

Consumer advocate challenges automatic water rate hikes

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(Photo: azcentral)

Residential Utility Consumer Office Director Pat Quinn is not giving up his fight to save 33,000 customers of Arizona Water Co. from paying higher bills.

RUCO has taken the Arizona Corporation Commission to court over a decision to grant a rate hike to the company.

The ACC regulates utilities and approves their rates. RUCO is a state office created to stand up for consumers in the rate cases, which proceed much like court cases.

Often, those cases end up with a settlement agreement where the utility, RUCO and other interested parties agree on some level of rate increase, but not the Arizona Water Co. case.

The affected residents are dispersed in Apache Junction, Superior, Miami, Bisbee, Sierra Vista, San Manuel, Oracle, SaddleBrooke Ranch and Winkelman. Arizona Water has other customers in other territories.

The case dates to 2011, when the company asked for a rate increase and a new mechanism that would allow it to raise rates between the lengthy rate cases. The mechanism essentially would allow the company to submit the expenses incurred in a given year to upgrade its water-delivery system and get an almost automatic rate increase.

But the state Constitution makes it unclear whether this particular mechanism is legal. The Constitution says that the Corporation Commission must base rates on a "fair value" rate base finding. In other words, it almost requires a rate hearing for increases. Though there have been exceptions, including the almost automatic adjustments to rates that electric utilities make to their rates for expenses such as power plant fuel.

Unclear on the constitutionality, the commission last year delayed a decision on the auto rate increases, but gave the company a base rate increase with an allowed rate of return of 10.55 percent, higher than usual. The rate of return is essentially the amount of money the company is allowed to earn over and above what it has spent running its business.

Discussion on the auto increase continued. Before the five elected commission members vote on a rate hike, they get a recommended order from an administrative law judge. The judge in this case said the automatic rate adjustments were legal, but the 10.55 percent rate of return should be lowered to 10 percent accordingly, since it had only been raised to compensate for not having the auto rate increase in place.

And here is where Quinn and Ruco get frustrated. The Commissioners voted 4-1 to allow the auto rate increases, but didn't lower the rate of return as the judge suggested. That means the company gets both the higher profitability and the auto increases.

"We want the (utility) customers to know that they are going to get stuck twice on this," Quinn said.

The issue was reheard, but again the commissioners voted for both the auto increases and the 10.55 percent return rate.

RUCO then took its case to the Arizona Court of Appeals. It may hear arguments this fall.

In the meantime, the company has filed for its first auto rate increase, and it looks like it will cost customers an additional 82 cents a month.

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