

Foothills Utilities

December 20, 2023



Since Foothills purchased Far West Water and Sewer on October 6, 2022, we have invested in much-needed improvements in our infrastructure to better serve our customers. The previous owners deferred investment and maintenance and, as a result, had many compliance issues.



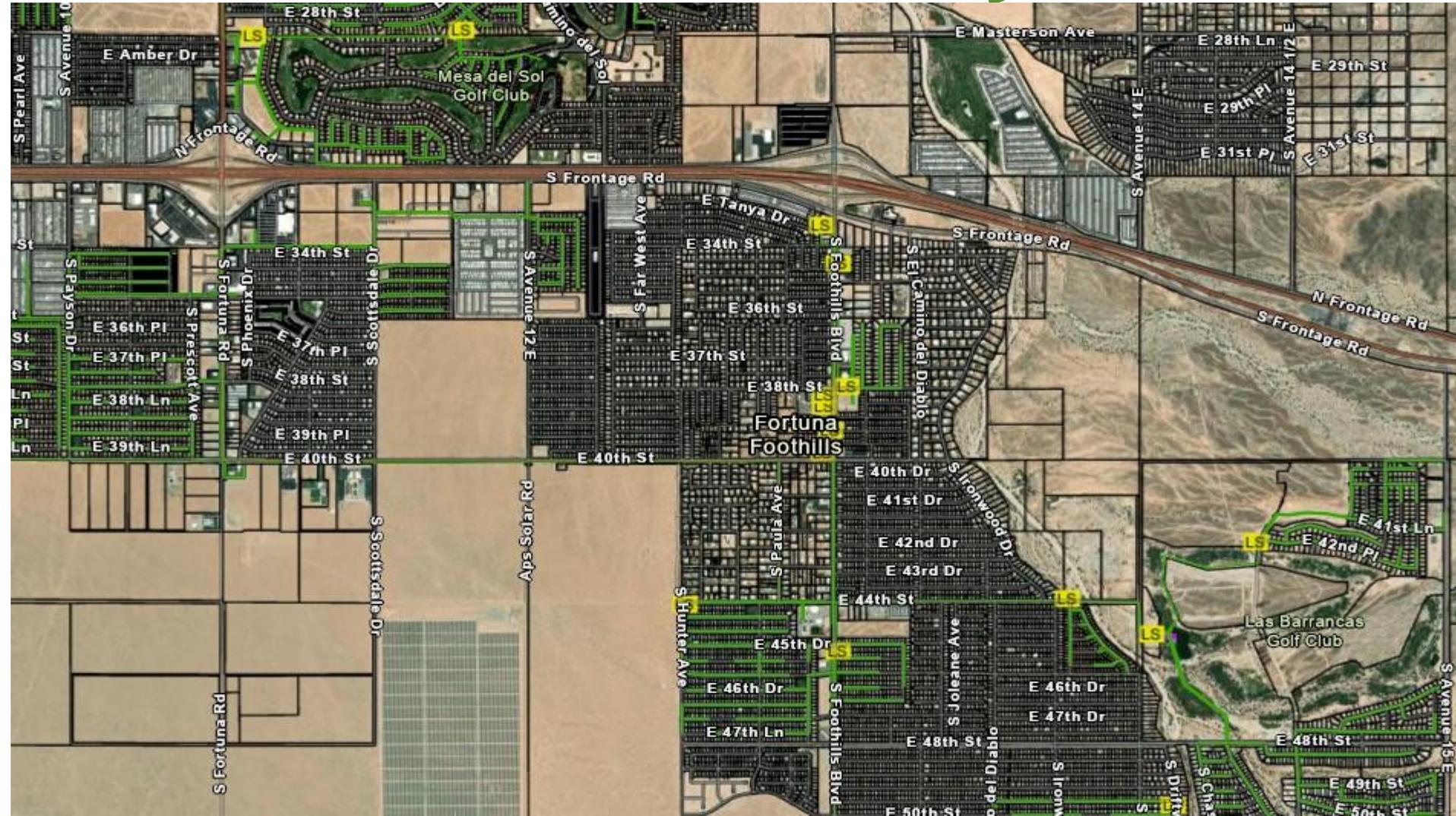
Foothills inherited an ADEQ consent order on multiple issues. After millions of dollars of investment, Foothills Utilities is now in full compliance. Foothills has also completed a CC&N expansion with the ACC and achieved our 100-year water availability approval with ADWR. Foothills strives to ethically improve the water and sewer utility beyond industry standards and compliance and practice good community relations.



Foothills was in triage mode for months but has now reached compliance and has many important investments to make to remain in compliance in the future. We have completed Master Planning as a road map for Water and Sewer to prioritize these crucial investments. We plan on investing over \$26 million by mid-2024. These investments create the need for a rate case filed with the ACC.



Foothills Sewer System





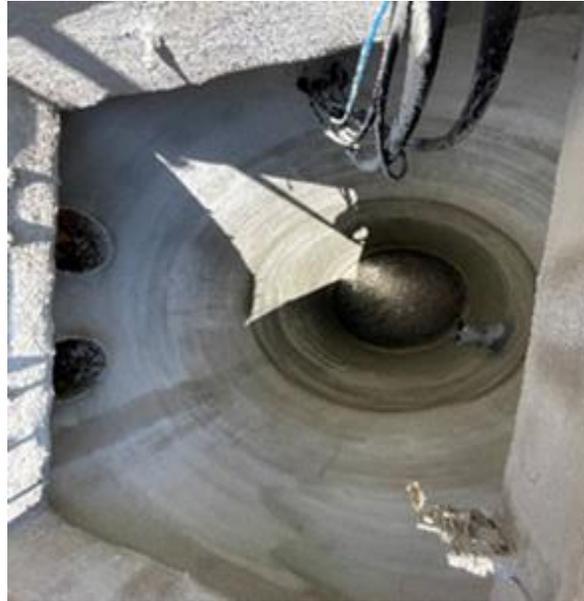
Planning and Upgrades

- *An Odor Control Plan has been completed including Trident Twister Ozone technology, greatly improving odor control.**
- *A Capacity Management Operation and Maintenance Plan has been completed(CMOM). This allows us to protect our investments in infrastructure.**
- *Supervisory Control and Data Acquisition (SCADA) upgrades are being completed for all our WW facilities and Water facilities. This improves reliability and oversight.**
- *Crucial Safety training and oversight by Safety Manager has been implemented. Our proactive Safety culture replaces a very negative safety history under prior management.**

Capital Investments and Improvements Under Foothills Utilities

Wastewater Lift Station # 12

Soffit and wet well walls, cement/coating repair completed. Southwest Environmental from Phoenix, AZ did the work. The odor control system has been replaced with the Titus Twister Ozone Odor control system.



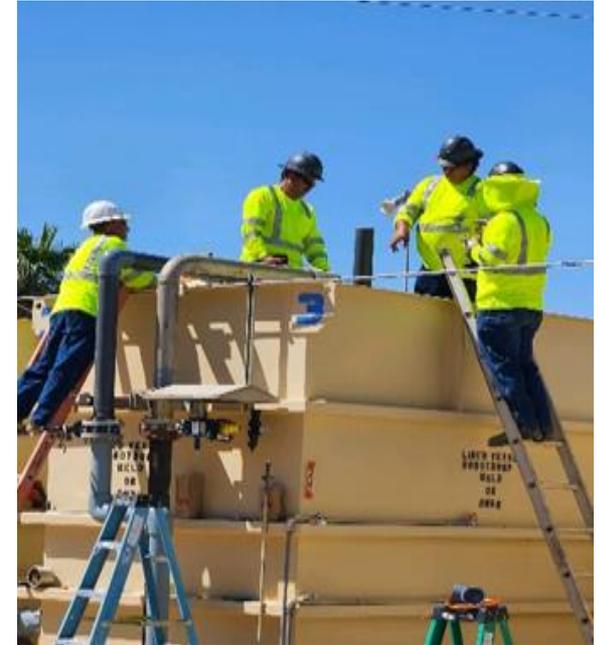
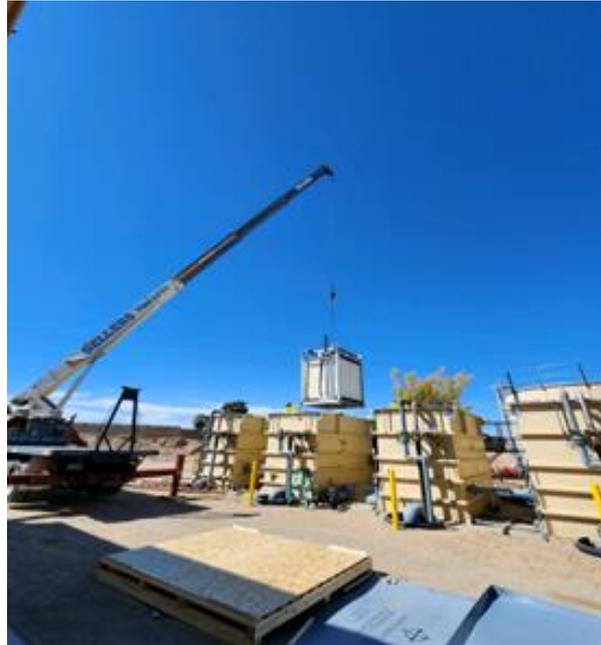
Wastewater Lift Station 40th St

The odor control system has been replaced with the Titus Twister Ozone Odor control system. A new ozone diffuser has been installed at the bottom of the Wet Well. All the alarms are operational, and the floats have been replaced with a new beacon installed at the control panel.



Membrane Bioreactor Wastewater Upgrades

MBRs (the membrane filters) were added at our Seasons, Section 14, and Del Oro Wastewater Treatment Plants



Kamstrup Automated Meter Reading (AMR) Smart Meter Installations

Kamstrup remote-read smart meters are being installed system-wide. Leak detection and reliable usage readings will be delivered by these ultra-sonic technology meters.





UTILITY MANAGEMENT SOLUTION

Foothills Utilities implemented the new UMS billing system in October of 2023. This system is a big improvement over the previous billing system.



UTILITY MANAGEMENT SOLUTION

Convenient Features

UMS offers real-time touchless customer service and payment integrations as well as other features to improve workflow such as:

- SMS TEXT AND IVR PHONE MESSAGING, PAYMENTS, AND NOTICES
- EBILLING AND EMAIL COMMUNICATION
- SECURE REAL-TIME SELF-SERVICE CUSTOMER WEB PORTAL
- ADVANCED GIS & ACCOUNTING INTEGRATIONS
- REAL TIME MOBILE METER READING
- MOBILE SERVICE ORDERS
- 3RD PARTY PRINT INTEGRATIONS
- BANK CHECK ELIMINATION
- REMITTANCE SCANNING



Decreased Costs, Increased Productivity, Improve Customer Service

Customer Self-service

CWP users can pay their bills online, set up recurring payments, manage communication preferences, sign up for e-billing, or even change their phone number/email. Users can view payment history, bill history, past usage, and much more.

Customer Communication

UMS has numerous ways to communicate with your customer base. For example, quickly add notes to users' bills or make announcements via the CWP. UMS can even send out mass communications via robocalling, text, or email.

Customer Experience

If enabled, CWP Customers can sign up for a new service online without ever stepping foot into the office. Customers can have statements, delinquencies, payment receipts, autopay notices delivered via text, robocall, email, print receipts, and more.

Rate Case Overview

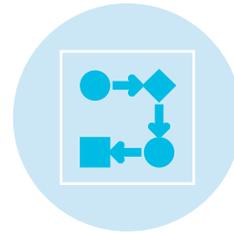
Ray Jones - Consultant



Topics



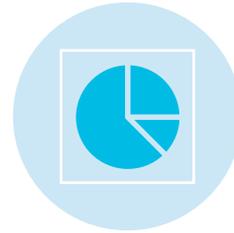
Scope



Process



Rate Increase
Request



Rate Design
Issues



Scope

- All Foothills Utilities Customers
 - Water & Sewer Customers
 - Water Only Customers
 - Sewer Only Customers
- Residential, Commercial, RV Park

Process - Timeline

- Application Filed – 10/31/2023
- ACC Issued Sufficiency – 11/30/2023
 - Begins a 360 day processing period
- Customer Notification – January/February 2024
- Staff / RUCO Audit and Testimony – May 2024
- Company Rebuttal Testimony – June 2024
- Staff Surrebuttal Testimony – July 2024
- Company Rejoinder Testimony – July 2024

Process - Timeline

- Hearing – August 2024
 - Public Comment
 - Testimony and Cross Examination
- Administrative Law Judge Review
- Recommended Order – Oct/Nov 2024
- Open Meeting – Nov 2024
- New Rates in Effect – 12/1/2024

Process - Timeline

- All Dates Subject to Change
 - Settlement – Could shorten timeline
 - Delays of 30 to 60 days are not uncommon
- Customer Participation
 - Company Public Meeting
 - Foothillsutilities.com
 - ACC – Docket WS-21182A-23-0292
 - Call Commission
 - File comment at www.azcc.gov
 - Attend Public Comment Session(s)

Process - Financial

- Capital Investment (Rate Base)
x Cost of Capital (Equity & Debt)
= Return on Investment
- + Expenses
- = Revenue Requirement
- Allocate Revenue Requirement
to Customer Classes (Rate Design)

Last Water Rate Case

- Filed March 12, 1999
- Test Year Ending September 30, 1998
- Decision No. 61833 (July 20, 1999)
 - Interim Rates
- Decision No. 62649 (June 13, 2000)
 - Rates Effective July 1, 1999
- 24 Years Since Last Water Increase

Last Sewer Rate Case

- Filed July 6, 2012
- Test Year Ending December 31, 2011
- Decision No. 74097 (Sept. 23, 2013)
 - Phase 1 Rates - Effective November 1, 2013
 - Phase 2 Rates – Effective May 1, 2014
- 10 Years Since Last Sewer Increase

Summary Investment

➤ Water Rate Base

- Test Year - Sept. 30, 1998 - \$10.9 million
- Test Year – June 30, 2023 - \$22.3 million
- 105% increase in investment

➤ Sewer Rate Base

- Test Year – Dec. 31, 2011 - \$20.0 million
- Test Year – June 30, 2023 - \$43.9 million
- 120% increase in investment

Summary – Water Filing

- Residential Customer Increase
 - \$1.80 per month – (6.89%)
 - Average Usage 6,959 gallons per month
- Conservation Oriented Rate Design
 - Inverted Tier Rates
- Overall Increase – 17.78%

Residential Rate - Water

- 100% of Residential Customers
 - 5/8" x 3/4" Meter
- Current Rate
 - \$14.73 Base Charge
 - \$1.64 per 1,000 gallons
- Proposed Rate
 - \$15.76 Base Charge
 - \$1.64 per 1,000 gallons, 0 – 3,000 gallons
 - \$1.83 per 1,000 gallons, 3,001 – 10,000 gallons
 - \$2.61 per 1,000 gallons, over 10,000 gallons

Conservation Oriented Rates- Water

- ACC Requirement
 - Inverted Tier Rates
- Conservation Oriented Rate Shifts Costs to Large Users and Commercial Customers
- Shift Cannot Be Avoided
- Relationship Between Various Rates
 - A zero-sum game
 - Lower rates for small users = higher rates for large users

Summary – Sewer Filing

- Residential Customer Increase
 - \$29.28 per month – (52.33%)
 - Current Rate - \$55.95 per month
 - Proposed Rate - \$85.23 per month
- Commercial Increase – 53.67%
- RV Park Increase – 50.87%
- Overall Increase – 50.96%

QUESTIONS?