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AZ CORP COMMISSION
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Janet Napolitano
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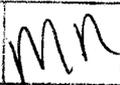
Stephen Ahearn
Director

February 15, 2008

Arizona Corporation Commission
DOCKETED

FEB 15 2008

William A. Mundell, Commissioner
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

DOCKETED BY 

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 Commissioner Mundell:

I am in receipt of your letter of January 31. I too was impressed that the various parties in this matter had been meeting for an extended period (represented by one party to have been sixteen months in duration), a fact I became aware of only on January 3 of this year, one day before I actually saw the proposal for the first time.

By way of background, I had been visited late last summer or early fall by representatives of the resorts, suggesting a fix to the high bill-related problems experienced by their clients. I listened to an outline of their incomplete proposal at that time, and volunteered that I would be amenable to any proposal that helped any consumers of any class *as long as it held the residential class harmless*. Although I am not certain of it, I assume these representatives of the resort interests were participating in the lengthy discussions that subsequently became the proposal you received from the Paradise Valley Town Manager on January 15.

Upon a careful review of the proposal, I concluded that it does more to harm the class of residential consumers over the long term than it does to benefit a number of individual consumers in the near term, and for that reason, I could not support it. Therefore, to directly answer your question about RUCO's intent, it would be my intent to oppose this proposal. It does not meet my explicitly-stated requirement of holding the residential consumer class harmless.

William A. Mundell
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I regret that other parties chose not to honor the Commission's expressed wishes that this matter not be returned unless there was unanimous agreement among the parties on a solution. The Commission should not have had this case revisited upon it in this manner; rather, as per custom in a confidential negotiation conducted in good faith, you should simply have been informed that the negotiations did not meet the requirement for unanimity that the Commission had laid out in its Staff meeting on this topic.

I agree that parallel hearing processes in this docket and the soon-to-be-filed rate case would be inefficient, and for that reason I suggest that the upcoming permanent rate case is the appropriate proceeding to resolve all outstanding matters.

Sincerely,



Stephen Ahearn
Director

cc: Docket Control
Mike Gleason, Chairman
Jeff Hatch-Miller, Commissioner
Kristin K. Mayes, Commissioner
Gary Pierce, Commissioner
James C. Bacon, Jr., Town Manager, Paradise Valley
Parties to the Docket