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Raymond S. Heyman  
Michael W. Patten  
Roshka Heyman & DeWulf, PLC  
One Arizona Center Street, Suite 800  
Phoenix, Arizona 85004

Re: Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C.-  
Applications for Extensions of its Certificate of Convenience and Necessity  
(CC&N) Docket No. SW-03575A-04-0767 and W-03576A-04-0767

Dear Sirs,

In reference to Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C.- Applications for an Extension of its Certificate of Convenience and Necessity, docketed October 25, 2004, this letter is to inform you that the application has not met the sufficiency requirements as outlined in Arizona Administrative Code.

1. Please provide a request for service from the each of the affected property owners.
2. Please provide a map of the requested service territory with an identification of the respective property owners requesting service.
3. Please provide a drinking water design report which clarifies how water will be provided to the proposed CC&N extension area.
  - a. The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.
  - b. The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N.
  - c. The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.
  - d. The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra

treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water?).

4. Please provide a copy of the Arizona Department of Water Resources Analysis of Adequate Water Supply for the proposed service territory.
5. Please provide 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.
6. Please provide a set of design plans for the proposed water facilities.
7. Please provide an estimate of the water facilities costs to the necessary to serve the proposed CC&N. The costs should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, etc.). The method of financing for the major components should be described specifically.
8. Please provide a copy of the approved Central Arizona Council of Governments §208 plan, any subsequent amendments to the §208 plan, and any proposed amendments to the §208 plan for the proposed wastewater certificated area.
9. If the information is not contained in the §208 plans, please submit a master wastewater design report which clarifies how wastewater service will be provided to the proposed CC&N area.
10. The report should identify the location of existing and future wastewater treatment plants and major wastewater interceptors. It should also provide the capacities of existing and future wastewater treatment plants, any existing service base in the proposed C&N, service connections at build out in the proposed CC&N, estimated wastewater flow from a typical dwelling unit.
11. The report should also include the estimated wastewater total flows or contributions from future build out within the proposed CC&N, the timing or construction phasing of facilities and methods of effluent disposal.
12. Please include any other information which will allow the Commission to analyze and conclude that the company has sufficient wastewater treatment capacity, or can develop enough treatment capacity to service the existing and future demands from the proposed CC&N.
13. Please provide a copy of the Arizona Department of Environmental Quality's "Aquifer Protection Permit" for the wastewater treatment plant. If that permit has not been issued, please inform the Commission of the status of the application for that permit.
14. Please provide a set of design plans for the proposed wastewater facilities.

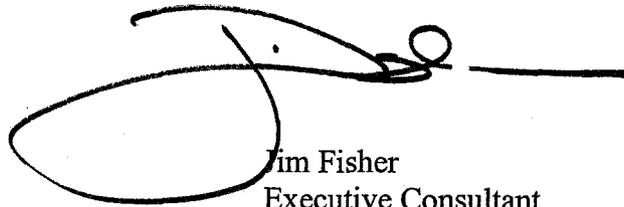
15. Please provide an estimate of the wastewater facilities costs necessary to serve the proposed CC&N. The costs should include a description of the major components with the cost of the component (i.e., 500,000 gallons per day sequencing batch wastewater treatment, lineal feet of off-site sewage interceptors or collection mains, lineal feet of on site collection mains, wells, number and size of storage tanks, etc.). The method of financing for the major components should be specified.

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.

Please also understand that according to A.A.C. R14-2-411 C.3, Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

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, stylized flourish extending to the left.

Jim Fisher  
Executive Consultant  
Utilities Division  
Arizona Corporation Commission

C: Docket Control  
Lyn Farmer  
Del Smith  
James Dorf  
Vicki Wallace