

## **EPCOR local worth placed at \$55 million**

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**BULLHEAD CITY** The firm hired to assign value to the Mohave and North Mohave water infrastructures controlled by EPCOR Water Arizona, Inc., estimates that the city might be able to acquire the system for about \$55 million, according to information delivered during a workshop on Tuesday afternoon.

They are a good water company, but they're greedy, said City Manager Toby Cotter. (Bullhead City) is a community with a 20% poverty rate.

Cotter started the workshop by providing background about how the city reached this point with EPCOR.

This process began when EPCOR presented a rate and consolidation plan to the Arizona Corporation Commission in 2017 that would have caused local water bills to rise substantially. A \$28 monthly bill would have spiked to \$45.

City officials sought to intervene and became involved in the ACC case.

In 2018, the council approved asking voters to decide whether the city should begin the process of taking over EPCOR's system. After a meeting with EPCOR representatives last year, the initiative was removed from the ballot.

EPCOR requested interim rate relief after the long-term plan didn't garner a definitive decision from the ACC. The interim rate case was approved earlier this year and EPCOR was told to provide a new long-term rate plan next year.

The interim rates resulted in Mohave customers bills rising from \$26.25 to \$33.24 while bills for those in North Mohave went up from \$25.98 to \$34.88. All dollar amounts are based on average water usage.

Rick Giardina, executive vice-president of Raftelis Financial Consultants, presented the firm's findings to the city council and dozens of residents in attendance.

Raftelis used three different formulas then looked at the entire picture before coming up with a value.

The lowest estimate, \$42.16 million, comes from a value rate base; a sales evaluation resulted in a value of nearly \$52.3 million; and, an income approach brought the highest amount: \$70.7 million.

Giardina provided explanations about each valuation approach.

The value rate base comes from EPCOR's 2017 rate filing for the systems and takes in up-to-date information on such things as EPCOR's plans for capital improvements, expansion and depreciation. The sales evaluation looks at similar acquisitions, including when EPCOR bought the local systems in 2013, to determine a market value. The income approach comes from estimating value based on its income generation.

The property owner (EPCOR) wouldn't want to sell for \$42 million because of the good future revenue stream while the buyer (the city) wouldn't want to pay almost \$71 million. So the \$55 million valuation is less than \$3 million higher than the sales value estimate.

Basically, somewhere between these approaches, Giardina noted. It will be a negotiation.

Documents were used prominently to determine potential worth of the system. Many of these documents are public and were filed with state entities, including the Arizona Corporation Commission.

Giardina said there was a good reason for wanting that type of material: information already owned by EPCOR.

There also were visits to look at EPCOR's above-ground facilities to ascertain worth. Not all of the views were up-close or even from inside fences, inspectors also looked at property sometimes through chain link.

Shawn Bradford, vice president of EPCOR's corporate services in Arizona, was among those who spoke during public comment.

This won't be friendly, he said about the process because EPCOR has no interest in selling the infrastructure. And even if the city doesn't somehow acquire the systems you'll be responsible for all our legal costs.

Attorney Steven Wene, who represented Bullhead City's intervention against EPCOR's plans said the city became involved to keep rates low.

He also said that while EPCOR is a profit-driven business, the city will make more economical choices.

Other speakers provided a variety of views. Overall opinion skewed in favor of the city moving forward though some also had reservations and urged city officials to exercise caution.

Are we going to spend \$70 million to buy a 20-year-old car? asked Gene Quitmeyer, one of the people who urged city officials to proceed with caution.

If we can afford it, do it now, said Craig Valdez. This is like a divorce. Anyone gone through one of them?

I resent a foreign country coming to our utilities and buying us out, said Barbara Pape. This is our water. We need to stop this.

EPCOR is owned by the City of Edmonton, Canada, but a board oversees the company operations. The U.S. holdings are separate from the rest of the business.

Cotter said there will be a significant amount of information made available when the agenda is completed for the July 16 City Council meeting.

Council members will decide whether to start the process of taking control of the EPCOR system during that meeting, which begins at 5:30 p.m. If the council decides to send the matter to voters, the election would be held on Nov. 5, Cotter added.

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