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March 5, 2007

Arizona Corporation Commission
CORP COMMISSION
DOCUMENT CONTROL

DOCKETED

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HAND DELIVERED

J. Scott Rhodes, Esq.
Jennings, Strouss & Salmon PLC
201 East Washington St., 11th Floor
Phoenix, AZ 85004-2385

DOCKETED BY
LK

Re: The Application of West End Water Company for an Extension of its Certificate of Convenience and Necessity (CC&N), Docket No. W-0 1157A-05-0706 (Walden Ranch)

Dear Mr. Rhodes:

Shortly after learning of West End Company's desire to extend its certificate of convenience and necessity ("CC&N") in the above applications, West End agreed to attend a May 11, 2006 settlement meeting proposed by the City of Surprise. During this meeting, the City offered a compromise solution which West End rejected. Now, ninth months later, The City of Surprise requests that West End reconsider that offer, an offer that the City continues to believe is in the best interest of the parties and their ratepayers.

West End is seeking to serve, through extension of its CC&N, two developments within the Surprise General Planning Area. These developments, Walden Ranch and Sunhaven Ranch, are partially located within West End's CC&N and fully located within Surprise's General Planning Area. On February 8, 2007 the Surprise City Council approved the ordinance annexing Sunhaven Ranch into the City of Surprise. The final reading of the ordinance was approved by the City Council on February 22, 2007. The annexation will be effective (and requires no further action by Council) on March 21, 2007, thirty days after the final reading. The City and Woodside Homes, the Walden Ranch developer, continue to discuss annexation of Walden Ranch development and agreements regarding which services will be provided to that development by the City in that section of the General Planning Area.

West End's existing CC&N authorizes West End to serve approximately two thirds (2/3) of the Walden Ranch development and one seventh (1/7) of the Sunhaven Ranch development. The Surprise Water Services Department plans to serve all property not currently served by an existing water franchise, which includes one third (1/3) of the Walden Ranch development and six sevenths (6/7) of the Sunhaven Ranch development.¹ (See Map, attached hereto.) Neither

¹ On February 8, 2006 the Surprise City Council approved the Sunhaven Ranch Pre-Annexation Development Agreement. In this Agreement, signed by both the City and the owners of Sunhaven Ranch, it is agreed that "the City will provide water service to the portion of [Sunhaven Ranch] that is not currently within the West End Water Companies [sic] existing legal CC&N area. Further, the City of Surprise agrees "to work in good faith with the

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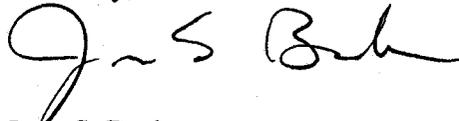
the City nor West End currently provide water service to either development and both developments are in the planning stages. The City will be the waste water services provider for both developments.

The City renews its offer to withdraw its opposition to West End's application to extend its existing CC&N to include the entire Walden Ranch development provided West End: (i) withdraws its application to extend its existing CC&N to serve the Sunhaven Ranch development and (ii) takes all necessary steps to cancel the one half (1/2) section of its existing CC&N that falls within the Sun Haven development. This one half section is undeveloped, unihabited, and does not contain facilities owned by West End. Should West End agree to this offer, West End would provide water service to the entire Walden Ranch development and the City would provide service to the entire Sunhaven Ranch development. This solution would save both West End and the City of Surprise costs associated with further litigation and delay.

By renewing this settlement offer, the City is acting in a manner that is consistent with its General Plan. The General Plan directs that City to provide all future water service to developments within the Surprise General Planning Area that are not currently covered by an existing water franchise. The General Plan also provides for existing water franchises to continue to operate within the General Planning Area. Given the unique geographic circumstances of the Walden Ranch and Sunhaven Ranch developments, the City's offer is an appropriate balance of these two General Plan policies.

The City looks forward to receiving, at West End's earliest convenience, a response to its renewed offer. Should West End have any questions, please feel free to call.

Sincerely,



Joan S. Burke

JSB:DDJ/jjm

Enclosure

cc: Hearing Officer Mark Stern (w/enclosure)
David Ronald, Staff Counsel (w/enclosure)
Charles Hains, Staff Counsel (w/enclosure)
Blessing Chukwu (w/enclosure)

Original and 15 copies filed with Docket
Control this 2nd Day of March, 2007.

Owner [of Sunhaven Ranch] to facilitate the City providing water service to the [portion of Sunhaven Ranch that is currently within the West End Water Company's existing legal CC&N area]." (Agreement at page 8.)

City Of Surprise Water Infrastructure Progress

Legend

WATER INFRASTRUCTURE PROGRESS

-  EXISTING SYSTEM
-  UNDER DESIGN OR CONSTRUCTION
-  IN NEGOTIATION
-  CITY BOUNDARY
-  SURPRISE GENERAL PLANNING AREA

