

ORIGINAL



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BEFORE THE ARIZONA CORPORATION CO

RECEIVED

COMMISSIONERS

- 1 JEFF HATCH-MILLER, CHAIRMAN P 3:40
- 2 MARC SPITZER
- 3 WILLIAM A. MUNDELL, AZ CORP COMMISSION
- 4 MIKE GLEASON DOCUMENT CONTROL
- 5 KRISTIN K. MAYES

6 IN THE MATTER OF DIVERSIFIED
 7 WATER UTILITIES, INC. TO EXPAND
 8 ITS CERTIFICATE OF CONVENIENCE
 9 AND NECESSITY TO INCLUDE ALL
 10 OF SECTIONS 13, 14, 15, 23 AND
 11 THAT PORTION OF SECTION 16
 12 EAST OF RAILROAD TRACKS ALL IN
 13 T3S, R8E, PINAL COUNTY, ARIZONA

DOCKET NO. W-02859A-04-0844

FILING OF SUPPLEMENTAL INFORMATION

11
 12 Diversified Water Utilities, Inc. ("Diversified") this date submits
 13 supplemental information in response to the Insufficiency Letter from Jim Fisher
 14 dated December 7, 2004 filed in the above-captioned matter. The supplemental
 15 information includes a letter to Mr. Fisher dated February 3, 2005 together with a
 16 bound set of exhibits. With this supplemental filing, Diversified respectfully requests
 17
 18 the Arizona Corporation Commission to find its Application to be administratively

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 26

Arizona Corporation Commission
DOCKETED

FEB 03 2005

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1 complete and to proceed with substantive review thereof.

2 RESPECTFULLY SUBMITTED this 3rd day of February, 2004.

3
4 CURTIS, GOODWIN, SULLIVAN,
UDALL & SCHWAB, P.L.C.

5
6 By: 
7 William P. Sullivan, Esq.
8 2712 North Seventh Street
9 Phoenix, Arizona 85006-1090
10 Attorneys for Diversified Water
Utilities, Inc.

11 PROOF OF AND CERTIFICATE OF MAILING

12
13 I hereby certify that on this 3rd day of February, 2005, I caused the
14 foregoing document to be served on the Arizona Corporation Commission by
delivering the original and thirteen (13) copies of the above to:

15 Docket Control
16 Arizona Corporation Commission
17 1200 West Washington
Phoenix, Arizona 85007

18
19 

20
21
22 1620/-3-2/pleadings/supplemental filing

23

24

25

26

The Law Offices of
**CURTIS, GOODWIN, SULLIVAN,
UDALL & SCHWAB, P.L.C.**

Michael A. Curtis
Susan D. Goodwin
Kelly Y. Schwab
Phyllis L.N. Smiley
David M. Lujan

2712 North Seventh Street
Phoenix, Arizona 85006-1090
Telephone (602) 393-1700
Facsimile (602) 393-1703
wsullivan@cgsuslaw.com

William P. Sullivan
Larry K. Udall
Anja K. Wendel
K. Russell Romney
Ellen M. Van Riper

Of Counsel
Joseph F. Abate
Thomas A. Hine

REFER TO FILE NO. 1620-3-2

February 3, 2005

Hand Delivered

Mr. Jim Fisher
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: **Diversified Water Utilities, Inc. – Application for an
Extension of CC&N Docket No. W-02859A-04-0844**

Dear Jim:

Our office represents Diversified Water Utilities, Inc. (Diversified). We are submitting this letter and the attachments in response to your Insufficiency Letter dated December 7, 2004.

First, we want to thank you for your comprehensive review of the filing. However, Diversified believes your review and the resulting letter fails to properly consider the context of the Application. As you will recall, and as explained in the Application, the area Diversified seeks to certificate was previously subjected to a heavily contested certification proceeding. (See Docket Nos. W-02234A-00-0371, et al.) The general topics raised by your insufficiency letter (need, location and fitness and readiness to provide service) were all explored in depth in those dockets. Following the hearing, the Administrative Law Judge filed a recommendation, supported by Staff, to grant Diversified the area involved in its current Application. The final order of the Commission (Decision No. 63960) did not certificate the area to anyone, "because of uncertainty with respect to the Skyline [Domestic Water Improvement] District and potential litigation in state court." The legal action referenced by the Commission was initiated by Diversified and ultimately resulted in the County Board of Supervisors declaring the District void *ab initio*. The Board of Supervisors also recognized Diversified as a fit and proper entity to provide water service to the area Diversified now seeks to serve. Since the deficiencies identified by the Commission have been resolved, Diversified believes the proper manner to proceed is by amending Decision No. 63690 (as previously amended) to implement

the recommendation of the ALJ and Staff. In an abundance of caution, the filing alternatively requested that matter be treated as a new application.

Even though you have opted to treat Diversified's filing as a new application, the prior dockets still provide the foundation upon which the application is premised. With this background, Diversified provides the following information in response to your letter:

1. Please provide a request for service from each of the affected property owners.

The majority of the property Diversified seeks to have certificated is part of the Bella Vista Planned Area Development ("Bella Vista"). See Exhibit 1. A portion of Bella Vista is already located within Diversified's CC&N. Evidence was submitted in Docket Nos. W-02234A-00-0371, et al. by Ms. Aleman that her company, SPI, was co-developing Bella Vista and was requesting water service. She testified the development consists of 3,800 acres and will have between 12,000 and 13,000 homes. See, Finding of Facts Nos. 29-32 in Decision No. 63960, a copy of which is included as part of Exhibit 1. Ms. Aleman, together with Penny Wolfswinkel, by letters dated April 16, 2004 confirmed the request for water service to Sections 13 and 23, Township 3 South, Range 8 East and Centex Homes, as prospective purchaser of the same sections, made a request dated December 2, 2004. Copies of their requests (directed to Johnson Utilities Co.) are attached as part of Exhibit 1. This information demonstrates there is need for water service in the area Diversified requests to serve. There is no statutory or Commission requirement that the request for service be directed to the utility seeking a certificate. Moreover, determining which service provider will best serve the public interest is a substantive decision, not a completeness review matter.

2. Please provide a map of the requested service territory with an identification of the respective property owners requesting service.

The requested map is attached as Exhibit 2.

3. Please provide a map of the requested territory in relation to the existing utility's existing service area.

The requested map is attached as Exhibit 3.

4. Please provide a drinking water design report which clarifies how water will be provided to the proposed CC&N.

The requested drinking water design report is attached as Exhibit 4.

5. Please provide a copy of the Arizona Department of Water Resources Analysis of Adequate Water Supply for the proposed service territory.

The Arizona Department of Water Resources October 26, 2004 determination of the

physical availability of 36,141 acre feet per year of water for 100 years, as well as the Application submitted in connection therewith (excluding Appendix A) are attached as Exhibit 5.

6. Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N.

As part of Docket No. WS-02987A-04-0869, Johnson Utilities Company ("JUC") has submitted a Hydrogeologic Feasibility Analysis prepared by Clear Creek Associates to evaluate and site potential production well facilities in Sections 13 and 23 of Township 3 South, Range 8 East necessary to serve the development being planned by Centex Homes. While Diversified has insufficient information currently available to substantively evaluate the report, Commission Staff apparently relied on the study to determine JUC's Application met its sufficiency requirements. Such report serves the same purpose for any entity seeking a certificate to provide water service to this area, including Diversified. A copy of the Clear Creek Report may be found in the above referenced Commission Docket.

Diversified attaches as Exhibit 6 copies of the January 1, 2001 Staff Report and Recommended Order filed in Docket Nos. W-02234A-00-0371, et al. as evidence of the prior determination that Diversified is capable of developing enough drinking water capacity to service the demands of the area Diversified seeks to include within its CC&N.

7. Please provide a set of design plans for the proposed water facilities.

At present Diversified has designed the facilities necessary to interconnect its existing system with the Centex Homes development. A copy of the design plans is attached as Exhibit 7. The on-site design of facilities will be performed by the developer to Diversified's specifications and in consultation with Diversified. Such plans will be submitted in conjunction with Advance-In-Aid-Of-Construction Agreements. Diversified notes that JUC's application filed in Docket No. WS-02987A-04-0869 was found to meet the sufficiency requirements without providing any design plans.

8. Please provide an estimate of the water facilities costs to the Diversified Water Utilities, Inc., necessary to serve the proposed CC&N extension

The Engineer's Opinion of Preliminary Costs is attached as Exhibit 8. Estimates will be refined in conjunction with the planning of actual developments (such as the Centex Homes development proposed for Sections 13 and 23, Township 3 South, Range 8 East). The financing of water facilities will be negotiated with developers, but will consist primarily of payment of Diversified's approved hook-up fee and AIAC agreements. A copy of Diversified's hook-up fee tariff is attached as part of Exhibit 8.

Mr. Jim Fisher
February 3, 2005
Page 4 of 4

9. Please provide evidence of Diversified Water Utilities, Inc.'s current financial condition.

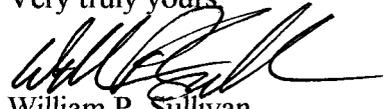
A copy of Diversified's Utility Annual Report for the Year Ending December 31, 2003, as well as a Profit and Loss Statement and Balance Sheet as of December 31, 2004 are attached as Exhibit 9. (Diversified notes that JUC's application in Docket No. WS-02987A-04-0869 was deemed complete even though the financial information provided was almost a year old and consisted of its most recent Utility Annual Report.)

10. Please provide a copy of the Pinal County Franchise for the requested area.

Diversified has not yet secured a copy of the Pinal County Franchise for the requested area. However, in the Settlement Agreement executed between Pinal County and Diversified, Pinal County agreed to grant Diversified a non-exclusive 25-year County franchise for this area. Diversified is in the process of applying for the franchise and will submit it as soon as it becomes available. A.R.S. §40-282.D. also authorizes the Commission to issue an order preliminary to the issuance of a CC&N if the franchise has not yet been granted.

We trust that the foregoing will permit the Commission to complete its sufficiency review, to find Diversified's Application to be complete and to commence sufficiency review. If you have any questions regarding the information being provided or if there is any additional information that you require, please do not hesitate to contact me. If the question is of a technical nature, please feel free to contact either Scott Gray of Diversified at (602) 840-9400 or Diversified's engineer, Gregory Potter of Sunrise Engineering, Inc. at (480) 768-8600. Again, thank you for your efforts in reviewing Diversified's Application.

Very truly yours,



William P. Sullivan
For the Firm

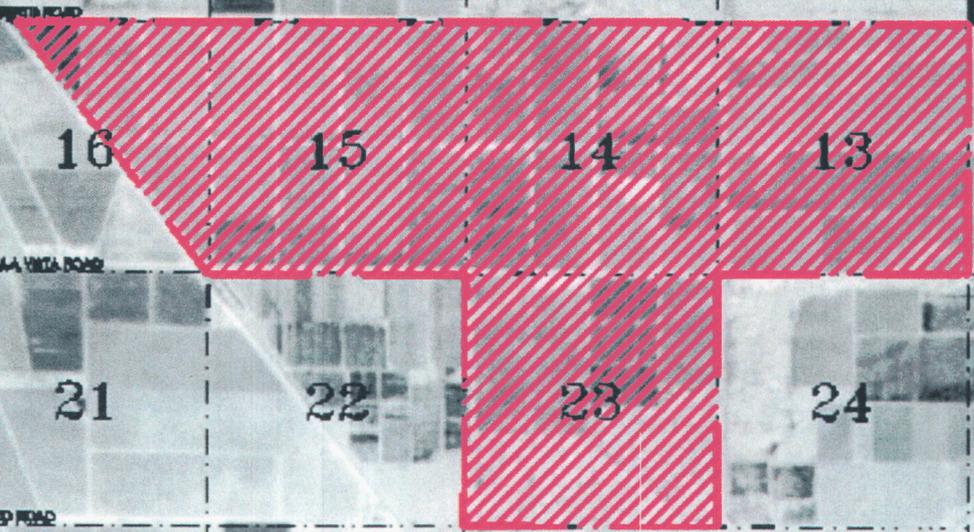
WPS/mw
Enclosures: As noted above

1620\3-2\letters\Jfisher020305

Diversified Water Utilities, Inc.

Application for Extension of its Certificate of Convenience & Necessity (CC&N)

Response to Insufficiency Notice



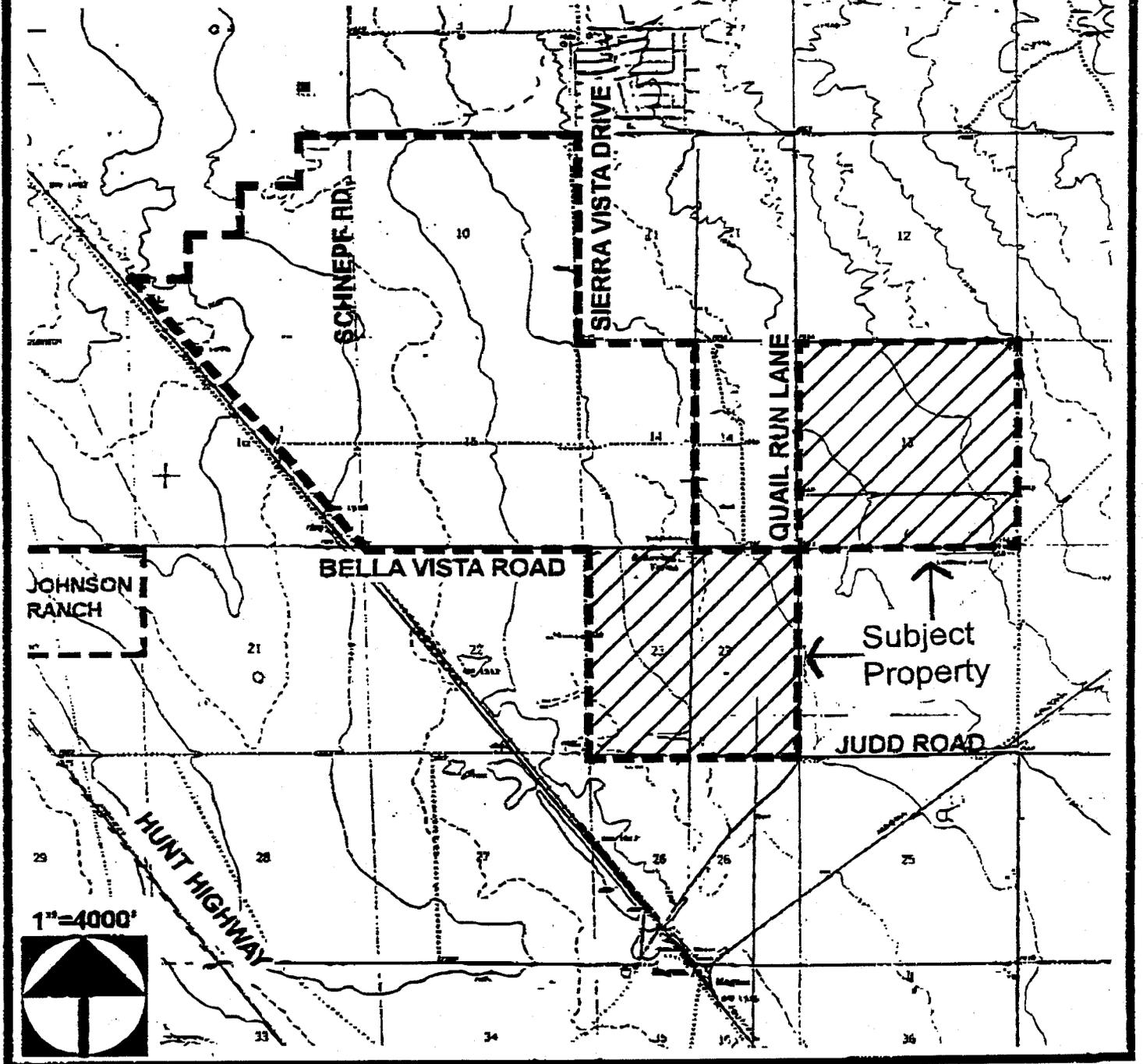
Sunrise Engineering, Inc.
2152 S. Vineyard, Suite 123
Mesa, AZ 85210

480/768-8600 480/768-8609 fax

Exhibit 1

Requests for Water Service

Sections 10, 15, 13, 23 and parts of Sections 9, 16, and 14
of T. 3 South, R. 8 East of the Gila and Salt River Meridian,
Pinal County, Arizona



BELLA VISTA
PLANNED AREA DEVELOPMENT
 Property Boundary Description

PZ-020-04
 PZ-PD-020-04
 PZ-PD-040-98A

XEROX ALL PLEADINGS

COPIES TO MAC WIP

FILE 9/6/01

BEFORE THE ARIZONA CORPORATION COMMISSION

STAMPED

DATE 10/4/01

DOCKETED

ROUTED TO MAC WIP

9/24/01

SEP 04 2001

DO NOT FILE UNTIL
ALL ITEMS CHECKED
AND INITIALED DR

DOCKETED BY	<u>VL</u>
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1 WILLIAM A. MUNDELL
2 CHAIRMAN
3 JIM IRVIN
4 COMMISSIONER
5 MARC SPITZER
6 COMMISSIONER

6 IN THE MATTER OF THE APPLICATION OF
7 H₂O, INC., FOR AN EXTENSION OF ITS
8 EXISTING CERTIFICATE OF CONVENIENCE
9 AND NECESSITY.

DOCKET NO. W-02234A-00-0371

8 IN THE MATTER OF THE APPLICATION OF
9 JOHNSON UTILITIES, L.L.C. DBA JOHNSON
10 UTILITIES COMPANY FOR AN EXTENSION OF
11 ITS CERTIFICATE OF CONVENIENCE AND
12 NECESSITY TO PROVIDE WATER AND
13 WASTEWATER SERVICE TO THE PUBLIC IN
14 THE DESCRIBED AREA IN PINAL COUNTY,
15 ARIZONA.

DOCKET NO. WS-02987A-99-0583

13 IN THE MATTER OF THE APPLICATION OF
14 JOHNSON UTILITIES, L.L.C. DBA JOHNSON
15 UTILITIES COMPANY FOR AN EXTENSION OF
16 ITS CERTIFICATE OF CONVENIENCE AND
17 NECESSITY TO PROVIDE WATER AND
18 WASTEWATER SERVICE TO THE PUBLIC IN
19 THE DESCRIBED AREA IN PINAL COUNTY,
20 ARIZONA.

* DOCKET NO. WS-02987A-00-0618

17 IN THE MATTER OF THE APPLICATION OF
18 DIVERSIFIED WATER UTILITIES, INC. TO
19 EXTEND ITS CERTIFICATE OF CONVENIENCE
20 AND NECESSITY.

DOCKET NO. W-02859A-00-0774

20 IN THE MATTER OF THE APPLICATION OF
21 QUEEN CREEK WATER COMPANY TO
22 EXTEND ITS CERTIFICATE OF CONVENIENCE
23 AND NECESSITY.

DOCKET NO. W-01395A-00-0784

DECISION NO. 63960

OPINION AND ORDER

22 DATES OF PRE-HEARING CONFERENCES: October 11, 2000 and March 11, 2001

23 DATES OF HEARING: March 15, 16, 19, 20, and 21, 2001

24 PLACE OF HEARING: Phoenix, Arizona

25 PRESIDING ADMINISTRATIVE LAW JUDGE: Marc E. Stern

26 APPEARANCES: Fennemore Craig, P.C. by Mr. Jay L. Shapiro
27 and Ms. Karen Errant, on behalf of H₂O, Inc.;

28 Lewis and Roca, L.L.P., by Mr. Thomas H.

RECEIVED

SEP 6 2001

1 27. With respect to Diversified's existing Certificate, Mr. Griffis described the Skyline
2 District as being composed of three separate and distinct parcels of land which are not contiguous to
3 one another and include sizeable portions of Diversified's certified area.

4 28. In concluding his testimony, Mr. Griffis indicated that he was satisfied that H₂O could
5 provide water service to parcel 15 (Pecan Ranch), parcel 16 (Home Place), and parcel 17 (Ware
6 Farms) as originally agreed upon in the proposed settlement, and that parcel 11 (Circle Cross Ranch)
7 could be provided with service by JUC.

8 29. Ms. Aleman testified that her company, SPI, is in the process of co-developing parcel
9 2, Bella Vista Farms ("Bella Vista"), an area which lies partially in Diversified's existing certificated
10 area and also outside of its certificated area, but contiguous to Diversified's southern boundary. Bella
11 Vista lies to the east of JUC's certificated area. She stated that SPI supports JUC's application and
12 the former proposed Settlement Agreement between JUC, H₂O and Queen Creek.

13 30. That portion of Bella Vista which lies within Diversified's certificated service area is
14 part of the Skyline District as is the remainder of the Bella Vista project which lies outside of
15 Diversified's certificated area.

16 31. Ms. Aleman testified that although no development has yet taken place in the Bella
17 Vista area, it is to be a master planned development completed "hopefully within the next three years
18 or so". The development consists of 3,800 acres which is controlled by SPI and other developers
19 who plan to build between 12,000 and 13,000 homes there.

20 32. Ms. Aleman testified that SPI preferred to keep its options open with respect to the
21 formation of the Skyline District for the provision of water service within Diversified's area and
22 favored JUC because, in her opinion, JUC is more qualified and able to provide water and wastewater
23 service, both physically and financially, to the Bella Vista area.

24 33. Mr. Bowen described his plans for approximately 200 acres in parcel 8, as delineated
25 on Exhibit A, where his company plans to build 127 homes after approval for his subdivision is
26 received from the Arizona Department of Real Estate. Approval of the Real Estate Department will
27 follow if JUC is approved as a provider of water and sewer service, because JUC has a designation of
28 an assured water supply.

WOLFCOR, L.L.C.
3850 E. BASELINE ROAD, STE. 123
MESA, ARIZONA 85206

Telephone (480) 969-8000
Fax (480) 539-7321

HAND DELIVERED

April 16, 2004

Mr. George Johnson
Mr. Brian Tompsett
Johnson Utilities Co.
5230 E. Shea Blvd.
Scottsdale, AZ 85254

Re: Request for Water, Sewer, Cable and Trash Service

Dear Mr. Johnson and Mr. Tompsett:

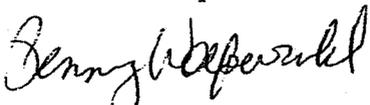
Please accept this letter as our formal request for water, sewer, cable and trash service to our Section 23, Township 3 South, Range 8 East, located in Pinal County, more formally described on Exhibit A attached.

Please make application with the Arizona Corporation Commission to incorporate our property under your CC&N and let us know at your earliest convenience of our acceptance.

Please contact us at 480-969-8000 if you have any questions. Thank you for your consideration.

Sincerely,

WOLFCOR, L.L.C.



Penny Wolfswinkel
Member/Manager



Kathy Akeman
Member/Manager

PW/KA:dt

c:\My Documents\Letters & Memos\ltr 4-16-04-Johnson Utilities-Wolcor/dt

WOLFKIN FARMS PARTNERSHIP

Telephone (480) 969-8000
Fax (480) 539-7321

3850 E. BASELINE ROAD, STE. 123
MESA, ARIZONA 85206

HAND DELIVERED

April 16, 2004

Mr. George Johnson
Mr. Brian Tompsett
Johnson Utilities Co.
5230 E. Shea Blvd.
Scottsdale, AZ 85254

Re: Request for Water, Sewer, Cable and Trash Service

Dear Mr. Johnson and Mr. Tompsett:

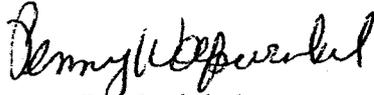
Please accept this letter as our formal request for water, sewer, cable and trash service to our Section 13, Township 3 South, Range 8 East, located in Pinal County, more formally described on Exhibit A attached.

Please make application with the Arizona Corporation Commission to incorporate our property under your CC&N and let us know at your earliest convenience of our acceptance.

Please contact us at 480-969-8000 if you have any questions. Thank you for your consideration.

Sincerely,

WOLFKIN FARMS


Penny Wolfswinkel
Partner


Kathy Aleman
Partner

PW/KA:dt

c:\My Documents\Letters & Memos\ltr 4-16-04-Johnson Utilities-Wolfkin/dt

CENTEX HOMES

Arizona Division

December 2, 2004

Mr. George Johnson
Mr. Brian Tompsett
Johnson Utilities Company
5320 E. Shea Blvd.
Scottsdale, Arizona 85254

Re: Request for Water Utility Service – “Bella Vista”

Dear Messrs. Johnson and Tompsett:

As you are aware, Centex Homes is currently purchasing the property and development known as “Bella Vista” from Wolfcor, LLC. I understand that Johnson Utilities Company is currently certificated to provide wastewater service to “Bella Vista”.

As part of Centex Homes’ due diligence in this matter, please accept this letter as a formal request for water utility service to “Bella Vista”, which is located in Sections 13 and 23, Township 3 South, Range 8 East, Pinal County, Arizona. In addition, please also make an application with the Arizona Corporation Commission to incorporate these two Sections into Johnson Utilities Company’s water CC&N.

Should you have any questions, please contact me at (480) 889-0924. Thank you for your consideration in this matter.

CENTEX HOMES – Arizona Division



Todd M. Skoro
Land Development Manager

Cc: Marc Blonstein, Centex Homes General Council
WOLFCOR, Penny Wolfswinkel

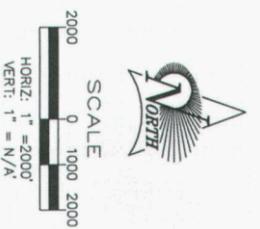
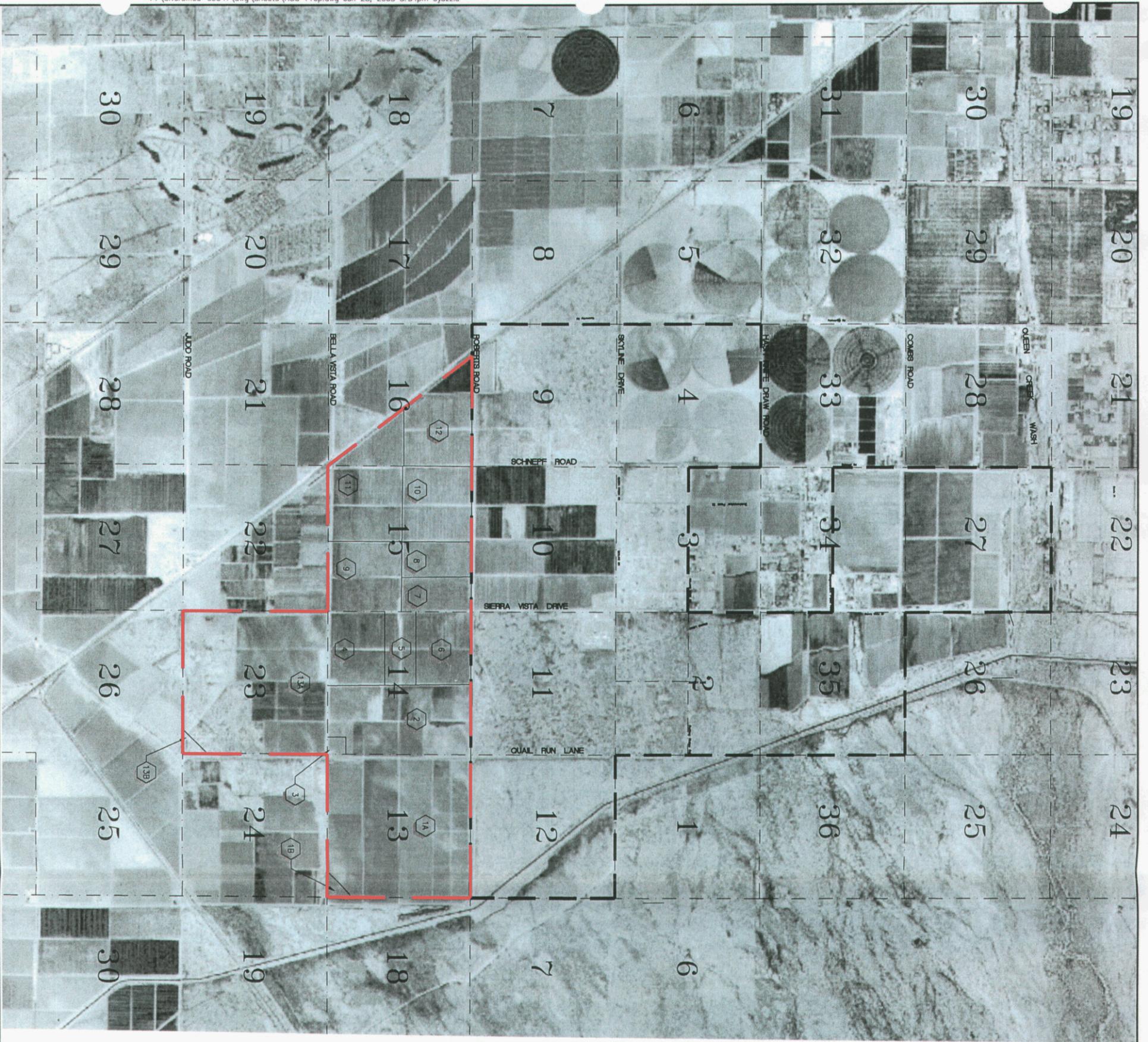
8665 East Hartford Drive, #200
Scottsdale, Arizona 85256
Tel 480.889.0900 • Fax 480.889.0943
centexhomes-az.com

Designated Broker: John P. Bechtold

RDC#111596

Exhibit 2

**Map of Requested Service Area Identifying
Respective Property Owners Requesting Service**



- LEGEND**
- DIVERSIFIED WATER CO. BOUNDARY
 - SECTION LINES
 - SECTION NUMBER
 - PROPERTY OWNERSHIP INFORMATION (SEE TABLE BELOW)
 - PROPOSED SERVICE BOUNDARY

Legend #	Section	Parcel Info.	Owner Name	Address(Mailing)
1A	13	210-13-001A5	Wolfkin Farms	3850 E Baseline RD 123 Mesa, AZ 85206
1B	13	210-13-001B3	Salt River Project AG IMP	No Billing Address
2	14	No Parcel Info.	Arizona State Land-No Owner	
3	14	No Parcel Info.	Owner not on file	
4	14	210-14-00204	Gillespie Properties INC.	1121 W Warner Rd 109 Tempe, AZ 85283
5	14	210-14-001B1	Gillespie Properties INC.	1121 W Warner Rd 109 Tempe, AZ 85283
6	14	210-14-001A3	Gillespie Properties INC.	1121 W Warner Rd 109 Tempe, AZ 85283
7	15	210-15-001A0	Gillespie Properties INC.	1121 W Warner Rd 109 Tempe, AZ 85283
8	15	210-15-001B8	Lobolentia Dairy INC.	1711 N Val Vista DR Mesa, AZ 85213
9	15	210-15-00409	Gillespie Properties INC.	1121 W Warner Rd 109 Tempe, AZ 85283
10	15	210-15-00201	Vintage Farms INC.	1121 W Warner Rd 109 Tempe, AZ 85283
11	15	210-15-00300	Vintage Farms INC.	1121 W Warner Rd 109 Tempe, AZ 85283
12	16	210-16-00100	Vintage Farms INC.	1121 W Warner Rd 109 Tempe, AZ 85283
13A	23	210-23-001A4	Wolfcor LLC.	3850 E Baseline RD 123 Mesa, AZ 85206
13B	23	210-23-001B2	Salt River Project AG IMP	No Billing Address

* SOURCE: PINAL COUNTY ASSESSORS RECORDS JAN. 2005

PRELIMINARY NOT FOR CONSTRUCTION

SUNRISE ENGINEERING INC.
1930 S. ALMA SCHOOL, SUITE A-114
MESA, ARIZONA 85210
TEL - (480) 768-8600
FAX - (480) 768-8609
www.sunrise-eng.com

REQUESTED SERVICE TERRITORY & PROPERTY OWNERSHIP MAP

DIVERSIFIED WATER UTILITIES, INC.

DATE:	REVISION:	BY:

HORIZ. SCALE: 1" = 2000'

DRAFT: DATE: 1 of 1

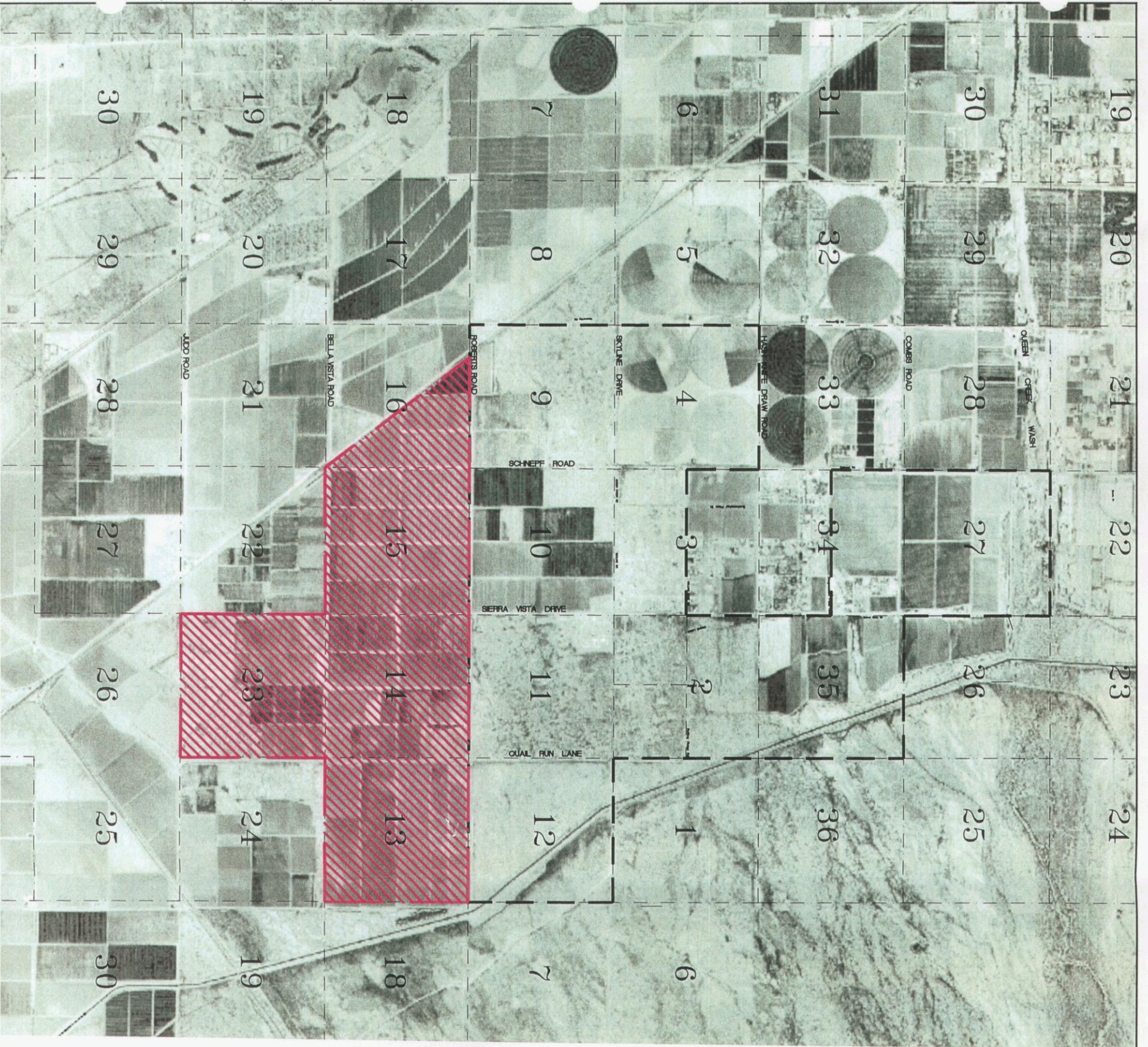
DESIGN: DATE: 1 of 1

QUALITY: DATE: 1 of 1

SHEET NO. 1

Exhibit 3

**Map of Requested Service Area in Relation to Existing Service
Area**



- LEGEND**
- DIVERSIFIED WATER CO. BOUNDARY
 - SECTION LINES
 - SECTION NUMBER **4**
 - PROPERTY OWNERSHIP INFORMATION (SEE TABLE BELOW)
 - PROPOSED SERVICE AREA
 - PROPOSED SERVICE BOUNDARY

DATE	REVISION	BY

PRELIMINARY
 NOT
 FOR CONSTRUCTION

SUNRISE ENGINEERING INC.
 1930 S. ALMA SCHOOL, SUITE A-114
 MESA, ARIZONA 85210
 TEL - (480) 768-8600
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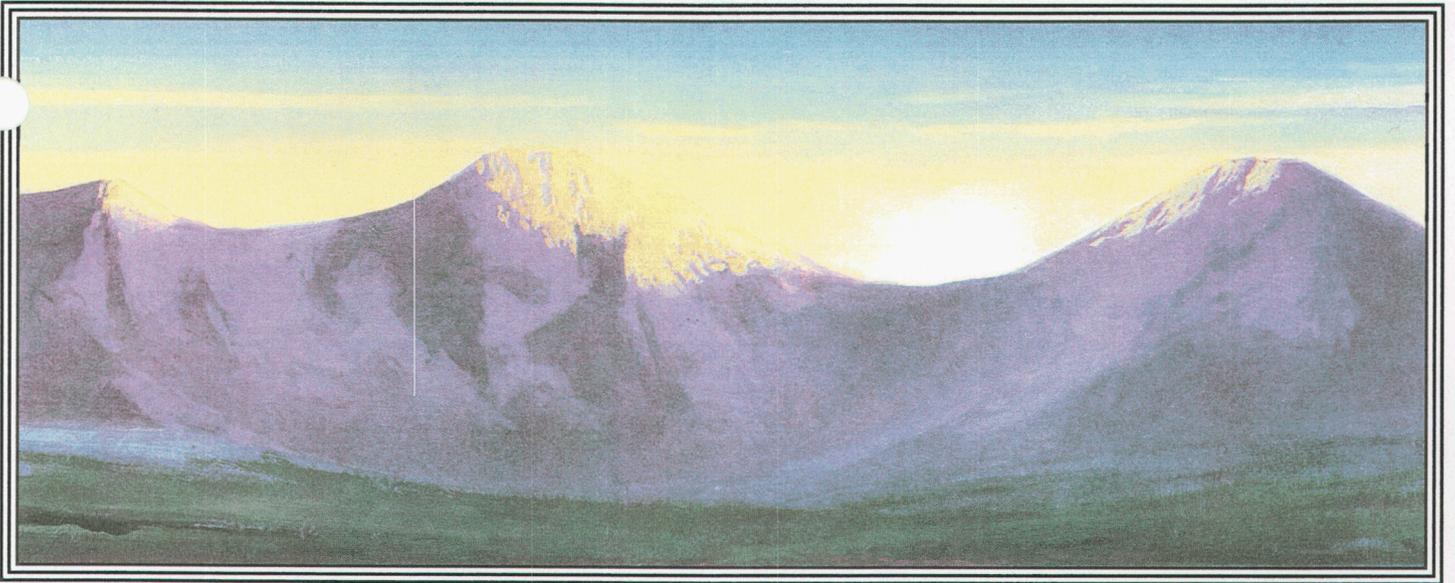
DIVERSIFIED WATER UTILITIES, INC.

EXISTING SERVICE TERRITORY & REQUESTED SERVICE TERRITORY MAP

HORIZ. SCALE	DRAFT	DESIGN	QUALITY CHK	SHEET NO.
1" = 2000'	DATE:	DATE:	DATE:	1 of 1

Exhibit 4

Drinking Water Design Report



Drinking Water Design Report

**Diversified Water Utilities, Inc.
Extension of Certificate of Convenience and Necessity**

PINAL COUNTY, ARIZONA

January 2005

Prepared for:

Diversified Water Utilities, Inc.
2850 E. Camelback Road #200
Phoenix, AZ 85016-4316
(602) 840-9400

Prepared by:

Sunrise Engineering, Inc.
2152 South Vineyard, Suite 123
Mesa, AZ 85210
(480) 768-8600



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1.0 Introduction

Diversified Water Utilities, Inc. has applied for an extension of its Certificate of Convenience and Necessity from the Arizona Corporation Commission. The intent of this report is to identify how water will be provided to that proposed service territory.

1.1. Location

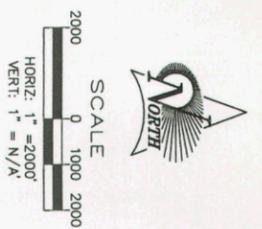
The proposed extension of service territory for Diversified Water Utilities, Inc. includes a portion of section 16, sections 13 through 15 and section 23, Township 3 South, Range 8 East of the Gila and Salt River Meridian, Pinal County, Arizona. The proposed extension consists of approximately 2,800 acres. See the requested service territory map, Exhibit 1.1, for the site location.

1.2. Standards and Approvals

The proposed water infrastructure needed to serve the proposed service territory shall be designed and constructed to meet standards set by Arizona Department of Environmental Quality (ADEQ), Pinal County and Diversified Water Utilities, Inc.

The design shall be approved by ADEQ, Pinal County, Rural Metro Fire Department, and Diversified Water Company. The construction of all facilities shall be inspected and tested to maintain a high level of quality.

EXHIBIT 1.1
REQUESTED SERVICE TERRITORY MAP



LEGEND

- DIVERSIFIED WATER CO. BOUNDARY
- SECTION LINES
- SECTION NUMBER **4**
- PROPERTY OWNERSHIP INFORMATION (SEE TABLE BELOW)
- PROPOSED SERVICE AREA
- PROPOSED SERVICE BOUNDARY

DATE	REVISION	BY

PRELIMINARY NOT FOR CONSTRUCTION

1930 S. ALMA SCHOOL, SUITE A-114
 MESA, ARIZONA 85210
 TEL: (480) 768-8600
 FAX: (480) 768-8609
 WWW.SUNRISE-ENG.COM

DIVERSIFIED WATER UTILITIES, INC.

EXISTING SERVICE TERRITORY
& REQUESTED SERVICE TERRITORY
MAP

HORIZ. SCALE: 1" = 2000'	DRAFT: DATE:	DESIGN: QUALITY CHK: DATE:	SHEET NO. 1 of 1	1
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2.0 System Demand Estimates

2.1. System Demand

The total area of the proposed territory is approximately 2,800 Acres. The majority of the area will be used for single-family residential housing, with some parcels dedicated to schools, parks and commercial development. Building densities within the service area average 3.49 dwelling units per acre. Given these parameters, the demand for the proposed service area expansion is estimated as follows:

- 2,800 acres x 3.49 dwelling units per acre = 9,772 dwelling units
- 9,772 units x 514 gallons per connection per day* = 5,022,808 gallons per day (3,488 GPM)
- Residential fire flow = 1,000 GPM for 2 hours
- Max day demand = 2.3 x average day demand
- Peak hour demand = 3.0 x average day demand

* peak month average daily flow, (historical data, DWU, Inc., 2002) See Exhibit 3.2.

2.2. System Design Pressures

The system must be capable of sustaining adequate pressure during peak flows. Fire flow must also be available for the system given the required demand of 1,000 gallons per minute (gpm) per the Uniform Fire Code for residential developments.

A minimum system pressure of 40 pounds per square inch (psi), and a maximum of 80 psi is desirable at all junctions in the system, with 20 psi available during fire flow conditions.

3.0 Water Infrastructure

3.1. Existing Facilities

Diversified Water Utilities, Inc. is currently serving approximately 300 customers. Diversified Water has one existing water production facility, which includes a well, welded steel water storage tank and booster station. A second facility is currently under construction on Sierra Vista Drive, just south of Combs Road. This new facility consists of a newly converted well, a 1 million-gallon storage tank and booster station. This new facility should be on line and operational by July, 2005.

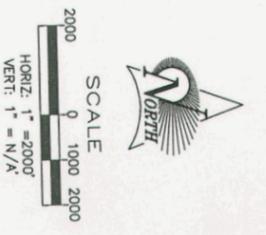
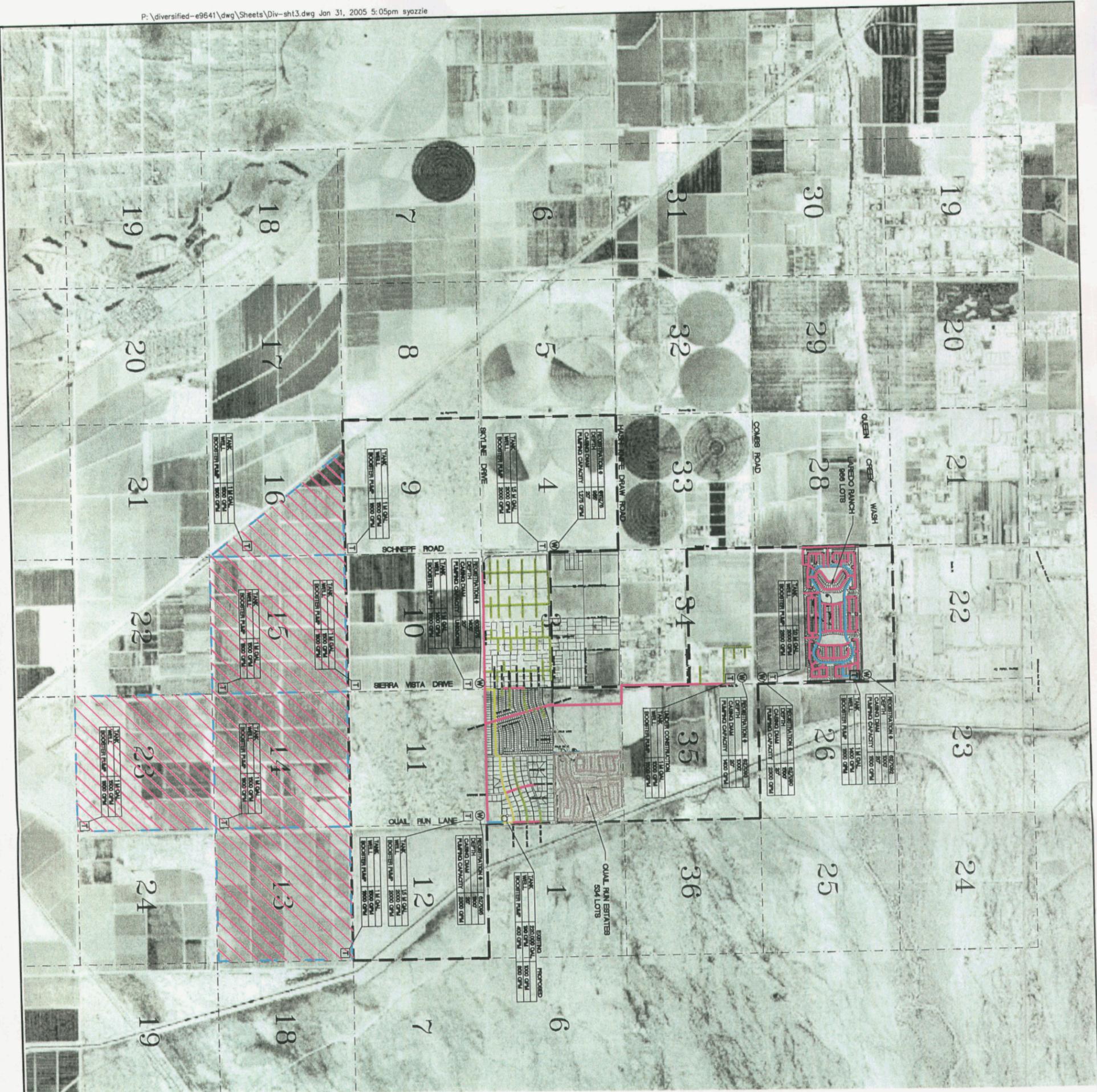
3.2. Future Facilities

The requested service territory is undeveloped with no existing water facilities. Providing water service to the proposed territory would require the design and construction of new water production facilities as well as transmission and distribution lines throughout the area.

Water transmission mains would consist of 12" pipe and be placed along section lines and minor arterial roadways. Distribution lines would be no less than 6" in diameter. Future water facilities would be located, to the greatest extent possible, near existing wells in the area. These wells, if meeting the criteria of good production wells, would be purchased at the time of development (by the developers), and construction of the facilities would be coordinated with the development schedules of the land. Water lines shall be located within the right of way (where possible) or within dedicated water easements. A map of the proposed water facilities is included as Exhibit 3.1.

A preliminary system analysis was done for Diversified Water in mid-2004 to evaluate the impact of development on the water delivery system and what improvement recommendations were made to accommodate the growth. This system analysis is included as Exhibit 3.2.

EXHIBIT 3.1
FUTURE FACILITES MAP



- LEGEND**
- DIVERSIFIED WATER CO. BOUNDARY
 - 2" WATER LINE
 - 4" WATER LINE
 - 6" WATER LINE
 - 8" WATER LINE
 - 10" WATER LINE
 - PROPOSED 12" WATERLINE
 - 12" WATER LINE
 - SECTION LINES
 - SECTION NUMBER
 - PROPOSED WATER PRODUCTION FACILITY
 - EXISTING WELL
 - PROPOSED SERVICE AREA

DATE	REVISION	BY

SUNRISE ENGINEERING INC.
 1930 S. ALMA SCHOOL, SUITE A-114
 MESA, ARIZONA, 85210
 TEL: (480) 768-8600
 FAX: (480) 768-8609
 WWW.SUNRISE-ENG.COM

DIVERSIFIED WATER UTILITIES, INC.
WATER SYSTEM MAP

DRAFT:	DESIGN:	QUALITY CHK:	SHEET NO.
DAD	DAD	GD	1 of 1
DATE: 10/03	DATE: 10/03	DATE: 10/03	1

HORIZ. SCALE 1" = 2000'
 VERT. SCALE 1" = N/A

EXHIBIT 3.2
SYSTEM ANALYSIS

DIVERSIFIED WATER SYSTEM ANALYSIS



Peak Month Historical Data	
Existing Connections (Peak Month)	255
Peak Month Water Use (gal.)	220,000
Peak Month Avg. Daily Water Use (gal/day)	111,100
Peak Month Avg. Daily Flow (gpm)	77
Peak Month Avg Daily Use Per Conn (gal/conn/day)	514
Peak Month Avg Daily Flow Per Conn (gal/conn/min)	0.36

June '02
June '02
June '02
June '02
June '02

Current Number of Connections	
	255

Feb '04

Existing System Capacities	
Water Storage (gallons)	220,000
Booster Pump Capacity (gpm)	400
Well Production Capacity (gpm)	190

Feb '04
Feb '04
Feb '04

Existing System Analysis (Feb 2004)

	Water Use/Conn	Avg. Daily Use (gal/day)	Days of Storage	Total Need (gpm)	Fire Storage (gal)	Total Required Storage (gal)
Water Storage						
Storage Capacity Recommendation	514	131,070	1	131,070	0	131,070
Booster Pump Capacity						
Booster Capacity Recommendation	0.36	90	2.3	207	0	207
Well Production Capacity						
Well Production Capacity Recommended				220,000	12	306

Quail Run Subdivision Upgrades (534 New Units)

Water Storage	Number of Connections	Water Use/Conn	Avg. Daily Use (gal/day)	Days of Storage	Total Need (gpm)	Fire Storage (gal)	Total Required Storage (gal)
Storage Capacity Recommendation	534	514	274,480	1	274,480	120,000	394,480
Booster Pump Capacity	Number of Connections	Water Flow/Conn	Avg. Daily Flow (gpm)	Peaking Factor	Max Daily Demand (gpm)	Fire Flow (gpm)	Total Required Capacity (gpm)
Booster Capacity Recommendation	534	0.36	190	2.3	437	1000	1437
Well Production Capacity					Storage Volume	#Hours to Fill Tank	Total Required Capacity (gpm)
Well Production Capacity Recommended					394,480	12	548

Laredo Ranch Subdivision Upgrades (966 New Units)

Water Storage	Number of Connections	Water Use/Conn	Avg. Daily Use (gal/day)	Days of Storage	Total Need (gpm)	Fire Storage (gal)	Total Required Storage (gal)
Storage Capacity Recommendation	966	514	496,520	1	496,520		496,520
Booster Pump Capacity	Number of Connections	Water Flow/Conn	Avg. Daily Flow (gpm)	Peaking Factor	Max Daily Demand (gpm)	Fire Flow (gpm)	Total Required Capacity (gpm)
Booster Capacity Recommendation	966	0.36	340	2.3	782	782	782
Well Production Capacity					Storage Volume	#Hours to Fill Tank	Total Required Capacity (gpm)
Well Production Capacity Recommended					496,520	12	690

Total System Saturation Required Upgrades (17,000 New Units)*

Water Storage	Number of Connections	Water Use/Conn	Avg. Daily Use (gal/day)	Days of Storage	Total Need (gpm)	Fire Storage (gal)	Total Required Storage (gal)
Storage Capacity Recommendation	17,500	514	8,995,000	1	8,995,000	120,000	9,115,000
Booster Pump Capacity	Number of Connections	Water Flow/Conn	Avg. Daily Flow (gpm)	Peaking Factor	Max Daily Demand (gpm)	Fire Flow (gpm)	Total Required Capacity (gpm)
Booster Capacity Recommendation	17,500	0.36	6240	2.3	14352	1000	15400
Well Production Capacity					Storage Volume	#Hours to Fill Tank	Total Required Capacity (gpm)
Well Production Capacity Recommended					9,115,000	12	12660

*Based on Density of 3.5 Units/Acre for Remaining Undeveloped Land within Current Certificated Area

North Quadrant System Saturation Required Upgrades (6,000 New Units)*

Water Storage	Number of Connections	Water Use/Conn	Avg. Daily Use (gal/day)	Days of Storage	Total Need (gpm)	Fire Storage (gal)	Total Required Storage (gal)
Storage Capacity Recommendation	6,000	514	3,084,000	1	3,084,000	120,000	3,204,000
Booster Pump Capacity	Number of Connections	Water Flow/Conn	Avg. Daily Flow (gpm)	Peaking Factor	Max Daily Demand (gpm)	Fire Flow (gpm)	Total Required Capacity (gpm)
Booster Capacity Recommendation	6,000	0.36	2140	2.3	4922	1000	5900
Well Production Capacity					Storage Volume	#Hours to Fill Tank	Total Required Capacity (gpm)
Well Production Capacity Recommended					3,204,000	12	4450

*Based on Density of 3.5 Units/Acre for Remaining Undeveloped Land within Current Certificated Area (North of Rolling Ridge & East of Schnepp)

South Quadrant System Saturation Required Upgrades (11,000 New Units)*

Water Storage	Number of Connections	Water Use/Conn	Avg. Daily Use (gal/day)	Days of Storage	Total Need (gpm)	Fire Storage (gal)	Total Required Storage (gal)
Storage Capacity Recommendation	11,000	514	5,654,000	1	5,654,000	120,000	5,774,000
Booster Pump Capacity	Number of Connections	Water Flow/Conn	Avg. Daily Flow (gpm)	Peaking Factor	Max Daily Demand (gpm)	Fire Flow (gpm)	Total Required Capacity (gpm)
Booster Capacity Recommendation	11,000	0.36	3920	2.3	9016	1000	10000
Well Production Capacity					Storage Volume	#Hours to Fill Tank	Total Required Capacity (gpm)
Well Production Capacity Recommended					5,774,000	12	8019

*Based on Density of 3.5 Units/Acre for Remaining Undeveloped Land within Current Certificated Area (South of Rolling Ridge)

DIVERSIFIED WATER SYSTEM ANALYSIS



Peak Month Historical Data	June '02
Existing Connections (Peak Month)	216
Peak Month Water Use (gal.)	3,333,000
Peak Month Avg. Daily Water Use (gal/day)	111,100
Peak Month Avg. Daily Flow (gpm)	77
Peak Month Avg Daily Use Per Conn (gal/conn/day)	514
Peak Month Avg Daily Flow Per Conn (gal/conn/min)	0.36

Feb '04

Current Number of Connections	255
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Existing System Capacities	Feb '04
Water Storage (gallons)	220000
Booster Pump Capacity (gpm)	400
Well Production Capacity (gpm)	190

Proposed Service Area @ Saturation Required Upgrades (9,800 New Units)*

	Number of Connections	Water Use/Conn	Avg. Daily Use (gal/day)	Days of Storage	Total Need (gpm)	Fire Storage (gal)	Total Required Storage (gal)
Water Storage							
Storage Capacity Recommendation	9,800	514	5,037,200	1	5,037,200	120,000	5,157,200
Booster Pump Capacity							
Booster Capacity Recommendation	9,800	Water Flow/Conn	Avg. Daily Flow (gpm)	Peaking Factor	Max Daily Demand (gpm)	Fire Flow (gpm)	Total Required Capacity (gpm)
		0.36	3,490	2.3	8,027	1,000	9,000
Well Production Capacity							
Well Production Capacity Recommended					Storage Volume	#Hours to Fill Tank	Total Required Capacity (gpm)
					5,157,200	12	7,163

*Based on Density of 3.5 Units/Acre for Remaining Undeveloped Land within Proposed Certificated Area (South of Skyline Drive)

4.0 Network Analysis

4.1. Design Guidelines

A minimum waterline pipe diameter size of six inches is required to accommodate fire hydrants and eight inch diameter for dead-end hydrant lines longer than 300'. The main trunk lines shall be a minimum of 12" in diameter. All remaining water lines shall be 8" in diameter.

4.2. H₂ONET Analysis

The network analysis for this report was done using H₂ONet by MWH Soft, Inc. A model for Diversified Water Utilities, Inc. was created in February of 2004, to which was added the proposed service area for evaluation. The modeling criteria are as follows:

- Peak month average daily use per connection* = 514 gallons
- Peak month average daily flow per connection* = 0.36 gpm
- Fire flow = 1,000 gpm
- Minimum pressure = 40 psi
- Maximum pressure = 80 psi
- Minimum pressure at fire flow condition = 20 psi

* Historical data, DWU, Inc., 2002

Two scenarios were investigated. Each Scenario is as follows:

- Scenario I (Service to Sections 13 & 23): In order to provide initial service to sections 13 and 23 Diversified Water Utilities, Inc. (DWU) will upgrade the existing water facility at Skyline Drive and Quail Run Lane by adding additional storage and well capacity. A 12" water transmission main will then be extended from the facility to section 23, a distance of approximately 2 miles. The water modeling performed for this scenario includes the initial service from the existing DWU system and the master planned facilities within sections 13 and 23 to service new development as it occurs.
- Scenario II (Service to Sections 13, 14, 15, 16 & 23): Additional water production facilities and transmission lines will be constructed throughout the expanded system as required to service new development as it occurs. The water modeling performed for this scenario includes the initial service from the existing DWU system and the master planned facilities within sections 13, 14, 15, 16 and 23 to service new development as it occurs.

The results of the H₂ONet output indicate that the average pressure in the system during Scenario I is between 45 and 50 psi for normal flows. DWU will be required to commence with the construction of master planned facilities within sections 13 and 23 to service development as it occurs. Scenario II output shows a minimum pressure above 45 psi. Scenario II was also includes a simulation with a fire flow applied to each node, with the residual pressure output not falling below 20 psi.

See Exhibit 4.2 for a summary of the standard flow output data and the fire flow output data for each Scenario. The map of the analyzed pipe network is shown in Exhibit 4.3.

EXHIBIT 4.2
H₂O NET OUTPUT

Scenario 1, Standard Peak Hour

ID	Demand (gpm)	Elevation (ft)	Head (ft)	Pressure (psi)
J532	0	1,550.00	1,656.20	46.02
J542	0	1,530.00	1,648.22	51.22
J544	0	1,530.00	1,650.23	52.1
J546	0	1,530.00	1,660.48	56.54
J548	0	1,540.00	1,654.07	49.43
J550	242.01	1,550.00	1,646.00	41.6
J552	0	1,565.00	1,647.13	35.59
J604	847.11	1,534.00	1,648.21	49.49
J606	847.11	1,534.00	1,651.86	51.07
J608	242.04	1,534.00	1,653.96	51.98
J610	242.04	1,534.00	1,648.01	49.4
J612	242.04	1,534.00	1,646.00	48.53
J616	242.04	1,534.00	1,645.62	48.36
J618	242.04	1,534.00	1,654.63	52.27
J620	242.04	1,534.00	1,648.22	49.49
J622	242.04	1,534.00	1,649.06	49.86
J624	242.04	1,534.00	1,652.35	51.28
J626	242.04	1,534.00	1,645.57	48.34
J628	242.04	1,534.00	1,644.32	47.8
J630	242.04	1,534.00	1,642.38	46.96
J632	242.04	1,534.00	1,646.40	48.7
J634	242.04	1,534.00	1,648.43	49.58
J636	242.04	1,534.00	1,645.60	48.36
J638	242.04	1,534.00	1,646.68	48.83
J640	242.04	1,534.00	1,645.66	48.38
J642	242.04	1,534.00	1,647.22	49.06
J644	242.04	1,534.00	1,648.15	49.46

Scenario 1, FF Peak Hour

ID	Static	Static	Fire-Flow	Residual	Available Flow	Available Flow
J532	0.00	46.02	1,000.00	43.03	6,116.68	20.37
J542	0.00	51.22	1,000.00	45.56	3,447.14	20.12
J544	0.00	52.1	1,000.00	46.32	3,533.33	20.12
J546	0.00	56.54	1,000.00	54.90	11,354.50	21.29
J548	0.00	49.43	1,000.00	47.49	9,507.24	20.9
J550	242.01	41.6	1,000.00	34.52	2,570.77	20.05
J552	0.00	35.59	1,000.00	29.08	1,974.94	20.04
J604	847.11	49.49	1,000.00	44.64	4,896.87	20.16
J606	847.11	51.07	1,000.00	47.16	5,994.68	20.26
J608	242.04	51.98	1,000.00	49.11	6,485.79	20.39
J610	242.04	49.4	1,000.00	43.49	3,765.36	20.12
J612	242.04	48.53	1,000.00	41.80	3,217.47	20.09
J616	242.04	48.36	1,000.00	40.44	2,760.45	20.06
J618	242.04	52.27	1,000.00	49.41	6,375.23	20.38
J620	242.04	49.49	1,000.00	43.92	3,681.88	20.12
J622	242.04	49.86	1,000.00	41.60	2,859.67	20.07
J624	242.04	51.28	1,000.00	46.38	4,660.64	20.2
J626	242.04	48.34	1,000.00	39.75	2,600.33	20.06
J628	242.04	47.8	1,000.00	35.01	2,003.83	20.03
J630	242.04	46.96	1,000.00	17.64	1,185.73	20.01
J632	242.04	48.7	1,000.00	42.43	3,439.81	20.1
J634	242.04	49.58	1,000.00	44.56	4,406.52	20.17
J636	242.04	48.36	1,000.00	40.27	2,701.12	20.06
J638	242.04	48.83	1,000.00	37.64	2,218.56	20.04
J640	242.04	48.38	1,000.00	28.44	1,516.37	20.02
J642	242.04	49.06	1,000.00	41.51	2,875.13	20.07
J644	242.04	49.46	1,000.00	43.18	3,216.12	20.09

Scenario 2, Standard Max Day

ID	Demand (gpm)	Elevation (ft)	Head (ft)	Pressure (psi)
J534	0	1,530.00	1,663.47	57.83
J536	0	1,510.00	1,663.37	66.46
J538	0	1,490.00	1,662.55	74.77
J540	0	1,520.00	1,662.92	61.93
J590	463.89	1,534.00	1,662.44	55.65
J592	927.77	1,534.00	1,661.29	55.15
J594	463.89	1,534.00	1,662.90	55.85
J596	927.77	1,534.00	1,661.14	55.09
J600	463.89	1,534.00	1,662.21	55.55
J602	463.89	1,534.00	1,662.20	55.55
J650	0	1,534.00	1,669.36	58.65
J532	0	1,550.00	1,662.30	48.66
J542	0	1,530.00	1,662.58	57.45
J544	0	1,530.00	1,661.55	57
J546	0	1,530.00	1,663.75	57.96
J548	0	1,540.00	1,662.18	52.94
J550	185.56	1,550.00	1,662.65	48.81
J552	0	1,565.00	1,660.98	41.59
J604	649.45	1,534.00	1,661.03	55.04
J606	649.45	1,534.00	1,660.72	54.91
J608	185.56	1,534.00	1,661.96	55.44
J610	185.56	1,534.00	1,660.91	54.99
J612	185.56	1,534.00	1,661.07	55.06
J616	185.56	1,534.00	1,659.26	54.27
J618	185.56	1,534.00	1,662.04	55.48
J620	185.56	1,534.00	1,661.47	55.23
J622	185.56	1,534.00	1,659.91	54.56
J624	185.56	1,534.00	1,661.63	55.3
J626	185.56	1,534.00	1,660.41	54.77
J628	185.56	1,534.00	1,658.55	53.97
J630	185.56	1,534.00	1,657.36	53.45
J632	185.56	1,534.00	1,661.71	55.34
J634	185.56	1,534.00	1,661.65	55.31
J636	185.56	1,534.00	1,659.76	54.49
J638	185.56	1,534.00	1,659.01	54.17
J640	185.56	1,534.00	1,658.38	53.9
J642	185.56	1,534.00	1,660.25	54.7
J644	185.56	1,534.00	1,660.70	54.9

Scenario 2, Standard Peak Hour

ID	Demand (gpm)	Elevation (ft)	Head (ft)	Pressure (psi)
J534	0	1,530.00	1,662.49	57.41
J536	0	1,510.00	1,662.34	66.01
J538	0	1,490.00	1,660.99	74.09
J540	0	1,520.00	1,661.60	61.36
J590	605.07	1,534.00	1,660.81	54.95
J592	1,210.14	1,534.00	1,658.93	54.13
J594	605.07	1,534.00	1,661.56	55.27
J596	1,210.14	1,534.00	1,658.68	54.02
J600	605.07	1,534.00	1,660.44	54.79
J602	605.07	1,534.00	1,660.42	54.78
J650	0	1,534.00	1,669.36	58.65
J532	0	1,550.00	1,660.59	47.92
J542	0	1,530.00	1,661.04	56.78
J544	0	1,530.00	1,659.36	56.05
J546	0	1,530.00	1,662.96	57.61
J548	0	1,540.00	1,660.39	52.16
J550	242.03	1,550.00	1,661.16	48.17
J552	0	1,565.00	1,658.42	40.48
J604	847.11	1,534.00	1,658.51	53.95
J606	847.11	1,534.00	1,658.00	53.73
J608	242.04	1,534.00	1,660.02	54.61
J610	242.04	1,534.00	1,658.31	53.86
J612	242.04	1,534.00	1,658.57	53.98
J616	242.04	1,534.00	1,655.61	52.69
J618	242.04	1,534.00	1,660.15	54.66
J620	242.04	1,534.00	1,659.23	54.26
J622	242.04	1,534.00	1,656.68	53.16
J624	242.04	1,534.00	1,659.48	54.37
J626	242.04	1,534.00	1,657.49	53.51
J628	242.04	1,534.00	1,654.44	52.19
J630	242.04	1,534.00	1,652.50	51.35
J632	242.04	1,534.00	1,659.61	54.43
J634	242.04	1,534.00	1,659.53	54.39
J636	242.04	1,534.00	1,656.42	53.05
J638	242.04	1,534.00	1,655.20	52.52
J640	242.04	1,534.00	1,654.18	52.07
J642	242.04	1,534.00	1,657.23	53.4
J644	242.04	1,534.00	1,657.96	53.71

Scenario 2, FF Max Day

ID	Static Demand (gpm)	Static Pressure (psi)	Fire-Flow Demand (gpm)	Residual Pressure (psi)	Available Flow @Hydrant (gpm)	Available Flow Pressure (psi)
J532	0.00	48.66	1,000.00	47.43	9,873.46	20.97
J542	0.00	57.45	1,000.00	56.64	16,741.94	22.8
J544	0.00	57	1,000.00	54.02	4,959.81	20.25
J546	0.00	57.96	1,000.00	57.06	13,472.07	21.81
J548	0.00	52.94	1,000.00	52.10	15,118.18	22.29
J550	185.56	48.81	1,000.00	47.53	9,246.67	20.82
J552	0.00	41.59	1,000.00	38.46	3,623.74	20.13
J604	649.45	55.04	1,000.00	53.16	7,988.11	20.54
J606	649.45	54.91	1,000.00	52.65	7,447.34	20.46
J608	185.56	55.44	1,000.00	53.85	8,029.90	20.62
J610	185.56	54.99	1,000.00	51.89	5,462.44	20.28
J612	185.56	55.06	1,000.00	52.66	6,035.59	20.34
J616	185.56	54.27	1,000.00	48.83	3,548.43	20.11
J618	185.56	55.48	1,000.00	53.77	7,623.81	20.55
J620	185.56	55.23	1,000.00	52.74	6,248.11	20.37
J622	185.56	54.56	1,000.00	48.84	3,554.76	20.11
J624	185.56	55.3	1,000.00	52.81	6,161.45	20.36
J626	185.56	54.77	1,000.00	50.35	3,843.60	20.13
J628	185.56	53.97	1,000.00	44.63	2,541.91	20.06
J630	185.56	53.45	1,000.00	28.70	1,398.37	20.01
J632	185.56	55.34	1,000.00	53.47	7,213.57	20.49
J634	185.56	55.31	1,000.00	53.45	7,689.16	20.56
J636	185.56	54.49	1,000.00	49.50	3,629.21	20.12
J638	185.56	54.17	1,000.00	45.66	2,718.01	20.06
J640	185.56	53.9	1,000.00	37.22	1,765.91	20.02
J642	185.56	54.7	1,000.00	50.02	3,875.65	20.14
J644	185.56	54.9	1,000.00	51.21	4,292.15	20.17
J534	0.00	57.83	1,000.00	57.06	15,659.37	22.45
J536	0.00	66.46	1,000.00	65.55	15,443.36	22.38
J538	0.00	74.77	1,000.00	71.46	5,599.85	20.31
J540	0.00	61.93	1,000.00	60.82	12,070.77	21.46
J590	463.89	55.65	1,000.00	52.53	5,345.41	20.24
J592	927.77	55.15	1,000.00	52.19	6,534.00	20.31
J594	463.89	55.85	1,000.00	53.68	6,645.55	20.38
J596	927.77	55.09	1,000.00	52.34	6,807.17	20.35
J600	463.89	55.55	1,000.00	53.29	6,539.25	20.37
J602	463.89	55.55	1,000.00	53.30	6,591.26	20.38
J650	0	58.65	1,000.00	57.83	21,724.90	24.72

Scenario 2, FF Peak Hour

ID	Static Demand (gpm)	Static Pressure (psi)	Fire-Flow Demand (gpm)	Residual Pressure (psi)	Available Flow @Hydrant (gpm)	Available Flow Pressure (psi)
J532	0.00	47.92	1,000.00	46.43	9,377.50	20.88
J542	0.00	56.78	1,000.00	55.78	16,123.13	22.6
J544	0.00	56.05	1,000.00	52.69	4,757.78	20.23
J546	0.00	57.61	1,000.00	56.53	13,142.86	21.73
J548	0.00	52.16	1,000.00	51.12	14,462.43	22.09
J550	242.03	48.17	1,000.00	46.60	8,917.39	20.75
J552	0.00	40.48	1,000.00	36.87	3,365.12	20.11
J604	847.11	53.95	1,000.00	51.73	7,786.59	20.48
J606	847.11	53.73	1,000.00	50.98	7,245.75	20.41
J608	242.04	54.61	1,000.00	52.67	7,787.41	20.57
J610	242.04	53.86	1,000.00	50.23	5,211.83	20.25
J612	242.04	53.98	1,000.00	51.14	5,800.47	20.31
J616	242.04	52.69	1,000.00	46.47	3,375.24	20.1
J618	242.04	54.66	1,000.00	52.64	7,408.24	20.51
J620	242.04	54.26	1,000.00	51.31	6,007.49	20.33
J622	242.04	53.16	1,000.00	46.52	3,374.03	20.1
J624	242.04	54.37	1,000.00	51.48	5,932.34	20.32
J626	242.04	53.51	1,000.00	48.55	3,718.33	20.12
J628	242.04	52.19	1,000.00	41.64	2,405.92	20.05
J630	242.04	51.35	1,000.00	24.27	1,344.51	20.01
J632	242.04	54.43	1,000.00	52.20	6,974.58	20.45
J634	242.04	54.39	1,000.00	52.17	7,420.99	20.52
J636	242.04	53.05	1,000.00	47.42	3,486.21	20.11
J638	242.04	52.52	1,000.00	42.85	2,572.51	20.05
J640	242.04	52.07	1,000.00	33.65	1,693.11	20.02
J642	242.04	53.4	1,000.00	48.02	3,718.99	20.12
J644	242.04	53.71	1,000.00	49.58	4,157.32	20.15
J534	0.00	57.41	1,000.00	56.46	15,226.98	22.32
J536	0.00	66.01	1,000.00	64.90	15,002.43	22.25
J538	0.00	74.09	1,000.00	70.40	5,461.86	20.3
J540	0.00	61.36	1,000.00	59.99	11,704.39	21.37
J590	605.07	54.95	1,000.00	51.37	5,277.49	20.22
J592	1,210.14	54.13	1,000.00	50.63	6,468.41	20.28
J594	605.07	55.27	1,000.00	52.78	6,549.48	20.35
J596	1,210.14	54.02	1,000.00	50.79	6,719.75	20.3
J600	605.07	54.79	1,000.00	52.18	6,418.51	20.34
J602	605.07	54.78	1,000.00	52.19	6,471.13	20.34
J650	0	58.65	1,000.00	57.83	21,724.88	24.72

EXHIBIT 4.3
H₂ONET MAP

5.0 Water Quality Information

5.1. Historical Data

Diversified Water Utilities, Inc. (DWU) is within compliance of current drinking water regulations, with no major deficiencies in overall compliance, monitoring and reporting and operation and maintenance. Additionally, DWU does not have any ADEQ administrative orders in effect.

It is anticipated that DWU will continue to have the same level of water quality that it currently enjoys, with chlorination being the only form of treatment.

New source approval water quality data was recently submitted to ADEQ as part of the conversion process for the well at the water production facility currently under construction at Sierra Vista and Combs roads. This data has been included as Exhibit 5.1.

EXHIBIT 5.1
WATER QUALITY DATA

APPLICATION for APPROVAL TO CONSTRUCT DRINKING WATER FACILITIES

(PLEASE SUBMIT TO THE ADEQ ENGINEERING REVIEW DESK AT 1110 W. WASHINGTON ST., PHOENIX, AZ 85007)

A. PROJECT NAME: SIERRA VISTA TANK & WELL IMPROVEMENTS

B. PROJECT TYPE (Please check all applicable components for the OVERALL PROJECT):

New Drinking Water Well or Source
 Water Line and Appurtenances

Water Treatment Plant
 Other: STORAGE TANK, BOOSTER STATION, HYDROTANK, ETC.

C. SYSTEM NAME/PUBLIC WATER SYSTEM NUMBER/OPERATIONAL STATUS:

SYSTEM NAME: DIVERSIFIED WATER UTILITIES, INC. SYSTEM NUMBER 1 1 0 4 3
 New System Extension to Existing System

D. PROJECT LOCATION (Please provide approximate center. Information is required to accept application):

LATITUDE 33° 13' 02.5" N LONGITUDE 111° 30' 42.6" W

TOWNSHIP 2S RANGE 8E SECTION 34 QUARTER SECTION (CIRCLE) (NE) SE SW NW
 COUNTY PINAL

E. PROJECT DESCRIPTION: PROJECT INCLUDES: WELL CONVERSION, ONE MILLION-GALLON WATER STORAGE TANK, HYDROTANK, BOOSTER STATION, CHLORINATION STATION & APPURTENANCES.

F. PROJECT ENGINEER (PLEASE PRINT):

G. PROJECT OWNER (PLEASE PRINT):

NAME	<u>SUNRISE ENGINEERING, INC. / GREGORY D. POTTER, P.E.</u>	<u>DIVERSIFIED WATER UTILITIES, INC. / SCOTT W. GRAY</u>
ADDRESS	<u>2152 SOUTH VINEYARD, STE. 123 MESA, AZ 85210</u>	<u>2850 E. CAMELBACK RD, STE 120 PHOENIX, AZ 85016 - 4316</u>
PHONE NO./FAX NO.	<u>(480) 768-8600 / (480) 768-8609</u>	
SIGNATURE/DATE	<u>Gregory Potter 6-14-04</u>	

H. PLAN DOCUMENTS SUBMITTED (PLEASE SEE ADEQ FORM #222, SUBMITTAL GUIDE FOR VARIOUS PROJECT TYPES)
 NOTE: INCOMPLETE SUBMITTALS WILL NOT BE LOGGED IN.

J. OWNER/AGENT AGREEMENT AND SCHEDULE: AGREEMENT-The undersigned as Project Owner or as acting Agent for the Project Owner hereby a) grants ADEQ permission to enter the site for inspections; b) authorizes the Project Engineer to prepare and submit plan documents to the ADEQ ENGINEERING REVIEW DESK; and c) agrees to construct the sanitary facilities according to the ADEQ Certificate of Approval and the approved plan documents.

CONSTRUCTION SCHEDULE-Estimated start date: _____ Estimated completion date: _____
Scott W. Gray President SMG 6/9/04
TYPE OR PRINT NAME AFFILIATION SIGNATURE DATE

ADEQ COMPLIANCE EVALUATION:	ADEQ FILE NO: _____
IN-COMPLIANCE: _____	LTF NUMBER: _____
NON-COMPLIANCE: _____	
COMMENTS: _____	SITE INSPECTION REQUIRED? <input type="checkbox"/> NO <input type="checkbox"/> YES

Arizona Department of Environmental Quality
Water Quality Compliance Assurance Unit
 1110 W. Washington Street, 5415B-1
 Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: Diversified Water Utilities

Public Water System ID #: 11-043

Overall Compliance Status: No Major Deficiencies Major Deficiencies

Monitoring and Reporting Status: No Major Deficiencies Major Deficiencies

Comments:

Operation and Maintenance Status: No Major Deficiencies Major Deficiencies

Comments:

It appears as though the monthly coliform samples are not being collected in accordance with an approved microbiological site sampling plan as most of the samples are being collected at the "well site".

Major unresolved/ongoing operation and maintenance deficiencies:

- | | |
|---|---|
| <input type="checkbox"/> unable to maintain 20psi | <input type="checkbox"/> inadequate storage |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies | <input type="checkbox"/> approval of construction |
| <input type="checkbox"/> certified operator | <input type="checkbox"/> other |

Date of last inspection / sanitary survey: 11-2-2000

Administrative Orders:

Is an ADEQ administrative order in effect? Yes No

Comments:

System information:

Number of Points of Entry 1 Number of Sources 1 Population Served 210

Service Connections 60 Initial Monitoring Year 1995 Initial MAP Year 2001

Evaluation completed by: Jim Puckett

Phone: 602-771-4649 Date: 4-29-04

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.



FIRST
NATIONAL
MANAGEMENT
INCORPORATED

P.O. Box 1020 • Apache Junction, AZ 85217-1020
3880 S. De Niza Rd. • Apache Junction, AZ 85219
(480) 677-6080 • Fax (480) 677-8082

TELEX - FAX COVER SHEET

DATE: JUNE 4, 2004

FAX MESSAGE TO: Mr. GREG PORTER, SUNRISE ENGINEERING

FAX MESSAGE FROM: TED WILKINSON

FAX NUMBER CONTACTED: (480) 768-8609

IF THE FOLLOWING MESSAGE IS RECEIVED POORLY OR INCOMPLETE,
PLEASE NOTIFY: PAT OR LYDIA OF OUR OFFICE.

TELEPHONE NO. (480) 677-6080

FAX NO. (480) 677-6082

COMMENTS:

MR. SCOTT GRAY REQUESTED WE FAX THE ATTACHED WATER QUALITY
ANALYSIS APPLICABLE TO THE NEW WELL TO YOU.

NUMBER OF PAGES INCLUDING COVER SHEET: 10

THANK YOU,

Ted W.

*****INORGANIC CHEMICAL ANALYSIS*****
 >>>To be filled out by Laboratory Personnel<<<

Analysis Method	MCL Value	Contaminant Name	Cont. Code	Test Start Date/Time	Analysis Run Date/Time	Results	Exceeds MCL	Exceeds Trigger
200.9	0.05	Arsenic	1005	03-02-04	03-02-04	0.002	<input type="checkbox"/>	<input type="checkbox"/>
200.7	2.0	Barium	1010	02-13-04	02-13-04	0.01	<input type="checkbox"/>	<input type="checkbox"/>
200.7	0.005	Cadmium	1015	02-13-04	02-13-04	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
200.7	0.1	Chromium	1020	02-13-04	02-13-04	<0.01	<input type="checkbox"/>	<input type="checkbox"/>
200.7	1.3	Copper (Action Level)	1022	02-13-04	02-13-04	<0.01	<input type="checkbox"/>	<input type="checkbox"/>
4500FC	4.0	Fluoride	1025	02-18-04	02-18-04	0.4	<input type="checkbox"/>	<input type="checkbox"/>
200.9	0.015	Lead (Action Level)	1030	02-17-04	02-17-04	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
245.1	0.002	Mercury	1035	02-11-04	02-11-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
4500 NO3 B	10	Nitrate (as N)	1040	02-17-04	02-17-04	0.64	<input type="checkbox"/>	<input type="checkbox"/>
4500 NO2 B	1	Nitrite (as N)	1041	02-11-04	02-11-04	<0.01	<input type="checkbox"/>	<input type="checkbox"/>
200.9	0.05	Selenium	1045	02-23-04	02-23-04	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
200.9	0.006	Antimony	1074	02-24-04	02-24-04	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
200.7	0.004	Beryllium	1075	02-13-04	02-13-04	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
4500CN E	0.2	Cyanide (as free cyanide)	1024	02-11-04	02-11-04	<0.01	<input type="checkbox"/>	<input type="checkbox"/>
200.7	0.1	Nickel	1036	02-13-04	02-13-04	<0.01	<input type="checkbox"/>	<input type="checkbox"/>
200.9	0.002	Thallium	1085	02-18-04	02-18-04	<0.001	<input type="checkbox"/>	<input type="checkbox"/>

*****CORROSIVITY CHEMICAL ANALYSIS*****
 >>>To be filled out by Laboratory Personnel<<<

4500 SO4	Sulfate	1055	02-13-04	02-13-04	52.	<input type="checkbox"/>	<input type="checkbox"/>
200.7	Sodium	1052	02-13-04	02-13-04	67.6	<input type="checkbox"/>	<input type="checkbox"/>
150.1	pH	1925	02-10-04	02-10-04	7.8	<input type="checkbox"/>	<input type="checkbox"/>
310.1	Alkalinity	1927	02-11-04	02-11-04	77.	<input type="checkbox"/>	<input type="checkbox"/>
Calc	Hardness/Calcium	1918	02-13-04	02-13-04	60.9	<input type="checkbox"/>	<input type="checkbox"/>
Calc	Langelier Index	1997	02-13-04	02-13-04	-0.19	<input type="checkbox"/>	<input type="checkbox"/>
170.1	Temperature (°C)	1996	02-10-04	02-10-04	20 **	<input type="checkbox"/>	<input type="checkbox"/>
160.1	Total Dissolved Solids-TDS	1930	02-11-04	02-11-04	464.	<input type="checkbox"/>	<input type="checkbox"/>

>>>>LABORATORY INFORMATION<<<<<
 To be filled out by laboratory personnel

SPECIMEN NUMBER: [BL01351-I] [02/10/04] [10:00] (24 hr clock)
 Sample date Sample time

ID Number [AZ 0/0/0/3] Name: [Aquatic Consulting & Testing, Inc]

Comments: [** Laboratory Temperature]

Authorized Signature: [*[Signature]*]

SYNTHETIC ORGANIC CHEMICAL ANALYSIS
 >>>To be filled out by laboratory Personnel<<<

Analysis Method	MCL Value	Trigger Value	Contaminant Name	Cont. Code	Analysis Run Date/Time	Results	Exceeds MCL	Exceeds Trigger
515.3	0.07	.0001	2,4-D	2105	02-19-04	<0.0001	<input type="checkbox"/>	<input type="checkbox"/>
515.3	0.05	.0002	2,4,5-TP (Silvex)	2110	02-19-04	<0.0002	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.002	.0002	Alachlor	2051	02-18-04	<0.0002	<input type="checkbox"/>	<input type="checkbox"/>
505	0.003	.001	Toxaphene	2020	02-17-04	<0.001	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.003	.0001	Atrazine	2050	02-18-04	<0.0001	<input type="checkbox"/>	<input type="checkbox"/>
531.1	0.04	.0009	Carbofuran	2046	02-19-04	<0.0009	<input type="checkbox"/>	<input type="checkbox"/>
515.3	0.001	.00004	Pentachlorophenol	2326	02-19-04	<0.00004	<input type="checkbox"/>	<input type="checkbox"/>
505	0.002	.0002	Chlordane	2959	02-17-04	<0.0002	<input type="checkbox"/>	<input type="checkbox"/>
504.1	0.0002	.00002	Dibromochloropropane(DBCP)	2931	02-14-04	<0.00002	<input type="checkbox"/>	<input type="checkbox"/>
504.1	0.00005	.00001	Ethylene Dibromide(EDB)	2946	02-14-04	<0.00001	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.0004	.00004	Heptachlor	2065	02-18-04	<0.00004	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.0002	.00002	Heptachlor Epoxide	2067	02-18-04	<0.00002	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.0002	.00002	Lindane	2010	02-18-04	<0.00002	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.04	.0001	Methoxychlor	2015	02-18-04	<0.0001	<input type="checkbox"/>	<input type="checkbox"/>
	0.0005	.0001	PCB:Polychlorinated Biphenyls*	2383			<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.0002	.00002	Benzo (a) Pyrene	2306	02-18-04	<0.00002	<input type="checkbox"/>	<input type="checkbox"/>
515.3	0.2	.001	Dalapon	2031	02-19-04	<0.001	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.006	.0006	Di(2-ethylhexyl)phthalate	2039	02-18-04	<0.0006	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.4	.0006	Di(2-ethylhexyl)adipate	2035	02-18-04	<0.0006	<input type="checkbox"/>	<input type="checkbox"/>
515.3	0.007	.0002	Dinoseb	2041	02-19-04	<0.0002	<input type="checkbox"/>	<input type="checkbox"/>
1613B	3x10 ⁻⁸	5x10 ⁻⁹	2,3,7,8-TCDD (Dioxin)	2063	02-25-04	<5.00e-09	<input type="checkbox"/>	<input type="checkbox"/>
549.2	0.02	.0004	Diquat	2032	02-13-04	<0.0004	<input type="checkbox"/>	<input type="checkbox"/>
548.1	0.1	.0009	Endothall	2033	02-13-04	<0.009	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.002	.00001	Endrin	2005	02-18-04	<0.00001	<input type="checkbox"/>	<input type="checkbox"/>
547	0.7	.006	Glyphosate	2034	02-18-04	<0.006	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.001	.0001	Hexachlorobenzene	2274	02-18-04	<0.0001	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.05	.0001	Hexachlorocyclopentadiene	2042	02-18-04	<0.0001	<input type="checkbox"/>	<input type="checkbox"/>
531.1	0.2	.002	Oxamyl	2036	02-19-04	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
515.3	0.5	.0001	Picloram	2040	02-19-04	<0.0001	<input type="checkbox"/>	<input type="checkbox"/>
525.2	0.004	.00007	Simazine	2037	02-18-04	<0.00007	<input type="checkbox"/>	<input type="checkbox"/>

* Aroclor results may be submitted in lieu of PCB

>>>>LABORATORY INFORMATION<<<<<
 To be filled out by laboratory personnel

SPECIMEN NUMBER: [998556] [02/10/04] [10:00] (24 hr clock)
 Sample date Sample time

ID Number [AZ0/4/3/2] Name: [Environmental Health Laboratories]
 Comments: [Dioxin analysis performed by Triangle Laboratories, Inc.]
 Authorized Signature: [*D. J. [unclear] for EHL*]

*****AROCLOR (PCBs SCREENING TEST)*****
 >>>To be filled out by laboratory personnel<<<

Analysis Method	Trigger Value	Contaminant Name	Cont. Code	Analysis Run Date	Results*	Exceeds** Trigger
505	0.00008	Aroclor 1016	2388	02-17-04	<0.00008	<input type="checkbox"/>
505	0.02	Aroclor 1221	2390	02-17-04	<0.02	<input type="checkbox"/>
505	0.0005	Aroclor 1232	2392	02-17-04	<0.0005	<input type="checkbox"/>
505	0.0003	Aroclor 1242	2394	02-17-04	<0.0003	<input type="checkbox"/>
505	0.0001	Aroclor 1248	2396	02-17-04	<0.0001	<input type="checkbox"/>
505	0.0001	Aroclor 1254	2398	02-17-04	<0.0001	<input type="checkbox"/>
505	0.0002	Aroclor 1260	2400	02-17-04	<0.0002	<input type="checkbox"/>

LABORATORY INFORMATION
 To be filled out by laboratory personnel

SPECIMEN NUMBER: [998557] [02/10/04] [10:00] (24 hr clock)
 Sample date Sample time

ID Number [AZ0/4/3/2] Name: [Environmental Health Laboratories]

Comments: _____
 Authorized Signature: *[Signature]* EHC

***** VOLATILE ORGANIC CHEMICALS ANALYSIS *****
 >>> To be filled out by Laboratory Personnel <<<

Analysis Method	MCL Value	MDL/Trigger Value	Contaminant Name	Cont. Code	Analysis Run Date/Time	Results	Exceeds MCL	Exceeds Trigger
524.2	0.007	0.0005	1,1-Dichloroethylene	2977	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.2	0.0005	1,1,1-Trichloroethane	2981	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.005	0.0005	1,1,2-Trichloroethane	2985	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.005	0.0005	1,2-Dichloroethane	2980	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.005	0.0005	1,2-Dichloropropane	2983	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.005	0.0005	Benzene	2990	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.005	0.0005	Carbon Tetrachloride	2982	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.07	0.0005	cis-1,2-Dichloroethylene	2380	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.7	0.0005	Ethylbenzene	2992	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.1	0.0005	(mono)chlorobenzene	2989	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.6	0.0005	o-Dichlorobenzene	2968	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.075	0.0005	para-Dichlorobenzene	2969	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.1	0.0005	Styrene	2996	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.005	0.0005	Tetrachloroethylene	2987	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	1	0.0005	Toluene	2991	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.1	0.0005	Trans-1,2-Dichloroethylene	2979	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>

524.2	0.005	0.0005	Trichloroethylene	2984	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.002	0.0005	Vinyl Chloride	2976	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	10	0.0005	Xylenes, total	2955	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.07	0.0005	1,2,4-Trichlorobenzene	2378	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>
524.2	0.005	0.0005	Dichloromethane	2964	02-13-04	<0.0005	<input type="checkbox"/>	<input type="checkbox"/>

LABORATORY INFORMATION
 To be filled out by laboratory personnel

SPECIMEN NUMBER: [998564] [02/10/04] [10:00] (24 hr clock)
 Sample date Sample time

ID Number [AZ0/4/3/2] Name: [Environmental Health Laboratories]
 Comments: []
 Authorized Signature: [*J. J. [unclear] for EHL*]
 Date Public Water System Notified: []

*** RADIOCHEMICAL ANALYSIS ***
 >>> To be filled out by laboratory personnel <<<

Analysis Method	MCL Value	MDL Value	Contaminant Name	Cont. Code	Analysis Run Date	Results	Exceeds MCL
600/00-0215	Pci/l	3 Pci/l	Gross Alpha**	4000	02-12-04	2.8±0.8	<input type="checkbox"/>
903.1	5 Pci/l		Combined Radium (226,228)	4010			<input type="checkbox"/>
904.0		1 Pci/l	Radium 226	4020			<input type="checkbox"/>
900.0		1 Pci/l	Radium 228	4030			<input type="checkbox"/>
	4 mrem	3pCi/l	Gross Beta	4100			<input type="checkbox"/>
	20,000 Pci/l***		Tritium	4102			<input type="checkbox"/>
	8 Pci/l***		Strontium-90	4174			<input type="checkbox"/>

LABORATORY INFORMATION
 To be filled out by laboratory personnel

SPECIMEN NUMBER: [26490] [02/10/04] [10:00] (24 hr clock)
 Sample date Sample time

ID Number [AZ0/4/6/2] Name: [Radiation Safety Engineering, Inc]
 Comments: []
 Authorized Signature: [*J. J. [unclear] for RSE*]
 Date Public Water System notified: []

* A composite radiochemical sample means four quarterly samples from a single source only.
 ** Gross alpha is the value of all alpha particle emitters except for uranium and radon 222. Radium 226 is included in the reported gross alpha value. All units are reported in picocuries per liter (Pci/l) EXCEPT for gross beta which is reported in millirem per year.
 *** These values are assumed to produce a total body or organ dose of 4 millirem per year.

**INSTRUCTIONS FOR USING THE ARIZONA DRINKING WATER
SOURCE APPROVAL REPORTING FORM
DWAR 9: Revised March 11, 2002**

SYSTEM ID: This is a unique 5 digit Public Water System Identification (PWSID) number assigned to each public water system by ADEQ.

SYSTEM NAME: This should be the legal name which the water system will be known as when the system is built. Always notify the Department in writing of any name or ownership change.

ADEQ PROJECT NUMBER: This is the number assigned by ADEQ when the project is first submitted for an "Approval to Construct".

NEW SYSTEM: If this is a new system and a system id number has not yet been assigned by ADEQ, then mark "YES", and be sure that the project number is filled in.

NEW POE: If this source represents a new point of entry (POE) for your system, then mark "YES" on the form. This will allow ADEQ to assign a new point of entry number and the appropriate monitoring year for this point of entry.

WELL ID NUMBER: The Department of Water Resources' registration number goes here. This number always begins with a 55-. If the new source does not constitute a new point of entry, fill in the existing point of entry number that this source is joining.

SURFACE WATER INTAKE ID NUMBER: This number must be assigned by ADEQ. If the new source does not constitute a new point of entry, fill in the existing point of entry number that this source is joining.

SAMPLE DATE: The date the specimen was collected in mm/dd/yy format.

SAMPLE TIME: The time the specimen was collected in hh:mm format (24 hr clock time).

OWNER/CONTACT PERSON NAME: The first and last name of the owner or owner's representative, (contact person) who should be contacted with sample results.

OWNER/CONTACT PHONE #: The daytime phone number of the owner or owner's representative, (contact person) who should be contacted with sample results.

SAMPLE TYPE: The compliance reason for specimen collection. Only the relevant sample types for each contaminant group are provided on the ADEQ forms.

SPECIMEN NUMBER: A unique 15 character (max) alphanumeric code that identifies a particular sample used to test one contaminant or one category of contaminants (i.e., Microbiological, Inorganic, Organic, VOC) for a specific sampling event. If reporting on different reporting forms, a different (unique) number is required for each contaminant group and for each report.

NOTE: These definitions are general in nature. For specific questions regarding your laboratory submittal, please contact the Arizona Department of Environmental Quality (ADEQ) Drinking Water Section at 1-800-234-5677, ext. 2236, or (602) 207-2236.

www.adeq.state.az.us - water quality - safe drinking water - forms reports and guidelines - lab reporting forms - Drinking Water Source Approval Form 71 KB

CHAIN OF CUSTODY

PAGE OF

AQUA CONSULTING & TESTING, INC.
 1525 W. University Drive, Suite 106 • Tempe, AZ 85281
 Phone: (480) 921-0044 • Fax: (480) 921-0049

Client: First National Mgt
 Address: Box 1020
 Street
AVA City, State/Zip
 Phone/Fax: 480-677-6080

Contact: _____
 Sampler Signature: [Signature]
 SAMPLE ID: DATE TIME
Metals #2 - 2/10/04 10:00 AM

Remarks: <u>Diversified Water</u>	ACID	Laboratory Number	<u>61-01351</u>
	NONE		
	OTHER		
	MPA		
	AWET (SWRO)		
	Chronic		
	Acute		
	Plate Count		
	Collet (24hr)		
	Fecal Coliform		
	Tot. Coliform: MPN		
	Tot. Coliform: P/A		
	VOC / THMs		
	TKN / Ammonia		
	Nitrate + Nitrite / Nitrate / Nitrite		
	Tol. P / O-Pol		
	BOD / COD		
	O+G / TPHC / MBAS		
	TDS / TSS / TB / SETT		
	Metals / TCLP		

X New Source

1. Relinquished By: [Signature]
 Date/Time: 2/10/04 12:32

2. Relinquished By: _____
 Date/Time: _____

3. Relinquished By: _____
 Date/Time: _____

1. Received By: [Signature]
 Date/Time: 2-10-04 12:32

2. Received By: _____
 Date/Time: _____

3. Received By: _____
 Date/Time: _____

Sample Receiving: X Yes No

Intact: X Yes No

Temp: 20C

Preserved: Yes No

Total # containers: New Source Kit

* Using the "Remarks" area, please specify which metals are to be analyzed.

By signing this chain of custody, the designated client and agent agree to pay Aquatic Consulting & Testing, Inc. for all services rendered in connection with the submitted samples within 30 days of invoice. It is the client's responsibility to note purchase order numbers or other

White-Laboratory Yellow-Report Pink-Client

AQUA CONSULTING & TESTING, INC.
 1525 W. University Drive, Suite 106 • Tempe, AZ 85281
 Phone: (480) 921-8044 • Fax: (480) 921-0049

CHAIN OF CUSTODY

PAGE OF

Remarks: *Diversified Water*

MPA	ACID	OTHER	Laboratory Number
			61-11351
AWET (SWRO)			
Chronic			
Acute			
Plate Count			
Collet (24h)			
Fecal Coliform			
Tot Coliform: MPN			
Tot Coliform: P/A			
VOC / THMs			
TKN / Ammonia			
Nitrate + Nitrite / Nitrite / Nitrite			
Tot. P / O-PO4			
BOD / COD			
O+G / TPHC / MBAS			
TDS / TSS / TS / SETT			
Metals / TC/CP			

New Source

9205 B =

Feb -

2/10-11 @ 1400

NO400845

FEB 10 7AM

1. Relinquished By: [Signature] Date/Time: 2-10-04 12:32

2. Relinquished By: [Signature] Date/Time: 2-10-04 12:32

3. Relinquished By: [Signature] Date/Time: 2-10-04 12:32

Sample Receiving: Intact: *Yes* No
 Temp: *20C*
 Preserved: Yes No
 Total # containers: *NOUBAYG 417*

Address: P.O. Box 1020
City, State, Zip
 Phone/Fax: *519/677/6040*
 Contact: *[Signature]*
 Sampler Signature: *[Signature]*
2/10/04 10:00 AM

* Using the "Remarks" area, please specify which metals are to be analyzed.

By signing this chain of custody, the designated client and agent agree to pay Aquatic Consulting & Testing, Inc. for all services rendered in accordance with the submitted contract within 30 days of invoice. It is the client's responsibility to note purchase order numbers or other

White-Laboratory Yellow-Report Pink-Client

***** ASBESTOS *****
>>> To be filled out by Laboratory Personnel <<<

Analysis Method	MCL Value	Contaminant Name	Cont. Code	Analysis Run Date	Results	Exceeds MCL
TEM	7MFL	Asbestos	1094	02-17-04	<0.2	<input type="checkbox"/>

>>>> LABORATORY INFORMATION <<<<<
To be filled out by laboratory personnel

SPECIMEN NUMBER: [2004-00996-1] [02/10/04] [10:00] (24 hr clock)
 Sample date Sample time

ID Number [AZ0/6/3/3] Name: [Fiverquant Analytical Services]
 Comments: []
 Authorized Signature: [*[Signature]*]
 Date Public Water System Notified: []

***** MICROBIOLOGICAL ANALYSIS *****
>>> To be filled out by laboratory personnel <<<

Analysis Method	MCL Value	Contaminant Name	Cont. Code	Test Start Date/Time	Analysis Run Date/Time	Result
9223B	Present/ 1 or more Coliform	Total Coliform	3000	[02-10-04 14:00]	[02-11-04 14:00]	<u>1</u>

ONLY REPORT FECAL RESULT IF TOTAL COLIFORM RESULT IS POSITIVE

Analysis Method	MCL Value	Contaminant Name	Cont. Code	Test Start Date/Time	Analysis Run Date/Time	Result
9223B	Present/ 1 or more Coliform	E. Coli or Fecal Coliform	3013	[02-10-04 14:00]	[02-11-04 14:00]	<u>0</u>

>>>> LABORATORY INFORMATION <<<<<
To be filled out by laboratory personnel

SPECIMEN NUMBER: [N0400845] [02/10/04] [10:00] (24 hr clock)
 Sample date Sample time

ID Number [AZ0/0/0/3] Name: [Aquatic Consulting & Testing, Inc]
 Comments: []
 Authorized Signature: [*[Signature]*]
 Date Public Water System Notified: []
 DWAR 9: Revised March 11, 2002

Exhibit 5

Analysis of Adequate Water Supply for Proposed Service Territory

ARIZONA DEPARTMENT OF WATER RESOURCES

Hydrology Division

500 North Third Street, Phoenix, Arizona 85004

Telephone 602 417-2448

Fax 602 417-2425

October 26, 2004



JANET NAPOLITANO
Governor

HERB GUENTHER
Director

Mr. Scott W. Gray
Diversified Water Utilities, Inc.
2850 E. Camelback Road, Suite 200
Phoenix, Arizona 85016

RE: **Diversified Water Utilities, Inc.**
Application for Physical Availability Demonstration #20-401345

Dear Mr. Gray:

The Department has completed review of the report entitled *Hydrogeologic Investigation, Diversified Water Utilities Franchise Area* by Southwest Ground-water Consultants, Inc., April 28, 2004 as well as analysis of additional available hydrologic information. The area of review is limited to the existing and proposed expansion area of Diversified Water Utilities CC&N. The area consists of about 10,028 acres in Sections 26 and 27, Township 2 South, Range 8 East, Sections 1-4, 9-16, and 23, Township 3 South, Range 8 East, and Section 18, Township 3 South, Range 9 East, Gila and Salt River baseline and meridian in Pinal County within the East Salt River Valley sub-basin of the Phoenix Active Management Area.

In accordance with A.A.C. R-12-15-702(C), we have determined that 36,141 acre-feet per year of water is physically available for 100 years under A.A.C. R-12-15-703(B) for assured water supply purposes in the subject area. This water is also of adequate quality for purposes of A.A.C. R-12-15-704. This amount of 36,141 acre-feet per year includes the amount of groundwater required to meet the current and committed demands of the existing Diversified Water Utilities certificated area. According to available information, the current and committed demand is estimated at about 23,066 acre-feet per year. It is the Department's conclusion that, pumping the projected demand of 36,141 acre-feet per year for 100 years will take the depth-to-static water level to approximately 820 feet below land surface, above the maximum depth of 1000 feet allowed by A.A.C. R-12-15-703(B).

The results of the Department's hydrologic review fulfill the requirements of R12-15-702 (C) and can be cited in applications for a Certificates of Assured Water Supply or for Designation of Assured Water Supply. These applications have certain additional requirements based on the assured water supply criteria referenced in A.R.S. 45-576 and Rule R-12-15-701 et. seq. For further information on these requirements, please contact the Office of Assured and Adequate Water Supply Certification at (602)417-2460. **If the Department finds that the groundwater supply is not available because the assumptions and information used in determining the physical availability under the current criteria prove incorrect, the Department will modify the availability of groundwater accordingly.**

The Department's determination is an appealable agency action. In order to appeal this decision, you must request an appeal within thirty (30) days from receipt of this letter. I have enclosed a summary of the appeals process and an appeal form should you wish to pursue this option.

If you have any questions regarding the physical availability review, please contact me at (602) 417-2448.

Sincerely,

Frank Putman
Chief Hydrologist

FP/KM/rd
202458

Enclosure

cc: Doug Dunham, Office of Assured & Adequate Water Supply
Steve Noel, Southwest Ground-water Consultants, Inc.

ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED AND ADEQUATE WATER SUPPLY
500 NORTH THIRD STREET
PHOENIX, ARIZONA 85004-3921
(602) 417-2465

APPLICATION FOR A PHYSICAL AVAILABILITY DEMONSTRATION
(Refer to application guidelines for assistance in completing this form)

PART A - GENERAL INFORMATION

1. Applicant Name: Diversified Water Utilities, Inc.
Phone: (602) 840-9400 Facsimile: (602) 840-6030 E-mail: NA
Address: 2850 East Camelback Road, Ste. 200, Phoenix, AZ 85016
Applicant is: Land Owner Other: X
2. Name of Study Area: Diversified Water Utilities Franchise Area
3. Location: 2,3 South 8,9 East (See Figure 1) Pinal Pinal
Township Range Section(s) County AMA (if applicable)
4. Consultant Name: Southwest Ground-water Consultants, Inc.
Phone: (602) 955-5547 Facsimile: (602) 955-7585 E-mail: snoel@sgcground-water.com
Address: 3900 E. Camelback Rd., Suite 200, Phoenix, AZ 85018-2636
5. Application is for: New study Update, study previously reviewed by the Department
6. Attach a map of the study area (or include in hydrologic study) See hydrologic study in Attachment I
7. Size of study area: 10,028 acres

PART B - WATER DEMAND INFORMATION

1. Expected year of build-out: 2014
2. Total demand projected for study area at build-out: 36,141 AF/Year
Residential demand: 26,027 AF/Year
Non-residential demand: 10,113 AF/Year
Type of non-residential uses: Open Space, Schools, Construction, & System Losses
3. Assumptions used in calculating water demand in Item 2: See hydrologic study in Attachment I

PART C - WATER SUPPLY INFORMATION

1. Please indicate source(s) of water to be used: Groundwater Surface Water Effluent
(If the sources includes non-groundwater supplies, please complete "Supplement C.")
2. a. Proposed method of water distribution: Dry lot (individual wells) Central distribution system
b. Water provider name: Diversified Water Utilities, Inc. Existing Proposed

3. Generally describe any storage or treatment facilities (for surface water or effluent) which will serve this development. Indicate whether the facilities are planned or existing. If planned, indicate the anticipated completion date(s): _____
N/A
-
4. Provide a detailed hydrologic study, consistent with Department guidelines, and submit with this application.

PART D - FEES

The application fee for a Demonstration of Physical Availability \$1,000.00. The payment may be made by cash, check, or in some cases, by entry in an existing Department fee credit account. Checks should be made payable to the Department of Water Resources. Failure to enclose the required fees will cause the application to be returned.

I DO HEREBY certify that the information contained in this application and all information accompanying it is true and correct to the best of my knowledge and belief.

Owner Name and Title (Please type or print)

Signature

Date

**HYDROGEOLOGIC
INVESTIGATION**

**DIVERSIFIED WATER UTILITIES FRANCHISE AREA
Pinal County, Arizona**

Prepared for:

**Diversified Water Utilities, Inc.
P.O. Box 17357
Phoenix, Arizona 85011**

Prepared by:

**Southwest Ground-water Consultants, Inc.
3900 East Camelback Road
Suite 200
Phoenix, AZ 85018-2636**

April 28, 2004

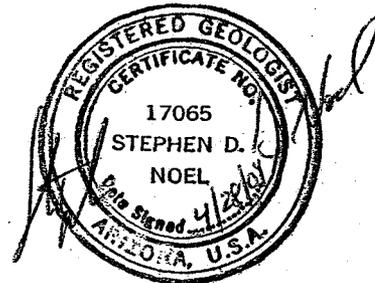


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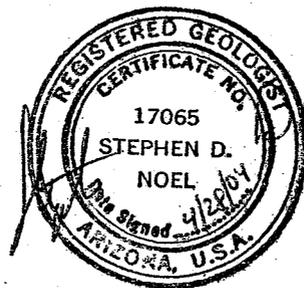
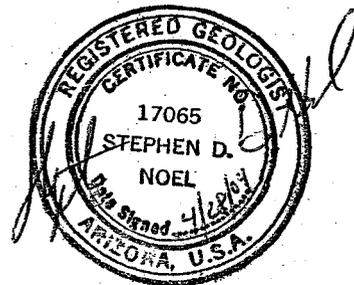


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1.0 INTRODUCTION

The following report has been prepared by Southwest Ground-water Consultants, Inc. (SGC) in order to evaluate the ground-water resources available to the Diversified Water Utilities, Inc. (DWU) Franchise Area, and to establish if these resources satisfy the projected demand of the proposed development area. Demand calculations have also been prepared for approximately 3,628 additional acres that are proposed to be incorporated into the DWU Franchise Area. This investigation is based on Arizona Department of Water Resources (ADWR) rules to meet the hydrologic study requirements of future Analysis and Certificate of Assured Water Supply Applications within the DWU Franchise Area.

The DWU Franchise Area and proposed franchise area are located in Pinal County, Arizona, in the East Salt River Valley Sub-basin of the Phoenix Active Management Area (AMA). The DWU Franchise Area and proposed area are located within Townships 2 and 3 South, Ranges 8 and 9 East of the Gila and Salt River Baseline and Meridian (Figure 1).

This report has been organized into four sections. Section 2.0 consists of a discussion of the projected water demand. The impact of ground-water production on the underlying aquifer is presented in Section 3.0. References cited throughout this report are listed in Section 4.0.



2.0 WATER DEMAND

2.1 LAND USE

The DWU Franchise Area consists of approximately 6,400 acres. Land use projections are only available for small portions of the DWU Franchise Area at this time. However, reasonable land use values have been projected for purposes of estimating the build-out water demand. Based on an estimated density of 4.5 dwelling units per acre, the development will consist of approximately 28,800 dwelling units. Based on an estimated occupant density of 3.2 capita per dwelling unit, the total population is projected to be 92,160 people.

2.2 DEMAND

The water demand calculations presented below were estimated based on Arizona Department of Water Resources (ADWR) Phoenix AMA Third Management Plan water requirements (ADWR, 1999). A tabulation of the water demand calculations for the existing DWU Franchise Area is presented in Table 1. A tabulation of the water demand calculations for the proposed additional acreage, which was calculated using the same unit rates as discussed below, is presented in Table 2.

2.2.1 Residential

The residential water demand for the DWU Franchise Area has been calculated based on an indoor residential water use rate of 57 gallons per day per capita (gpd/c) and an outdoor residential water use rate of 178 gpd per dwelling unit (du). The residential demand is estimated at 16,611 acre-feet per year (ac-ft/yr).

A large lot correction was calculated for 20% of the total dwelling units (5,760). Those lots were estimated at $\frac{1}{2}$ acre (21,780 ft²) with the correction applied to the difference between 21,780 ft² and 10,000 ft² (11,780 ft²). The demand estimate for the extra square footage is based on a rate of 4.9 ac-ft/ac/yr for turf acreage, assuming 50% turf acreage, and a rate of 1.5 ac-ft/ac/yr for low water use landscaping (lwul) acreage, assuming 50% lwul acreage. The large lot correction estimated water demand is 4,985 ac-ft/yr.



2.2.2 Non-residential

The estimated non-residential demand for the Project is 4,349 ac-ft/yr. This total is the sum of the demands for open space and schools as outlined below. Additional demands, also presented below, were calculated for construction and system losses.

2.2.2.1 Open Space

The demand estimate for open space is based on a rate of 4.9 ac-ft/ac/yr for turf acreage, assuming 50% turf acreage, and a rate of 1.5 ac-ft/ac/yr for lwul acreage, assuming 50% lwul acreage. Assuming 15% of the gross acreage, or 960 acres, is open space, the estimated water demand is 3,072 ac-ft/yr.

2.2.2.2 Schools

The indoor demand for the proposed schools was estimated using a rate of 25 gallons per student per day for the Elementary Schools and 43 gallons per student per day for the High Schools. The outdoor water demand associated with the schools was estimated at 25% of school acreage irrigated with turf at a rate of 4.9 ac-ft/ac/yr, and 10% low water use landscaping (lwul) at a rate of 1.5 ac-ft/ac/yr, and the remaining 65% as non-irrigated.

Using the unit rate of 0.65 elementary students and 0.25 high school students per dwelling unit, the estimated numbers of students are 18,720 elementary school students and 7,200 high school students. The estimated number of acres designated for the schools was calculated using a rate of 0.01 acres per student for elementary schools and 0.015 acres per student for high schools. A total of 187.2 acres and 108 acres was calculated for the elementary schools and high schools, respectively. Accordingly, the estimated interior and exterior water demand is 782 ac-ft/yr for elementary schools, and 495 ac-ft/yr for high schools.

2.2.2.3 Construction

The amount of water required for construction purposes is estimated to be 10,000 gallons per dwelling unit, (ADWR Office of Assured and Adequate Water Supply), which amounts to 884



acre-feet for the 28,800 dwelling units. Since this is a one-time use, this volume is divided by 100 years, resulting in a yearly demand of 8.8 ac-ft/yr.

2.2.2.4 System Losses

System losses are estimated to be 10% of the total residential and non-residential demand. Summing all of the residential and non-residential water demand components yields a total system demand of 20,969 ac-ft/yr, therefore, the system losses are calculated to be 2,097 ac-ft/yr.

2.2.3 Total Demand

The estimated demand for the existing DWU Franchise Area is 23,066 ac-ft/yr or 14,300 gallons per minute (gpm). Using the same unit rates as presented above, the estimated demand for the proposed additional acreage is 13,075 ac-ft/yr or 8,106 gpm.



3.0 IMPACT OF PROPOSED DEMAND ON SUPPLY

The impact on the regional aquifer from onsite production wells within the existing DWU Franchise Area was estimated by inputting calculated water demands (Section 1.0) into the finite difference ground-water flow model previously developed for the Johnson Utilities, Inc. CC&N (Johnson Model) (Clear Creek Associates, 2001). The model simulated ground-water production in the area for a period of 100 years to establish the projected 100-year depth to water in the aquifer underlying the DWU Franchise Area. The impact of the existing DWU Franchise Area on the regional aquifer is depicted on Figure 2. The demand for the proposed area was added to the demand for the existing DWU Franchise Area, and a separate impact was estimated. The impact for the cumulative demand of the existing Franchise Area and the proposed franchise area is depicted on Figure 3.

3.1 COMPUTER CODE DESCRIPTION

The physical impact of projected DWU ground-water pumping on the regional aquifer has been analyzed with the USGS MODFLOW 96 program (Harbaugh and McDonald, 1996), which applies the finite difference method to estimate values of head at node locations based on assigned hydrologic boundary conditions and aquifer parameters. Changes to the Johnson Model and model post-processing were made using ArcGIS ArcView Version 3.3 (ESRI, 2002) and Groundwater Vistas Version 3.5 (Environmental Simulations, Inc., 2002).

3.2 MODEL CONSTRUCTION

Conceptually, the model system is simplified with respect to the actual flow system. It is composed of two layers: Layer 1, which represents the Upper Alluvial Unit (UAU) and the Middle Alluvial Unit (MAU); and Layer 2, which represents the Lower Alluvial Unit (LAU) in the model domain. Layer 1 was modeled as an unconfined aquifer. Layer 2 was modeled as confined in areas where Layer 1 was saturated, and unconfined in areas where Layer 1 was dry. The Hydrologic Bedrock Unit (HBU) underlying the alluvial units is regarded as impermeable, and was not included in the model.



3.2.1 Model Grid and Boundary Conditions

The model grid spacing and boundary conditions were left unchanged from the Johnson Model. The spacing ranged from 330 feet to 5,280 feet. No flow boundaries were assigned along the southern, eastern, and northern portions of the model domain, along the foothills of the Santan Mountains, Superstition Mountains, and the Utery Mountains. Specified head boundaries simulated ground-water flux along the western edges of the model domain (Figure 2).

3.2.2 Aquifer Parameters

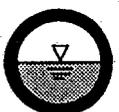
Hydraulic conductivity, specific yield, and specific storage values were left unchanged from the Johnson model. As were the model layer thicknesses, which were obtained from the ADWR Salt River Valley Model (Corell and Corkhill, 1994), except in the area of Johnson Utilities CC&N. Below is a summary of the model parameters in the area of the DWU Franchise Area:

Parameter	Layer 1		Layer 2	
	Range	Average	Range	Average
Horizontal Conductivity (ft / day)	7 - 10	8.9	8 - 15	12
Vertical Conductivity (ft / day)	0.7 - 1.0	0.89	0.08 - 1.5	0.9
Specific Yield	0.1	0.1	0.09 - 0.1	0.09
Specific Storage (ft ⁻¹)	N/A	N/A	0.00054 - 0.0015	0.0011
Layer Thickness (ft)	535 - 1,160	834	1,175 - 2,554	1,948

The initial head surface used in the Johnson Model was also used in the DWU Model. This was the resulting surface from a 100-year Model run to stabilize a water surface intended to represent the ground-water surface at the end of 1983.

3.2.3 Model Stress Periods

An additional stress period was added to the DWU Model to simulate stresses from the year 2101 to 2106. This stress period was divided into 30 calculation time steps, and the time step multiplier used was 1.



3.2.4 Recharge

Agricultural Recharge was simulated using the MODFLOW Recharge package and was left unchanged from the Johnson Model. Mountain Front Recharge was also left unchanged, and was simulated using the MODFLOW Well Package.

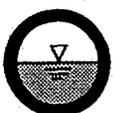
3.2.5 Pumping Wells

With the exception of pumping in the Johnson Utilities CC&N area and pumpage added for DWU, ground-water pumping was left unchanged from the Johnson Model. This includes pumping 182,000 ac-ft of water stored at the New Magma Irrigation District Groundwater Savings Facility and 74,000 ac-ft of water stored at the Queen Creek Irrigation District Groundwater Savings Facility.

3.2.5.1 Scenario A - Existing DWU Franchise Area Model

Projected total ground-water pumping within the Johnson Utilities CC&N was reduced from 53,000 ac-ft/yr to 18,154 ac-ft/yr, which is consistent with Johnson Utilities' physical, continuous, and legal availability of ground water as specified in their current designation order on file with the ADWR (Decision and Order No. 26-400665, August 2003). The number of wells used to simulate the projected Johnson Utilities pumping was reduced from 39 to 21, and these 21 wells (Figure 2) were selected based on the wells that began pumping earliest in the Johnson Model. The total Johnson Utilities production was held constant at 18,154 ac-ft/yr for the period from 2006 to 2106.

Projected ground-water withdrawals to meet the projected build-out demand of 23,066 ac-ft/yr within the DWU Franchise Area, were simulated with 18 proposed production well locations throughout the northern portion of the DWU Franchise Area (Figure 2). These 18 locations were selected based on existing high capacity production wells in the area, and proposed locations spaced approximately 2,000 to 3,000 feet apart. The demand of 23,066 ac-ft/yr was divided evenly between the 18 well locations, for a production rate of 1,281 ac-ft/yr (794.4 gpm annual average) per well.



3.2.5.2 Scenario B – Existing and Proposed DWU Franchise Area Model

For Scenario B, the 18,154 ac-ft/yr for Johnson Utilities was distributed between 20 wells (Figure 3) outside of the proposed DWU Franchise Area. Additional wells were added within the proposed DWU Franchise Area for Scenario B. The total demand of 36,141 ac-ft/yr for both the existing DWU Franchise Area and the proposed area was divided evenly between 32 proposed well locations (Figure 3). This resulted in an assigned production rate of 1,129.4 ac-ft/yr (700.2 gpm annual average) per well.

3.2.6 Numerical Parameters

For the simulations, the PCG2 solver was set to allow 150 outer iterations and 25 inner iterations while achieving a head change residual of 0.01 feet and a mass flow residual of 75 cubic feet per day. The relaxation parameter was set to 1; the Cholesky preconditioner was used with a damping factor of 1. Resaturation was allowed in the model using only the node below a dry cell, using a rewetting threshold of 10 feet, and wetting iteration interval of 10. The overall mass balance errors for all time steps were within $5 \times 10^{-3} \%$.

3.3 RESULTS

Review of Scenario A model results indicates that the depth to water after 100 years of continuous pumping for the DWU Franchise Area will result in a depth to water ranging from 550 to 620 feet below land surface (bls). The maximum depth to water calculated within the model domain was 674 feet bls. A map of the Scenario A calculated depth to water throughout the model domain is presented in Figure 2. Model input and output files are included in Appendix A.

Depth to water after 100 years of continuous pumping for both the existing and proposed DWU Franchise Areas (Model Scenario B) was estimated to range from 670 to 723 feet bls. The maximum depth to water calculated within the model domain was 730 feet bls. A map of the calculated Scenario B depth to water is presented in Figure 3.



3.4 CONCLUSION

The theoretical depth to water of 674 feet bls for Scenario A and 730 feet for Scenario B after 100 years of pumping is less than the 1,000 feet depth to water limit established by ADWR Rule R12-15-703 for the Phoenix AMA. Based on the impact analysis presented, sufficient ground water is available to meet the future water demands of the existing and proposed DWU Franchise Areas for at least 100 years.



4.0 REFERENCES

- ADWR. 1999. Third Management Plan for the Phoenix Active Management Area, 2000 - 2010. Arizona Department of Water Resources.
- ADWR, 2002. Groundwater Site Inventory Database. Arizona Department of Water Resources. Last updated November 2002.
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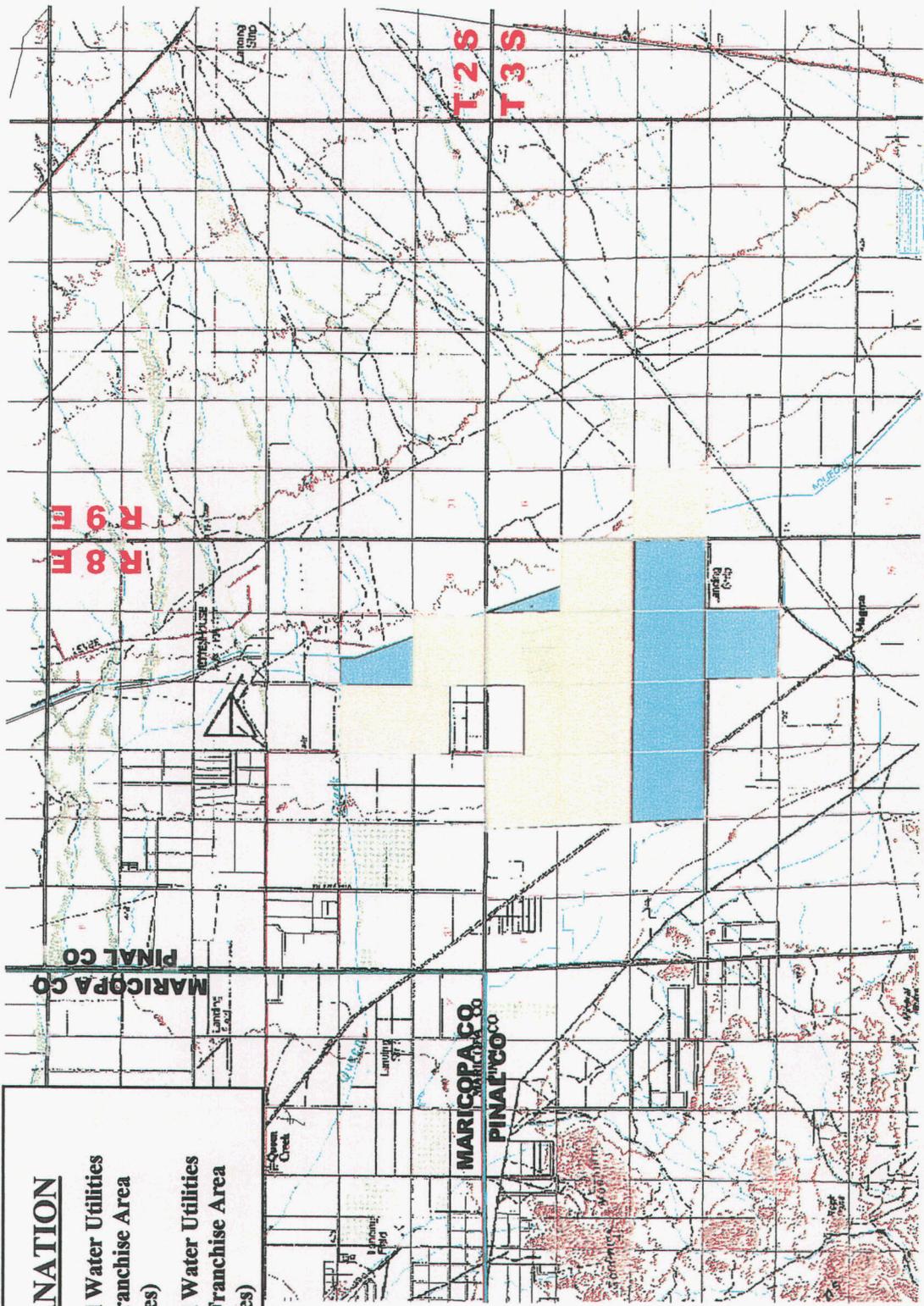


FIGURES



EXPLANATION

- Diversified Water Utilities Existing Franchise Area (6,400 Acres)
- Diversified Water Utilities Proposed Franchise Area (3,628 Acres)



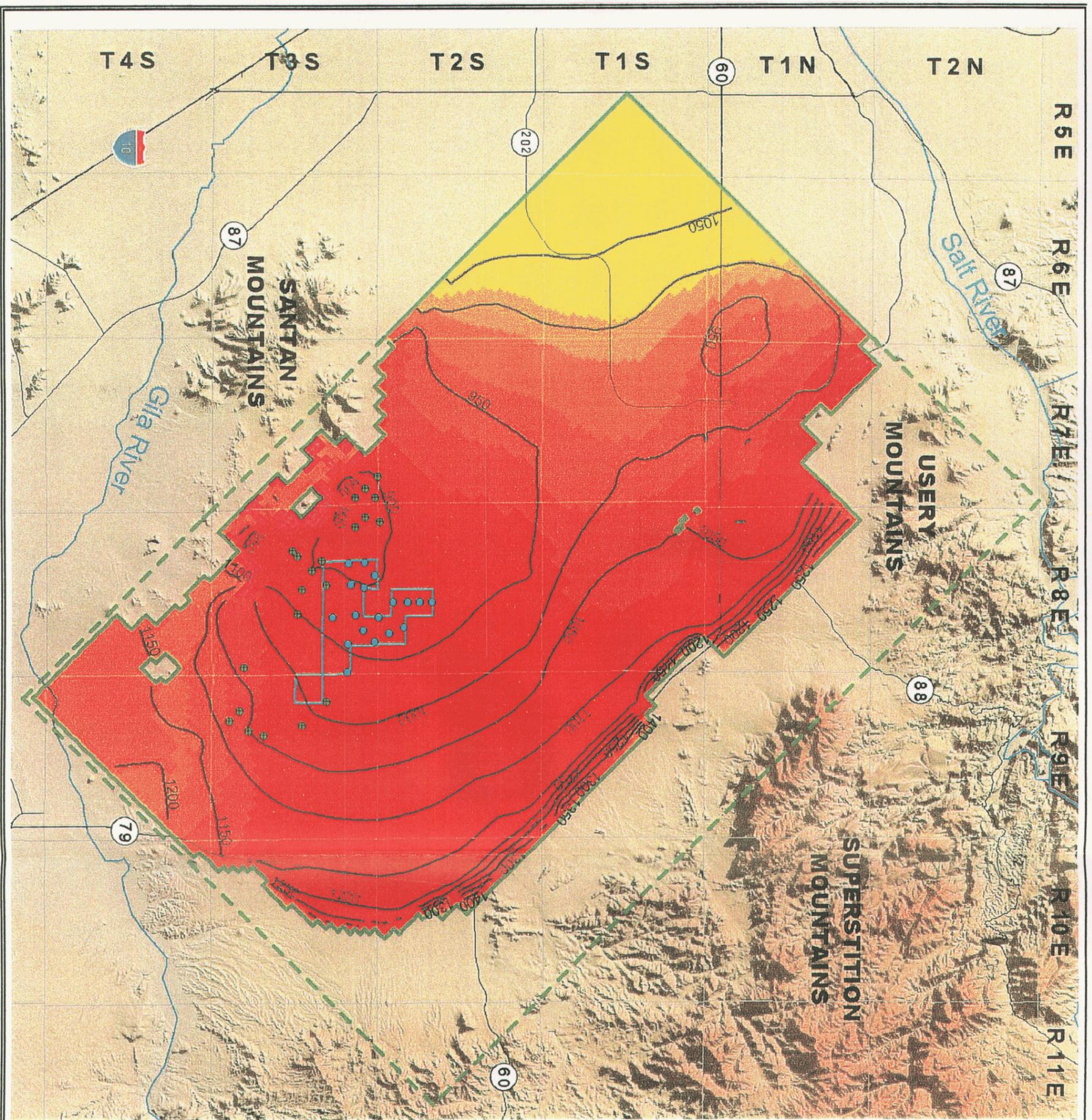
Southwest Ground-water Consultants, Inc.

April 26, 2004 Project B.799

AREA LOCATION MAP

Figure 1

Diversified Water Utilities, Pinal County, Arizona

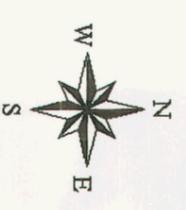


EXPLANATION

- Existing DWU Franchise Area
- Proposed Diversified Utilities Well Locations
- Simulated Johnson Utilities Well Locations
- Model Extents
- Active Model Boundary
- Contours of Model Calculated Ground-water Level Elevations at the end of 2105 (feet msl)



Data Sources:
 ADWR GIS Data
 ASU GIS Data
 ADOT ATTIS GIS Data



SCALE: 1" = 4 MILES

2106 DEPTH TO WATER AND GROUND-WATER SURFACE - MODEL LAYER 2 (EXISTING DWU FRANCHISE AREA)

SCENARIO A
 Diversified Water, Phoenix AMA, Arizona

Southwest Ground-water



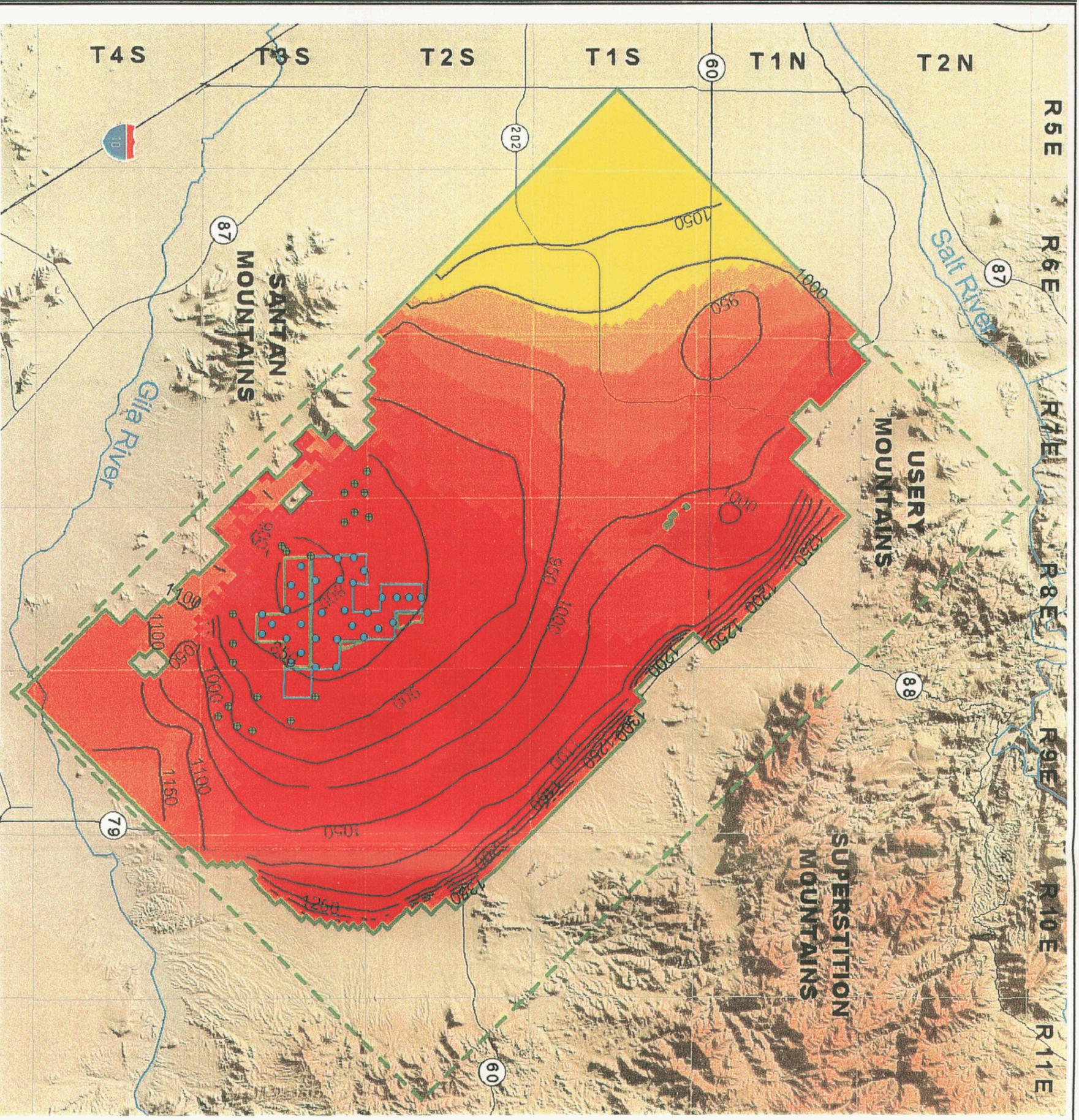
Consultants, Inc.

April 27, 2004

Project B.799

Figure

2



EXPLANATION

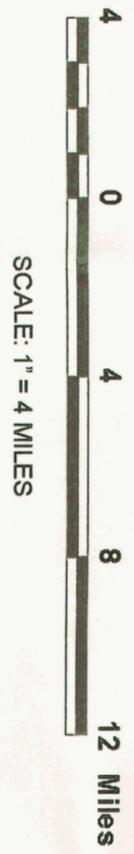
- Existing DWU Franchise Area
- Proposed DWU Franchise Area
- Proposed Diversified Utilities Well Locations
- Simulated Johnson Utilities Well Locations
- Model Extents
- Active Model Boundary

Contours of Model Calculated Ground-water Level Elevations at the end of 2105 (feet msl)

Model Calculated Depth to Water at the end of 2105

110 - 170
170 - 230
230 - 300
300 - 360
360 - 430
430 - 490
490 - 560
560 - 620
620 - 690
690 - 750
Dry Cells

Data Sources:
ADWR GIS Data
ASU GIS Data
ADOT ATTIS GIS Data



2106 DEPTH TO WATER AND GROUND-WATER SURFACE - MODEL LAYER 2 (EXISTING AND PROPOSED DWU FRANCHISE AREA SCENARIO B
Diversified Water, Phoenix AMA, Arizona

Southwest Ground-water



Consultants, Inc.

Figure

3

April 27, 2004

Project B.799

TABLES



TABLE 1
Demand Calculations
Diversified Water Utilities Existing Franchise Area

Item	Units	Rate	Demand (ac-ft/yr)
Residential			
Standard Single Family Indoor ¹	28,800 du	57 gpd/c 3.2 c/du	5,884.25
Standard Single Family Outdoor ¹	28,800 du	178 gpd/du	5,742.31
Large Lot Correction ²	5,760 du 21,780 sq ft lot	4.9 ac-ft/ac(turf) 1.5 ac-ft/ac(lwul)	4,984.60
Standard Multi Family Indoor	0 du	57 gpd/c 3.2 c/du	-
Standard Multi Family Outdoor	0 du	77 gpd/du	-
Total Residential Demand			16,611.16

Non-residential			
Elementary Schools ³	18,720 students	25 gal/stu/day	781.60
	46.8 ac turf	4.9 ac-ft/ac (turf)	
	18.7 ac lwul	1.5 ac-ft/ac (lwul)	
High Schools ⁴	7,200 students	43 gal/stu/day	495.30
	27.0 ac turf	4.9 ac-ft/ac (turf)	
	10.8 ac lwul	1.5 ac-ft/ac (lwul)	
Open Space ⁵	480.0 ac turf	4.9 ac-ft/ac(turf)	3,072.00
	480.0 ac lwul	1.5 ac-ft/ac(lwul)	
Public Facilities	0.0 ac	2.25 ac-ft/ac	-
Total Non-residential Demand			4,348.90
SF Construction ⁶	28,800 du	10,000 g/du	8.84
MF Construction	0 du	5,000 g/du	-
Commercial Construction	0 ac	15,000 g/ac	-
Total Construction Demand			8.84
System Losses	20,969 ac-ft/yr	10 %	2,096.89
Total Demand			23,065.79

¹No. Of dwelling units (du) estimated at 4.5 per acre

²20% of lots estimated as 1/2 acre (21,780 ft²).

Lot Correction applied to square footage greater than 10,000. 50% turf and 50% lwul applied to 1,558 total acres

³No. of elementary school students estimated at 0.65 students per du, acreage estimated at 0.01 acres per student

25% of acreage estimated as turf, 10% estimated as low water use landscaping (lwul), 65% estimated as non irrigated

⁴No. of high school students estimated at 0.25 students per du, school acreage estimated at 0.015 acres per student

25% of acreage estimated as turf, 10% estimated as lwul, 65% estimated as non irrigated

⁵50% turf and 50% lwul applied to 864 open space acres, which were estimated at 15% of total acreage

⁶Construction demand divided by 100, since construction will only occur once in 100 years



TABLE 2
Demand Calculations
Diversified Water Utilities Proposed Area

Item	Units	Rate	Demand (ac-ft/yr)
Residential			
Standard Single Family Indoor ¹	16,326 du	57 gpd/c 3.2 c/du	3,335.63
Standard Single Family Outdoor ¹	16,326 du	178 gpd/du	3,255.17
Large Lot Correction ²	3,265 du 21,780 sq ft lot	4.9 ac-ft/ac(turf) 1.5 ac-ft/ac(lwul)	2,825.47
Standard Multi Family Indoor	0 du	57 gpd/c 3.2 c/du	-
Standard Multi Family Outdoor	0 du	77 gpd/du	-
Total Residential Demand			9,416.27

Non-residential			
Elementary Schools ³	10,612 students	25 gal/stu/day	442.92
	26.5 ac turf	4.9 ac-ft/ac (turf)	
	10.6 ac lwul	1.5 ac-ft/ac (lwul)	
High Schools ⁴	4,082 students	43 gal/stu/day	280.73
	15.3 ac turf	4.9 ac-ft/ac (turf)	
	6.1 ac lwul	1.5 ac-ft/ac (lwul)	
Open Space ⁵	272.1 ac turf	4.9 ac-ft/ac(turf)	1,741.44
	272.1 ac lwul	1.5 ac-ft/ac(lwul)	
Public Facilities	0.0 ac	2.25 ac-ft/ac	-
Total Non-residential Demand			2,465.09
SF Construction ⁶	16,326 du	10,000 g/du	5.01
MF Construction	0 du	5,000 g/du	-
Commercial Construction	0 ac	15,000 g/ac	-
Total Construction Demand			5.01
System Losses	11,886 ac-ft/yr	10 %	1,188.64
Total Demand			13,075.01

¹No. Of dwelling units (du) estimated at 4.5 per acre

²20% of lots estimated as 1/2 acre (21,780 ft²).

Lot Correction applied to square footage greater than 10,000. 50% turf and 50% lwul applied to 883 total acres

³No. of elementary school students estimated at 0.65 students per du, acreage estimated at 0.01 acres per student
25% of acreage estimated as turf, 10% estimated as low water use landscaping (lwul), 65% estimated as non irrigated

⁴No. of high school students estimated at 0.25 students per du, school acreage estimated at 0.015 acres per student
25% of acreage estimated as turf, 10% estimated as lwul, 65% estimated as non irrigated

⁵50% turf and 50% lwul applied to 864 open space acres, which were estimated at 15% of total acreage

⁶Construction demand divided by 100, since construction will only occur once in 100 years



Exhibit 6

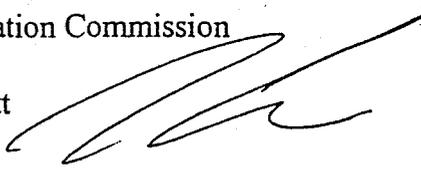
Additional Information

MEMORANDUM

RECEIVED
JAN 11 - 9 P 3 33

TO: Docket Control
Arizona Corporation Commission

FROM: Deborah R. Scott
for Director
Utilities Division



DATE: January 9, 2001

RE: IN THE MATTER OF THE APPLICATIONS OF H2O, INC., JOHNSON
UTILITIES COMPANY, DIVERSIFIED WATER UTILITIES AND QUEEN
CREEK WATER COMPANY FOR EXTENSION OF THEIR
CERTIFICATES OF CONVENIENCE AND NECESSITY (DOCKET NOS.
W-02234A-00-0371, et al.)

Attached is the Staff Report for the above referenced applications. Staff is recommending conditional approval of the contested applications following a hearing.

Originator: Mark A. DiNunzio

Attachment: Eleven copies

STAFF REPORT
UTILITIES DIVISION

IN THE MATTER OF THE APPLICATIONS OF
H2O, INC., JOHNSON UTILITIES COMPANY,
DIVERSIFIED WATER UTILITIES AND QUEEN CREEK WATER COMPANY
FOR EXTENSION OF THEIR
CERTIFICATES OF CONVENIENCE AND NECESSITY

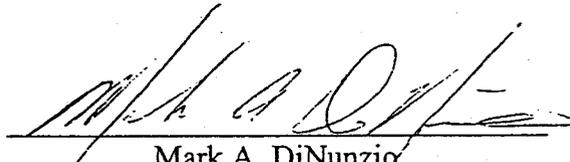
DOCKET NOS. W-02234A-00-0371, et al.

JANUARY 2001

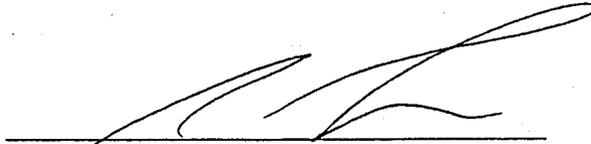
STAFF ACKNOWLEDGEMENT

The Staff members designated below contributed elements of this Staff Report.

CONTRIBUTING STAFF MEMBERS:



Mark A. DiNunzio
Executive Consultant


for

John A. Chelus
Utilities Engineer
for applications of H2O, Inc. and Diversified Water Utilities, Inc.



Marlin Scott, Jr.
Utilities Engineer
for applications of Johnson Utilities Company and Queen Creek Water Company

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INTRODUCTION

On May 30, 2000, H2O, Inc. ("H2O") filed an application for an extension to its Certificate of Convenience and Necessity ("Certificate" or "CC&N") to provide water service in Pinal County. On December 15, 2000, H2O filed a supplement to its application requesting additional areas be included in its request to provide water service.

On June 15, 2000, Johnson Utilities Company ("Johnson") filed a second amended application to its requested CC&N application (see Docket No. WS-02987A-00-0618) that included Section 31 in Township 2 South, Range 8 East to provide water and wastewater services. Johnson subsequently filed additional amendments to its CC&N application. In its application as amended, Johnson is requesting all of the same areas that H2O has requested. In addition, Johnson is requesting that some areas currently certificated to H2O be deleted from H2O's CC&N and granted to Johnson.

On October 2, 2000, Diversified Water Utilities, Inc. ("Diversified") filed an application for some of the areas being requested by H2O and subsequently by Johnson (see Docket No. W-02859A-00-0774). On November 2, 2000, Diversified filed a second amendment to its requested CC&N application to include an additional section to its original request.

On October 4, 2000, Queen Creek Water Company ("Queen Creek") filed an application for some of the same areas being requested by H2O, Johnson, and subsequently Diversified (see Docket No. W-01395A-00-0784).

On December 15, 2000, Sweetwater Creek Utilities, Inc. ("Sweetwater") filed to intervene in this proceeding. In its application to intervene, Sweetwater stated that it is interested in providing wastewater service to many of the areas Johnson is requesting. At the time of this Staff Report, Sweetwater had not yet submitted an application for a wastewater certificate. Therefore, this report only addresses Johnson's request as the only provider for wastewater services.

On January 5, 2001, the developers in Parcels 3 (Jorde Farms), 5 (Skyline), 6 (Morning Sun Farms) and 12 (Jorde/Morning Sun Farms) docketed a filing requesting that they no longer be considered by any utility for water and wastewater service. There is no need for service in those parcels at this time. Therefore, Staff will not recommend approval of any extension requests into those areas.

This Staff Report will address H2O's, Johnson's, Diversified's and Queen Creek's ability to serve all of their respective requested areas. For reference throughout this Staff Report, the brief description below and the attached Exhibit 1 lists all of the areas (herein referred to by Parcel number) that are currently being requested for approval to serve water and wastewater.

PARCEL DESCRIPTION

Parcel - 1	Arizona Farms		Parcel - 13	BLM Property
Parcel - 2	Bella Vista Farms		Parcel - 14	Johnson Farms (Combs School)
Parcel - 3*	Jorde Farms		Parcel - 15	Pecan Estates
Parcel - 4	Whitehead		Parcel - 16	The Home Place
Parcel - 5*	Skyline		Parcel - 17	Ware Farms
Parcel - 6*	Morning Sun Farms		Parcel - 18	Various
Parcel - 7	Shelton		Parcel - 19	Various
Parcel - 8	Various Owners within Section 28		Parcel - 20	Pecan Ranch
Parcel - 9	Farley Farms		Parcel - 21	Dobson Farms
Parcel - 10	State of Arizona		Parcel - 22	Circle Cross Ranch (east of the railroad)
Parcel - 11	Circle Cross Ranch (west of the railroad)		Parcel - 23	Magma Ranch
Parcel - 12*	Jorde/Morning Sun Farms		Parcel - 24	Development Section 18 T3S, R9E

* No longer requesting water or wastewater service

BACKGROUND

All of H2O's application, including its supplement, (approximately 5,382 acres) is contested by Johnson (see Figure 2). Approximately 2,080 acres of H2O's total request is being contested by Diversified. Approximately 2,320 acres of H2O's total request is being contested by Queen Creek. All four companies are requesting to serve this area with water service, and Johnson is requesting to also serve wastewater to all of its requested areas. H2O is requesting this extension of service area in order to provide water service to property owned by and/or being developed by a number of developers who have requested water service from H2O.

Johnson subsequently filed additional amended applications regarding its CC&N application. In Johnson's last amended application, dated September 15, 2000, all of the requested extension areas in H2O's CC&N application are also being requested by Johnson to provide water and wastewater services. In addition, there are two parcels (Parcel 14, Johnson Farms - Section 32 T2S, R8E and Parcel 20, Pecan Ranch - Section 20 T2S, R8E) in which Johnson has requested the deletion of H2O's existing CC&N in order for Johnson to be the sole provider of both water and wastewater utilities. In these two parcel areas, H2O is currently authorized to provide water service only. There is currently no authorized provider of wastewater service to these two parcels.

Diversified's original and second amended application requested a total of 7,040 acres. One of the parcels (Parcel 14) requested by Diversified is the same area that Johnson seeks to de-certificate from H2O. Diversified's intent is not to de-certify H2O's area but to compete with Johnson for it should Staff determine that it should be removed from H2O's area. Should Staff recommend that Parcel 14 should stay certificated to H2O, Diversified will withdraw its request for Parcel 14. Additionally, Parcel 24 is being requested by only Diversified. The remaining Parcels are also being requested by some or all of the other companies in this proceeding.

Queen Creek's application requests a total of 2,560 acres. All of Queen Creek's requested extension area is also being requested by all of the other parties in this proceeding.

H2O, INC. ANALYSIS

Background

H2O provides water service to approximately 681 customers (1999 Annual Report) within portions of Pinal and Maricopa County.

H2O's existing certificated area encompasses approximately eleven and one-half (11-1/2) sections of land. In its May 30, 2000 application, H2O is seeking a Certificate extension for approximately four (4) sections of land. The area requested is currently contiguous to its current certificated area. The application requests permission to serve Sections 28, 29, 33 and portions of Section 31 in Township 2 South, Range 8 East and also portions of Section 5 and 6 in Township 3 South, Range 8 East. The corresponding Parcels to H2O's request are Parcels 14, 15, 16, 17, 18 and 22. On December 15, 2000, H2O filed a supplement to its application to include Parcels 5, 6 and 11. These areas constitute approximately 2,055 additional acres.

H2O's Existing Water Systems

H2O has one water system consisting of two wells with a combined capacity of 1,730 gallons per minute ("gpm"), one storage tank with a capacity of 200,000 gallons, two booster pumps, one 5,000 gallon pressure tank and distribution system. Two other wells are owned by H2O but not on-line at this time. H2O has adequate storage and well production to serve its current customers and can serve up to 1,300 customers with the existing system.

H2O has a number of projects anticipated for the next 12 months. They include more storage, booster pumps, pressure tanks, main lines, and a new well. Some of these projects include:

1. Line extension for Ocotillo Meadows - New mains, pumping and storage - \$499,595
2. Links Estate Project - New Storage, pressure tanks, pumping and mains - \$978,076

3. New Storage Pumping and Source Supply Project – New storage, pressure tanks, booster pumps and well - \$254,117
4. Combs School Line extension – New Mains

Arizona Department Of Environmental Quality Compliance

H2O is in full compliance with the Arizona Department of Environmental Quality (“ADEQ”). ADEQ has determined that this system is currently delivering water that does not exceed any maximum contaminant levels (“MCLs”) and meets the Safe Drinking Water Act quality requirements.

ADEQ compliance history for the past five years shows the following:

1. Compliance Inspection report dated April 5, 1996 - no deficiencies.
2. Compliance Status report dated June 21, 1997 - full compliance with no MCL violations.
3. Notice of Violation (NOV) Failure to obtain Approval to Construct for Vinwood Subdivision due to developer actions on September 30, 1997. NOV withdrawn after ADEQ Approval to Construct issued to Vinwood on December 4, 1997.
4. Compliance inquiry by the Commission dated January 24, 2000 – Major deficiency for lead and copper sampling. Sampling and results were delivered to ADEQ on or about April 18, 2000.
5. Compliance inquiry by the Commission on June 5, 2000 - No major Deficiencies.
6. No bacteriological violations for the past five years.
7. No violations for any MCLs including inorganic compounds (IOC's), volatile organic compounds (VOC's), synthetic organic compounds (SOC's), Gross Alpha, Lead & Copper, or Pesticides.
8. H2O has never had any compliance orders issued against it or entered into any consent agreements with ADEQ.

Other Compliance Issues

H2O has not provided a copy of the developers' Certificates of Assured Water Supply (“CAWS”) from the Arizona Department of Water Resources (“ADWR”) for the requested areas.

H2O is located in the Phoenix Active Management Area ("AMA") and is in compliance with their regulations.

H2O has submitted a number of Approvals to Construct ("ATC") from ADEQ on items 1 through 3 as described in the discussion of H2O's Existing Water Systems.

H2O has submitted a franchise from Pinal County that includes its original requested areas but does not include the additional areas described in its supplement to its application.

H2O is in compliance with the Commission's filing requirements and is current on its property taxes.

JOHNSON UTILITIES COMPANY ANALYSIS

Background

Johnson provides water and wastewater service to approximately 169 and 127 customers, respectively (1999 annual report), within various communities in Pinal County. Johnson is located southeast of the town of Queen Creek and as of the date of its last amended filing, covered approximately 45 square-miles of certificated areas for both water and wastewater utilities.

In Johnson's original and subsequent amended applications, Johnson is requesting approximately 26-1/2 square-miles of additional area to provide water and wastewater service. Within the total requested area, Johnson seeks to provide water and wastewater service to all Parcels (1-23) listed in this Staff Report with the exception of Parcel 19 for which Johnson seeks to provide wastewater service only and Parcel 24, which is being requested only by Diversified. In addition, Johnson seeks to de-certificate Parcels 14 and 20 from H2O's certificated area in order to provide both water and wastewater to both parcels.

Johnson's Existing Water and Wastewater Systems

Johnson's Existing Water Systems

Johnson operates two independent water systems, Johnson Ranch and Sun Valley Farms V, which are approximately five miles apart. Description of each system is as follows:

1. **Johnson Ranch Water System**: This system consists of a well, one storage tank and a distribution system serving approximately 419 customers. Well Site #4 has a well that pumps 525 gallons per minute (GPM) into a 500,000 gallon storage tank, through three booster pumps (two 75-horsepower (Hp) and one 40-Hp) and into a 5,000 gallon pressure tank before distribution into the system. This distribution system

covers approximately two square-miles and is approximately two miles south of the contested areas.

The Johnson Ranch Water System's current well capacity of 525 GPM and storage capacity of 500,000 gallons with fire flow protection could adequately serve up to 735 connections. Johnson currently serves approximately 419 connections.

2. Sun Valley Farms V Water System: This system consists of a well, one storage tank and a distribution system currently serving approximately 37 customers. Well Site #V4 has a well that pumps 250 GPM into two storage tanks (10,000 gallons & 6,000 gallons), through a booster pump and into a 2,000 gallon pressure tank before distribution into the system. This distribution system covers approximately one square-mile and is approximately six miles southeast of the contested areas.

The Sun Valley Farms V Water System's current well capacity of 250 GPM and storage capacity of 16,000 gallons could adequately serve up to 36 connections (limited by storage). Johnson currently serves approximately 37 connections.

3. Johnson is also constructing another water system within the Wildhorse project. This system is located approximately two miles south of the Sun Valley Farms V System and currently has a well and a 50,000 gallon storage tank. This system is still under construction and is not in service.

Johnson's Existing Wastewater System

Johnson, as of the date of its last amended filing, had a certificated wastewater service area of approximately 45 square-miles with existing collection systems covering a total of four square-miles. Due to Johnson's failure to file necessary items required by Decision No. 62087, Johnson's currently certificated service area covers approximately 33-1/2 fewer sections than it did at that date. See discussion of Decision No. 62087 below. A description of Johnson's wastewater systems is as follows:

1. Johnson Ranch Wastewater System: This system is located within the Johnson Ranch and Magic Ranch projects and has a wastewater treatment plant (WWTP) consisting of aerated lagoons with constructed wetlands and a collection system. The Johnson Ranch WWTP has a current capacity of 500,000 gallons per day currently serving approximately 391 customers and could adequately serve up to 1,430 connections.
2. Johnson also has the Marwood mechanical package wastewater treatment plant within the Johnson Ranch project having a capacity of 20,000 gallons per day. This WWTP is currently not in service and therefore, has no compliance status at this time.

Johnson's Proposed Services To Extension Areas

Water Systems

Johnson is proposing to integrate the two existing water systems and all projects located within the Phoenix AMA as one system. All projects in the extension areas located in the Pinal AMA will also be integrated as one system. Initial phases of development will be provided water service from the existing Johnson Ranch and Sun Valley Farms V Water Systems. The development of all projects will be completed in phases and the required infrastructure will be planned to accommodate the expected growth. Construction schedules for 41 projects for years 2000 to 2020 totaling \$13,972,500 are being proposed.

Wastewater System

All wastewater will be conveyed to either the Johnson Ranch WWTP or the Marwood WWTP, once this Marwood plant is placed back into service. The development of all projects will also be completed in phases with construction schedules of 41 projects for years 1998 to 2011 totaling \$50,662,500 being proposed.

Arizona Department Of Environmental Quality Compliance

Water Systems

The Johnson Ranch Water System, PWS #11-128, is currently in compliance with ADEQ. In the past, ADEQ issued a Consent Order, Docket No. DW-62-00, on June 2, 2000, for numerous violations. However, on August 4, 2000, ADEQ signed a "Satisfaction and Termination of Consent Order" stating that Johnson Ranch had demonstrated to the satisfaction of ADEQ, that all terms of the Consent Order had been completed by the payment of a civil administrative penalty of \$4,900.00.

The Sun Valley Farms V Water System, PWS #11-116, is also currently in compliance with ADEQ. In the past, this system was also issued a Consent Order, Docket No. DW-87-00, by ADEQ on August 1, 2000 for numerous violations. Also on August 4, 2000, ADEQ signed a "Satisfaction and Termination of Consent Order" stating that Johnson's Sun Valley Farms V system had demonstrated to the satisfaction of ADEQ, that all terms of the Consent Order had been completed by the payment of a civil administrative penalty of \$6,000.00.

As a result, ADEQ has determined that the Johnson Ranch Water System and the Sun Valley Farms V Water System are currently delivering water that does not exceed any maximum contaminant levels and meets the Safe Drinking Water Act quality standards.

Wastewater System

The Johnson Ranch Wastewater System, Inventory #103081, is currently in total compliance with ADEQ. In the past, ADEQ issued a Consent Order, Docket No. P-105-99, and an Amendment to Consent Order on May 12, 1999 and October 8, 1999, respectively, for one major violation. However, on April 26, 2000, ADEQ signed a "Satisfaction and Termination of Consent Order" stating that the Johnson Ranch wastewater system had demonstrated to the satisfaction of ADEQ, that all terms of the Consent Order and Amendment to Consent Order had been completed.

Arizona Department of Environmental Quality Conclusions

In order to unconditionally recommend approval of any CC&N extension requests, Staff reviews evidence of applicants' ability to operate in full compliance with ADEQ rules and to deliver water that does not exceed any maximum contaminant levels and meets the water quality standards of the Safe Drinking Water Act.

As discussed above, Johnson has had a history of problems meeting the compliance requirements of ADEQ. Figure 3C attached is a Staff Engineering compilation of Johnson's ADEQ violations. This compilation was made from three ADEQ Consent Orders pertaining to Johnson Ranch Water System, Sun Valley V Water System and the Johnson Ranch Wastewater System. Johnson has been fined by ADEQ.

Staff is concerned with Johnson's past ADEQ problems considering that their CC&N extension request is for over 15,000 additional acres. Staff is concerned over the ability of Johnson to meet and maintain ADEQ compliance with the granting of such large certificated areas.

Other Compliance Issues

ACC Past Decisions

1. Decision No. 60223 – This Decision granted the Company the initial CC&N (approximately five Sections) and listed nine (9) compliance items. Only one (1) of the nine compliance items is still pending, which relates to a rate review filing that will be due on May 27, 2001.
2. Decision No. 61069 – This Decision granted a CC&N extension (approximately 7-1/2 Sections).
3. Decision No. 62087 – This Decision conditionally granted a CC&N extension (approximately 33-1/2 Sections). See Discussion of Decision No. 62087 below.

4. Decision No. 62284 – This Decision granted provisions to the Tariff Schedules with compliance items to, 1) meet ADEQ drinking water standards for its water systems and 2) at least substantial compliance status for its wastewater system. These compliances were met on August 25, 2000.
5. Administrative Closure No. 62586 – This Closure Number was assigned to officially close a request to withdraw the filing of a Cross-Connection Backflow Tariff on May 23, 2000.

Discussion of Decision 62087

In Commission Decision No. 62087, dated November 19, 1999, the Commission issued to Johnson a conditional CC&N to provide water and wastewater services within a geographical area as an extension to its existing CC&N. In its Decision on that CC&N application, Johnson was conditionally authorized to provide water and wastewater service totaling approximately 45 square-miles of territory. The Commission conditioned approval of the application based on Johnson: 1) within 365 days from the effective date of the Commission's Decision, filing a copy of its Pinal County Franchise for the extension area, 2) within 365 days from the effective date of the Commission's Decision, filing evidence of compliance with ADEQ's Rules for the operation of its water systems, and 3) within 365 days from the effective date of the Commission's Decision, filing evidence that a Designation of an Assured Water Supply has been issued by ADWR. The Commission's Decision further ordered that the application would be deemed denied without further order of the Commission if Johnson did not timely file these documents referenced above. These documents were to have been filed with the Commission by November 20, 2000.

In a letter dated December 20, 2000 from Patrick C. Williams, Manager of Compliance and Enforcement, it was noted that these documents have not been filed timely per Decision No. 62087. The order is clear; "... In the event Johnson Utilities, L.L.C. dba Johnson Utilities Company does not timely file a copy of the Pinal County franchise, evidence of compliance from ADEQ for the water and wastewater systems, and evidence that a "Designation" of an Assured Water Supply has been issued by ADWR, then the extension of its Certificate of Convenience and Necessity for the area described in Exhibit A shall be deemed to be denied without further order of the Arizona Corporation Commission."

Current Compliance Issues

Johnson has indicated that it has been working with ADWR and on July 26, 2000, submitted a copy of its Designation of Assured Water Supply for the requested areas.

Johnson's water systems and extension areas will be located in both the Phoenix and Pinal Active Management Areas as designated by ADWR. Since both of the existing systems are new, the water use and monitoring requirements will not be due until March 31, 2001.

Johnson currently has a Pinal County franchise and has applied to expand the franchise to include all areas that it has requested.

Johnson has submitted a number of Approvals to Construct and Approvals of Construction from ADEQ.

Johnson is current on its property taxes.

Complaint

On June 2, 2000, Centex Homes filed a formal complaint (Docket No. WS-02987A-00-0387) against Johnson for illegal termination of water utility service and also to facilitate resolution of disputed wastewater charges. This complaint was heard on November 1, 2000. A final order has not been issued in that docket.

The dispute stems from Decision No. 60223 and its Tariff Schedule Filings. The Decision granted water and wastewater rates based on water meter sizes. It is Johnson's position that the wastewater rates and charges become effective when a water meter is installed, even when no water is used. Staff's opinion is that the intent of the wastewater rates and charges, based on water meter sizes, were designed for the quantity of wastewater flow to be treated at the wastewater treatment plants.

In order to clarify the wastewater rates and charges, Staff recommends that Johnson submit an amended Tariff Schedule to include language for the wastewater rates and charges to state that these charges would become effective when wastewater first flows into the collection system, or simply, when wastewater is first produced. Staff further recommends that any granting of wastewater CC&N extensions be conditioned upon submittal of this amended tariff schedule within 30 days from the effective date of the Commission's decision to the Director of the Utilities Division for approval.

DIVERSIFIED WATER UTILITIES, INC. ANALYSIS

Background

Diversified provides water service to approximately 133 customers (1999 Annual Report) within Pinal County.

Diversified's existing certificated area encompasses approximately nine (9) sections of land. In its October 2, 2000 application, Diversified is seeking a Certificate extension for

approximately nine (9) sections of additional land. The application requests permission to serve Parcels 14, 15, 16, 17, 18 and Parcel 2. Parcels 14, 15, 16, 17 and 18 are also being requested by H2O and Johnson. Parcels 15, 16, 17 and 18 are being requested by Queen Creek. However, Parcel 2 is being requested only by Johnson and not H2O.

On October 3, 2000, Diversified filed an amendment to its application to include a part of Parcel 14 in Section 5, T3S, R8E and a part of Parcel 2 in Section 23, T3S, R8E that was inadvertently left out of its original application. On November 2, 2000, Diversified filed a second amendment to its application to include Parcel 24 at the request of a landowner who is requesting Diversified to provide water service to approximately 20 acres.

Diversified's Existing Water Systems

Diversified has a water system within one mile of the requested area. The water system consists of one 120 gpm well, one 5,000 gallon pressure tank, two 10 hp booster pumps and one 20,000 gallon storage tank. According to Diversified, the system has adequate well capacity at the present time, but lacks necessary storage capacity. Diversified has submitted an application for financing to install a 250,000 gallon storage tank, a new well, pressure tank, booster pumps and a new 12-inch diameter distribution line. Diversified has applied for authorization for \$437,328 of financing to make improvements to its system which include:

1. Installing 12-inch and 8-inch interconnection and line extension along Skyline Road
2. Installing a 250,000 gallon storage tank
3. Refurbish or drill a new well

Arizona Department Of Environmental Quality Compliance

Diversified is in full compliance with ADEQ and it has determined that this system is currently delivering water that does not exceed any MCLs and meets the Safe Drinking Water Act quality requirements.

Other Compliance Issues

Diversified has not provided copies of the developers' CAWS for its requested areas. Diversified has indicated that the developers will join the Central Arizona Groundwater Replenishment District ("CAGRDR") and obtain a Certificate of Assured Water Supply.

Diversified is located in the Phoenix AMA and is in compliance with its regulations.

Diversified has not submitted any Approvals to Construct from ADEQ but has indicated that ATCs will be submitted with main line extension agreements as they are submitted to the Commission for approval.

Diversified has not submitted a franchise from Pinal County that includes its requested areas but has indicated it will submit a copy of its franchise agreement with Pinal County within one year from the Commission's decision in this matter.

Diversified is in compliance with the Commission's filing requirements and is current on its property taxes.

QUEEN CREEK WATER COMPANY ANALYSIS

Background

Queen Creek provides water service to approximately 1,977 customers (1999 Annual Report) within Maricopa County.

Queen Creek's existing certificated area encompasses approximately twenty-nine (29) square-miles of land. In its October 4, 2000 application, Queen Creek is seeking a Certificate extension for approximately four (4) sections of additional land. The application requests permission to serve Parcels 15, 16, 17, 18, 22 and part of Parcel 11. H2O and Johnson are also requesting parcels 15, 16, 17, 18 and 22. The area in Parcel 11 that Queen Creek requests to serve is also being requested by H2O and Johnson. Diversified is not requesting any part of Parcel 11.

Queen Creek's Existing Water Systems

Queen Creek operates a 24 square-mile distribution system consisting of four wells, seven storage tanks and a distribution system serving approximately 2,246 customers. The four wells and seven storage tanks have total capacities of 4,400 gpm and 1,430,000 gallons, respectively.

Maricopa County Department Environmental Services (MCESD) Compliance

Queen Creek's water system, PWS #07-033, is currently in compliance with MCESD and as a result, the MCESD has determined that Queen Creek is delivering water that does not exceed any maximum contaminant levels and meets the Safe Drinking Water Act quality standards.

Other Compliance Issues

Queen Creek is located within the Phoenix AMA as designated by ADWR. A contact with this state agency indicated Queen Creek is meeting the requirements of this AMA.

Queen Creek has not provided copies of the developers' CAWS for the requested areas. Queen Creek has indicated that the developers will file requests for CAWS once their master plans are annexed into Queen Creek's CC&N.

Queen Creek has not submitted any Approvals to Construct from ADEQ or MCESD.

Queen Creek has submitted a copy of its franchise from Pinal County that includes its requested areas.

Queen Creek is in compliance with the Commission's filing requirements and is current on its property taxes.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions on Contested Areas

Reference has been made throughout this Staff Report regarding the Parcels that are currently contested among all or some of the parties involved in this proceeding. This section will discuss those Parcels that Staff is referring to as "contested" due to the fact that multiple providers are requesting to serve.

While Staff realizes the positive significance to the respective utilities involved in this docket and to Pinal County should all of this proposed development occur, Staff is not convinced that all of the development will take place in a timely manner as planned. Staff is not inclined to recommend granting CC&Ns to areas for the sole purpose of allowing landowners to capitalize on the increased value of property that has been certified as having access to water and wastewater service. Staff therefore recommends the CC&N extensions should be granted conditionally, and that a CC&N review be filed with the Commission two years from the effective date of an order in this proceeding. To facilitate such a CC&N review, each company granted an extension of its CC&N territory in this proceeding would submit the following information:

- a. number of customers being served in the extension areas
- b. amount of plant facilities installed to serve extension areas
- c. number of gallons sold in the extension areas

- d. amount of revenue generated by the extension areas
- e. master plan of extension areas showing all plant installed and customer locations
- f. any other information Staff deems relevant

At the time of the CC&N review, Staff should have the discretion to perform a physical plant inspection. Should the Staff inspection indicate that no development has commenced at the two year review period or if the information as listed above has not been timely supplied, the conditional CC&N extension granted in this proceeding should become null and void without further order of the Commission, and future CC&N extensions into the areas deemed null and void would require a new CC&N extension filing. Staff should have 120 days from the two-year anniversary date of the Decision to file a report containing one of the following three recommendations:

1. Final approval of the CC&N for all areas requested in this proceeding;
2. Final approval of the CC&N for portions of areas requested in this proceeding with the cancellation of the remainder areas; or
3. Disapproval of the CC&N extension for all areas requested in this proceeding.

In addition, from the date of the Decision in this matter, for the next two years, those utilities listed in this Staff Report that are granted conditional extensions of their respective CC&Ns, should be required to submit in this docket documentation from ADEQ indicating that the utility has been in full compliance with ADEQ for each year. This documentation must be submitted in this docket within 30 days of the anniversary date of the Decision in this matter each year. Failure to timely submit in this documentation in this docket or failure to correct any major or minor violation within 30 days from the date of notice of violation should result in the CC&N extension conditionally granted in this proceeding becoming null and void without further order of the Commission.

Specific recommendations regarding each individual utility will be listed under the recommendations section of this Staff Report.

Conclusions and Recommendations on Contested Areas – H2O, Inc.

After reviewing the relevant information on all four companies, Staff recommends that the water CC&N of H2O, Inc. be conditionally approved to allow H2O to extend its service to Parcels 11, 14, 15, 16, 17, 18 and 22. Staff has based its recommendation on the following conclusions:

1. Water Systems and facilities in this area - H2O has a water system in the area with distribution mains located next to the requested area and has the facilities to serve the area. It already has Section 32 in T2S, R8E that is surrounded by the area being requested. The Company's distribution system is within 1,000 ft. of the requested area.
2. Johnson Utilities and Diversified Utilities do not have any facilities in the area. Queen Creek Water Company has a well that is located in H2O's certificated area in Section 30 that is used to provide water to the Queen Creek CC&N.
3. H2O is contiguous to its requested area. Queen Creek and Diversified are contiguous to portions of the area. Johnson is not contiguous to this area.
4. Known Projects planned for the area - H2O has a number of projects anticipated for the next 12 months. They include more storage, booster pumps, pressure tanks, main lines, and a new well. Some of these projects include:
 - a. Line extension for Ocotillo Meadows - New mains, pumping and storage - \$499,595
 - b. Links Estate Project - New Storage, pressure tanks, pumping and mains - \$978,076
 - c. New Storage Pumping and Source Supply Project - New storage, pressure tanks, booster pumps and well - \$254,117
 - d. Combs School Line extension - New Mains
5. ADEQ Compliance - All four companies are in compliance with ADEQ, however, Johnson Utilities has had recent violations (serious enough to result in a Consent Order and fines) which should be a concern for any expansion of their CC&N. In addition, Approvals to Construct have been issued on items a through c listed above.
6. ACC Compliance - H2O is in compliance with all ACC filing requirements.

Conclusions and Recommendations - Johnson Utilities Company

Contested Areas

Staff recommends that the wastewater CC&N of Johnson Utilities, Inc. conditionally be approved to allow Johnson to extend its service to Parcels 2, 11, 14, 15, 16, 17, 18, 20 and 22.

Non-Contested Areas

Staff recommends that the application of Johnson Utilities, Inc. be conditionally approved to extend its service to allow Johnson to extend its water and wastewater CC&N to include Parcels 4, 9, 21 and 23. Staff further recommends conditional approval of Johnson's request to provide wastewater service only to Parcels 19 and 20.

Staff recommends denial of Johnson's request to serve Parcels 1, 7, 8, 10 and 13 because there is no immediate need for water and wastewater service for these Parcels at this time. Additionally, Staff is recommending the denial of Johnson's request to de-certificate Parcels 14 and 20 from H2O. No relevant information was provided by Johnson to warrant a deletion of territory from H2O at this time.

Conclusions and Recommendations – Diversified Water Utilities, Inc.

Staff recommends that the water CC&N of Diversified Water Utilities, Inc. and the wastewater CC&N of Johnson Utilities, Inc. be conditionally extended to include Parcel 2. Staff has based its recommendation on the following conclusions:

1. Water Systems and facilities in this area - Diversified has a water system within one mile of the requested area.
2. Developer is already located in the existing CC&N of Diversified. The Bella Vista Farms development is located in a portion of the existing CC&N of Diversified in Sections 9 & 10 of T3S, R8E. The requested area contains the remainder of the Bella Vista Farms development.
3. ADEQ Compliance - Both companies are in compliance with ADEQ, however, Johnson Utilities has had recent violations as previously discussed.
4. ACC Compliance - Diversified is in compliance with all ACC filing requirements.

Staff recommends conditional approval be granted to Diversified Water Utilities, Inc. for Parcel 24 based on the following conclusions:

1. Diversified has a water system within one mile of the requested area and is contiguous to the requested area.
2. Same conclusions as stated above except item 2.

Conclusions and Recommendations – Queen Creek Water Company

Staff recommends that Queen Creek's request to provide water service to Parcels 15, 16, 17, 18, 22 and part of Parcel 11 be denied. Staff has based its recommendation on the following conclusions:

1. Many of the contested areas are not contiguous to Queen Creek's already certificated area.
2. More plant facilities of H2O are closer to the contested areas, while Queen Creek only has a well and transmission main.

RECOMMENDATIONS

H2O, Inc.

Staff recommends that the water CC&N of H2O, Inc. be conditionally extended to include Parcels 11, 14, 15, 16, 17, 18 and 22.

Staff further recommends that H2O, Inc. file in this docket, within two (2) years from the effective date of this Decision, a copy of the developers' Certificate of Assured Water Supply from ADWR.

Staff further recommends that H2O, Inc. file in this docket, within two (2) years from the effective date of this Decision, a copy of its Approval to Construct for the Combs School Line extension.

Staff further recommends that H2O, Inc. file in this docket, within two (2) years from the effective date of this Decision, a copy of its franchise from Pinal County for the extension areas.

Staff further recommends that within two years from the effective date of this Decision, H2O, Inc. file a CC&N review with the Commission containing the following information: a) number of customers being served in the extension areas, b) amount of plant facilities installed to serve extension areas, c) number of gallons sold in the extension areas, d) amount of revenue generated by the extension areas, e) master plan of extension areas showing all plant installed and f) customer locations and any other information Staff deems relevant. At the time of the CC&N review, Staff should have the discretion to perform a physical plant inspection. Should the Staff inspection indicate that no development has commenced at the two year review period or if the information as listed above has not been timely supplied, the conditional CC&N extension granted in this proceeding should become null and void without further order of the Commission, and future CC&N extensions into the areas deemed null and void would require a

new CC&N extension filing. Staff should have 120 days from the two-year anniversary date of the Decision to file a report containing one of the following three recommendations:

1. Final approval of the CC&N for all areas requested in this proceeding;
2. Final approval of the CC&N for portions of areas requested in this proceeding with the cancellation of the remainder areas; or
3. Disapproval of the CC&N extension for all areas requested in this proceeding.

Staff further recommends that H2O, Inc. file in this docket to the Commission for the next two years, documentation from ADEQ indicating that it has been in full compliance with ADEQ for each year. This documentation must be submitted within 30 days of the anniversary date of this Decision each year.

Staff further recommends that the Commission's Decision regarding the extension be considered null and void without further order from the Commission should H2O, Inc., fail to meet the above conditions within the time specified.

Staff further recommends that H2O, Inc. be ordered to charge its existing rates and charges in the approved extension areas.

Johnson Utilities Company

Staff recommends that the wastewater CC&N of Johnson Utilities, Inc. be conditionally extended to include Parcels 2, 11, 14, 15, 16, 17, 18, 20 and 22.

Staff further recommends that the water and wastewater CC&N of Johnson Utilities, Inc. be conditionally extended to include Parcels 4, 9, 21 and 23.

Staff further recommends conditional approval of Johnson's request to provide wastewater service only to Parcels 19 and 20.

Staff further recommends denial of Johnson's request to serve Parcels 1, 7, 8, 10 and 13.

Staff further recommends denial of Johnson's request to de-certificate Parcels 14 and 20 from H2O.

Staff further recommends that Johnson Utilities, Inc. file in this docket, within two (2) years from the effective date of this Decision, a copy of its franchise from Pinal County for the extension areas.

Staff further recommends that Johnson Utilities, Inc. file in this docket copies of all Approvals to Construct and Approvals of Construction for development in each of its respective approved Parcels as listed in this Staff Report within two (2) years from the effective date of the Commission's decision in this matter.

Staff further recommends that within two years from the effective date of this Decision, Johnson Utilities, Inc. file a CC&N review with the Commission containing the following information: a) number of customers being served in the extension areas, b) amount of plant facilities installed to serve extension areas, c) number of gallons sold in the extension areas, d) amount of revenue generated by the extension areas, e) master plan of extension areas showing all plant installed and customer locations and f) any other information Staff deems relevant. At the time of the CC&N review, Staff should have the discretion to perform a physical plant inspection. Should the Staff inspection indicate that no development has commenced at the two year review period or if the information as listed above has not been timely supplied, the conditional CC&N extension granted in this proceeding should become null and void without further order of the Commission, and future CC&N extensions into the areas deemed null and void would require a new CC&N extension filing. Staff should have 120 days from the two-year anniversary date of the Decision to file a report containing one of the following three recommendations:

1. Final approval of the CC&N for all areas requested in this proceeding;
2. Final approval of the CC&N for portions of areas requested in this proceeding with the cancellation of the remainder areas; or
3. Disapproval of the CC&N extension for all areas requested in this proceeding.

Staff further recommends that Johnson Utilities, Inc. file in this docket to the Commission for the next two years, documentation from ADEQ indicating that it has been in full compliance with ADEQ for each year. This documentation must be submitted within 30 days of the anniversary date of this Decision each year.

Staff further recommends that Johnson file in this docket an amended Tariff Schedule, within 30 days from the effective date of the Commission's decision to the Compliance Section of the Utilities Division for approval, to include language for the wastewater rates and charges to state that these charges would become effective when wastewater first flows into the collection system, or simply, when wastewater is first produced.

Staff further recommends that the Commission's Decision regarding the extension be considered null and void without further order from the Commission should Johnson Utilities, Inc. fail to meet the above conditions within the time specified.

Staff further recommends that Johnson Utilities, Inc. be ordered to charge its existing rates and charges in the approved extension areas.

Diversified Water Utilities

Staff recommends that the water CC&N of Diversified Water Utilities, Inc. be conditionally extended to include Parcels 2 and 24.

Staff further recommends that Diversified Water Utilities file in this docket, within two (2) years from the effective date of this Decision, documentation that indicates that developers have joined the Central Arizona Groundwater Replenishment District.

Staff further recommends that Diversified Water Utilities file in this docket, within two (2) years from the effective date of this Decision, copies of its Approval to Construct.

Staff further recommends Diversified Water Utilities file in this docket, within two (2) years from the effective date of this Decision, a copy of its franchise from Pinal County for the extension areas.

Staff further recommends that within two years from the effective date of this Decision, Diversified Water Utilities file a CC&N review with the Commission containing the following information: a) number of customers being served in the extension areas, b) amount of plant facilities installed to serve extension areas, c) number of gallons sold in the extension areas, d) amount of revenue generated by the extension areas, e) master plan of extension areas showing all plant installed and customer locations and f) any other information Staff deems relevant. At the time of the CC&N review, Staff should have the discretion to perform a physical plant inspection. Should the Staff inspection indicate that no development has commenced at the two year review period or if the information as listed above has not been timely supplied, the conditional CC&N extension granted in this proceeding should become null and void without further order of the Commission, and future CC&N extensions into the areas deemed null and void would require a new CC&N extension filing. Staff should have 120 days from the two-year anniversary date of the Decision to file a report containing one of the following three recommendations:

1. Final approval of the CC&N for all areas requested in this proceeding;
2. Final approval of the CC&N for portions of areas requested in this proceeding with the cancellation of the remainder areas; or
3. Disapproval of the CC&N extension for all areas requested in this proceeding.

Staff further recommends that Diversified Water Utilities file in this docket to the Commission for the next two years, documentation from ADEQ indicating that it has been in full compliance with ADEQ for each year. This documentation must be submitted within 30 days of the anniversary date of this Decision each year.

Staff further recommends that the Commission's Decision covering the extension be considered null and void without further order from the Commission should Diversified Water Utilities fail to meet the above conditions within the time specified.

Staff further recommends that Diversified Water Utilities be ordered to charge its existing rates and charges in the approved extension areas.

Queen Creek Water Company

Staff recommends that Queen Creek Water Company's request to provide water service to Parcels 15, 16, 17, 18, 22 and part of Parcel 11 be denied.

Arizona Corporation Commission
H2O/Johnson/Diversified/Queen Creek
Request for CC&N Extension Areas
Docket Nos. W-02234A-00-0371 et. al.

Parcel	Development	Requested By	Johnson Utilities Company	H2O, Inc.	Diversified Water Utilities, Inc.	Queen Creek Water Company	Denied
1	Arizona Farms	J					x
2	Bella Vista Farms	J/D	S		W		
3**	Jorde Farms	J					
4	Whitehead	J	w & s				
5**	Skyline	H/J					
6**	Morning Sun Farms	H/J					
7	Shelton	J					x
8	Various Owners within Section 28, T3S, R9E	J					x
9	Farley Farms	J	w & s				
10	State of Arizona/Future Development Sections 23 & 26, T4S, R8E	J					x
11	Circle Cross Ranch (West of the R.R.)	H/J/Q	S	W			
12**	Jorde/Morning Sun Farms	J					
13	BLM Property	J					
14	Johnson Farms	H/J/D	S	W			x
	Combs School		S	W			
15	Pecan Estates	H/J/D/Q	S	W			
16	Home Place	H/J/D/Q	S	W			
17	Ware Farms	H/J/D/Q	S	W			
18	Various	H/J/D/Q	S	W			
19	Various	J	S				
20	Pecan Ranch	J	S				
21	Dobson Farms	J	w & s				
22	Circle Cross Ranch (East of the R.R.)	H/J/Q	S	W			
23	Magma Ranch	J	w & s				
24	Development Section 18 T3S, R9E	D			W		

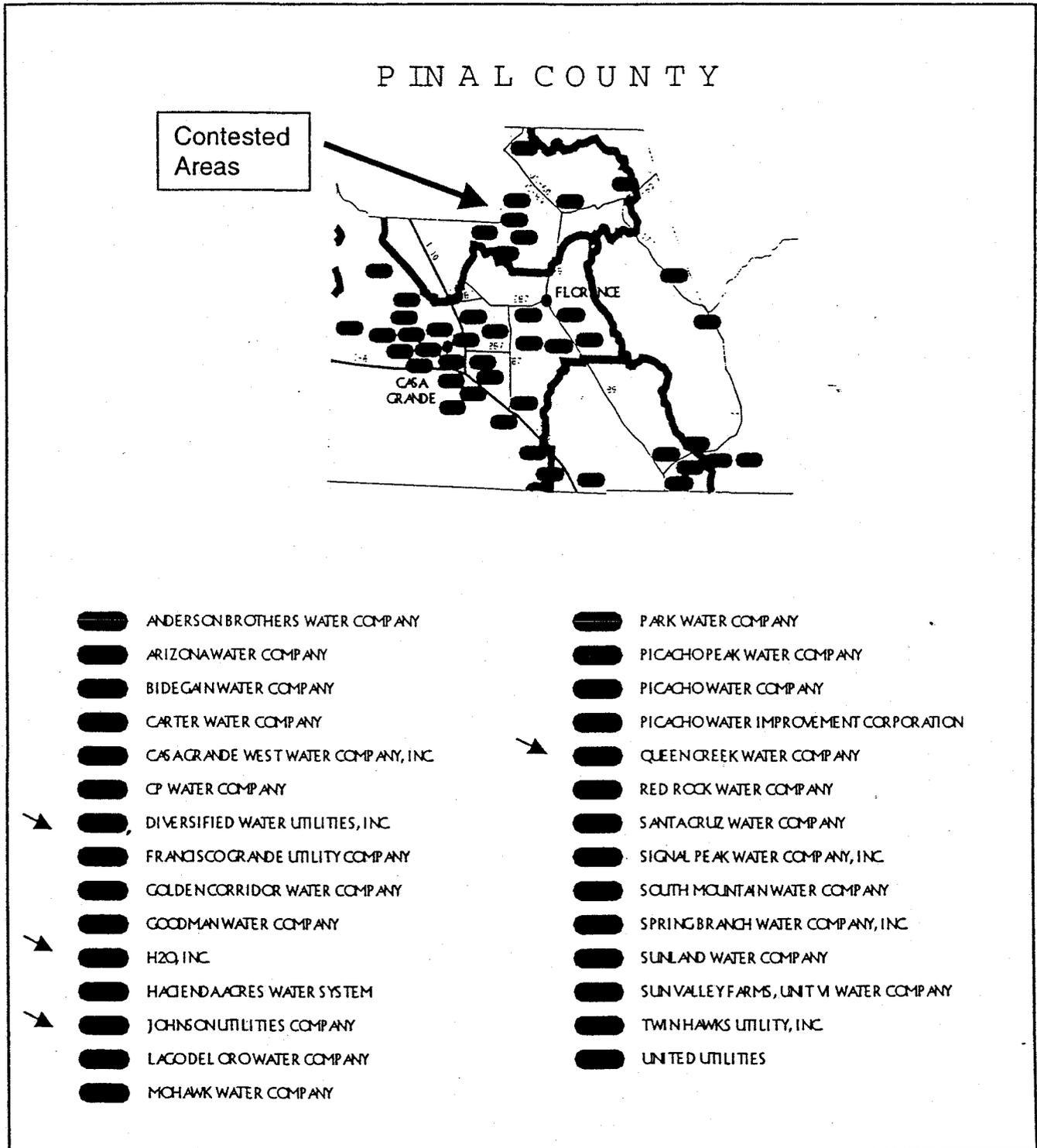
** No longer requesting service

H - H2O
J - Johnson
D - Diversified
Q - Queen Creek
NR - No Request

w - water only
s - sewer only
w & s - water and sewer

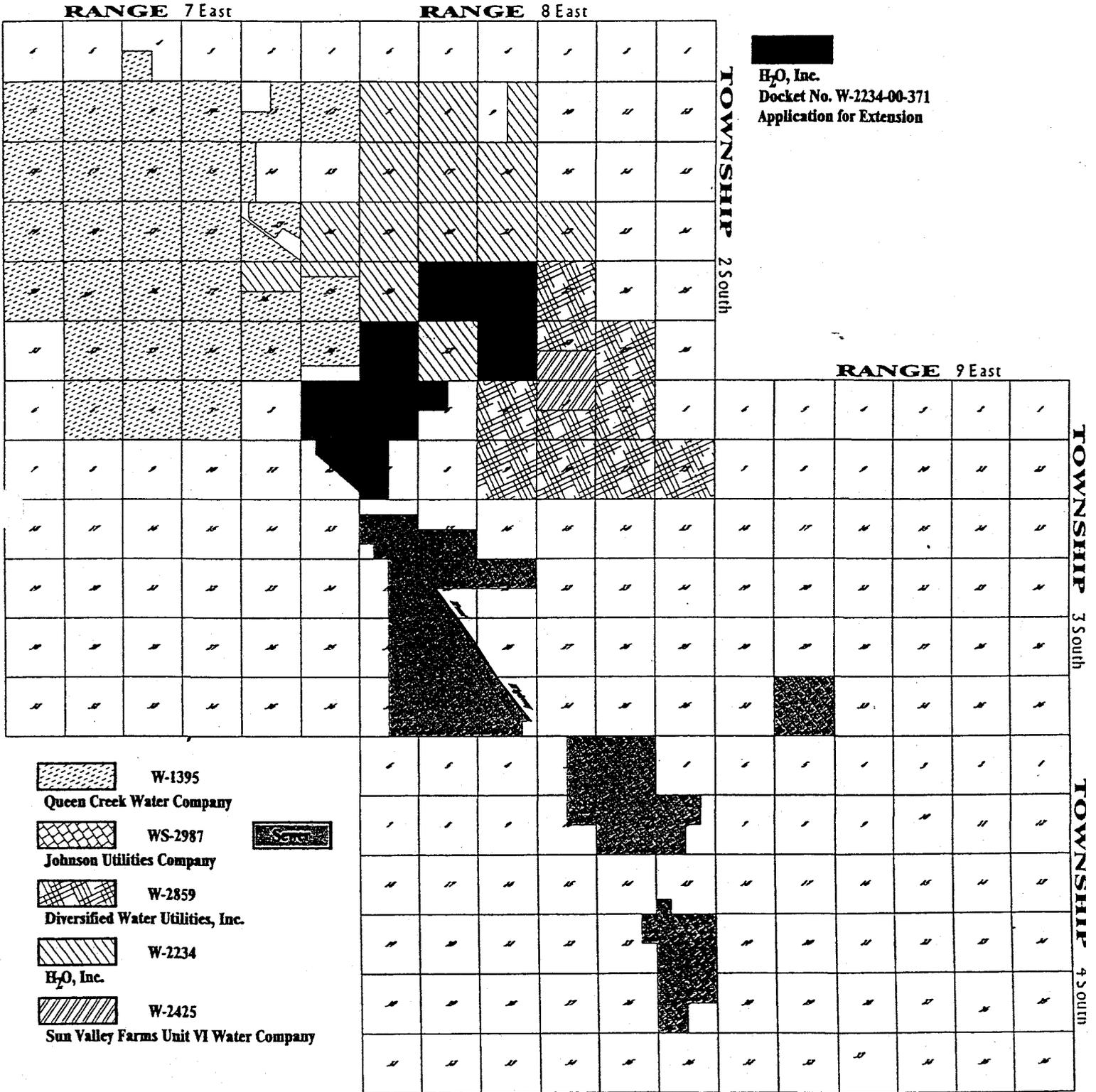
x - denied
* Deny Johnson request to delete area from H2O

Figure 1
Page 23

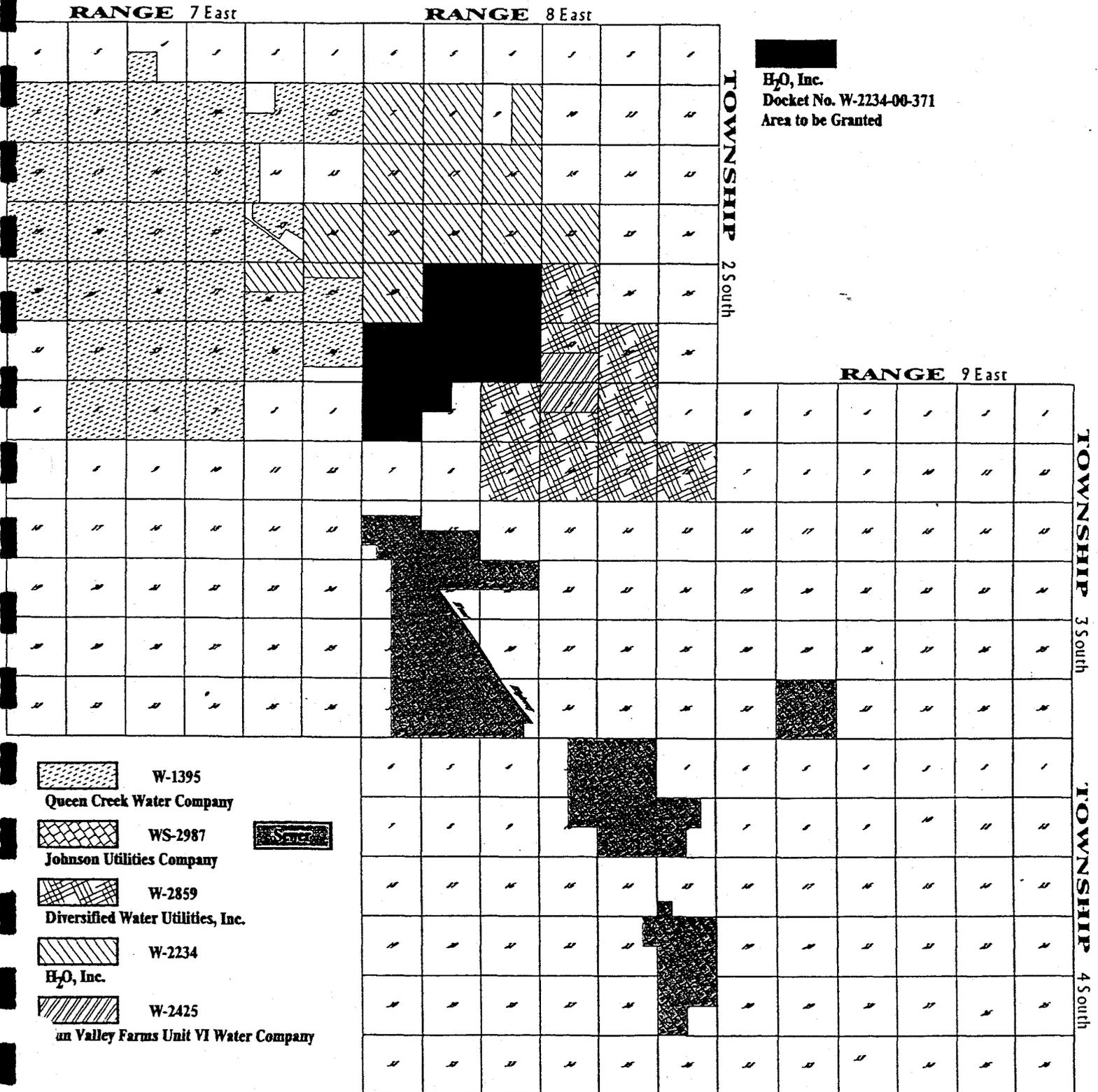


County Map

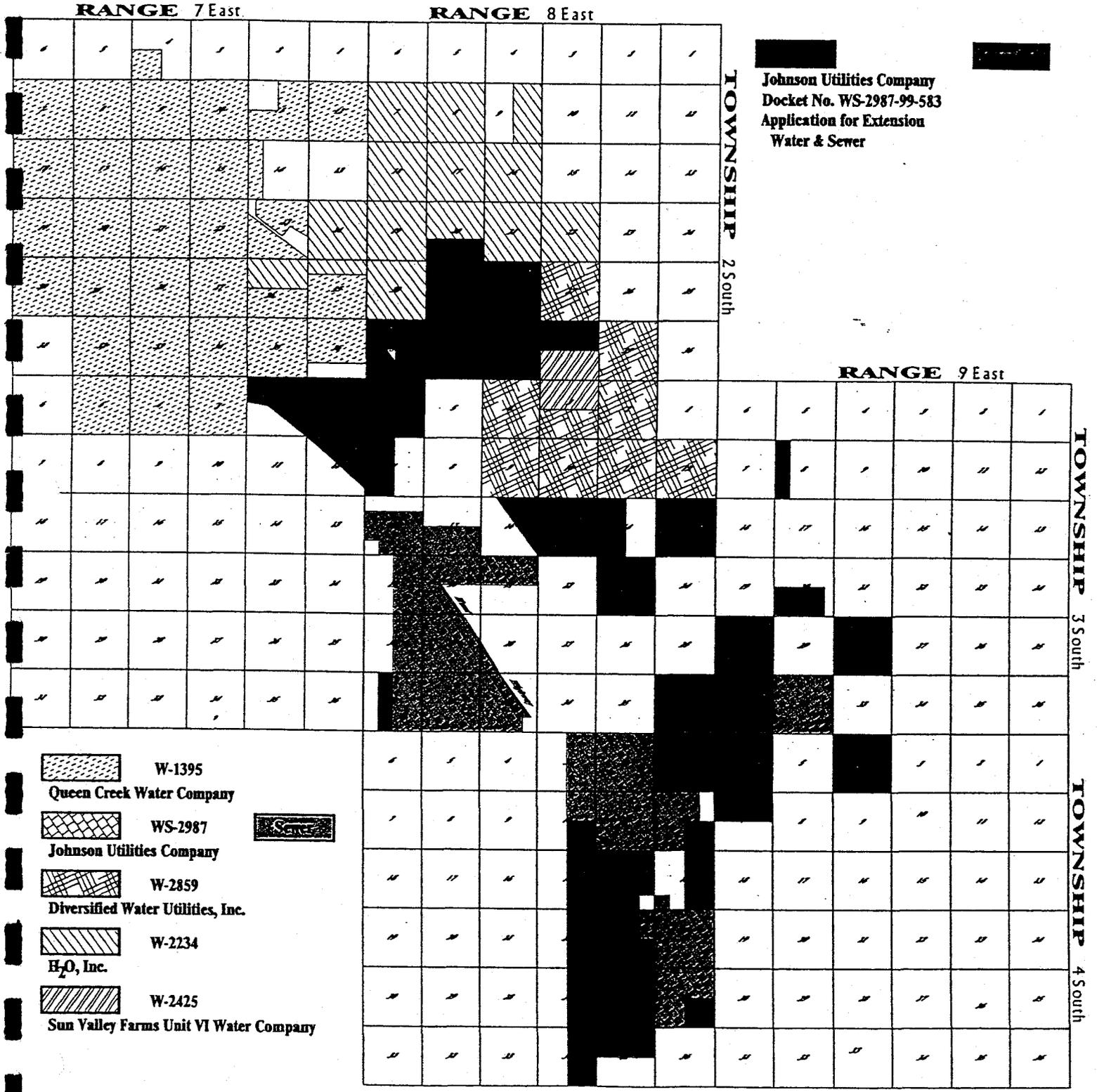
H₂O, INC. REQUESTED EXTENSION AREA



H₂O, INC. EXTENSION AREA TO BE GRANTED



JOHNSON UTILITIES REQUESTED EXTENSION AREA

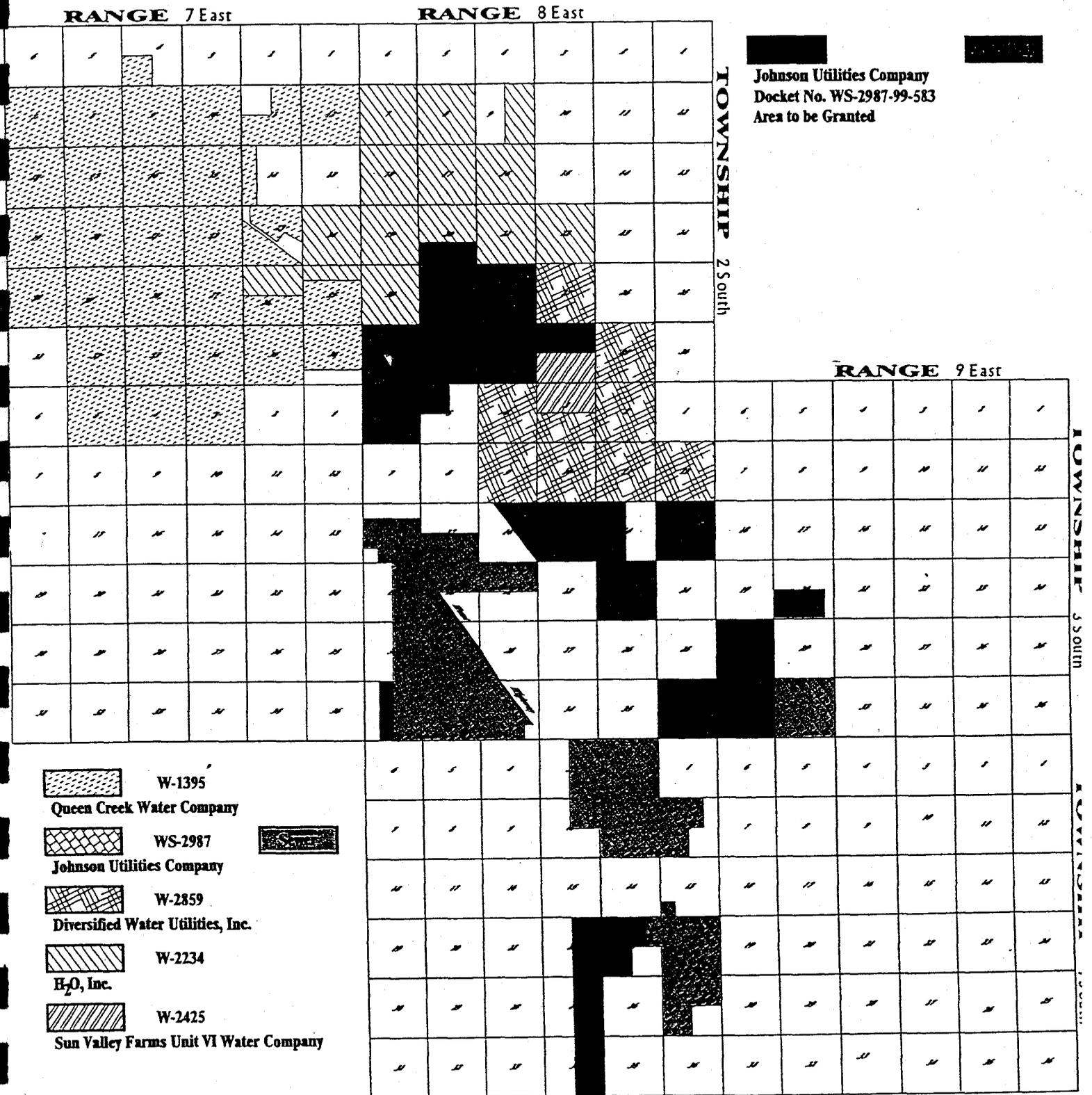


Johnson Utilities Company
Docket No. WS-2987-99-583
Application for Extension
Water & Sewer

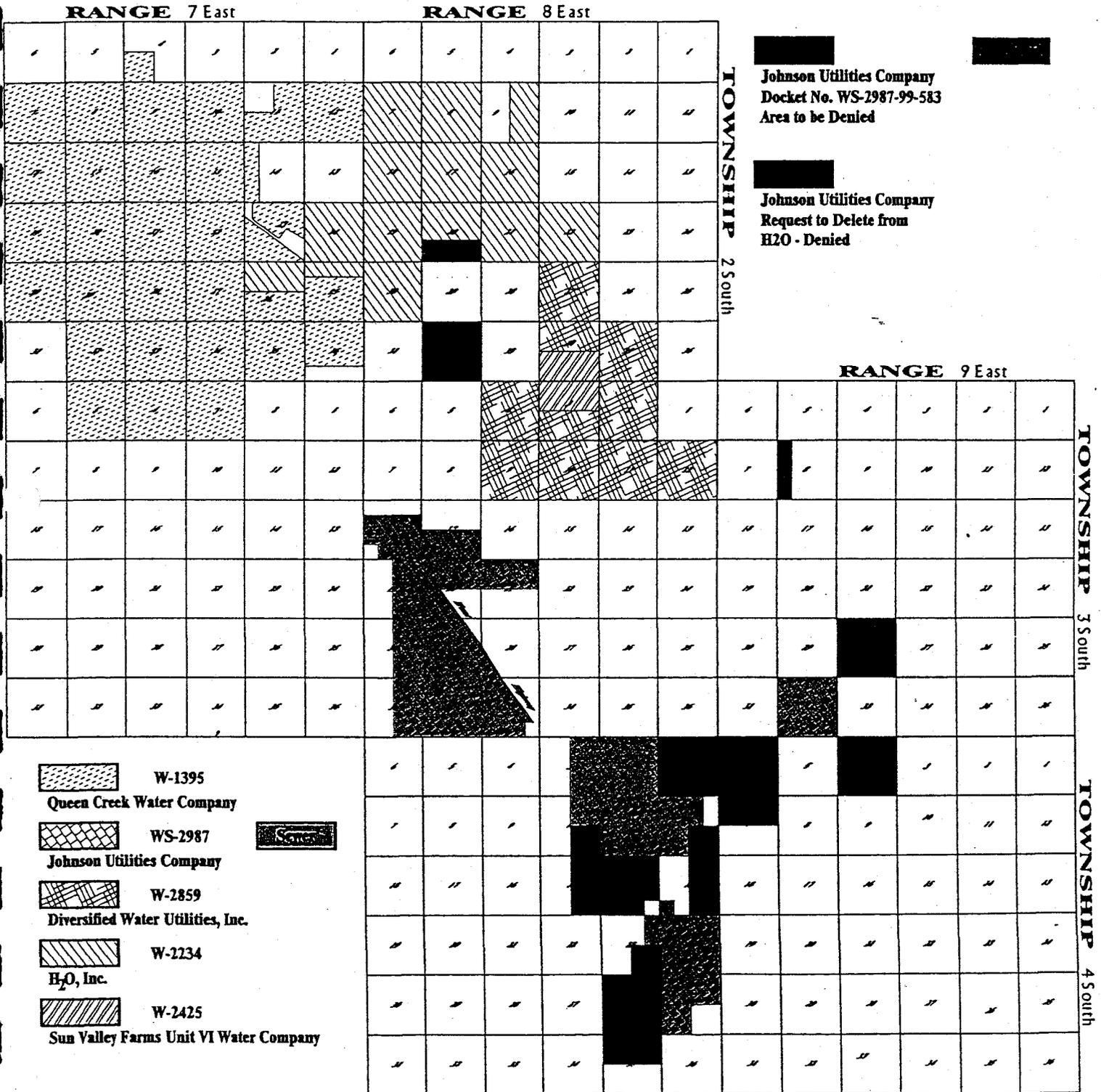
-  W-1395
Queen Creek Water Company
-  WS-2987
Johnson Utilities Company
-  W-2859
Diversified Water Utilities, Inc.
-  W-2234
H₂O, Inc.
-  W-2425
Sun Valley Farms Unit VI Water Company



JOHNSON UTILITIES EXTENSION AREA TO BE GRANTED



JOHNSON UTILITIES, ET AL EXTENSION AREA TO BE DENIED



Johnson Utilities Company
Johnson Ranch Water System, PWS #11-128
ADEQ Consent Order, Docket No. DW-62-00

- 1 Failed to provide water which does not exceed the maximum contaminant limit (MCL) for Nitrate (10 mg/l) in accordance with A.A.C. R18-4-208.
- 2 Failed to take a nitrate confirmation sample at the same sampling point within 24 hours of receiving the analytical results of the initial sample, in accordance with A.A.C. R18-4-208.I.
- 3 Failed to notify ADEQ within 48 hours of discovery of failure to comply with nitrate monitoring requirements in accordance with A.A.C. R18-4-104.L.
- 4 Failed to provide Public Notice, in accordance with A.A.C. R-18-4-105.C, when a confirmation sample is not taken within 24 hours after receiving the analytical results of the initial nitrate sample, in accordance with A.A.C. R-18-4-208.I.
- 5 Failed to take a nitrate confirmation sample at the same sampling point within two (2) weeks of receiving the analytical results of the initial sample, in accordance with A.A.C. R18-4-208.I.
- 6 Failed to notify ADEQ within 48 hours of discovery of failure to comply with nitrate monitoring requirements in accordance with A.A.C. R18-4-104.L.
- 7 Failed to provide Public Notice, in accordance with A.A.C. R-18-4-105.C, when a confirmation sample is not taken within two (2) weeks after receiving the analytical results of the initial nitrate sample, in accordance with A.A.C. R-18-4-208.I.
- 8 Failed to notify the ADEQ of a Nitrate MCL exceedance within 24 hours of receipt of the analytical results, in accordance with A.A.C. R18-4-104.A.2.
- 9 Failed to provide Public Notice as soon as possible but not later than 72 hours after an acute violation occurs, in accordance with A.A.C. R18-4-105.B.
- 10 Failed to perform total coliform analyses in accordance with A.A.C. R18-4-202.F.
- 11 Failed to notify ADEQ within ten (10) days of discovery of failure to comply with total coliform monitoring requirements in accordance with A.A.C. R18-4-104.L.
- 12 Failed to provide Public Notice for missed total coliform monitoring in accordance with A.A.C. R-18-4-105.C.
- 13 Failed to perform total coliform repeat analyses following the discovery of a total coliform positive within 24 hours in accordance with A.A.C. R18-4-202.H.
- 14 Failed to notify ADEQ within ten (10) of discovery of failure to comply with total coliform monitoring requirements in accordance with A.A.C. R18-4-104.L.
- 15 Failed to provide Public Notice for missed total coliform monitoring in accordance with A.A.C. R-18-4-105.C.
- 16 Failed to collect at least five (5) routine coliform samples during the next month following a total coliform positive in accordance with R18-4-202.I.
- 17 Failed to notify ADEQ within (10) days of discovery of failure to comply with total coliform monitoring requirements in accordance with A.A.C. R18-4-104.L.
- 18 Failed to perform total coliform repeat analyses following the discovery of a total coliform positive within 24 hours in accordance with A.A.C. R18-4-202.H.
- 19 Failed to provide water which does not exceed the maximum contaminant limit (MCL) for Total coliform (no more than one sample may be total coliform-positive in accordance with A.A.C. R18-4-202.A.2.

- 20 Failed to notify the ADEQ of a total coliform MCL exceedance within 24 hours of receipt of the analytical results, in accordance with A.A.C. R18-4-104.B.1.
- 21 Failed to provide Public Notice not later than 14 days after a total coliform MCL violation occurs, in accordance with A.A.C. R18-4-105.A.1.
- 22 Failed to maintain records of backflow prevention assembly installations and tests performed on backflow prevention assemblies in its service area in accordance with A.A.C. R18-4-115.G.
- 23 Failed to develop an emergency operations plan in accordance with A.A.C. R18-4-116.
- 24 Failed to obtain an Approval of Construction (AOC) prior to operation of a newly constructed facility in accordance with A.A.C. R18-4-507.A.
- 25 Failed to obtain an Approval of Construction prior to operation of a newly constructed facility in accordance with A.A.C. R18-4-507.A.

Johnson Utilities Company

Sun Valley Farms V Water System, PWS #11-116

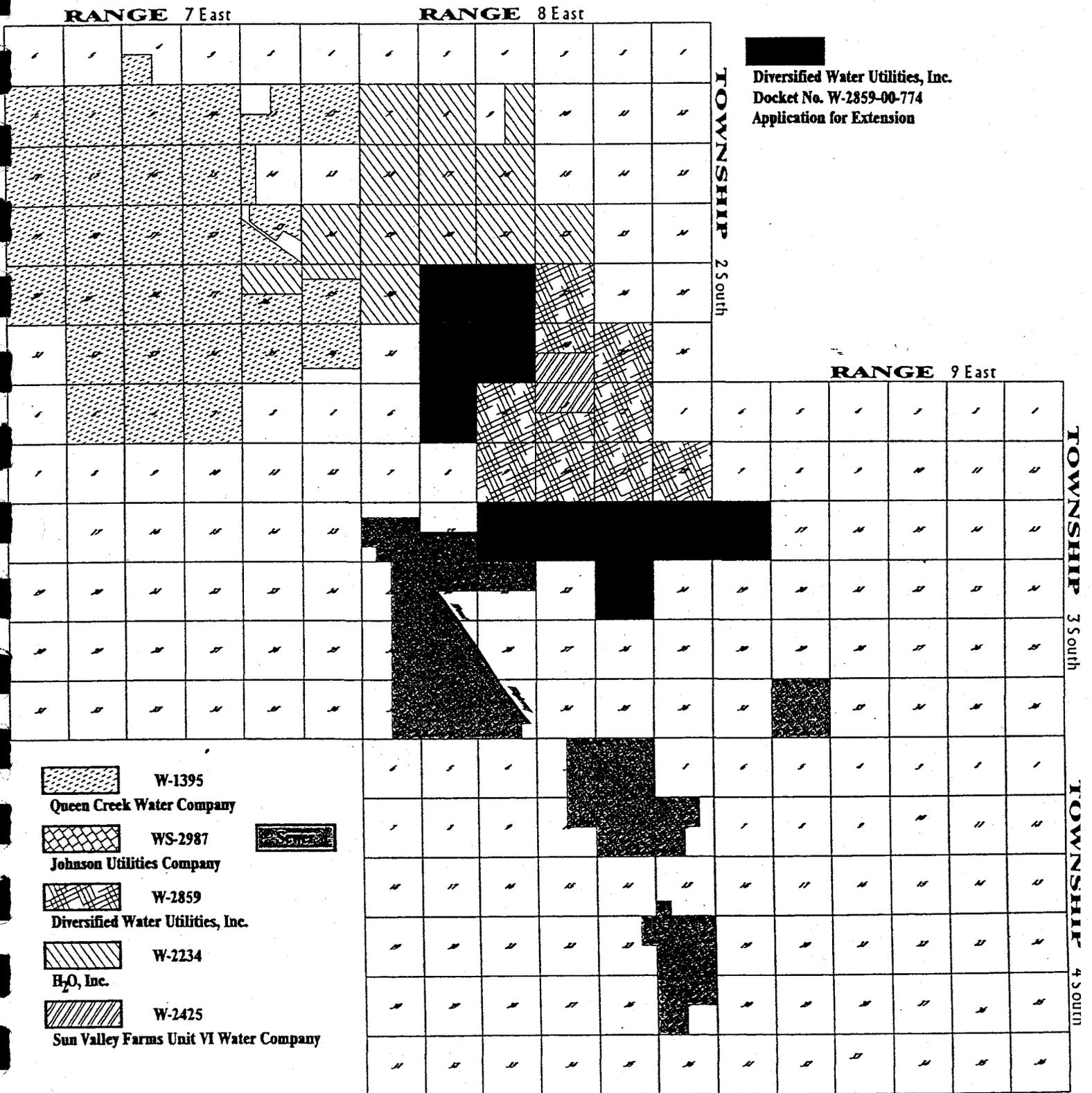
ADEQ Consent Order, Docket No. DW-87-00

- 1 Failed to receive an Approval to Construct (ATC) from the Department prior to modifying an existing facility in accordance with A.A.C. R18-4-505.
- 2 Failed to receive an Approval of Construct (AOC) issued by the Department prior to operating a newly constructed facility in accordance with A.A.C. R18-4-507.
- 3 Failed to comply with the Nitrate MCL in accordance with A.A.C. R18-4-208.
- 4 Failed to notify the public as soon as possible but not later than 72 hours after an acute violation occurs that water served exceeded the acute MCL for Nitrate in accordance with A.A.C. R-18-4-105.B.
- 5 Failed to install and use best available technology (BAT) for achieving compliance with the maximum contaminant level(s) in accordance with A.A.C. R18-4-220.
- 6 Failed to comply with the MCL for total coliform analyses in accordance with A.A.C. R18-4-202.
- 7 Failed to notify ADEQ within 24 hours of receipt of analytical results that water served to the public exceeded the MCL for total coliform in accordance with A.A.C. R18-4-104.B.1.
- 8 Failed to notify the public that water served exceeded the MCL for total coliform bacteria in accordance with A.A.C. R-18-4-105.A.
- 9 Failed to collect a set of repeat samples within 24 hours of receiving notice of the total coliform-positive test result in accordance with A.A.C. R18-4-202.H.
- 10 Failed to notify ADEQ of a missed total coliform repeat monitoring event with 10 days of discovery in accordance with A.A.C. R18-4-104.L.
- 11 Failed to notify the public of a missed total coliform monitoring event in accordance with A.A.C. R-18-4-105.C.
- 12 Failed to comply with the MCL for fecal coliform bacteria in water served to the public, in accordance with R18-4-202.A.
- 13 Failed to notify ADEQ as soon as possible within 24 hours after receiving notice of the fecal coliform-positive test result, in accordance with A.A.C. R18-4-104.A.
- 14 Failed to notify the public that water served exceeded the fecal coliform bacteria MCL in accordance with A.A.C. R18-4-105.B.

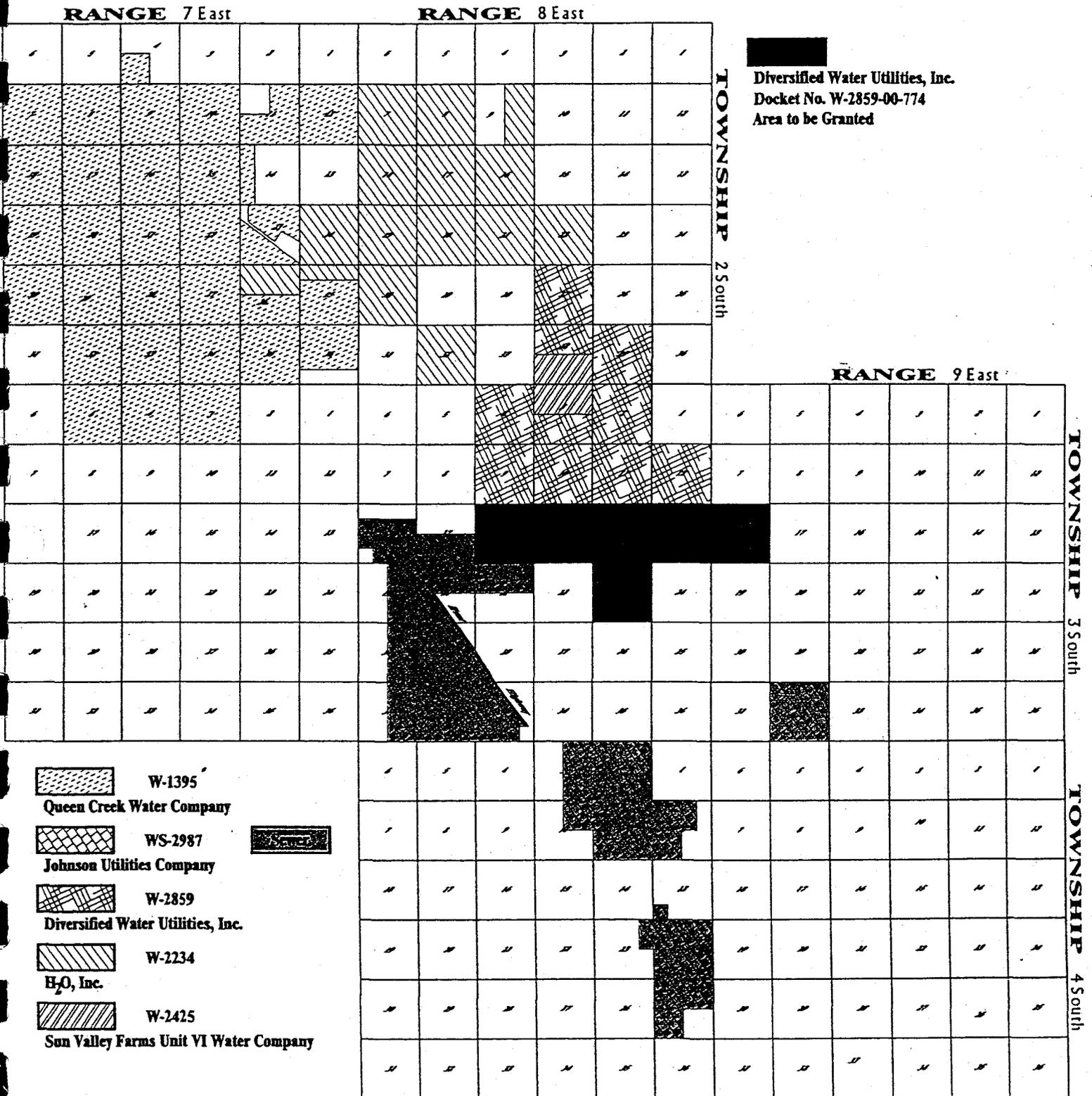
Johnson Utilities Company
Johnson Ranch Wastewater System, Inventory #103081
ADEQ Consent Order, Docket No. P-105-99

- 1 Failed to construct the main Wastewater Collection, Treatment and Disposal systems in accordance with plans approved by ADEQ in violation of A.A.C. R18-9-804.G.

DIVERSIFIED WATER UTILITIES, INC. REQUESTED EXTENSION AREA



DIVERSIFIED WATER UTILITIES, INC. EXTENSION AREA TO BE GRANTED



Diversified Water Utilities, Inc.
Docket No. W-2859-00-774
Area to be Granted

W-1395
Queen Creek Water Company

WS-2987
Johnson Utilities Company

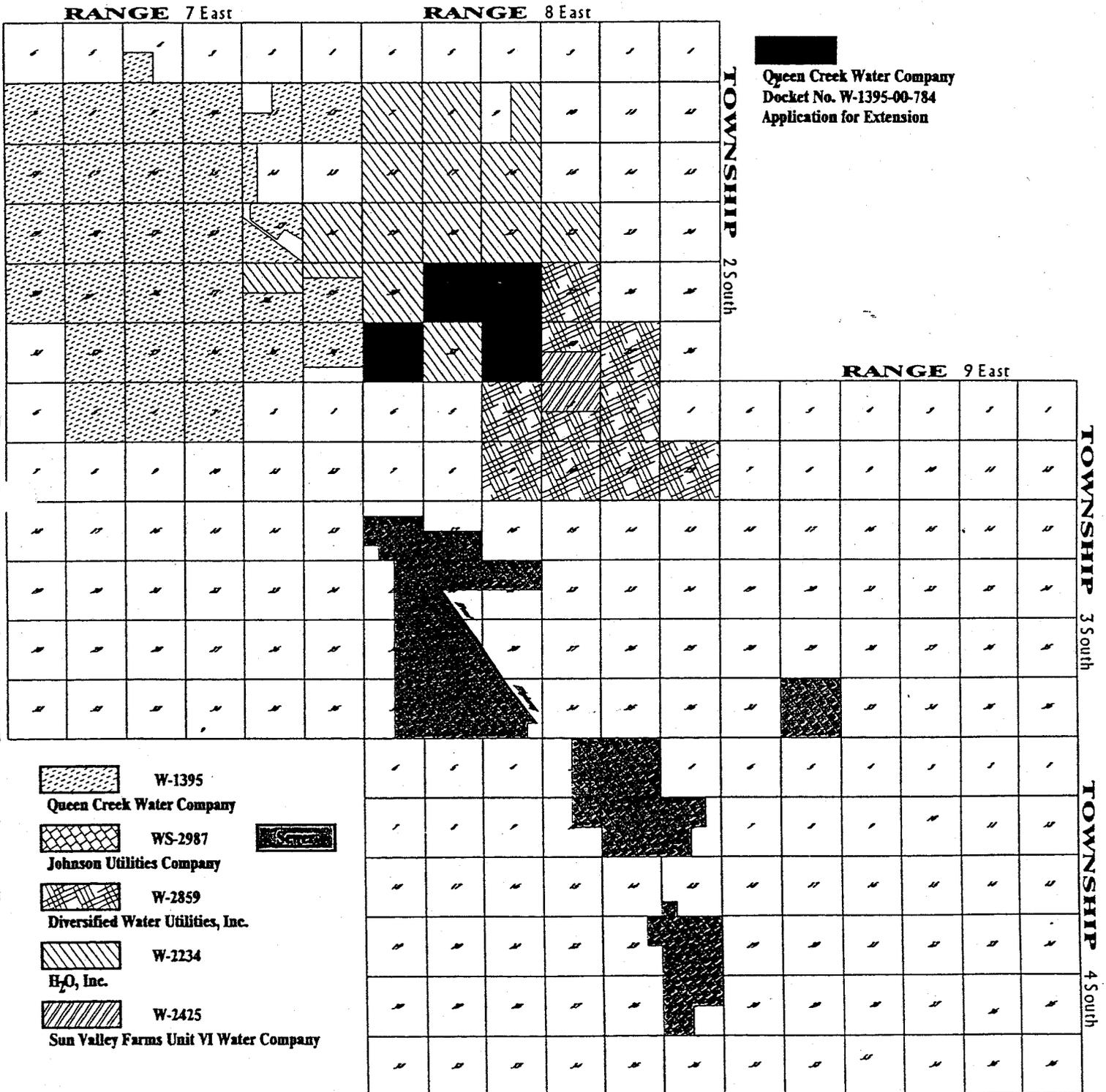
W-2859
Diversified Water Utilities, Inc.

W-2234
H₂O, Inc.

W-2425
Sun Valley Farms Unit VI Water Company

SOUTH

QUEEN CREEK WATER COMPANY REQUESTED EXTENSION AREA



WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER



ARIZONA CORPORATION COMMISSION

FILE NO. 1620-3-1
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DOCKET NOS.: W-02234A-00-0371; WS-02987A-99-0583; WS-02987A-00-0618; W-02859A-00-0774; and W-01395A-00-0784

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc Stern. The recommendation has been filed in the form of an Opinion and Order on:

H₂O, INC.; JOHNSON UTILITIES, L.L.C. dba JOHNSON UTILITIES COMPANY; DIVERSIFIED WATER UTILITIES, INC. and QUEEN CREEK WATER COMPANY (CC&N EXTENSION)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 12:00 p.m. on or before:

AUGUST 24, 2001

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

AUGUST 28, 2001 and AUGUST 29, 2001

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

RECEIVED

1200 WEST WASHINGTON; PHOENIX, ARIZONA 85007-2996 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347
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AUG 16 2001

This document is available in alternative formats by contacting Shelly Hood, ADA Coordinator, voice phone number 602/542-3931. E-mail shood@cc.state.az.us

HINEZ & CURTIS

Campbell and Mr. Michael L. Denby, on behalf of Johnson Utilities Company;

Martinez & Curtis, P.C. by Mr. William P. Sullivan, on behalf of Diversified Water Utilities, Inc.;

Jorden and Bischoff, P.L.C., by Mr. Charles L. Bischoff and Ms. Jenny J. Clevenger, on behalf of Queen Creek Water Company; and

Ms. Teena Wolfe, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On October 18, 1999, Johnson Utilities, L.L.C. dba Johnson Utilities Company ("JUC") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("Certificate") to provide water and wastewater services in various parts of Pinal County, Arizona, in Docket No. WS-02987A-99-0583 ("583 Docket").

On November 1, 1999, JUC filed an amendment to its application in the 583 Docket.

On May 30, 2000, H₂O, Inc. ("H₂O") filed an application for an extension of its Certificate.

On June 15, 2000, JUC filed what was captioned its Second Amended Application which revised its requested expansion area.

On July 5, 2000, JUC filed what was captioned its Third Amended Application which again revised its requested expansion area because of additional requests for service from other property owners.

On August 21, 2000, Pantano Development Limited Partnership ("Pantano") requested and was subsequently granted intervention in the proceeding.

On August 23, 2000, by Procedural Order, the Commission consolidated the JUC application as amended and the H₂O application for purposes of hearing on the contested portions of the above-referenced applications. However, the Commission further ordered the bifurcation of JUC's application regarding uncontested territory for both water and wastewater services into a separate proceeding which was assigned Docket No. WS-02987A-00-0618 ("618 Docket").

On August 25, 2000, JUC filed what was captioned its Fourth Amended Application due to additional requests for water and wastewater service.

1 On August 30, 2000, at the request of the Commission's Utilities Division ("Staff"), JUC and
2 H₂O, a teleconference was held. At that time, scheduling issues were resolved for the various filings
3 related to the proceedings.

4 A hearing was scheduled on the applications of JUC and H₂O to commence on October 19,
5 2000.

6 On September 29, 2000, five property owners who own approximately 500 acres of land
7 encompassed within JUC's 583 Docket requested intervention on behalf of a development to be
8 known as Skyline Ranch ("Skyline").

9 On October 2, 2000, Diversified Water Utilities, Inc. ("Diversified") filed a Motion to
10 Intervene, Motion in Opposition to Applications and to Continue Hearings, and Notice of Intent to
11 Present Testimony and Request for Waiver with respect to the JUC and H₂O applications pending
12 before the Commission. Diversified also filed an application for an extension of its Certificate in
13 Docket No. W-02859A-00-0774, stating that JUC's and H₂O's applications for the extension of their
14 Certificates to provide water service impact areas that are either within, contiguous to, or in the
15 vicinity of areas certificated to Diversified.

16 On October 4, 2000, Queen Creek Water Company ("Queen Creek") filed an application to
17 intervene in the JUC/H₂O proceeding and also filed an application for an extension of its Certificate
18 stating that JUC's and H₂O's applications to extend their Certificates to provide water service were in
19 areas either contiguous to or in the vicinity of the areas previously certificated to Queen Creek.

20 On October 4 and 10, 2000, respectively, Staff filed a memorandum in support of both
21 Diversified's and Queen Creek's applications to intervene in the JUC and H₂O proceedings.

22 On October 11, 2000, a teleconference was held in which JUC, H₂O, Diversified, Queen
23 Creek and Staff participated. Discussions took place concerning the issues raised by JUC's and
24 H₂O's applications along with the pending requests for intervention by Diversified and Queen Creek
25 along with their applications and their impact on the proceedings scheduled for hearing on October
26 19, 2000. Staff was also concerned with respect to the various issues and potential conflicts between
27 the pending applications. It was determined that the hearing should be continued for a period of time
28 to allow all parties to prepare for a hearing on the issues. This delay in the hearing date resulted in a

1 suspension of the time-frame rules, due to the unusual circumstances of the competing applications in
2 the respective Dockets.

3 On October 16, 2000, the Commission, by Procedural Order, consolidated the above-
4 captioned Dockets for purposes of hearing. The hearing previously scheduled for October 19, 2000
5 on the applications filed by H₂O and JUC was continued until March 15, 2001 with the applications
6 of Diversified and Queen Creek consolidated into the proceedings. October 19, 2000 was reserved
7 for taking public comment as that date had been previously noticed for hearing by H₂O and JUC.
8 The Commission further ordered that the pre-hearing conference scheduled for October 16, 2000, be
9 continued until March 12, 2001. Skyline was also granted intervention.

10 On October 19, 2000, the above-captioned proceeding was convened to take public comment.
11 The parties and Staff were present with counsel. Although no intervenors entered an appearance at
12 that time, a number of property owners for the areas involved in the respective applications were
13 present and made public comment.

14 On December 14, 2000, Southwest Properties, Inc. ("SPI") and Vistoso Partners, L.L.C.
15 ("Vistoso") requested and were subsequently granted intervention in the above-captioned proceeding.

16 On January 9, 2001, Staff filed its report with respect to the above-captioned applications.

17 On January 2, 2001, JUC filed a Request for Pre-Hearing Conference to review certain issues
18 which had arisen with respect to the above-captioned proceeding.

19 On January 5, 2001, by Procedural Order, the Commission scheduled a pre-hearing
20 conference on January 11, 2001.

21 On January 11, 2001, at the pre-hearing conference, a discussion took place involving a
22 possible settlement between JUC, H₂O and Queen Creek without the inclusion of Diversified.
23 However, it was pointed out that Pinal County was taking an active part in attempting to resolve the
24 competing applications of the parties and was also involved in the possible formation of a domestic
25 improvement district that was proposed to be formed in Diversified's certificated service area. The
26 parties also conducted discussions concerning possible changes in the filing dates of testimony
27 previously ordered, given that the testimony might be affected by the filing of any proposed
28 settlement.

1 On January 24, 2001, JUC, H₂O and Queen Creek (collective: "HJQ") filed what was
2 captioned "Notice of Filing Settlement Agreement and Joint Application for Approval Thereof"
3 ("Settlement Agreement"). HJQ indicated that they had reached a settlement of a number of issues
4 which had previously been contested. HJQ also represented that certain land owners and customers
5 who were served by Diversified had filed a petition with Pinal County requesting that the County
6 Board of Supervisors ("Pinal County Board") authorize the formation of a domestic water
7 improvement district "that will condemn, purchase or otherwise acquire the water utility facilities of
8 Diversified and become the water provider in what is now Diversified's certificated service area."
9 HJQ believed that, if the Pinal County Board approved the formation of the district that would
10 encompass Diversified's active service area, its application herein would be rendered moot.¹

11 On January 29, 2001, by Procedural Order, the Commission established the procedures to be
12 followed for the filing of any testimony and associated exhibits with respect to the scheduled hearing.
13 The Commission's Procedural Order also set forth the filing schedule for any responses or replies
14 with respect to the Settlement Agreement filed by HJQ. Subsequently, Diversified, Skyline and Staff
15 objected to the Settlement Agreement between HJQ.

16 On February 26, 2001, Arizona Utilities Supply & Services, L.L.C. ("AUSS") filed an
17 application to intervene in the above-captioned proceeding. AUSS indicated that it had received
18 requests from certain landowners or developers of properties which were involved in this proceeding.
19 AUSS indicated that it anticipated filing on or about March 1, 2001, an application for a Certificate to
20 provide sewer service to an area which is part of the pending proceeding involving JUC.

21 On March 5, 2001, JUC, H₂O and Queen Creek jointly filed an objection to the request by
22 AUSS to intervene. They argued that the application of AUSS was filed more than two months after
23 the deadline of December 15, 2000 set for filing requests for intervention in this proceeding.
24 Subsequently, on March 8, 2001, by Procedural Order, the application for intervention by AUSS was
25 denied.

26 _____
27 ¹ According to HJQ, only five of Diversified's nine certificated sections of land are presently able to be served by
28 Diversified. The remaining four sections are not served and are owned by the State of Arizona which cannot petition the
County to form an improvement district. HJQ cited A.R.S. § 48-902 and Attorney General Opinion 71-33 in support of
this argument.

1 On March 12, 2001, the final pre-hearing conference was held. During this pre-hearing
 2 conference, Skyline withdrew its objection to the Settlement Agreement, and the parties also
 3 discussed the presentation of evidence during the proceeding.

4 On March 15, 2001, a full public hearing was commenced before a duly authorized
 5 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. JUC, H₂O,
 6 Diversified, Queen Creek and Staff appeared with counsel. No intervenors appeared, but public
 7 comment was taken and additional hearings were conducted on March 16, 19, 20 and 21, 2001.
 8 Testimony was taken from utility witnesses, property owners, the Pinal County Manager and Staff.
 9 Numerous exhibits were admitted into evidence during the course of the proceeding. Following the
 10 conclusion of the hearing, the matter was taken under advisement pending submission of a
 11 Recommended Opinion and Order to the Commission.

12 * * * * *

13 Having considered the entire record herein and being fully advised in the premises, the
 14 Commission finds, concludes, and orders that:

15 **FINDINGS OF FACT**

16 1. Pursuant to authority granted by the Commission, JUC is certificated to provide water
 17 and wastewater service to approximately 650 customers in an area of approximately forty-five square
 18 miles southeast of Queen Creek in various parts of Pinal County, Arizona.

19 2. Pursuant to authority granted by the Commission, H₂O is certificated to provide public
 20 water service to approximately 783 customers located in approximately 13 ½ sections of Pinal and
 21 Maricopa Counties, Arizona.

22 3. Pursuant to authority granted by the Commission, Diversified is certificated to provide
 23 public water service to approximately 140 customers in various parts of Pinal County, Arizona.

24 4. Pursuant to authority granted by the Commission, Queen Creek is certificated to
 25 provide public water service to approximately 1,977 customers in various parts of southeast Maricopa
 26 and northwest Pinal Counties, near the town of Queen Creek, Arizona.

27 5. On October 18, 1999, JUC filed an application for an extension of its Certificate to
 28 provide water and wastewater service in various parts of Pinal County, Arizona. Subsequently, on

1 November 1, 1999, June 15, July 5 and August 25, 2000, JUC filed amendments to its application.
2 JUC is seeking an extension of its Certificate to include an area of approximately 26 and ½ square
3 miles which is more fully described in Exhibit A attached hereto and incorporated by reference in the
4 form of a designated parcel list.²

5 6. With its application, JUC is seeking to provide water and wastewater service to all 24
6 parcels with the exception of parcel 19, for which JUC seeks to provide wastewater service only, and
7 to delete parcels 14 and 20 from H₂O's certificated service area in order for JUC to provide both
8 water and wastewater to both parcels.

9 7. On May 30, 2000, H₂O filed an application for an extension of its existing Certificate
10 to provide water service to four contiguous sections of land reflected on Exhibit A as parcels 5, 6, 11,
11 14, 15, 16, 17, 18, and 22 which compromise approximately an additional 2,055 acres.

12 8. On October 2, 2000, Diversified filed an application for an extension of its existing
13 Certificate to provide public water utility service to approximately nine sections of land in various
14 parts of Pinal County, Arizona described as parcels 2, 14, 15, 16, 17 and 18 on Exhibit A. On
15 October 3 and November 2, 2000, Diversified filed amendments to its application to add additional
16 portions of parcel 14 and also added parcel 24 in order to provide service to a land owner who is
17 requesting water service from Diversified for approximately 20 acres of land.

18 9. On October 4, 2000, Queen Creek filed an application for an extension of its existing
19 Certificate to provide public water utility service for approximately four more sections of land
20 described as part of parcel 11, and parcels 15, 16, 17, 18 and 22 as set forth on Exhibit A. H₂O and
21 JUC are also requesting to serve that part of parcel 11 requested by Queen Creek, along with parcels
22 15, 16, 17, 18 and 22.

23 10. Notice of the above-captioned applications was given in the manner prescribed by law.

24 11. At the outset of the hearing, counsel for the parties to the Settlement Agreement
25 announced that they were withdrawing it from consideration before the Commission because
26 Diversified was not a party to the Agreement.

27

28 ² The parcel list was designed by Staff as a convenient way to reference the various requested extensions.

THE JOHNSON APPLICATION

1
2 12. In support of its application, JUC called the following witnesses to testify on its
3 behalf: Mr. Stanley Griffis, Ph.D., the Pinal County manager; Ms. Kathy Aleman, a principal with
4 SPI, a developer; Mr. Gerald Bowen, a principal with Bowen Properties, Inc.; Mr. Byron Handy,
5 president of BFH Development Corporation; Mr. Brian Tompsett, a civil engineer with WLB Group
6 which is the primary engineering consultant for JUC; and Mr. George Johnson, the managing
7 member of JUC.

8 13. During the public comment portion of the proceeding, it was indicated that Mr. Griffis
9 would testify on behalf of H₂O and JUC.

10 14. Mr. Griffis testified that he was making his recommendation on behalf of Pinal
11 County with respect to the applications of JUC, H₂O and Queen Creek as was resolved in the
12 Settlement Agreement filed by these three utilities on January 24, 2001.

13 15. Mr. Griffis indicated that he was instrumental in bringing together H₂O, JUC and
14 Queen Creek after they had been unable to reach an agreement with Diversified over the contested
15 areas occasioned by the competing applications.

16 16. According to Mr. Griffis, he had been contacted by several large landowners within
17 Diversified's certificated service area requesting help from the county in their dealings with
18 Diversified involving the use of their properties. These contacts came in approximately December,
19 2000.

20 17. In response to their concerns, Mr. Griffis had discussions with other Pinal County
21 officials and learned that a majority of the land owners within Diversified's certificated service area
22 "could petition Pinal County to form a water improvement district that could then seek to purchase,
23 condemn or otherwise acquire Diversified's facilities and become the authorized provider of water
24 utility service within that area."

25 18. Based on these discussions, Mr. Griffis believed that the Pinal County Board would
26 support the formation of such a district due to the concerns of property owners within Diversified's
27 certificated service area.
28

1 19. Mr. Griffis further testified that Pinal County is concerned that growth, which is
2 occurring rapidly, move in an orderly fashion to enhance the quality of life of its citizens by having
3 adequate water and wastewater utility services.

4 20. Pinal County is not interested in seeing excessive litigation delay the development of
5 growth within the respective areas sought to be certificated herein.

6 21. Pinal County wishes to have a prompt resolution of the disputes arising from the
7 competing applications herein because it anticipates significant revenue growth associated with
8 development.

9 22. According to Mr. Griffis, if Diversified is removed from the process of competing for
10 extensions of its certificated service area due to the formation of the district, JUC, H₂O and Queen
11 Creek indicated that they could resolve the issues brought about by their competing applications and
12 agree on a means of allocating extensions of service within the areas contested by the utilities.

13 23. Mr. Griffis believes that the crucial factor of the proposed settlement was the
14 agreement of Pinal County to support the formation of the Skyline Water Improvement District
15 ("Skyline District"). Mr. Griffis further testified that the District was not formed to harm Diversified
16 since it would receive adequate compensation, if need be, through litigation.

17 24. Mr. Griffis identified Resolution No. 031401-SDWID which was captioned "a
18 resolution of the Pinal County Board of Super-isors establishing the Skyline Domestic Water
19 Improvement District" that was approved on March 14, 2001 (the day before the hearing). He
20 identified large portions of the district included in parcel 2 and parcel 16 as delineated on Exhibit A
21 and pointed out that it also included significant portions of Diversified's certificated service area.

22 25. Although Mr. Griffis testified during the proceeding that he had received a number of
23 complaints about Diversified's service, during his deposition on November 28, 2000, he stated that he
24 was unaware of any complaints about service by Diversified.

25 26. Subsequently, Mr. Griffis' acknowledged that he had received mostly calls from
26 property owners within Diversified's certificated service area and not actual customers who received
27 service from Diversified.
28

1 27. With respect to Diversified's existing Certificate, Mr. Griffis described the Skyline
2 District as being composed of three separate and distinct parcels of land which are not contiguous to
3 one another and include sizeable portions of Diversified's certified area.

4 28. In concluding his testimony, Mr. Griffis indicated that he was satisfied that H₂O could
5 provide water service to parcel 15 (Pecan Ranch), parcel 16 (Home Place), and parcel 17 (Ware
6 Farms) as originally agreed upon in the proposed settlement, and that parcel 11 (Circle Cross Ranch)
7 could be provided with service by JUC.

8 29. Ms. Aleman testified that her company, SPI, is in the process of co-developing parcel
9 2, Bella Vista Farms ("Bella Vista"), an area which lies partially in Diversified's existing certificated
10 area and also outside of its certificated area, but contiguous to Diversified's southern boundary. Bella
11 Vista lies to the east of JUC's certificated area. She stated that SPI supports JUC's application and
12 the former proposed Settlement Agreement between JUC, H₂O and Queen Creek.

13 30. That portion of Bella Vista which lies within Diversified's certificated service area is
14 part of the Skyline District as is the remainder of the Bella Vista project which lies outside of
15 Diversified's certificated area.

16 31. Ms. Aleman testified that although no development has yet taken place in the Bella
17 Vista area, it is to be a master planned development completed "hopefully within the next three years
18 or so". The development consists of 3,800 acres which is controlled by SPI and other developers
19 who plan to build between 12,000 and 13,000 homes there.

20 32. Ms. Aleman testified that SPI preferred to keep its options open with respect to the
21 formation of the Skyline District for the provision of water service within Diversified's area and
22 favored JUC because, in her opinion, JUC is more qualified and able to provide water and wastewater
23 service, both physically and financially, to the Bella Vista area.

24 33. Mr. Bowen described his plans for approximately 200 acres in parcel 8, as delineated
25 on Exhibit A, where his company plans to build 127 homes after approval for his subdivision is
26 received from the Arizona Department of Real Estate. Approval of the Real Estate Department will
27 follow if JUC is approved as a provider of water and sewer service, because JUC has a designation of
28 an assured water supply.

1 34. There are no other water or wastewater providers in the vicinity of parcel 8 where Mr.
2 Bowen's property is located.

3 35. Mr. Handy testified that the developers he is assisting in the development of the 480
4 acres in parcel 17 (Ware Farms) are in agreement with the resolution reached in the Settlement
5 Agreement between JUC, H₂O and Queen Creek. They are desirous of H₂O being certificated to
6 provide water service in parcel 17 and that JUC be certificated to provide waste water treatment
7 service in parcel 17 for approximately 1,500 residential lots.

8 36. Mr. Handy expressed some reservations about the possibility of service from
9 Diversified and has heard that a water improvement district was being formed to provide service to
10 that area.

11 37. Mr. Handy further testified in support of JUC's application for parcel 1 because Mr.
12 Handy has a client, Arizona Farms, which has engaged him to market a 2,850 acre master planned
13 community to home builders who will require the availability of water and waste water service.

14 38. However, Mr. Handy indicated that development of parcel 1 in the Arizona Farms area
15 was "probably about 3 years away" and that sales of the property to homebuilders would then take
16 place.

17 39. Mr. Tompsett, the vice-president and director of operations for JUC's primary
18 engineering consultant, testified that Staff failed to consider JUC's construction schedule for the
19 development of two 600 gallons per minute wells that will almost triple JUC's capacity and
20 significantly increase JUC's storage, production and distribution capacity in the next few years.

21 40. Mr. Tompsett emphasized that JUC has a Designation of an Assured Water Supply
22 ("Designation") which will enable property owners who wish to be served with water service by JUC
23 to receive the necessary regulatory approvals for their projects more easily because of the
24 Designation³.

25 41. With respect to a tariff issue that has arisen from the fact that JUC had been charging
26 waste water rates from developers based on water meter sizes when the water meter was installed,
27

28 ³ JUC's current Designation is 5,967 acre feet of water per year.

1 even if no waste was being generated, Mr. Tompsett recommended that the tariff be amended so that
2 the waste water rate would be charged at a flat rate and not based on meter size when it was installed.
3 This is contrary to Staff's position that waste water rates should not become effective until waste
4 water is first produced.

5 42. Mr. Tompsett opined that JUC is better situated to provide service to the Bella Vista
6 Farms area than Diversified because of its stronger financial position and because of the scale of
7 JUC's infrastructure improvements that Diversified cannot achieve.

8 43. With respect to parcel 1 sought by JUC to be certificated herein, Mr. Tompsett
9 testified that JUC is currently certificated to provide service to an area immediately to the south and
10 to the west of parcel 1. This area contains a subdivision, Wild Horse Estates, that is currently being
11 built, and where a well has been drilled, water lines have been installed and the developer is
12 preparing to pave streets within the development.

13 44. Mr. Tompsett described JUC's plans for Bella Vista explaining that JUC would loop
14 the entire system from a main which it would run on Bella Vista Road.

15 45. During cross-examination, Mr. Tompsett acknowledged that JUC's three operating
16 water systems, the Johnson Ranch system, the Sun Valley Unit 5 system, and the Wild Horse Ranch
17 system, are not interconnected.

18 46. Mr. Johnson testified that JUC now is in compliance with the requirements of the
19 Arizona Department of Environment Quality ("ADEQ") which had previously cited JUC for repeated
20 compliance violations.

21 47. Mr. Johnson pointed out that after the issuance of a Procedural Order on March 8,
22 2001, JUC had fulfilled the requirements of Decision No. 62087 (November 19, 1999) in which the
23 Commission approved JUC's application for an extension of its Certificate to provide water and
24 wastewater service to approximately 30 sections of land, more than half of which is contained within
25 the San Tan Mountain Regional Park where JUC has been requested to construct facilities to provide
26 service to ramadas and other park areas. As a condition for the approval granted in Decision 62087,
27 JUC was required to file a number of copies of documents within one year of the effective date of the
28 Decision. JUC filed copies of documents such as a Pinal County franchise, evidence of compliance

1 with the Rules of ADEQ, and evidence that it had received its Designation from the Arizona
2 Department of Water Resources ("ADWR").

3 48. Mr. Johnson acknowledged that parcels 10 and 13 as delineated on Exhibit A are State
4 and Bureau of Land Management property which have no existing requests for service, and he
5 withdrew JUC's application for the certification of these parcels. However, Mr. Johnson disputed
6 Staff's ultimate recommendation with respect to parcel 1 (Arizona Farms) maintaining that
7 development is moving forward in that area and should be included in JUC's certificated service area.

8 49. Mr. Johnson also disagreed with Staff's recommendation that parcel 2 (Bella Vista) be
9 included in Diversified's certificated service area because that portion of Bella Vista presently in
10 Diversified's certificated service area is part of the Skyline District. He also stated that the owners of
11 Bella Vista have specifically requested that their property be included in JUC's Certificate area in
12 order that water and waste water treatment service will be available.

13 50. Mr. Johnson further testified that JUC still supports the Settlement Agreement reached
14 by JUC, H₂O and Queen Creek because it has the backing of the Pinal County Board.

15 51. While testifying, Mr. Johnson indicated that owners of parcels 3, 12, 6 and 5, the
16 Jorde, Morning Sun Farms, Cravath, and Skyline parcels, respectively, had resolved earlier
17 differences with JUC and now wish to be provided with public water and wastewater treatment
18 service by JUC.

19 52. Mr. Johnson acknowledged having been contacted by individuals who own property
20 within Diversified's certificated area who sought information with regard to the formation of a
21 domestic water improvement district. He also acknowledged that he had been involved in at least
22 several discussions with Mr. Griffis about general questions concerning the formation of a water
23 improvement district.

24 53. Mr. Johnson made no attempt to deny the fact that JUC had received a number of
25 complaints in the past, but stated that his utility is attempting to operate in a lawful manner and that a
26 number of the problems had been due to construction accidents when contractors cut JUC's water or
27 sewer lines.

28

1 54. Mr. Johnson also described JUC's plans for expansion for the provision of wastewater
2 treatment service to parcel 22, which lies north of the Union Pacific Railroad Company's tracks and
3 parcel 11.

4 55. With respect to a recent problem with its waste water tariff, Mr. Johnson believes that
5 the matter will be resolved in the near future; however, JUC will file a tariff which conforms to
6 Arizona law and the Commission's rules in the near future.

7 THE H₂O APPLICATION

8 56. H₂O, in support of its application, called the following witnesses: Mr. Donald
9 Schnepf, a 50 percent shareholder of H₂O and its president since October 5, 1972, and Mr. Richard
10 Bartholomew, H₂O's consulting engineer for the past two years.

11 57. Mr. Schnepf testified that H₂O had originally applied for an extension of its Certificate
12 to provide public water service in parcels 5, 6, 11, 14, 15, 16, 17, 18, 20, and 22 as delineated in
13 Exhibit A.

14 58. Pursuant to the terms of the Settlement Agreement, H₂O's Certificate would have been
15 extended to include that portion of parcel 14 not currently located within H₂O's existing Certificate
16 and parcels 15, 16, 17, 18 and 22 in Pinal County, Arizona, as delineated in Exhibit A. H₂O is also
17 requesting that its Certificate be extended to include Section 13, Range 7 East, Township 2 South, in
18 Maricopa County. H₂O is still desirous of providing water service to these areas.

19 59. H₂O is also requesting that the Country Thunder property, which lies south of the
20 Queen Creek Wash and is comprised of approximately the western 1/3 of Section 30, Range 8 East,
21 Township 2 South, in Pinal County, Arizona, be deleted from H₂O's Certificate since Queen Creek
22 actually provides water service to that parcel and is requesting the area be transferred to Queen
23 Creek.

24 60. Mr. Schnepf testified that, after he was contacted by Mr. Griffis, he learned that Pinal
25 County's Board had received a petition from landowners in Diversified's certificated service area
26 requesting that a water improvement district be created to replace Diversified as their water service
27 provider.

28

1 61. H₂O agreed to support the Settlement Agreement proposed by Pinal County in order to
2 reach an expeditious resolution of the competing applications and to avoid further problems.

3 62. H₂O is anxious for a prompt resolution of the dispute between the parties because of
4 its need to expand its system to ensure quality service at reasonable rates, and to meet Pinal County's,
5 the landowners' and developers' needs in order to promote orderly development.

6 63. Mr. Schnepf does not believe that it is in the public interest for Diversified to receive
7 an extension of its Certificate at this time based upon his review of a petition involved in the
8 formation of the Skyline District and because Diversified's existing facilities are not adequate to
9 serve any additional areas.⁴

10 64. H₂O's primary concern, with respect to the Staff Report issued on January 9, 2001, is
11 that approval of H₂O's application should be conditioned upon a variety of factors being satisfied and
12 that if they are not, the recommended conditional Certificate would be rendered null and void without
13 further order of the Commission. H₂O believes that Staff's approach is arbitrary and potentially
14 damaging to a landowner currently planning to commence development in approximately two years.

15 65. H₂O also takes exception to the proposed review process by Staff (as discussed
16 hereinafter) because H₂O would not be provided an opportunity to respond to Staff's
17 recommendation and this could result in problems with the extension of service into the new areas
18 approved for service in this proceeding.

19 66. According to Mr. Schnepf, H₂O has planned for the expansion of its system by
20 developing a "Master Plan" which Mr. Schnepf described as having been developed to serve the
21 contested areas in these proceedings and by the fact that H₂O supported the Settlement Agreement
22 before it was withdrawn from consideration.

23 67. Mr. Schnepf acknowledged that in 1978, H₂O had filed a Chapter 11 federal
24 bankruptcy reorganization action during his tenure as president.

25 68. Mr. Schnepf acknowledged that, in the past, H₂O had been delinquent in the payment
26 of property taxes prior to 1996 because its irrigation rates were insufficient to cover all of the

27
28 ⁴ Diversified presently has only one well, a pressure tank and an old 20,000 storage tank. It was completing the construction of a 200,000 gallon storage tank during the hearing.

1 company's expenses, including its property taxes. Subsequently, H₂O and Pinal County entered into
2 a settlement which called for a one-time payment of a portion of the taxes as satisfaction in full. This
3 payment was made in 1998.

4 69. Currently, H₂O's property taxes are current and have been since August 1998, with
5 sufficient reserves to pay taxes in the future when they are due.

6 70. Mr. Schnepf reiterated that H₂O, is seeking an extension of its Certificate for a portion
7 of parcel 14, and parcels 15, 16, 17, 18, and 22 as delineated on Exhibit A and located north and east
8 of the Union Pacific's railroad tracks.

9 71. Mr. Schnepf testified that Mr. Jim Wales, an individual who is involved in the
10 development of parcel 16 known as Home Place, prefers that H₂O be certificated to provide public
11 water utility service to his development.

12 72. Mr. Schnepf testified in great detail concerning the development of H₂O's Master Plan
13 and the manner in which facilities would be extended to the areas which it sought to be certificated
14 herein, including the development of a new production well that can produce 2,500 gallons of water
15 per minute.

16 73. Mr. Schnepf indicated that, during the settlement negotiations with JUC and Queen
17 Creek, "H₂O decided to relinquish some area to Queen Creek and to Johnson" with respect to areas
18 that had previously been contested in this proceeding.

19 74. While testifying, Mr. Schnepf explained that JUC had relinquished claims to provide
20 water for parcels 22, 14, 17, 18, 16, and 15.

21 75. Mr. Schnepf further testified that H₂O's Master Plan amply provides for the extension
22 of service to parcel 15 (Pecan Ranch), parcel 16 (Home Place), and parcel 17 (Ware Farms).

23 76. Mr. Schnepf believes that parcel 15 (Pecan Ranch) alone, if added to H₂O's system,
24 would add at least 3,000 more residential lots to H₂O's customer base. Additionally, he indicated that
25 the other parcels which H₂O is seeking to be certificated would add additional thousands of
26 customers.

27 77. Much of the requested extension area for parcel 16 (Home Place), will also be lost to
28 planned expansion by H₂O since it is also included within the Skyline District.

1 78. However, even in light of the fact that parcel 16, Home Place, has been included in the
2 Skyline District, H₂O believes that it is possible for the Commission to approve an extension of its
3 Certificate for that area.

4 79. All told, H₂O would ultimately realize approximately 8,100 additional customers from
5 the disputed parcels if the Commission authorizes an extension of H₂O's Certificate for the
6 uncertificated portion of parcel 14 and parcels 15, 16, 17, 18, and 22.

7 80. Mr. Schnepf indicated that he had also reached an understanding with JUC for it to
8 provide wastewater treatment service to all areas where H₂O is certificated for water service, subject
9 to Commission approval.

10 81. Like JUC, Mr. Schnepf acknowledged that H₂O has Commission-approved hook-up
11 fees to pay for much of its backbone plant.

12 82. H₂O's engineer, Mr. Richard Bartholomew, testified that in his opinion, Diversified
13 lacks adequate storage facilities to serve its current customers plus the proposed developments
14 planned in parcels 16 (Home Place) and parcel 17 (Ware Farms). He also testified that Diversified's
15 recent expansions with 6 inch mains would be inadequate to serve areas outside of Diversified's
16 existing certificated service area because of the distance from Diversified's well and storage facilities
17 to the location of the prospective customers.

18 83. Mr. Bartholomew also disagreed with Diversified's plans for expansion, stating that
19 transmission lines alone could not solve the service issues and that Diversified would need wells,
20 storage reservoirs and pump stations to provide the facilities necessary for future customers in the
21 areas sought to be certificated herein.

22 84. Mr. Bartholomew discussed in great detail his description of H₂O's Master Plan for
23 expanding its certificated service area, illustrating that the plan had been well thought out and would
24 be constructed with the approval of ADEQ.

25 THE DIVERSIFIED APPLICATION

26 85. In support of its case, Diversified called the following witnesses: Mr. Scott Gray, its
27 president; Mr. James Wright, Diversified's certified operator; and Mr. Greg Potter, an engineer
28

1 employed by Sunrise Engineering, Inc. that has been performing engineering services for Diversified
2 for several years.

3 86. In 1994, Mr. Gray acquired what was then known as Quail Hollow Water Company, a
4 troubled utility that was providing poor service in what was then a rural area. He did so because he
5 believed that the area bordered on the edge of future growth in the greater Phoenix metropolitan area
6 and because Diversified "was a good prospect for being economically viable and a profitable
7 venture."

8 87. Mr. Gray has previous experience in the water and wastewater business dating back to
9 the early 1980's when he and his wife acquired Oak Creek Utility Corporation, a small water and
10 wastewater utility in the area of Oak Creek Canyon, near Sedona, Arizona.

11 88. Although Mr. Gray is a practicing attorney, he has been certified as a Grade One
12 operator for water and wastewater systems for approximately three years.

13 89. When Diversified acquired the water utility from its former owners in 1995, the
14 system was under an ADEQ cease and desist order which had been issued for numerous violations
15 and inadequacies; however, the former owners were taking no action to cure the deficiencies.

16 90. Diversified's system at that time had approximately 25 customers who were served by
17 a single 50 gallons per minute well, a 5,000 gallon pressure tank and a single four-inch distribution
18 line approximately one mile long.

19 91. Diversified refurbished and made substantial improvements to its system by adding a
20 20,000 gallon storage following its acquisition of the utility. Diversified also added new electrical
21 panels, two booster motors, a pressurization system to pressurize the hydro-mantic tank and system, a
22 new pump and a chlorination treatment system.

23 92. By the time Diversified remedied the majority of its deficiencies in 1997, it had grown
24 to 170 customers.

25 93. Diversified is taking the following steps to increase its storage and production
26 capacity: attempting to purchase a 1,000 gallons per minute well within its certificated area; securing
27
28

1 ADEQ approval to construct a 250,000 gallon storage tank; and applying for a water infrastructure
2 authority ("WIFA) loan in the amount of \$378,000 to fund the aforementioned projects.⁵

3 94. Mr. Gray indicated that it has always been Diversified's intent to expand its
4 certificated service area beyond its existing 9 ½ sections of land. When Mr. Gray became aware in
5 September, 2000 of JUC's and H₂O's competing applications for areas contiguous to Diversified's
6 service area, Diversified filed for intervention in the proceedings and also filed a competing
7 application contesting those certain areas sought by JUC and H₂O.

8 95. In pre-filed testimony, Mr. Gray indicated that he disagreed with a number of Staff's
9 recommendations with respect to which utilities in competing areas should be approved to provide
10 utility services. He argued that Queen Creek already has more than 2,000 metered customers and has
11 a certificated service area encompassing approximately 31 square miles, JUC already covers
12 approximately 45 square miles and anticipates approximately 40,000 total residential metered
13 customers in those areas, and that H₂O, while it is only certificated to provide service to 13 ½
14 sections of land, is experiencing substantial customer growth.

15 96. According to Mr. Gray, Diversified would be "substantially benefited" if the
16 Commission approves the extension of its Certificate for parcel 16 (Home Place), parcel 17 (Ware
17 Farms), and parcel 2 (Bella Vista). Mr. Gray represented that the Home Place development
18 represents a potential for an additional 2,174 metered customers, Ware Farms represents a potential
19 for an additional 1,485 metered customers and Bella Vista represents a potential for an additional
20 12,800 metered customers.

21 97. Mr. Gray pointed out that if the Commission authorizes the extension of Diversified's
22 Certificate for the parcels which include Ware Farms and Home Place, Diversified will be able to
23 loop its system and operate more efficiently. Mr. Gray also pointed out that Diversified's service
24 lines are within 4,000 feet of the Ware Farms development and within 50 feet of the Bella Vista
25 project.

26
27 ⁵ Diversified has instituted a complaint against JUC in a separate proceeding, Docket Nos. W-02234A-00-0775;
28 WS-02987A-00-0775 and WS-02987A-00-0775 in which it alleges that JUC has interfered with Diversified's attempts to
purchase the well within its certificated area and is attempting to "foster dissatisfaction among landowners and
customers" of Diversified.

1 98. Additionally, approximately one and one-half sections of the Bella Vista development
2 are already within Diversified's certificated service area and, if the Commission approves the
3 addition to Diversified's Certificate of parcel 2, it would represent a natural growth area for
4 Diversified because a single service provider will provide consistency and efficiency.⁶

5 99. Diversified's small certificated service area has caused Mr. Gray to be concerned with
6 the inability to expand in a substantial portion of its certificated area because four sections of a total
7 of nine and one-half sections are owned by the State. A further area of concern is the fact that if
8 Diversified's Certificate is not extended, it will have less of an opportunity to obtain existing
9 irrigation wells which could be converted to potable use.

10 100. Diversified does not object to JUC offering sewer utility service within its certificated
11 service area.

12 101. In his pre-filed testimony, Mr. Gray, like the other utility owners, strongly disagreed
13 with Staff's proposal of a conditional Certificate being issued for its requested extension areas which
14 could be revoked by means of an automatic revocation if development and/or facilities were not
15 installed within two years of the effective date of the Decision herein.

16 102. In rejoinder, Mr. Gray pointed out that a number of Diversified's customers attended a
17 public hearing in connection with the formation of the Skyline District and expressed their
18 satisfaction with the service that was provided by Diversified. Mr. Gray cited comments by
19 individuals who spoke at the public hearing evidencing the improvement in service which they
20 received from Mr. Gray and Diversified after he acquired the water utility in 1995.

21 103. Mr. Gray testified that at the hearing regarding the Skyline District on February 28,
22 2001, Mr. Johnson was present and made statements to the Pinal County Board "that his trust would
23 buy all bonds the District needed to issue and would look for their repayments from revenues from
24 the water used and paid in the District."

25 104. Mr. Gray believes that JUC, assisted by Mr. Griffis, is involved in a concerted effort to
26 harm Diversified.

27 _____
28 ⁶ It should be noted, however, that the entire Bella Vista project, including those areas already certificated to
Diversified, are within the recently formed Skyline District.

1 105. Mr. Gray also testified that Diversified was not invited to discuss any of the alleged
2 concerns raised by landowners within Diversified's certificated service area or their desire to form an
3 improvement district. Additionally, Diversified was not notified or invited to attend any of the
4 settlement discussions conducted by Mr. Griffis with JUC, H₂O or Queen Creek.

5 106. Based on the number of dwelling units in projects such as Ware Farms, Home Place
6 and Bella Vista, Mr. Gray calculated that Diversified would receive approximately \$14 million due to
7 its \$850 per connection charge if Diversified was certificated to provide service to those areas.

8 107. Much of the area sought to be certificated by Diversified herein is located in the
9 vicinity of parcels that were previously subject to lot splitting; however, based on the evidence, the
10 parcels involved in the instant applications are presently devoted to farming or are large vacant tracts
11 of land waiting to be developed.

12 108. Commission approval of Diversified's application to provide water service to large
13 areas of land is important to Diversified because, as development takes place, it will be able to loop
14 its system and develop backbone plant paid for by the collection of its hook-up fees.

15 109. Mr. Gray testified that Diversified is absolutely and unconditionally ready, willing and
16 able to proceed with the development of facilities to provide service to parcels 2, 16, 17, 18 and 24.

17 110. Mr. Gray argued that the Commission has the authority to approve the extension of
18 Diversified's Certificate to areas included within the Skyline District such as Bella Vista. Pursuant to
19 A.R.S. §48-909(D), a certificated public utility is entitled to be compensated by an improvement
20 district if it has previously constructed facilities which are acquired by the district. However, the
21 right to compensation shall not apply if no facilities of the public utility are actually acquired by the
22 improvement district and a Certificate is issued to the corporation for any area which is within an
23 improvement district at the time the Certificate is issued, as would be the case here.

24 111. Mr. Gray acknowledged that outside of parcel 24, the property owners in the
25 remaining parcels for which it is seeking an extension of its Certificate have not requested service
26 from Diversified.

27
28

1 112. Mr. Gray also stated that the formation of the Skyline District will be injurious to
2 Diversified because it may limit its opportunities for growth within its existing certificated service
3 area.

4 113. Mr. Gray blames the formation of the Skyline District upon the collusive efforts of
5 JUC, H₂O and Queen Creek entering into the Settlement Agreement and thereby acquiescing to the
6 formation of the district in areas sought to be certificated herein and in various parts of Diversified's
7 certificated service area.

8 114. Mr. Gray alleged that the petition, which had been utilized to request that Pinal
9 County form the Skyline District, contained signatures of Diversified's customers that had been
10 obtained through fraudulent means.

11 115. Diversified's business office is located in Mesa, Arizona, at a company by the name of
12 FaciliGroup with whom it has contracted to provide billing and other services. It was also established
13 that Diversified does not have an on-site manager.

14 116. Based on the record, Diversified has made no definite plans for projected growth
15 because without definite plans from developers, any plans to accommodate the growth would be
16 highly speculative.

17 117. One of the proponents of the Skyline District was involved in a complaint proceeding
18 previously with Diversified before the initiation of the development of the district.

19 118. Mr. Gray acknowledged that there were a number of ways to provide evidence to Staff
20 that development was occurring in the subject parcels such as the following: filing a copy of a
21 Master Plan; submitting drawings of installed plant; filing documentation which establishes water is
22 being sold in the subject parcel; filing evidence that customers of the company are located in a
23 subject parcel; filing evidence that a utility has acquired existing wells or well sites in a subject
24 parcel; submitting evidence of the removal of an unused plant; and submitting evidence of steps
25 taken to bring a new well on line.

26 119. Mr. Gray is unaware of any existing customers of Diversified whose property is
27 located within the boundaries of the newly formed improvement district.

28

1 120. While Mr. Gray objected to the conditional form of a Certificate being awarded to any
2 of the subject parcels herein, he has not objected to the form of Certificates previously awarded by
3 the Commission in extension proceedings or in certification proceedings which were conditioned
4 upon the utility meeting certain requirements in the past. He is objecting to the requirement of
5 providing evidence that third parties are proceeding with development because the previous
6 Commission Certificates and extensions of Certificates were within the control of the utility and not
7 third parties.

8 121. It was acknowledged that Diversified does not have any existing full-time employees.
9 However, Mr. Gray indicated that, if Diversified is awarded significant extensions of its Certificate
10 resulting in a larger customer base and increased revenues, Diversified, rather than relying on
11 contract employees, will retain and add permanent full-time employees as needed.

12 122. Diversified's certified operator, Mr. Jim Wright, is also employed on a full-time basis
13 by the City of Scottsdale as a Water Maintenance Technician engaged in the operation of Scottsdale's
14 public water system.

15 123. Mr. Wright acknowledged that, while ADEQ has found no major deficiencies with
16 Diversified's current operations, ADEQ had found that Diversified lacked adequate storage with only
17 a 20,000 gallon storage tank. However, when its new 200,000 gallon storage tank (reduced from
18 250,000 gallons) is completed, this problem will be resolved.

19 124. According to Mr. Wright, with Diversified's addition of a new 200,000 gallon storage
20 tank and a 5,000 gallon pressure tank, Diversified will provide a reliable water system for its existing
21 customers and a solid base for future growth.

22 125. During the two years that Mr. Wright has been with Diversified, there have been
23 relatively few service problems. He also indicated that Diversified responds promptly to any
24 problems when they arise.

25 126. Mr. Wright believes that if Diversified's application is approved for the expansion of
26 its system to the Home Place, Ware Farms and Bella Vista parcels, Diversified's system would be
27 "greatly enhanced" because developers would be required to pay Diversified's hook-up fees resulting
28 in funds to allow for additional backbone plant to be constructed and interconnected with the rest of

1 Diversified's system and thereby producing more revenues to produce funds for improvements, and
2 the hiring of more employees to serve its customers.

3 127. According to testing conducted by an independent laboratory, Diversified's nitrate
4 level was extremely low, and unlike H₂O and JUC, Diversified was not required to do quarterly
5 sampling.

6 128. Mr. Wright acknowledged that because of his full-time employment with the City of
7 Scottsdale, he is not always available to handle emergency situations, but that because Mr. Gray is
8 also a certified operator, he too can address customer complaints.

9 129. Because Diversified's system is small, it is currently not looped and Mr. Wright is
10 required to flush Diversified's mains every week and test the chlorine levels to insure water quality.

11 130. At its present size, Diversified lacks the capacity to handle fire flows at the present
12 time.

13 131. Mr. Greg Potter, an engineer whose firm has been working for Diversified for several
14 years, testified that his firm had been retained to insure that Diversified's water system is designed to
15 meet the requirements of ADEQ and the Maricopa Association of Government Standards. Mr. Potter
16 related that lot splitters and small sub-dividers create problems for water companies such as
17 Diversified because they fail to cooperate with the utility to build a quality water system because
18 "they take every cost cutting opportunity available to them."

19 132. Mr. Potter opined that it would be in the public interest for Diversified's existing
20 system to be expanded to serve quality growth areas such as those to the northwest represented by
21 Ware Farms and Home Place and to the south with Bella Vista. He stated that such expansion would
22 enable Diversified to ultimately loop its entire system and give it an opportunity to increase its water
23 production and storage capacity, thereby, benefiting its customers.

24 133. Mr. Potter indicated that Diversified, in anticipation of expansion, installed new
25 distribution mains of at least six inches or larger to meet future demands.

26 134. Because approximately 40 percent of Diversified's certificated service area is owned
27 by the State, Mr. Potter believes that it is most important for Diversified to be able to extend its
28 boundaries to the parcels sought to be certificated herein to experience quality growth of its system.

1 135. According to Mr. Potter, Diversified is continuing to improve its existing system by
2 improving its well site, adding storage, and enhancing its transmission lines. He also stated that
3 Diversified is mapping and modeling its existing system so it will be able to promptly advise
4 developers of what facilities must be added as development takes place.

5 136. Mr. Potter is in agreement with Staff's recommendation for the expansion of
6 Diversified Certificate to include Bella Vista, and is also in favor of the northwest expansion to the
7 Home Place and Ware Farms parcels in order to loop the distribution system in that area to prevent
8 water from becoming stagnant.

9 137. Mr. Potter also expressed concerns with respect to Staff's recommendations
10 concerning the issuance of conditional Certificates with respect to the extension of any of the parties'
11 Certificates because of the uncertain nature of the timing when development will take place in the
12 proposed expansion areas.

13 138. Mr. Potter believes that due to the formation of the Skyline District, which includes
14 large areas of developable land within Diversified's certificated area, the potential for Diversified's
15 growth will be limited unless additional extensions of its Certificate are approved.

16 139. Mr. Potter acknowledged that, if Diversified's certificated service area is expanded to
17 such parcels as Home Place and Ware Farms, Diversified will have to develop other sources of water.

18 140. If the developmental plans for the Skyline District do not go forward, depending upon
19 future development in Diversified's plant or its existing certificated service area, Diversified will
20 have to develop another source of water.

21 141. Mr. Potter acknowledged that, although he had developed Diversified's water system
22 map (or, as he termed it, a "hydraulic model") so that projected growth could be evaluated for future
23 development, he had not actually physically visited Diversified's plant or its certificated service area.

24 142. According to Mr. Potter, Diversified has sufficient utility plant with which to serve the
25 initial demand of that portion of Bella Vista presently within its certificated service area through a
26 main extension; however, if parcel 2 is approved for Diversified, it will require much more in the way
27 of facilities and backbone plant to provide service.

28

1 THE QUEEN CREEK APPLICATON

2 143. On March 15, 2001, at the outset of the hearing on these proceedings, Queen Creek
3 announced that it was withdrawing from active participation in the hearing itself, but not the outcome
4 of the proceeding. Queen Creek withdrew its testimony and announced a "swap of territory" that had
5 been agreed upon with H₂O.

6 144. The swap evolved from the Settlement Agreement between JUC, H₂O and Queen
7 Creek and, although the proposal for the Commission's approval of the January 2001 Settlement
8 Agreement has been withdrawn, H₂O and Queen Creek have elected to request approval of the swap
9 and for two sections of land contiguous to their existing certificated service areas.

10 145. On February 16, 2001, Queen Creek published notice of the proposed Settlement
11 Agreement and the swap. In response thereto, the Commission has not received any protests of the
12 agreed upon transfer between H₂O and Queen Creek or their request for certification of two
13 contiguous sections of land. In fact, correspondence has been received in support of the requests of
14 H₂O and Queen Creek.

15 146. Queen Creek's and H₂O's proposed trade involves the following: the transfer of the
16 property known as Country Thunder from H₂O to Queen Creek comprised of the western one-third
17 below the Queen Creek wash of Section 30, Township 2 South, Range 8 East; Section 13, Township
18 2 South, Range 7 East would be certificated to H₂O; and the eastern three-fourths comprised of the
19 uncertificated portion of Section 14, Township 2 South, Range 7 East be certificated to Queen
20 Creek.⁷

21 147. JUC has also indicated its willingness to provide wastewater service to the Country
22 Thunder property.

23 STAFF'S RECOMMENDATIONS

24 148. With the filing of the Staff Report on January 9, 2001, Staff recommended approval of
25 various portions of JUC's, H₂O's, Diversified's and Queen Creek's applications herein subject to the
26 Certificates being made conditional upon a number of factors being satisfied by the respective
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28 ⁷ The western quarter of Section 14, Township 2 South, Range 7 East is presently within Queen Creek's
certificated service area.

1 applicants and their continuing to charge their existing rates and charges in their respective extension
2 areas in the respective parcels as further delineated in Exhibit A. Staff also recommended the denial
3 of applications for certain parcels.

4 149. However, due to the ongoing nature of these proceedings, Staff amended a number of
5 its recommendations and, in a post-hearing filing on March 27, 2001, memorialized the amendments
6 which it made during the actual hearing.

7 150. Staff's witness, Mr. Mark DiNunzio, emphasized that he is not convinced that
8 development will take place in a timely manner as previously stated because he believes that there
9 has been a good deal of speculation presented by developers who would be able to capitalize on the
10 increased value of their property if it is included in a utility's Certificate. Therefore, Mr. DiNunzio
11 recommends that any Certificate from this proceeding be granted conditionally and subject to a
12 review after two years to determine the extent of development. As part of the two-year review, Staff
13 would have an additional period of time to review the development, or lack thereof, and file a report
14 either recommending final approval of the Certificate as requested, final approval of the Certificate
15 for the portions of the areas requested where development has taken place with a cancellation of the
16 remaining areas, and/or disapproval of the Certificate for all areas requested if no development has
17 taken place.

18 151. Staff indicates that since 1998, JUC has had 15 complaints, H₂O has had ten
19 complaints, Diversified has had no complaints and Queen Creek has had four complaints.

20 152. With respect to compliance issues, Staff found that JUC, H₂O, Diversified and Queen
21 Creek are current on their property taxes and filings with the Commission and are presently in
22 compliance with the rules of ADEQ with the exception of securing various approvals and permits to
23 construct and/or the filing of franchises for the requested parcels herein.

24 JUC

25 153. With respect to JUC's application for the extension of its water and wastewater
26 Certificate, Staff is recommending the following:

- 27 • that JUC's wastewater Certificate be conditionally extended to include parcels
28 2, 14, 15, 16, 17, 18, 19, 20, and 22;

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- that JUC's water and wastewater Certificates be conditionally extended to include parcels 3, 4, 5, 6, 7, 8, 9, 11, 12, 21 and 23;
- that JUC's application for parcel 1 be denied;
- that JUC's application with respect to its request to provide service for parcels 10 and 13 be withdrawn as requested by JUC;
- that JUC file a copy for a request for service to parcel 8 within 90 days of the effective date of this Decision;
- that JUC file with the Commission in this Docket; within two years of the effective date of this Decision, a copy of its franchise from Pinal County for the extension of its Certificate for the areas authorized herein;
- that JUC file with the Commission in this Docket, within two years of the effective date of this Decision, copies of all Certificates of Approval to Construct ("CAC") and Certificates of Approval of Construction for development in each of the respective approved parcels as authorized hereinafter;
- that JUC file, within two years of the effective date of this Decision, a request for Certificate review after which, Staff, at its discretion, shall perform a physical plant inspection to determine the extent to which development has commenced.⁸

After submission of JUC's request for review, Staff shall have 120 days to file a report containing one of the following three recommendations:

- ◆ final approval of the Certificate for all parcels approved in this proceeding;
- ◆ final approval of the Certificate for portions of the parcels approved in this proceeding with the cancellation of the undeveloped portions of the parcels; or
- ◆ disapproval of the Certificate for the parcel approved in this proceeding.

⁸ The Certificate review should include the following data: number of customers in the extended area, amount of plant installed to serve the extended area, number of gallons sold in the extended area, the amount of revenue generated in the extended area, the Master Plan for the parcels showing all plant installed and customer location, and any other information Staff deems relevant.

1 154. Staff further recommends that JUC file, within 30 days of the anniversary date of this
2 Decision each year for the next two years, documentation from ADEQ indicating that JUC has been
3 in compliance with ADEQ for each year, and that failure to submit this documentation in the Docket
4 or failure to correct any major or minor violation within 30 days from the date of notice of violation
5 should result in the Certificate authorized hereinafter becoming null and void without further order of
6 the Commission.

7 155. Staff further recommends that JUC file, within 30 days from the effective date of this
8 Decision, an amended waste water tariff schedule which includes language for its wastewater rates
9 and charges to state that said charges shall not become effective until wastewater first flows into the
10 collection system.

11 156. Staff further recommends that, if JUC fails to meet any of the aforementioned
12 conditions within the time specified, the Certificate authorized hereinafter for the respective parcel be
13 considered null and void without further order by the Commission.

14 H₂O

15 157. With respect H₂O's application for the extension of its Certificate to provide public
16 water service, Staff is recommending the conditional approval of the application to extend service to
17 that portion of parcel 14 not previously certificated and parcels 15, 16, 17, 18, 22 and Section 13,
18 Township 2 South, Range 7 East in Maricopa County, Arizona.

19 158. Staff further recommends that H₂O file, within two years of the effective date of this
20 Decision, a copy of the developers' Certificates of Assured Water Supply ("CAWS") to be issued by
21 the Arizona Department of Water Resources ("ADWR") for the respective parcels and sections.

22 159. Staff further recommends that H₂O file, within two years of the effective date of this
23 Decision, a copy of its CAC to be issued by the ADWR for the main extension for the Combs School.

24 160. Staff also recommends that H₂O file, within two years from the effective date of this
25 Decision, a copy of its franchise from Pinal County for the extension areas represented by the
26 aforementioned parcels and Section 13.

27 161. Staff is also recommending the following:
28

- 1 • that H₂O file with the Commission in this Docket within two years of the effective
2 date of this Decision, a copy of its franchise from Pinal County for the extension of its
3 Certificate for the areas authorized hereinafter;
- 4 • that H₂O file with the Commission in this Docket, within two years of the effective
5 date of this Decision, copies of all Certificates of Approval to Construct ("CAC") and
6 Certificates of Approval of Construction for development in each of the respective
7 approved parcels as authorized hereinafter;
- 8 • that H₂O file, within two years of the effective date of this Decision, a request for
9 Certificate review after which, Staff, at its discretion, shall perform a physical plant
10 inspection to determine the extent to which development has commenced.⁹

11 After submission of H₂O's request for review, Staff shall have 120 days to file a report
12 containing one of the following three recommendations:

- 13 ♦ final approval of the Certificate for all parcels approved in this proceeding;
- 14 ♦ final approval of the Certificate for portions of the parcels approved in this proceeding
15 with the cancellation of the undeveloped portions of the parcels; or
- 16 ♦ disapproval of the Certificate for the parcel approved in this proceeding.

17 162. Staff further recommends that H₂O file, within 30 days of the anniversary date of this
18 Decision each year for the next two years, documentation from ADEQ indicating that H₂O has been
19 in compliance with ADEQ for each year, and that failure to submit this documentation in the Docket
20 or failure to correct any major or minor violation within 30 days from the date of notice of violation
21 should result in the Certificate authorized hereinafter becoming null and void without further order of
22 the Commission.

23 163. Staff further recommends that, if H₂O fails to meet any of the aforementioned
24 conditions within the time specified, the Certificate authorized hereinafter for the respective parcel be
25 considered null and void without further order by the Commission.

26 _____
27 ⁹ The Certificate review should include the following data: number of customers in the extended area, amount of
28 plant installed to serve the extended area, number of gallons sold in the extended area, the amount of revenue generated in
the extended area, the Master Plan for the parcels showing all plant installed and customer location, and any other
information Staff deems relevant.

1 DIVERSIFIED

2 164. With respect to Diversified's application for an extension of its Certificate, Staff is
3 recommending that the Commission approve the extension of its Certificate to include parcels 2 and
4 24.

5 165. Staff is further recommending that Diversified file, within two years of the effective
6 date of this Decision, the following: the developers' CAWS to be issued by ADWR; copies of its
7 CAC's to be issued by ADEQ; and a copy of its franchise for parcels 2 and 24 which are to be issued
8 by the Pinal County Board.

9 166. Staff is also recommending the following:

- 10 • that Diversified file with the Commission in this Docket, within two years of the
11 effective date of this Decision, copies of all Certificates of Approval to Construct
12 ("CAC") and Certificates of Approval of Construction for development in each of the
13 respective approved parcels as authorized hereinafter;
- 14 • that Diversified file, within two years of the effective date of this Decision, a request
15 for Certificate review after which, Staff, at its discretion, shall perform a physical
16 plant inspection to determine the extent to which development has commenced.¹⁰

17 After submission of Diversified's request for review, Staff file a report containing one of the
18 following three recommendations:

- 19 ♦ final approval of the Certificate for all parcels approved in this proceeding;
- 20 ♦ final approval of the Certificate for portions of the parcels approved in this proceeding
21 with the cancellation of the undeveloped portions of the parcels; or
- 22 ♦ disapproval of the Certificate for the parcel approved in this proceeding.

23 167. Staff further recommends that Diversified file, within 30 days of the anniversary date
24 of this Decision each year for the next two years, documentation from ADEQ indicating that
25 Diversified has been in compliance with ADEQ for each year and that failure to submit this

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27 ¹⁰ The Certificate review should include the following data: number of customers in the extended area, amount of
28 plant installed to serve the extended area, number of gallons sold in the extended area, the amount of revenue generated in
the extended area, the Master Plan for the parcels showing all plant installed and customer location, and any other
information Staff deems relevant.

1 documentation in the Docket or failure to correct any major or minor violation within 30 days from
2 the date of notice of violation should result in the Certificate authorized hereinafter becoming null
3 and void without further order of the Commission.

4 168. Staff further recommends that, if Diversified fails to meet any of the aforementioned
5 conditions within the time specified, the Certificate authorized hereinafter for the respective parcel be
6 considered null and void without further order by the Commission.

7 QUEEN CREEK

8 169. With respect to Queen Creek's application for an extension of its Certificate, Staff is
9 recommending the approval of Queen Creek's request for the extension of its Certificate to provide
10 water service to the eastern three-quarters of Section 14, Township 2 South, Range 17 East for which
11 it is not yet certificated subject only to the condition that Queen Creek files, within 365 days of the
12 effective date of this Decision, a copy of its Maricopa County franchise issued by the Maricopa
13 County Board of Supervisors or the approval granted hereinafter will be rendered null and void. Staff
14 is also recommending that the Country Thunder parcel, located in Section 30, Township 2 South,
15 Range 3 East, Pinal County, Arizona, be deleted from H₂O's Certificate and transferred to Queen
16 Creek's Certificate.

17 170. After reviewing the evidence in its entirety, we commend Staff at the end of this long
18 and complex proceeding and find the majority of their recommendations are reasonable in light of the
19 speculative nature of the purported development which is to take place in large undeveloped areas in
20 Pinal County, Arizona. Based on this speculation, we believe that Staff has made well-reasoned
21 unbiased recommendations with respect to recommending the issuance of conditional Certificates
22 which will be subject to further Commission review in the future.

23 171. For the present, we will adopt Staff's recommendations with respect to the approvals
24 granted hereinafter for the respective parcels as are described in Exhibits A and B attached hereto.
25 However, with respect to Staff's recommendation that an affected utility (JCU, H₂O, Queen Creek,
26 and Diversified) shall cure any minor or major violation of a requirement of ADEQ within 30 days
27 from the date of notice of violation, thus resulting in the nullification of an extension of that utility's
28 Certificate, we find Staff's recommendation to be too extreme and will allow the violating utility a

1 period of 90 days from the date of notice of the violation to either cure the violation or to request an
2 extension of time in which to resolve the problem with ADEQ. We shall also require JUC, H₂O,
3 Diversified and Queen Creek to file the correct legal descriptions for the respective parcels within 30
4 days of the effective date of this Decision.

5 CONCLUSIONS OF LAW

6 1. Applicants, JUC, H₂O, Diversified and Queen Creek are public service corporations
7 within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-252, 40-281 and 40-
8 282.

9 2. The Commission has jurisdiction over JUC, H₂O, Diversified and Queen Creek and of
10 the subject matter of the applications as amended.

11 3. Notice of the applications as amended and described herein was given in the manner
12 prescribed by law.

13 4. The public convenience and necessity require the public would benefit by the
14 amendment of the Certificates of JUC, H₂O, Diversified and Queen Creek so that their certificated
15 service areas include the parcels and sections more fully described in Exhibits A and B.

16 5. JUC, H₂O, Diversified and Queen Creek are fit and proper entities to receive amended
17 Certificates which encompass the areas more fully described in Exhibits A and B.

18 6. Staff's recommendations with respect to the applications of JUC, H₂O, Diversified and
19 Queen Creek, as set forth in Findings of Fact Nos. 153, 154, 155, 156, 157, 158, 159, 160, 161, 162,
20 163, 164, 165, 166, 167, 168, 169, and 171 for the amendment of their respective Certificates, should
21 be approved subject to the recommendations of Staff with the exception that a utility cited for either a
22 minor or major violation by ADEQ within the two year period of review following the effective date
23 of this Decision should have 90 days from the date of the notice of violation to cure the defect or
24 request an extension from the Commission in order to remedy the violation.

25 ORDER

26 IT IS THEREFORE ORDERED that the applications of Johnson Utilities, L.L.C., dba
27 Johnson Utilities Company, H₂O, Inc., Diversified Water Utilities, Inc., and Queen Creek Water
28 Company for amendment of their Certificates of Convenience and Necessity for the operation of the

1 applicable water and/or waste water facilities in the areas more fully described in the parcels as set
2 forth in Exhibits A and B attached hereto be, and are hereby, conditionally approved subject to the
3 respective utilities meeting the applicable conditions as set forth in Findings of Fact Nos. 153, 154,
4 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, and 171 and Conclusions
5 of Law Nos.4, 5 and 6 above.

6 IT IS FURTHER ORDERED that in the event Johnson Utilities, L.L.C. dba Johnson Utilities
7 Company, H₂O, Inc., Diversified Water Utilities, Inc. and Queen Creek Water Company do not
8 timely meet the requirements according to Staff's recommendations as set forth in Findings of Fact
9 Nos. 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168 169, and 171, or
10 fail to cure any major or minor violations cited by ADEQ within 90 days from the date of notice or
11 request an extension therefrom, then such conditional Certificate granted herein for the respective
12 parcel shall be rendered null and void without further order of the Commission.

13 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company,
14 H₂O, Inc., Diversified Water Utilities, Inc. and Queen Creek Water Company shall file, if not
15 previously filed, correct legal descriptions for the parcels and/or sections amending their Certificates
16 of Convenience and Necessity as described herein.

17 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company,
18 H₂O, Inc., Diversified Water Utilities, Inc. and Queen Creek Water Company shall charge those
19 customers in the areas more fully described in Exhibits A and B their existing rates and charges until
20 further Order of the Commission.

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1 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company
2 shall file, within 30 days of the effective date of this Decision, with the Director of the Commission's
3 Utilities Division, an amended tariff schedule which incorporates language indicating that its
4 wastewater rates and charges shall become effective for a connection when wastewater first is
5 produced.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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10 CHAIRMAN

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2001.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
MES:dap

1 SERVICE LIST FOR: H₂O, INC.; JOHNSON UTILITIES, LLC;
2 DIVERSIFIED WATER UTILITIES, INC; and QUEEN
CREEK WATER COMPANY

3 DOCKET NOS. W-02234A-00-0371; WS-02987A-99-0583; WS-
4 02987A-00-0618; W-02859A-00-0774; and W-01395A-
5 00-0784

6 Thomas H. Campbell
7 Michael Denby
8 LEWIS AND ROCA, L.L.P
9 40 N. Central Avenue
10 Phoenix, AZ 85004
11 Attorneys for Johnson Utilities, L.L.C.

12 Jay Shapiro
13 Karen E. Errant
14 FENNEMOKE CRAIG, P.C.
15 3003 N. Central, Ste. 2600
16 Phoenix, AZ 85012
17 Attorneys for H2O Water Company

18 Charles A. Bischoff
19 JORDAN & BISCHOFF
20 7272 E. Indian School Road, Ste. 205
21 Scottsdale, AZ 85251
22 Attorneys for Queen Creek Water Company

23 Jeffrey C. Zimmerman
24 Brad K. Keogh
25 MOYES STOREY, LTD.
26 3003 N. Central, Ste. 1250
27 Phoenix, AZ 85012
28 Attorneys for Arizona Utility Supply & Service, L.L.C.

29 William Sullivan
30 MARTINEZ & CURTIS, P.C.
31 2712 N. 7th Street
32 Phoenix, AZ 85008

33 Petra Schadeberg
34 PANTANO DEVELOPMENT LTD. PARTNERSHIP
35 3408 N. 60th Street
36 Phoenix, AZ 85018

37 Richard N. Morrison
38 SALMON, LEWIS & WELDON
39 4444 N. 32nd St., Ste. 200
40 Phoenix, AZ 85018

41 ...
42 ...

1 Kathy Aleman, Manager
WOLFCOR, L.L.C. & WOLFKIN FARMS
2 Southwest Properties, Inc.
3850 E. Baseline Road, Ste. 123
3 Mesa, AZ 85026

4 Dick Maes, Project Manager
VISTOSO PARTNERS, L.L.C.
1121 W. Warner Road, Ste. 109
5 Tempe, AZ 85284

6 Christopher Kempley, Chief Counsel
Legal Division
7 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
8 Phoenix, Arizona 85007

9 Steve Olea, Director
Utilities Division
10 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
11 Phoenix, Arizona 85007

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Arizona Corporation Commission
H2O/Johnson Utilities/Diversified/Queen Creek
Request for CC&N Extension Areas
Docket Nos. W-2234-00-371, et al.

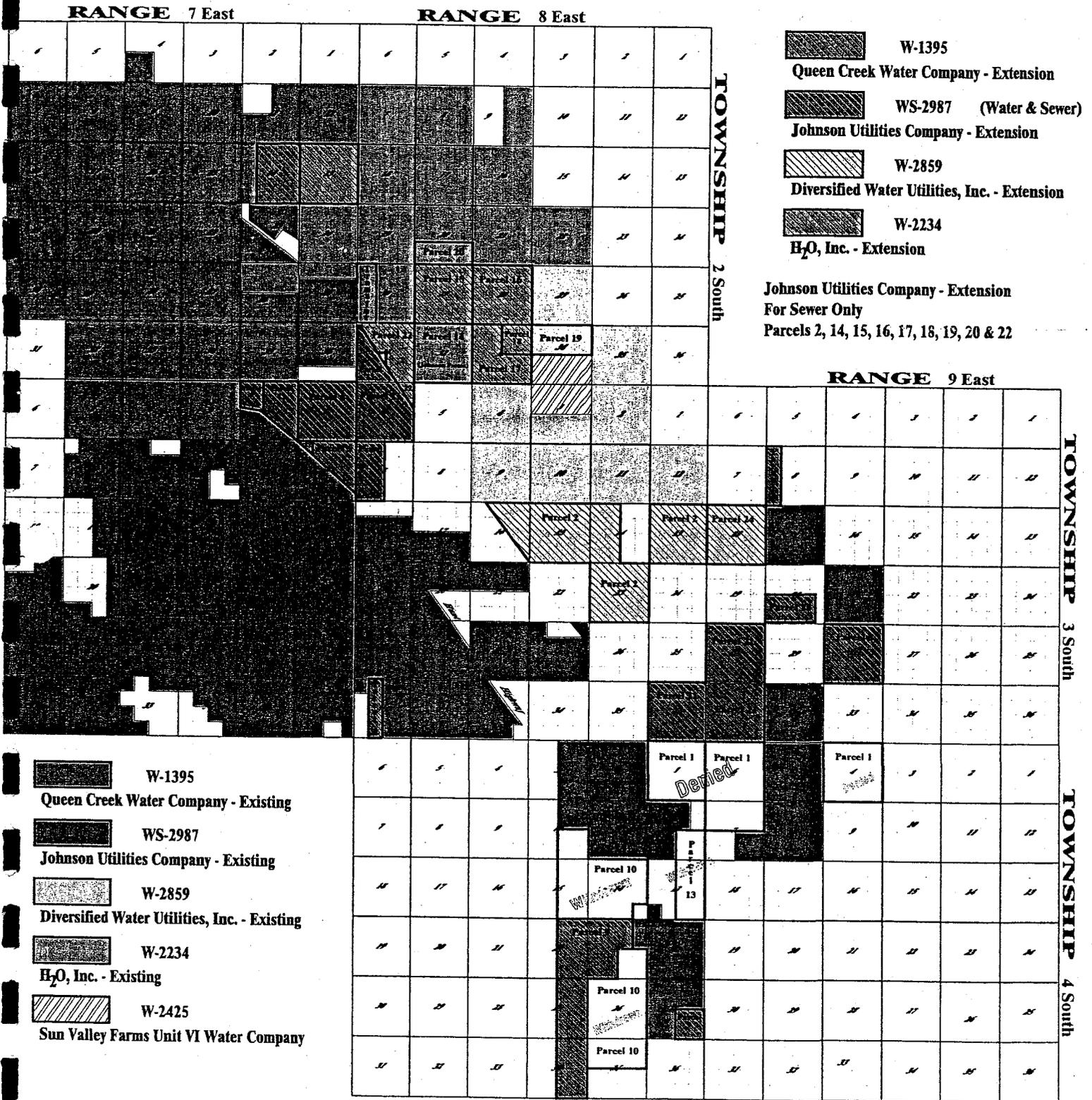
Parcel	Development	Twp/Rng	Description
1	Arizona Farms		
2	Bella Vista Farms		
3	Jorde Farms		
4	Whitehead		
5	Skyline		
6	Morning Sun Farms		
7	Shelton		
8	Various		
9	Farley Farms		
10	State of Arizona/Future Development		
11	Circle Cross Ranch (W of RR)		
12	Jorde/Morning Sun Farms		
13	BLM Property		
14	Johnson Farms/Combs School		
15	Pecan Estates		
16	Home Place		
17	Ware Farms		
18	Various		
19	Various		
20	Pecan Ranch		
21	Dobson Farms		
22	Circle Cross Ranch (E of RR)		
23	Magma Ranch		
24	Development - Sec 18, T3S, R9E		

Country Thunder	T2S, R8E	W 1/3 of Section 30
Miscellaneous	T2S, R7E	E 3/4 of Section 14

EXHIBIT 'A'

DECISION NO. _____

ALLOCATION OF REQUESTED AREAS



JOHNSON UTILITIES COMPANY, ET AL.
DOCKET NO. WS-2987-99-583, ET AL.
PARCEL ALLOCATIONS

Parcel 1 - Denied

Parcels 10 & 13 - Requests Withdrawn

Johnson Utilities - (Wastewater Only)

Parcels 2, 14, 15, 16, 17, 18, 19, 20 and 22

Johnson Utilities - (Water & Wastewater)

Parcels 3, 4, 5, 6, 7, 8, 9, 11, 12, 21 and 23

H2O, Inc. - (Water Only)

Parcels 15, 16, 17, 18 and 22

That portion of Parcel 14 not previously certificated to H2O

All of Section 13, Township 2 South, Range 7 East, in Maricopa County, Arizona

TRANSFER Country Thunder (the western one-third of Section 30, Township 2 South, Range 8 East, Pinal County, Arizona

Diversified - (Water Only)

Parcels 2 and 24

Queen Creek - (Water Only)

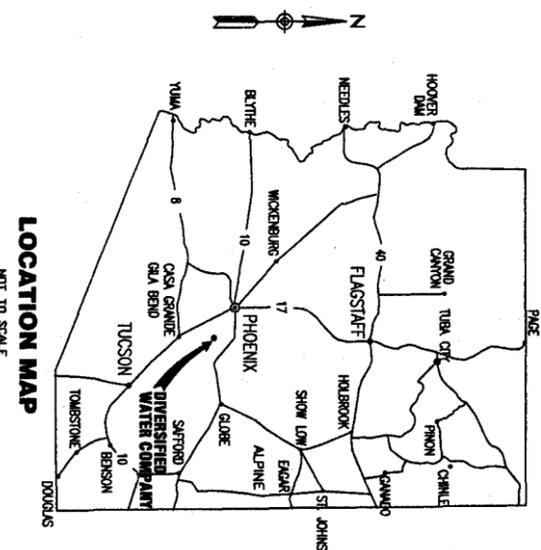
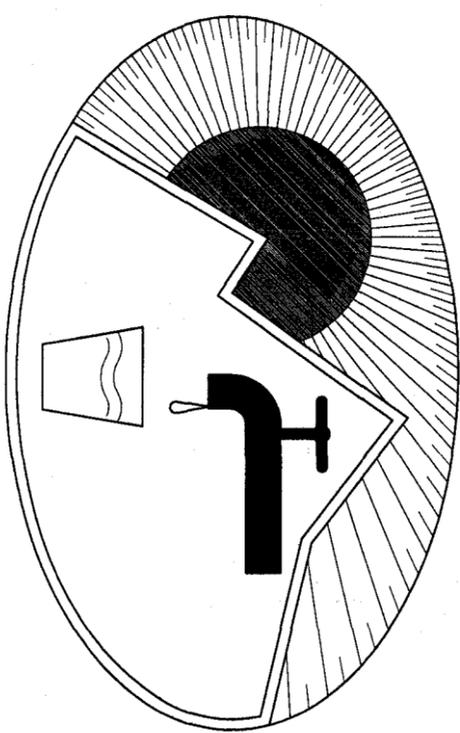
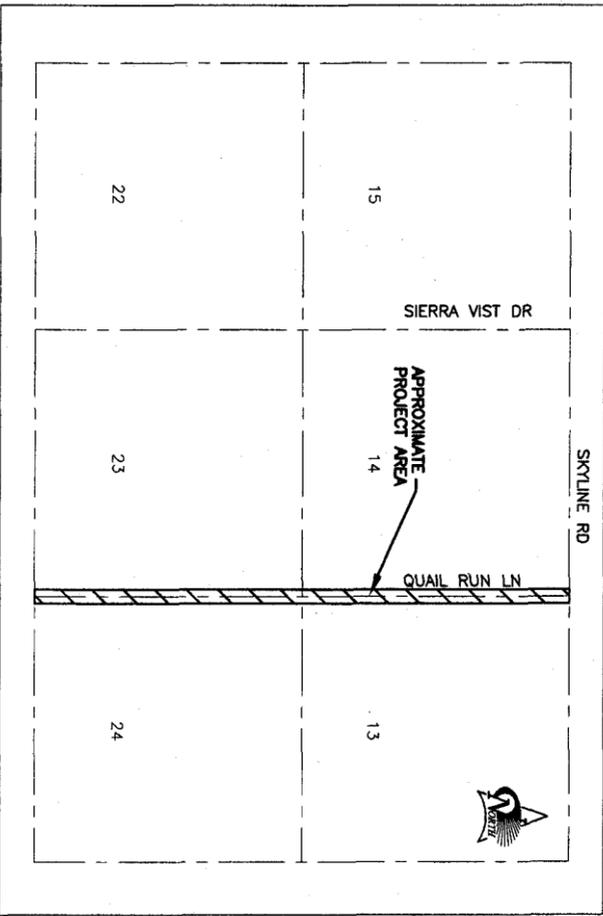
TRANSFER of Country Thunder from H2O (see above description)

Eastern three-fourths of Section 14, Township 2 South, Range 7 East, Maricopa County, Arizona

Exhibit 7

Design Plans for the Proposed Water Facilities

DIVERSIFIED WATER COMPANY QUAIL RUN WATER LINE 2005



DRAWING INDEX

TITLE	SHEET NO.
COVER	COV
GENERAL NOTES, LEGEND, AND ABBREVIATIONS	G1
OFFSITE WATER LINE PLAN AND PROFILE	PP1-PP11

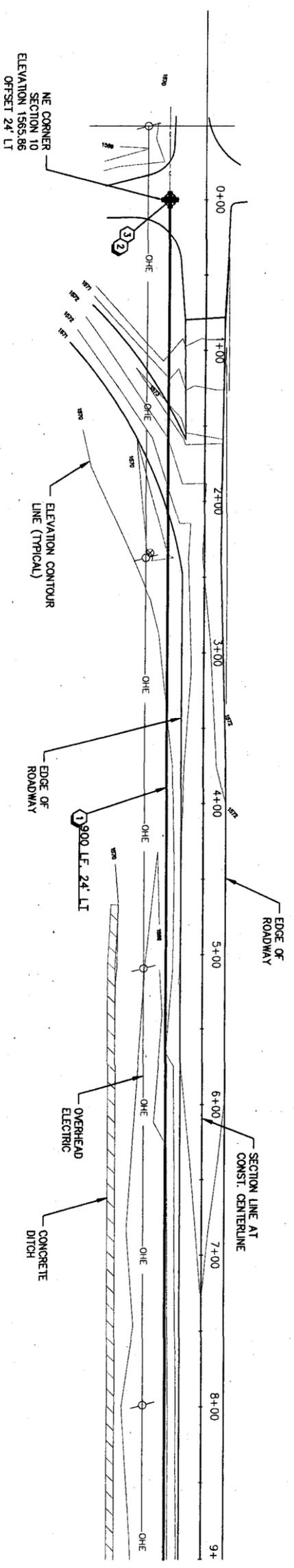
PREPARED BY:

SUNRISE ENGINEERING, INC.

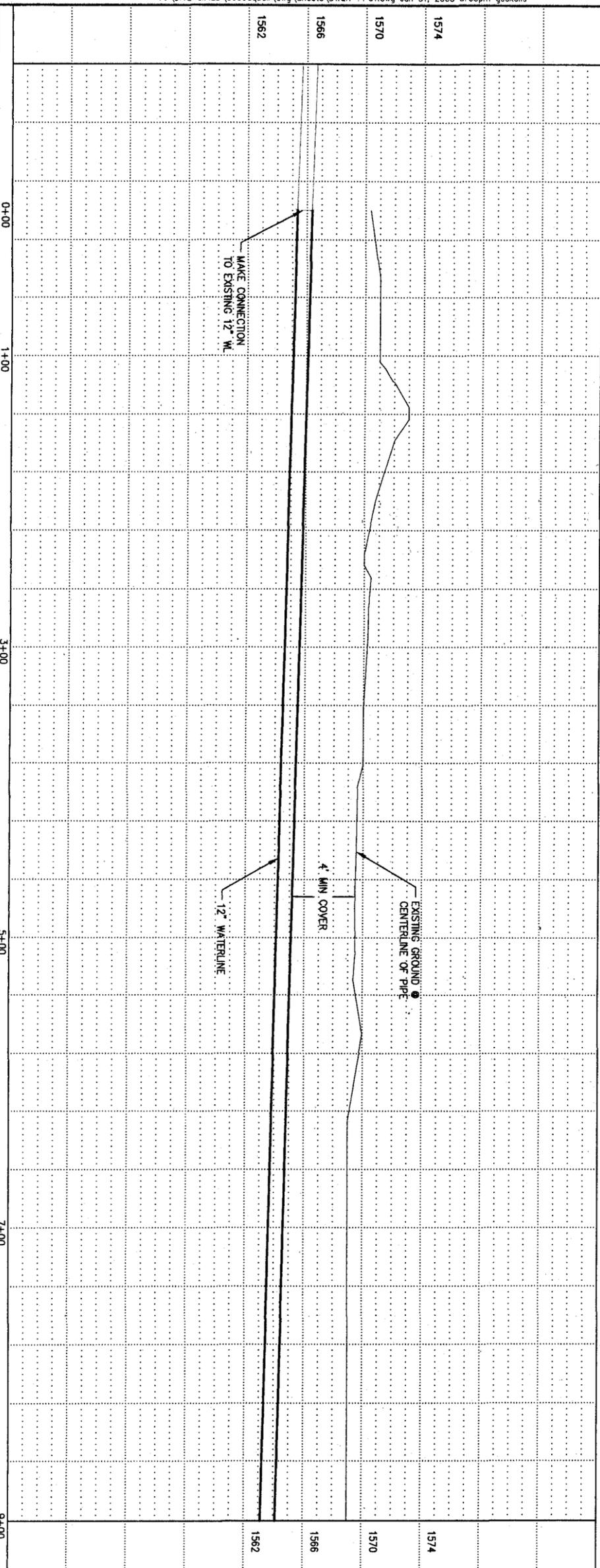
2152 SOUTH VINEYARD, SUITE 123
 MESA, ARIZONA 85210
 (480) 768-8600
 FAX (480) 768-8609



PRELIMINARY
NOT
 FOR CONSTRUCTION



QUAIL RUN LANE

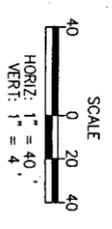


CONSTRUCTION NOTES

- ① INSTALL 12" PVC(C900 PIPE, LENGTH AS ICL200) SHOWN.
- ② CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
- ③ INSTALL 12" GATE VALVE.
- ④ INSTALL 12"x45BEND.
- ⑤ INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
- ⑥ INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.



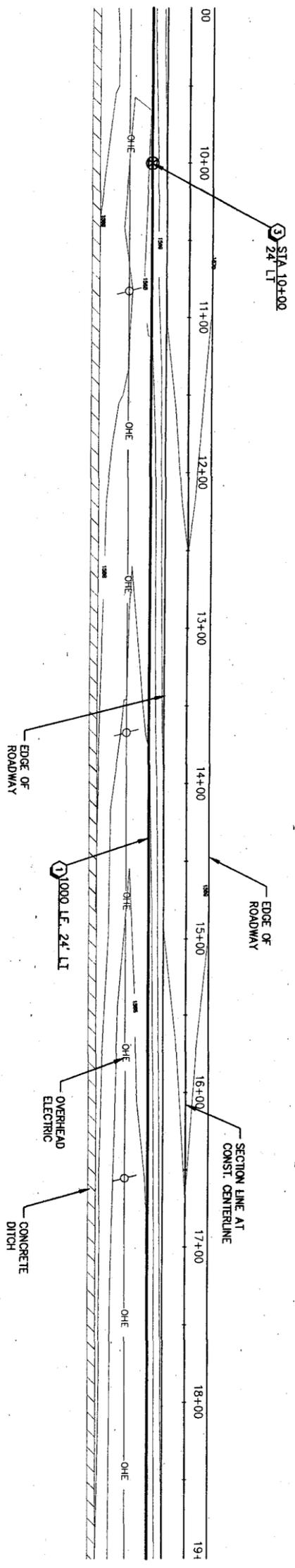
PRELIMINARY
FOR CONSTRUCTION
DATE

2152 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL - (480) 798-8800
FAX - (480) 798-8800
WWW.SUNRISE-ENG.COM

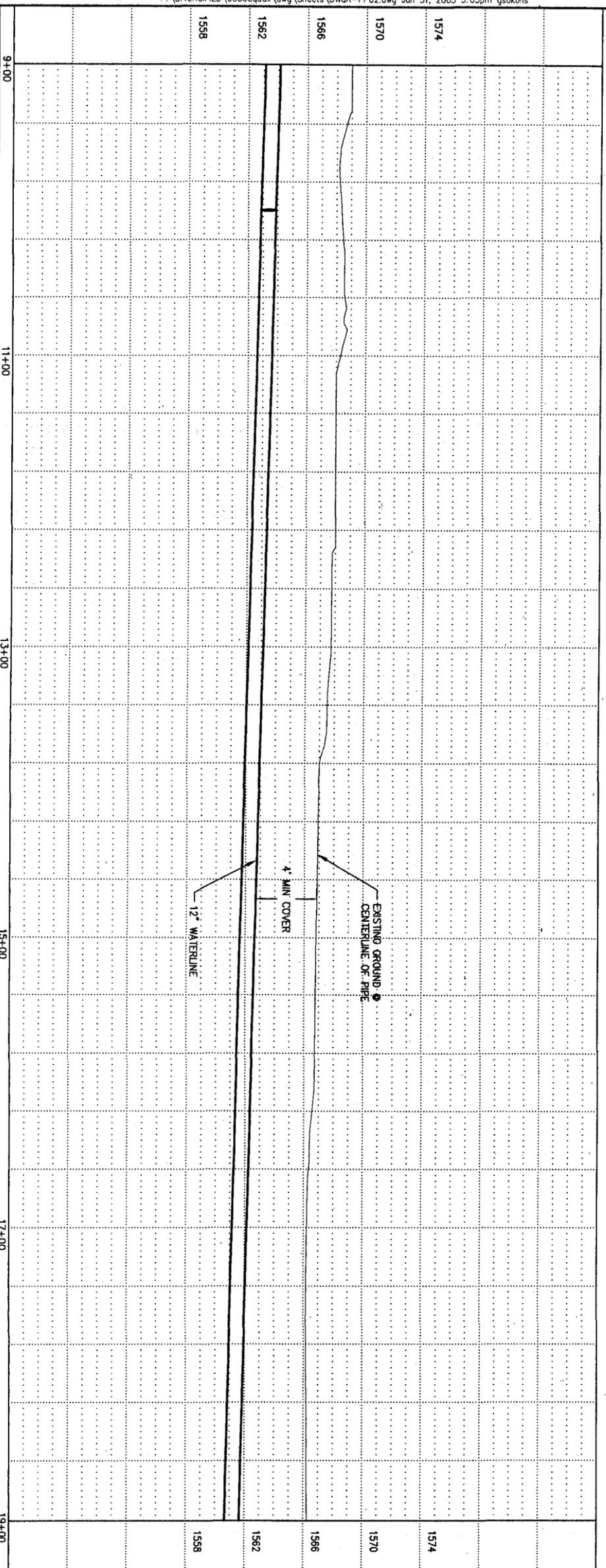
DIVERSIFIED WATER UTILITIES, INC
PINAL COUNTY, AZ
QUAIL RUN WATER LINE

SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.	PP01
1"=40'	XX	XX	XX	3 of 13	

Sheet Name 2



QUAIL RUN LANE

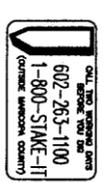
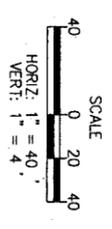


CONSTRUCTION NOTES

- ① INSTALL 12" PVC(9900 PIPE, LENGTH AS ICL200) SHOWN.
- ② CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
- ③ INSTALL 12" GATE VALVE.
- ④ INSTALL 12"x45" BEND.
- ⑤ INSTALL TEMP. BLOW-OFF PER MAG. STD. DET. 390 TYPE A.
- ⑥ INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.



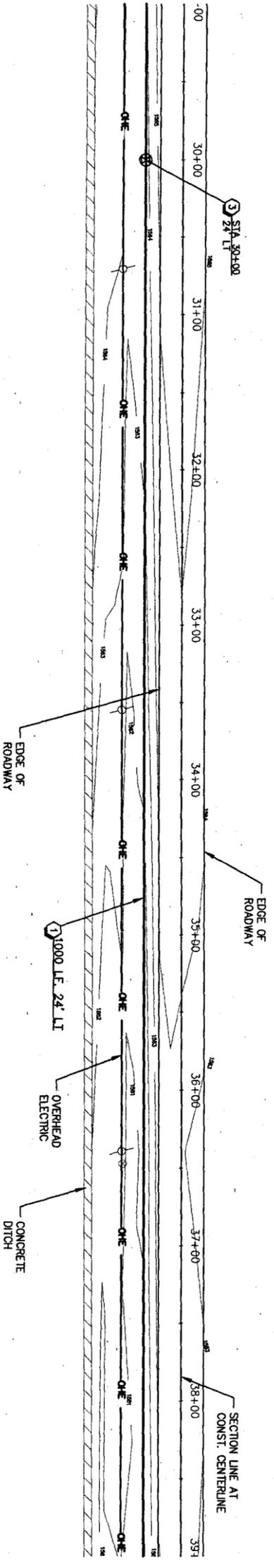
PRELIMINARY
NOT FOR CONSTRUCTION
DATE

**SUNRISE
ENGINEERING
INC.**

2152 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL: (480) 768-8600
FAX: (480) 768-8609
WWW.SUNRISE-ENG.COM

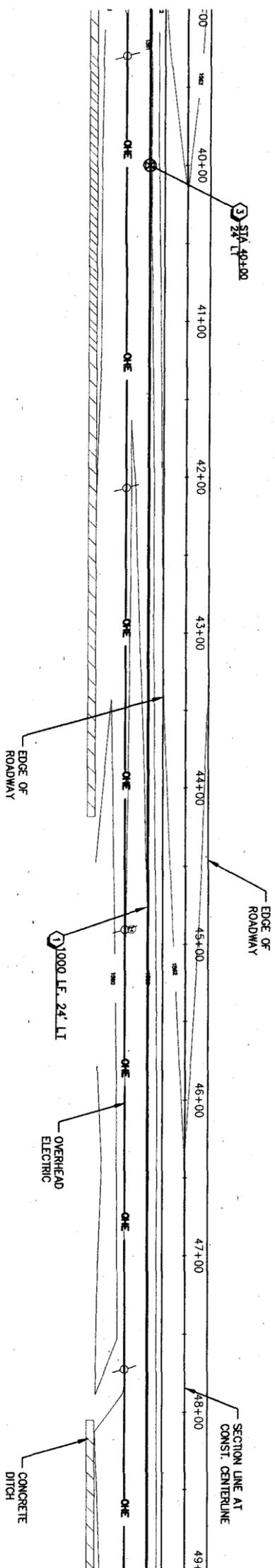
DIVERSIFIED WATER UTILITIES, INC
PINAL COUNTY, AZ
QUAIL RUN WATER LINE

SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.
1"=40'	XX	XX	XX	4 of 13
Sheet Name 2				PP02



QUAIL RUN LANE

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QUAIL RUN LANE

1574	1574	41+00	43+00	45+00	47+00	49+00
1570	1570	41+00	43+00	45+00	47+00	49+00
1566	1566	41+00	43+00	45+00	47+00	49+00
1562	1562	41+00	43+00	45+00	47+00	49+00
1558	1558	41+00	43+00	45+00	47+00	49+00
1554	1554	41+00	43+00	45+00	47+00	49+00

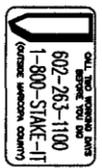
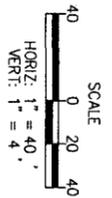


CONSTRUCTION NOTES

1. INSTALL 12" PVC(C900 PIPE, LENGTH AS ICL200) SHOWN.
2. CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
3. INSTALL 12" GATE VALVE.
4. INSTALL 12"x45BEND.
5. INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
6. INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.



PRELIMINARY
FOR NOT
CONSTRUCTION
DATE

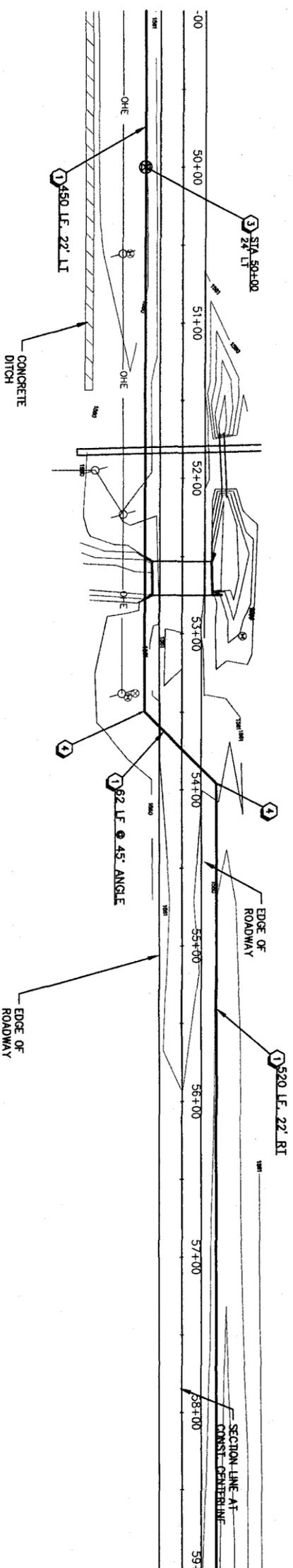
2152 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL - (480) 768-8500
FAX - (480) 768-8509
WWW.SUNRISE-ENG.COM

**SUNRISE
ENGINEERING
INC.**

DIVERSIFIED WATER UTILITIES, INC
PINAL COUNTY, AZ
QUAIL RUN WATER LINE

SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.	PP05
1"=40'	XX	XX	XX	7 of 13	

QUAIL RUN LANE

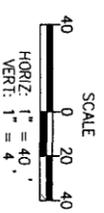


CONSTRUCTION NOTES

1. INSTALL 12" PVC(C900 PIPE, LENGTH AS ICL200) SHOWN.
2. CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
3. INSTALL 12" GATE VALVE.
4. INSTALL 12"x45BEND.
5. INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
6. INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.



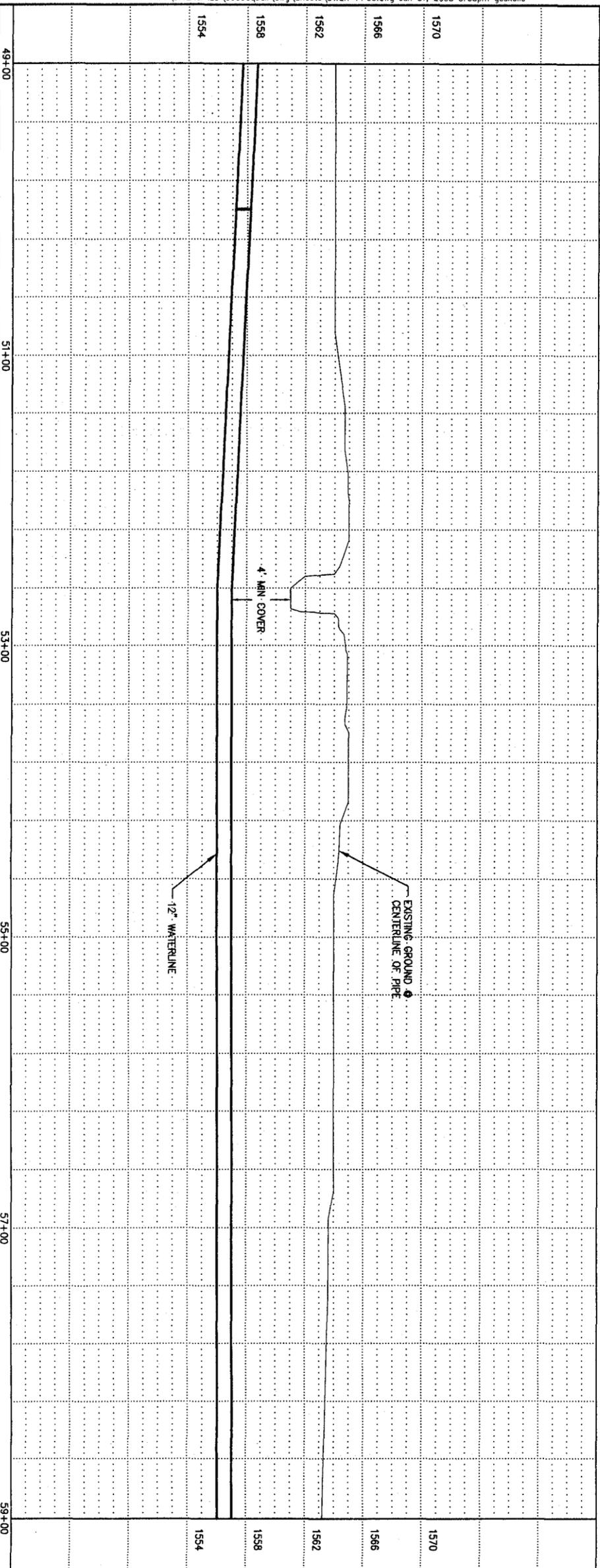
DATE: _____ BY: _____

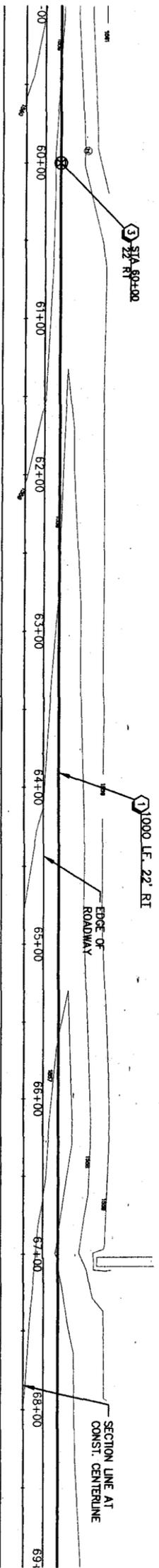
PRELIMINARY
NOT FOR CONSTRUCTION
DATE: _____

SUNRISE ENGINEERING INC.
2152 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL - (480) 768-9800
FAX - (480) 768-9809
www.sunrise-eng.com

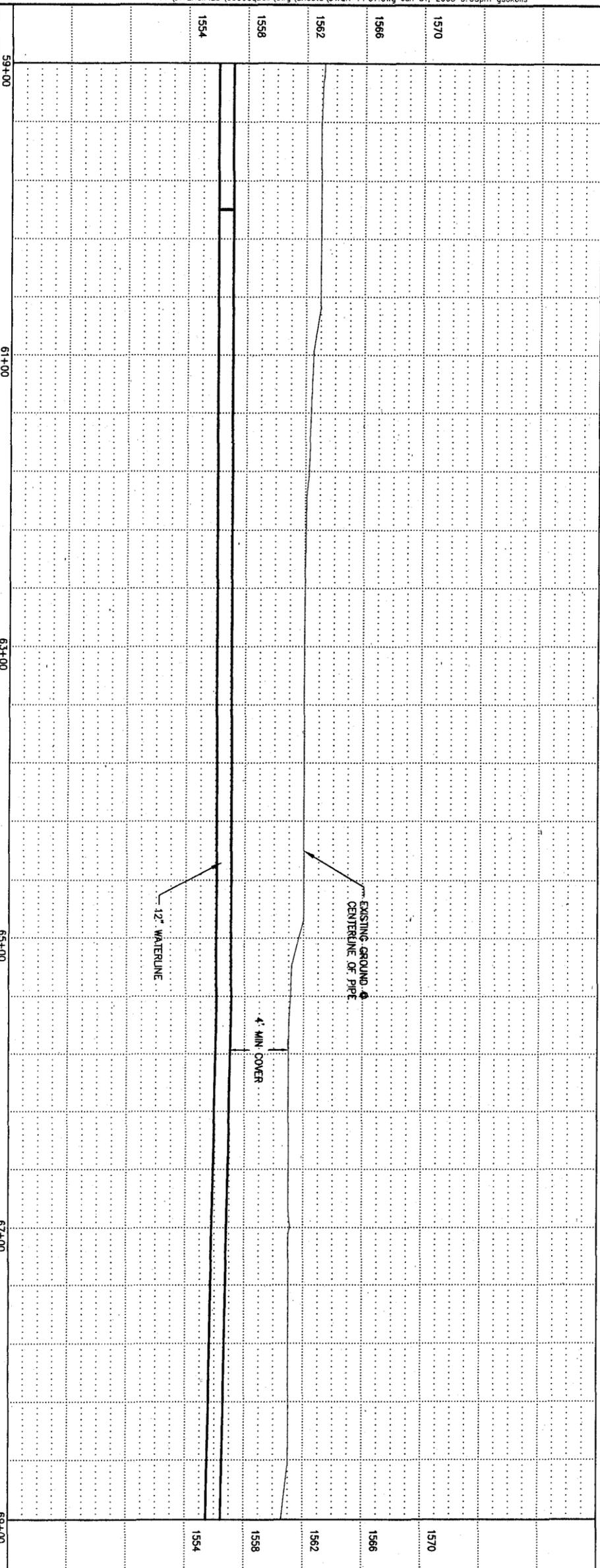
DIVERSIFIED WATER UTILITIES, INC
PINAL COUNTY, AZ
QUAIL RUN WATER LINE

SCALE: 1"=40'
DESIGNED: XX
DRAWN: XX
CHECKED: XX
SHEET NO: B of 13
PP06





QUAIL RUN LANE



CONSTRUCTION NOTES

1. INSTALL 12" PVC(C900 PIPE, LENGTH AS ICL200) SHOWN.
2. CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
3. INSTALL 12" GATE VALVE.
4. INSTALL 12" X 45' BEND.
5. INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
6. INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.



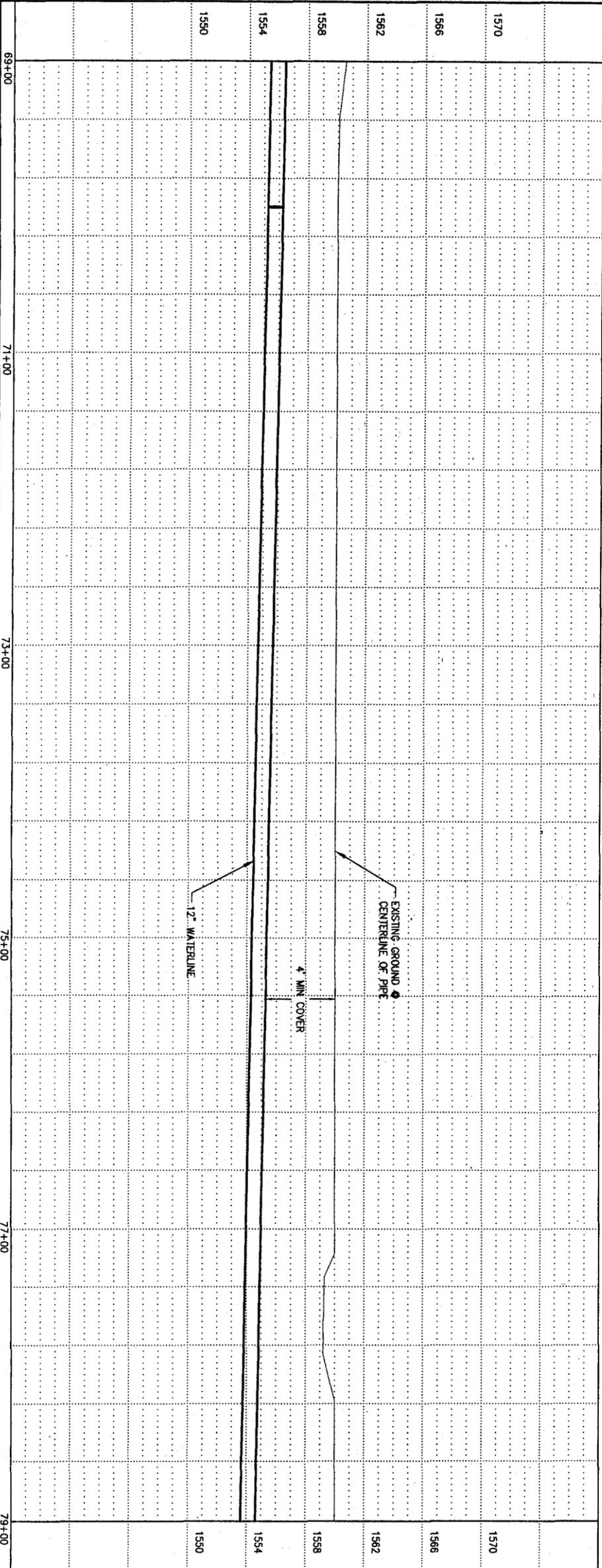
CALL FOR STAKING DATA
602-263-1100
1-800-STAKE-IT
(outside Pinal County)

PRELIMINARY
NOT FOR CONSTRUCTION
DATE

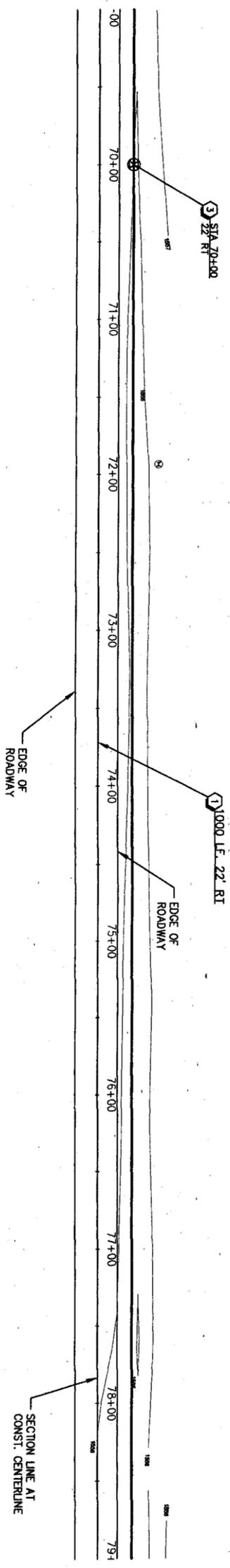
2152 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL: (480) 788-8600
FAX: (480) 788-8609
WWW.SUNRISE-ENG.COM

DIVERSIFIED WATER UTILITIES, INC
PINAL COUNTY, AZ
QUAIL RUN WATER LINE

SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.	PP07
1"=40'	XX	XX	XX	9 of 13	



QUAIL RUN LANE

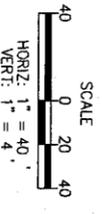


CONSTRUCTION NOTES

1. INSTALL 12" PVC(9000 PIPE, LENGTH AS ICL200) SHOWN.
2. CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
3. INSTALL 12" GATE VALVE.
4. INSTALL 12"x45BEND.
5. INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
6. INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.



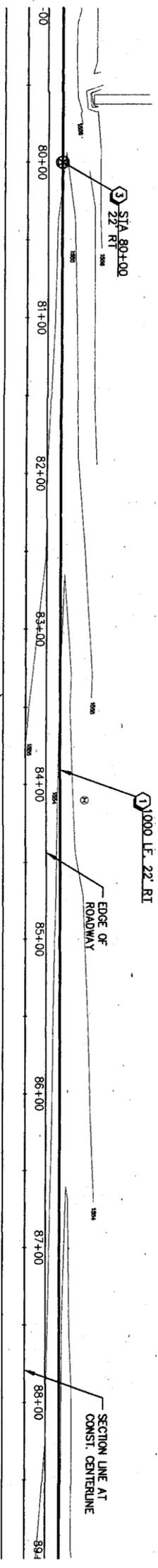
PRELIMINARY
NOT
FOR CONSTRUCTION
DATE

SUNRISE ENGINEERING INC.
 2152 SOUTH VINEYARD, SUITE 123
 MESA, ARIZONA 85210
 TEL - (480) 768-8600
 FAX - (480) 768-8609
 WWW.SUNRISE-ENG.COM

DIVERSIFIED WATER UTILITIES, INC
 PINAL COUNTY, AZ

QUAIL RUN WATER LINE

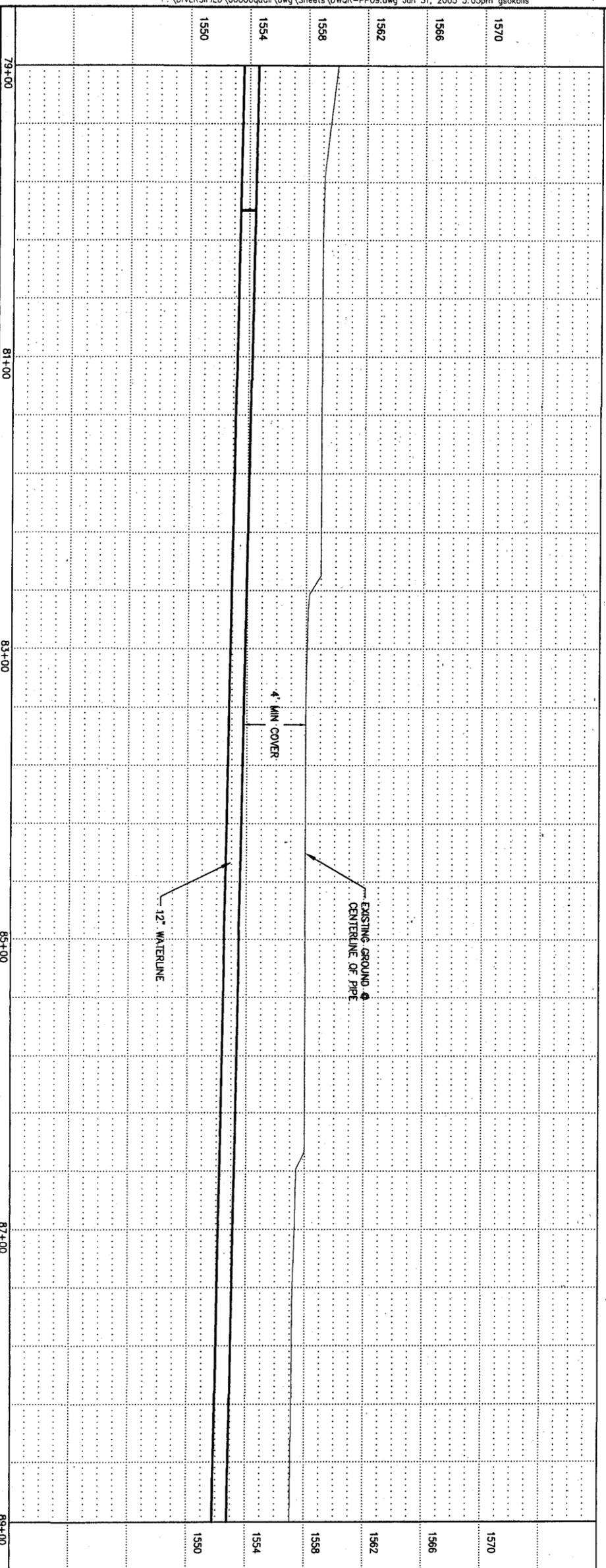
SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.	PP08
1"=40'	XX	XX	XX	10 of 13	



CONSTRUCTION NOTES

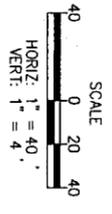
1. INSTALL 12" PVC(C900 PIPE, LENGTH AS ICL200) SHOWN.
2. CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
3. INSTALL 12" GATE VALVE.
4. INSTALL 12"x45BEND.
5. INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
6. INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

QUAIL RUN LANE



GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.

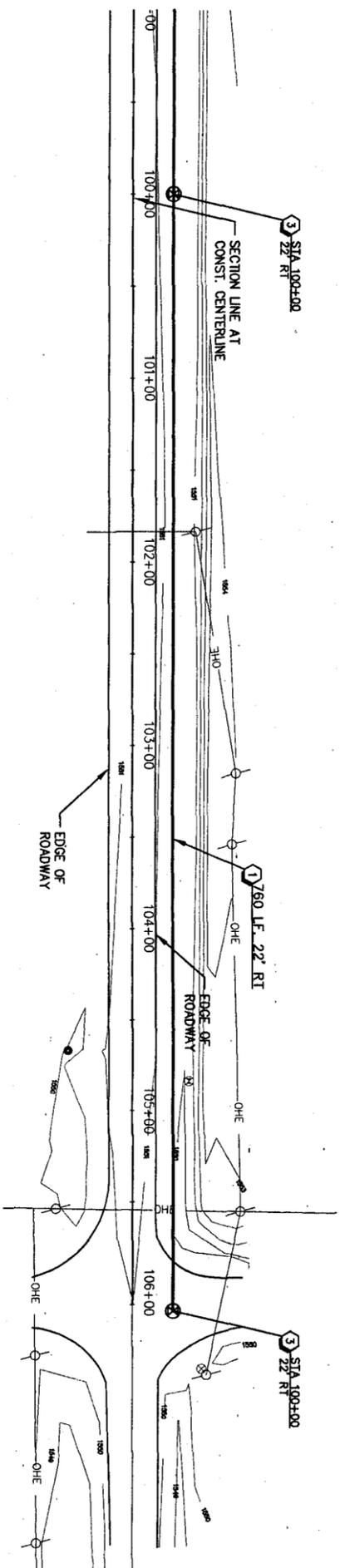


PRELIMINARY
NOT FOR CONSTRUCTION
DATE

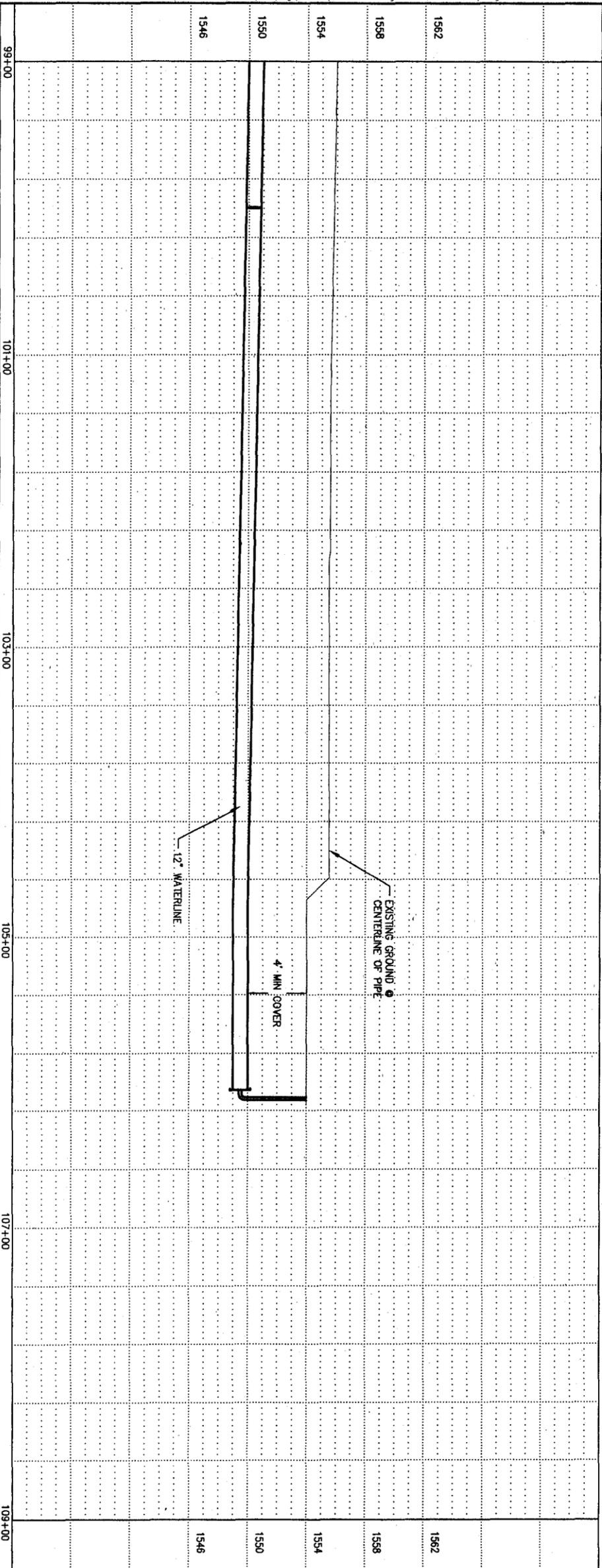
SUNRISE ENGINEERING INC.
2182 SOUTH VINEYARD, SUITE 123
MESA, ARIZONA 85210
TEL - (480) 768-8800
FAX - (480) 768-8809
WWW.SUNRISE-ENG.COM

DIVERSIFIED WATER UTILITIES, INC
PINAL COUNTY, AZ
QUAIL RUN WATER LINE

SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.	PP09
1"=40'	XX	XX	XX	11 of 13	



QUAIL RUN LANE

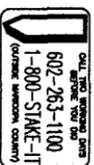


CONSTRUCTION NOTES

1. INSTALL 12" PVC(C900) PIPE. LENGTH AS ICL200) SHOWN.
2. CONNECT TO EXISTING WATERLINE CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
3. INSTALL 12" GATE VALVE.
4. INSTALL 12" X 45 BEND.
5. INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
6. INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.

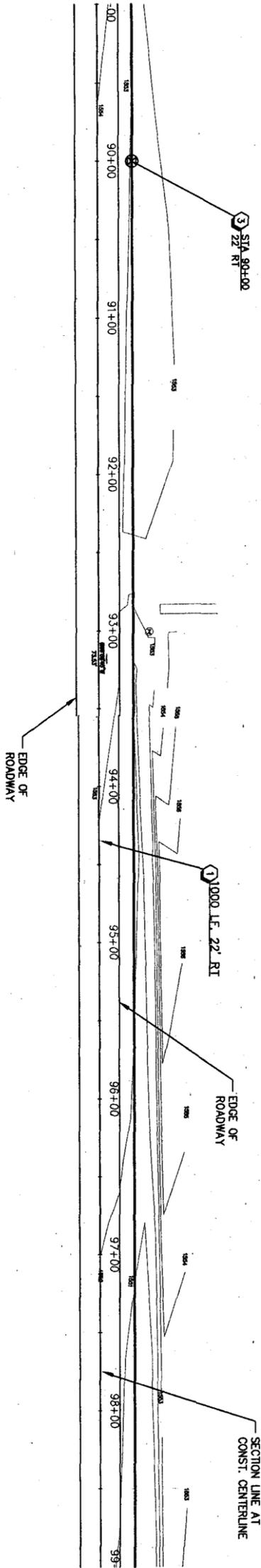


DATE: _____ BY: _____


SUNRISE ENGINEERING INC.
 2152 SOUTH VINEYARD, SUITE 123
 MESA, ARIZONA 85209
 TEL - (480) 798-8600
 FAX - (480) 798-8608
 WWW.SUNRISE-ENG.COM

DIVERSIFIED WATER UTILITIES, INC
 PINAL COUNTY, AZ
 QUAIL RUN WATER LINE

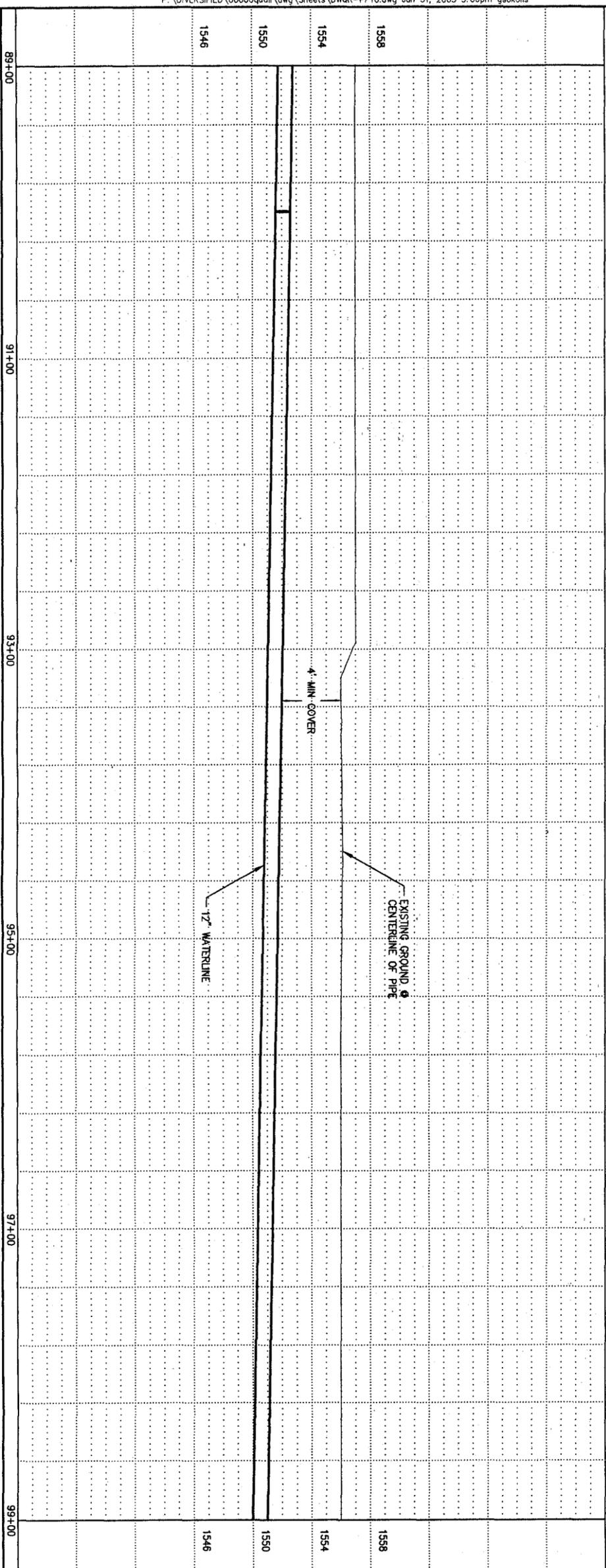
SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.
1"=40'	XX	XX	XX	13 of 13
				PP11



CONSTRUCTION NOTES

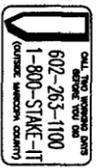
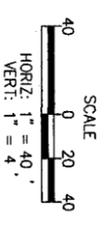
- 1 INSTALL 12" PVC(G900 PIPE, LENGTH AS (CL200) SHOWN.
- 2 CONNECT TO EXISTING WATERLINE. CONNECTION SHALL INCLUDE ALL FITTINGS NECESSARY TO MAKE CONNECTION.
- 3 INSTALL 12" GATE VALVE.
- 4 INSTALL 12"x45BEND.
- 5 INSTALL TEMP. BLOW-OFF PER MAG STD. DET. 390 TYPE A.
- 6 INSTALL COMBINATION AIR/VACUUM RELEASE VALVE.

QUAIL RUN LANE



GENERAL NOTES

1. LENGTHS OF PIPE ARE TO CENTER OF FITTING CLUSTER OR VALVE.



PRELIMINARY
NOT FOR CONSTRUCTION
DATE

SUNRISE ENGINEERING INC.
2152 SOUTH VINEYARD SUITE 128
MESA, ARIZONA 85210
TEL - (480) 768-8600
FAX - (480) 768-8609
WWW.SUNRISE-ENG.COM

DIVERSIFIED WATER UTILITIES, INC
PIVAL COUNTY, AZ
QUAIL RUN WATER LINE

SCALE	DESIGNED	DRAWN	CHECKED	SHEET NO.	PP10
1"=40'	XX	XX	XX	12 of 13	

Exhibit 8

Engineer's Opinion of Preliminary Cost, Financing Scenario



Cost Summary
Diversified Water Utilities
Service Area Expansion
Sections 13, 14, 15, 16 & 23

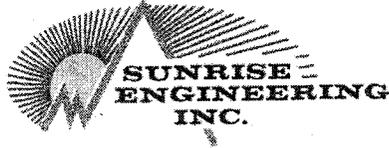
Water Infrastructure Improvements Cost Summary

Expansion Area - Section 13		
Water Infrastructure Improvements	\$	1,283,800
Expansion Area - Section 14		
Water Infrastructure Improvements	\$	1,281,300
Expansion Area - Section 15		
Water Infrastructure Improvements	\$	1,281,300
Expansion Area - Section 16		
Water Infrastructure Improvements	\$	1,281,300
Expansion Area - Section 23		
Water Infrastructure Improvements	\$	1,546,300
Total	\$	6,674,000

Assumption: Costs of 12-inch
mains on section line will be
borne by the developer

Proposed Funding Plan

Estimated Connections within Expansion Area		9800
Hook-up Fee Per Connection	\$	850.00
Total Funding Available	\$	8,330,000



Preliminary Engineer's Opinion of Cost

Project: Expansion Area - Section 13
 Water Infrastructure Improvements

Owner: Diversified Water Utilities

No.	Item Description	Quantity	Unit	Unit Price	Amount
1	Site Demolition & Grading	1	LS	\$ 20,000.00	\$ 20,000.00
2	1 Million Gallon Steel Water Storage Tank	1	LS	\$ 350,000.00	\$ 350,000.00
3	Hydropneumatic Tank	1	LS	\$ 25,000.00	\$ 25,000.00
4	Booster Pump Building	1	LS	\$ 35,000.00	\$ 35,000.00
5	Booster Pumps, Piping & Appurtenances	1	LS	\$ 75,000.00	\$ 75,000.00
6	Chlorination Building & Appurtenances	1	LS	\$ 60,000.00	\$ 60,000.00
7	Install Well Sanitary Seal & Recondition Existing Well	1	LS	\$ 20,000.00	\$ 20,000.00
8	Remove & Reinstall Well Pump	1	LS	\$ 20,000.00	\$ 20,000.00
9	Electrical & Telemetry Work	1	LS	\$ 100,000.00	\$ 100,000.00
10	Yard Piping & Appurtenances	1	LS	\$ 40,000.00	\$ 40,000.00
11	8-foot Block Wall & Gate	1	LS	\$ 30,000.00	\$ 30,000.00
12	12-inch Transmission Main	5,300	LF	\$ 40.00	\$ 212,000.00
13					

Subtotal \$ 987,000.00

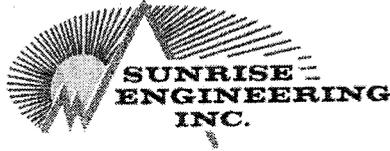
Engineering \$ 98,700.00

Property Acquisition \$ 50,000.00

Contingency \$ 148,100.00

Total \$ 1,283,800.00

*In providing opinions of probable construction cost the Client understands that the Engineer has no control over costs or the price of labor, equipment or materials, or over the Contractor's method of pricing, and that the opinion of probable construction cost provided herein is made on the basis of the Engineer's qualifications and experience. The Engineer makes no warranty, expressed or implied, as the accuracy if such opinions compared to bid or actual costs.



Preliminary Engineer's Opinion of Cost

Project: Expansion Area - Section 14
 Water Infrastructure Improvements

Owner: Diversified Water Utilities

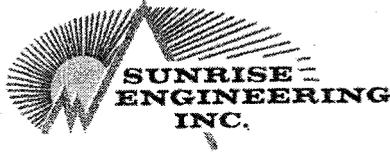
No.	Item Description	Quantity	Unit	Unit Price	Amount
1	Site Demolition & Grading	1	LS	\$ 20,000.00	\$ 20,000.00
2	1 Million Gallon Steel Water Storage Tank	1	LS	\$ 350,000.00	\$ 350,000.00
3	Hydropneumatic Tank	1	LS	\$ 25,000.00	\$ 25,000.00
4	Booster Pump Building	1	LS	\$ 35,000.00	\$ 35,000.00
5	Booster Pumps, Piping & Appurtenances	1	LS	\$ 75,000.00	\$ 75,000.00
6	Chlorination Building & Appurtenances	1	LS	\$ 60,000.00	\$ 60,000.00
7	Drill New Well	1	LS	\$ 200,000.00	\$ 200,000.00
8	Install Well Pump & Appurtenances	1	LS	\$ 50,000.00	\$ 50,000.00
9	Electrical & Telemetry Work	1	LS	\$ 100,000.00	\$ 100,000.00
10	Yard Piping & Appurtenances	1	LS	\$ 40,000.00	\$ 40,000.00
11	8-foot Block Wall & Gate	1	LS	\$ 30,000.00	\$ 30,000.00
12					
13					

\$ 985,000.00

Engineerng \$ 98,500.00
 Property Aqcuisition \$ 50,000.00
 Contigency \$ 147,800.00

Total \$ 1,281,300.00

*In providing opinions of probable construction cost the Client understands that the Engineer has no control over costs or the price of labor, equipment or materials, or over the Contractor's method of pricing, and that the opinion of probable construction cost provided herein is made on the basis of the Engineer's qualifications and experience. The Engineer makes no warranty, expressed or implied, as the accuracy if such opinions compared to bid or actual costs.



Preliminary Engineer's Opinion of Cost

Project: Expansion Area - Section 15
 Water Infrastructure Improvements

Owner: Diversified Water Utilities

No.	Item Description	Quantity	Unit	Unit Price	Amount
1	Site Demolition & Grading	1	LS	\$ 20,000.00	\$ 20,000.00
2	1 Million Gallon Steel Water Storage Tank	1	LS	\$ 350,000.00	\$ 350,000.00
3	Hydropneumatic Tank	1	LS	\$ 25,000.00	\$ 25,000.00
4	Booster Pump Building	1	LS	\$ 35,000.00	\$ 35,000.00
5	Booster Pumps, Piping & Appurtenances	1	LS	\$ 75,000.00	\$ 75,000.00
6	Chlorination Building & Appurtenances	1	LS	\$ 60,000.00	\$ 60,000.00
7	Drill New Well	1	LS	\$ 200,000.00	\$ 200,000.00
8	Install Well Pump & Appurtenances	1	LS	\$ 50,000.00	\$ 50,000.00
9	Electrical & Telemetry Work	1	LS	\$ 100,000.00	\$ 100,000.00
10	Yard Piping & Appurtenances	1	LS	\$ 40,000.00	\$ 40,000.00
11	8-foot Block Wall & Gate	1	LS	\$ 30,000.00	\$ 30,000.00
12					
13					

\$ 985,000.00

Engineering \$ 98,500.00
 Property Acquisition \$ 50,000.00
 Contingency \$ 147,800.00

Total \$ 1,281,300.00

*In providing opinions of probable construction cost the Client understands that the Engineer has no control over costs or the price of labor, equipment or materials, or over the Contractor's method of pricing, and that the opinion of probable construction cost provided herein is made on the basis of the Engineer's qualifications and experience. The Engineer makes no warranty, expressed or implied, as the accuracy if such opinions compared to bid or actual costs.



Preliminary Engineer's Opinion of Cost

Project: Expansion Area - Section 16
 Water Infrastructure Improvements

Owner: Diversified Water Utilities

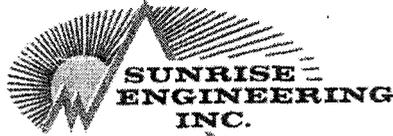
No.	Item Description	Quantity	Unit	Unit Price	Amount
1	Site Demolition & Grading	1	LS	\$ 20,000.00	\$ 20,000.00
2	1 Million Gallon Steel Water Storage Tank	1	LS	\$ 350,000.00	\$ 350,000.00
3	Hydropneumatic Tank	1	LS	\$ 25,000.00	\$ 25,000.00
4	Booster Pump Building	1	LS	\$ 35,000.00	\$ 35,000.00
5	Booster Pumps, Piping & Appurtenances	1	LS	\$ 75,000.00	\$ 75,000.00
6	Chlorination Building & Appurtenances	1	LS	\$ 60,000.00	\$ 60,000.00
7	Drill New Well	1	LS	\$ 200,000.00	\$ 200,000.00
8	Install Well Pump & Appurtenances	1	LS	\$ 50,000.00	\$ 50,000.00
9	Electrical & Telemetry Work	1	LS	\$ 100,000.00	\$ 100,000.00
10	Yard Piping & Appurtenances	1	LS	\$ 40,000.00	\$ 40,000.00
11	8-foot Block Wall & Gate	1	LS	\$ 30,000.00	\$ 30,000.00
12					
13					

\$ 985,000.00

Engineerng \$ 98,500.00
 Property Acquisition \$ 50,000.00
 Contigency \$ 147,800.00

Total \$ 1,281,300.00

*In providing opinions of probable construction cost the Client understands that the Engineer has no control over costs or the price of labor, equipment or materials, or over the Contractor's method of pricing, and that the opinion of probable construction cost provided herein is made on the basis of the Engineer's qualifications and experience. The Engineer makes no warranty, expressed or implied, as to the accuracy of such opinions compared to bid or actual costs.



Preliminary Engineer's Opinion of Cost

Project: Expansion Area - Section 23
 Water Infrastructure Improvements

Owner: Diversified Water Utilities

No.	Item Description	Quantity	Unit	Unit Price	Amount
1	Site Demolition & Grading	1	LS	\$ 20,000.00	\$ 20,000.00
2	1 Million Gallon Steel Water Storage Tank	1	LS	\$ 350,000.00	\$ 350,000.00
3	Hydropneumatic Tank	1	LS	\$ 25,000.00	\$ 25,000.00
4	Booster Pump Building	1	LS	\$ 35,000.00	\$ 35,000.00
5	Booster Pumps, Piping & Appurtenances	1	LS	\$ 75,000.00	\$ 75,000.00
6	Chlorination Building & Appurtenances	1	LS	\$ 60,000.00	\$ 60,000.00
7	Drill New Well	1	LS	\$ 200,000.00	\$ 200,000.00
8	Install Well Pump & Appurtenances	1	LS	\$ 50,000.00	\$ 50,000.00
9	Electrical & Telemetry Work	1	LS	\$ 100,000.00	\$ 100,000.00
10	Yard Piping & Appurtenances	1	LS	\$ 40,000.00	\$ 40,000.00
11	8-foot Block Wall & Gate	1	LS	\$ 30,000.00	\$ 30,000.00
12	12-inch Transmission Main	5,300	LF	\$ 40.00	\$ 212,000.00
13					

\$ 1,197,000.00

Engineering \$ 119,700.00
Property Acquisition \$ 50,000.00
Contingency \$ 179,600.00

Total \$ 1,546,300.00

*In providing opinions of probable construction cost the Client understands that the Engineer has no control over costs or the price of labor, equipment or materials, or over the Contractor's method of pricing, and that the opinion of probable construction cost provided herein is made on the basis of the Engineer's qualifications and experience. The Engineer makes no warranty, expressed or implied, as to the accuracy if such opinions compared to bid or actual costs.

ORIGINAL

TARIFF SCHEDULE

UTILITY: Diversified Water Utilities, Inc.

SHEET NO. 1

DOCKET NO. W-02859A-99-0101

DECISION NO. 61580

EFFECTIVE DATE: March 19, 1999

Off-Site Facilities Hook-Up Fee Tariff

I. Purpose

To more equitably apportion the costs of off-site water facility development among new service connections connecting to mains installed after the effective date of this tariff. Water hook-up fees are to be used to finance new "backbone" water plant including wells and storage facilities. Water hook-up fees are non-refundable contributions in aid of construction.

II. Applicability

In addition to the meter and service line installation charge, any other tariff necessary for connection to the system, and requirements for on-site facilities to be installed pursuant to approved main extension agreements, the following Off-site Facilities Hook-Up Fee is applicable to all new service connections requiring main extension agreements within the Company's certificated area from the effective date of this tariff and for all connections to mains installed pursuant to main extension agreements approved by the Arizona Corporation Commission after the effective date of this tariff.

III. Definitions

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Diversified Water Utilities, Inc., an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Off-site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant and these facilities will benefit the entire water system.

APPROVED FOR FILING

DECISION #: 61580

“Service Connection” means and includes all service connections for single-family residential or other uses, regardless of meter size.

IV. Off-site Facilities Hook-up Fee

Each new service connection shall pay the total Off-site Facilities Hook-up Fee derived from the following table:

OFF-SITE FACILITIES HOOK-UP FEE TABLE

<u>Meter Size</u>	<u>Size Factor</u>	<u>Total Fee</u>
5/8" x 3/4"	1	\$850.00
3/4"	1.2	\$1,020.00
1"	2	\$1,700.00
1 1/2"	4	\$3,400.00
2"	6.4	\$5,440.00
3"	12	\$10,200.00
4"	20	\$17,000.00
6" or larger	40	\$34,000.00

V. Terms and Conditions

(A) Assessment of One Time Hook-up Fee: The Hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge)

(B) Use of Hook-up Fee: Hook-up fees may only be used to pay for capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Hook-up fees shall not be used for expenses, maintenance, or operational purposes.

(C) Time of Payment:

a. For those requiring a main extension agreement - In addition to the amounts to be advanced pursuant to an Arizona Corporation Commission approved main extension agreement, the applicant for new water services shall pay the Company the Off-site Facilities Hook-up Fee as determined by meter size and number of connections to be installed pursuant to the main extension agreement. Payment of the Off-site Facilities Hook-up Fee shall be made at the time of payment of the main extension agreement or prior to commencement of construction of the water facilities to be installed by applicant pursuant to the main extension agreement.

b. For those connecting to an existing main that was installed pursuant to a main extension agreement that was approved by the Arizona Corporation Commission after the effective date of this tariff, in other words, connection does not require a main extension — In

addition to the meter and service line installation charge, and any other approved tariff necessary for connection to the system, the applicant shall pay the appropriate hook-up fee at the time of payment of the meter and service line installation charge.

(D) Off-site Facilities Hook-up Fee Non-refundable: The base fee amounts collected by the Company pursuant to the Off-site Facilities Hook-up Fee shall be non-refundable advances in aid of construction.

(E) Trust Account: All funds collected by the Company as Off-site facilities Hook-up Fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities.

(F) Hook-up Fee in Addition to On-site Facilities: The hook-up fee shall be in addition to any costs associated with a main extension agreement for on-site facilities and in addition to any costs for meter or service line installation authorized pursuant to an existing Arizona Corporation Commission tariff for Applicant.

(G) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the Off-site Facilities Hook-up Fee or the Off-site Facilities Hook-up Fee has been terminated by order of the Arizona Corporation Commission (Commission), any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(E) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the Off-site Facilities Hook-up Fee and which are contemplated to be constructed using the proceeds of the Off-site Facilities Hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the Off-site Facilities Hook-up Fee.

Exhibit 9

Diversified Water Utilities, Inc. – Financial Statements

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

DIVERSIFIED WATER UTILITIES, INC.
P.O. BOX 17357
PHOENIX, AZ 85011

ANNUAL REPORT

FOR YEAR ENDING

12	31	2003
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FOR COMMISSION USE

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COMPANY INFORMATION

Company Name (Business Name) DIVERSIFIED WATER UTILITIES, INC.

Mailing Address 2850 E. Camelback, Suite 200
(Street)

Phoenix
(City)

AZ
(State)

85016
(Zip)

(602) 840-9400

(602) 840-6030

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address 2850 E. Camelback, Suite 200
(Street)

Phoenix
(City)

(Street)

AZ
(State)

85016
(Zip)

(City)

(State)

(Zip)

(602) 840-9400

(602) 840-6030

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Scott W. Gray President
(Name) (Title)

2850 E. Camelback, Suite 200, Phoenix AZ 85016
(Street) (City) (State) (Zip)

(602) 840-9400

(602) 840-6030

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

On Site Manager: 8/4/11 Ted Wilkinson
(Name)

3880 South De Niza Apache Jt, Phoenix AZ 85219
(Street) (City) (State) (Zip)

(480) 677-6080

(480) 677-6082

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

Statutory Agent: Scott W Gray
 (Name)

2850 E Camelback Suite 200 Phoenix AZ 85016
 (Street) (City) (State) (Zip)

(602) 840-9400 (602) 840-6030
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: William Sullivan Martinez & Curtis P.C.
 (Name)

2712 N. 7th St Phoenix AZ 85006
 (Street) (City) (State) (Zip)

(602) 248-0372 (602) 266-8290
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|--|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input checked="" type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|-----------------------------------|---|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input checked="" type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME**DIVERSIFIED WATER UTILITIES, INC.****UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	4,668		4,668
304	Structures and Improvements	35,942	3,660	32,282
307	Wells and Springs	107,718	37,565	70,153
311	Pumping Equipment	71,559	22,927	48,632
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	136,863	18,936	117,927
331	Transmission and Distribution Mains	405,294	63,211	342,083
333	Services	38,348	6,049	32,299
334	Meters and Meter Installations	53,270	9,166	44,104
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,607	228	1,379
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	43,045	4,596	38,449
	TOTALS	898,314	166,338	731,976

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

DIVERSIFIED WATER UTILITIES, INC.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	4,668		
304	Structures and Improvements	35,942	3.56%	1,280
307	Wells and Springs	107,718	3.56%	3,835
311	Pumping Equipment	71,559	3.56%	2,547
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	136,863	3.56%	4,872
331	Transmission and Distribution Mains	405,294	3.56%	14,428
333	Services	38,348	3.56%	1,365
334	Meters and Meter Installations	53,270	3.56%	1,896
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,607	3.56%	57
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	43,045	3.56%	1,532
	SUBTOTALS	898,314		31,812
	Less: Amortization of Contributions			(4,273)
	TOTALS	898,314		27,539

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

 **ULLMANN
& COMPANY P.C.**

Certified Public Accountants

To The Board of Directors of
Diversified Water Utilities, Inc.
Phoenix, Arizona

We have compiled the balance sheet of Diversified Water Utilities, Inc. as of December 31, 2003 and 2002, and the related comparative statement of income and expenses for the years then ended included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

All other information contained in the accompanying prescribed form has not been audited, reviewed, or compiled by us and, accordingly, we assume no responsibility for that information.

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

Ullmann & Company

ULLMANN & COMPANY, P.C.
Certified Public Accountants

April 1, 2004

COMPANY NAME

DIVERSIFIED WATER UTILITIES, INC.

BALANCE SHEET

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 56,815	\$ 55,176
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	3,282	9,335
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 60,097	\$ 64,511
	FIXED ASSETS		
101	Utility Plant in Service	\$ 844,944	\$ 898,314
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	134,526	166,338
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	\$ 710,418	\$ 731,976
	TOTAL ASSETS	\$ 770,515	\$ 796,487

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page

COMPANY NAME

DIVERSIFIED WATER UTILITIES, INC.

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	\$ -	\$ -
232	Notes Payable (Current Portion)	35,000	52,000
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	10,000	10,350
236	Accrued Taxes	788	999
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	62,318	65,035
	TOTAL CURRENT LIABILITIES	\$ 108,106	\$ 128,384
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 34,607	\$ -
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	430,737	438,588
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	88,400	120,020
272	Less: Amortization of Contributions	4,686	8,959
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 514,451	\$ 549,649
	TOTAL LIABILITIES	\$ 657,164	\$ 678,033
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 2,000	\$ 2,000
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	111,351	116,454
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 113,351	\$ 118,454
	TOTAL LIABILITIES AND CAPITAL	\$ 770,515	\$ 796,487

COMPANY NAME

DIVERSIFIED WATER UTILITIES, INC.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 164,161	\$ 206,556
460	Unmetered Water Revenue		
474	Other Water Revenues	4,474	3,978
	TOTAL REVENUES	\$ 168,635	\$ 210,534
	OPERATING EXPENSES		
601	Salaries and Wages	\$ -	\$ -
610	Purchased Water		
615	Purchased Power	8,216	12,767
618	Chemicals	5,501	3,299
620	Repairs and Maintenance	10,615	10,050
621	Office Supplies and Expense	4,393	3,771
630	Outside Services	52,598	97,416
635	Water Testing	859	444
641	Rents	2,400	3,600
650	Transportation Expenses	5,833	5,487
657	Insurance - General Liability	2,334	5,098
659	Insurance - Health and Life		7,312
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense	14,936	18,908
403	Depreciation Expense	26,766	27,539
408	Taxes Other Than Income		
408.11	Property Taxes	5,733	6,525
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 140,184	\$ 202,216
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 24	\$ 52
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	4,412	3,267
	TOTAL OTHER INCOME/EXP	\$ (4,388)	\$ (3,215)
	NET INCOME/(LOSS)	\$ 24,063	\$ 5,103

COMPANY NAME **DIVERSIFIED WATER UTILITIES, INC.**

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1997	2002		
Source of Loan	HARRIS TRUST NOTE	WIFA NOTE		
ACC Decision No.				
Reason for Loan	PLANT IMPROVEMENT	PLANT IMPROVEMENT		
Dollar Amount Issued	\$40,000	\$72,014	\$	\$
Amount Outstanding	\$5,139	\$26,962	\$	\$
Date of Maturity	09/30/04			
Interest Rate	9.5%			
Current Year Interest	\$911	\$2,325	\$	\$
Current Year Principle	\$6,459	\$31,046	\$	\$

Meter Deposit Balance at Test Year End	\$173,125
Meter Deposits Refunded During the Test Year	\$12,952

COMPANY NAME

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
56-602258.000	30	150	860	14	6	

• Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS

FIRE HYDRANTS

Horsepower	Quantity	Quantity Standard	Quantity Other
10 horsepower	2	None	

STORAGE TANKS

PRESSURE TANKS

Capacity	Quantity	Capacity	Quantity
200,000	1	5,000	2
20,000	1		

COMPANY NAME

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	1361
3		
4	Ases/Coax	8,937
5		
6	30/188 CSPN	36189
8	C-9W	21919
10		
12	C-9W	1,461

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	291
3/4	4
1	2
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Chlorine treatment equipment - liquid

STRUCTURES:

2 utility sheds

OTHER:

COMPANY NAME:

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2003

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	255	2,007,500	2,037,500
FEBRUARY	253	1,607,000	1,677,000
MARCH	257	1,749,900	1,825,000
APRIL	257	2,634,600	2,721,000
MAY	258	3,422,000	3,711,000
JUNE	268	3,923,100	4,221,000
JULY	274	3,335,100	3,525,000
AUGUST	279	3,345,100	3,809,000
SEPTEMBER	285	3,075,900	3,422,000
OCTOBER	291	2,917,300	2,980,000
NOVEMBER	291	2,448,000	2,452,000
DECEMBER	297	2,142,500	2,332,000
TOTAL		N/A	54,717,500

Is the Water Utility located in an ADWR Active Management Area (AMA)?

Yes () No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes No

If yes, provide the GPCPD amount: N/A

What is the level of arsenic for each well on your system. 0.0033 mg/l

(If more than one well, please list each separately)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC. YEAR ENDING 12/31/2003

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2003: \$ 6,525

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled Checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain reasons below:

Pinal County Treasurer TAX RECEIPT

PO Box 729

Florence, AZ 85232-0729

Phone: (520) 866-6412 Fax: (520) 868-9007

www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

Paid By: DIVERSIFIED WATER UTILITIES INC SCOTT W GRAY/PRESIDENT PO BOX 17357 PHOENIX AZ 00000	MAIL Batch:	7001168
	Payment Date:	10/22/2003
	Interest Date:	10/22/2003
	Printed By:	TRSREMIT

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
921-50-12908	2003 Taxes	3,699.32		
	Paid	3,699.32	3,699.32	05/01/2004
	Total Paid	<u>3,699.32</u>		
TOTAL VALUE OF OPERATING PROPERTY				
210-04-119	2,784			

Pinal County Treasurer TAX RECEIPT

PO Box 729

Florence, AZ 85232-0729

Phone: (520) 866-6412 Fax: (520) 868-9007

www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

Paid By: DIVERSIFIED WATER UTILITIES INC SCOTT W GRAY/PRESIDENT P O BOX 17357 PHOENIX AZ 00000	MAIL Batch:	2114067
	Payment Date:	4/22/2004
	Interest Date:	4/22/2004
	Printed By:	TRSCEG

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
921-50-12908	2003 Taxes	3,699.32		
	Paid	3,699.32	.00	
	Total Paid	<u>3,699.32</u>		
TOTAL VALUE OF OPERATING PROPERTY				
210-04-119	2,784			

COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

YEAR ENDING 12/31/2003

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported N/A- S Corporation
Estimated or Actual Federal Tax Liability N/A- S Corporation

State Taxable Income Reported N/A- S Corporation
Estimated or Actual State Tax Liability N/A- S Corporation

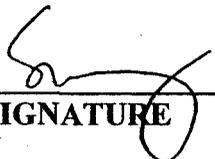
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 0
Amount of Gross-Up Tax Collected 0
Total Grossed-Up Contributions/Advances 0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

4/15/04

DATE

John W. Gray

PRINTED NAME

President

TITLE

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

(COUNTY NAME)	MARICOPA	
NAME (OWNER OR OFFICIAL)	SCOTT W. GRAY	TITLE PRESIDENT
COMPANY NAME	DIVERSIFIED WATER UTILITIES, INC.	

MONTH	DAY	YEAR
12	31	2003

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

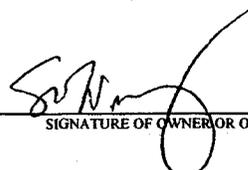
SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2003 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>224,764</u>

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 14,230 IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

X 
SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

20 th

DAY OF

NOTARY PUBLIC NAME	
T. Martinez	
COUNTY NAME	
Maricopa	
MONTH	2004
April	

(SEAL)



MY COMMISSION EXPIRES **Expires January 20, 2006**

Notary Public State of Arizona
Maricopa County
T. Martinez

X 
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT**
Intrastate Revenues Only

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) MARICOPA
NAME (OWNER OR OFFICIAL) TITLE SCOTT W. GRAY
COMPANY NAME DIVERSIFIED WATER UTILITIES, INC.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA COPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2003

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

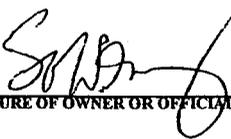
SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2003 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)
\$ <u>224,764</u>

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 14,230
IN SALES TAXES BILLED, OR COLLECTED

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)



SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 20th DAY OF

COUNTY NAME <u>Maricopa</u>
MONTH <u>April</u> YEAR <u>2004</u>

(SEAL)

MY COMMISSION EXPIRES



Notary Public State of Arizona
Maricopa County
T. Martinez
Expires January 20, 2008



SIGNATURE OF NOTARY PUBLIC

Diversified Water Utilities, Inc.
Profit & Loss
 January through December 2004

	<u>Jan - Dec 04</u>
Income	
461.00 · Water Revenue	250,684.01
461.50 · Sales Tax	-16,312.87
474.00 · Other Revenue	1,425.00
419.00 · Interest Income	154.94
Total Income	<u>235,951.08</u>
Expense	
403.00 · Depreciation Expense	42,065.00
408.10 · Property Taxes	8,029.77
601.00 · Salaries & Wages	13,046.86
603.00 · Officer Salaries	42,000.00
615.00 · Purchased Power	14,394.62
618.00 · Chemicals	4,056.82
619.00 · Repairs & Maintenance	13,383.83
630.00 · Billing Fees	19,780.00
631.00 · Legal & Professional	69,072.45
635.00 · Testing	1,686.70
640.00 · Rents	7,685.00
650.00 · Transportation	5,045.43
655.00 · Insurance	7,270.22
659.00 · Insurance - Medical	1,616.24
675.05 · Bank Charges	706.29
675.10 · Miscellaneous	661.95
675.15 · Office Expense	3,116.75
675.20 · Telephone	2,363.17
675.25 · Licenses & Fees	665.80
6999 · Uncategorized Expenses	0.00
Total Expense	<u>256,646.90</u>
Net Income	<u><u>-20,695.82</u></u>

Diversified Water Utilities, Inc.

Balance Sheet

As of December 31, 2004

	Dec 31, 04
ASSETS	
Current Assets	
Checking/Savings	
131.10 · Cash - Checking	7,394.99
131.20 · Capital Improvement Account	39,760.79
Total Checking/Savings	<u>47,155.78</u>
Other Current Assets	
141.00 · Accounts Receivable	9,335.35
Total Other Current Assets	<u>9,335.35</u>
Total Current Assets	56,491.13
Fixed Assets	
Plant in Service	
303.00 · Land	41,839.00
304.00 · Structures & Improvements	35,942.40
307.00 · Wells & Springs	203,330.58
311.00 · Pumping Equipment	88,521.69
330.00 · Distribution Reservoirs	438,906.15
331.00 · T&D Mains	418,063.51
333.00 · Services	51,265.16
334.00 · Meters	57,529.37
340.00 · Office Furniture & Equipment	10,235.28
348.00 · Other Plant	43,044.80
Total Plant in Service	<u>1,388,677.94</u>
108.00 · Accumulated Depreciation	<u>-214,249.39</u>
Total Fixed Assets	<u>1,174,428.55</u>
TOTAL ASSETS	<u><u>1,230,919.68</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Current Portion of L/T Debt	52,000.00
234.10 · Due to Shareholder	197,140.06
235.00 · Customer Deposits	9,868.95
236.20 · Sales Tax Payable	999.16
Total Other Current Liabilities	<u>260,008.17</u>
Total Current Liabilities	260,008.17
Long Term Liabilities	
224.10 · Note Payable - Harris Trust	-197.43
224.20 · Note Payable - WIFA	281,039.38
AIAC	
252.00 · Advances in aid of Constr.	276,772.93
252.50 · Refundable Meter Deposits	219,875.00
Total AIAC	<u>496,647.93</u>
CIAC	
271.00 · Contributions in aid of Constr	162,520.00
272.00 · Accum. Amort. - CIAC	-14,805.00
Total CIAC	<u>147,715.00</u>
Less Current Portion L/T Debt	<u>-52,000.00</u>
Total Long Term Liabilities	<u>873,204.88</u>
Total Liabilities	1,133,213.05

Diversified Water Utilities, Inc.

Balance Sheet

As of December 31, 2004

	<u>Dec 31, 04</u>
Equity	
201.00 - Common Stock	2,000.00
215.00 - Retained Earnings	116,402.45
Net Income	-20,695.82
Total Equity	<u>97,706.63</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,230,919.68</u></u>