

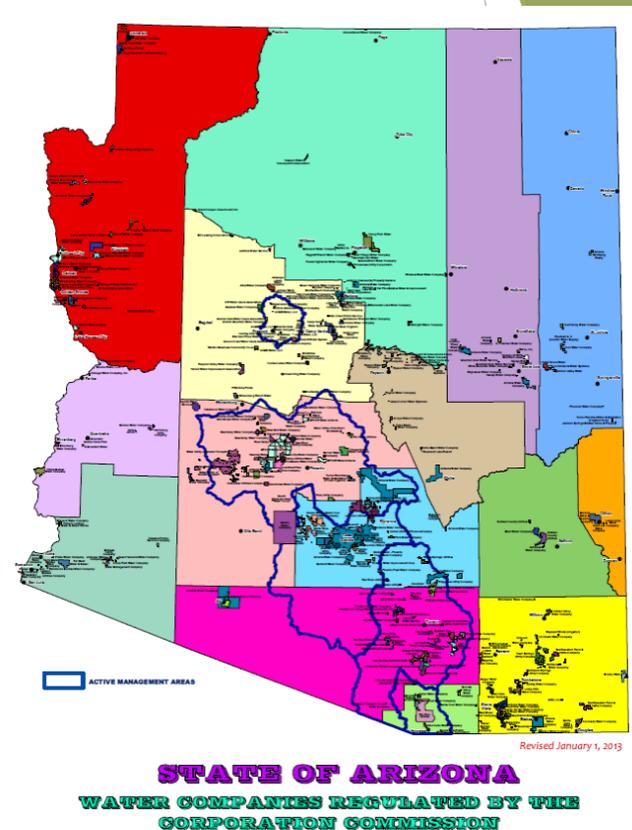


Arizona Corporation Commission Water Update

Commissioner Andy Tobin

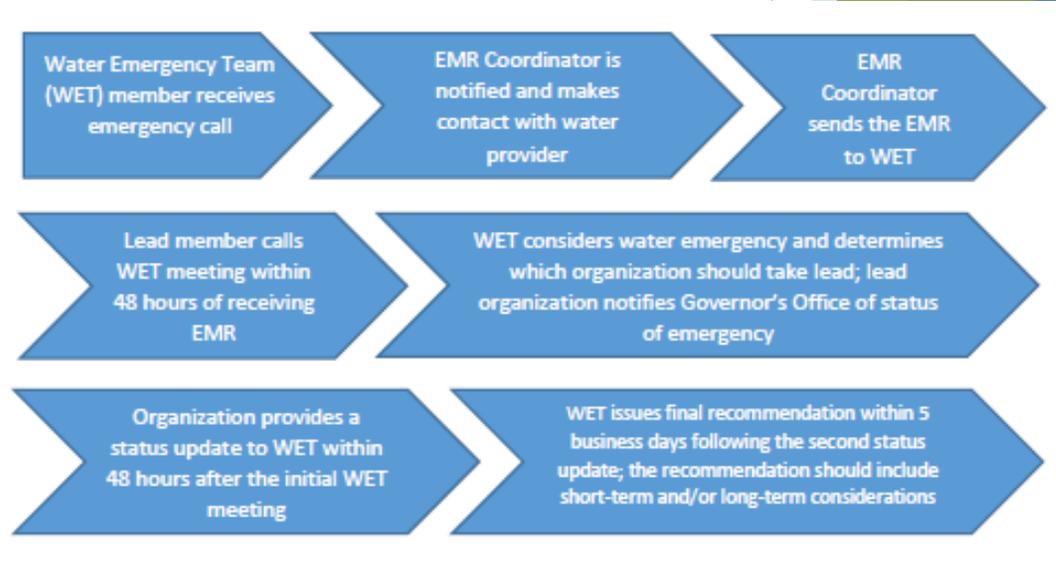
The Commission Sets a new Bar for Water Regulation in Arizona

- ▶ ACC has a renewed focus on water policies for the past year
 - ▶ Water Emergency Team
- ▶ The Water Committee at the Commission has been created
 - ▶ Water Loss Policy
 - ▶ CIAC Policy or the Small Water Infrastructure Policy
 - ▶ Bioenergy and Water Conservation
 - ▶ Generic Return on Investment



Water Emergency Team (WET) is Designed to Handle Emergency Water Responses

- ▶ W.E.T. is a task force formed by the Commission, WIFA, ADEQ, DEMA, The Governor's Office, ACA, CSA, Arizona Association of Counties, WUAA, RWAA, and RUCO
- ▶ This task force is formed to rapidly respond to a serious water crisis in Arizona.
 - ▶ Water Emergencies that have been resolved:
 - ▶ Beaver Valley Water Company
 - ▶ Truxton Water Company



The Commission is a Collaborative and Forward Looking Partner in Arizona

- ▶ The Water Committee recently introduced the Water Loss Policy to the Commission which was approved during the September Open Meeting
- ▶ The Water Loss Pilot program with WIFA will show how to best implement the M36 Water Loss Manual by the American Water Works Association
- ▶ This policy takes multiple approaches to water loss regulation through partnering with WIFA while creating a Water Reform Working Group to formalize collaborative efforts to reform water policy in Arizona



NEWS RELEASE

WATER INFRASTRUCTURE FINANCE AUTHORITY

Arizona's water and wastewater funding source

100 North 15th Avenue, Suite 103, Phoenix, Arizona 85007 | azwifa.gov | (602) 364-1310

Date: September 6, 2017

Contact: Susan Craig, Communications Director, (602) 364-1236

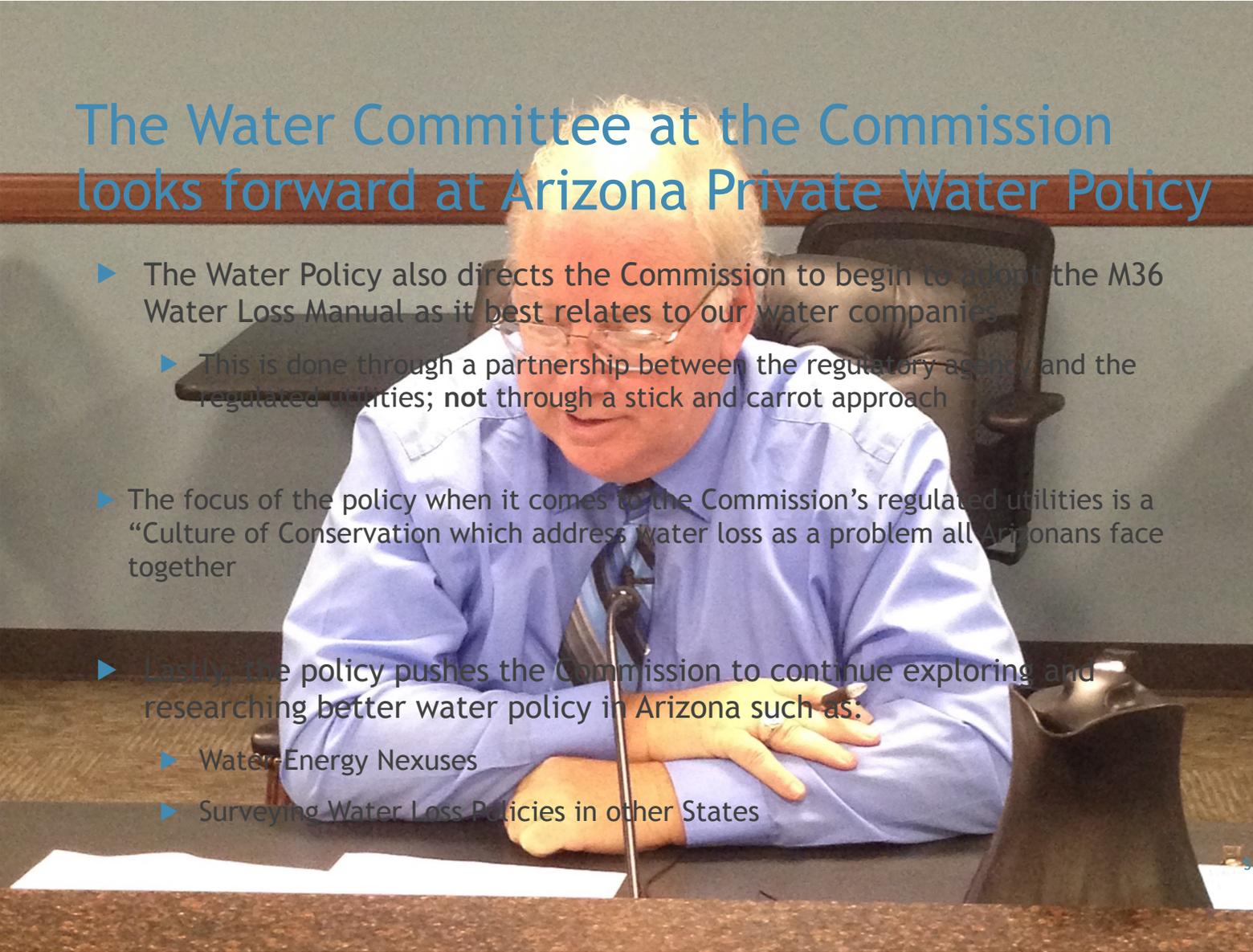
Arizona's Water Loss Control Pilot Project Kicks Off

PHOENIX (September 6, 2017) - The Water Infrastructure Finance Authority of Arizona (WIFA), in partnership with the Arizona Department of Water Resources (ADWR), is kicking off a Water Loss Control Pilot Project.

Water supply challenges and the need for continued conservation are driven by declining water supplies and aging utility infrastructure. In the United States, leaking pipes lose 2.6 trillion gallons of water annually, approximately 17% of the total water our country consumes. On a statewide basis, although less than the national average, Arizona estimates similar annual water losses.

Controlling water loss is an important and cost-effective part of water resource management for water utilities and state agencies. Due to the successful implementation of water loss control programs in other states, WIFA and ADWR decided to develop a program in Arizona. This project will take the first steps towards determining the feasibility of standardizing and promoting water loss auditing among utilities across the state.

In addition to WIFA and ADWR, partners and other state agencies are taking a closer look at this issue.



The Water Committee at the Commission looks forward at Arizona Private Water Policy

- ▶ The Water Policy also directs the Commission to begin to adopt the M36 Water Loss Manual as it best relates to our water companies
 - ▶ This is done through a partnership between the regulatory agency and the regulated utilities; **not** through a stick and carrot approach
- ▶ The focus of the policy when it comes to the Commission's regulated utilities is a "Culture of Conservation which address water loss as a problem all Arizonans face together
- ▶ Lastly, the policy pushes the Commission to continue exploring and researching better water policy in Arizona such as:
 - ▶ Water-Energy Nexuses
 - ▶ Surveying Water Loss Policies in other States

Reforming Financial Vehicles for Small Water Companies to Afford Necessary Infrastructure

- ▶ Recently addressed “Certificates of Aid in Construction” (C.I.A.C.) which is a financing mechanism that small water utilities can use to fund infrastructure which is necessary, but too expensive for the company
- ▶ There were significant issues with how we would issue CIAC to water companies that often led to double recovery or event a declining rate base for the company
- ▶ The CIAC Reformation Policy changed the approach companies take when coming to the Commission to make the process less burdensome, review the companies’ loans and ensure there is no unnecessary financial burden

The Commission is Proactively working to Save Water and Forests

- ▶ Recently, the Commission has been focusing on the benefits of forest restoration through bioenergy production at generating stations like Novo Power or Coronado Generating Station
- ▶ There is a hidden benefit to forest restoration of over grown forests and lands when it comes to water conservation
- ▶ In the last APS rate case, they were ordered to address potential bioenergy solutions and even address the potential water savings from restoring Arizona's Forests

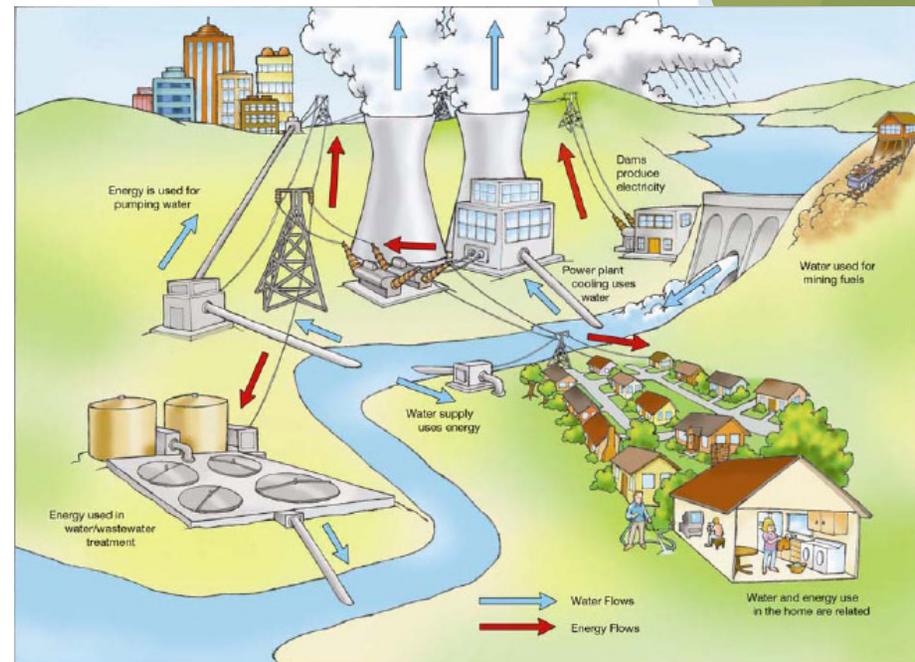


Reforming Broken Systems at the Commission

- ▶ The Commission has operated on many informal policies in the past that rely on past precedent rather than proactively looking forward at the future
- ▶ Certificates of Convenience and Necessity are essential to utilities' territory and shouldn't be a process that is burdensome which is why the Commission is looking for a less burdensome process
- ▶ Currently, Commission staff is working on a policy statement draft that we will hold a 2nd workshop to discuss and present to the industry & public

Exploring Beneficial Relationships between Water Utilities and Electrical Utilities

- ▶ A Water-Energy Nexus would be relationship or program between water utilities and electricity utilities to better conserve water and improve energy efficiency
- ▶ This relationship would benefit the consumer two-fold by having a combined focus on their water and energy services
- ▶ A Tobin Amendment in the APS rate case, directs APS to explore possible opportunities for a Water-Energy Nexus Program with Water Utilities in their territory



The Commission Working to Increase Efficiencies that Support Safe Infrastructure

- ▶ Creating the “One-Stop-Shop” with the Secretary of State and the Dept. of Revenue so companies can file online with ease rather than file in person in Phoenix or with multiple agencies
- ▶ Exploring a Generic Return on Investment Formula for a streamlined and expedited ROI process to reduce significant burden on the utility and the Commission
- ▶ The Commission will be considering a motion to join the Arizona Mexico Commission to facilitate more collaboration at the border and between our states

Looking Forward to Arizona's Water Reforms

- ▶ What's coming next from the Commission on water?
 1. Water Energy Nexus report from APS in November
 2. APS files their biomass study and water savings report in November
 3. 2nd Workshop on CC&Ns to discuss the draft policy statement
 4. Looking for more agencies to partner with the "One-Stop-Shop" for business filings
 5. Commission staff, RUCO, and industry leaders are working on a generic ROI for Arizona

Question & Answer Session