

1 Larry D Woods  
W-01303A-09-0343  
2 Testimony  
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**BEFORE THE ARIZONA CORPORATE COMMISSION**

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Arizona Corporation Commission

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MAY - 3 2010

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8 IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER  
9 CCOMPANY, AN ARIZONA CORPORATION,  
FOR A DETERMINATION OF THE CURRENT  
10 FAIR VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
11 RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS ANTHEM  
12 WATER DISTRICT AND ITS SUN CITY  
WATER DISTRICT

DOCKET NO. W-01303A-09-0343

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16 RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS  
17 ANTHEM/AGUA FRIA WASTEWATER  
18 DISTRICT, ITS SUN CITY WEST  
WASTEWATER DISTRICT

DOCKET NO. ~~SW~~-01303A-09-0343

**TESTIMONY  
OF  
LARRY D WOODS  
PHASE II  
RATE CONSOLIDATION**

20 **Q: PLEASE STATE YOUR NAME, ADDRESS, AND TELEPHONE NUMBER**

21 **A:** My name is Larry D Woods. My home address is 15141 West Horseman Ln, Sun City West,  
22 Arizona 85375. My home phone number is 623-556-8949.

23 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

24 **A:** I am a customer of Arizona-American Water Company (AAWC) and represent myself as a  
ratepayer. I am speaking against the water and wastewater rate consolidation.

25 **Q: ARE THERE ANY POSITIVE ASPECTS OF RATE CONSOLIDATION THAT YOU**  
26 **CAN IDENTIFY?**

3 A: Yes. If we look at the general case for rate consolidation there are some potential gains that  
4 can be achieved. The following list is taken in part from EPA Document No. 816R99009<sup>1</sup>:

- 5 1. Mitigates rate shock to utility customers
- 6 2. Lowers administrative costs to the commission
- 7 3. Provides ratemaking treatment that is similar to that for other utilities
- 8 4. Lowers administrative costs to the utilities
- 9 5. Provides incentives for utility regionalization and consolidation
- 10 6. Promotes universal service for utility customers
- 11 7. Improves service affordability for customers
- 12 8. Addresses small-system viability issues
- 13 9. Facilitates compliance with drinking water standards
- 14 10. Promotes regional economic development
- 15 11. Encourages investment in the water-supply infrastructure

16 **Q: HOW DO THESE FAVORABLE ASPECTS OF RATE CONSOLIDATION RELATE  
17 TO THE PRESENT RATE CASE?**

18 A: Only the first four aspects relate to this case. I am very satisfied with the service that I receive  
19 from AAWC and would guess that most other ratepayers feel much the same way. Since all  
20 discussions of rate consolidation have been in reference to the existing water and waste water  
21 districts of AAWC I can only assume that any discussion of rate consolidation assumes that  
22 these existing districts constitutes the totally of AAWC's plans. If this is the case then only  
23 the first four positive attributes of consolidated ratemaking would apply to our situation:  
24 mitigating rate shock and improving on the administrative efficiencies of both AAWC and the  
25 Corporate Commission.

26 **Q: WHAT CIRCUMSTANCES MIGHT OCCUR THAT COULD MAKE THE  
REMAINING ITEMS (5-11) RELATE TO AAWC RATE CONSOLIDATION?**

A: If we assume that AAWC would consider the future acquisition of additional for-profit water  
companies, then we can consider the remainder of the items above to be considered of benefit.

**Q: ARE YOU SAYING THAT THE PRESENT AAWC RATEPAYERS COULD BENEFIT**

3 **FROM FUTURE AAWC ACQUISITIONS?**

4 **A:** The present ratepayers would benefit very little, if any. In reading through items 5-11 above I  
5 see few, if any benefits to existing AAWC ratepayers. There is no question that many of these  
6 attributes would be recognized and welcomed by the ratepayers of a failing water company  
7 that was acquired and brought up to standard by AAWC. But what would be the benefit to  
8 present AAWC ratepayers? I only see the negative of raising rates which would be needed in  
9 order to bring the acquisition into compliance.

10 **Q: HAVE YOU IDENTIFIED ADDITIONAL NEGATIVE ASPECTS TO RATE**  
11 **CONSOLIDATION IN GENERAL?**

12 **A:** Yes. Again, referencing EPA Document No. 816R99009<sup>1</sup>, here are some of the negative  
13 aspects of rate consolidation:

- 14
- 15 1. Provides subsidies to high-cost customers
  - 16 2. Distorts price signals to customers
  - 17 3. Discourages efficient water-use and conservation
  - 18 4. Encourages growth and development in high-cost areas
  - 19 5. Undermines economic efficiency
  - 20 6. Conflicts with cost-of-service principles
  - 21 7. Encourages overinvestment in infrastructure
  - 22 8. Fails to account for variations in customer contributions
  - 23 9. Provides unnecessary incentives to utilities
  - 24 10. Considered inappropriate without physical interconnection
  - 25 11. Not acceptable to all affected customers
  - 26 12. Justification has not been adequate in a specific case (or cases)
  13. Insufficient statutory or regulatory basis or precedents

22 **Q: WHICH OF THE ABOVE NEGATIVE ASPECTS WOULD APPLY TO THE**  
23 **PRESENT RATE CONSOLIDATION CASE?**

24 **A:** All of the above negative aspects of rate consolidation have the potential of being realized if  
25 rate consolidation were to be allowed.

3 **Q: CAN YOU IDENTIFY ANY SPECIFIC NEGATIVE ASPECT THAT NEEDS TO BE**  
4 **EMPHASIZED?**

5 **A:** We live in an arid area where the existence of adequate future water supplies is somewhat  
6 unknown. We need to be constantly aware of how we are using water and conserve wherever  
7 possible. Rate consolidation works against this in two ways. First, ratepayers that see a  
8 reduction on their rates will be less incentivized to conserve. Secondly, individual or small  
9 group actions to conserve will not be recognized in the rate because of the large ratepayer  
10 base. Conversely, wasting water will not affect the rate upside unless the practice becomes  
11 widespread. The end result is that rate consolidation will encourage inefficient water usage.

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13 <sup>i</sup> Environmental Protection Agency, "Consolidated Water Rates: Issues and Practices in Single-Tariff Pricing", EPA No.  
14 816R99009 (1999), <http://www.epa.gov/safewater/utilities/stptitle.pdf>

17  
18 RESPECTFULLY SUBMITTED this 3<sup>rd</sup> day of May, 2010

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