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Before the Arizona Corporation Commission

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ORIGINAL

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of Epcor Water Arizona, Inc. of) Docket Nos SW-01303A-09-0343
a hearing on rate consolidation/deconsolidation) W-01303A-09-0343
proposals for possible rate changes for utility)
service in all of its Arizona wastewater districts)

Notice of a request by intervenor, Frederick G. Botha, to Judge Dwight Nodes of the Arizona Corporation Commission (ACC) to request Epcor to answer in full my two sets of questions sent to them for information on the following two issues:

- Epcor's estimated costs of \$375,000.00 and estimated time of 6 - 12 months to separate out the data for the communities in the Agua Fria wastewater district
- Epcor's information on the different rate scenarios for this hearing

Respectfully submitted on September 19, 2014

Frederick G. Botha

Arizona Corporation Commission

DOCKETED

SEP 19 2014

DOCKETED BY

My name is Fred Botha and I and my wife have lived in Corte Bella at 23024 N Giovota Drive, Sun City West AZ 85375, since February, 2006. My wife and I and our four children immigrated to the US in March, 1987, and we became US citizens in 1995. We lived in New Jersey for eighteen years.

I have a MBA in finance and information systems and a MS in computer science. I have worked for IBM and Andersen Consulting and I have had my own business in software engineering consulting and application software construction for 35 years. I now specialize in constructing apps for phones and tablets.

I have worked extensively in the areas of sophisticated computer business applications, especially general ledger and costing. I have been a member of ACM - a well-known computer association - for almost 30 years.

I am an Independent candidate in the General Election on November 4, 2014, as a representative for the Arizona Legislature in District 22, which includes Surprise, Sun City Grand, Sun City West and parts of Peoria and Glendale.

In this hearing to determine fair wastewater rates two issues are paramount:

- separating out consumers and data by Epcor from the Agua Fria district into their respective communities
- Epcor's approach to their past and current water and wastewater rates, income and costs for each district and community

Epcor have estimated that it will cost consumers \$375,000.00 and take 6 - 12 months to separate out Agua Fria consumers and data into their respective communities. Epcor have numerous other options, which they do not mention.

Also, Epcor do not mention that they are willing to accept the costs of updating their online, internet billing and accounts receivable information systems but not prepared to accept the costs of updating their rates and income and expense information systems.

Also, Epcor do not mention that they bought Arizona-American Water and legally assumed Arizona-American Water's assets and liabilities - including what seem to be inflexible rates and income and expense information systems.

Also, Epcor do not mention also that the process of separating Agua Fria might take not 6 - 12 months but only 6 - 12 minutes, if the appropriate computing techniques are used.

From these points it can be seen that it is Epcor's responsibility to pay the costs of

separating out the Agua Fria consumers and data into their respective communities and to ensure that they use the appropriate computing skills to do it.

The focus of this hearing is ACC's request to Epcor to produce three scenarios of rates based on up-to-date information from Epcor's income and expenses. As Epcor readily concede, they do not have this information automatically and permanently available, so consequently have to extract it as a one-time, costly exercise.

This one-time, costly exercise is not necessary at all. An online, internet information system with all the required information for this and other rate hearings could easily have been provided at the time Agua Fria district was formed, in the same way as Epcor have provided other accounting systems.

Arizona-American could have provided an automatic system and Epcor could do so now easily. The focus of this hearing is easy and permanent access for ACC, RUCO and Epcor staff and consumers to past and present rates and income and expense information - not on scanned documents but on their online computer, exactly as Epcor currently provide their for their own staff but not consumers.

From these points it can be seen that it is Epcor's responsibility to pay the costs of such an online, internet system, in the same way as they accept paying the costs of their online, internet billing and accounts receivable system and to ensure that they use the appropriate computing skills to implement it.

On both these important issues I have submitted questions twice to Epcor to support my proposed testimony. In response to the first set of questions, Epcor did provide useful information but some of their responses were too vague and evasive and they also objected to answering some of the questions. I, in response to Epcor, sent a second set of more specific questions but they refused to answer any of these - again objecting to the questions.

Please will Judge Nodes direct Epcor to answer both sets of questions fully and immediately - their responses are required before October 5 both for my testimony and to address these and other issues and a probable brief, real-life test of typical data to support a real world scenario.

I am submitting the following to support my request to the Judge Nodes and the ACC:

- my request
- list of people to be circulated
- my two sets of questions to Epcor and their two sets of responses

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9/19/2014

Questions 1 to Epcor from Fred Botha

FGB 1-1

Comparison between Epcor's estimate of \$375,000.00 requiring 6 months to track the wastewater costs of each community in the Agua Fria district compared with alternatives at no cost requiring only a few minutes

FGB 1-1-1

What districts do Epcor provide with water and wastewater services in the Phoenix area?

FGB 1-1-2

What are the communities in each of these districts and how many consumers (to the nearest 50) are there in each community?

FGB 1-1-3

Which of the following standard data items are included in each account description in your income and expense system:

account type, account number, account description?

FGB 1-1-4

What other data items are used for income and expense description accounts?

FGB 1-1-5

How many income and expense description accounts (to the nearest 50) does Epcor typically use for each district?

FGB 1-1-6

Which of the following standard data items are included in each income and expense summary account:

account number, account type, year, month, month-to-date quantity, month-to-date value, year-to-date quantity, year-to-date value, life-to-date quantity, life-to-date value?

FGB 1-1-7

What other data items are used for income and expense summary accounts?

FGB 1-1-8

How many income and expense summary accounts (nearest 50) does Epcor typically use for each district?

FGB 1-1-9

Which of the following standard data items are included in each income and expense transaction:

account number, account type, year, month, narrative, quantity, value?

FGB 1-1-10

What other data items are used for income and expense transactions?

FGB 1-1-11

How many income and expense transactions (to the nearest 100) does Epcor use each month for typical communities and districts?

FGB 1-1-12

In Epcor's estimate of \$375,000.00 to separate out each community in the Agua Fria district for Epcor's accounting system, what would be the process, cost and time required in each manual and automated step to perform this separation?

FGB 1-1-13

Considering that most current income and expense application software systems include standard manual and automated methods to add, change, delete communities within districts, when does Epcor plan to update their application software to take advantage of these functions?

FGB 1-1-14

Has Epcor already converted all Arizona American Water historical data for each district in its current income and expense system?

FGB 1-1-15

Would street-address conversion software automatically convert all consumers into the correct community in a few minutes?

FGB 1-1-16

Have Epcor's management in Arizona reviewed the many automated standard and nonstandard methods of separating districts into communities at minimal or no cost and within a few minutes in order to eliminate or to reduce Epcor's estimated costs of \$375,000.00 and six months?

FGB 1-1-17

Would such methods to allocate Agua Fria district's income and expenses into its separate communities according to criteria, such as plant value, annual consumption, total consumers or a combination of these criteria, accurately reflect the total Agua Fria district data?

FGB 1-1-18

If not, what would the variances be in value and percentages of total allocations to each community?

FGB 1-1-19

After separating out the Agua Fria district's past income and expenses into each community's own income and expenses, what additional costs would there be in tracking each community's monthly income and expenses compared with tracking only district monthly data?

FGB 1-1-20

What is the total value of developer contributions for infrastructure that Epcor wishes to include in the separation costs of each community and what percentage (nearest 1%) of total costs of each community are they?

FGB 1-1-21

Are all these developer contribution costs already included in the Epcor Agua Fria district costs transferred from Arizona American Water?

FGB 1-2

Epcor's communication, legal and information processing costs for this review

FGB 1-2-1

To reduce Epcor's estimated communication costs of more than \$100,000, can Epcor use email to communicate with those who use email and send mail only to those who do not use email?

FGB 1-2-2

To better estimate Epcor's anticipated minimum legal costs of more than \$100,000, how many lawyers are working on this review, how much are they paid per hour, what type of work are they doing and how many hours will they require?

FGB 1-2-3

Have Epcor's management in Arizona reviewed using standard indexing techniques available in most income and expense application software to extract totals of any previous period within a few seconds in order to eliminate Epcor's expensive, time-consuming reprocessing of historical data for this review?

FGB 1-2-4

Have Epcor verified the accuracy of each of the three sets of required totals (i) by subtracting the associated life-time totals from each other and (ii) by processing the associated transaction data separately?

FGB 1-3

Advantages of an internet system with easy access to rates and income and expenses from the time when the four communities were combined in the Agua Fria district

1-3-1

Although this review focuses on wastewater, would Epcor prefer to combine both water and wastewater options to minimise total costs and time?

1-3-2

With online, internet information systems available at low cost for most businesses in the last 10 - 15 years, on a scale of 1 - 9, with 9 as highest, how important is it for Epcor's management and staff in Arizona to regularly access up-to-date Epcor information on the internet, such as water and wastewater rates history and forecasts, income and expenses history and forecasts?

1-3-3

If the impact on rates of grouping the distant, isolated and separate communities into the Agua Fria district had been clearly specified for consumers on the internet before any decision was taken, could other options to combining the communities into one district easily have been reviewed?

1-3-4

If the impact on costs of erecting the North West Valley plant had been clearly specified for consumers on the internet and the responsibilities of meeting these costs without sufficient new consumers had also been clearly specified on the internet before any decision was taken, could other options to the large increases in water rates easily have been reviewed?

1-3-5

If associated increases in rates from the new borehole completed recently at Corte Bella had been clearly specified on the internet before drilling the borehole, could other options easily have been reviewed?

1-3-6

Are there any situations where providing easy access on the internet to rates and income and expenses would not have assisted the ACC, RUCO, Epcor and consumers from the time when the four communities were combined in the Agua Fria district?

FGB 1-4

Advantages of an internet system now with easy access to rates and income and expenses for all Epcor districts and communities

FGB 1-4-1

On a scale of 1 - 9, with 9 as highest, how important is it for Epcor's management in Arizona to provide on their website up-to-date information on past, current, and possible future water and wastewater rates, as well as the corresponding income and expenses?

FGB 1-4-2

On a scale of 1 - 9, with 9 as highest, how effective to Epcor's management in Arizona is Epcor's overall hardware, software, applications and staff in meeting consumers' needs for up-to-date information?

FGB 1-4-3

Are there significant advantages for Epcor, the ACC, RUCO and consumers in all Epcor districts and communities to have easy access to up-to-date rates and income and expenses on the internet in order to compare rates, evaluate alternatives and make informed decisions?

FGB 1-4-4

Have Epcor's management in Arizona reviewed standard summarizing features in most income and expense software for users to extract their own personal versions of summary data within a few seconds in order to eliminate Epcor's numerous inflexible, expensive, one-time processes?

FGB 1-4-5

In an online internet system would it be easy to verify within a few seconds the respective costs of the waste water facilities shared by Sun City West and Corte Bella consumers?

FGB 1-4-6

In an online internet system would it be easy to evaluate within a few seconds the impact of the redistricting options for the Agua Fria communities, Sun City, Sun City West, Sun City Grand and Surprise from water and waste water perspectives?

FGB 1-4-7

In an online internet system, would it be easy to provide early warnings of any rate increases from Epcor additions or changes to plant or from redistricting, to enable consumers to review additional options?

FGB 1-4-8

In an online internet system, would it be easy to see the impact of the three scenarios for this review

without any expensive and time consuming separate data summaries from Epcor?
FGB 1-4-9

In such an online internet system, would the significant costs and time for this review be saved?

FGB 1-4-10

In such an online internet system, would it have been possible to resolve the current issues in this review many months ago before decisions were taken instead of now providing the information requested?

FGB 1-4-11

Are consumers in Sun City more likely to prefer to find out from Epcor documentation in this review that Epcor are planning to spend \$9.3 million in upgrades in the next five years, consumers in Sun City West upgrades of \$4.9 million and Anthem upgrades of \$5.3 million, or to view Epcor's estimated rate increases from the upgrades in an online internet system?

FGB 1-4-12

If Epcor already provide consumers with an online, internet system to access their monthly billing and payments and Epcor also have the relevant rates and income and expense information on their computer, could Epcor easily extend their current system to include the rates and income and expense information as well?

FGB 1-4-13

Would it be prudent for Epcor to provide such a system immediately?

FGB 1-4-14

As sole water utility provider to districts and communities in Phoenix, do Epcor have a fiduciary responsibility to provide such a system to consumers immediately?

FGB 1-4-15

Is it surprising that Epcor have not provided such a system before, considering all its advantages?

FGB 1-4-16

Would it be useful to consumers for Epcor to provide an estimate of the time and cost to extend their current system in this review?

FGB 1-4-17

Would it be useful for Epcor to support such an estimate with the specific results of a brief feasibility study or prototype project, as is often done in engineering projects?

RESPONSES OF EPCOR WATER ARIZONA, INC. TO MR. BOTHA'S FIRST SET OF
DATA REQUESTS
W-01303A-09-0343
SW-01303A-09-0343

GENERAL OBJECTIONS TO ALL DATA REQUESTS

1. EPCOR Water Arizona, Inc. ("EWAZ") objects to each Request to the extent it seeks information subject to the attorney-client privilege, work product doctrine or any other privilege recognized by the State of Arizona. In responding to these Requests, EWAZ preserves all such privileges.
2. EWAZ objects to each Request to the extent that it is not reasonably calculated to lead to the discovery of admissible evidence.
3. EWAZ objects to each Request to the extent it calls for speculation.
4. EWAZ objects to each definition and/or instruction to the extent it purports to abrogate any of EWAZ's rights, or adds to any of EWAZ's obligations under, the Arizona Rules of Civil Procedure or the Commission's Rules.
5. EWAZ objects to each Request to the extent that it is overly broad, unduly burdensome and imposes any burden not expressly permitted under the Commission's Rules or the Arizona Rules of Civil Procedure.
6. EWAZ objects to each Request to the extent that the information requested constitutes "trade secrets" that are privileged under the Arizona Uniform Trade Secrets Act, Ariz. Rev. Stat. § 44-401, et. seq. (2003).
7. EWAZ objects to each Request to the extent it seeks information not within EWAZ's possession, control, or custody and/or to the extent the Requests ask EWAZ to provide information that it does not maintain in the ordinary course of business.
8. EWAZ objects to each Request to the extent it calls for a legal conclusion.
9. EWAZ reserves the right to supplement or amend its objections and responses as necessary.

In Decision No. 74588, the Commission set forth the three scenarios to be examined in this proceeding as part of a possible modification to wastewater rate design utilizing revenue requirements approved by the Commission. In addition to the general objections, EWAZ specifically objects to each of these data requests as outside the scope of this proceeding and not reasonably calculated to lead to the discovery of admissible evidence.

To the extent Responses are provided below, they are provided subject to and without waiving any of these objections.

The Respondent for each of these data requests is Ms. Sheryl Hubbard.

FGB 1-1

Comparison between EPCOR's estimate of \$375,000.00 requiring 6 months to track the wastewater costs of each community in the Aqua Fria district compared with alternatives at no cost requiring only a few minutes

FGB 1-1-1

Question: What districts do EPCOR provide with water and wastewater services in the Phoenix area?

Response: EPCOR Water USA Inc. is comprised of EPCOR Water Arizona Inc. and Chaparral City Water Company in the state of Arizona and EPCOR Water New Mexico Inc. in the state of New Mexico.

EPCOR Water Arizona Inc. provides water and wastewater services in the following districts located in close proximity to the Phoenix Metropolitan area:

Sun City Water

Sun City Wastewater

Sun City West Water

Sun City West Wastewater

Agua Fria Water

Agua Fria Wastewater

Anthem Water

Anthem Wastewater

Paradise Valley Water

Chaparral City Water Company is also located in close proximity to the Phoenix Metropolitan area.

FGB 1-1-2

Question: What are the communities in each of these districts and how many consumers (to the nearest 50) are there in each community?

Response: The customer count as of July 31, 2014 in each of the districts in close proximity to the Phoenix Metropolitan area is shown below:

July 31, 2014 District Customer Count

Sun City Water 23,417

Sun City Wastewater 22,149

Sun City West Water 15,243

Sun City West Wastewater 14,893

Agua Fria Water 40,884
Agua Fria Wastewater 6,380
Anthem Water 8,828
Anthem Wastewater 8,711
Paradise Valley Water 4,884
Chaparral City Water Company 13,652

FGB 1-1-3

Question: Which of the following standard data items are included in each account description in your income and expense system:
account type, account number, account description?

Response: The income and expense system used by EPCOR Water Arizona is based upon an ORACLE platform. The account string includes the business unit (district), responsibility center, project number, activity code, location, account number, and an intercompany reference. This system has been in existence since February 1, 2012 when Arizona American Water Company was purchased by EPCOR Water USA Inc.

FGB 1-1-4

Question: What other data items are used for income and expense description accounts?

Response: Please see response to FGB 1-1-3.

FGB 1-1-5

Question: How many income and expense description accounts (to the nearest 50) does EPCOR typically use for each district?

Response: Approximately 150 line items are included in the income and expense summaries for each district.

FGB 1-1-6

Question: Which of the following standard data items are included in each income and expense summary account:
account number, account type, year, month, month-to-date quantity, month-to-date value, year-to-date quantity, year-to-date value, life-to-date quantity, life-to-date value?

Response: Reports can be run by account number that will provide the activity by period for any preset period of time. These reports are Excel based.

FGB 1-1-7

Question: What other data items are used for income and expense summary accounts?

Response: Please see response to FGB 1-1-3 and FGB 1-1-6.

FGB 1-1-8

Question: How many income and expense summary accounts (nearest 50) does EPCOR typically use for each district?

Response: The Company is able to use any of the 150 income and expense accounts referred to in its response to FGB 1-1-5 for all of its districts.

FGB 1-1-9

Question: Which of the following standard data items are included in each income and expense transaction:

account number, account type, year, month, narrative, quantity, value?

Response: Please see FGB 1-1-3. Each income and expense transaction should include at a minimum the business unit (district), an account number, an amount of the transaction and a date. Invoices supporting the accounting entry may contain additional information about the transaction. Invoice information is typically entered through an Accounts Payable batch which includes the date of the transaction and may include item quantities.

FGB 1-1-10

Question: What other data items are used for income and expense transactions?

Response: Additional information on transactions would typically be included on journal entry transactions to provide an audit trail if further information is required.

FGB 1-1-11

Question: How many income and expense transactions (to the nearest 100) does EPCOR use each month for typical communities and districts?

Response: The number of transactions varies each month and EPCOR does not maintain this information by community.

FGB 1-1-12

Question: In EPCOR's estimate of \$375,000.00 to separate out each community in the Agua Fria district for EPCOR's accounting system, what would be the process, cost and time required in each manual and automated step to perform this separation?

Response: Further deconsolidation of the Agua Fria Wastewater District presents a number of challenging and costly issues. Further deconsolidation of the Agua Fria Wastewater District requires a separation of the historical infrastructure costs of the three sub-areas (Northeast Agua Fria, Verrado, & Russell Ranch) into separate utility rate bases. The historical costs of the infrastructure and facilities were charged to the one district and were not segregated to identify which facilities were installed in each community or sub-area within the Agua Fria Wastewater District. Developer contributions and advances were also charged to the one district and not to the separate sub-areas. Revenues and operating costs are also accounted for in the same manner.

When plant is constructed, all project costs are typically coded to the appropriate operating district along with the NARUC account number. Since the Agua Fria Wastewater District was maintained as a separate operating district for accounting purposes, these capitalized charges are only identifiable as Agua Fria Wastewater assets.

The Agua Fria Wastewater District's certificates of convenience and necessity (CC&Ns) were granted prior to April, 2003. The development agreements that were entered into with developers had terms that included refunds of the developer contributions and advances over time. When these refunds were made, they were charged to the one district as there was no need to further segregate them by development or community in the accounting records. In addition, the original accounting occurred under the ownership of Citizens Utilities which, sold its assets to American Water and is now under EPCOR's ownership.

The operating costs for the facilities in each community within the Agua Fria district are also coded to one district. That has been the practice since the facilities began operation and in order to accurately determine the cost of operation for each community within the district, these costs would have to be reviewed to determine which community should bear the appropriate expense amount for operating and maintaining the facilities in its territory. The accounting has gone through numerous reviews by the Commission Staff over the years and has been found to be in compliance with NARUC accounting. However, that does not reduce the amount of effort to accurately identify and segregate the costs to determine the appropriate rate base and income and expenses of each sub-area. In addition, some of the wastewater flows are treated at the Northwest Valley Regional Water Reclamation Facility ("NWVRWF") which requires allocations of the common plant and operating expenses of the treatment plant into the Agua Fria district.

The process to segregate all of the construction costs and advances and contributions related to each sub-area within the Agua Fria Wastewater District could take anywhere from six months to one year due to the magnitude of the number of work orders and the number of years of data that are involved. The Agua Fria Wastewater district has evolved into the current district since the CC&N extension pertaining to the Verrado sub-area was authorized by the Arizona Corporation Commission ("ACC") in late 2001. Subsequent to that time, additional development in the Russell Ranch sub-area and the Northeast Agua Fria sub-area has continued well into 2012 and continues to this day. All of these areas have included developer funding through advances in aid of construction ("AIAC") and contributions in aid of construction ("CIAC"). The identification of the AIAC and CIAC and the associated level of refunding of AIAC is an important element to accurately quantify each sub-area's rate base to be used to determine the rate impacts for each sub-area.

FGB 1-1-13

Question: Considering that most current income and expense application software systems include standard manual and automated methods to add, change, delete communities within districts, when does EPCOR plan to update their application software to take advantage of these functions?

Response: To my knowledge, EPCOR does not have any current plans to update its ORACLE systems. However, the accounting information is not all contained in the ORACLE systems. As identified above in FGB 1-1-12, the historical costs have been recorded by Citizens Utilities, Arizona-American and EPCOR and not all, used the same accounting programs to record the costs.

FGB 1-1-14

Question: Has EPCOR already converted all Arizona American Water historical data for each district in its current income and expense system?

Response: No, because it was not necessary.

FGB 1-1-15

Question: Would street-address conversion software automatically convert all consumers into the correct community in a few minutes?

Response: EPCOR is not certain to which software this request is referring. However, identifying customers by community is not the crux of the issue to identify costs associated with the subareas of the Agua Fria Wastewater district. The much more labor intensive effort will lie with the identification of the plant costs, developer advances and refunds and contributions by the sub-areas.

FGB 1-1-16

Question: Have EPCOR's management in Arizona reviewed the many automated standard and nonstandard methods of separating districts into communities at minimal or no cost and within a few minutes in order to eliminate or to reduce EPCOR's estimated costs of \$375,000.00 and six months?

Response: Not to my knowledge. As explained in FGB 1-1-12, the effort to identify the separate rate base components will largely be a manual exercise of reviewing the asset data and determining which sub-area it relates to.

FGB 1-1-17

Question: Would such methods to allocate Agua Fria district's income and expenses into its separate communities according to criteria, such as plant value, annual consumption, total consumers or a combination of these criteria, accurately reflect the total Agua Fria district data?

Response: To the extent this requests a legal conclusion, the Company objects to this request. The accuracy and acceptability of the data must be determined by the Arizona Corporation Commission.

FGB 1-1-18

Question: If not, what would the variances be in value and percentages of total allocations to each community?

Response: As the Company has not determined what the actual value of the plant assets is for each sub area, it is not possible to identify the potential variances in value.

FGB 1-1-19

Question: After separating out the Agua Fria district's past income and expenses into each community's own income and expenses, what additional costs would there be in tracking each community's monthly income and expenses compared with tracking only district monthly data?

Response: Tracking each community's monthly income and expenses would add additional administrative effort for employees to properly code the labor costs both for capital projects and operations and maintenance activities. Accounting would be responsible for maintaining three additional business units. Power costs would need to be separately tracked and charged to the facilities in each sub area, rate cases would require three additional rate groups and the associated standard filing requirements, and the list could go on and on. This would be similar to segmented accounting and the smaller the segments would result in lower efficiencies being achieved.

FGB 1-1-20

Question: What is the total value of developer contributions for infrastructure that EPCOR wishes to include in the separation costs of each community and what percentage (nearest 1%) of total costs of each community are they?

Response: In the last rate case for the Agua Fria Wastewater district, Advances of \$33,355,820 were included in the calculation of Rate Base and Contributions in aid of construction of \$13,011,518 were also included as reductions to the Net Plant in Service of \$65,045,143. At this time, the Company does not know what percentage of total costs of each community they represent.

FGB 1-1-21

Question: Are all these developer contribution costs already included in the EPCOR Agua Fria district costs transferred from Arizona American Water?

Response: Yes.

FGB 1-2

EPCOR's communication, legal and information processing costs for this review

FGB 1-2-1

Question: To reduce EPCOR's estimated communication costs of more than \$100,000, can EPCOR use email to communicate with those who use email and send mail only to those who do not use email?

Response: The Arizona Corporation Commission prescribes the methods that EPCOR Water Arizona Inc. must utilize to send notices to its customers for this proceeding. The Company has estimated the notice costs at approximately \$100,000.

FGB 1-2-2

Question: To better estimate EPCOR's anticipated minimum legal costs of more than \$100,000, how many lawyers are working on this review, how much are they paid per hour, what type of work are they doing and how many hours will they require?

Response: The Commission has authorized an accounting order to defer these costs and the prudence of the incurred costs will be determined in a future rate case at which time it will be determined if these costs can be recovered in rates.

FGB 1-2-3

Question: Have EPCOR's management in Arizona reviewed using standard indexing techniques available in most income and expense application software to extract totals of any previous period within a few seconds in order to eliminate EPCOR's expensive, time consuming reprocessing of historical data for this review?

Response: The historical income and expenses of previous periods is less problematic than the identification of the plant assets, advances, contributions that will be used to establish the Rate Base for each sub-area. Please refer to FGB 1-1-12 and FGB 1-1-16

FGB 1-2-4

Question: Have EPCOR verified the accuracy of each of the three sets of required totals (i) by subtracting the associated Life-time totals from each other and (ii) by processing the associated transaction data separately?

Response: No.

FGB 1-3

Advantages of an Internet system with easy access to rates and income and expenses from the time when the four communities were combined in the Agua Fria district

FGB 1-3-1

Question: Although this review focuses on wastewater, would EPCOR prefer to combine both water and wastewater options to minimize total costs and time?

Response: EPCOR has stated its position in its prior filings. The Commission's decisions have determined the scope of this proceeding.

FGB 1-3-2

Question: With online, Internet information systems available at low cost for most businesses in the last 10 - 15 years, on a scale of 1 - 9, with 9 as highest, how important is it for EPCOR's management and staff in Arizona to regularly access up-to-date EPCOR information on the internet, such as water and wastewater rates history and forecasts, income and expenses history and forecasts?

Response: EPCOR's management and staff in Arizona are already able to regularly access up-to-date confidential EPCOR information securely.

FGB 1-3-3

Question: If the impact on rates of grouping the distant, isolated and separate communities into the Agua Fria district had been clearly specified for consumers on the internet before any decision was taken, could other options to combining the communities into one district easily have been reviewed?

Response: EPCOR objects to this request as it calls for speculation. The Company does not have any information with which to respond to this request.

FGB 1-3-4

Question: If the impact on costs of erecting the North West Valley plant had been clearly specified for consumers on the internet and the responsibilities of meeting these costs without sufficient new consumers had also been clearly specified on the internet before any decision was taken, could other options to the large increases in water rates easily have been reviewed?

Response: EPCOR objects to this request as it calls for speculation. The Company does not have any information with which to respond to this request.

FGB 1-3-5

Question: If associated increases in rates from the new borehole completed recently at Corte Bella had been clearly specified on the Internet before drilling the borehole, could other options easily have been reviewed?

Response: This request calls for speculation. The Company does not have any information with which to respond to this request.

FGB 1-3-6

Question: Are there any situations where providing easy access on the Internet to rates and income and expenses would not have assisted the ACC, RUCO, EPCOR and consumers from the time when the four communities were combined in the Agua Fria district?

Response: EPCOR objects to this request as it calls for speculation. The Company does not have any information with which to respond to this request.

FGB 1-4

Advantages of an internet system now with easy access to rates and income and expenses for all EPCOR districts and communities

FGB 1-4-1

Question: On a scale of 1 - 9, with 9 as highest, how important is it for EPCOR's management in Arizona to provide on their website up-to-date information on past, current, and possible future water and wastewater rates, as well as the corresponding income and expenses?

Response: Communicating with our customers through any available medium that the Company has access to is very important. It is also highly important that any information that we provide is accurate and timely and is secure such that it is not subject to manipulation or leads to security breaches in our systems.

FGB 1-4-2

Question: On a scale of 1 - 9, with 9 as highest, how effective to EPCOR's management in Arizona is EPCOR's overall hardware, software, applications and staff in meeting consumers' needs for up-to-date information?

Response: Providing our customers with current up-to-date information is extremely important to the Company but all hardware, software, applications and staff levels have a price associated with purchase and maintenance.

FGB 1-4-3

Question: Are there significant advantages for EPCOR, the ACC, RUCO and consumers in all EPCOR districts and communities to have easy access to up-to-date rates and income and expenses on the internet in order to compare rates, evaluate alternatives and make informed decisions?

Response: When the Company files a rate change request with the Arizona Corporation Commission, the rate application, in its entirety, is made available to our customers on the Company website and in its offices. These documents contain income and expenses as well as a comparison of the current rates to the proposed rates so that customers are able to evaluate the Company's proposal.

FGB 1-4-4

Question: Have EPCOR's management in Arizona reviewed standard summarizing features in most income and expense software for users to extract their own personal versions of summary data within a few seconds in order to eliminate EPCOR's numerous inflexible, expensive, one-time processes?

Response: Not to my knowledge.

FGB 1-4-5

Question: In an online internet system would it be easy to verify within a few seconds the respective costs of the waste water facilities shared by Sun City West and Corte Bella consumers?

Response: EPCOR objects to this request as it calls for speculation. The Company does not have any information with which to respond to this request

FGB 1-4-6

Question: In an online Internet system would it be easy to evaluate within a few seconds the impact of the redistricting options for the Agua Fria communities, Sun City, Sun City West, Sun City Grand and Surprise from water and waste water perspectives?

Response: Please refer to the response to FGB 1-4-5.

FGB 1-4-7

Question: In an online Internet system, would it be easy to provide early warnings of any rate increases from EPCOR additions or changes to plant or from redistricting, to enable consumers to review additional options?

Response: EPCOR objects to this request as it calls for speculation. Subject to and without waiving this objection, EPCOR responds as follows:

As a regulated public utility, the costs incurred to provide the required services for our customers are reviewed by the Arizona Corporation Commission in a regulated proceeding to determine their reasonableness and prudence. Public noticing is required by the ACC for all rate case applications to inform customers of the commencement of rate case hearings and to inform customers on how to participate in the proceeding. The customer notices are required to be placed in a newspaper of general circulation as well as a bill insert or bill text message. As such, consumers are notified and have an opportunity to be heard and have due process before the ACC issues decisions on these types of investments.

FGB 1-4-8

Question: In an online Internet system, would it be easy to see the impact of the three scenarios for this review without any expensive and time consuming separate data summaries from EPCOR?

Response: No. Please refer to FGB 1-1-12 and FGB 1-1-16.

FGB 1-4-9

Question: In such an online internet system, would the significant costs and time for this review be saved?

Response: No. Please refer to FGB 1-1-12 and FGB 1-1-16.

FGB 1-4-10

Question: In such an online internet system, would it have been possible to resolve the current issues in this review many months ago before decisions were taken instead of now providing the information requested?

Response: EPCOR objects to this request as it calls for speculation.

Subject to and without waiving these objections, EPCOR responds as follows:

The accounting information for the periods from inception of these sub-areas to date would have still required the time intensive and significant efforts to break out the accounting information. The data is in a form that cannot be segregated accurately without a thorough review process at the individual transaction level.

FGB 1-4-11

Question: Are consumers in Sun City more likely to prefer to find out from EPCOR documentation in this review that EPCOR are planning to spend \$9.3 million in upgrades in the next five years, consumers in Sun City West upgrades of \$4.9 million and Anthem upgrades of \$5.3 million, or to view EPCOR's estimated rate increases from the upgrades in an online internet system?

Response: The Company cannot speak on behalf of consumers in the Sun City, Sun City West, or Anthem wastewater districts on their preferences for documentation.

FGB 1-4-12

Question: If EPCOR already provide consumers with an online, internet system to access their monthly billing and payments and EPCOR also have the relevant rates and income and expense information on their computer, could EPCOR easily extend their current system to include the rates and income and expense information as well?

Response: Internet access to customer account information is a separate system from the Company's accounting system. See response to FGB 1-4-1.

FGB 1-4-13

Question: Would it be prudent for EPCOR to provide such a system immediately?

Response: Providing such a system immediately without any previous vetting of the costs or benefits not to mention maintaining the security of these systems would not be prudent.

FGB 1-4-14

Question: As sole water utility provider to districts and communities in Phoenix, do EPCOR have a fiduciary responsibility to provide such a system to consumers immediately?

Response: EPCOR objects to this request as it calls for a legal conclusion.

FGB 1-4-15

Question: Is it surprising that EPCOR have not provided such a system before, considering all its advantages?

Response: EPCOR objects to this requests as it calls for speculation and lacks foundation. .

FGB 1-4-16

Question: Would it be useful to consumers for EPCOR to provide an estimate of the time and cost to extend their current system in this review?

Response: The scope of this proceeding has been determined by the Commission.

FGB 1-4-17

Question: Would it be useful for EPCOR to support such an estimate with the specific results of a brief feasibility study or prototype project, as is often done in engineering projects?

Response: The Company does not have an opinion of whether or not it would be useful for EPCOR to support "such an estimate" because at this time there isn't a defined project for the Company to have reviewed.

Questions 2 to Epcor from Fred Botha

On page 1 of its introduction to my first set of data requests Epcor objects that my data requests are outside the scope of this proceeding and not reasonably calculated to lead to the discovery of admissible evidence.

In response, Epcor in Decision No. 74588 the Commission set forth the three scenarios to be examined and each of the scenarios requires data that Epcor could easily have made available in an online internet information system long before the ACC's request - as part of a standard information system provided first by Arizona America and then by Epcor to assist consumers. Past data, current data and future data should be all part of the same online internet information system for consumers, showing that these data requests are clearly within the scope of this proceeding and are reasonably calculated to lead to the discovery of admissible evidence. Consequently, Epcor's objections are frivolous.

FGB 2-1

Comparison between Epcor's estimate of \$375,000.00 requiring 6 months to track the wastewater costs of each community in the Agua Fria district compared with alternatives at no cost requiring only a few minutes

FGB 2-1-1 (Ref FGB 1-1-6)

Does Epcor use features in its Oracle system to combine totals for different divisions for any period in order to produce the three sets of totals required by the Commission?

FGB 2-1-2 (Ref FGB 1-1-11)

What is the highest, lowest and average number of monthly income and expense transactions (to the nearest 50) for a typical district?

FGB 2-1-3 (Ref FGB 1-1-12)

How many physical plant items are recorded in Epcor's Oracle system for the Agua Fria district?

FGB 2-1-4 (Ref FGB 1-1-12)

Is each plant item a separate record for the purpose of accumulated depreciation and income and expense allocation, as typically recorded and required for IRS taxation purposes?

FGB 2-1-5 (Ref FGB 1-1-12)

If not, why not?

FGB 2-1-6 (Ref FGB 1-1-12)

Is the original purchase date and purchase cost of each plant item recorded in Epcor's Oracle system, as typically recorded and required for IRS taxation purposes?

FGB 2-1-7 (Ref FGB 1-1-12)

Can each plant item be readily identified at its physical location?

FGB 2-1-8 (Ref FGB 1-1-12)

How many unique plant locations are there for each community in Agua Fria district?

FGB 2-1-9 (Ref FGB 1-1-12)

How many plant items are there at each of these locations (to the nearest 10)?

FGB 2-1-10 (Ref FGB 1-1-12)

How many joint plant locations are there for each community in Agua Fria district?

FGB 2-1-11 (Ref FGB 1-1-12)

How many plant items are there at each of these locations (to the nearest 10)?

FGB 2-1-12 (Ref FGB 1-1-14)

If conversion was not necessary, does this mean that all the data for Arizona American and Citizens Utilities for depreciation and income and expense allocation is included in Epcor's Oracle system?

FGB 2-1-13 (Ref FGB 1-1-14)

If not, why was it not necessary to convert it?

FGB 2-1-14 (Ref FGB 1-1-14)

If each plant item can be easily allocated to its community location, is the data for all plant items in Agua Fria, including Citizens Utilities and Arizona American, up-to-date in terms of cumulative depreciation for IRS tax purposes?

FGB 2-1-15 (Ref FGB 1-1-14)

Is total depreciation for all plant items in the Agua Fria district up-to-date for IRS tax purposes?

FGB 2-1-16 (Ref FGB 1-1-14)

If not, why not?

FGB 2-1-17 (Ref FGB 1-1-15)

If there is a quick and easy automated way to convert the Agua Fria data into data for its separate communities, is Epcor prepared to use this?

FGB 2-1-18 (Ref FGB 1-1-15)

If not, why not?

FGB 2-1-19 (Ref FGB 1-1-17)

If the ACC agrees to such criteria for the purposes of rapid and automated conversion, will Epcor accept the criteria?

FGB 2-1-20 (Ref 1-1-18)

If total values for each community balance to the district total, will this be acceptable to Epcor?

FGB 2-1-21 (Ref 1-1-19)

Can these costs be estimated by estimating the increased number of transactions each month?

FGB 2-1-22 (New question)

When a corporation purchases another corporation, it is customary for the purchasing corporation to assume the assets and the liabilities of the purchased corporation, unless specifically excluded by prior agreement. Did Epcor have any agreement to pass on the costs of separating the Agua Fria division's assets and liabilities and income and expenses to its communities?

FGB 2-1-25 (New question)

How many months has Epcor been aware of the issue of separating out Agua Fria data into data for each of its communities?

FGB 2-1-26 (New question)

How many staff members will be needed to resolve this issue of separating the Agua Fria data and for how many days each?

FGB 2-2

Epcor's communication, legal and information processing costs for this review

FGB 2-2-1 (Ref 1-2-2)

To better estimate Epcor's anticipated minimum legal costs of more than \$100,000, how many lawyers are working on this review, how much are they paid per hour, what type of work are they doing and how many hours are they estimate to require?

This question was not answered previously - instead the accounting order was mentioned as approved.

FGB 2-4

Advantages of an internet system now with easy access to rates and income and expenses for all Epcor districts and communities

FGB 2-4-1 (Ref 1.3.2)

What are the advantages to Epcor's management and staff in Arizona to be able to regularly and rapidly access up-to-date confidential Epcor information securely on their own computer system?

FGB 2-4-2 (Ref 1.3.2)

Is it possible or probable or even likely that consumers want to regularly and rapidly access public up-to-date previous, current and estimated future water and wastewater rates as well as previous, current and estimated future income and expenses for all districts and communities securely on Epcor's internet computer system?

FGB 2-4-3 (Ref 1-3-1...1-3-6) (Ref 1-4-1...1-4-17)

Accurate income and costs are required to determine fair rates, as is happening in this proceeding with the three different cost scenarios required by the ACC from Epcor.

Could a permanent online, internet information system easily and automatically at no charge provide the information for consumers to review such rates and income and costs now, especially future estimated rates and income and costs from from Epcor's planned plant updates, instead of documentation of mere planned expenditures as provided by Epcor at present?

FGB 2-4-4 (Ref 1-3-1...1-3-6) (Ref 1-4-1...1-4-17)

If not, why not?

FGB 2-4-5 (Ref 1-3-1...1-3-6) (Ref 1-4-1...1-4-17)

Would Epcor have supported such a system when the communities were combined into the Agua Fria district?

FGB 2-4-6 (Ref 1-3-1...1-3-6) (Ref 1-4-1...1-4-17)

If not, why not?

FGB 2-4-7 (Ref 1-3-1...1-3-6) (Ref 1-4-1...1-4-17)

Does Epcor support such a system for their own staff, the ACC, RUCO and consumers now?

FGB 2-4-8 (Ref 1-3-1...1-3-6) (Ref 1-4-1...1-4-17)

If not, why not?

FGB 2-4-9 (Ref 1-3-1...1-3-6) (Ref 1-4-1...1-4-17)

If not, what type of system does Epcor recommend as an alternative to the option in 2-4-3?

FGB 2-4-10 (Ref 1-4-3)

Does Epcor consider that access in its offices to printed documents of rates, income and expenses is as convenient as access to an online, internet information system and an acceptable alternative?

FGB 2-4-11 (Ref 1-4-3)

If so, why?

FGB 2-4-12 (Ref 1-4-11)

Why is the ACC requesting rate scenarios from Epcor and not expenditure scenarios?

FGB 2-4-13 (Ref 1-4-11)

Which is more important to consumers - rates or expenditures?

FGB 2-4-14 (Ref 1-4-12)

If Epcor can provide a system for customer account information, why does Epcor not provide a separate online, internet system for rates, income and costs?

RESPONSES OF EPCOR WATER ARIZONA, INC. TO MR. BOTHA'S SECOND SET OF
DATA REQUESTS

W-01303A-09-0343

SW-01303A-09-0343

GENERAL OBJECTIONS TO ALL DATA REQUESTS

1. EPCOR Water Arizona, Inc. ("EWAZ") objects to each Request to the extent it seeks information subject to the attorney-client privilege, work product doctrine or any other privilege recognized by the State of Arizona. In responding to these Requests, EWAZ preserves all such privileges.
2. EWAZ objects to each Request to the extent that it is not reasonably calculated to lead to the discovery of admissible evidence.
3. EWAZ objects to each Request to the extent it calls for speculation.
4. EWAZ objects to each definition and/or instruction to the extent it purports to abrogate any of EWAZ's rights, or adds to any of EWAZ's obligations under, the Arizona Rules of Civil Procedure or the Commission's Rules.
5. EWAZ objects to each Request to the extent that it is overly broad, unduly burdensome and imposes any burden not expressly permitted under the Commission's Rules or the Arizona Rules of Civil Procedure.
6. EWAZ objects to each Request to the extent that the information requested constitutes "trade secrets" that are privileged under the Arizona Uniform Trade Secrets Act, Ariz. Rev. Stat. § 44-401, et. seq. (2003).
7. EWAZ objects to each Request to the extent it seeks information not within EWAZ's possession, control, or custody and/or to the extent the Requests ask EWAZ to provide information that it does not maintain in the ordinary course of business.
8. EWAZ objects to each Request to the extent it calls for a legal conclusion.
9. EWAZ reserves the right to supplement or amend its objections and responses as necessary.

SPECIFIC OBJECTIONS

1. In Decision No. 74588, the Commission set forth the three scenarios to be examined in this proceeding as part of a possible modification to wastewater rate design utilizing revenue requirements approved by the Commission. EWAZ objects to the following data requests as outside the scope of this proceeding and not reasonably calculated to lead to the discovery of admissible evidence: 2-1-1 through 2-1-26; 2-2-1; 2-4-1 through 2-4-14.
2. EWAZ objects to the following data requests as overly broad and unduly burdensome: 2- 1-2; 2-1-3; 2-1-8; 2-1-9; 2-1-10; 2-1-11.
3. EWAZ objects to the following data requests as calling for speculation: 2-1-19; 2-1-20; 2-1-26; 2-4-5; 2-4-12; 2-4-12; 2-4-13.
4. EWAZ objects to all data requests previously answered and refers to those responses from the first set of data requests.