



OPEN MEETING AGENDA ITEM

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December 11, 2012

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Chairman Gary Pierce
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 Commissioner Sandra Kennedy
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 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, AZ 85007

Arizona Corporation Commission
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ISM

Re: *Effect of DSIC on Rate Case Frequency*
Docket No. W-00000C-06-0149

Dear Chairman and Commissioners:

I have had several discussions with Commissioners and Staff regarding DSIC (Distribution System Improvement Charges), one question in particular keeps arising: What effect has DSIC had on rate case frequency in Pennsylvania?

I believe that the evidence from Pennsylvania shows that DSIC increases the time between rate cases. For example, in my January 14, 2011 presentation in this docket, I provided the attached chart (Exhibit A) prepared by Dr. Jan Beecher of the Institute of Public Utilities at Michigan State. The chart shows that the time between rate cases increased once DSIC were implemented.

To confirm this conclusion, I emailed Steve Klick, Executive Policy Manager for Chairman Robert F. Powelson of the Pennsylvania Public Utilities Commission. Mr. Klick confirmed (Exhibit B) that DSIC increased the time between rate filings, with water utilities filing nearly every year before DSIC, compared to every 2 to 3 years after DSICs. Mr. Klick also points out in his email that Pennsylvania continues to explore other reforms that will further reduce rate case frequency and increase rate gradualism.

I look forward to continuing the discussion in this docket about the issues concerning DSIC. As always, please let me know if you have any questions.

Respectfully yours,

Paul Walker
 Chairman, Arizonans for Responsible Water Policy

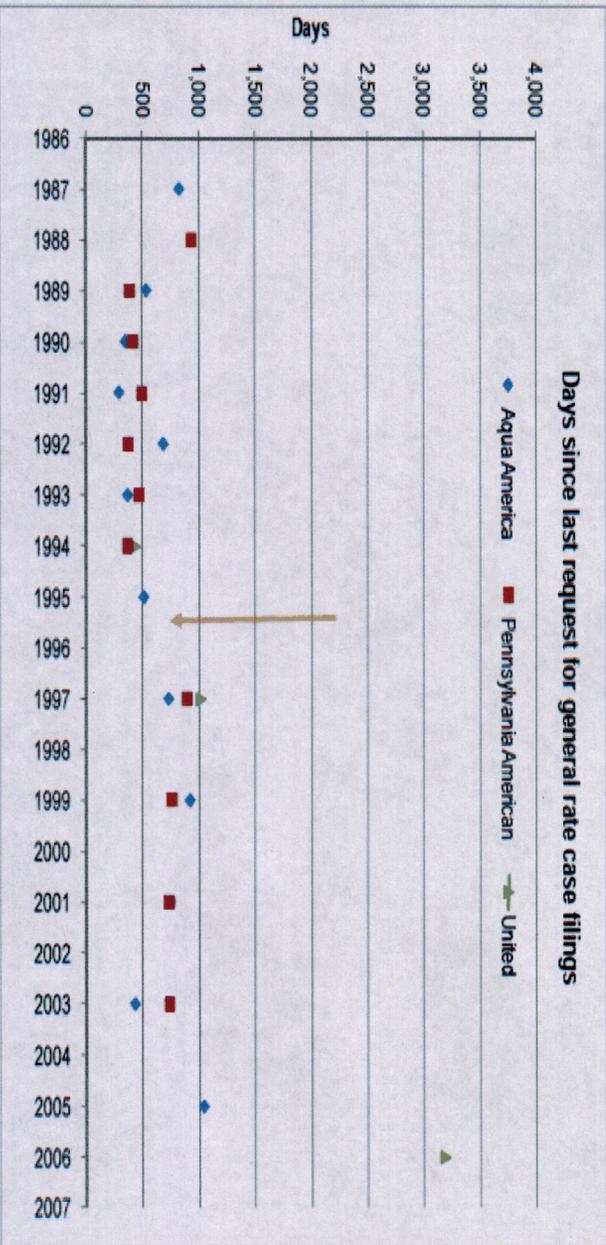
Exhibit

"A"

Benefits of DSICs



Focus on Pennsylvania: Potential Impact on Frequency of Rate Case Filings



(Source: Presentation of Dr. Jan Beecher, Executive Director, Institute for Public Utilities, Michigan State University, to the 2008 Eastern NARUC Water Committee Rate School)

www.amwater.com

January 14, 2011

Exhibit

"B"

----- Original Message -----

Subject: Re: DSICs

From: "Klick, Steve" <stklick@pa.gov>

Date: Fri, November 09, 2012 3:17 pm

To: "'paul@arizonainsight.com'" <paul@arizonainsight.com>

Cc: "Powelson, Robert F" <rfp@pa.gov>

Hi Paul. Yes - companies were filing almost yearly prior to DSIC. Given increasing infrastructure needs, including water treatment (non-DSIC), we are still seeing rate cases being filed every 2-3 years or so for the major water companies. We expect our new Act 11, in combination with DSIC, to further expand the time between rate cases. Act 11 allows a true future test year that aligns with the first year of new rates. Hope this helps.

Steve

From: paul@arizonainsight.com [mailto:paul@arizonainsight.com]

Sent: Friday, November 09, 2012 05:09 PM

To: Klick, Steve

Subject: DSICs

Mr. Klick,

We corresponded last year regarding Chairman Powelson's appearance at a fracking forum in D.C., and then again I think regarding an article interview he graciously did for an industry newsletter I publish.

I have a question on Pennsylvania's DSIC program - has the implementation of DSICs reduced rate case frequency in PA?

Paul Walker
Insight Consulting, LLC
602.703.4205 cell