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BEFORE THE ARIZONA CORPORATION COMMISSION

9 IN THE MATTER OF THE APPLICATION  
OF CHAPARRAL CITY WATER  
10 COMPANY, INC., AN ARIZONA  
CORPORATION, FOR A  
11 DETERMINATION OF THE FAIR VALUE  
OF ITS UTILITY PLANT AND  
12 PROPERTY AND FOR INCREASES IN  
ITS RATES AND CHARGES FOR  
13 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-02113A-07-0551

NOTICE OF FILING

14 During its open meeting on October 8, 2009, the Commission considered the  
15 recommended decision and order ("ROO") in the above-captioned proceeding, in which  
16 Chaparral City Water Company, Inc. ("Company") requested certain increases in rates  
17 and charges for utility service. In connection with the discussions concerning the ROO,  
18 two customers provided public comments in which they asserted that their homeowners  
19 associations were experiencing problems resulting from high water pressure. The issue of  
20 high water pressure had not been raised previously and was not addressed in the record.

21 Consequently, at the conclusion of the discussion, Chairman Mayes directed the  
22 Company to provide a written response to the comments concerning high water pressure.  
23 Attached to this notice is a written report which addresses those comments.

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25 \* \* \*

Arizona Corporation Commission

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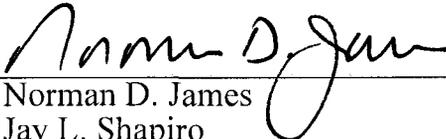
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RESPECTFULLY SUBMITTED this 3<sup>rd</sup> day of December 2009.

FENNEMORE CRAIG, P.C.

By   
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**ORIGINAL** and thirteen (13) copies  
of the foregoing were filed  
this 3<sup>rd</sup> day of December, 2009, to:

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

**COPY** of the foregoing was hand delivered  
this 3<sup>rd</sup> day of December, 2009, to:

Chairman Kristin Mayes  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Commissioner Gary Pierce  
Arizona Corporation Commission  
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Commissioner Paul Newman  
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1 Commissioner Bob Stump  
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5 Teena Wolfe, Administrative Law Judge  
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16 Legal Division  
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20 **COPY** of the foregoing mailed  
21 this 34 day of December, 2009, to:

22 Daniel W. Pozefsky, Esq.  
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CHAPARRAL CITY WATER COMPANY, INC.

DOCKET NO. W-02113A-07-0551

**REPORT REGARDING WATER PRESSURE COMMENTS**

This report is submitted to respond to certain comments made during the October 8, 2009, open meeting, during which the Commission considered the Recommended Opinion and Order on Chaparral City Water Company, Inc.'s application for rate increases. The first commenter was John Bivens, who is president of the La Vida Buena Homeowners Association ("HOA"). Mr. Bivens claimed that the water pressure is too high and pressure regulators must be installed in each house. The other commenter was Richard Kloster, who is president of the Eagle Mountain HOA. Mr. Kloster also claimed that his HOA experiences high water pressure. He told the Commissioners that his members have exploding water heaters and other serious plumbing problems.

The purpose of this report is to respond to these comments and explain the Chaparral City's position regarding the alleged water pressure problems.

1. Background

Chaparral City was formed in the 1970's by a real estate developer, MCO Properties, to provide water service to Fountain Hills, which MCO Properties developed. American States Water Company purchased the common stock of Chaparral City from the developer in 2000. By that time, much of the water system had been constructed. Like many developer-owned water and wastewater systems, there are certain aspects of the Chaparral City system that were not designed appropriately, probably to reduce costs. In other words, while the water system adequately delivers water, greater operational efficiencies could have been achieved. Chaparral City has made various improvements to the water system since its acquisition by American States to address some of these deficiencies.

Chaparral City's service territory is located on the southeastern slope of the McDowell Mountains. Consequently, it is rugged and contains significant elevation changes. To deal with elevation differences, its water system was designed to have five separate hydraulic gradients (pressure zones). If American States were designing and constructing an entirely new water system for Fountain Hills today, it would likely add additional pressure zones to better equalize and control the water pressure within and between each zone. This would require more plant and be more costly, but it would provide greater operational flexibility and improve service, especially in the higher elevation portions of the service territory.

2. La Vida Buena

La Vida Buena is a town home community that has 121 units. Each unit has its own 3/4-inch meter. Apparently, in 1995 or 1996, Rob Kuta and Jerry Blair with MCO Properties made an agreement with the La Vida Buena HOA to have pressure reducing valves ("PRV's") installed on each unit. There is a 6-inch PRV that was bypassed when

the individual PRVs where installed. The agreement was made to protect the homeowners from damage in the event of a mechanical failure to the 6-inch PRV. Today, the community is being supplied with 130 pounds per square inch ("psi"), because it is located in the lower portion of pressure zone 2.

3. Eagle Mountain

The pressure problems at Eagle Mountain occurred about two years ago when there was a mechanical failure of the 8-inch PRV that regulated water pressure in that portion of the system. Since then, to Chaparral City's knowledge, there been no other pressure problems in that area. The pressure at 9440 North Summer Hill Boulevard is about 70 psi, while the pressure at 9009 East Long Feather, which is at the lower end of Eagle Mountain, is about 100 psi. Due to the extreme elevation changes in the Eagle Mountain area, there is a fine line between low water pressure in the development's higher elevations and high water pressure in the development's lower elevations. The 8-inch PRV at Jagged Circle and Summer Hill Boulevard is set at 70 psi on the low side and 130 psi on the high side.

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