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# Water Utilities Association

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL



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Greg Patterson  
Director  
greg@azcpa.org

Arizona Corporation Commission

DOCKETED

JAN 26 2010

January 26, 2010

Dear Commissioners and Interested Parties:

DOCKETED BY *MM*

The Water Utilities Association of Arizona supports the Sunrise Water Company's Application for Rehearing of Decision No. 71445 (DOCKET NO. W-02069A-08-0406). Sunrise water company is simply asking that it be treated the same as similarly situated companies that are regulated by the Arizona Corporation Commission.

Today is the deadline for the Commission to decide whether or not to rehear these critical issues. As Director of the WUAA, I urge you to reconsider your actions and schedule this issue for a hearing on these two issues. I believe that once you consider the issues in the context of other rate cases you will agree that Sunrise Water Co. has not been given the treatment that is afforded to similarly situated companies. Specifically:

### Taxes:

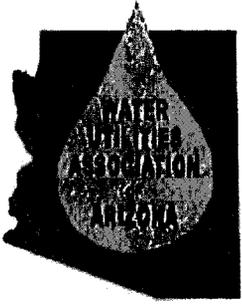
It's true that Sunrise Water Company itself does not pay income taxes. However, the owner of Sunrise Water Company pays taxes on Sunrise Water Company's income. Other companies regulated by the ACC are in a similar situation. Arizona Public Service for example does not pay taxes—those taxes are paid by the parent company Pinnacle West. However, in the case of Arizona Public Service, the rates granted by the ACC are "grossed up" so that the company will earn enough money to allow Pinnacle West to pay the taxes and still earn the required return.

Sunrise Water Company should receive the same treatment.

### Operating Margin:

Many water companies have no rate base. This can result from overreliance on Contributions from developers, lack of adequate investment or excessive depreciation. The ACC has recognized that companies that lack a rate base cannot survive without a minimum level of operating margin and the ACC usually sets rates so that even a company with zero rate base has an operating margin of at least 10%.

Sunrise Water Company is well managed and its owner has made the adequate investments to ensure that the company actually has rate base. However, the order in the Sunrise Case provides less than a 10% operating margin. Mr. Campbell would have been better off financially if he had neglected to invest in the company and simply assumed that the Commission would have provided him with a 10% operating margin as a floor. The ACC



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should incentivize professional management and adequate investment. Mr. Campbell should not be penalized for actually having rate base. Other companies are given a minimum operating margin of 10% and Sunrise Water Company should receive the same treatment.

Sunrise has not been treated the same as similarly situated companies regulated by the ACC and is simply asking the ACC to reconsider its decision. The WUAA supports the Sunrise motion for reconsideration and asks that the Commissioners act today to place the issues on an upcoming agenda.

Sincerely,

Greg Patterson  
Water Utility Association of Arizona  
Director

Original and 13 copies filed  
on January 26, 2010, with:

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