

ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2016 SEP 2 PM 3 55

DOUG LITTLE
Chairman

BOB STUMP
Commissioner

BOB BURNS
Commissioner

TOM FORESE
Commissioner

ANDY TOBIN
Commissioner

Arizona Corporation Commissioner

DOCKETED

SEP 02 2016

DOCKETED BY

Docket No. WS-01303A-16-0145

**RESPONSE TO MR. BOTHA'S
FILING**

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/DECREASES IN ITS
RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY
ITS AGUA FRIA, ANTHEM, MOHAVE,
SUN CITY, AND SUN CITY WEST
WASTEWATER DISTRICTS AND FOR
CONSIDERATION OF
CONSOLIDATION AND DE-
CONSOLIDATION PROPOSALS

Through this filing, EPCOR Water Arizona Inc. ("Company") responds to the filing made by Mr. Botha, an intervenor in this proceeding, requesting additional information. As noted in his filing, Mr. Botha made a data request to the Company on August 9, 2016, seeking information similar to the information he seeks in his filing. In that data request, Mr. Botha requested as follows:

Consequently, please will Epcor mail a similar brochure to all consumers with the following information comparing the five districts in the same way they did previously:

201 E Washington Street Suite 1200
Phoenix, Arizona 85004-4429

Lewis Roca
ROTHGERBER CHRISTIE

- 1 a. revenue increases by fair value rate base, revenue increase and percentage
2 increase, including the dollar amounts of the percentage increase
- 3 b. current residential rate, the stand-alone proposed rate and consolidated rate,
4 including any phase-in rates if appropriate
- 5 c. wastewater treatment facility

6 In response to Mr. Botha's request, the Company submitted a response on August
7 10, 2016. A copy of the request and initial response (without attachments) is attached as
8 Exhibit A. In that response, in addition to explaining that the notice published by the
9 Company was required by the Commission, the Company explained that it could not
10 project with certainty the Company's rates in 2021:

11 The variables that affect the costs and resulting rates for any district are numerous
12 and speculation as to the costs of Power, Labor, Insurance, Taxes, Maintenance,
13 Depreciation, and Capital costs needed to compute future rates would not bear a
14 meaningful projection through a period as far in the future as 2021. By referencing
the material provided in this case, an Intervenor may choose to calculate his or her
own projections based on the test year information provided by the Company and
insert his or her own assumptions as to expenses using the rate-making formula.

15 Following that response, Mr. Botha sought additional information regarding the
16 Company's projected capital expenditures for both the water and wastewater districts
17 through 2021. The Company provided supplemental information to Mr. Botha on August
18 15, 2016, regarding projected wastewater capital expenditures for the following ten years
19 (this information was also set forth in the Company's workpapers which the Company
20 provided to Mr. Botha at the outset of the case).

21 In this filing, Mr. Botha continues to seek both water and wastewater information
22 by district and to require the Company to project rate and revenue increases through 2021
23 and 2026. With regard to projections for future wastewater rates, the Company continues
24 to object that the information is too speculative for the Company to provide accurate
25 projections. In addition, given the inherent uncertainty of that information, it would not be
26 prudent for the Company to speculate on these rates in a filing provided to all customers.

1 With regard to the request for projections for the water districts, in addition to the
2 issues noted above for the wastewater districts, the Company objects on relevance grounds
3 as this is not a water rate case and none of the water districts are seeking rate increases or
4 consolidation in this case. The water districts will be part of a future filing as ordered by
5 the Commission in Decision No. 75268.¹

6 As noted in the initial response to Botha DR 2.1, by “referencing the material
7 provided in this case, an Intervenor may choose to calculate his or her own projections
8 based on the test year information provided by the Company and insert his or her own
9 assumptions as to expenses using the rate-making formula.” The Company has met with
10 Mr. Botha multiple times. The most recent meeting was to give a detailed explanation of
11 the information which is included in the Company’s workpapers in the current filing. The
12 Company also met with Mr. Botha on three other occasions to explain the ratemaking
13 process and to explain the detail of previous rate applications. However, the information
14 that Mr. Botha seeks in his filing continues to be objectionable on relevance grounds, to
15 the extent it seeks water district information, and is speculative and also not calculated to
16 lead to the discovery of admissible evidence, to the extent it seeks to require the Company
17 to project rates and revenues in future test years as a means to compare the rates to the
18 current request.

19 As noted above, the Company has provided to Mr. Botha (and other intervenors
20 requesting this data), the information necessary to make projections based on their own
21 assumptions.

22
23
24
25
26 ¹ Decision No. 75268 required that the Company file a rate case for all of its water districts no later than July 1, 2018.
See Decision No. 75268 at 90.

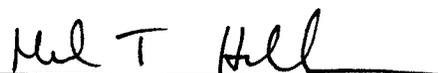
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CONCLUSION

For the reasons set forth above, the Company respectfully requests that the Administrative Law Judge deny Mr. Botha's request to require the Company to provide the information requested in his filing.

RESPECTFULLY SUBMITTED this 2nd day of September, 2016.

LEWIS ROCA ROTHGERBER CHRISTIE, LLP


Thomas Campbell
Michael T. Hallam
201 E. Washington Street
Phoenix, AZ 85004
Attorneys for EPCOR Water Arizona Inc.

ORIGINAL AND thirteen (13) copies of the foregoing filed this 2nd day of September, 2016, with:

The Arizona Corporation Commission
Utilities Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered this 2nd day of September, 2016, to:

Thomas Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Dwight Nodes
Chief Administrative Law Judge, Hearing Division
1200 W. Washington Street
Phoenix, Arizona 85007

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

4 Copy of the foregoing emailed and/or mailed
5 this 2nd day of September, 2016 to the following:

6 Michele Van Quathem, PLLC
7 7600 N. 15th St., Suite 150-30
Phoenix, Arizona 85020
8 mvq@mvqlaw.com
9 Attorney for Verrado Community Association, Inc.
DMB Verrado Golf I LLC; and Verrado ARC LLC
10 **Consented to Service by Email**

11 Greg Patterson
12 Munger Chadwick
916 West Adams, Suite 3
13 Phoenix, Arizona 85007
Attorney for Western Infrastructure Sustainability Effort

14 Regina Shanney-Saborsky
15 Government Affairs Committee Member
Corte Bella Country Club Homeowner's Association
16 22155 North Mission Drive
Sun City West, Arizona 85375
17 Rsaborsky@cox.net
18 **Consented to Service by Email**

19 Douglas Edwards
13517 W. Sola Drive
20 Sun City West, Arizona 85375
d.edwards795@yahoo.com
21 **Consented to Service by Email**

22 Diane Smith
13234 W. Cabrillo Drive
23 Sun City West, Arizona 85375
Skylar_98@q.com
24 **Consented to Service by Email**

25
26

- 1 Greg Eisert, Director
Steven Puck, Director
2 Sun City Home Owners Association
10401 W. Coggins Drive
3 Sun City, Arizona 85351
gregeisert@gmail.com
4 Steven.puck@cox.net
Consented to Service by Email
- 5 Frederick G. Botha
6 23024 N. Giovata Dr.
Sun City West, Arizona 85375
7 fgbotha45@gmail.com
Consented to Service by Email
- 8 Daniel W. Pozefsky
9 Chief Counsel
Residential Utility Consumer Office
10 1110 West Washington St., Suite 220
Phoenix, Arizona 85007
- 11 Al Gervenack, Director
12 Government Affairs Chairman
Sun City West Property Owners & Residents Association
13 13815 Camino Del Sol
Sun City West, Arizona 85372
14 al.gervenack@porascw.org
15 rob.robbins@porascw.org
Consented to Service by Email
- 16 Frances A. Noe, Advisory Committee, Chairman
17 11756 W. Daley Lane
18 Sun City West, AZ 85373
19 noeshomes@earthlink.net
Consented to Service by Email
- 20 Jenna R. Kohl, Community Executive Officer
21 Roger G. Willis, Vice President
22 Chair, Anthem Utilities Panel
Anthem Community Council, Inc.
23 3701 West Anthem Way, Suite 201
Anthem, Arizona 85086
24 jkohl@anthemcouncil.com
25 roger@willis-home.com
Consented to Service by Email
- 26

1 William R. Hansen
2 12302 West Swallow Drive
3 Sun City West, Arizona 85375

4 Stephen L. Fribley
5 10214 West Desert Rock Drive
6 Sun City, AZ 85351
7 FribleySL@aol.com

8 **Consented to Service by Email**

9 Michelle Harris
10 20375 W. Springfield Street
11 Buckeye, AZ 85351

12 Gary T. Osier, Board Chariman
13 GPO-18 Condominium Association
14 9714 West Gulf Hills Drive
15 Sun City, Arizona 85351
16 H2osiers@yahoo.com

17 **Consented to Service by Email**

18 Meghan H. Grabel
19 Kimberly A. Ruht
20 Osborn Maledon, PA
21 2929 North Central Avenue, Ste. 2100
22 Phoenix, Arizona 85012
23 Attorneys for Arizona Investment Council
24 kruht@omlaw.com
25 mgrabel@omlaw.com
26 gyaquinto@arizonaic.org

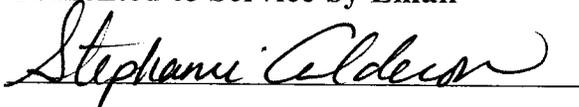
27 **Consented to Service by Email**

28 Jeffrey W. Crockett
29 Crockett Law Group, PLLC
30 2198 East Camelback Road, Ste. 305
31 Phoenix, AZ 85016
32 Attorney for Russell Ranch Homeowners' Association Inc.
33 jeff@jeffcrockettlaw.com
34 rspradlinrr@gmail.com

35 **Consented to Service by Email**

36

1 Brad Holm, City Attorney
2 Monique Coady, Assistant City Attorney
3 City of Phoenix
4 200 West Washington, Ste. 1300
5 Phoenix, AZ 85033-1611
6 Monique.coady@phoenix.gov
7 **Consented to Service by Email**

8 
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

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

EXHIBIT A

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-16-0145

Response provided by: Sarah Mahler
Title: Rates Manager

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: Botha 2.1

Page 1 of 3

Q: The purpose of these data requests is to assist consumers in evaluating the options provided by Epcor on consolidation/deconsolidation of its wastewater facilities in the Agua Fria, Anthem, Mohave, Sun City and Sun City West districts on the Arizona Corporation Commission (ACC) Docket No. WS-01303A-16-0145

In June, 2016, Epcor mailed consumers a brochure with information on their wastewater revenue and expenses for the test year 2015. While this was requested by Residential Utility Consumer Office (RUCO) and is of value, it can be misleading and does not provide consumers with sufficient information to decide whether to support consolidation/ deconsolidation.

To make informed decisions consumers need to know what their total combined monthly water and wastewater costs are projected to be at the end of 2021 after many of Epcor's proposed capital equipment improvements have been made - irrespective of what RUCO's requests for information are in the docket now. To calculate these projections Epcor needs to make whatever assumptions are necessary until 2021 on capital used, volumes and number of consumers.

Consequently, please will Epcor mail a similar brochure to all consumers with the following information comparing the five districts in the same way they did previously:

- a revenue increases by fair value rate base, revenue increase and percentage increase, including the dollar amounts of the percentage increase
- b current residential rate, the stand-alone proposed rate and consolidated rate, including any phase-in rates if appropriate
- c wastewater treatment facility

This information should avoid the costly mistakes made earlier when up-to-date information was not provided and Anthem did not initially realize how much they were paying for facilities they were not even using. Consequently Anthem decided to attempt to opt out of the Agua Fria district and were successful. Now that calculations for consolidation/ deconsolidation based on 2015 figures seem to show they could reduce their wastewater costs, they want to return - confirming the previous Chairman of the ACC's statement that he made a mistake by excluding them previously. At what cost to himself and to consumers?

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-16-0145

Response provided by: Sarah Mahler
Title: Rates Manager

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: Botha 2.1

Page 2 of 3

Who knows what Anthem and other communities will want to do when they see their projected water and wastewater costs at the end of 2021? It is too difficult to predict. It is not surprising that Corte Bella support consolidation because their costs are the highest.

To avoid any subsequent costly and time-consuming decision reversals by communities after 2016, it is essential to discuss realistic figures for 2021 now. Relying on those figures for 2015 requested by RUCO would only increase the risks of delay?

Shawn Bradford, a senior executive of Epcor, accepted this suggestion when he addressed a recent meeting at Corte Bella and confirmed that Epcor would attempt to provide consumers with such information.

A: The notice sent in June was required by the Arizona Corporation Commission (not by RUCO) pursuant to a Procedural Order dated June 3, 2016, which is the Commission's standard practice for utility rate cases.

Your Data Request seeks another set of reference material with the following:

- a revenue increases by fair value rate base, revenue increase and percentage increase, including the dollar amounts of the percentage increase*
- b current residential rate, the stand-alone proposed rate and consolidated rate, including any phase-in rates if appropriate*
- c wastewater treatment facility*

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-16-0145

Response provided by: Sarah Mahler
Title: Rates Manager

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: Botha 2.1

Page 3 of 3

The Company included the requested information for the current test year in the Commission-required customer notice that is attached to this data response. (Please see the file labeled "Botha 2.1 Required Notice.pdf"). This required notice was mailed to all Wastewater customers affected by the current rate case application (Docket Number WS-01303A-16-0145).

The Company also distributed educational material during community meetings to help customers understand the capital needs of each Wastewater district. This was not a Commission-required mailing. That reference material is attached in the file labeled "Botha 2.1 Educational Material.pdf". The material is also available on the Company's website.

The variables that affect the costs and resulting rates for any district are numerous and speculation as to the costs of Power, Labor, Insurance, Taxes, Maintenance, Depreciation, and Capital costs needed to compute future rates would not bear a meaningful projection through a period as far in the future as 2021. By referencing the material provided in this case, an Intervenor may choose to calculate his or her own projections based on the test year information provided by the Company and insert his or her own assumptions as to expenses using the rate-making formula.