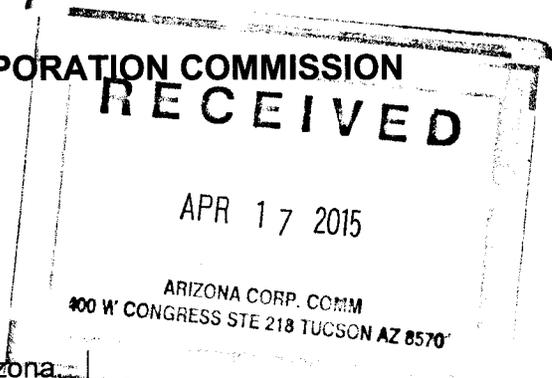




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THE ARIZONA CORPORATION COMMISSION



- 3 Susan Bitter Smith, Chairman
- 4 Bob Burns
- 5 Tom Forese
- 6 Doug Little
- 7 Bob Stump

ORIGINAL

In the matter of the Application of EPCOR Water Arizona, Inc., for a determination of the current fair value of its utility plant and property and for increases in its rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District and the Wastewater District.

Docket No. WS-01303A-14-0010



DOCKETED

Notice of Filing

APR 20 2015

POST-HEARING BRIEF

by Marshall Magruder

DOCKETED BY [Signature]

This Post-Hearing Brief responds to the Administrative Law Judge's direction that briefs should provide evidence supporting my arguments presented in this case.

The principle basis for these arguments is the legal requirements for rates. During Oral Testimony, there was NO cross-examination by the Company, Staff, RUCO or the ALJ, concerning these arguments in my pre-filed testimonies. However, I was asked to read, into the record, Section §40-334.B of the Arizona Revised Statutes as follows:

**40-334. Discrimination between persons, localities or classes of service as to rates, charges, service or facilities prohibited.**

**B. No public service corporation shall establish or maintain any unreasonable difference as to rates, charges, service, facilities or in any other respect, either between localities or between classes of service.**

This party has presented compelling evidence on three major issues include proving:

1. The present and proposed rates do not comply with the Arizona Constitution and Arizona Revised Statutes; there are significant locational and unreasonable differences in rates that violate these legal requirements. These rates do not comply with a Commission Order. They do not provide fair and just rates for the same services, for ALL ratepayers, regardless of location. They are both capricious and arbitrary.

2. A proposed "low income plan" violates these legal requirements, is inequitable, is proved to be dysfunctional, and fails to provide for rate relief for lower income ratepayers.

1 3. Both the present and proposed rate structure do not promote Arizona's water  
2 conservation goals, discriminate against small businesses and residential customers, continue  
3 to stimulate rate shock, do not provide viable "price signals" or incentives for customers to  
4 reduce water consumption, violate Arizona legal requirements, and will require major revision  
5 over time because they accelerate unreasonable and known differences between service area  
6 locations. They unfairly burden the Company, based primarily on legacy convolutions, with  
7 multiple rate cases and expenses for the Company, Commission staff, RUCO and all parties.  
8

9 In conclusion, this public service corporation must present, one company-wide set of  
10 rates in fair and reasonable rate case for ALL its customers.

11 We must now preserve our diminishing and critical water resources for our citizens by  
12 not rewarding the highest consuming users with low rates and low rate increases.

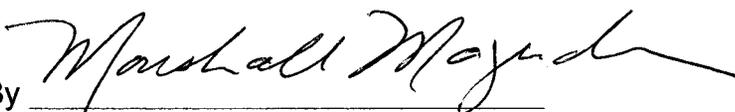
13 Most importantly, solutions for these issues do not impact the company's revenue.

14 Additional issues raised during these proceedings are included and need consideration  
15 before implementation.

16 This Brief provides an abundance of evidence, and conclusions, and advocates simple  
17 solutions to the three major issues and other issues with fair and balanced recommendations  
18 for the Company in order to revise its rate structure to

- 19 a. Combine water rates to eliminate unreasonable differences based on location,  
20 b. Provide equitable and fair rates for all customers, explicitly those with lower incomes,  
21 c. Conserve water by using cost as a driver for a revenue-neutral water rate design.  
22

23  
24 RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of April 2015.

25  
26  
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6 **POST-HEARING**  
7 **BRIEF**  
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13 **by**  
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15 **MARSHALL MAGRUDER**  
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23 **17 April 2015**  
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27  
28 **In**

29 **IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA, INC., FOR A**  
30 **DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY**  
31 **AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BY ITS**  
32 **MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER**  
33 **DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT.**

34 **ACC Docket No. SW-01303A-14-0010**  
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8 by

9 **Marshall Magruder**

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1 **Section I**  
2 **INTRODUCTION**

3 a  
4 **I.A. THREE MAJOR ISSUES IN THIS CASE.**

5  
6 This summary provides an overview for the issues presented by this party with  
7 conclusions and recommendations. These Issues directly impact ratepayers, namely:  
8

9 **I.A.1. Issue 1: COMBINE RATES FOR ALL CUSTOMER LOCATIONS TO COMPLY**  
10 **WITH ARIZONA LEGAL REQUIREMENTS.**

11 All customers receive the same water products but at significant differences in Service  
12 Charges and Rate structures in terms of rates, charges, and fees with supporting locational  
13 Rules and Regulations. Any continuation of a discriminatory rate design process is not fair or  
14 reasonable. Consolidation is a goal the Company and most parties agree, but the  
15 implementation details where different opinions lie. A solution is presented herein to start now,  
16 as part of this rate case, as ordered by the Commission the "last rate case."<sup>1</sup>  
17

18 **I.A.2. Issue 2: PROVIDE EQUITABLE AND FAIR RATES FOR LOWER INCOME**  
19 **CUSTOMERS.**

20 There is no proposed mechanism to provide lower income customers with equitable and  
21 fair rates. In general, most who qualify for lower income rates do not "apply" and thus do not  
22 receive this rate relief. The application process, as shown in other cases, only has about 20% of  
23 those eligible receiving the benefit. A First Tier, up to 3,000 gallons of water, is adequate to meet  
24 basic human needs. If a First Tier rate was low, all customers benefit. By designing a low cost  
25 First Tier, lost revenue is shifted to the higher Rate Tiers, with progressively higher rates that  
26 ensure the Company's revenue requirements are met.  
27

28  
29 **I.A.3. Issue 3: CONSERVE WATER BY USING COST AS A KEY DRIVER FOR WATER**  
30 **RATES.**

31 Realistic price signals in the rate structure design encourage water conservation. With  
32 lowest rates for First Rate Tier and progressively higher rates for a series of higher Rate Tiers,  
33 then multiple price signals are made obvious in the costs for higher usage costumers. With at  
34

35  

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<sup>1</sup> ACC Docket No. W-01303A-08-0227/WS-01303A-08-0227 herein referred to as the "last rate case" or Docket 08-0227.

1 least seven (7) price signals, spread across the consumption curve will make obvious price  
2 signal obvious to achieve a lower cost that conserves water usage.

3 The Company had a weak response to Issue 1 and no response to my other issues.<sup>2</sup>  
4 Staff and RUCO had no responses for any of the issues discussed in Part III below.  
5

6 **I.A.4. OTHER ISSUES THAT AROSE DURING THESE PROCEEDINGS.**

7  
8 Other issues raised during these proceedings include proposals for an excessive number  
9 surcharges and fees that should be included into the rates, denied, or delayed to reduce  
10 ratepayer confusion. These include proposed surcharges for a low income plan, Affordable Care  
11 Act, power purchases, low water use, CAP water, arsenic media replacement O&M, water  
12 storage tank cleaning and maintenance, new water storage tank with system improvement  
13 surcharges and a ground water use surcharge and tax.

14 The Company has unfairly charged excessive depreciation, beyond the fair market value  
15 of the asset, to ratepayers. There are location variations in the charges to install a new meter  
16 and service line. Private water wells are not being prohibited in service areas inside an ADWR  
17 Active Management Area that are unsafe and may cause the Company's wells to go dry. A  
18 proposed new water storage tank requested to be operational by year's end will not allow  
19 adequate time determine the tank location, design, cost needed to apply for grants, WIFA loans  
20 to reduce ratepayer costs.  
21

22  
23 **I.B. SUMMARY OF CONCLUSIONS.**

24 Based on the following and my previous testimonies, the following conclusions result:

25 1. The combined total revenue requirements for the Company (e.g., all "districts")  
26 determines the total revenue requirement in order to develop a Rate Design and to comply with  
27 the Arizona legal requirements. A financially independent "district," business unit, subdivision, or  
28 profit center approach for a public service company at different "locations" has been shown not  
29 legally allowed. These harshly unreasonable, variations in the present rates, the proposed rates,  
30 and the proposed rate changes are so large, they fail to comply. Combining the rate structure  
31 Companywide, into one integrated set of rates and charges can be designed to comply with  
32 these legal requirements and is necessary for reasonable, just and fair rates.  
33  
34  
35

---

<sup>2</sup> Magruder Surrebuttal of 26 February 2015, **Exhibit Magruder-2**, 2:15-22.

1 2. As there are four water service areas in this case, with cost of service determined, and  
2 using the approach given below in IV.B.1, their water revenue requirement can be combined  
3 into one Rate Design. In the “next” rate case, this combined service area would then be further  
4 combined with the remaining service areas in order to resolve the legal issues.

5 3. The Rate Design should have a low cost “First” Rate Tier that could be called a *Water*  
6 *Lifeline*, for the first 3,000 gallons or so, for **ALL** residential and small business ratepayers. This  
7 amount will meet their basic needs, including those with the lowest incomes. Ideally, “First Tier”  
8 ratepayers should have a total monthly water bill less than \$20 to a maximum of \$25. The  
9 remaining revenue requirements are met from user’s consumption in the higher Rate Tiers. A  
10 proposed dysfunctional, unsuccessful Low-Income Plan is unnecessary

11 4. The existing and proposed Rate Design is unsatisfactory for water conservation. It  
12 must have multiple Rate Tiers for the wide range of water use in each Rate Class and each  
13 Rate Category, in order to set realistic price breakpoints Rate Tier steps. The Rate Tier steps  
14 are price signals essential for ratepayers understand how to conserve water consumption. With  
15 Second and higher Rate Tiers having increasingly higher rates to ensure the “price signals” are  
16 obvious ratepayer markers and are realistically achievable to lower their bills and analogous  
17 lower consumption. At least seven or more Rate Tier steps are necessary

18 5. The Company, and other parties, should provide a combined Rate Design for the water  
19 service areas in this case BEFORE any rate changes are approved by the Commission. All  
20 parties and the public can respond to this design. Again, the present and proposed rate  
21 structures do not now comply with Arizona laws but must in the future. This can’t continue.

22 6. There are other issues, mostly involving various surcharges and fees that need be  
23 included in the total revenue requirements for the Company and not as additions to bills.

24 7. A proposed water storage tank for Tubac must be removed from this case. There is not  
25 adequate time to apply for grants, WIFA and other loans, to negotiate with various agencies, for  
26 the community to review, permit approvals, and considered in a future rate case.

27 Detailed discussions that support this summary are in Section III for each issue with their  
28 Conclusions in Section IV.

1 **I.C. SUMMARY OF RECOMMENDATIONS.**

2  
3 a It is recommended that:

4 1. The combined total revenue for all the water "districts" in this case shall be the  
5 Company's required revenue requirement for one proposed Rate Design. In the "next" rate case  
6 the combined revenues from these combined four service areas shall then be combined into the  
7 total statewide water revenue requirements with the remaining service areas as the consolidated  
8 total revenue requirements for all water services areas held by the Company.

9 2. The Rate Design shall include at least seven to ten or more Rate Tiers in each Rate  
10 Class and Rate Category for residential and commercial Rate Categories. In general, the Rate  
11 Tier break points shall spread across the consumption curve with at least 5% and not more than  
12 20% of water consumption between Rate Tier breakpoints.

13 3. The First Tier shall be for ALL residential Rate Categories and the lowest commercial  
14 Rate Categories (1.5-inch and smaller). These volumetric rates shall have a low cost, such as  
15 less than \$1.00/1000 gallons for the first 3,000 gallons for total cost ideally between \$20.00 and  
16 \$25.00 a month when including the Service Charge.

17 4. The Second and higher Rate Tiers rates shall ensure the total Company revenue  
18 requirements are achieved in the Rate Design.

19 5. All of the proposed (and if approved) surcharges and fees shall be included in the  
20 company's total revenue requirements whenever possible; however, some that are consumption  
21 driven, such as the CAP and Ground Water fees should remain as separate surcharges.

22 6. A "low water use" surcharge should NOT be included as a surcharge but included in  
23 other ways for the company to makeup reduce revenue from water conservation.

24 7. This case shall include all ratepayers (some have not been included) in these service  
25 areas so that all rates are increased by the same percentage and same time.

26 8. The Company and others shall provide a combined Rate Design to meet these  
27 recommendations before rates are changed in the four water service areas in this case.

28 9. The wastewater service areas should be processed separately.

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32 The detail evidence to support this Summary Section is discussed in Section III with  
33 Conclusions and Recommendations in Section IV.

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**Section II**  
**BACKGROUND**

a  
This party has previously participated in water, wastewater, electric and natural gas rate cases; line siting cases, and others. I have filed testimony and made appearances, either as a party or as an individual.<sup>3</sup> My systems engineering background and technical experiences in the past fifty-years, education including two Master of Science degrees, MBA instructor and seven years as a technical instructor, and County Energy Commissioner for eight years have given me unique insights in these matters. Although not an attorney, I have served as a Summary Courts Marshal over a dozen times, President/Presiding Officer of a half-dozen Special Courts Marshal, and a member of several General Courts Marshal, attended one week Naval Justice Course, Jury foreman, Election Precinct official, and in the last fifteen-years participated before this Commission, Santa Cruz County Board of Supervisors, Nogales City Council and others.

I appeared before the Commission for Public Comments session two water rate cases ago in 2003, including presenting of a paper concerning water rates.<sup>4</sup> In the "last rate case" ACC Docket No W/SW-01303A-08-0227, I was an active intervening party. This is my third consecutive water rate case involving our local water system. In general, my positions remain as described in detail in my Testimonies and Briefs from the "last rate case" into this case, too.

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**II.A. "THE LAST RATE CASE."**<sup>5</sup>

I was an active intervening party in the "last rate case" for my water service, then provided by Arizona American Water Company.

As discussed in the Section III.A, Commission Decision and Order No. 71410 in "the last rate case" stated:

***IT IS FURTHER ORDERED that this docket shall remain open for the limited purposed of consolidation in the Company's next rate case with a revenue-neutral change to rate design of all Arizona-American Water Company's water districts ... after appropriate public notice.***<sup>6</sup>

<sup>3</sup> Magruder Direct Testimony, of 23 January 2015, **Exhibit Magruder-1**, 10:3-6, 11:17-31, Appendix 1, "Background of Marshall Magruder", at 46:7-19.

<sup>4</sup> *Ibid.* Appendix 2, "Comments on the Proposed Rate Increase for Arizona-American Water Company, Tubac on 18 November 2003" by Marshall Magruder", 63-64. This paper was also submitted in the Last Rate Case.

<sup>5</sup> ACC Docket No. W-01303A-08-0227/WS-01303A-08-0227 hereafter the "last rate case" or "Docket 08-0227."

<sup>6</sup> Arizona Corporation Commission Decision and Order No. 71410 (8 Dec. 2009), 78:14-23 as fully quoted in III.A.1c below; Magruder Direct Testimony, 15:17-30;

1 Furthermore, the Company (AAWC) was ordered to conduct customer dialog as soon as  
2 practicable, initiate town hall-style meetings in all service territories, to communicate the various  
3 impacts of system consolidation.<sup>7</sup>  
4

5 **II.B. THE MAGRUDER MOTION TO DELAY AND REMAND...**<sup>8</sup>

6 About February of 2014, an EPCOR representative provided "pre-filing presentations"  
7 with its ratepayers. I attended such a meeting in Tubac. After the presentation was completed, I  
8 asked if the Company is to comply with Decision No. 71410 and file a consolidate rate schedule.  
9 His response was "there was lots of criticism to consolidation" and we do not plan on proposing  
10 a consolidated rate schedule. I was surprised, to say the least; however, after requesting him to  
11 review this, he did not contact me with an answer, as he promised.  
12

13 There were two major legal issues involved as to why the "last rate case" could not  
14 consolidate rate. These were that sufficient "Notice" had not been given to the ratepayers<sup>9</sup> and  
15 that a "cost of service (COS)" study had not been completed. EPCOR's Application in the  
16 present rate case include a COS for all service area involved. However, when it proposed a  
17 Notice to the Public to the Administrative Law Judge, there was no mention of combining or  
18 consolidating rates in this case.  
19

20 Since the EPCOR Rate Case Application, filed 10 March 2014, did not comply with  
21 Commission Order No. 74410, a "Motion to Delay and Remand" was filed on 25 April 2014 so  
22 the Company could make the "appropriate Public Notice" and a consolidated rate proposal as  
23 required. The EPCOR's Response was misleading, incorrect and erroneous, and conflicted with  
24 the Commission's order to propose rate consolidation.<sup>10</sup> My Reply with twenty-two arguments  
25 clarified and supported the Motion to Delay.<sup>11</sup> This Motion was not intended to "delay" the  
26 present water rate case, but only to ensure compliance and an appropriate Public Notice.<sup>12</sup> The  
27 resultant Procedural Order denied the Motion and requested these concerns be included in filed  
28 Testimony. This has been done.  
29  
30

31 <sup>7</sup> *Ibid.*

32 <sup>8</sup> Magruder "Motion to Stay and Remand the Rate Case filed by EPCOR, Inc., Due to Non-Compliance with a  
33 Corporation Commission Decision and the Arizona State Constitution," 25 April 2014 with an Errata, 28 April  
2014. Note, these filings erroneously dated May in the heading, signature and footer.

34 <sup>9</sup> A.R.S. §40-367, "Changes of rates; notice, filing; exception," in **Exhibit MM-1** herein.

35 <sup>10</sup> EPCOR Response to Motion to Stay and Remand," 1 May 2014.

<sup>11</sup> Magruder "Reply to EPCOR's Response to Motion to Stay and Remand the Rate Case filed by EPCOR, Inc.,  
due to Non-Compliance with a Corporation Commission Decision and the Arizona State Constitution," 10 May  
2014.

<sup>12</sup> **Exhibit MM-1**, specifically the A.R.S. §40-367, "Changes of rates; notice; filing; exception," 3.

1 The Request to Intervene stated these concerns and issues from “the last rate case.”<sup>13</sup>  
2  
3 Intervention and party status was subsequently granted in a Procedural Order on 2 June 2014.

4 **II.C. THIS RATE CASE.**

5  
6 I appeared before the Commission for Public Comments session two water rate cases  
7 ago with a presentation of a paper concerning rate structure.<sup>14</sup> In the “last rate case” Docket 08-  
8 0227, I was an active intervening party, again submitting this paper. This is my third consecutive  
9 water rate case involving my local water system.

10 In general, my positions remain as described in detail in my Testimonies and Briefs in the  
11 “last rate case” and in the present case discussed in the following Section III.

12 In general, my interests are to continually look for viable alternatives and efficiencies to  
13 reduce Company’s costs any resultant overall rate impacts and to ensure appropriate and fair  
14 rate relieve for the lowest income ratepayers. Water conservation measures I feel should be  
15 used at a primary component for rate design. Customers who use the most water should pay  
16 higher cost per gallon that those who consume less.

17  
18 Conservation of our limited surface and ground water resources is critical for future  
19 development and survival in Arizona. As the requirements for water decrease due customers  
20 being more efficient with their water usage, then the Company also needs to become more  
21 efficient in its operations in order to reduce its expenses.

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<sup>13</sup> Magruder Motion to Intervene, 25 April 2015.

<sup>14</sup> Magruder Direct Testimony, 10:3-6, 11:17-31, and Appendix 1, “Background of Marshall Magruder”, 46:7-19.

1 **Section III – DISCUSSION.**

2 a

3 **III.A. Issue 1: COMBINE RATES FOR ALL CUSTOMER LOCATIONS TO COMPLY**  
4 **WITH ARIZONA LEGAL REQUIREMENTS.**

5  
6 **III.A.1. The Present Rates, Proposed Rates and Proposed Rate Changes Do**  
7 **Not meet the Arizona Legal Requirements because they Discriminate**  
8 **Between People and Locations.**

9 **III.A.1.a These Rates do NOT comply with the Arizona Constitution.**

10 This issue is concerned with compliance with the Arizona Constitution, in particular Title  
11 XV, Section 12 that reads as follows

12 ***Charges for service; discrimination; free or reduced rate transportation***

13  
14 ***Section 12. All charges made for service rendered, or to be rendered, by public***  
15 ***service corporations within this state shall be just and reasonable, and no***  
16 ***discrimination in charges, service, or facilities shall be made between persons or***  
17 ***places for rendering a like and contemporaneous service, ....***<sup>15</sup>

18 Let us look at the wording and deconstruct this section of the Arizona Constitution to see  
19 why the present and proposed rate structure does not comply.

- 20 • The title indicates “charges for service” and “discrimination” are in this section. A “free or  
21 reduced rate for transportation” does not pertain to the issue at hand.
- 22 • “All charges” is clear, it means all and not “some” or anything less than “all” charges,  
23 specifically the price, cost or expense.<sup>16</sup>
- 24 • “made for service rendered, or to be rendered,” is also clear, when a service is provided,  
25 such as for water, removal of wastewater, electricity, communications, or natural gas,  
26 then this is the charge for the “service” rendered, thus, for the service of delivering water  
27 to a customer.<sup>17</sup>
- 28 • “by public service corporations,” means “the” company, “the EPCOR company,” and does  
29 not mean or imply by artificially created “subdivisions” or administrative profit centers,  
30 e.g., by ONE public service company as defined in A.R.S., Title 40, Chapter 2.

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35 <sup>15</sup> Magruder Direct Testimony, 13:10-15; Magruder Surrebuttal Testimony, 26 Feb. 2015, **Exhibit Magruder-2**, 1.

<sup>16</sup> *Black’s Law Dictionary Abridged Seventh Edition* (2000), 1102, defines “service charge” as “price, cost or expense.”

<sup>17</sup> *Ibid*, 1040, defines “render” as “to transmit or deliver.”

- 1 • “shall be”, in my practice, “shall” always means “required, mandatory, or compulsory.”<sup>18</sup>
- 2 a • “just and reasonable”, means “equitable, legally right, lawful, fair, proper”<sup>19</sup> to opposite of
- 3 unreasonable.
- 4 • “and no discrimination in charges, service or facilities” means that treatment for charges
- 5 is not to be different in terms of charges, service or facilities.<sup>20</sup>
- 6
- 7 • “shall be made between persons and places” means mandatory and required that
- 8 discrimination in charges and services will not be different between “persons” and
- 9 “places”. In general, utility regulations use “persons” to include more than individuals,
- 10 such as companies, organizations and all other customers of a utility.
- 11 • “Place” is not in *Black’s* however, it define “place of delivery” to mean “*The place where*
- 12 *goods are to be sent by the seller.*” In the present case, interprets place mean the
- 13 “location of the ratepayer,” that is where the water is delivered as required by A.R.S.
- 14 §§40-334 and 40-361 and in **Exhibit MM-1**.<sup>21</sup>
- 15 • “for rendering a like and contemptuous service” is for delivery of a “like” and at the same
- 16 time for customers. “Like” customers, such a residential, business, fire main water, and
- 17 other rate classes are used by EPCOR; however, Rate Classes, Categories and Tiers are
- 18 far from being standard throughout the Company as discussed in III.A.3.b below.
- 19

20 There are strict standards required for the quality of water services as required by various  
 21 federal, state, county and municipal water authorities, including the US Environmental Protection  
 22 Agency (EOA) and the Arizona Department of Environmental Quality (ADEQ) for water  
 23 resources regulated by the Arizona Department of Water Resources (ADWR), that EPCOR and  
 24 other water utilities (public service corporations) are required to meet. These standards apply in  
 25 all locations for services and to all “classes of service,” as required by A.R.S §40-334.B  
 26 discussed in next in III.A.1.b.

27 Therefore, any **deviation** or **variation** from the Arizona Constitution and Arizona Statues  
 28 is **unlawful** and must be remedied as soon as possible to eliminate any unreasonable charges.  
 29

30  
 31  
 32 <sup>18</sup> *Ibid*, 1108, defines “shall” as “has a duty to; more broadly, is required to.”

33 <sup>19</sup> *Ibid*, 696, defines “just” as “legally right; lawful; equitable” and “reasonable;” 1018, defines as “fair; proper; or moderate under the circumstances.”

34 <sup>20</sup> *Ibid*, 378, defines “discrimination” as “differential treatment; esp., a failure to treat all persons equally when no reasonable distinction can be found between those favored and those not favored” as clarified later.

35 <sup>21</sup> **Exhibit MM-1**, from Magruder Oral Testimony on 23 March 2015, “Handout of Excerpts from the Arizona State Constitution, Arizona Revised Statutes and Arizona Revised Statutes – Annotated;” 2-3, from **Exhibit Magruder-6**, taken under official notice, Transcript (TR.), 993.

1 **III.A.1.b. These Rates do NOT comply with the Arizona Statute Requirements.**

2 a To ensure the Constitutional requirements are legally binding, the legislature has  
3 prohibited and made unlawful every unjust or unreasonable charge for services by a public  
4 service company. All charges and services to the public shall also be “just and reasonable.”

5 The Arizona Revised Statutes in Title 40, Article 7, Rates and Schedules, sections 40-  
6 361.A and 40-361.C, state:

7  
8 ***A. Charges demanded or received by a public service  
9 corporation for any commodity or service shall be just and  
10 reasonable. Every unjust or unreasonable charge demanded or  
11 received is prohibited and unlawful.”***

12 ...  
13 ***C. All rules and regulations made by a public service  
14 corporation affecting or pertaining to its charges or service to  
15 the public shall be just and reasonable.***<sup>22</sup>

16 The Arizona Revised Statutes in Title 40, Article 6, Services and Facilities, Section 40-  
17 334.B most clearly states:

18 ***B. No public service corporation shall establish or maintain  
19 any unreasonable difference as to rates, charges, service,  
20 facilities or in any other respect, either between localities or  
21 between classes of service.***<sup>23</sup>

22 This could not be made any clearer. There should be NO “unreasonable difference as to  
23 rates, charges, service facilities or in any other respect, either between locations or between  
24 classes of service.” As shown in III.A.2 below, past, present, proposed and proposed changes in  
25 rates and charges are UNREASONABLY DIFFERENT in each of the EPCOR service areas in  
26 the present case. This unlawful difference must not continue and must be rectified as soon as  
27 possible, which might take several years to fairly implement, but continuance of the present  
28 situation must cease.

29 In addition, several case law decisions pertain to this issue concerning unreasonable  
30 rates based on location. The *Arizona Revised Statutes – Annotated*, shown in **Exhibit MM-1**.<sup>24</sup>

31 This Exhibit includes full quotes from the Arizona Constitution, Arizona Revised Statutes  
32 and case law decisions for the basis of legal requirements in this argument.  
33  
34

35 <sup>22</sup> *Ibid.*, 2.

<sup>23</sup> *Ibid.*, 2-3.

<sup>24</sup> *Ibid.*, 4.

1  
2 **III.A.1.c. These Rates do NOT Comply with a Commission Order.**

3 a To remedy the extreme rate differences, the Commission in the “last rate case” ordered  
4 the Company (American Arizona Water Company) to file consolidated revenue-neutral rate  
5 design for all of its water service area territories. This was the “last rate case” for the service  
6 areas in the present water rate case. The resultant Commission Order 71410 states:  
7

8 ***IT IS FURTHER ORDERED that this docket shall remain open for the limited***  
9 ***purpose of consolidation in the Company’s next rate case with a separate***  
10 ***docket in which a revenue-neutral change to rate design of all Arizona-***  
11 ***American Water Company’s water districts or other appropriate proposals or***  
12 ***all Arizona-American’s water and wastewater districts or other appropriate***  
13 ***proposals may be considered simultaneously, after appropriate public notice,***  
***with appropriate opportunity for informed public comment and participation.***

14 ***IT IS FURTHER ORDERED that the Company shall commence a dialogue with***  
15 ***its customers as soon as practicable, and will initiate town hall-style meetings***  
16 ***in all of its service territories to begin communicating with consumers the***  
17 ***various impacts of system consolidation in each of those service territories,***  
18 ***and to collect feed-back from consumers on such consolidation.*** [Emphasis  
added]<sup>25</sup>

19 Neither Company (previously AAWC nor now EPCOR) complied with this Order for its  
20 **water** service areas. The ordered requirements were not accomplished. The Rate Application in  
21 the present case did not propose consolidated rates for all the water service areas, hold town  
22 hall-style meetings, or collect public comments. A Magruder Motion to Stay and Remand...” this  
23 case,<sup>26</sup> discussed in II.B above, resulted in an EPCOR Response with objections to the Motion  
24 to Stay.<sup>27</sup> The Company’s Response confused an ongoing wastewater case in another docket  
25 with the water service areas in the present case. EPCOR has since changed this position.  
26

27 Since early July 2015, EPCOR has shown it fully supports rate consolidation in an  
28 ongoing companion wastewater rate case.<sup>28</sup> The Company filed testimony in September 2014  
29 supporting consolidation. In response to a Commissioner’s query relating the wastewater case  
30 the Company filed in December 2014 the statement below:  
31

32  
33 <sup>25</sup> Magruder Direct Testimony, 15:16-30; ACC Order No. 71410, 78:14-23.

34 <sup>26</sup> Magruder “Motion to Stay and Remand the Rate Case filed by EPCOR, Inc., Due to Non-Compliance with a  
35 Corporation Commission Decision and the Arizona State Constitution” filed 25 April 2014 with an Errata filed on  
28 April 2014. Note, these filings were erroneously dated May in the heading, signature and footer.

<sup>27</sup> EPCOR Response to the Magruder Motion to Delay and Remand, 1 May 2014.

<sup>28</sup> **Exhibit Magruder-9**, letter from EPCOR’s Jim McKee, VP of Corporate Service, 10 July 2014, subj:  
Consolidation, Deconsolidation of your Wastewater.”

1 **EPCOR's responses are as follows:**

2 a **1. EPCOR has supported and continues to support consolidation because**  
3 **it will provide our customers with fair, efficient and predictable rates.**

4 **2. EPCOR's position has not changed.**<sup>29</sup>

5  
6 **III.A.1.d. Precedence for Combining or Consolidating Rates from Different Locations.**

7 There is a precedent for the Commission to take action to combine rates in a similar rate  
8 case for UNS Electric (UNSE),<sup>30</sup> ACC Docket No. E-04204A-06-0783 where different electricity  
9 rates had been being charged for over a half-century in its Mohave and Santa Cruz Counties  
10 service areas for all residential and the smallest business Rate Categories. My ROO Exception  
11 recommended consolidating these Rate Categories. The others Rate Classes and Categories  
12 had been consolidated previously. The resultant rates would be fair and reasonable and NOT  
13 discriminate between person and place. This Exception was approved by the Commissioners in  
14 resultant Decision No. 70360, that states:

15  
16 ***IT IS FURTHER ORDERED that UNS Electric, Inc., shall consolidate the***  
17 ***rates for customers in Mohave and Santa Cruz Counties into a single rate***  
18 ***structure.***<sup>31</sup>

19 Similarly, the UNS Gas (UNSGF service area has a consolidated (combined) statewide  
20 rate structure in five different, non-contiguous counties. Arizona Public Service Company (APS)  
21 service areas are located in ten counties, all with statewide-consolidated rates with the same  
22 rates in diverse locations such as Douglas and Flagstaff. These electricity and gas rate cases  
23 have different economic, environmental, facility, infrastructure, and other factors to consider;  
24 however, rate consolidation not an issue in those service areas, not for telecommunications,  
25 railroad and other public service rates.

26  
27 **III.A.2. These Rates Discriminate between Persons and Locations.**

28 As shown below, significant differences, perturbations and variances exist between  
29 locations for Rate Classes, Rate Categories, Rate Tiers, charges and fees. This is a result of  
30 acquisition of smaller water companies when a new owner did not combine the smaller unit into  
31 the utility's required revenue with an integrated rate structure.  
32  
33  
34

35 <sup>29</sup> EPCOR letter, filed 8 December 2014, in ACC Docket No. SW-01303A-09-0343, hereafter Docket 09-0343.

<sup>30</sup> ACC Docket No. E-04204A-06-0783.

<sup>31</sup> Commission Decision No. 70360 of 27 May 2008, 88.

1 In my opinion, these rate “balancing” changes were not made because there has less  
2 emphasis on rate structure than rate base over time. This reduced emphasis on “*rate structure*,”  
3 is probably why EPCOR (and other Arizona water utilities) rate structures have become  
4 unbalanced that directly leads to being unfair and unreasonable. The original and updated  
5 proposed rate structures submitted by EPCOR, and previously by AAWC, these faults remain  
6 uncorrected in the proposed rate structure. In general, the present rate structure and Rules and  
7 Regulations (R&Rs) are more prior-company and legacy-dependent that realistic.<sup>32</sup>

8  
9 Now, in THIS rate case, is the time for action to start eliminating these discrimination  
10 deficiencies and to eliminate these rate structure differences between various ratepayers.  
11 START combining rates NOW, not waiting for the next and the next and the next rate case as  
12 this form of rate discrimination between various ratepayers must legally cease.

### 13 14 **III.A.2.a. Comparing Present and Proposed Cost for Residential Users.**

15 **Table 1** is in five parts for the “average” monthly water used in two residential Rate  
16 Categories. This “average” is the total water consumed in a Rate Category divided by the  
17 number of meters (customers) in that Rate Category in the water service areas. These two  
18 residential Rate Categories are the most common (approximately 90%) of the water customers.

19 There are five parts of **Table 1** for the first two residential Rate Categories with 5/8-inch or  
20 1/2-inch meters and 1-inch meters, where a water meter represents a “customer.” **Table 1(a)**  
21 shows the **Present monthly average Cost** for an “Average” residential customers usage and  
22 this customer’s cost per 1000 gallons. **Table 1(b)** shows the Final EPCOR **Proposed** monthly  
23 cost and increases for an Average residential customer.

24  
25 This Table compares the present and proposed average cost in services area in **Table**  
26 **1(c)** with the Magruder Consolidated monthly for an Average user, a *Water Lifeline*, and per  
27 1000 gallons. **Table 1(d)** has a Magruder Consolidated average cost for a hypothetical 10%  
28 revenue increase, a possibly in the current case, considering a 10% increase in required  
29 revenue requirements over the “last rate case.” **Table 1(c)** and **Table 1(d)** are discussed in III.B.

30 **Table 1(e)** shows the Original EPCOR Proposed Costs for additional comparison.  
31  
32

33  
34  
35 <sup>32</sup> In most rate cases, a proposed company’s Rules and Regulations (R&Rs), reflecting its policy, rule and  
regulation changes from its proposal and the proposed R&Rs is usually reviewed during a rate case. No R&Rs  
were not included in EPCOR’s Application, other than excerpts for the Low Income Plan discussed in III.B,  
specifically in III.B.2.a below, that appears nearly inarticulate, arcane and with erroneous and unsatisfactory  
rules for customers to implement. It appears EPCOR R&Rs need a major revision and need also to be  
consolidated, written in plain English and in Spanish, and published and updated on the company website.

**TABLE 1. COMPARISON OF PRESENT AND PROPOSED RESIDENTIAL COSTS FOR MONTHLY AVERAGE USAGE.<sup>33</sup>**

**Table 1(a).**

**PRESENT COST: Average Usage, Monthly Cost, and Cost per 1000 Gallons Of Water**

<b>AVERAGE Monthly Usage</b>	<b>Residential Rate Categories</b>							
	<b>5/8 and 3/4-inch meter service</b>				<b>1-inch meter service</b>			
	<b>Tubac</b>	<b>Sun City</b>	<b>Paradise Valley</b>	<b>Mohave</b>	<b>Tubac</b>	<b>Sun City</b>	<b>Paradise Valley</b>	<b>Mohave</b>
<b>Use In gallons</b>	8,348	7,203	19,271	6,800	13,838	14,786	55,400	23,601
<b>Present COST</b>	<b>\$53.57</b>	<b>\$17.35</b>	<b>\$52.30</b>	<b>\$20.63</b>	<b>\$146.05</b>	<b>\$43.44</b>	<b>\$165.40</b>	<b>\$80.90</b>
<b>COST per 1000 gallons</b>	<b>\$6.42</b> <i>w/ARCM</i>	<b>\$2.41</b>	<b>\$2.71</b>	<b>\$3.03</b>	<b>\$10.55</b> <i>w/ARCM</i>	<b>\$2.94</b>	<b>\$2.99</b>	<b>\$3.43</b>

**Table 1(b).**

**EPCOR FINAL PROPOSAL: Average User Monthly Cost and Cost Increase.**

[Based on EPCOR's 6 April 2015 Final Schedule H-2]

<b>Proposed COST INCREASE</b>	<b>+\$32.72</b> <b>(+25.50)</b>	<b>+\$2.79</b>	<b>+\$4.47</b>	<b>+\$8.63</b>	<b>+\$46.55</b> <b>(+\$55.05)</b>	<b>+\$6.20</b>	<b>+\$14.20</b>	<b>+\$21.92</b>
<b>Proposed COST (+DAMRO Tubac only)</b>	<b>\$86.29</b> <b>(+\$25.50)</b> <b>\$110.79</b>	<b>\$20.46</b>	<b>\$56.76</b>	<b>\$29.26</b>	<b>\$192.60</b> <b>(+\$55.05)</b> <b>\$247.65</b>	<b>\$49.64</b>	<b>\$179.60</b>	<b>\$102.82</b>
<b>Percent COST INCREASE</b>	<b>+61.07%</b> <b>(+108.68%)</b>	<b>+17.91%</b>	<b>+8.54%</b>	<b>+41.84%</b>	<b>+31.87%</b> <b>(69.57%)</b>	<b>+14.27%</b>	<b>+8.58%</b>	<b>+27.10%</b>
<b>COST per 1000 gals (+DAMRO Tubac only)</b>	<b>\$10.34</b> <b>+1.77</b> <b>\$12.11</b>	<b>\$2.84</b>	<b>\$2.96</b>	<b>\$4.30</b>	<b>\$13.92</b> <b>+1.77</b> <b>\$24.69</b>	<b>\$3.35</b>	<b>\$3.24</b>	<b>\$4.36</b>

**Table 1(c).**

**MAGRUDER CONSOLIDATED RATES: Monthly Cost for Average User and Water Lifeline.**

[Based on Magruder Direct Testimony, Appendix 3, for Combined Rates in the "last rate case"]

<b>AVERAGE Usage Cost</b>	<b>\$39.81</b>	<b>\$36.95</b>	<b>\$ 64.33</b>	<b>\$35.94</b>	<b>\$ 49.45</b>	<b>\$52.30</b>	<b>\$179.54</b>	<b>\$ 78.74</b>
<b>Water Lifeline @ 3,000 gallons</b>	<b>\$17.44</b>	<b>\$17.44</b>	<b>\$17.44</b>	<b>\$17.44</b>	<b>\$22.94</b>	<b>\$22.94</b>	<b>\$22.94</b>	<b>\$22.94</b>

**Table 1(d).**

**MAGRUDER COMBINED RATES PLUS 10% REVENUE INCREASE: Average User Cost.**

[Based on Magruder Direct Testimony, Appendix 3, for Combined Rates in the "last rate case" plus 10%]

<b>AVERAGE Usage Cost</b>	<b>\$43.79</b>	<b>\$40.64</b>	<b>\$70.76</b>	<b>\$39.54</b>	<b>\$54.41</b>	<b>\$57.53</b>	<b>\$197.49</b>	<b>\$86.61</b>
<b>COST Change from PROPOSED</b>	<b>(-\$42.50)</b> <b>(-\$68.39</b> <b>w/DAMRO)</b>	<b>+\$20.18</b>	<b>+\$14.00</b>	<b>+\$10.28</b>	<b>(-\$138.19)</b> <b>(-\$193.24</b> <b>w/DAMRO)</b>	<b>+\$7.89</b>	<b>+17.89</b>	<b>(-\$66.61)</b>
<b>Water Lifeline @ 3,000 gallons</b>	<b>\$19.15</b>	<b>\$19.15</b>	<b>\$19.15</b>	<b>\$19.15</b>	<b>\$25.23</b>	<b>\$25.23</b>	<b>\$25.23</b>	<b>\$25.23</b>

34

35

<sup>33</sup> Magruder Direct Testimony, Table 2.11-1, 23:3-17; Magruder Surrebuttal Testimony, Table 2-11-1 (Rev A), 9:9-35; Magruder Direct Testimony, Appendix 3, 55-58.

TABLE 1 [Continued].

AVERAGE Monthly Usage	Residential Rate Categories							
	5/8 and 3/4-inch meter service				1-inch meter service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
Use In gallons	8,348	7,203	19,271	6,800	13,838	14,786	55,400	23,601

Table 1(e).

**EPCOR ORIGINAL PROPOSAL: Present Average User Monthly COST and COST INCREASE.**  
 [Based on EPCOR's 14 October 2014 Schedules H-2]

Proposed COST INCREASE	+\$47.19	+\$3.82	+\$5.06	+\$9.06	+\$82.49	+\$8.47	+\$16.05	+\$23.41
Proposed COST	\$101.76	\$21.17	\$57.36	\$29.69	\$228.54	\$51.91	\$181.45	\$104.31
Percent INCREASE in COST	+88.1%	+22.0%	+9.7%	+43.9%	+56.5%	+19.5%	+9.7%	+28.7%

Proposed EPCOR Deferred Arsenic Media Replacement O&M (DAMRO) surcharge of \$1.77 per 1,000 gallons for Tubac. No other service area with an arsenic treatment plant has a DAMRO surcharge for arsenic media replacement. (Ref: EPCOR Final Schedule H-3, 6)

15           **Table 1(a)** shows that the PRESENT average customer's bill is highly variable in service  
 16 areas. Considering the cost per 1000 gallons (used to normalize for different average usages in  
 17 the different service areas), the Present costs show over a two-to-one difference between areas.  
 18 For example, the Tubac average 5/8&3/4-inch customer uses 8,348 gallons with a \$53.75 bill  
 19 while a Paradise Valley customer uses 19,271 gallons that costs less at \$52.30, for 230.8%  
 20 more water consumed. All the monthly costs and the cost per 1000 gallons variations are  
 21 significantly different in both Rate Categories. All the Present average monthly costs are  
 22 considerably different and highly variable. These present cost differences are unreasonable.  
 23  
 24           **Table 1(b)** shows that the EPCOR PROPOSED average customer's bill will have  
 25 increased the monthly cost differences and deviate even more from their present bills in Table  
 26 1(a). An average 5/8&3/4-inch customer's bill could increase from \$2.79 to \$8.63 in three  
 27 locations and by \$32.72 in another service area. When adding the \$25.50 for a proposed  
 28 Deferred Arsenic Media Replacement O&M (DAMRO) surcharge, the Tubac bills could increase  
 29 from \$53.57 to \$110.79 for service area, over 108%. The proposed 1-inch metered Average  
 30 customer cost increases from \$6.20 to \$21.92 for three service areas and by \$58.22 (= \$32.72 +  
 31 \$25.50 DAMRO) per month or nearly 70%, compared to between 8% to 42% for the other areas.  
 32 The normalized average cost per 1000 gallons also shows significantly higher deviations  
 33 between service areas, over a 250% difference. The Proposed monthly average costs have  
 34 unreasonable differences between service areas for the same contemporaneous service.  
 35

1 **Table 1(c)** shows the consolidated monthly cost for an average user for the eight EPCOR  
2 water service areas that met the revenue requirements in the "last rate case." The difference  
3 between costs is based only on the monthly average amount of water consumed that is fair and  
4 reasonable. As discussed later in III.B later a *Water Lifeline* cost for the first 3,000 gallons is  
5 \$17.44 (5/8&3/4-inch) and \$22.94 (1-inch) for these two Rate Categories.

6 Further, **Table 1(d)** hypothetically assumed the Company's revenue rate is increased by  
7 10%, thus, an average cost from **Table 1(c)** times ten percent is shown an increase monthly  
8 cost that is a fair and reasonable for both the Company and the consumer.<sup>34</sup>

9  
10 **Table 1(e)** shows the original EPCOR proposed average customer costs, including the  
11 increase and percentage of the original proposal cost increase for comparison. Based on agreed  
12 changes between EPCOR and other parties, its FINAL average customer cost in this table were  
13 reduced in all service areas except for Tubac, from its revised schedules of 14 October 2014.

14 The average costs for the Final RUCO and Staff proposals are in **Table 5** in III.A.2.f.

15 The predominance of customer water usage is a distribution curve skewed towards the  
16 higher user ends or tail. An "Average" user results in a higher consumption than a "Median" user.  
17 "Median" is a better measure than "average" for usage. Median is based on consumption where  
18 50% of the users consume more and 50% less water in the same Rate Category.

19 **Table 2** shows similar information for a Median user as **Table 1** did for an Average user.  
20 Table 2 compares the Present cost, EPCOR original proposal and Final proposed for the Median  
21 user. In general, this table is more realistic than the **Table 1** above; however, most customers  
22 seem to understand Average while less recognizes the Median concept.

23 The results in **Table 2** for Median residential user, are similar to Table 1 for average  
24 users. The highest cost differences in terms of dollars and percentages for a 5/8&3/4-inch  
25 residential ratepayer is the Tubac service area is \$24.41 (57.9%). The other service areas  
26 median cost increases vary between \$2.79 and \$7.50 (from 8.5% to 42.29%) per month.

27 Again, these are not equitable changes in cost. **Table 2** continues to prove a failure to  
28 comply with the legal requirements based on the same rates that are the same for all locations  
29 for the same service. Additional discussion of this table is not necessary. To any observer, it is  
30 very obvious the present monthly cost, the proposed cost and changes provide additional  
31 evidence that significant differences in these monthly customer costs are UNREASONABLE.  
32  
33  
34  
35

<sup>34</sup> **Table 1(d)** assumptions are based on all eight water service areas, not just the four in this case, and the 10% increase are simply shown only as an example.

Table 2. COMPARISON OF PRESENT AND PROPOSED COSTS FOR MONTHLY MEDIAN USER.<sup>35</sup>

Table 2(a)

**PRESENT COST: Median Usage, Monthly Cost, and Cost per 1000 Gallons Of Water.**

MEDIAN Monthly Usage	Residential Rate Categories							
	5/8- and 3/4-inch meter service				1-inch meter service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
In gallons	5,000	6,000	10,000	5,000	10,000	7,000	37,000	11,000
Present COST	\$42.10	\$15.72	\$36.65	\$17.32	\$146.05	\$30.21	\$116.45	\$47.74

Table 2(b)

**EPCOR FINAL PROPOSAL: Median User Monthly Cost and Cost Increase.**

[Based on EPCOR 6 April 2015 Final Schedule H-2]

COST INCREASE	+\$24.41	+\$2.79	+\$3.11	+\$7.50	+\$38.55	+\$5.17	+\$9.96	+\$17.72
Proposed COST	\$ 66.50	\$ 18.50	\$39.76	\$ 24.92	\$ 167.61	\$ 35.37	\$ 126.41	\$ 65.46
Percent Cost Increase	+57.98%	+17.73%	+8.50%	+42.29%	+29.87%	+17.10%	+8.26%	+37.13%

Table 2(c)

**EPCOR ORIGINAL PROPOSAL: Present Median User Monthly and Cost Increase.**

[Revised Proposal of 14 October 2014]

COST Increase	+ \$26.71	+ \$3.06	+ \$2.11	+ \$7.58	+ \$43.85	+ \$5.83	+ \$6.75	+ \$17.90
Original COST	\$ 68.81	\$ 18.77	\$ 38.76	\$ 24.90	\$ 172.90	\$ 36.04	\$ 123.20	\$ 65.64
Percent COST INCREASE	+63.46%	+19.42%	+ \$5.75	+43.74%	+33.96%	+ 19.29%	+ 5.80%	+37.50%

Table 2(a) shows wide differences in the Present monthly means user's cost. For example, with the same water usage at 5000 gallons, in Mohave the cost is \$17.32 and Tubac it is \$42.10. Table 2(b) show latest EPCOR proposed mean monthly cost with increases from 8.26% to 57.88% and compared to Table 2(c), some areas increased and other decreased.

Both Table 1 and Table 2 compare present customer costs and the proposed increases and total proposed customer costs. Why do these significant cost differences exist if

***No public service corporation shall establish or maintain any unreasonable differences as to rates, charges, services, facilities or in any other respect, either between localities or between classes of service***<sup>36</sup>

<sup>35</sup> A.R.S. §40-334.B.

<sup>36</sup> Magruder Direct Testimony, Table 2.11-2, 24:1-15; Magruder Surrebuttal Testimony, Table 2-11-2 (Rev. A), 10:1-32.

1 The next two tables breakout of two elements of total customer cost, (1) the monthly  
 2 Service Charge also called the Fixed Charge and (2) the Volumetric or Consumption rates.

3 **Table 3** summarizes the monthly fixed **Service Charge** and changes from the present in  
 4 **Table 3(a)** to Final EPCOR proposals in **Table 3(b)**. Two service areas presently have a fixed  
 5 monthly charge (5/8&3/4-inch service) between \$8.76 and \$11.00 while two others are \$25.15  
 6 and \$27.40 (plus a monthly ARCM surcharge) with greater differences for 1-inch service.

7 When comparing the fixed fee or Service Charge for different water service areas, one  
 8 has significantly higher present, proposed, and proposed increases; however, with the "same  
 9 contemporaneous service" in all locations, so why are these differences so highly variable?  
 10

11 **Table 3. COMPARISON OF PRESENT AND EPCOR FINAL PROPOSED SERVICE CHARGE.**<sup>37</sup>

**Table 3(a).**  
**PRESENT SERVICE CHARGE: Present Service Charge.**

Monthly Averages	Residential Rate Categories							
	5/8 and 3/4-inch Meter Service				1-inch Meter Service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
Average Usage (gals)	8,348	7,203	19,271	6,800	13,838	14,786	55,400	23,601
Monthly Median Usage	5,000	6,000	10,000	5,000	10,000	7,000	37,000	11,000
PRESENT Service Charge	\$27.40 +\$3.56 ACRM	\$8.76	\$25.15	\$11.00	\$74.10 +\$10.68 ACRM	\$21.89	\$50.30	\$27.50

**Table 3(b).**  
**PROPOSED SERVICE CHARGE: Increase, Cost and Percent.**

PROPOSED Service Charge Increase	+\$16.30	+\$1.40	+\$1.52	+\$4.32	+\$28.41	+\$3.51	+\$3.04	+\$10.79
Proposed Cost	\$41.00	\$10.16	\$26.67	\$15.32	\$102.51	\$25.40	\$53.34	\$38.29
Percent Increase	59.49%	15.98%	6.04%	39.2%	38.3%	16.0%	6.04%	39.2%

28  
 29 The second water bill cost element is based on the water volume used, measured in  
 30 thousands of gallons. To compare volumetric consumption rates, one needs to consider the  
 31 steps, rate blocks or Rate Tier structure as consumption changes. **Table 4** shows no location  
 32 consistency exists for consumption changes for two residential Rate Categories.

33 **Table 4(a)** PRESENT volumetric Rates for Rate Tiers per 1000 gallons is inconsistent.  
 34  
 35

<sup>37</sup> Magruder Direct Testimony, Table 2.11-3, 25:1-19; EPCOR Final Schedule H-3, 6 April 2015.

**Table 4. COMPARISON OF PRESENT AND EPCOR FINAL PROPOSED VOLUMETRIC RATES BY RATE TIER, with proposed Low Income Surcharge Added to the highest Rate Tier.<sup>38</sup>**

Monthly Volumetric Rates	Residential Rate Categories							
	5/8- and 3/4-inch Meter Service				1-inch Meter Service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
Average Use	8,348	7,203	19,271	6,800	13,838	14,786	55,400	23,601
Median Use	5,000	6,000	10,000	5,000	10,000	7,000	37,000	11,000

**Table 4(a). PRESENT Volumetric Rates**

Present 1st Tier	\$1.90 0 to 3k	\$0.7297 0k-1k	\$1.05 0k-5k	\$0.88 0k-3k	\$4.00 0k-35k	\$0.7297 0k-1k	\$1.05 0k-5k	\$1.84 0k-15k
Present 2nd Tier	\$3.00 3k-10k	\$1.0702 1k-3k	\$1.25 5k-15k	\$1.84 3k-10k	\$6.00 >35k	\$1.0702 1k-3k	\$1.25 5k-15k	\$3.00 >15k
Present 3rd Tier	\$4.00 10k-20k	\$1.3621 3k-9k	\$2.20 15k-40k	\$3.00 >10k	Not used	\$1.3621 3k-9k	\$2.20 15k-40k	Not used
Present 4th Tier	\$6.00 <20k	\$1.6539 9k-12k	\$2.75 40k-80k	Not used	Not used	\$1.6539 9k-12k	\$2.75 40k-80k	Not used
Present 5th Tier	Not used	1.9896 >12k	\$3.2259 >80k	Not used	Not used	1.9896 >12k	\$3.2259 >80k	Not used

**Table 4(b). EPCOR FINAL PROPOSED Volumetric Rates**

Proposed 1st Tier	<b>\$4.56</b> 0 to 3k	\$0.7297 0-1k	\$1.1138 0k-5k	\$1.52 0k-3k	<b>\$6.51</b> 0k-35k	<b>\$0.7297</b> 0-1k	\$1.1138 0k-5k	\$2.40 0k-15k
Proposed 2nd Tier	<b>\$5.91</b> 3k-10k	\$1.3602 1k-3k	\$1.3260 5k-15k	\$2.47 3k-10k	<b>\$7.76</b> <b>\$8.638*</b> >35k	\$1.3602 1k-3k	\$1.3260 5k-15k	\$3.195 <b>\$3.65&amp;</b> >15k
Proposed 3rd Tier	<b>\$6.96</b> 10k-20k	\$1.6302 3k-9k	\$2.3338 15k-40k	\$3.205 <b>\$3.262&amp;</b> >10k	Not used	\$1.6302 3k-9k	\$2.3338 15k-40k	Not used
Proposed 4th Tier	<b>\$7.76</b> <b>\$8.638*</b> >20k	\$1.8002 9k-12k	\$2.9172 40k-80k	Not used	Not Used	\$1.8002 9k-12k	\$2.9172 40k-80k	Not Used
Proposed 5th Tier	Not Used	\$2.0102 \$2.0304# >12k	<b>\$3.4220</b> <b>\$3.4340+</b> >80k	Not used	Not used	\$2.0102 \$2.0304# >12k	<b>\$3.4220</b> <b>\$3.4340+</b> >80k	Not used

**Table 4(c). PROPOSED LOW INCOME SURCHARGE. This surcharge is added to the highest Rate Tier:**

- \* = Includes Tubac proposed Low Income Surcharge of \$0.578 per 1000 gallons
- # = Includes Sun City proposed Low income Surcharge of \$0.021 per 1000 gallons
- + = Includes Paradise Valley proposed Low Income Surcharge of \$0.013 per 1000 gallons.
- # = Includes Mohave proposed Low income Surcharge of \$0.0578 per 1000 gallons

32  
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34  
35

<sup>38</sup> Table 4 is updates Table 2.11-4, Magruder Direct Testimony, 26:1-23; and Table 2.11.4 (Rev. A), Magruder Surrebuttal Testimony, 10:1-31. Table 4 uses EPCOR Final Schedule H-3, 6 April 2015 rates.

1 **Table 4(b)** shows PROPOSED Volumetric Rates, with continued inconsistencies in the  
2 number of Rate Tiers for each of these Rate Categories, in the size of the Rate Tiers, and in the  
3 rate changes from one Rate Tier to the next.

4 Table 4 also has a second rate that is added to the highest Rate Tier for residential and  
5 Commercial Rate Classes. This second rate in **Table 4(c)**, identified by a footnote symbols in  
6 **Table 4(b)**, is added to the highest Rate Tier as a proposed Low Income surcharge (LIS).<sup>39</sup>

7 **Table 4(a)** and **Table 4(b)** beg the following, amongst others, unanswerable questions:

8 a. Why do the numbers of Rate Tiers vary from two to five the service areas in the same  
9 Rate Class and Rate Category?

10 b. When there are only two Rate Tiers and customer consumption is less than the one  
11 breakpoint, can that customer see have any cost savings to reduce usage to conserve water?

12 c. Why do the rates equal for the 5/8&3/4-inch and 1-inch residential Rate Tiers in Sun  
13 City and Paradise Valley with substantial rate differences for the 5/8&3/4-inch and 1-inch Rate  
14 Tiers in Mohave and Tubac? For example, in Table 4(b) the both the Sun City 5/8&3/4 rate and  
15 1-inch rates are equal at \$0.7297/1000 gallons in First Tier. However, for Mohave the First Tier  
16 5/8&3/4 rate is \$1.52 and the 1-inch rate is \$2.40, an \$0.88 per 1000 gallons difference in  
17 Mohave and while there is a zero change in Sun City's First Tier, respectively.

18 d. Why do the sizes of the residential and commercial First Tier change from zero to  
19 1,000 gallons in one area and from zero to 15,000 gallons in another?

20 e. Why are the Rate Tier steps so different between locations in the same Rate Category  
21 varying from a 1,000-gallon to a 40,000-gallon step? Two examples:

22 (1) The First Tier 1-inch step is only 1,000 gallons in Sun City but 35,000 gallons in  
23 Paradise Valley, 5,000 gallons in Tubac, and 15,000 gallons in Mohave. These tier step  
24 variations result in extreme rate differences and customer costs.

25 (2) The first 1,000 gallons cost \$0.7297 in Sun City, \$1.1138 in Paradise Valley,  
26 \$2.40 in Mohave and \$6.51 in Tubac, for the same volume of water.

27 Are this differentiations fair and reasonable?  
28  
29  
30  
31

32 <sup>39</sup> There is inconsistency in the rates for the Low Income Surcharge filed by the Company. The lowest rates below  
33 have been used in Tables 4(b) and 4(c); however, significant differences in the proposed Low Income  
34 Surcharges between service areas as follows:

Service Area	Low Income Surcharges filed in the Final Schedules, 6 April 2015
Tubac	\$0.5780 and 0.6810 per 1000 gallons
Sun City	\$0.0210 and 0.0220 per 1000 gallons
Paradise Valley	\$0.0120 and 0.0130 per 1000 gallons
Mohave	\$0.0570 and \$0.058 per 1000 gallons

1 f. Why is the rate (per 1,000 gallons) so different in each area for the same amount of  
2 water, for example, a 1-inch First Tier Sun City customer volumetric rate is 72.97 cents/1000  
3 gallons while the Tubac customer's rate is 651.0 cents/1000 gallons, or 8.92 times higher, in the  
4 same Rate Tier in Table 4(b)?

5 g. Could a consolidated rate schedule<sup>40</sup> provide a better starting point to design a new rate  
6 structure than the present, inconsistent, uneven and mixed-up volumetric rate table?  
7

8 **1. Low Income Surcharge (LIS) Volumetric Rate Impacts.**

9 Uniquely, **Table 4(c)** shows a proposed volumetric Low Income Surcharge (LIS) only  
10 highest residential and commercial Rate Tier to cover any potential revenue losses due to this  
11 new surcharge. This surcharge is discussed in detail with a simple proposal later in III.B.

12 a. For example, **Table 4(c)** shows that the LIS varies considerably by service area from a  
13 low 1.2 cents per 1000 gallons for Paradise Valley (PV) to 57.8 cents per 1000 gallons for Tubac  
14 (or over 48 times higher) and from 2.1 cents (Sun City) and 5.78 cents (Mohave) per 1000  
15 gallons in other areas.

16 b. Since the same "poverty" criterion is nationally used to define "low income" in all  
17 service areas, why should the LIS vary between service areas?  
18

19 The new LIS accelerates rate differences between service areas. For example,  
20 comparing the impact of the LIS on Tubac and Paradise Valley two "highest" Rate Tiers for a  
21 5/8&3/4-inch customer.

22 a. The highest tier Tubac volumetric rate in **Table 4(b)** it proposed to increase from \$7.76  
23 to \$8.638 per thousand gallons with the LIS while the PV volumetric rate would increase from  
24 \$3.422 to \$3.434 per 1000 gallons which is a 251.5% higher cost/1000 gallons in one area  
25 compared to another.

26 b. Looking more into the impact of LIS in this example, we see that that the LIS starts in  
27 the Tubac Fourth Tier when usage is over 20,001 gallons while PV's Fifth Tier starts at 80,001  
28 gallons.

29 c. Thus, Tubac residents using 20,001 gallons/ per month will pay \$8.638/1000 gallons  
30 while PV residents in the PV Third Tier are charged only \$2.338/1000 gallons at a rate only  
31 23.5% of that for a Tubac customer using the same volume of water.  
32

33 The LIS is creates an unreasonable difference in locational rates, for identical service.  
34

35 <sup>40</sup> **Exhibit MM-3, 2-4**, provides an example of a Consolidated Rate Schedule that met the revenue requirement in  
the "last rate case" and for the average user in **Table 1(c)**. A hypothetical example for 10% higher revenue  
requirement is shown in **Table 1(d)**.

1           **2. Deferred Arsenic Media Replacement O&M (SAMRO) Volumetric Rate Impacts.**

2           a       The Tubac ACRM surcharge is subsumed into the proposed rates in Table 4(a) however  
3 a new “Deferred Arsenic Media Replacement O&M” (SAMRO) surcharge of \$1.77 per 1000  
4 gallons is proposed for the Tubac areas, thus increasing its monthly consumption costs. Other  
5 districts with Arsenic costs have already had their arsenic costs incorporated into their Service  
6 Charge and Volumetric rates.

7           NONE of these volumetric rates and charges in Table 4 complies with the meaning of the  
8 Arizona State Constitution and Arizona Revised Statutes. Plain common sense shows these  
9 volumetric rates are not fair and just and not discriminate between “person” and place.

10           See III.B and III.C below to resolve by combining rates for all the service areas.

11  
12 **III.A.2.b. Fairness of the Present Customer Cost.**

13  
14           The present residential customer’s costs are summarized in the **Tables 1 to 4**, all based  
15 on data from EPCOR’s Final Schedules H. These tables show wide variations in these service  
16 areas. For smallest (5/8 & 3/4-inch service) residential customers, Tubac uses 8,343 gallons per  
17 month, less than half the monthly average water usage for one Paradise Valley, however, the  
18 Tubac customer Average or Mean monthly costs are higher than Paradise Valley using twice  
19 Tubac’s consumption. The present Tubac costs are more than twice those of the Sun City and  
20 Mohave with similar average water usages. These wide variations exist in all present Rate  
21 Classes and all Rate Categories.

22           The present rates discriminate based on “**location**” and are unfair and unreasonable.  
23 There is no reason, other than legacy and lack of diligence by the Commission and RUCO and  
24 the various Companies (Citizens, AAWC and EPCOR). Over the last half-century, these  
25 “individual” company service areas were acquired by a “larger” company; however, they retain  
26 an independent, non-integrated and separate “profit center” approach for doing business. These  
27 service areas are just service areas and are NOT a company and definitely not a public service  
28 corporations. Maybe this lack of an integrated business approach is why these customers have  
29 had three different owners in the past decade!

30           There are significant differences in the PRESENT cost for the first 1,000 gallons.

31           Why is the present cost for the first 1,000 gallons of water so dissimilar to serve similar  
32 5/8-&3/4-inch meter residential customers at the following locations in **Table 4**?

33           Why is there such an obvious discrimination allowed for the same customer category for  
34 the exactly the same service?  
35

- 1 • \$0.7297 in **Sun City** with a proposed increase of **0.0 cents**/1000 gallons
- 2 • \$1.050 in **Paradise Valley** with a proposed increase of **6.38 cents**/1000 gallons
- 3 a • \$0.880 in **Mohave** with a proposed increase of **64.0 cents**/1000 gallons
- 4 • \$1.900 in **Tubac** with a proposed increase of **266.0 cents**/1000 gallons<sup>41</sup>

5 **III.A.2.c. Fairness of the Proposed Changes and Rates.**

6 The **proposed rate increases** correspondingly lead to escalation in unfair customer costs  
 7 in **Tables 1 to 4**. A Tubac average residential customer has a 61.07% rate increase, about 1.5  
 8 times the proposed increase for the smaller (5/8&3/4-inch) customers when compared to the  
 9 other service areas with increases between 41.84% or as low at 8.54%. This is unfair and  
 10 unreasonable for the same product, same service, by the same company.

11 Similar differences occur in the next larger 1-inch Rate Category.

12 It should be noted that Mohave, the other service area with a small number of customers,  
 13 has the second highest customer cost changes in this case.

14 The **proposed rates and cost** increasingly discriminate based on **“location.”**

15 a. Why are here significant cost differences in the **Median Rate Tier**, where 50% use  
 16 more and 50% use less water, for 5/8- & 3/4-inch meter residential users?

17 b. Why are the monthly cost increases different between in Tubac and Mohave, both  
 18 using 5,000 gallons a month at \$22.41 and \$7.50, respectively? The other two locations in Sun  
 19 City and Paradise Valley have much lower costs, at \$2.79 and \$3.11 respectively.

20 In the “median usage rate tier,” we see significant differences in the cost a 1,000 gallons.

- 21 • **Tubac** median usage cost for 1000 gallons at **5,000 gallons**:
  - 22 - Present cost is \$3.00/1000 gallons for a monthly median cost of \$53.57,
  - 23 - Proposed is \$5.91, an increase of \$2.91/1000 gallons at the monthly median cost  
 24 of **\$42.10**, with a proposed monthly increase of \$22.41
- 25 • **Mohave** median usage cost for 1000 gallons at **5,000 gallons**:
  - 26 - Present cost is \$1.84 for a monthly median cost of \$20.63,
  - 27 - Proposed to \$2.50, an increase of \$0.64/1000 gallons at the monthly median cost  
 28 of **\$15.72**, with a proposed monthly increase of \$7.50
- 29 • **Sun City** median usage cost for 1000 gallons at **6,000 gallons**:
  - 30 - Present cost is \$1.36 for a monthly median cost of \$15.35,
  - 31 - Proposed to \$1.66, and an increase of \$0.30/1000 gallons at the monthly median  
 32 cost of **\$15.72** with a proposed monthly increase of \$2.79

33  
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---

 41 From Table 1 and EPCOR Final Schedule H-3.

- 1 • **Paradise Valley** median usage cost for 1000 gallons at **10,000 gallons**:
  - 2 - Present cost is \$1.25 for a monthly median cost of \$52.30,
  - 3 a - Proposed to \$1.36, and an increase is \$0.21/1000 gallons at the median cost of
  - 4 **\$36.76** with a proposed monthly increase of \$3.11.

[From Table 2]

5 **III.A.2.d. Key Lessons Learned from Being a Party in the “Last Rate Case.”**

6  
7 There are several important lessons I learned, including the simple conclusion, that the  
8 Company, staff and RUCO have primary interest in the determination of fair and reasonable  
9 “operating” or “*total revenue*” for the Company to meet its operating costs and to permit utility  
10 and its stockholders are reasonable rate of return on the utility’s investment. The *total revenue* is  
11 what the Commission considers as a fair rate of return for the Company. To determine a fair and  
12 reasonable rate of return, the Commission must first determine the “fair value” of the utility’s  
13 property (in this case, a real challenge that took six months), and then must determine what the  
14 rate of return should be, and apply that figure to the rate base in order to establish just and  
15 reasonable rate schedule tariffs. *Total Revenue* is the primary emphasis during rate cases. This  
16 is where most of the time, testimony, and rate case efforts are expended.

17  
18 This case is typical. The process to establish the Test Year basis, necessary starting  
19 point to evaluate *total revenue requirements*, took most of the time and effort expended to date.  
20 The conduct of the detailed forensic audit of the Test Year, primarily by the Commission Staff  
21 and RUCO, validates the prudence the Company’s operating expenses. This included all  
22 expenses, such as postage cost, improper use of “p” cards (Company credit card), executive  
23 salary retirement bonuses, cleaning tanks, electricity cost for pumps, employee training and  
24 benefits, depreciation, etc. This audit phase results in the *total revenue* requirements. Then, and  
25 only then do the Parties address “*rate structure*,” how the customers will be charged in a fair and  
26 reasonable manner to meet this requirement.

27  
28 Cost of Service Study for Each Service Area.

29 The Company completed a Cost Of Service (COS) study for the Test Year based on the  
30 present rate structure for each service area. The COS study is included in its 14 October 2014  
31 Revised and 6 April 2015 Final Rate Schedules G. The Company’s COS “service area” concept  
32 determined the COS for a service area and that separate area’s revenue requirement. This COS  
33 study was used to develop the resultant service area rate schedules, so each service area  
34 produced the same Return on Investment (ROI). Each service area is a “profit center.”

35 The COS did not combine the total revenue requirements for like service areas (water or  
wastewater) for a Company total revenue requirement. Thus, the COS results mirrored and

1 mostly increased the present unfair and unreasonable customer cost deficiencies between  
2 service area locations in **Tables 1 to 4** in its proposed rate schedules. These Company-  
3 developed proposed rate structures increased these differences in order to make each service  
4 area a profit center. As discussed above, and obvious in **Tables 1 to 4**, the proposed rate  
5 schedules do not comply with legal requirements.

6 Looking back on my participation in other electric, natural gas, water and wastewater rate  
7 cases, less emphasis is placed on in-depth reviews of the impact of "*rate structure*" than on rate  
8 base and the total revenue requirements for the Company.

9 From the customer's view, the rate structure as the most important part of a rate case.

10  
11 **III.A.2.e. Important Lesson Learned Concerning Cost from Other Rate Cases.**

12  
13 All ratepayers will say that "cost" is their major driver for their concerns about utility rates,  
14 and almost always, the lower the cost, the less they will object. Further, any increase in the  
15 cost, in particular, if it increases for any reason or for any amount, very few ratepayers will not be  
16 upset and complain. Conversely, if the customer's cost decreases, ratepayers will not object,  
17 and usually remain silent.<sup>42</sup>

18 **The dominant decision factor for ratepayers is their COST and any changes.**

19  
20 **III.A.2.f. Commission Staff and RUCO Proposed Changes and Rates.**

21 The Commission Staff and RUCO Final Schedules recommended in the following  
22 average or median typical monthly bills in **Table 5** below.

23 Neither of these rate designs achieves the goals in Magruder Testimonies and herein.

24 These rate increases show Tubac with the highest rates; highest rate increases in both  
25 dollars and percentages, at four times the Sun City and Mohave rate increases, and  
26 considerably larger than Paradise Valley. These Staff and RUCO proposed rates continue to  
27 accelerate rate structure discrimination between the service areas.

28  
29 Tubac's ARCM is embedded within the RUCO and Staff rates (both eliminated a  
30 surcharge for ARCM) is also included in **Table 5** below.

31 **Table 5(a)** shows the present, proposed and changes in the fixed SERVICE CHARGE for  
32 the residential 5/8&3/4-inch Rate Category.

33  
34  
35 <sup>42</sup> In the "last rate case," I analyzed hundreds of ratepayer comments in that docket, less than 2% of those that had their rates being proposed to be increased indicated that they the might accept a rate increase, if necessary. All the others opposed. None were "for a rate increase." However, some customers saw that there could be a decrease and, as expected, they all approved a decrease.

1  
2  
3 a

**TABLE 5. EPCOR, COMMISSION AND RUCO PROPOSED RATES FOR AVERAGE RESIDENTIAL USAGE<sup>43</sup>**

Residential 5/8&3/4-in meter Rate Category				
Service Area	Mohave	Paradise Valley	Sun City	Tubac

Table 5(a).  
**SERVICE CHARGES:**

Present and Proposed by EPCOR, RUCO and Commission Staff and changes

Present Service Charge	\$11.00	\$25.15	\$8.76	\$24.70
EPCOR Proposed Service Charge	\$15.32	\$26.67	\$10.16	\$41.00
Proposed Change	+\$4.32	+\$1.52	+\$1.40	+\$16.30
RUCO Proposed Service Charge	\$11.40	\$22.00	No change Proposed	\$32.00
Proposed Change	+\$0.40	-\$3.15		+\$7.30
STAFF Proposed Service Charge	\$13.55	No change Proposed	\$9.06	\$35.77
Proposed Change	+\$2.55		+\$0.30	+\$11.07

Table 5(b).  
**COMMISSION STAFF:**

Proposed Average Usage Monthly Cost and Changes.

AVERAGE USAGE	6,800 gallons	19,271 gallons	7,203 gallons	8,348 gallons
Present Bill	\$20.63	\$52.30	\$17.36	\$46.44 (w/o ARCM) (\$53.57 with ARCM)
Monthly Cost Change from Present	+\$5.15	No change Proposed	+\$1.55	+\$41.49 (no ARCM)
Percent Change	+ 24.98%		+ 21.99%	+ 60.68%
STAFF Proposed Monthly Bill	\$25.78	\$52.30	\$18.21	\$74.63

Table 5(c).  
**RUCO:**

Proposed Average Usage Monthly Cost and Changes.

Present Bill	\$20.63	\$52.30	\$17.36	\$46.44 (w/o ARCM) (\$53.57 with ARCM)
Monthly Cost Change from Present	+\$0.79	-\$9.40	+\$3.82	+\$47.18 (no ARCM)
Percent Change	+ 3.85%	- 17.97%	+ 22.00%	+ 88.08%
RUCO Proposed Monthly Bill	\$21.43	\$42.90	\$21.17	\$ 100.76

33  
34  
35

<sup>43</sup> Table 5 is from Table A, Magruder Surrebuttal Testimony, 7:12-35 and updated based on EPCOR, Staff and RUCO Final Schedules H.

1 **Table 5(b)** has the Commission STAFF's Proposed Monthly Cost and **Table 5(c)** the  
2 RUCO Proposed Monthly for Average use customers.

3 **Table 5(a)** shows the Service Charge recommendations, with the Staff proposing a  
4 decrease of \$3.15 and RUCO proposing no change for Paradise Valley compared to a \$1.52  
5 increase by EPCOR. RUCO also proposes no change for Sun City, the Staff a \$0.30 increase  
6 and \$1.40 by EPCOR. The Service Charge Increases proposed for Mohave and Tubac are  
7 significantly higher, between \$0.44 and \$4.32 for Mohave and between \$7.30 and \$16.30 for  
8 Tubac. The proposed Service Charges for these four service areas are:  
9

- |    |                           |                                      |         |
|----|---------------------------|--------------------------------------|---------|
| 10 | • Mohave between          | \$11.40 and \$15.32 from the present | \$11.00 |
| 11 | • Paradise Valley between | \$22.00 and \$26.67 from the present | \$25.15 |
| 12 | • Sun City between        | \$ 8.76 and \$10.16 from the present | \$ 8.76 |
| 13 | • Tubac between           | \$32.00 and \$41.00 from the present | \$24.70 |

14 These proposed Service Charges reflect the extreme locational variability and increasing  
15 differences between these four locations.

16 The Service Charge should account for much of the Company's fixed expenses, such as  
17 administration, meter reading, maintenance, training, capital costs, and salaries. In general, this  
18 Fixed Service Charge should be about 35 to 45% of the total revenue requirements in the  
19 monthly bills for an average (or median) user proposed for EPCOR in **Table 1(b)**, for the  
20 Commission Staff in **Table 5(b)** and for RUCO in **Table 5(c)**. Using these tables, we see that the  
21 range of the percentage of total revenue (for this Rate Category) by the EPCOR proposed bill  
22 (Table 1b/Table 5b) is

- |    |                               |                                  |       |
|----|-------------------------------|----------------------------------|-------|
| 23 | • Mohave between              | 38.9% and 52.4% from the present | 53.3% |
| 24 | • Paradise Valley between     | 38.7% and 47.0% from the present | 48.1% |
| 25 | • Sun City between            | 42.8% and 49.7% from the present | 50.5% |
| 26 | • Tubac <sup>44</sup> between | 37.1% and 47.5% from the present | 46.1% |
| 27 | • Tubac w/DAMRO               | 28.9% and 37.1% from the present | 46.1% |

28 **Table 5(b)** shows that the Mohave average monthly bill proposed by the Staff for 6,800  
29 gallons an increase of \$5.15 or 24.98% from \$20.63 to \$25.78; RUCO in **Table 5(c)** proposed  
30 this bill increase by 3.85% or 0.79% to \$21.43; while EPCOR proposed in **Table 1(b)** the bill  
31 increase by 41.84% to **\$29.26**.

32 The Staff proposed the Paradise Valley average monthly bill for 19,271 gallons not be  
33 changed, RUCO proposed this bill decrease by 17.97% from \$52.30 to \$42.90; and EPCOR  
34 proposed an increase of 8.54% to **\$56.76**.

35  
<sup>44</sup> For Tubac, the DAMRO surcharge is not included

1 The Staff proposed the Sun City average monthly bill for 6,800 gallons be increased by  
2 \$5.15 or 24.98% from \$20.63 to \$25.78, RUCO proposed an increase by 3.85% or 0.79% to  
3 \$21.43 while EPCOR proposed an increase of 17.91% to \$ 20.46.

4 The Staff proposed the Tubac average monthly bill for 8,348 gallons be increased by  
5 \$41.49 or 60.68% from \$53.57 (w/ARCM) to \$74.63 (w/o DAMRO), RUCO proposed an increase  
6 by \$47.18 (w/o DAMRO) or 88.08% to \$100.76 while EPCOR proposed an increase of 61.07%  
7 to \$86.29 and including the DAMRO a total increase of 108.69% to \$110.79.

8 No matter how one looks at these customer costs, they do not meet any legal  
9 requirement or any "intention" of the legal requirements. They are not fair and not reasonable.  
10

### 11 **III.A.3. Combining Rates Eliminates Discrimination between Persons and Locations**

12  
13 Simply, by combining rates for all the water (and wastewater) service areas, then rates  
14 will be equalized, fair, equitable, just, reasonable, and not discriminate or differentiate between  
15 persons or places. This is shown in **Table 1(d)** above for a hypothetical 10% across the board  
16 increase in required revenue. This approach complies with all the legal requirements stated in  
17 III.A.1 above, and, in the long-term greatly reduces any resultant "rate shock" from most of the  
18 proposed rates in Tables 1 to 5.  
19

#### 20 **III.A.3.a. Rate Components, Fees and Surcharges Charges Impact Ratepayers.**

21 "Rates" have two components, a fixed Service Charge shown in **Table 5(a)** for the largest  
22 residential Rate Category and a consumption-dependent volumetric charge measured (in this  
23 case) in thousands of gallons consumed during a billing period in **Table 4**.  
24

25 All ratepayers pay a fixed monthly charge to connect or "Service Charge" and a variable  
26 "volumetric", measured in thousands of gallons per month, which is also described at the  
27 consumption charge. In general, the Service Charge will meet about half the Company's  
28 revenue requirements and the Volumetric rates the other half. In this case, less than half of the  
29 Company's revenue is from the Service Charge that provides a stable source of revenue since  
30 water consumption is variable based on season, weather, and other factors. The Company  
31 testified that it wants to increase the Service Charge percentage of its revenue to lower its  
32 potential investment risk.  
33

34 The Fixed Service Charge percentage of the total revenue requirements in the monthly  
35 bills for an average (or median) user proposed by EPCOR from **Table 1(b)**, by the Commission  
Staff from **Table 5(b)** and from RUCO in **Table 5(c)**.

1 Using these tables, we see that the range of the percentage of total revenue (for this Rate  
2 Category) by the EPCOR proposed bill (Table 1b/Table 5b) is

3	• Mohave between	38.9% and 52.4% from the present	53.3%
4	• Paradise Valley between	38.7% and 47.0% from the present	48.1%
5	• Sun City between	42.8% and 49.7% from the present	50.5%
6	• Tubac <sup>45</sup> between	37.1% and 47.5% from the present	46.1%
7	• Tubac w/DAMRO	28.9% and 37.1% from the present	46.1%

8 The utility requires fees or charges for various customer actions, such as “responding to a  
9 “re-read” a meter. In the “last rate case,” each service area had a different set of fees and  
10 charges that I testified that they should be equal, for example, why should there be a different  
11 fee for a bounced check in different service areas? The present rate case corrects this by  
12 proposing the same fees and charges for the same service for all service areas, with one  
13 exception as discussed in III.D.3 below.

14  
15 **III.A.3.b. Some Rate Classes or Rate Categories are NOT in this Rate Case.**

16 There are multiple Rate Classes, where similar customers have similar demands and  
17 costs for the Company, but with different rates and breakpoints. In this case, the Rate Classes in  
18 the EPCOR Application are in **Table 6**.

19 Some Rate Classes are common to all service areas, including residential and  
20 commercial. Others could be common to all service areas, such as “Fire (or hydrant)” Rate Class  
21 since this is a special public service with different characteristics to be treated as its own Rate  
22 Class statewide; however, the Fire Rate Class is not in Tubac or Havasu (from the “last rate  
23 case”). Other statewide Rate Classes, such as “Sale for Resale” could depend on the  
24 Company’s sales opportunities and constraints, the “Raw CAP” and “Miscellaneous-Non  
25 Potable” could also be separate non-potable water Rate Classes. Some appear uniquely local,  
26 such as the “Apartment” found only in the Mohave area and might easily conform to apartment  
27 water services in all service areas. “Other, Public Administration” (OPA) is used in two service  
28 areas; however, with many other public or government-funded facilities throughout the total  
29 service areas, this Rate Class could lead to lower rates for schools, hospitals, courts, and parks,  
30 thus the OPA Rate Class could or should be considered to be expanded statewide. The unique  
31 “Irrigation” Rate Class for plant watering medians in roads should be combined with “OPA” or  
32 another appropriate Rate Class.  
33  
34  
35

---

<sup>45</sup> For Tubac, the DAMRO surcharge is not included

1 **Table 6. RATE CLASSES IN THE PRESENT CASE AND "LAST RATE CASE."**<sup>46</sup>

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Water District Rate Class	This Rate Case				"Last Rate Case"			
	Tubac	Mohave	Paradise Valley	Sun City West	Sun City	Aqua Fria	Anthem	Havasau
Residential	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Commercial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
OPA <sup>47</sup>		Yes				Yes		
Apartment		Yes						
Irrigation			Yes					
Sale for Resale			Yes		Yes	Yes	Yes	
Misc. Non-potable					Yes	Yes	Yes	
Public Interruptible				Yes				
CAP Raw				Yes				
Private (fire) Hydrant <sup>48</sup>		Yes	Yes	Yes	Yes	Yes	Yes	

13 Some rates in various Rate Categories were NOT the AAWC consolidated rate computer  
 14 program provided by AAWC in the "last rate case" in **Exhibit MM-1**. These are in **Table 7** and  
 15 were of about 3% of the total Company Revenue and none had rate increases. This discussion  
 16 about Rate Classes is further discussed in III.C, when rate structure design is considered.

17

18 **Table 7 – RATES CLASSES and RATE CATEGORIES NOT**  
 19 **Considered by AAWC for CONSOLIDATING RATES in the "Last Rate Case."**<sup>49</sup>

20

21

22

23

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29

Water District Rate Class	Tubac	Mohave	Paradise Valley	Sun City West	Sun City	Aqua Fria	Anthem	Havasau
Paradise Valley Country Club			P2PVC					
Public Interruptible					A5M1			
Arizona Water Contract						C2M3		
OWU-PI Surprise						C5M1		
Wholesale (Phoenix) OWU							E7M2	
Bullhead Residential Apartment		G1M2A to M2M2G						
Havasau Residential Apartment								H1M3D, H1M3F, H1M3H, H1M3J to H1M3M, H1M3P

30

31

32 <sup>46</sup> Table 2.8-1, Magruder Direct Testimony, 19:4-15.

33 <sup>47</sup> OPA is used as a Rate Class for government facilities, such as federal, state county or local municipal  
 34 government facilities including public schools. Justification for one water area to have this rate class when other  
 35 service areas have similar facilities is neither fair nor reasonable for other water areas with similar facilities. Why  
 do some service areas include government facilities are in this Rate Class and others do not?

<sup>48</sup> A "Private (fire) Hydrant" rate class seems unusual, since all districts have fire hydrants then why aren't all fire  
 departments treated similarly?

<sup>49</sup> Table 2.8-2, Magruder Direct Testimony, 19:20-30.

1 From **Table 7**, we see only Paradise Valley and Mohave water districts in the present rate  
2 case excluded the above rate categories in this rate case; however, all the other “districts” in the  
3 “last rate case” also had exceptions when AAWC presented consolidated rate software. The  
4 Rate Categories in Table 7 did not have any rate increases proposed in the “last rate case”  
5 software used to develop consolidated rates.<sup>50</sup>

6 The Paradise Valley Country Club did NOT have any increases in the “last rate case” or in  
7 the present case. Its revenue remained constant at \$278,795.67.<sup>51</sup> Why does this county club not  
8 have its rates change in two successive rate cases but most others had rate increases?  
9

10 The “Residential Apartments” Rate Category is a more complex issue wherein rates are  
11 distributed over multiple residences with maybe one master-water meter for the entire complex  
12 or a series of buildings. This Mohave District Rate Category has significant revenue potential;  
13 with over \$350,000 dollars in revenue because of there were no rate changes. Omitting a  
14 conforming rate increase for this “special” situation seems noncompliant with the Arizona  
15 Constitution. Why do not all apartment residents statewide have a similar or the same rate  
16 structure, an Apartment Rate Category, with increases when others have rate changed?  
17

18 These two **Table 6** and **Table 7** show all ratepayers are not considered in rate cases  
19 submitted by both AAWC (and EPCOR?). This violates the Arizona Constitution and A.R.S.

20 There are no issues with the Residential and Commercial Rate Classes, used in all water  
21 service areas; however, the additional Apartment, Irrigation, and Private Hydrant are unique to  
22 only one water district in this case.

23 In the “last rate case”, and assumed here also, why are some customers not included?

### 24 **III.A.3.c. The “Rate Structure” Does NOT impact the Company’s “Bottom Line.”**

25  
26 The *Operating Revenue* impacts the Company’s bottom line. *Operating Revenue* is from  
27 the “rate structure,” that is “who” pays “how much” and if it is less than the required revenue,  
28 then the Company does not make its target Return on Investment.

29 Rate Structure impacts only the ratepayers. All ratepayers must pay for their services no  
30 matter if the rate structure does or not comply with the Arizona Constitution, Arizona Revised  
31 Statutes, prior Commission Orders, or if they are not just and fair for all ratepayers. The rates  
32

33  
34 <sup>50</sup> In the “last rate case”, AAWC provided over 20 integrated Microsoft Excel worksheets for all water ratepayers in  
35 all water districts. This table shows the individual rate categories that were excluded and annotated as “Not  
Consolidated” and all had zero percent rate increases except for “Sun City Interruptible – Peoria” (rate category  
A5M1), which increased this minimal volume rate class to \$105.72 or 4.51%, which could be considered *de*  
*minimis*.

<sup>51</sup> The spreadsheet shows consumption of 15,453,917 gallons.

1 charged obtains the *operating revenue*, the rate structure is how the *operating revenue is*  
2 allocated to ratepayers. The Commission Order, cited above, requested a “revenue-neutral”  
3 consolidate rate schedule that would not impact operating revenue or revenue requirements..  
4

5 **III.A.3.d. Company’s Position on Combining or Consolidating Rates.**

6 In the “last rate case”, now bifurcated as ACC Docket No. SW/W-01303A-09-0343  
7 (hereafter Docket 09-0343), EPCOR has filed Testimony on 19 September 2014 that strongly  
8 supports combining or consolidating rates for all wastewater districts. Further, in response to a  
9 Commissioner’s question, an EPCOR letter (8 December 2014) in the above docket, states:

10 ***EPCOR’s responses are as follows:***

11 ***1. EPCOR has supported and continues to support consolidation***  
12 ***because it will provide our customers with fair, efficient and***  
13 ***predictable rates.***

14 ***2. EPCOR’s position has not changed.***

15 The AAWC Chief Executive Officer, several times in the “last rate case,” testified he fully  
16 supported consolidated rates. My position supports both Companies views on consolidation.

17 The same rationale is reflected my testimonies and briefs in the “last rate case” that  
18 emphasized the benefits for the Company, staff and RUCO and, most importantly, fairness,  
19 equality, and reasonableness for all ratepayers. Any other approach for the design of a rate  
20 structure, in my opinion, is contrary to the Arizona legal requirements, and specifically, would not  
21 comply with the Commission’s Order in the “last rate case.” An ongoing wastewater rate case,  
22 Docket 09-0343, I understand, now includes various rate consolidation proposals in September  
23 2015 all the EPCOR wastewater districts.

24 On 8 August 2014, EPCOR filed in that Docket, its plan to “consolidate” wastewater rate  
25 schedules for these service area. This EPCOR filing, and subsequent filings, presents detailed  
26 arguments that describe numerous and significant benefits of rate consolidation for ratepayers,  
27 the Company, and accounting efficiencies for Staff and RUCO. These same rate consolidation  
28 factors and benefits directly pertain to EPCOR’s water administrative service areas.

29 On 25 April 2014, this party requested that the Company file a consolidated water rate  
30 schedule be included this present docket in order to comply with Commission Decision No.  
31 71410 discussed in II.B above.<sup>52</sup>  
32  
33  
34  
35

<sup>52</sup> Docket Nos. W/SW-01303A-08-0227 and SW-01310A-14-0010, Magruder Motion to Stay and Remand the Rate Case Submitted by EPCOR, Inc.,..., 25 April 2014, 6:26-33.

1 **III.A.3.e. A Sample Consolidated Rate Schedule and Typical Ratepayer Impacts.**

2  
3 a The Party did not file a Consolidate Rate Case in the present case, however, during the  
4 course of the "last rate case", a complete rate structures was filed using the Company's over 20  
5 inter-linked massive Microsoft Excel databases. After iterations, considering all Rate Classes  
6 and Rate Categories (except those in **Tables 6 and 7**) or about 97% of the customer revenue, in  
7 **Exhibit MM-3**, the result provides the entire rate structure for all eight water service areas.<sup>53</sup>

8 If the **Exhibit MM-3** rate schedule were adopted and the Company files a rate case, it  
9 could simply multiply all service charges and volumetric rates by a proposed increase, by 1.10  
10 for a cross-the-board 10 percent rate increase as shown in Table 1().

11 This is simple, fair, and reasonable and provides customers an understandable set of rate  
12 changes.

13 Future emphasis on *Total Revenue* may remain an important part of future rate cases, as  
14 the complex, unfair and unreasonable increases in the present and proposed rate structures are  
15 minimized<sup>54</sup>

16  
17 The Conclusions and Recommendations for Issue 1 are in Section IV.A below.  
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35 <sup>53</sup> In "last rate case", Magruder Notice of Filing Consolidated Rate Schedule," 25 June 2010 in Docket 09-0343,  
Appendix A, 3-6. This Rate Schedule is included herein as **Exhibit MM-3**.

<sup>54</sup> Table 2.8-1, Magruder Direct Testimony, 19:4-15.

1 **III.B. Issue 2 - PROVIDE EQUITABLE AND FAIR RATES FOR ALL LOWER INCOME**  
2 **CUSTOMERS**

3 <sup>a</sup>  
4 **III.B.1. Rates for Low-Income Ratepayers.**

5 It is Commission's policy to provide a form rate relief for lower income ratepayers.

- 6
- 7 • Water is required for all to live in sanitary conditions.
  - 8 • Water is essential for life.
  - 9 • A minimum necessary amount of water should be available for ALL who live in Arizona's desert environment.

10 Thus, those with the lowest incomes should be able to attain an essential amount of  
11 water at a low cost, a "*water lifeline*,"<sup>55</sup> funded by higher income ratepayers.

12 During the "last rate case" the Company testified that a human needs about 300 gallons  
13 a month, or 10 gallons a day for basic, essential use for drinking, cooking, washing and sanitary  
14 services. Using this as a reasonable essential minimum, if a residential ratepayer had low rates  
15 for its first 3,000 gallons of water (ten times the minimum essential amount of water), this could  
16 be defined as an essential "*water lifeline*" for all residential ratepayers.

17 Thus, all customers automatically will receive the benefit of "*water lifeline*" rates. The  
18 revenue "lost" for this Rate Category will be made from all higher consuming ratepayers. This is  
19 fair and reasonable and meets the legality of the Arizona Constitution.  
20

21 **III.B.1.a. Other Utilities Already have Low Income Programs.**

22 Most Arizona utilities have low-income rates. For example, as summarized in **Exhibit**  
23 **MM-4**, for some of the utilities indicated in Santa Cruz and Pima County have low-income rates  
24 including water, electric, wastewater, landline telephone (and Internet), and natural gas utilities.

25 In general, all of these utilities provide low-income rate relief for customers usually at the  
26 130% of the effective poverty level in the **Exhibit MM-4** tables in these two counties.  
27

28 When completing an income tax return, IRS Form 1040 line 22 determines the "Gross  
29 Income" for a family. Using the Gross Income and the number of people in the household  
30 (number of dependents in Line 6), one enters this table to determine if they can qualify for low-  
31 income rates. Other programs, ACCCS/Medicaid and SNAP (food stamps), have vetted people  
32 for their program. Most utilities accept these programs without additional verification.  
33

34  
35 <sup>55</sup> This term *Water Lifeline* is used herein to designate a minimum amount of water to meet these three bullets and designed to ensue ALL customers have a minimum essential amount of water. In particular, those with lower income automatically, along with all other residential and smaller (1.5-inch and smaller) commercial customers.

1 Highlighted are for a family of four. The family Gross Income needs to be less than  
2 \$35,325. An individual in Arizona, earning at the minimum wage in Arizona, receives about  
3 \$16,000 a year while the median Arizona household income is \$53,891.<sup>56</sup> These two steps,  
4 (gross income) and number in household, is a simple process

5 I have distributed this form to hundreds in these Counties, including all H&R Block offices  
6 and many AARP/VITA sites use the Pima County form. My site provides the Santa Cruz County  
7 form to those who qualify (income, family size) when preparing income tax returns in Rio Rico.

8 These utilities require an "Application" for a family to receive low-income rates.  
9

10 **III.B.1.b. Failures in the Implementation of Other Low-Income Programs.**

11 In general, based on over a dozen years of refining Magruder **Exhibit MM-4** based on  
12 responses from returning taxpayers, very few qualified ratepayers apply for or receive low-  
13 income rates.

14 During another rate case, I determined less than 5% of the eligible ratepayers in Santa  
15 Cruz County received low-income rates. Over 30% of the residents in my county are below the  
16 poverty level (100%), thus less than one in six (<18%) of those eligible actually receive low-  
17 income rates. Our county annual unemployment rates are cyclical, varying between 12% and  
18 20%, due to the seasonal nature of our job market in the multi-billion dollar fresh produce  
19 industry. I feel the noble goal of providing rate relief to those in need has failed.  
20

21 These programs fail to provide relief to those in most need of assistance.

22 Why? Simply, because an Application is required.

23 Some, who really need assistance, will not accept any "handouts", including for lower  
24 utility rates. In particular, persons on Social Security or pensions pride themselves with never  
25 needing a "handout". Others seem too eager but when queried the following year, they did not  
26 receive an Application after calling or were asked for personal financial information that was  
27 beyond their understanding. The most common reason for NOT having all lower income  
28 customers on these rates is that they do not know they exist or how to acquire them. This was  
29 why I developed this handout (**Exhibit MM-4**) because bill-insert flyers don't work.  
30

31 In summary, the requirement for an Application hinders those who most deserve low-  
32 income rates from receiving it. Any Application negates much of goal for low-income rates.  
33  
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<sup>56</sup> *Green Valley News*, "Robber Barons, past and present" by Ed Lord, p. A7.

1 **III.B.1.c. The Same Low-Income Rate Program for All EPCOR Ratepayers.**

2 a All statewide Customers should be above to participate in the same Low-Income Rate  
3 Program. Any other way to accomplish this would be discriminatory and does not comply with  
4 the Arizona Constitution, A.R.S., as discussed above in III.A, for Issue 1.  
5

6 **III.B.2. The EPCOR Proposed Low-Income Rate Plan.**

7 The Company proposed a Low Income Program in the PROPOSED "Rules and  
8 Regulations" in EPCOR Rate Case Application. As an example, for Tubac, we read:  
9

10 *Low Income Program - Monthly Low Income credit of \$6.21 is available in the*  
11 *Tubac Water district to bring the basic service charge down from \$15.54 to*  
12 *\$9.33. Requires completion of a Low Income Program Application. Program is*  
13 *restricted to the first 1,000 eligible residential customers on 5/8 x 3/4 inch*  
14 *meters in the Tubac Water district. Applications must swear that he/she has*  
15 *an annual income below the threshold. The threshold is below 150% of the*  
16 *federal low income guidelines as periodically revised. Applicant may not be*  
17 *claimed as a dependent on another person's tax return. Applicant must*  
18 *reapply each time moving residences. Refusal or failure to provide acceptable*  
19 *documentation of eligibility, upon request, shall result in removal from the low*  
20 *income program. Rebilling of customers upon the otherwise applicable rates*  
21 *schedule may occur for periods of ineligibility previously billed under the low*  
22 *income tariff. Annual income means the value of all money and non-cash*  
23 *benefits available for living expenses, from all sources, both taxable and non-*  
24 *taxable, before deductions, for all people who live with the applicant.<sup>57</sup>*

25 A note at the bottom of the previous page in this General Water Rate section, states:

26 *Note: \* Low Income Program details are noted in the Terms and Conditions*  
27 *section for General Water Rates. Upper tier rate for residential and commercial*  
28 *customers is comprised of \$9.500 approved rate plus \$0.6810 for the Low*  
29 *Income Surcharge for a total of \$10.1810.<sup>58</sup>*

30 The above Low Income Program, as a part of the Company's Tubac Rules and  
31 Regulations (R&R) manual has not been modified or changed by the Company since its Original  
32 Application in March 2014 and subsequent filings or testimonies. The Magruder Direct  
33 Testimony<sup>59</sup> requested correction without responses or comments from any other party,  
34 including the Company.<sup>60</sup>

35 <sup>57</sup> EPCOR Application, Tubac Water District, General Water Rate, 1<sup>st</sup> Revised Sheet No. 1b (PROPOSED), pages not numbered.

<sup>58</sup> *Ibid.* 1<sup>st</sup> Revised Sheet No. 1 (PROPOSED), pages not numbered.

<sup>59</sup> Magruder Direct Testimony; 32:11-16.

<sup>60</sup> As shown in the EPCOR Application, this page is not user friendly, with a professional engineer's "drawing" format used. Effective and useful R&Rs must be written in simple English and Spanish and posted to be readily accessible on the web and copies, mailed on request.

1 **III.B.2.a. Implementation of the EPCOR Proposed Low-Income Program.**

2 a Implementation of this proposed Program is filled with obvious faults. The proposed plan  
3 clearly does not pass the common sense test based on my experiences in the past 15 years  
4 working with lower income ratepayers.

5 1. This program requires an Application but does not tell how to get an Application (from a  
6 website is an invalid response since 30% of Arizona households do not have Internet access).

7 2. The "threshold" is not clearly defined in terms of the poverty level, such as used by the  
8 Affordable Care Act reporting that may pertain to these families. Further, using the 150% of an  
9 undefined "threshold" (probably 130 or 138% of the national poverty level) is higher than  
10 ACCCS/Medicaid, SNAP and the other utilities eligibility levels shown in **Exhibit MM-4**. There is  
11 NO reason to expand the eligibility "level" when such a small percent below the present level  
12 receive this benefit. It would be better to have more in the program at a lower level than to raise  
13 the level which leave more not receiving the benefit.

14 3. This program requires an applicant to "swear" their income is below the "threshold". A  
15 tax return signature requires one to be liable for perjury if it is not truthful and a tax return's  
16 "gross income" is defined.

17 4. The term "acceptable documentation" is not clear defined. Since the company does not  
18 have local offices, how and by whom will it be deemed "acceptable."

19 5. There are less than 600 ratepayers in the Tubac district, thus limiting these low income  
20 rates to 1,000 ratepayers is nonsense. Any limitation on the number of low-income ratepayers is  
21 not fair or justified and may not even be legal, see III.A above.

22 6. The service charges indicated are not current or in effect. The present Tubac Water  
23 Basic Service Charge is \$24.70 for the residential 5/8&3/4-inch rate category. This part of the  
24 proposed low-income program is erroneous. The service charge was \$15.54 before the "last rate  
25 case", when it was raised to \$24.70. EPCOR initially proposed an increase to \$48.24, tripling  
26 from before 2010, and nearly doubling since the 2010 "last rate case" decision. There is NO  
27 impact on volumetric rates included in this Program to promote water conservation.

28 7. The method for collecting the "lost revenue" for the low-income ratepayers has no  
29 basis. I know of no other utility that has such a Low Income Surcharge (LIS). EPCOR initially  
30 proposed to add 68.1 cents/1000 gallons for the highest Tier ratepayers to cover this lost  
31 revenue. This is high compared to the amount of predicted lost revenue for this service area.  
32 See III.A.2.a, III.B.1, and **Table 4(c)** that provides ample objective evidence that shows how  
33  
34  
35

1 skewed, unfair and unreasonable the proposed LIS mechanism impacts only some ratepayers.  
2 The volumetric LIS vary from 1.3 cents per 1000 gallons to 57.8 cents per 1000 gallons.

3 8. In Rate Categories with just two Rate Tiers, assuming the one tier breakpoint is at the  
4 median usage level, then this higher and uneven LIS will have significant impacts on  
5 businesses, especially the smaller businesses in the lower Rate Categories.

6 9. This is an arbitrary and capacious plan, designed NOT to provide equitable relief to  
7 those most in need, expensive in terms of administrative time and cost, lacks control, and its LIS  
8 unfair for those in the highest tiers to pay for the low-income ratepayers, without reason.

9 10. All ratepayers above the First Tier should participate in making up the "lost revenue."

10 This EPCOR-proposed Low Rate Program should be **rejected** (dismissed) and a realistic  
11 and beneficial Low-Income approach filed that is fair and reasonable! The benefits of a *Water*  
12 *Lifeline* or similar program are described next.

### 13 **III.B.2.b. Implementation of a "Water Lifeline" for All Ratepayers.**

14  
15 The implementation of a *Water Lifeline*, discussed in III.B.1 above, involves all ratepayers  
16 as participants, and resolves the above negative concerns about the proposed Low Income  
17 Plan. A *Water Lifeline* would

- 18 • Not need for an application to qualify (reduced paperwork)
- 19 • Not having an annual changing income "threshold" for qualification
- 20 • Not require perjury or swearing to qualify
- 21 • Not need tax returns or any documentation to review (with cost savings)
- 22 • Not have any limitations based on location
- 23 • Automatically have Low income rates for consumption savings, thus enhancing water  
24 conservation and not the Service Charge (which should also be fairly low)
- 25 • Not require any separate bookkeeping for the Company to handle, qualify, and  
26 manage applications, rates, computer updates for LIS with minimal accounting.
- 27 • Not have any lost revenue as its cost would be spread across ALL rate classes and  
28 rate categories in ALL Second and higher Rate Tiers
- 29 • Not have Low Income Surcharges on billing statements
- 30 • Not have surcharge adjustments to account for changes in "lost revenue"
- 31 • Give similar rate relief to most small businesses that only have a toilet and sink.

32 Thus, a *Water Lifeline* resolves all the challenges with the propose Low Income Plan.

33 The Conclusions and Recommendations for Issue 2 are in Section IV below.

1 **III.C Issue 3: CONSERVE WATER CONSERVATION IS A KEY DRIVER FOR WATER**  
2 **VOLUMETRIC RATES.**

3 **III.C.1 Arizona has a Serious Water Resource Challenge.**

4 At present, we read daily of issues that involve low water resources in Arizona due to a  
5 long-term drought, some say over 14-years long. In the past decade, higher temperatures have  
6 occurred throughout the state with the year 2014 being the highest since 1890. As population  
7 increases, without reducing demand on water resources, the ground water table continues to go  
8 down, locally down nearly four-feet a year (about an inch a week). Reduced snowfall in the  
9 seven states along the Colorado River has greatly reduced the water supplies from that river.  
10 Further, the multi-state Colorado Compact calls for Arizona to be the first state to have its  
11 allotment curtailed if the water shortage requires. Without referring to "climate change," all  
12 indications are that our water resources are diminishing and that something must be done or  
13 Arizona will be in serious trouble as is occurring in California.

14  
15 The legislature has reduced funding for the Arizona Department of Water Resources  
16 (ADWR), to the level that some Active Management Areas (AMAs) do not have a dedicated  
17 manager or an office, developer's permits cannot be completely vetted to ensure 100-year water  
18 resources are adequate, well water meters are recorded less frequently, and other required  
19 operations by ADWR are now being disregarded or neglected.

20  
21 The legislature also reduced funding for the Corporation Commission that has resulted in  
22 delays or lower priorities in decision-making and cases. This is hard to understand. The  
23 Commission is "revenue positive" but gives up its excess revenue to the state General Fund.

24 All must manage our water resources more diligently to ensure those here now and future  
25 generations have adequate water resources for a reasonable quality of life.

26 In the *Arizona Daily News* for Monday, 19 January 2015, the headline read:

27 ***Study says Colo. River adds \$1.4T to region - Arizona's economy***  
28 ***derives \$185B, 2.25 million jobs from waterway.***<sup>61</sup>

29 It is clear there are serious, significant and potential destructive impacts if water use is not  
30 changed by all seven states. The State of Arizona through its departments and the Commission  
31 must do all it can to minimize water use. The Commission in the "last rate case" implemented  
32 ten ADWR's "best practices." More is needed by its other tool to control water usage is by  
33 increasing the cost of water to users, while not exceeding a Company's "total revenue".  
34  
35

<sup>61</sup> Magruder Direct Testimony, 34:33-35:14.

1 **III.C.2 The Company Can and Must Reduce Water Consumption and Waste.**

2  
3 **III.C.2.a. ADWR Best Management Practices.**

4 There are many ways the Company can reduce water use and consumption, such as its  
5 implementation of the ADWR “Best Practices” required from the “last rate case.” The Company  
6 provides valuable water conservation education in many forms of aids to assist ratepayers make  
7 a behavioral decision to use less water.

8 These ten “Best Practices” (BPs) and their results were not discussed in the proceedings.  
9 Their impacts for the past five years are unknown and need quantification or the BPs changed.

10  
11 **III.C.2.b. Improved Company Efficiency and Quality.**

12 The Company did not present any evidence of any improvements in its efficiency or quality  
13 during the proceedings. The Company did not present how it manages quality or its impacts on  
14 the environment in its case.

15 With statewide rate consolidation, re-writing the R&Rs, serious internal efficiency changes  
16 to compensate for low water usage, improved financial management, new business advances  
17 with digital water meters, this Company should now seriously instigate “re-engineering” practices  
18 that have benefitted many other companies in this kind of situation. Intervenor Mr. Delman Estes  
19 has also recommended that the company consider re-engineering several business areas.

20 EPCOR appears not to have ISO 9000 (Quality Management) or ISO 14400  
21 (Environment Management) certifications as suggested in **Exhibit MM-2** in 2003 and my filings.

22 Many utilities have earned these internationally acclaimed certifications that improve their  
23 business practices while making their operations environmentally friendly. Having been through  
24 these certifications while working for a first-class aerospace company, observing our better  
25 performance “after” when compared to “before” certification was remarkable. We thought we  
26 were the best “before” but going through the ISO certification processes was an eye-opener that  
27 made “self-corrective” mechanisms routine. Problems disappeared, performance got better. We  
28 were all happy (afterward) because the ISO certification processes requires extensive looking  
29 inside the organizational structure, streamlining process and workflow, developing qualitative  
30 and quantitative near-real time performance measurements for our integrated product teams.  
31 Our results included designing, developing and employing companywide risk management  
32 processes, later adopted by the US Navy that provided inputs at all levels in the organization. For  
33 once, we all had a clear picture of the various interactive risks for programs.  
34  
35

1 **III.C.2.c. Improved Company Environmental Management.**

2  
3 a The Company must do more to reduce water losses and leakage. The Commission's  
4 usual goal for water leakage to not exceed ten (10) percent for a "service area" is not  
5 comprehensive or adequate. This may need to be adjusted to a lower goal, such as eight (8)  
6 percent or lower, with some expense impacts to "plug the leaks." This reduces water losses from  
7 the wells to the customer and improves efficiency.

8 The Company should implement, on a much finer scale than at the service area-level,  
9 water leak monitoring and correction. Some areas have tens of thousands of "meters"  
10 (customers), others much less. Measuring and reporting water leakage for smaller customer  
11 groups, for example, sized at approximately 1,000 meters or less, would provides management  
12 a more objective performance measure for leakage.

13 As is common in other business practices, plotting the "trend" of smaller customer groups  
14 will more rapidly identify leaks, including smaller ones, than at the service area level. Further, the  
15 Company could use this refined leakage data to better prioritize its maintenance and repair  
16 actions.

17 How can the Company use Time of Use (TOU) electricity rates to reduce its electricity  
18 expenses?  
19

20 Does it store water in its tanks more efficient based on time of day demands versus TOU  
21 electricity costs?  
22

23 **III.C.3 The Ratepayer is More Concerned About the Cost than Anything Else.**

24 As discussed above, cost is the dominant "driver" of customer's reactions to rate  
25 changes and a customer's behavior. In the "last rate case, we see in **Table 8** below, the there is  
26 one rate structure for all Rate Classes and Rate Categories. As shown in that case, there were  
27 many proposals from myself, the Company (AAWC), ACC Staff and RUCO. Note the variation  
28 in Rate Tier and Commodity rates in each tier.

29 I initially proposed a ten-tier rate structure that met the Company's revenue requirement.

30 With the ever-increasing commodity rates, in 4,000-gallon blocks, this ten-tier rate  
31 structure could show customers clear, obtainable price signals that can incentivize  
32 conservation. The ACC Staff Alternative Four-tier proposal has breakpoint steps at 3,000;  
33 8,000; and 20,000 in **Table 8** that impose a high \$6.00/1000 gallons rate much earlier than in  
34 other service areas shown in **Table 4(a)** above present volumetric rates.  
35

1 **Table 8. PRESENT AND VARIOUS PROPOSED TUBAC RESIDENTIAL RATE COMMODITY**  
 2 **RATE TIERS AND RATE SCHEDULES IN THE "LAST RATE CASE"**<sup>62</sup>

3 Commodity Usage Tiers 4 (Rates in \$/1000 gallons)	Magruder's Proposed Rates	Present Rates <sup>63</sup>	AAWC Initial Proposal	AAWC Final Proposal	AAC Staff Final Proposal	ACC Staff Alternative	RUCO Final Proposal
5 0 to 3,000 gallons	\$1.50	\$ 1.89	\$ 3.78	\$ 3.400	\$ 2.67	\$ 1.90	\$ 3.4341
6 3,001 to 10,000 gallons						\$ 3.00	\$ 3.4341
7 First 4,000 gallons	\$1.50	\$ 1.89	\$ 3.78	\$ 3.400	\$ 2.67		
8 4,001 to 8,000 gallons	\$ 2.00					\$ 4.00	\$ 4.4062
9 8,001 to 12,000 gallons	\$ 2.50						
10 10,001 to 20,000 gallons	\$ 3.00						
11 12,001 to 16,000 gallons	\$ 3.50	\$ 2.85	\$ 4.85	\$ 4.800	\$ 4.15	\$ 6.00	\$ 4.4971
12 16,001 to 20,000 gallons	\$ 3.50						
13 20,001 to 24,000 gallons	\$ 4.00						
14 24,001 to 28,000 gallons	\$ 4.50						
15 28,001 to 32,000 gallons	\$ 5.00	\$ 3.41	\$ 4.95	\$ 5.500	\$ 5.25	\$ 6.00	\$ 4.4971
16 36,001 to 40,000 gallons	\$ 5.50						
17 40,001 gallons and above	\$ 6.00						

18 The ACC Staff Tubac Alternative was approved in that case; however, when compared  
 19 to **Table 4** above, a customer can easily see on a monthly billing statement how close their  
 20 usage is to reach the next lower Rate Tier in order to reduce their cost.

21 Disregarding that these Tubac rates are the highest in the Company, the resultant First  
 22 Tier has considerably lower customer monthly costs, thus meeting a *Water Lifeline* goal for  
 23 lower income rates automatically in this Rate Design.

24 **III.C.4 General Guidelines for a Rate Structure that Leads to Water Conservation.**

25 These general rate structure design guidelines were produced in the "last rate case" after  
 26 several iterations<sup>64</sup> and have been updated. Below suggested guidelines are to establish a rate  
 27 design, for water conservation with a significant cost driver for volumetric water rates:

- 28 1. The lowest residential Rate Tier is designed as a mechanism to provide lower income  
 29 rates without additional administrative overhead and included in the First Tier for a *Water*  
 30 *Lifeline* rate level of some 3,000 or so gallons.
- 31 2. A minimum of seven Rate Tiers could be used for all residential and commercial rate  
 32 categories.<sup>65</sup> This is only an adjustment of "how" the revenue requirements will be

33 <sup>62</sup> Table 4.3.1 Magruder Direct Testimony, 37:5-17.

34 <sup>63</sup> These "Present rates" were the Present rates in the "prior rate case" and not in the present rate case.

35 <sup>64</sup> Marshall Magruder Closing Brief, 1 May 2009, 18, Docket 08-0227.

<sup>65</sup> During the course of the "last rate case", it appeared obvious to me that most parties would not accept ten Rate  
 Tiers. **Exhibit MM-3** herein, from that case, has only five Rate Tiers. I now believe that seven Rate Tiers should  
 be the minimum but still would like to see ten or more tiers so ratepayers can easily see how close they are to  
 the next "rate breakpoint." Also, in **Table 4** as shown in **Exhibit MM-3**, the proposed number of tiers varied

1 distributed to the customer rate categories. Using a low number of tiers for commercial  
2 customers reduces their water conservation goals.

- a
- 3 3. The Rate Classes need to be standardized for all service areas, as discussed in III.A.3.b  
4 above. Also, Rate Categories within each Rate Class should be the same companywide.
  - 5 4. All residential and commercial customers in the same Rate Category should have  
6 identical rates designed to account for the infrastructure revenue needs for required for  
7 level of service. This should greatly reduce administrative tasks for the Company and  
8 facilitate customer's understanding of charges and rates.
  - 9 5. The Commission-approved fair and reasonable Company's total revenue should be in  
10 the final rate design. The resultant structure must be revenue-neutral for the Company;  
11 however, if a significant decrease in water consumption is expected, additional revenue,  
12 above the total revenue requirement, maybe considered necessary and included.
  - 13 6. The billing statements must be designed to make obvious the rate (cost) per Rate Tier  
14 and where their monthly bill lies in the multi-tier rate structure with at least one year (two  
15 years would be better) with the usage trend displayed. This is how "price-signals" can  
16 easily be observed. This informs a customer when less water is consumed how much is  
17 required to reach the next lower Rate Tier breakpoint.
  - 18 7. The First Tier residential and commercial rates should be identical for these two Rate  
19 Classes with identical rates also in the Second Tiers in both these Rate Classes. This will  
20 be advantageous for many small businesses.<sup>66</sup> Small business owners must also be  
21 able to see where conservation savings can impact their billing statements.
  - 22 8. The fixed Service Charges variations must be standardized across all ratepayers in each  
23 Rate Category in each Rate Class.<sup>67</sup> This leads to consolidation of all fixed charges,  
24 across all service areas; in order to equalize this "fixed" cost and should be designed to  
25 have significant impacts for lower income ratepayers in the *Water Lifeline*.
  - 26 9. The Company must file a revenue-neutral change in rate design to consolidate all its  
27 water service areas. This will make "water conservation" an important element in this rate  
28 design as presented in these Testimonies and Briefs.

29  
30  
31  
32  
33 between two and five tiers due to five being the maximum permitted by the Company-provided software  
34 spreadsheets listed in Exhibit MM-3, 1.

35 <sup>66</sup> The Company's schedules show a typically small commercial customers use less water than comparable  
residential rate customers, as many of these facilities have small water demands with just a toilet and sink. The  
First Tier small commercial customers median usage was only 2,000 gallons compared to 5,000 gallons for the  
parallel residential user.

<sup>67</sup> **Table 3(a) and 3(b)** show nearly a random distribution for Service Charges between the various service areas.

1 **III.C.4.a. Water Conservation-Based Rate Schedules.**

2 The key elements of a conservation-based rate design includes  
3 a (1) Significantly lower rates for the lowest volumetric consumers and  
4 (2) Significantly higher rates for the highest volumetric consumers.

5 This widens the “spread” in rates is so lower consuming customers will benefit. These are  
6 usually lower income and many are on fixed incomes, who are retired. The monthly consumption  
7 figures average 6,800 gallons per month at Mohave to 19,271 gallons per month at Paradise  
8 Valley. In the ‘last rate case,” AAWC testified only between 300 to 500 gallons per person are  
9 needed for human monthly, thus the lowest rates automatically benefit both lower income and  
10 the most water-conserving customers.  
11

12 In general, at least by a factor of three to one should be the difference between lowest to  
13 highest rates in each customer Rate Category will be necessary to have sufficient breakpoint  
14 changes that should cause ratepayers to deliberately make water conservation changes in their  
15 behavior. Too small a difference between lowest and highest rates will have less water  
16 conservation impacts.

17 From the time of the “last rate case,” with large rate increases, the overall water  
18 consumption decreased in all service areas during the Test Year in the present case.  
19

20 **III.C.4.b ADDITIONAL Rate Block Tiers Are ESSENTIAL To Send PRICE SIGNALS.**

21 Most rate categories are proposed to have only two blocks or Rate Tiers. With two Rate  
22 Tiers, it will be difficult for a customer to see the impact of conservation.

23 To incentivize water conservation, many more Rate Tier blocks are essential so  
24 customers can move their consumption to a lower level by conserving. If there the breakpoint  
25 appears impossible to meet, it won't be. A minimum of seven should provide adequate number  
26 of steps so ratepayers can see on their bill how close they to the next lower rates.  
27

28  
29 The Conclusions and Recommendations for Issue 3 are in Section IV.C below.  
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**III.D. OTHERS ISSUES:  
THAT AROSE DURING THESE PROCEEDINGS.**

a

**III.D.1. EXCESSIVE SURCHARGES AND FEES.**

The Company proposed a large number of diverse “surcharges” or adjustment mechanisms to reduce its risk of failing to make its required revenue.

Some of these might be valid; however, by adding all of them to the ratepayer’s billing statement, an inordinate amount of customer confusion will result.<sup>68</sup> This will require the Company’s service representatives to be queried by more ratepayers more frequently as to what these charges mean and why they change, which leads to many other time-consuming discussions and company expenses. In general, all such billing charges should be embedded into the rates whenever possible and not addressed as variable changes to the rate structure upon conclusion of this rate case.

The comments below are a result of the testimonial phase of this case and were not considered when preparing the Direct or Rebuttal Testimonies. Now, the number of these surcharges and fees are so great, many need to be squashed before they see daylight.

**III.D.1.a. Affordable Care Act (ACA) Surcharge.**

The purpose of the ACA surcharge is to account for possible future Company costs for its employees’ health insurance. Medical expenses are a normal business expense. If the Company’s plan does not meet the “Minimum Essential Coverage (MEC)” under the ACA, then including these additional changes are required by law and should have been completed by 2015. Therefore, this surcharge is frivolous and should not be considered.

There also is evidence that the present results of ACA, as reported by the non-partisan Congressional Budget Office, appear to be reducing all medical insurance costs.<sup>69</sup> If such a surcharge was implemented, then if this holds true, it will be awkward for the Company to provide ratepayer rebates because the Company did not adequately manage its medical costs.

---

<sup>68</sup> EPCOR’s billing statement isn’t perfect but, in general, most ratepayers are able to comprehend how the total billing cost is determined. At the opposite end of the billing statement, the phone/telecommunications billing statements are incomprehensible to most ratepayers with large numbers of surcharges, fees and other changes; one can not easily determine how to reduce such a bill. The water bills must remain less cluttered and always easy to read.

<sup>69</sup> **Magruder Exhibit-10**, *Arizona Daily Star*, “Report says Affordable Care cost falling,” 10 March 2015, A10. (official notice taken)

1 **III.D.1.b. Power Purchase Surcharge.**

2 a A proposed Purchase Power Surcharge was designed to automatically increase rates  
3 whenever the electricity utility, such as APS, obtains a rate increase.

4 Some water service areas are in more than one electricity utility service area, thus rate  
5 differences would occur possibly within the same service area. Further, my electric utility UNS  
6 Electric, rates change monthly based on a rolling 12-month average Purchase Power and Fuel  
7 Adjustment Clause (PPFAC) rate. At present, UNSE ratepayers are receiving a \$0.41/kWh  
8 rebate because of it overcharged the PPFAC. This PPFAC rebate has been increasing monthly  
9 for the past year. EPCOR fears that large electricity rate increase is overblown. If such an event  
10 occurred, it would be statewide and would attract the Commission's attention, and a prudent  
11 utility would file to remediate the issue. Another potentially risky surcharge that is unnecessary.

12  
13 **III.D.1.c. Low Water Use Surcharge.**

14 There are some rational reasons for a Low Water Use surcharge; however, this is the kind  
15 of surcharge that infuriates most ratepayers.

16 When one "conserves" water, why should they pay more? This surcharge is the "use less;  
17 pay more" part of their reply.

18 As discussed in III.C.2.b above, EPCOR needs to show its customers it is becoming more  
19 efficient, which was not presented in this rate case. When EPCOR shows evidence that its  
20 expenses have decreased, then its customers might have less angst for such a surcharge.

21 Yes, the drought continues, the Colorado River has less water, and water tables are  
22 decline daily. This is a valid risk and should also be a major Company concern.

23 In this layman's view, having a separate "low water usage" surcharge show on a billing  
24 statement will only result in negative ratepayer opinions of the Company. I would like to suggest  
25 that a "bonus" be added to the Return on Investment (e. g, the profit) of a percent or so, to help  
26 reduce this valid risk. Another way to reduce the investment risk would be to include additional  
27 revenue (for lost revenue due to an estimated percent due to less water usage) as a part of the  
28 "required revenue". During the next follow-on complete rate case, it would be "trued up" based on  
29 actual "lost revenue."

30 All water service areas had less water consumed between rate cases; however, as RUCO  
31 showed in the Proceedings, with **RUCO Exhibit R-29**, some service areas have shown an  
32  
33  
34  
35

1 increase in water consumption since the Test Year.<sup>70</sup> This could lead EPCOR to make customer  
2 rebates from a “low water usage” surcharge, another not positive public relations event that could  
3 be avoided by other ways to incentivize the Company.

4       Should any surcharge be implemented that have a reasonably high probability it will  
5 require true-ups and customer’s rebates when these could be eliminated if put into the required  
6 revenue?

7       My vote is not to have an uncertain, unpredictable Low Water Use surcharge but provide a  
8 mechanism, such as a higher Return on Investment (ROI), that will impact all ratepayers, as a  
9 way to ensure the Company meets its revenue requirements or a known additional required  
10 revenue, to be “trued up” at the next rate case. If the assumptions for low water use in the  
11 present rate case do not materialize, then an adjustment can be made in the next rate case.

12  
13 **III.D.1.d. Central Arizona Project (CAP) Water Surcharge.**

14       This is a fee for purchasing CAP water by some service areas levied by an outside  
15 organization. This fee is unique to these areas and it varies annually. By having the impact of this  
16 variable and unknown fee remain as a unique (service-area dependent) customer surcharge  
17 appears fair and reasonable. When the annual CAP fee is adjusted, then this surcharge should  
18 also be annually adjusted. This still would require a filing by the Company to the Commission for  
19 its high-probability routine approval showing how this revenue-neutral has been allocated to its  
20 ratepayers, as a constant rate change for the appropriate Rate Classes or Categories.

21  
22  
23 **III.D.1.e Ground Water Use Surcharge.**

24       This is a similar fee levied apparently only in Sun City by an outside organization, and  
25 should be handled similar to the CAP surcharge discussed above.

26  
27 **III.D.1.f Deferred Arsenic Media Replacement O&M (DAMRO) Surcharge.**

28       This is an “operation and maintenance (O&M)” surcharge proposed for only one service  
29 area. There are several other service areas that have arsenic treatment plants that do not have  
30 unique-location “deferred” arsenic media replacement charges and rates. As these costs are  
31 included in the total revenue requirements for those service areas, then when rates are  
32

33  
34 <sup>70</sup> In addition to the Tubac service area water consumption increases since the Test Year, the RUCO “Late-Filed  
35 Exhibit,” 6 April 2015, also shows mixed consumption increases or decreases for the other three water service  
areas. For example, the residential water consumption has increased in Paradise Valley but its commercial  
customers have used more water. With such a mix, how would this be managed, with some Rate Classes  
paying a surcharge while others are receiving an “over-charge” rebate?

1 combined, as requested herein, this DAMRO cost should be in the total revenue requirements for  
2 the Company and not applied to one specific location. This approach is fair, reasonable and  
3 meets the legal requirements discussed in III.A above.  
4

5 **III.D.1.g. Water Storage Tank Cleaning and Maintenance Surcharge.**

6 The Company has proposed to have storage tank cleaning and maintenance costs  
7 allocated over a long-term 14-year period for only one service area. All service areas have water  
8 storage tanks that will routinely require long term cleaning and maintenance. These are routing  
9 O&M tasks required by any water company that, of course, should be included in the total  
10 revenue requirements for the Company. No such service-area dependent surcharge is  
11 recommended.  
12

13 **III.D.1.h. Water Storage Tank Surcharge.**

14 The Commission Staff has proposed that a new water storage tank be constructed in one  
15 service area with a unique water storage tank surcharge. Again, like all capital improvements  
16 after construction, and a Commission prudency review during the next rate case, this cost should  
17 be included in the total rate base for the Company.  
18

19 Approval of this unique surcharge mechanism before engineering or economic analysis  
20 has started is not reasonable and fails to comply with legal requirements in III.A above.  
21

22 **III.D.1.i. Low Income Surcharge (LIS).**

23 The proposed plan is poorly designed, shifts costs to comply to only one Rate Tier, will not  
24 achieve its goal, too limited, costly to implement, and for many other reasons discussed in III.B  
25 above, needs to be completely revised. Its implementation in just two of the five service areas  
26 required by Decision No. 71410, has failed. NO such surcharge is necessary and none should be  
27 approved.  
28

29 **III.D.1.j. System Improvement Benefits (SIB) Surcharge.**

30 This is another Operations and Maintenance (O&M) plan to obtain "early" funding for  
31 routine maintenance tasks. Operations and Maintenance is a normal practice being  
32 accomplished during the Test Year; however, providing an increase in costs to ratepayers prior to  
33 the routine audits for capital expenses by the Commission Staff is beyond the limits of prudent or  
34 good business practices. Any such plan needs to be included in a rate case due to the multiple  
35 factors, beyond a simple SIB Plan, that will interact and impact the rate base. The cost of the

1 SIBs is uncertain. The detailed actions required are also unknown. A pre-action prudency review  
2 is impossible to approve in advance. Any proposed SIB plans should not be approved.

3 As an alternative, the Company could have included in the rate base for its revenue  
4 requirements, a "line item" for advance annual spending. This "line item" could be equivalent of  
5 the proposed SIB. This would be in the combined rate base for all service areas, as all of the  
6 Company's facilities require "improvements" over time. Thus, this kind of action is required and is  
7 for the "common good" of all ratepayers.  
8

9 **III.D.1.k. Ground Water Withdrawal Fee.**

10 As discussed in this Party's oral presentation, there was no response to the meaning of the  
11 "Ground Water Withdrawal Fee" charge on my billing statement. The source, need and rational  
12 for this "fee" and who receives this fee are unknown. It appears to be a minor fee, at about \$0.01  
13 per 1000 gallons.  
14

15 The billing statement must define ALL charges, usually printed on the back of other utilities  
16 bills, but not on those from EPCOR.

17 **III.D.2. EXCESSIVE DEPRECIATION CLAIMED BY COMPANY.**

18 This Party is a Registered Professional Tax Preparer (RPTP) qualified by the IRS and also  
19 currently hold a Paid Tax Preparer ID (a code used to sign an income tax form that identifies one  
20 as a paid tax preparer and to avoid ID theft). In this role for the past 15 years, with dozens of  
21 required tax courses and experiences with depreciation, there is one simple rule, when the asset  
22 is fully depreciated, to a value of zero, then no additional depreciation is allowed.  
23

24 The Company's approach to additional depreciation well beyond a value of zero does not  
25 make sense and is not allowed based on tax law. Excess depreciation is over 800% of the  
26 asset's cost, as testified by the parties in this case. This is an arbitrary an  
27 d capacious error and not just a minor accounting mistake. This must be corrected from the point  
28 when the depreciation became zero to remove ALL excess depreciation from the rate base and  
29 use this to lower the required revenue. No exception is considered appropriate, including the  
30 "group" depreciation also claimed, which should be similar to how "hand tools" are presently  
31 depreciated under the Tax Code.  
32

33 All "excess" depreciation must be removed and rate base be adjusted, prior to a  
34 determination of the total revenue requirement can be valid with any excess depreciation.

35 The Company needs a full-scale outside audit of all its books for the past 20 years and  
obtaining ISO 9000/14000 qualifications are essential.

**III.D.3. NEW METER AND SERVICE LINE COST VARIATIONS.**

a These locational cost variations were presented whereby two water service areas had different charges for a water meter and service line, when compared to the other two water service areas. See Table 9 for these two proposed charges. This locational cost variation has appeared in all the Schedules H filed by the Company, Commission Staff and RUCO. In addition, there are significantly different and unexplained costs for a 5/8-inch meter when compared to a 5/8&3/4-inch meter. A meter The cost of a meter is not location dependent. Without making such a cost-based adjustment, then approval of only the lower meter and service line costs should be approved.

**Table 9. Meter and Service Line Installation Charges.<sup>71</sup>**

	5/8 and 3/4-inch Residential Service				1-inch Residential Service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave

**Table 9(a). PRESENT INSTALLATION CHARGES**

<b>Service Line</b>	\$445.00	\$370.00	\$445.00	\$370.00	\$495.00	\$420.00	\$495.00	\$420.00
<b>Meter Installation</b>	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$315.00	\$240.00	\$315.00	\$240.00

**Table 9(b). PROPOSED INSTALLATION CHARGES**

<b>Service Line</b>	\$445.00	\$370.00	\$445.00	\$370.00	\$495.00	\$420.00	\$495.00	\$420.00
<b>Meter Installation</b>	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$315.00	\$240.00	\$315.00	\$240.00

**III.D.4. PROHIBIT NEW WATER WELLS IN AMA SERVICE AREAS.**

As stated in Direct Testimony, EPCOR should have new wells prohibited within and slightly beyond any of its service areas that are within an ADWR Active Management Area (AMA). In some areas, many new wells have dug specifically to avoid higher water rates. Unfortunately, many of these wells do not produce safe and potable water. These new wells impacts local water resources and could result in dry wells for the Company.

If the Company implemented the process in A.R.S. §45-454, new wells can be avoided. In the "last rate case" this was discussed but that Company felt it was too hard to comply with this requirement. This issue needs a new look.<sup>72</sup>

<sup>71</sup> Table 9 is from the Magruder Surrebuttal Testimony, Table A, at 12:4-16 and is updated based on EPCOR, Staff, and RUCO Final Schedules H-3 of 6 April 2015.

<sup>72</sup> Magruder Direct Testimony, 29:8-12; 26.

1 **III.D.5. TUBAC WATER STORAGE TANK ISSUES.**

2 a The Company Rebuttal Testimony stated that it only wants to discuss the **size of the**  
3 **tank** with its customers in Tubac in order to be constructed by the end of 2105.

4 There are many other issues that must be resolved, such location, vegetation screening,  
5 color, cost, fire water demands, and issues that were discussed with AAWC several years ago.

6 AAWC agreed to **bury half the storage tank below the ground level**, as constructed in  
7 other communities. This tank would not have an above ground berm around to contain a leak  
8 and to reduce the visual impacts of neighbors across the street (form a prior site). The urgency  
9 of this need is reduced by the cross connecting the two pumps on the West side of Interstate-19  
10 at the new Arsenic Treatment Plant (ATP).

11 The significant issue of funding was the critical schedule driver for the ATP. We learned  
12 the Company wanted to “self fund the project” at a much higher interest rate that one we  
13 obtained with a low interest WIFA’s 3-4% loan.

14 A new water tank is being constructed in Nogales with three funding sources. As shown  
15 **in Exhibit Magruder-10**, a larger but comparable water tank, is being funded by the City of  
16 Nogales using a combination of

- 17  
18  
19 (1) WIFA low-interest rate loan funding  
20 (2) Forgivable loan  
21 (3) Grant.<sup>73</sup>

22 **This takes time to arrange. Some financial options are available on only an annual**  
23 **basis.** For the WIFA ATF loan, Corporation Commissioner Mayes assisted our Citizens Council  
24 in this process. It took many trips to Phoenix to complete and sign these agreements. Included in  
25 this process were the Santa Cruz County Board of Supervisors, WIFA, the Company and  
26 several banks. Our community leaders worked hard to obtain lowest-cost possible funds so  
27 customer costs would be greatly reduced. AAWC helped in obtaining funding, even when they  
28 saw their Company would have less revenue.

29 After negotiations by our local Citizens Council, the initial ATF cost was significantly  
30 reduced. Thus, this water storage tank can NOT be operational by the end of December of **the**  
31 **year 2015** as proposed and maybe, just maybe, by December in 2016.

32 Any firm deadline should be eliminated from the final Order and its capital cost put in the  
33 NEXT rate case as part of a companywide rate base.  
34  
35

<sup>73</sup> **Exhibit Magruder-10**, “City gets \$3M for water tank,” *Nogales International*, 20 March 2015, p. 2A.

1 Furthermore, the Company's Original Application included a "Drinking Water Compliance  
2 Status Report" of 21 March 2013, based on an ADEQ evaluation completed 31 October 2013.  
3 This Compliance Status Report does not indicate in the appropriate place that "inadequate  
4 storage" is a major unresolved/ongoing operation and maintenance deficiency.

5 These comments are not intended to oppose a water storage tank but to set a realistic set  
6 of conditions that cannot be completed by December 2015, as proposed, by using various lower-  
7 cost funding sources. This capital improvement should be integrated into the normal Company-  
8 wide plans and not make a special issue with a unique surcharge to cover its cost. Any capital  
9 upgrade, anywhere within the Company's service areas, becomes a part of the total system, not  
10 for just one business unit.

11 The Conclusions and Recommendations for "Other Issues" are in Section IV below.  
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1                                   **Section IV. CONCLUSIONS AND RECOMMENDATIONS.**

2  
3 **IV.A. CONCLUSIONS.**

4           The conclusions herein are based on evidence in this party's testimonies, summarized in  
5 this Brief, and evidence presented by other parties in these proceedings.

6  
7 **IV.A.1. Issue 1 – Combine Rates for ALL Customer Locations to Comply with**  
8 **Arizona Legal Requirements.**

9           The present rates do NOT comply with the Arizona Constitution and the Arizona Revised  
10 Statutes because they establish and maintain unreasonable differences between locations and  
11 classes of service. The EPCOR proposed rates also do not comply with a Commission Order;  
12 these legal requirements. All customers in each water service area are not included; Rate  
13 Classes, Rate Categories and Rate Tiers are significantly different. By combining the rates for all  
14 service areas into one integrated rate schedule compliance can be achieved.

15  
16 **IV.A.2. Issue 2 – Provide Equitable and Fair Rates for Lower Income Customers.**

17  
18           The EPCOR present and proposed low-income programs are unsatisfactory and do not  
19 adequately or equitably achieve the goals for lower income ratepayers. A *Water Lifeline* with low  
20 First Tier consumption rate resolves this problem, saves time and reduces Company expenses.

21  
22 **IV.A.3. Issue 3 – Conserve Water by Using Cost as a Key Driver for Water Rates.**

23           The proposed rate schedules by the Company, Staff, and RUCO all continue with  
24 unreasonable and discriminatory rates and do not meet legal requirements. Water conservation  
25 is a State, Commission and Company goal necessitated by the long-term drought being  
26 experienced in Arizona and other Western States.

27           Cost is the primary concern for ratepayers. With increasing consumption, cost then must  
28 progressively increase in many breakpoint steps or Rate Tiers to adequately cover the range of  
29 customer usage over the consumption distribution curve. In order to have several tier breakpoint  
30 steps, with several above and several below the median usage, then seven appears to be the  
31 minimum for each residential and commercial Rate Category, with three above and three below a  
32 median central Rate Tier's breakpoint.

33  
34           All the proposed rate structures discriminate against water conservation because most  
35 Rate Categories have two Rate Tiers with ONE breakpoint between them. For a customer who  
wants to reduce their cost, there is no incentive, other than having your usage above and

1 relatively near this one cost-savings breakpoint. This angers such customers and is just plain not  
2 fair. Without an adequate number of breakpoints between Rate Tiers, there is no incentive to  
3 save water. Commercial customers, in particular, will use the same cost saving incentive as  
4 residential customers but presently this option is not in proposed rate structures. This is easy to  
5 correct and should be readily accepted because of the obviously clear savings when one's usage  
6 is in a lower Rate Tier.  
7

#### 8 **IV.A.4. OTHER ISSUES That Arose During these Proceedings.**

9 Additional and new issues, some independent of others, arose during these proceedings:

10 There were proposed an excess number of various surcharges, rate adjustments,  
11 mechanisms and fees being requested by the Company, mostly to reduce its revenue risk, a task  
12 normally assumed by the shareholders and not by its customers.  
13

14 In general, the greater the risk; the greater the reward; however, some of these risks are  
15 those most companies include in their normal business practices, discussed in III.D above. Most  
16 of these charges are based on unknown future factors and cannot accurately be estimated.

17 1. The following conclusions were determined for these proposed ratepayer charges:

18 a. Affordable Care Act (ACA) Surcharge – to reduce risk of higher medical insurance costs  
19 due to ACA. Adequate medical insurance is a normal business practice and a surcharge is  
20 excessive for ratepayers to be liable.

21 b. Power Purchase Surcharge – to reduce risk of higher electricity costs. Again, power cost  
22 is a normal business expense and a surcharge. It is not necessary for ratepayers to be liable.

23 c. Low Water Use Surcharge – to reduce risk with a surcharge for less water being  
24 consumed by ratepayers. Ratepayers, who reduce their consumption in order to conserve water  
25 or reduce their water bills, do not appreciate being charged for doing “what is right.” Customers  
26 will not readily accept adding this surcharge. However, there is a real revenue risk when less  
27 water is consumed since the Company's revenue requirement cannot be met. A higher ROI or a  
28 tentative rate base “adjustment” with a true-up in the next rate case for this lost revenue could be  
29 more readily accepted.  
30

31 d. CAP Water Surcharge – to account for annual changes in CAP fees. For the Rate  
32 Classes and Categories served by CAP water, an annually changing surcharge is a logical way  
33 to account for such changes. Annual Commission approval should still be necessary.

34 e. Ground Water Use Surcharge – Conclusion is similar to the CAP Water Surcharge  
35

1 f. Arsenic Media Replacement O&M Surcharge – to cover operational and maintenance  
2 costs of arsenic media replacement in one area but not in all the other such areas. This cost  
3 should be in the Company's total revenue requirements and not levied as a service area  
4 surcharge.

5 g. Water Storage Tank Cleaning and Maintenance Surcharge. to cover long-term tank  
6 cleaning costs in one service area. This cost should be in the Company-wide total revenue  
7 requirements and not levied as a service area surcharge.

8 h. Water Storage Tank Construction Surcharge. To cover expenses for a new water  
9 storage tank. This expense should be in the Company's total revenue requirements.

10 i. Low Income Surcharge – to cover the cost of a low income plan. No surcharge is needed  
11 if a *Water Lifeline* rate for all residential and First Two commercial Rate Tiers is agreed.

12 j. System Improvement Benefits (SIB) Surcharge. To cover expenses for long-term O&M  
13 plans. All service areas need routine maintenance to include replacement of capital equipment.  
14 This cost ought be in the Company's total revenue requirements and not levied by service area.

15 k. Ground Water Withdrawal Fee – to meet some an requirement now on this party's billing  
16 statements. Conclusion is similar to the CAP Water Surcharge.

17  
18 It is concluded that the Company has grossly accumulated depreciation beyond the life of  
19 individual capital assets for years. All such "excess" depreciation must be removed prior to any  
20 determination of the total revenue requirement can be valid.

21  
22 2. It is concluded there are unnecessary new meter and service line cost variations.

23 3. It is concluded the Company has not applied to prohibit new wells in and near its service  
24 areas that are located in an Active Management Area. This has resulted in new wells that may  
25 lead to "dry" service wells, reduces Company water usage and revenue loss in several AMAs.

26 4. It is concluded that a new water storage tank cannot be operational by the end of 2015 and  
27 its expenses should not be in the present, but in the next rate case.

1 **IV.B. RECOMMENDATIONS.**

2  
3 a The recommendations are based on the above evidence and conclusions in this party's  
4 testimonies, summarized in this Brief, and evidence by other parties in these proceedings.

5 **IV.B.1. Issue 1 – Combine Rates for ALL Customer Locations to Comply with**  
6 **Arizona Legal Requirements.**

7 It is recommended that the total revenue requirements for the four water service areas be  
8 combined. Using the combined revenue requirements from Ms. Hubbard's Rejoinder Testimony,  
9 this is easily determined.<sup>74</sup> After any additional adjustments, the resultant revenue requirement  
10 becomes the objective for combined rates for these four service areas and used to design the  
11 rate structure for the combined service area, preferably based on recommendations from Issues  
12 2 and 3 that follow.

13  
14 This recommendation resolves the legal issues involving "location" in Issue 1.

15 The process of "combined" rates is recommended to occur over several years, in steps, to  
16 gradually make the resultant changes necessary to remove unreasonable rate differences to the  
17 same rates in the four service areas. It is recommended no more than a 10% customer cost  
18 change per year during this rate normalization period.

19 It is strongly urged and recommended, based on evidence herein, that the rates for these  
20 four water service areas be combined into one Rate Structure BEFORE implementation from  
21 this rate case.

22  
23 **IV.B.2. Issue 2 – Provide Equitable and Fair Rates for Lower Income Customers.**

24 After resolving Issue 1, it is recommend the First Tier Residential Rate Category be  
25 designed with a total bill goal, including the Service Charge, be between \$20.00 and not to  
26 exceed \$25.00 per month for the first 3,000 gallons of water used.

27 For the Commercial Rate Tiers up to 1.5-inch meter size, it is recommended the  
28 consumption rates be the same as the corresponding Residential Rate Tiers.

29 This will provide a *Water Lifeline* rate for ALL customers' bills in the First Tier. ALL  
30 customers with lower incomes and small businesses will also benefit.

31  
32  
33  
34  
35 <sup>74</sup> Hubbard Rejoinder Testimony, Exhibit A-8, Exhibit SLH-1, page 1 of 16 are the combined revenue requirements for the five (4 water, 1 wastewater) service areas in the present case. By subtracting the revenue requirements for the Mohave Wastewater service area, page 7 of 16, Exhibit SLH-1, the total revenue requirements for these four water service areas results.

1 It is recommended that all the remaining revenue requirements to meet the Company's  
2 total revenue requirements be from progressively higher rates in higher Rate Tiers.

3 It is recommended that the proposed Low-Income Rate Plan is not be approved.

4  
5 **IV.B.3. Issue 3 – Conserve Water by Using Cost as a Key Driver for Water Rates**

6 It is recommended that the combined rate structure include the following elements to  
7 remove unreasonable differences between locations, to provide a *Water Lifeline* for residential  
8 and small commercial users, and to include multiple Rate Tiers with increasing rates for higher  
9 consumption users in order to conserve water resources to result in

10 a. Statewide Rate Classes including Residential, Commercial, OPA, Private Fire (hydrant),  
11 Apartment, Sale for Resale, Miscellaneous Non-Potable, Public Interruptible, and CAP Raw.

12 b. Statewide Rate Categories, in terms of meter size for Residential and Commercial Rate  
13 Classes. The other Rate Classes may have only one rate category, when applicable.

14 c. Statewide Rate Tiers in Residential and Commercial Rate Classes with at least seven to  
15 ten or more Rate Tiers in each Rate Category.

16 d. All Residential and Commercial Rate Categories of 1.5-inch meter and smaller to have  
17 a low First Tier rate, at less than \$1.00 per 1000 gallons for the first 3,000 gallons, in order to  
18 provide a *Water Lifeline* for ALL ratepayers designed with a total monthly bill less than \$25.00 per  
19 month.  
20

21 It is recommended that the Company and other parties provide a combined Rate Designs  
22 for the four water service areas for consideration in this rate case BEFORE any rate changes are  
23 approved by the Commission.

24 It is recommended in the next EPCOR water rate case include all the other water service  
25 areas and those in this case into statewide consolidated rates for all EPCOR customers,  
26 including the water customers not previously been included in water rate cases.

27 It is recommended that implementation should be accomplished in annual rate changes,  
28 none more than 10% for any ratepayer, in a new statewide combined rate schedule.

29  
30 **IV.B.4. Other Issues That Arose During these Proceedings.**

- 31 • It is recommended the following be in rate base, in this present case, and not levied:

- 32 (1) Arsenic Media Replacement O&M Surcharge  
33 (2) Water Storage Tank Cleaning and Maintenance Surcharge

- 34 • It is recommended the following be in rate base, in the next rate case, and not levied:

- 35 (1) Water Storage Tank Construction Surcharge

1 (2) System Improvement Benefits (SIB) Surcharge

- 2 a • It is recommended the following surcharges not be implemented:

- 3 (1) Affordable Care Act Surcharge  
4 (2) Purchase Power Surcharge  
5 (3) Low Income Surcharge

- 6 • It is recommended the following proposed surcharges be implemented:

- 7 (1) CAP Water Surcharge as a separate surcharge, adjusted annually after  
8 approval.  
9 (2) Ground Water Surcharge as a separate surcharge, adjusted annually, after  
10 review.  
11 (3) Ground Water Withdrawal Fee – TBD

- 12 • It is recommended the Low Water Use Surcharge be implemented by means other than a  
13 surcharge, considered an investment risk, with a higher rate of return and, if the revenue  
14 requirement is not met because of low water use, this be considered for adjustment in the  
15 next rate case.

16 **IV.C. THE FUTURE.**

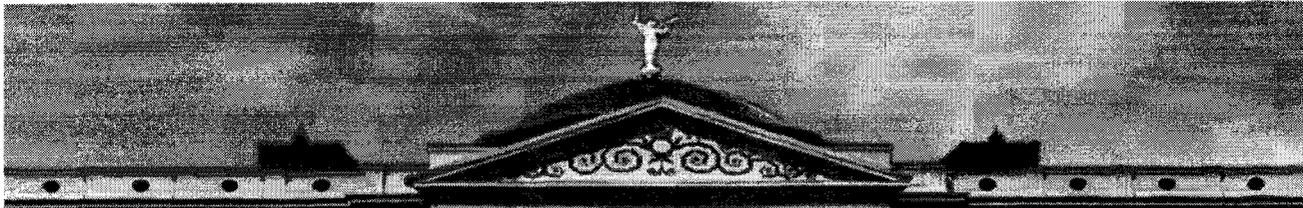
17 If the recommendations for the Issues herein, based on the preponderance of evidence  
18 presented, are approved, then in the future this Company should see the following benefits:

- 19  
20 • Integrated Rate Structure, one for the whole company  
21 • Rate stability for all ratepayers and revenue stability for the Company  
22 • Rate changes that avoid future “rate shock” with gradual rate adjustments  
23 • Fair and Reasonable rates without unreasonable rate differences  
24 • Certainty of revenue return from better company-wide management  
25 • Improved Company long-term planning and maintenance actions  
26 • Less rate case cost for Company, staff, RUCO and ratepayers  
27 • Equitable and fair rates for all including lower income and small businesses  
28 • Higher consuming customers to have higher cost as a water conservation measure  
29 • Aggressive Implementation of ADWR Best Practices to conserve water  
30 • More efficient, effective, less complex, and quality management when ISO 9000 certified  
31 • Companywide financial management instead of multiple independent profit centers  
32 • Company considers environmental impacts and ISO 14000 certified.

33  
34  
35 with much more contented and happy customers, staff and RUCO!

3 a

4 **Handout of Excerpts from the**  
5 **Arizona State Constitution,**  
6 **Arizona Revised Statutes, and**  
7 **Arizona Revised Statutes - Annotated**



8  
9  
10  
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13 **ARIZONA STATE CONSTITUTION**

14 **Title XV – The Corporation Commission**

15 Charges for service; discrimination; free or reduced rate transportation

16  
17 Section 12. **All charges** made for service rendered, or to be rendered, by public service corporations within this state **shall be just and reasonable**, and **no discrimination** in charges, service, or facilities **shall be made between persons or places** for rendering a like and contemporaneous service, except that the granting of free or reduced rate transportation may be authorized by law, or by the corporation commission, to the classes of persons described in the act of Congress approved February 11, 1887, entitled An Act to Regulate Commerce, and the amendments thereto, as those to whom free or reduced rate transportation may be granted.

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24 **ARIZONA REVISED STATUTES (excerpt)**

25 **Chapter 2 – Public Service Corporations Generally**

26  
27 **Article 1 – Regulation by Corporation Commission**

28 40-203. Power of commission to determine and prescribe rates, rules and practices of public service corporations

29  
30  
31 When the commission finds that the rates, fares, tolls, rentals, charges or classifications, or any of them, demanded or collected by any public service corporation for any service, product or commodity, or in connection therewith, or that the rules, regulations, practices or contracts, are unjust, discriminatory or preferential, illegal or insufficient, the commission shall determine and prescribe them by order, as provided in this title.

1 Article 3 – Investigations, Hearings and Appeals

2 40-248. Reparation of overcharge; action to recover overcharge; limitations

- 3
- 4 A. When complaint is made to the commission concerning any rate, fare, toll, rental or charge made by  
5 any public service corporation, and the commission finds, after investigation, that the corporation has  
6 made an excessive or discriminatory charge, the commission may order that the corporation make  
7 reparation to the complainant with interest at the legal rate from the date of collection, if no  
8 discrimination will result from such reparation. If the corporation does not comply with the order for  
9 payment of reparation within the time specified in the order, an action may be brought to recover the  
10 amount thereof.
- 11 B. All complaints concerning excessive or discriminatory charges shall be filed with the commission  
12 within two years from the time the cause of action accrues, and the action to enforce the order shall be  
13 brought within one year from the date of the order of the commission.
- 14 C. The **remedy afforded in this section is cumulative** and in addition to any other remedy provided for  
15 failure of a public service corporation to obey an order or decision of the commission.

16 Article 6 – Services and Facilities

17 40-334. **Discrimination between persons, localities or classes of service as to rates, charges, service or**  
18 **facilities prohibited**

- 19 A. A public service corporation **shall not**, as to rates, charges, service, facilities or in any other respect,  
20 make or grant any preference or advantage to any person or subject any person to any prejudice or  
21 disadvantage.
- 22 B. No public service corporation shall establish or maintain any unreasonable difference as to rates,  
23 charges, service, facilities or in any other respect, either between localities or between classes of  
24 service.
- 25 C. The commission may determine any question of fact arising under this section.

26 Article 7 – Rates and Schedules

27 40-361. Charges by public service corporations required to be just and reasonable; service and facilities  
28 required to be adequate, efficient and reasonable; rules and regulations relating to charges or service  
29 required to be just and reasonable

- 30 A. **Charges demanded or received by a public service corporation for any commodity or service shall be**  
31 **just and reasonable. Every unjust or unreasonable charge demanded or received is prohibited**  
32 **and unlawful.**
- 33 B. Every public service corporation shall furnish and maintain such service, equipment and facilities as  
34 will promote the safety, health, comfort and convenience of its patrons, employees and the public, and  
35 as will be in all respects adequate, **efficient** and reasonable.

1 C. All rules and regulations made by a public service corporation affecting or pertaining to its charges or  
2 service to the public shall be **just and reasonable**.

a

3 40-362. Power of commission to investigate interstate rates

4  
5 A. The commission may investigate all existing or proposed interstate rates, fares, tolls, charges and  
6 classifications, and all rules and practices in relation thereto, for or in relation to the transmission  
7 of messages or conversations, where any act in relation thereto takes place within this state.

8 B. When the proposed or existing rates are excessive or discriminatory, or in violation of the acts of  
9 Congress, or in conflict with the orders or regulations of the interstate commerce commission, the  
10 commission may apply to the interstate commerce commission or to any court of competent  
11 jurisdiction for relief.

12 40-365. Filing of rate schedules by public service corporations

13 Under rules and regulations the commission prescribes, every public service corporation shall file with the  
14 commission, and shall print and keep open to public inspection, schedules showing all rates, tolls, rentals,  
15 charges and classifications to be collected or enforced, together with all rules, regulations, contracts,  
16 privileges and facilities which in any manner affect or relate to rates, tolls, rentals, classifications or  
17 service. The commission may, from time to time, approve or fix rates, tolls, rentals or charges in excess of  
18 or less than those shown by the schedules. The commission may, from time to time, determine and  
19 prescribe by order such changes in the form of the schedules as it finds expedient, and modify the  
20 requirements of any of its orders, rules, or regulations.

21 40-367. Changes of rates; notice; filing; exception

22 A. No change shall be made by any public service corporation in any rate, fare, toll, rental, charge or  
23 classification, or in any rule, regulation or contract relating to or affecting any rate, toll, fare, rental,  
24 charge, classification or service, or in any privilege or facility, except after thirty days notice to the  
25 commission and to the public as provided in this chapter.

26 B. **Notice** shall be given by filing with the commission and keeping open for public inspection new  
27 schedules stating plainly the change to be made in the schedules then in force, and the time when the  
28 change will go into effect.

29 C. The commission, for good cause shown, may allow changes without requiring the thirty days notice  
30 provided for in this section by an order specifying the changes so to be made and the time when they  
31 shall take effect, and the manner in which they shall be filed and published.

32 D. When any change is proposed attention shall be directed to the change on the schedule filed with the  
33 commission by some mark, designated by the commission, immediately preceding or following the  
34 item.

Quote from

*Arizona Revised Statutes – Annotated,  
Volume 12, Sections 30-101 to 40-End (Excerpt)*

“Discrimination Between persons, discrimination

“Public service corporations must treat all their customers fairly and **without unjust discrimination** and give all of them the same service on equal terms at uniform rates without discriminating between customers similarly situated as to the character of the service rendered or charges made and as regards **discrimination in rates** or service in the public utility field, a municipal corporation stands in the same position as a private corporation.”

Town of Wickenburg v. Sabin (1948) 68 Ariz. 73, 200 P .2d 342.

“Discrimination Between localities, discrimination

“**Utilities may not pick and choose**, serving only portions of territory covered by their franchises **which it is presently profitable for them to serve** and restricting development of remaining portions by leaving their inhabitants in discomfort without services which they along can render.”

Arizona Corp. Commission v. Southern Pac. Co. (1906) 87 Ariz. 310 P.2D 765.

1 **Exhibit MM-2**

2 a **Comments on the Proposed Rate Increase Proposed by the**  
3 **Arizona-American Water Company in Tubac held on 18 November 2003.**

4  
5 **Marshall Magruder**  
6 **PO Box 1267**  
7 **Tubac, AZ 85646**

8 **18 November 2003**

9  
10 **BEFORE THE ARIZONA CORPORATION COMMISSION**

11 For the Open Meeting held this date in Tubac Arizona

12 **Comments on the Proposed Rate Increase for Arizona-American Water Company, Tubac**

13 **FIRST ISSUE – UTILITY RATE INCREASES, WHY?**

14 American business are **leaders in developing efficient work processes** to lower costs and dominate  
15 that business environment.

16  
17 Of all the industries, the utility industry has proven to be amongst the **least efficient**. With less than one  
18 third of the energy used by the \$1 trillion dollar electric industry, delivered to customers, we need to  
19 “open our eyes” to just plain effective business management.

20 This water case, with a “cross the board” rate increase is another accounting trick, which failed to look at  
21 the real “cost of doing business” issues. Let’s explain this.

22 A **zero-based budget approach** is essential to determine the “cost” of each step in the business process  
23 model. Cost components change with time, they are not all “flat.” Without examining each cost element,  
24 by each company, then did the American-Arizona Water Company fail to properly assess the detailed  
impacts of doing business?

25 More importantly, this approach defeats efficient management and should not be tolerated by the  
26 Commission. Make AAWC show you their numbers, by each cost element category. Then make AAWC  
27 **prove to you the actual, measured, and documented cost of that cost element category**. “Shot-  
28 gun” approaches are used by lazy and ineffective management teams.

29 Public service companies have all their books open during ratemaking cases. They need to be audited to  
30 the level necessary to **verify and validate** that their charges are (1) **prudent**, (2) **fair**, and (3)  
**reasonable**. A fair and reasonable return should be awarded for efficient companies.

31 Most utilities have never heard of **ISO 9000**, the integrated management and business process program  
32 for quality organizations. It’s applicable to every company in this country, including the water utility  
33 business. The implementation of the 20 different business processes in this world-wide (a la “Deming”)   
34 program, will improve corporate efficiency at all levels by all departments. ISO 9000 goes for “**self-**  
35 **improvement” mechanisms**, embedded into the day-to-day operations, to foster overall corporate  
improvement. It is obvious by just the “cross the board” approach in this case, that ISO 9000 has not  
been implemented at Arizona-American Water Company.

1 Based on this, then **ISO 14400**, for **Environmental Management** practices, surely has not been  
2 considered. Such practices, when implemented by a water company, involve all environmental  
3 management decisions inside this company and their external impacts. This company needs to consider  
4 establishing ISO 14400, in addition to ISO 9000.

5 If so, the next rate case will be different. Why should a properly managed company requesting any rate  
6 increases, when efficiency results in rate "decreases. **When did this last happen in Arizona?**

7 I have worked in companies where these have been implemented, including a Macolm Baldrige  
8 National Quality award organization. The differences are instantly amazing. You find a totally different  
9 atmosphere towards working as a team. **What's going on now is mismanagement.**

10 Please work these details and have the "**best and brightest**" companies **propose rate reductions** the  
11 next time around, as my second issue, discusses the impacts of this problem.

## 12 **SECOND ISSUE – IMPACTS OF THIS UTILITY RATE INCREASE**

13 We have had a series of recent utility increases in Santa Cruz County. These include the following:

14	Natural Gas rate increase	20.9%
15	Electricity rate increase	22.0%
16	MEDICARE	13.9%
17	Trash charge per car load	100%
18	Proposed Water rate increase	<b>86% to possibly 35%</b>

19 Lets look at what a **fixed income person, retired on social security** received to compensate:

20	<b>Social Security COLA</b>	<b>2.1%</b>
----	-----------------------------	-------------

21 Again, with a fixed income, **something is not going to be on the dinner table for these folks!**

22 **"ENOUGH IS ENOUGH"**

23 Please fix these problems, **don't just pass on increase after increase without making them work**, if  
24 they have poor business practices and mismanagement.

25  
26  
27 Sincerely,

28  
29 Marshall Magruder  
30 (520) 398-8587  
31 [marshall@magruder.org](mailto:marshall@magruder.org)

3 a

4 **CONSOLIDATED RATE SCHEDULES  
BY MARSHALL MAGRUDER**

- 5 1.
- Scope.**
- This filing consists of copies of spreadsheets computed using the version 4 of the
- 
- 6 Company's Consolidated Rates Microsoft Excel program. Two Excel files have been
- 
- 7 provided to all parties with email so that compatible reviews can be compared.
- 
- 8 2.
- References.**
- Upon inclusion of the two Excel files (included in the electronic submission of
- 
- 9 these schedules and indicated by \* below), with updated Excel files from the version 4
- 
- 10 Company's Consolidated Water Model are incorporated by reference in this submission:

11 AZAW Consol rates Water – Residential v4 Step 1.xls (dated 2 June 2010)  
12 AZAW Consol rates Water – Residential v4 Step 2.xls (dated 2 June 2010)  
13 AZAW Consol rates Water – Residential v4 Step 3.xls (dated 2 June 2010)  
14 AZAW Consol rates Water – Residential v4 Step 4.xls (dated 2 June 2010)  
15 AZAW Consol rates Water – Residential v4 Step 5.xls (dated 2 June 2010)  
16 AZAW Consol rates Water – nonpotable v4 Step 1.xls (dated 2 June 2010)  
17 AZAW Consol rates Water – nonpotable v4 Step 2.xls (dated 2 June 2010)  
18 AZAW Consol rates Water – nonpotable v4 Step 3.xls (dated 2 June 2010)  
19 AZAW Consol rates Water – nonpotable v4 Step 4.xls (dated 2 June 2010)  
20 AZAW Consol rates Water – nonpotable v4 Step 5  
21 AZAW Consol rates Water – PF v4 Step 1.xls (dated 2 June 2010)  
22 AZAW Consol rates Water – PF v4 Step 2.xls (dated 2 June 2010)  
23 AZAW Consol rates Water – PF v4 Step 3.xls (dated 2 June 2010)  
24 AZAW Consol rates Water – PF v4 Step 4.xls (dated 2 June 2010)  
25 AZAW Consol rates Water – PF v4 Step 5.xls (dated 2 June 2010)  
26 AZAW Consol rates Water – Commercial v4 Step 1.xls (dated 2 June 2010)\*  
27 AZAW Consol rates Water – Commercial v4 Step 2.xls (dated 2 June 2010)  
28 AZAW Consol rates Water – Commercial v4 Step 3.xls (dated 2 June 2010)  
29 AZAW Consol rates Water – Commercial v4 Step 4.xls (dated 2 June 2010)  
30 AZAW Consol rates Water – Commercial v4 Step 5.xls (dated 2 June 2010)  
31 AZAW Consol rates Water – Total v4 Step 1.xls (dated 2 June 2010)\*  
32 AZAW Consol rates Water – Total v4 Step 2.xls (dated 2 June 2010)  
33 AZAW Consol rates Water – Total v4 Step 3.xls (dated 2 June 2010)  
34 AZAW Consol rates Water – Total v4 Step 4.xls (dated 2 June 2010)  
35 AZAW Consol rates Water – Total v4 Step 5.xls (dated 2 June 2010)  
Stepped Rate Summary v4.xls (dated 2 June 2010)

## 3. Discussion of Consolidated Schedules.

- a.
- Water District Schedules.**
- The Rate Consolidation Schedules for the eight Water Districts use the references cited above. The "Assumptions" in file "AZAW Consol rates Water – Total v4 Step 1.xls" are provided in Attachment A. The above files contain mean and average customer usage data and specific changes for each district, rate category, and class. There are no other Model changes (other an correcting a minor summing function in Commercial Step 1 provided to all parties). A Step 1 solution is provided herein. Steps 2 to 5 will be discussed in the Brief.
- 
- b.
- Wastewater District Schedules.**
- This party plans to accept AAWC's Consolidation Wastewater Rate Schedules, therefore no Wastewater Consolidated is presented.
- 
- c.
- Miscellaneous Fees and Charge Schedule.**
- These are in the Direct Testimony and will be discussed further in the Brief.

1 **Attachment A**

2 a **ASSUMPTIONS IN THE MAGRUDER CONSOLIDATED RATES MODEL**

3 **ARIZONA WATER COMPANY CONSOLIDATED RATES MODEL - WATER**

4 **Percentage of Consolidated Rates Step 1**

5

6 Sun City 100.000%

7 SCW 100.000%

8 Agua Fria 100.000%

9 Anthem 100.000%

10 Tubac 100.000%

11 Mohave 100.000%

12 Havasu 100.000%

13 PV 100.000%

14 **Residential Rates and Blocks**

15 **5/8" - 3/4"**

16 Customer Charge \$14.50

17 First 3,000 \$0.9800

18 Next 7,000 \$2.5000

19 Next 15,000 \$3.0000

20 Next 20,000 \$3.5000

21 Over 45,000 \$4.0000

22 **1"**

23 Customer Charge \$20.00

24 First 3,000 \$0.9800

25 Next 7,000 \$2.5000

26 Next 15,000 \$3.0000

27 Next 30,000 \$3.5000

28 Over 50,000 \$4.0000

29 **1 1/2"**

30 Customer Charge \$70.00

31 First 3,000 \$0.9800

32 Next 22,000 \$2.5000

33 Next 25,000 \$3.0000

34 Next 50,000 \$3.5000

35 Over 100,000 \$4.0000

36 **2"**

37 Customer Charge \$110.00

38 First 30,000 \$1.7500

39 Next 70,000 \$2.5000

40 Next 100,000 \$3.0000

41 Next 100,000 \$3.5000

42 Over 300,000 \$4.0000

43 **3"**

44 Customer Charge \$245.00

45 First 25,000 \$2.0000

46 Next 75,000 \$2.5000

47 Next 100,000 \$3.0000

48 Next 100,000 \$3.5000

49 Over 300,000 \$4.0000

50 **4"**

51 Customer Charge \$395.00

14 **Commercial, OPA, Turf Rates and Blocks**

15 **5/8" - 3/4"**

16 Customer Charge \$17.50

17 First 3,000 \$0.9800

18 Next or First 7,000 2.5000

19 Next 15,000 3.0000

20 Next 25,000 3.5000

21 Over 45,000 4.0000

22 **1"**

23 Customer Charge \$30.00

24 First \$0.9800

25 Next or First 10,000 2.5000

26 Next 15,000 3.0000

27 Next 40,000 3.5000

28 Over 75,000 4.0000

29 **1 1/2"**

30 Customer Charge \$70.00

31 First \$0.9800

32 Next or First 25,000 2.5000

33 Next 25,000 3.0000

34 Next 150,000 3.5000

35 Over 200,000 4.0000

36 **2"**

37 Customer Charge \$110.00

38 First \$2.5000

39 Next or First 100,000 2.5000

40 Next 100,000 3.0000

41 Next 300,000 3.5000

42 Over 500,000 4.0000

43 **3"**

44 Customer Charge \$245.00

45 First \$2.5000

46 Next or First 1,000,000 2.5000

47 Next 2,000,000 3.0000

48 Next 3,000,000 3.5000

49 Over 6,000,000 4.0000

50 **4"**

51 Customer Charge \$395.00

1	First	100,000	\$2.0000	First		\$2.5000
2	Next	100,000	\$2.5000	Next or First	100,000	2.5000
3	Next	100,000	\$3.0000	Next	200,000	3.0000
4	Next	200,000	\$3.5000	Next	1,700,000	3.5000
5	Over	500,000	\$4.0000	Over	3,500,000	4.0000
6	<b>6"</b>			<b>6"</b>		
7	Customer Charge		\$700.00	Customer Charge		\$700.00
8	First	100,000	\$2.0000	First		\$2.5000
9	Next	100,000	\$2.5000	Next or First	1,000,000	2.5000
10	Next	250,000	\$3.0000	Next	3,000,000	3.0000
11	Next	500,000	\$3.5000	Next	3,000,000	3.5000
12	Over	950,000	\$4.0000	Over	7,000,000	4.0000

**Apartments Not Consolidated - Present rates remain in effect.**

**Non-Potable Rate**

Customer Charge	\$ -
All Consumption	\$1.2700

**Private Fire Rate**

<b>2"</b>	
Customer Charge	\$10.00
<b>3"</b>	
Customer Charge	\$22.50
<b>4"</b>	
Customer Charge	\$40.00
<b>6"</b>	
Customer Charge	\$90.00
<b>8"</b>	
Customer Charge	\$160.00
<b>10"</b>	
Customer Charge	\$250.00
<b>12"</b>	
Customer Charge	\$360.00

**Hydrants**

Customer Charge	\$14.00
-----------------	---------

**Water Districts Included in Rate Consolidation**

	Included? Yes=1, No=0
Sun City	1
SCW	1
Agua Fria	1
Anthem	1
Tubac	1
Mohave	1
Havasu	1
PV	1

Note: Extraneous blank lines and Tab Color lines were removed.

**ARIZONA AMERICAN WATER COMPANY  
Summary of Consolidated Water Rates**

	<u>Revenue from Consolidated Rates</u>	<u>Target Revenue</u>	<u>Difference</u>
Residential (a)	55,828,012	56,101,076	(273,065)
Commercial	13,410,100	12,510,487	899,613
OPA (b)	391,571	205,193	186,378
Sale For Resale (c)	283,898	<del>279,308</del>	4,590
Misc- Non-Potable	1,047,982	2,178,733	(1,130,752)
Private Fire	637,590	436,640	200,950
<b>Total</b>	<b>71,599,152</b>	<b>71,711,438</b>	<b>(112,286)</b>

(a) Includes Multi-family - rates are not consolidated.  
 (b) OPA in Aqua Fria (State Prison) and in Mohave consolidated to Commercial rates.  
 (c) Includes Peoria Public Interruptible in Sun City, PI Surprise and Water Contract in Aqua Fria and City of Phoenix in Anthem whose rates are not consolidated.

Note: The above summary shows that the Target Revenue is \$112,286 short of meeting the total revenue from the proposed Consolidated Rate. This was deliberate as an amount more than \$112,000 was being proposed by both the Commission Staff and RUCO to be deleted from the Target Revenue, thus by having the Target Revenue exceeding the Income received by Consolidated Rates. If this was not obtained, then adjusting the rates listed could be slightly modified to make this happen.

2 a **How to Apply for Low Income Utility Rates that may REDUCE**  
 3 **YOUR UTILITY BILLS by \$200 or more in 2015 and 2016**

5 To QUALIFY the gross income for the people in the household must be **LESS THAN** the amount below.

NUMBER OF PEOPLE IN THE HOUSEHOLD	Annual Gross Income at or UNDER	Monthly total income at or UNDER	Semi-Monthly income at or UNDER	Bi-Weekly income at or UNDER	Weekly income at or UNDER
1	\$ 17,235	\$ 1,436.25	\$ 718.13	\$ 662.88	\$ 331.44
2	\$ 23,265	\$ 1,938.75	\$ 969.38	\$ 894.81	\$ 447.40
3	\$ 29,295	\$ 2,441.25	\$ 1,110.63	\$ 1,126.73	\$ 563.37
4	\$ 35,325	\$ 2,943.75	\$ 1,471.88	\$ 1,358.66	\$ 679.33
5	\$ 41,355	\$ 3,446.25	\$ 1,723.13	\$ 1,590.58	\$ 795.29
6	\$ 47,385	\$ 3,948.75	\$ 1,974.38	\$ 1,821.46	\$ 910.67
7	\$ 53,415	\$ 4,451.25	\$ 2,226.65	\$ 2,054.44	\$ 1,027.21
More than 7, plus	+ \$ 6,030 per person	+ \$ 502.25 per person	+ 251.25 per person	+ \$ 231.92 per person	+ \$115.96 per person

(Effective 1 July 2013-30 June 2014, Santa Cruz County)

14 The columns for semi-monthly apply when paychecks are issued on the first and fifteenth of the month, while bi-weekly is when paychecks are every other week

15 **OR**

16 IF your family (household) **already qualifies** for ACCCS, Food Stamps (SNAP), SSI, or Head Start, you have been already qualified for these low-income utility rates.

18 **HOW Can YOU APPLY for Low Income Utility Rates in Santa Cruz County?**

19 CALL the phone number below for your utility(ies) and **REQUEST AN APPLICATION** for LOW INCOME Rates. They probably will ask if you are on various low income programs **AND** your what is your

- 21 1. **ANNUAL GROSS INCOME** \$ \_\_\_\_\_ from your 2013 Federal Income Tax Return and the  
 22 2. **NUMBER OF PEOPLE IN YOUR HOUSEHOLD** \_\_\_\_\_. If less than in table above, you qualify:

23 **For Low Income ELECTRICITY RATES:**

24 UNS Electric 877-837-4968 (CARES and CARES-M Program, up to \$11.50 per month)  
 25 SSVEC 800-422-3275 (ask for a "Helping Hand Program" application)  
 26 TRICO 520-682-0024 (ask for a "Helping Hand Program" application)

27 **For Low Income NATURAL GAS RATES** (about 30% reduction in winter months):

UNSGas 877-837-4968 (CARES and CARES-M Program, to \$18 per winter month)

28 **For Low Income LANDLINE TELEPHONE RATES and INTERNET BASICS:**

29 CenturyLink 800-244-1111 (ask for Lifeline rates, save ~\$7.95/month = \$85/year)  
 30 CenturyLink 800-244-1111 (ask for basic Broadband Assistance @ \$9.95/month)

31 **For Low Income WATER and WASTEWATER RATES:**

Liberty Utilities 520-281-7000 (ask for Alternative Rates for Water and Wastewater), save 15%

32 **Step 1.** ASK for an APPLICATION to be sent to your address (same as the utility bill).

33 **Step 2.** When you receive the APPLICATION, FILL IT OUT, with gross income above.

34 **Step 3.** The person's name on the bill MUST SIGN and you MUST include your ACCOUNT NUMBER.

35 **Step 4.** MAIL the APPLICATION to the correct address. Most utilities qualify for 2 years.

**For Pima County:**

# How to Apply for Low Income Utility Rates that may **REDUCE** YOUR UTILITY BILLS by \$200 or more in 2015 and 2016

To **QUALIFY** the gross income for the people in the household must be **LESS THAN** the amount below.

NUMBER OF PEOPLE IN THE HOUSEHOLD	Annual Gross Income at or UNDER	Monthly total income at or UNDER	Semi-Monthly income at or UNDER	Bi-Weekly income at or UNDER	Weekly income at or UNDER
1	\$ 17,235	\$ 1,436.25	\$ 718.13	\$ 662.88	\$ 331.44
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3	\$ 29,295	\$ 2,441.25	\$ 1,110.63	\$ 1,126.73	\$ 563.37
4	\$ 35,325	\$ 2,943.75	\$ 1,471.88	\$ 1,358.66	\$ 679.33
5	\$ 41,355	\$ 3,446.25	\$ 1,723.13	\$ 1,590.58	\$ 795.29
6	\$ 47,385	\$ 3,948.75	\$ 1,974.38	\$ 1,821.46	\$ 910.67
7	\$ 53,415	\$ 4,451.25	\$ 2,226.65	\$ 2,054.44	\$ 1,027.21
More than 7, plus	+ \$ 6,030 per person	+ \$ 502.25 per person	+ 251.25 per person	+ \$ 231.92 per person	+ \$115.96 per person

*(Effective 1 July 2013-30 June 2014, Pima County)*

The columns for semi-monthly apply when paychecks are issued on the first and fifteenth of the month, while bi-weekly paychecks are every other week **OR** if your family **already qualifies** for ACCCS, Food Stamps (SNAP), SSI, Head Start, etc., you have qualified for these low-income utility rates.

## HOW Can YOU APPLY for Low Income Utility Rates in PIMA County?

CALL the phone number below for your utility and **REQUEST AN APPLICATION** for LOW INCOME Rates. They probably will ask if you are on various low income programs **AND** your what is your

- ANNUAL GROSS INCOME** \$ \_\_\_\_\_ from your 2014 Federal Income Tax Return and the
- NUMBER OF PEOPLE IN YOUR HOUSEHOLD** \_\_\_\_\_. If less than in table, you qualify:

### For Low Income ELECTRICITY RATES

TEP 623-7711 (ask for Life Line Discount Program, up to \$8 credit/month)  
 TRICO 682-0024 (ask for "Helping Hand" Program application)

### For Low Income NATURAL GAS RATES (about 30% reduction in winter months)

Southwest Gas 1-800-428-7342 (Low Income Rate Assistance Program, LIRA)  
 1-800-860-6020 (Low Income Energy Conservation Program, LIEC)  
 1-800-582-5706 (Low Income Home Energy Assist. Program, LIHEAP)  
 UNS Gas 1-877-837-4968 (CARES and CARES-M Program, to \$18 per winter month)

### For Low Income LANDLINE (only, not wireless) TELEPHONE RATES

Quest 1-800-582-5706 (DES-CPIP program, \$7.95 credit/month = \$85/year)  
 1-800-244-1111 (Tribal Lifeline/Tribal Link-up Program rates at \$1/month)

### For Low Income WATER RATES

City of Tucson Water 791-3242

- Step 1. ASK** for an APPLICATION to be sent to your address (same as the utility bill).
- Step 2.** When you receive the APPLICATION, FILL IT OUT, with gross income above.
- Step 3.** The person's name on the bill **MUST SIGN** and you **MUST** include your ACCOUNT NUMBER.
- Step 4. MAIL** the APPLICATION to the correct address. Most utilities qualify for 2 years.

## Service List

Original and 13 copies of the foregoing are filed by mail this date with:

**Docket Control (13 copies)**  
**Arizona Corporation Commission**  
1200 West Washington Street  
Phoenix, AZ 85007-2927

**Dwight D. Nodes**, Assistant Chief  
Administrative Judge,  
Hearing Division  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

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