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AZ CORP COMMISSION
DOCUMENT CONTROL

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September 28, 2004

BY HAND DELIVERY

Mr. Brian Bozzo, Compliance Manager
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Re: Seven Canyons Water Company
Docket No. W-03388A-03-0150; SW-03389A-03-0150
Compliance with Decision No. 66396 (October 6, 2003)

Dear Mr. Bozzo:

Enclosed please find the developer's Letter of Adequate Water Supply in the above-referenced matter. Decision No. 66396 requires Seven Canyons Water Company to file a copy of the enclosed document within 365 days of the final order.

Should you have any questions, please do not hesitate to call. Thank you for your time and assistance in this matter.

Very truly yours,

Patrick J. Black

Enclosure

cc: Dennis Cain, Seven Canyons Water Company (w/out enc.)
Docket Control (w/enc.)

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Arizona Corporation Commission

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ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

500 North Third Street, Phoenix, Arizona 85004-3921

Telephone 602 417-2465

Fax 602 417-2467



JANET NAPOLITANO
Governor

HERB GUENTHER
Director

October 17, 2003

Mr. Roy Tanney
Director of Real Estate Subdivisions
Arizona Department of Real Estate
2910 North 44th Street
Phoenix, AZ 85012

Water Adequacy Report #22-401110
Subdivision Name: Sedona At Seven Canyons, Unit II
Owner: Seven Canyons Lot Holdings, LLC
Number of lots: 20
County: Yavapai
Township 18 N Range 05 E Section 27

Water provided by: Seven Canyons Water Company
Water Type: Groundwater
Current water depth: 650-700
Estimated 100-year depth: 0 - 746
Current decline rate: N/A
Basin: Verde Valley

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivisions water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, and to determine if the water supply is of adequate quality. Information available to the Department indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-715 *et seq.* Therefore, the Department of Water Resources finds the water supply to be adequate to meet the subdivision's projected needs. Any change to the subdivision or its water supply plans may invalidate this decision.

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Yavapai County Recorder is being officially notified of the developer's compliance with the law. Because of the possibility that a future court proceeding could result in a legal determination that water withdrawn from wells in this area is surface water, the Department recommends that your office include the following statement in all promotional material and contracts for sale of lots in the subdivision:

"Pursuant to A.R.S. § 45-108 and A.A.C. R12-15-715 *et seq.*, the Department has determined that the water supply for the Sedona At Seven Canyons, Unit II subdivision is adequate, *i.e.* that the water supply is physically, continuously and legally available to satisfy the applicant's 100-year projected water demand, and that the water supply is of suitable water quality. However, the legal availability of the water withdrawn from wells in this area may be the subject of court action in the future as part of a determination of surface water rights. Whether future court action will have an effect on the legal availability of the water supply for the proposed subdivision cannot be determined at this time."

If you have any questions, please contact Brett Shaner at (602) 417-2448.

Sincerely,

Frank Putman
Acting Assistant Director

FP/AD/ef
700005

cc: Mr. Kenneth Spedding, Yavapai County Planning and Zoning
Ms. Patsy Jenney-Colon, Yavapai County Recorder
Allison Macaulay
Alan Dulaney, ADWR