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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

- BOB STUMP, Chairman**
- GARY PIERCE**
- BRENDA BURNS**
- BOB BURNS**
- SUSAN BITTER SMITH**

ARIZONA CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT.

DOCKET NO. W-01303A-09-0343

ORIGINAL

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR 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, ITS SUN CITY WASTEWATER DISTRICT AND ITS SUN CITY WEST WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

Arizona Corporation Commission

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NOV 12 2014

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SUMMARY OF SURREBUTTAL TESTIMONY OF DAN L. NEIDLINGER

WASTEWATER CONSOLIDATION, DECONSOLIDATION AND RELATED ISSUES

Dan L. Neidlinger testifies that:

The Anthem Community Council (the "Community Council" or "Anthem") represents the interests of over 8,800 Anthem community residents that are water and wastewater customers of EPCOR ("EPCOR" or the "Company"), formerly the Arizona-American Water Company ("AAWC").

My testimony primarily addresses recommendations of Staff witness Becker, RUCO witness Mease, Verrado witness Simer and Greg Eisert, Chairman of Government Affairs for the

1 Sun City Homeowners Association. In addition, I will provide a proposed scope and minimum
2 content for an updated cost of service filing by EPCOR based on a calendar 2014 test year. I also
3 have some comments on the rebuttal testimony of the Company.

4 Full Consolidation

5 I continue to support full consolidation of all EPCOR wastewater districts and I propose
6 and prefer a two-step interim transition plan which would provide immediate rate relief to Agua
7 Fria customers. The step rate increases and decreases that have been proposed by other parties are
8 much too large, in my opinion.

9 Reconsolidation

10 I do not consider or recommend reconsolidation of the Anthem and Agua Fria wastewater
11 districts as a viable alternative to full consolidation.

12 Freezing Existing Rates

13 An alternative option considered by Mr. Becker and Mr. Mease is for the Commission to
14 suspend the implementation of Step 3 rates, effective January 1, 2015, for Anthem and Agua Fria.
15 While providing some rate relief to Agua Fria customers, this proposal would unfairly deny
16 Anthem customers of the \$800,000 in rate reductions during 2015 promised under the settlement
17 agreement. This is an unacceptable option to Anthem. Mr. Becker's option recommending an
18 accounting order to allow the Step 3 decrease for Anthem but defer the implementation of the Step
19 3 increase to Agua Fria is a much better alternative since it preserves the bargain reached in the
20 Settlement Agreement.

21 Need for an Updated Rate Filing

22 I recommend that the Company file by April 1, 2015 an updated consolidated rate filing,
23 supported by full cost of service studies, based on a calendar 2014 test year. However, I would be
24 comfortable with the setting of a filing date that did not go beyond July 1, 2015. In my view, six
25 months is more than adequate time for the Company to accomplish this task. The filing should
26 include an unbundling of treatment and collection costs for each wastewater district as well as
27 consolidated.
28

1 Unbundling of Wastewater Costs

2 Unbundling wastewater costs would enable the Commission to evaluate the significance, if
3 any, of current and future collection cost variances among the five wastewater districts and their
4 effect on total rates. It would also allow the Commission to establish a floor and a ceiling on
5 treatment costs for each district. I am not advocating this adjustment mechanism at this time but
6 mention it only as one of the possible options under this approach to ratemaking for EPCOR's
7 wastewater operations.

8
9 ORIGINAL AND THIRTEEN (13) COPIES
10 of the foregoing HAND-DELIVERED
11 for FILING this 12th day of November, 2014 to:

11 Docket Control
12 Arizona Corporation Commission
13 1200 W. Washington Street
14 Phoenix, AZ 85007

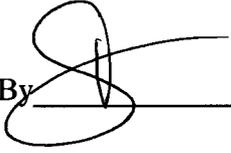
14 and COPY of the foregoing mailed or e-mailed
15 this 12th day of November, 2014, to:

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17 Director, Utilities Division
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