

ORIGINAL

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



0000113942

Executive Director
RECEIVED

47
CD

ARIZONA CORPORATION COMMISSION

2010 JUL -9 P 3:21

AZ CORP COMMISSION
DOCKET CONTROL

July 9, 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 16 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

JUL -9 2010

DOCKETED BY

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator's Comments and Disposition:

Comments entered for the record and filed with Docket Control.

End of Comments

Date Completed: 7/1/2010

Opinion No. 2010 - 87679

**ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM**

supports such changes and they have not. Hence, the admitted lowest risk asset, the 91 day T-Bill should be used.

CAPM model also uses an estimated beta. The beta in this case is a proxy beta which should reflect comparable risks. Given that ACC Staff evidence, JCM-7, six water companies are listed, five small capitalization stocks and one mid-cap, the beta of the mid-cap stock is .65, average of the small cap stocks is .83, the small cap beta average is 29% higher than the mid cap. Similarly, RUCO's schedule WAR-7, page 1 of 2, the small-cap water average beta is 27% higher than the mid-cap stock. American Water Works, Arizona American Water's parent, is a mid-cap stock and mid-cap stocks should be used to construct a proxy. The beta difference in mid-cap and small-cap water universe confirms that the market attributes a higher relative risk to small cap stocks and they should not be used. Stocks of comparable risk are to be utilized, mid-cap water stocks.

The most difficult estimation is the expected rate of return of the stock market. ACC Staff testifies that interest rates and expected returns of the stock market are related, interest rates having been declining, and are close to the low end of their historical range, the cost of equity has declined for 25 years. Regardless, ACC Staff uses an expected return for the market today (12.67%) that is 19% higher than ACC Staff's historical average expected return on the market of 10.67%. This estimation cannot be used since it is in conflict with ACC Staff's testimony. RUCO's geometric mean of the expected market return should be used since evidence supports that geometric average is more representative of experience.

In formulating DCF estimates, ACC Staff utilized two growth estimates that were over 9%. Since ACC Staff also utilized ten year average growth in earnings (3.3%) and dividends (3.1%), any estimate that is almost 3x the historical averages should be excluded as outliers.

The net result of all of these changes is reducing the company's overall rate of return to 5.23% or 27% lower than Acc Staff and the company's recommendation of 7.2%.

Sincerely,

Gov I.ynn Vick

Anthem, AZ

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

6/21

I called customer @ 10:36 a.m. left a voice mail message stating that we did receive his correspondence. I will make sure his correspondence will be docketed so that the Commissioners and their Aide's will have an opportunity to read his specific concerns.

FILE CLOSED.

6/21

Emailed to Phoenix to docket.

End of Comments

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Date Completed: 6/21/2010

Opinion No. 2010 - 87508

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

when considering that Sun City residents fully paid for their own community's entire water infrastructure, its improvements, as well as its ongoing maintenance without seeking a bit of help from outside. So why should we Sun City seniors be expected to dig down again into our meager and fixed retirement income to help pay those same expenses for newer and still expanding communities?

So our vote on Azawc's dumb umbrella proposal is a: LOUD NO !!!!

Most sincerely,

Lester W Fenter Jessie M Fenter
cc: Arizona American Water Co.
Residential Utility Consumer Office
Recreation Centers of Sun City
Sun City HOA
Sun City Tax Payers Assoc.

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

6/21/10 Comments noted for the record. Docketed.

End of Comments

Date Completed: 6/21/2010

Opinion No. 2010 - 87512

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone: (

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 87487

Date: 6/18/2010

Complaint Description: 08A Rate Case Items - Opposed
08G Consolidation - Opposed

First:

Last:

Complaint By: Dennis

Thrush

Account Name: Dennis Thrush

Home: (623) 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:

Nature of Complaint:

ANTHEM

From: Dennis Thrush
Sent: Wednesday, June 16, 2010 10:45 AM
To: Utilities Div - Mailbox
Subject: Arizona American rate increase request

Dear Commissioners,

As a veteran, I served in the armed forces of this country to protect the freedoms that we so dearly enjoy. One of those freedoms is our free enterprise system which allows a business to earn a fair return on their investment and a fair price for their products/services. The question before you, the ACC, is - "Is the rate increase being requested by Arizona American Water fair and reasonable?". You have heard testimony and have seen documentation that would strongly suggest that the current (and perhaps past) rate increase request by Arizona American Water is the result of a bad business decision on their part. If Arizona American did not enjoy a monopoly on the provision of water and sewer services here in Anthem and Anthem residents had a choice, would they (could they) be making such an absurd request? If BP enjoyed a monopoly on the provision of petroleum products to this country, would it be right for them to pass on to their consumers the cost of cleaning up the Gulf oil spill caused by their own poor practices and business decisions? I think that the Commission would agree that that would be patently unfair. The impact of such a decision would be devastating to the economy of this country just as the granting of the current rate increase request by Arizona American will be devastating to the many households here in Anthem. Right is right and wrong is wrong, no matter how one may wish to spin it.

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Several suggestions have been made on solving the current problem. One of those, amortization of Arizona American's debt over an extended period of time, allows them to recoup their investment but without the devastating impact upon consumers. Another, consolidation of water districts would appear on the surface to be an equitable solution. On this proposed solution I am somewhat ambivalent. It certainly helps me and my fellow Anthem residents, but at what cost to my neighbors in Sun City, many of whom are also on fixed incomes. I also feel strongly that "rate consolidation" has become something of a smoke screen employed by Arizona American Water to cover up the underlying cause of this problem in the first place i.e., a bad business decision on their part.

You have a very difficult decision to make with strongly competing interests pleading their cases to you. But I would hope that one thing is very clear to all members of the Commission - a 100% increase in water rates for anybody, be it Anthem or Sun City or some other community, would be just plain unconscionable. If Arizona American cannot, truly, continue to operate without this increase, then so be it. Someone will step in and pick up the operation. That is, after all, the way that the free enterprise system actually works. Let's not have another consumer "bail out" of a badly managed corporation.

Respectfully,

Dennis Thrush
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion Docketed
End of Comments

Date Completed: 6/18/2010

Opinion No. 2010 - 87487

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone: _____

Fax: _____

Priority: Respond Within Five Days

Opinion No. 2010 - 87486

Date: 6/18/2010

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

Complaint By: **Theron & Bonita Sims**

Account Name: Theron & Bonita Sims

Home:

Street:

Work:

City: Phoenix

CBR:

State: AZ **Zip:** 85086

Is:

Utility Company: Arizona - American Water Company

Division: Water

Contact Name:

Contact Phone:

Nature of Complaint:

ANTHEM

From: Buddy Sims
Sent: Wednesday, June 16, 2010 10:32 AM
To: Utilities Div - Mailbox
Subject: Water Rates

Please average out the cost over thousands of AZ American Water rate payers for the Anthem County Club community. Many of us are senior citizens and living on fixed incomes and social security.

We need to find a fair way to increase water rates and not double/triple them just to solve the developers and water companies problem. Spread the rate increase out over 20-40 years.

Thank you,

Theron & Bonita Sims

Anthem AZ 85086

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion Docketed
End of Comments

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Date Completed: 6/18/2010

Opinion No. 2010 - 87486

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Opinion Docketed
End of Comments

Date Completed: 6/18/2010

Opinion No. 2010 - 87485

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

improvements for them, with and without consolidation;

I actually bought a home for my parents on the west side of Anthem (west of I-17) and the water and sewer is administered by City of Phoenix and is substantially lower than my Arizona American Water. I would even be in favor of consolidation with the City of Phoenix, if that was an option.

In closing, I believe Anthem will become a ghost town, if water rates are allowed to spiral upwards. I moved from NY State where I had my own well to Anthem, where water is quickly becoming the largest utility expense. It is not sustainable.

Thank you,
Robert Williams
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion Docketed
End of Comments

Date Completed:

Opinion No. 2010 - 87484

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 87483 Date: 6/18/2010

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

Complaint By: **First:** Jane & Barry **Last:** Wasserman

Account Name: Jane & Barry Wasserman **Home:** (000) 000-0000

Street: **Work:**

City: Phoenix **CBR:**

State: AZ **Zip:** 85086 **is:**

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: **Contact Phone:**

Nature of Complaint:

ANTHEM

From: janebarry@antem.com
Sent: Wednesday, June 16, 2010 9:47 AM
To: Utilities Div - Mailbox
Subject: Help Anthem now!!!

Re: increase in water rates

Please don't let this happen to Anthem residents. We knew nothing of this situation when we purchased our home. Now our retirement years are not looking so golden. Consolidation of water rates would spread the misery over a much larger population...

We need to consolidate now so water rates are fair for everyone.....Anthem should not suffer!!!!

Jane and Barry Wasserman

Antnem, AZ

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion Docketed

End of Comments

Date Completed: 6/18/2010

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Opinion No. 2010 - 87483

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone:

Fax:

Priority: Respond Within Five Days

Opinion **No. 2010 - 87482** **Date:** 6/18/2010

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

Complaint By: **First:** Eric **Last:** Kilstrom

Account Name: Eric Kilstrom **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:**

Nature of Complaint:

ANTHEM

From: Eric Kilstrom [mailto:eric.kilstrom@arizona.com]
Sent: Wednesday, June 16, 2010 9:45 AM
To: Utilities Div - Mailbox
Cc: 'Bob Golembe'
Subject: Water Rates in Anthem

Dear Commissioners,

The water rates in Anthem as become such a large factor in Anthem that people are actually deciding not to buy home in Anthem because of not only the cost of water but the uncertainty of future increases. I currently own two homes in Anthem and the price of water will certainly be a factor as to whether I keep or sell the homes. We were never made aware at anytime of the possibility of such large increases. As President of the Chamber of Commerce in Anthem, I am often ask by those looking to move or relocate their business to Anthem about the water case, luckily I can tell them to move to the Phoenix side of Anthem but the current homeowners are stuck and can do nothing about it and that is why we look to you to do the right thing for Anthem and its residence. I love this community and most of the people in it and am tired of the bad press for our community. Our future depends on your decisions.

Sincerely,

Eric Kilstrom

President- Smart Financial Mortgage
President- Chamber of Commerce at Anthem
Executive Director - We Care in Anthem
Director - Anthem and Tramonto Realtor Tour

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Certified Instructor - Performance School of Real Estate, C. David McVay School of Real Estate and HomeSmart University

Board Member- Greater Phoenix Chamber of Commerce

Board Member- Black Canyon Federal Prison Community Relations

Board Member- Emma's Run

Board Member- Salvation Army Extention Unit

Coach- High Desert Heat Youth Basketball Club

Stadium Announcer - Boulder Creek High School Football

Captain- Anthem Men's Basketball League- Team Fellowship 2007 and 2009 League Champions

2005 GFCW Volunteer of the Year

2007 Deer Valley Unified School District Business Partner Award

Charter Member Kiwanis Young Professionals of Anthem

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion Docketed

End of Comments

Date Completed: 6/18/2010

Opinion No. 2010 - 87482

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Trish Meeter

Phone: (602) 542-0622

Fax: (602) 542-2129

Priority: Respond Within Five Days

Opinion **No.** 2010 **87478** **Date:** 6/17/2010

Complaint Description: 08H Consolidation - In Favor
N/A Not Applicable

Complaint By: **First:** Robert **Last:** Tack

Account Name: Robert Tack **Home:** (000) 000-0000

Street: n/a **Work:**

City: n/a **CBR:** retack@cox.net

State: AZ **Zip:** n/a **is:**

Utility Company. Arizona - American Water Company

Division: Water

Contact Name: Karl Wilkins **Contact Phone:** (623) 815-3107

Nature of Complaint:

From: Bob Tack [mailto:retack@cox.net]
Sent: Wednesday, June 16, 2010 9:45 PM
To: Utilities Div - Mailbox
Subject: Anthem water case
Importance: High

Dear Commissioners,

You have by now received considerable information from both sides regarding a proposed water rate increase. I urge you to look at the bigger picture and make your ruling based upon what is fair and reasonable. That would mean deleting from consideration the upfront payments made by the water company to Pulte and insisting that the infrastructure costs be prorated over a 35-40 year period which is the national norm. To do otherwise is to make a mockery of one of the fundamental principles of your constitution - fair and reasonable -and leave us in Arizona to be the laughing stock of imprudent government, beholden to developer interest as seen by well run states, municipalities across our great nation.

Sincerely,

Robert Tack

President,

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Anthem Country Club Community Association
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Docketed SW-01303A-04-0375
End of Comments

Date Completed: 6/17/2010

Opinion No. 2010 - 87478

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

6/16

Emailed to Phoenix to docket.

FILE CLOSED.

End of Comments

Date Completed:

Opinion No. 2010 - 87443

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 87441

Date: 6/16/2010

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

First:

Last:

Complaint By: Ken and Joyce

Bindi

Account Name: Ken and Joyce Bindi

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 *****

*** ANTHEM WATER DISTRICT ***

Customer sent the following -

From: jbindi@cox.net [mailto:jbindi@cox.net]
Sent: Monday, June 14, 2010 8:55 AM
To: Utilities Div - Mailbox
Subject:

We are very much against the horrible increase in our water rate.

Sincerely

Ken and Joyce Bindi

Anthem, Az. 85086
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

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

Date Completed: 6/16/2010

Opinion No. 2010 - 87441

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Brad Morton

Phone: ()

Fax: ()

Priority: Respond Within Five Days

Opinion No. 2010 - 87425 Date: 6/15/2010

Complaint Description: 08A Rate Case Items - Opposed
08G Consolidation - Opposed

Complaint By: **Richard T. Dolezal**

Account Name: Richard T. Dolezal **Home:** ()

Street: **Work:**

City: Phoenix **CBR:**

State: AZ **Zip:** 85086 **is:**

Utility Company: Arizona - American Water Company

Division: Water

Contact Name: **Contact Phone:**

Nature of Complaint:

ANTHEM

From:

Sent: Friday, June 11, 2010 7:28 AM

To: Utilities Div - Mailbox

Subject: Anthem water rates

It's like we have all lost our minds. Why should we even be considering the merits of this case when there are no merits? The premise, the foundation, the basis, the threshold, none of these is a fair starting point---which makes this hearing before an Administrative Law Judge absolutely surreal.

The people of Anthem will be unjustly treated if the ruling is in favor of the Water Company, no matter what the percentage of increase.

Why cannot the administrative legal system at hand simply step back, as if it were using a Google map and wanted a broader, more expansive view? From that global perspective, one would immediately see that the map of transactions below was flawed from the outset. Also, one would see that no where on that map is there a single Anthem resident with knowledge of any corporate transactions between Pulte and the water company, transactions which have now led to this hearing.

Where is the initiative to correct a fundamental wrong committed against the people of Anthem?

We should all be back at square one, not down the line actually giving credence to the legitimacy of a proposed rate increase.

Please do the right thing.

Richard T. Dolezal

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Anthem. AZ 85086

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion docketed.

End of Comments

Date Completed: 6/15/2010

Opinion No. 2010 - 87425

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 87431

Date: 6/15/2010

Complaint Description: 08A Rate Case Items - Opposed
08H Consolidation - In Favor

First:

Last:

Complaint By: Dennis

Dalfonso

Account Name: Dennis & Marilyn Dalfonso

Home: (000) 000-0000

Street: n/a

Work: (000) 000-0000

City: Phoenix

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:

W-01303A-09-0343
SW-01303A-09-0343

Anthem Water District

From:
Sent: Thursday, June 10, 2010 3:53 PM
To: Utilities Div - Mailbox
Subject: Water Rate

We are for consolidating. Our water rates are high enough now. We already pay more than anyone I know in the Phoenix area. My God! "Pay More for water" I don't think so! Enough is enough!

Dennis & Marilyn Dalfonso
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Comments noted for the record. Docketed.
End of Comments

Date Completed: 6/15/2010

Opinion No. 2010 - 87431

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone:

Fax:

Priority: Respond Within Five Days

Opinion

No. 2010 - 87428

Date: 6/15/2010

Complaint Description: 08A Rate Case Items - Opposed
08H Consolidation - In Favor

First:

Last:

Complaint By:

Robert C

Andringa

Account Name:

Robert C Andringa

Home:

Street:

Work: (000) 000-0000

City:

Phoenix

CBR:

State:

AZ **Zip:** 85086

is: Cellular

Utility Company:

Arizona - American Water Company

Division:

Water

Contact Name:

Karl Wilkins

Contact Phone:

Nature of Complaint:

W-01303A-09-0343
SW-01303A-09-0343

Anthem Water District

From: Robert C. Andringa
Sent: Thursday, June 10, 2010 1:19 PM
To: Utilities Div - Mailbox
Subject: Water Rates in Anthem

As a four-year resident of Anthem, I am very concerned about the proposed hikes in our water bills. Here are salient points:

* We were never told about how the developer put in the water system and what our rates might be down the road. And I've talked to sales people who worked for the developer in the early years and they never had an explanation of that either.

* I work with local charities who try to help our residents who are unemployed, can't pay rent or utilities, etc. Believe me, we have hundreds for whom a rate hike of \$50 a month would be devastating.

* I think I understand consolidation and it makes sense to me -- letting larger numbers of people share in the costs of new water capacity-building and maintaining what is.

* I also work in a number of other community activities. There is no other issue that is capturing the attention of residents in Anthem than this one.

* We want fairness in the process and a wise, just result that takes into account the livelihoods of real people, not just the company.

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Thank you for the openness in your work that allows citizens to be heard.

Bob
Robert C. Andrinna

Anthem, AZ 85086

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Comments noted for the record. Docketed.

End of Comments

Date Completed: 6/15/2010

Opinion No. 2010 - 87428

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 87409

Date: 6/14/2010

Complaint Description: 08A Rate Case Items - Opposed
08G Consolidation - Opposed

First:

Last:

Complaint By:

Jim

Stuecken

Account Name: Jim Stuecken

Home: (000) 000-0000

Street: n/a

Work: (000) 000-0000

City: Phoenix

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:

W-01303A-09-0343
SW-01303A-09-0343

Anthem Water District

From:
Sent: Thursday, June 10, 2010 12:22 PM
To: Utilities Div - Mailbox
Subject: Anthem Water Rates

I'm for consolidation. Don't destroy our housing values even farther with a preposterous water rate increase.
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Comments noted for the record. Docketed.
End of Comments

Date Completed: 6/14/2010

Opinion No. 2010 - 87409
