



ARIZONA CORPORATION COMMISSION

FOR IMMEDIATE RELEASE: 08/08/16

MEDIA CONTACT: Angie Holdsworth (602) 542-0844

The Arizona Supreme Court Rules in Favor of Corporation Commission *Commission can Approve Mechanism for Water Companies to Recoup Infrastructure Costs*

(Phoenix) The Arizona Supreme Court ruled a Corporation Commission's approved rate increase mechanism known as "the system improvements benefit" (SIB) is constitutionally sound and complies with the Commission's mandate in determining the fair value of a utility's property when setting rates. That mechanism has been the focus of a long-time law suit filed by the Residential Utility Consumer Office.

The case involved the Commission's 2011 approval of a step-increase mechanism for a water company. That allowed the Commission to adjust rates between full rate cases in order for the company to recoup replacement plant costs. The mechanism creates more gradual rate increases for the consumer.

"The Supreme Court's decision today restores a valuable tool to the Commission's rate setting tool box," said Chairman Doug Little. "The System Improvement Benefit program allows our water utilities to recover the costs of infrastructure improvements gradually, as they are actually accomplished. This is important because it minimizes the rate impact on water customers, spreading the costs over time instead of hitting them with a big rate increase every few years. It also means that Arizona now has one of the best regulatory environments for investment in our water utilities, meaning more jobs and more economic investment in Arizona."

Today's ruling clarifies the Commission's authority and provides an important option which can reduce the need for a company to file lengthy full rate cases more than once every 4 or 5 years.

"I am pleased by the Supreme Court's decision today to affirm the Commission's authority once again over ratemaking," said Commissioner Tobin. "The System Improvement Benefits Mechanism is a meaningful step in the right of direction of cutting regulatory red tape for companies and real results for ratepayers."

Justice Robert Brutinel wrote in his opinion:

During a full rate case, the Commission scrutinizes a utility's financial picture and holds many hearings--often extending more than a year. Here, the Commission approved a rate increase mechanism known as the systems improvements benefit, allowing it to adjust rates between full rate cases to help a utility recoup the cost of newly-completed infrastructure projects. We hold that the SIB mechanism complies with the Arizona Constitution's mandate that the Commission determine the fair value of a utility's property when setting rates.