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September 25, 2008

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The Honorable Kristin Mayes
Commissioner
Arizona Corporation Commission
1200 W. Washington
2nd Floor
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

SEP 25 2008

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ARIZONA CORPORATION
COMMISSION
DOCKET CONTROL

Dear Commissioner Mayes:

This firm represents Wilhoit Water Company. We have been working diligently to resolve the water quality issues involving the Company's Yavapai Estates service area. As you are aware, the arsenic levels in the water provided by wells on the property far exceed the standards established by the Environmental Protection Agency. Last year, the company had an arsenic remediation system installed for the wells to correct the problem. The system was approved by the Arizona Department of Environmental Quality. Now, it appears the design did not take into account the overall water chemistry and the capacity of the wells.

For the past several months, Yavapai Estates has been interconnected with the City of Prescott to supply potable city water to our customers. During this time, we have been exploring several options to resolve the arsenic issue. Regrettably, we have discovered that contractors willing to install a system to reduce the arsenic levels are, upon closer examination, not reliable or they proposed systems that are so expensive that the impact on the user's rate would be unacceptable. We understand that it is critical to resolve the arsenic issue in a timely manner and have submitted an application to the Water Infrastructure Finance Authority (WIFA) for an expensive (see attached) system proposed by Fann Environmental. That application has been accepted, reviewed and placed on the 2009 priority list.

Though we are moving forward with the approvals for the arsenic system required by the Commission and ADEQ, the purchase and installation of such expensive equipment does not appear to be a prudent financial decision for the company or the rate payers. The Town of Chino Valley has plans to purchase the Yavapai Estates water system in the near future. They have applied for funding from WIFA and are on the 2009 priority list. Once Chino Valley purchases the system and interconnects it to the Town's water infrastructure, the wells will be capped, the arsenic system no longer utilized, but the customers will still be saddled with the debt.

The purpose of this letter is two fold. One, to provide you with a better understanding of the current situation and two, to request your assistance in implementing a more cost effective solution.

If the City of Prescott was willing to continue supplying water for the residents of Yavapai Estates until such time as the Town of Chino Valley purchases Yavapai Estates, our customers would not face the rate shock the purchase of an arsenic remediation system would entail.

Your intervention with the City of Prescott last year was instrumental when the arsenic issue initially came to the fore. I'm requesting that you once again contact the appropriate authorities with Prescott and ask for the City to agree to a more permanent interconnection so that Yavapai Estates customers can continue to receive acceptable water without the significant capital costs required to purchase and install an arsenic remediation system.

I thank you in advance for your continuing personal involvement to assure that the customers of Yavapai Estates receive the quality water they are entitled to receive.

Cordially,



Jim West

/attachment

cc: Kevin Torrey
Docket Control



Opinion of Probable Cost of Construction

Whilhoit Water Company
 Yavapai Estates
 Chino Valley, Arizona

Arsenic Treatment Facility-Yavapai Estates

Removal of Existing System	1	LS		5,000
Expansion/Alteration of Existing Building	1	LS	\$5,000	\$ 15,000
Arsenic Treatment	1	LS	\$125,000	\$ 125,000
Installation of New System/Materials/Chemicals/Electrical	1	LS	\$75,000	\$ 75,000
			Subtotal	\$ 220,000
			Contingency 10%	\$ 22,000
			Construction Cost Subtotal	\$ 242,000
			Engineering, Permitting, As-Builts 10%	\$ 24,200
			Total Probable Cost	\$ 266,200