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January 26, 2006

**EMAIL AND US MAIL**

Mr. Brian Bozzo, Compliance Officer  
Arizona Corporation Commission  
Utilities Division  
1200 West Washington Street  
Phoenix, Arizona 85007

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2006 FEB - 1 P 12: 55  
AZ CORP COMMISSION  
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Re: Johnson Utilities Company; Docket Nos. WS-02987A-04-0288, ~~WS-02987A-04-00889~~, & ~~WS-02987A-05-0088~~; Decision Nos. 68237, 68236, & ~~68235~~, respectively; Compliance Bond

Dear Mr. Bozzo:

We are writing in response to your question to Mr. Tompsett regarding the efficacy of providing a Letter of Credit as opposed to a performance bond as the compliance requirement in subject Decisions. We submit that the Letter of Credit not only meets the requirement of those Decisions, but is a superior financial assurance than the form of performance bond you provided as a guide to the compliance requirement.

Please note the features of the Letter of Credit filed in the subject Dockets on January 23, 2006 that are equal to, or superior to, the form of bond you provided.

1. The purpose and function of the two instruments is identical. The funds will be available to the Commission in the event of adverse consequences to the Company resulting from the subject litigation.
2. The language of the Letter of Credit is virtually identical to the bond form you provided.
3. A Letter of Credit is a more secure financial instrument than a bond. The issuer of the Letter of Credit actually holds the Principals cash in the amount of the Letter of Credit, not just lien rights on assets as with a bond. In the commercial world, a secured party would vastly prefer a Letter of Credit to a bond.

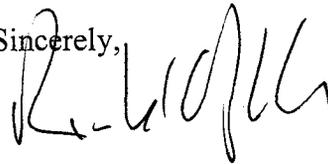
4. The Letter of Credit is available to the Commission upon presentation of "draft(s) at site" as set forth in the Letter of Credit. Contrast that with the complex and time-consuming "claim" required under a bond or insurance instrument. It should be noted that those procedures are not even set forth in the bond terms.

5. The Letter of Credit provided to the Commission is issued by a well-established local bank, not a foreign insurance company. Therefore, executing on the Letter of Credit is much easier for the Commission.

As you are aware, in the past the Commission has, when requiring financial assurances associated with new certificated areas, included language in decisions requiring a "performance bond or letter of credit". Many small companies that are either underfinanced or whose owners have no established banking relationship are unable to obtain a letter of credit. In this instance a Letter of Credit is available. We believe the purpose and intent of the Commission is to be certain that funds are available to assure the ongoing operation of the utility and the provision of the service which the Commission has authorized. Either financial assurance would provide that, however as stated above, we believe the Letter of Credit provides even greater assurances to the Commission and is consistent with their intent.

In the event you have further questions please do not hesitate to call.

Sincerely,



Richard L. Sallquist

Cc: Docket Control (15 copies in each Docket)  
David Ronald  
Brian Tompsett