



## RESIDENTIAL UTILITY CONSUMER OFFICE

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1110 WEST WASHINGTON • SUITE 220 • PHOENIX, ARIZONA 85007 • PHONE: (602) 364-4835 • FAX: (602) 364-4846

Janice K. Brewer  
Governor

Patrick J. Quinn  
Director

### **FOR IMMEDIATE RELEASE**

CONTACT: Residential Utility Consumer Office  
1110 W. Washington, Suite 220, Phoenix, AZ 85007  
Website: [www.azruco.gov](http://www.azruco.gov)  
Toll Free 1-866-274-6899  
602-364-4838

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### **ATTENTION CUSTOMERS OF THE ARIZONA WATER COMPANY: YOUR RATES ARE GOING UP!**

Pat Quinn, Director of the Residential Utility Consumer Office, is alerting the Bisbee area of a recently approved Arizona Corporation Commission rate increase for the Arizona Water Company that allows them to unfairly double collect from customers.

Mr. Quinn said, "Only two of the Commissioners – Brenda Burns and Bob Burns -- stood up for the ratepayers, and voted against the dual rate hike -- approximately \$1,400,000 to be taken from customers over a five year period."

Affected Bisbee customers are facing a \$3 per month hike in their water bills – a 9 percent increase over the next three years. The first of these increases is \$.82 per month and could become effective as early as July.

Mr. Quinn emphasized, "RUCO is not opposed to just and reasonable rates for water users. But what three of the five Commissioners have done is neither just nor reasonable."

Rather than grant the Company a fair return on equity as it recently did for the Company's Western Group, the Commission granted the utility a higher return on equity, far in excess of the norm. The Commission said it made the higher grant because of the "...increased need for infrastructure replacement and improvement."

But then the Commission took an unprecedented step to further benefit the Company. On top of higher return on equity, the Commission in this same case, subsequently approved a new cost recovery mechanism -- called a System Infrastructure Benefit Charge ("SIB") -- to also address the same need for infrastructure replacement and improvement.

In other words, said Mr. Quinn, "Bisbee ratepayers will be paying for the Company's infrastructure needs twice."

The effect on ratepayers is higher unsupported rates. This is a dangerous template for other utilities, in other potential cases, which unfairly threatens the pocketbooks of Arizona ratepayers.

As Commissioner Brenda Burns said, "AWC ratepayers should not be asked to pay for an elevated return on equity while also being the test case for a newly approved SIB."

In fact, the Commission's presiding judge ruled in favor of RUCO's position on the double counting issue.

Also agreeing was Commissioner Bob Burns who said, "RUCO met its burden of proving that in light of the SIB, as well as facts specific to this case, modifying the ROE downward is the only reasonable course of action. Permitting the company to receive both a SIB and an elevated ROE is not in the best interest of the ratepayers."

Mr. Quinn said RUCO also believes the SIB is unconstitutional in Arizona.

Arizona's Constitution requires that the Commission determine the fair value of a utility's property in order to set just and reasonable rates, something that is evaluated in a full rate case. There are limited exceptions, of course, but such rate adjustors outside of a rate case are the exception rather than the rule.

RUCO does not believe that the SIB qualifies as an exception to the fair value requirement nor that the SIB results in a meaningful fair value finding. There is nothing exceptional about the infrastructure in question and no reason why the routine infrastructure cannot be considered under traditional ratemaking with all the tried and true ratepayer safeguards associated with it.

The SIB acts as a one-way mechanism. It can only INCREASE the revenues of the utility. In short, the SIB will NEVER reduce rates for the benefit of the ratepayer.

Mr. Quinn said RUCO is fighting the Commission's position and has challenged the constitutionality of the SIB and fairness of the double counting in the Arizona Court of Appeals. RUCO is hosting public meetings around the state in areas affected by the rate increase, encouraging ratepayers to write, call and e-mail their disapproval to the Arizona Corporation Commission.

All interested citizens in the Bisbee area are invited to attend the public meeting on this water rate increase scheduled to be held Tuesday, June 17, 2014 at 5:00 p.m. in the Council Chambers of City Hall, 118 Arizona Street, Bisbee, Arizona.