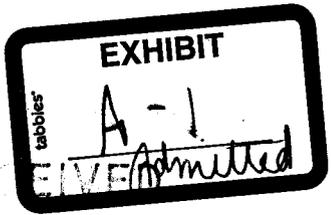


3EX



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Marc Spitzer  
Commissioner - Chairman  
Jim Irvin  
Commissioner  
William A. Mundell  
Commissioner  
Jeff Hatch-Miller  
Commissioner  
Mike Gleason  
Commissioner

2004 FEB 27 P 3:54  
ARIZONA CORPORATION COMMISSION  
DOCKETED

2003 AUG 12 P 2:57  
ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL

FEB 27 2004

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF ARIZONA WATER COMPANY, AN )  
ARIZONA CORPORATION, TO EXTEND )  
ITS EXISTING CERTIFICATE OF )  
CONVENIENCE AND NECESSITY AT )  
CASA GRANDE, PINAL COUNTY, )  
ARIZONA )

DOCKET NO. W-01445A-03-0589

APPLICATION TO EXTEND  
EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO  
INCLUDE ADDITIONAL TERRITORY

ARIZONA WATER COMPANY, an Arizona corporation, ("AWC") through its undersigned counsel, presents the following Application to extend its existing certificate of convenience and necessity for its Casa Grande system. This Application is based on the following:

1. AWC presently holds certificates of convenience and necessity issued to it by this Commission in various decisions beginning in 1955 for the purpose of providing water service in the City of Casa Grande and the surrounding area in Pinal County.

2. The area that AWC seeks to add to its certificated area is described in Exhibit #1, which is attached hereto and incorporated by reference herein. Much of the area surrounding the area described in Exhibit #1 is certificated to and served by AWC. Harvard Investments and Core Group Consultants Ltd., entities that plan to acquire and develop a portion of the property described in Exhibit #1, have requested that AWC provide water service to the property they

1 plan to acquire and to apply to the Commission for authority to include the property within  
2 AWC's certificated area. Copies of letters from Harvard Investments and Core Group  
3 Consultants Ltd. are attached hereto as Exhibit #2 and incorporated by reference herein.

4 3. AWC estimates that the total number of customers that may be served in the area  
5 described in Exhibit #1 will be approximately 560 within five years following the date of the  
6 filing of this Application.

7  
8 4. A map showing the adjacent portions of AWC's present certificated area, the  
9 anticipated 12" main extension to serve the developments, and the proposed additional territory  
10 is attached hereto as Exhibit #3 and incorporated by reference herein.

11 5. A list of the owners of all of the property described in Exhibit #1 is attached hereto  
12 as Exhibit #4. Each property owner will be mailed the public notice attached hereto as  
13 Exhibit #5.

14 6. AWC is financially able to construct, operate, and maintain the facilities necessary  
15 to provide service to the area described in Exhibit #1. A current financial statement for AWC is  
16 attached hereto as Exhibit #6 and incorporated by reference herein.

17  
18 7. AWC holds the necessary Pinal County franchise for the area for which it is  
19 proposing to extend its certificate of convenience and necessity. A copy of the franchise is  
20 attached hereto as Exhibit #7 and incorporated by reference herein.

21 8. AWC's by-laws do not require a corporate resolution on behalf of AWC in  
22 conjunction with this Application.

23 9. Public convenience and necessity will be served by having AWC extend its  
24 certificate of convenience and necessity to include the area described in Exhibit #1.  
25  
26  
27  
28

1 10. AWC proposes to utilize its currently authorized rates and charges for its Casa  
2 Grande system for service to the area described in Exhibit #1. AWC will continue to charge  
3 these rates until the Commission changes the rates.

4 WHEREFORE, AWC respectfully requests that the Commission hold a hearing on this  
5 Application, and enter an order, or, in the alternative, that it enter an order without the necessity  
6 of a hearing, which order shall provide for the following relief:

7  
8 1. Issuing to AWC a certificate of convenience and necessity for the area described in  
9 Exhibit #1 hereto.

10 2. Granting such other further and general relief as appropriate in the premises.

11 RESPECTFULLY SUBMITTED this 12th day of, August 2003.

12 ARIZONA WATER COMPANY

13  
14  
15 By: Robert W. Geake  
16 Robert W. Geake  
17 Vice President and General Counsel  
18 ARIZONA WATER COMPANY  
19 Post Office Box 29006  
20 Phoenix, Arizona 85038-9006

21 Original and thirteen (13) copies of the foregoing filed the 12 day of August, 2003  
22 with:

23 Docket Control Division  
24 Arizona Corporation Commission  
25 1200 West Washington Street  
26 Phoenix, Arizona 85007

27 A copy of the foregoing was mailed this 12th day of August, 2003 to:

28 Christopher Kempley, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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Ernest G. Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

By: Robert W. Yeckle

## EXHIBIT '#1'

Sections 19, 20, 21, 22, 23, W½ 24, W½ 25, 26, 27, 28, 29, & 30, all in Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXHIBIT "2"

Scottsdale, Arizona 85258

480 / 348.8976 Fax

480 / 348.1118 ☎



HARVARD INVESTMENTS  
A HILL COMPANY

RECEIVED  
MAY 28 2003

ARIZONA WATER COMPANY  
PHOENIX - ENGINEERING

May 24, 2003

Mr. Michael Whitehead, Vice President, Engineering  
Arizona Water Company  
P. O. Box 29006  
Phoenix, Arizona 85038

Re: Expansion of CCN

Dear Mr. Whitehead:

We are acquiring 480 acres in Pinal County on the south side of Highway 287 between Overfield and Toltec Buttes Roads. Specifically, the Northeast Quarter and South Half of Section 29, T6S, R7E of the Gila and Salt River Base and Meridian. We would like Arizona Water Company to provide water service to the property. Please advise as to how we should proceed in this matter. Thank you.

Sincerely,

Christopher J. Cacheris

# CoreGroup CONSULTANTS

Arizona Water Company  
3805 Black Canyon Highway  
Phoenix, Arizona  
85015-5351

Date: June 17, 2003  
Our File: 1154

Attention: James T. Wilson  
Engineer

RECEIVED  
JUN 18 2003

ARIZONA WATER COMPANY  
PHOENIX - ENGINEERING

Dear Sir:

**RE: FLORENCE COUNTRY ESTATES  
HIGHWAY 287 AND CURRY ROAD  
CC&N/LINE EXTENSION APPLICATION**

Please find enclosed a copy of our water plans for Florence Country Estates in Pinal County, AZ. These plans contain the designs for the on-site distribution system as well as an off-site water main along Highway 287 that connects with Arizona Water Company's existing 8" water main at Eleven Mile Corner.

At this time we would like to formally apply to have our proposed subdivision brought into Arizona Water Company's service area included within your Certificate of Convenience and Necessity ("CC&N") for Casa Grande, AZ. Additionally we would like to initiate the process of creating a line extension agreement for our proposed off-site water main.

We submitted our application for a Certificate of Assured Water Supply to the Arizona Department of Water Resources last week and have included a copy for your records.

Our client has asked that we use AWWA C-900 PVC pipe for our water mains. We would be grateful if you could review the use of this material instead of ductile iron pipe.

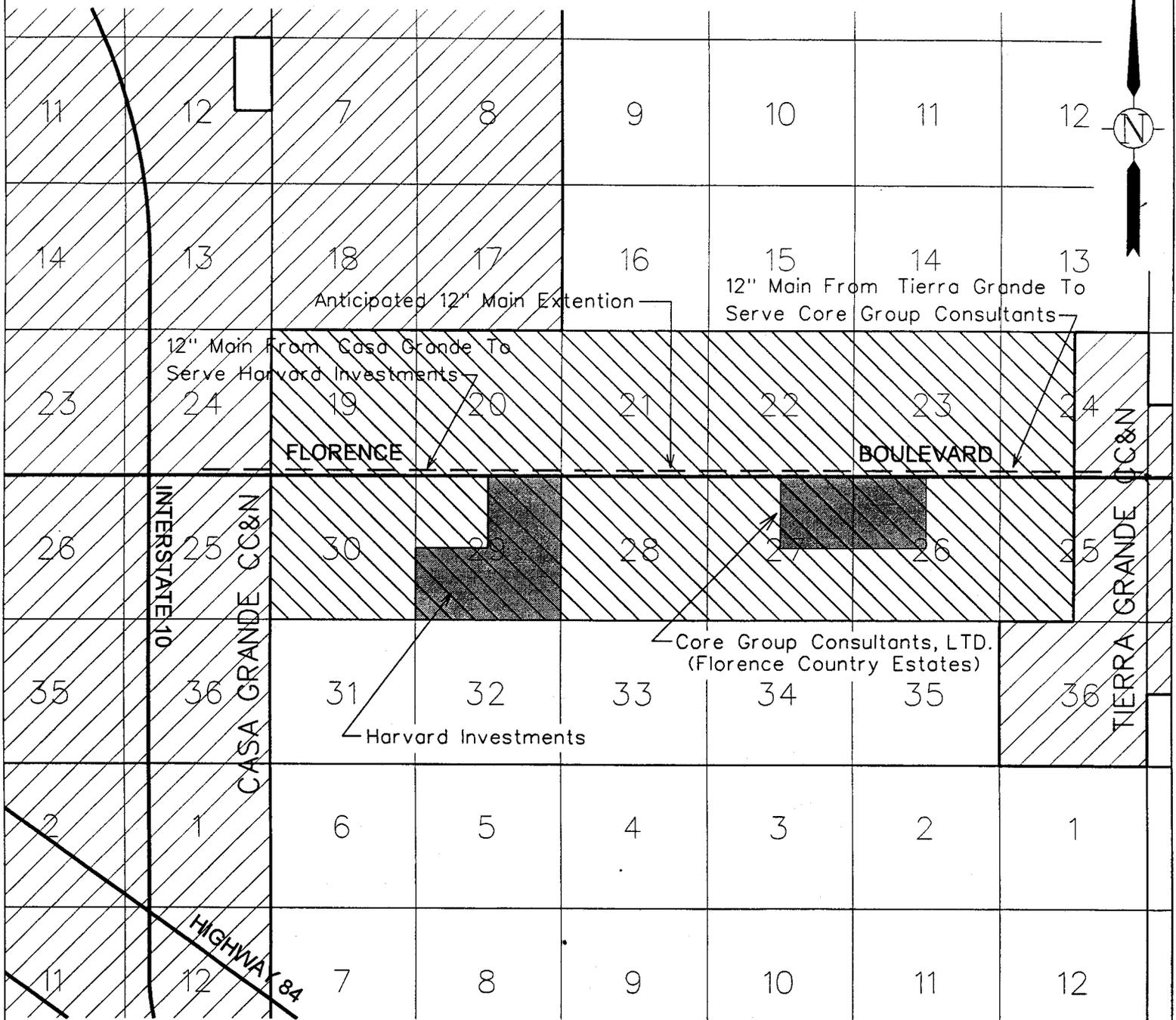
Should you require additional information please contact me at (602) 778-6876.

Yours truly,  
**CORE GROUP CONSULTANTS LTD**  
Per;

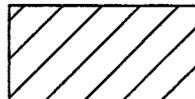


Eric Stephenson E.I.T. (BC)

EXHIBIT '#3'



CC&N This Application



Existing CC&N

**ARIZONA WATER COMPANY**

DESCRIPTION: Certificate Of Convenience & Necessity Extension In The Casa Grande Area

LOCATION: TOWNSHIP 6 SOUTH, RANGE 7 EAST

DATE: 06.16.2003      SCALE: 1" = 1 Mile      DRAWN BY: CB

## EXHIBIT '#4'

401-01-045B

401-01-045C

401-01-045D

401-01-049

401-11-007

401-11-008A

401-11-008B

401-11-008C

401-11-008D

401-11-008E

401-11-009

401-01-070

James K. & Janet B. Hennes

P.O. Box 10004

Casa Grande, AZ 85230

401-01-045E

Jack K. Hennes

5738 East Highway 287

Casa Grande, AZ 85222

401-01-046

401-01-048C

401-01-048D

401-16-001A

Markwood Enterprises Limited Partnership

21411 South Cooper Road

Chandler, AZ 85249

401-01-047

401-16-002A

401-16-002B

Bonnie Lou Gladden Trust

8133 West Highway 287

Casa Grande, AZ 85222

401-10-001B

401-12-014G

DU Brook Investment

3730 North Overfield Road

Casa Grande, AZ 85222

401-10-001C  
401-10-001D  
401-10-001E  
Robert M. & Shirley M. Davis  
P.O. Box 11291  
Casa Grande, AZ 85230

401-10-003A  
Barnes & Barnes Limited  
7305 West Selma Highway  
Casa Grande, AZ 85222

401-10-003B  
Roy D. Melick Jr.  
542 North Azurite Way  
Casa Grande, AZ 85222

401-10-004  
401-10-005A  
401-10-005B  
401-17-001  
401-17-008E  
401-17-008F  
B. Douglas Gladden Trust  
8133 West Highway 287  
Casa Grande, AZ 85222

401-16-001B  
State Of Arizona  
1616 West Adams Street  
Phoenix, AZ 85007

401-16-004  
Post Investments Limited Partnership  
2406 West Galveston Street  
Chandler, AZ 85224

401-17-002C  
401-17-004A  
El Paso Natural Gas  
P.O. Box 4372  
Houston, TX 77210

401-17-003B  
Timothy M. & Vicky Lyn Hoyt  
173 South Hacienda Road  
Casa Grande, AZ 85222

401-17-003F  
David & Hortencia Villarreal  
263 South Hacienda Road  
Casa Grande, AZ 85222

401-17-003G  
Arnold & Maria E. Villarreal  
339 South Hacienda Road  
Casa Grande, AZ 85222

401-17-004C  
Arizona Production Machinery & Supply  
8901 West Highway 287  
Casa Grande, AZ 85222

401-17-005  
Branja 110, LLC  
30 West 1<sup>st</sup> Street B  
Mesa, AZ 85201

401-17-007  
Florence & I-10 Property Limited Partnership  
5141 North 40<sup>th</sup> Street  
Phoenix, AZ 85018

401-11-001A  
401-11-001B  
401-11-001C  
401-11-004  
401-11-010  
401-11-012  
401-01-052A  
Green Acres Farms, LTD  
371 North Signal Peak Road  
Casa Grande, AZ 85222

401-11-005A  
Pearl M. Wallace Trust  
5238 West Highway 287  
Casa Grande, AZ 85222

401-11-005B  
Jesse & Patricia Garza  
P.O. Box 3058  
Casa Grande, AZ 85222

401-01-050  
401-01-054  
401-01-055  
401-01-056  
401-72-007A  
401-72-005  
401-72-009  
401-14-004  
401-15-001B  
401-15-004  
401-01-067

John A. Roberts  
2306 West Highway 287  
Casa Grande, AZ 85222

401-01-051  
Max A. Nichols  
Angela J. Bolt  
P.O. Box 667  
Eloy, AZ 85231

401-01-052B  
Cameron & Sydney S. Sides  
371 North Signal Peak Road  
Casa Grande, AZ 85222

401-01-053A  
Andy & Julie Dobson  
23015 South 132<sup>nd</sup> Street  
Chandler, AZ 85249

401-01-053B  
D'wayne Sherwood  
19245 South McQueen Road  
Chandler, AZ 85249

401-01-053D  
401-01-057  
HLN Ventures, LLP  
17630 East Chandler Heights  
Gilbert, AZ 85297

401-01-053E  
401-01-053F  
401-01-053G  
401-01-053H  
401-01-053J  
Alan & Robin Ward  
697 North Lola Lee Road  
Casa Grande, AZ 85222

401-72-006A  
401-15-001D  
Lonesome Valley Farms Limited Partnership  
1800 West Highway 287  
Casa Grande, AZ 85222

401-72-001A  
Mark & Mark, LLC  
3062 East Robin Lane  
Gilbert, AZ 85296

401-72-004  
Nesline Hartfield Living Trust  
1120 East 1<sup>st</sup> Street  
Casa Grande, AZ 85222

401-72-006B  
Alice G. Robertson Trust  
1800 West Highway 287  
Casa Grande, AZ 85222

401-12-001  
ARMA Membership Benefits, Inc  
810 West Bethany Home Road  
Phoenix, AZ 85013

401-12-002F  
401-12-014F  
401-12-015B  
401-12-015A  
Sidewinder Dairy, Inc.  
3730 North Overfield Road  
Casa Grande, AZ 85222

401-12-014C  
Nelson S. & Richard J. Jutzi  
4531 North 16<sup>th</sup> Street  
#103  
Phoenix, AZ 85016

401-14-003H  
Apache Canyon Land Company  
1832 East Lexington Avenue  
Gilbert, AZ 85234

401-14-003E  
Kurt Lorensen  
2181 84<sup>th</sup> Avenue SW  
Sebeka, MN 56477

401-14-003F  
Pasture Properties, LLC  
1845 East Enrose  
Mesa, AZ 85203

401-14-003G  
Archie P. & Sherri L. Shamp  
2818 16<sup>th</sup> Avenue SW  
Pine River, MN 56474

401-15-001C  
401-01-064  
Patricia Jo Robertson  
P.O. Box 68  
Coolidge, AZ 85228

401-15-002  
Whatley Farms, LP  
805 South Buckholt Road  
Caney, OK 74533

401-15-003  
Curry Road Farms, LP  
428 North Curry Road  
Casa Grande, AZ 85222

401-01-065  
401-01-066  
401-01-068  
401-01-069  
401-01-072  
401-01-073  
John H. & Gloria B. Dermer  
1100 North Lehmberg Avenue  
Casa Grande, AZ 85222

401-01-071  
Van Rijn Dairy  
20102 East Warner Road  
Mesa, AZ 85212

EXHIBIT "5"

**ARIZONA WATER COMPANY**

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006  
PHONE: (602) 240-6860 • FAX: (602) 240-6878

[Date]

«PropertyOwner»

«Address1»

«Address2»

«City» «State» «PostalCode»

PINAL COUNTY ASSESSOR'S PARCEL NO.: «ParcelNumber»

**PUBLIC NOTICE OF AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND  
NECESSITY BY ARIZONA WATER COMPANY**

Arizona Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water utility service to an area in which records indicate that you are a property owner. If the application is granted, Arizona Water Company would be the provider of water utility service to the proposed area. The Commission will require Arizona Water Company to provide this service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission at 1200 West Washington Street, Phoenix, Arizona, and at Arizona Water Company, 220 East 2<sup>nd</sup> Street, Casa Grande, Arizona.

The Commission will hold a hearing on this matter. As a property owner you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless you request it.

If you have questions or concerns about this application, have any objection to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Arizona Corporation Commission at 1200 West Washington St., Phoenix, Arizona 85007 or call 1-800-222-7000.



WILLIAM M. GARFIELD  
President

E-MAIL: [mail@azwater.com](mailto:mail@azwater.com)

**ARIZONA WATER COMPANY**  
Comparative Statement of Income  
May 31, 2003

|                                      | <u>12 MONTHS TO DATE</u> |               | <u>MAY</u>   |              | <u>5 Months to Date</u> |               |
|--------------------------------------|--------------------------|---------------|--------------|--------------|-------------------------|---------------|
|                                      | <u>2003</u>              | <u>2002</u>   | <u>2003</u>  | <u>2002</u>  | <u>2003</u>             | <u>2002</u>   |
| <b>OPERATING REVENUE</b>             | \$ 36,952,282            | \$ 34,758,092 | \$ 3,136,703 | \$ 3,243,039 | \$ 13,541,713           | \$ 13,469,493 |
| <b>OPERATING EXPENSES</b>            |                          |               |              |              |                         |               |
| Operation and Maintenance            | 17,357,846               | 16,169,339    | 1,720,703    | 1,596,129    | 7,082,158               | 6,625,068     |
| Depreciation                         | 4,342,788                | 4,037,527     | 380,001      | 354,377      | 1,905,194               | 1,773,160     |
| Taxes Other Than Income Taxes        | 5,315,703                | 5,124,880     | 470,931      | 478,155      | 2,123,522               | 2,089,376     |
| Income Taxes                         | 2,611,295                | 2,893,325     | (13,975)     | 75,249       | 552,222                 | 724,230       |
| Total Operating Expenses             | 29,627,632               | 28,225,071    | 2,557,660    | 2,503,910    | 11,663,096              | 11,211,834    |
| <b>OPERATING INCOME</b>              | 7,324,650                | 6,533,021     | 579,043      | 739,129      | 1,878,617               | 2,257,659     |
| <b>OTHER (INCOME) AND DEDUCTIONS</b> |                          |               |              |              |                         |               |
| Other (Income) - Net                 | (315,478)                | 106,451       | (35,367)     | (13,856)     | (102,469)               | (86,520)      |
| Interest on Long-Term Debt           | 1,907,967                | 1,944,965     | 158,484      | 161,566      | 792,417                 | 807,833       |
| Other Interest and Amortization      | (110,849)                | (387,262)     | (5,402)      | (3,818)      | (41,427)                | (27,356)      |
| Total Other (Income) and Deductions  | 1,481,640                | 1,664,154     | 117,715      | 143,892      | 648,521                 | 693,957       |
| <b>NET INCOME</b>                    | \$ 5,843,010             | \$ 4,868,867  | \$ 461,328   | \$ 595,237   | \$ 1,230,096            | \$ 1,563,702  |
| Regular Common Dividends             | 3,086,100                | 2,929,500     |              |              |                         |               |
| <b>INCOME RETAINED</b>               | \$ 2,756,910             | \$ 1,939,367  |              |              |                         |               |
| <b>Active Services</b>               | 67,969                   | 65,496        |              |              |                         |               |

MAY 2003

EXHIBIT "6"

ARIZONA WATER COMPANY  
Comparative Balance Sheet  
at May 31, 2003

ASSETS

|                                  | May 31, 2003   | May 31, 2002   | Increase<br>(Decrease) |
|----------------------------------|----------------|----------------|------------------------|
| <b>UTILITY PLANT</b>             |                |                |                        |
| Gross Utility Plant              | \$ 201,788,327 | \$ 187,125,155 | \$ 14,663,172          |
| Less Accumulated Depreciation    | 49,397,276     | 45,368,882     | 4,028,394              |
| Net Utility Plant                | 152,391,051    | 141,756,273    | 10,634,778             |
| <b>CURRENT ASSETS</b>            |                |                |                        |
| Cash on Hand and in Banks        | 173,982        | 329,784        | (155,802)              |
| Investments and Special Deposits | 2,703          | 3,111          | (408)                  |
| Accounts Receivable              | 2,715,931      | 2,380,351      | 335,580                |
| Materials and Supplies           | 248,935        | 260,437        | (11,502)               |
| Other                            | 393,070        | 311,569        | 81,501                 |
| Total Current Assets             | 3,534,621      | 3,285,252      | 249,369                |
| <b>DEFERRED DEBITS</b>           |                |                |                        |
|                                  | 6,017,930      | 5,094,772      | 923,158                |
| <b>TOTAL</b>                     | \$ 161,943,602 | \$ 150,136,297 | \$ 11,807,305          |

LIABILITIES

|                                      |                |                |               |
|--------------------------------------|----------------|----------------|---------------|
| <b>CAPITALIZATION</b>                |                |                |               |
| Common Stock                         | \$ 2,700,000   | \$ 2,700,000   | \$ 0          |
| Capital Surplus                      | 3,180,647      | 2,654,647      | 526,000       |
| Retained Earnings                    | 46,929,104     | 44,172,194     | 2,756,910     |
| Common Stock Equity                  | 52,809,751     | 49,526,841     | 3,282,910     |
| Long-Term Debt                       | 22,600,000     | 23,000,000     | (400,000)     |
| Total Capitalization                 | 75,409,751     | 72,526,841     | 2,882,910     |
| <b>CURRENT LIABILITIES</b>           |                |                |               |
| Notes Payable                        | 7,670,000      | 4,925,000      | 2,745,000     |
| Accounts Payable                     | 2,494,685      | 2,497,349      | (2,664)       |
| Accrued Expenses                     | 1,262,279      | 1,623,900      | (361,621)     |
| Other                                | 457,102        | 411,820        | 45,282        |
| Total Current Liabilities            | 11,884,066     | 9,458,069      | 2,425,997     |
| <b>DEFERRED CREDITS</b>              |                |                |               |
| Advances for Construction            | 35,797,661     | 32,864,502     | 2,933,159     |
| Contributions in Aid of Construction | 20,937,165     | 19,317,007     | 1,620,158     |
| Deferred Income Tax                  | 13,277,407     | 10,981,796     | 2,295,611     |
| Other                                | 4,637,552      | 4,988,082      | (350,530)     |
| Total Deferred Credits               | 74,649,785     | 68,151,387     | 6,498,398     |
| <b>TOTAL</b>                         | \$ 161,943,602 | \$ 150,136,297 | \$ 11,807,305 |

EXHIBIT "7"

755253

1268-263

FRANCHISE

BE IT RESOLVED by the Board of Supervisors, County of Pinal, State of Arizona:

THAT WHEREAS, Arizona Water Company, an Arizona corporation, has duly filed and presented its application that it be granted the right, privilege and franchise to construct, maintain and operate upon, over, along, across and under the present and future streets, avenues, alleys, highways, bridges, public roads and other public places in the County of Pinal, State of Arizona, water lines, plant and system, including mains, laterals, pumps, manholes, meters, regulator stations and related equipment, facilities and appurtenances, for the purpose of supplying water for all purposes in the County of Pinal, State of Arizona, for a period of twenty-five (25) years; and

WHEREAS, upon the filing of said application, the Board of Supervisors ordered that public notice of the intention of said Board to make such grant be given by publishing a notice in the Florence Reminder & Blade-Tribune newspaper of general circulation published in the City of Casa Grande, County of Pinal, State of Arizona, stating that at 10:00 o'clock A.M., on the 4th day of February, 1985, at the Courthouse in the City of Florence, County of Pinal, State of Arizona, was set for the time and place for the consideration of the granting of said right, privilege, and franchise; and

WHEREAS, said application coming on regularly for hearing on the 4th day of February, 1985, and it appearing by the affidavit of Florence Reminder of said newspaper that due and legal notice of said time and place set for the consideration of such action has been published for at least once a week for three weeks prior to the date set for said hearing;

NOW, THEREFORE,

SECTION 1. There is hereby granted to Arizona Water Company, a corporation organized and existing under and by virtue of the laws of the State of Arizona, its successors and assigns (hereinafter called "Grantee"), the right, privilege and franchise to construct, maintain and operate upon, over, along, across and under the present and future streets, avenues, alleys, highways, bridges, public roads and other public places in the County of Pinal, State of Arizona, water lines, plant and system, including mains, laterals, pumps, manholes, meters, regulator stations and related equipment, facilities and appurtenances, for the purpose of supplying water for all

1268-264

purposes in the County of Pinal, State of Arizona. Grantee's Application for Franchise is made a part hereof by reference thereto.

SECTION 2. All facilities to be constructed pursuant to this franchise shall be constructed and maintained in accordance with established practices with respect to such streets, avenues, alleys, highways, bridges and public places of the County of Pinal. Prior to such construction, a map showing the location of such facilities shall be submitted to such persons as may be designated by said Board of Supervisors.

SECTION 3. In the event that any lines or related facilities installed or constructed pursuant to this franchise shall at any time be found to interfere unduly with vehicular and pedestrian traffic over such streets, avenues, alleys, highways, bridges, public roads and other public places the Grantee hereby agrees that it will, at its own expense, and within a reasonable time after notice thereof by said Board of Supervisors, remove or relocate said lines, or related facilities so as to minimize said interference. In all other instances the costs incurred in relocating any lines or facilities shall be borne by and added to the cost of the public or private improvement causing or resulting in such relocation.

SECTION 4. In the event that said Board of Supervisors, acting on behalf of the County of Pinal, takes action to dispose of unnecessary public roadways in accordance with the provisions of Arizona Revised Statutes [28-190], et seq., said Board of Supervisors agrees to recognize and preserve each of the Grantee's prior rights of way or easements and rights under this franchise which are affected thereby, as they existed prior to such disposition, by including specific and appropriate language for that purpose in any legal instrument utilized for the purpose of accomplishing such disposition.

SECTION 5. In case of any disturbance of pavement, sidewalk, driveway or other surfacing, planting or ground cover resulting from Grantee's action pursuant to this franchise, Grantee shall, in a manner entirely satisfactory to said Board of Supervisors and the department having appropriate jurisdiction, replace and restore the paving, sidewalk, driveway, surfacing, planting or ground cover of any street, alley or other public way or place so disturbed in as good condition as it was prior to said disturbance. All such work shall be completed with due diligence.

Further, to avoid duplication of effort and untimely destruction of the street, the Grantee shall coordinate its construction and replacement

1268-265

plans pursuant to this franchise with said department having appropriate jurisdiction.

SECTION 6. The Grantee shall save the County of Pinal harmless from expenses, claims and liability arising by reason of the exercise of this franchise by Grantee.

SECTION 7. The right, privilege and franchise hereby granted shall continue and exist for a period of twenty-five (25) years from the effective date hereof, and upon approval by said Board of Supervisors and acceptance by the Grantee, this franchise shall be deemed effective as of the date of approval of this Application.

SECTION 8. The right, privilege and franchise hereby granted shall inure to the benefit of, and be binding upon the Grantee, its successors and assigns.

SECTION 9. All resolutions and parts of resolutions in conflict with the provisions hereof are hereby repealed to the extent applicable to a franchised public service corporation.

SECTION 10. If any section, paragraph, subdivision, clause, phrase or provision of this resolution shall be adjudged invalid or unconstitutional, the same shall not affect the validity of this resolution as a whole or any part of the provisions hereof other than the part so adjudged to be invalid and unconstitutional.

SECTION 11. Upon the expiration of this franchise, if the Grantee shall not have acquired an extension or renewal thereof and accepted the same, it may continue operating its facilities and system within the County of Pinal until a new franchise can be effected with the County of Pinal.

Upon motion by Supervisor Mathison,

seconded by Supervisor Weathers,

the foregoing Resolution granting a Franchise to Arizona Water Company in the County of Pinal, State of Arizona, was duly passed and adopted by the Board of Supervisors, County of Pinal, State of Arizona, at a regular session of said Board held on the 4th day of February, 1985.



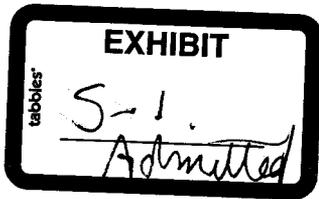
1268-266

PINAL COUNTY BOARD OF SUPERVISORS

By *James H. ...*  
Chairman

ATTEST:

*Charles A. Guerin*  
Clerk of board of supervisors



LEGAL

MEMORANDUM

RECEIVED

TO: Docket Control

FROM: Ernest G. Johnson *EGJ*  
Director  
Utilities Division

DATE: January 9, 2004

RECEIVED

JAN 09 2004

LEGAL DIV.  
ARIZ CORPORATION COMMISSION

2004 JAN -9 A 10:54

AZ CORP COMMISSION  
DOCUMENT CONTROL

RE: ARIZONA WATER COMPANY- APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN PINAL COUNTY, ARIZONA (DOCKET NO. W-01445A-03-0559)

Attached is the Staff Report for the above referenced application. Staff is recommending approval of the application.

EGJ:JEF:hml

Originator: Jim Fisher

Service List for: Arizona Water Company  
Docket No. W-01445A-03-0559

Mr. Michael Whitehead  
Vice President  
Arizona Water Company  
Post Office Box 29006  
Phoenix, Arizona 85015

Mr. Robert W. Geake  
Vice President and General Counsel  
Arizona Water Company  
Post Office Box 29006  
Phoenix, Arizona 85015

Mr. Christopher C. Kempley  
Chief, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Mr. Ernest G. Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Lyn Farmer  
Chief, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-03-0559

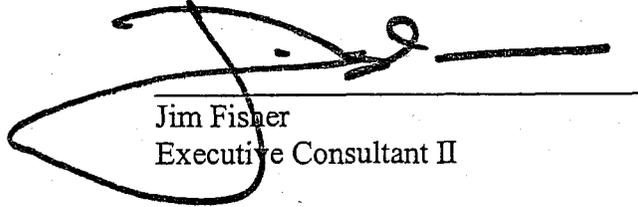
APPLICATION FOR AN EXTENSION OF ITS  
CERTIFICATE OF CONVENIENCE AND NECESSITY  
TO PROVIDE WATER SERVICE IN PINAL COUNTY, ARIZONA

DECEMBER 2003

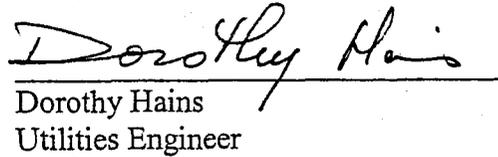
## STAFF ACKNOWLEDGEMENT

The Staff Report for Arizona Water Company (Docket No. W-01445A-03-0559) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analyses of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis.

Contributing Staff:



Jim Fisher  
Executive Consultant II



Dorothy Hains  
Utilities Engineer

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>Introduction</b> .....   | 1           |
| <b>Background</b> .....   | 1           |
| <b>The Extension Request</b> .....                                  | 1           |
| <b>Finance of Facilities</b> .....                                  | 2           |
| <b>Water Production Capacity</b> .....                              | 2           |
| <b>Arsenic</b> .....  | 2           |
| <b>Arizona Department of Environmental Quality Compliance</b> ..... | 3           |
| <b>Arizona Department of Water Resources Compliance</b> .....       | 3           |
| <b>Curtailment Plan Tariff</b> .....                                | 3           |
| <b>ACC Compliance</b> .....   | 3           |
| <b>Proposed Rates</b> .....   | 3           |
| <b>County Franchise</b> .....                                       | 4           |
| <b>Recommendations</b> .....  | 4           |

ATTACHMENT(S)

|                              |   |
|------------------------------|---|
| <b>ENGINEERING MAP</b> ..... | 1 |
|------------------------------|---|

**EXECUTIVE SUMMARY  
ARIZONA WATER COMPANY  
DOCKET NO. W-01445A-03-0559**

On August 12, 2003, Arizona Water Company ("Arizona Water" or "Company"), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") to include additional properties in Pinal County, Arizona. On November 27, 2003, Staff informed the Company that the application was sufficient for administrative purposes.

By this application, Arizona Water is seeking to extend and interconnect its current 128 square mile Casa Grande CC&N to include an additional 11 square miles located adjacent to the existing eastern boundary of the CC&N, parallel to Florence Boulevard, east of Interstate 10.

The Company has been requested to serve two (2) separate subdivisions in the extension area, Florence Country Estates and a Harvard Simon development. The Company intends to supply one system from the Tierra Grande system and another from the Casa Grande system.

The Tierra Grande system does not have adequate capacity to serve the additional customers. Arizona Water informed Staff that the Company intends to interconnect the Tierra Grande system with the Casa Grande System. Once the systems are interconnected, the combined systems would have adequate production and storage capacity to serve the existing and proposed extension area customers.

Staff recommends that the Commission approve the Arizona Water Company application for an extension of its Certificate of Convenience and Necessity in a portion of Pinal County to provide water service, subject to compliance with the following conditions:

1. To require the Arizona Water Company to charge its existing rates and charges in the proposed extension area.
2. To require Arizona Water Company to file a copy of the developers' Certificate of Assured Water Supply related to the proposed extension area within 365 days of the effective date of any decision in this matter.
3. To require that no Arizona Water Company main extension agreement associated with the proposed extension area be approved by the Commission unless the agreement facilitates the proposed system interconnection, or the agreement is subsequent to the completion of the proposed system interconnection.

Staff further recommends that the Commission's Decision granting this Extension to a Certificate of Convenience and Necessity to the Arizona Water Company be considered null and void without further order from the Commission should Arizona Water Company fail to meet above condition # 2.

## **Introduction**

On August 12, 2003, Arizona Water Company ("Arizona Water" or "Company"), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") to include additional properties in Pinal County, Arizona. On August 21, 2003, Utilities Division Staff ("Staff") informed the Company that the application was insufficient for administrative purposes.

On October, 1, 2003, Arizona Water provided Staff with additional documentation to support the application. On November 27, 2003, Staff informed the Company that the application was sufficient for administrative purposes.

## **Background**

Arizona Water is an Arizona corporation, authorized by the ACC to provide water service within portions of Gila, Navajo, Cochise, Maricopa, Pima, Yavapai, Coconino and Pinal counties, Arizona. The ACC initially authorized Arizona Water a CC&N in 1955. The Company currently serves approximately 65,000 customers.

By this application, Arizona Water is seeking to extend and interconnect its current 128 square mile Casa Grande CC&N to include an additional 11 square miles located adjacent to the existing eastern boundary of the CC&N, parallel to Florence Boulevard, to abut the Company's Tierra Grande CC&N.

## **The Extension Request**

Arizona Water is requesting the Commission allow the Company to extend its service territory to include 11 sections adjacent to Florence Boulevard, a natural growth corridor in the Casa Grande area. The proposed extension area interconnects the Company's Casa Grande CC&N on the west, with the Company's Tierra Grande CC&N on the east.

The Company has been requested to serve two (2) separate subdivisions in the extension area, Florence Country Estates and a Harvard Simon development. The Florence Country Estates development is near Eleven Mile Corner Road and Florence Boulevard. The Company intends to supply the project with water from the Tierra Grande system. The Harvard Simon development is located approximately 1 ½ miles east of Hacienda Road and Florence Boulevard. Arizona Water intends to supply the development with water from the Casa Grande system. The proposed developments are expected to provide 560 additional connections within the next five (5) years.

### **Finance of Facilities**

Arizona Water will finance the required transmission and distribution facilities primarily with Advances in Aid of Construction. Advances in Aid of Construction are often in the form of Line Extension Agreements. Line Extension Agreements generally require the developer to design, construct and install (or cause to be) all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the distribution facilities and common facilities necessary to serve the development. Upon acceptance of the facilities by the utility, the developer will convey the water facilities by way of a warranty deed. The utility will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

### **Water Production Capacity**

Arizona Water at Casa Grande has 14 wells with a total production capacity of 12,770 gallons-per-minute ("GPM") and 14.2 million gallons of storage capacity. The Tierra Grande system has two wells with a total production capacity of 551 GPM and 250,000 gallons of storage capacity. Using a simple analysis of overall well production and storage for the Casa Grande system, the existing water system can accommodate approximately 1,615 additional connections. The Tierra Grande system, however, does not have adequate capacity to serve the existing customers.

Arizona Water informed Staff that the Company intends to interconnect the Tierra Grande system with the Casa Grande System. Once the systems are interconnected, the combined systems would have adequate production and storage capacity to serve the existing and proposed extension area customers. Staff recommends no main extension agreement associated with the proposed extension area be approved by the Commission unless the agreement facilitates the proposed system interconnection, or the agreement is subsequent to the proposed interconnection.

### **Arsenic**

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g}/\text{l}$ ") to 10  $\mu\text{g}/\text{l}$ . The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that 11 out of 16 wells in the Casa Grande and Tierra Grande systems exceed the new arsenic MCL.

In this application, Arizona Water is requesting a large addition (11 square miles) to the CC&N. Staff believes that its recommendation on the application should reflect concerns for possible regional solutions to arsenic reduction. Arsenic is prevalent in this area. Arizona Water has the size, technical expertise, and financial resources to solve the arsenic problem. By extending the CC&N to include all of the requested territory, the Company will have greater

flexibility to develop a master plan that will take advantage of economies of scale and flexible resources to provide the most cost effective solution to this area of the state.

Arizona Water is in the process of developing a treatment plan to comply with the new arsenic standard. In Decision No. 66400, dated October 14, 2003, the Commission approved a cost recovery method which will allow the Company to recoup its arsenic treatment costs in the Company's northern systems. In Docket No. W-01445A-02-0619, Arizona Water proposed to use the same cost recovery method for the Casa Grande system; however, a final decision in this matter is still pending before the Commission.

### **Arizona Department of Environmental Quality Compliance**

Arizona Department of Environmental Quality ("ADEQ") regulates the Tierra Grande system under ADEQ Public Water System ("PWS") I.D. # 11-076 and the Casa Grande system under ADEQ PWS I.D. # 11-009. Based on data received from ADEQ, ADEQ has determined that both systems are currently delivering water that does not exceed any maximum contaminant level ("MCL") and both systems meet water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

### **Arizona Department of Water Resources Compliance**

Arizona Water is within the Arizona Department of Water Resources ("ADWR") Pinal Active Management Area, and is in compliance with ADWR's reporting and conservation rules (GPCD requirements). Staff recommends that Arizona Water shall file with the Commission a copy of the developers' Certificate of Assured Water Supply, where applicable or when required by statute within a year after the effective date of any decision and order pursuant to this application.

### **Curtailment Plan Tariff**

At the time this report was prepared, Arizona Water did not have a curtailment tariff filed with the Commission; however, in Docket No. W-01445A-02-0619, Arizona Water Company has agreed to file a curtailment tariff that will apply to all its systems.

### **ACC Compliance**

A check with the Utilities Division's Compliance Section showed no outstanding compliance issues for the Company.

### **Proposed Rates**

Arizona Water has proposed to extend service to the property at its Casa Grande service area tariffed rates.

### **County Franchise**

Arizona Water holds the necessary Pinal County franchise which includes the proposed extension area.

### **Recommendations**

Staff recommends that the Commission approve the Arizona Water Company application for an extension of its Certificate of Convenience and Necessity in a portion of Pinal County to provide water service, subject to compliance with the following conditions:

1. To require the Arizona Water Company to charge its existing rates and charges in the proposed extension area.
2. To require Arizona Water Company to file a copy of the developers' Certificate of Assured Water Supply related to the proposed extension area within 365 days of the effective date of any decision in this matter.
3. To require that no Arizona Water Company main extension agreement associated with the proposed extension area be approved by the Commission unless the agreement facilitates the proposed system interconnection, or the agreement is subsequent to the proposed system interconnection.

Staff further recommends that the Commission's Decision granting this Extension of its Certificate of Convenience and Necessity to the Arizona Water Company be considered null and void without further order from the Commission should Arizona Water Company fail to meet above condition # 2.

MEMORANDUM

TO: Jim Fisher  
Executive Consultant II  
Utilities Division

FROM: Barb Wells *bw*  
Information Technology Specialist  
Utilities Division

THRU: Del Smith *DS*  
Engineering Supervisor  
Utilities Division

DATE: August 25, 2003

RE: **ARIZONA WATER COMPANY (DOCKET NO. W-01445A-03-0559)**

The area requested by Arizona Water for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

:bsw

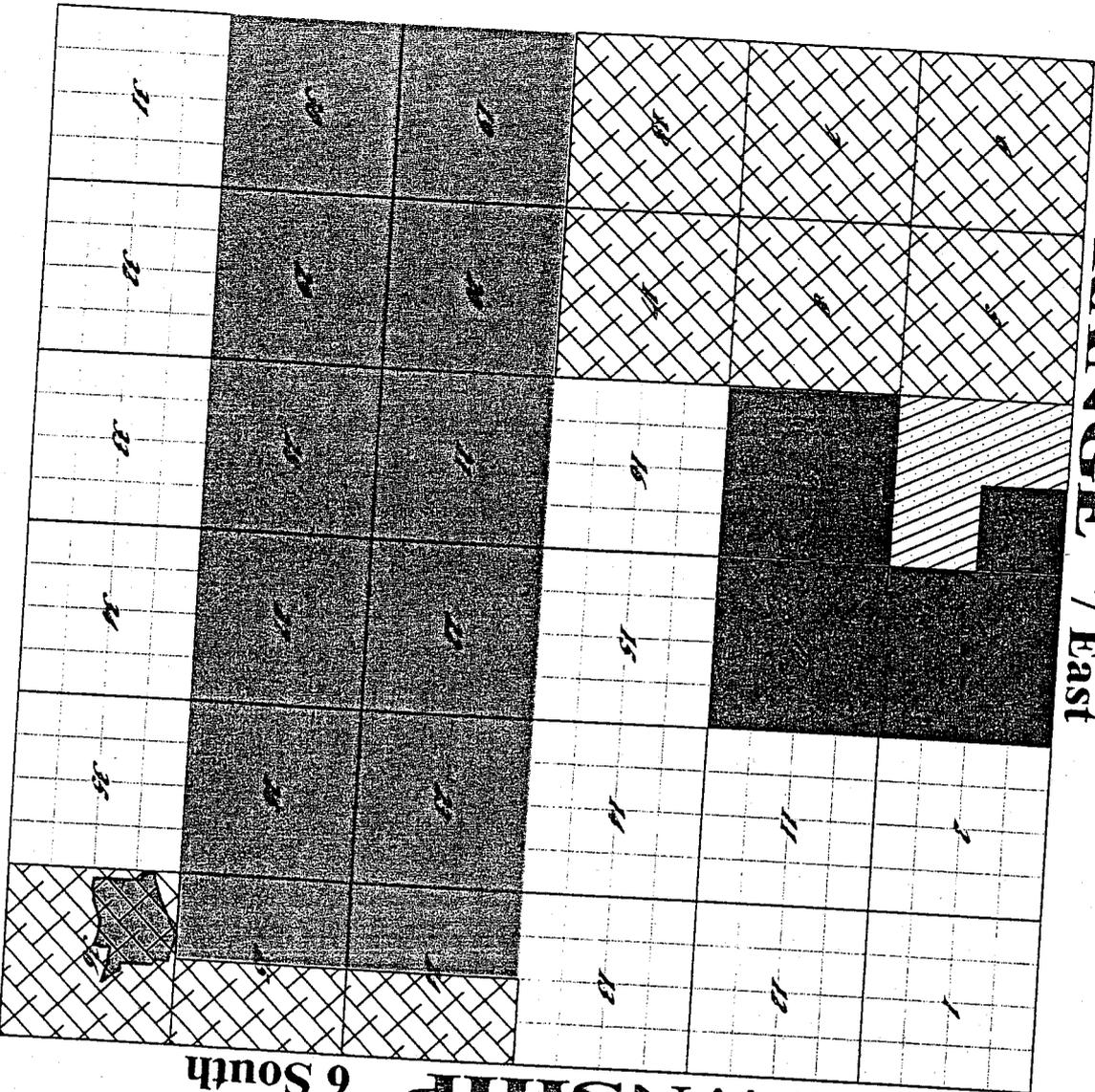
Attachments

cc: Docket Control  
Mr. Robert Geake  
Deb Person (Hand Carried)  
File

# COUNTY OF Pinal

Map No. 27

RANGE 7 East



TOWNSHIP 6 South

-  W-1445 (35)(10)  
Arizona Water Company (Casa Grande)
-  W-2109 (1)  
Signal Peak Water Company, Inc.
-  SW-2701 (1)  
Tierra Grande Utility Cooperative, Inc.
-  Signal Peak Water Company, Inc.  
Docket No. W-2109-01-1002  
Application for Extension
-  Arizona Water Company  
Docket No. W-1445-03-559  
Application for Extension

## EXHIBIT '#1'

Sections 19, 20, 21, 22, 23, W½ 24, W½ 25, 26, 27, 28, 29, & 30, all in Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.