

ORIGINAL



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MEMORANDUM

30

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

Date: May 18, 2006

RE: STAFF REPORT FOR ARIZONA-AMERICAN WATER COMPANY -
APPLICATION FOR EXTENSION OF ITS SERVICE AREA UNDER ITS
EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE
WATER AND WASTEWATER UTILITY SERVICES IN ITS ANTHEM WATER
AND ANTHEM WASTEWATER DISTRICTS (DOCKET NO. WS-01303A-06-
0036)

Attached is the Staff Report for Arizona-American Water Company's application for extension of its existing Certificate of Convenience and Necessity to provide water and wastewater utility services in its Anthem Water and Anthem Wastewater Districts. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

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Service List for: Arizona-American Water Company
Docket No. WS-01303A-06-0036

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ARIZONA-AMERICAN WATER COMPANY

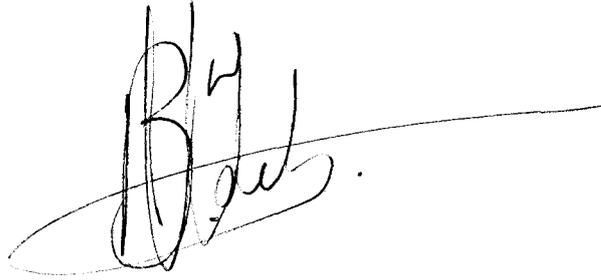
WS-01303A-06-0036

APPLICATION FOR EXTENSION OF
ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE
WATER AND WASTEWATER UTILITY SERVICES IN ITS ANTHEM WATER AND
ANTHEM WASTEWATER DISTRICTS

MAY 18, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Arizona-American Water Company (Docket No. WS-01303A-06-0036) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Jian W. Liu was responsible for the engineering and technical analysis.

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

Blessing Chukwu
Executive Consultant

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

Jian W. Liu
Utilities Engineer

EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY
APPLICATION FOR EXTENSION OF
ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE
WATER AND WASTEWATER UTILITY SERVICES IN ITS ANTHEM WATER AND
WASTEWATER DISTRICTS
DOCKET NO. WS-01303A-06-0036

On January 20, 2006, Arizona-American Water Company, through its Anthem Water and Anthem Wastewater Districts ("Arizona-American" 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 and wastewater utility services in portions of Maricopa County, Arizona. On April 6, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C. R14-2-411(C) and R14-2-610 (C).

Arizona-American is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water and wastewater utility services to customers in its various districts located in portions of Maricopa, Mohave, and Santa Cruz Counties in Arizona. According to the Company's Annual Report for the year ending December 31, 2004, the Company provides water and wastewater utility services to approximately 94,000 and 47,000 customers in Arizona, respectively.

By this application, Arizona-American is seeking Commission authority to add 203.48 acres to its certificated area. The requested area comprises of a new development known as Arroyo Vista and is contiguous to the existing certificated service area. The requested area is located in Maricopa County, east of I-17, south of Circle Mountain Road and north of Del Webb's Anthem Community (which is currently served by Arizona-American). Arroyo Vista is a master planned community that will consist of a 293 residential units and one commercial parcel (divided into two tracts).

Based on Staff's review and analysis of the application, Staff believes that Anthem water and Anthem wastewater systems have adequate production, storage, and treatment capacity to serve the existing certificated area and the proposed CC&N extension area. Staff also believes that the estimated construction costs of \$2,380,672 for the water facilities and \$1,127,980 for the wastewater facilities appear reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Staff recommends the Commission approve Arizona-American's application for extension of its existing Certificate of Convenience and Necessity to provide water and wastewater services in its Anthem Water and Anthem Wastewater Districts, subject to compliance with the following conditions:

1. To require Arizona-American to charge its Anthem Water and Wastewater Districts' tariffed rates and charges in the extension area.
2. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating Arizona-American has submitted for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within one year of a decision in this case.
3. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute, within one year of the effective date of the final decision and order issued pursuant to this application.
4. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of the applicable ADEQ or MCESD Certificate of Approval to Construct for the water and wastewater facilities needed to serve the requested area within one year of the effective date of an order in this proceeding.
5. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of Maricopa County franchise agreement for the requested area within one year of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Arizona-American be considered null and void, after due process, should the Company fail to meet the Condition Nos. 2, 3, 4, and 5 listed above within the time specified.

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Introduction

On January 20, 2006, Arizona-American Water Company, through its Anthem Water and Anthem Wastewater Districts ("Arizona-American" 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 and wastewater utility services in portions of Maricopa County, Arizona.

On February 16, 2006, 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."). 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 March 9, 2006, the Company provided additional documentation to support the relief requested.

On April 6, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C. R14-2-411(C) and R14-2-610 (C).

Background

Arizona-American is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water and wastewater utility services to customers in its various districts located in portions of Maricopa, Mohave, and Santa Cruz Counties in Arizona. The Company is a wholly-owned subsidiary of American Water Works, Inc., a subsidiary of RWE AG. According to the Company's Annual Report for the year ending December 31, 2005, the Company provides water and wastewater utility services to approximately 94,000 and 47,000 customers in Arizona, respectively.

By this application, Arizona-American is seeking Commission authority to add 203.48 acres to its certificated area. The requested area comprises of a new development known as Arroyo Vista and is contiguous to the existing certificated service area. The requested area is located in Maricopa County, east of I-17, south of Circle Mountain Road and north of Del Webb's Anthem Community (which is currently served by Arizona-American). Arroyo Vista is a master planned community that will consist of a 293 residential units and one commercial parcel (divided into two tracts).

Finance of Utility Facilities

The Company indicated in its application that it will finance the required utility facilities through a combination of advances in aid of construction and contributions. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs"). The Company has entered into a Water and Wastewater Line Extension Agreement with the developer, Pulte Home

Corporation ("Pulte"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties are established by A.A.C. R14-2-406 and 606. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

The water and wastewater MXA that was filed with the application provides that for water the utility shall refund ten (10) percent of the gross annual revenue received from associated facilities for ten years. This refund provision is consistent with the minimum refund standard in the current applicable rule, A.A.C. R14-2-406(D). For wastewater, the water and wastewater MXA provides that the utility shall refund five (5) percent of the gross annual revenue received from the associated facilities for five (5) years after the facilities are accepted by the utility. The Commission's rule on wastewater MXAs does not require Commission approval nor require a refund of the advance. As such, Arizona-American's refund provision exceeds the minimum refund standard in the current applicable rule.

The estimated project costs for the proposed line extension are as follows:

Total Water Line Extension:	\$2,380,672
Total Wastewater Line Extension:	\$1,127,980

Staff has reviewed the list of plant items and costs that comprise the totals above and concludes that the estimated construction costs appear reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Staff recommends that Arizona-American file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating Arizona-American has submitted for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

The Water System

The water infrastructure serving the Anthem Water District was constructed in 1999. It consists of a state of the art, membrane technology water treatment plant.

Central Arizona Project ("CAP") water is pumped from the CAP canal by four 450 horse power ("Hp") pumps through a 30 inch pipeline for 9 miles to the Anthem site where it is stored in raw water ponds. From the raw water ponds, the untreated surface water is pumped through a pressure screen and into a micro-filter, semi-permeable membrane process unit. Pumps take the

permeate (treated water) to finished water reservoirs. Sodium hypochlorite is generated on-site and injected into the finished water for disinfection. From the finished water storage, a series of pumping facilities and storage tanks pressurize and serve four different pressure distribution zones within Anthem. The entire process is SCADA operated. (SCADA is an acronym for Supervisory Control And Data Acquisition. SCADA is the software which sits on top of the hardware and manages and controls the processes.)

The Water system consists of three wells (one well is inactive, the other two wells have 1,200 gallons per minute ("GPM") total capacity), and four storage tanks (total storage tank capacity is 5.74 million gallons).

The Anthem water plant has a design capacity of 7.0 million gallons per day ("MGD"). There is also a 5 MGD inter-connection with the City of Phoenix. Total customers served by the Anthem drinking water system are approximately 8,300. The growth projections are approximately 1,000 new service connections during 2006 and 2007, and about 500 new service connections for 2008.

Staff concludes that the Anthem water system has adequate production, storage, and treatment capacity to serve the existing certificated area and the requested extension area.

Maricopa County Environmental Services Department ("MCESD") Compliance

Staff received a compliance status report from MCESD dated March 29, 2006, in which MCESD stated that it has determined that Anthem water system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona-America has filed in the docket, Certificates of Approval to Construct for the Chlorination, the Booster Pump Station, and the Storage tank issued by MCESD on February 7, 2006.

Arizona Department of Water Resources ("ADWR") Compliance

The Company is located within the Phoenix Active Management Area ("AMA"). Since CAP water is used at Anthem; the Anthem water system is not subject to ADWR reporting and conservation requirements. Two wells at Anthem are recovering wells, which recover stored CAP water. These two wells are not classified as groundwater wells.

Arizona- American does not have a designation of assured water supply for the extension area. As such, Pulte is required to secure a Certificate of Assured Water Supply ("CAWS"). On June 27, 2001, Del Webb Corporation ("Del Webb") an affiliate of Pulte entered an Option and Lease Agreement ("Water Lease") with the Ak-Chin Indian Community ("Ak-Chin") to provide Del Webb with an option to purchase 6,000 to 10,000 acre-feet of surface water per annum for 100 years, paying \$300,000 for the option to lease the right to deliver the required water. Del Webb committed 7, 900 acre-feet to serve the Anthem development. According to the Water

and Wastewater Line Extension Agreement attached to the Application, a maximum amount of 238 acre-feet per annum of Ak-Chin water has been committed to Arizona-American to serve the Arroyo Vista development and to satisfy the Developer's proposed water demands for its assured water supply application. The Water and Wastewater Line Extension Agreement further provides that Pulte will cause Del Webb to assign to Arizona-American the right to receive the 238 acre-feet of Ak-Chin water under the Water Lease. According to the Water Lease, the assignment must be approved by the Ak-Chin and the Secretary of the Interior. If either Ak-Chin or the Secretary of the Interior refuses to approve the assignment, then Pulte is obligated to sell or cause the sale of leased water to Arizona-American.

In order to extend the lease for the Arroyo Vista's block of 283 acre-feet of Ak-Chin water, Pulte will need to submit to ADWR an assured water supply application for Arroyo Vista. According to the Company's response to Staff's Insufficiency Letter filed on March 9, 2006, after ADWR confirms the water-demand for the development, it will request that Del Webb extend the Water Lease for the 283 acre-feet. Del Webb will then send a letter, along with a payment pursuant to the Water Lease, to the Akin-Chin requesting the extension. Del Webb will also provide notice of the lease extension to ADWR for its review and issuance of the CAWS.

Staff recommends that Arizona-American be required to file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute, within one year of the effective date of the final decision and order issued pursuant to 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 (" $\mu\text{g}/\text{l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g}/\text{l}$. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis of the Anthem water system indicates that the arsenic level for both the water plant and the wells is 5 ppb, which complies with the new arsenic MCL.

The Wastewater System

The wastewater system serving Anthem Wastewater District was also constructed in 1999. The wastewater collection system relies on conventional technology and transports the raw sewage to the influent pumping station. A screening system with 2-millimeter openings and a vortex-type grit removal basin provide initial primary treatment. The primary effluent is then stored in an aerated equalization basin. Influent pumps take the wastewater to a bioreactor that consists of an anoxic process zone and a re-aeration zone. Following the biological nutrient removal process, the wastewater enters the membrane basins where the wastewater goes through an ultrafiltration membrane process via submerged hollow fiber membranes. These membranes have a nominal pore size of 0.04 microns.

Effluent disposal is accomplished by landscape and golf course irrigation and also by recharge via recharge trenches. The waste activated sludge from the aeration zone is stabilized and dewatered. The head works and solids handling processes are totally enclosed with forced draft and odor absorbers. The entire wastewater treatment plant is also SCADA operated.

The Anthem wastewater plant has a design capacity of 3.0 MGD. The average daily wastewater influent was 1.33 MGD in 2005. Total customers served by the Anthem wastewater system are approximately 7,700. The growth projections are approximately 1,000 new service connections during 2006 and 2007, and about 500 new service connections for 2008.

Staff concludes that the Anthem wastewater system has adequate treatment capacity to serve the existing certificated area and the requested extension area.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

ADEQ regulates the Company’s wastewater system under Inventory #103259, Permit #23639. ADEQ indicated in a letter dated May 8, 2006, that this system is in compliance with its regulations.

Although the Company has submitted the Certificates of Approval to Construct (“ATC”) for the Chlorination, the Booster Pump Station, and the Storage tank as mentioned above, additional ATCs are required for the various Units of the development. The Company needs to submit the applicable ADEQ or MCESD ATCs for the water and wastewater facilities needed to serve the requested area. As such, Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the applicable ADEQ or MCESD Certificate of ATC for the water and wastewater facilities needed to serve the requested area within one year of the effective date of an order in this proceeding.

ACC Compliance

According to the Utilities Division Compliance Section, Arizona-American has no outstanding compliance issues.

Proposed Rates

Arizona-American has proposed to provide water and wastewater utility services to the extension area under its Anthem Water and Anthem Wastewater Districts’ tariffed rates and charges.

County 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 Arizona-American be required to file with Docket Control, as a compliance item in this docket, a copy of Maricopa County franchise agreement for the requested area within 365 days of the decision in this matter.

Recommendations

Staff recommends the Commission approve Arizona-American's application for extension of its existing Certificate of Convenience and Necessity to provide water and wastewater services in its Anthem Water and Anthem Wastewater Districts, subject to compliance with the following conditions:

1. To require Arizona-American to charge its Anthem Water and Wastewater Districts' tariffed rates and charges in the extension area.
2. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating Arizona-American has submitted for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within one year of a decision in this case.
3. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute, within one year of the effective date of the final decision and order issued pursuant to this application.
4. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of the applicable ADEQ or MCESD Certificate of ATC for the water and wastewater facilities needed to serve the requested area within one year of the effective date of an order in this proceeding.
5. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of Maricopa County franchise agreement for the requested area within one year of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Arizona-American be considered null and void, after due process, should the Company fail to meet the Condition Nos. 2, 3, 4, and 5 listed above within the time specified.

MEMORANDUM

DATE: May 9, 2006

TO: Blessing Chukwu
Executive Consultant III

FROM: Jian W. Liu 
Utilities Engineer

RE: Arizona-American Water Company
CC&N Extension – Water & Wastewater
Docket No. WS-01303A-06-0036

Introduction

Arizona-American Water Company (“Arizona-American” or “Company”) has applied to extend its Certificate of Convenience and Necessity (“CC&N”) for its Anthem Water and Sewer Districts to provide water and sewer service to a new development known as Arroyo Vista. The developer, Pulte Home Corporation, proposes to develop a 203.48-acre parcel located in Maricopa County east of I-17, south of Circle Mountain Road, and north of Del Webb’s Anthem community. Arroyo Vista will have approximately 293 residential units and one commercial parcel (divided into two tracts). The development is immediately adjacent to the Anthem community, which is already served by the Company.

Capacity**Water****Anthem Drinking Water**

The water infrastructure serving the Anthem Water District was constructed in 1999. It consists of a state of the art, membrane technology water treatment plant.

Central Arizona Project (“CAP”) water is pumped from the CAP canal by four 450 Hp pumps through a 30 inch pipeline for 9 miles to the Anthem site where it is stored in raw water ponds. From the raw water ponds, the untreated surface water is pumped through a pressure screen and into a micro-filter, semi-permeable membrane process unit. Pumps take the permeate (treated water) to finished water reservoirs. Sodium hypochlorite is generated on-site and injected into the finished water for disinfection. From the finished water storage, a series of pumping facilities and storage tanks pressurize and serve four different pressure distribution zones within Anthem. The entire process is SCADA operated. (SCADA is an acronym for Supervisory Control And Data Acquisition. SCADA is the software which sits on top of the hardware and manages and controls the processes.).

The Water system consists of three wells (one well is inactive, the other two wells have 1,200 gallons per minute ("GPM") total capacity), and four storage tanks (total storage tank capacity is 5.74 million gallons).

The Anthem water plant has a design capacity of 7.0 million gallons per day ("MGD"). There is also a 5 MGD inter-connection with the City of Phoenix. Total customers served by the Anthem drinking water system are approximately 8,300. The growth projections are approximately 1,000 new service connections during 2006 and 2007, and about 500 new service connections for 2008.

The Anthem water system has adequate production, storage, and treatment capacity to serve the existing certificated area and the requested extension area.

Wastewater

Existing Utility Plant

The wastewater system at Anthem was also constructed in 1999. The wastewater collection system relies on conventional technology and transports the raw sewage to the influent pumping station. A screening system with 2-millimeter openings and a vortex-type grit removal basin provide initial primary treatment. The primary effluent is then stored in an aerated equalization basin. Influent pumps take the wastewater to a bioreactor that consists of an anoxic process zone and a re-aeration zone. Following the biological nutrient removal process, the wastewater enters the membrane basins where the wastewater goes through an ultrafiltration membrane process via submerged hollow fiber membranes. These membranes have a nominal pore size of 0.04 microns.

Effluent disposal is accomplished by landscape and golf course irrigation and also by recharge via recharge trenches. The waste activated sludge from the aeration zone is stabilized and dewatered. The head works and solids handling processes are totally enclosed with forced draft and odor absorbers. The entire wastewater treatment plant is also SCADA operated.

The Anthem wastewater plant has a design capacity of 3.0 MGD. The average daily wastewater influent was 1.33 MGD in 2005. Total customers served by the Anthem wastewater system are approximately 7,700. The growth projections are approximately 1,000 new service connections during 2006 and 2007, and about 500 new service connections for 2008.

The Anthem wastewater system has adequate treatment capacity to serve the existing certificated area and the requested extension area.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

Water

Compliance Status

ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department (“MCESD”), reported that Anthem drinking water systems are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (MCESD report dated March 29, 2006).

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level (“MCL”) in drinking water from 50 parts per billion (“ppb”) to 10 ppb. The most recent arsenic levels at Anthem were 5 ppb for both the water plant and the wells. Based on this arsenic concentration, Anthem is in compliance with the new arsenic MCL.

Wastewater

Compliance Status

ADEQ regulates the wastewater system under Inventory #103259, Permit # 23639. The letter from ADEQ dated May 8, 2006 has indicated the facility is in compliance with ADEQ regulations.

Certificate of Approval to Construct

The ADEQ Certificate of Approval to Construct (“ATC”) for facilities needed to serve the requested area has not been submitted by the Company. Staff recommends that the Company file as a compliance item in this docket within one year of the effective date of an order in this proceeding, a copy of the ATC issued by ADEQ.

Arizona Department of Water Resources (“ADWR”) Compliance

Compliance Status

The Company is located within the Phoenix Active Management Area (“AMA”) Since CAP water is used at Anthem, the Anthem water system is not subject to ADWR reporting and conservation requirements. Two wells at Anthem are recovering wells, which recover stored CAP water. These two wells are not classified as groundwater wells.

Certificate of Assured Water Supply

The Company states 238 acre-feet of Ak-Chin water is committed to Arizona-American to serve the Arroyo Vista Development, and Pulte Home Corporation will submit its Assured Water Supply application for Arroyo Vista to ADWR.

Staff recommends that the Company docket as a compliance item in this docket within one year of the effective date of an order in this proceeding, a copy the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

Arizona Corporation Commission ("ACC") Compliance

According to the Utilities Division Compliance Section (Compliance Section Email dated May 9, 2006), the Company has no outstanding compliance issue with the ACC.

Cost Analysis

Arizona-American and the developer, Pulte Home Corporation, have signed a line extension agreement for water and wastewater facilities. The estimated project costs for the proposed line extension are as follows:

Total Water Line Extension:	\$2,380,672
Total Wastewater Line Extension:	\$1,127,980

Staff has reviewed the list of plant items and costs that comprise the totals above and concludes that the estimated construction costs appear reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Summary

Conclusions

1. Maricopa County Environmental Services Department ("MCESD") reported that Anthem drinking water systems are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.
2. The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The most recent arsenic levels at Anthem were 5 ppb for both the water plant and the wells. Based on this arsenic concentration, the Anthem is in compliance with the new arsenic MCL.

3. The Anthem water and wastewater systems have adequate production, storage, and treatment capacity to serve the existing certificated area and requested extension area.
4. The Company is located within the Phoenix Active Management Area ("AMA") Since CAP water is used at Anthem, the Anthem water system is not subject to ADWR reporting and conservation requirements. Two wells at Anthem are recovering wells, which recover stored CAP water. These two wells are not classified as groundwater wells.
5. According to the Utilities Division Compliance Section (Compliance Section Email dated May 9, 2006), the Company has no outstanding compliance issue with the ACC.
6. ADEQ regulates the wastewater system under Inventory #103259, Permit # 23639. The letter from ADEQ dated May 8, 2006 has indicated the facility is in compliance with ADEQ regulations.
7. Staff concludes that the estimated construction costs for water and wastewater systems seem reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Recommendations

1. Staff recommends that the Company docket as a compliance item in this docket within one year of the effective date of an order in this proceeding a copy of the ATC issued by ADEQ.
2. Staff recommends that the Company docket as a compliance item in this docket within one year of the effective date of an order in this proceeding a copy the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

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

THRU: Del Smith *DL*
Engineering Supervisor
Utilities Division

DATE: March 9, 2006

RE: **ARIZONA AMERICAN WATER COMPANY (DOCKET NO. WS-01303A-06-0036)**

The area requested by Arizona American for an extension for water and sewer service has been plotted using the legal description provided with the application (a copy of which is attached).

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

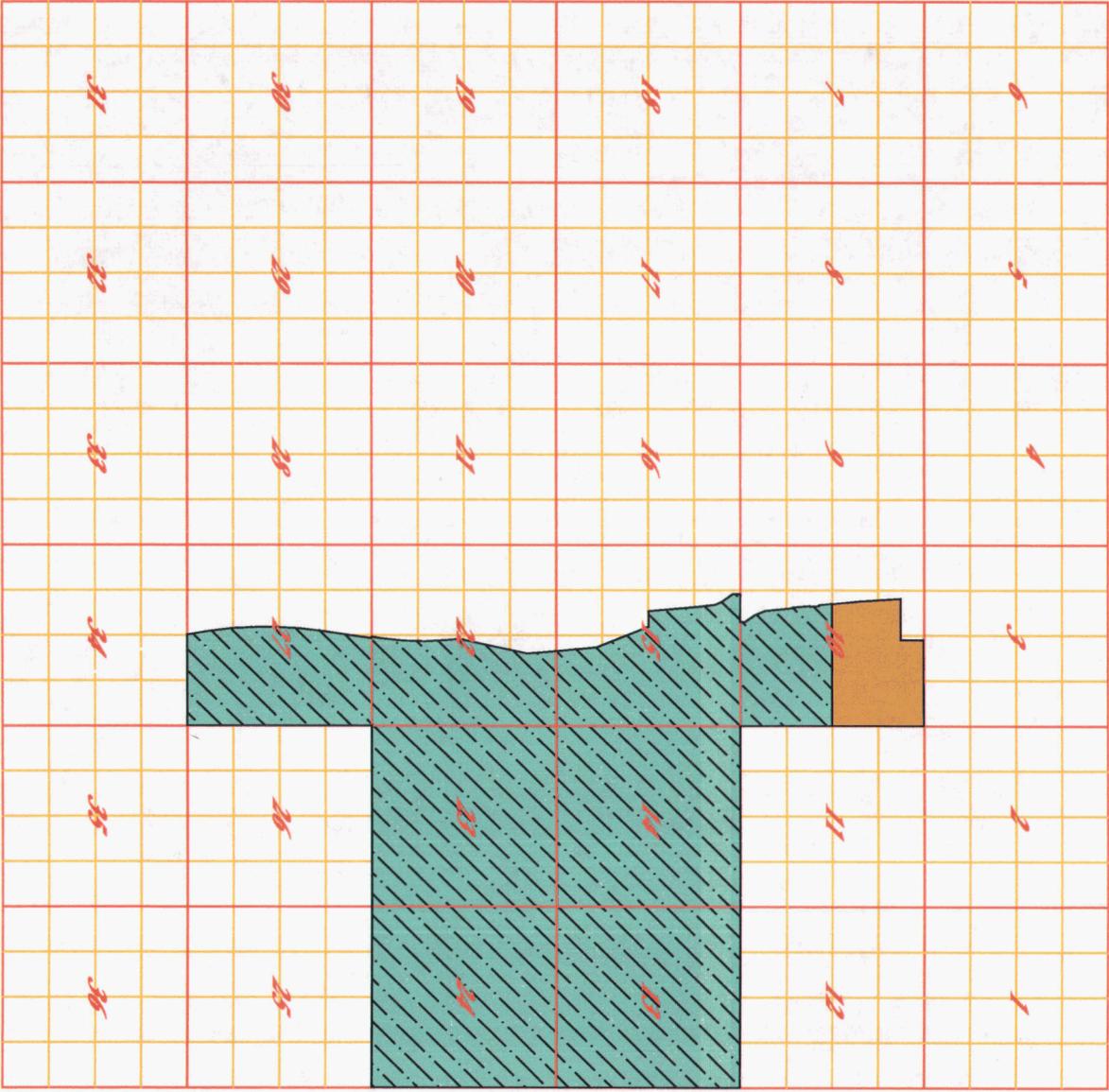
:bsw

Attachments

cc: Docket Control
Mr. Craig Marks
Ms. Deb Person (Hand Carried)
File

COUNTY: Maricopa

RANGE 2 East



TOWNSHIP 6 North

-  WS-1303 (14)
 -  Arizona-American Water Company
 -  Sewer
 -  Arizona-American Water Company
- Arizona-American Water Company
 Docket No. WS-01303A-06-0036
 Application for Extension for Water & Sewer



November 30, 2005

**LEGAL DESCRIPTION FOR
ARROYO VISTA**

That part of the North half of Section 10, Township 6 North, Range 2 East, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the Northeast corner of Section 10, monumented with a G.L.O. brass cap;

Thence South 00 Degrees 00 Minutes 07 Seconds West along the East line of said North half of Section 10, a distance of 2,644.88 feet to the East quarter corner of Section 10, monumented with a G.L.O. brass cap;

Thence South 89 Degrees 59 Minutes 13 Seconds West, along the South line of said North half of Section 10, a distance of 3,556.89 feet to the Easterly Right of Way of Interstate 17, monumented with a 1/2" rebar with cap LS #12216;

Thence North 05 Degrees 28 Minutes 34 Seconds West, along said Right of Way a distance of 774.64 feet to the beginning of a tangent curve of 22,714.32 foot radius, concave Northeasterly, monumented with an ADOT Right of Way brass cap;

Thence continuing Northwesterly, along said Right of Way and curve, through a central angle of 03 Degrees 02 Minutes 31 Seconds, a distance of 1,206.00 feet to the Southwest corner of Tax A.P.N. 202-22-015A, monumented with a 1/2" rebar with cap L.S. #12216;

Thence South 90 Degrees 00 Minutes 00 Seconds East, along the South line of Tax A.P.N.'s 202-22-015A, 202-22-015B, 202-22-009U, 202-22-009T, 202-22-009W, AND 202-22-009V, a distance of 1,207.07 feet to the Southeast corner of Tax A.P.N. 202-22-009V, monumented with a 1/2" rebar with cap L.S. #33315;

Thence North 00 Degrees 00 Minutes 00 Seconds East along the East line of Tax A.P.N.'s 202-22-009v, and 202-22-009X, a distance of 660.34 feet to the North line of said North half of Section 10, monumented with a 3/4" rebar;

Thence North 89 Degrees 44 Minutes 33 Seconds East along said North line, a distance of 2,507.10 feet to the Point Of Beginning.

Containing 203.48 Acres, more or less

