

NEW APPLICATION
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COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

2004 OCT 19 A 10: 10

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

OCT 19 2004

DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION)	DOCKET NO. W-01445A-04-
OF ARIZONA WATER COMPANY, AN)	W-01445A-04-0755
ARIZONA CORPORATION, TO EXTEND)	
ITS EXISTING CERTIFICATES OF)	APPLICATION TO EXTEND
CONVENIENCE AND NECESSITY AT)	EXISTING CERTIFICATES OF
CASA GRANDE AND COOLIDGE, PINAL)	CONVENIENCE AND NECESSITY TO
COUNTY, ARIZONA)	INCLUDE ADDITIONAL TERRITORY

ARIZONA WATER COMPANY, an Arizona corporation, ("AWC") through its undersigned counsel, presents the following Application to extend its existing Certificates of Convenience and Necessity ("CC&N") for its Casa Grande and Coolidge water systems. This Application is based on the following:

1. AWC presently holds CC&Ns issued to it by the Arizona Corporation Commission (the "Commission") in various decisions beginning in 1955 for the purpose of providing water service in the Cities of Casa Grande and Coolidge and the surrounding areas in Pinal County.

2. The areas that AWC seeks to add to its CC&Ns are described in Exhibit #1 hereto and are located directly between AWC's existing Casa Grande and Coolidge CC&Ns. AWC owns and operates extensive water system facilities in both CC&Ns. Pulte Homes, the owner of a portion of the property described in Exhibit #1, has requested AWC to provide water service to its property and apply to the Commission for

ORIGINAL

1 authority to include its property within AWC's CC&N. A copy of a letter from Pulte
2 Homes is attached as Exhibit #2 hereto.

3 3. A competing application filed by Woodruff Water Company ("Woodruff") to
4 serve the Sandia master-planned community ("Sandia"), which is within a portion of the
5 area described in Exhibit #1, is pending in Docket No. W-04264A-04-0438. AWC filed a
6 motion to consolidate the proceedings in Docket No. W-04264A-04-0438 with the
7 proceedings in this docket at the time this Application was filed.
8

9 4. Public policy favors AWC's Application, and some of the reasons supporting
10 AWC's Application are:

11 a. AWC has longstanding plans to extend water service to the expansion
12 areas described in Exhibit #1, and, as a result of such planning and the
13 existence of its adjacent water systems in Coolidge and Casa Grande,
14 AWC can offer more reliable water service, lower cost of water
15 facilities, and lower water rates than Woodruff, which does not have an
16 existing water system.
17

18 b. AWC's longstanding plans include the interconnection of its Casa
19 Grande and Coolidge water systems, and the construction of a single
20 water treatment plant to treat its Casa Grande and Coolidge Central
21 Arizona Project water allocations and thereby supplement its Casa
22 Grande and Coolidge water supplies. AWC's proposed construction of
23 a treatment plant has been supported by the Mayors and City Councils
24 of Casa Grande and Coolidge.
25

26 c. The Commission's "Proposed Policy for Water Certificates of
27 Convenience and Necessity" states the Commission's goal of
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eliminating the proliferation of non-viable water systems. That policy would require an applicant for a CC&N which is not an existing water utility to demonstrate "necessity" by showing that existing Class A water utilities as well as all water utilities serving within five (5) miles of applicant's requested area have refused to serve applicant's requested area. (Proposed Policy for Water Certificates of Convenience and Necessity, www.cc.state.az.us/working/wt-attachA.htm (visited October 12, 2004)). AWC is a Class A water utility, its Casa Grande and Coolidge service areas are within five (5) miles of Woodruff's requested area, and it has not refused to provide public utility water service to Sandia. In fact, AWC is ready, willing and able to serve Sandia.

5. AWC estimates that the total number of customers that may be served in the areas described in Exhibit #1 will be approximately 1,000 within five years following the date of the filing of this Application.

6. A map showing AWC's present certificated areas is attached as Exhibit #3 hereto and a map showing the territory to be added by this Application is attached as Exhibit #4 hereto.

7. A list of the owners of all of the property described in Exhibit #1 is attached as Exhibit #5 hereto. Each property owner will be mailed the public notice attached as Exhibit #6 hereto.

8. AWC is financially able to construct, operate, and maintain the facilities necessary to provide service to the areas described in Exhibit #1. A current financial statement for AWC is attached as Exhibit #7 hereto.

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9. AWC has a Pinal County Franchise for the area in its proposed CC&Ns. A copy of the county franchise is attached hereto as Exhibit #8 hereto.

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

11. Public convenience and necessity will be served by having AWC extend its CC&Ns to include the areas described in Exhibit #1.

12. AWC proposes to utilize its currently authorized rates and charges for its Casa Grande and Coolidge water systems for service to the respective areas described in Exhibit #1. AWC will continue to charge these rates until the Commission changes the rates.

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

1. Issuing to AWC Certificates of Convenience and Necessity for the areas described in Exhibit #1 hereto.
2. Granting such other further and general relief as appropriate in the premises.

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RESPECTFULLY SUBMITTED this 19th day of October 2004.

ARIZONA WATER COMPANY

By: Robert W. Geake
Robert W. Geake
Vice President and General Counsel
ARIZONA WATER COMPANY
Post Office Box 29006
Phoenix, Arizona 85038-9006

and

Steven A. Hirsch
BRYAN CAVE LLP
Two North Central Avenue, Ste. 2200
Phoenix, Arizona 85004-4406

Original and thirteen (13) copies of the foregoing filed the 19th day of October 2004 with:

Docket Control Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

A copy of the foregoing was mailed this 19th day of October 2004 to:

Jay L. Shapiro
Fennemore Craig
3003 N. Central Avenue, Suite 2600
Phoenix, Arizona 85012

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

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

By: Robert W. Geake

EXHIBIT "1"

Area to be added to Casa Grande CC&N

The South half of the Southwest quarter of Section 23 and The West half of the West half of Section 25 and all of Section 26 of Township 5 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Area to be added to Coolidge CC&N

Sections 13, 14 and Section 23, except the South half of the Southwest quarter thereof, Section 24 and Section 25, except the West half of the West half thereof in Township 5 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona; Together with:

Sections 19, 30 of Township 5 South, Range 8 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona

Exhibit "2"



October 8, 2004

Mike Whitehead
Vice President, Engineering
Arizona Water Company
P.O. Box 29006
Phoenix, Arizona 85038-9006

Re: Extension Of CC&N for Martin Ranch, Coolidge, Az.

Dear Mr. Whitehead,

Pulte Homes Corporation requests that Arizona Water Company file an application for approval to extend its Certificate of Convenience and Necessity in or near The City of Coolidge, Pinal County, Arizona with the Arizona Corporation Commission to include an overall area of 565.5 acres, which is more accurately described in Attachment 'A' and depicted on the map as Attachment 'B', both attached hereto. Please notify us when you have been issued a Procedural Order on this extension.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Meyers", written over a horizontal line.

Gary Meyers
Pulte Homes Corporation

ATTACHMENT 'A'

FARM INFORMATION

Legal Description:

The West Half of the West Half ($W\frac{1}{2}W\frac{1}{2}$) of Section Twenty-five (25), and the Northwest Quarter ($NW\frac{1}{4}$) and the West Half of the West Half of the Northeast Quarter ($W\frac{1}{2}W\frac{1}{2}NE\frac{1}{4}$) of Section Twenty-six (26), and the East Half of the Northeast Quarter ($E\frac{1}{2}NE\frac{1}{4}$) and the East Half of the West Half of the Northeast Quarter ($E\frac{1}{2}W\frac{1}{2}NE\frac{1}{4}$) of Section Twenty-six (26), and the South Half of the Southwest Quarter ($S\frac{1}{2}SW\frac{1}{2}$) of Section Twenty-three (23), Township Five (5) South, Range Seven (7) East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Exception:

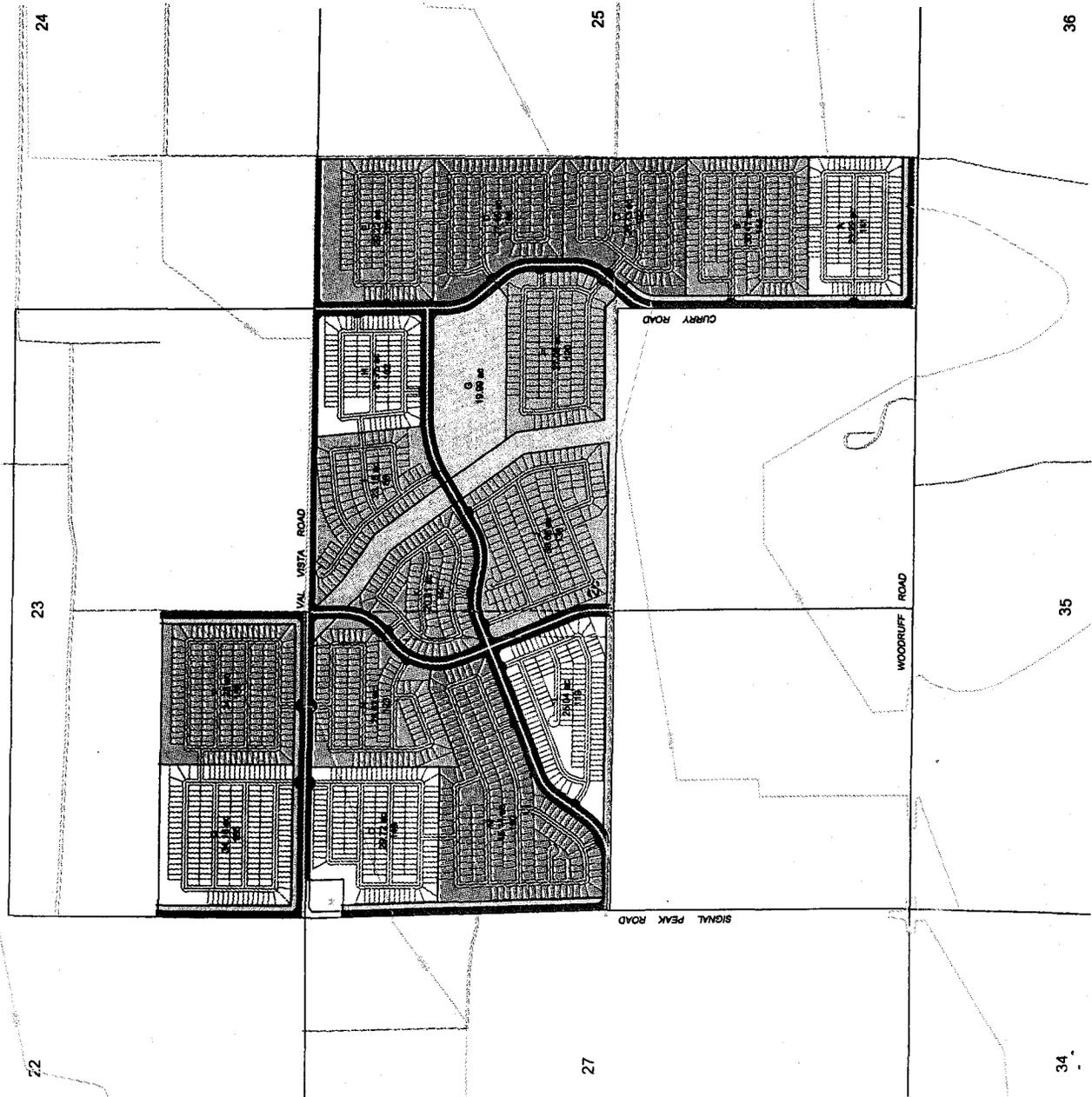
The Northwest Quarter Northwest Quarter Northwest Quarter Northwest Quarter ($NW\frac{1}{4}NW\frac{1}{4}NW\frac{1}{4}NW\frac{1}{4}$) of Section 26, Township 5 South, Range 7 East. (Homesite -- 2.5 acres).

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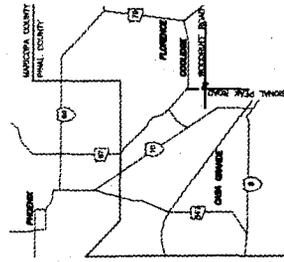
ARIZONA WATER COMPANY
PHOENIX - ENGINEERING

ATTACHMENT 'B'

Martin Ranch



	1st	2nd	Total	
45' x 110'	243	453	696	33%
50' x 110'	269	373	642	31%
55' x 110'	208	190	398	19%
60' x 115'	208	138	346	17%
	928	1,154	2,082	100%
PARK/SCHOOL SITE				
19,992 AC.				
FULL COLLECTOR				
13,900 LF				
HALF COLLECTOR				
13,000 LF				
INTERIOR STREET				
80,340 LF				



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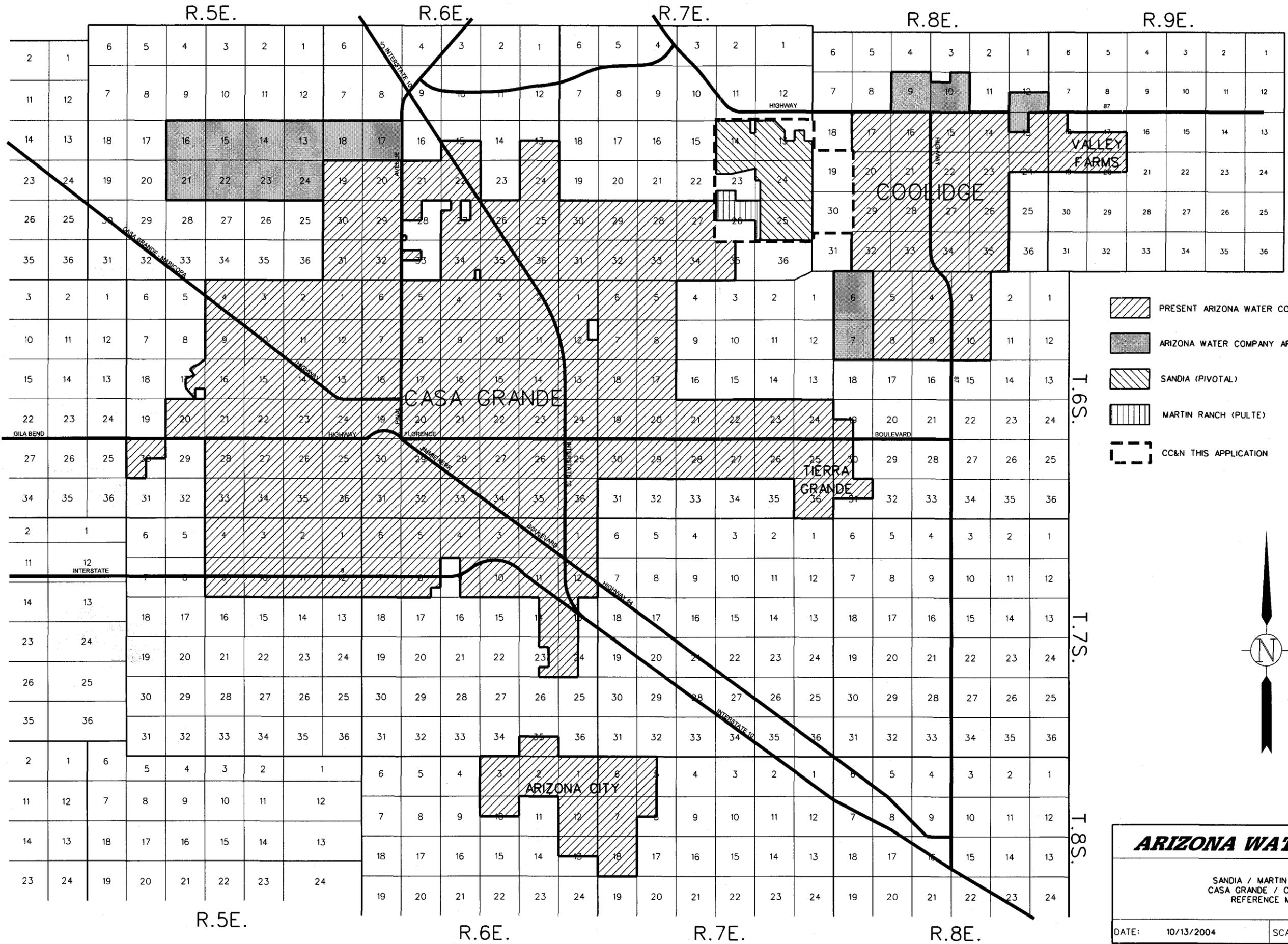
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EXHIBIT "3"

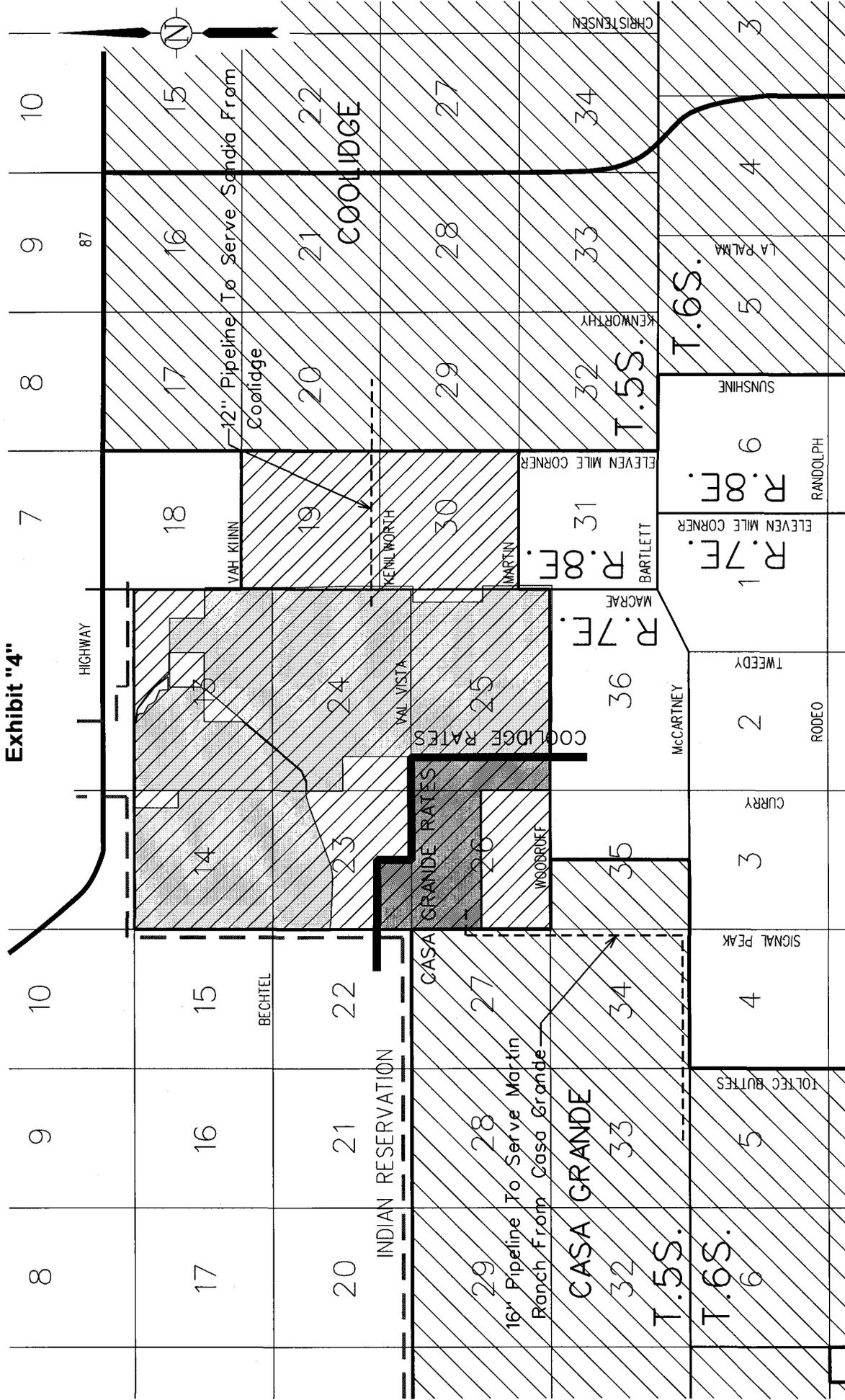


-  PRESENT ARIZONA WATER COMPANY CC&N
-  ARIZONA WATER COMPANY APPLICATION FOR CC&N
-  SANDIA (PIVOTAL)
-  MARTIN RANCH (PULTE)
-  CC&N THIS APPLICATION



ARIZONA WATER COMPANY	
SANDIA / MARTIN RANCH CASA GRANDE / COOLIDGE REFERENCE MAP	
DATE: 10/13/2004	SCALE: NONE

Exhibit "4"



ARIZONA WATER COMPANY

DESCRIPTION:
Application For CC&N To Include Portions Of Sections 13, 14, 23, 24, 25, & 26 Of T.5S., R.7E. AND Sections 19 & 30 Of T.5S., R.8E., CSR&M

LOCATION: CASA GRANDE - COOLIDGE AREA

DATE: 09.29.2004 SCALE: 1" = 1 Mile DRAWN BY: CB

Present Arizona Water Company CC&N

Sandia (Pivotal)

CC&N This Application

Martin Ranch (Pulte)

Exhibit "5"

Property Owners

509-53-002C

509-53-003

509-53-005A

509-53-005b

509-53-006b

509-53-007

509-53-008

509-54-001

509-54-003A

509-54-003b

509-54-006A

509-54-007

Wuertz Farming Limited Company

3227 West Bechtel Road

Coolidge, Arizona 85228

509-53-004

509-55-001b

509-56-003A

Wildcat Farms, LLC

3227 West Bechtel Road

Coolidge, Arizona 85228

509-54-002

509-55-001A

Howard & Jewell Wuertz

3227 West Bechtel Road

Coolidge, Arizona 85228

509-56-001

509-56-002

509-56-003b

509-56-005

509-56-006C

Sundance Farms Limited Partnership

3227 West Bechtel Road

Coolidge, Arizona 85228

509-56-006b

509-56-006D

509-57-001C

509-57-002

509-57-004C

McKinney Farming Company

3227 West Bechtel Road

Coolidge, Arizona 85228

EXHIBIT "6"

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 • WWW.AZWATER.COM

[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 2nd 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

Exhibit "7"

ARIZONA WATER COMPANY
Comparative Balance Sheet
at August 31, 2004

ASSETS

	Aug. 31, 2004	Aug. 31, 2003	Increase (Decrease)
UTILITY PLANT			
Gross Utility Plant	\$ 217,388,141	\$ 204,334,928	\$ 13,053,213
Less Accumulated Depreciation	55,167,557	50,708,665	4,458,892
Net Utility Plant	162,220,584	153,626,263	8,594,321
CURRENT ASSETS			
Cash on Hand and in Banks	3,067,821	435,167	2,632,654
Investments and Special Deposits	2,703	2,703	0
Accounts Receivable	2,593,636	2,770,050	(176,414)
Materials and Supplies	284,642	280,936	(16,294)
Other	445,584	347,102	98,482
Total Current Assets	6,374,386	3,835,958	2,538,428
DEFERRED DEBITS			
	5,865,254	6,091,255	(226,001)
TOTAL	\$ 174,460,224	\$ 163,553,476	\$ 10,906,748

LIABILITIES

CAPITALIZATION			
Common Stock	\$ 2,700,000	\$ 2,700,000	\$ 0
Capital Surplus	9,087,347	8,970,647	116,700
Retained Earnings	50,420,055	48,265,545	2,154,510
Common Stock Equity	62,207,402	59,936,192	2,271,210
Long-Term Debt	21,800,000	22,200,000	(400,000)
Total Capitalization	84,007,402	82,136,192	1,871,210
CURRENT LIABILITIES			
Notes Payable	0	0	0
Accounts Payable	2,763,030	2,291,989	471,041
Accrued Expenses	4,056,877	3,163,843	893,034
Other	529,299	450,044	79,255
Total Current Liabilities	7,349,206	5,905,876	1,443,330
DEFERRED CREDITS			
Advances for Construction	38,469,703	36,140,213	2,329,490
Contributions in Aid of Construction	22,147,484	21,029,338	1,118,146
Deferred Income Tax	15,604,966	13,717,167	1,887,799
Other	6,881,463	4,624,690	2,256,773
Total Deferred Credits	83,103,616	75,511,408	7,592,208
TOTAL	\$ 174,460,224	\$ 163,553,476	\$ 10,906,748

ARIZONA WATER COMPANY
Comparative Statement of Income
August 31, 2004

	12 MONTHS TO DATE		AUGUST		8 Months to Date	
	2004	2003	2004	2003	2004	2003
OPERATING REVENUE	\$ 39,063,495	\$ 37,237,595	\$ 3,891,316	\$ 3,615,583	\$ 26,462,422	\$ 24,944,231
OPERATING EXPENSES						
Operation and Maintenance	18,286,833	17,553,306	1,571,085	1,535,452	12,323,189	11,808,343
Depreciation	4,641,442	4,419,154	398,489	378,725	3,212,494	3,042,131
Taxes Other Than Income Taxes	5,570,127	5,334,498	515,024	489,981	3,799,816	3,632,957
Income Taxes	3,222,798	2,598,006	520,818	426,380	2,457,730	1,979,948
Total Operating Expenses	31,721,200	29,904,964	3,005,416	2,830,538	21,793,229	20,463,379
OPERATING INCOME	7,342,295	7,332,631	885,900	785,045	4,669,193	4,480,852
OTHER (INCOME) AND DEDUCTIONS						
Other (Income) - Net	(233,880)	(262,733)	(32,936)	(176)	(226,947)	(135,016)
Interest on Long-Term Debt	1,861,717	1,898,716	152,317	155,400	1,240,117	1,264,783
Other Interest and Amortization	(82,352)	(50,400)	(6,852)	9,538	(61,504)	(9,252)
Total Other (Income) and Deductions	1,545,485	1,585,583	112,529	164,762	951,666	1,120,515
NET INCOME	5,796,810	5,747,048	773,371	620,283	3,717,527	3,360,337
Regular Common Dividends	3,642,300	3,137,400				
INCOME RETAINED	\$ 2,154,510	\$ 2,609,648				
Active Services	71,794	68,844				

AUGUST 2004

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 Reader & 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 Reader 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

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 §28-1901, 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

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.

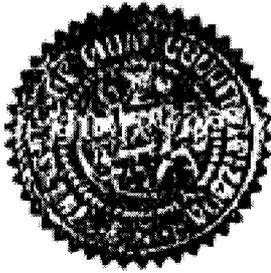
SECTION 9. All resolutions and parts of resolutions in conflict with the provisions hereof are hereby repealed to the extent applicable to a franchised public service corporation.

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 Nathanson,
seconded by Supervisor Weckerly.

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 J. J. [Signature]
CHAIRMAN

ATTEST:

C. Charles A. Guerin
Clerk of Board of Supervisors