



## **A Joint Statement from the City of Sedona and Arizona Water Company Regarding Waiving the City's Franchise Fee**

Working together, the City of Sedona (City) and Arizona Water Company (AWC) have agreed on a method to provide a small credit each month to partially mitigate the recent water rate increase for Sedona residents. Effective December 1, 2025, the City will remove a current franchise fee on residents' AWC water bills, ensuring that Sedona customers will see a smaller increase on their bills.

As background, last year, AWC filed a rate case with the Arizona Corporation Commission (ACC) for its Northern Group, which includes most of the City. At that time, the Northern Group's water rates had last been approved by the ACC in August 2019, based on costs from 2017. Among many causes of increased costs to provide safe and reliable water service, AWC included the cost of \$20 million for the East Sedona Storage Tank and Booster Station on the corner of State Route 179 and Mallard Drive, in that rate case for consideration. Neither the City nor AWC could have anticipated that COVID, inflation, and delays from an unsuccessful lawsuit filed by a single Sedona customer would have caused the tank's cost to increase from \$16 million to \$20 million.

Throughout the entire rate case, both the City and AWC encouraged the Commission to keep the tank's cost consolidated with the rate increase across the entire Northern Group. As a consolidated rate group, the Northern Group serves more than 21,000 customer connections across the state in Lakeside, Overgaard, Pinetop Lakes, Munds Park, Rimrock, Village of Oak Creek, and Sedona.

In its recent decision, the ACC determined that approximately \$6 million of the total cost of the East Sedona Storage Tank and Booster Station would be paid solely by the Sedona system customers, while leaving the remaining \$14 million shared among all customers – including Sedona customers – in the Northern Group.

Before the City Council voted to remove the Sedona franchise fee from residents' AWC water bills, an average Sedona residential customer would have seen a rate increase of approximately \$18.51 per month, bringing the average bill to \$58.43 a month, compared to a \$14.59 increase if the cost of the tank increase would have been paid for from the entire Northern

Group on a fully consolidated basis. By waiving the franchise fee, an average Sedona residential customer will save approximately \$1.75 per month, which is 45% of the monthly rate increase of \$3.92 related to just the \$6 million East Sedona Storage Tank and Booster Station cost paid by the Sedona system customers.

It will be up to future City Councils if this franchise fee suspension continues. If it is waived for the rest of the franchise agreement that runs through August of 2049, the total amount will equal more than the \$6 million being charged to only Sedona customers.

See the following Q&A below to learn more about the tank and its history.

### **What is the East Sedona Storage Tank and Booster Station?**

The East Sedona Storage Tank and Booster Station is a newly constructed 1.5-million-gallon concrete water storage tank and four large booster pumps at the corner of State Route 179 and Mallard Drive. The East Sedona Storage Tank and Booster Station increase the water pressure and water flows in East Sedona. The concrete tank is unique because it is buried in a residential lot. On top of the tank are two structures totaling 1,533 square feet that house the four booster pumps, electrical equipment, and other related equipment for the facility. These structures are designed to look like residential homes in the immediate vicinity, causing the tank and the booster pumps to blend in with the surrounding environment.

### **Why did AWC need to build the East Sedona Storage Tank and Booster Station?**

The eastern side of the Sedona water system serves approximately 1,600 connections along the State Route 179 corridor. Prior to the construction of the East Sedona Tank and Booster Station, all the storage tanks in Sedona were on the west side of town. Only one water main crosses Oak Creek to supply water to the entire east side of Sedona. If the Company was required to shut down that water main for any sort of repair or maintenance, it was necessary to isolate East Sedona from the rest of the City. This would result in an almost immediate loss of water pressure in East Sedona that would last until the repairs or maintenance were completed. The new East Sedona Storage Tank and Booster Station provides water storage and improves the water system's reliability in East Sedona. Because of the East Sedona Storage Tank and Booster Station, we can now isolate the east side of the water system for repairs and maintenance without impacting water service to the east side of Sedona.

Additionally, the large pumps at the East Sedona Tank and Booster Station provide critically needed water flows and water pressure to help fight fires in East Sedona. Much of the east side of Sedona is higher elevation, which in the past has made fighting fires difficult. Before, if there was a fire on the east side of Sedona, water would need to come from the storage tanks

located on the west side of Sedona, which are anywhere from two to three miles away. This would affect all Sedona customers by causing a decrease in water pressure or temporary loss of water. With the new East Sedona Storage Tank and Booster Station, the Company now can immediately pump water from that site to support firefighters as they protect our community.

Overall, the East Sedona Storage Tank and Booster Station results in better water service and safety for the entire community.

### **How was the project developed over the years?**

Since the 1980s, Arizona Water Company and the City of Sedona have been working together to try and bring a water tank to the east side of Sedona. However, numerous unforeseen challenges associated with permits, approvals, and public comment caused delays for decades. During much of the 1980s and 1990s, the Company and the City were unable to find a site that satisfied all stakeholders and interested parties. In 2004, the Company officially approached the National Forest Service to find a site for the tank on Forest Service land. At the end of this process in 2010, three sites were identified as possible locations for the tank. Informational meetings for the public were held for each potential site; however, the public strongly opposed building a water storage tank on all three sites. Ultimately, the Forest Service decided that it would not authorize the use of Forest Service lands for the water storage tank.

In 2012, the Company purchased the property where the East Sedona Storage Tank and Booster Station now sits. From 2014 – 2016 the Company worked to finalize the design of the tank. In 2017, the Company applied for a conditional use permit with the City to construct the tank. At that time, the Company conducted four public meetings to inform the community about the project and adjusted the design of the project in response to comments from the public. The public opposition at that time came mostly from those who lived near to the proposed tank. In 2018, the City's Planning and Zoning Commission voted in favor of the tank. This decision was immediately appealed to the City Council. In January 2019, the City Council voted unanimously to uphold the Planning and Zoning Commission and to issue the permit to build the East Sedona Storage Tank and Booster Station. In March 2019, a resident who lived near the project site sued the City for issuing the permit. The lawsuit took far longer than anyone anticipated, in part because of COVID. Ultimately, in October 2022, the Arizona Court of Appeals ruled in favor of the City's decision to permit construction of the East Sedona Storage Tank and Booster Station. In 2023, the Company began construction of the project. Construction was completed and the storage tank and booster station were placed into service in March 2025.