

Fountain Hills residents urged to fight water-rate increase



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(Photo: The Republic)

The Arizona Corporation Commission likely will be bombarded with e-mails and letters from Fountain Hills residents outraged over the water rate increase it approved for EPCOR Water.

At its Aug. 7 meeting, the Fountain Hills Town Council received a report from the Residential Utility Consumer Office — RUCO — on its efforts to fight the rate increase. The office was created by the Legislature in 1983 to defend ratepayers' interests in utility rate cases.

The council directed Town Attorney Andrew McGuire to continue working with RUCO and provide an update at a future meeting.

In its application, filed in April 2013, EPCOR requested a 34.8 percent rate increase for its Chaparral district, which includes the town's 13,600 customers.

This would have resulted in a \$13.18 increase in the average monthly rate for residential customers.

Commission staff recommended an 11.23 percent increase, while RUCO proposed a 7.87 percent increase. Administrative Law Judge Teena Jibilian filed her opinion and order for a 16.28 percent increase, but the commission instead voted to give EPCOR a 17.81 percent increase, or \$6.74 per month for the average residential ratepayer.

Fountain Hills was an intervenor in the case and joined the commission staff's rate recommendation.

EPCOR's rate request would have resulted in a \$2.7 million revenue increase, while the commission's approved rate provides more than \$2 million in additional revenue, said Robert Mease, RUCO's chief of accounting and rates.

He said residents should send letters, e-mails and petitions to commission members urging them to reconsider the approved increase. Commissioners Brenda Burns and Bob Burns asked for the commission to reconsider its decision, but no other commissioners were interested.

Information about submitting comments and e-mailing commissioners is available at azcc.gov.

The increase approved by the commission will cost ratepayers \$428,549 more in the first year than was recommended by the judge, Mease said.

The commission also approved a system-improvement-benefit surcharge, which allows EPCOR to replace infrastructure and charge ratepayers to cover those costs between rate cases, he said. That amounts to an additional \$8.58 per month for the average residential ratepayer over five years, he said.

"They do have to go back and get reapproval, but no one has not been allowed to have a system-improvement-benefit charge yet," Mease said.

"Typically these are the same type of projects that they're supposed to do and then come in and seek recovery. That's the normal rate-case format that you do. In this case, they're putting it into the ground and seeking recovery without a rate case."

In addition, the commission approved other adjustments, such as a tank-maintenance expense, which will increase company revenue by more than \$200,000, he said.

Mayor Linda Kavanagh said she has been contacted by numerous residents who were upset when they opened their latest water bill. She called the increase outrageous and said the commission did not take ratepayers into consideration.

"I know that as people start to get their bills, they are going to be pretty much in shock at how much this is going to increase, and it's not only this year, but each year they'll be allowed to increase without having to go back for another hearing," she said.

Jim McKee, EPCOR's vice president of corporate services, said his company received a lesser increase than requested, and had previously disclosed that it was applying for a system-improvement-benefit surcharge to allow for a gradual increase. It also will help to finance underground infrastructure that must be replaced, he said.

The surcharge is a mechanism to ensure any future rate increases would be lower, he said.

Mease said his office has filed a court petition challenging the surcharge, and the court should consider it before the end of the year.

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