

ORIGINAL



0000021822

30

MEMORANDUM

RECEIVED

TO: Docket Control
Arizona Corporation Commission

2005 JUN 28 P 4: 23

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: June 28, 2005

RE: STAFF REPORT FOR CIRCLE CITY WATER COMPANY L.L.C.
APPLICATIONS FOR EXTENTION OF CERTIFICATE OF CONVENIENCE
AND NECESSITY AND APPLICATION FOR APPROVAL OF A HOOK-UP
FEE TARIFF (DOCKET NOS. W-03510A-05-0146 AND W-03510A-05-0145)

Attached is the Staff Report for the application of Circle City Water Company, L.L.C. for the extension of their existing Certificate of Convenience and Necessity for water service and for approval of a hook-up fee tariff. Staff recommends approval with conditions.

EGJ:LAJ:red

Originator: Linda A. Jaress

Attachment: Original and 13 Copies

Arizona Corporation Commission

DOCKETED

JUN 28 2005

DOCKETED BY	<i>KV</i>
-------------	-----------

Service List for: Circle City Water Company, L.L.C.
Docket Nos. W-03510A-05-0146 AND W-03510A-05-0145

Mr. Jay L. Shapiro
Mr. Patrick J. Black
Fennemore Craig
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012

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

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

CIRCLE CITY WATER COMPANY, L.L.C.

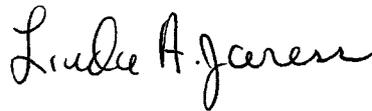
DOCKET NOS. W-03510A-05-0146 AND W-03510A-05-0145

APPLICATION FOR EXTENSION
OF CERTIFICATE OF
CONVENIENCE AND NECESSITY AND
APPROVAL OF A HOOK-UP FEE

JUNE 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Circle City Water Company, L.L.C. (Docket Nos. W-03510A-05-0146 and W-03510A-05-0145) was prepared by the Staff members listed below. Linda A. Jaress performed the review and analysis of the Company's application. Marlin Scott, Jr. prepared the engineering report. Jim Dorf performed the analysis regarding the hook-up fee.



Linda A. Jaress
Executive Consultant III



Marlin Scott, Jr.
Utilities Engineer



Jim Dorf
Chief Accountant

EXECUTIVE SUMMARY
CIRCLE CITY WATER COMPANY, L.L.C.
APPLICATION FOR EXTENSION OF CERTIFICATE OF CONVENIENCE AND
NECESSITY AND APPROVAL OF A HOOK-UP FEE TARIFF
DOCKET NOS. W-03510A-05-0146 AND W-03510A-05-0145

Circle City Water Company, L.L.C. ("Circle City" or "Company") filed an application for approval of an extension of its Certificate of Convenience and Necessity ("CC&N") and for approval of a hook-up fee. The Company is a limited liability company providing utility water service to 169 customers in the western portion of the Phoenix metropolitan area in Maricopa County. The proposed extension encompasses 4,888 acres near Lake Pleasant, one mile north of the intersection of State Route 74 and 211th Avenue in Maricopa County. An additional 160-acre extension is requested for the purpose of serving as a well field.

The existing system is comprised of one well, a 50,000 gallon storage tank, a booster system and a distribution system serving 169 customers. The new system to serve the Lake Pleasant 5000 project in the extension area will ultimately serve 10,000 connections. The cost of the proposed plant facilities is estimated to be approximately \$55.4 million.

The Company has requested approval of a \$3,000 per unit hook-up fee tariff that would result in all of the back-bone facilities being financed by contributions. Staff, however, recommends that the hook-up fee be set at \$1,500 to provide for a more balanced capital structure and prevent an overly subsidized private water company.

Staff recommends approval of the application for the extension of Circle City's CC&N subject to compliance with the following eight conditions.

1. Circle City should file with Docket Control a copy of the Approval to Construct for Phase I of this project within 24 months of a decision in this matter.
2. Circle City should charge its authorized rates and charges in the extension area.
3. The Company should file with Docket Control copies of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute within 24 months of a decision in this matter.
4. Within 45 days of the effective date of the order issued in this proceeding, the Company should file a Curtailment Plan Tariff in the form attached to this report and docket it as a compliance item in this docket for review and certification by Staff.
5. The hook-up fee tariff should be set at \$1,500 for all new 5/8 x 3/4-inch service connections, and graduated for larger meter sizes in the form as reflected in Staff's Engineering Report.
6. Circle City should file a copy of the county franchise agreement for the extension area with Docket Control within 365 days of the decision in this matter.
7. The Company must demonstrate in its next rate case filing that its existing 169 customers will be positively impacted by the addition of the new water facilities necessary to serve the new CC&N.
8. The Company must also provide a complete summary of its accounting for CAP M&I capital charges in its next rate case.

TABLE OF CONTENTS

Page

INTRODUCTION 1

BACKGROUND..... 1

THE EXTENSION AREA REQUESTED 1

THE DEVELOPER..... 2

THE WATER SYSTEM..... 2

FINANCING OF THE UTILITY FACILITIES 2

MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPARTMENT (“MCESD”) COMPLIANCE..... 3

ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE 3

ACC COMPLIANCE..... 3

ARSENIC 3

CURTAILMENT PLAN TARIFF 3

PROPOSED RATES..... 4

FRANCHISE 4

RECOMMENDATIONS 4

ATTACHMENT(S)

ENGINEERING REPORT..... A

FINANCE AND REGULATORY ANALYSIS REPORT B

ENGINEERING MAP 1

ENGINEERING MAP 1-A

Introduction

On March 2, 2005, Circle City Water Company, L.L.C. ("Circle City" or "Company") filed an application for approval of an extension of its Certificate of Convenience and Necessity ("CC&N") and an application for approval of a hook-up fee tariff. On May 6, 2005, Utilities Division Staff ("Staff") found the application for the CC&N extension sufficiently met the requirements of A.A.C. 14-2-402.2 and filed a letter in the docket so indicating. By Procedural Order dated April 4, 2005, the CC&N application was consolidated with the application for approval of a hook-up fee for the purposes of hearing.

The Company is a limited liability company providing utility water service to 169 customers in the western portion of the Phoenix metropolitan area in Maricopa County. Circle City currently operates under rates effective January 1, 1988 as set by Decision No. 55839. According to the Company's 2004 Annual Report to the Arizona Corporation Commission ("Commission"), Circle City generated \$66,372 in revenues and experienced a net loss of \$142,362 during 2004, the largest expense, \$125,824, was related to its accounting for Central Arizona Project fees and charges.

The proposed extension encompasses 4,888 acres near Lake Pleasant, one mile north of the intersection of State Route 74 and 211th Avenue in Maricopa County. This area is approximately 5 miles north of Circle City's current certificated area. An additional 160 acres is being requested to be included in Circle City's certificated area for the purpose of serving as a well field. This area is at the northwest corner of 235th Avenue and Joy Ranch Road and is adjacent to Circle City's current certificated area. The legal descriptions and maps of requested areas are attached as Exhibit 1. Another map, Exhibit 1-A is attached which illustrates more clearly the distance of the extension from Circle City's current certificated area.

Background

Circle City received its CC&N on August 15, 1958 in Decision No. 31121 as Circle City Development Company. The Company was transferred to Consolidated Water Co. in 1964 and then to Brooke Water L.L.C. by Decision No. 59754, dated July 18, 1996. Brooke Water L.L.C. operated it as the Circle City Division. The Circle City Division's assets and CC&N were transferred from Brooke Water L.L.C. to Circle City Water Company, L.L.C. on June 16, 1998 by Decision No. 60972. Circle City is now owned by Brooke Resources L.L.C., the sister company of Brooke Water L.L.C.

The Extension Area Requested

Harvard Investments, Inc. ("Harvard"), a developer, requested that Circle City extend water service to its approximate 5,000 acre planned development to ultimately serve 10,000 residential and commercial units. This extension is five miles northeast of Circle City's certificated area and is not adjacent to it. The large development will be a master planned community known as Lake Pleasant 5000. The application indicated that Harvard was in the

process of obtaining necessary approvals and agreements for wastewater service for the development. Harvard's attorney recently represented that Harvard is still in negotiations with various parties to provide sewer service to the development. An additional 160 acres, adjacent at one point to Circle City's certificated area, is included in the CC&N extension request. This area will serve as a well field and location for a Central Arizona Project water treatment plant. See Exhibit 1 for maps of the current certificated area and the requested areas.

The Developer

Harvard is the United States' development arm of The Hill Companies, a Canadian entity with subsidiaries operating in the broadcasting, insurance, surety and bonding, recycling and real estate industries. Harvard and a sister subsidiary, Harvard Development, own, develop and manage real estate projects in Arizona, Texas and Southern California. Among the Harvard developments in Arizona are Dove Valley in Peoria, The Homestead in Camp Verde, Canada Hills in Oro Valley, Madera Highlands in Green Valley, Ocotillo Ridge Estates in Carefree and La Barranca in Sedona.

Harvard does not currently own the property for which it is requesting service. However, on May 27, 2003, Harvard and the property owners executed an Option to Purchase Agreement. The option period is for 8 years with various option parcels to be exercised and closed during various periods under the agreement. The agreement authorizes Harvard to take actions necessary to obtain entitlements or authorizations for development of the Property.

The Water System

The existing system is comprised of one well producing 110 gallons per minute, a 50,000 gallon storage tank, a booster system and a distribution system serving 169 customers. The new system to serve the Lake Pleasant 5000 project in the extension area will ultimately serve 10,000 connections. It will be comprised of 11 wells, an 8.0 million gallon per day Central Arizona Project water treatment plant, storage tank capacity totaling 7.6 million gallons and a distribution system. The cost of the proposed plant facilities is estimated to reach \$55.4 million. Off-site facilities such as water treatment plants, wells, tanks and transmission mains are expected to cost \$30.0 million while on-site facilities such as distribution mains are expected to cost \$25.4 million. Staff concludes that the cost estimates and proposed plant items appear to be reasonable. Attached as Exhibit 2 is Staff's Engineering Report which contains the engineering analysis of the proposed extension.

Financing of the Utility Facilities

The Company has requested approval of a \$3,000 per unit hook-up fee tariff that would result in all of the back-bone facilities being financed by contributions. The on-site facilities would be financed by main extension agreements. Staff is concerned that too much of the plant for the extension would be constructed through contributions resulting in an unbalanced capital structure and an overly subsidized private water company. Staff recommends that the hook-up

fee be set at \$1,500 per unit. See the attached Exhibit 3 for the financial analysis and more comprehensive discussion of the hook-up fee.

Maricopa County Environmental Services Department (“MCESD”) Compliance

MCESD has determined that Circle City’s system is currently delivering water that meets water quality standards required by the Arizona Administrative Code.

The Company has not received the Certificate of Approval to Construct for the proposed facilities. Staff recommends that the Company file such approvals with Docket Control when received by the Company.

Arizona Department of Water Resources (“ADWR”) Compliance

Circle City is located within the Phoenix Active Management Area. ADWR has confirmed that Circle City is in compliance with its reporting and conservation requirements.

Staff recommends that the Company file with Docket Control copies of the developer’s Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

ACC Compliance

According to the Utilities Division Compliance Section, Circle City has no outstanding ACC compliance issues.

Arsenic

The U.S. Environmental Protection Agency (“EPA”) has reduced the arsenic maximum allowable contaminant level (“MCL”) in drinking water from 50 micrograms per liter (“µg/l”) or parts per billion (“ppb”) to 10 µg/l. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis provided by Circle City indicates that the arsenic level in its well is 3 ppm. The arsenic levels in the proposed well field are unknown at this time.

Curtailement Plan Tariff

A Curtailement Plan Tariff (“CPT”) is an effective tool used by water companies to manage water shortages due to breakdowns, droughts, or other unforeseen events. Circle City does not have a CPT. Staff recommends that the Company file a CPT in the form attached to the engineering report and that the tariff be docketed within 45 days of the effective date of the order in this proceeding for review and certification by Staff.

Proposed Rates

Circle City will provide water utility service to the extension area under its currently authorized rates and charges.

Franchise

Circle City has not yet applied for a franchise agreement with Maricopa County for the proposed extension area. Staff recommends that Circle City be required to file a copy of the county franchise agreement for the extension area with Docket Control within 365 days of the decision in this matter.

Recommendations

Staff recommends the Commission approve the Circle City application for an extension of its CC&N within portions of Maricopa County subject to compliance with the following conditions:

1. Circle City should with Docket Control a copy of the Approval to Construct for Phase I of this project within 24 months of a decision in this matter.
2. Circle City should charge its authorized rates and charges in the extension area.
3. The Company should file with Docket Control copies of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute within 24 months of a decision in this matter.
4. Within 45 days of the effective date of the order issued in this proceeding, the Company should file a Curtailment Plan Tariff in the form attached to this report and docket it as a compliance item in this docket for review and certification by Staff.
5. The Hook-up Fee Tariff should be set at \$1,500 for all new 5/8 x 3/4-inch service connections, and graduated for larger meter sizes as reflected in Staff's Engineering Report.
6. Circle City should file a copy of the county franchise agreement for the extension area with Docket Control within 365 days of the decision in this matter.
7. The Company must demonstrate in its next rate case filing that its existing 169 customers will be positively impacted by the addition of the new water facilities necessary to serve the new CC&N.
8. The Company must also provide a complete summary of its accounting for CAP M&I capital charges in its next rate case.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Circle City be considered null and void without further order from the Commission should Circle City fail to meet the conditions 1, 3, 4 and 6 listed above within the time specified.

MEMORANDUM

DATE: June 27, 2005

TO: Linda Jaress
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Circle City Water Company, LLC
Docket No. W-03510A-05-0146 (CC&N Extension)
Docket No. W-03510A-05-0145 (Hook-up Fee Tariff)

Introduction

Circle City Water Company, LLC ("Company") has submitted applications to extend its Certificate of Convenience and Necessity ("CC&N") and for approval of a hook-up fee tariff. The requested extension areas will add approximately eight square-miles to its existing five square-miles of certificated area. The Company's existing CC&N includes three areas, two areas are located in El Mirage (3-3/4 square-miles and 1/2 square-mile) and one area is Circle City (3/4 square-mile). The Company's service area is approximately 20 miles northwest of El Mirage in Maricopa County.

Capacity

Existing System

The Company's existing system is located in Circle City. According to its 2004 Annual Report, this system has one well producing 110 gallons per minute ("GPM"), a 50,000 gallon storage tank, a booster system and a distribution system serving 169 service connections.

New System

The Company is proposing a new water system to serve the Lake Pleasant 5000 project (one of the extension areas), which is located approximately five miles from the existing system. The proposed system will have a well production capacity totaling 3,520 GPM from 11 wells (the other extension areas for the well field), an 8.0 million gallon per day Central Arizona Project water treatment plant, storage tank capacity totaling 7.6 million gallons and distribution system to serve 10,000 connections.

Staff concludes that the proposed system will have adequate production and storage capacity to serve the CC&N extension areas. The Company plans to construct the proposed system in phases.

Proposed Plant Facilities

The Company is proposing to construct a new water system in the requested area through the use of a Main Extension Agreements ("MXA"). The proposed facilities to be constructed are:

On-Site Facilities:

Tanks	\$ 5,502,500	
Booster stations	\$ 748,125	
Transmission mains	\$ 211,200	
Distribution mains	\$20,000,000	
Subtotal		-----
		\$26,461,825

Off-Site Facilities:

Wells	\$ 5,322,250	
CAP treatment plant	\$ 8,125,813	
0.5 million gallon tank	\$ 1,061,625	
Transmission mains	\$ 3,901,000	
Booster station	\$ 473,813	
Subtotal		-----
		\$18,884,500

On-Site & Off-Site totals	\$45,346,325	
Contingency at 15%	\$ 6,801,949	
Tax @ 6.3%	\$ 3,285,341	
		=====
TOTAL:	\$55,433,615	

Staff concludes that the proposed plant items listed above and the Company's cost estimates totaling \$55,433,615 appear to be reasonable. However, no "used and useful" determinations of the proposed plant facilities were made and no particular treatment should be inferred for rate making or rate base purposes.

Maricopa County Environmental Services Department ("MCESD") Compliance

Compliance Status

MCESD regulates the Company's system under Public Water System I.D. No. 07-112. Based on data submitted by the Company, MCESD has determined that this system is currently delivering

water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Certificate of Approval to Construct

The Company had not received the Certificate of Approval to Construct ("ATC") for the proposed facilities. Staff recommends that the Company file with Docket Control copies of each ATC when received by the Company.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL is January 23, 2006.

The Company indicated the arsenic level for its existing Well No. 1 is at 3 ppb. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL of 10 ppb.

According to the Company, the proposed well field is in the same aquifer as the existing Circle City well and therefore, the Company is anticipating that the water quality of the new wells will be similar to the water quality of the existing well. However, in case that the arsenic levels exceed the new MCL standard, the well water will be treated at the CAP water treatment plant.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Company is located within the Phoenix Active Management Area ("AMA") and is in compliance with its reporting and conservation requirements.

Certificate of Assured Water Supply

Staff recommends that the Company file with Docket Control copies of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

Arizona Corporation Commission ("ACC") Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for this Company.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company does not have this type of tariff, this consolidated proceeding provides an opportune time to prepare and file such a tariff.

Staff recommends that the Company file a CPT in the form of the attached, Attachment – CPT. This tariff shall be docketed as a compliance item in this case within 45 days of the effective date of an order issued in this proceeding for review and certification by Staff.

Off-Site Hook-Up Fee ("HUF") Tariff

Staff has reviewed the Company's HUF Tariff and recommends adjustments to the proposed fees. The Company calculated its proposed fee by applying the total off-site capital cost of \$30 million and dividing by the projected new customers of 10,000, resulting in a hook-up fee of \$3,000 for a 5/8 x 3/4-inch meter. Staff finds the estimated total off-site capital cost of \$30 million to be reasonable but recommends an adjusted hook-up fee of \$1,500 for all new 5/8 x 3/4-inch service connections, and graduated for larger meter sizes. (Please see Staff witness Jim Dorf's testimony for the recommended \$1,500 amount.) Staff further recommends approval of the Company's Off-Site Hook-up Fee Tariff as modified by Staff and reflected in Staff's attached Tariff Schedule.

Summary

Conclusions

- A. Staff concludes that the proposed system will have adequate production and storage capacity to serve the CC&N extension areas. The Company plans to construct the proposed system in phases.
- B. Staff concludes that the proposed plant items and the Company's cost estimates totaling \$55,433,615 appear to be reasonable. However, no "used and useful" determinations of the proposed plant facilities were made and no particular treatment should be inferred for rate making or rate base purposes.
- C. MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
- D. The Company indicated the arsenic level for its existing Well No. 1 is at 3 ppb. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL of 10 ppb.
According to the Company, the proposed well field is in the same aquifer as the existing Circle City well and therefore, the Company is anticipating that the water quality of the

new wells will be similar to the water quality of the existing well. However, in case that the arsenic levels exceed the new MCL standard, the well water will be treated at the CAP water treatment plant.

- E. The Company is located within the Phoenix Active Management Area (“AMA”) and is in compliance with its reporting and conservation requirements.
- F. A check with the Utilities Division Compliance Section showed no outstanding compliance issues for this Company.

Recommendations

1. Staff recommends that the Company file with Docket Control a copy of the ATC for Phase I of this project within 24 months of a decision in this matter.
2. Staff recommends that the Company file with Docket Control copies of the developer’s Certificate of Assured Water Supply for the requested area, where applicable or when required by statute within 24 months of a decision in this matter.
3. Staff recommends that the Company file a CPT in the form of the attached, Attachment – CPT. This tariff shall be docketed as a compliance item in this case within 45 days of the effective date of an order issued in this proceeding for review and certification by Staff.
4. Staff recommends approval of the Company’s Off-Site Hook-up Fee Tariff as modified by Staff and reflected in Staff’s attached Tariff Schedule.

TARIFF SCHEDULE

Attachment - CPT

Utility: Circle City Water Company, LLC
Docket No.: W-03510A-05-0146
Phone No.: _____

Tariff Sheet No.: 1 of 4
Decision No.: _____
Effective: _____

CURTAILMENT PLAN FOR CIRCLE CITY WATER COMPANY, LLC
(Template 063004)

ADEQ Public Water System No: 07-112

Circle City Water Company, LLC ("Company") is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering

TARIFF SCHEDULE

Attachment - CPT

Utility: Circle City Water Company, LLC
Docket No.: W-03510A-05-0146
Phone No.: _____

Tariff Sheet No.: 2 of 4
Decision No.: _____
Effective: _____

on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least ____ signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

TARIFF SCHEDULE

Attachment - CPT

Utility: Circle City Water Company, LLC
Docket No.: W-03510A-05-0146
Phone No.: _____

Tariff Sheet No.: 3 of 4
Decision No.: _____
Effective: _____

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ The use of construction water is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least _____ signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

TARIFF SCHEDULE

Attachment - CPT

Utility: Circle City Water Company, LLC
Docket No.: W-03510A-05-0146
Phone No.: _____

Tariff Sheet No.: 4 of 4
Decision No.: _____
Effective: _____

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

TARIFF SCHEDULE

Utility: Circle City Water Company, LLC
Docket No.: W-03510A-05-0145
Phone No.: _____

Tariff Sheet No.: 1 of 4
Decision No.: _____
Effective: _____

OFF-SITE HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to **Circle City Water Company, LLC** (“the Company”) pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company’s establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission’s (“Commission”) rules and regulations governing water utilities shall apply interpreting this tariff schedule.

“Applicant” means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builder of new residential subdivisions.

“Company” means Circle City Water Company, LLC, an Arizona limited liability company.

“Main Extension Agreement” means any agreement whereby an Applicant, Developer and/or Builder 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 Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as “Water Facilities Agreement” or “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 will benefit the entire water system.

“Service Connection” means and includes all service connections for single-family residential or other uses, regardless of meter size.

III. Off-Site Hook-up Fee

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE HOOK-UP FEE TABLE		
Meter Size	Size Factor	Total Fee
5/8" x 3/4 "	1	\$1,500
3/4"	1.5	\$2,250
1"	2.5	\$3,750
1-1/2 "	5	\$7,500
2"	8	\$12,000
3"	16	\$24,000
4"	25	\$37,500
6" or larger	50	\$75,000

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site 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 Off-Site Hook-up Fee: Off-site 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. Off-site hook-up fees shall not be used for repairs, maintenance, or operational purposes.

(C) Time of Payment:

a. For those requiring a Main Extension Agreement –

In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the fees required hereunder shall be made by the Applicant, Developer or Builder no later than within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona

Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M).

- 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 –

In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall not be entitled to any refunds.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision Projects: In the event that the Developer or Builder is engaged in the development of a residential subdivision containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Developer's or Builder's construction schedule and water service requirements.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site 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 that will benefit the entire water system.

(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

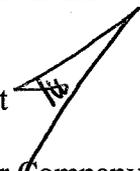
(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) 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 hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site 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 hook-up fee.

MEMORANDUM

DATE: June 25, 2005

TO: Linda Jaress
Executive Consultant III

From: James J. Dorf
Chief Accountant 

RE: Circle City Water Company, LLC
Docket No. W-03510A-0509146 (CC&N Extension)
Docket No. W-03510A-05-0145 (Hook-Up Fee Tariff)

Introduction

Circle City Water Company, LLC ("Circle City" or "Company") has submitted to the Arizona Corporation Commission ("Commission") an application to extend its current Certificate of Convenience and Necessity ("CC&N") and a filing to establish a hook-up fee tariff related to a Lake Pleasant development which will require a new water system to serve approximately 10,000 new connections.

Staff's Engineering Report has determined that the Company's proposed construction cost totaling \$55.4 million (includes approximately \$30 million for off-site capital costs) for this project is reasonable.

Financial Overview

The Company's recent financial performance has produced operating losses of just over \$150,000 for both 2002 and 2003. These losses are primarily due to the Company apparently expensing all of its Central Arizona Project ("CAP") Municipal and Industrial ("M&I") capital charges.¹ The Company's 2003 annual report indicated total assets of \$128,379, total liabilities of \$2,252,041 and Proprietary Capital of a negative \$2,123,662. The Company has also indicated that the Notes Payable to Affiliated Company of \$2,224,977 will be converted to a capital contribution. The Notes Payable were not previously approved by the Commission. A pro forma balance sheet has been prepared by Staff wherein the Notes Payable is converted into Proprietary Capital as of December 31, 2003 (Schedule JJD-1).

¹ The Company has a subcontract (dated December 17, 1999) for 3,932 acre-feet as stated in its Assignment of Rights and Assumption of Obligations of Central Arizona Project Municipal and Industrial Water Service Subcontract.

A review of Circle City's annual report for 2004 indicated that its operating losses continue at just under \$150,000 and it appears that the Company is continuing to expense its CAP M & I charges (\$125,824 in 2004).

Proposed Off-Site Hook-Up Fee Tariff (Docket No. W-03510A-05-0145)

Staff's Engineering Report correctly indicates that Staff recommends that private water companies should not have capital structures that are substantially funded by hook-up or other fees. Staff generally recommends that contributed capital not exceed 25 percent of the assets required to establish service.

The Company has proposed a Hook-Up Fee tariff of \$3,000 for a 5/8 x 3/4-inch meter which is graduated for larger meter sizes. Based on its estimate of an increase of 10,000 customers, the Company would collect the full \$30 million cost of the estimated off-site capital charges. Additionally, this represents 54 percent of the total capital costs of \$55.4 million.

Staff is recommending a \$1,500 hook-up fee for all new 5/8 x 3/4-inch service connections. This will provide approximately \$15 million in capital for the Company's anticipated new service connections or approximately 27 percent of its total anticipated construction costs (\$15 million divided by \$55.4 million). Therefore, Staff also recommends that \$1,500 hook-up fee be considered a non-refundable Contribution in Aid of Construction. This will establish a more balanced capital structure and prevent an overly subsidized private water company.

Proposed CC&N Extension (Docket No. W-02510A-05-0146)

The Company has proposed charging its existing water rates (See Exhibit I) to the customers in the CC&N extension area. These rates have produced operating losses for the last three years. It appears that the Company will continue to produce operating losses to the extent it is expensing its CAP M&I charges. Staff will address the Company's accounting for CAP M & I charges in its next rate case.

Staff Recommendations

Staff recommends that the Company submit an Off-Site Hook-Up Fee Tariff as summarized in the Engineering Report. Staff's recommended Hook-Up Fee Tariff provides for a non-refundable fee of \$1,500 which is graduated for other meter sizes.

Staff further recommends the Company charge its existing rates as summarized in Exhibit I.

Staff further recommends that the Company demonstrate that its existing 169 customers will be positively impacted by the addition of the new water facilities necessary to serve the new CC&N when filing its next rate case application.

The Company shall provide a complete summary of its accounting for CAP M&I capital charges in its next rate case.

PRO FORMA BALANCE SHEET

	<u>12/31/2003</u>	Adjust- ments	Pro Forma
ASSETS			
Cash	0		0
Accounts Receivable	3,776		3,776
Prepayments	<u>62,912</u>		<u>62,912</u>
Current Assets	<u>66,688</u>		<u>66,688</u>
Utility Plant in Service	97,433		97,433
Less Accumulated Depreciation	<u>(35,742)</u>		<u>(35,742)</u>
Fixed Assets	<u>61,691</u>		<u>61,691</u>
TOTAL ASSETS	<u><u>\$128,379</u></u>		<u><u>\$128,379</u></u>
LIABILITIES AND CAPITAL			
Accounts Payable	2,209		2,209
Notes Payable to Associated Company	2,224,977	(2,224,977)	0
Customer Deposits	3,870		3,870
Accrued Taxes	<u>2,031</u>		<u>2,031</u>
Current Liabilities	<u>2,233,087</u>		<u>8,110</u>
Refundable Meter Deposits	3,986		3,986
Advances in Aid of Construction (AIAC)	13,368		13,368
Contributions in Aid of Construction (CIAC)	6,004		6,004
Less Amortization of CIAC	<u>(4,403)</u>		<u>(4,403)</u>
Deferred Credits	<u>18,955</u>		<u>18,955</u>
TOTAL LIABILITIES & CREDITS	<u>2,252,042</u>		<u>27,065</u>
CAPITAL ACCOUNTS			
Proprietary Capital	<u>(2,123,662)</u>	2,224,977	<u>101,315</u>
TOTAL LIABILITIES & CAPITAL	<u><u>\$128,380</u></u>	<u>0</u>	<u><u>\$128,380</u></u>

Amount differences due to rounding.

ACC Decision Date:
 ACC Docket No.
 ACC Decision No.:
 ACC Commissioners:
 Effective Date of New Rates:
 Maricopa County Environmental Service Dept. SDWA Compliance Date:
 Owned By:
 Owner Address:
 Owner City, State, Zip Code:
 PWS#:
 County of Operations:
 Transferor (pursuant to ACC Decision No. 60972)
 Transfer of Assets & CC&N Date:
 Meter Reading Route Number:
 Prior ACC Rate Application Decision and Date:
 Ownership Type:

ORIGINAL RECEIVED

NOV -8 P 12:22

AZ CORP COMMISSION
 DOCUMENT CONTROL

January 8, 1988
~~W 0207574-98-0074~~ 0073

55839 (unanimous)
 Weeks, Jennings, Morgan
 January 1, 1988
 October 14, 2000
 Circle City Water Co., L.L.C.
 P.O. Box 82218
 Bakersfield, CA 93380-2218
 07-112
 Maricopa
 Brooke Water L.L.C.
 July 6, 1998
 7033
 No. 50232 dated December 7, 1979
 Limited Liability Company

Monthly Usage Charges:

5/8" X 3/4" meter	\$	10.75
3/4" meter	\$	22.00
1" meter	\$	35.00
1-1/2" meter	\$	75.00
2" meter	\$	100.00
3" meter	\$	125.00
4" meter	\$	150.00
6" meter	\$	175.00
Gallons Included in Base Rate		2,000
Fire Hydrants	\$	7.00

Commodity Charge:

Per 1,000 gallons	\$	1.95
-------------------	----	------

Service Line and Meter Installation Charges:

5/8" X 3/4" meter	\$	175.00
3/4" meter	\$	185.00
1" meter	\$	225.00
1-1/2" meter	\$	475.00
2" meter	\$	550.00
3" meter		Cost
4" meter		Cost
6" meter		Cost

APPROVED FOR FILING
 DECISION #: 60972

Service Charges:

Establishment	\$	25.00
Establishment (after hours)	\$	25.00
Reconnection	\$	25.00
Reconnection (after hours) Excluding Non-pays	\$	35.00
Security Deposits		A.A.C. R14-2-403 (B) See Deposit Schedule
Deposit Interest (per A.A.C. R14-2-403 (B))		6.00%
Re-establishment (within 12 months)		Months off system X minimum A.A.C. R14-2-403 (D)
Non-sufficient Funds Payment	\$	15.00
Deferred Payment Interest Charge (per month)		1.50%
Meter Re-read (if correct and not error)	\$	10.00
Meter Test	\$	15.00
Late Payment Penalty (per month)		1.50%
Collection of State and Local Taxes		A.A.C. R14-2-608 (D)(5)

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: April 18, 2005

RE: **CIRCLE CITY WATER COMPANY, LLC (DOCKET NO. W-03510A-05-0146)**
AMENDED LEGAL DESCRIPTION

The area requested by Circle City has been plotted using a revised legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

Also attached is a copy of the map for your files.

:bsw

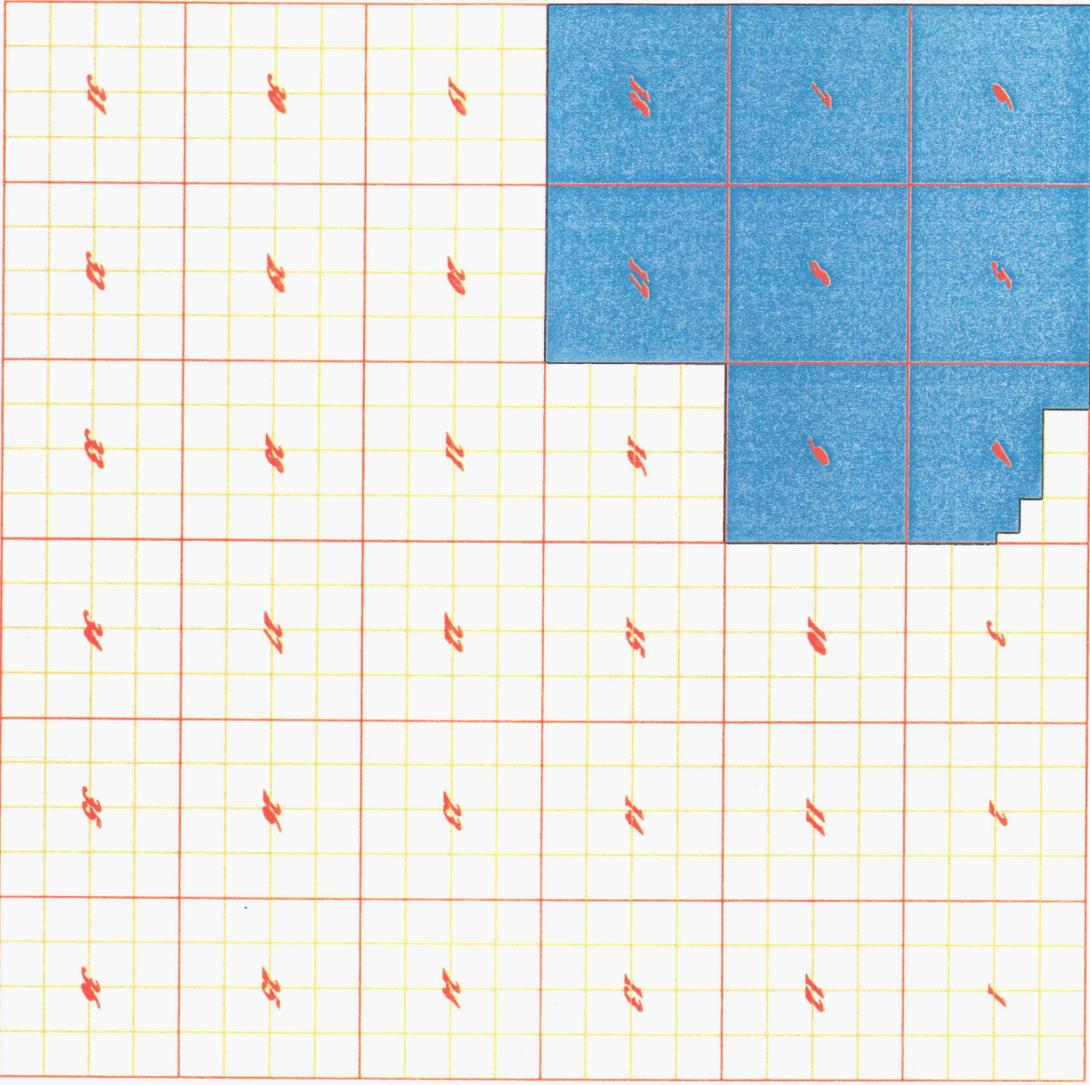
Attachments

cc: Docket Control
Mr. Jay Shapiro
Deb Person (Hand Carried)
File

COUNTY: Maricopa

Map No. 77

RANGE 2 West



TOWNSHIP 6 North

W-3510

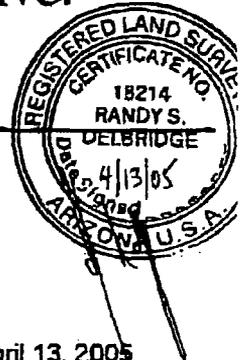
Circle City Water Company, LLC
 Docket No. W-3510-05-146
 Application for Extension

SOUTHWESTERN STATES SURVEYING, INC.

Professional Land Surveying

Randy S. Delbridge, President

21415 North 23rd Avenue • Phoenix, Arizona 85027
Phone (623) 869-0223 Fax (623) 869-0728



DESCRIPTION FOR TOTAL AREA

Job no. 210750

April 13, 2005

Being all of Sections 5, 6, 7, 8, 9, 17, 18 and a portion of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

BEGINNING at the Southwest corner of said Section 18, being a G.L.O. Brass Cap;

THENCE North 00 degrees 01 minutes 37 seconds East, along the West line of the Southwest quarter of said Section 18 a distance of 2640.12 feet to the West quarter corner of said Section 18, being a G.L.O. Brass Cap;

THENCE North 00 degrees 02 minutes 20 seconds West, along the West line of the Northwest quarter of said Section 18 a distance of 2639.18 feet to the Northwest corner of said Section 18, being a G.L.O. Brass Cap;

THENCE North 00 degrees 00 minutes 00 seconds East, along the West line of said Section 7, a distance of 5284.62 feet to the Northwest corner of said Section 7, being a G.L.O. Brass Cap;

THENCE North 00 degrees 07 minutes 21 seconds East, along the West line of the Southwest quarter of said Section 6 a distance of 2640.71 feet to the West quarter corner of said Section 6, being a G.L.O. Brass Cap;

THENCE North 00 degrees 07 minutes 15 seconds West, along the West line of the Northwest quarter of said Section 6 a distance of 2636.20 feet to the Northwest corner of said Section 6, being a G.L.O. Brass Cap;

THENCE South 89 degrees 55 minutes 08 seconds East, along the North line of the Northwest quarter of said Section 6 a distance of 2499.21 feet to the North quarter corner of said Section 6, being a G.L.O. Brass Cap;

THENCE South 89 degrees 10 minutes 12 seconds East, along the North line of the Northeast quarter of said Section 6 a distance of 498.80 feet to the South quarter corner of Section 31, Township 7 North, Range 2 West, being a G.L.O. Brass Cap;

THENCE North 89 degrees 50 minutes 21 seconds East, continuing along the North line of the Northeast quarter of said Section 6 a distance of 2140.86 feet to the Northeast corner of Section 6, being a G.L.O. Brass Cap;

THENCE South 89 degrees 53 minutes 38 seconds East, along the North line of the Northwest quarter of said Section 5 a distance of 501.45 feet to the Southwest corner of said Section 32, Township 7 North, Range 2 West, being a G.L.O. Brass Cap;

THENCE South 89 degrees 54 minutes 32 seconds East, continuing along the North line of the Northwest quarter of said Section 5 a distance of 2148.21 feet to the North quarter corner of Section 5, being a G.L.O. Brass Cap;

THENCE North 89 degrees 07 minutes 14 seconds East, along the North line of the Northeast quarter of said Section 5 a distance of 499.67 feet to the South quarter corner of Section 32, Township 7 North, Range 2 West being a G.L.O. Brass Cap;

THENCE South 89 degrees 43 minutes 38 seconds East, continuing along the North line of the Northeast quarter of said Section 5 a distance of 2148.06 feet to the Northeast corner of said Section 5, being a G.L.O. Brass Cap;

Total Description

THENCE North 89 degrees 58 minutes 03 seconds East, along the North line of the Northwest quarter of said Section 4 a distance of 497.01 feet to the Southwest corner of Section 33, Township 7 North, Range 2 West, being a G.L.O. Brass Cap;

THENCE South 89 degrees 57 minutes 12 seconds East, continuing along the North line of the Northwest quarter of said Section 5 a distance of 823.19 feet to the Northeast corner of G.L.O. Lot 4;

THENCE South 00 degrees 10 minutes 24 seconds East, along the East line of said Lot 4 a distance of 1352.71 feet to the Southeast corner of said Lot 4;

THENCE North 89 degrees 58 minutes 56 seconds East 2637.17 feet;

THENCE South 00 degrees 11 minutes 19 seconds East 660.77 feet;

THENCE North 89 degrees 57 minutes 42 seconds East 989.08 feet;

THENCE South 00 degrees 11 minutes 32 seconds East 660.42 feet;

THENCE North 89 degrees 56 minutes 29 seconds East 329.71 feet to the East quarter corner of said Section 4;

THENCE South 00 degrees 11 minutes 37 seconds West, along the East line of the Southeast quarter of said Section 4 a distance of 2641.22 feet to the Southeast corner of said Section 4, being a G.L.O. Brass Cap;

THENCE South 00 degrees 02 minutes 31 seconds West, along the East line of the Northeast quarter of said Section 9 a distance of 2636.28 feet to the East quarter corner of said Section 9, being a G.L.O. Brass Cap;

THENCE South 00 degrees 03 minutes 39 seconds West, along the East line of the Southeast quarter of said Section 9 a distance of 2635.65 feet to the Southeast corner of said Section 9, being a G.L.O. Brass Cap;

THENCE North 89 degrees 55 minutes 39 seconds West, along the South line of the Southeast quarter of said Section 9 a distance of 2836.78 feet to the South quarter corner of Section 9, being a G.L.O. Brass Cap;

THENCE North 89 degrees 54 minutes 43 seconds West, along the South line of the Southwest quarter of said Section 9 a distance of 2639.18 feet to the Southwest corner of Section 9, being a G.L.O. Brass Cap;

THENCE South 00 degrees 10 minutes 03 seconds West, along the East line of the Northeast quarter of said Section 17 a distance of 2637.41 feet to the East quarter corner of said Section 17, being a G.L.O. Brass Cap;

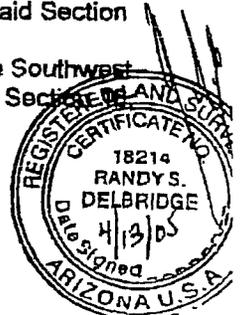
THENCE South 00 degrees 10 minutes 03 seconds West, along the East line of the Southeast quarter of said Section 17 a distance of 2637.41 feet to the Southeast corner of said Section 17, being a G.L.O. Brass Cap;

THENCE North 89 degrees 40 minutes 41 seconds West, along the South line of the Southeast quarter of said Section 17 a distance of 2638.22 feet to the South quarter corner of said Section 17, being a G.L.O. Brass Cap;

THENCE North 89 degrees 54 minutes 18 seconds West, along the South line of the Southwest quarter of said Section 17 a distance of 2640.09 feet to the Southwest corner of Section 17, being a G.L.O. Brass Cap;

THENCE North 89 degrees 57 minutes 37 seconds West, along the South line of the Southeast quarter of said Section 18 a distance of 2640.12 feet to the South quarter corner of said Section 18, being a G.L.O. Brass Cap;

THENCE North 89 degrees 56 minutes 11 seconds West, along the South line of the Southwest quarter of said Section 18 a distance of 2514.54 feet to the Southwest corner of said Section 18, being the Point of Beginning.



**THE SOUTHEAST QUARTER OF SECTION 28
LEGAL DESCRIPTION**

**THE SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 6 NORTH, RANGE 3
WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY,
ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:**

**BEGINNING AT THE SOUTHEAST CORNER OF SECTION 28, MONUMENTED BY A
G.L.O. BRASS CAP:**

**THENCE NORTH 89°59'07" WEST ALONG THE SOUTH LINE OF THE SOUTHEAST
QUARTER OF SAID SECTION 28, ALSO BEING THE BASIS OF BEARING, A
DISTANCE OF 2644.53 FEET TO THE SOUTH QUARTER CORNER OF SECTION 28
MONUMENTED BY A G.L.O. BRASS CAP**

**THENCE NORTH 00°01'21" WEST ALONG THE NORTH-SOUTH MID-SECTION LINE
OF SAID SECTION 28 A DISTANCE OF 2639.37 FEET TO THE CENTER OF
SECTION OF SAID SECTION 28, MONUMENTED BY A REBAR WITH RLS 9087 CAP;**

**THENCE NORTH 89°58'37" EAST ALONG THE EAST-WEST MID-SECTION LINE A
DISTANCE OF 2644.57 FEET TO THE EAST QUARTER CORNER OF SECTION 28,
MONUMENTED BY A G.L.O. BRASS CAP;**

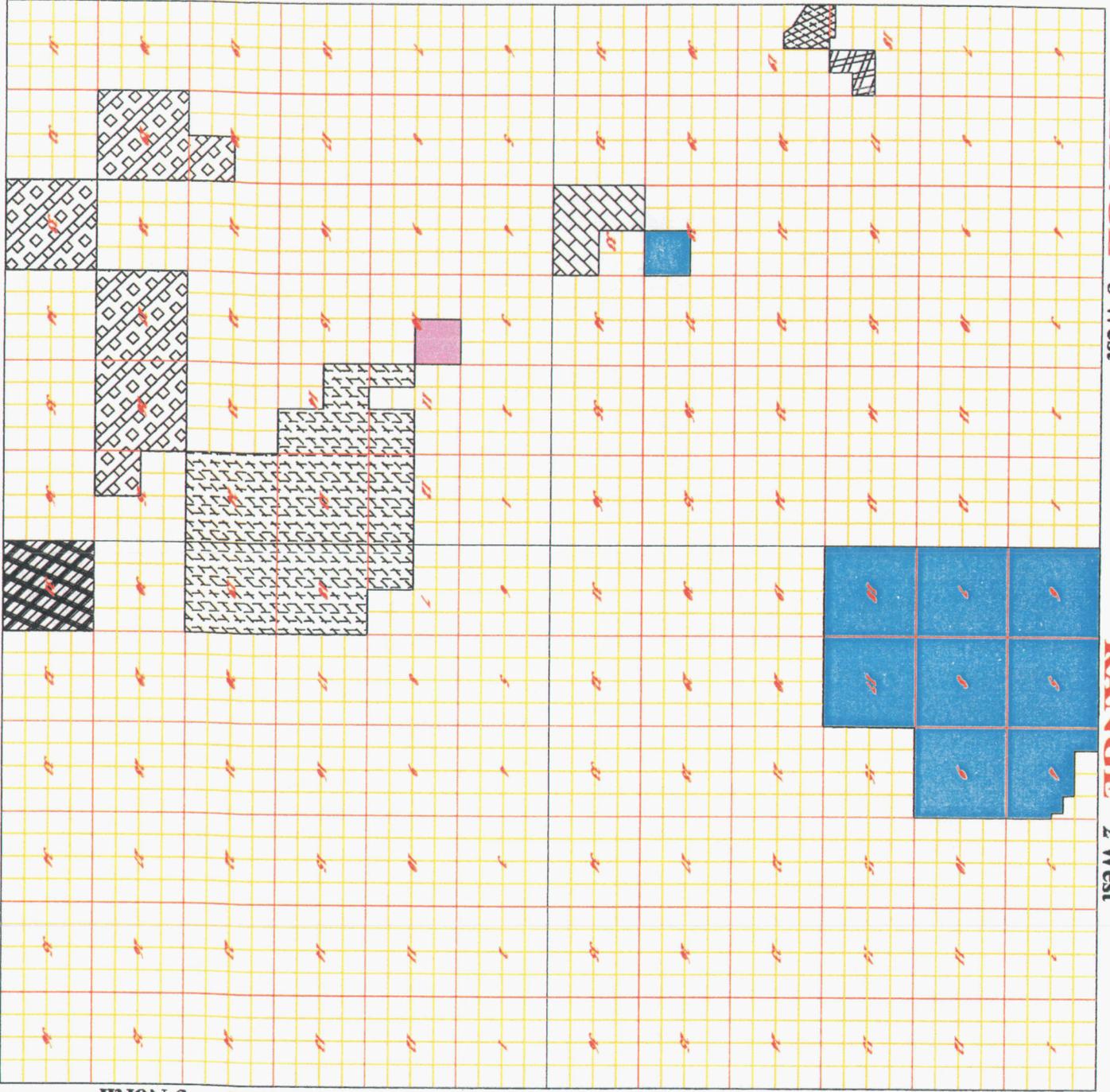
**THENCE SOUTH 00°01'17" EAST ALONG THE EAST LINE OF THE SOUTHEAST
QUARTER OF SAID SECTION 28 A DISTANCE OF 2641.11 FEET TO THE
SOUTHEAST CORNER OF SECTION 28, BEING THE POINT OF BEGINNING;**

**THE ABOVE DESCRIPTION BASED ON AN A.L.T.A SURVEY BY SOUTHWESTERN
STATES SURVEYING, INC. DATED JUNE 28, 2004, JOB NUMBER 240694.**



RANGE 3 West

RANGE 2 West



TOWNSHIP 6 North **TOWNSHIP 5 North**

-  W-2074
Beardsley Water Company, Inc.
-  W-2393
Chaparral Water Company
-  W-3510
Circle City Water Company, LLC
-  W-2164
Morristown Water Company
-  W-2464
Puesta del Sol Water Company
-  W-1157
West End Water Company
-  Circle City Water Company, LLC
Docket No. W-3510-05-146
Application for Extension
-  Signal Peak Water Company, Inc.
Docket No. W-2109-04-183
Application for Extension