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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

FROM: Deborah R. Scott
for Director
Utilities Division

Date: July 11, 2001

RE: SUN VALLEY UTILITIES, INC. (DOCKET NO. W-01698A-01-0323)
APPLICATION FOR APPROVAL OF AN EXTENSION OF THE
CERTIFICATE OF CONVENIENCE AND NECESSITY.

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
JUL 16 2001

DOCKETED BY

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

SUN VALLEY UTILITIES, INC.- APPLICATION FOR APPROVAL OF AN
EXTENSION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY.

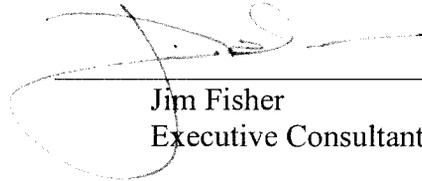
DOCKET NO. W-01698A-01-0323

JULY 2001

STAFF ACKNOWLEDGEMENT

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

Contributing Staff:



Jim Fisher
Executive Consultant II



Lyndon Hammon
Utilities Engineer

Introduction

On April 16, 2001, Sun Valley Utilities, Inc., ("Sun Valley") filed with the Arizona Corporation Commission ("ACC") an application for an extension of their certificate of convenience and necessity ("CC&N") to provide water service in portions of Navajo, County, Arizona.

Background

Sun Valley provides service to 79 customers in Navajo, County. By this application Sun Valley seeks to extend their certificated area to include the Holbrook Truck Plaza, a customer location the company has been serving since 1974.

The company is specifically seeking an extension into Section 11, Township 18, North Range 21 East. This area is near the Interstate 40 and Route 77 interchange, location of the Holbrook Truck Plaza. The area is approximately one mile from the current Sun Valley certificated service territory.

On April 30, 2001, Sun Valley received a non-exclusive franchise from the Navajo County Board of Supervisors, which includes the extension area.

All property taxes have been paid in full and in a timely manner.

Capacity

The CC&N extension would add a demand of about 20,000 gallons per month. This would leave capacity for the Company to add about 50 residential customers to its present service base of 79 customers. The Company has experienced little or no growth in the past 5 years.

DEQ Compliance

DEQ reported total compliance with the state drinking water rules. DEQ certified that the water system is delivering water that does not exceed any maximum contaminant level and meets the water quality standards of the Safe Drinking Water Act.

Recommendations

Staff recommends that the Commission grant approval of Sun Valley Utilities, Inc.'s application to extend the Certificate of Convenience and Necessity consistent with this report.

Staff further recommends that Sun Valley Utilities, Inc. be ordered to charge its existing rates and charges in the extension area.