

ORIGINAL

MEMORANDUM



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TO: Docket Control Center

2008 DEC 12 A 10:42

Arizona Corporation Commission

DOCKETED

FROM: Ernest G. Johnson  
Director  
*for* Utilities Division

AZ CORP COMMISSION  
DOCKET CONTROL

DEC 12 2008

DATE: December 12, 2008

DOCKETED BY *MS*

RE: ARIZONA WATER COMPANY - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINE (DOCKET NO. W-01445A-06-0059)

In Decision No. 69163, dated December 5, 2006, the Arizona Corporation Commission ("Commission") approved the application of Arizona Water Company ("Arizona Water" or "Company") for extension of its Certificate of Convenience and Necessity ("CC&N") in the area of Casa Grande, Arizona. This decision approved an extension area which was divided into five separate parcels, referred to as Parcels 1, 2, 3, 4 and 5. As such, the Company was ordered to provide the following compliance filings in the above docket:

"...a copy of one Approval to Construct from the Arizona Department of Environmental Quality for the extension facilities within two years of the effective date of this Decision for each of the five parcels approved by this decision ..."

"...a copy of one developer's Certificate of Assured Water Supply, where applicable or when required by statute within two years of the effective date of this Decision for each of the five parcels approved by this decision ..."

Based on the Commission ordered two year timeframe, the original due date for compliance with this requirement was on or about December 5, 2008.

On October 8, 2008, Arizona Water docketed a "request for additional time" to provide the above information on Parcels 2, 4 and 5 of the extension area. In the attached application, the Company outlines the filings that have been made over the last two years to achieve compliance with the Decision No. 69163 requirements for both Parcel 1 and Parcel 3. The primary reasons stated for the delay in development of the remaining parcels was the major downturn in housing and, in one property owner's case, the "master planning and rezoning process starting over as a result of the property annexation into the City of Casa Grande". Arizona Water further states that in addition to achieving a substantial level of compliance by providing the necessary filings on Parcel 1 and 3, they are currently serving 588 customers in the expansion area and have provided letters from property owners that reiterate the need for service within 24 months from Arizona Water. The Company believes that they have provided sufficient evidence of progress such that the extension of time for Parcel 2, 4 and 5 should be granted.

Docket Control Center

December 12, 2008

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On December 8, 2008, Staff contacted Mr. Bob Geake, to discuss the Company request for extension of time. Mr. Geake stated that the development of the remaining parcels has not proceeded due to the economy and the current housing market. He further stated that the Company has no control over the future date in which development will again proceed. Given the uncertainty currently being evidenced in the economic and financial markets and the compliance already achieved, it appears reasonable to allow additional time for the Company to comply with the Decision No. 69163 requirements.

Based on all of the above, Staff will not object to the Company request for extension of time until December 5, 2010, for the provision of Approval to Construct and Assured Water Supply filings for Parcels 2, 4 and 5 as outlined in Decision No. 69163. Staff further recommends that no further time extensions be granted in this matter.

EGJ:BKB:lhv

Originator: Brian K. Bozzo

Attachment

SERVICE LIST FOR: ARIZONA WATER COMPANY  
DOCKET NO. W-01445A-06-0059

Mr. Robert W. Geake  
Vice President and General Counsel  
Arizona Water Company  
Post Office Box 29006  
Phoenix, Arizona 85038-9006

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

Ms. Janice Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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**COMMISSIONERS**

Mike Gleason - Chairman  
William A. Mundell  
Jeff Hatch Miller  
Kristin K. Mayes  
Gary Pierce

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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

OCT -8 2008

DOCKET NO. W-01445A-06-0059  
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IN THE MATTER OF THE APPLICATION OF  
ARIZONA WATER COMPANY, AN ARIZONA  
CORPORATION, TO EXTEND ITS EXISTING  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY AT CASA GRANDE, PINAL  
COUNTY, ARIZONA

**DOCKET NO. W-01445A-06-0059**  
**REQUEST FOR ADDITIONAL TIME**  
**FOR COMPLIANCE FILING**

Decision No. 69163, which was entered in this docket on December 5, 2006 (the "Decision"), directed Arizona Water Company (the "Company"), the applicant in this docket, to file certain items as a compliance filing within certain time frames provided in the Decision.

The extension area approved in the Decision, a copy of which is attached hereto as Exhibit A, was divided into five (5) parcels. The Company has previously filed all of the compliance items for Parcels 1 and 3, in compliance with the Decision, in the following manner:

1. On February 3, 2006, in Docket No. W-01445A-04-0773, the Company filed copies of main extension agreements and certificates of approval to construct for Parcel 1.
2. On December 18, 2006, in Docket No. W-01445A-04-0773, the Company filed the developer's certificate of assured water supply issued by the Arizona Department of Water Resources for Parcel 1

1           3.     On February 12, 2007, in Docket No. W-01445A-06-0059, the Company filed,  
2                     with respect to Parcel 3, copies of a main extension agreement, a certificate of  
3                     approval to construct, and a certificate of assured water supply.

4  
5           With respect to the Decision's compliance requirements for Parcels 2, 4 and 5, the  
6 Company is now requesting an extension of the current compliance deadline, December 5, 2008,  
7 for an additional two (2) year period, until December 5, 2010. In support of its request, the  
8 Company respectfully submits:

- 9
- 10           1.     That, as detailed in numbered paragraphs 1-3, above, the Company has already  
11                     substantially complied with the post-hearing compliance requirements of the  
12                     Decision.
  - 13
  - 14           2.     That the Company is currently serving 588 customers in the expansion area approved  
15                     by the Decision.
  - 16
  - 17           3.     That it is attaching hereto as Exhibits B and C, letters from property owners or  
18                     property owner representatives for real property located in Parcels 2 and 5,  
19                     respectively, documenting their continuing needs and desires (both sent letters to the  
20                     Company documenting requests for water service that were attached as Exhibits 3.2  
21                     and 3.6 to the Company's application filed in this docket on February 1, 2006) to  
22                     continue to be able to obtain water service from the Company.

23

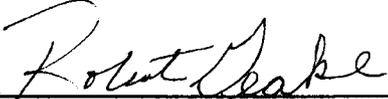
24           The Company believes, and, therefore submits that the foregoing provides sufficient  
25 support for its request, and, therefore, respectfully requests that it be given an additional period  
26 of time of not less than two years beyond December 5, 2008 to file the required compliance  
27 items for Parcels 2, 4 and 5 in the extension area approved by the Decision.

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RESPECTFULLY SUBMITTED this 8th day of October 2008.

**ARIZONA WATER COMPANY**

By: 

Robert W. Geake  
Vice President and General Counsel  
ARIZONA WATER COMPANY  
Post Office Box 29006  
Phoenix, Arizona 85038-9006

1 Original and thirteen (13) copies of the foregoing filed the 8th day of October 2008 with:

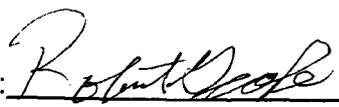
2 Docket Control Division  
3 Arizona Corporation Commission  
4 1200 West Washington Street  
Phoenix, Arizona 85007

5  
6 A copy of the foregoing was hand delivered this 8th day of October 2008 to:

7 Janice Alward, Chief Counsel  
8 Legal Division  
9 Arizona Corporation Commission  
10 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 Brian Bozzo  
15 Compliance Director  
16 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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20 By:   
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## EXHIBIT A

CC&N This Application  
AMENDED**PARCEL ONE**

The Northwest quarter of the Northwest quarter of Section 27; The Southwest quarter and the East half of Section 28; Section 33; The East half of the Southeast quarter of the Southeast quarter of Section 34, all in Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

**EXCEPTING THEREFROM** any portion currently certificated to Arizona Water Company.

**PARCEL TWO**

COMMENCING at the Southeast corner of the Southeast quarter of Section 15 in Township 7 South, Range 5 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona; Thence along the Easterly line thereof, North 00 degrees 01 minutes 12 seconds West, 715.86 feet to the intersection of the Northerly line of that certain strip of land, 60.00 feet wide, known as the El Paso Natural Gas Line Easement, the same being the POINT OF BEGINNING; Thence leaving said Easterly line along said Northerly line, North 61 degrees 02 minutes 29 seconds West, 754.46 feet to a line parallel with and distant 660.00 feet Westerly measured at right angles to said Easterly line; Thence along said parallel line, North 00 degrees 01 minutes 12 seconds West, 1563.65 feet to a line parallel with and distant 660.00 feet Westerly, measured at right angles to the Easterly line of the Northeast quarter of said Section 15; Thence along said last mentioned parallel line, North 00 degrees 01 minutes 56 seconds West, 2643.28 feet to the Northerly line of the Northeast quarter of said Section 15; Thence along said last mentioned Northerly line, North 89 degrees 48 minutes 11 seconds East, 660.00 feet to the Northeast corner of the Northeast quarter of said Section 15; Thence along the Easterly line thereof, South 00 degrees 01 minutes 56 seconds East, 2645.25 feet to the Northeast corner of the Southeast quarter of said Section 15; Thence along the Easterly line thereof, South 00 degrees 01 minutes 12 seconds East, 1929.25 feet to the POINT OF BEGINNING;

AND

That portion of the East half of Section 15 in Township 7 South, Range 5 East of the Gila and Salt River Meridian, Pinal County, Arizona, described as follows:  
Commencing at the Northeast corner of the Northeast quarter of said Section 15;  
Thence along the Northerly line thereof South 89 degrees 48 minutes 11 seconds West, 660.00 feet to a line parallel with and distant, 660.00 feet Westerly, measured at right angles to the Easterly line of the Northeast quarter of said Section 15;

Thence along said parallel line South 00 degrees 01 minutes 56 seconds East, 2643.28 feet to a line parallel with and distant, 660.00 feet Westerly, measured at right angles to the Easterly line of the Southeast quarter of said Section 15;

Thence along said last mentioned parallel line South 00 degrees 01 minutes 12 seconds East, 1236.73 feet to the POINT OF BEGINNING;

Thence continuing South 00 degrees 01 minutes 12 seconds East, 361.21 feet to the intersection of the centerline of that certain strip of land, 60.00 feet wide, known as the El Paso Natural Gas Line Easement;

Thence along said centerline North 61 degrees 02 minutes 29 seconds West, 175.00 feet;

Thence leaving said centerline North 28 degrees 57 minutes 31 seconds East, 315.99 feet to the POINT OF BEGINNING.

### PARCEL THREE

The Northeast quarter of Section 3; The West half of the East half of Section 10; The Southwest quarter of Section 10; The North half of Section 15; The West half of the Southeast quarter of Section 15; The Southeast quarter of the Southeast quarter of Section 15 in Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

### PARCEL FOUR

BEGINNING at the North quarter corner of Section 34, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

Thence  $S00^{\circ}12'07''W$ , coincident with the North-South mid-section line of said Section 34, a distance of 1778.63 feet to the southeasterly line of the Florence-Casa Grande Canal, per A.L.T.A. Survey created by B & R Engineering, Inc., Project #919500, Casa Grande 1800 Acres, as evidenced by the southeasterly edge of the southerly dirt access road that abuts said Canal;

Thence along said Southeasterly line,  $N40^{\circ}11'45''E$ , a distance of 1111.79 feet to the beginning of a tangent curve, concave to the southeast, having a radius of 285.00 feet;

Thence northeasterly along the said curve, through a central angle of  $45^{\circ}44'36''$ , an arc distance of 227.54 feet;

Thence  $N85^{\circ}56'21''E$ , a distance of 100.95 feet;

Thence  $N88^{\circ}25'57''E$ , a distance of 988.19 feet to the beginning of a tangent curve, concave to the northwest, having a radius of 344.00 feet;

Thence northeasterly along the said curve, through a central angle of  $51^{\circ}58'23''$ , an arc distance of 312.04 feet;

Thence  $N36^{\circ}27'34''E$ , a distance of 75.32 feet to the beginning of a tangent curve, concave to the northwest, having a radius of 520.00 feet;

Thence northeasterly along the said curve, through a central angle of  $23^{\circ}44'47''$ , an arc distance of 215.51 feet;

Thence  $N12^{\circ}42'47''E$ , a distance of 411.06 feet to the North line of said Section 34;

Thence  $S89^{\circ}59'00''W$ , coincident with the North line of said Section 34, a distance of 2488.82 feet to the POINT OF BEGINNING.

**PARCEL FIVE**

Section 31; The West half of Section 32 in Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXHIBIT B

*Omega Management Services, Inc.*

LAND DEVELOPMENT MANAGEMENT CONSULTANTS

September 9, 2008

Arizona Water Company  
Attn: Robert W. Geake  
3805 N. Black Canyon Highway  
Phoenix, AZ 85015

Re: Extension of CC&N for CG8, L.L.C., Scottsdale, AZ

Dear Mr. Geake:

As the representative for the CG8, LLC, Omega Management Services is following up with you regarding Pinal County Assessor's Parcel No. 511-47-001A4 also known as the Traviano Master Planned Community. CG8, LLC, Owner of Traviano, still needs and desires to receive water service from Arizona Water Company to serve this development. Development progress for Traviano has been substantially delayed partly due to the major downturn in the housing (and subsequently commercial) markets and partly due to the master planning and rezoning process starting over as a result of the property commencing with annexation into the City of Casa Grande.

Prior to the master plan rezoning approval hearing before the Pinal County Board of Supervisors, the City of Casa Grande and the Supervisors requested of CG8, LLC that the property be annexed into the City of Casa Grande and proceed with the rezoning within that jurisdiction. This change of process has resulted in a significant time increase for the rezoning approval for the Traviano planned community as the master plan has had to incorporate significant land use and document modifications in order to meet the City's rezoning and development standards and requirements. Plan and document revisions are in the process of being finalized and resubmitted to the City of Casa Grande Planning Department for final review and comment and then to Planning and Zoning Commission review and hearings. It is anticipated that the annexation and rezoning of this property will be completed the end of the first quarter or early second quarter of 2009.

Unfortunately, as you are aware, during the time period we have been re-planning the Traviano development, the housing market has taken a major downturn, temporarily eliminating sufficient housing development demand for the Traviano development. Although the market appears to be reaching a point of bottoming out and a slow market demand returning, it is projected that there will not be a significant market return (in the Traviano area) for at least a couple of years - leaving development demand for Traviano on hold during a portion of this time period. As the housing market begins to rebuild, new development demand will start to materialize as existing homes and developed lots are removed from the market. Based on present existing home and finished lot inventories and market conditions not suddenly taking another downturn, we are projecting that development will commence in Traviano within

Arizona Water Company  
September 9, 2008  
Page 2

approximately twenty-four months so that additional lots will be available to meet new home buyer future demands.

Although development of Traviano is presently on hold at this time, we must emphasize, that CG8, LLC will still need to receive water service from Arizona Water Company when the market returns and development commences.

If you have any questions, please feel free to contact us.

Respectfully,



Steven P. Tomita  
Vice President  
Omega Management Services

**EXHIBIT C**

**EAGLE MEADOWS OF CASA GRANDE I, II, III, & IV, AZ**

**September 5, 2008**

**Arizona Water Company  
Attn: Robert W. Geake  
3805 N. Black Canyon Highway  
Phoenix, AZ 85015**

**Re: Extension of CC&N for Eagle Meadows of Casa Grande I, II, III & IV, AZ.**

**Dear Mr. Geake:**

I am following up with you regarding referenced request. Eagle Meadows of Casa Grande I, II, III & IV still needs and desires to receive water service from Arizona Water Company to serve this parcel. Our current plans include beginning development within twenty-four months if market conditions do not worsen.

If you have any questions, please feel free to contact us.

**Sincerely,  
Eagle Meadows of Casa Grande I, II, III & IV, Az**

By: *Kenneth Hardy*  
Authorized Representative

Its: *Ag Mays*  
Title