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ARIZONA CORPORATION COMMISSION

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November 29 2007

Chairman Gleason
Commissioner Hatch-Miller
Commissioner Mayes
Commissioner Pierce

Re: Reconsideration of Decision No. 88858
Arizona-American Water Company, Paradise Valley Water District,
Docket Nos. W-01303A-05-0405 and W-01303A-05-0910

Dear Colleagues:

I have read all the letters in this docket as well as the Town of Paradise Valley's resolution. I too am concerned about rate shock, but I am equally concerned about encouraging water conservation. As we have discussed on numerous occasions, Arizona is in one of the worst droughts in the history of the state.

For years the Commission has been approving tiered water rates with the goal of promoting conservation. The Paradise Valley system has a three-tiered inverted block rate design for residential customers where the second tier starts at 25,001 gallons/month and the third tier starts at 80,001 gallons/month. For most other systems with a three-tiered inverted block rate design, the second tier begins between 3,001-5,001 gallons/month and the third tier begins between 10,001-15,001 gallons/month. These tiers are set based on the median and average customer usage. It has been argued that the median and average usages for Paradise Valley are higher than other Arizona cities because the lots are bigger there. While lot size may play a small role, the real culprits are the lush lawns, verdant landscaping and elaborate water features.¹ If desert landscaping is used, then water usage can be dramatically reduced.

As I indicated in my letter of September 7, 2007, if we initiate a proceeding pursuant to A.R.S. § 40-252 to reconsider Decision No. 88858, then we must consider whether a reduction of the surcharges may have the unintended consequence of discouraging conservation. In that letter I also stated that the scope of the proposed rehearing needs to be clarified before I am willing to revisit this matter. I look forward to discussing these issues at a future Staff Meeting.

Sincerely,

A handwritten signature in dark ink, appearing to read "William A. Mundell".

William A. Mundell

¹ See attached editorial and postcard.

Arizona Corporation Commissioners
November 29, 2007
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cc: Dean Miller
Ernest Johnson
Chris Kempley
Lyn Farmer
Rebecca Wilder
Parties to the Docket

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Please include your name.
Please limit letters to 200

OUR VIEW

Heavy water users should pay

NE Valley needs to change habits during drought

Paradise Valley residents are angry. A private water company that serves the town is adding a surcharge for homes that use more than 25,000 gallons a month. It can increase their bill by nearly \$35.

Carefree residents would gladly change places with them. There, the city water company's heavy-usage surcharge starts at \$100 for residential customers who use more than 16,000 gallons in a month.

Both companies say the surcharges are intended to encourage conservation and pay for improvements in their systems. In our view, such surcharges are responsible reactions to a drought well into its second decade.

Yet we can understand why residents of those towns chafe, especially when they hear that Mesa voters overwhelmingly approved a water park that will include a whitewater river at least 4,000 feet long, a scrub lagoon and a wave pool big enough to give surfers some serious action. Plans also call for a four-star hotel with an indoor water park.

How can there be water for that but not enough to keep their monthly bills low?

Perhaps Rep. Ray Bunn was correct when he predicted the Legislature would do nothing to advance water conservation until the price of water went so high people demanded action.

Across the Northeast Valley you can find examples of people who understand the scarcity of water in a desert. Terraced yards with drip irrigation use considerably less water than sprinklers or lawns.



Shawn Hamilton of Harper's Nursery works on transforming a grassy lawn into a desertcape that uses less water. In the foreground is an Angelita daisy, one of the many flowers that do well in the desert.

THE REPUBLIC

What do you think?

Should heavy water users pay a surcharge? What else could encourage conservation?

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lawns. Families retrofit their bathrooms with low-water showers and toilets. Buildings constructed to green standards capture rain and gray water (from showers and sinks) for irrigation. Scottsdale and Fountain Hills pump treated wastewater underground during the winter, setting it aside to water parks and golf courses come summer.

But the Northeast Valley also abounds in denial. As long as the water flows when you turn the tap, there is no drought. And if there is

drought, then surcharges for excessive use of water are themselves excessive. It becomes easier to rail against the water company than to change habits.

That's too bad. The policy in Paradise Valley is far from onerous. The surcharge does not go into effect until a homeowner uses more than 25,000 gallons, an amount no reasonable person would describe as spartan.

And although the \$100 surcharge may be steep for using 16,000 gallons in Carefree, it establishes a huge incentive to find ways to reduce water usage. If anything, the town is likely to be a trendsetter for the Valley.

Abstract talk about drought will change a few habits but not in a meaningful way. People will waste any resource until they are directly affected, and a \$100 surcharge touches most people directly. Surcharges may be what it takes to convert denial into recognition of the challenges

YOUR VIEWS

Greed cost district de

That was a very good editorial in the Nov. 8 *Scottsdale Republic* as to why the recent Cave Creek school bond and budget override lost.

It is my belief the primary reason is greed. The school district got greedy. It didn't have anything to do with voter turnout. I didn't have anything to do with vote-by-mail ballots. They wanted to build a Tu Mahal high school, when there is an empty building right next door to the existing high school. P.E. Barnum was right. You can't fool all of the people, all of the time.

The Cave Creek Unified School District needs to remember the KISS principle ("Keep it simple, stupid").

Ray Hester, Scottsdale

Foe blocks override

As the parent of a son who received an excellent education in the Cave Creek school system, I welcome the opportunity to comment on why the bond and override failed.

Analysts may speculate the district did not get the word out, especially about taxes not being raised, or about how the bond was too big, but the real answer lies elsewhere. Many residents of Cave Creek, Carefree and Rio Verde do not feel the need to support the public schools. They overlook the well-documented fact that money invested in schools results in money saved in social services and law enforcement.

The second reason is the local newspaper, the *Sonoran News*. It arrives in

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