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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

TOM FORESE - Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD DUNN

Arizona Corporation Commission

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IN THE MATTER OF THE
COMMISSION'S INVESTIGATION INTO
THE SETTING AND SUBSEQUENT
EXTENSION OF COMPLIANCE
DEADLINES ASSOCIATED WITH
CERTIFICATES OF CONVENIENCE AND
NECESSITY

DOCKET NO. WS-00000A-17-0094

NOTICE OF FILING

Attached as Exhibit 1 is the presentation Arizona Water Company's President and Chief Operating Officer, William Garfield, will provide at the Arizona Corporation Commission's CC&N Workshop on June 12, 2017.

RESPECTFULLY SUBMITTED this 9th day of June, 2017.

ARIZONA WATER COMPANY

By:

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1 ORIGINAL and thirteen (13) copies of the foregoing filed this 9th day of June, 2017,
2 with:

3 Docketing Supervisor
4 Docket Control Division
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 I hereby certify that I have this day served the foregoing documents on all parties of
9 record in this proceeding by mailing a copy thereof, properly addressed with first
10 class postage prepaid to:

11 Honorable Dwight D. Nodes
12 Assistant Chief Administrative Law Judge
13 Hearing Division
14 Arizona Corporation Commission
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16 Phoenix, Arizona 85007

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Exhibit 1

Arizona Corporation Commission CC&N Workshop

June 12, 2017

William Garfield, President and C.O.O.



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The Regulatory Compact and Why it Exists

- The regulatory compact: In exchange for providing safe, reliable and adequate service at just and reasonable rates on a fair and consistent basis, the Commission protects a utility's monopoly service area
- The regulatory compact exists to:
 - Encourage development
 - Encourage and protect utility investments
 - Protect customers
 - Prevent range wars



Uncertain or “Fluid” CC&Ns

Fluid CC&N’s will:

1. Disincentivize utility planning and investments and lead to piecemeal development and inadequate planning
2. Inhibit a developer from obtaining permits, approvals, entitlements, and financing to develop new projects and could ultimately slow or hinder economic growth
3. Conflict with long-standing protections and caselaw (i.e. *James P. Paul*)
4. Create controversy, conflict and bidding wars where they do not currently exist, contrary to the public interest
5. Lead to the proliferation of new small utilities, exasperating an existing considerable problem
6. Increase customer rates



Competition and the CC&N

- Competition occurs **before** CC&N is issued
 - Developer is free to request service from a number of alternative providers
 - Notice provided to all landowners, who can request service from alternative providers
 - Competing initial applications allows Commission to make CC&N issuance decisions reflect current policy goals
- Conditions that permit competition **after** CC&N is issued undermine key policy goals
 - Lack of certainty for developers and utilities
 - Harms customers
 - Violates regulatory compact
 - Discourages master planning and regional solutions, results in more small isolated water systems; expensive outcome, counter to current Commission policy favoring consolidation



CC&N Certainty is Required to Encourage and Protect Utility Investment and Customer Rates

- Why would a utility invest time and money to plan for and serve an area that may be taken away?
 - Utilities are capital intensive and their financial health is based on timely and adequate recovery of that investment
- What protects the utility's CC&N?
 - The law requires the Commission to protect a utility's CC&N (*James P. Paul*)
- What do customers get in exchange for protections the law provides?
 - Utilities must be ready, willing, and able to serve each customer with just and reasonable rates
- Does the Commission already have tools to ensure this?
 - Yes



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Recommendations for CC&N Process

- Retain current CC&N process as it facilitates development and allows Commission to make policy decisions prior to initial issuance of CC&N
- For new CC&Ns, only place conditions which a utility can control
 - Doing so will mitigate the need for extensions and respect the time and money that the utility and developers have expended in obtaining the CC&N and other development-related entitlements
 - Any request for extension on newly granted CC&Ns should be approved if there is reasonable explanation for the utility's inability to timely meet the condition; request should be denied if evidence shows that the utility failed to meet the condition because of lack of financial, managerial, or technical wherewithal
- The problem- for existing conditional CC&Ns that include development-related conditions not within the utility's control, a request for extension should be granted if the inability to meet the condition is due to a delay in anticipated development timetable





Questions?



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