

Communities clashing over water district consolidation

David Madrid, *The Republic* | *azcentral.com*
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Residential customers in five wastewater districts are seeing changes in their monthly bills — some increasing slightly, some decreasing significantly — as the Arizona Corporation Commission determines whether to consolidate them into one district.

The proposed consolidation has created a clash among people in various West Valley communities. Some are worried it could mean much higher costs, while others decry a lack of fairness in what they pay for wastewater, what leaves a house through drains and toilets.

EPCOR Water provides wastewater services to five districts: Agua Fria, Anthem, Sun City, Sun City West and Mohave. The utility is exploring the idea of consolidating the districts into one, which would stabilize rates by spreading them over a larger number of customers.

Outcry led by residents in the two Sun Cities, who want to keep their low rates, and residents from Agua Fria, who say their rates are too high, has led to a temporary settlement among the districts, EPCOR and the Residential Utility Consumer Office.

By the end of September, EPCOR will submit a rate case to the Arizona Corporation Commission in which it spells out its revenue requirements, costs of service and resulting rates under three scenarios: as five consolidated districts, as five individual districts and as individual wastewater systems.

Once EPCOR submits its rate application, it will take several months of review and public hearings before the Corporation Commission makes a decision.

Customers in the Agua Fria and Anthem districts lean toward consolidation as they seek to lower their rates, while those in the Sun City and Sun City West districts don't want their relatively low wastewater rates increased to help other districts. The residents, many of whom are retirees, say they bought in the communities because of low costs.

In numerous e-mails to the commission, residents say they are on fixed incomes and have seen paltry increases to their Social Security checks, and they are struggling to keep up with the ever-increasing costs of living and prescription drugs.

They plead with the commissioners to prohibit consolidation, which will increase their wastewater rates.

But residents of communities such as Corte Bella, in the Northeast Agua Fria District, say they have been hammered with unfairly high rates.

Diane Smith, chairperson of the Corte Bella governmental affairs committee, said consolidation is the only way to make rates fair across the board.

"We were going to be paying \$121 a month before even flushing a toilet," she said of the wastewater rates. "They (Sun City West) are paying \$31. That's inequity."

Roger Willis, vice president of the Anthem Community Council Board and chair of its utilities panel, said in the short-term, consolidation helps Anthem ratepayers, but they must wait until EPCOR presents its case in September to know the longer-term effects.

The temporary settlement took effect Jan. 1. The settlement terms include:

- A flat rate not based on water volume for all residential customers, except those in the Anthem District. Wastewater volume rates are based on water used by the customers, because there is no way to measure wastewater flowing out of toilets and drains from homes, said Shawn Bradford, EPCOR vice president of corporate services.
- The monthly bill for Agua Fria District customer is \$71.16, a \$35.05 reduction in rates.
- The monthly bill for Sun City District customers is \$22.11, a \$4 increase in rates.
- The monthly bill for Sun City West District customers is \$32.46, an increase of \$1.50.
- The monthly bill for Mohave District customers is \$55.55, a reduction of \$1.
- The monthly bill for Anthem District customers is a minimum of \$31.18 with a volume rate of \$4.1649 for every thousand gallons used. That is a reduction of \$2.10 in rates, with a capped total of \$60.33.
- The rates for non-residential and effluent customers remained the same.

The key to determining wastewater rates is the number of customers in a district, Bradford said. There are about 9,000 customers in Anthem, and 4,700 in Agua Fria, so when the two districts broke apart in 2012 — at Anthem's request because it did not want to subsidize Agua Fria customers — Agua Fria saw rates increase significantly.

"The company (EPCOR) took the position that consolidation makes the most sense," Bradford said. "In the long-term, it benefits everyone. You've got much more control over costs. Any cost increases that the utility faces, can be spread over a larger rate base. So you don't have huge increases. It clears up customer confusion. They don't need to really worry about where they live."

Consolidation will benefit the Sun Cities as well, he said.

With consolidation, EPCOR estimates a monthly rate of \$34.30 for all residential wastewater customers.

But Greg Eisert, director and chairman of government affairs for the Sun City Home Owners Association, said the Sun City District is unique, because its wastewater flows to the Tolleson Wastewater Treatment Plant, not an EPCOR plant. EPCOR is responsible for the wastewater lines to the Tolleson facility and pays Tolleson to treat the water.

Using the Tolleson plant has kept rates low for Sun City residents, because they don't have to pay for construction or upgrades of an EPCOR plant.

Consolidation would "impose an undue hardship on the ratepayers within the Sun City District," Eisert said, because it would increase their rates, and that is why the HOA is opposed to "full consolidation" of the five districts.

But Bradford said the Sun City wastewater pipes are old — they were installed when Dwight D. Eisenhower was president in 1959 and the 1960s — and that much of the 350 miles of pipe must soon be replaced. Sun City West pipes were installed in the 1970s, and those pipes also will have to be replaced, he said.

If the five district were consolidated, Bradford said, all the ratepayers would share the costs of replacing the pipes, which would benefit the Sun Cities. If the Sun Cities remain their own districts, their rates could eventually exceed the other districts, he said.

Some in the Sun Cities don't believe that, however.

Bill Hansen, president of the Property Owners and Residents Association of Sun City West, said EPCOR is attempting to force the Sun Cities to subsidize the other districts. He said EPCOR has provided no evidence that

the districts' wastewater pipes need to be replaced, an excuse he said EPCOR is using to scare people into supporting consolidation.

"We're 1,000 percent opposed to it," he said of consolidation.



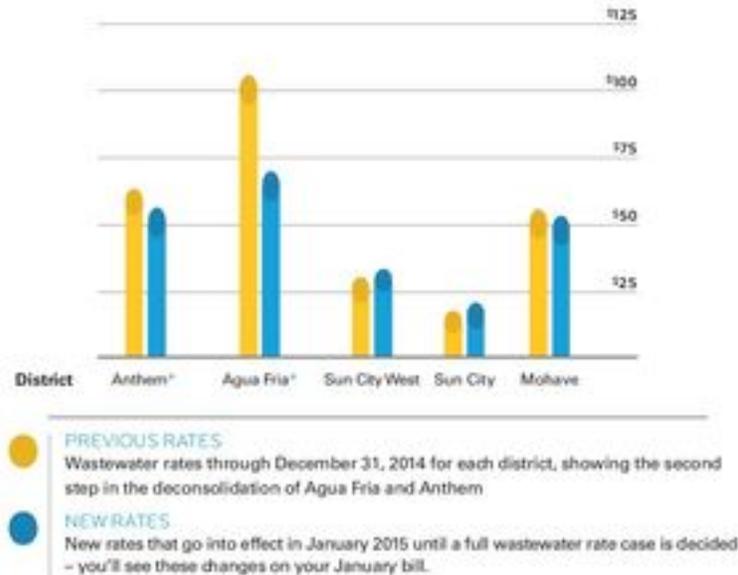
WASTEWATER RATE CHANGES – WHAT DOES IT MEAN FOR YOU AND YOUR DISTRICT?

In July 2014, the Arizona Corporation Commission (ACC) directed EPCOR Water to review wastewater rates under different consolidation and deconsolidation scenarios.

EPCOR Water, the Residential Utility Consumer Office (RUCO) and others provided information for the ACC to review. Wastewater rate design and the policy of consolidation is a complex issue – one that deserves a thoughtful and careful review. That's why RUCO, EPCOR Water and representatives from our wastewater districts reached an agreement on new rates that go into effect in January 2015.

As part of the agreement a new wastewater rate case will be filed on or before September 30, 2015. The new rate case will show what rates would look like under consolidation and deconsolidation scenarios, using current costs from 2014. The ACC will decide on the policy of consolidation as part of that rate case.

We believe this is an important first step for our customers. Read more on our website at epcor.com.



*Anthem and Agua Fria wastewater charges were comprised of a basic service charge plus a commodity charge per each 1,000 gallons of water used, up to a cap of 7,000. Under new rates, Anthem will continue to have a basic service charge plus a commodity charge. Agua Fria will move to a flat rate. Wastewater is a flat rate for residential customers in Mohave, Sun City and Sun City West.

