Utility Source, LLC

1.0 Background

1.1 Provides water & wastewater service to approximately 340 customers.

1.2 Current customers are residential, hotel, truck stop, & water haulers.

1.3 Water supply from 2 shallow wells and deep wells 1 thru 4.

2.0 Water Demand

2.1 Current water demand.

2.1.1 Defined – water currently used by customers.

2.1.2 Current demand = 92 acre-feet per year.

2.2 Committed water demand.

2.2.1 Defined – Estimated demand for recorded but unbuilt lots within the service area.

2.2.2 Committed demand = 20 acre-feet per year.

2.2.3 Project - Flagstaff Meadows III, Phase 1.

2.3 Projected water demand

2.3.1 Defined – Essentially an estimate of growth during the next 10 years.

2.3.2 Projected demand = 123 acre-feet.

2.3.3 Projections basis – Pine Valley, Cabins in the Peaks (73 acre-feet); Flagstaff Meadows III Phase 2 (20 acre-feet); residential & commercial fill (30 acre-feet).

3.0 Water Supply

3.1 Physical Availability Determination of 621 acre-feet per year.

( Per Attachment )

3.2 Utility Source is in process of applying for a designation of adequate water supply.
2.0 WATER DEMAND

2.1 UTILITY SOURCE, LLC.

Utility Source has an existing Certificate of Convenience and Necessity (CC&N) that includes the Flagstaff Meadows subdivision in Bellemont, Arizona (Figure 1). The water that supplies the customers in the CC&N is supplied by nine Utility Source wells. Of these nine production wells, five are shallow wells and four are deep wells. The shallow wells are completed in the shallow local aquifer and range from approximately 100 to 300 feet in depth. The average yield from the shallow wells is approximately 9 gpm. The deep regional aquifer is the focus of this study and therefore the shallow wells were not evaluated further.

The four deep wells were drilled to penetrate the deeper and more reliable regional aquifer. The deep wells were named for the order that they were drilled and completed and are labeled DW#1, DW#2, DW#3, and DW#4. DW#1 and DW#2 were drilled to total depths of 2,440 and 2,100 feet below ground surface (ft-bgs) and yield approximately 11 and 23 gallons per minute (gpm), respectively. In attempt to gain higher yields, wells DW#3 and DW#4 were drilled deeper and located where faults were interpreted. DW#3 was drilled to a depth of 2,825 ft-bgs in the proximity of the Bellemont fault and yields approximately 70 gpm. In 2005 DW#4 was drilled to a total depth of 2,908 ft-bgs in the area of an unnamed fault and yields greater than 300 gpm. Utility Source also operates two (2) water storage reservoirs. These reservoirs have capacities of 280,000 and 400,000 gallons respectively.

Data regarding the wells and reservoirs owned by Utility Source was compiled from the ADWR online database as well as information provided by Utility Source. Selected data from the collection process are presented in the following table. Well information is labeled as “DW” and storage information is labeled “Storage” under the “Utility Source Name” column.

<table>
<thead>
<tr>
<th>ADWR Reg. 55#</th>
<th>Location</th>
<th>Utility Source Name</th>
<th>Depth (ft-bgs)</th>
<th>Static Water Level (ft-bgs)</th>
<th>Well Capacity (gpm)</th>
<th>Storage Capacity (gallons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>593267</td>
<td>A(22-5)36cdc</td>
<td>DW#1</td>
<td>2,440</td>
<td>1,550</td>
<td>11</td>
<td>N/A</td>
</tr>
<tr>
<td>598834</td>
<td>A(22-5)36ccc</td>
<td>DW#2</td>
<td>2,100</td>
<td>1,542</td>
<td>23</td>
<td>N/A</td>
</tr>
<tr>
<td>203241</td>
<td>A(22-5)36ccc</td>
<td>DW#3</td>
<td>2,825</td>
<td>1,606</td>
<td>72</td>
<td>N/A</td>
</tr>
<tr>
<td>206887</td>
<td>A(21-6)1eba</td>
<td>DW#4</td>
<td>2,908</td>
<td>1,675</td>
<td>371</td>
<td>N/A</td>
</tr>
<tr>
<td>N/A</td>
<td>A(22-5)36ccc</td>
<td>Storage 1</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>280,000</td>
</tr>
<tr>
<td>N/A</td>
<td>A(22-5)36ccc</td>
<td>Storage 2</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>400,000</td>
</tr>
</tbody>
</table>
January 19, 2010

Via US Mail

Lonnie McCleve
Utility Source, LLC, an Arizona limited liability company
721 E. San Pedro
Gilbert, AZ 85234

RE: Utility Source, LLC, Coconino County, Arizona
Application for a Physical Availability Determination
ADWR #52-700636.0000

Dear Mr McCleve:

The Department has completed its review of your application for a Physical Availability Determination for Utility Source, LLC. The Department received the application on December 1, 2009. The study area consists of Township 22 North, Range 5 East, Sections 35 & 36; Township 21 North, Range 5 East, Section 1; and Township 21 North, Range 6 East, Section 6, GSR B&M in Coconino County, Arizona.

In accordance with A.A.C. R12-15-702(D), the Department has determined that a minimum of **621.00 acre-feet per year** of groundwater is physically available for 100 years under A.A.C. R12-15-716(B) for adequate water supply purposes in the study area. With regard to water quality for the purpose of A.A.C. R12-15-719(A), the provider is regulated by the Arizona Department of Environmental Quality. With regard to water quality for the purpose of A.A.C. R12-15-719(B), the study area is not located within one mile of any known WQARF or Superfund site.

The results of the Department’s review fulfill the requirements of R12-15-702(C) and may be cited in applications for determinations of adequate water supply. Those applications have certain additional requirements based on the adequate water supply criteria referenced in A.R.S. § 45-108 and A.A.C. R12-15-701, et seq. For further information on those requirements, please contact the Office of Assured and Adequate Water Supply at (602) 771-8599.

As with all Physical Availability Determinations issued by the Department, changes in conditions or the accuracy of assumptions and information used in demonstrating physical availability may affect the validity of this determination. Changes in the number or locations of wells may impact applicability of this determination to future applications for determinations of adequate water supply.
If you have any questions regarding this Physical Availability Determination, please contact the Office of Assured & Adequate Water Supply at (602) 771-8599.

Sincerely,

[Signature]
Sandra Fabritz Whitney
Assistant Director, Water Management

SFW/rbo

cc: Via electronic mail:

Chris Catalano, Southwest Ground-water Consultants, Inc.

Steve Olea, Arizona Corporation Commission

Linda Taunt, Arizona Department of Environmental Quality

Drew Swieczkowski, ADWR Hydrology Division

Rick Obenshain, ADWR Office of Assured & Adequate Water Supply
Utility Source, LLC

Wastewater

1.0 BACKGROUND
   1.1 Provide wastewater to approximately 340 customers
   1.2 Current Customers are Residential, Hotel and Truckstop
   1.3 Sewer Treatment Plant is extended aeration

2.0 WASTEWATER COLLECTIONS
   2.1 Average Sewer flows are 60,300 gallons per day
   2.2 Current permitted sewer flows are 137,500 gallons per day
   2.3 Current constructed capacity is 100,000 gallons per day
   2.4 Sewer Treatment Plant Expansion currently submitted to ADEQ
      For a total capacity of 165,000 gallons per day