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November 3, 2005

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Mr. Lonnie McCleve
Utility Source L.L.C.
721 East San Pedro
Gilbert, Arizona 85234

Mr. Richard Sallquist
Sallquist, Drummond & O'Connor, P.C.
4500 South Lakeshore Drive, Suite 339
Tempe, Arizona 85282

RE: Utility Source, L.L.C. – Application to extend a Certificate of Convenience and Necessity
Docket No. WS-04235A-05-0707.

INSUFFICIENCY LETTER

Dear Mr. McCleve and Mr. Sallquist:

The application of Utility Source, L.L.C. to extend its Certificate of Convenience and Necessity, Docket No. WS-04235A-05-0707, has not met the sufficiency requirements as outlined in the Arizona Administrative Code (“A.A.C.”).

To correct the deficiencies, please provide the following information:

Wastewater

1. Please provide a copy of the approved Council of Governments §208 plan, and any subsequent amendments to the §208 plan, and any proposed amendments to the §208 plan for the proposed wastewater certificated area.
2. 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.

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 CC&N, service connections at build out in the proposed CC&N, estimated wastewater flow from a typical dwelling unit.

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.

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.

3. 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.
4. Please provide a set of design plans for the proposed wastewater facilities. If final plans are not available, preliminary design plans should be provided.
5. Please provide an estimate of the wastewater construction costs to the Applicant, 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, lift stations, force mains, etc.). The method of financing for the major components should be specified.
6. Who will provide water service in the area within Section 35 where Utility Source has requested to extend only waste water service?
7. How many wastewater customers is Utility Source currently serving and where are they located in relation to the requested extension areas?

Water CC&N Application

1. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N area.

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.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N area.

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The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

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 and if so, how does the applicant plan to fund the necessary treatment plant additions).

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 area.

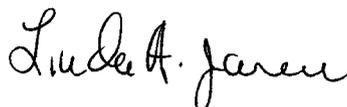
2. Please provide a copy of the Arizona Department of Water Resources ("ADWR") Designation of Assured Water Supply, Certificate of Assured Water Supply or Letter of Adequate Water Supply for the CC&N area requested. If none of these are available, please provide a copy the ADWR Physical Availability Determination.
3. Please provide a set of design plans for the proposed water facilities. If final plans are not available, preliminary design plans should be provided.
4. Please provide an estimate of the water construction costs to the Applicant, 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., lineal feet of distribution mains, wells, number and size of storage tanks, water treatment plant, etc.). The method of financing for the major components should be specified.
5. How many water customers is Utility Source currently serving and where are they located in relation to the requested extension area?

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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. Pursuant to the A.A.C. R14-2-411(C) for water and R14-2-610(C) for wastewater, the Commission has 150 calendar days to approve or reject this application after it is deemed sufficient. This time period would encompass a hearing, a Recommended Opinion and Order and a Decision from the Commission.

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0859 or John Chelus at 602-542-7273.

Yours truly,



Linda A. Jaress
Executive Consultant III

LAJ:red

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo