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Transcript Exhibit(s)

AZ CORP COMMISSION
DOCKET CONTROL

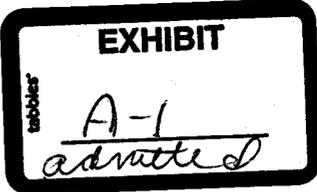
Docket#(s): W-02169A-07-0098

Exhibit #: A1-A7, S1

Arizona Corporation Commission
DOCKETED

DEC 18 2007

DOCKETED BY 



1 Richard L. Sallquist (002677)
Sallquist, Drummond & O'Connor, P.C.
2 4500 S. Lakeshore Drive
Suite 339
3 Tempe, Arizona 85282
(480) 839-5202

4 Attorneys for Keaton Development Company

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02169A-07-_____
7 KEATON DEVELOPMENT COMPANY FOR)
AN EXTENSION OF ITS CERTIFICATE OF) **APPLICATION FOR EXTENSION**
8 CONVENIENCE AND NECESSITY FOR THE) **OF CERTIFICATE OF**
PROVISION OF WATER SERVICE IN) **CONVENIENCE AND**
9 PORTIONS OF LA PAZ COUNTY, ARIZONA,) **NECESSITY FOR WATER SERVICE**
)
10)

11 This Application is substantially in the form prescribed by the Commission.

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

Keaton Development Company
P.O. Box 905
Salome, Arizona 85348
(520) 859-3982

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

William Scott, President
P.O. Box 905
Salome, Arizona 85348
(520) 859-3982

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

Joseph V. Fiano
Water Treatment Operators
and Environmental Consultants
14615 N. Fountain Hills Boulevard
Fountain Hills, Arizona 85268
(480) 837-6438

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

2 **Sallquist, Drummond & O'Connor, P.C.**
3 **Richard L. Sallquist**
4 **4500 S. Lakeshore Drive**
5 **Suite 339**
6 **Tempe, Arizona 85282**
7 **(480) 839-5202**

8 E. Attach the following exhibits that apply to you:

9 1. Certificate of Good Standing (if corporation)

10 **Please see attached Exhibit A.**

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

13 **N/A**

14 F. Attach a legal description of the area requested by either **CADASTRAL** (quarter section
15 description) or **METES AND BOUNDS** survey. References to parcels and docket
16 will not be accepted.

17 **Please see attached Exhibit B.**

18 G. Attach a detailed map using the form provided as attachment B. Shade and outline the area
19 requested. Also indicate present Certificated area using different colors of shading and
20 outline.

21 **Please see attached Exhibit C.**

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

23 **Please see attached Exhibit D.**

I. Please 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:

Please see attached Exhibit E.

1 **Residential:**

2 First Year __ Second Year __ Third Year

3 Fourth Year __ Fifth Year

4 **Commercial:**

5 First Year -0- Second Year -0- Third Year -0-

6 Fourth Year -0- Fifth Year -0-

7 **Industrial:**

8 First Year -0- Second Year -0- Third Year -0-

9 Fourth Year -0- Fifth Year -0-

10 **Irrigation:**

11 First Year -0- Second Year -0- Third Year -0-

12 Fourth Year -0- Fifth Year -0-

13 **Other: (specify)**

14 First Year -0- Second Year -0- Third Year -0-

15 Fourth Year -0- Fifth Year -0-

16
17 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:

Please see attached Exhibit E.

18 **Residential Per Customer:**

19 First Year Second Year

20 Third Year Fourth Year Fifth Year

21 **Commercial:**

22 First Year N/A Second Year _____

23 Third Year _____ Fourth Year _____ Fifth Year _____

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Industrial:

First Year N/A Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

Irrigation:

First Year N/A Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

Other: (specify)

First Year N/A Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

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

Please see attached Exhibit E.

First Year \$ _____ Second Year \$ _____ Third Year \$ _____
Fourth Year \$ _____ Fifth Year \$ _____

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

Please see attached Exhibit E.

First Year \$ _____ Second Year \$ _____ Third Year \$ _____
Fourth Year \$ _____ Fifth Year \$ _____

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

\$150,600

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

On-site facilities will be financed by the Developer using line extension agreements that will be submitted to the Commission.

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L. Estimated starting and completion date of construction of utility facilities:
Starting date: **Upon ACC Approval** Completion date: **60 Days thereafter**

M. Attach the following permits:

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

To be late filed as Exhibit F.

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

Please see attached Exhibit G.

3. Arizona State Land Department approval. **N/A**

4. U.S. Forest Service approval. **N/A**

5. **(WATER ONLY)** If the area requested is within an Active Management Area, attach a copy of either 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.

Please see attached application marked as Exhibit H.

If 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. **N/A**

If 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. **N/A**

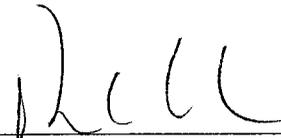
N. Attached hereto as **Exhibit I** is an Engineering Data Sheet showing the customer count and consumption data for the latest 13 month period.

O. Attached hereto as **Exhibit J** is a form of Notice to property owners in the area. The signed affidavit of mailing or publication will be late filed as an exhibit.

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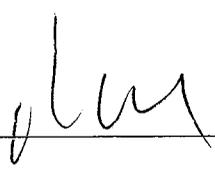
DATED this 12th day of February, 2007.

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

By 
Richard L. Sallquist
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
Attorney for Keaton Development Company

Original and ten copies of the
foregoing filed this 12th day
of February, 2007, with:

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



LIST OF EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
A.	CERTIFICATE OF GOOD STANDING
B.	LEGAL DESCRIPTION
C.	MAP OF EXISTING AND REQUESTED AREA
D.	2005 FINANCIAL STATEMENTS
E.	CUSTOMER COUNT AND REVENUE/EXPENSE COMPUTATIONS
F.	COUNTY FRANCHISE (Late Filed)
G.	ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY APPROVALS
H.	APPLICATION FOR CERTIFICATE OF ADEQUATE WATER SUPPLY
I.	ENGINEERING DATA SHEET
J.	AFFIDAVIT OF PUBLICATION

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 Director of the Arizona Corporation Commission, do hereby certify that

*****KEATON DEVELOPMENT COMPANY*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on April 26, 1971.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution 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 February, 2007, A. D.



Executive Director

By

EXHIBIT A

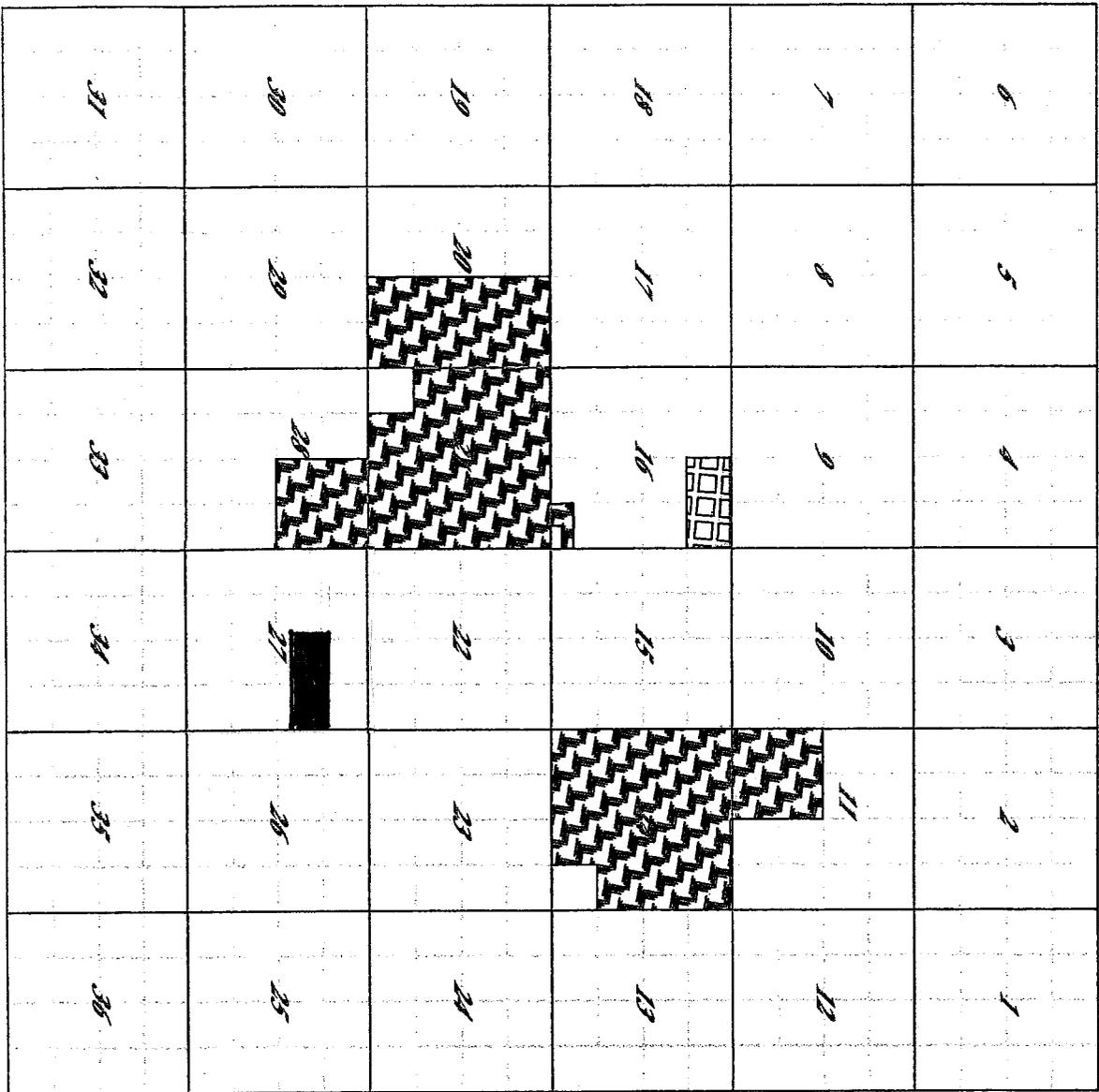
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LEGAL DESCRIPTION

The South 613.77 feet of the North 913.77 feet of the
Northeast Quarter of Section 27, Township 5 North, Range
13 West of the G&SRB&M, La Paz, Arizona

COUNTY La Paz

RANGE 13 West

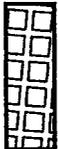


TOWNSHIP 5 North



W-2169 (1)

Keaton Development Company



W-1084 (1)

Salome Water Company



Keaton Development Company
Requested Extension Area

EXHIBIT C

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-02169A

K

KEATON DEVELOPMENT COMPANY

Po Box 905

SALOME AZ 85348

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DEC 05 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

ANNUAL REPORT

FOR YEAR ENDING

12	31	2005
----	----	------

Entered
12-5-06
RF

FOR COMMISSION USE

ANN04	05
-------	----

EXHIBIT D

COMPANY INFORMATION

Company Name (Business Name) Keaton Development Company, Inc.

MailingAddress PO Box 905
(Street)_

Salome AZ 85358
(City) (State) (Zip)

928-859-3982 928-859-3984
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address Keatonwater@msn.com

Local Office Mailing Address same as above
(Street)

(City) (State) (Zip)

Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: William S. Scott President
(Name) (Title)

PO Box 905 Salome, AZ 85348
(Street) (City) (State) (Zip)

928-859-3982 928-859-3984
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address Keatonwater@msn.com

On Site Manager: William S. Scott
(Name)

Same as above
(Street) (City) (State) (Zip)

Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address _____

X Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Frontier Accounting Service, Lanna Mesenbrink

(Name)

125 E. Apache St.

Wickenburg

AZ

85390

(Street)

(City)

(State)

(Zip)

928-684-2247

928-684-0066

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: Richard L. Sallquist

(Name)

2525 E Arizona Biltmore Circle Suite 117

Phoenix, AZ 85016

(Street)

(City)

(State)

(Zip)

602-224-9222

602-224-9366

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input checked="" type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

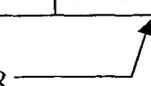
Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|--|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input checked="" type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME Keaton Development Company, Inc.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	1250	1250	0
302	Power Generating Equipment	25693	0	
303	Land and Land Rights	8200	0	0
304	Structures and Improvements	20610	1682	
307	Wells and Springs	72495	30418	
311	Pumping Equipment	84539	61449	
320	Water Treatment Equipment	0	0	
330	Distribution Reservoirs and Standpipes	45102	24057	
331	Transmission and Distribution Mains	307357	117237	
333	Services	57154	17874	
334	Meters and Meter Installations	8026	4786	
335	Hydrants	26856	4032	
336	Backflow Prevention Devices	0	0	
339	Other Plant and Misc. Equipment	0	0	
340	Office Furniture and Equipment	2779	2258	
341	Transportation Equipment	3000	0	
343	Tools, Shop and Garage Equipment	2096	1304	
344	Laboratory Equipment	0	0	
345	Power Operated Equipment	0	0	
346	Communication Equipment	0	0	
347	Miscellaneous Equipment	655	0	
348	Other Tangible Plant	0	0	
	TOTALS	665812	266346	399466

This amount goes on the Balance Sheet Acct. No. 108 

COMPANY NAME Keaton Development Company, Inc.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	1250		
302	Power Generating Equipment	25693		
303	Land and Land Rights	8200		
304	Structures and Improvements	20610		
307	Wells and Springs	72495		
311	Pumping Equipment	84539		
320	Water Treatment Equipment	0		
330	Distribution Reservoirs and Standpipes	45102		
331	Transmission and Distribution Mains	307357		
333	Services	57152		
334	Meters and Meter Installations	8026		
335	Hydrants	26856		
336	Backflow Prevention Devices	0		
339	Other Plant and Misc. Equipment	0		
340	Office Furniture and Equipment	2779		
341	Transportation Equipment	3000		
343	Tools, Shop and Garage Equipment	2096		
344	Laboratory Equipment	0		
345	Power Operated Equipment	0		
346	Communication Equipment	0		
347	Miscellaneous Equipment	655		
348	Other Tangible Plant	0		
	TOTALS	665812		

This amount goes on the Comparative Statement of Income and Expense _____
 Acct. No. 403.

COMPANY NAME Keaton Development Company, Inc.

BALANCE SHEET

Acct .No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$-2608	\$3683
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	11736	5340
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	4354	4322
	TOTAL CURRENT AND ACCRUED ASSETS	\$13487	\$13550
	FIXED ASSETS		
101	Utility Plant in Service	\$649613	\$665812
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	341998	370368
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$351887	\$399456
	TOTAL ASSETS	\$365374	\$412816

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME Keaton Development Company, Inc.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$13931	\$15549
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	73	0
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	5759	5491
	TOTAL CURRENT LIABILITIES	\$19763	\$21028
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$147433	\$132473
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	40419	43514
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$40419	43514\$
	TOTAL LIABILITIES	\$362832	\$109987
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$50000	\$50000
211	Paid in Capital in Excess of Par Value	48100	59975
215	Retained Earnings	32022	192854
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$130122	\$302829
	TOTAL LIABILITIES AND CAPITAL	\$492954	\$412816

COMPANY NAME Keaton Development Company, Inc.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$144580	\$152994
460	Unmetered Water Revenue		
474	Other Water Revenues	2803	20192
	TOTAL REVENUES	\$147383	\$173186
	OPERATING EXPENSES		
601	Salaries and Wages	\$47366	\$34794
610	Purchased Water	0	0
615	Purchased Power	8791	15432
618	Chemicals	746	1415
620	Repairs and Maintenance	16728	16463
621	Office Supplies and Expense	12565	12677
630	Outside Services	9304	9880
635	Water Testing	3651	5780
641	Rents	3900	3725
650	Transportation Expenses	5267	2973
657	Insurance – General Liability	8091	7993
659	Insurance - Health and Life	3069	0
666	Regulatory Commission Expense – Rate Case	215	117
675	Miscellaneous Expense	1474	3609
403	Depreciation Expense	0	
408	Taxes Other Than Income	4163	3042
408.11	Property Taxes	-8527	11285
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$101803	\$140389
	OPERATING INCOME/(LOSS)	\$45580	\$32797
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		0
426	Miscellaneous Non-Utility Expenses		5876
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$	\$5876
	NET INCOME/(LOSS)	\$	\$26921

COMPANY NAME Keaton Development Company, Inc.

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	12/23/99			
Source of Loan	WIFA			
ACC Decision No.				
Reason for Loan	Business			
Dollar Amount Issued	\$48121	\$	\$	\$
Amount Outstanding	\$38881	\$	\$	\$
Date of Maturity				
Interest Rate	8 %	%	%	%
Current Year Interest	\$2395	\$	\$	\$
Current Year Principle	\$1884	\$	\$	\$

Meter Deposit Balance at Test Year End \$ _____

Meter Deposits Refunded During the Test Year \$ _____

COMPANY NAME Keaton Development Company, Inc.

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
B-5-1328 A	60	500		16"	N/A	
B-5-1221 dde	60	600		16"	N/A	

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10 hp	4		
5 hp	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
20000	1	5000	1
14000	2		

COMPANY NAME Keaton Development Company, Inc.

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	880
3	PVC	3280
4	PVC	4455
5		
6	PVC	21615
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	400
3/4	
1	
1 1/2	1
2	
Comp. 3	
Turbo 3	1
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

chlorination
system _____

STRUCTURES:

booster _____

pumphouse _____

OTHER:

COMPANY NAME: Keaton Development Company, Inc.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	406	1269760	1939400
FEBRUARY	401	1268564	1465100
MARCH	406	1574627	2034000
APRIL	412	1629537	2805500
MAY	416	1830874	1695200
JUNE	409	1564866	2466800
JULY	405	2245011	2553500
AUGUST	407	2447585	2258500
SEPTEMBER	404	1028243	2173780
OCTOBER	406	1935300	2667100
NOVEMBER	411	2436956	1983300
DECEMBER	417	1759705	1779200
	TOTAL	20996028	25821380

Is the Water Utility located in an ADWR Active Management Area (AMA)?

Yes No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

Yes No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. .0050 mg/l
(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Keaton Development Company, Inc. YEAR ENDING 12/31/2005

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2005 was:

10862.91

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

VERIFICATION AND SWORN STATEMENT

Taxes

RECEIVED
DEC 05 2006

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	<u>LaPaz</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>William S. Scott, President</u>
COMPANY NAME	<u>Keaton Development Company, Inc.</u>

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



[Signature]
SIGNATURE OF OWNER OR OFFICIAL

928-859-3982

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

12

DAY OF

COUNTY NAME	<u>MARICOPA</u>	
MONTH	<u>DECEMBER</u>	<u>2006</u>

(SEAL)

[Signature]
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

12/29/06

COMPANY NAME Keaton Development Company YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported 0
Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported 0
Estimated or Actual State Tax Liability _____

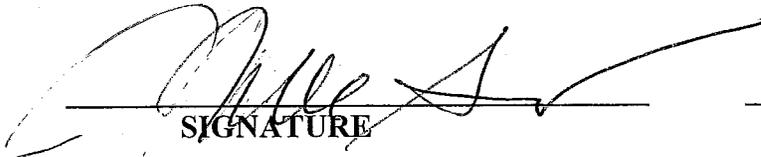
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

12/1/06

DATE

William S. Scott

PRINTED NAME

President

TITLE

VERIFICATION AND SWORN STATEMENT
Intrastate Revenues Only

RECEIVED

DEC 05 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	LaPaz
NAME (OWNER OR OFFICIAL) TITLE	William S. Scott, President
COMPANY NAME	Keaton Development Company

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ <u>173186</u>

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 659 IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

William S. Scott
 SIGNATURE OF OWNER OR OFFICIAL
 928-859-3982
 TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 1st DAY OF

COUNTY NAME	Maricopa	
MONTH	December	2006

(SEAL)

MY COMMISSION EXPIRES 12/29/2006

Lucy Heriman
 SIGNATURE OF NOTARY PUBLIC



**VERIFICATION AND SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

DEC 05 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) LaPaz	
NAME (OWNER OR OFFICIAL) William S. Scott	TITLE President
COMPANY NAME Keaton Development Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>152994.</u>

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 659. IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

[Signature]
SIGNATURE OF OWNER OR OFFICIAL
928-859-3982

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

12

DAY OF

NOTARY PUBLIC NAME	LUCY HERMAN
COUNTY NAME	MARICOPA
MONTH	December
	2006

(SEAL)

MY COMMISSION EXPIRES 12/29/06



X *[Signature]*
SIGNATURE OF NOTARY PUBLIC

KEATON DEVELOPMENT COMPANY
 CC&N Application Revenue and Expense Computation

Revenue Computation

	2007	2008	2009	2010	2011
Absorption					
Year-end Additional Customers	20	20	20	20	27
Average Customers during Year	10	30	50	70	94

Rates

WATER	
Meter Size	5/8 X 3/4
Average Monthly Consumption	4,289
Monthly Minimum	\$ 16.00
Gallons included in Minimum	0
Commodity Charges:	
'0 to 8,000 Gallons	\$ 3.00
'8,001 & Over	\$ 4.25
Average Monthly Bill	\$ 34.23

Annual Water Revenues

\$ 4,107	\$ 12,322	\$ 20,537	\$ 28,752	\$ 38,404
----------	-----------	-----------	-----------	-----------

Expense Computation

Ratio of Expenses to Revenue

Water 91.76%

Annual Water Expenses	\$ 3,769	\$ 11,307	\$ 18,845	\$ 26,383	\$ 35,240
-----------------------	----------	-----------	-----------	-----------	-----------

EXHIBIT E



**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CERTIFICATE OF APPROVAL TO CONSTRUCT
 WATER FACILITIES**

ADEQ File No: 20061102	LTF No: 42398
System Name: Keaton Dev. Co.	System Number: 15-029
Project Owner: Dan Cox	
Address: P.O. Box 208, Salome, AZ 85348	
Project Location: Salome	County : La Paz
Description: INSTALL WATER DISTRIBUTION LINE TO SERVE SUNSHINE ACRES (107 LOT SUBDIVISION). PROJECT CONSISTS OF APPROXIMATELY 11,820 LF OF 6" PVC WATER LINE.	

Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 4 continued on page 1 through 1

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Central Regional Office located in Phoenix. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin.Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.

Reviewed by: AQ1

By:  12/05/06
 Date

Kwame A. Agyare, P.E.
 Manager, Drinking Water and
 Wastewater Engineering Review
 Water Quality Division

cc: File No : 20061102
 Regional Office: Central
 Owner: Dan Cox
 County Health Department: La Paz
 Engineer: The Harcuvar Co.
 Planning and Zoning/Az Corp. Commission
 Engineering Review Database - Rtr021

EXHIBIT G

ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED AND ADEQUATE WATER SUPPLY
3550 NORTH CENTRAL AVENUE, 2ND FLOOR
PHOENIX, ARIZONA 85012
(602) 771-8585 Fax: (602) 771-8689

DATE RECEIVED:

APPLICATION NO:

APPLICATION FOR A WATER REPORT
PART A - GENERAL INFORMATION

1. Subdivision Information:

a. Name of Subdivision as it will appear on submittals to the platting entity and the Department of Real Estate:

SUNSHINE ACRES

b. Location of the subdivision: Township(s) 5N Range(s) 13W Section(s) 27
City: SALOME County: LA PAZ

c. Number of lots: 107

2. Subdivision method of water distribution: Central distribution system (water provider) or Dry lot (individual wells).
If there will be a central distribution system, identify the water provider and the water provider's system name, if it operates more than one, that will be serving the subdivision. The water provider must be the same entity that signs the Notice of Intent to Serve. If there will be more than one water provider for the subdivision, please identify both water providers.
Primary Water Provider: KEATON DEVELOPMENT CO System Name: 15-029
Secondary Water Provider (if applicable): NA System Name: NA

3. Contact person for questions regarding this application:
Name: JAMES P. DOWNING, P.E.
Company: THE HARCINAR CO. E-Mail: jim@harcinarco.com
Address: P.O. Box 70, Salome, AZ 85348 Phone: 3647 Fax: 3145
928-859

4. Owner(s) of the property on which the subdivision will be built (attach additional sheets, if necessary):
Owner: DAN & MARY LOU COY Phone: 4423 Fax: 3144
Address: P.O. Box 208, Salome, AZ 85348 E-mail: 928-859

NOTE: Please attach proof of ownership in the form of a title report, condition of title report, limited search title report, or recorded deed, dated within 90 days of the date this application is submitted to the Department.

5. Please include a copy of the preliminary or final plat (reference as attachment): 1

6. Please check the appropriate box:
 I am seeking a determination of adequate water supply. I am seeking a determination of inadequate water supply.
NOTE: If an "Inadequate Determination Letter" has been issued for this subdivision or another phase of this subdivision, please provide a copy of the document (reference as an attachment).
NOTE: A "determination of water inadequacy" means that without further Department review the application fails all review criteria.

DO HEREBY certify that the information contained in **this application and all information accompanying it is true and correct to the best of my knowledge and belief.** **NOTE:** All owners must sign (attach additional sheets, if necessary). If the signator is someone other than the owner, please provide proof of legal authority to sign on the owner's behalf that is dated within 90 days of the date this application is submitted to the Department.

JAMES T. COY, AGENT
Name and Title of Owner/Owner's Authorized Agent (if signator is someone other than the owner)

[Signature]
Signature of Owner/Owner's Authorized Agent

12/28/06
Date

EXHIBIT H

PART D - PHYSICAL AVAILABILITY OF WATER

- Subdivision has 20 or less lots.** If this applies, independent proof of physical availability may not be required. (Contact the Department's Hydrology Division to find out what information, if any, is required.) Please skip to Part E.
1. If the development consists of more than 20 lots, a comprehensive hydrologic study must be submitted with this application, unless the Department has previously reviewed the hydrologic conditions for this area and has issued a valid Letter of Water Availability, Physical Availability Determination or Analysis of Assured Water Supply. Please indicate the evidence of physical availability and reference as an attachment: NA
- Water Availability Letter Physical Availability Determination
 New Hydrologic Study Other, please specify: _____
 Analysis of Adequate Water Supply
2. Requesting a depth-to-static water level requirement exemption, per R12-15-716(C). **NOTE:** See Part F for acceptable methods of proving financial capability to obtain groundwater at the lower depth.

PART E - WATER QUALITY

1. Are the well or wells from which water will be withdrawn for the subdivision within one mile of a Water Quality Assurance Revolving Fund (WQARF) or Superfund site? Yes No.
If "Yes", please submit a contaminant migration and mitigation analysis demonstrating that the water supply will continue to meet the water quality requirements in A.A.C. Title 18, Chapter 4, and reference as attachment: _____
2. Water provider(s) serving the subdivision will be regulated by the Arizona Department of Environmental Quality (ADEQ) or another governmental entity with equivalent jurisdiction. If this applies, independent proof of adequate water quality is not required, please skip to Part F. **NOTE:** If there is more than one water provider, and one or more of the providers are not regulated as indicated above, please answer question 4 for each of the unregulated providers.
3. If the subdivision will be a dry-lot subdivision, please provide current (within the last 60 days) analytical results on water samples taken from a well or wells constructed *within the subdivision*, or near where the wells will be drilled, demonstrating that the water meets water quality requirements in A.A.C. Title 18, Chapter 4, and reference as attachment: _____
4. If the subdivision will be served by a central provider that serves 15 customers or less, provide current (within the last 60 days) analytical results on water samples taken from a well or wells constructed *within the service area serving the subdivision*, demonstrating that the water meets water quality requirements in A.A.C. Title 18, Chapter 4, and reference as attachment: _____

NOTE: Information on the required water quality analyses may be found at the ADEQ website <http://www.adeq.gov>.

PART F - FINANCIAL CAPABILITY

- Subdivision is a dry-lot subdivision.** If this applies, proof of financial capability is not required, please skip to Part G.
- Please check one of the following and include attachments as necessary:
NOTE: If you are requesting a depth-to-static water level exemption, the financial capability to obtain water at the lower depth must be demonstrated using one of these methods.
- The final plat will be submitted to a **qualified** platting authority. The platting authority is: _____
 A letter from the water provider referencing the subdivision name and indicating that adequate delivery, storage, and treatment works have been constructed, and water service is available to each lot (reference as attachment): _____
 A performance bond has been posted with the platting authority for the entire cost of adequate delivery, storage, and treatment works (reference as attachment): _____

PART G - FEES

Please calculate fees by completing the appropriate items below, and include the total fees with your application. Payment may be made by cash, check, or credit card. Checks should be made payable to the Department of Water Resources. **Failure to enclose the required fees will cause the application to be returned. Fees for water reports are authorized by A.R.S. § 45-113.**

- | | | |
|--|------------|-------------------|
| 1. Basic Application fee (includes first 20 lots) | | \$ <u>900.00</u> |
| 2. Per-lot review fee (for lots in excess of the first 20): | | |
| Total lots in this application | <u>107</u> | |
| Less first 20 lots | <u>-20</u> | |
| Lots subject to additional review fees | <u>87</u> | x \$2.00 per lot |
| 3. TOTAL FEE DUE NOT TO EXCEED \$2,000 (add items #1 and #2): | | \$ <u>174.00</u> |
| | | \$ <u>1074.00</u> |

DID YOU REMEMBER?

- To completely fill-out the application form?
- To include two copies of preliminary plat?
- To include a signed Notice of Intent to Serve?
- To include a Hydrologic study, if required?
- To include all documents referenced in the application?
- To include correctly calculated fees?
- To have application signed by **each applicant** or an authorized agent **for each applicant** and include proof of the authorization?

ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED WATER SUPPLY
 3550 NORTH CENTRAL AVE. 2ND FLOOR
 PHOENIX, ARIZONA 85012
 (602) 771-8585
SUNSHINE ACRES ATTACHMENT 3
NOTICE OF INTENT TO SERVE

Subdivision/Development Name ("Subdivision"): SUNSHINE ACRES
 Subdivision Owner ("Owner"): DAN & MARY LOU COX
 Municipal Provider: KEATON DEVELOPMENT CO.
 If the Municipal Provider has several divisions, please specify service area in which the Subdivision is located
 ADEQ Public Water System Number: 15-029 Please indicate the number valid for this Subdivision

Municipal Provider Type:

City or Town;
 Irrigation District;
 Water Improvement District;
 Private Water Company Regulated by the Arizona Corporation Commission ("PWC");
 Is the Subdivision within the PWC's existing Certificate of Convenience and Necessity ("CC&N")? Yes No
 If "No", has an application for an extension of the CC&N been filed? Yes No
 If "Yes" date of submittal: _____

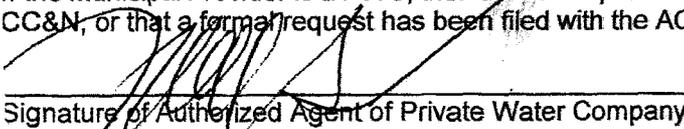
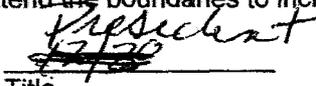
Please include a copy of the application for extension and reference as an attachment.
 If the Subdivision is not within the PWC's CC&N, a Certificate of Assured Water Supply will not be issued until the CC&N has been extended to include the Subdivision.

Homeowners' Association ("HOA")
 If HOA, please provide the documents that establish the HOA and evidence from the Arizona Corporation Commission ("ACC") that the HOA is "not for public service," and therefore not subject to regulation by the ACC.
 Other (Explain) _____

COMPLETE THIS SECTION IF SUBDIVISION IS LOCATED WITHIN AN ACTIVE MANAGEMENT AREA:
 ADWR Service Area Right Number: 56- Number can be found on ADWR Annual Reports
 Is the Subdivision located within the Municipal Provider's existing operating distribution system? Yes No
 If no, will the Municipal Provider be establishing a new service area right to serve the Subdivision? Yes No
 If yes, what type of right will be used to establish the service area right? _____
 If the Subdivision is not within the Municipal Provider's operating distribution system, the Municipal Provider must begin the process to establish a new or satellite service area right or enter into an agreement with the undersigned Owner to extend water lines to the subdivision before a Certificate of Assured Water Supply will be issued. Please contact your local AMA office for

The undersigned Owner and Municipal Provider certify that: (1) They have entered into an agreement whereby the Municipal Provider agrees to provide the Subdivision an amount of water sufficient to satisfy the water demands of the Subdivision; (2) The aforementioned agreement is binding upon the present and future agents, servants, representatives, successors in interest and assigns of the Municipal Provider and the Owner; and (3) the Subdivision is within 660' of the Municipal Provider's operating distribution system or that the undersigned Owner and Municipal Provider have (a) entered into an agreement to extend water lines to the subdivision, or (b) a new service area right will be established to serve the Subdivision (if subdivision is located within an active management area). This Notice of Intent to Serve is conditioned upon the Municipal Provider's receipt of necessary approvals from the relevant regulatory agencies and the Municipal Provider's receipt of all necessary payments.

If the Municipal Provider is a PWC, then the Municipal Provider further certifies that the Subdivision is within the boundaries of its CC&N, or that a formal request has been filed with the ACC to extend the boundaries to include the Subdivision.

		<u>12/28/06</u>
Signature of Authorized Agent of Private Water Company	Title	Date
	<u>AGENT</u>	<u>12/28/06</u>
Signature of Owner	Title	Date

NOTE: If there are multiple owners, you may use the attached signature page.

ARIZONA CORPORATION COMMISSION

Utilities Division

1200 WEST WASHINGTON PHOENIX ARIZONA 85007
 PHONES: 602 542-4261 1-800-222-7000

**EXTENSION AGREEMENT
 DATA SHEET**

EXTENSION AGREEMENT WITH:
Sunshine Acres

COMPANY NAME: **Keaton Development Company**
 DIVISION:
 W.A. No.:
 ACC No.: **W-02169**

NUMBER OF PROPOSED CUSTOMERS:

PROJECTED PEAK USAGE (DOMESTIC GPM):

NUMBER OF CUSTOMERS BY MONTH FOR THE LAST 12 MONTHS	YEAR	
	2005	2006
JANUARY	406	
FEBRUARY	401	
MARCH	406	
APRIL	412	
MAY	416	
JUNE	409	
JULY	405	
AUGUST	407	
SEPTEMBER	404	
OCTOBER	406	
NOVEMBER	411	
DECEMBER	417	

TOTAL GALLONS SOLD PER MONTH FOR LAST 12 MONTHS*	YEAR	
	2005	2006
JANUARY	12,697	
FEBRUARY	12,685	
MARCH	15,746	
APRIL	16,295	
MAY	18,308	
JUNE	15,648	
JULY	22,450	
AUGUST	24,475	
SEPTEMBER	10,282	
OCTOBER	19,353	
NOVEMBER	24,369	
DECEMBER	17,597	
Total		209,905

WELL PUMP CAPACITY (GPM) **					
GPM	WELL # 1	GPM	WELL # 2	GPM	WELL #
B-5-1328a		500	B-5-1221dde	600	

*** STORAGE CAPACITY (GALLONS):

BOOSTER PUMP CAPACITY (GPM)							
GPM	BOOSTER	1	GPM	BOOSTER	2	GPM	BOOSTER
10 HP			5 HP				
GPM	BOOSTER		GPM	BOOSTER		GPM	BOOSTER

Will additional well capacity be needed as a result of this agreement? Yes No

Will new booster stations be necessary to serve the proposed addition? Yes No

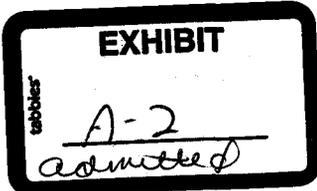
* Reported in 10³ gallons
 ** ADEQ designation
 *** Include ground storage

1 PUBLIC NOTICE OF HEARING ON APPLICATION FOR AN
2 EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
3 BY KEATON DEVELOPMENT COMPANY

4 Keaton Development Company ("Company"), has filed with the Arizona Corporation
5 Commission ("Commission") an application for a Certificate of Convenience and Necessity
6 ("CC&N") to provide water service. Our records indicate that you are either currently a customer of
7 the Company or a property owner in the proposed extension area. If the application is granted the
8 Company would be the exclusive provider of water service to the proposed area. The Company
9 will be required by the Commission to provide these services under the rates and charges and terms
10 and conditions established by the Commission. The granting of the application would not
11 necessarily prohibit an individual from providing service to themselves from individually-owned
12 facilities on their property. The application is available for inspection during regular business hours
13 at the offices of the Commission in Phoenix at 1200 W. Washington Street, and at the Company's
14 offices in Salome, Arizona.

15 The Commission will hold a hearing on this matter. As a property owner you may have the
16 right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing
17 and make a statement on your own behalf. You may contact the Commission at the address and
18 telephone number listed below for the date and time of the hearing and for more information on
19 intervention. You may not receive any further notice of the proceeding unless requested by you.

20 If you have any questions or concerns about this application or have any objections to its
21 approval, or wish to make a statement in support of it, you may write the Consumer Services
22 Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-
23 800-222-7000 or appear at the hearing and make comment.



1 Richard L. Sallquist (002677)
Sallquist, Drummond & O'Connor, P.C.
2 4500 S. Lakeshore Drive
Suite 339
3 Tempe, Arizona 85282
(480) 839-5202

4 Attorneys for Keaton Development Company

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02169A-07-0098
7 KEATON DEVELOPMENT COMPANY FOR)
AN EXTENSION OF ITS CERTIFICATE OF) **AMENDED APPLICATION**
8 CONVENIENCE AND NECESSITY FOR THE)
PROVISION OF WATER SERVICE IN)
9 PORTIONS OF LA PAZ COUNTY, ARIZONA,)
10)

11 1. On February 13, 2007, Keaton Development Company, by and through undersigned
12 counsel, filed an Application to extend its existing Certificate of Convenience and Necessity.

13 2. The Developer of the original extension area has received additional subdivision
14 approvals on an adjacent parcel known as Lots 45 to 73 of Salome Heights Subdivision (herein
after referred to as "Salome Heights"), and has now requested the Company to serve that area as
well. Please see Attachment 1 hereto.

15 3. Attached hereto as Revised Exhibit B is Legal Description including both Sunshine
16 Acres and Salome Heights. A Plat Map is attached to the Utilities Division copy of this
Amended Application.

17 4. Attached hereto as Revised Exhibit C is a map showing both Parcels.

18 5. Attached hereto as Revised Exhibit E is a revised spreadsheet showing the effect of both
19 Parcels.

20 6. The additional cost to serve Salome Heights is attached hereto as a revised response to
Paragraph J of the February 13, 2007 Application.

21 7. The Arizona Department of Environmental Quality Approval to Construct for Salome
22 Heights will be filed upon receipt as a Late filed Exhibit or compliance item.

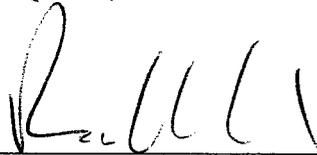
23 8. The Arizona Department of Water Resources determination of Adequacy for Salome
Heights will be filed upon receipt as a late filed Exhibit or compliance item.

1 9. All other portions of the Application remain unchanged.

2 WHEREFORE, the Company respectfully requests that this Salome Heights Subdivision be
3 processed for inclusion in the Company's CC&N with the Sunshine Acres Subdivision.

4 DATED this 30 day of April, 2007.

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

6
7 By 
8 Richard L. Sallquist
9 4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
Attorney for Keaton Development Company

10 Original and fifteen copies of the
11 foregoing filed this 30 day
of April, 2007, with:

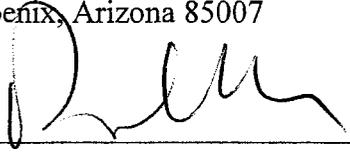
12 Docket Control
13 Arizona Corporation Commission
14 1200 West Washington
Phoenix, Arizona 85007

15 A copy of the foregoing filed/mailed
this 30 day of April, 2007, to:

16 Hearing Division
17 Arizona Corporation Commission
18 1200 W. Washington
Phoenix, Arizona 85007

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

1 Legal Division
2 Arizona Corporation Commission
3 1200 West Washington
4 Phoenix, Arizona 85007



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LIST OF EXHIBITS

ATTACHMENT,
EXHIBIT,
OR PARAGRAPH

DESCRIPTION

ATTACHMENT 1.	REQUEST FOR SERVICE
REVISED EXHIBIT B.	REVISED LEGAL DESCRIPTION
REVISED EXHIBIT C.	REVISED MAP OF EXISTING AND REQUESTED AREA
REVISED EXHIBIT E.	REVISED CUSTOMER COUNT AND REVENUE/EXPENSE COMPUTATIONS
PARAGRAPH J. FACILITIES	ENGINEER'S COST ESTIMATE OF SALOME HEIGHT

[Developer's Letterhead]

March _____, 2007

Mary Lou Cox
P. O. Box 208
Salome, AZ 85348

RE: Request for Utility Service

Dear Mrs. Cox;

We own the property described in the attached exhibit, in La Paz County, Arizona. This area will be developed into approximately 29 residential lots as soon as all required approvals are obtained.

To obtain water service to the area, we hereby request that you proceed with applying to the Arizona Corporation Commission for a Certificate of Convenience and Necessity, to La Paz County for a Utility Franchise, and to any other appropriated agency for all other requisite authority necessary to provide the subject service, and thereafter commence water service to the Development.

We understand that we will be required to enter into the Company's standard line extension agreements pursuant to which we will pay for all on-site facilities. We further understand that the water service will be provided pursuant to the orders, rules, regulations, tariffs, terms and conditions authorized by the Arizona Corporation Commission which apply to the Company.

If we can provide further assistance to the Company in obtaining this required authority, please do not hesitate to call my office.

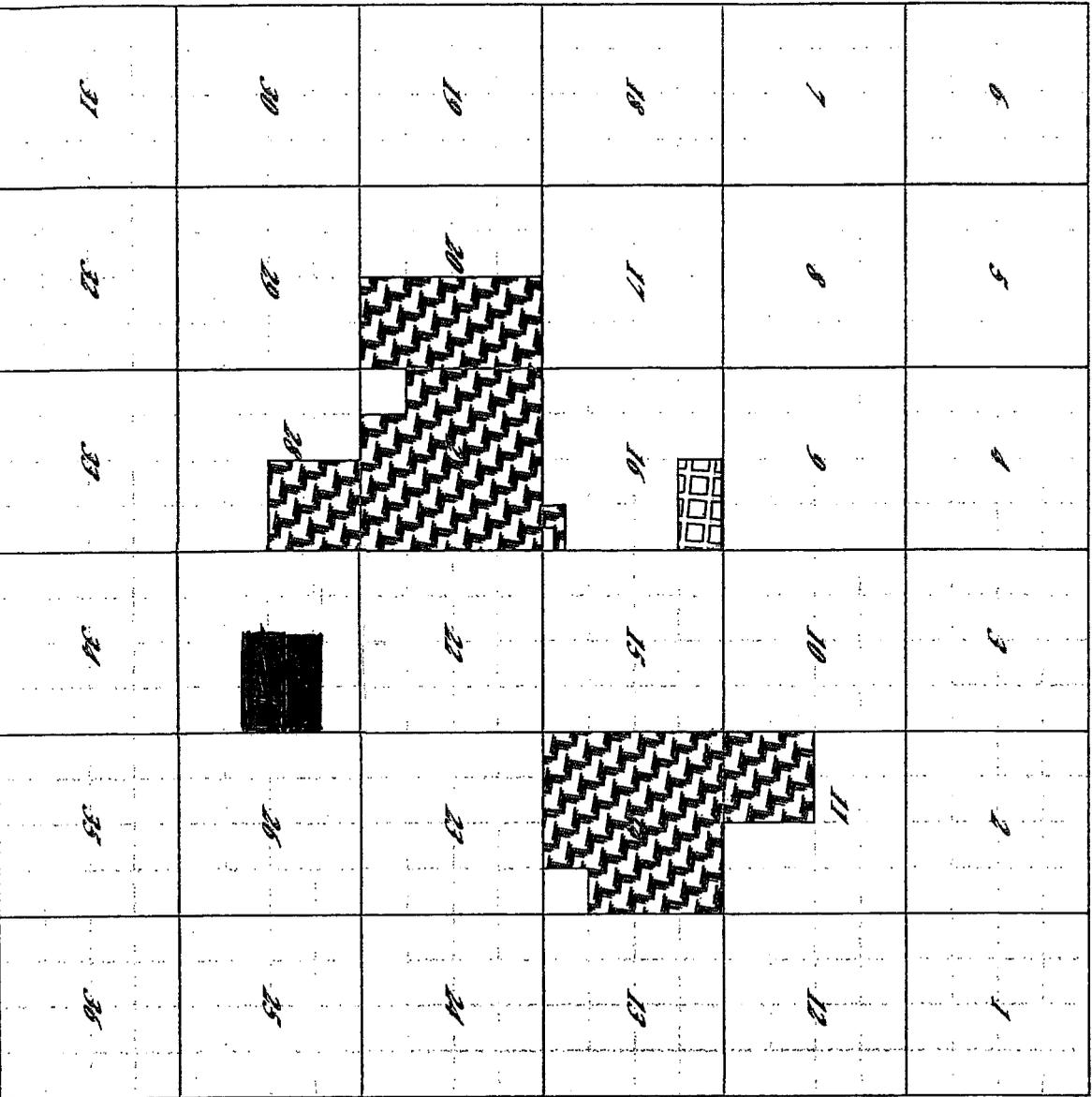
Sincerely,

A handwritten signature in cursive script that reads "Mary Lou Cox".

ATTACHMENT 1

COUNTY OF La Paz

RANGE 13 West



TOWNSHIP 5 North



W-2169 (1)

Keaton Development Company



W-1084 (1)

Salome Water Company



Keaton Development Company
Requested Extension Area

REVISED EXHIBIT C

KEATON DEVELOPMENTCOMPANY
 CC&N Application Revenue and Expense Computation

Revenue Computation

	2007	2008	2009	2010	2011
Absorption					
Year-end Additional Customers	20	20	20	20	27
Sunshine Acres	6	6	6	6	5
Salome Heights	26	26	26	26	32
Total new customers	13	39	65	91	120
Average New Customers during Year					

Rates	5/8 x 3/4
WATER	
Meter Size	4,289
Average Monthly Consumption	\$ 16.00
Monthly Minimum	0
Gallons included in Minimum	
Commodity Charges:	
'0 to 8,000 Gallons	\$ 3.00
'8,001 & Over	\$ 4.25
Average Monthly Bill	\$ 34.23

Annual Water Revenues \$ 5,340 \$ 16,019 \$ 26,698 \$ 37,377 \$ 49,289

Expense Computation

Ratio of Expenses to Revenue Water 91.76%

Annual Water Expenses \$ 4,900 \$ 14,699 \$ 24,498 \$ 34,298 \$ 45,228

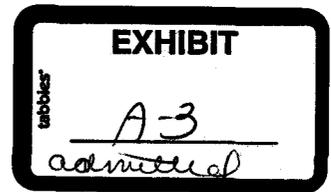
REVISED EXHIBIT E

Cox-Sunshine Acres-Addition
Water Supply and Construction Cost

Item	Quantity	Unit	Unit Price	Extention
Trench Excavation, Compact Backfill	6590	LF	5.00	32,950.00
Install 6" C-900 CI 150 PVC water pipe	6590	LF	9.50	62,605.00
Install 6" Gate Valves and Operator Wells	9	EA	800.00	7,200.00
Install fittings and thrust blocks	10	EA	250.00	2,500.00
		TOTAL		\$ 105,255.00

PARAGRAPH J

MEMORANDUM



TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: May 10, 2007

RE: **KEATON DEVELOPMENT COMPANY (DOCKET NO. W-02169A-07-0098)**
REVISED LEGAL DESCRIPTION

The extension area originally requested by Keaton has been revised to include additional area. The revised legal description has been docketed and plotted with no complications. This legal description is attached and should be used in place of the original description submitted with the application.

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

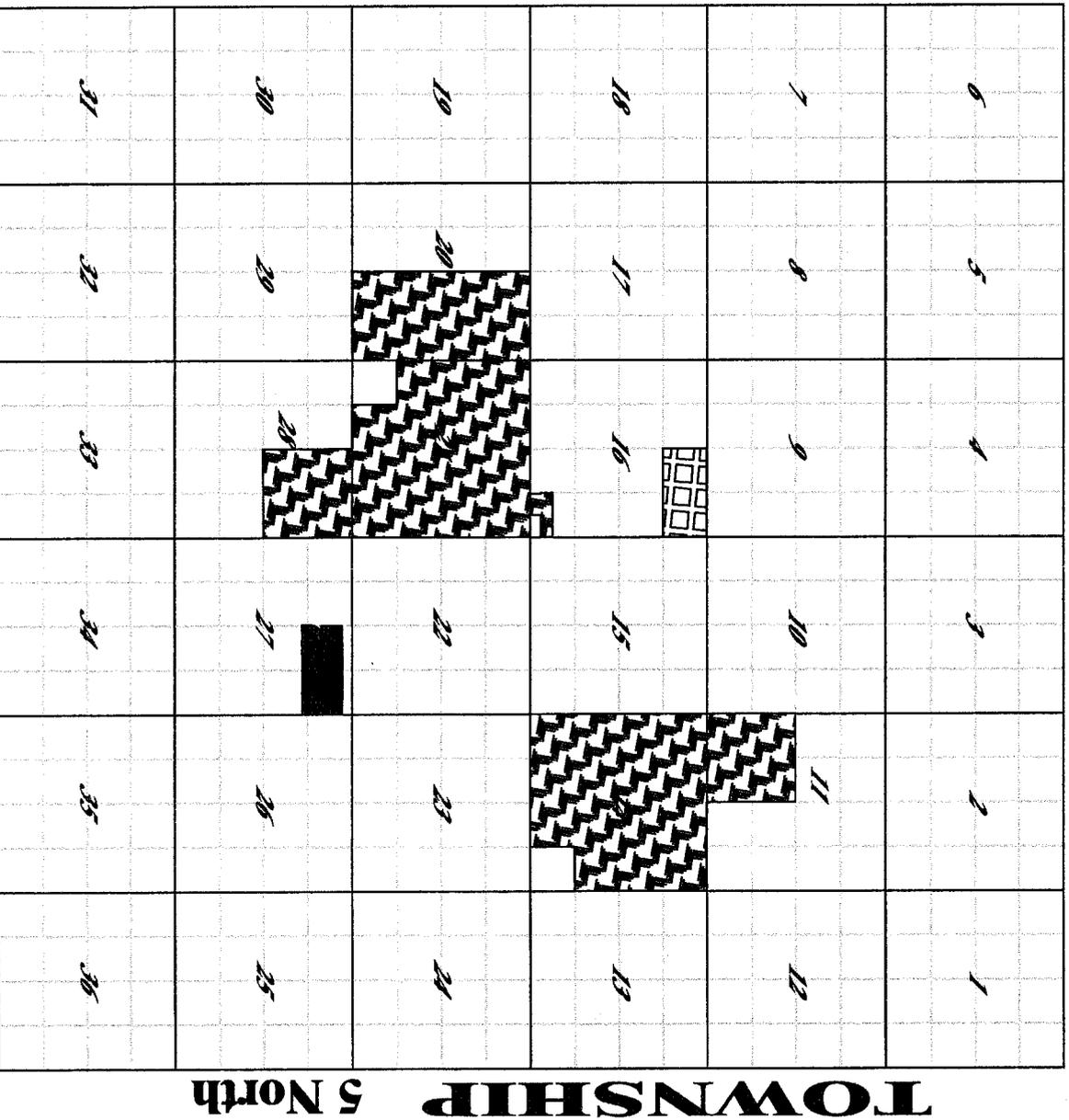
:bsw

Attachments

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

COUNTY: La Paz

RANGE 13 West



W-2169 (1)

Keaton Development Company



W-1084 (1)

Salome Water Company



Keaton Development Company
 Docket No. W-02169A-07-0098
 Amended Application for Extension

1 LEGAL DESCRIPTION

2 **SUNSHINE ACRES**

3 The South 613.77 feet of the North 913.77 feet of the
4 Northeast Quarter of Section 27, Township 5 North, Range
13 West of the G&SRB&M, La Paz, Arizona

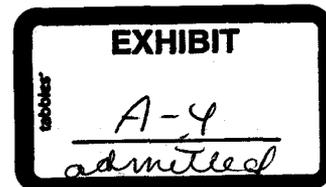
5 **SALOME HEIGHTS**

6 PARCEL DESCRIPTION

7 That parcel of land situated in the NE 1/4 of Section 27, Township 5
8 North, Range 13 West, Gila & Salt River Meridian, La Paz County, Arizona,
and being more particularly described as follows:

9 Commencing for reference at the Northeast corner of said Section 27;
10 Thence S0°05'59"E along the East line of said Section 27 a distance of
11 912.85 feet to a point on the centerline of Palm Boulevard, said point
12 also being the POINT OF BEGINNING;
13 Thence N89°57'55"W along the centerline of said Palm Boulevard a
14 distance of 2135.18 feet to the beginning of a curve to the right, concave
15 to the Northeast, having a radius of 300.00 feet and a central angle of
16 43°40'49";
17 Thence Northwest along said curve an arc distance of 228.71 feet, said
18 arc also being the centerline of said Palm Boulevard;
19 Thence N46°17'06"W along the centerline of said Palm Boulevard a distance
20 of 47.20 feet to the intersection of Palm Boulevard and Mesquite Avenue;
21 Thence S43°42'54"W along the centerline of said Mesquite Avenue a
22 distance of 299.90 feet to the beginning of a curve to the left, concave
23 to the Southeast, with a radius of 300.00 feet and a central angle of
43°37'15";
Thence Southwest along said curve an arc distance of 228.40 feet, said
arc also being the centerline of said Mesquite Avenue;
Thence S0°05'39"W along the centerline of said Mesquite Avenue a distance
of 265.87 feet to the intersection of Mesquite Avenue and Cactus Street;
Thence S89°57'55"E along the centerline of said Cactus Street a distance
of 2668.28 feet to a point on the East line of said Section 27;
Thence N0°05'59"W along the East line of said Section 27 a distance of
574.00 feet to the POINT OF BEGINNING.
Containing 37.05 acres, more or less.

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

November 9, 2007

Shauna Lee-Rice
Arizona Corporation Commission
Docket Control
1200 W. Washington
Phoenix, AZ 85007

Re: Keaton Development Company-Docket No. W-02169A-07-0098; Compliance Filing

Dear Ms. Lee-Rice:

Attached hereto are fifteen (15) copies of the Affidavit of Publication as required by the October 4, 2007 Procedural Order.

In the event you have any questions regarding these matters, please do not hesitate to call.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dick".

Richard L. Sallquist

Enclosure

cc: Bill Scott

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA

COUNTY OF LA PAZ, ss

Handwritten signature of Angelique Van Meter

ANGELIQUE VAN METER

of said county, being duly sworn, deposes and says: that he/she is and at all times herein mentioned was a citizen of the United States, over the age of twenty-one years, and is competent to be a witness on the trial of the above entitled action, and that he/she is not a party to, nor interested in the above entitled matter.

That he/she is the Authorized Agent for the:

PARKER PIONEER

(published weekly) and which is a weekly newspaper of general circulation, published in the said County of La Paz, and is published for the dissemination of local news of general character, and has a bona fide subscription list of paying subscribers, and established and published in the City of Parker, County of La Paz, State of Arizona before the publication of the first insertion of this notice and said newspaper is not published for the entertainment of any particular class, professions, or denomination, or any number thereof.

PUBLIC NOTICE OF THE HEARING FOR KEATON DEVELOPMENT COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY DOCKET NO. W-02169A-07-0098

of which the annexed is a printed copy, was published in said newspaper at 1 time on the 24th day of October, 2007 and ending on the 24th day of October, 2007 all about the regular and entire issue of said newspaper proper, and not in a supplement published therein on the following dates, to-wit:

October 24, 2007

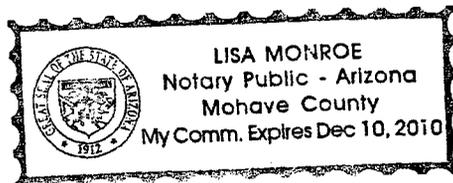
Subscribed and sworn to before me the 24th day of October, 2007

Handwritten signature of Notary Public

Notary Public in and for the county of La Paz, State of Arizona

December 10, 2010

My Commission Expires:



PUBLIC NOTICE OF THE HEARING FOR KEATON DEVELOPMENT COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY

(Docket No. W-02169A-07-0098) On February 13, 2007, Keaton Development Company ("Company") filed an application for an extension of its Certificate of Convenience and Necessity to provide public water service to various parts of La Paz County, Arizona. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona and at the Applicant's office, 66798 Hwy 60, Salome, Arizona 85348 and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

The Commission will hold a hearing on this matter commencing on November 30, 2007, at 9:30 a.m., at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments 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. 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, which motion should be sent to Applicant 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 Applicant, a shareholder of Applicant, a competitor, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant 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 November 9, 2007. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any customer from appearing at the hearing and making a statement on such customer's own behalf.

If you have any questions or concerns about this application or have any objections to its approval, or wish to make a statement in support of it, you may write the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000 or appear at the hearing and make comment.

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 Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

Publish: October 24, 2007 9640

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA

COUNTY OF LA PAZ, ss

Angelique Van Meter

ANGELIQUE VAN METER

of said county, being duly sworn, deposes and says: that he/she is and at all times herein mentioned was a citizen of the United States, over the age of twenty-one years, and is competent to be a witness on the trial of the above entitled action, and that he/she is not a party to, nor interested in the above entitled matter.

That he/she is the Authorized Agent for the:

PARKER PIONEER

(published weekly) and which is a weekly newspaper of general circulation, published and circulated in the said County of La Paz, and is published for the dissemination of local news and intelligence of a general character, and has a bona fide subscription list of paying subscribers, and said newspaper has been established and published in the City of Parker, County of La Paz, State of Arizona, for at least one year before the publication of the first insertion of this notice and said newspaper is not devoted to the interests of, or published for the entertainment of any particular class, professions, trade, calling, race or denomination, or any number thereof.

PUBLIC NOTICE OF THE HEARING FOR KEATON DEVELOPMENT COMPANY FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. W-02169A-07-0098

of which the annexed is a printed copy, was published in said newspaper at 1 time(s), commencing on the 24th day of October, 2007 and ending on the 24th day of October, 2007 all above days inclusive, and in the regular and entire issue of said newspaper proper, and not in a supplement and said notice was published therein on the following dates, to-wit:

October 24, 2007

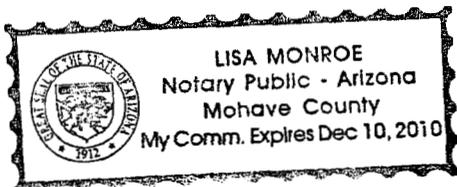
Subscribed and sworn to before me the 24th day of October, 2007

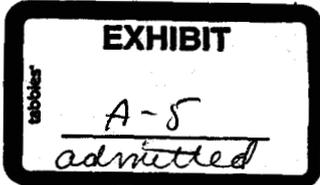
[Signature]

Notary Public in and for the county of La Paz, State of Arizona

December 10, 2010

My Commission Expires:





1 Richard L. Sallquist (002677)
Sallquist, Drummond & O'Connor, P.C.
2 4500 S. Lakeshore Drive
Suite 339
3 Tempe, Arizona 85282
(480) 839-5202
4
Attorneys for Keaton Development Company

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02169A-07-0098
7 KEATON DEVELOPMENT COMPANY FOR)
AN EXTENSION OF ITS CERTIFICATE OF)
8 CONVENIENCE AND NECESSITY FOR THE) **COMPANY'S**
PROVISION OF WATER SERVICE IN) **OBJECTIONS TO THE STAFF**
9 PORTIONS OF LA PAZ COUNTY, ARIZONA,) **REPORT**
)

10 Keaton Development Company ("Keaton") hereby files its Objections to the Staff
11 Report issued November 2, 2007 in accordance with the Procedural Order dated October 4, 2007.

12
13 1. In the Executive Summary and on Page 1 of the Staff Report it indicates that
14 Sunshine Acres contains 37 lots. In fact, that subdivision has 107 lots as set forth in the
15 Application at Exhibits E, G, H, and I. This should not impact on the analysis or the decision, but
16 the record should accurately reflect the size of the development.

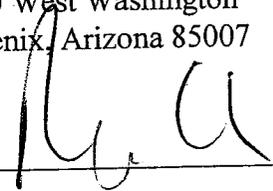
17 2. At Page 3, and at Further Recommendation 1, the Staff Report recommends that the
18 Company file a Curtailment Tariff. Staff had informally informed the Company of this
19 requirement, and the Company responded by filing in this Docket on October 31, 2007, a
20 Curtailment Tariff in the Engineering Division's prescribed format. This Tariff should be approved
21 in the context of this proceeding.
22
23

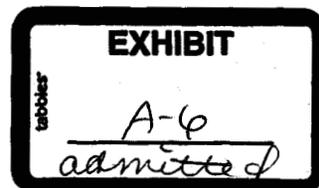
1 A copy of the foregoing filed/mailed
this 9th day of November, 2007, to:

2
3 Hearing Division
4 Arizona Corporation Commission
5 1200 W. Washington
6 Phoenix, Arizona 85007

7
8 Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007

12
13 Legal Division
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007

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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

October 31, 2007

Shauna Lee-Rice
Arizona Corporation Commission
Docket Control
1200 W. Washington
Phoenix, AZ 85007

Re: Keaton Development Company-Docket No. W-02169A-07-0098; Supplemental Data

Dear Ms. Lee-Rice:

Staff's informal discussions with Company representatives suggested that Staff would like to have the Company file a Curtailment Tariff in connection with the Subject Application.

Attached hereto are fifteen (15) copies of a Curtailment Tariff in the Engineering Division's prescribed form. We hereby request that the Commission approve this Tariff as part of this proceeding.

In the event you have any questions regarding these matters, please do not hesitate to call.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dick", written over a horizontal line.

Richard L. Sallquist

Enclosure

cc: Lyn Farmer
Blessing Chukwa
Del Smith
Brian Bozzo
Vicki Wallace
Bill Scott

DOCKET W-02169

Canceling Sheet No.

Applies to all WATER service areas

PART TWO

**STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE**

I. CURTAILMENT PLAN FOR KEATON DEVELOPMENT COMPANY

ADEQ Public Water System Number: AZ 15-029

Keaton Development Company ("Company") is authorized to curtail water service to all customers, within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan, and the Drought Preparedness Plan and Water Conservation Plan to the Arizona Department of Water Resources applicable to the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Issued: _____, 2007

Effective: _____, 2007

ISSUED BY:

William S. Scott, President
Keaton Development Company
P.O. Box 905
Salome, Arizona 85348

DOCKET W-02169

Canceling Sheet No.

Applies to all WATER service areas

PART TWO

**STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE**

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as steadily declining water table, an increased draw-down threatening pump operations, or poor water production creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.
- c. Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Issued: _____, 2007

Effective: _____, 2007

ISSUED BY:

William S. Scott, President
Keaton Development Company
P.O. Box 905
Salome, Arizona 85348

DOCKET W-02169

Canceling Sheet No.

Applies to all WATER service areas

PART TWO

**STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE**

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customer to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

- 1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
- 2. Beginning with Stage 3, Company shall post at least four signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.

Issued: _____, 2007

Effective: _____, 2007

ISSUED BY:

William S. Scott, President
Keaton Development Company
P.O. Box 905
Salome, Arizona 85348

DOCKET W-02169

Canceling Sheet No.

Applies to all WATER service areas

PART TWO

**STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE**

- 3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than stage three until a permanent solution has been implemented.

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

Issued: _____, 2007

Effective: _____, 2007

ISSUED BY:

William S. Scott, President
Keaton Development Company
P.O. Box 905
Salome, Arizona 85348

DOCKET W-02169

Canceling Sheet No.

Applies to all WATER service areas

PART TWO

**STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE**

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ The use of construction water is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of additional service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least four (4) signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Issued: _____, 2007

Effective: _____, 2007

ISSUED BY:

William S. Scott, President
 Keaton Development Company
 P.O. Box 905
 Salome, Arizona 85348

DOCKET W-02169

Canceling Sheet No.

Applies to all WATER service areas

PART TWO

**STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE**

Customers who fail to comply with cessation of outdoor use provisions will be given a written notice to end all outdoor use. Failure to comply with in two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

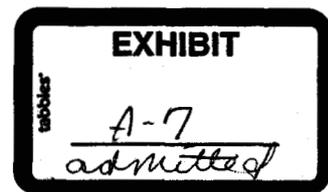
Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply in an attempt to maintain the supply until a permanent solution has been implemented.

Issued: _____, 2007

Effective: _____, 2007

ISSUED BY:

William S. Scott, President
Keaton Development Company
P.O. Box 905
Salome, Arizona 85348



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

November 14, 2007

Blessing Chukwu
Arizona Corporation Commission
Utilities Division
1200 W. Washington
Phoenix, AZ 85007

Re: Keaton Development Company-Docket No. W-02169A-07-0098; Supplemental Data

Dear Blessing:

On November 8, 2007 I provided to you an ADEQ Drinking Water Compliance Status Report for the Subject Company dated November 8 as completed by Jim Puckett. That Report contained incorrect data in the Comments Section.

Attached hereto is the corrected Report issued on November 9, 2007 by John Calkins, the Manager of the Drinking Water Section. Please replace the November 8, 2007 Report with the enclosed corrected Report.

In the event you have any questions regarding these matters, please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Sallquist".

Richard L. Sallquist

Enclosure

cc: Docket Control (15 copies)
Bill Scott

11/13/2007 09:54 FAX
Nov 13 07 09:25a
Nov 09 07 04:00p

S D & O

Devawn Olivieri 928-859-3984
Water Treatment Operators 4808373923

002/002

P. 2

P. 2

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: Keaton Development Co.

Public Water System ID #: 15-029

Public Water System Type: Community Non-transient Non-community Transient Non-community

Overall Compliance Status: No Major Deficiencies Major Deficiencies

Monitoring and Reporting Status: No Major Deficiencies Major Deficiencies

Comments: Annual monitoring for disinfection byproducts (DBP) for this system was completed in October 2007. All DBP-related analytical results for the October testing event met state and federal standards. As such, all historic DBP monitoring violations have been returned to compliance as of 11/05/2007.

Operation and Maintenance Status: No Major Deficiencies Major Deficiencies

Comments:

Major unresolved/ongoing operation and maintenance deficiencies:

- | | |
|---|---|
| <input type="checkbox"/> unable to maintain 20psi | <input type="checkbox"/> inadequate storage |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies | <input type="checkbox"/> approval of construction |
| <input type="checkbox"/> certified operator | <input type="checkbox"/> other |

Date of last inspection / sanitary survey: 3-6-06

Administrative Orders:

Is an ADEQ administrative order in effect? Yes No

Comments:

System information:

Number of Entry Points to the Distribution System 1 Number of Sources 2

Population Served 1200 Service Connections 496 Initial Monitoring Year 1995

Evaluation completed by: John Calkins, Manager, Drinking Water Section

Phone: 602-771-4617 Date: 11-9-07

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Robin

MEMORANDUM

REC

TO: Docket Control
FROM: Ernest G. Johnson
for Director
Utilities Division

2007 NOV
AZ CORP
DOCKET CONTROL

DATE: November 2, 2007

RE: STAFF REPORT FOR KEATON DEVELOPMENT COMPANY - APPLICATION FOR EXTENSION OF CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE (DOCKET NO. W-02169A-07-0098)

Attached is the Staff Report for Keaton Development Company's application for extension of its existing Certificate of Convenience and Necessity for water service. Staff is recommending denial and also offering an alternative for approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

RECEIVED
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ARIZ. CORPORATION COMMISSION

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EXHIBIT
S-1
admitted

FILE COPY

Service List for: Keaton Development Company
Docket No. W-02169A-07-0098

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

Mr. Christopher C. Kempley
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

KEATON DEVELOPMENT COMPANY

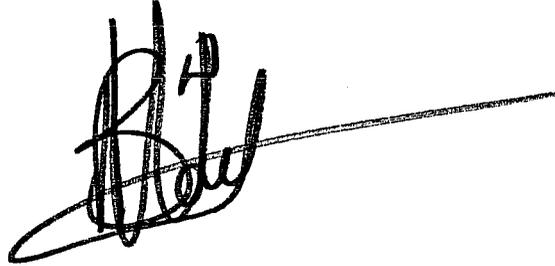
DOCKET NO. W-02169A-07-0098

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY

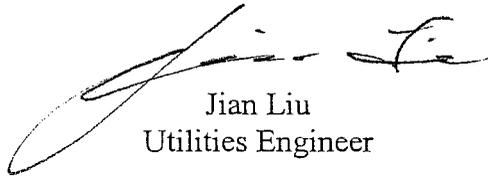
NOVEMBER 2, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for Keaton Development Company (Docket No. W-02169A-07-0098) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Jian Liu was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Jian Liu', with a long horizontal line extending to the left.

Jian Liu
Utilities Engineer

**EXECUTIVE SUMMARY
KEATON DEVELOPMENT COMPANY
DOCKET NO. W-02169A-07-0098**

On February 13, 2007, Keaton Development Company ("KDC" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in La Paz County, Arizona. On September 28, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

By this application, KDC is seeking Commission authority to add approximately 62 acres to the Company's existing certificated area of approximately three square miles. The requested area consists of two developments, namely: Sunshine Acres and Salome Heights. The two developments are contiguous and are owned by Dan and Mary Lou Cox.¹ Sunshine Acres is a 37-acre parcel, consists of 37 lots, and is located north of Salome Height. While, Salome Heights is a 25-acre parcel and consists of 29 lots. Altogether, these developments will have a total of approximately 66 residential units. The developments are located approximately one-half mile east of the Company's existing certificated area.

Based on Staff's review and analysis of the application, Staff believes the existing and proposed water systems have adequate well production and storage capacity to serve the existing and proposed development with 66 residential units.

Staff recommends the Commission deny KDC's application for extension of its CC&N to provide water service within portions of La Paz County, Arizona. The Company is out of compliance with the rules and regulations of Arizona Department of Environmental Quality ("ADEQ") regarding monitoring and reporting. Staff believes it is not in the public interest to grant the relief requested until KDC is in compliance with ADEQ. The Company should file a new application once it is in compliance with ADEQ.

However, Staff will reconsider its recommendation if, by the date of the hearing in this matter, KDC files ADEQ documentation demonstrating that its water system, PWS #15-029, is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

In the alternative, should the Commission decide to grant KDC's request for extension of its CC&N, Staff recommends an Order Preliminary to the issuance of a CC&N, subject to compliance with the following conditions:

1. That KDC be required to charge its authorized rates and charges in the extension area.

¹ Dan and Mary Lou Cox requested water service for their two subdivisions from the Company.

2. That KDC be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from La Paz County for the requested area, within 3 years of the decision granting the Order Preliminary.
3. That KDC be required to file with Docket Control, as a compliance item in this docket, a copy of the Approval to Construct for Sunshine Acres and Salome Heights subdivisions within 3 years of the effective date of the order granting the Order Preliminary.
4. That KDC be required to file with Docket Control, as a compliance item in this docket, a copy of the Analysis of Adequate Water Supply from the Arizona Department of Water Resources ("ADWR") demonstrating the availability of adequate water for Sunshine Acres and Salome Heights subdivisions, within 3 years of the effective date of the decision granting the Order Preliminary.
5. That after KDC complies with the above requirements 2, 3, and 4, KDC shall make a filing stating so. Within 60 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant a CC&N as soon as possible, after Staff's filing that confirms KDC's compliance with items 2, 3, and 4.

Staff further recommends:

1. That KDC be required to file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this case. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at www.azcc.gov/divisions/util/forms/Curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.
2. That KDC be required to file with Docket Control, as a compliance item in this docket, documentation showing that the Company's water quality is in compliance with ADEQ rules, within 6 months of the effective date of the decision in this case.

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Introduction

On February 13, 2007, Keaton Development Company ("KDC" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in La Paz County, Arizona.

On March 9, 2007, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S. mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On April 30, 2007, and June 22, 2007, the Company provided additional documentation to support its relief requested.

On September 28, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

Keaton Development Company is an Arizona Corporation, in good standing with the Commission's Corporation Division, authorized to provide water utility services in the Town of Salome, La Paz County, Arizona pursuant to authority granted by the Commission in Decision Nos. 41705 (November 12, 1971), and 62729 (June 30, 2000). KDC provides service to approximately 475 customers.

According to Corporation Division's record, KDC was incorporated on April 26, 1971. On March 4, 2003, Mr. William Scott bought all the outstanding shares of common stock of the Company.² Mr. Scott is the only shareholder of KDC and the President of the Company.

According to the Company's Annual Report for the year ending December 31, 2006, the Company is serving approximately 475 customers. The Company reported an annual revenue of \$162,530, expenses of \$140,122, and a net profit of \$18,680. KDC reported \$38,881 in long-term debt as being outstanding.

By this application, KDC is seeking Commission authority to add approximately 62 acres to the Company's existing certificated area of approximately three square miles. The requested area consists of two developments, namely: Sunshine Acres and Salome Heights. The two developments are contiguous and are owned by Dan and Mary Lou Cox.³ Sunshine Acres is a 37-acre parcel, consists of 37 lots, and is located north of Salome Height. While, Salome

² See Findings Of Fact No. 3, Decision No. 67584.

³ Dan and Mary Lou Cox requested water service for their two subdivisions from the Company.

Heights is a 25-acre parcel and consists of 29 lots. Altogether, these developments will have a total of approximately 66 residential units. The developments are located approximately one-half mile east of the Company's certificated area.

The Water System

KDC has two active wells producing approximately 760 gallons per minute ("GPM"), one inactive well producing approximately 383 GPM (which will be put in service to serve the expansion area), three storage tanks (a 20,000 gallon tank, and two 14,000 gallon tanks), and a distribution system serving 475 connections. Staff concludes that the existing water system has adequate well production and storage capacity.

The developer will install the transmission facilities interconnecting the new subdivisions to the existing water system. Staff concludes that the proposed water system will have adequate infrastructure to serve the proposed development with 66 residential units.

The Company submitted the following estimated plant-in-service amounts for the new developments, and the developer will pay for these water facilities by advances in aid of construction through line extension agreements.

	Sunshine Acres	Salome Heights
TRENCH EXCAVATION & BACKFILL:	\$9,901.38;	32,950.00
WATER DISTRIBUTION & TRANSMISSION LINE:	\$140,698.62	72,305
TOTAL:	\$159,380	105,255

Staff has reviewed the proposed plant-in-service and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N extension application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

The Arizona Department of Environmental Quality's Certificate of Approval to Construct ("ATC") for the facilities needed to serve the requested area has not been submitted by the Company. Therefore, Staff recommends that if the Commission grants the CC&N extension, the Company file with Docket Control, as a compliance item in this docket, a copy of the ATCs for Sunshine Acres and Salome Heights subdivisions within 3 years of the effective date of the order in this proceeding.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Company's Water System under ADEQ Public Water System ("PWS") #15-029. The ADEQ data base does not show that the required 2005 and 2006 annual

Disinfection Byproducts analysis have been done for Keaton's Water System. The Water System has one treatment plant and is required to provide one Total Trihalomethanes ("TTHM") and one Haloacetic Acids ("HAA5") analyses per year but has only provided one HAA5 analysis for 2005 and none for 2006. Therefore, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ report dated September 20, 2007).

Staff recommends denial of the Keaton's CC&N extension application until Staff receives notice that the Company's Water System is in total compliance with ADEQ regulations.

Arizona Department of Water Resources ("ADWR") Compliance

KDC is not located in any ADWR Active Management Area ("AMA") and not subject to AMA reporting and conservation requirements.

Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, a copy of the Analysis of Adequate Water Supply from ADWR demonstrating the availability of adequate water for Sunshine Acres and Salome Heights subdivisions, within 3 years of the effective date of the order issued pursuant to this application.

ACC Compliance

According to the Utilities Division Compliance Section, KDC has no outstanding ACC compliance issues.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g}/\text{l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g}/\text{l}$. KDC reported the arsenic concentrations are 5.0 $\mu\text{g}/\text{l}$ in its existing wells. Based on these arsenic concentrations, the existing system is in compliance with the new arsenic MCL.

Curtailment Plan Tariff

The Company does not have a Curtailment Plan Tariff. Therefore, Staff recommends that the Company file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at www.azcc.gov/divisions/util/forms/Curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

Proposed Rates

KDC will provide water service to the extension area under its authorized rates and charges.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Staff recommends that KDC be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from La Paz County for the requested area, within 3 years of the decision in this matter.

Recommendations

Staff recommends the Commission deny KDC's application for extension of its CC&N to provide water service within portions of La Paz County, Arizona. The Company is out of compliance with the rules and regulations of ADEQ regarding monitoring and reporting. Staff believes it is not in the public interest to grant the relief requested until KDC is in compliance with ADEQ.

However, Staff will reconsider its recommendation if, by the date of the hearing in this matter, KDC files ADEQ documentation demonstrating that its water system, PWS #15-029, is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

In the alternative, should the Commission decide to grant KDC's request for extension of its CC&N, Staff recommends an Order Preliminary to the issuance of a CC&N, subject to compliance with the following conditions:

1. That KDC be required to charge its authorized rates and charges in the extension area.
2. That KDC be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from La Paz County for the requested area, within 3 years of the decision granting the Order Preliminary.
3. That KDC be required to file with Docket Control, as a compliance item in this docket, a copy of the Approval to Construct for Sunshine Acres and Salome Heights subdivisions within 3 years of the effective date of the order granting the Order Preliminary.

4. That KDC be required to file with Docket Control, as a compliance item in this docket, a copy of the Analysis of Adequate Water Supply from Arizona Department of Water Resources ("ADWR") demonstrating the availability of adequate water for Sunshine Acres and Salome Heights subdivisions, within 3 years of the effective date of the decision granting the Order Preliminary.
5. That after KDC complies with the above requirements 2, 3, and 4, KDC shall make a filing stating so. Within 60 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant a CC&N as soon as possible, after Staff's filing that confirms KDC's compliance with items 2, 3, and 4.

Staff further recommends:

1. That KDC be required to file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this case. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at www.azcc.gov/divisions/util/forms/Curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.
2. That KDC be required to file with Docket Control, as a compliance item in this docket, documentation showing that the Company's water quality is in compliance with ADEQ rules, within 6 months of the effective date of the decision in this case.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III

FROM: Jian W. Liu 
Utilities Engineer

DATE: October 15, 2007

RE: Keaton Development Company, Inc.
Docket No. W-02169A-07-0098 (CC&N Extension)

Introduction

Keaton Development Company, Inc. ("Keaton" or the "Company") has filed an application for a Certificate of Convenience and Necessity ("CC&N") extension. The Company is located in the Town of Salome in La Paz County, Arizona. The Company's existing CC&N has an area totaling approximately 3 square miles.

The Company is planning to develop an approximately 37-acre parcel ("Sunshine Acres, 37 lots") and an approximately 25-acre parcel ("Salome Heights, 29 lots"). These developments will have a total of approximately 66 residential units. The development is about one-half mile east of the Company's existing CC&N.

Existing Water System Description

The facility consists of three wells, two active wells producing approximately 760 gallons per minute ("GPM") and one inactive well capable of producing approximately 383 GPM. The system also has three storage tanks (20,000 gallons, and two 14,000 gallons), and a distribution system serving 475 connections.

Capacity of Existing System

The existing water system has adequate well production and storage capacity.

Proposed Water System

The developer will install the transmission facilities interconnecting the new subdivisions to the existing water system.

Staff concludes that the proposed water system will have adequate infrastructure to serve the proposed development with 66 residential units.

Cost Analysis

Cost Analysis

The Company submitted the following estimated plant-in-service amounts for the new developments, and the developer will pay for these water facilities by line extension agreements.

	Sunshine Acres	Salome Heights
TRENCH EXCAVATION & BACKFILL:	\$9,901.38;	32,950.00
WATER DISTRIBUTION & TRANSMISSION LINE:	\$140,698.62	72,305
TOTAL:	\$159,380	105,255

Staff has reviewed the proposed plant-in-service and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N extension application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance *nmw*

ADEQ regulates the Company's Water System under ADEQ Public Water System ("PWS") #15-029. The ADEQ data base does not show that the required 2005, 2006 annual Disinfection Byproducts analysis have been done for Keaton's Water System. The Water System has one treatment plant and is required to provide one Total Trihalomethanes ("TTHM") and one Haloacetic Acids ("HAA5") analyses per year but has only provided one HAA5 analysis for 2005 and none for 2006. Therefore, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ report dated September 20, 2007).

Staff recommends denial of the Keaton's CC&N extension application until the Staff receives notice that the Company's Water System is in total compliance with ADEQ regulations.

Certificate of Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the proposed water facilities. Staff recommends that if the Commission grants the CC&N, the Company file with Docket Control, as a compliance item in this docket, a copy of the ATCs for the new subdivisions within 3 years of the effective date of the order granting this application.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") to 10µg/l.

Keaton reported the arsenic concentrations are 5.0 µg/l in its existing wells. Based on these arsenic concentrations, the existing system is in compliance with the new arsenic MCL.

Arizona Department of Water Resources (“ADWR”) Compliance

Compliance Status

Keaton is not located in any ADWR Active Management Area (“AMA”) and not subject to AMA reporting and conservation requirements.

Analysis of Adequate Water Supply

Staff recommends that if the Commission grants the CC&N, the Company docket as a compliance item in this docket within 3 years of the effective date of an order granting this application, a copy of the Analysis of Adequate Water Supply from ADWR for the requested area.

Arizona Corporation Commission (“ACC”) Compliance

According to the Utilities Division Compliance Section, the Company has no outstanding compliance issues.

Curtailment Plan Tariff

A Curtailment Plan Tariff (“CPT”) is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company does not have this type of tariff, this proceeding provides an opportune time to prepare and file such a tariff.

Staff recommends that the Company file curtailment tariff in the form found on the Commission’s website at <http://www.azcc.gov/divisions/utilities/forms/Curtailment-Std.pdf>. This tariff shall be docketed as a compliance item in this case within 45 days of the effective date of an order in this proceeding for review and certification by Staff.

Summary

Conclusions

- A. The existing water system has adequate production and storage capacity.
- B. Based on the Company’s arsenic concentration, the existing water system is in compliance with the new arsenic MCL.

- C. Keaton is not located in any ADWR Active Management Area and not subject to AMA reporting and conservation requirements.

Recommendations

1. Staff recommends denial of the Keaton's CC&N extension application until the Staff receives notice that the Company's Water System is in total compliance with ADEQ regulations.
2. Staff recommends that if the Commission grants the CC&N, the Company docket as a compliance item in this docket within 3 years of the effective date of an order granting this application, a copy of the Analysis of Adequate Water Supply from ADWR for the requested area.
3. The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the proposed water facilities. Staff recommends that if the Commission grants the CC&N, the Company file with Docket Control, as a compliance item in this docket, a copy of the ATCs for the new subdivisions within 3 years of the effective date of the order granting this application.
4. Staff recommends that the Company file a curtailment tariff in the form found on the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/Curtailment-Std.pdf>. This tariff shall be docketed as a compliance item in this case within 45 days of the effective date of an order in this proceeding for review and certification by Staff.

acknowledges

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: May 10, 2007

RE: **KEATON DEVELOPMENT COMPANY (DOCKET NO. W-02169A-07-0098)**
REVISED LEGAL DESCRIPTION

The extension area originally requested by Keaton has been revised to include additional area. The revised legal description has been docketed and plotted with no complications. This legal description is attached and should be used in place of the original description submitted with the application.

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

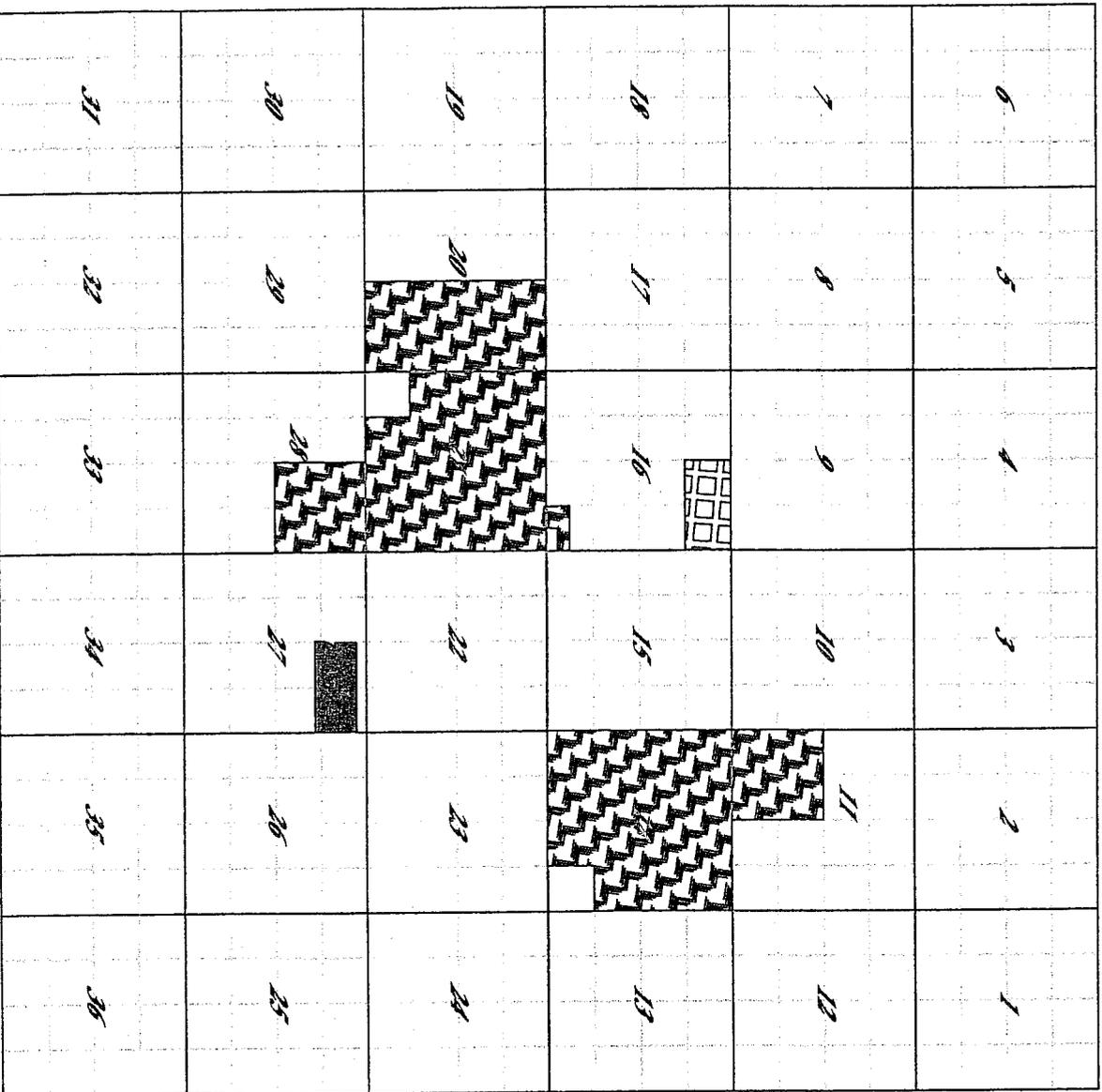
:bsw

Attachments

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

COUNTY: La Paz

RANGE 13 West

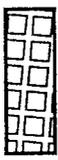


TOWNSHIP 5 North



W-2169 (1)

Keaton Development Company



W-1084 (1)

Salome Water Company



Keaton Development Company
Docket No. W-02169A-07-0098
Amended Application for Extension

1 LEGAL DESCRIPTION

2 **SUNSHINE ACRES**

3 The South 613.77 feet of the North 913.77 feet of the
4 Northeast Quarter of Section 27, Township 5 North, Range
13 West of the G&SRB&M, La Paz, Arizona

5 **SALOME HEIGHTS**

6 PARCEL DESCRIPTION

7 That parcel of land situated in the NE 1/4 of Section 27, Township 5
8 North, Range 13 West, Gila & Salt River Meridian, La Paz County, Arizona,
9 and being more particularly described as follows:

10 Commencing for reference at the Northeast corner of said Section 27;
11 Thence S0°05'59"E along the East line of said Section 27 a distance of
12 912.85 feet to a point on the centerline of Palm Boulevard, said point
13 also being the POINT OF BEGINNING;

14 Thence N89°57'55"W along the centerline of said Palm Boulevard a
15 distance of 2135.18 feet to the beginning of a curve to the right, concave
16 to the Northeast, having a radius of 300.00 feet and a central angle of
17 43°40'49";

18 Thence Northwest along said curve an arc distance of 228.71 feet, said
19 arc also being the centerline of said Palm Boulevard;

20 Thence N46°17'06"W along the centerline of said Palm Boulevard a distance
21 of 47.20 feet to the intersection of Palm Boulevard and Mesquite Avenue;

22 Thence S43°42'54"W along the centerline of said Mesquite Avenue a
23 distance of 299.90 feet to the beginning of a curve to the left, concave
to the Southeast, with a radius of 300.00 feet and a central angle of
43°37'15";

Thence Southwest along said curve an arc distance of 228.40 feet, said
arc also being the centerline of said Mesquite Avenue;

Thence S0°05'39"W along the centerline of said Mesquite Avenue a distance
of 265.87 feet to the intersection of Mesquite Avenue and Cactus Street;

Thence S89°57'55"E along the centerline of said Cactus Street a distance
of 2668.28 feet to a point on the East line of said Section 27;

Thence N0°05'59"W along the East line of said Section 27 a distance of
574.00 feet to the POINT OF BEGINNING.

Containing 37.05 acres, more or less.