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**ARIZONA CORPORATION COMMISSION**

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September 7, 2007

Chairman Gleason  
Commissioner Hatch-Miller  
Commissioner Mayes  
Commissioner Pierce

Re: Reconsideration of Decision No. 68858  
Arizona-American Water Company, Paradise Valley Water District;  
Docket Nos. W-01303A-05-0405 and W-01303A-05-0910

Dear Colleagues:

While I appreciate both Chairman Gleason's and Commissioner Pierce's letters calling for reconsideration pursuant to A.R.S. § 40-252, I need two issues clarified before I am willing to revisit this matter.

The first issue that needs to be clarified is the scope of the proposed rehearing. It appears that Chairman Gleason would like to reopen this matter for the purpose of eliminating the "Public Safety" surcharge while Commissioner Pierce seeks to modify the "High Block" surcharge to lessen its immediate impact.

At the Open Meeting where the Commission issued Decision No. 68858, we approved the surcharges that the Company and the Town of Paradise Valley had agreed upon to fund the fire-flow improvements required by the Town. These improvements had been deemed necessary to promote public safety by the Town after years of study and outreach by both the Town and the water committee. Commissioner Gleason was opposed to the imposition of the "Public Safety" surcharge and offered an amendment that would have eliminated it.

I understand Commissioner Pierce's desire to reopen this matter after hearing from most of the affected parties; however, any consensus proposal must involve the Town as well. Of course, a reduction of the surcharges *ceteris paribus* would result in a higher total amount being recovered over a longer period of time. Furthermore, we must consider whether a reduction of the surcharges may have the unintended consequence of discouraging conservation.

The second issue is what position the Town of Paradise Valley has taken on eliminating or altering the surcharges. It is my understanding that that Town has so far been silent on this subject. If the surcharges are eliminated, then the Town will have to find another funding source to pay for the improvements.

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Without input from the Town of Paradise Valley, I cannot agree to commence a proceeding pursuant to A.R.S. 40-252 to amend Decision No. 68858. In that regard, I am sending, under separate cover, a copy of this letter to the Mayor and Town Council of Paradise Valley. Thank you for your attention to this matter.

Sincerely,



William A. Mundell, Commissioner  
Arizona Corporation Commission

cc: Dean Miller  
Ernest Johnson  
Chris Kempley  
Lyn Farmer  
Lace Collins  
Service List