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BEFORE THE ARIZONA CORPORATION COMMISSION

30E

2004 AUG 12 P 2:17

COMMISSIONERS

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

AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission

**DOCKETED**

AUG 12 2004

DOCKETED BY	<i>GM</i>
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IN THE MATTER OF THE APPLICATION OF  
MONTEZUMA ESTATES PROPERTY OWNERS'  
ASSOCIATION dba MONTEZUMA ESTATES  
WATER COMPANY FOR APPROVAL OF THE  
SALE OF ASSETS AND TRANSFER OF ITS  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY

DOCKET NO. W-02064A-04-0270  
W-04254A-04-0270

**STATUS REPORT AND  
NOTICE OF FILING  
LATE-FILED EXHIBIT**

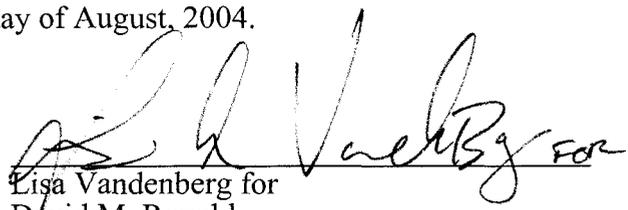
On July 8, 2004, a hearing was held on Montezuma Estates Property Owners' Association's ("Applicant") application for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("Certificate") to Montezuma Rimrock Water Company L.L.C. ("MRWC").

During this hearing, the issue of whether other companies were interested in purchasing the Applicant's assets was discussed. At the hearing, Arizona Water Company ("Arizona Water") was mentioned as a potential buyer. At the close of the hearing, the Administrative Law Judge ("ALJ") ordered the Applicant to provide additional information. One of the ALJ's additional requests was for the Applicant to ascertain whether Arizona Water Company had any interest in purchasing the Applicant's assets.

On August 9, 2004, the Utilities' Division Staff ("Staff") of the Arizona Corporation Commission ("Commission") received a letter from Arizona Water regarding the sale of the Applicant's assets. (See attached Exhibit S-2). Based on Exhibit S-2, Staff believes the Applicant may need additional time to explore its options and provide the ALJ with the additional information

1 requested.

2 RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of August, 2004.

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4   
5 Lisa Vandenberg for  
6 David M. Ronald  
7 Attorney, Legal Division  
8 Arizona Corporation Commission  
9 1200 West Washington Street  
10 Phoenix, Arizona 85007  
11 (602) 542-3402

9 The original and thirteen (13) copies  
10 of the foregoing were filed this  
11 12<sup>th</sup> day of August, 2004 with:

12 Docket Control  
13 Arizona Corporation Commission  
14 1200 West Washington Street  
15 Phoenix, Arizona 85007

16 Copies of the foregoing were mailed this  
17 12<sup>th</sup> day of August, 2004 to:

18 Douglas C. Fitzpatrick  
19 49 Bell Rock Plaza, Suite A  
20 Sedona, AZ 86351  
21 Attorney for Montezuma Estates  
22 Property Owners' Association

23 Peter O. Sanchez  
24 60 Ridgcrest Road  
25 Sedona, Az 86351

26 Montezuma Rimrock Water Company, LLC  
27 P. O. Box 10  
28 Rimrock, AZ 86335-0010

Patricia D. Arias  
7209 West Windrose Drive  
Peoria, AZ 85381

Richard Rink  
6601 N. Mountain View Drive  
Paradise Valley, AZ 85253

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# 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

August 5, 2004

Mr. Jim Fisher  
Executive Consultant  
Arizona Corporation Commission  
Utilities Division  
1200 West Washington Street  
Phoenix, AZ 85007

**RECEIVED**

AUG 09 2004

AZ CORPORATION COMMISSION  
DIRECTOR OF UTILITIES

Re: Montezuma Estates Property Owners' Association

Dear Mr. Fisher:

Arizona Water Company (the "Company") met with representatives of the Montezuma Estates Property Owners' Association (the "Association") in April 1999 concerning a potential sale of the Association's water system to the Company. In conducting its due diligence, the Company tested both of the Association's wells. The test results showed that the arsenic level in the main supply well exceeded 50 parts per billion ("PPB"), the maximum contaminant level ("MCL") for arsenic at that time. The Company's notes showed the main supply well was equipped for 88 gallons per minute ("GPM") and the smaller supply well was equipped for 16 GPM.

The Company contemplated interconnecting the Montezuma Estates water system with the Company's Rimrock water system. At that time it was likely that the Association's main supply well would need to be removed from service because of the high arsenic level. The Company informed the Association by letter dated April 21, 1999 (copy enclosed), that the Company would like to renew discussions with the Association on the possibility of the Company providing water service to Montezuma Estates when additional water supplies became available in the Company's Rimrock water system. As you can see from the attached map, the Association's water system is immediately adjacent to the Company's Rimrock water system and is much smaller in comparison.

Since April 21, 1999, the Company has developed a new water supply well for Rimrock, which is equipped for 350 GPM. More importantly, the Company has received approval from the Arizona Corporation Commission for an arsenic cost recovery mechanism. This allows the Company to move forward with the construction of arsenic treatment plants for its Rimrock water system to restore Rimrock Well #4 to service, which has an equipped capacity of 100 GPM.

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

**ARIZONA WATER COMPANY**

To: Jim Fisher – Arizona Corporation Commission  
Re: Montezuma Estates Property Owners' Association

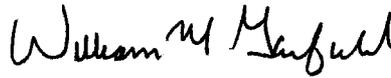
August 5, 2004  
Page 2

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The Company now has adequate capacity to interconnect the Montezuma Estates water system with its Rimrock water system and provide reliable water service not only to its Rimrock customers, but to all of the Montezuma Estates customers as well. In addition, the Company's ongoing arsenic treatment plant construction will achieve compliance with the new arsenic MCL of 10 PPB well before the January 23, 2006 deadline. The Company is interested in pursuing the acquisition of the Montezuma Estates water system if the Association is also interested.

If you have any questions on this matter, please call me.

Very truly yours,



William M. Garfield  
President

mcm  
Enclosures

April 21, 1999

Mr. Art Guenther  
Montezuma Estates Property Owners Association  
P. O. Box 612  
Rimrock, AZ 86335

Re: Property Owners Association Water Company

Dear Mr. Guenther:

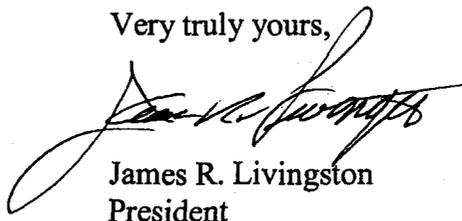
Thank you for the time and detail you provided Mike Whitehead, Ray Miller and me when we toured the Montezuma Estates Water Company system on March 16, 1999. At that time I told you Arizona Water Company's ("the Company") interest in taking over operations of the Montezuma Estates water system and connecting it to the Company's Rimrock water system would depend on the results of the analyses of water taken from the water system's two wells.

Unfortunately, the analyses of water taken from the major supply well showed an arsenic level that exceeds the maximum contaminant level (MCL) allowed for drinking water, and the analyses of water from the smaller well was very close to the arsenic MCL. The total supply currently does not meet drinking water standards.

While the Company has sufficient water to supply its existing service area in Rimrock, it does not have sufficient supply to also serve an area the size of Montezuma Estates without acquiring additional water supplies meeting drinking water standards. When additional supplies are available we would like to renew discussions on the possibility of Arizona Water Company providing water service to Montezuma Estates.

Thank you for your time and interest.

Very truly yours,



James R. Livingston  
President

mcm \*

c: Route - Phoenix Staff  
Ray Miller - SD

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E-MAIL: mail@azwater.com

