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June 7, 2017

Chairman Tom Forese
Commissioner Bob Burns
Commissioner Doug Little
Commissioner Andy Tobin
Commissioner Boyd Dunn

a|i|c

Arizona Corporation Commission
Commissioners Wing
1200 W. Washington
Phoenix, Arizona 85007

Arizona Corporation Commission

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GB

Re: ACC Docket No. ACC-00000B-17-0062

Dear Commissioners:

On behalf of Arizona Investment Council, I write in response to Commissioner Tobin's June 5, 2017 letter to Water Companies regarding personal income tax expenses authorized by the Commission for certain exempt companies under IRS rules.

I believe it is clearly within the Commission's authority to revisit the policy previously issued by the Commission regarding such tax treatment and for the Commission to request that companies granted such tax treatment in rates report on quarterly tax collections.

AIC applauds Commissioner Tobin's effort to reexamine a previous policy decision that may not be appropriate.

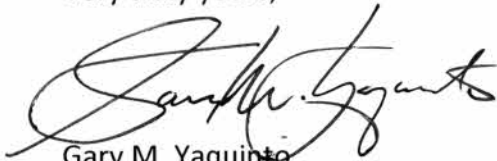
However, I strongly object to Commissioner Tobin's recommendation that these companies reserve monies in a separate interest-bearing account for possible refund to customers during the pendency of the Commission's reconsideration of its policy on this matter.

Any company for which the Commission lawfully granted a rate change, which included income taxes in rates is legally entitled to retain all revenue collection authorized by the Commission's previous decisions. To now require sequestration of those monies in an interest-bearing account for possible refund, absent any conditions previously attached to a Commission order granting those collections, amounts to retroactive ratemaking, which is impermissible.

How the Commission proceeds on this matter is critically important since it will affect how investors and credit rating analysts view regulatory risk attached to any Commission decision. The uncertainty created by Commissioner Tobin's recommendation to water companies will affect not only the small water companies for which this policy pertains, but all regulated utilities. Any effort at recapturing lawfully granted non-conditional rate increases by the Commission will have a chilling effect on future investment and result in higher cost of capital to all Arizona regulated utilities.

AIC would, therefore, recommend the Commission clarify its position regarding this matter to remove the threat of refund of previously authorized revenues.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary M. Yaquinto", is written over a horizontal line.

Gary M. Yaquinto
President & CEO

Original and 13 copies filed with Docket Control
on this 7th day of June 2017