

RUCO wants citizens to object to water rates

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The Arizona Residential Utility Consumer Office is urging Fountain Hills residents to contact the Arizona Corporation Commission and ask that the recent rate case for Chaparral City Water Company be reheard.

RUCO representatives were at the Aug. 7 Town Council meeting to outline their concerns about the rate structure.

RUCO and the town have made formal applications for rehearing the case, however, they noted that the only thing that may sway the commission members is hearing from citizens.

Of particular concern is the implementation of a SIB (System Improvement Benefit) program that could nearly double customer rates over a five-year period without the public hearing process.

Robert Mease, accounting chief for RUCO, said the SIB plan CCWC and its parent company, EPCOR, have submitted to the commission reflects an annual increase of about 3.8 percent over each of the next five years.

Mease said that at the end of the five-year period the base rate would increase by about \$9, or 43 percent, to roughly \$54.

The SIB program allows for CCWC to increase rates annually based on infrastructure improvements outlined in its plan, but only after the work is completed.

RUCO also believes that the commission paid little heed to its own administrative law judge and staff recommendations and based its rate decision on company interests.

Mease explained that the rate increase is based on projected revenue requirements for the company. In its original application EPCOR asked for \$2.7 million.

He noted that the administrative law judge who heard the case for the ACC recommended a total of \$1.6 million, and ACC staff proposed a \$1.3 million increase (the RUCO recommendation was at \$754,940).

The commissioners ultimately approved an increase of more than \$2 million.

“The additional revenue of \$428,549 approved by the commission represents a 26.4 percent increase over and above what the administrative law judge recommended,” Mease said.

“The additional increase was approved by the commissioners and not one asked the effect the additional increase would have on the ratepayers.”

That rate increase does not include the SIB program.

RUCO Chief Counsel Daniel Pozefsky said that if the commission fails to act on a rehearing, RUCO would likely appeal only the SIB decision in court.

Pozefsky said a judge is unlikely to overrule an elected commission in areas where it has discretion. However, he said he believes the commission overstepped its authority in authorizing the SIB plan for EPCOR.

The SIB was designed to assist struggling companies pay for infrastructure improvements they desperately need to deliver safe and reliable water, according to Pozefsky.

He said that is not the case with EPCOR. The company has a very strong return on equity position and, according to Pozefsky, even admitted in testimony it could have waited until its next rate case to cover the infrastructure costs.

Jim McKee, vice president, corporate services for EPCOR, told the council that the company was looking to spread out the financial burden so as not to have to ask for a large increase the next time it goes to the ACC for a rate hearing.

Without a rehearing, the rate increase approved by the ACC in June, along with an upward adjustment to correct an error in calculating the rate schedule, will remain in effect.

EPCOR is owned by the City of Edmonton, Alberta, Canada, which purchased CCWC in 2011. It has since expanded by acquiring other companies in Arizona and other locations in the U.S.

Residents can contact the ACC through its website at azcc.gov. There is a place on the home page to access a comment page. The docket number for the case is W-02133A-13-0118.

The phone number for the commissioners' offices is 602-542-2237.

The mailing address is ACC, 1200 W. Washington St., Phoenix, AZ 85007-2996.

The current members of the commission include Chairman Bob Stump, Gary Pierce, Brenda Burns, Susan Bitter Smith and Bob Burns.