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July 14, 2006

Arizona Corporation Commission  
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JUL 14 2006

Mr. Bob Frisby  
Beaver Dam Water Company  
P.O. Box 550  
Beaver Dam, Arizona 86432

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RE: Beaver Dam Water Company – Application for a Certificate of Convenience and Necessity (“CC&N”) to Provide Wastewater Service. Docket No. SW-03067A-06-0397.

**INSUFFICIENCY LETTER**

Dear Mr. Frisby:

The application of Beaver Dam Water Company for a CC&N to provide wastewater service, Docket No. SW-03067A-06-0397, has not met the sufficiency requirements as outlined in the Arizona Administrative Code (“A.A.C.”). Pursuant to A.A.C. R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

To correct the deficiencies, please provide the following information:

1. Provide a copy of Beaver Dam Water Company, Inc.’s city or county franchise. If not yet received, provide the date expected to be received and if the process of receiving a franchise has commenced.
2. Please provide a copy of the approved Council of Governments §208 plan, amendments to the §208 plan, or any proposed amendments to the §208 plan for the proposed wastewater certificated area.
3. If not contained in the §208 plan, please submit a master wastewater design report which illustrates how wastewater service will be provided to the proposed CC&N area. The report should identify the location of existing and future wastewater treatment plants and major wastewater interceptors, the capacities of existing and future wastewater treatment plants, any existing service base in the proposed CC&N, service connections at build out in the proposed CC&N, estimated wastewater flow from a typical dwelling unit.

The report should also include the estimated wastewater total flows or contributions from future build out within the proposed CC&N, the timing or construction phasing of facilities and methods of effluent disposal.

Please include any other information which will allow the Commission to analyze and conclude that the company has sufficient wastewater treatment capacity, or can develop enough treatment capacity to service the existing and future demands from the proposed CC&N.

4. Please provide a copy of the Arizona Department of Environmental Quality's "Aquifer Protection Permit" for the wastewater treatment plant. If that permit has not been issued, please inform the Commission of the status of the application for that permit.
5. Please provide a set of design plans for the proposed wastewater facilities. If final plans are not available, preliminary design plans should be provided.
6. Please provide an estimate of sewer construction costs for plant necessary to serve the proposed CC&N. The costs should include a description of the major components with the cost of the component (i.e., 500,000 gallons per day sequencing batch wastewater treatment, lineal feet of off-site sewage interceptors or collection mains, lineal feet of on site collection mains, etc.). The method of financing for the major components should be specified.
7. For each of the first five years of operations indicate the number of residential, commercial, and industrial wastewater customers to be served, including documentation to support the estimates.
8. For each of the first five years provide the estimated annual wastewater operating revenues and expenses that are expected to accrue from the proposed construction.
9. Please indicate the manner of capitalization and method of financing the wastewater project.
10. Please provide a description of the boundaries of the Virgin River Domestic Wastewater Improvement District.

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If you have any questions concerning the deficiencies listed above, please contact me at 602-542-0859, Jian Liu (engineer) at 602-542-7276 or Jim Dorf (finance and regulatory accounting) at 602-542-0843.

Yours truly,

A handwritten signature in cursive script that reads "Linda A. Jaress".

Linda A. Jaress  
Executive Consultant III

LAJ:red

cc: Docket Control  
Del Smith  
Lyn Farmer  
Brian Bozzo