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**Transcript Exhibit(s)**

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W-03510A-05-0145

W-03510A-05-0146

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NEW APPLICATION  
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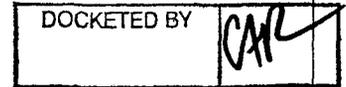
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Arizona Corporation Commission

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FENNEMORE CRAIG  
A Professional Corporation  
Jay L. Shapiro (No. 014650)  
Patrick J. Black (No. 017141)  
3003 North Central Avenue  
Suite 2600  
Phoenix, Arizona 85012  
Telephone (602) 916-5000

Attorneys for Circle City Water Company, L.L.C.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION  
OF CIRCLE CITY WATER COMPANY, LLC  
FOR AN EXTENSION OF ITS EXISTING  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY FOR WATER SERVICE.

DOCKET NO. W-03510A-05-0146

APPLICATION FOR EXTENSION OF  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY

Circle City Water Company, L.L.C. ("Applicant"), an Arizona public service corporation, hereby applies for an Order approving an extension of its existing Certificate of Convenience and Necessity ("CC&N") for water service to include an area encompassing a development known as Lake Pleasant 5000 (the "Development"). In support of this Application, Applicant states as follows:

1. Applicant is a public service corporation engaged in providing water for public purposes within portions of Maricopa County, Arizona. The Circle City system in Maricopa County was originally certificated by grant of the Arizona Corporation Commission ("Commission") on August 15, 1958 to Circle City Development Company (Decision No. 31121), transferred to Spencer D. Stewart and May Jan Stewart dba Consolidated Water Co. on January 6, 1964 and later transferred to Consolidated Water Co., LTD by Commission Decision No. 51286 (August 8, 1980). On July 18, 1996, the Commission approved Brooke Water, L.L.C.'s application for approval of the sale of assets and transfer of certificates of convenience and necessity ("CC&N") owned by Consolidated Water Co., LTD, in Decision No. 59754 (July 18, 1996). Brooke Water L.L.C. then transferred its Circle City Division's assets and CC&N to

1 Circle City Water Company, L.L.C. on June 16, 1998 (Decision No. 60972). Applicant currently  
2 serves approximately 167 water utility customers. The area served by Applicant contains both  
3 residential and commercial properties.

4 2. Harvard Investments, Inc. ("Developer") has requested that Applicant extend  
5 water utility service to the Development. A copy of the request for service is attached hereto as  
6 Exhibit 1.

7 3. The Development encompasses approximately 5,000 acres and is planned for  
8 roughly 10,000 residential dwellings and a mixture of commercial units. The area to be included  
9 in Applicant's CC&N (the "Expansion Area") includes 4,882 acres in Maricopa County  
10 approximately one mile north of the intersection of state highway 74 and 211<sup>th</sup> Avenue. A legal  
11 description for that portion of the Expansion Area is attached hereto as Exhibit 2. The Expansion  
12 Area also includes 160 acres at the northwest corner of 235<sup>th</sup> Avenue and Joy Ranch Road in  
13 Maricopa County. A legal description for that portion of the Expansion Area is attached hereto as  
14 Exhibit 3.

15 4. Wastewater utility service will be provided to the Development by a municipality  
16 or private utility provider and Developer is in the process of obtaining necessary approvals and  
17 agreements for such service.

18 5. Water supply for the Development is anticipated to come from a combination of  
19 groundwater wells and Non-Indian Municipal and Industrial Central Arizona Project ("CAP")  
20 Subcontract Agreements. It is anticipated that sufficient well capacity will initially provide  
21 groundwater to meet the average day demand, but will eventually serve as the primary backup  
22 water supply for the Development. Water from the CAP agreements will be provided to  
23 eventually meet the total maximum day demand. Hence, the use of CAP water reserves in this  
24 manner will compliment groundwater conservation efforts by utilizing a water source allocated to  
25 the State of Arizona when the CAP was originally conceived.

26 6. Applicant's management contact is Robert T. Hardcastle, whose business address

1 is 3101 State Road, Bakersfield, California 93308. The telephone number is (661) 633-7526.

2 7. Applicant's operator, certified by the Arizona Department of Environmental  
3 Quality, is First National Management, whose business address is P.O. Box 1020, Apache  
4 Junction, Arizona 85217. The local telephone number is (480) 677-6080.

5 8. Applicant's attorneys are Fennemore Craig, whose address is 3003 North Central  
6 Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual attorney responsible for this  
7 application is Jay L. Shapiro. Mr. Shapiro's telephone number is (602) 916-5366. **All Data  
8 Requests or other Requests for Information should be directed to Mr. Robert Hardcastle,  
9 with a copy to Mr. Shapiro's attention, on behalf of Circle City Water Company.**

10 9. A Certificate of Good Standing for Applicant is attached hereto as Exhibit 4.

11 10. The newly acquired customers in the Expansion Area covered by the application  
12 will receive water service subject to Applicant's current rates and charges for utility service,  
13 which were approved in Decision No. 55839 (January 1, 1988).

14 11. A service area map indicating Applicant's present water CC&N, and the area  
15 requested by this Application, is attached hereto as Exhibit 5.

16 12. Applicant's balance sheet and profit and loss information for the 12-month period  
17 ending 2003 is attached hereto as Exhibit 6. An update balance sheet for year-end 2004 will be  
18 provided when available.

19 13. A Master Water Design report for the Development is attached hereto as Exhibit 7.

20 14. A copy of Applicant's most recent Annual Report (2003) is attached hereto as  
21 Exhibit 8.

22 15. The estimated numbers of residential customers to be served in each of the first  
23 five years of water utility service to the areas covered by this Application are as follows:

24 1<sup>st</sup> Year: 500  
25 2<sup>nd</sup> Year: 1000  
26 3<sup>rd</sup> Year: 2000  
4<sup>th</sup> Year: 3500

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5<sup>th</sup> Year: 5000

16. Applicant's estimated annual operating revenue and operating expenses for each of the first five years of operation in the new area covered by this Application are as follows:

<u>Operating Revenue</u>	<u>Operating Expenses</u>
1 <sup>st</sup> Year - \$99,320	1 <sup>st</sup> Year - \$176,543
2 <sup>nd</sup> Year - \$269,728	2 <sup>nd</sup> Year - \$320,795
3 <sup>rd</sup> Year - \$514,485	3 <sup>rd</sup> Year - \$516,527
4 <sup>th</sup> Year - \$888,149	4 <sup>th</sup> Year - \$855,970
5 <sup>th</sup> Year - \$1,301,837	5 <sup>th</sup> Year - \$1,279,276

17. In order for applicant to provide water service to and within the Development, water distribution facilities must be constructed. The total estimated cost to construct utility facilities necessary for Applicant to serve customers in the Expansion Area is approximately \$42,409,778 through the first five years of development. Applicant proposes to have Developer construct water distribution facilities to serve the public utility water needs of the Development as set forth in the Water Facilities Agreement between the parties, attached hereto as Exhibit 9. The plant cost projections, including service meters, by year for the next five (5) years are as follows:

**Plant Cost Projection**

1 <sup>st</sup> Year:	\$11,328,796.00
2 <sup>nd</sup> Year:	\$12,578,796.00
3 <sup>rd</sup> Year:	\$22,141,211.00
4 <sup>th</sup> Year:	\$36,214,878.00
5 <sup>th</sup> Year:	\$42,409,778.00

18. The water facilities needed to serve the Expansion Area will be constructed as needed to provide service to customers. The starting date for the construction of facilities at the Development is approximately late 2005.

19. The construction of the additional utility facilities needed to serve the Expansion Area will be financed by a combination of both refundable Advances in Aid of Construction and

1 non-refundable Contributions in Aid of Construction ("CIAC") pursuant to the terms of the Water  
2 Facilities Agreement between Applicant and Developer. Applicant has filed a concurrent  
3 application for approval of a proposed Hook-Up Fee Tariff. If approved, all amounts collected by  
4 Applicant pursuant to the Hook-Up Fee Tariff will constitute CIAC, and will be used solely for  
5 the purposes of constructing facilities to provide additional water production, storage, pressure,  
6 and transmission capacity to present and future developments. There is a public need and  
7 necessity for public utility water services in the Expansion Area. The Expansion Area is not  
8 currently being served by another certificated water utility.

9 20. The Arizona Department of Environmental Quality and Arizona Department of  
10 Water Resources will issue certain approvals before service can be provided within the proposed  
11 extension area. These approvals will be provided to the Commission once issued by these state  
12 agencies.

13 21. Notice of this Application will be given as required by the Commission and proof  
14 of publication will be filed with the Commission.

15 22. Applicant will file an application for approval of a franchise agreement with  
16 Maricopa County for the proposed extension area, and will submit it to the Commission once it is  
17 received. Applicant anticipates filing the franchise agreement with the Commission within 365  
18 days of the effective date of the Commission's final decision in this matter.

19 23. An extension of Applicant's CC&N to include the Expansion Area would be  
20 consistent with promoting orderly growth in Maricopa County in areas adjacent to Applicant's  
21 service territory, and Applicant is in the best position to extend and provide water service to the  
22 Development at this time. Additionally, expansion of service will benefit Applicant's existing  
23 customers by allowing the cost of providing water service to be spread over a larger customer  
24 base to achieve greater economies of scale. As a result, Applicant maintains that this Application  
25 is in the public interest and should be granted.

26 24. To the best of its knowledge and belief, Applicant is currently in compliance with

1 all regulatory requirements applicable to its provision of water utility service in Arizona,  
2 including all applicable orders, rules and regulations of the Commission, ADEQ and the  
3 Maricopa County Environmental Services Division.

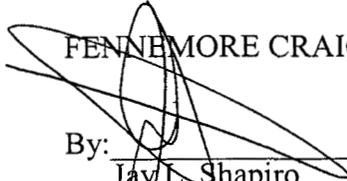
4 WHEREFORE, Applicant respectfully requests the following:

5 A. That the Commission proceed to consider and act upon this Application as timely  
6 as possible and to schedule a hearing, if necessary, on this matter;

7 B. That upon completion of said hearing that the Commission enter an Order  
8 approving the extension of Applicant's current Certificate of Convenience and Necessity to  
9 include the additional geographic area requested by this Application as shown in Exhibit 5;

10 C. That the Commission grant such other and further relief as may be appropriate  
11 under the circumstances herein.

12 DATED this 2nd day of March, 2005.

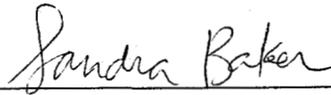
13 FENNEMORE CRAIG, P.C.  
14  
15 By:   
16 Jay L. Shapiro  
17 Patrick J. Black  
18 Attorneys for Circle City Water Company,  
19 L.L.C.

20 ORIGINAL and 13 copies filed this 2 day of March, 2005:

21 Docket Control  
22 Arizona Corporation Commission  
23 1200 West Washington Street  
24 Phoenix, Arizona 85007

25 COPY delivered this 2 day of March, 2005:

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

By:   
1640789.1/20496.003

# EXHIBIT

1

7600 E. Doubletree Ranch Rd., Ste. 220  
Scottsdale, Arizona 85258  
480 / 348.8976 Fax  
480 / 348.1118 ☐



**HARVARD INVESTMENTS**  
A HILL COMPANY

September 30, 2004

VIA FACSIMILE (781) 823-3070 AND REGULAR MAIL

Mr. Robert T. Hardcastle  
Brooke Utilities, Inc.  
P. O. Box 82218  
Bakersfield, California 93380-2218

Re: Expansion of CCN

Dear Mr. Hardcastle

We are acquiring 4,882 acres in Maricopa County one mile north of the intersection of State Highway 74 and 211<sup>th</sup> Avenue; and, 160 acres at the northwest corner of 235<sup>th</sup> Avenue and Joy Ranch Road also in Maricopa County. Legal descriptions of our properties are attached. We would like Circle City Water Company to expand its CCN to provide water service to the properties. Please advise as to how we should proceed in this matter. Thank you.

Sincerely,

Christopher J. Cacheris

Attachment

c: Jay L Shapiro, Esq., via facsimile

# **EXHIBIT**

**2**

4,882 acres

**PARCEL NO. 1:**

The Southeast quarter; and

The Southeast quarter of the Southwest quarter of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 2:**

All of Section 9, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 3:**

The East half of the Northeast quarter; and

The East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 4:**

Lot 4; and

The Southwest quarter of the Northeast quarter; and

The Southwest quarter of the Southeast quarter of the Northeast quarter; and

The West half of the Southeast quarter of the Southeast quarter of the Northeast quarter; and

The South half of the Northwest quarter; and

The South half of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Southeast quarter; and also

EXCEPT the Southeast quarter of the Southwest quarter.

**PARCEL NO. 5:**

The Southeast quarter of the Northeast quarter of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 6:**

A.

Lots 4 and 5 of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 7:**

The South half of the Northeast quarter; and

The Southeast quarter of the Northwest quarter; and

The South half of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT Lots 6 and 7.

**PARCEL NO. 8:**

All of Section 7, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 9:**

The Northwest quarter of the Northwest quarter of Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 10:**

All of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the East half of the Northeast quarter and the East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 11:**

All of Section 18, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Northeast quarter of the Northeast quarter thereof.

**PARCEL NO. 12:**

The South half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 13:**

**Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,  
Maricopa County, Arizona;**

**EXCEPT the Northwest quarter of the Northwest quarter thereof.**

**PARCEL NO. 14:**

**The North half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base  
and Meridian, Maricopa County, Arizona;**

**EXCEPT the Southeast quarter of the Northeast quarter of said Section 5; and also**

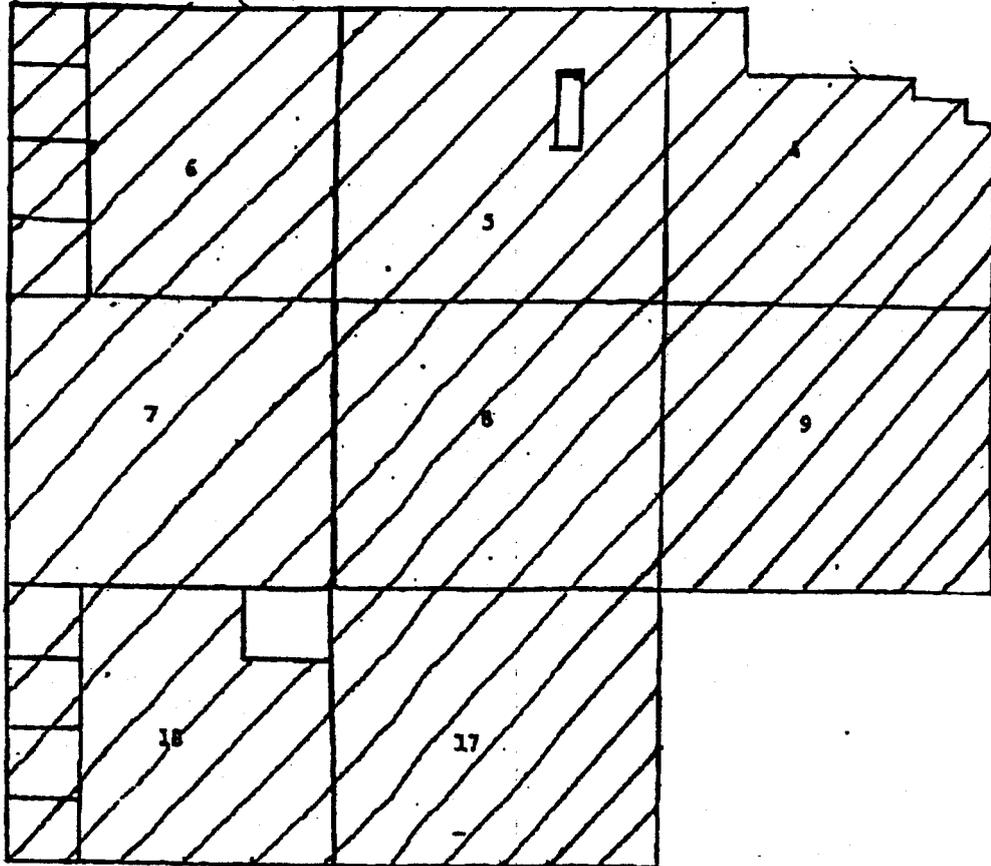
**EXCEPT the East half of the East half of the Southwest quarter of the Northeast quarter of  
said Section 5.**

**PARCEL NO. 15:**

**Governmental Lots 1, 2, 3, 6 and 7, Section 8, Township 6 North, Range 2 West of the Gila  
and Salt River Base and Meridian, Maricopa County, Arizona.**

**EXHIBIT "A"**

**Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,  
Maricopa County, Arizona.**



# **EXHIBIT**

**3**

160 acres

**EXHIBIT "A"**

**Legal Description of Property**

**Parcel 1:**

The Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; EXCEPT the North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet.

**Parcel 2:**

The North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet of the Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

# **EXHIBIT**

**4**

# STATE OF ARIZONA



Office of the  
**CORPORATION COMMISSION**

**CERTIFICATE OF GOOD STANDING**

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

**\*\*\*CIRCLE CITY WATER CO., L.L.C.\*\*\***

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 2nd day of December 1997.

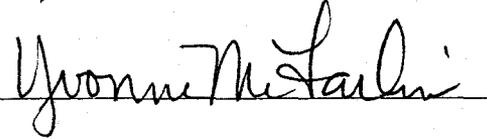
I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 22nd Day of February, 2005, A. D.



  
EXECUTIVE SECRETARY

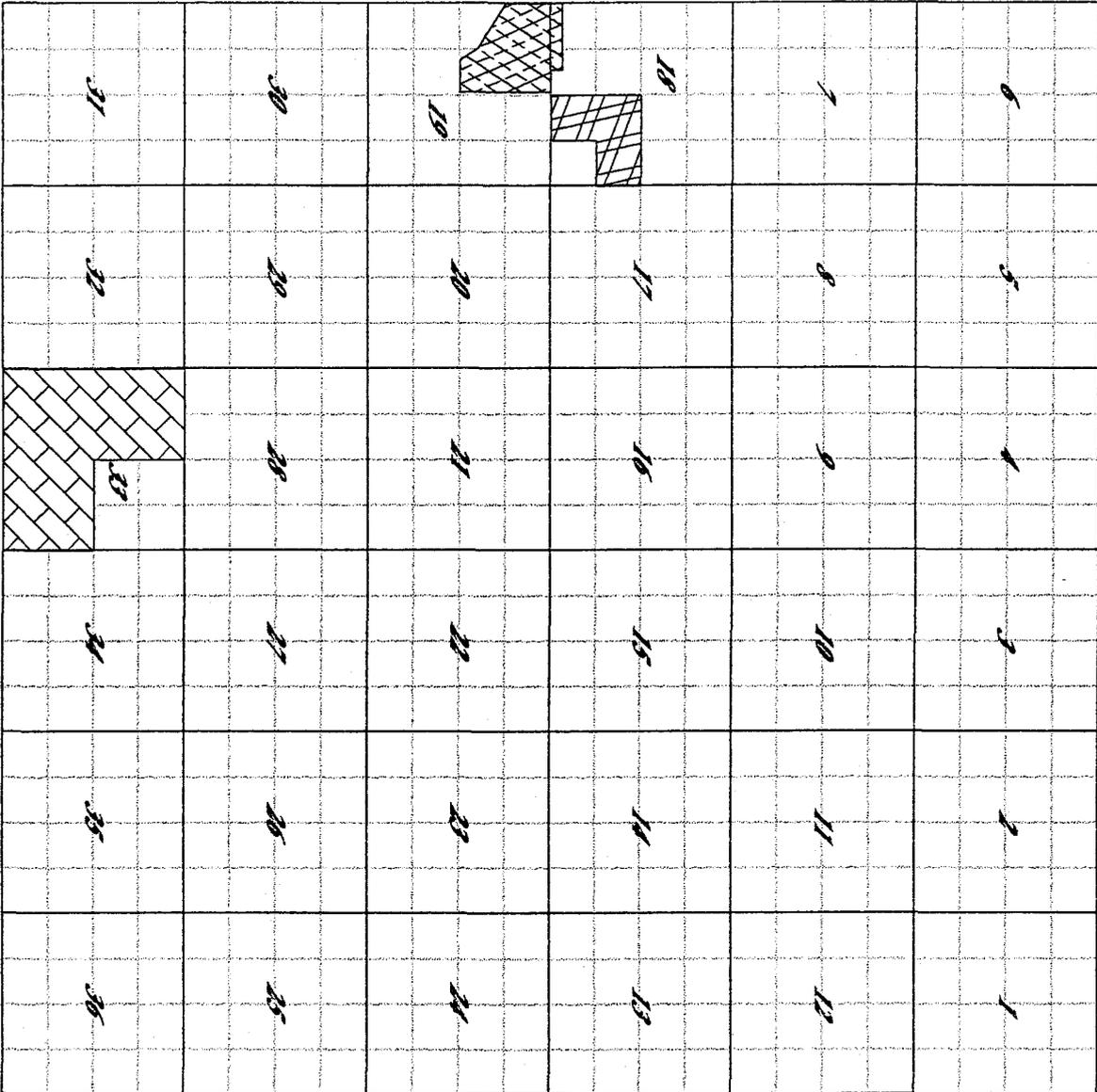
BY: 

# **EXHIBIT**

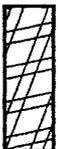
**5**

# COUNTY: Maricopa

## RANGE 3 West



## TOWNSHIP 6 North

-  W-3510 (2)  
Circle City Water Company L.L.C.
-  W-2164 (2)  
Morristown Water Company
-  W-2464 (1)  
Puesta del Sol Water Company

# EXHIBIT

6

Circle City Water Company  
Year Ended December 31, 2003  
Comparative Balance Sheets

Exhibit

Line No.		Year Ended <u>12/31/2003</u>
1	<b><u>ASSETS</u></b>	
2	Plant In Service	\$ 97,433
3	Non-Utility Plant	-
4	Construction Work in Progress	-
5	Less: Accumulated Depreciation	<u>(35,734)</u>
6	Net Plant	<u>\$ 61,699</u>
7		
8		
9	<b>CURRENT ASSETS</b>	
10	Cash and Equivalents	\$ -
11	Accounts Receivable, Net	3,776
12	Materials and Supplies	-
13	Prepayments	62,912
14	Other Current Assets	-
15	Total Current Assets	<u>\$ 66,688</u>
16		
17	Deferred Debits	<u>\$ -</u>
18		
19	Other Investments & Special Funds	<u>\$ -</u>
20		
21	<b>TOTAL ASSETS</b>	<u><u>\$ 128,387</u></u>
22		
23		
24	<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>	
25		
26	Common Equity	<u>\$ (2,123,654)</u>
27		
28	Long-Term Debt	<u>\$ -</u>
29		
30	<b>CURRENT LIABILITIES</b>	
31	Accounts Payable	\$ 2,209
32	Current Portion of Long-Term Debt	-
33	Payables to Associated Companies	2,224,977
34	Customer Meter Deposits, Current	3,870
35	Accrued Taxes	2,031
36	Accrued Interest	-
37	Other Current Liabilities	-
38	Total Current Liabilities	<u>\$ 2,233,086</u>
39		
40	<b>DEFERRED CREDITS</b>	
41	Customer Meter Deposits, less current	\$ -
42	Advances in Aid of Construction	17,354
43	Accumulated Deferred Income Taxes	-
44	Contributions In Aid of Construction, Net	1,601
45		-
46	Total Deferred Credits	<u>\$ 18,956</u>
47		
48	Total Liabilities & Common Equity	<u><u>\$ 128,387</u></u>
49		
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52		

**Cirlice City Water Company**  
Year Ended December 31, 2003  
Comparative Income Statements

Exhibit

Line No.		Year Ended <u>12/31/2003</u>
1	<b>Revenues</b>	
2	Metered Water Revenues	\$ 60,664
3	Unmetered Water Revenues	-
4	Other Water Revenues	720
5	<b>Total Revenues</b>	<u>\$ 61,384</u>
6	<b>Operating Expenses</b>	
7	Salaries and Wages	\$ 6,582
8	Purchased Water	-
9	CAWCD Water Costs	157,280
10	Purchased Power	9,845
11	Chemicals	500
12	Repairs and Maintenance	614
13	Office Supplies and Expense	-
14	Outside Services	23,822
15	Water Testing	-
16	Rents	-
17	Transportation Expenses	1,870
18	Insurance - General Liability	-
19	Insurance - Health and Life	-
20	Regulatory Commission Expense	65
21	Miscellaneous Expense	4,314
22	Depreciation Expense	5,272
23	Taxes Other Than Income	400
24	Property Taxes	3,500
25	Bad Debt	586
26	Income Tax	-
27		
28	<b>Total Operating Expenses</b>	<u>\$ 214,650</u>
29	<b>Operating Income</b>	<u>\$ (153,266)</u>
30	<b>Other Income (Expense)</b>	
31	Interest Income	-
32	Other income	-
33	Interest Expense	(99)
34	Other Expense	-
35		
36	<b>Total Other Income (Expense)</b>	<u>\$ (99)</u>
37	<b>Net Profit (Loss)</b>	<u><u>\$ (153,365)</u></u>
38		
39		

# EXHIBIT

7

# Water Master Plan

for

## Lake Pleasant 5,000

Original Report Date: December 8, 2004

Revised Report Date: January 4, 2005

**Prepared For:**

Harvard Investments  
17700 North Pacesetter Way  
Scottsdale, Arizona 85255  
Phone: 480-348-1118  
Fax: 480-348-8976



**Prepared By:**

Scott M. Larson P.E.  
J. Ryan Christensen P.E.



16605 North 28<sup>th</sup> Avenue, Suite 100  
Phoenix, AZ 85053-7550  
Phone: 602-467-2200  
Fax: 602-467-2201

JN: 45-101888

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## Abbreviations

ac	Acres
ADEQ	Arizona Department of Environmental Quality
ADWR	Arizona Department of Water Resources
AWWA	American Water Works Association
DU	Dwelling Units
EDU	Equivalent Dwelling Units
gal	Gallons
gpcpd	Gallons Per Capita Per Day
gpd	Gallons Per Day
gpm	Gallons Per Minute
LF	Linear Feet
MAG	Maricopa Association of Governments
MDR	Medium Density Residential (single family housing)
MF	Multiple Family
MG	Million Gallons
MGD	Million Gallons Per Day
n	Manning's Roughness
psi	Pounds Per Square Inch

## 1.0 Introduction

### 1.1 General Description

The proposed Lake Pleasant 5,000 development covers approximately 4,882 acres within Maricopa County. The proposed development is located within the City of Surprise General Plan area, and is anticipated to consist of approximately 10,000 residential dwelling units and 300 acres of commercial development. The general site location can be seen in Figure 1 Lake Pleasant 5,000 Vicinity Map.

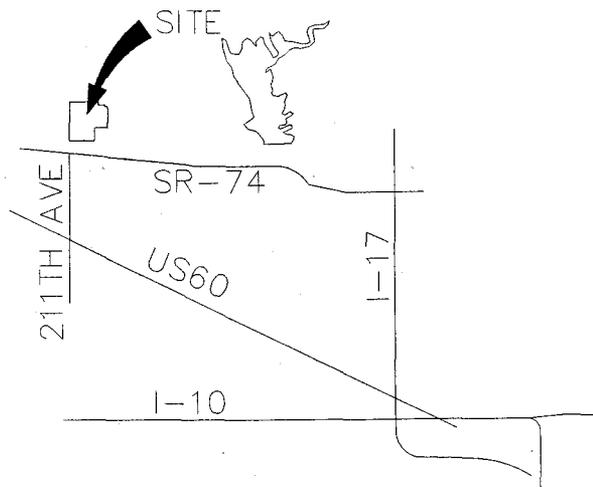


Figure 1 Lake Pleasant 5,000 Vicinity Map

### 1.2 Project Location

The Lake Pleasant 5,000 development includes sections 5, 6, 7, 8, 9, 17 and 18 as well as a majority portion of Section 4 in Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. The site is located north of SR 74, south of the Maricopa County line, and east of the 211<sup>th</sup> Ave alignment.

### 1.3 Topographic Conditions

The Lake Pleasant 5000 development consists of undeveloped desert land. The northern and northeast portions of the site are dominated by mountainous terrain, while the eastern third of the site is fairly flat sloping from north to south at approximately a 3% grade.

## 1.4 Scope of Study

The purpose of this study is to provide a conceptual discussion of the water infrastructure necessary to serve the proposed Lake Pleasant 5,000 development. This study will discuss the potable water facilities required to serve the project. Storage, supply, and demands associated with the proposed development will be addressed. It is important to note, that the onsite distribution lines are not addressed within this study.

## 2.0 Distribution System

### 2.1 Pressure Zone Description

The proposed Lake Pleasant 5,000 development is anticipated to consist of five pressure zones. The pressure zone boundaries will be set at approximately 120-foot intervals. The anticipated pressure zones for the site are outlined in Table 1 Lake Pleasant 5,000 Pressure Zones. An exhibit showing the pressure zone boundaries is included in Appendix A Pressure Zone Map.

**Table 1 Lake Pleasant 5,000 Pressure Zones**

Zone	Low Contour	High Contour
P1	2,080	2,200
P2	2,200	2,320
P3	2,320	2,440
P4	2,440	2,560
P5	2,560	2,680

## 3.0 Projected System Demands

### 3.1 General

The Lake Pleasant 5,000 development is anticipated to consist of 10,000 dwelling units. The average day demands for the site were determined based on the projected number of residential dwelling units and the projected amount of commercial acreage. The projected population for the residential area was calculated by multiplying the number of dwelling units, by a population density of 3.2 people per dwelling unit (ppdu). The water demand for the site was calculated by multiplying the projected population by the new residential demand factors from the Arizona Department of Water Resources (ADWR) Third Management Plan for the Phoenix Active Management Area (AMA). These factors consist of an interior water demand of 57 gpcd and an exterior water demand of 178 gallons per dwelling unit. In order to maintain these demand factors, it was assumed that the residential turf areas would be limited to 900 ft<sup>2</sup>, as defined by ADWR's Third Management Plan, and that other conservation measures identified in the Third Management Plan would be followed. A commercial demand of 2,000 gallons per acre was also used in these calculations. The demand factors used for this project are summarized in Table 2 Water Demand Factors.

**Table 2 Water Demand Factors**

Type	Demand	Unit
Residential Interior	57	gpcd
Residential Exterior	178	gal/du/day
Commercial	2,000	gal/acre/day

Peaking factors for the maximum day and peak hour demands were estimated for the proposed Lake Pleasant 5,000 development. A maximum day peaking factor of 1.8 times the average day demand was assumed. While a peak hour peaking factor of 3.0 times the average day demand was assumed. The projected average day, maximum day, and peak hour demands are shown in Table 3 Lake Pleasant 5,000 Water Demands.

**Table 3 Lake Pleasant 5,000 Water Demands**

Avg Day		Max Day		Peak Hour	
(gpd)	(gpm)	(gpd)	(gpm)	(gpd)	(gpm)
4,204,000	2,919	7,567,200	5,255	12,612,000	8,758

It is important to note that water demands for the irrigation of the proposed golf courses have not been included within these calculations. The golf courses are planned to be irrigated through reclaimed water. Additionally, changes to the number of dwelling units, projected land uses, and varying individual water usage patterns could result in either an increase or decrease in actual water demand.

### 3.2 Fire Flow Demand

The proposed Lake Pleasant 5,000 water system will be capable of providing sufficient fire flow throughout the development. The required fire flow will depend on the land use in each area, but is anticipated to range from a minimum of 1,000 gpm within the residential areas up to 3,000 gpm within the commercial areas.

## 4.0 Water Storage

The volume of water storage to be included within the site has been calculated to provide a reliable water system. Sufficient water storage is projected to be stored on site in order to meet the maximum day water demand. The water storage volume projected for the proposed Lake Pleasant 5,000 development is a total of 7.6 million gallons. It is anticipated that this storage would be provided through two 2.30 million gallon tanks and two 1.50 million gallon tanks. The location of the water storage reservoirs throughout the site will be determined at a future time.

Additionally, one 500,000 gallon storage tank is anticipated to be constructed at the well field. This tank will be used to help reduce cycling of the well pumps and to provide temporary storage before boosting the water to the site.

#### **4.1 Booster Pump Capacity**

The onsite booster pump capacity has been calculated for the proposed Lake Pleasant 5,000 development. Sufficient booster pumping capacity will be provided in order to meet the peak hour water system demands, while maintaining one backup booster pump. A peak hour demand of 8,758 gpm has been calculated for the development as described in Section 3.0, Projected System Demands. It is anticipated, that 10,350 gpm of booster capacity will be provided for the onsite water distribution system. Due to the amount of elevation change throughout the site, it may be possible to reduce the amount of booster pump capacity by supplying a portion of the site through gravity.

In addition to the booster pump capacity for the on site distribution system, it will also be necessary to construct a booster pump station to bring the water supply from the Central Arizona Project canal (CAP) to the Circle City Water Company, and another booster station to bring the water supply from the Circle City Water Company to the project site. It is anticipated that each of these stations will be capable of meeting the maximum day demand of 5,255 gpm, while maintaining one backup booster pump. Each of these booster stations is projected to have a capacity of 6,650 gpm. A greater discussion of the water supply for the project is provided in Section 5.0, Water Supply.

#### **5.0 Water Supply**

The water supply for the proposed Lake Pleasant 5,000 development is anticipated to come from a combination of groundwater wells and (CAP) surface water supply. It is anticipated that sufficient groundwater wells will be provided to meet the average day demand of 2,919 gpm. In addition, surface water supplies will be provided to meet the total maximum day demand of 5,255 gpm. The groundwater wells will serve as a back up supply for the development.

The Circle City Water Company service area will be expanded to include a well field. This well field is anticipated to be located in a portion of Section 28 of Township 6 North, Range 3 West. The groundwater wells to supply this project are anticipated to be located within the proposed well field as well as the existing Circle City Water Company service area. Assuming that each well will produce 320 gpm, 11 wells will be required to meet the average day demand of the project, while maintaining one backup well. The actual number of groundwater wells will depend on the production capacity of each well.

It will be necessary to construct booster stations and transmission mains in order to convey the water from the CAP to the Circle City Water Company service area, and from the Circle City Water Company to the project site. Two 24-inch transmission mains are anticipated to be required. Details on these transmission mains are summarized in Table 4 Transmission Main Details. An exhibit showing the location of the Circle City Water Company, the proposed well field, conceptual alignments of the proposed transmission mains, and project site is provided in Appendix B Proposed Transmission Mains.

**Table 4 Transmission Main Details**

Start	End	Length (ft)	Diam (in)	Start Elev	End Elev
CAP	Circle City Water Co	44,000	24	1,550	1,910
Circle City Water Co	Lake Pleasant 5,000	47,000	24	1,910	2,300

## **6.0 Opinion of Probable Costs**

An engineer's opinion of probable costs has been developed for this project. These costs are based on the engineer's experience with the construction industry, and should be used for planning purposes only. The costs have been developed for the wells, tanks, transmission lines, and booster stations, the onsite distribution lines have not been included as part of this analysis.

**Opinion of Probable Cost for Pipes, Wells, Tanks & Booster Station**  
**10,000 Units**

Description	Average Unit Cost	Unit	QTY	Total
Well Drilling	\$ 175,000	EA	11	\$ 1,925,000
Well Equipping (pump & motor, well head and column pipe, discharge piping and valves, etc.)	\$ 110,000	EA	11	\$ 1,210,000
6-Foot Block Wall	\$ 100	LF	9,075	\$ 907,500
Well Site Foundation Pads	\$ 7,250	EA	11	\$ 79,750
Well Electrical	\$ 55,000	EA	11	\$ 605,000
Well Controls	\$ 45,000	EA	11	\$ 495,000
Well Generator	\$ 50,000	EA	2	\$ 100,000
<b>Well(s) Subtotal</b>				<b>\$ 5,322,250</b>
CAP Water Treatment (1.0 MGD per unit)	\$ 500,000	EA	8	\$ 4,000,000
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	44,000	\$ 3,652,000
<b>CAP Treatment Subtotal</b>				<b>\$ 8,125,813</b>
Tank (1.5 MG)	\$ 432,000	EA	2	\$ 864,000
Tank (2.3 MG)	\$ 580,000	EA	2	\$ 1,160,000
Tank (0.5 MG)	\$ 192,000	EA	1	\$ 192,000
Site Improvements (Grading, pads, excavation)	\$ 425,000	EA	2.5	\$ 1,062,500
8-Foot Block Wall	\$ 175	LF	4,400	\$ 770,000
Tank Site Piping, Valves, Meters, etc.	\$ 318,750	EA	2.5	\$ 796,875
Tank Site Electrical	\$ 312,500	EA	2.5	\$ 781,250
Tank Site Controls	\$ 156,250	EA	2.5	\$ 390,625
Tank Site Generator	\$ 218,750	EA	2.5	\$ 546,875
<b>Tank(s) Subtotal</b>				<b>\$ 6,564,125</b>
Transmission Line Complete (8-inch, DIP)	\$ 40	LF	5,280	\$ 211,200
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	47,000	\$ 3,901,000
<b>Transmission Line Subtotal</b>				<b>\$ 4,112,200</b>
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Booster Station (10,500 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 748,125	LS	1	\$ 748,125
<b>Subtotal</b>				<b>\$ 25,346,325</b>
Contingency (15%)				\$ 3,801,949
Bonding				Excluded
Tax (6.3%)				\$ 1,836,341
<b>Adjusted Total</b>				<b>\$ 30,984,615</b>

\*Since ENGINEER has no control over the cost of labor, materials, equipment or services furnished by others or over the Contractor(s)' method of determining prices, or over the competitive bidding or market conditions, its opinions of probable Project Cost and Construction Cost provided herein are to be made on the basis of its experience and qualifications and represents its best judgment as an experienced and qualified professional engineer, familiar with the construction industry; but ENGINEER cannot and does not guarantee that proposals, bids or actual Project or Construction Cost will not vary from its opinion of probable cost. If prior to the Bidding or Negotiating Phase, OWNER wishes greater assurance as to Project Cost, it shall employ an independent cost estimator.

\*\*Price excludes engineering, right-of-way acquisition, legal, or other non-construction related costs

## References

Division of Environmental Health Services, Bureau of Water Quality Control. Engineering Bulletin #10: Guidelines for the Construction of Water Systems, May 1978.

Ysusi, Mark A. "Water Distribution System Design." Hydraulic Design Handbook. Editor in Chief: Larry W. Mays. New York: McGraw-Hill, 1999

## Appendices

Appendix A Pressure Zone Map

Appendix B Proposed Transmission Mains

# Appendix A Pressure Zone Map

# Lake Pleasant 5,000 Pressure Zone Boundaries

 Project Site

## Pressure Zones

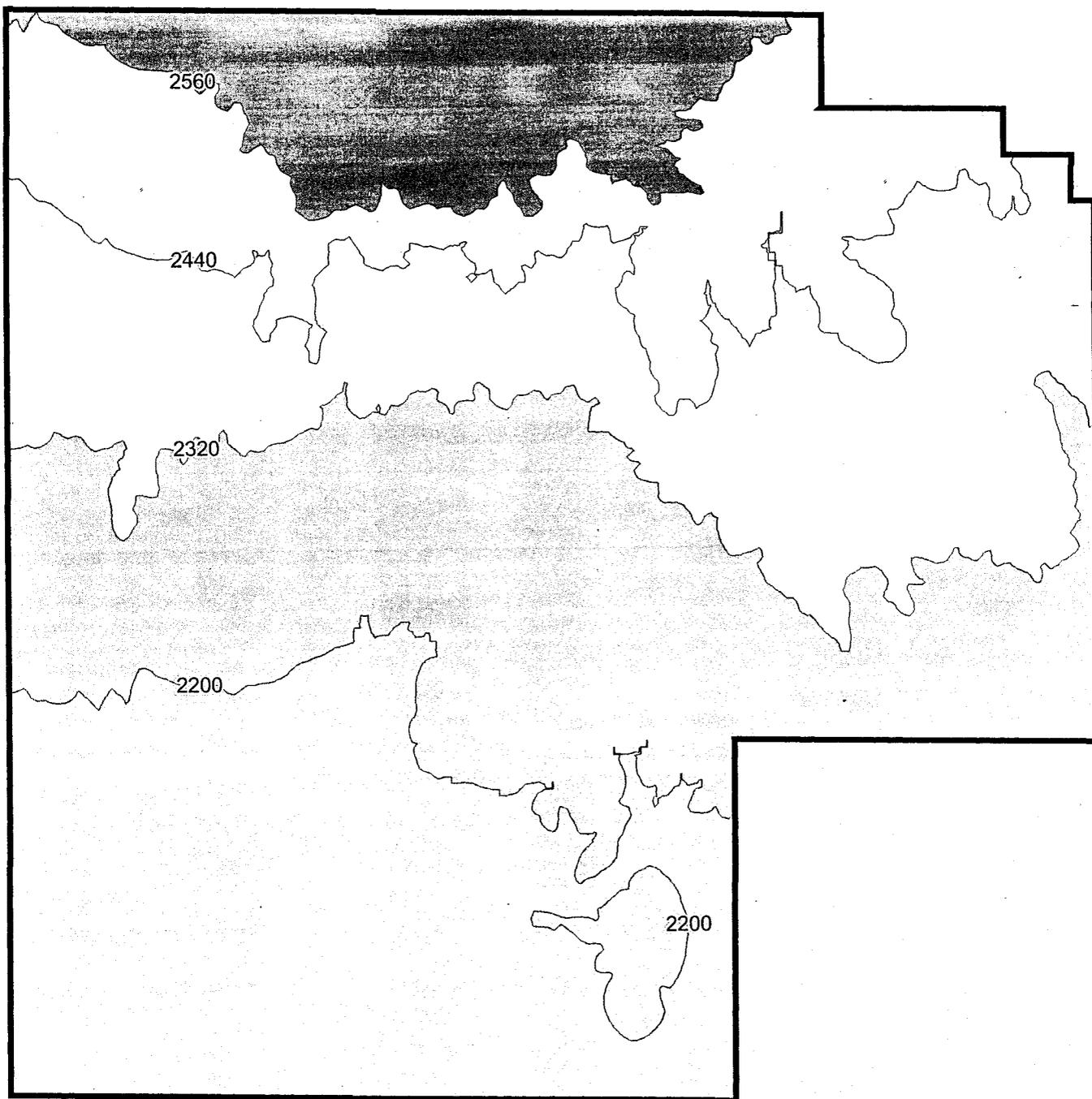
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-  2
-  3
-  4
-  5



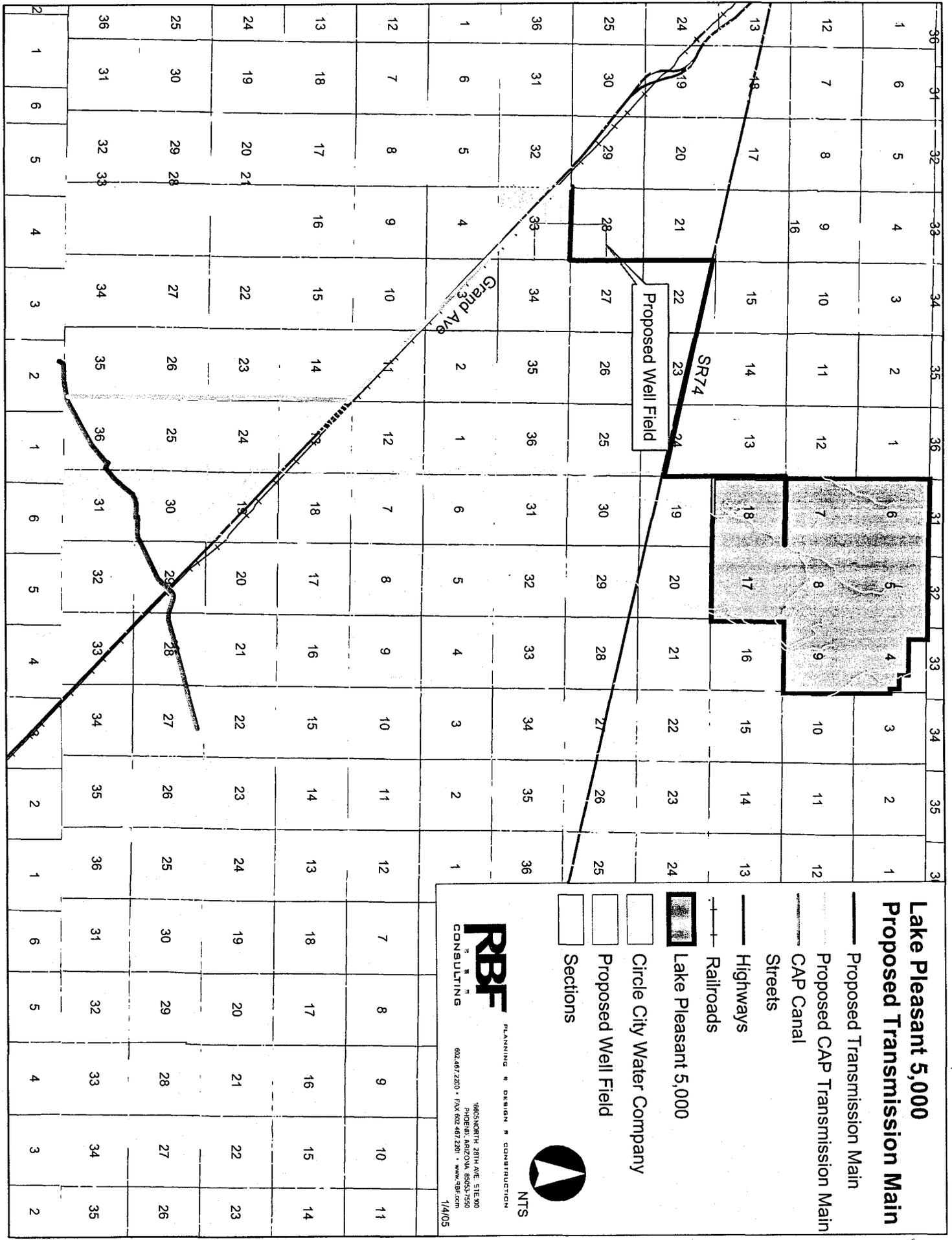
**RBF**  
CONSULTING

PLANNING \* DESIGN \* CONSTRUCTION

9005 NORTH 23TH AVE. STE. 100  
PHOENIX, ARIZONA 85028-7589  
602-487-2200 • FAX 602-487-2201 • www.RBF.com



## Appendix B Proposed Transmission Mains



**Lake Pleasant 5,000**  
**Proposed Transmission Main**

- Proposed Transmission Main
- Proposed CAP Transmission Main
- - - CAP Canal
- Streets
- Highways
- Railroads
- ▨ Lake Pleasant 5,000
- Circle City Water Company
- Proposed Well Field
- Sections



NTS



PLANNING & DESIGN & CONSTRUCTION  
 9665 NORTH 38TH AVE. STE. 200  
 SCOTTSDALE, ARIZONA 85250  
 602.487.2200 • FAX 602.487.2201 • WWW.RBF.COM

1/4/05

# EXHIBIT

8

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

APR 15 2004

ARIZONA CORPORATION COMMISSION  
DIRECTOR OF UTILITIES

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY



W-03510A  
Circle City Water Company, L.L.C.  
P. O. Box 82218  
Bakersfield CA 933800000

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2003
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FOR COMMISSION USE

Ann04	03
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## COMPANY INFORMATION

<b>Company Name (Business Name)</b> <u>CIRCLE CITY WATER COMPANY L.L.C.</u>		
<b>Mailing Address</b> <u>P.O. BOX 82218</u>		
(Street)		
<u>BAKERSFIELD</u>	<u>CA</u>	<u>93380</u>
(City)	(State)	(Zip)
<u>800-270-6084 or 661-633-7546</u> <u>800-748-6981</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> <u>customerservice@scwater.com or mistiej@brookeutilities.com</u>		
<b>Local Office Mailing Address</b> <u>9079 S. Riverside Drive</u>		
(Street)		
<u>Parker</u>	<u>AZ</u>	<u>85344</u>
(City)	(State)	(Zip)
<u>928-667-3336</u> <u>928-667-2527</u>		
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> <u>custoemrservice@scwater.com</u>		

## MANAGEMENT INFORMATION

<b>Management Contact:</b> <u>ROBERT T. HARDCASTLE</u> <u>MANAGING MEMBER</u>		
(Name)      (Title)		
<u>P.O. BOX 82218 BAKERSFIELD</u> <u>CA</u> <u>93380</u>		
(Street)      (City)      (State)      (Zip)		
<u>661-633-7526</u> <u>800-748-6981</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> <u>rth@brookeutilities.com</u>		
<b>On Site Manager:</b> <u>GARY</u> <u>BROWN</u>		
(Name)		
<u>9079 RIVERSIDE DRIVE</u> <u>PARKER</u> <u>AZ</u> <u>85344</u>		
(Street)      (City)      (State)      (Zip)		
<u>928-667-3336</u> <u>928-667-2527</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> <u>customerservice@scwater.com</u>		

Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:** ROBERT T. HARDCASTLE  
(Name)

P.O. BOX 82218 BAKERSFIELD CA 93380  
(Street) (City) (State) (Zip)

661-633-7526 800-748-6981  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

**Attorney:** JAY SHAPIRO WITH FENEMORE CRAIG  
(Name)

3003 N. CENTRAL AVE STE 2600 PHOENIX AZ 85012  
(Street) (City) (State) (Zip)

602-916-5000 602-916-5566  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Please mark this box if the above address(es) have changed or are updated since the last filing.

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

- |   |   |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S)    | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P)        | <input type="checkbox"/> Subchapter S Corporation (Z)                     |
| <input type="checkbox"/> Bankruptcy (B)         | <input type="checkbox"/> Association/Co op (A)                            |
| <input type="checkbox"/> Receivership (R)       | <input checked="" type="checkbox"/> Limited Liability Company             |
| <input type="checkbox"/> Other (Describe) _____ |   |

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- |                                     |  |                                   |
|-------------------------------------|--|-----------------------------------|
| <input type="checkbox"/> APACHE     | <input type="checkbox"/> COCHISE             | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA       | <input type="checkbox"/> GRAHAM              | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ     | <input checked="" type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE   |
| <input type="checkbox"/> NAVAJO     | <input type="checkbox"/> PIMA                | <input type="checkbox"/> PINAL    |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI             | <input type="checkbox"/> YUMA     |
| <input type="checkbox"/> STATEWIDE  |  |                                   |

COMPANY NAME: CIRCLE CITY WATER LLC

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	7,928	-	7,928
304	Structures and Improvements	28,011	10,045	17,966
307	Wells and Springs			
311	Pumping Equipment	13,842	7,032	6,810
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	31,163	15,174	15,989
333	Services			
334	Meters and Meter Installations	15,920	3,480	12,440
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment	569	11	558
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>97,433</b>	<b>35,742</b>	<b>61,691</b>

This amount goes on the Balance Sheet Acct. No. 108 

COMPANY NAME: CIRCLE CITY WATER LLC

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	7,928	0.00%	-
304	Structures and Improvements	28,011	4.08%	1,142
307	Wells and Springs			
311	Pumping Equipment	13,842	19.68%	2,724
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	31,163	4.46%	1,390
333	Services			
334	Meters and Meter Installations	15,920	3.85%	613
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment	569	1.93%	11
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>97,433</b>	<b>6.03%</b>	<b>5,880</b>

This amount goes on Comparative Statement of Income and Expense  
 Acct. No. 403.



COMPANY NAME: CIRCLE CITY WATER LLC

**BALANCE SHEET**

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash		
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	2,041	3,776
146	Notes/Receivables from Associated Company		
151	Plant Materials and Supplies		
162	Prepayments	84,538	62,912
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 86,579</b>	<b>\$ 66,688</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 96,864	\$ 97,433
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	(29,862)	(35,742)
121	Not-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	<b>\$ 67,002</b>	<b>\$ 61,691</b>
	<b>DEFERRED INCOME TAX DEBITS</b>		
	<b>TOTAL ASSETS</b>	<b>\$ 153,580</b>	<b>\$ 128,379</b>

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME: CIRCLE CITY WATER LLC

**BALANCE SHEET (CONTINUED)**

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$ 629	\$ 2,209
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Company	2,095,213	2,224,977
235	Customer Deposits	3,870	3,870
236	Accrued Taxes	2,157	2,031
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 2,101,869</b>	<b>\$ 2,233,086</b>
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-term Notes and Bonds	\$ -	\$ -
	<b>Deferred Credits</b>		
251	Unamortized Premium on Debt		
	Refundable Meter Advances	\$ 4,210	\$ 3,986
252	Advances in Aid of Construction	15,589	13,368
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	6,004	6,004
272	Less: Amortization of Contributions	(3,802)	(4,403)
281	Accumulated Deferred Income Taxes		
	<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 22,001</b>	<b>\$ 18,956</b>
	<b>TOTAL LIABILITIES</b>	<b>\$ 2,123,870</b>	<b>\$ 2,252,041</b>
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued		
211	Paid In Capital in Excess of Par Value		
215	Retained Earnings		
218	Proprietary Capital (Sole Props & Partnerships)	(1,970,289)	(2,123,662)
	<b>TOTAL CAPITAL</b>	<b>\$ (1,970,289)</b>	<b>\$ (2,123,662)</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 153,580</b>	<b>\$ 128,379</b>

COMPANY NAME: CIRCLE CITY WATER LLC

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 65,076	\$ 65,346
460	Unmetered Water Revenue		
474	Other Water Revenues		
	<b>TOTAL REVENUES</b>	<b>\$ 65,076</b>	<b>\$ 65,346</b>
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$ 5,843	\$ 5,321
610	Purchased Water	169,076	157,280
615	Purchased Power	11,885	9,845
618	Chemicals		
620	Repairs & Maintenance	420	
621	Office Supplies and Expense		
630	Outside Services	25,174	23,822
635	Water Testing	934	1,114
641	Rents		
650	Transportation Expenses		1,870
657	Insurance - General Liability		
659	Insurance - Health and Life	974	1,061
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense	4,865	4,965
403	Depreciation Expense	6,323	5,880
408	Taxes Other Than Income	3,949	3,962
408.11	Property Taxes	3,744	3,500
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 233,188</b>	<b>\$ 218,620</b>
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (168,112)</b>	<b>\$ (153,274)</b>
	<b>OTHER INCOME/EXPENSE</b>		
419	Interest and Dividend Income	\$ -	\$ -
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(114)	(99)
	<b>TOTAL OTHER INCOME/EXPENSE</b>	<b>\$ (114)</b>	<b>\$ (99)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ (168,226)</b>	<b>\$ (153,373)</b>

COMPANY NAME

CIRCLE CITY WATER COMPANY L.L.C.

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 3,986

Meter Deposits Refunded During the Test Year

\$ 0

COMPANY NAME CIRCLE CITY WATER COMPANY L.L.C

**WATER COMPANY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-625088	5/5	120	787'	8"	3"	1960

• Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	2	None	None

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
50,000 gallons	1	5,000	1



COMPANY NAME: CIRCLE CITY WATER COMPANY L.L.C.

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2003**

MONTH	NUMBER OF CUSTOMERS <sup>1</sup>	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	492	1,191	1,385
FEBRUARY	492	1,313	2,724
MARCH	492	962	1,047
APRIL	477	1,150	1,250
MAY	486	1,417	1,568
JUNE	486	2,625	2,823
JULY	498	2,165	2,440
AUGUST	495	2,637	2,967
SEPTEMBER	492	1,568	1,829
OCTOBER	495	1,571	1,784
NOVEMBER	495	1,979	2,202
DECEMBER	501	1,253	1,373
TOTAL		NA	22,012

1: Active meter connections x 3

Is the Water Utility located in an ADWR Active Management Area (AMA)?

Yes                       No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

Yes                       No

If yes, provide the GPCPD amount: \_\_\_\_\_

What is the level of arsenic for each well on your system. \_\_\_\_\_ \* \_\_\_\_\_ mg/l

*(If more than one well, please list each separately)*

\* 2003 was not an IOC test year for this well

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

COMPANY NAME CIRCLE CITY WATER COMPANY L.L.C. YEAR ENDING 12/31/2003

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2003 was: \$ 3,621.94

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Circle City Water Company, L.L.C.  
P.O. Box 82218  
Bakersfield, CA 93380-2218

BANK OF AMERICA  
1440 TRUXTON AVENUE  
BAKERSFIELD, CA 93301

06264



18-66  
1220

CHECK NO.

\*\*\*\*\* One Thousand Eight Hundred Seventy-Two and 13/100 \*\*\*\*\*

DATE  
Feb 18 03

AMOUNT  
\$1,872.13

MARICOPA COUNTY TREASURER  
DOUG TODD  
P.O. BOX 78574  
PHOENIX, AZ 85062-8574

PAY  
TO THE  
ORDER  
OF

*[Handwritten Signature]*

⑈006264⑈ ⑆122000661⑆ 14764⑈01495⑈ ⑈0000187213⑈

1,872.13\*

1,749.81 \*

002

3,621.94 \*

12/27/03 012 071 072 1 60137506 0 4295022603

02/27/03 LA CA  
122000661 06  
E5311 543 00013815040

7160259805

1221-0220-74

CREDIT TO ACCT OF  
NAMED PAYEE WITH  
OUT PREJUDICE  
ABSENCE OF ENDORS  
MENT GUARANTEED BY  
BANK ONE, NA



BANK ONE, NA  
122100024  
3252003

54702180

06524

Circle City Water Company, L.L.C.  
P.O. Box 92218  
Bakersfield, CA 93350-2218

BANK OF AMERICA  
1440 TRUXTON AVENUE  
BAKERSFIELD, CA 93301

CHECK NO.

16-68  
1220

\*\*\*\*\* One Thousand Seven Hundred Forty-Nine and 21/100 \*\*\*\*\*

DATE	AMOUNT
Oct 15 03	\$1,749.91

PAY  
TO THE  
ORDER  
OF

YAVICOPA COUNTY TREASURER  
DELE TODD  
P.O. BOX 78574  
PHOENIX, AZ 85062-8574

⑈006524⑈ ⑆12200661⑆ 14764⑈01495⑈ ⑆0000174981⑆

102033 273 006 114 114 1 64137596 0 0545192003

10/21/03 LA,CA  
12200661 06  
E0466 S44 0000000000

7260219331

CREDIT TO ACCT OF  
NAMED PAYEE WITH  
OUT PREJUDICE  
ABSENCE OF ENDORS  
MENT GUARANTEED BY  
BANK ONE, NA

BANK ONE, NA  
⑈111901331⑈  
10202003

56415613

COMPANY NAME CIRCLE CITY WATER COMPANY L.L.C. YEAR ENDING 12/31/2003

**INCOME TAXES**

APR 15 2004  
CORPORATION COMMISSION  
DIRECTOR OF REVENUE

For this reporting period, provide the following:

Federal Taxable Income Reported (152,389)  
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported (151,728)  
Estimated or Actual State Tax Liability 0

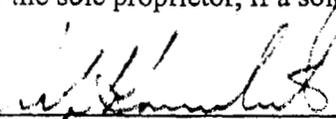
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances \_\_\_\_\_  
Amount of Gross-Up Tax Collected \_\_\_\_\_  
Total Grossed-Up Contributions/Advances \_\_\_\_\_

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

  
\_\_\_\_\_  
SIGNATURE

4-1-04  
\_\_\_\_\_  
DATE

ROBERT T. HARDCASTLE  
\_\_\_\_\_  
PRINTED NAME

MANAGING MEMBER  
\_\_\_\_\_  
TITLE

**VERIFICATION  
AND  
SWORN STATEMENT**  
Intrastate Revenues Only

APR 15 2004

**VERIFICATION**

STATE OF CALIFORNIA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	<u>KERN</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>ROBERT T. HARDCASTLE</u> <u>MANAGING MEMBER</u>
COMPANY NAME	<u>CIRCLE CITY WATER, LLC</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA COPRORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2003</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2003 WAS:



Arizona IntraState Gross Operating Revenues Only (\$)
\$ <u>65,346</u>

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 3,962  
IN SALES TAXES BILLED, OR COLLECTED

\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 9<sup>th</sup> DAY OF

(SEAL)

MY COMMISSION EXPIRES June 15, 2005

SIGNATURE OF OWNER OR OFFICIAL

\$661 633-7526

TELEPHONE NUMBER

COUNTY NAME

Kern County

MONTH

April

2004

Laurie Rachelle Keller

SIGNATURE OF NOTARY PUBLIC

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

**RECORDED**

APR 15 2004

ARIZONA CORPORATION COMMISSION  
OFFICE OF UTILITIES

VERIFICATION

STATE OF CALIFORNIA

I, THE UNDERSIGNED

OF THE

(COUNTY NAME) <b>KERN</b>	
NAME (OWNER OR OFFICIAL) <b>ROBERT T. HARDCASTLE</b>	TITLE <b>MANAGING MEMBER</b>
COMPANY NAME <b>CIRCLE CITY WATER, LLC</b>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<b>12</b>	<b>31</b>	<b>2003</b>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2003 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES  <b>\$ 57,367</b>
---

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 3,547 IN SALES TAXES BILLED, OR COLLECTED

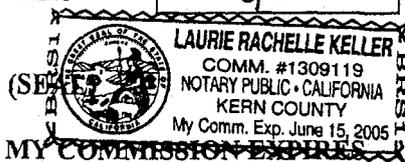
\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

  
SIGNATURE OF OWNER OR OFFICIAL

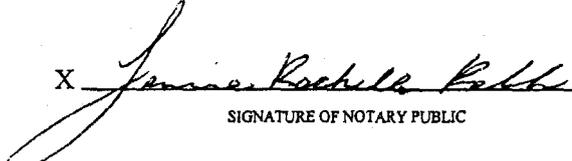
SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 9<sup>th</sup> DAY OF

NOTARY PUBLIC NAME <b>Laurie Rachelle Keller</b>	
COUNTY NAME <b>Kern County</b>	
MONTH <b>April</b>	YEAR <b>2004</b>



June 15, 2005

X   
SIGNATURE OF NOTARY PUBLIC

# EXHIBIT

9

## Water Facilities Agreement

This Water Facilities Agreement ("Agreement") entered into this 1 day of March, 2005, by and between Circle City Water Company, LLC ("Circle City") with primary business offices located at 3101 State Rd., Bakersfield, California 93308 and Harvard Investments, Inc. ("Developer") with its principal mailing address at 17700 N. Pacesetter Way Scottsdale, Arizona 85255 (hereafter collectively referred to as the "Parties"). The Parties contemplate the Developer's construction of on-site and off-site water utility plant necessary to provide domestic service, as further described herein, for Developer's project, Lake Pleasant 5000 ("Development"), which development is more fully described by **Exhibit I** attached hereto.

### Section I: Recitals

1. WHEREAS, Circle City is a properly organized Arizona corporation in good standing; and,
2. WHEREAS, Circle City is public service corporation within the meaning of Article XV of the Arizona Constitution; and,
3. WHEREAS, Circle City operates a water utility system subject a Certificate of Convenience and Necessity ("CC&N") by the Arizona Corporation Commission ("ACC"), and also subject to the various joint and several jurisdictions of Arizona Department of Environmental Quality ("ADEQ"), Arizona Department of Water Resources ("ADWR") and other regulatory authorities, not expressly described by this section, which may have jurisdiction over certain aspects of the operations of Circle City; and,
4. WHEREAS, Developer is a private party that has requested, pursuant to its Request for Service letter dated September 30, 2004, that Circle City provide potable domestic water service to the Development, which is outside of its present CC&N. Wastewater utility service will be provided to the Development by a municipality or private utility provider and Developer is in the process of obtaining necessary approvals and agreements for such service; and,
5. WHEREAS, Circle City has accepted Developer's request to provide potable domestic water service to the Development subject to obtaining ACC approval to extend its CC&N to include the Development; and,
6. WHEREAS, Circle City is willing to file an application with the ACC requesting an extension of its CC&N to include the Development, in accordance with **Section VIII** of this Agreement; and
7. WHEREAS, Circle City does not presently operate a water distribution system able to serve potable domestic water to the Development without contemplation of this Agreement; and
8. WHEREAS, Developer is willing to construct facilities, both on-site distribution and off-site water infrastructure utility facilities necessary for Circle City to serve the Development; and
9. WHEREAS, concurrently with the filing to extend its CC&N, Circle City also intends to seek authority from the ACC to collect an Off-Site Hook-Up Fee to fund construction of off-site infrastructure including wells, storage tanks, booster pumps, pressure tanks, transmission mains and/or related appurtenances necessary for proper operation, including engineering and design costs; and
10. WHEREAS, if the ACC approves the proposed Off-Site Hook-Up Fee Tariff in a form materially similar to that proposed by Circle City and attached hereto as **Exhibit II**, Circle City agrees to treat Developer's construction of off-site facilities consistent with that tariff.

NOW, THEREFORE BE IT RESOLVED the Parties to this Agreement do hereby agree as follows:

**Section II: Construction Of On-Site And Off-Site Facilities, Treatment of Costs, Payment of Administrative Costs**

1. Developer will construct, or cause to be constructed, on-site distribution facilities sufficient to fully satisfy Developer's requirements for water utility service to the Development by Circle City as further described by this Agreement.
2. Developer will also construct, or cause to be constructed, water infrastructure facilities, including wells, storage tanks, booster pumps, pressure tanks, transmission mains and/or related appurtenances sufficient to fully satisfy Developer's requirements for water utility service to the Development by Circle City as further described by this Agreement. The off-site water infrastructure facilities necessary for Circle City to extend water utility service to the Development are described in the Water Master Plan for Lake Pleasant 5,000 attached hereto as **Exhibit III** and incorporated herein by this reference.
3. Developer shall determine the financing and timing for construction of the on-site and off-site facilities. The cost of the off-site facilities will constitute a credit against any amounts Developer would be obligated to pay under an Off-Site Hook-Up Fee Tariff (**Exhibit II**), if such charge is authorized by the ACC following application made by Circle City as requested by Developer. The estimated cost of the on-site distribution facilities described in **Exhibit III** is Twenty-Four Million, Two Hundred and Sixty Thousand Dollars (\$24,260,000) and shall hereinafter be referred to as the "estimated advance." The estimated cost of the off-site facilities described in **Exhibit III** is Thirty Million, Seven Hundred and Forty Five Thousand, Ninety-Two Dollars (\$30,745,092) and shall hereinafter be referred to as the "estimated off-site hook-up fee credit." To the extent the off-site facilities costs exceed the estimated off-site hook up fee credit, or, if the ACC does not approve the Off-Site Hook-Up Fee Tariff in a form materially similar to that attached as **Exhibit II**, Developer will be responsible to finance the costs of any off-site facilities necessary for Circle City to furnish water utility service to the Development and any such amounts will be treated as non-refundable contributions in aid of construction.
4. Developer agrees that the size, design, type and quality of materials used to construct the on-site distribution facilities and off-site water infrastructure facilities (collectively, the on-site and off-site facilities are referred to at times herein as the "Improvements"), as well as the location of those facilities upon and under the ground, shall be approved by Circle City prior to the commencement of construction and that those facilities shall be designed and constructed in accordance with all applicable standards of Circle City, ADEQ, ACC and any other governmental agencies exercising jurisdiction over the design and construction of water utilities systems. The total cost estimates for the Improvements are more fully described in **Exhibit IV**. All plans and specifications shall be submitted to Circle City prior to submission for approval by any regulatory agencies and Circle City shall have thirty (30) days within which to revise or approve the plans. If Circle City does not provide comments within that thirty-day period, the plans and specifications will be deemed approved by Circle City. Circle City shall have the right to require certain configurations that meet prudent utility practice and general industry practice, to participate in design review and design verification activities, pre- and post-construction inspection requirements, commissioning requirements, test and trials (design validation), and to prescribe certain equipment over other equipment, provided, however, Circle City cannot require changes to the configuration, design or equipment after approval of the plans and specifications.
5. In addition to the estimated advance and estimated off-site hook-up fee credit, Developer shall additionally pay to Circle City an amount sufficient to pay for reasonable administrative costs, including accounting, engineering and inspection services in connection with the construction of the

on-site and off-site facilities, and verifiable legal expenses for the preparation of this Agreement, request for expansion of its CC&N and approval of an off-site hook-up fee. Circle City shall, upon request, provide proof of such costs to Developer prior to reimbursement by Developer of any such costs incurred by Circle City. Developer shall also reimburse Circle City for its reasonable pecuniary costs incurred in the management, supervision and inspection of Improvements.

- 6 All funds payable pursuant to this Agreement, including any adjustments thereto, shall be paid by Developer to Circle City in the form of certified cashiers check or personal check or other means agreed by the Parties, the validity of which shall be determined only after satisfaction of same by the financial institution upon which it is drawn.
7. If, for any reason, any balance remains unpaid by Developer, Circle City shall be paid by Developer prior to Circle City's acceptance of transfer of the on-site and off-site facilities, **DEVELOPER ACKNOWLEDGES AND AGREES THAT IT IS THE EXPRESSED PURPOSE OF THIS SECTION NOT TO PERMIT THE EXTENSION OF SERVICE BY CIRCLE CITY TO ANY LOT OR CUSTOMER IN THE DEVELOPMENT UNTIL ALL AMOUNTS BEING FULLY PAID WHICH WERE INCURRED IN CONNECTION WITH THIS AGREEMENT.**

### **Section III: Conditions of Facilities Construction**

1. The acceptance by Circle City of any conveyance of the Improvements to be constructed by Developer, as referenced in **Exhibit III** and **Exhibit IV** respectively, are further conditioned upon Developer's acceptance of each of the following conditions:
  - a) That Developer connect at least one (1) water service connection to the property described in **Exhibit I**, except as may otherwise be expressly provided by this Agreement.
  - b) That prior to the commencement of construction of any Improvements, all permits, approvals, licenses and easements required in connection with any on-site and/or off-site facilities shall be obtained, recorded, transferred or otherwise developed by Developer retaining the right to ultimately transfer all such permits, approvals, licenses and easements in to Circle City so as to completely satisfy all authorities having jurisdiction over regulation or approval of any on-site and/or off-site facilities.
  - c) That all easements and rights-of-way shall be free of obstacles which may interfere with construction or subsequent operation of any Improvements contemplated by this Agreement, as exclusively determined by Circle City. If facilities require road, pavement and/or concrete construction, all such development shall be constructed at grade elevations. No pavement or curbs shall be installed prior to completion of any Improvements contemplated by this Agreement or otherwise approved in advance of construction by Circle City. If any streets, roads, alleys, or drainage ways are not constructed in accordance with this section, Developer shall bear all costs of every type and description, on a non-refundable basis, that are incurred by Developer or Circle City to relocate facilities as a result of said facilities not being constructed in accordance with this section.
  - d) That no engineering changes be made, caused, required or incurred by Developer in connection with any utility construction standards, any regulatory authority or any State or County health department, or any other public agency under whose jurisdiction the construction of the facilities contemplated under this Agreement may be deemed appropriate, without the advance written approval of Circle City, which approval shall not be unreasonably withheld.

- e) That Developer comply with any additional terms and conditions as may be set forth in other sections of this Agreement, which may be attached hereto and incorporated by reference for all purposes.

#### **Section IV: Service, Circle City Liability Limitations**

1. Notwithstanding any reference to fire protection facilities contained in this Agreement, the Improvements are being constructed by Developer and will be transferred to Circle City for the purpose of providing domestic water service to the Development. However, under certain operating conditions as exclusively determined by Circle City, the Improvements may be used, with the prior written approval of Circle City, to provide limited emergency fire protection service to an official fire protection agency which has previously contracted with Circle City for such service.
2. It is understood by Developer, as evidenced by the execution of this Agreement, that Circle City does not have the responsibility to provide, and shall not construct under this Agreement, facilities capable of providing any fire flow to the Improvements. Therefore, it is expressly agreed and understood by Developer that **CIRCLE CITY DOES NOT GUARANTEE OR ENSURE UNINTERRUPTED OR REGULAR WATER SERVICE; NOR DOES CIRCLE CITY REPRESENT THE AVAILABILITY OF ADEQUATE PRESSURE, VOLUME OR FIRE FLOW FROM THE SYSTEM BY OFFERING DOMESTIC WATER SERVICE PURSUANT TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION SECTION XI, PARAGRAPH 16.**
3. It is agreed that in the event that service from a fire hydrant, or an interior fire sprinkler system which is used for non-fire protection purposes, is interrupted or is irregular or defective or fails from causes beyond Circle City's control, or through the negligence or alleged negligence of its employees, services, agents or other representatives, Circle City shall not be liable for any injuries or damages arising therefrom. Further, Circle City shall have neither the responsibility nor the liability for any use or disposition of fire hydrant or fire protection water, even if such use or disposition is attributable, or is alleged to be attributable to the negligence of Circle City's employees, agents, servants, or other representatives. Developer, or any other person or entity which succeeds to Developers interest, REGARDLESS OF WHETHER SUCH PERSON OR ENTITY HAS KNOWLEDGE OR NOTICE OF THESE TERMS, shall make no claim against Circle City for any such loss or damage resulting from services provided under this Agreement or the applicable service tariff. Circle City shall be entitled to recover its reasonable attorney's fees should Developer fail to properly comply with this provision.

#### **Section V: Rates and Tariffs**

1. It is understood and agreed by Developer, as evidenced by its execution of this Agreement, that all charges for domestic water services to the Development shall, at all times, be at then applicable tariffs of Circle City as established by the ACC, including an Off-Site Hook-Up Fee Tariff if approved by the ACC, which approval will be sought by Circle City concurrent with its request to extend its CC&N to include the Development. Circle City's tariffs are subject to change from time to time upon application by Circle City and as approved by the Commission.

#### **Section VI: Permits and Licenses, Easements, Title**

1. Circle City and Developer agree to obtain all permits and licenses from all authorities having jurisdiction which may be required for the construction of any of the Improvements necessary for Circle City to provide water utility service to the Development.
2. Prior to the commencement of construction any Improvements, Developer shall, if applicable, obtain from the owners of any property upon which on-site and/or off-site facilities are to be constructed, a

perpetual private water utility easement for construction, operation and maintenance of the Improvements on the behalf of, and in the name of, Circle City and in a form acceptable to Circle City.

3. All materials, facilities constructed, and water supply equipment provided in connection with construction of any Improvements under this Agreement and the completed facilities as installed shall be transferred by bill of sale and/or any other necessary conveyance document to Circle City, and thereafter shall become the sole and exclusive property of Circle City, and full legal and equitable title thereto shall be completely and fully vested in Circle City, free and clear of any liens. Developer agrees to execute or caused to be executed promptly all such documents as Circle City or its representatives may request to evidence good and merchantable title to said Improvements free and clear of all liens.

### **Section VII: Advance Amount, Refund, Transfer**

1. As described by this Agreement, all advances for on-site distribution facilities shall be made by Developer as specified hereunder. If the actual costs of on-site distribution facilities are revised, in accordance with this Agreement, the additional advance shall be applied thereto and/or adjusted by the same amount.
2. All costs of on-site distribution facilities advanced hereunder and applicable administrative, legal, accounting, engineering, inspection and other pecuniary costs for supervision and management shall be refunded in accordance with A.A.C. § R14-2-406(D) – 10% of all revenue generated by customers within the Development each year for 20 years beginning with the commencement of water utility service within the Development. Under no circumstance shall Developer be entitled to, or receive, any amount in excess of the actual costs of on-site distribution facilities and applicable administrative, legal and engineering costs, nor shall Developer receive any refund from Circle City of any amounts paid for off-site facilities, whether such amounts are paid pursuant to an ACC-approved Off-Site Hook-Up Fee tariff or otherwise.
3. Subject to Appendix 1, attached hereto, the costs to be paid by Developer hereunder for any Improvements do not include any amount necessary for the payment of State or federal income taxes in connection therewith, which amounts shall be the responsibility of Developer should such income tax liabilities be imposed on Circle City at a later date as a result of the payment of any amounts and/or the conveyance of any facilities by Developer to Circle City under the Agreement.
4. Developer understands, acknowledges and agrees, as evidenced by its execution of this Agreement, that it is solely responsible to notify Circle City of any change of address used in connection with any provision hereunder. All changes of address of Developer should be forwarded in writing to Circle City's offices as first set forth above.
5. In the event of the sale, conveyance or transfer by Circle City, pursuant to the approval of the Regulatory Authorities, of any portion of its water system, including the facilities serving the Development and installed pursuant to the terms of this Agreement, Circle City's obligations under this Agreement shall cease (except to any payment which may be then due) conditioned upon the transferee assuming, and agreeing to pay Developer, any sums payable to Developer thereafter in accordance with any provisions of this Agreement.

### **Section VIII: Extension of Circle City's CC&N**

1. Circle City hereby agrees to file an application with the ACC for the expansion of its CC&N to include the Development as well as a request for authority to collect an Off-Site Hook-Up Fee under the form of tariff represented in **Exhibit II**.
2. All obligations under this Agreement shall be conditioned upon Circle City gaining authority, free from any unreasonable condition, from the ACC to include the Development in Circle City's

certificated service area. Further, Developer covenants and agrees to support Circle City's application to extend its CC&N and for approval of an Off-Site Hook-Up Fee Tariff, and shall, upon request by Circle City and/or its assigns, provide testimony and/or public comment supporting Circle City's application in connection with any proceeding before the ACC. In the event the ACC does not grant Circle City's request for a CC&N extension, Circle City's and Developer's obligations under this Agreement will terminate, except that Developer will still be responsible to reimburse Circle City for its reasonable and verifiable administrative, accounting, legal, engineering, inspection and other similar costs incurred under this Agreement prior to its termination under this provision.

## Section IX: General Conditions

1. Each of the recitals set forth in Section 1 above are hereby incorporated into this Agreement by this reference as if fully set forth herein. This Agreement may not be modified or amended except by a writing signed by both parties. The remedies provided for in this Agreement shall not be deemed either Parties' exclusive remedies but shall be in addition all other remedies available to Circle City at law or equity. No waiver by Circle City of any breach by Developer of any provision of this Agreement shall in any way be construed as a waiver of any future or subsequent breach by Developer or bar the right of Circle City to insist on strict performance by Developer of the provisions in this Agreement in the future. Developer is an independent party and not an agent or employee of Circle City.
2. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors, assigns and representatives; provided, however, that no assignment or transfer of any of the obligations, powers, duties or rights created in the obligee or assignee by this Agreement shall be binding upon any of the Parties to this Agreement until such assignment or transfer is approved in writing by each of the Parties hereto.
3. If any suit or other action or proceeding is brought to enforce the terms of this Agreement, the prevailing party in such action shall be entitled to recover reasonably attorneys' fees and costs, such amounts as may be established by a court and not a jury.
4. This Agreement embodies the entire agreement between the Parties and supersedes all prior and contemporaneous oral or written agreements, representations and understandings, if any, relating to the subject matter hereof which shall hereby be superseded and merged. All documents attached to this Agreement shall be read and interpreted as consistent with one another.
5. Section headings are for the convenience of reference only and shall in no way affect the interpretation of this Agreement. This Agreement is the result of good faith negotiations between the Parties and, accordingly, shall not be construed for or against either Party regardless of which Party drafted this Agreement or any portion thereof.
6. Developer does not intend the benefits of this Agreement to inure to any third party, nor shall this Agreement be construed to make or render Circle City liable to any creditor, materialman, supplier, tax collector, contractor, subcontractor, broker, purchaser or lessee of the Improvements.
7. Each Party shall execute and deliver all such documents and perform all such acts as reasonably requested by any party from time to time to perform the duties and obligations contemplated by this Agreement.
8. All annexes, schedules and exhibits attached hereto are hereby incorporated into this Agreement by each reference thereto as if fully set forth at each reference.
9. Each Party acknowledges and warrants that it is fully authorized and empowered to execute this Agreement by and through the individuals executing below.

10. Any notices or communication required or permitted to be given to any of the Parties to this Agreement must be in writing and shall be effective upon the earlier of (a) the date when received by such party, or (b) the date which is three (3) days after mailing, postage prepaid, by certified or registered mail, return receipt requested, to the address of such party as indicated below, or (c) by telefacsimile delivered or transmitted to the party to whom such notice is required or directed in accordance with that information first set forth above. Any such notices to be personally delivered may be delivered to the principal offices or location of the other party to whom such notice is directed. Any such notice shall be deemed to have been given (whether actually received or not) on the day it is personally delivered as aforesaid. Any party to this Agreement may change its address or delivery location by giving notice to the other party pursuant to this section.
11. Time is of the essence with regard to each provision of this Agreement as to which time is a factor. If this Agreement provides that any time period expires or date for performance specified in this Agreement falls on a non-business day (i.e. Saturday, Sunday or legal holiday recognized by the State of Arizona), such time period or performance deadline shall be extended to the next business day.
12. This Agreement has been prepared, is being executed and delivered, and is intended to be performed in the State of Arizona. The substantive laws of the State of Arizona and the applicable federal laws of the United States of America shall govern the validity, construction, enforcement and interpretation of this Agreement and all documents related hereto without regard to conflict of the law rules.
13. The Parties hereto agree to do all such things and take all such action, and to make, execute and deliver such documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.
14. This Agreement may be executed in multiple counterparts, each of which, when so executed shall be deemed an original but all such counterparts shall constitute but one and the same Agreement.
16. **Developer acknowledges that the on-site and certain off-site water infrastructure facilities are being installed for the purpose of providing domestic water service to the Development, which is further described in Exhibit I. Under certain operating conditions, the facilities may provide limited fire protection service to appropriate fire protection agencies contracting with the Circle City for such service. However, it is expressly understood by the Circle City and the Developer that Circle City will provide a minimum delivery pressure of 20 pound per square inch at the customer's meter or point of delivery in accordance with A.A.C. R14-2-407.E, but that Circle City does not guarantee or ensure uninterrupted or regular fire protection service. Developer further acknowledges that Circle City does not represent or warrant that the domestic water utility service provided by Circle City meets any rules, regulations or other standards for fire protection imposed by any governmental entity; nor does Circle City accept or assume any obligation of Developer, whether express or implied, pertaining to the property described in Exhibit I including, without limitation, assurances of water for fire protection purposes, except as expressly set forth in this Agreement.**
17. Developer, if actually defined to represent more than a single individual, shall be jointly and severally liable for all duties and obligations under this Agreement.

**Section X: Acceptance**

IN WITNESS HEREOF, the Parties do hereby agree to the foregoing covenants, terms and conditions of the Agreement dated as first set forth above.

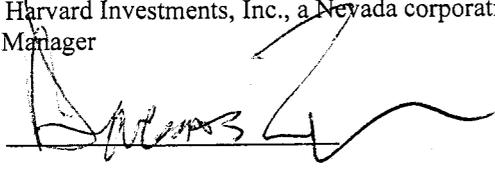
LAKE PLEASANT 5000, L.L.C., an Arizona limited liability company

By: Harvard 5K, L.L.C, an Arizona limited liability company

Its: Manager

By: Harvard Investments, Inc., a Nevada corporation

Its: Manager

By: 

Its: \_\_\_\_\_

For: Circle City Water Co. L.L.C.

By:

Its:

\_\_\_\_\_  
Robert T. Hardcastle

Managing Member

**Section X: Acceptance**

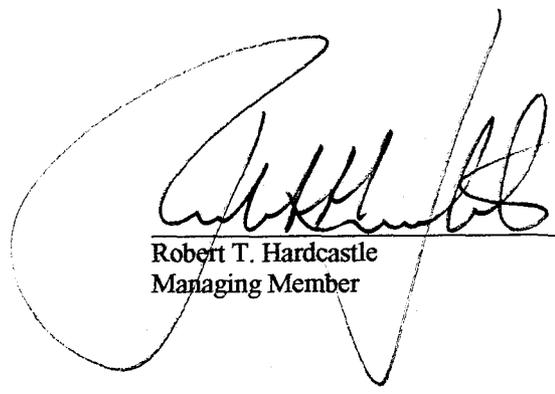
IN WITNESS HEREOF, the Parties do hereby agree to the foregoing covenants, terms and conditions of the Agreement dated as first set forth above.

LAKE PLEASANT 5000, L.L.C., an Arizona limited liability company

By: Harvard 5K, L.L.C, an Arizona limited liability company  
Its: Manager  
By: Harvard Investments, Inc., a Nevada corporation  
Its: Manager

By: \_\_\_\_\_  
Its: \_\_\_\_\_

For: Circle City Water Co. L.L.C.  
By:  
Its:



Robert T. Hardcastle  
Managing Member

**Exhibit I**

**Vicinity Map and Legal Description**

**Legal Description:**

4,882 acres

**PARCEL NO. 1:**

The Southeast quarter; and

The Southeast quarter of the Southwest quarter of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 2:**

All of Section 9, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 3:**

The East half of the Northeast quarter; and

The East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 4:**

Lot 4; and

The Southwest quarter of the Northeast quarter; and

The Southwest quarter of the Southeast quarter of the Northeast quarter; and

The West half of the Southeast quarter of the Southeast quarter of the Northeast quarter; and

The South half of the Northwest quarter; and

The South half of Section 4, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Southeast quarter; and also

EXCEPT the Southeast quarter of the Southwest quarter.

**PARCEL NO. 5:**

The Southeast quarter of the Northeast quarter of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 6:**

A.

174

Lots 4 and 5 of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 7:**

The South half of the Northeast quarter; and

The Southeast quarter of the Northwest quarter; and

The South half of Section 6, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT Lots 6 and 7.

**PARCEL NO. 8:**

All of Section 7, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 9:**

The Northwest quarter of the Northwest quarter of Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 10:**

All of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the East half of the Northeast quarter and the East half of the Southeast quarter of Section 17, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 11:**

All of Section 18, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the Northeast quarter of the Northeast quarter thereof.

**PARCEL NO. 12:**

The South half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**PARCEL NO. 13:**

**Section 8, Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,  
Maricopa County, Arizona;**

**EXCEPT the Northwest quarter of the Northwest quarter thereof.**

**PARCEL NO. 14:**

**The North half of Section 5, Township 6 North, Range 2 West of the Gila and Salt River Base  
and Meridian, Maricopa County, Arizona;**

**EXCEPT the Southeast quarter of the Northeast quarter of said Section 5; and also**

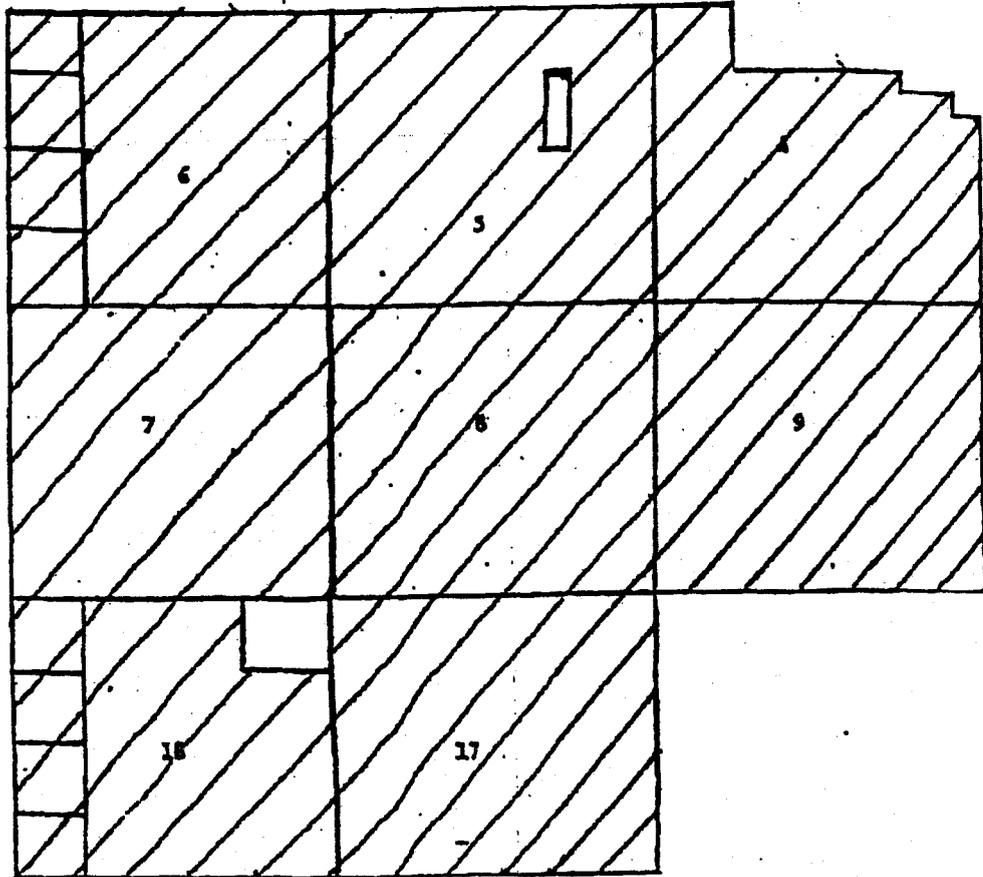
**EXCEPT the East half of the East half of the Southwest quarter of the Northeast quarter of  
said Section 5.**

**PARCEL NO. 15:**

**Governmental Lots 1, 2, 3, 6 and 7, Section 8, Township 6 North, Range 2 West of the Gila  
and Salt River Base and Meridian, Maricopa County, Arizona.**

**EXHIBIT "A"**

**Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian,  
Maricopa County, Arizona.**



160 acres

**EXHIBIT "A"**

**Legal Description of Property**

**Parcel 1:**

The Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; EXCEPT the North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet.

**Parcel 2:**

The North 210.00 feet of the South 2090.00 feet of the West 210.00 feet of the East 910.00 feet of the Southeast quarter of Section 28, Township 6 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

**Exhibit II**

**PROPOSED OFF-SITE HOOK-UP FEE TARIFF**

## TARIFF SCHEDULE

UTILITY: CIRCLE CITY WATER COMPANY

SHEET NO. 1

DOCKET NO. W-  
DECISION NO. \_\_\_\_\_ (\_\_\_\_\_, 2005)

EFFECTIVE DATE:

### OFF-SITE HOOK-UP FEE

#### **I. Purpose and Applicability.**

The purpose of the off-site hook-up fees payable to Circle City Water Company ("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 in 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 Builders 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. R14-2-406, 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. Off-Site 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:

<b>OFF-SITE HOOK-UP FEE TABLE</b>		
<b>Meter Size</b>	<b>Size Factor</b>	<b>Total Fee</b>
5/8" x 3/4"	1	\$3,000.00
3/4"	1.2	\$3,000.00
1"	2	\$7,500.00
1- 1/2 "	4	\$15,000.00
2"	6.4	\$24,000.00
3"	12	\$48,000.00
4"	20	\$75,000.00
6" or larger	40	\$150,000.00

**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 Fees: 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 R14-2-406(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 constructed 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 or , 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 this 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.

Effective Date: \_\_\_\_\_

Approved for Filing in Compliance with  
Decision No. \_\_\_\_\_

**Exhibit III**

**Water Master Plan for Lake Pleasant 5000**

# Water Master Plan

for

## Lake Pleasant 5,000

Original Report Date: December 8, 2004

Revised Report Date: January 4, 2005

**Prepared For:**

Harvard Investments  
17700 North Pacesetter Way  
Scottsdale, Arizona 85255  
Phone: 480-348-1118  
Fax: 480-348-8976



**Prepared By:**

Scott M. Larson P.E.  
J. Ryan Christensen P.E.



16605 North 28<sup>th</sup> Avenue, Suite 100  
Phoenix, AZ 85053-7550  
Phone: 602-467-2200  
Fax: 602-467-2201

JN: 45-101888

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## Abbreviations

ac	Acres
ADEQ	Arizona Department of Environmental Quality
ADWR	Arizona Department of Water Resources
AWWA	American Water Works Association
DU	Dwelling Units
EDU	Equivalent Dwelling Units
gal	Gallons
gpcpd	Gallons Per Capita Per Day
gpd	Gallons Per Day
gpm	Gallons Per Minute
LF	Linear Feet
MAG	Maricopa Association of Governments
MDR	Medium Density Residential (single family housing)
MF	Multiple Family
MG	Million Gallons
MGD	Million Gallons Per Day
n	Manning's Roughness
psi	Pounds Per Square Inch

## 1.0 Introduction

### 1.1 General Description

The proposed Lake Pleasant 5,000 development covers approximately 4,882 acres within Maricopa County. The proposed development is located within the City of Surprise General Plan area, and is anticipated to consist of approximately 10,000 residential dwelling units and 300 acres of commercial development. The general site location can be seen in Figure 1 Lake Pleasant 5,000 Vicinity Map.

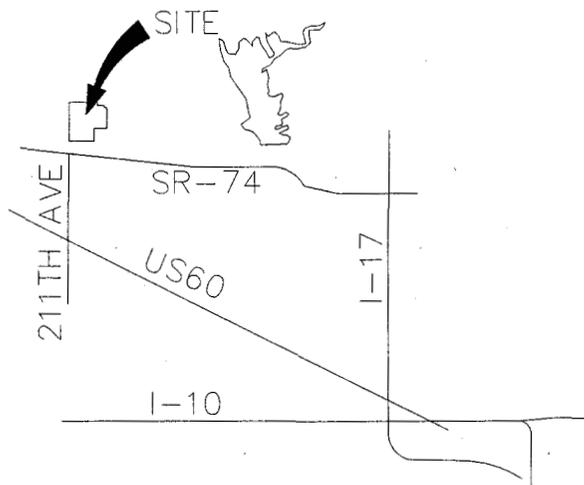


Figure 1 Lake Pleasant 5,000 Vicinity Map

### 1.2 Project Location

The Lake Pleasant 5,000 development includes sections 5, 6, 7, 8, 9, 17 and 18 as well as a majority portion of Section 4 in Township 6 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. The site is located north of SR 74, south of the Maricopa County line, and east of the 211<sup>th</sup> Ave alignment.

### 1.3 Topographic Conditions

The Lake Pleasant 5000 development consists of undeveloped desert land. The northern and northeast portions of the site are dominated by mountainous terrain, while the eastern third of the site is fairly flat sloping from north to south at approximately a 3% grade.

## 1.4 Scope of Study

The purpose of this study is to provide a conceptual discussion of the water infrastructure necessary to serve the proposed Lake Pleasant 5,000 development. This study will discuss the potable water facilities required to serve the project. Storage, supply, and demands associated with the proposed development will be addressed. It is important to note, that the onsite distribution lines are not addressed within this study.

## 2.0 Distribution System

### 2.1 Pressure Zone Description

The proposed Lake Pleasant 5,000 development is anticipated to consist of five pressure zones. The pressure zone boundaries will be set at approximately 120-foot intervals. The anticipated pressure zones for the site are outlined in Table 1 Lake Pleasant 5,000 Pressure Zones. An exhibit showing the pressure zone boundaries is included in Appendix A Pressure Zone Map.

Table 1 Lake Pleasant 5,000 Pressure Zones

Zone	Low Contour	High Contour
P1	2,080	2,200
P2	2,200	2,320
P3	2,320	2,440
P4	2,440	2,560
P5	2,560	2,680

## 3.0 Projected System Demands

### 3.1 General

The Lake Pleasant 5,000 development is anticipated to consist of 10,000 dwelling units. The average day demands for the site were determined based on the projected number of residential dwelling units and the projected amount of commercial acreage. The projected population for the residential area was calculated by multiplying the number of dwelling units, by a population density of 3.2 people per dwelling unit (ppdu). The water demand for the site was calculated by multiplying the projected population by the new residential demand factors from the Arizona Department of Water Resources (ADWR) Third Management Plan for the Phoenix Active Management Area (AMA). These factors consist of an interior water demand of 57 gpcd and an exterior water demand of 178 gallons per dwelling unit. In order to maintain these demand factors, it was assumed that the residential turf areas would be limited to 900 ft<sup>2</sup>, as defined by ADWR's Third Management Plan, and that other conservation measures identified in the Third Management Plan would be followed. A commercial demand of 2,000 gallons per acre was also used in these calculations. The demand factors used for this project are summarized in Table 2 Water Demand Factors.

**Table 2 Water Demand Factors**

Type	Demand	Unit
Residential Interior	57	gpcd
Residential Exterior	178	gal/du/day
Commercial	2,000	gal/acre/day

Peaking factors for the maximum day and peak hour demands were estimated for the proposed Lake Pleasant 5,000 development. A maximum day peaking factor of 1.8 times the average day demand was assumed. While a peak hour peaking factor of 3.0 times the average day demand was assumed. The projected average day, maximum day, and peak hour demands are shown in Table 3 Lake Pleasant 5,000 Water Demands.

**Table 3 Lake Pleasant 5,000 Water Demands**

Avg Day		Max Day		Peak Hour	
(gpd)	(gpm)	(gpd)	(gpm)	(gpd)	(gpm)
4,204,000	2,919	7,567,200	5,255	12,612,000	8,758

It is important to note that water demands for the irrigation of the proposed golf courses have not been included within these calculations. The golf courses are planned to be irrigated through reclaimed water. Additionally, changes to the number of dwelling units, projected land uses, and varying individual water usage patterns could result in either an increase or decrease in actual water demand.

### 3.2 Fire Flow Demand

The proposed Lake Pleasant 5,000 water system will be capable of providing sufficient fire flow throughout the development. The required fire flow will depend on the land use in each area, but is anticipated to range from a minimum of 1,000 gpm within the residential areas up to 3,000 gpm within the commercial areas.

## 4.0 Water Storage

The volume of water storage to be included within the site has been calculated to provide a reliable water system. Sufficient water storage is projected to be stored on site in order to meet the maximum day water demand. The water storage volume projected for the proposed Lake Pleasant 5,000 development is a total of 7.6 million gallons. It is anticipated that this storage would be provided through two 2.30 million gallon tanks and two 1.50 million gallon tanks. The location of the water storage reservoirs throughout the site will be determined at a future time.

Additionally, one 500,000 gallon storage tank is anticipated to be constructed at the well field. This tank will be used to help reduce cycling of the well pumps and to provide temporary storage before boosting the water to the site.

#### **4.1 Booster Pump Capacity**

The onsite booster pump capacity has been calculated for the proposed Lake Pleasant 5,000 development. Sufficient booster pumping capacity will be provided in order to meet the peak hour water system demands, while maintaining one backup booster pump. A peak hour demand of 8,758 gpm has been calculated for the development as described in Section 3.0, Projected System Demands. It is anticipated, that 10,350 gpm of booster capacity will be provided for the onsite water distribution system. Due to the amount of elevation change throughout the site, it may be possible to reduce the amount of booster pump capacity by supplying a portion of the site through gravity.

In addition to the booster pump capacity for the on site distribution system, it will also be necessary to construct a booster pump station to bring the water supply from the Central Arizona Project canal (CAP) to the Circle City Water Company, and another booster station to bring the water supply from the Circle City Water Company to the project site. It is anticipated that each of these stations will be capable of meeting the maximum day demand of 5,255 gpm, while maintaining one backup booster pump. Each of these booster stations is projected to have a capacity of 6,650 gpm. A greater discussion of the water supply for the project is provided in Section 5.0, Water Supply.

#### **5.0 Water Supply**

The water supply for the proposed Lake Pleasant 5,000 development is anticipated to come from a combination of groundwater wells and (CAP) surface water supply. It is anticipated that sufficient groundwater wells will be provided to meet the average day demand of 2,919 gpm. In addition, surface water supplies will be provided to meet the total maximum day demand of 5,255 gpm. The groundwater wells will serve as a back up supply for the development.

The Circle City Water Company service area will be expanded to include a well field. This well field is anticipated to be located in a portion of Section 28 of Township 6 North, Range 3 West. The groundwater wells to supply this project are anticipated to be located within the proposed well field as well as the existing Circle City Water Company service area. Assuming that each well will produce 320 gpm, 11 wells will be required to meet the average day demand of the project, while maintaining one backup well. The actual number of groundwater wells will depend on the production capacity of each well.

It will be necessary to construct booster stations and transmission mains in order to convey the water from the CAP to the Circle City Water Company service area, and from the Circle City Water Company to the project site. Two 24-inch transmission mains are anticipated to be required. Details on these transmission mains are summarized in Table 4 Transmission Main Details. An exhibit showing the location of the Circle City Water Company, the proposed well field, conceptual alignments of the proposed transmission mains, and project site is provided in Appendix B Proposed Transmission Mains.

**Table 4 Transmission Main Details**

<b>Start</b>	<b>End</b>	<b>Length (ft)</b>	<b>Diam (in)</b>	<b>Start Elev</b>	<b>End Elev</b>
CAP	Circle City Water Co	44,000	24	1,550	1,910
Circle City Water Co	Lake Pleasant 5,000	47,000	24	1,910	2,300

## **6.0 Opinion of Probable Costs**

An engineer's opinion of probable costs has been developed for this project. These costs are based on the engineer's experience with the construction industry, and should be used for planning purposes only. The costs have been developed for the wells, tanks, transmission lines, and booster stations, the onsite distribution lines have not been included as part of this analysis.

## References

Division of Environmental Health Services, Bureau of Water Quality Control. Engineering Bulletin #10: Guidelines for the Construction of Water Systems, May 1978.

Ysusi, Mark A. "Water Distribution System Design." Hydraulic Design Handbook. Editor in Chief: Larry W. Mays. New York: McGraw-Hill, 1999

**Opinion of Probable Cost for Pipes, Wells, Tanks & Booster Station**  
**10,000 Units**

Description	Average Unit Cost	Unit	QTY	Total
Well Drilling	\$ 175,000	EA	11	\$ 1,925,000
Well Equipping (pump & motor, well head and column pipe, discharge piping and valves, etc.)	\$ 110,000	EA	11	\$ 1,210,000
6-Foot Block Wall	\$ 100	LF	9,075	\$ 907,500
Well Site Foundation Pads	\$ 7,250	EA	11	\$ 79,750
Well Electrical	\$ 55,000	EA	11	\$ 605,000
Well Controls	\$ 45,000	EA	11	\$ 495,000
Well Generator	\$ 50,000	EA	2	\$ 100,000
<b>Well(s) Subtotal</b>				<b>\$ 5,322,250</b>
CAP Water Treatment (1.0 MGD per unit)	\$ 500,000	EA	8	\$ 4,000,000
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	44,000	\$ 3,652,000
<b>CAP Treatment Subtotal</b>				<b>\$ 8,125,813</b>
Tank (1.5 MG)	\$ 432,000	EA	2	\$ 864,000
Tank (2.3 MG)	\$ 580,000	EA	2	\$ 1,160,000
Tank (0.5 MG)	\$ 192,000	EA	1	\$ 192,000
Site Improvements (Grading, pads, excavation)	\$ 425,000	EA	2.5	\$ 1,062,500
8-Foot Block Wall	\$ 175	LF	4,400	\$ 770,000
Tank Site Piping, Valves, Meters, etc.	\$ 318,750	EA	2.5	\$ 796,875
Tank Site Electrical	\$ 312,500	EA	2.5	\$ 781,250
Tank Site Controls	\$ 156,250	EA	2.5	\$ 390,625
Tank Site Generator	\$ 218,750	EA	2.5	\$ 546,875
<b>Tank(s) Subtotal</b>				<b>\$ 6,564,125</b>
Transmission Line Complete (8-inch, DIP)	\$ 40	LF	5,280	\$ 211,200
Transmission Line Complete (24-inch, DIP)	\$ 83	LF	47,000	\$ 3,901,000
<b>Transmission Line Subtotal</b>				<b>\$ 4,112,200</b>
Booster Station (6,650 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 473,813	LS	1	\$ 473,813
Booster Station (10,500 gpm), Complete with Hydropneumatic Tank and Appurtenances	\$ 748,125	LS	1	\$ 748,125
<b>Subtotal</b>				<b>\$ 25,346,325</b>
Contingency (15%)				\$ 3,801,949
Bonding				<i>Excluded</i>
Tax (6.3%)				\$ 1,836,341
<b>Adjusted Total</b>				<b>\$ 30,984,615</b>

\*Since ENGINEER has no control over the cost of labor, materials, equipment or services furnished by others or over the Contractor(s)' method of determining prices, or over the competitive bidding or market conditions, its opinions of probable Project Cost and Construction Cost provided herein are to be made on the basis of its experience and qualifications and represents its best judgment as an experienced and qualified professional engineer, familiar with the construction industry; but ENGINEER cannot and does not guarantee that proposals, bids or actual Project or Construction Cost will not vary from its opinion of probable cost. If prior to the Bidding or Negotiating Phase, OWNER wishes greater assurance as to Project Cost, it shall employ an independent cost estimator.

\*\*Price excludes engineering, right-of-way acquisition, legal, or other non-construction related costs

## Appendices

Appendix A Pressure Zone Map

Appendix B Proposed Transmission Mains

**Appendix A Pressure Zone Map**

# Lake Pleasant 5,000 Pressure Zone Boundaries

 Project Site

## Pressure Zones

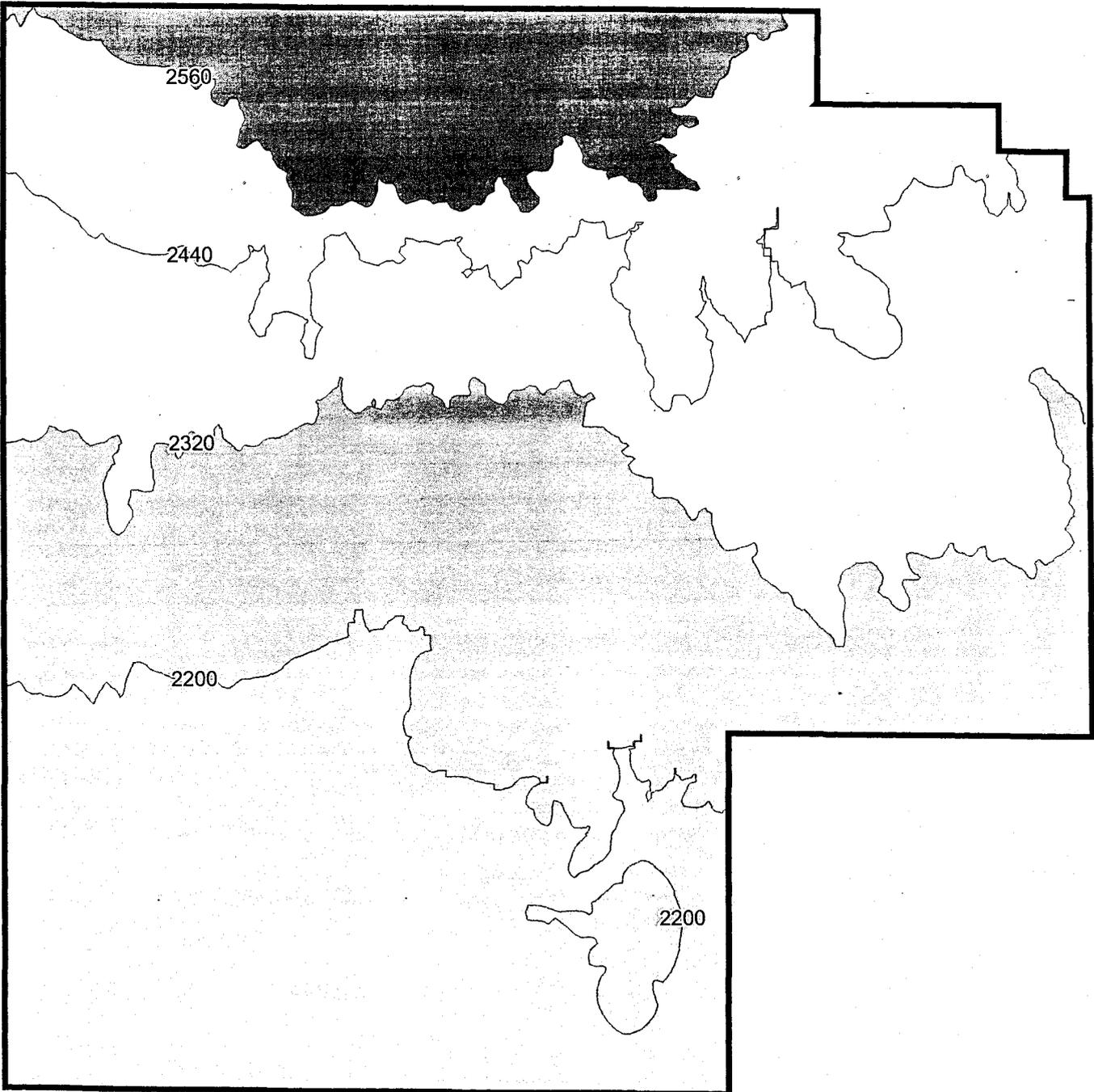
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**RBF**  
CONSULTING

PLANNING • DESIGN • CONSTRUCTION

16625 NORTH 28TH AVE. STE. 100  
PHOENIX, ARIZONA 85028-7350  
602-487-2200 • FAX 602-487-2201 • www.RBF.com



## Appendix B Proposed Transmission Mains

# Lake Pleasant 5,000 Proposed Transmission Main

-  Proposed Transmission Main
-  Proposed CAP Transmission Main
-  CAP Canal
-  Streets
-  Highways
-  Railroads
-  Lake Pleasant 5,000
-  Circle City Water Company
-  Proposed Well Field
-  Sections



NTS

**RBF**  
CONSULTING

PLANNING • DESIGN • CONSTRUCTION

5625 NORTH 28TH AVE. STE 900  
PHOENIX, ARIZONA 85032-7550  
602.467.2250 • FAX 602.467.2201 • WWW.RBF.COM

1/4/05



**Exhibit IV**  
**Cost Estimates**

Developer's Initials: \_\_\_\_\_

**Circle City - Lake Pleasant Cost Summary**  
Per CC&N model dated 02/02/2005

	<b>Water Infrastructure</b>			Total
	Raw Cost	Engineering, Taxes, Permits Contingency		
<b>Tanks</b>				
On-site Tanks	\$ 5,502,500	\$ 1,172,033	\$	6,674,533
Off-site Tanks	1,061,625	226,126		1,287,751
<b>Total Tanks</b>	<b>\$ 6,564,125</b>	<b>\$ 1,398,159</b>	<b>\$</b>	<b>7,962,284</b>
<b>Booster Stations</b>				
On-site Booster Stations	\$ 748,125	\$ 159,351	\$	907,476
Off-site Booster Stations	473,813	100,922		574,735
<b>Total Booster Stations</b>	<b>\$ 1,221,938</b>	<b>\$ 260,273</b>	<b>\$</b>	<b>1,482,211</b>
<b>Transmission Mains</b>				
On-site 8" Transmission Main	\$ 211,200	\$ 44,986	\$	256,186
Off-site 24" Transmission Main	3,901,000	830,913		4,731,913
<b>Total Transmission Mains</b>	<b>\$ 4,112,200</b>	<b>\$ 875,899</b>	<b>\$</b>	<b>4,988,099</b>
<b>Wells</b>				
On-site Wells	\$ 5,322,250	\$ 1,133,639	\$	6,455,889
<b>Water Treatment</b>				
On-site Cap Treatment	\$ 8,125,813	\$ 1,730,798	\$	9,856,611
<b>On-site Distribution</b> (includes distribution mains, service lines and meters)				
<b>Totals</b>	<b>\$ 25,346,326</b>	<b>\$ 5,398,767</b>	<b>\$</b>	<b>30,745,093</b>

	<b>Onsite Distribution</b>			Total
	Raw Cost	Engineering, Taxes, Permits Contingency		
	\$ 20,000,000	\$ 4,260,000	\$	24,260,000
<b>Totals</b>	<b>\$ 20,000,000</b>	<b>\$ 4,260,000</b>	<b>\$</b>	<b>24,260,000</b>

## Appendix 1

On August 20, 1996 President Clinton signed into law the Small Business Job Protection Act (H.R. 344) which contained a provision that repealed a portion of the Tax Reform Act of 1986 ("TRA-86") which states that the "gross income of a corporation shall not include any contribution to the capital of the taxpayer". After January 1, 1987, Internal Revenue Code Section 118 treated contributions in aid of construction ("CIAC") as taxable income of electric, gas, water and sewer utility companies. The effect of such provision eliminates the "gross up" of CIAC's which, heretofore, were to be collected in reimbursement of a utility companies taxes payable from the CIAC. Section 1613 (a) of H.R. 3448 returns the IRC Section 118 to its pre-TRA-86 form regarding a utility companies CIAC taxable obligations. In order to satisfy this condition, H.R. 3448 requires certain criteria must be met by utility companies. Circle City Water Company L.L.C. anticipates being able to satisfy the applicable criteria. **H.R. 3448 IS RETROACTIVE TO JUNE 12, 1996 FOR ALL CIAC'S.**

H.R. 3448 required the IRS to develop specific regulations regarding this matter which were expected to be drafted during 1997. Additionally, the Arizona Corporation Commission has not, as of the date first set forth above, yet addressed the affect of H.R. 3448 by drafting new regulations which are expected to follow the IRS regulations.

Absent regulatory direction to the contrary, Circle City Water Company, L.L.C. does not expect to collect customer "gross up taxes" after June 12, 1996. This policy is subject to final IRS regulations and Arizona statute revisions.

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FENNEMORE CRAIG  
A Professional Corporation  
Jay L. Shapiro (No. 014650)  
Patrick J. Black (No. 017141)  
3003 North Central Avenue  
Suite 2600  
Phoenix, Arizona 85012  
Telephone (602) 916-5000

2005 APR 14 P 4: 37

AZ CORP COMMISSION  
DOCUMENT CONTROL

**EXHIBIT**  
A-2  
admitted

Attorneys for Circle City Water Company, L.L.C.

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF CIRCLE CITY WATER COMPANY, LLC  
FOR APPROVAL OF A HOOK-UP FEE  
TARIFF.

DOCKET NO. W-03510A-05-0145

IN THE MATTER OF THE APPLICATION  
OF CIRCLE CITY WATER COMPANY, LLC  
FOR AN EXTENSION OF ITS EXISTING  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY FOR WATER SERVICE.

DOCKET NO. W-03510A-05-0146

**NOTICE OF FILING AMENDED LEGAL  
DESCRIPTION**

Circle City Water Company, L.L.C. ("Circle City"), an Arizona public service corporation, hereby submits this Notice of Filing Amended Legal Description in the above-captioned dockets. Attached hereto as Exhibit 1 is an amended legal description for the area requested in Circle City's original application for an extension of its Certificate of Convenience and Necessity (CC&N). The area sought for inclusion in Circle City's CC&N includes 4,882 acres in Maricopa County, and another 160 acres at the northwest corner of 235<sup>th</sup> Avenue and Joy Ranch Road. Exhibit 1 attached hereto should replace Exhibits 2 and 3 submitted with Circle City's original application.

Arizona Corporation Commission

**DOCKETED**

APR 14 2005

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RESPECTFULLY SUBMITTED this 14<sup>th</sup> day of April, 2005.

FENNEMORE CRAIG, P.C.

By:   
Jay L. Shapiro  
Patrick J. Black  
Attorneys for Circle City Water Company,  
L.L.C.

ORIGINAL and 15 copies filed this 14<sup>th</sup> day of April, 2005:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

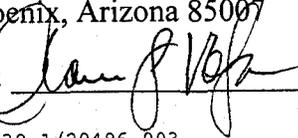
COPY delivered this 14<sup>th</sup> day of April, 2005:

Amanda Pope, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Christopher Kempley, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Ernest Johnson, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

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

By: 

1657439.1/20496.003

# **EXHIBIT**

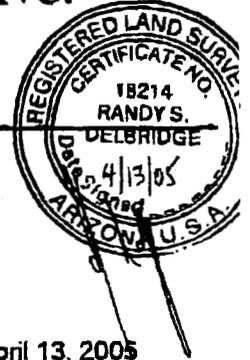
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# **SOUTHWESTERN STATES SURVEYING, INC.**

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;

Page 2

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 2636.26 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 2636.76 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 26, 2004, JOB NUMBER 240694.**



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FENNEMORE CRAIG 2005 JUN 28 P 4: 38  
A Professional Corporation  
Jay L. Shapiro (No. 014650)  
Patrick J. Black (No. 017144) AZ CORP COMMISSION  
3003 North Central Avenue DOCUMENT CONTROL  
Suite 2600  
Phoenix, Arizona 85012  
Telephone (602) 916-5000

Arizona Corporation Commission  
**DOCKETED**  
JUN 28 2005

DOCKETED BY  
KA

Attorneys for Circle City Water Company, L.L.C.

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF CIRCLE CITY WATER COMPANY, LLC  
FOR APPROVAL OF A HOOK-UP FEE  
TARIFF.

DOCKET NO. W-03510A-05-0145

IN THE MATTER OF THE APPLICATION  
OF CIRCLE CITY WATER COMPANY, LLC  
FOR AN EXTENSION OF ITS EXISTING  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY FOR WATER SERVICE.

DOCKET NO. W-03510A-05-0146

**CERTIFICATION OF PUBLICATION  
AND PROOF OF MAILING**

Pursuant to the May 11, 2005 Procedural Order, Circle City Water Company, L.L.C. ("Circle City"), an Arizona public service corporation, hereby submits this Certification of Publication and Proof of Mailing in the above-captioned matter.

On June 22, 2005, legal notice was published in *The Wickenburg Sun*. The affidavit of Kevin Cloe, Publisher of *The Wickenburg Sun*, is attached hereto as Exhibit 1.

On June 20, 2005, Circle City issued notice to the property owners within the requested extension area. The Affidavit of Mailing is attached hereto as Exhibit 2.

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DATED this 28<sup>th</sup> day of June, 2005.

FENNEMORE CRAIG, P.C.

By:   
Jay L. Shapiro  
Patrick J. Black  
Attorneys for Circle City Water Company,  
L.L.C.

ORIGINAL and 15 copies filed this 28<sup>th</sup> day of June, 2005:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

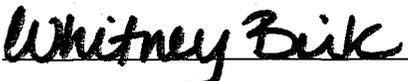
COPY delivered this 28<sup>th</sup> day of June, 2005:

Amanda Pope, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Christopher Kempley, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Ernest Johnson, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

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

By: 

PHX/PBLACK/1682339.1/20496.003

# **EXHIBIT**

**1**

**NOTICE OF HEARING  
CIRCLE CITY WATER COMPANY**

**STATE OF ARIZONA**

County of Maricopa

Kevin Cloe, being duly sworn, upon oath, deposes and says:  
That he is the Publisher of

**The Wickenburg Sun**

A newspaper of general circulation in the County of Maricopa  
State of Arizona, published in Wickenburg, Arizona, and that  
the copy hereto attached is a true copy of the advertisement as  
published weekly in The Wickenburg Sun on the Dates  
following:

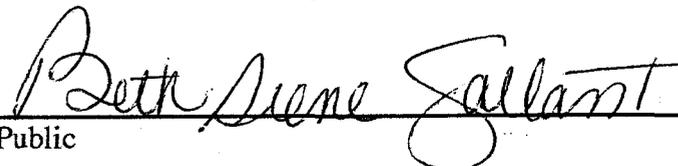
**June 22, 2005.**



---

KEVIN CLOE  
PUBLISHER

Sworn to before me this 22<sup>nd</sup> day of June, A.D. 2005.

  
Notary Public



**PUBLIC NOTICE OF HEARING ON THE  
CONSOLIDATED APPLICATIONS OF  
CIRCLE CITY WATER COMPANY FOR AN  
EXTENSION OF ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY AND FOR  
APPROVAL OF A HOOK-UP FEE TARIFF  
(W-03510A-05-0145 et al)**

On March 2, 2005, Circle City Water Company ("Circle City" or "Applicant") filed an Application with the Arizona Corporation Commission ("Commission") for approval of a hook-up fee tariff, which would apply to new customers, and for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service to an area in which records indicate you are a property owner. These matters have been consolidated for the purposes of hearing.

If the application to extend Circle City's CC&N is granted, the Applicant would be the exclusive provider of water to the proposed area, and would be required by the Commission to provide service under rates and charges and terms and conditions established by the Commission. The applications are available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona, and at the offices of the Company, P.O. Box 82218, Bakersfield, CA 93380.

The Commission will hold a hearing on this consolidated matter beginning July 25, 2005 at 10:00 a.m., at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comment will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission, which motion should be sent to the Applicants or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Applicants, a shareholder of the Applicants, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicants or their counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before July 11, 2005. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. Failure to intervene will not preclude any potential customer from appearing at the hearing and making a statement on such person's own behalf. You will not, however, receive any further notice of the proceeding unless requested by you.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting, Linda Hogan, ADA Coordinator, voice phone number 602-542-3931, E-mail LHogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

*Left out  
of publication*

# **EXHIBIT**

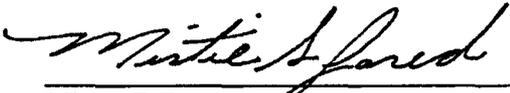
**2**

**Brooke Utilities, Inc.**

P. O. Box 82218 • Bakersfield, California 93380-2218  
Customer Call Center • P.O. Box 9005 • San Dimas, California 91773-9016 • (800) 270-6084

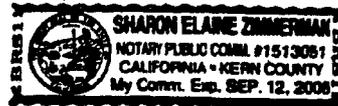
June 28, 2005

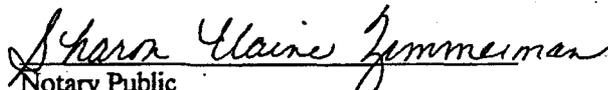
I, **Mistie S. Jared**, acknowledge the *PUBLIC NOTICE OF HEARING ON THE CONSOLIDATED APPLICATIONS OF CIRCLE CITY WATER COMPANY FOR AN EXTENSION OF IS CERTIFICATE OF CONVENIENCE AND NECESSITY AND FOR APPROVAL OF A HOOK-UP FEE TARIFF (W-03510A-05-0145 et al)* was issued to Circle City Water Co. L.L.C. customers via U.S. Mail on June 20, 2005.

  
\_\_\_\_\_  
Mistie S. Jared

State of California    )  
                                  SS  
County of Kern        )

Subscribed and sworn to (or affirmed) before me  
This 28th day of June 2005, by Mistie S. Jared



  
\_\_\_\_\_  
Notary Public

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FENNEMORE CRAIG  
A Professional Corporation  
Jay L. Shapiro (No. 014650)  
Patrick J. Black (No. 017141)  
3003 North Central Avenue  
Suite 2600  
Phoenix, Arizona 85012  
Telephone (602) 916-5000

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AZ CORP COMMISSION  
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Arizona Corporation Commission

DOCKETED

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Attorneys for Circle City Water Company, L.L.C.

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF CIRCLE CITY WATER COMPANY, LLC  
FOR APPROVAL OF A HOOK-UP FEE  
TARIFF.

DOCKET NO. W-03510A-05-0145

IN THE MATTER OF THE APPLICATION  
OF CIRCLE CITY WATER COMPANY, LLC  
FOR AN EXTENSION OF ITS EXISTING  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY FOR WATER SERVICE.

DOCKET NO. W-03510A-05-0146

**RESPONSE TO STAFF REPORT**

Circle City Water Company, L.L.C. ("Circle City"), an Arizona public service corporation, hereby submits its Response to the Staff Report ("Report") filed on June 28, 2005, in the above-captioned matters. Circle City is encouraged by Staff's overall recommendation to approve both Circle City's application to extend its Certificate of Convenience and Necessity ("CC&N"), as well as its Hook-Up Fee Tariff. However, of the eight (8) conditions recommended by Staff, Circle City takes specific exception to Condition No. 7, which requires Circle City to demonstrate in its next rate case that its existing customers will be "positively impacted" by the addition of new water facilities necessary to serve the new CC&N. Circle City asserts that the public interest standard has been met in this case by an affirmative showing of a public need, and Staff's analysis confirming Circle City's fitness to provide safe, reliable water utility service at a reasonable rate. See Staff Report at 2-4.



1 by the Commission without an affirmative showing that it will serve the public interest<sup>1</sup>, this  
2 standard does not require some future "positive impact" to existing customers, but rather that it  
3 can provide adequate service at reasonable rates. *Id.* Therefore, Staff's requirement that the  
4 CC&N extension requested by Circle City result in a "positive impact" over and above the public  
5 interest standard (adequate service at just and reasonable rates) previously is unwarranted.

6 Finally, Staff's standard would be impracticable to enforce. For instance, if Arizona  
7 Public Service Company applies to extend the boundaries of its CC&N into areas of western  
8 Maricopa County near the City of Avondale or the Town of Buckeye, would the company be  
9 required to make an affirmative showing that such an extension will positively impact customers  
10 living near Mesa or Apache Junction? If so, by what degree? Likewise, must a water company  
11 with customers throughout the state make an affirmative showing of a "positive impact" to all  
12 these existing customers as a condition of extending its CC&N near Flagstaff? The likely answer  
13 in both instances is that neither company would be required to make such a showing. As noted,  
14 the Staff Report fails to provide any Commission decision or policy as precedent for Condition  
15 No. 7. Consequently, Circle City asserts that it should not be subjected to such an arbitrary and  
16 capricious standard in the manner recommended by Staff.

### 17 CONCLUSION

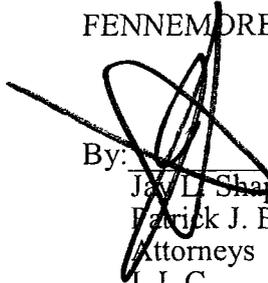
18 In this case, there is a valid request for service and a demonstrated showing of public  
19 need. The record indicates that Circle City is a fit and proper entity to provide such service in a  
20 safe and reliable manner at just and reasonable rates. Thus, the public interest will be met.  
21 Therefore, Circle City respectfully requests that the Commission grant the applications requested  
22 by Circle City without Staff's recommended Condition No. 7.

23  
24  
25 <sup>1</sup> *Walker v. DeConcini*, 30 P.U.R.3d 447, 86 Ariz. 143, 341 P.2d 933 (1959), quoting *Pacific Greyhound Lines v. Sun*  
26 *Valley Bus Lines*, 70 Ariz. 65, 216 P.2d 404, 409 (1950) ["Certificates of convenience and necessity can only be  
acquired from the corporation commission by an affirmative showing that its issuance would best subserve the public  
interest and not by estoppel or laches."]

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DATED this 6<sup>th</sup> day of July, 2005.

FENNEMORE CRAIG, P.C.

By:   
J. L. Shapiro  
Patrick J. Black  
Attorneys for Circle City Water Company,  
L.L.C.

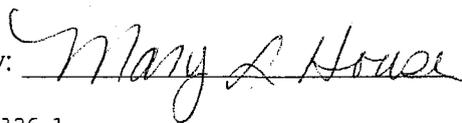
ORIGINAL and 15 copies filed this 6<sup>th</sup> day of July, 2005:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY delivered this 6<sup>th</sup> day of July, 2005:

Amanda Pope, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

David Ronald, Staff Attorney  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

By: 

1684326.1

COPY

MEMORANDUM RECEIVED

EXHIBIT

A-5

admitted

TO: Docket Control  
Arizona Corporation Commission

FROM: Marlin Scott, Jr. *MSJ*  
Utilities Engineer  
Utilities Division

DATE: July 19, 2005

RE: SUPPLEMENT TO STAFF REPORT FOR CIRCLE CITY WATER  
COMPANY, LLC ("Company")  
Docket No. W-03510A-05-0146 (CC&N Extension)  
Docket No. W-03510A-05-0145 (Hook-up Fee Tariff)

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**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. However, MCESD has reported minor deficiencies for:

1. The system has not completed two consecutive six-month periods of lead and copper monitoring.
2. The MCESD requested an updated microbiological site sampling plan ("MSSP") and this MSSP has not been submitted for review.
3. The water system had a total coliform positive result in October 2004 and the repeat monitoring occurred as required, but the next month increased monitoring was not completed.
4. Public notice for failure to perform increased total coliform monitoring and improper lead and copper monitoring is required.

Based on the above, the overall system compliance status is Substantial Compliance.

Recommendation

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

1. The Company should file with Docket Control a copy of a MCESD Compliance Status Report showing full compliance within 60 days of a decision in this matter.

Service list for: Circle City Water Company, LLC  
Docket Nos. W-03510A-05-0146 and W-03510A-05-0145

Mr. Jay L. Shapiro  
Mr. Patrick J. Black  
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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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## MEMORANDUM

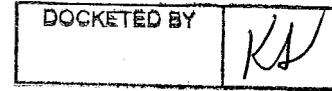


TO: Docket Control  
Arizona Corporation Commission

Arizona Corporation Commission  
**DOCKETED**

FROM: Ernest G. Johnson  
Director  
Utilities Division

JUN 28 2005



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

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2005 JUN 28 P 4: 22  
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Service List for: Circle City Water Company, L.L.C.  
Docket Nos. W-03510A-05-0146 AND W-03510A-05-0145

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

CIRCLE CITY WATER COMPANY, L.L.C.

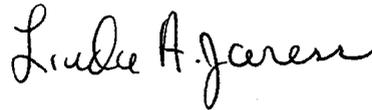
DOCKET NOS. W-03510A-05-0146 AND W-03510A-05-0145

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

JUNE 2005

## STAFF ACKNOWLEDGMENT

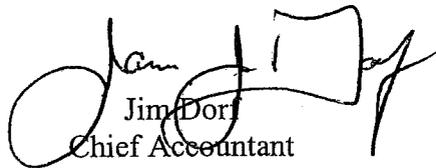
The Staff Report for Circle City Water Company, L.L.C. (Docket Nos. W-03510A-05-0146 and W-03510A-05-0145) was prepared by the Staff members listed below. Linda A. Jaress performed the review and analysis of the Company's application. Marlin Scott, Jr. prepared the engineering report. Jim Dorf performed 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 211<sup>th</sup> 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.

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## **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 211<sup>th</sup> 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 235<sup>th</sup> 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 (" $\mu\text{g}/\text{l}$ ") or parts per billion ("ppb") to 10  $\mu\text{g}/\text{l}$ . 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.

### **Curtailed Plan Tariff**

A Curtailed 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	
		=====
<b>TOTAL:</b>	<b>\$55,433,615</b>	

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.

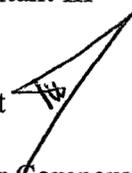
(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall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

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### 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.<sup>1</sup> 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).

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<sup>1</sup> 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>	<u>Adjust- ments</u>	<u>Pro Forma</u>
<b>ASSETS</b>			
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>
<b>TOTAL ASSETS</b>	<u><u>\$128,379</u></u>		<u><u>\$128,379</u></u>
<b>LIABILITIES AND CAPITAL</b>			
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>
<b>TOTAL LIABILITIES &amp; CREDITS</b>	<u>2,252,042</u>		<u>27,065</u>
<b>CAPITAL ACCOUNTS</b>			
Proprietary Capital	<u>(2,123,662)</u>	2,224,977	<u>101,315</u>
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<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-02075498-0074  
 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
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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

**RANGE 2 West**

**TOWNSHIP 6 North**

1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36



W-3510

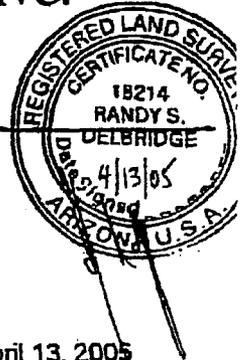
Circle City Water Company, LLC  
Docket No. W-3510-05-146  
Application for Extension

# **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 2636.26 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 2636.76 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;

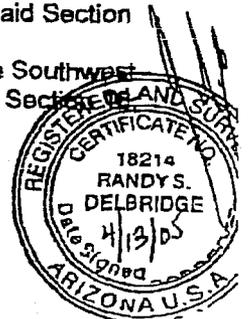
THENCE South 00 degrees 10 minutes 03 seconds West, along the East line of the Southeast quarter of said Section 17 a distance of 2637.41 feet to the Southeast corner of said Section 17, being a G.L.O. Brass Cap;

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;

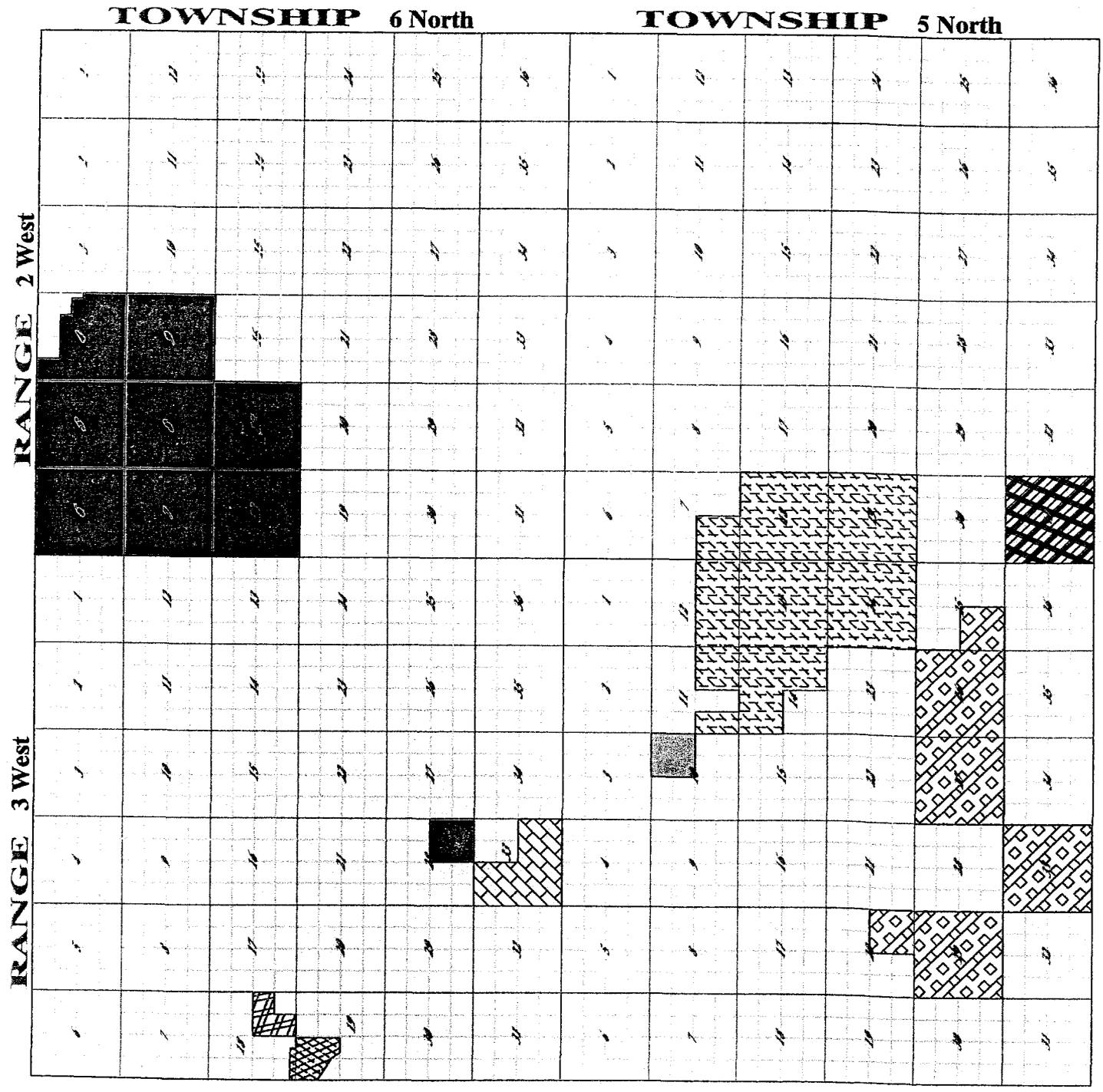
THENCE NORTH 89°58'37" EAST ALONG THE EAST-WEST MID-SECTION LINE A DISTANCE OF 2644.57 FEET TO THE EAST QUARTER CORNER OF SECTION 28, MONUMENTED BY A G.L.O. BRASS CAP;

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.



-  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  
Fuenta 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



COPY

MEMORANDUM

EXHIBIT

S-2  
admitted

TO: Docket Control  
Arizona Corporation Commission

FROM: Marlin Scott, Jr. *MSJ*  
Utilities Engineer  
Utilities Division

DATE: July 19, 2005

RE: SUPPLEMENT TO STAFF REPORT FOR CIRCLE CITY WATER  
COMPANY, LLC ("Company")  
Docket No. W-03510A-05-0146 (CC&N Extension)  
Docket No. W-03510A-05-0145 (Hook-up Fee Tariff)

2005 JUL 19 P 2:40

AZ CORP COMMISSION  
DOCUMENT CONTROL

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**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. However, MCESD has reported minor deficiencies for:

1. The system has not completed two consecutive six-month periods of lead and copper monitoring.
2. The MCESD requested an updated microbiological site sampling plan ("MSSP") and this MSSP has not been submitted for review.
3. The water system had a total coliform positive result in October 2004 and the repeat monitoring occurred as required, but the next month increased monitoring was not completed.
4. Public notice for failure to perform increased total coliform monitoring and improper lead and copper monitoring is required.

Based on the above, the overall system compliance status is Substantial Compliance.

Recommendation

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

1. The Company should file with Docket Control a copy of a MCESD Compliance Status Report showing full compliance within 60 days of a decision in this matter.

Service list for: Circle City Water Company, LLC  
Docket Nos. W-03510A-05-0146 and W-03510A-05-0145

001 07 01 2014  
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