

House Engrossed

cities; towns; water service; audit

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

HOUSE BILL 2030

AN ACT

PROVIDING FOR AN AUDIT OF MUNICIPAL WATER SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Municipal water systems; audit and study; delayed
3 repeal

4 A. A city or town with a population of more than two hundred forty
5 thousand persons that has a designation of assured water supply pursuant
6 to section 45-576, Arizona Revised Statutes, and that is located within an
7 initial active management area as prescribed in section 45-411, Arizona
8 Revised Statutes, shall hire an independent auditor to conduct a full rate
9 audit and cost-of-service study of the city's or town's water and sewer
10 service if the city or town has done any of the following:

11 1. Entered into a contract or subcontract with the central Arizona
12 project.

13 2. Participated in an intentionally created surplus program.

14 3. Received federal monies for voluntary conservation measures of
15 the Colorado River.

16 4. Sold long-term storage credits held pursuant to section
17 45-852.01, Arizona Revised Statutes, to a third party using effluent
18 generated within the city's or town's water service area.

19 B. For the purposes of the rate audit and cost-of-service study:

20 1. A city or town shall provide all books and records requested by
21 the auditor.

22 2. The auditor's report is a public record pursuant to title 39,
23 Arizona Revised Statutes.

24 C. The auditor shall investigate:

25 1. The cost of hookup fees that are charged and collected by the
26 city or town, the methods, factors and formulas that are used to determine
27 hookup fees, the specific assets that are funded with hookup fees and the
28 amount of the capital assets that are included in utility rates.

29 2. The revenue that is earned from hookup fees.

30 3. The used and usefulness of excess capacity and capital
31 expenditures across all asset classes, including unpledged long-term
32 storage credits and other stored water that are held by the city or town.

33 4. The reasonableness and prudence of all capital and operating
34 expenditures that are incurred and planned compared to known and
35 reasonable alternatives.

36 5. The amount of monies that is charged to customers for nonutility
37 related expenses, including operating transfers, operating reserves,
38 capital stabilization reserves and franchise fees.

39 6. Whether customers are double charged for any water or sewer
40 service and the gross amount of those charges.

41 7. The amount of revenue that the city or town has collected from
42 the sale of effluent or long-term storage credits and whether the monies
43 collected were used to offset utility rates for consumers.

- 1 8. The amount of revenue that the city or town has collected from
2 the federal government for voluntary system conservation and whether the
3 monies collected were used to offset utility rates for consumers.
- 4 9. Whether any acquisition premiums are included in utility rates
5 and the amount of those acquisition premiums.
- 6 10. The amount of revenues from contracts with commercial or
7 industrial customers or other private or municipal water service providers
8 and whether proceeds from those revenues are used to offset utility rates,
9 including the amount of the proceeds and offsets.
- 10 11. Details on all land included in utility rates, whether vacant
11 or not or used for the provision of utility service or other municipal
12 services or purposes.
- 13 12. The allocation of shared resources included in utility rates,
14 including office supplies, fleet vehicles, information, technology and
15 other shared resources.
- 16 13. The cost of recordkeeping for utility infrastructure.
- 17 14. The rate of water loss and whether the cost of lost water is
18 included in utility rates, including the amount of that cost.
- 19 15. The amount of city or county taxes or fees that have been used
20 to offset utility costs and the amount of utility rates that are used to
21 offset city or county taxes or fees.
- 22 16. Whether any utility revenue is used for nonutility purposes.
- 23 D. On or before January 1, 2025, the city or town shall submit a
24 copy of the auditor's report to the governor, the president of the senate
25 and the speaker of the house of representatives and provide a copy of the
26 rate audit and cost-of-service study to the secretary of state.
- 27 E. This section is repealed from and after December 31, 2026.