



0000159551

RE THE ARIZONA CORPORATION COMMISSION

RECEIVED

AZ CORP COMMISSION
DOCKET CONTROL

2015 JAN 20 PM 2 52

2 COMMISSIONERS

- 3 SUSAN BITTER SMITH, Chairman
- 4 BOB STUMP
- 4 BOB BURNS
- 5 DOUG LITTLE
- 5 TOM FORESE

6
 7 IN THE MATTER OF THE APPLICATION OF)
 7 EPCOR WATER ARIZONA, INC., FOR A) DOCKET NO. WS-01303A-14-0010
 8 DETERMINATION OF THE CURRENT FAIR)
 8 VALUE OF ITS UTILITY PLANT AND)
 9 PROPERTY AND FOR INCREASES IN ITS) NOTICE OF FILING DIRECT
 9 RATES AND CHARGES FOR UTILITY SERVICE) TESTIMONY OF RICH BOHMAN
 10 BY ITS MOHAVE WATER DISTRICT, SUN CITY) ON BEHALF OF THE SANTA
 10 WATER DISTRICT, TUBAC WATER DISTRICT,) CRUZ VALLEY CITIZENS
 11 MOHAVE WASTEWATER DISTRICT AND SUN) COUNCIL
 11 CITY WASTEWATER DISTRICT)
 12

13 The Santa Cruz Valley Citizens' Council ("SCVCC") hereby provides notice of filing of
14 the Direct Testimony of Rich Bohman on behalf of SCVCC.

15
16 Dated this 20th day of January 2015.

ORIGINAL

17
18 Respectfully submitted,

19
20 Jim Patterson, President-Elect
Santa Cruz Valley Citizens Council

21
22 The original and thirteen (13) copies
23 of the foregoing will be filed
this 20th day of January 2015 with

24 Docket Control
25 Arizona Corporation Commission
1200 West Washington
26 Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

JAN 20 2015

DOCKETED BY

27 A copy of the same will also be emailed
28 or mailed that same date to:

1 Thomas H. Campbell
Michael T. Hallam
2 Lewis Roca Rothgerber LLP
201 East Washington Street
3 Phoenix, AZ 85004
4 Attorneys for EPCOR Water Arizona, Inc.

5 Daniel W. Pozefsky
RUCO
6 1110 W. Washington St., Suite 220
7 Phoenix, Arizona 85007

8 Greg Patterson
WUAA
9 916 West Adams, Suite 3
10 Phoenix, Arizona 85007

11 Delman E. Eastes
2042 E. Sandtrap Lane
12 Fort Mohave, Arizona 86426

13 William F. Bennett, Legal Counsel
Paradise Valley Country Club
14 7101 N. Tatum Boulevard
15 Paradise Valley, Arizona 85253

16 Marshall Magruder
P.O. Box 1267
17 Tubac, AZ 85646-1267

18 Andrew M. Miller
Town Attorney
19 6401 E. Lincoln Drive
20 Paradise Valley, Arizona 85253
21 Attorney for Town of Paradise Valley

Robert J. Metli
Munger Chadwick, P.L.C.
2398 East Camelback Road, Suite 240
Phoenix, Arizona 85016
Attorneys for Sanctuary Camelback
Mountain
Resort & Spa, JW Marriott Camelback Inn,
and Omni Scottsdale Resort & Spa at
Montelucia

Albert E. Gervanack
14751 West Buttonwood Drive
Sun City West, Arizona 85375
Jim Stark, President
Greg Eisert
Sun City Home Owners Association
10401 West Coggins Drive
Sun City, Arizona 85351

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Steven M. Olea, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

22
23
24
25
26
27
28

DIRECT TESTIMONY OF RICH BOHMAN
ON BEHALF OF
THE SANTA CRUZ VALLEY CITIZENS' COUNCIL
DOCKET NO. WS-01303A-14-0010

Q1. PLEASE STATE YOUR NAME, ADDRESS, EDUCATION AND BACKGROUND.

A1. My name is Rich Bohman. I live at 1 Trocito Corte, Tubac, Arizona 85646. I am a retired Lt. Col. (USAF) and more recently retired as a General Contractor and owner of "Rich Bohman Homes". I have a B. A. degree from the Univ. of Connecticut and an MBA degree from the Univ. of Utah. I recently concluded seven years as President of the Santa Cruz Valley Citizens Council, an incorporated non-profit 501 (c) (4) organization.

Q2. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE ARIZONA CORPORATION COMMISSION (ACC)?

A2. No, I have not; however, I did speak before the Arizona Corporation Commission at a Public Hearing conducted in Tubac on October 9, 2014 concerning this matter.

Q3. WHY IS THE SANTA CRUZ VALLEY CITIZENS COUNCIL ("CITIZENS COUNCIL") INTERVENING ON THIS RATE CASE?

A3. The "Citizens Council" is an organization with over 400 members, the majority of whom are EPCOR water customers. The proposed EPCOR rate increase (revised Oct 2014) of 75.8% for residential and 57.1% for commercial customers imposes a tremendous financial increase to existing water bills which can only be classified as "rate shock". The Tubac customers of EPCOR already pay more for water than any other District owned by EPCOR and to my knowledge more than residents of a number of water companies in Arizona. The SCVCC believes that the Tubac rates, if increased at all, should be at a much lower percentage and not tied into a required rate of return for EPCOR.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Q4. IF TUBAC WERE TO RECEIVE A RATE INCREASE HOW SHOULD IT BE IMPLEMENTED?

A4. In our opinion, any increase in rates should be substantially less than the increase requested by the company and should be accomplished through a phased in approach of no less than three years with the understanding that there would be no recovery of for gone revenues at the end of the phase in.

Q5. WHY DOES THE "CITIZENS COUNCIL" BELIEVE THAT THE PROPOSED RATE INCREASE FOR THE TUBAC WATER DISTRICT IS EXCESSIVE?

A5. EPCOR claims that for the test year ending 6/30/13 expenses exceeded revenue by \$79,581 with an addition \$78,536 of interest expense. Much of the \$679,536 in revenue deductions and operating expense are not directly tied to Tubac but are a part of their overall corporate expenses which RUCO and ACC staff can better evaluate. The Tubac operation is pretty basic to say the least. Two employees operate out of a trailer that rents for \$425 per month plus utility costs. The main operating cost would appear to be replacing the arsenic treatment facility media on a periodic basis and that cost is currently charged each customer on a monthly basis and the amount is dependent on water usage. The other costs are normal to most water districts and should not be significant (e.g. meter reading, well pump inspections/maintenance and occasional maintenance/fixing of distribution lines.)

Currently, 482 Tubac residents with a 5/8 X 3/4 size meter pay an average monthly bill of \$53.67 for 8,348 gallons (Schedule H-2 Revised, Page 1, witness: Bourassa). A Sun City customer with the same size meter pays an average monthly bill of \$17.35 for 7,203 gallons (Schedule H-2 Revised, Page 1, witness: Bourassa). The proposed Tubac increase for this class of customer (the most common for both districts) is 88.08% which amounts to a total monthly bill of \$100.76 while the proposed increase for the same class customer in Sun City is 22% and amounts to a total monthly bill of \$21.17. The other water districts in this case vary as to water usage and

1 monthly bills, but none are being financially burdened as much as Tubac. Water is an essential
2 requirement of life and the financial disparity that is being imposed on Tubac customers of
3 EPCOR should never have been allowed to occur, let alone be allowed to increase.

4
5 **Q6. DOES THE "CITIZENS COUNCIL" BELIEVE THAT EPCOR'S OVERALL**
6 **FINANCIAL OPERATION WILL BE MATERIALLY AFFECTED WHETHER OR NOT**
7 **TUBAC'S WATER RATES ARE INCREASED?**

8 A6. No. EPCOR is a very large and successful Canadian utility company that has been
9 providing electric and water service for over 100 years. Their net income has averaged
10 approximately \$50 million per quarter for 2013 and 2014. They have paid increasing dividends to
11 the City of Edmonton, Canada since 1998 with \$141 million paid in 2013. Their recent purchase of
12 Arizona American Water (AAW) and also water districts in New Mexico have expanded their
13 operations in the United States. As with any multi-national company, some areas of expansion
14 prove more profitable than others. The relatively small loss of revenue with the Tubac Water
15 District is basically insignificant to their overall income statement.

16
17 **Q7. WOULD AN INCREASE IN RATES ACTUALLY RESULT IN A DECREASE IN**
18 **THE CUSTOMER BASE?**

19 A7. Yes, we believe that has already happened and would certainly continue if rates were to
20 increase at any significant amount. When the arsenic treatment facility was required, customer
21 rates increased even though the "Citizens Council", with help from the ACC and AAW, was able
22 to receive half of the required funding via a government grant and the other half via a low interest
23 WIFA loan. Nevertheless, several AAC and subsequent EPCOR water customers elected to have
24 an exempt well drilled for either irrigation purposes or in some cases these customers elected to
25 give up their meter completely. If this rate proposal is approved at any substantial level, we
26 believe many more customers will follow suit and EPCOR's Tubac revenue would be further
27 eroded, unfortunately at the expense of customers who remain or can't afford to have a well
28

1 installed.

2

3 **Q8. ARE THERE ANY OTHER WITNESSES WHO WILL BE PROVIDING**
4 **TESTIMONY ON BEHALF OF THE "CITIZENS COUNCIL"?**

5 A8. Yes, Jim Patterson, who is succeeding me as President of the "Citizens Council" will be
6 discussing in more detail various concerns of the "Citizens Council" and its members who are
7 EPCOR customers.

8

9 **Q9. DOES THAT COMPLETE YOUR TESTIMONY?**

10 A9. Yes

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28