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BEFORE THE ARIZONA CORPORATION COMMISSION

2007 DEC 26 P 4: 15

MIKE GLEASON
CHAIRMAN

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

DEC 26 2007

WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE
COMMISSIONERS

DOCKETED BY

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
} **COMPLIANCE FILING OF REPORT**
} **REGARDING CONSOLIDATION OF**
} **SPANISH TRAIL WATER CO. AND**
} **SAGUARO WATER CO.**

On June 6, 2007, the Commission issued Decision No. 69646, which granted the joint request of Spanish Trail Water Company and Saguaro Water Company "to transfer a portion of Saguaro's service territory under its Convenience and Necessity (CC&N) to Spanish Trail."(Order, Pg. 1, lines 19-20). As a part of that Order, Staff Recommended and the Commission adopted a requirement that Spanish Trial Water Company ("STWC") and Saguaro Water Company ("SWC") provide a report detailing the reasons why the two companies should not be consolidated. The two companies wish the following memoranda to be considered as the requisite report pertaining to the question of why they have not yet been consolidated.

MEMORANDUM

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2 Based upon their partial shared common boundary, some overlapping ownership
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4 between the two utilities, and other considerations, Staff concluded that it would be
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6 advisable for the two Companies to entertain discussions concerning consolidation. The
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8 companies wish to report that there have indeed been a number of discussions undertaken
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10 to evaluate the potential for merger or consolidation. Despite the good faith efforts of the
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12 parties, the fact that both ownership and tax status are different for the two companies has
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14 precluded, at least to date, the goal recommended by the Commission's staff.

15 The companies wish to point out that there are no documents or citations to any
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17 documents contained in Staff's Report indicating that either of the utilities has been
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19 deficient in its service to the public. As noted by Staff, both companies are in compliance
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21 with the rules and regulations of the ACC, ADEQ and ADWR. No evidence was
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23 introduced by the Commission that savings in utility operations would result from merger
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25 or consolidation, or that the customers would be positively impacted.

26 Nevertheless, the companies respect the Staff's views, and will continue to evaluate
alternative methodologies for achieving the Staff's recommendations. Applicant
Companies, SWC and STWC, respectfully submit this report in response to the
Commission's request, and each indicates its intent to continue to work towards the goal
recommended by the Staff.

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RESPECTFULLY SUBMITTED this 26th day of December, 2007

LEWIS AND ROCA



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Attorneys for Spanish Trail Water Company and
Saguaro Water Company

ORIGINAL and thirteen (13) copies
of the foregoing hand-delivered
this 26th day of December, 2007, to:

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

COPY of the foregoing hand-delivered
this 26th day of December, 2007, to:

Compliance Section
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Arizona Corporation Commission
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Phoenix, Arizona 85007

Mr. Christopher Kempley, Chief Counsel
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LEWIS
AND
ROCA
LLP
LAWYERS

1 Mr. Ernest Johnson, Director
2 Utilities Division
3 Arizona Corporation Commission
4 1200 West Washington Street
5 Phoenix, AZ 85007

6 COPY of the foregoing delivered via U. S. Mail
7 this 26th day of December, 2007, to:

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

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

16 By: _____

Betty J. Griffin

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