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February 7, 2005

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCUMENT CONTROL

2005 FEB -7 P 4: 28

RECEIVED

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

Re: Cave Creek Water Co. ("CCWC") Application for an Extension of its Certificate of Convenience and Necessity ("CC&N") Docket W-01452A-04-0810 (the "Application")

Dear Mr. Fisher:

In response to your December 7, 2004 insufficiency letter for the above referenced Application and on behalf of CCWC, please find responses to your requested information to complete the Application. I have numbered the responses to correspond to the items in the insufficiency letter and restated the language from the insufficiency letter in underline form.

1. Please provide a drinking water design report which clarifies how water will be provided to the proposed CC&N. The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources. The report should include the estimated water demand from a typical dwelling unit, the estimate demand from the proposed CC&N. The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities. The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water?).

Attached hereto as Exhibit 1 please find a description by Pinnacle Engineering, Inc., describing the water line extension to the property which is the subject of the Application (the "Property"), clarifying how water will be provided to the proposed CC&N. The facilities will be constructed as soon as the final plat is approved by the Town of Cave Creek. The owner estimates it will take approximately 10 - 18 months to complete the facilities from the date hereof (including the time to obtain approval of the final plat).

CCWC currently has a CAP water delivery contract for the delivery of up to 1,600 acre feet of water per year, and the Arizona Department of Water Resources ("ADWR") recognizes 630 acre feet of groundwater as available to meet the company's current and committed water

demands. ADWR records currently show 2,195 acre feet of water demand for lots associated with Certificates of Assured Water Supply, committed demand associated with non-Certificated parcels (with a .35 acre feet per lot per year use) and non-residential demand. CCWC is currently working with ADWR to reduce the amount of water deemed Certificated and/or committed to non-Certificated parcels. Actual demands of CCWC are significantly lower, as many of the developments were not developed to the number of lots showing on the recorded plats, or where not developed at all. In addition, a large portion of the non-residential demand is not a permanent allocation of water and is regarded as available for use by future developers. Notwithstanding the adjustments CCWC is currently pursuing with ADWR regarding its water budget, ADWR recognizes that CCWC currently has sufficient water availability to serve the Property. In addition, CCWC will receive an additional 806 acre feet allotment of CAP water in the future pursuant to the terms of the GRIC Settlement.

The estimated demand from a typical dwelling unit is .35 acre feet within CCWC's service area. The projected annual water consumption, in gallons, for the Property in the next five years is shown on Exhibit E of the Application as 195,500 in the first year, 293,250 in the second year, 391,000 in the third year and 488,750 in the fourth and fifth years.

CCWC is regulated by the Arizona Department of Environmental Quality ("ADEQ") in relation to water quality. CCWC's water complies with current standards for water quality. In January 2006, new arsenic standards for well water will come into effect. CCWC has submitted its plan for arsenic removal to ADEQ and has commenced testing of its plan. Attached hereto as Exhibit 2 is a copy of ADEQ's Certificate of Approval to Proceed with Stipulations of CCWC's testing plan for arsenic removal. Results of the testing will be analyzed by a certified lab and provided to ADEQ promptly upon completion.

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

The Property is located within the Phoenix Active Management Area, however, a Certificate of Assured Water Supply from ADWR is not necessary pursuant to A.R.S. § 45-576 because the development proposed for the Property does not constitute "subdivided lands" as defined in A.R.S. § 32-2101. However, owner has completed the Certificate of Assured Water Supply Demand Calculator worksheet attached hereto as Exhibit 3 to provide the Commission with an analysis of water demand and adequate water supply for the Property.

3. 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.

Please see the information contained in responses 1 and 2. CCWC has sufficient water availability to provide water to the Property in the proposed CC&N.

February 7, 2005

Page 3

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

Please find attached as Exhibit 4 a set of design plans depicting the proposed location of the water line to serve the Property.

5. Please provide an estimate of the water facilities costs to Cave Creek Water Company, necessary to serve the proposed CC&N extension. The costs should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, etc.). The method of financing for the major components should be described specifically.

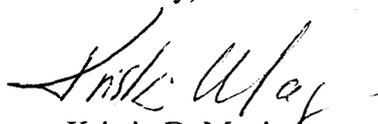
The water facilities are estimated to cost approximately \$61,000 to serve the Property. The major cost components will be the extension of the existing 6 inch water line for approximately 1000 feet and a booster pump. Necessary facilities will be financed primarily through advances in aid of construction, which are subject to Commission review and approval. CCWC will submit a line extension agreement to the Commission for its review and approval as soon as CCWC and the Property owner enter into such an agreement. Prior to entering into a line extension agreement, the Property must first be brought into CCWC's CC&N, the final plat must be approved and final engineering plans must be approved by CCWC.

6. Please provide a copy of the Municipal Franchise for the requested area.

Attached hereto as Exhibit 5 please find a copy of CCWC's Municipal Franchise.

Please feel free to contact me with any additional questions or comments regarding the foregoing information.

Sincerely,



Kristin D. Magin

Enclosures

cc: Docket Control
Derald Ulmer
Jay George
Tom Rief

**PINNACLE
ENGINEERING, INC.**

-- CIVIL ENGINEERING -- LAND SURVEYING --

January 11, 2005

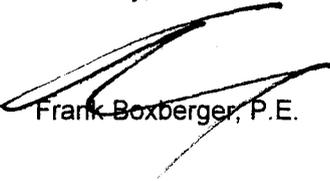
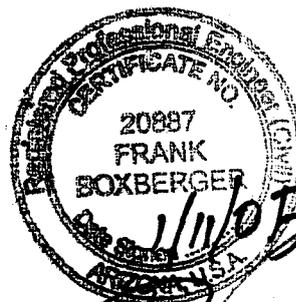
Cave Creek Water Company
P.O. Box 448
Cave Creek, Arizona 85327ATTN: Development Services Department
RE: Black Mountain Vistas (Job #108026)

Black Mountain Vistas is located in a portion of the northeast quarter of Section 4 Township 5 North, Range 4 East. Water Supply for the extension is from the existing 6-inch water line located at the intersection of Sunset Trail (Alignment) and Sentinel Rock Road.

One connection will be made to the existing 6-inch water line with a tapping sleeve and valve. A booster pump will be installed along with approximately 1,013 feet of 6-inch ductile iron pipe and two capped ends will be just beyond the end of Sunset Trail (Alignment) cul-de-sac and the east property line along Sentinel Rock Road.

It has been determined that reserves are available in excess of the required domestic and fire supply demand for the proposed improvements. Pinnacle Engineering Inc., has reviewed the schematic layout and found the existence of adequate pressure and deliverable gallons per minute with the installation of the proposed booster pump for the improvements. Please feel free to contact me if you have any questions, (480) 585-6013.

Sincerely,


Frank Boxberger, P.E.

Black Mountain Vistas - A Portion of the NE 1/4 Section 4 T5N, R4E (Job #108026)

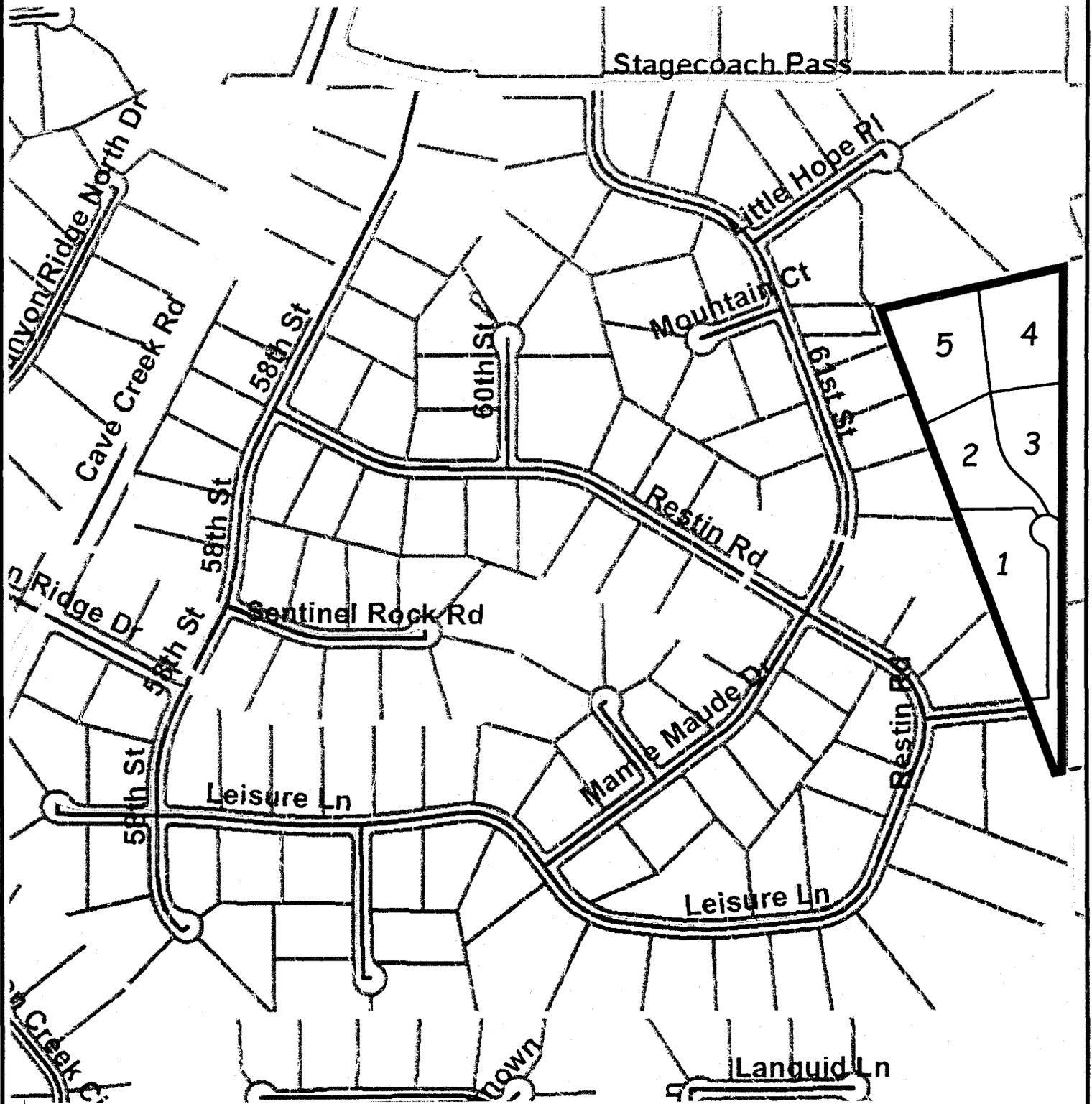


EXHIBIT 1



**PINNACLE
ENGINEERING, INC.**

8712 EAST VISTA BONITA
SCOTTSDALE, ARIZONA 85255 • (480) 585-6013
EMAIL: support@pinnacleengineers.com FAX (480) 585-1717

SCALE: 1" = 400'

ENVIRONMENTAL SERVICES
DEPARTMENT

Albert F. Brown, RS, MPA, Director

1001 N. Central Ave., Suite 150
Phoenix, AZ 85004



WATER AND WASTE MANAGEMENT
DIVISION

John A. Power, PE, Division Manager

(602) 506-6666
FAX (602) 506-6925
(TTN) (602) 506-6704

DATE: April 21, 2003
OWNER: Cave Creek Water Company

MCESD Project #: 2010921
SYSTEM ID #: 0407016

CERTIFICATE OF APPROVAL TO PROCEED WITH STIPULATIONS

PROJECT DESCRIPTION: Cave Creek CAP Water Treatment Plant, Arsenic Removal Testing of Well Water. The work includes providing piping, valves and tubing for full-scale arsenic removal testing using one of the two treatment units of the CAP plant. The test will be conducted using water from the following wells: Hazelton (55-518052); Faber (55-521032); and Vermeersch (55-518050) that have 0.050, 0.040, and 0.050 mg/l arsenic concentrations, respectively. Testing is planned over a 2-day period. The testing will consist of varying the dosage of chlorine oxidant and ferric chloride adsorbent and measuring the impact on the amount of arsenic removed from the well water.

LOCATION: Cave Creek, Maricopa County
T6N, R4E, SEC 28

PROJECT OWNER: CAVE CREEK WATER CO.
P.O. Box 448
Cave Creek, AZ 85327

Pursuant to AAC Title 18, Chapter 4, Article 5, or Chapter 9, Article 8, and Maricopa County Environmental Health Code Chapters II and V, approval to construct the above-described facilities as represented in the approved plan documents on file with the Maricopa County Environmental Services Department (MCESD) is hereby given subject to the following provisions:

1. This approval allows the Owner to proceed with its short-term demonstration program. MCESD Approval to Proceed does not indicate approval or endorsement of the treatment process or that MCESD will later approve any long-term operations.
2. Testing shall be performed in accordance with the protocol and plans included in the submittal from RBF Consulting dated February 28, 2003 and subsequent communications between MCESD and RBF.
3. MCESD shall be notified a minimum 7 days prior to the start of testing and shall, at its option, witness the testing program.
4. The half of the CAP treatment plant that is tested shall be disinfected and flushed with treated CAP water from the operational half of the plant following completion of the testing program.

5. Spent media/sludge from the testing program shall be dried, tested, and disposed of in an approved manner following completion of the test.
6. A copy of all data and results from the testing program shall be provided to MCESD.
7. A Grade 3 daily on-site water treatment operator, certified by the Arizona Department of Environmental Quality, shall be present during the testing program. Shift foremen or other operators in charge of the facility in the absence of the Chief Operator shall be certified at a grade no lower than one grade below the grade of the facility.
8. All materials or products that come into contact with drinking water or with water treatment chemicals shall conform to ANSI/NSF 60 and 61 in accordance with AAC R18-4-119.
9. Any change that may affect the capacity, quality, flow, location or operational performance of the CAP treatment plant shall be submitted to MCESD for review, and MCESD approval shall be obtained prior to undertaking the work affected by the change.
10. This Approval to Construct is void if major modifications occur to the treatment plant without the knowledge and consent of MCESD.
11. Representative(s) of MCESD shall be allowed access to the site to conduct inspections of the treatment plant during reasonable hours.
12. The owner or operator shall make such tests and keep such records as are necessary to assure efficient operation of the treatment works. Records of plant operation shall be transmitted to MCESD monthly on forms approved by MCESD.
13. The facility has not been issued a NPDES permit, therefore no discharge to the waters of the United States as defined by sections 301, 309, 402, 404, and 502 of the Federal Clean Water Act is allowed.

If construction has not started within one year of the date of approval this approval will be void and a written extension of time shall be required.

WATER AND WASTE MANAGEMENT DIVISION

By Kenneth L. James FOR
Dale G. Bodiya, PE, Manager
Water / Wastewater Treatment Section

Plan Approval Date: April 21, 2003

cc: RBF Consulting, 16605 North 28th Ave., Suite 100, Phoenix, AZ 85032-2602
ADEQ Drinking Water Section, 1110 W. Washington St., Phoenix, AZ 85003
John A. Power, PE, MCESD, Division Manager
John Kolman, RS, MCESD, Drinking Water Program
MCESD File

BLACK MOUNTAIN VISTAS SUBDIVISION

January 3, 2005		CERTIFICATE OF ASSURED WATER SUPPLY DEMAND CALCULATOR				
Enter the AMA the subdivision is located in*		PHX				
* Enter PHX for Phoenix, TUC for Tucson, PIN for Pinal, PRE for Prescott or SCR for Santa Cruz. If you are not located within an AMA, or are not sure which AMA you are located in, contact the Office of Assured and Adequate Water Supply at (602) 417-2455.						
Residential Usage*						
Category	PPHU	GPCD or per house/day	Demand/HU/YR (af/yr)	No. HU (Lots)	Residential Demand/Yr (af/yr)	
Single Family (int)	2.42	57.00	0.15	5.00	0.77	
Multi-Family (int)		57.00	0.00		0.00	
Single Family Landscape (ext)	1.00	178.00	0.20	5.00	1.00	
Multi-Family Landscape (ext)	1.00	77.00	0.09	0.00	0.00	
Single family Demand/HU/YR			4.39			
Multifamily Demand/HU/YR			0.09			
**NOTE: If the application is in the Pinal AMA, and lot sizes are no greater than 10,000 sq. ft., 125 GPCD is used to estimate both interior and exterior demand for single family homes. Do not enter lot numbers under the Landscape rows. Contact the Office of Assured and Adequate Water Supply for more information.						
	Square Feet	Acres	Demand Factor (af/yr)	No. HU (Lots)	Large Lot Adjustment Demand/Yr (af/yr)	
Average Lot Size (sq. ft)**	65000.00	1.49				
TMP Model Lot Size (sq. ft)	7,500 - 10,000	0.17 - 0.23				
Large Lot Adjustment	55000.00	1.26				
1/2 low water use	27500.00	0.63	1.50	5.00	4.73	
1/2 turf	27500.00	0.63	4.90	5.00	15.47	
**NOTE: If the subdivision contains several groupings of lot sizes, the large lot adjustment needs to be calculated for each grouping of large lot sizes. Contact the Office of Assured and Adequate Water Supply for assistance in calculating the large lot adjustment for subdivisions with several groupings of large lot sizes.						
Total Residential Demand					21.97	
Non-Residential Usage***						
For each category please enter either square feet or acres of land for that type of non-residential use within your subdivision.						
Category	Square Feet	Acres	Demand Factor (af/ac)		Non-Residential Demand (af/yr)	
Common Area1		0.00	1.50 low water use		0.00	
Common Area2		0.00	4.90 turf		0.00	
Right of Way		0.00	1.50 low water use		0.00	
Golf Course		0.00	AMA Turf Program - contact AMA		0.00	
Commercial use		0.00	2.25 all acres		0.00	
Public Pool (length x width = square feet)		0.00	AMA TMP model pool		0.00	
Parks1		0.00	1.50 low water use		0.00	
Parks2		0.00	4.90 turf		0.00	
Retention/Detention Basins		0.00	1.50 low water use		0.00	
Retention/Detention Basins		0.00	4.90 turf		0.00	
School Landscape1		0.00	1.50 low water use		0.00	
School Landscape2		0.00	4.90 turf		0.00	
School interior****		0.00	25 GPCD interior demand		0.00	
***NOTE: If application is for a change of ownership from a previously issued Certificate of Assured Water Supply, and is for only a portion of the original Certificate, contact the Office of Assured and Adequate Water Supply to pro-rate non-residential area acreage.						
****NOTE: For school interior demand, enter the number of students. If the proposed school is a high school or middle school, the demand factor is 43 GPCD.						
Total Non-Residential Demand					0.00	
Distribution Losses						
	Residential	Non-Residential	Total	Loss Factor %	Distribution Losses (af/yr)	
Demand af/yr	21.97	0.00	21.97	10.00	2.20	
Construction						
	No. of Lots	Demand (gals/lot)	100 yr demand (af)		Construction Demand (af/yr)	
	5.00	10000.00	0.15		0.00	
Total Demand Per Year						
Residential Usage af/yr	21.97	Non-Residential Usage 0.00	Lost & Unaccounted for 2.20	Construction 0.00	Total Non-Res 2.20	Total Demand Per Year (af/yr) 24.17
Residential Usage GPCD	1621					Total Demand GPCD 1783
Annual Build Out Demand	24.17					

**OVERSIZED
MAP
SEE
DOCKET
W-01452A-04-0810**

**(PRELIMINARY PLAT
FOR
BLACK MOUNTAIN
VISTAS)
EXHIBIT 4**

All of Section 1, Township 5 North, Range 3 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona; and

All of Sections 1, 10, 13, 24, and 36, Township 6 North, Range 3 East, Gila and Salt River Base and Meridian, Maricopa, Arizona; and

All of Sections 4, 5, and 6, Township 5 North, Range 4 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona; and

All of Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 26, 27, 28, 29, 32, 33, and 34 within Township 6 North, Range 4 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona; and any county right-of-way along Cave Creek Road, Maricopa County, Arizona, within Sections 25 and 36 of Township 5 North, Range 3 East; Sections 8, 17, 18, 19 and 30 of Township 5 North, Range 4 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona.

WHEREAS, upon filing said application, the said Board of Supervisors on the 29th day of November, 1984, ordered that public notice of the intention of said Board to make such grants be given by publishing a notice in the AZ Bus. Gazette a newspaper of general circulation, published in the County of Maricopa, State of Arizona, and that 9:00 A.M., on the 3rd day of December, 1984, at the meeting room of said Board of Supervisors located at 205 West Jefferson Street in the City of Phoenix, Arizona, be set as the time and place of hearing the said application; and

WHEREAS, the said application coming on regularly for hearing on said day and it appearing by the affidavit of the duly authorized agent of the said time and place set for the consideration of such application has been published for at least once a week for the three-week period prior to said date set forth herein, to-wit:

In the issues of the said newspaper on November 5, 12, and 19, 1984, and it appearing that no sufficient protest has been filed by the qualified electors of the said County petitioning said Board of Supervisors to deny such license and franchise, and it further appearing the best interests of Maricopa County will be served by the granting of said application and the franchise referred to therein;

NOW THEREFORE, the Board of Supervisors of Maricopa County, State of Arizona, acting on behalf of said County does hereby grant unto Cave Creek Water Company, doing business in Maricopa County, Arizona, subject to the terms, conditions and limitations hereinafter contained, the right, privilege, license and franchise to construct, maintain and operate a domestic water distribution system

for a period of twenty-five (25) years, unless earlier terminated, for the supplying of this service along, upon, under and across the public highways, roads, alleys and thoroughfares (excepting State Highways) within that portion of Maricopa County, Arizona, hereinabove described, under such restrictions and limitations and upon such terms as this Board at any time may provide, not inconsistent with the laws of the State of Arizona, or the orders and rules of the Corporation Commission of the State of Arizona, specifically providing, however, that:

- (1) All rights hereunder are granted under the express condition that the Board of Supervisors of said Maricopa County shall have the power at

any time to impose such restrictions and limitations and to make such regulations on such highways, roads, and thoroughfares as may be deemed best for the public safety, health, welfare and convenience.

- (2) All rights hereby granted shall be exercised so as to not interfere or conflict with any easements or rights-of-way heretofore granted by said Board of Supervisors and now in force.
- (3) All rights hereby granted shall be exercised so as not to interfere or conflict with any easement, either public or private, of whatsoever nature, which has been acquired in or to the proper use of said highway, roads, and thoroughfares, or any portion thereof.
- (4) All rights hereby granted shall be exercised so as not to interfere or conflict with or endanger in any way the proper use by the public of said highways, roads, and thoroughfares, or any portion thereof.
- (5) That the said Grantee shall bear all expenses incurred including damages and compensation for the alteration of the course, direction, surface, grade or alignment of any of the said highways, roads and thoroughfares necessarily made by the said grantee for the purpose of this franchise; that said grantee will maintain his equipment at his own cost and expense and will make all necessary repairs from time to time as the same may be needed, without the necessity of notice from Maricopa County. In the event the said grantee shall fail to make any repairs within ten days from the time same becomes necessary, then Maricopa County may cause the same to be made, and said grantee agrees to pay Maricopa County the cost thereof.
- (6) That all property of the franchise be installed and operated by the said grantee and shall be placed, removed or relocated, initially and throughout the term of this franchise, along, in, over, under and across the said highways, roads and thoroughfares, in such a manner and location as the Board of Supervisors or its duly authorized agents may designate. Such placement, removal or relocation shall be done at the sole expense of the grantee upon a determination by the Board of Supervisors of Maricopa County that such placement, removal or relocation is necessary.

If grantee fails or refuses to so remove or relocate, Maricopa County may so remove or relocate, at the sole expense of grantee, such expense to include any and all damages and compensation of whatsoever nature arising therefrom.

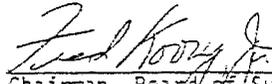
In this section the term "property" includes conduits, pipe, wires, poles, or other structures and appliances used to supply or deal in gas, electricity, lights, water, heat, refrigeration, power, telephones, telegraph, television and other public utilities.

Any finding or determination made by the Board of Supervisors pursuant hereto shall be final and binding upon the grantee whether or not such findings or determinations relates to the requirements of public safety or welfare, the use of public roads or the need for proposed improvements, and whether or not the function to be served by such removal or relocation is of a governmental or proprietary nature.

- (7) That said grantee shall indemnify and save harmless, the said County of Maricopa from all costs, expenses and liabilities in connection with the granting of this franchise and exercise of the same by them.
- (8) That the rights of any person claiming to be injured in any manner by the maintenance of said projects and equipment shall not be affected hereby.
- (9) That the terms and conditions of this franchise shall inure to the benefit of, and be binding upon, all the heirs and assigns of the said Grantee.
- (10) That the franchise and privilege herein granted shall not be deemed to be exclusive and the said Board of Supervisors hereby expressly reserves the right and power to grant from time to time similar franchises and privileges over the same territory and highways, roads and thoroughfares.
- (11) This franchise is granted upon the express condition that the Certificate of Convenience and Necessity be procured from the Corporation Commission of the State of Arizona within six months from the date of granting of this franchise; and if such Certificate is not granted within six months from said date, then this franchise to be void, otherwise to be in full force and effect for the time herein specified.

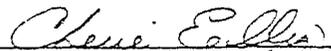
- (12) All materials and construction methods used within the public right-of-way shall conform to the applicable standards, specifications and special provisions currently in effect in Maricopa County.
- (13) The franchise holder shall obtain a construction permit from the office of the County Engineer prior to construction of any facilities in the public right-of-way.

DATED this 3rd day of December, 1984.



Chairman, Board of Supervisors
Maricopa County, Arizona

ATTEST:



Clerk, Board of Supervisors
Maricopa County, Arizona

EXHIBIT 5

BEFORE THE BOARD OF SUPERVISORS
OF
MARICOPA COUNTY, STATE OF ARIZONA

IN THE MATTER OF THE APPLICATION OF)
Cave Creek Water Company) FRANCHISE
_____))
FOR A FRANCHISE

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF MARICOPA COUNTY, STATE OF ARIZONA, THAT:

WHEREAS, Cave Creek Water Company
hereinafter designed as the Grantee, doing business in Maricopa County, Arizona,
has filed an application with the Board of Supervisors of Maricopa County, Arizona,
bearing date of October 16, 1984, praying for the right, privilege,
license and franchise to construct, maintain and operate a domestic water
distribution system

for a period of twenty-five (25) years for transmission and delivery of
water for domestic use.

along, upon, under and across public highways, roads, alleys and thoroughfares
(excepting State Highways), within that portion of Maricopa County, Arizona, known
and described as follows, to-wit:

(Attached)

and not within the confines of any incorporated city or town, and under such
restrictions and limitations and upon such terms as the Board of Supervisors
may provide, not inconsistent with the laws of the State of Arizona, or the orders
and rules of the Corporation Commission of the State of Arizona, and that the Board
take such proceedings herein as is provided by laws of the State of Arizona; and