

Taking steps now to keep water pipelines flowing

This summer, the Arizona Corporation Commission enacted a historic reform that will help ensure that all Arizonans have a secure and affordable water future.

A new rate-making mechanism called System Improvement Benefits will address Arizona's severe water-infrastructure needs without causing rate shock for customers.

More than 400 private water companies provide service in Arizona. Many of these companies have existed since the early days of statehood. The American Water Works Association estimates there is more than \$30 million of needed major infrastructure replacement in the West, much of which is in Arizona. That does not include the minor distribution plant



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that is so vital to the viability of small companies in rural parts of our state.

That same study indicates that in Tucson alone, anticipated infrastructure replacement and repair costs per household in 2015 will be almost \$100,000.

Reliable and affordable water delivery is vital to our state, and the Corporation Commission spends the majority of its time dealing with water-company issues. That might surprise many people given the current focus in the media on the energy issues before the commission.

Small rural areas of Arizona are greatly impacted by infrastructure needs because people are spread out and there are more miles per customer of plant that must be maintained. Many of these small companies serve as few as 50 customers, leaving very little margin to operate.

Water utilities are natural monopolies because of the large investment required to put pipe networks in the ground.

This means it is virtually impossible to have more than one provider of water service within a given area. Many of Arizona's private water companies evolved over time as early owners of a well gradually agreed to provide water delivery to their neighbors as new residents arrived. Over time, a neighborly

gesture of providing water service resulted in the creation of a water utility.

Water-utility status creates great responsibility. After all, this is a utility that is delivering a commodity that we are all ingesting.

Ensuring the quality of drinking water is a key requirement for a water provider.

Repaired and updated infrastructure is a necessity for that requirement to be met.

Under the new System Improvement Benefits approach, water companies will be required to provide updates on infrastructure improvements, and customers will get the financial benefit of an efficiency credit on their bills.

Water rates and infrastructure needs are not usually the

topic at neighborhood block parties or the family dinner table.

Arizona residents have the expectation that when they turn on the tap or the garden hose, safe water will appear.

It is an expectation that the Corporation Commission does not take lightly, which is why this recent decision is so vital to the success of Arizona's future water deliveries.

Not only can Arizonans rely on the fact that water will continue to arrive safely and continually, they also now will know that they will not experience sticker shock on their bills for the privilege of receiving the necessary commodity of water.

Susan Bitter Smith is an Arizona Corporation commissioner.