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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

8 In the Matter of the Application of
9 Shepard Water Company for
10 Financing Approval

Docket No. W-01537A-99-0100

PROGRESS REPORT

12 This Progress Report is submitted pursuant to Order and Decision
13 No. 62091 and includes a request for approval of this Progress Report and for
14 approval of termination of the Phase I surcharge and implementation of Phase II
15 surcharge.

16 1. The Order and Decision No. 62091 docketed November 19, 1999, on
17 page 14 provides:

18 *IT IS FURTHER ORDERED that the Phase I surcharge terminate when Staff has reviewed the*
19 *progress report to be filed by Shepard and deemed it acceptable.*

20 *IT IS FURTHER ORDERED that the Phase II surcharge of \$10.00 per month per connection*
21 *commence once Staff has deemed the progress report acceptable.*

22 2. Shepard Water Company has filed Progress Updates in the following
23 form:

24 **Shepard Water Company obtained financing in the amount of**
25 **\$299,475 from WIFA to upgrade the Shepard Water Company domestic**
26 **water system at Martinez Lake Resort. Both Shepard Water Company and**
27 **Martinez Lake Resort are owned by John Guth.**

28 **Concurrently with the system upgrade, Martinez Lake Resort**
planned a subdivision of the lands at Martinez Lake Resort including road

1 and street replacement and other improvements, and the construction of a
2 sewer system. The water system upgrade and the sewer system will be
3 installed during the construction of the streets and roads planned as part of
4 the subdivision of lands.

5 Martinez Lake Resort will seek a Certificate of Convenience and
6 Necessity for Martinez Lake Sewer Company while processing an application
7 for subdivision of the lands at Martinez Lake Resort.

8 The subdivision application is in progress as well as the design and
9 planning for construction of the water system upgrade, the sewer system, and
10 the other improvements to be simultaneously constructed. The water and
11 sewer system must be placed under the streets and roadways. Therefore
12 actual construction of the water system upgrade will not begin until
13 construction of all other improvements begins.

14 Construction of all improvements has not yet begun as the applicant
15 awaits final approval from Yuma County to begin construction.

16 Construction is anticipated to start in late 2006 or early 2007.

17 Rezoning was granted by the Yuma County Board of Supervisors on
18 January 18, 2005.

19 Martinez Lake Sewer Company was granted a CC & N on September
20 1, 2005.

21 3. On December 8, 1999, Shepard Water Company submitted its required
22 compliance letter regarding authorization and implementation of the Phase I
23 surcharge.

24 4. On October 15, 2005, Shepard Water Company implemented the Phase I
25 surcharge of \$5.00 per connection.

26 5. No funds have been drawn from the WIFA loan because construction of
27 the system rehabilitation project has not yet begun as explained above.

28 6. John Guth, President of Shepard Water Company has, from personal

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funds, advanced the sum of \$102,403.00 as payment on the loan.

7. The Rezoning of the property, preparatory to subdividing the property was completed on January 18, 2005.

8. Martinez Lake Sewer Company received its Certificate of Convenience and Necessity on September 1, 2005.

9. Subdivision plans have been preliminarily approved by Yuma County.

10. The proposed Improvement District for maintenance of improvements other than the sewer and water systems is in final review with Yuma County.

11. Construction is anticipated to begin in late 2006 or 2007.

12. Applicant requests that this Progress Report be approved and that the Phase I surcharge be terminated and that Shepard Water Company be authorized to implement the Phase II surcharge of \$10.00 per connection.

Dated: August 3, 2006


Wade Noble
Attorney for Applicant