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October 18, 2010

Arizona Corporation Commission  
Consumer Services Section  
1200 West Washington  
Phoenix, Az 85007

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AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

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Re: Docket W-02886A-10-0369

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Sir/Madam:

Since March of 1990 my wife and I have been homeowners in the Kohls Tonto Creek Subdivision whose water needs have been supplied by the Kohls Ranch Water Company ( the "Water Company"). I feel I must comment on the proposed water rate increases proposed by the Water Company as being extremely excessive (626% flat rate increase and a 3,396% gallons overage increase), and several questions have arisen.

To my knowledge the Water Company and Kohl's Ranch Lodge have always been combined as one operation, regardless of the legal separation. When ILX bought Kohl's Ranch in 1995 it was *required* to take over the Water Company as a condition of the purchase. Now that ILX is in bankruptcy, ILX (or its receivership) sees an opportunity to divest itself of its obligations to the surrounding community by separating the two and fabricating costs to justify an outlandish rate increase to make the Water Company more marketable to potential buyers. Several questions needing to be addressed are itemized below:

- 1.) Ownership of the assets: what specific assets are owned by the Water Company? What entity owns the land on which the assets sit (water tank, pumping unit and housing, well head by water tank, and the Indian Garden well head and pump station located by the Corps of Engineers Campsite).
- 2.) Since the piping from Indian Garden (which is the aquifer that supplies the Homeowners with their water) well-head to Kohl's Ranch traverses Federal Forest Land property, are there any special permitting requirements that must be negotiated with the federal government to maintain/repair/replace existing water lines should the Water Company be sold to an outside party?
- 3.) The Homeowners water supply, in addition to coming from Indian Garden, is supplanted by being connected to the water tank that supplies water to the Lodge. The water tank is filled by a well on Lodge grounds. During drought condition, if the Indian Garden aquifer goes dry, a valve connected to the water tank is to be opened to insure adequate water supply to the homeowners. How will this affect the Homeowners by the separation of Kohl's Ranch Lodge from the Water Company? Will that connection still exist if an outside buyer purchases the Water Company?

- 4.) It is my understanding that there has been no upgrading of the water infrastructure since 1972 and, for sure, since 1990 when my wife and I bought our property. The water pressure has been extremely low, a result, I imagine, of not wanting to put too much pressure on existing lines that may not be able to handle normal pressure levels because of pipeline deterioration.
- 5.) ILX has had a virtual "free" water source to provide water to its lodge operations (including lawn watering, a swimming pool, restaurant operation, and water to each of its rental units). It's only direct costs have been for electricity for the pumping units and any repairs that needed to be done. There must be an extremely disproportional consumption of water by the lodge relative to water use by the Homeowners, most of whom occupy their residences mainly during the summer, and then mostly on weekends. However, there seems to be no metered usage by the lodge available for review as there is for individual Homeowner use to determine how much water the Lodge consumes. How, then, can any equitable rates be established? With the rates being proposed, it could be argued that the Homeowners are actually subsidizing the lodge!! In addition, there is no "overage rate" for the Lodge as there is for the Homeowners!
- 6.) If a rate increase is denied, or modified not to the satisfaction of ILX (or its receiver), can ILX just walk away leaving the Homeowners high & "dry"?? Does not the protection of the Kohl's Ranch Homeowners lie in the hands of the Arizona Corporation Commission? And what about the purchaser of the Lodge (Diamond Resorts)? Surely they must know what's at stake!! One would have to think they have their backs covered. They wouldn't be stupid enough to buy the Lodge without a guaranteed water supply, especially if the water tank and all the water system equipment - and the land it sits on - belongs to someone else!!

All of these issues are extremely serious and affect not only property values, but also the ability to occupy our homes. We are, therefore, protesting the requested rate increases and ask for your consideration to establish a fair and justified rate increase. My wife and I will be attending the rate hearing set for November 3, 2010 at 9:00 A.M. at the Corporation Commission's offices.

Thank you for your time and consideration

Sincerely,

Karl and Juanita Saurer  
352 South Short Rd.  
Payson, Az 85541

  
