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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP
CHAIRMAN

GARY PIERCE
COMMISSIONER

BRENDA BURNS
COMMISSIONER

SUSAN BITTER SMITH
COMMISSIONER

BOB BURNS
COMMISSIONER

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

APR 29 2013

DOCKETED BY *BM*

IN THE MATTER OF THE APPLICATION)
OF ARIZONA WATER COMPANY, AN)
ARIZONA CORPORATION, FOR A)
DETERMINATION OF THE FAIR VALUE)
OF ITS UTILITY PLANT AND)
PROPERTY AND FOR ADJUSTMENTS)
TO ITS RATES AND CHARGES FOR)
UTILITY SERVICE FURNISHED BY ITS)
EASTERN GROUP AND FOR CERTAIN)
RELATED APPROVALS.)

Docket No. W-01445A-11-0310

POST-HEARING BRIEF

I. INTRODUCTION

EPCOR Water Arizona, Inc. ("EWAZ"), a signatory to the Settlement Agreement docketed on April 1, 2013, strongly encourages the Arizona Corporation Commission ("Commission") to adopt the SIB mechanism as specifically set forth in the Settlement Agreement. The SIB mechanism is one means of improving the fairness of water regulation in Arizona and encouraging Arizona water utilities to make necessary and important replacements of water infrastructure.¹ The SIB mechanism reduces regulatory lag and by doing so, increases the likelihood of that utilities will undertake "earlier, well-

¹ See Exhibit EPCOR-1 at 2-3.

1 paced and necessary investments” to replace water infrastructure to maintain or improve
2 service to existing customers.²

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4 As Mr. Olea explained in his testimony, the Settlement Agreement resulted from
5 open and transparent negotiations in which “all participants zealously advocated and
6 represented their interests.”³ Given the diverse interests represented, each signatory to the
7 Agreement was required to compromise, which resulted in an agreement that all signatory
8 parties strongly believe is in the public interest. Ultimately, as supported by Mr. Olea in
9 his direct testimony, the SIB mechanism agreed to by the signatory parties provides
10 benefits to both utilities and customers:

11 I believe that the establishment of the System Improvement Benefit (“SIB”)
12 mechanism as outlined in the Agreement is a solution that provides benefits to all
13 the diverse interests. For the utility, the SIB provides a means to generate revenue
14 from plant investment that is necessary to maintain and/or improve service to
15 *existing* customers. I emphasize “existing” because the SIB will not include plant
16 necessary to serve new customers or necessary for growth. For the customers the
17 SIB provides a means for the Company to provide proper service with smaller,
18 more gradual rate increases and at the same time provides a benefit to customers
19 because of the efficiency credit that is part of the SIB.⁴

17 **II. THE SIB MECHANISM DOES NOT VIOLATE THE ARIZONA** 18 **CONSTITUTION**

19 As part of this proceeding, RUCO has claimed that the use of the SIB mechanism
20 violates the Arizona Constitution. Although RUCO cites to many benefits of the SIB
21 mechanism, ultimately, RUCO refused to sign the Agreement. Rather than repeat the
22 many arguments in support of the legality of the SIB mechanism, EWAZ joins in those
23 portions of the Post-Hearing Briefs submitted by Arizona Water Company and the other
24 utility intervenors in this case.

25 ² See *id.* at 3.

26 ³ See Exhibit S-1 at 5.

⁴ See *id.* at 6.

1 EWAZ is confident that, if adopted by the Commission, the SIB mechanism will
2 withstand any legal challenge brought by RUCO, and strongly encourages the
3 Commission to adopt the SIB mechanism as outlined in the Settlement Agreement.
4

5 RESPECTFULLY SUBMITTED this 29th day of April, 2013.

6 LEWIS AND ROCA LLP

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14 ORIGINAL AND thirteen (13) copies
15 of the foregoing hand-delivered this
16 29th day of April, 2013, to:

17 The Arizona Corporation Commission
18 Utilities Division – Docket Control
19 1200 W. Washington Street
20 Phoenix, Arizona 85007

21 Copy of the foregoing hand-delivered
22 this 29th day of April, 2013, to:

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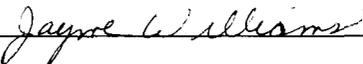
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