

# PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF EPCOR WATER ARIZONA INC. FOR WATER UTILITY SERVICE IN ITS AGUA FRIA, ANTHEM, CHAPARRAL, HAVASU, MOHAVE, NORTH MOHAVE, PARADISE VALLEY, SUN CITY, SUN CITY WEST, TUBAC, AND WILLOW VALLEY WATER DISTRICTS AND FOR CONSIDERATION OF CONSOLIDATION PROPOSALS.

(DOCKET NO. WS-01303A-17-0257)

30936-I-0155

## SUMMARY

On August 18, 2017, EPCOR Water Arizona Inc. ("EPCOR") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its plant and property used to provide water utility service to its Agua Fria, Anthem, Chaparral, Havasu, Mohave, North Mohave, Paradise Valley, Sun City, Sun City West, Tubac, and Willow Valley water districts; for increases/decreases in its rates and charges for such water utility service; and for consideration of consolidation proposals. EPCOR's application uses a test year ending on December 31, 2016, and proposes an overall revenue increase of approximately \$21.5 million, or approximately 19.7 percent over adjusted test year revenues of \$109,293,646. As required by Commission Decision No. 75268 (September 8, 2015), EPCOR includes in its application a proposal to consolidate all of its water districts into a single water district and provides revenue requirement data and cost-of-service studies for all of its existing water districts and the proposed consolidated district. EPCOR's consolidation proposal includes the Chaparral district created when EPCOR and Chaparral City Water Company merged as authorized by the Commission in Decision No. 76318 (August 23, 2017).

EPCOR proposes that its consolidated rate design be phased in over a five-year period for residential and commercial customers, to provide a more gradual transition to uniform rates. EPCOR also requests approval of a Power Cost Adjustor Mechanism ("PCAM") and a Purchased Water Adjustor Mechanism ("PWAM") to be used to recover all purchased power and purchased water expenses rather than having those operating expenses factored into and recovered through EPCOR's base rates. On a consolidated basis, EPCOR has calculated the proposed PCAM surcharge to be \$0.4358 per thousand gallons and the proposed PWAM surcharge to be \$0.3578 per thousand gallons.

EPCOR's proposed rates and charges, along with the PCAM and PWAM, are intended to produce the following revenue increases within each current water service district:

Water District	Fair Value Rate Base	Revenue Increase	Percentage Increase
Agua Fria	\$150,263,417	\$2,300,600	5.15%
Anthem	\$69,388,982	\$4,065,677	37.89%
Chaparral	\$44,559,091	\$3,136,716	28.72%
Havasú	\$6,651,436	\$293,488	16.29%
Mohave	\$34,147,834	\$2,583,187	33.49%
North Mohave	\$4,554,711	\$575,600	54.06%
Paradise Valley	\$49,003,590	\$1,185,451	11.72%
Sun City	\$51,025,213	\$5,870,511	49.77%
Sun City West	\$42,856,130	\$1,453,705	16.78%
Tubac	\$1,407,999	(\$141,912)	(16.97%)
Willow Valley	\$2,899,672	\$201,234	21.35%
Consolidated	\$456,758,073	\$21,524,257	19.69%

EPCOR's proposed rates and charges, including surcharges, would result in the following monthly bills for a residential customer served by a 5/8" x 3/4" meter, with monthly usage of 7,000 gallons, on a stand-alone or consolidated (and phased-in) basis:

Water District	Current Rates	Proposed Stand-alone Rates	Proposed Consolidated Rates (with 5-Year Phase-In)				
			Year 1	Year 2	Year 3	Year 4	Year 5
Agua Fria	\$45.93	\$50.25	\$49.94	\$49.68	\$49.48	\$47.72	\$44.95
Anthem	\$50.91	\$77.55	\$72.46	\$69.03	\$66.85	\$51.26	\$44.95
Chaparral	\$43.35	\$54.05	\$54.41	\$53.09	\$51.26	\$46.44	\$44.95
Havasú	\$55.71	\$70.38	\$67.52	\$65.99	\$63.52	\$51.27	\$44.95
Mohave	\$28.25	\$41.19	\$44.95	\$44.95	\$44.95	\$44.95	\$44.95
North Mohave	\$24.20	\$46.85	\$39.54	\$40.90	\$42.60	\$44.17	\$44.95
Paradise Valley	\$34.96	\$58.93	\$41.57	\$42.20	\$43.26	\$43.77	\$44.95
Sun City	\$20.85	\$30.14	\$26.62	\$28.21	\$29.19	\$39.01	\$44.95
Sun City West	\$34.97	\$42.00	\$39.83	\$40.23	\$41.01	\$42.98	\$44.95
Tubac	\$64.40	\$66.84	\$67.51	\$65.99	\$63.52	\$51.27	\$44.95
Willow Valley	\$69.86	\$102.43	\$67.52	\$65.99	\$63.52	\$51.27	\$44.95

\* Proposed rates for Anthem and Chaparral are based on a 3/4-inch meter.

In addition to the above, EPCOR requests approval of a System Improvement Benefit ("SIB") mechanism for all of its current water districts other than North Mohave and Tubac, to recover a return on and of net investments made between rate cases for mains, service lines, valves, hydrants, and meters and to be administered consistent with the currently approved SIB mechanism for Chaparral. EPCOR estimates that SIB-eligible investments will total approximately \$49.9 million for the period from 2018 to 2022. EPCOR estimates that in year 5, on a consolidated basis, the monthly SIB surcharge for a residential customer served by a 5/8" x 3/4" meter would be \$1.83. EPCOR estimates that in year 5, if the current water districts are retained, the monthly SIB surcharge for a residential customer served by a 5/8" x 3/4" meter would range from \$0.41 in Anthem to \$12.90 in Willow Valley.

EPCOR also requests approval of a Property Tax Adjustor Mechanism ("PTAM") to cover increases and decreases in property taxes; a Low-Income Program in each water district that does not currently have one; a Deployed Service Member Program in each water district; a Disabled Military Veterans Credit Program in each water district; changes to its wholesale (sales for resale) tariffs; a contractual rate for Paradise Valley Country Club, and adjustment of that rate based on a cost of service study; a rate for Perryville State Prison that also applies to Luke Air Force Base; a new Effluent Tariff; a new Surface Water Treatment Tariff; and changes to its Agua Fria Hook-Up Fee Part B.

**NEITHER THE COMMISSION'S UTILITIES DIVISION ("STAFF") NOR ANY INTERVENOR HAS YET MADE ANY RECOMMENDATION REGARDING EPCOR'S APPLICATION. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF EPCOR, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RELIEF TO BE GRANTED IN RESPONSE TO EPCOR'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS MATTER. THE FINAL RATES APPROVED BY THE COMMISSION MAY BE HIGHER, LOWER, OR DIFFERENT THAN THE RATES PROPOSED BY EPCOR OR BY OTHER PARTIES.**

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at 2355 W Pinnacle Peak Road, Suite 300, Phoenix, Arizona 85027, online at [www.epcor.com](http://www.epcor.com), by telephone at 1-800-383-0834 or by email at [ratecasequestions@epcor.com](mailto:ratecasequestions@epcor.com).

#### **How You Can View or Obtain a Copy of the Application**

Copies of the Application are available from EPCOR at 15626 N Del Webb Boulevard, Sun City, Arizona, 860 Gemstone Avenue, Bullhead City, Arizona and 12021 N Panorama Drive, Fountain Hills, Arizona and on [www.epcor.com](http://www.epcor.com); at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, during regular business hours, and on the Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-Docket function.

#### **Arizona Corporation Commission Public Hearing Information**

The Commission will hold a hearing on this matter beginning **May 14, 2018, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.

Written public comments may be submitted by mailing a letter referencing **Docket No. WS-01303A-17-0257** to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission's website ([www.azcc.gov](http://www.azcc.gov)) using "I Want To" and "Submit a Public Comment." If you require assistance, you may contact the Consumer Services Section at 602-542-4251 or 1-800-222-7000.

**If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online** (usually within 24 hours after docketing) at the Commission's website ([www.azcc.gov](http://www.azcc.gov)) using the e-Docket function.

#### **About Intervention**

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person's intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties' witnesses. **However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.**

To request intervention, you must file an **original and 13 hard copies** of a written request to intervene with Docket Control, 1200 West Washington, Phoenix, AZ 85007, **no later than November 24, 2017**. You also **must** serve a copy of the request to intervene on each party of record, on the same day that you file the request to intervene with the Commission. Information about intervention and sample intervention requests are available on the Commission's website ([www.azcc.gov](http://www.azcc.gov)) using "I Want To" and "Learn about Intervention in a Utility Case" and "Intervene in a Utility Case."

Your request to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any person upon whom service of documents is to be made, if not yourself;
2. A reference to **Docket No. WS-01303A-17-0257**;
3. A short statement explaining:
  - a. Your interest in the proceeding (e.g., a customer of EPCOR, etc.),
  - b. How you will be directly and substantially affected by the outcome of the case, and
  - c. Why your intervention will not unduly broaden the issues in the case;
4. A statement certifying that you have served a copy of the request to intervene on EPCOR or its attorney and all other parties of record in the case; and,
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31, 38, 39, and 42, as applicable.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that **all motions to intervene must be filed on or before November 24, 2017**.

#### **ADA/Equal Access Information**

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Kacie Cannon, E-mail [KCannon@azcc.gov](mailto:KCannon@azcc.gov), voice phone number 602-542-2247. Requests should be made as early as possible to allow time to arrange the accommodation.