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Tom Lathrop
6216 North 47th Place

4700

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Paradise Valley Arizona 85253
602 840-3841

AZ CORP COMMISSION
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February 13, 2007

Jeff Hatch-Miller, Chairman
Arizona Corporation Commission
1200 West Washington Street
Phoenix Arizona 85007-2996

Arizona Corporation Commission

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RE: Docket # W-01303A-05-0405
W-01303A-05-0910

Chairman Hatch-Miller:

As President of the Paradise Valley Camelhead Estates II Homeowners' Association, I am writing with our concerns over the water rates implemented in the above order by the Arizona Corporation Commission. Our sixty nine homeowners are shocked by the extraordinary increases, specifically the "high block and safety surcharges".

It has taken some time to collect information and gain insight into the Commission's July 28, 2006, order. As we understand it, the increased rates are a result of the Town Council's requirement of Arizona American Water Co to upgrade their facilities for the purpose of "fire flow".

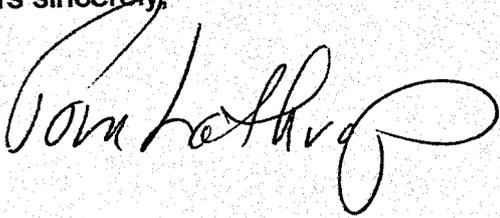
The Commission order requires surcharges on consumption to fund the \$17M project (unrelated to consumption) and designed to be paid in less than five years. Rather than treat this as an investment benefiting all residents in the service area combined with the unusually short timeline, the result is an unreasonable and unjust burden on approximately 20% of the residents.

Had our association had any indication of the magnitude and type of rate increases, we would have filed as an intervener in the rate case. The homes in our area are 25-30 years old. Our homeowners expect and are willing to pay reasonable increases in utility rates; however, given the Arizona American initial notice of an approximate 9% increase and the history of prior increases, we had no reason to believe that something so onerous would be forthcoming. We simply do not understand how this approach can be considered fair and reasonable.

Our appeal to the Commission to reexamine your order and the method of compensating Arizona American Water is a result of contacts with Town Council members, RUCO and Arizona American officials who indicate the matter is under the exclusive jurisdiction of the Commission.

This is a matter of extreme importance to our homeowners and I urge you to give it your full reconsideration.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Tom Lathrop". The signature is written in black ink and is positioned below the "Yours sincerely," text.

cc: Mike Gleason, Commissioner
Kristin K. Mayes, Commissioner
William A. Mundell, Commissioner
Gary Pierce, Commissioner

Camelhead Estates II homeowners