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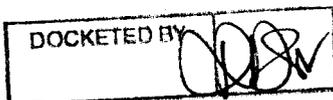
Brenda Burns

Arizona Corporation Commission

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FEB 22 2011

AZ CORP COMMISSION
DOCKET CONTROL



BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY FOR AN
EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY AT CASA GRANDE, PINAL
COUNTY, ARIZONA

DOCKET NO. W-01445A-06-0199

IN THE MATTER OF THE APPLICATION
OF PALO VERDE UTILITIES COMPANY
FOR AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. SW-03575A-05-0926

IN THE MATTER OF THE APPLICATION
OF SANTA CRUZ WATER COMPANY FOR
AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. W-03576A-05-0926

IN THE MATTER OF THE APPLICATION
OF PALO VERDE UTILITIES COMPANY
FOR AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. SW-03575A-07-0300

IN THE MATTER OF THE APPLICATION
OF SANTA CRUZ WATER COMPANY FOR
AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. W-03576A-07-0300

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ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION,

COMPLAINANT,

vs.

GLOBAL WATER RESOURCES, LLC, A
FOREIGN LIMITED LIABILITY
COMPANY; GLOBAL WATER
RESOURCES, INC., A DELAWARE
CORPORATION; GLOBAL WATER
MANAGEMENT, LLC, A FOREIGN
LIMITED LIABILITY COMPANY; SANTA
CRUZ WATER COMPANY, LLC, AN
ARIZONA LIMITED LIABILITY
CORPORATION; PALO VERDE UTILITIES
COMPANY, LLC, AN ARIZONA LIMITED
LIABILITY CORPORATION; GLOBAL
WATER – SANTA CRUZ WATER
COMPANY, AN ARIZONA
CORPORATION; GLOBAL WATER –
PALO VERDE UTILITIES COMPANY, AN
ARIZONA CORPORATION; JOHN AND
JANE DOES 1-20; ABC ENTITIES I-XX,

RESPONDENTS.

DOCKET NO. W-01445A-06-0200
DOCKET NO. SW-20445A-06-0200
DOCKET NO. W-20446A-06-0200
DOCKET NO. W-03576A-06-0200
DOCKET NO. SW-03575A-06-0200

IN THE MATTER OF THE JOINT
APPLICATION OF CP WATER COMPANY
AND FRANCISCO GRANDE UTILITIES
COMPANY TO TRANSFER THEIR
CERTIFICATES OF CONVENIENCE AND
NECESSITY AND ASSETS TO PALO
VERDE UTILITIES COMPANY AND
SANTA CRUZ WATER COMPANY.

⁵
DOCKET NO. W-01775A-07-0485
DOCKET NO. SW-03575A-07-0485
DOCKET NO. W-20442A-07-0485
DOCKET NO. W-03576A-07-0485

**ARIZONA WATER COMPANY'S
EXCEPTIONS TO RECOMMENDED OPINION AND ORDER**

Pursuant to A.A.C. R14-3-110(B) and the Procedural Order in this matter dated
January 11, 2011, Arizona Water Company respectfully submits the following exceptions to
the Recommended Opinion and Order (“ROO”) issued on December 22, 2010. The

1 exceptions are divided into specific categories depending on their nature. Additionally, as
2 an aid to understanding these Exceptions, Arizona Water Company attaches as Exhibit “A”
3 a map depicting the CCN areas at issue, with green coloring setting forth the “rounded”
4 CCN areas necessary to provide a more logical CCN boundary.

5 **I. The ROO Should Be Amended to Correct Discrepancies between the text of the**
6 **ROO and the Exhibit F Map Concerning Certain Parcels.**

7 The following items describe instances where the text of the ROO appears to differ
8 from what is shown on Exhibit F, the map that shows the parcels that would be included in
9 Arizona Water Company’s CCN.

10 1. T06S, R05E, northeast portion of Section 5 (Identified as “Parcel 4” in
11 Arizona Water Company Ex. WMG-14 (the “Garfield Map Exhibit”). Both Staff and the
12 ROO recommend including this parcel in Arizona Water Company’s CCN area. See ROO,
13 ¶ 102. However, Exhibit F does not show the parcel as being part of Arizona Water
14 Company’s new CCN area. Therefore, Exhibit F should be revised to conform to the text of
15 the ROO (i.e., the pink color of this area should become brown, for “Arizona Water – ROO
16 Recommended”).

17 2. T06S R03E, west half of Section 26 (Area North & West of Parcel 7/East of
18 Portion of Parcel B/South of E on the Garfield Map Exhibit). Both Staff and the ROO
19 recommend including Parcel 7 (as shown on the Garfield Map Exhibit) in Arizona Water
20 Company’s CCN area, and the ROO recommends including this portion of Parcel B and
21 Parcel E. ROO, ¶¶ 105, 108. The area is completely surrounded by Arizona Water
22 Company’s CCN, and Exhibit F properly shows the west half of Section 26 as being
23 included. However, the text of the ROO does not specifically mention this parcel, ROO ¶
24 108, and should do so to confirm that it is included in Arizona Water Company’s
25 recommended CCN area.

26 3. T07S R03E, Section 1 (Area surrounded by Parcels 10, 11, 13, 16, 18 and a
27 portion of B on the Garfield Map Exhibit). Exhibit F properly shows this area included in
28 Arizona Water Company’s CCN. The ROO should be revised to track what is shown in

1 Exhibit F and to confirm that this area is included in Arizona Water Company's
2 recommended CCN area. ROO, ¶¶ 112-114.

3 4. T07S R04E, west half of Section 3 (Area North of Parcel 8/East of Parcel 9 on
4 the Garfield Map Exhibit). Both Staff and the ROO recommend including Parcels 8 and 9
5 as shown in the Garfield Map Exhibit in Arizona Water Company's recommended CCN
6 area. ROO, ¶ 102. This leaves a small parcel completely surrounded by Arizona Water
7 Company's CCN area. Exhibit F shows it as included, but the text of the ROO does not
8 mention it. The text of the ROO should be revised to track what is shown in Exhibit F and to
9 confirm that the area is included in Arizona Water Company's recommended CCN area.

10 5. T07S R04E, east half of Section 10 (Area South of Parcel 8/North & West of
11 Parcel 14 on the Garfield Map Exhibit). This area is entirely within the Palo Verde Utilities
12 208 Plan Area, and the ROO included Parcels 8 and 14 as shown on the Garfield Map
13 Exhibit in Arizona Water Company's recommended CCN area. However, this leaves a
14 parcel surrounded on three sides by Arizona Water Company's CCN. Exhibit F shows the
15 parcel as included in Arizona Water Company's CCN, but the text of the ROO does not
16 mention it. The text of the ROO should be revised to track what is shown in Exhibit F and
17 to confirm that this area is included in Arizona Water Company's recommended CCN area.

18 6. T07S R04E, southern portion of Section 8 (Area South and East of Parcel 12
19 on the Garfield Map Exhibit). Exhibit F does not show this area as included in Arizona
20 Water Company's recommended CCN area, but the text of the ROO appears to include it.
21 ROO, ¶ 111. Exhibit F should be revised to show that this area is included within Arizona
22 Water Company's recommended CCN.

23 7. T07S R05E, east half of Section 19 (Area south of Parcel D on the Garfield
24 Map Exhibit). The ROO recommends including Parcel D in Arizona Water Company's
25 CCN area, and this half section also should be included to round out Arizona Water
26 Company's CCN area. Exhibit F shows the half section as included. The text of the ROO
27 should be revised to track Exhibit F and to confirm that the half section is included in
28 Arizona Water Company's recommended CCN area. See ROO, ¶ 107.

1 **II. The ROO Should Be Amended to Correct an Instance in Which It Erroneously**
2 **Refers to the Absence of Testimony Support at the Hearing.**

3 T06S R03E, southwest corner of Section 28 (Northeast corner of John Wayne
4 Parkway and Peters Road on the Garfield Map Exhibit). Global agreed to transfer this CCN
5 area to Arizona Water Company, as confirmed in the testimony of Graham Symmonds of
6 Global, during examination by counsel for Global. See 6/9/2009 Transcript at 229.
7 However, the ROO incorrectly states that there was no testimony about transferring this
8 parcel. ROO, ¶ 124. In addition, there was no opposition to transferring this CCN area to
9 Arizona Water Company. This parcel should be included in Arizona Water Company's
10 recommended CCN area, as should the rest of Section 28, since the southwest corner of the
11 section would otherwise be isolated from Arizona Water Company's CCN and water
12 system.

13 **III. The ROO Should Be Amended to Include Certain Additional Areas in Arizona**
14 **Water Company's Recommended CCN Which, by Reason of Geography, Sound**
15 **Engineering Principles and Public Policy Should Be Included.**

16 The ROO should be revised to include certain additional areas in Arizona Water
17 Company's CCN. Following a review of the currently recommended portions of the CCN
18 as adjusted above, geography, sound utility engineering principles and good public planning
19 strongly suggest that these additional areas be included within Arizona Water Company's
20 recommended CCN, as discussed further below. All of these areas are located within the
21 Palo Verde Utilities 208 Plan Area, with the exception of the south half of Section 25,
22 identified in paragraph 6, below.

23 1. T06S R03E, Sections 10, 14 & 15. By including Section 16 of this township
24 in Arizona Water Company's recommended CCN (as shown in Exhibit F), this particular
25 area is now surrounded on three sides by Arizona Water Company's CCN, and should be
26 included in the CCN to round off the area and provide a more logical CCN boundary.

27 2. T06S R03E, Section 34. Similarly, by including the adjacent sections in
28 Arizona Water Company's recommended CCN (as shown in Exhibit F), this particular area
is now surrounded by Arizona Water Company's CCN on three sides and should be

1 included in the CCN in order to round off Arizona Water Company's CCN area and provide
2 a more logical CCN boundary.

3 3. T06S R03E, Sections 21 and 22. If the additional areas mentioned above are
4 included, this area would likewise be surrounded on three sides by Arizona Water
5 Company's CCN. Additionally, Section 22 has an irregularly-shaped spur jutting into the
6 CCN area. Both of these sections should be included in Arizona Water Company's
7 recommended CCN to round it off in this area and provide a more logical CCN boundary.

8 4. T07S R04E, Sections 4, 9 & west half of 10. This area is almost completely
9 surrounded by Arizona Water Company recommended CCN and should be included within
10 Arizona Water Company's CCN to round off the CCN area at this location and provide a
11 more logical CCN boundary.

12 5. T07S R04E, south half of Section 15. This area is surrounded by Arizona
13 Water Company's recommended CCN on three sides and should be included in the
14 recommended CCN area in order to round it off to provide a more logical CCN boundary.

15 6. T07S R04E, Sections 24 & 25. This area is adjacent to Arizona Water
16 Company's recommended CCN to the north and south. Moreover, Arizona Water
17 Company's water lines must cross this area to reach the portion of Parcel B (as shown on
18 the Garfield Map Exhibit) that is being added to Arizona Water Company's CCN. Although
19 the south half of Section 25 is currently outside of Global's 208 Plan Area (the rest of these
20 sections are within that Area), Global witnesses testified that Global would amend their 208
21 Plan Area to include the Arizona State Land Department parcels upon request for service.
22 Therefore, these areas should also be included in Arizona Water Company's recommended
23 CCN area to provide a more logical CCN boundary.

24 **IV. The Finding in the ROO that Areas Within the City of Casa Grande 208**
25 **Planning Area Are Not Certain to be Provided Sewer Service Should Be**
26 **Eliminated.**

27 The ROO erroneously states that areas within the City of Casa Grande's 208 Plan
28 Area should not be included within Arizona Water Company's CCN area, even though

1 Arizona Water Company has received a request for water service in those areas, because of
2 some uncertainty about the City of Casa Grande providing wastewater service to the parcels.
3 *See, e.g.*, ROO, ¶¶ 103 (“it is unclear when or if Casa Grande will extend wastewater service
4 to Parcels 1, 2 and 3”); 104 (“it is unclear at this time when or if Casa Grande will extend
5 wastewater service to Parcel A and the above referenced portion of Parcel B”); 107
6 (“However, the portions of Parcel D that are within the 208 Plan Boundary of Casa Grande
7 will not be included in AWC’s CC&N at this time because it is unclear when or if Casa
8 Grande will extend wastewater service to those locations”).

9 The ROO’s assertion that some uncertainty exists about the availability of the City of
10 Casa Grande’s wastewater service to parcels within the City of Casa Grande’s 208 Planning
11 Area is unfounded and not supported in the record. Section 208 of the federal Clean Water
12 Act (33 U.S.C. §1288) requires states and local governments to engage in regional water
13 quality management planning, overseen in this instance by the Arizona Department of
14 Environmental Quality (“ADEQ”) and the Central Arizona Association of Governments
15 (“CAAG”). Following extensive studies and planning, the City of Casa Grande adopted a
16 plan under Section 208, approved by both ADEQ and CAAG, under which the City of Casa
17 Grande plans to provide wastewater service to certain areas currently outside of its city
18 limits that are within its 208 Plan Area.

19 Arizona Water Company’s President William Garfield testified at the June 2009
20 hearing about the effect of Casa Grande’s 208 Plan approval on planning by the City and
21 developers in Casa Grande’s 208 Plan Area, noting that “everything the City [of Casa
22 Grande] puts out – their general plan, their wastewater feasibility studies, their reclaimed
23 water master planning – is consistent with [the City] serving the entire area within the City’s
24 planning area that is not already expecting to receive sewer service from Palo Verde
25 Utilities.” 6/8/2009 Tr. at 115; *see also id.* at 116 (“typically when a project moves forward
26 with development, it will seek the approvals necessary from the City, which generally
27 involve predevelopment agreements or preannexation agreements, which line out all the
28 requirements for service”). In contrast, “If you don’t have a 208 [P]lan, my understanding is

1 you cannot build wastewater treatment plants, you can[not] build collection systems, you
2 cannot provide wastewater service without having a 208 plan that adopts or incorporates
3 your plan and your facilities you hope to construct.” *Id.* at 116-17.

4 The ROO’s erroneous assertion that uncertainty exists “when or if” the City of Casa
5 Grande will provide wastewater service to developments within the City’s 208 Plan Area
6 ignores the reality of this extensive planning and regulatory process that assures the
7 availability of wastewater service in Casa Grande’s 208 Plan Area. Any development
8 within the City’s 208 Plan Area boundaries will be required to enter into an agreement with
9 the City to extend sewer service to the development. The ROO’s assertions of uncertainty
10 about this process should be revised to recognize that the City of Casa Grande, as the
11 designated Section 208 wastewater service provider, is obligated and has committed to
12 provide wastewater service to those areas.

13 Accordingly, the following areas within the City of Casa Grande’s 208 Plan Area
14 boundaries—for which Arizona Water Company has received requests for service—should
15 be included in Arizona Water Company’s recommended CCN area:

16 1. T07S R05E, Section 13 (Parcels 1, 2 & 3 of the Garfield Map Exhibit).
17 Parcels 1, 2 and 3 are all small parcels for which Arizona Water Company received requests
18 for service in 2006. They are immediately contiguous to Arizona Water Company’s
19 existing Casa Grande CCN area and lie within Casa Grande’s 208 Plan Area boundaries,
20 meaning that both Casa Grande and the Arizona Department of Environmental Quality
21 (“ADEQ”) expect the City of Casa Grande to provide wastewater service to those parcels.
22 For the reasons set forth above, these parcels should be included in Arizona Water
23 Company’s Casa Grande CCN area. Additionally, to round off the CCN in this area, the
24 entirety of Section 13 should be included in the Company’s recommended CCN area in
25 order to provide a more logical CCN boundary.

26 2. T07S R05E, Sections 15, 16, 17, 20, 21 & 23 (including Parcels A and
27 portions of B and D on the Garfield Map Exhibit). These areas are contiguous or very near
28 to Arizona Water Company’s existing Casa Grande CCN area and within Casa Grande’s

1 208 Plan Area, meaning that Casa Grande and ADEQ expect the City of Casa Grande to
2 provide wastewater service to these parcels. Arizona Water Company received requests for
3 service for these areas, or the substantial portion of certain of these sections. For the reasons
4 set forth above, the parcels should be included in Arizona Water Company's Casa Grande
5 CCN area.

6 3. T07S R05E, Sections 14 and 22. If the areas described in paragraphs 1 and 2,
7 above, are included in Arizona Water Company's CCN area, then these sections would be
8 surrounded on three sides (or in the case of Section 14, completely surrounded) by Arizona
9 Water Company's CCN area, and both sections should be included in the Company's
10 recommended CCN area in order to provide a more logical CCN boundary.

11 **V. The Settlement and the Planning Areas Should Be Approved in Their Entirety.**

12 The Settlement, as presented during the June 2009 hearing and discussed in the post-
13 hearing briefs, came about following strong encouragement to settle from Commission Staff
14 and the Administrative Law Judges involved in the Complaint and CCN extension actions.
15 The Settlement terms were built on potential solutions recommended by Staff itself. Staff
16 had previously recommended that the parties agree to a boundary along Kortsen Road
17 between their two service areas. The Settlement incorporated Staff's recommendation of
18 using Kortsen Road as a boundary, with some exceptions so as to allow planned
19 developments to be served by a single water provider. In the Settlement, Arizona Water
20 Company agreed to support the transfer of the CCNs held by Francisco Grande and CP
21 Water Company to Global, and further agreed to withdraw its Complaint against Global.
22 Arizona Water Company and Global agreed to amend their planning areas to conform to
23 logical and supportable geographic boundaries between the parties. Significantly, Arizona
24 Water Company and Global also agreed to cooperate on water conservation efforts and to
25 promote greater use of reclaimed water through an agreement by which Global will sell and
26 deliver reclaimed water to Arizona Water Company for beneficial use within Arizona Water
27 Company's CCN and Planning Areas.
28

1 The Settlement provides clear benefits to the parties, the Commission, the
2 Commission's Staff and the public at large. As a preliminary matter, the Settlement saves
3 significant time and legal and other expenses. Moreover, the Settlement not only resolves
4 those pending matters, but prevents the occurrence of numerous other disputes that could
5 otherwise arise between Global and Arizona Water Company.

6 In a unique geographic area of tremendous future potential development located
7 between two large competing water companies, the Settlement resolves numerous planning,
8 engineering and other issues by drawing logical and supportable boundaries between the
9 CCN's and planning areas of the two companies. The planning areas follow major
10 thoroughfares as much as possible, taking into account the water service needs of known
11 planned developments and tracking the boundaries of those developments. The Settlement
12 encourages long-range, regional planning, rather than leaving the planning of utility
13 infrastructure to the uncertain sequence and schedules of single, isolated developers.

14 The Settlement also benefits the public by promoting greater beneficial use of
15 reclaimed water and thereby conserving other sources of water. This agreement between the
16 parties constitutes a major milestone in furthering the beneficial use of reclaimed water by
17 Arizona Water Company and its customers, which the Commission should encourage by
18 approval of the Settlement. Because of the numerous public benefits of the Settlement,
19 numerous municipalities and intervenors from the development community support it and
20 urge the Commission to approve the Settlement. The City of Casa Grande expressly
21 supports the amended CCN applications filed by Arizona Water Company and Global, as
22 well as the Planning Areas described in the Settlement. No governmental entity, intervenor,
23 or member of the public has objected to Commission approval of the Settlement.

24 In short, the long history of complex and time-consuming litigation between the
25 parties culminated in the Settlement (in much the way Staff recommended) that provides
26 significant benefits to the parties, the Commission, and the public, and which has gained the
27 consensus support of a wide range of entities. Arizona Water Company discussed the
28 benefits of the Settlement and the Planning Areas at length in its Post-Hearing Opening

1 Brief, pages 3-22, and its Post-Hearing Response Brief, pages 3-8, and incorporates that
2 discussion as part of these Exceptions.

3 The ROO also extensively discusses the benefits of the Settlement and the Planning
4 Areas, *see* ROO, ¶¶ 15-48, before ultimately declining to expressly approve the Settlement
5 and the Planning Areas “[f]or the reasons identified by Staff, and consistent with prior
6 decisions.” ROO, ¶ 51. Arizona Water Company respectfully submits that neither Staff’s
7 arguments, nor past practice of the Commission in the limited instances where it has been
8 asked to approve a different settlement, prevent the Commission from approving the
9 Settlement and the Planning Areas presented in this matter. This matter presents the
10 Commission with a unique opportunity to take decisive action in order to address its very
11 worthy public water supply planning objectives. For the reasons identified in Arizona
12 Water Company’s post-hearing briefs, the Commission should revise the ROO to approve
13 the Settlement and the Planning Areas.

14 **VI. The ROO’s Approval of “Guidelines” Recommended by Staff for Extensions of**
15 **CCN Should Be Rejected.**

16 The ROO states that the Commission agrees with Staff’s extremely narrow
17 “guidelines” for approving CCN extension requests:

18 We agree with the guidelines recommended by Staff in this case (subject to
19 minor modifications) with respect to approving CC&N extensions only for
20 areas in which the Utilities have obtained renewed or current requests for
21 service, and in which the Utilities are proposing to provide both water and
22 wastewater either through integrated service (in the case of Global utilities) or
23 through cooperative arrangement (with AWC providing water and Global-Palo
24 Verde providing wastewater).

25 ROO, ¶ 101.

26 As discussed in Arizona Water Company’s prior briefing, Staff’s position has no
27 basis in statute, Commission regulation or sound public policy, and it disregards numerous
28 other factors that should be considered when determining whether to grant a request to
extend a CCN. *See* Arizona Water Company’s Post-Hearing Opening Brief at 23-27; Post-
Hearing Response Brief at 8-14. Staff’s position also disregards the nine-factor test

1 routinely used by Staff in prior proceedings. *See* Staff Reports in Docket Nos. W-01445-06-
2 0059 and W-01445-06-0317. For the reasons presented in Arizona Water Company’s prior
3 briefing, the ROO should be revised to reject the unduly restrictive guidelines recommended
4 by Staff.

5 **VII. The Compliance Item Related to Filing a Physical Availability Determination**
6 **Should Be Eliminated or Removed as a Condition of Approval.**

7 The ROO includes, as a compliance item, an order that Arizona Water Company file
8 “by December 31, 2011, a copy of the updated Arizona Department of Water Resources
9 Physical Availability Determination demonstrating inclusion of the approved extension
10 areas.” ROO at p. 47. Arizona Water Company has already received an updated
11 Determination of Physical Availability (“PAD”) from the Arizona Department of Water
12 Resources for the CCN extension areas, and therefore this condition has already been met.
13 Attached to these exceptions as Exhibit “B” is a copy of that PAD update. For this reason,
14 this compliance item should be eliminated from the ROO.
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1 **VIII. The Compliance Deadline Related to the First Approval To Construct Should**
2 **Be Extended.**

3 The ROO contains several compliance deadlines directed to Arizona Water
4 Company. Arizona Water Company takes exception to one such deadline. Given the state
5 of the economy as explored in the record and as known to the Commission, the compliance
6 item at p. 47, ll. 9-11, requiring Arizona Water Company to file a copy of the Approval to
7 Construct for the first parcel to be served in the Extension Area by December 31, 2012,
8 should be extended to December 31, 2014. Arizona Water Company does not control the
9 developers' plans for construction, and a 2014 compliance date is more consistent with
10 growth trends in this area of Pinal County.

11 RESPECTFULLY SUBMITTED this 22nd day of February, 2011.

12 BRYAN CAVE LLP

13 By 

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18 Attorneys for Arizona Water Company

19 **ORIGINAL and 13 COPIES** of the foregoing
20 filed this 22nd day of February, 2011 with:

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22 Arizona Corporation Commission
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24 Phoenix, Arizona 85007

25 **COPY** of the foregoing hand-delivered
26 this 22nd day of February, 2011 to:

27 Yvette B. Kinsey
28 Administrative Law Judge
Hearing Division
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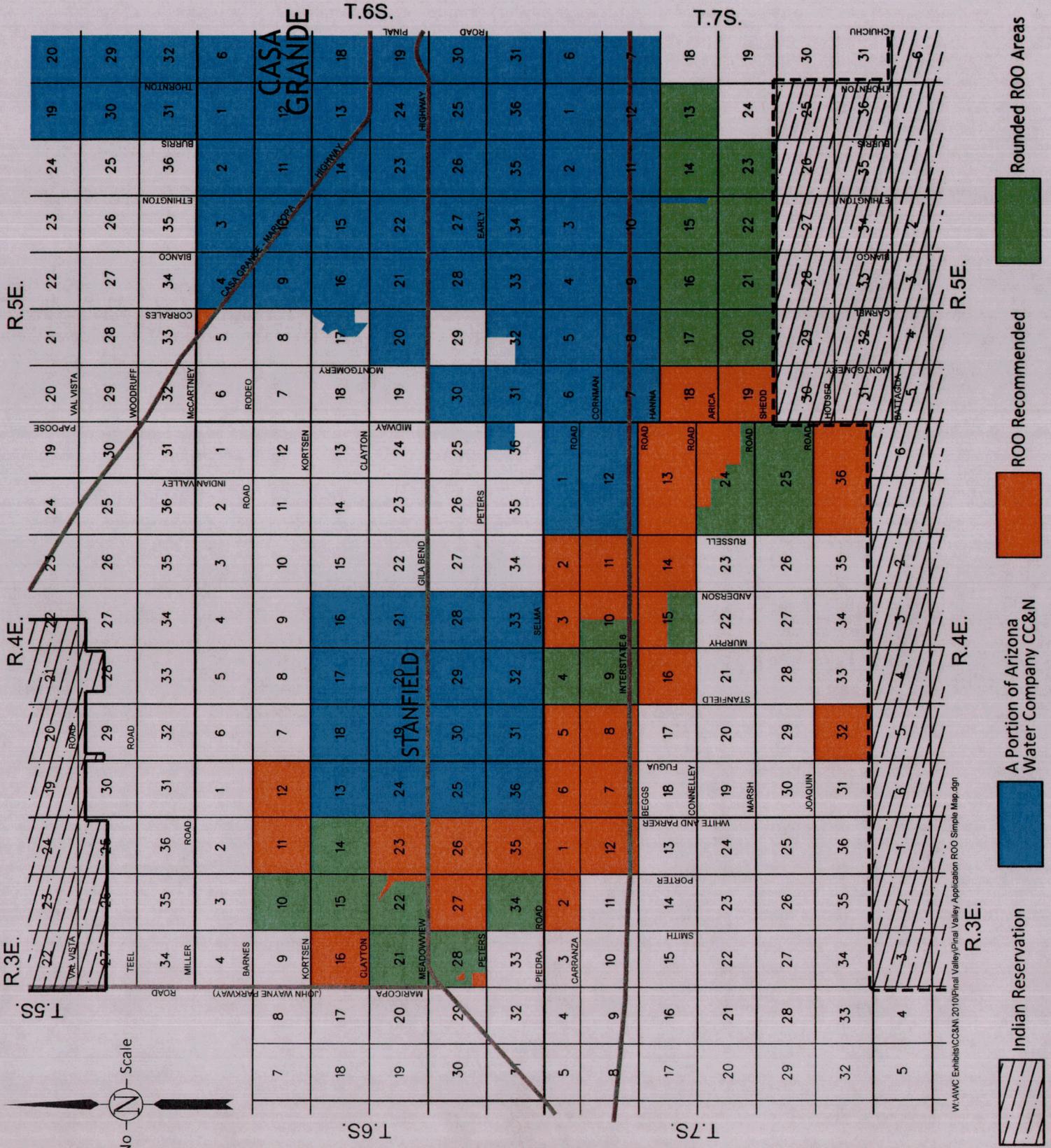
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Exhibit “A”

EXHIBIT A



R.3E.

R.4E.

R.5E.

T.5S.

T.6S.

T.7S.

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CASA GRANDE

STANFIELD

CASA GRANDE MARQUESSA

STANFIELD

Exhibit “B”

JANICE K. BREWER

Governor



HERBERT R. GUENTHER

Director

ARIZONA DEPARTMENT OF WATER RESOURCES

3550 North Central Avenue, Second Floor
PHOENIX, ARIZONA 85012-2105
(602) 771-8500

Via Certified Mail

December 24, 2009

Mr. William Garfield, President
Arizona Water Company
3805 North Black Canyon Highway
Phoenix, Arizona 85015

**RE: Arizona Water Company Pinal Valley Water Service Area
Pinal County, Arizona (Pinal AMA)
Application for a Physical Availability Determination
ADWR #51-700444.0000**

Dear Mr. Garfield:

The Department has completed its review of your application for a Physical Availability Determination for Arizona Water Company Pinal Valley Service Area. The Department received the application on November 15, 2007. The study area locations are within Township 4 South, Range 8 East, within portion of Section 36; Township 4 South, Range 9 East, Sections 31, 32, 33; Township 5 South, Range 5 East, and portions of Sections 13, 14, 15, 16, 21 to 28 inclusive, 33, 34, 35, 36; Township 5 South, Range 6 East, Sections 13 to 36; Township 5 South, Range 7 East, Sections 12, 13, 14, 23 to 36; Township 5 South, Range 8 East, Sections 1, 2, portions of 3, 5, 6, 7 to 36 inclusive; Township 5 South, Range 9 East, Sections 4 to 10 inclusive, 15 to 22 inclusive, 27 to 36 inclusive; Township 5 South, Range 10 East, Sections 31, 32 & 33; Township 6 South, Range 3 East, Sections 10 to 16 inclusive, 21 to 28 inclusive, 33, 34, 35 & 36; Township 6 South, Range 4 East, Sections 16 to 21 inclusive, 28 to 33 inclusive portion of Sec. 36; Township 6 South, Range 5 East, Sections 1, 2, 3, 4, portion of Sec. 5, 9 to 16 inclusive, east half of Sec. 17 and 20 to 36 inclusive; Township 6 South, Range 6 East, Sections 1 to 36; Township 6 South, Range 7 East, Sections 1 to 36 inclusive; Township 6 South, Range 8 East, Sections 1 to 24 inclusive, 29, 30, 31 & 32; Township 6 South, Range 9 East, Sections 1 to 24 inclusive; Township 6 South, Range 10 East, Sections 5, 6, 7, 8, 17, 18, 19 & 20; Township 7 South, Range 3 East, Sections 1, 2, 3, 10 to 15 inclusive, 22 to 27 inclusive, 34, 35 & 36; Township 7 South, Range 4 East, Sections 1 to 36 inclusive; Township 7 South, Range 5 East, Sections 1 to 24; Township 7 South, Range 6 East, Sections 1 to 36 inclusive; Township 7 South, Range 7 East, Sections 1 to 7 inclusive, north half of Sections 8, 18, 19, 30, 21 & 32; Township 7 South, Range 8 East, Sections 5 & 6; Township 8 South, Range 6 East, Sections 1, 2, 3, 4, 9 to 16 inclusive, 21, 22, 23 & 24; Township 8 South, Range 7 East, Sections 4 to 9 inclusive, 17, 18, 19 & 20 and GSR B&M in Pinal County, Arizona.

In accordance with A.A.C. R12-15-702(D), the Department has determined that a minimum of 98,841 acre-feet per year of groundwater is physically available for 100 years under A.A.C. R12-15-716(B) for assured water supply purposes in the study area. Although you requested a volume of 103, 485 acre-feet, after a review of the hydrologic study and all issued assured water supply determinations in the study area, the Department has concluded that 98,841 acre feet is physically available.

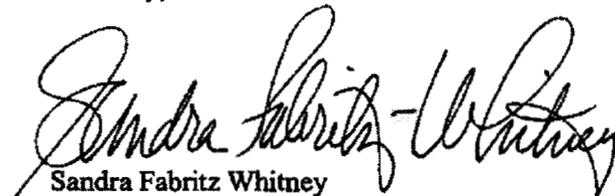
With regard to water quality for the purpose of A.A.C. R12-15-719(A), the provider you select must be regulated by the Arizona Department of Environmental Quality. With regard to water quality for the purpose of A.A.C. R12-15-719(B), the study area is not located within one mile of any known WQARF or Superfund site.

The results of the Department's review fulfill the requirements of R12-15-702(C) and may be cited in applications for determinations of assured water supply. Those applications have certain additional requirements based on the assured water supply criteria referenced in A.R.S. § 45-576 and A.A.C. R12-15-701, et seq. For further information on those requirements, please contact the Office of Assured and Adequate Water Supply at (602) 771-8599.

As with all Physical Availability Determinations issued by the Department, changes in conditions or the accuracy of assumptions and information used in demonstrating physical availability may affect the validity of this determination. Changes in the number or locations of wells may impact applicability of this determination to future applications for determinations of assured water supply.

If you have any questions regarding this Physical Availability Determination, please contact the Office of Assured & Adequate Water Supply at (602) 771-8599.

Sincerely,



Sandra Fabritz Whitney
Assistant Director, Water Management

Via electronic mail:

cc: Steve Corell, scorell@clearcreekassociates.com
Clear Creek Associates

Steve Olea, solea@azcc.gov
Arizona Corporation Commission

Linda Taunt, taunt.linda@azdeq.gov
Arizona Department of Environmental Quality