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ARIZONA CORPORATION COMMISSION

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Commissioner

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January 18, 2008

Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce

Re: Potential Order to Show Cause Proceeding Against Arizona-American Water for Paradise Valley Water Contamination

Dear Colleagues:

I write to concur with Commissioner Mundell's proposal for a Special Open Meeting to discuss the recent discovery of higher than allowable levels of trichloroethylene ("TCE") in Arizona-American Water Company's Paradise Valley System.

New information has come to light in the past day that seems to indicate numerous customers were not informed in a timely manner by Arizona-American that the water system contained higher than allowable levels of TCE. I believe that this information, coupled with the fact that this is the second malfunction at the Miller Road Treatment Facility, requires the Commission to consider the possibility of initiating an Order to Show Cause proceeding against Arizona-American Water Company.

As you know, the Commission has broad statutory authority to address service problems relating to utility plant. ARS § 40-321 grants the Commission the authority to determine whether a Company's facilities are inadequate or insufficient. ARS § 40-361(B) requires public service corporations to "furnish and maintain such service, equipment and facilities as will promote the safety, health, comfort and convenience of its patrons, employees and the public as will be in all respects adequate, efficient and reasonable."

I look forward to scheduling a Special Open Meeting so that we may receive the necessary information to help protect the health and safety of the customers of Arizona-American's Paradise valley system, and to consider whether to initiate an Order to Show Cause Proceeding to investigate whether the Company's Miller Road Treatment Facility was, in fact, inadequate or insufficient to serve the 4,751 customers of the system.

Sincerely,

Kris Mayes
Commissioner

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Cc: Dean Miller
Ernest Johnson
Lyn Farmer
Chris Kempley
Rebecca Wilder
Paul Townsley