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BEFORE THE ARIZONA CORPORATION COMMISSION
CARL J. KUNASEK
CHAIRMAN-COMMISSIONER
JIM IRVIN
COMMISSIONER
WILLIAM MUNDELL
COMMISSIONER

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IN THE MATTER OF THE)
APPLICATION OF SUN CITY)
WATER COMPANY AND SUN CITY)
WEST UTILITIES COMPANY FOR)
APPROVAL OF CENTRAL)
ARIZONA PROJECT WATER)
UTILIZATION PLAN AND FOR AN)
ACCOUNTING ORDER)
AUTHORIZING A GROUNDWATER)
SAVINGS FEE AND RECOVERY OF)
DEFERRED CENTRAL ARIZONA)
PROJECT EXPENSES.)

DOCKET NO. W-01656A-98-0577
DOCKET NO. SW-02334A-98-0577

DECISION NO. 62293

**SUN CITY WATER COMPANY
AND SUN CITY WEST UTILITIES
COMPANY'S REPLY TO STAFF'S
RESPONSE TO REQUEST FOR
EXTENSION**

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Sun City Water Company and Sun City West Utilities Company (collectively "the Companies") hereby respond to Arizona Corporation Commission Staff's ("Staff") Response to the Companies' Request for Extension dated July 31, 2000.

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In its response to Companies' request for an extension, Staff has requested that the 60 day review period to file comments, objections and recommendations for the preliminary engineering report be postponed until Companies file the agreements between the Companies and the Recreation Centers of Sun City and Recreation Centers of Sun City West ("Recreation Centers"). The Companies urge the Commission to deny Staff's request.

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Staff states in its Response that an evaluation of the binding commitments between the Companies and the Recreation Centers is required in order for Staff to make the necessary comments, objections and recommendations concerning the cost estimates in the preliminary engineering report filed by the Companies.

1 The agreements between the Companies and the Recreation Centers are
2 completely independent from the preliminary engineering report and do not need to be
3 reviewed in order to evaluate the preliminary engineering report. The only costs that
4 are addressed in the agreements are the monthly charges that the Recreation Centers
5 will pay to receive the Central Arizona Project (CAP) water. This is an operational cost
6 of the project and is nominal. Moreover, the cost addressed in the agreements is the
7 same across all the alternatives studied in the preliminary engineering report. The
8 preliminary engineering report primarily addresses the **capital** costs of building the
9 pipeline to deliver CAP water. The only operational costs addressed in the preliminary
10 engineering report are differential operating costs (i.e. costs that are different across
11 alternatives). Finally, the structure for the cost to receive CAP water is entirely
12 consistent with the recommendation of the CAP Task Force. Negotiations continue to
13 support this cost structure, and the parties are not expected to change their positions.

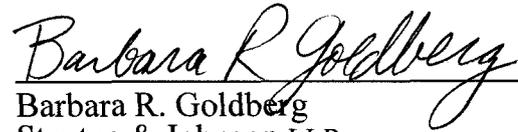
14 In addition to the agreements being unrelated to reviewing the preliminary
15 engineering report, postponing the review period will likewise postpone the
16 construction of the project. Direct groundwater declines are continuing in Sun City,
17 Sun City West and Youngtown. The CAP Task Force envisioned the least amount of
18 time possible to construct the project and to begin direct curtailment of groundwater
19 pumping in Sun City, Sun City West and Youngtown. Delays will only further
20 exacerbate the worsening groundwater condition and will not serve the public interest.

21 Finally, the negotiations with the Recreation Centers are very close to
22 completion. Approval of the agreements by the Boards of the Recreation Centers could
23 be forthcoming as early as September. These agreements will not be subject to review,
24 comment or changes and should not be a part of the review and comment period.

25 For these reasons, the Companies see no need to delay the timeframes
26 relating to review, comment and approval of the engineering and capital costs of the
27 project. The Companies request that the Commission deny Staff's request and instead
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1 adhere to the original schedule to review and comment on the preliminary engineering
2 report.

3 RESPECTFULLY SUBMITTED this 17th day of August, 2000.

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20 Original and ten copies of the
21 foregoing filed on August 17, 2000
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