



Published on *The Sierra Vista Herald* (<http://www.svherald.com>)

[Home](#) > Hearing considers big jump in water bills

Hearing considers big jump in water bills

By *Shar Porier*

Created Jun 23 2014 - 4:12pm

State commission approves double increase

BISBEE – Though the Arizona Corporation Commission members have approved, in a split vote, to permit Arizona Water Company (AWC) to raise water rates, the Arizona Residential Utility Consumer Office is now appealing that decision in court.

According to Patrick Quinn, director of the Arizona Residential Utility Consumer Office (RUCO), commissioners Bob Stump, Gary Pierce and Susan Smith approved two accounting procedures for the same infrastructure improvements. The first is a new rate hike system known as a System Improvement Benefit (SIB). This method allows a company to improve its infrastructure through rate increases before the official hearings on increases is held before the Arizona Corporation Commission (ACC).

SSVEC's New ^{FREE} Energy Audit

A detailed and personalized report that can help you reduce energy use. Information on available incentives, zero percent "retrofit" loans and other programs. To find out more about our new **FREE** energy audit, call us at **520-515-3497**.

Sulphur Springs Valley Electric Cooperative, Inc.
A Sustainable Energy Cooperative

www.ssvvec.org

Like us on Facebook.com/SSVECAZ

MAXimize your savings!

The second is a Return on Equity, which is the amount of money a company can earn annually over the cost of operating its services.

“The SIB was coupled with an intentionally inflated return on equity of 10.55 percent,” noted Quinn during a presentation to the Bisbee City Council last week. “Due to the commissions’ approval, AWC can now ‘double collect’ approximately \$1.4 million from rate payers over a five-year period.”

Though AWC did not ask for the two methods of rate increases, the commissioners voted to give them both, Quinn said during an interview.

AWC has plans to upgrade the water systems in the Superstition, Cochise and Falcon Valley groups, which are in need of repair and replacement. The Cochise Group includes 6,604 customers in Bisbee and Sierra Vista. Customers will see a \$3 per month increase in their monthly bills beginning July 1, Quinn said.

ACC gave the water company a 10.55 percent increase in return on equity, much higher than the other AWC groups in the state which were around the 9.5 percent median, said Quinn.

“Arizona’s Constitution requires certain taxpayer safeguards,” explained Quinn. “RUCO believes the commissioners have side-stepped those safeguards and is suing the commission for that violation.”

The group has the support of the two ACC members who voted against the double-hike, Brenda Burns and Bob Burns. Both state in letters of dissent that they do not believe that the two increases are in the best interests of consumers.

SIB provides companies with the money needed to make repairs and upgrades to facility systems and lines in a more timely manner, thus reducing rate shock while ensuring system integrity and reliability, writes Bob Burns.

However, to include a 10.55 percent return on equity for AWC leads to a duplication of costs, both Bob and Brenda Burns say.

RUCO went before Administrative Law Judge Dwight Nodes and the judge recommended the 10.55 rate be lowered, stating in his March 24 decision: “The 10.55 percent return on equity no longer reflects a reasonable or appropriate cost of equity and should be reduced to 10 percent.” He went on to say that the reason he was recommending the lower rate was “due to the duplicative purpose.”

The commission rejected the judge’s recommendation and in April granted both methods of recouping costs.

Quinn emphasized, “The adoption of both a higher return on equity and SIB establishes a dangerous precedent and encourages companies to seek a SIB and return on equity to address the same infrastructure needs, effectively resulting in double recovery. Ratepayers should not have to pay twice for the same infrastructure.”

RUCO is taking the matter to Appeals Court and hopes to have the case heard in October or November.

Talk About This

The Arizona Residential Utility Consumer Office (RUCO) is coming to the Sierra Vista community to alert residents about a recent Arizona Corporation Commission decision that is going to affect water rates. It is not unusual for rate cases to result in rate increases, but what makes this case different is that this particular rate increase means customers of the Arizona Water Company will now have to pay twice to cover the same cost.

All interested citizens in the Sierra Vista area are invited to attend a meeting on this water rate increase. The meeting will be a public forum to be held Wednesday, June 25 at 6 p.m. at the Sierra Vista Public Library, 2600 E Tacoma St.

George Favela, RUCO

For more information, visit the RUCO website at: <https://ruco.az.gov/> [1].

If you find a correction for this story, [please contact our editorial department](#) [2]

[Local News](#) [Shar Porier](#) [Herald/Review](#)
[Home](#) | [Mobile](#) | [About Us](#) | [Contact Us](#) | [Career Opportunities](#) | [Get home delivery](#) | [Media Kit](#) | [Terms of Service](#)

102 Fab Ave
Sierra Vista, AZ. 85635
520-458-9440



Source URL: <http://www.svherald.com/content/shar-porier/2014/06/23/380934>

Links:

[1] <https://ruco.az.gov/>

[2] <http://www.svherald.com/contact>