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April 28, 2006

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Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center Street
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

RE: Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. –
Applications for Extensions of its Certificate of Convenience and Necessity (CC&N)
Docket No. SW-03575A-05-0926 and W-03576A-05-0926
and
Arizona Water Company, an Arizona Corporation – Application for Extension of its
CC&N Docket No. W-01445A-06-0199
INSUFFICIENCY LETTER #2

Dear Sir:

In reference to the above mentioned application filed on December 28, 2005, and the supporting documents filed on April 6, 2006, this letter is to inform you that the application still has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. The water usage data for the last 13 months for Santa Cruz Water system that was provided in response to the Insufficiency Letter dated February 8, 2006, contains partial information. Please provide a copy of the water usage data for the last 13 months for Santa Cruz Water system using the attached form. (See Attachment #1).
2. In the proposed estimates for Phase I of the water treatment facility, the Company did not provide any amount for well reconstruction/well repair. Please explain why there is no estimate for well rehabilitation work.
3. Please identify which of the 29 wells in the SESA are proposed for Phase I?
4. Are all the wells proposed for Phase I located in Section 27 of T5S, R4E? If no, please provide their locations.
5. Please specify the values and sizes of the proposed plant items. For example: the Company needs to specify for the reservoirs and pressure tanks, the size in gallons; the number of tanks; the horsepower for pumps, etc.

6. Santa Cruz Water Company is proposing to use a "disinfection" system for the water treatment facility that would serve the extension area, but failed to disclose the type. Please clarify what type of disinfection system (such as UV, ozone, chlorination, etc.) is proposed.
7. Please specify how much CAP water allocation the Company will deploy to the SESA surface water treatment plant.
8. The wastewater flow records for the last 13 months for Palo Verde that was provided in response to the Insufficiency Letter dated February 8, 2006, contains partial information. Please provide a copy of the wastewater flow records for the last 13 months for Palo Verde using the attached form. (See Attachment #2).
9. Please file an amended legal description for the requested area. While plotting the requested area using the legal description that was provided in the Application, Staff found that portions of the requested area have already been certificated to other companies. Below are the areas that Staff found that have been certificated to others.

For water:

T5S, R3E, Section 25; W 1/2 of SE 1/4 - a portion of this request overlaps Santa Rosa's area
T7S, R3E, Section 12; W 1/2 - is certificated to Arizona Water

Also, Copper Mountain Ranch Community Facilities District is no longer under the Arizona Corporation Commission's jurisdiction but the following portions of their area are being requested in this application:

T5S, R4E, Section 26; W 1/2 - Section 34; E 1/2 - Section 35
T6S, R4E, Section 4; W 1/2 - Section 5; E 1/2 & NW 1/4

For sewer:

T5S, R3E, Section 25; W 1/2 of SE 1/4 - a portion of this request overlaps Santa Rosa's area

T6S, R4E, Sections 14 & 15 - certificated to Francisco Grande

Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), the time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete. Upon meeting sufficiency requirements, the Commission has 150

Palo Verde & Santa Cruz (Docket No. SW-03575A-05-0926 and W-03576A-05-0926)

Insufficiency Letter

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calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting.

Please file your response to this Insufficiency Letter with Docket Control.

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 or Dorothy Hains at 602-542-7274.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. Chukwu', with a long horizontal flourish extending to the right.

Blessing N. Chukwu
Executive Consultant III

BNC

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo
Vicki Wallace

