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ARIZONA CORPORATION COMMISSION

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July 13, 2007

Re: Fire Sprinkler Tariff for Las Quintas Serenas Water Company—A.R.S. 40-252 hearing for Decision No. 68718 (Docket Nos. W-01583A-04-0178, W-01583A-05-0326, and W-1583A-05-0340)

To the Docket:

Enclosed is a letter from Jim Stahle, Town Manager for the Town of Sahuarita regarding an issue that has developed for Unity Church, a customer of Las Quintas Serenas Water Company. The difficulty stems from the fact that Las Quintas Serenas Water Company does not have a fire sprinkler tariff. My understanding is that it is standard practice for the Commission to require water companies to have a fire sprinkler tariff, and that Las Quintas Serenas Water Company's failure to have such a tariff may have been an oversight.

With this letter, I propose that the Commission should place the above referenced matter on an open meeting agenda for consideration pursuant to A.R.S. § 40-252.

Sincerely,

Gary Pierce
Commissioner

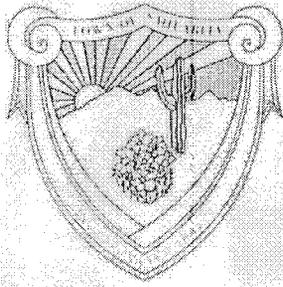
Arizona Corporation Commission
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- cc: Chairman Mike Gleason
- Commissioner William Mundell
- Commissioner Jeff Hatch-Miller
- Commissioner Kristin Mayes
- Brian C. McNeil, Executive Director
- Ernest Johnson, Utilities Division
- Christopher Kempley, Chief Counsel
- Lyn Farmer, Hearing Division
- James Stahle, Sahuarita Town Manager

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The Town of Sahuarita

July 12, 2007

The Honorable Mike Gleason
Arizona Corporation Commission Chairman
1200 West Washington Street
Phoenix, AZ 85007-2996

Dear Chairman Gleason:

This letter is in reference to an issue in Sahuarita, Arizona involving the Las Quintas Serenas Water Company and the Unity Church.

In the summer of 2006, the Unity Church moved into a manufactured building in the Town of Sahuarita, which is in the Las Quintas Serenas Water Company boundaries. When fire hydrants are not available from the water company, the Town's fire code provisions require commercial buildings to either install sprinklers or a large water tank to which a fire truck can connect. Las Quintas Serenas Water Company does not provide fire hydrants in this area.

The Unity Church selected the option of fire sprinklers, which required putting in a four-inch water line to the building. Because Las Quintas Serenas Water Company does not have an ACC-approved rate category for fire sprinklers, the Las Quintas Serenas Water Company is charging the Unity Church the same rate as it charges for general water flow. The result is that Las Quintas Serenas has been charging the Unity Church over \$500 per month for water service through the four-inch line, even though this water is not used unless there is a fire, which would be an extremely rare event.

The Town of Sahuarita is charged with ensuring the safety of its residents, and the fire code is an integral part of our mission. Fire codes for commercial buildings, which include churches, are especially important, as they require sufficient on-site water to put the fire out as rapidly as possible. This is done under the assumption that people in commercial buildings are not as familiar with commercial building fire exits as they would be in their own home, therefore the fire must be suppressed in order to give people time to evacuate safely. Furthermore, churches are often occupied by large numbers of people who would need to get out quickly in an emergency. The Town is not willing to put people's lives at jeopardy by waiving our fire code when this matter could be solved in a way that would also ensure residents' safety.

(continued on page 2)

The Honorable Mike Gleason

Re: Las Quintas Serenas Water Company in Sahuarita, Arizona

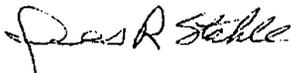
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Therefore, the Town is respectfully requesting the Corporation Commission to resolve this matter. Currently, it is incumbent upon Las Quintas Serenas Water Company to request a rate hearing from the ACC. This is comparable to the proverbial phrase, "the fox guarding the hen house," as there is no motive for the water company, who is making in excess of \$500 per month, to take action to lower their rates and therefore, their profits. There should be a way for the Unity Church to be provided relief from excessive water company charges without relying on the water company.

The Unity Church issue is only one example of how Las Quintas Serenas Water Company's lack of different rate structure is affecting Sahuarita. The Company's boundaries include a growing commercial area and this issue threatens to affect local small business owners and other places of worship that are building in this area. Furthermore, Town taxpayers will be affected by this issue, as the Town is developing a new recreation center and the Sahuarita Unified School District is looking to build a new K-12 campus, starting with a new high school in the next year or two. Both the recreation center and the new school campus are in the Company's service area.

I look forward to hearing from you in regard to your proposals to alleviate this unjust situation. Please do not hesitate to call me at (520) 822-8811 if I can provide additional information.

Sincerely,



James R. Stahle
Sahuarita Town Manager

cc: The Honorable Kristin Mayes, Arizona Corporation Commission
The Honorable William Mundell, Arizona Corporation Commission
The Honorable Jeff Hatch-Miller, Arizona Corporation Commission
The Honorable Gary Pierce, Arizona Corporation Commission
Sahuarita Mayor & Town Council Members
Larry Dobrosky, Sahuarita Assistant Town Manager
Dan Hochuli, Sahuarita Town Attorney
Barbara Dolan, Town Communications Manager
Unity Church, Sahuarita, Arizona