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DOCKETED

**Arizona Corporation Commission  
Public Comment Form**

SEP 27 2013

1200 W Washington St - Phx, AZ 85007  
(602) 542-4251

DOCKETED BY	<i>[Signature]</i>
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Step 1

This form should be used for public comments pertaining to a specific pending case only. Please be sure to reference the appropriate docket number so your comments are filed in the docket promptly. Please use this link for complaints, inquiries or general inquiries. <http://www.azcc.gov/Divisions/Utilities/forms/ComplaintForm2013.pdf>

Step 2

YOUR NAME Thomas Bremer, East Verde Park Water Comm.	DATE 9/27/2013
ADDRESS 6717 E. Turquoise Ave	PHONE (HOME) 480-209-7112
CITY, STATE, ZIP Scottsdale AZ 85253	CELL PHONE 480-209-7112
DOCKET YOU WISH TO COMMENT ON: Payson Water Co. consolidated dockets:	DOCKET NUMBER W-03514A-13-0111 & W-03514A-13-0142
CASE OR UTILITY NAME Payson Water Co. (PWC)	YOUR POSITION ON THE DOCKET PRO <input type="checkbox"/> CON <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>
E-MAIL ADDRESS tcbremer@netzero.net	

Step 3

ENTER YOUR COMMENTS HERE:

See attached print-out of e-mail, dated September 25, 2013, to Commissioners G. Pierce, B. Stump, B. Burns, R. Burns, and S. Bitter Smith

In addition to the objections described in the attached, it must be emphasized that the fast-track approach being taken by PWC to secure financing is unacceptable and patently illegal, due to lack of 30 days Public Notice of hearing as required by Arizona Administrative Code R14-3-208. PWC customers must be afforded reasonable time to research and understand the implications of PWC's applications described in the application documents of the above dockets. PWC customers received notice of the September 25 Phase 1 hearing by mail enclosure with their September water bills. The PWC water bill for my East Verde Estates property, with the Public Notice, arrived by regular mail on September 24. I was given only 1 day notice. Clearly, all PWC customers who received the notice enclosed with their September water bill did not get 30 days notice. Therefore, any rulings, decisions, or actions taken as the result of the September 25 hearing regarding the above dockets must be declared invalid, and the hearing rescheduled, with 30 days notice as required by AAC R14-3-208.

RECEIVED  
 2013 SEP 27 P 2:55  
 ARIZONA CORPORATION COMMISSION  
 DOCKET CONTROL

Step 4

This form may be completed, printed, mailed or faxed to:

Arizona Corporation Commission  
Consumer Services Section  
1200 W. Washington St  
Phoenix, AZ 85007

or E-mail your comments to:  
[mailmaster@azcc.gov](mailto:mailmaster@azcc.gov)

Fax to: 602-542-2129

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**tcbremer**

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**From:** tcbremer <tcbremer@netzero.net>  
**Sent:** Wednesday, September 25, 2013 7:16 AM  
**To:** 'pierce-web@azcc.gov'; 'burns-web@azcc.gov'; 'stump-web@azcc.gov';  
'bittersmith-web@azcc.gov'; 'rburns-web@azcc.gov'  
**Subject:** FW: Payson Water Company Dockets W-03514A-13-0111 & -0142  
**Importance:** High

Dear AZCC Commissioners—

The matter of Payson Water Company's application for an increase in rates and charges will be the subject of a Phase 1 hearing this morning. Below is a message that I sent to residents of East Verde Estates [commonly known as East Verde Park (EVP)], which is one of several communities affected by the proposed increases. The message below summarizes our objections on this matter and proposes a different basis for any water cost increases at EVP.

In short, we consider these rate increases to be burdensome and unfair, given that they are necessitated by high operating costs and pending infrastructure improvements, primarily at Mesa del Caballo (MdC), a different community that Payson Water Co. serves, located approximately 6 miles from EVP. The EVP residents will not benefit at all from the improvements at MdC, and EVP has its own water infrastructure problems that have gone unaddressed for decades.

The EVP water committee conducted a survey in 2012, the conclusions of which included that EVP residents are amenable to reasonable water cost increases, provided that they support improved water quality, availability, and system reliability at EVP. Payson Water Company's applications per the subject dockets do not even attempt to address the EVP water issues. It is intolerable for EVP residents to be subjected to a doubling of monthly water bills, without any benefit of the subject applications and no plan by Payson Water Co. to improve the EVP water system.

Thank you for your consideration.

Tom Bremer  
East Verde Park Water Committee  
480-209-7112

**From:** tcbremer [mailto:tcbremer@netzero.net]  
**Sent:** Wednesday, September 25, 2013 1:37 AM  
**To:** Residents of East Verde Estates, Payson Arizona  
**Subject:** Payson Water Company Requests AZ Corporation Commission to Approve Big Fee Increases

East Verde Park (EVP) Owners and Residents—

page 2 of 4

Enclosed with your September water bill from Payson Water Co. (PWC), you will find a Public Notice of Applications, which announces PWC's request to the Arizona Corporation Commission (AZCC) to approve significant increases to your monthly water expenses. Specifically:

- The monthly service charge increases from \$16.00 to \$39.24.
- The per-gallon rate for water use increases from the current \$1.93 per thousand gallons (regardless of the amount of water used), to \$2.75 per thousand gallons for the first 4000 gallons; \$4.75 per thousand gallons for usage between 4001 and 10,000 gallons; and \$6.75 per thousand gallons for usage over 10,000 gallons.

These increases apply to a number of communities served by PWC, including Mead's Ranch, East Verde Estates, Flowing Springs, Geronimo Estates, Mesa del Caballo, Whispering Pines, Gisela, and Tonto Creek Shores. For the average water customer, these fee increases are estimated to result in a cost increase of 119% – roughly doubling the average monthly water bill if this increase is approved.

As justification, PWC (formerly owned by Brooke Utilities; now acquired by JW Holdings) presented two applications to the AZCC, recorded in two Dockets:

Docket No. W-03514A-13-0111 – PWC cites an operating rate of return of -27% in 2012, and further states that a revenue increase of 125% is needed to adequately serve customers and achieve a +11% rate of return.

Docket No. W-03514A-13-0142 – PWC requests permission to incur a debt of \$1,238,000 to fund infrastructure improvements to the Mesa del Caballo (MdC) water system. Specifically, to build a pipeline connecting the MdC system to the Town of Payson's water treatment plant for water from the CC Cragin pipeline.

In mid-August, PWC requested the AZCC to consolidate these two dockets, which was approved. So now the rate increase for all of the communities listed in the Public Notice is linked to the MdC pipeline, with PWC noting that not only is the rate increase needed to achieve a positive return on investment, but that it is also needed to demonstrate adequate income-to-debt ratio to secure the financing for the MdC pipeline. PWC notes that in order to have the MdC pipeline operational before next summer (to avoid expensive water hauling), they must secure the loan very soon, and therefore must be granted the fee increases on an expedited basis. It is in this context that you received the Public Notice in your water bill very recently (I received mine on September 24), which advised that there will be a Phase 1 hearing at the AZCC offices in Phoenix on September 25, at 10AM.

As chairman of the EVP water committee I will attend the Phase 1 hearing, objecting to the rate increases as proposed by PWC, on the basis of:

1. Without disputing the 2012 operating losses claimed by PWC, it must be recognized that these losses are driven in large part by PWC's water systems in communities which have a much less robust local groundwater supply than EVP, resulting in much higher water hauling costs than EVP.
  - o For example, according to PWC's fee increase application, PWC hauled almost 3.99 million gallons to Mesa del Caballo in 2012, compared to only 0.21 million gallons to EVP—a full 95% less water hauling at EVP than MdC. To provide further perspective, water hauling accounted for 26% of all water sold at MdC, compared to only 5.5% at EVP.
2. Furthermore, the extraordinarily steep rate increase is tied to PWC's pending debt for infrastructure improvements at MdC, which will provide no benefit at all to PWC's customers in EVP.
  - o Reading the documents related to PWC's request to incur debt for the MdC pipeline (Docket . W-03514A-13-0142), one gets the impression that the MdC interconnection pipeline will reduce water hauling costs for all PWC customers. This is not true—it will only reduce water hauling costs for Mesa del Caballo customers. It must be emphasized that the communities

listed in the Public Notice are many miles apart and their water systems are completely separate.

3. It is unfair to burden the residents of EVP with steep rate increases that offset high water hauling costs outside of EVP and fund infrastructure improvements outside of EVP, providing no benefit to EVP residents, while the EVP water system continues to decay.
  - o The EVP water system dates to the 1950's and has had minimal maintenance and no significant upgrades. The water tank is rusting and the main well is being undermined by erosion from floods of the East Verde River. The EVP water survey conducted in late 2012 showed a widespread sentiment among residents that the EVP water system is a catastrophe waiting to happen, and requests over the years to PWC to do an evaluation of system vulnerabilities and implement proactive maintenance and upgrades (most recently in March, 2013) have been ignored.
4. The short timing between the public notice being provided to EVP residents via their monthly water bill and the Phase 1 Hearing on September 25 is not consistent with AZCC Rule R14-3-208, which states that hearings shall be held not less than 30 days after a notice is first given.
  - o Besides the Public Notice enclosed with the September water bill from PWC, I can't find any other Public Notice. The AZCC rule says that notice must be provided in at least two local daily or weekly publications. In the Payson area, the Roundup is the most conspicuous and widely circulated newspaper. I can find no such notice in the Roundup 30 days before Sept 25 and prior.

Therefore, I will propose to the Commission at the Phase 1 hearing and subsequently in writing that:

- a) EVP is excluded from the cost increases proposed by PWC in consolidated dockets W-03514A-13-0111 and -0142.
- b) Any rate increases that PWC proposes to implement for their EVP customers are addressed by an application to the AZCC that is separate from the applications in Dockets W-03514A-13-0111 and -0142.
- c) Any rate increases that PWC proposes to implement for their EVP customers are supported by the actual costs of providing service at EVP, and not at far-away communities whose water systems are completely separate from EVP, with different operating costs, and requiring different infrastructure improvements that provide no benefit to EVP.
- d) PWC conducts an evaluation of EVP water system vulnerabilities and upgrade needs to sustain future reliable operation, as requested in the meeting between several EVP residents and PWC's Robert Hardcastle at the offices of Fennemore Craig law firm in Phoenix on March 20, 2013.
- e) PWC provides Public notice to their EVP customers at least 30 days in advance of AZCC hearings, consistent with AZCC rules.

I will let you know of any significant developments following the hearing. I expect that there will be additional hearings in upcoming weeks. I will give a review of the overall situation during the October EVP community meeting.

Feel free to give me any inputs or feedback.  
Tom Bremer  
East Verde Park Water Committee