

OPEN MEETING AGENDA ITEM



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Sun City West AZ 85375
December 10, 2014.

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Commissioner Brenda Burns,
Arizona Corporation Commission,
1200 W Washington
Phoenix AZ 85007

CORP COMMISSION
DOCKET CONTROL

Re: Docket Nos. W-01303A-09-0343 and SW-0103A-09-0343

ORIGINAL

Dear Commissioner Burns,

Thank you for requesting comments from the intervenors in this case.

My responses are on the following pages.

Yours sincerely,

Fred G. Botha

Arizona Corporation Commission
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DEC 10 2014

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- 1) Prior to the Settlement Agreement, what was your position on deconsolidation and consolidation? (Were you in favor or opposed to the full consolidation, full consolidation, partial consolidation or deconsolidation, or a reversal of the Anthem/Agua Fria deconsolidation? Other?)

Even after the Settlement Agreement water and wastewater rates in Agua Fria are still far too high. In February, 2006, when I purchased a home in Corte Bella, my combined rate was between \$50 - \$60 per month. Without the Settlement Agreement it will be more than \$200 a month. Against the background of comparative increases in neighboring districts, our rates should be no more than \$75 - \$80 per month - approximately an increase of 25 - 30%.

What happened, why did it happen and what needs to be done to correct the rates?

Consolidation or deconsolidation cannot be discussed until the ACC resolves three issues.

First, the ACC has to decide whether the Agua Fria district was set up fairly as a viable district with sufficient consumers. Combining four widely disparate communities such as Anthem, Verrado, Russell Ranch and Corte Bella and its neighbors, each with its own water and wastewater facilities, precludes any economies of scale and does not make any financial sense at all, in spite of Epcor's testimony to the contrary. Epcor provided no easily accessible financial information to support their contention. Does Epcor consider that the Agua Fria district was set up fairly? Have they ever given their opinion?

Second, the ACC has to decide whether the costs of the North West Valley Plant were fairly allocated to the Agua Fria district and whether the loans for these costs should have been rolled over until there were enough consumers to make adequate use of the Plant.

Third, the ACC has to set fair wastewater rates between Agua Fria and Sun City West, who use the same facilities, and to determine what compensation should be paid.

If the ACC considers that these three issues are closed and cannot be revisited or revoked, how is it possible for Staff to raise the issue of combining Anthem with Agua Fria wastewater facilities again? This issue too has already been decided and closed. Anthem and their distinguished legal counsel have on many occasions in this proceeding clearly shown their opposition to opening this issue again. The key aspect of both issues is fairness. Does fairness ever trump previously decided decisions?

In order for the ACC to make these three decisions, to hold a full rate case and for consumers to check the financial information, Epcor need to publish full, complete, correct, audited, annual rates and income and expense information in an online, internet system, just as they and their predecessors, Arizona American Water, could easily have been done many years ago, using the same approach as their accounts receivable system.

Providing the information on scanned documents at Epcor's offices and on the ACC website is far too cumbersome and unworkable. It can take hours, days and weeks to access and manually combine comparable sets of relevant annual information and is not accurate.

If Epcor do not provide this information for a full rate case and for the ACC to make these three decisions, the ACC will be asked to order Epcor to reinstate rates to the levels when the Agua Fria district was set up and to continue applying these rates until they provide the information requested.

In the weeks ahead typical information requirements will be sent to Epcor with suggestions on how to do a pilot study or prototype system with their IT and Oracle staff. It would be helpful if Epcor asked other intervenors for their requirements too.

If the ACC decides that the Agua Fria district was not set up fairly and the costs of the North West Valley Plant were not fairly allocated, Agua Fria's different communities need to be redistricted, rates for Agua Fria district need to be changed and compensation paid to consumers. Although this might seem unusual, there are an increasing number of precedents for such compensation by organisations who unfairly penalize consumers by not providing easy access to complete, accurate, up-to-date information.

If the ACC decides that the Agua Fria district was set up fairly, then the question of consolidation has to be discussed, providing Epcor continue to publish complete, accurate, up-to-date information in an online, internet system, including the monthly performance of all their plants in the Agua Fria district. Without such information, Epcor cannot be held accountable for any errors made at the plants and compensation. With the large amounts to be spent on replacing plant and facilities in future in any consolidation, design and cost of such plants and facilities also need to be verified by independent experts.

2) Since the Settlement Agreement has your position changed?

No, my position has not changed at all. If anything, it has hardened.

3) Do you see the Settlement Agreement as the first step toward your position? Please explain.

Possibly. It gives a temporary rate reduction to consumers but postpones any meaningful decisions on far more important issues. Indirectly, it gives Epcor an opportunity to set up an effective information system.

4) How does the Settlement Agreement advance or hinder the position you support?

It hinders the position I support by postponing decisions on the relevant issues.

5) Since the Settlement Agreement has your position changed?

No, my position has not changed. The same issues remain before consolidation can be discussed.

Was Agua Fria set up fairly or not?

Were the costs of the North West Valley plant fairly allocated to Agua Fria or not?

Should the loans for the North West Valley Plant have been rolled over until there were enough consumers to pay back the loans fairly?

What are fair wastewater rates between Agua Fria and Sun City West?

Will Epcor provide complete information for a full rate case and for these decisions to be made by the ACC?