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Arizona Corporation Commission

DOCKETED

OCT 03 2014

ORIGINAL

7 Attorneys for Liberty Utilities

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BEFORE THE ARIZONA CORPORATION COMMISSION

9 IN THE MATTER OF THE PROPOSED
10 RULEMAKING TO MODIFY A.A.C. R14-
2-103 TO UPDATE THE UTILITY
11 CLASSIFICATIONS
12

DOCKET NO: RU-00000A-13-0294

COMMENTS OF
LIBERTY UTILITIES

13 Liberty Utilities ("Liberty") submits the following public comments relating to this
14 proposed rulemaking and the Recommended Opinion and Order ("ROO") filed August
15 27, 2014. Generally, Liberty supports the proposed revisions and rule changes regarding
16 A.A.C. R14-2-103 ("Rule 103"). In no uncertain terms, Rule 103 needs to be updated
17 and modernized to reflect the current regulatory conditions and environment.

18 Here, the current thresholds for utility classifications were established in 1992 and,
19 unfortunately, were not linked to inflation. As a result, those classification tiers are out of
20 date and have not adjusted with the consumer price index that has increased by nearly
21 70%. From an industry perspective, Liberty supports the efforts and proposed rule
22 changes by Commission Staff and the current Commissioners and urges the Commission
23 to adopt the proposed revisions to the revenue thresholds in Rule 103.

24 As recommended in the ROO, Liberty does not believe that additional rulemaking
25 processes and time-consuming administrative review of Arizona's rate case process will
26

1 benefit Arizona utilities, customers or the Commission. Rather, Liberty believes that all
2 parties and interests would be better served by adopting the proposed rule changes to
3 reflect inflation-adjusted revenue tiers for utility classifications.

4 Smaller Arizona utilities typically have fewer resources and substantially benefit
5 from being allowed to file basic financial documents in a rate case instead of a complex
6 package of information with multiple rounds of testimony and filings. The benefits of
7 lighter filing requirements for smaller companies are a guiding principle behind utility
8 classifications and the proposed changes to Rule 103. Reclassification of the utility tiers
9 is long overdue and will allow smaller utility operators to spend more time operating their
10 businesses, which will benefit all stakeholders. Revised and updated utility classification
11 will lead to more streamlined and less costly rate case processes for smaller utilities, in
12 turn leading to better financial standing for those smaller utilities and potentially leading
13 to more acquisitions and consolidations of those smaller utilities.

14 Outreach efforts in the Responsible Water seminars have shown that the cost and
15 complexity of rate cases keep many smaller water companies from filing rate cases. That
16 doesn't benefit anyone in the long run—the small companies don't and can't invest
17 properly because they won't get a return or can't afford the necessary assistance to obtain
18 a return, their operating costs continue to escalate with power, labor, chemical, and tax
19 costs, and they often end up financially troubled before they do file a rate case.
20 Customers then face the prospect of receiving lesser quality of service than they deserve,
21 and they may face "rate shock" or, worse still, emergency conditions that force a company
22 into a rate case. Finally, the Commission itself is harmed because the current system
23 often results in the Commission having little or no insight into the current operational or
24 financial status of various water companies in Arizona until it is too late.

25 For these reasons, Liberty believes the Commission should adopt the proposed
26 revisions to the revenue thresholds in Rule 103.

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RESPECTFULLY SUBMITTED this 3rd day October, 2014.

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and

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