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March 30, 2005

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To: Arizona Corporation Commission 2005 MAY 24 A 9:48
From: Joe Miller GCS
Re: Docket Control # W-02113A-04-0616 Arizona Corporation Commission Water Company
DOCUMENT CONTROL

Arizona Corporation Commission
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MAY 24 2005

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Dear Commission,

As the Golf Course Superintendent and water manager for The Golf Club at Eagle Mountain, it is with great concern that I am writing to you on the proposed Rate Case presented by Chaparral City Water Company (CCWC). As I understand, the increase is meant to encourage water conservation and fairness among all customers alike.

Upon making a few phone calls, Robert Hanford from CCWC faxed over the current and proposed rate structure, noting the increase as a percentage. The increases vary from meter to meter drastically, starting at a 10% for our buildings and climbing to 59.66% on our lake meter. A 10% increase seems rather high, but 59.66% is incomprehensible to me, and our lake meter is on the low end of their proposed price structure which goes up to 83.19% for other zones! As a business operator who personally manages a yearly budget of over one million dollars, I can appreciate the need to keep up with inflation and operating expenses, but I couldn't fathom asking my owners for a 60% increase in my budget and to maintain it in order to operate business as usual. This increase in water costs would equate to about \$60,000 to 75,000 in our annual budget.

As a point of reference, an Arizona Republic article, dated 3.29.05, just reported an approved APS rate increase of 4.34%, it's first in over a decade! Some highlights of the article are:

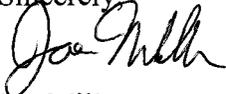
- "The power-supply adjuster allows APS to pass on to ratepayers 90% of the increases in the costs of fuel for its power plants and electricity that the company must buy to make up supply gaps."
- "APS originally sought a 10% rate increase in June 2003..."
- "The utility says it needs higher rates to pay for new power plants and the increased cost of fuel, primarily natural gas."
- "The agreement allows APS to recover from ratepayers a \$700 million investment in new power plants..."
- "The company is required to acquire more power from renewable resources, fund demand-side management programs that help consumers shift power use to non-peak times..."

I believe CCWC is in a similar situation and their rate increases should be close to shadowing that of APS's. CCWC should look at setting up a rate program to us based on usage and demand during our varying seasonal conditions. I lived in San Diego, California when they de-regulated electricity. The impact caused several small business owners to go out of business, directly related to the increase, leaving only the larger

businesses to operate, although at a reduced profit margin. I know that Fountain Hills prides itself in being a small town with a friendly atmosphere in which many small businesses operate. I would dread the day that these operations can't support themselves under the new rate proposals and fear Fountain Hills would lose its character.

Even with the unfortunate events that have taken place in Iraq, gas prices have understandably increased quite a bit. I would challenge that CCWC is proposing as great a rate increase as we have seen to fuel cost's, without being in such a dire situation. I really question their motive for such an increase and would like to see it substantiated on paper. There are several businesses that would be greatly affected by this and firmly believe that there are better options. I appreciate your time and consideration in this issue and hope that a fair increase be provided for both sides so we can all continue to operate our businesses in a fair and equitable manner.

Sincerely



Joe Miller

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