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Arizona Corporation Commission

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JUN 24 2011

June 22, 2011

Commission Workshop Participants
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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**Subject: Comments of Paul Townsley – June 24, 2011 ACC Workshop:
Compliance with Decision No. 71878 (Docket No. W-00000C-06-0149)**

Dear Participants in Commission Workshop:

I will be unable to attend the Arizona Corporation Commission Workshop: Compliance with Decision No. 71878 (Docket No. W-00000C-06-0149) on June 24, 2011 relating to the use of Infrastructure Coordination and Financing Agreements (ICFA's). I do, however, want to go on record in support of the use of ICFA's as a tool for this Commission and its regulated water and wastewater utilities to address infrastructure needs in the State of Arizona.

ICFA's were first brought to our attention by Global Water in its Santa Cruz Water Company and Palo Verde Utilities Company subsidiaries. In Global's case ICFA's are being used to help finance regional treatment and transmission facilities for both water and wastewater systems. As used by Global, ICFA's involve the coordination and financing of utility infrastructure. ICFA's allow for partial recovery of carrying costs with no rate payer impact, and because they are not payments of infrastructure principal, it is not appropriate for ICFA's to be classified as Contributions in Aid of Construction (CIAC).

Importantly, ICFA's provide for an opportunity to build more efficient regional facilities and to do so with a lower risk of rate shock on water and wastewater customers, even if growth for which the regional facilities was designed does not materialize right away. In addition, the construction of these regional facilities can reduce reliance on groundwater, increase the use of recycled water, and provides for lower per-unit cost of treating and delivering water or wastewater services to customers. ICFA's also provide for a financing mechanism for acquisition and consolidation of small troubled water companies that otherwise might remain marginally or non-viable in the long term provision of reliable service.



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The Commission should provide additional tools to its water and wastewater utilities to enable them to finance regional facilities for growth and smart use of water, and acquisition and consolidation of small troubled water companies. ICFA's are one of those tools and I encourage the Commission to adopt them as such and not treat proceeds received through them as CIAC. Thank you for the opportunity to provide my comments in the workshop.

Sincerely,

Paul G. Townsley, President
Arizona American Water

Cc ACC Docket Office