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ARIZONA CORPORATION COMMISSION

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January 31, 2008

AZ CC DOCKET NO. 68858
DOCKET CONTINUED

Arizona Corporation Commission
DOCKETED

JAN 31 2008

DOCKETED BY
me

Mr. Stephen Ahearn
RUCO
1110 West Washington
Phoenix, AZ 85007

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 Mr. Ahearn:

At the staff meeting on December 6, 2007, the Commission voted unanimously not to reconsider Decision No. 68858 pursuant to A.R.S. § 40-252 until the parties to the case had crafted a proposal for us to consider. On January 15, 2008, the Commission received a letter from James C. Bacon, Jr., the town manager for Paradise Valley, with a new rate design proposal attached.

I was impressed that the Town, Paradise Valley homeowners' associations and resorts, and Arizona-American managed to reach consensus on changes to the High Block and Public Safety surcharges as an interim solution for the purpose of alleviating rate shock while providing the funding necessary to make the fire-flow improvements required by the Town.

While I have not yet formed an opinion as to the merits of this proposal, it seems only fair to consider it. In my letter dated September 7, 2007, I stated that before I would be willing to revisit this matter, two threshold issues needed to be addressed, the scope of the proposed rehearing and the position of the Town of Paradise Valley on eliminating or altering the surcharges. Both these conditions have been met.

It also appears that the parties have crafted a proposal for the ACC to consider; however, in his letter Mr. Bacon pointed out that Arizona-American "was prepared to sign the Rate Design Agreement, but due to the possibility that RUCO would oppose the new rate design and request a full briefing schedule Arizona-American will not sign at this time." Is this indeed RUCO's intent?

As you are aware, in Decision No. 68858 Arizona-American was ordered to file a permanent rate case for its Paradise Valley water system by no later than September 30, 2008. It is my understanding that the company intends to file in April or May. Depending upon how long it takes to consider the proposed interim solution, Commission Staff and RUCO could potentially be working on two rate cases for the Paradise Valley system at the same time – hardly an efficient allocation of taxpayer dollars.

I would support reconsideration of Decision No. 68858 pursuant to A.R.S. § 40-252 if the scope of the proceeding is limited to the consideration of the proposal put forth by the Town, Paradise Valley homeowners' associations and resorts, and Arizona-American. Anything beyond that is best left to the upcoming permanent rate case.

Thank you for your attention to this matter.

Sincerely,



William A. Mundell, Commissioner
Arizona Corporation Commission

cc: Chairman Gleason
Commissioner Hatch-Miller
Commissioner Mayes
Commissioner Pierce
Dean Miller
Ernest Johnson
Chris Kempley
Lyn Farmer
Rebecca Wilder
Town of Paradise Valley Council
Mike Surguine, Sanctuary on Camelback Mountain
Ralph Scatena, Camelback Inn
Richard Bibee, Scottsdale Renaissance
Parties to the Docket