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Transcript Exhibit(s)

W-02113A-05-0178

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Arizona Corporation Commission

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EXHIBIT 024
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1 FENNEMORE CRAIG
Jay L. Shapiro
2 Norman D. James
3003 N. Central Ave.
3 Suite 2600
Phoenix, Arizona 85012
4 Attorneys for Chaparral City Water Company

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AZ CORP COMMISSION
DOCUMENT CONTROL

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7 IN THE MATTER OF THE APPLICATION
8 OF CHAPARRAL CITY WATER
COMPANY, INC., AN ARIZONA
9 CORPORATION, FOR AN ORDER
10 PRELIMINARY TO EXTENSION OF ITS
11 CERTIFICATE OF CONVENIENCE AND
NECESSITY PURSUANT TO A.R.S. § 40-
282.D.

DOCKET NO: W-02113A-05-
APPLICATION

12 Chaparral City Water Company ("Chaparral City" or "Company"), an Arizona
13 public service corporation, hereby applies for an order of the Arizona Corporation
14 Commission preliminary to the extension of its CC&N pursuant to A.R.S. § 40-282.D.
15 The purpose of such order would be to set forth and establish conditions that, if fulfilled,
16 would allow Chaparral City to extend its CC&N to include a roughly 1,300 acre parcel of
17 State Trust land immediately adjacent to its existing CC&N. This application is brought
18 with the support of the Arizona State Land Department ("ASLD") and the Town of
19 Fountain Hills ("Town"), which have requested an extension of water utility service by
20 the Company to such lands. Granting this Application would further the public interest by
21 aiding the ASLD in selling the subject property, thereby raising monies to support public
22 education in the State.

23 In support of this Application, Company states as follows:

24 1. Chaparral City is a public service corporation engaged in providing water
25 utility services in portions of eastern Maricopa County, Arizona, including the Town of
26 Fountain Hills, pursuant to a certificate of public convenience and necessity granted by

1 the Arizona Corporation Commission (the "Commission") to the Company. At the
2 present time, Chaparral City provides water utility service to approximately 12,700
3 residential, commercial and irrigation customers.

4 2. The area covered by this Application is an approximately 1,313 acre parcel
5 of land owned by the State of Arizona and administered by ASLD as State Trust land.
6 This parcel of land is undeveloped, except for the thirty-five (35) acre Fountain Hills
7 Middle School site, which Chaparral City already serves. Several months ago, the
8 Company was contacted by representatives of the Town about this State Trust, which the
9 Town is very interested in annexing this area after it is sold. Letters from the Town and
10 ASLD supporting this request are attached hereto as Exhibit A. ASLD has begun the
11 process of preparing this property for sale at public auction.

12 3. As part of the process of preparing this property for sale, the Company is
13 informed that the ASLD is in the process of soliciting proposals from interested parties to
14 act as its Planning Permittee pursuant to the Urban Lands Act, A.R.S. § 37-331, *et seq.*
15 As part of the planning process, the Urban Lands Act calls for the State Land
16 Commissioner to, among other things, cooperate with the Department of Water Resources
17 to determine that the subject lands have the quality and quantity of water needed for urban
18 development. A.R.S. §37-332(E)(6). Prior to adopting any development plan created
19 under the Urban Lands Act, the plan must contain provisions for the delivery of an
20 adequate or assured water supply as specified in title 45, chapter 1 or 2 (A.R.S. § 45-101
21 *et seq.*, A.R.S. § 45-401 *et seq.*), and for public facilities and resources including water
22 supply delivery systems, water collection and treatment systems. A.R.S. §37-334(D)(4)
23 and (5).

24 4. A legal description for the area requested in this Application is attached
25 hereto as Exhibit B.

26

1 5. A detailed map indicating portions of Chaparral City's present CC&N and
2 the area requested for extension by this Application is attached hereto as Exhibit C.

3 6. Chaparral City's business office is located at 12021 N. Panorama Dr.,
4 Fountain Hills, AZ 85268, and its telephone number is (480) 837-3411. Its District
5 Manager and primary management contact is Robert N. Hanford. Mr. Hanford is
6 responsible for overseeing and directing the conduct of this application. Mr. Hanford's
7 pre-filed Direct Testimony is attached hereto as Exhibit D and supports the Company's
8 application.

9 7. Chaparral City's Permit to Operate, number 078017, issued by Maricopa
10 County Environmental Services Department whose business address is 1001 N. Central
11 Ave., Suite 100, Phoenix, Arizona 85004. Their telephone number is (602) 506-6616.

12 8. Chaparral City's attorneys are Fennemore Craig, whose address is 3003
13 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual
14 attorney responsible for this application is Jay L. Shapiro. Mr. Shapiro's telephone
15 number is (602) 916-5366. **All discovery, data requests and other requests for**
16 **information concerning this Application should be directed to Mr. Hanford, with a**
17 **copy to Jay L. Shapiro, for Chaparral City.**

18 9. A Certificate of Good Standing for Chaparral City is attached hereto as
19 Exhibit E.

20 10. Chaparral City's balance sheet and profit and loss information for the 12-
21 month period ending 2003 is attached hereto as Exhibit F.

22 11. A copy of Chaparral City's most recent Annual Report (2003) is attached
23 hereto as Exhibit G.

24 12. At this time, Chaparral City is unable to estimate the (1) number of
25 customers to be served in each of the first five years of water utility service to the area
26 covered by this Application; (2) annual operating revenue and operating expenses for each

1 of the first five years of operation in the area covered by this Application; (3) or the plant
2 costs for the first five years service would be provided to this area. This is because, as
3 noted above and in Mr. Hanford's testimony, the State Trust land subject to this
4 application has not yet been sold. Therefore, the specific configuration of any
5 development on the property is not yet known. Consequently, this information would be
6 provided at a later date as one of the conditions preliminary to extension of Chaparral
7 City's CC&N.

8 13. The manner in which construction of the additional utility facilities needed
9 to serve the area covered by this Application will be financed is also not presently known.
10 However, Chaparral City anticipates entering into one or more agreements with the
11 landowners, developers and/or homebuilders developing the property concerning the
12 extension of service and construction of necessary facilities. Obtaining such agreements
13 shall be a condition preliminary to the extension of Chaparral City's CC&N.

14 14. Chaparral City will also be required to obtain license, franchise or consent
15 from either the Town or Maricopa County to include the area to be served. Obtaining an
16 agreement or other documents evidencing such license, franchise or consent shall a
17 condition preliminary to the extension of Chaparral City's CC&N.

18 15. Approval for the construction of necessary water utility infrastructure from
19 either the Arizona Department of Environmental Quality and/or the Maricopa County
20 Environmental Services Department shall also be a condition preliminary to the extension
21 of Chaparral City's CC&N.

22 16. Chaparral City has recently been issued a Designation of Assured Water
23 Supply by the Arizona Department of Resources and such designation should be
24 applicable to the State Trust property. A copy of the Designation is attached hereto as
25 Exhibit H.

26

1 17. Notice of this Application will be given by publication in a newspaper of
2 general circulation as required by the Commission. Proof of publication will be filed with
3 the Commission.

4 18. To the best of its knowledge and belief, Chaparral City is currently in
5 compliance with all regulatory requirements applicable to its provision of water utility
6 service in Arizona, including all applicable orders, rules and regulations of the
7 Commission, Arizona Department of Environmental Quality and/or the Maricopa County
8 Environmental Services Department

9 19. Chaparral City maintains that this Application for an order preliminary to
10 extension of its CC&N is in the public interest and should be granted. The ASLD is in the
11 process of planning the property in order to offer a large tract of State Trust land for sale
12 at public auction and Chaparral City, the nearest water utility service provider, is able to
13 provide service once the land is sold by the ASLD and is to be developed. Once service is
14 extended, the Company's customers in the new area, as well as in its existing CC&N will
15 benefit from an increased regionalized customer base.

16 WHEREFORE, Chaparral City respectfully requests the following:

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

19 B. That upon completion of said hearing that the Commission enter an order
20 preliminary to extension of Chaparral City's Certificate Of Convenience and Necessity
21 pursuant to A.R.S. § 40-282.D. allowing Chaparral City to extend its CC&N to the subject
22 property upon satisfaction of the following conditions being fulfilled:

23 i. An agreement or agreements is reached by Chaparral City
24 with the landowner(s), developer(s) or homebuilder(s)
25 regarding the extension of service and financing of necessary
water utility infrastructure.

26 ii. Chaparral City obtains License, or consent of franchise with
the Town or County.

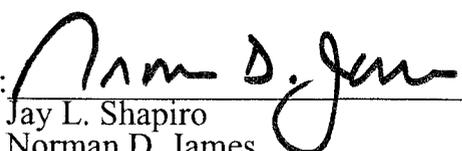
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- iii. Determination of Water Adequacy from the Arizona Department of Water Resources is shown for the subject property.
- iv. Approval for the construction of necessary water utility infrastructure from either the Arizona Department of Environmental Quality and/or the Maricopa County Department of Environmental Services are obtained for all plant to be constructed to allow Chaparral City to serve the property.
- v. Certain financial information is submitted to the Commission including—
 - a. Projected number of customers to be served in the extension area during the first five years.
 - b. Projected cost of utility plant needed to provide water utility service to the extension area.
 - c. Manner in which utility plant needed to provide water utility service to the extension area will be financed.
 - d. Estimated operating expenses related to service in the extension area for the first five years.
 - e. Estimated operating revenue from water sales in the extension area in the first five years.

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

DATED this 10 day of March, 2005.

FENNEMORE CRAIG, P.C.

By: 
Jay L. Shapiro
Norman D. James
Attorneys for Chaparral City Water
Company

1 ORIGINAL and 13 copies filed this 10 day of March, 2005:

2 Docket Control
3 Arizona Corporation Commission
4 1200 West Washington Street
5 Phoenix, Arizona 85007

6 COPY delivered this 10 day of March, 2005:

7 Jim Fisher, Executive Consultant
8 Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 By: Whitney Burk
13 1641033.3/10696.004

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EXHIBIT

A



Town of FOUNTAIN HILLS
Public Works Department

March 3, 2005

Robert Hanford, District Manager
Chaparral City Water Company
12021 North Panorama Drive
Fountain Hills, AZ 85268

Re: State Trust Land, North of Fountain Hills

Dear Mr. Hanford:

The Town of Fountain Hills appreciates the cooperation the Chaparral City Water Company has demonstrated with regard to its investigation of providing domestic water service to the 1,300- acre parcel of State Land north of the Town.

The Town supports the Company's request to the Arizona Corporation Commission for approval of the "Order Preliminary" filing and subsequent request to expand the Certificate of Convenience and Necessity to provide water service to this land, contingent upon eventual annexation of this land to the Town.

The Town has had an interest in the planning and use of this property for some time. The Town has held public hearings on the use of this property. In a letter dated October 7, 2003, to the State Land Commissioner, the Town proposed to initiate a planning and annexation process of this land.

The State has now begun the Urban Lands Act process that may ultimately result in the sale and development of this land. A primary objective of the State in this process will be to maximize the value of the land, which means there must be a reliable domestic water supply. We believe the Water Company has the ability to fill this role. The Town is the planning authority for the land pursuant to ARS 37-331, and we intend to fill that role.

Robert Hanford, District Manager
Chaparral City Water Company
Page 2
March 3, 2005

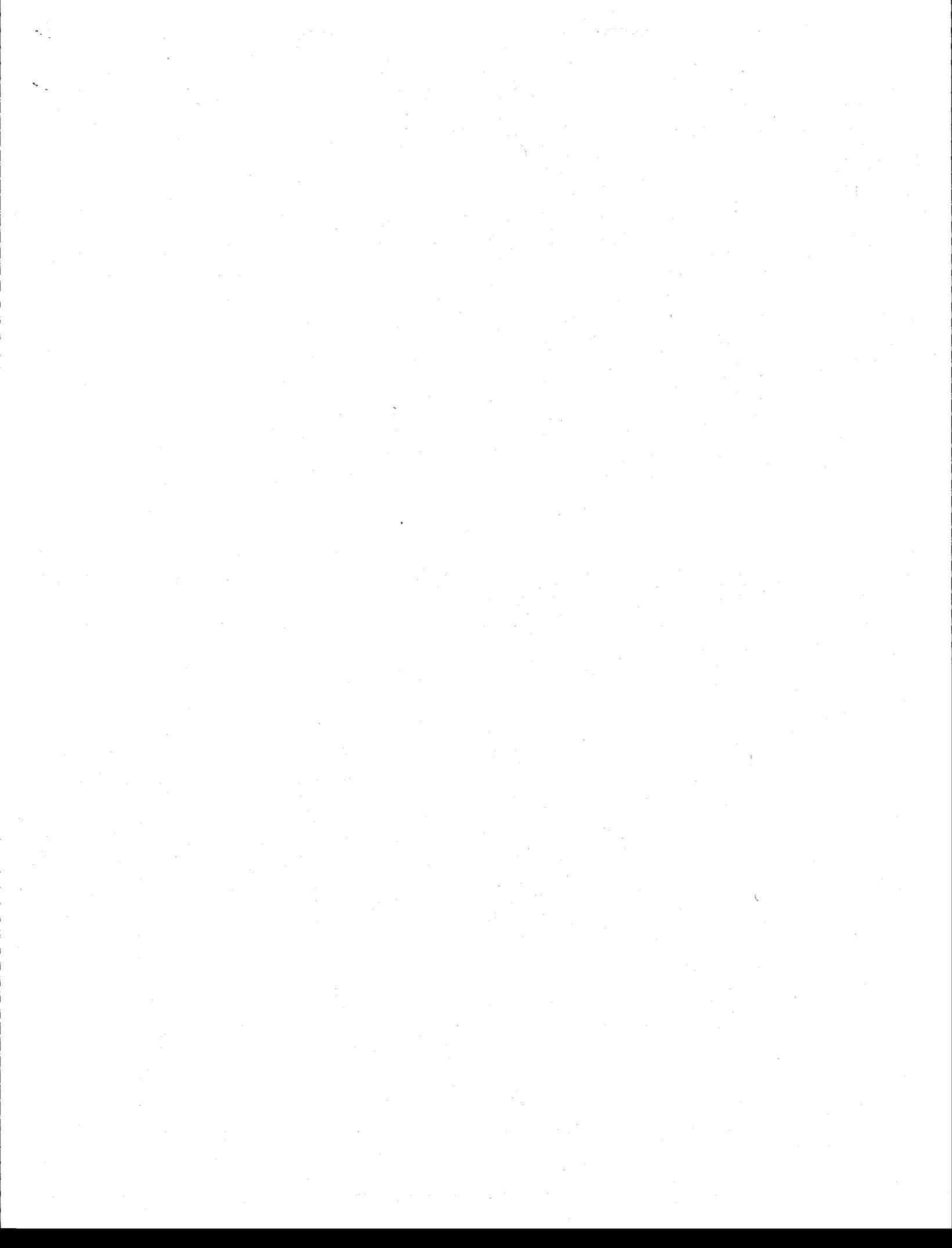
The Town looks forward to a continuing cooperative relationship with Chaparral City Water Company. We would also envision that the properties you will be serving on what is now State land, will ultimately have Town addresses.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wally Nichols', written over a horizontal line.

Wally Nichols
Town Mayor

cc: Fountain Hills Town Council Members
Tim G. Pickering, Town Manager
Andrew McGuire, Town Attorney



Janet Napolitano
Governor

Mark Winkleman
State Land
Commissioner

Arizona
State Land Department



1616 West Adams Street Phoenix, AZ 85007. www.land.state.az.us

CHAPARRAL CITY WATER CO.
FOUNTAIN HILLS CSA

February 11, 2005

Robert Hanford, District Manager
Chaparral City Water Company
12021 N. Panorama Dr.
Fountain Hills, AZ 85268

FEB 11 2005

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By _____

RE: Request for an Expansion of Chaparral City Water Company's Certificate of Convenience and Necessity (CC&N)

Dear Mr. Hanford:

Please consider this letter our support for your company to file the necessary paperwork with the Arizona Corporation Commission to expand your CC&N to encompass the State Trust land parcels, described as follows:

T3N, R6E: Section 1: Lots 9, 10, and 11; 41.80 acres
T3N, R6E: Section 2: Lots 1 thru 4; S2N2; S2; 637.52 acres
T3N, R6E: Section 3: Lots 1 thru 4; S2N2; S2; 633.36 acres
Total Acreage: 1,312.68 acres

We intend to issue a planning permit through the Urban Lands Planning Process for the aforementioned lands. Through that process we will reach a determination on the density for these lands. At this time, we could only supply rough estimates of potential densities, which we would cap at 2.5 dwelling units per acre based on the total gross acreage. This density figure is based on an Annexation Threshold Analysis prepared by the Town of Fountain Hills dated September 30, 2003.

If you would like to discuss our planning process further, please contact Greg Keller, Senior Planner at (602)542-2646, or for water related questions, please contact Cynthia Stefanovic, Manager Water Rights & Agriculture Section at (602)542-2669.

Sincerely,

Mark Winkleman
State Land Commissioner

c: Honorable Wallace J. Nichols, Mayor, Fountain Hills
Mr. Timothy Pickering, Town Manager, Fountain Hills

EXHIBIT

B

ARIZONA STATE LAND DEPARTMENT
LEGAL DESCRIPTION FORM

SUBMITTED TO:

REFERENCE:

FOUNTAIN HILLS

THIS IS TO CERTIFY THAT THIS
LEGAL DESCRIPTION WAS
PREPARED UNDER MY DIRECTION.



THE ENGINEERING AND MAPPING SECTION HEREBY SUBMITS
THE LEGAL DESCRIPTION OF LANDS REQUIRED
AND LOCATED IN:

SEC. 1, 2, 3 TWP. 3N RGE. 6E CO. MARICOPA

LEGAL DESCRIPTION:

GOVERNMENT LOTS 9, 10, AND 11, OF SECTION 1, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 2, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 3, TOWNSHIP 3 NORTH, RANGE 6 EAST, OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 1, ALSO BEING THE NORTHEAST CORNER OF SECTION 2,,

THENCE N90°00'E ALONG THE NORTH LINE OF SAID SECTION 1, A DISTANCE OF 657.36 FEET, TO THE NORTHEAST CORNER OF LOT 9,

THENCE S6°38'W, ALONG THE EAST LINE OF LOTS 9 AND 10, A DISTANCE OF 2208.36 FEET,

THENCE S6°36'W, ALONG THE EAST LINE OF LOTS 10 AND 11, A DISTANCE OF 2640.00 FEET,

THENCE S6°39'W, ALONG THE EAST LINE OF LOT 11, A DISTANCE OF 461.34 FEET, TO THE SOUTH LINE OF SECTION 1,

THENCE N90°00'W ALONG THE SOUTH LINE OF SAID SECTION 1, A DISTANCE OF 38.94 FEET, TO THE SOUTHWEST CORNER OF SECTION 1, ALSO BEING THE SOUTHEAST CORNER OF SECTION 2,

THENCE N89°51'W ALONG THE SOUTH LINE OF SAID SECTION 2; A DISTANCE OF 5257.56 FEET, TO THE SOUTHWEST CORNER OF SECTION 2, ALSO BEING THE SOUTHEAST CORNER OF SECTION 3,

THENCE N89°55'W ALONG THE SOUTH LINE OF SAID SECTION 3, A DISTANCE OF 5277.36 FEET, TO THE SOUTHWEST CORNER OF SECTION 3,

THENCE N00°15'W ALONG THE WEST LINE OF SAID SECTION 3, A DISTANCE OF 5208.72 FEET, TO THE NORTHWEST CORNER OF SECTION 3,

THENCE N89°48'E ALONG THE NORTH LINE OF SAID SECTION 3, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 3, ALSO BEING THE NORTHWEST CORNER OF SECTION 2,

THENCE CONTINUING N89°48'E ALONG THE NORTH LINE OF SAID SECTION 2, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 2, ALSO BEING THE NORTHWEST CORNER OF SECTION 1, AND THE POINT OF BEGINNING.

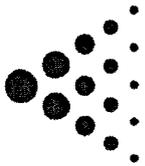
CONTAINING 1312.68 ACRES, MORE OR LESS

John P. Nebrich
SIGNATURE

1/3/05
DATE

EXHIBIT

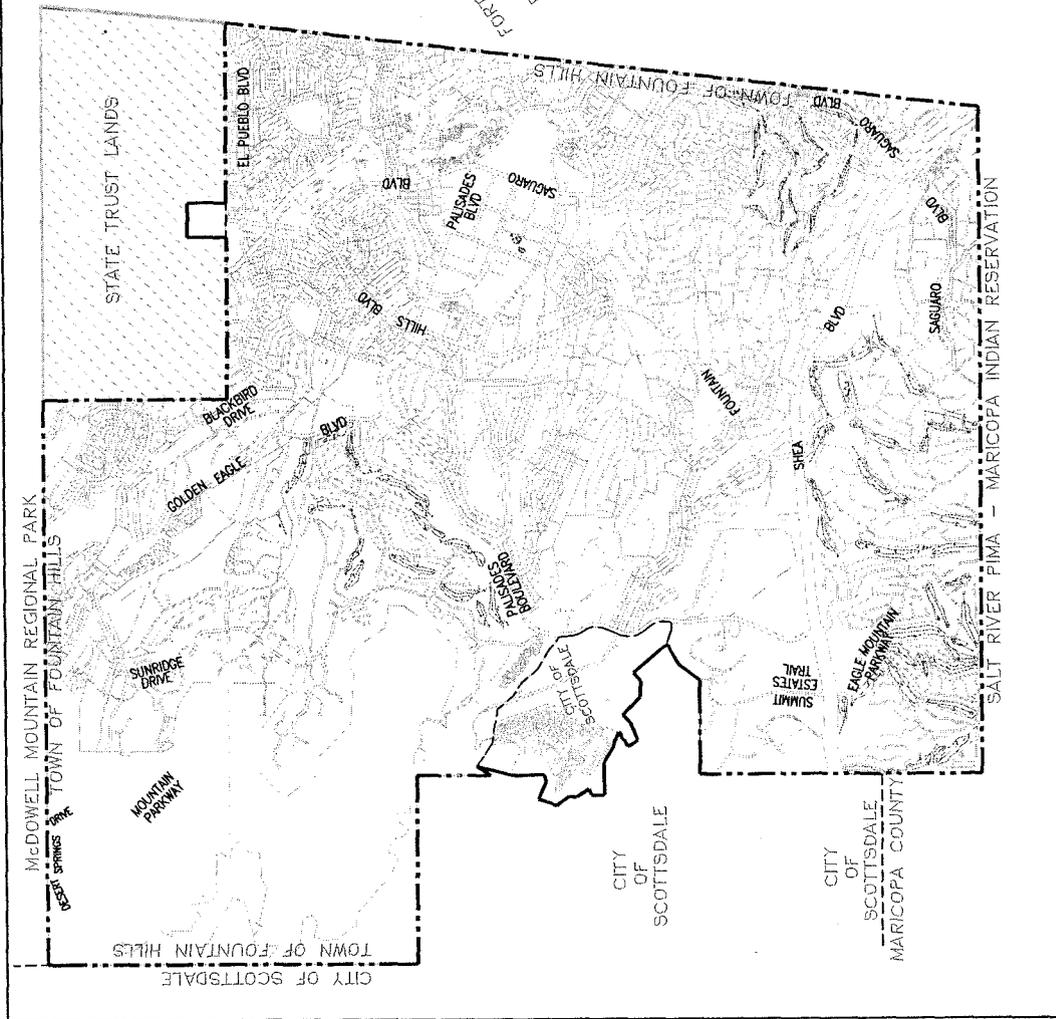
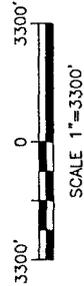
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Chaparral City
WATER COMPANY
A Subsidiary of American States Water Company
JANUARY 2005



FORT McDOWELL
INDIAN RESERVATION



EXHIBIT

D

1 FENNEMORE CRAIG
Jay L. Shapiro
2 3003 N. Central Ave.
Suite 2600
3 Phoenix, Arizona 85012
Attorneys for Chaparral City Water Company
4

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6
7 IN THE MATTER OF THE
APPLICATION OF CHAPARRAL
8 CITY WATER COMPANY, INC., AN
ARIZONA CORPORATION, FOR AN
9 ORDER PRELIMINARY TO
EXTENSION OF ITS CERTIFICATE
10 OF CONVENIENCE AND
NECESSITY PURSUANT TO A.R.S. §
11 40-282.D.

DOCKET NO: W-02113A-05-_____

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17 **DIRECT TESTIMONY OF**
18 **ROBERT N. HANFORD**
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1 **I. INTRODUCTION, PURPOSE OF TESTIMONY AND SUMMARY.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Robert N. Hanford, 12021 N. Panorama Dr., Fountain Hills, AZ 85268.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am the employed by Chaparral City Water Company ("Chaparral City" or the
6 "Company") as its District Manager.

7 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DISTRICT
8 MANAGER.**

9 A. I am generally responsible for managing day-to-day operations, including capital
10 budget planning, water system operations and maintenance, customer service and
11 community relations, and compliance with local, state and federal requirements
12 pertaining to water quality and water supply.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
14 PROCEEDING?**

15 A. Generally, the purpose of my testimony is to support the Company's application by
16 (1) providing background on the Company and its operations; (2) discussing the
17 request for an extension of service by the Town of Fountain Hills ("Town") and the
18 Arizona State Land Department ("ASLD") to State Trust land located immediately
19 north of and contiguous to Chaparral City's CC&N; and (3) explaining the
20 Company's request at this time for an order preliminary to extension of its CC&N
21 to include the State Trust law.

22 **Q. WOULD YOU PLEASE SUMMARIZE THE COMPANY'S REASONS FOR
23 SEEKING AN ORDER PRELIMINARY RATHER THAN SIMPLY
24 SEEKING AN EXTENSION OF ITS CC&N?**

25 A. Yes. The request for an extension of service to the State Trust property is unusual
26 for several reasons. First, the State Land Department has not yet put the property

1 up for auction. Second, it is unclear who will own the property and what use it will
2 be put to, although we can safely assume it will be subject to some type of
3 residential development. Third, while the Town wishes to annex the property, it is
4 not yet certain that the Town will become the jurisdictional entity with jurisdiction
5 over zoning and other land use issues. Therefore, while the Company wants to aid
6 the ASLD in this effort, we believe it is premature to extend the Company's CC&N
7 to include the property. However, an order preliminary subject to certain
8 enumerated conditions would be beneficial to the ASLD in its efforts to sell the
9 State Trust land and provide all interested parties an increased degree of certainty
10 regarding the availability of water utility service.

11 **II. OVERVIEW OF CHAPARRAL CITY WATER COMPANY.**

12 **Q. PLEASE PROVIDE AN OVERVIEW OF CHAPARRAL CITY.**

13 A. The Company's service area is located in the northeastern portion of the Phoenix
14 metropolitan area, in the Town of Fountain Hills and a small portion of the City of
15 Scottsdale. This area is within the Phoenix Active Management Area. At the
16 present time, Chaparral City serves approximately 12,700 customers. The
17 Company's customer base is relatively diverse. Most of our customers are
18 residential, but we do serve a number of commercial, industrial and irrigation
19 customers, which include several golf courses. While the majority of our
20 residential customers are served by 3/4-inch meters, we also have a number of
21 residential customers on larger size meters. We also have over 300 commercial
22 customers and over 400 irrigation customers on varying meter sizes.

23 Chaparral City's sole shareholder is American States Water Company,
24 which is publicly traded on the New York Stock Exchange. American States'
25 primary operating subsidiary is Southern California Water Company. American
26 States also owns a subsidiary that provides unregulated water utility services and a

1 small electric utility, which provides service in portions of San Bernardino County,
2 California, in addition to Chaparral City.

3 **Q. WHEN DID AMERICAN STATES ACQUIRE THE WATER SYSTEM?**

4 A. In October 2000, American States acquired the Company's stock from MCO
5 Properties, Inc., a real estate development company located in Fountain Hills. This
6 transaction was reviewed and approved by the Arizona Corporation Commission
7 (the "Commission"). *See* Decision No. 62909 (Sept. 18, 2000).

8 **Q. WHEN DID THE CURRENT RATES GO INTO EFFECT?**

9 A. The Company's current rates were approved in Decision No. 57395 (May 23,
10 1991) and became effective on June 1, 1991. Chaparral City anticipates that its
11 pending rate case will be decided in the latter half of 2005, when the first rate
12 increases in more than 14 years are expected to take effect.

13 **Q. PLEASE DESCRIBE THE WATER RESOURCES CHAPARRAL CITY
14 RELIES ON TO SERVE ITS CUSTOMERS.**

15 A. The Company's primary water supply is imported Colorado River water, which is
16 delivered by means of the Central Arizona Project ("CAP"). This water is
17 transported to the Company's service territory, and, because it is surface water, it is
18 treated before being used for potable water service. The CAP water is pumped
19 from the main CAP aqueduct at a raw water intake pumping station in Scottsdale,
20 which is located approximately five miles east of our Shea Water Treatment Plant.
21 To avoid peak-hour energy costs, CAP water is transported during off-peak hours
22 and stored in a 3.5 million gallon raw water reservoir, and then fed as required into
23 the Shea facility for treatment. Once treated, water is pumped into the distribution
24 system by means of a system of reservoirs and pump stations into the three
25 pressure zones.

26 **Q. HOW MUCH CAP WATER DOES THE COMPANY HAVE AVAILABLE?**

1 A. Chaparral City has a contract for the delivery of CAP water and, at present, takes
2 delivery of and uses almost the full 6,978 acre-feet of CAP water it has been
3 allocated. Recently, Congress approved legislation making additional amounts of
4 previously unused CAP water available and Chaparral City will soon enter into a
5 contract for an additional 1,931 acre-feet of CAP water. With a total of 8,909 acre-
6 feet of CAP water available to it, the Company will be in position to ensure
7 adequate and reliable water utility service to its customers, including anticipated
8 customers in the adjoining State Trust land, well into the foreseeable future.

9 **Q. DOES CHAPARRAL CITY HAVE ACCESS TO GROUNDWATER
10 SUPPLIES TO SUPPLEMENT ITS CAP ALLOCATION?**

11 A. Yes. While our primary source of supply is the CAP, we do pump some
12 groundwater. We currently have two wells in operation. It is important that we
13 make productive use of our wells in order to ensure reliable water service.
14 Recently, we completed an analysis of groundwater availability in our certificated
15 service area. The Arizona Department of Water Resources ("DWR") issued a
16 Decision and Order No. 26-401242 on April 7, 2004, stating that Chaparral City
17 has an assured supply of 9,828 acre-feet per year, which does not take into account
18 the additional CAP allocation we will be purchasing.

19 **III. REQUEST FOR EXTENSION OF WATER UTILITY SERVICE.**

20 **Q. PLEASE DESCRIBE IN DETAIL THE STATE LAND PROPERTY TO
21 WHICH THE COMPANY HAS BEEN REQUESTED TO EXTEND WATER
22 UTILITY SERVICE.**

23 A. Immediately north of the Company's present certificated service area is an
24 approximately 1,313 acre parcel of land owned by the State of Arizona and
25 administered by ASLD as State Trust land. This parcel of land is undeveloped and
26 is likely the only remaining area in the vicinity of Fountain Hills to which the

1 Town can extend its municipal limits and to which Chaparral City can extend
2 service.

3 **Q. WHY IS THAT MR. HANFORD?**

4 A. As I stated earlier, our certificated service is essentially co-extensive with the
5 Town's boundaries with the exception of a small area we serve that is actually
6 within the City of Scottsdale. To the west is the City of Scottsdale and it provides
7 water service in that area. To the east is the Ft. McDowell Yavapai Indian
8 reservation, to the South is the Salt River Pima-Maricopa Indian reservation.
9 Lastly, to the north, beyond the State Trust land subject to this application, is the
10 McDowell Mountain Regional County park. As a consequence, this property is
11 likely to be one of the last CC&N expansions we will undertake in the vicinity of
12 our existing CC&N.

13 **Q. DOES THE LIMITATION ON FURTHER GROWTH NEGATIVELY**
14 **IMPACT THE COMPANY AND ITS CUSTOMERS?**

15 A. I do not believe it does. Of course, any business would like to grow to increase
16 opportunities to realize a return on investments made. In this case, however, we
17 already have more than 12,000 customers and development of the State Trust land
18 could add anywhere from 1,500-4,000 customers. Thus, at full build out of the
19 existing and expanded CC&N we will have a significant customer base over which
20 to spread the costs of service and achieve economies of scale. In addition, because
21 we are part of a larger network of water utilities as part of American States, which
22 would like to acquire more utility assets in Arizona, we will continue to benefit
23 from those administrative, operation and financing economies of scale already
24 achieved.

25 **Q. WHAT PROMPTED THE REQUEST FOR AN EXTENSION OF WATER**
26 **UTILITY SERVICE AT THIS TIME?**

1 A. Several months ago we were contacted by representatives of the Town about the
2 State Trust land immediately north of our CC&N. As testified to above, the Town
3 is very interested in annexing this area after it is sold and because of our current
4 service location and our excellent relationship with the Town, they desired to work
5 with us on this multi-jurisdictional project. Thereafter, the Town brought us in
6 contact with representatives from the ASLD.

7 While I am not familiar with all of the steps that have to be taken for ASLD
8 to sell an area of State Trust land, from what I understand the process does take
9 some time and the ASLD would like as many piece of the puzzle in place as early
10 as possible. Clearly, water utility service is an important aspect of the transition of
11 this property to use for future development.

12 **Q. ARE ARRANGMENTS ALSO BEING MADE FOR SEWER UTILITY**
13 **SERVICE TO THE PROPERTY?**

14 A. Yes, while I do not know the specific details, I am informed that the area would
15 receive sewer utility service from the Fountain Hills Sanitary District, the same
16 entity that provides such service in Fountain Hills. We also have an excellent
17 working relationship with this District. The District does not, however, need to
18 seek Commission approvals and therefore there is not likely to be in the same need
19 to get a jump start as the ASLD and Town have asked of Chaparral City.

20 **Q. WHAT CAN YOU TELL US ABOUT THE ASLD'S TIME TABLE?**

21 A. I understand various studies and appraisals are underway. I also understand that
22 the ASLD and the Town have begun discussions of a pre-annexation agreement
23 related to the annexation of the subject State Trust land into the Town's municipal
24 limits. I also understand that the ASLD hopes to have the property ready for
25 auction by the fourth quarter of 2005.

26 **Q. EARLIER YOU MENTIONED THAT YOU WERE NOT SURE THAT THE**

1 **TOWN WOULD BE THE ENTITY WITH LAND USE AND RELATED**
2 **JURISDICTION. WHAT DID YOU MEAN?**

3 A. While the Town has clearly expressed a desire to annex the State Trust land, I also
4 understand Maricopa County has, at least, expressed a similar interest. The
5 Company has little to do with this decision by ASLD. As I testified earlier, the
6 Company has an excellent and long-standing, mutually-beneficial relationship with
7 the Town and would look forward to working together to incorporate the State
8 Trust land into the Town limits. If, on the other hand, the County were to be
9 involved, I am confident we will be able to work with them as well. Either way,
10 the action requested herein should be taken as it furthers the public interest.

11 **Q. BUT ISN'T THE COMMISSION REALLY BEING ASKED TO TAKE**
12 **ACTION TO ENHANCE THE VALUE OF THE STATE TRUST LAND? IS**
13 **THAT REALLY IN THE PUBIC INTEREST?**

14 A. Absolutely. While under some circumstances I might anticipate the Commission's
15 reluctance to extend CC&N's to increase the value of speculative development or
16 development far into the future, this is very different. This is not the typical
17 extension situation and would clearly further the public interest.

18 **Q. HOW SO, MR. HANFORD?**

19 A. Because this is State Trust land. Therefore, action by the Commission to provide
20 greater certainty concerning the ability to develop the property should increase
21 both the marketability and value of the land. Since the purpose of selling State
22 Trust land is to benefit Arizona schools, the more the property can sell for, the
23 more the public interest is furthered.

24 **IV. ORDER PRELIMINARY TO EXTENSION OF CC&N.**

25 **Q. IF EXTENDING THE COMPANY'S CC&N WILL FURTHER THE**
26 **PUBLIC INTEREST, THEN WHY IS THE COMPANY SEEKING AN**

1 **ORDER PRELIMINARY TO THAT EXTENSION RATHER THAN JUST**
2 **SEEKING TO EXTEND THE CC&N NOW?**

3 A. As mentioned above, this is an unusual situation, especially from a utility
4 perspective, because the request for service is well in advance of development and
5 not being made by the traditional applicant—the developer or homebuilder. In
6 fact, we have no idea how far in advance of development we are today, although in
7 my own estimation development should follow rapidly after the State Trust land is
8 purchased at auction. The Fountain Hills area is a wonderful community and I
9 expect any development to be very successful. In any event, while the Company is
10 very willing to work with the ASLD and the Town, until we have some greater
11 certainty concerning the development we will be serving, we do not want to get too
12 far ahead of ourselves.

13 **Q. DOES THAT MEAN THAT CHAPARRAL CITY COULD DECLINE TO**
14 **EXTEND SERVICE AT A LATER DATE?**

15 A. I am not a lawyer, but as a strict legal matter, I would assume so. For example, if
16 the party purchasing the property came to us and made totally unreasonable
17 demands on the Company, demands that would be detrimental to Chaparral City
18 and/or its existing ratepayers, I assume we could and might have to refuse service.
19 I have absolutely no reason to think that will be the case, however. Instead, we are
20 asking the Commission to issue an order preliminary to the CC&N extension in
21 which it enumerates certain specified conditions that are intended to ensure that the
22 public interest is furthered before we actually commence service. Once those
23 conditions are fulfilled, we anticipate fully that we will be providing water utility
24 service in the area.

25 **Q. WHAT ARE THESE CONDITIONS?**

26 A. The conditions are substantially similar to those seen in CC&N extension orders by

1 the Commission. These include:

- 2 1. An agreement or agreements with the landowner(s),
3 developer(s) or homebuilder(s) regarding the extension of
4 service and financing of necessary water utility infrastructure.
- 5 2. License, consent of franchise with the City, Town or County.
- 6 3. Determination of Water Adequacy from the Arizona
7 Department of Water Resources.¹
- 8 4. Approval for the construction of necessary water utility
9 infrastructure from either the Arizona Department of
10 Environmental Quality and/or the Maricopa County
11 Department of Environmental Services.

9 **Q. DOES CHAPARRAL CITY KNOW HOW THE WATER UTILITY**
10 **INFRASTRUCTURE NECESSARY FOR IT TO PROVIDE WATER**
11 **UTILITY SERVICE TO THE PROPERTY CURRENTLY OWNED BY THE**
12 **STATE WILL BE FINANCED?**

13 A. Not yet, and that is one of the primary reasons for seeking an order preliminary, as
14 opposed to simply seeking to extend the CC&N. In short, while the Company is
15 willing to take steps to aid the ASLD, it is not willing to make an open-ended
16 commitment to a currently unknown party to finance and/or build an unknown
17 amount of plant, backbone or otherwise, to serve this property. Therefore, the first
18 condition is execution of the necessary agreements. That means, in the future,
19 Chaparral City will remain free to negotiate an agreement that is in the best
20 interests of the Company and its customers, consistent with applicable law and
21 regulation, of course.

22 **Q. WHAT ABOUT THE FINANCIAL INFORMATION THE COMMISSION**
23 **TYPICALLY REQUIRES BEFORE EXTENDING A CC&N?**

24 A. Because we cannot yet have specific information about the nature and scope of the
25

26 ¹ Chaparral City was recently issued a Company-wide Designation of Assured Water Supply, which is expected to be applicable to any development within the area to be sold by ASLD.

1 development of the State Trust land, we cannot at this time provide the typical
2 financial information submitted to support a request for extension of a CC&N.
3 Therefore, as additional conditions, we would agree to submission of the following
4 financial information before the CC&N is extended:

- 5 1. Projected number of customers to be served in the extension
6 area during the first five years.
- 7 2. Projected cost of utility plant needed to provide water utility
8 service to the extension area.
- 9 3. Manner in which utility plant needed to provide water utility
10 service to the extension area will be financed.
- 11 4. Estimated operating expenses related to service in the
12 extension area for the first five years.
- 13 5. Estimated operating revenue from water sales in the extension
14 area in the first five years.

15 **Q. ANYTHING ELSE, MR. HANFORD?**

16 **A.** There are no additional conditions we have thought of at this time. However, to
17 the extent the Commission feels additional conditions are reasonable and necessary
18 to protect the public interest, Chaparral City expects that the Commission will
19 order them.

20 **Q. HOW DOES THE COMPANY EXPECT THE PROCESS WILL PROCEED
21 ONCE THE CONDITIONS ARE FULFILLED?**

22 **A.** As explained herein, and in the actual application, we are asking that the
23 Commission issue an order preliminary to issuance of a CC&N extension. In that
24 order, we are asking that the Commission establish the conditions that must be
25 fulfilled before the CC&N will actually be considered extended and before the
26 extension of water utility service can occur. Thereafter, we would anticipate
making a subsequent filing with the Commission and Staff when the conditions are
fulfilled. That filing would contain evidence sufficient to demonstrate satisfactions

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of all of the conditions we are required to meet. We would then expect that Staff will analyze the information, obtain any additional information it needs and make a recommendation to the Commission. As the final step, we anticipate a return to the Commission at an open meeting so it can issue its final order extending the Company's CC&N to the property that is currently State Trust land.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

1636836.3/10696.004

EXHIBIT

E

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

*****CHAPARRAL CITY WATER COMPANY*****

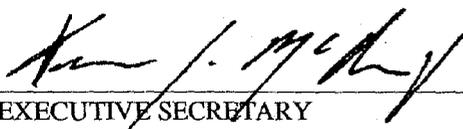
a domestic corporation organized under the laws of the State of Arizona, did incorporate on February 21, 1968.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution 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 4th Day of March, 2005, A. D.




EXECUTIVE SECRETARY

BY: 

EXHIBIT

F

CHAPARRAL CITY WATER COMPANY

Balance Sheet
As Of December 31, 2003

	2003
Assets	
Utility plant	\$38,647,614
Less: accumulated depreciation	(11,135,378)
Construction work in progress	3,968,300
Net utility plant	<u>31,480,536</u>
Goodwill, net	12,275,858
Restricted debt reserve fund	720,050
	<u>12,995,908</u>
Current assets:	
Cash and cash equivalents	1,216,421
Restricted cash	2,393
Accounts receivable, net of allowance of \$34,349	270,589
Unbilled revenues	230,336
Materials and supplies, at cost	24,047
Prepaid expenses	147,692
Intercompany taxes receivable	1,213,955
Total current assets	<u>3,105,433</u>
Debt issuance costs and other deferred charges	592,870
Total assets	<u>\$48,174,747</u>
Capitalization and Liabilities	
Common stockholder's equity	\$24,177,585
Long-term debt, less current maturities	7,803,309
Total capitalization	<u>31,980,894</u>
Current liabilities:	
Long-term debt, current	560,000
Accounts payable	406,271
Intercompany payable to Southern California Water Company	220,643
Taxes payable	71,275
Accrued employee expenses	91,059
Accrued interest	49,349
Other	101,147
Total current liabilities	<u>1,499,744</u>
Other credits:	
Customer deposits	1,070,331
Advances for construction	10,327,171
Contributions in aid of construction, net	273,477
Deferred income taxes	2,981,972
Asset retirement obligations	41,158
Total other credits	<u>14,694,109</u>
Commitments and contingencies (Note 8)	-
Total capitalization and liabilities	<u>\$48,174,747</u>

The accompanying notes are an integral part of this financial statement.

CHAPARRAL CITY WATER COMPANY
Statement of Income
For The Year Ended December 31, 2003

	2003
Operating revenues:	
Water	<u>\$6,221,083</u>
Operating expenses:	
Purchased water	726,546
Power purchased for pumping	470,459
Other operating expenses	721,004
General and administrative	1,322,341
Depreciation and amortization	920,648
Maintenance	331,559
Taxes on income	308,770
Property and other taxes	<u>319,960</u>
Total operating expenses	<u>5,121,287</u>
Operating income	<u>1,099,796</u>
Other income (net of income taxes)	15,291
Interest charges	<u>475,190</u>
Net income	<u>\$639,897</u>

The accompanying notes are an integral part of this financial statement.

CHAPARRAL CITY WATER COMPANY

Statement of Cash Flows For The Year Ended December 31, 2003

	2003
Cash flows from operating activities:	
Net income	\$639,897
Adjustments for non-cash items:	
Depreciation and amortization	920,648
Deferred income taxes	480,131
Other	32,012
Changes in operating assets and liabilities:	
Accounts receivable	(60,168)
Unbilled revenues	(13,300)
Materials and supplies	6,577
Prepaid expenses	66,960
Deferred charges	(35,898)
Accounts payable	23,416
Intercompany payable	(8,775)
Customer deposits	(113,739)
Intercompany taxes receivable and taxes payable	96,981
Other assets and liabilities	93,928
Net cash flows provided by operating activities	<u>2,128,670</u>
Cash flows from investing activities:	
Capital expenditures	(3,558,678)
Change in debt reserve fund	2,800
Net cash flows used for investing activities	<u>(3,555,878)</u>
Cash flows from financing activities:	
Change in restricted cash	2,131
Receipt of advances for and contributions in aid of construction	114,453
Refunds on advances for construction	(352,218)
Repayments of long-term debt	(526,000)
Net cash flows used for financing activities	<u>(761,634)</u>
Decrease in cash and cash equivalents	(2,188,842)
Cash and cash equivalents at beginning of year	<u>3,405,263</u>
Cash and cash equivalents at end of year	<u>\$1,216,421</u>
Supplemental disclosure of cash flow information:	
Interest paid	\$448,694
Income tax paid, net of refunds	(\$256,363)

The accompanying notes are an integral part of this financial statement.

EXHIBIT

G

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-02113A WATER

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CHAPARRAL CITY WATER COMPANY

APR 30 2004

PO BOX 17030

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

FOUNTAIN HILLS AZ 85268-0000

ANNUAL REPORT

FOR YEAR ENDING

December 31st 2003

FOR COMMISSION USE

ANN 03 04

COMPANY INFORMATION

Company Name (Business Name)	Chaparral City Water Company	
Mailing Address		
(Street) P.O. Box 17030		
(City) Fountain Hills	(State) AZ	(Zip) 85269
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	After Hrs. (Include Area Code)
(480) 837-3411	(480) 837-5310	(480) 945-6311
Local Office Mailing Address	(Street) 12021 Panorama Drive	
(City) Fountain Hills	(State) AZ	(Zip) 85268
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address (480) 837-3411	(480) 837-5310	(480) 945-6311

MANAGEMENT INFORMATION

Management Contact:	(Name) Floyd E. Wicks	(Title) President
(Street) 630 East Foothill Blvd.	(City) San Dimas	(State) CA - 91773-9016
Telephone No. (include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
(909)-394-3600	(909)-394-0711	
On Site Manager:	(Name) Robert Hanford	
(Street) 12021 Panorama Dr.	(City) Fountain Hills	(State) AZ - 85268
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
(480) 837-3400 Ext 217	(480) 837-5310	

Statutory Agent:		(Name) United States Corporation Company	
(Street) 2338 West Royal Palm Road	(City) Phoenix	(State) AZ-85022	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Attorney:	(Name) Norman D. James Law offices of Fennemore Craig		
(Street) 3003 North Central Avenue, Suite 2600	(City) Phoenix	(State) AZ (Zip) 85012-2913	
Telephone No. (Include Area Code) (602) 916-5346	Fax No. (Include Area Code) (602) 916-5546	Pager/Cell No. (Include Area Code)	

OWNERSHIP INFORMATION

Check the following box that applies to your company:

<input type="checkbox"/> Sole Proprietor (S)	<input checked="" 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 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 : Chapatral City Water Company

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	271,857	0	271,857
304	Structures and Improvements	654,407	291,438	362,969
307	Wells and Springs	332,065	26,582	305,483
311	Pumping Equipment	1,268,105	583,393	684,712
320	Water Treatment Equipment	5,654,887	1,493,734	4,161,153
330	Distribution Reservoirs and Standpipes	6,028,562	2,094,889	3,933,673
331	Transmission and Distribution Mains	15,991,782	4,867,951	11,123,831
333	Services	4,979,133	702,604	4,276,529
334	Meters and Meter Installations	2,159,641	664,480	1,495,161
335	Hydrants	523,178	202,980	320,198
336	Backflow Prevention Devices			0
339	Other Plant and Misc. Equipment	67,303	52,611	14,692
340	Office Furniture and Equipment	182,810	26,064	156,746
341	Transportation Equipment	406,775	77,532	329,243
343	Tools, Shop and Garage Equipment	88,004	31,716	56,288
344	Laboratory Equipment	0	0	0
345	Power Operated Equipment			0
346	Communication Equipment	39,105	19,404	19,701
347	Miscellaneous Equipment			0
348	Other Tangible Plant			0
	TOTALS	38,647,614	11,135,378	27,512,236

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

COMPANY NAME : Chaparral City Water Company

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	271,857	None	0
304	Structures and Improvements	552,410	2.50%	13,810
307	Wells and Springs	332,065	2.50%	8,302
311	Pumping Equipment	1,185,334	2.50%	29,633
320	Water Treatment Equipment	5,600,023	2.50%	140,001
330	Distribution Reservoirs and Standpipes	6,022,014	2.50%	150,550
331	Transmission and Distribution Mains	15,958,077	2.50%	397,718
333	Services	4,420,186	2.50%	110,505
334	Meters and Meter Installations	2,101,598	2.50%	52,540
335	Hydrants	491,852	2.50%	12,296
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	67,303	2.50%	1,683
340	Office Furniture and Equipment	144,437	2.50%	3,611
341	Transportation Equipment	343,432	0.00%	0
343	Tools, Shop and Garage Equipment	87,014	0.00%	0
344	Laboratory Equipment	990		
345	Power Operated Equipment			
346	Communication Equipment	39,105	0.00%	0
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	37,617,694	2.45%	920,648

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

* The original cost is as of the beginning of the year

COMPANY NAME : CHAPARRAL CITY WATER COMPANY

BALANCE SHEET

Acct.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
No.	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$983,286	\$266,761
134	Workin Funds		
135	Temporary Cash Investments	\$2,426,501	\$952,053
141	Customer Accounts Receivable	\$210,421	\$270,589
146	Notes/Receivables from Associated Companies- Taxes	\$1,230,812	\$1,213,955
151	Plant Matczial and Supplies	\$30,624	\$24,047
162	Prepayments	\$214,652	\$147,692
174	Miscellaneous Curtent and Accrued Assets	\$13,782,601	\$13,819,114
	TOTAL CURRENT AND ACCRUED ASSETS	\$18,878,897	\$16,694,211
	FIXED ASSETS		
101	Utility Plant in Service	\$37,617,694	\$38,647,614
103	Property Held for Future Use		
105	Construction Work in Progress	\$1,445,568	\$3,968,300
108	Accumulated Depreciation - Utility Plant	(\$10,213,176)	(\$11,135,378)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utilit		
	TOTAL FIXED ASSETS	\$28,850,086	\$31,480,536
	TOTAL ASSETS	\$47,728,983	\$48,174,747

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

COMPANY NAME : CHAPARRAL CITY WATER COMPANY

BALANCE SHEET (CONTINUED)

Acct.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
No.	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$382,855	\$406,271
232	Notes Payable (Current Portion)	525,000	560,000
234	Notes/Accounts Payable to Associated Companies	229,418	220,643
235	Customer Deposits	1,184,070	1,070,331
236	Accrued Taxes	(8,849)	71,275
237	Accrued Interest	49,303	49,349
241	Miscellaneous Current and Accrued Liabilities	124,935	233,364
	TOTAL CURRENT LIABILITIES	\$2,486,732	\$2,611,233
	LONG-TERM DEBT Over 12 Months		
224	Long-Term Notes and Bonds	\$8,364,309	\$7,803,309
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	10,567,832	10,327,171
255	Accumulated Deferred Investment Tax Credits	0	0
271	Contributions in Aid of Construction	270,582	273,477
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax	2,501,841	2,981,972
	TOTAL DEFERRED CREDITS	13,340,255	13,582,620
	TOTAL LIABILITIES	\$24,191,296	\$23,997,162
	CAPITAL ACCOUNTS		
201	Common Stock Issued	4,603,140	4,603,140
211	Paid in Capital in Excess of Par Value	14,925,242	14,925,242
215	Retained Earnings	4,009,305	4,649,203
218	Proprietary Capital Sole Pros and Partnerships		
	TOTAL CAPITAL	\$23,537,687	\$24,177,585
	TOTAL LIABILITIES AND CAPITAL	\$47,728,983	\$48,174,747
Page 6		(\$0)	\$0

COMPANY NAME : CHAPARRAL CITY WATER COMPANY

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.		PRIOR YEAR	CURRENT YEAR
	OPERATING REVENUES		
461	Metered Water Revenue	SEE SCHEDULE ATTACHED PAGE 7A	
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$0	\$0
	OPERATING EXPENSES		
601	Salaries and Wages		
610	Purchased Water		
615	Purchased Power		
618	Chemicals		
620	Repairs and Maintenance		
621	Office Supplies and Expense		
630	Outside Services		
635	Water Testin		
641	Rents		
650	Transportation Expenses		
657	Insurance - General Liabilit		
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense		
403	Depreciation Expense(Including Amortization)		
408	Taxes Other Than Income		
408.11	Property Taxes		
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$0	\$0
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income		
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/EXP	\$0	\$0
	NET INCOME/(LOSS)	\$0	\$0

COMPANY NAME : CHAPARRAL CITY WATER COMPANY

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

		2003	2002
	Operating revenues:		
	Water	\$6,221,083	\$6,157,058
	Operating expenses:		
	Purchased water	726,546	676,551
	Power purchased for pumping	470,459	408,922
	Other operating expenses	721,004	702,785
	General and administrative	1,322,341	1,187,743
	Depreciation and amortization	920,648	917,913
	Maintenance	331,559	219,122
	Taxes on income	308,770	515,796
	Property and other taxes	319,960	295,890
	Total operating expenses	5,121,287	4,924,722
	Operating income	\$1,099,796	\$1,232,336
	Other income	15,291	32,692
	Interest charges	475,190	482,250
	Net income	\$639,897	\$782,778

COMPANY NAME : Chaparral City Water Company

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN
Date Issued	March 1987	December 1997		
Source of Loan	BOR Note	IDA Bond 1997A & B		
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$3,070,000	\$8,920,000		
Amount Outstanding	\$723,309	\$7,640,000		
Date of Maturity	2006	2022		
Interest Rate	3.342	4.5-5.4% Varies		
Current Year Interest	\$31,467	\$413,180		
Current Year Principle	\$291,000	\$235,000		

Meter Deposit Balance at Test Year End \$47,298
Meter Deposits Refunded During the Test Year \$205,871

COMPANY NAME : Chaparral City Water Company

Water Company Plant Description (Continued)

Month	No. of Customers	Gallons Sold (KGALS)	Gallon Purchased or Pumped
January	11,835	127,259	141,000
February	11,876	114,357	116,554
March	11,887	109,293	130,855
April	11,890	140,000	159,617
May	11,907	161,472	195,929
June	11,950	165,917	222,011
July	11,995	174,915	237,989
August	12,017	208,076	221,064
September	12,063	207,238	207,053
October	12,101	186,755	227,573
November	12,159	183,535	165,172
December	12,171	144,831	150,539
Total		1,923,448	2,175,356

Is the water utility in an ADWR Active Management Area (AMA) ?

(x) Yes () No

Does the Company have an ADWR Gallons per capita per day (GPCPD) requirements ?

(x) Yes () No

If Yes, Provide the GPCPD amount: 128GPCPD

What is the level of arsenic for each well on your system. _____ mg/l
(If more than one well, please list each separately)

Well # 10 .011mg/l

Well # 11 .013mg/l

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

4700E098092TE4520T00009805020000T00000000020

\$2,050.86	FULL YEAR
\$1,025.43	FIRST HALF

Phoenix, AZ 85062-8574
 P O Box 78574
 Maricopa County Treasurer

PLEASE CHECK WHICH PAYMENT APPLIES

U.S. FUNDS ONLY
 PRINT THE ABOVE PARCEL
 NUMBER ON YOUR CHECK

MAKE CHECK PAYABLE TO:

102 FIRST HALF PAYMENT STUB
 DUE OCTOBER 1, 2002
 DELINQUENT AFTER NOV. 1, 2002
 1 SOUTHERN CALIFORNIA WATER CO

PARCEL# 176-08-603 1

DETACH AND RETURN WITH PAYMENT

PARCEL#176-08-603 1

MARICOPA COUNTY TREASURER

DOUG TODD, TREASURER
 301 W JEFFERSON ST - RM 100
 PHOENIX, AZ 85003-2199
<http://treasurer.maricopa.gov>
 SEE NUMBERS ON OTHER SIDE

PROPERTY DESCRIPTION
 SEC/LOT: TWN/BLK: RNG/TR:
 FOUNTAIN HILLS PLAT NO 302-A

MARICOPA COUNTY 2002 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.
 \$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK.
 YOUR CHECK IS YOUR RECEIPT

CHAPPARAL CITY WATER CO
 C/O SOUTHERN CALIFORNIA WATER CO
 630 E FOOTHILL BLVD
 SAN DIMAS CA 91773-1207

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2001 AMT	2002 DISTRIBUTION		OFFICE USE ONLY	
TYPE	LIMITED	%	ASSESSED			RATE / 100	2002 AMT DUE		
LAND/BLDG PERSONAL EXEMPTION	109970	16.0	17595	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	189.27 79.56 653.80 453.29	12108 04889 38886 9634	213.04 86.02 580.69 169.51	PRTKEY=91773 SEQ=488003 MTG= LOAN#= W	
PRIM. TOT.	109970		17595						
AREA CODE 982421				SUBTOTAL	1075.82	65317	1149.26	FIRST HALF TAX AMOUNT 1,025.43	
FULL CASH (SECONDARY) VALUES				SECONDARY	COMPARATIVE 2001 AMT	2002 DISTRIBUTION	OFFICE USE ONLY		
TYPE	FULL CASH	%	ASSESSED						
LAND/BLDG PERSONAL EXEMPTION	117615	16.0	18818	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY *BONDS** -COUNTY -CITY -SCHOOLS -COMM COL	37.10 20.80 94.00 1.48 6.74	2119 1300 5619 0076 0421	39.88 24.46 105.74 1.44 7.92	SECOND HALF TAX AMOUNT 1,025.43	
SEC. TOT.	117615		18818					DELINQUENT AFTER OCT. 1, 2002 NOV. 1, 2002 DELINQUENT AFTER MARCH 1, 2003 MAY 1, 2003	
SPECIAL DISTRICT (VALUE/ACRES/SQ.FT) ASSESSED				DIST#				INTEREST ON LATE PAYMENT IS 18% PER YEAR PRORATA MONTHLY AS OF THE FIRST OF THE MONTH. ARS 42-1	
FOUNTAIN HILLS SANITARY DIST				18818	21564	287.28	12948	249.66	KEEP THIS PORTION FOR YOUR RECORDS
EAST VALLEY INSTITUTE TECH				18818	30001	17.92	1117	21.02	
FOUNTAIN HILLS VFD					11573	155.78			
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT.					2090.94	TOTALS	\$2,050.86		

\$258,628.74	FULL YEAR
\$129,314.37	FIRST HALF

PLEASE CHECK WHICH PAYMENT APPLIES
U.S. FUNDS ONLY
 PRINT THE ABOVE PARCEL NUMBER ON YOUR CHECK

Phoenix, AZ 85062-8574
 P O Box 78574
 Maricopa County Treasurer

PLEASE MAKE CHANGES TO MAILING ADDRESS BELOW:

CHAPARRAL CITY WATER CO

002 FIRST HALF PAYMENT STUB
 DUE OCTOBER 1, 2002
 DELINQUENT AFTER NOV. 1, 2002

PARCEL# 604-99-811 8

DETACH AND RETURN WITH PAYMENT

PARCEL#604-99-811 8

MARICOPA COUNTY TREASURER
 DOUG TODD, TREASURER
 101 W JEFFERSON ST - RM 100
 PHOENIX, AZ 85003-2199
<http://treasurer.maricopa.gov>
 PHONE NUMBERS ON OTHER SIDE

SEC/LOT	PROPERTY DESCRIPTION	TWN/BLK	RNG/TR
	TOTAL VALUE OF OPERATING PROPERTY		

MARICOPA COUNTY 2002 PROPERTY TAX STATEMENT

CHAPARRAL CITY WATER CO
 SOUTHERN CALIFORNIA WATER COMPANY
 630 EAST FOOTHILLS BLVD
 SAN DIMAS CA 91773

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.
 \$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK.
 YOUR CHECK IS YOUR RECEIPT

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2001 AMT	2002 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2002 AMT DUE	
AND/BLDG PERSONAL EXEMPTION	320336 10169454	25.0	80084 2542364	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	42082.84 17681.01 145372.88 34083.83	12108 04889 38686 9634	31752.60 12821.15 101452.01 25264.66	PRTKEY= SEQ= 3695 MTG= LOAN#= W
PRIM. TOT.	10489790		2622448					
AREA CODE 982401				SUBTOTAL	209290.56	65317	173290.42	FIRST HALF TAX AMOUNT 129,314.37
FULL CASH (SECONDARY) VALUES				SECONDARY	COMPARATIVE 2001 AMT	RATE / 100	2002 AMT DUE	OFFICE USE ONLY
TYPE	FULL CASH	%	ASSESSED					
AND/BLDG PERSONAL EXEMPTION	320336 10169454	25.0	80084 2542364	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY *BONDS** -COUNTY -CITY -SCHOOLS -COMM COL	1628.14 4623.70 20902.70 323.66 1497.38 3115.84 19935.25 58123.03 5420.43	2119 1300 5619 0076 0421 0800 5137 15881 1493	169.70 3409.18 14735.54 199.30 1104.06 2097.96 13471.55 44269.48 3915.35	DUE OCT. 1, 2002 DELINQUENT AFTER NOV. 1, 2002 SECOND HALF TAX AMT 129,314.37 DUE MARCH 1, 2003 DELINQUENT AFTER MAY 1, 2003
SEC. TOT.	10489790		2622448	SUBTOTAL	116567.92	33846	83372.12	INTEREST ON LATE PAYMENT IS 10% PER YEAR PRORATE MONTHLY AS OF THE FIRST OF THE MONTH. ARS 42-1.
SPECIAL DISTRICT (VALUE/ACRES/SQ.FT) - ASSESSED				DIST#				KEEP THIS PORTION FOR YOUR RECORDS
FOUNTAIN HILLS VFD				2622448 11573	34536.68			
FOUNTAIN HILLS ROAD 9				80084 20567				
FOUNTAIN HILLS SANITARY DIST EAST VALLEY INSTITUTE TECH				80084 21564 2622448 30001	12593.94 6983.50	12948 1117	1036.92 2829.28	
NOT PAID BY DELINQUENT DATES. CALL OR WRITE INTEREST AMOUNT					407014.60	TOTALS	\$258,628.74	

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and will make other reasonable accommodations upon request.

THIS CHECK IS VOID WITHOUT A GRAY SHIMMERY BACKGROUND AND AN ARTIFICIAL WATERMARK CERTIFICATION SEAL ON THE BACK - HOLD AT ANGLE TO VIEW SEAL

Chaparral City Water Company
 A Subsidiary of American States Water Company
 12021 Panorama Drive
 Fountain Hills, AZ 85268

Well Fargo Bank
 533 South Hope Street
 Los Angeles CA 90072

00002560
 11-24
 (3168)

DATE	AMOUNT
04/25/03	\$***129,314.37

VOID AFTER 6 MONTHS

Pay
 ONE HUNDRED TWENTY NINE THOUSAND THREE HUNDRED FOURTEEN AND 37/100*****

TO: MARICOPA COUNTY TREASURER
 THE: PO BOX 78574
 ORDER: PHOENIX AZ, 85062-8574
 OF:

PARCEL # 64-99-211 B

Floyd G. W...
Maddy J...

00002560 121000248 4496 805110 0012931437

THIS CHECK CONTAINS THE FOLLOWING SECURITY FEATURES:
 1. MICROPARTICLE BACKGROUND
 2. ARTIFICIAL WATERMARK
 3. SECURITY PATTERN
 4. SECURITY PATTERN
 5. SECURITY PATTERN

0442851119 011 119 120 1 60499811 8 0665042903

122105278

ACCT# 6009004476805118
 EM 41 Y CA 098

BANK ONE, NA
 1119013314
 64292993

DO NOT WRITE STAMP OR SIGNATURE OVER THIS AREA

RESERVE BANK ONE, NA
 1119013314
 64292993

U.S. PATENT NO. 5586205/5588

CDValid/CIMSKey	Account	Serial Number	Amount	Issue Date
20030430101401	4496805110	2560	\$129314.37	04/25/2003
Bank ID	Sequence	Location	Paid Date	
10700543	922784106	CD	04/30/2003	

0000478664095242700...564E2000070000000020

\$2,349.50	FULL YEAR
\$1,174.75	FIRST HALF

PLEASE CHECK WHICH PAYMENT APPLIES
U.S. FUNDS ONLY
 PRINT THE ABOVE PARCEL NUMBER ON YOUR CHECK

Phoenix, AZ 85062-8574
 P O Box 78574
 Maricopa County Treasurer

PLEASE CHANGES TO MAILING ADDRESS BELOW:
 CHAPARRAL CITY WATER CO
 DUE OCTOBER 1, 2002
 DELINQUENT AFTER NOV 1, 2002
 202 FIRST HALF PAYMENT STUB

PARCEL# 604-99-814 0

DETACH AND RETURN WITH PAYMENT

PARCEL#604-99-814 0

MARICOPA COUNTY TREASURER
 DOUG TODD, TREASURER
 301 W JEFFERSON ST - RM 100
 PHOENIX, AZ 85003-2199
<http://treasurer.maricopa.gov>
 PHONE NUMBERS ON OTHER SIDE

SEC/LOT	PROPERTY DESCRIPTION	TWN/BLK	RNG/TR
TOTAL VALUE OF OPERATING PROPERTY			

MARICOPA COUNTY 2002 PROPERTY TAX STATEMENT

CHAPARRAL CITY WATER CO
 SOUTHERN CALIFORNIA WATER COMPANY
 630 EAST FOOTHILLS BLVD
 SAN DIMAS CA 91773

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.
 \$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK.
 YOUR CHECK IS YOUR RECEIPT

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2001 AMT	2002 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2002 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	83000	25.0	20750	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	245.51 103.21 848.11 198.85	12108 04889 38686 9634	251.24 101.45 802.72 199.91	PRTKEY = SEQ = 3698 MTG = LOAN# = W
PRIM. TOT.	83000		20750					
AREA CODE 982404				SUBTOTAL	1385.68	653.17	1055.32	FIRST HALF TAX AMOUNT 1,174.75
FULL CASH (SECONDARY) VALUES				SECONDARY	COMPARATIVE 2001 AMT	RATE / 100	2002 AMT DUE	OFFICE USE ONLY
TYPE	FULL CASH	%	ASSESSED					
LAND/BLDG PERSONAL EXEMPTION	83000	25.0	20750	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY *BONDS** -COUNTY -CITY -SCHOOLS -COMM COL	48.12 26.98 1121.94 1.88 8.74 18.18 116.31 344.83 31.52	2119 1300 5619 0076 0421 0800 5137 18881 1493	43.96 26.98 116.60 1.58 8.74 16.61 106.59 350.28 30.98	SECOND HALF TAX AMOUNT 1,174.75
SEC. TOT.	83000		20750	SUBTOTAL	718.70	33848	702.32	DELINQUENT AFTER NOV. 1, 2002
SPECIAL DISTRICT (VALUE/ACRES/SQ. FT) ASSESSED				DIST#				DELINQUENT AFTER MAY 1, 2003
FOUNTAIN HILLS VFD				20750	11573			INTEREST ON LATE PAYMENT IS 16% PER YEAR PRORATE MONTHLY AS OF THE FIRST OF THE MONTH. ARS 42-1
FOUNTAIN HILLS ROAD 12				20750	20570			
FOUNTAIN HILLS SANITARY DIST				20750	21564	372.88	268.68	
EAST VALLEY INSTITUTE TECH				20750	30001	23.24	23.18	
NOT PAID BY DELINQUENT DATES. CALL OR WRITE FOR INTEREST AMOUNT.					2712.38	TOTALS	\$2,349.50	KEEP THIS PORTION FOR YOUR RECORDS

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and will make other reasonable accommodations upon request.

PARCEL/ACCOUNT # 176-08-603 1

MARICOPA COUNTY TREASURER

DOUG TODD, TREASURER
1 W JEFFERSON ST - RM 100
PHOENIX, AZ 85003-2199
http://treasurer.maricopa.gov
PHONE NUMBERS ON OTHER SIDE

PROPERTY DESCRIPTION
SEC/LOT 15 TWN/BLK 1 RNG/TR
FOUNTAIN HILLS PLAT NO 302-A

MARICOPA COUNTY 2003 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR
IMPORTANT INFORMATION.

\$25.00 CHARGE IF CHECK
FAILS TO CLEAR BANK.

YOUR CHECK IS YOUR RECEIPT.

CHAPPARAL CITY WATER CO
C/O SOUTHERN CALIFORNIA WATER CO
630 E FOOTHILL BLVD
SAN DIMAS CA 91773-1207

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2002 AMT	2003 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG	118656	25.0	29164	COUNTY	213.04	12108	353.11	PRYKEY=91773 SEQ=515184 MTG= LOAN#= W -
PERSONAL				EDUC. EQUAL	86.02	04717	137.57	
EXEMPTION				CITY				
				SCHOOL	680.68	35608	1038.47	
				CO. EDUC				
PRIM. TOT.	118656		29164	COMM. COL.	169.51	9410	274.43	
AREA CODE 982421				SUBTOTAL	1149.26	61843	1803.58	FIRST HALF TAX AMOUNT 1,602.18
FULL CASH (SECONDARY) VALUES				SECONDARY	COMPARATIVE 2002 AMT	2003 DISTRIBUTION		OFFICE USE ONLY
TYPE	FULL CASH	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG	125437	25.0	31360	FLOOD	39.88	2119	66.46	DUE OCT. 1, 2003 DELINQUENT AFTER NOV. 3, 2003
PERSONAL				CAWCD	24.46	1200	37.64	
EXEMPTION				OVERRIDES	105.74	4957	155.46	
				FIRE DIST. ASST.	1.44	0070	2.20	
				LIBRARY	7.82	0521	16.34	
SEC. TOT.	125437		31360	*BONDS**				SECOND HALF TAX AMOUNT 1,602.18
				-COUNTY	15.05	0700	21.95	DUE MARCH 1, 2004 DELINQUENT AFTER MAY 3, 2004
				-CITY	96.87	4762	149.34	
				-SCHOOLS	317.86	16460	516.19	
				-COMM COL	28.10	1375	43.12	
				SUBTOTAL	536.92	32164	1008.70	
SPECIAL DISTRICT (VALUE/ACRES/SQ.FT) ASSESSED DIST#								INTEREST ON LATE PAYMENT IS 16% PER YEAR PRORATED MONTHLY AS OF THE FIRST C OF THE MONTH. ARS 42-1802
FOUNTAIN HILLS SANITARY DIST					243.88	11527	361.48	
EAST VALLEY INSTITUTE TECH					21.02	0976	30.60	
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT.					2050.88	TOTALS	\$3,204.36	KEEP THIS PORTION FOR YOUR RECORDS

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and will make other reasonable accommodations upon request.

DETACH AND RETURN WITH PAYMENT

PARCEL/ACCOUNT# 176-08-603 1

**2003 SECOND HALF PAYMENT STUB
DUE MARCH 1, 2004
DELINQUENT AFTER MAY 3, 2004**

MAKE CHECK PAYABLE TO:

PRINT THE ABOVE PARCEL /
ACCOUNT # ON YOUR CHECK

**Maricopa County Treasurer
P O Box 78574
Phoenix, AZ 85062-8574**

U.S. FUNDS ONLY

C/O SOUTHERN CALIFORNIA WATER CO

SECOND HALF	\$1,602.18
--------------------	-------------------

MAKE CHANGES TO MAILING ADDRESS BELOW:

0300000000200003204360000160218176086030016

THIS CHECK IS VOID WITHOUT A GRAY & BURGUNDY BACKGROUND AND AN ARTIFICIAL WATERMARK CERTIFICATION SEAL ON THE BACK - HOLD AT ANGLE TO VIEW SEAL

Chaparral City Water Company
 A Subsidiary of American States Water Company
 12021 Panorama Drive
 Fountain Hills, AZ 85268

Wells Fargo Bank
 333 South Hope Street
 Los Angeles CA 90071

00003108
 11-54
 111003

DATE	AMOUNT
10/24/03	\$*****1,602.18

VOID AFTER 6 MONTHS

Pay
 ONE THOUSAND SIX HUNDRED TWO AND 18/100***** Dollars

TO: MARICOPA COUNTY TREASURER
 THIS: PO BOX 78574
 ORDER: PHOENIX AZ 85062-8574
 OF:

Floyd G. White

Parcel / Account # 174-08-603 1 2003 First Half Property Tax

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

⑆00003108⑆ ⑆121000248⑆ 4496 805110⑆ ⑆0000160218⑆

102703 300 002 061 061 1 17608603 1 4765102703

BANK ONE, NA
 ⑆1119013314⑆
 10270603

MFB LA, CA 10232003
 TRACER # 0732 PKT. 006
 122105278

DO NOT WRITE STAMP OR SIGN BELOW - RESERVED FOR FINANCIAL INSTITUTION USE

BORROWER ON THE FACE AND BACK OF CERTAIN CHECKS PRINTING AND MAY BE SEEN UNDER MAGNIFICATION - TOP OF THE - SAFECHECK # 4 SAFECHECK # 4

CREDIT TO ACCOUNT
 NOT PAID BY THE
 BANK ONE, NA

U.S. PATENT NO. 5,582,055/5,584

CDVolID/CIMSKey	Account	Serial Number	Amount	Issue Date
20031031101101	4496805110	3108	\$1602.18	10/24/2003
Bank ID	Sequence	Location	Paid Date	
10700543	1128982458	CD	10/28/2003	

DETACH AND RETURN WITH PAYMENT

PARCEL/ACCOUNT# 176-17-766B 4



**2003 FULL YEAR PAYMENT STUB
DUE OCTOBER 1, 2003
DELINQUENT AFTER NOV. 3, 2003**

C/O SOUTHERN CALIFORNIA WATER CO

MAKE CHECK PAYABLE TO:

**Maricopa County Treasurer
P O Box 78574
Phoenix, AZ 85062-8574**

PRINT THE ABOVE PARCEL /
ACCOUNT # ON YOUR CHECK

U.S. FUNDS ONLY

FULL YEAR	\$25.68
------------------	----------------

MAKE CHANGES TO MAILING ADDRESS BELOW:

0300000000300000025680000002568176177660246

PARCEL/ACCOUNT # 604-99-821 4



SEC/LOT	PROPERTY DESCRIPTION
TWN/BLK	RNG/TR
TOTAL VALUE OF OPERATING PROPERTY	

MARICOPA COUNTY TREASURER

DOUG TODD, TREASURER
 11 W JEFFERSON ST - RM 100
 PHOENIX, AZ 85003-2199
 http://treasurer.maricopa.gov
 PHONE NUMBERS ON OTHER SIDE

MARICOPA COUNTY 2003 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

\$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK.

YOUR CHECK IS YOUR RECEIPT.

CHAPARRAL CITY WATER CO
 SOUTHERN CALIFORNIA WATER COMPANY
 630 EAST FOOTHILLS BLVD
 SAN DIMAS CA 91773

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2002 AMT	2003 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG	310503	25.0	77626	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	12108	34876.36	PRTKEY= SEQ= 3558 MTG= LOAN#= W	
PERSONAL	11244287		2811072		04717	13825.99		
EXEMPTION					35608	102880.74		
					9410	27182.65		
PRIM. TOT.	11554790		2888698					
AREA CODE 982411				SUBTOTAL	61843	178645.74	FIRST HALF TAX AMOUNT	
							134,657.66	
FULL CASH (SECONDARY) VALUES				SECONDARY	COMPARATIVE 2002 AMT	2003 DISTRIBUTION		OFFICE USE ONLY
TYPE	FULL CASH	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG	310503	25.0	77626	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY *BONDS** -COUNTY -CITY -SCHOOLS -COMM COL	2119	184.48	DUE OCT. 1, 2003 DELINQUENT AFTER NOV. 3, 2003	
PERSONAL	11244287		2811072		1200	3486.44		
EXEMPTION					4957	14319.28		
					0070	202.22		
					0521	1505.00		
					0700	2022.10		
					4762	13755.98		
					16460	47547.99		
					1375	3971.93		
SEC. TOT.	11554790		2888698		SUBTOTAL	32164		86955.42
							134,657.66	
SPECIAL DISTRICT (VALUE/ACRES/SQ FT) - ASSESSED				DIST#			DUE MARCH 1, 2004 DELINQUENT AFTER MAY 3, 2004	
MOUNTAIN HILLS SANITARY DIST				77626	21564	11527	894.80	INTEREST ON LATE PAYMENT IS 18% PER YEAR PRORATED MONTHLY AS OF THE FIRST C OF THE MONTH. ARS 42-180E
ST VALLEY INSTITUTE TECH				2888698	30001	0976	2819.36	
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT					TOTALS	\$269,315.32	KEEP THIS PORTION FOR YOUR RECORDS	

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and will make other reasonable accommodations upon request.

(245-PRTENT1)

DETACH AND RETURN WITH PAYMENT

PARCEL/ACCOUNT# 604-99-821 4

2003 SECOND HALF PAYMENT STUB
 DUE MARCH 1, 2004
 DELINQUENT AFTER 3, 2004

MAKE CHECK PAYABLE TO:

PRINT THE ABOVE PARCEL / ACCOUNT # ON YOUR CHECK

CHAPARRAL CITY WATER CO

Maricopa County Treasurer
 P O Box 78574
 Phoenix, AZ 85062-8574

U.S. FUNDS ONLY

SECOND HALF	\$134,657.66
-------------	--------------

MAKE CHANGES TO MAILING ADDRESS BELOW:

030000000020026931532001346576660498210048

THIS CHECK IS VOID WITHOUT A GRAY & BURGUNDY BACKGROUND AND AN ARTIFICIAL WATERMARK CERTIFICATION SEAL ON THE BACK - HOLD AT ANGLE TO VIEW SEAL

Chaparral City Water Company
 A Subsidiary of American States Water Company
 12021 Panorama Drive
 Fountain Hills, AZ 85268

Wells Fargo Bank
 333 South Hope Street
 Los Angeles CA 90071

00003103
 11-34
 1218(4)

DATE	AMOUNT
10/24/03	\$***134,657.66

VOID AFTER 6 MONTHS

Pay
 ONE HUNDRED THIRTY FOUR THOUSAND SIX HUNDRED FIFTY SEVEN AND 66/100***** Dollars

TO THE ORDER OF
 MARICOPA COUNTY TREASURER
 PO BOX 78574
 PHOENIX AZ 85062-8574

Handwritten Signature

Parcel/Account # 604-99-021 4 2003 First Half Property Tax

⑈00003103⑈ ⑆121000248⑆ 4496 805110⑈ ⑆0013465766⑆

102703 300 002 059 059 1 60499821 4 4765102703

WEB LA, CA 10282933
 TRACER # 0732 PKT. 006
 122105278

BANK ONE, NA
 1119013314
 10270303

54450011

DO NOT WRITE STAMP OR SIGN BELOW - RESERVED FOR FINANCIAL INSTITUTION USE

EDIT TO ADD CREDIT TO ACCOUNT
 MED PAYERS WITH
 OUT PREVIOUS
 NOTICE OF
 IT GUARANTEED
 BANK ONE, NA

U.S. PATENT NO. 5,520,575 B2

CDVolID/CIMSKey	Account	Serial Number	Amount	Issue Date
20031031101101	4496805110	3103	\$134657.66	10/24/2003
Bank ID	Sequence	Location	Paid Date	
10700543	1128982456	CD	10/28/2003	

DETACH AND RETURN WITH PAYMENT

PARCEL/ACCOUNT# 604-99-822 1



**2003 FULL YEAR PAYMENT STUB
DUE OCTOBER 1, 2003
DELINQUENT AFTER NOV. 3, 2003**

HAPARRAL CITY WATER CO

MAKE CHECK PAYABLE TO:

**Maricopa County Treasurer
P O Box 78574
Phoenix, AZ 85062-8574**

PRINT THE ABOVE PARCEL /
ACCOUNT # ON YOUR CHECK

U.S. FUNDS ONLY

FULL YEAR	\$13.32
------------------	----------------

MAKE CHANGES TO MAILING ADDRESS BELOW:

0300000000300000013320000001332604998220011

PARCEL/ACCOUNT # 604-99-823 9



SEC/LOT	TWN/BLK	RNG/TR	PROPERTY DESCRIPTION
TOTAL VALUE OF OPERATING PROPERTY			
[REDACTED]			

MARICOPA COUNTY TREASURER
 DOUG TODD, TREASURER
 1 W JEFFERSON ST - RM 100
 PHOENIX, AZ 85003-2199
 http://treasurer.maricopa.gov
 PHONE NUMBERS ON OTHER SIDE

MARICOPA COUNTY 2003 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.
 \$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK.
 YOUR CHECK IS YOUR RECEIPT.

CHAPARRAL CITY WATER CO
 SOUTHERN CALIFORNIA WATER COMPANY
 630 EAST FOOTHILLS BLVD
 SAN DIMAS CA 91773

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2002 AMT	2003 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG	99710	25.0	24928	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	12108	301.83	PRTKEY= SEQ= 3560 MTG= LOAN#= W -	
PERSONAL					04717	117.58		
EXEMPTION					35608	887.64		
					9410	234.57		
PRIM. TOT.	99710		24928					
AREA CODE 982413				SUBTOTAL	61843	1541.62	FIRST HALF TAX AMOUNT 1,327.52	
FULL CASH (SECONDARY) VALUES				SECONDARY	PREVIOUS YEAR NOT AVAILABLE			
TYPE	FULL CASH	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG	99710	25.0	24928	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY *BONDS** -COUNTY -CITY -SCHOOLS -COMM COL.	2119	52.82	DUE OCT. 1, 2003 DELINQUENT AFTER NOV. 3, 2003 SECOND HALF TAX AMOUNT 1,327.52 DUE MARCH 1, 2004 DELINQUENT AFTER MAY 3, 2004 INTEREST ON LATE PAYMENT IS 18% PER YEAR PRORATED MONTHLY AS OF THE FIRST D OF THE MONTH. ARS 42-1805	
PERSONAL					1200	29.92		
EXEMPTION					4957	123.58		
					0070	1.74		
					0521	12.88		
					0700	17.44		
					4762	118.71		
					18480	410.31		
					1375	34.28		
SEC. TOT.	99710		24928		SUBTOTAL	32164		801.76
SPECIAL DISTRICT (VALUE/ACRES/SQ FT) ASSESSED				DIST#				
INTAIN HILLS SANITARY DIST				24928	21564	287.34		
ST VALLEY INSTITUTE TECH				24928	30001	24.32		
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT							KEEP THIS PORTION FOR YOUR RECORDS	
TOTALS						\$2,655.04		

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and will make other reasonable accommodations upon request.

247-PART(11)
 DETACH AND RETURN WITH PAYMENT

2003 SECOND HALF PAYMENT STUB
DUE MARCH 1, 2004
DELINQUENT AFTER MAY 3, 2004

CHAPARRAL CITY WATER CO

MAKE CHECK PAYABLE TO:

Maricopa County Treasurer
P O Box 78574
Phoenix, AZ 85062-8574

PARCEL/ACCOUNT# 604-99-823 9

PRINT THE ABOVE PARCEL /
ACCOUNT # ON YOUR CHECK

U.S. FUNDS ONLY

SECOND HALF	\$1,327.52
--------------------	------------

MAKE CHANGES TO MAILING ADDRESS BELOW:

030000000020000265504000013275260499&230099

THIS CHECK IS VOID WITHOUT A GRAY & BURGUNDY BACKGROUND AND AN ARTIFICIAL WATERMARK CERTIFICATION SEAL ON THE BACK - HOLD AT ANGLE TO VIEW SEAL

Chaparral City Water Company
 A Subsidiary of American States Water Company
 12021 Panorama Drive
 Fountain Hills, AZ 85268

Wells Fargo Bank
 113 South Hope Street
 Los Angeles CA 90071

00003109
 11-34
 123456

DATE	AMOUNT
10/24/03	\$*****1,327.52

VOID AFTER 6 MONTHS

Pay
 ONE THOUSAND THREE HUNDRED TWENTY SEVEN AND 52/100*****

TO: MARICOPA COUNTY TREASURER
 THE: PO BOX 78574
 ORDER: PHOENIX AZ 85062-8574
 OF:

Phyllis L. White

Parcel/Account # 604-99-823-9 2003 First Half Property Tax

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

⑆00003109⑆ ⑆121000248⑆ 4496 805110⑆ ⑆0000132752⑆

102703 300 002 057 057 1 60499823 9 4765102703

BANK ONE, NA
 ⑆1119⑆13314
 10273993

⑆122105278⑆

⑆1119⑆13314
 10273993

⑆122105278⑆

BANK ONE, NA
 U.S. PATENT NO. 5,592,655/5,592,656

DO NOT WRITE, STAMP OR SIGN BELOW - RESERVED FOR FINANCIAL INSTITUTION USE

CDVolID/CIMSKey	Account	Serial Number	Amount	Issue Date
20031031101101	4496805110	3109	\$1327.52	10/24/2003
Bank ID	Sequence	Location	Paid Date	
10700543	1128982454	CD	10/28/2003	

PARCEL/ACCOUNT # 604-99-824 6



MARICOPA COUNTY TREASURER

DOUG TODD, TREASURER
 1 W JEFFERSON ST - RM 100
 PHOENIX, AZ 85003-2199
 http://treasurer.maricopa.gov
 PHONE NUMBERS ON OTHER SIDE

SEC/LOT	PROPERTY DESCRIPTION	TWN/BLK	RNG/TR
	TOTAL VALUE OF OPERATING PROPERTY		

MARICOPA COUNTY 2003 PROPERTY TAX STATEMENT

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

\$25.00 CHARGE IF CHECK FAILS TO CLEAR BANK.

YOUR CHECK IS YOUR RECEIPT.

CHAPARRAL CITY WATER CO
 SOUTHERN CALIFORNIA WATER COMPANY
 630 EAST FOOTHILLS BLVD
 SAN DIMAS CA 91773

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2002 AMT	2003 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	72000	25.0	18000	COUNTY EDUC. EQUAL CITY SCHOOL CO. EDUC COMM. COL.	PREVIOUS YEAR NOT AVAILABLE	12108	217.94	PRTKEY= SEQ= 3561 MTG= LOAN#= W -
						04717	84.91	
						35608	540.95	
PRIM. TOT.	72000		18000			9410	169.38	
AREA CODE 982414				SUBTOTAL		51843	1113.18	FIRST HALF TAX AMOUNT 958.58
FULL CASH (SECONDARY) VALUES				SECONDARY				OFFICE USE ONLY
TYPE	FULL CASH	%	ASSESSED			RATE / 100	2003 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	72000	25.0	18000	FLOOD CAWCD OVERRIDES FIRE DIST. ASST. LIBRARY *BONDS** -COUNTY -CITY -SCHOOLS -COMM COL		2119	38.14	DUE OCT. 1, 2003 DELINQUENT AFTER NOV. 3, 2003 SECOND HALF TAX AMOUNT 958.58 DUE MARCH 1, 2004 DELINQUENT AFTER MAY 3, 2004
						1200	21.60	
						4957	89.22	
						0070	1.28	
						0521	9.38	
						0700	12.60	
						4762	85.71	
SEC. TOT.	72000		18000	16480	296.28			
				SUBTOTAL		32154	578.94	
SPECIAL DISTRICT (VALUE/ACRES/SQ FT) = ASSESSED				DIST#				
JNTAIN HILLS SANITARY DIST				18000	21564	11527	207.48	INTEREST ON LATE PAYMENT IS 18% PER YEAR PRORATED MONTHLY AS OF THE FIRST D OF THE MONTH. ARS 42-1805
ST VALLEY INSTITUTE TECH				18000	30001	0976	17.56	
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT.						TOTALS	\$1,917.16	KEEP THIS PORTION FOR YOUR RECORDS

In accordance with the Americans with Disabilities Act, the County Treasurer will provide materials in alternative formats and will make other reasonable accommodations upon request.

(241-PRYENTL)

DETACH AND RETURN WITH PAYMENT



2003 SECOND HALF PAYMENT STUB
DUE MARCH 1, 2004
DELINQUENT AFTER MAY 3, 2004

CHAPARRAL CITY WATER CO

MAKE CHECK PAYABLE TO:

Maricopa County Treasurer
P O Box 78574
Phoenix, AZ 85062-8574

PARCEL/ACCOUNT# 604-99-824 6

PRINT THE ABOVE PARCEL /
ACCOUNT # ON YOUR CHECK

U.S. FUNDS ONLY

SECOND HALF	\$958.58
--------------------	-----------------

MAKE CHANGES TO MAILING ADDRESS BELOW:

030000000200001917160000095858604998240069

THIS CHECK IS VOID WITHOUT A GRAY & BURGUNDY BACKGROUND AND AN ARTIFICIAL WATERMARK CERTIFICATION SEAL ON THE BACK - HOLD AT ANGLE TO VIEW SEAL

Chaparral City Water Company
 A Subsidiary of American States Water Company
 12021 Panorama Drive
 Fountain Hills, AZ 85268

Webb Page Bank
 333 South Hope Street
 Los Angeles CA 90071

00003111
 11-24
 1218(4)

DATE	AMOUNT
10/24/03	\$*****958.58

VOID AFTER 6 MONTHS

Pay
 NINE HUNDRED FIFTY EIGHT AND 58/100***** Dollars

TO: MARICOPA COUNTY TREASURER
 THE: PO BOX 78574
 ORDER: PHOENIX AZ 85062-8574
 OF:

Floyd G. Wink

Parcel/Account # 604-99-524-6 2003 First Half Property Tax

U.S. PATENT NO. 5,812,270

00003111 0121000248 4496 805110 0000095858

102703 300 002 056 056 1 80499824 6 4765102703

122105278

BANK ONE, NA
 1119013314
 16273993

34450800

ENDORSE HERE

DO NOT WRITE STRIKE OR SIGN BELOW - RESERVED FOR FINANCIAL INSTITUTION USE

U.S. PATENT NO. 5,812,270

CDVoID/CIMSKey	Account	Serial Number	Amount	Issue Date
20031031101101	4496805110	3111	\$958.58	10/24/2003
Bank ID	Sequence	Location	Paid Date	
10700543	1128982453	CD	10/28/2003	

COMPANY NAME : Chaparral City Water Company

YEAR ENDING 12/31/2003

INCOME TAXES

For this reporting period, provide the following(January 1st 2003 to December 31st 2003):

Federal Taxable Income Reported (\$ 20,440.00)
Estimated or Actual Federal Tax Liability None

State Taxable Income Reported \$121,108.00
Estimated or Actual State Tax Liability \$8,439.00

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances None
Amount of Gross-Up Tax Collected None
Total Grossed-Up Contributions/Advances None

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 

DATE 29 April 2004

PRINTED NAME McClellan Harris III

TITLE St. Vice President

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

RECEIVED

APR 30 2004

VERIFICATION

STATE OF Arizona
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	Maricopa	Z CORPORATION COMMISSION
NAME (OWNER OR OFFICIAL) TITLE	McClellan Harris III, Sr. Vice President	DIRECTOR OF UTILITIES
COMPANY NAME	Chaparral City Water Company	

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

FOR THE YEAR ENDING

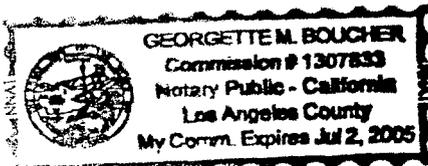
MONTH	DAY	YEAR
12	31	2003

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>6,775,583</u>



(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 554,501
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)

McClellan Harris III
SIGNATURE OF OWNER OR OFFICIAL
(909) 394-3600
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 29 DAY OF

COUNTY NAME	Los Angeles	
MONTH	April	2004

(SEAL)

Georgette M. Boucher
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES July 2, 2005

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

RECEIVED

APR 30 2004

VERIFICATION

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

(COUNTY NAME) Maricopa	CORPORATION COMMISSION DIRECTOR OF UTILITIES
NAME (OWNER OR OFFICIAL) McClellan Harris III	TITLE Sr. Vice President
COMPANY NAME Chaparral City Water Company	

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2003

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.

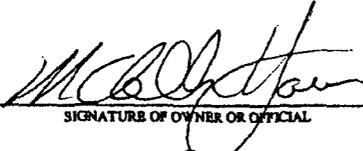
SWORN STATEMENT

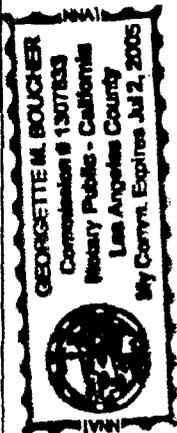
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2003 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 5,663,632

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 463,501
IN SALES TAXES BILLED, OR COLLECTED

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

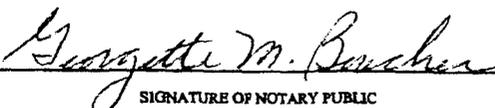

SIGNATURE OF OWNER OR OFFICIAL



SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 29 DAY OF

NOTARY PUBLIC NAME Georgette M. Boucher	
COUNTY NAME Los Angeles	
MONTH April	20 04

(SEAL)
MY COMMISSION EXPIRES
July 2, 2005

X 
SIGNATURE OF NOTARY PUBLIC

EXHIBIT

H

1 DEPARTMENT OF WATER RESOURCES
2 BEFORE THE DIRECTOR
3

4 IN THE MATTER OF THE APPLICATION) AWS No. 2004-001
5 OF CHAPARRAL CITY WATER COMPANY)
6 FOR A DESIGNATION AS HAVING AN) DECISION AND ORDER
ASSURED WATER SUPPLY)
7 No. 26-401242

8 On February 11, 2004, the Department of Water Resources (Department) received an application
9 from Chaparral City Water Company (Chaparral City) requesting that the Department modify Chaparral
10 City's designation of assured water supply pursuant to A.R.S. § 45-576(D) and A.A.C. R12-15-701 *et seq.*
11 for Chaparral City's municipal water delivery system. On February 19, 2004 the Department determined
12 the application to be complete. On February 26, 2004, the Department gave public notice pursuant to
13 A.R.S. §45-578 and no objections were filed with the Department.

14 After receiving Chaparral City's request to modify its designation of assured water supply, and
15 after reviewing relevant information regarding the modification request, including: 1) Chaparral City's
16 municipal and industrial subcontract with the Central Arizona Water Conservation District for an allocation
17 of Central Arizona Project (CAP) water, dated December 6, 1984, 2) the hydrologic study of the proposed
18 groundwater supply on file with the Department, 3) information submitted regarding Chaparral City's
19 consistency with the management plan and management goal, 4) information provided by the Arizona
20 Department of Environmental Quality regarding the quality of the proposed sources of water, and 5)
21 information regarding Chaparral City's financial capability to construct the necessary delivery system,
treatment works and storage facilities, the Department finds the following:

- 22 1. Chaparral City is a private water company regulated by the Arizona Corporation
23 Commission.
24 2. Chaparral City has the legal authority, as granted by the Arizona Corporation
25 Commission, to deliver water to its customers located within the boundaries of its
26 Certificate of Convenience and Necessity as indicated on maps on file with the
27 Department.
28

3. Chaparral City has the right to withdraw and deliver groundwater to its customers pursuant to service area right #56-002011.0000.
4. Chaparral City has the right to serve CAP water to its customers pursuant to a long-term, non-declining municipal and industrial subcontract which it entered into with the Central Arizona Water Conservation District on December 6, 1984 for 6,978 acre-feet per year.
5. Chaparral City has constructed a treatment facility to treat the CAP water. The treatment facility has an effective capacity of 6,944 gallons per minute (11,201 acre-feet per year).
6. Chaparral City has CAP storage capacity of 10.7 million gallons (32.8 acre-feet).
7. Chaparral City currently serves CAP water and groundwater to its customers.
8. Chaparral City's current and committed demand is 7,924 acre-feet per year, as of 2004.
9. Chaparral City's total projected water demand for the tenth calendar year from the date of the application, 2014, is estimated at 8,000 acre-feet.
10. Chaparral City's groundwater supply proven to be physically available is 8,695 acre-feet per year.
11. Historic hydrologic information demonstrates that groundwater levels in the service area currently range from approximately 180 to 330 feet with a minimal regional decline.
12. After one hundred years of pumping at 8,695 acre-feet per year, the depth-to-water inside Chaparral City's service area is not expected to exceed 783 feet below land surface.
13. On April 7, 2004 Chaparral City became a member service area of the Central Arizona Groundwater Replenishment District (CAGRDR).
14. The April 7, 2004 replenishment agreement between Chaparral City and the CAGRDR limits the replenishment obligation of the CAGRDR to 2,000 acre-feet per year.
15. On February 24, 1995, the Director determined that the CAGRDR Plan of Operation was consistent with achieving the management goal of the Phoenix Active Management Area.
16. As of the date of this decision and order, the CAGRDR is in compliance with its groundwater replenishment obligation for the Phoenix Active Management Area.
17. Pursuant to A.R.S. § 45-576.01(B), as a member service area of the CAGRDR, Chaparral City's use of 2,000 acre-feet of groundwater per year is consistent with the management goal.

1 18. Chaparral City's current groundwater allowance account balance pursuant to A.A.C. R12-
2 15-705.R is 35,829 acre-feet, or an annual average of approximately 350 acre-feet per
3 year over a 100-year period.

4 19. Chaparral City's projected incidental recharge credits pursuant to A.A.C. R12-15-705.K
5 are approximately 500 acre-feet per year.

6 20. Chaparral City's total groundwater supply proven to be consistent with the management
7 goal is approximately 2,850 acre-feet per year.

8 21. Chaparral City has demonstrated the physical, legal and continuous availability of CAP
9 water and groundwater, consistent with the management goal, in an aggregate volume of
10 9,828 acre-feet per year for a minimum of 100 years which is greater than Chaparral
11 City's projected demand for the calendar year 2014 of approximately 8,000 acre-feet.

12 22. Chaparral City is regulated as a large provider under the Department's Third Management
13 Plan for the Phoenix Active Management Area. As of the date the application was filed,
14 Chaparral City had not been found to be out of compliance with the Third Management
15 Plan.

16 23. The water supply that Chaparral City intends to provide its customers currently meets all
17 federal and state water quality standards, based on compliance information provided by
18 the Arizona Department of Environmental Quality.

19 24. In accordance with Arizona Corporation Commission Rules and Regulations, Chaparral
20 City finances extension of its distribution system through line extension agreements with
21 owners of new developments. Any owner of a new subdivision served by Chaparral City
22 must prove financial capability to construct the necessary water infrastructure to the
23 appropriate platting entity and the Arizona Department of Real Estate pursuant to Titles 9,
24 11, and 32 of the Arizona Revised Statutes.

25 **Having reviewed the Findings of Fact, the Department makes the following Conclusions of**

26 **Law:**

27 1. An annual volume of 6,978 acre-feet per year of CAP and 2,850 acre-feet per year of
28 groundwater consistent with the management goal was found to be physically,

1 continuously and legally available to Chaparral City for a minimum of 100 years as
2 prescribed in A.A.C. R12-15-703. The total annual volume of those supplies, 9,828 acre-
3 feet per year, exceeds Chaparral City's projected demand of 8,000 acre-feet for the year
4 2014.

- 5 2. The water supply served by Chaparral City currently meets the water quality requirements
6 specified in A.A.C. R12-15-704.
- 7 3. In accordance with A.A.C. R12-15-706, Chaparral City meets the standard established for
8 determining consistency with the Phoenix Active Management Area Third Management
9 Plan.
- 10 4. Chaparral City has satisfied the financial capability criteria prescribed in A.A.C. R12-15-
11 707.
- 12 5. Chaparral City has satisfied all the requirements for a designation of an assured water
13 supply.

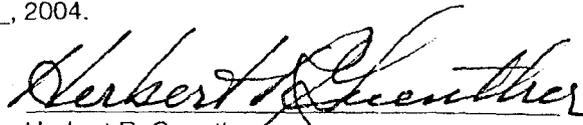
14 **Having reviewed the Conclusions of Law, the Department hereby issues this Order**
15 **designating Chaparral City as having an assured water supply, subject to the following**
16 **conditions:**

- 17 1. The Department reserves the right under A.A.C. R12-15-709 (A) to periodically review
18 and modify this designation for good cause as conditions warrant.
- 19 2. Pursuant to A.A.C. R12-15-709, the Department may, at any time, review, modify or
20 revoke this designation if the findings of fact or the conclusions of law upon which the
21 designation are based change or are invalid or if an assured water supply no longer
22 exists.
- 23 3. The Department's determination that an assured water supply exists for Chaparral City is
24 based on its analysis of the water supplies pledged by Chaparral City.
- 25 4. Pursuant to A.A.C. R12-15-704, Chaparral City shall satisfy any state water quality
26 requirements established for its proposed use after the date of this designation.
- 27 5. Chaparral City shall annually provide to the Department the following information in the
28 manner prescribed in A.A.C. R12-15-711:

- 1 a. The estimated future demand of platted, undeveloped lots located in Chaparral
2 City's service area.
- 3 b. The projected demand at build-out for customers with which Chaparral City has
4 entered into a notice of intent to serve agreement in the calendar year.
- 5 c. A report regarding Chaparral City's compliance with water quality requirements.
- 6 d. The depth-to-static water level of all wells from which Chaparral City withdrew
7 water during the calendar year.
- 8 e. Any other information requested by the Director to determine whether Chaparral
9 City is continuing to meet all the requirements necessary to maintain this
10 designation of assured water supply.

11 **IT IS HEREBY ORDERED THAT CHAPARRAL CITY BE DESIGNATED AS HAVING AN
12 ASSURED WATER SUPPLY.**

13 DATED this 7th day of APRIL, 2004.

14 
15 Herbert R. Guenther
16 Director
17 Arizona Department of Water Resources

17 A copy of the foregoing
18 Decision and Order mailed
19 by certified mail this
20 day of April 8,
21 2004, to the following:

20 Carlos Ronstadt
21 Snell & Wilmer, LLP
22 One Arizona Center
23 Phoenix, AZ 85004
24 Attorney for Chaparral City Water Company

Certified Mail No. 7003 3110 0003 3244 9068

23 First class mail copies to:

24 Robert Hanford
25 Chaparral City Water Company
26 12021 North Panorama Drive
27 Fountain Hills, AZ 85268

26 Mr. Cliff Neal
27 Central Arizona Groundwater Replenishment District
28 P.O. Box 43020
Phoenix, AZ 85080

RECEIVED

1 FENNEMORE CRAIG
Jay L. Shapiro
2 Norman D. James
3003 N. Central Ave.
3 Suite 2600
Phoenix, Arizona 85012
4 Attorneys for Chaparral City Water Company

2005 MAY 12 P 2:53

AZ CORP COMMISSION
DOCUMENT CONTROL

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7 IN THE MATTER OF THE APPLICATION
8 OF CHAPARRAL CITY WATER
COMPANY, INC., AN ARIZONA
9 CORPORATION, FOR AN ORDER
10 PRELIMINARY TO EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND
11 NECESSITY PURSUANT TO A.R.S. § 40-
282.D.

DOCKET NO: W-02113A-05-0178

**CERTIFICATION OF PUBLICATION
AND PROOF OF MAILING**

12 Pursuant to the April 13, 2005 Procedural Order, Chaparral City Water Company
13 ("Chaparral City"), an Arizona public service corporation, hereby submits this
14 Certification of Publication and Proof of Mailing in the above-captioned matter.

15 On May 4, 2005, legal public notice was published in *The Fountain Hills Times*.
16 The affidavit of L. Alan Cruikshank, Publisher of *The Fountain Hills Times*, is attached
17 hereto as Exhibit 1.

18 On or around April 22, 2005, Chaparral City served notice to the property owner
19 within the requested extension area. A copy of the letter to Commissioner Winkleman at
20 the Arizona State Land Department is attached hereto as Exhibit 2.

21 DATED this 12th day of May, 2005.

22 FENNEMORE CRAIG, P.C.

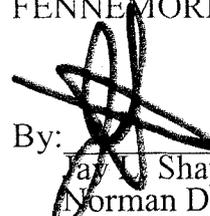
23
24 By: 
25 Jay L. Shapiro
Norman D. James
26 Attorneys for Chaparral City Water
Company

EXHIBIT *su*
tabbles
A-2
admitted 8-16-05

1 ORIGINAL and 13 copies filed this 12th day of May, 2005:

2 Docket Control
3 Arizona Corporation Commission
4 1200 West Washington Street
5 Phoenix, Arizona 85007

6 COPY hand-delivered this 12th day of May, 2005:

7 Amanda Pope, ALJ
8 Hearing Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 David Ronald, Esq.
13 Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Jim Fisher, Executive Consultant
18 Utilities Division
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

22 By: Whitney Birk

23 1666338.1/10696.004

24
25
26

EXHIBIT

1

AFFIDAVIT OF PUBLICATION

THE FOUNTAIN HILLS TIMES

P.O. Box 17869
Fountain Hills, AZ 85269

Voice: (480) 837-1925
Fax: (480) 837-1951

STATE OF ARIZONA
COUNTY OF MARICOPA

L. ALAN CRUIKSHANK, being first duly sworn, upon oath deposes and says that he is the Publisher of *The Fountain Hills Times*, a newspaper of general circulation in the County of Maricopa and the State of Arizona, published at Fountain Hills, Arizona, and that the copy hereto attached is a true copy of the advertisement as published weekly in *The Fountain Hills Times* on the following dates:

05/04/05

PUBLISHER



L. ALAN CRUIKSHANK

SWORN TO BEFORE ME ON THIS 11TH DAY OF MAY, 2005.

NOTARY PUBLIC



KAREN KIRKENDOLL



**PUBLIC NOTICE OF HEARING ON THE APPLICATION
OF CHAPARRAL CITY WATER COMPANY, INC.
FOR AN ORDER PRELIMINARY TO EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY PURSUANT TO
A.R.S. § 40-282.D (W-02113A-05-0178)**

On March 10, 2005, Chaparral City Water Company ("Chaparral City" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an order preliminary to the extension of its Certificate of Convenience and Necessity ("CC&N") pursuant to A.R.S. § 40-282.D, the terms of which would allow Chaparral City to extend its CC&N to include approximately 1300 acres of State Trust land located north of the Town of Fountain Hills and immediately adjacent to Chaparral City's existing CC&N. If the application 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 application is 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, 12021 N. Panorama, Ftn. Hills, AZ., 85268.

The Commission will hold a hearing on this matter beginning **August 16, 2005 at 9:30 a.m.**, at the Commission's office, 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:

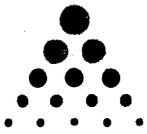
1. The name, address and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Applicants, a shareholder of the Applicants, 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 May 30, 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, 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

EXHIBIT

2



Chaparral City

Water Company

A Subsidiary of American States Water Company

April 22, 2005

Mr. Mark Winkleman
State Land Commissioner
Arizona State Land Department
1616 West Adams, Suite 305
Phoenix, AZ 85007

Certified mail No. 7003 3110 0006 4083 3191

Re: Procedural Order issued by the Arizona Corporation Commission

Dear Commissioner Winkleman:

Chaparral City Water Company (CCWC) has been issued a Procedural Order ("Order") from the Arizona Corporation Commission ("ACC") for our application for an order preliminary to the extension of our Certificate of Convenience & Necessity ("CC&N"). This would allow CCWC to extend its CC&N to include the 1,313 acres of State Trust Land north of the Town of Fountain Hills and adjacent to our existing CC&N.

The Order requires us to mail to the property owner a copy of the public notice included in the Order. Enclosed with this correspondence is the order and public notice. We also plan to publish the legal notice on May 4th in the *Fountain Hills Times* which is prior to the May 6th deadline described in the Order. You will note that the hearing is scheduled for August 16th at 9:30 a.m. at the Commission's offices. Please let me know if you would like me to meet with you or your staff prior to the hearing. You may contact me at (480) 837-3411 ext. 217 with any questions or concerns.

Sincerely,

CHAPARRAL CITY WATER COMPANY

Robert N. Hanford
District Manager

C: Jay Shapiro, Fennemore Craig
Greg Keller, Arizona State Land Department

Enclosure

LEGAL

MEMORANDUM

RECEIVED

TO: Docket Control
Arizona Corporation Commission

2005 JUL -8 A 10: 20

FROM: Ernest G. Johnson
for Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: July 8, 2005

RE: STAFF REPORT FOR CHAPARRAL CITY WATER COMPANY, INC. -
APPLICATION FOR AN ORDER PRELIMINARY TO EXTENSION OF ITS
CERTIFICATES OF CONVENIENCE AND NECESSITY TO PROVIDE
WATER SERVICE (DOCKET NO. W-02113A-05-0178)

Attached is the Staff Report for Chaparral City Water Company, Inc. application for an Order Preliminary to extension of its existing Certificate of Convenience and Necessity for water service. Staff is recommending that the Commission issue an Order Preliminary.

EGJ:BNC:red

Originator: Blessing Chukwu

Attachment: Original and 13 Copies

RECEIVED

JUL 08 2005

LEGAL DIV.
ARIZ. CORPORATION COMMISSION



Service List for: Chaparral City Water Company, Inc.
Docket No. W-02113A-05-0178

Mr. Jay Shapiro
Mr. Norman D. James
FENNEMORE CRAIG
3003 N. Central Avenue
Suite 2600
Phoenix, Arizona 85012

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

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

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

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

CHAPARRAL CITY WATER COMPANY, INC.

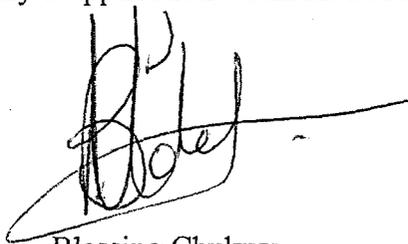
DOCKET NO. W-02113A-05-0178

APPLICATION FOR AN ORDER PRELIMINARY TO EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE
WATER SERVICE

JULY 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Chaparral City Water Company, Inc. (Docket No. W-02113A-05-0178) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

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

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to read 'Marlin Scott, Jr.', with a long horizontal line extending to the right.

Marlin Scott, Jr.
Utilities Engineer

EXECUTIVE SUMMARY
CHAPARRAL CITY WATER COMPANY, INC.
APPLICATION FOR AN ORDER PRELIMINARY TO EXTENSION OF
CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. W-02113A-05-0178

On March 10, 2005, Chaparral City Water Company, Inc. ("Chaparral City" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an order preliminary to the extension of its Certificate of Convenience and Necessity ("CC&N") to a portion of Maricopa County, Arizona, pursuant to A.R.S. § 40-282.D. On April 4, 2005, the ACC Utilities Division ("Staff") and the Company filed a Joint Request for Procedural Schedule setting forth a procedural schedule for the conduct of this proceeding. The application was deemed administratively complete, in accordance with A.R.S. § 40-1074.C. On April 13, 2005, the Commission issued a Procedural Order to govern the preparation and conduct of this proceeding.

Chaparral City is an Arizona Corporation, in good standing, and engaged in providing water utility services in portions of eastern Maricopa County, Arizona, including the Town of Fountain Hills. On September 2, 1970, this Commission, by Decision No. 40813, issued an order preliminary to the issuance of the CC&N to Chaparral City and stating that the CC&N would issue upon filing of the approval of the State Health Department. The approval was filed with the Commission on April 12, 1971. On April 20, 1971, the Commission issued Decision No. 41243 granting a CC&N to Chaparral City and subsequently extended the CC&N by Decision No. 63201 (November 30, 2000). According to the Company's Annual Report for the year ending December 31, 2004, the Company has water utility plant in service of approximately \$31 million.

By this application, the Company is seeking Commission authority to extend its service territory to include approximately 1,313 acres of land owned by the State of Arizona and administered by the Arizona State Land Department ("ASLD") as State Trust land. The extension area will add approximately two square-miles to Chaparral City's existing 19 square-miles of certificated area. According to the Application, the Town of Fountain Hills and Maricopa County have expressed interests in annexing the extension area after it is sold, and ASLD has begun the process of preparing the property for sale at a public auction.

Based on Staff's review and analysis of the information provided in this docket, Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of approximately 12,700 and could serve up to approximately 18,000 connections.

Chaparral City is in compliance with the Maricopa County Environmental Services Department ("MCESD"), the Commission, and the Arizona Department of Water Resources ("ADWR").

Staff recommends approval of Chaparral City's application for an extension of its CC&N to provide water services to the State Trust land, with the following conditions:

1. That the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N extension to Chaparral City.
2. That Chaparral City be required not to construct any water distribution mains within the CC&N extension area defined by this docket, nor to provide any water services within the CC&N extension area defined by this docket until and after the issuance of a subsequent "Final Order" of the Commission issuing the CC&N in this Docket.
3. That Chaparral City be required to demonstrate to the satisfaction of the Director of Utilities that the Company can meet the water production needs in PWS No. 07-017 for its current customer base and the expected demand in the area being requested in this application. The above can be demonstrated by filing a list with Docket Control of pending or future water sources, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation.
4. That Chaparral City be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N extension application. Chaparral City shall file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.
5. That Chaparral City be required to docket the projected number of customers to be served in the extension area at build out.
6. That Chaparral City be required to docket the projected cost of utility facilities to the extension area.
7. That Chaparral City be required to file with Docket Control copies of each ADEQ and/or MCESD "Approval to Construct" for the requested extension area prior to providing service from the facilities covered by each Approval to Construct.
8. That Chaparral City be required to file, with Docket Control, a copy of the amended Maricopa County franchise agreement or in the alternative a franchise agreement with the Town of Fountain Hills (as the case may be) pursuant to this application.
9. That Chaparral City be required to comply with items 3, 4, 5, 6, 7 and 8 above within 3 years of the effective date of the Order Preliminary. If Chaparral City complies with these items within the 3 year time-frame, it shall be required to file a motion within 3 years of the effectiveness of the Order Preliminary to have the Commission issue its final CC&N decision. If Chaparral City fails to meet the 3 year time-frame, it shall be required to submit a new CC&N application if it still desires to serve the area requested in this application and to file proof of such submission in this docket for compliance purposes.

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Introduction

On March 10, 2005, Chaparral City Water Company, Inc. ("Chaparral City" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an order preliminary to the extension of its Certificate of Convenience and Necessity ("CC&N") to a portion of Maricopa County, Arizona, pursuant to A.R.S. § 40-282.D.

On April 4, 2005, the ACC Utilities Division ("Staff") and Chaparral City filed a Joint Request for Procedural Schedule setting forth a procedural schedule for the conduct of this proceeding.

The application was deemed administratively complete, in accordance with A.R.S. § 40-1074.C. On April 13, 2005, the Commission issued a Procedural Order to govern the preparation and conduct of this proceeding.

Background

Chaparral City is an Arizona Corporation, in good standing, and engaged in providing water utility services in portions of eastern Maricopa County, Arizona, including the Town of Fountain Hills. The Company currently serves approximately 12,700 water utility customers, which includes residential, commercial, and irrigation customers.

On September 2, 1970, this Commission, by Decision No. 40813, issued an order preliminary to the issuance of the CC&N to Chaparral City and stating that the CC&N would issue upon filing of the approval of the State Health Department. The approval was filed with the Commission on April 12, 1971. On April 20, 1971, the Commission issued Decision No. 41243 granting a CC&N to Chaparral City to provide water utility services in a portion of Maricopa County, Arizona. The CC&N was subsequently extended by Decision No. 63201 (November 30, 2000).

Chaparral City is a wholly-owned subsidiary of American States Water Company ("American States").¹ American States is a holding company and owns four subsidiaries, including Chaparral City. The other subsidiaries are as follows: Southern California Water Company which provides regulated water utility services; American States Utility Services, Inc., which provides unregulated water and wastewater utility related services; and Bear Valley Electric, which provides regulated electric utility services.

According to the Company's Annual Report for the year ending December 31, 2004, the Company has water utility plant in service of approximately \$31 million. The Company reported an annual revenue of approximately \$6.5 million for water for year 2004. Chaparral City reported long term debt of \$7,205,309 for water.

¹ The ACC approved the acquisition of Chaparral City's stock by American Water from MCO Properties, Inc., in Decision No. 62909 (September 18, 2000).

The Extension Request

Chaparral City is currently certificated by the Commission to provide water services in portions of eastern Maricopa County, Arizona, including the Town of Fountain Hills ("Town"). By this application, the Company is seeking Commission authority to extend its service territory to include approximately 1,313 acres of land owned by the State of Arizona and administered by the Arizona State Land Department ("ASLD") as State Trust land. Of the 1,313 acres, only 35 acres (Fountain Hills Middle School site) is developed and is already being served by Chaparral City. The extension area will add approximately two square-miles to Chaparral City's existing 19 square-miles of certificated area. According to the Application, the Town and Maricopa County have expressed interests in annexing the extension area after it is sold, and ASLD has begun the process of preparing the property for sale at a public auction. Letters from the Town and ASLD indicate that this sale would be facilitated by the approval of this CC&N application.

The Water System

Chaparral City's existing system serves the Town. The operation of the water system consists of a Central Arizona Project ("CAP") water treatment plant (18 million gallons per day), two wells (totaling 2,400 gallons per minute), eight storage tanks (totaling 10.3 million gallons), six booster stations and a distribution system, with four pressure zones, serving approximately 12,700 customers. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 15,800 connections at the end of 2008.

At this time, the Company is unable to provide the proposed plant cost and any estimate of the number of customers to be served in the requested area. The specific configuration of any development in the requested area is not yet known.

Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of approximately 12,700 and could serve up to approximately 18,000 connections.

ACC Compliance

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

Maricopa County Environmental Services Department ("MCESD") Compliance

MCESD reported the Company's system, Public Water System No. 07-017, has no major deficiencies. Based on data submitted to MCESD, 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.

No specific configuration of any development in the requested area is known. As such, the Company cannot submit for a Certificate of Approval to Construct ("ATC") for construction of its facilities until the development project is known.

Arizona Department of Water Resources (ADWR) Compliance

There are five (5) Active Management Areas ("AMAs") in Arizona and each has a different goal depending on the water supply need of the area. Chaparral City is located in the Phoenix AMA, as designated by ADWR. The primary management goal of the Phoenix AMA is to attain "safe-yield" by 2005. Safe-yield is a long-term balance between the annual amount of groundwater withdrawn in the AMA and the annual amount of natural and artificial recharge. As a result, Chaparral City is subject to the reporting and conservation rules of ADWR. ADWR has indicated that the Company is in compliance with the Phoenix AMA requirements.

Since Chaparral City is located within the Phoenix AMA, the extension area developer(s) is required by ADWR to demonstrate an assured water supply that will be physically, legally, and continuously available for the next 100 years before the developer can record plats or sell parcels. The developer(s) can prove a 100 year supply by satisfying the requirements to obtain a Certificate of Assured Water Supply or by a written commitment of service from a provider with a Designation of Assured Water Supply. Presently Chaparral City holds a Designation of Assured Water Supply for its existing service area. It is assumed that Chaparral City will continue to elect this alternative.

Therefore, Staff recommends that Chaparral City be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N application. Also, Staff recommends that Chaparral City file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum 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 Company reported its CAP water source with an arsenic level of 2 ppb and its well sources at 12 ppb and 13 ppb. The Company is proposing to blend its well sources with the CAP water source in order to meet the new arsenic MCL.

Curtailment 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.

A Curtailment Plan Tariff ("CPT") was submitted by the Company in its pending rate case proceeding under Docket No. W-02113A-04-0616 and is under review in that docket.

Proposed Rates

Chaparral City is proposing to provide water utility services to the extension area at its tariffed rates and charges.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Chaparral City has an existing franchise from Maricopa County to provide water services in its certificated areas. Staff recommends that Chaparral City be required to file, with Docket Control, a copy of the amended Maricopa County franchise agreement or in the alternative a franchise agreement from the Town of Fountain Hills (as the case may be) pursuant to this application.

Recommendations

Staff recommends approval of Chaparral City's application for an extension of its CC&N to provide water services to the State Trust land, with the following conditions:

1. That the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N extension to Chaparral City.
2. That Chaparral City be required not to construct any water distribution mains within the CC&N extension area defined by this docket, nor to provide any water services within the CC&N extension area defined by this docket until and after the issuance of a subsequent "Final Order" of the Commission issuing the CC&N in this Docket.
3. That Chaparral City be required to demonstrate to the satisfaction of the Director of Utilities that the Company can meet the water production needs in PWS No. 07-017 for its current customer base and the expected demand in the area being requested in this application. The above can be demonstrated by filing a list with Docket Control of pending or future water sources, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation.
4. That Chaparral City be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N extension application. Chaparral City

shall file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.

5. That Chaparral City be required to docket the projected number of customers to be served in the extension area at build out.
6. That Chaparral City be required to docket the projected cost of utility facilities to the extension area.
7. That Chaparral City be required to file with Docket Control copies of each ADEQ and/or MCESD "Approval to Construct" for the requested extension area prior to providing service from the facilities covered by each Approval to Construct.
8. That Chaparral City be required to file, with Docket Control, a copy of the amended Maricopa County franchise agreement or in the alternative a franchise agreement with the Town of Fountain Hills (as the case may be) pursuant to this application.
9. That Chaparral City be required to comply with items 3, 4, 5, 6, 7 and 8 above within 3 years of the effective date of the Order Preliminary. If Chaparral City complies with these items within the 3 year time-frame, it shall be required to file a motion within 3 years of the effectiveness of the Order Preliminary to have the Commission issue its final CC&N decision. If Chaparral City fails to meet the 3 year time-frame, it shall be required to submit a new CC&N application if it still desires to serve the area requested in this application and to file proof of such submission in this docket for compliance purposes.

MEMORANDUM

DATE: June 21, 2005

TO: Blessing Chukwu
Executive Consultant III

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

RE: Chaparral City Water Company, Inc.
Docket No. W-02113A-05-0178 (CC&N Extension)

Introduction

Chaparral City Water Company, Inc. ("Company") has submitted an application for an order preliminary to extend its Certificate of Convenience and Necessity ("CC&N"). The requested area will add approximately two square-miles to its existing 19 square-miles of certificated area. The Company's existing CC&N area is located within the Town of Fountain Hills in Maricopa County.

Capacity

Existing System

The Company's existing system serves Fountain Hills. The operation of the water system consists of a Central Arizona Project water treatment plant (18 million gallons per day), two wells (totaling 2,400 GPM), eight storage tanks (totaling 10.3 million gallons), six booster stations and a distribution system, with four pressure zones, serving approximately 12,700 customers. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 15,800 connections at the end of 2008.

Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of 12,700 and could serve up to 18,000 connections.

Proposed Plant Facilities

At this time, the Company is unable to provide the proposed plant cost and any estimate of the number of customers to be served in the requested area. The specific configuration of any development in the requested area is not yet known.

Maricopa County Environmental Services Department ("MCESD") Compliance

Compliance Status

MCESD reported the Company's system, Public Water System No. 07-017, has no major deficiencies and based on data submitted to MCESD; 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

No specific configuration of any development in the requested area is known. The Company cannot submit for a Certificate of Approval to Construct ("ATC") for construction of its facilities until the development project is known.

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 reported its CAP water source with an arsenic level of 2 ppb and its well sources at 12 ppb and 13 ppb. The Company is proposing to blend its well sources with the CAP water source in order to meet the new arsenic MCL.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

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

Certificate of Assured Water Supply

No determination of water adequacy was submitted for the requested area.

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") was submitted by the Company in its pending rate case proceeding under Docket No. W-02113A-04-0616 and is under review in that docket.

Summary

Conclusions

- A. Staff concludes that the Company's existing system has adequate source and storage capacity to serve its current customer base of 12,700 and could serve up to 18,000 connections.
- B. MCESD has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
- C. The Company reported its CAP water source with an arsenic level of 2 ppb and its well sources at 12 ppb and 13 ppb. The Company is proposing to blend its well sources with the CAP water source in order to meet the new arsenic MCL.
- D. The Company is located in the Phoenix AMA and is in compliance with its reporting and conservation requirements.
- E. A check with the Utilities Division Compliance Section showed no outstanding compliance issues.
- F. A Curtailment Plan Tariff ("CPT") was submitted by the Company in its pending rate case proceeding under Docket No. W-02113A-04-0616 and is under review in that docket.

Recommendations

The Company has requested an order preliminary to extend its CC&N and has agreed to submission of the following before the CC&N is extended:

1. Projected number of customers to be served in the extension area during the first five years.
2. Projected cost of utility plant needed to provide water utility service to the extension area.
3. Copies of the Approval to Construct for plant facilities to the requested area.
4. Copies of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

Staff recommends that the above four numbered items be filed in Docket Control within two years after a decision is issued in this proceeding.

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: March 22, 2005

RE: **CHAPARRAL CITY WATER COMPANY (DOCKET NO. W-02113A-05-0178)**

The area requested by Chaparral for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

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

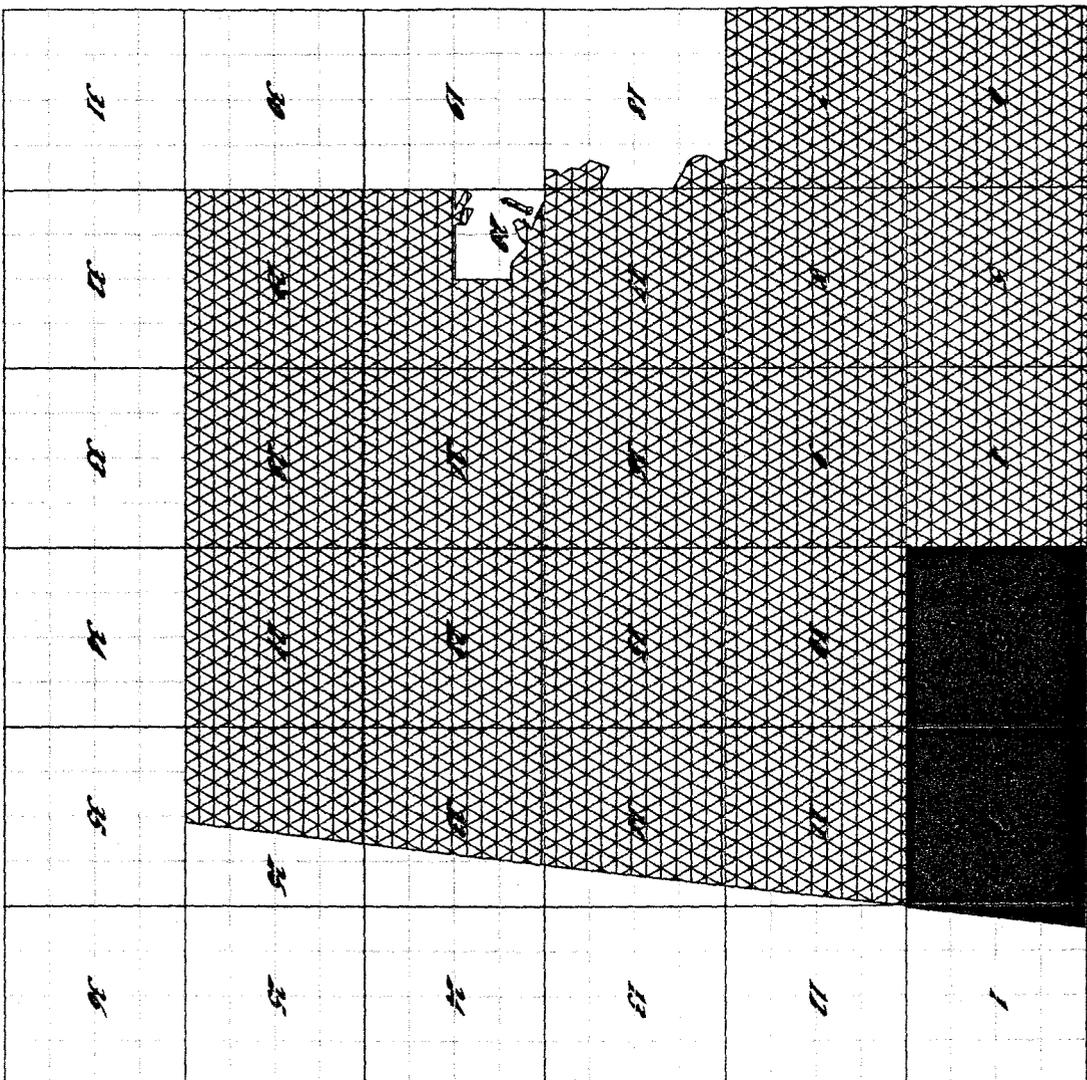
:bsw

Attachments

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

COUNTY of Maricopa

RANGE 6 East



TOWNSHIP 3 North



W-2113 (1)

Chaparal City Water Company



Chaparal City Water Company
Docket No. W-2113-05-178
Application for Extension

ARIZONA STATE LAND DEPARTMENT
LEGAL DESCRIPTION FORM

SUBMITTED TO:
REFERENCE: FOUNTAIN HILLS

THIS IS TO CERTIFY THAT THIS
LEGAL DESCRIPTION WAS
PREPARED UNDER MY DIRECTION.



THE ENGINEERING AND MAPPING SECTION HEREBY SUBMITS
THE LEGAL DESCRIPTION OF LANDS REQUIRED
AND LOCATED IN:
SEC. 1, 2, 3 TWP. 3N RGE 6E CO. MARICOPA

LEGAL DESCRIPTION:

GOVERNMENT LOTS 9, 10, AND 11, OF SECTION 1, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 2, AND GOVERNMENT LOTS 1 THRU 4, THE SOUTH HALF OF THE NORTH HALF, AND THE SOUTH HALF OF SECTION 3, TOWNSHIP 3 NORTH, RANGE 6 EAST, OF THE GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 1, ALSO BEING THE NORTHEAST CORNER OF SECTION 2,,

THENCE N90°00'E ALONG THE NORTH LINE OF SAID SECTION 1, A DISTANCE OF 657.36 FEET, TO THE NORTHEAST CORNER OF LOT 9,

THENCE S6°38'W, ALONG THE EAST LINE OF LOTS 9 AND 10, A DISTANCE OF 2208.36 FEET,

THENCE S6°36'W, ALONG THE EAST LINE OF LOTS 10 AND 11, A DISTANCE OF 2640.00 FEET,

THENCE S6°39'W, ALONG THE EAST LINE OF LOT 11, A DISTANCE OF 461.34 FEET, TO THE SOUTH LINE OF SECTION 1,

THENCE N90°00'W ALONG THE SOUTH LINE OF SAID SECTION 1, A DISTANCE OF 38.94 FEET, TO THE SOUTHWEST CORNER OF SECTION 1, ALSO BEING THE SOUTHEAST CORNER OF SECTION 2,

THENCE N89°51'W ALONG THE SOUTH LINE OF SAID SECTION 2; A DISTANCE OF 5257.56 FEET, TO THE SOUTHWEST CORNER OF SECTION 2, ALSO BEING THE SOUTHEAST CORNER OF SECTION 3,

THENCE N89°55'W ALONG THE SOUTH LINE OF SAID SECTION 3, A DISTANCE OF 5277.36 FEET, TO THE SOUTHWEST CORNER OF SECTION 3,

THENCE N00°15'W ALONG THE WEST LINE OF SAID SECTION 3, A DISTANCE OF 5208.72 FEET, TO THE NORTHWEST CORNER OF SECTION 3,

THENCE N89°48'E ALONG THE NORTH LINE OF SAID SECTION 3, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 3, ALSO BEING THE NORTHWEST CORNER OF SECTION 2,

THENCE CONTINUING N89°48'E ALONG THE NORTH LINE OF SAID SECTION 2, A DISTANCE OF 5280.00 FEET, TO THE NORTHEAST CORNER OF SECTION 2, ALSO BEING THE NORTHWEST CORNER OF SECTION 1, AND THE POINT OF BEGINNING.

CONTAINING 1312.68 ACRES, MORE OR LESS

John P. Nebrich
SIGNATURE

1/3/05
DATE