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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman

BOB STUMP
Commissioner

BOB BURNS
Commissioner

TOM FORESE
Commissioner

DOUG LITTLE
Commissioner

Arizona Corporation Commission
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AZ CORP COMMISSION
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IN THE MATTER OF THE JOINT
APPLICATION OF WILLOW VALLEY
WATER CO., INC. AND EPCOR WATER
ARIZONA, INC. FOR APPROVAL OF THE
SALE OF ASSETS AND TRANSFER OF
CERTIFICATE OF CONVENIENCE AND
NECESSITY

W-01732A-15-0131
W-01303A-15-0131

POST-HEARING BRIEF OF
EPCOR WATER ARIZONA, INC.

201 E. Washington St., Suite 1200
Phoenix, AZ 85004-2595

LEWIS ROCA
ROTHGERBER

Pursuant to the Procedural Order dated September 3, 2015, EPCOR Water Arizona Inc. ("EWAZ" or "Company") provides the following post-hearing brief addressing the issues in dispute at the hearing held on November 19th and 20th, 2015.

Argument

Despite the position taken by the Residential Utility Consumer Office ("RUCO"), there is no real question that the current Application does not harm the public interest and should be granted. Staff recommends approval of the Application and concurs that EWAZ has the technical, financial and managerial resources to operate the Willow Valley system. [Exhibit S-5, Direct Testimony of G. Becker (10/9/2015) ("Becker Direct") at p. 2, l. 22--- p. 3, l. 3; Transcript of Hearing (11/19, 20/2015) ("Tr.") at p. 417, ll. 18-22 (D. Carlson); see also Tr. at p. 517, ll. 19-23, p. 521, ll. 9-13 (J. Michlik; admitting that RUCO does not dispute EWAZ's qualifications to run system).] In addition, the proposed acquisition by

1 EWAZ will provide the Willow Valley system with access to additional resources in close
2 proximity to the system that can be called upon as needs arise, resulting in economies of
3 scale and efficiencies. [Exhibit S-9, Direct Testimony of J. Liu (10/9/2015) (“Liu Direct”),
4 Exhibit JWL at 1 (noting that proximity of EWAZ’s resources “should result in economies
5 of scale savings for Willow Valley in the future”); Tr. at p. 489, l. 22—p. 490, l. 16 (J.
6 Liu); p. 535, l. 1—p. 536, l. 25, p. 541, l. 7—p. 542, l. 5, p. 557, ll. 3-7, p. 561, l. 25—p.
7 562, l. 3 (J. Michlik).] The acquisition will also result in a lower cost of debt for the
8 system, resulting in a lower cost of service for ratepayers, all other cost components
9 remaining the same. [Tr. at p. 417, l. 23—p. 418, l. 16 (D. Carlson); p. 555, ll. 3-7 (J.
10 Michlik); Becker Direct at 10.] While precisely quantifying the benefits prior to EWAZ’s
11 operation of the Willow Valley system is not possible, there is no real dispute that the
12 public interest will be served by this acquisition. [Tr. at p. 490, l. 17—p. 491, 2 (J. Liu);
13 Exhibit 5-6, Surrebuttal Testimony of D. Carlson (11/13/2015) (“Carlson Surrebuttal”) at
14 p. 2, ll. 23—26 (recommending approval of transaction).] As a result, the Application
15 should be approved. Pueblo Del Sol Water v. Arizona Corp. Comm’n, 160 Ariz. 285, 286,
16 772 P.2d 1138, 1139 (App. 1988).

17 The only real disputes between Staff, RUCO and the Applicants relate to the issues
18 of Accumulated Deferred Income Taxes (“ADIT”) and the Company’s request that the
19 Arizona Corporation Commission (“Commission”) permit the Company to seek to recover
20 the amounts being paid for the Willow Valley water system in excess of the regulatory
21 value of the system’s plant, property and equipment through the Acquisition Adjustment
22 mechanism proposed in the Supplement to the Application. Those two issues are
23 addressed separately below.

24 **1. Staff’s Recommendation With Respect to ADIT Should be Adopted.**

25 Utility Division Staff and RUCO originally recommended that the Commission
26 require EWAZ to create a regulatory liability equal to the amount of ADIT, approximately

1 \$262,000 as of the end of 2014, that Global Water Resources, Inc., the parent company of
2 Willow Valley, will have to pay to the Internal Revenue Service (“IRS”) as a result of the
3 proposed transaction. [Becker Direct at p. 16, ll. 8-12; Exhibit RUCO 7, Direct Testimony
4 of J. Michlik (10/9/2015) (“Michlik Direct”) at p. 21, ll. 4-7 (subsequently withdrawn at
5 hearing).] When Willow Valley pointed out that the creation of such a regulatory liability
6 may violate the IRS’s normalization rules, [Exhibit Willow-6, Rebuttal Testimony of P.
7 Walker (10/23/2015) (“Walker Rebuttal”) at p. 5, l. 26—p. 7, l. 4], Staff investigated the
8 issue and determined that their original recommendation posed a substantial risk to EWAZ
9 and consumers. [Carlson Surrebuttal at p. 3, l. 21—p. 4, l. 7; Tr. at p. 435, l. 4—p. 436, l.
10 16 (D. Carlson; after research, Mr. Carlson withdrew Staff’s recommendation with respect
11 to ADIT over concern that it would violate normalization rules).] Specifically, Mr.
12 Carlson determined that Staff’s and RUCO’s recommendation with respect to ADIT could
13 result in EWAZ losing the ability to utilize accelerated depreciation for income tax
14 purposes in any of its Arizona operations. [Id.] Mr. Carlson felt that risk was sufficient to
15 justify withdrawing Staff’s recommendation with respect to ADIT, especially in light of
16 Staff’s assessment that EWAZ’s accumulation of deferred income taxes prior to its next
17 rate case would render this issue moot with respect to rate payers. [Id. at p. 437, l. 23—
18 438, l. 8.]

19 While RUCO continues to argue that a regulatory liability should be created (or
20 alternatively, that the applicants be required to change the structure of their transaction or
21 seek a Private Letter Ruling from the IRS),¹ its witness was not able to definitively state

22 _____
23 ¹ Both of the alternatives proposed by RUCO’s witness Mr. Ralph Smith are problematic. As Mr.
24 Carlson testified and Mr. Smith reluctantly acknowledged, obtaining a Private Letter Ruling is a
25 complex, time consuming and expensive proposition. [Tr. at p. 439, ll. 3-6, p. 458, ll. 11-13 (D.
26 Carlson; obtaining private letter ruling is “complicated, time consuming, expensive, and you have
to be very specific”); p. 63, ll. 15-18, p. 96, l. 22—p. 97, l. 14 (R. Smith).] That additional
expense and complexity is not justified by the size of this transaction, especially in light of Staff’s
determination that EWAZ’s accumulation of deferred income taxes by its next rate case will likely
exceed the ADIT extinguished as a result of this transaction. [Id. at p. 437, l. 23—p. 438, l. 8 (D.
Carlson).] The other alternative, requiring the parties to alter the details of their privately
negotiated sale, presents a host of constitutional and practical concerns that render it unworkable.

1 that creation of such a regulatory liability would not result in a violation of the IRS's
2 normalization rules. [See Tr. at p. 65, ll. 5-21, p. 67, l. 8—p. 68, l. 23, p. 82, ll. 1-18 (R.
3 Smith).] At best, Mr. Smith testified that he was aware of two out of state utilities that had
4 agreed, in settlements, to the creation of a regulatory liability as part of an acquisition to
5 address the ADIT issue. [Id. at p. 68, ll. 2-23.] He did not know, however, whether those
6 two companies had ever been audited by the IRS. [Id. at p. 69, ll. 6-14.] Tellingly, Mr.
7 Smith was unwilling to name the two companies in a public setting, strongly implying that
8 he believed doing so might disclose potential normalization violations by those companies
9 to the IRS. [Id. at p.112, l. 18—p. 113, l. 9.] Given that very real risk, RUCO's arguments
10 with respect to ADIT should be rejected and Staff's recommendation adopted.

11 **2. An Acquisition Adjustment Mechanism Should be Approved by the Commission**
12 **to Facilitate the Commission's Stated Goal of Consolidating Private Water**
13 **Companies.**

14 As part of this Application, EWAZ is asking that the Company be given the
15 opportunity to recover the amounts it is paying to acquire Willow Valley in excess of
16 Willow Valley's regulatory rate base, but only after the Company invests a significant
17 amount of new capital intended to address water loss currently exceeding 26 percent and
18 other operational challenges with that system. The Company is requesting that it be
19 allowed to seek recovery of a portion of the price paid in excess of rate base, referred to as
20 the "Acquisition Premium", over a limited time frame by adding a small charge to each
21 Willow Valley customer's bill after the Company has made the additional capital
22 investments and the Commission has made a fair value determination of the capital
23 invested and approved the surcharge as part of a future rate case. [Exhibit EWAZ-4,
24 Rebuttal Testimony of S. Mahler (10/23/2015) ("Mahler Rebuttal") at pp. 2—10.]

25 Staff and RUCO both oppose allowing any recovery of the Acquisition Premium by
26 EWAZ. Staff's and RUCO's positions, however, are not supported by the evidence and
run contrary to the Commission's long-stated desire to encourage the consolidation and
regionalization of water utilities in the state. In Decision No. 63584, which authorized

1 Arizona-American Water Company's multi-million dollar acquisition of Citizens Utilities
2 Company, the Commission authorized Arizona-American Water Company to seek
3 recovery of an acquisition adjustment in a future rate case. [Tr. at p. 415, l. 14—p. 416, l.
4 5, p. 449, l. 20—p. 450, l. 4, p. 461, ll. 15-18 (D. Carlson) (admitting that standard for
5 recovery of an acquisition premium was established in transaction involving two well-
6 financed and run utilities).] That recovery was predicated on Arizona-American
7 demonstrating "clear, quantifiable and substantial net benefits" to ratepayers that would
8 not have occurred absent the acquisition. Decision No. 63584 at 15. Despite recognizing
9 this standard, Staff's witness, Mr. Carlson, opposed even allowing EWAZ the opportunity
10 to seek such recovery. [Tr. at p. 468, l. 10—p. 471, l. 13 (D. Carlson; stating that despite
11 the standard set by the Commission, Staff has determined, based on conjecture, that the
12 Company should not even be allowed to seek recovery in a future rate case).] In fact, Mr.
13 Carlson testified, contrary to the standard enunciated by the Commission in the context of
14 the Arizona American transaction, that "We [Staff] don't particularly worry about two
15 large utilities. We don't care. I mean, excuse me, we don't care about your
16 consolidations." [Id. at p. 472, ll. 19-21.] RUCO likewise continues to take the position
17 that no acquisition premium adjustment should be permitted. Both positions contradict the
18 Commission's stated desire to encourage industry consolidation and regionalization. [Tr.
19 at p. 459, ll. 15-24 (D. Carlson; admitting that Staff's position in not consistent with
20 standard set by Commission).]

21 Perhaps most significantly, Staff's and RUCO's positions result in regulatory
22 uncertainty that provides a significant disincentive to industry consolidation. [See Tr. at p.
23 464, ll. 2-7 (D. Carlson); Walker Rebuttal at p. 15, l. 23—p. 16, l. 14; p. 245, l. 13—p.
24 246, l. 1 (S. Bradford)] While Staff's witness, Mr. Carlson, indicated that Staff stood
25 ready to do anything to assist with the consolidation of small, troubled water companies,
26 Staff's recommendation in this matter and historic actions belie that testimony. [See Tr. at

1 p. 463, l. 25—p. 464, l. 7 (D. Carlson; admitting that Staff understands that its position on
2 acquisition adjustments provides a disincentive to consolidation).] As both Mr. Carlson
3 and Mr. Michlik admitted, small, troubled water utilities are risky investments. Tr. at p.
4 552, l. 12—p. 553, l. 12 (J. Michlik).] Despite that risk, the owners are not willing to sell
5 their utilities at net book value. [Tr. at p. 450, l. 17—p. 451, l. 5 (D. Carlson; discussing
6 extra funds that had to be given to absentee owners to incent sale of Mummy Mountain
7 water company); Decision No. 61307 (as part of Mummy Mountain acquisition,
8 Commission allowed \$40,000 premium payment to owner of failing water company to
9 allow consolidation); see also City of Phoenix v. Consolidated Water Co., 101 Ariz. 43,
10 415 P.2d 866 (1966) (recognizing that the market value of a water utility exceeds value of
11 its physical plant and properties); City of Tucson v. El Rio Water Co., 101 Ariz. 49,
12 415 P.2d 872 (1966) (similar).] Until the Commission acknowledges that economic fact
13 and recognizes that the funds spent on acquisition activities are “an essential or desirable
14 part of an integration of facilities program”, [Michlik Direct, Att. E at p. 4-11],
15 consolidation of water utilities will remain rare.

16 To address the disincentives created by current practices, EWAZ has proposed a
17 template (referred to variously at the hearing and in the parties’ filings as the “Acquisition
18 Adjustment mechanism” or “Acquisition mechanism”) that provides an incentive for
19 companies, including in this instance, EWAZ, to acquire a smaller water company with
20 demonstrated needs for capital improvements and to invest in needed infrastructure at
21 heightened levels. The proposed mechanism does so by (1) recognizing that the value of a
22 utility, even a small, troubled utility, often exceeds the net book value of its assets shown
23 in Commission annual reports; and (2) requiring an acquiring company to make
24 substantial, verifiable investments that provide quantifiable benefits to the customers in the
25 acquired system that address whatever issues that system may have (i.e., water quality,
26 reliability, or in this case, water loss, etc.). [Exhibit EWAZ-3, Supplement at 3; Mahler

1 Rebuttal at p. 4, ll. 2-4, p. 4, l. 20—p. 5, l. 5; Tr. at p. 272, l. 11—p. 273, l.1 (S. Bradford).]
2 As a result of consolidation, ratepayers should expect to see more reliable water service as
3 failing infrastructure is replaced, [Mahler Rebuttal at p. 5, ll. 10-15; Tr. at p. 493, l. 9—p.
4 494, l. 4 (J. Liu); see also, Tr. at p. 234, l. 23—p. 235, l. 3, p. 289, ll. 5-24 (S. Bradford)],
5 as well as reduced operational costs. [Tr. at p. 489, l. 22—p. 490, l. 16 (J. Liu); p. 562, ll.
6 15-21 (J. Michlik); Becker Direct at 10.] In addition, ratepayers should benefit from the
7 acquiring company’s stronger credit rating and reduced cost of debt. As Staff recognized
8 in this instance, EWAZ’s more favorable capital structure would, all other things
9 remaining equal, result in annual savings of approximately \$29,000, a significant sum in a
10 small system such as Willow Valley. [Becker Direct at 10; Tr. at p. 418, ll. 3-16 (D.
11 Carlson); p. 169, l. 16—p. 172, l. 10 (P. Walker; explaining calculations behind Exhibit
12 Willow-7); Exhibit Willow-7 (calculations performed by P. Walker).]

13 Staff’s and RUCO’s opposition to the Acquisition Adjustment mechanism appears
14 to be principally based on a misunderstanding of that mechanism. EWAZ has proposed,
15 consistent with Decision No. 63584, that it be allowed to seek recovery of some portion of
16 the amount it is paying in excess of Willow Valley’s net book value in a future rate
17 proceeding. [Mahler Rebuttal at p. 6, l. 15—p. 7, l. 21; Tr. at p. 239, l. 10—p. 240, l. 19
18 (S. Bradford).] Recovery of the Acquisition Premium would be through a small surcharge
19 placed on customer’s monthly bills. [Mahler Rebuttal at p. 7, ll. 12-21.] That surcharge
20 would be based upon four factors, explained below. In an effort to allow the Commission
21 to directly address the issues facing any water system being acquired, recovery under the
22 mechanism is contingent upon the establishment of a quantifiable metric that must be met
23 in order for a company to continue to recover the surcharge—here, that metric is a
24 measurable reduction in water loss. [Tr. at p. 239, l. 13—p. 240, l. 2, p. 295, l. 1—p. 297,
25 l. 3 (S. Bradford).] To balance the level of investment needed against the potential impact
26 the investment would have on rate payers, the Company set an initial target of reducing

1 water loss by one-quarter within the first five years of operating the system. [Exhibit
2 EWAZ-1, Rebuttal Testimony of S. Bradford (10/23/2015) (“Bradford Rebuttal”) at p. 4;
3 Tr. at p. 301, l. 15—p. 302, l. 12 (S. Bradford; explaining need to balance investment and
4 impacts on rate payers).] That reduction could be accelerated, but the associated rate
5 impact could be too burdensome for rate payers in this small system. [Id.] If the Company
6 does not reduce water loss by one-quarter within five years of a decision in this docket,
7 then the Company would lose the opportunity for recovery. [Bradford Rebuttal at p. 4, l.
8 4—p. 5, l. 14; Tr. at p. 241, ll. 13-19, p. 241, l. 10—p. 242, l. 18 (S. Bradford).]

9 Under the Company’s proposal, the Company would need to commit to increased
10 investment in the Willow Valley system to address water loss issues. [Mahler Rebuttal at
11 p. 4, ll. 2-4, p. 4, l. 20—p. 5, l. 5; Tr. at p. 240, ll. 13-19 (S. Bradford).] As such
12 investments are completed and placed in service, the Company would file a rate case
13 application that would seek to include these new capital investments in rate base. [Tr. at p.
14 371, ll. 1-3 (S. Mahler); Mahler Rebuttal at p. 7, l. 22—p. 8, l. 18.] To recover a portion of
15 the Acquisition Premium, the Commission would be asked to authorize a 20 percent
16 premium on that investment. [Id.; Tr. at p. 322, ll. 4-14 (S. Bradford)] That premium
17 would be used solely to calculate a separate revenue requirement to be recovered through a
18 surcharge over a period not to exceed 15 years (or until the Acquisition Premium has been
19 recovered, whichever occurs first). [Id.; see also Exhibit SM-1 to Mahler Rebuttal.]

20 There are four variables the Commission would have to determine as part of the
21 proposed Acquisition Adjustment mechanism. The first variable is the additional capital
22 that EWAZ would invest in the five-year period subsequent to the close of the transaction
23 to address water loss.² At this time, the potential investment has been estimated at

24 ² The investments subject to the premium adjustment would be in addition to the acquired utility’s
25 current capital plan. As explained at the hearing, the relevant investments in the Willow Valley
26 system would be directed toward reducing water loss in the system. Because the SIB program
authorized by the Commission has been stayed, and those projects have previously been
determined to be important to reducing water loss in the system, those projects would likely now
be completed as part of the Acquisition Adjustment mechanism. [Tr. at p. 300, l. 15—p. 301, l. 8,
p. 317, ll. 1-8 (S. Bradford).]

1 approximately \$1.0 million. [Bradford Rebuttal at p. 3; Tr. at p. 258, ll. 9-18 (S. Bradford;
2 p. 369, l. 14—p. 370, l. 14 (S. Mahler).] Staff and RUCO both point out that the proposed
3 capital investments are not extraordinary investments. However, the Company has never
4 claimed that these are extraordinary projects. Rather, as Mr. Bradford explained, EWAZ is
5 willing to commit to expend additional sums that Willow Valley is not currently able or
6 willing to spend to address the water loss issue with the system. [See Mahler Rebuttal at p.
7 4, l. 20—p. 5, l. 5; Tr. at p. 146, l. 8— p. 148, l. 20, p. 151, ll. 14-20, p. 152, ll. 15-23 (R.
8 Fleming; indicating that Global was unlikely to make additional significant capital
9 investments given the funds it has already expended to deal with water quality issues).]
10 This proactive approach will result in more timely completion of projects that might not
11 otherwise take place until much later, [see Tr. at p. 272, l. 11—273, l. 1, p. 328, ll. 6-12 (S.
12 Bradford).], and reduce water loss in the system by a measurable amount in a defined
13 period, without anticipated impact to rates. [Tr. at p. 374, l. 24—p. 376, l. 2 (S. Mahler;
14 impact of \$1 million in capital investment over five years would be roughly offset by
15 depreciation).]

16 The second variable is the premium on the relevant investments the Company will
17 make under the Acquisition Adjustment mechanism. EWAZ is seeking additional revenue
18 based on the revenue requirement of a 20 percent premium on the first five years of capital
19 investment in the Willow Valley system. [Mahler Rebuttal at p. 7, l. 22—p. 8, l. 12.] In
20 other words, the Company will ask the Commission to allow it to calculate the revenue
21 requirement to support a 20 percent gross up on the investments the Company will make to
22 address water loss in the first five years following close of this transaction.

23 The third variable is the rate of return. The illustrative calculation provided in Ms.
24 Mahler's Rebuttal testimony used a 10 percent return on equity ("ROE") to determine the
25 overall cost of capital (the ROE would be updated by the Commission in the rate case).
26 That would provide a rate of return ("ROR") that would be used, along with the first two

1 variables, to calculate a revenue requirement that the Company would be authorized to
2 recover from its customers. [Mahler Rebuttal at p. 9, ll. 6-11, Exh. SM-1 (sample
3 calculations).] The actual ROR would be determined in the future rate case. [Tr. at p. 370,
4 l. 21—p. 371, l. 3 (S. Mahler).]

5 The fourth and final variable is the length of time the Company would be allowed to
6 place a small charge on customer's monthly bills, to recover that revenue requirement.

7 The Company has proposed a 15 year recovery period, which under the example provided
8 by Ms. Mahler, would allow the Company to collect approximately \$331,608 in revenues
9 (grossed up to account for taxes) or \$200,722 in operating income. [Mahler Rebuttal at p.
10 9, ll. 14-19; Tr. at p. 407, ll. 9-24 (S. Mahler).] That equates to approximately 89 percent
11 of the currently calculated Acquisition Premium. [Tr. at p. 371, l. 4—p. 372, l. 2 (S.
12 Mahler).] Contrary to Staff's and RUCO's understanding, the amounts to be recovered
13 under the Acquisition Adjustment mechanism would not be included in rate base. [Mahler
14 Rebuttal at p. 9, ll. 18-19, p. 6, l. 3—p. 7, l. 11; Tr. at p. 372, l. 17—p. 373, l. 7 (S.
15 Mahler).]

16 Recovery of the surcharge would be phased-in (and the surcharge adjusted on an
17 annual basis) as additional capital expenditures are made and projects completed. [Exhibit
18 EWAZ-3 at 4.] Upon approval of the Application and close of the transaction, the price
19 paid in excess of rate base would be recorded to a regulatory balancing account. [Tr. at p.
20 372, ll. 3-16, p. 392, l. 15—p. 393, l. 16 (S. Mahler); Mahler Rebuttal at p. 9, l. 20—p. 10,
21 l. 9.] EWAZ would not earn a return on the premium paid. [Id.] The surcharge would be
22 collected from customers as part of their normal monthly bill, [id.], with the regulatory
23 balancing account credited monthly and reduced over time (15 years in the Company's
24 proposal). [Id.] The charge to customers would end upon the earlier of 1) depletion of the
25 regulatory balance or 2) the term set by the Commission. [Id.] Because the expenditures
26 would be made over a period of five years, and because the recovery time frame would be

1 limited, the mechanism would not permit over recovery. [See Tr. at p. 371, l. 4—p. 372, l.
2 16 (S. Mahler).]

3 Importantly, the proposed Acquisition Adjustment mechanism would be
4 implemented as part of a future rate case, allowing the Commission to fully vet and
5 determine the prudence of the investments made by the Company, the fair value of the
6 utility’s rate base, the Company’s compliance with its commitment to reduce water loss in
7 the Willow Valley system and to set the other variables required under the proposed
8 mechanism. [Mahler Rebuttal at p. 7, l. 22—p. 8, l. 18; Tr. at p. 318, ll. 5-24, p. 319, l.
9 15—p. 320, l. 7 (S. Bradford); p. 372, l. 20—p. 374, l. 4, p. 389, l. 23—p. 390, l. 3 (S.
10 Mahler).] The proposed process would, in accordance with the standard established by the
11 Commission in Decision No. 63584, further allow the Commission to determine whether
12 EWAZ has provided clear and quantifiable net benefits to rate payers in the Willow Valley
13 system by requiring the Company to address the water loss issues plaguing the Willow
14 Valley system.

15 As a policy matter, the Commission has consistently encouraged the consolidation
16 of small, privately-owned water companies. [See Tr. at p. 195, l. 15—p. 196, l. 10 (P.
17 Walker; Walker Rebuttal, Att. F at 1).] Unfortunately, current practice before the
18 Commission provides significant disincentives to such consolidation. [Walker Rebuttal at
19 p. 9, ll. 3-17, p. 15, l. 23—p.16, l. 14; Tr. at p. 244, l. 18—p. 246, l.1 (S. Bradford;
20 explaining that Commission policy disincentivizes consolidation). The template proposed
21 by the Company is a carefully tailored mechanism that the Commission could use to alter
22 those disincentives by authorizing recovery of some portion of the acquisition premiums
23 paid by acquiring companies, while insuring that rate payers are adequately protected
24 during consolidation.

25
26

1 **Conclusion**

2 Because EPCOR Water Arizona Inc. is a fit and proper service provider and the
3 Application is in the public interest, EWAZ respectfully requests that (1) RUCO's
4 recommendations with respect to ADIT be rejected, (2) EWAZ be authorized to seek
5 recovery of the Acquisition Premium in a future rate case, and (3) the Application be
6 granted.

7 RESPECTFULLY SUBMITTED this 7th day of December, 2015.

8
9 LEWIS ROCA ROTHGERBER, LLP

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11 

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17 Attorneys for EPCOR Water Arizona, Inc.

18 ORIGINAL AND thirteen (13) copies
19 of the foregoing hand-delivered this
20 7th day of December, 2015, to:

21 The Arizona Corporation Commission
22 Utilities Division – Docket Control
23 1200 W. Washington Street
24 Phoenix, Arizona 85007

25 Copy of the foregoing hand-delivered
26 this 7th day of December, 2015, to:

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4 Copy of the foregoing mailed
5 this 7th day of December, 2015, to:

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