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BEFORE THE ARIZONA CORPORATION COMMISSION

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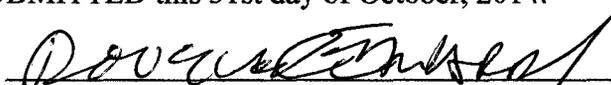
IN THE MATTER OF THE APPLICATION)
OF ARIZONA-AMERICAN WATER)
COMPANY, AN ARIZONA)
CORPORATION, FOR A)
DETERMINATION OF THE CURRENT)
FAIR MARKET VALUE OF ITS UTILITY)
PLANT AND PROPERTY AND FOR)
INCREASES IN ITS RATES AND)
CHARGES BASED THEREON FOR)
UTILITY SERVICE BY ITS)
ANTHEM/AGUA FRIA WASTEWATER)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

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

**NOTICE OF FILING
SUR-REBUTTAL TESTIMONY**

The undersigned, Doug Edwards, a resident of the Corte Bella Country Club Association ("CBCCA"), a member of the CBCCA Government Affairs Committee and a petitioner in these proceedings hereby files his attached sur-rebuttal testimony dated October 31, 2014.

RESPECTFULLY SUBMITTED this 31st day of October, 2014.



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

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Doug Edwards

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**SUR-REBUTTAL TESTIMONY
OF
DOUG EDWARDS
A RESIDENT OF THE CORTE BELLA COUNTRY CLUB ASSOCIATION**

OCTOBER 31, 2014

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1 **I. INTRODUCTION AND PURPOSE:**

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

3 **A.** Douglas C Edwards; 13517 W Sola Drive; Sun City West, AZ

4 **Q. ARE YOU THE SAME DOUGLAS EDWARDS WHO PROVIDED**
5 **DIRECT TESTIMONY.**

6 **A.** Yes.

7 **Q. WHAT IS THE PURPOSE OF YOUR SUR-REBUTTAL**
8 **TESTIMONY IN THIS CASE?**

9 **A.** The purpose of my sur-rebutal testimony is to factually clarify issues raised
10 in the direct testimony of certain intervenors in this docket, particularly
11 those issues related to the impact of consolidation on the Sun Cities, alleged
12 and otherwise, and to provide support for the full consolidation of the five
13 EPCOR Wastewater Districts, as recommended by EPCOR in their direct
14 testimony dated September 8, 2014 before this Commission.

15 **Q. ARE YOU STILL IN FAVOR OF FULL CONSOLIDATION IN THIS**
16 **CASE?**

17 **A.** Yes, historically and especially now, full consolidation is the answer, both
18 short and long term, to the rate shock currently being experienced by the
19 Agua Fria consumers. Everyone but the Sun Cities recognizes the synergies
20 for all parties of immediate consolidation. While we regret the reality that
21 some consumers will experience a rate increase, those same consumers
22 cannot continue to live in a factual vacuum. The Sun Cities are part of the

1 Northwest Valley and no longer isolated communities. It is currently
2 irrelevant why or how those communities have had the benefit of
3 discriminatorily low wastewater and water rates for the past 20 years. The
4 factual and economic reality is that the valley has thousands of consumers
5 using EPCOR services – they must be treated the same – if more live in one
6 community, so be it. The mere size of a community should not dictate,
7 politically or otherwise, the requirement that smaller communities retain
8 discriminatory high rates. It is also a business reality that EPCOR is a for-
9 profit business – it will seek to grow and improve profits. It is an undeniable
10 factual reality that the Sun Cities will face infra-structure improvements –
11 not just a one-time charge but continuing over time as the extent of the
12 required repairs and improvements becomes known.

13 **Q. WHY DID THE PETITIONERS NOT REQUEST FULL**
14 **CONSOLIDATION IN THE ORIGINAL PETITIONS?**

15 **A.** Parties have questioned why the petitioners support full consolidation having
16 not requested that remedy in their original filings. Those parties forget that .
17 Petitioners are not water experts, we are not in the business of providing
18 water services, and we have no water experts working on our behalf or
19 agencies advocating our position. Basically, petitioners are retired
20 individuals and other consumers drowning in water bills. We did what we
21 could to bring these issues to the forefront for resolution. The original
22 petitions filed in this case reflected the understanding of the petitioners,
23 based on various meetings with RUCO and discussions with members of
24 this Commission and the Staff, that the way to address the discriminatory
25 and economically unviable wastewater rates would be to petition the
26 Commission for relief. Based on the statements of this Commission in 2012,

1 and the fear that EPCOR would not be in a favor of a full consolidation
2 based on their refusal to provide a full cost of service study and/or file for a
3 full rate case despite repeated requests, and an order, by this Commission to
4 do so, petitioners opened the door for discussion by requesting the same
5 treatment as Anthem. This was a position which we knew would be
6 considered and would also address, at least in the short-term, the current rate
7 shock. But deconsolidation is at best short-term and results in more negative
8 issues than positive results, as evidenced by the current economic crisis
9 being experienced by the Agua Fria consumers.

10 **II. RESPONSE TO HANSEN DIRECT TESTIMONY**

11 **Q. HAVE YOU READ THE DIRECT TESTIMONY OF W.R. HANSEN**
12 **OF SUN CITY WEST?**

13 **A.** Yes, I have and petitioners are disappointed that a representative of a
14 respected neighboring community continues to shade facts for the benefit of
15 Sun City West. With all due respect, these proceedings should not be
16 adversarial but reflect cooperation among all communities and entities to
17 address a significant and crucial issue.

18 Mr. Hansen spends almost an entire page (page 2 – lines 1-23) addressing
19 the Corte Bella petitions. We have no control over the post office and, as
20 required, submitted our legal mailing address. It causes no confusion and
21 has not caused confusion. Corte Bella and the Golf Course have been in
22 these proceedings for years – everyone knows the physical situation that this
23 community is not part of the Sun City West properties. But it is irrelevant –
24 a resident, wherever located, signs a petition based on his/her belief. The

1 Commission will address the issues from the perspective of all consumers
2 not merely those in Sun City West.

3 I will not address Mr. Hansen's high rate assumptions – basically, it goes
4 against the constitutional premise that all are treated equally. But, I do need
5 to clarify certain factual assumptions. Mr. Hansen (page 3-lines 20-28)
6 provides factual assumptions to support the low rates in Sun City West. A
7 simple trip to the Del Webb Archives might have clarified his assumptions.
8 While not all of the facts are contained in the archives, what is clear is that
9 Del Webb, not the community of Sun City West, transferred (whether sold
10 or donated) lands in 1959 and again in the late '70's. There are no recorded
11 documents regarding transfer of water rights just a Maricopa county permit
12 in 1978. BUT, all of this is irrelevant 30-50 years later. No one wants to
13 recoup monies from the Sun Cities – it is just time for everyone to join
14 together and economically fund the wastewater facilities and improvements.
15 We are not in a single point of time, new developments are growing, more
16 users will be added, improvements will be needed not just once, but likely
17 continuing as the aging infra-structures requires replacement. Petitioners are
18 willing to participate in sharing costs – why not the Sun Cities?

19 **Q. DO YOU BELIEVE THAT CONSOLIDATION IS**
20 **DISCRIMINATORY TO SUN CITY WEST?**

21 **A.** Absolutely not. Again Mr. Hansen (page 6-lines 18-28, page 7-lines 1-28
22 and page 8-lines 1-6) provides unsupported “facts” resulting in a volatile
23 argument but in a factual vacuum.

24 No expert is identified to testify as to how or when the Sun Cities amortized
25 their original investment. No accommodation is made for continuing capital

1 improvements. Younger developments likely paid for their original
2 investments in the construction costs. But, again, what is the relevance if
3 everyone is treated the same. What is a proven fact is that the Agua Fria
4 District pays for 28% of the northwest Valley Regional Treatment Plant
5 (post 2011 capacity cost allocation) but utilizes only 18% (actual 2013 use
6 of capacity) of that facility. (See Appendix B to Verrado/Simer Testimony).

7 The economy of scale discrimination argument is equally factually
8 unsupported. There is no evidence of discrimination if all of the company's
9 wastewater customers, regardless of the size of the community, are treated in
10 an equal manner. Outlets are irrelevant.

11 The volumetric consumption argument is also factually unsupported. While
12 children are alluded to in his statement, Mr. Hansen ignores pools, fountains,
13 golf courses, water features and the athletic activities of residents. All of
14 these water-related aspects are equally present in the Sun Cities. And
15 perhaps, if we are going to assume facts, there might not be children but
16 there are caretakers in older communities. Speculation can continue forever
17 and provide no accurate information.

18 The discrimination in subsidy argument is equally specious. Consolidation
19 will result in lower rates for some and higher for others. It is a leveling of
20 the playing field, not discriminatory, but equalizing the prior discriminatory
21 rates. Mr. Hansen plays to the 89% increase but it is a misrepresentation and
22 neglects to mention the economic reality. Some facts, 89% equals a 16
23 dollar increase but EPCOR stated in Sun City in November 2013 that the
24 pending rate case for Sun City would result in a 3 to 4 dollar increase in their
25 wastewater rates (as well as a 3 to 4 dollar increase in water rates). The

1 current rate of \$18.11 would be increasing to 21 to 22 dollars even without f
2 full consolidation. Therefore, any increase in wastewater rates as a result of
3 full consolidation would realistically be \$12. Not only is the number small
4 but the percentage exaggerated.

5 Finally, the retirement argument – has Mr. Hansen forgotten? Corte Bella is
6 also retirees – same fixed income, same issues with social security and the
7 budgets in this community (and the rest of the Agua Fria district) must
8 accommodate waste water bills in the hundreds not \$18.11. and who can
9 presume that other consumers – single parents, growing families, students –
10 are not also on fixed income.

11 Being a retiree in the Sun Cities does not give one the right to reverse
12 discrimination by keeping the rates low to the detriment of all other
13 consumers.

14 **III. RESPONSE TO EISERT DIRECT TESTIMONY**

15 **Q. HAVE YOU READ THE DIRECT TESTIMONY OF GREG EISER**
16 **OF SUN CITY?**

17 **A.** Yes, I have and I have already responded to his issue regarding the original
18 petitions in my responses above. Similarly, I have addressed the factual
19 issues with the use of 89% as a benchmark but must take issue with Mr.
20 Eisert's comments (page 1 – third paragraph) that Sun City is being
21 penalized and made to subsidize the shortcomings and poor planning of
22 others. Is he referring to this Commission because this rate shock is a direct
23 result of the deconsolidation which occurred in 2012 between Anthem and
24 the Agua Fria. No consumer can be taken to task for these results – not even

1 Anthem – since they were trying to accommodate their own issues with
2 wastewater.

3 **Q. WHAT IS YOUR OPINION OF MR. EISERT’S LAST STATEMENT**
4 **THAT THE CONSOLIDATION ISSUE WAS DECIDED IN 2012.**

5 **A.** My colleague, Diane Smith, will address this more fully but I must reiterate
6 that a continuing issue with the presentations of the Sun Cities has been the
7 selective utilization of facts. This statement is simply not factually accurate
8 and is misleading and confusing to the average consumer. Thankfully, the
9 record speaks for itself and can clarify erroneous assumptions and
10 statements.

11 **IV. OTHER CONSIDERATIONS**

12 **Q. HAVE YOU MAINTAINED CONTACT WITH REPRESENTATIVES**
13 **OF THE OTHER COMMUNITIES?**

14 **A.** Yes, we have maintained an open dialogue with the various
15 communities in the Agua Fria district. We will be evaluating whether our
16 joint letter process would be appropriate given the Direct Testimony on file
17 in these proceedings which speaks for itself. The shared belief by the many
18 affected communities is that full consolidation is the most equitable and non-
19 discriminatory long-term solution to these issues. The question is : when
20 will the wastewater districts and EPCOR achieve this result? The policy
21 decision is not going to change – the issues are not going to disappear. It is
22 time for a decision.

1 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY IN THIS**
2 **PROCEEDING?**

3 **A. Yes, it does.**