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Transcript Exhibit(s)

Docket #(s): W-20453A-06-0247

W-20454-06-0248

W-20453A-06-0251 et al.

Exhibit # : A-1-A-8, S1-S-3

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Attorneys for Northern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. **APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY**

Pursuant to A.R.S. § 40-282 and A.A.C. R14-2-402, Northern Sunrise Water Company ("Applicant"), an Arizona corporation, hereby applies to the Arizona Corporation Commission ("Commission") for an Order granting Applicant a new Certificate of Convenience and Necessity ("CC&N") to provide water utility service in certain defined portions of Cochise County, Arizona. The requested CC&N includes the areas previously served by the Mustang Water Company, Crystal Water Company, Sierra Sunset Water Company and Coronado Estates Water Company (collectively "Northern McLain Systems"). The request also encompasses a certain land parcel known as the Babocomari Lands ("Babocomari"), which are immediately adjacent to and south of the Coronado Estates Water Company CC&N area and for which Applicant has received a request from the landowners to potentially provide future water utility services.

INTRODUCTION

I. Background.

Applicant comes before the Commission after an extraordinary process involving the Northern McLain Systems, and the Commission's efforts to help these water utility systems find a new owner/operator with the financial resources, managerial structure and technical experience to provide adequate and reliable water utility service to existing customers in Cochise County. The

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Northern McLain Systems are part of a larger group of affiliated water utility systems that also includes Cochise Water Company, Miracle Valley Water Company and Horseshoe Ranch Water Company ("Southern McLain Systems") (collectively referred to as the "McLain Water Systems"). Those water systems not included in this proceeding are being addressed in a separate CC&N application concurrently filed by the Applicant's affiliate, Southern Sunrise Water Company ("SSWC").[1] *See In the Matter of the Application of Southern Sunrise Water Company for a Certificate of Convenience and Necessity to Provide Water Utility Service in Cochise County, Arizona.*

The troubled history surrounding the McLain Water Systems is well-chronicled in Commission Decision No. 68412 (January 23, 2006). Previous ownership allowed these systems to fall into a state of serious disrepair, and numerous violations cited by the Arizona Department of Environmental Resources ("ADEQ") brought into question the potential for risk to the health and safety of customers being served by them. Property and sales taxes associated with these systems were not paid for almost 15 years, and water utility service was being extended to customers outside of the CC&N boundaries of these systems in violation of Arizona law. Ultimately, the previous owners filed for Chapter 13 bankruptcy relief under Title 11 of the United States Bankruptcy Code. *See In re Johnny A. McLain, et al.*, Case No. 4-03-bk-04125 TUC-EWH.

On October 22, 2004, the Bankruptcy Court for the District of Arizona tentatively approved a Purchase and Sale Agreement (the "Agreement") executed by Algonquin Water Resources, Inc. ("Algonquin"), which provided for the purchase of the water utility assets included in the McLain Bankruptcy Estate. Cochise County is the creditor-in-interest. On March 20, 2006, the Bankruptcy Court for the District issued an Order confirming the sale to Algonquin for an aggregate purchase price of $696,752.14. This amount was equal to the fair value rate

[1] Applicant has concurrently filed a Motion to Consolidate the SSWC CC&N Application with this and other proceedings.

bases of the McLain Water Systems as determined by the Commission. *See* Decision No. 68412. A copy of Bankruptcy Court order is attached hereto as **Exhibit 1**.

II. Issuance of New CC&N to Two Separate Entities.

Before the closing of the transaction already approved by the Bankruptcy Court can take place, certain other matters required to legally facilitate the transfer of assets must be finalized. Algonquin is required, among other things, to obtain Commission approval for: 1) the issuance of all CC&Ns necessary to provide water utility service to customers of the McLain Water Systems; and 2) the sale and transfer of a public service corporation's assets as required by A.R.S. § 40-285. This Application addresses the first issue. Applicant is jointly filing a separate application with NSWC for Commission approval to transfer the McLain Water Systems assets, based on geographic location, into two separate entities with distinct CC&Ns ("Joint Application"). *See In the Matter of the Joint Application of Northern Sunrise Water Company and Southern Sunrise Water Company for the Approval of Sale and Transfer of Water Utility Assets, and Cancellation of Certificates of Convenience and Necessity.*

Algonquin chose to consolidate the four water utility systems making up the Northern McLain Systems, and Babocomari, into one CC&N based on their geographical location and system configuration. Applicant must, among other things, construct new water storage facilities, add pressure tanks and booster stations, increase current well capacity, replace existing mains and valves, and map the existing water systems so that the Company can add operational automation to ensure safe and reliable operation. Applicant will need to invest a significant amount of capital in order to bring the McLain Water Systems into compliance with state and federal regulations. *See* Summary record (prepared by the ADEQ) of the compliance history of the McLain Water Companies, attached hereto as **Exhibit 2**; *see also* Decision No. 68412 at ¶ 19. Algonquin has determined that the most efficient and equitable way to begin the monumental task of improving the McLain Water Systems is to consolidate them into two new public service corporations. This issue is addressed in more detail in the Joint Application. *See* Joint Application at p 6.

III. New Water Utility Service Rates and Charges.

Because of the reorganization and subsequent investment in capital improvements, a new rate structure is required and the Commission must make findings as are typical in any application for a new CC&N. In this case, that means new rates have been to take into account the fair value of the Northern McLain Systems assets as established in Decision No. 68412 ($91,992)[2], the cost of new infrastructure and other capital improvements that must be added almost immediately ($480,200), and the pro-rata costs associated with participating in the process that lead to the acquisition of the McLain Water Systems ("Acquisition Costs") ($64,619). Applicant's proposed total fair value rate base is $636,811 as shown in **Exhibit 8**, attached hereto and further discussed below. Applicant's proposed rates are shown in **Exhibit 9**, attached hereto and further discussed below. Applicant is a fit and proper entity to provide water service to customers in Cochise County.

On January 6, 2006, the Arizona Small Utilities Association of Arizona ("ASUA") filed an emergency application for interim rates as the interim manager of the McLain Water Systems.[3] On March 28, 2006, Administrative Law Judge Rodda issued a recommended opinion and order ("ROO") that, among other things:

1) grants interim rate relief subject to the filing of an application for a permanent rate increase no later than March 15, 2007, using a 2006 test year;

2) approves a System Improvement Surcharge (SIS) as a means to collect revenue in order to pay debts and make relevant improvements;

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[2] This is not the exact figure established in Decision No. 68412 due to the allocation of land value and land rights for each separate water system.

[3] *In the Matter of the Application for Emergency Interim Rate Relief for Miracle Valley Water Company, Inc., Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Sierra Sunset Water Company and Coronado Estates Water Company, Owned by Johnny A. McLain*; Docket No. W-01646A-06-0010 et al.

3) requires any future owner of the Northern McLain Systems to maintain a separate bank account in which all revenue derived from the SIS must be deposited;

4) requires any future owner to apply the SIS funds on a pro-rata basis to each of the systems to correct water outages as they occur, pay debts to local vendors and make system improvements; and

5) requires any future owner to work with Commission Staff to devise a priority list of system improvements.

These particular recommended conditions raise concerns for the Applicant as each bears upon this request to establish new CC&Ns for the Northern McLain Systems. For one thing, under Section 9.2 of the Agreement, all regulatory approvals and transfers shall be approved without the imposition of any restrictions, conditions, or obligations that are unacceptable to Algonquin in its sole discretion. 2006 also represents too early of a test year upon which to establish permanent rates. Applicant asserts that, under its proposal to immediately upgrade the water systems within the first year of operation, at least twelve months of data is needed to establish proper operating revenues and expenses that are more reflective of normal operating conditions. Therefore, Applicant is willing to stipulate in this proceeding to file a rate application with the Commission by June 30, 2008, using a 2007 test year.

In addition, several of the proposed conditions related to the SIS appear designed to "run with the plant" and bind future owners irrespective of the basis upon which the transfer of the McLain Water System occurs. Such conditions are impractical given the new CC&N and rate structure proposed herein. Furthermore, the SIS has been proposed because the McLain Water Systems do not have an ability to raise additional capital to make necessary improvements. *See* ROO at ¶ 17. By approving this CC&N application, Southern Sunrise Water Company's CC&N application and the Joint Application, the Commission will forego the need for the SIS. Therefore, Applicant asserts that in moving forward and approving this Application, the

Commission specifically exempt Applicant from any condition imposed in the ASUA emergency rate application that run with the plant and bind future owners.

Algonquin is a utility holding company that owns and operates several water and wastewater Systems in Arizona.[4] Applicant maintains that by granting the CC&N and rate structure requested herein, the Commission will: 1) address immediate health and safety concerns by providing some of the approvals and assurances necessary in Applicant's efforts to bring the water utility systems into regulatory compliance; 2) allow for the Applicant to begin the immediate repair and improvement of these systems to ensure reliable operation for present and future customers; and 3) ensure proper regulation of water utility service in the subject portions of Cochise County, in the public interest, through continued Commission oversight.

APPLICATION

In support of this Application, Applicant states as follows:

1. Applicant is a public service corporation formed for the purpose of providing water utility service in Cochise County, Arizona. The proper name, address and corporate structure for Applicant are attached hereto as **Exhibit 3**.

2. Applicant's Articles of Incorporation and Bylaws are attached hereto as **Exhibit 4**.

3. The area covered by this Application and contains approximately 360 existing residences.

4. A copy of the request for water utility service from the owners of the Babocomari Development Association is attached hereto as **Exhibit 5**.

5. The list and approximate cost of individual water infrastructure equipment upgrades and new facilities required immediately to bring the water utility operations up to some minimum standard are attached hereto as **Exhibit 6**.

6. Applicant's management contact is Greg Sorensen, Algonquin Water Resources of

[4] Bella Vista Water Company, Litchfield Park Service Company; Gold Canyon Sewer Company, Black Mountain Sewer Corporation and Rio Rico Utilities.

America, Inc., whose business address is 12725 West Indian School Road, Suite D101, Avondale, Arizona 85323. The telephone number is (623) 935-9429.

7. Applicant's operator certified by the ADEQ is Larry Diaz. His business address is 4055 Campus Drive, Sierra Vista, AZ 85635. His telephone number is 520-548-5470.

8. Applicant's attorneys are Fennemore Craig, whose address is 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual attorney responsible for this application is Jay L. Shapiro. Mr. Shapiro's telephone number is (602) 916-5366. **All Data Requests or other Requests for Information should be directed to Greg Sorensen, with a copy to Mr. Shapiro's attention, on behalf of Northern Sunrise Water Company.**

9. A description of existing water infrastructure in the Northern McLain Systems known to Applicant at this time, as documented by the Commission in its Reconstruction Cost New Less Depreciation ("RCND") Study, *is attached hereto as* **Exhibit 7**.

10. The total estimated cost of: 1) existing Northern McLain Systems assets; 2) immediate capital improvements to repair existing water utility infrastructure; and 3) Acquisition Costs as a regulatory asset, is attached hereto as **Exhibit 8** (Ratebase Schedule).

11. A copy and description of the new tariff rate schedule and statement of charges is attached hereto as **Exhibit 9**.

12. A detailed map indicating the area requested by this Application ("Service Area"), and legal descriptions for all relevant properties, are attached hereto as **Exhibit 10,** however, no legal description is available for the system known as Sierra Sunset because there is no existing CC&N. Applicant will work with Staff as requested to assist Staff in plotting the portion of the CC&N requested herein that corresponds with the Sierra Sunset system. In addition, as stated, the previous owners of the McLain Water Systems have connected new customers without seeking amendment of the CC&Ns. Accordingly, the area covered by this CC&N requests will not likely include every customer served by the existing systems. Applicant will continue to ascertain the location of customers and provide subsequent legal descriptions to Staff so the

CC&N maps can be updated.

13. The manner of capitalization and methods of financing employed by Applicant will include a combination of paid-in shareholder capital contributions, and advances and/or contributions through line extension agreements, as appropriate. Should the Applicant require debt to finance system improvements, a financing application will be filed with the Commission.

14. A general Statement of Financial Condition for Algonquin Power Income Fund, the parent of Algonquin Water Resources of American, Inc., Applicant's parent, is attached hereto as **Exhibit 11**.

15. Construction of infrastructure improvements and new facilities is estimated to commence within 90 days of receipt of all necessary government approvals.

16. The estimated numbers of customers to be served in each of the first five years of water utility service to the Service Area is as follows:

Estimated Number of Residential Customers

1st Year	360
2nd Year	370
3rd Year	380
4th Year	390
5th Year	400

The customer growth projections and other financial information provided herein does not include projections for Babocomari. The owner of the development recently obtained a Demonstration of Adequate Water Supply Report, attached hereto as **Exhibit 12**. Preliminary engineering plans are being developed for a water distribution system to serve Babocomari, and Applicant will provide such plans when they are made available. Despite the urgency of this proceeding, Applicant nonetheless asserts that including the new project in the new CC&N application is prudent and will assist in long-range planning to the benefit of the Applicant, its ratepayers and the Commission.

17. Applicant's estimated annual operating revenue and operating expenses for each of

the first five years of operation in the new area covered by this Application, is as follows:

Operating Expenses		Operating Revenue	
1st Year	$143,866	1st Year	$204,444
2nd Year	$154,823	2nd Year	$207,534
3rd Year	$159,778	3rd Year	$213,213
4th Year	$164,834	4th Year	$218,892
5th Year	$170,193	5th Year	$224,571

18. The plant cost projections by year for the next five (5) years, as more particularly described in **Exhibit 13**, is as follows:

Plant Cost Projection	
1st Year	$480,200
2nd Year	$484,300
3rd Year	$488,400
4th Year	$492,500
5th Year	$496,600

19. Applicant shall obtain all appropriate city, county and/or state agency approvals required to provide water utility service in the requested area. Getting these approvals on terms and conditions acceptable to the Applicant is an essential precondition. As an example, given that the systems are currently out of compliance with prevailing ADEQ regulations and are hence liable to enforcement action at any time an understanding respecting a program and a schedule to bring them to compliance concurrent with the transfer of the request permits and authorizations is imperative.

20. ADEQ Approvals to Construct issued for facilities to be constructed in the Service Area will be provided to the Commission as soon as Applicant receives them.

21. Notice of this Application will be given as required by the Commission.

22. For the reasons stated herein, Applicant maintains that this Application is in the public interest and should be granted. There is a present need for regulated water utility service in Cochise County to ensure the public health, and foster orderly growth.

WHEREFORE, Applicant respectfully requests the following:

A. That the Commission proceeds to consider and act upon this Application as timely as possible and to schedule a hearing, if necessary, on this matter;

B. That upon completion of said hearing that the Commission enter an Order approving application for a new Certificate of Convenience and Necessity, which shall include the Service Area requested by this Application as shown in **Exhibit 10**; and further include direction to Commission Staff to accept and include in the CC&N authorized herein, post-decision requests by Applicant to amend the CC&N boundaries to include legal description for any customers currently being served by the McLain Water System who are not specifically included in this CC&N order.

C. That the Commission make a fair value finding as shown in **Exhibit 8** and approve the new tariff schedule and rate design as shown in **Exhibit 9**;

D. That in approving this Application, the Commission specifically exempt Applicant from any conditions imposed on any future owner of the McLain Water Systems that are established in the emergency rate application filed by ASUA, Docket No. W-01646A-06-0010 *et al.*; and

E. That the Commission grant such other and further relief as may be appropriate under the circumstances herein.

DATED this 13th day of April, 2006.

FENNEMORE CRAIG, P.C.

By: _____
Jay L. Shapiro
Patrick J. Black
Attorneys for Northern Sunrise Water Company

ORIGINAL and 13 copies delivered this 13th day of April, to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy hand-delivered this 13th day of April, 2006, to:

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EXHIBIT

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Attorneys for Algonquin Water Resources of America, Inc.

ORDERED.

Dated: March 20, 2006

EILEEN W. HOLLOWELL
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

In re: Johnny A. McLain and Linda M. McLain, husband and wife, Debtors.	(Chapter 11 Case) No. 4:03-bk-04125-EWH **ORDER CONFIRMING SALE TO ALGONQUIN WATER RESOURCES OF AMERICA, INC.**

Algonquin Water Resources of America, Inc. ("Algonquin") agreed to purchase the estate's interests in various water company assets (the "Property") and as described in a Purchase and Sale Agreement dated July 7, 2004 (the "Agreement") filed with this Court by creditor Cochise County on August 3, 2004 (DE 133). Cochise County sought this Court's approval of the sale of the Property by its *Motion and Application by Cochise County to Authorize and Approve: 1) Sale of Water Companies Free and Clear of Liens; (2) Authorize the Payment of Closing Costs and a Payment to Creditors at Closing in Accordance with Confirmed Plan; and (3) Operation of the Water Companies by Purchaser, Pending Closing, If Acceptable to the Arizona Corporation Commission and the Purchaser* (the "Sale Motion") (DE 130). The Sale Motion was filed by Cochise County pursuant to its *First Amended Liquidating Plan of Reorganization* (the "Plan") (DE 126), confirmed by this Court's August 4, 2004 *Order Confirming as Modified Herein First Amended Liquidating Plan of Reorganization Filed June 2, 2004 by Creditor Cochise County* (the "Confirmation Order") (DE 135).

COPY

At the hearing, Algonquin committed to promptly file its application for issuance of Certificates of Convenience and Necessity ("CC&Ns") and transfer to Algonquin of the Property.

Section 9.2 of the Agreement provides:

> 9.2 Transfer Approval: A condition for the sale and purchase is approval by the Arizona Corporation Commission of the sale and purchase and the approval by the Arizona Corporation Commission of the transfer to Purchaser or the issuance to Purchaser of all Certificates of Convenience and Necessity for the Water Companies. Approval of the Purchaser's acquisition must also be obtained, to the satisfaction of the Purchaser, from all other governmental bodies and agencies having jurisdiction over the Water Companies and/or the transfer to Purchaser of all other permits, certificates, licenses or other authorizations necessary for the operation of all plants, facilities, and equipment comprising the Water Companies. All such transfers shall be approved without the imposition of any restrictions conditions, or obligations that are unacceptable to Purchaser in its sole discretion.

The Court set a Status Hearing to monitor the process of compliance with the conditions precedent to the Closing. No one objected to the setting of the status hearing.

Good cause appearing from the entire record before this Court.

IT IS ORDERED:

1. The prior sale to Algonquin under the Agreement is confirmed at a Purchase Price of $696,752.14.

2. The Court will conduct a status hearing in this case concerning the progress toward the Closing on April 25, 2006 at 11:30 a.m. Interested parties may appear by telephone in accordance with this Court's procedures.

DATED _____, 2006.

GRANTED

United States Bankruptcy Judge
District of Arizona

LEWIS AND ROCA LLP
LAWYERS

APPROVED AS TO FORM:

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GRANTED

EXHIBIT

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Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	30 Days	10/14/99	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 30 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	Revised MSSP submitted on 9/5/02. Letter of review documenting deficiencies was sent out on 9/10/02. No further written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information. However, no written response or submittal has been received by ADEQ-SRO to close or address this item since the Consent Order.
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	30 Days	10/14/99	A.A.C.R18-4-115 (A) A water supplier shall protect water system from contamination caused by backflow through unprotected cross connections by requiring the installation and periodic testing of backflow prevention assemblies. Required backflow prevention assembles shall be installed as close as practicable to the service connection. User facilities constructed after August 8, 1991 shall conform to this requirement at the time of placement in to service. User facilities constructed prior to August 8, 1001 shall conform to this requirement by July 1, 1994. This public water system has no backflow prevention assembly program in place. A.A.C.R-4-115 requires that all water suppliers extablish a backflow prevention assembly program to protect their public water systems from contamination caused by backflow or backsiphonage.	Within 30 days provide a backflow prevention plan.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	45 Days	10/29/99	A.A.C.-4-503 (A) The minimum storage capacity for a community water system or a non-community water system that serves a residential population or a school shall be equal to the average daily demand during the peak month of the year. Storage capacity may be based on existing consumption and phased as the water system expands.	Within 45 days of receipt of this notice install a minimum of an additional 50,000 gallons of storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	NOV	N/A	10/25/01	11/1/01	60 Days	12/31/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	Revised MSSP submitted on 9/5/02. Letter of review and inadequacies was sent out on 9/10/02. No further written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	NOV	N/A	10/25/01	11/1/01	120 Days	3/1/02	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system.** The water system currently has only a single 10,000 gallon storage tank at one of the wells. The minimum water storage requirement for this system is 100,000 gallons. An additional 90,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 90,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	30 Days	12/22/02	Findings of Fact (A)(1): Water Supplier has not submitted an approvable written Microbiological Site Sampling Plan (MSSP) to ADEQ. During the most recent inspection of this system by ADEQ conducted on October 17, 2001, the ADEQ	Within 30 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ an approvable Microbiological Site Sampling	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								inspector was informed by the Water Supplier that there was no MSSP.	Plan (MSSP)[III(A)].	
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	60 Days	1/23/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 60 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ a complete application for an Approval to Construct (ATC) for installation of a 160,000 gallon storage tank [III(B)].	Item submitted to ADEQ Tech Review Unit (TRU) in Phoenix on 12/10/02, and an ATC was issued on 1/14/03. However, no documentation was submitted to SRO by the RP to clear this item. Item technically satisfied but proper documentation required to close.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	1/15/03 Date of ATC for the Storage Tank	45 Days	3/1/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 45 calendar days of the issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall issue a written Notice to Proceed to the chosen contractor to begin construction. A copy of the written Notice to Proceed shall be provided to ADEQ when it is issued [III(C)].	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	1/15/03 Date of ATC for the Storage Tank	180 Days	7/14/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 180 calendar days of issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall submit to ADEQ a complete application for an Approval of Construction (AOC) for the storage tank [III(D)].	Package was received by ADEQ-SRO on 8/22/03. The submittal for an AOC was materially deficient and/or incomplete and the AOC process was suspended. Documentation listing all essential application components missing from the application for an AOC was sent to Mr. McLain's engineer on September 8, 2003. The engineer has informed ADEQ-SRO that on several occasions he provided copies to Mr. McLain of the September 8, 2003, correspondence asking Mr. McLain for direction. At the RP's request, a copy was hand delivered to the system owner on 3/5/04. No further responses have been received to close or address this item.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	Every 30 days until	2/22/03 3/22/03	Standard requirement of the Consent Order.	Water Supplier agrees to submit a written status report to ADEQ every thirty (30)	Only two written status reports have been submitted, the first and second.

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						CO is cleared.	4/22/03 5/22/03 6/22/03 7/22/03 8/22/03 9/22/03 10/22/03 11/22/03 12/22/03 1/22/04 2/22/04 3/22/04		calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order. Each written status report shall describe what measures have been taken under Section III, of this Consent Order, and shall certify when compliance with the requirements of Section III of this Order has been achieved. Each report shall be accompanied by evidence of compliance including, as appropriate, submittal of documents, photographs or copies of any other supporting information that Water Supplier deems necessary.	No further reports have been received to date.
Cochise Water	02-011	Consent Order NOV	24592	3/6/03	3/10/03	30 Days	4/09/03	**Administrative Order P-163-02 - Section III(C)** **Within 45 calendar days of the issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall issue a written Notice to Proceed to the chosen contractor to begin construction. A copy of the written Notice to Proceed shall be provided to ADEQ when is issued.** The Notice to Proceed was due by February 28, 2003. To date, the Notice to Proceed has not been received by this office.	Within 30 calendar days of receipt of this Notice, please submit a copy of the Notice to Proceed to SRO.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	Consent Order NOV	24592	3/6/03	3/10/03	30 Days	4/09/03	**Administrative Order P-163-02 - Section IV(A)** **Water Supplier agrees to submit a written status report to ADEQ every thirty (30) calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order.** The Water Supplier has failed to submit their third written status report, due by February 20, 2002.	Within 30 calendar days of receipt of this Notice, please submit the third written status report and keep submitting written status reports by the 20th of each month until the termination of this Consent Order.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** There was no water pressure at 6686 Calle de la Naranja at the time of this inspection on May 19. The customer at this address (Mrs. White) reported on and off water service with very low or no pressure for several weeks before this inspection, with the problem getting worse the week before	Within 30 calendar days of receipt of this Notice, please submit a written report on why there was no water pressure at this service connection and the measures taken to correct the situation.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								(approximately May 9 through 18) this inspection. The customer called back late on May 20 to say the water service was back on.		
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	45 Days	8/23/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to construction of a an extension to an existing public water system.** A new two-inch water line extension was installed along the west side of Calle Mango from Perry Lane to Hereford Road adding at least six new service connections to the water system without an ATC.	Within 45 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package for this project prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us.	This project was submitted to ADEQ's Tech Review Unit on 12/8/03. The ATC has not been issued due to deficiencies in the submitted project package which have not been addressed by Mr. McLain. Further, a copy was not submitted to ADEQ-SRO as required to address this time.
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	90 Days	10/7/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The new water line along Calle Mango was placed in service without an AOC.	Within 90 calendar days of receipt of this Notice, please submit a proper AOC package with an Engineer's Certificate of Completion for this water line extension to the Southern Regional Office.	No written response or submittal has been received by ADEQ-SRO to close or address this item. The ATC for the line noted above has not been issued.
Cochise Water	02-011	NOV	27340	9/22/03	9/29/03	1 Day	9/30/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance** The new 160,000-gallon water storage tank, pressure tank, and water pumps in ADEQ project #20020601 are in use without an AOC	Within 1 calendar days of receipt of this Notice, please submit a written response verifying that the water system has stopped using the above facility and has completely isolated the above facility from use until an AOC is obtained.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	27340	9/22/03	9/29/03	30 Days	10/29/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance** The new 160,000-gallon water storage tank, pressure tank, and water pumps in ADEQ project #20020601 are in use without an AOC.	Within 30 calendar days of receipt of this Notice, please submit an approvable AOC package for this project as requested in the September 8, 2003, Comprehensive Request for Additional Information letter to the project engineer and submit it to the Southern Regional Office.	Package was received by ADEQ-SRO on 8/22/03. The submittal for an AOC was materially deficient and/or incomplete and the AOC process was suspended. Documentation listing all essential application components missing from the application for an AOC was sent to Mr. McLain's engineer on September 8, 2003. The engineer has informed ADEQ-SRO that on several occasions he provided copies to Mr. McLain of the September 8,

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										2003, correspondence from ADEQ-SRO asking for direction. At the RP's request, a copy was hand delivered to the system owner on 3/5/04. No further responses have been received.
Cochise Water	02-011	NOV Due to a violation of a Consent Order require-ment.	27811	12/2/03	12/5/03	30 Days	1/4/04	**Administrative Order P-163-02 - Section III(D) Within 180 calendar days of issuance of an ATC by ADEQ for the required storage tank, Water Supplier [Cochise Water] shall submit to ADEQ a complete application for an Approval of Construction (AOC) for the storage tank.** The AOC application package was due to ADEQ by July 14, 2003. The AOC application package was submitted on August 26, 2003, and was deemed incomplete with a Comprehensive Request for Additional Information Letter sent out on September 8, 2003. To date no reply has been received. This item in the consent order required a "complete application for an AOC for the storage tank".	Within 30 calendar days of receipt of this Notice, please submit a complete response to the September 8, 2003, Comprehensive Request for Additional Information Letter for the new storage tank.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-4-114 Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** This water system requires a grade two water distribution operator, the current operator is only certified as a grade one water distribution operator.	Within 30 calendar days of receipt of this Notice, please submit evidence that a state certified grade two water distribution system operator has been hired and is supervising the operation of this system.	No written response or submittal has been received by ADEQ-SRO from the system owner to close or address this item. A grade two distribution operator was hired, but he resigned shortly thereafter since he had not been paid.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-5-104(A)(2) Failure to ensure that the operator in direct responsible charge of the facility is certified for the class of facility at which the operator works, and at or above the grade of the facility for which the operator works.** This water system requires a grade two water distribution operator, the current operator is only certified as a grade one water distribution operator.	Within 30 calendar days of receipt of this Notice, please submit evidence that a state certified grade two water distribution system operator has been hired and is supervising the operation of this system.	No written response or submittal has been received by ADEQ-SRO from the system owner to close or address this item. A grade two distribution operator was hired, but he resigned shortly thereafter since he claimed he had not been paid.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-4-502(B) Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** From September 2, 2003, to November 11, 2003, the operating water pressure at 6686 Calle de la Naranja fell below 20 psi 70 times. During these times the operating	Within 30 calendar days of receipt of this Notice, please submit a written report explaining why these pressure recordings were experienced at this service connection, how the water system will eliminate these low system pressures, and a complete engineering pressure and flow	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								pressure range was between 24 and zero psi. The list of dates and times of low pressure readings are included in the attached Inspection Summary.	analysis of the current Cochise water system both with and without the storage tank and with different well combinations of the wells on and pumping to the system.	
Cochise Water	02-011	NOV	30136	4/16/04	4/20/04	30	5/20/04	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** A complaint was received on March 31, 2004, stating that there was a leak along Jaxel Road which had not been fixed and had been leaking for at least three days. A site inspection was conducted on April 7, 2004, and found that the leak still had not been fixed. A follow-up field visit on April 8, 2004, confirmed that the water main continued to leak in spite of it being reported to Mr. McLain a number of times over the last few days according to several other customer complaints received by ADEQ-SRO.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or documentation that the leak on the Jaxel Road has been properly repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. The one time sample must be taken from across the road at either service connection 260 or 265, as marked on the service meter boxes. Both the regular and the additional monthly microbiological tests must be submitted to SRO. Appropriate documentation includes: invoices, photographs, logs, laboratory analyses, sealed engineering plans, technical drawings, permits or any other document (s) necessary to establish compliance.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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Cochise Water	02-011	NOV	30164	4/19/04	4/20/04	30	5/20/04	A.A.C. R18-4-502(B) **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** From November 17, 2003, to March 28, 2004, the operating water pressure at 6686 Calle de la Naranja fell below 20 psi 89 times with the pressure dropping to zero several times. The list of dates and times of low pressure readings are included in the attached Inspection Summary.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or a written report explaining why these pressure recordings were experienced at this service connection, how the water system will eliminate these low system pressures in the future, and a complete engineering pressure and flow analysis of the current Cochise Water System with and without the storage tank connected and with different combinations of the wells on and pumping to the system. Appropriate documentation includes: invoices, photographs, logs, laboratory analyses, sealed engineering plans, technical drawings, permits or any other document (s) necessary to establish compliance.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	CO-NOV	30196	4/20/04	4/22/04	30	5/22/04	**Administrative Order P-163-02 - Section III(A) Within 30 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ an approvable Microbiological Site Sampling Plan (MSSP).** The effective date of the Consent Order was November 22, 2002. The MSSP was due no later than December 23, 2002. To date, we have not received an approvable MSSP.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or an approvable MSSP to ADEQ-SRO.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise	02-011	CO-	30196	4/20/04	4/22/04	30	5/22/04	**Administrative Order P-163-02 - Section IV(A)**	Within 30 calendar days of receipt of	No written response or submittal has

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Water		NOV						**Water Supplier agrees to submit a written status report to ADEQ every thirty (30) calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order.** Mr. McLain (The Water Supplier) has failed to submit the past 14 monthly written status reports beginning with the one due on February 22, 2003.	this Notice, please submit documentation that the violation (s) never occurred, or a written status report to cover the period from January 22, 2003, to April 22, 2004, and continue to submit a written status report by the 22nd of every month until the Consent Order is terminated.	been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	21340	10/23/01	11/1/01	60 Days	12/31/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	MSSP dated September 3, 2002, was received on September 9, 2002, but was incomplete. This was returned to Mr. McLain. No further written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-114 Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** Mr. McLain holds a grade one water distribution certification. This system is classified as a grade two water distribution system.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator or the current operator has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-503(A) Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The system requires a minimum storage capacity of 60,000	Within 90 calendar days of receipt of this Notice, please submit documentation that the 38,000 gallon storage tank has been placed in operation with an automatic fill system and a properly engineered pressure	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								gallons. The system currently has two storage tanks with a combined capacity of 29,000 gallons. The system includes a third storage tank with a capacity 38,000 gallons, but this tank is not connected to the water system in a way that allows it to function.	tank and multi-pump booster station.	
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating *condition a facility used in the production, treatment, or* distribution of a water supply.** The 38,000 gallon storage tank has not been in operation since it was installed on this water system several years ago. The water outages in December 2002, and January 2003, were investigated. It was found that the operator was keeping the two active storage tanks no more than 25-percent full of water. During peak system demand periods these tanks were drained introducing air into the booster pump feed line causing the loss of one of the two booster pumps. The booster pumps are manually switched and service was not restored until customers called in to complain about being out of water and the operator manually switched to the good booster pump.	Within 90 calendar days of receipt of this Notice, please submit documentation that *the 38,000 gallon storage tank has been* placed in operation with an automatic fill system and a properly engineered pressure tank and multi-pump booster station.	No written response or submittal has been received by ADEQ-SRO to close *or address this item.*
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** ADEQ has received numerous written complaints this past year from system customers documenting no water or very low water pressure. As a result, a chart pressure recorder was installed on the system. Pressure readings below 20 psi were recorded on the mornings of December 24, 2002 for four hours, January 1, 2003 for a total of three hours, and January 2, 2003 for one hour.	Within 90 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure tanks and booster pumps, and a design laying out how to connect the 38,000 gallon storage tank with a pressure tank and booster pumps to the system to provide a minimum of 20 psi at all times. The design and plans must also include an automatic top fill method for the 38,000 gallon storage tank from the Cochise Water service connection, a water level	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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									indicator for the 38,000 gallon storage tank, and moving the fill lines from the bottom of the two smaller storage tanks to their tops along with automatic controls for all booster pumps.	
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	60 Days	12/27/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	MSSP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	60 Days	12/27/01	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency operations plan. The water system has not developed an emergency operations plan.	Within 60 days of receipt of this Notice, please submit an adequate emergency operations plan.	EOP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	120 Days	2/25/2002	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 80,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 80,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-115(E)(2)(a) Failure to install a required backflow prevention assembly in accordance with manufacturer's**	Within 30 calendar days of receipt of this Notice, please submit documentation that the K&N RV Park backflow assembly has	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								specifications. The RPA backflow assembly for the K&N RV Park was installed at ground level and not at the correct height as required.	been installed at the proper height.	
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-115(F)** **Failure to test a required backflow prevention assembly at least annually or as directed by ADEQ.** During the inspection, Mr. McLain stated that he has not required backflow testing of any of the backflow assemblies on this water system. There are two RPA backflow assemblies on this system; one at the K&N RV Park and another at the Texaco Mini-Mart. The water system was unable to produce any testing records for either backflow device.	Within 30 calendar days of receipt of this Notice, please submit test results showing that all backflow assemblies have been properly tested.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an emergency operation plan.	Within 30 calendar days of receipt of this Notice, please submit a complete Emergency Operations Plan (EOP) for review and comment.	EOP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system does not have a microbiological site sampling plan.	Within 30 calendar days of receipt of this Notice, please submit a complete Microbiological Site Sampling Plan (MSSP) for review and comment.	MSSP was submitted on 11/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	60 Days	4/5/03	**A.A.C. R18-4-114** **Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** Mr. McLain holds a grade one water distribution certification. This system is classified as a grade two water distribution system.	Within 60 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator or the current operator has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	90 Days	5/5/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.**	Within 90 calendar days of receipt of this Notice, please submit engineering plans to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								The 20,000-gallon water storage tank and the pressure pump for the distribution system has been out of operation for at least a year and were not in operation at the time of this inspection. The storage tank is structurally beyond repair and needs to be replaced. The pressure tank has also been repeatedly patched, is undependable and is in need of replacement before it fails again.	1110 West Washington Street, Phoenix, Arizona 85007, for the replacement of the storage tank with a storage tank of at least 100,000 gallons in capacity.	
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	90 Days	5/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The 20,000-gallon water storage tank has failed and not been replaced. There was no water storage capacity on the system at the time of this inspection. The system requires a minimum storage capacity of 100,000 gallons.	Within 90 calendar days of receipt of this Notice, please submit an engineering report and analysis from a state registered professional engineer analyzing system pressure requirements and sizing the replacement pressure tank and pressure pumps.	An engineering report was received by ADEQ-SRO on or about 9/2/03 with no cover letter and/or written explanation. The RP's engineer submitted the engineering report instead of the RP as the NOV required. The report should have been submitted by the RP. While there are a few minor information errors in the report's Introduction, the report itself essentially fulfills this requirement. The RP should have submitted a cover letter transmitting this report. Item technically satisfied but proper documentation required to close. This report does support the stated NOV violation for this item and the size requirement for a minimum storage tank capacity of 100,000 gallons.
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	60 Days	1/7/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								the inspector was told that there was no sampling plan as required by this rule.		
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	60 Days	1/7/02	A.A.C. R18-4-505 (B) Failure to obtain an Approval to Construct (ATC) from ADEQ prior to construction of an extension to an existing public water system. A water line extension to a new subdivision has been added to the water system without an ATC being issued for it.	Within 60 days of receipt of this Notice, please submit a complete Approval to Construct package for the line extension in accordance with A.A.C. R18-4-505 (B) .	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	120 Days	3/8/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. A minimum of 70,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 70,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	A.C.C.R18-4-104(N)(2) **Failure to notify the department no later than 24 hours after the occurrence of the loss of a water supply due to major component failure.** The pressure tank for Miracle Valley ruptured on May 11, 2003, and was replaced late on May 14, 2003. During this time the sole approved water source for this system was not in operation. The water system operator has not reported on this emergency.	Within 30 calendar days of receipt of this Notice, please submit notification of the water outage and discuss replacement of the pressure tank, including actions taken and any other pertinent information regarding this event. The water system must report all emergencies listed in R18-4-104(N) within 24 hours after the occurrence. Also, submit a revised emergency operations plan for this water system for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	R18-4-505(B)(1)(d) **Failure to submit a water quality analysis for a new source of water that includes: Microbiological, physical, radiochemical, inorganic, organic, and volatile organic and volatile chemicals before the water source is placed**	Within 30 calendar days of receipt of this Notice, please submit evidence that the well has been physically disconnected from the water system until all source approval testing samples have been taken,	A picture was sent to ADEQ-SRO on or about 8/25/03, with a comment of 'Proof of physical separation between new source and Miracle Valley water system' with no signature or cover

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								into service. Miracle Valley water connected a new well to this water system without submiting source approval data for the new water source.	analyzed by an approved laboratory, and submitted to ADEQ for approval of this source.	letter. A review letter was sent out on 8/27/03 to Mr. McLain stating that this was an incomplete submittal. No further written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** During the water outage of May 11 to May 14 the approved Emergency Operation Plan (EOP) for the water system was not followed resulting in no water for several days and the connection of an unapproved water source to the system.	Within 30 calendar days of receipt of this Notice, please submit an approvable revision of the EOP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	60 Days	9/7/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to making an alteration which will affect treatment, capacity, water quality, flow, distribution, or operation performance of a public water system.** Failure to obtain an Approval to Construct (ATC) from ADEQ prior to connecting a new source to the water system.	Within 60 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include design plans for the well site including storage and pressure tanks along with an engineering analysis sizing both tanks and the booster pumps such that the system will provide a minimum of 20 psi at all times.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	60 Days	9/7/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** During the water emergency, there was no system pressure until the unapproved source was connected. After the unapproved source was connected, the western half of the system had insufficient pressure with only five psi.	Within 60 calendar days of receipt of this Notice, please submit a report on water system pressure throughout the distribution system that demonstrates at least 20 psi is being maintained. This report should be submitted as part of the ATC application for the new well, storage tanks, and booster pumps.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	120 Days	11/6/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing**	Within 120 calendar days of receipt of this Notice, please submit a proper AOC package for the new well, storage and	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance. The new well was placed into operation without an AOC from the department.	pressure tanks, and booster pumps to the Southern Regional Office.	
Mustang Water	02-054	NOV	**20556 Case merged with 25845**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	**20556 Case merged with 25845**	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. A minimum of 20,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 20,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comments.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								Sampling Plan (MSSP).		
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 20,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps, any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to construction of a an extension to an existing public water system.** The water system has an unapproved interconnection with the Crystal Water Company.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The water system has an unapproved interconnection with the Crystal Water Company.	Within 120 calendar days of receipt of this Notice, please submit a complete Approval to Construct package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona , with a copy to us. The	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
									ATC application package should include as-built plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement. The AOC violation cannot be closed out until an ATC has been issued by the department and a complete AOC package including an Engineer's Certificate of Completion has been submitted to our office in Tucson for review and issuance of an AOC.	
Crystal Water	02-074	NOV	20541 Case merged with 25847	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	20541 Case merged with 25847	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency operations plan. The water system has not developed an emergency operations plan.	Within 60 days of receipt of this Notice, please submit a adequate emergency operations plan.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	20541 Case merged with 25847	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 20,000 gallons of water storage capacity	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 20,000 gallons of water storage	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								is required.	capacity.	
Crystal Water	02-074	NOV	25847	7/17/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		30 Days	9/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site Sampling Plan (MSSP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 20,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps, any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	The ADEQ Technical Review Unit (TRU) database shows that this project was first proposed and received by ADEQ-TRU on 2/29/96, but that the project was never approved. The project was still built by the RP without an approval. The project file has since been archived and the reviewer is no longer with ADEQ. The current TRU database shows that a project titled 'Mustang/Crystal Wtr Sys IMPR' was received on 12/18/03 (TRU # 20030636, LTF 31780). This project has been in substantive review suspension since 1/7/04. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to construction of a an extension to an existing public water system.** The water system has an unapproved interconnection with	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								the Mustang Water Company.	Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement.	
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The water system has an unapproved interconnection with the Mustang Water Company.	Within 120 calendar days of receipt of this Notice, please submit a complete Approval to Construct package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona , with a copy to us. The ATC application package should include as-built plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement. The AOC violation cannot be closed out until an ATC has been issued by the department and a complete AOC package including an Engineer's Certificate of Completion has been submitted to our office in Tucson for review and issuance of an AOC.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	30 Days	4/2/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The distribution main along Black Road has a water leak across from 301 West Black Road. At the time of this inspection, a surface flow of about one gallon per minute was observed with the water flowing on the ground. The homeowner at 301 W Black Road noted that this leak had been on-going since last summer.	Within 30 calendar days of receipt of this Notice, please submit documentation that the two leaks on the Black Road water main have been repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. Both the regular and the additional monthly microbiological test must be submitted.	On April 7, 2004, a letter from Mr. McLain's attorney, Steve Wene, was received with only the requested microbiological testing results attached. A response was sent back on April 16, 2004, detailing that we await a complete response from Mr. McLain to include objective, independent verification of compliance regarding fixing the water main leaks and main disinfection.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	30 Days	4/2/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or**	Within 30 calendar days of receipt of this Notice, please submit documentation that the two leaks on the Black Road water	On April 7, 2004, a letter from Mr. McLain's attorney, Steve Wene, was received with only the requested

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								distribution of a water supply. The distribution main along Black Road (50-yards east of Appaloosa Place) had another water leak. At the time of this inspection, a surface flow of between two to three gallons a minute was observed with the water flowing down the road for several hundred yards.	main have been repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. Both the regular and the additional monthly microbiological test must be submitted.	microbiological testing results attached. A response was sent back on April 16, 2004, detailing that we await a complete response from Mr. McLain to include objective, independent verification of compliance regarding fixing the water main leaks and main disinfection.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	90 Days	6/1/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The two-inch PVC water distribution main along Camino de Mesa is not properly buried and has been uncovered in the roadside drainage channel for a distance of several hundred yards. The exposed section of line shows that this part of the distribution system was buried only two feet below the surface at about the same level of the road drainage channel (instead of the minimum three-feet as required by A.C.C.R18-4-502(A) and ADEQ Engineering Bulletin #10), and only a few feet into the drainage channel embankment.	*Within 90 calendar days of receipt of this* Notice, please submit documentation that the complete length of this line as been properly buried at a depth of at least three feet below the bottom of the drainage channel.	In the April 5, 2004, letter from Mr. McLain's attorney, Steve Wene, it states that "Mr. McLain is now in the process of reaffirming with the excavator that the main was buried deeper than three feet.", and that "The compliance documentation is due no earlier than June 7, 2004." In the response sent back on April 16, 2004, it was noted "that Mr. McLain's complete response on reburying the two-inch PVC distribution main. . . is due no later than early June, 2004".
Sierra Sunset Water	02-055	NOV	**20548 Case merged with** 25846	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	**20548 Case merged**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency	Within 60 days of receipt of this Notice, please submit a adequate	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
			with 25846					operations plan. The water system has not developed an emergency operations plan.	emergency operations plan.	
Sierra Sunset Water	02-055	NOV	20548 Case merged with 25846	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 15,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 15,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	30 Days	8/14/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comments.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	30 Days	8/14/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site Sampling Plan (MSSP).	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	120 Days	11/12/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 15,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
									any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	
McLain Operator Horseshoe Ranch Water	02-046	NOV	24042	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-5-109(B)(1)** **Operation of a facility in a manner that violates federal or state law.** Mr. McLain holds a grade one water distribution certification violating A.A.C. R18-4-118, which requires at least a grade two operator.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Horseshoe Ranch Water	02-046	NOV	24042	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the public health, safety, or welfare.** ADEQ has received numerous written complaints this past year from system customers documenting no water or very low water pressure. As a result, a chart pressure recorder was installed on the system. Pressure readings below 20 psi were recorded on the mornings of December 24, 2002 for four hours, January 1, 2003 for a total of three hours, and January 2, 2003 for one hour. Operating a water system with less than 20 psi pressure at all times and at all flow conditions is prohibited by A.A.C. R18-4-502(A).	Within 90 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should includ plans and an engineering analysis of system pressure requirements, sizing of all pressure tanks and booster pumps, and a design laying out how to connect the 38,000 gallon storage tank with a pressure tank and booster pumps to the system to provide a minimum of 20 psi at all times. The design and plans must also include an automatic top fill method for the 38,000 gallon storage tank from the Cochise Water service connection, a water level indicator for the 38,000 gallon storage tank, and moving the fill lines from the bottom of the two smaller storage tanks to their tops along with automatic controls for all booster pumps.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator	02-023	NOV	25674	6/30/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the**	Within 30 calendar days of receipt of this Notice, please submit a written report	No written response or submittal has been received by ADEQ-SRO to close

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Miracle Valley Water								**public health, safety, or welfare.** Mr. McLain failed to maintain a pressure of at least 20 pounds per square inch at ground level at all points in this distribution system under all conditions of flow during the water outage of May 11, 2003 through May 14, 2003, in violation of A.C.C. R18-4-502(B).	covering how the water system will maintain proper pressure and customer service in the future.	or address this item.
McLain Operator Miracle Valley Water	02-023	NOV	25674	6/30/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain connected an unapproved water well without first getting source approval in violation of A.A.C.R18-4-505(B) and A.A.C.R18-4-505(B)(1)(d)(i).	Within 30 calendar days of receipt of this Notice, please submit a written report and proof that the all testing requirements for this unapproved source have been submitted to a state-approved lab.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Miracle Valley Water	02-023	NOV	25674	6/30/03	7/9/03	90 Days	10/07/03	**A.A.C. R18-5-109(B)(1) Operation of a facility in a manner that violates federal or state law.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a grade two operator for this water system.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Cochise Water	02-011	NOV	25737	7/3/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain failed to maintain a pressure of at least 20 pounds per square inch at ground level at all points in this distribution system under all conditions of flow in violation of A.C.C. R18-4-502(B). There was no water pressure at 6686 Calle de la Naranja at the time of this inspection on May 19. The customer at this address (Mrs. White) reported on and off water service with very low or no pressure for several weeks before this inspection, with the problem getting worse the week before (approximately May 9 through 18) this inspection. The customer called back late on May 20 to say the water service was back on.	Within 30 calendar days of receipt of this Notice, please submit a written report covering how the water system will maintain proper pressure and customer service in the future.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Cochise Water	02-011	NOV	25737	7/3/03	7/9/03	90 Days	10/07/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a grade	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								two operator for this water system.	McLain, or that Mr. McLain has obtained the required water distribution certification.	
McLain Operator Coronado Water	02-013	NOV	30081	4/8/04	4/10/04	30 Days	5/10/04	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a certified grade two operator for this water system.	Within 30 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	NOV just issued as a follow up to cover all of McLain's Grade Two Systems.

EXHIBIT

3

Exhibit 3

Name:	Northern Sunrise Water Company Inc.
Address:	4055 Campus Drive Sierra Vista, Arizona 85635

Form of Organization: Arizona Corporation

President:	Ian Robertson 2845 Bristol Circle Oakville, Ontario, Canada L6H 7H7
Secretary:	Peter Kampian 2845 Bristol Circle Oakville, Ontario, Canada L6H 7H7

EXHIBIT

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BYLAWS
OF
NORTHERN SUNRISE WATER COMPANY INC.

ARTICLE I
Articles of Incorporation

Section 1.01. Reference to Articles. Any reference herein made to the corporation's articles shall be deemed to refer to its articles of incorporation and all amendments thereto as of any given time on file with the Arizona Corporation Commission (or any successor to its functions).

Section 1.02. Seniority. The articles shall in all respects be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of the articles, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II
Corporation Offices

Section 2.01. Known Place of Business. The known place of business of the corporation in the State of Arizona shall be the office of its statutory agent unless otherwise designated in the articles or as provided in Section 2.02 hereof. The corporation may have such other offices, either within or outside of the State of Arizona, as the board of directors may designate or as the business of the corporation may require from time to time.

Section 2.02. Changes. The board of directors may change the corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE III
Shareholders

Section 3.01. Annual Meetings. An annual meeting of the shareholders shall be held on March 31 each year, or on such other date as may be determined by the board of directors from time to time, commencing with the year 2007, at a time and place as determined by the board of directors, or in the absence of action by the board, as set forth in the notice given, or waiver signed, with respect to such meeting pursuant to Section 3.03 below. At the annual meeting, shareholders shall elect a board of directors and transact such other business as may be properly brought before the meeting. If for any reason any annual meeting is not held during the period set forth above, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings (including the election of directors) may be conducted. The failure to hold an annual meeting during the period set forth above shall not affect the validity of any corporate action. Any director elected at any annual meeting, deferred annual meeting or special meeting shall continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 7.01 below or his removal by the shareholders pursuant to Section 4.10 below.

Section 3.02. Special Meetings. Special meetings of the shareholders may be held whenever and wherever called for by the chairman of the board, the president or the board of directors, the written demand of the holders of not less than ten percent (10%) of all issued and outstanding shares of each voting group of the corporation entitled to vote at any such meeting, or as otherwise required by state law. Any written demand by shareholders shall state the purpose or purposes of the proposed meeting, and business to be transacted at any such meeting shall be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of the meeting may rule to be germane to such purposes.

Section 3.03. Notices. Not less than ten (10) nor more than sixty (60) days before the date of any meeting of the shareholders and at the direction of the person or persons calling the meeting, the secretary of the corporation, or any other officer of the corporation or other person directed by the board of directors, shall cause a written notice setting forth the date, time and place, and, with respect to special meetings only, a description of the purpose or purposes for which the meeting is called, to be delivered to each shareholder of record at his last address as it appears on the corporation's records on the applicable record date; provided that notice may be communicated orally if it is reasonable to do so under the circumstances. Notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier, and shall be deemed given and effective as provided by law.

Section 3.04. Waiver of Notice. Any shareholder may waive call or notice of any annual, deferred annual or special meeting (and any adjournment thereof) at any time before, during which, or after it is held. Attendance of a shareholder at any such meeting in person or by proxy shall: (i) waive objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented. No call or notice of a meeting of the shareholders shall be necessary if each shareholder waives the same in writing or by attendance.

Section 3.05. Shareholders of Record. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders (and at any adjournment of such meeting), or shareholders entitled to consent to corporate action without a meeting or shareholders entitled to receive payment of any dividend, or for any other lawful action, the board of directors may fix in advance a record date which shall not be more than seventy (70) days before the date of such meeting or any such other action.

If no record date is fixed by the board of directors for determining shareholders entitled to notice of, and to vote at, a meeting of shareholders, the record date shall be at 4:00 in the afternoon on the day before the day on which notice is given, or, if notice is waived, at the commencement of the meeting. If no record date is fixed for determining shareholders entitled to express written consent to corporate action without a meeting, the record date shall be the time of the day on which the first written consent is served upon an officer or director of the corporation.

A determination of shareholders of record entitled to notice of, and to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting; and provided further that the board of directors shall fix a new record date for any meeting adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 3.06. Shareholder List for Meeting. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office, the office of the corporation's transfer agent if specified in the meeting notice or at another place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or his attorney, on written demand, may inspect and, subject to Arizona law, copy the list during regular business hours and at his expense during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, his agent or his attorney may inspect the list at any time during the meeting or any adjournment thereof. The corporation's refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 3.07. Proxies. Any shareholder entitled to vote may vote by proxy at any meeting of the shareholders (and at any adjournment thereof) which is specified in such proxy, provided that the proxy is executed in writing by such shareholder or his duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided thereon. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the shareholders shall rest with the person seeking to exercise the proxy. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

Section 3.08. Voting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles, these bylaws or by statute, each issued and outstanding share of the corporation (specifically excluding shares held in the treasury of the corporation) represented at any meeting of the shareholders in person or by a proxy given pursuant to Section 3.07 above, shall be entitled to one vote on each matter submitted to a vote of the shareholders at such meeting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles or by applicable law, any question submitted to the shareholders shall be resolved by a majority of the votes cast thereon, provided that such votes constitute a majority of the quorum of that particular meeting whether or not such quorum is then present. Except as otherwise provided in the corporation's articles, directors shall be elected by a plurality of the votes cast at an election, provided that a quorum has been formed at the meeting, whether or not a quorum is then present. Voting shall be by ballot on any question as to which a ballot vote is demanded before the voting

begins, by any person entitled to vote on such question; otherwise, a voice vote shall suffice. No ballot or change of vote shall be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 3.09. Voting of Shares by Certain Holders. Shares of the corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in the absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent or other person so designated may vote such corporation's shares in this corporation in person or by proxy appointed by him.

Shares held by an administrator, executor, legal representative, guardian, conservator or other legal representative may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver, trustee in bankruptcy or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which such receiver or trustee was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the corporation is given a written instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, his act binds; (ii) if more than one votes, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

Section 3.10. Quorum. At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares of the corporation issued, outstanding and entitled to vote at the meeting shall constitute a quorum of the shareholders for all purposes. In the absence of a quorum, any meeting may be adjourned from time to time by its chairman, without notice other than by announcement at the meeting, until a quorum is formed. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. Once a quorum has been formed at any meeting, the shareholders from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure of enough shareholders to leave less than a quorum. If an adjournment is for

more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.11. Election Inspectors. The board of directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting shall, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there are more than one) shall determine the number of shares outstanding, the authenticity, validity and effect of proxies and the number of shares represented at the meeting in person and by proxy; the election inspector(s) shall receive and count votes, ballots and consents and announce the results thereof; the election inspector(s) shall hear and determine all challenges and questions pertaining to proxies and voting; and, in general, the election inspector(s) shall perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

Section 3.12. Organization and Conduct of Meetings. Each meeting of the shareholders shall be called to order and thereafter chaired by the chairman of the board of directors if there is one; or, if not, or if the chairman of the board is absent or so requests, then by the president; or if both the chairman of the board and the president are unavailable, then by such other officer of the corporation or such shareholder as may be appointed by the board of directors. The corporation's secretary shall act as secretary of each meeting of the shareholders; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector(s), if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies shall be accepted. If directors are to be elected, a tabulation of the proxies so filed shall, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) before the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting shall, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer portions thereof).

Section 3.13. Shareholder Approval or Ratification. The board of directors may submit any contract or act for approval or ratification of the shareholders, either at a duly constituted meeting of the shareholders or by unanimous written consent to corporate action without a meeting pursuant to Section 3.15 below. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting or by such unanimous written consent, the same shall be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of the shareholders.

Section 3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting and similar matters shall be deemed waived if no objection is made at the meeting.

Section 3.15. Action by Shareholders Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the shareholders of the corporation at a duly convened meeting.

Section 3.16. Meetings by Alternative Communications. The board of directors may permit any or all of the shareholders to participate in any annual or special meeting of shareholders or conduct the meeting through use of any means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. If the board elects to permit participation by such means of communication, the notice of the meeting shall specify how a shareholder may participate in the meeting by such means of communication. The participation may be limited by the board of directors to specified locations or means of communication. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV
Board of Directors

Section 4.01. Membership. The board of directors shall be comprised of not less than one (1) nor more than five (5) members who need not be shareholders of the corporation or residents of the State of Arizona. The directors shall be elected at each annual meeting of the shareholders. The board of directors shall have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies that may occur in its membership in the interval between the annual meetings of the shareholders, whether resulting from an increase in the size of the board or otherwise. Each director elected by the shareholders or the board of directors shall hold office until his successor is duly elected and qualified; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the board of directors, if not already filled, or substitute another person to fill the vacancy, in which case the term of office of the person elected by the board of directors shall forthwith terminate.

Section 4.02. General Powers. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed under the direction of the board of directors.

Section 4.03. Regular Meetings. A regular annual meeting of the board of directors shall be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders' meeting or at such other place as the directors elected at the shareholders' meeting may have been informed of at or before the time of their election. Additional regular meetings may be held at regular intervals on such dates and at such places and times as the board of directors may determine.

Section 4.04. Special Meetings. Special meetings of the board of directors may be held whenever and wherever called for by the chairman of the board, the president, or the number of directors that would be required to constitute a quorum.

Section 4.05. Notices. No notice need be given of regular meetings of the board of directors. Notice of the date, time and place of any special meeting shall be given to each director in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier addressed to him at his latest address appearing on the corporation's records, and shall be given at least two days before the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Any person who has given notice hereunder may make an affidavit that notice was given, which shall be conclusive that notice was so given.

Section 4.06. Waiver of Notice. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which, or after it is held. A director's attendance or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly on his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. No call or notice of a meeting of directors shall be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

Section 4.07. Quorum. A quorum for the transaction of business at any meeting or adjourned meeting of the board of directors shall consist of a majority of the directors then in office, except that when a vacancy or vacancies exist in the board, a majority of the directors then in office shall constitute a quorum. Once a quorum has been formed at any meeting, the directors from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure from the meeting of enough directors to leave less than a quorum.

Section 4.08. Voting. Any matter submitted to a meeting of the board of directors shall be resolved by a majority of the votes cast thereon. Voting rights of members of the board of directors may be altered by separate agreement entered into by all shareholders of the corporation.

Section 4.09. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the board of directors, a majority of a full board of directors may exercise the powers of the board of directors.

Section 4.10. Removal. Any director may be removed from the board of directors, with or without cause, subject only to limitations provided by law.

Section 4.11. Executive Committee. The board of directors, by resolution adopted by a majority of the full board, may name one or more of its members as an executive committee. An executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation while the board is not in session,

subject to such limitations as may be included in the board's resolution; provided, however, that an executive committee shall not have the authority of the board of directors in reference to the following matters: (i) the authorization of distributions; (ii) the approval or submission to shareholders of any action that requires shareholder approval under applicable law; (iii) the filling of vacancies on the board of directors or on any committee of the board of directors; (iv) the amendment of the articles of incorporation; (v) the adoption, amendment or repeal of the bylaws; (vi) approval of a plan of merger not requiring shareholder approval; (vii) authorization or approval of a reacquisition of shares, except according to a formula or method prescribed by the board of directors; (viii) authorization or approval of the issuance, sale or contract for sale of shares or determination of the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize the executive committee or an executive officer of the corporation to do so within limits specifically prescribed by the board of directors; and (ix) fixing the compensation of directors for serving on the board or on any committee of the board of directors. Any member of the executive committee may be removed, with or without cause, by the board of directors. If any vacancy occurs in the executive committee, it shall be filled by the board of directors. The board of directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 4.12. Other Committees. The board of directors, from time to time, by resolution adopted by a majority of the full board, may appoint other standing or temporary committees from its membership and vest such committees with such powers as the board may include in its resolution; provided, however, that such committees shall be restricted in their authority as specifically set forth with respect to the executive committee in Section 4.11 above.

Section 4.13. Tenure of Committee Members. Except in the case of resignation, disqualification, removal or the inability to serve for any reason, each member of any committee established under this Article IV shall hold office until the next regular annual meeting of the board of directors and until his successor is elected and qualified.

Section 4.14. Meetings of Committees. Regular meetings of committees established under this Article IV may be held without notice on such days and at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon notice to other members of the committee in the manner provided in Section 4.04 for special meetings of the board of directors.

Section 4.15. Quorum of Committee Members. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 4.16. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or of any committee at which action is taken on any matter shall be deemed to have assented to the action taken unless: (i) the director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00

p.m. on the next business day after the meeting. The right of dissent or abstention shall not be available to a director who voted in favor of the action.

Section 4.17. Compensation. By resolution of the board of directors, each director may be paid his expenses, if any, of attendance at each meeting of the board of directors or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefrom.

Section 4.18. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if the action is taken by the all of the directors or committee members. The action shall be evidenced by one or more written consents describing the action taken and signed by all directors or committee members. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the directors or committee members of the corporation at a duly convened meeting.

Section 4.19. Meetings by Alternative Communications. The board of directors may permit any or all of the directors to participate in any regular or special meeting by or conduct the meeting through use of any means of communication by which all of the directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V
Officers - General

Section 5.01. Elections and Appointments. The board of directors shall elect or appoint a president, a secretary and a treasurer, and may choose a chairman of the board, one or more vice presidents or such other officers as the board of directors shall determine. The regular election or appointment of officers shall take place at each annual meeting of the board of directors, but elections of officers may be held at any other meeting of the board. A person elected or appointed to any office shall continue to hold that office until the election or appointment of his successor, subject to action earlier taken pursuant to Section 5.04 or 7.01 below. The same individual may simultaneously hold more than one office in the corporation.

Section 5.02. Additional Appointments. In addition to the officers contemplated in Section 5.01 above, the board of directors may elect or appoint other corporate or divisional officers or agents with such authority to perform such duties as may be prescribed from time to time by the board of directors, by the president or, in the case of assistant officers (as, for example, one or more assistant secretaries), by the superior officer of any person so elected or appointed. Each of such persons (in the order designated by the board) shall be vested with all of the powers and charged with all of the duties of his superior officer in the event of such superior officer's absence or disability.

Section 5.03. Bonds and Other Requirements. The board of directors may require any officer to give bond to the corporation (with sufficient surety, and conditioned for the faithful

performance of the duties of his office), to make reports to the board and to comply with such other conditions as may from time to time be required of him by the board.

Section 5.04. Removal; Delegation of Duties. The board of directors may remove an officer of the corporation at any time with or without cause or temporarily delegate his powers and duties to any other officer or to any director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an officer or agent, even if for a specified term, shall not of itself create contract rights.

Section 5.05. Compensation. The compensation of officers may be fixed from time to time by the board of directors or (except as to the president's own) left to the discretion of the president. No officer shall be prevented from receiving compensation by reason of the fact that he also is a director of the corporation.

ARTICLE VI
Specific Officers

Section 6.01. Chairman of the Board. The board of directors may elect a chairman to serve as a general executive officer of the corporation, and, if specifically designated as such by the board, as the chief executive officer of the corporation. If elected, the chairman shall preside at all meetings of the board of directors and be vested with such other powers and duties as the board may from time to time delegate to him.

Section 6.02. President and Vice President. Unless otherwise specified by resolution of the board of directors, the president shall be the chief executive officer of the corporation. The president shall supervise the business and affairs of the corporation and the performance by all of its other officers of their respective duties, subject to the control of the board of directors (and of its chairman, if the chairman has been specifically designated as chief executive officer of the corporation). One or more vice presidents may be elected by the board of directors to perform such duties as may be designated by the board or be assigned or delegated to them by the chief executive officer. Any one of the vice presidents as authorized by the board shall be vested with all of the powers and charged with all of the duties of the president in the event of his absence or inability to act. Except as may otherwise be specifically provided in a resolution of the board of directors, the president or any vice president shall be a proper officer to sign, on behalf of the corporation, any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the corporation. The president or any vice president may represent the corporation at any meeting of the shareholders of any other corporation in which this corporation then holds shares, and may vote this corporation's shares in such other corporation in person or by proxy appointed by him, provided that the board of directors may from time to time confer the foregoing authority upon any other person or persons.

Section 6.03. Secretary. The secretary shall keep the minutes of meetings of the shareholders, board of directors and any committee, and all unanimous written consents of the shareholders, board of directors and any committee of the corporation, and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law,

and in case of his absence or refusal or neglect to do so, notices may be served by any person so directed by the president. The secretary shall be custodian of the corporate seal and corporate records, shall have the authority to authenticate the corporate records and, in general, shall perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the board of directors, the secretary and each assistant secretary shall be a proper officer to take charge of the corporation's stock transfer books and to compile the shareholder list pursuant to Section 3.06 above, and to impress the corporation's seal on any instrument signed by the president, any vice president or any other duly authorized person, and to attest to the same.

Section 6.04. Treasurer. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall cause all money and other valuable effects to be deposited in the name and to the credit of the corporation in such depositories, subject to withdrawal in such manner as may be designated by the board of directors. He shall render to the president, the directors and the shareholders at proper times an account of all his transactions as treasurer and of the financial condition of the corporation. The treasurer shall be responsible for preparing and filing such financial reports, financial statements and returns as may be required by law.

ARTICLE VII
Resignations and Vacancies

Section 7.01. Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered to the corporation. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date or event. The acceptance of a resignation shall not be required to make it effective.

Section 7.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his death, resignation, disqualification, removal or otherwise, the shareholders or the board of directors may choose a successor to hold office for the unexpired term as provided in Section 4.01 and Section 5.01, as the case my be.

ARTICLE VIII
Seal

The board of directors may provide for a seal of the corporation, which shall have inscribed thereon the name of the corporation and the state and year of its incorporation.

ARTICLE IX
Certificates Representing Shares

Section 9.01. Form. Shares of the corporation may but need not be represented by certificates. If certificates are issued, each certificate representing shares of the corporation shall be in such form as may from time to time be prescribed by the board of directors, shall be consecutively numbered, and shall exhibit such information as may be required by applicable law. If certificates are not issued, then every holder of uncertificated shares shall be entitled to receive a certificate that complies with applicable law on request to the corporation.

Section 9.02. Signatures and Seal. All certificates issued for shares of the corporation (whether new, re-issued, or transferred) shall bear the manual or facsimile signatures of one or more officers designated by the board of directors or, in the absence of board designation by the president, a vice president, or the secretary, and also may bear an impression or facsimile of the corporation's corporate seal, if any. If the person who signed either manually or in facsimile a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 9.03. Ownership. The corporation shall be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, shall not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may be expressly provided by applicable law.

Section 9.04. Transfers. Transfers of shares of the corporation may be made on the stock transfer books of the corporation only at the direction of the person named in the certificate (or by his duly authorized attorney-in-fact) and upon the surrender of such certificate properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation (or its transfer agent) may require. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation or bylaws of the corporation, or by any amendment thereof, by applicable law or by an agreement among the shareholders or between shareholders and the corporation. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 9.05. Lost Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a new certificate, and cause the same to be delivered to the owner of the shares represented thereby, provided that the owner shall have submitted such evidence showing, or an affidavit reciting, the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent, and further provided that a bond of indemnity, with or without surety, shall have been provided in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable), unless the board of directors waives the requirement of a bond.

ARTICLE X
Dividends

Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's articles or as may otherwise be binding upon the corporation, the board of directors may from time to time declare and the corporation may pay dividends on shares of the corporation outstanding on the dates of record fixed by the board, to be paid in cash, in property, or in shares of the corporation on or as of such payment or distribution dates as the board may prescribe.

ARTICLE XI
Amendments

These bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new bylaws may be adopted, at any duly constituted meeting of the board of directors or the shareholders or, alternatively, by unanimous written consent to corporate action without a meeting of the board of directors or the shareholders, as the case may be, pursuant to these bylaws and applicable law. The shareholders in amending or repealing a particular bylaw may provide expressly that the board of directors may not amend or repeal that bylaw.

ARTICLE XII
Indemnification and Insurance

Section 12.01. Indemnification. To the fullest extent permitted by Arizona law as amended from time to time, the corporation shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law.

Section 12.02. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Arizona law.

ARTICLE XIII
General Provisions

Section 13.01. Construction. As used in these bylaws, the masculine includes the feminine and the neuter as the context requires.

Section 13.02. Books and Records. The books and records of the corporation shall be kept at such places within or outside of Arizona as the board of directors may from time to time determine.

Certificate of Adoption

The undersigned secretary does hereby certify that the foregoing bylaws were adopted by the board of directors of Northern Sunrise Water Company Inc., pursuant to a unanimous written consent of the board of directors dated as of March 21, 2006.

By: _____
Peter Kampian, Secretary

DATED as of March 21, 2006.

From

CONSENT IN LIEU OF ORG MTG
OF THE B of D OF
NORTHERN SUNRISE LIMITED

BOARD OF DIRECTORS:

Chris Jarratt

Ian Robertson

David Kerr

AZ Corp. Commission
01511058

AZ CORPORATION COMMISSION
FILED

MAR 21 2006

FILE NO. -1272171-3

ARTICLES OF INCORPORATION
OF
NORTHERN SUNRISE WATER COMPANY INC.

The undersigned incorporator hereby adopts the following Articles of Incorporation:

I. NAME

The name of the corporation is Northern Sunrise Water Company Inc.

II. AUTHORIZED CAPITAL

The corporation shall have authority to issue one hundred (100) shares of common stock.

III. PURPOSE AND INITIAL BUSINESS

The corporation is organized for the purpose of transacting all lawful business for which corporations may be organized under the laws of the State of Arizona, as amended from time to time. The corporation initially intends to conduct in the State of Arizona the business of providing water utility service.

IV. INITIAL BOARD OF DIRECTORS

The initial Board of Directors shall consist of three (3) members, who shall serve as directors until their successors are elected and qualified, and whose names and addresses are as follows:

Chris Jarratt
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

Ian Robertson
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

David Kerr
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

V. STATUTORY AGENT

Algonquin Water Services, LLC, an Arizona limited liability company, whose business address is 12725 West Indian School Road, Suite D101, Avondale, Arizona 85323, is hereby appointed the initial statutory agent for the corporation for the State of Arizona.

- 1272171-3

VI. KNOWN PLACE OF BUSINESS

The street address of the corporation's known place of business is as follows:

4055 Campus Drive
Sierra Vista, Arizona 85635

VII. INCORPORATOR

The name and address of the incorporator are as follows:

Peter Kampian
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

VIII. ELIMINATION OF DIRECTOR LIABILITY

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, no director of the corporation shall be liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the corporation occurring prior to such repeal, amendment or modification.

IX. INDEMNIFICATION

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, the corporation shall indemnify and advance expenses to any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer or director of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification and advancement of expenses shall be mandatory in all circumstances in which the same are permitted by law. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment or modification.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation this 21st day of March, 2006.

Peter Kampian

-1272171-3

CONSENT OF STATUTORY AGENT
OF
NORTHERN SUNRISE WATER COMPANY INC.

The undersigned, having been named in the Articles of Incorporation of Northern Sunrise Water Company Inc, an Arizona corporation, as its statutory agent for the State of Arizona, hereby confirms that it has been notified of the appointment and that it accepts the appointment.

DATED: March 21, 2006.

ALGONQUIN WATER SERVICES, LLC,
an Arizona limited liability company

By: _____
Name: Peter Kampian
Title: Manager

12725 West Indian School Road
Suite D101
Avondale, Arizona 85323

1775601.1/10577.002

COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
Executive Director

DAVID RABER
Director, Corporations Division

March 27, 2006

NANCY MOORMAN
3003 N CENTRAL AVE #2600
PHOENIX, AZ 85012

RE: NORTHERN SUNRISE WATER COMPANY INC.
File Number: -1272171-3

We are pleased to notify you that your Articles of Incorporation were filed on March 21, 2006.

You must publish a copy of your Articles of Incorporation. The publication must be in a newspaper of general circulation in the county of the known place of business in Arizona (as filed with the Commission) for three (3) consecutive publications. A list of newspapers is available on the Commission web site. An affidavit from the newpaper, evidencing such publication, must be delivered to the Commission for filing within NINETY (90) DAYS from the date of this letter. Make sure the newspaper publishes the corporation documents using the exact name filed with the Commission.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, on the anniversary of the date of incorporation. Each year, a preprinted Annual Report form will be mailed to the corporation's known place of business approximately two months prior to the due date of the report. Should the report fail to arrive, contact the Commission. It is imperative that corporations notify the Commission immediately (in writing) if they change their corporate address, statutory agent or agent address. Address change orders must be executed (signed) by a corporate officer. Postal forwarding orders are not sufficient.

The Commission strongly recommends that you periodically check Commission records regarding the corporation. The Commission web site www.cc.state.az.us/corp contains information specific to each corporation of record and is a good general source of information.

If you have questions or need of further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,

Delta Williams
Examiner
Corporations Division

CF:04
REV. 01/2004

Certificate No. 1 For 100 Shares Issued to Algonquin Water Resources of America, Inc., a Delaware corporation

Transferred from Original Issue 03 /21 /20 06

No. Original Certificate	No. Original Shares	No. Of Shares Transferred

Dated _____, 20____ Receipt acknowledged _____

NUMBER 1

INCORPORATED UNDER THE LAWS OF

ARIZONA

SHARES 100

NORTHERN SUNRISE WATER COMPANY INC.

The Corporation is authorized to issue one hundred (100) shares of Common Stock.

This Certifies that ALGONQUIN WATER RESOURCES OF AMERICA, INC., a Delaware corporation ---------- is the owner of One Hundred (100) Common ---------- fully paid and non-assessable Shares of the Capital Stock of the above named Corporation transferable only on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 21st day of March 20 06

Peter Kampian SECRETARY

Alan Robertson PRESIDENT

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EXHIBIT

5

BABOCOMARI DEVELOPMENT ASSOCIATION
PMB 200, 2160 E. FRY BOULEVARD
SIERRA VISTA, AZ 85635
PHONE: 520.266.2029
FAX: 520.439.9399
EMAIL: SHADETREECONSULTING@COX.NET

Mr. Edmund Pamatat
Algonquin Water Resources of America, Inc.
Northern Sunrise Water Company
2845 Bristol Circle,
Oakville, Ontario LH6 7H7

March 21, 2006

Re: Request for Water Utility Service – Babocomari Development

Dear Mr. Pamatat:

Please accept this letter as the Babocomari Development Association's ("Association") formal request for water utility service to assist in the development of real property located in Cochise County, Arizona. We have previously sent you information relevant to the area being developed, including legal descriptions and the projected number of residences and commercial properties to be constructed on the Association's property.

Based on previous discussions with you, we understand that Northern Sunrise Water Company will now be filing an application with the Arizona Corporation Commission for a new certificate of convenience and necessity ("CC&N") to provide water utility service in Cochise County, Arizona. There is a need for water utility service for the Association's Babocomari development which is immediately adjacent to and south of the Coronado Estates (a part of the McLain Water Companies) service territory, and we ask that you include our properties in Northern Sunrise Water Company's CC&N application.

Please do not hesitate to contact me at 520-266-2392 if you have any further questions, or need additional information for the CC&N application. Thank you.

Sincerely,

Dave Stephenson
President Babocomari Development Association

EXHIBIT

6

Coronado Estates Water Company
Proposed Capital Improvements

Main Well Site

Project Description	**Cost**
Add meter to well	$3,500
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000
Construct 12 ft wide chain link gate	$800
Replace well pump & piping	$7,500
New Electrical Control and wiring system	$10,000
New 5,000 Gallon Pressure Tank	$20,000
New 100,000 gallon storage tank	$100,000
Survey property to establish property boundaries of well site	$1,000
Total	**$148,800**

Long Term Improvements

Develop more well capacity
Interconnect to Sierra Sunset Water and make one system if possible
Add chlorination
Add more storage
Replace Distribution system

Crystal Water Company
Proposed Capital Improvements

Main Well Site

Project Description		**Cost**
Add meter to well		$3,500
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.		$6,000
Construct 12 ft wide chain link gate		$800
Replace existing well with new well		$25,000
Replace well pump & piping		$7,500
New Electrical Control and wiring system		$10,000
New 5,000 Gallon Pressure Tank		$20,000
New 60,000 gallon storage tank (At least this size)		$80,000
Survey property to establish property boundaries of well site		$1,000
	Total	**$153,800**

Note: As an alternative, determine if existing well can be rehabilitated
If so, rehab well, and replace well pump instead of drilling new well

Long Term Improvements

Develop more well capacity
Interconnect to Mustang Water and make one system
Add chlorination
Replace Distribution system

Main Well Site

Project Description		**Cost**
Add meter to well		$3,500
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.		$6,000
Construct 12 ft wide chain link gate		$800
Replace existing well with new well		$25,000
Replace well pump & piping		$7,500
New Electrical Control and wiring system		$10,000
New 5,000 Gallon Pressure Tank		$20,000
New 60,000 gallon storage tank (At least this size)		$80,000
Survey property to establish property boundaries of at least two well sites		$2,000
	Total	**$154,800**

Note: As an alternative, determine if existing well can be rehabilitated
If so, rehab well, and replace well pump instead of drilling new well

Long Term Improvements

Develop more well capacity
Interconnect to Crystal Water and make one system
Add chlorination
Replace Distribution system

Sierra Sunset Water Company
Proposed Capital Improvements

Main Well Site

Project Description		**Cost**
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.		$6,000
Construct 12 ft wide chain link gate		$800
Survey property to establish property boundaries of well site		$1,000
Install customer meters to 30 customers		$15,000
	Total	**$22,800**

Long Term Improvements

Develop more well capacity
Interconnect to Coronado Estates to make one system
Add chlorination
Investigate connection to mobile home park
Replace Distribution system
Add Storage

EXHIBIT

7

Exhibit 1

MUSTANG WATER COMPANY RCN AND RCND

Background of Water System

Mustang Water Company received its Certificate of Convenience and Necessity on August 1, 1973. The area being served is approximately 1-1/2 miles west of the Junctions of Highway 90 and Highway 82 on Highway 82. The Certificated area serves the north central portion of Township 20S Range 19E Section 14. This is a subdivided area called Mustang Heights. The area is very rural with large parcel properties and small homes. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 70 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-054. The system consists of two well sites. Well site no. 1 is located on parcel 6 of the Cochise County assessor maps. It is 70 ft x 35 ft. or .059 acres in area. It has an inactive well on it. Well site No. 2 is located on Parcel 27 of the Cochise County Assessor's maps. It is 90 ft x 50 ft or .103 acres in area. This site has one well and one pressure tank. The fence surrounding the site has been torn down. The pressure tank is in very bad condition and has been welded in many locations. There is no flow meter. The original distribution system was made up of 2,700 feet of 6" asbestos cement pipe. Since then additional PVC piping has been added.

This system is in very poor condition. There are no storage tanks or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The pressure tank is dangerous and should not be in service. The electrical panels need replacement. The fence is gone. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

Staff considers the pressure tank and fence as being not used and useful and therefore has no value. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled. Storage and booster pumps must be added. The current interim management has installed a new well pump. It is questionable whether the well site is large enough for a storage tank to be added. This might require the purchase of more land.

Acct. No.	Acct. Name	Plant Items for Mustang Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	RCND
301	Organization						
303	Land & Land Rights						
		70 ' x 35 ' Site 1 - .059 acres			$5,000.00		$5,000.00
		50' x 90' Site 2 - .102 acres		unknown			
304	Structures & Improv.						
		Fence 50 ft x 50 ft - 188 LF Site 2	1973	Damaged	$2,829.40	30	$0.00
		12 ft wide gate		Damaged	$766.70	30	$0.00
307	Wells & Springs						
		Well 2, 8" x 450' 65 gpm ADWR 55-807770	1973	$40.00	$11,250.00	30	$0.00
		Well 1, 8" x 450' Capped	1973	not used	$0.00	30	$0.00
311	Pumping Equipment						
		Well 2, 25-Hp Sub.	2005		$8,215.71	8	$8,215.71
		Electrical panel	1973	$5,000.00	$5,000.00	8	$0.00
330	Distribution Reservoirs						
		3,000 gallon pressure Site 2 (5.5' dia X 16' L)	1973	Damaged	$13,000.00		$0.00
331	Trans. & Distrib. Mains						
		6"-PVC/ACP, 2,700 ft.	1973	$7.26	$19,602.00	50	$7,056.72
333	Services						
		3/4", 60 each (Use 70)	1973	$355.00	$24,850.00	30	$0.00
334	Meters						
		5/8" x 3/4", 60 each (Use 70)	1973	$85.00	$5,950.00	12	$0.00
					$96,463.81		$20,272.43

Exhibit 2

CRYSTAL WATER COMPANY RCN & RCND

Background of Water System

Crystal Water Company received its Certificate of Convenience and Necessity on December 13, 1978. The area being served is approximately one mile West of the Junctions of Highway 90 and Highway 82 on Highway 82. It is adjacent to the Mustang Water Company. The Certificated area serves a portion of Township 20S Range 19E Sections 13 & 14. The area is very rural with large parcel properties and small homes. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 195 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-074. The system consists of one active well site. At one time there was a second well site, but it was abandoned. The active well site is located at Sands Ranch Road and Black Road. It is 18 ft x 27 ft. or .01 acres in area. This site has one well and one pressure tank. The pressure tank is a converted sand filter and is in very poor condition. There is no flow meter. The original distribution system was made up of 300 ft of 4 inch PVC, 950 ft of 3 inch PVC, 2,500 ft of 2 inch PVC and 4,000 ft of 1, 1-1/2, 2 inch asbestos cement pipe. Since then additional PVC piping has been added. There is a chain link fence surrounding the site.

This system is in very poor condition. There is no storage tank or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The pressure tank is a converted sand filter. It is in poor condition and is dangerous and should not be in service. The electrical panels need replacement. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

Staff considers the pressure tank as being not used and useful and therefore has no value. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled. Storage and booster pumps must be added. It is questionable whether the well site is large enough for a storage tank to be added. This might require the purchase of more land.

Acct No	Acct Name	Plant Items for Crystal Water Company	Year Installed	Unit Cost	Staff RCN	Service Life	RCND
301	Organization						
303	Land & Land Rights						
		18' x 27'			$2,500.00		$2,500.00
304	Structures & Improvements						
		Well 2, - 78 LF fencing	1978	$15.05	$1,173.90	30	$117.39
		12' Wide Gate	1978	$767.00	$767.00	30	$76.70
307	Wells & Springs						
		Well 1, 6" x 360'	1969	not used	$0.00	30	$0.00
		Well 2, 6" x 350' ADWR 55-807774	1973	$40.00	$14,000.00	30	$0.00
311	Pumping Equipment						
		Well 2, 25-Hp Sub. @ 300 gpm	2005		$5,878.00	8	$5,878.00
		Electrical panel	1978		$5,000.00	8	$0.00
330	Distribution Reservoirs						
		2,000 gallon pressure 4.5'h x 19'dia		Damaged	$9,000.00	20	$0.00
331	Trans. & Distrib. Mains						
		1",1-1/2",2"-ABS, 4,000 ft.	1969	$3.47	$13,880.00	50	$3,886.40
		2"-PVC, 2,500 ft.	1969	$3.96	$9,900.00	50	$2,772.00
		3"-PVC, 950 ft.	1973	$4.95	$4,702.50	50	$1,692.90
		4"-PVC, 300 ft.	1973	$5.37	$1,611.00	50	$579.96
333	Services						
		3/4", 51 each (Use 194)	1978	$355.00	$68,870.00	30	$0.00
		1", 3 each	1978	$405.00	$405.00	30	$0.00
334	Meters						
		5/8" x 3/4", 51 each (Use 194)	1978	$85.00	$16,490.00	12	$0.00
		1", 3 each	1978	$205.00	$205.00	12	$0.00
					$154,382.40		$17,503.35

Exhibit 3

SIERRA SUNSET WATER COMPANY RCN AND RCND

Background of Water System

Sierra Sunset Water Company received its Certificate of Convenience and Necessity on June 26, 1978. The area being served is at the northeast corner of the junctions of Highway 90 and Highway 82. The Certificated area serves the northern half of section 18, Township 20S, Range 20E. The area served is comprised of small homes on small lots. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 30 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-055. The system consists of one active well site. The site is 30 ft x 40 ft. or .028 acres in area. This site has one well and one pressure tank. The pressure tank is a small 180 gallon bladder tank which was recently installed to replace a 1,000 gallon pressure tank which had exploded. There is no flow meter. Staff estimates there is approximately 2,500 ft of 4 inch diameter pipe in the distribution system. There is a chain link fence surrounding the site, but it is in disrepair.

This system is in very poor condition. There is no storage tank or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The electrical panels need replacement. The pressure tank is too small. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

There is a damaged and abandoned 1,000 gallon pressure on site which Staff considers not used and useful and therefore has no value. A new 180 gallon pressure tank has been installed. This tank is too small to be any good to the system once a new owner takes over. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled. Storage and booster pumps must be added. It is questionable whether the well site is large enough for a storage tank to be added. This might require the purchase of more land.

Acct. No.	Acct. Name	Plant Items for Sierra Sunset Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	RCND
301	Organization						
303	Land & Land Rights						
		30' x 40'			$500.00		$500.00
304	Structures & Improvements						
		Fence 128 LF	1978	$5.05	$646.40	30	$64.64
		12' Wide gate			$767.00	30	$76.70
307	Wells & Springs						
		Well 1, 8" x 350' 30 gpm	1960	$40.00	$14,000.00	30	$0.00
		ADWR 55-807772					
311	Pumping Equipment						
		Well 1, submersible 15 hp	2004		$6,500.00	8	$6,500.00
		Electrical panel	1978		$5,000.00	8	$0.00
330	Distribution Reservoirs						
		180 gallon pressure	2004		$4,680.00	20	$4,680.00
331	Trans. & Distrib. Mains						
		4"-2500 ft (Est).	1978	$5.37	$13,425.00	50	$6,175.50
333	Services						
		3/4", 30 ea.	1978	$355.00	$10,650.00	30	$1,065.00
334	Meters						
		5/8" x 3/4", (None)		No Meters	$0.00	12	$0.00
		3/4", (None)					
					$56,168.40		$19,061.84

Exhibit 4

CORONADO ESTATES WATER COMPANY RCN & RCND

Background of Water System

Coronado Estates Water Company received its Certificate of Convenience and Necessity on April 27, 1959. The area being served is at the southeast corner of the junctions of Highway 90 and Highway 82. The Certificated area serves the southern half of Section 18 and the northwest tip of Section 19, Township 20S, Range 20E. The area served is comprised of modest homes on average sized residential lots. Some roads are paved with asphalt while others are unimproved dirt and gravel.

Description of System

This system currently serves approximately 195 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-013. The system consists of one active well site. The fenced site is 50 ft x 50 ft. or .057 acres in area. There is additional land west of the fenced area which may belong to the water system. This site has one well and one pressure tank. The pressure tank is 2,500 gallons. There is no flow meter. There is a 30,000 gallon storage tank which is damaged and not in use. It will have to be removed. Staff estimates there is approximately 34,500 ft of 4 inch diameter asbestos cement and PVC pipe in the distribution system. There is a chain link fence surrounding the site, but it is in disrepair.

This system is in very poor condition. The storage tank is damaged and there are no booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The electrical panels need replacement. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

The system has only one well and one pressure tank. Storage tanks and booster pumps will have to be added. The fence is damaged and will have to be repaired or replaced. The damaged storage tank that is on site will have to be cut up and removed. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled and equipped.

Acct. Number	Acct. Name	Description	Year Installed	Unit Cost	Original Cost	Life	Total
301	Organization						
303	Land & Land Rights						
		50' x 50' fenced area			$6,373.00		$6,373.00
304	Structures & Improvements						
		Chain Link Fence 188 LF	1959	Damaged	$2,829.40	30	$0.00
		12' Wide Gate	1959	Damaged	$766.70	30	$0.00
307	Wells & Springs						
		Well 1, 8" x 450' ADWR 55-807773	1958	$40.00	$18,000.00	30	$0.00
311	Pumping Equipment						
		Well 1, 6-Hp Sub. @ 300 gpm	2004		$4,000.00	8	$4,000.00
		Electrical panel			$5,000.00	8	$0.00
330	Distribution Reservoirs						
		30,000 gallon storage tank		Damaged	$45,000.00	50	$0.00
		2,500 gallon pressure 5'dia x 16.5'L	1959		$11,000.00	20	$0.00
331	Trans. & Distrib. Mains						
		4"-PVC/ACP, 34,500 ft.	1959	$5.37	$185,265.00	50	$14,821.20
333	Services						
		3/4", 213 each (Use 193)	1959	$355.00	$68,515.00	30	$0.00
		2", 2 each	1959	$600.00	$1,200.00	30	$0.00
334	Meters						
		5/8" x 3/4", 184 each (Use 164)	1959	$85.00	$13,940.00	12	$0.00
		3/4", 29 each	1959	$165.00	$4,785.00	12	$0.00
		2", 2 each	1959	$915.00	$1,830.00	12	$0.00
					$368,504.10		$25,194.20

EXHIBIT

8

Northern Sunrise Water Company
Projected Balance Sheets
For the Years Ended

Exhibit 1
Schedule 1

Line No.		Beginning of Year	Label	1st year Changes	Year 1	Year 2	Year 3	Year 4	Year 5
3	**Assets**								
5	Utility Plant	91,992	(a)	480,200	572,192	576,292	580,392	584,492	588,592
6	Accumulated Depreciation	-	(b)	(13,476)	(13,476)	(36,835)	(60,535)	(84,577)	(108,960)
7	Deferred Regulatory Assets	64,619		(3,231)	61,388	58,157	54,926	51,695	48,464
8	Cash	-		77,285	77,285	157,745	241,227	327,722	417,018
11	**Total Assets**	$ 156,611		$ 540,778	$ 697,390	$ 755,360	$ 816,010	$ 879,332	$ 945,114
13	Equity and Liabilities			-					
15	**Equity**								
17	Common Stock, Net of	156,611	(d)	480,200	636,811	636,811	636,811	636,811	636,811
19	Retained Earnings	-	(e)	60,578	60,578	114,449	171,409	231,451	294,363
20	**Total Equity**	$ 156,611		$ 540,778	$ 697,390	$ 751,260	$ 808,220	$ 868,262	$ 931,174
22	**Liabilities & Deferred Credits**			-					
23	Advances in Aid of Construction		(f)	-	-	-	-	-	-
24	Contributions in Aid of			-					
25	Construction		(g)	-	-	-	-	-	-
26	Less: Amortization		(h)	-	-	-	-	-	-
27	Customer Deposits		(i)	-					
28	Refundable Meter Deposits		(j)	-	-	4,100	7,790	11,070	13,940
29	Long-Term Debt			-					
30				-					
31	**Total Liabilities and**								
32	**Deferred Credits**	-		-	-	4,100	7,790	11,070	13,940
35	**Total Equity & Liab.**	$ 156,611		$ 540,778	$ 697,390	$ 755,360	$ 816,010	$ 879,332	$ 945,114

(a) Plant Additions (See Schedule 1a)
(b) Depreciation Computations (See Schedule 1a)
(c) Change in cash (Please Schedule 3)
(d) Common Stock issuance and or repurchase. (See Schedule 1b)
(e) Profit or loss from operations (See Schedule 2)
(f) Advances in Aid of Construction (See Schedule 1c)
(g) Contributions in Aid of Construction (See Schedule 1e)
(h) Amortization of Contributions in Aid of Construction, if applicable (See Schedule 1e)
(i) Security deposits (2 times average bill)
(j) Unrefunded meter deposits (See Schedule 1d)

Northern Sunrise Water Company
RCND Plant - Adjusted Starting Plant

McClain Water Systems

		SYSTEM							
		Mustang Water Company	Crystal Water Company	Sierra Sunset Water Company	Coronado Estates Water Company	(Empty)	(Empty)	Spitzer Adjustment 68142	Total
301	Organization	$ -	$ -	$ -	$ -		$ -	$ -	$ -
302	Franchises							-	-
303	*Land and Land Rights*	10,114	5,057	1,214	12,891			(1,464)	27,812
304	Structures and Improvements		195	141				(17)	319
305	Collecting and Impounding Rese							-	-
306	Lake, River and Other Intakes							-	-
307	Wells and Springs							-	-
308	Infiltration Galleries and Tun							-	-
309	Supply Mains							-	-
310	Power Generation Equipment							-	-
311	Pumping Equipment	8,216	5,878	6,500	4,000			(1,230)	23,364
320	Water Treatment Equipment							-	-
330	Distribution Reservoirs and St			4,580				(229)	4,351
331	Transmission and Distribution	7,057	8,930	6,176	14,821			(1,849)	35,135
331	Transmission and Distribution AFC							-	-
333	Services			1,065				(53)	1,012
334	Meters and Meter Installations							-	-
335	Hydrants							-	-
335	Hydrants AFC							-	-
336	Backflow Prevention Devices							-	-
339	Other Plant and Miscellaneous							-	-
340	Office Furniture and Equipment							-	-
341	Transportation Equipment							-	-
342	Stores Equipment							-	-
343	Tools, Shop and Garage Equipme							-	-
344	Laboratory Equipment							-	-
345	Power Operated Equipment							-	-
346	*Communication Equipment*							-	-
347	Miscellaneous Equipment							-	-
348	Other Tangible Plant							-	-
	Total	$ 25,386	$ 20,060	$ 19,676	$ 31,712	$ -	$ -	$ (4,842)	$ 91,992
	Spitzer Adjustment Percentage	5%	5%	5%	5%				

Land Adjustment	RCND	Factor	Allocated Amount	Total Land
Miracle Valley	$ 2,500	0.0122488	$ 2,557	$ 5,057
Horseshoe Water	15,000	0.0734928	15,342	30,342
Cochise Valley	172,129	0.8433476	176,050	348,179
Mustang Water	5,000	0.0244976	5,114	10,114
Crystal Water	2,500	0.0122488	2,557	5,057
Sierra Sunset	600	0.0029397	614	1,214
Coronado Estates	6,373	0.0312247	6,518	12,891
Total RCND	$ 204,102	1.0000000	$ 208,752	$ 412,853

Land FMV Adjustment $ 208,752

Reconcilation of Rate Bases

Amount per Decision 68412		696,752
Northern Sunrise Wate	$ 91,992	
Southern Sunrise Wate	$ 604,725	
		$ 696,718
Difference		$ 35

Northern Sunrise Water Company
Year 1 Adds

McClain Water Systems

		SYSTEM				
		Mustang Water Company	Crystal Water Company	Sierra Sunset Water Company	Coronado Estates Water Company	Total
301	Organization	$ -	$ -	$ -	$ -	$ -
302	Franchises					-
303	*Land and Land Rights*					-
304	Structures and Improvements	6,800	6,800	6,800	6,800	27,200
305	Collecting and Impounding Rese	100,000	100,000		120,000	320,000
306	Lake, River and Other Intakes					-
307	Wells and Springs	27,000	26,000	1,000	1,000	55,000
308	Infiltration Galleries and Tun					-
309	Supply Mains					-
310	Power Generation Equipment					-
311	Pumping Equipment	17,500	17,500		17,500	52,500
320	Water Treatment Equipment					-
330	Distribution Reservoirs and St					-
331	Transmission and Distribution					-
331	[redacted]					-
333	Services					-
334	Meters and Meter Installations	3,500	3,500	15,000	3,500	25,500
335	Hydrants					-
335	[redacted]					-
336	Backflow Prevention Devices					-
339	Other Plant and Miscellaneous					-
340	Office Furniture and Equipment					-
341	Transportation Equipment					-
342	Stores Equipment					-
343	Tools, Shop and Garage Equipme					-
344	Laboratory Equipment					-
345	Power Operated Equipment					-
346	Communication Equipment					-
347	Miscellaneous Equipment					-
348	Other Tangible Plant					-
	Total	$ 154,800	$ 153,800	$ 22,800	$ 148,800	$ 480,200

Northern Sunrise Water Company
Projected Incremental Income and Expenses
For the 12 Months Ended

Exhibit
Schedule 2

Line No.				Year 1	Year 2	Year 3	Year 4	Year 5
1								
2								
3	**Total estimated Revenues**			$ 204,444	$ 207,534	$ 213,213	$ 218,892	$ 224,571
4	**Variable Expenses**							
5	Pumping Power:	0.75	per 1,000 gals	$ 23,652	$ 23,981	$ 24,638	$ 25,295	$ 25,952
6	Purchased Water	0.00	per 1,000 gals	-	-	-	-	-
7	Repairs & Maint. (a)(b)	0.75	/month/customer	3,240	3,384	3,581	3,786	4,001
8	Incurance	1.35	/month/customer	5,832	6,090	6,445	6,815	7,202
9	Water Treatment & Testing (a)(b)	0.60	/month/customer	2,592	2,707	2,864	3,029	3,201
10	Billing, Postage, Operations, Insur (a)(b)	11.00	/month/customer	47,520	49,625	50,985	52,345	53,704
11	**Total Variable Expenses**			$ 82,836	$ 85,787	$ 88,512	$ 91,270	$ 94,060
12								
13	**Other Expenses**							
14	Depreciation net of Amortization of CIAC			$ 13,476	$ 23,359	$ 23,700	$ 24,042	$ 24,383
15	Amortization of Deferred Reg. Assets			3,231	3,231	3,231	3,231	3,231
16	Office	$ 5,000	/year	5,000	5,304	5,463	5,627	5,795
17	Legal & Accounting	$ 10,000	/year	10,000	10,608	10,926	11,254	11,592
18	Miscellaneous (b)	$ 3,600	/year	3,600	3,818	3,933	4,051	4,172
19	Income Taxes			19,078	16,172	17,511	18,846	20,414
20	Property Taxes (c)			6,644	6,544	6,502	6,514	6,545
21								
22	**Total Other Expense**			$ 61,030	$ 69,036	$ 71,266	$ 73,564	$ 76,133
23								
24								
25	**Total Operating Expenses**			$ 143,866	$ 154,823	$ 159,778	$ 164,834	$ 170,193
26								
27	**Operating income (loss)**			$ 60,578	$ 52,711	$ 53,435	$ 54,058	$ 54,378
28	Less:							
29	Interest (Expense)Income on Work. Cap.			-	1,159	3,525	5,985	8,534
30	Interest Expense Long-term Debt			-	-	-	-	-
31	**Net Income**			$ 60,578	$ 53,870	$ 56,960	$ 60,042	$ 62,912
32								
33	(a) Based on per customer costs							
34	(b) Includes annual Inflation of:	3.00%		3.00%				
35	(c) ADOR Property Tax Calculation							
36								
37								
38								

Northern Sunrise Water Company
Schedule of Projected Revenues
For the Years Ended

Exhibit
Schedule 2a
Page 1

Projected Customers / Residential 5/8 Inch Meter

				Year 1	Year 2	Year 3	Year 4	Year 5
Estimated connections installed by year end (Cumulative)			360	360	370	380	390	400
Estimated connection installed during the year				-	10	10	10	10
1/2 Year Convention for Revenue				360.00	365.00	375.00	385.00	395.00
Projected Revenue								
Annual gallonage delivered (in 1,000's)				31,536	31,974	32,850	33,726	34,602
Assuming average usage per month of:		7,300						
Daily Gallons				87,600	88,817	91,250	93,683	96,117
Residential:								
Monthly Mins.	$ 31.00	Minimum Charge		$ 133,920	$ 135,780	$ 139,500	$ 143,220	$ 146,940
Commodity Rev.	-	*Gals. in minimum*						
	$ 2.00	Charge per/1,000						
		up to 5,000 gals		43,200	43,800	45,000	46,200	47,400
	$ 2.75	Charge per/1,000						
		up to 10,000 gals		27,324	27,704	28,463	29,222	29,981
	$ 3.90	over 10,000		-	-	-	-	-
Establishment Fees at		$ 25.00		$ -	$ 250	$ 250	$ 250	$ 250
Total Revenue				$ 204,444	$ 207,534	$ 213,213	$ 218,892	$ 224,571

Northern Sunrise Water Company
Projected Cash Flows
For the Years Ended

Exhibit
Schedule 3

Line No.		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
1							
2							
3	**Cash from Operations**						
4	Beginning Cash Balance	$ -	$ -	$ 77,285	$ 157,745	$ 241,227	$ 327,722
5							
6	Income from Operations		60,578	53,870	56,960	60,042	62,912
7	Add Depreciation expense		13,476	23,359	23,700	24,042	24,383
8	Add Amortization of Deferred Reg Assets		3,231	3,231	3,231	3,231	3,231
9	**Total Cash From Operations**	$ -	$ 77,285	$ 80,460	$ 83,891	$ 87,315	$ 90,526
10							
11	**Cash from Financing**						
12							
13	Deposits (security) collected	$ -	$ -	$ -	$ -	$ -	$ -
14	Long-Term Debt	-	-	-	-	-	-
15	Common Equity	156,611	480,200	-	-	-	-
16	Advances in Aid of Const.	-	-	-	-	-	-
17	Contribution in Aid of Const.	-	-	-	-	-	-
18	Meter Deposits Collected	-	-	4,100	4,100	4,100	4,100
19							
20							
21	**Total Cash from Financing**	$ 156,611	$ 480,200	$ 4,100	$ 4,100	$ 4,100	$ 4,100
22							
23							
24							
25	**Uses of Cash:**						
26							
27	Purchase of Systems	$ 156,611	$ -	$ -	$ -	$ -	$ -
28	Long-term debt Repayment						
29	Advances Refunded	-	-	-	-	-	-
30	Meter Deposit Refunded	-	-	-	410	820	1,230
31	Deposit (Security) refunded						
32	Capital Improvements - Plant	-	480,200	4,100	4,100	4,100	4,100
33							
34	**Total Cash Uses**	$ 156,611	$ 480,200	$ 4,100	$ 4,510	$ 4,920	$ 5,330
35							
36	**Ending Cash Balance**	$ -	$ 77,285	$ 157,745	$ 241,227	$ 327,722	$ 417,018
37							
38							
39	Interest Income: Assuming Earning Equal to Inflation Factor on Average Cash Balance						
40	Average Cash Balance	$ -	$ 38,643	$ 117,515	$ 199,486	$ 284,474	$ 372,370
41	Interest Earned	$ -	$ 1,159	$ 3,525	$ 5,985	$ 8,534	$ 11,171
42							
43							
44							

Northern Sunrise Water Company
Deferred Regulatory Assets
Legal and Other Expenses

		Year 1	Year 2	Year 3	Year 4	Year 5
Legal & Accounting Costs	$ 64,619					
Amortization Rate	5%					
Amortization		$ 3,231	$ 3,231	$ 3,231	$ 3,231	$ 3,231
Balance	$ 64,619	$ 61,388	$ 58,157	$ 54,926	$ 51,695	$ 48,464

Estimated Costs Incurred by Algonquin	$ 300,000
Amounts Allocated on Rate Base	$ 150,000
Amounts Allocated on Customers	$ 150,000

Rate Base

Factor Computation	Initial Plant	Factor	Allocation
Southern Sunrise Water	$ 604,725	0.867963076	$ 130,194
Northern Sunrise Water	91,992	0.132036924	$ 19,806
	$ 696,718	1.000000000	$ 150,000

Customer Count Factor Computation	Initial Customers	Factor	Allocation
Southern Sunrise Water	845	0.70	$ 105,187
Northern Sunrise Water	360	0.30	$ 44,813
	1,205	1.000000000	$ 150,000

EXHIBIT

9

Northern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULE

Exhibit
Schedule 4
Page 1
Witness: Bourassa

PROPOSED RATES

LINE NO.				MONTHLY MINIMUM	GALLONS IN MINIMUM
1	METER SIZE				
2	**Residential**				
3	MONTHLY MINIMUMS:				
4	5/8 x 3/4 And			$ 31.00	-
5	3/4			$ 46.50	-
6	1			$ 77.50	-
7	1 1/2			$ 155.00	-
8	2			$ 248.00	-
9	3			$ 496.00	-
10	4			$ 775.00	-
11	6			$ 930.00	-
12	8			$ 1,550.00	-
13					
26					
27	COMMODITY CHARGE PROPOSED RATES:				
28					
29	Residential 5/8 and 3/4 Inch				
30	Charge per 1,000 gallons for usage				
31	in excess of	0	gallons up to	5,000 gals	$ 2.00
32	over	5,001	gallons up to	10,000 gals	$ 2.75
33			over	10,000 gals	$ 3.90
34					
35	Residential 1 Inch and Larger				
36	Charge per 1,000 gallons for usage				
37	in excess of	0	gallons up to	25,000 gals	$ 2.00
38	over	25,001	gallons up to	45,000 gals	$ 2.75
39			over	45,000 gals	$ 3.90

Northern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULE

Exhibit
Schedule 4
Page 2
Witness: Bourassa

Line No.					
1	COMMODITY CHARGE PROPOSED RATES (continued):				
2					
3	Irrigation meters (except golf courses)				
4	Charge per 1,000 gallons for usage				
5	in excess of	0	gallons up to	45,000 gals	$ 2.75
6			over	90,000 gals	$ 3.90
7					
8					
9	OTHER				
10					
11					
12					
13	Standpipe or bulk water per				
14	1,000 gallons				$ 3.90
15					
16					
17					
18	HOOK-UP FEE				
19					
20					
21	All Builders / Developers are required to pay a hook-up fee of				
22	$ per lot, for connection to the system based on				
23	a water connection of 5/8 x 3 /4 or 3/ 4 inch water meter.				
24	Payments are listed for each Water Meter Size below:				
25					
26	Water				
27	Meter Size				
28	5/8 x 3/4			$ -	
29	3/4			$ -	
30	1			$ -	
31	1 1/2			$ -	
32	2			$ -	
33	3			$ -	
34	4			$ -	
35	6			$ -	
36					
37					

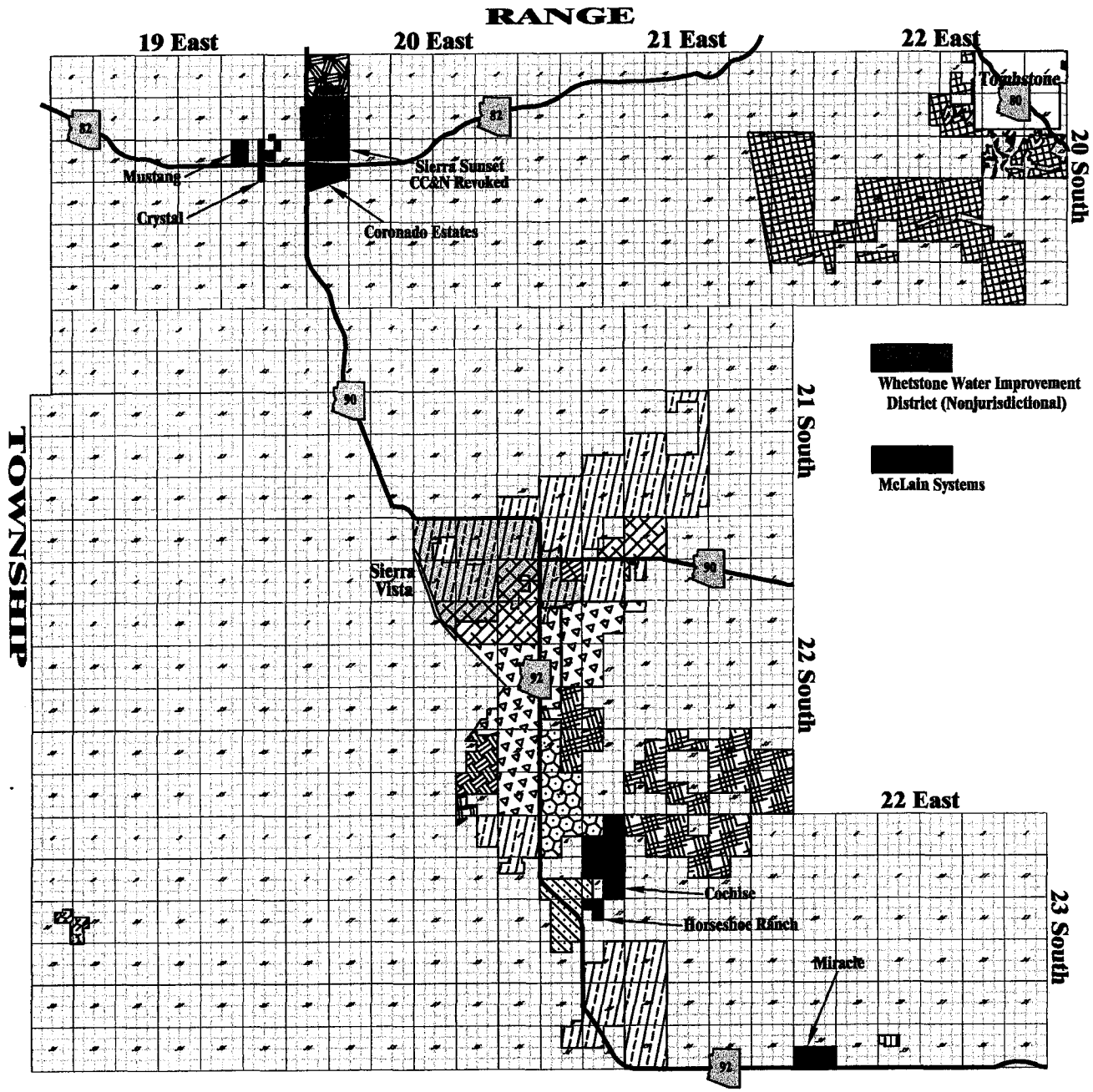
Northern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULES
STATEMENT OF CHARGES

Exhibit
Schedule 5
Page 1
Witness: Bourassa

LINE NO.		Proposed
1	A. Establishment of Service per Rule R14-2-403.D	$ 25.00
2	Establishment of Service, after hours	$ 35.00
3	per rule R14-2-403.D.2	
4		
5	B. Re-establishment of Service per Rule 14-2-403.D	see (a)
6		
7	C. Reconnection of service per Rule R14-2-403.D.1	$ 35.00
8		
9	D. Charge for moving meter at customer request per	
10	Rule R14-2-405.B.5	@ Cost
11		
12	E. After hours service charge, per hour, R14-2-403.D	$ 50.00
13		
14	F. Minimum Deposit per Rule R-14-2-403.B	Cost
15		
16	H. Meter Reread per Rule R14-2-408	$ 5.00
17		
18	I. Charge for NSF Check per Rule R14-2-409.F.1	$ 15.00
19		
20	J. Late payment charge for delinquent bills	
21	as defined in Rule R14-2-409.C.1	1.50%
22		
23	K. Deferred Payment Finance Charge, R14-2-409.G	1.50%
24		
25	L. Service Line and Meter Installation per R14-12-405.B	
26	5/8 x 3/4 inch	$ 410.00
27	3/4 inch	$ 410.00
28	1 inch	$ 520.00
29	1 1/2 inch	$ 660.00
30	2 Inch - Turbo	$ 1,155.00
31	2 inch - Compound	$ 1,720.00
32	3 inch - Turbo	$ 1,625.00
33	3 Inch - Compound	$ 2,260.00
34	4 Inch - Turbo	$ 2,500.00
35	4 inch - Compound	$ 3,200.00
36	6 Inch - Turbo	$ 4,500.00
37	6 inch - Compound	$ 6,300.00
38	8 inch	$ 8,200.00
39		
40	M. Main Extension and additional facilities agreements,	
41	per Rule R14-2-406.B	@ COST (b)
42		
43	N. All Revenue related taxes will be charged customers.	
44		
45	RULES AND REGULATIONS	
46	* The Company has adopted the Rules and Regulation established by the Commission	
47	as the basis for its operating procedures. AAC R14-204-01 Through ACC R14-2-411	
48	will be controlling of Company procedures, unless specific Commission Orders	
49	provide otherwise.	
50	(a) Monthly minimum times months off the system	
51	(b) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.	
52	(c) If meter is reading correct per rule.	
53		
54		

EXHIBIT

10



W-2327
Antelope Run Water Company

W-1445
Arizona Water Company

W-2465
Bella Vista Water Company, Inc.

W-2672
Cloud Nine Water Company, Inc.

W-1868
Cochise Water Company, Inc.

W-1629
Coronado Estates Water Company

W-2316
Crystal Water Company

W-1906
East Slope Water Company

W-1896
Holiday Water Company

W-2235
Horseshoe Ranch Water Company

W-2031
Indiada Water Company, Inc.

W-1961
Lucky Hills Water Company

W-1646
Miracle Valley Water Company, Inc.

W-2230
Mustang Water Company

W-1602
Nicksville Water Company, Inc.

W-1443
Palominas Development Company

W-1853
Parker Springs Water Company

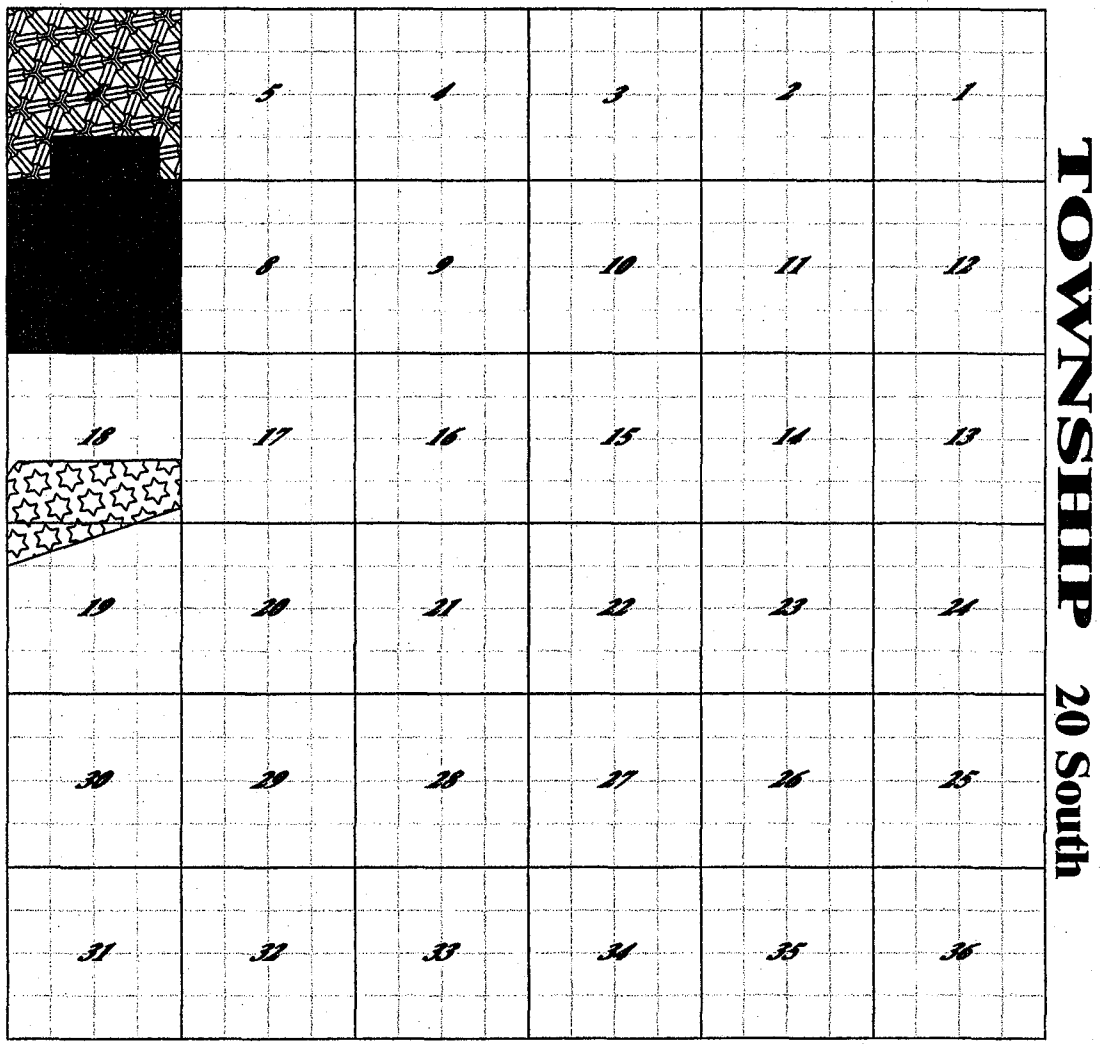
W-2208
Pueblo del Sol Water Company

W-2062
Southland Utilities Company, Inc.

W-2355
Sulger Water Company #2

COUNTY: *Cochise*

RANGE 20 East



W-1629 (1)
Coronado Estates Water Company

W-2355 (1)
Sulger Water Company #2

(2)
Whetstone Water Improvement District
(Nonjurisdictional)

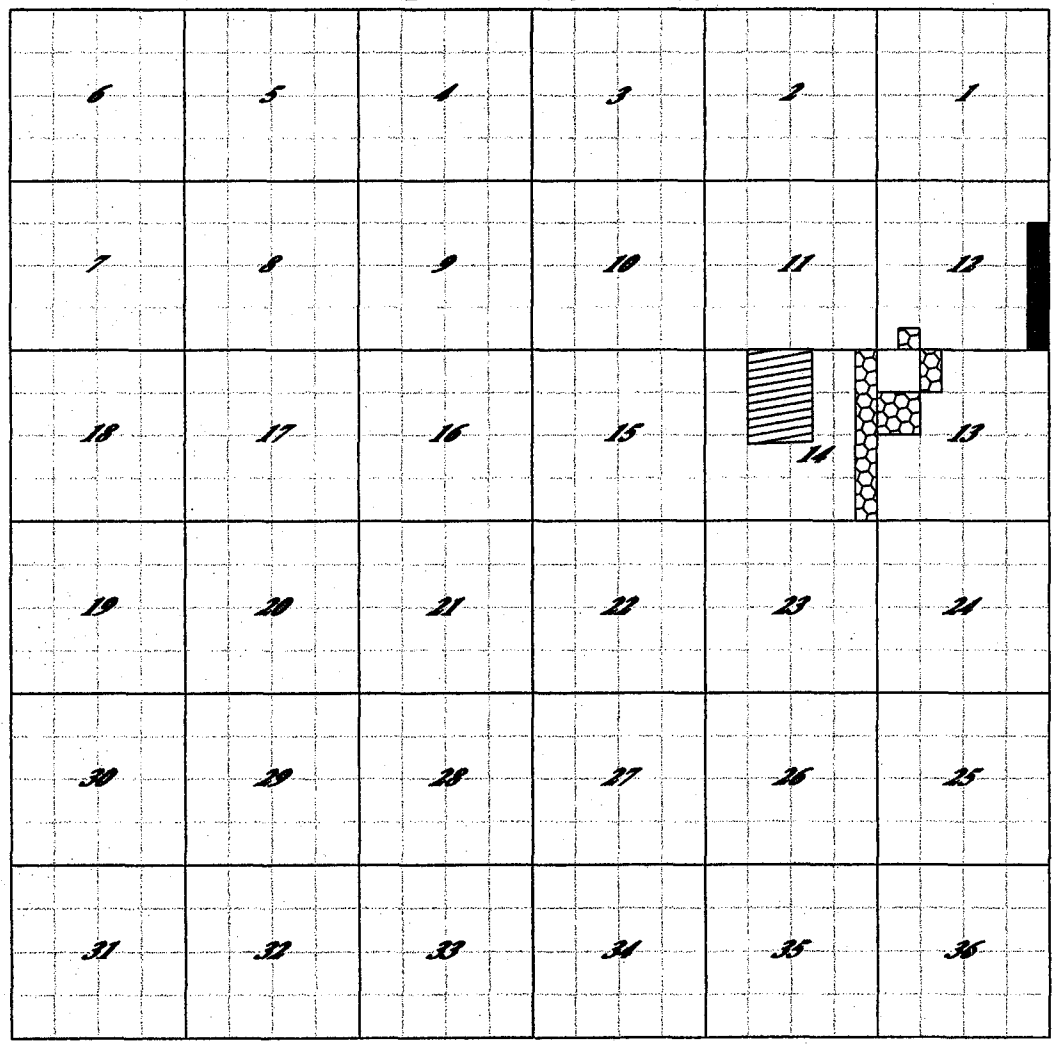
TR20S20E 14 SEP 1989

Map No. 23

COUNTY: *Cochise*

RANGE 19 East

TOWNSHIP 20 South



W-2316 (1)
Crystal Water Company

W-2230 (1)
Mustang Water Company

(2)
Whetstone Water Improvement District (Nonjurisdictional)

TR20S19E 14 SEP 1989

ACC-MD-1

ARIZONA
CORPORATION COMMISSION
MAPPING DIVISION

NAME OF COMPANY Sierra Sunset Water Co

DOCKET NUMBER U 2240

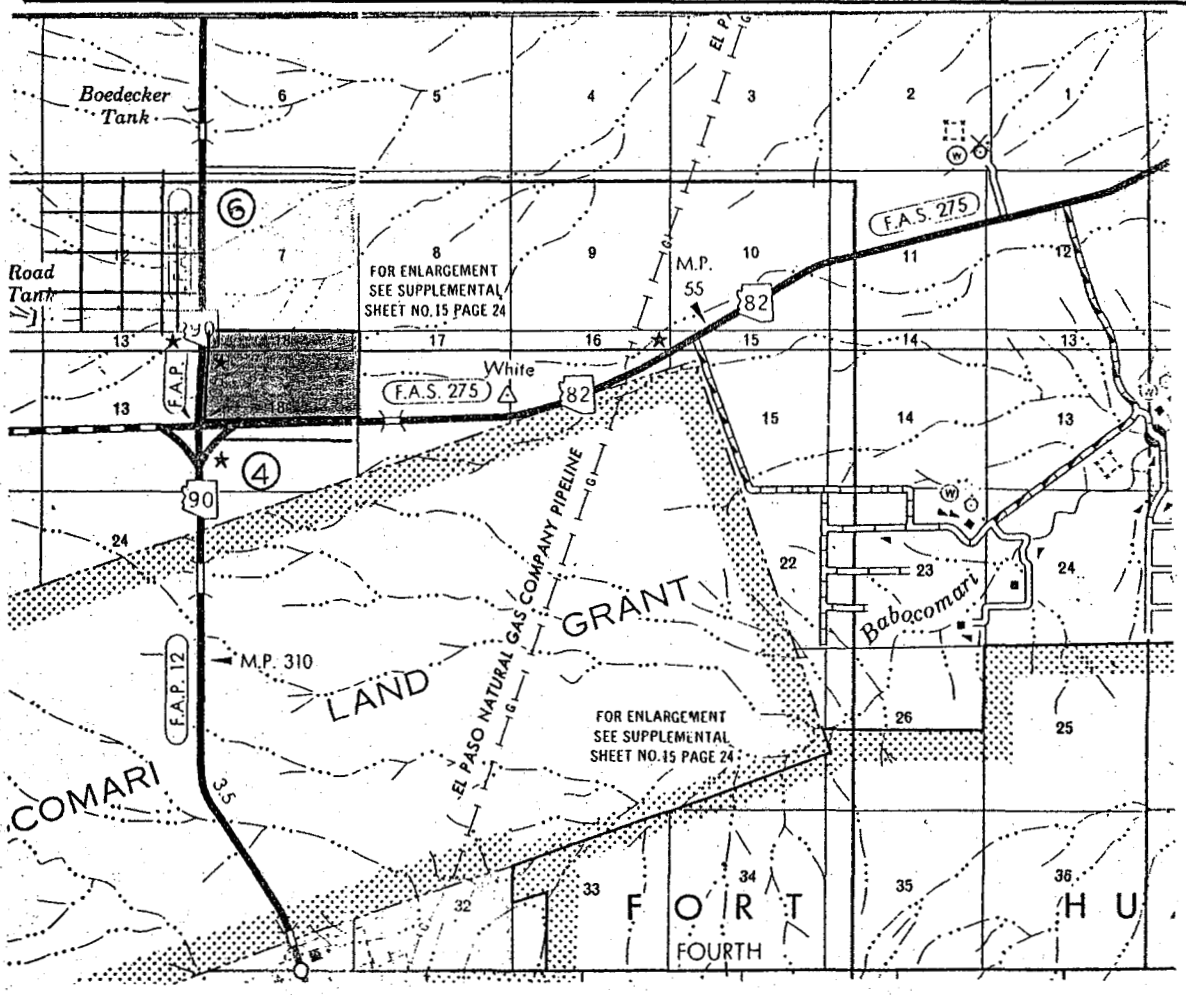
APPLICATION August 3, 1973

DECISION NO. A3874 Jan 2 1974 ORDER PRELIMINARY REVOKED Plotted ok. Jan 2, 1974

DECISION NO. 49106 Jun 26 1978 C/C N GRANTED

Sec 18: that portion lying North of State Highway 82 & lying East of State Highway 90

COCHISE	20S	20E	ORIGINAL AREA	
COUNTY	TOWNSHIP NO.	RANGE NO.	AREA	



Scale 1" = 1 mile (80 chains)

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF THE CORONADO ESTATES WATER CO. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION AND OPERATION OF A WATER SYSTEM IN THE HEREINAFTER DESCRIBED TERRITORY IN THE COUNTY OF COCHISE.

DOCKET NO. U-1629 DECISION NO. 3150X

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Bisbee, Arizona, March 6, 1959.

Applicants were represented by William E. Kimble, of the law firm Gentry, McNulty & Kimble. There was no appearance in opposition to the granting of the application.

Testimony was presented, both oral and documentary, and from the testimony, files and records in the matter the Commission is of the opinion that applicant has complied with the statutes of Arizona and with the rules and regulations of the Commission for the issuance of a certificate of convenience and necessity.

WHEREFORE, IT IS ORDERED that the application be, and it is hereby, approved and this order shall constitute and be a certificate of convenience and necessity as contemplated by the provisions of Section 40-281, A. R. S., authorizing applicant herein to construct, operate, and maintain a public water system for the purpose of furnishing water to properties in the area described as follows:

> The SE¼ SW¼; SW¼ SE¼ and Lot 5 of Section 18; Lots 1 and 2 of Section 19; and those portions of Lots 3 and 4, the NE¼ SW¼, and the N½ SE¼, lying South of the South right-of-way line of the State Highway No. 82, and East of the Easterly right-of-way line of the East leg of State Highway No. 92, where the East leg of the "Y" of State Highway No. 92 makes its junction with said State Highway No. 82, in Section 18;
>
> EXCEPTING therefrom, however, that portion of Lot 3, the NW¼ SW¼, and the N½ SE¼, particularly described as follows:
>
> Beginning at a point on the East line of the SE¼ of Section 18, 470.8 feet South of the East quarter corner of said Section to a point on the South line of State Highway No. 82; thence S. 88° 30' W. 3,871.06 feet along the South line of the right-of-way of Arizona State Highway

DOCKET NO. U-1629 DECISION NO. 31504

No. 82 to the intersection of the South right-of-way line of said Arizona State Highway No. 82, and the Easterly curve right-of-way line of Arizona State Highway No. 92, which curve has a radius of 1,909.86 feet on the curved line of the curved highway and a radius of 1,859.86 feet on the line of a 50-foot right-of-way; thence Southwesterly, 889.29 feet along the curved right-of-way line of said Arizona State Highway No. 92 to a point at the intersection of the Easterly curved right-of-way line of said Arizona State Highway No. 92 and the South line of this parcel; thence N. 88° 30' E. to a point on the East line of the Southeast quarter of said Section 18, 400 Feet South of the point of beginning; thence North along the East line of said Section 18, 400 feet to the point of beginning;

All being in Township 20 S., Range 20 E. of the G. & S. R. B. & M., Cochise County, Arizona.

The rates and charges heretofore approved for this Company, by the Commission, to be in full force and effect for this area are as follows:

Minimum fee of $5. for the first 5,000 gallons of water; and to charge an additional 35¢ for each one thousand (1,000) gallons in excess thereof.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 27th day of April, 1959.

Francis J. Byrnes
FRANCIS J. BYRNES
Secretary

Distribution:

William E. Kimble, Attorney
Coronado Estates Water Co.
Bureau of Sanitation
Board of Supervisors-Cochise County

Arizona Corporation Commission
DOCKET
APR
DECISION
DB

Map Room

BEFORE THE ARIZONA CORPORATION COMMISSION

AL FARON
Chairman
CHARLES H. GARLAND
Commissioner
RUSSELL WILLIAMS
Commissioner

IN THE MATTER OF THE APPLICATION OF RONALD H. BARNETT, JACK W. WRIGHT, AND CHARLES J. RANDOLPH, DBA MUSTANG WATER COMPANY, A CO-PARTNERSHIP, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO FURNISH WATER IN AN AREA HEREINAFTER DESCRIBED IN COCHISE COUNTY, ARIZONA.

DOCKET NO. U-2230 DECISION NO. 43533

OPINION AND ORDER

BY THE COMMISSION:

The above-entitled matter came on for hearing before Evo J. DeConcini, sitting as Hearing Officer in Tucson, Arizona, on May 24, 1973.

Applicant was represented by its attorney, James B. Greenwood, and there was no appearance in opposition to the application.

The Commission has now reviewed the transcript of the proceedings, and from the testimony adduced therein, the records and files in the matter, and based upon the recommendations of the Hearing Officer, is of the opinion that the granting of the application would be in the public interest.

WHEREFORE, IT IS ORDERED that this order shall constitute and be a certificate of convenience and necessity, pursuant to §40-281, Arizona Revised Statutes, authorizing applicants herein to construct, operate and maintain a domestic water utility in the area described as that portion of the East Half (E½) of the West Half (W½), and of the West Half (W½) of the West Half (W½) of the East Half (E½) of Section 14, Township 20 South, Range 19 East, G&SRB&M, in Cochise County, Arizona, lying North of Arizona State Highway 82 as said Highway exists as of the date above application was filed.

IT IS FURTHER ORDERED that the rates approved and which shall apply are as follows:

DOCKET NO. U-2230 DECISION NO. 43532

$6.00 minimum for the first 4,000 gallons of water used per month per customer

$0.50 per 1,000 gallons for all water used per month per customer in excess of the first 4,000 gallons.

All other rates and charges shall be in compliance with Rules and Regulations Relating to the Operation of Domestic Water Utility Companies which became effective as of December 9, 1965.

IT IS FURTHER ORDERED that all services shall be metered at the time the initial connection is made.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, GEORGE M. DEMPSEY, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 1st day of August, 1973.

GEORGE M. DEMPSEY
EXECUTIVE SECRETARY

BEFORE THE ARIZONA CORPORATION COMMISSION

AL FARON
Chairman
CHARLES H. GARLAND
Commissioner
ERNEST GARFIELD
Commissioner

IN THE MATTER OF THE APPLICATION OF BUFORD TOURTILLOTTE, DBA SIERRA SUNSET WATER COMPANY, FOR AN ORDER PRELIMINARY TO THE ISSUANCE OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION, OPERATION AND MAINTENANCE OF A DOMESTIC WATER UTILITY IN AN AREA IN COCHISE COUNTY, ARIZONA AS DESCRIBED HEREINAFTER.

DOCKET NO. U-2240 DECISION NO. 43824

OPINION AND ORDER REVOKED Dec. 49106 JUN 26 1978

BY THE COMMISSION:

The above-entitled matter came on for hearing before the Commission sitting in Tucson, Arizona on October 4, 1973.

Applicant was represented by his attorney, James B. Greenwood, and there was no appearance in opposition to the granting of the application.

From the testimony presented, both oral and documentary, it appears that this water utility has been in operation for a number of years, but only for a period of two to three years by the present applicant, who did not have full control of the facilities, and therefore, could not apply for a certificate of convenience and necessity from this Commission until now. It further appears that a need and demand for such service exists, and the Commission is of the opinion that the granting of the application for an order preliminary to the issuance of the convenience and necessity should be granted.

WHEREFORE, IT IS ORDERED that this order shall constitute and be an order preliminary to the issuance of the certificate of convenience and necessity, pursuant to §40-282, Arizona Revised Statutes, granting applicant herein authority to construct, operate and maintain a public water utility within the area described as that portion of Section 18, Township 20 South, Range 20 East, G&SRB&M, Cochise County, Arizona, lying North of State Highway 82 and East of State Highway 90.

IT IS FURTHER ORDERED that the flat rate of $7.00 per month for each residential customer and $12.00 per month for each commercial customer, which are the rates now being charged by Buford Tourtillotte, dba Sierra Sunset Water Company, are hereby approved and shall apply for a period not to exceed six months from the date of this order.

IT IS FURTHER ORDERED that on or before, and in no event to exceed, six months from the date of this order, Buford Tourtillotte, dba Sierra Sunset Water Company, shall have metered all existing customers, and any new customers that may be acquired in the interim, and at that time the following metered rates are hereby approved for use and shall apply:

5/8" x 3/4" meter	- $ 6.00 minimum for the first 4,000 gallons water used per month per customer.
Full 3/4" meter	- $7.00 minimum for the first 5,000 gallons water used per month per customer.
1" meter	-$ 8.00 minimum for the first 6,000 gallons water used per month per customer.
1½" meter	-$ 9.00 minimum for the first 7,000 gallons water used per month per customer.
2" meter	-$10.00 minimum for the first 8,000 gallons water used per month per customer.

All water used in excess of the above minimums shall be at the rate of $0.50 per 1,000 gallons water used per month per customer.

IT IS FURTHER ORDERED that all new services shall be metered at the time the initial connection is made.

IT IS FURTHER ORDERED that upon the filing of the approval of the Arizona State Department of Health, an order will be issued granting a certificate of convenience and necessity to Buford Tourtillotte, dba Sierra Sunset Water Company.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

DOCKET NO. U-2240 DECISION NO. 43874

IN WITNESS WHEREOF, I, GEORGE M. DEMPSEY, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 2nd day of January, 1974.

GEORGE M. DEMPSEY
EXECUTIVE SECRETARY

Map Room

EDeC/kk

BEFORE THE ARIZONA CORPORATION COMMISSION

ERNEST GARFIELD
Chairman
BUD TIMS
Commissioner
JIM WEEKS
Commissioner

IN THE MATTER OF SIERRA SUNSET WATER COMPANY APPLICATION FOR ABANDONMENT OF WATER COMPANY.

DOCKET NO. U-2240
DECISION NO. 49106

OPINION AND ORDER

DATE OF HEARING: January 20, 1978

PLACE OF HEARING: Sierra Vista, Arizona

HEARING OFFICER: Evo J. De Concini

APPEARANCES: Kenet E. Chareau, Attorney for Sierra Sunset Water Company;

James B. Greenwood, Attorney for Herman Puzzi;

Bruce E. Babbitt, The Attorney General, by Michael Grant, Assistant Attorney General, on behalf of the Arizona Corporation Commission Staff;

Barney Paulsen, Assistant Director, Utilities Division, Arizona Corporation Commission.

FINDINGS OF FACT

1. Sierra Sunset Water Company, previously known as the Whetstone Water Company, is operating and has been operating without a Certificate of Convenience and Necessity for over ten years.

2. Presently the Company has 39 users and is serving an area described as that portion of Section 18, Township 20 South, Range 20 East, G&SRB&M, Cochise County, Arizona, lying North of State Highway 82 and East of State Highway 90, consisting of approximately 320 acres and located approximately 10 miles North of Sierra Vista, Arizona.

3. Problems with this Company were first brought to the attention of the Commission in 1968.

4. In 1971, this Commission through the Attorney General, initiated legal action in the Superior Court of the State of Arizona in and for the County of Cochise, against the Whetstone Water Company; Buford Tourtillotte, aka William Tourtillotte, aka Bill Tourtillotte, and Jane Doe Tourtillotte, his wife; Herman Puzzi,

and Jane Doe Puzzi, his wife; Henry D'Mock, and Jane Doe D'Mock, his wife; Pat McCarty, and Katheryne McCarty, his wife; John Does I-X.

5. On March 12, 1973, Judge Lloyd C. Helm, in Decision No. 27856, rendered a "Partial Final Judgment" finding that "Buford Tourtillotte has been engaged and is engaging in activities of a public service water corporation and that said Defendant Tourtillotte has failed to comply with the provisions of A.R.S. Sec. 40-281 in that he has not obtained from the Arizona Corporation Commission a certificate of public convenience and necessity".

6. The Court further ordered, declared, adjudged and decreed that Defendant Buford Tourtillotte:

(a) Make application to the Arizona Corporation Commission for authorization to furnish water for public purpose (certificate);

(b) Make application to the Arizona Corporation Commission for rates, etc.;

(c) Comply with all applicable provisions of law and rules of the Arizona Corporation Commission.

What the Court did not do was specifically find, declare and adjudge the identity of the Water Company owners.

7. Thereafter, Mr. Tourtillotte made application to the Cochise County Board of Supervisors for a "franchise" and same was granted on May 23, 1973.

8. On August 1, 1973, Mr. Tourtillotte d/b/a Sierra Sunset Water Company made application for an Order Preliminary to the issuance of a Certificate. After proper notice had been given, on October 4, 1973, the Commission heard the Application and by Decision No. 43874 dated January 2, 1974, granted same.

9. Subsequently, Mr. Tourtillotte died, Mrs. Tourtillotte, an elderly lady, by necessity assumed the responsibility of operating the Water Company. She has done so to the best of her ability but fulfilled only the requirements that were absolutely necessary and pecuniarily feasible.

10. On November 2, 1977, by a somewhat misleading application entitled "Application for Abandonment of Water Company", Sierra Sunset Water Company, through its attorney requested this Commission's authorization to "withdraw the pending application for a Certificate of Convenience and Necessity". Thus the reason for this hearing.

11. At the hearing, Mrs. Tourtillotte testified that she is presently operating the Company to the best of her ability and her means permit. She has 39 customers; one small well; several thousand feet of various size line; no meters. She is presently charging a flat rate of $12.50 per customer per month. She may be interested in selling the Water Company but has no intention to abandon it. Health Department approval of the Water Company has been obtained.

12. Since the Superior Court in 1973 did not adjudicate the ownership of the Water Company, the question of beneficial interest in the well, wellsite, etc. continues to come up and, as expected, did so again at this hearing. It was primarily for that reason that the Commission subpoenaed the other alleged owners, i.e. Herman Puzzi and the Estate of Henry D'Mock, c/o Herman Puzzi, Personal Representative.

13. At the hearing, Mr. James B. Greenwood, attorney for Herman Puzzi, stated that by letter dated April 14, 1977 to Mr. Kenet Chareau, attorney for Marion Tourtillotte and Sierra Sunset Water Company, he advised him that upon completion of the probate of Henry D'Mock's Estate, Mr. Puzzi will sign over, without compensation, both his and D'Mock's interest in the well, lines, easements, etc. to Mrs. Tourtillotte. That letter has been made part of the Docket. Mr. Greenwood made basically the same representation on behalf of his client at the hearing (Tr., pp. 31, 33, 34 & 44).

14. On page two (2) of the Application, Applicant also asks the Commission to "conduct a second hearing on a rate increase, if the Application will not be allowed to be withdrawn".

CONCLUSIONS OF LAW

1. The Arizona Revised Statutes give the Arizona Corporation Commission the power to regulate and supervise public

service corporations; determine and prescribe rates, rules and practices of said corporations and require said corporations to obtain a Certificate of Convenience and Necessity.

2. The Commission finds that there is a need for a domestic water company to serve residents in the area franchised to the Sierra Sunset Water Company.

3. The Commission further finds Mrs. Marion Rosalie Tourtillotte, albeit somewhat hampered by age and finances, to be experienced in the operation of a small domestic water company and generally a fit and proper person to hold a Certificate of Convenience and Necessity.

ORDER

WHEREFORE, IT IS ORDERED, that Marion Rosalie Tourtillotte, d/b/a Sierra Sunset Water Company be, and hereby is, granted a Certificate of Convenience and Necessity as contemplated by the provisions of A.R.S. Sec. 40-281 authorizing the construction and operation of a public water system within the area described as that portion of Section 18, Township 20 South, Range 20 East, G&SRB&M, Cochise County, Arizona lying North of State Highway 82 and East of State Highway 90, and to furnish a domestic and commercial water service to residences and business establishments therein; and

IT IS FURTHER ORDERED, that the rates and charges for said Company shall be:

$12.50 per month, per residential consumer (flat rate);

$15.00 per month, per business establishment (flat rate).

and

IT IS FURTHER ORDERED, that the books and records of the Sierra Sunset Water Company be kept separate and apart from those of the owner and/or any other enterprises; and

IT IS FURTHER ORDERED, that said books and records be reviewed and audited by representative of the Utilities Division of this Commission one (1) year from the date of this Order or as soon thereafter as possible, the primary purposes being rate justification, quality of service and modification of this Order as the Commission

MTP

may deem appropriate; and

IT IS FURTHER ORDERED, that Opinion and Order, Decision No. 43874 dated January 2, 1974 granting Buford Tourtillotte d/b/a Sierra Sunset Water Company an Order Preliminary to the issuance of a Certificate of Convenience and Necessity, be and same is hereby revoked.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, G. C. ANDERSON, JR., Executive Secretary of the Corporation Commission, have hereunto set my hand and caused the official seal of the Arizona Corporation Commission to be affixed at the Capitol, in the City of Phoenix, this 26th day of June, 1978.

G. C. ANDERSON, JR.
Executive Secretary

EDeC/kk

Arizona Corporation Commission
DOCKETED
FEB - 8 1984
DOCKETED BY C.M.

BEFORE THE ARIZONA CORPORATION COMMISSION

RICHARD KIMBALL
Chairman
DIANE B. McCARTHY
Commissioner
JUNIUS HOFFMAN
Commissioner

IN THE MATTER OF THE ARIZONA CORPORATION COMMISSION, Complainant, vs. MARION ROSALIE TOURTILLOTTE, dba SIERRA SUNSET WATER COMPANY, Respondent.	DOCKET NO. U-2240-83-194 DECISION NO. 53919 OPINION AND ORDER

DATE OF HEARING: November 2, 1984

PLACE OF HEARING: Tucson, Arizona

HEARING OFFICER: Evo J. De Concini

APPEARANCES: James M. Flenner, Chief Counsel, Legal Division, on behalf of the Arizona Corporation Commission;

Respondent did not appear.

FINDINGS OF FACT

1. On September 12, 1983, the Arizona Corporation Commission ("Commission"), by Decision No. 53738, issued a COMPLAINT AND ORDER TO SHOW CAUSE against the owners or alleged owners of the Sierra Sunset Water Company ("the Company"), ordering them to appear at a prescribed time and place to show cause why ". . . they should not be fined for violation of A.R.S. Sections 40-281 and 40-285 and why Decision No. 49106 should not be rescinded and the Certificate of Convenience and Necessity granted therein revoked". Said COMPLAINT AND ORDER TO SHOW

CAUSE was thereafter amended by PROCEDURAL ORDER dated September 21, 1983.

2. At the request of the Utilities Division Staff, the matter was continued and thereafter, on November 2, 1983, it came on for hearing before a duly authorized Hearing Officer of the Commission at its Offices in Tucson, Arizona.

3. Respondent failed to appear.

4. Sierra Sunset Water Company is believed to serve approximately 30 consumers in an area described as that portion of Section 18, Township 20 South, Range 20 East, G&SRB&M, Cochise County, Arizona, lying North of State Highway 82 and East of State Highway 90, approximately 10 miles North of Sierra Vista, Arizona.

5. Previous Orders contained in the captioned Docket, as well as oral testimony given at the hearing by an Inspector of the Utilities Division, reveal the following:

(a) An uncertificated Company by the name of Whetstone Water Company operated for many years in the geographical area heretofore described;

(b) After several problems with said Water Company were brought to our attention in 1968, the Commission tried unsuccessfully to get the owners of the Water Company to apply for a Certificate of Convenience and Necessity;

(c) In 1971, the Commission through the Office of the Attorney General, initiated legal action in the Superior Court of the State of Arizona in and for the County of Cochise, against the Whetstone Water Company and its various owners;

(d) On March 12, 1973, by Decision No. 27856, the Cochise County Superior Court, inter alia, ordered the Water Company and its owners to apply to the Arizona Corporation Commission for a Certificate of Convenience and Necessity;

(e) On August 1, 1973, Mr. Buford Tourtillotte, dba Sierra Sunset Water Company, made Application for an Order Preliminary to the issuance of a Certificate. After proper notice, on October 4, 1973, the Commission heard the Application and by Decision No. 43874, dated January 2, 1974 granted same;

(f) On July 19, 1975, and before obtaining the Certificate, Buford Tourtillotte died;

(g) On June 26, 1978, by Decision No. 49106, this Commission revoked the Order Preliminary granted in Decision No. 43874 AND issued a Certificate of Convenience and Necessity to Mrs. Marion Rosalie Tourtillotte, the surviving spouse;

(h) On April 28, 1979, Marion Rosalie Tourtillotte died;

(i) On September 21, 1981, Mr. D. A. Peardon, a resident of Lavonia, Michigan, and the alleged heir of the Water Company, requested authorization to transfer the Certificate of Convenience and Necessity of the Sierra Sunset Water Company and sell its assets;

(j) On March 11, 1982, a hearing on the Transfer Application was held in Sierra Vista, Arizona. Mr. Peardon, as the Applicant/Transferor failed to appear.

Instead, by way of an improper Power of Attorney, he attempted to authorize his uncle to represent him. The matter was continued and Mr. Peardon repeatedly advised what he had to do to accomplish the transfer; and

(k) Mr. Peardon failing to pursue his Transfer Application, on July 27, 1983, by Decision No. 53666, the Commission dismissed the Application.

6. According to the testimony of our Inspector, Mr. Peardon indicated that ". . . he would do almost anything to get rid of it . . ." (the Water Company). (Tr., p. 11).

7. The Certificate being in the name of a deceased person and the alleged heir to the property being unable or unwilling to pursue this matter, the Commission is of the opinion that the quickest way to resolve this dilemma is to revoke the Certificate and thus open the way for anyone else to apply for a new Certificate.

CONCLUSIONS OF LAW

1. The Arizona Corporation Commission has constitutional and statutory jurisdiction over the subject matter.

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2. The Commission may amend or revoke a Decision granting a Certificate of Convenience and Necessity.

ORDER

WHEREFORE, IT IS ORDERED, that Decision No. 49106 be, and the same is hereby rescinded and the Certificate of Convenience and Necessity granted therein to MARION ROSALIE TOURTILLOTTE, dba Sierra Sunset Water Company permanently revoked.

IT IS FURTHER ORDERED, that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, LORRIE DROBNY, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 8th day of February, 1984.

LORRIE DROBNY
Executive Secretary

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BEFORE THE ARIZONA CORPORATION COMMISSION

ERNEST GARFIELD
Chairman
BUD TIMS
Commissioner
JIM WEEKS
Commissioner

IN THE MATTER OF THE APPLICATION OF CLAIR INVERSON, DBA CRYSTAL WATER COMPANY, FOR AN ORDER PRELIMINARY TO THE ISSUANCE OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO SERVE WATER.	DOCKET NO. U-2316 DECISION NO. 49539 OPINION AND ORDER

DATE OF HEARING: August 10, 1978

PLACE OF HEARING: Tucson, Arizona

HEARING OFFICER: Evo J. De Concini

APPEARANCES: Clair Iverson, on behalf of Crystal Water Company;

Phil Reinecker and Dale Morgan, Investigators, Utilities Division (Tucson Office), on behalf of the Arizona Corporation Commission.

FINDINGS OF FACT

1. This matter was originally set for hearing on January 5, 1978, but was continued upon the Hearing Officer's determination that Applicant had failed to meet certain prerequisites. The hearing was set again for July 6, 1978, at which time Applicant failed to appear, and the matter was continued to this date.

2. Applicant's father operated this uncertificated water company for approximately seven (7) years. At his death two years ago, the company became the property of Applicant's mother, Margeurite Iverson, who has since quit-claimed it to Applicant, Clair Iverson.

3. The company is located approximately five miles north of Huachuca City in Cochise County, Arizona.

4. The system now serves thirteen (13) customers with little or no expansion anticipated.

5. Applicant has filed a statement purporting to represent his financial status at time of application.

6. The proposed area to be served is not presently

certificated nor do any known conflicts exist with other water companies governed by the regulatory provisions of the Arizona Corporation Commission.

7. Applicant has petitioned the Cochise County Board of Supervisors for the appropriate franchise and has requested the State Health Department's approval to operate the system.

8. Testimony from certain witnesses intimated to the Applicant's veracity and moral character.

CONCLUSIONS OF LAW

1. The procurement, distribution and sales of water by Mr. Iverson constitutes a public service subject to regulation by this Commission.

2. Applicant is a fit and proper person to assume the obligation of providing water service through the existing water system.

3. The unaudited financial statement filed by Mr. Iverson is adequate for the maintenance of the water system and plant.

4. The Commission is of the opinion that the granting of this Application would be in the public interest.

5. The Commission further believes that imposing metered rates, and demanding that Applicant install and maintain meters would serve no real purpose and could severely damage Applicant's financial structure.

ORDER

WHEREFORE, IT IS ORDERED, that the Application for an Order Preliminary is hereby approved and this Order shall constitute and be an Order Preliminary to the issuance of the Certificate of Convenience and Necessity authorizing Applicant to construct, operate and maintain, in conformity with the laws of the State of Arizona and the Rules and Regulations of this Commission, a public water utility within the area situated in the County of Cochise, State of Arizona, to wit:

...

...

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The W-1/2 of the NE-1/4 of the NW-1/4 of Section 13
The SW-1/4 of the NW-1/4 of Section 13
The E-1/2 of the E-1/2 of the E-1/2 of Section 14
T20S, R19E

and

IT IS FURTHER ORDERED, that the rates approved and which shall apply are as follows:

For each residential account a flat rate of $15.00 per month;

For each commercial account a flat rate of $20.00 per month.

All other rates and charges shall be in conformance with the Rules and Regulations Relating to the Operation of Domestic Water Utility Companies as heretofore adopted by the Commission; and

IT IS FURTHER ORDERED, that upon written proof of acquisition of State Health Department approval and filing of the appropriate franchise, an Order shall issue granting Applicant a Certificate of Convenience and Necessity.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, G. C. ANDERSON, JR., Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 13th day of December, 1978.

G. C. ANDERSON, JR.
Executive Secretary

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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM WEEKS
Chairman
BUD TIMS
Commissioner
JOHN AHEARN
Commissioner

IN THE MATTER OF THE APPLICATION OF CLAIR IVERSON, DBA CRYSTAL WATER COMPANY, FOR AN ORDER PRELIMINARY TO THE ISSUANCE OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO SERVE WATER IN THE EAST HALF (E½) OF THE EAST HALF (E½) OF THE EAST HALF (E½) OF SECTION 14, T20S, R19E, G&SRB&M, COCHISE COUNTY, ARIZONA.	DOCKET NO. U-2316 DECISION NO. 50757 OPINION AND ORDER

BY THE COMMISSION:

The above captioned matter was heard in Tucson, Arizona on August 10, 1978, and an Order Preliminary to the issuance of a Certificate of Convenience and Necessity was issued by Decision No. 49539 dated December 13, 1978.

The issuance of a Certificate of Convenience and Necessity would follow upon filing of an appropriate franchise and Arizona State Health Department approval. These documents have been filed and all requirements for the issuance of a Certificate of Convenience and Necessity have been met.

THEREFORE, IT IS ORDERED that a Certificate of Convenience and Necessity is hereby granted authorizing the operation of a domestic water system in the area set forth in the Order Preliminary.

IT IS FURTHER ORDERED that the rates set forth in Decision No. ~~40539~~ 49539 shall remain in effect.

dk

DOCKET NO. U-2316 DECISION NO. 50757

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Chairman Commissioner Commissioner

IN WITNESS WHEREOF, I, G. C. ANDERSON, JR., Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed at the Capitol in the City of Phoenix, this 18th day of March, 1980.

G. C. ANDERSON, JR.
Executive Secretary

EXHIBIT

11

AUDITORS' REPORT
FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
2005

ALGONQUIN POWER
Income Fund

Auditors' Report

To the Unitholders of Algonquin Power Income Fund

We have audited the consolidated balance sheets of Algonquin Power Income Fund as at December 31, 2005 and 2004 and the consolidated statements of earnings and deficits and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

(signed) KPMG LLP

Toronto, Canada
March 7, 2006

Consolidated Balance Sheets

December 31, 2005 and December 31, 2004
(thousands of Canadian dollars)

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 11,363	$ 34,348
Accounts receivable	29,206	25,819
Prepaid expenses	1,918	2,060
Current portion of notes receivable (note 3)	2,791	2,589
Future income tax asset (note 11)	-	18
	45,278	64,834
Long-term investments (note 3)	57,489	48,561
Future non-current income tax asset (note 11)	7,719	6,425
Capital assets, net of accumulated amortization (note 4)	627,652	610,756
Intangible assets, net of accumulated amortization (note 5)	76,848	83,677
Restricted cash	3,458	3,728
Deferred costs (net of accumulated amortization of $2,425, (2004 - $1,383)	5,357	6,815
	$ 823,801	$ 824,796
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 28,585	$ 33,105
Due to Algonquin Power Group (note 12)	62	99
Cash distribution payable	10,677	10,677
Current portion of long-term liabilities (notes 7 and 9)	1,445	1,666
Current income tax liability	435	596
Future income tax liability (note 11)	1,143	1,449
	42,347	47,592
Long-term liabilities (notes 6 and 7)	157,002	120,085
Convertible debentures (note 8)	85,000	85,000
Other long-term liabilities (note 9)	10,435	8,960
Deferred credits	19,102	12,124
Future non-current income tax liability (note 11)	56,917	55,764
Unitholders' equity		
Trust units (note 10)	654,176	654,176
Deficit	(201,178)	(158,905)
	452,998	495,271
Commitments and contingencies (notes 2 and 13)		
Guarantees (note 20)		
Subsequent events (note 21)		
	$ 823,801	$ 824,796

See accompanying notes to the consolidated financial statements

Approved by the Trustees

(signed) George Steeves (signed) Ken Moore

Consolidated Statements of Earnings and Deficit

For the years ended December 31, 2005 and December 31, 2004
(thousands of Canadian dollars except per trust unit)

	2005	2004
Revenue		
Energy sales	$ 136,038	$ 122,981
Waste disposal fees	13,031	14,086
Water reclamation and distribution	28,371	23,456
Other revenue	1,884	-
	179,324	160,523
Expenses		
Operating	106,691	94,640
Amortization of capital assets	27,325	26,730
Amortization of intangible assets	6,463	5,565
Management costs (note 12)	825	777
Administrative expenses	5,681	5,596
Withholding taxes	1,177	483
Gain on foreign exchange	(1,744)	(2,601)
	146,418	131,190
Earnings before undernoted	32,906	29,333
Interest expense	(16,379)	(12,440)
Interest, dividend and other income (note 17)	11,398	10,943
Write down of fixed assets and intangible assets (notes 4 and 5)	(3,533)	(1,932)
	(8,514)	(3,429)
Earnings before income taxes and minority interest	24,392	25,904
Current income taxes (note 11)	854	1,105
Future income taxes (note 11)	1,750	1,180
	2,604	2,285
Minority interest	-	817
Net earnings	21,788	22,802
Deficit, beginning of year	(158,905)	(118,337)
Cash distributions (note 15)	(64,061)	(63,370)
Deficit, end of year	$ (201,178)	$ (158,905)
Basic and diluted net earnings per trust unit (note 16)	$ 0.31	$ 0.33

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31, 2005 and December 31, 2004
(thousands of Canadian dollars)

	2005	2004
Operating Activities		
Net earnings	$ 21,788	$ 22,802
Items not affecting cash		
Amortization of capital assets	27,325	26,730
Amortization of intangible assets	6,463	5,565
Other amortization	1,339	2,331
Minority interest	-	817
Distribution received in excess of equity income	208	(16)
Future income taxes	1,750	1,180
Write down of fixed and intangible assets	3,533	1,932
AirSource commitment fee (note 3)	3,228	500
Gain on foreign exchange	(2,023)	(2,460)
	63,611	59,381
Changes in non-cash operating working capital	(7,932)	7,204
	55,679	66,585
Financing Activities		
Cash distributions	(64,061)	(63,370)
Issue costs of trust units	-	(700)
Convertible debenture issue (note 8)	-	85,000
Expenses of convertible debenture issue (note 8)	205	(4,100)
Deferred costs	(1,154)	(2,305)
Increase in long-term liabilities	93,080	30,000
Decrease in long-term liabilities	(55,310)	(71,969)
Deferred credits	(290)	426
Other	317	(1,117)
	(27,213)	(28,135)
Investing Activities		
Decrease in restricted cash	270	235
Receipt of principal on notes receivable	9,697	21,988
Additions to capital assets	(15,912)	(17,336)
Acquisition of notes receivable	(16,241)	(13,917)
Acquisitions of operating entities net of cash acquired (note 2)	(28,952)	(15,159)
	(51,138)	(24,189)
Effect of exchange rate differences on cash and cash equivalents	(313)	(1,151)
Increase / (decrease) in cash and cash equivalents	(22,985)	13,110
Cash and cash equivalents, beginning of year	34,348	21,238
Cash and cash equivalents, end of year	$ 11,363	$ 34,348
Supplemental disclosure of cash flow information		
Cash paid during the year for interest expense	$ 15,753	$ 9,441
Cash paid during the year for income taxes	$ 871	$ 1,624
Non-cash		
Issue of trust units to retire convertible debentures of KMS	$ -	$ 16,663

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars except as noted and per trust unit)

Algonquin Power Income Fund (the "Fund") is an open-ended, unincorporated trust established pursuant to the Declaration of Trust dated September 8, 1997, as amended, under the laws of the Province of Ontario. The Fund's principal business activity is the ownership, directly or indirectly, of generating and infrastructure facilities, through investments in securities of subsidiaries including limited partnerships and other trusts. The activities of the subsidiaries may be financed through equity contributions, interest bearing notes and third party project debt as described in the notes to the financial statements. The revolving credit facility and the convertible debentures are direct obligations of the Fund.

The Trustees declare on a monthly basis, distributions to the Unitholders. Currently such distributions are $0.92 per unit on an annualized basis.

The Fund is managed by Algonquin Power Management Inc. ("APMI"), a company wholly owned by the four principal employees of APMI who provide management services for the Fund. A majority of the shareholders of APMI indirectly own Algonquin Airlink Limited Partnership which owns an aircraft the Fund charters. The shareholders of APMI own Algonquin Property LP which leases the corporate office to the Fund. Collectively, these entities are referred to as the Algonquin Power Group.

1. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in Canada and include the consolidated accounts of all of its subsidiaries. The Fund consolidates its proportionate share in the Valley Power Limited Partnership.

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"). AcG-15 addresses the application of consolidation principles to certain entities that are subject to control on a basis of control other then ownership of voting interests. AcG-15 addresses when an enterprise should include the assets, liabilities and results of activities of such an entity in its consolidated financial statements. The Fund adopted AcG-15 on a retroactive basis. The adoption had no impact on net earnings or opening deficit.

All significant intercompany transactions and balances have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents include cash deposited at banks and highly-liquid investments with original maturities of 90 days or less.

(c) Restricted cash

Cash reserves segregated from the Fund's cash balances are maintained in accounts administered by a separate agent and disclosed separately in these consolidated financial statements as the Fund cannot access this cash without the prior authorization of parties not related to the Fund.

(d) Capital assets

Capital assets, being land, facilities and equipment, are recorded at cost. Development costs, including the cost of acquiring or constructing facilities together with the related interest costs during the period of construction are capitalized. Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

The facilities and equipment, which include overhauls, are amortized on a straight-line basis over their estimated useful lives. For facilities these periods range from 15 to 40 years. Facility equipment is amortized over 2 to 10 years.

(e) Intangible assets

Power purchase contracts acquired are amortized on a straight-line basis over the remaining term of the contract. These periods range from 6 to 15 years from date of acquisition.

Customer relationships are amortized on a straight-line basis over 40 years.

(f) Impairment of long-lived assets

The Fund reviews capital assets and intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to expected future cash flows. If the carrying amount exceeds the expected future cash flows, the asset is written down to its fair market value.

(g) Notes receivable

Notes receivable are carried at cost. A provision for credit losses on notes receivable is charged to the statement of earnings and deficit to cover any losses of principal and accrued interest.

(h) Deferred costs

Deferred costs, which include the costs of arranging the credit facility, costs associated with the issuance of convertible debentures, costs associated with periodic customer rate reviews with the utility governing bodies for the water reclamation and distribution facilities, are amortized on a straight-line basis over the term of the expected benefit being 2 to 7 years.

(i) Long-term investments

Investments in which the Fund has significant influence but not control or joint control are accounted using the equity method. The Fund records its share in the income or loss of its investees in interest, dividend and other income in the consolidated statement of earnings and deficit. All other equity investments where the Fund does not have significant influence or control are accounted for under the cost method. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in value, distributions of earnings and additional investments.

(j) Deferred credits

Certain of the water companies receive advances from developers for water and sewage main extensions. The amounts advanced are generally repaid over a period of 10 years based on 10% of the revenues generated by the housing/development in the area developed. Generally, advances not refunded within the specified period are not required to be repaid. The estimate of non-refundable amounts is credited against capital assets. The Fund also receives contributions in aid of construction with no repayment requirements in which the full amount is immediately treated as a capital grant and netted against capital assets.

Deferred water rights result from a hydroelectric generating facility which has a fifty-year water lease with the first ten years of the water lease requiring no payment. An average rate was estimated over the life of the lease and a deferral was booked based on this estimate which is being drawn down in the last forty years.

Commitment fees received associated with the financing to AirSource are amortized over the term of the financing facility, being 9 years (note 3).

(k) Recognition of revenue

Revenue derived from energy sales, which are mostly under long-term power purchase contracts, is recorded at the time electrical energy is delivered.

Water reclamation and distribution revenues are recorded when delivered to customers.

Revenue from waste disposal is recognized on actual tonnage of waste delivered to the plant at prices specified in the contract. Certain contracts include price reductions if specified thresholds are exceeded. Revenue for these contracts are recognized based on actual tonnage at the expected price for the contract year and any amount billed in excess of the expected rate is deferred.

Interest and dividend income from long-term investments is recorded as earned.

(l) Foreign currency translation

The Fund's United States subsidiaries and partnership interests are considered to be functionally integrated with the Canadian operations. All monetary assets and liabilities denominated in United States dollars are translated into Canadian dollars at year-end exchange rates, whereas non-monetary assets and liabilities are translated at the rate in effect at the transaction date. The revenues and expenses of these integrated operations are translated at the average rate of exchange in effect during the period. The foreign currency translation adjustment is reflected in the consolidated statement of earnings and deficit. Amortization of assets translated at historical exchange rates are translated at the same exchange rate as the assets to which they relate.

(m) Derivatives contracts

The Fund enters into forward contracts to hedge against possible fluctuations in its exposure to the US dollar. Gains and losses from these activities are reported as adjustments to the related revenue account as they are settled and no balance is carried on the consolidated balance sheet.

The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(n) Asset retirement obligations

The fair value of estimated asset retirement obligations is recognized in the consolidated balance sheets when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and included in amortization expense on the consolidated statement of earnings and deficit. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of earnings and deficit. Actual expenditures incurred are charged against the accumulated obligation.

(o) Income taxes

As the Fund is an unincorporated trust, it is entitled to deduct distributions to unitholders to the extent of its taxable income and consequently, it is expected that the Fund will not be liable for any material tax as this will be the responsibility of the individual unitholder. Any provision for income taxes will relate solely to the income taxes of the Fund's wholly owned subsidiaries.

Income taxes are accounted for using the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against future tax assets to the extent that it is more likely than not the future tax asset will not be realized.

(p) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. During the years presented, management has made a number of estimates and valuation assumptions, including the useful lives and recoverability of capital assets and intangible assets, the recoverability

of notes receivable and long-term investments, the recoverability of future tax assets, the portion of aid-in construction payments that will not be repaid, and the fair value of financial instruments and derivatives. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

(q) Comparatives

Certain comparative amounts have been reclassified to conform with current year financial presentation.

2. Acquisitions

A) i) On March 11, 2005, the Fund purchased all the assets used in the operation of five water distribution and water reclamation facilities ("the systems") for cash consideration of $11.2 million (US $ 9.4 million). A deposit in the amount of $1.4 million (US $1.0 million) was paid in 2004. The systems, which in aggregate serve approximately 4,200 equivalent residential connections, are located in Texas and Illinois. The purchase and sale agreement provided for the acquisition of 3 additional assets, subject to regulatory approval, located in Missouri serving approximately 1,000 customers, for a purchase price of $4.6 million (US $3.8 million). On August 14, 2005, the Fund received approval from the regulator and completed the Missouri acquisitions. The Fund also incurred $0.4 million (US $0.3 million) of acquisition costs.

ii) On September 21, 2005, the Fund purchased the Beaver Falls Hydro Plant, a 2.5 MW hydro electric generating station located in Beaver Falls, New York, for cash consideration of $1.0 million (US $0.8 million). Electrical energy produced by the facility is sold to Niagara Mohawk under a power sales contract which expires in 2019. The Fund also incurred $0.1 million (US $0.1 million) of acquisition costs. The Fund has included $1.8 million (US $1.5 million) in deferred credits related to below market hydro rates in the power purchase agreement which will be amortized over the term of the agreement.

iii) On December 2, 2005, the Fund acquired the shares of Rio Rico Utilities Inc. ("Rio Rico") located in the Town of Rio Rico, Arizona, for $10.2 million (US $8.8 million), in the Infrastructure operating segment. The company owns and operates the potable water distribution and water reclamation utility assets. The Fund also incurred $0.2 million (US $0.2 million) of acquisition costs. The Fund will also pay to the vendor for additional customers connected with Rio Rico over the next three years. At December 31, 2005, Rio Rico services approximately 7,200 water and wastewater customers.

The acquisitions have been accounted for using the purchase method, with earnings from operations included since the date of acquisition. The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Infrastructure	Hydroelectric	Total
Working capital	$ 609	$ -	$ 609
Fixed assets	19,647	2,910	22,557
Intangible assets	3,361	-	3,361
Future non-current income tax asset	3,369	-	3,369
Customer deposits	(154)	-	(154)
Deferred credits	(163)	(1,770)	(1,933)
Total purchase price	26,669	1,140	27,809
Less: cash acquired	(187)	-	(187)
Less: deposit paid in 2004	(1,368)	-	(1,368)
Cash consideration paid	$ 25,114	$ 1,140	$ 26,254

Intangible assets in infrastructure include customer relationships that are amortized over 40 years.

B) On September 30, 2004, the Fund acquired an interest in 12 landfill gas powered generating stations (the "LFG Facilities") representing approximately 36MW of installed capacity for total consideration of $11,374 (US $9,000). The majority of the LFG facilities were commissioned in the late 1990's. The electricity produced is sold to a number of large utilities pursuant to long-term power purchase agreements with an average termination date of 2011.

The acquisition has been accounted for using the purchase method, with earnings from operations included from the date of acquisition.

The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Alternative Fuels
Working capital	$ 1,350
Capital assets	8,621
Intangible assets	1,746
Total purchase price	11,717
Less: cash acquired	(343)
Cash consideration paid	$ 11,374

Intangible assets represent the value of power purchase contracts acquired with the LFG facilities and are amortized over the remaining life of the contracts from date of acquisition ranging from 1 to 16 years.

C) In accordance with the purchase and sale agreements of Litchfield Park and Woodmark Utility Company additional amounts are required to be paid to the vendors for additional customers connected to the facilities. For Litchfield Park, these payments continue until 2008 and for Woodmark until 2007. The additional payments of $2,698 (2004-$3,783) are capitalized as part of the customer relationship intangible asset, gross of future income taxes of $1,627 (2004-$2,279).

	2005	2004
Litchfield Park	$ 2,584	$ 3,624
Woodmark	114	159
	$ 2,698	$ 3,783
In US$	$ 2,300	$ 2,944

3. Long-term investments

	2005	2004
Debt and equity interests, ranging in ownership between 12.1% to 32.4%, in four generating facilities.	$ 27,346	$ 30,556
A 45% partnership interest in the Algonquin Power (Rattle Brook) Partnership	3,719	3,787
A 50% partnership interest in Campbellford Limited Partnership	392	-
	31,457	34,343
Campbellford Note Note bearing interest of 9.9415% repayable in monthly blended installments (principal and interest) of $32, maturing February 28, 2015.	-	3,023
Across America Note Note bearing interest of 12.00% repayable in quarterly installments, (principal and interest) of US$ 635, maturing January 31, 2008.	6,185	8,004
Airsource Note Note bearing interest of 11.189% maturing September 30, 2014. Interest decreases to 10.739% after conversion. No principal payments until January 1, 2009.	20,481	5,512
Airlink Advance (note 12) Advance for expense reimbursement for business use of aircraft	1,212	-
Other	945	268
	28,823	16,807
	60,280	51,150
Less: current portion	2,791	2,589
	$ 57,489	$ 48,561

The above notes are secured by the underlying assets of the respective facilities.

On September 1, 2005, the principal on the Campbellford Note of $4,738 was repaid. On this date, consolidation of the Campbellford investment ceased and equity accounting commenced. The proceeds of $4,738 were allocated to reduce the existing note receivable and the existing investment in Campbellford. A prepayment fee is due as a result of the early prepayment and included in other above.

During 2005, the Fund has provided an additional $14,969 of financing to AirSource Power Fund I LP ("AirSource") for the construction of the wind farm in St. Leon and $15,395 in letters of credit. The total outstanding balance at December 31, 2005 was $20,481. The Fund received a $3,228 commitment fee in 2005, which has been deferred and is being amortized over the term of the financing facility being 9 years. The Fund's total commitment to AirSource is $74,400.

4. Capital assets

	2005		
	Cost	**Accumulated amortization**	**Net book value**
Land	$ 11,504	$ -	$ 11,504
Facilities	712,845	104,650	608,195
Equipment	14,584	6,631	7,953
	$ 738,933	$ 111,281	$ 627,652

Facilities include $90,296 (2004 - $89,889) of net assets under capital lease and $8,433 (2004 - $849) of construction in process. In addition, $11,329 (2004 - $18,557) of contributions received in aid of construction have been credited to facilities cost.

The Fund has entered into an agreement to sell steam from the Algonquin Power Energy-from-Waste facility to an industrial customer located in close proximity to the Algonquin Power Energy-from-Waste facility. To effect such sales, the Fund will incur the costs of certain additional steam generation and transmission assets. The Fund has committed to contractual arrangements to the project totaling approximately $9,800. The Fund has incurred amounts totaling $2,418 (2004 -$849) included in assets under construction. APC is entitled to 50% of the cashflow above 15% return on investment.

During 2005, the Fund wrote down the cost of both the capital asset and intangible asset related to the Crossroads facility located in New Jersey to its estimated fair value.

	2004		
	Cost	**Accumulated amortization**	**Net book value**
Land	$ 11,504	$ -	$ 11,504
Facilities	676,120	85,228	590,892
Equipment	12,623	4,263	8,360
	$ 700,247	$ 89,491	$ 610,756

During 2004, the Fund wrote off the cost of both the capital asset and intangible asset related to the Joliet facility located in Illinois. Management deemed that the facility was no longer economically viable.

5. Intangible assets

	2005		
	Cost	Accumulated amortization	Net book value
Power purchase contracts	$ 73,966	$ 25,234	$ 48,732
Customer relationships	29,109	1,167	27,942
Licenses and agreements	696	522	174
	$ 103,771	$ 26,923	$ 76,848

	2004		
	Cost	Accumulated amortization	Net book value
Power purchase contracts	$ 73,966	$ 11,417	$ 62,549
Customer relationships	21,423	528	20,895
Licenses and agreements	696	463	233
	$ 96,085	$ 12,408	$ 83,677

6. Revolving credit facility

In August 2005, the Fund renewed its revolving credit facility with a syndicate of Canadian banks. The credit facility matures August 30, 2007, and has a total credit limit of $145,000 and includes a $20,000 operating line. At December 31, 2005, $69,300 (2004 - $30,000) has been drawn on the revolving credit facility and no amount was outstanding on the operating line. In addition, the availability of the revolving credit facility has been reduced by $44,883 (2004- $30,878) for certain outstanding letters of credit. The terms of the credit agreement require the Fund to pay a standby charge of 0.30% on the unused portion of the revolving credit facility and maintain certain financial covenants. The facility is secured by a fixed and floating charge over all Fund entities.

7. Long-term liabilities

	2005	2004
Senior Debt Long Sault Rapids		
Interest at rates varying from 10.16% to 10.21% repayable in monthly blended installments of $402, maturing December, 2028.	$ 42,868	$ 43,310
Senior Debt Chute Ford		
Interest rate of 11.55% repayable in monthly blended installments of $64, maturing April, 2020.	5,335	5,473
Sanger Bonds		
California Pollution Control Finance Authority Variable Rate Demand Resource Recovery Revenue Bonds Series 1990A, payable monthly, maturing September, 2020. US $19,200. The effective interest rate for 2005 is 2.50%. (2004 – 1.29%).	22,385	23,109
Bella Vista Water Loans		
Water Infrastructure Financing Authority of Arizona Interest rates of 6.10% and 6.26% repayable in monthly and quarterly installments, maturing December, 2017 and March, 2020. The balance of these notes at December 31, 2005 was US $134 and US $1,802 respectively (2004 – US $141 and US $1,872).	2,257	2,422
Litchfield Park Service Company Bonds		
1999 and 2001 IDA Bonds. Interest rates of 5.87% and 6.71% repayable in semi-annual installments, maturing October 2023 and October 2031. The balance of these notes at December 31, 2005 was US $5,086 and US $8,339, respectively (2004 – US $5,254 and US $8,423).	15,653	16,462
Revolving credit facility (note 6)		
Revolving line of credit interest rate is equal to bankers acceptance or LIBOR plus 1.125 %. The effective rate of interest for 2005 was 4.16% (2004 – 4.56%).	69,300	30,000
Other	209	241
	$ 158,007	$ 121,017
Less: current portion	(1,005)	(932)
	$ 157,002	$ 120,085

Each of the facility level debt is secured by the respective facility with no other recourse to the Fund. The loans have certain financial covenants, which must be maintained on a quarterly basis. Non compliance with the covenants could restrict cash distributions to the Fund from specific facilities. Interest paid on the long-term liabilities was $9,588 (2004 – $12,000).

Principal payments due in the next five years and thereafter are:

2006	$ 1,005
2007	1,097
2008	70,503
2009	1,313
2010	1,440
Thereafter	82,649
	$ 158,007

8. Convertible debentures

In 2004, the Fund issued 85,000 convertible unsecured subordinated debentures at a price of $1 per debenture for gross proceeds of $85,000 and net proceeds of $81,105. The debenture issue costs of $3,895 are deferred and amortized over the term of the convertible debentures. The debentures are due July 31, 2011 and bear interest at 6.65% per annum, payable semi-annually in arrears on January 31 and July 31 each year. The convertible debentures are convertible into trust units of the Fund at the option of the holder at a conversion price of $10.65 per trust unit, being a ratio of approximately 93.8967 trust units per $1 principal amount of debentures in trust units or cash. The debentures may not be redeemed by the Fund prior to July 31, 2007. The Fund performed an evaluation of the embedded holder option and determined that its value was nominal and as a result the entire amount of the debenture is classified as a liability.

Total interest on the convertible debentures in 2005 was $5,653 (2004 - $2,555).

9. Other long-term liabilities

	2005	2004
Subsidy		
A portion of the revenue received by a subsidiary of the Fund for the sale of electricity was considered a subsidy. US $3,685.	$ 4,049	$ 3,942
Bonds Payable		
Obligation to the City of Sanger due October 1, 2011 at interest rates varying from 5.15% to 5.55%. US $1,205 (2004 – US $1,370).	1,405	1,649
Customer Deposits		
Each facility in the Infrastructure Division is obligated by its respective State Regulator to collect a deposit from each customer of its facilities when services are connected. The deposits are refundable when allowed under the facilities' regulatory agreement.	3,061	2,850
Capital Leases		
Obligation for equipment leases.	2,360	853
Other	-	400
	10,875	9,694
Less: current portion	(440)	(734)
	$ 10,435	$ 8,960

Principal payments due in the next five years and thereafter are:

2006	$ 440
2007	4,497
2008	404
2009	274
2010	275
Thereafter	4,985
	$ 10,875

Interest paid on other long-term liabilities was $315 (2004 – $440).

10. Trust units

Authorized trust units

The Declaration of Trust provides that an unlimited number of units may be issued. Each unit represents an undivided beneficial interest in any distribution from the Fund and in the net assets in the event of termination or wind-up. All units are the same class with equal rights and privileges.

Trust units are redeemable at the holder's option at amounts related to market prices at the time subject to a maximum of $250 in cash redemptions in any particular calendar month. Redemptions in excess of this amount shall be paid by way of a distribution in kind of a pro rata amount of certain of the Fund's assets, including the securities purchased by the Fund, but not to include the generating facilities.

Issued trust units

	Number of units	Amount
Balance as at December 31, 2003	67,887,612	$ 638,213
Issued pursuant to acquisition of the remaining 52.7% of the outstanding principal amount of convertible debentures of KMS Power Income Fund.	1,803,980	16,663
Issue costs		(700)
Balance as at December 31, 2005 and 2004	69,691,592	$ 654,176

11. Income taxes

The provision for income taxes in the consolidated statements of earnings represents an effective tax rate different than the Canadian enacted statutory rate of 33.61% (2004 – 33.66%). The differences are as follows:

	2005	2004
Earnings before income tax and minority interest	$ 24,392	$ 25,904
Less: income taxed directly in hands of unitholders, not the Fund	(35,163)	(36,090)
Earnings / (losses) of taxable entities	(10,771)	(10,186)
Computed income tax expense (recovery) at Canadian statutory rate	(3,620)	(3,429)
Increase (decrease) resulting from:		
Change in substantively enacted tax rate	1,259	-
Operating in countries with different income tax rates	223	996
Valuation allowances	9,191	6,090
Manufacturing and processing deduction	121	53
Large corporations tax, alternative minimum tax and state taxes	8	249
Unrealized foreign exchange rate difference	(680)	(828)
Other	(3,898)	(846)
Income tax expense	$ 2,604	$ 2,285

The tax effect of temporary differences at the Fund's subsidiaries that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2005 and 2004 are presented below:

	2005	2004
Future tax assets:		
Non-capital loss, debt restructuring charges and currently non-deductible interest carryforwards	$ 15,079	$ 14,626
Unrealized foreign exchange differences on US entity debt	17,330	15,109
Customer advances in aid of construction – difference between net book value and tax value	4,572	3,794
Total future tax assets	36,981	33,529
Less: Valuation allowance	(33,193)	(24,002)
	3,788	9,527
Future tax liabilities:		
Capital assets – differences between net book value and undepreciated capital cost	(39,690)	(43,495)
Intangible assets – difference between net book value and cumulative eligible capital	(12,759)	(15,678)
Other	(1,680)	(1,124)
Total future tax liabilities	(54,129)	(60,297)
Net future tax liability	$ (50,341)	$ (50,770)
Classified in the financial statements as:		
Future current income tax asset	$ -	$ 18
Future non-current income tax asset	7,719	6,425
Future current income tax liability	(1,143)	(1,449)
Future non-current income tax liability	(56,917)	(55,764)
	$ (50,341)	$ (50,770)

At December 31, 2005, the Fund itself has financing expenses and underwriters' fees of $4,665 (2004 - $9,148) which will be deductible by the Fund and which will reduce the ultimate amount taxable to the unitholders over the next four years. This will be offset by additions to the unitholders' taxable income since the Fund's capital assets have an accounting basis which exceeds their tax basis by $8,111 (2004 - $6,643). In addition, two trusts wholly owned by the Fund have capital assets with an accounting basis which exceeds their tax basis by $1,706 (2004 - $3,850).

12. Algonquin Power Group

In addition to the transactions described in note 3 with AirSource and note 4 with APC, the following related party transactions occurred:

APMI provides management services including advice and consultation concerning business planning, support, guidance and policy making and general management services. In 2005 and 2004, APMI was paid on a cost recovery basis for all costs incurred and charged $825 (2004-$777). APMI is also entitled to an incentive fee of 25% on all distributable cash generated in excess of $0.92 per trust unit. During 2005 and 2004 no incentive fees were earned by APMI.

The Fund has leased its head office facilities since 2001 from an entity owned by the shareholders of APMI on a net basis. Base lease costs for 2005 were $296 (2004 - $263) and additional rent representing operating cost was $198 (2004 - $120).

When appropriate for use in its operations the Fund utilizes chartered aircraft, including the use of an aircraft owned by an affiliate of APMI. The Fund entered into an agreement and remitted $1.3 million to the affiliate as an advance against expense reimbursement (including engine utilization reserves) for the Fund's business use of the aircraft. Under the terms of this arrangement, the Fund will have priority access to make use of the aircraft for a specified number of hours at a cost equal solely to the third party direct operating costs incurred when flying the aircraft; such direct operating costs do not provide the affiliate with any profit or return on or of the capital committed to the aircraft.

13. Contingencies

(a) Land and Water Leases

Certain of the operating entities have entered into agreements to lease either the land and/or the water rights for the hydroelectric generating facility or to pay in lieu of property tax an amount based on electricity production. The terms of these leases continue up to 2048. These payments typically have a fixed and variable component. The variable fee is generally linked to actual power production or gross revenue. The Fund incurred $2,394 during 2005 (2004 - $2,919) in respect of these agreements for the consolidated facilities.

(b) Contingencies

The Fund and its subsidiaries are involved in various claims and litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Fund's exposure to such litigation to be material to these financial statements.

14. Fair value of financial instruments and derivatives

The carrying amount of the Fund's cash and cash equivalents, accounts receivable, funds held in reserve, accounts payable and accrued liabilities, due to Algonquin Power Group and cash distribution payable, approximate fair market value.

The carrying amount of the Fund's long-term investments is dependant on the underlying operations and accordingly a fair value is not readily available. The Fund has long-term liabilities at fixed interest rates. The fair value of these long-term liabilities at current rates would be $160,284 (2004 - $121,931). The book value of these long-term liabilities is $158,007 (2004 - $121,017). The fair value of other long-term liabilities approximates their carrying value, with the exception of the Joliet subsidy which is not readily available.

Deferred credits include payments made by developers to the Infrastructure Division of which a portion based on revenue for the development in question needs to be paid back over time. These amounts do not bear interest and the amount to be repaid is uncertain and not determinable. The carrying value is estimated based on historical payment patterns.

The Fund has entered into foreign exchange contracts to manage its exposure to the US dollar as significant cash flows are generated in the US. The Fund sells specific amounts of currencies at predetermined dates and exchange rates which are matched with the anticipated operational cash flows. Contracts in place at December 31, 2005 amounted to US $97,808 until 2010 at a weighted average exchange rate of $1.34. The fair value of the outstanding futures contracts is $17,053 at December 31, 2005 (2004 – $16,600).

15. Cash distributions

Distributable income, is distributed monthly. Distributions are declared to unitholders of record on the last day of the month and are distributed 45 days after declaration. The monthly distribution for 2005 was $0.0766 per trust unit for each month for a total of $0.92 for 2005, the same as 2004.

16. Basic and diluted net earnings per trust unit

Net earnings per trust unit has been calculated using the weighted average number of units outstanding during the year. The weighted average number of units outstanding for 2005 was 69,691,592 (2004 – 68,821,431). The net earnings per trust unit for 2005 was $0.31 (2004 - $0.33). The effect of conversion of the convertible debentures into

trust units was not included in the computation of fully diluted net earnings per trust unit as the effect of conversion would be anti-dilutive.

17. Other income

Other income includes the following items:

	2005	2004
Interest income	$ 4,884	$ 2,846
Dividend income	3,470	2,928
Income from note receivable prepayment	-	3,634
Sale of gas collection partnership interest	1,204	-
Equity income	333	378
Other	1,507	1,157
	$ 11,398	$ 10,943

18. Segmented information

	2005	2004
Revenue		
Canada	$ 48,679	$ 51,725
United States	130,645	108,798
	$ 179,324	$ 160,523
Capital assets		
Canada	$ 309,669	$ 319,445
United States	317,983	291,311
	$ 627,652	$ 610,756
Intangible assets		
Canada	$ 25,260	$ 27,262
United States	51,588	56,415
	$ 76,848	$ 83,677

Revenues are attributable to the two countries based on the location of the underlying generating and infrastructure facilities.

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas cogeneration, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined on the following page:

	Year ended December 31, 2005					
Revenue	**Hydro**	**Cogeneration**	**Alternative Fuel**	**Infrastructure**	**Admin**	**Total**
Energy sales	44,102	75,674	16,262	-	-	136,038
Waste disposal fees	-	-	13,031	-	-	13,031
Water reclamation and distribution	-	-	-	28,371	-	28,371
Other revenue	-	1,884	-	-	-	1,884
Total Revenue	44,102	77,558	29,293	28,371	-	179,324
Operating expenses	17,008	52,822	25,014	11,847	-	106,691
Operating profit	27,094	24,736	4,279	16,524	-	72,633
Other administration costs	(99)	-	(130)	(106)	(5,604)	(5,939)
Interest expense	(5,068)	(987)	(385)	(1,140)	(8,799)	(16,379)
Interest, dividend and other income	1,250	3,471	6,494	44	139	11,398
Write down of capital and intangible assets	-	(3,533)	-	-	-	(3,533)
Amortization of capital assets	(9,672)	(6,714)	(5,155)	(5,784)	-	(27,325)
Amortization of intangible assets	(1)	(3,429)	(2,336)	(697)	-	(6,463)
Earnings before income taxes and minority interest	13,504	13,544	2,767	8,841	(14,264)	24,392
Capital assets	276,850	91,591	93,072	166,139	-	627,652
Intangible assets	20	22,295	26,438	28,095	-	76,848
Capital expenditures	436	(120)	5,234	10,127	235	15,912
Acquisition of operating entities	1,140	-	-	27,812	-	28,952
Total assets	295,834	146,158	162,431	206,900	12,478	823,801

	Year ended December 31, 2004					
Revenue	**Hydro**	**Cogeneration**	**Alternative Fuel**	**Infrastructure**	**Admin**	**Total**
Energy sales	43,268	71,846	7,867	-	-	122,981
Waste disposal fees	-	-	14,086	-	-	14,086
Water reclamation and distribution	-	-	-	23,456	-	23,456
Total Revenue	43,268	71,846	21,953	23,456	-	160,523
Operating expenses	18,070	50,597	15,124	10,849	-	94,640
Operating profit	25,198	21,249	6,829	12,607	-	65,883
Other administration costs	(137)	-	(152)	(84)	(3,882)	(4,255)
Interest expense	(5,177)	(772)	(355)	(1,135)	(5,001)	(12,440)
Interest, dividend and other income	1,185	4,024	1,352	9	4,373	10,943
Write down of capital and intangible assets	-	-	(1,932)	-	-	(1,932)
Amortization of capital assets	(9,598)	(6,741)	(4,901)	(5,490)	-	(26,730)
Amortization of intangible assets	(1)	(2,849)	(2,212)	(503)	-	(5,565)
Earnings before income taxes and minority interest	11,470	14,911	(1,371)	5,404	(4,510)	25,904
Capital assets	285,860	90,868	94,562	139,466	-	610,756
Intangible assets	21	33,775	28,775	21,106	-	83,677
Capital expenditures	-	1,514	476	14,833	513	17,336
Acquisition of operating entities	-	-	11,374	3,785	-	15,159
Total assets	307,280	158,023	150,234	176,159	33,100	824,796

All energy sales are earned from contracts with large public utilities. The following utilities contributed more than 10% of these total revenues in either 2005 or 2004: Ontario Electricity Financial Corporation 7% (2004 – 10%), Hydro Québec 13% (2004-15%), Pacific Gas and Electric 12% (2004-15%), and Connecticut Light and Power 25% (2004-24%). The Fund has mitigated its credit risk to the extent possible by selling energy to these large utilities in various North American locations.

19. Joint venture investments

		Fund's Proportionate Share					
	Ownership Interest	Income / (loss) Before Income Tax Year ended December 31		Net Assets December 31		Cashflow Generated from Operations Year ended December 31	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Valley Power Limited Partnership	50%	$ 152	$ 281	$ 8,463	$ 9,016	$ 746	$ 875
Campbellford Limited Partnership	50%	(94)	-	3,312	-	140	-
		$ 58	$ 281	$ 11,775	$ 9,016	$ 886	$ 875

20. Guarantees

In the normal course of operations, the Fund executes agreements that provide letters of credit to third parties to secure certain amounts of indebtedness or performance. At December 31, 2005, letters of credit outstanding amounted to $44,883 (2004 - $26,705).

21. Subsequent events

Subsequent to year end, the Fund drew an additional $26.4 million on its credit facility, of which, $22.9 million was used to fund the construction requirements of AirSource. In addition, Management reached an agreement with the Fund's senior lenders to increase its revolving credit facility by $30.0 million to bring the total to $175.0 million. There are no material changes to the terms and conditions of the Fund's revolving credit facility. This increase is effective until July 28, 2006.

EXHIBIT

12

December 1, 2005
REPORT

DEMONSTRATION OF ADEQUATE WATER SUPPLY FOR BABOCOMARI SUBDIVISION COCHISE COUNTY, ARIZONA

Prepared for

BABOCOMARI DEVELOPMENT ASSOCIATION

ERROL L. MONTGOMERY & ASSOCIATES, INC.
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ERROL L. MONTGOMERY & ASSOCIATES, INC.

December 1, 2005
REPORT

DEMONSTRATION OF ADEQUATE WATER SUPPLY FOR BABOCOMARI SUBDIVISION COCHISE COUNTY, ARIZONA

Prepared for

BABOCOMARI DEVELOPMENT ASSOCIATION

SUMMARY AND CONCLUSIONS

Evaluation of hydrogeologic conditions and projection of 100-year drawdown impacts in the vicinity of the proposed Babocomari Subdivision have been completed. Summary and conclusions from the investigation are as follows:

1. Babocomari Subdivision consists of about 1,700 acres in Sections 19, 20, 29, and 30, Township 20 South, Range 20 East, in the San Ignacio Del Babocomari Land Grant, approximately 3 miles north of Huachuca City, in the Upper San Pedro groundwater basin.

2. The proposed development and vicinity is underlain by a thick sequence of basin-fill sediments that were deposited in a large structural basin that encompasses the Upper San Pedro basin. The alluvial sediments comprise an extensive aquifer that is unconfined in the Babocomari Subdivision area. The basin-fill

sediments are comprised of a mixture of clay, silt, sand, gravel, boulders, and conglomerate in varying proportions.

3. Water supply for the proposed subdivision will be provided by a Domestic Water Improvement District. The wells and water delivery system will be installed by the developer. Appropriate application forms and legal documents are presently being prepared for submittal to the Arizona Corporation Commission.

4. Water demand calculations for the subdivision were conducted using the Arizona Department of Water Resources Active Management Area guidelines. Although lot sizes are all 1 or 2 acres, irrigated landscaping will be severely restricted by the planned CC&Rs for the subdivision and restrictions required by the Cochise County Planning Department, which will limit turf to less than 3,000 square feet per lot and require all other landscaping to be irrigated using drip irrigation techniques. Therefore, assuming water usage rates for the Tucson Active Management Area, water demand of Babocomari Subdivision is conservatively estimated to be about 977 acre-feet per year.

5. Evaluation of well production records in the vicinity of Babocomari Subdivision, in combination with the San Pedro groundwater model for the Upper San Pedro basin (Corell, et al., 1996), indicates that aquifer transmissivity in the vicinity of Babocomari Subdivision may range from about 18,600 to more than 30,000 gallons per day per foot width of aquifer. Based on inspection of drill cuttings descriptions reported in drillers logs, specific yield of the aquifer in the vicinity of Babocomari Subdivision is conservatively estimated to be about 0.08.

6. Altitude of groundwater level in the area was approximately 4,150 feet above mean sea level in 2001. Direction of groundwater movement is generally toward the east.

7. Current depth to groundwater level in the vicinity of the subdivision is about 200 feet below land surface. Rate of groundwater level decline is computed to be in the range of 0.2 to 0.8 feet per year. Average rate of groundwater level decline is less than 0.5 feet per year.

8. The chemical quality of groundwater in the Babocomari Subdivision area is excellent and is suitable for use as a drinking water supply. Laboratory analyses for all analyses required for Arizona

Department of Environmental Quality "New Source Approval" were conducted for groundwater samples from well (D-20-20)20bcd, located within the subdivision. Results indicate that groundwater meets Arizona Department of Environmental Quality minimum drinking water standards.

9. Anticipated groundwater pumping of about 977 acre-feet per year at the Babocomari Subdivision is projected to result in maximum future groundwater level drawdown of about 40 feet at the pumping wells after 100 years. Adding these drawdown projections to the historic groundwater level decline trend results in a projected future depth to groundwater level of about 290 feet below land surface.

10. Projected 100-year drawdown impacts from groundwater pumping indicate that sufficient groundwater is available to serve the development. The water supply meets all water adequacy criteria with respect to quantity, quality, and dependability.

ERROL L. MONTGOMERY & ASSOCIATES, INC.

December 1, 2005
REPORT

DEMONSTRATION OF ADEQUATE WATER SUPPLY FOR BABOCOMARI SUBDIVISION COCHISE COUNTY, ARIZONA

Prepared for

BABOCOMARI DEVELOPMENT ASSOCIATION

INTRODUCTION

In accordance with arrangements with Mr. David Stephenson, President, Babocomari Development Association, this report summarizes current, committed, and projected future groundwater demands, hydrogeologic conditions, and projected 100-year drawdown impacts in support of a demonstration of an Adequate Water Supply for Babocomari Subdivision. The proposed subdivision will consist of about 1,500 lots on about 1,700 acres in Sections 19, 20, 29, and 30, Township 20 South, Range 20 East, in the San Ignacio Del Babocomari Land Grant, approximately 3 miles north of Huachuca City, in the Upper San Pedro groundwater basin. No golf courses or other water uses are planned. Location of the proposed subdivision is shown on **Figure 1**.

The scope of work for this hydrogeologic investigation included review of Arizona Department of Water Resources (ADWR) files, U.S. Geological Survey (USGS) files, Arizona Department of Environmental Quality (ADEQ) files, and a search and review of published reports on hydrogeologic conditions in the Upper San Pedro basin. The information and data given herein include: water demand projections, current groundwater level conditions, groundwater level trends, aquifer hydraulic parameters, aquifer lithology and thickness, groundwater quality, and projections of groundwater level drawdown for a 100-year pumping period following build-out of the subdivision. Hydrogeologic conditions are summarized for an area within the 25-square-mile area shown on **Figure 2**.

PROJECTED GROUNDWATER DEMAND

Future water use for Babocomari Subdivision is limited to residential use that is anticipated to occur for the 1,500 single-family units. Although the subdivision is located outside all Active Management Areas (AMAs), projected water demand was computed as if it were located in the Tucson AMA. Water use calculations included municipal demand, domestic demand, exterior demand (municipal minus domestic), and credit for recharge based on septic system returns. Calculated water demand was based on a domestic use rate of 164 gallons/capita/day, a septic return credit of 69 gallons/capita/day, an occupancy rate of 2.8 persons/housing unit, and an outdoor use rate of about 315.2 gallons/housing unit/day. Based on the nature of development in this area, water use restrictions in the subdivision CC&Rs, and restrictions required by the Cochise County Planning Department, turf and other irrigation-intensive landscaping is expected to be minimal. It was assumed that turf would be limited to 3,000 square feet per lot. It was also assumed that all other exterior water use would be restricted to low water use, drought tolerant species, and that drip irrigation methods would be required. Based on these assumptions and neglecting water losses from distribution system leaks, projected water demand of Babocomari Subdivision was computed to be about 977 acre-feet/year. Computed demands are summarized as follows:

Domestic water use	= 164 gpcpd x 2.8 persons/unit x 1,500 units = 688,800 gpd
	= 771.56 acre-feet/year
Outdoor water use	= 315.2 gallons/unit/day x 1,500 units = 472,800 gpd
	= 529.60 acre-feet/year
Septic return credit	= 69 gpcpd x 2.8 persons/unit x 1,500 units = 289,800 gpd
	= 324.62 acre-feet/year
TOTAL DEMAND	= 771.56 acre-feet/yr + 529.60 acre-feet/year - 324.62 acre-feet/year
	= 976.54 acre-feet/year

SOURCE OF GROUNDWATER SUPPLY

HYDROGEOLOGIC INFORMATION

Sources of hydrogeologic information for the study area include publications and data files of ADWR, USGS, and ADEQ. Data obtained from these agencies include: 1) well construction details; 2) reported well pumping rates; 3) estimated pumpage amounts; 4) groundwater level data; 5) groundwater quality data; and 6) drillers logs. In addition, a search was conducted of published reports containing relevant hydrogeologic information. Publications reviewed for this investigation are listed in the Selected References section.

HYDROGEOLOGIC SETTING

Babocomari Subdivision is underlain by a thick sequence of alluvial sediments that were deposited in a large structural basin that encompasses the San Pedro Valley. The San Pedro Valley is located in the Basin and Range physiographic province of southern Arizona. Below groundwater level, the alluvial sediments are saturated and comprise an extensive groundwater aquifer. In the area of the subdivision, the aquifer is unconfined. Extent of the alluvial basin is defined by predominantly north- to northwest-trending fault-block mountain ranges, characteristic of the Basin and Range physiographic province. In the Babocomari Subdivision area, the basin is bounded on the west by the Mustang Mountains and on the South and southwest by the Huachuca Mountains. The Upper San Pedro basin and the surrounding mountain ranges were formed as a result of high-angle

faulting that occurred during the late Tertiary period. The basin subsequently filled with sediments (basin-fill deposits) eroded from the surrounding mountain ranges.

HYDROGEOLOGIC UNITS

Hydrogeologic units in the Upper San Pedro basin, in order of increasing depth and increasing age, include the upper basin-fill deposits, the lower basin-fill deposits, the Pantano Formation, and the bedrock complex. Except for a thin veneer at land surface, the upper basin-fill deposits unit is not present at the subdivision site. The lower basin-fill deposits comprise the principal aquifer in the area of the subdivision. The Pantano Formation lies below the lower basin-fill deposits and in some parts of the Upper San Pedro basin comprises an important aquifer. The bedrock complex lies below the Pantano Formation and comprises consolidated rocks of the mountain ranges and act as the basal and lateral boundaries of the aquifer system.

Basin-Fill Deposits

Basin-fill deposits consist of interbedded heterogeneous sequences of unconsolidated to moderately-consolidated clay, silt, sand, gravel, boulders, and conglomerate in varying proportions Based on available drillers logs and work done by Gettings and Houser (2000), thickness of the lower basin-fill deposits under the proposed subdivision is more than 1,200 feet. Groundwater occurs under unconfined (water-table) conditions.

Pantano Formation

The Pantano Formation underlies the basin-fill deposits, and is comprised of well-cemented breccia, bouldery conglomerate, sandstone, and siltstone. Granitic boulders are common in the breccia and conglomerate units. This unit pre-dates the late-Tertiary period of high-angle faulting. Although the basin-fill deposits provides all of the groundwater to wells in the area of the subdivision, drillers' logs for some of the deeper wells in the Upper San Pedro basin suggest that the Pantano Formation also contributes substantial quantities of groundwater. No wells in the vicinity of the Babocomari Subdivision are believed to penetrate the Pantano Formation, and thickness of the unit is uncertain. However, depth-to-bedrock estimates derived from gravity surveys (Oppenheimer and Sumner, 1980) indicate depth to bedrock exceeds 3,200 feet, indicating that the Pantano Formation is about 2,000 feet thick in this area. A map showing estimated depth to the top of the Pantano Formation is shown on **Figure 3**.

Bedrock Complex

The bedrock complex in the Babocomari Subdivision area is believed to consist chiefly of Precambrian granitic rocks. This unit is believed to be generally impermeable and forms the lateral and basal boundary of the regional aquifer. Because of the generally low permeability of granitic rocks, the bedrock complex is unlikely to yield large amounts of groundwater to wells.

OCCURRENCE AND MOVEMENT OF GROUNDWATER

The saturated part of the basin-fill deposits underlying the subdivision provides small to moderate yields to existing wells. Wells in the vicinity of the subdivision are completed in the basin-fill deposits. Construction and completion data for selected wells in the vicinity of the subdivision are given in **Table 1**. Locations for the wells are shown on **Figure 1**. These data were obtained from the ADWR 55 Well Registry, and augmented with data from the ADWR Groundwater Site Inventory (GWSI). The vast majority of registered wells in this area are for domestic use. Reported pumping rates for these wells are generally in the range of 10 to 35 gallons per minute (gpm). However, these rates are probably indicative of normal domestic requirements rather than an actual limitation of the wells or aquifer. Well (D-20-20)32dcb has a reported pumping rate of 600 gpm, suggesting even larger pumping rates are possible. Driller's logs for selected wells in the area of the proposed subdivision are given in **Appendix A**.

DEPTH TO GROUNDWATER LEVEL

Contours of groundwater level altitude for 2001 are shown on **Figure 2**. Depth to groundwater and groundwater level altitude data for wells in the area were obtained from the ADWR GWSI. Groundwater level measurements were made by ADWR personnel. Historic and recent water level data obtained by ADWR and USGS personnel from selected wells in the study area are summarized in **Table 2**.

Depth to groundwater level on the subject property is about 200 feet below land surface (ADWR, 2005b). Altitude of groundwater level in the area of the

subdivision is about 4,150 feet above mean sea level. Direction of groundwater movement in this area is to the east. Average hydraulic gradient is about 10 feet per mile or less **(Figure 2)**.

CHANGES IN GROUNDWATER LEVEL

Average rate of historic groundwater level change in the Babocomari Subdivision area was evaluated for the available periods of record using data obtained from the ADWR GWSI. Water level data for wells in the vicinity of Park Estates are sparse and believed to be poorly reliable. ADWR (2005b) indicates an area of groundwater level decline of about 1 foot per year about 1 mile west from the subdivision. Hydrographs of groundwater levels for wells in the study area are shown on **Figure 4**. Data used to prepare these hydrographs are given in **Table 2**. These wells are located within 1½ miles of the proposed subdivision. Analysis of the hydrographs indicates the average rate of groundwater level decline ranged from 0.2 to 0.8 feet per year. Average rate of groundwater level decline is less than 0.5 feet per year.

AQUIFER HYDRAULIC PROPERTIES

Important aquifer hydraulic properties that control groundwater movement and yield to wells include transmissivity and specific yield. Transmissivity is defined as the rate of flow through a vertical section of an aquifer 1 foot wide and extending the full saturated thickness of the aquifer under a 1:1 hydraulic gradient. (Theis, 1935); units for transmissivity are gallons per day per foot width of aquifer (gpd/ft).

Transmissivity is a measure of the ability of an aquifer to transmit groundwater, and is equal to the product of hydraulic conductivity and saturated thickness of the aquifer. Specific yield is defined as the volume of water that would drain from a unit volume of aquifer material and is dimensionless.

Pumping test data are not available for wells in the area, and transmissivity has therefore not been directly calculated. However, it is possible to estimate transmissivity from specific capacity data. Specific capacity is defined as the pumping rate of a well divided by the observed drawdown at that rate, and is expressed in units of gallons per minute per foot of drawdown (gpm/ft). Specific capacity data for wells in the area are given in **Table 3**. Reported specific capacity for these wells ranges from 0.2 to infinity. However, specific capacity data for wells registered with ADWR is often unreliable because: 1) small domestic wells are commonly under-developed at the time they are equipped, placing them in poor communication with the aquifer; and 2) the drawdown data reported by drillers and well owners are poorly reliable.

Based on the relationship given in Driscoll (1986), transmissivity for an unconfined aquifer is estimated as:

Transmissivity (gpd/ft) = Specific Capacity (gpm/ft) x 1,500

This relationship implies that transmissivity in the Babocomari Subdivision area could be as large as 48,000 gpd/ft, as reported for well (D-20-20)20cca. Much of the specific capacity data was reported by drillers at the time of registration and is therefore of uncertain reliability. Wells with specific capacity data available are shown on **Figure 5**. Because data are limited, it would be more conservative to base transmissivity estimates on an average of the reported specific capacity values. Specific capacity values are available for three wells located within the

Babocomari Subdivision. Reported specific capacities for wells (D-20-20)20bcd, (D-20-20)20cbd, and (D-20-20)20cca are 9.2, 21, and 32 gpm/ft, respectively. The average specific capacity for these wells is about 20.7 gpm/ft, which indicates a transmissivity of 31,100 gpd/ft. This value compares reasonably well with the transmissivity value of 18,600 gpd/ft used in the ADWR computer model (Corell, et al., 1996).

Based on inspection of driller's logs, the overall specific yield (storage coefficient) of the aquifer is estimated to be between 0.05 and 0.10. The ADWR computer model (Corell, et al., 1996) assumed a basin-wide specific yield of 0.08 for the basin-fill deposits. For purposes of projecting future water level impacts for this area, we used a specific yield value of 0.08.

GROUNDWATER QUALITY

Data concerning the chemical quality of groundwater in the study area is very limited. Laboratory chemical analyses for constituents typically required for "New Source" approval were conducted for groundwater samples obtained from well (D-20-20)20bcd on June 28, 2005. This well is located in the northeast part of the proposed subdivision. The laboratory results indicate that the groundwater is a calcium bicarbonate type. Total dissolved solids concentration for the well was 279 milligrams per liter. The samples were submitted to Aqua Tech Environmental Laboratories, Inc., Tucson, Arizona. The laboratory report is given in **Appendix B**. These data indicate that groundwater in the area meets all State drinking water standards with respect Maximum Contaminant Levels for inorganic, organic, and radiological chemicals.

PROJECTED 100-YEAR IMPACTS FROM GROUNDWATER PUMPING

Projections of 100-year drawdown resulting from proposed groundwater pumping at Babocomari Subdivision were made using the computer software "THWELLS" (van der Heijde, 1996). This software solves the Theis equation to compute drawdown for up to 100 wells and uses spatially uniform values for aquifer parameters. A correction to the Theis equation was applied for simulation of water table conditions. Two drawdown simulations were made using four pumping wells, one aquifer boundary, and four image wells located on the side of the boundary opposite the pumping wells. The first simulation used a transmissivity of 30,000 gpd/ft, and the second simulation used a transmissivity of 18,600 gpd/ft. Based on estimates from inspection of drillers' logs, a storage coefficient (specific yield) value of 0.08 was used in the model. Locations for the hypothetical pumping wells and image wells are shown on **Figures 6 and 7**.

For simplicity, the aquifer boundary was represented as a straight line trending northeast-southwest, approximating the edge of the basin, 2-1/2 miles northwest of the subdivision. The assumed location and alignment of the aquifer boundary used in the model is concluded to be conservative, and actual long-term declines would be expected to be smaller than projected by the model.

For the pumping wells, a pumping rate of about 151 gpm was used for each well to account for the projected water demand of Babocomari Subdivision. To simulate the effects of the aquifer boundary, an equivalent pumping rate was used for each image well. The time period for drawdown projections was 100 years (36,525 days).

RESULTS OF 100-YEAR MODEL PROJECTIONS

The simulation using a transmissivity of 30,000 gpd/ft resulted in a maximum projected drawdown of about 27 feet in 100 years at the pumped wells. Distribution of projected drawdown for this simulation is shown on **Figure 6**. The simulation using a transmissivity of 18,600 gpd/ft resulted in a maximum projected drawdown of less than 40 feet in 100 years at the pumped wells. Distribution of projected drawdown for this simulation is shown on **Figure 7**.

PROJECTED 100-YEAR DEPTH TO WATER

Based on a present depth to groundwater level of about 200 feet in the subdivision area and an existing water level decline rate of 0.5 feet per year, the projected future depth to groundwater level is about 250 feet in 100 years. Based on model projections described above, projected total pumpage of about 605 gpm by Babocomari Subdivision would result in an additional decline of 27 to 40 feet in 100 years. This would correspond to a maximum 100-year depth to groundwater level of 290 feet in the subdivision area. This depth is less than the 1,000-feet depth criteria specified in the Adequate Water Supply Rules and less than the thickness of the aquifer underlying the area. Therefore, projected impact of groundwater pumping indicates that sufficient groundwater is available to serve the needs of Babocomari Subdivision and that the water supply meets all requirements of the Adequate Water Supply Rules.

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TABLE 1. SUMMARY OF WELL CONSTRUCTION DETAILS FOR THE BABOCOMARI SUBDIVISION AREA
COCHISE COUNTY, ARIZONA

WELL IDENTIFIER	ADWR REGISTRATION NUMBER	OWNER	DATE DRILLED	WELL DEPTH (feet, bls)[a]	CASING DEPTH (feet,bls)	CASING DIAMETER (inches)	DEPTH TO WATER (feet,bls)	PUMPING RATE (gpm)[b]	DRILL LOG[c]	WATER USE[d]
(D-20-19) 12aaa	87185	WILLIAMS,R	1/1/1981	300	300	6	240	---	---	D
(D-20-19) 12aad	509404	NAVARRO,J	10/14/1984	320	320	6	260	15	D	D
(D-20-19) 12acb	544902	COSTLEY, MARY,J	8/6/1994	360	360	6	268	16	D	D
(D-20-19) 12acc	547230	VERDUZCO, DANIEL,G	1/17/1995	380	380	6	263	15	D	D
(D-20-19) 12acd	542277	DEY, SILAS,	3/4/1994	357	357	6	256	28	D	D,S
(D-20-19) 12ada	86203	ROSENBAUM & LEMME	11/23/1980	325	325	4	290	---	---	D
(D-20-19) 12ba	637275	SMITMANS,H W	1/1/1966	365	350	6	325	---	---	D
(D-20-19) 12bac	806528	BULFER, EDWIN & RANDY C	1/12/1977	385	382	6	114	14	---	D
(D-20-19) 12bbb	596654	BAKER, LEE	---	455	455	6	300	---	D	D
(D-20-19) 12bca	627425	BONHORST,L W	11/1/1970	330	330	6	270	18	---	D
(D-20-19) 12bca	520637	BISHOP, BARRY R	4/2/1988	380	380	6	290	25	D	D,I
(D-20-19) 12bca	637267	SMITMANS ET ALS	1/1/1956	365	365	6	325	---	---	D
(D-20-19) 12bdb	650049	YOUNG, SUSANNA C & DAN	1/1/1974	330	330	6	270	17	---	D
(D-20-19) 12bdc	806366	TIMMONS, GEORGE,B	12/31/1969	355	351	7	185	2	---	D
(D-20-19) 12bdd	630165	GUINTER, LAWRENCE,L	4/24/1980	330	330	6	270	12	---	D
(D-20-19) 12caa	572551	DEROSA, JAMES	2/12/1999	340	340	4	280	---	D	D
(D-20-19) 12cac	637040	GONGAWARE, WALTER	2/15/1976	325	325	5	180	37	---	D
(D-20-19) 12ccc	637853	DICKAMORE, DALE L	1/1/1978	320	320	6	280	15	---	D
(D-20-19) 12ccd	641244	IVERSON,C W	1/1/1970	340	340	8	---	20	---	D
(D-20-19) 12cdd	87481	WIERTSEMA, ROGER,D	1/1/1981	340	340	6	240	---	---	D
(D-20-19) 12da	581771	JONES, ROCKY L	10/18/2000	340	340	6	250	10	D	D
(D-20-19) 12daa	602533	REED,C R	3/20/1979	310	310	6	265	30	---	D
(D-20-19) 12dac	505912	PATTERSON, JULIUS & DOLORE	7/26/1983	320	320	6	240	18	D	D
(D-20-19) 12dba	596412	JACKSON, BRIAN LEE	3/12/2003	340	340	7	247	---	D	D
(D-20-19) 12dda	633012	BOYER,S O	3/15/1979	325	305	6	265	35	---	D
(D-20-19) 12dda	641723	VELASCO, ROBERT	6/6/1977	308	305	5	200	15	---	D
(D-20-19) 12dda	549410	FLAKOWSKI, JON	5/12/1995	400	360	6	270	30	D	D
(D-20-19) 12ddb	502897	PITMAN,D	6/10/1982	320	320	6	210	25	D	D
(D-20-19) 12ddb	503645	DILLMAN,P B	---	---	---	---	---	---	---	D
(D-20-19) 12ddb	503646	DILLMAN,P B	---	---	---	---	---	---	---	D
(D-20-19) 12ddd	503705	BRANNAM, CLARENCE	8/6/1982	320	320	6	220	15	D	D
(D-20-19) 13bac	591097	BARTON, DIANA L	3/22/2002	360	360	6	272	20	D	D

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(D-20-19) 13bcb	621768	KEELINE,J J	---	400	400	5	360	15	---	D
(D-20-19) 13bdb	565387	SIMPSON, ROBERT L	---	350	350	8	300	16	D	D
(D-20-19) 13bdc	625401	JONES, JACKIE B	9/1/1970	300	---	6	---	---	---	D,S
(D-20-19) 13bdc	513322	WIERTSEMA, ROGER,D	2/6/1986	320	320	6	283	27	D	D
(D-20-19) 13bdd	800644	BURCH,E L	1/1/1969	400	---	---	---	---	---	D
(D-20-19) 13bdd	617196	ADAMS,L E	---	340	---	6	---	---	---	D,I,S
(D-20-19) 13caa	644678	KEELINE,J M	---	380	380	6	200	10	---	D
(D-20-19) 13caa	514288	DEITERING, ROBERT,R T	6/20/1986	330	330	6	240	10	D	D,S
(D-20-19) 13cab	534080	RADAN, SAM,	1/13/1992	378	378	6	275	---	D	D
(D-20-19) 13cba	530151	DIOCESE OF TUCSON	1/31/1991	340	340	6	287	12	D	D
(D-20-19) 13cda	504001	COCHISE SANITARY	11/17/1982	360	360	6	280	20	D	D
(D-20-19) 13daa	530482	WALES, JAMES	1/17/1991	330	330	6	248	25	D	D
(D-20-19) 13dac	518087	DOTSON, BILLY	6/11/1987	350	350	8	275	35	D	D
(D-20-19) 13dbb	502586	MCCLUSKEY,S R	---	---	---	---	---	---	---	D
(D-20-19) 13dbb	506765	MCCLUSKEY,S R	12/24/1983	350	350	6	300	---	D	D
(D-20-19) 13dca	516618	MILLER, GARY	---	---	---	---	---	---	---	D,C
(D-20-19) 13ddb	509971	MILLER, GARY	1/3/1985	340	340	6	275	35	D	D
(D-20-19) 13ddb	514217	MILLER, GARY	10/18/1986	340	340	6	268	26	D	D
(D-20-19) 13ddc	513343	THOMAS, MARSHALL	1/22/1986	360	360	6	240	12	D	D,S,I
(D-20-19) 13ddc	549126	DELGADO, EDWARD	9/28/1995	360	295	8	---	---	D	D
(D-20-19) 14	607084	SWITZER,B	---	---	---	---	---	---	---	D
(D-20-19) 14aac	86374	DRIVER,L J	---	---	---	---	---	---	---	D
(D-20-19) 14aac	502848	TOMPKINS, JAMES	9/11/1982	340	340	5	280	18	D	D
(D-20-19) 14aba	518212	GILCHRIST, HOWARD	7/1/1987	410	410	8	310	17	D	D
(D-20-19) 14abb	511397	HARNIST, FRANK,L	8/20/1985	380	380	6	260	18	D	D
(D-20-19) 14ac	645660	BEACH,G M	---	350	---	8	---	30	---	D
(D-20-19) 14bab	807770	MUSTANG WATER COMPANY	---	---	---	---	---	---	---	M
(D-20-19) 14bbb	641752	SWITZER ET AL,W W	1/1/1959	300	---	8	---	---	---	D
(D-20-19) 14bbc	561695	GRR ENTERPRISE INC	1/21/1998	400	400	6	254	---	D	D
(D-20-19) 14bcc	555733	SHAW, GENE,	5/17/1996	505	324	6	330	---	D	D
(D-20-19) 14ccd	599765	J & J DOUGLASS TRUST	---	480	480	5	300	---	D	D
(D-20-19) 14daa	201484	MCNEIL, GLEN ANTHONY	---	---	---	---	---	---	---	D

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(D-20-19) 14dcc	808183	KENNEDY, DONALD & JEAN	1/28/1961	---	---	---	---	---	---	D
(D-20-19) 14dcc	808184	KENNEDY, DONALD & JEAN	1/28/1961	---	---	---	---	---	---	D
(D-20-19) 14ddd	503229	LOHSE,L	9/10/1982	340	340	6	270	15	D	D
(D-20-19) 23bb	598586	FAUS & CHAMBERLAIN	---	380	380	7	308	---	D	D
(D-20-19) 23bbd	596098	MCCABE, EARL	1/14/2003	525	525	5	295	---	D	D
(D-20-19) 23bcc	593741	CHAPMAN, RICHARD	11/13/2002	420	420	6	230	---	D	D
(D-20-19) 24aa	805112	HOFFMAN, RONALD,J	3/31/1977	34	250	6	270	30	---	D
(D-20-19) 24aac	546257	MOUNTAIN VIEW RV PRK	11/5/1994	375	375	6	265	25	D	D
(D-20-19) 24aba	511594	SMITH,J	6/26/1985	340	340	6	270	28	D	D
(D-20-19) 24aba	535586	FEDERICO,D A	6/29/1992	371	371	6	282	22	D	D
(D-20-19) 24abb	513006	SHEPHERD, RALPH	12/31/1985	340	340	6	280	---	D	D,I
(D-20-19) 24abc	584440	SHELDON, LOREN	---	---	---	---	---	---	---	D
(D-20-19) 24abd	538845	BROWN, GEORGE	3/8/1994	345	345	6	274	---	D	D
(D-20-19) 24adb	805770	BROWN, GEORGE E JR,	11/24/1976	340	300	6	190	60	---	D
(D-20-19) 24ba	806513	GARISON, LINDA,R	9/30/1978	---	---	6	270	13	---	D
(D-20-19) 24bad	806372	FLEMING, LEONARD	9/30/1979	340	---	6	---	---	---	D,S,I
(D-20-19) 24bbb	807389	COOKE, JOHN,L	12/31/1955	340	340	4	280	30	---	D
(D-20-19) 24bdd	806351	LOWRY, NELLIE E	12/31/1979	---	---	---	---	---	---	D,S
(D-20-19) 24cdc	807190	LOWRY, NELLIE E	12/31/1978	370	370	6	290	17	---	D
(D-20-19) 24db	635306	BABACOMARI RANCH CO	1/1/1953	325	325	6	268	9	---	S
(D-20-19) 24dcd	512410	BROWN JR,G E	---	---	---	---	---	---	---	D
(D-20-19) 24ddc	503737	SHELDON,L	1/27/1983	360	360	6	---	30	D	D
(D-20-19) 24ddc	520850	DRIVER, LEO,C	---	---	---	---	---	---	---	D,I,S
(D-20-19) 24ddc	525591	DRIVER, LEO,J	1/3/1990	360	360	8	280	---	D	D,S
(D-20-20) 7	632320	SMITH, RANDY,L	7/25/1979	320	---	6	300	---	---	D
(D-20-20) 7a	650731	LEWIS,G H	10/19/1964	312	296	6	215	20	---	D
(D-20-20) 7aaa	637359	CHAFIN,V K	3/24/1973	330	330	6	134	16	---	D,I
(D-20-20) 7aaa	508008	HEART CAB CO.	7/6/1984	290	290	4	225	---	D	D
(D-20-20) 7aaa	508009	HEART CAB CO.	6/11/1984	300	300	4	227	---	D	D
(D-20-20) 7acc	512287	SULGER,P	---	---	---	---	---	---	---	D
(D-20-20) 7acc	515719	MURPHY, MARTHA	2/15/1987	300	300	6	220	35	D	D
(D-20-20) 7adc	562283	GRAY, GARY	3/5/1998	190	290	6	190	---	D	D

TABLE 1. SUMMARY OF WELL CONSTRUCTION DETAILS FOR THE BABOCOMARI SUBDIVISION AREA COCHISE COUNTY, ARIZONA

WELL IDENTIFIER	ADWR REGISTRATION NUMBER	OWNER	DATE DRILLED	WELL DEPTH (feet, bls)[a]	CASING DEPTH (feet,bls)	CASING DIAMETER (inches)	DEPTH TO WATER (feet,bls)	PUMPING RATE (gpm)[b]	DRILL LOG[c]	WATER USE[d]
(D-20-20) 7adc	544034	GRAY, TED,	8/5/1994	335	335	6	201	30	D	D
(D-20-20) 7b	650384	WALTON,H S	3/15/1981	310	300	6	310	7	---	I
(D-20-20) 7bba	502713	STROHL, C DOUGLAS	5/3/1982	320	320	6	240	---	D	D
(D-20-20) 7bba	532009	HEART CAB CO.	---	---	---	---	---	---	---	D
(D-20-20) 7bba	508016	WALTON,G F	4/7/1985	300	300	4	220	50	D	D
(D-20-20) 7bbb	525359	HOWELL, LEONARD	7/28/1989	300	300	6	258	14	D	D
(D-20-20) 7bbb	603137	TAYLOR,C E	9/18/1979	325	325	4	270	7	---	D
(D-20-20) 7bbb	649322	TAYLOR,C E	9/16/1979	325	325	4	270	7	---	D
(D-20-20) 7bbb	644385	HUISH,P	11/6/1977	310	300	6	270	35	---	D
(D-20-20) 7bbd	645418	HARSHAW,J	10/1/1979	310	280	6	260	9	---	D
(D-20-20) 7bbd	805452	WHETSTONE WATER	---	---	---	4	224	50	---	D
(D-20-20) 7bbd	538440	HEART CAB CO,	10/17/1993	330	330	6	248	---	D	D
(D-20-20) 7bca	627464	WHITEMAN,A C	5/29/1976	300	300	6	110	35	---	D
(D-20-20) 7bcc	506263	PAYNE SR, JAMES DONALD	9/3/1983	300	300	6	230	15	D	D
(D-20-20) 7bcc	503249	KIRKMAN,D	8/26/1982	320	320	5	210	15	D	D
(D-20-20) 7bcc	506262	WILSON,M	9/16/1983	360	300	6	230	15	D	D
(D-20-20) 7bcc	510474	BLISS, LARRY AND BARBA	8/7/1985	320	320	6	205	26	D	D
(D-20-20) 7bcd	87262	SPARKS, LLOYD D	3/14/1981	325	325	4	155	---	---	D
(D-20-20) 7bdc	603686	HAMEL, KENNETH & MADEL	5/22/1979	310	290	6	150	25	---	D
(D-20-20) 7cac	562493	SANDS, ROY & DONNA	5/29/1997	355	355	8	225	20	D	D
(D-20-20) 7ccb	503418	UHER JR, JOHN F	7/1/1982	340	340	6	240	18	D	D
(D-20-20) 7ccc	502651	DOTSON,B J	4/27/1982	320	320	6	240	---	D	D
(D-20-20) 7cda	532943	KROFT, ROBERT,A	---	---	---	---	---	---	---	D
(D-20-20) 7cda	642537	HARING,R E	3/30/1978	305	305	6	185	20	---	D
(D-20-20) 7cdc	516066	BAYS, BRYAN,C	---	---	---	---	---	---	---	D
(D-20-20) 7cdc	642064	WENDT,K A	1/1/1976	300	300	6	205	26	---	D
(D-20-20) 7cdd	503220	ROSENBAUM,L	7/3/1982	320	320	6	240	---	D	D
(D-20-20) 7cdd	646970	BENNY, WALTER & KAREN	2/28/1972	300	300	9	215	---	---	D
(D-20-20) 7ddb	532239	SIPES, LARRY,D	7/12/1991	291	291	6	207	10	D	D
(D-20-20) 7ddc	651408	WOZNICK, WILLIAM ETL,F	10/1/1973	302	---	4	250	---	---	D
(D-20-20) 7ddd	552275	HOLT, DOUGLAS E	12/21/1995	300	270	6	200	---	D	D
(D-20-20) 8abb	600912	SANDS PROPERTIES LLC	1/1/1919	175	---	---	170	20	---	S

TABLE 1. SUMMARY OF WELL CONSTRUCTION DETAILS FOR THE BABOCOMARI SUBDIVISION AREA
COCHISE COUNTY, ARIZONA

WELL IDENTIFIER	ADWR REGISTRATION NUMBER	OWNER	DATE DRILLED	WELL DEPTH (feet, bls)[a]	CASING DEPTH (feet,bls)	CASING DIAMETER (inches)	DEPTH TO WATER (feet,bls)	PUMPING RATE (gpm)[b]	DRILL LOG[c]	WATER USE[d]
(D-20-20) 8cbb	600913	SANDS PROPERTIES LLC	1/1/1919	285	285	6	270	25	---	S
(D-20-20) 8cbb	514676	SANDS PROPERTIES LLC	6/21/1986	300	300	4	197	15	D	D,S
(D-20-20) 9abd	580127	ENVIRONMENTAL AND NATURAL	---	---	---	---	---	---	---	T
(D-20-20) 16aac	502053	SANDS INVESTMENT CO	---	---	---	---	---	---	---	D
(D-20-20) 16cbb	600914	SANDS PROPERTIES LLC	12/31/1918	390	390	6	350	25	---	S
(D-20-20) 18	805304	HOPPER, JERRY	12/31/1973	309	308	8	70	---	---	D
(D-20-20) 18a	643861	ENSCOE JR,H	11/1/1980	200	200	6	140	---	---	---
(D-20-20) 18add	532554	SPEGAL, CHARLES	9/27/1991	273	273	6	184	24	D	D
(D-20-20) 18bbb	512022	SULGER,P	8/28/1985	300	300	4	238	---	D	D
(D-20-20) 18bbc	534044	BOGGS, JEFFERY	1/16/1992	332	332	6	219	---	D	D
(D-20-20) 18bca	85138	PEARDON,D	---	---	---	---	---	---	---	D
(D-20-20) 18cab	527751	MULLENBERG, JON	4/13/1990	340	340	6	235	---	D	D
(D-20-20) 18cba	527634	GERHARDT, GLENN,R	4/12/1990	350	350	6	245	30	D	D
(D-20-20) 18cbb	527633	KING, GEORGE	4/16/1990	350	350	6	240	30	D	D,S
(D-20-20) 18cbd	640881	SHAW,F	---	220	220	6	---	10	---	D
(D-20-20) 18cc	649935	BERGMAN,T C	---	280	---	5	---	20	---	D
(D-20-20) 18ccb	502474	DYBVIG, PAUL,H	4/26/1982	---	---	---	190	25	D	D
(D-20-20) 18ccc	85014	HILL,J W	---	---	---	---	---	---	---	D
(D-20-20) 18dad	629900	ZIMMER, RICHARD	11/27/1975	300	300	5	220	29	---	D
(D-20-20) 18dad	642678	MG SCOTT ENTERPRISES	---	---	---	---	---	---	---	D
(D-20-20) 18ddd	607118	CONAWAY,A P	6/1/1980	180	180	6	65	20	---	D
(D-20-20) 19aab	514377	PISTOLE, JACK,M	6/21/1986	290	290	6	240	30	D	D
(D-20-20) 19cba	571350	BABOCOMARI RANCH	---	---	---	---	---	---	---	---
(D-20-20) 19dc	635304	BABACOMARI RANCH CO	1/1/1936	320	320	6	270	10	---	S,D
(D-20-20) 20bcd	207114	CRATOS CONSTRUCTION & DEV	4/8/2005	383	383	7	216	19	D	D
(D-20-20) 20cbd	205963	CRATOS CONSTRUCTION & DEV	---	---	---	---	---	---	---	D
(D-20-20) 20cca	205964	CRATOS CONSTRUCTION & DEV	---	---	---	---	---	---	---	D
(D-20-20) 31ddc	555632	ADOT	---	---	---	---	---	---	---	---
(D-20-20) 32d	800235	DE ANDA CONSTRUCTION	---	125	125	6	50	20	---	D
(D-20-20) 32d	802015	LEWIS, JOHN R	1/1/1958	250	100	6	80	20	---	D,I
(D-20-20) 32d	800234	MC CUISTION,P D	---	275	275	99	75	20	---	D
(D-20-20) 32da	800236	DE ANDA CONSTRUCTION	---	250	250	9	50	30	---	D,S

TABLE 1. SUMMARY OF WELL CONSTRUCTION DETAILS FOR THE BABOCOMARI SUBDIVISION AREA COCHISE COUNTY, ARIZONA

WELL IDENTIFIER	ADWR REGISTRATION NUMBER	OWNER	DATE DRILLED	WELL DEPTH (feet, bls)[a]	CASING DEPTH (feet,bls)	CASING DIAMETER (inches)	DEPTH TO WATER (feet,bls)	PUMPING RATE (gpm)[b]	DRILL LOG[c]	WATER USE[d]
(D-20-20) 32daa	617914	DEANDO, EUSEBIO	1/1/1956	210	190	12	80	35	---	I,D
(D-20-20) 32dab	581140	DEANDA, DANIEL	7/12/2000	130	130	6	60	---	D	D
(D-20-20) 32dcb	806425	DEANDA, EUSEBIO	12/24/1968	270	270	12	90	600	---	I
(D-20-20) 32dcb	529189	DEANDA, EUSEBIO	8/29/1990	160	160	6	92	12	D	D
(D-20-20) 32ddd	566674	BRICKER, NORMAN I	10/1/1998	240	240	4	165	25	D	D
(D-20-20) 32ddd	569708	MONDELLO, OLIVE	---	---	---	---	---	---	---	D
(D-20-20) 33aab	507829	LANHAM,W	6/5/1984	90	90	6	75	15	D	D
(D-20-20) 33bca	589198	TOWN OF HUACHUCA CITY	11/16/2001	145	139	5	73	---	D	T
(D-20-20) 33cb	806374	LANG, JEANNIE	12/31/1979	---	---	---	---	---	---	D
(D-20-20) 33cbd	517566	PAIVA, MANUEL	8/25/1987	120	120	6	79	12	D	D
(D-20-20) 33cbd	576132	HARDGRAVE, SHERRY	8/21/1999	180	180	5	90	---	D	D
(D-20-20) 33ccb	581397	SHAW, GENE	---	---	---	---	---	---	---	D

[a]ft,bls = feet below land surface

[b]gpm = gallons per minute

[c]D = Driller's log available

--- = Data not available

[d]Well Use:
D = Domestic
S = Stock
I = Irrigation
C = Commercial/Industrial
M = Municipal
T = Test

TABLE 2. SUMMARY OF GROUNDWATER LEVEL DATA, BABOCOMARI SUBDIVISION AREA COCHISE COUNTY, ARIZONA

WELL IDENTIFIER	DATE WATER LEVEL MEASURED	CALCULATED ALTITUDE OF LAND SURFACE (ft/msl)[a]	DEPTH TO WATER (ft,bls)[b]	WATER LEVEL ALTITUDE (ft/msl)
D(20-19) 12CBB	29-Nov-01	4420.00	288.00	4132.00
D(20-19) 12CCB	29-Nov-90	4425.00	279.00	4146.00
D(20-19) 12DDB	29-Nov-01	4375.00	251.50	4123.50
D(20-19) 13CDB	19-May-73	4442.00	355.00	4087.00
D(20-19) 13DBD	29-Nov-01	4410.00	276.10	4133.90
	16-Dec-99	4409.90	274.90	4135.00
	29-Nov-90	4409.70	270.70	4139.00
D(20-19) 14ADD	28-Nov-01	4449.00	311.40	4137.60
	16-Dec-99	4449.10	302.10	4147.00
	29-Nov-90	4448.80	297.80	4151.00
D(20-19) 14BAB	28-Nov-01	4580.00	214.60	4365.40
D(20-19) 14CAB	28-Nov-01	4475.00	244.00	4231.00
D(20-19) 14CBB	21-Mar-68	4520.00	253.80	4266.20
	19-Oct-60	4520.00	251.05	4268.95
	19-Oct-60	4520.00	249.70	4270.30
D(20-19) 14CCC	30-Dec-59	4515.00	274.00	4241.00
D(20-19) 14CCD	19-Oct-60	4510.00	278.50	4231.50
D(20-19) 23ABC	30-Dec-59	4475.00	331.50	4143.50
	01-Dec-59	4475.00	295.00	4180.00
D(20-19) 24ADB	29-Nov-01	4400.00	272.60	4127.40
D(20-19) 24DBA	02-Nov-73	4402.00	268.80	4133.20
	25-Apr-69	4402.00	263.00	4139.00
D(20-20) 16AAC	26-Nov-01	4260.00	142.60	4117.40
	22-Jan-98	4260.20	141.20	4119.00
	29-Nov-90	4259.80	138.80	4121.00
D(20-20) 16CBB	26-Nov-01	4290.00	167.20	4122.80
	22-Jan-98	4289.60	165.60	4124.00
	29-Nov-90	4290.10	165.10	4125.00
	19-Jul-77	4289.60	172.60	4117.00
	14-Jul-76	4289.90	162.90	4127.00
	02-Nov-73	4289.90	160.90	4129.00
	21-Mar-68	4289.90	159.90	4130.00
	13-Oct-60	4290.29	159.29	4131.00
D(20-20) 18DAA	23-Apr-69	4340.00	149.20	4190.80
D(20-20) 18DBB	28-Nov-01	4350.00	228.40	4121.60
	16-Dec-99	4350.50	227.50	4123.00
	24-Apr-69	4350.00	229.90	4120.10
D(20-20) 18DBC	28-Nov-01	4360.00	231.00	4129.00
	16-Dec-99	4359.80	230.80	4129.00
	06-Dec-90	4360.40	226.40	4134.00
	24-Apr-69	4360.10	214.10	4146.00
D(20-20) 31CDC	28-Sep-83	4285.00	134.80	4150.20
	24-Jun-83	4285.00	135.50	4149.50
	15-Mar-83	4285.00	135.67	4149.33
	27-Dec-82	4285.00	135.87	4149.13
	08-Sep-82	4285.00	135.20	4149.80
	08-Jul-82	149.00	149.00	4136.00[c]
	15-Mar-82	4285.00	135.10	4149.90
	10-Dec-81	4285.00	135.50	4149.50
	23-Sep-81	4285.00	135.40	4149.60
	01-Jul-77	4285.00	145.90	4139.10
	14-Jul-76	4285.00	137.00	4148.00
	23-May-74	4285.00	133.90	4151.10
	22-Oct-73	4285.00	132.30	4152.70
	20-Mar-69	4285.00	129.20	4155.80
D(20-20) 31DCD	04-Dec-01	4260.00	62.30	4197.70
	04-Aug-00	143.00	143.00	4117.00[c]
	17-Dec-99	4259.60	126.60	4133.00
	29-Nov-90	4260.00	117.40	4142.60
D(20-20) 31DDA	29-Nov-90	111.00	111.00	4139.00[c]
	21-Mar-68	4250.00	87.20	4162.80
D(20-20) 32AAA	03-Dec-01	4232.00	94.00	4138.00

TABLE 2. SUMMARY OF GROUNDWATER LEVEL DATA, BABOCOMARI SUBDIVISION AREA COCHISE COUNTY, ARIZONA

WELL IDENTIFIER	DATE WATER LEVEL MEASURED	CALCULATED ALTITUDE OF LAND SURFACE (ft/msl)[a]	DEPTH TO WATER (ft,bls)[b]	WATER LEVEL ALTITUDE (ft/msl)
	22-Jun-98	4232.20	96.20	4136.00
	29-Nov-90	4232.30	91.30	4141.00
	29-Jan-86	4232.10	86.10	4146.00
	02-Apr-41	4231.80	80.80	4151.00
D(20-20) 32CCA	21-Mar-68	4240.00	87.20	4152.80
	24-Feb-64	4240.00	99.62	4140.38
	11-Mar-63	4240.00	98.30	4141.70
	23-Feb-62	4240.00	98.10	4141.90
D(20-20) 32CCC	01-Apr-47	4250.00	38.00	4212.00
D(20-20) 32CDB	23-Mar-62	4240.00	98.10	4141.90
	18-Jan-60	4240.00	95.70	4144.30
	13-Feb-59	4240.00	94.30	4145.70
	10-Apr-58	4240.00	92.95	4147.05
	05-Sep-57	4240.00	92.30	4147.70
	22-Sep-56	4240.00	92.90	4147.10
	04-Oct-55	4240.00	91.27	4148.73
	22-Nov-54	4240.00	93.70	4146.30
	03-Dec-53	4240.00	92.90	4147.10
	02-Dec-52	4240.00	91.51	4148.49
	21-Jan-52	4240.00	91.48	4148.52
	12-Apr-51	4240.00	91.98	4148.02
	19-Dec-50	4240.00	91.99	4148.01
	08-Dec-49	4240.00	91.14	4148.86
	09-Mar-49	4240.00	90.40	4149.60
	10-May-48	4240.00	89.68	4150.32
	27-Feb-47	4240.00	88.52	4151.48
	04-Apr-46	4240.00	89.59	4150.41
	04-Feb-46	4240.00	90.34	4149.66
	22-Oct-45	4240.00	89.38	4150.62
	22-Jun-44	4240.00	88.78	4151.22
	12-May-43	4240.00	88.11	4151.89
	21-May-42	4240.00	87.27	4152.73
	02-Apr-41	4240.00	86.17	4153.83
D(20-20) 32CDD	20-Sep-49	4250.00	90.00	4160.00
D(20-20) 32DAA	04-Dec-01	4210.00	34.00	4176.00
D(20-20) 32DAC	04-Dec-01	4220.00	62.50	4157.50
D(20-20) 32DBC	04-Dec-01	4235.00	96.80	4138.20
D(20-20) 32DCB	02-Apr-41	4270.00	79.52	4190.48
D(20-20) 33CBB	29-Dec-59	4215.00	93.00	4122.00

[a]ft/ msl = feet above mean sea level
[b]ft/bls = feet below land surface
[c] = well pumping

= Well on hydrograph

= Data omitted from hydrograph

TABLE 3. SUMMARY OF SPECIFIC CAPACITY DATA FROM WELLS COMPLETED IN BASIN-FILL DEPOSIT BABOCOMARI SUBDIVISION AREA COCHISE COUNTY, ARIZONA

WELL IDENTIFIER	ADWR REGISTRATION NUMBER	DATE OF MEASUREMENT	PUMPING RATE (gpm)[a]	REPORTED DRAWDOWN (feet)	SPECIFIC CAPACITY (gpm/ft)[b]
D(20-19) 12AAD	509404	14-Oct-84	15	330	0.0
D(20-19) 12DA	581771	18-Oct-00	15	257	0.1
D(20-19) 12AAA	087288	01-Jan-81	15	20	0.8
D(20-19) 12AAA	087185	01-Jan-81	18	15	1.2
D(20-19) 12AAA	087186	01-Jan-81	18	15	1.2
D(20-19) 12ACD	542277	04-Mar-94	30	10	3.0
D(20-19) 12DDD	503705	06-Aug-82	12	10	1.2
D(20-19) 12DAC	505912	26-Jul-83	18	10	1.8
D(20-19) 12CDD	087481	01-Jan-81	18	10	1.8
D(20-19) 12DDA	549410	12-May-95	16	8	2.0
D(20-19) 12ACC	547230	17-Jan-95	15	2	7.5
D(20-19) 13CAA	514288	20-Jun-86	10	250	0.0
D(20-19) 13DAA	530482	17-Jan-91	30	10	3.0
D(20-19) 13DDB	514217	18-Oct-86	30	10	3.0
D(20-19) 13DDB	509971	03-Jan-85	35	10	3.5
D(20-19) 13BAA	559595	18-Sep-96	40	5	8.0
D(20-19) 13BAC	591097	22-Mar-02	20	5	4.0
D(20-19) 13DDC	513343	22-Jan-86	12	1	12.0
D(20-19) 14DDD	503229	10-Sep-82	15	15	1.0
D(20-19) 14ABA	518212	01-Jul-87	17	14	1.2
D(20-19) 24DDC	503737	27-Jan-83	35	20	1.8
D(20-19) 24ABA	511594	26-Jun-85	32	5	6.4
D(20-20) 7ADC	544034	05-Aug-94	35	198	0.2
D(20-20) 7BCC	510474	07-Aug-85	26	80	0.3
D(20-20) 7ABD	087289	01-Jan-81	15	30	0.5
D(20-20) 7BCC	503249	26-Aug-82	15	20	0.8
D(20-20) 7BAA	536163	25-Aug-92	12	20	0.6
D(20-20) 7CCC	501039	23-Jun-82	15	20	0.8
D(20-20) 7CDD	085832	01-Jan-80	18	20	0.9
D(20-20) 7BCC	506262	16-Sep-83	15	10	1.5
D(20-20) 7DDB	532239	12-Jul-91	25	10	2.5
D(20-20) 7BCC	506263	03-Sep-83	15	10	1.5
D(20-20) 7CCA	532944	12-Nov-91	29	4	7.3
D(20-20) 7DBD	562593	03-Jun-97	15	3	5.0
D(20-20) 8CBB	514676	21-Jun-86	12	21	0.6
D(20-20) 16AAD	511309	08-May-86	15	7	2.1
D(20-20) 18CCC	537960	03-Feb-93	16	48	0.3
D(20-20) 18ADD	532554	27-Sep-91	24	35	0.7
D(20-20) 18CCC	507536	04-Apr-84	25	15	1.7
D(20-20) 18CBA	527634	12-Apr-90	30	11	2.7
D(20-20) 18CBB	527633	16-Apr-90	30	6	5.0
D(20-20) 20CBD	205963	15-Jan-05	32	1.5	21.0
D(20-20) 20BCD	207114	08-Apr-05	23	2.1	9.2
D(20-20) 20CCA	205964	20-Jan-05	32	1	32.0
D(20-20) 32CBA	543027	30-Mar-94	300	250	1.2
D(20-20) 32DDD	566674	01-Oct-98	25	20	1.3
D(20-20) 33AAB	507829	05-Jun-84	15	2	7.5

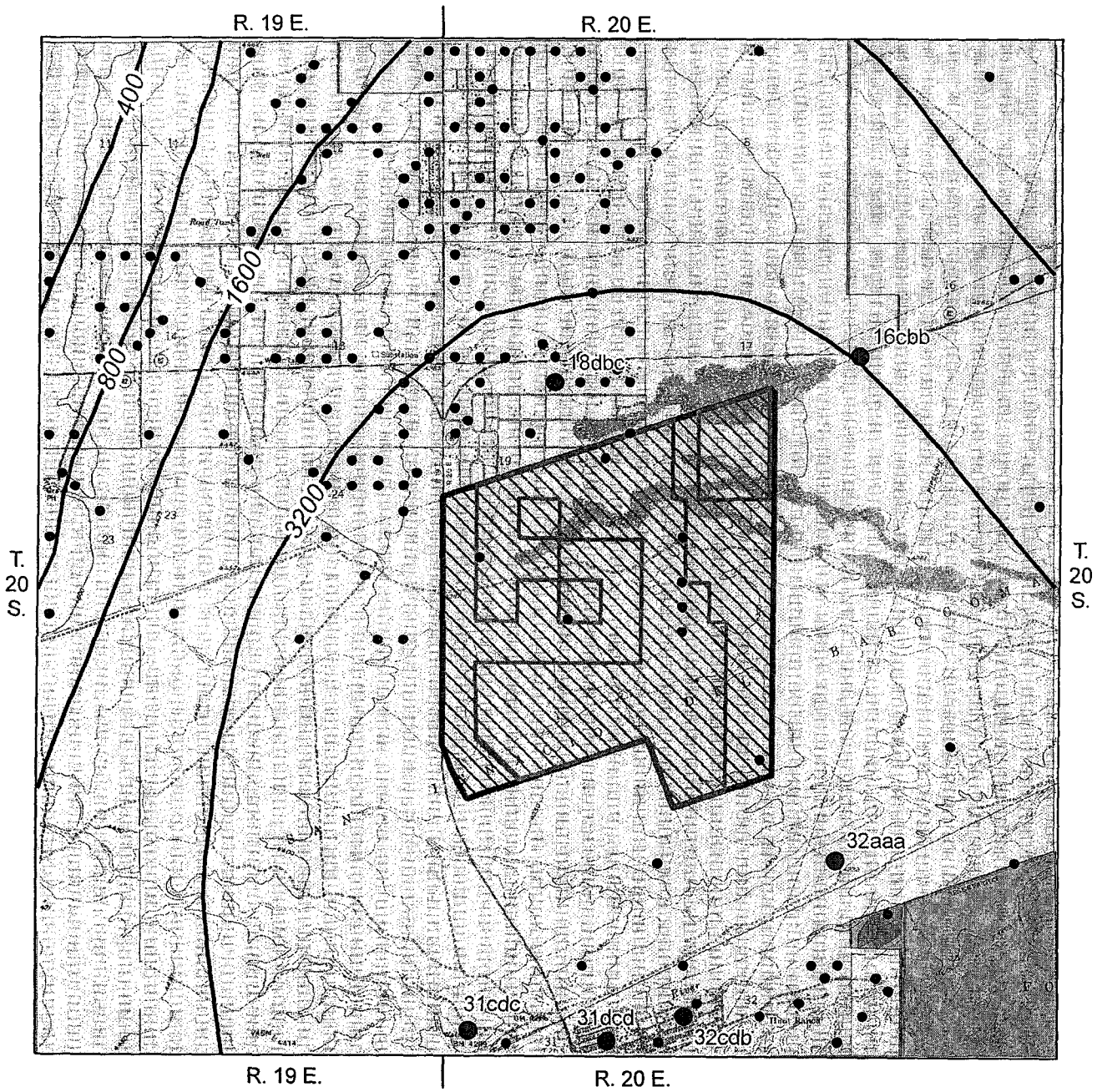
Data Source: ADWR "55" well files

[a]gpm = gallon per minute

[b]gpm/ft = gallons per minute per foot of drawdown

1202/Tbl_3/SpecificCapacity.xls/01Dec2005

ERROL L. MONTGOMERY & ASSOCIATES, INC.



EXPLANATION

- Groundwater Well
- Hydrograph Well
- Boundary of Babocomari Subdivision
- Proposed Housing Boundary
- Fort Huachuca
- Private Land
- State Trust Land
- Depth to Bedrock, in feet below land surface (Oppenheimer and Sumner, 1980)

0 4,000
Feet

N

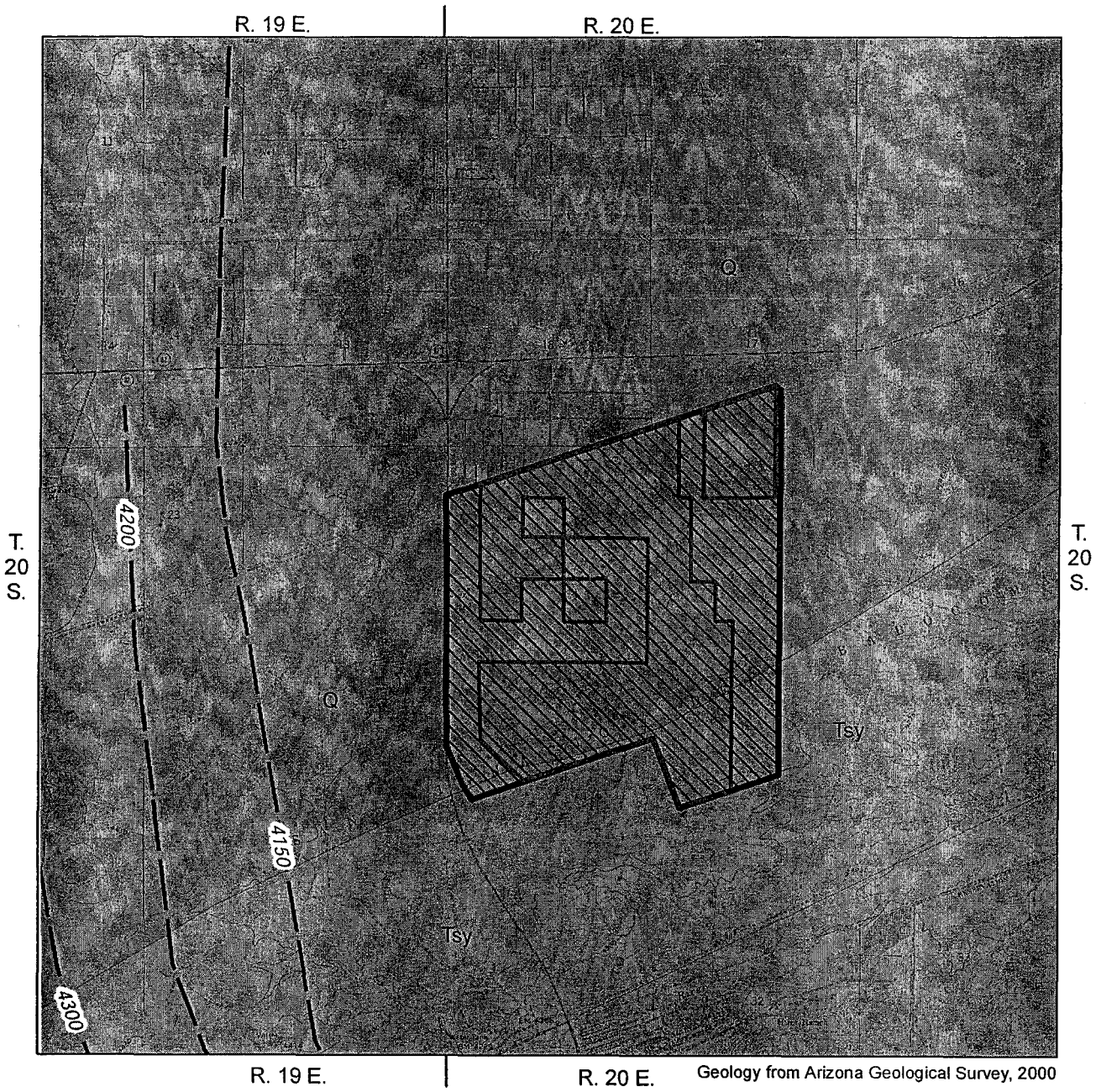
BABOCOMARI SUBDIVISION
BABOCOMARI DEVELOPMENT ASSOCIATION

WELL LOCATION MAP

ERROL L. MONTGOMERY & ASSOCIATES, INC. 2005
CONSULTANTS IN HYDROGEOLOGY
TUCSON, ARIZONA

FIGURE 1

GISdata/1202/WellLocationMap_Revised.mxd 30Nov05



Geology from Arizona Geological Survey, 2000

EXPLANATION

- Q — Basin-Fill Deposits
- Tsy — Tertiary Sedimentary Rocks
- Boundary of Babocomari Subdivision
- Proposed Housing Boundary
- 2001 Water Level Altitude, in feet above mean sea level, dashed where uncertain (from ADWR, 2005b)

0 4,000
Feet

N

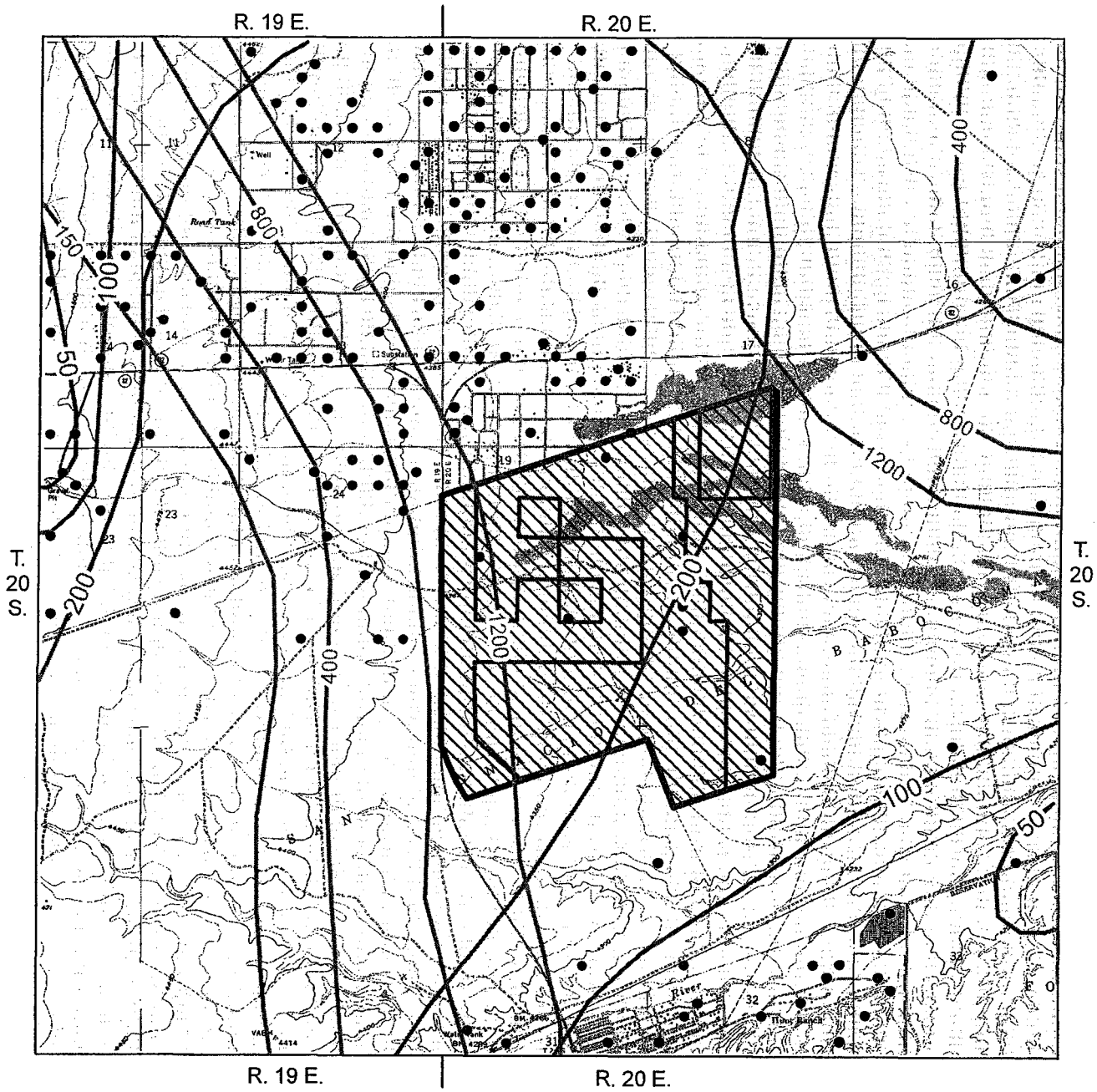
BABOCOMARI SUBDIVISION
BABOCOMARI DEVELOPMENT ASSOCIATION

HYDROGEOLOGIC FEATURES

ERROL L. MONTGOMERY & ASSOCIATES, INC. 2005
CONSULTANTS IN HYDROGEOLOGY
TUCSON, ARIZONA

FIGURE 2

GISdata/1202/Hydrogeologic_features.mxd 30Nov05



EXPLANATION

- Groundwater Well
- Boundary of Babocomari Subdivision
- Proposed Housing Boundary
- Depth to Top of Pantano Formation (Upper San Pedro Basin AMA Review Report, ADWR March 2005b)
- 2001 Depth to Groundwater, in feet below land surface (Upper San Pedro Basin AMA Review Report, ADWR March 2005b)

0 4,000
Feet

N

BABOCOMARI SUBDIVISION
BABOCOMARI DEVELOPMENT ASSOCIATION

DEPTH TO TOP OF PANTANO FORMATION AND DEPTH TO GROUNDWATER

ERROL L. MONTGOMERY & ASSOCIATES, INC. 2005
CONSULTANTS IN HYDROGEOLOGY
TUCSON, ARIZONA

FIGURE 3

GISdata/1202/Depth_Top_Pantano.mxd 30Nov05

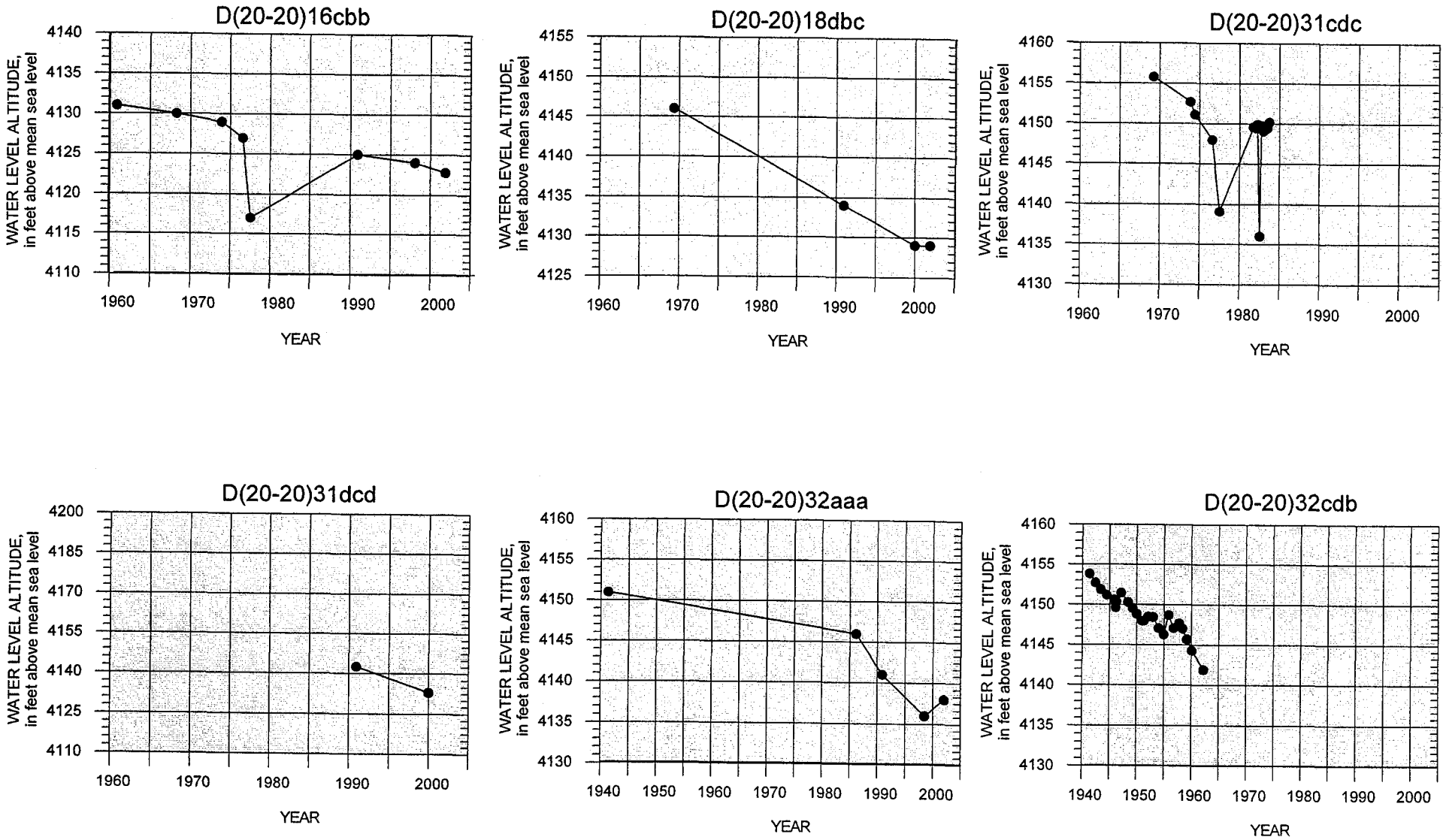
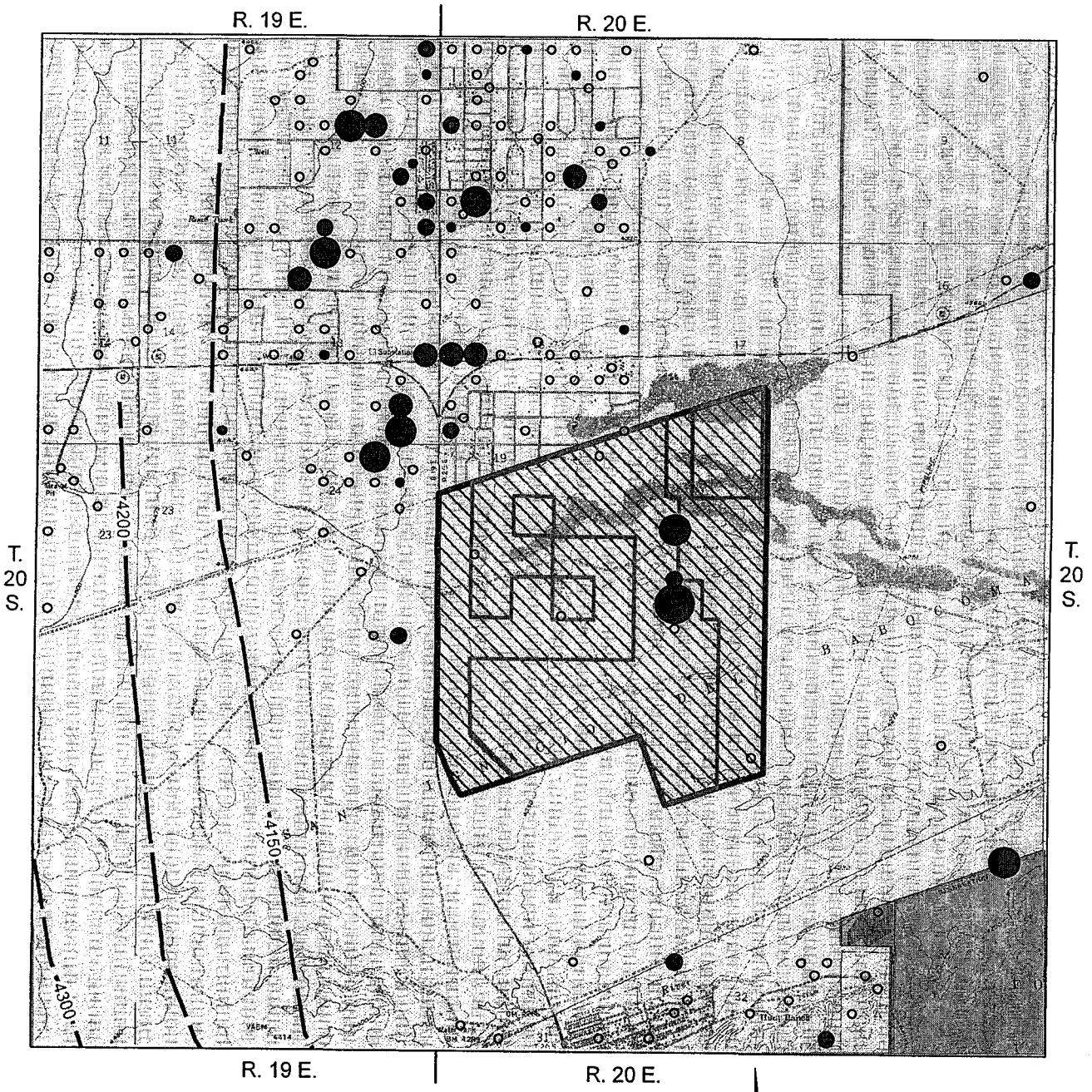


FIGURE 4. GROUNDWATER LEVEL HYDROGRAPHS FOR SELECTED WELLS, BABOCOMARI SUBDIVISION COCHISE COUNTY, ARIZONA

1202/WLHydrograph_merged.grf 29Nov05

ERROL L. MONTGOMERY & ASSOCIATES, INC.



EXPLANATION

- Groundwater Well
- Fort Huachuca
- Private Land
- State Trust Land
- Property Boundary
- Proposed Housing Boundary
- 2001 Water Level Altitude, in feet above mean sea level (dashed where uncertain)

Specific Capacity, in gpm/ft

- 0.0 - 1.0
- 1.1 - 2.5
- 2.6 - 5.0
- 5.1 - 12.0
- 12.1 - 32.0

N

0 4,000
Feet

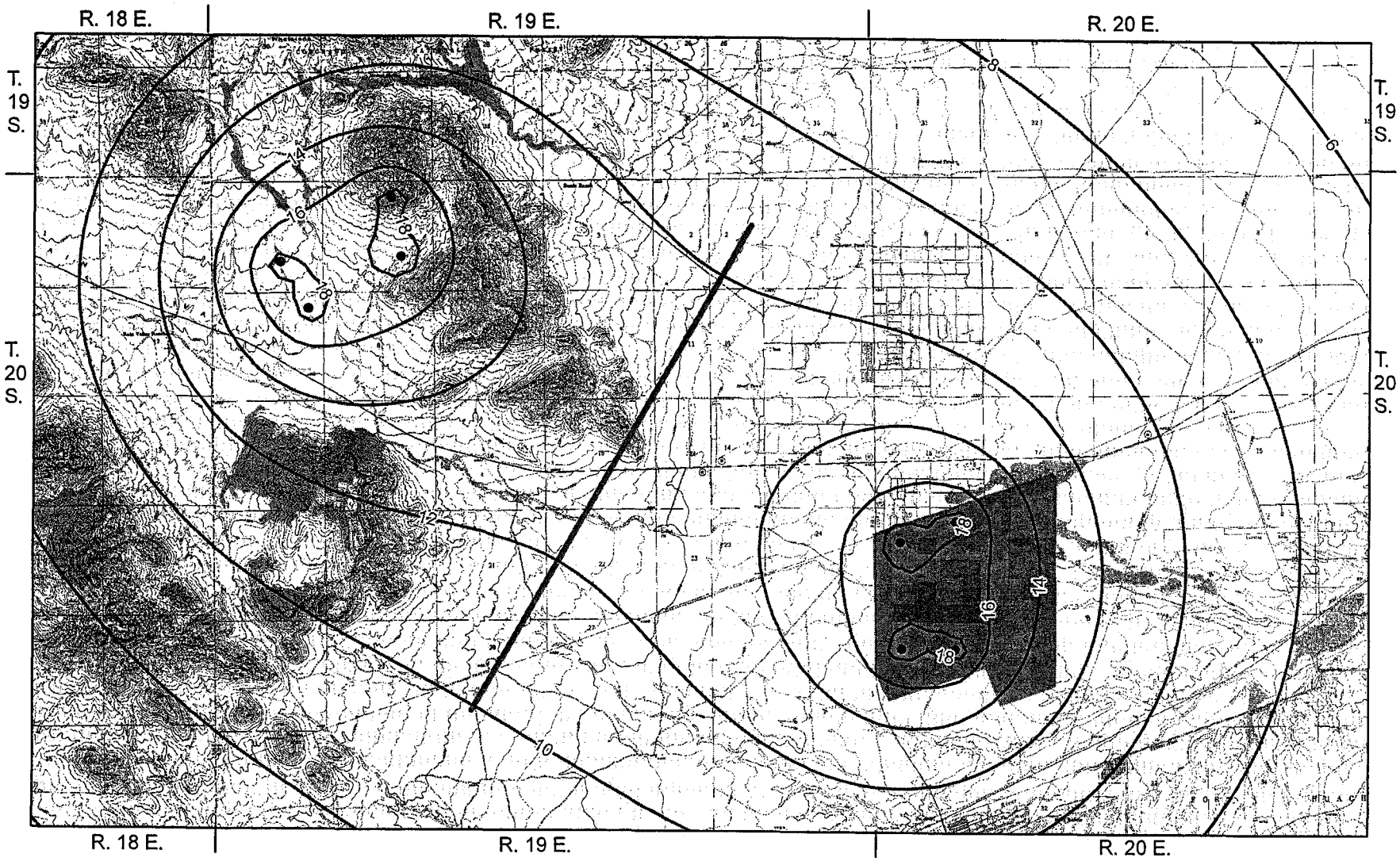
BABOCOMARI SUBDIVISION
BABOCOMARI DEVELOPMENT ASSOCIATION

SPECIFIC CAPACITY

ERROL L. MONTGOMERY & ASSOCIATES, INC. 2005
CONSULTANTS IN HYDROGEOLOGY
TUCSON, ARIZONA

FIGURE 5

GISdata/1202/Specific_Capacity.mxd 29Nov05



EXPLANATION

- Pumping Well
- Image Well
- Projected Drawdown, in feet, using Transmissivity of 30,000 gpd/ft
- Modeled Hydrologic Barrier Boundary
- Property Boundary
- Proposed Housing Boundary

N

0 6,800
Feet

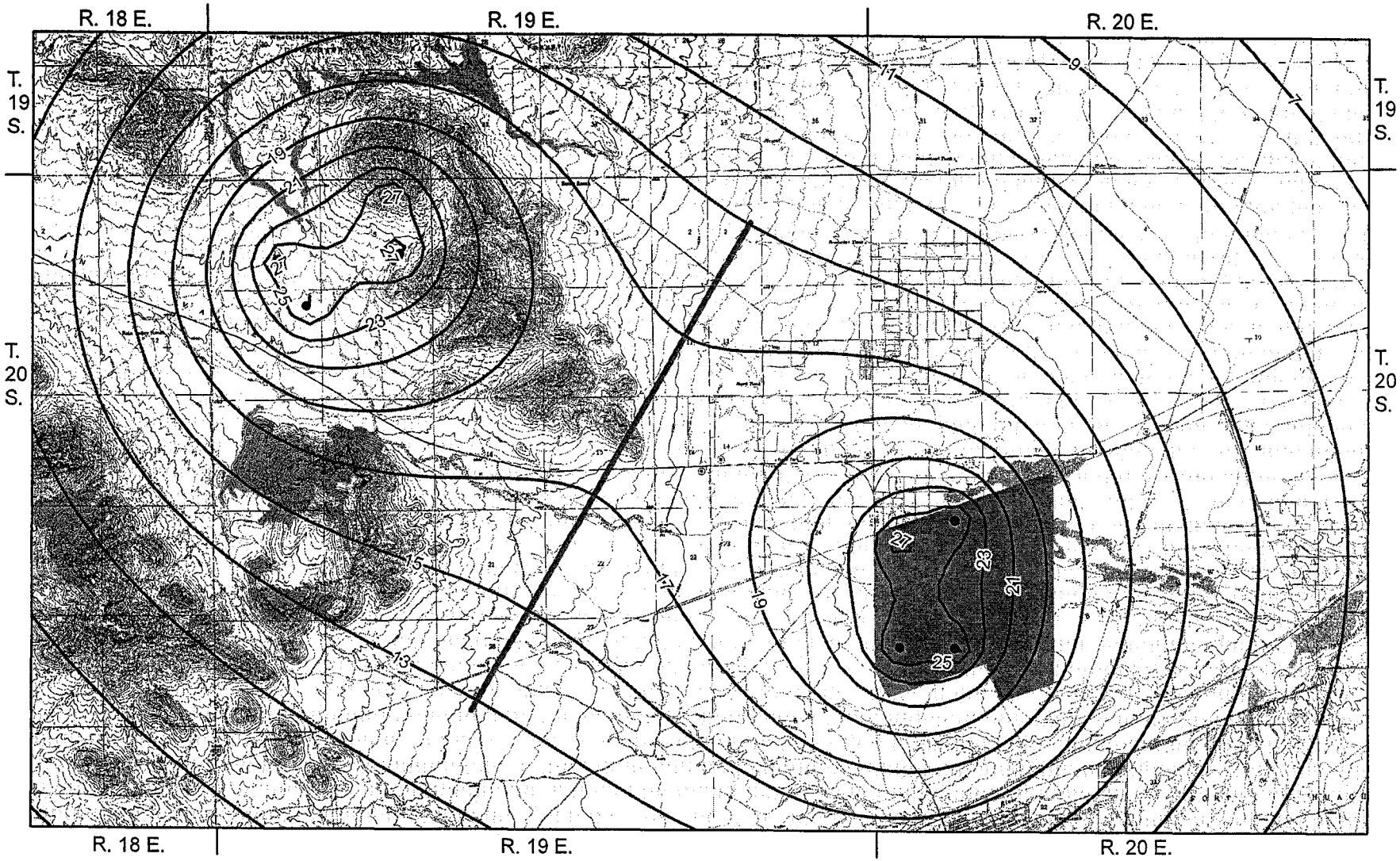
BABOCOMARI SUBDIVISION
BABOCAMARI DEVELOPMENT ASSOCATION

PROJECTED GROUNDWATER LEVEL DRAWDOWN, 100 YEARS, T = 30,000 GPD/FT

ERROL L. MONTGOMERY & ASSOCIATES, INC. 2005
CONSULTANTS IN HYDROGEOLOGY
TUCSON, ARIZONA

FIGURE 6

GISdata/1202.02/THWELLS_Figure6.mxd\ 30Nov2005



EXPLANATION

- Pumping Well
- Image Well
- Projected Drawdown, in feet, using Transmissivity of 18,600 gpd/ft
- Modeled Hydrologic Barrier Boundary
- Property Boundary
- Proposed Housing Boundary

N

0 7,000
Feet

BABOCOMARI SUBDIVISION
BABOCOMARI DEVELOPMENT ASSOCIATION

PROJECTED GROUNDWATER LEVEL DRAWDOWN, 100 YEARS
T = 18,600 GPD/FT

ERROL L. MONTGOMERY & ASSOCIATES, INC. 2005
CONSULTANTS IN HYDROGEOLOGY
TUCSON, ARIZONA

FIGURE 7

GISdata/1202.02/THWELLS_Figure7.mxd\ 30Nov2005

APPENDIX A

SELECTED DRILLERS LOGS

STATE OF ARIZONA
DEPARTMENT OF WATER RESOURCES
99 EAST VIRGINIA AVENUE
PHOENIX, ARIZONA 85004

DEPARTMENT OF WATER RESOURCES

WELL DRILLER REPORT

RECEIVED JAN 17 1985 DEPT. OF WATER RESOURCES

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner Blake Hardy
Name
Box 2317 Sierra Vista, Az 85635
Address

2. Lessee or Operator _____
Name
_____
Address

3. Driller L. B. DRILLING Box 4166 Huachuca City, AZ 85616
Name
_____
Address

4. Location of well: T-20S R-19E S-13 NW-SE-SE

5. Permit No. _____
(if issued)

DESCRIPTION OF WELL

6. Total depth of hole 340 ft.
7. Type of Casing PVC
8. Diameter and length of casing 6 in. from 0 to 340, _____ in from _____ to _____.
9. Method of sealing at reduction points _____
10. Perforated from 340 to 300, from _____ to _____, from _____ to _____
11. Size of cuts 48 Number of cuts per foot three
12. If screen was installed: Length _____ ft. Diam _____ in. Type _____
13. Method of construction drilled (air)
drilled, dug, driven, bored, jetted, etc.
14. Date started 1 2 85
Month day year
15. Date completed 1 3 85
Month day year
16. Depth to water 270 ft. (If flowing well, so state.)
17. Describe point from which depth measurements were made, and give sea-level elevation if available.
ground level
18. If flowing well, state method of flow regulation _____
19. REMARKS: Blow 25gpm

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
Registration No. 55-509971
Received _____ By _____
Entered 1-24-85 By _____
File No. D(20-19)13ddb

(Well log to appear on Reverse side)

DWR-55-6-5/83

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encountered, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	1	Top soil
1	17	brown clay
17	23	dry gravel rocks
23	190	brown sandy clay
190	297	gravely rocky clay snappy drilling
297	340	cemented sand rock gravel sharp snappy (water)

I hereby certify that this well was drilled by me (or under my supervison), and that each and all of the statements herein contained are true to the best of my knowledge and belief.

Driller [signature]
Name

L. B. DRILLING
Box 4166 A
Address

Huachuca City, AZ 85616
City State Zip

Date Jan 16, 1985

ARIZONA DEPARTMENT OF WATER RESOURCES
Operations Division
500 North 3rd Street
Phoenix, Arizona 85004

DEPARTMENT OF WR
NOV - 9 1994
OPERATIONS DIV.

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner Name: Mountain View RV Park
   Address: 99 W. Vista Lane (Street) Huachuca City (City) Az. (State) 85616 (Zip)
2. Driller Name: L. B. Drilling
   Address: Box 4166 (Street) Huachuca City (City) Az. (State) 85616 (Zip)
3. Location: 20 (Township) N/S 19 (Range) E/W 24 (Section) ¼ SW (10-acre) ¼ NE (40-acre) ¼ NE (160-acre)
4. Well Registration No. 55- 546257 (Required)
5. Permit No. _____ (If issued)

DESCRIPTION OF WELL

6. Total depth of hole 375 ft.
7. Type of casing PVC
8. Diameter and length of casing 6 in. from 0 to 375, _____ in from _____ to _____
9. Method of sealing at reduction points _____
10. Perforated from 375 to 315, from _____ to _____ from _____ to _____
11. Size of cuts 1/8 Number of cuts per foot Three
12. If screen was installed: Length _____ ft. Diam _____ in. Type _____
13. Method of construction drilled air (drilled, dug, driven, bored, jetted, etc)
14. Date started Nov. (Month) 5 (Day) 1994 (Year)
15. Date completed Nov. (Month) 5 (Day) 1994 (Year)
16. Depth to water 265 ft. (If flowing well, so state)
17. Describe point from which depth measurements were made, and give sea-level elevation if available
    ground level
18. If flowing well, state method of flow regulation: N/A
19. Remarks: blew 50 gpm.

DO NOT WRITE IN THIS SPACE
OFFICE RECORD

Registration No. 55-546257
File No. D(20-19)24AAC
Received
Entered ENTERED NOV 17 1994

DWR-55-55-10/94 (Rev.)

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encountered, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	5	brown sandy clay
5	53	gravel sand semi loose scattered boulders
53	73	redish brown clay
73	135	brown sandy clay
135	180	gravel sand semi loose
180	193	redish brown clay
193	271	sandy brown clay
271	283	dry gravel sand
283	310	sandy brown clay
310	325	cemented sand gravel grey 1st water scattered clay layers

I hereby certify that this well was drilled by me(or under my supervision), and that each and all statements herein contained are true to the best of my knowledge and belief.

Driller Name: ~~J.C.B. DRILLING~~

Box 4166

Street Huachuca City, AZ 85616

City State Zip Phone No.

11-6-94

Date

ARIZONA DEPARTMENT OF WATER RESOURCES

500 North Third Street
Phoenix, Arizona 85004

55-546257
Re D(20-19)24AAC
Fil

DEC - 1 1994

COMPLETION REPORT

1. Per A.R.S. § 45-600, the Completion Report is to be filed with the Department within 30 days after installation of pump equipment by the registered well owner.

2. Drawdown of the water level for a non-flowing well should be measured in feet after not less than 4 hours of continuous operation and while still in operation and for a flowing well the shut-in pressure should be measured in feet above the land or in pounds per square inch at the land surface.

3. The static groundwater level should be measured in feet from the land surface immediately prior to the well capacity test.

4. The tested pumping capacity of the well in gallons per minute for a non-flowing well should be determined by measuring the discharge of the pump after continuous operation for at least 4 hours and for a flowing well by measuring the natural flow at the land surface.

LOCATION OF THE WELL:

20 N/S — Township; 19 E/W — Range; 24 — Section; ¼ SW — 10-acre; ¼ NE — 40-acre; ¼ NE — 160-acre

EQUIPMENT INSTALLED:

Kind of pump: Submersible (Turbine, centrifugal, etc.)

Kind of power: Electric (Electric, natural gas, gasoline, etc.) H.P. Rating of Motor: 5

Pumping Capacity: 25 gpm Date Pump Installed: Nov 21, 1994

WELL TEST:

Test pumping capacity: gpm (Gallons per minute) Date Well Tested: Nov 21, 1994

Method of Discharge Measurement: 5 gallon Container (Weir, orifice, current meter, etc.)

Static Groundwater Level: 235 ft. Drawdown: 15 ft.

Total Pumping Lift: 320 ft. Drawdown: N/A (Flowing Well) lbs.

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

November 29, 1994
Date

Helen Smith
Print Well Owner's Name

Helen Smith
Signature of Well Owner or Agent

99 W Vista Lane
Address

Huachuca City AZ 85616
City State Zip

ENTERED DEC - 8 1994

DWR-55-56-10/94 (Rev.)

DEPARTMENT OF WR

OCT 17 1994 MR

OPERATIONS DIV.

ARIZONA DEPARTMENT OF WATER RESOURCES
Operations Division, 15 South 15th Avenue
Phoenix, Arizona 85007 (602) 542-1581

NOTICE OF INTENTION TO DRILL, DEEPEN, REPLACE OR MODIFY A WELL

Section § 45-596, A.R.S., provides: a person may not drill, deepen, or modify any well, without first filing a Notice of Intention to Drill with the Department.

IF PARCEL IS 20 ACRES OR LESS, THE APPLICABLE COUNTY OR LOCAL HEALTH AUTHORITY MUST ENDORSE ALL ITEMS IN THE BOX BELOW, BEFORE SUBMITTING TO THE DEPARTMENT OF WATER RESOURCES.

Mountain View R.V. Park 99 W Vista Lane Huachuca City AZ 85616
Land Owner's Name / Address / City / State / Zip

Telephone 456-2860

County: Cochise

COUNTY ASSESSOR'S PARCEL ID INFORMATION:
106 06 008 11.01
BOOK MAP PARCEL No. of Acres of Parcel

Well/Land Location: SW 1/4 NE 1/4 NE 1/4 of Section 24 Township 20S N/S Range 19E E/W
10AC 40ac 160ac

OFFICIAL SEAL
COCHISE COUNTY
HEALTH DEPARTMENT
4115 E. Foothills
Sierra Vista, AZ 85635

COUNTY OR LOCAL AUTHORITY ENDORSEMENT

Check one:
Recommend Approval X ; Insufficient information to make determination ____ ; Variance required ____ (Explanation attached).

DATE Oct 12, 1994 AUTHORIZED SIGNATURE [signature], R.S

GENERAL INSTRUCTIONS FOR FILING NOTICE WITH

1. Section § 45-596(D) provides that the Director shall determine that all information required on this form has been submitted. If not, the person filing will be notified, and the drilling, deepening or modification of the well may not proceed.
2. Section § 45-596(D), provides that the Department has 15 days after the receipt of a complete and correct notice of intention to record the notice and mail the duplicate to the owner.
3. Fill out this form and site plan in DUPLICATE and send WITH $10.00 FEE to 15 South 15th Ave., Phoenix, AZ 85007. USE BLACK OR BLUE INK.
4. For specific instructions, limitations and conditions, see the reverse side of this form.
5. If the well is a replacement, deepening or modification of an existing well, provide the registration number of the existing well in item 2.
6. Construction standards for wells, including abandonment, shall be in accordance with Department Rules.

1. Owner of well:
Mountain View R.V. Park
Name
99 W Vista Lane
Mailing Address
Huachuca City AZ 85616
City State Zip
Telephone: 456-2860

2. Action requested: Drill New Well X ;
Deepen ____ Modify ____ Replace ____
For a replacement well provide: Maximum capacity of the original well ____ gallons per minute; distance from the original well ____ feet.
Well Registration No. 55- ____

3. Construction will start about:
Month Fall Year 94

4. DESCRIPTION OF PROPOSED WELL:
Diameter 6 inches
Depth 320 feet
Type of Casing PVC

5. Design Pump Capacity:
40 gallons per minute

6. Lessee of Land of wellsite:
N/A
Name
Mailing Address
City State Zip
Telephone: ____

7. Principal use of water (be specific)
domestic R.V. Park

8. Other uses of water (be specific)
NONE

9. If use includes irrigation, state to nearest tenth, the number of acres to be irrigated: N/A

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
File No. D(20-19)24AAC By [initials]
Filed 10-17-94 By [initials]
Input ____ By ____
DUPLICATE MAILED
Date 10/25/94 By [initials]
Registration 55- 546257
AMA/INA ✓
W/S 11 S/S ✓
ENTERED NOV 10 1994

10. PLACE OF USE (Legal Description of Land):
Township 20S N/S Range 19E E/W
Section 24 1/4 NE 1/4 NE 1/4 SW

11. Type of well: Exempt ____ Non-Exempt X
Residential ____ Commercial X

12. Is the proposed wellsite within 100 feet of a septic tank system, sewage disposal area, landfill, hazardous waste facility, storage area of hazardous materials or petroleum storage areas and tanks? YES ____ NO X

13. DRILLING FIRM:
Firm Name
L. R. DRILLING
Mailing Address
BOX 4166
City HUACHUCA CITY, AZ 85616 State Zip
D. W. R. LIC. #344
DWR Lic. #476141-005(A4
#058233-006(C-53
ROC License Classification

Helen Smith
Typed or Printed Name of Owner or Lessee

Helen M. Smith
Signature [X] Land Owner [ ] Lessee of Wellsite

10-7-94
DATE

New Address

ARIZONA DEPARTMENT OF WATER RESOURCES
[redacted] 500 North Third St.
Phoenix, Arizona [redacted] 85004-3903

DEC - 1 1994

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner Name: Mountain View R.V. Park
   Address: 99 W Vista Lane, Huachuca City, Az 85616
   Street City State Zip
2. Driller Name: L. B. DRILLING
   Address: Box 4166 Huachuca City, AZ 85616
   Street City State Zip
3. Location: 20 N(S) 19 (E)W 24 SW 1/4 NE 1/4 NE 1/4
   Township Range Section 10-acre 40-acre 160-acre
4. Well Registration No. 55-546257 (Required)
5. Permit No. _____ (If issued)

DESCRIPTION OF WELL

6. Total depth of hole 375 ft.
7. Type of casing PVC
8. Diameter and length of casing 6 in. from 0 to 375, _____ in from _____ to _____.
9. Method of sealing at reduction points _____
10. Perforated from 375 to 315, from _____ to _____, from _____ to _____.
11. Size of cuts 18 Number of cuts per foot Three
12. If screen was installed: Length _____ ft. Diam _____ in. Type _____
13. Method of construction drilled Air
    (drilled, dug, driven, bored, jetted, etc)
14. Date started Nov 5 1994
    Month Day Year
15. Date completed Nov 5 1994
    Month Day Year
16. Depth to water 265 ft. (If flowing well, so state)
17. Describe point from which depth measurements were made, and give sea-level elevation if available
    ground level
18. If flowing well, state method of flow regulation: N/A
19. Remarks: Blew 50 gpm

DO NOT WRITE IN THIS SPACE
OFFICE RECORD

Registration No. 55-546257
File No. D(20-19)24 ABC
Received _____ By _____
Entered ENTERED DEC - 6 1994

DWR-55-55-7/91 (Rev.)

LOG OF WELL

Indicate depth at which water was first [redacted], and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which [redacted]counterd, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	5	brown Sandy Clay
5	53	gravel Sand Semi loose Scattered boulders
53	73	redish brown clay
73	135	brown Sandy clay
135	180	gravel Sand Semi loose
180	193	redish brown clay
193	271	Sandy brown clay
271	283	dry gravel Sand
283	310	Sandy brown clay
310	375	Cemented Sand gravel gray 1st Water Scattered Clay layers

I hereby certify that this well was drilled by me (or under my supervision), and that each and all statements herein contained are true to the best of my knowledge and belief.

Driller Name [signature]

J. B. DRILLING

Street Box 4160

Huachuca City, AZ 85616

City State Zip

Date Nov 7, 1994

ARIZONA DEPARTMENT OF WATER RESOURCES
15 South 15th Avenue
Phoenix, Arizona 85007

DEPARTMENT OF WAR
APR 6 1994
OPERATIONS DIV.

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner Name: George E. Brown
   Address: Box 4231 (Street) Huachuca City (City) Az. (State) 85616 (Zip)
2. Driller Name: L. B. Drilling
   Address: Box 4166 (Street) Huachuca City (City) Az. (State) 85616 (Zip)
3. Location: 20 N/S (Township) 19 E/W (Range) 24 (Section) SE 1/4 (10-acre) NW 1/4 (40-acre) NE 1/4 (160-acre)
4. Well Registration No. 55- 538845 (Required)
5. Permit No. _____ (If issued)

DESCRIPTION OF WELL

6. Total depth of hole 345 ft.
7. Type of casing PVC
8. Diameter and length of casing 6 in. from 0 to 345, _____ in from _____ to _____.
9. Method of sealing at reduction points _____
10. Perforated from 345 to 305, from _____ to _____, from _____ to _____.
11. Size of cuts 1/8 Number of cuts per foot three
12. If screen was installed: Length _____ ft. Diam _____ in. Type _____
13. Method of construction drilled air
    (drilled, dug, driven, bored, jetted, etc)
14. Date started March (Month) 5 (Day) 1994 (Year)
15. Date completed March (Month) 8 (Day) 1994 (Year)
16. Depth to water 274 ft. (If flowing well, so state)
17. Describe point from which depth measurements were made, and give sea-level elevation if available
    ground level
18. If flowing well, state method of flow regulation: N/A
19. Remarks: blew 50 gpm

ENTERED APR - 7 1994

DO NOT WRITE IN THIS SPACE

Regist 55-538845
File N D(20-19)24ABD
Recei
Entere _____

DWR-55-55-7/91 (Rev.)

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encounterd, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	6	Black Topsoil
6	35	clayey gravel sand Cobbles brown
35	297	brown sandy clay with sand and gravel layers dry
297	345	brown and grey snappy drilling cemented sand gravel rocks / 1st water

I hereby certify that this well was drilled by me (or under my supervision), and that each and all statements herein contained are true to the best of my knowledge and belief.

Driller Name: [signature]

L. B. DRILLING

Street Box 4166

Huachuca City, AZ 85616

City State Zip

Date 4-2-94

FILING FEE $10.00

ARIZONA DEPARTMENT OF WATER RESOURCES
Operations Division
15 South 15th Avenue
Phoenix, Arizona 85007

NOTICE OF INTENTION TO DRILL A WELL OUTSIDE OF AN ACTIVE MANAGEMENT AREA

Section §45-596, Arizona Revised Statutes, provides: In an area not subject to Active Management, a person may not drill, deepen, or modify any well, without first filing a Notice of Intention to Drill with the Department.

WELL/LAND LOCATION:
20 N/S | 19 E/W | 24
1. Township | 2. Range | 3. Section

4. SE 1/4 (10 Acre) NW 1/4 (40 Acre) NE 1/4 (160 Acre)

5. County Assessor's I.D.
106 (Book) | 06 (Map) | 021B1 (Parcel)

6. County Cochise

NORTH
NW¼ | NE¼ X
WEST | EAST
SW¼ | SE¼
SOUTH

INDICATE WELL LOCATION BY X
(Above diagram represents one 640 acre section)

7. Type of well:
Exempt X Non-exempt ____

8. Action Requested:
Drill New Well X ; or Deepen ____
Replace ____ Modify ____
Well No. 55-____

9. Is the proposed wellsite within 100 feet of a septic tank system, sewage disposal area, landfill, hazardous waste facility, storage area of hazardous materials or petroleum storage areas and tanks?
Yes ____ No X

10. Will this proposed well pump Colorado River Water? Yes ____ No X
(See item 10 on reverse side)

11. Applicant: Owner X Lessee ____
Name: George E. Brown
Mailing Address: Box 4231
City: Huachuca State: AZ Zip: 85616
Telephone: 456-9224

12. Owner or Lessee of Land at wellsite:
Name: SAME
Mailing Address:
City State Zip
Telephone:

13. Owner of well:
Name: SAME
Mailing Address:
City State Zip
Telephone:

DO NOT WRITE IN THIS SPACE
Office Record
File No. D(20-19)24ABD
Filed 4/15/93 By dh
Input ENTERED APR 20 1993 By
Mailed 4/19/93 By dh
Registration No. 55-538845
INA —
W/S 11 S/B —

PLACE OF USE:
14. Township 20 N/S
Range 19 E/W
15. Section 24
16. Legal description of land:
SE 1/4 (10 Acre) NW 1/4 (40 Acre) NE 1/4 (160 Acre)

DESCRIPTION OF PROPOSED WELL:
17. Diameter 6 inches
Depth 300 feet
Type of Casing PVC
Design Pump Capacity:
20 gallons per minute
18. Estimate of total annual pumping:
1.3 acre feet
19. Principal use of water: (be specific)
domestic
20. Other uses intended: (be specific)
None
21. Number of Multiple Drinking Water connections, if any: Two
(See item 5 on reverse side)
22. If use includes irrigation, state to nearest tenth, the number of acres to be irrigated:
N/A
23. Construction will start about:
April (Month) 93 (Year)

DRILLING FIRM:
24. L. R. DRILLING
Firm BOX 4166
HUACHUCA CITY, AZ 85616
Mailing Address D. H. R. LIC. #344
R. O. C. LIC. #076141-005(A4
#058233-005(C-53
City State Zip
DWR License Number
ROC License classification

RECEIVED
APR 15

GENERAL INSTRUCTIONS

1. Fill out this form in DUPLICATE and send WITH $10.00 FEE to 15 South 15th Avenue, Phoenix, AZ 85007.
2. For specific instructions, limitations and conditions, see the reverse side of this form.
3. This form is to be used to drill, deepen, replace or modify a well outside of an Active Management Area.
4. If the well is a replacement, deepening or modification of an existing well, provide the registation number of the existing well in Item 8.
5. Construction standards for wells, including abandonment, shall be in accordance with Department Rules.
6. Section §45-596(D), provides that the Director shall determine that all information required on form has been submitted. If not, the person filing will be notified, and the drilling, deepening, or modification of the well may not proceed.

I state that this Notice is filed in compliance with A.R.S. §45-596 and is complete and correct to the best of my knowledge and belief and that I understand the limitations under which I must operate this well as set forth on the reverse side of this form.

George E. Brown — Typed or printed name
George E. Brown — Signature [X] Land Owner [ ] Lessee of wellsite
April 13/93 — Date

DWR-55-40 5/92 (Rev.)

STATE OF ARIZONA
DEPARTMENT OF WATER RESOURCES
15 South 15th Avenue
Phoenix, Arizona 85007

1 6 1990

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner LEO DRIVER
   Name
   Mailing Address
2. Driller LEO DRIVER – LEE'S WELL DRILLING
   Name
   Mailing Address
3. Location of well:
4. Permit No.
   (If issued)

DESCRIPTION OF WELL

5. Total depth of hole 360 ft.
6. Type of casing STEEL AND PVC - 6"
7. Diameter and length of casing 8 in. from 0 to 22.6 in from 0 to 360.
8. Method of sealing at reduction points Grout
9. Perforated from 300 to 360 from ____ to ____, from ____ to ____.
10. Size of cuts 40 Number of cuts per foot one
11. If screen was installed: Length ____ ft. Diam ____ in. Type ____
12. Method of construction ____
    drilled, dug, driven, bored, jetted, etc
13. Date started 12 (Month) 29 (Day) 89 (Year)
14. Date completed 1 (Month) 3 (Day) 90 (Year)
15. Depth to water 280' ft. (If flowing well, so state)
16. Describe point from which depth measurements were made, and give sea-level elevation if available A. L.
17. If flowing well, state method of flow regulation:
18. Remarks:

55-525591

D(20-19)24 ddc

Entered ____ By ____

ENTERED JAN 26 1990

DWR-55-6-Rev. 2/89

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encountered, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	2	Top
2	160	Sandy clay
160	187	Clay & rocks
187	260	Sandy clay
260	360	Cemented gravel

I hereby certify that this well was drilled by me (or under my supervision), and that each and all statements herein contained are true to the best of my knowledge and belief.

Driller Leo J. Drum # 523 lic
Name

Box 4558 H.C
Address

AZ 85616
City State Zip

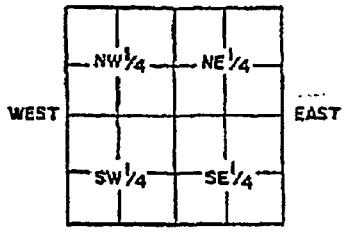
Date 1-10-90

FILING FEE $10.00

DEPARTMENT OF WATER RESOURCES (DWR)
NOTICE OF INTENTION TO DRILL OR DEEPEN A WELL
OUTSIDE OF AN ACTIVE MANAGEMENT AREA

Section 45-596, Arizona Revised Statutes, provides: In an area not subject to Active Management, a person may not drill or cause to be drilled any well or deepen an existing well without first filing a Notice of Intention to Drill with the Department.

NORTH



SOUTH

INDICATE WELL LOCATION BY X
(Above diagram represents one 640 acre section.)

WELL/LAND LOCATION:

1. Township 20 N/S
2. Range 19 E/W
3. Section 24
4. SW ¼, SE ¼, SE ¼
   10 acre subdivision
5. County Cochise
6. Owner of well:
   LEO J. DRIVER
   Name
   Box 4558
   Mailing address
   H.C. AZ 85616
   City State Zip
   Telephone 456-9880
7. Owner of land:
   Name
   Mailing Address
   City State Zip

DESCRIPTION OF WELL:

8. Diameter 6 inches
   Depth 500 feet
9. Type of casing Pvc + Steel
10. Design pump capacity:
    100 gallons per minute
11. Estimate of total annual pumping: _____ acre feet
12. Principal use of water:
    Domestic & Irrig
    (Be Specific)
13. Other uses intended:
    Bbq's, Lawn, Yard & Stock
    (Be Specific)
14. If for irrigation, state the number of acres to be irrigated:
    12 acres
15. Construction will start about:
    8 Month 89 Year

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
FILE NO. D(20-19)24 ddc
FILED 8-8-89 BY SV
INPUT ~~ENTERED AUG 15 1989~~
DUPLICATE MAILED 8-14-89 BY SV
REGISTRATION NO. 55-525591
INA
W/S 11 S/B

PLACE OF USE:

16. Township 20 N/S
17. Range 19 E/W
18. Section 24
19. Legal description of land
    SW SE SE
20. Type well:
    ___ Exempt
    ✓ Non-Exempt
21. Action Requested:
    Drill ✓ Deepen ___ Replace ___
    55- _____
22. This notice filed by:
    Owner ✓
    Lessee ___
    Name
    Address
    City State Zip
    Telephone
23. Drilling Firm:
    Lee's Well Drilling
    Name
    P.O. Box 4558
    Address
    H.C. Az. 85616
    City State Zip
    C537480 L-53
    DWR License Number

24. Is the proposed wellsite within 100 feet of a septic tank system, sewage disposal area, landfill, hazardous waste facility or storage area of hazardous materials: Yes ___ No X

GENERAL INSTRUCTIONS

1. Fill out this form in duplicate and send to 15 South 15th Ave., Phoenix, Arizona 85007.
2. For specific instructions, limitations and conditions, see the reverse side of this form.
3. This form is to be used to drill, deepen or replace a well outside of an Active Management Area.
4. If the well is a replacement or deepening of an existing well, state the registration number of the existing well in Item 21.
5. Construction standards for new and replacement wells and the deepening and abandonment of existing wells shall be in accordance with Department Rules and Regulations.

I state that this Notice is filed in compliance with ARS §45-596 and is complete and correct to the best of my knowledge and belief and that I understand the limitations under which I must operate this well set forth on the reverse side of this form.

DATE 8-10-89 Signature of Person Filing Leo J. Driver

DWR-55-41-8/86B (Revised)

STATE OF ARIZONA
DEPARTMENT OF WATER RESOURCES
99 EAST VIRGINIA AVENUE
PHOENIX, ARIZONA 85004

RECEIVED SEP 22 1986 DEPT. OF WATER RESOURCES

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner Henry E Haidaley
Name
7 Oak St. Huachuca City, Az. 85616
Mailing Address

2. Driller B. B. DRILLING
Box 4166
Name
Huachuca City, AZ 85616
Mailing Address

3. Location of well: T20S R-20E S-18 SE-SE-SW

4. Permit No. _____
(if issued)

DESCRIPTION OF WELL

5. Total depth of hole 300 ft.

6. Type of casing PVC

7. Diameter and length of casing 6 in. from 0 to 300, ____ in from ____ to ____.

8. Method of sealing at reduction points _____

9. Perforated from 270 to 300, from ____ to ____, from ____ to ____.

10. Size of cuts 1/8 Number of cuts per foot three

11. If screen was installed: Length ____ ft. Diam ____ in. Type ____

12. Method of construction drilled air
drilled, dug, driven, bored, jetted, etc.

13. Date started Sept. 2 86
Month Day Year

14. Date completed Sept. 3 86
Month Day Year

15. Depth to water 240 ft. (If flowing well, so state.)

16. Describe point from which depth measurements were made, and give sea-level elevation if available ground level

17. If flowing well, state method of flow regulation: _____

18. Remarks: Blew 25 gpm

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
Registration No. 55-514838
Received _____ By ____
Entered _____ By ____
File No. D(20-20)18 cdd

ENTERED SEP 24 1986

DWR-55-6-Rev. 8/85

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encountered, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	1	Top soil
1	54	brown sandy clay
54	160	sticky / redish brown clay
160	185	cemented sand gravel few rocks
185	265	brown sandy clay with sticky clay layers
265	300	cemented / sand gravel with clay streaks
		(1st water)

I hereby certify that this well was drilled by me (or under my supervision), and that each and all of the statements herein contained are true to the best of ~~my kno~~wledge and belief.

Driller [signature]
Name

L. B. DRILLING
Box 4166
Maricopa City, AZ 85616
Address
City State Zip

Date Sept 18 1986

DEPARTMENT OF WATER RESOURCES
99 East Virginia
Phoenix, Arizona 85004

SEP 1986 DEPARTMENT OF WATER RESOURCES

Registration No. 55-514838

Owner of Well Site HEIDAKER

File No. D(20-20)18 cdd

COMPLETION REPORT

1. Per A.R.S. §45-600, the Completion Report to be filed with the Department within 30 days after installation of pump equipment by the registered well owner.
2. Drawdown of the water level for a non-flowing well should be measured in feet after not less than 4 hours of continuous operation and while still in operation and for a flowing well the shut-in pressure should be measured in feet above the land or in pounds per square inch at the land surface.
3. The static groundwater level should be measured in feet from the land surface immediately prior to the well capacity test.
4. The tested pumping capacity of the well in gallons per minute for a non-flowing well should be determined by measuring the discharge of the pump after continuous operation for at least 4 hours and for a flowing well by measuring the natural flow at the land surface.

LOCATION OF THE WELL:

20 S	20 E	18	¼ ¼ ¼
Township	Range	Section	

EQUIPMENT INSTALLED:

Kind of pump Submersible
Turbine, centrifugal, etc.

Kind of power Elec. H.P. Rating of Motor 3
Electric, natural gas, gasoline, etc.

Pumping Capacity 25 Date installed 9/25/86
Gallons per minute

WELL TEST:

Test pumping capacity 30 Date Well Tested 9/25/86
Gallons per minute

Method of Discharge Measurement 5 gal container
Weir, orifice, current meter, etc.

Static Groundwater Level 230 ft. Drawdown 0 ft.

Total Pumping Lift 275 ft. Drawdown _____ lbs
(Flowing Well)

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

9/26, 1986
DATE

Triple L Pump
Signature

Box 411
Address

Huachuca City, AZ 85616
City State Zip

DWR-55-7-3/84

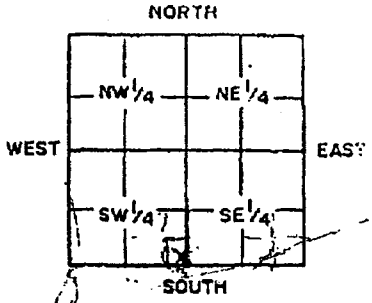
ENTERED OCT 01 1986

FILING FEE $10.00

DEPARTMENT OF WATER RESOURCES (DWR)
NOTICE OF INTENTION TO DRILL OR DEEPEN A WELL
OUTSIDE OF AN ACTIVE MANAGEMENT AREA

JUL 1986 DEPARTMENT OF WATER RESOURCES

Section 45-596, Arizona Revised Statutes, provides: In an area not subject to Active Management, a person may not drill or cause to be drilled any well or deepen an existing well without first filing a Notice of Intention to Drill with the Department.



INDICATE WELL LOCATION BY X
(Above diagram represents one 640 acre section)

WELL/LAND LOCATION:

1. Township 20 S
2. Range 20 E
3. Section 18
4. SE ¼, SE ¼, SW ¼
   10 acre subdivision
5. County Cochise
6. Owner of well:
   Name Henry E. Heidaker
   Address 7-OAK St
   City State Zip
   Telephone Huac. City Az 85616 456-1079
7. Owner of land: SAME
   Name
   Address
   City State Zip

DESCRIPTION OF WELL:

8. Diameter 6 inches
   Depth 300 feet
9. Type of casing PVC
10. Design pump capacity: 12 gallons per minute
11. Estimate of total annual pumping: .8 acre feet
12. Principal use of water: domestic (Be Specific)
13. Other uses intended: None (Be Specific)
14. If for irrigation, state the number of acres to be irrigated: N/A acres
15. Construction will start about: Sept. 86
    Month Year

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
FILE NO. D(20-20)18cdd
FILED 7-8-86 BY mg
INPUT 7-11-86 BY CW
DUPLICATE MAILED 7-10-86 BY mg
REGISTRATION NO. 55-514838
Non Expansion Area —
W/S 11 S/B —

PLACE OF USE:

16. Township 20 S
17. Range 20 E
18. Section 18
19. Legal description of land SE-SE-SW
20. Type well:
    ✓ Exempt
    ___ Non-Exempt
21. Action Requested:
    Drill ✓ Deepen ___ Replace ___
    55- ___
22. This notice filed by:
    Owner ✓
    Lessee ___
    Name Henry Heidaker
    Address 7 Oak St
    City State Zip Huachuca City Az 85616
    Telephone 456-1079
23. Driller's Name:
    Name J. B. DRILLING
    Address Box 4166 Huachuca City, AZ 85616
    City State Zip
    DWR License Number (644) ROC 58233

GENERAL INSTRUCTIONS

1. Fill out this form in duplicate and send to 99 East Virginia, Suite 100, Phoenix, Az. 85004.
2. For specific instructions, limitations and conditions, see the reverse side of this form.
3. This form is to be used to drill, deepen or replace a well outside of an Active Management Area
4. If the well is a replacement or deepening of an existing well, state the registration number of the existing well in Item 21.
5. Construction standards for new and replacement wells and the deepening and abandonment of existing wells shall be in accordance with Department Rules and Regulations.

I state that this Notice is filed in compliance with ARS §45-596 and is complete and correct to the best of my knowledge and belief and that I understand the limitations under which I must operate this well set forth on the reverse side of this form.

DATE 4-July 1986 Signature of Person Filing Henry E. Heidaker

DWR-55-41-10/83

D(20-20)18 CDD

Arizona Department of Water Resources
Groundwater Management Support Section
P.O. Box 458 • Phoenix, Arizona 85001-0458
(602) 417-2470 • (800) 352-8488
www.water.az.gov

Request to Change Well Information

RECEIVED
JAN - 5 2005
Information Management

- Review instructions prior to completing form
- You must include with your Notice:
  - check or money order for any required fee(s)
- Authority for fee: A.A.C. R12-15-151(B)(4)(a), A.R.S. § 45-113(B)

WELL REGISTRATION NUMBER
55 - 514838

** PLEASE PRINT CLEARLY **

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL	WELL LOCATION ADDRESS (IF ANY) 243 E. OAK STREET, HUACHUCA CITY, AZ 85616
MAILING ADDRESS	TOWNSHIP (N/S) 20S; RANGE (E/W) 20E; SECTION 18; 160 ACRE SE ¼; 40 ACRE SE ¼; 10 ACRE SW ¼
CITY / STATE / ZIP CODE	LATITUDE ° ' "N; LONGITUDE ° ' "W
CONTACT PERSON NAME AND TITLE	COUNTY ASSESSOR'S PARCEL ID NUMBER: BOOK 106; MAP 24; PARCEL 149
TELEPHONE NUMBER; FAX	COUNTY WHERE WELL IS LOCATED: COCHISE

☐ Change of Well Drilling Contractor *(Fill out Section 2)* ☒ Change of Well Ownership *(Fill out Section 3)* ☐ Change of Well Information (location, use, etc.) *(Fill out Section 4)*

$10 FEE

- If drilling or abandoning a well, the Department must receive this request and issue authorization to the new drilling firm prior to the commencement of well drilling or abandonment.

Old Well Drilling Contractor		New Well Drilling Contractor	
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL		FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL	
DWR LICENSE NUMBER		DWR LICENSE NUMBER	ROC LICENSE CATEGORY
TELEPHONE NUMBER	FAX	TELEPHONE NUMBER	FAX

ANSWERED JAN 5 2005

$10 FEE

- If this change pertains to more than one well and the names are the same, only one $10 fee is required.

Old Well Owner		New Well Owner	
FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: PRESTON AND CANNELLA		FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: FERN L. JONES	
MAILING ADDRESS: 2811 W. CALLE DE DALIAS		MAILING ADDRESS: 243 E. OAK STREET	
CITY / STATE / ZIP CODE: TUCSON, AZ 85745		CITY / STATE / ZIP CODE: HUACHUCA CITY, AZ 85616	
CONTACT PERSON NAME AND TITLE: JOYCE M. PRESTON		CONTACT PERSON NAME AND TITLE: FERN L. JONES	
TELEPHONE NUMBER: 520-743-7488	FAX	TELEPHONE NUMBER	FAX

NO FEE

NOTE: Applies only to wells that have already been drilled. For proposed wells, an amended Notice of Intent to Drill a Well must be filed.

EXPLAIN

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

TYPE OR PRINT NAME AND TITLE	SIGNATURE OF WELL OWNER	DATE
X JOANNE M. CANNELLA	JoAnne M Cannella	4/12/04

Arizona Department of Water Resources
Groundwater Management Support Section
P.O. Box 458 ◆ Phoenix, Arizona 85001-0458
(602) 417-2470 ◆ (800) 352-8488
www.water.az.gov

D(20-20)18CDD

Request to Change Well Information

RECEIVED
OCT 14 2003
Groundwater Management

- Review instructions prior to completing form
- You must include with your Notice:
  - check or money order for any required fee(s)
- Authority for fee: A.A.C. R12-15-151(B)(4)(a), A.R.S. § 45-113(B)

FILE NUMBER

WELL REGISTRATION NUMBER
55 - 514838

** PLEASE PRINT CLEARLY **

SECTION 1. REGISTRY INFORMATION

Well Owner

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: Henry E. Heidaker (Deceased)

MAILING ADDRESS: 70 Oak St (Street address changed to 243 E. Oak St)

CITY / STATE / ZIP CODE: Huachuca City AZ 85616

CONTACT PERSON NAME AND TITLE: N/A

TELEPHONE NUMBER: N/A

FAX: N/A

Location of Well

WELL LOCATION ADDRESS (IF ANY): 243 E. Oak Street

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
20S	20E	18	SE ¼	SE ¼	SW ¼

LATITUDE: ° ' "N

LONGITUDE: ° ' "W

COUNTY ASSESSOR'S PARCEL ID NUMBER

BOOK	MAP	PARCEL
106	24	149

COUNTY WHERE WELL IS LOCATED: Cochise

Type of Request (CHECK ONE)

☐ Change of Well Drilling Contractor *(Fill out Section 2)*
☒ Change of Well Ownership *(Fill out Section 3)*
☐ Change of Well Information (location, use, etc.) *(Fill out Section 4)*

SECTION 2. REQUEST TO CHANGE WELL DRILLING CONTRACTOR ($10 Fee Required)

$10 FEE

- If drilling or abandoning a well, the Department must receive this request and issue authorization to the new drilling firm prior to the commencement of well drilling or abandonment.

Current Well Drilling Contractor

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL:

DWR LICENSE NUMBER:

TELEPHONE NUMBER:

FAX:

New Well Drilling Contractor

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL:

DWR LICENSE NUMBER:

ROC LICENSE CATEGORY:

TELEPHONE NUMBER:

FAX:

SECTION 3. STATEMENT OF CHANGE OF WELL OWNERSHIP ($10 Fee Required)

$10 FEE

- If this change pertains to more than one well and the names are the same, only one $10 fee is required.

Previous Well Owner

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: Henry E. Heidaker (Deceased)

MAILING ADDRESS: 70 Oak St (Street address changed to 243 E. Oak St)

CITY / STATE / ZIP CODE: Huachuca City AZ 85616

CONTACT PERSON NAME AND TITLE: N/A

TELEPHONE NUMBER: N/A

FAX: N/A

New Well Owner

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: Joyce M. Preston and JoAnne M. Cannella

MAILING ADDRESS: 2811 W Calle de Dalias

CITY / STATE / ZIP CODE: Tucson AZ 85745

CONTACT PERSON NAME AND TITLE: Joyce M. Preston

TELEPHONE NUMBER: 743-7488

FAX: 743-8863

SECTION 4. CHANGE OF WELL INFORMATION (No Fee Required)

NO FEE

NOTE: Applies only to wells that have already been drilled. For proposed wells, an amended Notice of Intent to Drill a Well must be filed.

EXPLAIN:

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

TYPE OR PRINT NAME AND TITLE: Joyce M. Preston

SIGNATURE OF WELL OWNER: Joyce M. Preston

DATE: 10-10-03

DEPARTMENT OF WATER RESOURCES
99 EAST VIRGINIA AVENUE
PHOENIX, ARIZONA 85004

RECEIVED JAN 22 1982 DEPT. OF WATER RESOURCES

REGISTRATION OF EXISTING WELLS

READ INSTRUCTIONS ON BACK OF THIS FORM BEFORE COMPLETING
PRINT OR TYPE — FILE IN DUPLICATE

11

FOR OFFICE USE ONLY
REGISTRATION NO. 55- 667118
FILE NO. D(20-20)18 ddd
FILED 1-21-82 (DATE) AT 1 (TIME)
INA
AMA

REGISTRATION FEE (CHECK ONE)
EXEMPT WELL (NO CHARGE) * ☒
NON-EXEMPT WELL – $10.00 ☐

* on the original Reg file & paid a fee of $10.00

1. Name of Registrant:
Albert P. Conaway
Rt #1 Box 176 (Address) Huachuca City (City) AZ (State) 85616 (Zip)

2. File and/or Control Number under previous groundwater law:
D2002.0018DDGS1 (File Number) 35-83950 (Control Number)

3. a. The well is located within the SE ¼ SE ¼ SE ¼, Section 18 (14/23 ?), of Township 20.0S N/S, Range 20.0E E/W, G & SRB & M, in the County of Cochise.
b. If in a subdivision: Name of subdivision Presidential Estates, Lot No. 5, Address .

4. The principal use(s) of water (Examples: irrigation - stockwater - domestic - municipal - industrial)
Irrigation of Fruit trees & Family Garden

5. If for irrigation use, number of acres irrigated from well planned 1½ AC. fac. present

6. Owner of land on which well is located. If same as Item 1, check this box ☒
(Address) (City) (State) (Zip)

7. Well data (If data not available, write N/A)
a. Depth of Well 180 feet
b. Diameter of casing 6" inches
c. Depth of casing 180 feet
d. Type of casing PVC Plastic.
e. Maximum pump capacity 20 gallons per minute.
f. Depth to water 65 feet below land surface.
g. Date well completed 6 (Month) 1 (Day) 80 (Year).

8. The place(s) of use of water. If same as Item 3, check this box ☒.
____¼ ____¼ ____¼, Section ____ Township ____ Range ____
____¼ ____¼ ____¼, Section ____ Township ____ Range ____
Attach additional sheet if necessary.

9. DATE Jan 20th 82 SIGNATURE OF REGISTRANT Albert P. Conaway

MICROFILMED

FILING FEE $10.00

DEPARTMENT OF WATER RESOURCES (DWR)
NOTICE OF INTENTION TO DRILL OR DEEPEN A WELL
OUTSIDE OF AN ACTIVE MANAGEMENT AREA

100
B/S

Section 45-596, Arizona Revised Statutes, provides: In an area not subject to Active Management, a person may not drill or cause to be drilled any well or deepen an existing well without first filing a Notice of Intention to Drill with the Department.

NORTH

		X 19
NW 1/4	NE 1/4	
WEST		EAST
SW 1/4	SE 1/4	

SOUTH

INDICATE WELL LOCATION BY X
(Above diagram represents one 640 acre section)

WELL/LAND LOCATION:-

1. Township 20 S
2. Range 20 E
3. Section 19
4. No West ¼ NE ¼ NE ¼
10 acre subdivision
5. County Cochise
6. Owner of well:
Jack M. Pistole
Name
Oak Dr., Coronado Estates #3
Address
Huachuca City, AZ 85616
City State Zip
Telephone 456-1213
7. Owner of land:
Same
Name
Address
City State Zip

DESCRIPTION OF WELL:

8. Diameter 6 inches
Depth 400 feet
9. Type of casing PVC & Steel
10. Design pump capacity:
35 gallons per minute
11. Estimate of total annual pumping: — acre feet
12. Principal use of water:
Household & Yard
(Be Specific)
13. Other uses intended:
Garden
(Be Specific)
14. If for irrigation, state the number of acres to be irrigated:
Two acres
15. Construction will start about:
End of May 1986
Month Year

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
FILE NO. D(20-20)19 aah
FILED 5-19-86 BY mg
INPUT 5-21-86 BY [illegible]
DUPLICATE MAILED 5-20-86 BY mg
REGISTRATION NO. 55-514377
Non Expansion Area —
W/S 11 S/B —

PLACE OF USE:

16. Township 20 S
17. Range 20 E
18. Section 19
19. Legal description of land Coronado Est. #3 Lot 2 Blk. 10
20. Type well:
x Exempt
___ Non-Exempt
21. Action Requested:
Drill x Deepen ___ Replace ___
55-
22. This notice filed by:
Owner x
Lessee ___
Jack M. & Ele. Pistole
Name
Oak Dr. Coronado Est. #3
Address
Huachuca City, AZ 85616
City State Zip
Telephone 456-1213
23. Driller's Name:
Name
Lee's Well Drilling
Address P. O. Bx-4558
Huachuca City, AZ. 85616
City State Zip
(1-80) ROC 48979
DWR License Number

GENERAL INSTRUCTIONS

1. Fill out this form in duplicate and send to 99 East Virginia, Suite 100, Phoenix, Az. 85004.
2. For specific instructions, limitations and conditions, see the reverse side of this form.
3. This form is to be used to drill, deepen or replace a well outside of an Active Management Area
4. If the well is a replacement or deepening of an existing well, state the registration number of the existing well in Item 21.
5. Construction standards for new and replacement wells and the deepening and abandonment of existing wells shall be in accordance with Department Rules and Regulations.

I state that this Notice is filed in compliance with ARS §45-596 and is complete and correct to the best of my knowledge and belief and that I understand the limitations under which I must operate this well set forth on the reverse side of this form.

DATE May 14 1986 Signature of Person Filing Jack M Pistole

DWR-55-41-10/83

STATE OF ARIZONA
DEPARTMENT OF WATER RESOURCES
99 EAST VIRGINIA AVENUE
PHOENIX, ARIZONA 85004

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner J M PISTOLE
Name

Mailing Address

2. Driller
Name

Mailing Address

3. Location of well:

4. Permit No. (if issued)

RECEIVED JUL 22 1986 DEPT OF WATER RESOURCES

DESCRIPTION OF WELL

5. Total depth of hole 290 ft.
6. Type of casing PVC
7. Diameter and length of casing 6 in. from 0 to 290, in from to .
8. Method of sealing at reduction points Grout
9. Perforated from 240 to 290, from to , from to .
10. Size of cuts 1/8" Number of cuts per foot one
11. If screen was installed: ~~Length~~ ft. Diam in. Type
12. Method of construction
drilled, dug, driven, bored, jetted, etc.
13. Date started 6 21 86
Month Day Year
14. Date completed 6 21 86
Month Day Year
15. Depth to water 240' ft. (If flowing well, so state.)
16. Describe point from which depth measurements were made, and give sea-level elevation if available L. S.
17. If flowing well, state method of flow regulation:
18. Remarks:

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
Registration No. 55-514377
Received By
Entered By
File No. D(20-20)19 aab

ENTERED JUL 23 1986

DWR-55-6-Rev. 8/85

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encountered, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	2	Top
2	260	Sandy clay & rocks
260	290	Cemented gravel

I hereby certify that this well was drilled by me (or under my supervision), and that each and all of the statements herein contained are true to the best of my knowledge and belief.

Driller _____

Lee's Well Drilling
Name
P. O. Bx-4558
Huachuca City AZ 85616

City State Zip

Date 7-14-86

DEPARTMENT OF WATER RESOURCES
99 East Virginia
Phoenix, Arizona 85004

JUL 1986 DEPARTMENT OF WATER RESOURCES

Registration No. 55-514377

Owner of Well Site PISTOLE

File No. D(20-20)19 aab

COMPLETION REPORT

1. Per A.R.S. 45-600, the Completion Report to be filed with the Department within 30 days after installation of pump equipment by the registered well owner.
2. Drawdown of the water level for a non-flowing well should be measured in feet after not less than 4 hours of continuous operation and while still in operation and for a flowing well the shut-in pressure should be measured in feet above the land or in pounds per square inch at the land surface.
3. The static groundwater level should be measured in feet from the land surface immediately prior to the well capacity test.
4. The tested pumping capacity of the well in gallons per minute for a non-flowing well should be determined by measuring the discharge of the pump after continuous operation for at least 4 hours and for a flowing well by measuring the natural flow at the land surface.

LOCATION OF THE WELL:

Township	Range	Section	¼ ¼ ¼
20S	20E	19	NW NE NE

EQUIPMENT INSTALLED:

Kind of pump Submersible
Turbine, centrifugal, etc.

Kind of power Elec
Electric, natural gas, gasoline, etc.

H.P. Rating of Motor 3

Pumping Capacity 30
Gallons per minute

Date installed 6/29/86

WELL TEST:

Test pumping capacity 35
Gallons per minute

Date Well Tested 6/29/86

Method of Discharge Measurement 5 Gal Container
Weir, orifice, current meter, etc.

Static Groundwater Level 245 ft. Drawdown 0 ft.

Total Pumping Lift 265' ft. Drawdown _____ lbs
(Flowing Well)

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

6/29, 1986
DATE

Signature: Triple L Pump Co

Address: Box 4111

City: Huachuca City State: AZ Zip: 85616

DWR-55-7-3/84

ENTERED JUL 09 1986

ARIZONA DEPARTMENT OF WATER RESOURCES
GROUNDWATER MANAGEMENT SUPPORT SECTION
MAIL TO: P. O. BOX 458, PHOENIX, ARIZONA 85001-0458
PHONE (602) 417-2470

RECEIVED NOV - 4 1998 GROUNDWATER MGT

NOTICE OF INTENTION TO DRILL, DEEPEN, REPLACE OR MODIFY A WELL

PLEASE COMPLETE ALL ITEMS IN THE BOX BELOW DOWN TO COUNTY OR LOCAL AUTHORITY ENDORSEMENT IF ANY WATER FROM THE PROPOSED WELL (LISTED BELOW) WILL BE USED FOR DOMESTIC PURPOSES ON A PARCEL OF LAND 20 OR FEWER ACRES, THE APPLICABLE COUNTY OR LOCAL HEALTH AUTHORITY MUST ENDORSE ALL ITEMS IN THE BOX BEFORE SUBMISSION TO THE DEPARTMENT OF WATER RESOURCES

A BABOCOMARI RANCH (LAND OWNER S NAME) PO BOX 490 (CURRENT MAILING ADDRESS) SONITA (CITY) AZ (STATE) 85637 (ZIP)

B TELEPHONE NO 455-5872

COUNTY ASSESSOR'S PARCEL ID INFORMATION

C WELL LOCATED IN COCHISE COUNTY D SAN IGNACIO DEL BABOCOMARI (BOOK / MAP / PARCEL) E 1004 (# OF ACRES) OFFICIAL SEAL OR STAMP

WELL/LAND LOCATION (MUST BE COMPLETED AS REQUESTED) LAND GRANT

F NE ¼ NW ¼ SW ¼ (10AC 40AC 160AC) OF SECTION 19 TOWNSHIP 20 N/S RANGE 20 E/W

COUNTY OR LOCAL AUTHORITY ENDORSEMENT

CHECK ONE
G RECOMMEND APPROVAL _____ INSUFFICIENT INFORMATION TO MAKE DETERMINATION _____ VARIANCE REQUIRED _____ (EXPLANATION ATTACHED)

H DATE _____ AUTHORIZED SIGNATURE _____ TITLE _____

GENERAL INSTRUCTIONS FOR FILING NOTICE WITH ADWR

1. Section§45 596(D) provides that the director shall determine that all information required on this form has been submitted. If not the person filing will be notified and the drilling or modification of the well may not proceed
2. Section§ 45-596(D) provides that the department has 15 days after the receipt of a complete and correct notice of intention to record the notice and mail duplicate to owner Drill card will be mailed directly to drilling firm as stated in item #14
3. Please mail two original notices with original signatures a site plan in duplicate and a check or money order (no cash) in the amount of $10 00 to P O Box 458 Phoenix Arizona. 85001-0458 or hand deliver to 500 North Third Street Phoenix Arizona. Please use black or blue ink, and print legibly
4. If the well is a replacement deepening or modification of an existing well provide the registration number of the existing well in item 2
5. Construction standards for wells including abandonment shall be in accordance with department rules

1 OWNER OF WELL
NAME: BABOCOMARI RANCH
CURRENT MAILING ADDRESS: PO BOX 490
CITY: SONITA STATE: AZ ZIP: 85637
TELEPHONE NUMBER: 455-5872

2 ACTION REQUESTED
DRILL NEW WELL X DEEPEN ____
MODIFY ____ REPLACE ____
WELL REGISTRATION NO 55 ____

FOR A REPLACEMENT WELL PROVIDE MAXIMUM CAPACITY OF THE ORIGINAL WELL
____ GALLONS PER MINUTE
DISTANCE FROM THE ORIGINAL WELL
____ FEET

3 CONSTRUCTION WILL START ABOUT
MONTH Nov YEAR 98

4 DESCRIPTION OF PROPOSED WELL
DIAMETER 8 INCHES
DEPTH 400 FEET
TYPE OF CASING PVC/STEEL

5 DESIGN PUMP CAPACITY
300 GALLONS PER MINUTE

6 LESSEE OF LAND OF WELLSITE
NAME: ABE DE ANDA
CURRENT MAILING ADDRESS: PO BOX 2868
CITY: SIERRA VISTA STATE: AZ ZIP: 85635
TELEPHONE: 459-7892

7 PRINCIPLE USE OF WATER. (BE SPECIFIC)
ROAD CONSTRUCTION

8 OTHER USES OF WATER. (BE SPECIFIC)
LIVE STOCK

9 IF USE INCLUDES IRRIGATION, STATE TO NEAREST TENTH THE NUMBER OF ACRES TO BE IRRIGATED NONE

FOR DEPARTMENT USE ONLY
REGISTRATION NO 55-
DATE FILED 11-4-98
FILE NO D(20-20)19cbb
AMA/INA —
W/S — S/B —
PROCESSED BY ____
DATE MAILED ____

10 PLACE OF USE (LEGAL DESCRIPTION OF LAND)
NE ¼ NW ¼ SW ¼ (10AC 40AC 160AC) SECTION 19
TWNSHP 20 N/S RNG 20 E/W

11 TYPE OF WELL (CHECK ONE)
EXEMPT ____ NON EXEMPT X

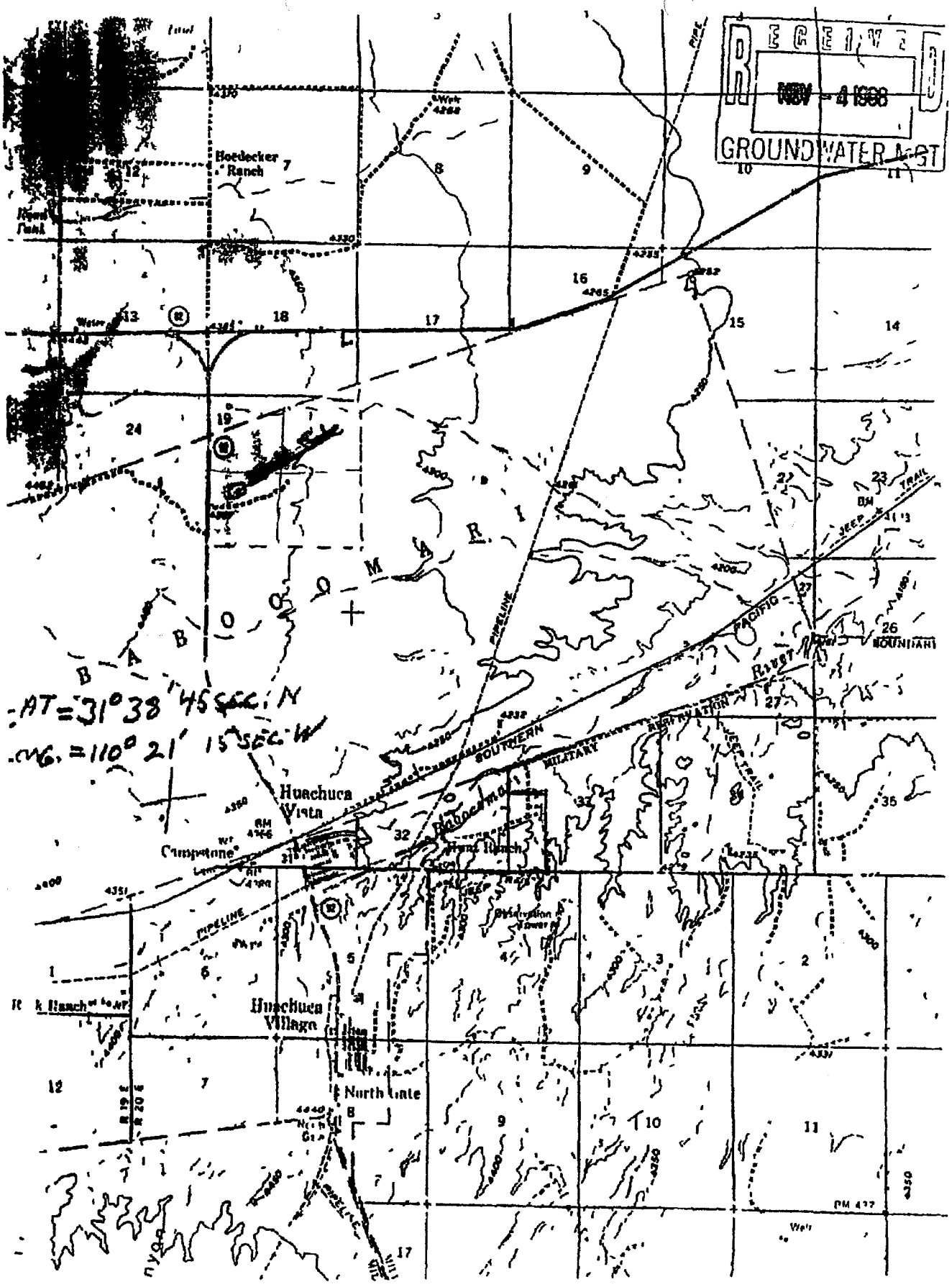
12 CHECK ONE
RESIDENTIAL ____ COMMERCIAL X

13 IS THE PROPOSED WELLSITE WITHIN 100 FEET OF A SEPTIC TANK SYSTEM SEWER DISPOSAL AREA LANDFILL HAZARDOUS MATERIALS OR PETROLEUM STORAGE AREAS AND TANKS?
YES ____ NO X

14 DRILLING FIRM
NAME: ARIZONA DRILLING
MAILING ADDRESS: 501 PATTON ST.
CITY: HUACHUCA CY STATE: AZ ZIP: 85616
TELEPHONE NO (520)456-2355
DWR LICENSE NUMBER 613
ROC LICENSE CATEGORY C-53

I STATE THAT THIS NOTICE IS FILED IN COMPLIANCE WITH A R S §§45-595 & 45-596 AND IS COMPLETE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND THAT I UNDERSTAND THE LIMITATIONS AND CONDITIONS SET FORTH ON THE REVERSE SIDE OF THIS FORM

15 TYPE OR PRINT NAME AND TITLE	16 SIGNATURE LAND OWNER/LESSEE OF WELLSITE	17 DATE
ABE De ANDA LESSEE		10-27-98



RECEIVED
NOV - 4 1988
GROUNDWATER MGT
Boedecker Ranch
Huachuca Vista
Campstone
Huachuca Village
North Gate
Hunt Ranch
Observation Tower
SOUTHERN PACIFIC
MILITARY RESERVATION
JEEP TRAIL
PIPELINE
BABOOMARI
AT = 31° 38' 45 SEC. N
LONG. = 110° 21' 15 SEC. W

ARIZONA DEPARTMENT OF WATER RESOURCES

500 North Third Street, Phoenix, Arizona 85004
Telephone (602) 417-2440
Fax (602) 417-2415

July 30 1999

JANE DEE HULL
Governor

RITA P PEARSON
Director

BABOCOMARI RANCH
PO BOX 490
SONOITA AZ 85637

Re Denial of Notice of Intention to Drill Well Number 55-571350

Dear APPLICANT

The Department of Water Resources notified you by letter on 11/19/98 that your application to drill Well Number 55-571350 was incomplete Pursuant to Arizona Revised Statutes (A R S) § 41-1074(B), a list of the specific deficiencies preventing your application from being complete was provided to you in that letter The completeness review time frame was suspended by the 11/19/98 incomplete letter and you were given sixty (60) days within which to provide the requested information Our records indicate that you did not do so

Therefore, pursuant to Arizona Administrative Code R12-15-401, the Department hereby denies your application

The Department's decision to deny your application is an appealable agency action In order to appeal this decision, you must request an appeal within thirty (30) days from receipt of this letter A summary of the appeals process and appeal form are enclosed should you wish to pursue this option

Alternatively, you may submit a new Notice of Intention for authority to drill at this particular location To expedite the process, please include the information missing in your original Notice of Intention to Drill

Should you have any questions, please contact me at (602) 417-2470

Sincerely,

Gloria Moss
Water Resource Technician

ARIZONA DEPARTMENT OF WATER RESOURCES

500 North Third Street Phoenix Arizona 85004
Telephone (602) 417-2470
Fax (602) 417-2422

November 19, 1998

JANE DEE HULL
Governor

RITA P PEARSON
Director

BABOCOMARI RANCH
PO BOX 490
SONOITA AZ 85637

Assigned Referenced Number 55-571350

Dear Applicant

The Department of Water Resources recently received your Notice of Intent to drill/deepen replace or modify a well However, our review indicates that the filing(s) is incomplete under the Groundwater Management Act for the following reason(s)

Book, Map, and Parcel Number ✓
Number of Acres ____
Requires site plan ____

Requires Filing Fee $10 00 ____
Incomplete Legal Description ____
Requires County Approval ____

Item No (1) Owner of well ____

Item No (2) Action Requested ____
Item No (3) Construction date ____

Item No (4) Description of Proposed well ____
Item No (5) Design Pump Capacity ____
Item No (6) Lessee of Land of Wellsite ____

Item No (7) Principal Use of Water ____
Item No (8) Other uses of Water ____

Item No (9) Irrigated acres ____
ItemNo (10) Place of Use ____

ItemNo (11)Type of Well Exempt or Non-exemp ____
ItemNo (12)Residential or Commercial ____
ItemNo (13)Please Check Yes or No ____

Item No (14)Drilling Firm ____
Requires signature ____
Requires reverse side of form ____

Requires letter of authorization ____
Requires duplicate filing ____

Inside an AMA Only one exempt well may be drilled or used to serve the same non-irrigation use at the same location ____

Renewal of driller license is required ____

ItemNo (4)Must reference the "steel" surface ____

Other reason _____

In accordance with A R S § 45-596, Paragraph D, this application is being returned with a "statement of determination", requesting information necessary to make it correct and complete If the necessary information is not received by the Department within sixty (60) days, the application will be rejected as incomplete You will then have to re-initiate the N O I process to receive a drilling authority for this location If you have any questions, please contact the Groundwater Management Support Section at (602) 417-2470

ATTACH THIS CHECK LIST WHEN RESUBMITTING THE COMPLETED NOTICE OF INTENT AND RETURN TO THE BOX 458, PHOENIX, ARIZONA 85004-3003 YOU MAY ALSO CONTACT YOUR DRILLER OR COUNTY ASSESSORS OFFICE FOR ASSISTANCE PERTAINING TO THE NECESSARY INFORMATION THAT IS REQUIRED TO COMPLETE YOUR APPLICATION

ARIZONA DEPARTMENT OF WATER RESOURCES
Records Management Section
500 N. 3rd Street * Phoenix, Arizona 85004
(602) 417-2405 * (800) 352-8488
www.water.az.gov

Well Driller Report and Well Log

FILE NUMBER: D(20-20) 19 CAD
WELL REGISTRATION NUMBER: 55- 205113
PERMIT NUMBER (IF ISSUED):

* This report should be prepared by the driller in detail and filed with the Department within 30 days following completion of the well.

** PLEASE PRINT CLEARLY **

FEB 10 2005
Information Management

SECTION 1. DRILLING AUTHORIZATION

Drilling Firm

NAME: BRADLY DRILLING	DWR LICENSE NUMBER: 736
ADDRESS: PO Box 4707	TELEPHONE NUMBER: 520-456-2355
CITY/STATE/ZIP: HUACHUCA CITY, AZ 85616	FAX:

SECTION 2. REGISTRY INFORMATION

Well Owner

FULL NAME OF COMPANY, ORGANIZATION OR INDIVIDUAL: EARL MCCABE
MAILING ADDRESS: PO BOX 5091
CITY / STATE / ZIP: HUACHUCA CITY, AZ 85616
CONTACT PERSON NAME AND TITLE:
TELEPHONE NUMBER: 520-456-2115
FAX:
WELL NAME:

Location of Well

WELL LOCATION ADDRESS (IF KNOWN):

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
20	20E	19	SW 1/4	NE 1/4	SW 1/4

LATITUDE			LONGITUDE		
°	'	"N	°	'	"W

LAND SURFACE ELEVATION AT WELL: Feet Above Sea Level

METHOD OF LATITUDE / LONGITUDE (CHECK ONE): ☐ USGS Quad Map ☐ Conventional Survey ☐ GPS: ☐ Hand-Held ☐ Survey-Grade

COUNTY ASSESSOR'S PARCEL ID NUMBER: BOOK 106 MAP 15 PARCEL 012B

COUNTY WHERE WELL IS LOCATED: Cochise

SECTION 3. WELL CONSTRUCTION DETAILS

Drill Method

CHECK ONE
- [x] Air Rotary
- [ ] Bored or Augered
- [ ] Cable Tool
- [ ] Dual Rotary
- [ ] Mud Rotary
- [ ] Reverse Circulation
- [ ] Driven
- [ ] Jetted
- [ ] Air Percussion / Odex Tubing
- [ ] Other (please specify)

Method of Well Development

CHECK ONE
- [x] Airlift
- [ ] Bail
- [ ] Surge Back
- [ ] Surge Pump
- [ ] Other (please specify)

Condition of Well

CHECK ONE
- [ ] Capped
- [x] Pump Installed

Method of Sealing at Reduction Points

CHECK ONE
- [ ] None
- [ ] Packed
- [ ] Swedged
- [ ] Welded
- [x] Other (please specify) NATIVE

Condition of Well

DATE WELL CONSTRUCTION STARTED: 1-6-05
DATE WELL CONSTRUCTION COMPLETED: 1-8-05

I state that this notice is filed in compliance with A.R.S. §45-596 and is complete and correct to the best of my knowledge and belief.

DRILLING FIRM	SIGNATURE OF QUALIFYING PARTY	DATE
Bradly Drilling	[signature]	2-5-05

DWR-55-55-10/01 (Rev.)

Well Driller Report and Well Log

WELL REGISTRATION NUMBER
55- 205113

SECTION 4. WELL CONSTRUCTION DESIGN (AS BUILT) (attach additional page if needed)

DEPTH OF BORING	DEPTH OF COMPLETED WELL
360' Feet Below Land Surface	360' Feet Below Land Surface

Water Level Information

STATIC WATER LEVEL	DATE MEASURED	TIME MEASURED	IF FLOWING WELL, METHOD OF FLOW REGULATION
300' Feet Below Land Surface	1-9-05	Noon	☐ Valve ☐ Other:

Borehole			Installed Casing													
DEPTH FROM SURFACE		BOREHOLE DIAMETER (inches)	DEPTH FROM SURFACE		OUTER DIAMETER (inches)	MATERIAL TYPE (X)				PERFORATION TYPE (X)						SLOT SIZE IF ANY (inches)
FROM (feet)	TO (feet)		FROM (feet)	TO (feet)		STEEL	PVC	ABS	IF OTHER TYPE, DESCRIBE	BLANK OR NONE	WIRE WRAP	SHUTTER SCREEN	MILLS KNIFE	SLOTTED	IF OTHER TYPE, DESCRIBE	
0	20	12¼	0	20	8⅝	X				X						
20	360	8"	10	320	6		X			X						
			320	360	6		X							X		⅛"

Installed Annular Material

DEPTH FROM SURFACE		ANNULAR MATERIAL TYPE (X)								FILTER PACK		
						BENTONITE						
FROM (feet)	TO (feet)	NONE	CONCRETE	NEAT CEMENT OR CEMENT GROUT	CEMENT-BENTONITE GROUT	GROUT	CHIPS	PELLETS	IF OTHER TYPE OF ANNULAR MATERIAL, DESCRIBE	SAND	GRAVEL	SIZE
0	20		X									
20	360	X							NATIVE			

Well Driller Report and Well Log

WELL REGISTRATION NUMBER
55-205113

SECTION 5. GEOLOGIC LOG OF WELL

DEPTH FROM SURFACE FROM (feet)	TO (feet)	DESCRIPTION Describe material, grain size, color, etc.	Check (X) every interval where water was encountered
0	6	Top Soil	
6	85	Gravel & Sand	
85	300'	layer Clay Gravel & Sand	
300	360	Sandy Gravel	X

Arizona Department of Water Resources
Records Management Section
500 N. 3rd Street ✦ Phoenix, Arizona 85004
(602) 417-2405 ✦ (800) 352-8488
www.water.az.gov

Pump Installation Completion Report

- Review instructions prior to completing form.
- The registered well owner should file this report with the Department within 30 days following installation of pump equipment.

RECEIVED MAY - 0 2005

FILE NUMBER: D(20-20)20BCD
WELL REGISTRATION NUMBER: 55-207114

** PLEASE PRINT CLEARLY **

SECTION 1. REGISTRY INFORMATION

Well Owner

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: CRATOS CONST & DEVELOPMENT, LLC

MAILING ADDRESS: P.O. BOX 3732

CITY / STATE / ZIP CODE: SIERRA VISTA, AZ 85636

CONTACT PERSON NAME AND TITLE: DAVE STEPHENSON

TELEPHONE NUMBER: 520-2660-2392

FAX:

Location of Well

WELL LOCATION ADDRESS (IF ANY):

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
20 S	20 E	20	NW ¼	SW ¼	SE ¼

COUNTY ASSESSOR'S PARCEL ID NUMBER (MOST RECENT)

BOOK	MAP	PARCEL
106	15	041

COUNTY WHERE WELL IS LOCATED: COCHISE

SECTION 2. EQUIPMENT INSTALLED

DATE PUMP INSTALLED: 4-11-05

Pump Type (CHECK ONE)

- ☐ Air Lift
- ☐ Bucket
- ☐ Centrifugal
- ☐ Jet
- ☐ Piston
- ☐ Rotary
- ☒ Submersible
- ☐ Turbine
- ☐ Other (*please specify*):

Power Type (CHECK ONE)

- ☐ Diesel Engine
- ☒ Electric Motor
- ☐ Gasoline Engine
- ☐ Hand
- ☐ Natural Gas
- ☐ Windmill
- ☐ Other (*please specify*):

RATED PUMP CAPACITY: 19 Gallons Per Minute

HORSE POWER RATING OF MOTOR: 2

SECTION 3. WELL TEST

Pump Test Data

DATE WELL TESTED: 4-11-05

STATIC WATER LEVEL (A): 216 Feet Below Land Surface

PUMPING WATER LEVEL (B): 218' 4" Feet Below Land Surface

DRAWDOWN [(B) – (A)]: 2' 4" Feet Below Land Surface

TEST PUMPING RATE: 23 Gallons Per Minute

DURATION OF PUMP TEST (Minimum 4 Hours): 4 Hours

TOTAL PUMPING LIFT: 218' 4" Feet

FOR FLOWING WELL, MEASURED SHUT IN HEAD: ☐ FT ☐ PSI

Method of Discharge Measurement (CHECK ONE)

- ☐ Bailer
- ☐ Bucket – Barrel – Stopwatch
- ☐ Current
- ☐ Estimated – Air Lift
- ☐ Gauge
- ☒ Meter
- ☐ Orifice
- ☐ Volume
- ☐ Weir – Flume
- ☐ Other (*please specify*):

Method of Measuring Water Level (CHECK ONE)

- ☐ Air Line
- ☒ Electric Measuring Line (Sounder)
- ☐ Steel Tape
- ☐ Other (*please specify*):

COMPLETED MAY 16 2005

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief according to A.R.S. § 45-600(B).

SIGNATURE OF WELL OWNER: [signature]

DATE: 5-2-05

ARIZONA DEPARTMENT OF WATER RESOURCES
Records Management Section
500 N. 3rd Street • Phoenix, Arizona 85004
(602) 417-2405 • (800) 352-8488
www.water.az.gov

Well Driller Report and Well Log

- This report should be prepared by the driller in detail and filed with the Department within 30 days following completion of the well.

** PLEASE PRINT CLEARLY **

MAY 2005

FILE NUMBER: D(20-20) 20 BCD
WELL REGISTRATION NUMBER: 55-207114
PERMIT NUMBER (IF ISSUED):

SECTION 1. DRILLING AUTHORIZATION

Drilling Firm

NAME: TANNER WELL SERVICE	DWR LICENSE NUMBER: 133
ADDRESS: 7914 NORTH FRONTIER ROAD	TELEPHONE NUMBER: 520-642-3654
CITY/STATE/ZIP: MCNEAL, AZ 85617-9718	FAX: 520-803-7400

SECTION 2. REGISTRY INFORMATION

Well Owner

FULL NAME OF COMPANY, ORGANIZATION OR INDIVIDUAL: CRATOS CONSTRUCTION & DEVELOPMENT LLC

MAILING ADDRESS: ATTN: DAVE STEPHENSON PO BOX 3732

CITY / STATE / ZIP: SIERRA VISTA, AZ 85636

CONTACT PERSON NAME AND TITLE:

TELEPHONE NUMBER: 520-266-2392 FAX:

WELL NAME:

ANSWERED MAY 0 7 2005

Location of Well

WELL LOCATION ADDRESS (IF KNOWN):

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
20 S	20 E	20	NW 1/4	SW 1/4	SE 1/4

LATITUDE			LONGITUDE		
31 °	40 '	884 " N	110 °	20 '	190 " W

LAND SURFACE ELEVATION AT WELL: 4346 Feet Above Sea Level

METHOD OF LATITUDE / LONGITUDE (CHECK ONE): ☒ Hand-Held ☐ USGS Quad Map ☐ Conventional Survey ☒ GPS: ☐ Survey-Grade

COUNTY ASSESSOR'S PARCEL ID NUMBER: BOOK 106 MAP 15 PARCEL 041

COUNTY WHERE WELL IS LOCATED: COCHISE

SECTION 3. WELL CONSTRUCTION DETAILS

Drill Method

CHECK ONE
- ☒ Air Rotary
- ☐ Bored or Augered
- ☐ Cable Tool
- ☐ Dual Rotary
- ☐ Mud Rotary
- ☐ Reverse Circulation
- ☐ Driven
- ☐ Jetted
- ☐ Air Percussion / Odex Tubing
- ☐ Other (please specify)

Method of Well Development

CHECK ONE
- ☒ Airlift
- ☐ Bail
- ☐ Surge Back
- ☐ Surge Pump
- ☐ Other (please specify)

Method of Sealing at Reduction Points

CHECK ONE
- ☐ None
- ☐ Packed
- ☐ Swedged
- ☐ Welded
- ☒ Other (please specify) OVERLAP

Condition of Well

CHECK ONE
- ☐ Capped
- ☒ Pump Installed

Condition of Well

DATE WELL CONSTRUCTION STARTED: 4-6-05

DATE WELL CONSTRUCTION COMPLETED: 4-8-05

I state that this notice is filed in compliance with A.R.S. §45-596 and is complete and correct to the best of my knowledge and belief.

DRILLING FIRM	SIGNATURE OF QUALIFYING PARTY	DATE
TANNER WELL SERVICE	Matthew L. Tanner	5-2-05

DWR-55-55-10/01 (Rev.)

Well Driller Report and Well Log

WELL REGISTRATION NUMBER
55-207114

SECTION 4. WELL CONSTRUCTION DESIGN (AS BUILT) (attach additional page if needed)

DEPTH OF BORING	DEPTH OF COMPLETED WELL
383 Feet Below Land Surface	383' Feet Below Land Surface

Water Level Information

STATIC WATER LEVEL	DATE MEASURED	TIME MEASURED	IF FLOWING WELL, METHOD OF FLOW REGULATION
216 Feet Below Land Surface	4-11-05	11:15 AM	☐ Valve ☐ Other:

Borehole			Installed Casing													
DEPTH FROM SURFACE			DEPTH FROM SURFACE			MATERIAL TYPE (X)				PERFORATION TYPE (X)						
FROM (feet)	TO (feet)	BOREHOLE DIAMETER (inches)	FROM (feet)	TO (feet)	OUTER DIAMETER (inches)	STEEL	PVC	ABS	IF OTHER TYPE, DESCRIBE	BLANK OR NONE	WIRE WRAP	SHUTTER SCREEN	MILLS KNIFE	SLOTTED	IF OTHER TYPE, DESCRIBE	SLOT SIZE IF ANY (inches)
0	19	12	+1	19	8 5/8	X				X						
19	383	8	3	303	6 5/8		X			X						
			303	383	6 5/8		X							X		

Installed Annular Material

DEPTH FROM SURFACE		ANNULAR MATERIAL TYPE (X)								FILTER PACK		
						BENTONITE						
FROM (feet)	TO (feet)	NONE	CONCRETE	NEAT CEMENT OR CEMENT GROUT	CEMENT-BENTONITE GROUT	GROUT	CHIPS	PELLETS	IF OTHER TYPE OF ANNULAR MATERIAL, DESCRIBE	SAND	GRAVEL	SIZE
0	19			X								

DWR-55-5SB-10/01 (Rev.)

Well Driller Report and Well Log

WELL REGISTRATION NUMBER
55- 207114

SECTION 5. GEOLOGIC LOG OF WELL

DEPTH FROM SURFACE FROM (feet)	TO (feet)	DESCRIPTION Describe material, grain size, color, etc.	Check (X) every interval where water was encountered
0	2	TOPSOIL	
2	250	BROWN CLAY & ROCKS	
250	260	ROCK & GRAVEL	X
260	300	BROWN CLAY & ROCK	
300	320	ROCK & GRAVEL	X
320	350	BROWN CLAY & ROCK	
350	383	ROCK & GRAVEL	X

Arizona Department of Water Resources
Water Management Support Section
P.O. Box 458 • Phoenix, Arizona 85001-0458
(602) 417-2470 • (800) 352-8488
(602) 417-2422 fax www.water.az.gov

Notice of Intent to Drill, Deepen, Replace or Modify a Well

(except a Non-Exempt Well in an Active Management Area)

$150 or $75 FEE

- Review instructions prior to completing form in black or blue ink.
- You must include with your Notice:
- Check or money order in the amount of the appropriate filing fee. For a well located within an AMA or INA, the fee is $150.00. For a well not located within an AMA or INA, the fee is $75.00 if the well will be used solely for domestic purposes (see page 2 and instructions) and will have a pump with a maximum capacity of not more than 35 gallons per minute. Otherwise, the fee is $150.00.
- Authority for fee: A.R.S. § 45-596.

** PLEASE PRINT CLEARLY **

AMA / INA	B	SB
—	76	
RECEIVED DATE	WS	
3/14/05	11	
ISSUED DATE	WQARF	CERCLA
3/17/05	—	

FILE NUMBER: D(20-20)20 BCD
WELL REGISTRATION NUMBER: 55 - 207114

SECTION 1. COUNTY OR LOCAL HEALTH AUTHORITY APPROVAL (if applicable)

If water from the proposed well will be used for domestic purposes on a parcel of land of 5 or fewer acres, the applicable county or local health authority must endorse all items in Section 1 within one year before submission to the Department of Water Resources. You must also attach a site plan (pg. 3).

CHECK ONE

☐ County or Local Health Authority Recommends Approval (pursuant to A.R.S. § 45-596 (G) and (F))
- ☐ Field Inspection Performed
- ☐ Site Plan Review Only

☐ Insufficient Information to Make a Determination

COUNTY OR LOCAL AUTHORITY NAME AND TITLE

TELEPHONE NUMBER | DATE | COUNTY OR LOCAL AUTHORITY SIGNATURE

Official County or Local Seal or Stamp

SECTION 2. REGISTRY INFORMATION

Well Type

CHECK ONE

☒ Exempt (Pump has a maximum capacity of not more than 35 gpm and water is not used for irrigation purposes inside an AMA.) (*See instructions.*)

☐ Non-Exempt (Pump has a maximum capacity of more than 35 gpm or water is used for irrigation purposes inside an AMA.) (*See instructions.*)

DESIGN PUMP CAPACITY: 30 Gallons Per Minute

Proposed Action

CHECK ONE

☒ Drill New Well
☐ Deepen
☐ Replace
☐ Modify

If Deepening, Replacing or Modifying:

ORIGINAL WELL REGISTRATION NUMBER: 55 -

MAXIMUM CAPACITY OF ORIGINAL WELL: Gallons Per Minute

DISTANCE & DIRECTION FROM ORIGINAL WELL: Feet

Location of Well

WELL LOCATION ADDRESS (IF ANY)

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
20S	20E	20	NW ¼	SW ¼	SE

COUNTY ASSESSOR'S PARCEL ID NUMBER

BOOK	MAP	PARCEL	# OF ACRES
106	15	041	40

PLACE OF WATER USE (ONLY IF DIFFERENT FROM LOCATION OF WELL)

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
			¼	¼	¼

COUNTY WHERE WELL IS LOCATED: COCHISE

SECTION 3. OWNER INFORMATION

Well Owner

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: CRATOS CONST. & DEV, LLC
MAILING ADDRESS: P.O Box 3732
CITY / STATE / ZIP CODE: SIERRA VISTA, AZ 85636
CONTACT PERSON NAME AND TITLE: DAVE STEPHENSON - OWNER
TELEPHONE NUMBER: 520-266-2392
FAX:

Landowner (if different from Well Owner)

FULL NAME OF COMPANY, GOVERNMENT AGENCY, OR INDIVIDUAL:
MAILING ADDRESS:
CITY / STATE / ZIP CODE:
CONTACT PERSON NAME AND TITLE:
TELEPHONE NUMBER:
FAX:

SECTION 4.

Questions	Yes	No	If Yes:
1. Is the proposed well site within 100 feet of a septic tank system, sewer disposal area, landfill, hazardous materials or petroleum storage area or tank?		X	You must also request a variance (A.A.C. R12-15-818).
2. Is there another well name or identification number associated with this well?		X	PLEASE STATE
3. Is the proposed well the second exempt well on this parcel for the same use?		X	If the proposed well is in an Active Management Area, you must also file a supplemental form 55-40A.

Notice of Intent to Drill, Deepen, Replace or Modify a Well

WELL REGISTRATION NUMBER
55-207114

SECTION 6. DRILLING AUTHORIZATION

Drilling Firm

NAME: TANNER WELL SERVICE

DWR LICENSE NUMBER: 133

ROC LICENSE CATEGORY: C-53

TELEPHONE NUMBER: 520-378-1606

FAX: 520-803-7400

MAILING ADDRESS: 7914 N. FRONTIER RD.

CITY / STATE / ZIP CODE: McNEAL, AZ. 85617

RECEIVED MAR 14

SECTION 6. WATER / SITE INFORMATION

Principal Use of Water (CHECK ONE)	Other Uses of Water (CHECK ALL THAT APPLY)
☐ Irrigation	☐ Irrigation
☐ Utility	☐ Utility
☐ Commercial	☐ Commercial
☒ Domestic	☒ Domestic
☐ Municipal	☐ Municipal
☐ Industrial	☐ Industrial
☐ Mining	☐ Mining
☐ Stock	☐ Stock
☐ Recharge	☐ Recharge
☐ Dewatering	☐ Dewatering
☐ Other (please specify):	☐ Other (please specify):

SECTION 7. PROPOSED WELL CONSTRUCTION DESIGN (attach separate sheet if needed)

DATE CONSTRUCTION IS TO BEGIN:

Borehole			Casing													
DEPTH FROM SURFACE		BOREHOLE DIAMETER (inches)	DEPTH FROM SURFACE		OUTER DIAMETER (inches)	MATERIAL TYPE (T)				PERFORATION TYPE (T)						GROUTING MATERIAL
FROM (feet)	TO (feet)		FROM (feet)	TO (feet)		STEEL	PVC	ABS	IF OTHER TYPE, DESCRIBE	BLANK OR NONE	WIRE WRAP	SHUTTER SCREEN	MILLS KNIFE	SLOTTED	IF OTHER TYPE, DESCRIBE	
0	20	12	0	20	8 5/8	X*				X						Cement
20	360	8	0	280	6 5/8		X			X						
			280	360	6 5/8		X							X		

* ADWR well construction standards require a surface seal consisting of a minimum of 20 feet of steel casing. Cement grout must be used to fill the annular space between the surface casing and the borehole. (A.A.C. R12-15-811(B))

The Department's issuance of an authorization to drill a well is not a determination of whether water withdrawn from the well is legally surface water or groundwater. The legal nature of the water withdrawn from the well may be the subject of court action in the future as part of a determination of surface water rights in your area. If there are court proceedings that could affect your well, you will be notified and be given the opportunity to participate. If you have questions regarding the legal nature of the water to be withdrawn from your proposed well, please consult with an experienced civil engineer, hydrologist or water rights attorney.

For the purposes of determining appropriate fees outside AMAs or INAs, "domestic purposes" is defined as "uses related to the supply, service and activities of households and private residences and includes the application of water to less than 2 acres of land to produce plants or parts of plants for sale or human consumption, or for use as feed for livestock, range livestock or poultry, as such terms are defined in A.R.S. § 3-1201."

I state that this notice is filed in compliance with A.R.S. § 45-596 and is complete and correct to the best of my knowledge and belief.

TYPE OR PRINT NAME AND TITLE: CRATOS CONST. + DEV. LLC DAVE STEPHENSON OWNER

SIGNATURE OF WELL OWNER: [signature] DATE: 2/26/05

SIGNATURE OF LANDOWNER, IF APPLICABLE (SEE INSTRUCTIONS): DATE:

Arizona Department of Water Resources
Records Management Section
500 N. 3rd Street ✦ Phoenix, Arizona 85004
(602) 417-2405 ✦ (800) 352-8488
www.water.az.gov

Pump Installation Completion Report

RECEIVED
MAY - 9 2005

- Review instructions prior to completing form.
- The registered well owner should file this report with the Department within 30 days following installation of pump equipment.

FILE NUMBER: D(20-20) 20CBD
WELL REGISTRATION NUMBER: 55-205963

** PLEASE PRINT CLEARLY **

SECTION 1. REGISTRY INFORMATION

Well Owner

FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL: CRATOS CONST & DEVELOPMENT, LLC

MAILING ADDRESS: P.O Box 3732

CITY / STATE / ZIP CODE: SV, Az. 85636

CONTACT PERSON NAME AND TITLE: DAVE STEPHENSON

TELEPHONE NUMBER: 520-266-2392

FAX:

Location of Well

WELL LOCATION ADDRESS (IF ANY):

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
20S	20E	20	SW ¼	NW ¼	SE ¼

COUNTY ASSESSOR'S PARCEL ID NUMBER (MOST RECENT)

BOOK	MAP	PARCEL
106	15	012B

COUNTY WHERE WELL IS LOCATED: COCHISE

SECTION 2. EQUIPMENT INSTALLED

DATE PUMP INSTALLED: 3-4-05

Pump Type
CHECK ONE

- ☐ Air Lift
- ☐ Bucket
- ☐ Centrifugal
- ☐ Jet
- ☐ Piston
- ☐ Rotary
- ☒ Submersible
- ☐ Turbine
- ☐ Other (*please specify*):

Power Type
CHECK ONE

- ☐ Diesel Engine
- ☒ Electric Motor
- ☐ Gasoline Engine
- ☐ Hand
- ☐ Natural Gas
- ☐ Windmill
- ☐ Other (*please specify*):

RATED PUMP CAPACITY: 27 Gallons Per Minute

HORSE POWER RATING OF MOTOR: 3

SECTION 3. WELL TEST

Pump Test Data

DATE WELL TESTED: 3-4-05

STATIC WATER LEVEL (A): 199' 6" Feet Below Land Surface

PUMPING WATER LEVEL (B): 201 Feet Below Land Surface

DRAWDOWN [(B) - (A)]: 1' 6" Feet Below Land Surface

TEST PUMPING RATE: 32 Gallons Per Minute

DURATION OF PUMP TEST (Minimum 4 Hours): 4 Hours

TOTAL PUMPING LIFT: 201 Feet

FOR FLOWING WELL, MEASURED SHUT IN HEAD: ☐ FT ☐ PSI

Method of Discharge Measurement
CHECK ONE

- ☐ Bailer
- ☐ Bucket – Barrel – Stopwatch
- ☐ Current
- ☐ Estimated – Air Lift
- ☐ Gauge
- ☒ Meter
- ☐ Orifice
- ☐ Volume
- ☐ Weir – Flume
- ☐ Other (*please specify*):

Method of Measuring Water Level
CHECK ONE

- ☐ Air Line
- ☒ Electric Measuring Line (Sounder)
- ☐ Steel Tape
- ☐ Other (*please specify*):

COMPLETED MAY 16 2005

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief according to A.R.S. § 45-600(B).

SIGNATURE OF WELL OWNER: [signature]

DATE: 5-2-05

ARIZONA DEPARTMENT OF WATER RESOURCES
Records Management Section
500 N. 3rd Street * Phoenix, Arizona 85004
(602) 417-2405 * (800) 352-8488
www.water.az.gov

Well Driller Report and Well Log

RECEIVED MAR 14 2005 Information Management

- This report should be prepared by the driller in detail and filed with the Department within 30 days following completion of the well.

** PLEASE PRINT CLEARLY **

FILE NUMBER: D(20-20) 20 CBD
WELL REGISTRATION NUMBER: 55- 205963
PERMIT NUMBER (IF ISSUED):

SECTION 1. DRILLING AUTHORIZATION

Drilling Firm

NAME: TANNER WELL SERVICE	DWR LICENSE NUMBER: 133
ADDRESS: 7914 NORTH FRONTIER ROAD	TELEPHONE NUMBER: 520-642-3654
CITY/STATE/ZIP: MCNEAL, AZ 85617-9718	FAX: 520-803-7400

SECTION 2. REGISTRY INFORMATION

Well Owner

FULL NAME OF COMPANY, ORGANIZATION OR INDIVIDUAL: CRATOS CONSTRUCTION & DEVELOPMENT LLC

MAILING ADDRESS: ATTN DAVE STEPHENSON PO BOX 3732

CITY / STATE / ZIP: SIERRA VISTA, AZ 85636

CONTACT PERSON NAME AND TITLE:

TELEPHONE NUMBER: 520-266-2392 FAX:

WELL NAME:

Location of Well

WELL LOCATION ADDRESS (IF KNOWN):

TOWNSHIP (N/S)	RANGE (E/W)	SECTION	160 ACRE	40 ACRE	10 ACRE
20 S	20 E	20	SW 1/4	NW 1/4	SE 1/4

LATITUDE			LONGITUDE		
31 °	40 ·	567 N	110 °	19 ·	862 W

LAND SURFACE ELEVATION AT WELL: 4353 Feet Above Sea Level

METHOD OF LATITUDE / LONGITUDE (CHECK ONE): ☒ Hand-Held ☐ USGS Quad Map ☐ Conventional Survey ☒ GPS: ☐ Survey-Grade

COUNTY ASSESSOR'S PARCEL ID NUMBER: BOOK 106 MAP 15 PARCEL 012B

COUNTY WHERE WELL IS LOCATED: COCHISE

SECTION 3. WELL CONSTRUCTION DETAILS

Drill Method

CHECK ONE
- ☒ Air Rotary
- ☐ Bored or Augered
- ☐ Cable Tool
- ☐ Dual Rotary
- ☐ Mud Rotary
- ☐ Reverse Circulation
- ☐ Driven
- ☐ Jetted
- ☐ Air Percussion / Odex Tubing
- ☐ Other (please specify)

Method of Well Development

CHECK ONE
- ☒ Airlift
- ☐ Bail
- ☐ Surge Back
- ☐ Surge Pump
- ☐ Other (please specify)

Method of Sealing at Reduction Points

CHECK ONE
- ☒ None
- ☐ Packed
- ☐ Swedged
- ☐ Welded
- ☐ Other (please specify)

Condition of Well

CHECK ONE
- ☒ Capped
- ☐ Pump Installed

Condition of Well

DATE WELL CONSTRUCTION STARTED: 1-14-05

DATE WELL CONSTRUCTION COMPLETED: 1-15-05

I state that this notice is filed in compliance with A.R.S. §45-596 and is complete and correct to the best of my knowledge and belief.

DRILLING FIRM	SIGNATURE OF QUALIFYING PARTY	DATE
TANNER WELL SERVICE	Matt L Tan	2-12-05

DWR-55-55-10/01 (Rev.)

ENTERED MAR 1 4 2005

Well Driller Report and Well Log

WELL REGISTRATION NUMBER
55-205963

SECTION 4. WELL CONSTRUCTION DESIGN (AS BUILT) (attach additional page if needed)

DEPTH OF BORING	DEPTH OF COMPLETED WELL
385 Feet Below Land Surface	385' Feet Below Land Surface

Water Level Information

STATIC WATER LEVEL	DATE MEASURED	TIME MEASURED	IF FLOWING WELL, METHOD OF FLOW REGULATION
199' 6" Feet Below Land Surface	1-19-05	9:30 A.M.	☐ Valve ☐ Other:

Borehole			Installed Casing													
DEPTH FROM SURFACE			DEPTH FROM SURFACE			MATERIAL TYPE (X)				PERFORATION TYPE (X)						
FROM (feet)	TO (feet)	BOREHOLE DIAMETER (inches)	FROM (feet)	TO (feet)	OUTER DIAMETER (inches)	STEEL	PVC	ABS	IF OTHER TYPE, DESCRIBE	BLANK OR NONE	WIRE WRAP	SHUTTER SCREEN	MILLS KNIFE	SLOTTED	IF OTHER TYPE, DESCRIBE	SLOT SIZE IF ANY (inches)
0	20	12	0	20	8 5/8	X				X						
20	385	8	2	305	6 5/8		X			X						
			305	385	6 5/8		X							X		1/8" X 6"

Installed Annular Material

DEPTH FROM SURFACE		ANNULAR MATERIAL TYPE (X)								FILTER PACK		
						BENTONITE						
FROM (feet)	TO (feet)	NONE	CONCRETE	NEAT CEMENT OR CEMENT GROUT	CEMENT-BENTONITE GROUT	GROUT	CHIPS	PELLETS	IF OTHER TYPE OF ANNULAR MATERIAL, DESCRIBE	SAND	GRAVEL	SIZE
0	20			X								

Well Driller Report and Well Log

WELL REGISTRATION NUMBER
55- 205963

SECTION 5. GEOLOGIC LOG OF WELL

DEPTH FROM SURFACE FROM (feet)	TO (feet)	DESCRIPTION Describe material, grain size, color, etc.	Check (X) every interval where water was encountered
0	2	TOP SOIL	
2	250	BROWN CLAY SCATTERED ROCKS	
250	265	ROCK + GRAVEL	X
265	300	BROWN CLAY + ROCK	
300	310	SAND + GRAVEL	X
310	355	BROWN CLAY + ROCK	
355	375	SAND + GRAVEL	X
375	385	BROWN CLAY + ROCK	

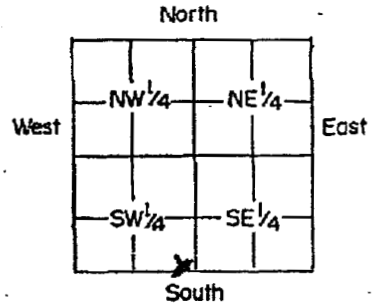
EXEMPT WELL
FILING FEE: $3.00

DEPARTMENT OF WATER RESOURCES
NOTICE OF INTENTION TO DRILL OR DEEPEN AN EXEMPT WELL

EXEMPT WELL

RECEIVED AUG 13 1982 DEPT. OF WATER RESOURCES

Section 45-596, Arizona Revised Statutes, provides: A person may not drill or cause to be drilled any well or deepen or replace an existing well without first filing a Notice of Intention to Drill with the Department on a form prescribed and furnished by the Department. The well shall be completed within one year after the date of Notice. An exempt well means a well having a pump with a maximum design capacity of not more than 35 gallons per minute which is used to withdraw groundwater. An exempt well may include the non-commercial irrigation of not more than 1 acre of land.



-Indicate Well Location by X
(Above diagram represents one 640 acre section)

DESCRIPTION OF WELL:

8. Diameter 6"
Depth 320
9. Type of Casing PVC
10. Principal use of Water. Domestic
11. Other uses Intended
(If for non-commercial irrigation, state approximate area being cultivated.)
12. Construction will start about:
8 Month 82 Year

PLACE OF USE:

13. Township 20S
14. Range 19E
15. Section 24
16. Legal description of land water is to be used on: SW SE SE
17. Design Pump Capacity 25
18. Action Requested:
Drill ✓
Deepen
Replace
19. This notice filed by:
Owner
Lessee
Driller ✓

WELL/LAND LOCATION:

1. Township 20S
2. Range 19E
3. Section 24
4. SW ¼ SE ¼ SE ¼ 10 acre sub-division
5. County Cochise
6. Owner of Well:
Name George Brown Per. Mrs. Brown
Address Box 4231 Whetstone Area
City Huachuca City State Ariz Zip 85616
7. Owner of Land:
Name Same 456-9667 amended mg.
Address
City State Zip

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
FILE NO. D(20-19)24 dde
FILED 8-11-82 BY EK
INPUT 8-16-82 BY [illegible]
DUPLICATE MAILED 8-12-82 BY EK
REGISTRATION NO 55-503737
AMA NON EXPANSION AREA —

Name Lee's Well Drilling
Address P. O. Bx-4558 Huachuca City, AZ. 85616
City State Zip
20. Drillers Name:
Name Lee's Well Drilling
Address P. O. Bx-4558 Huachuca City, AZ. 85616
City State Zip
T-80 48979
Department License Number

1. Fill out this form in duplicate and mail to P.O. Box 2600, Phoenix, Arizona, 85002, or deliver to 99 East Virginia, Suite 100, Phoenix, Arizona 85004.
2. If the Exempt Well is in fact a replacement (or deepening) well, state the registration number of the existing well. N/A
3. Construction standards for new and replacement wells and the deepening and abandonment of existing wells, shall be in accordance with Department Rules and Regulations.

I, Leo J. Dunn, state that the construction will be under the direct and personal supervision of the well driller designated on this form and that the designated driller holds a contractors license pursuant to ARS 45-595.

Date Aug 8, 82

Leo J. Dunn
Signature of Person Filing

STATE OF ARIZONA

DEPARTMENT OF
WATER RESOURCES

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner George Brown Box 4231 amended mg
Name
H. City Ariz 85616
Address

2. Lessee or Operator _____
Name
_____
Address

3. Driller _____
Name
_____
Address

4. Location of well: _____

5. Permit No. 55-503737 - File D(20-19) 24ddc
(if issued)

DESCRIPTION OF WELL

6. Total depth of hole 360 ft.
7. Type of Casing PVC
8. Diameter and length of casing 6 in. from 0 to 360, _____ in from _____ to _____.
9. Method of sealing at reduction points Cement
10. Perforated from 340 to 360, from _____ to _____, from _____ to _____
11. Size of cuts 1/8" Number of cuts per foot one
12. If screen was installed: Length N/A ft. Diam _____ in. Type _____
13. Method of construction _____ drilled, dug, driven, bored, jetted, etc.
14. Date started Jan 27 83
Month day year
15. Date completed Jan 27 83
Month day year
16. Depth to water N/A ft. (If flowing well, so state.)
17. Describe point from which depth measurements were made, and give sea-level elevation if available.
N/A
18. If flowing well, state method of flow regulation _____
19. REMARKS: _____

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
Registration No. _____
Received _____ By _____
Entered 3-16.83 By —
File No. _____

(Well log to appear on Reverse side)

RECEIVED
MAR 15 1983
DEPT. OF
WATER RESOURCES

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encountered, and depth to which it rose in well.

FROM (FEET)	TO (FEET)	DESCRIPTION OF FORMATION MATERIAL
0	340	Sandy clay
340	360	water bearing

I hereby certify that this well was drilled by me (or under my supervision), and that each and all of the statements herein contained are true to the best of my knowledge and belief.

Driller Lee's Well Drilling
P. O. Bx 4558
Name
Huachuca City, AZ. 85616
Address

Date Feb 23, 83

2-73

DEPARTMENT OF WATER RESOURCES
99 East Virginia
Phoenix, Arizona 85004

Registration No. 55-503737

Owner of Well Site L. Sheldon

File No. D(20-19)24ddc

COMPLETION REPORT

1. Per A.R.S. §45-600, the Completion Report to be filed with the Department within 30 days after installation of pump equipment by the registered well owner.
2. Drawdown of the water level for a non-flowing well should be measured in feet after not less than 4 hours of continuous operation and while still in operation and for a flowing well the shut-in pressure should be measured in feet above the land or in pounds per square inch at the land surface.
3. The static groundwater level should be measured in feet from the land surface immediately prior to the well capacity test.
4. The tested pumping capacity of the well in gallons per minute for a non-flowing well should be determined by measuring the discharge of the pump after continuous operation for at least 4 hours and for a flowing well by measuring the natural flow at the land surface.

LOCATION OF THE WELL:

20 South — Township; 19 East — Range; 2-1 — Section; ¼ ¼ ¼

EQUIPMENT INSTALLED:

Kind of pump Turbine (Turbine, centrifugal, etc.)

Kind of power Electric (Electric, natural gas, gasoline, etc.) H.P. Rating of Motor 3 H.P.

Pumping Capacity 30 GPM (Gallons per minute) Date installed Oct 15-85

WELL TEST:

Test pumping capacity 35 (Gallons per minute) Date Well Tested Aug 8-85

Method of Discharge Measurement Bucket (Weir, orifice, current meter, etc.)

Static Groundwater Level 240 ft. Drawdown 20 ft.

Total Pumping Lift 260 ft. Drawdown N/A (Flowing Well) lbs

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

11-7, 1985 — DATE

L. Sheldon — Signature

P.O. Box 5065 — Address

Huachuca City, Az 85616 — City, State, Zip

11-14-85 G.V.

DWR-55-7-3/84

STATE OF ARIZONA
DEPARTMENT OF WATER RESOURCES
99 EAST VIRGINIA AVENUE
PHOENIX, ARIZONA 85004

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.

1. Owner Manuel J Judith Pavia
Name
Box 4756 Huachuca City Az. 85616
Mailing Address

2. Driller L. B. DRILLING
Box 4166
Huachuca City, AZ 85616
Name
Mailing Address

3. Location of well: F20S R-20E S-33 SEXNWXSW

4. Permit No. _____
(if issued)

DESCRIPTION OF WELL

5. Total depth of hole 120 ft.

6. Type of casing PVC

7. Diameter and length of casing 6 in. from 0 to 120, ____ in from ____ to ____.

8. Method of sealing at reduction points _____

9. Perforated from 80 to 120, from ____ to ____, from ____ to ____.

10. Size of cuts 1/8 Number of cuts per foot Three

11. If screen was installed: Length ____ ft. Diam ____ in. Type _____

12. Method of construction drilled air
drilled, dug, driven, bored, jetted, etc.

13. Date started Aug. 24 87
Month Day Year

14. Date completed Aug. 25 87
Month Day Year

15. Depth to water 79 ft. (If flowing well, so state.)

16. Describe point from which depth measurements were made, and give sea-level elevation if available ground level

17. If flowing well, state method of flow regulation: _____

18. Remarks: Blew 35 gpm

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
REG. NO. 55-517566
File No. D(20-20)33 cbd
Entered ENTERED OCT 02 1987

DWR-55-6-Rev. 8/85

LOG OF WELL

Indicate depth at which water was first encountered, and the depth and thickness of water bearing beds. If water is artesian, indicate depth at which encountered, and depth to which it rose in well.

From (feet)	To (feet)	Description of formation material
0	65	redish brown sandy clay
65	83	gravelly brown rocks clay
83	105	sandy clay brown
105	120	Cemented sand and gravel lot water

I hereby certify that this well was drilled by me (or under my supervision), and that each and all of the statements herein contained are true to the best of my knowledge and belief.

Driller [signature]
Name
L. B. DRILLING
Box 4166
Address
Huachuca City, AZ 85616
City State Zip

Date 9-28-87

DEPARTMENT OF WATER RESOURCES
99 East Virginia
Phoenix, Arizona 85004

55-517566

Registration D(20-20)33 cbd

SEP 1987
DEPARTMENT OF WATER RESOURCES

File No.

COMPLETION REPORT

1. Per A.R.S. [illegible], the Completion Report to be filed with the Department within 30 days after installation of pump equipment by the registered well owner.
2. Drawdown of the water level for a non-flowing well should be measured in feet after not less than 4 hours of continuous operation and while still in operation and for a flowing well the shut-in pressure should be measured in feet above the land or in pounds per square inch at the land surface.
3. The static groundwater level should be measured in feet from the land surface immediately prior to the well capacity test.
4. The tested pumping capacity of the well in gallons per minute for a non-flowing well should be determined by measuring the discharge of the pump after continuous operation for at least 4 hours and for a flowing well by measuring the natural flow at the land surface.

LOCATION OF THE WELL:

20 S	20E	33	SW NW SW
Township	Range	Section	¼ ¼ ¼

EQUIPMENT INSTALLED:

Kind of pump CENTRIFUGAL - SUBMERSIBLE
Turbine, centrifugal, etc.

Kind of power ELECTRIC H.P. Rating of Motor 3/4
Electric, natural gas, gasoline, etc.

Pumping Capacity 12 Date installed SEPT. 1, 1987
Gallons per minute

WELL TEST:

Test pumping capacity APPROX 30 Date Well Tested 8-25-87
Gallons per minute

Method of Discharge Measurement AIR BLOW
Weir, orifice, current meter, etc.

Static Groundwater Level 81 ft. Drawdown 1/3 ft.

Total Pumping Lift — ft. Drawdown — lbs
(Flowing Well)

I HEREBY CERTIFY that the above statements are true to the best of my knowledge and belief.

SEPTEMBER 1, 1987
DATE

Manuel J. Parra Jr.
Signature

P. O. Box 4756
Address

HUACHUCA CITY, AZ, 85616
City State Zip

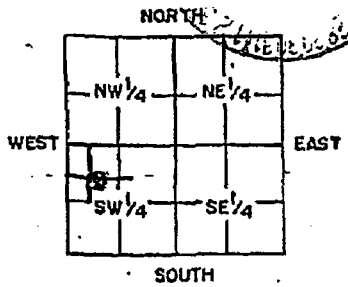
DWR-55-7-3/84

ENTERED SEP 0 9 1987

FILING FEE $10.00

DEPARTMENT OF WATER RESOURCES (DWR)
NOTICE OF INTENTION TO DRILL OR DEEPEN A WELL
OUTSIDE OF AN ACTIVE MANAGEMENT AREA

Section 45-596, Arizona Revised Statutes, provides: In an area not subject to Active Management, a person may not drill or cause to be drilled any well or deepen an existing well without first filing a Notice of Intention to Drill with the Department.



INDICATE WELL LOCATION BY X
(Above diagram represents one 640 acre section.)

WELL/LAND LOCATION:

1. Township 20 S N/S
2. Range 20 E E/W
3. Section 33
4. SE ¼, NW ¼, SW ¼
   10 acre subdivision
5. County COCHISE
6. Owner of well:
   MANUEL & ARDITH PAIVA
   Name
   P. O. BOX 4756
   Mailing address
   HUACHUCA, AZ. 85616
   City State Zip
   Telephone (602) 456-1014
7. Owner of land:
   MANUEL & ARDITH PAIVA
   Name
   P. O. BOX 4756
   Mailing Address
   HUACHUCA, AZ, 85616
   City State Zip

DESCRIPTION OF WELL:

8. Diameter 4 inches
   Depth 100 feet
9. Type of casing 2" PVC
10. Design pump capacity:
    6 gallons per minute
11. Estimate of total annual pumping: _____ acre feet
12. Principal use of water:
    RESIDENTIAL
    (Be Specific)
13. Other uses intended:
    FAMILY ORCHARD & GARDEN
    (Be Specific)
14. If for irrigation, state the number of acres to be irrigated:
    5 acres
15. Construction will start about:
    Month APRIL 1987 Year

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
FILE NO. D(20-20)33 cbd
FILED 4-14-87 BY SV
INPUT ENTERED APR 22 1987
DUPLICATE MAILED 4-20-87 BY SV
REGISTRATION NO. 55-517566
INA
W/S 11 S/B
Reissued 8-24-87

PLACE OF USE:

16. Township 20 S N/S
17. Range 20 E E/W
18. Section 33
19. Legal description of land TAX CODE # 106-41-014 3890 158
20. Type well:
    X Exempt
    ___ Non-Exempt
21. Action Requested:
    Drill X Deepen ___ Replace ___
    55- _____
22. This notice filed by:
    Owner X
    Lessee ___
    MANUEL J. PAIVA JR
    Name
    P. O. BOX 4756
    Address
    HUACHUCA, AZ, 85616
    City State Zip
    Telephone (602) 456-1014

22a. Change Driller to:
L.B. Drilling
Box 4166
Address
Huachuca City, Az 85616
City State Zip
C-53 (344) 58233
DWR License No. Roc. No.

24. Is the proposed wellsite within 100 feet of a septic tank syst[illegible] landfill, hazardous waste facility or storage area of hazardous materials: Yes ___ No X

GENERAL INSTRUCTIONS

1. Fill out this form in duplicate and send to 99 East Virginia, Suite 100, Phoenix, Az. 85004.
2. For specific instructions, limitations and conditions, see the reverse side of this form.
3. This form is to be used to drill, deepen or replace a well outside of an Active Management Area.
4. If the well is a replacement or deepening of an existing well, state the registration number of the existing well in Item 21.
5. Construction standards for new and replacement wells and the deepening and abandonment of existing wells shall be in accordance with Department Rules and Regulations.

I state that this Notice is filed in compliance with ARS §45-596 and is complete and correct to the best of my knowledge and belief and that I understand the limitations under which I must operate this well set forth on the reverse side of this form.

DATE APRIL 12, 1987 Signature of Person Filing Manuel J. Paiva Jr.

DWR-55-41-8/86B (Revised)

APPENDIX B

RESULTS OF LABORATORY CHEMICAL ANALYSES

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
DRINKING WATER SOURCE APPROVAL FORM
SAMPLES TO BE TAKEN AT SOURCE ONLY

[ ] **CRATOS CONSTRUCTION & DEVELOPMENT**
System ID — System Name

[06/28/05] [08:50] (24 hr Clock)
Sample date — Sample time

ADEQ Project Number — **55-207114** Well ID Number

NEW SYSTEM YES X NO ____

NEW P.O.E. YES X NO ____

Surface Water Intake ID Number

DAVE STEPHENSON
Owner/Contact Person Name

(520) 459-1833
Owner/Contact Person Phone Number

SAMPLE TYPE
[X] Compliance Monitoring

SAMPLE COLLECTION POINT/ID
[X] Point of Entry# [001]

This form is to be filled out completely and ALL pages submitted together. If more than one laboratory participated in the analyses, please attach a copy of the original laboratory report, signed by the performing laboratory, to the back of this form.

All results shall be reported in milligrams per liter (mg/L) unless otherwise specified.

PLEASE MAIL THIS COMPLETED FORM TO:

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
TECHNICAL REVIEW UNIT
DRINKING WATER SECTION (5415b-2)
1110 WEST WASHINGTON STREET, PHOENIX, AZ 85007

INORGANIC CHEMICAL ANALYSIS

Analysis Method	MCL Value	Reporting Limit	Contaminant Name	Cont. Code	Test Start Date/Time	Analysis Run Date/Time	Result	Exceeds MCL	Exceeds R.L.
200.8	0.05	0.05	Arsenic	1005		07/05/05	<0.0030	—	—
200.8	2	2	Barium	1010		07/05/05	0.250	—	—
200.8	0.005	0.005	Cadmium	1015		07/05/05	<0.0005	—	—
200.8	0.1	0.1	Chromium	1020		07/05/05	<0.010	—	—
200.8	1.3*	0.05	Copper	1022		07/05/05	0.016	—	—
SM4500f-c2	4.0	2.0	Fluoride	1025		07/07/05	0.31	—	—
200.8	0.015*	0.0025	Lead	1030		07/05/05	0.002	—	—
245.2	0.002	0.002	Mercury	1035		07/01/05	<0.0002	—	—
300.0	10	5	Nitrate (as N)	1040	8/11/05 11:41	8/11/05 14:05	1.63	—	—
354.1	1	0.5	Nitrite (as N)	1041	8/11/05 11:34	8/11/05 11:56	<0.01	—	—
200.8	0.05	0.05	Selenium	1045		07/05/05	<0.0030	—	—
200.8	0.006	0.006	Antimony	1074		07/05/05	<0.0030	—	—
200.8	0.004	0.004	Beryllium	1075		07/05/05	<0.0005	—	—
4500CN I	0.2	0.2	Cyanide (as free cyanide)	1024		07/05/05	<0.005	—	—
200.8	0.1	0.1	Nickel	1036		07/05/05	<0.010	—	—
200.8	0.002	0.002	Thallium	1085		07/05/05	<0.0010	—	—

* Action Level

>>>LABORATORY INFORMATION<<<

062805-26	6/28/05	08:50 (24 hr clock)
SPECIMEN NUMBER	Sample date	Sample time

Lab ID Number AZ 0009 Name: AQUA TECH ENVIRONMENTAL LABORATORIES, INC.

Comments: Nitrate and Nitrite (Resampled: ID#081105-02 8/11/05 08:10) analyzed by Aqua Tech Environmental Labs of Tucson AZ.
All others analyzed by Aqua Tech Environmental Laboratories of Marion, Ohio.

Authorized Signature:

PHYSICAL ANALYSIS

Analysis Method	Contaminant Name	Cont. Code	Analysis Run Date	Result
300.0	Sulfate	1055	7/6/05	9
200.7	Sodium	1052	7/5/05	17
150.1	pH	1925	6/28/05	7.26
SM2320B	Alkalinity	1927	7/7/05	252
Calc	Hardness/Calcium	1918	7/14/05	168.8
Calc	Langelier Index	1997	7/14/05	-0.05
Field	Temperature (oC)	1996	6/28/05	16.5
160.1	Total Dissolved Solids-TDS	1930	7/5/05	279

>>>LABORATORY INFORMATION<<<

062805-26	06/28/05	08:50 (24 hr clock)
SPECIMEN NUMBER	Sample date	Sample time

Lab ID Number: [AZ 0009] Name: [AQUA TECH ENVIRONMENTAL LABORATORIES, INC.

Comments: PH analyzed at Aqua Tech Environmental Lab of Tucson AZ.
All others analyzed by Aqua Tech Environmental Laboratories of Marion, Ohio.

Authorized Signature: R Mosher

SYNTHETIC ORGANIC CHEMICAL ANALYSIS

Analysis Method	MCL Value	Reporting Limit	Contaminant Name	Cont. Code	Analysis Run Date		Result	Exceeds MCL	Exceeds R.L.
515.1	0.07	0.0001	2,4-D	2105	07/19/05		<0.00010		
515.1	0.05	0.0002	2,4,5-TP (Silvex)	2110	07/19/05		<0.00020		
525.2	0.002	0.0002	Alachlor	2051	07/11/05		<0.00020		
508	0.003	0.001	Toxaphene	2020	07/13/05		<0.00010		
525.2	0.003	0.0001	Atrazine	2050	07/11/05		<0.00010		
531.1	0.04	0.0009	Carbofuran	2046	07/19/05		<0.00050		
515.1	0.001	0.00004	Pentachlorophenol	2326	07/19/05		<0.00004		
508	0.002	0.0002	Chlordane	2959	07/13/05		<0.00010		
504.1	0.0002	0.00002	Dibromochloropropane(DBCP)	2931	07/08/05		<0.00002		
504.1	0.00005	0.00001	Ethylene Dibromide (EDB)	2946	07/08/05		<0.00001		
508	0.0004	0.00004	Heptachlor	2065	07/13/05		<0.00003		
508	0.0002	0.00002	Heptachlor Epoxide	2067	07/13/05		<0.00002		
508	0.0002	0.00002	Lindane	2010	07/13/05		<0.00002		
508	0.04	0.0001	Methoxychlor	2015	07/13/05		<0.00003		
508	0.0005	0.0001	PCB: Polychlorinated Biphenyls*	2383			*		
525.2	0.0002	0.00002	Benzo(a)Pyrene	2306	07/11/05	M2	<0.00002		
515.1	0.2	0.001	Dalapon	2031	07/19/05		<0.0010		
525.2	0.006	0.0006	Di(2-ethylhexyl)phthalate	2039	07/11/05	M2	<0.00060		
525.2	0.4	0.0006	Di(2-ethylhexyl)adipate	2035	07/11/05	M2	<0.00060		
515.1	0.007	0.0002	Dinoseb	2041	07/19/05		<0.00020		
1613A	$3x10^{-8}$	$5x10^{-9}$	2,3,7,8-TCDD (Dioxin)	2063					
549.2	0.02	0.0004	Diquat	2032	07/11/05	V1	<0.0004		
548.1	0.1	0.009	Endothall	2033	08/22/05		<0.0050		
508	0.002	0.00001	Endrin	2005	07/13/05		<0.00001		
547	0.7	0.006	Glyphosate	2034	07/06/05		<0.006		
508	0.001	0.0001	Hexachlorobenzene	2274	07/13/05		<0.00010		
508	0.05	0.0001	Hexachlorocyclopentadiene	2042	07/13/05		<0.00010		
531.1	0.2	0.002	Oxamyl	2036	07/19/05		<0.00050		
515.1	0.5	0.0001	Picloram	2040	07/19/05		<0.00010		
525.2	0.004	0.00007	Simazine	2037	07/11/05		<0.00007		

*Aroclor results may be submitted in lieu of PCB

>>>LABORATORY INFORMATION<<<

062805-26	6/28/05	08:50 (24 hr clock)
SPECIMEN NUMBER	Sample date	Sample time

Lab ID Number AZ 0009] Name: AQUA TECH ENVIRONMENTAL LABORATORIES, INC.]

Comments: [Analyzed by Aqua Tech Environmental Laboratories of Melmore, Ohio.]

531.1 analyzed by Columbia Analytical Services of Kelso WA. 548.1 - Endothall - Resampled: ID#081105-02 8/11/05 08:10.]

Authorized Signature: [R Mosher]

>>>AROCLOR (PCBs SCREENING TEST)<<<

Analysis Method	Reporting Limit	Contaminant Name	Cont. Code	Analysis Run Date	Result	Exceeds R.L.
508	0.00008	Aroclor 1016	2388	07/13/05	<0.00008	
508	0.02	Aroclor 1221	2390	07/13/05	<0.00010	
508	0.0005	Aroclor 1232	2392	07/13/05	<0.00010	
508	0.0003	Aroclor 1242	2394	07/13/05	<0.00010	
508	0.0001	Aroclor 1248	2396	07/13/05	<0.00010	
508	0.0001	Aroclor 1254	2398	07/13/05	<0.00010	
508	0.0002	Aroclor 1260	2400	07/13/05	<0.00010	

>>>LABORATORY INFORMATION<<<

062805-26 — SPECIMEN NUMBER
6/28/05 — Sample date
08:50 (24 hr clock) — Sample time

Lab ID Number AZ 0009 Name: | AQUA TECH ENVIRONMENTAL LABORATORIES, INC.

Comments: Analyzed by Aqua Tech Environmental Laboratories of Melmore, Ohio.

Authorized Signature: R Mosher

VOLATILE ORGANIC CHEMICALS ANALYSIS

Analysis Method	MCL Value	Reporting Limit	Contaminant Name	Cont. Code	Analysis Run Date	Result	Exceeds MCL	Exceeds R.L.
524.2	0.007	0.0005	1,1-Dichloroethylene	2977	06/29/05	<0.0005		
524.2	0.2	0.0005	1,1,1-Trichloroethane	2981	06/29/05	<0.0005		
524.2	0.005	0.0005	1,1,2-Trichloroethane	2985	06/29/05	<0.0005		
524.2	0.005	0.0005	1,2-Dichloroethane	2980	06/29/05	<0.0005		
524.2	0.005	0.0005	1,2-Dichloropropane	2983	06/29/05	<0.0005		
524.2	0.005	0.0005	Benzene	2990	06/29/05	<0.0005		
524.2	0.005	0.0005	Carbon Tetrachloride	2982	06/29/05	<0.0005		
524.2	0.07	0.0005	cis-1,2-Dichloroethylene	2380	06/29/05	<0.0005		
524.2	0.7	0.0005	Ethylbenzene	2992	06/29/05	<0.0005		
524.2	0.1	0.0005	(mono)chlorobenzene	2989	06/29/05	<0.0005		
524.2	0.6	0.0005	o-Dichlorobenzene	2968	06/29/05	<0.0005		
524.2	0.075	0.0005	para-Dichlorobenzene	2969	06/29/05	<0.0005		
524.2	0.1	0.0005	Styrene	2996	06/29/05	<0.0005		
524.2	0.005	0.0005	Tetrachloroethylene	2987	06/29/05	<0.0005		
524.2	1	0.0005	Toluene	2991	06/29/05	<0.0005		
524.2	0.1	0.0005	Trans-1,2-Dichloroethylene	2979	06/29/05	<0.0005		
524.2	0.005	0.0005	Trichloroethylene	2984	06/29/05	<0.0005		
524.2	0.002	0.0005	Vinyl Chloride	2976	06/29/05	<0.0005		
524.2	10	0.0015	Xylenes, total	2955	06/29/05	<0.0005		
524.2	0.07	0.0005	1,2,4-Trichlorobenzene	2378	06/29/05	<0.0005		
524.2	0.005	0.0005	Dichloromethane	2964	06/29/05	<0.0005		

>>>>LABORATORY INFORMATION<<<<

062805-26 — SPECIMEN NUMBER
6/28/05 — Sample date
08:50 (24 hr clock) — Sample time

Lab ID Number AZ 0009 Name: | AQUA TECH ENVIRONMENTAL LABORATORIES, INC.

Comments: Analyzed by Aqua Tech Environmental Laboratories of Marion Ohio.

Authorized Signature: R Mosher

RADIOCHEMICAL ANALYSIS

Analysis Method	MCL	Reporting Limit	Contaminant Name	Cont. Code	Analysis Run Date	Result	Exceeds MCL	Exceeds R.L.
Calc.	15 pCi/L		Adjusted Gross Alpha	4000				
600/00-02		3 pCi/l	Gross Alpha	4002				
	30 ug/L	reserved	Combined Uranium	4006				
			Uranium 234	4007				
			Uranium 235	4008				
			Uranium 238	4009				
	5 pCi/l	1pCi/l	Combined Radium	4010				
903.1		1pCi/l	Radium 226	4020				
904.0		1 pCi/l	Radium 228	4030				
900.0	4 mrem/y	3pCi/L	Gross Beta	4100				
906.0	20000 pCi/L	1000 pCi/L	Tritium	4102				
		10 pCi/L	Strontium-89	4172				
905.0	8 pCi/L	2 pCi/L	Strontium-90	4174				
		1 pCi/l	Iodine-131	4264				
		10 pCi/L	Cesium-134	4270				

>>>>LABORATORY INFORMATION<<<<

_____ _____ _____ (24 hr clock)

SPECIMEN NUMBER Sample date Sample time

Lab ID Number [_____] Name: [_____

Comments: _____

Authorized Signature: _____

Date Public Water System Notified: _____

*** ASBESTOS ANALYSIS ***

Analysis Method	MCL	Contaminant Name	Cont. Code	Analysis Run Date	Result	Exceeds MCL
EPA100.1	7 MFL	Asbestos*	1094	7/6/2005	<0.2	

>>>>LABORATORY INFORMATION<<<<

062805-26 06/28/2005 08:50 (24 hr clock)

SPECIMEN NUMBER Sample date Sample time

Lab ID Number [AZ 0009] Name: AQUA TECH ENVIRONMENTAL LABORATORIES, INC.

Comments: [*Analyzed by Fiberquant Analytical Services of Phoenix AZ.

Authorized Signature: R Mosher

Date Public Water System Notified: _____

MICROBIOLOGICAL ANALYSIS

Analysis Method	MCL Value	Contaminant Name	Cont. Code	Test Start Date/Time	Analysis Run Date/Time	Result
9223B	Present/ 1 or more Coliform	Total Coliform	3000	8/11/05 11:22	8/12/05 11:44	0

ONLY REPORT FECAL RESULT IF TOTAL COLIFORM RESULT IS POSITIVE

Analysis Method	MCL Value	Contaminant Name	Cont. Code	Test Start Date/Time	Analysis Run Date/Time	Result
9223B	Present/ 1 or more Coliform	E. Coli or Fecal Coliform	3013			

>>>>LABORATORY INFORMATION<<<<

081105-02 — SPECIMEN NUMBER

8/11/05 — Sample date

08:10 (24 hr clock) — Sample time

ID Number [AZ 0009] Name: AQUA TECH ENVIRONMENTAL LABORATORIES, INC.

Comments: [Analyzed by Aqua Tech Environmental Lab of Tucson AZ.

Authorized Signature: [R Mosher

Date Public Water System Notified

Aqua Tech Environmental Laboratories, Inc.
2700 E Bilby Rd. Bldg. A • Tucson, AZ 85706 Marion, Ohio Melmore, Ohio
(520) 573-6565 • (800) TRY-ATEL www.atellabs.com

25% Disc

ATEL

CHAIN OF CUSTODY FORM

DRINKING WATER ONLY Page 1 of 1

COMPANY CRATOS CONST + DEV. LLC. 70173
ADDRESS PO BOX 3732
CITY SIERRA VISTA STATE AZ ZIP 85636
PHONE (520) 459-1833 FAX ( )
CONTACT NAME DAVE STEPHENSON

REQUIRED INFORMATION

SYSTEM NAME
SAMPLING SITE ID
SAMPLERS NAME (print)
SAMPLERS SIGNATURE
SYSTEM ID (PWS#)
DWR#
CITY
POE#

ANALYSES REQUESTED (Circle Method, Place X in Box)

SAMPLE ID	DATE	TIME	LAB ID	Number of Containers	☒ 524.2 VOC's	TTHM's	☒ 504 - ☒ 507 - ☒ 508	☒ 515.1 - ☒ 525.1 - ☒ 531.1	☒ 547 - ☒ 548 - ☒ 549	☐ Dioxin	ICR - ☐ 551 - ☐ 552.1	PHASE II/V Inorganics	☒ Nitrate ☒ Nitrite	☒ Asbestos	☐ Radiochemicals	Coliforms Presence/Absence	New Source	As, Ba, Cd, Cr, Cu, F, Pb, Hg	Sb, Se, Co, Ni, Tl, Zn	Sodium, pH, Alkalinity	Hardness, Langelier Index	Temp, TDS	Non-Compliance	24 hr.	48 hr.	72 hr.
Well #1	6/28/10	0850	062805-26		X		X	X	X			X	X	X		X	X	X	X	X	X	X				
Trip Blank	—	—																								
	/ /	:																								
	/ /	:																								
	/ /	:																								
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DRINKING WATER

SPECIAL TURNAROUND TIMES: 24 hr. 48 hr. 72 hr.

Sample Receipt	Reporting Requirements	Invoice Address
Rec'd In Good/Cold Condition .. ☐	☐ Report to ADEQ	P.O. # 062826NS
Custody Seals ..... ☐	☒ To Client Only	☐ Same As Above
Total # of Containers		☐ Other (Attach Info)

Instructions/Comments: Temp 16.5 New Source!

ADEQ Forms: ☒ YES ☐ NO

Relinquished By (Signature)	Date/Time	Received By (Signature)	Date/Time
	6/27 05		6/28/ 05 09
Relinquished By (Signature)	Date/Time	Received By (Signature)	Date/Time
	6/28 1045		06/28/05 1045
Relinquished By (Signature)	Date/Time	Received By (Signature)	Date/Time
Relinquished By (Signature)	Date/Time	Received By (Signature)	Date/Time

If you fail to fill out this form completely, it may effect the legal defensibility of your data.

PH No. 520-884-5811 3855 South Evans Blvd, Tucson, Az 85713 Ste 402 T0173 25%

Fax: 520-884-5133

CLIENT INFORMATION		PROJECT INFORMATION		PUBLIC WATER SUPPLY INFORMATION	
Proj. Manager:	Dave Stephenson	Project:		System Name:	
Company:	Cratos Construction + Dev C	Project Location:		PWS No.:	
Address:	P.O. Box 3732	Submitted By:	N. Altamirano	DWR No.:	
	Sierra Vista, AZ 85636	Date Submitted:	8-11-05	POE No.:	
Phone No.	(520) 459-1833	Time Submitted:	(24 hrs)	Collection Point:	
Fax No.		P.O. No.:		Location:	
E-mail address		Note:		Report to State	Yes / No

SAMPLE TYPE				COMPLIANCE MONITORING	
Haz. Waste		Soil		YES	X
Waste Water		Sludge		NO	
Drinking Water	X	Other			

SAMPLE IDENTIFICATION	Date	Time	CAS ID	548	NO3/NO2	TC-Life				G = Grab, C = Composite
Well #1 55-207114	8/11/05	0810	081105-02	X	X	X	Negative			

Turn Around Time:	Standard		Rush	
Relinquished By: [signature]	Time:	1106	Date:	8-11-05
Received By [signature]	Time:	1107	Date:	8/11/05
Relinquished By:	Time:		Date:	
Received By	Time:		Date:	

For laboratory use only Sat 8-11-05 11:22 Rec'd 8-12-05 11:44 BJC

Custody Seals : Y N N/A

Check Number: Re-Sample

EXHIBIT 13

Northern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 1
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 0 Balance	Year 0 A/D Balance
1						
2						
3						
4						
5	301	Organization		0.00%		
6	302	Franchises		0.00%		
7	303	Land and Land Rights		0.00%	27,312	
8	304	Structures and Improvements		3.33%	1,319	
9	305	Collecting and Impounding Rese		2.50%		
10	306	Lake, River and Other Intakes		2.50%		
11	307	Wells and Springs		3.33%		
12	308	Infiltration Galleries and Tun		6.67%		
13	309	Supply Mains		2.00%		
14	310	Power Generation Equipment		5.00%		
15	311	*Pumping Equipment*		12.50%	2,136	
16	320	Water Treatment Equipment		3.33%		
17	330	Distribution Reservoirs and St		2.22%	4,351	
18	331	Transmission and Distribution		2.00%	36,165	
19	331	Transmission and Distribution (AIAC)	100%	2.00%		
20	333	Services		3.33%	1,092	
21	334	Meters and Meter Installations		8.33%		
22	335	Hydrants		2.00%		
23	335	Hydrants (AIAC)	100%	2.00%		
24	336	Backflow Prevention Devices		6.67%		
25	339	Other Plant and Miscellaneous		6.67%		
26	340	Office Furniture and Equipment		6.67%		
27	341	Transportation Equipment		20.00%		
28	342	Stores Equipment		4.00%		
29	343	Tools, Shop and Garage Equipme		5.00%		
30	344	Laboratory Equipment		10.00%		
31	345	Power Operated Equipment		5.00%		
32	346	Communication Equipment		10.00%		
33	347	Miscellaneous Equipment		10.00%		
34	348	*Other Tangible Plant*		0.00%		
35						
36						
37						
38						
39		Totals			$ 91,992	$ -
40						
41		Composite Rate with 1/2 yr convention				
42						
43						
44		Licenses, Taxes, Permits	0.00%			
45		Engineering and Contingency	0.00%			
46		Total				
47						

Northern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 1
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Estimate	Engineering Permits, Etc.	Year 1 Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%	$ -		$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%	-		-	-	-	-	-
7	303	Land and Land Rights		0.00%	-		-	-	-	27,812	-
8	304	Structures and Improvements		3.33%	27,200	-	27,200	27,200	464	27,519	464
9	305	Collecting and Impounding Rese		2.50%	320,000	-	320,000	320,000	4,000	320,000	4,000
10	306	Lake, River and Other Intakes		2.50%	-	-	-	-	-	-	-
11	307	Wells and Springs		3.33%	55,000	-	55,000	55,000	916	55,000	916
12	308	Infiltration Galleries and Tun		6.67%	-	-	-	-	-	-	-
13	309	Supply Mains		2.00%	-	-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%	-	-	-	-	-	-	-
15	311	Pumping Equipment		12.50%	52,500	-	52,500	52,500	6,202	75,864	6,202
16	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%	-	-	-	-	97	4,351	97
18	331	Transmission and Distribution		2.00%	-	-	-	-	703	35,135	703
19	331	Transmission and Distribution (AIAC)	100%	2.00%	-	-	-	-	-	-	-
20	333	Services		3.33%	-	-	-	-	34	1,012	34
21	334	Meters and Meter Installations		8.33%	25,500	-	25,500	25,500	1,062	25,500	1,062
22	335	Hydrants		2.00%	-	-	-	-	-	-	-
23	335	Hydrants (AIAC)	100%	2.00%	-	-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%	-	-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%	-	-	-	-	-	-	-
27	341	Transportation Equipment		20.00%	-	-	-	-	-	-	-
28	342	*Stores Equipment*		4.00%	-	-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%	-	-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%	-	-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%	-	-	-	-	-	-	-
32	346	Communication Equipment		10.00%	-	-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%	-	-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%	-	-	-	-	-	-	-
35					-		-	-	-	-	-
39		Totals			$ 480,200	$ -	$ 480,200	$ 480,200	$ 13,476	$ 572,192	$ 13,476
41		Composite Rate with 1/2 yr convention							2.48%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Northern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 2
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 2 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	27,812	-
8	304	Structures and Improvements		3.33%		-	-	-	916	27,519	1,380
9	305	Collecting and Impounding Rese		2.50%		-	-	-	8,000	320,000	12,000
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	1,832	55,000	2,747
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	9,483	75,864	15,685
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	97	4,351	193
18	331	Transmission and Distribution		2.00%		-	-	-	703	35,135	1,405
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	34	1,012	67
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,295	29,600	3,357
22	335	Hydrants		2.00%		-	-	-	-	-	-
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 23,359	$ 576,292	$ 36,835
41		Composite Rate with 1/2 yr convention							4.26%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Northern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 3
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year: Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	27,812	-
8	304	Structures and Improvements		3.33%		-	-	-	916	27,519	2,296
9	305	Collecting and Impounding Rese		2.50%		-	-	-	8,000	320,000	20,000
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	1,832	55,000	4,579
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	9,483	75,864	25,168
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	97	4,351	290
18	331	Transmission and Distribution		2.00%		-	-	-	703	35,135	2,108
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	34	1,012	101
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,636	33,700	5,993
22	335	Hydrants		2.00%		-	-	-	-	-	-
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 23,700	$ 580,392	$ 60,535
41		Composite Rate with 1/2 yr convention							4.29%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Northern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 4
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 4 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	27,812	-
8	304	Structures and Improvements		3.33%		-	-	-	916	27,519	3,213
9	305	Collecting and Impounding Rese		2.50%		-	-	-	8,000	320,000	28,000
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	1,832	55,000	6,410
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	*Pumping Equipment*		12.50%		-	-	-	9,483	75,864	34,651
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	97	4,351	386
18	331	Transmission and Distribution		2.00%		-	-	-	703	35,135	2,811
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	34	1,012	135
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,978	37,800	8,971
22	335	Hydrants		2.00%		-	-	-	-	-	-
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,042	$ 584,492	$ 84,577
41		*Composite Rate with 1/2 yr convention*							4.32%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Northern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 5
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 5 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	27,812	-
8	304	Structures and Improvements		3.33%		-	-	-	916	27,519	4,129
9	305	Collecting and Impounding Rese		2.50%		-	-	-	8,000	320,000	36,000
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	1,832	55,000	8,242
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	9,483	75,864	44,134
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	97	4,351	483
18	331	Transmission and Distribution		2.00%		-	-	-	703	35,135	3,513
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	34	1,012	168
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	3,320	41,900	12,291
22	335	Hydrants		2.00%		-	-	-	-	-	-
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,383	$ 588,592	$ 108,960
41		Composite Rate with 1/2 yr convention							4.35%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Northern Sunrise Water Company
Projected Capital Financing
Projected Years Ended

Exhibit
Schedule 1b

Line No.		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	5 year Totals
5	Plant to be Constructed	$ 91,992	$ 480,200	$ 4,100	$ 4,100	$ 4,100	$ 4,100	$ 588,592
7	Financing:							
8	Hydrants and Distrib. Lines Advanced		$ -	$ -	$ -	$ -	$ -	$ -
10	Plant Installed with Customer Deposits (Advances)		-	4,100	4,100	4,100	4,100	16,400
12	Contributions-in-aid of construction		-	-	-	-	-	-
14	Common Equity Issued for Plant Construction/Oth	156,611	480,200	-	-	-	-	636,811
16	Common Equity Issued For Working Capital	-	-	-	-	-	-	-
18	Debt Financing Issued for Plant Construction							
20	Internal Cash Used for Plant Additions	-	-			-	-	
22	Total Financing	$ 156,611	$ 480,200	$ 4,100	$ 4,100	$ 4,100	$ 4,100	$ 653,211

RECEIVED

2006 APR 13 P 3: 53

AZ CORP COMMISSION
DOCUMENT CONTROL

FENNEMORE CRAIG, P.C.
A Professional Corporation
Jay L. Shapiro (No. 014650)
Patrick J. Black (No. 017141)
3003 North Central Avenue
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Phoenix, Arizona 85012
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Attorneys for Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SOUTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. **APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY**

Pursuant to A.R.S. § 40-282 and A.A.C. R14-2-402, Southern Sunrise Water Company ("Applicant" or "Company"), an Arizona corporation, hereby applies to the Arizona Corporation Commission ("Commission") for an Order granting Applicant a new Certificate of Convenience and Necessity ("CC&N") to provide water utility service in certain defined portions of Cochise County, Arizona. The requested CC&N includes the areas previously served by the Cochise Water Company, Miracle Valley Water Company and Horseshoe Ranch Water Company (collectively "Southern McLain Systems").

INTRODUCTION

I. Background.

Applicant comes before the Commission after an extraordinary process involving the Southern McLain Systems, and the Commission's efforts to help these water utility systems find a new owner/operator with the financial resources, managerial structure and technical experience to provide adequate and reliable water utility service to existing customers in Cochise County. The Southern McLain Systems are part of a larger group of affiliated water utility companies that also include the Mustang Water Company, Crystal Water Company, Sierra Sunset Water

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Company and Coronado Estates Water Company ("Northern McLain Systems") (collectively referred to as the "McLain Water Systems"). Those water systems not included in this proceeding are being addressed in a separate CC&N application concurrently filed by the Applicant's affiliate, Northern Sunrise Water Company ("NSWC").[1] *See In the Matter of the Application of Northern Sunrise Water Company for a Certificate of Convenience and Necessity to Provide Water Utility Service in Cochise County, Arizona.*

The troubled history surrounding the McLain Water Systems is well-chronicled in Commission Decision No. 68412 (January 23, 2006). Previous ownership allowed these systems to fall into a state of serious disrepair, and numerous violations cited by the Arizona Department of Environmental Resources ("ADEQ") brought into question the potential for risk to the health and safety of customers being served by them. Property and sales taxes associated with these systems were not paid for almost 15 years, and water utility service was being extended to customers outside of the CC&N boundaries of these systems in violation of Arizona law. Ultimately, the previous owners filed for Chapter 13 bankruptcy relief under Title 11 of the United States Bankruptcy Code. *See In re Johnny A. McLain, et al.*, Case No. 4-03-bk-04125 TUC-EWH.

On October 22, 2004, the Bankruptcy Court for the District of Arizona tentatively approved a Purchase and Sale Agreement (the "Agreement") executed by Algonquin Water Resources, Inc. ("Algonquin"), which provided for the purchase of the water utility assets included in the McLain Bankruptcy Estate. Cochise County is the creditor-in-interest. On March 20, 2006, the Bankruptcy Court for the District issued an Order confirming the sale to Algonquin for an aggregate purchase price of $696,752.14. This amount was equal to the fair value rate bases of the McLain Water Systems as determined by the Commission. *See* Decision No. 68412. A copy of Bankruptcy Court order is attached hereto as **Exhibit 1**.

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[1] Applicant has concurrently filed a Motion to Consolidate the NSWC CC&N Application with this and other proceedings.

II. Issuance of New CC&N to Two Separate Entities.

Before the closing of the transaction already approved by the Bankruptcy Court can take place, certain other matters required to legally facilitate the transfer of assets must be finalized. Algonquin is required, among other things, to obtain Commission approval for: 1) the issuance of all CC&Ns necessary to provide water utility service to customers of the McLain Water Systems; and 2) the sale and transfer of a public service corporation's assets as required by A.R.S. § 40-285. This Application addresses the first issue. Applicant is jointly filing a separate application with NSWC for Commission approval to transfer the McLain Water Systems assets, based on geographic location, to two separate entities with distinct CC&Ns ("Joint Application"). *See In the Matter of the Joint Application of Northern Sunrise Water Company and Southern Sunrise Water Company for the Approval of Sale and Transfer of Water Utility Assets, and Cancellation of Certificates of Convenience and Necessity.*

Algonquin chose to consolidate the three water utility systems that make up the Southern McLain Systems into one CC&N based on their geographical location and system configuration. Applicant must, among other things, construct new water storage facilities, add pressure tanks and booster stations, increase current well capacity, replace existing mains and valves, and map the existing water systems so that the Company can add operational automation to ensure safe and reliable operation. Applicant will need to invest a significant amount of capital in order to bring the McLain Water Systems into compliance with state and federal regulations. *See* Summary record (prepared by the ADEQ) of the compliance history of the McLain Water Systems, attached hereto as **Exhibit 2**; *See also* Decision No. 68412 at ¶ 19. Algonquin has determined that the most efficient and equitable way to begin the monumental task of improving the McLain Water Systems is to consolidate them into two new public service corporations. This issue is addressed in more detail in the Joint Application. *See* Joint Application at p 6.

III. New Water Utility Service Rates and Charges.

Because of the reorganization and subsequent investment in capital improvements, a new rate structure is required and the Commission must make findings as are typical in any application for a new CC&N. In this case, that means new rates must be calculated to take into account the fair value of the Southern McLain Systems assets as established in Decision No. 68412 ($604,725)[2], the cost of new infrastructure and other capital improvements that must be added almost immediately ($321,900), and costs associated with the participation in the process that lead to the acquisition of the McLain Water Systems assets ("Acquisition Costs") ($235,281). Applicant's proposed fair value rate base is approximately $1,162,006 as shown in **Exhibit 7**, attached hereto and further discussed below. Applicant's proposed rates are shown in **Exhibit 8**, attached hereto and further discussed below.

On January 6, 2006, the Arizona Small Utilities Association of Arizona ("ASUA") filed an emergency application for interim rates as the interim manager of the McLain Water Systems.[3] On March 28, 2006, Administrative Law Judge Rodda issued a recommended opinion and order ("ROO") that, among other things:

1) grants interim rate relief subject to the filing of an application for a permanent rate increase no later than March 15, 2007, using a 2006 test year;

2) approves a System Improvement Surcharge (SIS) as a means to collect revenue in order to pay debts and make relevant improvements;

3) requires any future owner of the Southern McLain Systems to maintain a separate bank account in which all revenue derived from the SIS must be deposited; and

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[2] This is not the exact figure established in Decision No. 68412 due to the allocation of land value and land rights for each separate water system.

[3] *In the Matter of the Application for Emergency Interim Rate Relief for Miracle Valley Water Company, Inc., Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Sierra Sunset Water Company and Coronado Estates Water Company, Owned by Johnny A. McLain*; Docket No. W-01646A-06-0010 et al.

4) requires any future owner to apply the SIS funds on a pro-rata basis to each of the systems to correct water outages as they occur, pay debts to local vendors and make system improvements.

These particular recommended conditions raise concerns for the Applicant as each bears upon this request to establish new CC&Ns for the Southern McLain Systems. For one thing, under Section 9.2 of the Agreement, all regulatory approvals and transfers shall be approved without the imposition of any restrictions, conditions, or obligations that are unacceptable to Algonquin in its sole discretion. 2006 also represents too early a test year upon which to establish permanent rates. Applicant asserts that, under its proposal to immediately upgrade the water systems within the first year of operation, at least twelve months of data is needed to establish proper operating revenues and expenses that are more reflective of normal operating conditions. Therefore, Applicant is willing to stipulate in this proceeding to file a rate application with the Commission by June 30, 2008, using a 2007 test year.

In addition, several of the proposed conditions related to the SIS appear designed to "run with the plant" and bind future owners irrespective of the basis upon which the transfer of the McLain Water System occurs. Such conditions are impractical given the new CC&N and rate structure proposed herein. Furthermore, the SIS has been proposed because the McLain Water Systems do not have an ability to raise additional capital to make necessary improvements. *See* ROO at ¶ 17. By approving this CC&N application, Northern Sunrise Water Company's CC&N application and the Joint Application, the Commission will forego the need for the SIS. Therefore, Applicant asserts that in moving forward and approving this Application, the Commission specifically exempt Applicant from any condition imposed in the ASUA emergency rate application that run with the plant and bind future owners.

Applicant is a fit and proper entity to provide water service to customers in Cochise County. Algonquin is a utility holding company that owns and operates several water and

wastewater companies in Arizona.[4] Applicant maintains that by granting the CC&N and rate structure requested herein, the Commission will: 1) address immediate health and safety concerns by providing some of the approvals and assurances necessary in Applicant's efforts to bring the water utility systems into regulatory compliance; 2) allow for the Applicant to begin the immediate repair and improvement of these systems to ensure reliable operation for present and future customers; and 3) ensure proper regulation of water utility service in the subject portions of Cochise County, in the public interest, through continued Commission oversight.

APPLICATION

In support of this Application, Applicant states as follows:

1. Applicant is a public service corporation formed for the purpose of providing water utility service in Cochise County, Arizona. The proper name, address and corporate structure for Applicant are attached hereto as **Exhibit 3**.

2. Applicant's Articles of Incorporation and Bylaws are attached hereto as **Exhibit 4**.

3. The area covered by this Application will contain approximately 845 existing connections.

4. The list and approximate cost of individual water infrastructure equipment upgrades and new facilities required immediately to bring this operations up to some minimum standard are attached hereto as **Exhibit 5**.

5. Applicant's management contact is Greg Sorensen, Algonquin Water Resources of America, Inc., whose business address is 12725 West Indian School Road, Suite D101, Avondale, Arizona 85323. The telephone number is (623) 935-9429.

6. Applicant's operator certified by the ADEQ is Larry Diaz. His business address is 4055 Campus Drive, Sierra Vista, AZ 85635. His telephone number is 520-548-5470.

7. Applicant's attorneys are Fennemore Craig, whose address is 3003 North Central

[4] Bella Vista Water Company, Litchfield Park Service Company; Gold Canyon Sewer Company, Black Mountain Sewer Corporation and Rio Rico Utilities.

Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual attorney responsible for this application is Jay L. Shapiro. Mr. Shapiro's telephone number is (602) 916-5366. **All Data Requests or other Requests for Information should be directed to Greg Sorensen, with a copy to Mr. Shapiro's attention, on behalf of Southern Sunrise Water Company.**

8. A description of existing water infrastructure in the Southern McLain Systems known to Applicant at this time, as documented by the Commission Staff in its Reconstruction Cost New Less Depreciation ("RCND") Study, is attached hereto as **Exhibit 6**.

9. The total estimated cost of: 1) existing Southern McLain Systems assets; 2) immediate capital improvements to repair existing water utility infrastructure; and 3) Acquisition Costs as a regulatory asset, is attached hereto as **Exhibit 7** (Ratebase Schedule).

10. A copy and description of the new tariff rate schedule and statement of charges is attached hereto as **Exhibit 8**.

11. A map indicating the area requested by this Application ("Service Area"), and legal descriptions for all relevant properties, are attached hereto as **Exhibit 9**. However, as stated, the previous owners of the McLain Water Systems have connected new customers without seeking amendment of the CC&Ns. Accordingly, the area covered by this CC&N requests will not likely include every customer served by the existing systems. Applicant will continue to ascertain the location of customers and provide subsequent legal descriptions to Staff so the CC&N maps can be updated.

12. The manner of capitalization and methods of financing employed by Applicant will include a combination of paid-in shareholder capital contributions, and advances and/or contributions through line extension agreements, as appropriate. Should the Applicant require debt to finance system improvements, a financing application will be filed with the Commission.

13. A general Statement of Financial Condition for Algonquin Power Income Fund, the parent of Algonquin Water Resources of America, Inc., Applicant's parent, is attached hereto as **Exhibit 10**.

14. Construction of infrastructure improvements and new facilities is estimated to commence within 90 days of receipt of all necessary government approvals.

15. The estimated numbers of customers to be served in each of the first five years of water utility service to the Service Area is as follows:

Estimated Number of Residential Customers

1st Year	845
2nd Year	850
3rd Year	860
4th Year	870
5th Year	880

16. Applicant's estimated annual operating revenue and operating expenses for each of the first five years of operation in the new area covered by this Application, is as follows:

Operating Expenses		Operating Revenue	
1st Year	345,006	1st Year	479,876
2nd Year	355,045	2nd Year	482,965
3rd Year	361,962	3rd Year	488,644
4th Year	368,986	4th Year	494,323
5th Year	376,107	5th Year	500,002

17. The plant cost projections by year for the next five (5) years, as more particularly described in **Exhibit 11**, is as follows:

Plant Cost Projection

1st Year	$321,900
2nd Year	$326,000
3rd Year	$330,100
4th Year	$334,200
5th Year	$338,300

18. Applicant shall obtain all appropriate city, county and/or state agency approvals required to provide water utility service in the requested area.

19. ADEQ Approvals to Construct issued for facilities to be constructed in the Service Area will be provided t0 the Commission as soon as Applicant receives them. Getting these approvals on terms and conditions acceptable to the Applicant is an essential precondition. As an example; given that the systems are currently out of compliance with prevailing ADEQ regulations and are hence liable to enforcement action at any time an understanding respecting a program and a schedule to bring them to compliance concurrent with the transfer of the request permits and authorizations is imperative.

20. Notice of this Application will be given as required by the Commission.

21. For the reasons stated herein, Applicant maintains that this Application is in the public interest and should be granted. There is a present need for regulated water utility service in Cochise County to ensure the public health, and foster orderly growth.

WHEREFORE, Applicant respectfully requests the following:

A. That the Commission proceeds to consider and act upon this Application as timely as possible and to schedule a hearing, if necessary, on this matter;

B. That upon completion of said hearing that the Commission enter an Order approving application for a new Certificate of Convenience and Necessity, which shall include the Service Area requested by this Application as shown in **Exhibit 9**; and further include direction to Commission Staff to accept and include in the CC&N authorized herein, post-decision requests by Applicant to amend the CC&N boundaries to include legal description for any customers currently being served by the McLain Water System who are not specifically included in this CC&N order.

C. That the Commission make a fair value finding as shown in **Exhibit 7** and approve the new tariff schedule and rate design as shown in **Exhibit 8**;

D. That in approving this Application, the Commission specifically exempt Applicant from any conditions imposed on any future owner of the McLain Water Systems that are established in the emergency rate application filed by ASUA, Docket No. W-01646A-06-0010 *et*

al.; and

E. That the Commission grant such other and further relief as may be appropriate under the circumstances herein.

DATED this 13th day of April, 2006.

FENNEMORE CRAIG, P.C.

By: _____
Jay I. Shapiro
Patrick J. Black
Attorneys for Southern Sunrise Water Company

ORIGINAL and 13 copies delivered this 13th day of April, 2006, to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies hand delivered this 13th day of April, 2006 to:

Chairman Jeff Hatch-Miller
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Commissioner Marc Spitzer
Arizona Corporation Commission
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Commissioner William A. Mundell
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Attorneys for Algonquin Water Resources of America, Inc.

ORDERED.

Dated: March 20, 2006

EILEEN W. HOLLOWELL
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

In re: Johnny A. McLain and Linda M. McLain, husband and wife, Debtors.	(Chapter 11 Case) No. 4:03-bk-04125-EWH **ORDER CONFIRMING SALE TO ALGONQUIN WATER RESOURCES OF AMERICA, INC.**

Algonquin Water Resources of America, Inc. ("Algonquin") agreed to purchase the estate's interests in various water company assets (the "Property") and as described in a Purchase and Sale Agreement dated July 7, 2004 (the "Agreement") filed with this Court by creditor Cochise County on August 3, 2004 (DE 133). Cochise County sought this Court's approval of the sale of the Property by its *Motion and Application by Cochise County to Authorize and Approve: 1) Sale of Water Companies Free and Clear of Liens; (2) Authorize the Payment of Closing Costs and a Payment to Creditors at Closing in Accordance with Confirmed Plan; and (3) Operation of the Water Companies by Purchaser, Pending Closing, If Acceptable to the Arizona Corporation Commission and the Purchaser* (the "Sale Motion") (DE 130). The Sale Motion was filed by Cochise County pursuant to its *First Amended Liquidating Plan of Reorganization* (the "Plan") (DE 126), confirmed by this Court's August 4, 2004 *Order Confirming as Modified Herein First Amended Liquidating Plan of Reorganization Filed June 2, 2004 by Creditor Cochise County* (the "Confirmation Order") (DE 135).

CERTIFIED COPY

At the hearing, Algonquin committed to promptly file its application for issuance of Certificates of Convenience and Necessity ("CC&Ns") and transfer to Algonquin of the Property.

Section 9.2 of the Agreement provides:

> 9.2 Transfer Approval: A condition for the sale and purchase is approval by the Arizona Corporation Commission of the sale and purchase and the approval by the Arizona Corporation Commission of the transfer to Purchaser or the issuance to Purchaser of all Certificates of Convenience and Necessity for the Water Companies. Approval of the Purchaser's acquisition must also be obtained, to the satisfaction of the Purchaser, from all other governmental bodies and agencies having jurisdiction over the Water Companies and/or the transfer to Purchaser of all other permits, certificates, licenses or other authorizations necessary for the operation of all plants, facilities, and equipment comprising the Water Companies. All such transfers shall be approved without the imposition of any restrictions conditions, or obligations that are unacceptable to Purchaser in its sole discretion.

The Court set a Status Hearing to monitor the process of compliance with the conditions precedent to the Closing. No one objected to the setting of the status hearing.

Good cause appearing from the entire record before this Court.

IT IS ORDERED:

1. The prior sale to Algonquin under the Agreement is confirmed at a Purchase Price of $696,752.14.

2. The Court will conduct a status hearing in this case concerning the progress toward the Closing on April 25, 2006 at 11:30 a.m. Interested parties may appear by telephone in accordance with this Court's procedures.

DATED _____, 2006.

_____
United States Bankruptcy Judge
District of Arizona

GRANTED

LEWIS AND ROCA LLP
LAWYERS

APPROVED AS TO FORM:

LEWIS AND ROCA LLP

By /s/ RC 007359
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Co-Counsel for Cochise County

GRANTED

EXHIBIT

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Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	30 Days	10/14/99	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 30 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	Revised MSSP submitted on 9/5/02. Letter of review documenting deficiencies was sent out on 9/10/02. No further written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information. However, no written response or submittal has been received by ADEQ-SRO to close or address this item since the Consent Order.
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	30 Days	10/14/99	A.A.C.R18-4-115 (A) A water supplier shall protect water system from contamination caused by backflow through unprotected cross connections by requiring the installation and periodic testing of backflow prevention assemblies. Required backflow prevention assembles shall be installed as close as practicable to the service connection. User facilities constructed after August 8, 1991 shall conform to this requirement at the time of placement in to service. User facilities constructed prior to August 8, 1001 shall conform to this requirement by July 1, 1994. This public water system has no backflow prevention assembly program in place. A.A.C.R-4-115 requires that all water suppliers extablish a backflow prevention assembly program to protect their public water systems from contamination caused by backflow or backsiphonage.	Within 30 days provide a backflow prevention plan.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	45 Days	10/29/99	A.A.C.-4-503 (A) The minimum storage capacity for a community water system or a non-community water system that serves a residential population or a school shall be equal to the average daily demand during the peak month of the year. Storage capacity may be based on existing consumption and phased as the water system expands.	Within 45 days of receipt of this notice install a minimum of an additional 50,000 gallons of storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	NOV	N/A	10/25/01	11/1/01	60 Days	12/31/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written *microbiological site sampling plan for this system.* The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	Revised MSSP submitted on 9/5/02. Letter of review and inadequacies was sent out on 9/10/02. No further written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	NOV	N/A	10/25/01	11/1/01	120 Days	3/1/02	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system.** The water system currently has only a single 10,000 gallon storage tank at one of the wells. The minimum water storage requirement for this system is 100,000 gallons. An additional 90,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 90,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	30 Days	12/22/02	Findings of Fact (A)(1): Water Supplier has not submitted an approvable written Microbiological Site Sampling Plan (MSSP) to ADEQ. During the most recent inspection of this system by ADEQ conducted on October 17, 2001, the ADEQ	Within 30 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ an approvable Microbiological Site Sampling	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								inspector was informed by the Water Supplier that there was no MSSP.	Plan (MSSP)[III(A)].	
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	60 Days	1/23/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 60 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ a complete application for an Approval to Construct (ATC) for installation of a 160,000 gallon storage tank [III(B)].	Item submitted to ADEQ Tech Review Unit (TRU) in Phoenix on 12/10/02, and an ATC was issued on 1/14/03. However, no documentation was submitted to SRO by the RP to clear this item. Item technically satisfied but proper documentation required to close.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	1/15/03 Date of ATC for the Storage Tank	45 Days	3/1/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 45 calendar days of the issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall issue a written Notice to Proceed to the chosen contractor to begin construction. A copy of the written Notice to Proceed shall be provided to ADEQ when it is issued [III(C)].	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	1/15/03 Date of ATC for the Storage Tank	180 Days	7/14/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 180 calendar days of issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall submit to ADEQ a complete application for an Approval of Construction (AOC) for the storage tank [III(D)].	Package was received by ADEQ-SRO on 8/22/03. The submittal for an AOC was materially deficient and/or incomplete and the AOC process was suspended. Documentation listing all essential application components missing from the application for an AOC was sent to Mr. McLain's engineer on September 8, 2003. The engineer has informed ADEQ-SRO that on several occasions he provided copies to Mr. McLain of the September 8, 2003, correspondence asking Mr. McLain for direction. At the RP's request, a copy was hand delivered to the system owner on 3/5/04. No further responses have been received to close or address this item.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	Every 30 days until	2/22/03 3/22/03	Standard requirement of the Consent Order.	Water Supplier agrees to submit a written status report to ADEQ every thirty (30)	Only two written status reports have been submitted, the first and second.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
						CO is cleared.	4/22/03 5/22/03 6/22/03 7/22/03 8/22/03 9/22/03 10/22/03 11/22/03 12/22/03 1/22/04 2/22/04 3/22/04		calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order. Each written status report shall describe what measures have been taken under Section III, of this Consent Order, and shall certify when compliance with the requirements of Section III of this Order has been achieved. Each report shall be accompanied by evidence of compliance including, as appropriate, submittal of documents, photographs or copies of any other supporting information that Water Supplier deems necessary.	No further reports have been received to date.
Cochise Water	02-011	Consent Order NOV	24592	3/6/03	3/10/03	30 Days	4/09/03	**Administrative Order P-163-02 - Section III(C)** **Within 45 calendar days of the issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall issue a written Notice to Proceed to the chosen contractor to begin construction. A copy of the written Notice to Proceed shall be provided to ADEQ when is issued.** The Notice to Proceed was due by February 28, 2003. To date, the Notice to Proceed has not been received by this office.	Within 30 calendar days of receipt of this Notice, please submit a copy of the Notice to Proceed to SRO.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	Consent Order NOV	24592	3/6/03	3/10/03	30 Days	4/09/03	**Administrative Order P-163-02 - Section IV(A)** **Water Supplier agrees to submit a written status report to ADEQ every thirty (30) calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order.** The Water Supplier has failed to submit their third written status report, due by February 20, 2002.	Within 30 calendar days of receipt of this Notice, please submit the third written status report and keep submitting written status reports by the 20th of each month until the termination of this Consent Order.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** There was no water pressure at 6686 Calle de la Naranja at the time of this inspection on May 19. The customer at this address (Mrs. White) reported on and off water service with very low or no pressure for several weeks before this inspection, with the problem getting worse the week before	Within 30 calendar days of receipt of this Notice, please submit a written report on why there was no water pressure at this service connection and the measures taken to correct the situation.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								(approximately May 9 through 18) this inspection. The customer called back late on May 20 to say the water service was back on.		
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	45 Days	8/23/03	**A.A.C. R18-4-505(B)** ***Failure to obtain an Approval to Construct from ADEQ* prior to construction of a an extension to an existing public water system.** A new two-inch water line extension was installed along the west side of Calle Mango from Perry Lane to Hereford Road adding at least six new service connections to the water system without an ATC.	Within 45 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package for this project prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us.	This project was submitted to ADEQ's Tech Review Unit on 12/8/03. The ATC has not been issued due to deficiencies in the submitted project package which have not been addressed by Mr. McLain. Further, a copy was not submitted to ADEQ-SRO as required to address this time.
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	90 Days	10/7/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The new water line along Calle Mango was placed in service without an AOC.	Within 90 calendar days of receipt of this Notice, please submit a proper AOC package with an Engineer's Certificate of Completion for this water line extension to the Southern Regional Office.	No written response or submittal has been received by ADEQ-SRO to close or address this item. The ATC for the line noted above has not been issued.
Cochise Water	02-011	NOV	27340	9/22/03	9/29/03	1 Day	9/30/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance** The new 160,000-gallon water storage tank, pressure tank, and water pumps in ADEQ project #20020601 are in use without an AOC	Within 1 calendar days of receipt of this Notice, please submit a written response verifying that the water system has stopped using the above facility and has completely isolated the above facility from use until an AOC is obtained.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	27340	9/22/03	9/29/03	30 Days	10/29/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance** The new 160,000-gallon water storage tank, pressure tank, and water pumps in ADEQ project #20020601 are in use without an AOC.	Within 30 calendar days of receipt of this Notice, please submit an approvable AOC package for this project as requested in the September 8, 2003, Comprehensive Request for Additional Information letter to the project engineer and submit it to the Southern Regional Office.	Package was received by ADEQ-SRO on 8/22/03. The submittal for an AOC was materially deficient and/or incomplete and the AOC process was suspended. Documentation listing all essential application components missing from the application for an AOC was sent to Mr. McLain's engineer on September 8, 2003. The engineer has informed ADEQ-SRO that on several occasions he provided copies to Mr. McLain of the September 8,

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										2003, correspondence from ADEQ-SRO asking for direction. At the RP's request, a copy was hand delivered to the system owner on 3/5/04. No further responses have been received.
Cochise Water	02-011	NOV Due to a violation of a Consent Order require-ment.	27811	12/2/03	12/5/03	30 Days	1/4/04	**Administrative Order P-163-02 - Section III(D) Within 180 calendar days of issuance of an ATC by ADEQ for the required storage tank, Water Supplier [Cochise Water] shall submit to ADEQ a complete application for an Approval of Construction (AOC) for the storage tank.** The AOC application package was due to ADEQ by July 14, 2003. The AOC application package was submitted on August 26, 2003, and was deemed incomplete with a Comprehensive Request for Additional Information Letter sent out on September 8, 2003. To date no reply has been received. This item in the consent order required a "complete application for an AOC for the storage tank".	Within 30 calendar days of receipt of this Notice, please submit a complete response to the September 8, 2003, Comprehensive Request for Additional Information Letter for the new storage tank.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-4-114 Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** This water system requires a grade two water distribution operator, the current operator is only certified as a grade one water distribution operator.	Within 30 calendar days of receipt of this Notice, please submit evidence that a state certified grade two water distribution system operator has been hired and is supervising the operation of this system.	No written response or submittal has been received by ADEQ-SRO from the system owner to close or address this item. A grade two distribution operator was hired, but he resigned shortly thereafter since he had not been paid.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-5-104(A)(2) Failure to ensure that the operator in direct responsible charge of the facility is certified for the class of facility at which the operator works, and at or above the grade of the facility for which the operator works.** This water system requires a grade two water distribution operator, the current operator is only certified as a grade one water distribution operator.	Within 30 calendar days of receipt of this Notice, please submit evidence that a state certified grade two water distribution system operator has been hired and is supervising the operation of this system.	No written response or submittal has been received by ADEQ-SRO from the system owner to close or address this item. A grade two distribution operator was hired, but he resigned shortly thereafter since he claimed he had not been paid.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-4-502(B) Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** From September 2, 2003, to November 11, 2003, the operating water pressure at 6686 Calle de la Naranja fell below 20 psi 70 times. During these times the operating	Within 30 calendar days of receipt of this Notice, please submit a written report explaining why these pressure recordings were experienced at this service connection, how the water system will eliminate these low system pressures, and a complete engineering pressure and flow	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								pressure range was between 24 and zero psi. The list of dates and times of low pressure readings are included in the attached Inspection Summary.	analysis of the current Cochise water system both with and without the storage tank and with different well combinations of the wells on and pumping to the system.	
Cochise Water	02-011	NOV	30136	4/16/04	4/20/04	30	5/20/04	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** A complaint was received on March 31, 2004, stating that there was a leak along Jaxel Road which had not been fixed and had been leaking for at least three days. A site inspection was conducted on April 7, 2004, and found that the leak still had not been fixed. A follow-up field visit on April 8, 2004, confirmed that the water main continued to leak in spite of it being reported to Mr. McLain a number of times over the last few days according to several other customer complaints received by ADEQ-SRO.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or documentation that the leak on the Jaxel Road has been properly repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. The one time sample must be taken from across the road at either service connection 260 or 265, as marked on the service meter boxes. Both the regular and the additional monthly microbiological tests must be submitted to SRO. Appropriate documentation includes: invoices, photographs, logs, laboratory analyses, sealed engineering plans, technical drawings, permits or any other document (s) necessary to establish compliance.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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Cochise Water	02-011	NOV	30164	4/19/04	4/20/04	30	5/20/04	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** From November 17, 2003, to March 28, 2004, the operating water pressure at 6686 Calle de la Naranja fell below 20 psi 89 *times with the pressure dropping to zero several times.* The list of dates and times of low pressure readings are included in the attached Inspection Summary.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or a written report explaining why these pressure recordings were experienced at this service connection, how the water system will eliminate these low system pressures in the future, and a complete engineering pressure and flow analysis of the current Cochise Water System with and without the storage tank connected and with different combinations of the wells on and pumping to the system. Appropriate documentation includes: invoices, photographs, logs, laboratory analyses, sealed engineering plans, technical drawings, permits or any other document (s) necessary to establish compliance.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	CO-NOV	30196	4/20/04	4/22/04	30	5/22/04	**Administrative Order P-163-02 - Section III(A)** **Within 30 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ an approvable Microbiological Site Sampling Plan (MSSP).** The effective date of the Consent Order was November 22, 2002. The MSSP was due no later than December 23, 2002. To date, we have not received an approvable MSSP.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or an approvable MSSP to ADEQ-SRO.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise	02-011	CO-	30196	4/20/04	4/22/04	30	5/22/04	**Administrative Order P-163-02 - Section IV(A)**	Within 30 calendar days of receipt of	No written response or submittal has

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Water		NOV						**Water Supplier agrees to submit a written status report to ADEQ every thirty (30) calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order.** Mr. McLain (The Water Supplier) has failed to submit the past 14 monthly written status reports beginning with the one due on February 22, 2003.	this Notice, please submit documentation that the violation (s) never occurred, or a written status report to cover the period from January 22, 2003, to April 22, 2004, and continue to submit a written status report by the 22nd of every month until the Consent Order is terminated.	been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	21340	10/23/01	11/1/01	60 Days	12/31/01	A.A.C. R18-4-202 (C) *Failure to collect total coliform samples at a site* which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. *The water company has not developed a written* microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this *Notice, please submit a* microbiological site sampling plan for this system.	MSSP dated September 3, 2002, was received on September 9, 2002, but was incomplete. This was returned to Mr. McLain. No further written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-114** **Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** Mr. McLain holds a grade one water distribution certification. This system is classified as a grade two water distribution system.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator or the current operator has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-503(A)** ***Failure to provide the required minimum storage capacity* for a community water system or a noncommunity water system that serves a residential population or a school.** The system requires a minimum storage capacity of 60,000	Within 90 calendar days of receipt of this Notice, please submit documentation that the 38,000 gallon storage tank has been placed in operation with an automatic fill system and a properly engineered pressure	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								gallons. The system currently has two storage tanks with a combined capacity of 29,000 gallons. The system includes a third storage tank with a capacity 38,000 gallons, but this tank is not connected to the water system in a way that allows it to function.	tank and multi-pump booster station.	
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The 38,000 gallon storage tank has not been in operation since it was installed on this water system several years ago. The water outages in December 2002, and January 2003, were investigated. It was found that the operator was keeping *the two active storage tanks no more than 25-percent full of* water. During peak system demand periods these tanks were drained introducing air into the booster pump feed line causing the loss of one of the two booster pumps. The booster pumps are manually switched and service was not restored until customers called in to complain about being out of water and the operator manually switched to the good booster pump.	Within 90 calendar days of receipt of this Notice, please submit documentation that the 38,000 gallon storage tank has been placed in operation with an automatic fill system and a properly engineered pressure tank and multi-pump booster station.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** ADEQ has received numerous written complaints this past year from system customers documenting no water or very low water pressure. As a result, a chart pressure recorder was installed on the system. Pressure readings below 20 psi were recorded on the mornings of December 24, 2002 for four hours, January 1, 2003 for a total of three hours, and January 2, 2003 for one hour.	Within 90 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure tanks and booster pumps, and a design laying out how to connect the 38,000 gallon storage tank with a pressure tank and booster pumps to the system to provide a minimum of 20 psi at all times. The design and plans must also include an automatic top fill method for the 38,000 gallon storage tank from the Cochise Water service connection, a water level	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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									indicator for the 38,000 gallon storage tank, and moving the fill lines from the bottom of the two smaller storage tanks to their tops along with automatic controls for all booster pumps.	
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	60 Days	12/27/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	MSSP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	60 Days	12/27/01	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency operations plan. The water system has not developed an emergency operations plan.	Within 60 days of receipt of this Notice, please submit an adequate emergency operations plan.	EOP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	120 Days	2/25/2002	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 80,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 80,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-115(E)(2)(a) Failure to install a required backflow prevention assembly in accordance with manufacturer's**	Within 30 calendar days of receipt of this Notice, please submit documentation that the K&N RV Park backflow assembly has	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								specifications. The RPA backflow assembly for the K&N RV Park was installed at ground level and not at the correct height as required.	been installed at the proper height.	
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-115(F)** **Failure to test a required backflow prevention assembly at least annually or as directed by ADEQ.** During the inspection, Mr. McLain stated that he has not required backflow testing of any of the backflow assemblies on this water system. There are two RPA backflow assemblies on this system; one at the K&N RV Park and another at the Texaco Mini-Mart. The water system was unable to produce any testing records for either backflow device.	Within 30 calendar days of receipt of this Notice, please submit test results showing that all backflow assemblies have been properly tested.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an emergency operation plan.	Within 30 calendar days of receipt of this Notice, please submit a complete Emergency Operations Plan (EOP) for review and comment.	EOP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system does not have a microbiological site sampling plan.	Within 30 calendar days of receipt of this Notice, please submit a complete Microbiological Site Sampling Plan (MSSP) for review and comment.	MSSP was submitted on 11/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	60 Days	4/5/03	**A.A.C. R18-4-114** **Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** Mr. McLain holds a grade one water distribution certification. This system is classified as a grade two water distribution system.	Within 60 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator or the current operator has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	90 Days	5/5/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.**	Within 90 calendar days of receipt of this Notice, please submit engineering plans to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								The 20,000-gallon water storage tank and the pressure pump for the distribution system has been out of operation for at least a year and were not in operation at the time of this inspection. The storage tank is structurally beyond repair and needs to be replaced. The pressure tank has also been repeatedly patched, is undependable and is in need of replacement before it fails again.	1110 West Washington Street, Phoenix, Arizona 85007, for the replacement of the storage tank with a storage tank of at least 100,000 gallons in capacity.	
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	90 Days	5/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The 20,000-gallon water storage tank has failed and not been replaced. There was no water storage capacity on the system at the time of this inspection. The system requires a minimum storage capacity of 100,000 gallons.	Within 90 calendar days of receipt of this Notice, please submit an engineering report and analysis from a state registered professional engineer analyzing system pressure requirements and sizing the replacement pressure tank and pressure pumps.	An engineering report was received by ADEQ-SRO on or about 9/2/03 with no cover letter and/or written explanation. The RP's engineer submitted the engineering report instead of the RP as the NOV required. The report should have been submitted by the RP. While there are a few minor information errors in the report's Introduction, the report itself essentially fulfills this requirement. The RP should have submitted a cover letter transmitting this report. Item technically satisfied but proper documentation required to close. This report does support the stated NOV violation for this item and the size requirement for a minimum storage tank capacity of 100,000 gallons.
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	60 Days	1/7/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								the inspector was told that there was no sampling plan as required by this rule.		
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	60 Days	1/7/02	A.A.C. R18-4-505 (B) Failure to obtain an Approval to Construct (ATC) from ADEQ prior to construction of an extension to an existing public water system. A water line extension to a new subdivision has been added to the water system without an ATC being issued for it.	Within 60 days of receipt of this Notice, please submit a complete Approval to Construct package for the line extension in accordance with A.A.C. R18-4-505 (B) .	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	120 Days	3/8/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. A minimum of 70,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 70,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	A.C.C.R18-4-104(N)(2) **Failure to notify the department no later than 24 hours after the occurrence of the loss of a water supply due to major component failure.** The pressure tank for Miracle Valley ruptured on May 11, 2003, and was replaced late on May 14, 2003. During this time the sole approved water source for this system was not in operation. The water system operator has not reported on this emergency.	Within 30 calendar days of receipt of this Notice, please submit notification of the water outage and discuss replacement of the pressure tank, including actions taken and any other pertinent information regarding this event. The water system must report all emergencies listed in R18-4-104(N) within 24 hours after the occurrence. Also, submit a revised emergency operations plan for this water system for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	R18-4-505(B)(1)(d) **Failure to submit a water quality analysis for a new source of water that includes: Microbiological, physical, radiochemical, inorganic, organic, and volatile organic and volatile chemicals before the water source is placed**	Within 30 calendar days of receipt of this Notice, please submit evidence that the well has been physically disconnected from the water system until all source approval testing samples have been taken,	A picture was sent to ADEQ-SRO on or about 8/25/03, with a comment of 'Proof of physical separation between new source and Miracle Valley water system' with no signature or cover

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								into service. Miracle Valley water connected a new well to this water system without submiting source approval data for the new water source.	analyzed by an approved laboratory, and submitted to ADEQ for approval of this source.	letter. A review letter was sent out on 8/27/03 to Mr. McLain stating that this was an incomplete submittal. No further written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** During the water outage of May 11 to May 14 the approved Emergency Operation Plan (EOP) for the water system was not followed resulting in no water for several days and the connection of an unapproved water source to the system.	Within 30 calendar days of receipt of this Notice, please submit an approvable revision of the EOP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	60 Days	9/7/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to making an alteration which will affect treatment, capacity, water quality, flow, distribution, or operation performance of a public water system.** Failure to obtain an Approval to Construct (ATC) from ADEQ prior to connecting a new source to the water system.	Within 60 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include design plans for the well site including storage and pressure tanks along with an engineering analysis sizing both tanks and the booster pumps such that the system will provide a minimum of 20 psi at all times.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	60 Days	9/7/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** During the water emergency, there was no system pressure until the unapproved source was connected. After the unapproved source was connected, the western half of the system had insufficient pressure with only five psi.	Within 60 calendar days of receipt of this Notice, please submit a report on water system pressure throughout the distribution system that demonstrates at least 20 psi is being maintained. This report should be submitted as part of the ATC application for the new well, storage tanks, and booster pumps.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	120 Days	11/6/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing**	Within 120 calendar days of receipt of this Notice, please submit a proper AOC package for the new well, storage and	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance. The new well was placed into operation without an AOC from the department.	pressure tanks, and booster pumps to the Southern Regional Office.	
Mustang Water	02-054	NOV	**20556 Case merged with** 25845	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	**20556 Case merged with** 25845	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. A minimum of 20,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 20,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comments.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								Sampling Plan (MSSP).		
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 20,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps, any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ *prior to construction of a an extension to an existing* public water system.** The water system has an unapproved interconnection with the Crystal Water Company.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The water system has an unapproved interconnection with the Crystal Water Company.	Within 120 calendar days of receipt of this Notice, please submit a complete Approval to Construct package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona , with a copy to us. The	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
									ATC application package should include as-built plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement. The AOC violation cannot be closed out until an ATC has been issued by the department and a complete AOC package including an Engineer's Certificate of Completion has been submitted to our office in Tucson for review and issuance of an AOC.	
Crystal Water	02-074	NOV	**20541 Case merged with 25847**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	**20541 Case merged with 25847**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency operations plan. The water system has not developed an emergency operations plan.	Within 60 days of receipt of this Notice, please submit a adequate emergency operations plan.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	**20541 Case merged with 25847**	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 20,000 gallons of water storage capacity	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 20,000 gallons of water storage	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								is required.	capacity.	
Crystal Water	02-074	NOV	25847	7/17/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		30 Days	9/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site Sampling Plan (MSSP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 20,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps, any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	The ADEQ Technical Review Unit (TRU) database shows that this project was first proposed and received by ADEQ-TRU on 2/29/96, but that the project was never approved. The project was still built by the RP without an approval. The project file has since been archived and the reviewer is no longer with ADEQ. The current TRU database shows that a project titled 'Mustang/Crystal Wtr Sys IMPR' was received on 12/18/03 (TRU # 20030636, LTF 31780). This project has been in substantive review suspension since 1/7/04. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to construction of a an extension to an existing public water system.** The water system has an unapproved interconnection with	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								the Mustang Water Company.	Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement.	
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The water system has an unapproved interconnection with the Mustang Water Company.	Within 120 calendar days of receipt of this Notice, please submit a complete Approval to Construct package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona , with a copy to us. The ATC application package should include as-built plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement. The AOC violation cannot be closed out until an ATC has been issued by the department and a complete AOC package including an Engineer's Certificate of Completion has been submitted to our office in Tucson for review and issuance of an AOC.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	30 Days	4/2/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The distribution main along Black Road has a water leak across from 301 West Black Road. At the time of this inspection, a surface flow of about one gallon per minute was observed with the water flowing on the ground. The homeowner at 301 W Black Road noted that this leak had *been on-going since last summer.*	Within 30 calendar days of receipt of this Notice, please submit documentation that the two leaks on the Black Road water main have been repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. Both the regular and the *additional monthly microbiological test* must be submitted.	On April 7, 2004, a letter from Mr. McLain's attorney, Steve Wene, was received with only the requested microbiological testing results attached. A response was sent back on April 16, 2004, detailing that we await a complete response from Mr. McLain to include objective, independent verification of compliance regarding *fixing the water main leaks and main* disinfection.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	30 Days	4/2/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or**	Within 30 calendar days of receipt of this Notice, please submit documentation that the two leaks on the Black Road water	On April 7, 2004, a letter from Mr. McLain's attorney, Steve Wene, was received with only the requested

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								distribution of a water supply. The distribution main along Black Road (50-yards east of Appaloosa Place) had another water leak. At the time of this inspection, a surface flow of between two to three gallons a minute was observed with the water flowing down the road for several hundred yards.	main have been repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. Both the regular and the additional monthly microbiological test must be submitted.	microbiological testing results attached. A response was sent back on April 16, 2004, detailing that we await a complete response from Mr. McLain to include objective, independent verification of compliance regarding fixing the water main leaks and main disinfection.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	90 Days	6/1/03	**A.A.C. R18-4-124 Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The two-inch PVC water distribution main along Camino de Mesa is not properly buried and has been uncovered in the roadside drainage channel for a distance of several hundred yards. The exposed section of line shows that this part of the distribution system was buried only two feet below the surface at about the same level of the road drainage channel (instead of the minimum three-feet as required by A.C.C.R18-4-502(A) and ADEQ Engineering Bulletin #10), and only a few feet into the drainage channel embankment.	Within 90 calendar days of receipt of this Notice, please submit documentation that the complete length of this line as been properly buried at a depth of at least three feet below the bottom of the drainage channel.	In the April 5, 2004, letter from Mr. McLain's attorney, Steve Wene, it states that "Mr. McLain is now in the process of reaffirming with the excavator that the main was buried deeper than three feet.", and that "The compliance documentation is due no earlier than June 7, 2004." In the response sent back on April 16, 2004, it was noted "that Mr. McLain's complete response on reburying the two-inch PVC distribution main. . . is due no later than early June, 2004".
Sierra Sunset Water	02-055	NOV	**20548 Case merged with 25846**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	**20548 Case merged**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency	Within 60 days of receipt of this Notice, please submit a adequate	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
			with 25846					operations plan. The water system has not developed an emergency operations plan.	emergency operations plan.	
Sierra Sunset Water	02-055	NOV	**20548 Case merged with 25846**	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 15,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 15,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	30 Days	8/14/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comments.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	30 Days	8/14/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site Sampling Plan (MSSP).	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	120 Days	11/12/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 15,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
									any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	
McLain Operator Horseshoe Ranch Water	02-046	NOV	24042	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-5-109(B)(1)** **Operation of a facility in a manner that violates federal or state law.** Mr. McLain holds a grade one water distribution certification violating A.A.C. R18-4-118, which requires at least a grade two operator.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Horseshoe Ranch Water	02-046	NOV	24042	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the public health, safety, or welfare.** ADEQ has received numerous written complaints this past year from system customers documenting no water or very low water pressure. As a result, a chart pressure recorder was installed on the system. Pressure readings below 20 psi were recorded on the mornings of December 24, 2002 for four hours, January 1, 2003 for a total of three hours, and January 2, 2003 for one hour. Operating a water system with less than 20 psi pressure at all times and at all flow conditions is prohibited by A.A.C. R18-4-502(A).	Within 90 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should includ plans and an engineering analysis of system pressure requirements, sizing of all pressure tanks and booster pumps, and a design laying out how to connect the 38,000 gallon storage tank with a pressure tank and booster pumps to the system to provide a minimum of 20 psi at all times. The design and plans must also include an automatic top fill method for the 38,000 gallon storage tank from the Cochise Water service connection, a water level indicator for the 38,000 gallon storage tank, and moving the fill lines from the bottom of the two smaller storage tanks to their tops along with automatic controls for all booster pumps.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator	02-023	NOV	25674	6/30/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the**	Within 30 calendar days of receipt of this Notice, please submit a written report	No written response or submittal has been received by ADEQ-SRO to close

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Miracle Valley Water								**public health, safety, or welfare.** Mr. McLain failed to maintain a pressure of at least 20 pounds per square inch at ground level at all points in this distribution system under all conditions of flow during the water outage of May 11, 2003 through May 14, 2003, in violation of A.C.C. R18-4-502(B).	covering how the water system will maintain proper pressure and customer service in the future.	or address this item.
McLain Operator Miracle Valley Water	02-023	NOV	25674	6/30/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain connected an unapproved water well without first getting source approval in violation of A.A.C.R18-4-505(B) and A.A.C.R18-4-505(B)(1)(d)(i).	Within 30 calendar days of receipt of this Notice, please submit a written report and proof that the all testing requirements for this unapproved source have been submitted to a state-approved lab.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Miracle Valley Water	02-023	NOV	25674	6/30/03	7/9/03	90 Days	10/07/03	**A.A.C. R18-5-109(B)(1) Operation of a facility in a manner that violates federal or state law.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a grade two operator for this water system.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Cochise Water	02-011	NOV	25737	7/3/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain failed to maintain a pressure of at least 20 pounds per square inch at ground level at all points in this distribution system under all conditions of flow in violation of A.C.C. R18-4-502(B). There was no water pressure at 6686 Calle de la Naranja at the time of this inspection on May 19. The customer at this address (Mrs. White) reported on and off water service with very low or no pressure for several weeks before this inspection, with the problem getting worse the week before (approximately May 9 through 18) this inspection. The customer called back late on May 20 to say the water service was back on.	Within 30 calendar days of receipt of this Notice, please submit a written report covering how the water system will maintain proper pressure and customer service in the future.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Cochise Water	02-011	NOV	25737	7/3/03	7/9/03	90 Days	10/07/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a grade	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								two operator for this water system.	McLain, or that Mr. McLain has obtained the required water distribution certification.	
McLain Operator Coronado Water	02-013	NOV	30081	4/8/04	4/10/04	30 Days	5/10/04	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a certified grade two operator for this water system.	Within 30 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	NOV just issued as a follow up to cover all of McLain's Grade Two Systems.

EXHIBIT

3

Exhibit 3

Name:	Southern Sunrise Water Company Inc.
Address:	4055 Campus Drive Sierra Vista, Arizona 85635

Form of Organization: Arizona Corporation

President:	Ian Robertson 2845 Bristol Circle Oakville, Ontario, Canada L6H 7H7
Secretary:	Peter Kampian 2845 Bristol Circle Oakville, Ontario, Canada L6H 7H7

EXHIBIT

4

BYLAWS
OF
SOUTHERN SUNRISE WATER COMPANY INC.

ARTICLE I
Articles of Incorporation

Section 1.01. Reference to Articles. Any reference herein made to the corporation's articles shall be deemed to refer to its articles of incorporation and all amendments thereto as of any given time on file with the Arizona Corporation Commission (or any successor to its functions).

Section 1.02. Seniority. The articles shall in all respects be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of the articles, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II
Corporation Offices

Section 2.01. Known Place of Business. The known place of business of the corporation in the State of Arizona shall be the office of its statutory agent unless otherwise designated in the articles or as provided in Section 2.02 hereof. The corporation may have such other offices, either within or outside of the State of Arizona, as the board of directors may designate or as the business of the corporation may require from time to time.

Section 2.02. Changes. The board of directors may change the corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE III
Shareholders

Section 3.01. Annual Meetings. An annual meeting of the shareholders shall be held on March 31 each year, or on such other date as may be determined by the board of directors from time to time, commencing with the year 2007, at a time and place as determined by the board of directors, or in the absence of action by the board, as set forth in the notice given, or waiver signed, with respect to such meeting pursuant to Section 3.03 below. At the annual meeting, shareholders shall elect a board of directors and transact such other business as may be properly brought before the meeting. If for any reason any annual meeting is not held during the period set forth above, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings (including the election of directors) may be conducted. The failure to hold an annual meeting during the period set forth above shall not affect the validity of any corporate action. Any director elected at any annual meeting, deferred annual meeting or special meeting shall continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 7.01 below or his removal by the shareholders pursuant to Section 4.10 below.

Section 3.02. Special Meetings. Special meetings of the shareholders may be held whenever and wherever called for by the chairman of the board, the president or the board of directors, the written demand of the holders of not less than ten percent (10%) of all issued and outstanding shares of each voting group of the corporation entitled to vote at any such meeting, or as otherwise required by state law. Any written demand by shareholders shall state the purpose or purposes of the proposed meeting, and business to be transacted at any such meeting shall be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of the meeting may rule to be germane to such purposes.

Section 3.03. Notices. Not less than ten (10) nor more than sixty (60) days before the date of any meeting of the shareholders and at the direction of the person or persons calling the meeting, the secretary of the corporation, or any other officer of the corporation or other person directed by the board of directors, shall cause a written notice setting forth the date, time and place, and, with respect to special meetings only, a description of the purpose or purposes for which the meeting is called, to be delivered to each shareholder of record at his last address as it appears on the corporation's records on the applicable record date; provided that notice may be communicated orally if it is reasonable to do so under the circumstances. Notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier, and shall be deemed given and effective as provided by law.

Section 3.04. Waiver of Notice. Any shareholder may waive call or notice of any annual, deferred annual or special meeting (and any adjournment thereof) at any time before, during which, or after it is held. Attendance of a shareholder at any such meeting in person or by proxy shall: (i) waive objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented. No call or notice of a meeting of the shareholders shall be necessary if each shareholder waives the same in writing or by attendance.

Section 3.05. Shareholders of Record. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders (and at any adjournment of such meeting), or shareholders entitled to consent to corporate action without a meeting or shareholders entitled to receive payment of any dividend, or for any other lawful action, the board of directors may fix in advance a record date which shall not be more than seventy (70) days before the date of such meeting or any such other action.

If no record date is fixed by the board of directors for determining shareholders entitled to notice of, and to vote at, a meeting of shareholders, the record date shall be at 4:00 in the afternoon on the day before the day on which notice is given, or, if notice is waived, at the commencement of the meeting. If no record date is fixed for determining shareholders entitled to express written consent to corporate action without a meeting, the record date shall be the time of the day on which the first written consent is served upon an officer or director of the corporation.

A determination of shareholders of record entitled to notice of, and to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting; and provided further that the board of directors shall fix a new record date for any meeting adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 3.06. Shareholder List for Meeting. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office, the office of the corporation's transfer agent if specified in the meeting notice or at another place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or his attorney, on written demand, may inspect and, subject to Arizona law, copy the list during regular business hours and at his expense during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, his agent or his attorney may inspect the list at any time during the meeting or any adjournment thereof. The corporation's refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 3.07. Proxies. Any shareholder entitled to vote may vote by proxy at any meeting of the shareholders (and at any adjournment thereof) which is specified in such proxy, provided that the proxy is executed in writing by such shareholder or his duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided thereon. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the shareholders shall rest with the person seeking to exercise the proxy. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

Section 3.08. Voting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles, these bylaws or by statute, each issued and outstanding share of the corporation (specifically excluding shares held in the treasury of the corporation) represented at any meeting of the shareholders in person or by a proxy given pursuant to Section 3.07 above, shall be entitled to one vote on each matter submitted to a vote of the shareholders at such meeting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles or by applicable law, any question submitted to the shareholders shall be resolved by a majority of the votes cast thereon, provided that such votes constitute a majority of the quorum of that particular meeting whether or not such quorum is then present. Except as otherwise provided in the corporation's articles, directors shall be elected by a plurality of the votes cast at an election, provided that a quorum has been formed at the meeting, whether or not a quorum is then present. Voting shall be by ballot on any question as to which a ballot vote is demanded before the voting

begins, by any person entitled to vote on such question; otherwise, a voice vote shall suffice. No ballot or change of vote shall be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 3.09. Voting of Shares by Certain Holders. Shares of the corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in the absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent or other person so designated may vote such corporation's shares in this corporation in person or by proxy appointed by him.

Shares held by an administrator, executor, legal representative, guardian, conservator or other legal representative may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver, trustee in bankruptcy or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which such receiver or trustee was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the corporation is given a written instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, his act binds; (ii) if more than one votes, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

Section 3.10. Quorum. At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares of the corporation issued, outstanding and entitled to vote at the meeting shall constitute a quorum of the shareholders for all purposes. In the absence of a quorum, any meeting may be adjourned from time to time by its chairman, without notice other than by announcement at the meeting, until a quorum is formed. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. Once a quorum has been formed at any meeting, the shareholders from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure of enough shareholders to leave less than a quorum. If an adjournment is for

more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.11. Election Inspectors. The board of directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting shall, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there are more than one) shall determine the number of shares outstanding, the authenticity, validity and effect of proxies and the number of shares represented at the meeting in person and by proxy; the election inspector(s) shall receive and count votes, ballots and consents and announce the results thereof; the election inspector(s) shall hear and determine all challenges and questions pertaining to proxies and voting; and, in general, the election inspector(s) shall perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

Section 3.12. Organization and Conduct of Meetings. Each meeting of the shareholders shall be called to order and thereafter chaired by the chairman of the board of directors if there is one; or, if not, or if the chairman of the board is absent or so requests, then by the president; or if both the chairman of the board and the president are unavailable, then by such other officer of the corporation or such shareholder as may be appointed by the board of directors. The corporation's secretary shall act as secretary of each meeting of the shareholders; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector(s), if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies shall be accepted. If directors are to be elected, a tabulation of the proxies so filed shall, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) before the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting shall, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer portions thereof).

Section 3.13. Shareholder Approval or Ratification. The board of directors may submit any contract or act for approval or ratification of the shareholders, either at a duly constituted meeting of the shareholders or by unanimous written consent to corporate action without a meeting pursuant to Section 3.15 below. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting or by such unanimous written consent, the same shall be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of the shareholders.

Section 3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting and similar matters shall be deemed waived if no objection is made at the meeting.

Section 3.15. Action by Shareholders Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the shareholders of the corporation at a duly convened meeting.

Section 3.16. Meetings by Alternative Communications. The board of directors may permit any or all of the shareholders to participate in any annual or special meeting of shareholders or conduct the meeting through use of any means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. If the board elects to permit participation by such means of communication, the notice of the meeting shall specify how a shareholder may participate in the meeting by such means of communication. The participation may be limited by the board of directors to specified locations or means of communication. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV
Board of Directors

Section 4.01. Membership. The board of directors shall be comprised of not less than one (1) nor more than five (5) members who need not be shareholders of the corporation or residents of the State of Arizona. The directors shall be elected at each annual meeting of the shareholders. The board of directors shall have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies that may occur in its membership in the interval between the annual meetings of the shareholders, whether resulting from an increase in the size of the board or otherwise. Each director elected by the shareholders or the board of directors shall hold office until his successor is duly elected and qualified; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the board of directors, if not already filled, or substitute another person to fill the vacancy, in which case the term of office of the person elected by the board of directors shall forthwith terminate.

Section 4.02. General Powers. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed under the direction of the board of directors.

Section 4.03. Regular Meetings. A regular annual meeting of the board of directors shall be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders' meeting or at such other place as the directors elected at the shareholders' meeting may have been informed of at or before the time of their election. Additional regular meetings may be held at regular intervals on such dates and at such places and times as the board of directors may determine.

Section 4.04. Special Meetings. Special meetings of the board of directors may be held whenever and wherever called for by the chairman of the board, the president, or the number of directors that would be required to constitute a quorum.

Section 4.05. Notices. No notice need be given of regular meetings of the board of directors. Notice of the date, time and place of any special meeting shall be given to each director in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier addressed to him at his latest address appearing on the corporation's records, and shall be given at least two days before the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Any person who has given notice hereunder may make an affidavit that notice was given, which shall be conclusive that notice was so given.

Section 4.06. Waiver of Notice. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which, or after it is held. A director's attendance or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly on his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. No call or notice of a meeting of directors shall be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

Section 4.07. Quorum. A quorum for the transaction of business at any meeting or adjourned meeting of the board of directors shall consist of a majority of the directors then in office, except that when a vacancy or vacancies exist in the board, a majority of the directors then in office shall constitute a quorum. Once a quorum has been formed at any meeting, the directors from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure from the meeting of enough directors to leave less than a quorum.

Section 4.08. Voting. Any matter submitted to a meeting of the board of directors shall be resolved by a majority of the votes cast thereon. Voting rights of members of the board of directors may be altered by separate agreement entered into by all shareholders of the corporation.

Section 4.09. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the board of directors, a majority of a full board of directors may exercise the powers of the board of directors.

Section 4.10. Removal. Any director may be removed from the board of directors, with or without cause, subject only to limitations provided by law.

Section 4.11. Executive Committee. The board of directors, by resolution adopted by a majority of the full board, may name one or more of its members as an executive committee. An executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation while the board is not in session,

subject to such limitations as may be included in the board's resolution; provided, however, that an executive committee shall not have the authority of the board of directors in reference to the following matters: (i) the authorization of distributions; (ii) the approval or submission to shareholders of any action that requires shareholder approval under applicable law; (iii) the filling of vacancies on the board of directors or on any committee of the board of directors; (iv) the amendment of the articles of incorporation; (v) the adoption, amendment or repeal of the bylaws; (vi) approval of a plan of merger not requiring shareholder approval; (vii) authorization or approval of a reacquisition of shares, except according to a formula or method prescribed by the board of directors; (viii) authorization or approval of the issuance, sale or contract for sale of shares or determination of the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize the executive committee or an executive officer of the corporation to do so within limits specifically prescribed by the board of directors; and (ix) fixing the compensation of directors for serving on the board or on any committee of the board of directors. Any member of the executive committee may be removed, with or without cause, by the board of directors. If any vacancy occurs in the executive committee, it shall be filled by the board of directors. The board of directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 4.12. Other Committees. The board of directors, from time to time, by resolution adopted by a majority of the full board, may appoint other standing or temporary committees from its membership and vest such committees with such powers as the board may include in its resolution; provided, however, that such committees shall be restricted in their authority as specifically set forth with respect to the executive committee in Section 4.11 above.

Section 4.13. Tenure of Committee Members. Except in the case of resignation, disqualification, removal or the inability to serve for any reason, each member of any committee established under this Article IV shall hold office until the next regular annual meeting of the board of directors and until his successor is elected and qualified.

Section 4.14. Meetings of Committees. Regular meetings of committees established under this Article IV may be held without notice on such days and at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon notice to other members of the committee in the manner provided in Section 4.04 for special meetings of the board of directors.

Section 4.15. Quorum of Committee Members. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 4.16. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or of any committee at which action is taken on any matter shall be deemed to have assented to the action taken unless: (i) the director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00

p.m. on the next business day after the meeting. The right of dissent or abstention shall not be available to a director who voted in favor of the action.

Section 4.17. Compensation. By resolution of the board of directors, each director may be paid his expenses, if any, of attendance at each meeting of the board of directors or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefrom.

Section 4.18. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if the action is taken by the all of the directors or committee members. The action shall be evidenced by one or more written consents describing the action taken and signed by all directors or committee members. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the directors or committee members of the corporation at a duly convened meeting.

Section 4.19. Meetings by Alternative Communications. The board of directors may permit any or all of the directors to participate in any regular or special meeting by or conduct the meeting through use of any means of communication by which all of the directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V
Officers - General

Section 5.01. Elections and Appointments. The board of directors shall elect or appoint a president, a secretary and a treasurer, and may choose a chairman of the board, one or more vice presidents or such other officers as the board of directors shall determine. The regular election or appointment of officers shall take place at each annual meeting of the board of directors, but elections of officers may be held at any other meeting of the board. A person elected or appointed to any office shall continue to hold that office until the election or appointment of his successor, subject to action earlier taken pursuant to Section 5.04 or 7.01 below. The same individual may simultaneously hold more than one office in the corporation.

Section 5.02. Additional Appointments. In addition to the officers contemplated in Section 5.01 above, the board of directors may elect or appoint other corporate or divisional officers or agents with such authority to perform such duties as may be prescribed from time to time by the board of directors, by the president or, in the case of assistant officers (as, for example, one or more assistant secretaries), by the superior officer of any person so elected or appointed. Each of such persons (in the order designated by the board) shall be vested with all of the powers and charged with all of the duties of his superior officer in the event of such superior officer's absence or disability.

Section 5.03. Bonds and Other Requirements. The board of directors may require any officer to give bond to the corporation (with sufficient surety, and conditioned for the faithful

performance of the duties of his office), to make reports to the board and to comply with such other conditions as may from time to time be required of him by the board.

Section 5.04. Removal; Delegation of Duties. The board of directors may remove an officer of the corporation at any time with or without cause or temporarily delegate his powers and duties to any other officer or to any director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an officer or agent, even if for a specified term, shall not of itself create contract rights.

Section 5.05. Compensation. The compensation of officers may be fixed from time to time by the board of directors or (except as to the president's own) left to the discretion of the president. No officer shall be prevented from receiving compensation by reason of the fact that he also is a director of the corporation.

ARTICLE VI
Specific Officers

Section 6.01. Chairman of the Board. The board of directors may elect a chairman to serve as a general executive officer of the corporation, and, if specifically designated as such by the board, as the chief executive officer of the corporation. If elected, the chairman shall preside at all meetings of the board of directors and be vested with such other powers and duties as the board may from time to time delegate to him.

Section 6.02. President and Vice President. Unless otherwise specified by resolution of the board of directors, the president shall be the chief executive officer of the corporation. The president shall supervise the business and affairs of the corporation and the performance by all of its other officers of their respective duties, subject to the control of the board of directors (and of its chairman, if the chairman has been specifically designated as chief executive officer of the corporation). One or more vice presidents may be elected by the board of directors to perform such duties as may be designated by the board or be assigned or delegated to them by the chief executive officer. Any one of the vice presidents as authorized by the board shall be vested with all of the powers and charged with all of the duties of the president in the event of his absence or inability to act. Except as may otherwise be specifically provided in a resolution of the board of directors, the president or any vice president shall be a proper officer to sign, on behalf of the corporation, any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the corporation. The president or any vice president may represent the corporation at any meeting of the shareholders of any other corporation in which this corporation then holds shares, and may vote this corporation's shares in such other corporation in person or by proxy appointed by him, provided that the board of directors may from time to time confer the foregoing authority upon any other person or persons.

Section 6.03. Secretary. The secretary shall keep the minutes of meetings of the shareholders, board of directors and any committee, and all unanimous written consents of the shareholders, board of directors and any committee of the corporation, and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law,

and in case of his absence or refusal or neglect to do so, notices may be served by any person so directed by the president. The secretary shall be custodian of the corporate seal and corporate records, shall have the authority to authenticate the corporate records and, in general, shall perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the board of directors, the secretary and each assistant secretary shall be a proper officer to take charge of the corporation's stock transfer books and to compile the shareholder list pursuant to Section 3.06 above, and to impress the corporation's seal on any instrument signed by the president, any vice president or any other duly authorized person, and to attest to the same.

Section 6.04. Treasurer. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall cause all money and other valuable effects to be deposited in the name and to the credit of the corporation in such depositories, subject to withdrawal in such manner as may be designated by the board of directors. He shall render to the president, the directors and the shareholders at proper times an account of all his transactions as treasurer and of the financial condition of the corporation. The treasurer shall be responsible for preparing and filing such financial reports, financial statements and returns as may be required by law.

ARTICLE VII
Resignations and Vacancies

Section 7.01. Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered to the corporation. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date or event. The acceptance of a resignation shall not be required to make it effective.

Section 7.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his death, resignation, disqualification, removal or otherwise, the shareholders or the board of directors may choose a successor to hold office for the unexpired term as provided in Section 4.01 and Section 5.01, as the case my be.

ARTICLE VIII
Seal

The board of directors may provide for a seal of the corporation, which shall have inscribed thereon the name of the corporation and the state and year of its incorporation.

ARTICLE IX
Certificates Representing Shares

Section 9.01. Form. Shares of the corporation may but need not be represented by certificates. If certificates are issued, each certificate representing shares of the corporation shall be in such form as may from time to time be prescribed by the board of directors, shall be consecutively numbered, and shall exhibit such information as may be required by applicable law. If certificates are not issued, then every holder of uncertificated shares shall be entitled to receive a certificate that complies with applicable law on request to the corporation.

Section 9.02. Signatures and Seal. All certificates issued for shares of the corporation (whether new, re-issued, or transferred) shall bear the manual or facsimile signatures of one or more officers designated by the board of directors or, in the absence of board designation by the president, a vice president, or the secretary, and also may bear an impression or facsimile of the corporation's corporate seal, if any. If the person who signed either manually or in facsimile a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 9.03. Ownership. The corporation shall be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, shall not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may be expressly provided by applicable law.

Section 9.04. Transfers. Transfers of shares of the corporation may be made on the stock transfer books of the corporation only at the direction of the person named in the certificate (or by his duly authorized attorney-in-fact) and upon the surrender of such certificate properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation (or its transfer agent) may require. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation or bylaws of the corporation, or by any amendment thereof, by applicable law or by an agreement among the shareholders or between shareholders and the corporation. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 9.05. Lost Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a new certificate, and cause the same to be delivered to the owner of the shares represented thereby, provided that the owner shall have submitted such evidence showing, or an affidavit reciting, the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent, and further provided that a bond of indemnity, with or without surety, shall have been provided in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable), unless the board of directors waives the requirement of a bond.

ARTICLE X
Dividends

Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's articles or as may otherwise be binding upon the corporation, the board of directors may from time to time declare and the corporation may pay dividends on shares of the corporation outstanding on the dates of record fixed by the board, to be paid in cash, in property, or in shares of the corporation on or as of such payment or distribution dates as the board may prescribe.

ARTICLE XI
Amendments

These bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new bylaws may be adopted, at any duly constituted meeting of the board of directors or the shareholders or, alternatively, by unanimous written consent to corporate action without a meeting of the board of directors or the shareholders, as the case may be, pursuant to these bylaws and applicable law. The shareholders in amending or repealing a particular bylaw may provide expressly that the board of directors may not amend or repeal that bylaw.

ARTICLE XII
Indemnification and Insurance

Section 12.01. Indemnification. To the fullest extent permitted by Arizona law as amended from time to time, the corporation shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law.

Section 12.02. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Arizona law.

ARTICLE XIII
General Provisions

Section 13.01. Construction. As used in these bylaws, the masculine includes the feminine and the neuter as the context requires.

Section 13.02. Books and Records. The books and records of the corporation shall be kept at such places within or outside of Arizona as the board of directors may from time to time determine.

Certificate of Adoption

The undersigned secretary does hereby certify that the foregoing bylaws were adopted by the board of directors of Southern Sunrise Water Company Inc., pursuant to a unanimous written consent of the board of directors dated as of March 22, 2006.

By: _____
Peter Kamplan, Secretary

DATED as of March 22, 2006.

BOARD OF DIRECTORS:

CONSENT IN LIEU OF
ORGANIZATIONAL MTG OF BOD
SOUTHERN SUNRISE WATER

Chris Jarratt

Ian Robertson

David Kerr

AZ CORPORATION COMMISSION
FILED

MAR 22 2006

FILE NO. 1272124-7

01512653

ARTICLES OF INCORPORATION
OF
SOUTHERN SUNRISE WATER COMPANY INC.

The undersigned incorporator hereby adopts the following Articles of Incorporation:

I. NAME

The name of the corporation is Southern Sunrise Water Company Inc.

II. AUTHORIZED CAPITAL

The corporation shall have authority to issue one hundred (100) shares of common stock.

III. PURPOSE AND INITIAL BUSINESS

The corporation is organized for the purpose of transacting all lawful business for which corporations may be organized under the laws of the State of Arizona, as amended from time to time. The corporation initially intends to conduct in the State of Arizona the business of providing water utility service.

IV. INITIAL BOARD OF DIRECTORS

The initial Board of Directors shall consist of three (3) members, who shall serve as directors until their successors are elected and qualified, and whose names and addresses are as follows:

Chris Jarratt
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

Ian Robertson
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

David Kerr
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

V. STATUTORY AGENT

Algonquin Water Services, LLC, an Arizona limited liability company, whose business address is 12725 West Indian School Road, Suite D101, Avondale, Arizona 85323, is hereby appointed the initial statutory agent for the corporation for the State of Arizona.

1272124-7

VI. KNOWN PLACE OF BUSINESS

The street address of the corporation's known place of business is as follows:

4055 Campus Drive
Sierra Vista, Arizona 85635

VII. INCORPORATOR

The name and address of the incorporator are as follows:

Peter Kampian
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

VIII. ELIMINATION OF DIRECTOR LIABILITY

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, no director of the corporation shall be liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the corporation occurring prior to such repeal, amendment or modification.

IX. INDEMNIFICATION

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, the corporation shall indemnify and advance expenses to any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer or director of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification and advancement of expenses shall be mandatory in all circumstances in which the same are permitted by law. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment or modification.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation this 21st day of March, 2006.

Peter Kampian

1272124-7

CONSENT OF STATUTORY AGENT
OF
SOUTHERN SUNRISE WATER COMPANY INC.

The undersigned, having been named in the Articles of Incorporation of Southern Sunrise Water Company Inc, an Arizona corporation, as its statutory agent for the State of Arizona, hereby confirms that it has been notified of the appointment and that it accepts the appointment.

DATED: March 21st, 2006.

ALGONQUIN WATER SERVICES, LLC,
an Arizona limited liability company

By: _____
Name: Peter Kampian
Title: Manager

12725 West Indian School Road
Suite D101
Avondale, Arizona 85323

1775438.1/10577.002

COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
Executive Director

DAVID RABER
Director, Corporations Division

March 28, 2006

NANCY MOORMAN
3003 N CENTRAL AVE SUITE 2600
PHOENIX, AZ 85012-2913

RE: SOUTHERN SUNRISE WATER COMPANY INC.
File Number: -1272124-7

We are pleased to notify you that your Articles of Incorporation were filed on March 22, 2006.

You must publish a copy of your Articles of Incorporation. The publication must be in a newspaper of general circulation in the county of the known place of business in Arizona (as filed with the Commission) for three (3) consecutive publications. A list of newspapers is available on the Commission web site. An affidavit from the newpaper, evidencing such publication, must be delivered to the Commission for filing within NINETY (90) DAYS from the date of this letter. Make sure the newspaper publishes the corporation documents using the exact name filed with the Commission.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, on the anniversary of the date of incorporation. Each year, a preprinted Annual Report form will be mailed to the corporation's known place of business approximately two months prior to the due date of the report. Should the report fail to arrive, contact the Commission. It is imperative that corporations notify the Commission immediately (in writing) if they change their corporate address, statutory agent or agent address. Address change orders must be executed (signed) by a corporate officer. Postal forwarding orders are not sufficient.

The Commission strongly recommends that you periodically check Commission records regarding the corporation. The Commission web site www.cc.state.az.us/corp contains information specific to each corporation of record and is a good general source of information.

If you have questions or need of further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,

Linda Johnson
Examiner
Corporations Division

1300 WEST WASHINGTON, PHOENIX, ARIZONA 85007-2929 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701-1347
www.cc.state.az.us - 602-542-3135

Certificate No. 1 For 100 Shares Issued to Algonquin Water Resources of America, Inc., a Delaware corporation

Transferred from Original Issue 03 /22 /20 06

No. Original Certificate	No. Original Shares	No. Of Shares Transferred

Dated _____, 20____ Receipt acknowledged _____

NUMBER 1

INCORPORATED UNDER THE LAWS OF

ARIZONA

SHARES 100

SOUTHERN SUNRISE WATER COMPANY INC.

The Corporation is authorized to issue one hundred (100) shares of Common Stock.

This Certifies that ALGONQUIN WATER RESOURCES OF AMERICA, INC., a Delaware corporation *is the owner of* One Hundred (100) Common *fully paid and non-assessable Shares of the Capital Stock of the above named Corporation transferable only on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed.*

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 22nd *day of* March *20* 06

Peter Kampian [redacted] SECRETARY

Ian Robertson PRESIDENT

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EXHIBIT

5

Cochise Water Company
Proposed Capital Improvements

Naranja Well Site	
Project Description	**Cost**
Add meters to wells	$10,000
Construct a minimum 6 ft. high chain link fence with barbed wire 800 L.F.	$12,000
Construct 12 ft wide chain link gate	$800
Repair 5 hp booster pump	$500
Rebuild Electrical Control and wiring system	$10,000
Replace Air Compressor and controls on Pressure Tank	$1,000
Replace Guages on Booster and Transfer Pumps	$1,000
Replace check valves on booster and transfer pumps	$500
Build concrete pads to mount booster and transfer pumps	$1,000
Install well pump high level shut off level contoller to storage tank	$5,000
Install low level sensor in storage tank for booster & transfer pump shut off	$5,000
Install telemetry system to start and stop transfer pumps filling Horseshoe storage	$10,000
Add sampling taps to wells	$500
Survey property to establish property boundaries of well site	$1,000
Remove old storage tank and trash and grade well site	$5,000
Total	**$63,300**
Jaxell Road Well site	
Add Meter to well	$3,500
Add additional booster pump	$3,500
Survey property to establish property boundaries of well site	$1,000
Total	**$8,000**
Long Term Improvements	
Add additional Storage at Naranja	
Develop more well capacity at Naranja or elsewhere	
Add chlorination to both sites	
Build equipment storage facility at Naranja and remove building at Horseshoe Ranch.	
Replace Distribution system	
Reconnect customers that are being served directly off transmission line	

Horseshoe Ranch Water Company
Proposed Capital Improvements

Main Storage and Presure Tank Site

Project Description	**Cost**
Replace 3 inch meter measuring transfer flow from Cochise	$3,000
Replace fence with a minimum 6 ft. high chain link fence with barbed wire 200 L.F.	$3,000
Construct 12 ft wide chain link gate	$800
Replace 2 - 7.5 hp booster pumps	$5,000
Rebuild Electrical Control and wiring system	$10,000
Replace 3,000 gallon pressure tank	$13,000
Design and construct interconnection with Bella Vista south system	$10,000
Repair doors on storage building	$1,000
Add air relief valve to tranmission line from Cochise and grade and secure site	$6,000
Survey property to establish property boundaries of storage & well sites	$1,000
Total	**$52,800**

Long Term Improvements

Redisign entire main storage and booster site. Add storage capacity
Determine if 38,000 gallon storage tank at secondary site is necessary. Either rebuild it or remove and sell land
Add chlorination to both sites
Build equipment storage facility at Naranja and remove building at Horseshoe Ranch.
Abandon Sanks well and dispose of land
Replace Distribution system

Miracle Valley Water Company
Proposed Capital Improvements

Main Well Site

Project Description	**Cost**
Add meter to well	$3,500
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000
Construct 12 ft wide chain link gate	$800
Add two 7.5 hp booster pumps	$5,000
Rebuild Electrical Control and wiring system	$10,000
Add storage tank Minimum 150,000 gallons	$150,000
Replace 5,000 gallon pressure tank	$20,000
Add sampling tap to well	$500
Survey property to establish property boundaries of two well sites	$2,000
Total	**$197,800**

Note: If it is determined that the existing well site has no room for storage, construct storage and pressure tank at site two and pipe well to that site. Then develop second well

Long Term Improvements

Add chlorination
Add additional storage and well capacity
Replace Distribution system

EXHIBIT

6

Exhibit 5

MIRACLE VALLEY WATER COMPANY, INC. RCN & RCND

Background of Water System

Miracle Valley Water Company, Inc. received its Certificate of Convenience and Necessity on August 12, 1959. The area being served is located approximately 12 miles southeast of Sierra Vista on Highway 92 in Miracle Valley. The Certificated area serves the southern half of Section 31, Township 23S, Range 22E. The area served is comprised of modest homes on medium and large sized residential lots. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 255 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-023. The system consists of one active well site and one well site which has electrical power to it but no approval for use on the system. In addition, Mr. McLain contends that the second well site belongs to the Cochise Water system. The active well site consists of a pressure tank and a well. The well is fenced in a 12 ft x 12 ft area. A 5,000 gallon pressure tank is located outside the fenced area. There is no flow meter. There is no storage tank or booster pumps. The well pump was replaced in 2004. It is reported that there are 9,650 ft of 3 inch diameter and 14,750 ft. of 4 inch diameter distribution piping. The second well site has a well with a pump in it, but the well has never received Arizona Department of Environmental Quality ("ADEQ") approval. There is also a large steel vessel which was moved to the site to someday be used as storage. There is a chain link fence surrounding the site, but it is in disrepair. According to the assessor office records, there appears to be more than one piece of land belonging to the water system.

This system is in very poor condition. There is no storage tank or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The pressure tank is in poor condition and it is dangerous and should not be in service. The electrical panels need replacement. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed. Much of the system was installed without ADEQ approval.

Plant Condition

The system has only one well and one pressure tank. Storage tanks and booster pumps will have to be added. It is unknown whether there is enough room for a storage tank at well site 1. The well site will have to be completely redesigned and rebuilt to new standards. Well site 2 will have to completely rebuilt. A large portion of the distribution system will have to be replaced.

Acct. No.	Acct. Name	Plant Items for Miracle Valley Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	RCND
301	Organization						
303	Land & Land Rights						
		12' x 12' Site 1					
		100' x 100' Site 2			$2,500.00		$2,500.00
304	Structures & Improvements						
		Fence 45' LF Site 1	1959	$15.05	$677.25	30	$0.00
		3' Wide Gate	1959		$257.00	30	$0.00
		Fence 388 LF Site 2	1959	$15.05	$5,839.40	30	$0.00
		12" Wide Gate	1959		$767.00	30	$0.00
307	Wells & Springs						
		Well 1, 16" x 650' Site 1	1959	$80.00	$52,000.00	30	$0.00
		Well 2 8" x 305' Sub. Site 2		$40.00	$12,200.00	30	$0.00
311	Pumping Equipment						
		Well 1, 50-Hp sub. @ 300 gpm Site 1	2005		$6,855.00	8	$6,855.00
		Electrical panels	1959		$5,000.00	8	$0.00
		Well Site 2		not used	$0.00	8	$0.00
330	Distribution Reservoirs						
		5,000 gallon pressure tank	1959	Damaged	$20,000.00	50	$0.00
		(6' dia x 22 ft L)					
331	Trans. & Distrib. Mains						
		2" - 3", 9,650 ft.	1959	$3.96	$38,214.00	50	$3,057.12
		4", 14,750 ft.	1959	$5.37	$79,207.50	50	$6,336.60
333	Services						
		3/4", 228 each (Use 253)	1959	$355.00	$89,815.00	30	$0.00
		2", 2 each	1959	$600.00	$1,200.00	30	$0.00
334	Meters						
		5/8" x 3/4", 127 each (Use 152)	1959	$85.00	$12,920.00	12	$0.00
		3/4", 101 each	1959	$165.00	$16,665.00	12	$0.00
		2", 2 each	1959	$915.00	$1,830.00	12	$0.00
					$345,947.15		$18,748.72

Exhibit 6

HORSESHOE RANCH WATER COMPANY RCN & RCND

Background of Water System

Horseshoe Ranch Water Company received its Certificate of Convenience and Necessity on August 3, 1973. The area being served is located approximately 8 miles south of Sierra Vista on Highway 92 at Hereford Road in Cochise County. The Certificated area serves part of the northwest quarter of Section 17, Township 23S, Range 21E. The area served is comprised of two platted subdivisions of approximately 40 acres each. Another 40 acres area is comprised of various size parcels of land. Horseshoe Ranch subdivision consists of 68 mobile home lots. Circle S Ranch Estates consists of 76 residential lots. The roads in the two subdivisions are paved. The remainder of the roads are dirt.

Description of System

This system currently serves approximately 220 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-048. The system has no wells and receives its water through 5,600 Lineal Feet of 4 inch diameter transmission main from Cochise Water. The water from the Cochise Water system enters the main storage and booster site through a 2-inch meter. The main site consists of a 22,000 gallon and a 10,000 gallon storage tank, a 3,000 gallon pressure tank, a 7.5 hp and 5 hp booster pumps and a 20' x 28 'brick shed. The area is fenced. A second fenced site contains a 38,000 gallon storage tank which was installed in 1989. A third site contains a dry well. There is approximately 35,000 feet of distribution piping. Much of the distribution system installed outside of the two subdivisions is undersized PVC. There are low pressure problems.

Plant Condition

The storage tanks at the main storage site appear to be in satisfactory condition, but need to be drained, inspected, and coated. The pressure tank should be inspected and possibly replaced. The electrical wiring at the site is old and needs replacement. There were piping leaks at the booster pumps during the inspection. The 38,000 gallon storage tank needs to be drained, inspected and refurbished. The only way this tank will provide improved pressure for the customers at the highest elevations is if the distribution piping is reconfigured and a pressure tank and booster pumps are installed to serve the upper zone. The dry well site is not used and useful. Much of the distribution system installed in the unsubdivided areas is undersized and poorly installed and will have to be replaced.

Acct. No.	Acct. Name	Plant Items for Horseshoe Ranch Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	Staff RCND
301	Organization						
303	Land & Land Rights						
		12' x 40 ' Main storage tank site			$3,000.00		$3,000.00
		3' x 20x14x 22.8" Sanks well site			$3,000.00		$3,000.00
		82'x75' storage site 3			$3,000.00		$3,000.00
		104-58-041B			$6,000.00		$6,000.00
304	Structures & Improvements						
		20' x 28' brick shed main site	1973		$16,342.00	30	$0.00
		188 L F Fence Main site	1973	$15.05	$2,829.40	30	$0.00
		12 ' Wide Gate	1973		$767.00	30	$0.00
		57 LF fence Sanks Well Site	1973	not used	$0.00	30	$0.00
		3" Wide Gate	1973	not used	$0.00	30	$0.00
		108 L.F fence site 3	1990	$15.05	$1,806.00	30	$903.00
		12 Wide Gate	1990		$767.00	30	$383.50
307	Wells & Springs						
		Interconnection to Cochise					
		5,600 LF 4" PVC	1990	$5.37	$30,072.00	50	$21,050.40
		Sanks well Abandon	1973	not used	$0.00		$0.00
311	Pumping Equipment						
		7-1/2-Hp booster pump Main site	2000		$2,500.00	8	$937.50
		5-Hp booster pumps, 2 each Main sit	2000		$1,500.00	8	$562.50
330	Distribution Reservoirs						
		38,000 gallon storage tank	1989	Needs Rep	$25,000.00	45	$16,111.11
		12' dia x 45' high site 3					
		22,000 gallon storage tank Main site	1973		$30,000.00	45	$8,666.67
		48.5' circum. X 16' high					
		10,000 gallon storage tank Main Site	1973		$20,000.00	45	$5,777.78
		30.5' circum. x 17' high					
		3,000 gallon pressure tank 5'dx20'L	1973		$13,000.00	20	$0.00
331	Trans. & Distrib. Mains						
		2"-PVC, 11,050 ft.	1973	$3.96	$43,758.00	50	$17,503.20
		3"-PVC, 11,600 ft.	1973	$4.95	$57,420.00	50	$22,968.00
		4"-AC & PVC, 10,150 ft.	1973	$5.37	$54,505.50	50	$21,802.20
333	Services						
		3/4", 192 each (Use 220)	1973	$355.00	$78,100.00	30	$0.00
334	Meters						
		5/8" x 3/4", 112 each (Use 220)	1973	$85.00	$18,700.00	12	$0.00
		3/4", 80 each	1973	$165.00		12	$0.00
335	Hydrants						
		Fire hydrant, 1 each	1973		$750.00	50	$300.00
					$412,816.90		$131,965.86

DECISION NO. 68412

Docket No. W-01646A-05-0506 et al.

Exhibit 7

COCHISE WATER COMPANY RCN & RCND

Background of Water System

Cochise Water Company received its Certificate of Convenience and Necessity on October 31, 1962. The area being served is located approximately 8 miles south of Sierra Vista on Highway 92 at Hereford Road in Cochise County. The Certificated area serves the northeast quarter and southern half of Section 5 as well as the northern half and southeast quarter of Section 8, Township 23S, Range 21E. The area served is comprised of platted subdivisions which contain lots of various sizes from one acre to five acres as well as numerous un-subdivided parcels. All roads are unpaved gravel or dirt.

Description of System

This system currently serves approximately 370 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-011. The system has two main storage and production sites. The Naranja site consists of four wells, a 170,000 gallon storage tank, a 5,000 gallon pressure tank, two 5-hp booster pumps, two 10 hp transfer pumps to transfer water to the Horseshoe Ranch system. The area fence has been torn down. There is a 12,000 gallon storage tank that is not connected to the system. The Jaxel Road site consists of one well, one 10,500 gallon storage tank, one 1,000 gallon pressure tank, and one 5 hp booster pump. The area is fenced. There is approximately 100,000 feet of distribution piping. There are low pressure problems in some areas.

Plant Condition

The storage tanks, pressure tanks and booster pumps at the main Naranja production and storage site appear in satisfactory condition. It is 4.7 acres in size. The wells have had numerous outages. The wells were drilled as domestic wells with small diameter casings which makes them difficult to equip and maintain. New wells will most likely have to be drilled. The Jaxel Road site is in fair condition. Much of the distribution system is undersized and should be replaced over time.

Acct No.	Acct Name	Plant Items for Cochise Water Company	Year Built	Unit Cost	Staff's RON	Service Life	PLND
301	Organization						
303	Land & Land Rights						
		620 ft x 330 ft Calle Naranja Wellsite lot 70 4.7 acres			$27,934.00		$27,934.00
		30 ft x 40 ft Jaxel Road Wellsite			$3,000.00		$3,000.00
		Hereford Road 6.81 acres			$74,362.50		$74,362.50
		Other Property			$6,000.00		$6,000.00
		Parcel 104-07-103			$60,832.00		$60,832.00
304	Structures & Improvements						
		(200X200) 788 ft. chain link Fence Naranja		Damaged	$11,859.40	30	$0.00
		12' Wide gate Naranja		Damaged	$767.00		$0.00
		128 ft. chain link Fence Jaxel Rd.	1973	$15.05	$1,926.40	30	$0.00
		12' Wide gate Jaxel Rd.	1973		$767.00		$0.00
307	Wells & Springs					30	
		Well 1, 8" x 154' 55-563118 Naranja	1997	$25.00	$3,850.00	30	$2,823.33
		Well 2, 6" x 142' 55-805546 Naranja	1960	$25.00	$3,550.00	30	$0.00
		Well 3, 6" x 161' 55-563117 Naranja	1997	$25.00	$4,025.00	30	$2,951.67
		Well 4, 8" x 408' 55-630887 Jaxel Rd.	1973	$25.00	$10,200.00	30	$0.00
311	Pumping Equipment						
		Well 1, 5-Hp Sub. @ 30 gpm	2005		$5,902.00	8	$5,902.00
		Well 2, 5-Hp Sub. @ 57 gpm	2005		$3,538.00	8	$3,538.00
		Well 3, 5-Hp Sub. @ 38 gpm	2004		$2,700.00	8	$2,362.50
		Well 4, 5 HP Sub. @ 60 gpm	2004		$2,700.00	8	$2,362.50
		Electrical panels	2004		$10,000.00	8	$8,750.00
		2-10-Hp booster pumps Naranja-Transfer to Horsesho	2005	$4,476.00	$8,952.00	8	$8,952.00
		2- 5-Hp booster pumps Booster for Cochise Naranja	2004	$1,500.00	$3,000.00	8	$2,625.00
		1- 5 Hp booster pump Jaxel Rd.	1997		$1,500.00	8	$0.00
330	Distribution Reservoirs						
		170,000 gallon storage tank Naranja	1973	Rebuilt 2004	$75,000.00	45	$75,000.00
		12,000 gallon storage tank Naranja 50.5 ft.Cir x 10' high		not used	$0.00	45	$0.00
		5,000 gallon pressure tank Naranja 6' Dia x 22'	2004		$20,000.00	20	$20,000.00
		1,000 gallon pressure Jaxel Rd. 4' Dia x 10'	1973		$5,500.00	20	$0.00
		10,500 gallon storage tank Jaxel Rd. 38' Cir x 12' high	1973		$20,000.00	45	$0.00
331	Trans. & Distrib. Mains						
		2"-PVC, 50,000 ft.	1973	$3.96	$198,000.00	50	$0.00
		4"-AC & PVC, 35,429 ft.	1973	$5.37	$190,253.73	50	$0.00
		6"-AC & PVC, 11,990 ft.	1973	$7.26	$87,047.40	50	$0.00
333	Services						$0.00
		3/4", 320 each (Use 368)	1973	$355.00	$130,640.00	30	$0.00
		1-1/2", 1 each	1973	$440.00	$440.00	30	$0.00
		3", 1 each	1973	$775.00	$775.00	30	$0.00
334	Meters						$0.00
		5/8" x 3/4", 315 each (Use 363)	1973	$85.00	$30,855.00	12	$0.00
		3/4", 5 each	1973	$165.00	$825.00	12	$0.00
		1-1/2", 1 each	1973	$415.00	$415.00	12	$0.00
		3", 1 each	1973	$1,420.00	$1,420.00	12	$0.00
					$1,008,536.43		$307,395.50

EXHIBIT

7

Southern Sunrise Water Company
Projected Balance Sheets
For the Years Ended

Exhibit 1
Schedule 1

Line No.		Beginning of Year	Label	1st year Changes	Year 1	Year 2	Year 3	Year 4	Year 5
1									
2									
3	**Assets**								
4									
5	Utility Plant	604,725	(a)	321,900	926,625	930,725	934,825	938,925	943,025
6	Accumulated Depreciation	-	(b)	(16,526)	(16,526)	(40,241)	(64,297)	(88,695)	(113,434)
7	Deferred Regulatory Assets	235,381		(11,769)	223,612	211,843	200,074	188,305	176,536
8	Cash	-		163,164	163,164	329,015	498,496	671,592	848,317
9									
10									
11	**Total Assets**	$ 840,106		$ 456,769	$ 1,296,875	$ 1,431,343	$ 1,569,098	$ 1,710,127	$ 1,854,444
12									
13	Equity and Liabilities			-					
14									
15	**Equity**								
16									
17	*Common Stock, Net of*	840,106	(d)	321,900	1,162,006	1,162,006	1,162,006	1,162,006	1,162,006
18									
19	Retained Earnings	-	(e)	134,869	134,869	265,237	399,301	537,051	678,497
20	**Total Equity**	$ 840,106		$ 456,769	$ 1,296,875	$ 1,427,243	$ 1,561,308	$ 1,699,057	$ 1,840,504
21									
22	**Liabilities & Deferred Credits**			-					
23	Advances in Aid of Construction		(f)	-	-	-	-	-	-
24	Contributions in Aid of			-					
25	Construction		(g)	-	-	-	-	-	-
26	Less: Amortization		(h)	-	-	-	-	-	-
27	Customer Deposits		(i)	-					
28	Refundable Meter Deposits		(j)	-	-	4,100	7,790	11,070	13,940
29	Long-Term Debt			-					
30									
31	**Total Liabilities and**								
32	**Deferred Credits**	-		-	-	4,100	7,790	11,070	13,940
33									
34									
35	**Total Equity & Liab.**	$ 840,106		$ 456,769	$ 1,296,875	$ 1,431,343	$ 1,569,098	$ 1,710,127	$ 1,854,444
36									
37									
38									
39	(a) Plant Additions (See Schedule 1a)								
40	(b) *Depreciation Computations (See Schedule 1a)*								
41	(c) Change in cash (Please Schedule 3)								
42	(d) Common Stock issuance and or repurchase. (See Schedule 1b)								
43	(e) Profit or loss from operations (See Schedule 2)								
44	(f) Advances in Aid of Construction (See Schedule 1c)								
45	(g) Contributions in Aid of Construction (See Schedule 1e)								
46	(h) Amortization of Contributions in Aid of Construction, if applicable (See Schedule 1e)								
47	(i) Security deposits (2 times average bill)								
48	(j) Unrefunded meter deposits (See Schedule 1d)								
49									

Southern Sunrise Water Company
Year 1 Adds

McClain Water Systems

		SYSTEM			
		Miracle Valley Water Company	**Horseshoe Ranch Water Company**	**Cochise Valley Water Company**	**Total**
301	Organization				$ -
302	Franchises				-
303	Land and Land Rights				-
304	Structures and Improvements	6,800	4,800	12,800	24,400
305	Collecting and Impounding Rese	170,000	13,000	26,000	209,000
306	Lake, River and Other Intakes				-
307	Wells and Springs	2,500	1,000	2,500	6,000
308	Infiltration Galleries and Tun				-
309	Supply Mains				-
310	Power Generation Equipment				-
311	Pumping Equipment	15,000	15,000	16,500	46,500
320	Water Treatment Equipment				-
330	Distribution Reservoirs and St				-
331	Transmission and Distribution		16,000		16,000
331	Transmission and Distribution (AIAC)				-
333	Services				-
334	Meters and Meter Installations	3,500	3,000	13,500	20,000
335	Hydrants				-
335	Hydrants (AIAC)				-
336	Backflow Prevention Devices				-
339	Other Plant and Miscellaneous				-
340	Office Furniture and Equipment				-
341	Transportation Equipment				-
342	Stores Equipment				-
343	Tools, Shop and Garage Equipme				-
344	Laboratory Equipment				-
345	Power Operated Equipment				-
346	Communication Equipment				-
347	Miscellaneous Equipment				-
348	Other Tangible Plant				-
	Total	$ 197,800	$ 52,800	$ 71,300	$ 321,900

Southern Sunrise Water Company
RCND Plant

McClain Water Systems

		SYSTEM							
		Miracle Valley **Water Company**	**Horseshoe Ranch** **Water Company**	**Cochise Valley** **Water Company**				**Spitzer** **Adjustment 68142**	**Total**
301	Organization	$ -	$ -	$ -	$ -		$ -	$ -	$ -
302	Franchises							-	-
303	Land and Land Rights	5,057	30,342	348,179				(22,213)	361,364
304	Structures and Improvements		1,287					(193)	1,094
305	Collecting and Impounding Rese	-	-	-	-	-	-	-	-
306	Lake, River and Other Intakes							-	-
307	Wells and Springs		21,050	5,775				(3,446)	23,379
308	Infiltration Galleries and Tun							-	-
309	Supply Mains							-	-
310	Power Generation Equipment							-	-
311	Pumping Equipment	6,855	1,500	34,492				(2,292)	40,555
320	Water Treatment Equipment							-	-
330	Distribution Reservoirs and St		30,556					(4,583)	25,972
331	Transmission and Distribution	9,394	62,273	95,000				(14,561)	152,106
331	Transmission and Distribution (AIA)							-	-
333	Services							-	-
334	Meters and Meter Installations							-	-
335	Hydrants		300					(45)	255
335	Hydrants (AIA)							-	-
336	Backflow Prevention Devices							-	-
339	Other Plant and Miscellaneous							-	-
340	Office Furniture and Equipment							-	-
341	Transportation Equipment							-	-
342	Stores Equipment							-	-
343	Tools, Shop and Garage Equipme							-	-
344	Laboratory Equipment							-	-
345	Power Operated Equipment							-	-
346	Communication Equipment							-	-
347	Miscellaneous Equipment							-	-
348	Other Tangible Plant							-	-
	Total	$ 21,306	$ 147,308	$ 483,446			$ -	$ (47,334)	$ 604,725
	Spitzer Adjustment Percentage	5%	15%	5%	0%	0%	0%		

Land Adjustment	RCND	Factor	Allocated Amount	Total Land
Miracle Valley	$ 2,500	0.0122488	$ 2,557	$ 5,057
Horseshoe Water	15,000	0.0734928	15,342	30,342
Cochise Valley	172,129	0.8433476	176,050	348,179
Mustang Water	5,000	0.0244976	5,114	10,114
Crystal Water	2,500	0.0122488	2,557	5,057
Sierra Sunset	600	0.0029397	614	1,214
Coronado Estates	6,373	0.0312247	6,518	12,891
Total RCND	$ 204,102	1.0000000	$ 208,752	$ 412,853

Reconciliation of Rate Bases		
Amount per Decision 68412		696,752
Northern Sunrise Water	$ 91,992	
Southern Sunrise Water	$ 604,725	
		$ 696,718
Difference		$ 35

Southern Sunrise Water Company
Projected Incremental Income and Expenses
For the 12 Months Ended

Exhibit
Schedule 2

Line No.				Year 1	Year 2	Year 3	Year 4	Year 5
3	**Total estimated Revenues**			$ 479,876	$ 482,965	$ 488,644	$ 494,323	$ 500,002
4	**Variable Expenses**							
5	Pumping Power:	0.75	per 1,000 gals	$ 55,517	$ 55,845	$ 56,502	$ 57,159	$ 57,816
6	Purchased Water	0.20	per 1,000 gals	14,804	14,892	15,067	15,242	15,418
7	Repairs & Maint. (a)(b)	0.75	/month/customer	7,605	7,880	8,211	8,556	8,914
8	Insurance	1.35	/month/customer	13,689	14,183	14,780	15,401	16,045
9	Water Treatment & Testing (a)(b)	0.60	/month/customer	6,084	6,304	6,569	6,845	7,131
10	Billing, Postage, Operations, Insur (a)(b)	11.00	/month/customer	111,540	115,566	116,926	118,285	119,645
11	**Total Variable Expenses**			$ 209,239	$ 214,669	$ 218,056	$ 221,488	$ 224,969
13	**Other Expenses**							
14	Depreciation net of Amortization of CIAC			$ 16,526	$ 23,715	$ 24,056	$ 24,398	$ 24,739
15	Amortization of Deferred Regulatory Assets			11,769	11,769	11,769	11,769	11,769
16	Office	$ 5,000	/year	5,000	5,304	5,463	5,627	5,795
17	Legal & Accounting	$ 10,000	/year	10,000	10,608	10,926	11,254	11,592
18	Miscellaneous (b)	$ 3,600	/year	3,600	3,818	3,933	4,051	4,172
19	Income Taxes			73,277	69,846	72,664	75,472	78,290
20	Property Taxes (c)			15,596	15,317	15,095	14,928	14,780
22	**Total Other Expense**			$ 135,768	$ 140,376	$ 143,906	$ 147,498	$ 151,138
25	**Total Operating Expenses**			$ 345,006	$ 355,045	$ 361,962	$ 368,986	$ 376,107
27	**Operating income (loss)**			$ 134,869	$ 127,920	$ 126,682	$ 125,337	$ 123,895
28	Less:							
29	Interest (Expense)Income on Work. Cap.			-	2,447	7,383	12,413	17,551
30	Interest Expense Long-term Debt			-	-	-	-	-
31	**Net Income**			$ 134,869	$ 130,367	$ 134,065	$ 137,749	$ 141,447

(a) Based on per customer costs
(b) Includes annual Inflation of: 3.00% — 3.00%
(c) ADOR Property Tax Calculation

Southern Sunrise Water Company
Schedule of Projected Revenues
For the Years Ended

Exhibit
Schedule 2a
Page 1

					Year 1	Year 2	Year 3	Year 4	Year 5
Projected Customers / Residential 5/8 Inch Meter									
Estimated connections installed by year end (Cumulative)				845	845	855	865	875	885
Estimated connection installed during the year					-	10	10	10	10
1/2 Year Convention for Revenue					845.00	850.00	860.00	870.00	880.00
Projected Revenue									
Annual gallonage delivered (in 1,000's)					74,022	74,460	75,336	76,212	77,088
Assuming average usage per month of:			7,300						
Daily Gallons					205,617	206,833	209,267	211,700	214,133
Residential:									
Monthly Mins.	$ 31.00	Minimum Charge			$ 314,340	$ 316,200	$ 319,920	$ 323,640	$ 327,360
Commodity Rev.	-	Gals. in minimum							
	$ 2.00	Charge per/1,000							
		up to	5,000 gals		101,400	102,000	103,200	104,400	105,600
	$ 2.75	Charge per/1,000							
		up to	10,000 gals		64,136	64,515	65,274	66,033	66,792
	$ 3.90	over	10,000		-	-	-	-	-
Establishment Fees at			$ 25.00		$ -	$ 250	$ 250	$ 250	$ 250
Total Revenue					$ 479,876	$ 482,965	$ 488,644	$ 494,323	$ 500,002

Southern Sunrise Water Company
Projected Cash Flows
For the Years Ended

Exhibit
Schedule 3

Line No.		Year 0	1	2	3	4	5
1							
2		0	1	2	3	4	5
3	**Cash from Operations**						
4	Beginning Cash Balance	$ -	$ -	$ 163,164	$ 329,015	$ 498,496	$ 671,592
5							
6	Income from Operations		134,869	130,367	134,065	137,749	141,447
7	Add Depreciation expense		16,526	23,715	24,056	24,398	24,739
8	Add Amortization of Deferred Regulator Assets		11,769	11,769	11,769	11,769	11,769
9	**Total Cash From Operations**	$ -	$ 163,164	$ 165,851	$ 169,890	$ 173,916	$ 177,955
10							
11	**Cash from Financing**						
12							
13	Deposits (security) collected	$ -	$ -	$ -	$ -	$ -	$ -
14	Long-Term Debt	-	-	-	-	-	-
15	Common Equity	840,106	321,900	-	-	-	-
16	Advances in Aid of Const.	-	-	-	-	-	-
17	Contribution in Aid of Const.	-	-	-	-	-	-
18	Meter Deposits Collected	-	-	4,100	4,100	4,100	4,100
19							
20							
21	**Total Cash from Financing**	$ 840,106	$ 321,900	$ 4,100	$ 4,100	$ 4,100	$ 4,100
22							
23							
24							
25	**Uses of Cash:**						
26							
27	Purchase of Systems	$ 840,106	$ -	$ -	$ -	$ -	$ -
28	Long-term debt Repayment						
29	Advances Refunded	-	-	-	-	-	-
30	Meter Deposit Refunded	-	-	-	410	820	1,230
31	Deposit (Security) refunded						
32	Capital Improvements - Plant	-	321,900	4,100	4,100	4,100	4,100
33							
34	**Total Cash Uses**	$ 840,106	$ 321,900	$ 4,100	$ 4,510	$ 4,920	$ 5,330
35							
36	**Ending Cash Balance**	$ -	$ 163,164	$ 329,015	$ 498,496	$ 671,592	$ 848,317
37							
38							
39	Interest Income: Assuming Earning Equal to Inflation Factor on Average Cash Balance						
40	Average Cash Balance	$ -	$ 81,582	$ 246,090	$ 413,755	$ 585,044	$ 759,954
41	Interest Earned	$ -	$ 2,447	$ 7,383	$ 12,413	$ 17,551	$ 22,799
42							
43							
44							

Southern Sunrise Water Company
Deferred Regulatory Assets
Legal and Other Expenses

		Year 1	Year 2	Year 3	Year 4	Year 5
Legal & Accounting Costs	$ 235,381					
Amortization Rate	5%					
Amortization		$ 11,769	$ 11,769	$ 11,769	$ 11,769	$ 11,769
Balance	$ 235,381	$ 223,612	$ 211,843	$ 200,074	$ 188,305	$ 176,536

Estimated Costs Incurred by Algonquin	$ 300,000
Amounts Allocated on Rate Base	$ 150,000
Amounts Allocated on Customers	$ 150,000

Rate Base

Factor Computation	Initial Plant	Factor	Allocation
Southern Sunrise Water	$ 604,725	0.867963076	$ 130,194
Northern Sunrise Water	91,992	0.132036924	$ 19,806
	$ 696,718	1.000000000	$ 150,000

Customer Count

Factor Computation	Initial Customers	Factor	Allocation
Southern Sunrise Water	845	0.70	$ 105,187
Northern Sunrise Water	360	0.30	$ 44,813
	1,205	1.000000000	$ 150,000

EXHIBIT

8

Southern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULE

Exhibit
Schedule 4
Page 1
Witness: Bourassa

LINE NO.				PROPOSED RATES	
				MONTHLY MINIMUM	GALLONS IN MINIMUM
1	METER SIZE				
2	**Residential**				
3	MONTHLY MINIMUMS:				
4	5/8 x 3/4 And			$ 31.00	-
5	3/4			$ 46.50	-
6	1			$ 77.50	-
7	1 1/2			$ 155.00	-
8	2			$ 248.00	-
9	3			$ 496.00	-
10	4			$ 775.00	-
11	6			$ 930.00	-
12	8			$ 1,550.00	-
13					
26					
27	COMMODITY CHARGE PROPOSED RATES:				
28					
29	Residential 5/8 and 3/4 Inch				
30	Charge per 1,000 gallons for usage				
31	in excess of	0	gallons up to	5,000 gals	$ 2.00
32	over	5,001	gallons up to	10,000 gals	$ 2.75
33			over	10,000 gals	$ 3.90
34					
35	Residential 1 Inch and Larger				
36	Charge per 1,000 gallons for usage				
37	in excess of	0	gallons up to	25,000 gals	$ 2.00
38	over	25,001	gallons up to	45,000 gals	$ 2.75
39			over	45,000 gals	$ 3.90
40					
52					

Southern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULE

Exhibit
Schedule 4
Page 2
Witness: Bourassa

Line No.					
1	COMMODITY CHARGE PROPOSED RATES (continued):				
2					
3	Irrigation meters				
4	Charge per 1,000 gallons for usage				
5	in excess of	0	gallons up to	45,000 gals	$ 2.75
6			over	90,000 gals	$ 3.90
7					
8					
9	OTHER				
10					
11					
12					
13	Standpipe or bulk water per				
14	1,000 gallons				$ 3.90
15					
16					
17					
18	**HOOK-UP FEE**				
19					
20					
21	All Builders / Developers are required to pay a hook-up fee of				
22	$ - per lot, for connection to the system based on				
23	a water connection of 5/8 x 3 /4 or 3/ 4 inch water meter.				
24	Payments are listed for each Water Meter Size below:				
25					
26	Water				
27	Meter Size				
28	5/8 x 3/4			$ -	
29	3/4			$ -	
30	1			$ -	
31	1 1/2			$ -	
32	2			$ -	
33	3			$ -	
34	4			$ -	
35	6			$ -	
36					
37					

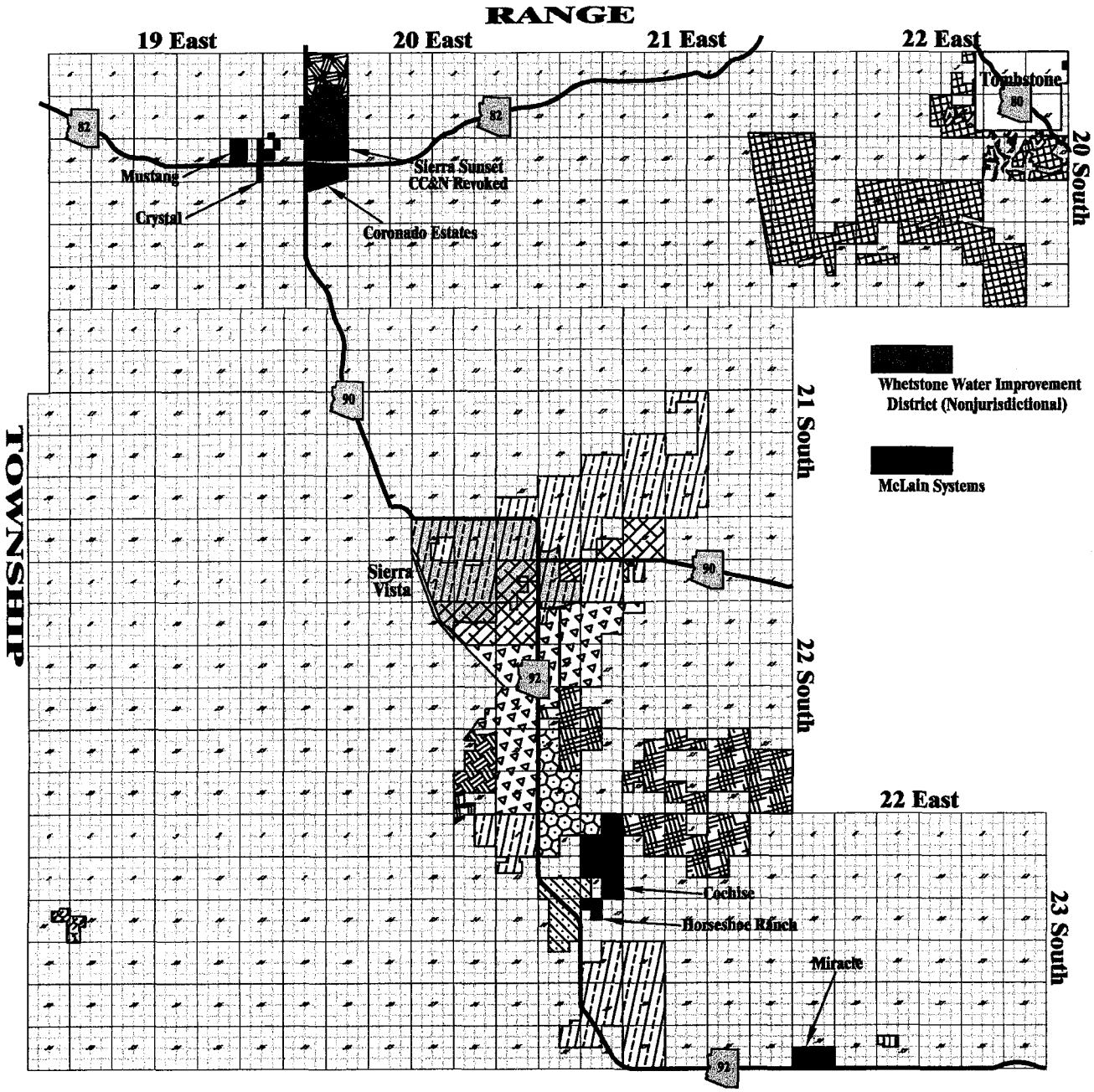
Southern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULES
STATEMENT OF CHARGES

Exhibit
Schedule 5
Page 1
Witness: Bourassa

LINE NO.		Proposed
1	A. Establishment of Service per Rule R14-2-403.D	$ 25.00
2	Establishment of Service, after hours	$ 35.00
3	per rule R14-2-403.D.2	
4		
5	B. Re-establishment of Service per Rule 14-2-403.D	see (a)
6		
7	C. Reconnection of service per Rule R14-2-403.D.1	$ 35.00
8		
9	D. Charge for moving meter at customer request per	
10	Rule R14-2-405.B.5	@ Cost
11		
12	E. After hours service charge, per hour, R14-2-403.D	$ 50.00
13		
14	F. Minimum Deposit per Rule R-14-2-403.B	Cost
15		
16	H. Meter Reread per Rule R14-2-408	$ 5.00
17		
18	I. Charge for NSF Check per Rule R14-2-409.F.1	$ 15.00
19		
20	J. Late payment charge for delinquent bills	
21	as defined in Rule R14-2-409.C.1	1.50%
22		
23	K. Deferred Payment Finance Charge, R14-2-409.G	1.50%
24		
25	L. Service Line and Meter Installation per R14-12-405.B	
26	5/8 x 3/4 inch	$ 410.00
27	3/4 inch	$ 410.00
28	1 inch	$ 520.00
29	1 1/2 inch	$ 660.00
30	2 Inch - Turbo	$ 1,155.00
31	2 inch - Compound	$ 1,720.00
32	3 inch - Turbo	$ 1,625.00
33	3 Inch - Compound	$ 2,260.00
34	4 Inch - Turbo	$ 2,500.00
35	4 inch - Compound	$ 3,200.00
36	6 Inch - Turbo	$ 4,500.00
37	6 inch - Compound	$ 6,300.00
38	8 inch	$ 8,200.00
39		
40	M. Main Extension and additional facilities agreements,	
41	per Rule R14-2-406.B	@ COST (b)
42		
43	N. All Revenue related taxes will be charged customers.	
44		
45	RULES AND REGULATIONS	
46	* The Company has adopted the Rules and Regulation established by the Commission	
47	as the basis for its operating procedures. AAC R14-204-01 Through ACC R14-2-411	
48	will be controlling of Company procedures, unless specific Commission Orders	
49	provide otherwise.	
50	(a) Monthly minimum times months off the system	
51	(b) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.	
52	(c) If meter is reading correct per rule.	
53		
54		

EXHIBIT

9



W-2327 Antelope Run Water Company

W-1445 Arizona Water Company

W-2465 Bella Vista Water Company, Inc.

W-2672 Cloud Nine Water Company, Inc.

W-1868 Cochise Water Company, Inc.

W-1629 Coronado Estates Water Company

W-2316 Crystal Water Company

W-1906 East Slope Water Company

W-1896 Holiday Water Company

W-2235 Horseshoe Ranch Water Company

W-2031 Indiada Water Company, Inc.

W-1961 Lucky Hills Water Company

W-1646 Miracle Valley Water Company, Inc.

W-2230 Mustang Water Company

W-1602 Nicksville Water Company, Inc.

W-1443 Palominas Development Company

W-1853 Parker Springs Water Company

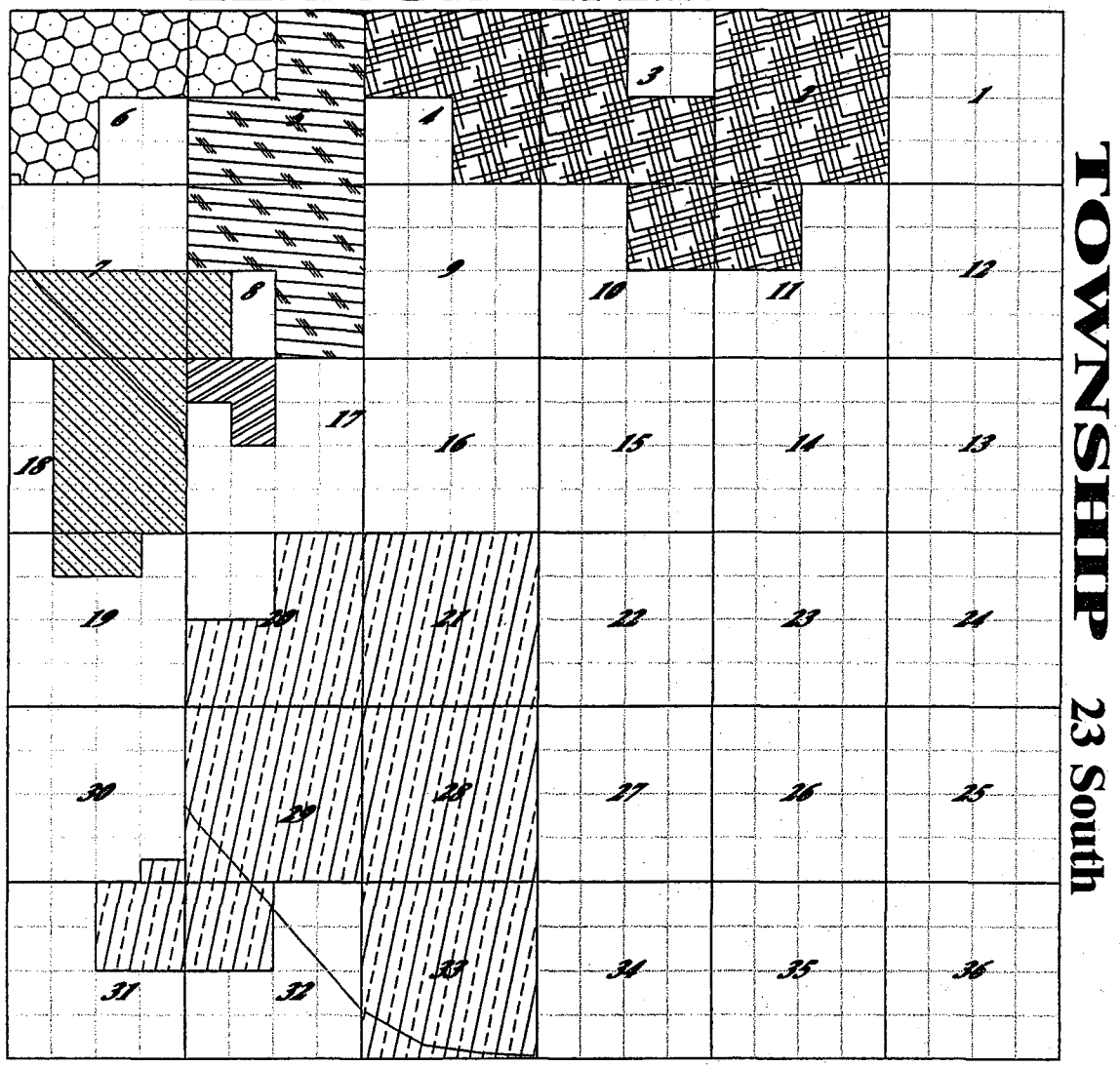
W-2208 Pueblo del Sol Water Company

W-2062 Southland Utilities Company, Inc.

W-2355 Sulger Water Company #2

COUNTY: *Cochise*

RANGE 21 East



W-2465 (6)
Bella Vista Water Company, Inc.

W-1868 (1)
Cochise Water Company, Inc.

W-1906 (2)
East Slope Water Company

W-2235 (1)
Horseshoe Ranch Water Company

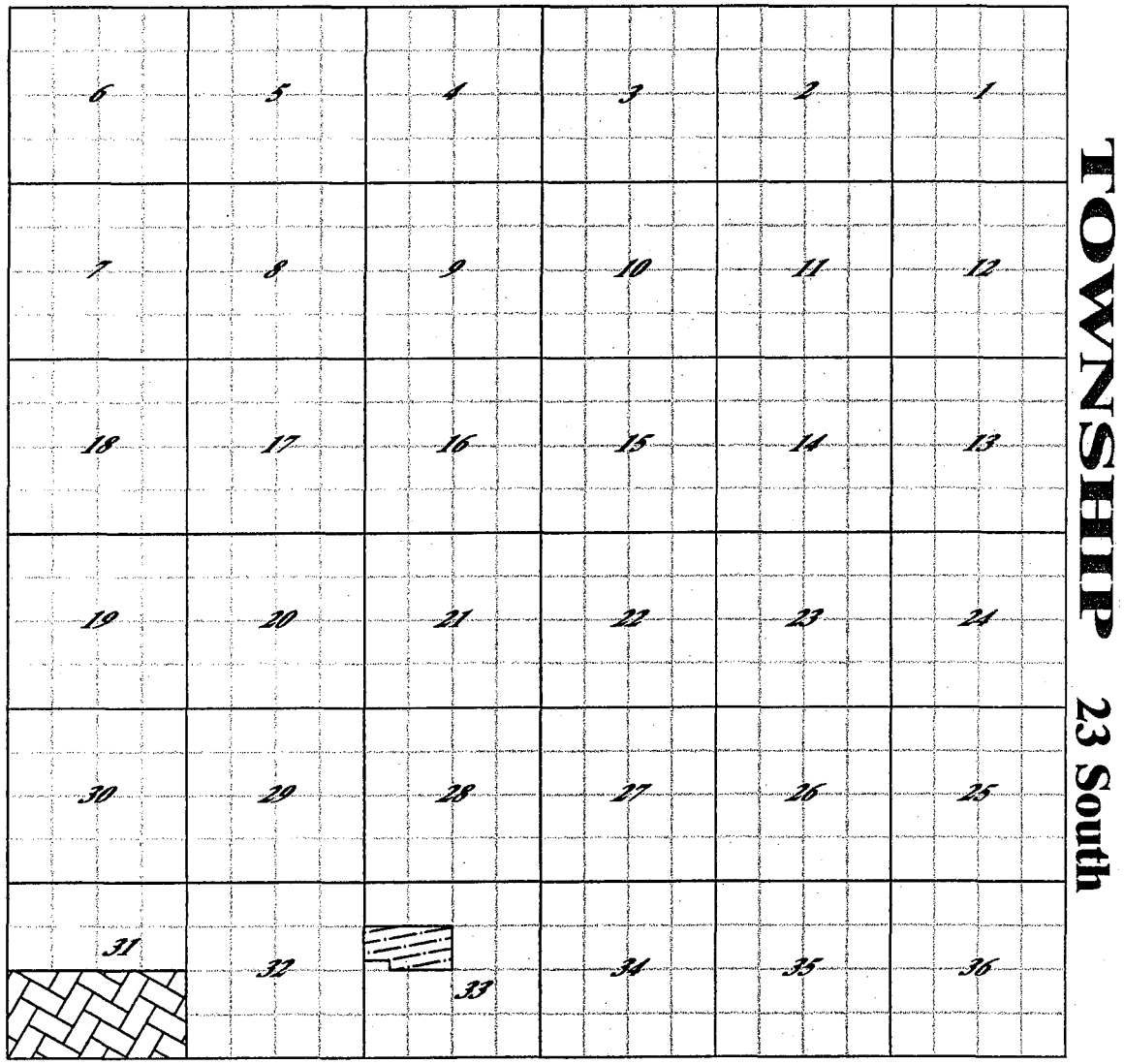
W-1602 (1)
Nicksville Water Company, Inc.

W-2062 (2)
Southland Utilities Company, Inc.

TR23S21E 12 JUN 1997

COUNTY: *Cochise*

RANGE 22 East



W-1646 (1)
Miracle Valley Water Company, Inc.

W-1443 (1)
Palominas Development Company

TR23S22E 12 OCT 1987

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF MIRACLE VALLEY WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE OPERATION OF A WATER SYSTEM IN THE AREA DESCRIBED HEREINAFTER.

DOCKET NO. U-1646 DECISION NO. 31741

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Douglas, Arizona on May 21, 1959.

Applicants were represented by William Kimble, attorney, who presented testimony, both oral and documentary, and from the testimony, files and records in the matter, the Commission is of the opinion that applicants have complied with the statutes of Arizona and with the rules and regulations of the Commission for the issuance of a certificate of convenience and necessity.

The application was unopposed and in the opinion of the Commission, the application contemplates a service in the public interest.

It further appears that the application does not conflict with any other person or corporation furnishing a service of like character within the area sought to be certificated and that a need and demand has been established and exists for the proposed service supporting a finding of convenience and necessity therefore.

WHEREFORE, IT IS ORDERED that the application be, and it is hereby, approved and this order shall constitute and be a certificate of convenience and necessity as contemplated by the provisions of Section 40-281, A.R.S., authorizing applicant herein to construct, operate and maintain a public water system within the area described as the S½ of Section 31, Twp. 23 S., Range 22 E., G. & S. R. B. & M., Cochise County, Arizona, and to furnish a domestic and commercial water service in the area.

The rates and charges which are approved and which shall be charged as follows:

DOCKET NO. U-1646 DECISION NO. 31741

Applicants propose to charge a flat fee of $5.00 for the first 5,000 gallons of water consumed, and to charge an additional 20¢ for each 1,000 gallons in excess thereof.

All other rates and charges shall be in accordance with General Order U-4, Rules and Regulations for Domestic Water Companies, which became effective as of January 15, 1955.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 12th day of August, 1959.

Francis J. Byrnes
FRANCIS J. BYRNES
SECRETARY

Arizona Corporation Commission
DOCKETED
AUG 12 1959
DOCKETED BY L.F.

Copy mailed to the following —
Mr. William E. Rimble
Secretary
Docket.

COCHISE COCHISE ~~COCHISE~~

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF COCHISE WATER CO., A CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT AND OPERATE A WATER SYSTEM NEAR HEREFORD, COUNTY OF COCHISE, STATE OF ARIZONA, AND MORE PARTICULARLY DESCRIBED AS LOTS 1 AND 2 AND THE SOUTH HALF OF THE NORTHEAST QUARTER AND THE SOUTH HALF OF SECTION 5; AND THE EAST HALF AND THE NORTHWEST QUARTER OF SECTION 8, ALL IN TOWNSHIP 23 SOUTH, RANGE 21 EAST, G. & S. R. B. & M., COCHISE COUNTY, ARIZONA.

DOCKET NO. U-1868 DECISION NO. 34147

Arizona Corporation Commission DOCKETED OCT 31 1962 DOCKETED BY el

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing on October 18, 1962, on application of COCHISE WATER CO., a corporation, for a certificate of convenience and necessity to serve water in the area hereinafter described. Said hearing was held in Tucson, Arizona.

Applicant was represented by its attorney, Dushan S. Vlahovich, who presented testimony, both oral and documentary, in support of the application. From the testimony presented, the Commission is of the opinion that there is a need and demand for such service and that there is no other person or corporation furnishing a like service in the area sought to be served. It further appears that applicant is financially able to operate the system, and that the granting of the application would be in the public interest. There was no appearance in opposition to the granting of the application.

WHEREFORE, IT IS ORDERED that the application be and the same is hereby approved, and applicant is by virtue of this order granted a certificate of convenience and necessity to operate a water system under the rules and regulations of this Commission in the area more particularly described as follows:

> Lots 1 and 2 and the South half of the Northeast quarter and the South half of Section 5; and the East half and the Northwest quarter of Section 8, all in Township 23 South, Range 21 East, G. & S. R. B. & M., Cochise County, Arizona.

PLATTED NOV 15 1962

It is further ordered that the following rates for water service submitted at the hearing are hereby approved:

$7.00 per 3,000 gallons, minimum	)	per calendar
$0.70 per 1,000 gallons thereafter	)	month

Above rates are per calendar month, said rates and charges are further to be at all times in accord with the rules and regulations of the Arizona Corporation Commission.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 31st day of October, 1962.

FRANCIS J. BYRNES

A. C. Corbett
Acting Secretary

[illegible] 11-2-62 [illegible]
[illegible] Vlahovich
[illegible] Pres
[illegible] Sec
[illegible] Co. Rd. Supr
[illegible]
[illegible]

BEFORE THE ARIZONA CORPORATION COMMISSION

AL FARON
Chairman
CHARLES H. GARLAND
Commissioner
RUSSELL WILLIAMS
Commissioner

IN THE MATTER OF THE APPLICATION OF MAURICE M. SINKS AND E. ELIZABETH SINKS, HUSBAND AND WIFE, DBA RANCH WATER CO., FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION, OPERATION AND MAINTENANCE OF A DOMESTIC WATER UTILITY IN THE AREA DESCRIBED AS THE NORTH HALF ($N\frac{1}{2}$) OF THE NORTHWEST QUARTER ($NW\frac{1}{4}$) AND THE SOUTHEAST QUARTER ($SE\frac{1}{4}$) OF THE NORTHWEST QUARTER ($NW\frac{1}{4}$) OF SECTION 17, TOWNSHIP 23 SOUTH, RANGE 21 EAST, G&SRB&M, COCHISE COUNTY, ARIZONA.

DOCKET NO. U-2235 DECISION NO. 43538

OPINION AND ORDER

BY THE COMMISSION:

The above-entitled and numbered matter came on for hearing before Chairman Al Faron sitting in Tucson, Arizona, on July 12, 1973.

Applicant was represented by its attorney, Sidney L. Kain, and there was no appearance in opposition to the application.

The transcript of said hearing has now been read by each Commissioner, and it is their opinion that based on the testimony presented, and the records and files in the matter, a need and demand does exist for such service, and the granting of the application would be in the public interest.

WHEREFORE, IT IS ORDERED that this order shall constitute and be a certificate of convenience and necessity, pursuant to §40-281, Arizona Revised Statutes, authorizing Applicant herein to construct, operate and maintain a public domestic water utility in the area described as the North Half ($N\frac{1}{2}$) of the Northwest Quarter ($NW\frac{1}{4}$) and the Southeast Quarter ($SE\frac{1}{4}$) of the Northwest Quarter ($NW\frac{1}{4}$) of Section 17, Township 23 South, Range 21 East, G&SRB&M, Cochise County, Arizona.

IT IS FURTHER ORDERED that the rates approved and which shall apply for Applicant within the above described area are as follows:

DOCKET NO. U-2235 DECISION NO. 43538

$6.00 per month for the first 2,000 gallons of water used per month per customer

$1.00 per 1,000 gallons for all water used per month per customer in excess of of the first 2,000 gallons.

IT IS FURTHER ORDERED that all connections shall be metered at the time the initial service is installed.

IT IS FURTHER ORDERED that all other rates and charges shall be in compliance with Rules and Regulations Relating to the Operation of Domestic Water Utilities Companies, effective December 9, 1965.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, GEORGE M. DEMPSEY, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 3rd day of August, 1973.

GEORGE M. DEMPSEY
EXECUTIVE SECRETARY

transferred to horseshoe ranch Feb 3, 1988 dec # 55878

EXHIBIT

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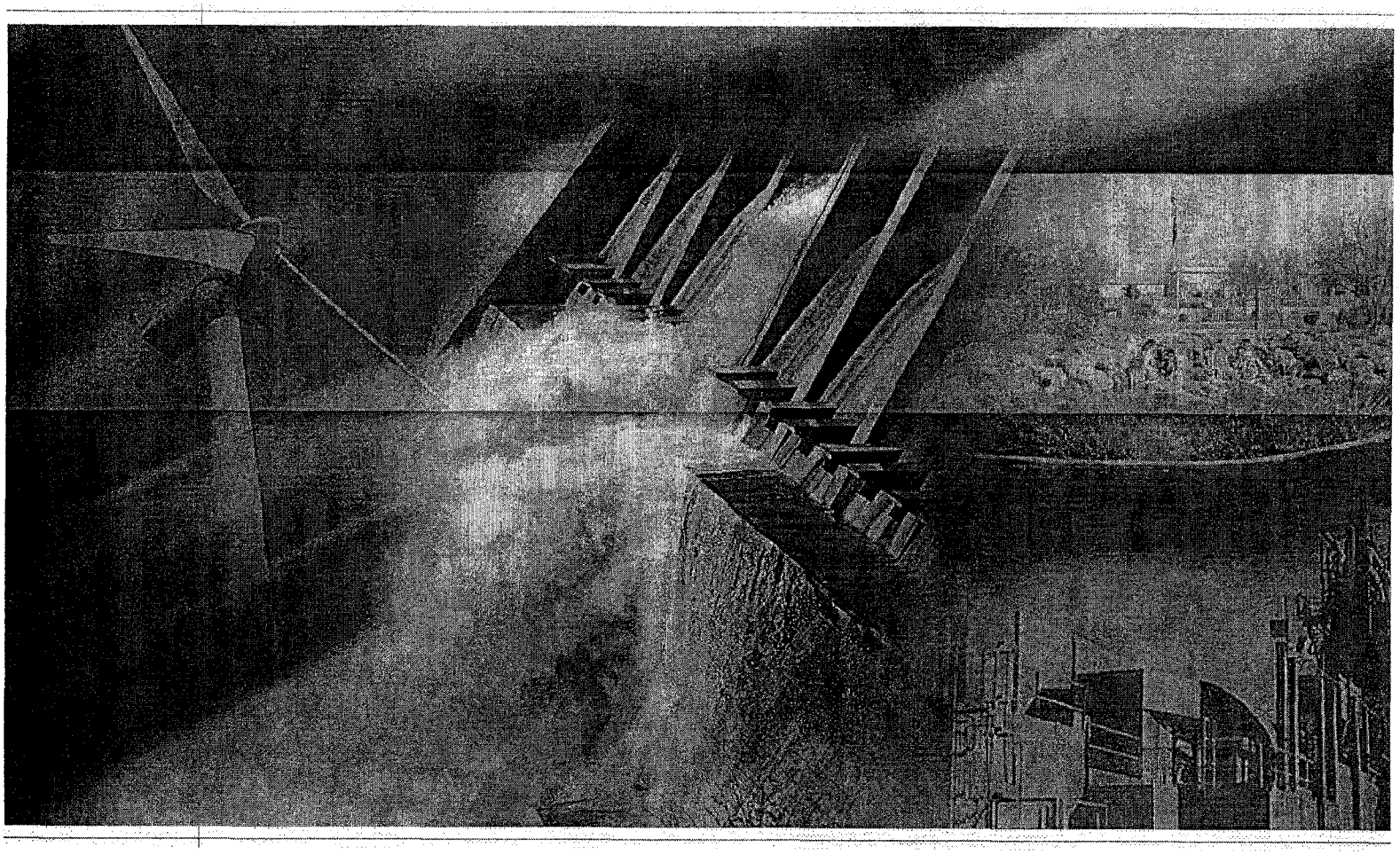

AUDITORS' REPORT
FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
2005

ALGONQUIN POWER
Income Fund

Auditors' Report

To the Unitholders of Algonquin Power Income Fund

We have audited the consolidated balance sheets of Algonquin Power Income Fund as at December 31, 2005 and 2004 and the consolidated statements of earnings and deficits and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

(signed) KPMG LLP

Toronto, Canada
March 7, 2006

Consolidated Balance Sheets

December 31, 2005 and December 31, 2004
(thousands of Canadian dollars)

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 11,363	$ 34,348
Accounts receivable	29,206	25,819
Prepaid expenses	1,918	2,060
Current portion of notes receivable (note 3)	2,791	2,589
Future income tax asset (note 11)	-	18
	45,278	64,834
Long-term investments (note 3)	57,489	48,561
Future non-current income tax asset (note 11)	7,719	6,425
Capital assets, net of accumulated amortization (note 4)	627,652	610,756
Intangible assets, net of accumulated amortization (note 5)	76,848	83,677
Restricted cash	3,458	3,728
Deferred costs (net of accumulated amortization of $2,425, (2004 - $1,383)	5,357	6,815
	$ 823,801	$ 824,796
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 28,585	$ 33,105
Due to Algonquin Power Group (note 12)	62	99
Cash distribution payable	10,677	10,677
Current portion of long-term liabilities (notes 7 and 9)	1,445	1,666
Current income tax liability	435	596
Future income tax liability (note 11)	1,143	1,449
	42,347	47,592
Long-term liabilities (notes 6 and 7)	157,002	120,085
Convertible debentures (note 8)	85,000	85,000
Other long-term liabilities (note 9)	10,435	8,960
Deferred credits	19,102	12,124
Future non-current income tax liability (note 11)	56,917	55,764
Unitholders' equity		
Trust units (note 10)	654,176	654,176
Deficit	(201,178)	(158,905)
	452,998	495,271
Commitments and contingencies (notes 2 and 13)		
Guarantees (note 20)		
Subsequent events (note 21)		
	$ 823,801	$ 824,796

See accompanying notes to the consolidated financial statements

Approved by the Trustees (signed) George Steeves (signed) Ken Moore

Consolidated Statements of Earnings and Deficit

For the years ended December 31, 2005 and December 31, 2004
(thousands of Canadian dollars except per trust unit)

	2005	2004
Revenue		
Energy sales	$ 136,038	$ 122,981
Waste disposal fees	13,031	14,086
Water reclamation and distribution	28,371	23,456
Other revenue	1,884	-
	179,324	160,523
Expenses		
Operating	106,691	94,640
Amortization of capital assets	27,325	26,730
Amortization of intangible assets	6,463	5,565
Management costs (note 12)	825	777
Administrative expenses	5,681	5,596
Withholding taxes	1,177	483
Gain on foreign exchange	(1,744)	(2,601)
	146,418	131,190
Earnings before undernoted	32,906	29,333
Interest expense	(16,379)	(12,440)
Interest, dividend and other income (note 17)	11,398	10,943
Write down of fixed assets and intangible assets (notes 4 and 5)	(3,533)	(1,932)
	(8,514)	(3,429)
Earnings before income taxes and minority interest	24,392	25,904
Current income taxes (note 11)	854	1,105
Future income taxes (note 11)	1,750	1,180
	2,604	2,285
Minority interest	-	817
Net earnings	21,788	22,802
Deficit, beginning of year	(158,905)	(118,337)
Cash distributions (note 15)	(64,061)	(63,370)
Deficit, end of year	$ (201,178)	$ (158,905)
Basic and diluted net earnings per trust unit (note 16)	$ 0.31	$ 0.33

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31, 2005 and December 31, 2004
(thousands of Canadian dollars)

	2005	2004
Operating Activities		
Net earnings	$ 21,788	$ 22,802
Items not affecting cash		
Amortization of capital assets	27,325	26,730
Amortization of intangible assets	6,463	5,565
Other amortization	1,339	2,331
Minority interest	-	817
Distribution received in excess of equity income	208	(16)
Future income taxes	1,750	1,180
Write down of fixed and intangible assets	3,533	1,932
AirSource commitment fee (note 3)	3,228	500
Gain on foreign exchange	(2,023)	(2,460)
	63,611	59,381
Changes in non-cash operating working capital	(7,932)	7,204
	55,679	66,585
Financing Activities		
Cash distributions	(64,061)	(63,370)
Issue costs of trust units	-	(700)
Convertible debenture issue (note 8)	-	85,000
Expenses of convertible debenture issue (note 8)	205	(4,100)
Deferred costs	(1,154)	(2,305)
Increase in long-term liabilities	93,080	30,000
Decrease in long-term liabilities	(55,310)	(71,969)
Deferred credits	(290)	426
Other	317	(1,117)
	(27,213)	(28,135)
Investing Activities		
Decrease in restricted cash	270	235
Receipt of principal on notes receivable	9,697	21,988
Additions to capital assets	(15,912)	(17,336)
Acquisition of notes receivable	(16,241)	(13,917)
Acquisitions of operating entities net of cash acquired (note 2)	(28,952)	(15,159)
	(51,138)	(24,189)
Effect of exchange rate differences on cash and cash equivalents	(313)	(1,151)
Increase / (decrease) in cash and cash equivalents	(22,985)	13,110
Cash and cash equivalents, beginning of year	34,348	21,238
Cash and cash equivalents, end of year	$ 11,363	$ 34,348
Supplemental disclosure of cash flow information		
Cash paid during the year for interest expense	$ 15,753	$ 9,441
Cash paid during the year for income taxes	$ 871	$ 1,624
Non-cash		
Issue of trust units to retire convertible debentures of KMS	$ -	$ 16,663

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars except as noted and per trust unit)

Algonquin Power Income Fund (the "Fund") is an open-ended, unincorporated trust established pursuant to the Declaration of Trust dated September 8, 1997, as amended, under the laws of the Province of Ontario. The Fund's principal business activity is the ownership, directly or indirectly, of generating and infrastructure facilities, through investments in securities of subsidiaries including limited partnerships and other trusts. The activities of the subsidiaries may be financed through equity contributions, interest bearing notes and third party project debt as described in the notes to the financial statements. The revolving credit facility and the convertible debentures are direct obligations of the Fund.

The Trustees declare on a monthly basis, distributions to the Unitholders. Currently such distributions are $0.92 per unit on an annualized basis.

The Fund is managed by Algonquin Power Management Inc. ("APMI"), a company wholly owned by the four principal employees of APMI who provide management services for the Fund. A majority of the shareholders of APMI indirectly own Algonquin Airlink Limited Partnership which owns an aircraft the Fund charters. The shareholders of APMI own Algonquin Property LP which leases the corporate office to the Fund. Collectively, these entities are referred to as the Algonquin Power Group.

1. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in Canada and include the consolidated accounts of all of its subsidiaries. The Fund consolidates its proportionate share in the Valley Power Limited Partnership.

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"). AcG-15 addresses the application of consolidation principles to certain entities that are subject to control on a basis of control other then ownership of voting interests. AcG-15 addresses when an enterprise should include the assets, liabilities and results of activities of such an entity in its consolidated financial statements. The Fund adopted AcG-15 on a retroactive basis. The adoption had no impact on net earnings or opening deficit.

All significant intercompany transactions and balances have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents include cash deposited at banks and highly-liquid investments with original maturities of 90 days or less.

(c) Restricted cash

Cash reserves segregated from the Fund's cash balances are maintained in accounts administered by a separate agent and disclosed separately in these consolidated financial statements as the Fund cannot access this cash without the prior authorization of parties not related to the Fund.

(d) Capital assets

Capital assets, being land, facilities and equipment, are recorded at cost. Development costs, including the cost of acquiring or constructing facilities together with the related interest costs during the period of construction are capitalized. Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

The facilities and equipment, which include overhauls, are amortized on a straight-line basis over their estimated useful lives. For facilities these periods range from 15 to 40 years. Facility equipment is amortized over 2 to 10 years.

(e) Intangible assets

Power purchase contracts acquired are amortized on a straight-line basis over the remaining term of the contract. These periods range from 6 to 15 years from date of acquisition.

Customer relationships are amortized on a straight-line basis over 40 years.

(f) Impairment of long-lived assets

The Fund reviews capital assets and intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to expected future cash flows. If the carrying amount exceeds the expected future cash flows, the asset is written down to its fair market value.

(g) Notes receivable

Notes receivable are carried at cost. A provision for credit losses on notes receivable is charged to the statement of earnings and deficit to cover any losses of principal and accrued interest.

(h) Deferred costs

Deferred costs, which include the costs of arranging the credit facility, costs associated with the issuance of convertible debentures, costs associated with periodic customer rate reviews with the utility governing bodies for the water reclamation and distribution facilities, are amortized on a straight-line basis over the term of the expected benefit being 2 to 7 years.

(i) Long-term investments

Investments in which the Fund has significant influence but not control or joint control are accounted using the equity method. The Fund records its share in the income or loss of its investees in interest, dividend and other income in the consolidated statement of earnings and deficit. All other equity investments where the Fund does not have significant influence or control are accounted for under the cost method. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in value, distributions of earnings and additional investments.

(j) Deferred credits

Certain of the water companies receive advances from developers for water and sewage main extensions. The amounts advanced are generally repaid over a period of 10 years based on 10% of the revenues generated by the housing/development in the area developed. Generally, advances not refunded within the specified period are not required to be repaid. The estimate of non-refundable amounts is credited against capital assets. The Fund also receives contributions in aid of construction with no repayment requirements in which the full amount is immediately treated as a capital grant and netted against capital assets.

Deferred water rights result from a hydroelectric generating facility which has a fifty-year water lease with the first ten years of the water lease requiring no payment. An average rate was estimated over the life of the lease and a deferral was booked based on this estimate which is being drawn down in the last forty years.

Commitment fees received associated with the financing to AirSource are amortized over the term of the financing facility, being 9 years (note 3).

(k) Recognition of revenue

Revenue derived from energy sales, which are mostly under long-term power purchase contracts, is recorded at the time electrical energy is delivered.

Water reclamation and distribution revenues are recorded when delivered to customers.

Revenue from waste disposal is recognized on actual tonnage of waste delivered to the plant at prices specified in the contract. Certain contracts include price reductions if specified thresholds are exceeded. Revenue for these contracts are recognized based on actual tonnage at the expected price for the contract year and any amount billed in excess of the expected rate is deferred.

Interest and dividend income from long-term investments is recorded as earned.

(l) Foreign currency translation

The Fund's United States subsidiaries and partnership interests are considered to be functionally integrated with the Canadian operations. All monetary assets and liabilities denominated in United States dollars are translated into Canadian dollars at year-end exchange rates, whereas non-monetary assets and liabilities are translated at the rate in effect at the transaction date. The revenues and expenses of these integrated operations are translated at the average rate of exchange in effect during the period. The foreign currency translation adjustment is reflected in the consolidated statement of earnings and deficit. Amortization of assets translated at historical exchange rates are translated at the same exchange rate as the assets to which they relate.

(m) Derivatives contracts

The Fund enters into forward contracts to hedge against possible fluctuations in its exposure to the US dollar. Gains and losses from these activities are reported as adjustments to the related revenue account as they are settled and no balance is carried on the consolidated balance sheet.

The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(n) Asset retirement obligations

The fair value of estimated asset retirement obligations is recognized in the consolidated balance sheets when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and included in amortization expense on the consolidated statement of earnings and deficit. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of earnings and deficit. Actual expenditures incurred are charged against the accumulated obligation.

(o) Income taxes

As the Fund is an unincorporated trust, it is entitled to deduct distributions to unitholders to the extent of its taxable income and consequently, it is expected that the Fund will not be liable for any material tax as this will be the responsibility of the individual unitholder. Any provision for income taxes will relate solely to the income taxes of the Fund's wholly owned subsidiaries.

Income taxes are accounted for using the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against future tax assets to the extent that it is more likely than not the future tax asset will not be realized.

(p) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. During the years presented, management has made a number of estimates and valuation assumptions, including the useful lives and recoverability of capital assets and intangible assets, the recoverability

of notes receivable and long-term investments, the recoverability of future tax assets, the portion of aid-in construction payments that will not be repaid, and the fair value of financial instruments and derivatives. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

(q) Comparatives

Certain comparative amounts have been reclassified to conform with current year financial presentation.

2. Acquisitions

A) i) On March 11, 2005, the Fund purchased all the assets used in the operation of five water distribution and water reclamation facilities ("the systems") for cash consideration of $11.2 million (US $ 9.4 million). A deposit in the amount of $1.4 million (US $1.0 million) was paid in 2004. The systems, which in aggregate serve approximately 4,200 equivalent residential connections, are located in Texas and Illinois. The purchase and sale agreement provided for the acquisition of 3 additional assets, subject to regulatory approval, located in Missouri serving approximately 1,000 customers, for a purchase price of $4.6 million (US $3.8 million). On August 14, 2005, the Fund received approval from the regulator and completed the Missouri acquisitions. The Fund also incurred $0.4 million (US $0.3 million) of acquisition costs.

ii) On September 21, 2005, the Fund purchased the Beaver Falls Hydro Plant, a 2.5 MW hydro electric generating station located in Beaver Falls, New York, for cash consideration of $1.0 million (US $0.8 million). Electrical energy produced by the facility is sold to Niagara Mohawk under a power sales contract which expires in 2019. The Fund also incurred $0.1 million (US $0.1 million) of acquisition costs. The Fund has included $1.8 million (US $1.5 million) in deferred credits related to below market hydro rates in the power purchase agreement which will be amortized over the term of the agreement.

iii) On December 2, 2005, the Fund acquired the shares of Rio Rico Utilities Inc. ("Rio Rico") located in the Town of Rio Rico, Arizona, for $10.2 million (US $8.8 million), in the Infrastructure operating segment. The company owns and operates the potable water distribution and water reclamation utility assets. The Fund also incurred $0.2 million (US $0.2 million) of acquisition costs. The Fund will also pay to the vendor for additional customers connected with Rio Rico over the next three years. At December 31, 2005, Rio Rico services approximately 7,200 water and wastewater customers.

The acquisitions have been accounted for using the purchase method, with earnings from operations included since the date of acquisition. The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Infrastructure	Hydroelectric	Total
Working capital	$ 609	$ -	$ 609
Fixed assets	19,647	2,910	22,557
Intangible assets	3,361	-	3,361
Future non-current income tax asset	3,369	-	3,369
Customer deposits	(154)	-	(154)
Deferred credits	(163)	(1,770)	(1,933)
Total purchase price	26,669	1,140	27,809
Less: cash acquired	(187)	-	(187)
Less: deposit paid in 2004	(1,368)	-	(1,368)
Cash consideration paid	$ 25,114	$ 1,140	$ 26,254

Intangible assets in infrastructure include customer relationships that are amortized over 40 years.

B) On September 30, 2004, the Fund acquired an interest in 12 landfill gas powered generating stations (the "LFG Facilities") representing approximately 36MW of installed capacity for total consideration of $11,374 (US $9,000). The majority of the LFG facilities were commissioned in the late 1990's. The electricity produced is sold to a number of large utilities pursuant to long-term power purchase agreements with an average termination date of 2011.

The acquisition has been accounted for using the purchase method, with earnings from operations included from the date of acquisition.

The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Alternative Fuels
Working capital	$ 1,350
Capital assets	8,621
Intangible assets	1,746
Total purchase price	11,717
Less: cash acquired	(343)
Cash consideration paid	$ 11,374

Intangible assets represent the value of power purchase contracts acquired with the LFG facilities and are amortized over the remaining life of the contracts from date of acquisition ranging from 1 to 16 years.

C) In accordance with the purchase and sale agreements of Litchfield Park and Woodmark Utility Company additional amounts are required to be paid to the vendors for additional customers connected to the facilities. For Litchfield Park, these payments continue until 2008 and for Woodmark until 2007. The additional payments of $2,698 (2004-$3,783) are capitalized as part of the customer relationship intangible asset, gross of future income taxes of $1,627 (2004-$2,279).

	2005	2004
Litchfield Park	$ 2,584	$ 3,624
Woodmark	114	159
	$ 2,698	$ 3,783
In US$	$ 2,300	$ 2,944

3. Long-term investments

	2005	2004
Debt and equity interests, ranging in ownership between 12.1% to 32.4%, in four generating facilities.	$ 27,346	$ 30,556
A 45% partnership interest in the Algonquin Power (Rattle Brook) Partnership	3,719	3,787
A 50% partnership interest in Campbellford Limited Partnership	392	-
	31,457	34,343
Campbellford Note Note bearing interest of 9.9415% repayable in monthly blended installments (principal and interest) of $32, maturing February 28, 2015.	-	3,023
Across America Note Note bearing interest of 12.00% repayable in quarterly installments, (principal and interest) of US$ 635, maturing January 31, 2008.	6,185	8,004
Airsource Note Note bearing interest of 11.189% maturing September 30, 2014. Interest decreases to 10.739% after conversion. No principal payments until January 1, 2009.	20,481	5,512
Airlink Advance (note 12) Advance for expense reimbursement for business use of aircraft	1,212	-
Other	945	268
	28,823	16,807
	60,280	51,150
Less: current portion	2,791	2,589
	$ 57,489	$ 48,561

The above notes are secured by the underlying assets of the respective facilities.

On September 1, 2005, the principal on the Campbellford Note of $4,738 was repaid. On this date, consolidation of the Campbellford investment ceased and equity accounting commenced. The proceeds of $4,738 were allocated to reduce the existing note receivable and the existing investment in Campbellford. A prepayment fee is due as a result of the early prepayment and included in other above.

During 2005, the Fund has provided an additional $14,969 of financing to AirSource Power Fund I LP ("AirSource") for the construction of the wind farm in St. Leon and $15,395 in letters of credit. The total outstanding balance at December 31, 2005 was $20,481. The Fund received a $3,228 commitment fee in 2005, which has been deferred and is being amortized over the term of the financing facility being 9 years. The Fund's total commitment to AirSource is $74,400.

4. Capital assets

	2005		
	Cost	**Accumulated amortization**	**Net book value**
Land	$ 11,504	$ -	$ 11,504
Facilities	712,845	104,650	608,195
Equipment	14,584	6,631	7,953
	$ 738,933	$ 111,281	$ 627,652

Facilities include $90,296 (2004 - $89,889) of net assets under capital lease and $8,433 (2004 - $849) of construction in process. In addition, $11,329 (2004 - $18,557) of contributions received in aid of construction have been credited to facilities cost.

The Fund has entered into an agreement to sell steam from the Algonquin Power Energy-from-Waste facility to an industrial customer located in close proximity to the Algonquin Power Energy-from-Waste facility. To effect such sales, the Fund will incur the costs of certain additional steam generation and transmission assets. The Fund has committed to contractual arrangements to the project totaling approximately $9,800. The Fund has incurred amounts totaling $2,418 (2004 -$849) included in assets under construction. APC is entitled to 50% of the cashflow above 15% return on investment.

During 2005, the Fund wrote down the cost of both the capital asset and intangible asset related to the Crossroads facility located in New Jersey to its estimated fair value.

	2004		
	Cost	**Accumulated amortization**	**Net book value**
Land	$ 11,504	$ -	$ 11,504
Facilities	676,120	85,228	590,892
Equipment	12,623	4,263	8,360
	$ 700,247	$ 89,491	$ 610,756

During 2004, the Fund wrote off the cost of both the capital asset and intangible asset related to the Joliet facility located in Illinois. Management deemed that the facility was no longer economically viable.

5. Intangible assets

	2005		
	Cost	Accumulated amortization	Net book value
Power purchase contracts	$ 73,966	$ 25,234	$ 48,732
Customer relationships	29,109	1,167	27,942
Licenses and agreements	696	522	174
	$ 103,771	$ 26,923	$ 76,848

	2004		
	Cost	Accumulated amortization	Net book value
Power purchase contracts	$ 73,966	$ 11,417	$ 62,549
Customer relationships	21,423	528	20,895
Licenses and agreements	696	463	233
	$ 96,085	$ 12,408	$ 83,677

6. Revolving credit facility

In August 2005, the Fund renewed its revolving credit facility with a syndicate of Canadian banks. The credit facility matures August 30, 2007, and has a total credit limit of $145,000 and includes a $20,000 operating line. At December 31, 2005, $69,300 (2004 - $30,000) has been drawn on the revolving credit facility and no amount was outstanding on the operating line. In addition, the availability of the revolving credit facility has been reduced by $44,883 (2004- $30,878) for certain outstanding letters of credit. The terms of the credit agreement require the Fund to pay a standby charge of 0.30% on the unused portion of the revolving credit facility and maintain certain financial covenants. The facility is secured by a fixed and floating charge over all Fund entities.

7. Long-term liabilities

	2005	2004
Senior Debt Long Sault Rapids		
Interest at rates varying from 10.16% to 10.21% repayable in monthly blended installments of $402, maturing December, 2028.	$ 42,868	$ 43,310
Senior Debt Chute Ford		
Interest rate of 11.55% repayable in monthly blended installments of $64, maturing April, 2020.	5,335	5,473
Sanger Bonds		
California Pollution Control Finance Authority Variable Rate Demand Resource Recovery Revenue Bonds Series 1990A, payable monthly, maturing September, 2020. US $19,200. The effective interest rate for 2005 is 2.50%. (2004 - 1.29%).	22,385	23,109
Bella Vista Water Loans		
Water Infrastructure Financing Authority of Arizona Interest rates of 6.10% and 6.26% repayable in monthly and quarterly installments, maturing December, 2017 and March, 2020. The balance of these notes at December 31, 2005 was US $134 and US $1,802 respectively (2004 - US $141 and US $1,872).	2,257	2,422
Litchfield Park Service Company Bonds		
1999 and 2001 IDA Bonds. Interest rates of 5.87% and 6.71% repayable in semi-annual installments, maturing October 2023 and October 2031. The balance of these notes at December 31, 2005 was US $5,086 and US $8,339, respectively (2004 - US $5,254 and US $8,423).	15,653	16,462
Revolving credit facility (note 6)		
Revolving line of credit interest rate is equal to bankers acceptance or LIBOR plus 1.125 %. The effective rate of interest for 2005 was 4.16% (2004 - 4.56%).	69,300	30,000
Other	209	241
	$ 158,007	$ 121,017
Less: current portion	(1,005)	(932)
	$ 157,002	$ 120,085

Each of the facility level debt is secured by the respective facility with no other recourse to the Fund. The loans have certain financial covenants, which must be maintained on a quarterly basis. Non compliance with the covenants could restrict cash distributions to the Fund from specific facilities. Interest paid on the long-term liabilities was $9,588 (2004 - $12,000).

Principal payments due in the next five years and thereafter are:

2006	$ 1,005
2007	1,097
2008	70,503
2009	1,313
2010	1,440
Thereafter	82,649
	$ 158,007

8. Convertible debentures

In 2004, the Fund issued 85,000 convertible unsecured subordinated debentures at a price of $1 per debenture for gross proceeds of $85,000 and net proceeds of $81,105. The debenture issue costs of $3,895 are deferred and amortized over the term of the convertible debentures. The debentures are due July 31, 2011 and bear interest at 6.65% per annum, payable semi-annually in arrears on January 31 and July 31 each year. The convertible debentures are convertible into trust units of the Fund at the option of the holder at a conversion price of $10.65 per trust unit, being a ratio of approximately 93.8967 trust units per $1 principal amount of debentures in trust units or cash. The debentures may not be redeemed by the Fund prior to July 31, 2007. The Fund performed an evaluation of the embedded holder option and determined that its value was nominal and as a result the entire amount of the debenture is classified as a liability.

Total interest on the convertible debentures in 2005 was $5,653 (2004 - $2,555).

9. Other long-term liabilities

	2005	2004
Subsidy		
A portion of the revenue received by a subsidiary of the Fund for the sale of electricity was considered a subsidy. US $3,685.	$ 4,049	$ 3,942
Bonds Payable		
Obligation to the City of Sanger due October 1, 2011 at interest rates varying from 5.15% to 5.55%. US $1,205 (2004 – US $1,370).	1,405	1,649
Customer Deposits		
Each facility in the Infrastructure Division is obligated by its respective State Regulator to collect a deposit from each customer of its facilities when services are connected. The deposits are refundable when allowed under the facilities' regulatory agreement.	3,061	2,850
Capital Leases		
Obligation for equipment leases.	2,360	853
Other	-	400
	10,875	9,694
Less: current portion	(440)	(734)
	$ 10,435	$ 8,960

Principal payments due in the next five years and thereafter are:

2006	$ 440
2007	4,497
2008	404
2009	274
2010	275
Thereafter	4,985
	$ 10,875

Interest paid on other long-term liabilities was $315 (2004 – $440).

10. Trust units

Authorized trust units

The Declaration of Trust provides that an unlimited number of units may be issued. Each unit represents an undivided beneficial interest in any distribution from the Fund and in the net assets in the event of termination or wind-up. All units are the same class with equal rights and privileges.

Trust units are redeemable at the holder's option at amounts related to market prices at the time subject to a maximum of $250 in cash redemptions in any particular calendar month. Redemptions in excess of this amount shall be paid by way of a distribution in kind of a pro rata amount of certain of the Fund's assets, including the securities purchased by the Fund, but not to include the generating facilities.

Issued trust units

	Number of units	Amount
Balance as at December 31, 2003	67,887,612	$ 638,213
Issued pursuant to acquisition of the remaining 52.7% of the outstanding principal amount of convertible debentures of KMS Power Income Fund.	1,803,980	16,663
Issue costs		(700)
Balance as at December 31, 2005 and 2004	69,691,592	$ 654,176

11. Income taxes

The provision for income taxes in the consolidated statements of earnings represents an effective tax rate different than the Canadian enacted statutory rate of 33.61% (2004 – 33.66%). The differences are as follows:

	2005	2004
Earnings before income tax and minority interest	$ 24,392	$ 25,904
Less: income taxed directly in hands of unitholders, not the Fund	(35,163)	(36,090)
Earnings / (losses) of taxable entities	(10,771)	(10,186)
Computed income tax expense (recovery) at Canadian statutory rate	(3,620)	(3,429)
Increase (decrease) resulting from:		
Change in substantively enacted tax rate	1,259	-
Operating in countries with different income tax rates	223	996
Valuation allowances	9,191	6,090
Manufacturing and processing deduction	121	53
Large corporations tax, alternative minimum tax and state taxes	8	249
Unrealized foreign exchange rate difference	(680)	(828)
Other	(3,898)	(846)
Income tax expense	$ 2,604	$ 2,285

The tax effect of temporary differences at the Fund's subsidiaries that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2005 and 2004 are presented below:

	2005	2004
Future tax assets:		
Non-capital loss, debt restructuring charges and currently non-deductible interest carryforwards	$ 15,079	$ 14,626
Unrealized foreign exchange differences on US entity debt	17,330	15,109
Customer advances in aid of construction – difference between net book value and tax value	4,572	3,794
Total future tax assets	36,981	33,529
Less: Valuation allowance	(33,193)	(24,002)
	3,788	9,527
Future tax liabilities:		
Capital assets – differences between net book value and undepreciated capital cost	(39,690)	(43,495)
Intangible assets – difference between net book value and cumulative eligible capital	(12,759)	(15,678)
Other	(1,680)	(1,124)
Total future tax liabilities	(54,129)	(60,297)
Net future tax liability	$ (50,341)	$ (50,770)
Classified in the financial statements as:		
Future current income tax asset	$ -	$ 18
Future non-current income tax asset	7,719	6,425
Future current income tax liability	(1,143)	(1,449)
Future non-current income tax liability	(56,917)	(55,764)
	$ (50,341)	$ (50,770)

At December 31, 2005, the Fund itself has financing expenses and underwriters' fees of $4,665 (2004 - $9,148) which will be deductible by the Fund and which will reduce the ultimate amount taxable to the unitholders over the next four years. This will be offset by additions to the unitholders' taxable income since the Fund's capital assets have an accounting basis which exceeds their tax basis by $8,111 (2004 - $6,643). In addition, two trusts wholly owned by the Fund have capital assets with an accounting basis which exceeds their tax basis by $1,706 (2004 - $3,850).

12. Algonquin Power Group

In addition to the transactions described in note 3 with AirSource and note 4 with APC, the following related party transactions occurred:

APMI provides management services including advice and consultation concerning business planning, support, guidance and policy making and general management services. In 2005 and 2004, APMI was paid on a cost recovery basis for all costs incurred and charged $825 (2004-$777). APMI is also entitled to an incentive fee of 25% on all distributable cash generated in excess of $0.92 per trust unit. During 2005 and 2004 no incentive fees were earned by APMI.

The Fund has leased its head office facilities since 2001 from an entity owned by the shareholders of APMI on a net basis. Base lease costs for 2005 were $296 (2004 - $263) and additional rent representing operating cost was $198 (2004 - $120).

When appropriate for use in its operations the Fund utilizes chartered aircraft, including the use of an aircraft owned by an affiliate of APMI. The Fund entered into an agreement and remitted $1.3 million to the affiliate as an advance against expense reimbursement (including engine utilization reserves) for the Fund's business use of the aircraft. Under the terms of this arrangement, the Fund will have priority access to make use of the aircraft for a specified number of hours at a cost equal solely to the third party direct operating costs incurred when flying the aircraft; such direct operating costs do not provide the affiliate with any profit or return on or of the capital committed to the aircraft.

13. Contingencies

(a) Land and Water Leases

Certain of the operating entities have entered into agreements to lease either the land and/or the water rights for the hydroelectric generating facility or to pay in lieu of property tax an amount based on electricity production. The terms of these leases continue up to 2048. These payments typically have a fixed and variable component. The variable fee is generally linked to actual power production or gross revenue. The Fund incurred $2,394 during 2005 (2004 - $2,919) in respect of these agreements for the consolidated facilities.

(b) Contingencies

The Fund and its subsidiaries are involved in various claims and litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Fund's exposure to such litigation to be material to these financial statements.

14. Fair value of financial instruments and derivatives

The carrying amount of the Fund's cash and cash equivalents, accounts receivable, funds held in reserve, accounts payable and accrued liabilities, due to Algonquin Power Group and cash distribution payable, approximate fair market value.

The carrying amount of the Fund's long-term investments is dependant on the underlying operations and accordingly a fair value is not readily available. The Fund has long-term liabilities at fixed interest rates. The fair value of these long-term liabilities at current rates would be $160,284 (2004 - $121,931). The book value of these long-term liabilities is $158,007 (2004 - $121,017). The fair value of other long-term liabilities approximates their carrying value, with the exception of the Joliet subsidy which is not readily available.

Deferred credits include payments made by developers to the Infrastructure Division of which a portion based on revenue for the development in question needs to be paid back over time. These amounts do not bear interest and the amount to be repaid is uncertain and not determinable. The carrying value is estimated based on historical payment patterns.

The Fund has entered into foreign exchange contracts to manage its exposure to the US dollar as significant cash flows are generated in the US. The Fund sells specific amounts of currencies at predetermined dates and exchange rates which are matched with the anticipated operational cash flows. Contracts in place at December 31, 2005 amounted to US $97,808 until 2010 at a weighted average exchange rate of $1.34. The fair value of the outstanding futures contracts is $17,053 at December 31, 2005 (2004 – $16,600).

15. Cash distributions

Distributable income, is distributed monthly. Distributions are declared to unitholders of record on the last day of the month and are distributed 45 days after declaration. The monthly distribution for 2005 was $0.0766 per trust unit for each month for a total of $0.92 for 2005, the same as 2004.

16. Basic and diluted net earnings per trust unit

Net earnings per trust unit has been calculated using the weighted average number of units outstanding during the year. The weighted average number of units outstanding for 2005 was 69,691,592 (2004 – 68,821,431). The net earnings per trust unit for 2005 was $0.31 (2004 - $0.33). The effect of conversion of the convertible debentures into

trust units was not included in the computation of fully diluted net earnings per trust unit as the effect of conversion would be anti-dilutive.

17. *Other income*

Other income includes the following items:

	2005	2004
Interest income	$ 4,884	$ 2,846
Dividend income	3,470	2,928
Income from note receivable prepayment	-	3,634
Sale of gas collection partnership interest	1,204	-
Equity income	333	378
Other	1,507	1,157
	$ 11,398	$ 10,943

18. Segmented information

	2005	2004
Revenue		
Canada	$ 48,679	$ 51,725
United States	130,645	108,798
	$ 179,324	$ 160,523
Capital assets		
Canada	$ 309,669	$ 319,445
United States	317,983	291,311
	$ 627,652	$ 610,756
Intangible assets		
Canada	$ 25,260	$ 27,262
United States	51,588	56,415
	$ 76,848	$ 83,677

Revenues are attributable to the two countries based on the location of the underlying generating and infrastructure facilities.

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas cogeneration, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined on the following page:

	Year ended December 31, 2005					
Revenue	**Hydro**	**Cogeneration**	**Alternative Fuel**	**Infrastructure**	**Admin**	**Total**
Energy sales	44,102	75,674	16,262	-	-	136,038
Waste disposal fees	-	-	13,031	-	-	13,031
Water reclamation and distribution	-	-	-	28,371	-	28,371
Other revenue	-	1,884	-	-	-	1,884
Total Revenue	44,102	77,558	29,293	28,371	-	179,324
Operating expenses	17,008	52,822	25,014	11,847	-	106,691
Operating profit	27,094	24,736	4,279	16,524	-	72,633
Other administration costs	(99)	-	(130)	(106)	(5,604)	(5,939)
Interest expense	(5,068)	(987)	(385)	(1,140)	(8,799)	(16,379)
Interest, dividend and other income	1,250	3,471	6,494	44	139	11,398
Write down of capital and intangible assets	-	(3,533)	-	-	-	(3,533)
Amortization of capital assets	(9,672)	(6,714)	(5,155)	(5,784)	-	(27,325)
Amortization of intangible assets	(1)	(3,429)	(2,336)	(697)	-	(6,463)
Earnings before income taxes and minority interest	13,504	13,544	2,767	8,841	(14,264)	24,392
Capital assets	276,850	91,591	93,072	166,139	-	627,652
Intangible assets	20	22,295	26,438	28,095	-	76,848
Capital expenditures	436	(120)	5,234	10,127	235	15,912
Acquisition of operating entities	1,140	-	-	27,812	-	28,952
Total assets	295,834	146,158	162,431	206,900	12,478	823,801

	Year ended December 31, 2004					
Revenue	**Hydro**	**Cogeneration**	**Alternative Fuel**	**Infrastructure**	**Admin**	**Total**
Energy sales	43,268	71,846	7,867	-	-	122,981
Waste disposal fees	-	-	14,086	-	-	14,086
Water reclamation and distribution	-	-	-	23,456	-	23,456
Total Revenue	43,268	71,846	21,953	23,456	-	160,523
Operating expenses	18,070	50,597	15,124	10,849	-	94,640
Operating profit	25,198	21,249	6,829	12,607	-	65,883
Other administration costs	(137)	-	(152)	(84)	(3,882)	(4,255)
Interest expense	(5,177)	(772)	(355)	(1,135)	(5,001)	(12,440)
Interest, dividend and other income	1,185	4,024	1,352	9	4,373	10,943
Write down of capital and intangible assets	-	-	(1,932)	-	-	(1,932)
Amortization of capital assets	(9,598)	(6,741)	(4,901)	(5,490)	-	(26,730)
Amortization of intangible assets	(1)	(2,849)	(2,212)	(503)	-	(5,565)
Earnings before income taxes and minority interest	11,470	14,911	(1,371)	5,404	(4,510)	25,904
Capital assets	285,860	90,868	94,562	139,466	-	610,756
Intangible assets	21	33,775	28,775	21,106	-	83,677
Capital expenditures	-	1,514	476	14,833	513	17,336
Acquisition of operating entities	-	-	11,374	3,785	-	15,159
Total assets	307,280	158,023	150,234	176,159	33,100	824,796

All energy sales are earned from contracts with large public utilities. The following utilities contributed more than 10% of these total revenues in either 2005 or 2004: Ontario Electricity Financial Corporation 7% (2004 - 10%), Hydro Québec 13% (2004-15%), Pacific Gas and Electric 12% (2004-15%), and Connecticut Light and Power 25% (2004-24%). The Fund has mitigated its credit risk to the extent possible by selling energy to these large utilities in various North American locations.

19. Joint venture investments

		Fund's Proportionate Share					
	Ownership Interest	Income / (loss) Before Income Tax Year ended December 31		Net Assets December 31		Cashflow Generated from Operations Year ended December 31	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Valley Power Limited Partnership	50%	$ 152	$ 281	$ 8,463	$ 9,016	$ 746	$ 875
Campbellford Limited Partnership	50%	(94)	-	3,312	-	140	-
		$ 58	$ 281	$ 11,775	$ 9,016	$ 886	$ 875

20. Guarantees

In the normal course of operations, the Fund executes agreements that provide letters of credit to third parties to secure certain amounts of indebtedness or performance. At December 31, 2005, letters of credit outstanding amounted to $44,883 (2004 - $26,705).

21. Subsequent events

Subsequent to year end, the Fund drew an additional $26.4 million on its credit facility, of which, $22.9 million was used to fund the construction requirements of AirSource. In addition, Management reached an agreement with the Fund's senior lenders to increase its revolving credit facility by $30.0 million to bring the total to $175.0 million. There are no material changes to the terms and conditions of the Fund's revolving credit facility. This increase is effective until July 28, 2006.

EXHIBIT

11

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 1
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 0 Balance	Year 0 A/D Balance
5	301	Organization		0.00%	$ -	$ -
6	302	Franchises		0.00%	-	-
7	303	Land and Land Rights		0.00%	36,364	-
8	304	Structures and Improvements		3.33%	1,094	-
9	305	Collecting and Impounding Rese		2.50%	-	-
10	306	Lake, River and Other Intakes		2.50%	-	-
11	307	Wells and Springs		3.33%	23,879	-
12	308	Infiltration Galleries and Tun		6.67%	-	-
13	309	Supply Mains		2.00%	-	-
14	310	Power Generation Equipment		5.00%	-	-
15	311	Pumping Equipment		12.50%	40,555	-
16	320	Water Treatment Equipment		3.33%	-	-
17	330	Distribution Reservoirs and St		2.22%	25,972	-
18	331	Transmission and Distribution		2.00%	132,106	-
19	331	Transmission and Distribution (AIAC)	100%	2.00%	-	-
20	333	Services		3.33%	-	-
21	334	Meters and Meter Installations		8.33%	-	-
22	335	Hydrants		2.00%	255	-
23	335	Hydrants (AIAC)	100%	2.00%	-	-
24	336	Backflow Prevention Devices		6.67%	-	-
25	339	Other Plant and Miscellaneous		6.67%	-	-
26	340	Office Furniture and Equipment		6.67%	-	-
27	341	Transportation Equipment		20.00%	-	-
28	342	Stores Equipment		4.00%	-	-
29	343	Tools, Shop and Garage Equipme		5.00%	-	-
30	344	Laboratory Equipment		10.00%	-	-
31	345	Power Operated Equipment		5.00%	-	-
32	346	Communication Equipment		10.00%	-	-
33	347	Miscellaneous Equipment		10.00%	-	-
34	348	Other Tangible Plant		0.00%	-	-
39		Totals			$ 604,725	$ -
41		Composite Rate with 1/2 yr convention				
44		Licenses, Taxes, Permits	0.00%			
45		Engineering and Contingency	0.00%			
46		Total				

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 1
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Estimate	Engineering Permits, Etc.	Year 1 Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%	$ -		$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%	-		-	-	-	-	-
7	303	Land and Land Rights		0.00%	-		-	-	-	361,364	-
8	304	Structures and Improvements		3.33%	24,400	-	24,400	24,400	443	25,494	443
9	305	Collecting and Impounding Rese		2.50%	209,000	-	209,000	209,000	2,613	209,000	2,613
10	306	Lake, River and Other Intakes		2.50%	-	-	-	-	-	-	-
11	307	Wells and Springs		3.33%	6,000	-	6,000	6,000	878	29,379	878
12	308	Infiltration Galleries and Tun		6.67%	-	-	-	-	-	-	-
13	309	Supply Mains		2.00%	-	-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%	-	-	-	-	-	-	-
15	311	Pumping Equipment		12.50%	46,500	-	46,500	46,500	7,976	87,055	7,976
16	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%	-	-	-	-	577	25,972	577
18	331	Transmission and Distribution		2.00%	16,000	-	16,000	16,000	3,202	168,106	3,202
19	331	Transmission and Distribution (AIAC)	100%	2.00%	-	-	-	-	-	-	-
20	333	Services		3.33%	-	-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	20,000	-	20,000	20,000	833	20,000	833
22	335	Hydrants		2.00%	-	-	-	-	5	255	5
23	335	Hydrants (AIAC)	100%	2.00%	-	-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%	-	-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%	-	-	-	-	-	-	-
27	341	Transportation Equipment		20.00%	-	-	-	-	-	-	-
28	342	Stores Equipment		4.00%	-	-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%	-	-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%	-	-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%	-	-	-	-	-	-	-
32	346	Communication Equipment		10.00%	-	-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%	-	-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%	-	-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 321,900	$ -	$ 321,900	$ 321,900	$ 16,526	$ 926,625	$ 16,526
41		Composite Rate with 1/2 yr convention							2.92%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 2
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 2 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	1,292
9	305	*Collecting and Impounding Rese*		2.50%		-	-	-	5,225	209,000	7,838
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	1,857
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	18,857
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	1,153
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	6,564
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	1,837	24,100	2,670
22	335	Hydrants		2.00%		-	-	-	5	255	10
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	*Stores Equipment*		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 23,715	$ 930,725	$ 40,241
41		Composite Rate with 1/2 yr convention							4.17%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 3
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 3 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	2,141
9	305	Collecting and Impounding Rese		2.50%		-	-	-	5,225	209,000	13,063
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	2,835
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	29,739
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	1,730
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	9,926
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,178	28,200	4,848
22	335	Hydrants		2.00%		-	-	-	5	255	15
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,056	$ 934,825	$ 64,297
41		Composite Rate with 1/2 yr convention							4.19%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 4
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 4 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	2,989
9	305	Collecting and Impounding Rese		2.50%		-	-	-	5,225	209,000	18,288
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	3,813
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	40,621
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	2,306
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	13,289
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,520	32,300	7,368
22	335	Hydrants		2.00%		-	-	-	5	255	20
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,398	$ 938,925	$ 88,695
41		Composite Rate with 1/2 yr convention							4.22%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 5
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 5 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	3,838
9	305	Collecting and Impounding Rese		2.50%		-	-	-	5,225	209,000	23,513
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	4,792
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	51,503
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	2,883
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	16,651
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,861	36,400	10,229
22	335	Hydrants		2.00%		-	-	-	5	255	26
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,739	$ 943,025	$ 113,434
41		Composite Rate with 1/2 yr convention							4.25%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Projected Capital Financing
Projected Years Ended

Exhibit
Schedule 1b

Line No.		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	5 year Totals
1								
2								
3								
4								
5	Plant to be Constructed	$ 604,725	$ 321,900	$ 4,100	$ 4,100	$ 4,100	$ 4,100	$ 943,025
6								
7	Financing:							
8	Hydrants and Distrib. Lines Advanced		$ -	$ -	$ -	$ -	$ -	$ -
9								
10	Plant Installed with Customer Deposits (Advances)		-	4,100	4,100	4,100	4,100	16,400
11								
12	Contributions-in-aid of construction		-	-	-	-	-	-
13								
14	Common Equity Issued for Plant ConstructionOthe	840,106	321,900	-	-	-	-	1,162,006
15								
16	Common Equity Issued For Working Capital	-	-	-	-	-	-	-
17								
18	Debt Financing Issued for Plant Construction							
19								
20	Internal Cash Used for Plant Additions	-	-			-	-	
21								
22	Total Financing	$ 840,106	$ 321,900	$ 4,100	$ 4,100	$ 4,100	$ 4,100	$ 1,178,406

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2006 APR 13 P 3: 55

AZ CORP COMMISSION
DOCUMENT CONTROL

Attorneys for Northern Sunrise Water Company and Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.	DOCKET NO. **APPLICATION FOR APPROVAL OF SALE AND TRANSFER OF ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, OF McLAIN WATER SYSTEMS.**

Pursuant to A.R.S. § 40-285.A and A.A.C. R14-3-101 *et seq.*, Northern Sunrise Water Company ("NSWC") and Southern Sunrise Water Company ("SSWC") (collectively, "Applicants"), Arizona corporations, hereby jointly apply to the Arizona Corporation Commission ("Commission") for an Order approving the transfer of assets, and cancellation of Certificates of Convenience and Necessity ("CC&N"), of the Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company (hereinafter "McLain Water Systems").

I. INTRODUCTION

1. The troubled history surrounding the McLain Water Systems is well-chronicled in Commission Decision No. 68412 (January 23, 2006). Previous ownership allowed these systems

EXHIBIT
A-3.
Admitted

to fall into a state of serious disrepair, and numerous violations cited by the Arizona Department of Environmental Resources ("ADEQ") brought into question the potential for risk to the health and safety of customers being served by them. Property taxes and Sales taxes in respect of the assets and operations of these systems were not paid for almost 15 years were collected but never paid, and water utility service was being extended to customers outside of the CC&N boundaries of these systems in violation of Commission rules and regulations. Ultimately, the previous owners of the assets filed for Chapter 13 bankruptcy relief under Title 11 of the United States Bankruptcy Code. *See In re Johnny A. McLain, et al.*, Case No. 4-03-bk-04125 TUC-EWH.

2. On October 22, 2004, the Bankruptcy Court for the District of Arizona Authorized and Approved an Asset Purchase Agreement ("Agreement") executed by Algonquin Water Resources, Inc. ("Algonquin"), which provided for the purchase of water utility assets included in the McLain Bankruptcy Estate. A copy of the Agreement is attached hereto as **Exhibit 1**. On March 20, 2006, the Bankruptcy Court for the District issued an Order confirming the sale at a total purchase price of $696,752.14, based specifically on the Commission's determination of ratebase for the McLain Water System in Decision No. 68412. A copy of the Bankruptcy Court Order is attached hereto as **Exhibit 2**. Before the transfer of assets can be finalized by the Bankruptcy Court, Algonquin is required to, among other things, obtain Commission approval for the sale and transfer of the assets of the McLain Water Systems, as required by A.R.S. § 40-285.

II. SUMMARY OF TRANSACTION

3. On or around July 7, 2004, Algonquin entered into the Agreement, under the authority of the Bankruptcy Court, to purchase the assets of the McLain Water Systems. The Agreement included a placeholder, initially set at $1,000,000 being an amount deemed sufficient to discharge all the Creditor claims and administrative charges in the McLain Bankruptcy proceeding, but this price was subject to adjustment to be made equal to the rate base value of these systems as may be established by the Commission at some later date, but prior to the Closing. On January 23, 2006, in Decision No. 68412, the Commission established the following

ratebase for each McLain Water System as follows:

Mustang Water Company	$24,008.81
Crystal Water Company	$19,003.18
Sierra Sunset Water Company	$18,583.75
Coronado Estates Water Company	$29,988.84
Miracle Valley Water Company	$22,798.78
Horseshoe Ranch Water Company	$124,920.98
Cochise Water Company	$457,447.80

4. On March 13, 2006, the Bankruptcy Court conducted a hearing in response to Cochise County's *Motion of Secured Creditor Cochise County for the Court to Confirm Prior Approved Sale of the Water Companies Owed by the Debtors. See* Exhibit 2 at page 2. Cochise County had provided a notice of hearing suggesting that bids higher than the adjusted purchase price that resulted as a consequence of the rate base established by the Commission would be entertained but no other bidders appeared nor expressed interest and hence no bids were e received. As a result, the Bankruptcy Court entered its March 20, 2006 Order confirming the sale to Algonquin on the basis of the previously executed Agreement. The Bankruptcy Court also set a Status Hearing for April 25, 2006, to evaluate the progress towards the closing of the Agreement.

5. Section 9.2 of the Agreement provides:

> 9.2 Transfer Approval: A condition for the sale and purchase is approval by the Arizona Corporation Commission of the sale and purchase and the approval by the Arizona Corporation Commission of the transfer to Purchaser or the issuance to Purchaser of all the Certificates of Convenience and Necessity for the Water Companies. Approval of the Purchaser's acquisition must also be obtained, to the satisfaction of the Purchaser, from all other governmental bodies and agencies having jurisdiction over the Water Companies and/or the transfer to Purchaser of all other permits, certificates, licenses or other authorizations necessary for the operation of all plants, facilities, and equipment comprising the Water Companies. All such transfers shall be approved without the imposition of any restrictions, conditions, or obligations that

are unacceptable to Purchaser in its sole discretion.

This Joint Application has been filed to obtain the approval necessary to satisfy one of the approvals required under Section 9.2 of the Agreement, which requires Algonquin to obtain Commission approval for the transfer of assets before Closing can be finalized, and to meet the requirements of A.R.S. § 40-285.

6. Based on many factors and geographic location, the condition of existing water utility infrastructure, development layout, customer type and other factors, Algonquin asserts that the public interest will be served by consolidating the water companies in the McLain Water Systems into two separate legal entities, NSWC and SSWC. being one for the systems at the intersection of Highways 92 and 80 north of Huachuca City and the other for those systems located well south of Belle Vista southwest of Nicksville. Applicants have thus filed separate requests for new CC&Ns concurrent with this filing.

7. Under the restructured format, NSWC would accept transfer of the assets of Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company. SSWC would receive the assets of Horseshoe Water Company, Cochise Water Company and Miracle Valley Water Company. *See* **Exhibit 3**, attached hereto, reflecting the current fair value of the assets being transferred.

8. In addition to their infrastructure and real property assets, the McLain Water Systems collectively hold CC&Ns authorizing each water company to provide water utility service in their respective service areas. In order to effectively transfer the McLain Water Systems and allow NSWC and SSWC to initiate service, Applicants request that the Commission cancel the existing CC&Ns.

III. THE PARTIES

9. Cochise County is a political subdivision of the state, and creditor-in-interest regarding the sale of McLain Water Systems under the auspices of the United States Bankruptcy Court, District of Arizona.

10. Algonquin is a water utility holding company that owns and operates several water and wastewater utility companies in Arizona, including Bella Vista Water Company, Litchfield Park Service Company, Gold Canyon Sewer Company, Black Mountain Sewer Corporation and Rio Rico Utilities.

11. NSWC and SSWC are newly formed legal entities incorporated for the express purpose of restructuring the McLain Water Systems assets into two water companies based on geographic location, opportunity for consolidation and potential growth in each respective service area to be served. Applicants are wholly owned by Algonquin, which can provide access to extensive capital resources, and managerial, administrative and technical expertise in the water utility service industry.

IV. THE PUBLIC INTEREST

12. Applicants have filed this Application pursuant to A.R.S. § 40-285.A, which requires, among other things, that a public service corporation shall not sell, lease, assign, mortgage or otherwise dispose of any part of its plant or system necessary or useful in the performance of its duties to the public. Typically, these types of applications are jointly filed by the transferor public service corporation and the transferee. However, because the transfer is set to close pursuant to bankruptcy proceedings involving the previous owners of the McLain Water Systems as debtors, the transferor is not a public service corporation, but a trustee. Nonetheless, Applicants assert that A.R.S. § 40-285.A is the proper statute by which to effectuate the transfer.

13. Applicants assert that approval of this Joint Application will serve the public interest. In Decision No. 68412, the Commission established a ratebase for the McLain Water Systems to allow the Bankruptcy Court to confirm a sale price under the Agreement, and order the parties to obtain the regulatory approvals necessary to effectuate the transfer of assets before closing. The Commission also noted in Decision No. 68412 that the public interest is served by finding an entity willing to not only own and operate the McLain Water Systems, but invest the capital necessary to repair and improve a collective infrastructure that has been neglected for

years. *See* Decision at 8, 10.

14. Applicants have developed an aggressive capital improvement program to address the current state of "unprecedented disrepair" of the McLain Water Systems, including adding water storage facilities and booster pumps, rebuilding new wells to current standards, repairing water main leaks, and replacing damaged and non-standard piping throughout the various distribution systems. This new infrastructure, and the effect of the capital improvement program on rates, will be addressed in separate CC&N proceedings filed by NSWC and SSWC.

15. Transferring the McLain Water Systems assets into two separate water companies (NSWC and SSWC) will also serve the public interest. Each of these systems presently operate under individual CC&Ns and under individual rate structures (most of which remained unchanged for many years), making them unnecessarily cumbersome especially given that some of the systems serve under 70 connections. The Applicants propose the consolidation of these water utility system assets into two legal entities, each with its own CC&N. The systems are clustered into two distinct geographic areas. The northern systems are about 6 miles north of Sierra Vista at the intersection of Highways 90 and 82, and the southern systems are all clustered to the west and southwest of Nicksville about 8 miles south of Sierra Vista. This separation will allow NSWC and SSWC to more closely match and track the capital investment, revenues, operating costs and other parameters more closely within a like group of customers. Furthermore, each of the systems within a cluster share certain important characteristics that are different from the other cluster; ratepayers who have like issues respecting water quality, inter-connectability, co-reliance on the same asset base, development layout and patterns, and growth prospects.

V. RELIEF REQUESTED

WHEREFORE, Applicant respectfully requests the following:

A. That the Commission proceeds to consider and act upon this Joint Application as timely as possible and to schedule a hearing, if necessary, on this matter;

B. That upon completion of said hearing that the Commission enter an Order

approving the transfer of the McLain Water Systems assets to NSWC and SSWC respectively, as more accurately described in **Exhibit 3**;

C. That the Commission enter an Order canceling the McLain Water Systems' applicable CC&Ns; and

D. That the Commission grant such other and further relief as may be appropriate under the circumstances herein.

DATED this 13th day of April, 2006.

FENNEMORE CRAIG, P.C.

By: _____
Jay L. Shapiro
Patrick J. Black
Northern Sunrise Water Company and
Southern Sunrise Water Company

ORIGINAL and 13 copies delivered this 13th day of April, 2006, to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies hand delivered this 13th day of April, 2006, to:

Chairman Jeff Hatch-Miller
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Marc Spitzer
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

Commissioner Mike Gleason
Arizona Corporation Commission
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Commissioner Kristin Mayes
Arizona Corporation Commission
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Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Jason Gellman, Esq.
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: Whitney Brito

1784285.1

EXHIBIT

1

PURCHASE AND SALE AGREEMENT

This **Purchase and Sale Agreement** (the "Agreement") dated, for reference purposes only, this ___th day of July, 2004, is made and entered into by and between The Bankruptcy Estate of Johnny A. McLain and Linda M. McLain, husband and wife, District of Arizona bankruptcy case number4-03-bk-04125-EWH, hereinafter referred to as Seller and Algonquin Water Resources of America, Inc., a Delaware corporation, having a mailing address of 2845 Bristol Circle, Oakville, Ontario Canada LGH 747, or its assigns, hereinafter referred to as Purchaser.

SECTION 1: PURCHASE AND SALE

1.1 Purchase and Sale: Subject to the terms and conditions of this Agreement, Seller hereby agrees to sell and Purchaser hereby agrees to purchase all right, title, claim and interest the Seller has in and to the following water companies doing business in Cochise County, Arizona, hereinafter referred to collectively as the "Water Companies" and individually as a "Water Company" whether held by the Debtors individually or as the sole shareholder of Miracle Valley Water Company, Inc. that operates the Miracle Valley Water Company:

a. Sierra Sunset Water Company
b. Coronado Water Company
c. Cochise Water Company
d. Crystal Water Company
e. Horseshoe Ranch Water Company
f. Mustang Water Company
g. Miracle Valley Water Company

1.2 Real Property Description: The assets of the Water Companies to be sold and purchased hereunder includes all real property, including any and all water and mineral rights, located in Cochise County, Arizona wherein the Bankruptcy Estate has a legal or equitable interest that is used by the Water Companies in the storage and/or distribution of water to customers (the "Real Property"). A legal description for this Real Property will be provided for the Closing by the Escrow Agent hereafter named. The sale and purchase shall include as part of this Real Property all right, title, claim and interest the Seller has in any easements or licenses utilized for any purpose related to the Water Companies including ingress, egress, water line or meter placement or usage. Excluded from the Real Property being sold and purchased is the Debtors' single family residence at 7110 S. Jaxel Road Hereford, Arizona and the property known as 5161 E. Hereford, Hereford, Arizona presently used by the Water Companies as an office and/or storage facility for equipment and materials.

1.3 Personal Property Description: The sale and purchase is to include right, title, claim and interest in and to all personal property and fixtures used in or related to the Water Companies including, but not limited to, copies of business records, if such records are available, showing customers names, addresses, and rates, all water rights, wells, well casings, storage tanks, pumps, meters, underground and above ground piping and other fixtures or improvements

owned or used by the Water Companies in the distribution or storage of water plus the right to serve present and future customers, all business and trade names, all issued certificates and licenses related to the Water Companies and the right to have issued or transferred to Purchaser by the Arizona Corporation Commission any and all certificates necessary to run and operate the Water Companies (the "Personal Property"). Excluded from the Personal Property are monies held by the Water Companies as cash or in a checking, savings, credit union, money market account, or other financial entity prior to Closing and any customer deposits as the Debtors have stated under penalty of perjury that they hold no deposits.

1.4 Accounts Receivable: Accounts of the Debtors related to and arising out of the Water Companies would be pro-rated as of the day of Closing. Purchaser would endeavor, after Closing, to collect the accounts held by the Debtors in the normal and regular course of business operations. Monies collected by the Purchaser on accounts of the Debtors would be remitted with an accounting report, sixty (60) days after Closing less ten percent (10%) of the amount collected as compensation for collecting the monies. Monies collected on the Debtors' accounts after sixty (60) days of the Closing would be included in the sale to Purchaser.

1.5 Miracle Valley System: The Water Company known as the Miracle Valley Water System may be held by an Arizona corporation, and if so held, the transaction contemplated herein shall include, at the sole discretion of the Purchaser, either: (a) the conveyance from such corporation to the Purchaser of all of the assets related to or utilized in respect of such Water Company; or (b) the conveyance to the Purchaser of all of the stock of such corporation, free and clear of any and all liabilities. Control of this corporation is included in the Bankruptcy Estate because Johnny A. McLain and Linda M. McLain, husband and wife, own all of the stock in such corporation.

1.6 Property Definition: All Real Property and Personal Property being sold and conveyed is referred to collectively as the "Property".

SECTION 2: PURCHASE PRICE AND PAYMENTS

2.1 Purchase Price: The purchase price to be paid by the Purchaser to the Seller on Closing for the Property described herein shall be One Million Dollars ($1,000,000.00), subject to a positive or negative adjustment of the Purchase Price at the Closing of the sale to reflect that Purchase Price to be paid shall be equal to the rate base amount for the Water Companies to be determined conclusively prior to Closing by the Arizona Corporation Commission (the "ACC") as the value of the Property being purchased by Purchaser for future rate making purposes (the "Rate Base"). The purchase price adjusted in accordance herewith shall be hereinafter referred to as the "Purchase Price".

2.2 Initial Earnest Money Deposit: Not less than 10 days following the date of execution of this Agreement by Seller (the date of execution being referred to as the "Agreement Date"). Purchaser shall deposit an amount equal to Two Thousand Dollars ($2,000.00) (the "Earnest Money Deposit") with the Escrow Agent named below. The Escrow Agent shall hold all Earnest Money Deposit for the benefit of the parties as described herein. At the option and

cost of the Purchaser, the Earnest Money Deposit shall be maintained either: (a) in an interest bearing account; or (b) a non-interest bearing account. All interest which is earned on the Earnest Money Deposit shall be for the benefit of the Purchaser, unless the Earnest Money Deposit is forfeited to Seller, in which case any interest earned shall be for the benefit of the Seller. The Escrow Agent shall provide notice to Seller and Purchaser of the receipt of the Earnest Money Deposit. If an Earnest Money Deposit referred to in this Section 2.2 is not deposited in accordance herewith, this Agreement shall be promptly terminated without recourse between the Parties and Purchaser shall have no interest whatsoever in the Property pursuant to or arising out of this Agreement or otherwise.

2.3 Additional Deposit Upon Bankruptcy Court Approval: After the Bankruptcy Court, in District of Arizona case number 4-03-bk-04125-EWH, In Re the Bankruptcy of Johnny A. McLain and Linda M. McLain, husband and wife, (the "Bankruptcy Case") issues an Order approving, after notice and hearing, the sale and purchase described herein, (the "Approval"), the Purchaser shall, within ten (10) days of the Approval Order being entered and final, deposit with the Escrow Agent an additional One Hundred Ninety Eight Thousand Dollars ($198,000.00) as an for an additional Earnest Money Deposit making the total Earnest Money Deposit Two Hundred Thousand Dollars ($200,000.00).

2.4 Payment of Purchase Price: Upon Closing the Purchaser shall pay the Purchase Price (as adjusted in accordance with Section 2.1 hereof) to Sellers in cash. Purchaser can use the Earnest Money Deposit and any interest earned toward the Purchase Price.

2.5 Forfeiture of Earnest Money Deposit: The Earnest Money Deposit shall be forfeited to Seller as liquidated damages, as described hereafter in the event the Purchaser defaults in material breach of this Agreement.

SECTION 3: TITLE TO THE PROPERTY

3.1 Title Examination of the Property: Upon the issuance of the Approval Order, the Purchaser and Seller shall instruct the Escrow Agent to:

(i) cause the title to the Real and Personal Property to be examined by a title insurance company selected by the Escrow Agent and to deliver, as soon as practical, to Purchaser and Seller a commitment, subject to the stated exceptions, for a standard owner's policy of title insurance insuring ownership of the Real Property in the name of the Purchaser for the amount of the Purchase Price and a copy of every instrument of record referred to in the commitment for title insurance; and

(ii) cause a Uniform Commercial Code title examination to be undertaken and deliver to Purchaser and Seller copies of all lien instruments of record that are outstanding against the Personal Property.

The cost for the examinations and standard owner's policy set out above shall be on the

account of Seller and shall be paid by Seller at Closing. The cost of any extended title insurance requested by Purchaser shall be for the account of Purchaser.

3.2 Objections to Title: Within ten (10) business days of the receipt of a title examination and/or commitment, the Purchaser shall give written notice to Seller of any matter that is not acceptable to Purchaser (which items shall be referred to as the "Disapproved Title Exceptions").Within ten (10) business days of Seller's receipt of Purchaser's notice of Disapproved Title Exceptions, Seller shall provide Purchaser with notice advising as to any Disapproved Title Exceptions which will not be corrected by Seller prior to Closing. If Seller does not agree to correct all Disapproved Title Exceptions prior to Closing, Purchaser shall be entitled to terminate this Agreement without recourse between the Parties and upon such termination by Purchaser, the Earnest Money Deposit shall be returned to Purchaser.

SECTION 4: CLOSING

4.1 Escrow Agent: The Escrow Agent for the sale and purchase shall be Pioneer Title Agency, 580 E. Wilcox Drive, Sierra Vista, Arizona 85635, telephone number (520) 458-3500 and facsimile number (520) 458-6121. This Agreement shall serve as escrow instructions although the parties agree to sign any additional escrow instructions requested by the Escrow Agent so long as such instructions do not conflict with this Agreement.

4.2 Closing Date: The Closing of this transaction (the "Closing") shall be held at the offices of the Escrow Agent on the tenth (10th) day following satisfaction of all conditions precedent set out herein. Closing via the mail, in counterparts, and with the Escrow Agent being able, but not required, to rely on facsimile signatures shall all be permitted.

4.3 Closing Costs: Seller shall pay all costs related to the making of record all deeds, the Affidavit of Value, a certified copy of the Order approving the sale and/or conveying title, and to release any lien or claim. Each party shall be responsible for the fees and charges of their respective legal counsel. At a Closing, Purchaser and Seller shall each pay one half (½) of the fees and costs of the Escrow Agent.

4.4 Property Tax Prorations: Real and any Personal Property taxes and assessments shall be prorated as of the date of the Closing and the apportionment of such taxes shall be made on the basis of the tax rate and assessment in effect during the previous year if the tax rate and assessment for the current year is not yet set. Purchaser shall only be responsible for paying all Real and any Personal Property Taxes arising after the date of Closing.

4.5 Payment of Property Taxes at Closing: The Escrow Agent for the Sale and Purchase shall pay at Closing those delinquent Real and Personal Property Taxes authorized by the Bankruptcy Court in the Order approving the Sale. The payment of or the provision for the payment of all Real and Personal Property Taxes will be as is needed to provide insurable and marketable title by Seller. If there are, at Closing, Real and Personal Property Taxes that have been assessed but are not yet due then the amount to be paid by the Seller for such taxes shall be withheld by the Escrow Agent from the Purchase Price and used by the Escrow Agent to pay the

taxes owed by the Seller when payment can be made or, at the option of the Purchaser, the amount owed by the Seller for such taxes shall be a credit against the Purchase Price with the Purchaser to then be responsible for paying the taxes not yet due at the time of Closing when payment of such taxes can be made with the payment by the Purchaser to include what the Seller would otherwise be responsible for paying.

4.6 Condition of Title: Good and marketable fee simple, insurable title in the Real Property shall be conveyed by Seller to Purchaser at the Closing by a duly executed Deed or Court Order, suitable for recording, subject only to the Permitted Exceptions. Possession of the Real Property shall be delivered at the Closing or pursuant to Order of the Bankruptcy Court that gives possession to the Purchaser prior to Closing. As used herein, "marketable title" shall mean marketable fee simple title to the Real Property as determined in accordance with the laws of the State of Arizona. As used herein, "insurable title" shall mean fee simple title that is currently insurable at regular rates by the Title Insurance Company selected by the Escrow Agent and Purchaser, under its standard owner's title insurance policy currently in use in Arizona, without any exception or exclusion from coverage other than the agreed upon Permitted Exceptions. Seller can use the Purchase Price to be paid to discharge or pay at Closing any obligation Seller is required to pay as part of the Closing to provide insurable title. Purchaser shall advise the Escrow Agent prior to Closing how Purchaser wants to take title or if its interest has been assigned in whole or in part.

4.7 Closing Documents: In addition to the Deed or Court Order, Seller shall deliver to the Escrow Agent and/or Purchaser at Closing the following together with any other documents as may be reasonably required by the Title Company to Close the transaction in accordance with the terms and conditions of this Agreement:

(i) a Certificate of Non-foreign Status in accordance with Section 1445 of the Internal Revenue Code of 1986, as amended and the regulations thereunder;

(ii) such Form 1099's or other forms required by the Internal Revenue Code, as amended; and

(iii) evidence, satisfactory to the Escrow Agent of Seller's authority to execute and deliver a Deed and other Closing documents.

The Escrow Agent shall advise Seller as to Escrow Agent's requirements such that Seller can obtain the necessary documentation for a timely Closing. Purchaser shall deliver to the Escrow Agent at Closing evidence satisfactory to the Escrow Agent of the Purchaser's authority to complete the transaction contemplated hereunder and any other documents as may be reasonably required to Close this transaction in accordance with the terms and conditions as set forth in this Agreement.

4.8 Bill of Sale: All Personal Property being sold and purchased shall be conveyed

free and clear of liens by a Bill of Sale and/or Court Order.

4.9 Court Order Conveying Title: If the bankrupts, Johnny A. McLain and Linda M. McLain, husband and wife, will not sign any documents required to complete the transaction contemplated hereunder, Purchaser agrees that title to the Property may be conveyed to Purchaser by Order of the Bankruptcy Court provided such Order is acceptable to the Title Insurance Company and the Arizona Corporation Commission.

4.10 Utilities: Purchaser shall place in its name all utilities as of the date of Closing. The pro-ration of utility charges will be handled by Seller and Purchaser upon Closing.

SECTION 5: FORFEITURE OF EARNEST MONEY DEPOSIT

5.1 If the Purchaser fails to Close timely as set forth herein, then all Earnest Money Deposit and any interest thereon shall not be refunded to Purchaser but shall be forfeited to Seller, not as a penalty, but as and for liquidated damages for Seller having removed the subject Property from the market and for other damages Purchaser acknowledges have been incurred by Seller as a direct result of the Purchaser's default. The Seller and Purchaser recognize and acknowledge that given the fluctuation of land values and availability of financing it would not be practical to attempt to ascertain with any degree of certainty the actual damages suffered by Seller if Purchaser fails to Close timely but both parties agree that the Earnest Money Deposit to be forfeited is a reasonable estimate of the Seller's damages.

SECTION 6: AGENCY DISCLOSURE AND COMMISSIONS

6.1 Seller and Purchaser hereby represent and warrant, each to the other, that no party is entitled, as a result of the actions of Seller or Purchaser, as the case may be, to a real estate commission or other fee resulting from the execution of this Agreement or the sale and conveyance herein contemplated. Seller and Purchaser hereby indemnify and hold each other harmless from and against any and all losses, costs, damages and expenses (including attorney's fees) incurred or paid as a result of any claim for a real estate commission or other such fee arising out of the actions of Seller or Purchaser, as the case may be, with regard to this Agreement.

SECTION 7: WARRANTIES AND REPRESENTATIONS OF SELLER

7.1 Condition of Property: No agreement or representations pertaining to this transaction, have been made by Seller or any third person to the Purchaser or its agents, except as stated herein. Neither the Seller nor any one acting for the Seller is allowed or authorized to make any verbal representation and, therefore, if it is asserted by the Purchaser or its agent that a verbal representation was nevertheless made, the Purchaser and its agents cannot rely on any such verbal representation.

7.2 As-Is, Where-Is Basis: This is a sale of the Property is being completed on an "AS IS", "WHERE IS"and "WITH ALL FAULTS" basis. Seller makes no warranties or

representations of any kind or nature whatever in connection with the Property including, without limitation, its zoning, set back requirements, boundary lines, compaction, the availability of water, or any utility service, flooding characteristics, wetland questions or other site characteristics including, but not limited to, access, ingress or egress restrictions. No representation of any kind is made with regard to any improvements or personal property on or about the Property including, but not limited to, the number of customers and the rates charged and/or the sufficiency of any system as to distribution, pressure, and/or storage capacity. Purchaser is aware that while certain records and inventory are to be included in the sale they may not be delivered to the Purchaser and, if not delivered, there will be no adjustment to the Purchase Price for this failure to deliver.

7.3 Hazardous Waste: The generation, handling, transporting, storage, treatment, usage, disposal, release, and/or burial of hazardous or toxic substances, petroleum products, batteries may have occurred on the Property. If it is found prior to Closing that an environmental or contamination problem exists with the Property then, despite anything to the contrary in this Agreement, at the option of the Purchaser, the Purchaser shall: (a) terminate this Agreement and, upon such termination, Escrow Agent shall return the Earnest Money Deposit together with interest earned thereon; or (b) accept the Property in its existing condition and to hold Seller completely and absolutely harmless for any cleanup, removal, or protection safeguards or requirements. If any such problem is discovered after Closing the risk and obligation to remedy is solely on the Purchaser and the Seller shall be held completely and absolutely harmless.

7.4 Satisfactory Condition: The Purchaser has investigated whether the Property is suitable for the purposes purchased and in Closing Purchaser acknowledges that the Property is suitable and satisfactory for the needs of the Purchaser. By Closing Purchaser accepts the condition of the Property, including any actual or potential environmental problems, and waives and releases any and all claims against the Seller except for defects or problems with title which claim shall be limited to Purchaser proceeding against the title insurance policy. Purchaser acknowledges that it should consult with government agencies, financial institutions, insurance agents, architects, engineers, and other appropriate persons to determine whether or not to Close on the purchase.

7.5 Survey Not Provided: Seller will not provide a survey for the Real Property. If a survey is desired by Purchaser then the Purchaser shall obtain a survey at its cost. Should the Purchaser pay for a survey and the sale to Purchaser is not approved by the Bankruptcy Court but a sale to a third person is instead approved then, in such event, if the sale that is approved Closes the Purchaser will, at that Closing, be reimbursed the cost of the survey provided the Purchaser makes the survey and any costs for a title examination available to the buyer approved by the Bankruptcy Court.

7.6 Outstanding Notices of Violations: Purchaser is aware that violations of City, County, State or Federal laws, codes, ordinances or statutes has been asserted, issued, or assessed against the Property by the Arizona Corporation Commission and the Arizona Department of Environmental Quality. If such allegations are not resolved to the satisfaction of the Purchaser, Purchase may, at its option, terminate this Agreement without recourse between the Parties and,

upon such termination, the Escrow Agent shall promptly return the Earnest Money Deposit to the Purchaser together with accrued interest thereon.

SECTION 8: CONDITIONAL OFFER TO SELL BY SELLER

8.1 Bankruptcy. The Seller is the Chapter 11 Bankruptcy Estate for Johnny A. McLain and Linda M. McLain, husband and wife, in District of Arizona bankruptcy case number 4-03-bk-04125-EWH. As a result, Bankruptcy Court approval of the sale is required before there is any legal obligation on the part of the Seller arising out of or related to this Agreement. A Motion and Application shall be filed with the Bankruptcy Court to have the sale approved as presented or as may be mutually modified by Seller and Purchaser prior to or during any hearing to approve the sale. A hearing on the Motion and Application can usually be expected within thirty (30) days of the filing of the Motion. Objections may be made to the sale. As a result, when Bankruptcy Court approval will be obtained or if it can be obtained is not a certainty. Seller will ask the Court to allow the Purchaser to appear telephonically at hearings on or related to the sale, if this is desired by Purchaser. Confirmation of the Liquidating Plan of Reorganization submitted by Cochise County may be a condition for a sale to be approved.

8.2 Bidding. In presenting this Agreement to the Bankruptcy Court for approval, the Seller, Cochise County, and/or the Bankruptcy Court will seek higher and better bids for the Property. Higher and better bids, if made, will be considered. If the Court approves of a sale to a Third Party Purchaser then, subject to the payment of the break fee set out in Section 8.3, as approved by the Bankruptcy Court, this Agreement will be terminated and the Purchaser herein shall have no further interest in the Property and the Earnest Money Deposit together with any interest earned thereon shall be returned to the Purchaser. At the hearing for approval of the sale, the Purchaser shall be entitled to make a higher offer to buy the Property should a Third Party Purchase submit a bid that is of more benefit to Seller than the terms set out herein. Seller and/or Cochise County will advertise the sale in an attempt to attract higher and better offers for the Property.

8.3 Compensation to Purchaser: If the Bankruptcy Court accepts a higher and better bid and approves of a sale to a Third Party Purchaser, Seller shall pay to the Purchaser at the Closing of the sale to the Third Party Purchaser approved by the Bankruptcy Court, Twenty Five Thousand Dollars ($25,000.00) to compensate and reimburse Purchaser for the time, effort, and costs incurred by Purchaser in presenting this Agreement to the Bankruptcy Court for consideration.

SECTION 9: PURCHASER'S CONDITIONS FOR CLOSING:

9.1 Rate Base Approval: The Rate Base value of the Water Companies shall be determined by the Arizona Corporation Commission (the "Rate Base") according to the rules, regulations and guidelines which the Arizona Corporation Commission has for determining the net invested capital value or Rate Base of an investor-owned public utility system for rate making purposes. Upon the determination of the Rate Base, the Purchase Price shall be adjusted upward or downward as described herein. Purchaser shall use commercially reasonable efforts to

provide, on a timely basis, all information requested by the Arizona Corporation Commission provided such information is available to the Purchaser.

9.2 Transfer Approval: A condition for the sale and purchase is approval by the Arizona Corporation Commission of the sale and purchase and the approval by the Arizona Corporation Commission of the transfer to Purchaser or the issuance to Purchaser of all Certificates of Convenience and Necessity for the Water Companies. Approval of the Purchaser's acquisition must also be obtained, to the satisfaction of the Purchaser, from all other governmental bodies and agencies having jurisdiction over the Water Companies and/or the transfer to Purchaser of all other permits, certificates, licenses or other authorizations necessary for the operation of all plants, facilities, and equipment comprising the Water Companies. All such transfers shall be approved without the imposition of any restrictions conditions, or obligations that are unacceptable to Purchaser in its sole discretion.

SECTION 10: PURCHASER'S OPERATION OF THE WATER COMPANIES:

10.1 Purchaser's Willingness to Take Control Pre-Closing: Subject to notice and hearing and approval by the Bankruptcy Court and the Arizona Corporation Commission and after the issuance of an Order of the Bankruptcy Court that is final, the Purchaser is willing to take control of and operate the Water Companies. All management and operation services provided by Purchaser would have to follow and be in accordance with Order of the Bankruptcy Court and requirements of the Arizona Corporation Commission as to the filing of reports and restrictions on operations. Purchaser would, during its period of operation, from monies collected, pay bills and expenses incurred in the operation. Compensation to be paid to Purchaser for operating would be as is set by the Court and/or the Arizona Corporation Commission. In the event capital improvements were needed that could not be paid from operations the Purchaser would present the matter to the Bankruptcy Court with a proposal for paying for the needed improvement.

SECTION 11: REMEDIES

11.1 Remedies of Purchaser: In the event that Seller shall fail to perform fully and timely any of its material obligations hereunder or to consummate the transaction contemplated herein for any reason, except for Purchaser's material default hereunder, Purchaser's sole and exclusive remedy shall be the right to apply to the Bankruptcy Court to enforce specific performance of the conveyance of the interest the Seller holds in the Property without the expenditure of money by the Seller other than the Purchase Price. If, after Closing, a problem or claim arises with title to the Property Purchaser's sole remedy shall be limited to recovery on and against the title insurance policy to be issued. If the transaction contemplated hereunder is not approved by the Bankruptcy Court on or before September 30, 2004 (other than as a result of a breach by Purchaser of its obligations hereunder), Purchase shall have the right to terminate ths Agreement and, upon such termination, Escrow Agent shall promptly return the Earnest Money Deposit together with interest earned thereon to Purchaser.

11.2 Remedies of Seller: If the Purchaser shall fail to timely Close for any reason, except Seller's default or the termination of the Agreement pursuant to a right to terminate given herein, the Seller's sole and exclusive remedy shall be to retain as liquidated damages the Earnest Money Deposit and any interest thereon as described herein. If the adjusted Purchase Price to be paid is less than One Million Dollars ($1,000,000.00) then, at the option of Seller, Seller may: (a) terminate the Agreement upon the return of the Earnest Money Deposit together with interest earned thereon to Purchase; or (b) complete the transaction in accordance with the adjusted Purchase Price to be paid.

SECTION 12: MISCELLANEOUS

12.1 Notices: Any demand, request or notice which either party hereto desires or may be required to make or deliver to the other pursuant to this Agreement shall be in writing and shall be deemed delivered when personally delivered, received by facsimile, or when delivered by private courier, Federal Express or similar service, or four (4) calendar days after being deposited in the United States Mail, registered or certified, postage prepaid, return receipt requested, addressed as follows or to such other single address and person as either party may communicate to the other by like written notice:

To Purchaser:

Mr. Ian Robertson
Algonquin Water Resources of America, Inc.
2845 Bristol Circle
Oakville, Ontario
CANADA L6H 7H7
Telephone: (1-905) 465-4551
Facsimile: (1-905) 465-4514

To Seller:

Michael M. Neal, P.C.
110 S. Church Avenue, Suite 4298
Tucson, Arizona 85701
Telephone: (520) 623-5686
Facsimile: (520) 623-5255

with a copy to:

Mr. John A. MacKinnon
Deputy County Attorney
Office of the County Attorney
P.O. Box CA
Bisbee, AZ 85603
Telephone: (520) 432-8700
Facsimile: (520) 432-8778

12.2. Entire Agreement: TIME IS OF THE ESSENCE AS TO EACH AND EVERY TERM AND CONDITION OF THIS AGREEMENT. This Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between them respecting the subject matter hereof. There are no other representations, agreements, arrangements or understandings, oral or written, between and among the parties hereto or any of them, relating to the subject matter of this Agreement. No amendment of, supplement, or superceding of, this Agreement shall be valid or effective unless made in writing and executed by the parties hereto.

12.3 Assignments: Purchaser shall have the right to transfer or assign its interest in this Agreement without the prior written consent of Seller but the Purchaser shall, despite any assignment, remain liable to the Seller under this Agreement. This Agreement shall inure to the benefit of and be binding upon the heirs, successors, and assignees of the parties hereto.

12.4 Other Costs: In the event a party is required to enforce the provisions of this Agreement, such party, if it prevails, shall be entitled to receive from the other party all costs and yexpenses, including, without limitation, reasonable attorney's fees and costs incurred, including the cost for any expert witnesses and investigations and those for a trial and appeal, in connection with such enforcement.

12.5 Construction: If the time period by which any right, option, election, or extension provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday or legal holiday, then such time period shall be automatically extended through the close of business on the next business day.

12.6 Agreement as Offered: The execution of this Agreement by the Purchaser shall constitute an offer to purchase the Property upon Bankruptcy Court approval and satisfaction of all terms and conditions. However, Purchaser shall have only thirty (30) days from its receipt of this Agreement to make an offer to purchase by signing the Agreement presented.

12.7 No Recording: Recording of this Agreement or any memorandum thereof by Purchaser is prohibited and any recording shall be null, void, and of no force or effect.

12.8 Governing Law: This Agreement shall be governed and construed in accordance with the laws of the State of Arizona.

12.9 Survival: Except as otherwise expressly provided in this Agreement to the contrary, Purchaser's and Seller's obligations shall survive the Closing.

12.10 Authority: The person executing this Agreement on behalf of the Purchaser represents and warrants that they are fully authorized to do so and that this Agreement as executed and delivered constitutes a valid, binding and enforceable offer of the Purchaser to purchase upon Bankruptcy Court approval.

12.11 Eminent Domain: If an eminent domain proceeding is commenced against the Property prior to the Closing, the Purchaser shall have the right to elect either to: (a) complete the sale of the Property in accordance with the terms of this Agreement, in which event Purchaser shall be entitled to receive all compensation, including any severance damages, payable on account of said taking by eminent domain; or (b) to terminate this Agreement by giving written notice to the Seller within fifteen (15) days after receiving written notice or written information concerning the commencement of any such proceeding in which event all Earnest Money Deposits together with interest thereon shall be returned to Purchaser and the Parties shall be released from all further obligations hereunder, except as is otherwise provided in this Agreement.

12.12 Risk of Loss: The risk of material loss or damage to the Property by casualty, prior to Closing, is retained by the Seller. Upon the happening of any material loss or damage, Seller shall provide Purchaser with notice thereof. At the option of the Purchaser to be exercised within ten (10) days thereafter, Purchaser may: (a) terminate this Agreement; or (b) Close with the Purchase Price reduced to reflect the damage. If the Purchaser elects to close the transaction with a reduced Purchase Price, Seller may either: (a) Close the transaction at such reduced Purchase Price; or (b) terminate this Agreement. In the event of either Party's termination of this Agreement pursuant to this section, the Earnest Money Deposit together with interest thereon shall be immediately refunded to the Purchaser and the Parties hereunder shall have no further obligation or liability to each other, except as otherwise provided in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed on the dates set forth next to the signatures below.

PURCHASER:

ALGONQUIN WATER RESOURCES OF AMERICA, INC., a Delaware corporation,

By: _____

Its Authorized Agent EDMUND PAMATAT

Dated: July 7th 2004

SELLER:

The Bankruptcy Estate of Johnny A. McLain and Linda M. McLain, husband and wife, District of Arizona case number 4-03-bk-04125-EWH

By: _____

Dated: _____

EXHIBIT

2

LEWIS AND ROCA LLP
LAWYERS

One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611
Facsimile (520) 879-4705
Telephone (520) 622-4427

Rob Charles, State Bar No. 007359
Email: rcharles@lrlaw.com

Attorneys for Algonquin Water Resources of America, Inc.

ORDERED.

Dated: March 20, 2006

EILEEN W. HOLLOWELL
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

In re: Johnny A. McLain and Linda M. McLain, husband and wife, Debtors.	(Chapter 11 Case) No. 4:03-bk-04125-EWH **ORDER CONFIRMING SALE TO ALGONQUIN WATER RESOURCES OF AMERICA, INC.**

Algonquin Water Resources of America, Inc. ("Algonquin") agreed to purchase the estate's interests in various water company assets (the "Property") and as described in a Purchase and Sale Agreement dated July 7, 2004 (the "Agreement") filed with this Court by creditor Cochise County on August 3, 2004 (DE 133). Cochise County sought this Court's approval of the sale of the Property by its *Motion and Application by Cochise County to Authorize and Approve: 1) Sale of Water Companies Free and Clear of Liens; (2) Authorize the Payment of Closing Costs and a Payment to Creditors at Closing in Accordance with Confirmed Plan; and (3) Operation of the Water Companies by Purchaser, Pending Closing, If Acceptable to the Arizona Corporation Commission and the Purchaser* (the "Sale Motion") (DE 130). The Sale Motion was filed by Cochise County pursuant to its *First Amended Liquidating Plan of Reorganization* (the "Plan") (DE 126), confirmed by this Court's August 4, 2004 *Order Confirming as Modified Herein First Amended Liquidating Plan of Reorganization Filed June 2, 2004 by Creditor Cochise County* (the "Confirmation Order") (DE 135).

GRANTED

At the hearing, Algonquin committed to promptly file its application for issuance of Certificates of Convenience and Necessity ("CC&Ns") and transfer to Algonquin of the Property.

Section 9.2 of the Agreement provides:

> 9.2 Transfer Approval: A condition for the sale and purchase is approval by the Arizona Corporation Commission of the sale and purchase and the approval by the Arizona Corporation Commission of the transfer to Purchaser or the issuance to Purchaser of all Certificates of Convenience and Necessity for the Water Companies. Approval of the Purchaser's acquisition must also be obtained, to the satisfaction of the Purchaser, from all other governmental bodies and agencies having jurisdiction over the Water Companies and/or the transfer to Purchaser of all other permits, certificates, licenses or other authorizations necessary for the operation of all plants, facilities, and equipment comprising the Water Companies. All such transfers shall be approved without the imposition of any restrictions conditions, or obligations that are unacceptable to Purchaser in its sole discretion.

The Court set a Status Hearing to monitor the process of compliance with the conditions precedent to the Closing. No one objected to the setting of the status hearing.

Good cause appearing from the entire record before this Court.

IT IS ORDERED:

1. The prior sale to Algonquin under the Agreement is confirmed at a Purchase Price of $696,752.14.

2. The Court will conduct a status hearing in this case concerning the progress toward the Closing on April 25, 2006 at 11:30 a.m. Interested parties may appear by telephone in accordance with this Court's procedures.

DATED _____, 2006.

_____
United States Bankruptcy Judge
District of Arizona

GRANTED

LEWIS AND ROCA LLP
LAWYERS

APPROVED AS TO FORM:

LEWIS AND ROCA LLP

By /s/ RC 007359
Rob Charles
One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611
Tel: 520-629-4427 Fax: 520-879-4705
Email: rcharles@lrlaw.com
Attorneys for Algonquin Water Resources of America, Inc.

LAW OFFICE OF MICHAEL M. NEAL, P.C.

By: /s/ MMN 04331
Michael M. Neal
mmnealpc@qwest.net
110 S. Church Ave., Suite 4298
Tucson, AZ 85701
Co-Counsel for Cochise County

and

Charles A. Irwin, Esq.
cirwin@co.cochise.az.us
Office of the County Attorney
P.O. Box CA
Bisbee, AZ 85603
Co-Counsel for Cochise County

GRANTED

EXHIBIT

3

Exhibit 3

Northern Sunrise Water Company

Coronado Estates Water Company
Crystal Water Company
Mustang Water Company
Sierra Sunset Water Company

Southern Sunrise Water Company

Cochise Water Company
Horseshoe Ranch Water Company
Miracle Valley Water Company

RECEIVED

2006 MAY 18 P 4: 36

AZ CORP COMMISSION
DOCUMENT CONTROL

FENNEMORE CRAIG, P.C.
A Professional Corporation
Jay L. Shapiro (No. 014650)
Patrick J. Black (No. 017141)
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Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Northern Sunrise Water Company
and Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20453A-06-0247
IN THE MATTER OF THE APPLICATION OF SOUTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20454A-06-0248
IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.	DOCKET NOS. W-20453A-06-0251 W-20454A-06-0251 W-01646A-06-0251 W-01868A-06-0251 W-02235A-06-0251 W-02316A-06-0251 W-02230A-06-0251 W-01629A-06-0251 W-02240A-06-0251 **NOTICE OF FILING CERTIFICATION OF PUBLICATION AND PROOF OF MAILING**

Pursuant to the April 26, 2006 Procedural Order, Northern Sunrise Water Company and Southern Sunrise Water Company ("Applicant") hereby submits this Notice of Filing Certification of Publication and Proof of Mailing in the above-captioned matter.

EXHIBIT
A-4
Admitted

On May 4, 2006, legal public notice was published in the *Sierra Vista Herald* and the *Bisbee Daily Review*. The affidavit of Zoe Jussel, Agent to the Publisher of the *Sierra Vista Herald* and the *Bisbee Daily Review*, is attached hereto as Exhibit 1.

On May 5, 2006, Applicant mailed notification to all customers of the McLain Water Systems. The affidavit of Gregory S. Sorensen is attached hereto as Exhibit 2.

DATED this 18 day of May, 2006.

FENNEMORE CRAIG, P.C.

By: _____
Jay L. Shapiro
Patrick J. Black
Suite 2600
3003 North Central Avenue
Phoenix, Arizona 85012
Attorneys for Northern Sunrise Water Company and Southern Sunrise Water Company

ORIGINAL and 33 copies delivered this 18 day of May, 2006 to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy sent via e-mail and U.S. mail this 18 day of May, 2006, to:

Jane L. Rodda, ALJ
Hearing Division
Arizona Corporation Commission
400 W. Congress St.
Tucson, AZ 85701

Copy hand delivered this 18 day of May, 2006, to:

Jason Gellman, Esq.
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Linda Jaress, Executive Consultant
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Whitney Bair

1794479.1/10577.002

EXHIBIT

1

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)
:ss.
COUNTY OF COCHISE)

ZOE JUSSEL being first duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the SIERRA VISTA HERALD and the BISBEE DAILY REVIEW newspapers printed and published six days a week in the County of Cochise, State of Arizona, and of general circulation in the cities of Sierra Vista and Bisbee, County of Cochise, State of Arizona and elsewhere, and thehereto attached

PUBLIC NOTICE OF PUBLIC COMMENT
NORTHERN SUNRISE WATER COMPANY

was printed and published correctly in the regular and entire issue of said SIERRA VISTA HERALD and BISBEE DAILY REVIEW for 1 issues, that the first was made on the 4 day of MAY 20 06 and the last publication thereof was made on the 4 day of MAY 20 06 that said publication was made on each of the following dates, to wit:

05/04/06

Request of

Sierra Vista Herald
Bisbee Daily Review

By

Subscribed sworn to before me this 4 day of MAY 20 06

JOAN HANCOCK
Notary Public - Arizona
Cochise County
My Comm. Expires May 21, 2008

Notary Public in and for the County of Cochise, Sate of Arizona

My Commission Expires: 5/21/08

PUBLIC NOTICE

PUBLIC NOTICE OF PUBLIC COMMENT AND HEARING ON THE APPLICATIONS OF NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY FOR CERTIFICATES OF CONVENIENCE AND NECESSITY AND SALE AND TRANSFER OF UTILITY ASSETS AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY OF MIRACLE VALLEY WATER COMPANY, INC. COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY

Docket Nos. W-20453A-06-0247 and W-20454A-06-0248 and W-20453A-06-0251 et al.

On April 13, 2006, Northern Sunrise Water Company and Southern Sunrise Water Company (collectively "Applicants") filed applications with the Arizona Corporation Commission ("Commission") for: (1) Approval of the sale and transfer of utility assets and cancellation of the Certificates of Convenience and Necessity of Miracle Valley Water Company, Inc., Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company, and Sierra Sunset Water Company ("McLain Systems); and (2) for new Certificates of Convenience and Necessity to provide public water utility service in the service area served by the McLain Systems. The Commission has consolidated the applications. If the applications are granted, the assets of the McLain Systems will be transferred to Applicants and Applicants will be the exclusive providers of water utility service in the McLain Systems' service territories. Applicants would be required by the Commission to provide service under rates and charges and terms and conditions established by the Commission. The applications are available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona, and in Tucson, at 400 West Congress St. Suite 218, Tucson, Arizona and at the offices of the Applicant at 4055 Campus Dr. Sierra Vista, Arizona. The applications are also available on the Commission's website www.azcc.gov , using the e-Docket link.

The Commission will hold a **public comment** meeting on this matter on **May 22, 2006 at 5:00 p.m.** at the **Buena High School Performing Arts Center's Lecture Pod,** 5225 Buena School Boulevard, Sierra Vista, Arizona 85635. Any person with an interest in this matter may appear at the public comment meeting and make a statement concerning the applications.

The Commission will hold an evidentiary hearing on this matter beginning **May 30**

evidentiary hearing on this matter beginning **May 30, 2006,** at 10:00 a.m., at the Commission's offices, Room 222, 400 West Congress Street, Tucson, Arizona. Public comment will be taken on the first day of the hearing. The law provides for an open public hearing at which, under appropriate circumstances, interested persons may *intervene in the proceedings* and participate as a party. You may have the right to intervene in the proceeding. Intervention will be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed on or before May 22, 2006. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to Applicant or its counsel and to all parties of record. The motion must, at the minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different from that of the intervenor.
2. A short statement of the proposed intervenor's interest *in the proceeding (e.g., a* customer or potential customer of the Applicant, a shareholder of the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the applications. You will not receive any further notice of this proceeding unless you request it. Comments may also be made by writing to the Commission in care of Docket Control, 1200 W. Washington, Phoenix, Arizona 85007. All correspondence should contain the Docket Nos. W-20453A-06-0247, W-20454-06-0248, and W-20453A-06-0251 et al.

If you have any questions about these applications, or want further information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with disability may request a reasonable accommodation such as sign language interpreter, as well a request as document in an alternative format, by contacting Linda Logan, ADA Coordinator, Voice phone number 602-542-3931, E-mail llogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

PUBLISH: May 4 2006

EXHIBIT

2

AFFIDAVIT OF GREGORY S. SORENSEN

Gregory S. Sorensen, being duly sworn, deposes and says:

1. I am a resident of Maricopa County, over 18 years of age, and make this affidavit based on my own personal knowledge.

2. I am Controller of the Infrastructure Division for Algonquin Water Services, LLC.

3. Pursuant to the April 26, 2006 Procedural Order issued by the Arizona Corporation Commission, on May 5, 2006, Northern Sunrise Water Company and Southern Sunrise Water Company ("Applicant") mailed to all customers of the McLain Water Systems by first class U.S. mail a copy of the notice regarding the public comment meeting set for May 22, 2006 and the evidentiary hearing set for May 30, 2006.

4. In further accordance with the Procedural Order, Applicant files this certification of mailing.

Gregory S. Sorensen

SUBSCRIBED and sworn to before me this 17th day of May, 2006.

Linda A. Byrd
Notary Public

OFFICIAL SEAL
LINDA A. BYRD
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires July 22, 2007

My Commission Expires:

July 22, 2007

10577.002

FENNEMORE CRAIG, P.C.
A Professional Corporation
Jay L. Shapiro (No. 014650)
Patrick J. Black (No. 017141)
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Northern Sunrise Water Company
and Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20453A-06-0247
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IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.	DOCKET NOS. W-20453A-06-0251 W-20454A-06-0251 W-01646A-06-0251 W-01868A-06-0251 W-02235A-06-0251 W-02316A-06-0251 W-02230A-06-0251 W-01629A-06-0251 W-02240A-06-0251 **NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY'S RESPONSE TO STAFF REPORT**

Northern Sunrise Water Company ("Northern Sunrise") and Southern Sunrise Water Company ("Southern Sunrise") (collectively, "Applicants") hereby file this Joint Response to the Staff Report ("Staff Report") filed in this docket on May 17, 2006. Applicants appreciate Staff's timely recommendation for approval of the three applications filed in the above-captioned

EXHIBIT
A-5
Admitted

dockets. However, the Staff Report also contains twenty-six (26) other recommendations, eleven (11) of which are either: 1) unduly burdensome and must be removed, 2) problematic with respect to timing concerns and must be modified, or 3) unclear and require modification to avoid improper or unintended rate treatment of regulatory assets in future Arizona Corporation Commission ("Commission") proceedings. Furthermore, the Staff Report does not adequately address transition issues involving the current operator of the water systems, the Arizona Small Utilities Association ("ASUA"), an area where the Commission and Staff can and should assist Applicants, in contrast to many of Staff's recommended conditions which seek to place unnecessary and burdensome restraints on Applicant's management and operations following acquisition. Accordingly, and for the reasons discussed below, specific Staff recommendations should be eliminated or modified.

DISCUSSION

The Staff Report organizes Staff's recommendations into the following category headings: General, Babocomari, Accounting and Rates, Emergency Rate Case and Moratorium. To the extent that Applicants provide comments on any specific Staff recommendation set forth in the Staff Report, such Staff recommendation is referred to herein by category heading and number (i.e., Accounting and Rates Recommendation No. 1). Additionally, those Staff recommendations to which Applicants object in some fashion, as explained in this Response, are categorized in one of the three general topics highlighted above, i.e., that they are unduly burdensome, that they present timing problems or that they require clarification to avoid improper rate treatment in future proceedings.

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I. Accounting and Rates Recommendation Nos. 5 is Unduly Burdensome and Must be Removed.

A. A Deferred Payment Plan Tariff is Unduly Burdensome, Confiscatory and Signals Customers that Payment for Services is Not Mandatory.

Accounting and Rates Recommendation No. 5 would require Applicants to file a Deferred Payment Plan Tariff for the benefit of customers that might be unable to pay their bills under the new rates. Staff Report at 9. Applicants sympathize with ratepayers who have been burdened by the prior operator's unethical conduct. However, Applicants are a private investor-owned utility dedicating its property to public use in exchange for assurance of just and reasonable rates. Every customer must pay such rates or Applicants will be denied just and reasonable rates. Furthermore, A.A.C. R14-2-409.G allows, but does not require, a water utility to offer to qualifying residential customers a deferred payment plan prior to terminating service pursuant to A.A.C. R14-2-410.C.1.a, which provides that "A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission: (b) failure of the customer to pay a delinquent bill for service." Therefore, *requiring* Applicants to adopt a Deferred Payment Plan Tariff is also inconsistent with the Commission's own rules.

That is not to say that Applicants do not have processes in place to address situations where customers cannot pay all amounts due for utility service. Applicants, which will both be operated by Algonquin Water Services ("AWS") in the same manner as other Algonquin-owned water and sewer utilities operating in Arizona, will take steps to address situations where customers have problems paying their bills. This occurs now with the other utilities operated by AWS.[1] But every such situation is unique and the one-size fits all approach recommended by

[1] The Staff Report incorrectly states that Applicants "will be operated and managed by the employees of other water utilities owned by Algonquin in Arizona." Staff Report at 3. Applicants will be operated and managed primarily by AWS under agreements with Applicants and such costs have been included in Applicants' operating expenses.

Staff denies Applicants the flexibility to enter into separate deferred payment plans tailored to the individual customer needs.

This problem is exacerbated by Staff's failure to clearly define the minimum qualifications for Staff's recommended program. What qualifies as "struggling to pay bills"? Will Applicants have to coordinate information sharing (another economic cost) with public and private entities offering "bill assistance" to ensure these qualifications are being met? Again, through AWS, Applicants have processes in place to address customer delinquencies, processes that are consistent with the Commission's rules and regulations. Mandating means by which customers can avoid paying fees when due is not only overkill, it is administratively burdensome and deprives Applicants of just and reasonable rates.

II. General Recommendation No. 3, Babocomari Recommendation Nos. 2, 3, and Moratorium Recommendation No. 2 Should be Modified to Either Provide Applicants Sufficient Time to Comply or to Streamline the Applicable Approval Process.

A. General Recommendation No. 3 Should Be Modified to Require Applicants to Complete the Requisite Projects Within One Year from the Date that the Bankruptcy Sale Closes.

General Recommendation No. 3 would require Applicants to complete the projects listed in Exhibit 4 of the Staff Report, along with 30,000 gallons of storage for the Sierra Sunset system, by June 30, 2007. Staff Report at 8. Staff's recommendation is predicated on Staff anticipation that the asset transfer will close within 20 to 30 days after a Commission decision in this matter. However, that date is uncertain and largely outside Applicants' control. When it does occur and the sale closes, plant improvements are scheduled to be completed within 6-12 months. Staff Report, Exhibit 4. Additionally these plant improvements as detailed on Exhibit 4 may be made exactly as anticipated therein, but more realistically may be modified as is deemed appropriate after the Applicants' close on the transaction and, together with their consultants, have the opportunity to more thoroughly investigate the assets, evaluate alternatives and design the

potential solutions. As a consequence, General Recommendation No. 3 should be modified to require Applicants to complete substantially all the capital improvement construction projects (or equivalent) one full year after the close of the transaction by which title to the assets passes to Applicants.

B. Babocomari Recommendations Nos. 2 and 3 Should Be Modified to Require Northern Sunrise to File Annual Reports on Development Activity in the Babocomari Area.

Babocomari Recommendations Nos. 2 and 3 would require Northern Sunrise to docket a copy of the Approval to Construct, and developer's Letter of Assured Water Supply for the Babocomari development within one year from the effective date of the decision in this proceeding.[2] Staff Report at 9. If the developer's Letter of Assured Water Supply is not filed, then, under the recommendation, the certificate of convenience and necessity ("CC&N") for the Babocomari area will be considered null and void after due process. *Id.*

Northern Sunrise included the Babocomari development in its CC&N application in order to conduct the advance planning necessary to integrate the new water distribution infrastructure into the larger water system, and because the developer was willing to convey an ideal parcel of land for off-site facilities. Staff Report at 4. Although this land parcel will be eventually useful to the potential customers within the Babocomari area, it will be immediately useful to the existing customers of several of the McLain systems. The Babocomari developers are offering this parcel on the expectation that that they will be eligible for water service when needed. There is no incentive for these developers to provide Northern Sunrise a site for off-site facilities only to have the benefit to be received in exchange taken away based on an artificial timeline set by Staff.

Indeed, if Staff's timeline is imposed and the land parcel is not transferred to Northern Sunrise as a result, existing customers will ultimately have to bear higher capital costs for

[2] It is not clear whether a "Letter of Assured Water Supply" will be generated, or is a requirement with respect to this project, and hence such may not be necessary.

alternative (and less ideal) locations for off-site facilities. In short, although timing of development in the Babacomari area is uncertain and outside Northern Sunrise's control, the public interest is well served by inclusion of this area in Northern Sunrise's CC&N without artificial deadlines for development. Therefore, Staff's Babocomari Recommendations Nos. 2 and 3 should not be adopted. As an alternative, Northern Sunrise will agree to submit a status report on development activity in the Babocomari development within 365 days of the decision in this matter, and annually thereafter. Staff can then provide comments to the status report, and make recommendations (if applicable) on whether a more thorough review is warranted.

C. Moratorium Recommendation No. 2 Must Be Modified to Incorporate a Timely Approval Process by Staff When Lifting the Moratorium for Each Former McLain System.

Moratorium Recommendation No. 2 requires Applicants to file a notice of completion ("Notice") with Staff once the projects listed by system in Exhibit 4 of the Staff Report are completed. Staff will then inspect the projects and file a memo in the Docket. Staff Report at 11. If the Staff memo concurs that the projects have been completed, the moratorium will be considered lifted for the applicable system or systems.[3]

Applicants do not oppose continuation of the moratorium issued in Commission Decision No. 68272, and believe that imposing it was necessary given the state of the water systems being acquired. However, Applicants are concerned that Moratorium Recommendation No. 2 is vague concerning the process for Staff approval of the Notice. Applicants assert that Staff should file any responsive memo to the docket within 10 days of receiving a Notice from either Northern Sunrise or Southern Sunrise. Provided that General Recommendation No. 3 is modified to allow Applicants flexibility in the design and construction of the projects listed in Exhibit 4 of the Report, as already addressed herein, the Notice provided by either Northern Sunrise or Southern Sunrise would include a list of new and replaced plant upgrades.

[3] The Report is unclear as to what a "system or systems" signifies. Applicants interpret this phrase to apply to each of the seven individual McLain water systems, rather than the two systems they are being reorganized into.

No action would mean approval and the moratorium lifted. If Staff files a memo opposing lifting of the moratorium, a hearing should be scheduled within 20 days to address the dispute. Absent this specific safeguard, or something similar, Applicants will face the risk of unreasonable delay.

III. Accounting and Rates Recommendation Nos. 1, 6 and 10, and Emergency Rate Case Recommendation No. 2 Must Be Clarified to Avoid Improper or Unintended Rate Treatment in Future Commission Proceedings.

A. Phased-in Rates are Improper.

Staff agrees with Applicants' proposed rates and rate design. Staff Report at 9 and Exhibit C at 6. Staff goes further, however, and provides an alternative rate schedule that utilizes three phases for monthly usage charges, with each phase increase triggered by the amount of Applicants' combined capital invested in infrastructure upgrades. Staff Report, Exhibit C at 7. This proposed alternative must be rejected.

To begin with, Staff is concerned over "rate shock." It is true that in most instances, Applicants' future customers have not experienced rate increases for more than 20 years. *Id.* at 6. This is hardly Applicants' fault, however, and the sooner customers begin paying just and reasonable rates for water utility service, the sooner they can expect to receive service that is adequate, safe and reliable. It is patently inequitable to penalize Applicants by imposing the administrative burden of multiple notices of rate changes and filings with the Commission, as well as, most importantly, by postponing recovery of just and reasonable rates.

This is especially true given the substantial risks Applicants and their shareholder are taking in acquiring the McLain systems. Applicants do not own the systems at this time and have no idea of the final cost to bring the systems into compliance. Applicants will also bear the burden of customer frustration as service is brought up to standard after decades of inadequacy. It is unfair, in the face of these risks and burdens, to also saddle Applicants with less than just and reasonable rates as a gesture to ratepayers. Again, ratepayers may not be at fault, but neither are Applicants, and they are entitled to the rates both Staff and Applicants agree are just and

reasonable. Accordingly, Staff's primary recommendation to adopt the proposed rates and charges set forth in Schedule REL-5 should be accepted, and any alternative proposal be rejected.

B. Accounting and Rates Recommendation No. 6 Must be Modified to Ensure Proper Treatment of Acquisition Costs in Future Proceedings.

Staff's recommended treatment of Applicants' respective acquisition or transaction costs is confusing. On the one hand, Staff has adopted Applicants' respective deferred accounting treatments of the transaction costs, which costs have been built into Northern Sunrise and Southern Sunrise's initial rate structures. *See* Northern Sunrise Application, Exhibit 9; Southern Sunrise Application, Exhibit 8. On the other hand, Accounting and Rates Recommendation No. 6 would authorize Applicants to defer acquisition related costs, with the appropriate accounting treatment addressed in the next rate application filed by Northern Sunrise or Southern Sunrise, respectively. Staff Report, Exhibit C at 3. This recommendation is unacceptable to Applicants.

Applicants' combined total transaction cost estimate is $300,000. Applicants recognize that a significant portion of these transaction costs must be estimated at this time, meaning some later review is necessary. That review, however, should be limited to verification of cost and assurance that such costs were incurred in connection with the transaction. In contrast, Staff's recommendation appears intended to postpone a prudency-type review until the next rate proceeding. Given that this transaction (and the hugely complicated process associated with bringing it to a potential resolution) has consumed resources that the Applicants would never incur in a typical acquisition transaction, the resulting risk Applicants' face in acquiring several bankrupt and chronically non-compliant water systems should not also include future "second-guessing" by Staff or a new Commission without some appreciation of the history. If the Commission concludes that the applications are in the public interest, it will also be affirming that the costs incurred to complete the reorganization of these systems to a new owner are in the public interest. No further analysis of prudency is necessary or appropriate.

C. Accounting and Rates Recommendation No. 10 Must be Modified to Reflect Correct Individual Asset Values for Plant in Applicants' Rate Base Schedules.

Accounting and Rates Recommendation No. 10 adopts Staff's recommended plant balances as delineated in Schedule REL-1. Staff Report at 10. However, Applicants takes exception to Staff's individual asset values as listed in Staff's rate base schedule. While the rate bases between Staff and the Applicants are approximately the same, Staff has allocated differences between the original cost of land and the fair market value of the land, or $208,752, per Decision 68412 (dated January 23, 2006), *over all assets*. The Company believes this incorrectly states the individual asset values.

On page 8 of Decision 68412, the $208,752 is specifically identified as relating to the real property. Thus, the $208,752 should not be spread over all assets and should stay with the land values only. Staff's method effectively increases the other assets over the RCND values as stated in the RCND schedules attached to the original order. Appropriate adjustments should therefore be made before Schedule REL-1 can be adopted.

D. Emergency Rate Case Recommendation No. 2 Must be Modified to Address Other Transition Issues Between Applicants and ASUA.

Emergency Rate Case Recommendation No. 2 would modify Decision No. 68667 to omit requirements for a System Improvement Surcharge ("SIS") and a separate bank account for the SIS. Staff Report at 11. This recommendation should also require that other transition issues be addressed either by amending Decision No. 68667 where appropriate, or in the context of this proceeding. The Staff Report does not address issues such as how customer deposits will be transferred, or how billing information (i.e., payment history) will be transferred from the Commission's current operator, ASUA, to Applicants. To the extent that Staff believes that these transitional issues should be addressed directly between Applicants and ASUA, Applicants request that Emergency Rate Case Recommendation No. 2 be modified accordingly.

CONCLUSION

Applicants appreciate Staff's timely issuance of the Staff Report in this proceeding, and recognize the breadth and complexity of the issues surrounding the transfer of assets and implementation of new rates for customers of the former McLain water systems. Applicants assert that the modifications to Staff's recommendations proposed in this Response are directed at facilitating an intense and aggressive capital improvement construction schedule, increasing the quality of water service to customers and taking advantage of economies of scale to limit the impact of increased rates. Transforming the McLain water systems into two viable water companies is a Herculean task, but one that Applicants believe can be accomplished without the added regulatory burden of some of the Staff recommendations, as addressed herein.

RESPECTFULLY SUBMITTED this 24th day of May, 2006.

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20453A-06-0247
IN THE MATTER OF THE APPLICATION OF SOUTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20454A-06-0248
IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.	DOCKET NOS. W-20453A-06-0251 W-20454A-06-0251 W-01646A-06-0251 W-01868A-06-0251 W-02235A-06-0251 W-02316A-06-0251 W-02230A-06-0251 W-01629A-06-0251 W-02240A-06-0251 **NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY'S RESPONSE TO AMENDED STAFF REPORT**

Northern Sunrise Water Company ("Northern Sunrise") and Southern Sunrise Water Company ("Southern Sunrise") (collectively, "Applicants") hereby file this Joint Response to the Amended Staff Report ("Amended Report") filed in this docket on May 23, 2006. This additional response supplements Applicants' original response filed May 24, 2006.

EXHIBIT
A-6
Admitted

The Amended Report makes two additional recommendations for conditions of approval in the above-captioned matters: (1) that Applicants must establish a website for customers to obtain timely information regarding water service, planned and unplanned outages and progress toward completion of improvement projects listed on Exhibit 4 to the May 17th Staff Report, and (2) that Applicants file, no later than December 31, 2007, for approval to extend their respective certificates of convenience and necessity ("CC&N") to areas being served outside of the CC&Ns approved in this matter. Applicants hereby respond to these two proposed additional conditions as follows:

1. **Proposed Additional Condition No. 1.**

Algonquin Water Resources ("Algonquin"), Applicant's parent company is close to completing a website that will provide information on all the water and wastewater systems it operates in Arizona. The website will allow the viewer to access specific information about a relevant water or wastewater operating company, including Northern Sunrise and Southern Sunrise. In addition, customers will be able to add their e-mail addresses to a database in order to receive automatic notices about items or events pertinent to that specific water or wastewater system. The site already contains some information about Applicants' CC&N approval process, and can be accessed at www.algonquinwater.com.

While Applicants appreciate the Commission's concern that ratepayers receive timely information about water service and infrastructure upgrades, Staff's Proposed Additional Condition No. 1 represents undue interference with the internal management of the companies. Algonquin's new website should be fully operational by approximately June 15, 2006. As a result, Applicants assert that Staff's Proposed Additional Condition No. 1 is also unnecessary.

2. **Proposed Additional Condition No. 2.**

In their respective CC&N applications, both Northern Sunrise and Southern Sunrise have addressed the issue of customers currently being served by a McLain water system, but falling outside the applicable CC&N service area. Northern Sunrise Application at ¶ 12, Southern

Sunrise Application at ¶ 11. Applicants re-assert that the most efficient means of bringing these customers into the respective CC&Ns is to file legal descriptions in this docket once such customer has been identified so that true and correct boundaries for each respective water service area can be established.

In contrast, the additional CC&N proceedings envisioned by Staff are unnecessary, and the regulatory burden of future approvals is not warranted. To the extent there are customers currently receiving water service outside Northern Sunrise and Southern Sunrise's proposed CC&Ns, such customers are the result of the previous operator's violation of Arizona law, including the Commission's rules and regulations. Applicants should not be burdened with the costs of further CC&N proceedings when the matter can be handled administratively. Applicants will agree, however, to provide the Commission with all necessary legal descriptions to establish a more accurate CC&N area for Northern Sunrise and Southern Sunrise by December 31, 2007.

RESPECTFULLY SUBMITTED this 26th day of May, 2006.

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R14-2-409. Billing and collection

G. Deferred payment plan

1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.
2. Each deferred payment agreement entered into by the utility and the customer due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
   a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
   b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
   c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six months.
3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
   a. Size of the delinquent account
   b. Customer's ability to pay
   c. Customer's payment history
   d. Length of time that the debt has been outstanding
   e. Circumstances which resulted in the debt being outstanding
   f. Any other relevant factors related to the circumstances of the customer.
4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills; customer failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the utility from discontinuing service for nonpayment.
5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

H. Change of occupancy

1. Not less than three working days advance notice must be given in person, in writing, or by telephone at the utility's office to discontinue service or to change occupancy.
2. The outgoing party shall be responsible for all utility services provided and/or consumed up to the scheduled turn-off date.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended subsection (C) effective September 28, 1982 (Supp. 82-5).

EXHIBIT
A-7
Admitted

R14-2-410. Termination of service

C. Termination of service with notice

1. A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission:
   a. Customer violation of any of the utility's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
   b. Failure of the customer to pay a delinquent bill for utility service.
   c. Failure to meet or maintain the utility's credit and deposit requirements.
   d. Failure of the customer to provide the utility reasonable access to its equipment and property.
   e. Customer breach of a written contract for service between the utility and customer.
   f. When necessary for the utility to comply with an order of any governmental agency having such jurisdiction.
2. Each utility shall maintain a record of all terminations of service with notice. This record shall be maintained for one year and be available for Commission inspection.

EXHIBIT
A-8
Admitted

EXHIBIT
S-1
Admitted

MEMORANDUM

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2006 MAY 17 P 3: 57

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TO: Docket Control

FROM: Ernest G. Johnson
for Director
Utilities Division

DATE: May 17, 2006

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR A CERTIFICATE OF CONVIENENCE AND NECESSITY TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA.
DOCKET NOS. W-20453A-06-0247 AND W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.
DOCKET NOS. W-20453A-06-0251, W-20454A-06-0251, W-01646A-06-0251, W-01868A-06-0251, W-02235A-06-0251, W-02316A-06-0251, W-02230A-06-0251, W-01629A-06-0251, W-02240A-06-0251

Attached is the Staff Report for the above referenced applications. Staff recommends approval of the applications subject to several conditions.

EGJ:LAJ:tdp

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Docket Nos. W-20453-06-0247 et.al.

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

NORTHERN SUNRISE WATER COMPANY, INC.
SOUTHERN SUNRISE WATER COMPANY, INC.
MIRACLE VALLEY WATER COMPANY
COCHISE WATER COMPANY
HORSESHOE RANCH WATER COMPANY
CRYSTAL WATER COMPANY
MUSTANG WATER COMPANY
CORONADO ESTATES WATER COMPANY
SIERRA SUNSET WATER COMPANY

DOCKET NO. W-20453A-06-0247
DOCKET NO. W-20454A-06-0248
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DOCKET NO. W-02240A-06-0251
DOCKET NO. W-01868A-06-0251
DOCKET NO. W-02316A-06-0251
DOCKET NO. W-01629A-06-0251

APPLICATION FOR TRANSFERS OF ASSETS, EXTINGUISHMENT OF CC&NS AND APPLICATION FOR CC&NS
TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA

MAY 2006

STAFF ACKOWLEDGEMENT

The Staff Report for Northern Sunrise Water Company, Inc., Southern Sunrise Water Company, Inc. and the McLain Systems (Docket Nos. W-20453A-06-0247, et. al.) was prepared by the following Staff members: Linda Jaress performed the general review and analyses of the Company's application, Steve Olea and John Chelus performed the engineering and technical analysis and James Dorf and Ron Ludders performed the rates and financial analysis.

Contributing Staff:

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Steve Olea
Assistant Director

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Chief Accountant

EXECUTIVE SUMMARY
NORTHERN SUNRISE WATER COMPANY, SOUTHERN SUNRISE WATER COMPANY AND THE MCLAIN SYSTEMS
DOCKET NOS. W-20453A-06-0247, ET. AL.

The Staff Report briefly reviews the history of the McLain Systems and provides an overview of the operating experience and financial strength of Algonquin Power Income Fund, the ultimate parent of Northern and Southern Sunrise. Based upon the financial strength and international and local ownership of water utilities by the fund and its subsidiary Algonquin Water Resources of America, Inc., Staff believes Northern Sunrise and Southern Sunrise to be fit and proper entities to own and operate the McLain Systems.

Staff addresses Decision No. 68667, the Emergency Rate Case Decision, and recommends certain modifications necessary to remove the $9.00 per connection System Improvement Surcharge and recommends a final audit of the collection and expenditure of the funds from the surcharge.

The moratorium on hook-ups to the McLain Systems imposed by Decision No. 68272 is also addressed. Briefly, Staff recommends that the moratorium remain in place until all the projects shown on Exhibit 4 are completed. Northern and Southern Sunrise have estimated the completion of those projects within six to twelve months of the decision in this docket.

Attached as Exhibit 2, is Staff's Engineering Report which describes the McLain Systems, the plant in place in each system and the improvements required to provide adequate service to the customers.

Exhibit 3 is the Finance and Accounting Report which proposes rates for adoption by the Commission. Staff proposes that the Commission approve the same rates as proposed by Northern and Southern or the alternative, phased-in rates, the phase of which are timed to reflect Northern and Southern's expenditures on plant.

Staff believes the cancellation of all existing CC&Ns held by the McClain Systems, the transfer of assets from the McLain Systems to Northern and Southern and the approval of new CC&Ns for Northern and Southern are in the public interest because the management of Northern and Southern have the operations and managerial experience along with capital resources sufficient to end the water service crises the McLain System customers have experienced and continue to experience. Thus, Staff recommends approval of the applications. In addition to the recommendation of approval, Staff also offers 26 other recommendations to ensure that Northern and Southern take appropriate accounting and operational measures to improve service.

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Introduction

On April 13, 2006, Northern Sunrise Water Company, Inc. ("Northern") and Southern Sunrise Water Company, Inc. ("Southern") (combined, "the Companies) each filed an application for a new Certificate of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("Commission") to provide water service in Cochise County, Arizona. On the same day, Northern and Southern filed a joint application for approval of the sale and transfer of water utility assets and cancellation of the CC&Ns of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company ("the McLain Systems" or "the Systems"). The CC&N application of Northern includes an additional area called Babocomari which is adjacent to the Coronado Estates Water Company and to which Northern requests to extend its CC&N. Exhibit 1, attached, contains maps and the legal descriptions of the areas at issue.

If the Commission were to approve the applications, any existing CC&Ns for the McLain Systems would be cancelled, the assets of the McLain Systems would be ultimately transferred to Northern and Southern, and Northern and Southern would be granted CC&Ns to serve Babocomari and the customers formerly served by McLain Systems. The McLain Systems would be divided geographically. Thus, Northern would serve the former Coronado Estates Water Company, Sierra Sunset Water Company, Crystal Water Company, Mustang Water Company and Babocomari. Southern would serve territories currently served by Cochise Water Company, Miracle Valley Water Company and Horseshoe Ranch Water Company.

History

The history of the McClain Systems is well known to the Commission and Staff. The McLain Systems are in serious disrepair and are operating under the management of an interim operator. The physical inadequacies and necessary repairs, maintenance and capital improvements for each system are listed in Staff's Engineering Report (from the 2005 Docket resulting in Decision No. 68412) attached as Exhibit 2.

Rather than again relate the specifics of the inadequacies, insufficiencies and non-compliance of the Systems, Staff requests that the Commission take administrative notice of the following decisions:

- Decision No. 66241, September 16, 2003 (Order to Show Cause and appointment of interim manager)
- Decision No. 66897, April 6, 2004 (denial of an application for stay of the appointment of an interim manager)
- Decision No. 68272, November 8, 2005 (creates moratorium on hook-ups)

- Decision No. 68412, January 23, 2006 (determines fair value rate base of the systems). The listed decisions, if included in this docket, would supply the necessary evidence to the record relating the facts and circumstances which led up to this docket.
- Decision No. 68667, April 20, 2006 (the emergency rate case decision)

Algonquin

Northern and Southern are subsidiaries of Algonquin Water Resources of America, Inc. ("Algonquin"). Algonquin is a subsidiary of Algonquin Power Income Fund ("the Fund"), an unincorporated trust established under the laws of Ontario, Canada. According to its 2005 Annual Report, the Fund's principal business activity is the ownership of electric generation and infrastructure facilities, through investments in subsidiaries. In 2005, 27.1 percent of the Fund's revenue was generated in Canada with the remaining 72.9 percent being generated in the United States. The majority of Algonquin's 2005 total revenues of $179.3 million were from sales of electricity with approximately 16 percent, or $28.7 million generated by water reclamation and distribution. The Fund's earnings and assets for 2005 were $21.8 million and $823.8 million, respectively.

Algonquin currently owns five Arizona water utilities: Bella Vista Water Company, Litchfield Park Service Company, Gold Canyon Sewer Company, Black Mountain Sewer Corporation, and Rio Rico Utilities. The Commission's Utilities Division Compliance Section reports that there are no outstanding compliance issues with the five companies. Consumer Services Section records show, for the period of January 1, 2003 to April 21, 2006, for the five companies combined, a total of 41 complaints, 54 inquiries and 206 opinions were logged. There currently is only one unresolved complaint and the opinions tallied are related to the pending Gold Canyon Sewer Company rate case. Staff concludes that based upon the ownership by Algonquin, Algonquin's financial strength and the operating history in Arizona of other Algonquin subsidiaries, that Northern and Southern are fit and proper entities to receive the McLain System assets and be granted CC&Ns in the area of the McLain Systems and the additional area of Babocomari.

The Sales Transaction

The McClain Systems are currently in bankruptcy proceedings (Case No. 4:30-bk-04125). On July 7, 2004, a sales agreement was entered by the Bankruptcy Estate of Johnny A. McLain and Linda M. McLain and Algonquin. On March 20, 2006, the Bankruptcy Court confirmed the sales agreement. The purchase price was set at an amount equal to the rate base for the McLain Systems to be determined by the Commission. In Decision No. 68412, the Commission determined the rate base of the McLain Systems to equal $696,752. The proceeds of the sale will be distributed among several creditors.

The Bankruptcy Court required Algonquin to receive Commission approval of the issuance of appropriate CC&Ns and the sale and transfer of the assets before the sales agreement

can be finalized. After the sale to Algonquin, the assets will be transferred to Northern and Southern. According to a response to Staff's data requests, the Companies estimated that the sales transaction will be consummated approximately 30 days after the Commission's decision in this case, "depending on the outcome of other approvals and consents."

Staff recommends that Northern or Southern file the closing documents with Docket Control, as a compliance item in this docket, within 15 calendar days of closing of the sale transaction. This will provide notice to the Commission that the Systems have officially changed hands.

Description of the Water Systems, Plant Condition and Engineering Report Update

As previously mentioned, Staff's Engineering Report on the Systems is attached as Exhibit 2. It is the same Report which was attached to Decision No. 68412 and which is also attached to the applications. The Report describes the plant in place at each system. Since the date of the Report, some improvements to the McLain Systems have been made. These improvements include two 100-gallon hydro tanks, new electrical and a new well meter and well regulator valve for the Sierra Sunset System. The Miracle Valley system received a new well pump, new electrical and a new pressure tank air controller. The cost of the improvements totals approximately $21,000. In addition, the well at Coronado Estates may only produce 52 gallons per minute and not 300 gallons per minute. Although the fenced area where this well is located is only 50 feet by 50 feet, the size of the parcel is approximately one acre. The conclusion of the Report, that large investments in the Systems must be made before the customers will receive adequate, safe and reliable service to the customers remains the same.

Operations under Northern and Southern Ownership

Northern and Southern will be operated and managed by the employees of other water utilities owned by Algonquin in Arizona. However, the maintenance and operations will primarily be coordinated and performed by the Bella Vista Water office in Sierra Vista. Customers will be given an 800 number to call for service, repairs and billing questions. The 800 number calls will be answered and coordinated out of Algonquin's Avondale, Arizona office. The customers will also be given a number for emergencies which will be answered in Sierra Vista. The Sierra Vista office expects to add personnel to accommodate the Northern and Southern operations.

Northern and Southern's certified operator will be Larry Diaz who is located in Sierra Vista.

Franchises

Northern and Southern have forwarded drafts of their applications for franchises to Cochise County. These applications will be formally filed with the County shortly. Staff

recommends that the Companies file the franchise agreements with Docket Control, as a compliance item in this docket, within 365 calendar days of the Decision in this case.

Babocomari

Northern is requesting to include in its proposed certificated area approximately 3.7 square-miles in an area contiguous to the southern boundary of the current Coronado Estates to serve the Babocomari Development Association. Northern's application includes a request for service from the landowner of this area. Preliminary engineering plans for the system are being developed at this time. According to the report to Arizona Department of Water Resources ("ADWR") for the Demonstration of Adequate Water Supply, approximately 977 acre-feet per year of water supply would be needed for an anticipated 1,500 single-family units within this area. However, Northern expects to serve 400 customers in the area by the end of five years. According to Northern, the developer is willing to contribute land within the development upon which Northern would construct a storage tank and booster pumping facilities. No additional well or well site is being proposed at this time because Babomocari will be connected to the Coronado System.

Northern has not received the Arizona Department of Environmental Quality ("ADEQ") Certificate of Approval to Construct ("ATC") for facilities to serve the Babocomari project. Staff recommends that Northern file with Docket Control, as a compliance item in this docket, a copy of the ATC for the Babocomari project within 365 calendar days from the effective date of an order in this proceeding.

Northern has submitted a report prepared for Babocomari Development Association to the Arizona Department of Water Resources ("ADWR") for its Demonstration of Adequate Water Supply. Staff recommends that Northern file with Docket Control, as a compliance item in this docket, a copy of the developers' Letter of Adequate Water Supply for the Babocomari property demonstrating that there is adequate water, within 365 calendar days from the effective date of the decision in this proceeding. If the Letter of Adequate Water Supply is not docketed within this time frame, the CC&N for the Babocomari area shall null and void, after due process.

Rates

It is a long-held regulatory precept that rates to customers should reflect the costs to serve them. Northern's and Southern's costs will differ significantly from those of the McLain Systems. The cost differential is primarily attributed to the cost of the new plant that Northern and Southern intend to install and the change in operating characteristics that will accompany new ownership. Staff believes the significant changes in costs, the expectations of improved service to customers and the granting of new CC&Ns support the imposition of new rates as opposed to maintaining the current rates which reflect costs of another era.

Exhibit 3, attached, is Staff's Financial and Rate Analysis Report. The Report discusses and offers rate proposals for the Northern and Southern systems. Both Staff's and the Companies' proposed rates are designed in inverted tiers to encourage conservation. Staff sets forth two proposals. The first set of rates proposed are identical to those proposed by the Companies. Staff also provides an alternative of phased-in rates, which would ameliorate rate shock for many customers and reflect the timing of the plant investment made by Northern and Southern. The phase-in of the rates would apply only to the monthly basic service charge. The new commodity charges would not change with the phases.

Schedules REL-5 and REL-6 attached to Exhibit 3 show the proposed rates and provide bill analysis for the typical 5/8 X ¾ meter customer. It can be seen that the phased-in rates, depending on the phase, would result in some systems receiving significant increases in the average bill while the average bill in other systems would decline. This is an unfortunate, unavoidable result of the vintage of the current rates and the disparity in the current rates charged by the McLain Systems.

Curtailment Plan and Backflow Prevention Tariffs

A curtailment plan tariff is an effective tool for water companies to use to manage water resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since Northern and Southern have not proposed this type of tariff, Staff recommends that NSWC and SSWC file a curtailment plan tariff in the form found on the Commission's website at *www.cc.state.az.us/utility/water/forms.htm*. This tariff should be docketed, as a compliance item in this docket, within 45 calendar days of the effective date of the decision in this proceeding for review and certification by Staff.

Northern and Southern have not proposed backflow prevention tariffs. Staff recommends that Northern and Southern file backflow prevention tariffs in the form found on the Commission's website at *www.cc.state.az.us/utility/forms/cross_c.pdf*. This tariff should be docketed, as a compliance item in this docket, within 45 calendar days of the effective date of the decision in this proceeding for review and certification by Staff.

Decision No. 68667—The Emergency Rate Case Decision

In July 2004, the Arizona Small Utilities Association ("ASUA") became interim manager of the Systems. ASUA has consistently experienced negative cash flow from operations of the Systems. Decision No 68667, dated April 20, 2006, the emergency rate case decision, approved a monthly, interim surcharge of $9.00 per meter or connection for the McLain Systems. Among other requirements, the Decision ordered the ASUA "or the future owner of the McLain Systems" to file an application for a permanent rate increase no later than March 15, 2007, using a 2006 test year. Northern and Southern Sunrise's applications request a calendar year 2007 test year because a 2006 test year would not be as reflective of normal operating conditions as a 2007 test year. Northern and Southern also expressed concerns about conditions in Decision No.

68667 that "run with the plant" meaning conditions which would apply not to just ASUA but to Northern and Southern as new owners. The primary concern expressed was with the System Improvement Surcharge ("SIS") which was ultimately adopted by the Decision.

First, regarding the test year issue, Staff believes that due to the extensive repairs and necessary construction to be undertaken by Northern and Southern to enable the former McClain Systems to provide adequate service, a test year of 2007 would be appropriate. It would better reflect the ongoing level of investment and expenses than a 2006 test year. A 2006 test year would include six months of non-representative and possibly inaccurate levels of expenses. Staff also believes that the Commission should set rates for the Systems based upon the costs to be incurred by Northern and Southern rather than the costs incurred by ASUA. Thus, Staff recommends Decision No. 68667 be modified to allow for a calendar year ending December 31, 2007 be used as the test year. The test year and other rate case issues are further discussed in Staff's Finance and Regulatory Accounting Section Report attached as Exhibit 3.

The SIS was implemented to recover costs of repair, construction and accounts payable incurred by ASUA. The rates filed by Northern and Southern reflect not only the fair value of the assets as established in Decision No. 68412, but include the cost of capital improvements, costs associated with the acquisition of the McLain Systems and the costs of operations. These costs do not necessarily reflect the costs ASUA have experienced during its tenure as operator. Therefore, Staff recommends that Decision No. 68667 be modified to remove the SIS the first day of the month after the closing of the sale transaction to Northern and Southern.

The Decision also ordered ASUA and any future owner of the McLain Systems to "maintain a separate bank account in which it will deposit and withdraw all funds received pursuant to its System Improvement Charge." Application of the SIS funds on a pro rata basis among the systems and an annual audit of the SIS fund expenditures by the Utilities Division were also required by the Decision. Because Staff is recommending new rates for the Systems under the Northern and Southern ownership which do not include an SIS, the requirements for a separate bank account and pro rata application of the funds would no longer be necessary and should not apply to Northern and Southern. However, Northern and Southern should retain all records from the Systems regarding the SIS until the conclusion of the 2008 rate case filing. To help reduce inadvertent or unintended subsidies of the Northern by Southern or vice versa, Staff recommends the Commission order Northern and Southern to maintain separate accounting for Northern and Southern and provide an evaluation in the 2008 general rate filing as to whether separate rates are appropriate for Northern and Southern at that time.

Regarding the annual audit of the SIS funds required by Decision No. 68667, Staff recommends that requirement be modified to require Staff to perform an audit of the collection and expenditure of the SIS as soon as practicable following the closing of the sale. The audit would encompass the period from the inception of the SIS to the closing of the sale. Staff will then file the results of the audit in this consolidated docket along with any resulting recommendations.

Moratorium on Hook-ups

Decision No. 68272 imposed a moratorium on new customer hook-ups to the McLain Systems "until each of the systems can demonstrate to the Commission that it is in the public interest to remove the moratorium." Staff does not believe that the sale of the Systems to Northern and Southern should affect the moratorium on hook-ups.

Attached as Exhibit 4 is Northern and Southern's May 11, 2006 response to Staff Data Request REL- 2.1. The response lists projects necessary for the provision of adequate service to the McLain Systems. Northern and Sunrise have projected that the entire list of projects in Exhibit 4 will be completed within 12 months of the Commission's decision in this case. In addition to that list, as set forth in Decision No. 68272, the Sierra Sunset System requires an additional 30,000 gallons of storage. Staff recommends that the Commission order Northern and Southern to complete all projects listed in Exhibit 4, plus the 30,000 gallons of storage for the Sierra Sunset system, by June 30, 2007.

Staff also recommends that as the projects listed for each former McLain system are completed, the moratorium should be lifted for that system. For example, once the projects listed for the Mustang system are completed and confirmed as completed by Staff, Northern could then hook up new customers to the Mustang system. However, because the new Babomocari area will be physically connected to the Coronado system, Staff recommends the moratorium also apply to Babomocari until the Coronado system improvements are completed. Staff also recommends that for the purposes of the moratorium, the Horseshoe Ranch and Cochise systems be considered one system because they are interconnected.

Administratively, Staff recommends that after the projects for a system or systems are completed, Northern or Southern should submit a notice of completion in this Docket. This notice of completion shall include an Approval of Construction from ADEQ for those projects requiring such ADEQ. Staff will then inspect the projects and file a memo in the Docket. If the Staff memo concurs that the projects are completed, the moratorium will be considered lifted for the system or systems. Staff recommends the Commission include in its decision an ordering paragraph providing for the lifting of the moratorium for each system in this manner.

Attached as Exhibit 5 are Off-Site Hook-up Fee Tariffs for Northern and Southern. Staff recommends the Commission order Northern and Southern to apply these tariffs to the new service connections in systems for which the moratorium has been lifted. The proposed Hook-up Fee tariffs are identical for Northern and Southern.

Public Interest

The management of Northern and Southern have the operations and managerial experience along with capital resources sufficient to end the water service crises the McLain System customers have experienced and continue to experience. The Arizona utilities currently

owned by Algonquin are providing adequate service, are in compliance with Commission decisions and with ADEQ.

Decision No. 68412 stressed the importance of finding a buyer for the McLain Systems by saying that "It is in the public interest to find a buyer for the McLain Water Systems who is able to repair the systems and provide adequate service to the residents as soon as possible." Algonquin was the only bidder for the Systems.

For the reasons listed above, Staff believes Northern and Southern are fit and proper entities to own and operate the Systems. The approval of the applications for the transfer of assets and CC&Ns should expedite the resolution of the problems customers have endured. Therefore, Staff believes it is in the public interest for the Commission to approve the applications of Northern, Southern and The McLain Systems. Due to the proximity of Babocomari to the Systems and the opportunity to achieve economies of scale with the addition of customers, Staff also recommends approval of the extension of the CC&N of Northern to the Babocomari area be approved.

Recommendations

Staff recommends approval of CC&Ns for Northern and Southern to provide utility water service in Cochise County in the areas delineated in Exhibit 1. Staff recommends approval of the transfer of assets from the McLain Systems to Algonquin and to Northern and Southern. Staff also recommends approval of the cancellation of any CC&Ns held by Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company. Staff also recommends the Commission require the following:

1. Staff recommends that Northern or Southern file the closing documents with Docket Control, as a compliance item in this docket, within 15 calendar days of closing of the sale transaction.

2. Staff recommends that Northern and Southern file the franchise agreement(s) with Cochise County in Docket Control, as a compliance item in this docket, within one year of the Decision in this case.

3. Staff recommends that Northern and Southern be ordered to complete the projects listed in Exhibit 4, along with 30,000 gallons of storage for the Sierra Sunset system, by June 30, 2007, regardless of which rate design the Commission adopts.

Babocomari:

1. Staff recommends the Commission approve the CC&N area of Northern to include the Babomocari area as included in Exhibit 1.

2. Northern should file with Docket Control, as a compliance item in this docket, a copy of the Approval to Construct for the Babocomari project within one year from the effective date of the decision in this proceeding.

3. Northern should file with Docket Control, as a compliance item in this docket, a copy of the developers' Letter of Adequate Water Supply for the Babocomari area demonstrating that there is adequate water, within one year from the effective date of the decision in this proceeding. If the Letter of Adequate Water Supply is not docketed within this time frame, the CC&N for the Babocomari area shall null and void, after due process.

4. Staff recommends the moratorium on hook-ups apply to Babomocari until the Coronado system improvements are completed and confirmed completed by Staff.

Accounting and Rates:

1. Northern and Southern shall charge the recommended rates and charges as shown in Schedule REL-5, attached. If the Commission adopts the non-phased rates, Staff recommends that Northern and Southern be required to complete all projects noted on Exhibit No. 4 to the Staff Report by June 30, 2007. If the Commission adopts the phased rates, Northern and Southern shall implement the Phase II rates the first day of the month after Northern and Southern notify Staff and Staff files a memo in this docket verifying that at least $500,000 of plant improvements have been made to the systems. The Phase III rates shall be implemented the first day of the month after Northern and Southern notify Staff that all the improvements listed on Exhibit No. 4 have been made and Staff files a memo in this docket that such improvements have been made.

2. In addition to collection of its regular rates and charges, Northern and Southern may collect from its customers a proportionate share of any privilege, sales or use tax pursuant to A.A.C.R14-2-409.D.5.

3. The rates approved by the Commission shall become effective the first day of the month following the date of the closing of the purchase and sale agreement with the Bankruptcy Court.

4. Northern and Southern must file in Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges, including the Hook-Up Fee Tariffs, within 30 days after this Decision is issued.

5. Staff recommends that Northern and Southern file a deferred payment plan tariff for the benefit of those individuals who are struggling to pay their bills under the new rates but who commit to payment of their bills over a reasonable period of time, and who demonstrate that they have secured bill payment assistance from a government agency, a community agency, a charity or faith-based institution. Northern and Southern will

consult with Staff to determine the appropriate time period over which the deferred payments will be recovered.

6. Northern and Southern be permitted to defer acquisition related costs to Account 186.3, Regulatory Assets and the appropriate accounting treatment for such costs will be determined in the next rate application by Northern and Southern as discussed in Exhibit 3.

7. Northern and Southern must maintain their books and accounts in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform Systems of Accounts.

8. Northern and Southern must use the water depreciation rates by individual NARUC asset category as delineated in Schedule REL-3, attached.

9. Northern and Southern must maintain separate accounting for their systems and provide an evaluation in its 2008 general rate filing as to whether separate rates are appropriate for Northern and Southern.

10. Northern and Southern must adopt Staff's recommended plant balances as delineated in Schedule REL-1, attached.

11. Northern and Southern must file a rate application no later than June 30, 2008, using a 2007 test year.

12. Staff should be ordered to perform an audit of the collection and expenditure of the SIS as soon as practicable following the closing of the sale. The audit would encompass the period from the inception of the SIS to the first day of the month after the closing of the sale. Staff will then file the results of the audit in this docket along with any resulting recommendations.

13. Northern and Southern should be ordered to retain all records from the McLain Systems regarding the SIS at least until the conclusion of its 2008 rate case.

14. Staff recommends the Commission order Northern and Southern to file the Hook-up Fee Tariffs, attached to the Staff Report as Exhibit 5 and apply these tariffs to the new service connections in systems for which the moratorium has been lifted. The Company shall submit an annual Off-Site Hook-Up Fee status report each August to Docket Control for the prior twelve (12) month period, beginning August 2007, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

The Emergency Rate Case – Decision No. 68667

1. Staff recommends Decision No. 68667 be modified to allow for a calendar year ending December 31, 2007, be used as the test year for Northern and Southern's first rate case.

2. Staff recommends that Decision No. 68667 be modified to omit the requirements for a SIS and a separate bank account for the SIS. The SIS shall end the first day of the month after the closing of the sale transaction.

Moratorium

1. Staff recommends that the moratorium on hook-ups imposed by Decision No 68272 remain in place.

2. Staff recommends that once the projects listed by system in Exhibit 4 are completed for a system or systems, Northern or Southern should submit a notice of completion in this Docket. The notice of completion shall include an ADEQ Approval of Construction for all projects that require such approval from ADEQ. Staff will then inspect the projects and file a memo in the Docket. If the Staff memo concurs that the projects are completed, the moratorium will be considered lifted for the system or systems.

3. Staff also recommends that for the purposes of the moratorium, the Horseshoe Ranch and Cochise systems be considered one system.

EXHIBIT

1

MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: May 5, 2006

RE: **NORTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20453A-06-0251)**
SOUTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20454A-06-0251)
COCHISE WATER COMPANY (DOCKET NO. W-01868A-06-0251)
CORONADO ESTATES WATER COMPANY (DOCKET NO. W-01629A-06-0251)
CRYSTAL WATER COMPANY (DOCKET NO. W-02316A-06-0251)
HORSESHOE RANCH WATER COMPANY (DOCKET NO. W-02235A-06-0251)
MIRACLE VALLEY WATER COMPANY (DOCKET NO. W-01846A-06-0251)
MUSTANG WATER COMPANY (DOCKET NO. W-02230A-06-0251)
SIERRA SUNSET WATER COMPANY (DOCKET NO. W-02249A-06-0251)
NORTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20453A-06-0247)
SOUTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20454A-06-0248)

Northern and Southern Sunrise have filed an application to transfer the assets and cancel the CC&Ns for the above-referenced water companies (collectively referred to as the "McLain Water Systems").

Attached are copies of the maps for your files.

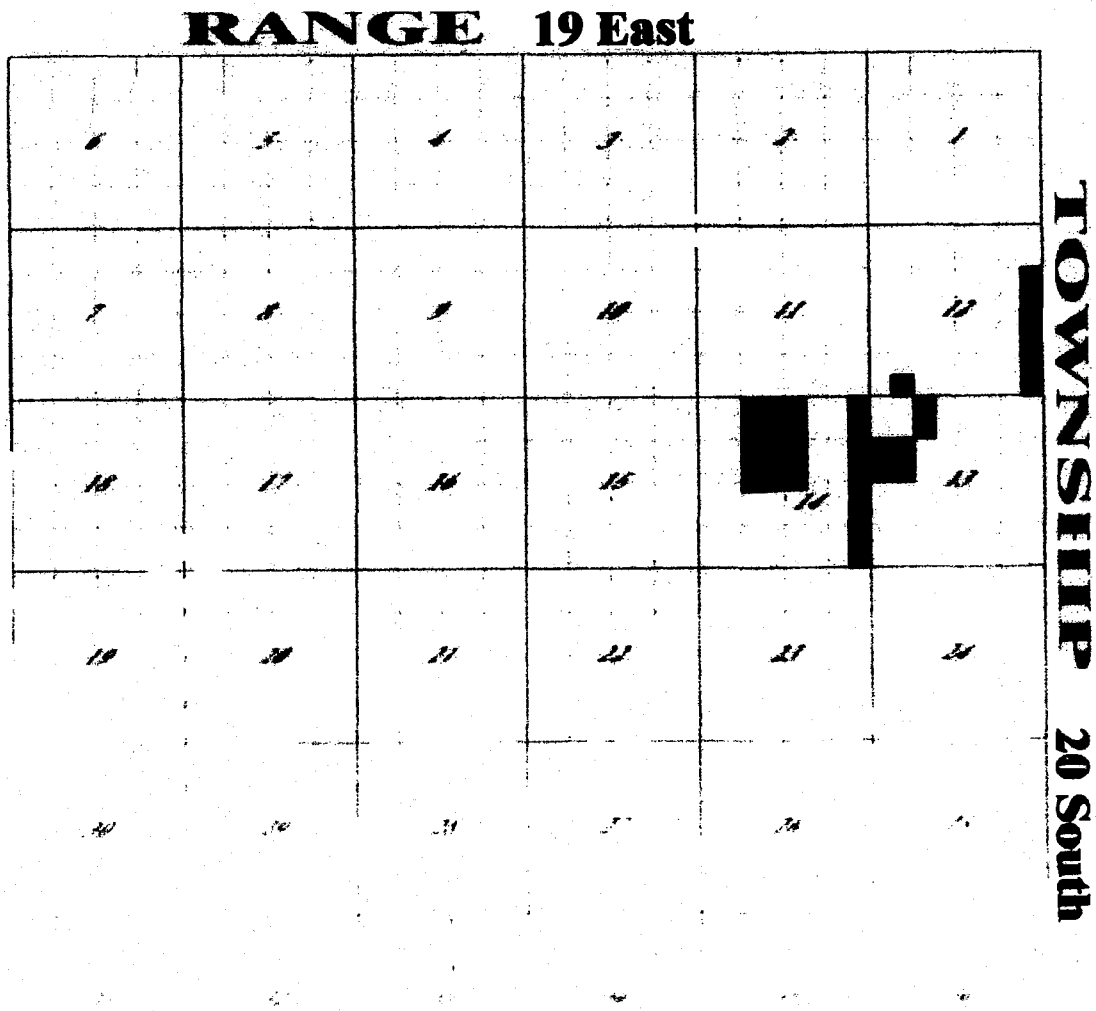
:bsw

Attachments

cc: Docket Control
Mr. Jay Shapiro
Ms. Deb Person (Hand Carried)
File

Map No. 23

COUNTY: *Cochise*



W-2316 (1)
Crystal Water Company

W-2230 (1)
Mustang Water Company

(2)
Whetstone Water Improvement District
(Nonjurisdictional)

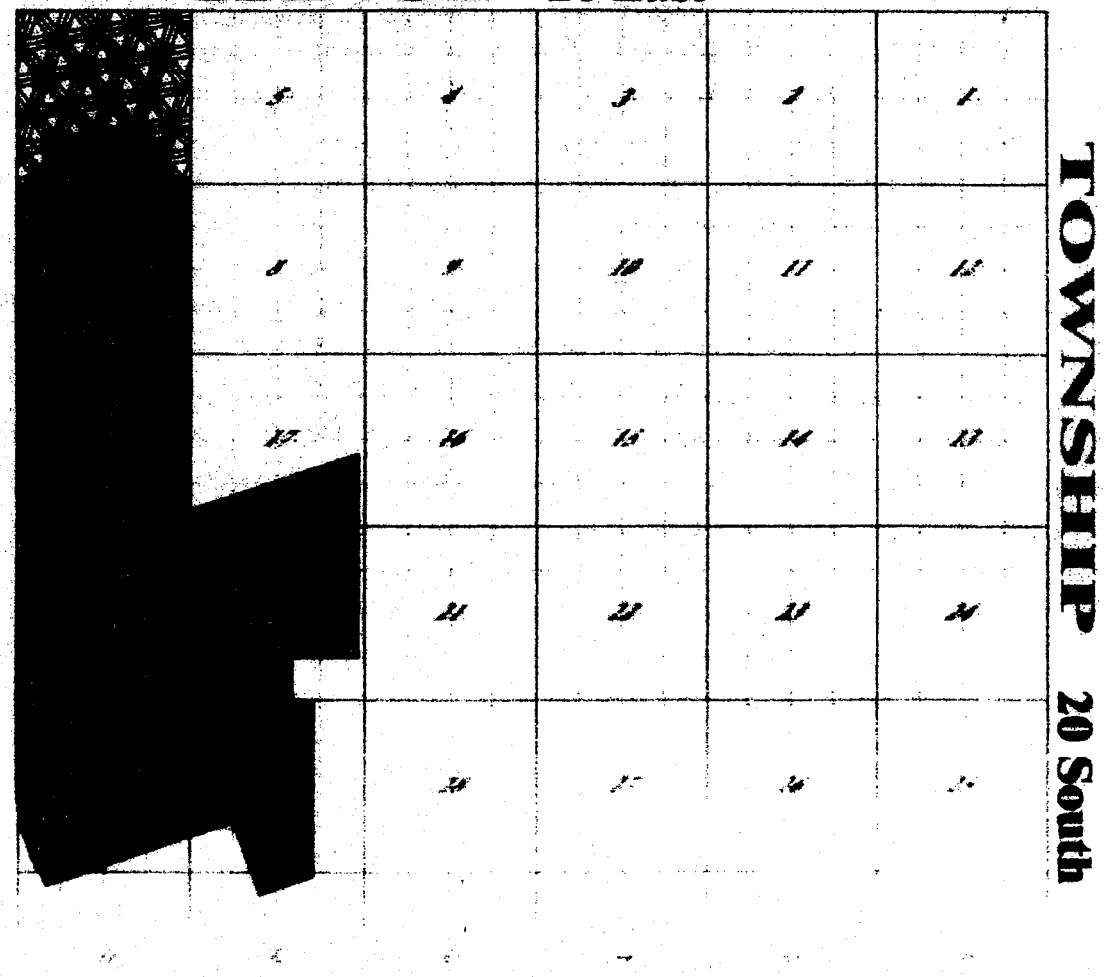
Crystal Water Company
Docket No. W-02316A-06-0251
Mustang Water Company
Docket No. W-02230A-06-0251
Application to Cancel CC&N and Transfer to
Northern Sunrise Water Company
Docket No. W-20453A-06-0251

Northern Sunrise Water Company
Docket No. W-20453A-06-0247
Application for CC&N

TR20S19E 14 SEP 1989

Map No. 24

COUNTY: *Cochise*



W-1629 (1)
Coronado Estates Water Company

W-2355 (1)
Sulger Water Company #2

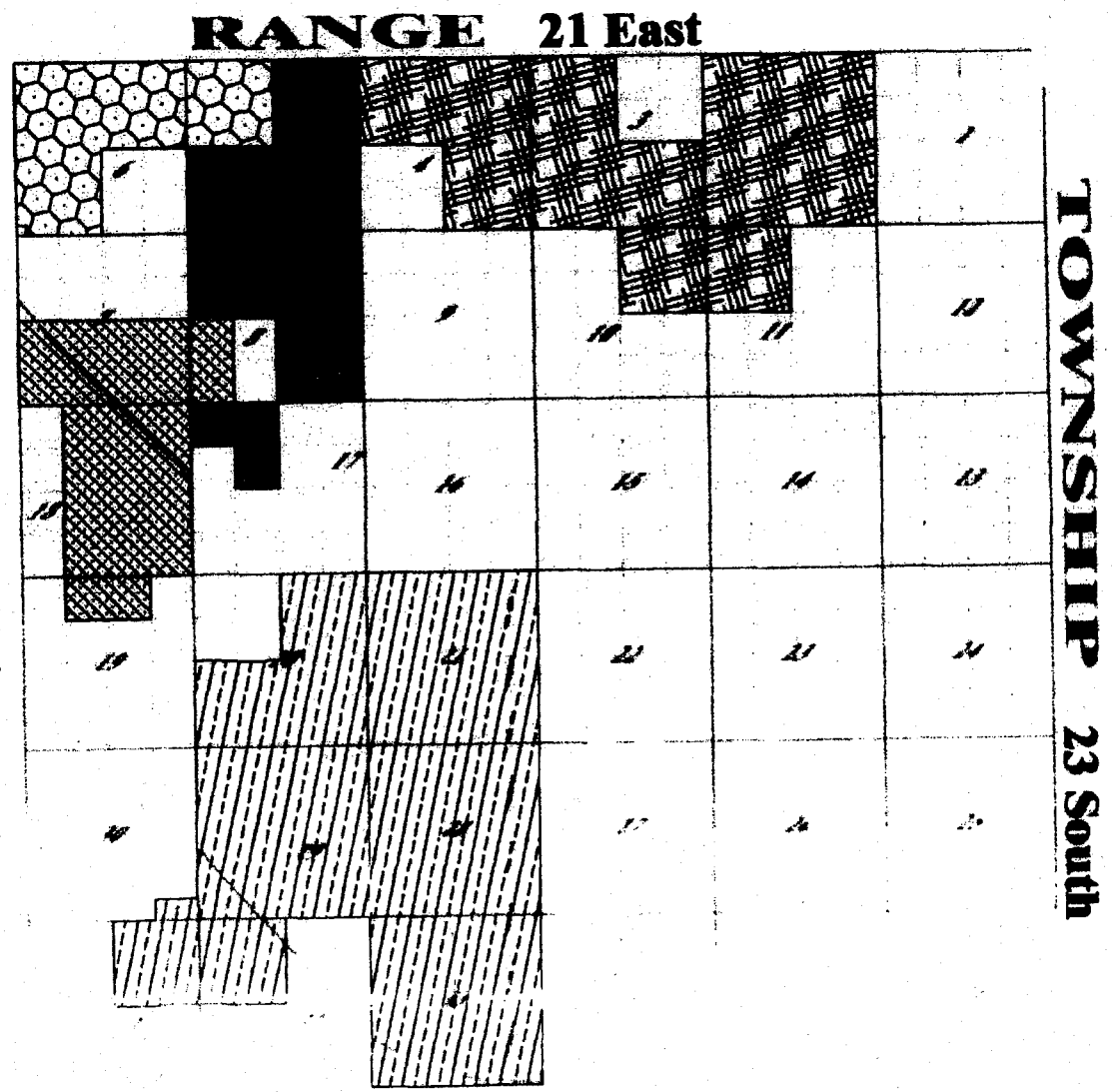
(2)
Whetstone Water Improvement District
(Nonjurisdictional)

Coronado Estates Water Company
Docket No. W-01629A-06-0251
Sierra Sunset Water Company (Revoked)
Docket No. W-02240A-06-0251
Application to Cancel CC&N and Transfer to
Northern Sunrise Water Company
Docket No. W-20453A-06-0251

Northern Sunrise Water Company
Docket No. W-20453A-06-0247
Application for CC&N

Map No. 38

COUNTY: *Cochise*



W-2465 (6)
Bella Vista Water Company, Inc.

W-1868 (1)
Cochise Water Company, Inc.

W-1906 (2)
East Slope Water Company

W-2235 (1)
Horseshoe Ranch Water Company

W-1602 (1)
Nickville Water Company, Inc.

W-2862 (2)
Southland Utilities Company, Inc.

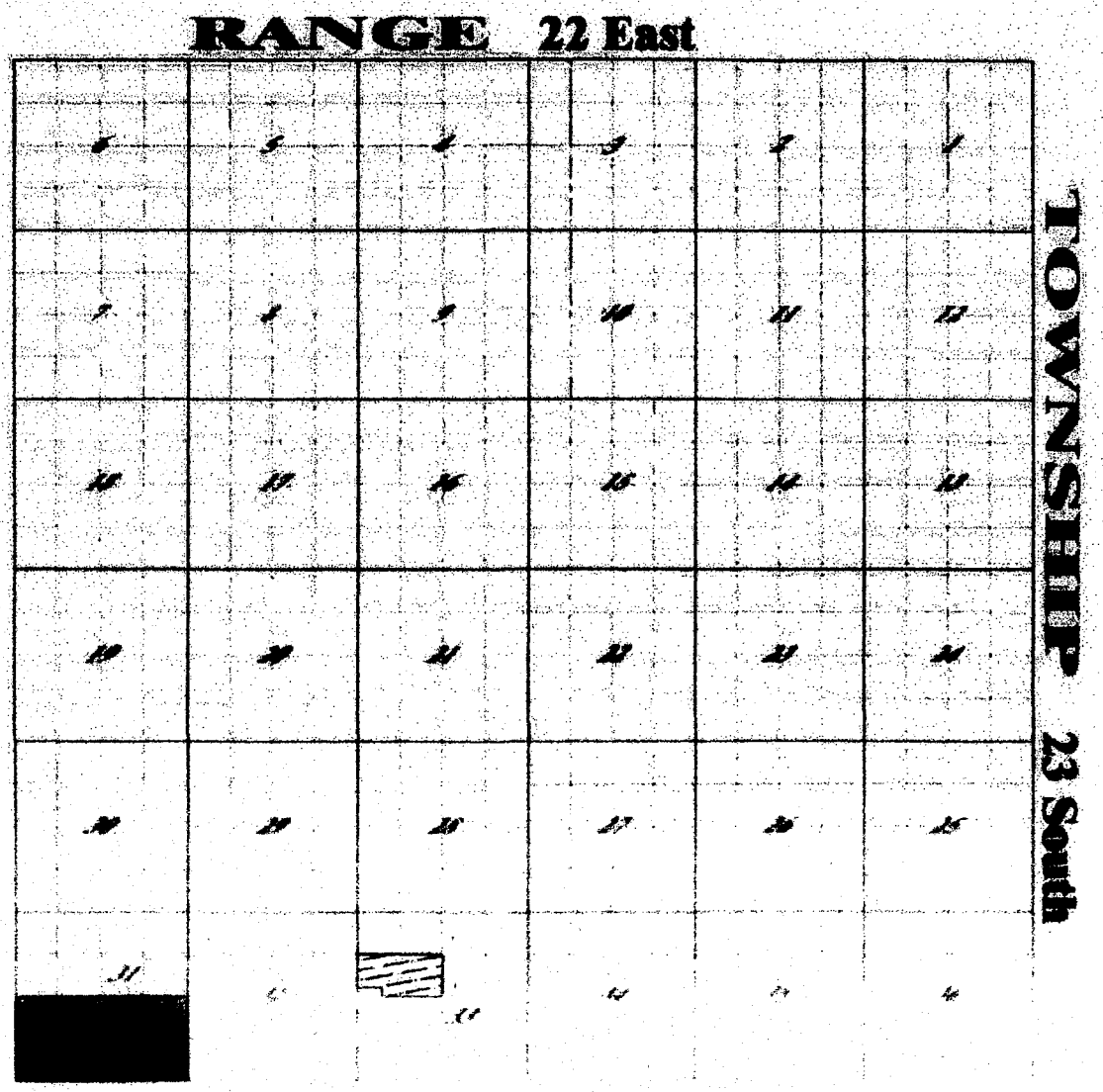
Cochise Water Company
Docket No. W-01868A-06-0251
Horseshoe Ranch Water Company
Docket No. W-02235A-06-0251
Application to Cancel CC&N and Transfer to
Southern Sunrise Water Company
Docket No. W-20454A-06-0251

Southern Sunrise Water Company
Docket No. W-20454A-06-0248
Application for CC&N

TR23S21E 12 JUN 1997

Map No. 39

COUNTY: *Cochise*



W-1646 (1)
Miracle Valley Water Company, Inc.

W-1443 (1)
Palominas Development Company

Miracle Valley Water Company, Inc.
Docket No. W-01646A-86-0251
Application to Cancel CC&N and Transfer to
Southern Sunrise Water Company
Docket No. W-20454A-86-0251

Southern Sunrise Water Company
Docket No. W-20454A-86-0248
Application for CC&N

TR135122E 12 OCT 1987

MEMORANDUM

TO Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU Del Smith
Engineering Supervisor
Utilities Division

DATE: May 5, 2006

RE: **SOUTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20454A-06-0248)**
AMENDED LEGAL DESCRIPTION
NORTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20453A-06-0251)
SOUTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20454A-06-0251)
COCHISE WATER COMPANY (DOCKET NO. W-01868A-06-0251)
CORONADO ESTATES WATER COMPANY (DOCKET NO. W-01629A-06-0251)
CRYSTAL WATER COMPANY (DOCKET NO. W-02316A-06-0251)
HORSESHOE RANCH WATER COMPANY (DOCKET NO. W-02235A-06-0251)
MIRACLE VALLEY WATER COMPANY (DOCKET NO. W-01646A-06-0251)
MUSTANG WATER COMPANY (DOCKET NO. W-02230A-06-0251)
SIERRA SUNSET WATER COMPANY (DOCKET NO. W-02249A-06-0251)
NORTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20453A-06-0247)

The area requested by Southern Sunrise for a CC&N has been plotted with no complications using an amended legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

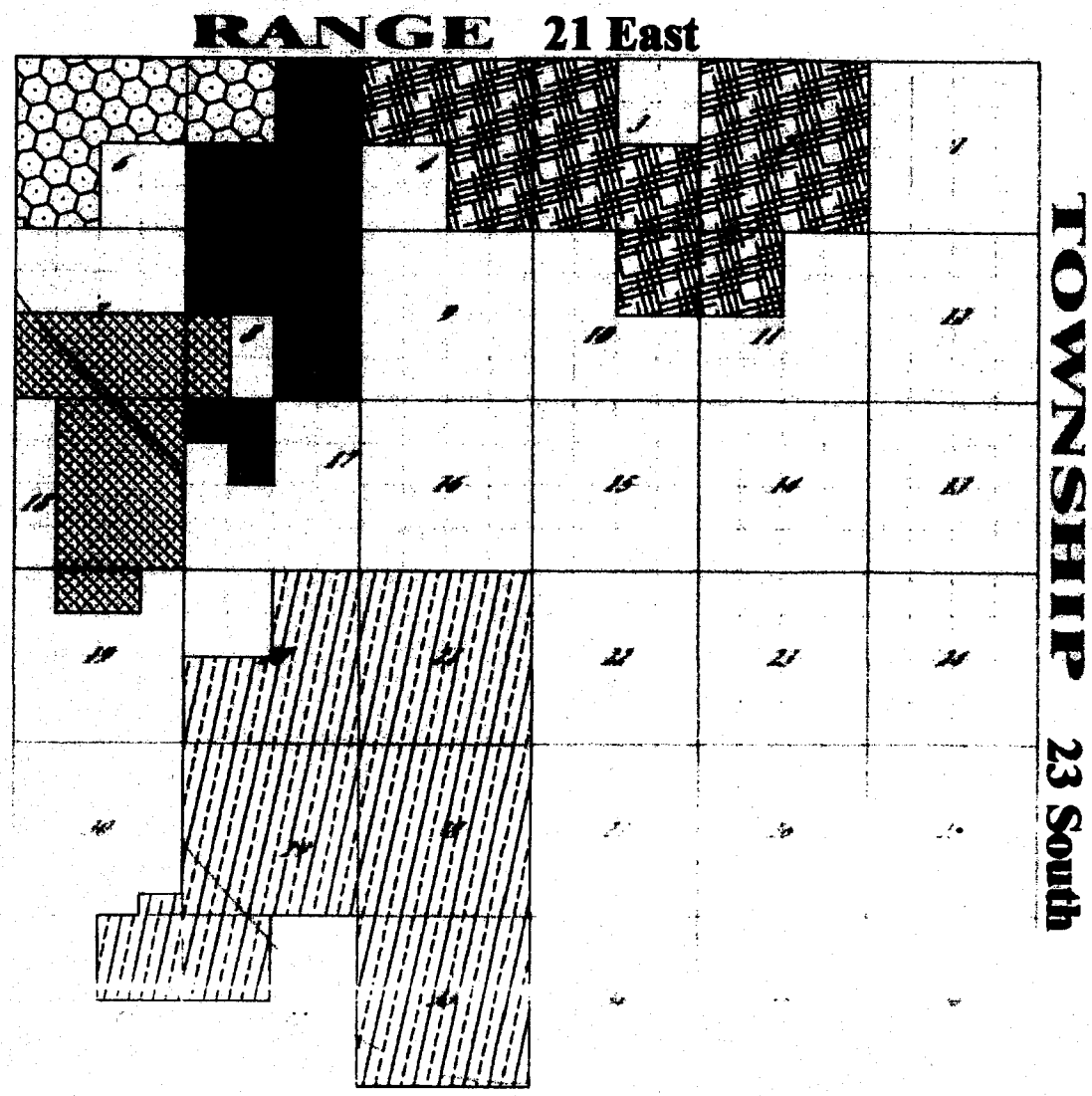
Also attached are copies of the maps for your files.

:bsw

Attachments

cc: Docket Control
Mr. Jay Shapiro
Ms. Deb Person (Hand Carried)
File

COUNTY: *Cochise*



W-2465 (6)
Bella Vista Water Company, Inc.

W-1868 (1)
Cochise Water Company, Inc.

W-1906 (2)
East Slope Water Company

W-2235 (1)
Horseshoe Ranch Water Company

W-1602 (1)
Nicksville Water Company, Inc.

W-2862 (2)
Southland Utilities Company, Inc.

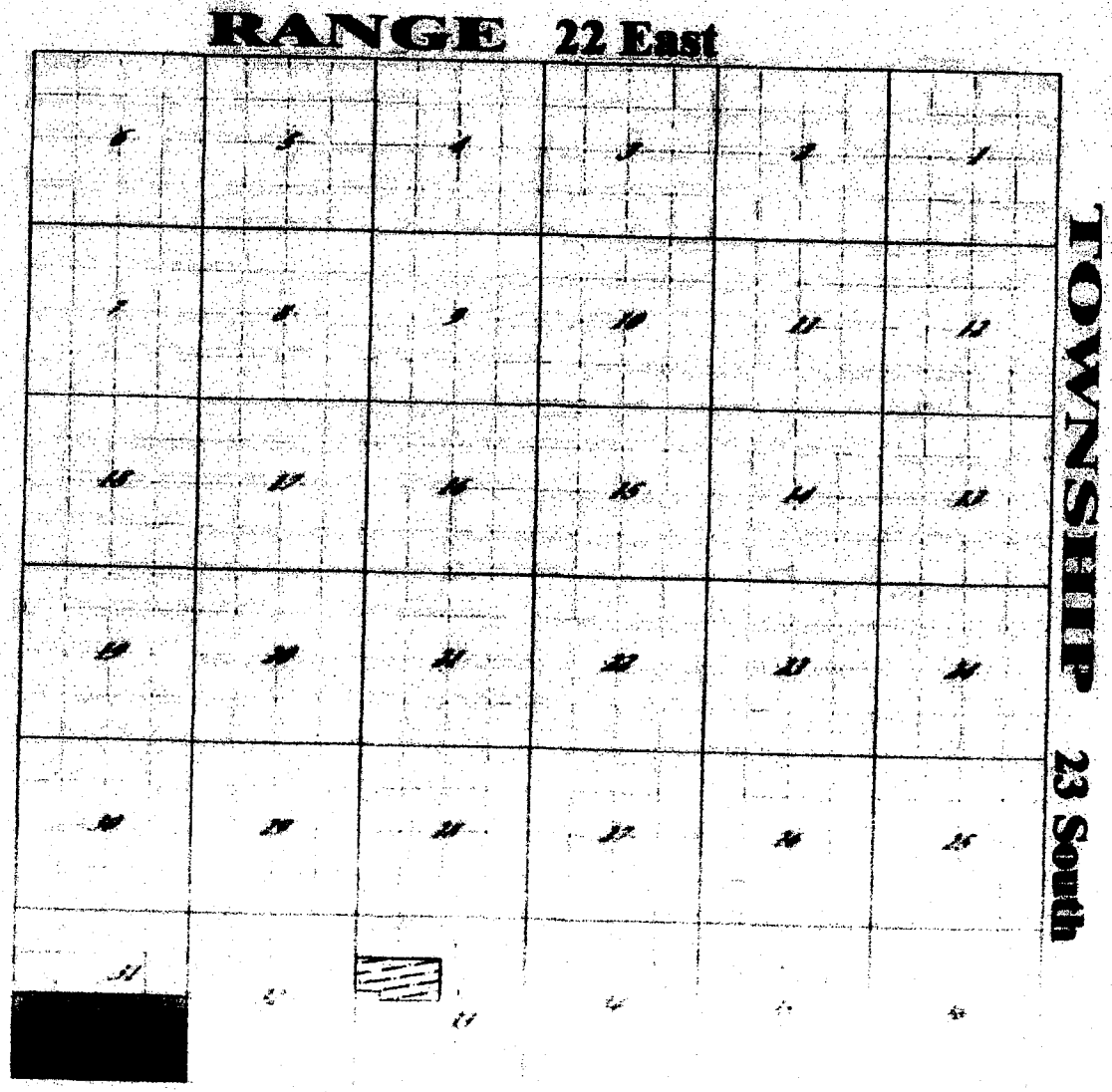
Cochise Water Company
Docket No. W-01868A-06-0251
Horseshoe Ranch Water Company
Docket No. W-02235A-06-0251
Application to Cancel CC&N and Transfer to
Southern Sunrise Water Company
Docket No. W-20454A-06-0251

Southern Sunrise Water Company
Docket No. W-20454A-06-0248
Application for CC&N

TR23S21E 12 JUN 1997

Map No. 39

COUNTY: *Cochise*



W-1646 (1)
Miracle Valley Water Company, Inc.

W-1443 (1)
Palominas Development Company

Miracle Valley Water Company, Inc.
Docket No. W-01646A-06-0251
Application to Cancel CC&N and Transfer to
Southern Sunrise Water Company
Docket No. W-20454A-06-0251

Southern Sunrise Water Company
Docket No. W-20454A-06-0248
Application for CC&N

1R23S22E 12 OCT 1987

SOUTHERN SUNRISE WATER COMPANY
DOCKET NO. W-20454A-06-0248
AMENDED LEGAL DESCRIPTION

Township 23 South, Range 21 East, Cochise County

The Northeast ¼ and the South ½ of Section 5

The Southeast ¼ and the North ½ of Section 8

The North ½ of the Northwest ¼ of Section 17

The Southeast ¼ of the Northwest ¼ of Section 17

Township 23 South, Range 22 East, Cochise County

The South ½ of Section 31

MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: May 5, 2006

RE: **NORTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20453A-06-0247)**
AMENDED LEGAL DESCRIPTION
NORTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20453A-06-0251)
SOUTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20454A-06-0251)
COCHISE WATER COMPANY (DOCKET NO. W-01868A-06-0251)
CORONADO ESTATES WATER COMPANY (DOCKET NO. W-01629A-06-0251)
CRYSTAL WATER COMPANY (DOCKET NO. W-02316A-06-0251)
HORSESHOE RANCH WATER COMPANY (DOCKET NO. W-02235A-06-0251)
MIRACLE VALLEY WATER COMPANY (DOCKET NO. W-01646A-06-0251)
MOHAVE WATER COMPANY (DOCKET NO. W-02230A-06-0251)
SIERRA SUNSET WATER COMPANY (DOCKET NO. W-02240A-06-0251)
SOUTHERN SUNRISE WATER COMPANY (DOCKET NO. W-20454A-06-0248)

The area requested by Northern Sunrise for a CC&N has been plotted with no complications using an amended legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

Also attached are copies of the maps for your files.

:bsw

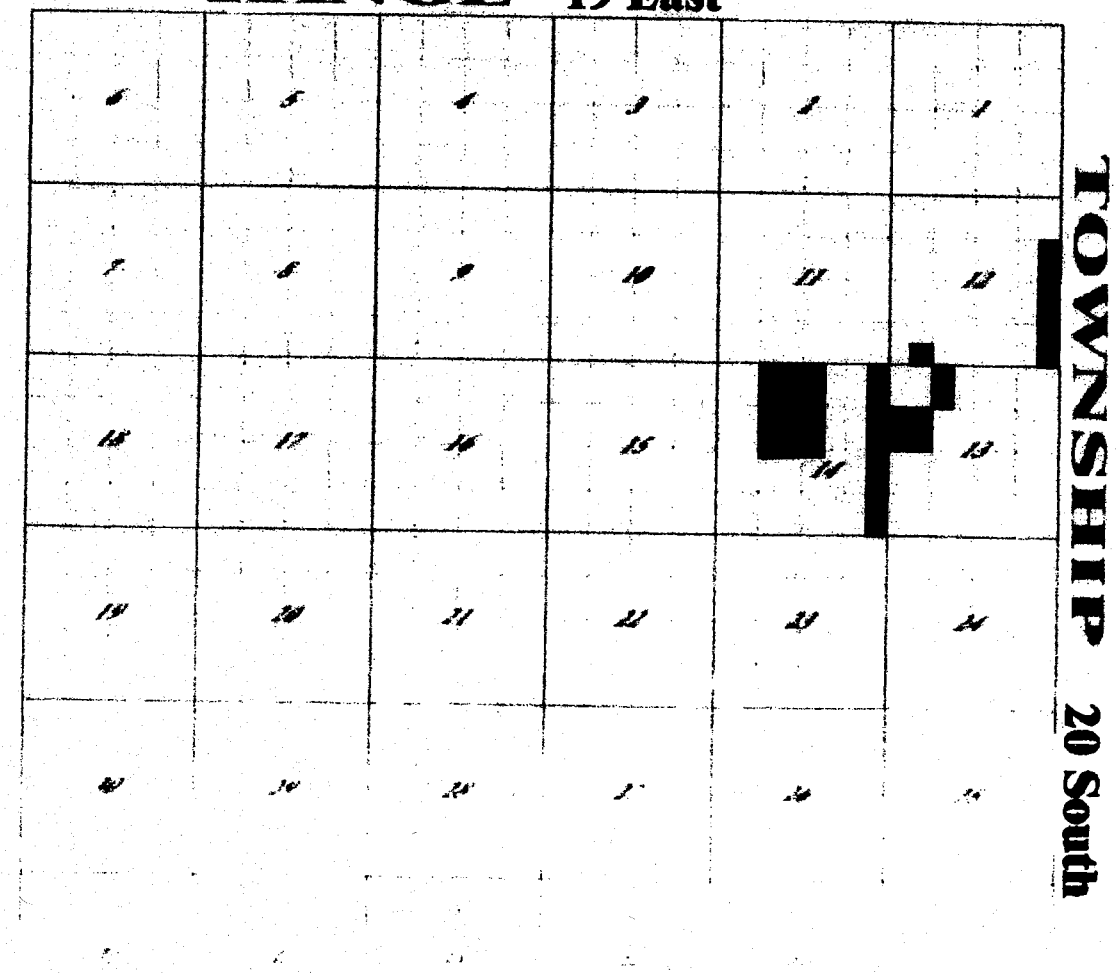
Attachments

cc: Docket Control
Mr. Jay Shapiro
Ms. Deb Person (Hand Carried)
File

Map No. 23

COUNTY: *Cochise*

RANGE 19 East



W-2316 (1)
Crystal Water Company

W-2230 (1)
Mustang Water Company

(2)
Whetstone Water Improvement District
(Nonjurisdictional)

Crystal Water Company
Docket No. W-02316A-06-0251
Mustang Water Company
Docket No. W-02230A-06-0251
Application to Cancel CC&N and Transfer to
Northern Sunrise Water Company
Docket No. W-20453A-06-0251

Northern Sunrise Water Company
Docket No. W-20453A-06-0247
Application for CC&N

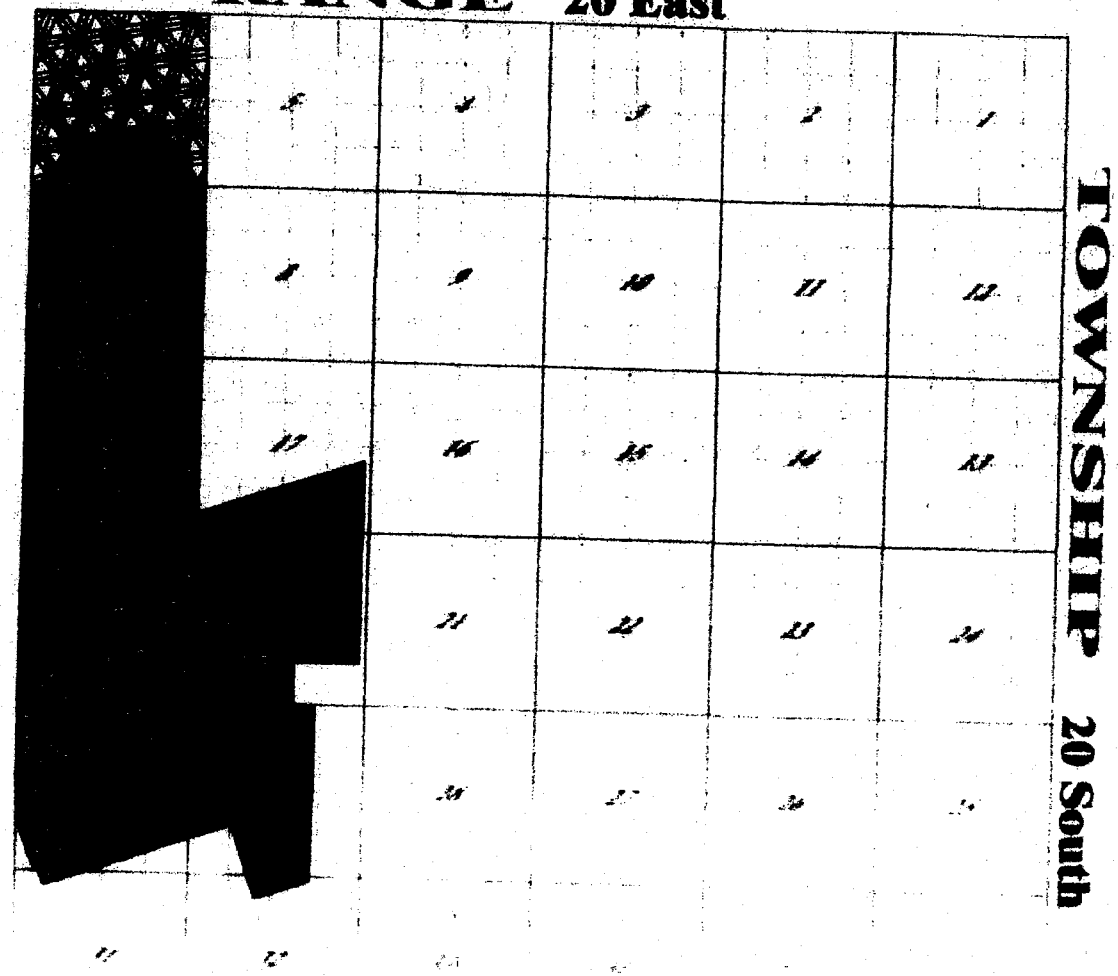
TR20S19E 14 SEP 1997

Map No. 24

COUNTY: *Cochise*

RANGE 20 East

TOWNSHIP 20 South



W-1629 (1)
Coronado Estates Water Company

W-2355 (1)
Sulger Water Company #2

[redacted] (2)
Whetstone Water Improvement District
(Nonjurisdictional)

Coronado Estates Water Company
Docket No. W-01629A-06-0251
Sierra Sunset Water Company (Revoked)
Docket No. W-02240A-06-0251
Application to Cancel CC&N and Transfer to
Northern Sunrise Water Company
Docket No. W-20453A-06-0251

[redacted]

Northern Sunrise Water Company
Docket No. W-20453A-06-0247
Application for CC&N

1R205200 14 SEP 1999

NORTHERN SUNRISE WATER COMPANY
DOCKET NO. W-20453A-06-0247
AMENDED LEGAL DESCRIPTION

Township 20 South, Range 20 East, Cochise County

All of Section 18 lying north of San Ignacio del Babacomari Land Grant and that portion of Section 19 lying north of San Ignacio del Babacomari Land Grant

That portion of Parcels 1, 2, 3, 8, 10, 11 and 12, according to a Survey Record in Book 23 of Surveys, Page 89, records of Cochise County, Arizona, being a portion of San Ignacio Del Babocomaria Private Land Grant, more particularly described as follows:

BEGINNING at an ADOT Aluminum Cap monumenting an angle point on the Easterly right-of-way line of Arizona State Highway No. 90, marked P.O.T. 15+146.731;

Thence along the Northerly line of the San Ignacio Del Babocomaria Private Land Grant the following five courses:

1. N71°08'43"E a distance of 111.58 feet;
2. N18°51'04"W a distance of 13.14 feet;
3. N71°07'30"E a distance of 7211.70 feet to a found GLO Stone (43 ½ MM);
4. N71°07'55"E a distance of 2648.92 feet to a found GLO Stone (44 MM);
5. N71°08'29"E a distance of 980.53 feet to the Northeast corner of the above referenced Parcel 3;

Thence along the East line of the above referenced Parcels 3 and 8, S00°00'00"W a distance of 6209.51 feet to the Southeast corner of the above referenced Parcel 8;

Thence along the South line of the above referenced Parcel 8, also being the North line of the above referenced Parcel 12, N90°00'00"W a distance of 1980.43 feet;

Thence S00°00'00"W a distance of 1320.00 feet;

Thence N90°00'00"E a distance of 660.00 feet;
Thence S00°00'00"W a distance of 5382.86 feet to the Southeast corner of the above referenced Parcel 11;

Thence along the Southerly line of the above referenced Parcel 11 the following three courses:

1. S71°11'51"W a distance of 1739.29 feet;
2. N18°48'09"W a distance of 2374.52 feet;
3. S71°11'51"W a distance of 6083.39 feet to the Easterly right-of-way of HWY-90;

Thence along the Easterly right-of-way line of HWY-90 the following twelve courses:

1. N32°36'23"W a distance of 23.36 feet;
2. Along a curve to with a radius of 5574.57 feet, an arc length of 91.35 feet, with a chord bearing N32°07'15"W a distance of 91.35 feet;
3. N13°36'12"W a distance of 168.52 feet;
4. Along a curve with a radius of 5524.58 feet, an arc length of 160.21 feet, with a chord bearing N29°13'06"W a distance of 160.20 feet;
5. N52°35'52"W a distance of 142.07 feet;
6. Along a curve with a radius of 5569.65 feet, an arc length of 518.24 feet, with a chord bearing N24°21'55"W a distance of 518.06 feet;
7. N68°20'12"E a distance of 20.62 feet;
8. Along a curve with a radius of 5551.10 feet, and arc length of 580.85 feet, with a chord bearing N18°42'10"W a distance of 580.58 feet;
9. S74°13'21"W a distance of 20.60 feet;
10. Along a curve with a radius of 5587.23 feet, an arc length of 1228.22 feet, with a chord bearing N09°25'22"W a distance of 1225.75 feet;
11. Along a curve with a radius of 5587.23 feet, an arc length of 330.91 feet, with a chord bearing N01°25'43"W a distance of 330.86 feet;
12. N00°16'26"E a distance of 6580.08 feet to the POINT OF BEGINNING.

Bearings based on the Northerly line of the San Ignacio Del Babocomaria Private Land Grant between a found ADOT Aluminum Cap monumenting an angle point on the Easterly right-of-way line of Arizona State Highway No. 90, marked P.O.T. 15+161.351 and a found ½" rebar with surveyor's cap RLS 14181, 31.70 feet Westerly of the Northeasterly corner of Parcel 2 of the above referenced survey. Bearing being N71°07'30"W per Record of Survey recorded in Book 23, Page 89.

Subject to any and all prior easements, rights of way, covenants, restrictions, and encumbrances of record or not of record, which may otherwise legally exist.

<u>Township 20 South, Range 19 East, Cochise County</u>

That portion of the E ½ of the W ½ and of the W ½ of the W ½ of the E ½ of Section 14 lying north of Arizona State Highway 82

The SE ¼ of the SW ¼ of the SW ¼ of Section 12

The W ½ of the NE ¼ of the NW ¼ of Section 13

The SW ¼ of the NW ¼ of Section 13

The E ½ of the E ½ of the E ½ of Section 14

EXHIBIT

2

ENGINEERING REPORT
EXECUTIVE SUMMARY
MCLAIN WATER SYSTEMS
DOCKET NOS. W-01646A-05-0506; W-01868A-05-0506; W-02235A-05-0506; W-02316A-05-0506; W-02230A-05-0506; W-01629A-05-0506; W-02240A-05-0506

Staff performed a reconstruction cost new ("RCN") study of the seven water companies owned by Johnny A. McLain in Cochise County. These companies are Mustang Water Company, Crystal Water Company, Sierra Sunset Water Company, Coronado Estates Water Company, Miracle Valley Water Company, Horseshoe Ranch Water Company and Cochise Water Company. An RCN evaluation was performed to determine what the "used and useful" components of the water systems would cost today if the systems were reproduced in the exact way they had originally been constructed. After this, a reconstruction cost new less depreciation ("RCND") evaluation was made using typical depreciation rates which have been developed by the Utilities Division ("Staff"). Staff recommends that the following amounts be used for the RCN and RCND values of the water companies.

	RCN	RCND
Mustang Water Company	$96,463.81	$ 20,272.43
Crystal Water Company	$154,382.40	$ 17,503.35
Sierra Sunset Water Company	$ 56,168.40	$ 19,061.84
Coronado Estates Water Company	$368,504.10	$ 25,194.20
Miracle Valley Water Company, Inc.	$345,947.15	$ 18,748.72
Horseshoe Ranch Water Company	$412,816.90	$131,965.86
Cochise Water Company	$1,008,536.43	$307,395.50
Total	**$2,442,819.19**	**$540,141.90**

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SIERRA SUNSET WATER COMPANY RCN & RCND	3
CORONADO ESTATES WATER COMPANY & RCND	4
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A. INTRODUCTION

There are seven water systems owned and/or operated by Johnny A. McLain ("McLain Water Systems"). These systems have been the subject of much scrutiny for many years by various regulatory authorities such as Cochise County, the Arizona Department of Environmental Quality ("ADEQ"), the Arizona Department of Revenue ("ADOR") and the Arizona Corporation Commission ("ACC"). Mr. McLain has failed to comply with numerous notices of violation ("NOV'S") issued by ADEQ, and has not paid property taxes or sales taxes. The McLain Water systems are currently in bankruptcy. A purchase and sale agreement that is in escrow and approved by the bankruptcy court sets the value at one million dollars ($1,000,000). The price is subject to an evaluation and the setting of a rate base value by the ACC. The purchase price is to be adjusted to equal the rate base value set by the ACC. The purchase and sale agreement does provide the Seller (the McLain bankruptcy estate as controlled and approved by the bankruptcy court), a reserved right to cancel the sale if the ACC determined rate base is less than eight hundred thousand dollars ($800,000).

Staff has been requested to perform a reconstruction cost new ("RCN") study to "assist" in determination of a rate base value for the seven McLain Water Systems. ACC Staff has completed its evaluation of the McLain Water Systems.

B. LOCATION OF WATER SYSTEMS

The McLain Water Systems are located in Cochise County. The Mustang Water Company, Crystal Water Company, Sierra Sunset Water Company and Coronado Estates Water Company are located in the area of Huachuca City at or near the intersection of Highway 90 and Highway 82. The Cochise Water Company and Horseshoe Ranch Water Company are located about 8 miles south of Sierra Vista on Highway 92 at Hereford Road. The Miracle Valley Water Company is located about 12 miles southeast of Sierra Vista on Highway 92 in Miracle Valley.

C. RCN VALUATION METHOD

Reconstruction Cost New Less Depreciation ("RCND") is the amount consisting of the depreciated reconstruction cost new of the used and useful property (exclusive of contributions and/or advances in aid of construction) at a particular point in time. This value is sometimes called the reproduction cost less depreciation. It is the cost on the date of value, of constructing a replica of the asset. Once this value is determined, the depreciated value of the asset is determined by estimating the age of the existing asset and applying appropriate depreciation values as well as subtracting all physical, functional and technological obsolescence. The asset must be "used and useful" for the water system. The asset value is then added to the land value.

The RCN and RCND of the McLain Water Systems was determined by first collecting as much information that was available from annual reports, old inspection reports, prior Commission decisions, Certificates of Convenience and Necessity ("CC&N") records as well as from ADEQ and

the Arizona Department of Water Resources ("ADWR") records, interviewing ADEQ engineers and discussions with the interim operator, Arizona Small Utilities Association ("ASUA"). A list of the property parcels involved was supplied by the County of Cochise Office of the Treasurer and Tax Collector.

A physical inspection was performed by John Chelus and Marlin Scott Jr., Utilities Engineers, on July 20 and July 21, 2005. All sites were visited. Measurements of tanks and fenced areas were made. Plant assets were listed and the conditions were noted. Discussions were held with ASUA.

Current plant asset values were estimated by contacting equipment suppliers, material suppliers, well drillers, and by using resources such as "RS Means Building Construction Cost Data" and the Handy-Whitman Indexes for Cost trending.

Age of equipment was estimated by reviewing the dates at which the CC&N's were granted, physical evaluation, discussions with ADEQ engineers, review of ADWR well log records, reviewing old Staff reports and discussions with the interim operator.

Depreciation values established by the Utilities Division for water utility plant assets with typical plant service lives were used to depreciate the assets.

D. USED AND USEFUL DETERMINATION

During the inspection, a determination was made whether or not the plant asset was used and useful. If the asset was damaged (not serviceable or unsafe) or not in service, it was not given a value. For example, a pressure tank that was severely leaking at the welds or a fence that was torn down was given no value, a very small well site with a dry well on it was given no plant value and an abandoned storage tank was given no value.

E. LAND VALUE

Staff relied on the land parcels identified by the County of Cochise Office of the Treasurer and Tax Collector as belonging to the McLain Water systems for the purpose of the RCN evaluation. The parcels that were used are listed in Exhibit 9. In normal rate making, land is not trended. In other words, if the water company paid $1,000 for a parcel of land in 1980, for rate making purposes it is still only worth $1,000 in 2005. To arrive at a fair estimate for land values since Staff had no records for the original costs, Staff used 50 percent of the Fair Current Value ("FCA") taken from the Cochise County property assessors records. These values are what the assessor's office has determined are the current market values for the properties. Staff attempted to correctly assign the parcels to the corresponding water system based on their location. Some of the parcels may not be used and useful but were included.

F. GENERAL CONDITION OF WATER SYSTEMS

The McLain Water Systems are in serious disrepair. It seems that virtually nothing has been done to the systems since Johnny McLain took possession almost 20 years ago. Most of the wells were drilled originally as domestic wells which have small diameter casings and were drilled to limited depths. The electrical systems are old and outdated and have not been updated to current standards. The only systems with storage tanks and booster pumps are the Cochise and Horseshoe Ranch systems. The other five systems rely on the well pump to pressurize the system. This is very inefficient and results in the well cycling on and off too often, resulting in premature pump failure. If a well goes out on these systems, there is no storage to continue service until the well pump is repaired. Many of the pressure tanks are leaking at the welds and/or have patches welded to them. This is a serious safety hazard. Many of the sites are not fenced. None of the wells are metered.

The distribution systems are old and falling apart. A majority of the pipe installed is Poly Vinyl Chloride ("PVC") irrigation pipe which is not appropriate for potable water systems. Some of the very old pipe is asbestos cement pipe which is no longer manufactured or allowed for use. Much of the location of the piping is unknown since no plans were drawn. There are indications that much of distribution piping strays outside of the official CC&N boundaries. The Sierra Sunset system has no record of a CC&N and has no customer meters.

The systems have been plagued with numerous outages. The Consumer Services Section reported almost 80 outages in the last twelve months. These outages were caused by well failures, line breaks, power outages, possible sabotage and demand exceeding supply.

None of the McLain Water Systems are chlorinated. This is especially serious because of the poor condition of the equipment and the distribution systems which make them prone to microbial contamination. A potentially serious public health situation exists.

G. SYSTEM IMPROVEMENTS AND CAPITAL INVESTMENT REQUIRED

Whoever ends up being the purchaser of the McLain systems will have to invest significant amounts of capital to upgrade the McLain Water systems. Algonquin Water estimates that it will need to infuse at least $500,000 into the water system infrastructures with a total capital investment of between $750,000 and $1,250,000 depending on reliability objectives. A greater investment in infrastructure should equate to less well break downs, adequate supply and storage, and a reliable distribution system. Algonquin Water has identified the following required capital improvements which Staff agrees with:

- Additional approved storage facilities required at all systems
- Main and valve replacement
- Additional well capacity required
- System mapping required to allow reliable operations
- Additional operational automation for reliable operation

H. RESULTS OF THE RCN STUDY FOR THE MCLAIN WATER SYSTEMS

Exhibits 1 through 7 provide information about the RCN study done on each water system. Based on the information Staff had available, the following RCN and RCND rate base values were arrived at.

	RCN	RCND
Mustang Water Company	$96,463.81	$ 20,272.43
Crystal Water Company	$154,382.40	$ 17,503.35
Sierra Sunset Water Company	$ 56,168.40	$ 19,061.84
Coronado Estates Water Company	$368,504.10	$ 25,194.20
Miracle Valley Water Company, Inc.	$345,947.15	$ 18,748.72
Horseshoe Ranch Water Company	$412,816.90	$131,965.86
Cochise Water Company	$1,008,536.43	$307,395.50
Total	**$2,442,819.19**	**$540,141.90**

Staff recommends that the plant in service rate base of the McLain Water Systems not be greater than the RCND value.

EXHIBIT 1

MUSTANG WATER COMPANY RCN AND RCND

Background of Water System

Mustang Water Company received its Certificate of Convenience and Necessity on August 1, 1973. The area being served is approximately 1-1/2 miles west of the Junctions of Highway 90 and Highway 82 on Highway 82. The Certificated area serves the north central portion of Township 20S Range 19E Section 14. This is a subdivided area called Mustang Heights. The area is very rural with large parcel properties and small homes. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 70 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-054. The system consists of two well sites. Well site no. 1 is located on parcel 6 of the Cochise County assessor maps. It is 70 ft x 35 ft. or .059 acres in area. It has an inactive well on it. Well site No. 2 is located on Parcel 27 of the Cochise County Assessor's maps. It is 90 ft x 50 ft or .103 acres in area. This site has one well and one pressure tank. The fence surrounding the site has been torn down. The pressure tank is in very bad condition and has been welded in many locations. There is no flow meter. The original distribution system was made up of 2,700 feet of 6" asbestos cement pipe. Since then additional PVC piping has been added.

This system is in very poor condition. There are no storage tanks or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The pressure tank is dangerous and should not be in service. The electrical panels need replacement. The fence is gone. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

Staff considers the pressure tank and fence as being not used and useful and therefore has no value. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled. Storage and booster pumps must be added. The current interim management has installed a new well pump. It is questionable whether the well site is large enough for a storage tank to be added. This might require the purchase of more land.

301	Organization						
303	Land & Land Rights						
		70 ' x 35 ' Site 1 - .059 acres			$5,000.00		$5,000.00
		50' x 90' Site 2 - .102 acres		unknown			
304	Structures & Improv.						
		Fence 50 ft x 50 ft - 188 LF Site 2	1973	Damaged	$2,829.40	30	$0.00
		12 ft wide gate		Damaged	$766.70	30	$0.00
307	Wells & Springs						
		Well 2, 8" x 450' 65 gpm ADWR 55-807770	1973	$40.00	$11,250.00	30	$0.00
		Well 1, 8" x 450' Capped	1973	not used	$0.00	30	$0.00
311	Pumping Equipment						
		Well 2, 25-Hp Sub.	2005		$8,215.71	8	$8,215.71
		Electrical panel	1973	$5,000.00	$5,000.00	8	$0.00
330	Distribution Reservoirs						
		3,000 gallon pressure Site 2	1973	Damaged	$13,000.00		$0.00
		(5.5' dia X 16' L)					
331	Trans. & Distrib. Mains						
		6"-PVC/ACP, 2,700 ft.	1973	$7.26	$19,602.00	50	$7,056.72
333	Services						
		3/4", 60 each **(Use 70)**	1973	$355.00	$24,850.00	30	$0.00
334	Meters						
		5/8" x 3/4", 60 each **(Use 70)**	1973	$85.00	$5,950.00	12	$0.00
					$96,463.81		**$20,272.43**

EXHIBIT 2

CRYSTAL WATER COMPANY RCN & RCND

Background of Water System

Crystal Water Company received its Certificate of Convenience and Necessity on December 13, 1978. The area being served is approximately one mile West of the Junctions of Highway 90 and Highway 82 on Highway 82. It is adjacent to the Mustang Water Company. The Certificated area serves a portion of Township 20S Range 19E Sections 13 & 14. The area is very rural with large parcel properties and small homes. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 195 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-074. The system consists of one active well site. At one time there was a second well site, but it was abandoned. The active well site is located at Sands Ranch Road and Black Road. It is 18 ft x 27 ft. or .01 acres in area. This site has one well and one pressure tank. The pressure tank is a converted sand filter and is in very poor condition. There is no flow meter. The original distribution system was made up of 300 ft of 4 inch PVC, 950 ft of 3 inch PVC, 2,500 ft of 2 inch PVC and 4,000 ft of 1, 1-1/2, 2 inch asbestos cement pipe. Since then additional PVC piping has been added. There is a chain link fence surrounding the site.

This system is in very poor condition. There is no storage tank or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The pressure tank is a converted sand filter. It is in poor condition and is dangerous and should not be in service. The electrical panels need replacement. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

Staff considers the pressure tank as being not used and useful and therefore has no value. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled. Storage and booster pumps must be added. It is questionable whether the well site is large enough for a storage tank to be added. This might require the purchase of more land.

301	Organization						
303	Land & Land Rights						
		18' x 27'			$2,500.00		$2,500.00
304	Structures & Improvements						
		Well 2, - 78 LF fencing	1978	$15.05	$1,173.90	30	$117.39
		12' Wide Gate	1978	$767.00	$767.00	30	$76.70
307	Wells & Springs						
		Well 1, 6" x 360'	1969	not used	$0.00	30	$0.00
		Well 2, 6" x 350' ADWR 55-807774	1973	$40.00	$14,000.00	30	$0.00
311	Pumping Equipment						
		Well 2, 25-Hp Sub. @ 300 gpm	2005		$5,878.00	8	$5,878.00
		Electrical panel	1978		$5,000.00	8	$0.00
330	Distribution Reservoirs						
		2,000 gallon pressure 4.5h x 19'dia		Damaged	$9,000.00	20	$0.00
331	Trans. & Distrib. Mains						
		1",1-1/2",2"-ABS, 4,000 ft.	1969	$3.47	$13,880.00	50	$3,886.40
		2"-PVC, 2,500 ft.	1969	$3.96	$9,900.00	50	$2,772.00
		3"-PVC, 950 ft.	1973	$4.95	$4,702.50	50	$1,692.90
		4"-PVC, 300 ft.	1973	$5.37	$1,611.00	50	$579.96
333	Services						
		3/4", 51 each (Use 194)	1978	$355.00	$68,870.00	30	$0.00
		1", 3 each	1978	$405.00	$405.00	30	$0.00
334	Meters						
		5/8" x 3/4", 51 each (Use 194)	1978	$85.00	$16,490.00	12	$0.00
		1", 3 each	1978	$205.00	$205.00	12	$0.00
					$154,382.40		$17,503.35

EXHIBIT 3

SIERRA SUNSET WATER COMPANY RCN AND RCND

Background of Water System

Sierra Sunset Water Company received its Certificate of Convenience and Necessity on June 26, 1978. The area being served is at the northeast corner of the junctions of Highway 90 and Highway 82. The Certificated area serves the northern half of section 18, Township 20S, Range 20E. The area served is comprised of small homes on small lots. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 30 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-055. The system consists of one active well site. The site is 30 ft x 40 ft. or .028 acres in area. This site has one well and one pressure tank. The pressure tank is a small 180 gallon bladder tank which was recently installed to replace a 1,000 gallon pressure tank which had exploded. There is no flow meter. Staff estimates there is approximately 2,500 ft of 4 inch diameter pipe in the distribution system. There is a chain link fence surrounding the site, but it is in disrepair.

This system is in very poor condition. There is no storage tank or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The electrical panels need replacement. The pressure tank is too small. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

There is a damaged and abandoned 1,000 gallon pressure on site which Staff considers not used and useful and therefore has no value. A new 180 gallon pressure tank has been installed. This tank is too small to be any good to the system once a new owner takes over. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled. Storage and booster pumps must be added. It is questionable whether the well site is large enough for a storage tank to be added. This might require the purchase of more land.

Acct. No.	Acct. Name	[illegible]	Year Installed	Unit Cost	Shares BON	Service Life	Rcvd
301	Organization						
303	Land & Land Rights						
		30' x 40'			$500.00		$500.00
304	Structures & Improvements						
		Fence 128 LF	1978	$5.05	$646.40	30	$64.64
		12" Wide gate			$767.00	30	$76.70
307	Wells & Springs						
		Well 1, 8" x 350' 30 gpm	1960	$40.00	$14,000.00	30	$0.00
		ADWR 55-807772					
311	Pumping Equipment						
		Well 1, submersible 15 hp	2004		$6,500.00	8	$6,500.00
		Electrical panel	1978		$5,000.00	8	$0.00
330	Distribution Reservoirs						
		180 gallon pressure	2004		$4,680.00	20	$4,680.00
331	Trans. & Distrib. Mains						
		4"-2500 ft (Est).	1978	$5.37	$13,425.00	50	$6,175.50
333	Services						
		3/4", 30 ea.	1978	$355.00	$10,650.00	30	$1,065.00
334	Meters						
		5/8" x 3/4", (None)		No Meters	$0.00	12	$0.00
		3/4", (None)					
					$56,168.40		$19,061.84

EXHIBIT 4

CORONADO ESTATES WATER COMPANY RCN & RCND

Background of Water System

Coronado Estates Water Company received its Certificate of Convenience and Necessity on April 27, 1959. The area being served is at the southeast corner of the junctions of Highway 90 and Highway 82. The Certificated area serves the southern half of Section 18 and the northwest tip of Section 19, Township 20S, Range 20E. The area served is comprised of modest homes on average sized residential lots. Some roads are paved with asphalt while others are unimproved dirt and gravel.

Description of System

This system currently serves approximately 195 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-013. The system consists of one active well site. The fenced site is 50 ft x 50 ft. or .057 acres in area. There is additional land west of the fenced area which may belong to the water system. This site has one well and one pressure tank. The pressure tank is 2,500 gallons. There is no flow meter. There is a 30,000 gallon storage tank which is damaged and not in use. *It will have to be removed.* Staff estimates there is approximately 34,500 ft of 4 inch diameter asbestos cement and PVC pipe in the distribution system. There is a chain link fence surrounding the site, but it is in disrepair.

This system is in very poor condition. The storage tank is damaged and there are no booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The electrical panels need replacement. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed.

Plant Condition

The system has only one well and one pressure tank. Storage tanks and booster pumps will have to be added. The fence is damaged and will have to be repaired or replaced. The damaged storage tank that is on site will have to be cut up and removed. A large portion of the distribution system will have to be replaced. The well site will have to be completely redesigned and rebuilt to new standards. A new well will most likely have to be drilled and equipped.

301	Organization						
303	Land & Land Rights						
		50' x 50' fenced area			$6,373.00		$6,373.00
304	Structures & Improvements						
		Chain Link Fence 188 LF	1959	Damaged	$2,829.40	30	$0.00
		12' Wide Gate	1959	Damaged	$766.70	30	$0.00
307	Wells & Springs						
		Well 1, 8" x 450' ADWR 55-807773	1958	$40.00	$18,000.00	30	$0.00
311	Pumping Equipment						
		Well 1, 6-Hp Sub. @ 300 gpm	2004		$4,000.00	8	$4,000.00
		Electrical panel			$5,000.00	8	$0.00
330	Distribution Reservoirs						
		30,000 gallon storage tank		Damaged	$45,000.00	50	$0.00
		2,500 gallon pressure 5'dia x 16.5'L	1959		$11,000.00	20	$0.00
331	Trans. & Distrib. Mains						
		4"-PVC/ACP, 34,500 ft.	1959	$5.37	$185,265.00	50	$14,821.20
333	Services						
		3/4", 213 each (Use 193)	1959	$355.00	$68,515.00	30	$0.00
		2", 2 each	1959	$600.00	$1,200.00	30	$0.00
334	Meters						
		5/8" x 3/4", 184 each (Use 164)	1959	$85.00	$13,940.00	12	$0.00
		3/4", 29 each	1959	$165.00	$4,785.00	12	$0.00
		2", 2 each	1959	$915.00	$1,830.00	12	$0.00
					$368,504.10		$25,194.20

EXHIBIT 5

MIRACLE VALLEY WATER COMPANY, INC. RCN & RCND

Background of Water System

Miracle Valley Water Company, Inc. received its Certificate of Convenience and Necessity on August 12, 1959. The area being served is located approximately 12 miles southeast of Sierra Vista on Highway 92 in Miracle Valley. The Certificated area serves the southern half of Section 31, Township 23S, Range 22E. The area served is comprised of modest homes on medium and large sized residential lots. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 255 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-023. The system consists of one active well site and one well site which has electrical power to it but no approval for use on the system. In addition, Mr. McLain contends that the second well site belongs to the Cochise Water system. The active well site consists of a pressure tank and a well. The well is fenced in a 12 ft x 12 ft area. A 5,000 gallon pressure tank is located outside the fenced area. There is no flow meter. There is no storage tank or booster pumps. The well pump was replaced in 2004. It is reported that there are 9,650 ft of 3 inch diameter and 14,750 ft. of 4 inch diameter distribution piping. The second well site has a well with a pump in it, but the well has never received Arizona Department of Environmental Quality ("ADEQ") approval. There is also a large steel vessel which was moved to the site to someday be used as storage. There is a chain link fence surrounding the site, but it is in disrepair. According to the assessor office records, there appears to be more than one piece of land belonging to the water system.

This system is in very poor condition. There is no storage tank or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The pressure tank is in poor condition and it is dangerous and should not be in service. The electrical panels need replacement. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed. Much of the system was installed without ADEQ approval.

Plant Condition

The system has only one well and one pressure tank. Storage tanks and booster pumps will have to be added. It is unknown whether there is enough room for a storage tank at well site 1. The well site will have to be completely redesigned and rebuilt to new standards. Well site 2 will have to completely rebuilt. A large portion of the distribution system will have to be replaced.

Acct. No.	Acct. Name	Plant Items for Miracle Valley Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	RCND
301	Organization						
303	Land & Land Rights						
		12' x 12' Site 1					
		100' x 100' Site 2			$2,500.00		$2,500.00
304	Structures & Improvements						
		Fence 45' LF Site 1	1959	$15.05	$677.25	30	$0.00
		3' Wide Gate	1959		$257.00	30	$0.00
		Fence 388 LF Site 2	1959	$15.05	$5,839.40	30	$0.00
		12" Wide Gate	1959		$767.00	30	$0.00
307	Wells & Springs						
		Well 1, 16" x 650' Site 1	1959	$80.00	$52,000.00	30	$0.00
		Well 2 8" x 305' Sub. Site 2		$40.00	$12,200.00	30	$0.00
311	Pumping Equipment						
		Well 1, 50-Hp sub. @ 300 gpm Site 1	2005		$6,855.00	8	$6,855.00
		Electrical panels	1959		$5,000.00	8	$0.00
		Well Site 2		not used	$0.00	8	$0.00
330	Distribution Reservoirs						
		5,000 gallon pressure tank	1959	Damaged	$20,000.00	50	$0.00
		(6' dia x 22 ft L)					
331	Trans. & Distrib. Mains						
		2" - 3", 9,650 ft.	1959	$3.96	$38,214.00	50	$3,057.12
		4", 14,750 ft.	1959	$5.37	$79,207.50	50	$6,336.60
333	Services						
		3/4", 228 each (Use 253)	1959	$355.00	$89,815.00	30	$0.00
		2", 2 each	1959	$600.00	$1,200.00	30	$0.00
334	Meters						
		5/8" x 3/4", 127 each (Use 152)	1959	$85.00	$12,920.00	12	$0.00
		3/4", 101 each	1959	$165.00	$16,665.00	12	$0.00
		2", 2 each	1959	$915.00	$1,830.00	12	$0.00
					$345,947.15		$18,748.72

EXHIBIT 6

HORSESHOE RANCH WATER COMPANY RCN & RCND

Background of Water System

Horseshoe Ranch Water Company received its Certificate of Convenience and Necessity on August 3, 1973. The area being served is located approximately 8 miles south of Sierra Vista on Highway 92 at Hereford Road in Cochise County. The Certificated area serves part of the northwest quarter of Section 17, Township 23S, Range 21E. The area served is comprised of two platted subdivisions of approximately 40 acres each. Another 40 acres area is comprised of various size parcels of land. Horseshoe Ranch subdivision consists of 68 mobile home lots. Circle S Ranch Estates consists of 76 residential lots. The roads in the two subdivisions are paved. The remainder of the roads are dirt.

Description of System

This system currently serves approximately 220 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-048. The system has no wells and receives its water through 5,600 Lineal Feet of 4 inch diameter transmission main from Cochise Water. The water from the Cochise Water system enters the main storage and booster site through a 2-inch meter. The main site consists of a 22,000 gallon and a 10,000 gallon storage tank, a 3,000 gallon pressure tank, a 7.5 hp and 5 hp booster pumps and a 20' x 28 'brick shed. The area is fenced. A second fenced site contains a 38,000 gallon storage tank which was installed in 1989. A third site contains a dry well. There is approximately 35,000 feet of distribution piping. Much of the distribution system installed outside of the two subdivisions is undersized PVC. There are low pressure problems.

Plant Condition

The storage tanks at the main storage site appear to be in satisfactory condition, but need to be drained, inspected, and coated. The pressure tank should be inspected and possibly replaced. The electrical wiring at the site is old and needs replacement. There were piping leaks at the booster pumps during the inspection. The 38,000 gallon storage tank needs to be drained, inspected and refurbished. The only way this tank will provide improved pressure for the customers at the highest elevations is if the distribution piping is reconfigured and a pressure tank and booster pumps are installed to serve the upper zone. The dry well site is not used and useful. Much of the distribution system installed in the unsubdivided areas is undersized and poorly installed and will have to be replaced.

Acct. No.	Acct. Name	Plant Items for Horseshoe Ranch Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	Staff RCND
301	Organization						
303	Land & Land Rights						
		12' x 40 ' Main storage tank site			$3,000.00		$3,000.00
		3' x 20x14x 22.8" Sanks well site			$3,000.00		$3,000.00
		82'x75' storage site 3			$3,000.00		$3,000.00
		104-58-041B			$6,000.00		$6,000.00
304	Structures & Improvements						
		20' x 28' brick shed main site	1973		$16,342.00	30	$0.00
		188 L F Fence Main site	1973	$15.05	$2,829.40	30	$0.00
		12 ' Wide Gate	1973		$767.00	30	$0.00
		57 LF fence Sanks Well Site	1973	not used	$0.00	30	$0.00
		3" Wide Gate	1973	not used	$0.00	30	$0.00
		108 L.F fence site 3	1990	$15.05	$1,806.00	30	$903.00
		12 Wide Gate	1990		$767.00	30	$383.50
307	Wells & Springs						
		Interconnection to Cochise					
		5,600 LF 4" PVC	1990	$5.37	$30,072.00	50	$21,050.40
		Sanks well Abandon	1973	not used	$0.00		$0.00
311	Pumping Equipment						
		7-1/2-Hp booster pump Main site	2000		$2,500.00	8	$937.50
		5-Hp booster pumps, 2 each Main sit	2000		$1,500.00	8	$562.50
330	Distribution Reservoirs						
		36,000 gallon storage tank	1989	Needs Rep	$25,000.00	45	$16,111.11
		12' dia x 45' high site 3					
		22,000 gallon storage tank Main site	1973		$30,000.00	45	$8,666.67
		48.5' circum. X 16' high					
		10,000 gallon storage tank Main Site	1973		$20,000.00	45	$5,777.78
		30.5' circum. x 17' high					
		3,000 gallon pressure tank 5'dx20'L	1973		$13,000.00	20	$0.00
331	Trans. & Distrib. Mains						
		2"-PVC, 11,050 ft.	1973	$3.96	$43,758.00	50	$17,503.20
		3"-PVC, 11,600 ft.	1973	$4.95	$57,420.00	50	$22,968.00
		4"-AC & PVC, 10,150 ft.	1973	$5.37	$54,505.50	50	$21,802.20
333	Services						
		3/4", 192 each (Use 220)	1973	$355.00	$78,100.00	30	$0.00
334	Meters						
		5/8" x 3/4", 112 each (Use 220)	1973	$85.00	$18,700.00	12	$0.00
		3/4", 80 each	1973	$165.00		12	$0.00
335	Hydrants						
		Fire hydrant, 1 each	1973		$750.00	50	$300.00
					$412,816.90		$131,965.86

EXHIBIT 7

COCHISE WATER COMPANY RCN & RCND

Background of Water System

Cochise Water Company received its Certificate of Convenience and Necessity on October 31, 1962. The area being served is located approximately 8 miles south of Sierra Vista on Highway 92 at Hereford Road in Cochise County. The Certificated area serves the northeast quarter and southern half of Section 5 as well as the northern half and southeast quarter of Section 8, Township 23S, Range 21E. The area served is comprised of platted subdivisions which contain lots of various sizes from one acre to five acres as well as numerous un-subdivided parcels. All roads are unpaved gravel or dirt.

Description of System

This system currently serves approximately 370 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-011. The system has two main storage and production sites. The Naranja site consists of four wells, a 170,000 gallon storage tank, a 5,000 gallon pressure tank, two 5-hp booster pumps, two 10 hp transfer pumps to transfer water to the Horseshoe Ranch system. The area fence has been torn down. There is a 12,000 gallon storage tank that is not connected to the system. The Jaxel Road site consists of one well, one 10,500 gallon storage tank, one 1,000 gallon pressure tank, and one 5 hp booster pump. The area is fenced. There is approximately 100,000 feet of distribution piping. There are low pressure problems in some areas.

Plant Condition

The storage tanks, pressure tanks and booster pumps at the main Naranja production and storage site appear in satisfactory condition. It is 4.7 acres in size. The wells have had numerous outages. The wells were drilled as domestic wells with small diameter casings which makes them difficult to equip and maintain. New wells will most likely have to be drilled. The Jaxel Road site is in fair condition. Much of the distribution system is undersized and should be replaced over time.

301	Organization						
303	Land & Land Rights						
		620 ft x 330 ft Calle Naranja Wellsite.lot 70 4.7 acres			$27,934.00		$27,934.00
		30 ft x 40 ft Jaxel Road Wellsite			$3,000.00		$3,000.00
		Hereford Road 6.81 acres			$74,362.50		$74,362.50
		Other Property			$6,000.00		$6,000.00
		Parcel 104-07-103			$60,832.00		$60,832.00
304	Structures & Improvements						
		(200X200) 788 ft. chain link Fence Naranja		Damaged	$11,859.40	30	$0.00
		12' Wide gate Naranja		Damaged	$767.00		$0.00
		128 ft. chain link Fence Jaxel Rd.	1973	$15.05	$1,926.40	30	$0.00
		12' Wide gate Jaxel Rd.	1973		$767.00		$0.00
307	Wells & Springs					30	
		Well 1, 8" x 154' 55-563118 Naranja	1997	$25.00	$3,850.00	30	$2,823.33
		Well 2, 6" x 142' 55-805546 Naranja	1960	$25.00	$3,550.00	30	$0.00
		Well 3, 6" x 161' 55-563117 Naranja	1997	$25.00	$4,025.00	30	$2,951.67
		Well 4, 8" x 408' 55-630887 Jaxel Rd.	1973	$25.00	$10,200.00	30	$0.00
311	Pumping Equipment						
		Well 1, 5-Hp Sub. @ 30 gpm	2005		$5,902.00	8	$5,902.00
		Well 2, 5-Hp Sub. @ 57 gpm	2005		$3,538.00	8	$3,538.00
		Well 3, 5-Hp Sub. @ 38 gpm	2004		$2,700.00	8	$2,362.50
		Well 4, 5 HP Sub. @ 60 gpm	2004		$2,700.00	8	$2,362.50
		Electrical panels	2004		$10,000.00	8	$8,750.00
		2-10-Hp booster pumps Naranja-Transfer to Horsesh	2005	$4,476.00	$8,952.00	8	$8,952.00
		2- 5-Hp booster pumps Booster for Cochise Naranja	2004	$1,500.00	$3,000.00	8	$2,625.00
		1- 5 Hp booster pump Jaxel Rd.	1997		$1,500.00	8	$0.00
330	Distribution Reservoirs						
		170,000 gallon storage tank Naranja	1973	Rebuilt 2004	$75,000.00	45	$75,000.00
		12,000 gallon storage tank Naranja 50.5 ft.Cir x 10' high		not used	$0.00	45	$0.00
		5,000 gallon pressure tank Naranja 6' Dia x 22'	2004		$20,000.00	20	$20,000.00
		1,000 gallon pressure Jaxel Rd. 4' Dia x 10'	1973		$5,500.00	20	$0.00
		10,500 gallon storage tank Jaxel Rd. 38' Cir x 12' high	1973		$20,000.00	45	$0.00
331	Trans. & Distrib. Mains						
		2"-PVC, 50,000 ft.	1973	$3.96	$198,000.00	50	$0.00
		4"-AC & PVC, 35,429 ft.	1973	$5.37	$190,253.73	50	$0.00
		6"-AC & PVC, 11,990 ft.	1973	$7.26	$87,047.40	50	$0.00
333	Services						$0.00
		3/4", 320 each (Use 368)	1973	$355.00	$130,640.00	30	$0.00
		1-1/2", 1 each	1973	$440.00	$440.00	30	$0.00
		3", 1 each	1973	$775.00	$775.00	30	$0.00
334	Meters						$0.00
		5/8" x 3/4", 315 each (Use 363)	1973	$85.00	$30,855.00	12	$0.00
		3/4", 5 each	1973	$165.00	$825.00	12	$0.00
		1-1/2", 1 each	1973	$415.00	$415.00	12	$0.00
		3", 1 each	1973	$1,420.00	$1,420.00	12	$0.00
					$1,008,536.43		$307,395.50

EXHIBIT 8

TYPICAL DEPRECIATION RATES FOR WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.

2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

Exhibit 9

COCHISE COUNTY OFFICE OF THE TREASURER AND TAX COLLECTOR ITEMIZATION OF MCLAIN PROPERTIES

[redacted]

Parcel	Tax Owed	Water System	FCV	FCV/2	AV
Parcel 104-03-038-00-0	$1,095.08	Cochise	$6,000.00	$3,000.00	$960.00
Parcel 104-03-040-00-5	$1,052.08	Cochise	$6,000.00	$3,000.00	$960.00
Parcel 104-05-003-01-3	$52,125.75	Cochise	$148,725.00	$74,362.50	$28,055.00
Parcel 104-07-075-00-9	$3,579.33	Cochise	$55,868.00	$27,934.00	$8,939.00
Parcel 104-07-103-00-7	$2,195.05	Cochise	$121,664.00	$60,832.00	$12,166.00
Parcel 106-24-062-00-4	$3,108.52	Coronado Estates	$2,856.00	$1,428.00	$457.00
Parcel 106-24-164-00-7	$2,369.23	Coronado Estates	$640.00	$320.00	$102.00
Parcel 106-25-077-00-1	$546.68	Coronado Estates	$500.00	$250.00	$80.00
Parcel 104-07-096 (944-64-907--00-4)	$139,052.22	Cochise	$10,000.00	$5,000.00	$2,500.00
Parcel 104-46-297-00-0	$15,068.02	Miracle Valley	$5,500.00	$2,750.00	$880.00
Parcel 104-46-001 (916-54-900-00-9)	$5,238.60	Miracle Valley	$5,000.00	$2,500.00	$1,250.00
Parcel 106-08-009B (900-20-170-00-2)	$26,846.22	Crystal	$5,000.00	$2,500.00	$1,250.00
Parcel 106-09-006 (932-50-170-00-2)	$59,936.03	Mustang	$10,000.00	$5,000.00	$2,500.00
Parcel 106-25-061-B2	$6,251.26	Sierra Sunset	$1,000.00	$500.00	$160.00
Parcel 104-08-006-00-2	$1,283.82	Horseshoe	$6,000.00	$3,000.00	$960.00
Parcel 104-58-041-02-6	$3,105.76	Horseshoe	$12,000.00	$6,000.00	$1,920.00
Parcel 104-58-079-00-9	$1,971.76	Horseshoe	$6,000.00	$3,000.00	$960.00
Parcel 123-41-049 (924-74-907-00-7)	$95,448.09	Horseshoe	$6,000.00	$3,000.00	$1,500.00
Parcel 106-25-026(906-40-170-2)	$216,040.58	Coronado Estates	$8,750.00	$4,375.00	$2,188.00
Totals	**$636,314.08**		**$417,503.00**	**$208,751.50**	**$67,787.00**

FCA = Fair Current Value
AV = Assessed Value

EXHIBIT

3

MEMORANDUM

TO: Linda Jaress
Executive Consultant
Utilities Division

FROM: Ronald Ludders
Public Utilities Analyst V
Utilities Division

THRU: James J. Dorf
Chief Accountant
Utilities Division

DATE: May 17, 2006

RE: IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR A CERTIFICATE OF CONVIENENCE AND NECESSITY TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA. DOCKET NOS. W-20453A-06-0247 AND W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA. DOCKET NOS. W-20453A-06-0251, W-20454A-06-0251, W-01646A-06-0251, W-01868A-06-0251, W-02235A-06-0251, W-02316A-06-0251, W-02230A-06-0251, W-01629A-06-0251, W-02240A-06-0251

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INTRODUCTION

On April 13, 2006, Northern Sunrise Water Company Inc. ("Northern" or "NSWC") and Southern Sunrise Water Company Inc. ("Southern" or "SSWC") (collectively "Applicants") jointly applied to the Arizona Corporation Commission ("Commission") for an Order approving the sale and transfer of assets, and cancellation of Certificates of Convenience and Necessity ("CC&N") of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company (collectively "McLain Water Systems").

On the same date, Northern filed an application for a CC&N to provide water service to the areas previously served by Mustang Water Company, Crystal Water Company, Sierra Sunset Water Company and Coronado Estates Water Company (collectively "Northern McClain Systems"). Southern also filed an application for a CC&N to provide water service to the areas previously served by Cochise Water Company, Miracle Valley Water Company and Horseshoe Ranch Water Company (collectively "Southern McLain Systems").

The above applications have been consolidated as the matters are inextricably linked to one another. The matters were deemed sufficient by Staff on April 21, 2006.

BACKGROUND

Algonquin Water Resources of America, Inc. ("Algonquin") executed with the Bankruptcy Court a Purchase and Sale Agreement to acquire the McLain Systems. Before the agreement can be finalized, the Bankruptcy Court has required Algonquin to obtain Commission approval of: 1) the issuance of all CC&N's necessary to provide water utility service to customers of the McLain Water Systems; and 2) the sale and transfer of a public service corporation's assets as required by A.S.R. §40-285. The consolidated applications address these issues.

There are seven water systems previously owned and/or operated by Johnny A. McLain. The systems have been the subject of much scrutiny by various regulatory authorities such as the Arizona Department of Revenue ("ADOR"), the Arizona Department of Environmental Quality ("ADEQ") and the Commission. Mr. McLain has failed to comply with numerous notices of violations issued by ADEQ, and has not paid property taxes or sales taxes for a number of years.

The McLain Systems are in serious disrepair. For the last 20 years little has been done to adequately maintain the Systems. Staff has described the physical inadequacies of the Systems in its report in Docket No. W-01646A-05-0506. The Commission established hook-up moratoriums for the McLain Systems in Decision No. 68272. It also describes the system improvements and capital investment needed to upgrade the Systems (capital expenditures estimated between $750,000 and $1,250,000).

In July 2004, the Arizona Small Utilities Association ("ASUA") became the interim manager for these systems. Its focus was primarily on repairing leaks and restoring service to customers. The Commission recently approved an emergency rate application and authorized a $9.00 per meter System Improvement Surcharge ("SIS") to be effective May 1, 2006.

Financial Status

The McLain Systems have experienced negative cash flow, likely for many years, and definitely since ASUA was appointed as interim manager in July, 2004. For the nine-month period ending September 30, 2005, there was a negative cash flow of approximately $30,000 and estimates are that for the year 2005 the total will approximate $40,000. Meanwhile, ASUA reports that the systems' accounts payable as of April 30, 2006 is approximately $169,000. Staff is currently reviewing the accounts payable for accuracy.

Bankruptcy Status

The McLain Systems are currently in bankruptcy proceedings. A purchase and sale agreement was approved by the Bankruptcy Court (Case No. 4:30-bk-04125) on October 22, 2004 and confirmed on March 20, 2006. A sale price of $696,752.14 was established and is equal to the rate base value approved by the Commission in Decision No. 68412.

Northern and Southern

Northern and Southern are wholly-owned subsidiaries of Algonquin. Algonquin is a utility holding company that owns and operates several water and wastewater companies in Arizona. Algonquin is in turn a wholly-owned subsidiary of Algonquin Power Income Fund ("APIF"). As of December 31, 2005, APIF had total assets of $823.8 million, revenues of $179.3 million and net earnings of $21.8 million. APIF is an open-ended, unincorporated trust established pursuant to the laws of the Province of Ontario, Canada. APIF's principal business activity is the ownership of generation and infrastructure facilities.

FAIR VALUE RATE BASE

Northern and Southern have proposed rates based upon a fair value rate base for each of their water utility systems as follows:

	NORTHERN	SOUTHERN	TOTAL
Value Established in Decision No. 68412	$ 91,992	$ 604,725	$ 696,717[1]
Capital Improvements (Staff recommended)	480,200	321,900	802,100
Acquisition Costs	64,619	235,381	300,000
Total	$636,811	$ 1,162,006	$1,798,817

[1] Northern and Southern have a different total than the sale price due to the reallocation of land values and rounding.

Value Established in Decision No. 68412

Staff has reviewed the proposed fair value rate base established in Decision No. 68412 as proposed by Northern and Southern and noted a few corrections are required. Northern and Southern reallocated land values and made other minor changes to the values delineated in Decision 68412. Northern and Southern also allocated the balance to sub-accounts in a manner somewhat different than Staff's allocation. The differences between the Northern and Southern balances ($91,992 and $604,725) and those recommended by Staff ($91,585 and $605,168) are noted in Schedule REL-1. Staff will recommend that Northern and Southern adopt Staff's initial plant in service balances.

Capital Improvements

Northern and Southern have indicated that they are prepared to make capital improvements totaling $802,100. See Exhibit 6 in Northern's Application and Exhibit 5 in Southern's Application. See also Exhibit No. 4 to the Staff Report.

Acquisition Costs

Northern and Southern have estimated acquisition costs of approximately $300,000 as follows: 1) approximately $100,000 for reorganization costs including participation in bankruptcy proceedings, acquisition due diligence, interaction with regulatory agencies, etc.; 2) approximately $100,000 for Commission related activities; and 3) approximately $100,000 for transition costs such as support for interim operator, capitalized labor costs, etc. As of the end of April, 2006, they have paid approximately $25,000 in legal expenses.[2]

Staff supports the recovery of these types of cost in this case where an extremely troubled utility will benefit from having a well capitalized, safety oriented and efficient operator. Because all of the costs have not yet been incurred, Staff recommends that Northern and Southern defer these types of costs, for later recovery of prudently incurred costs if Northern and Southern can demonstrate that the rates approved in this case did not allow for recovery of these costs. However, there can be no assurance that all costs of acquisition incurred by Northern and Southern will be deemed prudent by the Commission.

The acquisition of the McLain Systems is unique and extraordinary (purchase of regulated assets in bankruptcy from a company operated by an interim manager). Therefore, Staff will permit deferral of these acquisition related costs to account 186.3, Regulatory Assets. Although Northern and Southern have indicated that the regulatory asset should be amortized over 20 years, the appropriate accounting treatment of amounts deferred and the amount allowable should be determined in the next general rate application filed by Northern and Southern.

[2]Response to Staff Data Request REL 1.1.

Hook-up Fees

Staff recommends a hook-up fee of $1,000. Staff also recommends that the hook-up fees collected be considered as a non-refundable contribution in aid of construction. The hook-up fees will help offset the costs noted above. Northern and Southern shall provide an analysis of collected hook-up fees and whether any adjustment to the amount be made in its 2008 general rate filing.

REVENUE AND EXPENSES

As justification for the initial rates, Northern and Southern have estimated its revenue and expenses. Staff has reviewed the estimates and found them to be reasonable. Based upon these estimates, Northern and Southern will experience an estimated return on rate base of approximately 9.77 percent for Northern and 11.90 percent for Southern (combined 11.17 percent) during the first year of operation. See Schedule REL-2. Although higher than Staff has recommended recently for similarly sized water companies, Staff recognizes that a somewhat higher return is warranted given that this case involves unique and extraordinary circumstances when assuming responsibility for multiple bankrupt water companies. Staff also notes that the returns will decline once Northern and Southern add additional plant. Staff also notes that Northern and Southern have agreed to use a 2007 test year in it next general rate filing so adjustments can be made as more reliable financial information is available. This will provide a reasonable time period within which adjustments to the rate of return can be made, if necessary.

The revenues were estimated based upon an average customer usage of 7,300 gallons per month and appears reasonable. The combined revenues for Northern and Southern total $684,320.

First year expenses for Northern and Southern are estimated at $488,872. In the Emergency Rate proceeding[3] Staff estimated annual operating expenses of $456,457 which did not provide for a profit and related income taxes. Northern and Southern prepared detailed estimates for variable and other costs on a basis consistent with new CC&N filings.

It appears that Northern and Southern have made reasonable estimates of annual expenditures. Because the McLain Water Systems are in such disrepair, obtaining consistent and reliable operating results has been difficult.

Depreciation

As shown in their Exhibits, Northern and Southern adopted Staff's recommended depreciation rates and are noted at Schedule REL-3. These rates have been approved in numerous water rate cases. Staff recommends that Northern and Southern continue the use of

[3] Staff Report, Attachment B, in Docket No. W-01646A-06-0010.

the water depreciation rates delineated in Schedule REL-3 for each individual National Association of Regulatory Utility Commissioners ("NARUC") asset category.

Staff, however, recommends that Account No. 305 – Collecting and Impounding Reservoirs not be used and further recommends that all reported plant costs in Account No. 305 be reclassified to Account No. 330 – Distribution Reservoirs and Standpipes. Staff classifies storage tanks and pressure tanks to Account No. 330 as shown in the RCN and RCND spreadsheets in Decision No. 68412.

FINANCING

Based upon the Northern and Southern filings, the acquisition, capital improvements, and acquisition cost will be financed initially with common stock. Given the unusual and extraordinary nature of this transaction, Staff acknowledges that equity financing is most appropriate at this time. Although 100 percent equity capital may not always be desirable, its use in this case is warranted.

RATES

Rate Design

The Northern and Southern projected revenue is derived primarily from the residential class customer. They have developed consolidated rates in a manner consistent with new CC&N applications. Such rates are generally based upon five year projections provided by the applicant and include estimates of revenues, operating costs, capital expenditures and customer growth. The use of a single rate design for both Northern and Southern is appropriate at this time as all systems will be operated under a single management team and economies of scale can begin to be achieved. Staff has reviewed the Northern and Southern projections and concluded that they are reasonable.

To promote conservation in the use of water, Staff has been recommending an inverted three-tiered rate structure for the commodity charge in rate cases and CC&N cases. Northern and Southern proposed a three-tiered design. Staff reviewed this design and found it to be acceptable. See Schedule REL-5.

Staff recommends that Northern and Southern maintain separate accounting for the cost of operating the two systems and provide an evaluation as to whether separate rates are appropriate in its 2008 general rate filing.

Rates and Charges

Northern and Southern proposed for residential customers with a 5/8 x ¾ meter a monthly minimum charge of $31.00 and commodity rates as follows:

Per 1,000 gallons	
0 to 5,000 gallons	$2.00
5,001 to 10,000 gallons	$2.75
Over 10,000 gallons	$3.90

Staff has reviewed Northern and Southern revenue projections based upon these rates and found them to be reasonable. Staff has also reviewed the other charges and found them to be reasonable and consistent with recent Commission decisions.

Typical Customer Bill

Based upon the Northern and Southern proposed rates, Staff has calculated the typical customer bills and compared them to current rates, including the recently approved SIS. See Schedule REL-4. The increases range from a low of 5.41 percent to a high of 120.14 percent. Although most of the increases are relatively high, with the exception of the SIS, rates have not been increased for the McLain Water Systems for approximately 20 years.

Customer Deferred Payment Plan

The proposed rates represent a significant increase for a certain number of the McLain Water System customers. Staff recommends that Northern and Southern file a deferred payment plan[4] tariff for the benefit of those individuals who are struggling to pay their bills under the new rates but who commit to payment of their bills over a reasonable period of time, and who demonstrate that they have secured bill payment assistance from a government agency, a community agency, a charity or faith-based institution. Northern and Southern will consult with staff to determine the appropriate time period over which the deferred payments will be recovered.

ALTERNATIVE PROPOSAL: PHASED IN RATES

Due to the unusual nature of this case and the level of increase in rates being proposed, the Commission may wish to consider alternatives to the traditional new CC&N rate design methodology. Also, with the exception of the recently enacted SIS, most customers have not had a rate increase for over 20 years. To help mitigate the significant increases and promote timely implementation of the necessary capital expenditures, Staff has developed an alternative phase in rate schedule for the Commission's consideration.

[4] The Commission previously approved a deferred payment plan in Decision No. 68241.

The alternative would phase in the proposed monthly minimum of $31 in three phases. The first phase will reduce the proposed monthly minimum to $21 (Phase I). Northern and Southern anticipate acquiring the existing systems for $696,717 as a component of Phase I. As indicated on Northern's Exhibit 6 and Southern's Exhibit 5, they anticipate subsequent capital expenditures estimated to total $802,100. Once an additional $500,000 of the projects listed at Exhibit No. 4 to the Staff Report has been placed in service, Northern and Southern will be permitted to raise the monthly minimum from $21.00 to $26.00, a $5.00 per month increase (Phase II). When Northern and Southern complete and place into service all of the projects listed on Exhibit No. 4 to the Staff Report, an additional $5.00 will be added to the monthly minimum (Phase III). The effect of the phase-in on customer's typical bill is noted at Schedule REL-4. The phase-in rates recommended by Staff are shown on Schedule REL-5.

STAFF RECOMMENDATIONS

1. Northern and Southern shall charge the recommended rates and charges as shown in Schedule REL-5, attached. If the Commission adopts the non-phased rates, Staff recommends that Northern and Southern be required to complete all projects noted on Exhibit No. 4 to the Staff Report by June 30, 2007. If the Commission adopts the phased rates, Northern and Southern shall implement the Phase II rates the first day of the month after Northern and Southern notify Staff and Staff files a memo in this docket verifying that at least $500,000 of plant improvements have been made to the systems. The Phase III rates shall be implemented the first day of the month after Northern and Southern notify Staff that all the improvements listed on Exhibit No. 4 have been made and Staff files a memo in this docket that such improvements have been made.

2. In addition to collection of its regular rates and charges, Northern and Southern may collect from its customers a proportionate share of any privilege, sales or use tax pursuant to A.A.C.R14-2-409.D.5.

3. The rates approved by the Commission shall become effective the first day of the month following the date of the closing of the purchase and sale agreement with the Bankruptcy Court.

4. Northern and Southern must file in Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges within 30 days after this Decision is issued.

5. Staff recommends that Northern and Southern file a deferred payment plan[5] tariff for the benefit of those individuals who are struggling to pay their bills under the new rates but who commit to payment of their bills over a reasonable period of time, and who demonstrate that they have secured bill payment assistance from a government agency, a community agency, a charity or faith-based institution. Northern and Southern will

[5] The Commission previously approved a deferred payment plan in Decision No. 68241.

consult with staff to determine the appropriate time period over which the deferred payments will be recovered.

6. Northern and Southern be permitted to defer acquisition related costs to Account 186.3, Regulatory Assets and the appropriate accounting treatment for such costs will be determined in the next rate application by Northern and Southern.

7. Northern and Southern must maintain their books and accounts in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform Systems of Accounts.

8. Northern and Southern must continue to use the water depreciation rates by individual NARUC asset category as delineated in Schedule REL-3, attached.

9. Northern and Southern must maintain separate accounting for their systems and provide an evaluation in its 2008 general rate filing as to whether separate rates are appropriate for Northern and Southern.

10. Northern and Southern must adopt Staff's recommended plant balances as delineated in Schedule REL-1, attached.

11. Northern and Southern must file a rate application no later than June 30, 2008, using a 2007 test year.

12. Staff should be ordered to perform an audit of the collection and expenditure of the SIS as soon as practicable following the closing of the sale. The audit would encompass the period from the inception of the SIS to the first day of the month after the closing of the sale. Staff will then file the results of the audit in this docket along with any resulting recommendations.

13. Northern and Southern should be ordered to retain records from the McLain Systems regarding the SIS at least until the conclusion of its 2008 rate case.

14. Staff recommends the Commission order Northern and Southern to file the Hook-up Fee Tariffs, attached to the Staff Report as Exhibit 5 and apply these tariffs to the new service connections in systems for which the moratorium has been lifted. The Company shall submit an annual Off-Site Hook-Up Fee status report each August to Docket Control for the prior twelve (12) month period, beginning August 2007, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

Northern and Southern Sunrise Water Companies
Docket No. W-20453A-06-0247, W-20454A-06-0248
Plant Balances

SCHEDULE REL-1

	Northern Sunrise Water Company		Southern Sunrise Water Company	
	Company Per Decision Number 68142	Staff Per Decision Number 68142	Company Per Decision Number 68142	Staff Per Decision Number 68142
301 Organization	-	-	-	-
302 Franchises	-	-	-	-
303 Land and Land Rights	$ 27,812	$ 16,709	$ 361,364	$ 273,391
304 Structures and Improvements	$ 319	$ 349	$ 1,094	$ 1,218
305 Collecting and Impounding Reservoirs	-	-	-	-
306 Lake, River and Other Intakes	-	-	-	-
307 Wells and Springs	-	-	$ 23,379	$ 28,521
308 Infiltration Galleries and Tunnels	-	-	-	$ -
309 Supply Mains	-	-	-	$ -
310 Power Generation Equipment	-	-	-	$ -
311 Pumping Equipment	$ 23,364	$ 27,210	$ 40,555	$ 61,085
320 Water Treatment Equipment	-	-	-	-
330 Distribution Reservoirs and Standpipe	$ 4,351	$ 4,563	$ 25,972	$ 170,298
331 Transmission and Distribution	$ 35,134	$ 41,716	$ 152,106	$ 70,372
333 Services	$ 1,012	$ 1,039	-	-
334 Meters and Meter Deposits	-	-	-	-
335 Hydrants	-	-	$ 255	$ 284
336 Backflow Prevention Devices	-	-	-	-
339 Other Plant and Miscellaneous	-	-	-	-
340 Office Furniture and Equipment	-	-	-	-
341 Transportation Equipment	-	-	-	-
342 Stores Equipment	-	-	-	-
343 Tools, Shop and Garage Equipment	-	-	-	-
344 Laboratory Equipment	-	-	-	-
345 Power Operated Equipment	-	-	-	-
346 Communication Equipment	-	-	-	-
347 Miscellaneous Equipment	-	-	-	-
348 Other Tangible Plant	-	-	-	-
	$ 91,992	$ 91,585	$ 604,725	$ 605,168

Northern and Southern Sunrise Water Companies
Docket No. W-20453A-06-0247, W-20454A-06-0248
ESTIMATED FIRST AND SECOND YEAR RATE BASE

SCHEDULE REL-2

	Northern Sunrise		Southern Sunrise		Staff
	Company First Year	Staff First Year	Company First Year	Staff First Year	Combined First Year
Plant in Service (per Decision No. 48412)	$ 91,992	$ 91,585	$ 604,725	$ 605,168	$ 696,752
Less Accumulated Depreciation *	$ (13,476)	$ (4,383)	$ (16,526)	$ (13,820)	$ (18,203)
Pro Forma Plant Additions	$ 480,200	$ 480,200	$ 321,900	$ 321,900	$ 802,100
Less Depreciation		$ (9,264)		$ (6,725)	$ (15,989)
Deferred Regulatory Assets	$ 64,619	$ 64,619	$ 235,381	$ 235,381	$ 300,000
Less Accumulated Amortization *	$ (3,231)	$ (3,231)	$ (11,769)	$ (11,769)	$ (15,000)
Rate Base	$ 620,104	$ 619,526	$ 1,133,711	$ 1,130,135	$ 1,749,660
Pro Forma Revenue (per Company	$ 204,444	$ 204,444	$ 479,876	$ 479,876	$ 684,320
Total Operating Expense	$ (143,866)	$ (143,866)	$ (345,006)	$ (345,006)	$ (488,872)
Operating Income	$ 60,578	$ 60,578	$ 134,870	$ 134,870	$ 195,448
Rate of Return	9.77%	9.78%	11.90%	11.93%	11.17%

	Company Second Year	Staff Second Year	Company Second Year	Staff Second Year	Staff Combined Second Year
Plant in Service (per Decision No. 48412)	$ 91,992	$ 91,585	$ 604,725	$ 605,168	$ 696,752
Less Accumulated Depreciation *	$ (36,835)	$ (8,766)	$ (40,241)	$ (27,639)	$ (36,405)
Pro Forma Plant Additions	$ 484,300	$ 484,300	$ 326,000	$ 326,000	$ 810,300
Less Accumulated Depreciation *	$ -	$ (18,699)	$ -	$ (13,621)	$ (32,320)
					$ -
Deferred Regulatory Assets	$ 64,619	$ 64,619	$ 235,381	$ 235,381	$ 300,000
Less Accumulated Amortization *	$ (6,462)	$ (6,462)	$ (23,538)	$ (23,538)	$ (30,000)
Rate Base	$ 597,614	$ 606,577	$ 1,102,327	$ 1,101,750	$ 1,708,327
Pro Forma Revenue (per Company	$ 207,534	$ 207,534	$ 482,965	$ 482,965	$ 690,499
Total Operating Expense	$ (154,823)	$ (154,823)	$ (355,045)	$ (355,045)	$ (509,868)
Operating Income	$ 52,711	$ 52,711	$ 127,920	$ 127,920	$ 180,631
Rate of Return	8.82%	8.69%	11.60%	11.61%	10.57%

* Company schedules do not separate depreciation between Decision No. 68412 plant and pro forma plant. Staff reclassified certain plant which caused a lower depreciation rate than that used by the Company.

SCHEDULE
REL-3

Northern and Southern Sunrise Water Companies
Docket No. W-20453A-06-0247, W-20454A-06-0248
Depreciation Rates

STAFF RECOMMENDED DEPRECIATION RATES FOR THE NORTHERN AND SOUTHERN SUNRISE WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.

2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

Northern and Southern Sunrise Water Companies
Docket No. W-20453A-06-0247, W-20454A-06-0248
ESTIMATED TYPICAL CUSTOMER BILL FOR 5/8 x 3/4 METER

SCHEDULE REL-4

		Monthly Usage of 7,300 Gallons			Estimated Monthly Bill for Phase In Rates			
	Last Rate Case	Current W/SIS*	Company Proposed**	% Increase	Phase I	% Inc (Dec)	Phase II	% Inc (Dec)
NORTHERN SYSTEM								
Mustang Water	8/1985	$39.75	$47.33	19.07%	37.33	-6.09%	42.33	6.49%
Crystal Water	8/1985	$32.93	$47.33	43.73%	37.33	13.36%	42.33	28.55%
Sierra Sunset	9/1983	$21.50	$47.33	120.14%	37.33	73.63%	42.33	96.88%
Coronado Estates	8/1985	$32.93	$47.33	43.73%	37.33	13.36%	42.33	28.55%
SOUTHERN SYSTEM								
Miracle Valley	4/1989	$24.30	$47.33	94.77%	37.33	53.62%	42.33	74.20%
Cochise Water	8/1985	$44.90	$47.33	5.41%	37.33	-16.86%	42.33	-5.72%
Horseshoe Ranch	8/1987	$44.90	$47.33	5.41%	37.33	-16.86%	42.33	-5.72%

COCHISE COUNTY TYPICAL MONTHLY WATER BILL***

Monthly Average	$28.22
Monthly Mean	$24.71
Highest Monthly	$66.05
Lowest Monthly	$5.88

* Includes System Improvement Surcharge of $9.00 per meter per month.
** Also Considered Phase III if the phase-in approach is utilized.
*** Water Infrastructure Authority of Arizona, 2005 Survey, 7,500 gallons usage.

PROPOSED RATES

	Proposed Rates		Phased In Rates		
Monthly Usage Charge	Company	Staff	Phase I	Phase II	Phase III
5/8" x 3/4" Meter	$31.00	$31.00	$21.00	$26.00	$31.00
3/4" Meter	46.50	46.50	31.50	39.00	46.50
1" Meter	77.50	77.50	52.50	65.00	77.50
1½" Meter	155.00	155.00	105.00	130.00	155.00
2" Meter	248.00	248.00	168.00	208.00	248.00
3" Meter	496.00	496.00	336.00	416.00	496.00
4" Meter	775.00	775.00	525.00	650.00	775.00
6" Meter	930.00	930.00	630.00	780.00	930.00
8" Meter	1,550.00	1,550.00	1,050.00	1,300.00	1,550.00
Gallons Included in Minimum	0	0			
Commodity Rates per 1,000 gallons					
5/8 x 3/4 Inch Meter					
Tier one - zero gallons to 5,000 gallons	2.00	2.00	2.00	2.00	2.00
Tier two - 5,001 gallons to 10,000 gallons	2.75	2.75	2.75	2.75	2.75
Tier three - all gallons over 10,000 gallons	3.90	3.90	3.90	3.90	3.90
Residential 1 Inch Meter and Larger					
Tier one - zero gallons to 25,000 gallons	2.00	2.00	2.00	2.00	2.00
Tier two - 25,001 gallons to 45,000 gallons	2.75	2.75	2.75	2.75	2.75
Tier Three - over 45,000 gallons	3.90	3.90	3.90	3.90	3.90
Irrigation meters					
Tier one - zero to 45,000 gallons	2.75	2.75	2.75	2.75	2.75
Tier two - over 45,000 gallons	3.90	3.90	3.90	3.90	3.90
Other					
Standpipe or bulk water per 1,000 gallons	3.90	3.90	3.90	3.90	3.90

Service Charges		
A. Establishment	$25.00	$25.00
Establishment After Hours	35.00	35.00
B. Re-Establishment (Within 12 Months)	**	**
C. Reconnection	35.00	35.00
D. Moving Meter at customer request	at cost	at cost
E. After hours Service Charge	50.00	50.00
F. Minimum Deposit	*	*
G. Meter Test	40.00	40.00
H. Meter Re-Read (If Correct)	5.00	5.00
I. NSF Check	15.00	15.00
J. Late Fee	***	***
K. Deferred Payment	***	***

PROPOSED RATES
CONTINUED

L. Service Line and Meter Installation Charges

5/8" x 3/4" Meter		$410.00	$410.00
3/4" Meter		410.00	410.00
1" Meter		520.00	520.00
1½" Meter		660.00	660.00
2" Meter	Turbo	1,155.00	1,155.00
2" Meter	Compound	1,720.00	1,720.00
3" Meter	Turbo	1,625.00	1,625.00
3" Meter	Compound	2,260.00	2,260.00
4" Meter	Turbo	2,500.00	2,500.00
4" Meter	Compound	3,200.00	3,200.00
6" Meter	Turbo	4,500.00	4,500.00
6" Meter	Compound	6,300.00	6,300.00
8" Meter		8,200.00	8,200.00

M. Main Extension and additional facilities — at cost — at cost
Per rule R14-2-406.B

N. In addition to collection of its regular rates and charges the company may collect from its customers a proportionate share of any privilege, sales or use tax pursuant to A.A.C.R14-2-409.D.5.

* Per Commission Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403.D)
*** 1.5% per month.

RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. AAC R-14-204001 through AAC R-14-2-411 will be controlling of Company procedures, unless specific Commission Orders provide otherwise.

EXHIBIT

4

Cochise Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description				
Naranja Well Site	**Cost**			
Add meters to wells	$10,000	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 800 L.F.	$12,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	$800	ASAP after Closing	6-12 Months	Immediate
Repair 5 hp booster pump	$500	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	$10,000	ASAP after Closing	6-12 Months	Immediate
Replace Air Compressor and controls on Pressure Tank	$1,000	ASAP after Closing	6-12 Months	Immediate
Replace Guages on Booster and Transfer Pumps	$1,000	ASAP after Closing	6-12 Months	Immediate
Replace check valves on booster and transfer pumps	$500	ASAP after Closing	6-12 Months	Immediate
Build concrete pads to mount booster and transfer pumps	$1,000	ASAP after Closing	6-12 Months	Immediate
Install well pump high level shut off level contoller to storage tank	$5,000	ASAP after Closing	6-12 Months	Immediate
Install low level sensor in storage tank for booster & transfer pump shut off	$5,000	ASAP after Closing	6-12 Months	Immediate
Install telemetry system to start and stop transfer pumps filling Horseshoe storage	$10,000	ASAP after Closing	6-12 Months	Immediate
Add sampling taps to wells	$500	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site	$1,000	ASAP after Closing	6-12 Months	Immediate
Remove old storage tank and trash and grade well site	$5,000	ASAP after Closing	6-12 Months	Immediate
Total	**$63,300**			
Jaxell Road site				
Add Meter to well	$3,500	ASAP after Closing	6-12 Months	Immediate
Add additional booster pump	$3,500	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site	$1,000	ASAP after Closing	6-12 Months	Immediate
Total	**$8,000**			

EXHIBIT 4

Horseshoe Ranch Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description	**Cost**			
Replace 3 inch meter measuring transfer flow from Cochise	$3,000	ASAP after Closing	6-12 Months	Immediate
Replace fence with a minimum 6 ft. high chain link fence with barbed wire 200 L.F.	$3,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	$800	ASAP after Closing	6-12 Months	Immediate
Replace 2 - 7.5 hp booster pumps	$5,000	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	$10,000	ASAP after Closing	6-12 Months	Immediate
Replace 3,000 gallon pressure tank	$13,000	ASAP after Closing	6-12 Months	Immediate
Design and construct interconnection with Bella Vista south system	$10,000	ASAP after Closing	6-12 Months	Immediate
Repair doors on storage building	$1,000	ASAP after Closing	6-12 Months	Immediate
Add air relief valve to tranmission line from Cochise and grade and secure site	$6,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of storage & well sites	$1,000	ASAP after Closing	6-12 Months	Immediate
Total	**$52,800**			

Miracle Valley Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description	**Cost**			
Add meter to well	$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	$800	ASAP after Closing	6-12 Months	Immediate
Add two 7.5 hp booster pumps	$5,000	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	$10,000	ASAP after Closing	6-12 Months	Immediate
Add storage tank Minimum 150,000 gallons	$150,000	ASAP after Closing	6-12 Months	Immediate
Replace 5,000 gallon pressure tank	$20,000	ASAP after Closing	6-12 Months	Immediate
Add sampling tap to well	$500	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of two well sites	$2,000	ASAP after Closing	6-12 Months	Immediate
Total	**$197,800**			

Mustang Water - Part of Northern Sunrise Water Company Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description **Main Well Site**	**Cost**			
Add meter to well	$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	$800	ASAP after Closing	6-12 Months	Immediate
Replace existing well with new well	$25,000	ASAP after Closing	6-12 Months	Immediate
Replace well pump & piping	$7,500	ASAP after Closing	6-12 Months	Immediate
New Electrical Control and wiring system	$10,000	ASAP after Closing	6-12 Months	Immediate
New 5,000 Gallon Pressure Tank	$20,000	ASAP after Closing	6-12 Months	Immediate
New 60,000 gallon storage tank (At least this size)	$80,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of at least two well sites	$2,000	ASAP after Closing	6-12 Months	Immediate
Total	**$154,800**			
Note: As an alternative, determine if existing well can be rehabilitated If so, rehab well, and replace well pump instead of drilling new well				

Crystal Water - Part of Northern Sunrise Water Company Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Main Well Site **Project Description**	**Cost**			
Add meter to well	$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	$800	ASAP after Closing	6-12 Months	Immediate
Replace existing well with new well	$25,000	ASAP after Closing	6-12 Months	Immediate
Replace well pump & piping	$7,500	ASAP after Closing	6-12 Months	Immediate
New Electrical Control and wiring system	$10,000	ASAP after Closing	6-12 Months	Immediate
New 5,000 Gallon Pressure Tank	$20,000	ASAP after Closing	6-12 Months	Immediate
New 60,000 gallon storage tank (At least this size)	$80,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site	$1,000	ASAP after Closing	6-12 Months	Immediate
Total	**$153,800**			
Note: As an alternative, determine if existing well can be rehabilitated If so, rehab well, and replace well pump instead of drilling new well				

Coronado Estates Water - Part of Northern Sunrise Water Company Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Main Well Site				
Project Description	**Cost**			
Add meter to well	$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	$800	ASAP after Closing	6-12 Months	Immediate
Replace well pump & piping	$7,500	ASAP after Closing	6-12 Months	Immediate
New Electrical Control and wiring system	$10,000	ASAP after Closing	6-12 Months	Immediate
New 5,000 Gallon Pressure Tank	$20,000	ASAP after Closing	6-12 Months	Immediate
New 100,000 gallon storage tank (at least this size)	$100,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site	$1,000	ASAP after Closing	6-12 Months	Immediate
Total	**$148,800**			

Sierra Sunset Water - Part of Northern Sunrise Water Company Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Main Well Site				
Project Description	**Cost**			
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	$800	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site	$1,000	ASAP after Closing	6-12 Months	Immediate
Install customer meters to 30 customers	$15,000	ASAP after Closing	6-12 Months	Immediate
Total	**$22,800**			

EXHIBIT

5

TARIFF SCHEDULE

UTILITY: Northern Sunrise Water Company
DOCKET NO.: W-20453A-06-0247

DECISION NO. _____
EFFECTIVE DATE: _____

OFF-SITE HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to **Northern Sunrise Water Company** ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builder of new residential subdivisions.

"Company" means **Northern Sunrise Water Company**, an Arizona limited liability company.

"Main Extension Agreement" means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential or other uses, regardless of meter size.

III. Off-Site Hook-up Fee

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE HOOK-UP FEE TABLE		
Meter Size	**Size Factor**	**Total Fee**
5/8" x 3/4 "	1	$1,000
3/4"	1.5	$1,500
1"	2.5	$2,500
1-1/2 "	5	$5,000
2"	8	$8,000
3"	16	$16,000
4"	25	$25,000
6" or larger	50	$50,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge).

(B) Use of Off-Site Hook-up Fee: Off-site hook-up fees may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off-site hook-up fees shall not be used for repairs, maintenance, or operational purposes.

(C) Time of Payment:

(1) In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

(2) In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall not be entitled to any refunds.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision Projects: In the event that the Developer or Builder is engaged in the development of a residential subdivision containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Developer's or Builder's construction schedule and water service requirements.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit an annual Off-Site Hook-Up Fee status report each August 31st to Docket Control for the prior twelve (12) month period, beginning August 31, 2007, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

TARIFF SCHEDULE

UTILITY: Southern Sunrise Water Company
DOCKET NO.: W-20454A-06-0248

DECISION NO. _____
EFFECTIVE DATE: _____

OFF-SITE HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to **Southern Sunrise Water Company** ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builder of new residential subdivisions.

"Company" means **Southern Sunrise Water Company**, an Arizona limited liability company.

"Main Extension Agreement" means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential or other uses, regardless of meter size.

III. Off-Site Hook-up Fee

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE HOOK-UP FEE TABLE		
Meter Size	**Size Factor**	**Total Fee**
5/8" x 3/4 "	1	$1,000
3/4"	1.5	$1,500
1"	2.5	$2,500
1-1/2 "	5	$5,000
2"	8	$8,000
3"	16	$16,000
4"	25	$25,000
6" or larger	50	$50,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge).

(B) Use of Off-Site Hook-up Fee: Off-site hook-up fees may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off-site hook-up fees shall not be used for repairs, maintenance, or operational purposes.

(C) Time of Payment:

(1) In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

(2) In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall not be entitled to any refunds.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision Projects: In the event that the Developer or Builder is engaged in the development of a residential subdivision containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Developer's or Builder's construction schedule and water service requirements.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit an annual Off-Site Hook-Up Fee status report each August 31st to Docket Control for the prior twelve (12) month period, beginning August 31, 2007, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

EXHIBIT
5-2
Admitted

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: May 23, 2006

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR A CERTIFICATE OF CONVIENENCE AND NECESSITY TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA.
DOCKET NOS. W-20453A-06-0247 AND W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.
DOCKET NOS. W-20453A-06-0251, W-20454A-06-0251, W-01646A-06-0251, W-01868A-06-0251, W-02235A-06-0251, W-02316A-06-0251, W-02230A-06-0251, W-01629A-06-0251, W-02240A-06-0251

Attached is an Amendment to the Staff Report of May 17, 2006, for the above referenced applications. Two additional conditions are recommended.

EGJ:LAJ:tdp

Originator: Linda Jaress

Service List for: Northern Sunrise Water Company, Inc. and Southern Sunrise Water Company, Inc.
Docket Nos.:W-20453-06-0247 et. al.

Mr. Stephen A. Cockrum
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Moyes Storey
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Mr. Johnny A. McLain
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Hereford, Arizona 85615

Mr. Johnny and Linda McLain
Post Office Box 2903
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Arizona Small Utilities Association
Interim Manager for the McLain Systems
210 North Central, Suite 6B
Avondale, Arizona 85323

Mr. Greg Sorensen
Algonquin Water Resources of America
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Mr. Jay L. Shapiro
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Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

On April 13, 2006, Northern Sunrise Water Company, Inc. ("Northern") and Southern Sunrise Water Company, Inc. ("Southern") (combined, "the Companies) each filed an application for a new Certificate of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("Commission") to provide water service in Cochise County, Arizona. On the same day, Northern and Southern filed a joint application for approval of the sale and transfer of water utility assets and cancellation of the CC&Ns of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company ("the McLain Systems" or "the Systems").

On May 17, 2006, Staff filed the Staff Report in these matters and recommended approval with several conditions. Since that date, Staff has continued its efforts to gather facts and find solutions to and mitigation of the problems experienced by the customers of the McLain Systems. Therefore, Staff is amending the Staff report to include two additional conditions.

The first additional condition addresses the customers' need for information as the repairs, replacements and improvements are made to their systems. Staff recommends that Northern and Southern establish a web site which would provide customers timely information regarding their water service including planned and unplanned outages and the Companies' progress toward completion of the projects shown on Exhibit 4 to the May 17th Staff Report. Staff recommends that the web site be available for customers use within 10 days of the closing of the sale transaction.

The second additional condition addresses the geographical areas Northern and Southern may be serving after closing of the sale which does not currently fall in any of the McClain Systems CC&Ns. Staff recommends that no later than December 31, 2007, Northern and/or Southern file applications for approval to extend their CC&Ns to areas being served outside of the CC&Ns approved in this case.

With these additional recommendations, Staff believes the sale transaction, the deletion of the McLain Systems CC&Ns and the approval of new CC&Ns for Northern and Southern will be in the public interest and should be approved.

Northern and Southern Sunrise Water Companies
Docket No. W-20453A-06-0247, W-20454A-06-0248

	Mustang		Crystal		Sierra		Coronado		NORTHERN		Miracle		Horseshoe		Cochise		SOUTHERN			TOTAL	
	RCND	Per 68142	RCND	Per 68142	RCND	Per 68142	RCND	Per 68142	Staff	Company	RCND	Per 68142	RCND	Per 68142	RCND	Per 68142	Staff	Company	RCND	Staff	Company
303 Land and Land Rights	5,000	5,922	2,500	2,714	500	487	6,373	7,586	16,709	27,812	2,500	3,040	15,000	14,199	172,129	256,151	273,390	361,364	204,002	290,099	389,176
304 Structures and Improvements			194	211	141	138			349	319			1,287	1,218			1,218	1,094	1,622	1,567	1,413
307 Wells and Springs													21,050	19,927	5,775	8,594	28,521	23,379	26,825	28,521	23,379
311 Pumping Equipment	8,216	9,730	5,878	6,382	6,500	6,337	4,000	4,761	27,210	23,364	6,855	8,336	1,500	1,420	34,492	51,329	61,085	40,555	67,441	88,295	63,919
330 Distr. Reservoirs & Standpipe					4,680	4,563			4,563	4,351			30,556	28,924	95,000	141,373	170,297	25,972	130,236	174,860	30,323
331 Transmission and Distribution	7,056	8,356	8,931	9,697	6,176	6,021	14,821	17,642	41,716	35,135	9,394	11,423	62,273	58,949			70,372	152,106	108,651	112,088	187,241
333 Services					1,065	1,038			1,038	1,012							0		1,065	1,038	1,012
335 Hydrants													300	284			284	255	300	284	255
	20,272	24,008	17,503	19,004	19,062	18,584	25,194	29,989	91,585	91,993	18,749	22,799	131,966	124,921	307,396	457,447	605,167	604,725	540,142	696,752	696,718
Recommended Opinion & Order	25,272		20,003		19,562		31,567				23,999		146,966		481,524					748,893	

EXHIBIT
S-3
Admitted

Clain Systems
Docket No. W-20453A-06-0247 et al
ProForma Income Statement

PRO FORMA INCOME STATEMENT

Line		N & S Total	McLAIN WATER SYSTEMS Pro Forma 2005	
1	Revenues	684,320	$417,022	
2	Expenses (Souther & Northern)			
3	Salaries/Contract Labor (Oper)	159,060	121,319	For Certified Operator ($38,000 ann.)& 3 laborers.
4	Interim Manager Fees		68,089	At $6.60 per meter per month.
5	Repairs & Maintenance	10,845	83,250	Primarily for new pumps and leak repairs.
6	Water treatment & Testing	8,676		
7	Utilities	79,169	64,829	Primarily Sulpher Springs Coop electricity.
8	Supplies (Purchased Water)	14,804	35,175	Significant amount of bottled water & other supplies.
9	Insurance	19,521	19,656	Hazard and Work Comp Insurance.
10	Outside Services Legal & Acct)	20,000	12,358	Primarily CPA and Arizona Blue Stake.
11	Office Expense		10,227	Bank charges, printing and postage.
12	Payroll Taxes		20,327	Fica, unemployment, etc.
13	Rent (Office)	10,000	3,733	
14	Miscellaneous	7,200	17,493	ADEQ fees,miscellaneous.
15	Depreciation & Amortization	45,002		
16	Income Taxes	92,355		
17	Property Taxes	22,240		
18	Total Expenses	488,872	456,457	
19				
20	Operating Income (Loss)	195,448	($39,435)	
21				
22	Equity			
23	Initial Contribution	996,719		
24	First Year Contibutions	802,100		
25	First Year Earnings	195,448		
26	Ending Equity	1,994,267		
27	Average Equity Year 1(23 + 26 / 2)	1,480,493		
28	Return on Average Equity (20 / 27)	13.20%		

McCLAIN SYSTEMS
TRIAL BALANCE

		9 Months Ended September 30, 2005		7 Months Ended December 31, 2004	
		Debit	Credit	Debit	Credit
Cash	102-00		33,229		1,865
AR/ASUA	120-00	8,342		587	
Computer	170-00	700		700	
Computer-Acc Dep	171-00		368		
Organization exp	220-00				
Accounts Payable	250-00		0		
Due to ASUA	252-00		8,120		1,509
FICA wh	254-00		0		
Fed wh	255-00		0		
AZ wh	256-00		0		
Retained Earn	320-00	3,098			
		12,141	41,717	1,287	3,375
Water Rev	410-00		312,767		197,594
Refunds	415-00	879		279	
Bank Charges	507-00	2,631		1,927	
Contact Labor	812	8,665		1,885	
Insurance	836	14,742		11,350	
Interest	840	763		187	
License & fees	845	1,572		757	
License & fees1/6		3,340			
Mngr Fee	846	51,067		50,000	
Mileage	847	1,440		458	
Office Exp	850	7,671		502	
Professional Exp	855	8,988		1,325	
Professional Exp		281			
Supplies	856	24,855		5,633	
Supplies 01-06		1,526			
Rent		2,800			
Rep & Maint	862	62,143		14,049	
Rep & Maint 2		294			
Salaries	870	82,324		79,637	
PR taxes	880	8,294		6,726	
PR Tax-State		6,951			
Telephone	885	7,010		397	
Travel	886	2,495		332	
Utilities	888	19,104		24,118	
Utilities		12,087			
Utilities		4,920			
Utilities		1,252			
Utilities		1,731		120	
Utilities		2,518			
		342,343	312,767	199,681	197,594

	9 Mo. '05	7 Mo. '04
Revenues	312,766	197,594
Expenses	342,343	199,681
(Loss)	(29,576)	(2,087)

Per Month Amounts		Pro Forma Annual		
2005	2004	2005	2004	Variance
98	40	1,173	478	695
292	275	3,507	3,303	204
963	269	11,553	3,231	8,322
1,638	1,621	19,656	19,457	199
85	27	1,017	320	696
175	108	2,096	1,297	799
371		4,453	0	4,453
5,674	7,143	68,089	85,714	(17,625)
160	65	1,920	785	1,135
852	72	10,227	861	9,367
999	189	11,983	2,271	9,712
31		374	0	374
2,762	805	33,140	9,656	23,484
170		2,035	0	2,035
311		3,733	0	3,733
6,905	2,007	82,857	24,083	58,774
33		392	0	392
9,147	11,377	109,766	136,521	(26,755)
922	961	11,058	11,531	(473)
772		9,268	0	9,268
779	57	9,346	681	8,665
277	47	3,327	569	2,758
2,123	3,445	25,472	41,345	(15,873)
1,343		16,116	0	16,116
547		6,561	0	6,561
139		1,669	0	1,669
192	17	2,307	206	2,102
280		3,357	0	3,357
38,038	28,526	456,457	342,310	114,147