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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

- GARY PIERCE – CHAIRMAN
- BOB STUMP
- SANDRA D. KENNEDY
- PAUL NEWMAN
- BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF TUSAYAN WATER DEVELOPMENT ASSOCIATION, INC. FOR ESTABLISHMENT OF RATES FOR WATER SERVICE

- DOCKET NO. W-02350A-10-0163
- DOCKET NO. W-20765A-10-0432
- DOCKET NO. W-20770A-10-0473

IN THE MATTER OF THE APPLICATION OF ANASAZI WATER CO., LLC FOR ADJUDICATION “NOT A PUBLIC SERVICE CORPORATION”

TOWN OF TUSAYAN’S STATUS REPORT

(Administrative Law Judge Sarah H. Harpring)

IN THE MATTER OF THE APPLICATION OF HYDRO-RESOURCES, INC. FOR ADJUDICATION “NOT A PUBLIC SERVICE CORPORATION”

The Town of Tusayan (“Town”) through its counsel submits this Status Report concerning attempts by the parties in this proceeding to reach agreement concerning the acquisition of property by the Town in order to establish a municipal water department to take over the provision of water utility services in the Tusayan’s CC&N area.

The Commission’s Procedural Order issued February 8, 2011 provided the parties two months to determine the likelihood of the Town reaching agreement with the Tusayan Water Development Association (“TWDA”), Anasazi Water Co., LLC (“Anasazi”) and Hydro-Resources, Inc. (“Hydro”) regarding the acquisition of property needed by the Town in order to create a Town water department. On February 14, 2011, the Town commenced the due diligence efforts to assemble the necessary data. Attached as Exhibit A is an outline of these efforts. As of today, the response to Town inquiries has

1 been minimal.

2 In light of the slow response to Town due diligence inquiries, the final report from
3 the Town's consultants cannot be prepared until April 22, 2011, but preliminary
4 information suggests:

5 1. Anasazi has a simple system with a well that is no longer in service, a single
6 reservoir and an underground distribution system. The reservoir is filled from a pumping
7 station with water transported by truck from Valley, Arizona.

8 2. The Town has received technical information on the Hydro water
9 distribution system, but the Town has received no financial information. The financial
10 information is critical in order for the Town to determine the feasibility of running a Town
11 water department.

12 3. Additionally, it appears that Hydro does not own critical portions of the
13 water distribution system that it operates. The Town's consultants have been informed
14 that third parties own substantial portions of the water distribution operated by Hydro
15 system, including a three million gallon reservoir and water distribution lines that feed a
16 525,000 gallon tank owned by Hydro.

17 To acquire the water distribution assets of Hydro, Anasazi and unknown third
18 parties in order to develop and operate a water department of the Town, the Town must
19 first obtain the approval of the qualified electors and taxpayers of the Town of Tusayan as
20 required by A.R.S. § 9-515. On March 1, 2011, the Town was notified by the Coconino
21 County Elections Department that if the Town intends to submit the question of acquiring
22 such water distribution assets to the voters of Tusayan on August 30, 2011, the Town
23 must, no later than May 2, 2011, formulate the question to be submitted to the voters of
24 Tusayan concerning the acquisition of such assets. The Town cannot submit a general
25 question asking the voters for broad authority to acquire such assets. Instead, the Town
26 must describe a particular project in order to obtain voter approval. *See City of Casa*
27 *Grand v. Arizona Water Co.*, 199 Ariz. 547, 553-54, 20 P.3d 590, 596-97 (Ariz. Ct.App.
28 2001).

1 Original of foregoing filed and delivered
2 this 14th day of April, 2011, to:

3 Sarah N. Harpring
4 Administrative Law Judge
5 ARIZONA CORPORATION COMMISSION
6 1200 West Washington
7 Phoenix, Arizona 85007

8 Copies of the foregoing mailed this
9 14th day of April, 2011, to:

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11 Legal Division
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13 1200 West Washington
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Summary of Activities – Potential for Tusayan Municipal

02/14/11 E-mail requesting Anasazi, Hydro & TWDA recommendations for appraisers; no response
02/17/11 Phone Discussion with Mr. Hirsh on preferences and scope of work; he indicates preference for Ray Jones and using RCNLD valuation method.
02/18/11 Brinkman advised by phone of appraiser; no comment back on scope of work.
03/07/11 E-mail seeking approval of Scope of Work and consultant selection; no responses
03/09/11 Finally reach Carpenter after two unanswered phone messages; said I will have info within a week.
03/15/11 Confirmed Willdan Contract & Ray Jones subcontractor
03/18/11 Notified Brinkman et al of scope of response
03/31/11 On site meeting in Tusayan with Anasazi and Hydro representatives and the Town Engineer and Valuation consultant to clarify information.

Hydro

03/21/11 E-mail request to Mr. Hirsch for financials – acknowledged Rueter’s technical info, but no financial info on Hydro; no response.
03/31 & 04/01 On site meeting with Rueter at 5pm originally 11 am). Wants to correct and update information provided to date; revised info on 04/01 including map data.

Anasazi

02/08/11 E-mail from Brinkman indicating Anasazi was interested in discussing potential sale and providing a contact name (Carpenter).
03/18/11 E-mail on lack of response from Anasazi; he indicates Carpenter had called with no answer from me; responded no info 03/22; no info 3/23; 03/24 no info; 03/25 no info; 03/25 Carpenter says provided info to Pam Fain;
03/25/11 confirmation from Pam Fain by e-mail they will meet 03/31
03/28/11 fax receipt of responses to questions; tax asset detail; water purchase documents; meter sizes; ADEQ reports
03/29/11 fax receipt of Income Statements and Balance Sheets CY 2009, 2008, 2007
03/31/11 on site in Tusayan; Mier responds with limited technical info.

Current Status:

Anasazi – some financial information; poor technical information on assets location and age
Hydro – excellent system technical information; no financial information or condition
TWDA – only received Profit and Loss Statement 2009 & 2010 (03/09/11).
Met with Hydro and Anasazi with the Town Engineer and Valuation Consultant on 03/31 and 04/01/11.
Progress meeting 04/08/11 at 2pm at Willdan.

EXHIBIT A