OPEN MEETING ITEM

ORIGINAL

0000019034

22

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

ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
APR 20 2005
DOCKETED BY

DATE: April 20, 2005

DOCKET NO: SW-03575A-04-0767 et al.

TO ALL PARTIES:

Enclosed please find the recommendation of Assistant Chief Administrative Law Judge Dwight D. Nodes. The recommendation has been filed in the form of an Opinion and Order on:

PALO VERDE UTILITIES COMPANY, LLC/SANTA CRUZ WATER COMPANY, LLC
(CC&N EXTENSION)

10-day period for filing of exceptions has been waived.

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 thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

APRIL 28, 2005

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 Open Meeting to be held on:

MAY 3 AND 4, 2005

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931

BRIAN C. McNEIL
EXECUTIVE SECRETARY

RECEIVED
2005 APR 20 A 10: 22
AZ CORP COMMISSION
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF PALO VERDE UTILITIES COMPANY, LLC, FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WASTEWATER SERVICE.	DOCKET NO. SW-03575A-04-0767
IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY, LLC, FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE.	DOCKET NO. W-03576A-04-0767 DECISION NO. _____ **OPINION AND ORDER**

DATE OF HEARING:	April 13, 2005
PLACE OF HEARING:	Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE:	Dwight D. Nodes
APPEARANCES:	Mr. Michael W. Patten, ROSHKA HEYMAN & DEWULF, PLC, on behalf of Applicants; and Mr. David Ronald, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On October 25, 2004, Palo Verde Utilities Company ("Palo Verde") and Santa Cruz Water Company ("Santa Cruz") (jointly "Applicants") filed an application in the above-captioned dockets seeking to extend their Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water service, respectively, to various specified areas in the City of Maricopa, in Pinal County, Arizona (Ex. A-1).

On November 12, 2004, the Applicants filed an Amendment to the Application (Ex. A-2).

Also on November 12, 2004, the Commission's Utilities Division Staff ("Staff") filed a Letter of Insufficiency.

The Applicants submitted additional information in response to the Letter of Insufficiency on December 14, 2004 (Ex. A-4) and December 21, 2004 (Ex. A-5).

On February 14, 2005, the Applicants filed a Supplement to the Application, attaching a letter in support of the application from the City Manager of the City of Maricopa (Ex. A-3).

On February 16, 2005, Staff filed a Sufficiency Letter indicating that the application, as amended and supplemented by subsequent filings, was sufficient under the requirements of the Arizona Administrative Code ("A.A.C.").

On February 18, 2005, a Procedural Order was issued scheduling a hearing for May 23, 2005, and directing the Applicants to publish and mail notice of the application and the hearing date by March 21, 2005.

On March 16, 2005, the Applicants filed a Motion for Modification of Procedural Order and requested an expedited ruling on the Motion.

On March 17, 2005, a Procedural Order was issued rescheduling the hearing date for April 13, 2005, and directing the Applicants to publish and mail notice of the hearing date by March 23, 2005.

On March 22, the Applicants filed a Notice of Filing Affidavit of Mailing (Ex. A-6).

On March 28, 2005, the Applicants filed Notice of Filing Affidavit of Publication with an attached Affidavit from the *Casa Grande Dispatch* stating that the required notice had been published on March 23, 2005 (Ex. A-7).

On March 25, 2005, Staff filed its Staff Report in this matter recommending approval of the application subject to compliance with certain requirements (Ex. S-1).

On April 6, 2005, the Applicants filed Comments on the Staff Report stating that they concur with Staff's recommendations.

On April 13, 2005, a hearing was convened before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. At the conclusion of the hearing, the matter was taken under advisement pending submission of a Recommended Opinion and Order.

* * * * * * * * * *

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

FINDINGS OF FACT

1. Palo Verde and Santa Cruz are Arizona limited liability companies ("LLCs") engaged in providing wastewater utility service to approximately 3,300 customers and water utility service to approximately 3,400 customers, respectively, in the City of Maricopa, in Pinal County, Arizona.

2. The original CC&Ns for Palo Verde and Santa Cruz were granted by the Commission in Decision No. 61943 (September 17, 1999). The Applicants were granted extensions of their CC&Ns in Decision Nos. 66394 (October 6, 2003) and 67240 (September 23, 2004).

3. The Applicants are wholly owned subsidiaries of Global Water Resources, LLC ("GWR"), a utility holding company engaged in the business of acquiring utility companies. GWR recently purchased Cave Creek Water Company, on March 3, 2005, and since January 31, 2005 has been acting as the Interim Manager for Sabrosa Water Company. GWR's subsidiaries currently provide water and/or wastewater service to approximately 10,000 customers in Arizona (Ex. S-1, at 1)[1].

4. On October 25, 2004, Palo Verde and Santa Cruz jointly filed an application seeking to extend their CC&Ns to an additional 4,900 acre area located entirely within the City of Maricopa, Arizona. The proposed extension area is expected to be developed into several master planned communities comprised of over 17,000 homes (*Id.* at 2).

5. On November 12, 2004, the Applicants filed an Amendment to the Application to include an additional 100 acre parcel that had been inadvertently omitted from the original application (Ex. A-2).

6. Also on November 12, 2004, Staff filed a Letter of Insufficiency describing the specific areas that Staff deemed insufficient and the additional information that was required to be submitted by the Applicants.

7. The Applicants submitted additional information in response to the Letter of Insufficiency on December 14, 2004 (Ex. A-4) and December 21, 2004 (Ex. A-5), and on February 14, 2005, filed a Supplement to the Application, attaching a letter in support of the application from

[1] Pursuant to Decision No. 67240, Palo Verde and Santa Cruz were each required to increase their performance bonds from $500,000 to $750,000 for a period of at least five years. According to the Staff Report in this docket, the Applicants filed Proof of Performance Bonds on January 27, 2005 in compliance with the prior Decision (Ex. S-1, at 2).

the City Manager of the City of Maricopa (Ex. A-3).

8. On February 16, 2005, Staff filed a Sufficiency Letter indicating that the application, as amended and supplemented by subsequent filings, was sufficient under the requirements of the Arizona Administrative Code.

9. On February 18, 2005, a Procedural Order was issued scheduling a hearing for May 23, 2005, and directing the Applicants to publish and mail notice of the application and the hearing date by March 21, 2005.

10. On March 16, 2005, the Applicants filed a Motion for Modification of the Procedural Order and requested an expedited ruling on the Motion. The Applicants stated that they consulted with Staff about expediting the Staff Report and the hearing date so that the Commission could consider the application at its scheduled May 3, 2005 Open Meeting. Palo Verde and Santa Cruz claimed that they previously represented to developers of the property that the CC&N was likely to be issued by May 2005 "based on the Commission's CC&N extension timeframes." The Applicants stated that a delay beyond May 2005 would impact the developers' financing of projects in the proposed extension area, and that expedited consideration of the application was needed given the unprecedented growth in the vicinity of the extension area.

11. On March 17, 2005, a Procedural Order was issued granting the Applicants' Motion, rescheduling the hearing date for April 13, 2005, and directing the Applicants to publish and mail notice of the hearing date by March 23, 2005 to each property owner in the requested extension areas.

12. On March 22, the Applicants filed a Notice of Filing Affidavit of Mailing. According to the Affidavit, the Applicants mailed the required notice to all Palo Verde Utilities Company and Santa Cruz Water Company customers (Ex. A-6)[2].

13. On March 28, 2005, the Applicants filed Notice of Filing Affidavit of Publication with an attached Affidavit from the *Casa Grande Dispatch* stating that the required notice had been

[2] On April 19, 2005, the Applicants' vice-president and chief financial officer, Cindy Liles, filed an affidavit stating that the Applicants received requests for water and wastewater service from all owners of property located in the proposed extension area, and that the proposed extension area does not include any property for which the Applicants did not receive a request for service. All property owners in the proposed extension area support the Applicants' extension request, as evidenced by the letters from each property owner/developer expressing support for approval of the application that were included in the Applicants' December 14, 2004 filing (Ex. A-4).

published on March 23, 2005 (Ex. A-7).

14. On March 25, 2005, Staff filed its Staff Report in this matter recommending approval of the application subject to compliance with certain requirements (Ex. S-1).

15. On April 6, 2005, the Applicants filed Comments on the Staff Report stating that they concur with Staff's recommendations.

16. As amended, the Applicants' proposed CC&N extension seeks authority to extend water and wastewater service to approximately 5,000 acres in Maricopa, Arizona, as described in Attachment A hereto. The extension area is expected to eventually be developed into approximately 17,000 residential lots.

Main Extension Agreements

17. The Applicants plan to finance the required utility facilities through a combination of equity and advances in aid of construction. According to the Staff Report, Santa Cruz has entered into, or will enter into, main extension agreements with the developers requesting service that require refunds of 7 percent of the gross annual revenue from the associated facilities beginning 4 years after the facilities are accepted by Santa Cruz. Under the agreements, Santa Cruz is obligated to pay the 7 percent annual refund to the developers for 22 years. The proposed wastewater main extension agreements provide that Palo Verde will refund 2.5 percent of the gross annual revenue received from the associated facilities beginning 4 years after the facilities are accepted. Palo Verde would be obligated to pay the 2.5 percent annual refund to the developers for 22 years. Staff points out that the proposed refund provisions exceed the minimum refund standards required in the Commission's rules (Ex. S-1, at 3-4). Therefore, the terms of the agreements are acceptable to Staff.

Santa Cruz Water System

18. Staff Engineering analyzed the Applicants' facilities and found that Santa Cruz currently operates two wells (Smith and Vance wells) with a combined production rate of 3,150 gallons per minute ("GPM"). The Santa Cruz system also has two storage tanks with a combined capacity of 3.0 million gallons, a booster pump station, two pressure tanks having a combined capacity of 20,000 gallons, and one irrigation well (*Id.* at 4). Santa Cruz currently serves approximately 3,400 customers, but is experiencing growth at an average of approximately 200

customers per month. Staff indicated that Santa Cruz is in the process of reconstructing three wells (Neely West, Neely East, and Neely North) to meet anticipated demand over the next three years. The Neely wells are expected to provide additional flow capacity of 6,000 GPM. Santa Cruz is evaluating four additional wells (two Glennwilde wells and two Rancho Mirage wells) that are expected to add additional capacity over a five-year planning horizon (*Id.* at 5).

19. The Staff Report indicates that Santa Cruz is currently delivering water that meets Arizona Department of Environmental Quality ("ADEQ") water quality standards set forth in the Arizona Administrative Code (*Id.*).

20. Santa Cruz is within the Pinal Active Management Area ("AMA") and, as a result, is subject to reporting and conservation rules. The Pinal AMA reported to Staff that Santa Cruz is in compliance with the Arizona Department of Water Resources ("ADWR") reporting and conservation rules (*Id.* at 5).

21. According to the Staff Report, Santa Cruz currently has in place a Curtailment Tariff that was approved in Decision No. 66394. However, during its site inspection, Staff was informed that some man-made lakes were filled by drinking water which the company sells to large commercial irrigation customers for filling lakes and rivers. Staff recommends that Santa Cruz be required to amend its Curtailment Tariff to limit delivery to such customers during Stages 2, 3 and 4 (*Id.* at 6).

22. In accordance with new rules enacted by the U. S. Environmental Protection Agency ("EPA"), the maximum contaminant level ("MCL") for arsenic in drinking water will be reduced from 50 parts per billion (ppb) to 10 ppb effective January 23, 2006. At the hearing, the Applicants' vice-president of compliance, Graham Symmonds, testified that the two wells currently in use for Santa Cruz have arsenic contents of 10.1 ppb and 8.4 ppb. In the next several months, Santa Cruz expects to bring the Neely West, Neely East, and Neely North wells on line, which have arsenic contents of 10.1 ppb, 17 ppb, and 8 ppb, respectively. According to Mr. Symmonds, Santa Cruz has been working with an outside consultant, Separation Processes, Inc., to develop an arsenic treatment plan for the company's system. Mr. Symmonds stated that Santa Cruz intends to meet the new EPA MCL requirements through a blending process that will have only a minimal cost, and the company

does not expect to seek recovery of any arsenic compliance costs through rates. Santa Cruz intends to submit its arsenic treatment proposal to ADEQ by June 2005, and expects to be in full compliance with the new EPA standards prior to their effective date.

Palo Verde Wastewater System

23. With respect to the wastewater infrastructure, Staff Engineering found that Palo Verde operates an enclosed one million gallons per day ("MGD") sequential batch reactor treatment plant, sand filters, ultraviolet disinfection units, and an effluent reuse and/or surface water disposal system. Mr. Symmonds testified that the company operates "state of the art" facilities that also produce A+ grade effluent. He stated that Palo Verde has received no odor complaints from customers, including customers located adjacent to the wastewater treatment facility site. Mr. Symmonds also testified that Palo Verde requires all developers in its CC&N to take back an amount of effluent equal to the amount of wastewater sent to the company's treatment facilities, which effluent is used for irrigation of the developers' common areas. Palo Verde has received an Aquifer Protection Permit ("APP") from ADEQ to expand the plant's treatment capacity to 3 MGD at its 32.5 acre site. The expansion is expected to be completed by the end of 2005. Palo Verde has also applied for an APP to increase the plant's capacity to 9 MGD in order to accommodate expected future growth (Ex. S-1, at 6-7).

24. The Staff Report stated that Palo Verde is in compliance with ADEQ wastewater treatment rules (*Id.* at 7).

25. Staff explained that, pursuant to Section 208 of the Federal Water Pollution Control Act, the Central Arizona Association of Governments ("CAAG") is the designated water quality planning agency for the requested CC&N areas. Staff states that CAAG has authority to develop and approve general wastewater plans which include land development policies, service areas, objectives, and standards for local growth and development. According to Staff, a majority of the requested extension area is located in Palo Verde's existing CAAG Section 208 Plan area. However, a portion of the proposed extension area is not included in the existing Section 208 Plan area. Palo Verde has indicated that an amended CAAG Section 208 Plan has been submitted to the CAAG for review and approval (*Id.* at 7).

Staff Recommendations

26. Based on its review, Staff made the following recommendations in its Staff Report with respect to Santa Cruz Water Company:

a) Require Santa Cruz to charge its existing rates and charges in the proposed extension area;

b) Require Santa Cruz to file a copy of the ADEQ Approval to Construct ("ATC") for the Neely Well Production/Treatment Plant by December 31, 2005;

c) Require Santa Cruz to file a copy of the ATC for the Glennwilde and Rancho Mirage Production/Treatment Plants by June 30, 2008;

d) Require Santa Cruz to file a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute, within 365 days of this Decision;

e) Require Santa Cruz to submit its ADEQ Certificate of ATC for arsenic treatment facilities by November 30, 2005[3];

f) Require Santa Cruz to prepare, and submit for Staff's review within 30 days of this Decision, an amended Curtailment Tariff to limit delivery during Stages 2, 3 and 4 to those irrigation customers who use drinking water to perform irrigation;

g) Require Santa Cruz to make all necessary corrections to ADWR registration records to reflect ownership of the three Neely wells by Santa Cruz, and file proof that such corrections have been made within 60 days of this Decision;

h) Require Santa Cruz to make all necessary corrections to ADWR registration records to reflect ownership of the two Glennwilde wells and two Rancho Mirage wells by Santa Cruz, and file proof that such corrections have been made within 365 days of this Decision;

i) Require Santa Cruz to file a copy of the City of Maricopa municipal franchise for the current CC&N and the extension area within 365 days of this Decision; and

j) Failure to comply with the conditions and timeframes discussed

[3] We will also require Santa Cruz to file, by June 30, 2005, a copy of the proposed plan submitted to ADEQ for approval. Santa Cruz should also file with the Commission any subsequent amendments to the plan.

above would result in the CC&N extension becoming null and void without further action of the Commission.

27. With respect to the wastewater extension request of Palo Verde Utilities Company, Staff made the following recommendations in its Staff Report:

a) Require Palo Verde to charge existing rates and charges in the proposed extension area;

b) Require Palo Verde to file a copy of its amended CAAG §208 plan by December 31, 2005;

c) Require Palo Verde to file a copy of the City of Maricopa municipal franchise for the extension area;

d) Require Palo Verde to file a copy of the ADEQ Engineering Completion Documents for the 3 MGD plant expansion project by December 31, 2006; and

e) Failure to comply with the conditions and timeframes discussed above would result in the CC&N extension becoming null and void without further action of the Commission.

Conclusion

28. After reviewing the testimony and evidence of record, we believe that Staff's recommendations, as set forth above, are reasonable and should be adopted. The Applicants have demonstrated that a public need for water and wastewater service exists in the extension area and, subject to compliance with the conditions discussed above, that Palo Verde and Santa Cruz are fit and proper entities to provide such service in the proposed extension area. Therefore, subject to the conditions stated herein, the application for extension of the Applicants' CC&Ns shall be approved.

CONCLUSIONS OF LAW

1. Palo Verde and Santa Cruz are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-281, 40-282 and 40-285.

2. The Commission has jurisdiction over Palo Verde and Santa Cruz and the subject matter of the application.

3. Notice of the application was provided in the manner described hereinabove.

4. There is a public need and necessity for water and wastewater utility services in the

proposed extension area.

5. Subject to compliance with the above-stated conditions, Palo Verde and Santa Cruz are fit and proper entities to receive extensions of their wastewater and water CC&Ns, for the proposed extension area in the City of Maricopa, Arizona, as more fully described in Attachment A hereto.

6. Staff's recommendations set forth above, as amended herein, are reasonable and shall be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of Palo Verde Utilities Company, LLC, and Santa Cruz Water Company, LLC, for extension of their respective wastewater and water CC&Ns, to an area in the City of Maricopa, in Pinal County, Arizona, as more fully described in Attachment A hereto be, and hereby is granted, subject to the conditions more fully described herein.

IT IS FURTHER ORDERED that the current charges set forth in the respective tariffs of Palo Verde Utilities Company, LLC, and Santa Cruz Water Company, LLC, shall be applied to all customers in the CC&N extension area approved herein.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC, shall file a copy of the ADEQ Approval to Construct for the Neely Well Production/Treatment Plant by December 31, 2005.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC, shall file a copy of the Approval to Construct for the Glennwilde and Rancho Mirage Production/Treatment Plants by June 30, 2008.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC, shall file a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute, within 365 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC, shall file, by June 30, 2005, a copy of its proposed arsenic compliance treatment plan that is submitted to ADEQ for approval. Santa Cruz shall also file with the Commission any subsequent amendments to the plan.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC, shall prepare, and

submit for Staff's review within 30 days of the effective date of this Decision, an amended Curtailment Tariff to limit delivery during Stages 2, 3 and 4 to those irrigation customers who use drinking water to perform irrigation.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC, shall make all necessary corrections to ADWR registration records to reflect ownership of the three Neely wells by Santa Cruz, and file proof that such corrections have been made within 60 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC, shall make all necessary corrections to ADWR registration records to reflect ownership of the two Glennwilde wells and two Rancho Mirage wells by Santa Cruz, and file proof that such corrections have been made within 365 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC, shall file a copy of the ADEQ Engineering Completion Documents for the 3 MGD plant expansion project by December 31, 2006.

IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC, shall file, by December 31, 2005, a copy of its amended CAAG §208 plan.

IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC, and Santa Cruz Water Company, LLC, shall file a copy of their City of Maricopa municipal franchises for the current CC&N and the extension area within 365 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC, and Santa Cruz Water Company, LLC, shall maintain their current performance bonds of $750,000 each until at least September 23, 2009 (five years from the effective date of Decision No. 67240). The performance bonds may not be cancelled without the Commission's prior approval.

IT IS FURTHER ORDERED that, in accordance with the requirements of Decision No. 67240, maintenance of the required performance bonds must be evidenced by a quarterly filing (by January 15, April 15, July 15, and October 15) of a letter of bond confirmation. Failure to comply may result in Staff seeking an Order to Show Cause from the Commission.

IT IS FURTHER ORDERED that, in accordance with the requirements of Decision No.

67240, Global Water Resources, LLC, shall continue to file an Acquisition Schedule describing each acquisition Global Water Resources, LLC, makes in a utility. Each Acquisition Schedule filing must be signed under oath and penalty of perjury by at least two officers of Global Water Resources, LLC.

IT IS FURTHER ORDERED that, in accordance with the requirements of Decision No. 67240, Palo Verde Utilities Company, LLC, and Santa Cruz Water Company, LLC, must submit quarterly reports documenting compliance with all Arizona Department of Environmental Quality, Arizona Department of Water Resources, and Commission requirements. Each report must be signed under oath and penalty of perjury by at least two officers of Palo Verde Utilities Company, LLC, and Santa Cruz Water Company, LLC.

IT IS FURTHER ORDERED that, in accordance with the requirements of Decision No. 67240, Palo Verde Utilities Company, LLC, Santa Cruz Water Company, LLC, and Global Water Resources, LLC, must notify the Commission of any proposed change in the ownership of their respective membership interests (including transfer or additional memberships), prior to execution, through filing of a Notice of Intent (which indicates the filing is made pursuant to the Decision in this proceeding and Decision No. 67240). Once the Notice of Intent has been filed, the Commission may initiate a proceeding within 60 days to determine approval. If no action is initiated within 60 days after filing, the proposed transaction is permitted to proceed without approval.

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

IT IS FURTHER ORDERED that, in the event Palo Verde Utilities Company, LLC, and Santa Cruz Water Company, LLC, fail to comply with the above-stated conditions within the times specified, the CC&N extensions approved herein shall be deemed to be denied without further Order of the Arizona Corporation Commission.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

COMMISSIONER COMMISSIONER

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 _____, 2004.

_____
BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____

DISSENT _____

DDN:mj

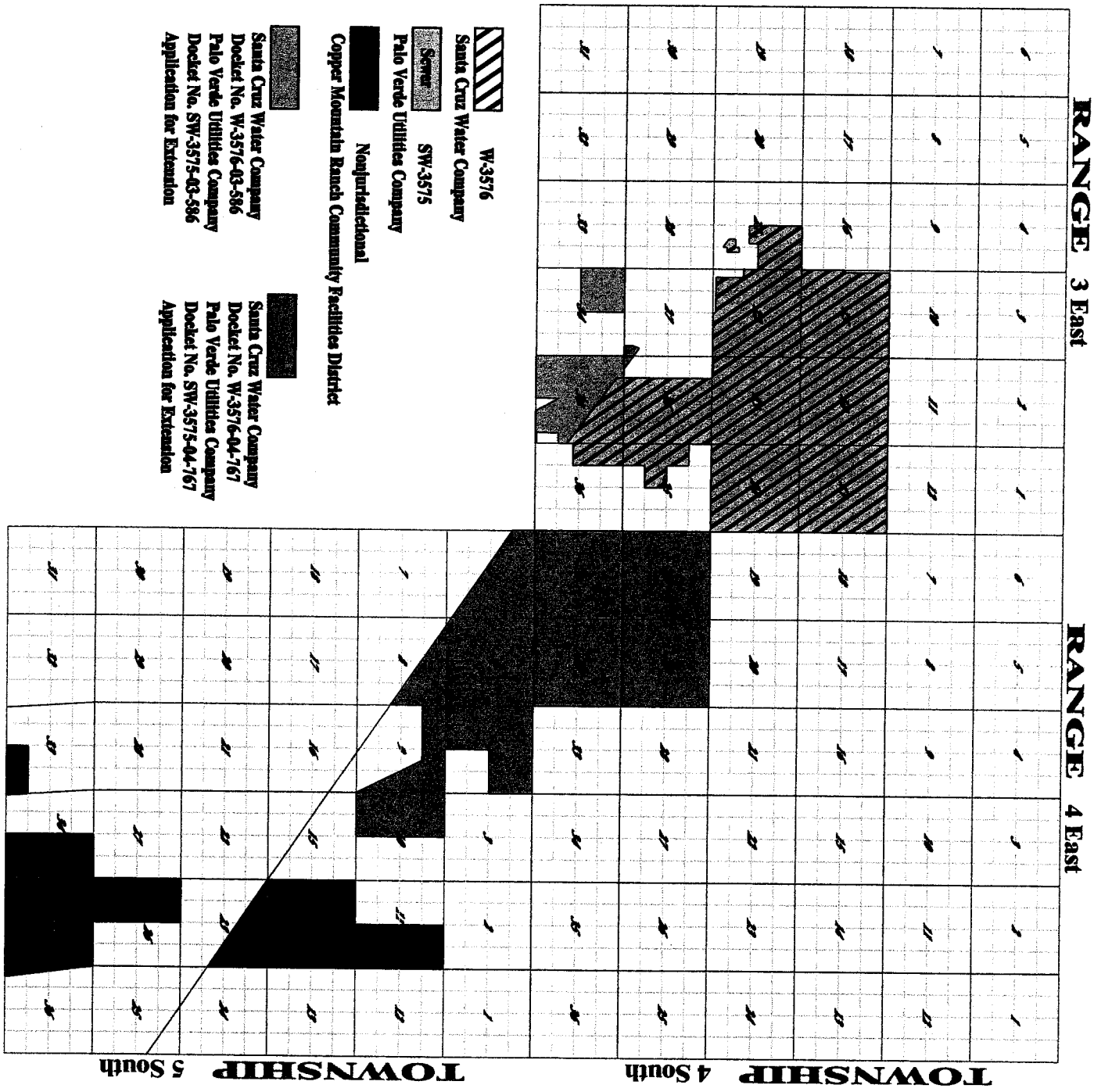
SERVICE LIST FOR: PALO VERDE UTILITIES COMPANY AND SANTA CRUZ WATER COMPANY

DOCKET NOS.: SW-03575A-04-0767 and W-03576A-04-0767

Raymond S. Heyman
Michael W. Patten
ROSHKA HEYMAN & DeWULF
One Arizona Center
400 East Van Buren Street, Ste. 800
Phoenix, AZ 85004

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

Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007



ATTACHMENT A

DECISION NO. _____

EXHIBIT "3"
(AMENDED)
LEGAL DESCRIPTION

LEGAL DESCRIPTION FOR PORTION OF EXPANSION EAST OF CURRENT SERVICE AREA:

COMMENCING AT THE NORTHWEST CORNER OF SECTION 30, TOWNSHIP 4 SOUTH, RANGE 4 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, SAID NORTHWEST CORNER OF SAID SECTION 30 BEING THE TRUE POINT OF BEGINNING;

THENCE EASTERLY ALONG THE NORTH LINE OF SAID SECTION 30 AND CONTINUING EASTERLY ALONG THE NORTH LINE OF SECTION 29, TOWNSHIP 4 SOUTH, RANGE 4 EAST, TO THE NORTHEAST CORNER OF SAID SECTION 29;

THENCE SOUTHERLY ALONG THE EASTERLY LINES OF SAID SECTION 29 AND SECTION 32, TOWNSHIP 4 SOUTH, RANGE 4 EAST, TO THE SOUTHEASTERLY CORNER OF SAID SECTION 32;

THENCE EASTERLY ALONG THE NORTH LINE OF SECTION 4, TOWNSHIP 5 SOUTH, RANGE 4 EAST, TO THE NORTHEAST CORNER OF SAID SECTION 4;

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAID SECTION 4 TO THE EAST QUARTER CORNER THEREOF;

THENCE WESTERLY ALONG THE EAST-WEST MIDSECTION LINE OF SAID SECTION 4 TO THE CENTER OF SAID SECTION 4;

THENCE SOUTHERLY ALONG THE NORTH-SOUTH MIDSECTION LINE OF SAID SECTION 4 TO THE SOUTH QUARTER CORNER THEREOF;

THENCE EASTERLY ALONG THE COMMON EAST-WEST SECTION LINE BETWEEN SAID SECTION 4 AND SECTION 9, TOWNSHIP 5 SOUTH, RANGE 4 EAST TO THE SOUTHEASTERLY CORNER OF SAID SECTION 4;

THENCE CONTINUING EASTERLY ALONG THE NORTH LINE OF SECTION 10, TOWNSHIP 5 SOUTH, RANGE 4 EAST TO THE NORTH QUARTER CORNER OF SAID SECTION 10;

THENCE SOUTHERLY ALONG THE NORTH-SOUTH MIDSECTION LINE OF SAID SECTION 10 TO THE SOUTH QUARTER CORNER OF SAID SECTION 10;

THENCE WESTERLY ALONG THE SOUTH LINE OF SAID SECTION 10 TO THE SOUTHWEST CORNER OF SAID SECTION 10;

THENCE NORTHWESTERLY ALONG A LINE DESCRIBED AS FOLLOWS: BEGINNING AT THE COMMON SOUTHERLY SECTION CORNER BETWEEN THE AFOREMENTIONED SECTIONS 9 AND 10, THENCE NORTHWESTERLY ON A LINE TOWARDS THE NORTH QUARTER CORNER OF SAID SECTION 9 TO A POINT, SAID POINT BEING DESCRIBED AS THE INTERSECTION OF SAID NORTHWESTERLY LINE AND AN EAST-WEST LINE LYING 1397.53 FEET SOUTH, AND PARALLEL TO THE NORTH LINE OF SAID SECTION 9;

THENCE WESTERLY ALONG THE LINE WHICH LIES 1397.53 FEET SOUTHERLY OF THE NORTH LINE OF SECTION 9 TO THE WEST LINE OF SAID SECTION 9;

THENCE SOUTHERLY ALONG THE WEST LINE OF SAID SECTION 9 TO THE INTERSECTION OF THE WEST LINE OF SAID SECTION 9 AND THE NORTHERLY RIGHT-OF-WAY LINE OF THE UNION PACIFIC RAILROAD;

THENCE NORTHWESTERLY ALONG THE UNION PACIFIC RAILROAD RIGHT-OF-WAY TO THE INTERSECTION OF SAID RAILROAD RIGHT-OF-WAY AND THE WEST LINE OF SECTION 6, TOWNSHIP 5 SOUTH, RANGE 4 EAST;

THENCE NORTHERLY ALONG THE WEST LINE OF SAID SECTION 6 TO THE NORTHWEST CORNER THEREOF;

THENCE CONTINUING NORTHERLY ALONG THE WEST LINES OF SECTIONS 31 AND 30, TOWNSHIP 4 SOUTH, RANGE 4 EAST, TO THE NORTHWEST CORNER OF SAID SECTION 30 AND THE TRUE POINT OF BEGINNING.

LEGAL DESCRIPTION FOR PORTION OF EXPANSION SOUTH OF THE UNION PACIFIC RAILROAD:

Lots 1 through 3, inclusive, Block 43, and Lots 1 through 8, inclusive, Block 45, MARICOPA TOWNSITE, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Book 3 of Maps, Page 6;

EXCEPT all of Lot 2, and a portion of Lots 1 and 3, Block 45, MARICOPA TOWNSITE, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Book 3 of Maps, Page 6, a subdivision located in Section 26 and 27, Township 4 South, Range 3 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona, more particularly described as follows;

Commencing at the South quarter corner of said Section 26, from which the Southwest corner of Section 26 bears South 89 degrees 05 minutes 38 seconds West, a distance of 2635.13 feet;

thence South 89 degrees 05 minutes 38 seconds West along the South line of the Southwest quarter of said section 26, to the intersection of the South line of the

Southwest quarter of said Section 26 with the Southerly right-of-way line of the Southern Pacific Railroad, a distance of 1811.49 feet;

thence North 53 degrees 52 minutes 12 seconds West along said Southerly right-of-way line to a point 30 feet North of the South line of the Southwest quarter of Section 26, a distance of 49.81 feet and the POINT OF BEGINNING;

thence South 89 degrees 05 minutes 38 seconds West and parallel with the South line of the Southwest quarter of Section 26 to a point on the East line of the Southeast quarter of said Section 27 that bears North 00 degrees 03 minutes 29 seconds East a distance of 30.00 feet from the Southeast corner of said Section 27, a distance of 783.38 feet;

thence South 89 degrees 05 minutes 38 seconds West and parallel with the South line if the Southwest quarter of Section 26, a distance of 0.23 feet;

thence North 89 degrees 51 minutes 46 seconds West and parallel with the South line of the Southeast quarter of Section 27, a distance of 569.55 feet;

thence North 24 degrees 43 minutes 54 seconds West along the West line of the Santa Rosa Wash Easement recorded in Fee number 2003-008603, a distance of 121.99 feet;

thence North 00 degrees 47 minutes 54 seconds West along the West line of said easement, a distance of 428.42 feet;

thence North 20 degrees 03 minutes 27 seconds East along the West line of said easement, to the intersection of the West line of said easement with the Southerly right-of-way line of the Southern Pacific Railroad, a distance of 421.29 feet;

thence South 53 degrees 52 minutes 12 seconds East along the Southerly right-of-way line of the Southern Pacific Railroad to the intersection of said Southerly right-of-way line with the East line of the Southeast quarter of said Section 27, a distance of 597.88 feet;

thence South 53 degrees 52 minutes 12 seconds East along said Southerly right-of-way line, a distance of 969.05 feet to the POINT OF BEGINNING; and

EXCEPT all oil, gas and other mineral rights as reserved in instrument recorded in Docket 15, Page 66, records of Pinal County, Arizona.

CC&N EXPANSION CONTAINS **5,000** ACRES, MORE OR LESS.