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March 16, 2006

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AZ CORP COMMISSION
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HAND DELIVERY
Linda Jaress, Executive Consultant
Arizona Corporation Commission
Utilities Division
1200 W. Washington
Phoenix, AZ 85007

Re: Willow Springs Utilities LLC; Application for a Certificate of Convenience and Necessity; Docket No. WS-20432A-05-0874; Additional Insufficiency Responses

Dear Linda:

On January 17, 2006 we provided responses to your January 4, 2006 Insufficiency Letter. On February 21, 2006 the Engineering Division raised several additional questions. I am attaching that email for you convenience, and so that the questions do not need to be repeated. We will respond to those questions serially.

Please note that the Water and Wastewater Schedules provided to you on January 17, 2006 to supplement the Schedules in TAB C, Attachment 3 to the December 5, 2005 Application, have been replaced herewith in their entirety to correct minor errors and to tie them to the Engineer's Opinions of Probable Construction Cost that are attached hereto.

Item I.1 The total average daily flow for Phase 1 is as follows:

- 1650 units x 2.7 persons per unit x 110 gallons per capita per day = 490,050 gallons
- 1 school (40 Acres) x 1,500 gallons per acre per day = 60,000 gallons
- 42.8 acres commercial x 1,000 gallons per acre per day = 42,800 gallons
- Fire Flow = 2,000 gallons per minute x 120 minutes = 180,000 gallons
- Phase 1 = 490,050 + 60,000 + 42,800 +180,000= 772,850 gallons per day

- 772,850 gallons – 750,000 gallons (proposed Phase 1 reservoir) = 22,850 gallons

- Storage capacity short in phase 1 reservoir = 22,850 gallons / 2.7 persons per unit / 110 gallons per person = 76 units

- Phase 1 units served by 750,000 gallon reservoir = 1,650 units – 76 units = 1,574 units

The proposed 3700 Zone Reservoir will need to be operational before the full buildout of Phase 1 occurs (when the number of units is 1,574). The 3700 Zone Reservoir and the 3900 Zone Reservoirs will hold full domestic storage capacity for both of the Zones and the forbay reservoir capacity will be used for source water collection and distribution.

Item I.2 A proposed production well schematic for the initial production well prepared by Montgomery and Associates is attached. The well will be drilled to 810 feet below land surface and cased with a 14-inch steel casing. It is assumed that additional wells will be similar in casing size and depth.

Item I.3 Please see the attached Opinions of Probable Construction Cost for Phase 1 Water Distribution System, Phase 1 Sewer System, and Phase 1 Reclaimed Water Distribution System. Schedule 1.1 has been revised to reflect a total reservoir cost of $562,500 which results in a unit cost of $0.75 per gallon.

Item I.4 Schedule 1.1 has been revised to reflect the transmission and distribution mains (described by size and lengths in the attached cost estimate prepared by WestLand Resources) for a total of $2,431,250 which includes 25% engineering and contingencies. The cost for subdivision transmission and distribution mains was determined using $820 per connection and has been added to Schedule 1.1 under Account 331. Sizes and lengths of subdivision mains will remain unknown until individual subdivisions are platted.

Item I.5 Schedule 1.1 has been revised to reflect the cost for hydrants under Account 335. Hydrant costs were determined based on assuming 66 ft of water main for each connection with a hydrant located every 500 ft. The total number of hydrants was rounded to the nearest whole number and multiplied by $4,000 to determine the overall cost in each year.

Item II.1 The total average daily flow for Phase 1 is as follows:

- 1650 units x 2.7 persons per unit x 85 gallons per capita per day = 378,675 gallons

- 1 school (1200 students per school) x 20 gallons per student per day = 24,000 gallons
- 42.8 acres commercial x 800 gallons per acre per day = 34,240 gallons
- Phase 1 = 378,675 + 24,000 + 34,240 = 436,915 gallons per day
- 80% of Phase 1 = 436,915 gallons x 80% = 349,532 gallons per day /2.7 persons per unit / 85 gallons per person per day = 1,523 units

Phase 2 of the wastewater treatment plant ("WWTP") will be under design and construction when 80% of the buildout of Phase 1 (1,523 units) is completed to insure additional capacity is available for the completion of phase 1.

Item II.2 The $6,250,000 WWTP cost is based on a preliminary proposal for the design and construction of the 400,000-gpd plant for $6,000,000, and an additional $250,000 for permitting and other construction associated with the project but not included in the proposal. The $6,000,000 covers the treatment works including headworks, screening, grit removal, membrane bioreactor for secondary and tertiary treatment, and disinfection; influent and effluent lift stations, waste sludge digestion; solids handling; lab and administrative building; full noise and odor control; and site civil. The site will be sized to accommodate the ultimate WWTP capacity of 1.5 MGD. The influent and effluent lift stations, lab and administrative building, and solids handling will be sized for the ultimate plant capacity. The headworks will be sized for 800,000 gpd. The $250,000 includes application for associated permits, bringing power to the site, bank protection associated with the WWTP site, site grading, and access to the site.

Item II.3 Schedule 1.1 has been revised to reflect a zero dollar amount under special collection structures.

Item II.4 Schedule 1.1 has been revised to reflect the spine gravity collection lines (described by size and lengths in the attached cost estimate prepared by WestLand Resources) for a total of $1,616,250 which includes 25% engineering and contingencies. The cost for subdivision gravity collection lines was determined using $1,100 per connection and has been added to Schedule 1.1 under account 361. Sizes and lengths of subdivision gravity mains will remain unknown until individual subdivisions are platted.

In the event you have any questions regarding these matters, please do not hesitate to call.

Sincerely,

Richard L. Sallquist

Enclosures

cc: Docket Control (15 copies without attachments)
Dorothy Hains (with all attachments)
Lyn Farmer
Brian Bozzo
Elena Zestrijan
Alex Agenta
Kevin Tarbox
Mark Taylor
Ron Kozoman

The January 17 response has been reviewed. It is still insufficient from engineering point view. My reasons are as follows:

I. Water system

1. According to the Schedule 2a, there will be total 1,786 water customers that include 1,650 residential customers, 135 commercial customers and one school.) in the first five years. The design report shows that only 3700 zone and 3900 zone in Phase I. The estimated, minimum water storage is 867,000 gallons. Phase I water plant consists of 750,000 gallon storage capacity and two wells with production rate of 800 gallons per minute ("GPM") each. It is engineering opinion that there does not have adequate storage capacity.

2. Schedule 1.1 shows that well installation costs for two wells are $1,525,000. Please specify that well depth and size of casing.

3. Schedule 1.1 shows $1,406,250 for reservoirs. Since there is no information if any pressure tank(s) in Phase I, the unit cost of 750,000 gallon storage tank is $1.88 per gallon which is three times higher than we observed in 2005. Please clarify this.

4. Schedule 1.1 also shows $5,751,500 expense for Transmission lines. Please state how many linear feet of what size pipes and associated costs in accordance to different pipe sizes.

5. The storage capacity calculation includes fire flow; therefore fire hydrants should be in the plant addition. However, there is no proposed expense for fire hydrants in Schedule 1.1 at all. Please explain.

II. Wastewater System

1. According to the Schedule 2a, there will be total 1,786 sewer customers (that include 1,650 residential customers, 135 commercial customers and one school.) in the first five years. Use design critical provided in WestLand and Resources, Inc ("WLR") report, the estimated daily wastewater flow is approximately 510,000 gallons per day ("GPD"). The proposed Phase I treatment plant only have 400,000 GPD treatment capacity. It appears that the treatment plant capacity is underestimated or may be growth is overestimated within the first five year. The application should adjust this proposal accordingly.

2. According to Schedule 1.1, estimated cost for Phase I treatment plant installation is $6,250,000 (equivalent to $16/gallon.) It appears higher than our experienced $5-7/gallon installation cost. Please explain why the proposal is so high.

3. There is $468,750 plant cost listed under "special collecting structure" account in year two. Please clarify what "special collecting structure" consists of.

4. Total of 3,760,938 of gravity collection lines will be installed in the first five years. Please specify how many liner feet of what size pipe in the gravity collection lines and how many manholes in Phase I.

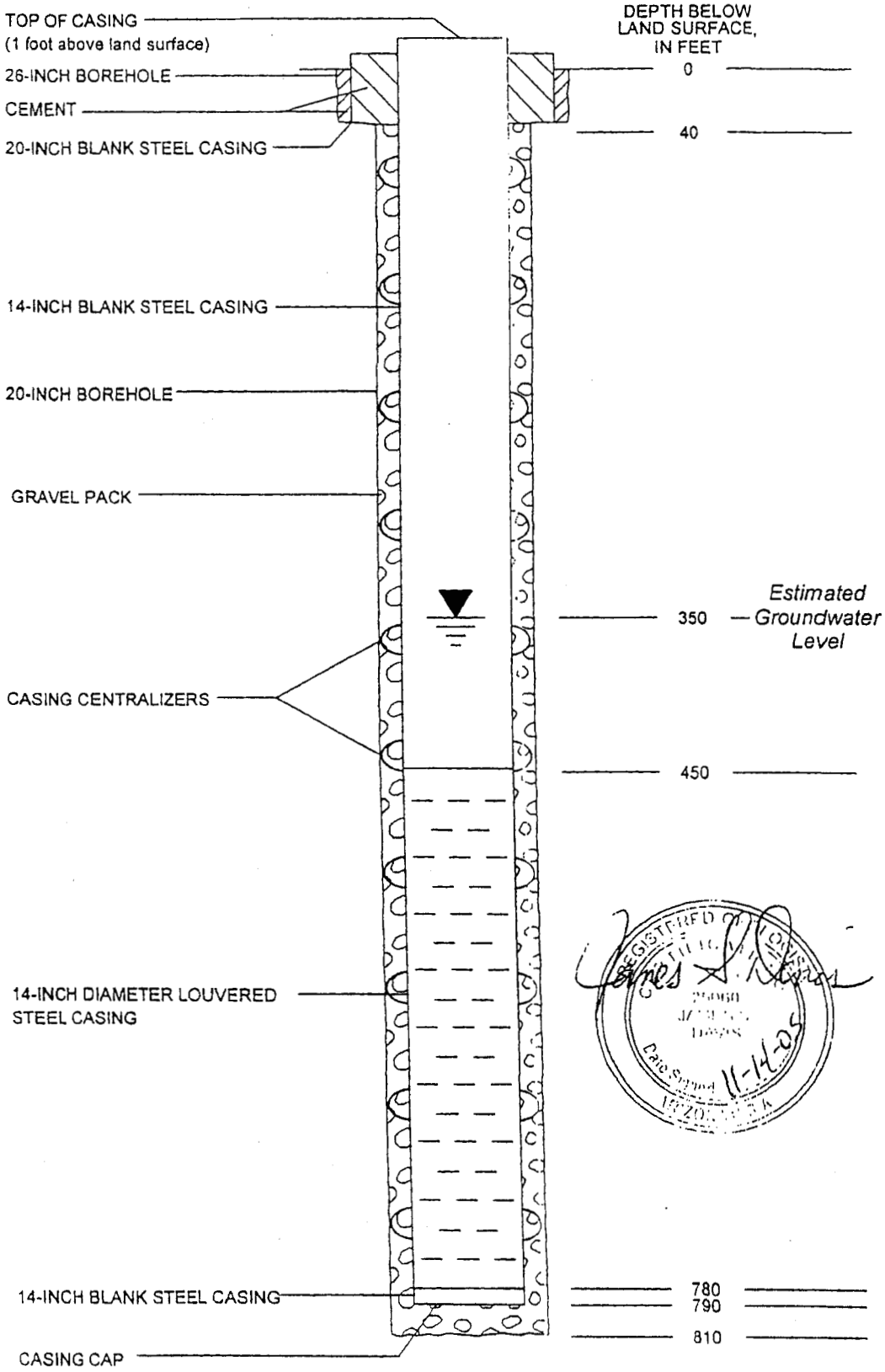

FIGURE 2. SCHEMATIC DIAGRAM OF PROPOSED CONSTRUCTION FOR INITIAL PRODUCTION WELL (D-8-13)27cac, WILLOW SPRINGS RANCH SOUTH VILLAGE

WestLand Resources, Inc.
Engineering and Environmental Consultants

OPINION OF PROBABLE CONSTRUCTION COST

Project Name: Willow Springs
Project No. 927.01 A 8000
Location: Pinal County
Description: Phase 1, Water Distribution System

Prepared by: KLW **Date:** 11/16/05
Checked by: MFT **Date:** 11/16/05
Client: Willow Springs Utilities, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	Phase 1					
1	16-inch water main (DIP) (3700 Zone)	LF	3,000	$95	$285,000	Includes valving, air releases, and fittings
2	12-inch water main (3700 Zone)	LF	12,600	$70	$882,000	Includes valving, air releases, and fittings
3	0.75 MG Well Collection Reservoir	LS	1	$450,000	$450,000	Water Plant No. 1
4	2,400 gpm Booster Station	LS	1	$275,000	$275,000	Water Plant No. 1, Assumes 2,000 gpm fire flow capacity
5	New 800-gpm well (onsite)	LS	1	$500,000	$500,000	Water Plant No. 1, Well No. 1 (assumes $240,000 for drilling)
6	Site work, block wall, and piping	LS	1	$100,000	$100,000	Water Plant No. 1
7	New 800-gpm well (offsite)	LS	1	$600,000	$600,000	Includes site work, block wall, and onsite piping, Well No. 2 (assumes $240,000 for drilling)
8	12–inch well transmission main	LF	1,200	$70	$84,000	Well collection system
9	16-inch well transmission main (DIP)	LF	1,750	$95	$166,250	Includes valving, air releases, and fittings
10	1,300 gpm 3900 Zone Booster Station	LS	1	$400,000	$400,000	In-line booster (VFD pumps), Assumes 1,000 gpm fire flow capacity
11	16-inch water main (3900 Zone)	LF	2,850	$95	$275,750	Includes valving, air releases, and fittings
12	12-inch water main (3900 Zone)	LF	3,600	$70	$252,000	Includes valving, air releases, and fittings
13	Equip existing well	LS	1	$20,000	$20,000	For construction water only
	Subtotal				$4,285,000	
	25% Engineering & Contingencies				$1,071,250	
	Total Phase 1				**$5,356,250**	

WestLand Resources, Inc.
Engineering and Environmental Consultants

OPINION OF PROBABLE CONSTRUCTION COST

Project Name: Willow Springs
Project No. 927.01 A 8000
Location: Pinal County
Description: Phase 1, Sewer System

Prepared by: KLW **Date:** 11/16/05
Checked by: MFT **Date:** 11/16/05
Client: Willows Springs Utilities, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	Phase 1					
1	21-inch gravity sewer main	LF	1,950	$90	$175,500	
2	18-inch gravity sewer main	LF	4,500	$75	$337,500	
3	15-inch gravity sewer main	LF	1,350	$65	$87,750	
4	Manholes 5-ft dia. (minimum every 375 feet)	EA	21	$14,000	$294,000	Coated manholes
5	12-inch gravity sewer main	LF	3,750	$60	$225,000	
6	8-inch gravity sewer main	LF	2,250	$45	$101,250	
	Manholes 4-ft dia. (minimum every 375 feet)	EA	16	$4,500	$72,000	Assumes no coating
	Wastewater Treatment Facility	GPD	400,000	$12.50	$5,000,000	Phase I (0.4 MGD Total)
	Subtotal				$6,293,000	
	25% Engineering & Contingencies				$1,573,250	
	Total Phase 1				**$7,866,250**	

1,616,250
1,287,000

Note: All costs exclude rock excavation

WestLand Resources, Inc.
Engineering and Environmental Consultants

OPINION OF PROBABLE CONSTRUCTION COST

Project Name: Willow Springs
Project No. 927.01 A 8000
Location: Pinal County
Description: Phase 1, Reclaimed Water Distribution System

Prepared by: KLW **Date:** 11/16/05
Checked by: MFT **Date:** 11/16/05
Client: Willow Spring Utilities, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	Phase 1					
1	0.8 MG Storage Reservoir	LS	1	$375,000	$375,000	
2	600 gpm Booster Station	LS	1	$200,000	$200,000	
3	16-inch reclaimed water main	LF	7,650	$95	$726,750	Includes valving, air releases, and fittings
	Subtotal				$1,301,750	
	25% Engineering & Contingencies				$325,437	
	Total Phase 1				**$1,627,187**	

Note: All costs exclude rock excavation.