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BEFORE THE ARIZONA CORPORATION COMMISSION

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2007 JAN 31 P 12:50

AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF PERKINS MOUNTAIN UTILITY COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-20379A-05-0489

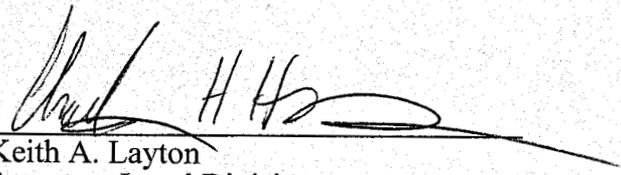
IN THE MATTER OF THE APPLICATION OF PERKINS MOUNTAIN WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-20380A-05-0490

NOTICE OF FILING

Staff ("Staff") of the Arizona Corporation Commission, Utilities Division, hereby files correspondence dated January 25, 2007, to Jeff Crockett from Douglas W. Dunham regarding Golden Valley 5800 Physical Availability.

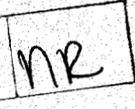
RESPECTFULLY SUBMITTED this 31st day of January, 2007.

FOR 
Keith A. Layton
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and fifteen (15) copies of the foregoing were filed this 31st day of January, 2007 with:

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

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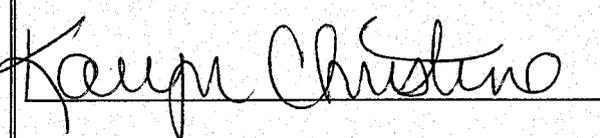
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1 Copies of the foregoing mailed
this 31st day of January, 2007 to:

2 Robert J. Metli
3 Kimberley A. Grouse
Snell & Wilmer
4 One Arizona Center
400 East Van Buren Street
5 Phoenix, Arizona 85004

6 Booker T. Evans
Kimberley A. Warshawsky
7 Greenberg Traurig
2375 East Camelback Road, Suite 700
8 Phoenix, Arizona 85016
Attorneys for Sports Entertainment, LLC

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ARIZONA DEPARTMENT OF WATER RESOURCES
Office of Assured and Adequate Water Supply
2nd Floor, 3550 N. Central Ave., Phoenix, AZ 85012
Telephone (602) 771-8585
Fax (602) 771-8689



Janet Napolitano
Governor

Herbert R. Guenther
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JAN 29 2007

AZ CORP COMM
Director Utilities

January 25, 2007

Jeff Crockett
Snell & Wilmer, L.L.P.
One Arizona Center
Phoenix, AZ 85004-2202

**RE: Golden Valley 5800
Physical Availability**

Mr. Crockett:

In responding to your request as to the physical availability of water associated with the various adequacy applications within the Golden Valley 5800 master plan, my staff has reviewed our files and reviewed the recent information submitted by Errol L. Montgomery & Associates (EM&A) dated September 14, 2006. In addition, you indicated that Perkins Mountain Water Company (PMWC) has applied to the Arizona Corporation Commission (ACC) to establish a new Certificate of Convenience and Necessity (CC&N) to include the Golden Valley 5800 master plan area. Confirmation of the total supplies and demands associated with the Golden Valley 5800 master plan is needed for this CC&N application.

As you may be aware, the Department issued an Analysis of Adequate Water Supply to Golden Valley 5800 on October 19, 2005. While the application was for the entire Golden Valley Ranch master plan, the Department could not issue an adequate finding for this entire master plan as initially submitted. The original master plan for this 2005 application called for 32,000 single-family lots, golf courses, schools, parks and other common areas, and over 600 acres of commercial uses. The Department determined that this total demand would be nearly 15,000 acre-feet per year (af/yr). Insufficient demonstration of physical availability of groundwater prevented the Department from issuing the water analysis to cover the projected demands of the entire master plan. The Department determined, based upon the hydrologic information submitted, that only 9,000 af/yr of groundwater could be demonstrated to be physically available for 100 years. The application at that time did not indicate who the water provider would be; therefore, legal availability and proof of adequate water quality were not demonstrated on this 2005 water analysis.

In early 2006, as part of the requirements for a general plan amendment conducted by the local zoning authority, Mohave County asked the Department for comment regarding available water supplies for the initial phases of the Golden Valley 5800 master plan. According to information

provided by Stanley Consultants (Stanley), the proposed initial phases of Golden Valley Ranch (Phases 1, 2, and 3) consisted of approximately 485 acres and 1,859 single family lots. Using the generic plans provided by Stanley for phases 1, 2, and 3, of Golden Valley Ranch, the Department completed a rough calculation of projected demands in February of 2006. The Department made several assumptions on population, landscaping and other factors that will impact the overall demand estimate. The Department included one 18-hole golf course, included approximately half of the projected commercial acreage from the 2005 analysis (317 acres), and made landscaping assumptions on the 89 acres of common area/open space. Using these assumptions and the demand associated with 1,859 lots, the department calculated the demand to be 2,447 af/yr for phases 1, 2, and 3. This was well within the 9,000 af/yr of groundwater demonstrated to be available on the October 2005 analysis.

Please be aware that this was a rough estimate based upon the general plan proposal as submitted by Stanley. This is not the final water adequacy determination as required under statute (A.R.S. §45-108). Demands for the proposed development area will likely be different depending upon the final density and community design. Demands may be reduced with less water intensive landscaping, and other measures such as effluent use in the proposed parks and golf courses. Estimated demands may also increase if other uses the Department is not aware of at this time are included in the subdivision. It should also be noted that the Department could not consider PMWC to be the provider for the proposed development until such time as the ACC approves the inclusion of the proposed development within PMWC's CC&N.

Additionally, a second Analysis of Adequate Water Supply for Golden Valley 5800 was issued by the Department on August 14, 2006. This version of the master plan had a significantly reduced lot count when compared to the original master plan submitted in 2005. The 2006 master plan contained 13,658 single-family lots, 12,775 multi-family units as well as a golf course, park areas, commercial development, and schools. This analysis indicated that the supply would be effluent generated by the 9,000 af/yr of groundwater demonstrated to be available on the initial 2005 water analysis. The Department determined that a total of 2,895 af/yr of effluent would be available. The application indicated that the majority of the non-residential open space would be irrigated with this effluent supply. The total supply demonstrated by both the 2005 groundwater analysis and the 2006 effluent analysis would be 11,895 af/yr. This was still less than the 12,196 af/yr of estimated demand associated with the second master plan submitted with the 2006 application (a shortage of approximately 301 af/yr).

Subsequently, on September 14, 2006, EM&A submitted to the department what appears to be a draft modification of the 2006 effluent analysis. In that draft application the master plan was apparently modified again to reduce high water use landscaping in the open spaces. It appears as though large turf tracts have been replaced with low water use landscaping. The demand numbers presented with the draft application have used the Department's standard demand methodology and therefore appear correct. The new demand (both groundwater and effluent) appears to have been reduced to 11,566 af/yr, which is 329 af/yr less than the 11,895 af/yr of physical supplies demonstrated in combining the 2005 and 2006 analysis. Please be aware that since this was not an official application the Department has not made a final determination on the demand associated

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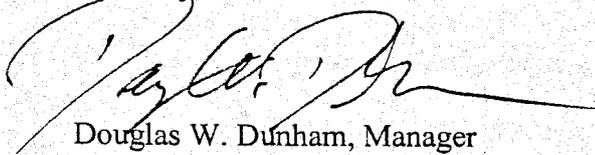
January 25, 2007

Golden Valley 5800

with this latest version of the master plan. Most critically, the master plan itself was not included in the September 2006 draft and therefore the Department cannot confirm the actual estimated demands without reviewing the latest version of the master plan. This will require a new analysis application from the developer in order for the Department to make an official determination.

While it is unusual to see multiple analysis applications for a single master plan as in this case, it is not unusual to see changes from the initial generic master plan to final plat(s). Developers often maximize density in the initial phases of planning knowing that density is often required to be reduced due to zoning changes, flood control issues, and other planning and environmental factors. The intent of the Analysis application is to provide the developer a determination of available water supplies without the costs associated with the final detailed engineering associated with final plats. Developers often modify the final plats during the detailed planning process so the demands fit within the determined available water supplies. I hope this clarifies for you the current status of the analysis of water adequacy for Golden Valley 5800. If you have any additional questions, please feel free to call me at (602) 771-8590

Sincerely,



Douglas W. Dunham, Manager
Office of Assured and Adequate Water Supply

CC: Sandy Fabritz-Whitney, ADWR
Steve Olea, ACC
Kristen Keener-Busby, Department of Commerce
Richard Obenshain, ADWR
Tom Whitmer, ADWR
Ms. Christine Ballard, Mohave County Planning and Zoning Department
Ray Jones, Perkins Mountain Water Company