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ORIGINAL 47

MEMORANDUM

RECEIVED
AZ CORP COMMISSION

TO: Docket Control

FEB 11 1 33 PM '00

FROM: Reg Lopez
Consumer Service Specialist
Utilities Division

DOCUMENT CONTROL

DATE: February 10, 2000

RE: IN THE MATTER OF THE APPLICATION OF VAIL WATER COMPANY
DOCKET NUMBER W-01651B-99-0406

Attached is the original and one copy of letters written to the Arizona Corporation Commission ("Commission") in response to the "Customer Notification" sent to the customers of Vail Water Company regarding its proposed rate increase. Attached, also, is a copy of Staff's response to the customer.

Preceding the letters and Staff's response, there is a Summary of Letters From Customers, which gives a brief description of the nature of each customer's letter.

SUMMARY OF LETTERS FROM CUSTOMERS

UTILITY: Vail Water Company

DOCKET NO. W-01651B-99-0406

CUSTOMER NAME

NATURE OF LETTER

Albert E. Brack

Opposed to rate increase. Customer states that if the increase is to pay for an Estes development, then the Company should borrow the money and not place the costs to their customers. Doesn't feel that the cost of pumping water has increased that much over the last 3 years. (Customer included newspaper clipping from the Arizona Daily Star giving average water bills for various cities in Arizona)

Marilyn Herb

Wants the ACC to consider the impact on human life in Vail in determining if the Company should get the rate increase. Customer describes their water conservation techniques since they are conservative people. They have seen no notable improvements since 1994 though their water bills have risen. The customer describes their home life in brief as to how they use water. Feels that real estate sales would be affected if people wanting to buy or sell homes in their area due to elevated water rates. (Customer also submitted copy of letter sent to us in 1998 regarding previous rate application).

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DOCUMENT

WATER SUPPLY COMM.
TUCSON, AZ

Albert E. Brack
3200 E. Wetstones Rd.
Vail, Arizona 85641

January 23, 2000
Commissioners
Arizona Corporation Commission
400 West Congress Street
Tucson, Arizona 85701

Dear Commissioners

I am writing this letter to protest the outrageous and unfair proposed rate increase by the Vail Water Company.

I have enclosed copies from two of my water bills. One is from two years ago, on it I received 50% more water at \$2 less than my current average bill now of 6000 gallons. Now that the Estes Corporation owns my water company, they are in the process of raising my rates for the second time. I have subscribed to the water company for 10 years. I do not recall any rate increases by the former owners, Del Lago. I don't know what is driving this increase, but if it is to pay for infrastructure for an Estes development, they should borrow the money, rather than shafting their current customers. In the ten years since I have been living in Vail my electricity rates have gone up minimally if any. It shouldn't cost the water company any more to pump my water than it did 3 years ago. I would like to sell my house in a few years and I don't think a prospective buyer would think well if I told him my water bill is \$70 - \$80 a month. I most certainly do not want to pay this much money for my water either.

Also enclosed is a copy of a graph from a recent article in the Arizona Daily Star. The graph shows Tucson Water's average bill is \$20.91 and the highest rate on the chart is \$35.07. I believe the article said that this was for 12000 gallons.

I believe that this proposed rate increase is totally unfair to the customers of the Vail Water Company and should not be allowed, not at a 93% increase or even at a 1% increase.

Sincerely,

Albert E. Brack

Albert E. Brack

Water bills
 Average monthly water bill for residential users.

Flowing Wells	\$11.99
Yuma	\$11.99
Phoenix	\$12.00
Sierra Vista	\$14.02
Nogales	\$17.05
Tempe	\$19.56
Glendale	\$19.94
Green Valley	\$20.21
Mesa	\$21.71
Tucson Water	\$21.91
Oro Valley	\$22.20
Casa Grande	\$23.27
Metro	\$23.51
Scottsdale	\$23.77
Chandler	\$25.30
Flagstaff	\$24.41
Marana	\$25.07

Source: Tucson Water Utility Report
 SOURCE: Tucson Water Utility Report
 David Schlosser, The Arizona Daily Star

'Bargain' — not in five other cities

By Maureen O'Connell
 The Arizona Daily Star

Compared to other water providers in the Tucson area and statewide, the city utility's rates appear to be something of a bargain for residential customers.

But when pitted against rates in five Southwest cities outside Arizona, Tucson Water's average monthly bills appear to be a bit pricey.

These findings — included in the city's second annual drinking water rates "affordability" study — will be

VAIL WATER COMPANY
 13801 E. COLOSSAL CAVE ROAD
 VAIL, AZ 85641
 (520) 647-3679

VAIL WATER COMPANY
 13801 E. COLOSSAL CAVE ROAD
 VAIL, AZ 85641
 (520) 647-3679



SERVICE FROM 09-24-99 TO 10-25-99 31 days

SERVICE FROM 10-01-99 TO 10-31-99 31 days

ACCT 3200 E WETSTONES RD

ACCT 3200 E WETSTONES RD

CURRENT	PREVIOUS	CONSUMPTION	AMOUNT
847	836	3000	

CURRENT	PREVIOUS	CONSUMPTION	AMOUNT
702	9600		

Last Payment: 10/12/99 50.62CR
 WATER 36.90
 SALES TAX 1.85
 CONSUMPT TAX 0.04

16.55CR
 25.00
 1.75
 0.00

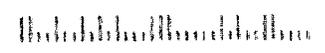
10-25-99	PREVIOUS BALANCE	
11-08-99	TOTAL DUE	38.79

PREVIOUS BALANCE	
TOTAL DUE	38.79

HAPPY THANKSGIVING!!!

Due 11-6

Due 1-9



CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER



BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

February 10, 2000

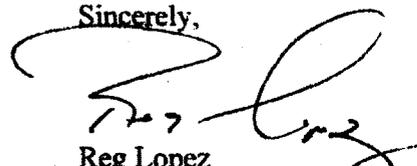
Mr. Albert E. Brack
3200 E. Wetstones Rd.
Vail, Arizona 85641

Dear Mr. Brack:

On behalf of the Arizona Corporation Commission ("Commission"), I would like to thank you for your letter regarding the proposed rate application for Vail Water Company ("Company").

Your letter has been docketed and will remain as a permanent record in the Company's application. The Commission's Utilities Division Staff will thoroughly analyze the Company's application before formulating a recommendation to the Commissioners. Ultimately, the Commissioners will make a final decision on the application. The Commissioners especially appreciate the insight provided by letters from customers as yourself.

Sincerely,



Reg Lopez
Consumer Service Specialist
Utilities Division

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FEB 11 1 35 PM '00

January 14, 2000

DOCUMENT CONTROL

Mr. William Mundell
Arizona Corporation Commission
400 West Congress
Tucson, Arizona 85701

Dear Mr. Commissioner,

In the very near future, February 3 to be exact, you will be involved in a hearing to decide if the petition by the Vail Water Company, requesting a 154% increase in the rates, should be approved. As you are doing your research and gathering your information for this hearing I would like you to consider some factors beyond the percentages, bar graphs and dollar signs. I would like you to consider the impact that your decision will have on the quality of human life in Vail.

My husband and I were raised in Arizona and made aware at a very early age of the importance of not wasting water. We are very conservative people by nature and especially where water is concerned. In our young adult lives we moved to Southern California where it seems they are constantly declaring themselves to be in a state of drought. There we learned even more water conservation techniques but were still able to maintain a comfortable life style that included all the washing and cleaning involved with raising a family, raising livestock on a small back-yard farm and enjoying a green lawn, flowers, trees and a vegetable garden. (I have written to you before detailing our lifestyle there, please see the enclosed copy of that letter). Then due to a job transfer by Hughes my husband and myself found ourselves back in Arizona. In looking for a place to live the availability and cost of water was an important issue for us. When we selected our home in Vail we asked specifically about the cost of water and took into consideration that the people from whom we were buying had more residents in the house than we would have, that they had six horses, and a large pen full of roping cattle. Based on their water bills we believed we could afford to live in Vail.

That was July 1994. Since then we have seen no noticable improvement in service and the water bills have crept steadily higher. As recently as October 1997 the water company, under new ownership asked for an increase of the rates by 81%. Virtually no notice was given to the residents of Vail and so very few people attended the hearing. That did not mean that we were not concerned. Your commission in fact approved an increase that has amounted to about a 45-50% increase in rates for the

water customers. At that time the Vail Water Company cited "poor management practices" by the previous owners as the reason for the requested increase. Now they are back again with an application filed on June 18, 1999 asking for a "154% increase in water revenue". The notice that we received gives no reasons why they want this increase. The statement in quotes is taken directly from the letter that we as water users received and at no time have we ever received any form of notice that they have reduced their request to 93% as stated in a recent newspaper story.

Let me tell you a bit about how life has been for us under the rate increase of 1997. We have horses. They drink water. There is no denying that and therefore we expect to pay a bit more than a household with just a husband and wife. However we do not water our horses in garbage cans which get dirty and mossy and require the dumping of 30 some gallons of water every couple of days just to keep them clean. Our horses have individual, float regulated waterers that deliver only the water they need to drink. The waterers do not leak and the horses do not splash out water to play in it. Every now and again we will hose off a horse that comes back from a ride dirty and sweaty. We also have horses here that have not been hosed off in 5 years. We never wash cars here, we have no leaky faucets, we never leave hoses running and we never, never hose down the patios. My husband has had to let his vegetable garden die to conserve water, we have let half of a very small yard die to conserve water and the remaining patch gets 150 gallons of water once a week. Yes we have measured it. We have a few new trees, all water conservative species because the local agricultural expert urges people to plant trees for shade, beauty, clean air, etc. They get their tree wells filled once a week period. We have six garbage cans at the down spouts of our house. They catch rainwater so that we can have patio plants. That is the only source water for those plants. Water is never run at the sink until it gets cold enough to drink, we use ice cubes. We have found that it takes 2 gallons of water to get hot water from the water heater to the kitchen sink. That water is captured in clean milk cartons when we need to call up hot water to run the dishwasher which happens about twice a week. At the same time we wash any dishes that are not dishwasher safe. We never hand wash dishes unless the dishwasher is going and we do not pre-rinse the dishes for the dishwasher. The water in the milk jugs is used to water the indoor houseplants and provide a drink for the quail.

There are only two of us at home now and we do five full loads of washing once a week. All the water from the kitchen sink, the dishwasher and the washing machine goes out as grey water to water the trees and meager groundcover in front of the house. Toilets are not flushed with every use in an effort to conserve. We never leave the water run while we brush our teeth or while my husband shaves. We also have found that two gallons of water must run from the heater to the flow restricted shower-head before you can take a shower. That water is also caught, saved and used, not allowed to run down the drain. Guests to our house are urged to live under these same restraints. They cannot believe that we live this way. Think about it for a while. Would you like to live this way every single day, conscious of every single drop of water that you use, always trying to cut down, cut back, recycle and then getting a bill that is higher than your electric bill?

Our water bills last year ran \$90 for April, \$118 for May, \$82 for June, \$114 for July \$66 for August and \$114 for September (We strongly suspect that the water company does not read the meters each month). If you increase these bills by the requested 154% some of them will amount to well over \$300 or roughly 1/3 of our mortgage payment each month. We take a conservative approach toward our finances and manage our money well so we could probably give up a few movies and a few trips to McDonalds and be able to pay the increase. There are lots of other people who are not so fortunate and who will absolutely not be able to go from paying \$50.00 per month for water to paying \$125.00 per month for water.

I do not honestly believe there is much more we can do to conserve water short of letting every plant and tree on this place die if it can't survive on the local rainfall. The only other thing is to get rid of our horses which we absolutely are not willing to do. We moved to Vail because we do have horses and wanted to enjoy them. The other choice is to move. A 154% increase would also limit our options about that. If real estate customers find out what the water rates here would be they would look elsewhere and we existing residents wouldn't be able to give our houses away. This is not idle speculation. A friend of mine was recently looking to move here from the Northwest side of Tucson with his horse. When he found out about this impending rate increase he stopped looking in Vail.

So I urge you again to consider the human aspect of this water question and think about the impact your decision will have upon the lives of the customers of the Vail Water Company. Also remember we do not have any other viable choices about how to get water and we must have water to live.

Sincerely,



Marilyn Herb
For Chuck & Marilyn Herb

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ARIZONA CORP. COM. COM.
TUCSON, AZ

May 30, 1998

Arizona Corporation Commission
400 West Congress
Tucson, Arizona

Dear Sirs,

A few days ago we received, from the Vail Water Company, a letter informing us that an application had been filed in October with your commission asking for an 81% increase in water rates. Why it has taken over six months to inform the people who will be most affected by this increase is a mystery to me

At this time I wish to make our position perfectly clear to anyone involved in decision making on this matter. Let there be absolutely no doubt in the mind of anyone that Mr and Mrs Charles Herb are completely, absolutely and angrily AGAINST this rate increase. We have been shown no reason for an increase of any kind and to ask for one of this amount goes beyond the limits of absurdity and straight to insanity

We are customers in good standing of the Vail Water Company (and were good customers of its predecessor the Del Lago Water Company). Neither in the letter we received two days ago nor in any other correspondence have we ever been given any reason why this water company should need additional funds. I have personally questioned the previous owner and his staff about the availability and longevity of the current water supply and have been assured on more than one occasion that there is plenty of water at current rate of use for well over 100 years. So there is no need for drilling new wells. If there is a need to replace aging pumps or lines surely that does not require an 81% increase in fees. If the answer is that the money is needed to put in additional lines for new housing and subdivisions then our response is that the builder of those homes or subdivisions should be solely responsible for the cost of the new lines, not the entire existing community of customers. If the answer is simply that the new company thinks that they would just like to make more money for some pet projects well so would we. We would very much like to build a garage, the house could use a new roof, there is a place where we would like a new sliding door and some new corrals would be really special. But if we were to write a letter to my husband's employer informing them that we expect an 81% increase in his salary we would be lucky if they did not cart us off for a mental examination

It is our understanding that the former Del Lago Water Company has been bought by Estes Homes. We have also read that Estes Homes has been purchased by Kaufman and Broad of California. If this purchase includes the water company and this rate increase is because they want to move on with plans for subdivisions and a proposed hotel in the Rocking K area then we are against that also.

Most of the citizens of the Vail area live here because we want a rural lifestyle. If there are children in the home the parents probably selected this area because it has good schools and an opportunity for their children to participate in 4-H and keep animals. In many homes where the children have gone, the adults moved here for the tranquility and the opportunity to keep horses in the back yard and have access to good riding trails just outside the front door. Vail is a safe community where neighbors know and help neighbors and things stay put even if you don't shut your gate or lock your door. The price we pay for this lifestyle is a longer commute for those who work in Tucson, no sidewalks, no streetlights and definitely no pizza delivery. It is nearly a 40 mile round trip to town for groceries, hardware, banking and doctor appointments. There is no video store or gas station on the corner and definitely no shopping mall. We live here because we like it that way. We can accommodate growth that is in keeping with the general atmosphere of the community but we don't want to be Tucson. We don't want subdivisions with traffic, more people, more crime and more services. We don't want a shopping mall, we don't want a hotel with its attendant golf course and swimming pools. We don't want to pay for bringing these things to our community because we don't want or need them in the first place.

The water company is privately owned so the citizens of Vail really don't get a vote about this proposed increase. We don't have an elected representative on some water board that we can vote out if our will is not served. And we don't have a choice about water. If we don't like our bank we can move our account. If the phone company hikes the rates we can disconnect the phone. But we cannot be without water in the Sonora Desert and there is no other water company. Drilling a well is not an option. We do not think it is right that they can just apply for whatever increase they wish knowing that if it is approved the customers will just have to live with it.

I cannot deny that we use water but I believe that we use it very conservatively. Both my husband and myself were brought up in Arizona and taught from an early age that water was a precious commodity and not to be wasted. We use mostly desert plants in our landscape and water those that need it with drip systems and timers. We collect and recycle household water wherever possible. We have water saving toilets and minimum flow showerheads. We collect rainwater for patio plants and take cars to town for washing. The washing machine and dishwasher are used sparingly and always with full loads. There is not much more we can do to save water. Still our monthly water bill averages \$60.27. With an 81% increase that would amount to an average of \$109.09. Where we lived before the rainfall was about the same as the

amount listed for the greater Tucson area. We had a lush lawn front and back, a large garden, many flowers and trees and irrigated over 1/2 acre of Bermuda grass pasture for our 12 horses, 4 head of cattle, 3 pigs and upwards of 60 ducks and chickens. At that time there were 5 adults in the household taking showers, flushing toilets and making dirty dishes. We did 17 loads of clothes a week. Our community population was probably about the same as Vail though not so scattered and was served by a local water company. Our most recent average bills there were \$65.27 plus an assessment of \$140.00 per year which was only imposed because the general manager skipped town with lots of company funds. On that amount they provided us with all that water, drilled three new wells, laid many miles of new and replacement pipe and installed new meters.

If this could be done elsewhere for less money there is no need for any increase by the Vail Water Company and certainly no need whatsoever for an increase of 81%.

Sincerely,

Mr. & Mrs. Charles Herb

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER



BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

January 27, 2000

Mrs. Marilyn Herb
3350 E. Wetstones Rd.
Vail, Arizona 85641

Dear Mrs. Herb:

This is to acknowledge receipt of your letter dated January 14, 2000, to Commissioner William Mundell. On behalf of Commissioner Mundell, I extend my appreciation for the insight provided in your letter as to the affects of the proposed rate application by Vail Water Company.

Your letter will be docketed and will remain as a permanent record in the proposed rate application. Commissioner Mundell as well as the other Commissioners appreciate the time that you have taken to share your concerns relative to this issue.

Sincerely,

A handwritten signature in cursive script, appearing to read "Reg Lopez".

Reg Lopez
Consumer Service Specialist
Utilities Division