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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

Arizona Corporation Commission
DOCKETED

FROM: Ernest G. Johnson
Director
Utilities Division

DEC 26 2006

DOCKETED BY
[Signature]

Date: December 26, 2006

RE: SUPPLEMENTAL STAFF REPORT FOR:

ARIZONA WATER COMPANY TO EXTEND ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY FOR ITS COOLIDGE SYSTEM, PINAL COUNTY, ARIZONA (DOCKET NO. W-01445A-06-0199)

PALO VERDE UTILITIES COMPANY AND SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF THEIR EXISTING CERTIFICATES OF CONVENIENCE AND NECESSITY (DOCKET NOS. SW-03575A-05-0926 AND W-03576A-05-0926)

Attached is the Supplemental Staff Report for the consolidated applications of Arizona Water Company, Palo Verde Utilities and Santa Cruz Water Company for extensions of their existing Certificates of Convenience and Necessity. Staff's recommendations remain the same as those set forth in the October 26, 2006 Staff Report.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

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Docket No. W-01445A-06-0199 et al

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On November 29, 2006, the Hearing Division issued an Amended Procedural Order in these combined cases ordering Staff to:

“...file a Supplemental Staff Report and/or testimony by December 26, 2006 providing additional support for its three optional recommendations, giving consideration to recent Commission Decisions regarding requests for service in CC&N extension areas, as well as any other matters it wishes to address since the filing of its October 26, 2006 Staff Report.”

This Staff Report is being filed in compliance with the Amended Procedural Order. Staff assumes that when the Amended Procedural Order refers to “recent Commission Decisions regarding requests for service” it is referring to Decision No. 69163, dated December 5, 2006, which applied to a recent Arizona Water Company (“Arizona Water”) application to extend its Certificate of Convenience and Necessity (“CC&N”). In the Decision, the Commission limited Arizona Water’s CC&N extension only to areas for which it received requests for service. The Decision, however, did not contain language indicating that the Decision was to be interpreted as being a new Commission policy toward CC&N extensions. Nor was any clarifying language included in the Decision upon which a policy could be inferred. Therefore, Staff will continue to evaluate such extensions according to the facts presented in each case.

The three options Staff offered in the Staff Report were; first, to simply grant each of the two water companies the areas for which each has requests for service; second, to grant Arizona Water approval to serve the areas for which there are requests for service which are contiguous to Arizona Water’s current service territory even if another company received the request for service and; third, grant Santa Cruz Water Company approval to serve the areas with requests for service north of Korston Road and Arizona Water the areas south of Korston Road. Since the date the Staff Report was filed, Staff has not received any additional information which would alter Staff’s three options. Therefore, Staff does not seek to amend or alter the October 26, 2006 Staff Report.