

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



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ARIZONA CORPORATION COMMISS
UTILITY COMPLAINT FORM

Investigator: Sheila Stoeller

Phone: 602-542-4143

Fax:

Priority: Respond Within Five Days

Opinion No. 2011 - 92919

Date: 2/1/2011

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

First:

Last:

Complaint By:

Lynn

Vick

Account Name:

Lynn Vick

Home: (000) 000-0000

Street:

unknown

Work:

City:

Phoenix

CBF

State:

AZ Zip: 85086

is: E-Mail

Utility Company. Arizona - American Water Company

Division:

Water

Arizona Corporation Commission

Contact Name:

Karl Wilkins

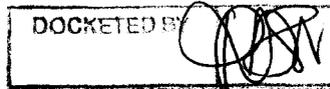
DOCKETED

Contact Phone:

Nature of Complaint:

FEB 2 2011

Customer sent the following:



RECEIVED
2011 FEB - 2 P 2 08
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

From: Jodi Jerich <jjerich@arizona.gov>
Sent: Saturday, January 29, 2011 7:38 PM
To: Pierce-Web; Newman-Web; Kennedy-Web; Stump-Web; Burns-Web
Cc: Utilities Div - Mailbox; Director Jodi Jerich, Esq
Subject: Anthem Water Rates - Docket No. W-01303A-09-0343

Dear Commissioners,

I was very surprised and disappointed with the recent decision for the substantial increase of water rates for Anthem residents. Based on the previous comments of the two experienced Commissioners from the previous rate case, I was fully expecting their support for the Anthem position regarding the balloon payments totaling \$53 million. I was also expecting that the three new Commissioners would concur.

I thought that one of the major purposes of the Arizona Corporation Commission (ACC) was to protect consumers from large corporate greed by setting fair and reasonable utility rates. This, in my opinion, has not been the case for the residents of Anthem. Based on documentation which was provided to the ACC in the latest water rate case for Anthem, the Anthem residents believe they are being "swindled" out of approximately \$53 million by the double payment to both the AAWC (in increased rates) and Pulte/Del Webb (in the original purchase price of the homes).

The ACC was provided documentation which indicated that the cost of the water infrastructure was included in the price of the homes sold by Pulte/Del Webb to the original purchasers of the homes in Anthem. The water utility company, Arizona American Water Company (AAWC) which purchased Citizens Water, has now made balloon payments totaling approximately \$53 million to Pulte/Del Webb which was allegedly to pay for that same

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infrastructure. The AAWC requested and the ACC approved approximately \$23 million of those balloon payments in the previous water rate case for Anthem which is already in the rates. During the water rate case which concluded in December 2010, the AAWC requested and the ACC approved another approximately \$23 million of those balloon payments which are included in the new rates effective January 1, 2011. The AAWC made a "final" balloon payment of approximately \$7 million to Pulte/Del Webb in 2010 which is not yet included in the water rates for Anthem. It is expected that the AAWC will include that \$7 million in their next rate request.

The ACC, RUCO, and the two parties to the agreement (Pulte/Del Webb and Citizens/AAWC) were aware of this unusual financial arrangement from the very beginning of the Anthem development back in the late 1990's. However, none of those four entities advised the original home purchasers in Anthem about the pending balloon payments which eventually totaled \$53 million which would significantly increase the water rates in Anthem if approved by the ACC. The ACC never officially approved that unusual financial arrangement, but did grant the AAWC rate increases to cover the balloon payments made by the AAWC to Pulte/Del Webb. It was somehow construed that the balloon payments totaling \$53 million paid by AAWC to Pulte/Del Webb did not constitute "evidence of indebtedness." As a former Auditor, I do not understand how a \$53 million obligation would not be "evidence of indebtedness."

Actually the cost to the Anthem residents will end up being substantially more than \$53 million because the ACC also grants a "Reasonable Rate of Return" to the AAWC on those balloon payments. That "Reasonable Rate of Return" is 6.7 percent after taxes based on the latest approval.

If the regulators are not there to protect the consumers from the corporate greed of major corporations, who will protect the consumers?

Sincerely,

Lynn Vick
Anthem, AZ 85086
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

2-1-11

Comments entered into record and will be filed in docket #s W-01303A-09-0343 & SW-01303A-09-0343
End of Comments

Date Completed: 2/1/2011

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