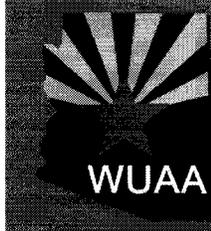




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Water Utilities Association

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Ray Jones
Executive Director
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May 16, 2016

Doug Little – Chairman
Bob Stump
Bob Burns
Tom Forese
Andy Tobin

Arizona Corporation Commission
DOCKETED

MAY 16 2016

DOCKETED BY *[Signature]*

Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

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AZ CORP COMMISSION
DOCKET CONTROL

RE: Arizona Corporation Commission Investigation
Into Potential Improvements to its Water Policies

Docket No. W-00000C-16-0151

Commissioners:

The Water Utilities Association of Arizona (WUAA) and its member companies have actively participated in the Commission’s effort to explore modernization and reform of regulation of the water industry over the past 17 years. Those efforts have included:

- Water Task Force – Formed April 1998, Interim Report issued October 1999 (Docket No. W-00000C-98-0153)
- Generic Evaluation Non-Traditional Financing – Opened March 2006, Staff Report Issued October 2006 (Docket No. W-0000C-06-0149)
 - Additional Workshops Ordered September 2010 - Reports March 2012 & June 2012 (Decision No. 71878, Docket No. SW-20445A-09-0077, et.al.)
- Generic Investigation Rate Case Processes and Practices – Opened November 2010 (Docket No. W-00000A-10-0466)
- Generic Investigation Policies and Strategies to encourage water and wastewater industry consolidation – Opened June 2014 (Docket WS-0000A-14-0198)

In the various above referenced dockets, the Commission has investigated numerous topics of importance to the water industry in Arizona, including:

- Policies to reduce the number of small, non-viable water systems
- Tools to strengthen the financial capacity of the water utility industry
- Increasing emphasis on simplifying, shortening and reducing the cost of the ratemaking process

- Improving recovery of costs related to water conservation
- Improving cost recovery of costs related to long-term water supplies
- Appropriate regulatory treatment of various non-traditional financing arrangements, including Coordination and Finance Agreements
- Determining appropriate levels of AIAC & CIAC in water utility capital structure
- Potential use of Acquisition Adjustments and Rate of Return Premiums
- Policy regarding Income Tax Expense for tax pass-through entities
- Use of Generalized Cost of Equity for Class A, B & C water utilities

Arizona is located in the arid, dry southwestern United States where limited water resources are the norm. These inherent challenges have been exacerbated by long-term ongoing drought both on the Colorado River watershed and throughout Arizona. Arizona's water utilities, especially the small utilities, are facing increasing pressure to conserve water while simultaneously expanding water supplies to assure continued safe and reliable water service to the homes and businesses that depend on and deserve safe and reliable water service.

The WUAA and its member companies appreciate the extensive effort of the Commission to address the issues facing the water industry. Over the past 17 years, much work has been done and many promising initiatives and policies have been discussed. Unfortunately, little concrete action has been taken to implement the reforms needed to consolidate the Arizona water industry and provide the support struggling small water utilities need.

The proposed policy statements submitted in the above referenced docket by Insight Consulting on May 13th, 2016 were developed with the full cooperation and support of WUAA and its member companies. The proposed policies address many of the issues discussed by the Commission over the past 17 years and address many issues important to WUAA and its members and are based on recommendations and input from WUAA and its member companies.

The proposed policy statements are being presented to the Commission as the natural outcome of the 17 years of investigation / workshops the Commission has held on these issues important to the water industry. The policies contain a range of options for the Commission to consider. We request that the Commission consider these proposed policy statements at its planned May 19th Water Workshop and adopt those policy options that the Commission finds to be in the public interest.

Arizona Corporation Commission

May 16, 2016

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Respectfully Submitted,

A handwritten signature in black ink that reads "Ray L. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

Ray L. Jones

Executive Director

Water Utilities Association of Arizona

ORIGINAL and thirteen (13) copies
of the foregoing were filed
this 16th day of May, 2016 with:

Docket Control

Arizona Corporation Commission

1200 West Washington Street

Phoenix, AZ 85007