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BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

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Arizona Corporation Commission 3082

DOCKETED

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

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AZ CORP COMMISSION  
DOCKET CONTROL

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IN THE MATTER OF THE APPLICATION OF  
HACIENDA ACRES WATER SYSTEM, FOR  
APPROVAL OF AN EMERGENCY RATE  
INCREASE.

DOCKET NO. W-02258A-07-0414

**RESPONSE TO SANTA CRUZ  
WATER COMPANY'S EXCEPTIONS**

On October 18, 2007 Santa Cruz Water Company ("Santa Cruz") filed its Exceptions/Comments to the recommended Opinion and Order ("ROO") in the above-captioned matter. Staff has reviewed the filing and makes the following response.

**I. The requirements included in the ROO are not imposed on Santa Cruz.**

The ROO issued in this matter was based on Hacienda Acres Water System's ("Hacienda") application for an Emergency Rate Case. The requirements of that Order (that do not specifically refer to Santa Cruz) are, therefore, solely applicable to Hacienda. Though the Order does include a paragraph requiring Santa Cruz to "take all reasonable and appropriate actions to ensure that the operations of the water utility comply with the terms of [the] decision", that paragraph imposes no more obligation on Santa Cruz than the requirements and/or obligations contained in the Interim Manager Agreement. (See ROO p.16, lines 1-3). Santa Cruz's concern that the ROO places an undue administrative burden upon it is, therefore, unwarranted.

**II. Staff believes Santa Cruz is in compliance with the ROO.**

Staff notes that Santa Cruz has incurred considerable expense to repair Hacienda's damaged water system. Throughout this process, Santa Cruz has continued to work with Staff and the ADEQ in resolving the safety and functionality issues pervading the water system. Staff anticipates that, if Santa Cruz continues to operate at its current level of service, it will remain in compliance with the Commission's decision.

1 **III. The ROO should be amended to allow Santa Cruz to file its permanent rate case at a**  
2 **later date.**

3 Staff believes that due to Santa Cruz's on-going efforts to improve Hacienda's water  
4 system and the pending Order to Show Cause ("OSC") proceeding that could result in the  
5 cancellation of Hacienda's Certificate of Convenience and Necessity ("CC&N"), the ROO should  
6 be amended to require Santa Cruz to file its permanent rate case no later than June 30, 2009,  
7 utilizing a test year of 2008. This would allow sufficient time for a ruling on the OSC and would  
8 give Santa Cruz additional time to focus on the operational issues of the water system. The  
9 proposed amendment would not prevent Santa Cruz from filing a rate case at an earlier date, if it  
10 chose to do so.

11 **IV. Conclusion.**

12 Staff believes Santa Cruz should be highly commended for the exceptional work it has  
13 done to provide Hacienda customers with water service, especially after the extensive vandalism  
14 that occurred just after Santa Cruz was appointed Interim Manager. In full consideration of Santa  
15 Cruz's filed Exceptions, Staff makes the aforementioned recommendations, which Staff believes  
16 are sufficient to address Santa Cruz's concerns.

17 RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of October, 2007.

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21 Arizona Corporation Commission  
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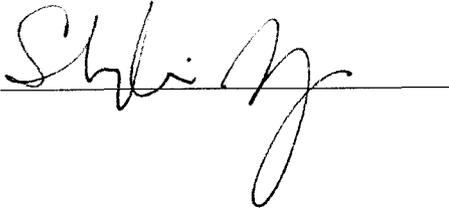
25 The original and thirteen (13) copies  
26 of the foregoing were filed this  
27 19<sup>th</sup> day of October, 2007 with:

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

Copy of the foregoing mailed this  
19<sup>th</sup> day of October, 2007 to:

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8  A handwritten signature in cursive script, appearing to read 'Shli G.', is written over a horizontal line. The signature is positioned between the 8th and 9th lines of the document's left margin.

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