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W-02113A-05-0178

September 29, 2008

Arizona Corporation Commission  
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**Via Federal Express and Facsimile**

Mike Gleason, Chairman  
Arizona Corporation Commission  
Commission Wing  
1200 West Washington  
Phoenix, Arizona 85007-2996

**Letter in Support of Request for Extension of Time to Comply with Order 68238 (Order Preliminary) (ARS §40-252)**

Dear Chairman Gleason:

This firm represents Fountain Hills Investment Company, LLC, a subsidiary of the Ellman Companies ("Ellman"), in connection with securing water service to approximately 1,300 acres of property located adjacent to the Town of Fountain Hills (the "Property"). We understand that the Order Preliminary: Decision No. 68238 (the "Order"), which grants Chaparral City Water Company ("Chaparral") preliminary approval to extend its Certificate of Convenience and Necessity ("CC&N") to include the Property will expire on October 25, 2008. We also understand that Chaparral has requested an extension of time to comply with the Order, filed on September 17, 2008 as Docket No. W-02113A-05-0178. Due to the timing of Ellman's acquisition of the Property and approval delays not within Ellman's control, Ellman is unable to provide Chaparral with all of the information necessary to obtain a final order approving expansion of the Chaparral's CC&N prior to the quickly approaching compliance expiration date.

Ellman acquired the Property in March of 2007 as the successful bidder of a state trust land auction. At the time of Ellman's purchase of the Property, almost one-half of the three-year compliance period under the Order had already expired. Immediately following

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Ellman's purchase of the Property, it prepared plans for the annexation and development of the Property and submitted the applicable plans and applications to the Town of Fountain Hills for approval. While certain approvals have already been received by Ellman, additional required approvals are pending the resolution of a public referendum and current litigation in the Arizona Supreme Court and the Arizona Appellate Court.

Ellman believes Chaparral is the appropriate utility company to provide water service to the Property as it previously received uncontested preliminary approval to expand its CC&N and remains the only water purveyor in the vicinity capable of providing public water service to the Property. While it is understood that Chaparral may resubmit for a new CC&N extension application upon the expiration of the compliance period, Ellman is concerned that a denial of Chaparral's request may jeopardize pending approvals before the Town of Fountain Hills relating to Ellman's development of the Property and the commitment of water service by Chaparral. At the very least, denial of the request to extend the compliance period may increase the timeline relating to Ellman's development of the Property. We believe approval of an extension would best serve the resources of all parties concerned.

For the reasons discussed above, Ellman fervently supports Chaparral's September 17, 2008 request for an extension or elimination of the compliance timeframe under the Order.

Sincerely,



Lee A. Storey

Enclosures

cc: Ken Rozen, Advisor to Chairman Gleason  
William A. Mundell, Commissioner  
Adam Stafford, Advisor to Commissioner William A. Mundell  
Jeff Hatch-Miller, Commissioner  
Dean Miller, Advisor to Commissioner Jeff Hatch-Miller  
Kristin K. Mayes, Commissioner  
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Robert Saperstein, Counsel, Chaparral City Water Company