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FARMERS INVESTMENT CO. By _____

P.O. BOX 7 SAHUARITA, ARIZONA 85629-0007 U.S.A.

FARMING AND FARM MANAGEMENT:
SANTA CRUZ VALLEY FARM,
SAN SIMON FARM, ARIZONA
BLUE THREE GROVES, GEORGIA



PROCESSING AND MARKETING:
THE GREEN VALLEY PECAN COMPANY
GREEN VALLEY PECANS
THE PECAN STORE

RICHARD S. WALDEN
PRESIDENT & CEO

EST. 1937

Arizona Corporation Commission
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December 10, 2007

Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Kristin K. Mayes
Commissioner Gary Pierce
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85004

Community Water Company of Green Valley,
Application to extend CC&N, Docket No. W-02304A-07-0393

RE: Proposed CWC-ARC CAP pipeline

Dear Commissioners:

We very much appreciated commissioners Mundell, Mayes and Pierce and the Arizona Corporation Commission staff coming to Sahuarita on Wednesday, December 5, to hear our community's concerns regarding a proposed CAP pipeline project between Community Water Company (CWC) and Augusta Resource Corporation (ARC).

I am President of Farmers Investment Co. (FICO) and of Farmers Water Co. at 1525 East Sahuarita Road in Sahuarita, Arizona.

Our lands have been in agricultural use for over 100 years. My family has been farming and ranching here in the Santa Cruz Valley for three generations. FICO owns about 7,000 acres in Sahuarita and Green Valley and is a major employer in the Green Valley and Sahuarita area. Our water company serves more than 2,000 customers. Our service area encompasses 11,000 acres.

FICO lands are in the Tucson Active Management Area (AMA). FICO complies with all requirements of the current ADWR management plan. Since 1980, FICO has utilized laser leveling of its fields and diligent soil moisture monitoring to reduce water usage by more than 20%. It is appropriate that FICO do this because, here in the Upper Santa Cruz Valley, we all drink from the same aquifer. We need to take prudent measures soon to obtain additional water for our aquifer.

Here is what FICO, as a major provider and user of water, is concerned about with the proposal currently before you:

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1. Two parties have negotiated a pipeline agreement without involving the five other local water companies or the other major users in our aquifer.
2. The Letter of Intent between CWC and ARC, executed in July, was not made public until late October, and only then, because the ACC requested it.
3. ARC, under another entity's name, bought land directly east of FICO's orchards and wells to use as a pumping site. An ARC test well is within ½ mile of a Farmers Water Co. well and three of FICO's agricultural wells. It is interesting to note that this land is also within Farmers Water Co.'s Certificate of Convenience and Necessity (CC&N).
4. We do not understand whether ARC's proposal brings any new "wet" water to our aquifer. The Letter of Intent is ambiguous on this important point.
5. ARC proposes to recharge 105,000 acre-feet and withdraw 100,000 acre-feet of water during a proposed 20-year life of the mine under the ARC-CWC proposal. We know from personal observation that the mines on the west side of our valley have been in operation for more than fifty years. We believe ARC is seriously misleading this community on the real life of this mine. It will likely be mining for 100 years; thus the water need for this mine would be 500,000 acre-feet.
6. We believe it is important that we have a collaborative approach to any CAP pipeline proposal. We need to understand the additional costs and impacts on the other water companies and the rate payers if additional pumping is approved, such as:
 - Increased costs of operating wells (electricity, equipment and maintenance costs increase as water companies must go deeper to pump);
 - As we pump deeper, water quality may decrease, which would add additional maintenance and delivery costs;
 - Our initial concern is that the mine pumping could lower the water table in certain wells by 150 feet or more.
7. We need to understand the impact of additional pumping at the sites purchased by ARC on the eastern side of Sahuarita on the sulfate plume from the Phelps Dodge mine. FICO has been cooperating with Phelps Dodge to monitor this plume. The Arizona Department of Environmental Quality has a consent decree with Phelps Dodge on this plume. This proposed pumping could very well pull the plume further into our valley's drinking water supplies.
8. We need to understand where the recharge of CAP water will be. We have heard all sorts of rumors, even that it will be within FICO's pecan groves. We have not been contacted about that. The Malcolm Pierney study done by Pima County in 1998 recommends recharge on the historic Canoa Ranch. Perhaps we will need several recharge sites depending on where the withdrawals are to best replenish the aquifer.
9. Any pipeline that brings CAP water to our valley should be sized to accommodate all present and future CAP allocations in the region, including those held by the Arizona State Land Department, the Tohono O'odham Nation and entities with access to surplus agricultural water.
10. We may have only one chance to design a project that benefits our valley for 100 years or more. We should take the time necessary to get it right, with proper economies of scale.
11. The recent Safford Mine took 15 years to permit, even though the community supported it. We feel that our community is being rushed to approve this proposal when there are many unanswered questions.

12. FICO is not against mining, per se, but we are concerned about new users in our aquifer that may create new costs for the public and may create water quantity and quality problems.
13. FICO is willing to work with all parties to achieve the long-term sustainability of our aquifer. That is why we have joined the Upper Santa Cruz / Providers and Users Group. We are confident that, working together, we can achieve a good result if we have the additional time.

Thank you, again, for the ACC's interest in ensuring fair and equitable treatment for the water companies, users and the public, both now and for future generations.

Sincerely,



Richard S. Walden
President & CEO
Farmers Investment Co. (FICO)

cc: Ernest Johnson, Director, Utilities Division
Steve Olea, Assistant Director, Utilities Division
Lyn Farmer, Chief Administrative Law Judge, Hearing Division
Christopher Kempley, Chief Counsel, Legal Division
Dean Miller, Acting Executive Director