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ARIZONA CORPORATION COMMISSION

November 9, 2007

Members of the WIFA Board
Attention: Judy Navarrete, Executive Director
1110 W. Washington, Suite 290
Phoenix, Arizona 85007

RE: USE OF SMALL WATER SYSTEMS FUNDS FOR GOLDEN CORRIDOR WATER
COMPANY EMERGENCY INTERCONNECTION WITH ARIZONA WATER
COMPANY

Dear Members of the WIFA Board:

Request

The Arizona Corporation Commission ("ACC") requests that the Water Infrastructure Finance Authority ("WIFA") of Arizona approve additional grant money to Arizona Water Company ("AWC" or "Company") of up to \$38,450 from monies in the Small Water Systems Fund ("SWSF"). This payment would be to AWC, as the interim manager for Golden Corridor Water Company ("GCWC"), for completion of an emergency interconnection with AWC's Casa Grande Water System to solve water quantity and quality issues with GCWC in Pinal County, Arizona.

Background

1. AWC began serving as an interim manager for GCWC on May 24, 2007.
2. On May 29, 2007, the ACC requested that WIFA approve a grant to AWC of up to \$70,000 from monies in the Small Water Systems Fund (copy attached).
3. On June 20, 2007, the WIFA Board of Directors approved an interim operator grant to AWC of up to \$70,000.
4. On October 12, 2007, AWC requested that the grant from WIFA be modified to a total of \$108,451.13. AWC originally estimated that it would cost approximately \$68,000 to construct an interconnection between its Casa Grande Water System and the GCWC system.
5. Total cost of the emergency interconnection increased due to changes in the scope of work associated with the emergency interconnect as follows:
 - The initial cost estimate contemplated an above-ground temporary four-inch diameter water line. After further consideration, and due to maintenance problems associated

with above-ground lines, the Company chose to install the temporary service facilities underground.

- The length of the emergency interconnection increased by six thousand three hundred twenty (6,320) feet due to the initial point of interconnection being damaged and made unusable by unknown perpetrators.
 - Due to the increase in line length the size of the water line was increased from four-inch to six-inch to conform to Arizona Department of Environmental Quality ("ADEQ") standards.
 - Several water main flushing points had to be installed throughout the GCWC water system in order to provide for maintenance through periodic water line flushing.
6. The temporary service facilities required to provide replacement water supplies, resolve pressure, storage and supply inadequacies within the GCWC water system, have been completed. The GCWC customers are now receiving water that meets ADEQ drinking water standards.
7. We believe that monies available in the SWSF are an appropriate source of funds to cover the additional expenditures. Without the interconnection, the customers would have continued to receive substandard quality water, or possibly would have had to pay a prolonged surcharge for bottled water and would have been in danger of a major, prolonged outage (which would have been disastrous during the hot summer months).

Sincerely,



Mike Gleason, Chairman



William A. Mundell, Commissioner



Jeff Hatch-Miller, Commissioner



Kristin K. Mayes, Commissioner



Gary Pierce, Commissioner

Attachment

cc: Dean Miller
Ernest Johnson
Steve Olea
Chris Kempley