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ARIZONA CORPORATION COMMISSION 2006 JUN 20 P 4: 50

June 20, 2006

AZ CORP COMMISSION
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Mr. Michael F. McNulty
Lewis and Roca, LLP
One South Church Avenue, Suite 700
Tucson, Arizona 85701-1611

RE: Spanish Trail Water Company and Saguaro Water Company – Application to modify their existing Certificate of Convenience and Necessity (CC&N) Docket No. W-01816A-06-0177 and W-01790A-06-0177
INSUFFICIENCY LETTER #2

Dear Mr. McNulty:

In reference to the above mentioned application filed on March 17, 2006, and the supporting documents filed on May 26, 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 Concept Water System Master Plan ("CWSMP") that was submitted on May 26, 2006, by the Applicants in Response to Staff's April 12, 2006 Insufficiency Letter states: "For the purposes of this report, it was assumed the service areas for the two water companies may be combined as one water system". Please explain and verify the correctness of this assumption.
2. The CWSMP projected a total of approximately 6,507 units and over 15,600 people will live within the two water companies at build out. (See page 8 of the CWSMP). Please provide an estimate of how many new connections for each year of the next 5 years, the estimated water demand for the next 5 years, and an estimate of the water construction costs.
3. The CWSMP indicated Spanish Trail Water Company has 10 existing wells, and the Company reported only 3 wells in its 2005 annual report. Please explain.
4. The CWSMP was dated May 1997. Please verify and update the information if it is necessary.

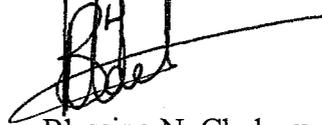
5. According to the Transfer Agreement, “[i]n order to provide water utility services to the Property, Buyer is desirous of purchasing and Seller is desirous of selling the right to provide water utility services within the Property.” How much did the Buyer pay? Please explain.

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 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 and Jian Liu at 602-542-7272.

Very truly yours,



Blessing N. Chukwu
Executive Consultant III

BNC

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