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4500 E. Maderos Del Cuenta
Paradise Valley, AZ 85253

March 9, 2007

Mike L. Gleason, Chairman
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

W-01303A-05-0405
W-01303A-05-0910

RE: Arizona American Water
Rate Schedule

Dear Chairman Gleason:

I am writing to you and other members of the commission, to request that the terms of the new rate structure with Arizona American Water, be revisited.

In 2004 the Town of Paradise Valley mandated that all water providers to the town comply with the new level of "Fire Flow" water delivery. This mandate resulted in the commission's order of 7/28/06, which dictated that project costs for infrastructure improvements are to be borne by those residents of Paradise Valley who use more than 80,000 gallons per month, identified as a High Block Surcharge, as well as the Public Safety surcharge for all usage over 25,000 gallons per month.

As I understand it, the commission authorized Arizona American Water to institute these surcharges in order to make improvements both to the fire flow water delivery, as well as funding the federal mandate on arsenic remediation.

While recognizing that water conservation is an important goal, combining an infrastructure project with conservation creates a situation whereby the former will undercut the fiscal needs of the latter. If high end users begin conserving, then it will take that much longer for Arizona American to recoup their costs and complete the project under their 4-5 year time schedule.

My other concern is the mandate that 1000 residents are being coerced into paying for infrastructure improvements that will benefit 4719 residents. Other towns and municipalities issue bonds in order to fund major infrastructure improvements. The fair and equitable approach should be the floating of a bond measure. Mandating that the cost be borne by only 20% of the customer population constitutes an unfair discrimination, as only a small portion would underwrite improvements for the entire community.

I would appreciate hearing your thoughts regarding this critical matter.

Sincerely,



Patti McCaleb

Cc:

Commissioner Gary Pierce

Commissioner Kristin K. Mayes

Commissioner William A. Mundell