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MEMORANDUM

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TO: Docket Control Arizona Corporation Commission 2008 FEB -5 P 1:51  
 Arizona Corporation Commission **DOCKETED**

FROM: Ernest G. Johnson FEB -5 2008  
 Director  
 Utilities Division

Date: February 5, 2008

RE: STAFF'S RESPONSE TO KACY PARKER DBA ARROYO WATER COMPANY, INC.'S FEBRUARY 1, 2008 LETTER IN DOCKET NO. W-04286A-04-0774

AZ CORP COMMISSION  
DOCKET CONTROL

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On October 19, 2004, Kacy Parker dba Arroyo Water Company, Inc ("Arroyo Water" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for issuance of a new Certificate of Convenience and Necessity (CC&N") to provide water service in a portion of Gila County, Arizona, and for approval of the sale of assets to Kacy Parker.

On May 14, 2007, Staff filed its Direct Testimony in the docket.

Hearing on the matter was held on June 12, 2007, before a duly authorized Administrative Law Judge. The matter was taken under advisement pending submission of a Recommended Opinion and Order to the Commission.

On February 1, 2008, the Company filed a letter in the docket informing the Commission that its Gila County franchise will expire on February 6, 2008.

**Analysis**

Every applicant for a CC&N and/or CC&N Transfer 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 Company has to obtain the franchise from the City/Town.

On February 15, 2007, Arroyo Water filed, in the docket, a copy of its Gila County franchise agreement. According to the franchise agreement, the franchise was granted upon the express condition that a CC&N be acquired from the ACC within 12 months of the date of the franchise (February 6, 2007) and that all delinquent property taxes are paid to the Gila County Treasurer within 30 days of receiving the CC&N; and if the CC&N is not acquired within 12

months from February 6, 2007, and all the property taxes are not paid within the required time frame, this franchise will be null and void.

The Company's franchise agreement with Gila County will expire on February 6, 2008, absent a CC&N being granted by the ACC. Staff has no objection to Arroyo being granted 365 days from the date of the decision in this matter to file a new Gila County franchise agreement.

**Recommendations**

Staff recommends that any order issued in this docket granting the CC&N and approving the sale of assets to Kacy Packer, includes a requirement that the Company be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Gila County for the requested area, within 365 days of the decision in this matter.

EGJ:BNC:red

Originators: Blessing Chukwu

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