

ORIGINAL



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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

Date: October 21, 2005

RE: STAFF REPORT FOR PALO VERDE UTILITIES COMPANY, L.L.C. AND
SANTA CRUZ WATER COMPANY, L.L.C. - APPLICATION FOR
EXTENSION OF CERTIFICATES OF CONVENIENCE AND NECESSITY
FOR WASTEWATER AND WATER SERVICES (DOCKET NOS. SW-
03575A-05-0307 AND W-03576A-05-0307)

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Attached is the Staff Report for Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. application for extension of their existing Certificates of Convenience and Necessity for wastewater and water services. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

Attachment: Original and 13 Copies

Service List for: Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C.
Docket Nos. SW-03575A-05-0307 and W-03576A-05-0307

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

PALO VERDE UTILITIES COMPANY, L.L.C.
AND
SANTA CRUZ WATER COMPANY, L.L.C.

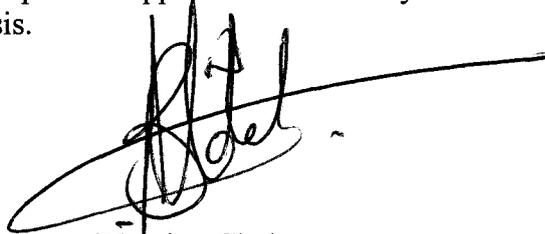
DOCKET NOS. SW-03575A-05-0307
AND
W-03576A-05-0307

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATES OF
CONVENIENCE AND NECESSITY

OCTOBER 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. (Docket Nos. SW-03575A-05-0307 and W-03576A-05-0307) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Companies' application. Dorothy Hains 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 III

A handwritten signature in black ink, appearing to read 'Dorothy Hains'.

Dorothy Hains
Utilities Engineer

EXECUTIVE SUMMARY
PALO VERDE UTILITIES COMPANY, L.L.C. AND
SANTA CRUZ WATER COMPANY, L.L.C.
DOCKET NOS. SW-03575A-05-0307 and W-03576A-05-0307

On April 26, 2005, Palo Verde Utilities Company, L.L.C. ("Palo Verde" or "Wastewater Company") and Santa Cruz Water Company, L.L.C. ("Santa Cruz" or "Water Company") collectively referred to as ("The Utilities") jointly filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of their respective Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water services in portions of Pinal County, Arizona. On August 19, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of Arizona Administrative Code. The Sufficiency Letter was replaced with an Amended Sufficiency Letter on August 22, 2005.

Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs"), in good standing, and engaged in providing wastewater utility service to over 8,000 customers and water utility service to over 8,100 customers, respectively, in portions of Pinal County, Arizona.

By this application, the Utilities are seeking Commission authority to extend their service territory to include approximately 12.5 square miles. The proposed extension area is to be developed into several master planned communities comprised of over 28,700 lots.

Based on the present facilities and the proposed systems, Staff believes both Palo Verde and Santa Cruz will have adequate production and treatment capacities to serve the requested area. The Utilities are in compliance with the Commission and the Arizona Department of Water Resources. Santa Cruz is in compliance with the Arizona Department of Environmental Quality, whereas, a recent status report from the Arizona Department of Environmental Quality indicated that Palo Verde had "numerous exceedence violations."

Staff recommends the Commission approve the application jointly filed by Palo Verde and Santa Cruz for an extension of their respective CC&N within portions of Pinal County, Arizona, to provide wastewater and water services, subject to compliance with the following conditions:

1. To require Santa Cruz to charge its authorized rates and charges in the extension area.
2. To require Santa Cruz to file with Docket Control, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.
3. To require Santa Cruz to file a copy of the Arizona Department of Environmental Quality ("ADEQ") "Approval To Construct" ("ATC") for the proposed wells and its Production/Treatment Plant with Docket Control by December 31, 2006.

4. To require Santa Cruz to file a copy of the ADEQ "Approval of Construction" ("AOC") for the proposed system with Docket Control by December 31, 2007.
5. To require Santa Cruz to file with Docket Control a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.
6. To require Santa Cruz to file a copy of the amended Pinal County franchise agreement for the extension area, with Docket Control within 365 days of the decision in this matter.
7. To require that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.
8. To require Palo Verde to charge its authorized rates and charges in the extension area.
9. To require Palo Verde to file a copy of the AZPDES, APP issued by ADEQ and the ATC for the proposed sewer collection system with the Docket Control by December 31, 2006.
10. To require Palo Verde file a copy of the AOC for this proposed sewer collection system with the Docket Control by December 31, 2007.
11. To require Palo Verde to file a copy of the amended CAAG Section 208 Plan with Docket Control by December 31, 2006.
12. To require Palo Verde to file a copy of the amended Pinal County franchise agreement for the extension area, with Docket Control within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extensions to Palo Verde and Santa Cruz be considered null and void should Palo Verde and Santa Cruz fail to meet Condition Nos. 2, 3, 4, 5, 6, 9, 10, 11, and 12 listed above within the time specified.

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Introduction

On April 26, 2005, Palo Verde Utilities Company, L.L.C. ("Palo Verde" or "Wastewater Company") and Santa Cruz Water Company, L.L.C. ("Santa Cruz" or "Water Company") collectively referred to as ("The Utilities") jointly filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of their respective Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water services in portions of Pinal County, Arizona.

On May 24, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Utilities' application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C) and R14-2-602(B). A copy of the Insufficiency Letter was sent to the Utilities via U.S mail. In the letter, Staff listed the deficiencies to be cured for administrative purposes.

On July 21, 2005, and August 8, 2005, the Utilities provided additional documentation to support their relief requested.

On August 19, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C. The Sufficiency Letter was replaced with an Amended Sufficiency Letter on August 22, 2005, in order to correct an error in the date the Application was filed and the date on which additional documentations were received in support of the Application.

Background

Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs"), in good standing, and engaged in providing wastewater utility service to over 8,000 customers and water utility service to over 8,100 customers¹, respectively, in portions of Pinal County, Arizona. The original CC&Ns for the Utilities were granted by the Commission in Decision No. 61943 (September 17, 1999) as Arizona corporations. On October 6, 2003, the Commission issued Decision No. 66394 which approved the transfer of the CC&Ns from the corporations to the LLCs. The Utilities were granted extensions to their CC&Ns in Decision Nos. 66394 (October 6, 2003), 67240 (September 23, 2004), and 67830 (May 5, 2005).

The Utilities are wholly-owned subsidiaries of Global Water Resources, LLC ("GWR"). GWR is a utility holding company, formed as an LLC, and is engaged in the business of acquiring utility companies. To date, GWR owns three certificated utility companies in the State

¹ The number of customers includes the 387 Improvement District customers. The Utilities application to extend water and wastewater services to the 387 Improvement District was filed under Docket Nos. SW- 03575A-05-0470 and W-03576A-05-0470 and it is currently pending.

of Arizona including Palo Verde, Santa Cruz, and Cave Creek Water Company ("Cave Creek")² and acts as the Interim Manager for Sabrosa Water Company ("Sabrosa")³. Altogether, GWR's subsidiaries provide utility service to approximately 18,600 customers in Arizona.

A check of the compliance database by the Utilities Division Compliance Section indicated that there are no delinquencies for the Utilities.

The Extension Request

Palo Verde and Santa Cruz are currently certificated by the Commission to provide wastewater and water services to approximately a 17 square mile area within the corporate city limits of the City of Maricopa, in northwest Pinal County, Arizona. By this application, the Utilities are seeking Commission authority to extend their service territory to include approximately 12.5 square miles.⁴ The requested extension area includes approximately 8,230 acres and is located southwest of the existing CC&N area. The Company has identified the requested area as the "South West Service Area" and estimates that approximately 3,300 new customers will be located within this area within five years.

The proposed extension area is to be developed into several master planned communities comprised of over 28,700 lots.

Finance of Utility Facilities

The Utilities indicated in the application that they will finance the required utility facilities through a combination of shareholder equity and advances in aid of construction. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties are established by A.A.C. R14-2-406 and 606. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

² Global Water Resources, Inc. ("GWRINC") a wholly-owned subsidiary of GWR, formed to acquire the stock of utility companies that are structured as corporations, purchased Cave Creek on March 3, 2005. Currently, Cave Creek provides water utility service to approximately 2,401 customers in Arizona.

³Pursuant to ACC Decision Nos. 62572 and 63136, the Utilities Division vested with the authority to appoint GWR as interim manager of Sabrosa located in New River, Arizona, entered into an Interim Management Agreement with GWR on January 28, 2005. GWR took over the management of Sabrosa on January 31, 2005. Sabrosa provides water utility service to approximately 58 customers.

⁴ The requested extension area includes nine (9) separate parcels of land totaling approximately twelve and one-half square miles.

Palo Verde and Santa Cruz indicated in the application that they will provide the Commission with a copy of the executed developer line extension agreements as they become available.

Staff recommends that Santa Cruz file with Docket Control, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

The Water System

Santa Cruz operates a water system that consists of two drinking water wells (having a combined production rate of 2,950 gallons per minute ("GPM")), two storage tanks (having a combined capacity of 3,000,000 gallons), a booster pump station, two pressure tanks (having a combined capacity of 20,000 gallons) and one irrigation well. Santa Cruz has an existing customer base of approximately 8,100 customers. The Company currently experiences an average monthly growth rate of over 250 new connections. Santa Cruz's existing water system has adequate production capacity to serve its existing customer base. The requested area will not be served by the existing system. A new system will be installed to serve customers in the requested area.

Initially, the proposed system will include three wells, two 2.5 million gallon storage tanks, a pressure tank, a booster pump station and an on-site generator.⁵ These plant items, excluding the wells, will be located in Section 31 of Township 5 South, Range 3 East, along Miller Road. The three wells can produce a total of 2,000 GPM when in full production. If actual water use exceeds its estimates, Santa Cruz plans to convert more irrigation wells to domestic water wells and install a surface water treatment plant to treat Central Arizona Project ("CAP") water. Even though Santa Cruz does not plan to install a water treatment plant at this time, Staff would note that the ground water in this area is often high in nitrates, fluoride, and total dissolved solids and typically must be treated before the water can be safely used for potable purposes. Staff believes that the proposed system should have adequate production and storage capacity to serve the requested area for the next five years.

Staff recommends that Santa Cruz file a copy of the Arizona Department of Environmental Quality ("ADEQ") "Approval To Construct" ("ATC") for the proposed wells and its Production/Treatment Plant with Docket Control by December 31, 2006. Staff further recommends that Santa Cruz file a copy of the ADEQ "Approval of Construction" ("AOC") for the proposed system with Docket Control by December 31, 2007.

⁵ The wells are registered as Clayton & Son wells for irrigation use under DWR Nos. 55-612402, 55-612246 & 55-612247.

Arizona Department of Environmental Quality Compliance

The ADEQ regulates the Santa Cruz's existing water system under ADEQ Public Water System I.D. No. 11-131. Staff received a compliance status report from ADEQ dated September 8, 2005, in which ADEQ stated that it has determined that Santa Cruz is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

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. Santa Cruz is located in the Pinal AMA, as designated by ADWR. The goal of the Pinal AMA is to allow the development of non-irrigation water uses, extend the life of the agricultural economy for as long as feasible, and preserve water supplies for future non-agricultural uses. As a result, Santa Cruz is subject to the reporting and conservation rules of ADWR. ADWR has indicated that Santa Cruz is in compliance with the Pinal AMA requirements.

Staff recommends that Santa Cruz be required to file with Docket Control a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.

ACC Compliance

According to the Utilities Division Compliance Section, Santa Cruz has no outstanding ACC compliance issues.

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. Santa Cruz has indicated that it will use blending for its existing system to meet the new arsenic standard and is in the process of installing the plant needed to facilitate this solution. There are no arsenic results for the wells that will be used in the proposed system. If these wells produce water with arsenic concentrations that exceed the new standard then a treatment solution will be required in connection with ADEQ's review of these new sources.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

Santa Cruz has an approved curtailment tariff that was filed in October 2003 and approved by Decision No. 66394. The tariff was subsequently amended by Decision No. 67830.

The Wastewater System

Palo Verde owns and operates an enclosed one million gallons per day ("MGD") sequential batch reactor treatment plant, sand filters, ultra violet disinfection units and an effluent reuse and/or surface water disposal system to serve its existing CC&N area. Palo Verde is in the process of expanding the plant's treatment capacity to 3 MGD (Phase II Expansion). The existing plant has adequate capacity to serve its existing customer base. The requested area will not be served by this existing system. A new system will be installed to serve customers in the requested area.

Palo Verde will install a new enclosed one MGD sequential batch reactor treatment plant to serve the requested area. This proposed plant will be located in Section 17 of Township 5 South, Range 3 East. Palo Verde estimates that wastewater generated in the requested area within five years will approximate 0.6 MGD. Staff concludes that the proposed plant will have adequate treatment capacity. Palo Verde has indicated that the proposed plant will dispose of treated effluent in such a manner that will require it to obtain a surface water discharge permit ("AZPDES") from ADEQ in addition to the Aquifer Protection Permit ("APP"). ADEQ has not issued either permit.

Staff recommends that Palo Verde file a copy of the AZPDES, APP issued by ADEQ and the ATC for the proposed sewer collection system with the Docket Control by December 31, 2006. Staff further recommends that Palo Verde file a copy of the AOC for this proposed sewer collection system with the Docket Control by December 31, 2007.

Clean Water Act Section 208 Plan

Pursuant to Section 208 of the Federal Water Pollution Control Act, the Central Arizona Association of Governments ("CAAG") is the designated water quality planning agency for the requested CC&N extension area. The CAAG has the authority to develop and approve general wastewater plans which include land development policies, service areas, objectives, principles, and standards for local growth and development.

Palo Verde filed its CAAG Section 208 Plan amendment application to include the requested area to CAAG in September 2005. An amended 208 plan is under CAAG review and approval.

Staff recommends that Palo Verde file a copy of the amended Section 208 Plan with Docket Control by December 31, 2006.

ADEQ Compliance

Staff received a compliance status report from ADEQ dated September 22, 2005 in which ADEQ stated that Palo Verde is in substantial compliance. According to the Report, Palo Verde had "numerous exceedence violations".

Staff recommends that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.

ACC Compliance

According to the Utilities Division Compliance Section, Palo Verde has no outstanding ACC compliance issues.

Proposed Rates

Palo Verde and Santa Cruz have proposed to provide utility services to the extension area under their respective authorized rates and charges.

County 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.

Palo Verde and Santa Cruz entered into franchise agreements with Pinal County at the time the City of Maricopa was unincorporated. According to the application, the extension area is not within the jurisdictional boundary of the City of Maricopa, however, it is within the planning area of the City of Maricopa. Since the extension area is in an unincorporated area of Pinal County, Staff recommends that Palo Verde and Santa Cruz be required to file a copy of the amended Pinal County franchise agreement pursuant to this application, with Docket Control within 365 days of the decision in this matter.

Recommendations

Water Service CC&N Extension

Staff recommends the Commission approve the Santa Cruz application for an extension of its CC&N within portions of Pinal County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require Santa Cruz to charge its authorized rates and charges in the extension area.

2. To require Santa Cruz to file with Docket Control, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.
3. To require Santa Cruz to file a copy of the Arizona Department of Environmental Quality ("ADEQ") "Approval To Construct" ("ATC") for the proposed wells and its Production/Treatment Plant with Docket Control by December 31, 2006.
4. To require Santa Cruz to file a copy of the ADEQ "Approval of Construction" ("AOC") for the proposed system with Docket Control by December 31, 2007.
5. To require Santa Cruz to file with Docket Control a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.
6. To require Santa Cruz to file a copy of the amended Pinal County franchise agreement for the extension area, with Docket Control within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Santa Cruz be considered null and void without further order from the Commission should Santa Cruz fail to meet Conditions Nos. 2, 3, 4, 5, and 6 listed above within the time specified.

Wastewater Service CC&N Extension

Staff recommends the Commission approve the Palo Verde application for an extension of its CC&N within portions of Pinal County, Arizona, to provide wastewater service, subject to compliance with the following conditions:

1. To require that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.
2. To require Palo Verde to charge its authorized rates and charges in the extension area.
3. To require Palo Verde to file a copy of the AZPDES, the ADEQ APP issued by ADEQ and the ATC for the proposed sewer collection system with the Docket Control by December 31, 2006.
4. To require Palo Verde file a copy of the AOC for this proposed sewer collection system with the Docket Control by December 31, 2007.

5. To require Palo Verde to file a copy of the amended CAAG Section 208 Plan with Docket Control by December 31, 2006.
6. To require Palo Verde to file a copy of the amended Pinal County franchise agreement for the extension area, with Docket Control within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Palo Verde be considered null and void without further order from the Commission should Palo Verde fail to meet the Conditions Nos. 3, 4, 5, and 6 listed above within the time specified.

MEMORANDUM

DATE October 13, 2005

TO: Blessing Chukwu

FROM: Dorothy Hains

RE: **Water & Wastewater CC&N Extension for Santa Cruz Water & Palo Verde Utilities, LLC**
Docket Nos. W-03576A-05-0307 & SW-03575A-05-0307

I. Introduction

Santa Cruz Water Co. ("Santa Cruz") and Palo Verde Utilities Co. ("Palo Verde") collectively referred to herein as "the Company", have submitted Certificate of Convenience and Necessity (CC&N) extension applications to provide water and wastewater services near the Town of Maricopa in northwest Pinal County. Santa Cruz and Palo Verde currently serve nearby areas that total approximately seventeen square miles. The requested extension area includes approximately twelve and one-half square miles and is located immediately southwest of the existing CC&N.¹ The Company has identified the requested area as the "South West Service Area" and estimates that 3,325 new customers will be located within this area within five years.

II. Water System

A. Existing Water System

Santa Cruz operates a water system that consists of two drinking water wells (having a combined production rate of 2,950 gallons per minute), two storage tanks (having a combined capacity of 3,000,000 gallons), a booster pump station, two pressure tanks (having a combined capacity of 20,000 gallons) and one irrigation well. Santa Cruz has an existing customer base of approximately 6,958 customers and experiences an average monthly growth rate of over 250 connections. The existing system has adequate capacity to serve its existing customer base. The requested area will not be served by the existing system. A new system will be installed to serve customers in the requested area.

¹ The requested extension area includes nine (9) separate parcels of land totaling approximately twelve and one-half square miles.

B. Proposed Water System

Initially, the proposed system will include three wells, two 2.5 million gallon storage tanks, pressure tank, booster pump station and an on-site generator.² These plant items, excluding the wells, will be located in Section 31 of Township 5 South, Range 3 East, along Miller Road. The three wells can produce a total of 2,000 GPM when in full production. If actual water use exceeds its estimates, Santa Cruz plans to convert more irrigation wells to domestic water wells and install a surface water treatment plant to treat Central Arizona Project water. Even though Santa Cruz does not plan to install a water treatment plant at this time, Staff would note that the ground water in this area is often high in nitrates, fluoride and total dissolved solids and typically must be treated before the water can be safely used for potable purposes. Staff believes that the proposed system should have adequate production and storage capacity to serve five year growth within the requested area. Staff recommends that Santa Cruz file a copy of the Arizona Department of Environmental Quality (“ADEQ”) “Approval To Construct” (“ATC”) for the proposed wells and its Production/Treatment Plant with Docket Control by December 31, 2006. Staff further recommends that Santa Cruz file a copy of the Approval of Construction (“AOC”) for the proposed system by December 31, 2007.

C. ADEQ Compliance Status

Staff received a compliance status report from ADEQ dated September 8, 2005, in which ADEQ stated that it has determined that Santa Cruz is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

D. Arizona Department of Water Resources (“ADWR”) Compliance Status

Santa Cruz is located in the Pinal Active Management Area (“AMA”), as designated by ADWR. ADWR has indicated that Santa Cruz is in compliance with the Pinal AMA requirements.

E. Arizona Corporation Commission (ACC) Compliance Status

According to the Utilities Division Compliance Section, Santa Cruz has no outstanding ACC compliance issues.

F. Arsenic

The U.S. Environmental Protection Agency (“EPA”) has reduced the arsenic maximum contaminant level (“MCL”) in drinking water from 50 micrograms per

² The wells are registered as Clayton & Son wells for irrigation use under DWR Nos. 55-612402, 55-612246 & 55-612247.

liter (“µg/l”) or parts per billion (“ppb”) to 10 µg/l. The date for compliance with the new MCL is January 23, 2006. The Company has indicated that it will use blending for its existing system to meet the new arsenic standard and is in the process of installing the plant needed to facilitate this solution. There are no arsenic results for the wells that will be used in the proposed system. If these wells produce water with arsenic concentrations that exceed the new standard, then a treatment solution will be required in connection with ADEQ’s review of these new sources.

G. Curtailment Tariff

Santa Cruz has an approved curtailment tariff that was filed in October 2003 and approved in Decision No. 66394. This tariff was subsequently amended by Decision No. 67830.

III. Wastewater System

A. Existing Wastewater System

Palo Verde owns and operates an enclosed one million gallon per day (“MGD”) sequential batch reactor treatment plant, sand filters, ultra violet disinfection units and an effluent reuse and/or surface water disposal system to serve its existing CC&N area. Palo Verde is in the process of expanding the plants treatment capacity to 3 MGD (Phase II Expansion). The existing system has adequate capacity to serve its existing customer base. The requested area will not be served by this existing system. A new system will be installed to serve customers in the requested area.

B. Proposed Wastewater System

Palo Verde will install a new enclosed one MGD sequential batch reactor treatment plant to serve the requested area. This proposed plant will be located in Section 17 of Township 5 South, Range 3 East. Palo Verde estimates that wastewater generated in the requested area within five years will approximate 0.6 MGD. Staff concludes that the proposed plant will have adequate treatment capacity. Palo Verde has indicated that the proposed plant will dispose of treated effluent in such a manner that will require it to obtain a surface water discharge permit (“AZPDES”) from ADEQ in addition to the Aquifer Protection Permit (“APP”). ADEQ has not issued either permit. Staff recommends that Palo Verde file a copy of the AZPDES, and APP issued by ADEQ and the ATC for the proposed sewer collection system with Docket Control by December 31, 2006. Staff further recommends that Palo Verde file a copy of the AOC for this proposed sewer collection system with the Docket Control by December 31, 2007.

C. Clean Water Act Section 208 Plan

Palo Verde filed its 208 amendment application to include the requested area to Central Arizona Association of Government ("CAAG") in September 2005. An amended 208 plan is under CAAG review and approval. Staff recommends that Palo Verde file a copy of the amended Section 208 Plan with Docket Control by December 31, 2006.

D. ADEQ Compliance

Staff received a compliance status report from ADEQ dated September 22, 2005 in which ADEQ stated that Palo Verde is in substantial compliance. According to the Report, Palo Verde had "numerous exceedence violations". Staff recommends that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.

E. ACC Compliance

According to the Utilities Division Compliance Section, Palo Verde has no outstanding ACC compliance issues.

Summary

I. Conclusions

1. Staff believes both Santa Cruz and Palo Verde will have adequate production and treatment capacities to serve the requested area.
2. Santa Cruz is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Santa Cruz is in compliance with the Pinal AMA requirements.
4. Santa Cruz and Palo Verde have no outstanding ACC compliance issues.
5. Santa Cruz has an approved curtailment tariff that was filed in October 2003 and approved in Decision No. 66394. This tariff was subsequently amended by Decision No. 67830.

II. Recommendations

1. Staff recommends that Santa Cruz file a copy of the ADEQ ATC for the proposed system with Docket Control by December 31, 2006. Staff further recommends that Santa Cruz file a copy of the AOC for the proposed system by December 31, 2007.

2. Staff recommends that Palo Verde file a copy of the AZPDES, and APP issued by ADEQ and the ATC for the proposed sewer collection system with Docket Control by December 31, 2006. Staff further recommends that Palo Verde file a copy of the AOC for this proposed sewer collection system with Docket Control by December 31, 2007.
3. Staff recommends that Palo Verde file a copy of the amended Section 208 Plan with Docket Control by December 31, 2006.
4. Staff recommends that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.
5. Staff recommends that the Company file with the Commission a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: June 3, 2005

RE: **SANTA CRUZ WATER COMPANY (DOCKET NO. W-03576A-05-0307)**
PALO VERDE UTILITIES COMPANY (DOCKET NO. SW-3575-05-307)

The area requested by Santa Cruz for an extension of water service and Palo Verde for an extension of sewer service has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached are copies of the maps for your files.

:bsw

Attachments

cc: Docket Control
Ms. Cindy Liles
Ms. Deb Person (Hand Carried)
File

**LEGAL DESCRIPTION FOR
SOUTHWEST AREA EXPANSION #1
SANTA CRUZ WATER COMPANY
&
PALO VERDE UTILITIES COMPANY**

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TOWNSHIP 5 SOUTH, RANGE 2 EAST, G&SRB&M, PINAL COUNTY,
ARIZONA

THE SOUTH HALF OF SECTION 11.

THAT PORTION OF THE NORTH HALF OF SECTION 16 DESCRIBED AS
FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID SECTION 16;
THENCE SOUTH ALONG THE EAST LINE OF SAID SECTION 16 A DISTANCE
OF 2642.89 FEET;
THENCE WEST A DISTANCE OF 1319.00 FEET;
THENCE NORTH A DISTANCE OF 678.00 FEET;
THENCE WEST A DISTANCE OF 614.70 FEET;
THENCE N 32°25' 59" W A DISTANCE OF 417.07 FEET;
THENCE N 68° 20' 28" W A DISTANCE OF 581.41 FEET;
THENCE N 18° 01' 03" W A DISTANCE OF 873.50 FEET;
THENCE S 86° 13' 51" W A DISTANCE OF 631.79 FEET;
THENCE N 42° 39' 04 " W A DISTANCE OF 828.22 FEET TO A POINT ON THE
NORTH LINE OF SAID SECTION 16;
THENCE EAST ALONG THE NORTH LINE OF SAID SECTION 16 A DISTANCE
OF 4159.50 FEET TO THE POINT OF BEGINNING.

THE NORTH HALF OF SECTION 17.

SECTION 21, EXCEPTING THEREFROM THAT PORTION THEREOF DESCRIBED
AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 21;
THENCE N 00° 09' E ALONG THE WEST LINE OF SAID SECTION 21 A
DISTANCE OF 2638.1 FEET TO THE WEST QUARTER CORNER OF SAID
SECTION 21;
THENCE S 89° 56' E ALONG THE NORTH LINE OF THE SOUTHWEST
QUARTER OF SAID SECTION 21 A DISTANCE OF 1402.3 FEET;
THENCE S 01° 46' W A DISTANCE OF 750.70 FEET;
THENCE S 13° 10' E A DISTANCE OF 556.8 FEET;
THENCE S 46° 47' E A DISTANCE OF 382.8 FEET;
THENCE S 53° 08' E TO A POINT ON THE EAST LINE OF SAID SOUTHWEST
QUARTER OF SECTION 21;
THENCE SOUTH ALONG SAID EAST LINE TO THE SOUTH QUARTER CORNER
OF SAID SECTION 21;
THENCE WEST ALONG THE SOUTH LINE OF SAID SECTION 21 TO THE TRUE
POINT OF BEGINNING.

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SECTION 22, EXCEPTING THEREFROM THE EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, AND THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER, AND THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER THEREOF; AND

EXCEPT A PARCEL OF LAND IN SECTION 22 DESCRIBED AS FOLLOWS: THAT PORTION OF SAID SECTION 22, EXCEPT THE SOUTH HALF OF THE SOUTH HALF OF THE SOUTHEAST QUARTER THEREOF THAT LIES WITHIN THE FOLLOWING DESCRIBED AREA;

BEGINNING AT A POINT IN THE SOUTH BOUNDARY OF SAID SECTION 22 THAT BEARS N 89° 52' 17" W 837.00 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 22;

THENCE N 89° 52' 17" W 180.00 FEET ALONG THE SAID SOUTH BOUNDARY;

THENCE N 00° 12' 06" W 1067.08 FEET;

THENCE N 07° 49' 20" W 344.78 FEET;

THENCE N 15° 26' 33" W 772.29 FEET;

THENCE N 07° 46' 42" E 2002.56 FEET;

THENCE N 34° 25' 06" E 1384.65 FEET TO THE NORTH BOUNDARY OF SAID SECTION 22;

THENCE S 89° 52' 15" E 217.86 FEET ALONG THE NORTH BOUNDARY TO A POINT THAT BEARS N 89° 52' 15" W 27.45 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 22;

THENCE S 34° 25' 06" W 1057.55 FEET;

THENCE S 21° 05' 54" W 792.54 FEET;

THENCE S 07° 46' 42" W 1203.44 FEET;

THENCE S 03° 49' 55" E 611.82 FEET;

THENCE S 15° 26' 33" E 621.02 FEET

THENCE S 00° 12' 06" E 1266.13 FEET TO THE POINT OF BEGINNING.

THE SOUTHEAST QUARTER OF SECTION 23.

THE EAST HALF OF SECTION 26, EXCEPT THE NORTH HALF OF THE NORTH HALF THEREOF; AND EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 26; THENCE N 00° 00' 35" E ALONG THE EAST LINE OF SAID SECTION 2383.90 FEET;

THENCE S 89° 39' 20" W 123.00 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING S 89° 39' 20" W 677.00 FEET;

THENCE N 01° 57' 00" W 72.22 FEET;

THENCE S 89° 35' 30" W 531.48 FEET;

THENCE N 00° 25' 00" W 440.50 FEET;

THENCE N 89° 35' 23" E 1214.23 FEET;

THENCE S 00° 00' 35" W 513.50 FEET TO THE POINT OF BEGINNING.

THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 27 DESCRIBED AS FOLLOWS; BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 27;

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THENCE N 89° 27' E ALONG THE NORTH LINE OF SAID SECTION 27 A
DISTANCE OF 1532.8 FEET;
THENCE S 10° 27' W A DISTANCE OF 982.1 FEET;
THENCE S 82° 38' W A DISTANCE OF 844.2 FEET;
THENCE N 85° 41' W A DISTANCE OF 512.7 FEET TO A POINT ON THE WEST
LINE OF SAID SECTION 27;
THENCE N 00° 21' W ALONG SAID WEST LINE A DISTANCE OF 1020.4 FEET
TO THE POINT OF BEGINNING.

THAT PORTION OF THE NORTH HALF OF THE NORTHEAST QUARTER OF
SECTION 28 DESCRIBED AS FOLLOWS; BEGINNING AT THE NORTHEAST
CORNER OF SAID SECTION 28;
THENCE S 00° 21' E ALONG THE EAST LINE OF SAID SECTION 28 A
DISTANCE OF 1020.4 FEET;
THENCE N 85° 41' W A DISTANCE OF 56.1 FEET;
THENCE N 78° 07' W A DISTANCE OF 613.3 FEET;
THENCE N 68° 21' W A DISTANCE OF 962.2 FEET;
THENCE N 72° 25' W A DISTANCE OF 568.6 FEET;
THENCE N 36° 19' W A DISTANCE OF 430.5 FEET TO A POINT ON THE NORTH
LINE OF SAID SECTION 28;
THENCE N 89° 34' E ALONG SAID NORTH LINE A DISTANCE OF 2340.1 FEET
TO THE POINT OF BEGINNING.

**TOWNSHIP 5 SOUTH, RANGE 3 EAST, G&SRB&M, PINAL COUNTY,
ARIZONA**

SECTION 17.

SECTION 18, EXCEPT THE EASTERLY 1015.75 FEET OF THE SOUTH 725.00
FEET OF THE SOUTHEAST QUARTER OF SAID SECTION 18.

THE EAST HALF OF SECTION 19, EXCEPT THAT PART DESCRIBED AS
FOLLOWS: BEGINNING AT A POINT, SAID POINT BEING THE NORTHWEST
CORNER OF SAID SECTION 19;
THENCE N 88° 36' E 4200.00 FEET TO A POINT;
THENCE S 01° 24' E 40 FEET TO A POINT, SAID POINT BEING THE POINT OF
BEGINNING;
THENCE S 33° 00' E 1505.00 FEET TO A POINT;
THENCE N 89° 30' E 300.00 FEET TO A POINT;
THENCE N 00° 30' W 1287.02 FEET TO A POINT;
THENCE S 88° 36' W 1108.34 FEET TO A POINT, SAID POINT BEING THE POINT
OF BEGINNING; AND EXCEPT THAT PART OF THE EAST HALF OF SAID
SECTION 19 DESCRIBED AS FOLLOWS; COMMENCING AT THE NORTH
QUARTER CORNER OF SAID SECTION 19;

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THENCE SOUTHERLY ALONG THE NORTH-SOUTH MIDSECTION LINE,
BEARING S 00° 02' 22" E A DISTANCE OF 2940.00 FEET TO THE TRUE POINT
OF BEGINNING;
THENCE EASTERLY BEARING N 89° 57' 38" E A DISTANCE OF 190.00 FEET TO
A POINT;
THENCE SOUTHERLY BEARING S 00° 02' 22" E A DISTANCE OF 300.00 FEET
TO A POINT;
THENCE WESTERLY BEARING S 89° 57' 38" W A DISTANCE OF 190.00 FEET
TO A POINT;
THENCE NORTHERLY ALONG SAID MIDSECTION LINE BEARING N 00° 02'
22" W A DISTANCE OF 300.00 FEET TO THE POINT OF BEGINNING.

SECTION 20, EXCEPT THE SOUTHWEST QUARTER THEREOF.

THE NORTHWEST QUARTER OF SECTION 21.

SECTION 28.

SECTION 29.

THE SOUTHWEST QUARTER OF SECTION 31, TOGETHER WITH THE NORTH
HALF OF THE NORTHWEST QUARTER THEREOF.

**TOWNSHIP 6 SOUTH, RANGE 2 EAST, G&SRB&M, PINAL COUNTY,
ARIZONA**

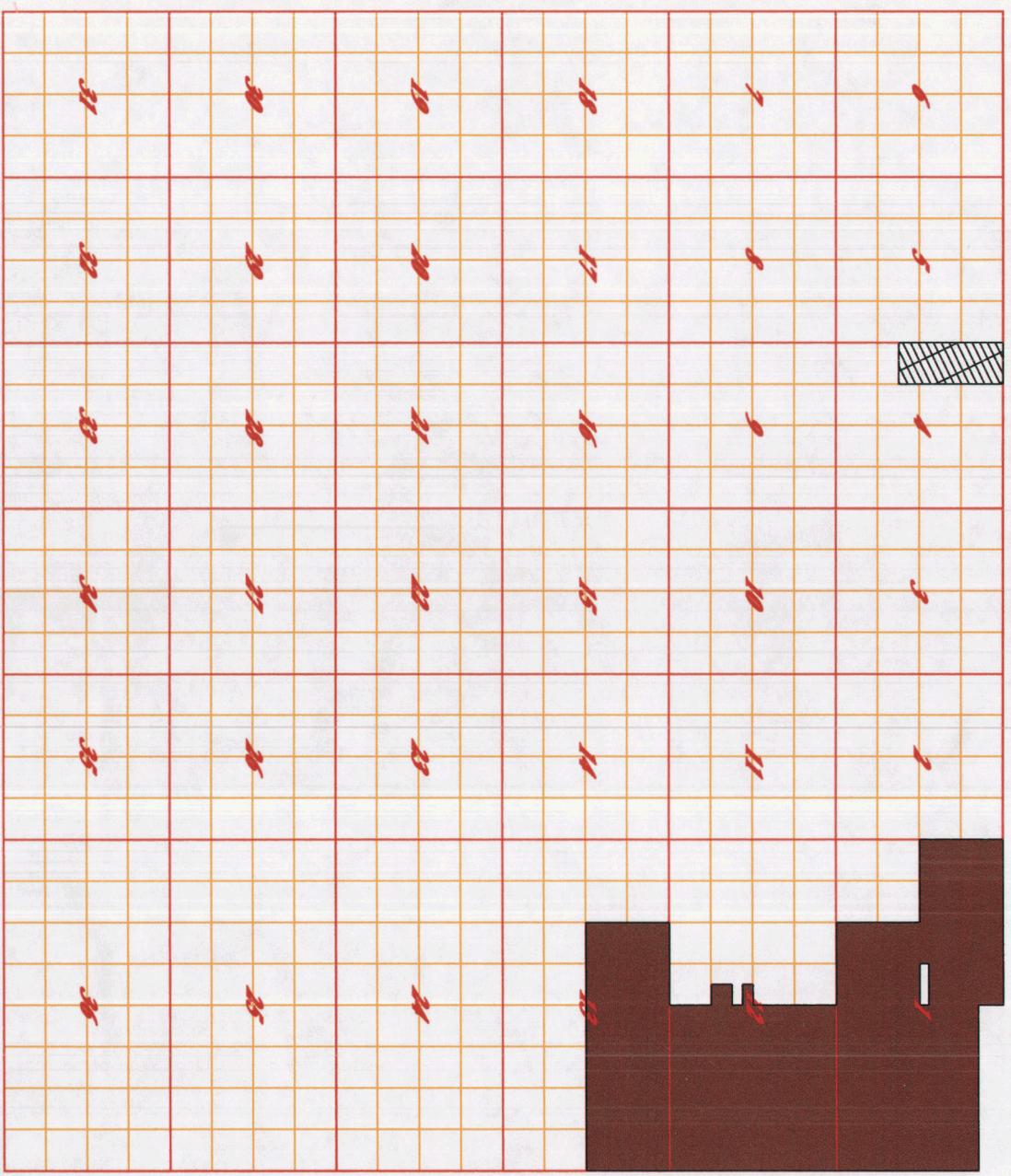
SECTION 1, EXCEPT THE SOUTHWEST QUARTER THEREOF, AND EXCEPT
THE SOUTH 285 FEET OF GOVERNMENT LOT 6.

THAT PORTION OF SECTION 12 DESCRIBED AS FOLLOWS; GOVERNMENT
LOTS 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 16, THE NORTH HALF OF THE
NORTHEAST QUARTER OF GOVERNMENT 17, THE SOUTHEAST QUARTER OF
GOVERNMENT LOT 17, 21, 22, 23, AND 24.

THAT PORTION OF SECTION 13 DESCRIBED AS FOLLOWS; GOVERNMENT
LOTS 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, AND 12, EXCEPT THAT PORTION OF THE
SANTA ROSA CANAL LYING WITHIN SAID GOVERNMENT LOTS 4, 5, 9, AND
10.

COUNTY: Pinal

RANGE 2 East



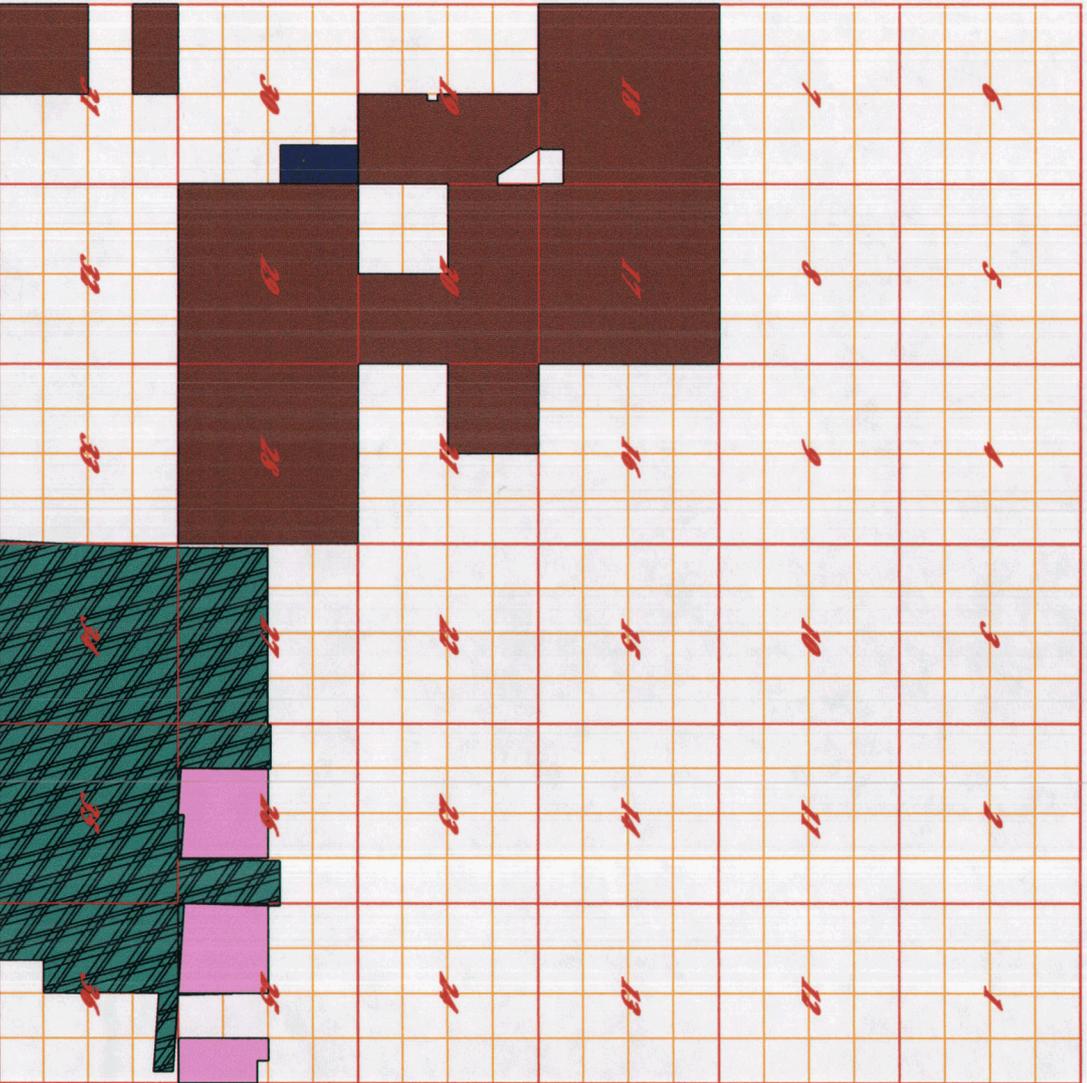
TOWNSHIP 6 South

 W-2258 (1)
 Hacienda Acres Water System

 Santa Cruz Water Company
 Docket No. W-3576-05-307
 Palo Verde Utilities Company
 Docket No. SW-3575-05-307
 Application for Extension

COUNTY: Pinal

RANGE 3 East

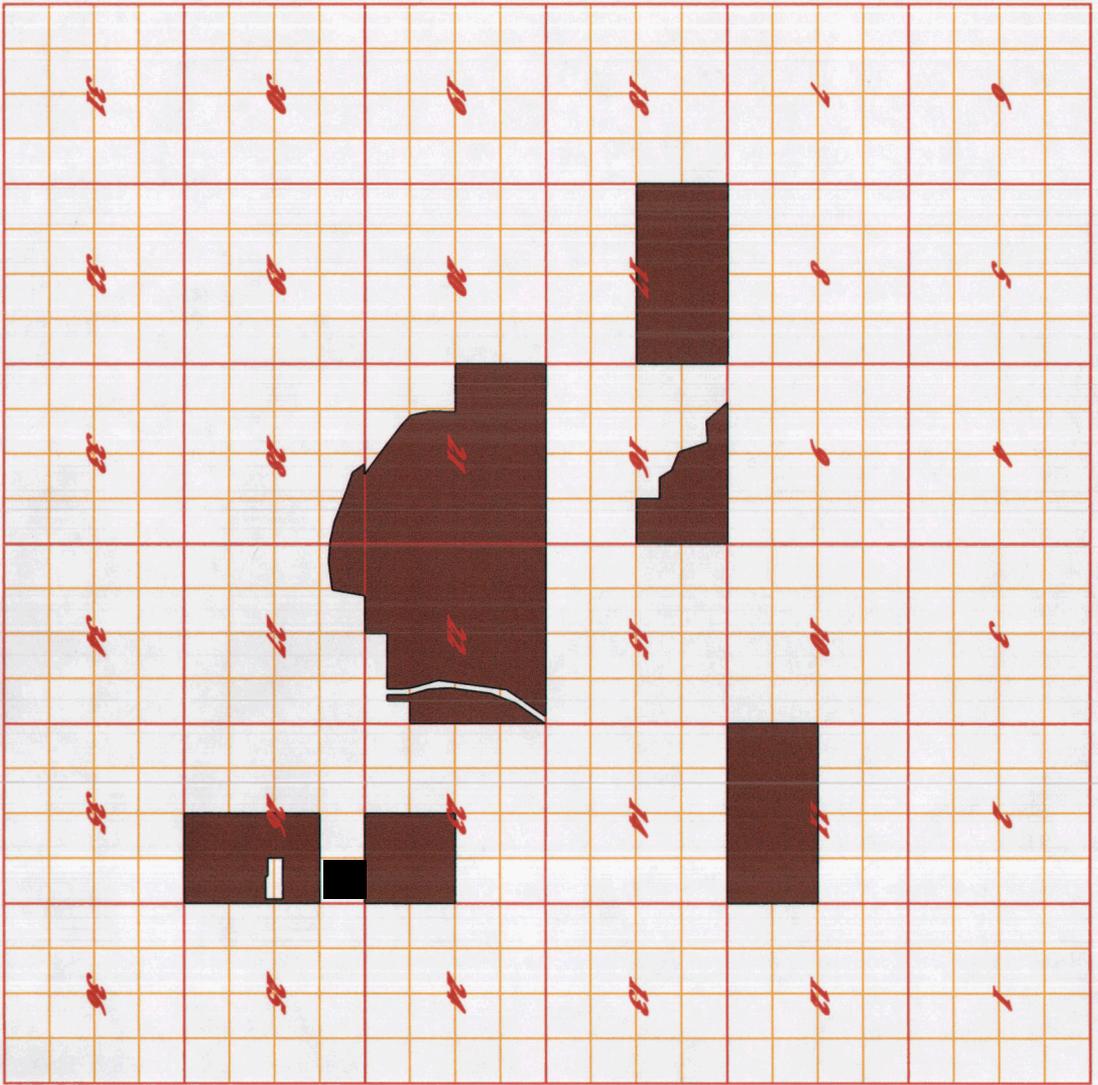


TOWNSHIP 5 South

-  W-4137 (2)
Santa Rosa Water Company
-  Sewer
SW-4136 (2)
Santa Rosa Utility Company
-  W-4195 (1)
The Ranches at Maricopa Homeowners Association
Adjudicated 'Not a Public Service Corporation'
-  Santa Rosa Water Company
Docket No. W-4137-05-286
Application for Extension
-  Santa Rosa Utility Company
Docket No. SW-4136-05-287
Application for Extension
-  Santa Cruz Water Company
Docket No. W-3576-05-307
Palo Verde Utilities Company
Docket No. SW-3575-05-307
Application for Extension

COUNTY: Pinal

RANGE 2 East



TOWNSHIP 5 South

 Santa Cruz Water Company
Docket No. W-3576-05-307
Palo Verde Utilities Company
Docket No. SW-3575-05-307
Application for Extension