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BEFORE THE ARIZONA CORPORATION CO

COMMISSIONERS

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

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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 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 POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA-AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

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 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, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA-AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. SW-01303A-09-0343

**STAFF'S NOTICE OF FILING TESTIMONY SUMMARY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the testimony summary of Gerald Becker.

RESPECTFULLY SUBMITTED this 13<sup>th</sup> day of November, 2014.

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**GERALD BECKER  
TESTIMONY SUMMARY  
DOCKET NO. W-01303A-09-0343 ET AL.**

Mr. Becker, testifying on behalf of the Commission's Utilities Division (Staff), will present the Staff recommendations regarding the EPCOR Water Arizona, Inc. (EPCOR or Company) testimony in support of statewide consolidation for its five wastewater districts. Staff, in its Direct testimony, is presenting a summary of EPCOR's proposal, other options that may be pursued by the Commission, the pros and cons of each option, Staff's comments on the Company's filing, and Staff's recommendations regarding the Company's proposal. In its filing, the Company proposes to implement flat rates, which vary only from class to class. All customers of the same class (i.e. residential) would pay the same without consideration to the size of the water meter or volumetric considerations. Accordingly, the Company's proposal will result in extreme and unprecedented rate shock to certain customers. Further, the Company's proposal would result in significant revenue shifts among systems, and the Company has not quantified the costs or benefits of its proposal. Staff recommends that instead of full statewide rate consolidation, full deconsolidation of rates, or reconsolidation of Anthem/Agua Fria rates at this time that:

1. The Company file a full rate case for all its wastewater and water systems no later than July 1, 2015, with a test year ending December 31, 2014. In that filing, the Company should propose both a fully consolidated statewide rate design and a fully deconsolidated rate design including the costs and benefits of each. Both rate designs should have a three year phase-in;
2. The third step of the phase in for the Agua Fria and Anthem divisions should not be implemented in February 2015. These rates should be designated as interim, which would be subject to true up in the Company's next rate case.
3. In the event the Commission elects to change rates in this proceeding, the new rates should be established as interim rates, which will be subject to true-up in the Company's next rate case.

Staff, in its Surrebuttal testimony, addresses the Rebuttal testimony of the Company. In its rebuttal, the Company continues to support its proposal but its reasons remain unclear. The Company states that a single price for residential customers is appropriate based on its experience with Anthem and Agua Fria wastewater customers whose bills include a volumetric component. While this is correct, the Company does not explain the reasons that a volumetric component in two of its districts supports billing practices that ignore meter sizes.

In support of a single price for commercial customers, the Company correctly describes its present rates for commercial customers as rates which include a fixed and volumetric component but does not explain the reasons why the existing rate structures are problematic and does not justify its proposal to implement single tariff pricing. Those reasons might include a better matching of cost causers with cost payers and/or some cost benefit analysis.

In response to Staff's concern about effluent pricing, the Company responds that it could design rates for each system; however, the Company does not recognize or justify the reasons to work against the goal of single tariff pricing. The Company does not state that it recognized that this practice would work contrary to the overall goals of its consolidation proposal, nor does the Company describe the extent to which it would be appropriate to tailor effluent rates to local conditions under its consolidation proposal or whether it would expand its practice of tailoring rates to other rate classes.

The Company maintains that it has complied with Decision Nos. 72047 and 73227, which ordered the Company to file a rate case with consolidation and deconsolidation proposals but has not cited to any specific docket. Staff has reviewed the record and has been unable to locate any filing that addresses the Commission's order in Decision Nos. 72047 and 73227.

Staff also addresses the Company's representations regarding the alleged need to replace the Russell Ranch WWRF soon because it is alleged to be at the end of its useful life. Staff also addresses the Company's representation regarding permitting requirements at the Mohave's Wishing Well facility.