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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION  
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2 COMMISSIONERS

- 3 MIKE GLEASON, Chairman
- 4 WILLIAM A. MUNDELL
- 5 JEFF HATCH-MILLER
- 6 KRISTIN K. MAYES
- 7 GARY PIERCE

6 IN THE MATTER OF THE APPLICATION OF SHEPARD WATER COMPANY, INC. FOR APPROVAL OF A PERMANENT RATE INCREASE.

DOCKET NO. W-01537A-07-0264

9 IN THE MATTER OF THE APPLICATION OF SHEPARD WATER COMPANY, INC. FOR APPROVAL OF A FINANCING APPLICATION.

DOCKET NO. W-01537A-07-0265

**STAFF'S RESPONSE TO COMPANY'S LATE-FILED EXHIBIT**

12 On May 1, 2007, Shepard Water Company, Inc. ("Shepard") filed with the Arizona Corporation Commission ("Commission") an application for approval of a permanent rate increase and an application for approval of financing for the purpose of funding arsenic remediation equipment.

16 On July 27, 2007, pursuant to A.A.C. R-14-2-103, Commission Utilities Division Staff ("Staff") issued a Notice of Sufficiency in the rate matter, classifying Shepard as a Class D utility.

18 On March 18, 2008, Commission Staff filed its Staff Report in this matter, recommending "that any new rates and charges approved in this proceeding not become effective until the first day of the month following the Company's filing of the updated ADEQ Compliance Status Report indicating that the Company has resolved the noted deficiencies."

22 On August 8, 2008, Staff received the updated ADEQ Compliance Status Report (Exhibit 1) indicating that the Company had no major deficiencies and is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

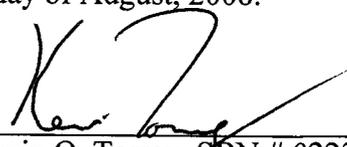
25 Staff believes that Shepard has resolved the deficiencies which led to its recommendation.

26 It is Staff's position that Shepard should now be granted permission to charge the new rates and charges Staff recommended in this proceeding.

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RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of August, 2008.



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Kevin O. Torrey, SBN # 022300  
Attorney, Legal Division  
Arizona Corporation Commission  
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Phoenix, AZ 85007  
(602) 542-3402

Original and fifteen (15) copies  
of the foregoing were filed this  
12<sup>th</sup> day of August, 2008 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85008

Copy of the foregoing mailed this  
12<sup>th</sup> day of August, 2008 to:

Wade Noble  
Shepard Water Company, Inc.  
10430 North Martinez Lake Road  
Martinez Lake, Arizona 85365  
Attorney for Shepard Water Company



# **EXHIBIT 1**

**Arizona Department of Environmental Quality**  
**Drinking Water Monitoring and Protection Unit**  
 Mail Code 5415B-2  
 1110 West Washington Street  
 Phoenix, AZ 85007

## Drinking Water Compliance Status Report

<b>System Name</b>	<b>System Type</b>	<b>Is system consecutive?</b>	
SHEPARD WATER CO INC	<input checked="" type="checkbox"/> Community	<input type="checkbox"/>	Yes, to PWS #
<b>System ID #</b>	Non-transient Non-community	<input type="checkbox"/>	
14014	Transient Non-community	<input checked="" type="checkbox"/>	No

<b>Overall compliance status</b>	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/>	Major deficiencies
<b>Monitoring and Reporting status</b>	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/>	Major deficiencies
Comments: None			

<b>Operation and Maintenance status</b>	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/>	Major deficiencies
<b>Date of last Sanitary Survey</b>	2/08/06	<b>Inspector</b>	Steve Devereaux, SRO
Major unresolved/ongoing operation and maintenance deficiencies:			
<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage		
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule		
<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> approval to construct/of construction		
<input type="checkbox"/> certified operator	<input type="checkbox"/> other		
Comments: None			

<b>Is an ADEQ administrative order in effect?</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Comments: None.				

System Information				
Population Served	222			
Service Connections	200			
Number of Entry Points to the Distribution System	1			
Number of Sources	1			
Initial Monitoring Year	1994			
Monitoring Assistance Program (MAP) System	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No

<b>Evaluation completed by</b>	Donna Calderon, Manager Drinking Water Monitoring and Protection Unit		
<b>Phone</b>	602-771-4641	<b>Date</b>	August 8, 2008
<input checked="" type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ <b>cannot determine</b> if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ <b>cannot determine</b> if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		

***This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.***