

WATER UTILITIES ASSOCIATION OF ARIZONA

September 2019

SPECIAL REGULATORY ALERT

There are currently an extraordinary number of ongoing regulatory activities significantly impacting water and sewer utilities in Arizona.

The WUAA is issuing this Special Regulatory Alert to its membership to assure that Arizona water and sewer utilities are aware of these regulatory activities and to allow the collective voice of the water and sewer industry to be presented in upcoming workshops.

Please contact Ray L. Jones, Executive Director with any questions or input.



Water Utilities
Association of Arizona

TERMINATION OF SERVICE RULEMAKING

In June, the Commission called for an investigation and emergency rulemaking following reports of the death of an APS customer after power was disconnected during high temperatures. The Commission approved an emergency rulemaking for electric utilities and instructed Staff to develop rules for all classes of utility service.

The WUAA expected the Commission to complete permanent rules for electric utilities and then proceed with updated termination of service rules for water and sewer utilities later this fall. Instead, Staff drafted proposed rules for all utility services, including water and sewer utilities and scheduled a Stakeholder Meeting and Workshop for Monday, September 30, 2019 to take comments on the proposed rules. Staff has requested comments on the proposed rules be docketed by September 23, 2019. The rules, as drafted, will require substantial and potentially costly changes in the way water and sewer utilities handle disconnection of service for nonpayment of bills.

To the WUAA's knowledge, this rulemaking and workshop has not been specifically noticed to the nearly 300 water and sewer utilities in Arizona, and we are concerned that many, if not most, small water and sewer companies are unaware of this rulemaking. The WUAA will be attending the Workshop and providing comments on behalf of the industry. We encourage all water and sewer utilities to participate as well.

Interested parties may follow this rulemaking through edocket.azcc.gov at docket [RU-00000A-19-0132](https://edocket.azcc.gov/docket/RU-00000A-19-0132) or through the Commission's [eFiling Portal](#). Companies are also encouraged to provide their comments or concerns regarding the rule making to Ray L. Jones, Executive Director of WUAA at ray.jones@aricor.com or 623-341-4771.

COMMISSION'S REVIEW OF POLICIES ENCOURAGING INVESTMENT IN WATER AND SEWER UTILITY FACILITIES

In recent Open Meetings, the Commission has considered, and in some cases approved, amendments to recommended orders impacting the ratemaking treatment of water and sewer investments. These amendments were, in some cases, contrary to established Commission policy and practice intended to encourage investment in the water and sewer industry.

Rather than continue this ad-hoc approach to policy, the Commission has scheduled a Workshop on Thursday, October 17, 2019 and Friday, October 18,



Water Utilities Association of Arizona

The Water Utilities Association of Arizona (WUAA) has provided leadership in the water community since 1961. WUAA membership consists of approximately eighty water and wastewater utilities ranging in size from the largest of Class A to small Class E Companies. WUAA's services to members include offering a wide range of information on water industry issues and developments; an annual meeting of members, and specialized seminars and conferences. WUAA is Arizona's largest association of investor-owned water and wastewater utilities with member companies serving over one-million Arizona residents.

Contact Us

Water Utilities Association of Arizona

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2019 to seek input on various Commission policies and practices impacting water and sewer utilities.

The workshop topics have changed over time and are currently:

- Inclusion of Post-Test Year Plant in rate base
- Rate Consolidation
- Fair Value Increment (i.e. return on fair value rate base)
- Gradualism (e.g. phase-in of rates)
- System Improvement Benefit (SIB) surcharge

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PROTECTION OF CC&N'S

The WUAA considers CC&Ns foundational to the ability of a water and wastewater utility to operate as a regulated public service corporation. Without the certainty of future customers and revenues afforded by a CC&N, no water and wastewater utility would be able to plan for and invest in facilities needed to grow its service area.

With this consideration in mind, the WUAA Board authorized intervention In The Matter of the Commission's Evaluation of the Certificate of Convenience and Necessity of Johnson Utilities, L.L.C. In this case, the Commission is considering the deletion of all or part of Johnson Utilities' CC&N.

The purpose of the WUAA intervention is not to support or defend Johnson Utilities. Rather our goal was to assure that the deletion of any CC&N, no matter the underlying circumstances, was considered in accordance with established precedent. To this end, the WUAA has provided expert testimony and legal briefing in the docket regarding the standards for CC&N deletion established by the Arizona Supreme Court under James P. Paul Water Company v. Arizona Corporation Commission.

APPOINTMENT OF INTERIM MANAGERS

The Supreme Court has granted review of Johnson Utilities' request for special action relief from the Commission's order appointing a third-party interim manager for Johnson Utilities. The WUAA Board has authorized preparation of an Amicus Brief for submittal to the Supreme Court.

As in the CC&N matter, WUAA's purpose is not to support or defend Johnson Utilities. Rather, our intent is to inform the court as to the issues and protections important to our members when the Commission considers the appointment of interim managers. Our ultimate goal is to make sure water and sewer utilities are afforded appropriate due process should the appointment of an interim manager be considered by the Commission.