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SW-01303A-09-D343



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Katherine Nutt

From: Champion [dachamps@cox.net] AD
Sent: Wednesday, February 24, 2010 6:09 PM
To: Mayes-WebEmail; Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web
Subject: Arizona American Water

Commissions: Paul Newman, Kristan Mayes, Gary Pierce, Sandra Kennedy, & Bob Stump

RE: Objection to American Water subsidiary Arizona American Water request for rate increase.

As a five year resident of Arizona and Anthem Golf & Country Club, I am writing to protest any pending rate increase as applied for by American Water subsidiary Arizona American Water. My objection to this proposed rate increase and the previous rate increase stems directly from the principal basis for requesting an increase.

Before purchase of our existing home, we resided in Southern California where Mello-Roos bonds are common place. As you may be aware, Mello-Roos Districts are part of California's Mandatory Property Tax Disclosure law. Failure to disclose the presence of a Mello-Roos district places the seller in jeopardy of non-disclosure litigation. Being familiar with this funding mechanism and mandatory disclosure, I specifically asked our Del Webb/Pulte sales representative (a licensed realtor and Del Webb/Pulte employee) a series of direct questions about the infrastructure funding. We discussed Mello-Roos at great length and were advised that Del Webb/Pulte had "at their sole expense, fully funded the infrastructure as part of the community development. Cost of the infrastructure development was wrapped in the price of the homes and lots being sold."

I can't express my surprise and dismay upon learning that Del Webb/Pulte had funded the infrastructure but in fact "held multiple notes that Arizona American Water was expected to repay in the near term." I'm confident that both Arizona American Water and Del Webb/Pulte knew a time would come when customer rates would explode and their secret agreement would be made public. I'm also confident that Del Webb/Pulte worked very hard to complete lot sales as quickly as possible to minimize the impact of this secret agreement.

Because the Arizona Corporate Commission is also responsible for Securities, it is probable that these notes were registered with the Commission. If this is the case, I am stunned that the Commission failed to see the direct connection with this "undisclosed agreement between two parties that would impact so many unsuspecting customers."

If the basis for a rate increase were purely operational, most customers would have greater understanding. As we both know, this is not the case. We also know that this matter was discussed in detail during the last rate increase hearing and several Commissioners voiced their surprise and concern at that time. As we both know, this matter is in litigation and at some point will be adjudicated. It would be refreshing to see the Arizona Corporate Commission take a firm stand against entertaining any rate increase that is based primarily upon a non-disclosed agreement. In this particular case, the non-disclosed agreement was flagrant and known to the officers of Del Webb/Pulte, American Water and its subsidiary Arizona American Water who each failed to act in an lawful and appropriate manner.

Do the right thing by taking issue with the rate increase premise and support your constituents.

Stephen D. Champion
41904 N. Congressional Dr.
Anthem, AZ 85086

Arizona Corporation Commission

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