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2004 FEB 17 P 4: 27

February 17, 2004

Arizona Corporation Commission

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Mr. Richard L. Sallquist
Sallquist & Drummond, P.C.
2525 East Arizona Biltmore Circle
Phoenix, Arizona 85016

DOCKETED BY

A handwritten signature in black ink, appearing to be "RJR".

Re: Utility Source, L.L.C. - Application for a Certificate of Convenience and Necessity (CC&N) to Provide Water and Wastewater Docket WS-04235A-04-0073

Dear Mr. Sallquist,

In reference to Utility Source, L.L.C.'s Application for a Certificate of Convenience and Necessity, to provide Water and Wastewater in portions of Coconino County, dated January 30, 2004, this letter is to inform you that the application has not met the sufficiency requirements as outlined in Arizona Administrative Code.

1. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N. The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources, the existing demand on the present water sources, estimated water demand from a typical dwelling unit, the estimated demand and number of services from the proposed CC&N five years from now **and at total build out**, the location of future and existing transmission mains, timing or construction phasing of facilities, and any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N. The design report should address any water quality problems with the existing and future sources of water.
2. Please provide an estimate of the water construction costs, necessary to serve the proposed CC&N extension. The costs should include a description of the major components with the cost of the component (i.e., wells, storage tanks, distribution mains, pressure tanks, pumps, etc.). The method of financing for the major components should be specified.

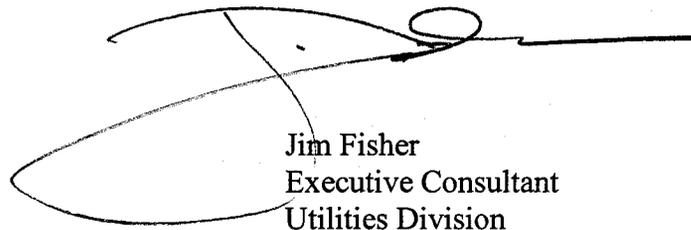
3. Please provide a complete description of the wastewater facilities proposed to be constructed, including preliminary engineering specifications in sufficient detail to properly describe the principal systems and components which meet the requirements of the Arizona Department of Environmental Quality ("ADEQ").
4. Please provide the date on which the preliminary engineering specifications were submitted to ADEQ for review and approval.
5. Please provide a detailed estimate of the costs to install the wastewater facilities to be constructed to serve the CC&N.
6. Please explain how the Applicant derived the proposed Hook-up Fee.
7. Utilities Division Staff has received a February 4, 2004 letter from the Arizona Department of Water Resources ("ADWR") regarding the proposed public water system in which ADWR found the water supply to be inadequate. Please evidence that the Applicant is technically fit and capable to provide water service from an inadequate water supply per the determination of ADWR.
8. Attachment 8 of the Application is a copy of a letter from the Applicant to various lot owners in the proposed service territory. Attachment 8 states in part: "the Home Owners Association has been providing water and wastewater service to the area for some time."
 - a. Provide the dates in which the Home Owners Association began providing water and wastewater to the area.
 - b. Provide copies of all ADEQ Approvals of Construction for the water and wastewater facilities currently used to provide service.
 - c. Provide copies of all ADEQ Status Reports demonstrating compliance with applicable standards for public water and wastewater systems.
 - d. Provide a map identifying the locations currently receiving service from the Home Owners Association.
 - e. Provide a copy of the terms and conditions by which the Home Owners Association provides services.
 - f. Provide a copy of any effective Codes, Covenants and Restrictions authorizing or enabling the formation of the Home Owners Association for the subject area.
 - g. Describe any relationship between the principles of the Applicant and the formation and management of the Home Owners Association.
9. Please provide all applicable Main Extension Agreements used to finance the water and wastewater facilities
10. If no Main Extension Agreements will be used to finance plant additions, please explain how the Applicant has financed the required plant currently used to serve the public.

Utility Source LLC
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Per Arizona Administrative Code upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing a proposed Opinion and Order to present to the Commission at an Open Meeting.

Should you have any questions or concerns on this matter, please contact me at (602) 542-0839.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Fisher", with a large, sweeping flourish underneath.

Jim Fisher
Executive Consultant
Utilities Division

Cc: Del Smith
Lyn Farmer
Brian Bozzo
Docket Control