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ARIZONA CORPORATION COMMISSION

MEMORANDUM

To: Docket Control
Arizona Corporation Commission

From: Ernest G. Johnson
Director
Utilities Division

Date: June 21, 2005

RE: Status Report on Cedar Grove Water – Application for an Extension of its Certificate of Convenience and Necessity
Docket No. W-02597A-04-0456

Arizona Corporation Commission

DOCKETED

JUN 22 2005

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AZ CORP COMMISSION
DOCUMENT CONTROL

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On June 18, 2004, Cedar Grove Water filed ("Cedar Grove" or "Company") filed with the Arizona Corporation Commission ("ACC" or "Commission") an application for extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Apache County, Arizona.

On July 15, 2004, the Commissions Utilities Division Staff ("Staff") filed the attached Deficiency Letter indicating that the Company's application has not met the sufficiency requirements as outlined in the Arizona Administrative Code and requested four specific pieces of information to remedy the deficiencies.

On October 18, 2004, and December 1, 2004, the Company filed additional information in the docket specifically, a legal description of the property to be served, the resolution by which Cedar Grove's franchise was extended by Apache County and a request for service. The additional information filed by the Company only remedied two of the four deficiencies that Staff had indicated in its July 15, 2004 Deficiency Letter. No further information was filed by Staff or the Company until a Procedural Order was issued on May 25, 2005, directing Staff to file the instant Status Report addressing its recommendation with regard to the action, if any, to be taken on Cedar Grove's application.

Current Status

In an effort to resolve the outstanding issues regarding the application, Staff telephoned Mr. Mark Grapp, President of Cedar Grove, on June 3, 2005, and left

a message with Mr. David Thrasher. Mr. Thrasher provided Mr. Grapp's pager number to Staff. Staff paged Mr. Grapp and he returned Staff's call promptly. Staff informed him that two (2) of the four (4) items that Staff had requested in its July 15, 2004 Deficiency Letter have not been remedied. Also, Staff informed him that a letter had been drafted that addresses the issues and that Staff intends to mail the letter on June 6, 2005. Subsequently, Staff read the letter to Mr. Grapp over the phone. Mr. Grapp stated that he believes that his Engineer had filed or provided the information to the Commission. Staff informed Mr. Grapp that Staff had no record indicating the information was provided. According to Commission record, two of the four items that were requested by Staff were filed in the docket with the Docket Control, whereas there are no records showing that the rest were filed.

On June 6, 2005, Staff sent a letter to Mr. Grapp requesting that Cedar Grove provide the outstanding information to Staff within 10 days from the date of the letter. Further, the letter indicated that if the Company fails to respond within 10 days as requested, that Staff will recommend that the case be administratively closed.

On June 7, 2005, Mr. Marc Fleetwood, the Engineer for Cedar Grove, contacted Staff inquiring where to send the information. Staff requested that the information be filed with Docket Control.

On June 17, 2005, Staff received a packet of information from Mr. Fleetwood. In the cover letter, Mr. Fleetwood stated "Enclosed are an original and 12 copies of the paperwork that was sent last August. I have also included a copy of the 2004 Annual Report and your letter." In reviewing the information, Staff noted that the date of the transmittal letter by which Mr. Fleetwood alleged that he sent the information to Staff was August 5, 2004. Although, the transmittal letter was dated August 5, 2004, the signature was dated June 15, 2005, with an inscription "same letter as sent previously." Staff filed the information received with Docket Control.

On June 21, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C.

Staff's Recommendation

Staff recommends that Hearing Division issue a procedural order setting the procedural schedule.

Cedar Grove Water Company (W-02597A-04-0456)

June 21, 2005

Page 3

Service List for: Cedar Grove Water
Docket No. W-02597A-04-0456

Mr. Mark Grapp
President
Cedar Grove Water Company
Post Office Box 1270
Show Low, Arizona 85902

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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2004 JUL 15 P 1:15

July 15, 2004

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Mr. Mark Grapp
President
Cedar Grove Water Company
Post Office Box 1270
Show Low, Arizona 85902

Re: Cedar Grove Water- Application for an Extension of its Certificate of Convenience and Necessity
Docket No. W-02597A-04-0456
DEFICIENCY LETTER

Dear Mr. Grapp,

In reference to the Cedar Grove Water Application Extension of its Certificate of Convenience and Necessity ("CC&N") docketed June 18, 2004, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code.

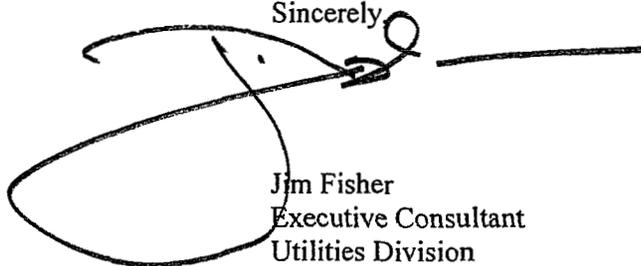
Please provide the following information:

1. Copies of the requests for service by the affected property owners.
2. A copy of the engineering design report for the proposed water system.
3. The estimated engineering costs of the plant associated with the application.
4. A map of the approved subdivision.

Per the Arizona Administrative Code, upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing a proposed Opinion and Order to present to the Commission at an Open Meeting.

Should you have any questions or concerns on this matter, please contact me at (602) 542-0839.

Sincerely,



Jim Fisher
Executive Consultant
Utilities Division

C: Docket Control
Lyn Farmer
Del Smith
Vicki Wallace

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Executive Secretary

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June 6, 2005

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Mark Grapp
President
Cedar Grove Water Company
P.O. Box 1270
Show Low, AZ 85902

RE: Cedar Grove Water Company - Application for Extension of its Certificate of Convenience and Necessity (CC&N) in Docket No. W-02597A-04-0456

Dear Sir:

I have recently been assigned the responsibility to process the above referenced application. In reviewing the Application, Staff noted that the Company has not remedied all of the deficiencies identified in Staff's July 15, 2004 Deficiency Letter, specifically, items nos. 2 and 3.

Pursuant to Arizona Administrative Code ("A.A.C.") R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency. Please provide the following outstanding information to Staff within 10 days from the date of this letter:

1. A copy of the engineering design report for the proposed water system; and
2. The estimated engineering costs of the plant associated with the application.

Staff will recommend that the case be administratively closed if the Company fails to respond within 10 days as requested.

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840, John Chelus at 602-542-7273.

Very truly yours,

A handwritten signature in black ink, appearing to read "B. Chukwu".

Blessing N. Chukwu
Executive Consultant III

BNC

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo
Vicki Wallace