

RECEIVED

06

2005 SEP 13 P 3: 11

AZ CORP COMMISSION  
DOCUMENT CONTROL

Lionel Ruiz  
Pinal County Supervisor  
31 N. Pinal Street  
Florence, AZ 85232

**Re: Pinal County Industrial Development Authority Financing for  
Coronado Utilities, Inc. SW-04305A-05-0086  
SW-04305A-05-0087**

Dear Supervisor Ruiz:

Coronado Utilities, Inc. ("Coronado") is in receipt of an August 23, 2005 letter written to you by a Ms. Julie McBirnie. Ms. McBirnie is a real estate broker in and resident of San Manuel, Arizona, where Coronado seeks to become the certificated provider of wastewater utility service. Sewer service is presently provide by BHP Copper, Inc. and the costs are highly subsidized.

As you know, BHP Copper has ceased its mining operations near San Manuel and is in the process of closing the mine. Part of that closure includes closure of the now five decade old wastewater treatment plant and termination of subsidized sewer service. A new wastewater treatment plant is badly needed and Coronado stands ready to construct and operate such a facility. To make such service as affordable as possible, Coronado has sought the assistance of the Pinal County Industrial Development Authority ("PCIDA").

Coronado has also filed two applications with the Arizona Corporation Commission. In the first, Coronado seeks a certificate of convenience and necessary ("CC&N") authorizing it to construct and operate a wastewater collection and treatment system in San Manuel. If granted, Coronado will provide utility service subject to Commission regulation, including the setting of rates. In the second application, Coronado has sought approval to incur roughly \$3,000,000 of long-term debt. The purpose of such debt is to finance the new wastewater treatment plant needed in San Manuel. Financing is proposed by the Municipal Lending Corporation in association with the PCIDA.

In her letter, Ms. McBirnie opposes the requested financing assistance by the PCIDA. Unfortunately, Ms. McBirnie does not appear to understand the facts surrounding Coronado's willingness to take over sewer service in San Manuel. Consequently, her letter contains a number of inaccuracies. Because of the importance of this matter to the citizens of San Manuel I felt it important to write to you to clarify the record.

First, Ms. McBirnie states that the Commission has adequacy guidelines that require a new corporation to hold a new corporation to "hold a 40/60 equity/debt ratio." Ms. McBirnie then goes on to state that Coronado's current equity component is "only \$30,000". Ms. McBirnie is mistaken. The evidence pending before the Commission in Docket No. SW-04305A-05-0086, reflects that Coronado initially proposed an equity investment of \$300,000 and now proposes an equity investment of more than \$850,000. Moreover, there is no Commission guideline or policy establishing a required capital structure for a new or existing utility. Rather, the Commission generally addresses such issues on a case by case basis.

In this case, Coronado has asked for a particular capital structure in order to take advantage of low cost financing. As a general rule; the lower the cost of the debt, the lower the rates to the end customer. Furthermore, the more debt in the Company's capital structure, the lower the rates to customers. There is clearly a healthy mixture of debt and equity present and the PCIDA would not, as Ms. McBirnie claims, be financing a corporation that lacks financial strength. Moreover, Coronado is affiliated with Pivotal Utility Management, which operates several other wastewater utilities in Arizona. Investors in these entities are poised to make a substantial investment in San Manuel, Arizona in order to ensure the continuity of utility service following BHP's departure.

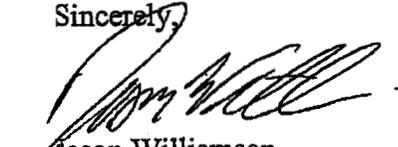
Next, Ms. McBirnie cites ongoing proceedings in the Commission docket concerning whether BHP Copper is a public service corporation subject to Commission jurisdiction. While that issue remains to be determined, the parties to the proceeding, the Commission's Utilities Division Staff and Coronado, agree that the issue has no material impact on the outcome, including the cost of sewer utility service to ratepayers in San Manuel. A new treatment plant is needed and whether Coronado or BHP build a new wastewater treatment facility, the cost will be passed on to the ratepayers benefiting from the investment in such utility plant.

Similarly, Ms. McBirnie references recently concluded criminal proceedings in Yuma, Arizona involving Santec, Inc. Santec is one of the possible manufacturers of the wastewater treatment plant in San Manuel. Commission Staff have evaluated those proceedings and its written analysis filed in the pending docket clearly demonstrates that the outcome of such proceedings will have no impact on Santec's conduct of business in Arizona. Likewise, the proceedings in Yuma have no impact on the whether Coronado is a fit and proper entity to provide wastewater utility serve to citizens in San Manuel.

Ms. McBirnie's next point is that properties in San Manuel should be retrofitted for septic service instead of the plan for service proposed by Coronado and BHP as presented to the Commission. I have more than 12 years experience in the wastewater utility business and it is my opinion that ADEQ nor any other reputable regulatory body, would never issue an approval that would allow each and every property in San Manuel to be placed on a septic system. Perhaps more importantly, it is unlikely retrofitting an entire community the size of San Manuel for septic would result in significant, if any, cost savings.

Thank you for the opportunity to respond. We trust that decision makers will see that it is in the public interest for Coronado to become the certificated wastewater utility service in San Manuel and that it is also in the public interest for Coronado to construct a new wastewater treatment plant with the assistance of the PCIDA as proposed.

Sincerely,



Jason Williamson  
President

ORIGINAL and 15 copies delivered this  
13<sup>th</sup> day of September, to:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY hand-delivered this 13<sup>th</sup> day of September, 2005:

Jason Gellman  
Legal Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

COPY sent via e-mail and U.S. Mail  
this 13<sup>th</sup> day of September, 2005:

Jane Rodda, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
400 West Congress  
Tucson, Arizona 85701

COPY sent via U.S. Mail  
this 13<sup>th</sup> day of September, 2005:

Mozelle Truman, Library Director  
San Manuel Public Library  
108 West Fifth Avenue  
San Manuel, AZ 85631

By: Whitney Bink