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ARIZONA CORPORATION COMMISSION

July 21, 2005

Robert W. Geake  
Vice President and General Counsel  
Arizona Water Company  
P.O.Box 29006  
Phoenix, Arizona 85038-9006

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RE: Arizona Water Company – Application for Extension of its Certificate of Convenience and Necessity (CC&N) Docket No. W-01445A-05-0469  
INSUFFICIENCY LETTER

Dear Sir:

In reference to the above mentioned application filed on June 30, 2005, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please provide system operation data by submitting a Water Use Data Sheet for the Casa Grande System.
2. Please provide the fire flow requirement for this system?
3. For each of the eight parcels, please provide a description of how water service will be provided to these requested areas. (Since Parcel #8 is not contiguous to the service area, will this Parcel #8 have its own water system?)
4. For each of the eight parcels, please provide the number of customers to be served for the first year, fifth year and at total built-out. Indicate the number of existing customers being served, if any, for each parcel.
5. For each of the eight parcels, please explain the method of financing to serve the requested areas.
6. Please confirm that the Casa Grande System, PWS #11-009, is the only system that will serve the requested areas. If not, please identify the other Public Water Systems.
7. The requested areas are within the Pinal Active Management Area. Please provide a copy of the Arizona Department of Water Resources (“ADWR”) Designation of Assured Water Supply or Certificate of Assured Water Supply for the CC&N area requested. If

none of these are available, please provide a copy the ADWR's Physical Availability Determination. If a determination of Assured Water Supply has not been obtained from ADWR, please inform Utilities Division Staff ("Staff") of the status of the application for that determination.

8. Please provide the requests for service for Parcel One and the rest of Parcels Two thru Eight that have not been provided.
9. Please provide any other information which will allow the Commission to analyze and conclude that the Company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N extension area.
10. Please provide a set of design plans for the proposed water facilities. The plan should include the proposed water source, distribution facilities and show the site map of the proposed water treatment plant. If final design plans are not available, please provide preliminary plans.
11. Please provide an estimate of the water facilities costs necessary to serve the proposed CC&N extension area. The cost should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, etc.). The method of financing for the major components should be described in as much detail as possible.
12. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed extension area. If the Approval to Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.
13. Please provide a copy of the proposed construction schedule.

Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant to 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.

Arizona Water Company (Docket No. W-01445A-05-0469)

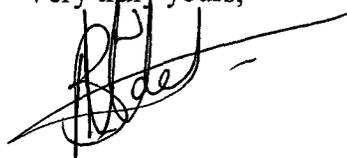
Insufficiency Letter

7/21/2005

Page 3 of 3

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840, Marlin Scott Jr. at 602-542-7272.

Very truly yours,

A handwritten signature in black ink, appearing to read "B. Chukwu", with a long horizontal line extending to the right.

Blessing N. Chukwu  
Executive Consultant III

BNC

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