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ORIGINAL

MEMORANDUM

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

2008 OCT -3 P 1:37

AZ CORP COMMISSION
DOCKET CONTROL

Date: October 03, 2008

RE: STAFF REPORT FOR THE APPLICATION OF KEATON DEVELOPMENT COMPANY, FOR APPROVAL OF AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE PROVISION OF WATER SERVICE IN PORTIONS OF LA PAZ COUNTY, ARIZONA (DOCKET NO. W-02169A-08-0301)

Attached is the Staff Report for the application of Keaton Development Company for Commission authorization to extend its Certificate of Convenience and Necessity in La Paz County, Arizona. Staff recommends an Order Preliminary.

EGJ:All:red

Originator: Alexander Ibhade Igwe, CPA

Attachment: Original and 13 Copies

Arizona Corporation Commission

DOCKETED

OCT -3 2008

DOCKETED
MA

Service List for: Keaton Development Company
Docket No. W-02169A-08-0301

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

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

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

KEATON DEVELOPMENT COMPANY
DOCKET NO. W-02169A-08-0301

APPLICATION FOR EXTENSION
OF CERTIFICATE OF
CONVENIENCE & NECESSITY

OCTOBER 03, 2008

STAFF ACKNOWLEDGMENT

The Staff Report for Keaton Development Company, Docket No. W-02169A-08-0301 was the responsibility of the Staff members listed below. Alexander Ihhade Igwe was responsible for preparing the Staff Report and Jian Liu prepared the Engineering Report.



Alexander Ihhade Igwe, CPA
Executive Consultant III



Jian Liu
Utilities Engineer

**EXECUTIVE SUMMARY
KEATON DEVELOPMENT COMPANY
AND NECESSITY (DOCKET NO. W-02169A-08-0301)**

On June 13, 2008, Keaton Development Company ("Keaton" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for authorization to extend its water Certificate of Convenience and Necessity ("CC&N") to a portion of La Paz County, Arizona. On July 3, 2008, the Company amended its original application by adding a new property to the requested CC&N extension area. Upon review of Keaton's revised filing, Staff found that the Company did not provide the requisite information for the additional property. On August 1, 2008, Staff issued a letter of insufficiency indicating that the Company's revised application for CC&N extension, did not meet the sufficiency requirements per Arizona Administrative Code Section R14-2-103.B.7. On August 12, 2008, the Company withdrew its amendment, thus eliminating the deficiencies in its application. On August 19, 2008, Staff found the Company's application for CC&N extension to be sufficient.

Keaton's requested CC&N extension area is for a development known as the Sunland Estates. Sunland Estates is adjacent to Keaton's existing CC&N, and has 228 residential lots, measuring 89-acres. The Company states that the developers of Sunland Estates will fund the plant additions necessary to serve it, through main line extension agreements.

Staff's analysis indicates that Keaton has adequate capacity to serve its existing certificated area. Staff found that upon completion of the Company's proposed plant additions, it will have adequate capacity to serve the Sunland Estates.

Staff found that the Company does not currently have Arizona Department of Environmental Quality ("ADEQ") Certificate of Approval to Construct ("ATC") for the Sunland Estate. Further, Arizona Department of Water Resources ("ADWR") has not confirmed that the Company's filed System Water Plan is satisfactory. Finally, Staff found that the Company does not have an ADWR Analysis of Adequate Water indicating if it has Adequate Water Supply to serve the Sunland Estates.

Based on the foregoing, Staff recommends that the Commission grant Keaton an Order Preliminary for its requested CC&N extension, with the following conditions:

1. That the Commission Order require Keaton to file with Docket Control, as a compliance item in this docket, a copy of ADEQ issued ATC for the Sunland Estates, within 3 years of the effective date of an Order Preliminary in this proceeding.
2. That the Company docket as a compliance item in this docket, a copy of ADWR's letter stating whether the Company's System Water Plan is satisfactory, no later than December 31, 2008.
3. That the Company file as a compliance item in this docket, a copy of the ADWR Analysis of Adequate Water Supply or Physical Availability Determination indicating

that it has adequate water supply to serve the requested extension area, within 3 years of the effective date of an Order Preliminary in this proceeding.

4. That after Keaton complies with Requirement Nos, 1, & 3, that the Company shall make a filing stating so. Within 30 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the Company's requested CC&N, as soon as possible, after Staff's filing that confirms Keaton's compliance with Requirement Nos, 1, & 3. If Keaton does not comply with any one of Requirement Nos, 1, & 3 within the time specified, the Order Preliminary shall be null and void, and this docket shall be closed.

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Introduction

On June 13, 2008, Keaton Development Company ("Keaton" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for authorization to extend its Certificate of Convenience and Necessity ("CC&N") to a development known as Sunland Estates, within La Paz County, Arizona. On July 3, 2008, the Company amended its original application by adding a new property to its requested CC&N extension area. Upon review of Keaton's revised filing, Staff found that the Company did not provide the requisite information for the additional property. On August 1, 2008, Staff issued a letter of insufficiency indicating that the Company's revised application for CC&N extension, did not meet the sufficiency requirements per Arizona Administrative Code Section R14-2-103.B.7. On August 12, 2008, the Company withdrew its amendment, thus eliminating the deficiencies in its application. On August 19, 2008, Staff found the Company's application for CC&N extension to be sufficient.

Public Notice

On September 26, 2008, the Company filed an Affidavit of Mailing with Docket Control, reporting that it mailed the Procedural Order in this docket, dated September 4, 2008, including the related public notice of the hearing, to all property owners on September 8, 2007.

Also, the Company filed an Affidavit of Publication with Docket Control indicating that it has published the prescribed Public Notice in the *Parker Pioneer*, a newspaper of wide circulation in La Paz County, on September 17, 2008.

Requested CC&N Extension

The requested CC&N extension area is comprised of a proposed development known as the Sunland Estates. Sunland Estates is adjacent to Keaton's existing CC&N, and has 228 residential lots, measuring 89-acres.

Water Utility System

Keaton's current water facility consists of two wells, with a combined production capacity of approximately 314 gallons per minute ("GPM"). Also, the system has three storage tanks with total capacity of 48,000-gallons (20,000 gallons, and two 14,000 gallons); and a distribution system serving 502 connections. Staff has determined that the Company's existing water system has adequate capacity to serve its current connections.

Proposed Water Plant Facilities

The Company indicates that the developer of Sunland Estates will install transmission facilities interconnecting the new subdivision to the existing water system. The Company projects that \$1,377,000 of new plant items, comprised of a well pump, storage tank, pressure

pumps, as well as on-site and off-site mains with fire hydrants and related appurtenances, will be required to serve Sunland Estates, at build-out. The proposed capital investments will be funded by Sunland Estates through main line extension agreements. Staff's analysis indicates that upon completion of the proposed plant additions, the Company will have adequate infrastructure to serve its current and proposed CC&N extension areas.

Arizona Department of Environmental Quality ("ADEQ") Compliance Section

ADEQ regulates the Company's Water System under ADEQ Public Water System ("PWS") #15-029. Based on compliance information submitted by the Company, the system has no major deficiencies. ADEQ has determined that the Company's system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ report dated September 19, 2008).

Certificate of Approval to Construct

The Company has not received ADEQ's Certificate of Approval to Construct ("ATC") for its proposed plant constructions within the Sunland Estates. Staff recommends that the Commission order Keaton to file with Docket Control, as a compliance item in this docket, a copy of the ATC for the Sunland Estates, within 3 years of the effective date of an Order Preliminary in this proceeding.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

Keaton is not located in any ADWR Active Management Area ("AMA"). Thus, the Company is not subject to AMA reporting and conservation requirements.

Compliance Status – Filing of Annual Water Use Report and System Water Plan per Arizona Revised Statutes § 45-341 to § 45-343

As of September 17, 2008, Keaton (PWS #15-029) was in compliance with the reporting requirements of *Arizona Revised Statutes* § 45-341 to § 45-343. ADWR is yet to complete its review of the Company's System Water Plan; which includes a Water Supply Plan, Drought Preparedness Plan and Water Conservation Plan. Upon complete review of the Company's System Water Plan, ADWR will issue a letter stating whether or not the plan meets its requirements. Staff recommends that the Company docket as a compliance item in this docket, a copy of ADWR's letter stating whether the Company's System Water Plan is satisfactory, no later than December 31, 2008.

Analysis of Adequate Water Supply

The Company has not demonstrated if it has adequate water supply for the requested CC&N extension. Therefore, Staff recommends that the Company file as a compliance item in this docket, a copy of ADWR's Analysis of Adequate Water Supply or Physical Availability Determination, indicating if it has adequate water supply to serve the requested extension area, within 3 years of the effective date of an Order Preliminary, in this proceeding.

Arizona Corporation Commission ("ACC") Compliance

According to the Utilities Division Compliance Section, the Company has no delinquent compliance issues (Compliance Section Email dated September 17, 2008).

Consumer Services Section

The Company had no complaints, inquiries and opinions in 2005 and 2007. In 2006, the Company had three complaints consisting of two billings and one quality of service issues. As of the time of this report, the 2006 complaints have been resolved and closed.

Staff's review of its data base indicates that the Company has no record of complaints, inquiries and/or opinions, thus far in 2008.

Corporation Division

As of June 26, 2008, the Company was in good standing with the Commissions Corporations Division.

Cost Analysis

The Company estimates that \$1,377,000 of new plant additions will be required to serve the Sunland Estates, at build-out. Staff has reviewed the Company's proposal, and concludes that the plant facilities and related costs estimates are appropriate and reasonable. However, Staff notes that no "Used and Useful" determination was established by this conclusion and that no future ratemaking treatment for the plant items should be inferred from this conclusion.

Proposed Rates and Charges

Staff recommends that the Company serve the requested extension areas under its Commission authorized rates and charges.

Conclusions and Recommendations

Staff finds that Keaton has adequate plant capacity to serve its existing customers. Also, Staff finds that the Company's proposed new plant facilities are adequate to serve the requested

CC&N extension areas. Based on the documented request for service by the Sunland Estates, Staff finds that it is in the public interest to approve the Company's request for CC&N extension.

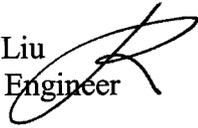
However, Staff found that the Company has not received ADEQ's ATC as well as ADWR's Analysis of Adequate Water Supply for the Sunland Estates. Further, ADWR is yet to issue Keaton with a letter confirming if its filed System Water Plan is satisfactory.

Based on the foregoing, Staff concludes that it is appropriate to recommend that the Commission grant Keaton an Order Preliminary for this CC&N extension, with the following conditions:

1. That the Commission Order requires Keaton to file with Docket Control, as a compliance item in this docket, a copy of the ATC for the Sunland Estates, within 3 years of the effective date of an Order Preliminary in this proceeding.
2. That the Company docket as a compliance item in this docket, a copy of ADWR's letter stating whether the Company's System Water Plan is satisfactory, no later than December 31, 2008.
3. That the Company file as a compliance item in this docket, a copy of ADWR Analysis of Adequate Water Supply or Physical Availability Determination, indicating that it has adequate water supply for the requested extension area, within 3 years of the effective date of an Order Preliminary in this proceeding.
4. That after Keaton complies with Requirement Nos, 1, & 3, that the Company shall make a filing stating so. Within 30 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms Keaton's compliance with Requirement Nos, 1, & 3. If Keaton does not comply with any one of Requirement Nos, 1, & 3 within the time specified, the Order Preliminary shall be null and void, and this docket shall be closed.

MEMORANDUM

TO: Alexander Igwe
Executive Consultant III

FROM: Jian W. Liu 
Utilities Engineer

DATE: September 22, 2008

RE: KEATON DEVELOPMENT COMPANY, INC.
DOCKET NO. W-02169A-08-0301 (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 proposed development is an approximately 89-acre parcel ("Sunland, 228 lots"). The development is adjacent to Company's existing CC&N.

Existing Water System Description

The facility consists of two wells producing approximately 314 gallons per minute ("GPM"). The system also has three storage tanks (20,000 gallons, and two 14,000 gallons), and a distribution system serving 502 connections.

Capacity of Existing System

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

Proposed Water System

The developer will replace a pump at Well No. 2, construct a new storage tank with approximate 90,000 gallons, and install the transmission facilities interconnecting the new subdivision to the existing water system.

Staff concludes that the proposed water system will have adequate infrastructure to serve the proposed development with 228 residential units.

Cost Analysis

The Company submitted the following estimated plant-in-service amounts for the new development, and the developer will pay for these water facilities through a main extension agreement.

	Sunland
WELL PUMP INSTALLED:	\$10,000
STORAGE INSTALLED:	\$175,000
PRESSURE PUMPS INSTALLED	\$22,000
PRESSURE TANK INSTALLED	\$50,000
OFF SITE WATER MAIN WITH FITTINGS AND FIRE HYDRANTS:	\$120,000
ON SITE WATER MAIN WITH FITTINGS AND FIRE HYDRANTS:	\$960,000
TOTAL:	\$1,337,000

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

ADEQ regulates the Company's Water System under ADEQ Public Water System ("PWS") #15-029. Based on compliance information submitted by the Company, the system has no major deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ report dated September 19, 2008).

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 for Sunland. 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 ATC for the Sunland subdivision within 2 years of the effective date of the order granting the CC&N.

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.

Compliance Status – Filing of Annual Water Use Report and System Water Plan per *Arizona Revised Statutes* § 45-341 to § 45-343

As of September 17, 2008, Keaton (PWS #15-029) is in compliance with the reporting requirements of *Arizona Revised Statutes* § 45-341 to § 45-343. Upon completion of its review of the Company’s System Water Plan, which includes a Water Supply Plan, Drought Preparedness Plan and Water Conservation Plan, ADWR will issue a letter stating whether or not the System Water Plan filed meets ADWR requirements. Staff recommends that the Company docket as a compliance item in this docket no later than December 31, 2008, a copy of the letter issued by ADWR indicating that the Company’s System Water Plan meets ADWR requirements.

Analysis of Adequate Water Supply

The Company has not demonstrated that there is adequate water for the CC&N extension, therefore, Staff recommends that the Company docket, in this docket, a copy of the Analysis of Adequate Water Supply or Physical Availability Determination, indicating that there is adequate water, from ADWR for the requested area prior to a CC&N being issued.

Arizona Corporation Commission (“ACC”) Compliance

According to the Utilities Division Compliance Section, the Company has no delinquent compliance issues (Compliance Section Email dated September 17, 2008).

Summary

Conclusions

- A. The existing water system has adequate production and storage capacity for existing connections.
- B. Based on compliance information submitted by the Company, the system has no major deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. (ADEQ report dated September 19, 2008).

- C. Keaton is not located in any ADWR Active Management Area and not subject to AMA reporting and conservation requirements. As of September 17, 2008, Keaton (PWS #15-029) is in compliance with the reporting requirements of *Arizona Revised Statutes* § 45-341 to § 45-343.

Recommendations

1. Staff recommends that the Company docket, in this docket, a copy of the Analysis of Adequate Water Supply or Physical Availability Determination, indicating that there is adequate water, from ADWR for the requested area prior to a CC&N being issued.
2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for the Sunland subdivision within 2 years of the effective date of the order granting the CC&N.
3. Staff recommends that the Company docket as a compliance item in this docket no later than December 31, 2008, a copy of the letter issued by ADWR indicating that the Company's System Water Plan met ADWR requirements.

MEMORANDUM

TO: Alexander Igwe
Executive Consultant III
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: September 2, 2008

RE: **KEATON DEVELOPMENT COMPANY (DOCKET NO. W-02169A-08-0301)**
SECOND AMENDED LEGAL DESCRIPTION

Keaton Development has submitted an amendment that the area requested in the original application be used rather than the area requested in the first amended application. The legal description requested in the original application is attached and should be used in place of the description submitted with the first amended application.

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

:bsw

Attachments

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

LA PAZ COUNTY

RANGE 13 West

TOWNSHIP 5 North

- W-2169 (1)
Keaton Development Company
- W-1084 (1)
Salome Water Company
- (1)
Keaton Development Company
Docket No. W-02169A-07-0098
Application for Extension
- (1)
Keaton Development Company
Docket No. W-02169A-08-0301
Application for Extension

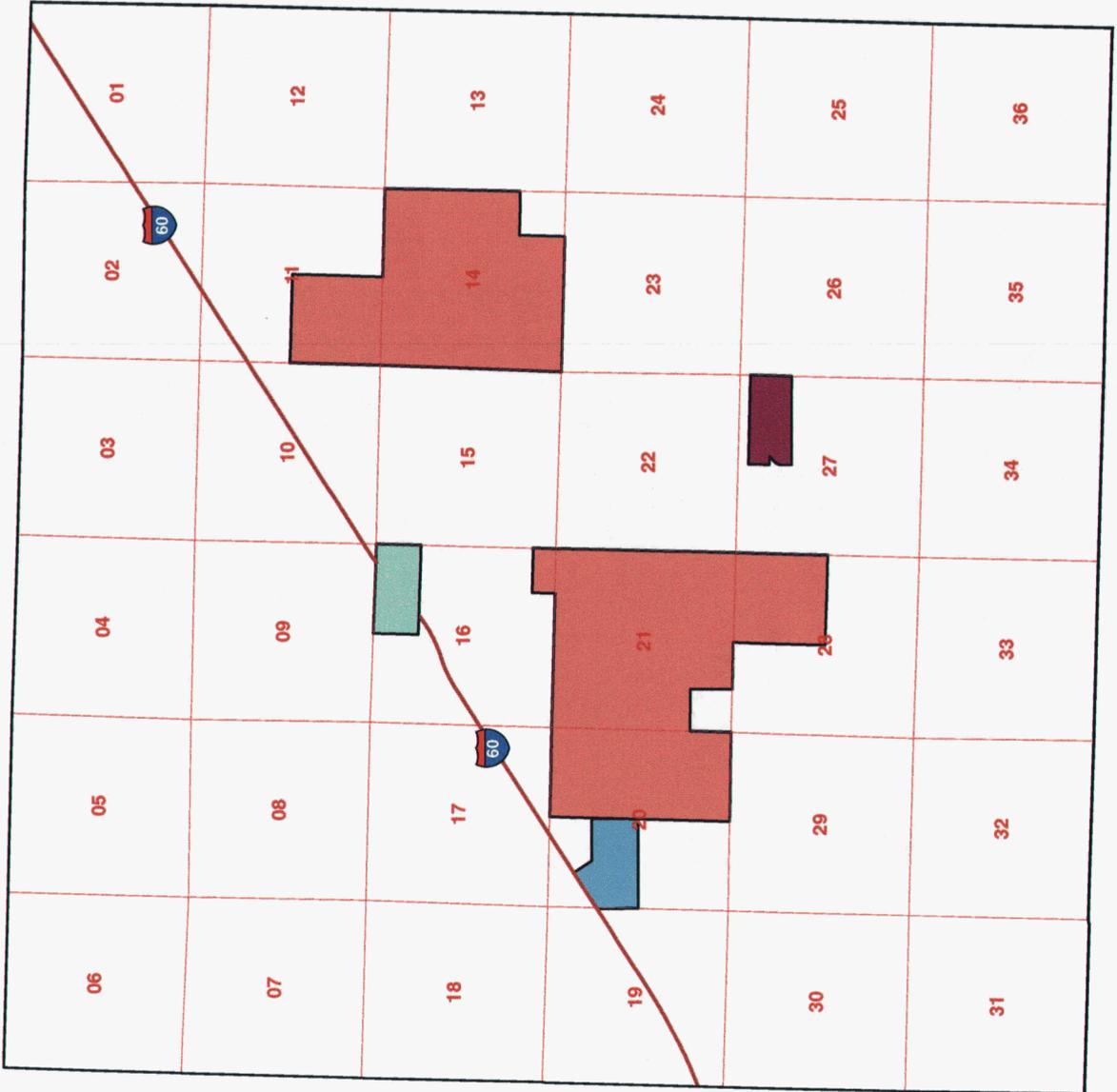


EXHIBIT "___"

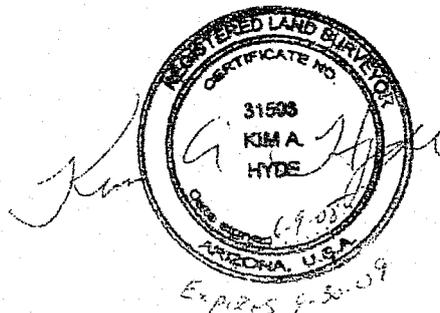
That portion of the NW 1/4 of Section 20, Township 5 North, Range 13 West, Gila and Salt River Meridian, La Paz County, Arizona, being more particularly described as follows:

Lot 3, Lot 4, and Lot 5 as shown on that Results of Survey on file at Record No. 1999-04542, Official Records of La Paz County, Arizona, and being more particularly described as follows:

BEGINNING at a brass cap in concrete marked "Holmquist RLS25074" at the West 1/4 Corner of said Section 20, said brass cap also being the Southwesterly corner of said Lot 5;
Thence $N0^{\circ}04'08''W$ along the West line of said NW 1/4 of said Section 20 (Westerly line of said Lot 5 and Lot 4) a distance of 1178.01 feet to an ADOT brass cap in concrete on the Southerly right-of-way line of U.S. Highway 60-70 (Northwesterly corner of said Lot 4);
Thence $N56^{\circ}24'10''E$ along said right-of-way line (Northerly line of said Lot 5 and Lot 3) a distance of 1277.45 feet to a 1/2" rebar with yellow plastic cap marked "TIERRA RLS31598" (Northerly corner of said Lot 3);
Thence $S33^{\circ}35'50''E$ along the Northeasterly line of said Lot 3 a distance of 632.12 feet to a 1/2" rebar with yellow plastic cap marked "TIERRA RLS31598";
Thence $S89^{\circ}50'04''E$ continuing along the Northeasterly line of said Lot 3 a distance of 1241.65 feet to a 1/2" rebar with yellow plastic cap marked "TIERRA RLS31598" on the East line of said NW 1/4 of Section 20 (Northeasterly corner of said Lot 3);
Thence $S0^{\circ}00'51''E$ along the East line of said NW 1/4 of Section 20 (Easterly line of said Lot 3 and Lot 5) a distance of 1355.75 feet to a 1/2" rebar with yellow plastic cap marked "RLS25074" at the Center 1/4 Corner of said Section 20 (Southeasterly corner of said Lot 5);
Thence $N89^{\circ}58'45''W$ along the South line of said NW 1/4 of Section 20 (Southerly line of said Lot 5) a distance of 2654.40 to the POINT OF BEGINNING.

Containing 89.1 acres, more or less.

Basis of Bearings is $N56^{\circ}24'10''E$ along the Southerly right-of-way line of the Quartzsite-Wickenburg Highway (U.S. 60-70) as shown on the Arizona Highway Department right-of-way plans for Project F-022-1(1), sheet 5 of 46, As-Built, 12-07-61.



igwe

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

ATTORNEYS AT LAW
TEMPE OFFICE

4500 S. LAKESHORE DRIVE
SUITE 339
TEMPE, ARIZONA 85282

RECEIVED

7000 SEP 26 A 10:30

AZ CORP COMMISSION
DOCKET CONTROL

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

RICHARD L. SALLQUIST

September 25, 2008

RECEIVED

SEP 26 2008

AZ CORP COMM
Director Utilities

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

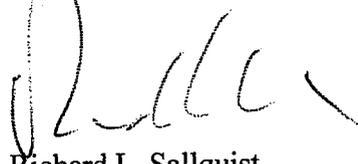
Re: Keaton Development Company-Docket No. W-02169A-08-0301; Affidavits of Mailing and Publication

Dear Ms. Kilger:

The Procedural Order in this matter required Notice to the Property Owners and the public, and certification of said Notice. Attached hereto are 15 copies of each of those Affidavits.

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

Sincerely,



Richard L. Sallquist

Enclosures

- cc: Hearing Division
- Legal Division
- Alex Igwe
- Bill Scott

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 ON THE APPLICATION OF KEATON DEVELOPMENT COMPANY FOR APPROVAL OF AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE PROVISION OF WATER SERVICE IN PORTIONS OF LA PAZ COUNTY DOCKET NO. W-02169A-08-0301

of which the annexed is a printed copy, was published in said newspaper at 1 time(s), commencing on the 17th day of September, 2008 and ending on the 17th day of September, 2008 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:

September 17, 2008

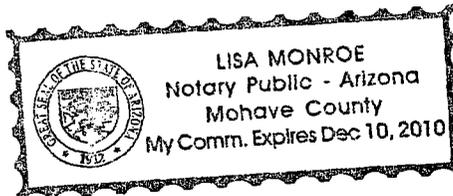
Subscribed and sworn to before me the 17th day of September, 2008.

[Signature]

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

December 10, 2010

My Commission Expires:



**PUBLIC NOTICE OF THE HEARING ON
THE APPLICATION OF KEATON
DEVELOPMENT COMPANY FOR
APPROVAL OF AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND
NECESSITY FOR THE PROVISION OF
WATER SERVICE IN PORTIONS OF LA
PAZ COUNTY.**

(Docket No. W-02169A-08-0301)

On June 13, 2008, Keaton Development Company ("Keaton" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("Certificate" or "CC&N") to provide domestic water service in portions of La Paz County, Arizona. The Commission's Utilities Division (staff) has not yet made a recommendation regarding Keaton's application, and the Commission is not bound by the proposals made by Keaton, Staff, or any intervenors. The Commission will issue a decision regarding Keaton's application following consideration of testimony and evidence presented at an evidentiary hearing. Copies of the application are available at Keaton's offices 66798 Hwy 60, Salome, Arizona 85348 and the Commission's offices at 1200 West Washington, Phoenix, Arizona, for public inspection during regular business hours 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 beginning October 30, 2008, at 10:00 a.m., in Hearing Room #1 at the Commission's offices, 1200 West Washington, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted via email (visit http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf for instructions) or by mailing a letter referencing Docket Number W-02169A-08-0301 to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or 602-542-4251.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you would like to intervene, you must file a written motion to intervene with the Commission, and you must send copies of the motion to the Company or its counsel, and to all parties of record in the case. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom documents are to be served in your place, if desired;
2. A short statement of your interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.); and
3. A statement certifying that a copy of your motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before October 14, 2008. 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 person or entity from appearing at the hearing and making a statement on their own behalf.

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

Publish: September 17, 2008 6108

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Richard L. Sallquist, Esq. (002774)
SALLQUIST & DRUMMOND, P.C.
2525 E Arizona Biltmore Circle, Suite 117
Phoenix, Arizona 85016
Telephone: (602) 224-9222
Fax: (602) 224-9366
Attorneys for Keaton Development Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE)
APPLICATION OF KEATON)
DEVELOPMENT COMPANY FOR AN)
EXTENSION OF ITS CERTIFICATE)
OF CONVENIENCE AND NECESSITY)
FOR THE PROVISION OF WATER)
SERVICE IN PORTIONS OF LA PAZ)
COUNTY, ARIZONA.)

DOCKET NO. W-02169A-08-0301

AFFIDAVIT OF MAILING

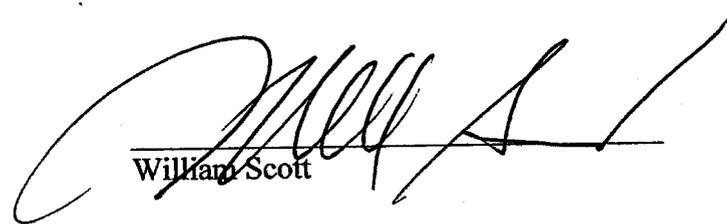
STATE OF ARIZONA)
County of La Paz)

The undersigned being first duly sworn deposes and says as follows:

1. I am William Scott, President of Keaton Development Company. My business address is P.O. Box 905, Salome, Arizona 85348.

2. On or about September 08, 2008, I caused to be deposited in the United States mail, first class certified, postage prepaid, the Procedural Order dated September 4, 2008 to all property owners in the requested area, said notice being in the form attached hereto as Attachment One.

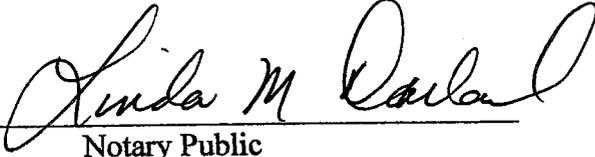
Further affiant sayeth not.


William Scott

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SUBSCRIBED AND SWORN to before me this 8 day of September __, 2008, by

William Scott.


Notary Public

My Commission Expires:

7-31-11



KEATON DEVELOPMENT CO

P.O. BOX 905

66477 65 Th ST.

SALOME, AZ 85348

Phone 928-859-3982 FAX 928-859-3984

9/8/2008

Phoenix Atlantic Properties L.L.C.
7349 Via Paseo Del Sur #515
Scottsdale, AZ 85258

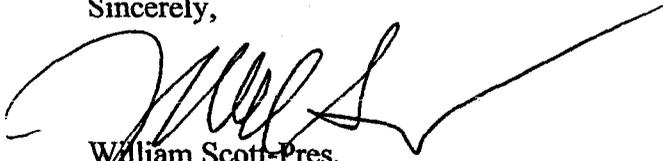
Sunland Estates Annexation to Keaton Development Co CC&N
DOCKET NO. W-02169A-08-0301
PROCEDURAL ORDER

Gentlemen,

Enclosed please find a copy of the referenced document. This letter will serve to satisfy the Order to **"mail to each property owner or property owner representative in the requested extension area a copy of the above notice."**

Also, a copy of the "time clock" for the Order is included. Please note that the Hearing for this matter has been set for Oct. 30, 2008 at 10:00 AM.

Sincerely,



William Scott Pres.
Keaton Development Co.

CC: Dick Sallquist-Sallquist, Drummond and O'Connor

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON - Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF THE APPLICATION OF
9 KEATON DEVELOPMENT COMPANY FOR
10 APPROVAL OF AN EXTENSION OF ITS
11 CERTIFICATE OF CONVENIENCE AND
12 NECESSITY FOR THE PROVISION OF
13 WATER SERVICE IN PORTIONS OF LA PAZ
14 COUNTY, ARIZONA.

DOCKET NO. W-02169A-08-0301

PROCEDURAL ORDER

11 **BY THE COMMISSION:**

12 On June 13, 2008, Keaton Development Company ("Keaton" or "Applicant") filed with the
13 Arizona Corporation Commission ("Commission") an application for an extension of its Certificate
14 of Convenience and Necessity ("Certificate" or "CC&N") to provide domestic water service in
15 portions of La Paz County, Arizona.

16 On July 3, 2008, Keaton filed an Amended Application.

17 On August 1, 2008, the Commission's Utilities Division ("Staff") filed an Insufficiency Letter
18 and First Set of Data Requests.

19 On August 12, 2008, Applicant filed a second amended application withdrawing the
20 amendment set forth in the July 3, 2008, filing.

21 On August 19, 2008, Staff filed a Sufficiency Letter indicating that Keaton's application had
22 met the sufficiency requirements as outlined in the Arizona Administrative Code ("A.A.C.").

23 On August 20, 2008, Keaton filed a Response to Staff's First Set of Data Request.

24 Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern
25 the preparation and conduct of this proceeding.

26 IT IS THEREFORE ORDERED that the **hearing** in the above-captioned matter shall be held
27 on **October 30, 2008, at 10:00 a.m.**, or as soon thereafter as is practicable, at the Commission's
28

1 offices, 1200 West Washington Street, Hearing Room #1, Phoenix, Arizona 85007.

2 IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-
3 105, except that all Motions to Intervene must be filed on or before **October 14, 2008**.

4 IT IS FURTHER ORDERED that **objections to any Motions to Intervene** must be filed no
5 later than **October 23, 2008**.

6 IT IS FURTHER ORDERED that Keaton shall provide public notice of the hearing in this
7 matter, in the following form and style, with the heading no less than 10 point bold type and the body
8 no less than 10 point regular type:

9
10 **PUBLIC NOTICE OF THE HEARING ON THE APPLICATION OF**
11 **KEATON DEVELOPMENT COMPANY FOR APPROVAL OF AN**
12 **EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND**
13 **NECESSITY FOR THE PROVISION OF WATER SERVICE IN**
14 **PORTIONS OF LA PAZ COUNTY.**
15 **(Docket No. W-02169A-08-0301)**

16 On June 13, 2008, Keaton Development Company ("Keaton" or "Applicant") filed
17 with the Arizona Corporation Commission ("Commission") an application for an
18 extension of its Certificate of Convenience and Necessity ("Certificate" or "CC&N")
19 to provide domestic water service in portions of La Paz County, Arizona. The
20 Commission's Utilities Division ("Staff") has not yet made a recommendation
21 regarding Keaton's application, and the Commission is not bound by the proposals
22 made by Keaton, Staff, or any intervenors. The Commission will issue a decision
23 regarding Keaton's application following consideration of testimony and evidence
24 presented at an evidentiary hearing. Copies of the application are available at
25 Keaton's offices [insert address] and the Commission's offices at 1200 West
26 Washington, Phoenix, Arizona, for public inspection during regular business hours and
27 on the internet via the Commission website (www.azcc.gov) using the e-docket
28 function.

29 The Commission will hold a hearing on this matter beginning **October 30, 2008, at**
30 **10:00 a.m.**, in Hearing Room #1 at the Commission's offices, 1200 West Washington,
31 Phoenix, Arizona. Public comments will be taken on the first day of the hearing.
32 Written public comments may be submitted via email (visit
33 http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf for instructions) or
34 by mailing a letter referencing Docket Number W-02169A-08-0301 to: Arizona
35 Corporation Commission, Consumer Services Section, 1200 West Washington,
36 Phoenix, AZ 85007. If you require assistance, you may contact the Consumer Services
37 Section at 1-800-222-7000 or 602-542-4251.

38 The law provides for an open public hearing at which, under appropriate
39 circumstances, interested parties may intervene. Any person or entity entitled by law
40 to intervene and having a direct and substantial interest in the matter will be permitted
41 to intervene. If you would like to intervene, you must file a written motion to
42 intervene with the Commission, and you must send copies of the motion to the
43 Company or its counsel, and to all parties of record in the case. Your motion to
44 intervene must contain the following:

- 1 1. Your name, address, and telephone number, and the name, address, and
2 telephone number of any party upon whom documents are to be served in your
3 place, if desired;
- 4 2. A short statement of your interest in the proceeding (e.g., a customer of the
5 Company, a shareholder of the Company, etc.); and
- 6 3. A statement certifying that a copy of your motion to intervene has been mailed
7 to the Company or its counsel and to all parties of record in the case.

8 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except
9 that all motions to intervene must be filed on or before **October 14, 2008**. The
10 granting of intervention, among other things, entitles a party to present sworn evidence
11 at hearing and to cross-examine other witnesses. However, failure to intervene will
12 not preclude any person or entity from appearing at the hearing and making a
13 statement on their own behalf.

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

20 IT IS FURTHER ORDERED that Keaton shall **mail to each property owner or property
21 owner representative** in the requested extension area a copy of the above notice and shall cause the
22 above notice to be **published in a newspaper of general circulation** in its service territory, with
23 publication and mailing to be completed no later than **September 26, 2008**.

24 IT IS FURTHER ORDERED that Keaton shall **file certification of mailing and publication**
25 as soon as practicable after the mailing/publication has been completed, but not later than **October 3,
26 2008**.

27 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing and
28 publication of same, notwithstanding the failure of an individual property owner to read or receive
the notice.

IT IS FURTHER ORDERED that Staff shall file a **Staff Report** on or before **October 3,
2008**.

IT IS FURTHER ORDERED that any **objections to the Staff Report** shall be filed on or
before **October 13, 2008**.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized
Communications) applies to this proceeding as the matter is now set for public hearing.

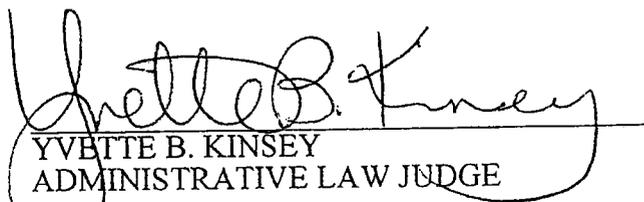
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IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro hac vice*.

IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the Rules of the Arizona Supreme Court). Representation before the Commission includes the obligation to appear at all hearings and procedural conferences, as well as all Open Meetings for which the matter is scheduled for discussion, unless counsel has previously been granted permission to withdraw by the Administrative Law Judge or the Commission.

IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

Dated this 4th day of September, 2008.


YVETTE B. KINSEY
ADMINISTRATIVE LAW JUDGE

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1 Copies of the foregoing mailed/delivered
this 4th day of September, 2008 to:

2 William Scott, President
3 KEATON DEVELOPMENT COMPANY
4 P.O. Box 905
Salome, Arizona 85348

5 Richard L. Sallquist
6 SALLQUIST, DRUMMOND & O'CONNOR, P.C.
7 4500 South Lakeshore Drive, Suite 3389
Tempe, Arizona 85282
Attorney for Keaton Development Company

8 Janice Alward, Chief Counsel
9 Legal Division
10 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

11 Ernest G. Johnson, Director
12 Utilities Division
13 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

14 ARIZONA REPORTING SERVICE, INC.
15 2200 N. Central Ave., Suite 502
Phoenix, Arizona 85004

16
17 By: 
18 Debra Broyles
Secretary to Yvette B. Kinsey

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KEATON DEVELOPMENT COMPANY
CC&N CASE TIME TABLE
Docket No. W-02169A-08-0301
HEARING October 30, 2008 10:00 am

Letter of Sufficiency	8/19/08
Procedural Order	9/4/08
Judge	Kinsey
Staff Attorney	Torrey
Staff Witness	Igwe, Ortiz, Liu
Staff Report and Testimony	10/3/08
Publish Notice	9/26/08
Mail Notice to Property Owner's	9/26/08
Objections to Staff Report	10/13/08
Motions to Intervene	10/14/08
Affidavit of Publish and Mailing	10/3/08
Objections to Motions to Intervene	10/23/08
Hearing	10/30/08 10:00 am
Last Open Meeting before Time Clock	1/13/09
Time Clock Deadline	1/16/09