

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**In the Matter of a Petition by  
New Mexico Water Service Company for  
a Declaratory Order**

**Utility Case No. 08-\_\_\_\_\_**

**AFFIDAVIT OF PAUL D. RISSO**

Paul D. Risso being first duly sworn, states upon oath as follows:

1. My name is Paul D. Risso. I am the General Manager of New Mexico Water Service Company ("NMWSC") and have held that position for four years. I make the following statements based upon personal knowledge.

2. On May 12, 2005 NMWSC filed an application with the Commission for the purposes of acquiring the assets of IUC. The case was docketed by the Commission as Utility Case No. 05-00208.

3. IUC had a plant, lines and system service area and at the time of acquisition had an existing service area which included two subdivisions, Juan Tomas and the Sandia Knolls, as well as areas contiguous to the subdivisions and within a half mile of existing infrastructure.

4. At the time, IUC was in bankruptcy, the utility system was in disrepair and service was substandard.

5. On July 21, 2005 IUC filed an application with the Commission for a rate increase which was docketed by the Commission as Utility Case No. 05-00305 and consolidated with Utility Case No. 05-00208.

6. In the agreement for acquisition, Asset Purchase and Sale Agreement, IUC had requested, and NMWSC had agreed, to endeavor to obtain Commission approval for IUC to retain some of the 325 acre-feet of water rights held by IUC under New Mexico State Engineer Permit No. S-1 et al. (denoted for purposes of the Asset Purchase and Sale Agreement as "surplus water rights") and that such water rights would not pass as a utility asset to NMWSC

("S-1 Water Rights"). Rather, IUC would retain them as a non-regulated utility entity and sell them back to NMWSC under certain conditions.

7. Prior to NMWSC's acquisition of IUC, a portion of the S-1 Water Rights was utilized to serve existing customers within the IUC service area inclusive of Sandia Knolls and contiguous areas.

8. In the event the Commission determined there were no surplus water rights for purposes of allowing rights to be retained by IUC and sold to NMWSC, the S-1 Water Rights would pass to NMWSC as a utility asset to be included in rate base and to be utilized by NMWSC as a utility asset.

9. The Commission approved the acquisition but declined to approve the retention of any water rights by IUC instead determining that all the S-1 Water Rights were a utility asset and should pass with the utility as a utility asset for use by NMWSC. NMWSC understood the Commission's decision to provide for all water rights to pass to the utility for use by the NMWSC as a utility asset within the entirety of its service area, inclusive of but not limited to the Sandia Knolls subdivision.

10. Following the entry of the Order, NMWSC acquired all the assets of IUC, inclusive of the S-1 Water Rights.

11. Since the acquisition NMWSC has made numerous improvements to the former IUC system including resolution of significant water quality issues, upgrading of wells and booster stations, initiation of implementation of SCADA, and installation of surge protection and lighting arrestor at the well site. NMWSC has continued to serve its existing customers in Sandia Knolls, Juan Tomas and contiguous areas. Numerous additional improvements should be made, including the construction of an additional storage reservoir. Such additional improvements would necessitate rate increases for NMWSC customers on the order of 25-30% subject to Commission approval.

12. NMWSC is currently serving customers within and without Sandia Knolls subdivision in its service area.

13. The permitted place of use for the water rights held under New Mexico Office of the State Engineer Permit No. S-1 et al. includes but is not limited to the Sandia Knolls subdivision and includes several hundred acres outside of Sandia Knolls including portions of Campbell Ranch, Phase I. The place of use of the S-1 Water Rights generally described as Township 11 North, Range 6 East, encompassing 160 acres in the E ½ of Section 20; all of Section 21; 160 acres in the NW ¼ of Section 22; and 40 acres in the SW ¼ of Section 22.

14. Consistent with its obligations to serve new customers in contiguous areas, NMWSC entered into a line extension agreement, Sandia Knolls Water System Improvement and Water Line Extension Agreement (“Agreement”) on March 18, 2008 with Campbell Ranch Communities, LLC (“Campbell”) for purposes of providing service to Phase I of Campbell Ranch (“Phase I”). Phase I is part of NMWSC service area as it is immediately contiguous to NMWSC’s existing service area, lies within one half mile of existing NMWSC infrastructure and is partially within the described place of use for the water rights held by NMWSC under State Engineer Permit No. S-1 et al. No other utility is currently providing similar service nor is any other utility capable of providing, timely and cost effective service to Phase I without duplication and economic waste.

15. The Agreement provides for significant benefits to the existing NMWSC system and customers. The Agreement provides for Campbell to construct the necessary infrastructure to provide for extension of service to Phase I and also obligates Campbell to pay for various system improvements in connection with NMWSC’s existing system and infrastructure. The system improvements include an additional well to allow for redundancy, fire hydrants, and a backbone to serve as a basis to upgrade the existing distribution system, and a 1.5 million gallon

storage tank. All construction and improvements will be at no cost to existing customers and the system improvements provided by the Agreement would obviate the need for any rate increases to existing customers as a result of the improvements.

16. The Agreement provides that NMWSC will provide 160 acre-feet per annum of water to Phase I subject to availability and obligations to existing customers.

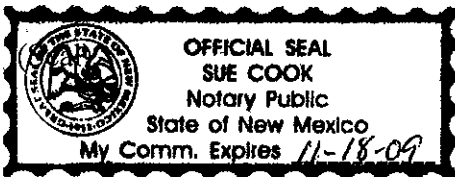
17. The Agreement was filed with the Commission on April 1, 2008.

Dated: May 22, 2008.

Paul D. Risso  
PAUL D. RISSO

STATE OF NEW MEXICO )  
COUNTY OF Valencia ) ss.

Signed and sworn to before me on May 22, 2008 by Paul D. Risso.



Sue Cook  
Notary Public

My commission expires: 11-18-09