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**ARIZONA CORPORATION COMMISSION**

May 24, 2005

Arizona Corporation Commission

**DOCKETED**

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Roshka Heyman & DeWulf, PLC  
One Arizona Center Street  
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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-05-0307 and W-03576A-05-0307  
INSUFFICIENCY LETTER

Dear Sirs:

In reference to the above mentioned application filed on April 26, 2005, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please provide a copy of the Arizona Department of Water Resources (“ADWR”) Designation of Assured Water Supply or Certificate of Assured Water Supply for the CC&N area requested. If none of these are available, please provide a copy the ADWR’s Physical Availability Determination. If a determination of Assured Water Supply has not been obtained from ADWR, please inform Utilities Division Staff (“Staff”) of the status of the application for that determination.
2. Please provide a listing or table of all the existing and future sources of water that the Company plans to utilize in serving the proposed extension area. In the listing or table please include the ADWR’s Well Identification number and a description of the water quality of the well. Please be sure to include the irrigation wells that will eventually be converted to drinking water well standards. Also, please be sure to include the nitrate, arsenic, and fluoride concentrations levels.
3. Please provide a map of the requested service territory with an identification of the respective property owners requesting service.
4. Please provide a map showing all irrigation wells mentioned in Exhibit 5 of the Application.

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 extension area.
6. Please provide a set of design plans for the proposed water facilities. The plan should include the proposed water source, distribution facilities and show the site map of the proposed water treatment plant. If final design plans are not available, please provide preliminary plans.
7. Please provide an estimate of the water facilities costs necessary to serve the proposed CC&N extension area. The cost 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 in as much detail as possible.
8. All wells listed in the Application are concentrated in the intersection of Sections 17, 18, and 20. Santa Cruz has to extend at least 6 miles to the west, 3 miles to the east and 6 miles to the south to serve the entire requested area. In some places Santa Cruz has to cross State land, please provide evidence of the Arizona State Land Department's approval or a discussion of when the Company expects to obtain such approval.
9. Please provide a copy of the approved Central Arizona Association of Government ("CAAG") Section 208 Plan which includes the proposed extension area. If the Section 208 Plan has not been issued, please inform Staff of the status of the application for the Section 208 Plan.
10. Please provide a copy of the Arizona Department of Environmental Quality's Aquifer Protection Permit for the wastewater treatment plant that would service the extension area. If that permit has not been issued, please inform Staff of the status of the application for that permit.
11. Please provide a copy of the City of Maricopa franchise agreement that includes the proposed extension area. If the proposed extension area is outside the corporate city limits of the City of Maricopa, please provide a copy of the Pinal County franchise agreement that includes the proposed extension area. If the franchise agreement(s) has not been issued, please inform Staff of the status of the application for the franchise agreement.
12. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed extension area. If the Approval to

Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.

13. Please provide a set of design plans for the proposed wastewater facilities. The plan should include the proposed wastewater treatment plant, sewer collection facilities and show the site map of the proposed wastewater treatment plant, lift stations, etc. If final design plans are not available, please provide preliminary plans.
14. Please provide a copy of the effluent disposal plans with a map showing its NPDES discharge point location. If final design plans are not available, please provide preliminary plans. Affirm or deny that if the discharge point for the extension area is the same as the existing NPDES discharge point, the Company will need to install at least a 9-mile long treated effluent pipeline. Please explain.
15. According to the Application (see Exhibit 5), Palo Verde Utilities will haul the wastewater to the existing treatment plant, when the wastewater flow is below 30,000 gallons per day ("gpd"). Therefore, it implies that there will be a raw sewage holding tank(s) located somewhere in the requested area. Please provide (1) the size of the tank(s); (2) the tank location(s); (3) a copy of ADEQ and Pinal County approval of this concept; (4) how often the company will haul the wastewater; (5) the estimated cost of this hauling operation; (6) how the company plans to handle odor control, and (7) how the Company plans to prevent raw sewage spills during transfer and transport of the raw sewage.
16. Please provide an estimate of the wastewater facilities costs necessary to serve the proposed CC&N extension area. The cost should include a description of the major components with the cost of each component (i.e., lift stations, treatment facilities, lineal feet off-site sewage interceptors and collection mains, lineal feet of on-site collection mains, etc.). The method of financing for the major components should be described in as much detail as possible.
17. Please provide a copy of the proposed construction schedule.

Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant 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.

Palo Verde & Santa Cruz (Docket No. SW-03575A-05-0307 and W-03576A-05-0307)

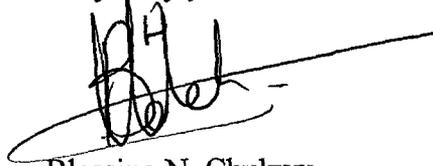
Insufficiency Letter

5/24/2005

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If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840, Dorothy Hains at 602-542-7274.

Very truly yours,

A handwritten signature in black ink, appearing to be 'BNC', with a long horizontal line extending to the right.

Blessing N. Chukwu  
Executive Consultant III

BNC

cc: Docket Control  
Del Smith  
Lyn Farmer  
Brian Bozzo  
Vicki Wallace