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AZ CORP COMMISSION
DOCKET CONTROL

Honorable Kristin Mayes
Chairwoman, Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

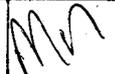
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Arizona Corporation Commission

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FEB 11 2009

Honorable Chairwoman Mayes:

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I am a homeowner and resident of Tubac, Arizona. I'm writing to you in regard to the request for a rate increase for the Tubac Water Company, docket number: 08 -- 0227.

The proposed rate increase for Tubac Water is so onerous as to bring into question Arizona American Water's purpose. Is their purpose to improve the financials of Tubac Water in the short-term in order to make this small company attractive to a possible purchaser? Or, is their purpose to liquidate the company by driving the current customer base (only five hundred plus customers) to the extreme solution of drilling their own wells?

Tubac Water is already at the highest rate of seven Arizona American subsidiary water companies, by over 40% (Arizona American rate case, News Release dated June 18, 2004). At that time, Arizona American requested a rate increase of 86% for Tubac Water, and the Commission reduced it to 36.2%, but that still left it the highest rate of the included subsidiaries.

I note with approval your November 10, 08 letter to the 'Parties to Docket', in which you address the question of statewide and selected consolidation Arizona American's water systems. Ultimately, this is the best solution for small water companies such as Tubac.

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Anthem and Havasu and most likely others. It is uneconomic for Arizona American to try to make the small water companies profitable on a standalone basis. It flies in the face of well-established economics, specifically economies of scale gained by spreading fixed costs over a larger customer base.

The approval of such a large requested rate increase would burden older fixed income retirees with unsustainable costs and will, in the long run, worsen Arizona American's position because it would, if approved, incentivize individual customers to drill their own wells, which is uneconomic, and frankly questionable from a public health standpoint. As more individuals drill their own wells, Arizona American will find itself having to propose even more outrageous increases in rates in order to prop up small community water systems. I personally know of a number of residents in the Tubac community who are even now contemplating drilling their own wells. I believe this is abysmally poor public policy and will impose risks on them, and to other residents, who should not be forced to bear them.

With regard to the construction of a \$2.3 million arsenic treatment facility for Tubac Water, nothing could be more irrational. Point of Use solutions are far more efficient and effective. I am fortunate to be able to afford my own 'Reverse Osmosis' system. It cost me five hundred dollars and it removes 99% of impurities, including arsenic, whose supposedly deadly threats to my health are highly questionable. My water is now the same quality as that purchased in stores in plastic bottles, which are clearly marked 'purified by osmosis'. I'm sure the cost per unit to Arizona American would be much less than I paid because of their buying power. Even at four hundred dollars per unit, the total cost to them would be less than two hundred and fifty thousand dollars compared to the suggested \$2.3 million arsenic treatment plant.

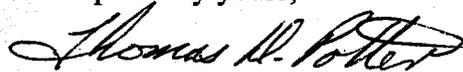
I strongly urge you to require Arizona American to present to you a detailed business plan showing the economic impact of a merger of all Arizona units into one operating company and the projected rate structure, for all Arizona customers, needed to produce a reasonable investor return. If Arizona American cannot effectively merge all of their

operating subsidiaries into one operating entity, then Tubac Water should be sold to nearby water companies, if possible.

Until such time as such a plan is developed by Arizona American and analyzed by your Commission, I urge you to suspend consideration of the requested rate increases.

If Arizona American is not able to present such a plan to your satisfaction, I suggest that consideration be given to a possible sale of Tubac Water to a 'Customer Cooperative', which could be formed for that purpose, or to another water company such as nearby Green Valley or Nogales.

Respectfully yours,

A handwritten signature in cursive script that reads "Thomas D. Potter". The signature is written in dark ink and is positioned above the printed name.

Thomas D. Potter