

Arizona American Water
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Arizona Corporation Commission

From: DOCKETED

To:

Cc: MAR 25 2011

Subject:

DOCKETED BY

lynnbrendavick [lynnvick@cox.net]

Friday, March 25, 2011 1:00 PM

Pierce-Web

Newman-Web; Burns-Web; Kennedy-Web; Stump-Web; Utilities Div - Mailbox; Director Jodi Jerich, Esq; Seel, Representative Carl; Klein, Senator Lori; Reeve, Representative Amanda
Anthem Water Rate Meeting - March 22, 2011

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Dear Chairman Pierce,

Thank you very much for taking the time to meet with the Anthem residents at 6:30 PM on Tuesday, March 22, 2011. I would also like to thank Representative Carl Seel and Senator Lori Klein for attending that meeting.

I sincerely appreciate your willingness to respond to questions which were submitted to you in writing before the meeting and also your acceptance of additional verbal questions from others in attendance. I would like to follow-up by providing the following information and questions.

(1) There is currently a class action in process, "Drew v. PulteGroup, Inc.," brought by Kasden Simonds Weber & Vaughn LLP, attorneys at law. Hypothetically speaking, one of the alternative settlements may be for Pulte to refund funds to Arizona American Water Corporation (AAWC). Should this kind of settlement occur before the sale of AAWC to EPCOR, I would assume that the Arizona Corporation Commission (ACC) would immediately take steps to lower the water rates for Anthem. My question is: What would be the procedure if this kind of settlement occurs after the sale of AAWC to EPCOR?

(2) You commented at the meeting that the Anthem residents were much more involved in the most recent water rate case than they were in any of the previous rate cases. There is a very strong reason for that. Pulte controlled the Anthem Community Council and its representative interveners in all of the prior Anthem water rate cases, so the Anthem residents had no voice in the rate cases prior to the most recent one.

(3) One of the questions pertained to the apparent "double dipping" brought about by (A) the cost of the infrastructure being included in the price of the lots paid to Pulte, and (B) AAWC balloon payments to Pulte totaling approximately \$53,000,000. We inquired as to why the ACC did not pursue this matter with Pulte. Your response was that the ACC has no jurisdiction over Pulte. It seems to me that the ACC does have the responsibility to verify that all costs incurred by AAWC and included in the rate base are reasonable and prudent. This does not appear to have happened regarding the balloon payments totaling about \$53,000,000. From my research, it appears that the ACC erred by not making a decision on this unusual financial arrangement back in the late 1990's when it was first presented to them, and they were reluctant to aggressively pursue the matter at any of the rate cases thereafter. At the most recent rate case, one of the Commissioners commented that criminal fraud might be involved; however, even after that comment the Commissioners declined to pursue the matter. As previously mentioned, the Anthem residents could not aggressively pursue this matter prior to the most recent rate case because Pulte controlled the Anthem Community Council and their representative interveners at all of the prior rate cases.

(4) I thought that one of the major purposes of the Arizona Corporation Commission is 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 Commission in the latest water rate case, 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). If the regulators are not there to protect the consumers from the corporate greed of major corporations, who will protect the consumers?

(5) It is my understanding that the Commissioners can consider only what is "on the record" when making their decisions. What is considered to be "on the record?" More specifically, are the public comments considered to be "on the record?" If public comments are considered to be "on the record," why didn't the Commissioners give more consideration to the rate of return documentation submitted by an Anthem resident during the last water rate case? If public comments are not considered to be "on the record," what is the purpose of the public comments?

(6) I still don't understand how the balloon payments from AAWC to Pulte which totaled approximately \$53 million were not considered as "evidence of indebtedness" by the ACC.

(7) On another matter which was not specifically discussed at the meeting, it is my understanding that there have been several inquiries asking for documentation supporting the ACC's specific approval for the consolidation of the Anthem/Aqua Fria wastewater district. To the best of my knowledge, no one has been able to provide that documentation. If the ACC did not specifically approve the consolidation of the Anthem/Aqua Fria wastewater district, it seems to me that the Anthem residents should be due a refund for any overpayments made for their wastewater.

Thanks again , Chairman Pierce, for responding to our questions at the meeting on March 22, 2011. I look forward to your comments regarding the items mentioned above and to your return visit in September/October this year.

Sincerely,

Lynn Vick

Anthem, AZ 85086

Antonio Gill

From: Champion [dachamps@cox.net]
Sent: Wednesday, March 23, 2011 7:37 AM
To: Pierce-Web
Cc: dachamps@cox.net; 'Bob Golembe'
Subject: Thank You

Commissioner Pierce:

Once again, THANK YOU for taking the time to visit Anthem last night.

While the topic of rate increases is complex, it boils down to simple issues for the majority of our residents. The true-up payments to Pulte from their undisclosed financing agreements made the entire process more complex and heated than necessary. Hopefully, the courts will deal with that issue in an expeditious and reasonable manner. In that regard, I believe that ACC needs to take a clear position on passing through the costs of any undisclosed financing agreements to the user base. While Arizona State Statutes make it clear that Pulte's disclosure was required, the Commission should have a mechanism to disallow any costs that reasonable due diligence can't discover.

As I stated last night, there are two issues that still concern me:

- Why residents with a 1" meter are made to pay an unjustified and escalating monthly premium versus those with either 3/4" or 5/8". For nearly 40% of our Anthem homeowners with 1" meters, this doesn't seem fair or equitable. It seems that the rate issue should have been more focused on water usage.
- The pending impact of the utility sale to Epcor and how a new cost structure will impact future rate requests. As a business person, you clearly understand that Epcor is in the utility business to make money. American Water is not going to "give" this business away in a sale and they aren't going to lose money in a sale. I pray that ACC and RUCO examine this purchase closely and apply some forward thinking.

Thank you,

Steve Champion