

ORIGINAL



0000048027

MEMORANDUM

305M

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: April 20, 2006

RE: Arizona Water Company Docket No. W-01445A-05-0705

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 APR 20 P 3:06

RECEIVED

On March 22, 2006 Administrative Law Judge Amy Bjelland filed a Procedural Order in this docket. In the Procedural Order Staff was ordered to provide "additional information relating to the existence and legal status of the Beaver Creek Wastewater Improvement District, the advisability of implementation of a master meter system within an area certificated by the Commission, the existence of other such systems within Arizona that are certificated by the Commission". Staff was ordered to file this information no later than April 20, 2006.

The Beaver Creek Domestic Water Improvement District ("the District") is an existing Yavapai County Improvement District, formed by the Yavapai County Board of Supervisors on December 19, 2005. As such water service and rate setting within District boundaries will be governed by a District Board of Directors. Attachment A is a copy of the Yavapai County order establishing the Beaver Creek Domestic Water Improvement District. The District will own the water facilities beyond the master meter. Arizona Water Company ("Arizona Water" or "the Company") will not construct any facilities beyond the master meter and will have the District as its only customer. Any customer service related problems beyond the master meter would be addressed by the District. The District plans to have an independent contractor be responsible for handling administration, billing, customer contacts, etc. Attachment B is a copy of the Company's response to a recent Staff data request in this matter.

Based on this information Staff is now recommending that the Company's Certificate of Convenience and Necessity ("CC&N") not be extended to include the area to be served by the District. This area is referred to as Parcel One in Exhibit 1 attached to the Staff Report that was docketed in this matter on February 21, 2006. Arizona Water will only be acting as a wholesale provider of water to the Parcel One area, the Company will not be responsible for the water delivery facilities within Parcel One nor will the Company handle billing or interface with the end user customer as would normally be done within the CC&N. Staff believes that end user customers receiving water service within Parcel One will view the District as their provider of water service. Staff is not aware of the existence of other such systems within Arizona that have been certificated by the Commission. Therefore, Staff recommends that Arizona Water's request to extend its CC&N to include the area contained in Parcel One be denied. Staff further recommends that Arizona Water file amendments to its Rimrock System tariff that would provide for the type of master meter service Arizona Water plans to provide to the District. Staff

further recommends that the amended tariff be docketed as a compliance item for Staff's review and certification within 45 days of the effective date of the decision in this matter.

EGJ:DWS:tdp

Originator: Del Smith

Recorded at the Request of:

Board of Supervisors
Folder

When Recorded, Mail to:

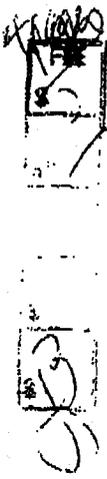
THIS IS A CONFORMED COPY OF INSTRUMENT
 RECORDED ON DATE 4/5/06 TIME 8:11
 IN BOOK 11381 PAGE 535
 ANA WAYMAN-TRUJILLO, RECORDER
 DEPUTY

ORDER OF ESTABLISHMENT
BEAVER CREEK DOMESTIC WATER IMPROVEMENT DISTRICT
DOCUMENT BEING RE-RECORDED TO CORRECT THE FIRST PARAGRAPH TO REFLECT
THE DISTRICT IS IN THE BEAVER CREEK PRESERVE AREA, NOT QUAIL CANYON

Ana Wayman-Trujillo Recorder
OFFICIAL RECORDS OF WAPAI COUNTY
BEVER CREEK DWID OR

B-4347 P-11
12/21/2005 08:22A
13.00 3956479

I-4347 P-11
Page: 1 of 4
OR 3956479



Beaver Creek Preserve

ORDER OF ESTABLISHMENT

BEAVER CREEK DOMESTIC WATER IMPROVEMENT DISTRICT

WHEREAS, petitions addressed to the Board of Supervisors requesting establishment of an improvement district pursuant to A.R.S. Title 48, Chapter 6, for the purpose of constructing and operating a domestic water system within the area known as ~~Quail Canyon~~ were filed with the Clerk of the Board of Supervisors on November 9, 2005, signed by all of the persons owning real property within the limits of the proposed district and containing documentation showing the persons who signed the petitions to be the owners of the real property; and,

WHEREAS, A.R.S. §48-905(C) provides that when a petition is signed by the owners of all of the real property in the proposed district and the petitioners provide a copy of a record search that shows the names of the owners of all the property in the proposed district the Board of Supervisors may summarily order the formation of the district and a hearing is not required; and

WHEREAS, this 19th day of December, 2005, is the date set for the establishment of said district; and,

WHEREAS, such establishment was duly noticed upon the agenda of the Board of Supervisors at this, the hour of 9:00 a.m., at the Board meeting room.

NOW, THEREFORE, the Board of Supervisors hereby **FINDS AND DETERMINES**:

1. That petitions signed by all of the persons owning real property within the limits of the proposed district were filed with the Board prior to this date of establishment.
2. It appears that the public convenience, necessity and welfare will be promoted by establishment of the proposed district, and that all of the properties included within the proposed boundaries of the district will be benefited by establishment of the district.

AND IT IS HEREBY ORDERED:

1. That the proposed improvement district is established pursuant to A.R.S.

This document is being re-recorded to correct the first paragraph to reflect the district is in the Beaver Creek Preserve area, not Quail Canyon.

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Page: 2 of 4
OR 3956479

Title 48, Chapter 6, with the boundaries set forth upon Exhibit A, including the area and shown by the Plat, Exhibit B, both attached hereto.

- 2. That the name of the district shall be the Beaver Creek Domestic Water Improvement District.
- 3. The following persons shall be appointed as the initial Board of Directors of the District:

Reginald Owens
 Dave Garrison
 Donald Head

- 4. That election dates shall be the first Tuesday after the first Monday in November of even-numbered years, commencing in November of 2008 for members of the District's Board of Directors; and for any other elections as prescribed by A.R.S. §16-225.

Dated and adopted this 19th day of December, 2005.

YAVAPAI COUNTY BOARD OF SUPERVISORS



 Chairman

Attest:

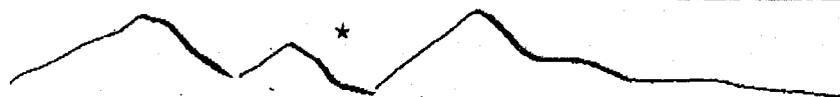


 Clerk

SEA

-4347 P-11
age: 3 of 4
R 3886479

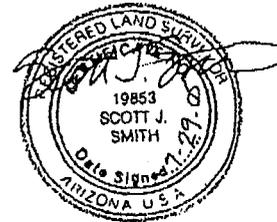
EXHIBIT A



TRUE NORTH SURVEYS, INC.

Job # 05018
SJS:es
July 28, 2005

America West Capital One
c/o Mr. Reginald Owens
140 Sin Salida
Sedona, AZ 86351



Re: LEGAL DESCRIPTION - BEAVER CREEK PRESERVE

A parcel of land located in the SE¼ of Section 26, T15N, R5E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at the SW corner of said SE¼; thence N00°15'49"W, a distance of 1047.23 feet to the southerly right-of-way of Interstate Highway 17; thence N54°38'56"E, along said right-of-way, a distance of 335.63 feet; thence N55°55'13"E, along said right-of-way, a distance of 49.66 feet; thence N54°42'15"E, along said right-of-way, a distance of 150.03 feet; thence S85°10'44"E, along the north line of the SW¼ SE¼ of said Section 26, a distance of 900.63 feet to the SW corner of the S¼ NE¼ SE¼ of said Section 26; thence N00°16'13"W, a distance of 709.28 feet to the NW corner of said S¼ NE¼ SE¼; thence S85°42'56"E, along the north line of said S¼ NE¼ SE¼, a distance of 1018.16 feet; thence S23°56'15"W, along the boundary of "Thunder Ridge Phase V", recorded in Book 52 Maps & Plats, Pages 27, 28 & 29, Yavapai County Records, a distance of 414.11 feet; thence S49°52'50"W, along said boundary, a distance of 292.91 feet; thence S31°19'38"E, along said boundary, a distance of 338.57 feet; thence S08°55'58"E, along said boundary, a distance of 226.69 feet; thence S82°57'02"E, along said boundary, a distance of 511.00 feet; thence S00°17'07"E, along the east line of the SE¼ of said Section 26, a distance of 1047.53 feet to the SE corner of said Section 26; thence N84°04'52"W, a distance of 2687.84 feet to the TRUE POINT OF BEGINNING.

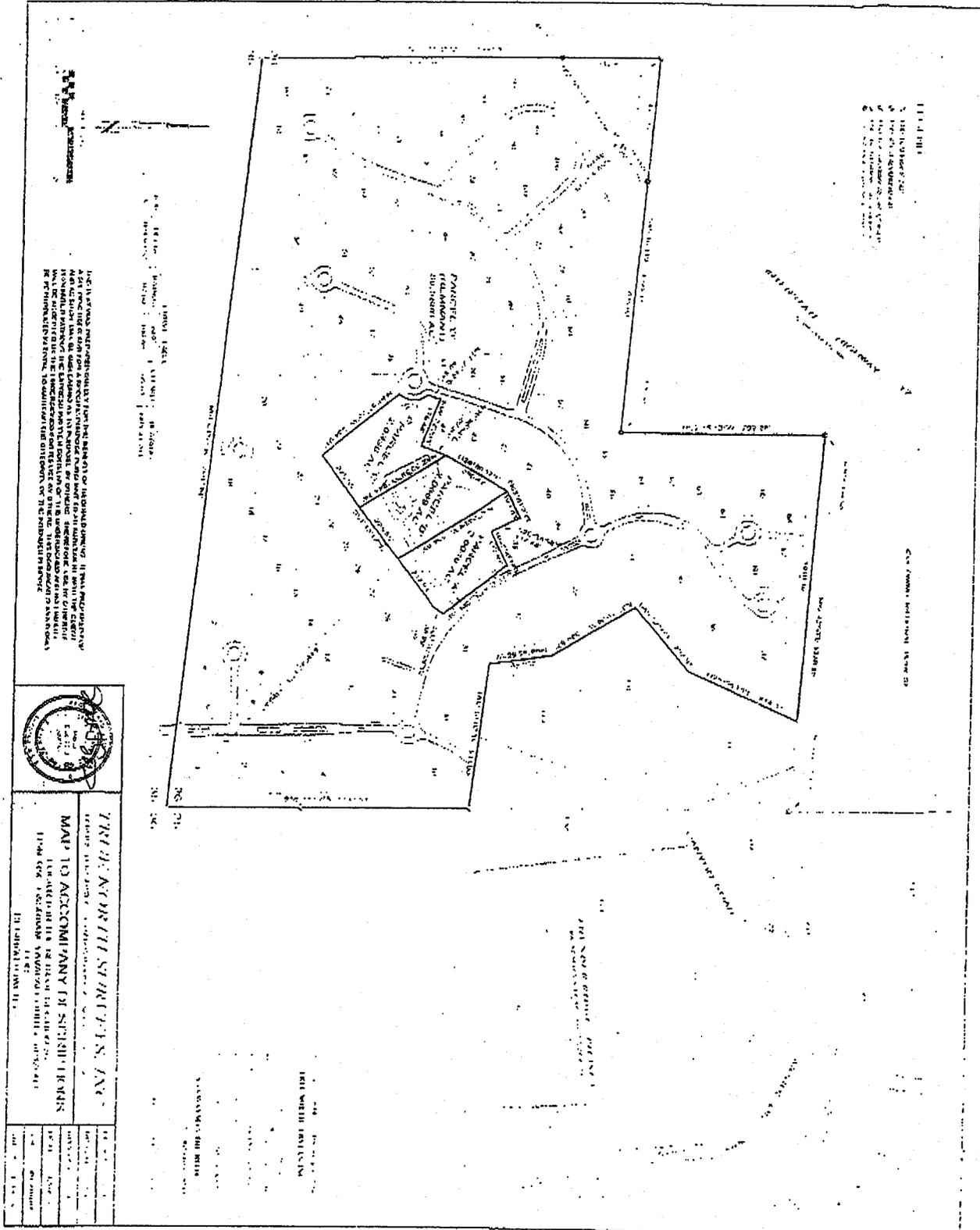
Parcel contains: 93.9549 Acres more or less

\\p1234\legals\05\05018.doc

EXHIBIT B

B-4347 P-11
Page: 4 of 4
3956479

RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION



TRIPLE NORTH SURVEY, INC.
 MAP TO ACCOMPANY DEED
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ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006
PHONE: (602) 240-6860 • FAX: (602) 240-6878 • WWW.AZWATER.COM

April 12, 2006

RECEIVED

APR 12 2006

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

RECEIVED

APR 12 2006

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

VIA HAND DELIVERY

Mr. David M. Ronald
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

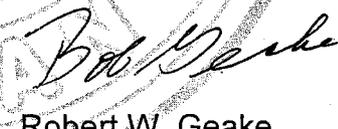
Re: Docket No. W-01445A-06-0705-Rimrock System

Dear Dave:

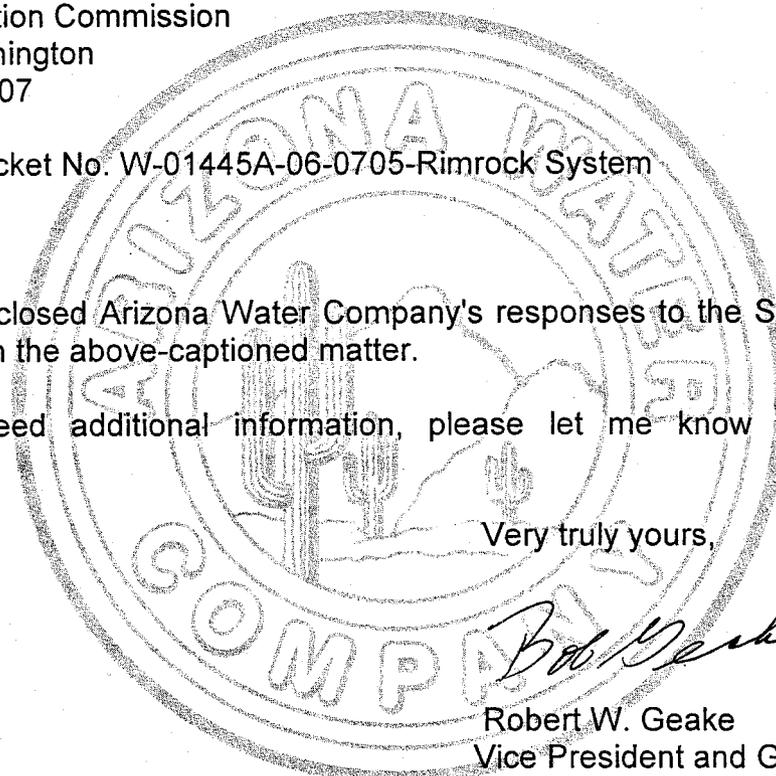
I have enclosed Arizona Water Company's responses to the Staff's First Set of Data Requests in the above-captioned matter.

If you need additional information, please let me know at your earliest convenience.

Very truly yours,



Robert W. Geake
Vice President and General Counsel



lar
Enclosures

PROUDLY SERVING ARIZONA FOR 50 YEARS • 1955 – 2005

E-MAIL: mail@azwater.com

FILE COPY

ARIZONA CORPORATION COMMISSION
ARIZONA WATER COMPANY RESPONSE TO
STAFF'S FIRST SET OF DATA REQUESTS
REGARDING THE APPLICATION TO EXTEND ITS EXISTING
CERTIFICATE OF CONVENIENCE AND NECESSITY
AT RIMROCK, YAVAPAI COUNTY, ARIZONA
DOCKET NO. W-01445A-05-0705
APRIL 12, 2006

Data Request LJ 1.1

Please provide a thorough description of the mastermeter arrangement for the proposed development in Parcel One.

Response to Data Request LJ 1.1

- 1.1 The cost to install the master meter will be included with the cost of installing the 12-inch pipeline. The master meter and pipeline will be funded through an agreement for extension of water facilities, under the terms of which the developer will advance the costs of construction to the Company.

Data Request LJ 1.2

List the reasons for this arrangement and why it was chosen over the traditional method of installing a meter at each residence.

Response to Data Request LJ 1.2

- 1.2 The master meter was chosen because:
1. The proposed roads within the subdivision will be very narrow private roads that have not been designed to accommodate a public utility water distribution system.
 2. The portion of the proposed development with the highest elevation contains seven of the subdivision's 101 lots. The Company's existing system pressure would provide these seven lots 30 psi of water pressure at the meter. The Company suggested that the developer construct a storage tank at a higher elevation to provide a minimum of 85 psi for the seven lots. However, the only logical higher elevated acreage lies within the adjoining Thunder Ridge subdivision which has no remaining unsold lots. Therefore a storage tank could not be considered. The developer chose to use a master water meter, install service lines and construct his own inline booster pump station which will provide the water pressure required.

ARIZONA CORPORATION COMMISSION
ARIZONA WATER COMPANY RESPONSE TO
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AT RIMROCK, YAVAPAI COUNTY, ARIZONA
DOCKET NO. W-01445A-05-0705
APRIL 12, 2006

3. The developer has designed his development based on using the master meter for water service. The developer's on-site water distribution system with the master meter and the property plat has been approved by Yavapai County and a legal Domestic Water Improvement District has been formed with an initial board of appointed directors. The 12-inch pipeline and master meter have also been approved by the Yavapai County Development Environmental Services Department (Certificate of Approval to Construct). An Agreement for Extension of Water Facilities has been entered into between the Company and the developer and ACC approval is pending.
4. The development is not the typical residential subdivision as Yavapai County approved it as a Planned Area Development project. The lots are not contiguous to each other. Each lot is an "island" surrounded by open space. It is a gated community with all the amenities, swimming pool, clubhouse, walking trails, ramadas and picnic areas. To date, 58 lot reservations have escrowed out of the 101 lots available and all lot purchasers have been informed in writing regarding the method being used to bring water to the project.

Data Request LJ 1.3

If a water district is to be formed to operate and maintain the system in the development, where in the process is its formation and when do you expect it to be formed?

Response to Data Request LJ 1.3

- 1.3. The Beaver Creek Domestic Water Improvement District is an existing Yavapai County Improvement District, formed by the Yavapai County Board of Supervisors on December 19, 2005. The District will be using Improvement District Services, Inc. of Prescott, Arizona to handle all billings, and other administrative matters, and Environmental Biomass Services, Inc. of Cottonwood, Arizona to handle the installation and reading of meters.

ARIZONA CORPORATION COMMISSION
ARIZONA WATER COMPANY RESPONSE TO
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AT RIMROCK, YAVAPAI COUNTY, ARIZONA
DOCKET NO. W-01445A-05-0705
APRIL 12, 2006

Data Request LJ 1.4

Explain why the developer, will not be a "public service corporation" and should not apply for a Certificate of Convenience and Necessity?

Response to Data Request LJ 1.4

- 1.4 The developer will not be a public service corporation under the contemplated master metering arrangement because the Company, not the developer, will be providing water service to the special district.

Data Request LJ 1.5

With whom would a customer file a complaint regarding low pressure or other service related problems?

Response to Data Request LJ 1.5

- 1.5 Service related problems should be referred to the District, as the District will own the water facilities beyond the master meter. The District plans to have an independent contractor, namely, Improvement District Services, Inc. be responsible for handling administration, billing, customer contacts, and so forth.

Data Request LJ 1.6

With whom would a customer file a complaint regarding low pressure or other service related problems?

Response to Data Request LJ 1.6

- 1.6 Same response as to 1.5, above.

ARIZONA CORPORATION COMMISSION
ARIZONA WATER COMPANY RESPONSE TO
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AT RIMROCK, YAVAPAI COUNTY, ARIZONA
DOCKET NO. W-01445A-05-0705
APRIL 12, 2006

Data Request LJ 1.7

Will the residents be customers of Arizona Water?

Response to Data Request LJ 1.7

1.7 The Company's only customer will be the District.

Data Request LJ 1.8

Will the residents receive a monthly bill or will the resident's water be included in a monthly association fee or a similar fee?

Response to Data Request LJ 1.8

1.8 The property owners will receive bills for water user fees from the District. The District has not decided if bills will be rendered monthly or on some other time interval.

Data Request LJ 1.9

Provide any written agreement or draft agreement between Arizona Water Company and the developer of Parcel One.

Response to Data Request LJ 1.9

1.9 See the attached Agreement for Extension of Water Facilities.

ARIZONA CORPORATION COMMISSION
ARIZONA WATER COMPANY RESPONSE TO
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REGARDING THE APPLICATION TO EXTEND ITS EXISTING
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AT RIMROCK, YAVAPAI COUNTY, ARIZONA
DOCKET NO. W-01445A-05-0705
APRIL 12, 2006

Data Request LJ 1.10

Provide copies of the approved tariff pages with the applicable services denoted that would apply for the mastermeter service Arizona Water plans to provide to the proposed development in Parcel One.

Response to Data Request LJ 1.10

- 1.10 The Company's General Service Tariff for the Rimrock system would apply to the master meter service to the development. A copy of this tariff is attached.



ARIZONA WATER COMPANY

**AGREEMENT FOR
EXTENSION OF
WATER FACILITIES**

CUSTOMER: Beaver Creek Preserve, Inc.
Name
55 Devils Kitchen Drive
Address
Sedona, AZ 86351
City and State Zip Code

Contract No. _____
W.A. No. _____

DATE OF AGREEMENT: 1/06/2006

DATE OF COST ESTIMATE: (Attachment "A"): January 6, 2006 WATER SYSTEM: Rimrock

WATER FACILITIES: Install a 12-inch offsite waterline and 6-inch compound service to serve the Beaver Creek Preserve as per drawing (Attachment "B").

REFUNDABLE ADVANCE IN AID OF CONSTRUCTION for:	<u>Install a 6-inch compound service and 4400 lf of 12-inch DIP with polywrap and related fittings (fire protection not included)</u>	\$	<u>442,814</u>
NON-REFUNDABLE CONTRIBUTION for:	_____		
		AGREEMENT TOTAL	\$ <u>442,814</u>
		LESS: COST OF CONSTRUCTION	<u>409,600</u>
		BALANCE DUE	\$ <u>33,214</u>

THIS AGREEMENT is made and entered into by and between ARIZONA WATER COMPANY, an Arizona corporation, (hereinafter called the "Company"), and the Customer named above. In consideration of the services to be performed by the Company and the sums of money to be paid by the Customer, in accordance with the related Cost Estimate, it is agreed as follows: (SEE ADDENDUM, ATTACHED HERETO)

- The Company will construct, or will arrange for the construction of the Water Facilities as described above.
- The Customer will pay to the Company upon signing this Agreement the Total shown above, receipt of which is hereby acknowledged by the company. The Total shown above to be paid by the customer to the Company is the Company's estimated cost of construction of the Water Facilities. The Company will determine and inform the Customer of the actual cost of construction within sixty (60) days after the completion of construction or the Company's receipt of all invoices and charges related to the construction. If the Company's actual cost of construction is less than the Total amount paid, the Company will refund the difference to the Customer; conversely, if the Company's actual cost of construction is more than the Total amount paid, the Customer shall pay the difference to the Company within sixty (60) days of receipt of an invoice from the Company. However, if the actual cost is more than five percent (5%) greater than the Total amount paid, the Customer will only be required to pay five percent (5%) more than the Total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the Total amount paid was made. The Company and the Customer further agree that the amount subject to refund pursuant to paragraph 3 of this Agreement shall be the refundable portion of the Company's actual cost of construction. Information about the actual cost of construction will be attached to this Agreement and forwarded to the Customer.
- Refunds of any advances in aid of construction shall be made as follows: Each year for a period of 10 years the Company shall pay to the Customer or the Customer's assignee or successor in interest, provided the Company has first received written notice and evidence of such assignment or succession and approved of same, an amount equal to 10 percent of the total gross annual revenue received by the Company from water sales to each bona fide customer whose service line is directly connected to pipelines installed pursuant to this Agreement. Refunds shall be made by the Company on or before August 31 of each year, covering any water revenues received during the preceding July 1 to June 30 period. *Any balance remaining subject to refund at the end of the 10-year period shall become non-refundable.* Aggregate refunds shall in no event exceed the total of the refundable advance in aid of construction received from the Customer. No interest shall be paid by the Company on any amounts paid hereunder.
- All Water Facilities installed under this Agreement shall be the sole property of the Company, and the customer shall have no right, title or interest in or to any such facilities.
- The size, design, type and quality of materials and of the system, location and manner of installation, shall be specified by the Company and shall comply with requirements of the Arizona Corporation Commission or other public agencies having authority therein.
- The Customer agrees to furnish to the Company adequate and recordable easements and required surveying necessary to serve each parcel or lot within the Customer's subdivision, tract, development, or project.
- The Customer agrees that all easements and rights-of-way shall be free of obstacles which may interfere with the construction of the Company's Water Facilities. If the Customer's subdivision, tract, development, or project involves road construction, all roads and drainageways will be brought to grade by the Customer prior to the commencement of the installation of the Company's Water Facilities. No pavement or curbs shall be installed prior to completion of all Water Facilities. If any street, road, alley or drainageway is installed at a different grade or location after the beginning of the installation of Water Facilities, the Customer shall bear all costs incurred by the Company to relocate the Water Facilities as a result of said facilities having improper cover or location. Such costs shall be non-refundable.
- The Customer agrees to pay to the Company any additional costs incurred as a result of design changes made or caused by the Customer or its employees, agents, servants, contractors or subcontractors, the Arizona Department of Environmental Quality, the Arizona Corporation Commission, any county health department or other public agency under whose jurisdiction the subject construction may fall, or anticipated or un-anticipated changes in existing Company facilities, due to any work associated with this subdivision, tract, development or project which causes said facilities to have improper cover or location.
- This Agreement shall be binding upon and for the benefit of the successors and assigns of the Company and the Customer. No assignment or transfer of this Agreement by the Customer shall be binding upon the Company or create any rights in the assignee until such assignment or transfer is approved and accepted in writing by the Company.
- This Agreement, and all rights and obligations hereunder, including those regarding water service to the Customer, are subject to the Arizona Corporation Commission's "Rules and Regulations Relating to the Operation of Domestic Water Utility Companies" and the Company's tariff schedule TC-243, "Terms and Conditions for the Provision of Water Service."

ARIZONA WATER COMPANY
Company

Beaver Creek Preserve, Inc.
Customer

By: _____
Title: KD

By: _____
Title: _____

ORIGINAL

WATER RATES

ARIZONA WATER COMPANY

Phoenix, Arizona

Filed by: William M. Garfield

Title: President

Date of Original Filing: 5-24-71

System: RIMROCK

A.C.C. No. 451

Cancelling A.C.C. No. 430

Tariff or Schedule No. WG-271

Filed: July 16, 2004

Effective: August 19, 2004

GENERAL SERVICE

AVAILABILITY:

In Rimrock and environs at all points where facilities of adequate capacity and pressure are adjacent to the premises served.

APPLICATION:

To all water service required when such service is supplied at one premise through one point of delivery and measured through one meter. Not applicable to temporary, standby, supplementary or resale service.

MONTHLY BILL:	<i>Minimum:</i>	\$ 16.10	for	5/8" x 3/4"
		34.13	"	1"
		99.66	"	2"
		179.03	"	3"
		317.81	"	4"
		606.48	"	6"
		847.98	"	8"
		1,384.92	"	10"

Zero gallons included in all minimum charges

Commodity Rate: \$ 0.250 per 100 gallons

Purchased Power Adjustment: \$ (0.001) per hundred gallons for all gallons used per ACC Decision No. 67070 dated June 25, 2004.

Adjustment: Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

SPECIAL PROVISIONS:

1. Subject to the Company's Tariff Schedule SC-252.

2. If service is to be re-established at the same service location for a customer who has there ordered a service disconnection within the preceding 12-month period, or for any member of such customer's household, a non-refundable charge of eight (8) times the customer's monthly minimum charge and the appropriate tax adjustment will be required as a precondition to the establishment of such service. Payment for such charge shall be made at the time of application for re-establishment of service.

TERMS AND CONDITIONS:

Subject to the Company's Tariff Schedule TC-243.

APPROVED FOR FILING
DECISION #: 67070

Effective: 1/1/02
Revised: 12/31/01;
7/16/04