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Robert W. Geake
Vice President and General Counsel
Arizona Water Company
P.O.Box 29006
Phoenix, Arizona 85038-9006

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RE: Arizona Water Company – Application for Extension of its Certificate of Convenience and Necessity (CC&N) Docket No. W-01445A-06-0662
INSUFFICIENCY LETTER

Dear Sir:

In reference to the above mentioned application filed on October 16, 2006, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N area.

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N area.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water and if so, how does the applicant plan to fund the necessary treatment plant additions).

Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop

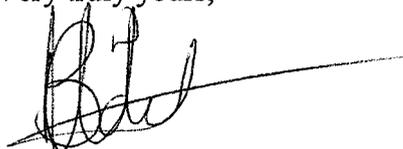
- enough drinking water capacity to service the existing and future demands from the proposed CC&N area.
2. Please provide a set of design plans for the proposed water facilities. The plan should include the proposed water source, distribution facilities and show the site map of the proposed water treatment plant. If final design plans are not available, please provide preliminary plans.
 3. Please provide an estimate of the water construction costs to the Applicant, 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., wells, number and size of storage tanks, water treatment plant, etc.). The method of financing for the major components should be specified.
 4. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed extension area. If the Approval to Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.
 5. Please provide a copy of the proposed construction schedule for the various phase of the project.
 6. Exhibit 7 that was submitted with the application is a resolution by the City Council that deemed the granting of a certain water franchise beneficial for the City and ordered special election for the voters to decide whether or not the franchise shall be granted to the Company. Please provide a copy of the City of Casa Grande franchise agreement that includes the proposed extension area.
 7. Is the requested area part of *CMR/Casa Grande L.L.C. v. City of Casa Grande et al.*, CV05 9472 PHX-SMMM, the litigation in the United States District Court for the District of Arizona. Please explain.
 8. According to the application, "AWC is aware of no existing or planned high water use amenities such as golf courses or turf areas." Please the following information with the assistance of the builder or developer: (1) Will any artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features be built in the requested area? If so, does AWC plan to use groundwater at the beginning of the project for artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features, and if so, for how long? Please explain in detail. (2)At what point in time does AWC intend to utilize effluent for artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features? Please explain in detail. Please be sure to include the number of houses that would have to be built in order to generate enough effluent for such uses.

Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- 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.

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840, Marlin Scott Jr. at 602-542-7272.

Very truly yours,



Blessing N. Chukwu
Executive Consultant III

BNC

cc: Docket Control
Del Smith
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