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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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BRENDA BURNS
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Commissioner

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SUSAN BITTER SMITH
Commissioner

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

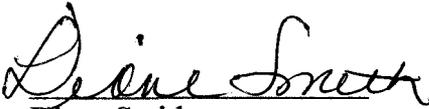
The undersigned, Diane Smith, a resident of the Corte Bella Country Club Association ("CBCCA"), a member of the CBCCA Government Affairs Committee and a petitioner in these proceedings hereby files her attached sur-rebuttal testimony dated October 31, 2014.

RESPECTFULLY SUBMITTED this 31st day of October, 2014.

Diane Smith, Government Affairs Committee
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ORIGINAL and thirteen (13) copies filed this day with:

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Utilities Division – Docket Control
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By: 
Diane Smith

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By: 
Diane Smith

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**NOTICE OF FILING
SUR-REBUTTAL TESTIMONY**

**SUR-REBUTTAL TESTIMONY
OF
DIANE TERRY SMITH
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.** Diane Terry Smith, 13234 West Cabrillo Drive, Sun City West, Arizona
4 85375. I have been a Corte Bella resident since 2004.

5 **Q. ARE YOU THE SAME DIANE SMITH WHO PROVIDED DIRECT**
6 **TESTIMONY?**

7 **A.** Yes.

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

10 **A.** The purpose of my sur-rebuttal testimony is to provide factual information to
11 clarify the direct testimony made by certain intervenors in these proceedings,
12 particularly the prior orders of this Commission as it related to consolidation
13 and to provide additional support for consolidation of the five EPCOR waste
14 water districts, as recommended by EPCOR in their direct testimony dated
15 September 8, 2014 before this Commission. Of particular concern are the
16 various proposals submitted by intervenors which must be considered in
17 light of the extreme financial “crisis” currently being experienced by the
18 Agua Fria consumer base.

19 **Q. ARE YOU STILL IN FAVOR OF FULL CONSOLIDATION IN THIS**
20 **CASE?**

21 **A.** Yes, as stated by my colleague, Doug Edwards, full consolidation is the only
22 solution. EPCOR recognizes this as an adequate and non-discriminatory
23 solution which will benefit all parties. In fact, over the past years, this

1 Commission has requested, even ordered, an analysis of this alternative by
2 EPCOR and/or its predecessors in interest. But the time to act is now – the
3 policy decision must be made and then implemented.

4 **Q. WILL YOU EXPAND ON YOUR STATEMENT REGARDING THE**
5 **PRIOR REQUESTS MADE BY THIS COMMISSION TO EPCOR.**

6 **A.** Certainly. In various sections of their testimony, Mr. Hansen and Mr. Eisert
7 both allude to the fact that the consolidation argument was rejected
8 previously by this Commission. That is simply not factually accurate. In
9 Decision 72047 and Decision 73227, this Commission requested (and even
10 ordered) a full cost of service study and suggested a system-wide rate filing
11 by the water company so that all communities and parties could make an
12 informed decision as to whether it was for or against consolidation. The
13 issue was specifically left open – not rejected – for additional discussion and
14 information. This was not merely discussion in the Decision but was
15 included as a Finding of Fact and a Conclusion of Law.

16 **HOW DO YOU RECONCILE THE DECONSOLIDATION ORDER**
17 **IN 2012 WITH THESE REQUESTS?**

18 Simple. The 2012 order did not address the system-wide application of
19 consolidation. It was fact-specific to the request by Anthem for
20 deconsolidation based on the fact that the community was not using the
21 same facilities nor geographically contiguous to the rest of Agua Fria. And,
22 while that decision has benefitted the Anthem consumers, it has had
23 significant and critical negative impact on the Agua Fria consumers, which
24 we do not believe was anticipated in 2012. But, at the same time that

1 deconsolidation was ordered, the Commission continued to request the cost
2 of service study, keeping an open mind to the concept of consolidation as a
3 policy decision. The 2012 decision addressed a specific, isolated request; it
4 is now 2014 and time for the Commission and EPCOR to make that policy
5 decision which will include all consumers' not merely isolated communities.
6 In fact, in his rebuttal testimony Mr. Bradford of EPCOR (page 4-lines 1-7)
7 states that the policy decision must occur now and a delay will not change
8 the underlying policy rationale.

9 **II. RESPONSE TO SIMER TESTIMONY**

10 **Q. HAVE YOU READ THE DIRECT TESTIMONY OF KENT SIMER ON**
11 **BEHALF OF VERRADO.**

12 **A.** Yes, but petitioners are merely retired consumers who must rely on the
13 advice and opinions of experts in the area such as Mr. Simer and the
14 representatives of EPCOR. Our primary concern is to alleviate the financial
15 crisis being experienced by the Agua Fria consumers before even more
16 draconian results occur. For us, this is not a political battle, a contest
17 between communities as to who can obtain the most petitions. All of that is
18 irrelevant. This is a matter of the provision of a necessary resource to all
19 consumers in a fair and equitable manner for a fair and equitable price. The
20 experts, such as Mr. Simer and EPCOR, must design the mechanism to
21 achieve the result.

22 **Q. DO YOU AGREE WITH THE POINTS MADE BY MR. SIMER.**

23 **A.** For the most part, yes. His testimony (page 10) provides a concise and
24 accurate statement of the constitutional and statutory requirements,

1 supported by secondary references and ratemaking authorities. He highlights
2 the simplicity of the uniform flat rate proposal (page 12-lines 9-17) and the
3 counter-productivity of full de-consolidation (page 12-lines 22-26) but at the
4 same time alludes to the re-consolidation of Anthem and Agua Fria (page
5 12-lines 18-21). The latter action is nothing more than a step backward, a
6 temporary fix. It is time to move forward.

7 **Q. DO YOU HAVE AN OPINION AS TO THE PROPOSED RATE DESIGN**
8 **RECOMMENDED BY MR. SIMER.**

9 **A.** Again, I can only respond as a consumer but after the financial crisis of
10 the last two years, delay is not acceptable. EPCOR has provided a figure
11 which is revenue neutral - \$34.30 – a month for wastewater charges.
12 That MUST be a reality NOW – not six months from now, or after a rate
13 case or whenever. In January, the Agua Fria consumers will see charges
14 of approximately \$121.00 – 133% increase. That is not affordable – not
15 by any standards. Mr. Simer, with the best intentions, introduces a
16 mechanism which is not necessary given the analysis undertaken by
17 EPCOR.

18 **III. OTHER CONSIDERATIONS.**

19 **Q. HOW DO YOU RECONCILE THE POSITION TAKEN BY RUCO AND THE**
20 **STAFF WITH A FULL CONSOLIDATION PROPOSAL.**

21 **A.** I understand the position of those entities and sympathize with those
22 communities which will be exposed to rate shock with consolidation. But
23 the Agua Fria District is currently in the middle of a financial crisis and

1 experiencing severe rate shock now. My question to RUCO and the staff is
2 why concern for certain consumers and not all consumers.

3 Perhaps the answer lies in a “true up” mechanism. I cannot speak to the
4 necessity of a full rate case but, if consolidation is approved (again, this is a
5 policy decision and can be made with interim mechanisms for
6 implementation), immediately use the \$34.30 rate for all consumers except
7 the Sun Cities. Provide a gradual increase for those communities with a
8 “true up” for EPCOR at the conclusion of the full rate case so that it remains
9 revenue neutral. The Agua Fria financial crisis is alleviated; the Sun Cities
10 do not experience rate shock and, in the end, EPCOR is revenue neutral. If a
11 two-step phase-in is required, it should be short term, not three-years as
12 recommended by staff.

13 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. Yes, it does.