



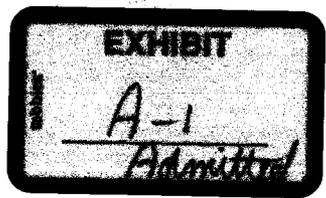
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Transcript Exhibit(s)

Docket #(s): WS-01303A-02-0633

Exhibit #: A1, A2, A3, A4, A5, A6

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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

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. _____

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AZ CORP COMMISSION
DOCUMENT CONTROL

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

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

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

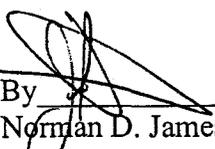
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21 Norman D. James
22 Jay Shapiro
23 3003 North Central Avenue
24 Phoenix, Arizona 85012-2913
25 (602) 916-5400

26
27 Blaine Akine
28 Arizona-American Water Company
29 P.O. Box 1687
30 Sun City, Arizona 85372

1 (623) 815-4306

2 As set forth above, Arizona-American respectfully request that the Commission
3 process this Application, schedule a public hearing and issue an order granting this Application in
4 its entirety by (1) granting approval to extend Arizona-American's service territory under its
5 Certificate of Convenience and Necessity for water utility service to serve the area set forth on the
6 Legal Description attached as Exhibit A; (2) granting approval to extend Arizona-American's
7 service territory under its Certificate of Convenience and Necessity for wastewater utility service
8 to serve the area set forth on the Legal Description attached as Exhibit B; and (3) granting
9 approval to transfer the parcel set forth on the Legal Description attached as Exhibit C from the
10 Sun City West District to the Agua Fria District, for water and wastewater utility service.
11

12 DATED this 20th day of August, 2002.

13
14
15 By 
16 Norman D. James
17 Jay Shapiro
18 Fennemore Craig, P.C.
19 Attorneys for Arizona-American Water Company
20 3003 North Central Avenue
21 Phoenix, Arizona 85012-2913

21 **Original** and ten copies filed this
22 20th day of August, 2002, with:
23 Docket Control
24 Arizona Corporation Commission
25 1200 West Washington
26 Phoenix, Arizona 85007

25 **Copies** of the foregoing mailed
26 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 ½) of Section 10;

All of Section 11;

All of Section 12;

The North half (N ½) and the East half (E ½) of the Southwest Quarter (SW ¼) and the Northeast Quarter (NE ¼) of the Southeast Quarter (SE ¼) 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;

The South half (S ½) of the Southwest Quarter (SW ¼) and the Northeast Quarter (NE ¼) of the Southwest Quarter (SW ¼) of Section 24;

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 (E ½) of the East half (E ½);

The West half (W ½) of Section 7;

The West half (W ½) of the West half (W ½) 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

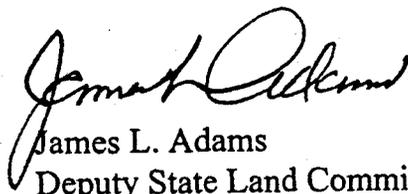
Blaine Akine, P.E., Director of Engineering
Arizona-American Water Company
12425 W. Bell Road, Suite 306
Surprise, AZ 85374

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 scheduling 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.

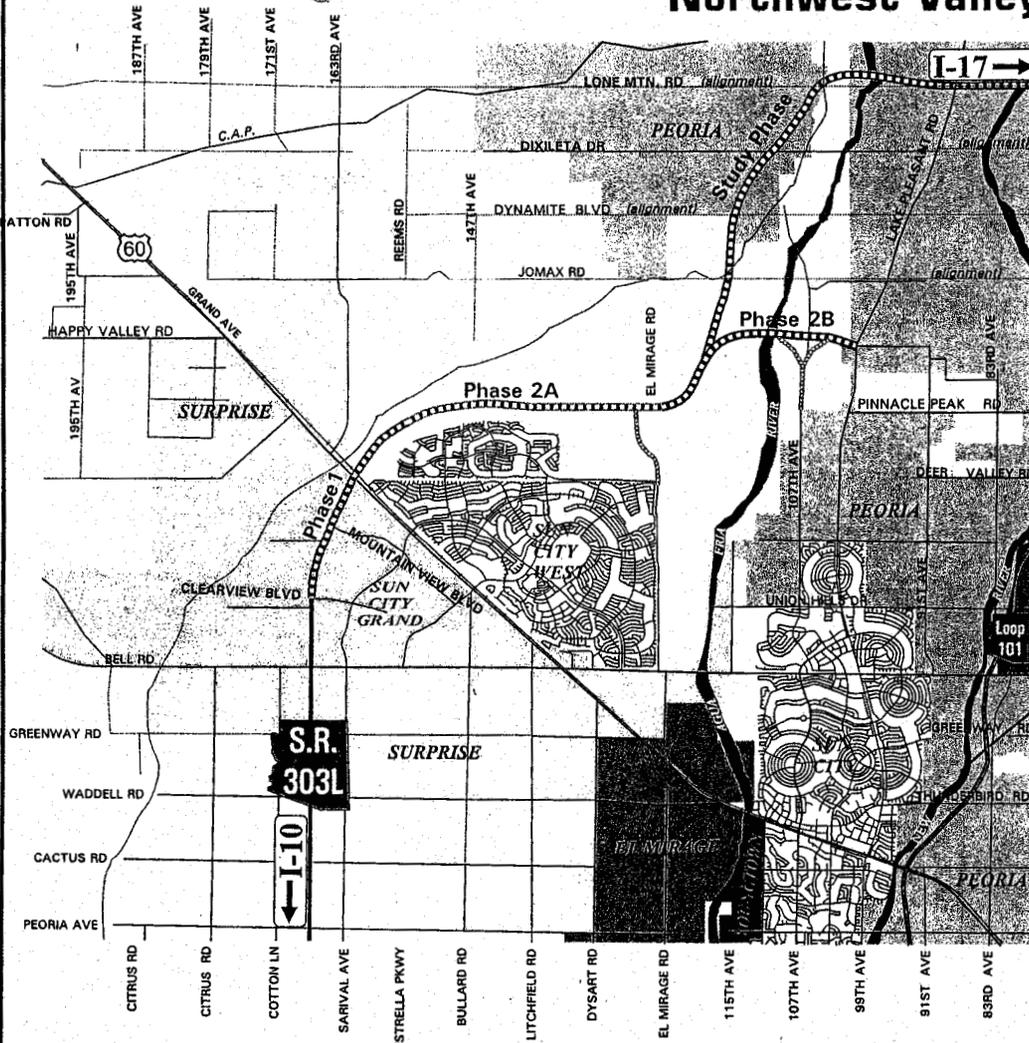
Lakeland Village, in addition to their major investment in the 303 Freeway, will be constructing significant sections of the major arterial roadways in the region. Lakeland will be constructing the Agua Fria Blvd. as an entry arterial roadway into their development. The Agua Fria Blvd. will connect into 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.

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



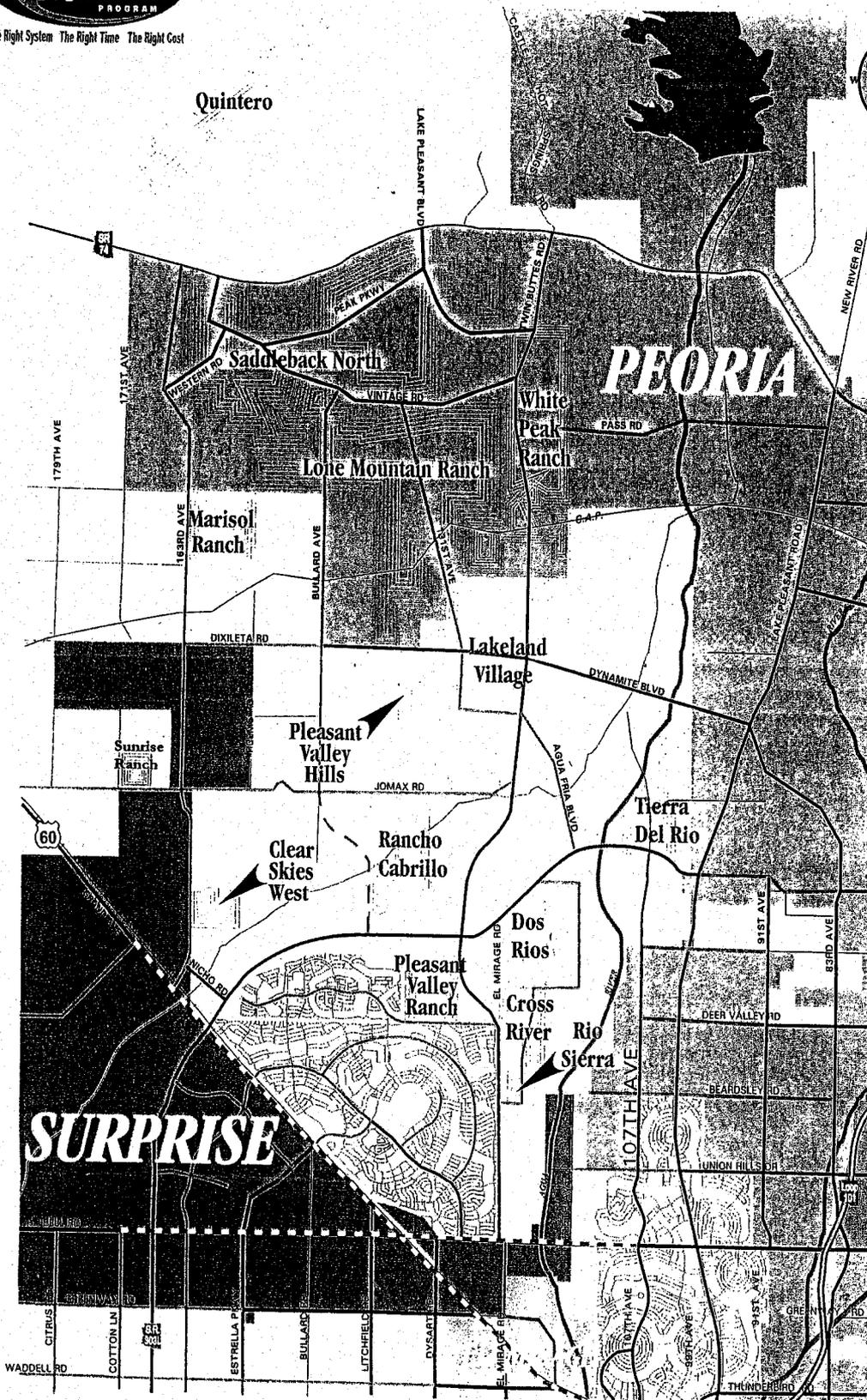
The Right System The Right Time The Right Cost

www.mcdot.maricopa.gov
 www.rightroads.org



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)		

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*****

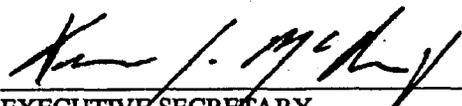
a domestic corporation organized under the laws of the state of Arizona, did incorporate on December 30, 1949.

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

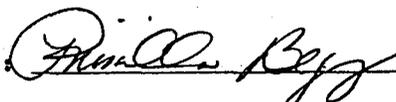
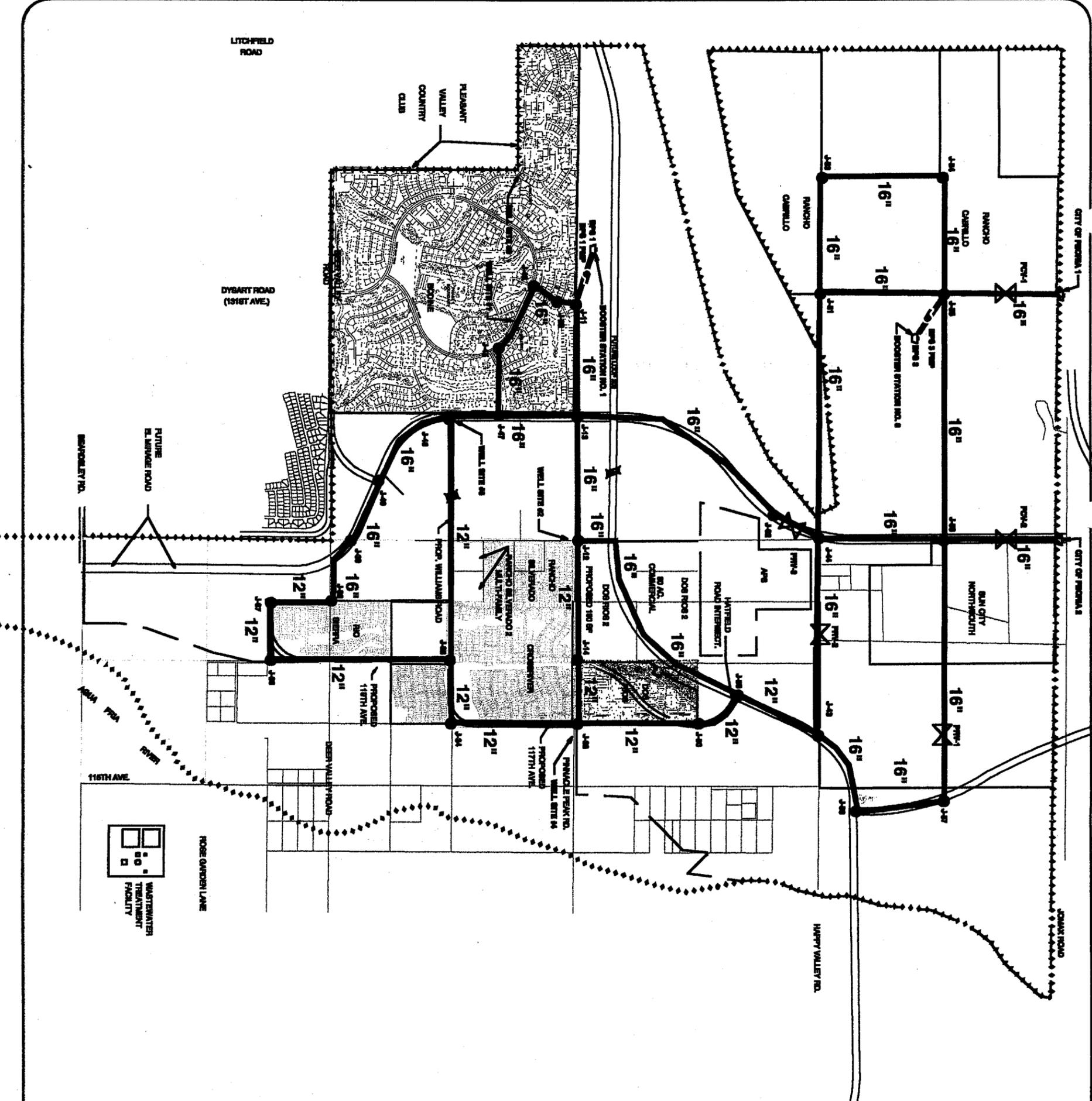
BY: 

EXHIBIT H



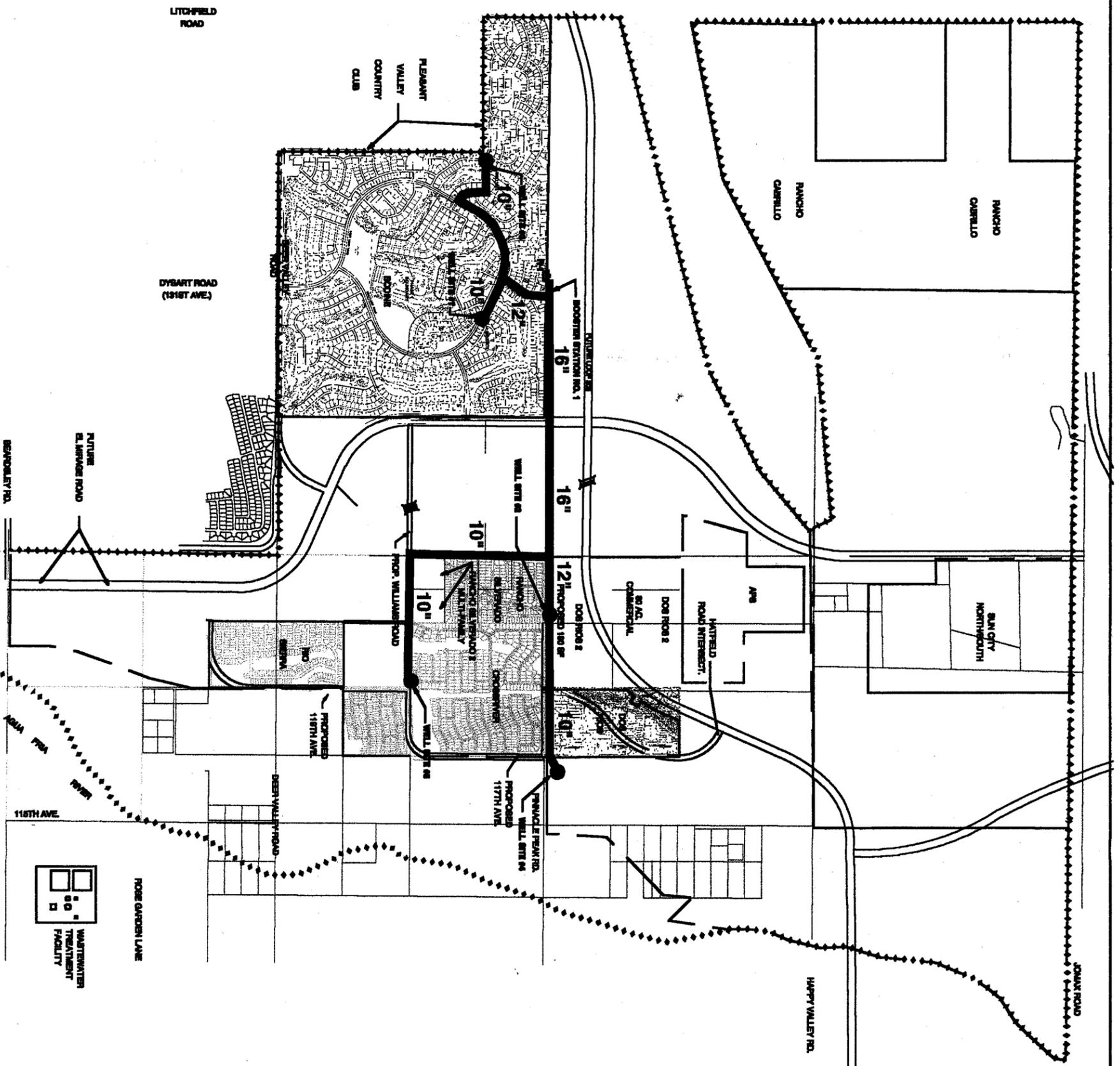
Arizona-American
Water Company
 12425 W. Bell Road, Suite C 305
 Surprise, Arizona 85374
 623.583.8448

LEGEND

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



FIGURE 3	WATER NETWORK (OPTION 1) JOB NO 020015-01	AGUA FRIA MASTER PLAN COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE
4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831		



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

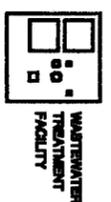
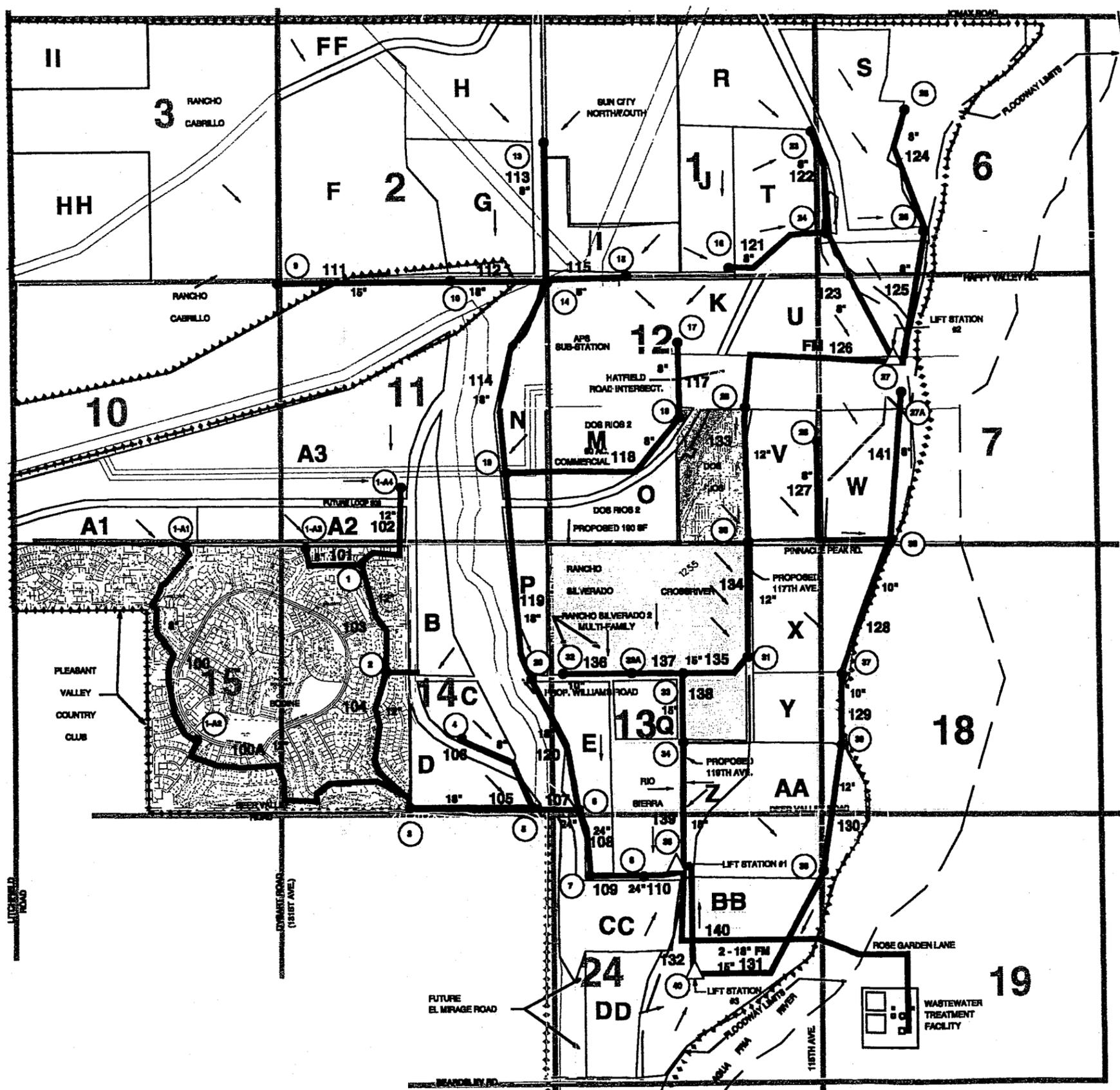


FIGURE 5	POSSIBLE WELL LOCATIONS (OPTION 1)	AGUA FRIA MASTER PLAN	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE
	JOB NO 020015-01	4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831	

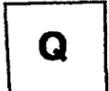
EXHIBIT I

DATE: May 21, 2002
 TIME: 13:45:03
 FILE: m:\020015\Nash-sewer-1.dgn



 **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**
-  **TRIBUTARY SUB-AREA**
-  **LIFT STATION**
-  **SEWER LINE SIZE**
- 19** **SECTION NUMBER**
-  **SECTION LINE**
-  **STUDY AREA BOUNDARY**



AGUA FRIA MASTER PLAN
COE & VAN LOO
 PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

SEWER MASTER PLAN
 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
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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

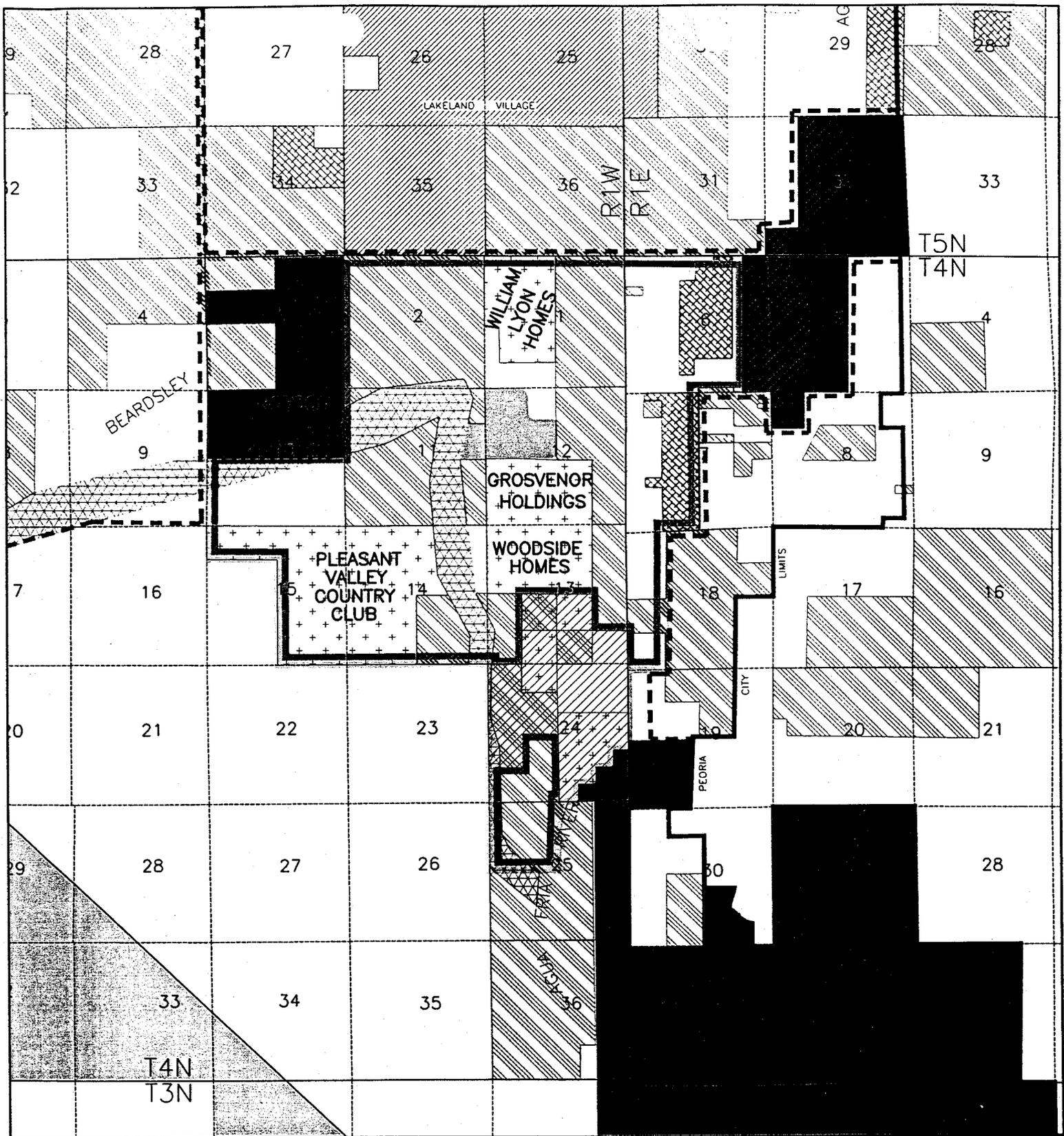
WATER

	<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
<u>Water Consumption (million gallons)</u>					
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
<u>Operating Revenue (Thousands)</u>					
Total Estimated	\$ 81.5	\$ 160.5	\$ 324.6	\$ 626.7	\$ 920.8
<u>Operating Expenses (Thousands)</u>					
Total Estimated	\$ 29.0	\$ 62.8	\$ 128.1	\$ 242.4	\$ 360.5
<u>Facilities Construction Costs and Funding (Thousands)</u>					
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
<u>Operating Revenue (Thousands)</u>					
Total Estimated	\$ 20.6	\$ 97.4	\$ 246.8	\$ 458.2	\$ 716.1
<u>Operating Expenses (Thousands)</u>					
Total Estimated	\$ 8.7	\$ 39.9	\$ 100.6	\$ 188.3	\$ 298.0
<u>Facilities Construction Costs and Funding (Thousands)</u>					
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

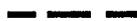
AGUA FRIA DISTRICT
PROPOSED EXTENSION



AGUA FRIA DISTRICT
TOTAL PLANNING AREA
(INCLUDES TRANSFER)



CITY OF PEORIA
PLANNING AREA



CITY OF SURPRISE
PLANNING AREA



SUN CITY WATER DISTRICT
EXISTING CCN



SUN CITY WEST WATER
DISTRICT EXISTING CCN



PROPOSED TRANSFER FROM SUN
CITY WEST WATER DISTRICT TO
AGUA FRIA DISTRICT



PROPOSED TRANSFER FROM
SUN CITY WATER DISTRICT TO
AGUA FRIA DISTRICT



AGUA FRIA DISTRICT
EXISTING CCN



APS SUBSTATION



FUTURE TRANSFER FROM
RANCHO CABRILLO TO THE
AGUA FRIA DISTRICT



DEVELOPMENTS UNDER
AGREEMENT



STATE LAND



N.T.S.

BLM LAND

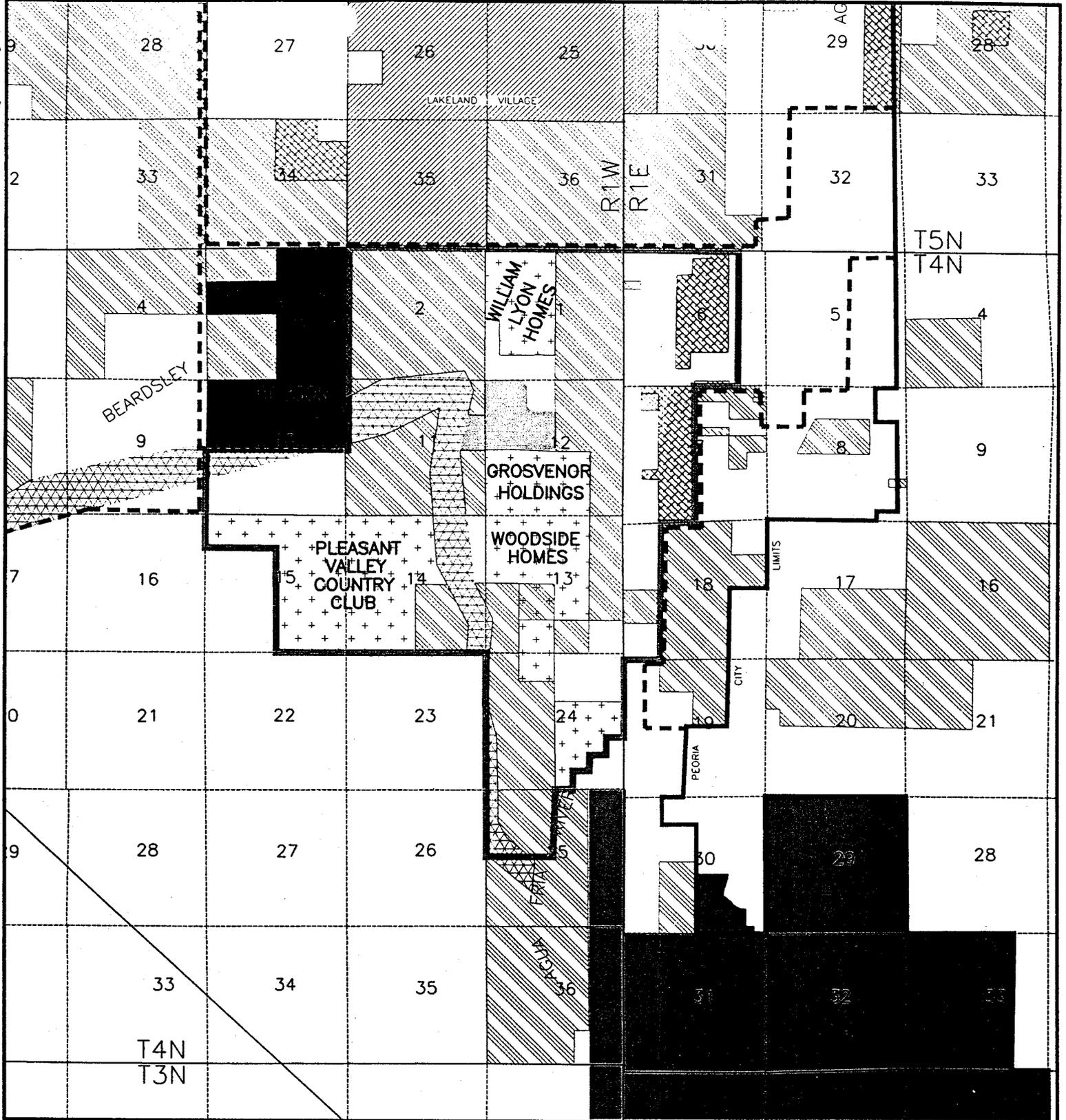


COUNTY LAND



EXHIBIT "L"

EXHIBIT M



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



ARIZONA-AMERICAN WATER COMPANY
(DISTCO) PROPOSED EXTENSION



SUN CITY WEST SEWER
DISTRICT EXISTING CCN



APS SUBSTATION



STATE LAND



CITY OF PEORIA
PLANNING AREA



SUN CITY SEWER
DISTRICT EXISTING CCN



FUTURE TRANSFER FROM
RANCHO CABRILLO TO THE
AGUA FRIA DISTRICT



BLM LAND



CITY OF SURPRISE
PLANNING AREA



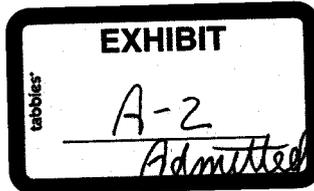
DEVELOPMENTS UNDER
AGREEMENT



COUNTY LAND



EXHIBIT "M"



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AZ CORP COMMISSION
DOCUMENT CONTROL

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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

DOCKET NO. 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

**ARIZONA-AMERICAN WATER
COMPANY'S RESPONSE TO
STAFF REPORT**

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

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

INTRODUCTION

Arizona-American Water Company ("Arizona-American") hereby responds to the November 8, 2002, Staff Report submitted in this matter. Arizona-American is appreciative of Staff's efforts, and generally supports the recommendations contained in its Report. However, there are three issues that Arizona-American wishes to address in order to clarify its position. These issues are: 1) expansion of its certificate of convenience and necessity ("CC&N") to include certain areas other than those which evidence a present need for service; 2) the rates to be charged to approximately twenty

1 (20) existing customers in the Sun City West parcel Arizona-American is requesting to
2 transfer to its Agua Fria service area; and 3) authorization to use Arizona-American's
3 existing non-potable water tariff in the proposed extension area. With the possible
4 exception of the first issue, Arizona-American does not believe that its position on these
5 issues conflicts with Staff's recommendations.

6 DISCUSSION

7 **1. The Entire CC&N Extension Request is in the Public Interest and** 8 **Should Be Approved.**

9 As of the date of the Application (August 20, 2002), Arizona-American had
10 entered into a main extension agreement with Del Webb Corporation to finance the
11 facilities needed to service Del Webb's planned 718 acre Pleasant Valley Country Club
12 project. Additionally, the Arizona State Land Department had made a formal request for
13 service on May 23, 2002, requesting the inclusion of eleven (11) sections of State lands
14 into the proposed extension area. Staff recommends that Arizona-American's CC&N be
15 extended to these particular areas because there has been a demonstration of need.

16 Arizona-American is also requesting to extend its CC&N to encompass smaller
17 developments and parcels, including but not limited to projects being pursued by
18 1) Grosvenor Holdings; 2) Woodside Homes; and 3) William Lyon Homes. Arizona-
19 American is negotiating main extension agreements with these developers and expects to
20 supplement the record and provide additional evidence of need in these areas. The
21 company appreciates Staff's willingness to revise its Report to reflect those facts.
22 However, Arizona-American believes that its extension request demonstrates that the
23 broader area is under accelerated development, requiring both short-term and long-term
24 planning that only a certificated utility can provide.

25 Arizona-American provided a Summary of the Maricopa Department of
26 Transportation ("MDOT") construction plan (attached hereto as Exhibit A) in its

1 Application. Several major developers have scheduled home closings in 2003 and 2004,
2 expending significant funds to entitle and plat their developments. They have also
3 contributed significant funds toward the construction of the 303 Freeway and major
4 roadway arterials in the region. It is certain that water and wastewater infrastructure will
5 be required sometime in the near future to service these developments. Likewise, the City
6 of Peoria has given its support (attached hereto as Exhibit B) to Arizona-American's
7 Application because it is not feasible for the City to provide water service in areas
8 adjacent the City's planning area in the near future.

9 It would be both expensive and time consuming for Arizona-American to extend its
10 CC&N on a piecemeal basis in order to accommodate the numerous developments
11 occurring in the region. Recognizing this fact, and hoping to avoid a "checker-board"
12 service area in which facilities are planned and constructed for individual developments,
13 Arizona-American has sought to pursue a regional approach to developing the
14 infrastructure that will be needed to properly serve the area. Granted, there may be small
15 areas of the requested extension area that may not need service within the next few years.
16 However, Arizona-American's overall regional plan represents the only viable plan for
17 serving those parcels that provides for economies of scale and good utility practice,
18 consistent with the Commission's public policy goal of developing regional service
19 providers. Accordingly, the Arizona-American's application for the entire extension area
20 should be approved.

21 **2. The Transfer Parcel and Rates to be Charged.**

22 Arizona-American appreciates Staff's concern that customers should receive
23 comparable service wherever they are connected to a public service company or located in
24 its service area. Currently, there are approximately only 20 customers in the proposed
25 transfer parcel, which is comprised of mostly vacant, undeveloped land. Arizona-
26 American is proposing to interconnect the small Cool Well system into the planned

1 regional water system for operational redundancy and reliability reasons. Upon
2 completion of the transfer, the tariffs applicable under A.A.C. R14-2-409.D.1 and R14-2-
3 608.D.1 with respect to the transfer parcel will be the Agua Fria Water District and
4 **DistCo** tariffs, meaning any new customers should be required to take service under
5 applicable Agua Fria Water District and **DistCo** tariffs.

6 In contrast, the 20 existing customers applied for service and are presently being
7 served under Sun City West Water District tariffs. Arizona-American's proposal was
8 submitted to comply with the provisions of A.A.C. R14-2-409.D.1 and R14-2-608.D.1
9 requiring service to be provided "under the applicable tariff indicated in the customer's
10 application for service" and as an accommodation to the 20 existing customers so that
11 their rates would not increase. Arizona-American's proposal to charge the existing
12 customers the currently effective Sun City West Water District tariff rate, if approved,
13 would comply with Staff's recommendation not to revise the rates of existing customers
14 outside of a rate case. This does not appear to be an area of disagreement, but rather one
15 that needed clarification to illustrate Arizona-American's desire to effectuate the transfer
16 without disrupting the small number of customers presently paying rates under the
17 SCWWD tariff. With this clarification, Arizona-American supports Staff's
18 recommendation concerning the transfer.

19 **3. Arizona-American is Requesting a Tariff for a New Service in its**
20 **Application.**

21 Arizona-American is seeking approval of a Non-Potable Water Service - Restricted
22 Source tariff, at a rate of \$0.62 per 1000 gallons. The request is for a new service to be
23 provided by the Agua Fria Water District. The Agua Fria Water District's existing Non-
24 Potable water tariff is for "unrestricted" sources, and can be sourced through a variety of
25 means, including Central Arizona Project ("CAP") water, groundwater and effluent. The
26 new golf course to be served in the extension area is located outside the limits of any

1 municipality. Under Maricopa County ordinance, groundwater may not be used as a
2 source of supply for this golf course, creating the need for a new class of non-potable
3 service from a restricted source of supply. The only difference between the two tariffs are
4 minor differences in the Special Conditions and Terms and Conditions of service
5 necessary to eliminate groundwater as a potential source of supply. Arizona-American
6 takes responsibility for not pointing out this subtle difference in its Application, and does
7 not suggest that Staff's treatment of this issue in its Report was improper. Arizona-
8 American hopes that this clarification provides Staff the information needed to
9 recommend its approval.

10 CONCLUSION

11 Arizona-American has sought to answer the Commission's call to approach water
12 and wastewater infrastructure development from a regional point of view. While the
13 requested extension area represents pieces in a puzzle (both private and state lands),
14 Arizona-American has been developing both short and long-term plans to make that
15 puzzle eventually fit. Arizona-American contends that the Staff Report and the
16 recommendations contained therein go a long way in helping to bring about a regional
17 approach to water planning in Arizona, and the company will supplement the record to
18 demonstrate short-term need in a large majority of the Extension Area. Arizona-
19 American respectfully requests that the Commission take that final step and approve the
20 entire Extension Area, in the interest of both judicial economy and the overall public
21 interest.

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DATED this 18th day of December, 2002.

FENNEMORE CRAIG, P.C.

By: Norman D. James
Norman D. James
Jay L. Shapiro
3003 North Central Avenue
Phoenix, Arizona 85012-2913
Attorneys for Arizona-American Water
Company

Original and thirteen copies were filed
this 18th day of December, 2002, with:

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

A Copy of the foregoing was delivered
this 18th day of December, 2002, to:

Marc E. Stern
Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Jim Fisher, Executive Consultant II
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

By: Barbara DuMez

EXHIBIT A

**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 scheduling 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.

EXHIBIT B



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".

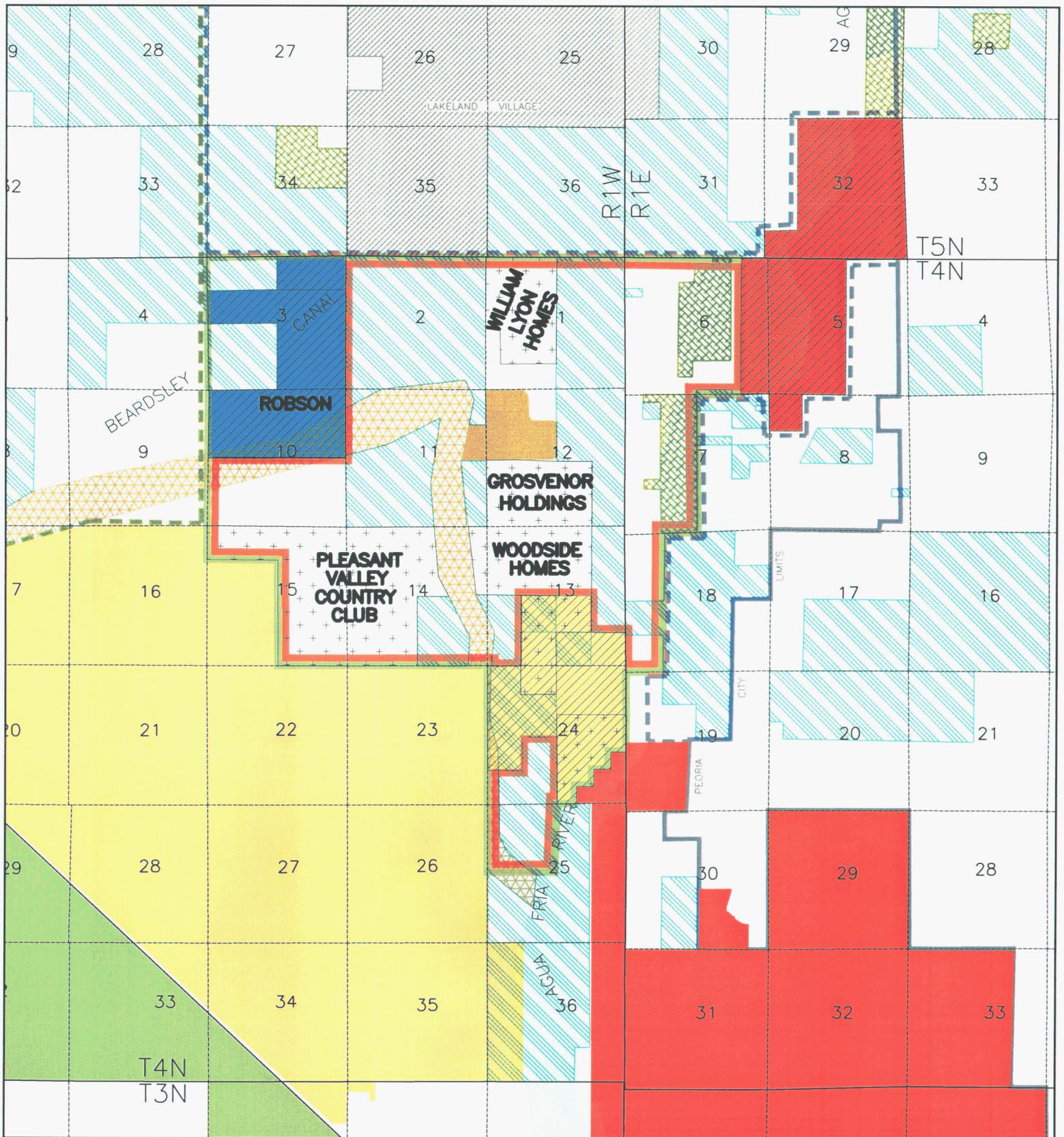
Meredith R. Flinn
Deputy City Manager

EXHIBIT

tabbles®

A-3

Admitted



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> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|

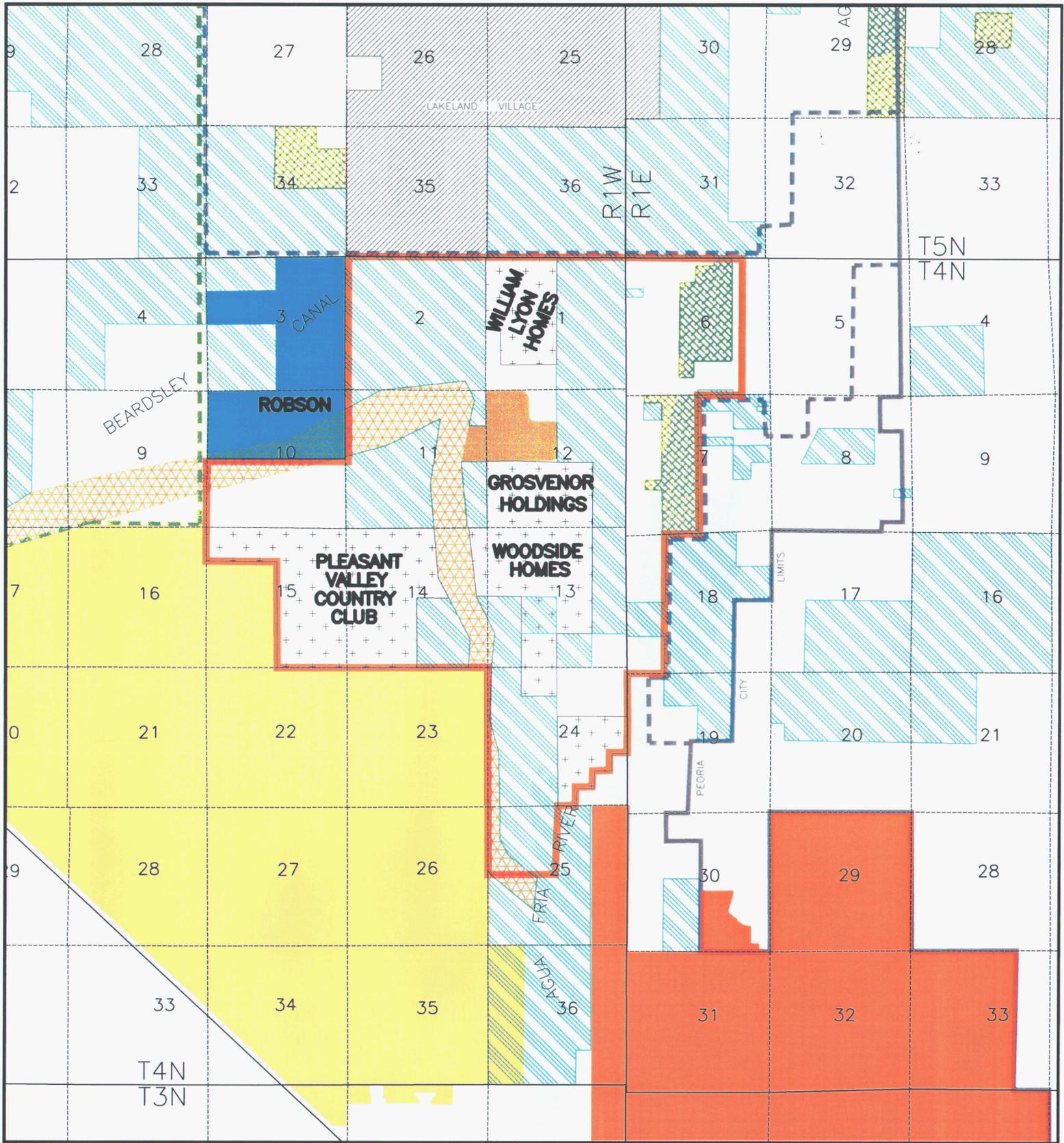


EXHIBIT

tabbles®

A-4

Admitted



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



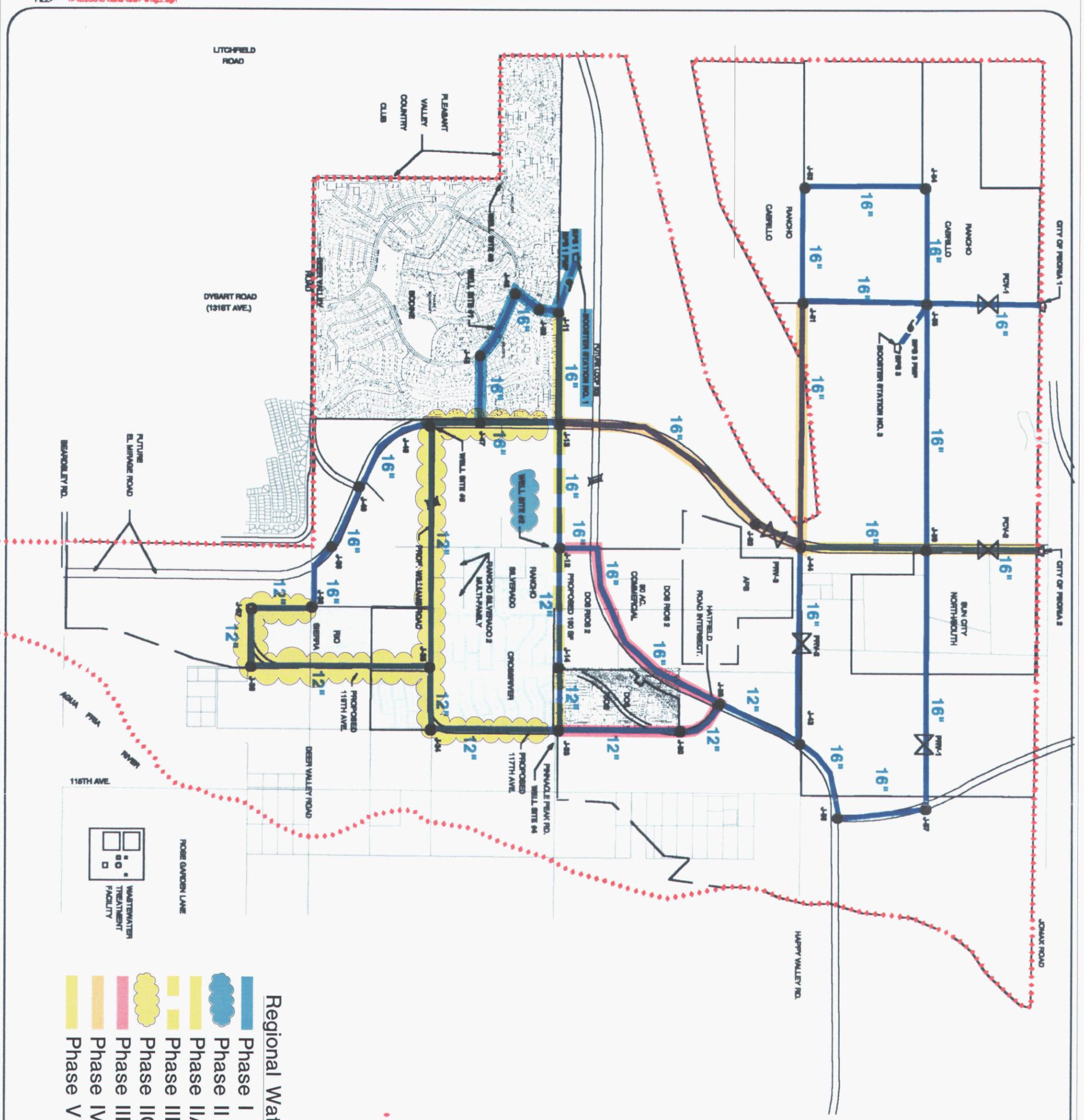
- | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| <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
A-6
Admitted

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

LEGEND

- DEMAND NODES
- INLINE BPS
- CV CHECK VALVE
- ⊗ PMV PRESSURE REDUCING VALVE
- ◻ STORAGE RESERVOIR
- BPS PUMP
- ⊗ FLOW CONTROL VALVE

..... STUDY AREA BOUNDARY

Regional Water Facilities

- Phase I - Webb
- Phase II - Morrison
- Phase IIIA - Morrison
- Phase IIIB - Morrison
- Phase IIIC - Morrison
- Phase III - Kennedy
- Phase IV - Robson
- Phase V - William Lyon



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

Fisher

MEMORANDUM

S-1
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TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

EXHIBIT
S-1
Admitted

Date: November 8, 2002

RE: ARIZONA-AMERICAN WATER COMPANY APPLICATION FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
TO PROVIDE WATER AND WASTEWATER SERVICE, AND TO
TRANSFER A PORTION OF THE SUN CITY WEST SERVICE AREA TO
THE AGUA FRIA SERVICE AREA IN MARICOPA COUNTY, ARIZONA
(DOCKET NO. WS-01303A-02-0633)

Attached is the Staff Report for the above referenced application. Staff is recommending approval with conditions.

EGJ:JEF:nms

Originator: Jim Fisher

Attachment: Original and Fifteen Copies

ARIZONA CORPORATION
COMMISSION

RECEIVED
NOV 13 2002

Director of Utilities

Service List for: Arizona-American Water Company
Docket No. WS-01303A-02-0633

Mr. Norman D. James
Mr. Jay Shapiro
3003 North Central Avenue
Phoenix, Arizona 85012

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

ARIZONA-AMERICAN WATER COMPANY

DOCKET NO. WS-01303A-02-0633

APPLICATION FOR AN EXTENSION OF
CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE
WATER AND WASTEWATER SERVICE

AND TO

TRANSFER A PORTION OF THE
SUN CITY WEST SERVICE AREA
TO THE AGUA FRIA SERVICE AREA
IN MARICOPA COUNTY, ARIZONA

NOVEMBER 2002

STAFF ACKNOWLEDGEMENT

The Staff Report for Arizona-American Water Company, (Docket No. WS-01303A-02-0633) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analysis of the Company's application. John Chelus was responsible for the engineering and technical analysis. Janie Woller was responsible for reviewing customer complaints filed with the Commission.

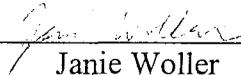
Contributing Staff:



Jim Fisher
Executive Consultant II



John Chelus
Utilities Engineer



Janie Woller
Utility Consumer Analyst

EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY
DOCKET NO. WS-01303A-02-0633

Arizona-American Water Company, ("AAWC" or "Company") is an Arizona corporation engaged in providing water utility service to customers within portions of Maricopa, Mohave, and Santa Cruz Counties, Arizona. By this application, AAWC is seeking to extend its current Agua Fria District Certificate of Convenience and Necessity, ("CC&N") to include adjacent properties.

Staff recommends approval of the application with conditions:

1. That the Commission extends the CC&N to those properties which have demonstrated a need for service.
2. That the Commission requires the AAWC to charge its existing rates and charges in the proposed extension area.
3. That the Cool Well Parcel be transferred from the Sun City West District to the Agua Fria District.
4. That the Cool Well Parcel authorized rates be adjusted in the next rate case.
5. That the request for use of AAWC's Non Potable Water Tariff be approved.
6. That the Commission's Decision granting this Extension to a CC&N and to the AAWC be considered null and void without further order from the Commission should AAWC, fail to meet the following conditions within the time specified:
 - a. That the Commission require the AAWC to file with the Director of the Utilities Division, the Arizona Department of Environmental Quality approvals for construction of all water facilities, with the appropriate main extension agreement, or within 365 days from the effective date of the Commission's Decision.
 - b. That the Commission require the AAWC to file with the Director of the Utilities Division, a copy of the Arizona Department Water Resources Certificate of Assured Water Supply for the proposed developments within 365 days from the effective date of the Commission's Decision.
 - c. That the Commission require the AAWC to file with the Director of the Utilities Division, the allocable Ak-Chin - Del Webb Water Lease Agreement, costs to be classified as a contribution in aid of construction within 365 days of the decision in this matter.

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ATTACHMENTS

Legal Description.....	Exhibits A, B & C
Maps.....	Map Nos. 29 and 32

Introduction

On August 20, 2002, Arizona-American Water Company, ("AAWC" or "Company"), an Arizona corporation, filed an application with the Arizona Corporation Commission ("ACC") requesting approval for an extension of its existing Certificate of Convenience and Necessity, ("CC&N") in Maricopa County, Arizona. On September 20, 2002, Staff notified AAWC its application was sufficient according to the Arizona Administrative Code.

Background

AAWC is an Arizona corporation engaged in providing water and wastewater utility service to customers within portions of Maricopa, Mohave, and Santa Cruz Counties, Arizona. The Company is a wholly-owned subsidiary of AAWC which provides utility service to approximately 15 million customers in 27 states. AAWC obtained the assets and CC&N of Citizens Communications in Decision No. 63584 and serves an approximate 115,000 customers in Arizona.

By this application, AAWC is seeking to extend its current Agua Fria District water and wastewater CC&N to include substantial undeveloped properties adjacent to and north of its current service territory. AAWC is also seeking Commission authorization to transfer a small portion of the AAWC Sun City West Water District to the AAWC Agua Fria Water District.

The Proposed Extension Area

AAWC is seeking to certificate approximately 12 sections located north of Sun City West, east of the City of Surprise and west of the City of Peoria. The proposed CC&N 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 proposed extension territory will add approximately 6,675 acres or 10.34 square miles to its existing certificated area. The new area will include all of Sections 1, 2, 11, 12, 13, 14 and parts of Sections 10, 15, 24 and 25 of Township 4 North, Range 1 West, as well as parts of Sections 6, 7, and 18 of Township 4 North, Range 1 East.

The proposed extension area is under substantial development pressure from area developers. The Maricopa Department of Transportation, ("MDOT"), has accelerated the construction of nearby State Route 303 Freeway between Grand Avenue and Lake Pleasant Road. MDOT began construction on a portion of the Freeway July 2002 and has accelerated the construction schedule by requiring construction seven days a week, 12 hours per day. This acceleration was done in part with developer financial contributions. The accelerated development could also be considered evidence of the pace of growth in that portion of Maricopa County.

Developers in the area include Woodside Homes, Del Webb Home Construction, Inc., Grosvenor Holdings, L.L.C. and William Lyon Homes. According to AAWC, these developers have consolidated properties under title and are in the plat approval process. Certifying AAWC water and wastewater services for the proposed area will allow the developers to finalize their respective master plans for approval of the developments and allow AAWC to plan utility expansion and service for a large diversely developed area.

Wastewater Capacity

AAWC has provided Staff with substantial documentation supporting the Application. According to AAWC, the Company will use the existing Sun City West Wastewater Treatment Facility to provide wastewater treatment to the new area. The current plant has a capacity of 3.14 millions of gallons per day ("MGD"). That existing plant will be expanded to 5.0 MGD in the near future and eventually expanded to handle eight or nine MGD for total build out. The Company will continue to use conventional activated sludge treatment. Sludge dewatering belt presses will be used for sludge treatment.

The Company provided a document entitled, "Agua Fria Sewer Master Plan" prepared by Coe & Van Loo Consultants, Inc., which provides a detailed analysis of growth patterns, wastewater flow characteristics and volumes, gravity sewer locations and wastewater treatment facilities placement. At ultimate build out, the service area will generate 3.94 MGD average daily flow, 4.9 MGD average daily flow in the maximum month and 10.8 MGD peak daily flow.

The proposed extension area will eventually require use of three lift stations, related force mains, and in excess of 95,000 lineal feet of collection piping and manholes. Staff has concluded that the Company has the resources and technical expertise to develop the necessary wastewater collection system and treatment facilities to serve the new area.

Requests for Service

Del Webb Corporation, a master plan builder, has requested AAWC to extend service to Del Webb's planned 718 acre Pleasant Valley Country Club. Del Webb has entered into a main extension agreement with AAWC to finance the facilities.

Arizona State Land Department has also made a formal request for service. On May 23, 2002, James Adams, Deputy State Land Commissioner of the Arizona State Land Department wrote to AAWC to request inclusion of 11 sections of state land into the proposed AAWC CC&N. The State has requested AAWC to include Sections 01, 02, 11, 12, 13, 14, 24, 25 and 36 in Township 4 North, Range 1 West, B and Sections 06, 07 and 18 in Township 4 North, Range 1 East within the CC&N.

AAWC also represents that Grosvenor Holdings, L.L.C., Woodside Homes, and William Lyon Homes have requested service and that the parties are currently in negotiation on terms to finance the facilities for the developments. AAWC asserts that agreements evidencing the

demand for service will be filed in early November 2002. At the time of the drafting of the Staff Report on this matter AAWC has not provided any evidence to determine there is a present need for utility services at the properties to be developed by Grosvenor Holdings, L.L.C., Woodside Homes, and William Lyon Homes.

Therefore, Staff recommends that AAWC's CC&N extension request be granted for those areas in which evidence of the need for service has been demonstrated. In the event AAWC is able to provide evidence of a need for service by Grosvenor Holdings, L.L.C., Woodside Homes, and William Lyon Homes, Staff reserves the right to revise the Staff Report to reflect such additional evidence.

AAWC has also informed Staff that Scott Homes, owner of Rancho Cabrillo Water and Sewer Companies has requested AAWC to provide water and wastewater service to its certificated area, approximately 685 acres. AAWC has not finalized any agreements on the proposal, but it expects to file a separate application for the transfer of the Rancho Cabrillo Water and Sewer Companies CC&N with the Commission in the near future.

Line Extension Agreement

At the time of Application AAWC had entered into only one main extension agreement to finance the required facilities. Line extension agreements are a standard industry practice. Arizona Administrative Code ("A.A.C.") R14-2-406 established the minimal acceptable criteria for line extension agreements between water utilities and private parties. The rule provides in part: "in the event that additional facilities are required to provide water supply exclusively for the new service such additional facilities may be included in refundable advances (See A.A.C. R14-2-406 B. 1)

On August 5, 2002, Del Webb Home Construction, Inc. ("Del Webb") and AAWC entered into a main extension agreement to finance the on-site utility facilities to serve the property. According to Section 4.1 of the Agreement, Del Webb will construct all phases of the On-Site Subdivision Facilities, the Non-Potable Facilities and all phases of the Oversized On-Site Subdivision Facilities. Del Webb will also construct the Phase I Regional Water Facilities and the Phase I Regional Wastewater Collection Facilities. In addition, Del Webb is required to convey On-Site Water Wells for Non-Potable Water requirements.

According to Exhibit D of the Agreement, AAWC estimates that Del Webb's pro rata share of Regional Wastewater Collection Facilities to be \$912,040. AAWC estimates that Del Webb's pro rata share of the Regional Water Facilities to be \$683,882. The entire wastewater collection facilities project is estimated at a cost of \$3,337,633, the water facilities at \$3,730,500. AAWC has allocated pro-rata shares of the facilities to eight other developers. The estimated Developer Advances are further defined in Exhibit C to the Agreement.

AAWC and Del Webb have agreed that all real property to be conveyed in association with the transferred facilities shall be valued at \$26,500 per acre inside of the project, and Del

Webb's actual cost outside the project. The parties also agree to a valuation of \$250,000 for each On-Site Well.

Prior to final acceptance of constructed facilities, Del Webb is required to provide AAWC a cash payment equal to the current meter installation tariff for each meter to be set in each Phase of On-Site Facilities to be transferred.

Refunds to Del Webb

According to Section 4.6 of the Agreement, within 30 days of the Del Webb's invoice, AAWC will reimburse Del Webb for the amount that the Oversized On-Site Subdivision Facilities exceed the cost of the On-Site Subdivision Facilities that would otherwise have been constructed.

The Agreement also refers to "Reimbursable Costs" which for all intents and purposes are a form of refund for advanced facilities. Reimbursable Costs of each component of the Contributed Facilities are to be pro rated based on the estimated wastewater flow or water demand for the associated facility. The Del Webb costs in excess of its pro rata share shall also be reimbursed. Del Webb is to submit monthly progress reports to AAWC regarding reimbursable costs.

In addition to the above, Exhibit C of the Agreement provides that AAWC will provide water refunds of \$800 per Equivalent Residential Unit ("ERU") taking permanent Potable Water Service, calculated every six months. In addition, AAWC shall provide Del Webb refunds equal to 10 percent of the Non Potable Water Services for each 12 month period for a 10 year period.

AAWC will also provide Waste Water Refunds in the amount of \$200 per ERU, taking permanent Waste Water Service, calculated every six months. In addition, AAWC shall provide Del Webb refunds equal to 10 percent of the revenue derived from the provision of Wastewater Services for each 12 month period.

Contributions by Del Webb

The Del Webb costs not reimbursed by AAWC and the costs associated with the Ak-Chin Water Lease will be considered contribution in aid of construction. According to Exhibit B of the Ak-Chin - Del Webb Water Lease Agreement, total water lease charges are expected to be \$12,270,600. Of this amount Staff is unclear as to what portion of the Water Lease is assigned to the Pleasant Valley Country Club Project. As this is to be classified as a contribution in aid of construction, AAWC should be required to clarify the amount of the Ak-Chin Water Lease Agreement assigned to the Pleasant Valley Country Club Project within 365 days of the decision in this matter.

AAWC's Project Facilities Fee

According to Section 4.10 of the AAWC contract Del Webb is required to pay \$1,150 per ERU for Potable Water Services and \$450 per ERU for Wastewater Services for a Project Facilities Fee, which for all intents and purposes is a contractual, not tariff hook-up fee. Del Webb is required to provide AAWC one payment of the Project Facilities Fee for all ERU's in a phase, or unit of a subdivision. AAWC will use the Project Facilities Fee solely to fund construction of all phases of the Regional Water and Wastewater Facilities.

The developer is required to construct the facilities in strict conformance with the approved plans and guidelines of applicable public agencies, including the Arizona Department of Environmental Quality and the ACC.

Water Capacity

In support of the Application AAWC provided a document entitled, "Agua Fria Water Master Plan" prepared by Coe & Van Loo Consultants, Inc., which provides a detailed analysis of growth patterns, water demand, storage and pumping requirements, source supply options, and cost estimates. The master plan divided the study area into three pressure zones. Within these zones, the AAWC is predicting an ultimate development in the study area of 16,521 dwelling units and an average daily demand of 7.685 million gallons per day ("MGD") with a peak day demand of 13.833 MGD.

According to the supporting documentation, water will be supplied from wells and from connections with the City of Peoria. AAWC is anticipating developing five to thirteen wells, each with a capacity of 1,000 gallons per minute ("gpm"). The number of wells will vary depending on whether the City of Peoria will provide the water to make up the difference between average and peak day demand. The ultimate storage requirement will be 6.61 million gallons.

According to Section 6.6 of the Del Webb Agreement, AAWC has not been designated as having an assured water supply for the extension area. Del Webb is required to obtain Certificates of Assured Water Supply in order to subdivide and develop the property. On June 27, 2001, Del Webb and the Ak-Chin Indian Community entered into an Option and Lease Agreement to provide Del Webb with the option to purchase 6,000 to 10,000 acre-feet of surface water per annum, for 100 years. According to the Agreement, Del Webb provided the Ak-Chin Indian Community \$300,000 for the option to lease the right to delivery of the required water. Del Webb is also required to pay Water Lease Charges and Water Use Charges. The Water Lease Charge is a one time charge based on \$1,203 per acre foot. The Water Use Charge escalates over the term of the lease. The Water Use Charge is at \$53 per acre foot of water at the beginning of the lease. Exhibit B of the Agreement indicates Total Water Lease Charges of \$12,270,600.

Non Potable Water Tariff

AAWC is requesting Commission authorization to use its existing a Non Potable water tariff within the proposed extension area. A Non Potable water tariff is used to provide turf irrigation services. The Commission has previously authorized a Non Potable water tariff to AAWC for the Whitestone Development.

In addition to the Ak-Chin water supply arrangement, Del Webb has also entered into a Well Share agreement with the Bodine Family Trust to provide non-potable water for turf purposes. On February 25, 2002, Del Webb and Ralph and Linda Bodine, entered into a Well Share Agreement which allows Del Webb to use two water wells as either recovery wells or irrigation wells. In addition Del Webb is allowed to assign its interest in the Agreement to a third party.

Staff has concluded that the Company has the resources and technical expertise to develop the necessary water supply to serve the new area a non potable water service. Staff recommends the Commission approve the Non Potable water tariff at the existing rate.

Arizona Department of Water Resources ("ADWR") Compliance

AAWC Agua Fria District is within the Phoenix Active Management Area ("AMA"), and consequently is subject to reporting and conservation rules ("GPCD") requirements. The Phoenix AMA reported that AAWC Agua Fria District is in total compliance with the ADWR reporting and conservation rules. It is also recommended that AAWC shall file with the Commission a copy of the developers Certificate of Assured Water Supply, where applicable or when required by statute.

Arizona Department of Environmental Quality ("ADEQ") Compliance

The AAWC Agua Fria District currently has two ADEQ public water systems. The number of systems has been reduced to two systems due to recent interconnections and consolidation of the numerous small systems. ADEQ regulates the water systems under ADEQ Public Water System ("PWS") I.D. # 04-07-695 (Agua Fria) and #04-07-151 (Waddell). Based on data submitted by the Company, ADEQ has determined that these systems are currently delivering water that meets water quality standards required by A.A.C., Title 18, and Chapter 4.

ADEQ Compliance Wastewater

ADEQ reported that the wastewater treatment facility is in total compliance with their rules for operation, reporting, and discharge limits.

Transfer Parcel Proposal

AAWC is requesting the Commission to authorize the company to transfer a portion of its Sun City West District ("SCWD") for water service to the Agua Fria District ("AFD"). The requested Transfer Parcel is an isolated stand alone system serving 20 customers from a single well and storage tank system.

AAWC proposes to interconnect the system to the proposed plant in the extension area. The interconnection would occur for operational redundancy and system reliability, as the current stand alone plant would be interconnected with the AFD. AAWC proposes the Commission authorize the company to alter the effective rates for the service connection once a new customer relocates to the proposed Transfer Parcel. AAWC proposes to "grandfather" existing customers and that once a customer leaves the system and that meter location is subsequently used by a new customer, that the new customer be charged the rates for the AFD.

Staff believes that customers should receive comparable service wherever they are connected to a public service company or located in its service area. Staff considers the request to transfer the Cool Well system from the SCWD to the AFD reasonable and that the system will ultimately benefit from increased reliability and removal of redundant equipment. However, a customer should not be required to accept additional charges because the public service company has ensured its service is reliable. Staff recommends that the Commission authorize the Cool Well system to be transferred to the AFD. Staff recommends that the Commission deny the AAWC request to revise the rates of existing customers outside of a rate case and require AAWC to implement any rate changes in the context of a rate case.

The following table lists the Cool Well plant to be transferred.

Wells

Well No. 1	
Well meter	4 inch Rockwell
Casing Size	16 inch
Casing Depth	850 ft.
Pump Type	Submersible
Pump Size	50 hp
Pump Yield	300 gpm
Date Drilled	1972

Storage, Pumping

	Capacity	Year Built
Pressure tank	2,000 gal	
Storage tank	10,000 gallon 12 ft H x 12 ft dia.	1994
Booster pumps	1.5 hp, 3 hp, 5 hp	

Distribution Mains

Diameter	Material	Length
6 inch	PVC	8,000 ft
6 inch	ACP	950 ft
4 inch	PVC	2,100 ft
4 inch	ACP	250 ft

Meters

Size	Quantity
5/8 x 3/4 inch	20

The following table lists the cost of the plant in service by account number that will be transferred.

Plant in Service Summary

Account No.	Name	Account Balance
301	Organization	\$12,176.28
310	Land & Land Rights	2,265.78
311	Structures and Improvements	566.45
314	Wells and Springs	18,126.26
325	Electric Pumping Equipment	12,461.80
342	Distribution Reservoirs and Storage	11,328.91
343	Transmission and Distribution	38,291.72
345	Services	1,586.05
346	Meters	1,472.75
TOTAL	Gross Plant in Service	\$98,276.00

Estimated Cost of Facilities

Exhibits B and C of AAWC's application contain copies of the main extension agreements for the on-site water distribution facilities. The improvements seem appropriate and the estimated costs are within acceptable ranges. Refunds, plant in service values, and contributions (un-refunded advances) shall be based upon actual costs, invoices, paid bills, or other statements of expenses, as provided in Paragraph III.9 and Paragraph IV.1 of the main extension contracts.

ACC Compliance

A check with the Utilities Division compliance unit showed no outstanding compliance issues.

Proposed Plant for Requested Area

Staff's recommendation for approval of this CC&N extension application and its submitted plant facilities does not imply a recommendation for any particular future treatment for AAWC's rate base. No "used and useful" determination of the proposed plant facilities was made, and no conclusions should be inferred for ratemaking or rate base purposes.

Proposed Rates

AAWC is proposing to extend service to the property at its tariffed rates.

Recommendations

Water:

Staff recommends that the Commission grant the Arizona-American Water Company application for an Extension to its Certificate of Convenience and Necessity to provide water service, subject to compliance with the following conditions:

That the Commission authorizes Arizona-American Water Company application for an Extension to its Certificate of Convenience and Necessity consistent with those properties that have demonstrated a need for service, the Del Web Pleasant Valley Country Club and the State Land Department parcels.

That the Commission require the Arizona-American Water Company to charge its existing rates and charges for water service in the proposed extension area.

That the Commission approves Arizona-American Water Company's request to apply its existing Non Potable Water Tariff for water service in the proposed extension area.

That the Commission's Decision granting this Extension to a Certificate of Convenience and Necessity to the Arizona-American Water Company be considered null and void without further order from the Commission should Arizona-American Water Company, fail to meet any of the following conditions within the time specified:

- a. That the Commission requires the Arizona-American Water Company to file with the Director of the Utilities Division, the Arizona Department of Environmental Quality approvals for construction of all water facilities, with the appropriate main extension agreement, or within 365 days from the effective date of the Commission's Decision, which ever is sooner.
- b. That the Commission require the Arizona-American Water Company to file with the Director of the Utilities Division, a copy of the Arizona Department Water Resources

Certificate of Assured Water Supply for the proposed developments within 365 days from the effective date of the Commission's Decision.

- c. That the Commission require the AAWC to file with the Director of the Utilities Division, the allocable Ak-Chin – Del Webb Water Lease Agreement, costs to be classified as a contribution in aid of construction within 365 days of the decision in this matter.

Cool Well:

Staff further recommends that the Commission approve Arizona-American Water Company's application to transfer the Cool Well Service parcel from the Sun City West District to the Agua Fria District.

Staff further recommends that the Commission deny AAWC request to alter the rates of the Cool Well Service parcel outside of a rate case.

Wastewater:

Staff further recommends that the Commission grant the AAWC application for an Extension to its Certificate of Convenience and Necessity to provide wastewater service, subject to compliance with the following conditions:

That the Commission authorizes AAWC application for an Extension to its Certificate of Convenience and Necessity consistent with those properties that have demonstrated a need for wastewater service, the Del Webb Pleasant Valley Country Club and the State Land Department parcels.

That the Commission requires the AAWC to charge its existing wastewater rates and charges in the proposed extension area.

Staff further recommends that the Commission's Decision granting this Extension to a CC&N for wastewater service to the AAWC be considered null and void without further order from the Commission should AAWC fail to file with the Director of the Utilities Division, the Arizona Department of Environmental Quality approvals for construction of all wastewater facilities, within 365 days from the effective date of the Commission's Decision.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: October 29, 2002

RE: **ARIZONA AMERICAN WATER COMPANY (DOCKET NO. WS-01303A-02-0633)**

The area requested by Arizona American for transfer from the Sun City West District to the Agua Fria District and for an extension of it's water and sewer CC#N has been plotted with one minor complication: the written legal description for the water extension in Section 13, Township 4 North, Range 1 West, should read – the West (not East) half of the Southwest Quarter. Attached is a copy of the legal description submitted by the company showing the change penciled in. The company needs to make this minor change to the written legal description and file it with Docket Control as an amendment.

Attached are copies of the maps for your files.

:bsw

Attachments

cc: Docket Control
Mr. Blaine Akine
File

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 ½) of Section 10;

All of Section 11;

All of Section 12;

→ The North half (N ½) and the East half (E ½) of the Southwest Quarter (SW ¼) and the Northeast Quarter (NE ¼) of the Southeast Quarter (SE ¼) 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;

The South half (S ½) of the Southwest Quarter (SW ¼) and the Northeast Quarter (NE ¼) of the Southwest Quarter (SW ¼) of Section 24;

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 (E ½) of the East half (E ½);

The West half (W ½) of Section 7;

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

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 (E ½) of the East Half (E ½);

The West half (W ½) of Section 7;

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

EXHIBIT C

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

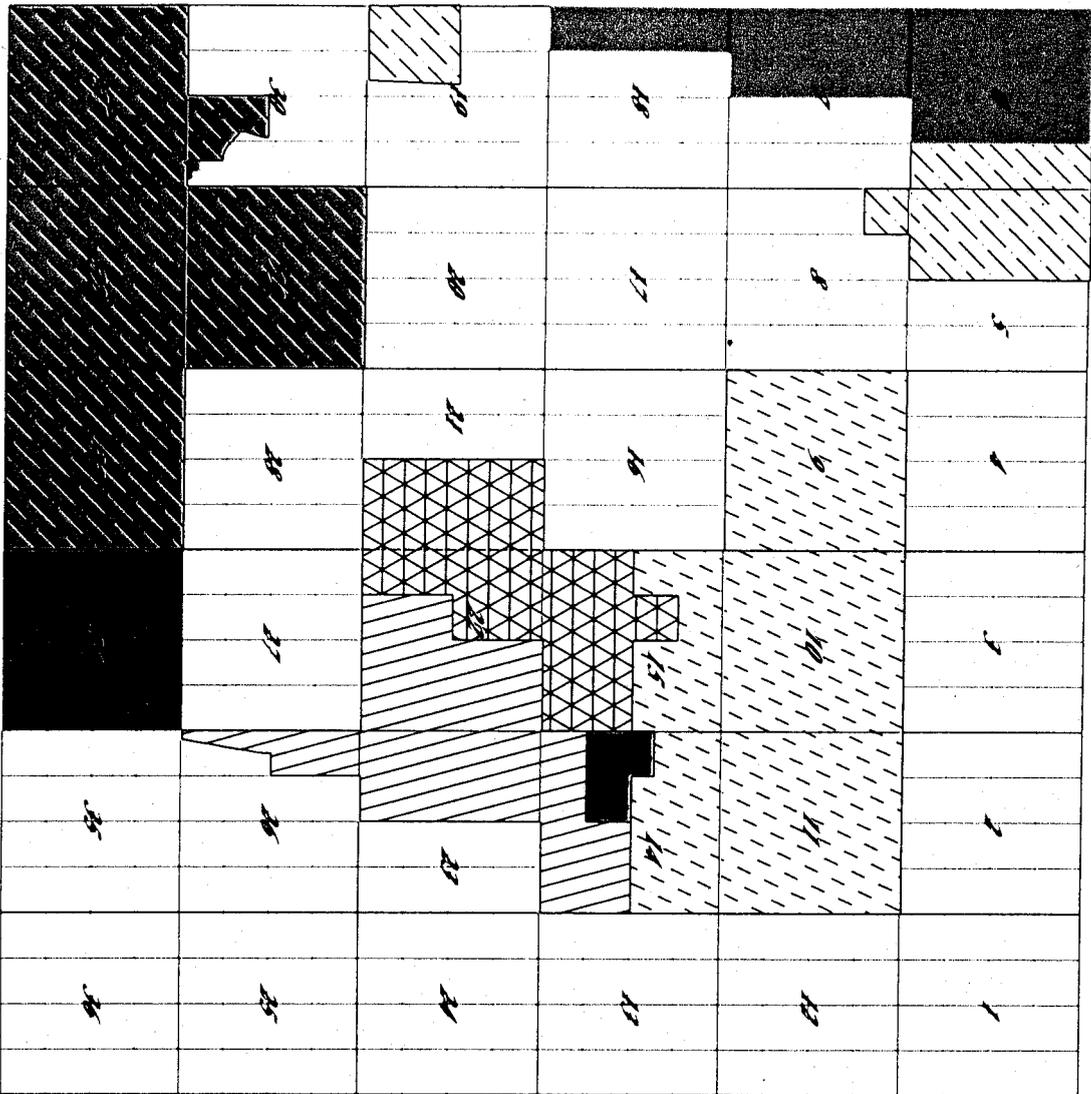
Township 4 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County,
Arizona

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).

COUNTY OF Maricopa

RANGE 1 East

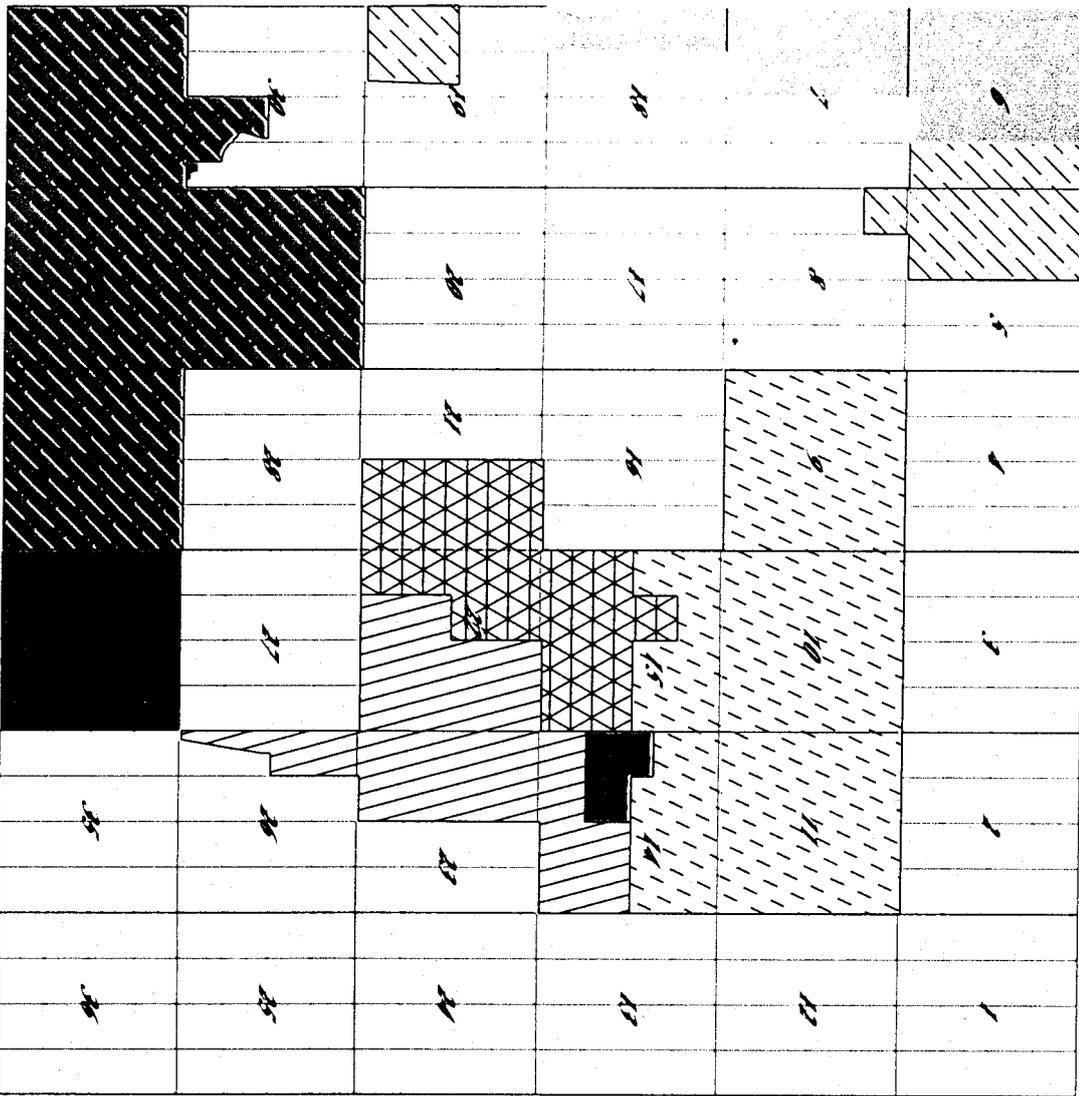


TOWNSHIP 4 North

-  WS-1303 (14)  Sewer
-  Arizona-American Water Company
-  W-1737 (1) New River Utility Company
-  W-1539 (1) Rose Valley Water Company
-  W-2069 (1) Sunrise Water Company, Inc.
-  C-0008 (3) City of Peoria (Nonjurisdictional)
-  Arizona American Water Company (Docket No. WS-1303-02-633)
Application for Extension for Water

COUNTY of Maricopa

RANGE 1 East



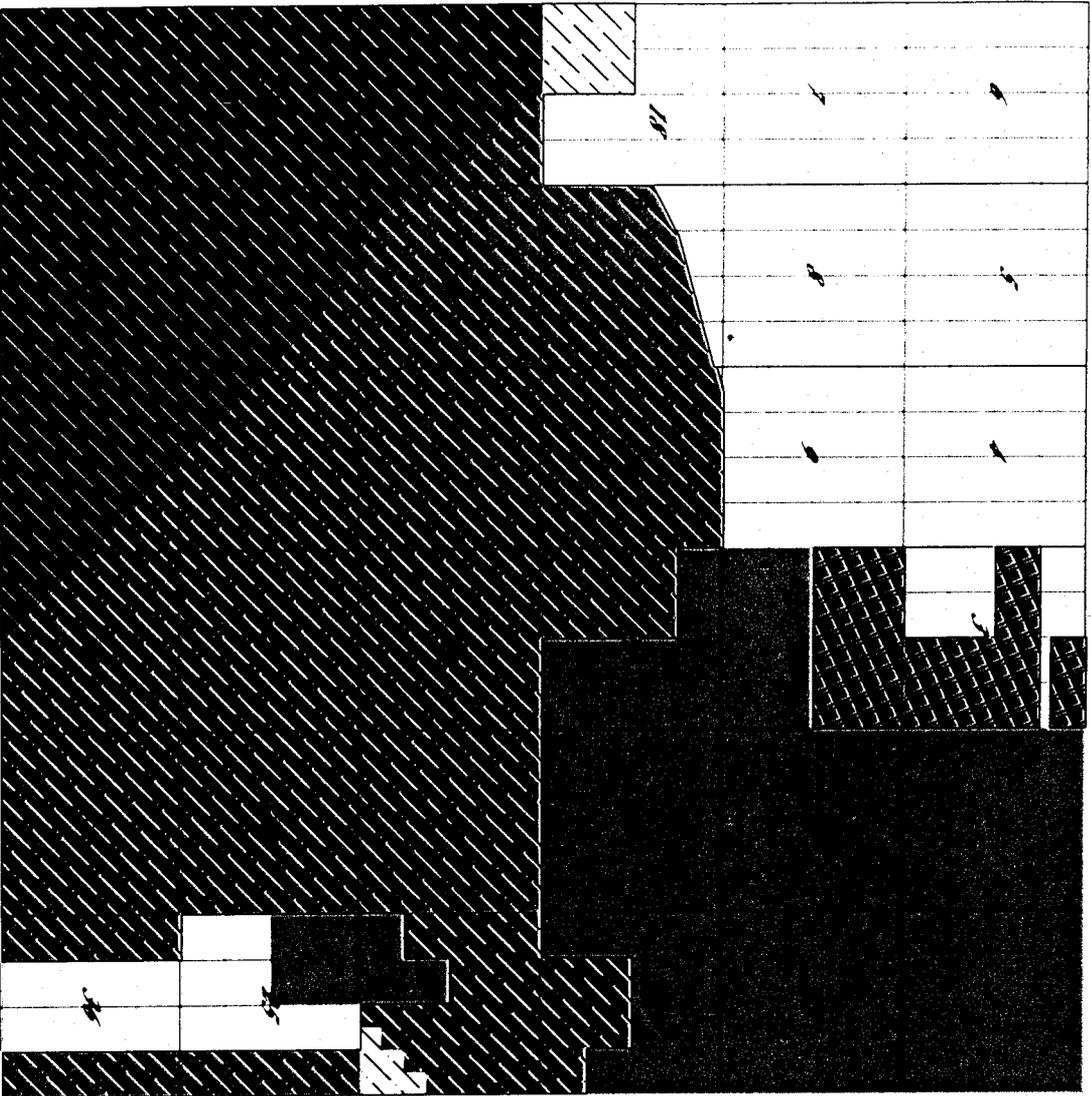
TOWNSHIP 4 North

Map No. 29

-  WS-1303 (14)
-  Sewer
-  Arizona-American Water Company
-  W-1737 (1)
-  New River Utility Company
-  W-1539 (1)
-  Rose Valley Water Company
-  W-2069 (1)
-  Sunrise Water Company, Inc.
-  C-0008 (3)
-  City of Peoria (Nonjurisdictional)
-  Arizona American Water Company (Docket No. WS-1303-02-633)
Application for Extension for Sewer

COUNTY: Maricopa

RANGE 1 West



TOWNSHIP 4 North



WS-1303 (14)



Arizona-American Water Company (Agua Fria)



SW-3898 (1)

Rancho Cabrillo Sewer Company



W-3898 (1)

Rancho Cabrillo Water Company



(4)

City of Surprise (Nonjurisdictional)

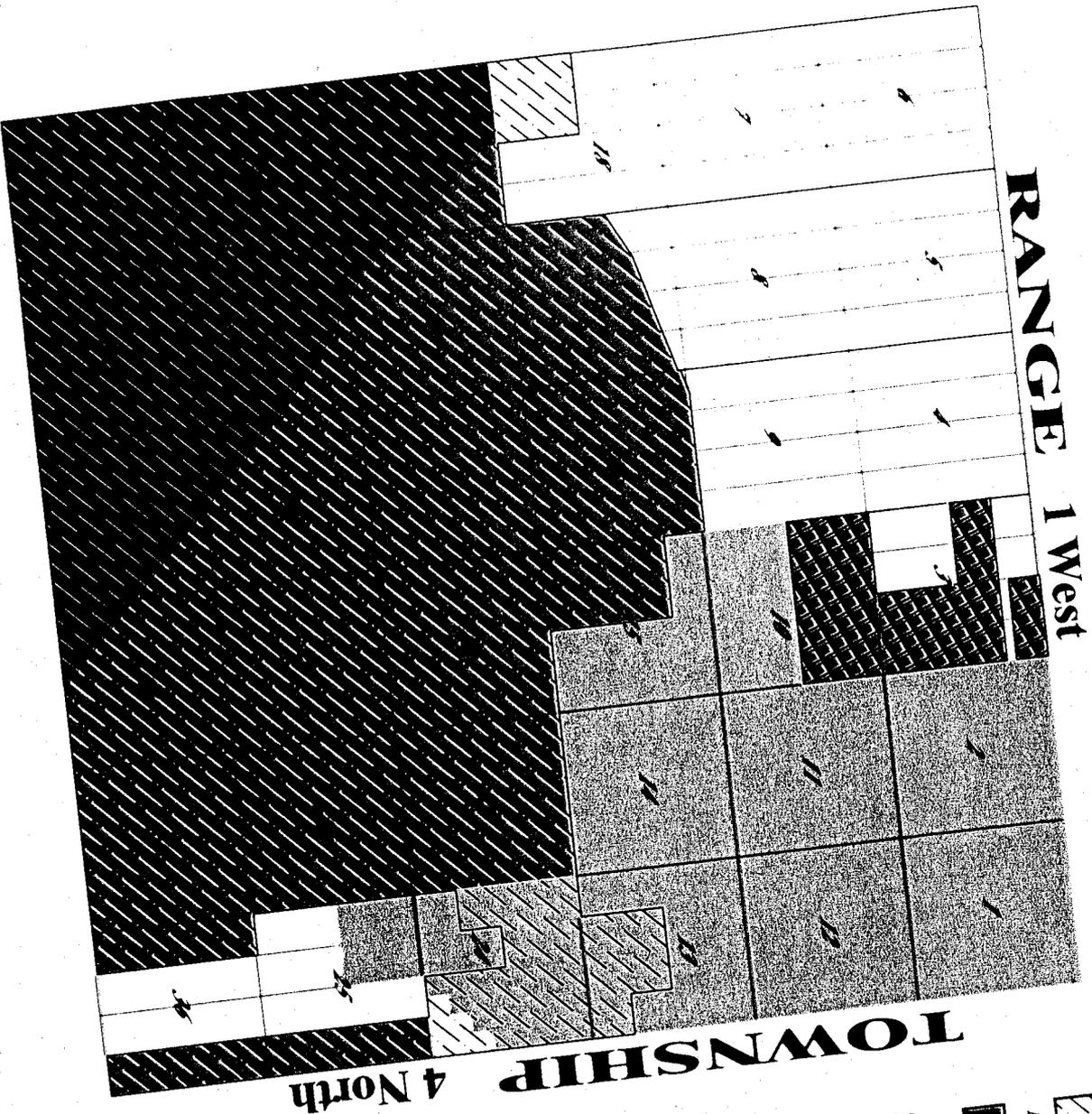


Arizona American Water Company (Docket No. WS-1303-02-633)
Application to Transfer from Sun City West District to Agua Fria



Arizona American Water Company (Docket No. WS-1303-02-633)
Application for Extension for Water

COUNTY of Maricopa



-  WS-1303 (14)  Sewer
- Arizona-American Water Company (Agua Fria)
-  SW-3898 (1)  Sewer
- Rancho Cabrillo Sewer Company
-  W-3898 (1)
- Rancho Cabrillo Water Company
-  (4)  Sewer
- City of Surprise (Nonjurisdictional)

Arizona American Water Company (Docket No. WS-1303-02-633)
 Application for Extension for Sewer

TRANSIT