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AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

APR - 1 2005

DOCKETED BY *[Signature]*

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BEFORE THE ARIZONA CORPORATION COMMISSION

8 IN THE MATTER OF THE APPLICATION)
OF VALLEY UTILITIES WATER) DOCKET NO. W-01412A-04-0736
9 COMPANY INC. FOR AN INCREASE IN)
ITS WATER RATES FOR CUSTOMERS)
10 WITHIN MARICOPA COUNTY, ARIZONA)

11 IN THE MATTER OF THE APPLICATION)
OF VALLEY UTILITIES WATER) DOCKET NO. W-01412A-04-0849
12 COMPANY, INC. FOR AUTHORITY TO)
ISSUE PROMISSORY NOTE(S) AND) **AFFIDAVIT OF MAILING**
13 OTHER EVIDENCES OF INDEBTEDNESS)
14 PAYABLE AT PERIODS OF MORE THAN)
TWELVE MONTHS AFTER THE DATE OF)
15 ISSUANCE.)

16 STATE OF ARIZONA)
17)ss
County of Maricopa)

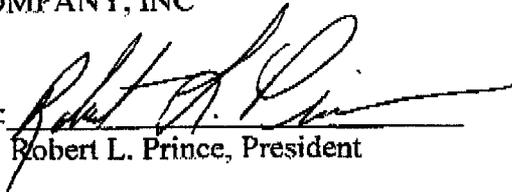
- 18
- 19 1. I am Robert L. Princc, President of Valley Utilities Water Company, Inc. My business
20 address is 12540 West Bethany Home Road, Litchfield Park, Arizona 85340.
 - 21 2. On February 9, 2005, I caused the Notice in the form attached hereto as Attachment 1
22 and incorporated herein by reference for all purposes, to be mailed by first class mail,
23 postage prepaid, to all customers of record with the Company's February billings.

1 3. On February 16, 2005, I caused the Notice in the form attached hereto as Attachment
2 2 and incorporated herein by reference for all purposes, to be mailed by first class
3 mail, postage prepaid, to all customers of record with the Company's February
4 billings

5 4. Further affiant sayeth naught.

6 DATED this 29 day of March, 2005.

7 VALLEY UTILITIES WATER
8 COMPANY, INC

9 By: 
10 Robert L. Prince, President

11 The foregoing instrument was acknowledged before me this 29 day of March, 2005, by

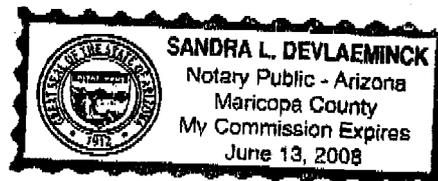
12 Robert L. Prince.

13
14 
15 Notary Public

16 My Commission Expires:

Jun - 13, 2008

17 Original and fifteen copies of the
18 foregoing filed this 30 day
of March, 2005:



19 Docket Control
20 Arizona Corporation Commission
21 1200 West Washington
22 Phoenix, Arizona 85007
23

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A copy of the foregoing
mailed/hand delivered this
30th day of March, 2005, to:

Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**PUBLIC NOTICE OF HEARING ON THE RATE
APPLICATION OF VALLEY UTILITIES WATER
COMPANY INC. DOCKET NO. W-01412A-04-0736**

On October 7, 2004, Valley Utilities Water Company, Inc. ("Company") filed an application with the Arizona Corporation Commission ("Commission") for an increase in its water rates. The Company has proposed a two-step increase in rates that would increase the average residential customer's rates by approximately 68.13 percent. Copies of the application and proposed tariffs are available at the Company's offices, 12540 W. Bethany Home Road, Litchfield Park, AZ, and the Commission's offices for public inspection during regular business hours.

The Commission will hold a hearing on this matter beginning July 14, 2005, at 10:00 a.m., at the Commission's offices, 1200 West Washington, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission no later than April 29, 2005. The motion to intervene must be sent to the Company or its counsel and to all parties of record, and must contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different from the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.)
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case. You will not receive any further notice of this proceeding unless you request it.

If you have any questions about this application, wish to file written comments on the application, or want further information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at L.Hogan@admin.cc.state.az.us, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

VALLEY UTILITIES WATER CO., INC.

February 10, 2005

To Our Valued Customers,

This letter is to inform you of what the future holds for Valley Utilities Water Company, Inc. ("VUWCO") and you as our customers. Recently, you received the notice of our Rate Increase Request that was filed with the Arizona Corporation Commission. Water providers, from the smallest to the very largest, have been impacted by an unfunded mandate from the federal government regarding arsenic removal from drinking water.

Arsenic is a naturally occurring compound found in the ground and is water soluble. It is found in well water and surface water, streams, rivers and lakes. Arsenic has been in the drinking water of the people who live in the western United States for as long as people have lived in the region. Arsenic is highly poisonous in large quantities and is used in the production of insecticides, pesticides, glass, semiconductors and even some medicines. The Maximum Contaminant Level (MCL) for drinking water has been 50 parts per billion (ppb) since the federal government set the limit in 1942. At the end of President Clinton's administration, in 1999, an Executive Order was issued and the Environmental Protection Agency ("EPA") lowered the MCL on arsenic to 10 ppb. VUWCO has wells that have been tested at 11 ppb to 14 ppb and the water produced by these wells must be treated in order to meet the new standard.

In September of 2003, VUWCO completed a six month pilot study to ascertain the most effective method of treatment. This study looked at the best available technology, efficiency of treatment, operating and maintenance (O&M) costs as well as capitol costs. The study was conducted by Narisimahn Consulting Services, Inc. ("NCS"), a premiere consulting engineering company that specializes in water quality. In order to minimize the cost of the study, VUWCO partnered with Litchfield Park Service Co. ("LPSCO"), a larger local utility and the Water Infrastructure Financing Authority ("WIFA"), a government agency dedicated to providing grants and low interest loans to improve water and waste water systems throughout Arizona.

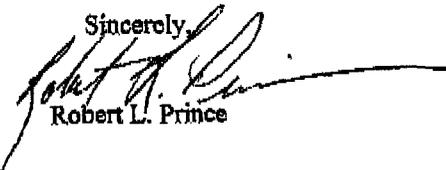
Commissioners and staff of the Arizona Corporation Commission ("ACC") have been proactive in encouraging regulated public service corporations serving water across Arizona to address the issue of arsenic remediation in drinking water. The ACC has hosted seminars to help affected utilities regarding financing, rate structure and where information and technology assistance could be obtained.

The cost to VUWCO, based on the engineering study done by NCS, is estimated to be \$1,926,100.00. This will require a rate increase in order to service the debt. The estimated capitol cost may add approximately \$25.00 per month to the average residential water bill. VUWCO, as well as the ACC, recognizes that this is a serious impact to a family's budget, but the alternative is noncompliance. The Arizona Department of Environmental Quality ("ADEQ") and the EPA have stated that noncompliance is unacceptable. There is no alternative, we must comply.

The timetable is short and the impact is large. Financing requirements, agency approvals and construction schedules must be met in order to comply with the January 23, 2006 deadline. VUWCO has made application to WIFA and has been placed on the funding priority list for 2005. We have made application for a rate increase in order to service the debt that we will incur by implementing an effective arsenic removal system. Also, VUWCO is very active in participating in all available programs and professional associations to stay on the cutting edge of arsenic removal technology. We are constantly looking for new technologies that satisfy the need and reduce the cost.

All of us at Valley Utilities will continue to work hard to provide safe and dependable water service to your homes and we will work just as hard to keep the costs as low as possible. Thank you for taking the time to read this letter. Please feel free to call and ask any questions that you may have.

Sincerely,


Robert L. Prince