BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISIONERS

BOB BURNS, Chairman
ANDY TOBIN
BOYD DUNN
SANDRA KENNEDY
JUSTIN OLSON

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).

DOCKETED
FEB 11 2019

DOCKETED

RUO'S RESPONSE TO COMPANY'S APPLICATION FOR INTERIM RATES

The Residential Utility Consumer Office ("RUO") files its Response to the Company's
Application for Interim Rates ("Application"). For the following reasons, RUO requests the
Company's Application be dismissed. If the Commission denies RUO's request, and moves
forward with the Company's Application, RUO recommends the Commission approve interim
rates consistent with RUO's underlying Revenue Requirement recommendation, as more
fully set forth and supported by the testimony of Jeffrey Michlik, attached hereto as Exhibit 1.

1. THE COMMISSION SHOULD DISMISS THE COMPANY'S APPLICATION FOR
INTERIM RATES.

A. Background

On January 25, 2019, the Commission, at a Special Open Meeting, by a vote of 2-2
failed to pass the Amended Recommended Opinion and Order ("ROO") in Docket WS-01303A-
17-0257 (the "Rate Case"). After the final vote was taken in the Rate Case, and the ROO
failed to pass, the Commission went into Executive Session. Thereafter, the Commission

-1-
returned and Chairman Burns directed the hearing division to open a new docket to consider interim rates pursuant to A.A.C. R14-2-103(B)(11)(h) and to commence the evidentiary hearing process under the Rule. Chairman Burns further directed the Company to file an Application for interim rates pursuant to A.A.C. R14-2-103(B)(11)(h).

On January 25, 2019, Staff filed a request to open a docket. Staff's request is entitled "EMERGENCY RATE INCREASE FOR EPCOR WATER ARIZONA INC. DOCKET NO. WD-01303A-19-XXXX". The request itself sought the following "In accordance with Arizona Administrative Code R-14-2-103-11(h) and the new Emergency Surcharge Process outlined by the Arizona Corporation Commission ("Commission") in Docket No. W-00000C-16-0151, Staff of the Commission's Utilities Division is requesting a docket be opened to facilitate the application by EPCOR Water Arizona Inc., for emergency rates."

On January 30, 2019, Commissioner Olson filed a letter to the dockets to the Rate Case and "WS-01303A-19-0011-EPCOR Water Arizona Inc (Emergency Rate Increase)" - (hereafter referred to as the "Emergency Rates Case"). Commissioner Olson wrote to discuss the resolution of the EPCOR case and noted among other things that he believed that Chairman Burn's request to consider interim rates "....is an unnecessary detour from the business of deciding the rate case." Commissioner Olson further noted that he believes that the ROO can serve as the basis for a decision in this case.

On January 31, 2019, the Company filed its Application in the Emergency Rates Case. The Company's Application relies on A.A.C. R14-2-103(B)(11)(h) as its legal support for interim rates. Further, the Company's Application makes it clear that should the Commission fail to
grant the Company timely and sufficient relief it will consider invoking the remedy afforded it under A.R.S. §40-256(E) which provides that the Commission shall provide it the opportunity to implement reasonable modification to its rates and charges based on its proposed rate filing on an interim basis subject to a refund pending the Commission's final decision.  

B. The facts do not support “emergency rates”

Staff’s request to open the Emergency Rates Case docket was made to “facilitate” EPCOR’s application “for “emergency rates”. The facts in this case do not support emergency rates. The Company appears to have reached the same conclusion because it did not allege an emergency nor even address or attempt to differentiate the well-known association in Arizona case law that ties interim rates with emergencies.

In Scates v. Arizona Corporation Commission, 118 Ariz. V. 531, 578 P. 2d 612 (1978), the Arizona Court of Appeals opined:

In Arizona, our Supreme Court has allowed the Superior Court to authorize such a temporary increase pending a final determination by the Commission of permanent rates. Arizona Corp. Comm'n v. Mountain States Telephone & Telegraph Co., 71 Ariz. 404, 228 P.2d 749 (1951). The Attorney General has concluded, based upon this authority, that the Commission itself may establish such interim rates, but only with appropriate safeguards to insure that rates will not become permanent until there is adequate inquiry into whether they are just and reasonable. The opinion goes on to point out that such a device should be used only in limited situations where an emergency exists, where a bond is posted guaranteeing a refund to the utility’s subscribers if any payments are made in excess of the rates eventually determined by the Commission, and where a final determination of just and reasonable rates is to be made by the Commission after it values a utility’s property. The action of the Commission in the instant case in approving a permanent increase lacked all of these safeguards and was not in any material way similar to adoption of an interim rate increase. (Emphasis Added).

---

5 Application at 6.
Scates, 118 Ariz. at 535.

The Arizona Attorney General has further defined what constitutes an “emergency”.

The foregoing authorities make it clear that, in general, courts and regulatory bodies utilize *interim rates as an emergency measure when sudden change brings hardship to a company, when the company is insolvent, or when the condition of the company is such that its ability to maintain service pending a formal rate determination is in serious doubt.* (Emphasis Added)


There is no evidence in the underlying record which would support the emergency criteria. In fact, EPCOR is a well-funded, well-capitalized, financially healthy utility. The Company’s Application has not alleged any facts to the contrary and the Company has not claimed that its service would, in any manner, be affected pending a formal permanent rate determination. Because the Company’s Application did not allege and/or show the Company is insolvent, unable to provide service or suffered a sudden change resulting in hardship, the Company’s Application is insufficient to grant relief based on an “Emergency Rate Increase” and the Company’s Application should be dismissed.

C. The facts do not support an “Emergency Surcharge” under the process outlined in Docket No. W-00000C-16-0151.

Staff’s Memorandum also sought to open the Emergency Rates Case docket based on the new Surcharge process outlined by the Commission in Docket No. W-00000C-16-0151.\(^7\) The Commission, in Decision No. 75743, addresses the issue of Emergency Surcharges in Docket No. W-00000C-16-0151.\(^8\) The Water Policies Workgroup put together a draft

---

\(^7\) See Staff Memorandum to Open Docket dated January 25, 2019

\(^8\) See Decision No. 75743 at 2,
document of the “Emergency Rate Case Application” whose purpose was to establish Emergency Surcharges.\(^9\) The Work Group, drafted an “Emergency Rate Case Application”, doing so with the clear understanding that it was the Commission’s desire to “... lessen the regulatory obligations of smaller water companies while still protecting customers’ interests.”\(^10\) Specifically, “Class C, D or E water or wastewater utilities that face a water supply emergency may request an emergency surcharge.”\(^11\) Ultimately, the Commission ordered Staff to post the Emergency Rate Case Application to the Commission’s website to make it available by utilities.\(^12\)

The first part of the proposed Emergency Rate Case Application is a recitation of the conditions that must exist before a Company can file an emergency rate application. Those conditions are the same conditions for an emergency set forth in the Attorney General’s Opinion discussed above.\(^13\)

EPCOR is a Class A utility – it is not a small utility. The Company’s Application is not based on a water supply emergency – nor is it based on any type of an emergency defined in the Attorney General’s Opinion as explained above. There are insufficient facts to support interim rates under the Commission’s new Emergency Surcharge process. Therefore, the Commission should dismiss the Application.

D. The facts do not support interim rates under A.A.C. R-14-2-103-11(h)

Staff and the Company cite A.A.C. R14-2-103(B)(11)(h) as legal support for interim rates. A.A.C. R14-2-103(B)(11)(h) provides that a utility may request that the Commission

\(^{9}\) Id.
\(^{10}\) Id.
\(^{11}\) Id.
\(^{12}\) Id. at 22.
schedule a hearing to consider putting new rates into effect, on an interim basis any time after
the timelines specified in the corresponding subsection where the Commission has not issued
a final order. The relevant corresponding subsection, A.A.C. R14-2-103(B)(11)(d) requires the
Commission issue a final order within 360 days from the date that a filing is accepted
pursuant to subsection (B)(7)(Notice of sufficiency of a utility filing) – (hereafter the “Time Clock
Rule”).

The Time Clock Rule, however, does not apply to this case. The Commission's Chief
ALJ, Jane Rodda, noted in the Special Open Meeting held on January 25, 2019, regarding the
Rate Case that there are 11 water systems in the Rate Case and thus there are essentially 11
different rate cases. Judge Rodda further noted that under the Commission Rules, the Time
Clock Rule does not apply when there is more than one pending rate case and therefore the
Time Clock Rule does not apply in this case because there are essentially 11 different rate
cases. She did not view the case as one system when considering the Time Clock Rule and
hence a violation of the Time Clock Rule. Rather, she viewed it as 11 separate cases for
purposes of the Time Clock Rule. Judge Rodda's interpretation is consistent with A.A.C.
R14-2-103(B)(11)(g):

The time periods – prescribed by subsection (B)(11)(a) shall not
be applicable to any filing submitted by a utility which has more than
one rate application before the Commission at the same time.

Judge Rodda’s interpretation is also consistent with the Attorney General’s Opinion.
The Attorney General’s 1971 Opinion provides in relevant part:

13 Id. – Attachment A at 1.
14 For Class A utilities such as EPCOR
15 Special Open Meeting Video starting at 1:56:30.
16 Id.
In addition, under the Mountain States Telephone case, *supra*, the inability of the Commission to grant rate relief within a reasonable time would be grounds for granting interim relief.


A “reasonable time” upon which to grant relief must consider the number of systems (cases), the size of the case, the number of issues, the number of intervenors, etc. Given the number of systems (cases), the number of intervenors and the magnitude of the issues in the subject case, applying 360 days to the whole case is an “unreasonable” amount of “time” for a ruling and therefore inconsistent with Mountain States and the AG opinion.

The Commission ought to also consider the precedent it would establish by narrowly interpreting the Time Clock Rule to apply to large water companies who file for rate increases for multiple systems.

The Mountain States case further highlights the procedural deficiencies in the subject Emergency Rates Case. In Mountain States the Company filed an application, a hearing was held, and the Commission denied all requested rate increases approximately six months after the Company filed its application. The Company timely filed for a rehearing which was granted. A rehearing was held and the Commission denied any increase. The matter was appealed to the superior court just shy of eleven months after the application was originally filed. The matter worked its way up to the Arizona Supreme Court which noted that by the time the case was submitted to the Supreme Court, nine months had elapsed during which the Commission had made no attempt to carry out the superior court’s judgement and put into

17 Mountain States, 71 Ariz. at 404.
18 Id.
19 Id.
20 Id.
effect a schedule of rates that would not be confiscatory.\textsuperscript{21} The Supreme Court ultimately ruled that the superior court, upon petition by the Company, had jurisdiction to allow the Company to collect interim rates.\textsuperscript{22}

In the subject Rate Case, the Commission in Special Open Meeting voted 2-2 on the ROO. The ROO failed to pass. The Chairman directed the hearing division to open a new docket to facilitate interim rates and directed the Company to file an Application for interim rates. At least one Commissioner believes Chairman Burn's requested process is unnecessary. It is unknown what the two other Commissioner's believe since no public vote was taken.

As of the date of this filing, there has been no entry of an order or decision detailing the Commission's vote on the ROO. Accordingly, the Company has not filed an Application for Rehearing under A.R.S. §40-253 which, by law, is the procedure for rehearing. In sum, although as of this time the Company's request for an increase has failed to pass, there still has been no final decision docketed, no rehearing request, and no formal request by the Company made for an increase in permanent rates, only a request for interim rates.

The Court of Appeals, has defined interim rates as follows:

An interim rate is a rate permitted to be charged by the utility for products or services pending the establishment of a permanent rate.\textsuperscript{23}

The current procedure appears to be putting the cart before the horse – there must be a formal request pending for permanent rates before the Commission can consider a request for

\textsuperscript{21} Id. at 408.
\textsuperscript{22} Id. at 413.
\textsuperscript{23} Scates, 118 Ariz. 535
interim rates. Moreover, there has not been a determination by the Commission or the Courts that the current rates are confiscatory.24

RUCO does not believe there is support for interim rates and requests the Company’s Application be denied.

2. THE COMMISSION SHOULD ADOPT THE PROCEDURE OUTLINED IN COMMISSIONER OLSON’S LETTER OF JANUARY 30, 2019

For the reasons set forth above, RUCO does not believe there is a sufficient legal basis for interim rates. If the Commission still is willing to timely consider possible solutions to establish permanent rates, and in fact can arrive at a solution then interim rates are a moot point. In the meantime, the Commission and the Company should follow the Commission’s Rules and procedures governing process (issue Decision, Application for Rehearing, etc.). The consideration of interim rates at this point is all-consuming and will shift the focus to interim rates and not possible solutions to permanent rates at the expense of all the parties and ratepayers. The time and expense may be avoidable and the basis for interim rates is at best highly questionable.

24 "It is well established in Arizona that when the rates of a public service corporation have been determined by a court to be confiscatory, the court may authorize the corporation to set interim rates, under bond, to be charged until the Commission establishes reasonable rates. Arizona Corporation Commission v. Mountain States Telephone & Telegraph Co., 71 Ariz. 404, 228 P 2d. 749 (1951); 71-17 Op. Att'y Gen. at 13 (1971). In addition to the fact that this passage requires a determination, it also requires a bond which is inconsistent with a portion of Rule A.A.C. R14-2-103(B)(11)(h) which allows for the substitution of a bond at the discretion of the Commission.
3. IF THE COMMISSION DECIDES TO PROCEED WITH INTERIM RATES, RUCO PROVIDES NOTICE OF FILING OF THE TESTIMONY OF JEFFREY MICHLIK.

RUCO provides notice of filing the testimony of Jeffrey Michlik in response to the Company's Application, in the event the Commission does not dismiss same.

4. CONCLUSION

For all the reasons stated above, the Commission should dismiss the Company's Application and move forward consistent with Commissioner Olson's recommendations. RUCO provides notice of the filing of the testimony of Jeffrey Michlik should the Commission proceed forward with its consideration of interim rates.

RESPECTFULLY SUBMITTED this 11th day of February, 2019.

Daniel W. Pozefsky
Chief Counsel
On this 11th day of February, 2019, an original and thirteen copies of the foregoing document were filed with Docket Control and copies of the foregoing document were mailed on behalf of RUCO to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission’s eDocket program will automatically email a link to the foregoing document to the following who have consented to email service.

Thomas Campbell
Michael Hallam
Lewis Roca Rothgerber Christie
201 E. Washington St., Suite 1200
Phoenix, AZ 85004
Attorneys for EPCOR Water Arizona, Inc.
TCampbell@lrrc.com
MHallam@lrrc.com
shubbard@epcor.com
sskoubis@epcor.com
Consented to Service by Email

Robin Mitchell, Director
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007
LegalDiv@azcc.gov
utildivservicebyemail@azcc.gov
ndavis@azcc.gov
wvanclene@azcc.gov
RMitchell@azcc.gov
Consented to Service by Email

Andrew Miller, Town Attorney
Town of Paradise Valley
6401 E. Lincoln Drive
Paradise Valley, AZ 85253
amiller@paradisevalleyaz.gov
Consented to Service by Email

Marshall Magruder
P.O. Box 1267
Tubac, AZ 85646
mmagruder@earthlink.net
Consented to Service by Email

Michelle Van Quathem
Law Offices of Michele Van Quathem, PLLC
7600 N. 15th St., Suite 150-30
Phoenix, AZ 85020
Attorney for DMB White Tank, LLC; DMB Verrado Golf I LLC; Verrado ARC LLC; and Verrado Community Association, Inc.
mvq@mvqlaw.com
Consented to Service by Email

Roger Willis
Kirsti Northcutt
Anthem Community Council, Inc.
3701 W. Anthem Way, Suite 201
Anthem, AZ 85086
roger@willis-home.com
KNorthcutt@anthemcouncil.com
Consented to Service by Email

Al Gervenack
Bob Miller
Ralph Johnson
Property Owners and Residents Assoc.
13815 Camino Del Sol
Sun City West, AZ 85375
agrvenck418@gmail.com
ram576163@gmail.com
rdjscw@gmail.com
Consented to Service by Email

Greg Eisert
Gail Warmath
Sun City Homeowners Association
10401 W. Coggins Dr.
Sun City, AZ 85351
gregaeisert@gmail.com
gwarmath@cox.net
Consented to Service by Email

-11-
Consented to Service by Email

Consented to Service by Email

Consented to Service by Email

Consented to Service by Email

Consented to Service by Email

By Cheryl Moulton
EXHIBIT 1
DIRECT TESTIMONY
OF
JEFFREY MICHLIK

ON BEHALF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE

FEBRUARY 11, 2019
TABLE OF CONTENTS

EXECUTIVE SUMMARY..................................................................................................II

I. INTRODUCTION ..................................1

II. BACKGROUND ..................................3

III. SUMMARY OF FILINGS.......................................................5

IV. RUCO'S ANALYSIS OF EPCOR'S APPLICATION FOR INTERIM RATES............6

   THE INTERIM REVENUE REQUIREMENT IS HIGHER THAN THE ROO ......................7

   THE INTERIM RATES REQUEST BY THE COMPANY IF APPROVED WILL SET A BAD PRECEDENT GOING FORWARD ........8

   THE INTERIM RATES ARE BASED ON A SIMPLE SURCHARGE AND DO NOT REFLECT COST OF SERVICE RATEMAKING AS IT RELATES TO RATE DESIGN ........................................9

   THE COMPANY'S INTERIM RATES ARE NOT LOGICAL OR REASONABLE AFTER CONSIDERING WHAT HAPPENED AT THE COMMISSION SPECIAL OPEN MEETING ...........................................9

   PREVIOUS COMMISSION CASES .....................................................................11

   RUCO'S RECOMMENDATION ......................................................................11

ATTACHMENTS

Copies of the amendments to the ROO proposed by the Commissioners .......... Attachment A
Newspaper article ........................................................................................................... Attachment B
Staff's memo opening the docket .................................................................................... Attachment C
Commissioner Olson's letter to the docket ................................................................. Attachment D
EXECUTIVE SUMMARY

On January 31, 2019 at the direction of Chairman Burns, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed an application for interim rates.

Based on examination of the Commissioner's amendments that effect the revenue requirement, the Commission special open meeting, miscellaneous filings by the Commissioners, and the Company's application for interim rates, if the Commission is inclined to consider interim rates, RUCO recommends the following;

The Commission approve interim rates that are no higher than the restated ROO revenue requirement less the difference in the 50/50 incentive sharing (additional 40 percent or $609,424) less post-test year plant in the amount of Staff's direct testimony position. ($17,563,812 for 12-months of PTYP = $55,240,064 ROO - $37,676,252 Staff's direct position).

The Commission approve interim rates no lower than the revenue requirement recommended by RUCO in its post-hearing final schedule, which included 6-months of post-test year plant totaling $12,781,498.

The Commission is also free to choose any interim rates between RUCO's recommended ceiling and floor.
I. INTRODUCTION

Q. Please state your name, occupation, and business address.
A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the Arizona Residential Utility Consumer Office ("RUCO"). My business address is 1110 West Washington Street, Suite 220, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst V.
A. In my capacity as a Public Utilities Analyst V, I analyze and examine accounting, financial, statistical and other information and prepare reports based on my analyses that present RUCO’s recommendations to the Arizona Corporation Commission (“Commission”) on utility revenue requirements, rate design, and other matters. I also provide expert testimony on these same issues.

Q. Please describe your educational background and professional experience.
A. In 2000, I graduated from Idaho State University, receiving a Bachelor of Business Administration Degree in Accounting and Finance, and I am a Certified Public Accountant with the Arizona State Board of Accountancy. I have attended the National Association of Regulatory Utility Commissioners’ ("NARUC") Utility Rate School, which presents for study and review general regulatory and business issues. I have also attended various other NARUC sponsored events.
I joined RUCO as a Public Utilities Analyst V in September of 2013. Prior to my employment with RUCO, I worked for the Arizona Corporation Commission in the Utilities Division as a Public Utilities Analyst for approximately seven years. Prior to employment with the Commission, I worked one year in public accounting as a Senior Auditor, and four years for the Arizona Office of the Auditor General as a Staff Auditor.

Q. What is the scope of your testimony in this case?
A. I am presenting RUCO's analysis and recommendations on EPCOR Water Arizona, Inc. ("EPCOR" or "Company") application for interim rates.

Q. Will RUCO also be filing legal arguments regarding the Company’s proposed interim rates?
A. Yes, RUCO's legal arguments will be filed separately from my testimony.

Q. What is the basis of your testimony in this case?
A. I reviewed the history of the Commission's January 14, 2019 and January 25, 2019 open meeting, other filings in this docket, the Company's application for interim rates and prior cases in which interim rates were decided by the Commission.

Q. How is your testimony organized?
A. My testimony is presented in four sections. Section I is an introduction. Section II provides a background of why RUCO is filing testimony. Section III provides a summary of what has been filed after the February 25, 2019 Commission open meeting including the Company's filing of interim rates,
and Section IV presents RUCO's recommendations on interim rates, if the
Commission is inclined to disregard RUCO's and other parties legal
arguments.

II. BACKGROUND

Q. For background purposes please explain what happened at the
January 25, 2019 open meeting, and why RUCO is filing testimony in
this docket?

A. On January 15, 2019 during a regular open meeting before the
Commission, the Commissioners heard exceptions from all parties involved
(including RUCO) to the Hearing Divisions Recommended Order and
Opinion ("ROO"), which recommended new rates and charges for EPCOR.
A Special Open Meeting was held on January 25, 2019, to discuss, among
other things, proposed amendments to the ROO.

Q. Did any of the Commissioners offer amendments?

A. Yes. Commissioner Burns offered 2 amendments, Commissioner Olson
offered 5 amendments, and Commissioner Tobin offered 2 amendments
(See attachment A for a copy of the Amendments proposed by the
Commissioners).

Q. Did any of the amendments pass during the special open meeting that
effected the revenue requirement?

A. Yes, Commissioner Tobin's proposed amendment no 1, which proposed a
50/50 sharing of Company bonus compensation between ratepayers and
EPCOR's shareholder (the City of Edmonton) passed. All other
amendments, I believe that effected the revenue requirement were
deadlocked 2 to 2.

Q. What was the outcome when the amended ROO was voted on?
A. It was another deadlock 2 to 2 (Commissioner Olson and Tobin voting
against the amended ROO, and Commissioner Dunn and Burns voting for
the amended ROO). Commissioner Kennedy had previously recused
herself from the case. Since there was no majority, the amended ROO
failed to pass.

Q. Did two Commissioner's agree to reconsider their vote, if EPCOR
would limit the SIB to only those districts with water loss over ten
percent, and reduce the amount of post-test year plant?
A. Yes. Commissioner Olson asked EPCOR if they could accept 6-months
post-test year plant, while Commissioner Tobin asked EPCOR if they could
accept Staff's direct position on post-test year plant.

Q. What was EPCOR's response?
A. EPCOR could accept the SIB modification to the ROO which would allow a
SIB for only those districts with water loss was above ten percent, but it was
not willing to accept any of the proposed post-test year plant reductions to
the ROO.

Q. What happened after EPCOR rejected the Commissioners
reconsiderations?
A. Commissioner Burns ordered the Hearing Division to open a docket for the purposes of allowing EPCOR to file interim rates.

Q. By not approving the rate case as filed, did this result in a temporary reprieve from rate increases for ratepayers?
A. Yes, as noted by one of the parties in the Docket. (See RUCO attachment B).

III. SUMMARY OF FILINGS
Q. Did both Staff and the hearing division both open separate dockets on this matter?
A. Yes, Docket No. WS-01303A-19-0010 was administratively closed.

Q. What did Staff file in Docket No. WS-01303A-19-0011?
A. On February 25, 2019 Staff filed a memo stating that:

"In accordance with Arizona Administrative Code R-14-2-103-I (h) and the new Emergency Surcharge process outlined by the Arizona Corporation Commission ("Commission") in Docket No. W-00000C-16-0151, Staff of the Commission's Utilities Division is requesting a docket be opened to facilitate the application by EPCOR Water Arizona Inc., for emergency rates." (See RUCO attachment C).

Q. Did the Company file an application for interim rates?
A. Yes, on January 31, 2019 the Company filed an application for *interim* rates, at the direction of Chairman Burns.
Q. Was there any correspondence with any of the Commissioners after the Commission special open meeting?
A. Yes. On January 30, 2019, Commissioner Olson filed a letter to the docket (WS-01303A-17-0257), in which Commissioner Olson stated:

“In my opinion, however, going through a process to determine interim rates is an unnecessary detour from the business of deciding the rate case.”
(See attachment C).

Q. Was a procedural conference and hearing scheduled?
A. Yes.

IV. RUCO’s ANALYSIS OF EPCOR’S APPLICATION FOR INTERIM RATES.
Q. What did EPCOR propose for interim rates?
A. EPCOR presented a summary of the revenue requirement for each of its 11 districts on a standalone basis which resulted in a total revenue increase of $10,017,966, as shown below:

<table>
<thead>
<tr>
<th>District</th>
<th>Total Usage (Kgal)</th>
<th>$ Increase</th>
<th>Surcharge Per Kgal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agua Fria</td>
<td>6,378,384</td>
<td>(3,538,759)</td>
<td>(0.5548)</td>
</tr>
<tr>
<td>Anthem</td>
<td>1,028,181</td>
<td>2,725,569</td>
<td>2.6509</td>
</tr>
<tr>
<td>Chaparral</td>
<td>1,722,061</td>
<td>1,816,051</td>
<td>1.0546</td>
</tr>
<tr>
<td>Havasu</td>
<td>181,573</td>
<td>21,000</td>
<td>0.1157</td>
</tr>
<tr>
<td>Mohave</td>
<td>1,655,524</td>
<td>2,090,571</td>
<td>1.2628</td>
</tr>
<tr>
<td>North Mohave</td>
<td>282,830</td>
<td>530,916</td>
<td>1.8772</td>
</tr>
<tr>
<td>Paradise Valley</td>
<td>3,147,864</td>
<td>808,547</td>
<td>0.2569</td>
</tr>
<tr>
<td>Sun City</td>
<td>4,186,927</td>
<td>4,476,955</td>
<td>1.0693</td>
</tr>
<tr>
<td>Sun City West</td>
<td>1,712,041</td>
<td>1,092,182</td>
<td>0.6379</td>
</tr>
<tr>
<td>Tubac</td>
<td>70,016</td>
<td>(160,091)</td>
<td>(2.2865)</td>
</tr>
<tr>
<td>Willow Valley</td>
<td>54,555</td>
<td>155,026</td>
<td>2.8416</td>
</tr>
<tr>
<td>Total</td>
<td>20,419,956</td>
<td>10,017,966</td>
<td></td>
</tr>
</tbody>
</table>

Note: Wheeling, Effluent, and Raw Water have no surcharge and the PV Country Club surcharge will be $0.2202 per kgal.
The Company then calculated a simple surcharge by taking the Company's proposed revenue increase and dividing it into the total usage for each District (i.e. For Anthem - $2,725,569 / 1,028,181 to derive a surcharge of $2.6509 per thousand gallons.)

Q. Is the total revenue increase of $10,017,966 the same as the Company's final position after the hearing, but before the ROO?
A. Yes.

Q. Does RUCO believe that the Company's proposed revenue increase for interim rates is reasonable?
A. No for several reasons listed below.

The interim revenue requirement is higher than the ROO

Q. What did the ROO recommended as a total revenue increase?
A. The ROO recommended a revenue increase of $9,535,760, page 74 line 4. EPCOR's interim revenue increase is $482,206 higher than the ROO (i.e. $10,017,966 - $9,535,760).

Q. Did the Company file with its Exceptions in the rate case a table (Exhibit A-6) that disputes the revenue requirement in the ROO?
A. Yes, in that table the Company concluded that due to some calculation errors the revenue increase in the ROO should only be $9,434,350, which is $101,410 (i.e. $9,535,760 - $9,434,350) less than the stated ROO amount.
Q. Did RUCO contact the Company and ask for a copy of this table and the accompanying excel worksheet?
A. Yes, and RUCO is in the process of verifying this number.

Q. So based on the Company’s filing in its Exceptions correcting the ROO’s revenue requirement, what is the total difference between what the Company is recommending for the revenue requirement in its application for interim rates and what the ROO recommends?
A. $583,161 (i.e. $482,206 + $101,410).

Q. Why did the Company file a higher revenue increase than what was in the ROO?
A. RUCO does not know, however Chairman Burns noted that the Company’s proposal for interim rates could be the same rates that the Company requested in the current docket.

The interim rates request by the Company if approved will set a bad precedent going forward

Q. Could this case set a bad precedent going forward?
A. Yes. For example, if a utility is unhappy with the outcome of their rate application they can request interim rates that are higher than what was authorized in the decision, and not have to file another rate case.
The interim rates are based on a simple surcharge and do not reflect cost of
service ratemaking as it relates to rate design.

Q. The interim rates are based on a simple surcharge and do not reflect
cost of service ratemaking as it relates to rate design.

A. Yes, basically every customer is charged the same water rate regardless of
usage. For example, whether the customer uses 500,000 gallons of water
or 2,000 gallons the rate is the same.

The Company's interim rates are not logical or reasonable after considering
what happened at the Commission special open meeting.

Q. During the Commission special open meeting for EPCOR, did any of
the Commissioners propose amendments to increase revenue over
the ROO amount?

A. No.

Q. You stated earlier that the Commissioners did approve a 50/50 sharing
of incentive pay?

A. Yes, Based on the Company's schedules they removed a total of $152,356
or 10 percent of $1,523,560 in incentive pay for all the districts, and Staff
agreed. Commissioner Tobin's amendment passed. The result of which
called for a 50/50 sharing of incentive pay or $761,780, a difference of
$609,424 that should be reflected in the revenue requirement.
Q. Did the revenue requirement in the amended ROO include the 50/50 incentive sharing and not the 90/10?
A. Yes, it would have since Commissioner Tobin’s amendment successfully passed which changed the ROO’s recommendation to 50/50 incentive sharing.

Q. So logically what should be the ceiling for the interim rates revenue requirement?
A. RUCO believes the interim rates ceiling should be the restated ROO revenue requirement less the 50/50 incentive sharing less post-test year plant in the amount of $17,563,812.

Q. How was the post-test year reduction of $17,563,812 calculated?
A. In what appears to have been an attempt to pass the amended ROO, Commission Tobin offered the Company $37,676,252 in post-test year plant a decrease of $17,563,812 (i.e. $55,240,064 - $37,676,252) from Staff and EPCOR’s position.

Q. Does RUCO have a revenue requirement for this ceiling?
A. No, due to the limited time constraints in this docket, RUCO will submit a revenue requirement at a later date.

Q. Then what should be the floor for interim rates in this case?
A. RUCO believes the floor should be the revenue requirement recommend by RUCO in its post-hearing final schedules.
Previous Commission Cases

Q. Has the Commission in the past denied interim rates?
A. Yes, in Commission Decision No. 71747, "IT IS THEREFORE ORDERED that the application of Far West Water and Sewer Company for an interim rate increase of $2,161,788 is denied."

In Commission Decision No. 70375, "IT IS THEREFORE ORDERED that Sun Leisure Estate Utilities Company Inc.'s application for an emergency surcharge of $450 is denied."

Q. Has the Commission limited or reduced the amount of proposed interim rates?
A. Yes, in Commission Decision No. 76808, "IT IS THEREFORE ORDERED that Monte Vista Water Co., L.L.C. is authorized to obtain from WIFA a 20-year amortizing loan at an annual interest rate not to exceed 4.0 percent in an amount not to exceed $159,991 to finance the improvements described in the Application and discussed herein."

RUCO's Recommendation

Q. Please recap RUCO's recommendation?
A. Based on examination of the Commissioner's amendments that effect the revenue requirement, the Commission special open meeting, miscellaneous filings by the Commissioners, and the Company's application for interim rates, if the Commission is inclined to consider interim rates, RUCO recommends the following;
The Commission approve interim rates that are no higher than the restated ROO revenue requirement less the 50/50 incentive sharing less post-test year plant in the amount of $17,563,812 (i.e. $55,240,064 ROO - $37,676,252 Staff's direct position).

The Commission approve interim rates no lower than the revenue requirement recommend by RUCO in its post-hearing final schedule.

The Commission is also free to choose any interim rates between RUCO's recommended ceiling and floor.

Q. Does this conclude your direct testimony?
A. Yes.
Purpose: To have this docket remain open for EPCOR’s submission for the Commission’s consideration, a rate design proposal for each of its Districts that maintains the same number of tiers that existed during the test year.

Page 166, Line 24: After “Districts” INSERT –

“, however, we will leave this docket open for the limited purpose of having EPCOR submit an alternative rate design”

Page 171, Line 11: INSERT New Ordering Paragraphs:

“IT IS FURTHER ORDERED that this docket shall remain open for the limited purpose of submission to and consideration by the Commission of alternative rate design, as described below.

IT IS FURTHER ORDERED that EPCOR Water Arizona Inc. shall file with Docket Control on or before March 1, 2019, a rate design proposal that meets the following criteria:

(1) The rate design proposal shall be for stand-alone, non-consolidated rates;
(2) The rate design for each District shall be designed to produce the authorized revenues for each District as approved in this Decision;
(3) The basic service charges for any District receiving a revenue decrease from this Decision shall not be increased (but may be decreased) above what they were in the test year; and
(4) The rate design shall maintain the same number of tiers that existed for each District during the test year.

IT IS FURTHER ORDERED that Staff and intervenors in this matter may file with Docket Control, on or before March 15, 2019, comments regarding EPCOR Water Arizona Inc.’s rate design proposal.

IT IS FURTHER ORDERED that as soon as possible after March 15, 2019, the Commission shall hold a Special Open Meeting to consider and possibly vote on EPCOR Water Arizona, Inc.’s specific alternative rate design described above.”

** Make all conforming changes

---

THIS AMENDMENT:    
Passed Passed as amended by

Failed Not Offered Withdrawn
Purpose: To have this docket remain open to:
1. allow for the correction of any unintended consequences resulting from this Decision’s proposed rates and rate design, and
2. allow EPCOR, Utilities Division Staff, and any intervenors to file (if they so desire) alternative rate design options that may be considered by the Commission

Page 166, Line 24: After “Districts” INSERT –

"...however, we will leave this docket open for the limited purpose of allowing the Commission to consider any unintended consequences of the rates and rate designs in this Decision and for parties to this case to submit alternative rate designs for the Commission’s consideration"

Page 171, Line 11: INSERT New Ordering Paragraphs:

"IT IS FURTHER ORDERED that this docket shall remain open for the limited purpose of submitting alternative rate designs for consideration by the Commission, and addressing any unintended consequences of the rates approved in this Decision.

IT IS FURTHER ORDERED that any party in this matter who so wishes, may file with Docket Control, on or before May 31, 2019, alternative rate design proposals, including regional and/or partial consolidation rate design alternatives. Rate designs may also include proposals reflecting more than three commodity tiers. Any rate design proposal that is submitted by a party shall produce the same overall revenue for EPCOR Water Arizona Inc. as approved in this Decision.

IT IS FURTHER ORDERED that after May 31, 2019, the Hearing Division shall expeditiously convene a procedural conference for the purpose of discussing the appropriate procedures for Commission consideration of the submitted alternative rate designs in Phase 2 of this proceeding."

** Make all conforming changes
Purpose: The purpose of the amendment is to adopt RUCO's position that post-test year plant should be limited to six months after the end of the test year. The amendment would direct Staff to open a docket to evaluate the standards for inclusion of post-test year plant in future rate cases.

DELETE

Page 42, Lines 4-9

INSERT

In Decision No. 76162, we stated that EPCOR was put on notice that it should not expect that post-test year plant would be approved in future rate cases unless there are circumstances that would warrant its inclusion. In Decision No. 71410, a prior case for these Districts, we agreed with Staff that inclusion of post-test year plant in rate base should occur only in special and unusual circumstances. We find that the inclusion of post-test year plant should be limited to six months after the end of the test year. In this case we find that special and unusual circumstances support the inclusion in rate base of post-test year plant made used and useful within six months of the test year. The adjustments to the post-test year plant for each of the Districts will follow the amounts shown on RUCO Final Schedules JMM-8.

We further direct that Staff shall open a docket to evaluate the guidelines and standards for inclusion of post-test year plant in future rate cases. Staff shall host at least one workshop on the issue and prepare a draft policy for the Commissioners' consideration before July 2019.
Purpose: The purpose of the amendment is to require recognition of all additional customers added during the post-test year period.

Page 42, After Line 3

INSERT New Paragraph

In our view it is inconsistent to add post-test year plant to the rate base, with its corresponding impact to the revenue requirement, without also acknowledging the fact that the company may have added customers during the same post-test year period. If these additional customers are not taken into consideration when calculating the rates necessary to generate the revenue requirement, then the calculated rates will be too high. Thus, we find that the company shall recognize all new customers for ratemaking purposes that are added during the post-test year period adopted by the Commission.
Purpose: The purpose of the amendment is to eliminate the SIB mechanism.

DELETE

Page 114, Lines 4-17

INSERT

Page 114, Line 4

We find that the inclusion of a SIB mechanism is not appropriate in this case. Although the Company will certainly benefit from a SIB mechanism by the reduction of regulatory lag, it is not clear that any benefit of that savings is being shared with the ratepayers. There should be some regulatory lag which serves as a surrogate for the competitive pressures that force unregulated companies to keep their costs low. The SIB mechanism is particularly inappropriate given that this company has the financial capability to address critical infrastructure needs in between rate cases without increasing customer rates.

DELETE

Page 171 Lines 3-6

** Make all conforming changes

THIS AMENDMENT:

______ Passed ________ Passed as amended by ________________________________

______ Failed ________ Not Offered ________ Withdrawn
Purpose: The purpose of the amendment is to limit the allowance of a SIB mechanism to districts suffering from greater than 10% water loss.

DELETE

Page 114, Lines 4-17

INSERT

Page 114 Line 4

We agree with RURO that the SIB mechanism should only be approved for systems requiring critical distribution system improvements. We find that critical system improvements are those designed to address a greater than 10% water loss in the system. Based on the testimony in this case, therefore, we find that approval of a SIB mechanism for the Lake Havasu and Willow Valley/King Street districts is reasonable. We direct EPCOR to file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, the authorized SIB Table I, the authorized SIB Table II, and the SIB POAs that conform to the findings herein and are substantially similar to that attached to this Decision as Exhibit R. Further in conformity with Decision No. 74860, the SIB currently in place for the Chaparral District shall cease as of the effective date of the rates authorized in this Decision.

We further direct that Staff shall open a docket to evaluate the guidelines and standards for allowing a SIB mechanism in future rate cases. Staff shall host at least one workshop on the issue and prepare a draft policy for the Commissioners’ consideration before July 2019.

** Make all conforming changes

---

THIS AMENDMENT:  

______ Passed  _______ Passed as amended by  

______ Failed  _______ Not Offered  _______ Withdrawn  

---
Purpose: The purpose of the amendment is to adopt a five-tier commodity rate structure for the Paradise Valley District.

A greater number of tiers can send a message to ratepayers that incremental usage comes at incrementally higher costs. We find that given the unique water usage in the Paradise Valley District that the use of a five-tier commodity rate structure is appropriate. We adopt the following rate design for the Paradise Valley District:

[INSERT TABLE]

** Make all conforming changes

<table>
<thead>
<tr>
<th></th>
<th>Passed</th>
<th>Passed as amended by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Failed</td>
<td>Not Offered</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Withdrawn</td>
</tr>
</tbody>
</table>
Purpose: The purpose of this amendment is to make the costs associated with bonus compensation shared equally among shareholders and ratepayers, since both groups benefit from incentive pay. This amendment rejects the Company's 90/10 split and adopts the 50/50 split recommended by the state ratepayer advocate.

On page 60, DELETE lines 8-18, and INSERT:

We note that, although the Commission has authorized the Company to recover 90 percent allowances in prior rate cases for EPCOR and its predecessor, every rate case is different and should be judged on its own merit. There is sufficient evidence in this record to indicate that both shareholders and customers benefit from incentive pay and that sharing the costs of bonuses equally provides an appropriate balance between the benefits attained by both groups. We find that the Company's incentive compensation request is unreasonable, and we adopt RUCO's recommendation that the Commission approve 50 percent of the Company's incentive pay expense.

170 In addition to the evidence in this record, we take judicial notice of the evidence in the records for Decision No. 68487, Decision No. 70011, Decision No. 70360, Decision No. 70665, and Decision No. 74568.

On page 155, DELETE Finding of Fact No. 115, and INSERT a new Finding of Fact No. 115:

50 percent of EPCOR's incentive pay expense is reasonable.

On page 167, DELETE the ordering paragraph on lines 9-12, and INSERT:

IT IS THEREFORE ORDERED that EPCOR Water Arizona Inc. is hereby directed to file with the Commission, on or before January 31, 2019, revised schedules of its rates and charges consistent with this Decision.

Arizona Corporation Commission

** Make all conforming changes

<table>
<thead>
<tr>
<th></th>
<th>Passed</th>
<th>Passed as amended by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Failed</th>
<th>Not Offered</th>
<th>Withdrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Purpose: The purpose of this amendment is to stay the rate case until the Commission can address outstanding issues and allow the parties to develop more evidence in the evidentiary record. The amendment converts the ROO into an interlocutory order, resets the Commission’s administrative timeclock requirements, sends several items back to the evidentiary process for further development of the record, directs the ALJ to schedule a procedural conference based on the timeline proposed by Chairman Burns, and asks the parties to come back with multiple options for the Commission’s consideration. The amendment intends to keep the current rates in effect during this period, until the record has been more thoroughly developed and the Commission makes a final decision on the rates.

On pages 154-166, DELETE all Findings of Fact Nos. 105-180.

INSERT a new Finding of Fact No. 105:

The inclusion in rate base of 12 months of post-test year plant has not yet been shown to be reasonable nor has the inclusion of plant within those 12 months been shown to be prudent, in service, or used and useful. The Company, Staff, RUCO, and other interested parties should be required to develop a more thorough evidentiary record regarding duration and inclusions for acceptable post-test year plant calculations and determining what matching principles apply.

INSERT a new Finding of Fact No. 106:

The total costs of plant assets eligible for recovery through a SIB for all districts has not yet been shown to be reasonable, and the Company, Staff, RUCO, and other interested parties should be required to develop a more thorough evidentiary record regarding which districts should be eligible for SIB recovery, based on a focus of reducing water loss that is above 10 percent.

INSERT a new Finding of Fact No. 107:

EPCOR and Staff proposed rate designs on a stand-alone basis and on a consolidated basis but not on a regional or partial consolidated basis. There is not sufficient evidence on the record to determine whether consolidation on a regional or partial approach would be reasonable at this time. The Company, Staff, RUCO, and other interested parties should be required to develop a more thorough evidentiary record to reevaluate, analyze, and propose multiple alternative rate designs based on a regional and partial consolidation approach.

On page 167, DELETE Conclusions of Law Nos. 4-5

INSERT a new Conclusion of Law No. 4:
It is reasonable and in the public interest to send the parties back to evidentiary hearings on the limited issues described in Findings of Fact Nos. 105, 106, and 107.

INSERT a new Conclusion of Law No. 5:

For purposes of A.R.S. § 40-256(C), this Decision shall be deemed a determination, on the Commission’s own motion, that an extraordinary event has occurred, and the applicable time period prescribed under A.R.S. § 40-256(A) shall begin again from the date of this Decision. Sending the parties back to evidentiary hearings on the limited issues described in Findings of Fact Nos. 105, 106, and 107, is an extraordinary event that would substantially alter the relief requested in the Company’s rate filing.

INSERT a new Conclusion of Law No. 6:

The rates and charges last-approved by the Commission in Decision Nos. 75268, 71878, 72047, 73145, 60168, 74568, and 71410 are just and reasonable, and it is reasonable and in the public interest that the rates and charges last-approved by the Commission in Decision Nos. 75268, 71878, 72047, 73145, 60168, 74568, and 71410 remain in effect until the Commission has developed a more thorough evidentiary record on the limited issues described in Findings of Fact Nos. 105, 106, and 107.

On pages 167-171, DELETE all Ordering Paragraphs.

INSERT a new Ordering Paragraphs:

IT IS THEREFORE ORDERED that the Hearing Division shall re-open the evidentiary record and commence, no later than May 31, 2019, additional evidentiary hearings for the limited purpose of allowing the Company, Staff, RUCO, and other interested parties to develop a more thorough evidentiary record regarding the issues described in Findings of Fact Nos. 105, 106, and 107.

IT IS FURTHER ORDERED that the Hearing Division shall convene, no later than March 1, 2019, a procedural conference for the limited purpose of discussing the most appropriate and expedited procedural schedule necessary to commence the additional evidentiary hearings no later than May 31, 2019.

IT IS FURTHER ORDERED that the Hearing Division shall present not less than two Recommended Orders and Opinions as expediently as possible after the conclusion of the additional evidentiary hearings, providing multiple options for the Commission to consider regarding the issues described in Findings of Fact Nos. 105, 106, and 107.

IT IS FURTHER ORDERED that sending the parties back to evidentiary hearings on the limited issues described in Findings of Fact Nos. 105, 106, and 107 is an extraordinary event that would substantially alter the relief requested in the Company’s rate filing, and the applicable time period prescribed under A.R.S. § 40-256(A) shall begin again from the date of this Decision.
IT IS FURTHER ORDERED that the rates and charges last-approved by the Commission in Decision Nos. 75268, 71878, 72047, 73145, 60168, 74568, and 71410 shall remain in effect until final order of the Commission.

IT IS FURTHER ORDERED that Staff shall open a docket to evaluate the guidelines and standards for inclusion of post-test year plant in future rate cases. Staff shall host at least one workshop on the issue and prepare a draft policy for the Commission’s consideration before July 2019.

IT IS FURTHER ORDERED that Staff shall open a docket to evaluate the guidelines and standards for allowing a SIB mechanism in future rate cases. Staff shall host at least one workshop on the issue and prepare a draft policy for the Commission’s consideration before July 2019.

** Make all conforming changes **

<table>
<thead>
<tr>
<th>Passed</th>
<th>Passed as amended by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failed</td>
<td>Not Offered</td>
</tr>
<tr>
<td></td>
<td>Withdrawn</td>
</tr>
</tbody>
</table>
ATTACHMENT B
Regulators reject EPCOR consolidation plan

Daily News staff  Jan 26, 2019

PHOENIX — Mayor Tom Brady called it a big win for Bullhead City residents.

The Arizona Corporation Commission on Friday rejected both a rate restructuring and consolidation proposal by EPCOR Water Arizona. Both measures failed to pass by 2-2 votes with Commissioner Sandra Kennedy abstaining.

"Ultimately, at the end of the day, our position prevailed," said Bullhead City Manager Toby Cotter.

Bullhead City's position had been — and continues to be — that EPCOR's rate increase request contained unnecessary adjusters that added to the cost and that consolidation amounted to "socializing" EPCOR's rate structure among its 11 Arizona districts despite economic inequities between those areas.

"We won," Brady said. "We won the battle, but the war's not over."

EPCOR responded by filing an application for interim rates, meaning that Friday's ruling is, at worst, a reprieve for ratepayers who could have faced a more than 30 percent increase in their monthly water bills.

"It's another small reprieve," Cotter said. "It's not over. They might still propose these 35 percent increases. But there is definitely going to be more time (before those rates are considered prior to implementation)."

Cotter said the Corporation Commission voted "not to allow the rate increases to go into effect" and "not to allow consolidation to take place."

"As the mayor said (in comments to the ACC earlier this month), we are not here to subsidize the water systems" in wealthier districts.
Cotter said he, Brady and other city officials are committed to “advocating for our residents” as the issue continues, in whatever form.

“We’re going to keep up the fight,” Cotter said.

While there was no timeline presented for EPCOR’s emergency request for interim rates, Cotter said that city officials and residents will have an opportunity to review that information as it becomes available.

“There is definitely going to be more time (before residents are faced with the prospect of higher water bills),” he said. “We are going to keep fighting for our citizens.”

Brady said that fight might well include moving forward with efforts to take over the city’s water utility operated by EPCOR.

“It would be such a simple matter if the city owned the water system,” he said. “Just sitting through that whole process was uncomfortable. It should be a city function.”

He said the city could run the water utility more efficiently without concern for profits generated by the system. EPCOR, owned by the City of Edmonton, Alberta, Canada, is a for-profit utility.

“We need to take destiny into our own hands,” Brady said.

Cotter said any attempt to move forward with plans to take over EPCOR’s local system would be “a conversation for city council” in the future.

Last year, the city proposed putting a measure on the November ballot, asking voters to authorize acquisition of the water system, either by open-market purchase or a condemnation process to force EPCOR to sell. The measure was withdrawn at the city’s request, partly to allow time and negotiations on EPCOR’s rate increase and consolidation plans to play out.

“That’s a policy decision that still exists,” Cotter said Friday.

“EPCOR, at the ACC’s request, had put together a pair of rate proposals. One called for stand-alone districts for its 11 Arizona water systems with each seeing a significant rate increase. A second proposal called for consolidation of the 11 districts under one big umbrella with a five-
year phase-in toward similar if not identical rates for all 11 of its districts. The stand-alone proposal called for rate increases from an average of about $28 per month to roughly $37 per month. In a consolidation proposal submitted to the ACC, most Bullhead City residents would have seen water bills jump from $28 to more than $41 by the end of the five-year phase-in. Some of EPCOR's other districts would have seen an eventual rate decrease, leading Brady to label it the "socializing" of water rates.

"We reject socialized rates," he said.

EPCOR's 11 Arizona water districts include four in Mohave County: Mohave, with 16,000 residential and business connections in and around Bullhead City; North Mohave, 2,020 connections mostly north of the city; Willow Valley, about 1,500 connections in Mohave Valley; and Havasu, 1,765 connections north of Lake Havasu City.

Most of the company's other Arizona water districts are in the Phoenix metropolitan area.
TO: Docket Control

FROM: Elijah O. Abinah
Director
Utilities Division

DATE: January 25, 2019

RE: EMERGENCY RATE INCREASE FOR EPCOR WATER ARIZONA INC.
DOCKET NO. WS-01303A-19-XXXX

In accordance with Arizona Administrative Code R-14-2-103-11(h) and the new Emergency Surcharge process outlined by the Arizona Corporation Commission ("Commission") in Docket No. W-00000C-16-0151, Staff of the Commission’s Utilities Division is requesting a docket be opened to facilitate the application by EPCOR Water Arizona Inc., for emergency rates.

Originator: Briton Baxter
On this 25th day of January, 2019, the foregoing document was filed with Docket Control as a Application – Opens Case, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission’s eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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 Abinah  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

By:  
Edna Luna-Reza  
Administrative Support Specialist
January 30, 2019

Re: WS-01303A-17-0257- 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, Chaparral, Havasu, Mohave, North Mohave, Paradise Valley, Sun City, Sun City West, Tubac, and Willow Valley Water Districts and for Consideration of Consolidation Proposals; WS-01303A-19-0011 - EPCOR Water Arizona Inc (Emergency Rate Increase).

Commissioners and Interested Parties,

I am writing to discuss resolution of the EPCOR Water rate case. I do appreciate the amount of time, effort, and consideration that has gone into this case. This rate case is unique in many ways. Our Commission is determining rates for Arizona’s largest water company for customers across eleven different water districts. Our Commission is considering important policy considerations including consolidation and rate design. Although I am sure the parties were disappointed with the outcome of the last open meeting, it should not be a surprise given the important and varied issues raised in this case.

Given that a consensus could not be reached on the Recommended Order and Opinion, I understand the request made by Chairman Burns to consider interim rates for the company. In my opinion, however, going through a process to determine interim rates is an unnecessary detour from the business of deciding the rate case. In my view, the recommended order can serve as the basis for a decision in this case. The work that is left to be done is to identify amendments that can earn the support of a majority of the Commission and, in turn, lead to a majority of the Commission supporting the amended order.

I believe the Commission should move onto to considering interim rates only if the company and the Commission believe that there are no amendments that could result in a majority vote for an amended order. In my view, I offered reasonable amendments supported by the State’s Residential Utility Consumer’s Office that unfortunately fell one vote short from passing. I would be able to support the recommended order if these amendments were adopted.

I invite the company, Commissioners and any other interested party to file to the docket any revised exceptions or proposed amendments that they believe could garner the support of a majority of the Commission. There are still issues that could be raised and negotiated including post-test year plant, SIB mechanism, monthly minimum charges, fair value increment, and so on. If there are issues to discuss we should do so as soon as practical at an open meeting.

Sincerely,

Commissioner Justin Olson
Michele Van Quathem  
LAW OFFICES OF MICHIELE VAN QUATEM, PLLC  
7600 N. 15th St., Suite 150-30  
Phoenix AZ 85020  
mvq@mvqlaw.com  

Consented to Service by Email  

Regina Shanney-Saborsky  
CORTE BELLA COUNTRY CLUB ASSOCIATION  
22155 North Mission Drive  
Sun City West AZ 85375  
rsaborsky@cox.net  

Consented to Service by Email  

Roger G. Willis  
ANTHEM COMMUNITY COUNCIL, INC.  
3701 West Anthem Way, Suite 201  
Anthem AZ 85086  
roger@willis-home.com  

Consented to Service by Email  

Thomas H. Campbell  
LEWIS ROCA ROTHGERBER CHRISTIE, LLP  
201 East Washington Street, Suite 1200  
Phoenix AZ 85004  
sskoubis@epcor.com  
mhallam@lrrc.com  
shubbard@epcor.com  
tcampbell@lrrc.com  

Consented to Service by Email  

By:  

Jacqueline Parker  
Deputy Policy Advisor  

Robin Mitchell  
ARIZONA CORPORATION COMMISSION  
Director - Legal Division  
1200 W. Washington St.  
Phoenix AZ 85007  
legaldiv@azcc.gov  
utildivservicebyemail@azcc.gov  
ndavis@azcc.gov  
wvanclere@azcc.gov  
RMitchell@azcc.gov  
Consented to Service by Email  

Steve Wene  
MOYES SELLERS & HENDRICKS, LTD  
1850 N. Central Ave. 1100  
Phoenix AZ 85004
On this 30th day of January, 2019, the foregoing document was filed with Docket Control as a Correspondence From Commissioner, and copies of the foregoing were mailed on behalf of Justin Olson, Commissioner - A.C.C. to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

Epcor Water Arizona Inc.  
WS-01303A-17-0257

Albert E. Gervenack  
SUN CITY WEST PROPERTY OWNERS & RESIDENTS ASSOCIATION  
13815 Camino Del Sol  
Sun City West AZ 85375  
agervenack@porascw.org  
Bob.miller@porascw.org  
mark.johnson@porascw.org  
Consented to Service by Email

Andrew Miller  
6401 E. Lincoln Drive  
Paradise Valley AZ 85253  
amiller@paradisevalleyaz.gov  
Consented to Service by Email

Diane Smith  
13234 West Cabrillo Drive  
Sun City West AZ 85375  
skylar_98@q.com  
Consented to Service by Email

Greg Eisert  
SUN CITY HOME OWNERS ASSOCIATION  
10401 W. Coggins Drive  
Sun City AZ 85351  
gregelisert@gmail.com  
Consented to Service by Email

Marshall Magruder  
PO Box 1267  
Tubac AZ 85646-1267  
mmagruder@earthlink.net  
Consented to Service by Email

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

Daniel Pozefsky  
RURO  
1110 West Washington, Suite 220  
Phoenix AZ 85007  
dpozefsky@azruco.gov  
jfuentes@azruco.gov  
cfraulob@azruco.gov  
Consented to Service by Email

Consented to Service by Email

Douglas Edwards  
13517 West Sola Drive  
Sun City West AZ 85375  
d.edwards795@yahoo.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

Consented to Service by Email