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MEMORANDUM

TO: Docket Control
Arizona Corporation Commission

FROM: Deborah R. Scott
Director
JRS Utilities Division

Date: June 19, 2001

RE: LAGO DEL ORO WATER COMPANY (DOCKET NO. W-01944A-01-0400) – APPLICATION FOR APPROVAL OF AN EXTENSION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY PINAL COUNTY, ARIZONA.

Attached is the Staff Report for the above referenced applications. Staff is recommending approval of the application following a hearing.

Originator: Jim Fisher

Attachment: Original and Eleven Copies

Arizona Corporation Commission
DOCKETED

JUN 20 2001

DOCKETED BY *JRS*

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

LAGO DEL ORO WATER COMPANY – APPLICATION FOR APPROVAL OF AN
EXTENSION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY
PINAL COUNTY, ARIZONA.

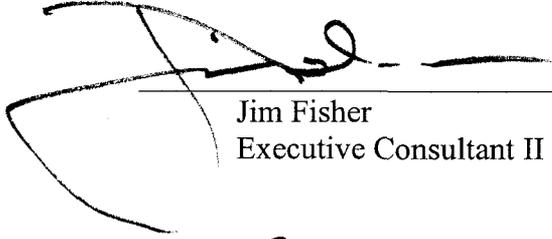
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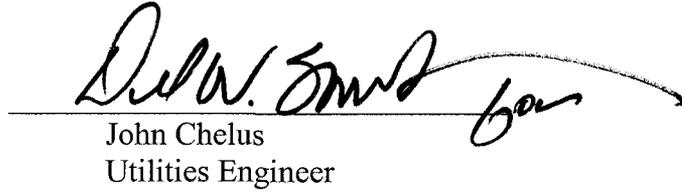
STAFF ACKNOWLEDGEMENT

The Staff members designated below contributed elements of this Staff Report.

Contributing Staff:



Jim Fisher
Executive Consultant II



John Chelus
Utilities Engineer

Introduction

On May 10, 2001 Lago Del Oro Water Company (LDO) filed an application for an extension to its existing water Certificate of Convenience and Necessity (CC&N). On May 23, 2001, Staff deemed the application sufficient.

The Company is seeking Commission authorization to extend their current CC&N into two contiguous parcels in which an affiliated company intends to develop 770 additional residential units in the SaddleBrooke Development.

Background and Staff Analysis

LDO holds a Certificate issued by the Commission to provide water service in portions of Pinal County, Arizona. The Company provides service to approximately 3,000 customers to the age restricted master planned community of SaddleBrooke, approximately 25 miles north of Tucson.

SaddleBrooke Development Company is the developer of the SaddleBrooke community. The developer is to construct an additional 770 residential units in parts of Sections 33 and 34, T10S, R14E, G&SRB&M, Pinal County, Arizona. LDO seeks to extend their CC&N to include this additional area of the community.

LDO currently retains a CC&N over all or parts of ten (10) sections covering the SaddleBrooke community, which is expected to serve 4,850 customers at build out. The Company also serves 1,400 customers in the town of Catalina. LDO is current on all applicable taxes and in compliance with related Commission Decisions.

Engineering review

Lago Del Oro is in compliance with the Arizona Department of Environmental Quality (ADEQ) and Arizona Department of Water Resources (ADWR) regulations.

Staff analysis demonstrates LDO's existing systems have adequate storage and production capacity to serve the its existing customers and the 770 additional customers that are anticipated in the new area. Therefore, the system appears adequate.

The Arizona Department of Environmental Quality has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Recommendations:

Staff recommends that the Commission grant approval of Lago Del Oro Water Company's application to extend the Certificate of Convenience and Necessity consistent with the legal description provided.

Staff further recommends that Lago Del Oro Water Company be ordered to charge its existing rates and charges in the extension area.

Staff further recommends the Commission require Lago Del Oro Water Company to file the associated Arizona Department of Environmental Quality Certificates of Approval to Construct for the subject facilities.

Staff further recommends the Commission require Lago Del Oro Water Company to file the associated City and County franchise Agreements within 365 days of the effective date of the ACC Decision on this application.

EXHIBIT B

LEGAL DESCRIPTION

SADDLEBROOKE PHASE 3
ADDITIONAL STATE LAND (296.29 ACRES)

November 22, 2000

Those parcels of land in Sections 33 and 34, Township 10 South, Range 14 East, Gila & Salt River Base & Meridian, in an unincorporated area of the County of Pinal, State of Arizona, described as follows:

PARCEL 1

A parcel of land in the Southwest quarter of said Section 34, described as follows:

BEGINNING at the Northwest corner of said Southwest quarter;

THENCE Easterly along the Northerly line of said Southwest quarter South $89^{\circ}08'17''$, East a distance of 681.01 feet to the Westerly line of land described in State of Arizona Commercial Lease Permit No. 03-98637'

THENCE Southerly along said Westerly line and the Southerly prolongation thereof South $01^{\circ}03'27''$ West a distance of 2,653.78 feet to South line of Section 34;

THENCE Westerly along the Southerly line of said Southwest quarter North $88^{\circ}21'55''$ West a distance of 680.12 feet to the Westerly line of said Southwest quarter;

THENCE Northerly along said Westerly line of the Southwest quarter North $01^{\circ}02'15''$ East a distance of 2,644.60 feet to the Point of Beginning.

PARCEL 2

A parcel of land in the Southeast quarter of said Section 33, described as follows:

BEGINNING at the Northeast corner of said Southeast quarter;

THENCE Southerly along the Easterly line of said Southeast quarter South $01^{\circ}02'15''$ West a distance of 2,644.60 feet to the South line of said Section 33;

THENCE along the Southerly line of said Southeast quarter North $89^{\circ}41'37''$ West a distance of 2,668.97 feet to the Southwest corner of said Southeast quarter;

THENCE Northerly along said Westerly line North $01^{\circ}15'42''$ East a distance of 2,655.86 feet to the Northwest corner of said Southeast quarter;

THENCE Easterly along the Northerly line of said Southeast quarter South $89^{\circ}27'15''$ East a distance of 2,658.46 feet to the Point of Beginning.

LEGAL DESCRIPTION

SADDLEBROOKE PHASE 3
ADDITIONAL STATE LAND (296.29 ACRES) (Cont.)

November 22, 2000

PARCEL 3

A parcel of land in the West half of said Section 33, described as follows:

BEGINNING at the Center of said Section 33;

THENCE Southerly along the Easterly line of said West half South 01°15'42" West a distance of 2,655.86 feet to South line of Section 33;

THENCE Westerly along the Southerly line of said West half North 89°30'16" West a distance of 1,992.67 feet;

THENCE Northeasterly along the following courses, being the approximate center of the Twenty-Seven Wash;

North 52°02'38" East a distance of 422.02 feet;

North 19°34'32" East a distance of 713.30 feet;

North 07°14'43" West a distance of 374.16 feet;

North 27°35'26" East a distance of 693.86 feet;

North 25°02'25" East a distance of 804.03 feet;

North 44°33'25" East a distance of 1,261.13 feet to said Easterly line of the West half;

THENCE Southerly along said Easterly line South 01°15'42" West a distance of 907.08 feet to the Point of Beginning.

All of the above-described Additional State Land parcels combined contain 296.29 acres, more or less.

