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DOCKET NO. W-0130³A-08-0227
DOCKET NO. SW-0130³A-08-0227

RESOLUTION NUMBER 1185

RECEIVED
2009 MAR 13 P 2:15
AZ CORP COMMISSION
DOCKET CONTROL

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF PARADISE VALLEY, ARIZONA, ACCEPTING THE RECOMMENDATIONS OF THE WATER UTILITY COMMITTEE REGARDING TOWN OF PARADISE VALLEY RESPONSES TO ISSUES BEFORE THE ARIZONA CORPORATION COMMISSION ("ACC") IN THE PENDING ARIZONA-AMERICAN WATER COMPANY ("ARIZONA-AMERICAN") RATE CASE APPLICATION, DOCKETED AS CASE NO. W-01301A-08-0227 ("RATE CASE"); ADOPTING TOWN COUNCIL FINDINGS ON THE ISSUES OF CONCERN; AND AUTHORIZING THE TOWN ATTORNEY TO FILE A COPY OF THIS RESOLUTION IN THE ACC DOCKET FOR THE RATE CASE

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF PARADISE VALLEY, ARIZONA THAT:

WHEREAS, a Paradise Valley Water Utility Committee, comprised of a seven members, was established by the Town of Paradise Valley Town Council on January 22, 2009; said Committee to be advisory to the Town Council and to make regular reports and recommendations to the Council based on its research and review of matters related to the Town's three water utility companies; and

WHEREAS, the Water Utility Committee met on March 4, 2009 to discuss the pending Rate Case and to make timely recommendations to the Council on issues of concern to the Town related to the Rate Case; and

Arizona Corporation Commission
DOCKETED

MAR 13 2009

DOCKETED BY [Signature]

1 WHEREAS, of the possible issues connected to the Rate Case that may be of
2 concern to the Council or to Town residential and commercial customers in the Paradise
3 Valley Water District owned by Arizona-American, the Water Utility Committee has
4 researched these concerns and has recommended to the Town Council findings in four
5 different areas:

6 **1) Fire Flow Improvements and/or Public Safety Surcharges** – Additional
7 study by the Committee regarding the location, necessity, cost, and method of payment
8 for fire flow improvements is needed at this time. The Committee believes fire flow is
9 important to the Town. However, the Committee is interested in studying and
10 prioritizing needs for the whole Town versus focusing only on the Arizona-American
11 water district simply because there is a rate case currently pending. Based on the need
12 for further study, the proposed public safety surcharge for fire flow improvements should
13 not be included in the rates to be implemented by the ACC in the Rate Case. The need
14 for fire flow improvements should be addressed at a later date.

15 **2) Water Conservation and Systems Benefits Surcharge** – The System
16 Benefits Surcharge, as proposed by Arizona-American, is a surcharge against the 5th tier
17 of Arizona-American's proposed 5 tier residential rate structure, that is, it would apply
18 only to residential customers who use more than 125,000 gallons per month. This
19 proposed surcharge would fund a revenue account which would then be turned over to
20 the Town to administer a conservation program (it would also fund other programs from
21 time to time as Arizona-American may identify). The Committee supports efforts to
22 encourage water conservation, but not through a system benefits surcharge levied solely
23 against the Arizona-American customers but which is designed to provide a conservation

1 program for all Town residents. The Committee believes there are two alternative
2 approaches to the Systems Benefits Surcharge as proposed by Arizona-American. First,
3 the Town could fund a conservation program available to all Town residents that focuses
4 on education of residents on methods that the users themselves can implement in order to
5 conserve water. The second alternative is for the water company itself to craft and
6 administer a program for their customers, similar to programs it uses in other rate
7 districts such as Sun City, Sun City West, and Agua Fria--programs utilizing a more
8 global approach and strongly stressing education as a component.

9 **3) Rate Tier Structure** – The use of rate tiers can be an effective tool in
10 encouraging conservation. However, the Committee does not have sufficient data or the
11 in-house expertise needed to comment on the merits of using the three tier rate structure
12 proposed by ACC staff testimony or the five tier rate structure proposed by Arizona-
13 American. The Town should take no official position on which tier structure is best.

14 **4) Consolidation of Arizona-American Water Systems** – There are some
15 foreseeable benefits to the Town's residential and commercial users in the event of a
16 consolidation of the various Arizona-American water systems in Arizona, but there are
17 also some potential detriments. However, the Committee does not have sufficient data or
18 the in-house expertise needed to comment . There are too many unknown variables to
19 determine whether the Town's water users are in a better or worse position in the event
20 of a consolidation. The Town should take no position on the question of consolidation of
21 Arizona-American's Arizona water system districts.

1 WHEREAS, the Council has received and accepted the Water Utility Committee's
2 recommendations and has had its attorneys prepare this Resolution for submittal to the
3 Docket for Rate Case No. W-01303A-08-0227.

4 NOW, THEREFORE, BE IT RESOLVED THAT, based on the recommendations
5 of the Water Utility Committee to the Council regarding the Rate Case and upon the
6 Council's own discussion and direction, the Council finds and directs as follows:

7 **A. Findings Regarding ACC Docket No. W-01303A-08-0227:** By this Resolution,
8 the Town Council makes the following findings regarding the Rate Case:

9 1. **Fire Flow Improvements and/or Public Safety Surcharges** - At this time the
10 Town does not support the continuation of a public safety surcharge, nor does it desire to
11 see costs for fire flow improvements included in the rates to be implemented by the ACC
12 in the Rate Case. The Town believes that additional study by the Town regarding the
13 location, necessity, cost, and method of payment for fire flow improvements is needed at
14 this time and that the Town may address fire flow improvements at a later date.

15 2. **Water Conservation and Systems Benefits Surcharge** – At this time the
16 Town does not support the institution of a system benefits surcharge to fund a
17 conservation program to be administered, in part, by the Town of Paradise Valley. The
18 Town itself desires to explore other alternative means of encouraging water conservation
19 that it can utilize for any of the various water providers in the Town that does not rely on
20 any funding from Arizona-American. As for Arizona-American itself, the Town favors
21 the use of a conservation program that is more global in its approach and that strongly
22 stresses education as a component, similar to programs Arizona-American already uses
23 in its other rate districts such as Sun City, Sun City West, and Agua Fria.

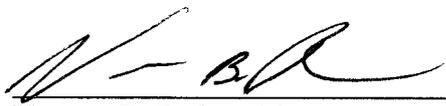
1 3. **Rate Tier Structure** – The Town believes that the use of rate tiers can be an
2 effective tool to encourage conservation. However, the Town does not have sufficient
3 data or the in-house expertise necessary to comment on the merits of using a three tier
4 rate structure as suggested by ACC staff testimony or a five tier rate structure as
5 proposed by Arizona-American as the best means to encourage such water conservation.
6 Thus, the Town takes no official position on which of the competing tier structures
7 should be utilized.

8 4. **Consolidation of Arizona-American Water Systems** – The Town takes no
9 position on the question of consolidation of Arizona-American Water rate districts raised
10 by Commissioner Mayes in her letter to the parties to the docket dated November 10,
11 2008. The Town can foresee some benefits and some detriments to the Town's
12 residential and commercial users in the event of a consolidation, but it finds that there are
13 too many variables involved in the determination of whether the Town's water users are
14 in a better or worse position in the event of a consolidation.

15 **B. Direction to the Town's Attorneys regarding ACC Docket No. W-01303A-08-**
16 **0227**: The Town's Attorneys are directed to file a copy of this resolution with the ACC
17 in the docket for the Rate Case as a statement of the Town's position on the four
18 identified issues of concern in the Rate Case and to represent the Town's interests in all
19 future hearings on the rate case consistent with the positions on these four issues as noted
20 above.

21 ADOPTED by the Town Council this 12th day of March, 2009.

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Vernon B. Parker, Mayor

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ATTEST:

Duncan Miller
Duncan Miller, Town Clerk

APPROVED AS TO FORM

Andrew M. Miller
Andrew M. Miller, Town Attorney

CERTIFICATION

I, Duncan Miller, Town Clerk hereby certify that the foregoing is a full, true and correct copy of Resolution Number 1185 duly and regularly passed and adopted by vote of the Town Council of Paradise Valley at a meeting thereof duly called and held on the 12th day of March, 2009. That said Resolution appears in the minutes of said meeting, and that the same has not been rescinded or modified and is now in full force and effect.

I further certify that said municipal corporation is duly organized and existing, and has the power to take the action called for by the foregoing Resolution.

Duncan Miller
Duncan Miller, Town Clerk



**OFFICIAL SEAL
OFFICE OF THE TOWN CLERK
TOWN OF PARADISE VALLEY
DUNCAN MILLER, TOWN CLERK**