



RESIDENTIAL UTILITY CONSUMER OFFICE

www.azruco.gov

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October 3, 2025

The Honorable Martinez, Lopez and Shope
Arizona House of Representatives
1700 West Washington, Suite H
Phoenix, AZ 85007

RE: Consumer Requests for Assistance in Picacho Water & Sewer Company Rate Cases (Docket No. W-03528A-25-0056 & SW-03709A-25-0057)

Dear Representatives Martinez, Lopez, and Senator Shope:

Thank you for your letter dated September 25, 2025 requesting information related to the Residential Utility Consumer Office's (RUCO's) interactions with, and service to, residential utility customers—your constituents.

In response to your inquiry, I have provided details on the pending Picacho Water and Sewer Company (Picacho) rate case, RUCO's current efforts on behalf of residential customers, and RUCO's interactions with Picacho residential customers.

I. Background on Picacho Water and Sewer Company and the Current Rate Case

Robson Resort Communities (RRC) are master-planned communities designed for 55+ active adults. In November 2024, JW Water finalized and acquired eight water and wastewater systems owned and operated by a subsidiary or affiliate of RRC. The acquisition included Picacho serving Robson Ranch near Eloy, Arizona. Picacho has 1900 water customers and 1800 sewer customers. Almost all Picacho customers are residential customers.

Picacho has not had a rate adjustment since Robson Ranch was built in 1998. It has been operating off of rates set when RRC was issued its certificate of convenience and necessity to serve Robson Ranch. JW Water's testimony in the case speculates that RRC self-funded improvements to the system since that time.

On March 19, 2025, JW Water filed the first Picacho rate case at the Corporation Commission. In their filing, JW Water proposes to increase Picacho residential customer water rates by \$31.80, representing a 142.68% increase. The average monthly water bill under this proposal would be \$63.38. JW Water proposes to increase Picacho residential customer sewer rates by \$78.96, representing a 190.5% increase. The average monthly sewer bill under this proposal would be \$120.96.

II. RUCO's Current Efforts on Behalf of Residential Customers

RUCO is an agency with a staff of nine employees that represents the interests of residential customers in proceedings before the Corporation Commission. Our team is composed of lawyers, financial analysts, and accountants. We are in the process of hiring an engineer to round out our competencies in rate cases. RUCO reviews every rate case application filed at the Commission and despite limited resources, through our efforts in rate cases, RUCO has saved residential customers hundreds of millions of dollars just in the last two years.

RUCO has a tracking process for customer contact, with an agency goal of responding as soon as possible, or within a week at the latest. We also save a copy of the contacts that arrive via email or our website.

At the close of FY2025, the Commission regulated 487 utilities. These utilities are subdivided into five classes (Class A through E) based on annual operating revenues.¹ Class A companies have annual operating revenues exceeding \$10,000,000, and approximately 15,000 or more residential customers. Class A rate case applications are generally 8,000-10,000 pages, exclusive of the additional discovery and data requests needed to fully audit the applicant's financials. RUCO routinely files over 1,000 pages of written testimony and exhibits in each case, and participates in administrative hearings lasting anywhere from one week to a month or more depending on the utility. Given limited resources and staffing, RUCO has had to limit our intervention to the largest utility rate cases, primarily those defined as Class A companies.² This has been RUCO's approach for the last 20 years.

This year has been especially taxing on our resources. The Commission adopted a formula rates policy statement late last year and there has been a flood of Class A rate cases as a result. This has nearly tripled our caseload. We anticipate more Class As will be filing rate cases this fall and spring, and we will likely start seeing the first of the annual formula rates cases for each of these Class A utilities starting mid-2026. Our staff is overtaxed and we have leveraged our limited consulting budget for outside expert witnesses in order to properly evaluate and present testimony in many of these cases. Quite frankly, we don't have the resources needed to handle all the Class A rate cases and anticipated annual formula rates filings.

III. RUCO's Evaluation of the Picacho Rate Case

In June, when RUCO's evaluation of the Picacho filing took place, we had 12 cases in various stages of the ratemaking process. These cases included the two largest electric companies, and the two largest gas companies, along with several water and wastewater cases. At the time of filing, RUCO had only two in-house analysts to audit and testify in our cases. Initially, we flagged Picacho for a detailed look due to the size of the increase requested

¹ See A.A.C. R14-2-103

² For comparison, the Arizona Corporation Commission currently has 61 employees to perform the audits and testify, and a separate legal division to try cases so it can appear in all rate cases filed by regulated utilities. Even with a much larger team, they are requesting 5.5 additional auditing employees just to handle formula rates which we anticipate will only be applied to Class As, and a few Class Bs.

and the fact that rates were last set in 1998. We created a summary of the case and discussed it at length internally. In general, our evaluation looks at the complexity of the issues in the case, the substantive positions we might take, our existing case load, and our available resources, and the number of residential customers served by the utility.

After careful consideration, I decided RUCO staff were stretched too thin to be able to take on Picacho. We didn't have the funding necessary to hire outside experts or the expert staff to present the evidence required to support any positions we might take. It was simply irresponsible to add another rate case to the detriment of the residential customers in active rate cases in which we were already intervening.

Although we have not formally intervened, RUCO is tracking the Picacho case, reviewing the filings in the docket, and monitoring public comments. RUCO remains open to filing formal public comment in the docket at an appropriate time.

IV. RUCO's Picacho Customer Contact

RUCO was contacted by three Picacho Water and Sewer customers between June and September 2025. A timeline of our contacts, actions, and responses is provided below.

- June 25, 2025: Mr. Jurrs reached out to RUCO via email.
- June 25, 2025: The Director responded to Mr. Jurrs seeking a bit more information.
- June 25, 2025: Our legal counsel responded via telephone to Mr. Jurrs requesting an email summarizing his questions and concerns.
- June 29, 2025: Mr. Jurrs responded to our email with these concerns.
- July 22, 2025: Following our review and analysis of the case, the Deputy Director contacted Mr. Jurrs by phone and left a message for him to call.
- July 23, 2025: The Deputy Director missed a call from Mr. Jurrs but immediately returned the call and spoke with him regarding the rate case, RUCO's analysis of our workload and capacity/resources, and shared RUCO's decision that we were not able to intervene because we did not have the resources available. We offered assistance for questions about the process moving forward, and offered to write a letter to the docket when appropriate to do so.
- July 29, 2025: Mr. Salmon reached out to RUCO with questions about the process. He indicated their community group was meeting with an attorney and were seeking support of the community to hire legal counsel. Mr. Salmon received our contact information from Mr. Jurrs.
- July 29, 2025: The Deputy Director responded to Mr. Salmon's email indicating that we were happy to sit down with them and discuss the pending rate case and hearing procedures. We asked him to let us know when ready to do so.
- At some point in August 2025: The community group hired, and is currently represented by, legal counsel.

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- July 7 and September 22, 2025: Another resident, Mr. Jones, reached out via email indicating that he was told that when the President of the residents' committee opposing these increases of Picacho Water and Sewer reached out to RUCO for help, we lacked the resources to address this case. I missed the July 7th email and apologized to Mr. Jones when we spoke.
- September 28, 2025: The Director called Mr. Jones and spoke with him directly about the email he sent and our role. He said that he completely understood and was frustrated and upset and sent "the mean email." He has made some public comments in the docket.

We will always vigorously represent residential customers of regulated utilities in cases, as is our charge and has been the service we have consistently provided across administrations since our creation in 1983. While we appreciate the Legislature's support to hire two additional employees this year, it is still simply not enough to appear in anything but the largest utility rate cases. RUCO would welcome the opportunity to represent residential customers in smaller utility rate cases, but taking on additional rate cases would require significant additional financial support to be able to hire the team this agency truly needs.

In the meantime, we will continue to fight for the residential utility customers in Class A rate proceedings as we have done for decades. Please let me know if you have any questions or need any additional information.

Sincerely,



Cynthia Zwick, Director

cc:

Governor Katie Hobbs

Jennifer Loreda, Deputy Chief of Staff for Policy and Legislative Affairs

Blaise Caudill, Policy Advisor