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MICHAEL KEARNS
Acting Executive Director

ARIZONA CORPORATION COMMISSION

February 20, 2009

Re: Opportunities for Commission regulated water companies to access Federal Stimulus monies for water infrastructure projects, finance consolidation of smaller water systems; Utility plans and preparations for additional funding.

Dear Sir or Madam:

You are receiving this letter as a representative of a Class A or B water utility in Arizona. As you know, the recently passed Federal Economic Recovery package includes financial assistance for water infrastructure projects. All told, more than \$7 billion dollars is available through United States Department of Agriculture ("USDA") grants and loans and Clean Water Act ("CWA") and Safe Drinking Water Act ("SDWA") State Revolving Loan Funds ("SRF"). As I understand it, the legislation introduces a new prioritization for funding for "projects on a State priority list that are ready to proceed to construction within 12 months of the date of enactment of this Act." The legislation also includes a "use it or lose it" provision, which tells states that if they are unable to utilize the funding for water infrastructure improvements, it will be re-allocated to other states.¹

It is my understanding that in Arizona the Water Infrastructure Financing Authority ("WIFA") will be administering the additional funds designated for our state, which total in excess of \$81 million dollars, through the CWA and SDWA SRFs. At this moment, WIFA is preparing policies and procedures for accessing these additional funds.

Given the immediacy of this issue and the scope of funds available, I would like you to inform the Commission of any plans you have for applying for and/or utilizing this increased funding. Accordingly, please identify any projects you have identified which could be presented to WIFA for consideration for funding provided by the Federal Economic Recovery package through the SDWA SRF (estimated to be in excess of \$26 million). Specifically, please tell the Commission whether any of the water companies you operate could benefit from money provided by WIFA to refurbish or repair dilapidated pipes, or implement leak detection or other efficiency measures at the water systems you currently operate, or whether you believe you could utilize some of this funding to purchase old and aging water systems, which could then be repaired and restored to health. As you know, Arizona has more than 350 private water companies, a good number of which are in desperate need of infrastructure improvements.²

¹ Even if Arizona water companies are unable to be included in the initial round of stimulus funding, it would appear there may be additional opportunities in the future, if other states are forced to turn back their allocations.

² In recent years, this Commission has heard from water companies, during rate cases and in other venues, that water companies need additional funding to replacing aging infrastructure. Several rate cases, asking ratepayers to finance

I recently learned that the federal EPA considers private water systems to not only be eligible for the new funding from the Recovery package, but that it also has encouraged investor owned and private utilities to apply for this funding if they have "shovel ready" projects that can make water systems more efficient, more "green" and most importantly, more reliable.³ Given the willingness of the EPA to consider water companies eligible for this additional infrastructure funding, and in view of the many needs of our state's small and large water companies, I believe it is important for water companies as well as this Commission to identify and encourage the placement of water company infrastructure projects on the WIFA priority list.

Thank you for your attention to this matter.

Sincerely,



Kris Mayes
Chairman

Cc: Commissioner Pierce
Commissioner Newman
Commissioner Kennedy
Commissioner Stump
Ernest Johnson
Janice Alward
Michael Kearns
Rebecca Wilder
Judy Navarrete, WIFA

such infrastructure improvements, are pending before this Commission as I write this letter. Additionally, every year, the Commission is presented with at least a handful of cases involving water systems that are on the verge of complete collapse.

³ At a meeting this week of the National Association of Regulatory Utility Commissioners' Water Committee, of which I am a member, Peter Shanaghan, Team Leader of the US EPA's Drinking Water State Revolving Fund division told Commissioners that, "If a utility has been thinking about retrofitting old pumps for energy efficiency, that would be a great project for funding." Mr. Shanaghan also stated that an excellent candidate for funding by the CWA and SRF's would be one in which a well-functioning water company applied to use the funding to purchase a smaller, troubled system and make repairs to it. According to Mr. Shanaghan, Congress has stated that 20 percent of the water infrastructure funding should be used for water efficiency and energy efficiency.