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BEFORE THE ARIZONA CORPORATION COMMISSION

2007 JAN 26 P 4: 29

COMMISSIONERS

JEFF HATCH-MILLER, Chairman AZ CORP COMMISSION
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MIKE GLEASON
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-01445A-06-0199

IN THE MATTER OF THE APPLICATION OF PALO VERDE UTILITIES COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-05-0926

IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-05-0926

RESPONSE OF INTERVENORS CHI CONSTRUCTION COMPANY AND CMR/CASA GRANDE LLC, TO STAFF REPORT AND SUPPLEMENTAL STAFF REPORT

Pursuant to the Procedural Order dated November 29, 2006, in the above-captioned consolidated dockets, intervenors CHI Construction Company ("CHI") and CMR/Casa Grande, LLC, ("CMR/Casa Grande") hereby file their response to the Staff Report dated October 26, 2006 ("Staff Report") and the Supplemental Staff Report dated December 26, 2006 ("Supplemental Staff Report").

Arizona Corporation Commission DOCKETED

JAN 26 2007

DOCKETED BY [Signature]

Snell & Wilmer LLP

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1 **INTRODUCTION**

2 On December 28, 2005, Santa Cruz Water Company ("Santa Cruz") filed an application  
3 seeking to extend its certificate of convenience and necessity ("CC&N") to include certain lands  
4 in Pinal County, Arizona, as specified in the application. Santa Cruz has written requests for  
5 service from landowners covering all of the lands included in its application.

6 On March 29, 2006, Arizona Water Company ("AWC") filed an application seeking to  
7 extend its CC&N to include certain lands in Pinal County, as specified in the application. AWC's  
8 request covered some 70,000 acres, and included (i) all of the land requested by Santa Cruz in its  
9 extension application; (ii) other uncertificated lands; and (iii) lands included in the existing  
10 CC&N of CP Water Company. Of the extension area requested by AWC, the company filed four  
11 requests for service totaling only 175 acres.

12 On June 1, 2006, CP Water Company filed a motion to exclude its certificated territory  
13 from the extension area requested by AWC, and in a Procedural Order dated December 18, 2006,  
14 the Commission's administrative law judge granted CP Water Company's motion. As a result, the  
15 certificated territory of CP Water Company is not subject to this proceeding.

16 Intervenors CHI and CMR/Casa Grande each own land which is included in AWC's  
17 requested extension area. That portion of CHI's property which lies within AWC's requested  
18 extension area is the northern portion of a large master planned development known as Legends.  
19 That portion of CMR/Casa Grande's property which lies within AWC's requested extension area  
20 is part of a large master planned development known as Copper Mountain Ranch. Neither CHI  
21 nor CMR/Casa Grande have requested water service from AWC for the lands included in AWC's  
22 extension request.

23 **RESPONSE**

24 In the Staff Report, Staff lists three options for resolving the question of which company  
25 should provide water service to which area. Staff's Option 1 would grant to each of the  
26 competing water companies the areas for which they have requests for service. CHI and CMR

1 fully support Staff Option 1, and oppose Options 2 and 3. Staff's Option 1 properly recognizes  
2 the well-established Commission practice of requiring requests for service before authorizing the  
3 extension of a CC&N. *See* Decision 59396, Docket No. W-02074A-95-0103 (Nov. 28, 1995)  
4 (limiting Beardsley Water Company's CC&N extension to that area where the company had  
5 requests for service only); Decision 68453, Docket Nos. W-04264A-04-0438 *et al.* (Feb. 2, 2006)  
6 (determining that it was in the public interest to limit AWC's CC&N extension to include only  
7 those areas where it had received requests for service); Decision 68607, Docket No. W-01445A-  
8 05-0469 (Mar. 23, 2006) (excluding Parcel 2 from AWC's extension area because the owner  
9 revoked his request for service and AWC honored that request). The Commission followed this  
10 practice as recently as last month in Decision 69163 (December 5, 2006)<sup>1</sup> which limited an  
11 extension request by AWC to only those areas for which AWC had requests for service.

12 As Staff states in the Staff Report, Option 1 recognizes "possession of requests for service  
13 as a very important factor in seeking approval of extensions of Certificates of Convenience and  
14 Necessity." *Staff Report* at 6. CHI and CMR/Casa Grande agree with this statement. Staff also  
15 correctly states that "[e]xtending a CC&N to an area where there is no corresponding request for  
16 service could interfere with the planning and execution of future development." *Staff Report* at 4.  
17 This is certainly true in the cases of CHI and CMR/Casa Grande, where the lands included in  
18 AWC's requested extension comprise only part of the master planned Legends and Copper  
19 Mountain Ranch developments.

20 Underlying each of the three options is Staff's baseline threshold that "only areas for  
21 which requests for service were received should be included in the CC&N extensions awarded in  
22 this docket." *Staff Report* at 4. CHI and CMR/Casa Grande agree whole-heartedly with this  
23 statement.

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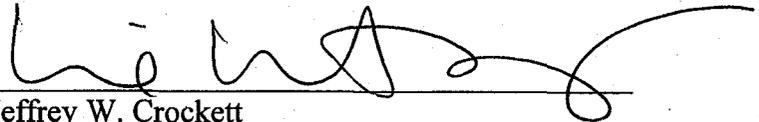
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<sup>1</sup> Docket No. W-01445A-06-0059.

1 Since Staff did not seek to amend or alter the Staff Report in its Supplemental Staff  
2 Report, CHI and CMR have no additional comments regarding the Supplemental Staff Report.

3 RESPECTFULLY submitted this 26th day of January, 2006.

4 SNELL & WILMER

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14 ORIGINAL and seventeen (17) copies  
15 of the foregoing have been filed with  
16 Docket Control this 26th day of  
17 January, 2006.

18 A COPY of the foregoing was  
19 hand-delivered this 26th day of  
20 January, 2006, to:

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