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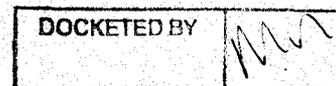
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Arizona Corporation Commission

DOCKETED

Arizona American Water
19820 N. 7th St. #201
Phoenix, AZ 85024

APR 29 2010



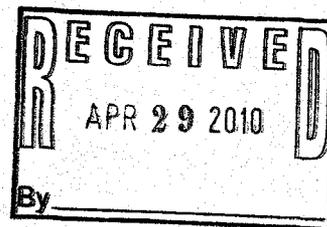
Good Morning:

I was recently surfing on the Internet and went to your site and found your tract entitled "WATER & WASTEWATER RATE CONSOLIDATION" and printed it out to read later. Later finally came yesterday and after reading it I thought to respond to some of the questions and answers. Obviously, almost 100% of us Anthem residents are painfully aware of Arizona Americans situation realizing you have a rather large debt hanging over your head. I am not sure what percentage of the Anthem residents have thought about where you are supposed to magically come up with the money and only feel the pain of exorbitant water rates that they weren't prepared for when they moved in.

As you are no doubt aware there are two class action suits against Del Web/Pulte in the works based on the fact that the Public Report provided potential customers includes language that strongly infers the infrastructure costs you (Az Am) are now responsible for were included in the costs of our homes. They weren't. That little material fact was left out of the report. So now you have the unfortunate chore of coming up with the money to pay for all of the water and wastewater infrastructure. Had Del Web/Pulte added the costs to the house sale prices in the beginning those costs could have been included in the original mortgages and a lot of pain and aggravation could have been avoided but that is water over the dam - no pun intended.

On to my Q&A comments. I question the first question on the list for the simple reason that people make informed decisions (usually) and that includes the costs of services. When we bought here in Anthem we asked questions and investigated before we committed and I would suspect most people do. There is great debate currently about what is going on in Washington and the fact of the matter is that the legislature appears to be turning the United States into a socialist state and going through the act of redistributing wealth. So what you wonder. Let me put it in different terms. If I decide to buy a new car and I buy a Ferrari for \$150,000 is the cost of that automobile going to be normalized to the average cost of all the other cars sold? Wouldn't that be nice. I do not know what your costs are for your diverse mix of service locales but I doubt that any of the others have deficits of \$100,000,000 ± to toss in the mix like Anthem. Will the consolidation process eliminate the difference in service if we in Anthem have a 1" service line as opposed to a 3/4" line. Probably not so what will the rate consolidation do for Anthem?

The second question incorporates what I will term "slight of hand". The gas, electric and telephone rates charge by those utilities not "... for Arizona's major utilities ..." are already consolidated across large geographic areas. Let us not compare apples to corn on the cob. First, since the 1996 telecommunications deregulation bill was passed, we have at least some choices. Here in Anthem we can have



Qwest, or Cox for local telephone service and any number of long distance carriers. In the valley of the Sun, there are two sources of electricity though they serve specific areas but are connected at many places as they share some generation capacity at remote generating stations. AzAm does not have such interconnections with their sources. Natural gas here in the valley is somewhat of an unknown to me. Many years ago El Paso Natural Gas was one source but I don't think Southwest existed back then. However, here in the Valley there are several areas served by other companies such as the cities of Mesa and Carefree and Cave Creek (Black Mountain Gas and the city of Mesa) but these three examples do buy their gas from Southwest and resell it so I will not comment.

The third question suggests that you are distributing water from the same source (the Colorado river) to many of your customers. That is true but I'm sure Bullhead City and Havasu don't have a nine mile \pm long pipeline to pay for. Also in your answer you mis-state your intent. The last sentence says "...common source of energy used by gas ..." and should say "common source of energy distributed by gas ...".

The fourth question and answer would have been better left out in my estimation. Again I believe each and every entity should make it's own bed not share in the advantages and disadvantages of your other service districts. The residents didn't intend to take on anybody else's burdens. I agree that it would be an advantage to Arizona American which operates as a single company and I don't begrudge you that. There is such a thing as economy of scale. But there is no commonality or interconnecting water lines between the various regions.

As for your current rate request for Anthem, is it already normalized for the inclusion of all your other service districts? If it is are the other districts sitting calmly through the hearings or are they up in arms? I am afraid that your plan will cause the state economic pain in both the short run and the long run.. I have little doubt that it will cause future potential home buyers some pain when people find out what water will cost them. One last thought - what would our rates be had the Anthem property owners paid for the infrastructure as part of their initial home costs? And what do you expect in the way of O&M costs in the future? Sorry to be an unintended agitator. I also am not an English teacher but I think documents such as the Rate Consolidation tract should say what they mean. Many of the folks here in Anthem are thoroughly confused by all this as it is.

Sincerely,



Alan H. Miller

CC: Arizona Corporation Commission.