

2026 Water Rate Case

Community Information Meeting



Why We're Here

- Share about the upcoming rate case filing
- Explain why EPCOR is filing this rate application
- Discuss what the proposal could mean for you
- Answer questions and provide next steps

About the Application

The water rate case helps ensure safe, reliable water service by covering rising costs, improving infrastructure and planning for a secure water future.

Scale of investments:

- Over \$360M since the end of 2020
- Approximately \$56M/year needed for aging infrastructure

- Updated water rates
- Consolidating smaller systems
- Annual Rate Adjustment Mechanism (ARAM)
- Higher developer hook-up fees

***All items subject to
ACC review***

What's a Rate Case?

- A **rate case** is a formal, legal process where a utility company (like the one providing your electricity, gas or water) requests permission from the government to change the prices it charges customers.
- If Netflix or Apple want to raise their prices, they just do it. It's ***not*** the same for utilities. Because you don't choose your utility provider, it's more strictly regulated.

How Your Rates Are Set

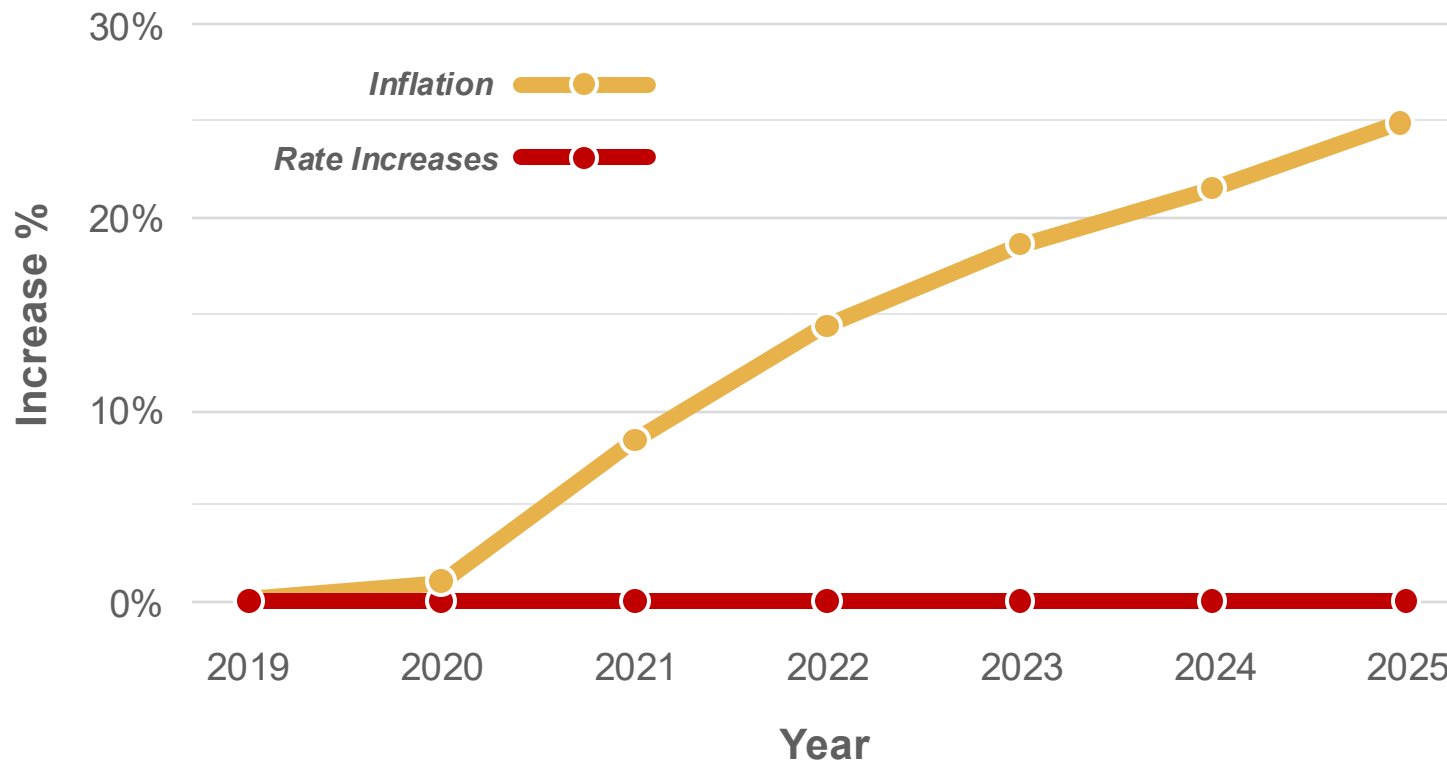
Water utility rates are reviewed and approved by the Arizona Corporation Commission

- Utilities must file a formal rate request, which can take up to a year or more to review
- The ACC:
 - The ACC checks company expenses to make sure they are reasonable and necessary
 - They also review infrastructure projects to confirm they are useful and cost-effective
 - An Administrative Law Judge sets the schedule and process for the case
- Customers are notified and can take part by sharing comments or attending meetings
 - The ACC reviews all information and makes the final decision on rates



Why This Application Was Filed

Average Water Bill vs. Inflation Since Last Rate Case

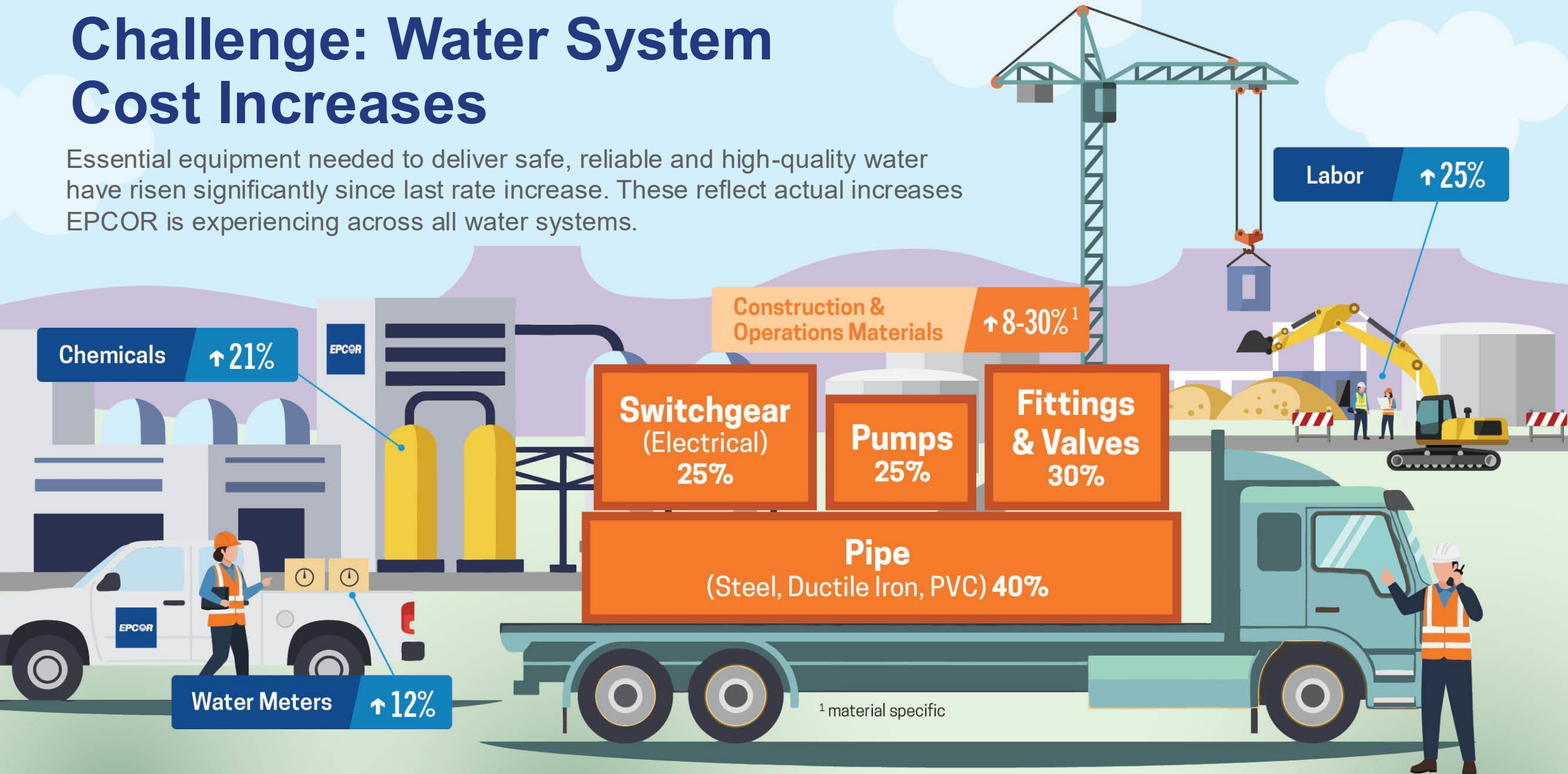


The Realities

- Current rates are based on 2019 and 2021 cost of service levels
- Inflation has increased by approximately 25-30%
- Growing gap between rising costs and last rate update four years ago
- The gap must be addressed to sustain service as operating costs continue to rise

Challenge: Water System Cost Increases

Essential equipment needed to deliver safe, reliable and high-quality water have risen significantly since last rate increase. These reflect actual increases EPCOR is experiencing across all water systems.



What Happens If We Don't Invest

- Water safety and availability risks
- Increased risk of outages
- More frequent main breaks
- Potential failing infrastructure
- Higher long-term replacement costs
- Community disruption
- Greater increases in customer bills



Protecting Our Communities

- Protecting water supply today and for the future
- Replacing aging pipes, wells and facilities
- Expanding water systems to serve growing communities
- Strengthening storage and delivery systems
- Building flexible infrastructure to move water where it's needed most



Improvement Project Examples

More than \$360 million invested since 2019 to maintain safe, reliable, high-quality water service

Expanding capacity to meet growth

- White Tanks Water Treatment Plant expansions
- Booster Pump Station (Verrado)

Replacing aging infrastructure

- Sun City Water Main Replacements
- Rio Verde and Fountain Hills Main Replacements

Connecting systems for reliability

- Sonoran/Sun City West Interconnection

Water quality and treatment improvements

- Anthem Water Treatment Plant Filtration Replacements
- Paradise Valley Treatment Facility Upgrades



Since last rate increase

Empowering Customers New Tools and Services

- Autopay and flexible payment arrangements
- WaterSmart customer portal
- Leak detection and conservation tools
- Water "scorecard"
- Enhanced ways to stay informed (bill, outage and other alerts)

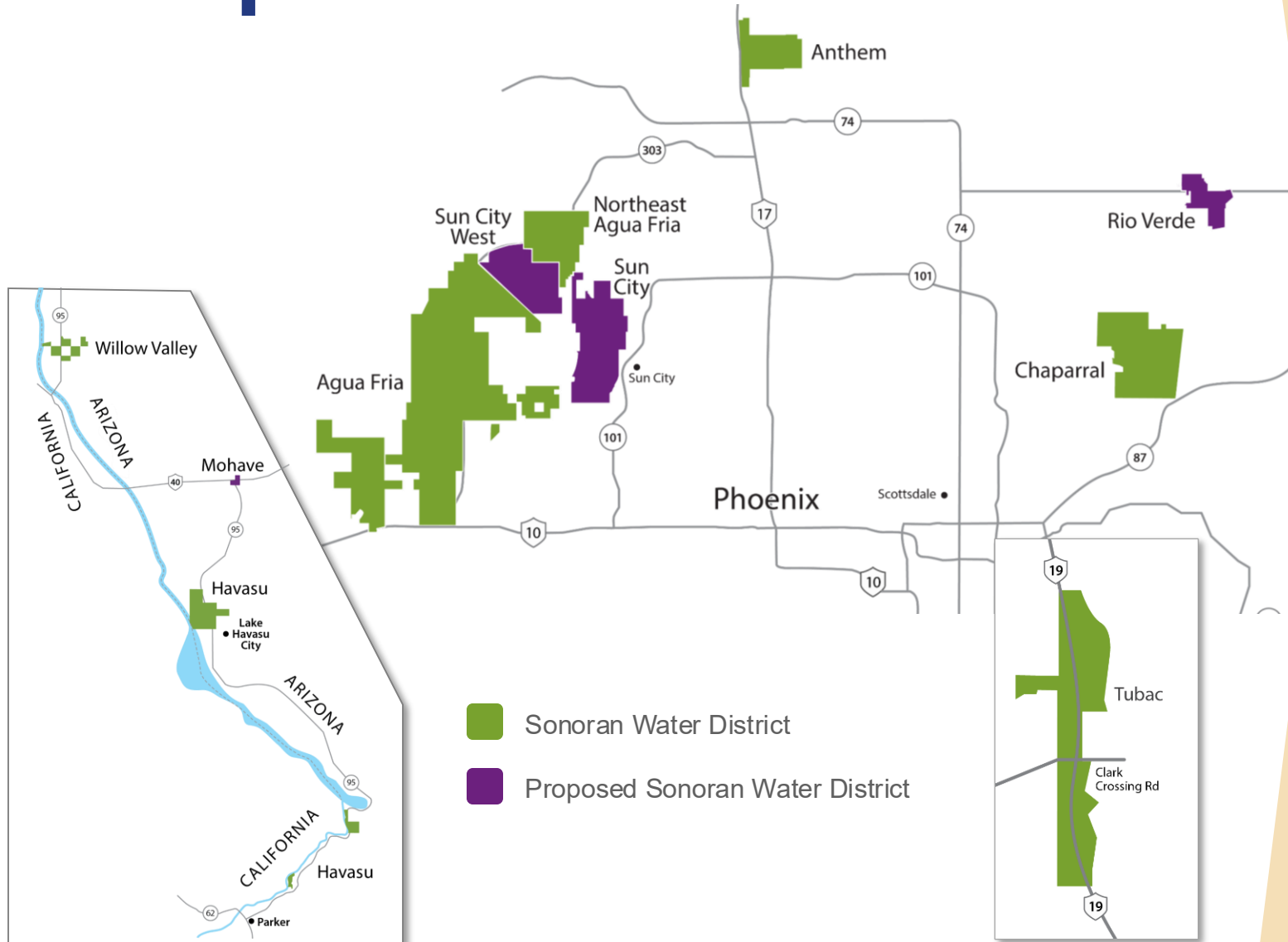
60+

**customer care representatives assisting
customers – phone, online and via chat**

95-97%

customer satisfaction rating past three years

Proposed Consolidation



Why Consolidation?

- Establishes shared rate structure
- Stabilizes rates with cost spread across customers
- Reduces large rate swings
- Improves reliability with connected systems
- Helps control costs and support long-term water planning

About the Annual Rate Adjustment Mechanism

- Formula-based approach to adjusting rates between full rate cases, subject to ACC review and approval
- Reviewed annually by the ACC using defined formulas that increase transparency
- Does not allow automatic or unlimited increases or decreases
- Helps keep changes smaller and more gradual over time
- Keeps rates aligned with the cost of providing service

Proposed Water Rate Changes

Based on 7 kgals

	Usage	Current Bill	Current PWAM	Current Total Bill	Stand-Alone Proposed	Step 1	Step 2	Final Step
Sonoran – 5/8"	7,000	\$ 49.62	\$ 1.39	\$ 51.01	\$ 55.40	\$ 59.74	\$ 56.54	\$ 54.41
Gateway (Mohave) – 5/8"	7,000	\$ 38.72	–	\$ 38.72	\$ 171.90	\$ 47.60	\$ 51.69	\$ 54.41
Rio Verde – 3/4"	7,000	\$ 24.51	\$ 2.82	\$ 27.33	\$ 55.97	\$ 40.80	\$ 48.96	\$ 54.41
Sun City – 5/8"	7,000	\$ 28.09	\$ 2.90	\$ 30.99	\$ 56.37	\$ 40.80	\$ 48.96	\$ 54.41
Sun City West – 5/8"	7,000	\$ 35.71	\$ 3.44	\$ 39.15	\$ 65.97	\$ 47.60	\$ 51.69	\$ 54.41

Proposed Water Rate Changes

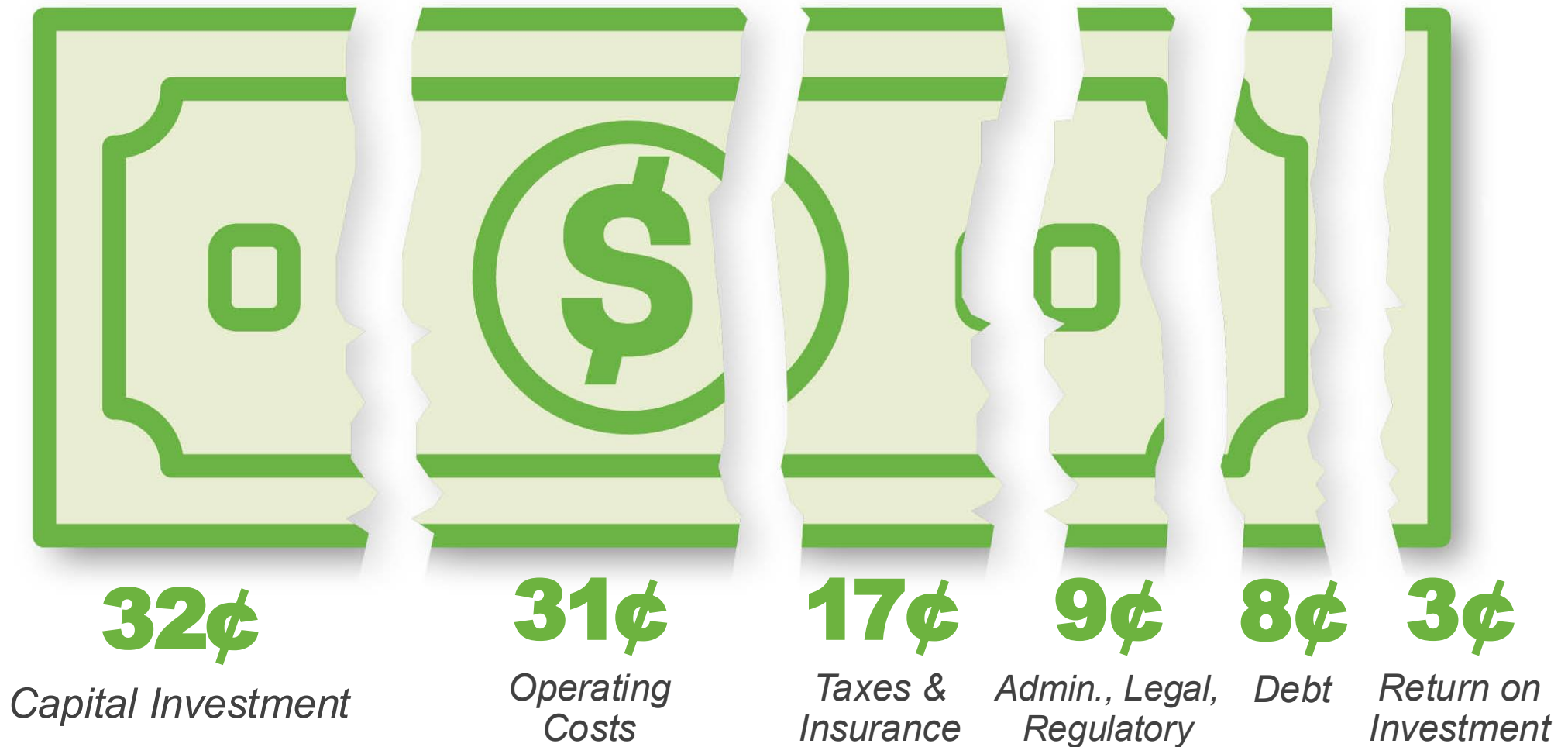
Based on 4 kgal

	Usage	Current Bill	Current PWAM	Current Total Bill	Stand-Alone Proposed	Step 1	Step 2	Final Step
Sonoran – 5/8"	4,000	\$ 36.42	\$ 0.80	\$ 37.22	\$ 40.98	\$ 43.78	\$ 41.44	\$ 39.87
Gateway (Mohave) – 5/8"	4,000	\$ 27.59	-	\$ 27.59	\$ 130.80	\$ 34.89	\$ 37.88	\$ 39.87
Rio Verde – 3/4"	4,000	\$ 18.36	\$ 1.61	\$ 19.97	\$ 43.59	\$ 29.91	\$ 35.89	\$ 39.87
Sun City – 5/8"	4,000	\$ 20.89	\$ 2.90	\$ 23.79	\$ 41.81	\$ 29.91	\$ 35.89	\$ 39.87
Sun City West – 5/8"	4,000	\$ 25.27	\$ 3.44	\$ 28.71	\$ 47.58	\$ 34.89	\$ 37.88	\$ 39.87

The ASU Kyle Center for Water Policy at Morrison Institute's 2025 Tap [Water for Affordability in Arizona Study](#) reports the average Arizona customer paid \$40 per month for 4,000 gallons of tap water in 2024. EPCOR's proposed rates are in line with Arizona average rates in from two years ago.

Given cost increases since then, this 2026 proposal reflects rates that are still below average.

Where Your Dollar Goes



Challenge: Arizona Water Resources

- Real and increasing uncertainty around Colorado River supplies
- Long-term drought conditions
- Shrinking reservoirs
- Increasing population and water demand
- Greater pressure on long-term water resources
- Utilities must plan now to ensure water remains reliable in the future



How to Participate in the ACC Process



Attend
community
meetings



Review
materials
online
epcor.com
ACC eDocket
system



Share
comments with
the ACC
Participate as
an intervenor



Stay engaged
through
process, which
can take over
a year

Financial Assistance Programs



Low Income
Assistance Program

\$10 Credit



Deployed Service
Member Credit

Bill waived if qualified



Disabled Veterans
Assistance

\$10 Credit



One-stop platform to connect eligible
customers to vital resources

Thank You



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