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May 26, 2006

William A. Mundell, Commissioner
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

W-20380A-05-0490

Re: Perkins Mountain Water Co. Application for CC&N, Docket No. ~~W020380A005-0490~~;
Perkins Mountain Utility Co. Application for CC&N, Docket No. SW-20379A-05-0489

Dear Commissioner Mundell:

I would like to respond to your letter dated May 24, 2006, which was posted on the Commission's website. In the letter, you state that my remarks at the March 17, 2006, Procedural Conference in the above-referenced dockets appear to be inconsistent with two articles which ran recently in *The Kingman Daily Miner*.

Please let me address the articles you reference, and explain how my statements at the March 17 Procedural Conference were accurate then and are accurate today.

The April 17, 2006, edition¹ of *The Kingman Daily Miner* described a park with two baseball diamonds in Golden Valley. As the article states, the park will be "adjacent to the Golden Valley South project, for which preliminary grading has begun." The park, known as Aztec Park, is located approximately one-half mile north of the Golden Valley South project and approximately one-half mile north of the proposed CC&N area for Perkins Mountain Water Company. Water for Aztec Park is withdrawn from a private well at the park that is owned by Rhodes Homes (Golden Valley Well No. 1 - "GV1"). The same well is currently supplying water for dust control at Golden Valley South in connection with grading of the project and for landscape use at the design homes located along Aztec Road.

The May 8, 2006, edition of *The Kingman Daily Miner* reported that model homes were under construction in Golden Valley. Rhodes Homes is constructing six design homes on private parcels of land. This land is located north of the Golden Valley South development and outside of the requested CC&N area for Perkins Mountain Water Company. The design homes are located on parcels along a two-mile stretch of Aztec Road, north of the northern boundary of the

¹ I am not aware of an April 18, 2006 article, and believe that the information you reference comes from the April 17, 2006 article.

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Golden Valley South project. As described in the May 8 article, the design homes are intended to give local residents and potential buyers an idea of the type and quality of the homes that will be offered in Golden Valley South. Currently, there are no plans to connect these design homes to a public water system. Rhodes Homes is hauling water from GV1 to the design homes. This water is being used for landscape purposes only. When water service is needed, Rhodes Homes will make a decision regarding a water source. Rhodes Homes may connect these homes to a private well, or may request water service from Perkins Mountain Water Company (assuming the water company successfully obtains a CC&N and the company properly extends its CC&N).

As stated above, neither Aztec Park nor any of the design homes are located in the proposed CC&N area for Perkins Mountain Water Company. Rhodes Homes is providing water to Aztec Park from a well owned by Rhodes Homes, and the design homes are likewise obtaining water from a private well owned by Rhodes Homes. There is nothing unusual or unlawful about the use of private wells to supply water in this way. In fact, throughout Arizona a large number of residents receive their water from their own private wells.

There are no discrepancies or inconsistencies between my remarks at the March 17, 2006, Procedural Conference and the statements contained in *The Kingman Daily Miner* articles. At the Procedural Conference, I stated that "they [Rhodes Homes] have not begun any infrastructure as far as the water company or the sewer company, but there has been some grading, there has been some preliminary work that is being done."² I also stated that "it is just a very preliminary grading that is being done" at Golden Valley South "where [Mr. Rhodes] has received the adequate water supplies, 9,000 acre-feet."³ These statements addressed the status of development activities within the Golden Valley South project, and they were accurate and complete. Rhodes Homes began grading the first phase of a 7-phase development in the last quarter of 2005. Today, less than 5% of the total project has been graded. My use of the words "grading" and "preliminary work" described the process of contouring the raw land in preparation for the construction of roads and sidewalks, installation of underground utilities, and the preparation of building pads. I believe that my statements to the Commission in March accurately and completely described the status of the work at that time that had been performed by Rhodes Homes within the Golden Valley South project, the subject of the CC&N application.

Commissioner Mundell, your understanding is correct that the developer and the water company are separate legal entities, and this is indeed an important point. Perkins Mountain Water Company has not commenced any construction work, nor has it undertaken to provide water service to any person or entity. Further, Perkins Mountain Water Company will not construct any water infrastructure or initiate service to any customer until the company has obtained a CC&N from the Commission. In April 2006, Rhodes Homes began installation of the

² Transcript Procedural Conference March 17, 2006, page 6, lines 6-9.

³ Transcript, page 60, lines 3-6.

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water infrastructure that will eventually serve Golden Valley South. This construction is proceeding pursuant to permits to construct issued to Rhodes Homes by the Arizona Department of Environmental Quality. Rhodes Homes is within its rights to commence construction of utility infrastructure. At the appropriate time, Rhodes Homes will convey this utility infrastructure to the water provider that will serve the development. That provider might be Perkins Mountain Water Company, should the Commission approve its application for a CC&N, or another entity authorized to provide water service in accordance with Arizona law.

I hope this letter addresses your concerns.

Very truly yours,

Snell & Wilmer L.L.P.



Kimberly A. Grouse

KAG:bjw

cc: Ernest Johnson
Chairman Hatch-Miller
Commissioner Spitzer
Commissioner Gleason
Commissioner Mayes
Brian McNeil
Lyn Farmer
Chris Kempley
Heather Murphy
Parties of Record