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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

Arizona Corporation Commission

**DOCKETED**

SEP 21 2006

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IN THE MATTER OF THE APPLICATION OF  
UTILITY SOURCE, L.L.C. FOR AN EXTENSION  
OF ITS CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER AND  
WASTEWATER SERVICE IN COCONINO  
COUNTY, ARIZONA.

DOCKET NO. WS-04235A-05-0707

DECISION NO. 68962

**OPINION AND ORDER**

DATE OF HEARING: April 26 and July 24, 2006  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Marc E. Stern  
APPEARANCES: Richard L. Sallquist, SALLQUIST, DRUMMOND & O'CONNOR, Attorney for Utility Source, L.L.C.;  
William P. Ring, Attorney for Intervenor Bellemont Development Co.; and  
David Ronald, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

On October 6, 2005, Utility Source, L.L.C. ("Company" or "Applicant"), filed an Application for an extension of its Certificate of Convenience and Necessity ("Certificate") with the Arizona Corporation Commission ("Commission") to provide public water and wastewater utility service to various parts of Coconino County, Arizona.

On November 3, 2005, pursuant to A.A.C. R14-2-411(C) and A.A.C. R14-2-610(C), the Commission's Utilities Division ("Staff") issued a notice of insufficiency.

On February 10, 2006, Staff issued a notice of sufficiency.

On February 17, 2006, by Procedural Order, a hearing was scheduled for April 26, 2006, filing dates established and the Company was ordered to provide public notice by mailing notice of

1 the proceeding to property owners in the proposed extension area, to Applicant's customers and also  
2 by publication at least once in a newspaper of general circulation in the Company's service territory.

3 On March 24, 2006, Staff filed its report which recommended the denial of the Company's  
4 application.

5 On March 31, 2006, the Company filed an affidavit that it had mailed notice of the proceeding  
6 to property owners in the extension area.

7 On April 7, 2006, Bellemont Development Company ("BDC") filed an application to  
8 intervene in the proceeding. No objections were filed to BDC's request.

9 On April 18, 2006, by Procedural Order, BDC was granted intervention.

10 On April 26, 2006, a full public hearing was convened before a duly authorized  
11 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. Applicant, BDC  
12 and Staff appeared with counsel. No one appeared to make public comment. Instead of an  
13 evidentiary hearing, a procedural conference was conducted to resolve certain issues raised by the  
14 application which Staff had initially recommended the denial of due to what Staff termed "a lack of  
15 information."

16 At the procedural conference, the proceeding was continued due to the fact that the Company  
17 had failed to comply with Decision No. 67446 (January 4, 2005) wherein the Commission ordered  
18 the Company to apply for an "extension of its CC&N once it has secured (emphasis added) adequate  
19 water supplies for the 'Phase II' area in accordance with" the requirements of the Arizona  
20 Department of Water Resources ("ADWR"). Additionally, the time-clock was suspended until such  
21 time as the Company secured the required ADWR documentation after which the proceeding was to  
22 be rescheduled and public notice given in accordance with the Commission's February 17, 2006,  
23 Procedural Order.

24 On April 28, 2006, by Procedural Order, the proceeding was continued and the time-clock  
25 suspended. The Company was also required to file documentation issued by ADWR to establish  
26 whether Applicant has adequate water to serve the requested extension area as ordered by Decision  
27 No. 67446. It was further ordered that after the ADWR documentation was filed, the proceeding  
28 would be rescheduled for hearing after public notice was provided consistent with the rescheduling of

1 the hearing.

2 On May 23, 2006, the Company filed an Amended Application stating that it had secured a  
3 determination of Physical Availability Demonstration ("PAD") in the form of an ADWR letter which  
4 was attached as an exhibit. Applicant indicated that the water supply was insufficient to serve the  
5 originally requested extension area and amended its Application, by deleting a parcel from its original  
6 request. Other issues were also addressed in the Amended Application including the issue of public  
7 notice. Applicant had partially complied with the Commission's February 17, 2006, Procedural  
8 Order by mailing notice of the proceeding to property owners in the initial proposed extension area  
9 and by publishing notice of the proceeding in a newspaper of general circulation in the proposed  
10 extension area on March 4, 2006. A copy of the Affidavit of Publication was filed as an exhibit to  
11 the Amended Application. However, there was no evidence that the Company mailed notice of the  
12 proceeding to customers as ordered by the Commission in its February 17, 2006 Procedural Order.

13 On May 30, 2006, by Procedural Order, the proceeding was rescheduled for hearing on July  
14 24, 2006, after Staff had sufficient time to review the Amended Application, and to file an Amended  
15 Staff Report. Further, the Company was ordered to complete public notice of the proceeding by  
16 mailing notice of the rescheduled proceeding to customers, and to the affected property owner of the  
17 one parcel that the Applicant had deleted from the original extension request.

18 On June 23, 2006, Staff filed its Amended Staff Report which recommended conditional  
19 approval of the application.

20 On June 27, 2006, the Company filed certification that it had completed public notice as  
21 ordered by the Commission.

22 On July 24, 2006, the hearing resumed as ordered. The Company, BDC and Staff appeared  
23 with counsel. After the completion of the evidentiary portion of the proceeding, the matter was taken  
24 under advisement pending submission of a Recommended Opinion and Order to the Commission.

25 \* \* \* \* \*

26 Having considered the entire record herein and being fully advised in the premises, the  
27 Commission finds, concludes, and orders that:

28 ...

**FINDINGS OF FACT**

1  
2 1. Pursuant to authority granted by the Commission, the Company is an Arizona limited  
3 liability company which is engaged in the business of providing water and wastewater service in a  
4 subdivision known as Flagstaff Meadows in the vicinity of Bellemont, Coconino County, Arizona.

5 2. On October 6, 2005, the Company filed an application for an extension of its  
6 Certificate in Coconino County to provide water and wastewater service to an area which originally  
7 consisted of six parcels, Parcels A, B, C, D, E and F, whose owners had all requested either water and  
8 wastewater service or wastewater service alone.

9 3. Notice of the application was provided in accordance with the law.

10 4. On March 24, 2006, Staff filed its Staff Report in which Staff recommended the denial  
11 of the Company's application due to the Company's failure to provide Staff with sufficient  
12 information to recommend approval of either the water or wastewater portion of the Applicant's  
13 application. Of particular import was the lack of evidence to support the Company's request to  
14 extend its service area for water service as ordered by the Commission in Decision No. 67446.  
15 Additionally, Staff initially concluded that the Company lacked the capacity in its wastewater system  
16 to provide adequate service to its existing service area, even with the planned expansion of its  
17 wastewater treatment plant ("WWTP") to its proposed extension area.

18 5. On May 23, 2006, the Company filed its amended application with ADWR's PAD  
19 attached as an exhibit. Therein, Applicant deleted Parcel E from its originally requested extension  
20 area due to insufficient water resources to service that parcel.

21 6. On June 23, 2006, Staff filed its Amended Staff Report recommending the conditional  
22 approval of the application for Parcels A, B, C and F. Staff concluded that there is also insufficient  
23 water to serve Parcel D and recommended its denial. The Company agreed and deleted Parcel D  
24 based on Staff's recommendation in the Amended Staff Report<sup>1</sup>. Thus, the Company with its  
25 amended application is requesting approval for an extension of its Certificate to provide service to  
26 only Parcels A, B, C and F which areas are further described in Exhibit A attached hereto and

27 <sup>1</sup> Parcel D is a proposed RV park which will require water and wastewater service in the future. This RV park is  
28 being developed by Applicant's manager through his development company, but based on discussions with Staff, is being  
deleted from the amended application until the Company can prove that it has sufficient water to service this parcel.

1 incorporated herein by reference.

2       7.       The owners of Parcels A and F are requesting water and wastewater service from  
3 Applicant. The owner of Parcels B and C are requesting wastewater service only from Applicant.

4       8.       Parcel A consists of 90 acres and its owner is requesting public water and wastewater  
5 utility service for approximately 156 single family homes and 120 townhomes.

6       9.       Parcel B consists of 30 acres and its owner is requesting wastewater service for 306  
7 mobile home connections that will receive water service from the mobile home park included in their  
8 rental fees.

9       10.      Parcel C consists of 20 acres which are being developed into 30 commercial/industrial  
10 lots for which wastewater service alone is being requested.

11      11.      Parcel F consists of only 3 acres which are owned by the Company and will be utilized  
12 by Applicant for the expansion of its wastewater treatment facilities and towards this end will require  
13 both water and wastewater service.

14      12.      To finance the new water distribution and wastewater collection facilities, a  
15 combination of advances in aid of construction will be used. To deal with water facility advances,  
16 the Company will enter into a main extension agreement with the developers for the proposed  
17 extension area and file a copy for Commission approval. The Company will also enter into  
18 wastewater extension agreements, but wastewater extension agreements do not require Commission  
19 approval.

20      13.      No other municipal or public service corporations provide water or wastewater service  
21 in the proposed service areas described in Exhibit A.

22      14.      The proposed extension area lies immediately north of Interstate 40 entirely in an  
23 unincorporated portion of Coconino County, and Applicant's manager testified that he will file an  
24 application for a Coconino County franchise for the area sought to be certificated herein and file a  
25 copy with the Commission upon its receipt from the Coconino County Board of Supervisors.

26      15.      Based on the record, there is evidence that the Company has secured from ADWR a  
27 PAD which establishes that 101 acre-feet of water are available to the Company to expand its service  
28 area for water service to the two parcels, A and F, which have requested water service. Since the

1 Company believes that it has water resources in excess of what has thus far been proven, it will seek  
2 further extensions of its Certificate when ADWR further evaluates the water available to the  
3 Company.

4 16. BDC intervened in this proceeding because it owns the property which is located  
5 immediately to the south of Interstate 40 and where the Company's excess unused Class B+ effluent  
6 flows under the terms of its ADEQ approved discharge permit in the Volunteer Wash after it passes  
7 through a culvert underneath Interstate 40. The effluent then flows on to BDC's property and into an  
8 old cattle tank where the treated effluent ponds because of a man-made berm on the southern  
9 boundary of BDC's property.

10 17. In response to BDC's intervention during the proceeding, the Company's manager  
11 indicated that it is willing to address, to some extent, BDC's concerns about effluent ponding on its  
12 property and will "rip rap" or channelize the Volunteer Wash where Applicant discharges its treated  
13 and unused effluent and then where it flows onto BDC's property.

14 18. BDC is requesting that the Commission deny the Company's request for an extension  
15 of its Certificate or in the alternative condition its approval of its extension of its wastewater  
16 treatment system. BDC contends that the Company's effluent which is discharged into the Volunteer  
17 Wash is detrimental to its property rights and constitutes a common law nuisance or trespass.

18 19. Staff reviewed the water and wastewater facilities of the Company and believes that  
19 Applicant has or will construct adequate facilities with the capacity to provide service to its existing  
20 service area and in the requested extension areas. Although estimated water line extension costs have  
21 not yet been determined, estimated wastewater facilities are projected to cost \$833,412 for the first  
22 phase of construction.

23 20. According to the Staff Report, Applicant is in full compliance with the rules of the  
24 Arizona Department of Environmental Quality ("ADEQ") and is providing water which meets the  
25 requirements of the Safe Drinking Water Act. Additionally, the Company's water from its five  
26 shallow wells is blended to meet new arsenic standards and its four deep wells produce water well  
27 below the new maximum allowable level for arsenic of 10 parts per billion.

28 21. ADEQ, which regulates Applicant's wastewater system, indicates that the Company's

1 wastewater system is in compliance with ADEQ regulations, and for the discharge of its effluent.

2       22.     The Company is current on the payment of its property taxes, and is in compliance  
3 with its filing requirements with the Commission.

4       23.     Staff believes that there is a public need and necessity for water and wastewater  
5 service for Parcels A and F and for wastewater service alone for Parcels B and C and recommends  
6 approval for only these parcels as described in Exhibit A.

7       24.     Staff recommends the Commission condition approval of the application as follows:

- 8
- 9           1.)     that the Company charge its existing tariffed rates and charges in the  
10 extension areas;
  - 11           2.)     that the Company file, within 365 days of the effective date of this Decision,  
12 with Docket Control, as a compliance item in this docket, a copy of the  
13 ADEQ Certificate of Approval to Construct the water facilities for Parcels A  
14 and F in the extension area;
  - 15           3.)     that the Company file, within 365 days of the effective date of this Decision,  
16 with Docket Control, as a compliance item in this docket, a copy of the  
17 ADEQ Certificate of Approval to Construct the wastewater facilities for  
18 Parcels B and C in the extension area;
  - 19           4.)     that the Company file, within 365 days of the effective date of this Decision,  
20 with Docket Control, as a compliance item in this docket, a copy of the  
21 applicable ADEQ Aquifer Protection Permit and applicable Section 208  
22 Permit for the proposed addition to its wastewater facilities needed to serve  
23 the requested area; and
  - 24           5.)     that the Company file, within 365 days of the effective date of this Decision,  
25 with Docket Control, as a compliance item in this docket, a copy of the  
26 Coconino County franchise agreement for the requested area.

27       25.     Staff further recommends that the Commission's Decision granting the requested  
28 Certificate extension to the Company be considered null and void, after due process, should the  
Company fail to meet the second, third, fourth and fifth conditions listed above within the time  
specified.

      26.     Because an allowance for the property tax expense of the Company is included in the  
Company's rates and will be collected from its customers, the Commission seeks assurances from the  
Company that any taxes collected from ratepayers have been remitted to the appropriate taxing  
authority. It has come to the Commission's attention that a number of utilities have been unwilling or

1 unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as  
2 many as twenty years. It is reasonable, therefore, that as a preventive measure, the Company should  
3 annually file, as part of its annual report, an affidavit with the Utilities Division attesting that the  
4 company is current in paying its property taxes in Arizona.

5 27. We find that Staff's recommendations, as set forth in Findings of Fact Nos. 23, 24 and  
6 25 are reasonable and should be adopted.

7 28. On September 1, 2006, BDC filed a stipulation which withdrew its objection to the  
8 extension of the Company's Certificate.

### 9 CONCLUSIONS OF LAW

10 1. Applicant is a public service corporation within the meaning of Article XV of the  
11 Arizona Constitution and A.R.S. §§ 40-281, 40-282 and 40-252.

12 2. The Commission has jurisdiction over the Company and the subject matter of the  
13 application.

14 3. Notice of the application and amended application was provided in accordance with  
15 the law.

16 4. There is a public need and necessity for water and wastewater service in Parcels A and  
17 F and wastewater service alone in Parcels B and C in the proposed service areas described in Exhibit  
18 A.

19 5. The Company is a fit and proper entity to receive an extension of its Certificate.

20 6. The application by the Company to extend its Certificate for the areas described in  
21 Exhibit A should be granted as recommended by Staff in Finding of Fact Nos. 23, 24 and 25.

### 22 ORDER

23 IT IS THEREFORE ORDERED that the application as amended of Utility Source, L.L.C. for  
24 an extension to its Certificate of Convenience and Necessity for the operation of water and  
25 wastewater utilities in Parcels A and F and for a wastewater utility only in Parcels B and C in the  
26 areas more fully described in Exhibit A is hereby, approved provided that Utility Source L.L.C.  
27 timely complies with the following four ordering paragraphs.

28 IT IS FURTHER ORDERED that Utility Source, L.L.C. shall file, within 365 days of the

1 effective date of this Decision, with Docket Control, as a compliance item in this docket, a copy of  
2 the ADEQ Certificate of Approval to Construct the water facilities for Parcels A and F in the  
3 extension area.

4 IT IS FURTHER ORDERED that Utility Source, L.L.C. shall file, within 365 days of the  
5 effective date of this Decision, with Docket Control, as a compliance item in this docket, a copy of  
6 the ADEQ Certificate of Approval to Construct the wastewater facilities for Parcels B and C in the  
7 extension area.

8 IT IS FURTHER ORDERED that Utility Source, L.L.C. shall file, within 365 days of the  
9 effective date of this Decision, with Docket Control, as a compliance item in this docket, a copy of  
10 the applicable ADEQ Aquifer Protection Permit and applicable Section 208 Permit for the proposed  
11 addition to its wastewater facilities needed to serve the requested area.

12 IT IS FURTHER ORDERED that Utility Source, L.L.C. shall file, within 365 days of the  
13 effective date of this Decision, with Docket Control, as a compliance item in this docket, a copy of  
14 the Coconino County franchise agreement for the requested area.

15 IT IS FURTHER ORDERED that in the event that Utility Source, L.L.C. does not timely  
16 comply with the four above ordering paragraphs, then the extension of its Certificate of Convenience  
17 and Necessity shall be deemed to be null and void after due process.

18 IT IS FURTHER ORDERED that Utility Source, L.L.C. shall charge water and wastewater  
19 customers in the areas more fully described in Exhibit A its tariffed rates and charges authorized  
20 previously by the Commission.

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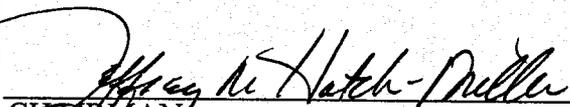
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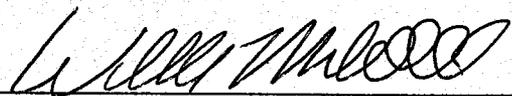
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1 IT IS FURTHER ORDERED that Utility Source, L.L.C. shall annually file, as part of its  
2 annual report, an affidavit with the Utilities Division attesting that the Company is current in paying  
3 its property taxes in Arizona.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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8 CHAIRMAN

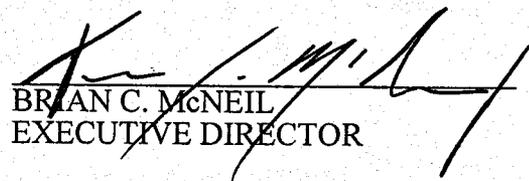
  
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14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
15 Director of the Arizona Corporation Commission, have  
16 hereunto set my hand and caused the official seal of the  
17 Commission to be affixed at the Capitol, in the City of Phoenix,  
18 this 21<sup>st</sup> day of Sept., 2006.

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21 BRIAN C. McNEIL  
22 EXECUTIVE DIRECTOR

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SERVICE LIST FOR: UTILITY SOURCE, L.L.C.

DOCKET NO.: WS-04235A-05-0707

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WATER AND  
WASTEWATER

PARCEL NO. 1:

That portion of the Northeast quarter of Section 1, Township 21 North, Range 5 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

COMMENCING at the North quarter corner of said Section 1;

THENCE South 00° 10' 18" East along the North-South midsection line of said Section 1, a distance of 362.63 feet to the TRUE POINT OF BEGINNING;

THENCE North 89° 49' 53" East, a distance of 176.16 feet;

THENCE North 43° 51' 25" East, a distance of 186.12 feet to a point on the South right-of-way line of Shadow Mountain Drive, as dedicated on plat of Flagstaff Meadows Unit 1 recorded in Case 8, Maps 57-57D, records of Coconino County, Arizona;

THENCE South 46° 08' 35" East along said South right-of-way line, a distance of 1967.51 feet to the Northwest corner of Tract "B" of said Flagstaff Meadows Unit 1;

THENCE South 00° 12' 57" West along the West line of said Tract "B", a distance of 367.81 feet to the Northeast corner of Tract "F" of said Flagstaff Meadows Unit 1;

THENCE North 60° 13' 33" West along the Northerly line of said Tract "F", a distance of 277.14 feet to the Northwest corner thereof;

THENCE South 27° 47' 14" West along the Westerly line of said Tract "F", a distance of 339.37 feet to the Southwest corner thereof;

THENCE North 60° 03' 20" West, a distance of 1524.14 feet to a point on the North-South midsection line of said Section 1;

THENCE North 00° 10' 18" West along the North-South midsection line of said Section 1, a distance of 998.12 feet to the TRUE POINT OF BEGINNING.

PARCEL NO. 2:

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253";

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet to the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 825.71 feet to a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of said Section 1;

THENCE leaving said line, South 00° 24' 00" East, a distance of 1360.53 feet (record South 00° 14' 21" East, 1360.49 feet) to a found 5/8" rebar with plastic cap "LS 19344" on the North right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 60° 16' 09" West, a distance of 1115.91 feet (record North 60° 03' 10" West, 1113.27 feet) to a found ADOT aluminum cap;

THENCE continuing along said right-of-way line, North 48° 41' 23" West (record North 48° 29' 10" West), a distance of 207.40 feet;

THENCE leaving said right-of-way line, South 89° 57' 57" East, a distance of 290.99 feet;

THENCE North 00° 07' 09" West, a distance of 668.63 feet to the North line of said Section 1 and the TRUE POINT OF BEGINNING.

PARCEL NO. 3:

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253" and the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet;

THENCE leaving said line, South 00° 07' 09" East, a distance of 668.63 feet;

THENCE North 89° 57' 57" West, a distance of 290.99 feet to the intersection with the Northerly right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 48° 41' 23" West, a distance of 664.13 feet to a found ADOT aluminum cap stamped "NO. 1015";

THENCE leaving said right-of-way line, North 30° 19' 06" East, a distance of 264.91 feet to the North Section line of said Section 1 and the TRUE POINT OF BEGINNING.

WASTEWATER  
ONLY

## LEGAL DESCRIPTION

The East half of the Southeast quarter of the Northwest quarter and the Southeast quarter of the Northeast quarter of the Northwest quarter of Section 35, Township 22 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona.

WASTEWATER  
ONLY

LEGAL DESCRIPTION:

Parcel No. 1:

That part of section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona. Described as follows:

From the southeast corner of said section 35, a brass cap in hand hole, run N 01° 04' 15" E along the section line a distance of 662.95 feet to the true point of beginning;

Thence N 89° 57' 56" W, a distance of 659.88 feet;

Thence S 0° 56' 32" E, a distance of 51.96 feet to the northerly right of way line of Interstate 40;

Thence N 60° 03' 10" W along the northerly right of way line of Interstate 40, a distance of 548.63 feet;

Thence S 29° 56' 50" W a distance of 25.00 feet;

Thence N 60° 03' 10" W, a distance of 1655.04 feet to a point on Old Timber Road;

Thence N 5° 00' E along the easterly right of way line of Old Timber Road, a distance of 330.87 feet;

Thence S 60° 03' 10" E, a distance of 2188.72 feet;

Thence S 89° 57' 56" E, a distance of 659.28 feet to the east line of said Section 35;

Thence S 1° 04' 15" E along the section line, a distance of 268.49 feet to the true point of beginning.

Parcel No. 2:

That part of Section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

From the center of said section 35, run S 89° 57' 27" W along the mid-section line, a distance of 870.23 feet to the true point of beginning;

Thence S 89° 57' 27" W along the midsection line, a distance of 445.53 feet;

Thence S 0° 23' 57" east, a distance of 156.97 feet to the northerly right of way line of Interstate 40;

Thence S 60° 03' 10" E along the northerly right of way line of Interstate 40, a distance of 1451.69 feet to the Old Timber Road;

Thence N 5° 00' E along the westerly right of way line of Old Timber Road, a distance of 394.95 feet;

Thence N 60° 03' 10" W, a distance of 978.53 feet to the true point of beginning.

WATER AND  
WASTEWATER**LOT 2**

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 22 NORTH RANGE 5 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 36;  
 THENCE SOUTH 89°56'29" EAST ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 36, A DISTANCE OF 1141.95 FEET;  
 THENCE NORTH 02°24'39" WEST 24.44 FEET;  
 THENCE NORTH 89°54'33" WEST 211.55 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89°54'33" WEST 271.24 FEET;

THENCE NORTH 87°13'35" WEST 36.57 FEET;

THENCE NORTH 00°13'15" EAST 264.70 FEET;

THENCE NORTH 89°40'18" EAST 33.94 FEET;

THENCE NORTH 00°20'15" WEST 371.51 FEET;

THENCE SOUTH 89°54'02" EAST 293.21 FEET;

THENCE SOUTH 19°55'51" WEST 389.44 FEET;

THENCE SOUTH 45°56'35" WEST 87.94 FEET;

THENCE SOUTH 00°50'20" WEST 60.34 FEET;

THENCE SOUTH 13°35'23" WEST 33.78 FEET;

THENCE SOUTH 20°11'26" EAST 45.04 FEET;

THENCE NORTH 69°13'19" EAST 67.83 FEET;

THENCE SOUTH 37°02'07" EAST 84.38 FEET;

THENCE SOUTH 60°50'07" EAST 65.03 FEET TO THE POINT OF BEGINNING.