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2006 SEP 14 P 2:35

Our File Number: 42424-00008

September 13, 2006

via Overnight Courier

AZ CORP COMMISSION
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Arizona Corporation Commission
DOCKETED

SEP 14 2006

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Arizona Corporation Commission
Docket Control - Utilities Division
1200 W. Washington Street
Phoenix, Arizona 85007

RE: Spanish Trail Water Company
Saguaro Water Company

W-01816A-06-0177
W-01790A-06-0177

Attached is the original Response to the June 20, 2006, letter of insufficiency (plus 13 copies).

Please contact us with any questions or if any additional documentation is required. We would be happy to provide the Commission with any additional background information it may wish to see.

Sincerely,

Hope I. Bracken
Secretary to Michael F. McNulty

MFM/hib
Attachment

cc: Spanish Trail Water Company w/ Attachment
Saguaro Water Company w/ Attachment

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BEFORE THE ARIZONA CORPORATION COMMISSION

2006 SEP 14 P 2:36

JEFF HATCH-MILLER
CHAIRMAN

AZ CORP COMMISSION
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MIKE GLEASON
KRISTIN K. MAYES
WILLIAM A. MUNDELL
BARRY WONG
COMMISSIONERS

SEP 14 2006

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nr

IN THE MATTER OF THE APPLICATION
OF SPANISH TRAIL WATER CO. AND
SAGUARO WATER CO. TO MODIFY
THEIR EXISTING CERTIFICATES OF
CONVENIENCE AND NECESSITY

) Docket No. W-01816A-06-0177

) AND

) Docket No. W-01790A-06-0177

) **RESPONSE TO LETTER OF
INSUFFICIENCY**

This pleading is filed in response to the letter of Insufficiency dated June 20, 2006, that was sent to the Applicants regarding the application to transfer a portion of Saguaro Water Company's ("Saguaro") certificated area to Spanish Trail Water Company ("STWC"). The responses to the insufficiencies are set forth below in the order they were itemized by the Commission's staff.

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.

1 This statement is contained in the joint CWSMP that was prepared for both
2 companies. Because of their proximity and some common ownership interests, it was
3 originally believed that the two companies would eventually be combined. This never
4 occurred, however, and at this time, neither company anticipates that it will. A CWSMP
5 for only STWC was prepared one month after the joint CWSMP was prepared. It was
6 attached to the most recent insufficiency response (dated 5/26/06) as **Exhibit 1.2**, and this
7 still represents the most current CWSMP for STWC.

8
9 **2. The CWSMP projected a total of approximately 6507 units and over 15,600**
10 **people will live within the two water companies at build out. (See page 8 of the**
11 **CWSMP). Please provide an estimate of how many new connections for each**
12 **year of the next 5 years, the estimated water demand for the next 5 years and**
13 **an estimate of the water constructions costs.**

14 The acreage to be transferred (approximately 70 acres) is currently planned for
15 medium density residential use with approximately 250 units at build-out. The anticipated
16 start date for construction on this parcel will be in 2011. Thus, no new connections or
17 demand will be created for STWC over the next 5 years. Future construction costs would
18 be difficult or impossible to estimate accurately at this time.

19
20 **3. The CWSMP indicated Spanish Trail Water company has 10 existing wells**
21 **and the Company reported only 3 wells in its annual report. Please explain.**

22 The CWSMP identified every well within the service/planning area regardless of
23 whether it was active, inactive, exempt or abandoned. STWC currently uses only the 3
24 wells identified in the annual report.

1 **4. The CWSMP was dated May 1997. Please verify and update the information**
2 **if it is necessary.**

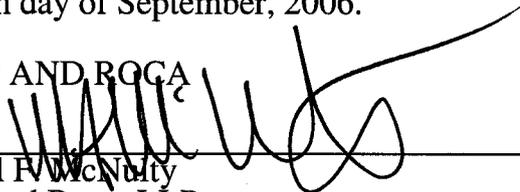
3 At this time it would be impractical and infeasible to update the entire CWSMP for
4 STWC. This petition, if approved, would only add an additional 70 acres to STWC's
5 service area; it is not economically feasible to update the entire CWSMP for this small
6 parcel. STWC does, however, anticipate updating its CWSMP some time in the future.

7
8 **5. According to the transfer agreement, "in order to provide water utility**
9 **services to the Property, Buyer is desirous of purchasing and Seller is desirous**
10 **of selling the right to provide water utility services within the Property." How**
11 **much did the Buyer pay. Please Explain.**

12 No actual money was paid for the transfer of the 70 acres; rather the consideration
13 to the seller (Saguaro) was in the form of relief from an economic hardship. If Saguaro
14 was required to serve water to the development in question it would have incurred much
15 higher infrastructure costs than it ever could have recouped from the small number of
16 additional units. STWC on the other hand is well suited to serve the additional area.
17 Thus, STWC's consideration was to relieve Saguaro of this potential liability.

18
19 RESPECTFULLY SUBMITTED this 13th day of September, 2006.

20 LEWIS AND ROCA

21 
22 _____
23 Michael F. McNulty
24 Lewis and Roca, LLP
25 One South Church Avenue, Suite 700
26 Tucson, Arizona 85701-1611
 520-629-4453

 Attorneys for Spanish Trail Water Company and
 Saguaro Water Company

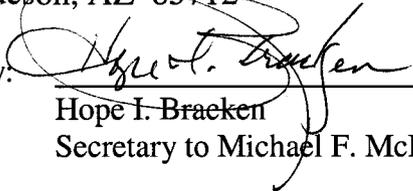
1 ORIGINAL and thirteen (13) copies
2 of the foregoing delivered via
3 overnight courier (DHL)
4 this 13th day of September, 2006, to:

4 Arizona Corporation Commission
5 Utilities Division – Docket Control
6 1200 W. Washington Street
7 Phoenix, Arizona 85007

8 COPY of the foregoing
9 delivered via U. S. Mail
10 this 13th day of September, 2006, to:

10 Spanish Trail Water Company
11 Camp Lowell Corporate Center
12 4572 East Camp Lowell Drive
13 Tucson, AZ 85712

13 Saguaro Water Company
14 Camp Lowell Corporate Center
15 4572 East Camp Lowell Drive
16 Tucson, AZ 85712

16 By: 
17 Hope I. Braeken
18 Secretary to Michael F. McNulty

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20
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22
23
24
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