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).

Pursuant to the Recommended Opinion and Order dated March 12, 2019, with regards to Docket No. WS-01303A-19-0011, the Santa Cruz Valley Citizens Council (SCVCC) files the following observations.

1) The SCVCC, represented by James Patterson and Richard Bohman, intervening on behalf of Epcor Water’s Tubac District, is in favor of interim rates as set forth in the ROO for Case 19-0011.

2) SCVCC notes that in the absence of an interim rate structure as proposed, the Tubac District would continue to pay rates that lead to an over-collection of the revenue requirement necessary, and approved, for Epcor Water to provide service. In other words, the Tubac District would continue to be overcharged, as the evidence in the record amply illustrates. According to Epcor Water, the necessary revenue requirement is approximately $163,000 less than that earned under the current rate structure. This is unfair to customers who are already paying among
the highest rates among Epcor's 11 districts, or, more generally, among the highest water rates in Arizona.

3) The SCVCC would oppose an amendment by Commissioner Olson, if submitted, that would maintain the monthly minimum charges in the current rates. For the reasons stated above, this scenario would perpetuate the over-earning of necessary and authorized revenues by Epcor in the Tubac District.

4) We agree with the ROO's conclusion that the interim rate design should split any increase/decrease between the Basic Monthly Service charge and volumetric charges. In the case of the Tubac District, where interim rates would lead to a decrease in the revenue collected, Epcor's proposed flat volumetric adjustment per thousand gallons would provide little benefit to low-use customers. Staff's recommendation of a fixed surcharge would offer no price signals encouraging conservation. SCVCC therefore agrees with the ROO and RU CO that a split interim rate design is fair and justifiable.

5) SCVCC agrees with Epcor that 10 percent interest on over-collection, particularly combined with non-recovery of undercharges, is not justifiable in the current short-term interest-rate environment. We agree that a prime-rate + one or two percent is reasonable.

6) We agree with the ROO's conclusion that incentive pay should be split 50/50 between ratepayers and shareholders of the Corporation. In doing so, we note that there are already two layers of overhead expense built into revenue requirements,
and as such adding 90% of the burden of incentive pay as an additional expense is duplicative. SCVCC also notes that dividends are paid periodically by Epcor Water Arizona to its corporate parents and that as such the results of performance-based pay accrue primarily to the shareholder. When adjusted for incentive pay, Epcor's real revenue requirement is approximately $168,000 less than current rates provide. Interim rates, if approved, would rectify this over-collection.

7) SCVCC supports the filing of a new permanent rate case by year-end 2019, using a 2018 test-year. In that case, the SCVCC asks that the option of regional consolidations be explored and enumerated.

8) Although the SCVCC believes that interim rates are allowable given the circumstances and the language in R14-2-103(B)(11)(h), in the event that the Interim Rate case WS-01303A-19-0011 is disallowed SCVCC continues to support:
   a) Some form of system-wide or partial/regional consolidation, as proposed by Epcor in the permanent rate case 17-0257.
   b) The Revenue Requirement for the Tubac District, adjusted for a 50/50 split in incentive pay, proposed in the ROO for the permanent rate case 17-0257
   c) The resulting rates and design for the Tubac District as set forth by Staff and enumerated in the ROO for the permanent rate case 17-0257 on Page 90.
   d) Continuing with a three-tier structure.

9) The SCVCC still strongly believes that some form of consolidation (total or regional) is the best solution in order to reduce the current inequities that customers throughout Epcor's Arizona Water Districts pay. For example, Tubac customers
currently pay $75.23 at an average use of 7,486 gallons per month versus Chaparral’s $43.80 for similar water usage of 7,397 gallons per month. We believe that Commissioners must recognize these and other inequities and determine a pathway to a more equitable rate structure for a basic commodity necessary for all of us.

RESPECTFULLY SUBMITTED this 22nd day of March, 2019.

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Richard Bohman
Santa Cruz Valley Citizens Council
SERVICE LIST

Original and 13 copies of the foregoing were hand delivered to the Arizona Corporation Commission's Tucson Office, 400 W. Congress St. Ste. 218.

ALL BELOW HAVE CONSENTED TO SERVICE BY EMAIL
In accordance with Procedural Orders of 28 January 2019 and 7 February 2019

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