



Commissioner David King
New Mexico Public Regulation Commission
1120 Paseo de Peralta
Santa Fe, New Mexico 87504

April 28, 2008

Re: Sandia Knolls Water System Improvement and Water Line Extension Agreement
to serve Campbell Ranch, and its inconsistency with PRC Final Order in Case No. 05-
00208-UT

Dear Commissioner King:

As officers of and homeowners in the Sandia Knolls Neighborhood Association, we are sending this letter to ask that you initiate an inquiry or investigation into the above referenced line extension that was filed at the Commission by the New Mexico Water Service Company (NMWSC) on April 1, 2008. The water company intends to provide service to "approximately 750 residential and commercial units" (page 2) in Campbell Ranch just to the north of Sandia Knolls. This is not a simple "line extension" because it includes provisions which are not consistent with the PRC Final Order in Case No. 05-00208-UT.

We believe this Line Extension relies on water rights now dedicated to the Sandia Knolls System and triples the size of the system by extending the lines into a new development. The PRC ruled in 2006 that there are no "excess" water rights for such a use.

At present, the source of the water for the NMWSC – Campbell contract is not clear. Most likely, it would come from either well No. S 02073 located on Campbell Ranch property or from a well within Sandia Knolls' present service area. The OSE and PRC have already ruled on both these sources.

The OSE denied Campbell's application for well No. S 02073 because of lack of water rights. Information from the Office of the State Engineer indicates that Campbell Ranch requested permission to enlarge and deepen well No. S 02073, located just north of Sandia Knolls and in the Campbell Ranch property. That request was denied by the State Engineer, for the reason that the well has no valid water rights. A copy of the March 7, 2008 OSE denial letter is attached. Since this well application was denied, it is our understanding that the additional service would be based on the use of the water rights which are dedicated for water service within the existing Sandia Knolls community, water rights which were subject to the PRC ruling in Case No. 05-00208-UT.

The line extension agreement that was executed between NMWSC and Campbell Ranch addresses new water facilities and improvements to the existing Sandia Knolls water system. Please note that on page 12, reference is made to a conveyance of a well from Campbell to NMWSC or alternatively, utilization of existing wells associated with OSE File No. S-1 through S-6 to supply the Water Rights to Phase I, subject only to "receipt of a mutually acceptable cost estimate for such work." We do not see improvements that benefit Sandia Knolls current users.

We believe that the April 1, 2008 line extension administrative filing is a blatant attempt by New Mexico Water Service Company (NMWSC) and Campbell Ranch to circumvent the Final Order issued by the PRC in Case No. 05-00208-UT, combined with Case No. 05-00305-UT, issued on May 23, 2006 by the Commission. That case involved a determination by the PRC regarding the question of whether or not there were excess water rights available for use outside of the Sandia Knolls subdivision that could be

EXHIBIT D

sold as part of the bankruptcy proceeding. The Final Order indicated that the water rights held by Independent Utilities Company (IUC) which has been taken over by NMWSC were needed for the future growth of the Sandia Knolls subdivision and that there were no "excess" water rights. Since Campbell Ranch is not using its own water rights, this extension is clearly linked to the use of the water rights now dedicated the current service area, the Sandia Knolls subdivision. A line extension to expand the water company's service outside of its present service area to the proposed Campbell Ranch area defeats the intent of the Order and disregards the Commission's findings and conclusions.

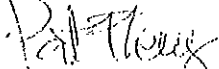
The homeowners of Sandia Knolls spent considerable time, energy and money litigating the aforementioned cases before the Commission. We are now faced with having the same issues, disguised in a different format and in an allegedly different administrative process, being litigated again. We are not aware that PRC has a mechanism for Sandia Knolls to protest this action. If the Commission does not act on its own initiative, NMWSC will succeed in slipping the line extension filing past the Commission without review by the local residents. The company's actions are unfair and not consistent with the Commission's prior decisions.


We are concerned that the addition of 750 new homes to the system (nearly tripling the service population) may cause problems for the current residents by lowering water levels and increasing the depletion of the aquifer in the Sandia Knolls area. We understand that Bernalillo County has been reviewing the hydrology of the area and is concerned with the sustainability of the aquifer (see Bernalillo County Groundwater Monitoring Report, 2007). We are concerned not only about the total new pumping of the aquifer, but in particular the ability to meet peak demands, especially during drought periods, if 750 new homes are built that rely on this water supply.

We ask for you and the Commission Staff to initiate an inquiry or an investigation that would hold the company to the Commission's past decisions and to determine if a fine is appropriate against the company for its disingenuous actions.

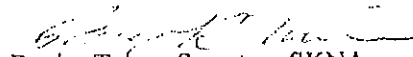
Thank you for your attention. We look forward to discussing this matter further with you or your

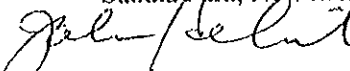
Staff.

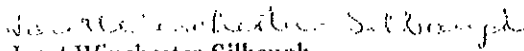

Pat Fleming, President SKNA
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Sandia Park, New Mexico 87047

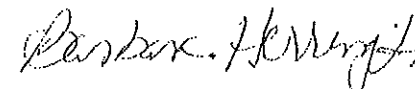

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DISTRICT I

JOHN R. D'ANTONIO, JR., P.E.
STATE ENGINEER

121 Tijeras NE, Suite 2000
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(505) 764-3888

March 7, 2008

CERTIFIED RETURN RECEIPT REQUESTED

FILE: S-2073 Application for Permit to Repair and/or Deepen Non-Domestic Well

Campbell Farming Corp.
C/o Robert Gately
6501 Americas Parkway NE
Suite 1020
Albuquerque, NM 87110

Greetings:

Enclosed is a copy of your Permit to Repair and/or Deepen Non-Domestic Well, numbered above, which has been denied for the reason that no water right exists. No diversion of water shall occur from well No. S-2073 without a permit from the State Engineer.

If you are aggrieved by this decision and wish an opportunity to present evidence in support of this Application, you should so advise this office in writing before the expiration of thirty (30) days of receipt of this letter and request that the previous action of the State Engineer be set aside and that a date for a hearing be set. In the event a hearing is requested, a reasonable time will be allowed for you to prepare your case.

If a hearing is necessary on this matter, a hearing deposit will be required in an amount that will be specified when the hearing is announced.

Sincerely,

Wayne G. Canon

WGC:jlj

Cc: Santa Fe