

Investor Owned Water Utility A

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Commissioners
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January 24, 2006

**Public Comment of the Investor Owned Water Utility Association in the matter of:
Woodruff Water Company, Inc. Woodruff Utility Company, Inc. (W-04264A-04-0438 et al.)**

SW-04265A-04-0439
W-01445A-04-0755

Dear Commissioners:

The purpose of these comments is to express our belief that consumers, regulators and the service providers benefit when water and wastewater services are provided by one company. Arizona Water Company and Woodruff are not members of the Investor Owned Water Utility Association and it is not our intention to side with one well-qualified applicant over another.

However, we believe that combining the provision of water and wastewater services under one company benefits consumers and policy makers by providing regulatory flexibility as well as administrative and operational efficiency.

Regulatory Flexibility

We are all concerned about wise water usage. The Commissioners have expressed concerns, for example, about potable water being used to irrigate golf courses. By combining the provision of water and wastewater services under one company, the ACC enhances its ability to structure tariffs in order to maximize the use of effluent. The ACC will be continually frustrated if water and wastewater cases for one region are filed at different times, utilizing different methodologies, witnesses and attorneys.

The Commission's goal of using effluent and potable water efficiently can best be accomplished when the Commissioners, Staff and the parties have access to the financial, operational and usage details of both services simultaneously and are able to design rates and tariffs that meet those goals.

Administrative Efficiency

Combining the provision of water and wastewater service in one company allows that company to combine back-office functions such as bill processing, customer service centers and blue stake services as well as saves on postage and other costs of communicating with customers. Consumers benefit from these reduced costs and incur fewer transaction costs since they only have to pay one bill, call one company in the event of a problem and avoid the confusion of having two providers for what many consider to be one service. Because of its access to information from both water and wastewater services, the company itself is better able to communicate with the communities it serves regarding long-term water issues.

Additionally, stand-alone wastewater companies have no way to discontinue service for customers who refuse to pay their bills. Without the ability to discontinue water service for delinquent wastewater customers, the ability of stand-alone wastewater companies to make a profit—and in some cases survive—is impaired. This delinquency is by no means limited to low income customers, refusal to pay for wastewater services occurs in high-end homes and wealthy neighborhoods. Indeed, it is occasionally difficult to treat the effluent of the affluent.

Operational Efficiency

It is more efficient for a single company to operate water and wastewater facilities. Companies are better positioned to leverage and flex their operational staff to both operate and maintain both systems thus increasing service levels and response time to customer needs and emergencies; vehicles, machinery and equipment can be used to maintain multiple facilities, while repair and installation work can be scheduled to allow for a minimum of cost and disruption by eliminating redundancy

There is also an added benefit of the synergy of combining W/WW ownership/operation, particularly in new master-planned residential developments that include production and treatment works, in that the initial designs can easily provide for effective, direct reuse of reclaimed wastewater, thus avoiding low use of precious potable water supplies.

We believe that combining water and wastewater services in a single company will help the ACC achieve its conservation goals, enhance customer service, increase efficiency and reduce costs. For these reasons, we urge the Commissioners to accept the recommendation of Commission staff in this case and to use this decision as a model for future cases.

Sincerely,



Greg Patterson
IOWUA Director