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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2006 JUN 20 P 3:59

JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

ARIZONA CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION  
OF ARIZONA WATER COMPANY, AN  
ARIZONA CORPORATION, TO EXTEND  
ITS EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY AT  
RIMROCK, YAVAPAI COUNTY,  
ARIZONA

DOCKET NO. W-01445A-05-0705  
  
RESPONSE TO ADDENDUM TO STAFF  
REPORT

A procedural order entered in this matter on May 17, 2006 directed Arizona Water Company (the "Company") to file its response to Staff's April 20, 2006 addendum to its Staff Report no later than June 21, 2006.

In its addendum, the Staff revised its recommendation in the Staff Report to recommend that the Company's request to extend its certificated area ("CCN") to include Parcel One, as designated in the Company's application, be denied. Staff's revised recommendation concerning Parcel One was premised on two facts:

1. The Company planned to serve the development to be located within Parcel One through a master meter, rather than installing individual meters.
2. The developer of Parcel One, in conjunction with the Company's plans to serve his development through a master meter, successfully applied to the Yavapai County Board of

1 Supervisors to form the Beaver Creek Domestic Water  
2 Improvement District (the "District"), which planned to  
3 purchase water from the Company through the master meter  
4 and handle customer billing and related matters.

5  
6 Since April 20, 2006 the foregoing facts have changed. The Company and  
7 the developer have agreed that, instead of a master meter, the Company will install  
8 individual meters to provide water service to the Beaver Creek Preserve development in  
9 Parcel One. The developer has agreed to advance to the Company the cost of  
10 installing individual meters and related water system facilities.

11 In addition, the developer has taken steps to dissolve the District, effective  
12 June 15, 2006. Counsel for the District has informed the Company that the District will  
13 request at the earliest possible time that Yavapai County accept and/or affirm the  
14 District's dissolution. Copies of a letter and a memorandum to the Company from  
15 counsel for the District concerning the dissolution are Attachments A and B hereto, and  
16 a copy of a District resolution dissolving the District is Attachment C hereto.

17 Thus, with respect to Parcel One, the facts are now that:

- 18 1. The customers in Parcel One will be individually metered by the  
19 Company.
- 20 2. The Company will now handle customer meter reading, billing and  
21 related services in providing water service to Parcel One.
- 22 3. The District will no longer exist.

23  
24 Because of the change in the facts that underlie the addendum to the Staff  
25 Report, the Company submits that its CCN should be extended to include Parcel One,  
26 as originally recommended by the Staff, together with Parcels Two and Three as  
27 designated in the Company's application.

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RESPECTFULLY SUBMITTED the 20<sup>st</sup> day of June 2006.

**ARIZONA WATER COMPANY**

By: Robert W. Geake

Robert W. Geake  
Vice President and General Counsel  
Arizona Water Company  
P. O. Box 29006  
Phoenix, AZ 85038

1 Original and thirteen (13) copies of the foregoing filed this 20<sup>st</sup> day of June 2006 with:

2 Docket Control Division  
3 Arizona Corporation Commission  
4 1200 West Washington Street  
5 Phoenix, Arizona 85007

6 A copy of the foregoing was mailed this 20<sup>st</sup> day of June 2006 to:

7 Amy Bjelland  
8 Administrative Law Judge  
9 Hearing Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 David M. Ronald, Staff Counsel  
14 Legal Division  
15 Arizona Corporation Commission  
16 1200 West Washington Street  
17 Phoenix, Arizona 65007

18 Patricia D. Olsen  
19 Montezuma Rimrock Water Co. LLC  
20 P.O. Box 10  
21 4599 E. Goldmine Road  
22 Rimrock, Arizona 86336

23 By: Robert W. Grabe

24  
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28

ATTACHMENT A

CORBIN VANDEMOER, P.C.

Attorney at Law \_\_\_\_\_

650 N. Main Street  
Cottonwood, AZ 86326  
928.634.1023 (Cottonwood)  
928.774.4304 (Flagstaff)  
928.634.2091 (Fax)

May 15, 2006

VIA FAX @ (602) 240-6878 & U.S. MAIL

Bob Geake  
P. O. Box 29006  
Phoenix, AZ 85038-9006

Dear Mr. Geake:

Pursuant to your request, I had the opportunity to speak briefly with my client, Mr. Owens, regarding Arizona Water Company's position that it now plans to ask the Arizona Corporation Commission to allow the Company to extend its Certificate of Convenience and Necessity to encompass the entire Beaver Creek Preserve subdivision and individually meter each lot, rather than supplying water to the Beaver Creek Domestic Water Improvement District through a master meter, as previously planned.

Mr. Owens indicated that he would contact the Arizona Water Company's engineer, Michael Whitehead, and discuss the details of individual metering with him. He further indicated that he is willing to make every effort to dissolve the domestic water improvement district, if the Arizona Water Company proceeds with its current plan to provide water to each lot within Beaver Creek Preserve through individual meters.

Sincerely,

CORBIN VANDEMOER, P.C.  
Attorney for Beaver Creek Domestic Water  
Improvement District



Corbin Vandemoer

CV/pdn

cc Reg Owens (via fax)

**ATTACHMENT B**

**DATE:** June 9, 2006  
**TO:** Bob Geake (via e-mail [bgeake@azwater.com](mailto:bgeake@azwater.com))  
**FROM:** Corbin Vandemoer  
**SUBJECT:** Beaver Creek Domestic Water Improvement District dissolution

Mr. Owens, as Chairperson of the Board, has set a meeting of the Board of Directors of the Beaver Creek Domestic Water Improvement District for Wednesday, June 15<sup>th</sup>, for dissolution of the District.

Also, I spoke with David Ronald at the Corporation Commission yesterday and he indicated that if Arizona Water Company had its response to the Staff Report in by June 21<sup>st</sup>, he thought that the ALJ could issue a recommended opinion and order within two weeks, with the entire Commission to act at its first meeting following issuance of the recommended opinion. Of course, Mr. Ronald can't speak for the ALJ or the Commission, but it appears progress will be made if the Arizona Water Company acts in a timely manner.

As you are aware, my client is anxious to proceed with his development as quickly as possible.

CV/pdn

cc Reg Owens (via e-mail)

ATTACHMENT C

RESOLUTION 2006-1

DISSOLUTION RESOLUTION

BEAVER CREEK DOMESTIC WATER IMPROVEMENT DISTRICT

WHEREAS, Beaver Creek Domestic Water Improvement District's Petition for formation was approved by the Yavapai County Board of Supervisors December 19, 2005; and

WHEREAS, the Order of Establishment of the District was recorded in the office of the County Recorder on December 21, 2005 in Book 4347, Page 11 and re-recorded because of a typographical error in Book 4381, Page 535, records of Yavapai County; and

WHEREAS, at the time of formation, water was to be provided by Arizona Water Company through a master meter to the District, with the District responsible for the construction and maintenance of the individual lines to the houses to be constructed in the subdivision; and

WHEREAS, the Arizona Water Company appeared before an Arizona Corporation Commission Administrative Law Judge on its application for expansion of its Certificate of Convenience and Necessity (CC&N) to include the entire area of the Beaver Creek Domestic Water Improvement District; as well as other areas; and

WHEREAS, at the hearing on the CC&N, the Administrative Law Judge expressed concerns about granting a Certificate of Convenience and Necessity for an area included within an existing domestic water improvement district, and ordered the Commission Staff to investigate further; and

WHEREAS, the Staff of the Arizona Corporation Commission further investigated the matter and filed a recommendation that the Commission not extend the Arizona Water Company's CC&N to include the area encompassed by Beaver Creek Domestic Water Improvement District if the Arizona Water Company was to supply water through a master meter located on the District boundary; and

WHEREAS, the Arizona Water Company reconsidered its position about supplying water through a master meter, and now agrees to supply water to all of the individual houses to be constructed within the present District; and

WHEREAS, the Arizona Water Company will not file its revised plan to provide water service to all individual homes under a CC&N with the Arizona Corporation Commission, unless the Board of Directors of the Beaver Creek Domestic Water Improvement District acts to dissolve the District; and

WHEREAS, the District's Board wants the Arizona Water Company to provide water to the individual homes; and

WHEREAS, if the Arizona Water Company provides water to the individual homes, there is no reason for the District to exist; and

WHEREAS, the District's Board of Directors wishes for the Arizona Water Company to submit its revised plan to the Arizona Corporation Commission on or before June 21, 2006, as currently scheduled; and

WHEREAS, all land within the Beaver Creek Domestic Water Improvement District is owned by Donald R. Head, David Garrison, Reginald Owens, and Beaver Creek Preserve, Inc., the original petitioners for formation of the District; and

WHEREAS, the Arizona Department of Real Estate requires information on how water will be supplied to the District before it will issue the final Public Report allowing sale of lots located within the District; and

WHEREAS, Arizona Revised Statutes § 48-959 currently provides as follows:

Any district organized under this article shall be dissolved by its board of directors when all bonds and other obligations of the district are paid or have become barred by the statute of limitations, and the operation and maintenance functions of the district or the major part thereof have been taken over by an incorporated city or town or by the county.

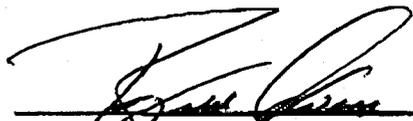
WHEREAS, there is no outstanding indebtedness of the District; and

WHEREAS, there are no operation and maintenance functions to be taken over since no infrastructure has been constructed.

THEREFORE, BE IT RESOLVED, by the Board of Directors of Beaver Creek Domestic Water Improvement District, that said District is hereby dissolved.

BE IT FURTHER RESOLVED that the Chairperson of the District is hereby authorized to take all further action necessary to effectively dissolve the District, including recordation of this Resolution, and notification of the Yavapai County Board of Supervisors of the District Board's actions. Chairperson shall request review by the Supervisors, pursuant to the authority granted them in A.R.S. § 48-1015, ultimately resulting in removal of the Beaver Creek Domestic Water Improvement District from the tax rolls.

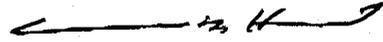
PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF THE BEAVER CREEK DOMESTIC WATER IMPROVEMENT DISTRICT, Yavapai County, Arizona, this 14 day of JUNE, 2006 by a vote of 3 yeas and 0 nays.



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Reginald Owens, Chairperson  
Beaver Creek Domestic Water Improvement  
District

ATTEST:



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District Clerk