BEFORE THE ARIZONA CORPORATION COMMISSION

BOB BURNS, CHAIRMAN
ANDY TOBIN, COMMISSIONER
BOYD DUNN, COMMISSIONER
JUSTIN OLSON, COMMISSIONER
SANDRA KENNEDY, COMMISSIONER

IN THE MATTER OF THE APPLICATION OF
EPCOR WATER ARIZONA INC. FOR INTERIM WATER RATES PURSUANT TO A.A.C. R14-2-103(B)(11)(H)

Docket No.: WS-01303A-19-0011

ANTHEM COMMUNITY COUNCIL'S RESPONSE TO EPCOR WATER ARIZONA INC.
APPLICATION FOR INTERIM RATES

NOTICE OF FILING

The Anthem Community Council, through its duly assigned representatives, Roger Willis and Kristi Northcutt, hereby provides notice of filing its Response to EPCOR's Application for Interim Rates in the above referenced matter.

Respectfully submitted this 11th day of February 2019,

Roger Willis
President, Anthem Community Council
3701 W. Anthem Way, Suite 201
Anthem, AZ 85086

Kristi Northcutt
Director of Communications and Public Affairs, Anthem Community Council
3701 W. Anthem Way, Suite 201
Anthem, AZ 85086

- 1 -
INTRODUCTION

Anthem Community Council ("Council") hereby responds to the Application submitted by EPCOR Water Arizona Inc. ("EPCOR") in docket WS-01303A-19-0011 ("Instant Case") on January 31, 2019. The purpose of Council’s response is to comment on the Application and to offer a constructive alternative to the interim rate design proposed by EPCOR.

RESPONSE AND ALTERNATIVE RATE DESIGN PROPOSAL

In Council’s opinion, the interim rates as proposed by EPCOR in the Instant Case do not protect the Anthem consumer. We recall that during the Special Open Meeting of January 25, 2019, when the Recommended Opinion and Order for case WS-01303A-17-0257 ("17-0257") was considered, Commissioner Tobin stated (paraphrasing) “...with the consolidation failing...our objective is to protect the consumer...” Therefore, Council submits an alternative to EPCOR’s proposed interim rate design that provides better protection for the Anthem consumer.

Anthem Ratepayer Concerns

For Anthem residential customers with a ¾” meter, the proposed surcharge of $2.6509 per thousand gallons results in the following bill amounts as compared to the current bill amounts:

<table>
<thead>
<tr>
<th>Usage (Gal/Mo)</th>
<th>Total Current Bill</th>
<th>Interim Surcharge per Kgal</th>
<th>Interim Bill Amount</th>
<th>Interim Increase</th>
<th>Interim Increase as % of Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,000</td>
<td>$33.58</td>
<td>$2.6509</td>
<td>$41.53</td>
<td>$7.95</td>
<td>24%</td>
</tr>
<tr>
<td>7,000</td>
<td>$50.91</td>
<td>$2.6509</td>
<td>$69.46</td>
<td>$18.56</td>
<td>36%</td>
</tr>
<tr>
<td>15,000</td>
<td>$107.23</td>
<td>$2.6509</td>
<td>$146.99</td>
<td>$39.76</td>
<td>37%</td>
</tr>
<tr>
<td>25,000</td>
<td>$189.69</td>
<td>$2.6509</td>
<td>$255.96</td>
<td>$66.27</td>
<td>35%</td>
</tr>
<tr>
<td>50,000</td>
<td>$420.78</td>
<td>$2.6509</td>
<td>$553.33</td>
<td>$132.55</td>
<td>31%</td>
</tr>
<tr>
<td>75,000</td>
<td>$651.88</td>
<td>$2.6509</td>
<td>$850.70</td>
<td>$198.82</td>
<td>30%</td>
</tr>
<tr>
<td>99,000</td>
<td>$873.73</td>
<td>$2.6509</td>
<td>$1,136.17</td>
<td>$262.44</td>
<td>30%</td>
</tr>
</tbody>
</table>
The amounts in Table 1 were calculated using the surcharge proposed by EPCOR on page 5 of the Company’s application.

For Anthem residential customers with a 1” meter, the proposed surcharge results in the following bill amounts as compared to the current bill amounts:

<table>
<thead>
<tr>
<th>Usage (Gal/Mo)</th>
<th>Total Current Bill</th>
<th>Interim Surcharge per Kgal</th>
<th>Interim Bill Amount</th>
<th>Interim Increase</th>
<th>Interim Increase as % of Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,000</td>
<td>$74.19</td>
<td>$2.6509</td>
<td>$82.14</td>
<td>$7.95</td>
<td>11%</td>
</tr>
<tr>
<td>7,000</td>
<td>$91.52</td>
<td>$2.6509</td>
<td>$110.07</td>
<td>$18.56</td>
<td>20%</td>
</tr>
<tr>
<td>15,000</td>
<td>$147.84</td>
<td>$2.6509</td>
<td>$187.60</td>
<td>$39.76</td>
<td>27%</td>
</tr>
<tr>
<td>25,000</td>
<td>$230.30</td>
<td>$2.6509</td>
<td>$296.57</td>
<td>$66.27</td>
<td>29%</td>
</tr>
<tr>
<td>50,000</td>
<td>$461.39</td>
<td>$2.6509</td>
<td>$593.94</td>
<td>$132.55</td>
<td>29%</td>
</tr>
<tr>
<td>75,000</td>
<td>$692.49</td>
<td>$2.6509</td>
<td>$891.31</td>
<td>$198.82</td>
<td>29%</td>
</tr>
<tr>
<td>99,000</td>
<td>$914.34</td>
<td>$2.6509</td>
<td>$1,176.78</td>
<td>$262.44</td>
<td>29%</td>
</tr>
</tbody>
</table>

**Council’s Alternative Rate Design Recommendation**

In Council’s response to Staff’s Comments in Response to the Recommended Opinion and Order for case 17-0257, Council recommended that the Commission consider an interim rate design based on the Step 1 Consolidated rate design illustrated in Exhibit D of the ROO. We recommended this approach in order to reduce the rate shock for Anthem customers, as opposed to the standalone rates as recommended in the ROO.

For Anthem residential customers with a ¾” meter, rates indicated in the Step 1 Consolidated rate design result in the following bill amounts as compared to the current bill amounts:
**TABLE 3**

<table>
<thead>
<tr>
<th>Usage (Gal/Mo)</th>
<th>Total Current Bill</th>
<th>ROO Step 1 Bill Amount</th>
<th>ROO Step 1 Increase</th>
<th>ROO Step 1 Increase as % of Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,000</td>
<td>$33.58</td>
<td>$42.35</td>
<td>$8.77</td>
<td>26%</td>
</tr>
<tr>
<td>7,000</td>
<td>$50.91</td>
<td>$58.98</td>
<td>$8.08</td>
<td>16%</td>
</tr>
<tr>
<td>15,000</td>
<td>$107.23</td>
<td>$99.79</td>
<td>$(7.43)</td>
<td>-7%</td>
</tr>
<tr>
<td>25,000</td>
<td>$189.69</td>
<td>$153.94</td>
<td>$(35.74)</td>
<td>-19%</td>
</tr>
<tr>
<td>50,000</td>
<td>$420.78</td>
<td>$289.32</td>
<td>$(131.46)</td>
<td>-31%</td>
</tr>
<tr>
<td>75,000</td>
<td>$651.88</td>
<td>$424.70</td>
<td>$(227.17)</td>
<td>-35%</td>
</tr>
<tr>
<td>99,000</td>
<td>$873.73</td>
<td>$554.67</td>
<td>$(319.06)</td>
<td>-37%</td>
</tr>
</tbody>
</table>

For Anthem residential customers with a 1" meter, rates indicated in the Step 1 Consolidated rate design result in the following bill amounts as compared to the current bills:

**TABLE 4**

<table>
<thead>
<tr>
<th>Usage (Gal/Mo)</th>
<th>Total Current Bill</th>
<th>ROO Step 1 Bill Amount</th>
<th>ROO Step 1 Increase</th>
<th>ROO Step 1 Increase as % of Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,000</td>
<td>$74.19</td>
<td>$54.73</td>
<td>$(19.46)</td>
<td>-26%</td>
</tr>
<tr>
<td>7,000</td>
<td>$91.52</td>
<td>$71.36</td>
<td>$(20.15)</td>
<td>-22%</td>
</tr>
<tr>
<td>15,000</td>
<td>$147.84</td>
<td>$112.17</td>
<td>$(35.66)</td>
<td>-24%</td>
</tr>
<tr>
<td>25,000</td>
<td>$230.30</td>
<td>$166.32</td>
<td>$(63.97)</td>
<td>-28%</td>
</tr>
<tr>
<td>50,000</td>
<td>$461.39</td>
<td>$301.70</td>
<td>$(159.69)</td>
<td>-35%</td>
</tr>
<tr>
<td>75,000</td>
<td>$692.49</td>
<td>$437.08</td>
<td>$(255.40)</td>
<td>-37%</td>
</tr>
<tr>
<td>99,000</td>
<td>$914.34</td>
<td>$567.05</td>
<td>$(347.29)</td>
<td>-38%</td>
</tr>
</tbody>
</table>

The following table demonstrates the impact that the Proposed Interim rates and the ROO Step 1 Consolidated rates have on the bill amounts for the typical residential customer in each district:

**TABLE 5**

- 4 -
### Rationale for Council’s Recommendation

As indicated in Council’s response to Staff’s Response to the ROO, we continue to strongly urge the Commission to adopt the Step 1 Consolidated rate design, illustrated in the ROO as a more appropriate interim rate design than the rates proposed by EPCOR in their application for the Instant Case. In addition to reducing the rate shock for Anthem and other districts, we cite the following reasons:

1. The ROO Step 1 Consolidated rates are based on the evidence presented in 17-0257. The Procedural Order, dated February 1, 2019 beginning on page 5, line 18, states that “record from Docket No. WS-01303A-17-0257 is incorporated in its entirety into this docket.”

2. Assuming the calculations performed in preparing the ROO Step 1 Consolidated rate design are accurate:
   a. Step 1 is based strictly on the revenue requirement recommended in the ROO;
   b. Step 1 is revenue-neutral for EPCOR;

### Table

<table>
<thead>
<tr>
<th>District</th>
<th>Current Bill Amt</th>
<th>Interim Surcharge</th>
<th>Interim Amount</th>
<th>RDO Consolidated Step 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Bill Amt</td>
</tr>
<tr>
<td>Agua Fria</td>
<td>$47.88</td>
<td>($0.5548)</td>
<td>$44.00</td>
<td>$45.55 ($2.33)</td>
</tr>
<tr>
<td>Anthem</td>
<td>$50.91</td>
<td>$2.6509</td>
<td>$69.47</td>
<td>$55.89 ($4.98)</td>
</tr>
<tr>
<td>Chaparral (3/4&quot;)</td>
<td>$42.35</td>
<td>$1.0546</td>
<td>$49.73</td>
<td>$53.89 ($11.54)</td>
</tr>
<tr>
<td>Havasu</td>
<td>$35.71</td>
<td>$0.1157</td>
<td>$36.82</td>
<td>$58.55 ($2.84)</td>
</tr>
<tr>
<td>Mohave</td>
<td>$28.32</td>
<td>$1.2628</td>
<td>$39.58</td>
<td>$36.03 ($7.71)</td>
</tr>
<tr>
<td>North Mohave</td>
<td>$24.20</td>
<td>$1.8772</td>
<td>$36.07</td>
<td>$35.09 ($10.89)</td>
</tr>
<tr>
<td>Paradise Valley</td>
<td>$34.96</td>
<td>$0.2591</td>
<td>$36.77</td>
<td>$40.46 ($5.50)</td>
</tr>
<tr>
<td>Sun City</td>
<td>$39.68</td>
<td>$1.0693</td>
<td>$40.74</td>
<td>$30.57 ($10.89)</td>
</tr>
<tr>
<td>Sun City West</td>
<td>$33.29</td>
<td>$0.6379</td>
<td>$37.76</td>
<td>$41.97 ($5.88)</td>
</tr>
<tr>
<td>Tubac</td>
<td>$65.10</td>
<td>($2.2865)</td>
<td>$62.84</td>
<td>$58.92 ($6.18)</td>
</tr>
<tr>
<td>Willow Valley</td>
<td>$69.86</td>
<td>$2.8416</td>
<td>$72.69</td>
<td>$66.06 ($3.80)</td>
</tr>
</tbody>
</table>

### Median

- $42.35
- $1.0546
- $44.00
- $45.55

### Average

- $42.93
- $0.8116
- $48.61
- $47.54

### Largest Gap

- $50.18
- $62.59
- $35.49
c. Step 1 reduces the “gap” in the bill amounts for the district with the highest bill amount (in Table 5, that district is Willow Valley) and the district with the lowest bill amount (Sun City); and

3. It enables EPCOR to begin receiving the revenue recommended in the ROO.

Table 5 demonstrates that an additional burden will be placed on customers in seven other districts by the ROO Step 1 Consolidated rates. However, as indicated by EPCOR in their Application for the Instant Case on page 3, Commission rules [A.A.C. R14-2-103(B)(11)(h)], later confirmed by an Attorney General Opinion, establishes that these burdens are subject to refund in order to protect the consumer interests.

CONCLUSION

For at least the past 10 years, Council has been advocating for more reasonable water rates for our residents. We have been supporters of full consolidation since case WS-01303A-09-0343 as a fair and reasonable way to address the current discrepancies in rates charged to EPCOR customers for an absolute necessity of life. EPCOR has provided evidence supporting full consolidation as a means of reducing the impact of future major capital expenditures on customers residing in districts with older systems. We continue to believe that full consolidation is the best approach in the long run.

Council is also realistic, however, and based on the many arguments presented in 17-0257, a consensus on how to proceed with full consolidation is not achievable at this time. The best that we can hope for is a **fair and reasonable interim rate design** to be effective until such time as the Commission considers alternative partial or regional consolidation for those districts interested in pursuing it. Council agrees that the interim design in the Application reduces the rate shock of the standalone design recommended in the ROO for 17-0257, but it still imposes
significant burden on and rate shock to Anthem ratepayers.

Therefore, we recommend adopting the rate design for Step 1 Consolidation rates as illustrated in the ROO as more appropriate for Anthem, and a compromise intended to, as Commissioner Tobin indicated, “PROTECT THE CONSUMER.”

RESPECTFULLY SUBMITTED this 11th day of February 2019.

Kristi Northcutt, Director, Communications and Public Affairs
Anthem Community Council, Inc.

Roger Willis, President
Anthem Community Council, Inc.
An Original and Thirteen Copies of the foregoing filed this 11th day of February 2019 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing hand delivered/mailed/emailed this 11th day of February 2019:

Thomas Campbell
Lewis Roca Rothgerber Christie, LLP
201 East Washington Street, Suite 1200
Phoenix, Arizona 85004

Robin Mitchell
Director/Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Elijah Ablnah
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
Albert E. Gervenack
SUN CITY WEST PROPERTY OWNERS & RESIDENTS ASSOCIATION
13815 Camino Del Sol
Sun City West, AZ 85375
gervenack@porascw.org
Consented to Service by Email

Regina Shanney-Saborsky
c/o Corte Bella Country Club HOA
22155 North Mission Drive
Sun City West, AZ 85375
rsaborsky@cox.net
Consented to Service by Email

Raymond Valle
20823 W. Canyon Drive
Buckeye, AZ 85396
phxvalles@gmail.com
Consented to Service by Email

Lawrence V. Robertson, Jr.
210 West Continental Road, Suite 216
Green Valley, AZ 85622
tubaclawyer@aol.com
Consented to Service by Email

Marshall Magruder
P.O. Box 1267
Tubac, AZ 85646
mmagruder@earthlink.net
Consented to Service by Email
Jeffrey W. Crockett, Esq.
CROCKETT LAW GROUP PLLC
2198 East Camelback Road, Suite 305
Phoenix, Arizona 85016-4747
jeff@jeffcrockettlaw.com; john@thorntonfinancial.org.
Consented to Service by Email