ORIGINAL

BEFORE THE ARIZONA CORPORATION CC

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IN THE MATTER OF THE APPLICATION Of RAY WATER COMPANY, AN ARIZONA CORPORATION, FOR APPROVAL OF LONG TERM FINANCING FOR REPLACEMENT OF AN EXISTING WELL.	)))))	**DOCKET NO. W-01380A-09-0106** **RESPONSE TO STAFF REPORT** **REQUEST FOR HEARING**

COMES NOW RAY WATER COMPANY, an Arizona corporation (Applicant) , by and through its undersigned attorney Hugh A. Holub, and files the Ray Water Company Response to Staff Report attached hereto and made a part hereof as Exhibit "A".

Applicant respectfully requests that a hearing be held on its Application and an Order be issued for Applicant and Staff to pre-file its testimony prior to such hearing.

RESPECFULLY SUBMITTED this 9th day of October, 2009

By _____

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Original and 13 copies hand-delivered to ACC Tucson office
this 9th day of October, 2009

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Ms. Lyn Farmer
Chief Administrative Law Judge, Hearing Division
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Exhibit A
RAY WATER COMPANY
RESPONSE TO
ARIZONA CORPORATION COMMISSION
STAFF REPORT
DOCKET NO. W-01380A-09-0106

October 9, 2009

Ray Water Company agrees that if the loan authorization is approved, the interest rate would be prime plus 3%. The company still requests a 10 year amortization.

--Discussion: WIFA does not have the lending capacity to fund every water capital improvement project in the state, and never was intended to be the sole lender. It is arguable that WIFA's resources should be targeted to those projects where the utility has no alternative source of funding. Ray Water has had prior dealings with WIFA and was given the distinct impression that WIFA's priorities are for financially distressed operations.

Ray Water Company disagrees with ACC Staff conclusion that the well is not required.

--Discussion: The interconnection with the City of Tucson was solely for fire flow purposes and costs twice Tucson's commercial rate. This agreement expires soon. Tucson has not shown any inclination to establish a permanent interconnection capable of backing up our entire system, nor should they since the bulk of our service area is outside their incorporated limits.

--The previous well and storage project constructed within our service area was for new development, funded by the developers and the costs were allocated to them. Thus counting capacity funded by others as a reserve for our existing customers is a form of taking.

--In the event we lose the capacity of any of our existing wells, we will not be able to provide peak summer period water demands. Given the age of the wells and their present condition, it only a question of when the capacity will be lost. Given the amount of time it takes to design and permit a new well and then construct it, let alone obtain the financing from the ACC, we are looking at a minimum of one year and potentially 2 years from start to finish. It is irresponsible to wait until the well capacity is lost to commence the replacement.

--In general small water companies in Arizona are a disaster zone. Ray Water Company is an exception in that it has been responsibly and prudently managed for over 50 years and has had the advantage of family resources to keep it functioning at proper levels of public service, convenience and necessity. The position take by ACC Staff is clearly going to push this water company into the problem category when the well capacity is finally lost, and there is no guarantee that the owners of the company will be in any position to fund a well replacement, nor is there any guarantee there will be any other funding source available at that time, including WIFA. The well replacement is a long term capital improvement and should be made now to protect the integrity of its customer service capacity.

Applicant will provide more detailed justification for its proposed replacement well at the hearing Applicant has requested in this matter.

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Rhonda Rosenbaum, General Manager