



Arizona Corporation Commission
Utilities Complaint Form

Investigator: Jenny Gomez Phone: <<< REDACTED >>> Opinion Date: 5/26/2016
AZ CORP
DOCKET CONTROL

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JUN 7 2016

Company: EPCOR Water *AAWC Division: Water

DOCKETED BY
Nature Of Opinion [Signature]

Docket Number: WS-01303A-16-0145 Docket Position: Neutral

Becoming a Water Management Company Promoting conservation requires incentivizing the company and the customer. For the company, that means turning conservation efforts into a profit center, instead of an 'additional duty,' the cost for which is allocated as an expense to customers. Under the current structure, these efforts become token gestures, rather than real efforts to reduce consumption. To become a profit center, the company must be able to sell a compelling service at a meaningful rate. The service must include the promise of real savings in consumption (and future bills) in return for a point-in-time investment. Irrigation is a tremendous user of water, even among residential customers. Providing a certified landscape irrigation audit service to customers whose usage is clearly above trend would be in demand. Other measures, to include installation of low-flow and flow management systems are also likely candidates. A key value proposition for customers is trust. Customers rely on private irrigation contractors and handymen to provide services, but often these providers are not experts in water management. Steep Tiering Every carrot needs a stick. Though per-unit charges should be limited in my opinion, when customers are consuming well above trend, they should be discouraged through the adoption of a statewide standard "heavy user" threshold. A statewide standard would take the onus off the "evil" company and put everyone in the same boat. It would also make customers more likely to take advantage of water management services provided by the company, increasing the sustainability of those programs. The threshold should be based on the number of people normally in the household and should be placed at a level of 25% above the reasonable use for such a household (e.g. 100gpcpd). Projected revenue from this heavy use tier should be backed out of 'estimated impacts' normally provided by companies when proposing rates and not considered as a justification to reject rates, based on "rate shock". Adopting New Technologies Electricity providers recognize that connectivity is a massive advantage when it comes to managing supply and demand. Water providers lag behind in this arena. Irrigation systems again are a major driver of usage, and smart irrigation controllers are becoming commonplace. Companies could offer a rate plan that provided for the centralized management of irrigation control. The company would be able to stop irrigation during rainy periods, set days and times based on season and conditions (optimized to deliver the best results with the least usage), and detect excessive flow due to leaks or breakage in the system. As a result, waste would be reduced and per-unit charges would be lowered on customer bills. Up-front billing for the smart controller would be required as well as a monthly surcharge added to the customer's plan. This plan would be of particular benefit to seasonal residents and customers that are not accustomed to proper watering practices in the Desert Southwest. Managing Costs Rate design, as previously mentioned, is reverse engineering to a cost plus built-in profit target. There is absolutely no incentive for companies to reduce costs of their operation, because there is no mechanism for companies to retain the rewards of their efficiency. If companies are required to take on the responsibility and risk of providing a critical service in a heavily regulated environment, this incentive should be made available to them. Cost-cutting measures that result in sustained efficiency gains should be included in rate case applications, and, pending certification by the Commission that those gains are real don't adversely affect the provision of service to the ratepayer, should be allowed to

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be continued through the next rate period ABOVE AND BEYOND the requested rate of return. In this way, companies would be rewarded for being more efficient and would have another means for increasing revenue without increasing rates. This increased revenue would, theoretically, increase the financial strength of the company and better prepare the company to address emergency situations.

		Investigation	
Date:	Analyst:	Submitted By:	Type:
5/26/2016	Jenny Gomez	Telephone	Investigation
Noted and filed for the record in Docket Control.			
