BEFORE THE ARIZONA CORPORATION COMMISSIONERS

ROBERT "BOB" BURNS, Chairman
ANDY TOBIN
BOYD DUNN
SANDRA D. 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).

Docket No. WS-01303A-19-0011

EXCEPTIONS OF THE PARADISE VALLEY RESORTS

JW Marriott Camelback Inn (Marriott International, Inc.), Sanctuary Camelback Mountain Resort & Spa, Mountain Shadows Resort, Montelucia Scottsdale (Omni Hotels & Resorts), and Andaz Scottsdale Resort & Spa (World of Hyatt) (collectively, the "Paradise Valley Resorts") file their exceptions to the Recommended Opinion and Order filed in this docket on March 12, 2019.

Interim Rates are Not Appropriate in this Case.

The facts in this case do not support emergency rates or interim rates under Arizona Administrative Code R14-2-103(B)(11)(h), the criteria set forth in Attachment "A" to Decision 75743 (Docket W-00000C-16-0151), or the criteria set forth in Arizona Attorney General Opinion No. 17-17 (May 25, 1971). The Paradise Valley Resorts support the position of the Residential Utility Consumers Office ("RUCO") as set forth in Section 1 of RUCO’s Response to Company’s Application for Interim Rates dated February 11, 2019 and filed in the docket, which is incorporated herein by this reference, as well as the additional argument of RUCO set forth on the record at the hearing.

Additionally, the Paradise Valley Resorts note the following language from Arizona Attorney General Opinion 71-17(May 25, 1971):

"Interim," "temporary" or "emergency" rates are rates or rate schedules governing charges to be made by a public service corporation pending the setting of
"permanent" rates by the governmental agency charged with that responsibility. Interim rates are employed to fill a hiatus which occurs between the time that existing rates being charged by a public service corporation have been invalidated by a court or have been determined by the appropriate regulatory body to be confiscatory of the corporation's property, and the time that permanent rates which produce a fair return are established.¹

Attorney General Opinion 71-17 requires that for interim, non-emergency rates to be approved, the Commission must first determine that the current rates are confiscatory. No party, including EPCOR, has shown that current rates are confiscatory either for EPCOR as a whole or for any individual district. In fact, the direct testimony of Paradise Valley Resorts witness John Thornton shows that current rates are clearly not confiscatory for the Paradise Valley Water System.² Thus, the record does not provide a sufficient basis to set interim rates because there has been no finding that the current rates are confiscatory.

**Any Authorized Interim Revenues Should be Collected through a Flat Surcharge.**

The Paradise Valley Resorts support the recommendation of Utilities Division Staff ("Staff") that a flat surcharge should be added to customer bills instead of a volumetric charge, consistent with the interim rates authorized in other cases. A flat surcharge is easier to compare to the revenue requirement ultimately approved and will simplify the process of determining and order any required rate refund. Additionally, a flat surcharge is a more stable method of collecting revenues.

RESPECTFULLY submitted this 22nd day of March, 2019,

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¹ Exhibit Thornton Direct-2 (pages 2-3) to Hearing Exhibit PVR-1 (emphasis added).
² Hearing Exhibit PVR-1 at 5-6.
ORIGINAL and thirteen (13) copies filed this 22nd day of March, with:

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