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**MOHAVE COUNTY BOARD of SUPERVISORS**

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January 29, 2007

Arizona Corporation Commission

**DOCKETED**

FEB -2 2007

Mr. Jeff Hatch-Miller, Chairman  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

DOCKETED BY *nr*

Subject: **DOCKET NO. W-20380A-05-0490**– Perkins Mountain Water Company  
**DOCUMENT NO. SW-20379A-05-0489**–Perkins Mountain Utility Company

Dear Chairman Hatch-Miller:

Mohave County Board of Supervisors has approved a General Plan Amendment to enable Rhodes Homes to move forward on Master Planning for Subdivisions in Golden Valley, Arizona (an unincorporated area). The Board of Supervisors unanimously approved system franchises for both the Perkins Mountain Water Company and the Perkins Mountain Utility Company in March 2006. A Use Permit has also been approved for Water Storage Tanks.

Mohave County staff has been working diligently with Rhodes Homes representatives in a spirit of cooperation for the future development and betterment of our community and its economy.

Approval is recommended for the above referenced CC&N's with the following comments:

1. There are those who do not support urban density development in rural counties. However, appropriate urban development makes good sense in light of the potential benefits for otherwise underdeveloped unincorporated area. Mohave County's future should and will include urban, as well as, rural density; and the County has available land for both types of developments.
2. For all subdivisions, the Board of Supervisors requires a 100-year ADWR Water Certification before any plats are approved. Rhodes Homes will not receive approval for subdivisions that exceed ADWR water allocations.
3. These CC&N's will support smart growth in Mohave County. As a high-quality urban development, Rhodes Homes' potential projects will make optimum use of their "footprint" on the land.

4. Completion of the Rhodes Developments in accordance with all applicable State and Local Law will greatly enhance the tax base and bring badly needed disposable income into our local economies. The multiplier effect from the construction of residential and commercial properties will provide an important boost to our job and sales tax base.
5. Golden Valley today lacks a viable commercial base, such as grocery stores, medical and other essential services proximate to its existing population. Well-planned commercial development to support the Rhodes Community will prevent local residents from driving a near 30-mile round trip for essential services.
6. The proposed developments that include substantial infrastructure will greatly benefit the Golden Valley Fire District, which today is under-funded for its necessary critical services. Local schools also stand to be a winner from the increased property valuations.
7. From an environmental protection position, the construction and operation of Perkins Mountain Utility Company's wastewater treatment facility can serve to reduce the probability of groundwater contamination from existing and future lot splits and their potential septic tanks in lieu of sewers.
8. ADWR has approved Perkins Mountain Water Company's water allocation, and has determined the demand numbers presented with the draft application used the Department's standard demand methodology and appear correct. The proposed community water usage is programmed to be less than the 100-year water supply.

The approval of the subject CC&N's are strongly supported and recommended.

Yours truly,



Ron E. Walker  
Mohave County Manager

xc: Mike Gleason, Commissioner  
Kristen Mayes, Commissioner  
William Mundell, Commissioner  
Gary Pierce, Commissioner

Supervisor Byers stated that if the Board approves the item, they are only approving a franchise, and the County receives 2% of the gross annual receipts.

There being no public input, Chairman Sockwell closed the Public Hearing.

**Motion was made by Supervisor Byers, seconded by Chairman Sockwell, and unanimously carried to approve a wastewater system franchise for ██████████ Mountain Utility Company for a term of 25 years, with 2% of gross annual receipts due Mohave County.**

**ITEM 65:** Chairman Sockwell opened the Public Hearing regarding approving a water system franchise for ██████████ Mountain Water Company for a term of 25 years, with 2% gross annual receipts due Mohave County.

There being no public input, Chairman Sockwell closed the Public Hearing.

**Motion was made by Supervisor Byers, seconded by Chairman Sockwell, and unanimously carried to approve a water system franchise for ██████████ Mountain Water Company for a term of 25 years, with 2% gross annual receipts due Mohave County.**

**ITEM 66:** Chairman Sockwell opened the Public Hearing regarding the adoption of BOS Resolution No. 2006-184 - Acceptance of Centennial Park Unit I, Tract 3505, recorded February 11, 2000, Fee #2000-7686, into the Mohave County Road Maintenance System for maintenance as a bituminous surfaced road, to the degree of improvement at which it is accepted.

There being no public input, Chairman Sockwell closed the Public Hearing.

**Motion was made by Supervisor Byers, seconded by Chairman Sockwell, and unanimously carried to adopt BOS Resolution No. 2006-184, as stated.**

**ITEM 67:** Chairman Sockwell opened the Public Hearing regarding the adoption of BOS Resolution No. 2006-139 - **Denying** a Rezone of a portion of the NW 1/4 SW 1/4 of Section 34, Township 41 North, Range 15 West, from R-E/10A (Residential-Recreation/Ten Acre Minimum Lot Size) zone to A-R (Agricultural-Residential/One Acre Minimum Lot Size) zone, in the Arizona Strip Area (east of County Highway 91 and north of Rio Virgin Road), Mohave County, Arizona, as recommended by the Mohave County Planning and Zoning Commission.

There being no public input, Chairman Sockwell closed the Public Hearing.

**Motion was made by Supervisor Byers, seconded by Supervisor Johnson, and unanimously carried to adopt BOS Resolution No. 2006-139, Denying a Rezone, as stated.**

**ITEM 68:** Chairman Sockwell opened the Public Hearing regarding the adoption of BOS Resolution No. 2006-142 - **Denying** a Rezone of Lot 46, Rio Palmas, Unit 1, First Amended, in Section 14, Township 19 North, Range 22 West, from A-R (Agricultural-Residential/One Acre Minimum Lot Size) zone to C-2 (General Commercial) zone, in the South Mohave Valley Area (south side of Dunlap Road between State Highway 95 and Arcadia Lane), Mohave County, Arizona. **(Commission Denied By Unanimous Vote)**

and upon the County receiving the required insurance documents, authorize the Public Works Director to issue a Notice to Proceed for the project.

**ITEM 38:** The meeting continued with the item regarding approving a Special Event Liquor License for Love 'Em Long Ears Donkey Rescue Ranch, 89 Main Street, Route 66, Oatman, Arizona, for April 27-29, 2006.

Chairman Sockwell advised that staff has a problem with this request, and the Sheriff's Department recommends denial. He stated that Environmental Health questioned if there will be sufficient restroom facilities, and rubbish containers.

Supervisor Johnson advised that this is during the biker weekend and if there are sufficient port-a-potties, he has no problem with recommending approval.

**Motion was made by Supervisor Johnson, seconded by Chairman Sockwell, and unanimously carried to approve a Special Event Liquor License for Love 'Em Long Ears Donkey Rescue Ranch, 89 Main Street, Route 66, Oatman, Arizona, for April 27-29, 2006, with the stipulation that there must be a sufficient number of port-a-potties available in the area.**

~~ITEM 41: Approve a Person Transfer/Location Transfer for Craig Allen Bouchard, Famous Philly's, 4320 Highway 95, Suite D, Fort Mohave, Arizona, Series 7. Item withdrawn 03-01-2006~~

**ITEM 63:** Supervisor Byers explained that they did not have Executive Session for the item because all Board members were not present in person; therefore, **motion was made by Supervisor Byers, seconded by Chairman Sockwell, and unanimously carried to continue the item regarding approving the allocation and expenditure of vacancy savings from 207-2901 (Alternative Dispute Resolution Fund) to cover the cost of the salary adjustment for the Superior Court Administrator as recommended by Honorable Randolph A. Bartlett, Presiding Superior Court Judge, for the period from October 15, 2005 through February 17, 2006, because all Board members were not present in person, to the March 20, 2006, BOS Meeting.**

**ITEM 64:** Chairman Sockwell opened the Public Hearing regarding approving a wastewater system franchise for ██████ Mountain Utility Company for a term of 25 years, with 2% of gross annual receipts due Mohave County.

**Motion was made by Supervisor Byers, and seconded by Supervisor Johnson to discuss the item.**

Supervisor Byers stated that he has been told that this is a way to circumvent Arizona Corporation Commission rules, and this is not true.

Manager Walker explained that, without approval of the Arizona Corporation Commission, ██████ Mountain Utility Company will not have a corporation in order for there to be a franchise; therefore, the Board can approve the franchise if they so choose.

# Smel & Wilmer

LLP

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## FACSIMILE TRANSMISSION

DATE: January 26, 2007

TIME IN:  
TIME OUT:

TO:

Name	Fax Number	Phone Number
Chris Stephens Rhodes Homes	928-565-4333	

FROM: Jeffrey W. Crockett

PHONE: 602.382.6234

MESSAGE:

ORIGINAL DOCUMENT: Will not be sent NUMBER OF PAGES (including Cover): 6

CONFIRMATION NO.: CLIENT MATTER NO.: 48422.0001

PLEASE RETURN TO: Gina 9 S 06 PERSONAL FAX: No

REQUESTOR: Jeffrey W. Crockett DIRECT LINE: 602.382.6234

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OUR FACSIMILE NUMBER IS 602.382.6070.

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**Crockett, Jeff**

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**From:** Ronstadt, Carlos  
**Sent:** Thursday, January 25, 2007 10:28 PM  
**To:** Grouse, Kimberly; 'cstephens@rhodeshomes.com'  
**Cc:** Crockett, Jeff  
**Subject:** RE: Meeting with Ron Walker  
**Attachments:** DWR Letter re Golden Valley water issues

Chris: My comments are set out below. Also, I've attached a draft of the letter that Doug Dunham prepared for us.

---

**From:** Grouse, Kimberly  
**Sent:** Thursday, January 25, 2007 9:32 PM  
**To:** 'cstephens@rhodeshomes.com'  
**Cc:** Ronstadt, Carlos; Crockett, Jeff  
**Subject:** Meeting with Ron Walker

Chris,

If the County's letter could have the following points, it would be extremely helpful:

\* discuss the letter from ADWR that was addressed to Jeff Crockett today regarding the adequate water determination at Golden Valley. The County will not have it yet, but it is coming. Christine Ballard at P&Z was copied on it. This letter confirms that Golden Valley has all the available water necessary to build out the project. I believe Carlos already sent you a copy of the draft letter. Let me know if you want me to send it again.

See attached.

- The Board of Supervisors supports Perkins Mountain Water Company and Perkins Mountain Utility Company becoming the regulated utilities for the development.

Comment: On the other hand, this suggests that the County would not work with us to form a DWID or CFD. I would like the County to also point out that in the event that the Commission refuses to act promptly and approve the applications for CC&Ns, then the County will consider forming a CFD as the water provider.

- The County is progressing with the necessary approvals for the development.

Comment: This point belongs with the "productive working relationship" comment, below.

- The people of Mohave County are excited about the project and believe it will be good for the County. Good for the economy, increasing options for housing, etc

Comment: If Mr. Walker has toured the Rhodes developments in the Las Vegas area, maybe he could discuss the sound master-planning incorporated into each such development, quality construction, planned amenities that are not yet available in Mohave County, etc. I would also point out that these anticipated long-term benefits to Mohave County have been significantly delayed by the Commission's 18 month delay of the approval of the CC&Ns for the Perkins Mountain Utility entities.

- The County has a good productive working relationship with Rhodes Homes.

- The Board of Supervisors urges the Commission to approve the Certificates for Perkins Water Company and Perkins Utility Company.

1/26/2007

Carlos or Jeff may have revisions or additions, but this should be something to start with.

1/26/2007

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



Janet Napolitano  
Governor

Herbert R. Guenther  
Director

January 25, 2007

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

**DRAFT**

**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  
Pg. 2  
January 25, 2007  
Golden Valley 5800

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 Pg 3.

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

BEFORE THE ARIZONA CORPORATION COMMISSION

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JEFF HATCH-MILLER, Chairman  
WILLIAM MUNDELL  
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2007 JAN 24 P 4: 52

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

DOCKET NO. W-20380A-05-0490

IN THE MATTER OF THE  
APPLICATION OF PERKINS  
MOUNTAIN UTILITY COMPANY FOR  
A CERTIFICATE OF CONVENIENCE  
AND NECESSITY IN MOHAVE  
COUNTY.

DOCKET NO. SW-20379A-05-0489

RESPONSE TO ADDENDUM TO  
STAFF REPORT DATED  
DECEMBER 15, 2006

Perkins Mountain Water Company ("PMWC") and Perkins Mountain Utility Company ("PMUC") (collectively "the Companies"), pursuant to the Procedural Order dated December 20, 2006, hereby submit their joint Response to the Addendum to Staff Report For Perkins Mountain Utility Company and Perkins Mountain Water Company—Applications for Certificates of Convenience and Necessity for Wastewater and Water Services dated December 15, 2006 ("Staff Report Addendum").

On July 7, 2005, the Companies filed with the Arizona Corporation Commission ("Commission") applications ("Applications") for Certificates of Convenience and Necessity ("CC&Ns") to provide water and wastewater services to the master planned developments of Golden Valley South and White Hills in Mohave County, Arizona. On March 31, 2005, PMWC filed an amendment to its Application (the "Amended Application") limiting its request for a CC&N to only a portion of the Golden Valley South development (Phases 1, 2, 3, 7, and part of 4) and requesting an Order Preliminary

1 to the issuance of a CC&N ("Orders Preliminary") for the balance of Golden Valley  
2 South (Phases 5, 6, and the remaining part of 4) and all of White Hills.

3 In its Staff Report Addendum, Staff recommended approval of both Applications,  
4 subject to conditions. Although the Companies do not object to the large majority of the  
5 conditions recommended by Staff, the Companies believe that four of the CC&N  
6 conditions and three of the Order Preliminary Conditions should be modified or  
7 rejected.<sup>1</sup> Additionally, the Companies request that Golden Valley South not be included  
8 in the Orders Preliminary and that a CC&N be issued for all of Golden Valley South, for  
9 the reasons discussed below.

10 1. ISSUANCE OF A CC&N FOR ALL OF GOLDEN VALLEY SOUTH.

11 On February 10, 2006, PMWC filed with the Commission an Analysis of  
12 Adequate Water Supply for 9,000 acre-feet of groundwater, representing 57% of the  
13 initial estimated demand of 15,911 acre-feet per year. Although the PMWC fully  
14 expected to receive an additional Analysis of Adequate Water Supply for effluent credit,  
15 the Commission expressed some concern regarding the adequacy of water supply. To  
16 address the Commission's concerns, PMWC amended its CC&N application in this  
17 docket on March 31, 2006, to limit the Golden Valley South CC&N area to only those  
18 phases of Golden Valley South that could be served with the 9,000 acre-feet of water  
19 already proven (Phases 1, 2, 3, 7 and part of Phase 4), with the remaining phases (Phases  
20 5, 6 and the remaining portion of Phase 4) addressed pursuant to an Order Preliminary.  
21 Subsequently, PMWC received a second Analysis of Adequate Water Supply for an  
22 additional 2,895.69 acre-feet per year of treated effluent and filed it with the  
23 Commission on September 13, 2006. The total of both analyses is 11,895.69 acre-feet  
24 per year.

25  
26  
27 <sup>1</sup> Conditions associated with the CC&N are referred to herein as "CC&N Conditions" and conditions associated  
28 with the Orders Preliminary are referred to herein as "Order Preliminary Conditions." The numbered CC&N  
Conditions and Orders Preliminary Conditions cited herein refer to the conditions listed on pages 9-14 of the Staff  
Report Addendum.

1 As the Golden Valley South development has worked its way through the myriad  
2 approval processes at various Mohave County departments and state agencies, necessary  
3 changes were made to the developer's master plan, some of which reduced the demand  
4 for water. The current demand is now equal to 11,566.88 acre-feet. Based on the  
5 revised demand calculations,<sup>2</sup> the amount of physically available water that has already  
6 been proven is more than enough to serve all of the Golden Valley South development.  
7 The current demand of 11,566.88 acre-feet per year is 629.23 acre-feet less than the  
8 initial estimated demand of 12,196.11 acre-feet and 328.81 acre-feet less than the total  
9 physically available water of 11,895.69 acre-feet as determined by ADWR.

10 The need for an additional Analysis of Adequate Water Supply to demonstrate  
11 water availability no longer exists. The Companies, therefore, are requesting that the  
12 Commission issue a CC&N for all phases of the Golden Valley South development.

13 2. IN CC&N CONDITION 15, STAFF RECOMMENDS THAT PMWC AND  
14 PMUC FINANCE AT LEAST 50% OF THEIR RESPECTIVE PLANT WITH  
15 EQUITY.

16 In CC&N Condition 15, Staff recommends that the Commission require PMWC  
17 and PMUC to finance at least 50% of their respective utility plant with equity. This  
18 recommendation was not included in the initial Staff Report dated November 10, 2005.  
19 Staff's stated objectives for including this recommendation in the Staff Report  
20 Addendum are to ensure that: (i) the Companies "invest the paid-in-capital shown in the  
21 November 10, 2005 Staff Report [Schedules REL-1 and REL-2];" (ii) the Companies  
22 "are substantially financed by the owner, and that the owner has a significant investment  
23 at risk;" and (iii) the Companies are motivated "to protect their investment by applying  
24 proper maintenance and installing quality plant." *Staff Report Addendum* at 6. The  
25 Companies agree that establishing a minimum equity requirement for new water and  
26 sewer companies can satisfy the objectives identified above. However, a 50% minimum

27 <sup>2</sup> Attached as Exhibits 1 and 2 are a letter from Greg Wallace of Errol Montgomery and Associates notifying  
28 ADWR of the revised demand calculation for Golden Valley South and a revised generic demand calculator that  
confirms that the total demand is within the water availability that has already been demonstrated.

1 equity requirement is too high and will have several negative consequences, particularly  
2 in the case of PMWC.

3 The following Table RLJ-1 excerpts data from Staff's projected balance sheet for  
4 PMWC for the first five years of operation (Schedule REL-1 to the Staff Report):

5

Table RLJ - 1					
Perkins Mountain Water Company					Schedule REL-1
Excerpt from Balance Sheet					
	Year	Year	Year	Year	Year
	1	2	3	4	5
Fixed Assets					
Utility Plant in Service	\$ 4,812,375	\$ 9,932,275	\$ 11,980,317	\$ 15,058,358	\$ 19,424,750
(less) Accumulated Depreciation	\$ 98,961	\$ 389,847	\$ 799,697	\$ 1,273,740	\$ 1,861,640
Net Plant in Service	\$ 4,713,414	\$ 9,542,428	\$ 11,180,620	\$ 13,784,618	\$ 17,563,110
Total Capital	\$ 3,448,588	\$ 5,169,031	\$ 5,130,369	\$ 5,982,156	\$ 7,266,095
Ratio - Total Capital to Net Plant	73%	54%	46%	43%	41%

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13 This table reflects the underlying assumptions that in years 1 through 5, PMWC  
14 will use equity funding for all plant construction except for mains (including valves and  
15 fittings), service lines, fire hydrants and meters which will be funded by the developer or  
16 developers pursuant to main extension agreements approved by the Commission  
17 pursuant to A.A.C. R14-2-406(M). In years 1 and 2, PMWC could meet the 50%  
18 minimum equity requirement, based on Staff's projections. However, in years 3, 4 and 5,  
19 PMWC would fall below 50% equity. In order to satisfy Staff's minimum equity  
20 requirement, PMWC would need to increase equity by \$1,515,460 to a total of  
21 \$8,781,555 at the end of year 5. Since there is no debt in PMWC's capital structure  
22 which could be replaced with equity, the only other way to increase equity would be to  
23 forego advances in aid of construction.

24 The Commission has long required that mains, service lines, fire hydrants and  
25 meters be funded through main extension agreements as refundable advances in aid of  
26 construction by the developer. See A.A.C. R14-2-406. The reason for this is clear.  
27 Financing main extensions for new development with equity places undue and  
28

1 unnecessary risk on the utility—and ultimately—the customers of the utility. This so-  
2 called "development risk" should be borne by the developers of property within the  
3 utility's CC&N. Accordingly, PMWC believes that CC&N Condition 15 should be  
4 revised to require a minimum equity level of 40% and not 50%. An equity level of 40%  
5 will satisfy each of Staff's objectives as set forth in the Staff Report Addendum without  
6 forcing PMWC (and its customers) to assume development risk by funding main  
7 extensions with equity.

8 Additionally, in order to remove any possible ambiguity regarding the method of  
9 determining PMWC's equity level at any point in time, PMWC recommends that the  
10 condition be expressed as a ratio that can be calculated from the balance sheet  
11 information submitted in the annual reports that PMWC will file with the Commission.  
12 Specifically, PMWC proposes the following substitute for CC&N Condition 15 as it  
13 pertains to PMWC:

14 *15. That the Commission require PMWC to provide*  
15 *sufficient equity financing so that the ratio of Total*  
16 *Capital to Net Utility Plant In Service is not less than*  
17 *40 percent.*

18 There is one additional (and highly significant) reason why the required minimum  
19 equity level should be reduced to 40% for PMWC. If Staff's recommended minimum  
20 equity of 50% is adopted, then PMWC's rates must necessarily be increased by 20-25%  
21 to provide a reasonable rate of return on the additional \$1,515,460 in equity investment  
22 that will be required to meet the requirement. Staff's proposed rates are based on the  
23 capital structure set forth in Schedule REL-1 to the Staff Report, which does not take  
24 into account the increased equity. While PMWC does not oppose the rates  
25 recommended in the Staff Report, the Company does not believe that the public interest  
26 is served by increasing those rates to provide a return on equity that was invested in lieu  
27 of requiring advances in aid of construction from developers to fund main extensions.  
28

1           Regarding PMUC, the following Table RLJ-2 excerpts data from Staff's projected  
2 balance sheet for PMUC for the first five years of operation (Schedule REL-2 to the  
3 Staff Report):

Table RLJ-2					
Perkins Mountain Utility Company					Schedule REL-1
Excerpt from Balance Sheet					
	Year	Year	Year	Year	Year
	1	2	3	4	5
Fixed Assets					
Utility Plant in Service	\$ 4,548,325	\$ 7,937,725	\$ 9,541,950	\$ 16,915,025	\$ 19,024,350
(less) Accumulated Depreciation	\$ 113,802	\$ 388,726	\$ 727,052	\$ 1,242,847	\$ 1,943,357
Net Plant in Service	\$ 4,434,523	\$ 7,548,999	\$ 8,814,898	\$ 15,672,178	\$ 17,080,993
Total Capital	\$ 3,272,679	\$ 3,983,920	\$ 4,990,040	\$ 9,245,560	\$ 9,228,035
Ratio - Total Capital to Net Plant	74%	53%	57%	59%	54%

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12           Based upon Staff's projections, the equity level for PMUC is not expected to fall  
13 below 50% during the first five years of operation. Notwithstanding, PMUC  
14 recommends that its minimum equity level be set at 40%, consistent with PMWC's  
15 recommendation set forth above. A lower minimum equity level would give PMUC  
16 additional flexibility to fund construction of sewer infrastructure through a limited debt  
17 financing (with prior Commission approval) or collection main extension agreements.  
18 Thus, PMUC proposes the following substitute for CC&N Condition 15 as it pertains to  
19 PMUC:

20           15. *That the Commission require PMUC to provide*  
21 *sufficient equity financing so that the ratio of Total*  
22 *Capital to Net Utility Plant In Service is not less than*  
23 *40 percent.*

24           2. IN CC&N CONDITION 14, STAFF RECOMMENDS A LETTER OF CREDIT  
25 OR PERFORMANCE BOND IN THE AMOUNT OF \$2,500,000.

26           In CC&N Condition 14, Staff recommends that PMWC and PMUC each provide  
27 an irrevocable letter of credit or performance bond of \$2,500,000 (for a combined total  
28 of \$5,000,000) to remain in place until further order of the Commission or until the

1 Commission's decision in the Companies' first rate cases.<sup>3</sup> Staff picked this amount  
2 because it "is adequate to secure the first four years of the estimated operating expenses"  
3 of PMWC and PMUC. *Staff Report Addendum* at 8. The Companies do not oppose a  
4 reasonable letter of credit or performance bond, but the amount recommended by Staff is  
5 clearly excessive based upon the facts of this case, as discussed below.

6 Moreover, the methodology Staff used to determine the amount has not previously  
7 been used by the Commission, and Staff's calculation of the amount is flawed because  
8 Staff included depreciation expense in the Companies' operating expenses. The  
9 Companies submit that a reasonable amount for each of PMWC and PMUC would be  
10 \$500,000 (for a combined total of \$1,000,000), which is consistent with amounts  
11 recommended by Staff and approved by the Commission in decisions approving other  
12 new CC&Ns.

13 A. **No Letter of Credit or Performance Bond Should Cover Depreciation**  
14 **Expense, which is a Non-Cash Expense.**

15 Staff recommended the amount of the letter of credit/performance bond in this  
16 case based on the money that would be needed to cover four years of operating expenses  
17 for each of PMWC and PMUC. *Id.* Pursuant to Schedule REL-2 to the Staff Report, the  
18 first four years of operating expenses for PMWC total \$2,224,892. Of that amount,  
19 depreciation expense accounts for \$1,273,740, well over half of PMWC's projected  
20 operating expenses. While PMWC does not agree with Staff's methodology for setting  
21 the amount, at a minimum Staff should remove depreciation expense—which is a non-  
22 cash expense—from its calculation. This would reduce the amount of the letter of  
23 credit/performance bond below \$1,000,000 for PMWC.

24 Likewise, the first four years of operating expenses for PMUC total \$2,660,842.  
25 Of that amount, depreciation expense accounts for \$1,242,848, or a little less than half.  
26 Removing depreciation expense from PMUC's projected operating expenses would

27 \_\_\_\_\_  
28 <sup>3</sup> Pursuant to CC&N Condition 5, each Company must file a rate application no later than six months following the fifth anniversary of the date each Company begins providing service to its first customer.

1 reduce the amount of the letter of credit/performance bond below \$1,500,000 for PMUC.

2 To the Companies' knowledge, the Commission has never based a letter of credit  
3 or performance bond on the amount of projected operating expenses. In a data request  
4 from PMWC and PMUC to Staff asking whether Staff has previously recommended an  
5 amount based on four years of estimated operating expenses, Staff responded as follows:

6 Staff does not know if Staff has ever recommended a LOC or performance  
7 bond equal to four years operating [expense]. Staff is unaware of any recent  
8 similar recommendation. (emphasis in original)<sup>4</sup>

9 The requirement of a letter of credit or performance bond has traditionally been  
10 imposed by the Commission to protect customer deposits, prepayments and advances.  
11 In the case of applicants for new telecommunications CC&Ns, the Commission requires  
12 performance bonds ranging from \$10,000 to \$235,000. However, the largest bond  
13 amount applicable to any new telecommunications provider is still less than 10% of the  
14 \$2,500,000 recommended for each of PMWC and PMUC.

15 The Companies submit that letters of credit and/or performance bonds should not  
16 be used (and have not previously been used) to insure the availability of adequate capital  
17 to fund operating expenses. As discussed below, the Companies are subsidiaries of a  
18 Moody's bond-rated parent, with access to all of the capital necessary to fund capital  
19 construction and operating expenses in the first five years of operation. Moreover, Staff  
20 has determined that "its proposed rates will be adequate to assure the financial integrity  
21 of the Companies." Attachment D to *Staff Report Addendum* at 3. For these reasons,  
22 Staff's recommendation regarding the amount of the letter of credit or performance bond  
23 is excessive, and should be reduced as set forth above.

24 Staff states in its Staff Report Addendum that the "Companies may ultimately  
25 serve 53,000 businesses and residences resulting in a significant amount of customer  
26 deposits and developer advances to be held and repaid by the Companies." Attachment  
27 D to *Staff Report Addendum* at 3. However, Staff must acknowledge that the two

28 <sup>4</sup> Staff's response to PMWC and PMUC Data Request 1(b) of the Third Set of Data Requests to Staff.

1 master-planned communities will not reach build-out for at least 20 years. The  
2 Companies have estimated that PMWC and PMUC will serve 3,035 residential  
3 customers and 30 commercial customers by the end of the fifth year of operation.  
4 Letters of credit or performance bonds in the total amount of \$5,000,000 are far in  
5 excess of the amount necessary to safeguard the deposits of the 3,065 customers  
6 projected at the end of five years. Moreover, since the Companies' sole shareholder,  
7 Rhodes Homes Arizona, is also the developer of the master-planned communities, the  
8 advances received by PMWC and PMUC will be paid by Rhodes Homes Arizona. Thus,  
9 any risk to the public associated with advances in aid of construction is substantially  
10 eliminated.

11 **B. The Companies Have Contracted with An Experienced Certified**  
12 **Operator and other Professionals to Assist with the Operation of the**  
13 **Water and Wastewater Utilities.**

14 Staff asserts as justification for a letter of credit or performance bond that the  
15 Companies have "no prior operating experience." *Staff Report Addendum* at 7. The  
16 Companies have two responses to this point. First, although the Companies were newly  
17 formed to provide water and wastewater services and do not yet have a track record  
18 (like all newly formed corporate entities), the Companies have contracted with  
19 qualified, experienced and reputable professionals to assist with the operation of the  
20 water and wastewater utilities. For example, Aricor Water Solutions, and its principal  
21 Ray Jones, are under contract to act as certified operator for PMWC and PMUC. Mr.  
22 Jones has been certified by the Arizona Department of Environmental Quality as (i) a  
23 Grade 3 Water Treatment Plant Operator; (ii) a Grade 3 Water Distribution System  
24 Operator; (iii) a Grade 3 Wastewater Treatment Plant Operator; and (iv) a Grade 3  
25 Wastewater Collection System Operator. Mr. Jones has over 20 years experience in the  
26 operation, engineering and management of water and wastewater utilities in Arizona.  
27 His experience includes nineteen years with Citizens Water Resources and Arizona-  
28 American Water Company, the largest non-municipal water and wastewater provider in

1 Arizona. Similarly, PMWC and PMUC are contracting with other professionals to  
2 assist with other aspects of the operation of the water and wastewater utilities.

3 Second, in very recent cases where the Commission has required performance  
4 bonds for newly formed utility companies, the amount of the performance bond has  
5 been substantially less than the \$2,500,000 recommended by Staff for each of the  
6 Companies. For example, in Decision 69256 (January 19, 2007) granting Orders  
7 Preliminary to the issuance of the CC&Ns to the newly formed Green Acres Water,  
8 LLC, and Green Acres Sewer, LLC, the Commission required performance bonds for  
9 each utility in the amount of \$500,000. The Commission stated:

10 Additionally, we believe since there is no evidence in the record which  
11 reveals that either of the Applicants has any prior experience in successfully  
12 operating a public utility, a performance bond for each utility in the amount  
13 of \$500,000 should ensure that the Applicants will be able to continue  
operations for a reasonable period without a related entity's financial  
support, if necessary.

14 Decision 69256 at 12, Finding of Fact 48 (Docket Nos. W-20430A-05-0839 and SW-  
15 20431A-05-0840). Similarly, in Decision 68453 (February 2, 2006) granting a CC&N  
16 to newly formed Woodruff Utility Company, the Commission required a performance  
17 bond in the amount of \$250,000. There was no requirement that newly formed affiliate  
18 Woodruff Water Company post a performance bond.

19 As stated above, PMWC and PMUC do not oppose the requirement of a letter of  
20 credit or performance bond, but submit that a reasonable amount for each of PMWC  
21 and PMUC would be \$500,000, which is consistent with the Commission decisions  
22 discussed above.

23 C. **The Financial Capability of the Companies' Two Immediate Parent**  
24 **Companies is Secure.**

25 Staff's assertion in the Staff Report Addendum that the financial capability of the  
26 Companies' two immediate parent companies is not secure is simply not true and  
27 contrary to facts of this case. *Staff Report Addendum* at 6. The two immediate parents  
28 of PMWC and PMUC—Rhodes Homes Arizona, LLC (which owns 100% of the stock

1 of both Companies) and its sole member, Rhodes Companies LLC—have a  
2 demonstrated financial capability that is backed up by a Moody's Investors Service  
3 ("Moody's") Corporate Family Rating of B1. A Corporate Family Rating is Moody's  
4 opinion regarding a corporate family's ability to honor all of its financial obligations,  
5 and is assigned to a corporate family as if that family had a single class of debt and a  
6 single consolidated legal entity structure. In other words, it applies to all affiliates  
7 under the management control of the entity which has been assigned the rating.<sup>5</sup> Staff's  
8 unsupported assertion that the bond rating could be stronger is striking in juxtaposition  
9 to Staff's ensuing statements that "[m]ost new water and wastewater utilities are  
10 affiliated with developers who have far less financial backing" and "the fact that the  
11 Utilities will be affiliated with entities which are large enough to receive bond ratings is  
12 somewhat reassuring." *Staff Report Addendum* at 6.

13 The facts are that after completing its rigorous financial due diligence regarding  
14 the Rhodes Companies family of companies, Moody's assigned a B1 rating concluding  
15 that Rhodes Companies LLC has a stable ratings outlook, that the ratings outlook is not  
16 negative or on watch. There can be no doubt that PMWC and PMUC are affiliated with  
17 companies having much greater demonstrated financial wherewithal than companies  
18 that have been certificated with performance bonds of \$500,000, \$250,000, or less.  
19 Thus, the recommended letters of credit or performance bonds for PMWC and PMUC,  
20 if required, should not be any higher than \$500,000.

21 **D. The Litigation Matters Identified by Staff Do Not Justify the**  
22 **Requirement of a Letter of Credit or Performance Bond.**

23 In the Staff Report Addendum, Staff discusses a list of litigation matters  
24 involving affiliates of PMWC and PMUC. *Staff Report Addendum* at 7. However,  
25 Staff's statements and characterizations of these litigation matters create an unwarranted  
26 impression regarding the business practices of affiliates of PMWC and PMUC. For

27 \_\_\_\_\_  
28 <sup>5</sup> See <http://www.moody's.com/moodys/cust/AboutMoody's/AboutMoody's.aspx?topic=rdef&subtopic=moody's%20credit%20ratings&title=View+All+Rating+Definitions.htm>

1 example, Staff discusses the type of litigation matters and number of cases, but fails to  
2 state that many of the cases were, in fact, initiated by affiliates of the Companies and  
3 were, in fact, resolved with judgments favorable to those affiliates. Further, Staff  
4 provides copies of a random group of news reports and articles for "INFORMATIONAL  
5 PURPOSES ONLY" (emphasis in original) and then states that Staff "is satisfied that the  
6 Commission will accord this information appropriate weight." *Id.* Yet, Staff proceeds  
7 to use the information as a basis for its recommendation regarding the need for a letter of  
8 credit or performance bond in the amount of \$2,500,000 per Company.

9 Staff's dump of a list of litigation matters, news stories and articles into its Staff  
10 Report Addendum provides no meaningful guidance to the Commission, and  
11 underscores the fact that there was no independent Staff evaluation of the information.  
12 And, contrary to Staff's assertion that the information was included for "Informational  
13 Purposes Only," Staff used the information to support the following conclusions in its  
14 December 15, 2006, Staff Report Addendum:

15 Staff realizes that anyone who conducts business on the scale that Mr.  
16 Rhodes does is likely to encounter business disputes. In this case, it is the  
tenor and sheer number of the lawsuits that makes them unusual.

17 *Id.* More troubling is the fact that Staff's conclusions are lifted almost verbatim from an  
18 article that appeared in *Las Vegas Life* magazine three years ago, and obviously not as  
19 the result of Staff's own analysis:

20 To be sure, anyone who conducts business on the scale that Rhodes does is  
21 likely to encounter some business disputes. It's the tenor of the lawsuits  
and their sheer number that makes them unusual.

22 *Las Vegas Magazine* at 38 (Dec. 2003). There has been no independent analysis of the  
23 information included by Staff, and that information certainly should not form the basis  
24 of Staff's recommendation to required \$5,000,000 in letters of credit or performance  
25 bonds by the Companies.

26 Further, Staff's recommendation is inconsistent with other recent cases cited by  
27 Staff involving a performance bond and a utility with an owner and affiliates involved in  
28

1 litigation.<sup>6</sup> In those cases, the Commission required Johnson Utilities to secure a  
2 \$500,000 performance bond, far less than the \$5,000,000 recommended for the two  
3 Companies in this case. Only if Johnson Utilities is subsequently named as a defendant  
4 in a lawsuit does the bond requirement increase to \$1,000,000. The existence of  
5 ongoing litigation involving affiliates of PMWC and PMUC does not support the  
6 unprecedented imposition of \$5,000,000 in letters of credit or performance bonds.

7 For all of the above reasons, CC&N Condition 14 should be modified so that  
8 PMWC and PMUC are each required to post a \$500,000 performance bond or  
9 irrevocable letter of credit.

10 **3. IN CC&N CONDITION 18 FOR PMWC, STAFF RECOMMENDS THAT A**  
11 **COPY OF THE ARIZONA DEPARTMENT OF WATER RESOURCES LETTER**  
12 **OF ADEQUATE WATER SUPPLY BE SUBMITTED TO THE COMMISSION FOR**  
13 **EACH INDIVIDUAL SUBDIVISION IN THE REQUESTED CC&N AREA.**

14 Staff recommends in CC&N Condition 18 that "PMWC ... file with Docket  
15 Control, as a compliance in this docket, a copy of Arizona Department of Water  
16 Resources ("ADWR") Letter of Adequate Water Supply for each individual Subdivision  
17 in the requested area, when received by the Company, but no later than 15 days after  
18 receipt." *Staff Report Addendum* at 10. However, Staff's language is ambiguous and  
19 should be clarified. The landowners in the requested CC&N service areas have received  
20 or applied for Analyses of Adequate Water Supply with ADWR. Copies of the analyses  
21 received to date by the developers have been filed with docket control, and copies of  
22 future analyses will be docketed pursuant to Order Preliminary Condition 4. ADWR  
23 does not issue a "Letter of Adequate Water Supply" for each individual subdivision in  
24 the requested area. Rather, ADWR issues a Water Report for each subdivision at the  
25 request of the developer. The developer must then include the Water Report in its  
26 application for a Public Report to the Arizona Department of Real Estate. If it is Staff's  
27 intention that the Water Reports also be filed with the Commission, then the language of

28 <sup>6</sup> Decision Nos. 68235, 68236, and 68237.

1 CC&N Condition 18 should be modified to so provide.

- 2 4. PURSUANT TO ORDER PRELIMINARY CONDITION 4 PERTAINING TO  
3 PMWC, STAFF RECOMMENDS THAT COPIES OF THE ADWR ANALYSIS  
4 OF ADEQUATE WATER SUPPLY DEMONSTRATING THE AVAILABILITY  
5 OF ADEQUATE WATER FOR PHASES 5, 6, AND THE REMAINING PORTION  
6 OF PHASE 4 OF GOLDEN VALLEY SOUTH, AND ALL OF THE VILLAGES  
7 AT WHITE HILLS, BE FILED WITH DOCKET CONTROL ONCE RECEIVED  
8 BY PMWC.

9 Order Preliminary Condition 4 as recommended by Staff is requiring PMWC to  
10 file for an additional Analysis of Adequate Water Supply for Golden Valley South for  
11 300.42 acre-feet difference, an amount less than 2½ percent of the original estimated  
12 demand for Golden Valley South at full build-out. As set forth above, the need for an  
13 additional analysis no longer exists and the Companies are requesting that a CC&N be  
14 issued for all of Golden Valley South and that Order Preliminary Condition 4 for PMWC  
15 be amended to read as follows:

- 16 4. *That the Commission require PMWC to file with*  
17 *Docket Control, as a compliance item, a copy or*  
18 *copies of the ADWR Analyses of Adequate Water*  
19 *Supply demonstrating the availability of adequate*  
20 *water for all of The Villages at White Hills when*  
21 *received by PMWC, but not later than 3 years after*  
22 *the effective date of the order granting the Order*  
23 *Preliminary.*

- 24 5. PURSUANT TO ORDER PRELIMINARY CONDITION 6 PERTAINING TO  
25 PMWC AND ORDER PRELIMINARY CONDITION 8 PERTAINING TO  
26 PMUC, STAFF RECOMMENDS THAT UPON THE COMPANIES' COMPLYING  
27 WITH THE CONDITIONS SET FORTH IN THE ORDERS PRELIMINARY, THE  
28 COMMISSION WILL VOTE TO GRANT THE CC&N.

A.R.S. §40-282(D) states: "if the commission makes an order preliminary to the  
issuance of the certificate, upon presentation to the commission of evidence that the  
franchise or permission has been secured by the corporation, the commission shall issue  
the certificate." (Emphasis added). Staff recommends that "[t]he Commission should  
schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing

1 that confirms [the Companies] compliance with items 2, 3, 4, 5, 6, and 7 has transpired."  
2 Staff's reference to "a vote to grant the CC&N" may be read to imply that the  
3 Commission has the discretion to deny issuance of a CC&N to the Companies even if  
4 the Companies have timely satisfied all conditions of the order preliminary. The  
5 Companies seek clarification of Order Preliminary Conditions 6 and 8 to reflect that  
6 once the Companies have satisfied all conditions of the order preliminary, the  
7 Commission shall issue the CC&Ns.

8 **CONCLUSION.**

9 For all the foregoing reasons, Perkins Mountain Water Company and Perkins  
10 Mountain Utility Company request that CC&N Conditions 14 and 15 pertaining to  
11 PMWC and PMUC, CC&N Condition 18 pertaining to PMWC, Order Preliminary  
12 Condition 4 and 6 pertaining to PMWC, and Order Preliminary Condition 8 pertaining to  
13 PMUC be modified as outlined above in the Decision and Order in this matter.

14 RESPECTFULLY SUBMITTED this 24th day of January, 2007.

15 SNELL & WILMER L.L.P.

16  
17 By: 

18 Jeffrey Cockett  
19 Kimberly A. Grouse  
20 One Arizona Center  
21 400 East Van Buren  
22 Phoenix AZ 85004-2202  
23 Attorneys for Perkins Mountain Water  
24 Company and Perkins Mountain Utility  
25 Company

26 ORIGINAL and 15 copies filed this 24th day of January, 2007, with:

27 Docket Control  
28 Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

1 COPY hand-delivered this 24th day of January, 2007, to:

2 Lyn Farmer, Chief Administrative Law Judge  
3 Hearing Division  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, Arizona 85007

7 Keith Layton, Staff Attorney  
8 Legal Division  
9 Arizona Corporation Commission  
10 1200 West Washington  
11 Phoenix, Arizona 85007

12 Blessing Chukwu  
13 Utilities Division Staff  
14 Arizona Corporation Commission  
15 1200 West Washington  
16 Phoenix, Arizona 85007

17 COPY mailed this 24th day of January, 2007, to:

18 Booker T. Evans, Jr.  
19 Kimberly A. Warshawski  
20 Greenberg Traurig, L.L.P.  
21 2375 East Camelback Road, Suite 700  
22 Phoenix, AZ 85016

23 Scott Fisher  
24 Sports Entertainment  
25 808 Buchanan Blvd., Ste. 115-303  
26 Boulder City, NV 89005

27 

28 GROUSEK\PHX\1940279.2

# **EXHIBIT A**

**ERROL L. MONTGOMERY & ASSOCIATES, INC.**



CONSULTANTS IN HYDROGEOLOGY

7949 EAST ACOMA DRIVE, SUITE 100  
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TODD KEAY, P.G.  
JAMES S. DAVIS, P.G.  
MICHAEL J. ROSKO, P.G.  
DANIEL S. WEBER, P.G.  
LESLIE T. KATZ, P.G.  
DENNIS H. SHIRLEY, P.G.  
THOMAS W. ANDERSON (1940-2005)  
JEFFREY J. MEYER  
JANIS K. BLAINER-FLEMING  
HALE W. BARTER

September 14, 2006

E-MAILED AND HAND DELIVERED

Douglas W. Dunham, Manager  
Office of Assured & Adequate Water Supply  
Arizona Department of Water Resources  
3550 N. Central Avenue 2<sup>nd</sup> Floor  
Phoenix, Arizona 85012

Re: Application for an Analysis of Water Adequacy (Golden Valley South DWR #23-402190.0000) Administrative Completeness Review

Dear Mr. Dunham:

I have received the letter from Ms Sandra Fabritz-Whitney dated August 14, 2006 concerning this application. I want to respond to you and confirm our agreement with the ADWR calculations regarding the effluent available for Golden Valley South of 2895.69 af/yr. The applicant has instructed me that in order to comply with current requirements of their development in Mohave County we will be altering our demand to 9000 acre feet of groundwater and 2895.69 acre feet of effluent for a total supply available of 11,895.7 ac/yr. Our demand has subsequently been altered by conversion of an additional 188 acres of previously turfed parks to low water use parks. Both demand calculators have been included for your review. Our total demand now is 11,566.88 acre feet per year which exceeds our agreed upon supply available to the development. If revised letter to that effect would be appreciated.

Copies of the revised application, both original and revised demand calculators are enclosed for your review and a copy of the August 14, 2006 ADWR letter for reference. Thank you for your assistance in this matter. I look forward to your response.

Respectfully,

Gregory L. Wallace

Errol L. Montgomery and Associates

# **EXHIBIT B**

February 27, 2006		WATER REPORT - ADEQUATE WATER SUPPLY GENERIC DEMAND CALCULATOR				
Golden Valley South						
INSTRUCTIONS: This spreadsheet is designed to help you calculate the water demand for your new subdivision for purposes of applying for a Certificate of Assured Water Supply. Please fill out all blue boxes. If you need help, contact the Office of Assured and Adequate Water Supply at (602) 417-2466.						
NOTE: This sheet, when completed, does not constitute approval of the demand estimate for your subdivision. It is intended for general estimation purposes only. Final official demand estimates will be determined by the Department upon review of your complete application.						
Enter the AMA the subdivision is located in: Mohave County - No AMA						
* Enter PHX for Phoenix, TUC for Tucson, PIN for Pinal, PRE for Prescott or SCR for Santa Cruz. If you are not located within an AMA, or are not sure which AMA you are located in, contact the Office of Assured and Adequate Water Supply at (602) 417-2466.						
<b>Residential Demand</b>						
Category	PPHU	GPCD or per house/day	Demand/HU/YR (af/yr)	No. HU (Lots)	Residential Demand/Yr (af/yr)	
Single Family (Int) - Active Adult	1.80	57.00	0.11	7,708	885.88	
Single Family (Int) - Single Family	3.00	57.00	0.19	5,950	1,139.89	
Multi-Family (Int) - High Density	2.40	57.00	0.15	2,776	425.23	
Multi-Family (Int) - Town Center	2.10	57.00	0.13	10,000	1,340.81	
Single Family Landscape (ext)	1.00	126.50	0.14	13,858	1,835.31	
Multi-Family Landscape (ext)	1.00	67.50	0.08	12,776	965.91	
Single family Demand/HU/YR			0.26			
Multifamily Demand/HU/YR			0.23			
*NOTE: If the application is in the Pinal AMA, and lot sizes are no greater than 10,000 sq. ft., 125 GPCD is used to estimate both interior and exterior demand for single family homes. Do not enter lot numbers under the Landscape rows. Contact the Office of Assured and Adequate Water Supply for more information.						
	Square Feet	Acres	Demand Factor (af/yr)	No. HU (Lots)	Large Lot Adjustment Demand/Yr (af/yr)	
Average Lot Size (sq. ft)**	7400.00	0.17				
TMP Model Lot Size (sq. ft)	7,500 - 10,000	0.17 - 0.23				
Large Lot Adjustment	0.00	0.00				
1/2 low water use	0.00	0.00	1.50	26433.00		
1/2 turf	0.00	0.00	No AMA	26433.00		
**NOTE: If the subdivision contains several groupings of lot sizes, the large lot adjustment needs to be calculated for each grouping of large lot sizes. Contact the Office of Assured and Adequate Water Supply for assistance in calculating the large lot adjustment for subdivisions with several groupings of large lot sizes.						
<b>Total Residential Demand</b>						
					6,692.82	
<b>Non-Residential Demand</b>						
For each category please enter either square feet or acres of land for that type of non-residential use within your subdivision.						
Category	Square Feet	Acres	Demand Factor (af/ac)		Non-Residential Demand (af/yr)	
Common Area1 effluent		174.00	1.50	low water use	261.00	
Common Area2 effluent		222.17	4.90	turf	1,088.63	
Right of Way			1.50	low water use		
Golf Course effluent		110.00	4.90	Turf	539.00	
Golf Course			6.20	Lakes		
Golf Course			1.50	low water use		
Commercial use		1600.00	2.25	all acres	1,350.00	
Public Pool (length x width = square feet)			AMA TMP model	pool		
Parks1 effluent		288.80	1.50	low water use	432.90	
Parks2			4.90	turf		
Retention/Detention Basins			1.50	low water use		
Retention/Detention Basins effluent		12.60	4.90	turf	61.74	
School Landscape1		0.90	1.50	low water use		
School Landscape2 effluent		40.50	4.90	turf	198.45	
School interior - Middle/High****			43 GPCD	interior demand		
School interior - Elementary****		4500.00	25 GPCD	interior demand	128.02	
***NOTE: If application is for a change of ownership from a previously issued Certificate of Assured Water Supply, and is for only a portion of the original Certificate, contact the Office of Assured and Adequate Water Supply to pro-rate non-residential area acreage.						
***NOTE: For school interior demand, enter the number of students. If the proposed school is a high school or middle school, the demand factor is 43 GPCD.						
<b>Total Non-Residential Demand</b>						
					4057.74	
<b>Distribution Losses</b>						
	Residential	Non-Residential	Total	Loss Factor %	Distribution Losses (af/yr)	
Demand af/yr	6,692.82	4,057.74	10,750.55	7.50	806.29	
<b>Construction Demand</b>						
	No. of Lots	Demand (gals/lot)	100 yr demand (af)	Construction Demand (af/yr)		
Total Demand Per Year	26,433	10,000.00	1,004.75	10.05		
Residential Usage af/yr	6692.82	4057.74	806.29	10.05	4874.08	11566.89
Residential Usage GPCD	101			174		
Annual Build Out Demand	11566.89					