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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

DOCKETED

AUG 27 2008

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF PICACHO PEAK WATER CO., INC.,
FOR A RATE INCREASE

Docket No. W-02351A-07-0319

Docket No. W-02351A-07-0686

IN THE MATTER OF THE
APPLICATION OF PICACHO PEAK
WATER CO., INC., FOR AUTHORITY
TO INCUR DEBT TO FINANCE
WATER SYSTEM IMPROVEMENTS

COMMENTS ON RESPONSIVE
STAFF REPORT

Picacho Peak Water Company, Inc. ("Company") hereby files comments on Responsive Staff Report for Picacho Peak Water Co., Inc. for a Permanent Rate Increase and for Authority to Incur Debt dated May 21, 2008 ("Responsive Staff Report").

Although the Company still supports its proposed rate structure, it agrees that the rates proposed by Arizona Corporation Commission Staff ("Staff") are reasonable. The Company also believes that most of the non-rate recommendations set forth in the Responsive Staff Report are reasonable. There are five statements and recommendations by Staff, however, that the Company believes should either be revised or not adopted as explained below.

1 **Status Report**

2 Staff recommends the Company must file written reports concerning Consent
3 Order activities every six months until the Company is in "total compliance" with all
4 Arizona Department of Environmental Quality ("ADEQ") regulations. As a practical
5 matter, total compliance with all ADEQ regulations is an extremely high standard, and to
6 the Company's knowledge, ADEQ has no administrative procedure to proclaim any
7 water provider is in total compliance. The Company believes this recommendation
8 should be revised to state that the status report requirement should end when ADEQ
9 issues a compliance status report stating that the Company has "no major deficiencies".
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13 **Distribution System Data**

14 The Company agrees with Staff that having documentation showing the
15 distribution system is important. The Company does not have such records because they
16 were destroyed in a fire. The Company has inquired about system mapping, but this
17 would cost approximately \$30,000 to \$60,000. So even though the Company wants such
18 data, in the Company's opinion treating the water to remove nitrates is a more pressing
19 need and it does not have the financial resources to pursue both projects simultaneously.
20 Therefore, the Company requests that this Staff recommendation requiring the Company
21 to obtain information on the distribution system, which is vague and open to contrasting
22 interpretations, not be adopted.
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1 **ADEQ Compliance**

2 Staff recommends “that the Company must be in full compliance with ADEQ by
3 December 31, 2009. If not, Staff should be required to file an Order to Show Cause
4 against the Company.” Again “full” or “total” compliance with ADEQ is not a
5 reasonable standard. Moreover, the Company is already under a Consent Order with
6 ADEQ to resolve the water quality issues. The Company believes that ADEQ’s
7 regulatory oversight is sufficient and there is no need to duplicate such efforts.
8
9 Therefore, this recommendation should not be adopted.
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11 **Customer Notice**

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13 To be clear, the Company has provided its customers notice of the finance
14 application. On May 30, 2008, the Company filed verification that it mailed notice of the
15 finance application to its customers on May 22, 2007. Pursuant to the Procedural Order
16 dated August 19, 2008, the Company is providing additional notice regarding the finance
17 and rate applications to its customers. While the Company does not object to the
18 recommendation requiring it to file verification of customer notice once again, the record
19 should show that the Company has given its customers proper notice.
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21

22 **Coliform**

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24 In several passages, the Responsive Staff Report states that the Company is
25 delivering water that does not meet water quality standards for both nitrates and coliform.
26 Nitrates remain an issue. But when testing indicated that the coliform MCL had been
27 exceeded, the Company immediately treated the system with an approved method and
28 followed all requirements for subsequent testing and reporting. Thus, stating that the

1 Company system is not delivering water that meets the coliform water quality standards
2 is not accurate.

3
4 **Conclusion**

5 The Company requests that the court recommend an order consistent with the
6 Company's comments herein.

7
8 **MOYES SELLERS & SIMS**

9 

10 Steve Wene

11 Attorneys for Picacho Peak Water Co.

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13 Original and 15 copies of the foregoing
14 filed August 27, 2008, with:

15 Docket Control
16 Arizona Corporation Commission
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19 Copy of the foregoing mailed this
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