INTERVENTION

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Motion to Intervene

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October 12, 2006

Arizona Corporation Commission
Docket Control
1200 West Washington
Phoenix, AZ 85007-2996

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Arizona Corporation Commission
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Re: Las Quintas Serenas Water Co. (LQS)
Decision 68718
Docket W-01583A-06-0437

Dear Corporation Commission,

I am a one-third owner in LQS Water Holdings, LLC, which owns 87 shares of Las Quintas Serenas Water Company. This LLC is the second largest owner of LQS shares, with Phelps Dodge being the largest shareholder. As owner of over 10% of the LQS shares, I am concerned with LQS's request to incur more long-term debt. I spoke against funding their full request of $1.88M at the rate hearing on March 1, 2006.

When the Commission approved $1.58M instead of the requested $1.88M, I was pleased that LQS would have to rethink their plan, and make it more economical. Instead, LQS is simply requesting the additional funds. In fact, they are requesting $100K more than they had originally requested ($1.88M request minus $1.58M approved equals $.3M. Their request is now for an additional $.4M)

I am a financial person without engineering experience. However, Staff has those skills. Could Staff please

1. Compare the Westland and Miller Brooks designs. There are two very differing opinions about which is the better plan. I believe that Staff, with their expertise, can evaluate both plans, without bias.
2. Evaluate the possibility of sharing cost/equipment/water with neighboring Community Water. This company has already installed the necessary arsenic reduction equipment, and the water lines of LQS and Community Water are within 100 yards of each other.

I understand that majority rules, but only 2 of the 3 LQS directors recommend the Westland plan. These 2 directors each have less than 3 years experience with

LQS, and no prior water company experience. The third director, and president of the board, recommends the Miller Brooks design. This third director, John Gay, is an industrial engineer and has 40 years experience with LQS. He felt so strongly that the current Westland submission was not well designed, that he spent thousands of dollars of his personal funds for an alternate plan. Unfortunately Staff "did not analyze the Miller Brooks proposal in depth and believed that it was not sufficiently detailed to allow Staff to formulate an opinion whether it would be an adequate solution to the problem." (Item #34 Decision 68718) I believe that all the detail is available and was submitted. However, if Staff needs more information, I'm sure John Gay or Miller Brooks will provide whatever Staff needs to do an analysis. Here are some reasons why I believe the Miller Brooks design might be better.

1. The Miller Brooks design is cheaper than Westland by almost $.7M. **If the Miller Brooks design is implemented, LQS will not need to borrow this additional $.4M. There would be enough funds available for the additional storage tank, without the need to request more debt.**
2. The Miller Brooks design provides for 3 INDEPENDENT sources of water (wells #5, #6, #7). If there is a problem with one of the 3 wells, the others can pump water to the customers. The Westland design funnels all of the water into one entry into the system. If there is a problem with this one location (well #6), no new water can be added into the system for customers' use.
3. This additional request for $400K is for a storage tank and generator to be located next to well #6. This is the lowest elevation in the LQS water system. If LQS truly needs an additional tank in addition to the existing 2 tanks, the Miller Brooks design will allow the tank to be located at the highest elevation, near the existing 2 tanks rather than at the lowest elevation. Naturally, a tank located at a high elevation is optimal since it will allow water to be fed into the system by simple gravity.

It concerns me that LQS is requesting additional funding. The $1.58M already approved will increase customers' bills almost $14/month. This is an increase of approximately 25% -100% for each of the approximately 1000 customers. I feel it is not responsible for LQS to be requesting even more long-term debt.

Thank you for your time and expertise.

I hereby certify that a copy of this Notice of Intervention has been mailed to Las Quintas Serenas Water Company, P.O. Box 68, Sahuarita, AZ 85629.

Sincerely,

Jane Appleby

Jane Appleby, CPA

Cc: Arizona Corporation Commission (13)
Las Quintas Serenas Water Company (1)