



0000086471

ORIGINAL

SALLQUIST, DRUMMOND & O'CONNOR

ATTORNEYS AT LAW
TEMPE OFFICE

4500 S. LAKESHORE DRIVE
SUITE 339
TEMPE, ARIZONA 85282

RECEIVED

2008 JUN 27 A 9:17

AZ CORP COMMISSION
DOCKET CONTROL
PHONE (480) 839-5202
FACSIMILE (480) 345-0412
E-MAIL dick@sd-law.com

RICHARD L. SALLQUIST

June 27, 2008

Arizona Corporation Commission

DOCKETED

JUN 27 2008

HAND DELIVERY

Brian Bozzo
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY *MM*

Re: Utility Source, LLC, Docket No WS-04235A-05-0707; Decision No. 68962; Request for Extension of Time to Comply

Dear Mr. Bozzo:

We are in receipt of your May 16, 2008 facsimile in which you summarize the compliance status for the subject Decision. We concur with you that the compliance items required by the Decision are those listed on your summary as follows:

1 A	Water Approval to Construct for Parcel A (Flagstaff Meadows Unit III)
1 B	Water Approval to Construct for Parcel F (Company's Wastewater Treatment Plant Site)
2A	Wastewater Approval to Construct for Parcel B (306 Unit Mobile Home Park)
2B	Wastewater Approval to Construct for Parcel C (20 acre Commercial Parcel)
3 A	Aqua Protection Permit
3B	208 Permit Amendment
4	Coconino County Franchise

We also concur with you that **Items 1A and 3B** have been fully completed.

Item 1B. Parcel F is a 3 acre parcel fully occupied by the Company's wastewater treatment plant ("WWTP"). The water main serving Parcel F is located in the Frontage

Road, which facilities serve Flagstaff Meadows Unit III. The only water use on the entire site is from a service line to a hose bib used by the plant operators to clean up the WWTP facilities. There is not even a bathroom on the site. There are not, nor will there be, any distribution facilities on that parcel which require Arizona Department of Environment Quality ("ADEQ") approval. As stated, on-site service is provided by a single ¾ inch line running to the headworks of the plant.

The Company sought to include this area in its Certificate of Convenience and Necessity ("CC&N") merely as a "clean up" to its service area map. The Company is of the opinion that an Approval to Construct ("ATC") is not needed for this parcel, nor could it be obtained from ADEQ as there will be no further construction. The Company requests that the Staff declare the requirements for Parcel F to be complete.

Item 2A. Parcel B, the 306 unit mobile home park, as stated in our Request, cannot proceed without finalizing the water provider to the project. Mr. McCleve testified at the hearing on this matter that the Developer intended to drill its own wells for the provision of water service. Subsequently, it was learned that the wells would not produce sufficient quantities or quality of water for that project, so the Developer requested service from the Company. The parties were unable to negotiate an acceptable agreement for that service, and the Developer filed a formal complaint against the Company in Docket No. WS-04235A-07-0674. The Administrative Law Judge in that proceeding has instructed the parties to further negotiate the matter, and we believe the agreement will be finalized in the very near future, and the Complaint withdrawn. At that time the Company will file an application with the Commission for the water CC&N. Given the above, it is the Company's opinion that it would be appropriate to permit the conditional CC&N for the wastewater service to Parcel B to expire. The Company will then, consistent with its agreement with the Developer, ask for the wastewater CC&N simultaneous with the requested water CC&N.

Item 2B. Parcel C, requesting only wastewater service, is owned by an associate of the Parcel B owners. That parcel was planning on receiving water service from the wells referenced in response to Item 2A above. Now Parcel C will need water service from the Company as well. Owners of both parcels will be the parties to the above settlement agreement, so wastewater service is not needed until water service issues are resolved. The Developer does not have a preliminary plan approved for that development at this time, and as a result it is unlikely that an ATC could be obtained even by the requested extension date of September 20, 2008. Therefore, the Company would request that the Staff permit the CC&N for this parcel to also expire. The Company will then include this parcel in the CC&N application for Parcel B, or submit a separate future CC&N application when the details of the new project are known.

Item 3. The Aquifer Protection Permit ("APP") submitted to the Staff is for a 150,000 gallon per day WWTP and is dated September 13, 2001. In the hearing on this matter, it was contemplated that service would be provided to the 306 unit mobile home park in Parcel B and the commercial project in Parcel C. The existing APP is sufficiently sized to serve the Company's existing CC&N area, as well as those lots within Parcel A, Flagstaff Meadows Unit III. Only if the demands of Parcels B and C are included does

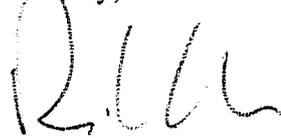
the WWTP need to be expanded. If Parcels B and C are excluded from the subject CC&N, the 2001 APP covers the present requirements. The Company will address the APP for Parcels B and C when it submits its new CC&N Application for those areas.

Item 4. As indicated in our Request, the Coconino County Attorneys Office has indicated they would like to see the requested extension for the Compliance Items be granted by the Commission prior to it processing the Franchise Application. We believe that in the event the extension to September 20, 2008 is granted, the Franchise can be obtained and filed before the new Compliance Date.

In summary, the Company believes compliance Items 1A and 3B have been completed. They believe Item 1B is neither needed nor attainable, and should be declared complete. It is submitted Items 2A and 2B can be declared as in noncompliance and the CC&N for those areas denied by operation of law. The September 13, 2001 Aquifer Protection Permit should be declared sufficient for the reduced expansion area. And finally, the Company requests an extension of the compliance date for the Franchise Agreement until September, 20, 2008 which, upon filing, would complete the compliance requirements of Decision No. 68962.

In the event you have any questions regarding these matters please do not hesitate to contact the undersigned.

Sincerely,



Richard L. Sallquist

Enclosures

cc: Docket Control (15 copies)
Lonnie McCleve