

**ORIGINAL**



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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**RECEIVED**

**COMMISSIONERS**

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

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JUL 31 2008

Arizona Corporation Commission  
DOCKETED

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ARIZONA CORP. COMM  
400 W CONGRESS STE 218 TUCSON AZ 85701

DOCKETED BY *MM*

IN THE MATTER OF THE APPLICATION OF )  
SAHUARITA WATER COMPANY, L.L.C. FOR ) DOCKET NO. W-03718A-07-0687  
AN EXTENSION OF ITS EXISTING )  
CERTIFICATE OF CONVENIENCE AND ) APPLICANT'S RESPONSE TO JULY  
NECESSITY. ) 17, 2008 STAFF REPORT  
\_\_\_\_\_ )

**I.**

**IDENTIFICATION OF APPLICANT**

Pursuant to the Eighth Ordering Paragraph of the Procedural Order issued on May 29, 2008 in the above-captioned and above-docketed proceeding, Sahuarita Water Company, L.L.C. ("SWC"), hereby responds to the July 17, 2008 Staff Report filed in the aforesaid proceeding. In that regard, attached hereto as Appendix "A" and incorporated herein by this reference is a redlined/strikethrough revised version of the July 17, 2008 Staff Report and Exhibit 2 thereto, which reflects certain revisions which SWC suggests for consideration by the Commission Staff in advance of the August 7, 2008 evidentiary hearing in the aforesaid proceeding.

At the outset, SWC desires to express (i) its appreciation for the Commission's Staff's recommendation that the requests set forth in SWC's Application and Amended Application be granted, and (ii) its agreement with three (3) of the four (4) recommended conditions of the Commission's Staff, as set forth at items 1 through 4 on numbered page 7 of the July 17, 2008 Staff Report. In that regard, the suggested revisions reflected in Appendix "A" hereto and discussed below are primarily intended to clarify information previously submitted by SWC in

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1 (i) supporting appendices to the Application, (ii) responses to Insufficiency Letter Nos. 1 and 2  
2 received from the Commission's Staff and/or (iii) responses to Commission Staff Data Requests.

3  
4 **II.**

5 **DISCUSSION OF SUGGESTED REVISIONS**

6 **Time Period For Compliance With Condition No. 2:**

7 Two (2) different time periods appear within the July 17, 2008 Staff Report and Exhibit  
8 2 with regard to that period of time SWC should be allowed within which to docket as a  
9 compliance item

10 "...copies of the Approval to Construct for well(s), storage tank(s),  
11 booster pump station(s) and distribution system that will be needed  
12 to serve the initial subdivision in the requested extension area."

13 On pages 5 and 7 of the July 17, 2008 Staff Report, the suggested time period for compliance is  
14 three (3) years. On page one of the Executive Summary, and on pages 3 and 4 of Exhibit 2  
15 document, the recommended time period is two (2) years. Inasmuch as SWC anticipates that it  
16 will not commence construction of the water system facilities in the proposed CC&N extension  
17 area until 2010,<sup>1</sup> and a five- (5) year build-out period is contemplated for the initial phase of  
18 water system infrastructure construction in that area, SWC believes that a three- (3) year time  
19 period for submittal of the Approval(s) to Construct referenced in Condition No. 2 is the more  
20 appropriate time period for compliance with this condition.

21 Inasmuch as the period of time allowed for compliance is measured from the effective  
22 date of issuance of a decision in this proceeding, and in the event that a favorable decision should  
23 be forthcoming by the end of this year, a two- (2) year period for compliance would allow SWC  
24 only through 2010 within which to submit all of the Approval(s) to Construct for a five- (5) year  
25 build-out program for all of the infrastructure needed to serve the initial subdivision in the

26 <sup>1</sup> In an April 25, 2008 letter from the undersigned to Vicki Wallace of the ACC Staff, in response to the Commission  
27 Staff's Insufficiency Letter No. 2, SWC advised the Commission's Staff that

28 "...it is currently anticipated that construction of the company's water system  
facilities in the proposed CC&N extension area will begin in 2010." [April 25,  
2008 letter at page 2] [emphasis supplied]

A copy of the aforesaid April 25, 2008 letter is attached hereto as Appendix "B" and is incorporated herein by this  
reference.

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1 extended CC&N area. SWC is concerned that that might prove to be an insufficient period of  
2 time within which to obtain all of the necessary Approval(s) to Construct. Accordingly, it  
3 suggests that the July 17, 2008 Staff Report be revised in the aforesaid portions of the Executive  
4 Summary and Exhibit 2 to substitute three (3) years for two (2) years as the time period for  
5 compliance with Condition No. 2. In that regard, the suggested revisions are indicated with  
6 redlining and strikethroughs in Appendix "A" hereto.

7  
8 **Clarification of SWC's Existing and Planned Water System Facilities and Anticipated  
Construction Costs:**

9 The discussion of SWC's existing water system facilities in the last paragraph on page 4  
10 of the July 17, 2008 Staff Report appears to have inadvertently omitted any recognition of one  
11 (1) drinking water well SWC currently owns and operates in addition to the drinking water well  
12 that SWC leases from the Town of Sahuarita under a 99-year lease, which is mentioned in the  
13 discussion of SWC's existing water system facilities. Accordingly, as may be noted from  
14 Appendix "A" hereto, SWC is suggesting certain language additions and deletions with redlining  
15 and strikethroughs to address that apparent omission.<sup>2</sup>

16 In that regard, it is conceivable that a March 13, 2008 letter from the undersigned to  
17 Vicki Wallace of the Commission's Staff, in response to Commission Staff Insufficiency Letter  
18 No. 1, may have created some confusion<sup>3</sup>. More specifically, on page 3 of that letter, and in  
19 response to Item No. 5 of the aforementioned Insufficiency Letter, the undersigned referred to  
20 the leased well but did not refer to the additional existing well which SWC owns and operates in  
21 connection with the provision of potable water service to its customers.

22 In addition, in the first paragraph on page 5 of the July 17, 2008 Staff Report, the  
23 discussion does not fully reflect the new water system facilities SWC is proposing to install  
24 during the first five (5) years of construction activity in order to serve the requested CC&N  
25 extension area. The omitted items include (i) a second 1,500 GPM well and (ii) a 900,000 gallon

26 <sup>2</sup> Similar language additions and deletions are also suggested for the applicable paragraph on page 1 of Exhibit 2 to  
the July 17, 2008 Staff Report.

27 <sup>3</sup> A copy of the March 13, 2008 letter is attached hereto as Appendix "C" and is incorporated herein by this  
28 reference.

1 storage reservoir in 3570 Zone. Accordingly, in Appendix "A" hereto, SWC is suggesting  
2 certain language additions with redlining to address these facilities omissions.<sup>4</sup>

3 Finally, in the second and fourth paragraphs of page 5 of the July 17, 2008 Staff Report,  
4 \$16,533,375 is portrayed as SWC's estimated plant costs for the initial five (5) year period, if the  
5 requested CC&N extension request is granted. However, in actuality, this figure represents only  
6 the estimated plant expenditures for the first three (3) years, once construction has actually begun  
7 in 2010.

8 More specifically, and as may be noted from both (i) page 1 of the February 15, 2008  
9 Opinion of Probable Construction Costs ("OPCC"),<sup>5</sup> as prepared by WestLand Resources, Inc.,  
10 and (ii) the table shown on page 2 of Exhibit 2 to the July 17, 2008 Staff Report, no construction  
11 expenditures for water system facilities in the CC&N extension area are anticipated during 2008  
12 or 2009. Accordingly, the February 15, 2008 OPCC five- (5) year projection of expenditures  
13 begins with 2010 (as Year 1) and continues through 2014 (as Year 5). Whereas, Exhibit 2 to the  
14 July 17, 2008 Staff Report begins with 2008 (as Year 1) and continues through 2012 (as Year 5).  
15 It is apparent that the two (2) approaches utilize a different annual starting point, and thus result  
16 in different years of conclusion. However, the effect of the approach reflected in Exhibit 2 to the  
17 July 17, 2008 Staff Report is to exclude from consideration the water system facilities and  
18 construction costs of \$4,497,500 for 2013 (Year 4) and \$720,000 for 2014 (Year 5), which are  
19 contemplated by the February 15, 2008 OPCC.<sup>6</sup>

20 SWC is uncertain why the July 17, 2008 Staff Report utilized a five- (5) year projection  
21 period which begins in 2008. However, SWC wants to be sure that all concerned are aware that  
22 the figure SWC anticipates for the initial five- (5) year period of construction of new water  
23 system facilities in the extended CC&N area would be \$21,750,875, and not the \$16,533,375  
24

25 <sup>4</sup> Similar language additions are also suggested for the applicable paragraph on page 1 of Exhibit 2 to the July 17,  
2008 Staff Report.

26 <sup>5</sup> The OPCC was submitted as a part of SWC's March 13, 2008 response to Insufficiency Letter No. 1, and a copy is  
attached hereto as Appendix "D" and incorporated herein by this reference.

27 <sup>6</sup> In this regard, the July 17, 2008 Staff Report's omission of SWC's projected plant additions for 2013 and 2014  
28 may explain why one (1) additional 1,500 GPM well and 900,000 gallons of additional storage were omitted,  
because the February 15, 2008 OPCC shows those facilities being constructed in 2013.

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1 shown in the July 17, 2008 Staff Report and Exhibit 2.<sup>7</sup> In that regard, as may be noted in  
2 Appendix "A" hereto, SWC has suggested with redlining that the amount of \$21,750,875 be  
3 substituted for the amount of \$16,533,375 wherever the latter figure appears in both the July 17,  
4 2008 Staff Report and Exhibit 2 thereto.<sup>8</sup>

5 **Miscellaneous Revisions:**

6 Appendix "A" hereto also contains a few additional suggested language revisions which  
7 are intended by SWC to be of a clarifying nature. These also are indicated with redlining and  
8 strikethroughs.

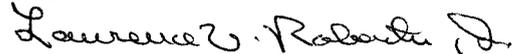
9 **III.**

10 **CONCLUSION**

11 SWC appreciates the opportunity to respond to the July 17, 2008 Staff Report, and to  
12 offer suggested revisions for consideration by the Commission's Staff. In addition, SWC  
13 reiterates (i) its appreciation for the Commission's Staff's recommendation that the requests set  
14 forth in SWC's Application and Amended Application be granted, and (ii) its agreement with  
15 three (3) of the four (4) recommended conditions of the Commission's Staff, as set forth at items  
16 1 through 4 on numbered page 7 of the July 17, 2008 Staff Report.

17 Dated this 31<sup>st</sup> day of July 2008.

18  
19 Respectfully submitted,

20 

21 

---

Lawrence V. Robertson, Jr.  
22 Attorney for Sahuarita Water Company, L.L.C.

23 The original and thirteen (13) copies of the  
24 foregoing Applicant's Response will  
25 be filed this 31<sup>st</sup> day of July 2008 with:

26 <sup>7</sup> \$21,750,875 minus \$4,497,500 (2013 or OPCC Year 4) and \$720,000 (2014 or OPCC Year 5), equals  
27 \$16,533,375.

28 <sup>8</sup> If the Commission's Staff should agree with this suggestion, then the table on page 2 of Exhibit 2 would need to be  
revised to include plant expenditures projected by the February 15, 2008 OPCC for 2013 and 2014.

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1 Docket Control  
2 Arizona Corporation Commission  
3 c/o 400 W. Congress, Suite 218  
4 Tucson, Arizona 85701

5 A copy of the foregoing Applicant's  
6 Response will be mailed/emailed  
7 this 31<sup>st</sup> day of July 2008 to:

8 Hon. Belinda A. Martin  
9 Arizona Corporation Commission  
10 400 West Congress, Suite 218  
11 Tucson, Arizona 85701

12 Janice Alward, Chief Counsel  
13 Legal Division  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

17 Ernest Johnson, Director  
18 Utilities Division  
19 Arizona Corporation Commission  
20 1200 West Washington Street  
21 Phoenix, Arizona 85007

22 Arizona Reporting Service, Inc.  
23 2200 North Central Avenue, Suite 502  
24 Phoenix, Arizona 85004-1481

25 

26  
27  
28

# **Appendix “A”**

**to**

**Applicant’s Response to  
July 17, 2008 Staff Report**

**Sahuarita Water Company, L.L.C.  
Docket No. W-03718A-07-0687  
July 31, 2008**

**UTILITIES DIVISION  
REVIEW OF STAFF REPORT**

**SAHUARITA WATER COMPANY, LLC**  
**DOCKET NO: W-03718A-07-0687**

**ORIGINATING STAFF: VICKI WALLACE**

**DOCKET DUE DATE & TIME: JULY 17, 2008**

**Final review by Supervisor/Manager:** \_\_\_\_\_ (Due \_\_\_\_\_ ) Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Final review by Chief:** \_\_\_\_\_ (Due \_\_\_\_\_ ) Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Received by Admin Staff:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Reviewed by Chief of Compliance:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Received by Admin Staff:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Reviewed by Consumer Services:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Received by Admin Staff:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Review by Legal Division:** \_\_\_\_\_ (Due \_\_\_\_\_ ) Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Received by Admin Staff:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Received by Carolyn Buck:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**Review by Director's Office:** \_\_\_\_\_ (Due \_\_\_\_\_ ) Date: \_\_\_\_\_ Time: \_\_\_\_\_

**DUE TO:** \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

**NOTE:** THIS CHECKLIST MUST TRAVEL WITH THE DOCUMENT THROUGH ALL REVIEWS. PLEASE DO NOT DETACH FROM THE DOCUMENT. THE CHECKLIST WILL BE FILED IN THE DIRECTOR'S OFFICE AFTER DOCKETING.

**MEMORANDUM**

TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

DATE: July 17, 2008

RE: SAHUARITA WATER COMPANY - APPLICATION FOR AN EXTENSION  
OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE  
WATER SERVICE IN UNINCORPORATED AREAS PIMA COUNTY,  
ARIZONA (DOCKET NO. W-03718A-07-0687)

Attached is the Staff Report for the above referenced application. Staff is recommending approval of the application with conditions.

EGJ:VW:red

Originator: Vicki Wallace

ORIGINAL

Service List for: Sahuarita Water Company, L.L.C.  
Docket No. W-03718A-07-0687

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Mr. Ernest G. Johnson  
Director, Utilities Division  
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Chief, Hearing Division  
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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

SAUARITA WATER COMPANY, L.L.C.

DOCKET NO. W-03718A-07-0687

APPLICATION FOR AN EXTENSION OF ITS  
CERTIFICATE OF CONVENIENCE & NECESSITY  
TO PROVIDE WATER SERVICE TO  
UNINCORPORATED AREAS IN PIMA COUNTY, ARIZONA

JULY 17, 2008

## STAFF ACKNOWLEDGEMENT

The Staff Report for Sahuarita Water Company, L.L.C. (Docket No. W-03718A-07-0687) was the responsibility of the Staff members listed below. Vicki Wallace was responsible for the review and analyses of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis.

---

Vicki Wallace  
Executive Consultant II

---

Dorothy Hains  
Utilities Engineer

ORIGINAL

**EXECUTIVE SUMMARY**  
**SAHUARITA WATER COMPANY, L.L.C.**  
**DOCKET NO. W-03718A-07-0687**

On December 14, 2007, Sahuarita Water Company, L.L.C. ("SWC" or "Company"), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") to provide water service to additional areas within Pima County, Arizona. On May 2, 2008, SWC filed an amended application requesting an Opinion and Order: (1) transferring the CC&N currently held in the name of Rancho Sahuarita Water Company, L.L.C. to Sahuarita Water Company, L.L.C.; and (2) granting SWC an extension to the existing CC&N thereby authorizing SWC to provide water service to include additional areas within Pima County, Arizona.

SWC is an Arizona limited liability corporation, authorized by the ACC to provide water service within portions of Pima County, Arizona. By this application, SWC is seeking to extend its current approximate five (5) square mile CC&N to include an additional 5,322 acres (approximately seven (7) square miles in size) located southwest of the Company's existing CC&N.

Staff concludes that the existing SWC system has adequate production and storage capacity to serve the existing base of customers in the existing CC&N, and the described plant will provide the Company with sufficient capacity to serve the requested extension area. Staff further concludes that it is reasonable to assume that SWC will develop additional capacity as needed to meet future growth in the requested extension area.

Staff concludes that the Company's estimates of the initial five year period expenditures of \$16,533,375 to \$21,750,875 (w-25% contingencies) are reasonable and appropriate for this project. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for future rate making or rate base purposes.

Staff recommends that the Commission approve the SWC's request to transfer its CC&N from Rancho Sahuarita Water Company, L.L.C. to Sahuarita Water Company, L.L.C., and for an extension of its Certificate of Convenience and Necessity in portions of Pima County to provide water service, subject to compliance with the following conditions:

1. To require the SWC to charge its existing rates and charges in the proposed extension area.
2. To require SWC to docket as a compliance item in this case within three (3) years of the effective date of an order in this proceeding copies of the Approval to Construct for well(s), storage tank(s), booster pump station(s) and distribution system that will be needed to serve the initial subdivision in the requested extension area.

3. That the Company docket, as a compliance item in this case, within two years of the effective date of the order granting the extension, documentation from ADWR stating that the Company's Designation of Assured Water Supply- has been modified to include this new extension area.
4. To require that off-site infrastructure for new connections be funded through hook-up fees and not off-site facilities agreements.

Staff further recommends that the Commission's decision granting this extension of its Certificate of Convenience and Necessity to the SWC be considered null and void after due process without further order from the Commission should SWC fail to meet conditions 2 and 3 within the time specified.

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**EXHIBIT**

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## **INTRODUCTION**

On December 14, 2007, Sahuarita Water Company, L.L.C. ("SWC" or "Company"), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") to provide water service to additional areas within Pima County, Arizona. On May 2, 2008, SWC filed an amended application requesting an Opinion and Order: (1) transferring the CC&N currently held in the name of Rancho Sahuarita Water Company, L.L.C. ("RSWC") to Sahuarita Water Company, L.L.C.; and (2) granting SWC an extension to the existing CC&N thereby authorizing SWC to provide water service to include additional areas within Pima County, Arizona. The amended application also deleted the request to extend its CC&N to include 112 acres to serve the Sahuarita Unified School District ("SUSD") as SWC had learned since filing the original application that SUSD facilities were located within the boundaries of SWC's existing CC&N.

On January 14, 2008, the ACC Utilities Division ("Staff") filed an Insufficiency Letter indicating that the Company's application did not meet the sufficiency requirements of the Arizona Administrative Code ("A.A.C.") R14-2-402. Staff sent additional data requests to the Company on January 31, 2008. On March 13, 2008, the Company filed its response to the first sufficiency letter. On April 9, 2008, Staff filed a Second Insufficiency Letter listing additional deficiencies to be cured for administrative purposes. On April 25, 2008, the Company filed its response providing additional information to address the deficiencies. On May 27, 2008, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

On May 30, 2008, a Procedural Order was issued setting the matter for hearing on August 7, 2008.

## **BACKGROUND**

SWC is an Arizona limited liability company and is in good standing with the Commission's Corporations Division. On December 20, 1995, in Decision No. 59431, the Commission granted Interchange Water Company ("IWC"), an Arizona corporation, a CC&N to provide water service within portions of Pima County. The water service area therein certificated included the then contemplated master-planned community of Rancho Sahuarita, which has since become a reality. On November 2, 1999, in Decision No. 62032, the Commission authorized RSWC, an Arizona limited liability Company, to acquire the water system assets and then existing CC&N of IWC.

On October 15, and October 18, 2007, respectively, RSWC filed Articles of Amendment with the Commission's Corporations Division for Rancho Sahuarita Water Company, L.L.C. in which RSWC indicated that Mission Peaks 4000, LLC ("Mission Peaks 4000"), a Nevada limited liability company, had acquired a 20 percent or greater membership interest in RSWC and that its name was being changed to Sahuarita Water Company, L.L.C. SWC currently serves

approximately a five square mile area with approximately 4,250 customers located in the Rancho Sahuarita and Rancho Resort residential communities.

By this application and amended application, SWC is seeking to extend its current CC&N to include an additional 5,322 acres (approximately seven square miles in size) to provide water service to approximately 20,300 additional customers. The requested extension area is located southwest of the Company's existing CC&N near the Town of Sahuarita in southwest Pima County and is non-contiguous to the existing service area. The Company estimates that 2,2045,696 new residential customers will be served in the requested area by the end of the fifth year, as well as 150,000 square feet of commercial space and a new elementary school. Exhibit 1 is the legal description and map of the proposed extension area.

### **THE NAME/OWNERSHIP CHANGE**

The change in name from RSWC to SWC was occasioned by requests for water service which RSWC had received from several owners of real property near to the exterior boundaries of its existing CC&N. Each of the three entities requesting service are located outside of the boundaries of the Rancho Sahuarita master-planned community but within the general vicinity of the Town of Sahuarita, and the owners of ~~Sahuarita Water~~ RSWC thus concluded the name change would be appropriate to reflect a more regional presence.

RSWC was initially owned by Sharpe & Associates, Inc. and Interchange Opportunity Fund, L.L.L.P. As indicated above, Mission Peaks 4000, L.L.C. acquired a share of the Company in 2007. With the filing of the Amended Articles of Organization and the name change, SWC's current ownership percentages are as follows: Sharpe & Associates, Inc., 2/3 percent (.667); Mission Peaks 4000, L.L.C., 33 1/3 percent (33.333), and Interchange Opportunity Fund, L.L.L.P., 66 percent (66.00). Both limited liability companies are in good standing with the ACC Corporations Division. Interchange Opportunity Fund, a limited liability limited partnership, is filed and up-to-date with the Arizona Secretary of State's Office; and the agent/owners listed are David S. Cutler, CPA, and Sharpe & Associates, Inc.

In response to Staff's inquiry regarding any organizational and managerial structure changes resulted from the name change and/or ownership change, SWC advised that the organizational structure of SWC changed only in the sense that Mission Peaks 4000, L.L.C. acquired a minority membership interest. SWC further advised that the managerial structure did not change and that Sharpe and Associates, Inc. continued to be the Manager of SWC. Staff also inquired if Mission Peaks, L.L.C. had any previous experience operating a water or wastewater company and was advised that it did not and that in its status as a minority member, Mission Peaks, L.L.C. would not be directly involved in the day-to-day operations of SWC.

Mission Peaks 4000, L.L.C., a Nevada limited liability company, is in good standing with the ACC Corporations Division and is owned by American Nevada Company, L.L.C., Rancho Maria Colorado, L.L.C., ANC Arizona I, L.L.C., and Tucson 4000, L.L.C. American Nevada Company, L.L.C. is the managing partner for Mission Peaks, L.L.C. and was formed in 1974 as

the real estate development arm of the Greenspun group of companies. America Nevada's community developments are touted to be the most recognized in the Las Vegas valley setting high standards for land use, architectural design and engineering. American Nevada Company, L.L.C. is also in good standing with the ACC Corporations Division.

## **REQUESTS FOR SERVICE**

SWC has received requests for services from Mission Peaks 4000, L.L.C. (part owner of SWC), Sahuarita Mission Partners, an Arizona general partnership, and the Arizona State Land Department.

The Mission Peaks 4000 development covers 4,228 acres that it owns and anticipates serving 15,000 residences. SWC indicates that this development, which will be referred to as Mission Peaks Master-Planned Community ("Mission Peaks"), will consist of: (1) 11,123 single-family units; (2) 2,371 active-adult units; (3) 1,506 multi-family units; and (4) an additional 1.1 million square feet of non-residential use, which will include commercial developments, recreation centers, places of worship, and a police and fire station. In addition, current plans contemplate one (1) high school, one (1) middle school, and two (2) elementary schools.

The Sahuarita Mission development covers 471 acres that it owns and anticipates serving 3,000 single-family residences. The Arizona Land Department currently contemplates a buildout density of 2,300 single-family units for the 634 acres that it owns.

SWC anticipates that development in the proposed CC&N extension area will occur in multiple phases over a thirty (30) year period of time. The applicant indicates that the overall development pattern projected for the entire proposed CC&N extension area will be conducted in three phases starting with the Mission Peaks 4000 development. This development will also be divided into three phases, the first of which is not anticipated to be completed until 2014.

During Staff's review, it was noted that none of the requested extension areas were contiguous to SWC's current CC&N, but that some of the extension area was contiguous to Las Quintas Serenas Water Company ("Las Quintas"). Staff asked SWC if any of the entities requesting service had contacted Las Quintas about providing water. The Company advised that the only entity requesting service from SWC whose property boundary was adjacent to Las Quintas was Mission Peaks. It was the Company's understanding that Mission Peaks spoke with the majority owner of Las Quintas approximately two years ago regarding the possibility of receiving water service, but that such contact did not result in any subsequent substantive discussions. Although it's not a current requirement of water companies, Staff asked if SWC had notified Las Quintas that SWC was requesting to serve the area. SWC responded that it did not notify Las Quintas itself. However, the prospect of SWC being the water provider to Mission Peaks and the other properties has been a matter of common knowledge in the Sahuarita/Green Valley area for more than a year, and it has been the subject of a number of newspaper articles discussing the proposed Mission Peaks development. Through its own

research, Staff did find multiple articles about the Mission Peaks development and the provision of water by SWC. Additionally, no other utility companies or individuals have filed to intervene in this docket.

## **FINANCE OF FACILITIES**

The Company indicates that SWC will initially finance the required transmission and distribution facilities using a combination of funds in the form of main line extension agreements ("MXAs") and off-site facilities agreements (Advances in Aid of Construction ("AIAC") and Contributions in Aid of Construction ("CIAC")) with master developer(s) and/or subdivision developer(s) approved by the Commission's Utility Division and common equity. The Company indicates the reason that it will initially utilize MXA's and off-site facilities agreements for funding was due to the size of the project and the fact that no infrastructure currently exists within the CC&N extension area. The Company further indicates that once customers begin taking service, the Company will utilize hook-up fees as the main source of funding. The Company feels it is conceivable that at some point in the buildout of the existing CC&N and CC&N extension areas, SWC might conclude that it also would be appropriate to finance a portion of the water system capacity with long-term debt. At that point, SWC would seek and obtain Commission authorization before incurring any long-term debt. The Company further advised that depending on its financial situation at the time, SWC might consider common equity as a means of financing a portion of the overall transmission system.

In Decision No. 62032 (November 2, 1999), the Commission authorized the Company an Off-site Facilities Hook-up Fee Tariff. The tariff requires SWC to obtain a hook-up fee CIAC determined by meter size and number of connections. The amount collected is to be deposited into a trust account and used to finance the construction of off-site facilities. The hook-up fee tariff states that its purpose is "to equitably apportion the costs of off-site water facility development to serve the Company's Service Area among all new service connections in that area." It is Staff's position that a company cannot use a combination of off-site service agreements and hook-up fees for new infrastructure. In other words, once a company has an approved hook-up fee, that would be the method of funding new off-site infrastructure requirements for new connections in addition to investment by the Company if needed. Thus, Staff recommends that off-site infrastructure for new connections be funded through hook-up fees and not off-site facilities agreements.

## **THE WATER SYSTEM**

Staff's Engineering Report which is attached as Exhibit 2 describes the existing and proposed water system in detail. ~~The Company has one drinking water well with a production capacity of 1,620 gallons per minute ("GPM").~~ The Company currently has two (2) drinking water wells available to it to serve the existing base of customers in its existing CC&N. One well is owned by the Company and it has a production capacity of 1,600 GPM. The second well is owned by The Town of Sahuarita, and it is leased to the Company under a 99-year lease agreement. This well has a production capacity of 1,620 GPM. In addition, the Company owns

three storage tanks with combined capacity of 2,550,000 gallons, and five pressure tanks which serve the existing CC&N. ~~Although the Company does not own the production well, the Company holds a 99 year lease agreement from the Town of Sahuarita who does own the well.~~ Staff concludes that the existing SWC system has adequate production and storage capacity to serve the existing base of customers in the existing CC&N.

To serve the requested extension area the Company proposes to install, within the initial five years of construction activity, new plant items including, but not limited to: (1) ~~one~~ two new 1,500 GPM wells; (2) three 600,000 gallon storage tanks in two (2) forebays and the 3420 Zone and a 900,000 gallon storage tank in the 3570 Zone; (3) one 2,500 GPM booster station; (4) one 1,700 GPM booster station; (5) one 2,300 GPM booster station; and (6) one 3,300 GPM booster station and transmission mains.

In response to Staff data requests, the Company submitted an ~~Engineer's Report and Infrastructure Analysis~~ Opinion of Probable Construction Costs ("OPCC") prepared by Westland Resources, Inc., that included a description of the proposed new water system and estimated plant costs for the next five years (a summary of which is in Exhibit 2) that totaled \$16,533,37521,750,875 (w-25% contingencies). ~~The Company does not expect to provide service in the requested extension area until 2010~~late 2009.

Staff concludes that the plant items listed above will provide the Company with sufficient capacity to serve the requested extension area. Staff further concludes that it is reasonable to assume that SWC will develop additional capacity as needed to meet future growth in the requested extension area.

Staff concludes that the Company's estimates of the initial five year period of construction expenditures of \$16,533,37521,750,875 (w-25% contingencies) are reasonable and appropriate for this project. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for future rate making or rate base purposes.

**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ")  
COMPLIANCE**

*Compliance Status*

ADEQ regulates the water system under ADEQ Public Water System I.D. No. 10-312. ADEQ reported that it has determined that SWC is in compliance with ADEQ requirements and is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.<sup>1</sup>

<sup>1</sup> Compliance status reports received from ADEQ on May 30, 2008.

*Certificate of Approval to Construct*

The Company has not submitted ADEQ or other authorized agency-issued permits, either Certificates of Approval to Construct ("ATC") or Certificates of Approval of Construction ("AOC"), for the plant items needed to serve the requested extension area. Staff recommends that the Company docket as a compliance item in this case within three years of the effective date of an Order in this proceeding copies of the ATCs for well(s), storage tank(s), booster pump station(s) and distribution system that will be needed to serve the initial subdivision in the requested extension area.

**ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE**

*Compliance Status*

SWC is located in the Tucson Active Management Area ("AMA"), as designated by ADWR. Staff received an ADWR compliance status report on June 23, 2008, and ADWR reported that it has determined that SWC is currently in compliance with departmental requirements governing water providers and/or community water systems.

*Designation of Assured Water Supply ("DAWS")*

In its application, SWC indicates that it currently has a Designation of Assured Water Supply from ADWR of 4,700 annual acre feet, and it submitted an application to ADWR on November 23, 2007, to modify the Designation of Assured Water Supply, by way of an increase, to reflect its ability to fully provide the projected water demand at buildout in both the existing and proposed CC&N extension areas for the statutorily-prescribed 100 years. Accompanying that request was an Assured Water Supply Hydrology Report for SWC that was prepared by Brown and Caldwell, an engineering and hydrology consultant firm. SWC received an insufficiency administrative completeness review letter from ADWR on April 1, 2008 dated March 27, 2008, and a response to the insufficiency ADWR's letter was sent to ADWR by SWC on July 7, 2008. SWC asserts the hydrology analysis in the above-referenced report demonstrates the physical availability of 10,983 acre feet of local groundwater for both the existing CC&N and the proposed CC&N extension areas of SWC at buildout for the requisite 100 year period.

Staff recommends that the Company docket, as a compliance item in this case, within two years of the effective date of the order granting the extension, documentation from ADWR stating that the Company's DAWS has been modified to include this new extension area.

**ACC COMPLIANCE**

According to the Utilities Division Compliance Section, the Company has no delinquent ACC compliance item.

## **WASTEWATER PROVIDER**

According to the Company, wastewater service in the requested extension area will be provided by either Pima County Wastewater Management or the Town of Sahuarita. The Company advised that a determination had not yet been made between those two (2) jurisdictional entities as to which would be the provider of wastewater services.

## **CURTAILMENT PLAN TARIFF AND CROSS CONNECTION TARIFF**

In Decision No. 65464, (December 19, 2002) the Commission approved a Curtailment Plan Tariff for SWC. SWC also has a Cross Connection Tariff in place.

## **PROPOSED RATES**

SWC has proposed to extend service to the extension property at its tariffed rates.

## **CITY OR COUNTY FRANCHISE/PERMIT**

The Town of Sahuarita does not issue franchises. A permit is obtained from the Town each time a project enters into the property, roads, or alley ways of Sahuarita. All extensions of the SWC's facilities under the proposed CC&N extension would occur within unincorporated areas of Pima County. SWC currently has a Public Utility License Agreement between Pima County and SWC that pertains to SWC's use of public rights-of-way within the municipal boundaries.

## **RECOMMENDATIONS**

Staff recommends that the Commission approve SWC's request to transfer its CC&N from Rancho Sahuarita Water Company, L.L.C. to Sahuarita Water Company, L.L.C., and for an extension of its Certificate of Convenience and Necessity in a portion of Pima County to provide water service as requested in the Application and Amended Application, subject to compliance with the following conditions:

1. To require the SWC to charge its existing rates and charges in the proposed extension area.
2. To require SWC to docket as a compliance item in this case within three years of the effective date of an order in this proceeding copies of the Approval to Construct for well(s), storage tank(s), booster pump station(s) and distribution system that will be needed to serve the initial subdivision in the requested extension area.
3. That the Company docket, as a compliance item in this case, within two years of the effective date of the order granting the extension, documentation from ADWR

stating that the Company's DAWS has been modified to include this new extension area.

4. To require that off-site infrastructure for new connections be funded through hook-up fees and not off-site facilities agreements.

Staff further recommends that the Commission's decision granting this extension of its Certificate of Convenience and Necessity to the SWC be considered null and void after due process without further order from the Commission should SWC fail to meet conditions 2 and 3 within the time specified.

ORIGINAL

**MEMORANDUM**

DATE June 26, 2008

TO: Vicki Wallace, Chief  
Consumer Services & Special Projects

FROM: Dorothy Hains, P. E.  
Utilities Engineer

RE: **WATER CC&N EXTENSION FOR SAHUARITA WATER COMPANY,  
LLC.  
DOCKET NOS. W-03718A-07-0687**

---

**I. Introduction**

Sahuarita Water Company, LLC. ("Sahuarita" or "Company") has submitted a Certificate of Convenience and Necessity ("CC&N") extension application to the Arizona Corporation Commission ("ACC") to provide water services near the Town of Sahuarita ("Town") in southwest Pima County. The Company currently serves approximately a five square mile service area. The Company has an existing customer base of approximately 4,250 customers. The requested extension area, which is non-contiguous to the existing service area, is approximately seven square miles in size. The requested extension area is located southwest of the Company's existing CC&N. If this application is approved, the Company estimates that it will be serving 2,2045,696 new residential customers in the extension area within by the end of five years, as well as 150,000 square feet of commercial space and a new elementary school.

**II. Analysis of Water Systems**Existing System

~~The Company operates a water system that consists of one drinking water well (having a production rate of 1,620 gallons per minute ("GPM"));~~ The Company currently has two (2) drinking water wells available to it to serve the existing base of customers in its existing CC&N. One well is owned by the Company and it has a production capacity of 1,600 GPM. The second well is owned by The Town of Sahuarita, and it is leased to the Company under a 99-year lease agreement. This well has a production capacity of 1,620 GPM. In addition, the Company owns three storage tanks (having a combined capacity of 2,550,000 gallons); and five pressure tanks which serve the existing CC&N. ~~Although the Company does not own the production well, the Company holds a 99 year lease agreement from the Town who owns the well.~~ The existing Sahuarita system has adequate production and storage capacity to serve the existing base of customers in the existing CC&N.

Proposed System

To serve the requested extension area ~~within the next five years~~, the Company proposes to install, within the initial five years of construction activity, new plant items including but not limited to (1) ~~one~~ two new 1,500 GPM wells, (2) three 600,000 gallon storage tanks in two (2) forebays and the 3420 Zone and a 900,000 gallon storage tank in the 3570 Zone, (3) one 2,500 GPM booster station, (4) one 1,700 GPM booster station, (5) one 2,300 GPM booster station, (6) one 3,300 GPM booster station and transmission mains. The Company does not expect to provide service in the requested extension area until ~~late 2010~~ 2010.

Estimated Cost of the Proposed System

In response to Staff data requests, the Company submitted an ~~Engineer's Report and Infrastructure Analysis~~ Opinion of Probable Construction Costs ("OPCC") prepared by Westland Resources, Inc. The ~~report~~ OPCC included a description of the proposed new water system and estimated plant costs which totaled \$~~16,533,375~~21,750,875 (w-25% contingencies).

The summary of the infrastructure pipelines and their estimated costs for the first five years of expenditures are as follows:

Year		Quantity	Unit Price (\$/unit)	Amount (\$)
2008	No Activity			0
2009	No Activity			0
2010	New 1,500 GPM well	1 unit	1,100,000	1,100,000
	600,000 gallon forebay reservoir	1 unit	600,000	600,000
	24-inch DIP water main	7,200 (in feet)	175	900,000
	16-inch DIP water main	14,400 (in feet)	120	1,728,000
	12-inch PVC main	3,000 (in feet)	80	240,000
	2,500 GPM booster pump station	1 unit	525,000	525,000
	1,700 GPM booster pump station	1 unit	425,000	425,000
	2,300 GPM booster pump station	1 unit	525,000	525,000
	16-inch PVC water main	2,160 (in feet)	120	259,200
	12-inch PVC water main	8,400 (in feet)	80	672,000
	24-inch DIP main	4,700 (in feet)	175	822,500
	25% Engineering, Contingencies, Inspection & Permits			1,949,175
	<b>Subtotal</b>			<b>9,745,875</b>
2011	600,000 gallon reservoir	1 unit	600,000	600,000
	3,300 GPM booster pump station	1 unit	600,000	600,000
	12-inch PVC water main	27,000 (in feet)	80	1,584,000
	24-inch DIP main	8,400 (in feet)	175	1,470,000
	25% Engineering, Contingencies, Inspection & Permits			1,207,500
	<b>Subtotal</b>			<b>6,037,500</b>

2012	600,000 gallon forebay reservoir	1 unit	600,000	600,000
	25% Engineering, Contingencies, Inspection & Permits			150,000
	<b>Subtotal</b>			<b>750,000</b>
	<b>Total</b>			<b>16,533,375</b>
2013	New 1,500 GPM well	1 unit	1,100,000	1,100,000
	16-inch PVC main	2,900 (in feet)	120	348,000
	24-inch DIP water main	3,600 (in feet)	175	630,000
	16-inch DIP water main	6,000 (in feet)	120	720,000
	900,000 gallon reservoir	1 unit	800,000	800,000
	25% Engineering, Contingencies, Inspection & Permits			899,500
	<b>Subtotal</b>			<b>4,497,500</b>
2014	12-inch PVC water main	7,200 (in feet)	80	576,000
	25% Engineering, Contingencies, Inspection & Permits			144,000
	<b>Subtotal</b>			<b>720,000</b>
	<b>Total</b>			<b>21,750,875</b>

Staff concludes that the estimated costs listed above are reasonable. However, no “used and useful” determination of the proposed plant was made, and no conclusions should be inferred for rate making or rate base purposes.

### III. Arizona Department of Environmental Quality (“ADEQ”) Compliance

#### Compliance Status

ADEQ regulates the water system under ADEQ Public Water System I.D. #10-312. ADEQ reported that it has determined that Sahuarita is in compliance with ADEQ requirements and is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.<sup>1</sup>

#### Certificate of Approval to Construct

The Company has not submitted ADEQ or other authorized agencies issued permits, either Certificates of Approval to Construct (“ATC”) or Certificates of Approval of Construction (“AOC”) for the plant items needed to serve the requested extension area. Staff recommends that the Company docket, as a compliance item in this case, within three years of the effective date of the Order copies of the ATCs for well(s), storage tank(s), booster pump

<sup>1</sup> Compliance status reports received from ADEQ on May 30, 2008.

station(s) and distribution system that will be needed to serve the initial subdivision in the requested extension area.

#### **IV. Arizona Department of Water Resources (“ADWR”) Compliance**

##### Compliance Status

Sahuarita is located in the Tucson Active Management Area (“AMA”), as designated by ADWR. Staff received an ADWR compliance status report on June 23, 2008, ADWR reported that it has determined that Sahuarita Water Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

##### Designation of Assured Water Supply (“DAWS”)

Staff recommends that the Company docket, as a compliance item in this case, within two years of the effective date of the order granting the extension, documentation from ADWR stating that the Company’s DAWS has been modified to include this new extension area.

#### **V. ACC Compliance**

According to the Utilities Division Compliance Section, the Company has no delinquent ACC compliance items.

#### **VI. Curtailment Tariff**

The Company has an approved curtailment tariff.

#### **VII. Wastewater Provider**

According to the Company wastewater service in the requested extension area will be provided by either Pima County Wastewater Management or the Town.

#### **VIII. Summary**

##### **I. Conclusions**

1. According to the Utilities Division Compliance Section, Sahuarita has no delinquent ACC compliance items.
2. Sahuarita is in compliance with ADEQ requirements and is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Sahuarita is currently in compliance with ADWR requirements governing water providers and/or community water systems.

4. Sahuarita is in ADWR Tucson AMA.
5. The existing Sahuarita system has adequate production and storage capacity to serve the existing base of customers in the existing CC&N. Staff concludes that the plant items listed above will provide the Company with sufficient capacity to serve the requested extension area. Staff further concludes that it is reasonable to assume that Sahuarita will develop additional capacity as needed to meet future growth in the requested extension area.
6. The Company estimates that the total cost to install the water infrastructure to serve the requested area for the ~~next~~ first five years of construction activity is \$~~16,533,375~~21,750,875 (w-25% contingencies). Staff concludes that the Company's estimates of the initial five year period of expenditures are reasonable and appropriate for this project. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for future rate making or rate base purposes.

## II. Recommendations

1. Staff recommends that the Company docket, as a compliance item in this case, within ~~two~~three years of the Order copies of the Approval to Construct for wells), storage tank(s), booster pump station(s) and distribution system that will be needed to serve the initial subdivision in the requested extension area.
2. Staff recommends that the Company docket, as a compliance item in this case, within two years of the effective date of the order granting the extension, documentation from ADWR stating that the Company's DA WS has been modified to include this new extension area.

# **Appendix “B”**

**to**

**Applicant’s Response to  
July 17, 2008 Staff Report**

**Sahuarita Water Company, L.L.C.  
Docket No. W-03718A-07-0687  
July 31, 2008**

**LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW**

**P. O. Box 1448  
TUBAC, ARIZONA 85646**

**(520) 398-0411  
FAX: (520) 398-0412  
EMAIL: TUBACLAWYER@AOL.COM**

**ADMITTED TO PRACTICE IN:  
ARIZONA, COLORADO, MONTANA,  
NEVADA, TEXAS, WYOMING,  
DISTRICT OF COLUMBIA**

**OF COUNSEL TO  
MUNGER CHADWICK, P.L.C.**

April 25, 2008

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

Re: Sahuarita Water Company, L.L.C. – Application for Extension of  
its Certificate of Convenience and Necessity (“CC&N”)  
Docket No. W-03718A-07-0687

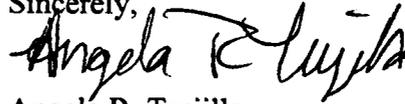
To Whom It May Concern:

Enclosed for filing in the above-referenced docket are fourteen (14) copies of Sahuarita Water Company, L.L.C.’s Response to the ACC Staff’s April 9, 2008 Insufficiency Letter #2 (“Response”). The original is being mailed to Vicki Wallace.

Also enclosed are two (2) additional copies of the aforesaid Response. I would appreciate it if you would “filed” stamp the same and return them to me in the enclosed stamped and addressed envelope.

Thank you for your assistance. Please advise me if you have any questions.

Sincerely,



Angela R. Trujillo  
Secretary

Lawrence V. Robertson, Jr.

**LAWRENCE V. ROBERTSON, JR.**  
**ATTORNEY AT LAW**

P. O. Box 1448  
TUBAC, ARIZONA 85646

(520) 398-0411  
FAX: (520) 398-0412  
EMAIL: TUBACLAWYER@AOL.COM

OF COUNSEL TO  
MUNGER CHADWICK, P.L.C.

RECEIVED

2008 APR 29 A 9:34

ADMITTED TO PRACTICE IN:  
ARIZONA, COLORADO, MONTANA,  
NEVADA, TEXAS, WYOMING,  
DISTRICT OF COLUMBIA  
AZ CORP. DOCKET CONTROL

April 25, 2008

Vicki Wallace  
Chief, Consumer Services & Special Projects  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Re: Sahuarita Water Company, L.L.C. – Application for Extension of its Certificate of Convenience and Necessity (“CC&N”) Docket No. W-03718A-07-0687

**INSUFFICIENCY LETTER #2**

Dear Ms. Wallace:

This letter and the enclosed documents are in response to your April 9, 2008 Insufficiency Letter #2 regarding the above-referenced matter. I will respond to each of the three (3) requests set forth in your letter in the same sequence in which they appear.

With reference to Item #1, Sahuarita Water Company will file an Amended Application in the above-referenced docket within the next 10-14 days which is responsive to this request.

With reference to Item #2, attached as Appendix “A” is a copy of the October 2, 2007 Public Utility License Agreement between Pima County and Sahuarita Water Company which pertains to the water company’s use of public rights-of-way within unincorporated areas of Pima County. Attached as Appendix “B” is a copy of a April 1, 2008 Consent to Assignment of Pima County Public Utility License Agreement, wherein Pima County has consented to the assignment of the aforesaid license agreement from Rancho Sahuarita Water Company, L.L.C. to Sahuarita Water Company, L.L.C. The Town of Sahuarita does not issue franchises. Rather, its authorization for utility occupancy of public rights-of-way within the municipal boundaries is embodied within individual permits which are job-specific to the installation of facilities in question. In that regard, with the exception of that water service which is proposed to be provided to Sahuarita Unified School District’s (“SUSD”) facilities within the Town of Sahuarita, all further extensions of the water company’s facilities under the proposed CC&N extension would occur within unincorporated areas of Pima County; and, if the provision of

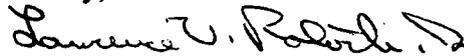
Ms. Vicky Wallace  
April 25, 2008  
Page 2 of 2

water service to SUSD's aforesaid facilities did entail any use of the public rights-of-way, a permit authorizing the same would be obtained from the Town of Sahuarita.

With reference to Item #3, it is currently anticipated that construction of the company's water system facilities in the proposed CC&N extension area will begin in 2010. With the exception of the filing of the Amended Application, I believe that this letter and the attached documents are responsive to your April 9, 2008 Insufficiency Letter #2.

Thank you for your assistance. Please let me know if you have any questions.

Sincerely,



Lawrence V. Robertson, Jr.

CC: Docket Control  
Del Smith  
Dorothy Hains  
Barbara Wells  
Lyn Farmer  
Robin Mitchell

# **Appendix “C”**

**to**

**Applicant’s Response to  
July 17, 2008 Staff Report**

Sahuarita Water Company, L.L.C.  
Docket No. W-03718A-07-0687  
July 31, 2008

March 13, 2008

Vickie Wallace  
Chief, Consumer Services & Special Projects  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Re: Sahuarita Water Company, L.L.C.  
CC&N Extension Application  
Docket No. W-03718A-07-0687

Dear Ms. Wallace:

This letter and the enclosed information are in response to your January 14, 2008 Insufficiency Letter to me, and are also a follow-up to the January 30, 2008 meeting at the Commission's offices in Phoenix among representatives of the Commission's Staff and Sahuarita Water Company, L.L.C. ("SWC") discussing the Insufficiency Letter. For your convenience, the information discussed below and the enclosed information are organized using the same numbering sequence set forth in your January 14, 2008 letter.

Item No. 1

Enclosed are copies of the following information, as prepared and provided to me by WestLand Resources, Inc. ("WestLand").

- 1) A map which depicts the contemplated water utility system infrastructure which will be constructed in SWC's proposed CC&N extension area during the first five (5) years of system development in that area. As representatives of SWC indicated during the January 30, 2008 meeting, because of the development timeline associated with the Mission Peaks project, there will not be any water system construction and associated customer growth during 2008 and 2009. Accordingly, 2010 represents the first year in the "preliminary construction plan for the next five years" which you have requested, and 2014 represents the fifth year.

- 2) An Opinion of Probable Construction Cost ("OPCC") for the first five (5) years of actual construction activity. As you will note, the OPCC is organized into the following information categories for calendar years 2010 through 2014: (i) Item Description; (ii) Unit; (iii) Quantity; (iv) Unit Price; (v) Amount and (vi) Remarks. In that regard, page 7 of 7 indicates that the total currently estimated cost of facilities for the first five (5) years of construction is \$21,750,875.
- 3) A projection of water customer additions by year and class of service or category of use during the first five (5) years of customer additions in the extended CC&N area. As you will note, and consistent with subparagraph 1) above, no new customer growth is projected to occur within the proposed CC&N area during 2008 and 2009. In addition, as indicated during the January 30, 2008 meeting, no new school customer additions are shown for the proposed CC&N extension area until 2014, because the Sahuarita Unified School District ("SUSD") facilities which are to be immediately connected to SWC's existing system are already located in SWC's existing CC&N. Accordingly, the Application filed on December 14, 2007 will be amended shortly to request that SUSD's acreage within The Town of Sahuarita be deleted from SWC's proposed CC&N Extension.
- 4) A color-coded map which depicts in three (3) phases the development pattern which is projected for the Mission Peaks project.
- 5) A color-coded map which depicts in three (3) phases the overall development pattern which is projected for the entire proposed CC&N extension area, which includes (i) Mission Peaks, (ii) Sahuarita Mission and (iii) Arizona State Land Department acreage.

Item No. 2

Based upon our understanding of the results of the January 30, 2008 meeting, SWC believes that the information enclosed in connection with subparagraph 3) of Item No. 1 is responsive to your Item No. 2 request. If not, please let me know, and in what manner it is not responsive.

Item No. 3

Based upon our understanding of the results of the January 30, 2008 meeting, SWC believes that the information enclosed in connection with subparagraph 2) of Item No. 1 is responsive to your Item No. 3 request. If not, please let me know, and in what manner it is not responsive.

Item No. 4

Enclosed are copies of a January 7, 2008 letter from Mark Seamans (SWC's General Manager) to Dorothy Hains, and a January 16, 2008 letter (with attachments) from Mark Seamans to me which should provide the information you seek in connection with SWC's plan to deal with such arsenic concentration as may exist in its production wells. In the event you find that the combined information set forth in these two letters (and attachments) upon that subject is not sufficient for your purposes, please let me know. However, based upon the discussion which occurred at the January 30, 2008 meeting, SWC believes that it is responsive to the Insufficiency Letter request.

Item No. 5

Enclosed is a copy of the July 23, 2001 Well Site Lease Agreement between The Town of Sahuarita and SWC (formerly known as Rancho Sahuarita Water Company, L.L.C.). As Mark Seamans explained during the January 30, 2008 meeting, SWC is in the process of developing a new production well which will substantially reduce its need for the well (#14) which is the subject of the Well Site Lease as a source of supply for SWC's future water system operations.

Item No. 6

Page 2 of the aforesaid enclosed copy of Mark Seamans' January 16, 2008 letter to me contains information which is intended to be responsive to this specific information request. This subject was also discussed during the January 30, 2008 meeting. Accordingly, SWC believes that this enclosure and the discussion which occurred at the aforesaid meeting should be responsive. However, if you should conclude you need further information, please let me know.

Item No. 7

Either Pima County Wastewater Management or The Town of Sahuarita will be providing wastewater services in the proposed CC&N extension areas. A determination has not as yet been made between those two (2) jurisdictional entities as to which will be the provider of wastewater services.

Item No. 8

It is SWC's understanding that (i) on February 15, 2008, Kristen Whatley of WestLand emailed revised legal descriptions for the proposed CC&N extension area to Barbara Wells of the Utilities Division Staff, and (ii) on March 3, 2008, Barbara Wells advised Kristen Whatley by email that the revised legal description was "...perfect and can be filed as an amended legal description" for the Mission Peaks and Arizona State Land Department acreage, respectively, within the proposed CC&N extension area. Accordingly, enclosed are the revised legal descriptions for the aforesaid acreage, together with the aforesaid email exchanges between Kristen Whatley and Barbara Wells. In that regard, as indicated in Kristen Whatley's February

Ms. Vickie Wallace  
March 13, 2008  
Page 4 of 4

15, 2008 email to Barbara Wells, apparently the legal description for the Sahuarita Mission portion of the proposed CC&N extension did not require any revision.

SWC and I believe that the foregoing discussion and the enclosed information should be fully responsive to the requests set forth in your January 14, 2008 Insufficiency Letter. If it is not, or if you have any questions, please let me know. Within the next two to three weeks, I will be filing an amendment to the December 14, 2007 Application, which will (i) delete SUSD's acreage within The Town of Sahuarita from the proposed CC&N extension, and (ii) request that the existing CC&N be reissued to SWC in order to reflect the recent change in name from Rancho Sahuarita Water Company, L.L.C. to Sahuarita Water Company, L.L.C.

Sincerely,

Lawrence V. Robertson, Jr.

cc: Docket Control  
Del Smith  
Dorothy Hains  
Barbara Wells  
Robin Mitchell  
Lyn Farmer  
WestLand Resources  
Sahuarita Water Company

# **Appendix “D”**

**to**

**Applicant’s Response to  
July 17, 2008 Staff Report**

Sahuarita Water Company, L.L.C.  
Docket No. W-03718A-07-0687  
July 31, 2008

**OPINION OF PROBABLE CONSTRUCTION COST**

**Project Name:** Sahuarita Water Company CC&N Expansion

**Project No.:** 217.132 A 8000

**Location:** Sections 16,19, 20, 21, and 30, Township 17 South, Range 13 East,  
Section 13, Township 17 South, Range 12 East

**Description:** Water System Infrastructure Requirements – 1<sup>st</sup> 5 years

**Prepared by:** KLLW

**Date:** 2/15/08

**Checked by:** MFT

**Date:** 2/15/08

**Client:** Sahuarita Water Company, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	2008 – No growth				\$0	
	2009 – No growth				\$0	
	Year 1 (2010)					
1	24-inch 3150 Zone water main (DIP)	LF	7,200	\$175	\$900,000	Includes valving, air releases, fittings, and corrosion protection. From 3150 Zone Booster to Helmet Peak Rd.
2	16-inch 3150 Zone water main	LF	14,400	\$120	\$1,728,000	Includes valving, air releases, fittings, and corrosion protection. From Helmet Peak Rd. to forebay reservoir.
3	0.6 MG forebay reservoir	LS	1	\$600,000	\$600,000	Located in Mission Peaks, Assumes 2,250 gpm fire flow requirement for 3270 Zone Phase I. Cost includes site work, block wall and piping.
4	2,500 gpm 3150 Zone Booster Station (Phase 1)	LS	1	\$525,000	\$525,000	Located at existing 2850 Zone reservoir site. Cost includes electrical and telemetry.
5	New 1,500-gpm well	LS	1	\$1,100,000	\$1,100,000	Well 24B drilling and equipping, site work, block wall, and piping. Assumes rotary drilling. Assumes no water treatment necessary.
6	12-inch well transmission main	LF	3,000	\$80	\$240,000	Well collection main from Well 24B to 2850 Zone Reservoir site.

**OPINION OF PROBABLE CONSTRUCTION COST**

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
7	1,700 gpm 3270 Zone Booster Station	LS	1	\$425,000	\$425,000	Located at forebay reservoir site. Assumes 1,000 gpm fire flow requirement for 3270 Zone. Cost includes electrical, telemetry, and portable back-up generator.

**OPINION OF PROBABLE CONSTRUCTION COST**

8	2,300 gpm 3420 Zone Booster Station	LS	1	\$525,000	\$525,000	Located at forebay reservoir site. Assumes 1,750 gpm fire flow requirement for 3420 Zone. Cost includes electrical and telemetry.
9	16-inch 3270 Zone water main	LF	2,160	\$120	\$259,200	Includes valving, air releases, and fittings. Spine Main only.
10	12-inch 3420 Zone water main	LF	8,400	\$80	\$672,000	Includes valving, air releases, and fittings. Spine Main only.
11	24-inch 3420 Zone water main (DIP)	LF	4,700	\$175	\$822,500	Includes valving, air releases, fittings, and corrosion protection. From 3420 Zone Booster to proposed 3420 Zone reservoir site.
	Subtotal				\$7,796,700	
	25% Engineering, Contingencies, Inspection & Permits				\$1,949,175	
	<b>Total Year 1</b>				<b>\$9,745,875</b>	Assumes no additional water treatment is necessary

Note: All costs exclude rock excavation, property and easement acquisition, and 3-phase electrical requirements. All costs in 2007 dollars.

**OPINION OF PROBABLE CONSTRUCTION COST**

**Project Name:** Sahuarita Water Company CC&N Expansion

**Project No.:** 217.132 A 8000

**Location:** Sections 16, 19, 20, 21, and 30, Township 17 South, Range 13 East,  
Section 13, Township 17 South, Range 12 East

**Description:** Water System Infrastructure Requirements – 1<sup>st</sup> 5 years

**Prepared by:** KLW **Date:** 2/15/08

**Checked by:** MFT **Date:** 2/15/08

**Client:** Sahuarita Water Company, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	<b>Year 2 (2011)</b>					
1	0.6 MG 3420 Zone Reservoir	LS	1	\$600,000	\$600,000	Located in Mission Peaks, Assumes 1,750 gpm fire flow requirement for 3420 Zone. Cost includes site work, block wall and piping.
2	3,300 gpm 3570 Zone Booster Station	LS	1	\$600,000	\$600,000	Located at 3420 Zone reservoir site. Assumes 2,250 gpm fire flow requirement for 3570 Zone. Cost includes electrical and telemetry.
2	12-inch 3570 Zone water main	LF	19,800	\$80	\$1,584,000	Includes valving, air releases, and fittings. Spine Main only.
3	24-inch 3420 Zone water main (DIP)	LF	8,400	\$175	\$1,470,000	Includes valving, air releases, fittings, and corrosion protection. From 3420 Zone Booster to proposed 3420 Zone reservoir site.
4	12-inch 3420 Zone water main	LF	7,200	\$80	\$576,000	Includes valving, air releases, and fittings. Spine Main only.
	Subtotal				\$4,830,000	
	25% Engineering, Contingencies, Inspection & Permits				\$1,207,500	
	<b>Total Year 2</b>				<b>\$6,037,500</b>	

Note: All costs exclude rock excavation, property and easement acquisition, and 3-phase electrical requirements. All costs in 2007 dollars.

**OPINION OF PROBABLE CONSTRUCTION COST**

**Project Name:** Sahuarita Water Company CC&N Expansion

**Project No.:** 217.132 A 8000

**Location:** Sections 16,19, 20, 21, and 30, Township 17 South, Range 13 East,  
Section 13, Township 17 South, Range 12 East

**Description:** Water System Infrastructure Requirements – 1<sup>st</sup> 5 years

**Prepared by:** KLW

**Date:** 2/15/08

**Checked by:** MFT

**Date:** 2/15/08

**Client:** Sahuarita Water Company, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	<b>Year 3 (2012)</b>					
1	0.6 MG Forebay reservoir	LS	1	\$600,000	\$600,000	Located in Mission Peaks, Assumes 2,250 gpm fire flow requirement for 3270 Zone. Cost includes site work, block wall and piping.
	25% Engineering, Contingencies, Inspection & Permits				\$150,000	
	<b>Total Year 3</b>				<b>\$750,000</b>	

Note: All costs exclude rock excavation, property and easement acquisition, and 3-phase electrical requirements. All costs in 2007 dollars.

**OPINION OF PROBABLE CONSTRUCTION COST**

**Project Name:** Sahuarita Water Company CC&N Expansion

**Project No.:** 217.132 A 8000

**Location:** Sections 16,19, 20, 21, and 30, Township 17 South, Range 13 East,  
Section 13, Township 17 South, Range 12 East

**Description:** Water System Infrastructure Requirements – 1<sup>st</sup> 5 years

**Prepared by:** KLW **Date:** 2/15/08

**Checked by:** MFT **Date:** 2/15/08

**Client:** Sahuarita Water Company, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
<b>Year 4 (2013)</b>						
1	New 1500-gpm well	LS	1	\$1,100,000	\$1,100,000	Includes site work, block wall, and onsite piping, Well No. 19R, assumes rotary drilling. Assumes no water treatment necessary.
2	16-inch well transmission main	LF	2,900	\$120	\$348,000	Well collection main from Well 19R to Well 21.
3	24-inch 3570 Zone water main	LF	3,600	\$175	\$630,000	Includes valving, air releases, and fittings. Spine Main only.
4	16-inch 3570 Zone water main	LF	6,000	\$120	\$720,000	Includes valving, air releases, and fittings. Spine Main only.
5	0.9 MG 3570 Zone Reservoir	LS	1	\$800,000	\$800,000	
	Subtotal				\$3,598,000	
	25% Engineering, Contingencies, Inspection & Permits				\$899,500	
	<b>Total Year 4</b>				<b>\$4,497,500</b>	Assumes no additional water treatment is necessary

**Note:** All costs exclude rock excavation, property and easement acquisition, and 3-phase electrical requirements. All costs in 2007 dollars.

**OPINION OF PROBABLE CONSTRUCTION COST**

**Project Name:** Sahuarita Water Company CC&N Expansion  
**Project No.:** 217.132 A 8000  
**Location:** Sections 16, 19, 20, 21, and 30, Township 17 South, Range 13 East, Section 13, Township 17 South, Range 12 East  
**Description:** Water System Infrastructure Requirements – 1<sup>st</sup> 5 years

**Prepared by:** KLLW  
**Checked by:** MFT  
**Date:** 2/15/08  
**Date:** 2/15/08

**Client:** Sahuarita Water Company, LLC

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	<b>Year 5 (2014)</b>					
1	12-inch 3570 Zone water main	LF	7,200	\$80	\$576,000	Includes valving, air releases, and fittings. Spine Main only.
	25% Engineering, Contingencies, Inspection & Permits				\$144,000	
	<b>Total Year 5</b>				<b>\$720,000</b>	
	<b>Total Cost 1<sup>st</sup> 5 years</b>				<b>\$21,750,875</b>	

Note: All costs exclude rock excavation, property and easement acquisition, and 3-phase electrical requirements. All costs in 2007 dollars.