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TOWN OF TUSAYAN

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December 28, 2010

AZ CORP COMMISSION
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Docket Control

Arizona Corporation Commission

1200 W. Washington Street

Phoenix, AZ 85007

Re: TWDA, Hydro Resources, Inc. and Anasazi Water Co. matters Docket No W-02350A-10-0163

As you know, the residents of Tusayan voted to incorporate as Arizona's newest town last spring. One of the initial matters we are exploring in our startup phases as a new town is the concept of taking over water service currently provided by the Tusayan Water Development Association within our town boundaries.

On December 12, 2010, we received the attached letter from Hydro Resources, Inc., one of the entities providing wholesale water to TWDA for sale to our residents and businesses. On the evening of December 15, our Town Council directed me, the interim Town Manager, to further investigate the issues raised in Hydro's letter with all interested parties and to explore the options available to the Town for financing and operating its own municipal water system.

We understand from Hydro's letter and further review that the Arizona Corporation Commission is also looking into the current status of the provision of water service to our residents, and that a conference is set in the three matters referenced above for January 4, 2011 before an administrative law judge. As the municipality in whose boundaries TWDA provides service, we have a strong interest in any decisions that might be made concerning water service to our residents. We are still gathering information. We ask that you do not act further on these issues without the Town of Tusayan having a seat at the table to discuss them and provide its input as to how matters should proceed.

Sincerely,

Cynthia Seelhammer

Interim Town Manager

Town of Tusayan

Arizona Corporation Commission

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Please Conserve Water

Hydro Resources Inc.

P.O. Box 3246

Grand Canyon, AZ 86023

December 12, 2010

Dear Tusayan Town Council;

During the process of determining the value of incorporation one of the matters discussed was the enhanced ability and political advantages of the town controlling the community water system. Should the town eventually determine that ownership and control of this utility, critical to the sustainability of the business activities that financially supports the local government, is in the best interest of the residents the ownership of Hydro Resources is open to discuss the options of the transfer of assets and ownership to the Town of Tusayan.

Currently the Tusayan Water Development Association (TWDA) holds the Certificate of Convenience and Necessity (CC&N) that allows it to sell potable water to the Tusayan community. Two private wholesalers, Hydro Resources and Anasazi Water Company wholesale water to TWDA. The Arizona Corporation Commission (ACC) is currently reviewing the CC&N it issued to TWDA along with scrutiny of both private Tusayan water companies.

What the final decision of the ACC will be is open to speculation, however with municipal ownership of the water system the state would not be the controlling entity, the cost of water would become a non-profit operation, fire safety infrastructure enhanced, bonding, WIFA funding and grants for system improvements available. Water rates would be set by the town council. This would mean added security and economy for the businesses and residents of a guaranteed continued adequate supply of potable water under the control of the town government.

We suggest that the Tusayan Town Council take the question of municipal ownership of the water system under advisement with the knowledge that Hydro Resources is ready, willing and able to enter into discussions should there be reasonable interest.

Thank you,

Barry J. Baker

Vice-President, Hydro Resources, Inc.