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**Transcript Exhibit(s)**

**Docket #(s):** W-D1979A-05-0045

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**Exhibit #:** S-1, S-2

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MEMORANDUM

LEGAL  
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TO: Docket Control  
FROM: Ernest G. Johnson  
Director  
Utilities Division

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Date: January 20, 2006

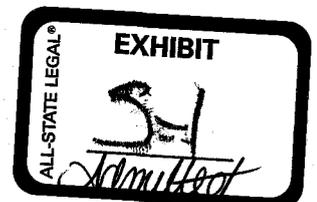
LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

RE: STAFF REPORT FOR SILVERWELL SERVICE CORPORATION DBA WATCO, INC. - APPLICATION FOR EXTENSION OF CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE (DOCKET NO. W-01979A-05-0645)

Attached is the Staff Report for Silverwell Service Corporation dba WATCO, Inc. application for extension of its existing Certificate of Convenience and Necessity for water service. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu



Service List for: Silverwell Service Corporation dba WATCO, Inc.  
Docket No. W-01979A-05-0645

Mr. Mark Grapp  
Silverwell Service Corporation dba WATCO, Inc.  
Post Office Box 1270  
Phoenix, Arizona 85902

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

SILVERWELL SERVICE CORPORATION DBA WATCO, INC.

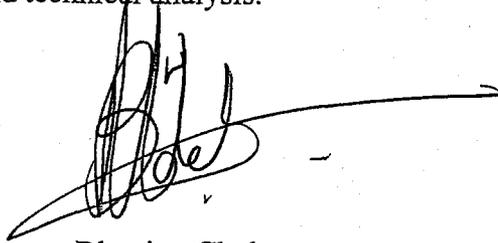
DOCKET NO. W-01979A-05-0645

APPLICATION FOR EXTENSION  
OF EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY

JANUARY 2006

## STAFF ACKNOWLEDGMENT

The Staff Report for Silverwell Service Corporation dba WATCO, Inc. (Docket No. W-01979A-05-0645) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Del Smith was responsible for the engineering and technical analysis.

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

Blessing Chukwu  
Executive Consultant

A handwritten signature in black ink, appearing to be 'Del Smith', with a long horizontal line extending to the right.

Del Smith  
Utilities Engineer Supervisor

**EXECUTIVE SUMMARY**  
**SILVERWELL SERVICE CORPORATION DBA WATCO, INC. APPLICATION FOR**  
**EXTENSION OF CERTIFICATE OF CONVENIENCE AND NECESSITY**  
**DOCKET NO. W-01979A-05-0645**

On September 6, 2005, Silverwell Service Corporation dba WATCO, Inc. ("WATCO" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Navajo County, Arizona. On December 2, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

WATCO is an Arizona Corporation, in good standing with the Commission's Corporation Division, and engaged in providing water service to approximately 290 customers in portions of Navajo County, Arizona. According to the Company's Annual Report for the year ending December 31, 2004, the Company reported an annual revenue of \$95,136, expenses of \$107,718, and a loss of \$12,582.

By this application, the Company is seeking Commission authority to add approximately 888 acres (or 1.35 square miles) to its existing 1.75 square miles of certificated area. WATCO's existing service area is located about 6 miles northeast of Show Low in Navajo County, in Sections 25 and 35, in Township 11 North, Range 22 East.

Based on Staff's review and analysis of the application, Staff believes that the proposed system will have adequate production and storage capacity to serve the proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future.

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

1. To require WATCO to charge its authorized rates and charges in the extension area.
2. To require WATCO to file for approval of the financing application associated with the proposed construction of a permanent interconnection between the Silver Lake Estates System and the Bourdon Ranch Estates System no later than six months of a decision in this docket.
3. To require WATCO to file with Docket Control, as a compliance item in this case, copies of the Arizona Department of Environmental Quality's Approval to Construct ("ATC") for the proposed new water system no later than one year of a decision in this docket.
4. To require WATCO to file with Docket Control, as a compliance item, a Notice of Filing indicating WATCO has submitted 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.

5. To require WATCO to file with Docket Control, as a compliance item, copies of the Developer's Adequate Water Supply letter, stating that there is adequate water, no later than six months of a decision in this docket.
6. To require WATCO to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Navajo County for the requested area within 365 days of the decision in this matter.
7. To require WATCO to file a rate case application by September 30, 2006, using a 2005 test year.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to WATCO be considered null and void, after due process, should WATCO fail to meet Conditions No. 2, 3, 4, 5, 6 and 7 listed above within the time specified.

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## Introduction

On September 6, 2005, Silverwell Service Corporation dba WATCO, Inc. ("WATCO" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Navajo County, Arizona.

On October 5, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On November 4, 2005, and November 30, 2005, the Company provided additional documentation to support its relief requested.

On December 2, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

## Background

WATCO is an Arizona Corporation, in good standing with the Commission's Corporation Division, and engaged in providing water service to approximately 290 customers in portions of Navajo County, Arizona. The Commission approved the original CC&N for WATCO in Decision No. 38013, issued on September 7, 1965, in Docket No. U-1979. WATCO was incorporated on March 21, 2003. The only shareholders of WATCO are Mr. Mark E. Grapp, Sr. (the President) and Mrs. Barbara Grapp (the Secretary and Treasurer). Mr. Grapp, also owns three other water systems, namely: Cedar Grove Water Company, Serviceberry Water Company, and A. Petersen Water Company, Inc. The systems are current on property taxes.

According to the Company's Annual Report for the year ending December 31, 2004, the Company reported an annual revenue of \$95,136, expenses of \$107,718, and a loss of \$12,582.

By this application, the Company is seeking Commission authority to add approximately 888 acres (or 1.35 square miles) to its existing 1.75 square miles of certificated area. The requested service area, which is described as the Shumway Road Improvement District<sup>1</sup> ("District"), is about 6 miles northwest of the existing service area in Sections 30 and 31, in Township 12 North, Range 22 East. WATCO's existing service area is located about 6 miles northeast of Show Low in Navajo County, in Sections 25 and 35, in Township 11 North, Range 22 East.

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<sup>1</sup> See legal description and map attached to the Application.

In a response to Staff's request on how water service would be provided to the requested service area the Company submitted an engineer's design report for the Canyon Vista Estates Subdivision. Canyon Vista Estates is a proposed 105 acre, fifty-six (56) lot residential development located within the District in Section 31. Canyon Vista Estates represents the initial phase of development within the District. The owners and developers of the District have requested that WATCO provide water service to the entire area contained within the District. The water system needed to serve Canyon Vista Estates will be designed in such a manner as to allow for its expansion to serve future phases of development within the District.<sup>2</sup> There are no other water providers serving areas contiguous to or in close proximity to the District.

### **The Water System**

WATCO has two water systems. The Silver Lake Estates System, which is assigned Public Water System ("PWS") No. 09-027, serves approximately 260 customers in Section 35, and the Bourdon Ranch Estates System, which is assigned PWS No. 09-049, serves approximately 30 customers in Section 25. Based on historical growth rates, it is anticipated that the existing service area would have approximately 315 total customers at the end of five years. WATCO's two water systems have in existence two wells with a total production capacity of 89 gallons per minute ("gpm"), 125,000 gallons of storage capacity, booster pumps, pressure tanks and distribution systems. A temporary line has been installed so that the two water systems can be interconnected when needed during peak water use periods. WATCO is in the process of obtaining a WIFA loan to finance the construction of a permanent line which will provide a permanent interconnection and replace the temporary line. Installation of the permanent interconnection will replace the need for additional well capacity in the Silver Lake Estates System. WATCO has informed Staff that it plans to file a financing application with the Commission for the required loan approval within six months. Staff recommends that WATCO be required to file for approval of the financing application associated with the proposed construction of a permanent interconnection between the Silver Lake Estates System and the Bourdon Ranch Estates System no later than six months of a decision in this docket.

Since the requested service area is several miles from the existing service area the requested service area will be served by its own well and storage tank. The Company has predicted 95 new connections for the proposed CC&N extension, at the end of five years.<sup>3</sup> The new system will consist of a well with a maximum production capacity of 200 gpm, a 120,000 gallon storage tank, booster pumps, pressure tank, fire flow and distribution system.<sup>4</sup> Staff estimates that this proposed system can serve approximately 170 connections.<sup>5</sup> Staff concludes that the proposed system will have adequate production and storage capacity to serve the existing

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<sup>2</sup> The proposed water system will provide water for both Canyon Vista Estates and a future subdivision called Cedar Mesa Ridge which will have fifty-four (54) lots.

<sup>3</sup> See Page 3 of Application.

<sup>4</sup> Per engineer's design report for the Canyon Vista Estates Subdivision.

<sup>5</sup> Capacity calculation based on an average daily water use during peak month of 350 gallons per service and a fire flow requirement of 1,000 gallons per minute for one hour.

and proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future.

In a response to Staff's request for a list of plant items and costs associated with providing water service within the requested service area, WATCO provided an engineer's construction estimate of \$501,772 to construct the water facilities needed to serve customers in the Canyon Vista Estates Subdivision. Staff having reviewed the list of plant items, unit costs, and quantities included in the \$501,772 concludes that this estimate is reasonable. While the cost estimate seem reasonable, no conclusions about the proposed plant should be inferred for rate-making purposes.

Staff recommends that WATCO file with Docket Control, as a compliance item in this case, copies of the Arizona Department of Environmental Quality's Approval to Construct ("ATC") for the proposed new water system no later than one year of a decision in this docket.

#### **Finance of Utility Facilities**

The Company indicated in the application that it will finance the required utility facilities through an Advance in aid of construction. Advances in aid of construction are often in the form of Main or Line Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water utilities and private parties are established by A.A.C. R14-2-406. 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.

Staff recommends that WATCO file with Docket Control, as a compliance item, a Notice of Filing indicating WATCO has submitted 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.

#### **Arizona Department of Environmental Quality ("ADEQ") Compliance**

ADEQ has determined that the two existing WATCO water systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.<sup>6</sup>

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<sup>6</sup> Based on ADEQ compliance status reports for the Silver Lake Estates System and the Bourdon Ranch Estates System dated 1-5-06.

### **Arizona Department of Water Resources ("ADWR") Compliance**

WATCO is not located in an Active Management Area ("AMA") and subsequently is not subject to reporting and conservation rules.

The Company has not yet received a copy of the Developer's Letter of Adequate Water Supply for the area being requested from ADWR. As such, Staff recommends that WATCO be ordered to file with Docket Control, as a compliance item, copies of the Developer's Adequate Water Supply letter, stating that there is adequate water, no later than six months of a decision in this docket.

### **ACC Compliance**

According to the Utilities Division Compliance Section, WATCO 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. The most recent lab analysis of the wells for the two existing water systems indicates that the arsenic levels are 3 and 4.6  $\mu\text{g}/\text{l}$ . Based on these arsenic concentrations, the Company is in compliance with the new arsenic MCL.

### **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.

WATCO has a curtailment tariff on file with the Utilities Division.

### **Proposed Rates**

WATCO is proposing to provide water service to the extension area using a different rates and charges tariff schedule. The proposed rates and charges for the extension area are higher than its authorized rates and charges for its existing CC&N area. WATCO has informed Staff that it plans to file with the Commission an application for a rate increase for its existing CC&N area within the next few months due to the net loss of \$12,582 it experienced in year 2004.

It is this Commission's normal procedure to require Companies' proposing to extend their CC&Ns to charge their tariffed or authorized rates and charges in the requested extension

areas. Since WATCO is planning to file for a rate increase, Staff believes that any requests for a rate increase and/or separate rates for the various WATCO water systems and/or divisions would be better addressed in a rate proceeding. As such, Staff recommends that WATCO be required to charge its authorized rates and charges in the extension area. Further, Staff recommends that WATCO be required to file a rate case application by September 30, 2006, using a 2005 test year.

### **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.

Staff recommends that WATCO file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Navajo County for the requested area within 365 days of the decision in this matter.

### **Recommendations**

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

1. To require WATCO to charge its authorized rates and charges in the extension area.
2. To require WATCO to file for approval of the financing application associated with the proposed construction of a permanent interconnection between the Silver Lake Estates System and the Bourdon Ranch Estates System no later than six months of a decision in this docket.
3. To require WATCO to file with Docket Control, as a compliance item in this case, copies of the Arizona Department of Environmental Quality's Approval to Construct ("ATC") for the proposed new water system no later than one year of a decision in this docket.
4. To require WATCO to file with Docket Control, as a compliance item, a Notice of Filing indicating WATCO has submitted 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.
5. To require WATCO to file with Docket Control, as a compliance item, copies of the Developer's Adequate Water Supply letter, stating that there is adequate water, no later than six months of a decision in this docket.

6. To require WATCO to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Navajo County for the requested area within 365 days of the decision in this matter.
7. To require WATCO to file a rate case application by September 30, 2006, using a 2005 test year.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to WATCO be considered null and void, after due process, should WATCO fail to meet Conditions No. 2, 3, 4, 5, 6 and 7 listed above within the time specified.

## MEMORANDUM

DATE: January 11, 2006

TO: Blessing Chukwu  
Executive Consultant III

FROM: Del W. Smith   
Utilities Engineer Supervisor

RE: Silverwell Service Corporation  
CC&N Extension – Water  
Docket No. W-01979A-05-0645

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### **Introduction**

Silverwell Service Corporation (dba "WATCO") has applied to extend its Certificate of Convenience and Necessity (CC&N). The requested service area will add approximately 888 acres (or 1.35 square miles) to its existing 1.75 square miles of certificated area. WATCO's existing service area is located about 6 miles northeast of Show Low in Navajo County in Sections 25 and 35 in Township 11 N, Range 22 East. The area being added, which is described as the Shumway Road Improvement District<sup>1</sup> (the "District"), is about 6 miles northwest of the current service area in Sections 30 and 31 in Township 12 N, Range 22 East.

In a response to Staff's request on how water service would be provided to the requested service area the Company submitted an engineer's design report for the Canyon Vista Estates Subdivision. Canyon Vista Estates is a proposed 105 acre fifty-six (56) lot residential development located within the District in Section 31. Canyon Vista Estates represents the initial phase of development within the District. The owners and developers of the District have requested that WATCO provide water service to the entire area contained within the District. The water system needed to serve Canyon Vista Estates will be designed in such a manner as to allow for its expansion to serve future phases of development within the District.<sup>2</sup> There are no other water providers serving areas contiguous to or in close proximity to the District.

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<sup>1</sup> See legal description and map attached to the Application.

<sup>2</sup> The proposed water system will provide water for both Canyon Vista Estates and a future subdivision called Cedar Mesa Ridge which will have fifty-four (54) lots.

## Capacity

WATCO currently consists of two water systems. Silver Lake Estates which is assigned Public Water System ("PWS") number 09-027 serves approximately 260 customers in section 35, and Bourdon Ranch Estates which is assigned PWS number 09-049 serves approximately 30 customers in section 25. Based on historical growth rates, it is anticipated that the existing service area would have approximately 315 total customers at the end of five years. WATCO's two systems have in existence two wells with a total production capacity of 89 gal/min, 125,000 gallons of storage capacity, booster pumps, pressure tanks and distribution systems. A temporary line has been installed so that the two systems can be interconnected when needed during peak water use periods. WATCO is in the process of obtaining a loan to finance the construction of a permanent line which will provide a permanent interconnection and replace the temporary line. Installation of the permanent interconnection will replace the need for additional well capacity in the Silver Lake Estates system. WATCO has informed Staff that it plans to file a financing application with the Commission for the required loan approval within six months. Staff recommends that WATCO be required to file for approval of the financing application associated with the proposed construction of a permanent interconnection between the Silver Lake and Bourdon Ranch systems no later than six months from a decision in this docket.

Since the requested service area is several miles from the existing service area the requested service area will be served by its own well and storage tank. The Company has predicted 95 new connections for the proposed CC&N extension, at the end of five years.<sup>3</sup> The new system will consist of a well with a maximum production capacity of 200 gallons per minute, a 120,000 gallon storage tank, booster pumps, pressure tank, fire flow and distribution system.<sup>4</sup> Staff estimates that this proposed system can serve approximately 170 connections.<sup>5</sup> Staff concludes that the proposed system will have adequate production and storage capacity to serve the proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future. Staff recommends that WATCO docket as a compliance item in this case no later than one year from a decision in this docket copies of the Arizona Department of Environmental Quality (ADEQ) Approval to Construct (ATC) for the proposed new water system.

## Construction Cost Estimate

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<sup>3</sup> See Page 3 of Application.

<sup>4</sup> Per engineer's design report for the Canyon Vista Estates Subdivision.

<sup>5</sup> Capacity calculation based on an average daily water use during peak month of 350 gallons per service and a fire flow requirement of 1000 gallons per minute for one hour.

In a response to Staff's request for a list of plant items and costs associated with providing water service within the requested service area WATCO provided an engineer's construction estimate of \$501,772 to construct the water facilities needed to serve customers in the Canyon Vista Estates Subdivision. Staff having reviewed the list of plant items, unit costs and quantities included in the \$501,772 concludes that this estimate is reasonable.

### **Adequate Water Supply**

The Company has not yet received a copy of the Developer's Letter of Adequate Water Supply for the area being requested from the Arizona Department of Water Resources ("ADWR"). Staff recommends that WATCO be ordered to file with Docket Control, as a compliance item, copies of the Developer's Adequate Water Supply letter, stating that there is adequate water, no later than six months from a decision in this docket.

### **ADEQ Compliance**

ADEQ has determined that both of the existing WATCO systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.<sup>6</sup>

### **Arizona Department of Water Resources Compliance**

WATCO is not located in an Active Management Area and subsequently is not subject to reporting and conservation rules.

### **Arizona Corporation Commission Compliance**

A check with the Utilities Division compliance Section showed no outstanding 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 ( $\mu\text{g}/\text{l}$ ) to 10  $\mu\text{g}/\text{l}$ . The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis of the wells for the two existing water

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<sup>6</sup> Based on ADEQ compliance status reports for the Silver Lake and Bourdon Ranch systems dated 1-5-06.

systems indicates that the arsenic levels are 3 and 4.6 µg/l. Based on these arsenic concentrations, the Company is in compliance with the new arsenic MCL.

### **Curtailment Tariff**

WATCO has a curtailment tariff on file with the Utilities Division.

### **Summary**

#### **Conclusions**

1. Staff concludes that the proposed system will have adequate production and storage capacity to serve the proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future.
2. Staff concludes that the construction cost estimate of \$501,772 to construct water facilities that will be needed to serve customers in the Canyon Vista Estates Subdivision is reasonable.
3. ADEQ has determined that both of the existing WATCO systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

#### **Recommendations**

1. Staff recommends that WATCO be required to file for approval of the financing application associated with the proposed construction of a permanent interconnection between the Silver Lake and Bourdon Ranch systems no later than six months from a decision in this docket.
2. Staff recommends that WATCO docket as a compliance item in this case no later than one year from a decision in this docket copies of the ADEQ ATC for the proposed new water system.
3. Staff recommends that WATCO be ordered to file with Docket Control, as a compliance item, copies of the Developer's Adequate Water Supply letter, stating that there is adequate water, no later than six months from a decision in this docket.

**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: October 13, 2005

RE: **WATCO (DOCKET NO. W-01979A-05-0645)**

The area requested by WATCO 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. Mark Grapp  
Ms. Deb Person (Hand Carried)  
File

# COUNTY OF Navajo

## RANGE 22 East

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

**TOWNSHIP 12 North**



W-1979 (2)

WATCO (Silver Well Service Corporation)  
 Docket No. W-01979A-05-0645  
 Application for Extension

PARCEL OF LAND SITUATED WITHIN SECTIONS 30 AND 31, TOWNSHIP 12 NORTH, RANGE 22 EAST THE GILA & SALT RIVER MERIDIAN, NAVAJO COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID SECTION 31;

- ENCE S 00°26'48" W, A DISTANCE OF 4390.29 FEET;
- ENCE S 83°18'57" W, A DISTANCE OF 277.69 FEET;
- ENCE S 86°59'55" W, A DISTANCE OF 184.18 FEET;
- ENCE S 88°20'03" W, A DISTANCE OF 308.05 FEET;
- ENCE N 64°08'01" W, A DISTANCE OF 25.26 FEET;
- ENCE N 48°48'03" W, A DISTANCE OF 279.24 FEET;
- ENCE N 60°40'53" W, A DISTANCE OF 118.51 FEET;
- ENCE N 50°21'58" W, A DISTANCE OF 538.48 FEET;
- ENCE N 57°34'03" W, A DISTANCE OF 78.35 FEET;
- ENCE N 79°18'24" W, A DISTANCE OF 161.94 FEET;
- ENCE N 51°47'30" W, A DISTANCE OF 203.39 FEET;
- ENCE N 67°00'41" W, A DISTANCE OF 88.19 FEET;
- ENCE N 56°04'54" W, A DISTANCE OF 336.04 FEET;
- ENCE N 53°22'58" W, A DISTANCE OF 128.16 FEET;
- ENCE N 50°19'16" W, A DISTANCE OF 199.60 FEET;
- ENCE N 67°55'56" W, A DISTANCE OF 82.51 FEET;
- ENCE N 82°58'31" W, A DISTANCE OF 146.45 FEET;
- ENCE N 80°22'29" W, A DISTANCE OF 358.43 FEET;
- ENCE S 77°47'12" W, A DISTANCE OF 162.81 FEET;
- ENCE S 36°52'12" W, A DISTANCE OF 99.89 FEET;
- ENCE S 56°48'42" W, A DISTANCE OF 130.88 FEET;
- ENCE S 23°02'22" W, A DISTANCE OF 207.32 FEET;
- ENCE N 89°49'27" W, A DISTANCE OF 3196.54 FEET;
- ENCE N 08°32'35" W, A DISTANCE OF 153.27 FEET;
- ENCE N 36°34'28" W, A DISTANCE OF 179.44 FEET;
- ENCE N 18°24'04" W, A DISTANCE OF 61.00 FEET;
- ENCE N 89°58'07" E, A DISTANCE OF 670.90 FEET;
- ENCE N 12°09'50" W, A DISTANCE OF 329.41 FEET;
- ENCE N 21°16'25" W, A DISTANCE OF 204.94 FEET;
- ENCE N 09°11'29" W, A DISTANCE OF 129.71 FEET;
- ENCE N 34°49'51" W, A DISTANCE OF 832.93 FEET;
- ENCE N 20°20'22" W, A DISTANCE OF 313.23 FEET;
- ENCE N 10°45'32" W, A DISTANCE OF 591.04 FEET;
- ENCE N 90°00'00" W, A DISTANCE OF 523.49 FEET;
- ENCE N 00°00'00" E, A DISTANCE OF 935.00 FEET;
- ENCE S 89°59'59" E, A DISTANCE OF 942.48 FEET;
- ENCE N 00°18'36" E, A DISTANCE OF 2007.48 FEET;
- ENCE N 65°58'59" W, A DISTANCE OF 437.40 FEET;
- ENCE S 03°53'54" E, A DISTANCE OF 466.15 FEET;

- THENCE N 13°33'39" W, A DISTANCE OF 275.01 FEET;
- THENCE N 00°21'04" E, A DISTANCE OF 179.44 FEET;
- THENCE N 15°22'16" E, A DISTANCE OF 130.17 FEET;
- THENCE N 09°50'55" E, A DISTANCE OF 20.19 FEET;
- THENCE S 78°45'07" E, A DISTANCE OF 394.47 FEET;
- THENCE S 69°28'56" E, A DISTANCE OF 46.25 FEET;
- THENCE N 00°28'26" W, A DISTANCE OF 466.13 FEET TO A NON-TANGENT CURVE, THROUGH A CENTRAL ANGLE OF 62°36'46" AND A RADIUS OF 473.04 FEET;
- THENCE ALONG SAID CURVE A DISTANCE OF 516.94 FEET TO A NON-TANGENT CURVE, THROUGH A CENTRAL ANGLE OF 56°48'51" AND A RADIUS OF 880.35 FEET;
- THENCE ALONG SAID CURVE A DISTANCE OF 881.88 FEET;
- THENCE N 22°10'40" E, A DISTANCE OF 70.09 FEET;
- THENCE N 06°27'10" E, A DISTANCE OF 129.06 FEET;
- THENCE N 64°03'18" E, A DISTANCE OF 60.77 FEET;
- THENCE N 20°22'53" E, A DISTANCE OF 83.55 FEET;
- THENCE N 11°51'27" E, A DISTANCE OF 232.66 FEET;
- THENCE N 06°22'16" E, A DISTANCE OF 66.02 FEET;
- THENCE N 90°00'00" E, A DISTANCE OF 1746.83 FEET;
- THENCE S 09°04'58" W, A DISTANCE OF 17.30 FEET;
- THENCE S 01°21'11" W, A DISTANCE OF 112.47 FEET;
- THENCE S 02°44'15" E, A DISTANCE OF 107.73 FEET;
- THENCE S 00°08'25" E, A DISTANCE OF 1064.57 FEET;
- THENCE S 49°31'55" E, A DISTANCE OF 232.40 FEET;
- THENCE S 69°18'42" E, A DISTANCE OF 64.31 FEET;
- THENCE S 87°46'18" E, A DISTANCE OF 185.31 FEET;
- THENCE S 85°14'39" E, A DISTANCE OF 52.76 FEET;
- THENCE N 88°21'00" E, A DISTANCE OF 224.25 FEET;
- THENCE S 88°09'38" E, A DISTANCE OF 407.67 FEET;
- THENCE N 84°12'48" E, A DISTANCE OF 60.69 FEET;
- THENCE S 77°41'54" E, A DISTANCE OF 43.21 FEET;
- THENCE S 63°39'13" E, A DISTANCE OF 228.62 FEET;
- THENCE S 16°54'41" W, A DISTANCE OF 120.04 FEET;
- THENCE S 01°56'09" W, A DISTANCE OF 284.26 FEET;
- THENCE S 00°53'05" E, A DISTANCE OF 637.28 FEET;
- THENCE S 06°30'11" E, A DISTANCE OF 149.76 FEET;
- THENCE S 89°34'45" E, A DISTANCE OF 2649.64 FEET;
- THENCE S 00°11'21" W, A DISTANCE OF 1295.83 FEET;
- THENCE N 89°13'27" E, A DISTANCE OF 1296.42 FEET TO THE POINT OF BEGINNING.

SAID PARCEL BEING 888.29 ACRES, MORE OR LESS AND, SUBJECT TO...

# WATCO

PO Box 1270 Show Low, AZ 85902

Phone 928-537-8739

LEGAL

Blessing Chukwu  
Arizona Corporation Commission  
1200 W Washington Street  
Phoenix, AZ 85007

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October 31, 2005

RE: WATCO- Application for Extension of Certificate of Convenience and Necessity  
Insufficiency Letter. Docket No. W-01979A-05-0645.

Dear Blessing,

This letter is in reference to the Insufficiency Letter dated October 5, 2005.

1. Please find enclosed a Proposed Water Rate Tariff Schedule for the proposed new service area.
2. Copy of Arizona Department of Environmental Quality Approval to Construct was addressed in the original CC&N Extension application, items to be late filed page, referenced as M.2. "ADEQ approval to construct facilities. Expected March 15, 2006" Items to be late filed page is included for reference.
3. Also on items to be late filed page. M.1. States "Franchise from Navajo County for area requested. Expected December 1, 2005." A copy of this application is enclosed for your reference.
4. ADWR Water supply. This is on the items to be late filed page as M.5. Expected April 1, 2006.
5. Wastewater information is included in the Design Report received from the Engineer and enclosed in the backup material.
6. ADEQ Compliance material is enclosed with a letter sent to Jim Puckett of ADEQ.
7. All of the information requested in #7 was to be addressed and included in the Design Report from the Engineer that is enclosed.

There was also a request received from Del Smith to include a cost breakdown of the plant. I have also included this in the package. The difference in estimated cost between \$501,772 and \$775,528 is \$273,756 due to cost of rock anticipated during construction trenching.

If there are any other questions please contact us at the above address.

Sincerely,



Mark Grapp

