ORIGINAL

RECEIVED

285

FENNEMORE CRAIG, P.C.
A Professional Corporation
Jay L. Shapiro (No. 014650)
Patrick J. Black (No. 017141)
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Northern Sunrise Water Company
and Southern Sunrise Water Company

2007 SEP 26 P 4:36

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

SEP 26 2007

DOCKETED BY | nr

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20453A-06-0247
IN THE MATTER OF THE APPLICATION OF SOUTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20454A-06-0248
IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.	DOCKET NOS. W-20453A-06-0251 W-20454A-06-0251 W-01646A-06-0251 W-01868A-06-0251 W-02235A-06-0251 W-02316A-06-0251 W-02230A-06-0251 W-01629A-06-0251 W-02240A-06-0251 **RESPONSE TO AUGUST 7, 2007 STAFF REPORT**

Northern Sunrise Water Company ("Northern Sunrise") and Southern Sunrise Water Company ("Southern Sunrise") (collectively "Applicants") hereby submit this Response to the August 7, 2007 Staff Report in the above-referenced matter. In its report, Staff concluded that Applicants' proposed modifications to the capital improvements attached as Exhibit B to

Decision No. 68826 (June 29, 2006) ("Order") could not be verified due to the following issues:

1. Staff customarily requires that a Water Use Data Sheet showing actual customer demand for a water system be used to evaluate plant capacities;

2. The Sierra Sunset System likely is interconnected, as are the Crystal and Mustang systems likely interconnected, although this has not been confirmed,[1] and therefore actual water demand is unknown and plant facilities cannot be adequately sized; and

3. The water loss data that Applicants provided exceeds the 10% mark for six of the seven water systems, however possible system interconnections would affect water loss. Staff requested that Applicants submit Water Use Data Sheets showing twelve months of actual demand data for each water system, and confirm whether any of the water systems are actually interconnected.

In an effort to respond the Staff's requests, Applicants hereby submit response memorandums prepared by WestLand Resources, Inc. Attached hereto as **Exhibit 1** is Northern Sunrise's "Mustang and Crystal Water Systems Comment Response Memo." Attached hereto as **Exhibits 2 and 3**, are Southern Sunrise's "Cochise and Horseshoe Ranch Water Systems Comment Response Memo" and ""Miracle Valley Water System Comment Response Memo," respectively. Northern Sunrise expects to file documentation regarding the Sierra Sunset and Coronado water systems by November 1, 2007.

...

...

...

...

...

...

[1] Applicants' initial filing stated that it is "possible" the Sierra Sunset System is interconnected with an adjacent water system(s), and the Crystal and Mustang systems "may already" be interconnected.

DATED this 26th day of September, 2007.

FENNEMORE CRAIG, P.C.

By: _____

Jay L. Shapiro
Patrick J. Black
Suite 2600
3003 North Central Avenue
Phoenix, Arizona 85012
Attorneys for Northern Sunrise Water Company
and Southern Sunrise Water Company

ORIGINAL and 33 copies filed
this 26th day of September, 2007 to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

COPY hand delivered
this 26th day of September, 2007 to:

Steve Olea, Assistant Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Marlin Scott, Jr.
Utilities Division
Arizona Corporation Commission
1200 West Washington St.
Phoenix, Arizona 85007

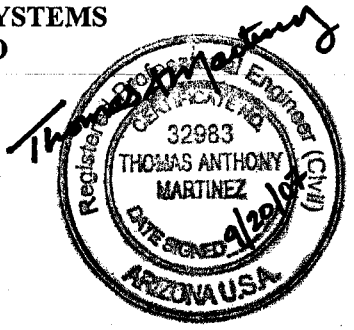
Maria San Jose

/1981698.1/20898.001

EXHIBIT

1

MUSTANG AND CRYSTAL WATER SYSTEMS
COMMENT RESPONSE MEMO



To: Docket Control

From: WestLand Resources, Inc.

Date: September 20, 2007

Project No. 1428.01 F 8000

In response to ACC comments dated August 7, 2007, WestLand Resources, Inc., offers the following *responses:*

1. *When evaluating the "Demand Evaluation Criteria" for all the water systems, the Companies did not use the actual demand data from each system. According to the Companies, the actual data the Companies had recorded was limited and not sufficient. Instead, the Companies adopted the Bella Vista South water demand data and its peaking factors to analyze each water system and its plant facilities. It is Staff's practice that when evaluating existing water systems, a Water Use Data Sheet showing the actual customer demand for that system should be used to evaluate plant capacities.*

   Response: The well production data available to date for the Crystal and Mustang systems has been recorded on standard Water Use Data Sheets and are attached. In addition a combined Mustang and Crystal Water Use Data Sheet is attached. All infrastructure sizing is based upon said data sheets.

2. *The Companies stated that it is "possible" the Sierra Sunset System is interconnected with the adjacent water system(s). The Companies also indicated that the Crystal and Mustang water systems "may already" be interconnected. As a result, the actual water demand for each of these water systems is not known and plant facilities cannot be adequately sized.*

   Response: Based upon data provided by field staff, the Crystal and Mustang water systems are interconnected. The interconnect was located and confirmed by closing a valve in the line to isolate the systems, then opening the valve and supplying both systems from only the Mustang well, without any adverse effects. The system evaluation was done for both the stand-alone condition as well as combined with Crystal.

3. *The Companies provided lost and unaccounted for water data. The water loss data exceeds the targeted 10% limitation for unaccounted water in six of the seven water systems. According to the Companies, to reduce these losses, the Companies have implemented programs to locate un-metered services and install meters. The possible system interconnections would also affect the water loss percentages.*

Response: Algonquin recognizes that the lost and unaccounted for water percentages exceeds industry standards. New metering equipment and meter reading protocol has been implemented to identify un-metered areas, interconnects and meter accuracy in an effort to improve said percentages.

Water Use Summary

The Water Use Data Sheets tabulating well production data for the most recent nine months are attached. For the stand-alone Mustang system, the average day of the peak month production (ADPM) is 26,870 gallons per day (gpd) based on the eight months of data available, and Peak Day Demand (PDD) is calculated to be 24 gallons per minute (gpm). Maximum instantaneous demand for the number of units served in the Mustang system is 133 gpm.

For the stand-alone Crystal system, the ADPM is 21,700 gpd based on the eight months of data available, and Peak Day Demand (PDD) is calculated to be 20 gpm. Maximum instantaneous demand for the number of units served in the Crystal system is 127 gpm.

For the combined Crystal and Mustang water systems, the ADPM is 45,470 gpd based on the eight months of data available, and PDD is 43 gpm. Maximum instantaneous demand for the number of units served in the combined Crystal and Mustang systems is 201 gpm.

Recommendations

Since the existing Mustang and Crystal systems are interconnected we recommend combining system capacity improvements. We recommend reducing the overall storage capacity to 100,000 gallons from the original 120,000 gallons (two 60,000 gallon reservoirs) in the ACC's decision. The existing well capacities appear adequate for the existing system and to accommodate modest growth. Rehabilitation of both the Crystal and Mustang wells is recommended in lieu of replacement. A new pre-packaged booster station is recommended to provide instantaneous demand to the Mustang and Crystal service areas. The pre-packaged booster station will also replace the existing hydropneumatic tank at the Mustang site which appears to be a safety hazard.

SCH:emr

WATER USE DATA SHEET

NAME OF COMPANY →	Crystal & Mustang
ADEQ Public Water System No. →	02-054

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED
December 2006	122	654	665	-
January 2007	122	550	660	-
February 2007	122	635	666	-
March 2007	122	518	825	-
April 2007	120	702	947	-
May 2007	121	761	1,134	-
June 2007	120	899	1,364	-
July 2007	124	875	1,208	-
August 2007	117	606	643	-

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
100,000 (proposed)	1	55-807770	95
		55-807774	40

Other Water Sources in Gallons per Minute →	None
Fire Hydrants on System →	No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	7,447 (9 months)

WATER USE DATA SHEET

NAME OF COMPANY →	Mustang
ADEQ Public Water System No. →	02-054

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED
December 2006	66	372	360	-
January 2007	66	286	361	-
February 2007	66	362	355	-
March 2007	66	248	409	-
April 2007	66	328	482	-
May 2007	67	323	571	-
June 2007	65	434	713	-
July 2007	70	395	833	-
August 2007	63	n/a *	n/a *	-

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
-	-	55-807770	95

Other Water Sources in Gallons per Minute →	None
Fire Hydrants on System →	No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	4,083 (8 months)

* Individual system data not available, see combined system Water Use Data Sheet

WATER USE DATA SHEET

NAME OF COMPANY →	Crystal
ADEQ Public Water System No. →	02-054

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED
December 2006	56	282	305	-
January 2007	56	264	299	-
February 2007	56	273	312	-
March 2007	56	271	416	-
April 2007	54	374	465	-
May 2007	54	438	562	-
June 2007	55	465	651	-
July 2007	54	481	375	-
August 2007	54	n/a *	n/a *	-

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
-	-	55-807774	40

Other Water Sources in Gallons per Minute →	None
Fire Hydrants on System →	No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	3,385 (8 months)

* Individual system data not available, see combined system Water Use Data Sheet

EXHIBIT

2

COCHISE AND HORSESHOE RANCH WATER SYSTEMS
COMMENT RESPONSE MEMO

To: Docket Control

From: WestLand Resources, Inc.

Date: September 20, 2007

Project No. 1428.03 B 8000

In response to ACC comments dated August 7, 2007, WestLand Resources, Inc., offers the following responses:

1. *When evaluating the "Demand Evaluation Criteria" for all the water systems, the Companies did not use the actual demand data from each system. According to the Companies, the actual data the Companies had recorded was limited and not sufficient. Instead, the Companies adopted the Bella Vista South water demand data and its peaking factors to analyze each water system and its plant facilities. It is Staff's practice that when evaluating existing water systems, a Water Use Data Sheet showing the actual customer demand for that system should be used to evaluate plant capacities.*

   Response: The well production data available to date has been recorded on a standard Water Use Data Sheet and is attached. All infrastructure sizing is based upon said data sheets. Because the water distributed in the Cochise and Horseshoe Ranch systems is produced by common wells and not separated by system, demand calculations and capacity recommendations for these two systems are combined.

2. *The Companies stated that it is "possible" the Sierra Sunset System is interconnected with the adjacent water system(s). The Companies also indicated that the Crystal and Mustang water systems "may already" be interconnected. As a result, the actual water demand for each of these water systems is not known and plant facilities cannot be adequately sized.*

   Response: This comment does not apply to the Cochise and Horseshoe Ranch systems.

3. *The Companies provided lost and unaccounted for water data. The water loss data exceeds the targeted 10% limitation for unaccounted water in six of the seven water systems. According to the Companies, to reduce these losses, the Companies have implemented programs to locate un-metered services and install meters. The possible system interconnections would also affect the water loss percentages.*

   Response: Algonquin recognizes that the lost and unaccounted for water percentages exceeds industry standards. New metering equipment and meter reading protocol has been implemented to identify un-metered areas, interconnects and meter accuracy in an effort to improve said percentages.

Water Use Summary

The Water Use Data Sheet tabulating well production data for the most recent nine months is attached. The average day of the peak month production (ADPM) is 172,680 gallons per day (gpd) based on the nine months of data available, and Peak Day Demand (PDD) is calculated to be 160 gallons per minute (gpm). Maximum instantaneous demand for the number of units served in the Cochise and Horseshoe Ranch systems is 517 gpm.

Recommendations

We concur with the original ACC recommendations for the Cochise and Horseshoe Ranch systems. Present well capacity meets existing demand requirements. The existing 212,000 gallons of storage in the system is sufficient to meet demand.

SCH:emr

WATER USE DATA SHEET

NAME OF COMPANY →	Cochise / Horseshoe Ranch
ADEQ Public Water System No. →	02-011

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED
December 2006	580	2,697	3,828	-
January 2007	578	3,297	3,636	-
February 2007	578	2,772	3,589	-
March 2007	578	2,648	3,914	-
April 2007	560	4,339	4,460	-
May 2007	557	3,600	5,353	-
June 2007	563	3,726	5,100	-
July 2007	563	3,272	4,651	-
August 2007	566	2,910	4,629	-

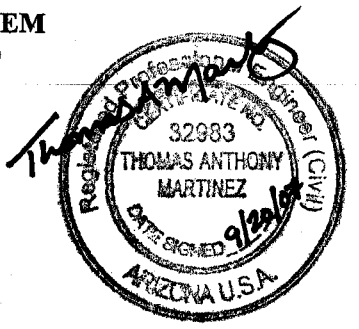
STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
170,000	1	55-563118	85
10,000	1	55-805546	57
16,000	2	55-563117	38
		55-630887	30
		55-550951	75

Other Water Sources in Gallons per Minute →	None
Fire Hydrants on System →	No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	34,531 (9 months)

EXHIBIT

3

MIRACLE VALLEY WATER SYSTEM
COMMENT RESPONSE MEMO



To: Docket Control

From: WestLand Resources, Inc.

Date: September 20, 2007

Project No. 1428.03 E 8000

In response to ACC comments dated August 7, 2007, WestLand Resources, Inc., offers the following responses:

1. *When evaluating the "Demand Evaluation Criteria" for all the water systems, the Companies did not use the actual demand data from each system. According to the Companies, the actual data the Companies had recorded was limited and not sufficient. Instead, the Companies adopted the Bella Vista South water demand data and its peaking factors to analyze each water system and its plant facilities. It is Staff's practice that when evaluating existing water systems, a Water Use Data Sheet showing the actual customer demand for that system should be used to evaluate plant capacities.*

   Response: The well production data available to date has been recorded on a standard Water Use Data Sheet and is attached. All infrastructure sizing is based upon said data sheets.

2. *The Companies stated that it is "possible" the Sierra Sunset System is interconnected with the adjacent water system(s). The Companies also indicated that the Crystal and Mustang water systems "may already" be interconnected. As a result, the actual water demand for each of these water systems is not known and plant facilities cannot be adequately sized.*

   Response: This comment does not apply to the Miracle Valley system as it is not connected with any other system.

3. *The Companies provided lost and unaccounted for water data. The water loss data exceeds the targeted 10% limitation for unaccounted water in six of the seven water systems. According to the Companies, to reduce these losses, the Companies have implemented programs to locate un-metered services and install meters. The possible system interconnections would also affect the water loss percentages.*

   Response: Algonquin recognizes that the lost and unaccounted for water percentages exceeds industry standards. New metering equipment and meter reading protocol has been implemented to identify un-metered areas, interconnects and meter accuracy in an effort to improve said percentages.

Water Use Summary

The Water Use Data Sheet tabulating well production data for the most recent nine months is attached. The average day of the peak month production (ADPM) is 63,190 gallons per day (gpd) based on the nine months of available data, and Peak Day Demand (PDD) is calculated to be 58 gallons per minute (gpm). Maximum instantaneous demand for the number of units served in Miracle Valley is 295 gpm.

Recommendations

We support the ACC recommendation for storage capacity of 150,000 gallons, which will allow for modest growth in the area. The original ACC recommendation for this water system included two new booster pumps and a 5,000-gallon hydropneumatic tank. We are recommending a new 350 gpm pre-packaged booster station with a small bladder tank to provide instantaneous demand to the Miracle Valley service area. The addition of the packaged booster station and elimination of the hydropneumatic tank will result in an equivalent level of service and reduced construction cost. Well No. 1 is a 160 gpm well which is sufficient to meet existing demands and Well No. 2 is proposed to be re-equipped to provide balanced mechanical wear, and to accommodate modest growth

SCH:emr

WATER USE DATA SHEET

NAME OF COMPANY →	Miracle Valley
ADEQ Public Water System No. →	02-023

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED
December 2006	248	1,733	1,407	-
January 2007	246	1,333	1,688	-
February 2007	246	2,158	1,611	-
March 2007	246	1,287	1,628	-
April 2007	246	1,390	1,758	-
May 2007	251	1,284	1,386	-
June 2007	243	1,405	1,518	-
July 2007	243	1,272	1,374	-
August 2007	239	1,084	1,959	-

STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
150,000 (proposed)	1	55-630018	160
		55-527262	105

Other Water Sources in Gallons per Minute →	None
Fire Hydrants on System →	No
Total Water Pumped Last 13 Months (Gallons in Thousands) →	14,129 (9 months)