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W-01303A-22-0264

NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

LEA MÁRQUEZ PETERSON - Chairwoman
SANDRA D. KENNEDY
JUSTIN OLSON
ANNA TOVAR
JIM O'CONNOR

IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA INC., AN ARIZONA CORPORATION: (1) FOR APPROVAL OF ITS PROPOSED STANDPIPE WATER TARIFF; AND (2) ESTABLISHMENT OF A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR STANDPIPE WATER SERVICE ONLY TO THE RIO VERDE FOOTHILLS COMMUNITY	DOCKET NO. WS-01303A-22- **APPLICATION**

EPCOR Water Arizona Inc., an Arizona corporation, ("EPCOR" or "Company") requests approval from the Arizona Corporation Commission ("Commission") to approve a tariff to provide standpipe water service to the Rio Verde Foothills Community (the "Foothills"). Further, and in accordance with A.R.S. § 40-282 and A.A.C. R14-2-402, EPCOR also requests to establish a Certificate of Convenience and Necessity ("CC&N") to provide standpipe water service only for the Foothills. In support of its Application, the Company states the following:

I. Introduction.

As stated in its response submitted August 26, 2022 in Docket No. WS-0000A-22-0294, EPCOR is willing to provide standpipe services to the Foothills, but cannot do so without certain approvals being ordered in this docket. It is clear that residents living in the Foothills are in an untenable situation that jeopardizes their ability to live in their homes.

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While EPCOR has the means and expertise to provide standpipe water service, it is doing so only to the extent there appears to be no other solution available.[1]

EPCOR is currently exploring multiple alternatives to provide standpipe water service as cost effectively as possible – including utilization of existing infrastructure. EPCOR, however, can provide no guarantees that any such alternative will prove viable. Thus, in order to provide standpipe services, EPCOR may have to successfully: (1) acquire land on which to place the standpipe;[2] (2) obtain adequate water rights to provide the service separate and apart from the water resources that will be used to serve water customers in Rio Verde Utilities, Inc. ("Rio Verde");[3] (3) most likely drill a new well from which to pump the water needed to physically supply the standpipe; and (4) build any other infrastructure needed to ensure an operational standpipe. Even so, EPCOR must also deal with supply chain constraints and potential delays in obtaining permits, as well as possibly needing to obtain a site for the water station *and* design the station so that it can provide standpipe water service. Given those circumstances, EPCOR's best estimate is that it will take *at least* 24-to-36 months from the date the Commission approved a standpipe tariff, if it needs to build separate facilities and construct the water station in order to begin providing such service to the Foothills. Depending on what exactly is needed, what water rights may be available and other factors outside of its control, the timeframe could well exceed 36 months.

Consequently, the costs to supply standpipe service to the Foothills will be substantial and result in significantly higher rates than what is currently in effect for

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[1] EPCOR understands that the Maricopa County Board of Supervisors denied a request from some of the Foothills members to form a domestic water improvement district on August 31, 2022.

[2] Standpipe includes a water station similar to the Desert Hills / New River water station owned and operated by EPCOR near the Anthem community.

[3] The Commission, during its Open Meeting held October 12, 2022, approved the Application for Rio Verde Utilities, Inc. to merge with and into EPCOR. *See* Docket Nos. WS-01303A-22-0212; WS-02156A-22-0212. Thus, the Rio Verde Wastewater Division, and the Rio Verde Water Division are referred to as "districts" throughout the remainder of this Application.

standpipe service from EPCOR's Desert Hills / New River water station. A new well will most likely be needed and EPCOR will need to procure water rights separate and apart from the water resources committed for Rio Verde's water district.[4] The infrastructure cost to supply standpipe service is likely to be at least six million[5], not including land or the cost of procuring water resources. That figure could reach $10 to $12 million depending on the circumstances (again, not including costs to acquire the land for a standpipe / water station or the water resources). This is because EPCOR will need new facilities including a well, storage tank, station infrastructure, SCADA (supervisory control and data acquisition) and possibly arsenic treatment (*i.e.,* substantially more facilities will potentially be necessary than what was necessary for the Desert Hills / New River Water Station). But until EPCOR locates a site and is able to begin design of the water station, as well as explores other alternatives, it cannot offer a more precise cost estimate at this time.

Regarding water resources, the existing well system at Rio Verde's water district is at capacity and the water resources are already committed. EPCOR *must* procure separate and independent water resources, which is no easy task. Further, the cost of new water supplies is rising – and the "marginal" cost of new water supplies may range between $500 to $10,000 per acre-foot (depending on several factors including the amount sought, the location, and the timeframe over which the water would be taken). EPCOR understands that the Foothills water demand is currently estimated to be approximately 150 acre feet per year.

Therefore, EPCOR requests a water standpipe rate of $20.00 per-1,000 gallons (kgal), subject to a true-up similar to what has been done for the Desert Hills / New River Water Station approved in Decision No. 76473 (November 17, 2017) understanding that

[4] As stated previously, while EPCOR is exploring other potential alternatives, it can make no promises or guarantees as to any alternative being a viable one – other than to construct wholly separate infrastructure to obtain and deliver water to the standpipe / water station for residents in Desert Foothills.

[5] Updated based on most current information as of October, 2022 and subject to further review.

this is a substantial increase from what the Foothills currently pays and higher than EPCOR's existing standpipe tariff for the Deserts Hill / New River Water Station. When actual costs are known and the water standpipe / station becomes operational, or when the water station is consolidated with a larger EPCOR water district, EPCOR would seek to true up the rate for any under-recovery or over-recovery. Along those lines, EPCOR also requests that the Commission order the performance of a cost of service analysis as a necessary part of the true up to both ensure that customers are protected from overcollection and EPCOR is able to recoup its investment – in a similar manner to what is required for the Desert Hills / New River water station.

Because of the substantial costs involved to construct what *may* be an entirely separate water system, EPCOR must also condition its willingness to provide standpipe water service with an ordering paragraph that the standpipe be consolidated with EPCOR's larger Sonoran Water District (or its successor district) at the conclusion of its next general water rate case. This is because many individuals in the Foothills will likely not take service from the EPCOR water standpipe and station. Moreover, EPCOR anticipates that the rate could prompt others in the community to initially take service from the standpipe water service via water hauling, but over time migrate to alternative water supply options. Consequently, EPCOR would not be able to recoup its initial investment, which would put the Company and its remaining customers at a disadvantage. Further, consolidation can protect smaller customer groups that depend upon outsized investments for continued service. Here, consolidation is needed to mitigate rate impacts for the Foothills, much as consolidation has and will do for EPCOR's other customers (including for wastewater customers of Rio Verde Utilities, Inc., should wastewater consolidation proposed in Docket No. WS-01303A-22-0236 be approved). In short, EPCOR must have consolidation approved with this application to provide the certainty EPCOR needs to commit to

construction of a water station and the related necessary infrastructure and providing standpipe water service in the Foothills.

Finally, establishing a CC&N *only* for the purposes of providing standpipe water service to the residents of Foothills is the only viable option EPCOR can offer. EPCOR believes that Arizona law allows for the establishment of a "limited CC&N" and is aware of one other situation in Decision No. 71288 (August 6, 2009) where a CC&N was approved for Wayward Winds for irrigation water service only. Here, it is simply not feasible for EPCOR to extend its water service CC&N and incur the costs of extending the water distribution infrastructure needed to serve the Foothills, especially as a stand-alone district. But EPCOR has the technical, financial and managerial capability to provide this limited service to the Foothills, especially given its successful history providing similar service from its Desert Hills / New River water station approved in Decision No. 76463.

EPCOR has reviewed the rules for establishing a CC&N to provide water service under A.A.C. R14-2-402. Those rules are intended for the situation where a regulated water public service corporation seeks to extend its CC&N to provide typical water service to a new residential development with some commercial establishments, for example. The situation here is very different. EPCOR is only seeking to establish water standpipe service and provide a limited CC&N in such a way as to provide relief for the residents in the Rio Verde Foothills area. While EPCOR can provide limited information in support of this Application, it simply cannot provide much of what would be typically required under A.A.C. R14-2-402(B)(5). Therefore, EPCOR requests a complete waiver of the rules regarding what must accompany a CC&N application to establish water service, absent what is provided herein.

II. Application For Approval of the Proposed Standpipe Water Tariff

1. EPCOR Water Arizona Inc. is an Arizona corporation engaged in providing water service in several Arizona counties. EPCOR is a wholly owned subsidiary of EPCOR USA Inc. ("EPCOR USA").

2. EPCOR submits its proposed Standpipe Water Tariff to address the emergency situation affecting residents in the Foothills area. EPCOR provided an initial response to the Foothills situation in Docket No. WS-0000A-22-0294 on August 26, 2022, attached as Exhibit 1 to this pleading. Many residents had been relying on standpipe service provided by the City of Scottsdale, but that service is ending, perhaps as soon as December 31, 2022. Even if the City of Scottsdale were to postpone the cutoff date, current water hauling arrangements with the City of Scottsdale will eventually be terminated and will not be renewed indefinitely. EPCOR understands that no municipality or provider is providing or has the obligation to provide any water service to these residents (the current arrangement with the City of Scottsdale is a voluntary and temporary arrangement).

3. EPCOR is in a position to pursue a solution for these residents in the longer term. EPCOR will explore several options, including potentially acquiring or leasing property within, contiguous, or in close proximity to Rio Verde's water district service territory. While other options will be explored, EPCOR may have to construct separate facilities (including a well, storage tank, SCADA, possibly arsenic treatment facilities, and the station itself) that would be accessible to water haulers who would then haul water to residents in the Foothills area, and for those particular residents with hauling equipment.

4. While EPCOR is currently exploring multiple alternatives to provide standpipe water service as cost effectively as possible (including utilization of existing infrastructure) it can provide no guarantees that any such alternative will prove viable. Thus, among the items that EPCOR may have to successfully achieve are the following: (1)

acquire land on which to place the standpipe; (2) obtain adequate water rights to provide the service separate and apart from the water resources that will be used to serve its Rio Verde Utilities, Inc. water district; (3) possibly drill a new well from which to pump the water needed to physically supply the standpipe; (4) build any other infrastructure needed to ensure an operational standpipe (storage tank, SCADA, arsenic treatment, transmission mains, water station etc.); and (5) achieve these items while addressing supply chain constraints, potential delays in obtaining permits, and actually obtaining a site for the water station *and* design the station so that it can provide standpipe water service.

5. EPCOR's best estimate is that it will take *at least* 24-to-36 months from the date the Commission approved a standpipe tariff if it needs to construct the water station and related facilities and begin provide such service to the Foothills. Depending on what exactly is needed, what water rights may be available and other factors outside of its control, the timeframe could well exceed 36 months.

6. EPCOR does not currently have a tariff for this specific service to serve the residents within the Foothills. The Company proposes this tariff specifically for the purpose of providing service through the water-hauling station so that residents can haul or have water hauled to their residences.[6] EPCOR anticipates that a half-dozen haulers and a few residents will utilize this service, and each will be required to have accounts with the Company (among the other requirements set forth in the proposed tariff). Attached as Exhibit 2 is the proposed Standpipe Water Tariff that EPCOR is requesting the Commission approve.

7. The Company's proposed rate for this service is $20.00 per-1,000 gallons, which includes estimated costs of the investment, depreciation, operations and maintenance

[6] The tariff is currently drafted as either water haulers or individual residents having customer accounts with EPCOR. EPCOR continues to explore alternatives, to the extent such alternatives can reduce the risk of water being taken from the standpipe / water station not being used for its intended purpose. Should an alternative or alternatives be reached, EPCOR will amend the proposed tariff accordingly.

for all necessary facilities for the "Rio Verde Foothills Water Station" as has been described, and any other necessary facilities, as well as considering anticipated sales volumes. Further, the intent of the proposed water-hauling rate is to balance the need to recoup its investment from Foothills standpipe water service customers with a rate that is not so high as to make it cost prohibitive to all such customers.[7] Even so, EPCOR submits that the overall impact of the proposed rate and tariff to its revenues is de minimus as compared to the rest of its Arizona operations, and any impact to EPCOR's fair value rate base and rate of return would also be de minimus.[8]

8. EPCOR believes its request is in the public interest and that the Commission has the authority under Arizona law to approve the tariff and the rate requested herein. Further, because EPCOR's proposed tariff and rate is to address an emergency situation, EPCOR respectfully requests approval on an expedited basis.

9. As part of approval of the tariff, EPCOR requests that the Commission issue an order approving consolidation of the standpipe water service approved herein with EPCOR's larger water district (whether that be its Sonoran Water District or the resulting consolidated water district) and that such consolidation would take effect at the conclusion of EPCOR's next general water rate case.

10. As part of the consolidation request, EPCOR further seeks and must obtain an ordering paragraph that allows for a true-up when actual costs are known and the water standpipe / station becomes operational, or when consolidation of the water station occurs with a larger EPCOR water district at the conclusion of EPCOR's next Arizona water rate case. EPCOR would seek to true up the rate for any under-recovery or over-recovery. As

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[7] As stated herein, the guarantee of consolidation with its larger Sonoran Water District in (or whatever consolidated district results from) EPCOR's next rate case is vital; otherwise, EPCOR cannot proceed.

[8] According to EPCOR's most recent Arizona water rate case decision, EPCOR's fair value rate base was $525,977,715. See Decision No. 78439 (February 1, 2022) at Conclusion of Law 4. Even if the total cost of the "Rio Verde Foothills Water Station" was $12.0 million, this would represent 2.3% of EPCOR's FVRB ($12,000,000 / $525,977,715). This does not include the San Tan Water District.

part of the true up, EPCOR also requests that the Commission order the performance of a cost of service analysis to both ensure that customers are protected from overcollection and EPCOR is able to recoup its investment – similar to what is required for the Desert Hills / New River water station approved in Decision No. 76473.

III. Application for a Certificate of Convenience and Necessity to Provide Standpipe Service.

The Company seeks a waiver from A.A.C. R14-2-402 since, as explained above, the request to establish a limited CC&N here is substantially different than the typical request and is really outside the scope of what the rule was intended. EPCOR simply cannot provide what would normally be required given the circumstances of this particular application. Even so, the Company submits the following information to support this Application pursuant to R14-2-402, as applicable:

1. The legal name of the Company, its mailing address, and telephone number are:

EPCOR Water Arizona Inc.
2355 West Pinnacle Peak Road, Suite 300
Phoenix, Arizona 85027
(623) 445-2455

The Company operates its water utility business under this name.

2. The management contact for the Company is Thomas A. Loquvam, its Vice President of Public Policy, direct telephone number is (623) 445-2449 and mailing address is provided in Paragraph 1.

3. The attorney for EPCOR responsible for the application is Jason D. Gellman. Mr. Gellman's direct number is (623) 445-2442 and his mailing address is provided in Paragraph 1.

4. All requests for information should be directed to Mr. Loquvam with a copy to Mr. Gellman's attention on behalf of the Company. Their email addresses are tloquvam@epcor.com and jgellman@epcor.com, respectively.

5. EPCOR has not yet determined the operator for the Foothills water station / standpipe will be, but will have an operator certified by the Arizona Department of Environmental Quality ("ADEQ") and employed by the Company in place upon its operation, unless other alternatives being explored manifest to fruition. EPCOR's manager for the operations for the Rio Verde Foothills area currently is Frank Metzler whose mailing address is 2355 W. Pinnacle Peak Road, Ste. 300, Phoenix, AZ 85027. Mr. Metzler's telephone number is (623) 445-2439.

6. The Company is an Arizona corporation. For federal tax purposes, the Company is structured as a "C" corporation.

7. A list of the names, titles and mailing addresses of all Company officers and directors is attached hereto as Exhibit 3.

8. A copy of the Company's "Certificate of Good Standing" is attached hereto as Exhibit 4.

9. The Company's Articles of Incorporation and By-Laws are not required to be provided with this Application.

10. The Company is authorized to issue 600,000 shares of stock. As of July 1, 2017, 104,576 shares are issued and outstanding. The last issuance date was August 12, 1998.

11. The Company does not have an ownership interest in any other utility.

12. A general map of the Foothills area is attached hereto as Exhibit 5. EPCOR does not have a precise legal description expressed in metes and bounds, nor does it have the requisite information in its possession to provide such a description. EPCOR is seeking to provide water standpipe service to only those residents in the area identified as "Rio

Verde Foothills" in Exhibit 5 (*i.e.,* the gray area in the exhibit) and *only* for homes that are built as of January 1, 2024.

13. The requested Foothills area is located in the unincorporated area of Maricopa County, northeast of Fountain Hills.

14. The facilities proposed for construction potentially include a new well, storage tank, station infrastructure, SCADA (supervisory control and data acquisition) and possibly arsenic treatment (*i.e.,* more facilities than what was necessary for the Desert Hills / New River Water Station).

15. The estimated total construction cost of the proposed on-site and off-site water facilities is at least $6,000,000 not including land acquisition, but this is *only* an estimate for the design and construction of the water station and related facilities needed to provide service. The total cost could be as high as $10.0 to $12.0 million dependent on the ultimate buildout and configuration. A precise construction timeline cannot be provided at this time, because many options are being explored. The proposed facilities will be funded through existing debt / equity financing since this is not the typical type of extension of facilities into new developments and is standpipe service only.

16. A copy of the Company's proposed tariff for rates, terms and conditions for standpipe water service, which the Company is requesting approval for, is attached hereto as Exhibit 2.

17. Because of the nature of this Application, the Company does not have estimated annual operating revenues and expenses for the first five years of operation for the requested Foothills area.

18. Due to the nature of this Application, the Company does not have any requests for service. The Company is *only* seeking to make standpipe water service available to certain customers in the Foothills area who otherwise may not have access to water. The Company will not be extending any water distribution facilities into the area

depicted in Exhibit 5. Similarly, the Company does not have additional maps of the requested Foothills area.

19. The Company does not have any connections within the Foothills area that are currently provided with water service by the Company.

20. A copy of the notice of application to be sent to Maricopa County, the City of Scottsdale, the Town of Fountain Hills, Fort McDowell Yavapai Nation, and other governmental entities. A listing of these entities and their mailing addresses, is attached hereto as Exhibit 6.

21. The Company will provide notice to landowners in the Foothills area as ordered by the Commission and to the extent such landowners can be identified.

22. The Company will obtain all municipal, county and state agency approvals required to construct whatever facilities ultimately will be necessary, and to operate those facilities in order to provide the limited standpipe water service within the requested Foothills area.

23. Given the nature and circumstances surrounding this Application, the Company does not have an estimate of the number residential customers that will utilize the standpipe water service. Per the tariff, the Company proposes to limit the use of standpipe to only those water haulers and individuals serving homes within the area identified in Exhibit 5 constructed on or before January 1, 2024.

24. The Company does not have knowledge as to the specifics of whether, who and how wastewater service is provided in the Foothills area.

25. Since the Company is only seeking to provide standpipe water service to the Foothills area, the Company will not be implementing Best Management Practices ("BMPs") tariffs for water conservation as it has in effect for its water districts throughout Arizona. Even so, the Company is not opposed to examining opportunities to promote water conservation with this service to the extent practicable.

26. The source of water for the standpipe water service will likely be a combination of groundwater and surface water through various wells that may be the subject of one or more agreements.[9] The standpipe water service will not impact the water resources and availability for current and future customers within the CC&N for the water customers within Rio Verde. The purpose for the standpipe will be for residential water use only, and not for the purposes of irrigating golf courses, ornamental lakes or other aesthetic water features.

27. Since the purpose will be to provide standpipe water service only, no facilities will be constructed to deliver reclaimed water to the requested Foothills area. No recharge facilities will be located within the requested Foothills area.

28. The notarized signature of Mr. Loquvam, signing on behalf of the Company, is attached as Exhibit 7 to this Application.

[9] Negotiations are underway with various entities but no agreements have been obtained as of the date of this application. These negotiations are currently confidential.

WHEREFORE, the Company respectfully requests that the Commission:

(1) Approve its Application, after notice and opportunity to be heard, in accordance with A.A.C. R14-2-411(C);

(2) A complete waiver of A.A.C. R14-2-402(B)(5), or of any requirements contained in A.A.C. R14-2-402 not relevant to the limited service EPCOR is proposing through this Application or which EPCOR cannot provide, other than what is contained in this Application;

(3) Approve consolidation of the standpipe water service with EPCOR's larger Sonoran Water District, or whatever consolidated district results, at the conclusion of its next general water rate case;

(4) Order the performance of an annual cost of service analysis to ensure that EPCOR is able to recoup its investment – similar to what is required for the Desert Hills / New River water station.

(5) Grant the Company additional relief as the Commission deems just and proper.

RESPECTFULLY SUBMITTED this 13th day of October, 2022.

EPCOR WATER ARIZONA INC.

/s/ Jason D. Gellman

Jason D. Gellman
2355 West Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Attorney for EPCOR Water Arizona Inc.

Original efiled this 13th day
of October, 2022, with:

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Copy of the foregoing emailed this
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Exhibits

Exhibit 1	EPCOR Letter submitted in Docket No. AU0000-22-0194
Exhibit 2	Proposed Tariff for Rio Verde Foothills Water Station
Exhibit 3	Company Officers and Directors
Exhibit 4	Certificate of Good Standing
Exhibit 5	General Map of Rio Verde Foothills Area
Exhibit 6	Proposed Form of Notice and Mailing List
Exhibit 7	Affidavit

Exhibit 1

EPCOR Letter submitted in Docket No. AU0000-22-0194

2355 West Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027 USA
epcor.com

August 26, 2022

VIA ELECTRONIC MAIL ONLY
Elijah O. Abinah
Utilities Division Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007
eabinah@azcc.gov

RE: ARIZONA CORPORATION COMMISSION INVESTIGATION INTO ALTERNATIVE WATER SERVICE FOR RIO VERDE FOOTHILLS COMMUNITY. (DOCKET NO. W-00000A-22-0194)

I write in response to your August 12, 2022 letter regarding the provision of standpipe water to the Rio Verde Foothills Community (RVFC). In your letter, you posed several questions. Below are EPCOR's responses. EPCOR appreciates the opportunity to participate in this discussion and looks forward to helping identify a solution for the residents of the RVFC that the Commission deems appropriate.

1. **Is your company interested in providing standpipe water services to the RVFC?**

EPCOR is willing to provide standpipe services to the RVFC, but has questions about how that service might be provided, including timing, cost, and the location of a potential standpipe. A primary driver behind EPCOR's willingness to provide service is that the individuals living in the RVFC are in an untenable situation. They will soon lack water and, as a result, may no longer be able to live in their homes. EPCOR has the means and expertise to provide standpipe water and prevent what might otherwise be a very difficult or even tragic outcome for the individuals involved. Because of its concerns, however, EPCOR believes that all options should be seriously evaluated, including a domestic water improvement district (DWID). But if, after due consideration, it is clear that EPCOR is the viable option, EPCOR is willing to provide service with the Commission's guidance and approval.

2. **If so, what steps would your company need to take in order to provide standpipe water services to the RVFC (e.g., acquiring water rights, investing in new infrastructure, etc.)?**

To provide standpipe services to the RVFC, EPCOR would need to (i) acquire land on which to place the standpipe; (ii) obtain adequate water rights to provide the service; (iii) drill a new well from which to pump the water needed to physically supply the standpipe; and, (iv) build any other infrastructure needed to ensure an operational standpipe. It should be noted that under the current circumstances, including supply chain constraints, anticipated delays in obtaining permits, and that EPCOR does not have a site for the project (much less commenced actual design of the standpipe on that site) putting the standpipe in service would take at least 24 months from the date the Commission approved a standpipe tariff.

3. If your company provided standpipe water services to the RVFC, what would be the estimated cost and who do you propose should bear that cost?

The infrastructure cost to supply standpipe service to the RVFC could be approximately $4-5 million. This cost does not include land or the cost of water. As stated, a new well would be needed for a RVFC standpipe because EPCOR's existing well system at its neighboring Rio Verde Water District is at capacity. Until EPCOR locates a site and is able to begin design, it cannot offer a more precise cost.

Beyond infrastructure, the cost of new water supplies is rising. Today, the "marginal" cost of new water supplies can range between $500 to $10,000 per acre-foot, depending on the amount sought, the location, and the timeframe over which the water would be taken, among other factors. EPCOR understands that the RVFC water demand is currently estimated to be approximately 150 acre feet per year.

EPCOR calculates that its total cost estimate (infrastructure plus land plus water and expenses) could result in a standpipe rate of up to $18-20 per thousand gallons. This is a substantial increase from what the RVFC currently pays and higher than EPCOR's existing standpipe tariff at New River. In addition to inflationary pressures, the need to drill a new well, and the high cost of new water supplies, the magnitude of this estimated rate results from the amount of water being provided in relation to the relatively few number of people taking that water. In addition to this rate, the RVFC would need to pay water haulers to bring the water from the standpipe to their homes. It should be noted, however, that a standpipe in EPCOR's Rio Verde Water District is likely closer than the Scottsdale standpipe currently providing water to the RVFC. This proximity might mean a lower cost of third-party water hauling.

Under normal circumstances, EPCOR would propose that if a community requires a standpipe for service, the community should be responsible for the associated costs. In addition to being significant for customers, however, the estimated rate poses a challenge for EPCOR. EPCOR understands that many individuals in the RVFC do not intend to take service from a potential EPCOR standpipe. Moreover, the size of the estimated rate might prompt others in the community to initially take service from the standpipe, but eventually pursue alternative options in response to the rate. This kind of demand elasticity is a natural process in the market, but would undermine EPCOR's ability to recoup its initial investment.[1] And as EPCOR raises its rates to reflect reduced customer usage, the resulting price increases could trigger even more demand elasticity. This would become a self-reinforcing loop that would quickly become unsustainable. The end result would harm EPCOR's ability to be made whole. But perhaps a more acute harm would be suffered by those in the RVFC who, for whatever reason, do not pursue alternative water supply options and would be left with the continued rate increases.

The reality of demand elasticity gives EPCOR pause in committing to a standpipe in the RVFC and complicates cost responsibility for the standpipe. To address EPCOR's concerns and prevent harm to the members of the RVFC, EPCOR believes that the public interest is best served by including the RVFC standpipe in EPCOR's larger water district through consolidation in EPCOR's next general water rate case.

[1] Along these lines, it may be appropriate to establish an annual cost of service analysis and true up as the Commission ordered in Decision No. 76463 for EPCOR's New River standpipe, at least until the RVFC standpipe is consolidated.

The RVFC situation is an example of when consolidation can protect smaller customer groups that depend upon outsized investments for continued service. Here, consolidation is needed to prevent rate shock for the RVFC. Consolidation would also provide EPCOR the certainty it needs to commit to a standpipe in the RVFC.

Accordingly, if the Commission is inclined to entertain an application for standpipe service in the RVFC from EPCOR, EPCOR will be requesting assurance from the Commission that in EPCOR's next general water rate case, EPCOR will be permitted to consolidate the RVFC standpipe into its broader water district.

4. Should the Commission designate a public interest for standpipe service to the RVFC or other similarly situated communities?

Although it is not clear what the phrase "public interest" means in this context, some conclusions can be derived from the context. To the extent that EPCOR is the entity providing water to the RVFC through a standpipe as a public service corporation, at least some level of public interest must exist. What is not clear, however, is the extent to which service can or should be provided to the RVFC under a certificate of convenience and necessity (CC&N). EPCOR understands that it may be difficult for individuals in the RVFC to obtain financing or refinancing for their homes if they cannot demonstrate water supply certainty. Typically this would take the form of a CC&N. Extending a CC&N to cover the RVFC, however, poses some challenges.

In the normal circumstance, extending a CC&N to a new area involves working with developers who build significant portions of the distribution infrastructure needed to serve the developments that warranted a CC&N in the first place. For the RVFC, however, developers were never involved. Instead, RVFC was built bit by bit with "wildcat subdivisions" that were not subject to the code and statutory based requirements for developments. As a result, there is no distribution infrastructure in the RVFC area to EPCOR's knowledge.

Extending EPCOR's CC&N to cover the RVFC would necessitate building that distribution infrastructure. Doing so would be very disruptive to the RVFC, however, and require significant investment. In addition, the rates produced by that investment would be significant, particularly if the RVFC was treated as a standalone district. Accordingly, it is not clear to EPCOR that extending a typical CC&N to cover the RVFC is in the public interest at this time.

Nonetheless, options exist. EPCOR could extend a limited CC&N that guaranteed standpipe service, but only standpipe service, to those within the CC&N. The details of this structure would need to be worked out with stakeholders, but to EPCOR's knowledge, the law does not preclude this kind of approach. EPCOR does not know, however, if this framework would address the water supply concerns raised by banks.

In addition to this option, EPCOR could also offer to extend distribution infrastructure to anyone within the "standpipe CC&N" if the requestor paid, either alone or in conjunction with others in proximity requesting typical service, 75-100% of the cost. The details of this framework and the precise amount of the required cost contribution would also need to be developed collaboratively.

5. What criteria should the Commission utilize for such a 'designation'?

Please see the answer to question #4.

6. Do you have any alternative options for Commission discussion and consideration?

EPCOR has no other suggestions for the Commission at this time. EPCOR continues to believe that all options should be seriously evaluated. Given the challenges identified in this letter, it is not clear what is best for the RVFC. Many of the challenges identified in this letter likely exist for any potential water provider and no clear answer exists. If the Commission deems it appropriate, EPCOR is willing to file an application for standpipe service at the RVFC consistent with the concepts raised in this letter.

If you have any questions, please do not hesitate to contact me. Thank you.

Sincerely,

Thomas Loquvam
General Counsel and VP, Public Policy

Exhibit 2

Proposed Tariff for Rio Verde Foothills Water Station

Standpipe Water Tariff

Purpose

For the provisioning of potable water to residents in the Rio Verde Foothills area as precisely described in Decision No. XXXXX.

Availability

Applicable to residents in Rio Verde Foothills only, within the unincorporated areas in Maricopa County, living in a home built before January 1, 2024 ("Residents") and to Water Haulers* providing potable water to one or more Residents.

Schedule of Charges

All Water Hauled	$20.00	Per 1,000 gallons

Terms and Conditions for Residents in Rio Verde Foothills

1) Establish an account through the Application process with EPCOR and pay for water at the tariff rate.

2) Only take water under this tariff for use in a home in the Rio Verde Foothills area that is built as of January 1, 2024, as identified in Decision No. XXXXX.

3) Secure delivery of water sold under this tariff from a Water Hauler that is in compliance with all applicable Arizona laws / rules / standards for hauling potable water.

4) The water sold under this tariff will be delivered by a third-party Water Hauler that is not affiliated with EPCOR. EPCOR is not liable to any customer or third party for any Water Hauler's actions or inactions arising from the delivery or use of the water purchased from EPCOR.

5) Resident with an account with EPCOR agrees that it will not, under any circumstances, authorize its Water Hauler to provide water for use outside of the Rio Verde Foothills communities. EPCOR reserves the right to terminate a customer's account if the amount of water received from the standpipe under the customer's account exceeds twice the median monthly residential usage in the Rio Verde Foothills Community for more than two months in any given calendar year.

6) In addition to the collection of this tariff rate, the Company will collect from its customers a proportionate share of any privilege, sales or use tax per Commission Rule 14-2-409(D)(5).

7) A 1½% late payment penalty will be applied to account balances not paid within fifteen (15) days after the postmark date of the bill.

Terms and Conditions for Water Haulers

8) Establish an account with EPCOR using EPCOR's application process.

9) Water Haulers may not deliver water received from EPCOR at this Standpipe to any person other than a Resident who lives within the service territory of Rio Verde Foothills in a residence that is constructed as of January 1, 2024 and has an account with EPCOR for use within Rio Verde Foothills.

Proposed

10) Water Hauler will not introduce any Hazardous Substance (meaning any substance, chemical or waste that is identified as hazardous, toxic, or dangerous under any federal, state, or local law or regulation) at the Water Hauling Facility property.

11) Water Haulers must have necessary permits, approvals and authorizations for water hauling, if such permits, approvals or authorizations are required by Federal, State or local law or regulation.

12) Water Haulers, once they take water from the Water Hauling Facility, are responsible for the quality of the water (e.g. that the water is potable) and are solely responsible for the safety and the quality of the water it delivers to residents or for Applicant's own use. The Company is not responsible for ensuring the quality of the water once it leaves the Water Hauling Facility.

Terms and Conditions for Residents and Water Haulers

13) The Company may curtail, restrict or temporarily discontinue the provision of water at the Water Hauling Facility under the rules and regulations of the Arizona Corporation Commission, any applicable Company tariffs governing water service, or as otherwise permitted by law. Any such curtailment, restriction or temporary discontinuance of service will continue only so long as reasonably necessary. The Company will provide notification of the particular circumstances and the estimated length of time during which service will be curtailed, restricted, or temporarily discontinued, and will make reasonable efforts to resume the provision of water as soon as possible.

14) Access to the Water Hauling Facility is only within designated hours (between the hours of 7:00 a.m. and 6:00 p.m.) and only through those points designated specifically for access by water haulers. Attempts to gain access during undesignated hours, or attempting access through any points not specifically designated for access, is not permitted, and doing so may result in the cancellation of the customer and/or Water Hauler account of the person making the attempt.

* A "Water Hauler" is either: (1) a vendor or provider that distributes potable water for resale to end users by tank truck or trailer; or (2) is an individual who is providing potable water for his or her own purposes (and is not providing or reselling the water to any other individual or entity) through use of personal equipment to deliver water to his or her property.

Proposed

Exhibit 3
Company Officers and Directors

2022 ANNUAL REPORT

ENTITY INFORMATION

ENTITY NAME: EPCOR WATER ARIZONA INC.
ENTITY ID: 00420990
ENTITY TYPE: Domestic For-Profit (Business) Corporation
CHARACTER OF BUSINESS: UTILITIES
AUTHORIZED SHARES: Share Class: COMMON Share Series: Share Total: 600000
ISSUED SHARES: Share Class: 104576 Share Series: N/A Share Total: 104576

STATUTORY AGENT INFORMATION

STATUTORY AGENT NAME: C T CORPORATION SYSTEM
PHYSICAL ADDRESS: 3800 N CENTRAL AVE SUITE 460 , PHOENIX, AZ 85012
MAILING ADDRESS: 3800 N CENTRAL AVE SUITE 460 , PHOENIX, AZ 85012

KNOWN PLACE OF BUSINESS

Att: THOMAS A. LOQUVAM, 2355 W PINNACLE PEAK RD SUITE 300 , PHOENIX, AZ 85027

PRINCIPAL OFFICE ADDRESS

PRINCIPAL INFORMATION

Director: GREGORY BARBER - 2355 W PINNACLE PEAK RD #300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 12/11/2017

Director: JOSEPH GYSEL - 2355 W PINNACLE PEAK RD #300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 02/01/2012

Other Officer: DANIEL HOLWERDA - 2355 W PINNACLE PEAK RD SUITE 300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 05/14/2021

Other Officer: GREGORY BARBER - 2355 W PINNACLE PEAK RD SUITE 300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 04/10/2018

President: JOSEPH GYSEL - 2355 W PINNACLE PEAK RD #300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 02/01/2012

Secretary: THOMAS A. LOQUVAM - 2355 W PINNACLE PEAK RD SUITE 300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 12/31/2019

Shareholder: EPCOR USA INC. - 2355 W PINNACLE PEAK ROAD, SUITE 300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 12/31/9999

Treasurer: GREGORY BARBER - 2355 W PINNACLE PEAK RD SUITE 300, PHOENIX, AZ, 85027, USA - - Date of Taking Office: 04/10/2018

SIGNATURE

Other Officer: DANIEL HOLWERDA - 12/21/2021

Exhibit 4

Certificate of Good Standing

STATE OF ARIZONA

Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

I, the undersigned Executive Director of the Arizona Corporation Commission, do hereby certify that:

EPCOR WATER ARIZONA INC.

ACC file number: 00420990

was incorporated under the laws of the State of Arizona on 12/30/1949;

That all annual reports owed to date by said corporation have been filed or delivered for filing, and all annual filing fees owed to date have been paid; and

That, according to the records of the Arizona Corporation Commission, said corporation is in good standing in the State of Arizona as of the date this Certificate is issued.

This Certificate relates only to the legal existence of the above named entity as of the date this Certificate is issued, and is not an endorsement, recommendation, or approval of the entity's condition, business activities, affairs, or practices.

IN WITNESS WHEREOF, I have hereunto set my hand, affixed the official seal of the Arizona Corporation Commission, and issued this Certificate on this date: **12/22/2021**

Matthew Neubert, Executive Director

Exhibit 5

General Map of Rio Verde Foothills

Rio Verde Foothills Vicinity

EPCOR
2355 W. Pinnacle Peak Rd.
Suite 300
Phoenix, AZ 85027

EPCOR Wastewater CC&N
EPCOR Water CC&N
Rio Verde Foothills
City of Scottsdale

September 30, 2022

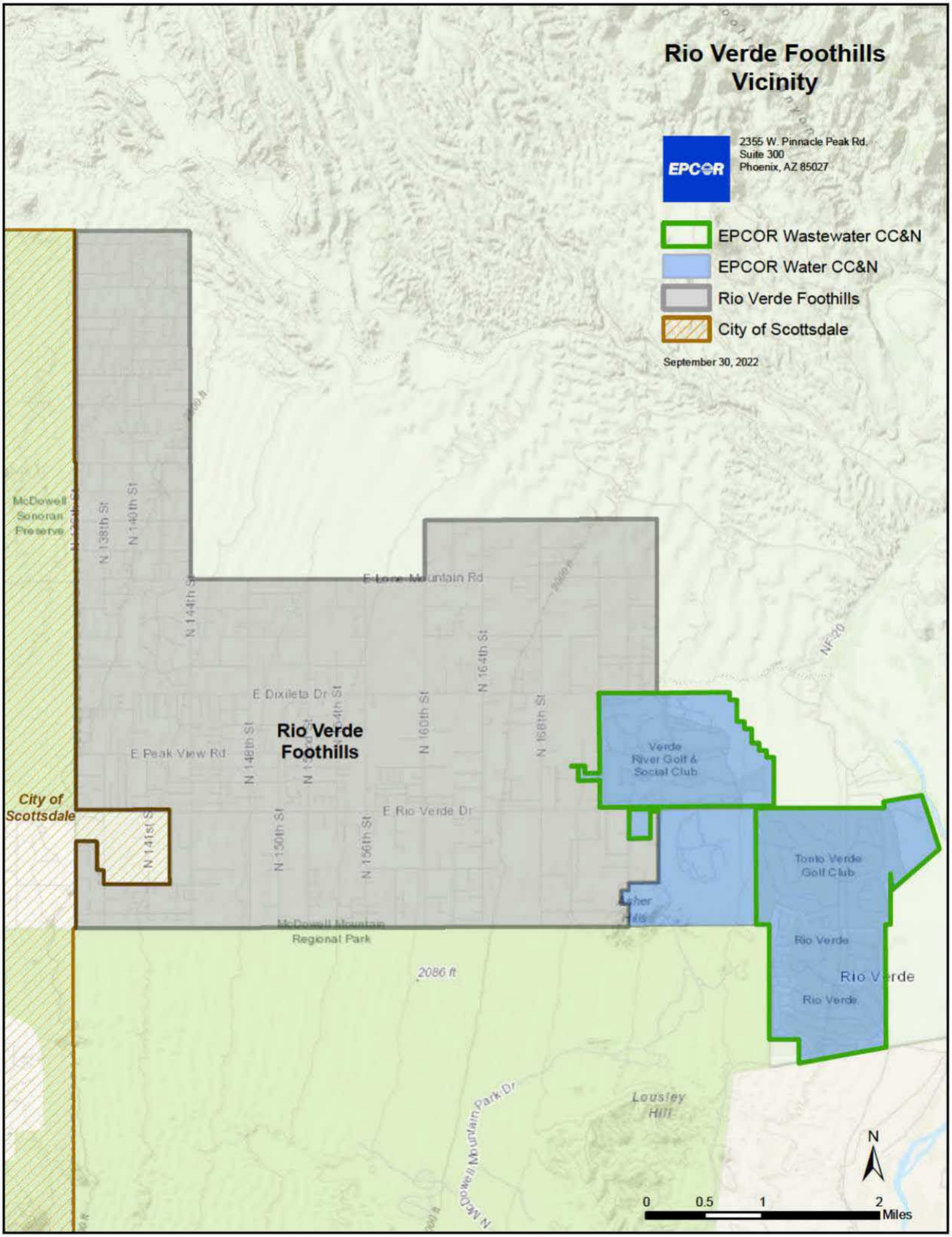


Exhibit 6

Proposed Form of Notice and Mailing List

2355 W Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027 USA
epcor.com

INSERT DATE

INSERT NAME
City Manager
INSERT MUNICIPALITY NAME
INSERT ADDRESS 1
INSERT ADDRESS 2

Sent via e-mail to: INSERT EMAIL ADDRESS

Re: IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA INC., AN ARIZONA CORPORATION, (1) FOR APPROVAL OF ITS PROPOSED STANDPIPE WATER TARIFF; AND (2) ESTABLISHMENT OF A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR STANDPIPE WATER SERVICE ONLY TO THE RIO VERDE FOOTHILLS COMMUNITY

Dear INSERT NAME:

As the largest private water provider in Arizona, EPCOR delivers water and wastewater service to more than 670,000 people including service to municipalities and unincorporated areas of Maricopa, Mohave, and Pinal Counties.

On INSERT DATE, EPCOR Water Arizona Inc. filed an application with the Arizona Corporation Commission (ACC) to provide limited service – specifically water standpipe services – to residents living within the Rio Verde Foothills area. It seeks to do so by establishing a tariff and a limit Certificate of Convenience and Necessity, as well as obtain certain other specific approval. EPCOR is doing is to address an untenable situation for Rio Verde Foothills residents that potentially jeopardizes their ability to live in their homes.

In order to provide this limited water standpipe service to this development, EPCOR must file an application with the ACC requesting approval to establish the limited Certificate of Convenience and Necessity (CC&N). This would be a service on a separate tariff. It would involve water resources independent of Rio Verde Utilities, Inc. The timeframe to build, should it need to construct a wholly separate system, could be at least 24-to-36 months. The cost will likely be at least $6 million (not including land acquisition and acquiring water rights) and may be double that amount, depending on what facilities are ultimately necessary.

A CC&N (even a limited CC&N) is authorized by the ACC and typically grants a utility the exclusive right and responsibility to provide water and wastewater services within a specified area under rates, charges, terms and conditions established by the ACC. A CC&N does not prohibit an individual from providing services only to themselves using their own facilities on their own property. However, other applicable laws may restrict such activity.

If EPCOR's application is granted, EPCOR will be providing a limited service to residents of the Rio Verde Foothills area. This limited water standpipe service will be subject to the rates, terms and conditions of the approved tariff that is also part of the application. EPCOR is also seeking a waiver of the CC&N rules that typically govern these types of cases, given the unique circumstances that exist in this matter.

EPCOR is providing notice of this application to any municipality within five miles of these properties. The application has been docketed by the Commission in Docket No. INSERT NUMBER. EPCOR's application is available on the ACC's website at azcc.gov, using the eDocket function.

Please feel free to contact me at (623) 445-2442 or jgellman@epcor.com if you have any questions.

Sincerely,

/s/ Jason D. Gellman
Jason D. Gellman
Associate General Counsel

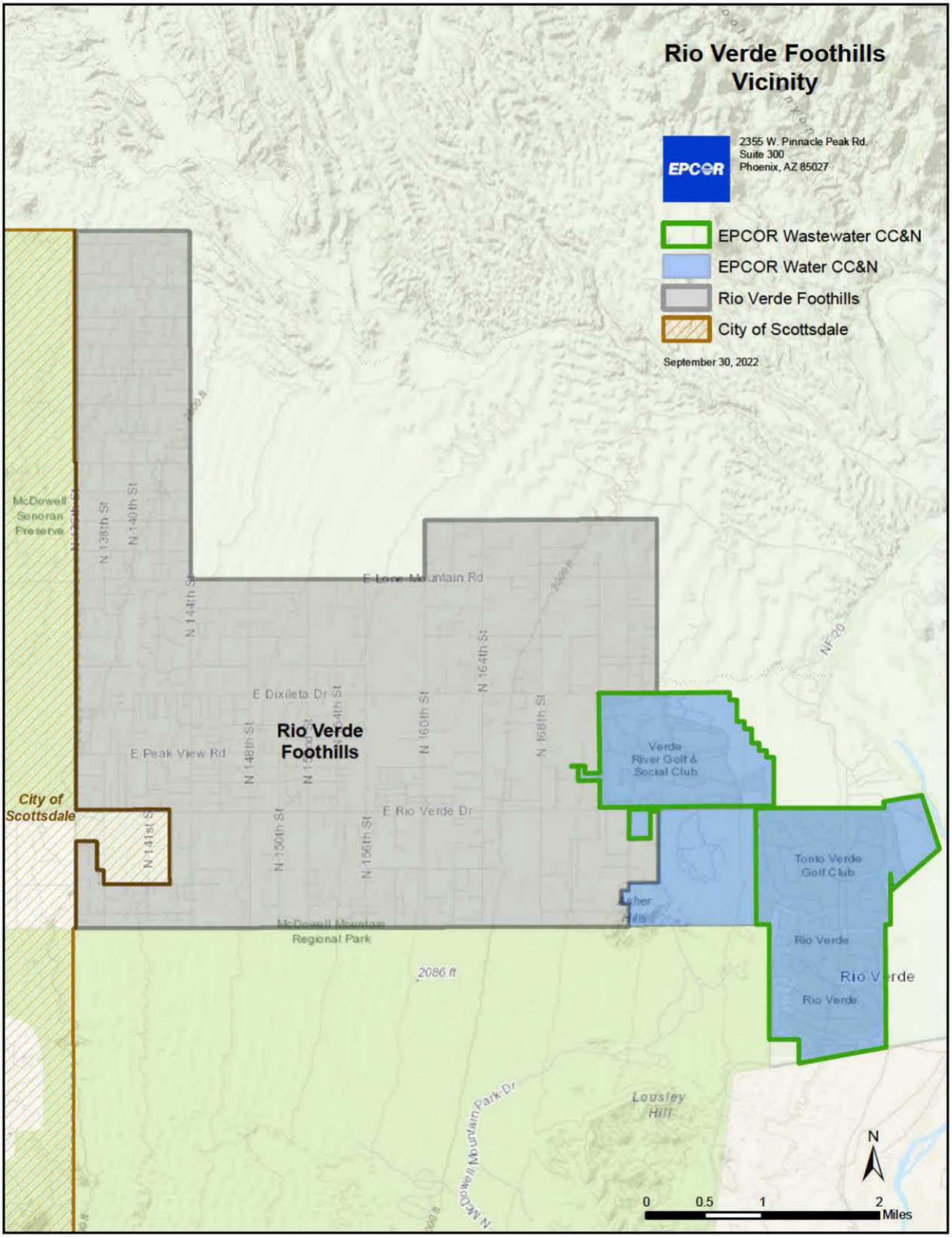
Enclosures

Rio Verde Foothills Vicinity

EPCOR
2355 W. Pinnacle Peak Rd.
Suite 300
Phoenix, AZ 85027

EPCOR Wastewater CC&N
EPCOR Water CC&N
Rio Verde Foothills
City of Scottsdale

September 30, 2022



List of Municipalities and Other Entities

Town of Fountain Hills
Grady E. Miller, Town Manager
16705 E. Avenue of the Fountains
Fountain Hills, AZ 85268
480-816-5100
gmiller@fountainhillsaz.gov

City of Scottsdale
Jim Thompson, City Manager
City of Scottsdale - City Manager's Office
3939 N. Drinkwater Blvd.
Scottsdale, AZ 85251
480-312-2800
CityManager@ScottsdaleAZ.gov

Maricopa County
Joy Rich, County Manager
Maricopa County Board of Supervisors
301 W Jefferson
10th Floor
Phoenix, AZ 85003
602-506-3415
CountyManagersOffice@maricopa.gov

Fort McDowell Yavapai Nation
Phillip Dorchester – General Manager
Tribal Office
17661 E Yavapai Rd,
Fort McDowell, AZ 85264
pdorchester@fmyn.org
480-789-7000

Tonto National Forest
Neil Bosworth,
Forest Supervisor, Tonto National Forest,
Tonto National Forest Supervisor's Office
2324 E. McDowell Road
Phoenix, Arizona 85006
(602) 225-5200
neil.bosworth@usda.gov

Maricopa County Environmental Services Department
Eric Matson,
Division Manager Water and Waste Management
301 West Jefferson Street, Suite 170
Phoenix, AZ 85003
Eric.Matson@maricopa.gov
(602) 506-6616

Exhibit 7

Affidavit

State of Arizona)
) ss.
County of Maricopa)

Thomas A. Loquvam, being duly sworn, deposes and says:

1. I am a resident of Maricopa County, over 18 years of age, and make this affidavit based on my own personal knowledge.

2. I am the General Counsel and Vice President of Public Policy for EPCOR Water Arizona Inc. (the "Company").

3. I hereby certify that the Company's Application (1) for approval of its proposed standpipe water tariff; and (2) establishment of a Certificate of Convenience and Necessity for standpipe water service only to the Rio Verde Foothills community was prepared and filed under my direct supervision.

Dated this 13th day of October, 2022.

Thomas A. Loquvam

SUBSCRIBED AND SWORN to before me this 13th day of October, 2022 by Thomas A. Loquvam.

Notary Public State of Arizona
Maricopa County
Julie Lynn Ebert
My Commission Expires 8/13/2025
Commission Number 610447

Notary Public

My Commission Expires:
Aug 13, 2025