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Arizona American Water
W-01303A-09-0343
SW-01303A-09-0343

----- Original Message -----

From: Bob Golembe

To: Commissioner Stump ; Commissioner Newman ; Commissioner Kennedy ; Commissioner Burns ; Chairman Pierce

Cc: Larry Robertson ; Judith Dworkin ; Jodi Jerich

Sent: Tuesday, May 24, 2011 7:42 PM

Subject: Comment: Deconsolidation of Anthem and Agua Fria Wastewater Districts; Docket: W-01303A-09-0343 and SW-01303A-09-0343

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Dear Chairman Pierce and Commissioners:

After submitting a plethora of comments on this docket and previous Arizona American Water rate applications, I am not sure how much public comment weighs in your decision. I do feel that fact based comments probably have more meaning in the decision making process than emotional arguments. Nobody really wants their rates increased, especially when there is or perceived "rate shock".

The issue before you is not complex, at least in my mind. Deconsolidation of the Anthem and Agua Fria wastewater districts is overdue. The expectation is that the two districts will be deconsolidated; the question is what is the correct rate structure between the two? We have two communities that have been pitted against one another, and nobody including Anthem ratepayers want to hurt another district at the expense of the other.

But, we have to take the facts into consideration. After attending numerous hearings, evidentiary and public there are a few guiding principles that have been spouted by previous and present Commissioners:

- The Cost-of-Service shall be borne by the bearer.
- If it is "used and useful", the cost of service shall be passed on to the ratepayer.
- The Commission is charged with determining the fair rate of return that is "just and reasonable".

Every argument against consolidation provides the guiding principles for approving deconsolidation of these two districts:

- Anthem has subsidized the Agua Fria Northwest Treatment Plant for years. This fact is indisputable and not consistent with the Commission principle that the cost -of-service shall be borne by the bearer. No other community has helped Anthem's burden with their cost-of-service which includes Pulte refunds.
- Anthem is NOT connected to the Agua Fria wastewater district. Therefore, by definition, it is NOT "used and useful". I recall former Chairman Gleason in the 2008 water company decision stating: "Anthem has gotten away for almost 10 years with their state of the art treatment plant and infrastructure. The Pulte refunds have no jurisdiction in this Commission and I vote "yes" in the decision because their service "is used and useful." The same principle should apply in this case; Anthem should not shoulder the burden for subsidizing the Agua Fria wastewater district.
- Anthem has experience rate shock in its last two decisions. No community should be faced with rate shock unless it is "just and reasonable" due to evidentiary data and discussion. Anthem should be considered the "model" of rate shock. The water company rate application of June 2006 requested a 91% tariff. The July 2009 application requested over 100% increase. In both cases, the Pulte refunds were the "drivers". After all was said and done, the Commission was consistent in their determination in that they have no jurisdiction to punish Pulte as they have no standing and the remedy belongs in a court of law. Anthem experienced "rate shock" in both cases.

Although the Agua Fria wastewater district may experience "rate shock", the decision you have to make should be consistent with past decisions by applying these "guiding principles". The time has come to pass the cost-of-service to the bearer: Agua Fria. The time has come to deconsolidate the two districts since Anthem has no connection and the service is not "used and useful". The rate proposal by the water company is a start at their

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assessment of the rate changes; it is your job is to decide if it is "just and reasonable".

In the instant case, the Commission did not find the consolidation of Arizona American Water districts to be warranted at this time. Significant imbalances in rates between districts was one of the major issues and you did not want rightfully to pass a burden of higher rates to a lower rate community. Anthem is paying for the non-services of the Agua Fria district. With deconsolidation, Anthem wastewater rates will rightfully decrease and Agua Fria will rightfully increase which acts as a leveling tool towards future consideration of consolidation.

Please do not disappoint Anthem in your final decision. The "guiding principles" apply in this issue just like every case that has come before you. It is time to adjust Anthem's rates consistent with these principles.

Respectfully submitted,

Bob Golembe
Anthem, AZ