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Transcript Exhibit(s)

Docket #(s): WS-02987A-06-0663

AZ CORP COMMISSION
DOCUMENT CONTROL

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Exhibit #: A1, A2, A3, A4, A5, S1

Arizona Corporation Commission

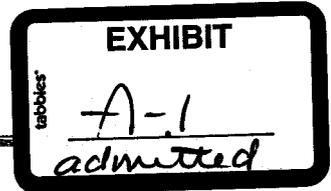
DOCKETED

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DOCKETED BY	MR
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JOHNSON UTILITIES L.L.C

5230 East Shea Boulevard * Scottsdale, Arizona 85254
PH: (480) 998-3300; FAX: (480) 483-7908



October 13, 2006

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

WS-02987A-06-0663

Attached is an application by Johnson Utilities Company, L.L.C. for an Extension of its Certificate of Convenience and Necessity. The purpose of this application is to expand our existing service area to include the development known as Skyview Farms. This application has been made at the request of the developer and the Town of Florence. Kent Pace represents the land owner and developer in the proposed expansion area. The Town of Florence is in the process of preparing a letter requesting that Johnson Utilities provide water and sewer service to this portion of the Town. The letter of support from the Town will be docketed as part of this application when available. The request for service letter from Kent Pace of Skyview Farms is attached hereto as Attachment 10. Thank you for your time and consideration on this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Daniel Hodges".

Daniel Hodges

AZ CORP COMMISSION
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ARIZONA CORPORATION COMMISSION

APPLICATION FOR AN EXTENSION OF CERTIFICATE OF CONVENIENCE AND
NECESSITY

WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant is:

Johnson Utilities, L.L.C.
5230 E. Shea Blvd., Suite 200
Scottsdale, AZ. 85254
480-998-3300

B. The name, address, and telephone number of management contact is:

Brian P. Tompsett
Johnson Utilities, L.L.C.
5230 E. Shea Blvd., Suite 200
Scottsdale, AZ. 85254
480-998-3300

C. List the name, address and telephone number of the operator certified by the Arizona Department of Environmental Quality.

Gregory Brown
Specific Engineering, L.L.C.
5230 E Shea Blvd. Suite 220
Scottsdale, AZ 85254
480-987-9870

D. List the name, address and telephone number of the attorney for the Applicant:

Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
4500 South LakeShore Dr., Suite 339
Tempe, AZ. 85282
480-839-5202

E. Attach the following documents that apply to you:

1. Certificate of Good Standing (if corporation)

See Attachment 1

2. Corporate Resolution Authorizing this application (if required by the corporation's Articles of Incorporation)

Not Applicable

F. Attach a legal description of the area requested by either **CADASTRAL** (quarter section description) or **Metes and Bounds** survey. References to parcels and docket numbers will not be accepted.

See Attachment 2

G. Attach a detailed map using the form provided as attachment B. Shade and outline the area requested. Also indicate the present certificated area by using different colors.

See Attachment 3

H. Attach a current balance sheet and profit and loss statement

See Attachment 4

I. Provide the following information:

1. Indicate the estimated number of customers, by class, to be served in the new area in each of the next five years:

See Attachment 5

2. (WATER ONLY) Indicate the projected annual water consumption, in gallons, for each of the customer classes in the new area for each of the next five years.

See Attachment 5

3. Indicate the total estimated annual operating revenue from the new area for each of the next five years.

See Attachment 6

• **Complete Attachment "D" (Water Use Data Sheet) for the past 13 months.**

See Attachment 7

4. Indicate the total estimated annual operating expenses attributable to the new area for each of the next five years.

See Attachment 6

J. Total estimated cost to construct utility facilities to serve customers in the requested area:

The estimated cost to serve the customers in the requested area is \$16,962,716.00 for water and \$18,964,300 for sewer.

K. Explain method of financing utility facilities (see paragraph 8 of instructions)

The construction of the additional utility facilities needed to serve the area covered by this Application will be financed primarily by advances in aid of construction and hook-up fees in accordance with Commission regulations and Johnson Utilities applicable tariffs, as well as pursuant to the terms of any main extension agreements between Johnson Utilities, and property owners. A copy of all fully executed main extension agreements for water facilities between parties shall be filed with the Commission in support of this Application when completed.

L. Estimated starting and completion date of construction of utility facilities:

Start date: January, 2008

Completion date: December, 2015

M. Attach the following permits:

1. Franchise from either the City or County for the area requested.

See Attachment 8

2. Arizona Department of Environmental Quality or designee's approval to construct facilities

Arizona Department of Environmental Quality's Approval to Construct the facilities to serve the requested extension area will be provided to the Commission as soon as they are received by Johnson Utilities.

3. Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)

Not Applicable

4. U.S. Forest Service approval-

Not Applicable

5. (WATER ONLY) If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of 100 year Assured Water Supply issued by the Arizona Department of Water Resources.

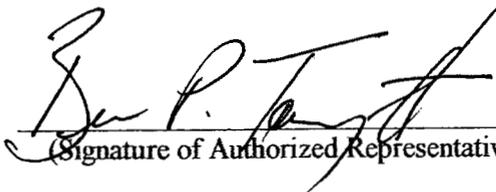
Attachment 9

- If the area requested is outside an Active Management Area, attach the developer's Adequacy Statement issued by the Arizona Department of Water Resources if applied for by the developer.

Not Applicable

- If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detailed information to prove that adequate water exists to provide water to the area requested.

Not Applicable


(Signature of Authorized Representative)

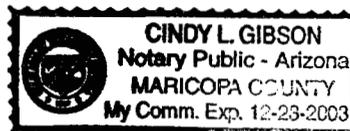
Brian P. Tompsett
(Print of Type Name Here)

Executive Vice President
(Title)

SUBSCRIBED AND SWORN to before me this 16 day of October, 2006


NOTARY PUBLIC

My Commission Expires 12-23-2008



ATTACHMENT 1

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****JOHNSON UTILITIES, L.L.C.*****

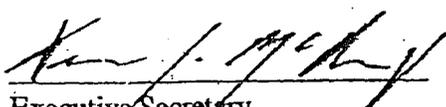
a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 5th day of June 1997.

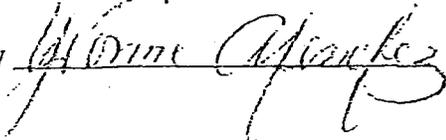
I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 1st Day of December, 2004, A. D.




Executive Secretary

By 

ATTACHMENT 2

Legal Description

ALL OF SECTIONS 33 AND 34, TOWNSHIP 3 SOUTH, RANGE 9 EAST; AND ALL OF SECTION 3, TOWNSHIP 4 SOUTH, RANGE 9 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

ATTACHMENT 3

COUNTY of Pinal

RANGE 9 East

1	5	9	13	17	21
2	6	10	14	18	22
3	7	11	15	19	23
4	8	12	16	20	24
5	13	17	21	25	29
6	14	18	22	26	30
7	15	19	23	27	31
8	16	20	24	28	32
9	17	21	25	29	33
10	18	22	26	30	34
11	19	23	27	31	35
12	20	24	28	32	36
13	21	25	29	33	37
14	22	26	30	34	38
15	23	27	31	35	39
16	24	28	32	36	40
17	25	29	33	37	41
18	26	30	34	38	42
19	27	31	35	39	43
20	28	32	36	40	44
21	29	33	37	41	45
22	30	34	38	42	46
23	31	35	39	43	47
24	32	36	40	44	48
25	33	37	41	45	49
26	34	38	42	46	50
27	35	39	43	47	51
28	36	40	44	48	52
29	37	41	45	49	53
30	38	42	46	50	54
31	39	43	47	51	55
32	40	44	48	52	56
33	41	45	49	53	57
34	42	46	50	54	58
35	43	47	51	55	59
36	44	48	52	56	60
37	45	49	53	57	61
38	46	50	54	58	62
39	47	51	55	59	63
40	48	52	56	60	64
41	49	53	57	61	65
42	50	54	58	62	66
43	51	55	59	63	67
44	52	56	60	64	68
45	53	57	61	65	69
46	54	58	62	66	70
47	55	59	63	67	71
48	56	60	64	68	72
49	57	61	65	69	73
50	58	62	66	70	74
51	59	63	67	71	75
52	60	64	68	72	76
53	61	65	69	73	77
54	62	66	70	74	78
55	63	67	71	75	79
56	64	68	72	76	80
57	65	69	73	77	81
58	66	70	74	78	82
59	67	71	75	79	83
60	68	72	76	80	84
61	69	73	77	81	85
62	70	74	78	82	86
63	71	75	79	83	87
64	72	76	80	84	88
65	73	77	81	85	89
66	74	78	82	86	90
67	75	79	83	87	91
68	76	80	84	88	92
69	77	81	85	89	93
70	78	82	86	90	94
71	79	83	87	91	95
72	80	84	88	92	96
73	81	85	89	93	97
74	82	86	90	94	98
75	83	87	91	95	99
76	84	88	92	96	100

TOWNSHIP 3 South

-  WS-2987 (6)
-  Johnson Utilities Company
-  W-2859 (3)
-  Diversified Water Utilities, Inc.
-  CC&N Requested
-  Sewer

 **ULLMANN
& COMPANY P.C.**
Certified Public Accountants

To The Members of
Johnson Utilities, L.L.C.
Scottsdale, Arizona

We have compiled the accompanying balance sheet of Johnson Utilities, L.L.C. as of December 31, 2005 and the related statement of income for the year then ended, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, the Company. Members are taxed individually on their shares of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the operating agreement of the Company.

This report is intended solely for the information and use of the owners, management, and others within the company and is not intended to be and should not be used by anyone other than these specified parties.

Ullmann & Company

Ullmann & Company, P.C.
Certified Public Accountants

March 24, 2006

Johnson Utilities, L.L.C.
Balance Sheet
December 31, 2005

ASSETS

Utility Plant

Plant in Service	\$ 77,405,052
Less: Accumulated Depreciation	(4,491,559)
<u>Net Utility Plant in Service</u>	<u>\$ 72,913,493</u>

Construction Work in Progress	9,616,560
<u>Net Utility Plant</u>	<u>\$ 82,530,053</u>

Current Assets

Cash	\$ 18,382,586
Accounts Receivable	1,660,226
Other Receivables	38,000
<u>Total Current Assets</u>	<u>\$ 20,080,812</u>

Other Assets

Deferred Legal Fees	\$ 672,263
Deferred Engineering Fees	242,235
Prepaid Liability Insurance	31,075
SRP Deposit	65,120
<u>Total Other Assets</u>	<u>\$ 1,010,693</u>

<u>Total Assets</u>	<u>\$ 103,621,558</u>
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MEMBER'S CAPITAL & LIABILITIES

<u>Member's Capital</u>	<u>\$ 7,260,129</u>
--------------------------------	----------------------------

<u>Contributions in Aid of Construction</u>	<u>\$ 48,092,863</u>
----------------------------------------------------	-----------------------------

<u>Long-Term Debt</u>	<u>\$ 772,000</u>
------------------------------	--------------------------

Current Liabilities

Accounts Payable	\$ 2,433,137
Current Portion of Advances in Aid of Construction	326,000
Due to Member	5,132,494
Customer Deposits	296,564
Accrued Taxes	528,581
Accrued Interest	30
<u>Total Current Liabilities</u>	<u>\$ 8,716,806</u>

Deferred Liabilities

Advances in Aid of Construction, Less Current Portion	\$ 38,779,760
-------------------------------------------------------	---------------

<u>Total Member's Capital & Liabilities</u>	<u>\$ 103,621,558</u>
--------------------------------------------------------	------------------------------

See Accountants' Compilation Report

Johnson Utilities, L.L.C.
Statement of Income
December 31, 2005

<u>Operating Revenue</u>	
Water Sales	\$ 7,193,403
Sewer Fees	5,379,633
Other Revenue	771,444
<u>Total Revenue</u>	<u>\$ 13,344,480</u>
<u>Operating Expenses</u>	
Purchased Water	\$ 915,377
Purchased Power	624,190
Repairs & Maintenance	255,715
Outside Services	6,278,875
Water Testing	84,945
Rents	13,107
Insurance	62,856
Sludge Removal	68,242
Wastewater Treatment	34,592
Miscellaneous Operating Expense	208,874
Depreciation and Amortization	396,098
Taxes Other Than Income	14,220
Property Taxes	242,910
<u>Total Operating Expenses</u>	<u>\$ 9,200,001</u>
<u>Net Operating Income</u>	<u>\$ 4,144,479</u>
<u>Other Income (Expenses)</u>	
Interest Income	\$ 433,931
Non-Utility Income	1,575
Interest Expense	(66,741)
<u>Total Other Income (Expenses)</u>	<u>\$ 368,765</u>
<u>Net Income</u>	<u>\$ 4,513,244</u>

See Accountants' Compilation Report

ATTACHMENT 5

The estimated numbers of customers to be served in each of the first five years of water utility service to the area covered by this Application are as follows:

Residential:

	<u>Skyview Farms</u>	<u>Total</u>
Year 2008	150	150
Year 2009	450	450
Year 2010	800	800
Year 2011	1200	1200
Year 2012	1600	1600

The projected annual water consumption, in gallons, for each of the customer classes in the new area for each of the next five years:

Residential Water Usage:

in Gallons

1st Year	7,087,275
2nd Year	28,349,100
3rd Year	59,060,625
4th Year	94,497,000
5th Year	132,295,800

ATTACHMENT 6

Applicant's estimated annual operating revenue and operating expenses for each of the first five years of operation in the new area covered by this Application are as follows:

Water

Operating Revenue

1st Year	\$40,500
2nd Year	\$162,000
3rd Year	\$337,500
4th Year	\$540,000
5th Year	\$756,000

Operating Expenses

1st Year	\$32,400
2nd Year	\$129,600
3rd Year	\$270,000
4th Year	\$432,000
5th Year	\$604,800

Wastewater

Operating Revenue

1st Year	\$34,650
2nd Year	\$138,600
3rd Year	\$288,750
4th Year	\$462,000
5th Year	\$646,800

Operating Expenses

1st Year	\$27,720
2nd Year	\$110,880
3rd Year	\$231,000
4th Year	\$369,600
5th Year	\$517,440

ATTACHMENT 7

NAME OF COMPANY	JOHNSON UTILITIES, L.L.C.
ADEQ Public Water System No.	11-128

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	
September, 2005	12,533	107,199	
October, 2005	13,233	117,105	
November, 2005	13,688	89,905	
December, 2005	13,754	78,490	
January, 2006	14,278	87,900	
February, 2006	14,343	76,844	
March, 2006	14,416	77,389	
April, 2006	14,600	95,253	
May, 2006	14,766	124,842	
June, 2006	15,098	158,856	
July, 2006	15,310	157,865	
August, 2006	15,679	164,734	
September, 2006	15,844	128,798	
STORAGE TANK CAPACITY (GALLONS)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
1,000,000	1	55-558445	500
500,000	3	55-559843	500
100,000	1	55-586189	35
50,000	3	55-582085	110
		55-582087	110
		55-582088	110
		55-621462	1000
		55-599026	1000
		55-201429	1100
		55-598836	700
		55-209384	1000
		55-570372	360
		55-594071	360
		55-571198	360
Other Water Sources in Gallons Per Minute			None
Fire Hydrants on System			YES
Total Water Pumped Last 13 Months (Gallons in Thousands)			1,581,939

ATTACHMENT 8

Lnd.



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER

KATHLEEN C. FELIX

DATE: 12/08/98 TIME: 1636
FEE : 0.00
PAGES: 6
FEE NO: 1998-050223

Expansion and Amendment Of The Johnson Utility Water and Sewer Franchise

WHEREAS, Johnson Utilities L.L.C. had received a water and sewer franchise from Pinal County to establish and maintain water and sewer services on Johnson Utilities L.L.C., see document number 1995-033065 in the Office of the Pinal County Recorder (hereinafter "Original Franchise").

WHEREAS, Johnson Utilities L.L.C., a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Original Franchise for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Expansion").

WHEREAS, upon filing of Johnson Utilities L.L.C.'s application for the Expansion, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 10:00 A.M. on November 4, 1998, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said application for the Expansion and Amendment having come on regularly for hearing at 11:30 A.M. on November 4, 1998; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder and Blade-Tribune published on October 15, 1998, October 22, 1998, and October 29, 1998; and the matter being called for hearing at 11:30 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

Second Amended
Johnson Utility Water and Sewer Franchise

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Johnson Utilities L.L.C., a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: water and sewer lines and related appurtenances

Section 2: GRANT

Grantor, on November 4, 1998, hereby grants to Grantee, for a period of time not to exceed the Original Franchise, this expanded and amended franchise (hereinafter "Second Amended Franchise") for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Original Franchise (hereinafter "Franchise Area").

Section 3: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Second Amended Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Second Amended Franchise is accepted by County. This Second Amended Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

Section 4: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the Second Amended Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Second Amended Franchise accepts the validity of the terms and conditions of the Second Amended Franchise in their entirety and agrees it

will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Second Amended Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Second Amended Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Second Amended Franchise not expressed therein. Grantee by its acceptance of the Second Amended Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Second Amended Franchise.

C. Grantee by its acceptance of the Second Amended Franchise further acknowledges that it has carefully read the terms and conditions of the Second Amended Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. In case of conflict or ambiguity between the Second Amended Franchise and the Original Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.

E. The Board's decision concerning its selection and awarding of the Second Amended Franchise shall be final.

Section 5: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Second Amended Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Second Amended Franchise, all of which will remain in full force and effect for the term of the Second Amended Franchise or any renewal or renewals thereof.

Section 6: NOTICE

Notices required under the Second Amended Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
P.O. Box 827
31 N. Pinal
Florence, Arizona 85232

Grantee:

Johnson Utilities L.L.C.
5320 E. Shea Blvd.
Scottsdale, Arizona 85254

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on November 4, 1998.

PINAL COUNTY BOARD OF SUPERVISORS



Sandie Smith

Sandie Smith, Chairman 11-4-98

by: *Stanley D. Griffis*
Stanley D. Griffis, Ph.D., Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

Eric L. Walberg

Eric L. Walberg, Deputy County Attorney

Exhibit A

JOHNSON UTILITIES
FRANCHISE EXTENSION APPLICATION

All areas within the following described Sections not previously franchised to the Applicant:

Sections 35 and 36, all in Township 3 South Range 7 East

Sections 13 through 36, all in Township 3 South Range 8 East

Sections 16 through 21 and 28 through 33, all in Township 3 South Range 9 East

Sections 1 through 4, 10 through 14 and 23 through 26, all in Township 4 South Range 8 East

Sections 4 through 9, all in Township 4 South Range 9 East

Exhibit B

SAMPLE ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., a(n) Arizona corporation, does hereby accept the _____ grant of an Second Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Second Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Second Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Second Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Second Amended Franchise recited to have been or to be made by Grantee.

attyciv\franchise\19981799 E&A Franchise Final



KATHLEEN C. FELIX

DATE: 12/08/98 TIME: 1636
FEE : 0.00
PAGES: 2
FEE NO: 1998-050224

mail to:

Board of Supervisors

via 85232

(The above space reserved for recording information)

CAPTION HEADING

Acceptance of Expanded and Amended Franchise

ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., a(n) Arizona corporation, does hereby accept the November 4, 1998 grant of an Second Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Second Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Second Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Second Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Second Amended Franchise recited to have been or to be made by Grantee.

Dated this 16 day of November, 1998.

Johnson Utilities L.L.C.

By:

Title:

[Handwritten signature]
Manager

STATE OF ARIZONA)
) ss.
County of)

The foregoing instrument was acknowledged before me this 16 day of November, 1998, by George H Johnson, Manager of Johnson Utilities, a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

Christine M Dermody
Notary Public

My Commission Expires:
June 9, 2002



9th Amend



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTTLE

①

When recorded mail to:

Clerk of the Board Office
P.O. Box 827
Florence, Arizona 85232

DATE/TIME: 04/03/06 1534
FEE: \$0.00
PAGES: 7
FEE NUMBER: 2006-047531

(The above space reserved for recording information)
CAPTION HEADING

Johnson Utilities L.L.C. - expansion of it's water and sewer utility franchise.
Last Recorded Fee Number: 2001-028018.

Expansion and Amendment Of The Johnson Utility Water and Sewer Franchise

WHEREAS, Johnson Utilities L.L.C. had received a water and sewer franchise from Pinal County to establish and maintain water and sewer services on October 12, 1995 (1995-033065), amended on July 9, 1997 (1997-030624), May 20, 1998 (1998-031193), November 4, 1998 (1998-050223), November 17, 1999 (1999-053478), August 2, 2000 (2000-032663), December 13, 2000 (2001-002045), May 30, 2001 (2001-024621), June 20, 2001 (2001-028018) (hereinafter "Existing Franchise").

WHEREAS, Johnson Utilities L.L.C., an Arizona limited liability corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Existing Franchise for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Expansion").

WHEREAS, upon filing of Johnson Utilities L.L.C.'s application for the Expansion, a copy of which is attached hereto as Exhibit "C" without its exhibits, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 9:30 A.M. on March 15, 2006, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said application for the Expansion and Amendment having come on regularly for hearing at 9:30 A.M. on March 15, 2006; and it appearing from the affidavit of the publisher of the Florence Reminder & Blade Tribune that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder and Blade-Tribune published on February 16, 2006, February 23, 2006 and March 2, 2006; and the matter being called for hearing at 9:30 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Existing Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Johnson Utilities L.L.C., an Arizona limited liability corporation, its successors and assigns
- E. Grantee's Facilities: water and sewer lines and related appurtenances

Section 2: GRANT

Grantor, on March 15, 2006, hereby grants to Grantee, for a period of time not to exceed the Existing Franchise, this expanded and amended franchise (hereinafter "Ninth Amended Franchise") for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Existing Franchise (hereinafter "Franchise Area").

Section 3: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Ninth Amended Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Sixth Amended Franchise is accepted by County. This Ninth Amended Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

Section 4: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the Ninth Amended Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Ninth Amended Franchise accepts the validity of the terms and conditions of the Ninth Amended Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Ninth Amended Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Ninth Amended Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Ninth Amended Franchise not expressed therein. Grantee by its acceptance of the Ninth Amended Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Ninth Amended Franchise.

C. Grantee by its acceptance of the Ninth Amended Franchise further acknowledges that it has carefully read the terms and conditions of the Ninth Amended Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. In case of conflict or ambiguity between the Ninth Amended Franchise and the Existing Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.

E. The Board's decision concerning its selection and awarding of the Ninth Amended Franchise shall be final.

Section 5: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Ninth Amended Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Ninth Amended Franchise, all of which will remain in full force and effect for the term of the Ninth Amended Franchise or any renewal or renewals thereof.

Section 6: NOTICE

Notices required under the Ninth Amended Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
P.O. Box 827
31 N. Pinal
Florence, Arizona 85232

Grantee:

Johnson Utilities, L.L.C.
5320 E. Shea Blvd.
Scottsdale, Arizona 85254

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

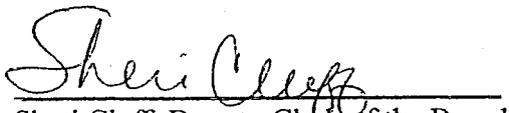
IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on March 15, 2006.



PINAL COUNTY BOARD OF SUPERVISORS

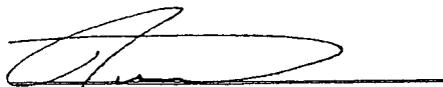

Sandy Smith, Chairman
SANDIE

ATTEST:


Sheri Cluff, Deputy Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY


Rick V. Husk
Deputy County Attorney

Ninth Amended
Johnson Utility Water and Sewer Franchise

Exhibit A

LEGAL DESCRIPTION OF REQUESTED FRANCHISE AREA

All of Sections 3, 4, 10, 15, 22, 23, 26, 27, 34 and 35, Township 3 South, Range 9 East, G&SRB&M, Pinal County, Arizona.

All of Sections 2, 3, 10, and 11, Township 4 South, Range 9 East, G&SRB&M, Pinal County, Arizona.



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTTLE

DATE/TIME: 04/03/06 1534
FEE: \$0.00
PAGES: 2
FEE NUMBER: 2006-047532

②
When recorded mail to:

Clerk of the Board Office
P.O. Box 827
Florence, Arizona 85232

(The above space reserved for recording information)

CAPTION HEADING

Acceptance by Johnson Utilities L.L.C. of their expanded water and sewer utility franchise.

Exhibit B

ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., an Arizona limited liability corporation, does hereby accept the March 15, 2006 grant of a Ninth Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Ninth Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Ninth Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Ninth Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Ninth Amended Franchise recited to have been or to be made by Grantee.

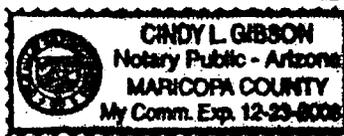
Dated this 21st day of MARCH, 2006.

Johnson Utilities, L.L.C.

By: *Brian P. Tompsett*

Title: EXECUTIVE VICE PRESIDENT

STATE OF ARIZONA)
)
) SS.
County of Maricopa)



The foregoing instrument was acknowledged before me this 21 day of March, 2006, by Brian P. Tompsett, Executive Vice President of Johnson Utilities, L.L.C., an Arizona limited liability corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]
Notary Public

My Commission Expires:

12-23-2008

ATTACHMENT 9

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DEPARTMENT OF WATER RESOURCES
BEFORE THE DIRECTOR

**IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES
FOR A DESIGNATION AS HAVING AN
ASSURED WATER SUPPLY**

**AWS No. 2003-004
DECISION AND ORDER
No. 26-400665**

On December 26, 2001, the Department of Water Resources (Department) received an application from Johnson Utilities, L.L.C. requesting that the Department modify Johnson Utilities' designation of assured water supply pursuant to A.R.S. § 45-576(D) and A.A.C. R12-15-701 *et seq.* for Johnson Utilities' municipal water delivery system. On January 28, 2003, the Department determined the application to be complete.

After receiving Johnson Utilities' request to modify its designation of assured water supply, and after reviewing relevant information regarding the modification request, including: 1) the hydrologic study of the proposed source of supply on file with the Department, 2) information submitted regarding Johnson Utilities' consistency with the management plan and management goal, 3) information provided by the Arizona Department of Environmental Quality regarding the quality of the proposed source of water, and 4) information regarding Johnson Utilities' financial capability to construct the necessary delivery system, treatment works and storage facilities, the Department finds the following:

1. Johnson Utilities is a private water company regulated by the Arizona Corporation Commission.
2. Johnson Utilities has the legal authority, as granted by the Arizona Corporation Commission, to deliver water to its customers located within the boundaries of its Certificate of Convenience and Necessity as indicated on maps on file with the Department.
3. Johnson Utilities has the right to withdraw and deliver groundwater to its customers pursuant to service area right #56-002346.0000.
4. Johnson Utilities currently serves 100 percent groundwater to its customers.
5. Johnson Utilities' current and committed demand is 1,232 acre-feet per year, as of 2003.

6. Johnson Utilities' groundwater supply proven to be physically available is 52,250 acre-feet per year.
7. Johnson Utilities' total groundwater supply which was proven to be physically, continuously and legally available is 18,154 acre-feet per year, which is greater than Johnson Utilities' projected demand for the calendar year 2011 of approximately 5,633 acre-feet per year.
8. Historic hydrologic information demonstrates that groundwater levels in the service area currently range from approximately 300 to 700 feet with a minimal regional decline.
9. After one hundred years of pumping at 5,633 acre-feet per year, the depth-to-water inside Johnson Utilities' service area is expected to range from 400 to 550 feet below land surface and not expected to exceed 1,000 feet below land surface.
10. Johnson Utilities is regulated as a large provider under the Department's Third Management Plan for the Phoenix Active Management Area. Johnson Utilities is in compliance with the Third Management Plan requirements as of the date of this decision and order.
11. The groundwater supply that Johnson Utilities intends to provide its customers currently meets all federal and state water quality standards, based on compliance information provided by the Arizona Department of Environmental Quality.
12. On June 9, 2000 Johnson Utilities became a member service area of the Central Arizona Groundwater Replenishment District ("CAGRDR").
13. The June 9, 2000 replenishment agreement between Johnson Utilities and the CAGRDR limits the replenishment obligation of the CAGRDR to 5,967 acre-feet per year, which is more than Johnson Utilities projected 2011 demand of 5,633 acre-feet per year.
14. On February 24, 1995, the Director designated that the CAGRDR Plan of Operation was consistent with achieving the management goal of the Phoenix Active Management Area.
15. As of the date of this decision and order, the CAGRDR is in compliance with its groundwater replenishment obligation for the Phoenix Active Management Area.
16. In accordance with Arizona Corporation Commission Rules and Regulations, Johnson Utilities finances extension of its distribution system through line extension agreements

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1 with owners of new developments. Any owner of a new subdivision served by Johnson
2 Utilities must prove financial capability to construct the necessary water infrastructure to
3 the appropriate platting entity and the Arizona Department of Real Estate pursuant to
4 Titles 9, 11, and 32 of the Arizona Revised Statutes.

5 **Having reviewed the Findings of Fact, the Department makes the following**

6 **Conclusions of Law:**

- 7 1. The annual volume of water was found to be physically, continuously and legally available
8 to Johnson Utilities for a minimum of 100 years as prescribed in A.A.C. R12-15-703, and
9 exceeds Johnson Utilities' projected demand of 5,633 acre-feet for the year 2011.
- 10 2. The water supply served by Johnson Utilities currently meets the water quality
11 requirements specified in A.A.C. R12-15-704.
- 12 3. Pursuant to A.R.S. § 45-576.01(B), 5,967 acre-feet of Johnson Utilities projected use of
13 groundwater, as a member service area of the CAGR, is consistent with achieving the
14 management goal of the Phoenix Active Management Area.
- 15 4. In accordance with A.A.C. R12-15-706, Johnson Utilities proposed use of water is
16 consistent with the Phoenix Active Management Area Third Management Plan
17 requirements.
- 18 5. Johnson Utilities satisfies the financial capability criteria prescribed in A.A.C. R12-15-707.
- 19 6. Johnson Utilities satisfied all the requirements for a designation of an assured water
20 supply.

21 **Having reviewed the Conclusions of Law, the Department hereby issues this Order**
22 **designating Johnson Utilities as having an assured water supply, subject to the following**
23 **conditions:**

- 24 1. The Department reserves the right under A.A.C. R12-15-709 (A) to periodically review
25 and modify this designation as conditions warrant.
- 26 2. Pursuant to A.A.C. R12-15-709, the Department may, at any time, review, modify or
27 revoke this designation if the findings of fact or the conclusions of law upon which the
28 designation are based change or are invalid.

- 1 3. The Department's determination that an assured water supply exists for Johnson Utilities
2 is based on its analysis of the groundwater supplies pledged by Johnson Utilities.
- 3 4. Pursuant to A.A.C. R12-15-704, Johnson Utilities shall satisfy any state water quality
4 requirements established for its proposed use after the date of this designation.
- 5 5. Johnson Utilities shall annually provide to the Department the following information in the
6 manner prescribed in A.A.C. R12-15-711:
- 7 a. The estimated future demand of platted, undeveloped lots located in Johnson
8 Utilities' service area.
- 9 b. The projected demand at build-out for customers with which Johnson Utilities has
10 entered into a notice of intent to serve agreement in the calendar year.
- 11 c. A report regarding Johnson Utilities' compliance with water quality requirements.
- 12 d. The depth-to-static water level of all wells from which Johnson Utilities withdrew
13 water during the calendar year.
- 14 e. Any other information requested by the Director to determine whether Johnson
15 Utilities is continuing to meet all the requirements necessary to maintain this
16 designation of assured water supply.

17 **IT IS HEREBY ORDERED THAT JOHNSON UTILITIES BE DESIGNATED AS HAVING AN
18 ASSURED WATER SUPPLY:**

19 DATED this 12 day of August, 2003.

20 

21 Herb R. Guenther
22 Director
23
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28

ATTACHMENT 10

Request for Utility Services

October 16, 2006

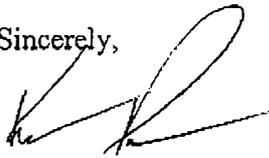
Johnson Utilities
5230 E. Shea Boulevard
Scottsdale, AZ 85254
Attn: Brian P. Tompsett

RE: Skyview Farms

Dear Brian,

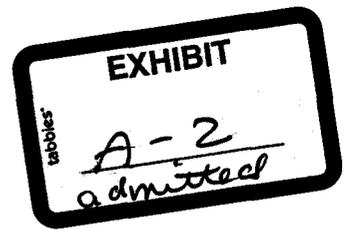
As you are aware, Skyview Farms consists of appx 1863+/- acres and is located on Arizona Farms Rd. appx two miles West of Highway 79. The ownership of Skyview Farms is very much interested in obtaining Water, Wastewater, and Reclaimed Water services from Johnson Utilities. We recognize that no binding obligations for services can be made until such time as the Skyview Farms' ownership enters into a Master Utility Agreement with Johnson Utilities. We look forward to the time when these documents are completed.

Sincerely,



Kent Pace
Skyview Farms
3850 E. Baseline Rd. Ste.114
Mesa, AZ 85206
480-892-7104 ext.104
fax 480-892-5923

MEMORANDUM



TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: November 21, 2006

RE: **JOHNSON UTILITIES, L.L.C. (DOCKET NO. WS-02987A-06-0663)**

The area requested by Johnson for an extension for water and wastewater has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

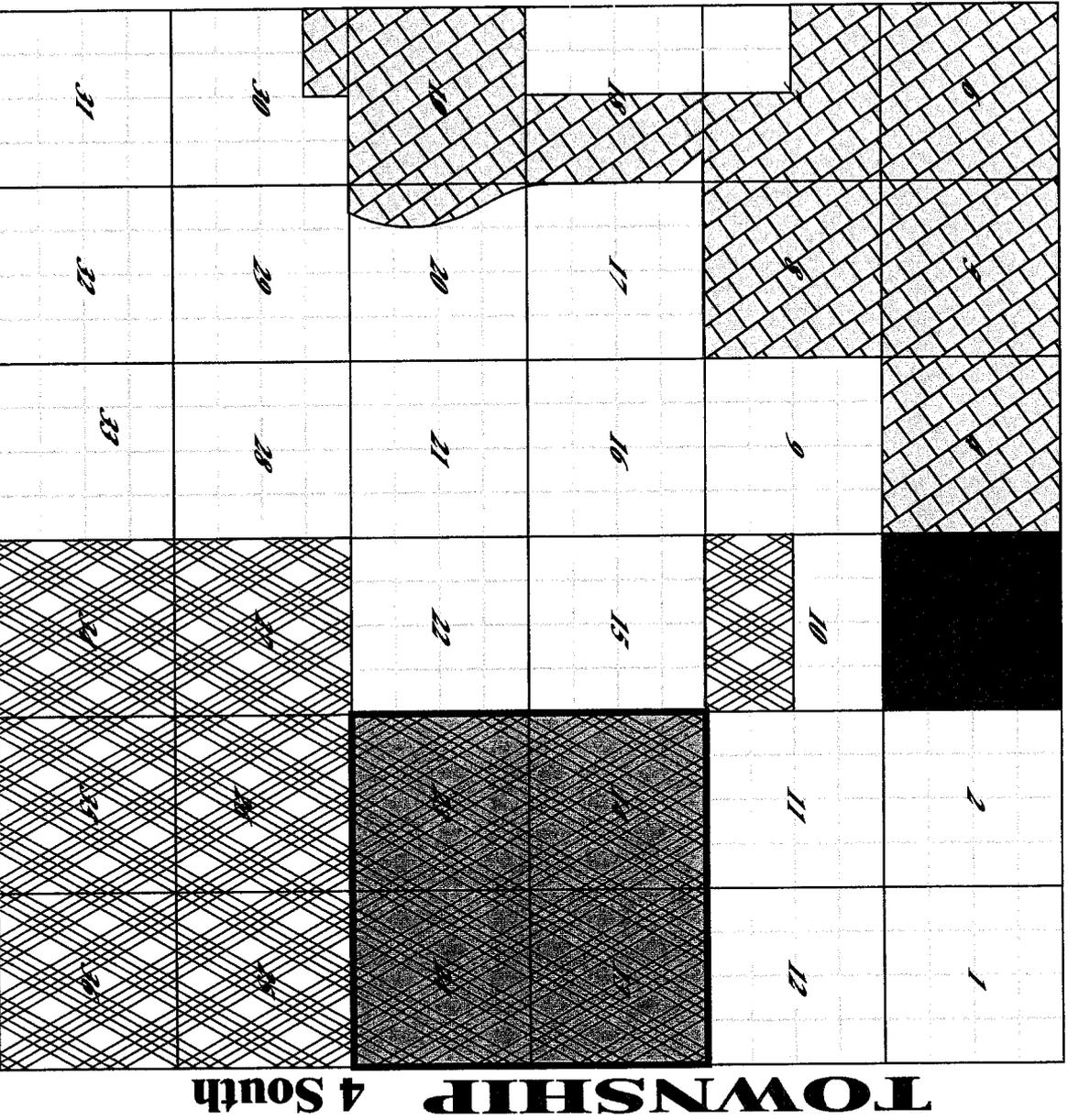
:bsw .

Attachments

cc: Mr. Richard Sallquist
Ms. Deb Person (Hand Carried)
File

COUNTY: Pinal

RANGE 9 East



TOWNSHIP 4 South



WS-2987 (6)



Johnson Utilities Company



C-0005 (4)



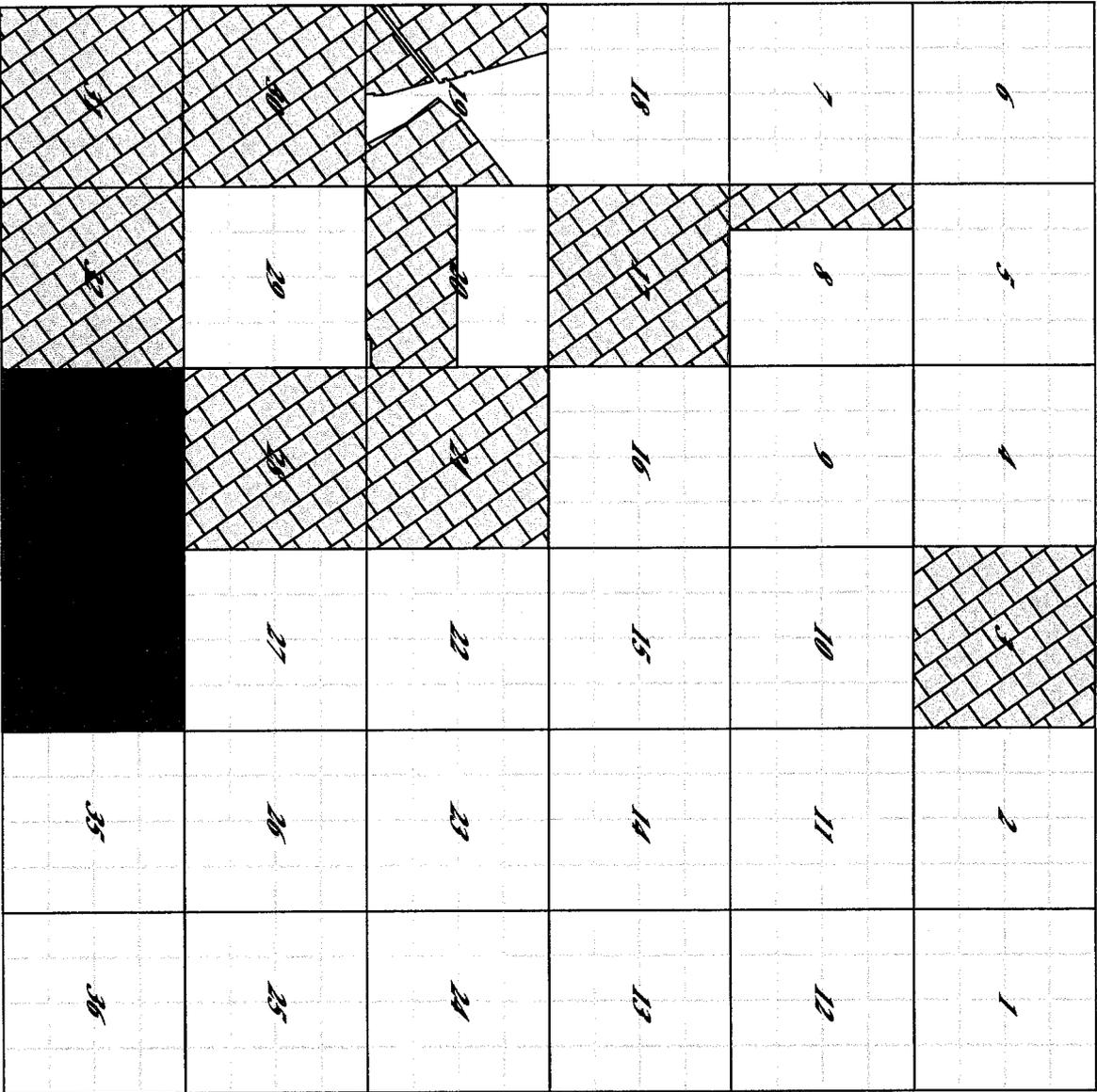
City of Florence (Nonjurisdictional)



Johnson Utilities Company
 Docket No. WS-02987A-06-0663
 Application for Extension for Water & Sewer

COCHISE COUNTY Pinal

RANGE 9 East



TOWNSHIP 3 South



WS-2987 (6)

Johnson Utilities Company



Sewer

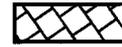


Johnson Utilities Company
 Docket No. WS-02987A-06-0663
 Application for Extension for Water & Sewer

COUNTY: *Pinal*

RANGE 9 East

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WS-2987 (6)



Johnson Utilities Company



Johnson Utilities Company

Docket No. WS-02987A-06-0663

Application for Extension for Water & Sewer

TOWNSHIP 3 South

TOWNSHIP 4 South

Legal Description

ALL OF SECTIONS 33 AND 34, TOWNSHIP 3 SOUTH, RANGE 9 EAST; AND ALL OF SECTION 3, TOWNSHIP 4 SOUTH, RANGE 9 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

Tempe Office
4500 S. Lakeshore Drive
Suite 3397
Tempe, Arizona 85282

F A X C O V E R S H E E T

DATE: December 1, 2006 TIME: 3:48 PM
TO: Brian Tompsett FAX: (480) 483-7908
CC:
FROM: Richard L. Sallquist PHONE: (602) 224-9222
FAX: (480) 345-0412
RE: ATTACHED

NUMBER OF PAGES INCLUDING COVER SHEET: 6

ACCOUNT NUMBER: 51030-00000

Message

Brian: Attached is Engineering Division's confirmation of the legal description in the Skyview Ranch CC&N Application. . Thanks. Dick

1 Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
2 4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
3 Phone: (480) 839-5202
Fax: (480) 345-0412
4 Attorneys for Applicant

RECEIVED

2007 JAN 12 P 3:03

AZ CORP COMMISSION
DOCUMENT CONTROL

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION OF)
JOHNSON UTILITIES COMPANY, LLC dba)
7 JOHNSON UTILITIES, FOR APPROVAL TO)
EXTEND ITS EXISTING CERTIFICATE OF)
8 CONVENIENCE AND NECESSITY.)

DOCKET NO. WS-02987A-06-0663

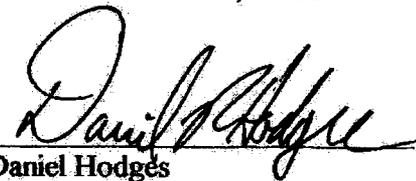
AFFIDAVIT

9 STATE OF ARIZONA)
10)ss
County of Maricopa)

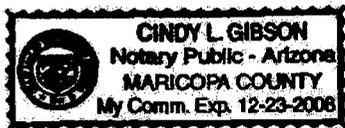
- 11 1. I am Daniel Hodges, Vice President of Johnson Utilities, L.L.C. My business address
- 12 is 5230 E. Shea Blvd, Suite 200, Scottsdale, Arizona 85252.
- 13 2. On December 29, 2006, I caused the attached Notice to be mailed to all owners of
- 14 property in the above requested extension area.
- 15 3. Further affiant sayeth naught

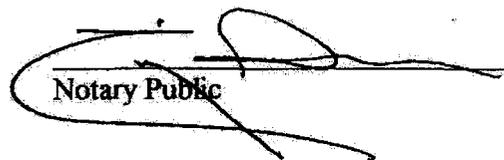
16 DATED this 12 day of January 2007.

17 JOHNSON UTILITIES, L.L.C.

18
19 By: 
20 Daniel Hodges

21 The foregoing instrument was acknowledged before me this 12th day of January 2007, by
22 Daniel Hodges.
23




Notary Public

1
2 My Commission Expires:

3 12.23.2008

4
5 Original and fifteen copies of the
6 foregoing filed this 12 day
7 of January, 2007 with:

8 Docket Control
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007

12 A copy of the foregoing filed
13 this 12th day of January, 2007 to:

14 Hearing Division
15 Arizona Corporation Commission
16 1200 W. Washington
17 Phoenix, Arizona 85007

18 Utilities Division
19 Arizona Corporation Commission
20 1200 West Washington
21 Phoenix, Arizona 85007

22 Legal Division
23 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**PUBLIC NOTICE OF THE HEARING FOR THE APPLICATION OF
JOHNSON UTILITIES, L.L.C., FOR AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY**

Docket No. WS-2987A-06-0663

On October 16, 2006, Johnson Utilities, L.L.C., ("Johnson" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("Certificate"). If the application is granted, the Applicant would be the exclusive provider of sewer service to the proposed extension area and would be required by the Commission to provide service under rates and charges and terms and conditions established by the Commission. The application, report of the Commission's Utilities Division Staff and any written exceptions to the staff report prepared by the Applicant is available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007, and at offices of the Company, 5230 E. Shea Blvd., Suite 200, Scottsdale, Arizona 85254 and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

The Commission will hold a public hearing on this matter on **January 29, 2007 at 10:00 a.m.** at the Commission's offices, at 1200 West Washington Street, Phoenix, Arizona. Public comment will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the Company, a shareholder of the Company, a competitor, etc.)
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before January 8, 2007. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. Failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. You will not, however, receive any further notice of the proceeding unless requested by you. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:

The Arizona Corporation Commission
Attention Docket Control
re: Johnson Utilities, L.L.C.
WS-02987A-06-0663
1200 West Washington Street
Phoenix, Arizona 85007

If you have any questions about this application, you may contact the Company at 480-998-3300. If you wish to file written comments on the application or want further information on intervention you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at lhogan@azcc.gov, voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

SALLQUIST, DRUMMOND & O'CONNOR, P.C.
ATTORNEYS AT LAW
TEMPE OFFICE
4500 S. LAKESHORE DRIVE
SUITE 339
TEMPE, ARIZONA 85282

RICHARD L. SALLQUIST

PHONE (480) 839-5202
FACSIMILE (480) 345-0412
E-MAIL dick@sd-law.com

January 16, 2007

HAND DELIVERY

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

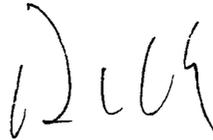
Re: Johnson Utilities Company Docket No. WS-02987A-06-0663; Affidavit of Publication

Dear Sirs:

The Procedural Order in the subject Docket requires publication of the hearing and mailing of notice to property owners. The Affidavit of Mailing was docketed on January 12, 2007 under separate cover. Enclosed herewith are 15 copies of the Affidavit of Publication.

If we can be of further assistance in your processing these documents, please do not hesitate to call.

Sincerely,



Richard L. Sallquist
For the Firm

Enclosure

cc: Docket Control (15 copies)
Hearing Division
Legal Division
Utilities Division
Brian Tompsett

AZ CORP COMMISSION
DOCUMENT CONTROL

2007 JAN 16 P 1:19

RECEIVED

Affidavit of Publication

STATE OF ARIZONA
COUNTY OF PINAL

} ss.

**PUBLIC NOTICE OF THE HEARING
FOR THE APPLICATION OF
JOHNSON UTILITIES, L.L.C.,
FOR AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE
AND NECESSITY**

Docket No. WS-2987A-06-0663
On October 16, 2006, Johnson Utilities, L.L.C. ("Johnson" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("Certificate"). If the application is granted, the Applicant would be the exclusive provider of sewer service to the proposed extension area and would be required by the Commission to provide service under rates and charges and terms and conditions established by the Commission. The application, report of the Commission's Utilities Division Staff, and any written exceptions to the staff report prepared by the Applicant is available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona 85007, and at offices of the Company, 5230 E. Shea Blvd., Suite 200, Scottsdale, Arizona 85254, and on the internet via the Commission website (www.azcc.com) using the e-docket function.

The Commission will hold a public hearing on this matter on January 29, 2007 at 10:00 a.m. at the Commission's offices, at 1200 West Washington Street, Phoenix, Arizona. Public comment will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene in the proceedings and participate as a party. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

- 1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
- 2. A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the Company, a shareholder of the Company, a competitor, etc.)
- 3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before January 8, 2007. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. Failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf. You will not, however, receive any further notice of the proceeding unless protected by you. Please check with the Commission for any changes to the scheduled hearing date.

No. of publications: 1; date of publication: Dec. 28, 2006.

DONOVAN M. KRAMER SR. first being duly sworn deposes and says: That he is a native born citizen of the United States of America, over 21 years of age, that he is publisher of the Florence Reminder and Blade-Tribune, a weekly newspaper published at Florence, Pinal County, Arizona, on Thursday of each week; that a notice, a full, true and complete printed copy of which is hereunto attached, was printed in the regular edition of said newspaper, and not in a supplement thereto, for ONE consecutive issues the first publication thereof having been on the 28TH

day of DECEMBER A.D., 2006
Second publication _____
Third publication _____
Fourth publication _____
Fifth publication _____
Sixth publication _____

FLORENCE REMINDER AND BLADE-TRIBUNE

By Donovan M. Kramer Sr. Publisher
DONOVAN M. KRAMER SR., Publisher

Sworn to before me this 4th day of January, 2007
Armelia M. Sanchez

Notary Public in and for the County of Pinal, State of Arizona
Notary Public State of Arizona
Pinal County
Armelia M. Sanchez
My Commission Expires 09/30/2009



Town of Florence
 775 N. Main St.
 P.O. Box 2670
 Florence, AZ 85232

December 4, 2006

(520) 868-7500
 fax (520) 868-7501
 TDD (520) 868-7502
 www.town.florence.az.us

Brian P. Tompsett
 Johnson International, Inc.
 5230 E. Shea Boulevard, Suite 200
 Scottsdale, AZ 85254

TOWN SERVICES

Building Inspection
 868-7556

Finance
 868-7624

Fire
 868-7609

Grants
 868-7554

Library
 868-0788

Municipal Court
 868-7514

Personnel
 868-7553

Parks & Recreation
 868-4835

Planning & Zoning
 868-7540

Police
 868-7681

Public Works
 868-7620

Senior Center
 868-7622

Town Hall
 868-7500

Town Manager's Office
 868-7558

Utility Billing
 868-7680

RE: WATER AND SEWER SERVICE TO SKYVIEW FARMS

Dear Mr. Tompsett:

The Town of Florence supports Johnson Utilities to provide water and wastewater services to the Skyview Farms project as referenced in the attached legal description.

Even though the site is within the town limits of Florence, Florence supports Johnson Utilities's service of sewer and water to the project under our cooperative agreements for utility service. Please feel free to contract with Skyview Farms for the utility services.

Please feel free to contact me with questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Himanshu Patel". The signature is written over the printed name and title.

Himanshu Patel
 Town Manager

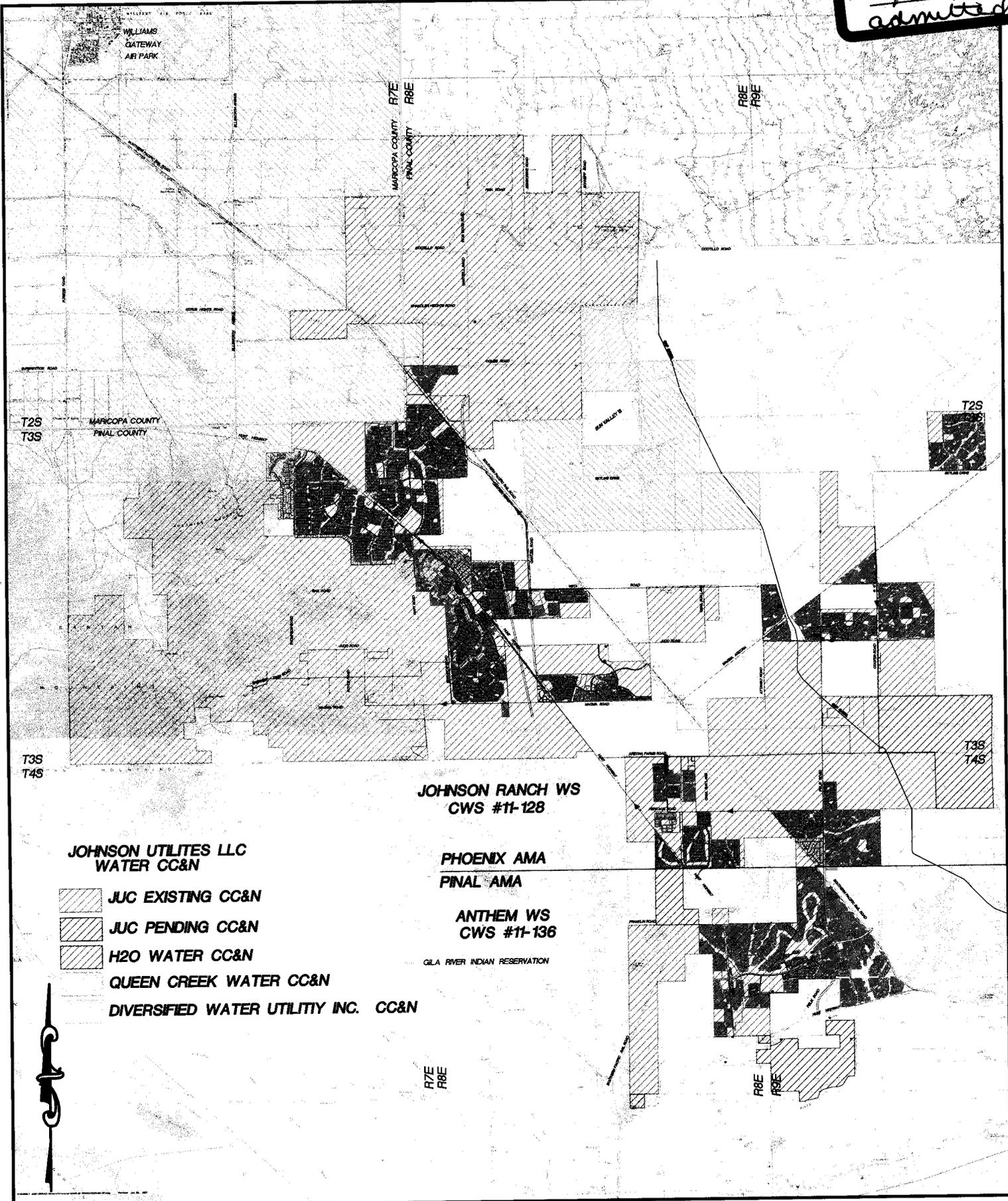
cc: James Mannato, Town Attorney
 Wayne Costa, Public Works Director
 Kent Pace, Lasueur Investments

LEGAL DESCRIPTION

SKYVIEW FARMS

ALL OF SECTIONS 33 AND 34, TOWNSHIP 3 SOUTH, RANGE 9 EAST; AND ALL OF SECTION 3, TOWNSHIP 4 SOUTH, RANGE 9 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

EXHIBIT
tabbles
A-5
admitted



FILE COPY

MEMORANDUM

RECEIVED LEGAL

TO: Docket Control Center

FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

2006 DEC 29 P 1:21

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: December 29, 2006

RE: JOHNSON UTILITIES COMPANY - APPLICATION FOR AN EXTENSION
OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY DOCKET NO.
WS-02987A-06-0663

Attached is the Staff Report for Johnson Utilities Company. Staff recommends approval with conditions.

EGJ:LAJ:red

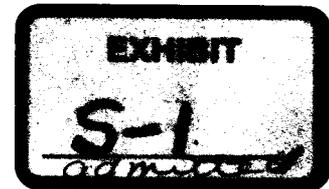
Originator: Linda A. Jaress

Attachment: Original and Thirteen Copies

RECEIVED

DEC 29 2006

LEGAL DIV.
ARIZ. CORPORATION COMMISSION



Service List for: Johnson Utilities Company
Docket No. WS-02987-04-0869

Mr. Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282

Mr. Brian Tompsett
Executive Vice President
Johnson Utilities Company
5230 East Shea Blvd.
Scottsdale, Arizona 85254

Mr. Christopher C. Kempsey
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JOHNSON UTILITIES COMPANY

DOCKET NO. WS-02987-06-0663

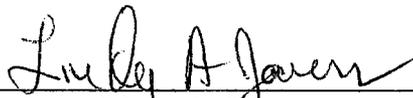
APPLICATION FOR AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY

DECEMBER 29, 2006

STAFF ACKNOWLEDGEMENT

The Staff Report for Johnson Utilities Company, Docket No. WS-02987-06-0663 was prepared by the Staff members listed below. Linda Jaress performed the review and analysis of the Company's application and Marlin Scott, Jr. performed the engineering analysis.

Contributing Staff:



Linda A. Jaress
Executive Consultant III



Marlin Scott, Jr.
Utilities Engineer

**EXECUTIVE SUMMARY
JOHNSON UTILITIES COMPANY
DOCKET NO. WS-02987A-06-0663**

Johnson Utilities Company ("Johnson Utilities" or "the Company") provides water and wastewater service in various portions of Pinal County. On October 16, 2006, Johnson Utilities filed an application for approval to extend the area of its Certificate of Convenience and Necessity ("CC&N"). The requested area is comprised of three sections of land which are contiguous to the Company's current water and wastewater certificated area. A development known as Skyview Farms is planned in the extension area. Approximately 1,200 water and wastewater customers are expected in the extension area by the end of five years.

For a small portion of the extension area, there is no request for service. If it were not included in the extension area, this area would constitute a very small island surrounded on four sides by Johnson Utilities. No party has come forward expressing a desire to serve the area, no landowners have expressed a desire to be deleted from the extension area and there are no other water or sewer providers within several miles.

Johnson Utilities has experience providing water and wastewater service and is in compliance with the rules and regulations of the various relevant government agencies. Staff concludes that the existing water and wastewater systems will have adequate source production, storage capacity and wastewater treatment capacity to serve the existing customers and proposed CC&N extension area within a conventional five year planning period and the Company can reasonably be expected to develop additional production, storage and wastewater treatment capacity as required in the future. The cost estimates and plans to serve the extension area are reasonable. Therefore, Staff believes that the Company is fit and proper to further extend its service territory and recommends approval of the extension.

Staff recommends the following:

1. The Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, copies of the Approval to Construct ("ATC") for the water facilities and the General Permit for the wastewater facilities needed to serve the requested area.
2. The Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of the Aquifer Protection Permit ("APP") amendment that indicates approval of the expansion of the Section 11 WWTP to 4.0 MGD.
3. The Company update or amend its "Designation of Assured Water Supply" to include the service areas in this CC&N extension application. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a

copy of such an amended Arizona Department of Water Resources ("ADWR") certificate.

4. The Company charge its approved rates and charges to customers in the extension area until further order of the Commission.

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Introduction

Johnson Utilities Company ("Johnson Utilities" or "the Company") provides water and wastewater service in various portions of Pinal County. On October 16, 2006, Johnson Utilities filed an application for approval to extend the area of its Certificate of Convenience and Necessity ("CC&N"). The requested area is comprised of three sections of land which are contiguous to the Company's current water and wastewater certificated area.

The Utilities Division Compliance Section showed no outstanding compliance issues for the Company. The Company filed the Amended Franchise with Pinal County including the extension area with its application.

A development known as Skyview Farms is planned in the extension area. Approximately 1,200 water and wastewater customers are expected in the extension area by the end of five years. Exhibit 1 is a map and legal description of the area requested.

Requests for Service

Johnson Utilities received requests for service from both Skyview Farms and the City of Florence to serve the vast majority of the area proposed. However, for a small portion of the extension area approximately one quarter of a Section, there is no request for service. If it were not included in the extension area, this area would constitute a very small island surrounded on four sides by Johnson Utilities. The Company is requesting inclusion of the area as a matter of efficiency; to avoid the time and expense of requesting approval of a CC&N extension on a piecemeal basis for very few potential customers. Staff agrees that it may be inefficient to leave that area out of the proposed extension. No party has come forward expressing a desire to serve the area, no landowners have expressed a desire to be deleted from the extension area and there are no other water or sewer providers within several miles.

The Water System

The Company recently interconnected its three water systems into what was previously known as the Johnson System. The Company's plant includes 14 wells producing 7,245 gallons per minute, 2.75 million gallons of storage capacity, and a distribution system serving approximately 15,850 service connections.

Attached as Exhibit 2 is Staff's Engineering Report which describes the Johnson Utilities' water system and capacity in further detail. The Report concludes that the existing water system will have adequate source production and storage capacity to serve the existing customers and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional production and storage capacity as required in the future. The Report also determines that the cost estimate for the water facilities for the proposed development of \$17.9 million is reasonable.

Compliance - Water

The Arizona Department of Environmental Quality ("ADEQ") determined that the Johnson water system had no deficiencies and determined this water system was delivering water that met water quality standards required by Arizona Administrative Code, Title 18, on March 21, 2006. The Company indicated its arsenic levels for its well source range from 2 parts per billion ("ppb") to 8 ppb. Based on these levels, the Company is in compliance with the new arsenic standard.

The ADEQ Certificate of Approval to Construct ("ATC") for water facilities for the requested area has not been submitted by the Company. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of the ATC for the water facilities needed to serve the requested area.

The Company is located within the Phoenix Active Management Area ("AMA") and is in compliance with the Arizona Department of Water Resources ("ADWR") reporting and conservation requirements. Because the extension area is within the Phoenix AMA, ADWR requires each developer to demonstrate an assured water supply for the entire development. Presently, the Company holds a "Designation of Assured Water Supply" for its existing service area. Staff recommends that the Company shall update or amend its "Designation of Assured Water Supply" to include the service areas in this CC&N extension application. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of such an amended ADWR certificate.

The Wastewater System

Staff's Engineering Report also describes the Company's wastewater plant. The Company operates three wastewater systems; Section 11, Precision and Pecan Systems. The requested area will be served by the Section 11 System consisting of a 2.0 million gallon per day ("MGD") extended aeration and aerobic lagoon treatment plant currently serving approximately 9,200 service laterals. This system has the capacity to serve 11,500 laterals which is larger than needed to serve the extension area along with current customers.

Compliance - Wastewater

ADEQ has indicated the Section 11 wastewater system was in compliance with ADEQ regulations on March 28, 2006. The ADEQ General Permit for wastewater facilities for the requested area has not been submitted by the Company. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of the General Permit for the wastewater facilities needed to serve the requested area.

The Company was issued an Aquifer Protection Permit ("APP") and Section 208 Plan Amendment for its 2.0 MGD Section 11 wastewater treatment plant and the Company will be filing an amendment in 2007 to increase the capacity to 4.0 MGD. According to the Company, its approved 208 Plan amendment for the plant is for 17.0 MGD at build out. Since an APP and the Section 208 Plan amendments designate a wastewater service area and a wastewater provider, Staff recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of the APP amendment that indicates approval of the expansion of the Section 11 WWTP to 4.0 MGD. Staff finds the cost to provide service to the wastewater extension area of \$18,964,300 to be reasonable.

Financing

The Company expects to finance the additional utility facilities needed to serve the extension area primarily with advances in aid of construction and hook-up fees.

Conclusions and Recommendations

Johnson Utilities has experience providing water and wastewater service and is in compliance with the rules and regulations of the relevant government agencies. Staff concludes that the existing water and wastewater systems will have adequate source production, storage capacity and wastewater treatment capacity to serve the existing customers and proposed CC&N extension area within a conventional five year planning period and the Company can reasonably be expected to develop additional production, storage and wastewater treatment capacity as required in the future. The cost estimates and plans to serve the extension area are reasonable. Therefore, Staff believes that the Company is fit and proper to further extend its service territory and recommends approval of the extension.

Staff recommends the following:

1. The Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, copies of the ATC for the water facilities and the General Permit for the wastewater facilities needed to serve the requested area.
2. The Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of the APP amendment that indicates approval of the expansion of the Section 11 WWTP to 4.0 MGD.
3. The Company update or amend its "Designation of Assured Water Supply" to include the service areas in this CC&N extension application. Staff further recommends that the Company file with Docket Control, as a compliance item in

this docket within two years of the effective date of an order in this proceeding, a copy of such an amended ADWR certificate.

4. The Company charge its approved rates and charges to customers in the extension area until further order of the Commission.

MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: November 21, 2006

RE: **JOHNSON UTILITIES, L.L.C. (DOCKET NO. WS-02987A-06-0663)**

The area requested by Johnson for an extension for water and wastewater has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

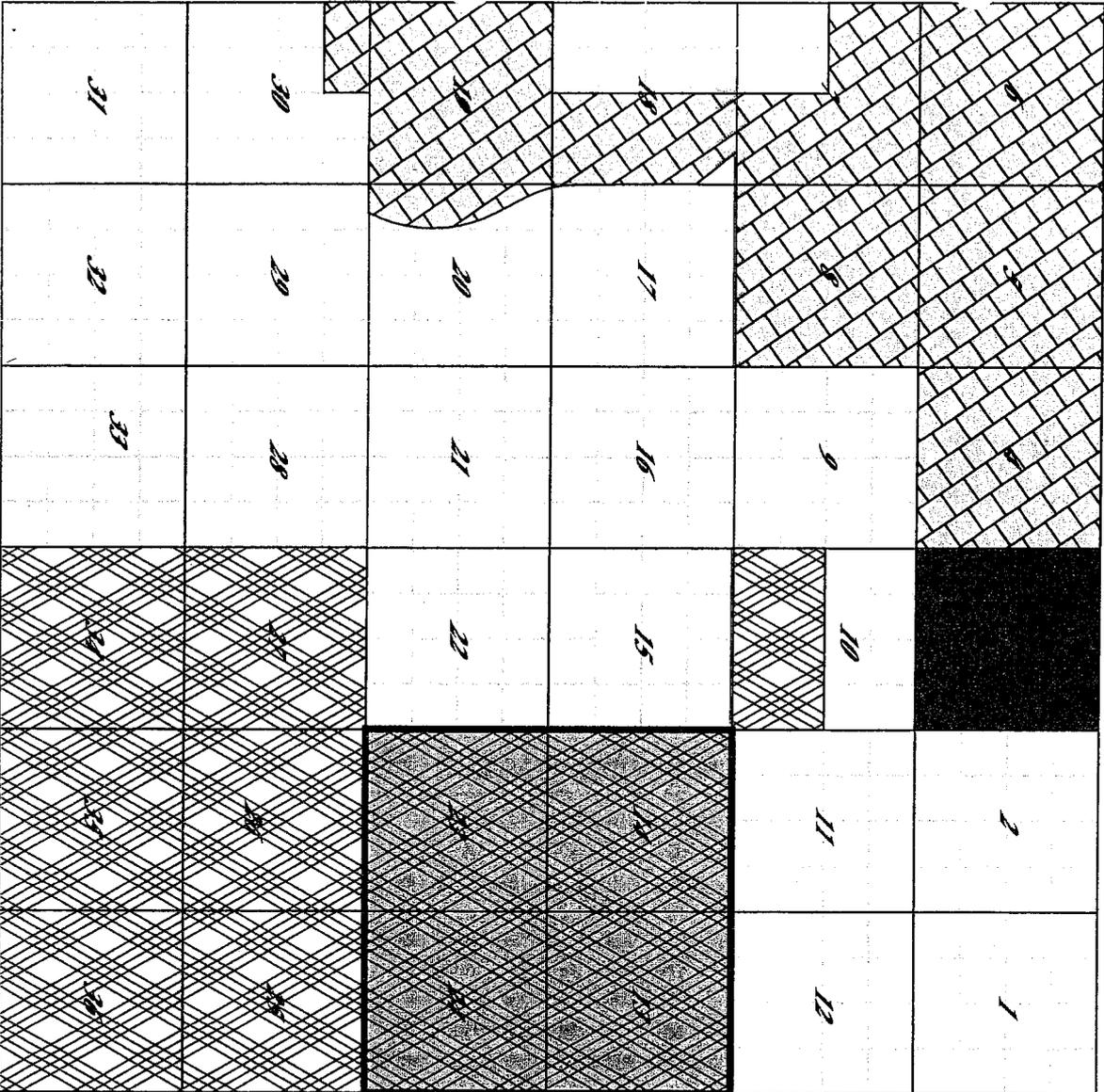
:bsw

Attachments

cc: Mr. Richard Sallquist
Ms. Deb Person (Hand Carried)
File

COUNTY OF Pinal

RANGE 9 East



TOWNSHIP 4 South



WS-2987 (6)



Sewer

Johnson Utilities Company



C-0005 (4)



Sewer

City of Florence (Nonjurisdictional)



Johnson Utilities Company

Docket No. WS-02987A-06-0663

Application for Extension for Water & Sewer

COUNTY of Pinal

RANGE 9 East

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
28	29	30	27	26	25
31	32	33	34	35	36
4	5	6	7	8	9
10	11	12	13	14	15
16	17	18	19	20	21
22	23	24	25	26	27
28	29	30	31	32	33
34	35	36	37	38	39

TOWNSHIP 3 South

TOWNSHIP 4 South



WS-2987 (6)



Sewer

Johnson Utilities Company



Johnson Utilities Company

Docket No. WS-02987A-06-0663

Application for Extension for Water & Sewer

Legal Description

ALL OF SECTIONS 33 AND 34, TOWNSHIP 3 SOUTH, RANGE 9 EAST; AND ALL OF SECTION 3, TOWNSHIP 4 SOUTH, RANGE 9 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

MEMORANDUM

DATE: December 19, 2006

TO: Linda Jaress
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Johnson Utilities Company – Water and Wastewater Divisions
Docket No. WS-02987A-06-0663 (CC&N Extensions)

Introduction

Johnson Utilities L.L.C. dba Johnson Utilities Company (“Company”) has applied to extend its Certificate of Convenience and Necessity (“CC&N”) for its water and wastewater divisions. The requested area will add three square-mile or 1,920 acres to the Company’s existing 63.0 square-miles of water certificated area and 76.0 square-miles of wastewater certificated area to provide service to the proposed developments known as Skyview Farms. The Company serves the communities between Queen Creek and Florence in Pinal County.

Capacities

Existing Water Utility Plants

The Company interconnected its three water systems; Johnson (Public Water System (PWS) #11-128), Sun Valley and Wildhorse Systems. According to water use data submitted by the Company, the modified Johnson System has 14 wells producing 7,245 gallons per minute (“GPM”), 2.75 million gallons of storage capacity, and distribution system serving approximately 15,850 service connections as of September 2006.

Based on historical growth rates, it is anticipated that the existing water service area could grow to approximately 29,000 connections at the end of five years. The Company has predicted an additional 1,200 connections for the proposed CC&N extension at the end of five years, resulting in a projected total customer base of approximately 30,200 at the end of five years. Based on the existing well production and storage capacities, the Johnson System can serve approximately 25,000 service connections.

Existing Wastewater Utility Plants

The Company operates three wastewater systems; Section 11, Precision and Pecan Systems. The requested area will be served by the Section 11 System consisting of a 2.0 million gallon per day ("MGD") extended aeration and aerobic lagoon treatment plant currently serving approximately 9,200 service laterals.

Using the historical annual growth rate for the Company-wide service area of 1.5%, it is anticipated that the existing Section 11 System wastewater service area could grow to approximately 9,900 laterals at the end of five years. In this application, the Company has predicted an additional 1,200 laterals for the proposed CC&N extension at the end of five years, resulting in a projected total customer base of approximately 11,100 laterals at the end of five years. Based on the existing Section 11 treatment plant capacity, the system can serve approximately 11,500 service laterals.

Proposed Water and Wastewater Plant Facilities

The Company anticipates the costs to serve the new area to reach \$36,877,350. The facilities for this area will be constructed as needed. The development will be funded through advances in aid of construction and hook-up fees to construct the following facilities:

Water:

1. Off-site plant facilities	\$ 7,371,640
2. On-site plant facilities	\$10,541,410

Subtotal:	\$17,913,050 (Revised from \$16,962,716)

Wastewater:

3. 2.0 MGD WWTP	\$10,000,000
4. Off-site plant facilities	\$ 1,524,460
5. On-site plant facilities	\$ 7,439,840

Subtotal:	\$18,964,300
	=====
Total:	\$36,877,350

The Aquifer Protection Permit for the Section 11 WWTP is permitted for a capacity of 2.0 MGD and the Company will be filing an amendment in 2007 to increase the capacity to 4.0 MGD. According to the Company, its approved 208 Plan amendment for the plant is for 17.0 MGD at build out.

Conclusions

Staff concludes that the Company's existing water and wastewater systems will have adequate well production, storage and wastewater treatment capacities to serve the existing customers and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional production, storage and wastewater treatment as required in the future.

Staff concludes that the proposed water and wastewater plant facilities for the proposed development and its cost estimate totaling \$36,877,350 appear reasonable. However, no "used and useful" determination of the proposed water and wastewater plant facilities was made and no particular treatment should be inferred for rate making or rate base purposes.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

Based on compliance information submitted by the Company, the Johnson water system, PWS #11-128, had no deficiencies and ADEQ has determined this water system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

ADEQ has indicated the Section 11 wastewater system, Inventory #103081, is in compliance with ADEQ regulations.

Certificate of Approval to Construct/General Permit

The ADEQ Certificate of Approval to Construct ("ATC") for water facilities and the General Permit for wastewater facilities needed to serve the requested area has not been submitted by the Company. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, copies of the ATC for the water facilities and the General Permit for the wastewater facilities needed to serve the requested area.

Arsenic

The Company indicated its arsenic levels for its well source range from 2 parts per billion ("ppb") to 8 ppb. Based on these levels, the Company is in compliance with the new arsenic standard.

Aquifer Protection Permit ("APP") and Section 208 Plan Amendment

The Company was issued a signed APP, dated April 10, 2006, for its 2.0 MGD Section 11 wastewater treatment plant and the Company will be filing an amendment in 2007 to

increase the capacity to 4.0 MGD. According to the Company, its approved 208 Plan amendment for the plant is for 17.0 MGD at build out. Since an APP and the Section 208 Plan amendments represent fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of the APP amendment that indicates approval of the expansion of the Section 11 WWTP to 4.0 MGD.

Arizona Department of Water Resources (“ADWR”) Compliance

Compliance Status

The Company is located within the Phoenix Active Management Area (“AMA”) and is in compliance with ADWR’s reporting and conservation requirements.

Designation of Assured Water Supply

The extension area is within the Phoenix AMA. As such, each developer will be required to demonstrate an assured water supply from ADWR for the entire development. Presently, the Company holds a “Designation of Assured Water Supply” for its existing service area. It is assumed that the Company will continue to elect this alternative. Therefore, Staff recommends that the Company shall update or amend its “Designation of Assured Water Supply” to include the service areas in this CC&N extension application. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of such an amended ADWR certificate.

Arizona Corporation Commission Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for the Company.

Curtailment Tariff

The Company has an approved curtailment tariff that became effective on July 9, 2005.

Backflow Prevention Tariff

The Company has an approved backflow prevention tariff that became effective on June 30, 1997.

Summary

Conclusions

- A. Staff concludes that the existing water and wastewater systems will have adequate source production, storage capacity and wastewater treatment capacity to serve the existing customers and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional production, storage and wastewater treatment capacity as required in the future.
- B. Staff concludes that the proposed water and wastewater plant facilities for the proposed development and its cost estimate totaling \$36,877,350 appear reasonable. However, no "used and useful" determination of the proposed water and wastewater plant facilities was made and no particular treatment should be inferred for rate making or rate base purposes.
- C. ADEQ regulates the Johnson water system under PWS #11-128. Based on compliance information submitted by the Company, this system had no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.
- D. ADEQ regulates the Company's wastewater system under Inventory #103081 and have indicated the facility is in compliance with ADEQ regulations.
- E. The Company indicated its arsenic levels for its well source range from 2 to 8 ppb. Based on these levels, the Company is in compliance with the new arsenic standard.
- F. The Company is within the Phoenix AMA and is in compliance with their reporting and conservation requirements.
- G. A check with the Utilities Division Compliance Section showed no outstanding compliance issues for the Company.
- H. The Company has an approved curtailment tariff that became effective on July 9, 2005.
- I. The Company has an approved backflow prevention tariff that became effective on June 30, 1997.

Recommendations

- 1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this

proceeding, copies of the ATC for the water facilities and the General Permit for the wastewater facilities needed to serve the requested area.

2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of the APP amendment that indicates approval of the expansion of the Section 11 WWTP to 4.0 MGD.
3. Staff recommends that the Company shall update or amend its "Designation of Assured Water Supply" to include the service areas in this CC&N extension application. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket within two years of the effective date of an order in this proceeding, a copy of such an amended ADWR certificate.