

EPCOR restructuring would hike Sun City, SCW wastewater rates

By Jeff Grant, DAILY NEWS-SUN | Posted: Monday, August 11, 2014 10:53 pm

Monthly wastewater-treatment rates would nearly double for about 23,000 Sun City households while rising by almost 10 percent in Sun City West under a proposal by EPCOR to consolidate its five current wastewater, or sewage, service districts into one area for billing purposes.

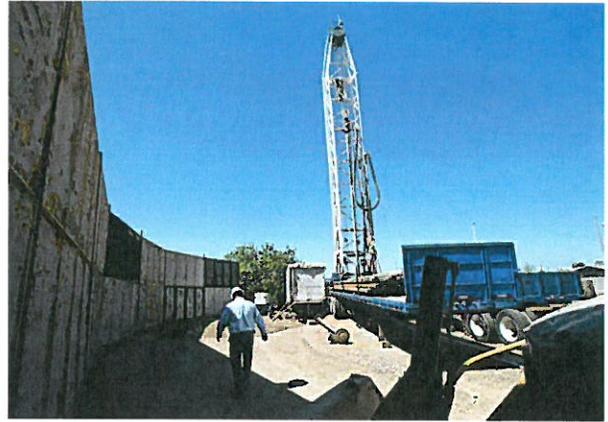
The proposal does not cover water service for purposes such as drinking, cooking and bathing.

EPCOR officials say the plan is the most equitable for spreading the millions of dollars in costs of future improvements to its aging infrastructure. Company staff drew up the blueprint over the past several weeks in response to an order by the Arizona Corporation Commission July 22 to review the matter. The panel voted 5-0 for the study to address steadily mounting customer complaints in recent years over climbing wastewater rates and wide disparities in levels charged to customers over EPCOR's various service areas, which include the districts of Agua Fria, Anthem, Sun City, Sun City West and Mohave. The Agua Fria District includes the gated retirement community of Corte Bella.

"EPCOR continues to support full consolidation of its wastewater districts as the best long-term solution to address concerns raised by its customers, but more importantly as the most equitable approach in the long term for establishing rates to recover the reasonable expenses and capital expenditures that will ultimately impact every district at some point in the future," wrote company attorneys Thomas H. Campbell and Michael T. Hallam in an Aug. 8 report to the ACC.

Three options weighed

While technically not a request to raise rates, the consolidation plan draws upon a study of three options to address customer rate complaints. EPCOR officials also looked at further dividing up the Agua Fria District and re-combining its Anthem and Agua Fria districts, which were split in May 2012. Commissioners at that time backed arguments from Anthem officials that the two areas



EPCOR

Workers continue to drill a new well for EPCOR near the intersection of 111th and Alabama avenues in Sun City April 17. Replacement of aging infrastructure is a key factor in the utility's call for restructuring of its wastewater rate districts.

were too far apart and that Anthem customers were subsidizing treatment facilities in the Agua Fria portion of the district they had no access to. These arguments were restated by Anthem officials during the July 22, 2014, ACC meeting at commission headquarters in downtown Phoenix.

In rejecting the option to put the two districts back together, EPCOR attorneys in their Aug. 8 report agreed with Anthem officials, citing the commission's own earlier language in approving the 2012 break up of the combined Agua Fria/Anthem service area:

“Good public policy requires the Commission to correctly assign cost responsibility for all ratemaking components in as expeditious manner as possible, and deconsolidation of Anthem/Agua Fria Wastewater District is consistent with such action.”

The third option considered by EPCOR over the past two weeks would have involved further splitting up the current standalone Agua Fria Wastewater District. EPCOR would have divided the district into areas covering the planned developments of Verrado near Buckeye, Russell Ranch near Litchfield Park and an area comprised of the developments of Corte Bella, Cross River, Dos Rios and Coldwater Ranch, all of which are located within several miles of one another in the Happy Valley Road, Loop 303 area northeast of Corte Bella.

EPCOR attorneys noted in the Aug. 7 report that further dividing up the Agua Fria District would draw opposition from some areas, such as Verrado, where residents feel their new rates would be disproportionately high. Corte Bella residents would reject the notion as well, having wanted to remain within a larger district to keep their costs down. At present, Corte Bella is continuing to lobby for inclusion in the Sun City West Wastewater District, a move that would bring Corte Bella rates down while hiking them in the Sun City West District.

EPCOR's attorneys also cited the costs in money and time to work out further division of the Agua Fria district. They said it would take six months to a year to segregate all construction costs and advances and contributions to each subarea, citing the amount of data involved. EPCOR also would need to work out details in setting aside investment and operating costs of the Northwest Valley Water Reclamation Facility, which serves both the Agua Fria and Sun City West districts.

“Further deconsolidation of the Agua Fria Wastewater District presents a number of challenging and costly issues,” EPCOR's attorneys wrote.

By contrast, the attorneys stated that forming one companywide wastewater service district would produce a number of advantages for the company and its users. They include:

Lower administrative costs and unified customer accounting and billing systems,

A reduction in attorneys, staff fees and time spent on rate cases since there would be far fewer of them,

Standard customer-service policies and rates, and

A reduction in customer confusion over the differing rate schedules.

Higher bills

Under a single companywide district, residential customers would be charged a flat monthly fee of \$34.30. A single-commercial customer would pay \$81.59, while a multi-unit commercial customer would pay \$301.

But while the change would drop rates for customers in smaller service areas, including Corte Bella, it would raise them in both the Sun City and Sun City West districts. In Sun City, the hike from the current monthly charge of \$18.11 would be about 88 percent. In Sun City West, average bills would rise 9.8 percent above the present \$30.94.

It is those hikes that have local officials and area state legislators fuming, and calling for residents in both districts to write or e-mail the Corporation Commission to fight the plan.

“The whole cost shift dumps on the two Sun Cities. It raises our rates and lowers the rates of the other three districts. We are the ones who are paying the freight and handing out the Christmas presents,” said Bill Hansen, president of PORA, the Property Owners and Residents Association of Sun City West.

“This plan works considerable financial hardship when Social Security rates have not increased in the past couple of years,” he added, noting the commission two years ago rejected a similar plan.

Greg Eisert, a member of the board of directors at SCHOA, the Sun City Homeowners Association and chairman of its Government Affairs Committee, said Sun City customers would be paying for growth in other areas that demanded new wastewater-treatment facilities and infrastructure. He said it is unfair for Sun City’s homeowners to subsidize this growth.

“Sun City was built out in the mid-1980s while other independent communities and municipalities continued their development. A number of communities were developed without a viable long-term plan, overburdening future owners with exorbitantly high rate structures. To now demand the Sun City retirement community bail out these other areas for poor choices is unreasonable. If it wasn’t in the public’s best interest to fully consolidate two years ago, it certainly isn’t prudent today,” Eisert stated in an e-mail.

District 21 state Rep. Debbie Lesko, R-Peoria, whose district includes Sun City, urged constituents write to the corporation commission, opposing the plan.

“I am I am adamantly opposed to the full consolidation wastewater scenario provided by EPCOR. An increase of 89 percent to Sun City and Youngtown waste water rates is absolutely unacceptable, and I will do everything in my power to stop this proposal from taking effect,” Lesko stated in an e-mail.

Aging infrastructure

However, EPCOR officials point out there are legitimate cost drivers to be addressed and consolidation is the fairest way to do so. The utility's infrastructure system in Sun City contains some of its oldest equipment – more than 40 years for a number of components – and the consolidation plan spreads the cost among all EPCOR customers.

Over the next five years, the utility expects to spend over \$9.3 million on regular capital improvements to its Sun City Wastewater District system and about \$4.9 million on the Sun City West system. The latter includes improving lift stations and pumps as well as a major force main replacement, Campbell and Hallam, the company's attorneys, stated in their Aug. 7 report. EPCOR also anticipates spending \$5.3 million over that time frame upgrading plant facilities and equipment in the Anthem district.

“Consolidation will smooth the rate impacts of these capital expenditures over the entire wastewater customer base,” wrote the attorneys.

While EPCOR is urging commission action prior to Jan. 1, 2015, when the final phase in of deconsolidated rates kicks in for the Anthem and Agua Fria districts, a decision from the commissioners is a number of weeks away.

EPCOR plans to provide formal written notice of its plan to all customers by Aug. 25 and is asking the ACC to accept testimony from the company, staff and interveners through Oct. 10, with the start of hearings Oct. 27. The utility wants a decision by Dec. 12.

EPCOR's report to the commission is available on the ACC website's e-docket page, edocket.azcc.gov by typing in W-01303A-10-0448 in the search bar, then clicking on the “documents” tab.