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SUSAN BITTER SMITH
Commissioner

ARIZONA CORPORATION COMMISSION

MEMO

To: Arizona Corporation Commission, Docket Control

From: Office of Commissioner Susan Bitter Smith

Date: July 22, 2014

Re: Arizona Corporation Commission Generic Investigation in the matter of the Commission's inquiry into the possible development of regulatory policies and strategies to evaluate and potentially encourage consolidation concerning Arizona's water and wastewater utilities industry.
WS-00000A-14-0198

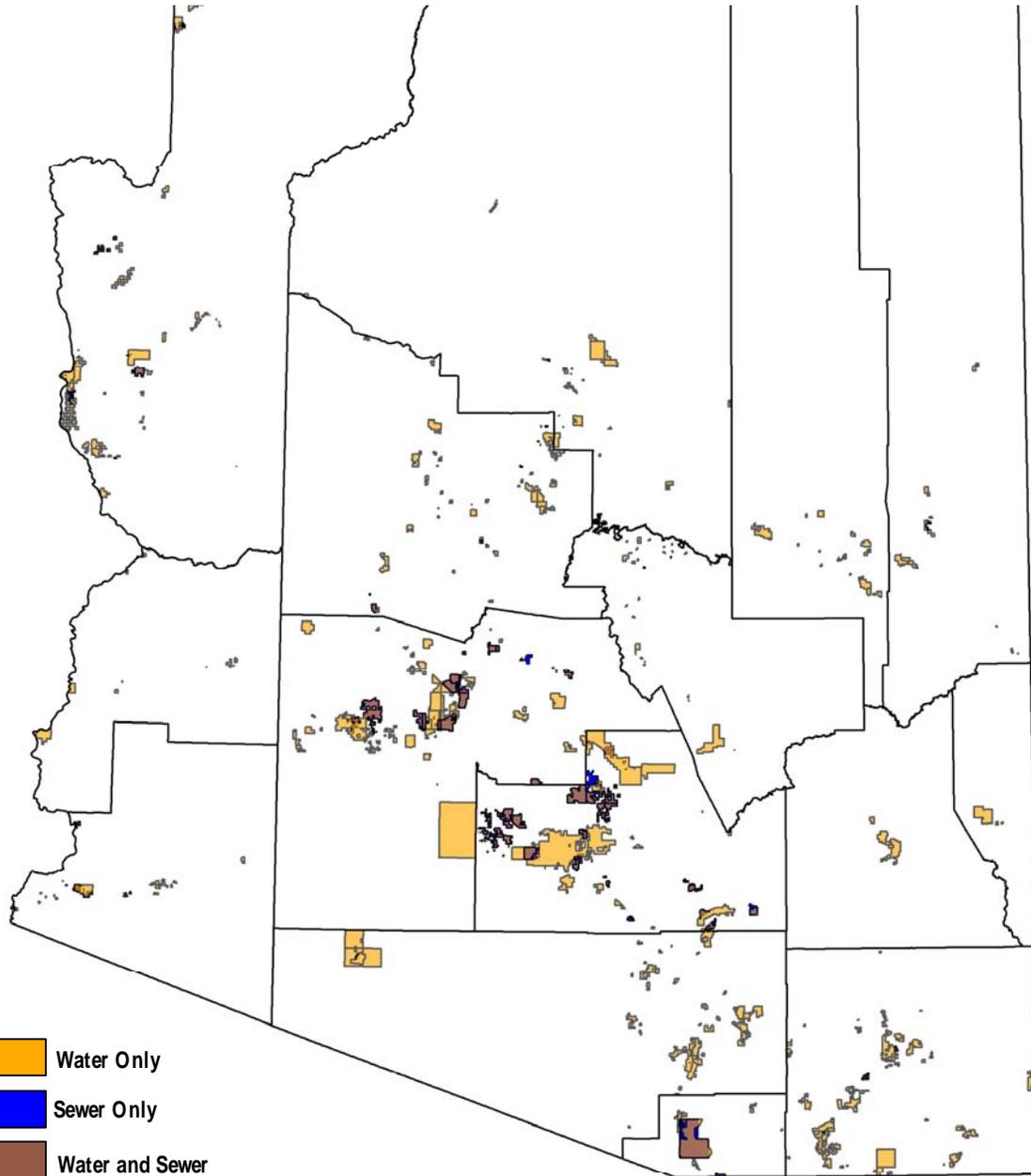
Commissioner Bitter Smith presented the attached presentation at the NARUC Summer Committee meeting in Dallas, TX on July 15, 2014.



ARIZONA CORPORATION COMMISSION

Acquisitions and Consolidations in Arizona's Water & Wastewater Industry

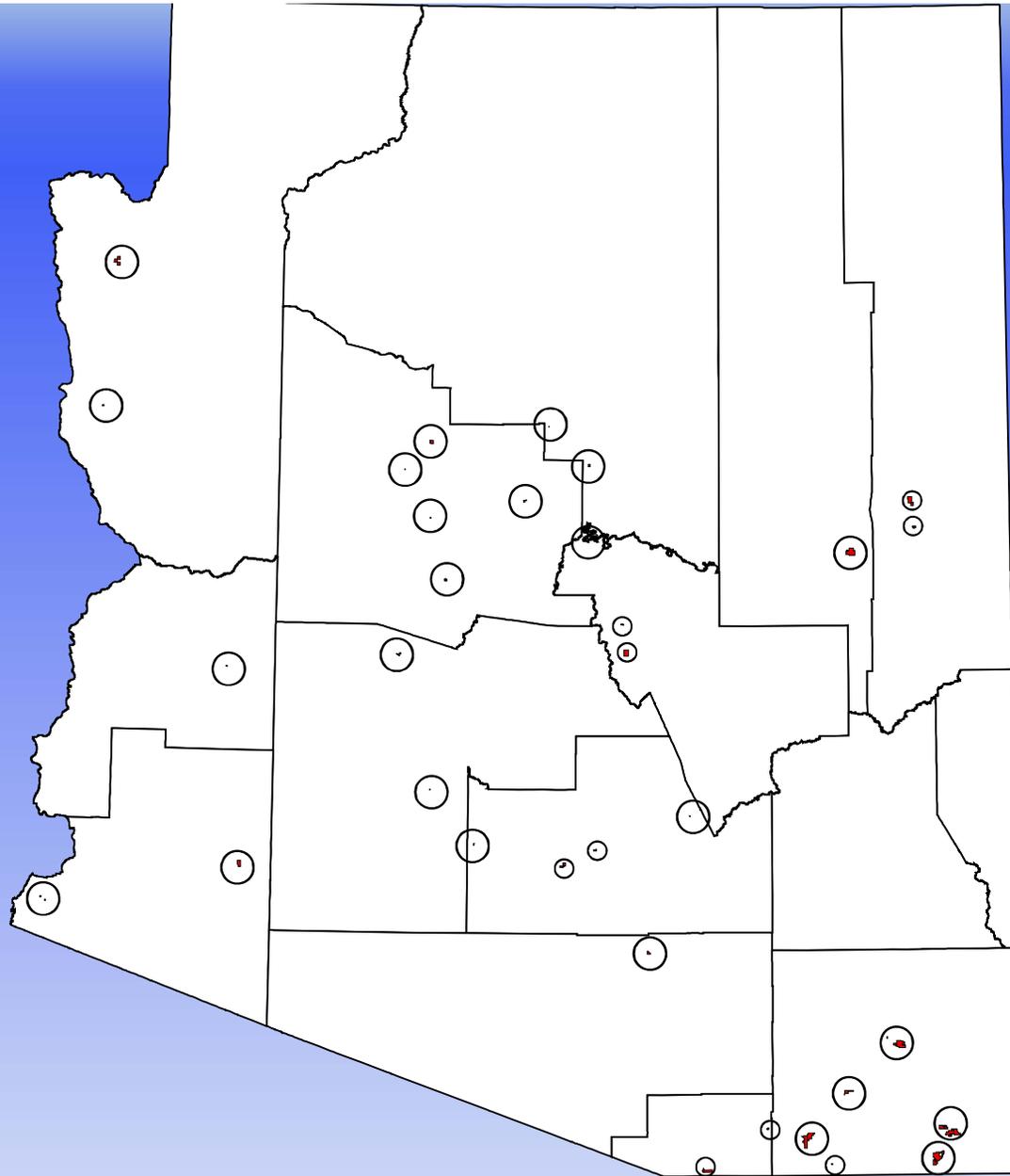
Presented by
Commissioner Susan Bitter Smith



-  Water Only
-  Sewer Only
-  Water and Sewer



STATE OF ARIZONA
WATER AND WASTEWATER COMPANIES
REGULATED BY THE
CORPORATION COMMISSION



STATE OF ARIZONA
CHALLENGED WATER AND WASTEWATER
COMPANIES REGULATED BY THE
CORPORATION COMMISSION

“Reduce the number of small,
non-viable water systems
through new rules and procedures.”

Interim Report of the Arizona Corporation Commission's Water Task Force,
October 28, 1999, Page 3 [Docket No. W-00000C-98-0153]



“Many of Arizona’s water companies are quite small; the majority of them have less than \$250,000 in annual revenues... Because of their small base of customers, even quality managers of small companies may find it difficult to raise sufficient revenues to make needed capital investments.”

Interim Report of the Arizona Corporation Commission’s Water Task Force,
October 28, 1999, Page 3 [Docket No. W-00000C-98-0153]



Attracting the interest of well managed and well financed acquisition partners will require a regulatory environment that recognizes that properly matching the level of financial and operational risk with the opportunity to earn a fair risk-adjusted rate of return is going to be a key to successful water and/or wastewater system consolidations.



The goal is to insure
Arizona ratepayers access to
safe and assured water supplies
at affordable prices-
A true balancing act!

