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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP
Chairman

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Commissioner

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Commissioner

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AZ CORP COMMISSION
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Arizona Corporation Commission
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OCT 06 2014

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IN THE MATTER OF THE APPLICATION)
OF ARIZONA-AMERICAN WATER)
COMPANY, AN ARIZONA)
CORPORATION, FOR A)
DETERMINATION OF THE CURRENT)
FAIR MARKET VALUE OF ITS UTILITY)
PLANT AND PROPERTY AND FOR)
INCREASES IN ITS RATES AND)
CHARGES BASED THEREON FOR)
UTILITY SERVICE BY ITS)
ANTHEM/AGUA FRIA WASTEWATER)
DISTRICT, SUN CITY WASTEWATER)
DISTRICT, AND SUN CITY WEST)
WASTEWATER DISTRICT)
_____)

DOCKET NOS. SW-01303A-09-0343
W-01303A-09-0343

NOTICE OF FILING DIRECT
TESTIMONY

The undersigned, Diane Smith, a resident of the Corte Bella Country Club Association
("CBCCA"), a members of the CBCCA Government Affairs Committee and a petitioner in these
proceedings hereby files her attached direct testimony dated October 6, 2014.

RESPECTFULLY SUBMITTED this 6th day of October, 2014.



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ORIGINAL and thirteen (13) copies Filed this day with:

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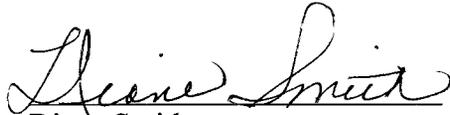
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By:


Diane Smith

BEFORE THE ARIZONA CORPORATION COMMISSION

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Chairman

GARY PIERCE
Commissioner

BRENDA BURNS
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DOCKET NOS. SW-01303A-09-0343
W-01303A-09-0343

**NOTICE OF FILING DIRECT
TESTIMONY**

**DIRECT TESTIMONY
OF
DIANE TERRY SMITH
A RESIDENT OF THE CORTE BELLA COUNTRY CLUB ASSOCIATION**

OCTOBER 6, 2014

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1 **I. INTRODUCTION AND QUALIFICATIONS:**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 **A.** Diane Terry Smith, 13234 West Cabrillo Drive, Sun City West, Arizona
4 85375. I have been a Corte Bella resident since 2004.

5 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
6 **EDUCATION.**

7 **A.** I was employed for almost 24 years with a major airline, during my tenure I
8 was active in union contract negotiations, serving on the Master Executive
9 Council. Additionally I negotiated wage and hour agreements and
10 successfully negotiated one of the industry's first retirement plans for Flight
11 Attendants. I served on the Mediation Board for the union for 7 years. My
12 subsequent employment was with US West as a Senior Account Executive,
13 in the sales and marketing division and later as an Associate Faculty at
14 Arizona State University in the Prevention Intervention Research
15 Department serving as the Community Liaison for school districts in the
16 West Valley. I have a Bachelor of Arts Degree in Business Management
17 from the University of Phoenix and a degree and certification in education
18 from Colorado State University. I have pursued advanced studies seeking a
19 Master Degree in Business. I have been a licensed Realtor for 28 years in
20 Arizona.

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

22 **A.** The purpose of my direct testimony is to provide information as it relates to
23 our petitions and letters regarding our wastewater rates and the extreme

1 financial “crisis” these rate increases have placed on the residents of our
2 community. Residents have gone to great lengths to conserve water and
3 wastewater, taking 2 minute showers, removing plants, hiring an engineer as
4 required by EPCOR for \$350.00 or more so that EPCOR could change out
5 their water meters to a smaller size - only to have another rate increase
6 diminish or negate the conservation actions. It is in the best interest of
7 public policy to consider a full consolidation of all districts to alleviate
8 community-specific “rate shock” and insure that all consumers are paying
9 the same charge for the same product with only incidental variations.

10 **II. BACKGROUND**

11 **Q. PLEASE PROVIDE SOME BACKGROUND AS TO WHY YOU ARE** 12 **APPEARING BEFORE THIS COMMISSION.**

13 **A.** During the hearings in 2012, our community was concerned that
14 deconsolidation would drastically impact wastewater charges and after the
15 deconsolidation of the Agua Fria District from the Anthem District, those
16 fears became a reality. Wastewater rates increased and the problem began to
17 take on critical proportions. I became involved as the Chairperson of our
18 HOA Government Affairs Committee (“GAC”) since I realized the
19 wastewater rates were becoming untenable for residents. When homes were
20 purchased in our community, no one could anticipate such extreme rate
21 hikes over the years. For many, at the time of purchase, the rates were
22 similar to those currently in Sun City West. The escalating rates were
23 affecting the home values and sales in our community. Something had to be
24 done to reduce the discriminatory treatment. But GAC is a group of resident
25 consumers not water specialists so we researched and evaluated our options.

1 Numerous previous decisions or recommendations made by this
2 Commission ordered a review of consolidation options. We believed it was
3 time to revisit these issues given the current crisis.

4 **Q. AND BASED ON THAT EVALUATION, WHAT DID YOU AND**
5 **YOUR SIMILARLY SITUATED NEIGHBORING COMMUNITIES**
6 **DECIDE WAS APPROPRIATE ACTION?**

7 **A.** We recognized that the situation for our Agua Fria wastewater neighbors
8 was almost identical – discriminatory high wastewater costs; and at the same
9 time we were aware of the significantly lower rates of other neighbors.
10 Even as a lay person, I knew that large variable rates in the cost of a product
11 provided equally to all consumers was a probable violation of the Arizona
12 constitution so we needed to approach the ACC with our concerns and bring
13 these issues to the forefront of the Commission. We needed and still need
14 immediate relief and just as importantly, the discriminatory rate practices
15 and policies must cease.

16 We met with EPCOR and their principals early in January of 2014 and with
17 RUCO. We required assistance in regards to the procedures and policies of
18 doing a grass roots petition and an appeal for wastewater rate reduction.
19 Based on these meetings, we originally petitioned for deconsolidation from
20 the Agua Fria and asked to be consolidated into the Sun City West Water
21 and Wastewater district as we have always used the same “flume” for our
22 wastewater transfer to the Northwest Valley Treatment Facility
23 (NWVRWRF). Again, our belief, based on prior meetings, was that this
24 action would/could significantly reduce our wastewater bills.

1 We collected over 3900 petitions, 1300 from Corte Bella which has 1650
2 homes and presented our petitions and letters to the ACC, RUCO and to
3 EPCOR. Prior to these petitions being presented we had meetings with all
4 of the entities involved and requested assistance and gave notice of our
5 impending process. As a result of our wastewater bills, our residents have
6 had to choose between life sustaining water or ongoing living expenses.
7 These elevated rates are making it difficult for our community of seniors,
8 most over 55 years of age on fixed incomes to maintain their standard of
9 living.

10 **Q. CAN YOU DESCRIBE FOR THE COMMISSION, THE CHANGE IN**
11 **YOUR POSITION?**

12 **A.** Throughout this process, which has been a learning experience for us, we
13 came to realize that the concept of full consolidation had previously been
14 discussed as the most logical and equitable long-term solution for all parties.
15 We do not want to impose on our neighbors the same “rate shock”
16 experienced by Corte Bella residents but at the same time, our community
17 and its residents are in a “crisis” situation.

18 In Decision 74588, this Commission ordered EPCOR to provide a
19 discussion and analysis of full consolidation of its wastewater districts.
20 Based on the direct testimony of EPCOR, we realize that full consolidation
21 of the five wastewater districts would be in the best interest of all parties,
22 including EPCOR. Constitutional claims would be alleviated, “rate shock”
23 dissipated and consumers would pay a just and reasonable rate for these
24 services without an adverse economic impact on EPCOR. In fact, EPCOR
25 which noted in their direct testimony that full consolidation was a revenue

1 neutral rate design for its wastewater districts which did not, in its opinion,
2 necessitate a full rate case.

3 **III. ALTERNATIVES ORDERED REVIEWED BY THE COMMISSION**

4 **Q. DO YOU FEEL A DECONSOLIDATION OF THE AGUA FRIA**
5 **WASTE WATER DISTRICT IS A VIABLE ALTERNATIVE AND**
6 **EXPLAIN?**

7 A. Deconsolidation is not a viable option. The Commission directive to discuss
8 and provide analysis on the rate impacts of full deconsolidation of the Agua
9 Fria Wastewater district would not provide the rate parity we seek. Full
10 deconsolidation isolates some communities from the Agua Fria rates but,
11 again, not provide rate parity across all users of the Northwest Valley
12 Treatment Plant.

13 **Q. DO YOU FEEL RECONSOLIDATION OF ANTHEM AND AGUA**
14 **FRIA IS A VIABLE ALTERNATIVE AND EXPLAIN?**

15 A. No, reconsolidation of the Anthem and Agua Fria Districts is not a viable
16 option. This would be a piecemeal solution. We require a permanent
17 system-wide waste water procedure to regulate rates fairly and equitably for
18 all consumers.

19 **Q. DO YOU FEEL CONSOLIDATION IS A VIABLE ALTERNATIVE**
20 **AND EXPLAIN.**

21 A. Yes, I believe consolidation of the five waste water districts serviced by
22 EPCOR is viable and would provide rate parity for all consumers with
23 economic benefits to the company on both a short-term as well as long-term
24 basis. As I have stated previously to this Commission and as noted in the

1 September 8th direct testimony of Shawn Bradford of EPCOR (Page 13,
2 lines 8-19)

- 3 1. Consolidation would offer and could be a long term solution to
4 eliminate disparity in rates;
- 5 2. Improves Service affordability for customers ;
- 6 3. Helps control cost of customer accounting and billing systems;
- 7 4. Provides ratemaking treatment similar to that for other utilities;
- 8 5. Improved rate stability and elimination of rate shock;
- 9 6. Reduction in the number of rate cases and associates expenses;
- 10 7. Elimination of cost allocation issues between districts in rate filings;
- 11 8. Standardized service rates and charges across all districts;
- 12 9. Reduced customer confusion with respect to differing rate schedules
13 among districts which improves customer service efforts; and ,
- 14 10. Lowers administrative costs for the Commission

15
16 **Q. IF FULL CONSOLIDATION IS TO BE ORDER BY THIS**
17 **COMMISSION, WHAT DO YOU BELIEVE WILL BE THE IMPACT**
18 **ON EPCOR CONSUMERS?**

19 **A.** Consolidation would provide flat rates which means monthly bill would be
20 the same every month. To date the five districts all have a different number
21 of rate schedules, varying in number from 6-25. In addition, certain areas in
22 the Agua Fria, but not all, pay a volumization fee for their wastewater. Such
23 charges, imposed on certain but not all areas, are discriminatory and not just
24 and reasonable.

25 As Sheryl Hubbard of EPCOR has reiterated in her in Direct Testimony (
26 Page 6, lines 11-15): “The Company continues to support full consolidation
27 of its wastewater districts as the best long term solution”.

1 In addition, in discussing the concept of rate design (Page 8, lines 12-21),
2 Ms. Hubbard clarifies that “[r]ate design is an exercise of allocating a
3 revenue requirement among customers. Using the billing determinants in
4 the last rate case for Anthem Wastewater, Agua Fria Wastewater, Sun City
5 Wastewater, Sun City West Wastewater, and the billing determinants in the
6 pending Mohave Wastewater case, the Company’s proposal combines the
7 revenue of the single unit residential customers of all the wastewater districts
8 and combines all single unit residential billing “units” of all the wastewater
9 districts to identify a cost per single unit to identify a cost per single unit.
10 This rate per single residential unit was calculated to be \$34.30. This unit
11 rate of \$34.30 was then applied to the multi-unit residential customers to
12 keep that rate consistent with the present rate design”.

13 **Q. HOW DO YOU PROPOSE THE COMMISSION IMPLEMENT THIS**
14 **CONSOLIDATION PROCESS?**

15 **A.** Already under consideration (or perhaps decided) is the application of
16 A.R.S. Section 40-252 which would permit the commission to open, change
17 or modify a prior decision. Full consolidation could be ordered effective
18 January 1, 2015 at the rate of \$34.30.

19 In addition, the issue of whether a full rate case is required or not does not
20 impact the ability of this Commission to order a full consolidation on an
21 interim basis permitting those parties requiring further analysis to undertake
22 that analysis.

23 In this regard, EPCOR has stated, in its professional opinion, that a full rate
24 case is not necessary. And I believe that there are options if the Commission
25 determines otherwise such as undertaking that task within the scope of one

1 of the two cases currently open in Arizona and/or modifying the six month
2 administrative wait requirement.

3 Due to the economic “crisis” currently being experienced by certain EPCOR
4 customers, an immediate full consolidation at the rate of \$34.30 as suggested
5 by EPCOR would provide interim relief in the short-term. With respect to
6 the long-term, wastewater consumers would benefit from predictable,
7 uniform rate structures, reduced regulatory costs and ultimately more
8 efficiency.

9 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. Yes, it does.