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November 12, 2014

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Arizona Corporation Commission  
DOCKETED

NOV 12 2014

Re: EPCOR Water Arizona  
Docket No. SW-01303A-09-0343  
W-01303A-09-0343

DOCKETED BY

To Whom It May Concern:

Attached for consideration by the Commissioners and for inclusion in the above-referenced docket is Anthem Community Council's Outline of the Opening Statement prepared by Larry Robertson.

Sincerely,

SACKS TIERNEY P.A.

Roxann S. Gallagher

RSG:rcu

Enclosure

Copy of the foregoing mailed or emailed  
this 12th day of November 2014 to:

Service List for Docket No.  
W-01303A-09-0343

**OPENING STATEMENT  
CONCEPTUAL OUTLINE**

- I. In its July 30, 2014 Decision No. 74588, the Commission identified various matters it wanted to have addressed in connection with its consideration of how to address and respond to the petitions and complaints of Agua Fria ratepayers regarding the current and impending levels of their water and wastewater rates. These matters included the following questions:
- A. First, should all five (5) of EPCOR's wastewater districts be fully consolidated for ratemaking and rate design purposes?
    - 1) If so, what would be an appropriate timeline for such consolidation?
    - 2) If so, should such consolidation occur on a phase-in basis?
  - B. Second, should all five (5) of EPCOR's Arizona wastewater districts be fully deconsolidated?
    - 1) If so, what would be an appropriate timeline for such deconsolidation?
    - 2) If so, should such deconsolidation occur on a phase-in basis?
  - C. Third, should the deconsolidation of the Anthem and Agua Fria wastewater districts approved by the Commission in Decision Nos. 72047 and 73227 be reversed, and those two (2) districts be reconsolidated?
    - 1) If so, what would be an appropriate timeline for such reconsolidation?
    - 2) If so, should such reconsolidation occur on a phase-in basis?
  - D. Fourth, what other "potential alternative options" exist for addressing the concerns of Agua Fria ratepayers, and what would be the impact of those alternatives on other EPCOR Arizona wastewater ratepayers?
- II. A number of parties to this proceeding have filed prepared Direct and Rebuttal Testimony and Exhibits addressing one (1) or more of these questions. The Anthem Community Council ("Anthem") is among those parties. In that regard, Anthem's Executive Director (Jenna Kollings), and its utility rate consultant (Dan Neidlinger) have each submitted prepared Direct Testimony and Surrebuttal Testimony.
- III. With reference to the aforementioned questions, as identified in Decision No. 74588, Anthem's position(s) may be briefly summarized as follows:
- A. Position on Full Consolidation. Of the possible solutions for reducing Agua Fria wastewater bills that have been identified by the Commission so far, Anthem prefers consolidation of all EPCOR wastewater districts in Arizona, because over

the long haul it benefits and burdens all customers more equally. In the event that the Commission decides to order full consolidation, Anthem recommends Dan Neidlinger's two-step implementation plan. As discussed in his Direct Testimony, both the nature and magnitude of his phase-in proposal are intended to substantially mitigate the impact of full consolidation on Sun City and Sun City West ratepayers, particularly when contrasted with EPCOR's one-step proposal and the first step in Verrado's two-step proposal.

- B. Position on Further Deconsolidation. Anthem takes no formal position on the question of further deconsolidation of the Agua Fria Wastewater District or EPCOR's wastewater districts as a whole. In that regard, it appears only Russell Ranch supports that option, and only in the event the Commission does not adopt full consolidation.
- C. Position on Reconsolidation. As indicated in the prepared Direct and Surrebuttal Testimony of both Ms. Kollings and Mr. Neidlinger, Anthem is firmly opposed to reconsolidation of the Anthem and Agua Fria wastewater districts as a means for addressing the high rate level concerns of Agua Fria ratepayers
- 1) First, Anthem believes that a reversal of the rate deconsolidation approved in concept by the Commission in Decision No. 72047, and implemented in Decision No. 73227, would constitute an improper violation of the December 15, 2011 Settlement Agreement approved by the Commission in Decision No. 72047. In that regard, as the Commission subsequently and expressly observed in Decision No. 73227, it is important to preserve the integrity of Settlement Agreements entered into in Commission proceedings.
    - (a) In fact, Commissioner Pierce reiterated this principle during the Commission's July 22, 2014 Open Meeting which preceded the issuance of Decision No. 74588.
  - 2) Second, in addition, Anthem is unaware of any circumstances which have come to exist since the issuance of Decision Nos. 72047 and 73227 which would warrant reversal of the deconsolidation of rates approved at that time. In fact, in Decision No. 73227, the Commission expressly recognized that the deconsolidation it was thereby implementing would result in significant increases in rates for Agua Fria wastewater ratepayers, as a result of elimination of the rate subsidy previously borne by Anthem wastewater ratepayers. It is those same increases that were a subject of the Agua Fria petitions and complaints filed earlier this year with the Commission.
  - 3) Third, and significantly (with one exception), no party to the current proceeding has suggested reconsolidation as a means to address the Agua Fria wastewater rate situation.

(a) That one (1) exception is Verrado; and, in that instance, reference was made to reconsolidation as a possible fall-back option, if full consolidation at this time was not adopted.

[i] However, as Ms. Terry Smith of The Corte Bella Country Club Association observed in her prepared Surrebuttal Testimony, while discussing Mr. Simer's Direct Testimony, reconsolidation of Anthem and Agua Fria would be "nothing more than a step backward."

D. Position on other Alternatives. Anthem would consider other possible solutions that (i) honor the Settlement Agreement (or leave Anthem no worse off than under the Settlement Agreement), (ii) are based on current (2014) data accompanied by contemporaneous full cost of service studies, and (iii) provide a fair compromise with all parties benefitted and burdened on a roughly equal basis. Anthem vigorously opposes any solution that would require our residents to disproportionately bear the burden of a "fix" for Agua Fria or any other EPCOR wastewater customers.

1) In connection with the foregoing, Anthem believes that any decision issued in this proceeding should include an express directive that EPCOR file a rate application no later than July 1, 2015 proposing full rate consolidation for its five (5) Arizona wastewater districts, utilizing a test year of calendar 2014, together with contemporaneous supporting full cost of service studies.

2) In that regard, in the event that

(a) The Commission should decide that it is not prepared to act upon the subject of a possible full consolidation of EPCOR's wastewater districts until the aforementioned rate application and cost of service studies have been filed, but

(b) In the interim, the Commission desires to address the Agua Fria wastewater rate situation,

Then, Anthem recommends that the Commission issue an appropriate form of accounting order which would

(a) Allow Step 3 of the deconsolidation rates approved by Decision No. 73227 to go into effect as to Anthem, as scheduled,

(b) Suspend the Step 3 deconsolidated rates as to Agua Fria, pending a determination in EPCOR's next rate case as to Agua Fria's rates prospectively, and

- (c) Allow EPCOR to recover by means of a future “true up” procedure any unrecovered Step 3 deconsolidated revenues resulting from the aforesaid Step 3 suspension as to Agua Fria.

#### IV. Conclusion

- A. The Beatles’ 1969 song “The Long and Winding Road” begins with the words

“The long and winding road, that leads to your door, will never disappear”

“I’ve seen that road before, it always leads me here, leads me to your door”

- B. In a sense, those words are an appropriate segue to describing the situation now before the Commission.

- C. In this instance, that “long and winding road” is the ongoing issue of whether or not full rate consolidation is appropriate for what are now EPCOR’s Arizona wastewater systems

- 1) That issue has been before the Commission on several occasions in recent years, with no definitive resolution
- 2) Now is the time for such a determination, both on an interim and a longer-term basis

- (a) With respect to the latter, Anthem, Staff, RUCO and a number of other Interveners have urged the Commission to order a date certain, and soon, by which EPCOR must file a new rate application and supporting cost of service studies, which the Commission can then use to fully address and resolve the consolidation question

- D. The concluding words of the Beatles’ song are also perhaps apt to the present circumstances from the ratepayers’ perspective

“Don’t keep me waiting here, lead me to your door”

- E. In that regard, the following words from Ms. Terry Smith’s prepared Surrebuttal Testimony set a constructive tone for the task now before the Commission.

“For us, this is not a political battle, a contest between the communities as to who can obtain the most petitions. All of that is irrelevant. This is a matter of the provision of a necessary resource to all consumers in a fair and equitable manner for a fair and equitable price.”

F. Against that background, thank you in advance for your consideration of Anthem's position(s) and proposals in this proceeding.