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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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2009 SEP -9 P 3:42
AZ CORP COMMISSION
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IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY AND VERIZON
CALIFORNIA, INC.'S JOINT PETITION
FOR THE ESTABLISHMENT OF AN
UNDERGROUND COVERSON SERVICE
AREA.

Docket Nos. E-01345A-07-0663
T-01846B-07-0663

**Hillcrest Bay, Inc.'s
Reply Brief**

I. Introduction.

APS's Reply Brief suggests that the Hillcrest's initial post-hearing brief exceeded the scope of the briefing requested by the Administrative Law Judge ("ALJ").¹ But the ALJ directed the parties represented by counsel to brief a number of questions, including: "What is the standard for approval and has it been met?"² Under the Underground Conversion Service Area Act³ ("Act"), a key standard is "economic feasibility."⁴ Thus, Hillcrest's initial post-hearing brief addressed numerous issues that impact economic feasibility, including:

- The unprecedented Financial Assistance Program developed by Hillcrest Bay, Inc. ("Hillcrest");
- The creation of jobs in the underground conversion process;
- Increase in property values due to undergrounding;
- The impact to property values of 42 additional utility poles; and

¹ APS Reply Brief dated September 8, 2009 at 1-2.

² Tr. at 535.

³ A.R.S. § 40-341 et seq.

⁴ A.R.S. § 40-346.A.

Arizona Corporation Commission

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1 • The economic impact to the owners of the 46 properties with encroachments into
2 utility easements – APS testified that it would force these owners to either remove
3 the encroachments or move the power lines, and both options are likely to be costly.
4 These points directly bear on a determination of economic feasibility. Although APS, Verizon,
5 and Commission Staff do not dispute the importance of the “economic feasibility” standard,
6 surprisingly, they do not address the topics noted above, and instead look to the current level of
7 landowner support to determine economic feasibility.

8 Verizon also urges the Commission to disregard the clear requirements of the Act
9 regarding the timing and content of withdrawals. Verizon’s arguments are ultimately based on
10 policy disagreements with the Act. The Act should not be “interpreted” according to the policy
11 preferences of Verizon, but rather according to the clear intent of the Legislature.

12 Finally, this Reply Brief will briefly address the interpretation of Commission Decision No.
13 67437, APS’s and the Bond’s claim that there are no safety issues, and will briefly respond to
14 some of the factual misstatements made in the brief of Mr. and Mrs. Bond.

15 **II. The underground conversion is economically feasible.**

16 **A. Hillcrest has demonstrated that the project is economically feasible.**

17 In its initial post-hearing brief, Hillcrest demonstrated that:

- 18 (1) Hillcrest has put in place an innovative, unprecedented and generous Financial
19 Assistance Program;⁵
20 (2) The costs of the underground conversion will likely be lower than estimated by
21 APS and Verizon;⁶
22 (3) The underground conversion will create 10-15 jobs, including jobs for local
23 residents;⁷
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25

26 ⁵ Hillcrest Initial Post Hearing Brief (“Br.”) at 2-3.
27 ⁶ Hillcrest Br. at 3-4.
 ⁷ Hillcrest Br. at 4.

- 1 (4) The underground conversion will increase property values, and that increase will
2 occur after the completion of the underground conversion; while the costs will be
3 paid back over a long period of time;⁸
4 (5) The underground conversion will provide a good return on investment (ROI);⁹
5 (6) If the underground conversion does not occur, APS will add (over time) 42 new
6 utility poles in addition to the existing poles; and these 42 new poles and lines
7 would further reduce property values;¹⁰
8 (7) Approximately 46 properties have encroachments into utility easements, and APS
9 will likely force those property owners to either remove the encroachments or move
10 the utility lines. While the property owner can select from those two options, both
11 options are at the property owner's expense;¹¹ and
12 (8) With the underground conversion, APS will avoid costs of \$327,000 in
13 constructing the 42 new utility poles.¹² APS will use these avoided costs to reduce
14 the costs to property owners of the underground conversion.¹³

15 APS, Verizon, Commission Staff and Mr. and Mrs. Bond did not address these points in their
16 initial post-hearing briefs. Thus, on these issues, Hillcrest has nothing to reply to in this brief.
17 These issues directly impact the economic feasibility of the underground conversion, and the
18 Commission should consider these issues and find that the project is economically feasible.

19 **B. The other parties' focus on property owner support is misplaced.**

20 APS, Verizon, and Commission Staff focus on the somewhat reduced level of property
21 owner support as an economic feasibility factor. But because the Legislature addressed property
22 owner support in other provisions of the Act, it is not at all clear that property owner support is a
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24 _____
25 ⁸ Hillcrest Br. at 4.
26 ⁹ Hillcrest Br. at 4.
27 ¹⁰ Hillcrest Br. at 4-5.
¹¹ Hillcrest Br. at 5.
¹² Hillcrest Br. at 6.
¹³ July 22, 2009 Tr. at 275-76.

1 proper factor to consider in an economic feasibility analysis. In any event, Hillcrest's May 1, 2009
2 filing demonstrated that a clear majority of those responding continue to support the project,¹⁴ and
3 Hillcrest's initial post-hearing brief demonstrated that all statutory requirements for property
4 owner support were satisfied.¹⁵ Further, the other economic feasibility evidence discussed above
5 strongly points towards a finding of economic feasibility.

6 At the July 2009 hearing, APS disclosed that it would likely force the owners of 46 parcels
7 to either remove encroaching structures or to pay to move the utility lines.¹⁶ This raises significant
8 notice issues for those property owners that have opposed the project. There is no evidence that
9 APS notified these property owners of their potential liability. These property owners face
10 potentially significant costs to either remove the encroaching structures, or move the utility lines.
11 If these property owners knew of these significant costs they will face if the project is denied, they
12 could well have changed their view of the project.

13 **C. The "square footage" issue is a misunderstanding.**

14 APS, Verizon and Commission Staff argue that the updated cost information provided by
15 Tades, Inc. should be disregarded because it purportedly allocated "private" costs on a square
16 footage basis. This issue appears to be a misunderstanding. Tades's Vice-President, Mr. Kellogg
17 did not testify that he allocated private costs on a square footage basis. Rather as discussed below,
18 he testified that he calculated public costs on a square footage basis; exactly what APS, Verizon
19 and Commission Staff demanded in their briefs. The clearest way to show this is to review pages
20 155 to 162 of the transcript, where Mr. Kellogg went through his cost estimate column-by-column
21 with the Administrative Law Judge. To follow the discussion in the transcript, it is useful to
22 number each column in the cost estimate, as shown on Attachment 1.¹⁷ The columns were
23 reviewed in order:
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26 ¹⁴ Ex. H-1 at Ex. D.

27 ¹⁵ Hillcrest Br. at 7-11.

¹⁶ Tr. at 369.

¹⁷ Attachment 1 is a copy of Ex. H-5, Attachment 5, with column numbers added by hand.

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Column Heading	Column Number	Transcript, July 21 2009
Public Cost Split Between Utilities	6	157:11-13
APS 50% Public Cost	7, 8	157:14-17
Verizon 50% Public Cost		
Verizon Additional Public Cost	9	157:18-25
APS Service Cost	10	158:1-22
Verizon Service Cost	11	158:23 to 159:24
Subtotal Public Cost	12	159:25 to 160:3
Verizon Service Extension Cost	13	160:4-14
Public Property Electric	14	160:15 to 161:6
Private Property Trenching	15	160:7-25
Sub-Total Private Costs	16	162:1 to 163:6

Only APS provided a transcript citation to any supposed use of square footage for private costs. APS points to page 158, lines 1-19 of the transcript.¹⁸ As shown on the chart above, that portion of the transcript concerns Column 10, "APS Service Costs". This column is located in the public costs portion of the cost estimate. It concerns the trenching and conduit work within the streets.

Mr. Kellogg clearly differentiated between public and private costs. Mr. Kellogg began by discussing costs "from the streets up to the curb to the junction box to the transformers"¹⁹, that is, "public costs."²⁰ He also noted the transition to private costs, stating "it's actually on their property, the private cost"²¹ for the first column under private costs. It appears that the confusion

¹⁸ APS Br. at 11.
¹⁹ July 21, 2009 Tr. at 156:2-3.
²⁰ July 21, 2009 Tr. at 156:24.
²¹ July 21, 2009 Tr. at 160:9-10.

1 arose from a stray reference to “within a yard” in one of the questions.²² However, as shown
2 above, the discussion clearly concerned Column 10, one of the public cost columns. Further, in
3 response to questions from Ms. Dodson, Mr. Kellogg explained that the factors impacting private
4 costs included “where the transformer is located and how far the secondary is.”²³ He did not
5 mention square footage of the lot. In addition, to clear up any confusion, Mr. Kellogg has
6 submitted a letter (Attachment 2) stating that “the private cost[s] were not based on square
7 footage.” Hillcrest requests that this letter be admitted as a late filed-exhibit, or, in the alternative,
8 that it be treated as public comment.

9 Moreover, even if Tades had used square footage for private costs, it would not be a
10 problem. APS, Verizon and Commission Staff point to statutes concerning the final assessment by
11 the utilities,²⁴ and to the requirements for the Joint Report by the utilities.²⁵ But the Tades
12 estimate is neither a final cost assessment, nor a Joint Report. There is simply no reason it cannot
13 be considered as part of an economic feasibility analysis.

14 **III. The Commission should not ignore statutory commands regarding withdrawals.**

15 A.R.S. § 40-344(A) requires that a hearing (the “Statutory Hearing”) be scheduled “not
16 later than sixty days nor sooner than thirty days” after the utilities submit their petition, and that
17 any withdrawals of signatures be submitted “not later than ten days before the date set for the
18 hearing.” Because the Statutory Hearing is the only hearing mentioned in the Act, and because the
19 10 day deadline is contained in the same sub-section as the scheduling requirements for the
20 Statutory Hearing, it is clear that the 10 day deadline refers to the Statutory Hearing.

21 APS suggests, somewhat meekly, that it “is unclear” if the statute allows the Commission
22 to “re-set” the 10 day deadline.²⁶ Verizon argues that the Commission could “toll” the deadline.²⁷

23 _____
24 ²² July 21, 2009 Tr. at 158:6.

25 ²³ July 21, 2009 Tr. at 177:13-14.

26 ²⁴ APS Br. at 10-11, citing A.R.S. §§ 40-348.A and 40-347.B; Verizon Br. at 11, citing A.R.S. §§
40-348.A and 40-347.B; Staff Br. at 10-11, citing A.R.S. § 40-347.B

27 ²⁵ Verizon Br. at 11, footnote 28, citing A.R.S. § 40-342.D.

²⁶ APS Br. at 8:8.

²⁷ Verizon Br. at 9-10.

1 APS and Verizon cite no authority which allows the Commission to toll or reset the statutory
2 deadline. Moreover, the decision to have a second hearing was made long after the deadline was
3 passed; typically the concept of tolling only stops a deadline from running, rather than reinstating a
4 deadline that had expired. Moreover, Verizon concedes that “A.R.S. § 40-344 , clearly assumes
5 that the Commission will hold only one hearing on each petition and that it will be held between
6 30 and 60 days after the Commission receives the petition.”²⁸ Staff’s brief agrees with Hillcrest
7 that the Commission cannot ignore this statutory deadline.²⁹

8 Verizon argues that the Commission should disregard the plain language of A.R.S. § 40-
9 345(1), which requires that property owners submit an affidavit with their withdrawals. APS
10 concedes that the affidavit is “requisite” and “required by A.R.S. § 40-345(1).”³⁰ Commission
11 Staff also states that “A.R.S. § 40-345(1) requires that each paper containing signatures shall have
12 attached an affidavit verifying the validity of signatures.”³¹ Verizon states that the affidavit
13 requirement is a “plausible” interpretation, but does not offer any other interpretation.³² Instead,
14 Verizon argues that following the statute would be “unfair.”³³ Verizon points to no precedent or
15 principle of law that allows the Commission to disregard a statute it believes to be “unfair.”

16 Verizon and APS also point to the Commission’s May 11, 2009 Procedural Order
17 (scheduling the July 2009 hearing) and note that it did not require affidavits. However, they do not
18 point to any authority allowing the Administrative Law Judge to suspend or override the statutory
19 requirements of A.R.S. § 40-345(1). Moreover, as explained above, the July 2009 hearing was not
20 the Statutory Hearing, and thus the time for withdrawals was past.

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²⁸ Verizon Br. at 9:10-12.

25 ²⁹ Staff Br. at 10.

26 ³⁰ APS Br. at 5:24-25.

27 ³¹ Staff Br. at 9-10.

³² Verizon Br. at 7:12.

³³ Verizon Br. at 8:4.

1 **IV. Decision No. 67437 does not re-write the statutory standard for approval.**

2 As explained in Hillcrest's initial post-hearing brief, A.R.S. § 40-346(A) requires the
3 Commission to reject the underground conversion if 40% or more of the property owners object.³⁴
4 Verizon, APS and Staff all argue that the Commission rejected the conversion in Decision No.
5 67437 because the conversion lacked 60% support, rather than the existence of 40% or greater
6 opposition. However, as Hillcrest noted in its brief,³⁵ this issue was not raised or considered by
7 the Commission in that decision. Moreover, the Commission referred to Staff's finding that the
8 conversion "is opposed by the owners of more than forty percent of the real property.... in
9 contravention of the requirements set forth in A.R.S. § 40-346.A."³⁶ This statement makes no
10 sense if Staff, Verizon and APS are correct that 60% support, rather than less than 40% opposition,
11 is required. And if the Legislature intended to refer to the same 60% support requirement required
12 for the petitions to the utilities,³⁷ why did it use completely different language in A.R.S. § 40-
13 346.A?

14 Staff also argues that Hillcrest's interpretation is "novel". Yet it is the same interpretation
15 as used by the Commission in Decision No. 55490, where the Commission stated that "aside from
16 the Commission's finding regarding feasibility of conversion, the Commission's only function
17 herein is to determine whether 40% or more of all the property owners have objected to the
18 formation of the underground CSA."³⁸

19 **V. Safety issues.**

20 The Bonds argue that safety is a "non-existent issue,"³⁹ and APS makes a similar point in
21 its reply brief. But Mr. Kellogg testified that there was a safety issue⁴⁰, and APS's witness was
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23 ³⁴ Hillcrest Br. at 7-9.

24 ³⁵ Hillcrest Br. at 12. Note that due to an error, on page 12, lines 6 and 8, refer to "SRP"; those
25 references should be to "Maricopa County".

26 ³⁶ Decision No. 67437 at page 6, lines 10-12.

27 ³⁷ A.R.S. §§ 40-342 and 40-343.

³⁸ Decision No. 55490 at 5.

³⁹ Bond Br. at 1.

⁴⁰ July 21, 2009 Tr. at 163.

1 unfamiliar with the relevant safety standards.⁴¹ Moreover, the photographs introduced into
2 evidence show utility lines overhanging backyards and patios.⁴² It doesn't require a degree in
3 electrical engineering to recognize that this is not ideal.

4 In its Reply Brief, APS attaches a series of annual inspection reports, attempting to prove
5 that there are no safety issues. A close review of these inspection reports shows that they
6 contradict APS's own sworn testimony at the hearing. The inspection reports contain (at the
7 bottom) an instruction that "Encroachment issues require documentation and are defined as
8 Immediate Hazard or Potential Safety Concern to the operating system."⁴³ At the hearing, APS's
9 witness testified that approximately 46 lots have encroachments.⁴⁴ Yet the inspection reports fail
10 to note any encroachments. It's not as though the inspector missed one isolated encroachment;
11 APS testified that there are 46. This raises a real question concerning the thoroughness of these
12 safety inspections. Moreover, the notation that "Encroachment issues require documentation and
13 are defined as Immediate Hazard or Potential Safety Concern to the operating system" shows that
14 these encroachments are safety issues, as Hillcrest has been asserting all along.

15 **VI. Remaining Bond issues.**

16 The Bonds also argue that there is no economic benefit to the project, "just better views for
17 some."⁴⁵ But the Bonds did not dispute, or even address, the testimony regarding increased
18 property values, additional jobs, or the avoided costs of addressing encroaching structures in utility
19 easements, among other factors.⁴⁶

20 The Bonds also argue that the information regarding 111 "additional" poles is wrong.
21 Hillcrest has never represented that there will be 111 additional poles. Instead, it has cited to
22 evidence that APS will add 42 new poles to the existing 69 poles, for a total of 111.⁴⁷ The Bonds

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24 ⁴¹ July 22, 2009 Tr. at 376.

25 ⁴² Ex. H-2; Ex. H-1 at Ex. F; Ex. H-7.

26 ⁴³ APS Reply Brief dated September 8, 2009 at Exhibit A.

27 ⁴⁴ July 22, 2009 Tr. at 369:6-9.

⁴⁵ Bond Br. at 1.

⁴⁶ See Hillcrest Br. at 2-5 for citations.

⁴⁷ Ex. H-1 at 2, 6; HBI Pre-Hearing Brief at 1; HBI Br. at 4-5.

1 also attach a newsletter that refers to “in time a total of 111 utility poles” – which is exactly what
2 APS testified would happen over time.⁴⁸

3 The Bonds also argue that Hillcrest’s Financial Assistance Program constitutes “minimal
4 assistance.” In fact, Hillcrest has obtained \$29,200 in commitments,⁴⁹ as well as a commitment
5 from Tades for five free conversions.⁵⁰ The Bonds further argue that the “proposed financial
6 assistance is only on the “private” cost.”⁵¹ But Mr. Kellogg testified that Tades would offer a 15%
7 discount on the public costs to all low-income residents.⁵²

8 The Bonds suggest that the phrase “Underground Conversion Service Area” is “more
9 misinformation.”⁵³ The Bonds attached a Hillcrest newsletter that contains that phrase. This is the
10 exact phrase used in the Act (*see e.g.* A.R.S. §§ 40-342.A, 40-344.A, 40-346.A). Indeed, this
11 phrase is so important that the Legislature created a special definition for it. A.R.S. § 40-341.12.
12 It is not “misinformation” for Hillcrest to refer to the proper legal name expressly established by
13 the Legislature.

14 Indeed, Hillcrest has been committed to providing property owners with timely and
15 accurate updates throughout the process. This includes letters to property owners, as well as
16 updates during board meetings. Minutes of board meetings and other documents relating to the
17 underground conversion are available on Hillcrest’s website at <http://www.hillcrestbay.com/>

18 **VII. Conclusion.**

19 The evidence shows that the underground conversion will increase property values, and
20 prevent the further loss of property values from 42 additional utility poles. Moreover, an
21 underground conversion will prevent the owners of 46 parcels from having to pay costs relating to
22 encroachments into utility easements – potential costs that many owners may not be aware of. And
23

24 ⁴⁸ Ex. A-12; July 22, 2008 Tr. at 287-88 and 378.

25 ⁴⁹ Ex. H-4.

26 ⁵⁰ July 21, 2009 Tr. at 132.

27 ⁵¹ Bond Br. at 2.

⁵² July 21, 2009 Tr. at 132.

⁵³ Bond Br. at 2, note below signatures.

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1 the visual impact to the “viewshed” will be eliminated – a factor that the Commission often
2 considers in power “line siting” cases, and which is especially important given the proximity to a
3 wildlife refuge and Lake Havasu.

4 Hillcrest is mindful of the current difficult economic conditions. That is why it created its
5 unprecedented Financial Assistance Program. Moreover, while many of the benefits will be
6 realized upon the conclusion of the project, the public costs will be paid back over a lengthy
7 period. The cost assessments will not be due until after the conclusion of the project, which may
8 not occur for many months, by which time the economy may have improved. Indeed, Verizon’s
9 witness, Mr. Kearns, testified that the underground project would take between 15 and 18 months
10 after Commission approval to complete, and that assessments to property owners could take
11 another 12 months after that.⁵⁴ And in the meantime, the project will create jobs, just when they
12 are needed most.

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⁵⁴ July 22, 2009 Tr. at 407-408.

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RESPECTFULLY SUBMITTED this 9th day of September 2009.

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Original + 13 copies of the foregoing
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Copies of the foregoing hand-delivered/mailed
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Lyn Farmer, Chief ALJ
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*****All Parties of Record*****

By *Subbi Amara*

Attachment

“1”

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PARCEL ID	OWNER Name	STREET ADDRESS	PARCEL SIZE % of 54 FT	FINANCED BY UTILITY UP TO 10/15/2008				PROPERTY OWNER RESPONSIBILITY				TOTAL UTILITY CONTRIBUTION COST	
				Public Cost Spent (Apr 50% Public)	VERIZON 50%	Additional Public Cost-headers Cable 40% Material 60% Labor	VERIZON 50% Public Cost	VERIZON Cost-headers Cable 40% Material 60% Labor	VERIZON Service Cost-headers Cable 40% Material 60% Labor	SUB-TOTAL Public Cost	VERIZON Service Estimated Cost		Private Property Expense
310-32-002	FLETCHER JENNIFER D	7333 E	0.5833%	3,740.10	1,870.05	1,870.05	1,413.89	3,651.88	1,672.88	10,270.78	19.69	2,634.00	13,022.55
310-32-003	LITTLE WENDEL W, FLETCHER JENNIFER	4242 S4	0.3202%	2,316.70	1,158.35	1,158.35	675.78	-	-	3,182.48	-	-	3,182.48
310-32-004	PETER ALBERT L & MARLA G HW JT	6118 S1	0.6413%	4,266.00	2,133.00	2,133.00	1,600.01	-	-	7,651.39	22.23	2,634.00	10,307.62
310-32-005	PEDERSON VERONICA	4627 W	0.5802%	2,385.12	1,192.56	1,192.56	900.90	2,326.81	1,022.21	6,813.14	12.49	4,684.00	11,519.64
310-32-006	CARMICHAEL DAVID P & PATRICIA HW JT	5014 W	0.3388%	2,697.50	1,348.75	1,348.75	868.84	2,487.20	1,075.56	7,097.13	13.40	1,950.50	9,081.03
310-32-007	PEDERSON VERONICA	5395 W	0.4129%	2,711.94	1,355.97	1,355.97	1,022.77	2,667.51	1,148.81	7,591.14	14.32	2,634.00	10,229.45
310-32-008	PEDERSON VERONICA	5778 W	0.4453%	2,664.78	1,332.39	1,332.39	1,113.81	-	-	1,228.84	15.43	2,634.00	7,987.68
310-32-009	CARTWRIGHT LARRY	9966 S4	0.6227%	2,982.08	1,491.04	1,491.04	1,131.12	-	-	1,228.31	15.89	3,317.50	8,744.70
310-32-010	CARTWRIGHT LARRY	5917 W	0.4007%	2,644.86	1,322.43	1,322.43	1,075.36	2,777.57	1,106.31	7,783.19	14.50	2,634.00	10,545.89
310-32-011	GOLSH ROBERT L & ROBERTA HW	5917 W	0.4007%	2,644.86	1,322.43	1,322.43	1,075.36	2,777.57	1,106.31	7,783.19	14.50	2,634.00	10,545.89
310-32-012	JOHNSON NIKKI & DONNA J HW	7754 S6	0.5973%	3,954.77	1,977.38	1,977.38	1,495.05	3,961.50	1,583.17	10,870.48	16.89	2,634.00	13,504.48
310-32-013	MADGE RICHARD S & JOY M CO TRUSTEES	4922 S6	0.3302%	2,189.25	1,094.63	1,094.63	827.82	2,127.81	820.89	6,075.16	11.47	3,317.50	9,392.66
310-32-014	MADGE RICHARD S & JOY M CO TRUSTEES	3952 S2	0.2488%	2,017.27	1,008.64	1,008.64	782.64	1,969.78	644.40	5,598.18	10.59	880.00	6,478.18
310-32-015	DUNHAM WYNNE M & ZELMAN M TRUSTEES	4107 S4	0.3167%	2,085.05	1,042.53	1,042.53	782.00	-	-	2,887.05	-	-	2,887.05
310-32-016	DUNHAM WYNNE M & ZELMAN M TRUSTEES	4107 S4	0.3167%	2,085.05	1,042.53	1,042.53	782.00	-	-	2,887.05	-	-	2,887.05
310-32-017	ALVARADO CARL SM, CRAIGEN SHERYL CR HW JT	4107 S4	0.3222%	2,131.50	1,065.75	1,065.75	805.78	2,081.22	898.40	5,914.52	11.16	650.00	6,564.52
310-32-018	SMITH VELLAM SW	4801 S2	0.3117%	2,154.88	1,077.44	1,077.44	828.67	-	-	822.97	11.50	4,001.00	5,011.00
310-32-019	TRISTEEN DUNNE E & RUTH V HW TRUSTEES	4614 S1	0.2573%	2,286.10	1,143.05	1,143.05	884.47	-	-	4,255.83	12.39	-	4,268.22
310-32-020	TRISTEEN DUNNE E & RUTH V HW TRUSTEES	4614 S1	0.2573%	2,286.10	1,143.05	1,143.05	884.47	-	-	4,255.83	12.39	-	4,268.22
310-32-021	FRAZIER JAC & JONCE HW JT	4628 S7	0.3278%	2,188.76	1,094.38	1,094.38	819.87	2,205.51	882.98	6,882.33	12.37	3,317.50	9,882.20
310-32-022	BLONE CLARK & PEPPER A HW	4002 S1	0.2885%	2,041.13	1,020.56	1,020.56	771.82	2,117.80	912.07	6,018.30	11.36	2,634.00	8,652.36
310-32-023	BLONE CLARK & PEPPER A HW	4002 S1	0.2885%	2,041.13	1,020.56	1,020.56	771.82	2,117.80	912.07	6,018.30	11.36	2,634.00	8,652.36
310-32-024	BLONE CLARK & PEPPER A HW	4002 S1	0.2885%	2,041.13	1,020.56	1,020.56	771.82	2,117.80	912.07	6,018.30	11.36	2,634.00	8,652.36
310-32-025	MCCLOSKEY ANDREW R & SHANNA S HW	4002 S1	0.2885%	2,041.13	1,020.56	1,020.56	771.82	2,117.80	912.07	6,018.30	11.36	2,634.00	8,652.36
310-32-026	STREWALT CHARLES E SM	4002 S1	0.2885%	2,041.13	1,020.56	1,020.56	771.82	2,117.80	912.07	6,018.30	11.36	2,634.00	8,652.36
310-32-027	BEHR EDWARD WOODRUM HW & DEBRA ANNOT LEE TRUSTEES	4002 S1	0.2885%	2,041.13	1,020.56	1,020.56	771.82	2,117.80	912.07	6,018.30	11.36	2,634.00	8,652.36
310-32-028	BEHR EDWARD WOODRUM HW & DEBRA ANNOT LEE TRUSTEES	4002 S1	0.2885%	2,041.13	1,020.56	1,020.56	771.82	2,117.80	912.07	6,018.30	11.36	2,634.00	8,652.36
310-32-029	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4174 S6	0.3218%	2,128.77	1,064.38	1,064.38	804.75	2,079.59	978.38	4,175.70	-	-	4,187.85
310-32-030	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-031	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-032	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-033	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-034	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-035	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-036	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-037	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-038	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-039	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-040	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-041	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-042	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-043	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-044	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-045	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-046	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-047	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-048	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-049	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-050	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-051	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-052	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-053	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-054	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-055	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-056	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-057	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-058	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-059	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-060	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-061	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-062	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-063	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%	2,231.86	1,115.93	1,115.93	877.87	-	-	5,017.80	-	2,634.00	7,651.80
310-32-064	WESTRA JOHN JACOB & WESTRA WICELYN NILES AS CO-TRUSTEES	4592 S5	0.2870%</										

Attachment

"2"

**TRANSMISSION
AND
DISTRIBUTION**
 **Energy Services Inc.**

**8987 E. Tanque Verde Rd. Suite 337
Tucson, Arizona 85715
W-520-240-1723
Mobile #: 602-909-1371
Email: Kilovman@aol.com**

September 6, 2009

Attention: John Sears, Chairman UCSA
Project: Hillcrest Bay
Location: Parker, Arizona

Dear John,

This letter is to confirm that at the time the original cost estimate was made for the private portion of the underground project at Hillcrest Bay, I was the one who compiled those estimates. Each estimate was lot specific on work to be performed for each individual service extension. This is the basis for Tades, Inc. private trenching and electrical hookup estimate that we recently provided to Hillcrest Bay. I trust that this will clarify that the private cost were not based on square footage.

As a reminder these estimates are good through April 31, 2010

Sincerely,



Christopher T. Kellogg
Senior Vice President
Tades, Inc.