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## COMMENTARY: RUCO had it right the first time

By *svadmin*

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In a June 28 commentary for the *Sierra Vista Herald*, Bill Garfield, President, of Arizona Water Company, accused the Residential Utility Consumer Office (RUCO) of “misinformation” and “scare tactics” in alerting customers of Arizona Water Company of an impending hike in their water rates.

But, it is Mr. Garfield who is misleading the public.

Gov. Jan Brewer appointed me as director of RUCO to protect the Arizona ratepayer, and that is precisely what I am doing.

I came to Sierra Vista on behalf of RUCO to present the facts related to the Arizona Corporation Commission's 3-2 decision, in the Arizona Water Company rate case. That decision, led by Commissioner Susan Bitter Smith, granted Mr. Garfield's company both a higher return and an accounting mechanism – called a System Infrastructure Benefit Charge ("SIB") – for exactly the same purpose, ostensibly to address the company's need to replace its aging infrastructure.

The result is just as I said: Ratepayers in affected areas, including Sierra Vista, will be paying twice for the same infrastructure replacement.

But perhaps the most egregious aspect for Sierra Vista ratepayers is the infrastructure contemplated in documents filed by the company does not include any infrastructure upgrades for Sierra Vista.

Stated another way, not only will the Sierra Vista ratepayer be paying twice for the same infrastructure upgrades, it will be paying for upgrades in Bisbee — not in Sierra Vista.

Mr. Garfield trivializes the fact that his customers will see 82 cents per month added to their average bill. However, this charge will grow to \$3 by their next rate case in three years, according to the company's own plans filed at the Commission.

The SIB mechanism allows the Company to have a near automatic path to increase rates between rate cases. In return for all the safeguards given up with the SIB, Sierra Vista ratepayers receive a paltry 5 percent "efficiency credit." So, for every \$1 increase in revenues Arizona Water Company pockets, its customers receive only 5 cents in savings – hardly a fair and equitable deal for ratepayers.

In this case there was a real question as to whether the company was properly maintaining its infrastructure over the years. This was particularly relevant since this company has been paying yearly dividends of approximately \$4 million.

If, as the company suggests, "replacing aging and failing water infrastructure is critical," why did the company neglect investing a portion of those profits into their system?

Most importantly, why would Corporation Commissioners Bob Stump and Gary Pierce join Susan Bitter Smith in rewarding the company with a rate-enhancing mechanism under these circumstances?

Mr. Garfield boasts that his company is providing customers with clean, reliable drinking water. But, that's his job. It's called a regulatory compact for a reason, and that's why we allow monopolies to exist.

Mr. Garfield implies that I am disingenuous in my presentation of the facts. He further asks that the public accept his word, rather than the word of Arizona's ratepayer advocate.

So, let me sum it up this way: Mr. Garfield reports to his shareholders. My job is to protect and inform ratepayers. I have no economic incentive to "misinform" the public.

I think Sierra Vista ratepayers will understand who is looking out for them, and who is not.

**PAT QUINN** is the director of the Arizona Residential Utility Consumer Office.

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