

ORIGINAL



0000075287

MEMORANDUM

TO: Docket Control

FROM: Algonquin Water Resources, Inc.

DATE: July 18, 2007

RE: RESPONSE TO STAFF'S FINAL SYSTEM IMPROVEMENT SURCHARGE REPORT AND AUDIT IN THE MATTER OF EMERGENCY INTERIM RATE RELIEF FOR:

RECEIVED

2007 JUL 18 P 4:36

- Miracle Valley Water System - Docket No. W-01646A-06-0010
- Cochise Ranch Water System - Docket No. W-01868A-06-0010
- Horseshoe Ranch Water System - Docket No. W-02235A-06-0010
- Crystal Water System - Docket No. W-02316A-06-0010
- Mustang Water System - Docket No. W-02230A-06-0010
- Coronado Estates Water System - Docket No. W-01629A-06-0010
- Sierra Sunset Water System - Docket No. W-02240A-06-0010

Arizona Corporation Commission

DOCKETED

JUL 18 2007

DOCKETED BY	
-------------	--

Algonquin Water Resources, Inc. ("Algonquin") submits this response to Staff's Final Audit Report filed on July 2, 2007 in the above-captioned matter. Although Algonquin is not a party to the above-captioned proceedings, Algonquin worked cooperatively with Staff to demonstrate that all revenues received by Algonquin as interim manager were properly accounted for and spent pursuant to the System Improvement Surcharge ("SIS") approved in Decision No. 68667 (April 20, 2006). Ultimately, Staff found this to be the case in its final audit.

Nevertheless, Staff also concluded that Algonquin failed to comply with Decision No. 68667 because Algonquin did not maintain separate bank accounts for the SIS funds, file monthly reports with Docket Control detailing how the SIS funds were spent, or file a report of the remaining amounts due on accounts payable. However, Algonquin was not a party to Decision No. 68667, and the requirements set forth therein did not apply. During the time period audited, Algonquin was acting as an interim manager pursuant to an Interim Management Agreement ("Agreement") with the Commission's Utilities Division dated September 19, 2006. Algonquin was not an owner of the McLain water systems, and nothing in the Agreement imposes the conditions set forth in Decision No. 68667 on Algonquin in its capacity as the interim manager.

Moreover, Decision No. 68826 (June 29, 2006), which approved Algonquin's acquisition of the McLain systems, also modified Decision No. 68667 to remove the SIS as of the first day of the month after Northern Sunrise Water Company ("NSWC") and Southern Sunrise Water Company ("SSWC") file notice that the sale has closed.¹ In summary, because Algonquin was never under a legal duty to comply with the SIS requirements imposed by Decision No. 68667, Algonquin could not be found to be in noncompliance and the record should not reflect as much.

Algonquin has no other response to the Staff Report in this docket.

¹ By Notice of Filing dated March 12, 2007, NSWC and SSWC notified Docket Control that Algonquin's acquisition of the McLain systems was completed on or February 21, 2007, thereby satisfying the condition for termination of the SIS.