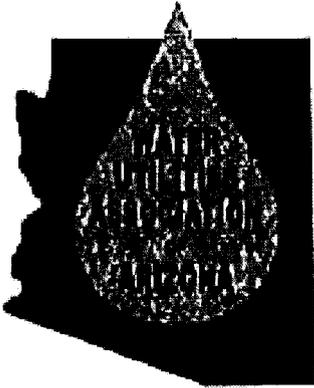


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Water Utilities Association of Arizona

RECEIVED

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2010 DEC 17 P 2: 15

Greg Patterson
Director
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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

DEC 17 2010

December 17, 2010

RE: Docket No. ACC-00000A-10-0466

DOCKETED BY

Commissioner Kennedy:

Thank you for sharing your concerns about the issues associated with regulatory lag and for your very productive suggestions for how to address those issues.

The Water Utilities Association of Arizona shares your concerns about balancing the needs of consumers and companies. We also agree with your point that a company that truly requires a rate increase should receive that increase "in a timely fashion in order to allow the company to remain viable and to give ratepayers the service they require." And, of course, we share your belief that customers should be protected from rate increases that may be unmerited.

WUAA members understand that the Arizona Corporation Commission faces serious budget constraints that will eliminate the Commission's ability to hire new staff—or even to fill current vacancies. In light of this crisis, it would be unreasonable for WUAA members to expect Commission Staff to work even longer hours to ensure that cases are processed quickly. Nevertheless, it would also be unreasonable to expect companies to extend the time clock in situations where all parties believe that the company deserves an increase; even short extensions can cost the companies millions of dollars.

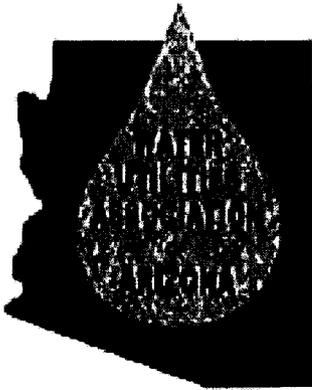
Your proposed solution of providing interim rates—subject to refund with interest—would allow the Commission to take the necessary time needed in order to process the cases thoroughly, while mitigating the financial damages that the companies face if cases take longer than anticipated.

The WUAA members believe that you have raised important issues and have offered concrete and productive solutions to those issues. We recommend that this topic be added to the agenda of the currently pending ACC Workshop process being conducted in compliance with Decision No. 71878. (Docket No. W-00000C-06-0149).

In specific response to your suggestions, the WUAA finds that options numbers two, three and four provide significant improvements over the status quo—naturally, the WUAA supports the option that would allow for the highest interim rates to go into effect as early as possible in the process. Option #4 appears to provide the needed relief the fastest.

The idea of implementing interim rates that are capped at a 10% increase may be appropriate for option #4, but seem quite limiting for options #2 and #3. For options 2 and 3, which have staff recommendations on rate increases, we believe the staff recommendation should be allowed as interim rates.

In regard to your invitation to provide comment on the suggestion that the refund in option #4 should be 3 to 5 times the over collection – we find this suggestion to be punitive and counter to the needs of a utility that is seeking rate relief.



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It is important to remember that interim rates would not go into effect until the company's application has been thoroughly reviewed by Commission Staff and if the Commission ultimately were to decide on a lower rate, the increase would be refunded with interest. Interim rates mitigate regulatory lag while at the same time protecting consumers and assuring that companies don't receive a windfall.

We appreciate Commissioner Kennedy's recognition of the problems facing private water companies and we are encouraged by her interim rate options. We look forward to a continued dialog on this topic.

Sincerely,
Greg Patterson

Water Utilities Association of Arizona
Director

cc. Kristen K. Mayes, Chairman
Gary Pierce, Commissioner
Paul Newman, Commissioner
Bob Stump, Commissioner
Ernest G. Johnson, Executive Director
Steve Olea, Director, Utilities Division
Janice Alward, Chief Counsel
Rebecca Wilder, Public Information Officer

ORIGINAL and 13 copies of the foregoing hand-delivered for filing:

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