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Jeffrey W. Crockett
jcrockett@swlaw.com

September 13, 2006

Arizona Corporation Commission
DOCKETED

SEP 13 2006

DOCKETED BY
NW

William A. Mundell, Commissioner
Kristin K. Mayes, Commissioner
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

**Re: Perkins Mountain Water Company (Docket No. W-20380A-05-0490)
Perkins Mountain Utility Company (Docket No. SW-20379A-05-0489)**

Dear Commissioners Mundell and Mayes:

At the oral argument held August 30, 2006, in the above-captioned dockets, you asked certain questions that Perkins Mountain Water Company and Perkins Mountain Utility Company (collectively, the "Perkins Companies") were unable to answer regarding the activities of Rhodes Homes Arizona. After inquiry by the Perkins Companies, we have obtained the information you requested and will attempt to respond to your questions on behalf of the Perkins Companies. Please note that the transcript of the oral argument is not yet available, and we are responding to the questions based on our notes of the questions. The questions and responses are set forth below.

1. Have Rhodes Homes Arizona or the Perkins Companies entered into any contracts for the construction of wastewater infrastructure? If yes, with what entities? If no, please submit a letter stating that no contracts have been entered.

The Perkins Companies have not entered into contracts of any kind. Based upon information provided by Rhodes Homes Arizona to the Perkins Companies, Rhodes Homes Arizona has not entered into any construction contracts dealing with wastewater infrastructure.

2. Provide copies of all meeting minutes and preliminary documents in the possession of the Perkins Companies or Rhodes Homes Arizona regarding discussions with the City of Kingman over the construction of a wastewater treatment facility.

The Perkins Companies have not had any meetings with the City of Kingman. Based upon information provided by Rhodes Homes Arizona to the Perkins Companies, Rhodes Homes Arizona has had meetings with the City of Kingman to discuss the treatment and disposal of wastewater at the Golden Valley South development, including the construction of a wastewater treatment plant. Rhodes Homes Arizona has stated that it does not have any minutes from the meetings, but that it did provide

William Mundell, Commissioner
Kristin K. Mayes, Commissioner
September 13, 2006
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to the City of Kingman a draft right-of-way routing map for sewer infrastructure. A copy of the map is enclosed with this letter.

3. *Will Rhodes Homes Arizona voluntarily refrain from building water and sewer infrastructure within the CC&N area until the Commission has adjudicated whether Rhodes Homes Arizona is acting as a public service corporation.*

Based upon information provided by Rhodes Homes Arizona to the Perkins Companies, Rhodes Homes Arizona has submitted an application to ADEQ for approval to construct certain water infrastructure within the initial phase of the Golden Valley South development. Rhodes Homes Arizona does not know when ADEQ will issue the approvals to construct for such infrastructure. Without an approval to construct, Rhodes Homes Arizona cannot commence construction of the on-site water infrastructure. It is the intent of Rhodes Homes Arizona to proceed with construction of the on-site infrastructure once approvals have been obtained from ADEQ. However, Rhodes Homes Arizona has not established a start date or construction schedule for the on-site water infrastructure.

Based upon information provided by Rhodes Homes Arizona to the Perkins Companies, Rhodes Homes Arizona has not applied for any permits to construct any wastewater infrastructure to serve the Golden Valley South development.

The Perkins Companies note for the record that Rhodes Homes Arizona is not a party to these consolidated cases and has not consented to the jurisdiction of the Commission. The statements contained in this letter are the statements of the Perkins Companies.

Finally, I include with this letter a copy of an Analysis of Adequate Water Supply dated August 14, 2006, for the Golden Valley South development which we received on August 29, 2006. In the analysis, the Arizona Department of Water Resources reports that an additional 2,895.69 acre-feet per year of treated effluent will be physically available at build-out for a total of 11,895.69 acre-feet per year (when combined with the 9,000 acre-feet acknowledged in the Department's October 19, 2005, Analysis of Adequate Water Supply). Thus, the developer has now demonstrated the physical availability of 97.5% of the total projected water demand for the Golden Valley South development at full build-out.

Very truly yours,

SNELL & WILMER


Jeffrey W. Crockett

JWC:gb
Enclosure

William Mundell, Commissioner
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cc: (with enclosure): Chairman Hatch-Miller
Commissioner Mike Gleason
Commissioner Barry Wong
Amy Bjelland, Administrative Law Judge
David Ronald, Staff Attorney
Blessing Chuckwu, Utilities Division Staff
Docket Control (16 copies)
Parties on the service list for these consolidated cases

ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

3550 North Central Ave., Phoenix, Arizona 85012

Telephone (602) 771-8585

Fax (602) 771-8689



Janet Napolitano
Governor

Herbert R. Guenther
Director

ANALYSIS OF ADEQUATE WATER SUPPLY

August 14, 2006

File Number: 23-401823.0001
Development: Golden Valley 5800
Location: Township 20 North, Range 18 West, Sections 3,4,8,9,10 & 16
Mohave County, Arizona
Land Owner: American Land Management, LLC, a Nevada Limited Liability Company

The Arizona Department of Water Resources has evaluated the Analysis of Adequate Water Supply application for Golden Valley 5800 pursuant to A.A.C. R12-15-723. This analysis for effluent is based upon an initial supply of groundwater demonstrated by a previously issued analysis. The proposed development includes 13,658 single-family residential lots and 12,775 multi-family units. There will also be a golf course, park areas, commercial development and schools. The owner has indicated that most non-residential open space will eventually be irrigated with effluent. The owner has indicated that Perkins Mountain Water Company will serve the master plan community. Conclusions of the review are indicated below based on the adequate water supply criteria referenced in A.R.S. § 45-108 and A.A.C. R12-15-701, 715, 723 *et seq.*

- **Physical, Continuous, and Legal Availability of Water for 100 Years**
On the basis of the Department's review, the Department has determined that 9,000.00 acre-feet per year of ground water will be continuously and physically available- per the Department's Analysis of Adequate Water Supply (DWR# 23-401823.0000) issued Oct. 19, 2005. Based on that 2005 groundwater analysis, an additional 2,895.69 acre-feet per year of treated effluent will be physically available at build-out for a total of 11,895.69 acre-feet per year, which is less than the applicant's projected build out demands for the development, including system losses, of 12,196.11 acre-feet per year. The application included a Notice of Intent to Serve form, but it is not signed by the provider. The development is not located inside of the current service area of the provider. Therefore, legal availability of the ground water and the effluent are not proven. The projected physical availability of the effluent is proven, assuming that treatment facilities will be constructed as presented. Applications for Water Adequacy Reports that follow the Analysis of Adequate Supply will need to reference this letter. Individual Notices of Intent to Serve will be required for each application for a Water Adequacy Report. A review of the progress of completion of the necessary treatment and delivery systems will be conducted for each application for a Water Adequacy Report.

- **Adequate Water Quality**

Water quality has not been demonstrated at this time. This requirement of an Analysis of Adequate Water Supply will be re-evaluated for each application for a Water Adequacy Report.

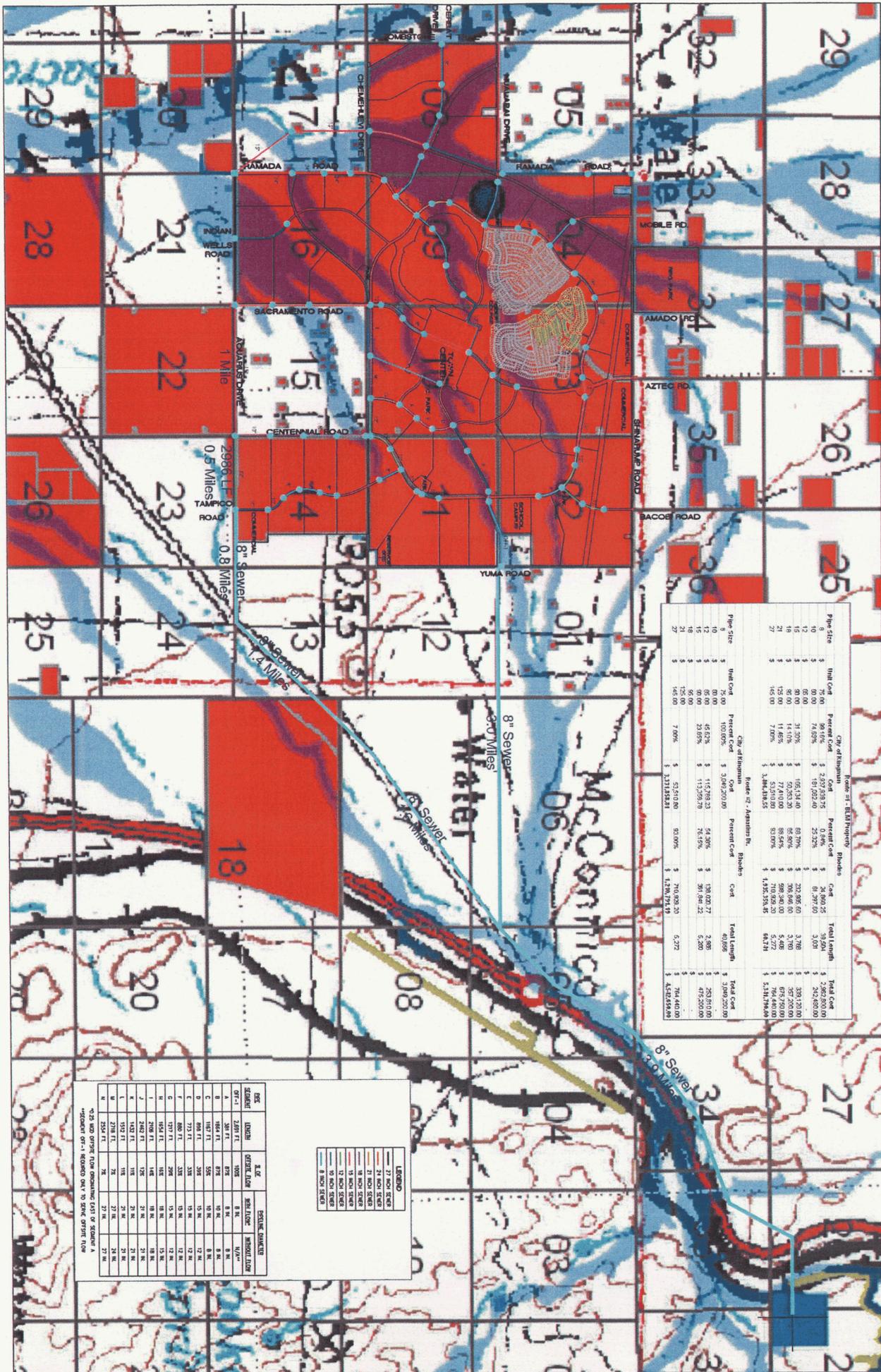
The term of this Analysis of Adequate Water Supply is ten years from the date of this letter and may be renewed upon request, subject to approval by the Department. Throughout the term of this determination, the Department, when reviewing other requests for adequate water supply in the area, will consider the projected demand of this development. The demand projected for this development assumes that the conservation measures the applicant has identified to the Department will be required for the homes in this development, including the effluent use requirements for public parks, large turf areas and golf courses and low water use landscaping on the property. Additionally, it must be noted that based upon the limited hydrogeologic data available for the proposed development area, the amount of groundwater that may be physically available to 1,200 feet below land surface for this project may be limited. As additional hydrogeologic data becomes available, applications for Water Adequacy Reports and the determination of physical availability in this analysis may be affected by that additional data.

Prior to obtaining plat approval by the local platting authority and approval of the public report by the Department of Real Estate, a Water Adequacy Report must be obtained for each subdivision plat. The findings of this Analysis of Adequate Water Supply may be used to demonstrate that groundwater and treated effluent supplies are physically available for at least 100 years for purposes of an application for Water Adequacy Report, unless new hydrogeologic data indicates otherwise. Applications for Water Adequacy Reports that follow the Analysis of Adequate Supply will need to reference this letter. This determination may be invalidated if the development plan or other conditions change materially prior to filing for a Water Adequacy Report.

Questions may be directed to the Office of Assured/Adequate Water Supply at (602) 771-8585.


Sandra Fabritz-Whitney, Assistant Director
Water Management Division

cc: Perkins Mountain Water Company
American Land Management, LLC
Rick Obenshain, Office of Assured/Adequate Water Supply
Nicole Swindle, Legal Division



Pipe Size	Unit Cost	City of Houston	Percent Cost	Blocker Cost	Final Length	Total Cost
12"	\$ 60.00	\$ 2,327,853.92	68.86%	\$ 81,870.50	39.824	\$ 2,382,000.00
10"	\$ 50.00	\$ 1,020,240.00	25.32%	\$ 301,844.25	3.200	\$ 2,424,000.00
8"	\$ 40.00	\$ 1,020,240.00	25.32%	\$ 301,844.25	3.200	\$ 2,424,000.00
6"	\$ 30.00	\$ 500,120.00	12.66%	\$ 150,922.12	1.600	\$ 1,151,040.00
4"	\$ 20.00	\$ 250,060.00	6.33%	\$ 75,461.06	0.800	\$ 575,520.00
3"	\$ 15.00	\$ 150,030.00	3.80%	\$ 45,270.53	0.400	\$ 315,260.00
2"	\$ 10.00	\$ 100,020.00	2.53%	\$ 30,180.38	0.200	\$ 200,200.00
1"	\$ 5.00	\$ 50,010.00	1.27%	\$ 15,090.19	0.100	\$ 100,100.00
0.75"	\$ 3.00	\$ 30,006.00	0.76%	\$ 9,001.82	0.050	\$ 60,006.00
0.5"	\$ 2.00	\$ 20,004.00	0.51%	\$ 6,001.21	0.020	\$ 40,004.00
0.25"	\$ 1.00	\$ 10,002.00	0.25%	\$ 3,000.61	0.010	\$ 20,002.00
0.15"	\$ 0.50	\$ 5,001.00	0.13%	\$ 1,500.30	0.005	\$ 10,001.00
0.125"	\$ 0.40	\$ 4,000.80	0.10%	\$ 1,200.24	0.004	\$ 8,000.80
0.10"	\$ 0.30	\$ 3,000.60	0.08%	\$ 900.18	0.003	\$ 6,000.60
0.075"	\$ 0.20	\$ 2,000.40	0.05%	\$ 600.12	0.002	\$ 4,000.40
0.05"	\$ 0.10	\$ 1,000.20	0.03%	\$ 300.06	0.001	\$ 2,000.20
0.025"	\$ 0.05	\$ 500.10	0.01%	\$ 150.03	0.0005	\$ 1,000.10
0.015"	\$ 0.03	\$ 300.06	0.00%	\$ 90.02	0.0002	\$ 600.06
0.0125"	\$ 0.02	\$ 200.04	0.00%	\$ 60.01	0.0001	\$ 400.04
0.01"	\$ 0.01	\$ 100.02	0.00%	\$ 30.00	0.0000	\$ 200.02
0.0075"	\$ 0.005	\$ 50.01	0.00%	\$ 15.00	0.0000	\$ 100.01
0.005"	\$ 0.003	\$ 30.00	0.00%	\$ 9.00	0.0000	\$ 60.00
0.0025"	\$ 0.001	\$ 15.00	0.00%	\$ 4.50	0.0000	\$ 30.00
0.0015"	\$ 0.0005	\$ 7.50	0.00%	\$ 2.25	0.0000	\$ 15.00
0.00125"	\$ 0.0003	\$ 4.50	0.00%	\$ 1.35	0.0000	\$ 9.00
0.001"	\$ 0.0002	\$ 3.00	0.00%	\$ 0.90	0.0000	\$ 6.00
0.00075"	\$ 0.0001	\$ 1.50	0.00%	\$ 0.45	0.0000	\$ 3.00
0.0005"	\$ 0.00005	\$ 0.75	0.00%	\$ 0.225	0.0000	\$ 1.50
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