pay quarterly dues. With the proposed rate increase it has been estimated that Council stands to incur and then pass through an estimated \$600,000 per year in increased expenses.

In addition, Parkside HOA and Country Club HOA together will be forced to incur an estimated \$400,000 in increased expenses. Finally ClubCorp, who operates Anthem Golf & Country Club, will incur another estimated \$600,000 in increased expense. Because ClubCorp is a "for profit" business, any additional expense will be directly passed to members who are also Anthem Community residents. The Corporation Commission has testimony from all of the entities referred to above.

The residents of the Anthem Communities also rely on the many businesses that support our community. Each of these businesses will be directly impacted by any rate decision the Corporation Commission might reach. Despite the current economy, these businesses will be forced to pass on additional expenses, operate on a marginal basis, or simply stop doing business. The Business community has provided direct testimony to the Corporation Commission in this regard and I hope the Commission hears their plea.

Excluding the Business Community of Anthem, the proposed rate increase would provide for an additional estimated \$1.6 million in expenses for our residents. This is in addition to the \$9.24 million outlined for residential customers.

Failure to Disclose:

A related issue for the Corporation Commission to consider is that the lending agreement in question was between the development builder Pulte/Del Webb and American Water. At this time, I don't have factual information as to the terms and conditions of those agreements. It should also be noted and conceded that a class action lawsuit has been filed in this regard.

At no time did either the developer, Pulte/Del Webb or the water utility, Arizona American Water advise me or any other known prospective buyers of any financing agreement which would hold such dire consequences for the customer base. Clearly there were substantial infrastructure investments made but buyers were intentionally led to believe that the expense was being recaptured in the sale price.

As a resident of California at the time of my purchase, I asked numerous questions of our Pulte/Del Webb sales representative about the source of water and the infrastructure because Mello Roos is a typical funding mechanism there. I was told that the developer had paid for the infrastructure and there would be no funding mechanism for a future recapture of that investment. I was further advised that the developer had secured a 100-year water rights agreement from an Indian tribe such that supplies would never be an issue. My questions in this area were numerous, involved specific reference to Mello Roos as an infrastructure funding mechanism, asked about the source and availability of water, and sought full disclosure from the developer. At no time did the developer direct me to Arizona American Water for further information.

What has now been disclosed is that Arizona American Water and Pulte/Del Webb entered into a "secret agreement for infrastructure funding" in which both parties had intimate knowledge would result in a significant cost increases in the immediate future.

I would speculate that had either Pulte/Del Webb or Arizona American Water been up front and honest about this "secret agreement for infrastructure funding", it's reasonable to conclude that many prospective buyers would have opted out of purchase. I believe that keeping this agreement a secret was vital to the business plans of both entities.

ARIZONA CORPORATION COMMISSION
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Conclusion:

The Anthem Community is now being held hostage because of this "secret agreement" which amounts to nothing more than a bad business decision on the part of Arizona American Water. Had this arrangement taken place in California, it would have been deemed an illegal activity. For the Corporation Commission to allow Arizona American Water to operate in an unchecked fashion is beyond belief.

In summary, Arizona American Water Company is requesting a rate increase that results conservatively in recovering over \$11 million per year if we consider residential customers, HOA's, Council, and the business community. This is neither "fair nor reasonable."

The Corporation Commission needs to note that no other public improvements or infrastructure such as other utilities, roads, recreational facilities, schools, libraries, fire stations, etc., that are needed to support this new development, are requesting true up payments. This is a perplexing issue for our residents and it should raise concerns of the Commissioners as well.

I ask the Corporation Commission to first revisit the 2008 decision and then take all information provided into consideration as they examine the merits of any further rate increases.

Thank you for the opportunity to share my thoughts.
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.
End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86457

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carolyn Buck

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86456

Date: 4/20/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: **Jacqueline**

Roersma

Account Name: Jacqueline Roersma

Home:

Street: N/A

Work: (000) 000-0000

City: Anthem

CBR:

State: AZ Zip: 85086

is: E-Mail

Utility Company: **Arizona - American Water Company**

Division: Water

Contact Name: Karl Wilkins

Contact Phone: (623) 815-3107

Nature of Complaint:

4/19/10

REFERENCE: AZ American Water*****ANTHEM*****OPPOSED*****
Docket No. W-01303A-09-0343 & SW-01303A-09-0343

From: Jacqueline Roersma [mailto:]
Sent: Monday, April 19, 2010 8:55 AM
To: Utilities Div - Mailbox
Subject: Arizona American Water rate increase request

I am completely opposed to any increase; in fact, if it's possible I would like to see the previous increase revoked.

I base this request on the research and facts that we have become aware of as a community in what I realize was a bad business decision by AAW.

The number of foreclosures and short sales in our marketplace is mammoth compared to any previous market I have experienced in my 25 year career, in my opinion if just one more increase of the cost of living is passed on to the public it could push so many of those just holding on over the edge.

As a small business owner I have to live with every decision I make as an owner. I couldn't pass any costs related to bad business decisions on to the public so I truly do not understand how AWW expects to.

Best Regards,

Jacqueline Roersma, Broker, E-Pro, CDPE, CSSN, GRI, SFR and FiveStar Certified

Phantom Realty (

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86456

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

1) Given the current economic recession, Anthem is already experiencing a rash of foreclosures, unpaid HOA dues, and decline of housing values. If this increase is per-mitted, it will hasten a downward spiral of flight from the community caused by the accompanying increases in HOA dues, golf course maintenance rates, and commercial overhead. Those residents who remain will see further diminution of their home's value and of their quality of life as the elements which give Anthem a "small town" quality (parks, local businesses, continuity of population) will be rapidly eroded.

2) Many Anthem residents are on a fixed income. These individuals, as well as their young family neighbors, have seen their assets eroded by at least 30%. Over the course of the last two years, the cost of our water has already doubled. And the redoubling of the cost of a necessity like water would be excessively burdensome.

3) Finally, there are many other means by which Arizona-American Water Company could manage its finance costs created by its errant business decision rather than make them the responsibility of Anthem home owners.

I sincerely hope that the Commission will serve as the advocate of the Anthem Community and require a fair resolution of this situation.

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86455

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86454

ARIZONA CORPORATION COMMISSION

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The State of Arizona has given this company a monopoly to supply the Anthem community water and sewage service. In exchange the company's rates are governed by your commission. We customers have no alternative to use any other water or sewer supplier. A financing scheme this aggressive and harmful should have been exposed and suppressed in the beginning.

If the financing scheme was approved by the ACC in the beginning, it should not have been approved given the exorbitant increases it now supports. I ask it now be reviewed and revised to protect the customers of the monopoly who now find themselves trapped in an unacceptable and expensive situation.

If the scheme was not approved by the ACC in the beginning, then I ask the ACC to serve the interests of the trapped citizens by slashing the requested increases and thereby cause the successor of Citizens Water, AZ-American, to re-negotiate the financing structure with Pulte in order to support moderate the increases.

The scenario, as it has worked out over the last 10 years, has resulted in Arizona allowing a regulated monopoly utility the power to significantly harm their customers in Arizona by charging utility rates which are exorbitant and which will materially and negatively affect the values of our property as well as our ability to afford to continue to live in them.

Thank you,

James M. Yeakley

Anthem, AZ 85086-1296

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86450

3/17/2010

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

- Daisy Mountain Fire reported this to Arizona American Water who noted it and said "they would fix them". According to the Fire Marshall, to date, many of the fire hydrants have not been repaired. It has also been noted that the water company has been slow and possibly a little reluctant to make the repairs to hydrants when reported.
- Residents of Anthem were never informed that our fire hydrants did not work.

I am truly appalled that Arizona American Water continues to provide sub-par service to Anthem residents and yet expects a 100% rate increase. Hold American Water accountable to practice sound business principles and provide quality service. We have already had a 50% rate increase. Please consider reducing the 50% rate increase already granted based upon the litany of facts continually brought to the attention of the Corporation Commission.

Sincerely,

Peggy Eggemeyer

Anthem AZ

End of Complaint

Utilities' Response:

n/a

End of Response

Investigator's Comments and Disposition:

Opinion docketed with the Docket Control Center of the Arizona Corporation Commission to be made part of the record. CLOSED

End of Comments

Date Completed: 4/19/2010

Opinion No. 2010 - 86446

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 86439

Date: 4/19/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Jason **Last:** Knust

Account Name: Jason Knust

Home:

Street:

Work:

City: Phoenix

CBR:

State: AZ **Zip:** 85086

is:

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: Karl Wilkins

Contact Phone:

Nature of Complaint:

***** W-01303A-09-0343 AND SW-01303A-09-0343 *****

Customer sent the following -

From: Jason Knust [mailto:
Sent: Thursday, April 15, 2010 7:43 PM
To: Utilities Div - Mailbox
Subject: Anthem water rate hike?

My family and I just moved to Anthem less than a month ago. Currently we are renting a home. I can tell you that if this rate hike goes through, we will not stay in Anthem past our lease. To literally double our water rates (considering that most of the other communities in the valley pay less for water, sewer and trash combined) over night is ridiculous.

Please vote against the proposed rate hike.

Thank you,
Jason Knust

Anthem, AZ 85086
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Customer comments entered for the record and filed with Docket Control.
End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86439

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Utilities' Response:

Investigator's Comments and Disposition:

Customer comments entered for the record and filed with Docket Control.
End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86440

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 86445 Date: 4/19/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Brenda L. **Last:** Morrow

Account Name: Brenda L. Morrow **Home:**

Street: **Work:**

City: Lake Havasu City **CBR:**

State: AZ **Zip:** 86404 **is:**

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: Karl Wilkins **Contact Phone:**

Nature of Complaint:

***** W-01303A-09-0343 AND SW-01303A-09-0343 *****

*** HAVASU DISTRICT ***

*** RECEIVED FROM DOCKET CONTROL - ALREADY DOCKETED ***

Customer sent the following -

Brenda L. Morrow

Lake Havasu City, Az 86404

Arizona Commission/Utilities Division
Arizona Corporation Commission
Customer Service Section,
1200 West Washington,
Phoenix Az 85007

Re: Docket Nos. W-01303A-09-0343 and SW-01 303A-09-0343
Rate consolidation/Rate increase by
Arizona American Water OBJECTIONS TO Increase Rates

Dear Commissioners:

This letter is being sent to object to any rate increase by: ARIZONA AMERICAN WATER, 2355 West Pinnacle Peak Rd. Ste,300 Phoenix, Arizona 85027.

This Company services a very rural section of the Desert community of Desert Hills, where mostly retired and

ARIZONA CORPORATION COMMISSION

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UTILITY COMPLAINT FORM

many veterans on fixed and limited incomes reside.

I for one have had great difficulty in figuring my water bill, as I had been paying \$43.00 a month for just 4 Gallons of Water used.

Thinking, after being told by the Water Company, that I must have a leak, I had plumbers and even the Water Company Meter Reader come to my home, to all come up with the same conclusion, that the arrow never moved on my meter, proving No Water Leak existed.

To this day I have NEVER received a correction to my water bill. No one was living in this home for over a year, yet the Water usage is minimal to none at best, the amount charged is outrageously high.

I have heard horror stories in my community, of little old ladies, having to sell their wedding rings and such, just to pay their water bills, as stated to Senator Mc Cain at a Town Hall Meeting last year.

To consider a Rate increase or a rate consolidation seems ludicrous to compare for example, Sun City in the Phoenix area, which had a more affluent population, some of which have many water features, pools, hot tubs, water fountains in a Metro area as compared to a very rural desert community.

The only way I would agree to any consolidation of this water company, is if they REDUCED the rates, as I could see by doing so that it would improve the company's bottom line.

I do not believe that any reduction of rates are in store for any of us even if this consolidation did improve the bottom line.

So far it would be cheaper for me to buy 5 gallons of water @ 15cents a gallon to flush my toilets, than to be ripped off by this Arizona Water Company.

Is this what we are doomed to do?

Sincerely

Brenda L. Morrow

(Trying to live on a fixed income in this economy.)

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Comments entered for the record only - already docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86445

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator's Comments and Disposition:

Customer comments entered for the record and filed with Docket Control.
End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86442

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Date Completed: 4/20/2010

Opinion No. 2010 - 86437

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 86441

Date: 4/19/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Carol **Last:** Stelter

Account Name: Carol Stelter

Home:

Street:

Work:

City: Anthem

CBR:

State: AZ **Zip:** 85086

is:

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: Karl Wilkins

Contact Phone: (623) 815-3107

Nature of Complaint:

***** W-01303A-09-0343 AND SW-01303A-09-0343 *****

Customer sent the following -

From: Carol Stelter [mailto:.....]
Sent: Friday, April 16, 2010 9:12 AM
To: Utilities Div - Mailbox
Subject: Arizona American Water Rate Increase Request

I would like to take this opportunity to thank all the Commissioners for attending the Public Comment Session held in Anthem on April 7, 2010.

Attached please find my ACC Comment Form. I would request that you consider these points in your decision.

I understand that whether or not residents claim their inability to pay these bills has no impact on your decision. I only ask that you consider the current class-action suit, the impact on the rate base, and the unfairness of the sewer charges, as detailed in my comment form.

Thank you for your understanding and consideration. We trust that you will be fair to all involved.

Carol Stelter

Carol Stelter

Anthem, AZ 85086

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Phone:

Email:

Docket you wish to comment on: W-01303A-09-0343

Case or Utility Name: Arizona American Water

Docket Number: W-01303A-09-0343

Position on Docket: Con

- 1) If possible, I ask that you look at the 2008 case, and remove from the rate base, the charges taken in order to repay the true-up payments to Pulte/Del Webb. Set those charges as a separate "assessment" which will end when the repayment is completed, rather than remain a part of our rate base ad infinitum.
- 2) Take into consideration the fact that the residents of Anthem are currently in the midst of a class action suit against Pulte/Del Webb for non-disclosure of the payments due for the infrastructure. If the residents win this case, these funds will have to be back to us. In fact that the class action doesn't cause you to halt these fees totally until the verdict is reached, then at least ask AAW to segregate them as an assessment, rather than a rate hike.
- 3) If it is within your power, perhaps you could compel Pulte/Del Webb to prove that they have not, already received payment for the infrastructure through the inflated sales price of the homes originally. They should NOT be allowed to collect the cost from the residents when we purchased our homes, and again from those same residents through these rate hikes.
- 4) If the fact of non-disclosure doesn't move you to deny these increases, then I request that you consider forcing AAW to meter waste water. It is imminently unfair to meter incoming water usage at one fee, and then estimate sewage from that, and charge a significantly higher price for that. They should, at least, have to prove the actual sewer usage. Irrigation water does not go through the sewer, and neither does the pool water that evaporates. Meters to the sewer would be the only equitable way.

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Customer comments entered for the record and filed with Docket Control.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86441

W-01303A-C9-0343

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86399

Date: 4/16/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Dan **Last:** Brown

Account Name: Dan Brown & Lois Halyk

Home: (000) 000-0000

Street:

Work: (000) 000-0000

City: Anthem

CBR:

State: AZ **Zip:** 85086

is: E-Mail

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: Karl Wilkins

Contact Phone:

Nature of Complaint:

4/16/10

From: Brown, Dan
Sent: Wednesday, April 14, 2010 1:44 PM
To: Utilities Div - Mailbox
Cc:
Subject: Proposed Water Rate Increase

Dear Sir/Madam,

As brand new owners at the Village at Anthem condos, we are very shocked to hear of such an extreme rate increase being proposed for water services.

Increases of this nature are not justifiable and appear to be just a "cash grab".

We are planning to live in Anthem in our retirement years and expenses like this will chip away at our limited retirement income.

Please add our names to those in strong opposition to such a large, unjustifiable water rate increase.

Thank you,

Dan Brown and Lois Halyk

Anthem, AZ
End of Complaint

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Utilities' Response:

Investigator's Comments and Disposition:

4/16/10

Dear Water Customer:

Your email regarding the Arizona American Water Co ("AAWC") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the AAWC application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase.

Sincerely,

Alfonso Amezcua
Public Utilities Consumer Analyst II
Utilities Division
End of Comments

Date Completed: 4/16/2010

Opinion No. 2010 - 86399

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone: -----

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86402

Date: 4/16/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: Steven

Powers

Account Name: Steven Powers

Home: (000) 000-0000

Street: ac -----

Work:

City: Phoenix

CBR:

State: AZ **Zip:** 85086

is:

Utility Company: Arizona - American Water Company

Division: Water

Contact Name:

Contact Phone: 2 -----

Nature of Complaint:

Docket No. W 01303A-09-0343 / SW 01303A-09-0343

From: Steven Powers
Sent: Thursday, April 15, 2010 2:48 PM
To: Utilities Div - Mailbox
Subject: Anthem water rate increase

To whom it may concern;

Apr. 15, 2010

In regards to the proposed Water Rate increase in Anthem, AZ. I would like to offer this comment. I recently had a property in escrow and the buyer backed out on Monday April 12, after hearing that Arizona American was requesting a 100% rate increase. This buyer was seeking the property to use as a rental and was rightfully concerned that the increased water rates would adversely affect their ability to "break even" on their investment. Having been in the water business for 25 years and having worked for a private water company in northern Arizona for 7 years I am well aware of the procedures for rate increases and that normally, the Corporation Commission will not approve an increase of such magnitude. In reality, the Commission will approve some rate increase, but it is very unlikely that it would be more the 10 to 20%. I tried to convince my buyer of this fact, to no avail. If the Commission were to approve any more than the amount I mentioned above, it would be devastating to the sales of homes in an already extremely depressed market. To add insult to injury, a large increase in water/sewer rates would, without a doubt, adversely affect the rental market. If renters have to come up with another \$78 or more per month, they will go to other areas where the costs more reasonable.

I would fully agree with Mike Spinelli's appraisal, that Arizona American Water Co. wants it customers to pay for their bad business judgment. I highly encourage the Corporation Commission to say NO to this increase. It is unrealistic, not to mention, unconscionable.

Thank you.

**ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM**

Steven Powers,

Anthem, AZ

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion docketed, no mention of consolidation.

End of Comments

Date Completed: 4/16/2010

Opinion No. 2010 - 86402

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone:

Fax: ()

Priority: Respond Within Five Days

Opinion No. 2010 - 86403

Date: 4/16/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Lee W. ven **Last:** Lamprecht

Account Name: Lee W. Lamprecht

Home: (000) 000-0000

Street: n/a

Work:

City: Phoenix

CBR:

State: AZ **Zip:** 85086

is:

Utility Company: Arizona - American Water Company

Division: Water

Contact Name:

Contact Phone: (000) 000-0000

Nature of Complaint:

Docket No. W 01303A-09-0343 / SW 01303A-09-0343

From: Lee Lamprecht
Sent: Thursday, April 15, 2010 3:22 PM
To: Karen Angelo
Subject: Arizona Corporation Commission

I will be unable to attend because of other commitments.

However, I do want to say I moved here after living in Phoenix and my water bill during 22 years never exceeded \$50.00, probably \$40.00 and that is with grass sprinklers and a pool.

We purchased our home in 2002 and never had any warning that this was facing us in the future. We already pay over \$120.00 per month which far exceeds other areas. It is difficult for me to understand why your rates are already so high compared to others in the Valley including those living in Anthem on the other side of I-17.

Now, you want to essentially double our rates because of YOUR cost of doing business. I know, I have heard and read all of the reasons, but that is a part of the cost of doing business and should sit squarely on your shoulders. It is not the homeowners problem that you decide to fore go charging these startup costs at the time they were incurred so they could be fairly faced, nor is it our fault that your arrangements with Del Web included deferring the costs, but don't tell anyone. You have basically succeeded in entrapping your customers unfairly.

I cannot help it that Obama has not decided to bail you out as many other industries have been. Maybe you should look to him for your cost of doing business and profit loss. It seems that is what all other business have been able to do. Despite all of this, asking current Homeowners to shoulder your debt is grossly unfair and I respectfully ask you to consider this before proceeding.

Sincerely

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Lee W. Lamprecht
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion docketed, no mention of consolidation.
End of Comments

Date Completed: 4/16/2010

Opinion No. 2010 - 86403

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Anthem AZ 85086
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/15/10 Comments entered for the record and docketed.
End of Comments

Date Completed: 4/15/2010

Opinion No. 2010 - 86360

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Jeannie:

I am adamantly opposed to this rate increase. Please communicate this to the commission for me.

A small increase is understandable. As a part time resident, I already pay for more than my usage. Perhaps individual meters and paying for individual usage is something that could be explored.
Thank you

Bill Koslofsky

Anthem, Az 85086

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/15/10 Comments entered for the record and docketed.
End of Comments

Date Completed: 4/15/2010

Opinion No. 2010 - 86359

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

and they will have to pass it onto the community

Local business will be adversely affected and this will ultimately affect the consumer

People may have to move from Anthem because they can no longer afford the cost of living in the area

It is obvious that any increase would impact this community financially on MANY levels.

Before any increase is considered I feel it is important that there should be a cost comparison to other areas of Phoenix similar to Anthem- i.e. Cave Creek, Carefree, Paradise Valley and these figures should be made public and sent to ALL Anthem residents.

I can give you some comparisons in 4 different areas in North America 2 persons per house Actual numbers from myself and my children

Anthem Arizona 2500 sq ft house with pool 2009 water average \$168 per month

Houston Texas 1800 sq ft no pool 2009 water average \$25 per month

Edmonton Alberta 2500 sq ft no pool 2009 water average \$70 per month

Puerto Vallarta MX 5600 sq ft with pool 2009 water average \$65 per month

PLEASE BE ADVISED that the 3 other areas other than Anthem quoted above had to install all the infrastructure in their areas for water and sewage disposal and that is included in the cost. As well from the comparison above you can see that Anthem Arizona is already paying very very expensive water and sewage rates.

In closing I feel that Arizona America water company and Dell Webb homes entered into a short sighted business arrangement for supply of water and sewer to Anthem Arizona and as a result of that lack of foresight we the residences and business's of Anthem are been forced to bail them out.

I for one am not in favour of bailing out any more companies.

If Arizona America Water made a bad deal let the market place determine their future.

If they cannot pay their debt based on FAIR local water and sewer charges perhaps restructuring of the company is in order.

Thank you

Douglas Merrick
Anthem Arizona

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/15/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/15/2010

Opinion No. 2010 - 86358

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Carolyn Buck

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86356

Date: 4/15/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: **Jene & Jack** **Dees**

Account Name: Jene & Jack Dees

Home: (000) 000-0000

Street: N/A

Work: (000) 000-0000

City: Phoenix

CBR: N/A

State: AZ Zip: 85086

is:

Utility Company. **Arizona - American Water Company**

Division: Water

Contact Name: Karl Wilkins

Contact Phone: (623) 815-3107

Nature of Complaint:

4/15/10 *****REFERRED BY CHAIRMAN MAYES' OFFICE*****

REFERENCE: AZ American Water*****ANTHEM*****OPPOSED*****
Docket No W-01303A-09-0343 & SW-01303A-09-0343

Will this be the straw that breaks the camel's back and pushes more Anthem homeowners, already teetering on the edge, into foreclosure? With higher water rates comes the probability of higher HOA fees to maintain the amenities which originally drew families to Anthem. The green belt areas, golf courses, water features, etc., must be maintained or become a community liability rather than an asset.

Our significant mature age population who are on fixed incomes saw no increase in their social security checks this year, so sizeable utility increases are a major concern, not only to them, but to those who must help subsidize them if they can no longer do it on their own.

Why were residents never advised, until after the fact, that they were buying in an area that could/would have major water cost issues to face in the very near future?

Jene and Jack Dees, Anthem Country Club

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/15/10 Comments entered for the record and docketed.

End of Comments

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Date Completed: 4/15/2010

Opinion No. 2010 - 86356

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Michael W Bernacki

Phoenix, AZ 85006

*End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/15/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/15/2010

Opinion No. 2010 - 86354

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

assessment to RCSC to cover the additional water and sewer costs to operate our facilities. While I realize that you have already received numerous comments that state that the majority of Sun City residents live on a fixed income, I doubt that there is anyone in this room tonight that can say they live on \$700 a month, and yet we have Sun City residents that are forced to do just that. So while a 5%-10% increase may not be significant to you or I, it is major to many Sun City residents.

As the manager of a multi-million dollar corporation, I understand firsthand the importance of funding infrastructure and making ends meet financially. Additionally, as Sun City celebrates its 50th anniversary this year, I also appreciate aging facilities and infrastructure. I am not opposed to Arizona-American Water Company receiving an increase for providing water and wastewater services to my organization or my home so long as the increase is verified to be necessary in order for them to meet the infrastructure needs of Sun City and make a reasonable profit. I, like your staff, am in favor of standalone rates for Sun City; and I am opposed to an "Infrastructure Improvement Surcharge" for Sun City as it is not justified by Arizona-American Water and would represent an additional increase to Sun City.

I am adamantly opposed to the consolidation of Sun City with any other water or wastewater districts. According to my analysis of your staff rate scenarios based on use of staff recommended revenue requirements and average usage by 5/8" and 3/4" meters, a Sun City resident would face the following increases:

Stand-Alone: Water 7.80% Wastewater 31.85%
Consolidate - All Districts: Water 68.23% Wastewater 140.83%
Consolidate - SC, SCW: Water 50.30% Wastewater 64.06%

In all scenarios of consolidation, Sun City is the most disadvantaged from all other districts. PLEASE do not do this to our retirement community. And in the case of Sun City and Sun City West, which are both retirement communities, Sun City would experience the aforementioned increases while Sun City West would experience a 31.10% decrease in water and a 10.20% decrease in wastewater. No matter how you slice it, that is just not fair and equitable.

Your consideration is greatly appreciated. Thank you!

Jan M. Ek, CMCA, AMS, CPFM Genera1 Manager

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/15/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/15/2010

Opinion No. 2010 - 86349

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carolyn Buck

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 86452

Date: 4/20/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: First: Don Last: Bricker

Account Name: Don Bricker

Home:

Street:

Work: (000) 000-0000

City: ANTHEM

CBR:

State: AZ Zip: 85086

is: E-Mail

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: Karl Wilkins

Contact Phone: (623) 815-3107

Nature of Complaint:

4/19/10

REFERENCE: ARIZONA AMERICAN WATER *****ANTHEM*****OPPOSED
DOCKET NO W-01303A-09-0343 & SW-01303A-09-0343

From: Bricker, Donald M
Sent: Monday, April 19, 2010 7:44 AM
To: Utilities Div - Mailbox
Cc: Lisa Bricker; Bricker, Donald M
Subject: Request denial of AZ American Water consolidation and rate increase for Anthem East of I17

Respected commissioners,

I request you deny AZ American Water's request for this undeserving, thoughtless, and reckless rate increase. There is more to be considered than meets the eye.

The 100% requested rate increase is out of hand and ridiculous for residents to bear.

AZ American Water referred to here as AZAM and Del Webb / Pulte have dealt unfairly and in seclusion regarding the true costs of water to be provided to residents.

Never have I seen such a devious approach to offload developer's infrastructure costs to the public consumer and with the help of a government approved monopoly/utility. When does this practice of significant and blatantly unfair increase requests end? NO time soon as I will point out later in my note.

Why can't and didn't AZAM show a multi-year plan for payback of the system to potential purchasers and residents? Are they that incompetent? AZAM should have been able to project long term costs for

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

infrastructure payback and billing years ago. But instead have used the approach of simply returning to AZCC year after year for rate increases. This is blatant managerial incapacity on the part of this AZ government regulated utility. Infrastructure recapture is not a short term but a long term recapture of investment and warrants open due diligent consideration and the judicial usage of divers financing and build out approaches. This has not been the case and the class action suit is an indication of the conflict between the developer, the utility and the residents of Anthem.

The waste treatment is said to be the major infrastructure cost requiring payback. Under the present rate structure any water metered is assumed to go down the drain for treatment. AZAM admits they know this not to be true. Other utilities make waste treatment a set percent of purchased water or reduce the waste treatment cost for a resident by the ability of the owner to justify, via additional meter or letter of exception, to the utility requesting the reduction of the waste treatment portion of the billing for the filling or re-fill of a 20k gallon pool or food production gardening activities, gray water metering etc. Since this waste treatment appeal process is not available the AZAM water users, their only recourse is to simply use less water.

This reduction of consumption, however, only causes a downward spiral effect on consumption and upward spiraling of utility rates as evidenced by utilities in other parts of the country. The reduction of demand due to closure of manufacturing and other business water and waste producers, foreclosure of homes, less business travel to hotels etc., the consumption has declined reducing the base to distribute costs. The infrastructure costs, however, have remained the same. Instead of the utilities looking for cost cutting measure to reduce their so-called fixed costs, the utility approaches the corporation commission to approve a rate increase per unit to address the continuing shortfall.

Current issues:

Pending class action suit surrounding this exact issue.

Utilities have no incentive to be more productive with their fixed and non-fixed costs.

True food production Gardening and landscape vegetation watering will be reduced.

Homeowners tipped into foreclosure that were in the balance previously.

Rate increase will cause Anthem amenities to be reduced.

Solutions:

Waste treatment Consumption based metering. Multi-facet and tiered consumption and benefit based rates.

1. Calculate the wastewater infrastructure for water re-use going to the country-club residents for watering of the golf course that they benefit from directly and charge them for that benefit and not the other residents.
2. Make the option available for residents to use other metering devices to determine the true waste water useage and consumption by residence and charge accordingly. At present the waste water is 229% more than the metered water and is the major part of each residents monthly bill.
3. AZAM utility needs to implement cost reduction measures like other companies in these frugal times. Do more with less!!

Long-term Bonds sold to cover infrastructure.

Evaluate annexation options to more productive and efficient local water and waste utilities.

I would be happy to entertain any questions you may have on this subject.

Don Bricker

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Anthem

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86452

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Guadalupe Ortiz

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 86355

Date: 4/15/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Karen **Last:** Proctor

Account Name: Karen Proctor

Home:

Street:

Work:

City: Sun City

CBR:

State: AZ **Zip:**

is:

Utility Company: Arizona - American Water Company

Division: Water

Contact Name:

Contact Phone:

Nature of Complaint:

Acct #23-0310329-1

Customer is opposed to any increase in AAWC rates. Customer does not believe AAWC deserves the authority to increase their rates until the Company can adequately improve the quality of their service to customers. Customer strongly believes AAWC needs to consider implementing some additional steps to notify their customers if and when service becomes in jeopardy of being disconnected. Customer feels that adding additional charges for reconnection of service, only adds to the existing hardship AAWC customers are undergoing.

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

I advised the customer that her opinion will be placed on file with Docket Control Center of the Commission to be made part of the record. Customer appreciates Staff's assistance in this matter. CLOSED

End of Comments

Date Completed: 4/15/2010

Opinion No. 2010 - 86355

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Relevant Biographical Information

Retired Professor of Finance—Professor Emeritus, DePaul University, December, 2005

Tenured Associate Professor, DePaul University, 1987-2005

Ph.D., Northwestern University, Finance, 1973

Taught undergraduate and MBA-level Finance courses in Investments, Portfolio Management, Corporate Finance, and Cases in Corporate Finance for more than 30 years.

Bought in Anthem April, 2008 and moved permanently in January, 2009

This commentary is based on information provided by Arizona American Water at the Public Comment Hearing held by the Arizona Corporation Commission at the Anthem Community Center, April 7, 2009. There were two documents made available by the Company, which I will reference as (1) Anthem's Water & Wastewater Campus, Frequently Asked Questions; and (2) Water and Wastewater Rate Consolidation.

I spoke at the public hearing, though it was rather late. I spoke then, and am writing now, as a resident, not as an expert witness. However, as my biographical information shows I have more than a passing knowledge of the financial issues involved in this case, and have in fact provided expert testimony in public hearings in the past. My comments below are in reference to the financial information provided in (1) and deal with Phase One of the case only.

According to Arizona American Water's FAQ, [(1), page 1], the company paid, \$141 million to Del Webb for the water and wastewater treatment facilities, and only about \$116 million is reflected in current rates. That leaves \$25 million, which they say they need to collect to make themselves whole on this investment. The \$25 million figure has also been cited in press reports (for example, The Arizona Republic, today, 17 April 2010).

I will take their number, \$25 million as the amount they need to recover. In (1), page 3; they report that there are approximately 8,300 residential customers in Anthem, and that the average residential customer will experience a water bill increase by \$38.79 a month, an increase from \$37.22 to \$76.48, or 104% per month. The average waste water charge is \$47.99, which would increase by \$39.26 to \$87.25, or 82% per month. That means total water and waste water charges would on average increase from \$85.21 to \$163.73, or 92% (a total of \$78.05) per month.

Let's see what this means in terms of revenues. With approximately 8,300 homes paying an average of \$78.05 extra monthly, that is an increase in revenues (with no increase in costs) of \$647,815 monthly for a total annual revenue increase of \$7,773,780 per year. That means that the entire \$25 million would be covered in less than 3 ¼ years. Financially, this is not only a boondoggle, it is unconscionable.

To extend the analysis, let us assume that the Water Campus, has a useful life of another 25 years. That facility is only about 10 years old, and Arizona American states that the Anthem Water Campus already meets new EPA standards for arsenic, provides adequate fire flows (a matter of some dispute according to fire personnel), and delivers reclaimed water to parks the golf courses (which ClubCorp and the Anthem Community Council store for the water company at no charge). Thus an additional life of 25 years is very conservative. Since it is so conservative, I will provide information for 25 years, 30 years and 50 years. Given the life of most municipal water systems, a 50 year life is actually quite reasonable.

Annual Revenue Increase (per Arizona American proposal): \$7.77 million

Total Additional Revenue 25 years: \$194.3 million, nearly 8 times the cost recovery

Total Additional Revenue 30 years: \$233.2 million, more than 9 times the cost recovery

Total Additional Revenue 50 years: \$388.7 million, more than 15 times the cost recovery

Of course, this is not the entire story, since we have not discounted these revenues. This analysis is perfectly appropriate, however, if Arizona American had an interest-free loan to cover this cost. I am not sure of the record on this issue, but there is some information in the Company's FAQ that suggests this possibility [(1), page 4].

Using an 8% return, which would certainly be a very high estimate for a company like Arizona American Water in terms of debt cost, the current (present) value of these revenue streams would be:

Present Value of Additional Revenue 25 years: \$83 million, more than 3 X cost recovery

Present Value of Additional Revenue 30 years: \$87.5 million, more than 3.5 X cost recovery

Present Value of Additional Revenue 50 years: \$95.1 million, nearly 4 X cost recovery

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Using a 6% return, and recognizing that customers are paying monthly, which would certainly be on the high side for a company like Arizona American Water in terms of debt cost, the current (present) value of these revenue streams would be:

Present Value of Additional Revenue 25 years: \$100.5 million, about 4 X cost recovery

Present Value of Additional Revenue 30 years: \$108 million, more than 4 X cost recovery

Present Value of Additional Revenue 50 years: \$123.1 million, nearly 5 X cost recovery

Finally, using a 3% return, and which would certainly be reasonable as an after-tax of debt cost, and recognizing that customers are paying monthly, the current (present) value of these revenue streams would be:

Present Value of Additional Revenue 25 years: \$136.6 million, nearly 5 X cost recovery

Present Value of Additional Revenue 30 years: \$153.7 million, more than 6 X cost recovery

Present Value of Additional Revenue 50 years: \$201.2 million, more than 8 X cost recovery

In summary then, Arizona American Water Company is requesting a rate increase that results conservatively in recovering somewhere between 5 and 15 times what they claim are their actual costs. This is certainly not "fair and reasonable," and so the Commission should reject the entire request. In addition, I believe the Corporation Commission should re-evaluate the 2008 rate decision, which occurred before I was a resident here.

ATTACHEMENT: ACC Public Comment Form

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

4/20/10 Comments entered for the record and docketed.

End of Comments

Date Completed: 4/20/2010

Opinion No. 2010 - 86463
