

OPEN MEETING AGENDA ITEM
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ARIZONANS FOR RESPONSIBLE WATER

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AZ CORP COMMISSION
DOCKET CONTROL

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Chairman Bob Stump
Commissioner Gary Pierce
Commissioner Brenda Burns
Commissioner Bob Burns
Commissioner Susan Bitter Smith
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 850007

Arizona Corporation Commission
DOCKETED

JUL 19 2013

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Dear Commissioners:

On behalf of the Responsible Water companies, Arizona Water Company, EPCOR Water, Global Water, Liberty Utilities, and Pivotal Utilities, we would like to thank each of you for your efforts in approving the System Improvement Benefit Mechanism (SIB).

The SIB that was established provides Arizona with a means to address infrastructure challenges while at the same time reducing the possibility of rate shock for customers. The path to the SIB was long and often contentious, but at the end of the day Arizona now has the only DSIC mechanism in America that provides a direct financial benefit to customers. In fact, North Carolina recently approved its first DSIC mechanism, and unlike Arizona, it contained no direct customer financial benefit.

You should be quite proud of the efforts of your Staff, particularly Steve Olea, John LeSueur, and Jim Armstrong in the SIB development process. They spent the time and energy necessary to fully understand the issue – and they developed a brilliant and unprecedented customer benefit, the Efficiency Credit.

We also want to recognize that each of you, and your Advisors, spent a lot of time working on this issue and developing ideas, suggestions, and questions that were all focused on balancing the customers' interests with the need for investors to earn a return as they begin dealing with Arizona's water challenges. Too often people focus on the debate and the disagreement – Responsible Water wants to also recognize the positives and the serious, committed, and balanced approach that each of you bring to the Commission.

Moving forward, Responsible Water is developing "Small Water Assistance Teams" (SWATs) that will host no-cost conferences throughout rural Arizona at which small water companies will be coached on rate applications, testimony, and policy issues at the ACC. Long ago, the Commission had a SWAT program, but budgetary restraints led to its demise. Responsible Water is pleased to re-launch the SWAT program this fall.

The SWATs will provide small water and wastewater companies with detailed briefings on the SIB, sufficiency issues, ROE and operating margins, and – vitally – rate design that allows a reasonable chance of meeting the required revenue. We will have top-level executives from each of our companies at the SWATs to provide briefings and one-on-one consultation with small water company owners to help them prepare and file rate cases. Again, the SWATs will be absolutely free, and we will soon be meeting with Commission Staff to get their ideas on what to address in these conferences.

Arizonans for Responsible Water Policy
5025 North Central Avenue, #491
Phoenix, Arizona 85012

ARIZONANS FOR RESPONSIBLE WATER POLICY

If any of your offices has ideas, suggestions, or recommendations on how to make the SWATs more effective, please let Responsible Water know – we would be happy to meet with you at your convenience.

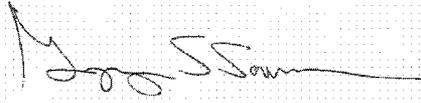
It is our intent to begin the SWAT program this fall and Responsible Water will certainly provide each of your offices with the dates, times, and locations. If any of you, or your Advisors would like to attend, participate, or present at a SWAT event, please let us know – it would be very beneficial for the small companies that haven't been to the Commission in a while to hear from the current Commissioners regarding how the ACC works nowadays.

It has already been an eventful year – Arizona is building on the positive changes we saw under Chairman Pierce's leadership. Settlements are occurring, issues are being resolved, long-standing debates are ending with agreement and cooperation. In short, Arizona's investment climate for water is improving – and in that new era we have been able to file rate cases more regularly, and to settle more and more issues with Staff. The result is clearly in the public interest – the days of 80 and 100 percent rate hikes appear to be behind us. Your approval of the SIB, and your leadership in bringing about a more positive and constructive dialogue will only improve things for water providers, and our customers.

With many thanks,



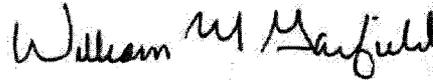
Paul Walker
Chairman, Responsible Water



Greg Sorensen
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Joe Gysel
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