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BEFORE THE ARIZONA CORPORATION COMMISSION 3:47

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CHAIRMAN
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COMMISSIONER
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COMMISSIONER

AZ CORP COMMISSION
DOCUMENT CONTROL

WS-01303A-02-0633

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY, AGUA
FRIA WATER DISTRICT, FOR AN EXTENSION
OF THE SERVICE AREA UNDER ITS
EXISTING CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE WATER
UTILITY SERVICES

Docket No. _____

Arizona Corporation Commission
DOCKETED

AUG 20 2002

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN, SUN CITY WEST WATER
DISTRICT FOR A TRANSFER OF A PARCEL
TO THE AGUA FRIA DISTRICT

DOCKETED BY *CAR*

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN, ANTHEM / AGUA FRIA
DISTRICT [DISTCO] FOR AN EXTENSION OF
THE SERVICE AREA UNDER ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WASTEWATER
UTILITY SERVICE

**JOINT APPLICATION TO EXTEND CERTIFICATES OF CONVENIENCE AND
NECESSITY AND TRANSFER OF PARCEL**

Under Ariz. Rev. Stat. § 40-281, A.A.C. R14-2-402(C), and A.A.C. R14-2-602(C),
Arizona-American Water Company ("Arizona-American"), through its Agua Fria Water District
("AFWD"), Sun City West Water District ("SCWWD") and Anthem/Agua Fria Wastewater
District ("DistCo"), submit this application to the Arizona Corporation Commission for the
following:

1. Approval to extend Arizona-American's service territory under its Certificate of
Convenience and Necessity ("CC&N") for water utility service to serve the area
set forth on the Legal Description attached as Exhibit A (the "Water Extension

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Area”).

- 2. Approval to extend Arizona-American’s service territory under its Certificate of Convenience and Necessity for wastewater utility service to serve the area set forth on the Legal Description attached as Exhibit B (the “Sewer Extension Area”).
- 3. Approval to transfer the parcel set forth on the Legal Description attached as Exhibit C (the “Transfer Parcel”) from Arizona-American’s SCWWD to its AFWD, for water utility service.

Arizona-American files this application as part of an overall plan to develop a water distribution and wastewater collection and treatment system to serve planned developments in an area northeast of Sun City West. That area of Maricopa County is undergoing rapid development and the residents and businesses in those developments will need public utility water and wastewater services. Due to the rapid development and expansive growth in the Extension Areas, Arizona-American files this application with the Arizona Corporation Commission for approval of water and wastewater services to the public in those current and future development areas. Commission certification for Arizona-American in the Extension Areas will serve the public interest by authorizing the company to further implement a master utility plan and become the regional provider, where no other certificated utilities currently serve.

At this juncture, Arizona-American has, and continues to conduct meetings and negotiations with developers about providing water and wastewater services to several large planned developments within the Extension Areas, Transfer Parcel, and adjacent lands¹. These

¹ One of the developers in negotiations with Arizona-American is Scott Homes (Steve Robson), owner of the Rancho Cabrillo Water and Sewer Companies (RCW&SC). The approximately 685 acre certificated areas of RCW&SC are located immediately adjacent to the Extension Area. Due to operational and financial advantages of constructing a properly master planned, regional water and wastewater systems, Mr. Robson has requested Arizona-American to provide water and wastewater service to the proposed development within the certificated

1 planned developments are currently scattered throughout the Extension Areas and Transfer
2 Parcel. After reviewing the development plans for the planned developments, Arizona-American
3 realized it would not be operationally or financially prudent to build individual and isolated water
4 and wastewater facilities to serve each of these planned developments within the Extension Areas
5 and Transfer Parcel. Further, it became clear that the overall Extension Areas and Transfer
6 Parcel, including approximately 2,500 acres of undeveloped state land and other parcels, would
7 be best served by a properly master planned, regional water and wastewater system. In an effort
8 to provide the most operationally efficient, cost effective and integrated water and wastewater
9 systems for the Extension Areas and Transfer Parcel, Arizona-American engineered and
10 completed water and wastewater master plans for these areas. These master plans identify
11 "regional" water and wastewater facilities for the overall Extension Areas and Transfer Parcel.
12 Those regional facilities are planned to be constructed in phases and provide the most cost
13 effective and flexible system for water and wastewater utility services to the Extension Areas and
14 Transfer Parcel.
15

16
17 As noted above, Arizona-American has been contacted by numerous developers
18 about providing water and wastewater services to current and future developments in the
19 Extension Areas and Transfer Parcel. These developers include Del Webb Home Construction,
20 Inc., Grosvenor Holdings, L.L.C., Woodside Homes and William Lyon Homes. Arizona-
21 American has finalized its agreement with Del Webb Home Construction, Inc. and is in the final
22 stages of negotiating agreements with the remaining developers. The developers have expressed
23 a strong desire that the Company file this application for certification to provide water and
24

25 area of RCW&SC. Arizona-American expects to finalize agreements to serve the
26 property in the near future and file a separate application with the ACC to transfer the CC&N's of RCW&SC to Arizona-American.

1 wastewater services in the Extension Areas and Transfer Parcel. The legal descriptions for the
2 proposed Water and Sewer Extension Areas are attached as Exhibits A and B. Attached is a letter
3 from the City of Peoria supporting Arizona-American's request to provide water and wastewater
4 service in the Expansion Area, attached hereto as Exhibit D. Further, Arizona-American has
5 obtained approval and support from the Arizona State Land Department to act as the regional
6 water and wastewater provider on state land within the Extension Areas. A copy of that letter is
7 attached hereto as Exhibit E.
8

9 As a result of upfront developer financial contributions and anticipated rapid
10 growth in this region, the Maricopa Department of Transportation (MDOT) has accelerated the
11 construction of the portion of the State Route 303 Freeway from Grand Avenue over to Lake
12 Pleasant Road. Exhibit F provides an overview of the 303 Freeway construction in this region.
13 The construction for Phase 2A of the 303 Freeway commenced on July 8, 2002. In an effort to
14 reduce costs and to meet scheduled development demands, MDOT has accelerated the
15 construction of this phase to be completed in 7 months with the contract requiring construction
16 work to be performed 12 hours a day/7 days a week. The contract completion date for Phase 2A
17 is February 20, 2003. MDOT is funding the entire portion of this \$9 million dollar Phase 2A
18 construction project. The design for Phase 2B of the 303 Freeway is currently in the final phases,
19 and construction should be completed by early 2004.
20
21

22 There are several major developers in this proposed CC&N expansion area that have
23 scheduling home closings in 2003 and 2004. These developers have already expended significant
24 funds to entitle and plat their developments. They have also contributed or committed significant
25 funds toward the construction of the 303 Freeway and major roadways arterials in the region.
26

1 These developers include Woodside Homes, Del Webb Home Construction, Inc., Grosvenor
2 Holdings, L.L.C., and William Lyon Homes. Exhibit F also provides an overview of the major
3 developments and proposed arterial roadways in the region.

4 Certificating Arizona-American in the Extension Areas is the first step towards
5 finalizing the developers' master plans and serves the public interest and necessity by authorizing
6 the Company to begin implementation of their comprehensive plan to serve the planned
7 developments. Implementation of that master plan will allow Arizona-American to best serve
8 residents and businesses in the Extension Areas and Transfer Parcel in the most efficient and
9 economical manner.
10

11 Arizona-American provides the following information in support of this
12 application.

13 ***I. COMPANY NAME.***

14 Arizona-American is a public service corporation incorporated in the State of
15 Arizona, and is a wholly-owned subsidiary of American Water Works Company, Inc. ("AWW").
16 AWW is the largest investor-owned water system in the United States, providing water,
17 wastewater and other water resource management services to approximately 15 million people in
18 27 states and Canada. For the 12-month period ending June 30, 2001, AWW reported
19 consolidated net plant of \$5.1 billion and operating revenues of \$1.38 billion. AWW does not
20 provide utility service and does not engage in any business activities in Arizona. AWW's
21 common stock is publicly traded on the New York Stock Exchange. Arizona-American is a
22 public service corporation providing water and wastewater services to approximately 115,000
23 customers within the state of Arizona in accordance with authority and certificates granted by the
24
25
26

1 Commission.

2 **II. ARTICLES OF INCORPORATION.**

3 Arizona-American's Articles of Incorporation are already on file with the Arizona
4 Corporation Commission. With this application, Arizona-American provides its Certificate of
5 Good Standing issued by the Commission on July 31, 2002, attached hereto as Exhibit G.

6
7 **III. TYPE OF PLANT OR FACILITY TO BE CONSTRUCTED.**

8 The Water and Sewer Extension Areas and Transfer Parcel relate to various
9 planned developments in Maricopa County. The Extension Areas and Transfer Parcel are
10 undergoing rapid development. To serve these new developments, Arizona-American, through
11 AFWD and DistCo, proposes to extend its certificated water and wastewater service areas to
12 include the Water and Sewer Extension Areas. No other certificated water or wastewater utility
13 currently provides service to the Extension Areas.
14

15 Also, Arizona-American seeks the Commission's authority for its Sun City West
16 District to transfer the Transfer Parcel identified in Exhibit C for water service through the Agua
17 Fria District. The Transfer Parcel's water system currently is a stand alone, isolated single
18 well/storage system serving a total of twenty (20) customers. Arizona-American proposes to
19 interconnect that system to the planned regional water system for operational redundancy and
20 reliability reasons. So that these existing customers are not prejudiced by the transfer, Arizona-
21 American will "grandfather" in and continue to charge the rates and charges for these existing
22 customers in the Transfer Parcel under applicable SCWWD tariffs, until such time that the
23 property is occupied by a new customer.
24

25 Arizona-American submits that this Application is reasonable and in the public
26

1 interest. There is a public need and necessity for public utility water and wastewater services in
2 the proposed Extension Areas. The Extension Areas are undergoing new development; and, the
3 new residents and businesses that will be located within the Extension Areas will need water and
4 wastewater utility services. Thus, Arizona-American requests certification to provide public
5 utility water service in the Water Extension Area set forth on Exhibit A, and in the Sewer
6 Extension Area set forth on Exhibit B.
7

8 **IV. DESCRIPTION OF THE PROPOSED FACILITIES.**

9 A summary description of the proposed Water and Wastewater Facilities to be
10 constructed to serve the Extension Areas are contained in the maps accompanying the application,
11 attached hereto as Exhibit H & I. Complete descriptions, along with engineering details, are set
12 forth in the master plans.
13

14 **V. RATES PROPOSED TO BE CHARGED.**

15 With the exception of the proposed charges below, Arizona-American will apply
16 the authorized rates and charges under its applicable AFD and DistCo tariffs currently on file
17 with the Commission for water and wastewater utility services respectively in the Expansion
18 Areas. Arizona-American will also apply the same rates and charges for existing customers
19 located in the Transfer Parcel under applicable SCWWD tariffs until such time that the individual
20 meter is transferred to a new customer .
21

22 Arizona-American also seeks approval to charge a Non-Potable Water Service-
23 Restricted Source tariff (NP-2) as set forth on Exhibit J. The NP-2 tariff rate would be \$0.62 per
24 1000 gallons of non-potable water.

25 **VI. ESTIMATED TOTAL COSTS OF THE PROPOSED CONSTRUCTION.**
26

1 A complete description of the overall construction cost for the water and
2 wastewater facilities to serve the Extension Areas, along with engineering details, is set forth in
3 the master plans. The five year estimated total cost for construction of the proposed water
4 facilities for the Water Extension Area is set forth on attachment K. The five year estimated total
5 cost for construction of the proposed wastewater facilities for the Sewer Extension Area is set
6 forth on Exhibit K.
7

8 **VII. CAPITALIZATION AND FINANCING.**

9 The water and wastewater facilities required to serve the Extension Areas and
10 Transfer Parcel will be funded by a combination of developer advances, developer contributions
11 and Arizona-American company funds. Funding for the first five years is estimated in Exhibit K.
12 Arizona-American and the remaining developers are in the process of negotiating Water and
13 Wastewater Facilities Line Extension Agreements, and the Company will file those agreements
14 with the Commission to supplement this application as soon as reasonably possible. Arizona-
15 American has already concluded its agreement with Del Webb Corporation. Arizona-American
16 will also execute extension agreements for future developments in the Extension Areas and file
17 those agreements with the Commission as soon as practicable. The construction and installation
18 costs advanced by the developers in aid of construction will be subject to refund by Arizona-
19 American from revenues derived from the provision of water and wastewater services. Water and
20 Sewer facilities hook-fees will be nonrefundable contributions in aid of construction.
21
22

23 **VIII. FINANCIAL CONDITION OF APPLICANT.**

24 Arizona-American is financially sound and able to provide water and wastewater
25 utility services to the public within the proposed Expansion Areas and the Transfer Parcel.
26

1 Appropriate financial documents for Arizona-American are on file with the Commission.
2 Arizona-American, by and through its Agua Fria Water District and its Anthem/Agua Fria
3 Wastewater District is a fit and proper entity to have its water and wastewater CC&Ns extended
4 to the proposed Extension Areas. Arizona-American is also a fit and proper entity to have the
5 Transfer Parcel, currently in its Sun City West Water District, transferred to the Agua Fria Water
6 District's service territory.
7

8 **IX. ESTIMATED ANNUAL OPERATING REVENUES AND EXPENSES FROM THE**
9 **PROPOSED CONSTRUCTION.**

10 Exhibit K lists the number of expected customers in the Expansion Areas and
11 estimated revenues and expenses for water distribution and wastewater collection services in the
12 first five years for the Extension Areas. Exhibit K also contains information regarding projected
13 annual water consumption in the first five years for the Extension Area.

14 **X. ESTIMATED START/COMPLETION DATES FOR CONSTRUCTION.**

15 The design of water and wastewater facilities already has been completed for the
16 Del Webb development, and Arizona-American anticipates that project construction will be
17 concurrent with Commission approval of this Application. For all other projects within the
18 Expansion Areas, Arizona-American is in the process of designing systems while negotiating
19 agreements for water and wastewater service with these developers.
20

21 **XI. SERVICE AREA MAPS.**

22 Exhibits L and M are detailed maps of the proposed Extension Areas and the
23 Transfer Parcel.
24

25 **XII. AGENCY APPROVALS.**

26 Arizona-American is in the process of obtaining necessary governmental approvals

1 for water and wastewater utility services in the proposed Expansion Areas, as well as developing
2 franchise agreements with Maricopa County encompassing the Extension Areas. Arizona-
3 American anticipates filing such franchise agreements with the Commission within 365 days of
4 the effective date of the Commission's final decision in this matter.

5
6 Further, Arizona-American's Agua Fria and Sun City West Districts are in total or
7 substantial compliance with ADEQ water and wastewater rules and regulations, and have
8 certified operators, on-site managers and other personnel responsible for providing wastewater
9 and water utility services in the Expansion Areas. Arizona-American is in the process of
10 obtaining an ADEQ Approval to Construct for Phase I of the facilities, and anticipate filing such
11 approval with the Commission within 365 days of the effective date of the Commission's final
12 decision in this matter.

13
14 **XIII. REQUEST FOR APPROVAL.**

15 As set forth in this application, Arizona-American requests approval to provide
16 public utility water distribution and wastewater collection and treatment services in the proposed
17 Extension Areas and approval for the transfer of the Transfer Parcel from Sun City West District
18 to the service territory of Arizona-American's Agua Fria District. All correspondence and other
19 filings, including data requests regarding this Application should be addressed to:

20
21 Norman D. James
22 Jay Shapiro
23 3003 North Central Avenue
24 Phoenix, Arizona 85012-2913
25 (602) 916-5400

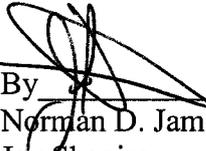
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Blaine Akine
Arizona-American Water Company
P.O. Box 1687
Sun City, Arizona 85372

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(623) 815-4306

As set forth above, Arizona-American respectfully request that the Commission process this Application, schedule a public hearing and issue an order granting this Application in its entirety by (1) granting approval to extend Arizona-American's service territory under its Certificate of Convenience and Necessity for water utility service to serve the area set forth on the Legal Description attached as Exhibit A; (2) granting approval to extend Arizona-American's service territory under its Certificate of Convenience and Necessity for wastewater utility service to serve the area set forth on the Legal Description attached as Exhibit B; and (3) granting approval to transfer the parcel set forth on the Legal Description attached as Exhibit C from the Sun City West District to the Agua Fria District, for water and wastewater utility service.

DATED this 20th day of August, 2002.

By 
Norman D. James
Jay Shapiro
Fennemore Craig, P.C.
Attorneys for Arizona-American Water Company
3003 North Central Avenue
Phoenix, Arizona 85012-2913

Original and ten copies filed this 20th day of August, 2002, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing mailed this 20th day of August, 2002, to:

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Chris Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Steve Olea, Deputy Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Lyn Farmer
Chief Hearing Officer
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ray Jones, Vice-President
Blaine Akine, P.E.
Arizona-American Water Company
P.O. Box 1687
Sun City, Arizona 85372

By: 

1326961.1/73244.045

EXHIBIT A

EXHIBIT A

**Legal Description
Certificate of Convenience and Necessity
Arizona-American Water Company, Agua Fria District
Proposed Water Service Extension Area**

Township 4 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona

All of Section 1;

All of Section 2;

The South half (S $\frac{1}{2}$) of Section 10;

All of Section 11;

All of Section 12;

The North half (N $\frac{1}{2}$) and the East half (E $\frac{1}{2}$) of the Southwest Quarter (SW $\frac{1}{4}$) and the Northeast Quarter (NE $\frac{1}{4}$) of the Southeast Quarter (SE $\frac{1}{4}$) of Section 13;

All of Section 14;

The East half (E $\frac{1}{2}$) and the North half (N $\frac{1}{2}$) of the Northwest Quarter (NW $\frac{1}{4}$) of Section 15;

The South half (S $\frac{1}{2}$) of the Southwest Quarter (SW $\frac{1}{4}$) and the Northeast Quarter (NE $\frac{1}{4}$) of the Southwest Quarter (SW $\frac{1}{4}$) of Section 24;

The Northwest Quarter (NW $\frac{1}{4}$) of Section 25;

Township 4 North, Range 1 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona

All of Section 6 EXCEPT the East half (E $\frac{1}{2}$) of the East half (E $\frac{1}{2}$);

The West half (W $\frac{1}{2}$) of Section 7;

The West half (W $\frac{1}{2}$) of the West half (W $\frac{1}{2}$) of Section 18.

EXHIBIT B

EXHIBIT B

Legal Description
Certificate of Convenience and Necessity
Arizona-American Water Company, Anthem/Agua Fria (DistCo) District
Proposed Wastewater Service Extension

Township 4 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona

All of Section 1;

All of Section 2;

The South half (S ½) of Section 10;

All of Section 11;

All of Section 12;

All of Section 13;

All of Section 14;

The East half (E ½) and the North half (N ½) of the Northwest Quarter (NW ¼) of Section 15;

All of Section 24 EXCEPT the Southeast Quarter (SE ¼) of the Southeast Quarter (SE ¼) and

EXCEPT the Southeast Quarter (SE ¼) of the Northeast Quarter (NE ¼) of the Southeast Quarter (SE ¼) and

EXCEPT the Southeast Quarter (SE ¼) of the Southwest Quarter (SW ¼) of the Southeast Quarter (SE ¼);

The Northwest Quarter (NW ¼) of Section 25;

Township 4 North, Range 1 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona

All of Section 6 EXCEPT the East Half (E½) of the East Half (E½);

The West half (W ½) of Section 7;

The West half (W ½) of the West half (W ½) of Section 18.

EXHIBIT C

EXHIBIT C

**Legal Description
Certificate of Convenience and Necessity
Arizona-American Water Company, Agua Fria District
Transfer Parcel from Sun City West Water Company**

Township 4 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County,
Arizona

The East Half (E ½) of the Southwest Quarter (SW ¼) and all of the Southeast Quarter (SE ¼) of
Section 13 EXCEPT the Northeast Quarter (NE ¼) of the Southeast Quarter (SE ¼);

The North Half (N ½) and the Northwest Quarter (NW ¼) of the Southwest Quarter (SW ¼) and all
of the Southeast Quarter (SE ¼) of Section 24 EXCEPT the Southeast Quarter (SE ¼) of the
Southeast Quarter (SE ¼) and
EXCEPT the Southeast Quarter (SE ¼) of the Northeast Quarter (NE ¼) of the Southeast
Quarter (SE ¼) and
EXCEPT the Southeast Quarter (SE ¼) of the Southwest Quarter (SW ¼) of the Southeast
Quarter (SE ¼).

EXHIBIT D



City of Peoria

Deputy City Manager's Office for Community & Development Services

8401 West Monroe Street, Peoria, Arizona 85345

Phone: 623-773-7324 Fax: 623-773-7292

July 29, 2002

Blaine Akine, Director of Engineering
Arizona-American Water Company
12425 W. Bell Road, Suite 306
Surprise, AZ 85374

Dear Mr. Akine,

The City of Peoria is aware that the Arizona-American Water Company is filing a Certificate of Convenience and Necessity (CC&N) application with the Arizona Corporation Commission to extend its CC&N for water service to include an area located adjacent to the City of Peoria's current planning area. The proposed CC&N extension area is bounded on the north by the Jomax Road alignment; on the West by the Litchfield Road, 135th Avenue, and El Mirage Road alignments; and on the South and East by the Agua Fria River.

The City of Peoria is also aware that the Arizona-American Water Company is filing within its CC&N application to transfer an existing Arizona-American Water Company water CC&N area from the Sun City Water to the Agua Fria Division. This area is bounded on the North by the Dynamite Road alignment; on the West by the Agua Fria River; on the South by the Happy Valley Road alignment; and on the East by the 99th Avenue and 103rd Avenue alignments.

While Peoria is exploring annexation of much of this area, it is not feasible for the City to provide water service there in the near future. Therefore, the City of Peoria supports Arizona-American Water Company on their CC&N application to include these areas.

If you have any questions, please call me at 623-773-7324.

Sincerely,

A handwritten signature in cursive script that reads "Meredith R. Flinn".

Meredith R. Flinn
Deputy City Manager

EXHIBIT E

Jane Dee Hull
Governor

Michael E. Anable
State Land
Commissioner

Arizona
State Land Department



1616 West Adams Street Phoenix, AZ 85007 www.land.state.az.us

May 23, 2002

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ARIZONA/AMERICAN WATER

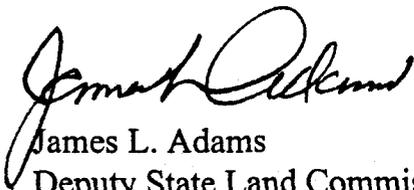
Blaine Akine, P.E., Director of Engineering
Arizona-American Water Company
12425 W. Bell Road, Suite 306
Surprise, AZ 85374

Dear Mr. Akine:

The Arizona State Land Department has been notified of your company's intention to expand its water and sewer certificated area by applying to the Arizona Corporation Commission to include Sections 01, 02, 11, 12, 13, 14, 24, 25 and 36 in Township 4 North, Range 1 West and Sections 06, 07 and 18 in Township 4 North, Range 1 East. State Trust land encompasses a portion of these sections. After considering comments from within the agency, it has been determined it is in the best interest of the State Trust lands to be included in a water and sewer service area.

If you have any questions, please contact Heide Kocsis at (602)542-2678.

Sincerely,



James L. Adams
Deputy State Land Commissioner

JLA:HAK/

EXHIBIT F

EXHIBIT F

ARIZONA-AMERICAN WATER COMPANY NORTHEAST AGUA FRIA WATER/SEWER CC&N EXTENSION AREA SUMMARY OF REGIONAL TRANSPORTATION PLAN

Resulting from upfront developer financial contributions and anticipated rapid growth in this region, the Maricopa Department of Transportation (MDOT) has accelerated construction of the portion of the State Route 303 Freeway from Grand Avenue to Lake Pleasant Road. Attachment 1 provides an overview of the 303 Freeway construction in this region. The 303 Freeway in this region is divided up into two phases. Phase 2A is the section from Grand Avenue to El Mirage Road. Phase 2B is the section from El Mirage Road over the Agua Fria River (includes the bridge crossing) to Lake Pleasant Road.

The construction for Phase 2A of the 303 Freeway commenced on July 8, 2002. In an effort to reduce costs and to meet scheduled development demands, MDOT has accelerated the construction of this phase to be completed in 7 months with the contract requiring construction work to be performed 12 hours a day/7 days a week. The contract completion date for Phase 2A is February 20, 2003. MDOT is funding the entire portion of this \$9 million dollar Phase 2A construction project.

The design for Phase 2B of the 303 Freeway is currently in the final phases and will be completed in September 2002. This project is scheduled to be bid in October 2002 and start construction in November 2002. MDOT's construction contract will be to complete this project in 15 months. However, MDOT will also try to accelerate the construction of this phase of the 303 Freeway to meet the timeline for development in the area. The current plan is to accelerate the eastern portion of the 303 Freeway, between 115th Ave. and 99th Ave., and complete this portion within a year to meet Lakeland Village's scheduled first home closing of October 2003. Total construction costs for Phase 2B of the 303 Freeway is \$16 million. To expedite the construction schedule, two major developers in the region with scheduled first home closings in late 2003 have contributed over half of the construction dollars for Phase 2B of the 303 Freeway construction. Woodside Homes is contributing \$3.5 million and Lakeland Village is contributing \$5 million to the construction of Phase 2B. The remaining balance on the construction will be funded by MDOT.

There are several major developers in this proposed CC&N expansion area that have scheduled home closings in 2003 and 2004. These developers have already expended significant funds to entitle and plat their developments. They have also contributed or committed significant funds toward the construction of the 303 Freeway and major roadways arterials in the region. These developers include Woodside Homes, Del Webb

(Pulte Homes), Robson Homes and Lakeland Village. Attachment 2 provides an overview of the major developments and proposed arterial roadways in the region.

Morrison Homes, in addition to their major investment in the 303 Freeway, will be constructing a four lane arterial roadway from the 303 Freeway to the entrance of their property. Morrison Homes is the developer representing the Cross River, Rio Sierra and Dos Rios developments shown on Attachment 2. This arterial roadway will be constructed from the 303 Freeway at the new El Mirage Road alignment (east end of Phase 2A), down El Mirage Road for 1.25 miles and across Williams Road to their development entry. Since this will be the only entry into the Woodside developments during their first phase, MDOT is requiring that the connection and arterial roadway be constructed. Woodside has already started the design of this arterial roadway and is scheduled to have construction completed by late 2003.

Lakeland Village, in addition to their major investment in the 303 Freeway, will be constructing significant sections of the major arterial roadways in the region. Lakeland will be constructing the Agua Fria Blvd. as an entry arterial roadway into their development. The Agua Fria Blvd. will connect into the 303 Freeway at the 115th Ave. alignment and will extend northwest to their development. The City of Peoria is requiring that Lakeland Village complete this arterial roadway prior to closing on their first home scheduled in October 2003. Lakeland Village will be starting construction on this arterial roadway extension in late 2002.

Lakeland Village and Robson Homes (Rancho Cabrillo) will be sharing in the costs to construct the extension of Happy Valley Road between Lake Pleasant Road and Dysart Road and the extension of El Mirage Road between the 303 Freeway and Jomax Road. The time schedule for each of these arterial roadways extensions has not yet been determined.

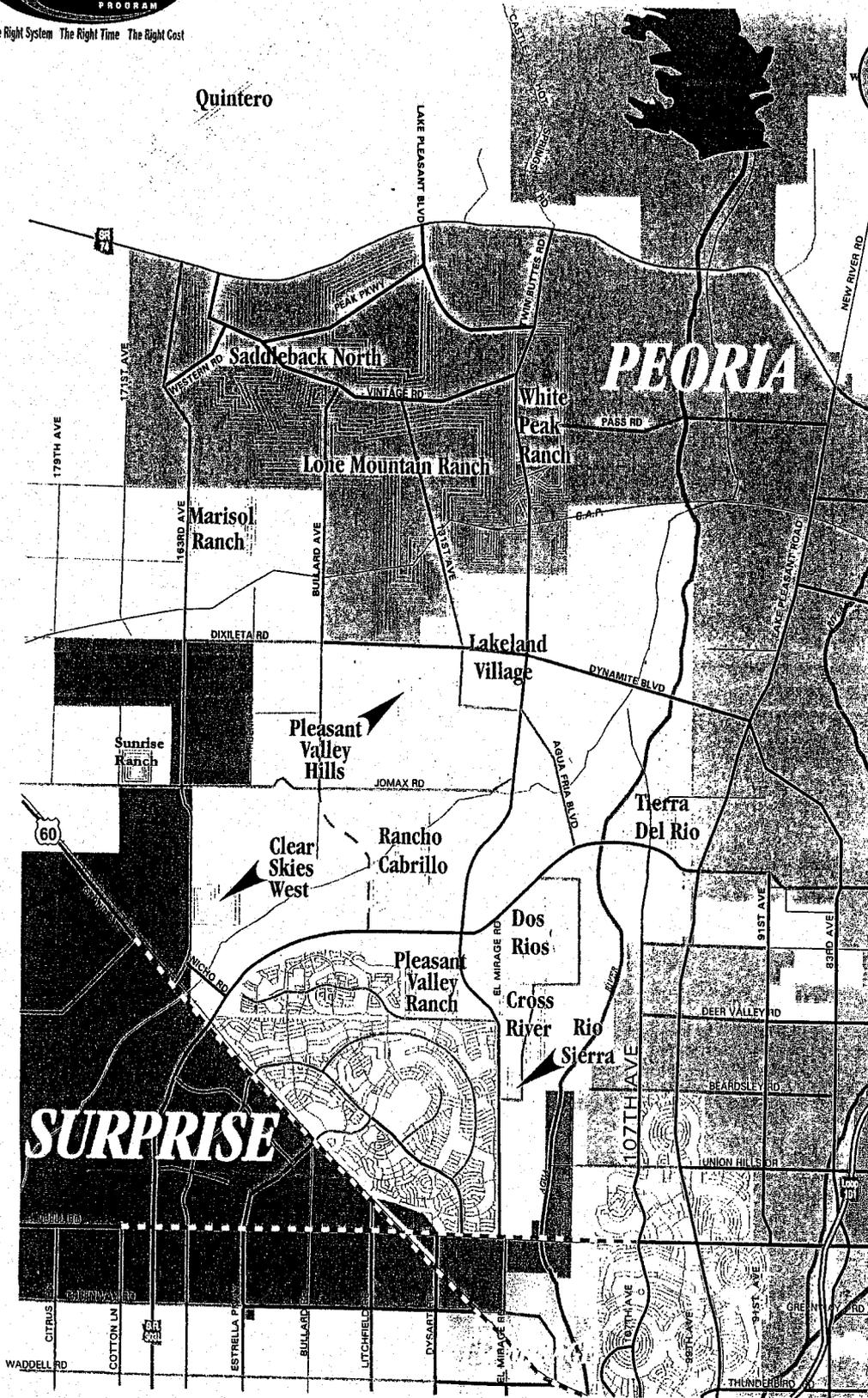
Del Webb (Pleasant Valley Country Club) will be allowed to utilize the existing Deer Valley Road to access their development for their initial phase. Del Webb is already clearing the land and is moving aggressively forward to close their first home in June 2003. Del Webb is being required by MDOT to extend El Mirage up to the 303 Freeway during a later phase of development.

In summary, the entire section of the State Route 303 Freeway between Grand Ave. and Lake Pleasant Road is currently under construction and will be completed by late 2003 or in the first quarter of 2004. MDOT and the major developers in the region, realizing the urgency and market growth have committed significant amount of upfront and committed funding to the completion of this section of the 303 Freeway. The major developers in the region have also made major commitments to construction the major arterial roadways in the region. The first phase of these arterial roadways, which is the construction of the Agua Fria Blvd. and the extension of El Mirage to serve the Woodside developments, will be completed by the developers prior to the end of 2003. The completion of this section of the 303 Freeway and the major arterials in the region will provide the required access and catalyst for all the development in the region.



The Right System The Right Time The Right Cost

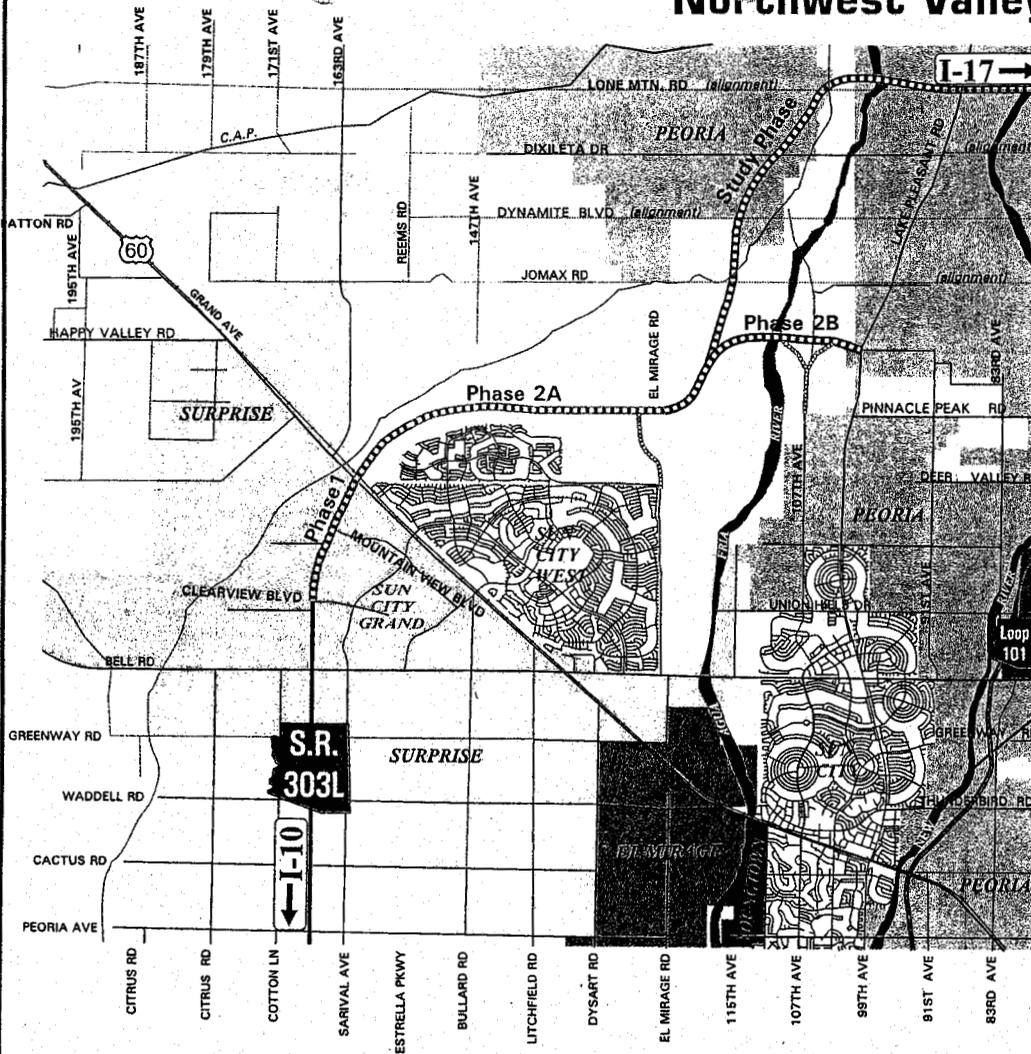
Attachment 2



(This map has been created with the most accurate information available, however, complete accuracy cannot be guaranteed.)

| | | | |
|--|--------------------|--|---------|
| | 2 LANES | | 6 LANES |
| | 4 LANES | | 8 LANES |
| | 4 LANES (proposed) | | |

Northwest Valley



SR LOOP 303



(This map has been created with the most accurate information available, however, complete accuracy cannot be guaranteed.)

2/26/2002

LEGEND

| | |
|--|-------------------------------|
| | Phase 1 |
| | Phase 2A |
| | Phase 2B |
| | I-17 Connection (Study Phase) |

Maricopa County Department of Transportation
 2901 West Durango Street
 Phoenix, AZ 85009



The Right System The Right Time The Right Cost
www.mcdot.maricopa.gov
www.rightrroads.org

EXHIBIT G

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****ARIZONA-AMERICAN WATER COMPANY*****

a domestic corporation organized under the laws of the state of Arizona, did incorporate on December 30, 1949.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capitol, this 31st Day of July, 2002, A. D.




EXECUTIVE SECRETARY

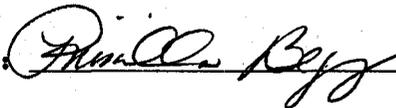
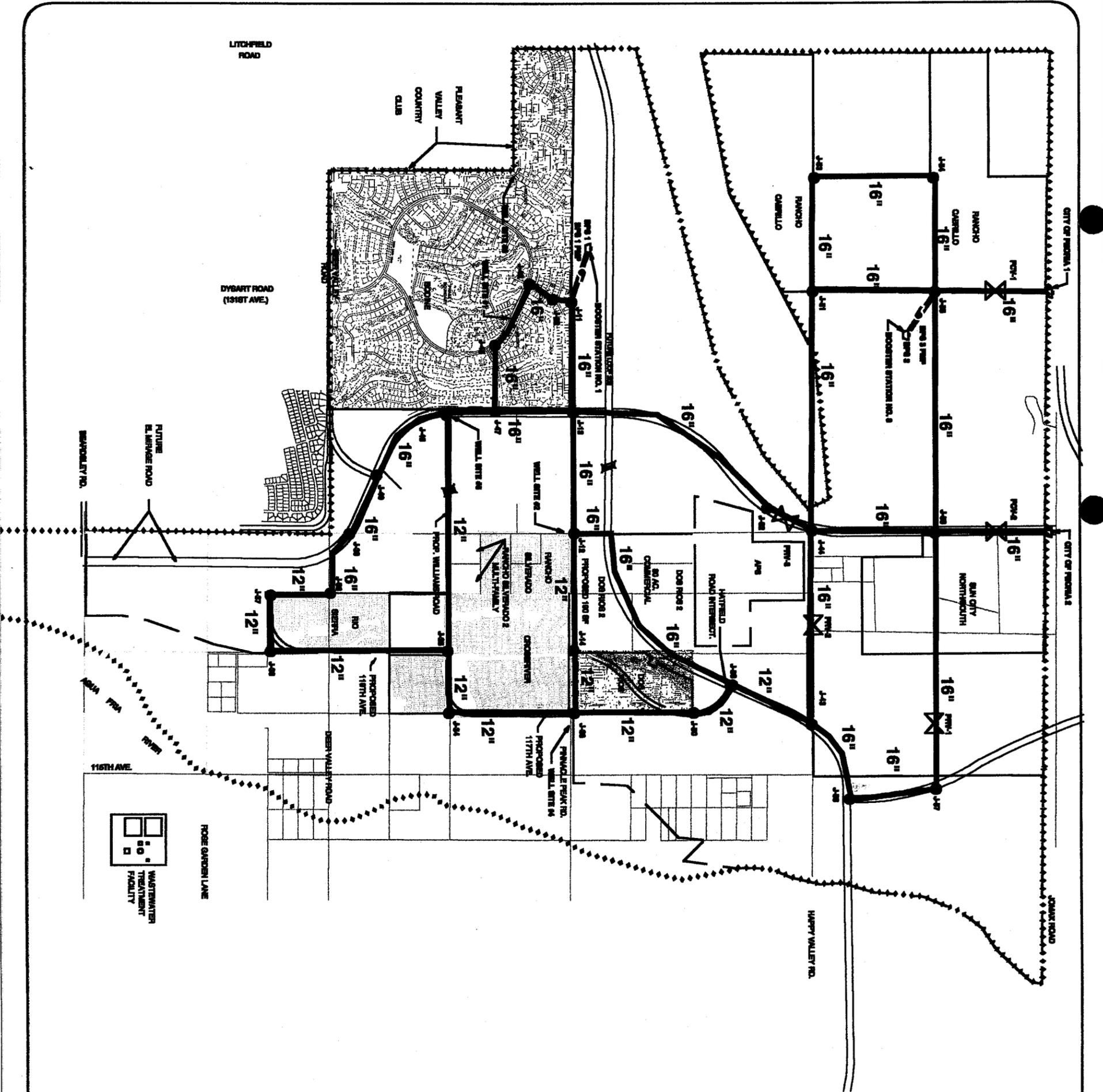
BY: 

EXHIBIT H



**Arizona-American
 Water Company**
 12425 W. Bell Road, Suite C 306
 Surprise, Arizona 85374
 623.583.8448

LEGEND

- DEMAND NODES
- ⊗ PRESSURE REDUCING VALVE
- ◻ STORAGE RESERVOIR
- BPS PUMP
- ⊗ FLOW CONTROL VALVE
- STUDY AREA BOUNDARY



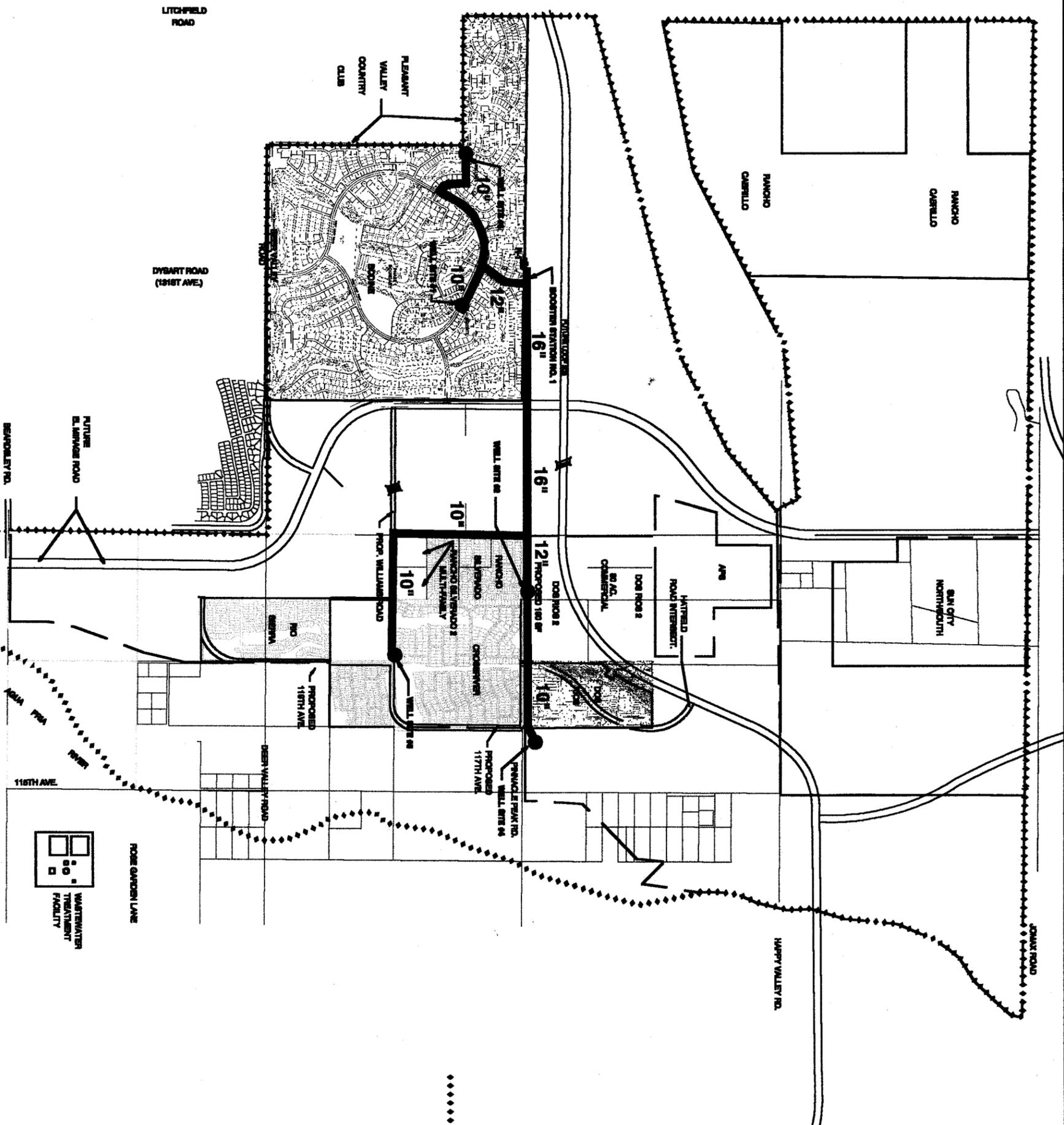
AGUA FRIA MASTER PLAN

COE & VAN LOO
 PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

WATER NETWORK (OPTION 1)

4550 NORTH 12TH STREET
 PHOENIX, ARIZONA 85014
 TELEPHONE (602) 264-6831

FIGURE 3
 JOB NO
 020015-01



LEGEND

- WELL SITES
- 10" PIPE SIZE
- STUDY AREA BOUNDARY

Arizona-American Water Company
 12425 W. Bell Road, Suite C 306
 Surprise, Arizona 85374
 623.583.8448



AGUA FRIA MASTER PLAN

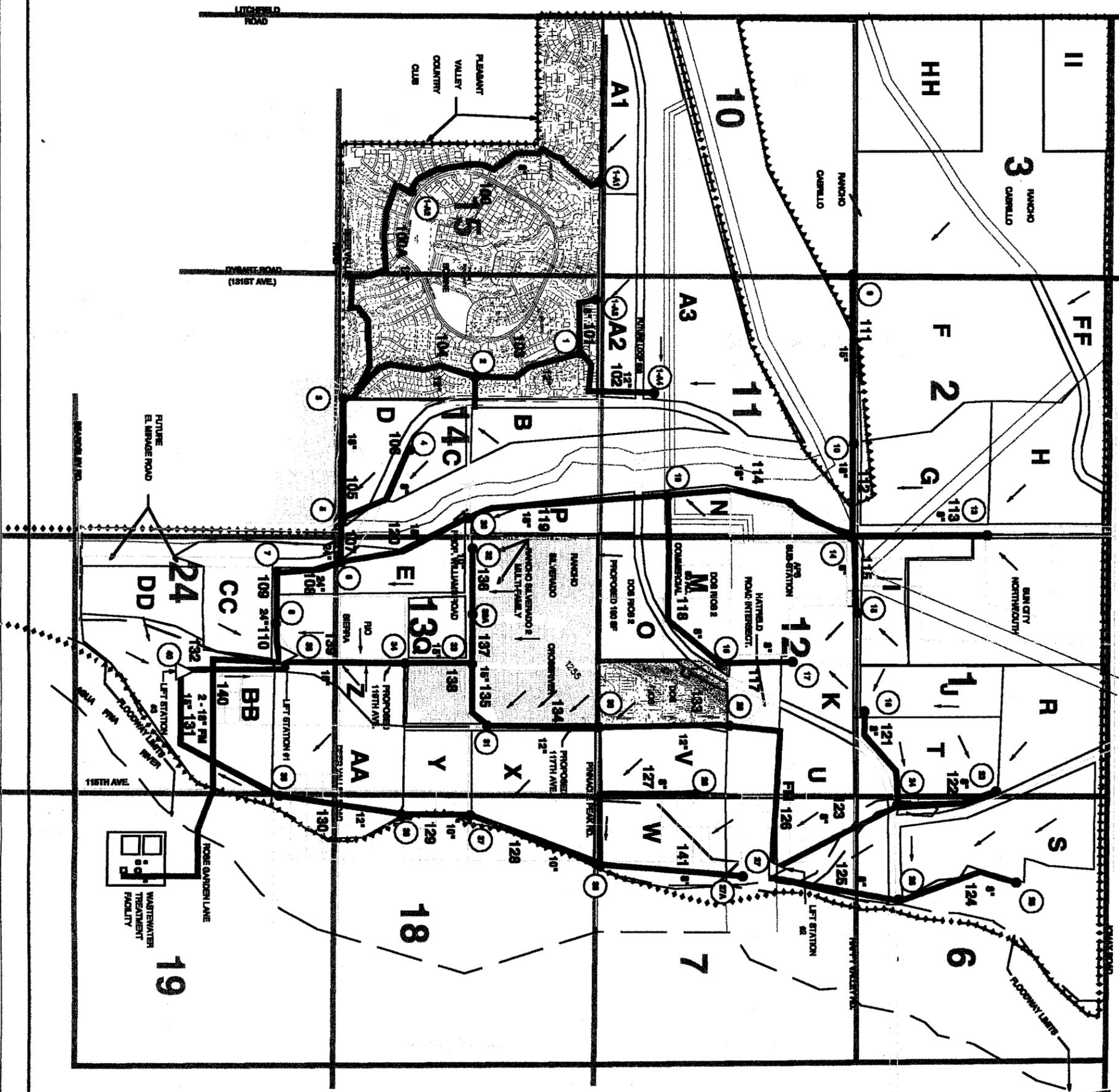
COE & VAN LOO
 PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

POSSIBLE WELL LOCATIONS (OPTION 1)

4550 NORTH 12TH STREET
 PHOENIX, ARIZONA 85014
 TELEPHONE (602) 264-6831

FIGURE 5
 JOB NO
 020015-01

EXHIBIT I



Arizona-American
 Water Company
 12425 W. Bell Road, Suite C 306
 Surprise, Arizona 85374
 623.583.8448

LEGEND

- NODES
- 127 PIPE IDENTIFICATION
- DIRECTION OF FLOW
- Q TRIBUTARY SUB-AREA
- △ LIFT STATION
- 1" SEWER LINE SIZE
- 19 SECTION NUMBER
- SECTION LINE
- STUDY AREA BOUNDARY



| | | |
|--------------------------|---|---|
| SEWER MASTER PLAN | AGUA FRIA MASTER PLAN COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE | 4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831 |
| JOB NO 020015-01 | FIGURE 3 | |

EXHIBIT J

Water Service

Nonpotable Water Service – Restricted Source NP-2

Availability

Available to large turf and landscape irrigators for use on golf courses, lakes, park lands, and similar large open spaces.

Rates

| | | |
|-----------------|-------------------|-----------------------|
| All Consumption | Per 1,000 gallons | <u>Rate</u> \$0.62 |
|-----------------|-------------------|-----------------------|

Special Conditions

The water provided under this tariff is raw untreated water or reclaimed sewage effluent and is not suitable for human consumption or bodily contact. Water provided under this tariff should be used only for irrigation. Deliveries are subject to interruption, curtailment, or scheduling as necessary to match demands with available supplies.

In accordance with the requirements of Rule 12, each customer shall enter into a Nonpotable Water Service Agreement with the Company prior to establishment of service. The Agreement shall specify the allowable sources of water of water and govern water service under this tariff.

Terms & Conditions

Water service provided under this rate schedule is subject to the Company's Rules and Regulations applicable to Water Service and may be subject to the Company's miscellaneous service charges set forth in Rate Schedule MISC-1.

All rates in this Schedule shall be subject to their proportionate part of any taxes or other governmental imposts which are assessed directly or indirectly on the basis of revenues derived from service under this Schedule, or on the basis of the service provided or the volume of water produced, purchased or sold.

A 1-1/2% late payment penalty will be applied to account balances not paid within 25 days after the postmark date of the bill in accordance with Rule 8 (H).

ISSUED _____ EFFECTIVE _____
Month Day Year Month Day Year

ISSUED BY Ray L. Jones President

15626 N. Del Webb Blvd., Sun City, Arizona



Decision No. _____

EXHIBIT K

Exhibit K

7/31/2002

**Arizona-American Water Company
 CC&N Application
 Required Data**
WATER

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <u>Customers (Year end)</u> | | | | | |
| Residential | 100 | 410 | 925 | 1580 | 2355 |
| Commercial | 2 | 3 | 4 | 5 | 6 |
| Industrial | 0 | 0 | 0 | 0 | 0 |
| Irrigation | 1 | 1 | 1 | 1 | 1 |

Water Consumption (million gallons)

| | | | | | |
|-------------|------|------|------|-------|-------|
| Residential | 5.5 | 30.8 | 87.1 | 171.4 | 273.6 |
| Commercial | 1.7 | 3.7 | 4.3 | 4.9 | 5.5 |
| Industrial | 0 | 0 | 0 | 0 | 0 |
| Irrigation | 99.0 | 99.0 | 99.0 | 194.8 | 194.8 |

Operating Revenue (Thousands)

| | | | | | |
|-----------------|---------|----------|----------|----------|----------|
| Total Estimated | \$ 81.5 | \$ 160.5 | \$ 324.6 | \$ 626.7 | \$ 920.8 |
|-----------------|---------|----------|----------|----------|----------|

Operating Expenses (Thousands)

| | | | | | |
|-----------------|---------|---------|----------|----------|----------|
| Total Estimated | \$ 29.0 | \$ 62.8 | \$ 128.1 | \$ 242.4 | \$ 360.5 |
|-----------------|---------|---------|----------|----------|----------|

Facilities Construction Costs and Funding (Thousands)

| | | | | | |
|--------------------------------------|--------------|--------------|--------------|------------|--------------|
| Total Estimated Construction Cost | \$ 2,170.0 | \$ 5,750.8 | \$ 2,325.9 | \$ 1,890.6 | \$ 1,885.6 |
| Advances in aid of Constuction | \$ (1,715.3) | \$ (549.6) | \$ (788.8) | \$ (951.9) | \$ (1,042.1) |
| Contributions in aid of Construction | \$ (391.5) | \$ (5,031.5) | \$ (1,468.7) | \$ - | \$ - |
| Net Company Capital | \$ 63.2 | \$ 169.7 | \$ 68.4 | \$ 938.7 | \$ 843.5 |

WASTEWATER

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <u>Customers (Year end)</u> | | | | | |
| Residential | 100 | 410 | 925 | 1580 | 2355 |
| Commercial | 2 | 3 | 4 | 5 | 6 |
| Industrial | 0 | 0 | 0 | 0 | 0 |

Operating Revenue (Thousands)

| | | | | | |
|-----------------|---------|---------|----------|----------|----------|
| Total Estimated | \$ 20.6 | \$ 97.4 | \$ 246.8 | \$ 458.2 | \$ 716.1 |
|-----------------|---------|---------|----------|----------|----------|

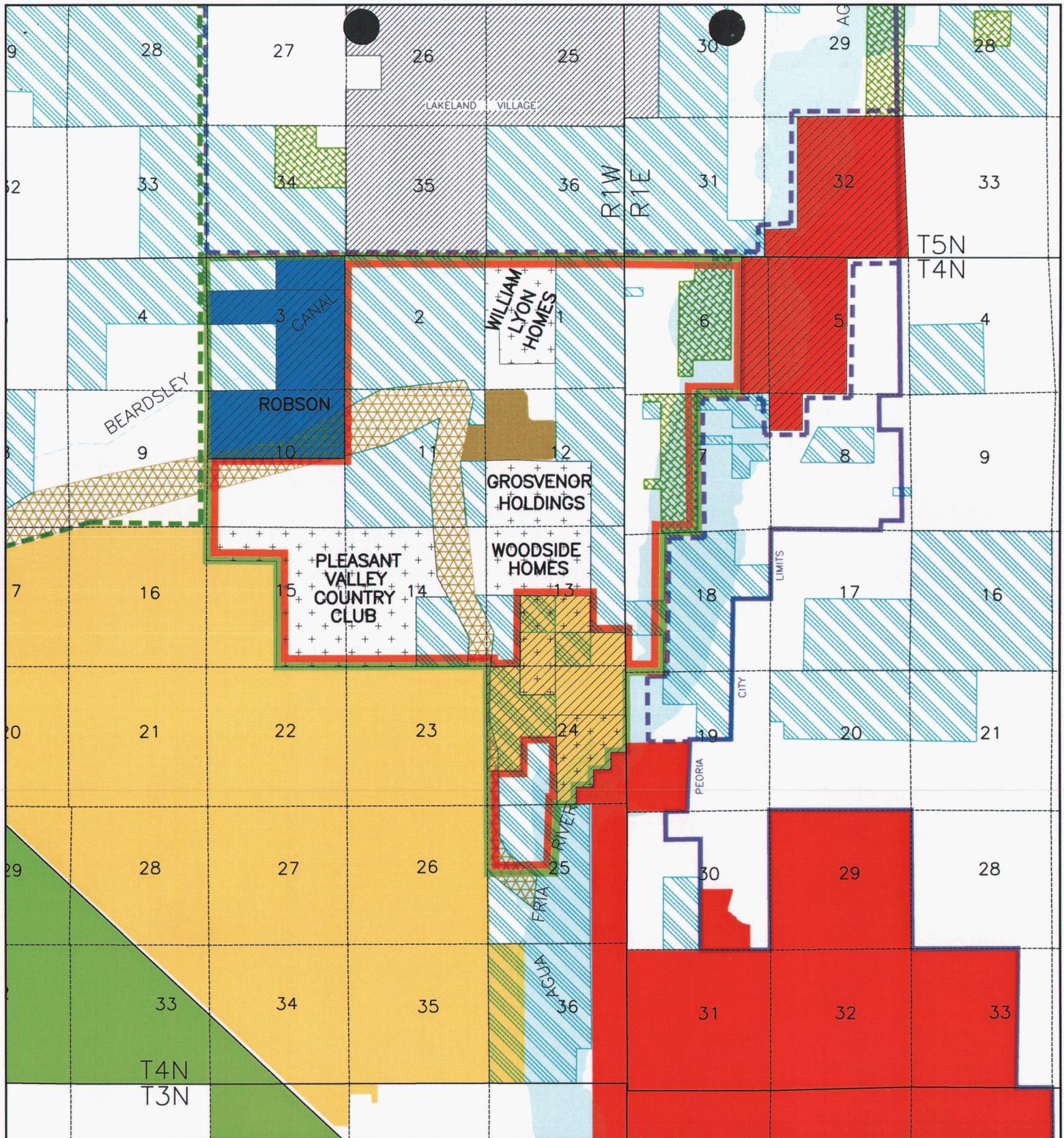
Operating Expenses (Thousands)

| | | | | | |
|-----------------|--------|---------|----------|----------|----------|
| Total Estimated | \$ 8.7 | \$ 39.9 | \$ 100.6 | \$ 188.3 | \$ 298.0 |
|-----------------|--------|---------|----------|----------|----------|

Facilities Construction Costs and Funding (Thousands)

| | | | | | |
|--------------------------------------|------------|--------------|--------------|------------|------------|
| Total Estimated Construction Cost | \$ 6,656.1 | \$ 5,084.3 | \$ 3,179.6 | \$ 905.0 | \$ 990.8 |
| Advances in aid of Constuction | \$ (337.2) | \$ (507.3) | \$ (687.1) | \$ (873.7) | \$ (956.8) |
| Contributions in aid of Construction | \$ (150.8) | \$ (4,679.4) | \$ (2,739.6) | \$ (465.2) | \$ (506.4) |
| Net Company Capital | \$ 6,168.1 | \$ (102.4) | \$ (247.0) | \$ (433.8) | \$ (472.5) |

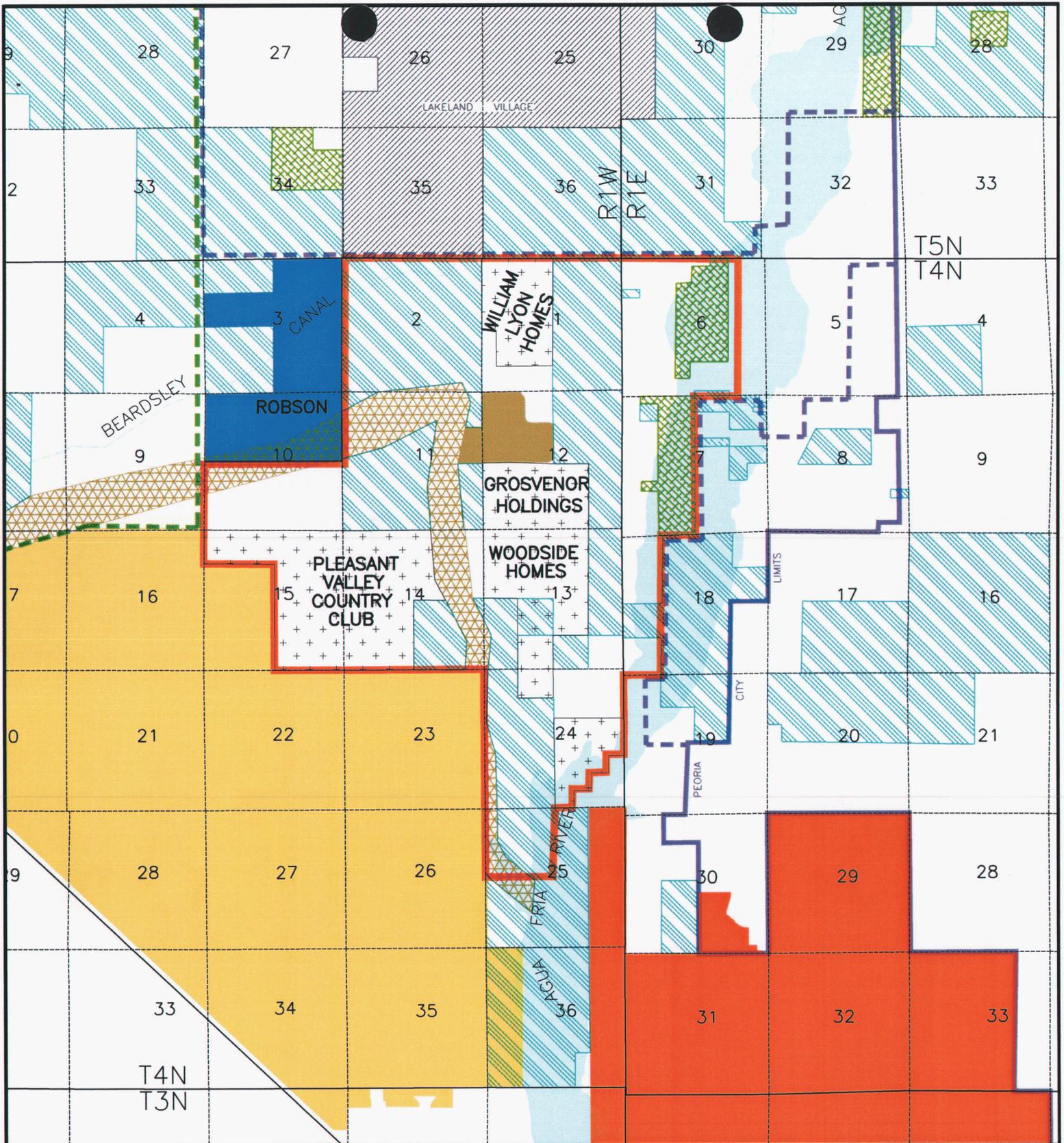
EXHIBIT L



Proposed Certificate of Convenience and Necessity Extension for Water Service by Arizona-American Water

- | | | | |
|---|---|--|--|
| <p>AGUA FRIA DISTRICT PROPOSED EXTENSION ———</p> <p>AGUA FRIA DISTRICT TOTAL PLANNING AREA (INCLUDES TRANSFER) ———</p> <p>CITY OF PEORIA PLANNING AREA - - - - -</p> <p>CITY OF SURPRISE PLANNING AREA - - - - -</p> | <p>SUN CITY WATER DISTRICT EXISTING CCN ■</p> <p>SUN CITY WEST WATER DISTRICT EXISTING CCN ■</p> <p>PROPOSED TRANSFER FROM SUN CITY WEST WATER DISTRICT TO AGUA FRIA DISTRICT ▨</p> <p>PROPOSED TRANSFER FROM SUN CITY WATER DISTRICT TO AGUA FRIA DISTRICT ▨</p> | <p>AGUA FRIA DISTRICT EXISTING CCN ■</p> <p>APS SUBSTATION ■</p> <p>FUTURE TRANSFER FROM RANCHO CABRILLO TO THE AGUA FRIA DISTRICT ▨</p> <p>DEVELOPMENTS UNDER AGREEMENT ▨</p> | <p>N.T.S. </p> <p>STATE LAND </p> <p>BLM LAND </p> <p>COUNTY LAND </p> <p> COUNTY LAND</p> |
|---|---|--|--|

EXHIBIT M



Proposed Certificate of Convenience and Necessity Extension for Sewer Service by Arizona-American Water



- | | | | |
|--|--|---|---|
| <p>ARIZONA-AMERICAN WATER COMPANY (DISTCO) PROPOSED EXTENSION —</p> <p>CITY OF PEORIA PLANNING AREA - - -</p> <p>CITY OF SURPRISE PLANNING AREA - - -</p> | <p>SUN CITY WEST SEWER DISTRICT EXISTING CCN </p> <p>SUN CITY SEWER DISTRICT EXISTING CCN </p> | <p>APS SUBSTATION </p> <p>FUTURE TRANSFER FROM RANCHO CABRILLO TO THE AGUA FRIA DISTRICT </p> <p>DEVELOPMENTS UNDER AGREEMENT </p> | <p>STATE LAND </p> <p>BLM LAND </p> <p>COUNTY LAND </p> |
|--|--|---|---|



EXHIBIT "M"