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August 27, 2008

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AUG 28 2008

Ben Wichers, President  
BHP Copper  
760 E. Pusch View Lane  
Suite 100  
Tucson, AZ 85737-9245

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| DOCKETED BY | <i>mm</i> |
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**Re: Coronado Utilities and Potential Steps by BHP to Address Concerns Regarding Rate Shock in San Manuel. Docket Nos: SW-04305A-05-0086, SW-04305A-05-0087**

Dear Mr. Wichers:

We write today to request your assistance in addressing concerns that have arisen in San Manuel regarding the rate increases that have been necessitated over the past several years after BHP exited the community and ceased operating the wastewater treatment facility there.

As you know, the local wastewater provider that assumed operations after BHP's departure has asked the residents in San Manuel to pay more than nine times what they were accustomed to paying for monthly sewer services.<sup>1</sup>

In response to the expression of great consternation in the community in the wake of the rates that were established in Decision No. 68608, the Corporation Commission conducted two Town Halls in San Manuel and has addressed this problem on at least two occasions during official Commission Staff Meetings. We have also held discussions with Coronado Utilities officials to determine what can be done to alleviate or mitigate the ill effects of these recent rate increases.

It is in light of the information gathered during these meetings that we write today to request that BHP voluntarily continue its subsidization of the rates at Coronado Utilities in order to mitigate the impact of Coronado Utilities' current high rates and the need for any future rate increases. As you know, as part of its involvement in the transfer of the wastewater utility to Coronado Utilities, BHP agreed to subsidize rates for the 12 month period following completion of the new wastewater treatment facility. Through this subsidy, BHP paid Coronado Utilities the difference between what it earned under the second rate phase and what it would earn if phase three rates had been in effect, easing the affect of the rate changes on the local community.

<sup>1</sup> On March 23, 2006, the Commission approved a three-phase rate increase for Coronado Utilities, which had purchased the San Manuel wastewater system from BHP Copper. Phase 3 rates of \$46.50 a month went into effect in June, 2008. For many years, BHP subsidized wastewater rates in San Manuel, charging customers \$4 per month for wastewater services. At one point, BHP provided wastewater service free of charge.

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San Manuel residents face continued economic difficulties since the closure of BHP mining operations and any additional rate increases would detrimentally impact the local community. Accordingly, we ask that BHP continue its efforts to lessen the impacts of the mine closure by extending the Company's rate subsidization payment, or provide the Commission with any proposals for BHP involvement that could assist this community.

Thank you for your attention to this matter.

Sincerely,



Chairman Mike Gleason



Commissioner William A. Mundell



Commissioner Jeff Hatch-Miller



Commissioner Kristin K. Mayes



Commissioner Gary Pierce

cc: Ernest Johnson  
Brian McNeil  
Pinal County Supervisor Lionel Ruiz  
State Senator Pete Rios  
State Representative Rebecca Rios  
State Representative Barbara McGuire