

ORIGINAL



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MEMORANDUM

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

DATE: June 7, 2004

RE: BEARDSLEY WATER COMPANY - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA (DOCKET NO. W-02074A-04-0241)

Attached is the Staff Report for the above referenced application. Staff is recommending approval of the application.

EGJ:JEF:rdp

Originator: Jim Fisher

Arizona Corporation Commission
DOCKETED

JUN - 7 2004

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Service List for: Beardsley Water Company
Docket No. W-02074A-04-0241

Mr. Fred T. Wilkinson
President
First National Management
Post Office Box 1020
Apache Junction, Arizona 85217

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

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

EXECUTIVE SUMMARY
BEARDSLEY WATER COMPANY, INC.
DOCKET NO. W-02074A-04-0241

On March 30, 2004, Beardsley Water Company (“Beardsley” or “Company”), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission (“ACC” or “Commission”) requesting approval for an extension of its existing Certificate of Convenience and Necessity (“CC&N”) to include additional properties in Maricopa County, Arizona.

Beardsley is an Arizona corporation, authorized by the Commission to provide water service within portions of Maricopa County, Arizona. Beardsley is requesting the Commission allow the Company to extend its service territory to include approximately one-quarter square mile to its existing certificated area.

Beardsley currently serves two-hundred fourteen (214) customers, through four (4) public water systems (“PWS”). Staff concludes the existing system has adequate production and storage capacity to serve the current and projected customers, and that the Company can be reasonably expected to develop additional storage capacity when it is required in the future.

Maricopa County Environmental Services Department (“MCDES”) reported that all systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. The Company is within the Arizona Department of Water Resources (“ADWR”) Phoenix Active Management Area, and is in compliance with ADWR’s reporting and conservation rules. A check with the Utilities Division, Compliance Section showed no outstanding compliance issues for the Company.

Staff recommends that the Commission approve the Beardsley Water Company application for an extension of its Certificate of Convenience and Necessity in a portion of Maricopa County to provide water service, subject to compliance with the following conditions:

1. To require the Beardsley Water Company, to charge its existing rates and charges in the proposed extension area.
2. To require Beardsley Water Company, to file, with the Director of the Utilities Division, a copy of the developers’ Certificate of Assured Water Supply related to the proposed extension area within 365 days of the effective date of any decision in this matter.
3. To require Beardsley Water Company, to file, with the Director of the Utilities Division, a copy of the Maricopa County Franchise associated with the proposed extension area within 365 days of the effective date of any decision in this matter.
4. To require Beardsley Water Company, to file, with the Director of the Utilities Division, the Main Extension Agreement associated with the proposed extension area within 365 days of the effective date of any decision in this matter.

5. To require Beardsley Water Company, to file, with the Director of the Utilities Division, documentation demonstrating all monitoring and reporting has been accomplished per the requirements of the Maricopa County Environmental Services Department prior to any order granting the CC&N extension area in this case becoming effective.

Staff further recommends that the Commission's Decision granting this Extension of its Certificate of Convenience and Necessity to the Beardsley Water Company, be considered null and void without further order from the Commission should Beardsley Water Company fail to meet above conditions No. 2, No. 3 and No. 4 above within the time specified.

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

BEARDSLEY WATER COMPANY

DOCKET NO. W-02074A-04-0241

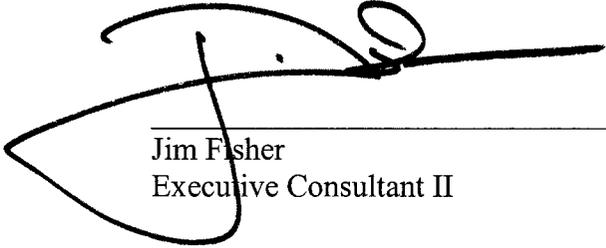
APPLICATION FOR AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY
TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA

JUNE 2004

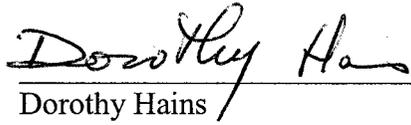
STAFF ACKNOWLEDGEMENT

The Staff Report for Beardsley Water Company (Docket No. W-02074A-04-0241) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analysis of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis.

Contributing Staff:



Jim Fisher
Executive Consultant II



Dorothy Hains
Utilities Engineer

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Introduction

On March 30, 2004, Beardsley Water Company (“Beardsley” or “Company”), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission (“ACC” or “Commission”) requesting approval for an extension of its existing Certificate of Convenience and Necessity (“CC&N”) to include additional properties in Maricopa County, Arizona.

On April 28, 2004, the Company provided additional documentation to support the application. On April 29, 2004, Utilities Division Staff (“Staff”) informed the Company the application was sufficient for administrative purposes.

Background

Beardsley is an Arizona corporation, authorized by the Commission to provide water service within portions of Maricopa County, Arizona. The ACC initially authorized the Company its CC&N in Decision No. 40034 (May 26, 1969).

The Company’s current rates were established in Decision No. 63202 (December 30, 2000). The Commission found the rate base to be \$70,421 and authorized revenue of \$84,938. The Commission found that the rates would produce an operating income of \$8,235.

According to the Company’s most recent filed Annual Report with the Commission, it obtained revenue of approximately \$109,000, incurred expenses of approximately \$156,000, which resulted in a loss of approximately \$36,000.

Beardsley currently serves approximately 214 customers in the northwest valley. The current CC&N contains four and a quarter square miles. By this application, Beardsley is seeking to extend its CC&N to include a small contiguous parcel north of its current CC&N boundary.

The Extension Request

Beardsley is requesting the Commission allow the Company to extend its service territory to include approximately one-quarter square mile to its existing certificated area. The requested area is located in the southeast quarter of Section 20, in Township 5 North, Range 3 West of the Gila and Salt River Base and Meridian.

The property is owned by Patton Place Estates, L.L.C. (“Patton Place”). Patton Place has developed housing subdivisions within the CC&N of the Company, and is now requesting Beardsley to extend its CC&N to include addition subdivisions.

According to the Application, the proposed extension area is expected to provide one hundred and thirty-four (134) additional connections within the next five years.

Finance of Facilities

Beardsley will finance the required transmission and distribution facilities primarily with Advances in Aid of Construction (“AIAC”). AIAC are often in the form of Main Extension Agreements (“MXA”). MXAs 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 distribution facilities and common facilities necessary to serve the development. Upon acceptance of the facilities by the utility the developer will convey the water facilities by way of a warranty deed. The utility will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

Beardsley estimates the development will require \$480,400 of transmission and distribution improvements to serve the property. The Company has not finalized an agreement, once the parties have finalized a MXA, Staff recommends the agreement be forwarded to Staff for review consistent with Arizona Administrative Code R14-2-406.

Water Production Capacity

Beardsley currently serves two-hundred fourteen (214) customers, through four (4) public water systems (“PWS”). This proposed extension request will be served by PWS No. 07-517 which has a single water well with a total production capacity of one hundred sixty (160) gallons-per-minute (“GPM”) and 120,000 gallons of storage capacity.

Staff’s review of the production and storage capacity of the Beardsley system concludes that PWS No. 07-517 can serve approximately an additional one hundred twenty-four (124) connections. Staff concludes the existing system has adequate production and storage capacity to serve the current and projected customers, and that the Company can be reasonably expected to develop additional storage capacity when it is required in the future.

Arsenic

The U.S. Environmental Protection Agency (“EPA”) has reduced the arsenic maximum contaminant level (“MCL”) in drinking water from 50 micrograms per liter (“µg/l”) to 10 µg/l. The date for compliance with the new MCL is January 23, 2006.

The most recent lab analysis by the Company indicated that its arsenic levels at wells meet the new standard.

Maricopa County Environmental Services Department

Maricopa County Environmental Services Department (“MCESD”) regulates the Beardsley system under four separate PWS identification numbers. MCESD reported that all systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

However, MCESD also reported that all systems have minor monitoring and reporting deficiencies. Staff recommends that the decision approving the subject extension not become effective until Beardsley demonstrates it has addressed any monitoring and reporting deficiencies and is in full compliance with MCESD requirements.

Arizona Department of Water Resources Compliance

The Company is within the Arizona Department of Water Resources (“ADWR”) Phoenix Active Management Area, and is in compliance with ADWR’s reporting and conservation rules (GPCD requirements).

Staff recommends that Beardsley be required to file with the Commission a copy of the developers’ Certificate of Assured Water Supply, where applicable or when required by statute within a year after the effective date of any decision and order pursuant to this application.

ACC Compliance

A check with the Utilities Division, Compliance Section showed no outstanding compliance issues for the Company.

Beardsley has a Cross Connection Tariff and Curtailment Tariff on file.

Beardsley is also in good standing with the Corporations Division.

Proposed Rates

The Company has proposed to extend service to the extension property at its tariffed rates.

Recommendations

Staff recommends that the Commission approve the Beardsley Water Company application for an extension of its Certificate of Convenience and Necessity in a portion of Maricopa County to provide water service, subject to compliance with the following conditions:

1. To require the Beardsley Water Company, to charge its existing rates and charges in the proposed extension area.
2. To require Beardsley Water Company, to file, with the Director of the Utilities Division, a copy of the developers’ Certificate of Assured Water Supply related to the proposed extension area within 365 days of the effective date of any decision in this matter.

3. To require Beardsley Water Company, to file, with the Director of the Utilities Division, a copy of the Maricopa County Franchise associated with the proposed extension area within 365 days of the effective date of any decision in this matter.
4. To require Beardsley Water Company, to file, with the Director of the Utilities Division, the Main Extension Agreement associated with the proposed extension area within 365 days of the effective date of any decision in this matter.
5. To require Beardsley Water Company, to file, with the Director of the Utilities Division, documentation demonstrating all monitoring and reporting has been accomplished per the requirements of the Maricopa County Environmental Services Department prior to any order granting the CC&N extension area in this case becoming effective.

Staff further recommends that the Commission's Decision granting this Extension of its Certificate of Convenience and Necessity to the Beardsley Water Company, be considered null and void without further order from the Commission should Beardsley Water Company fail to meet conditions No. 2, No. 3 and No. 4 above within the time specified.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

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

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: April 22, 2004

RE: **BEARDSLEY WATER COMPANY (DOCKET NO. W-02074A-04-0241)**

The area requested by Beardsley for extension has been plotted with no complications 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

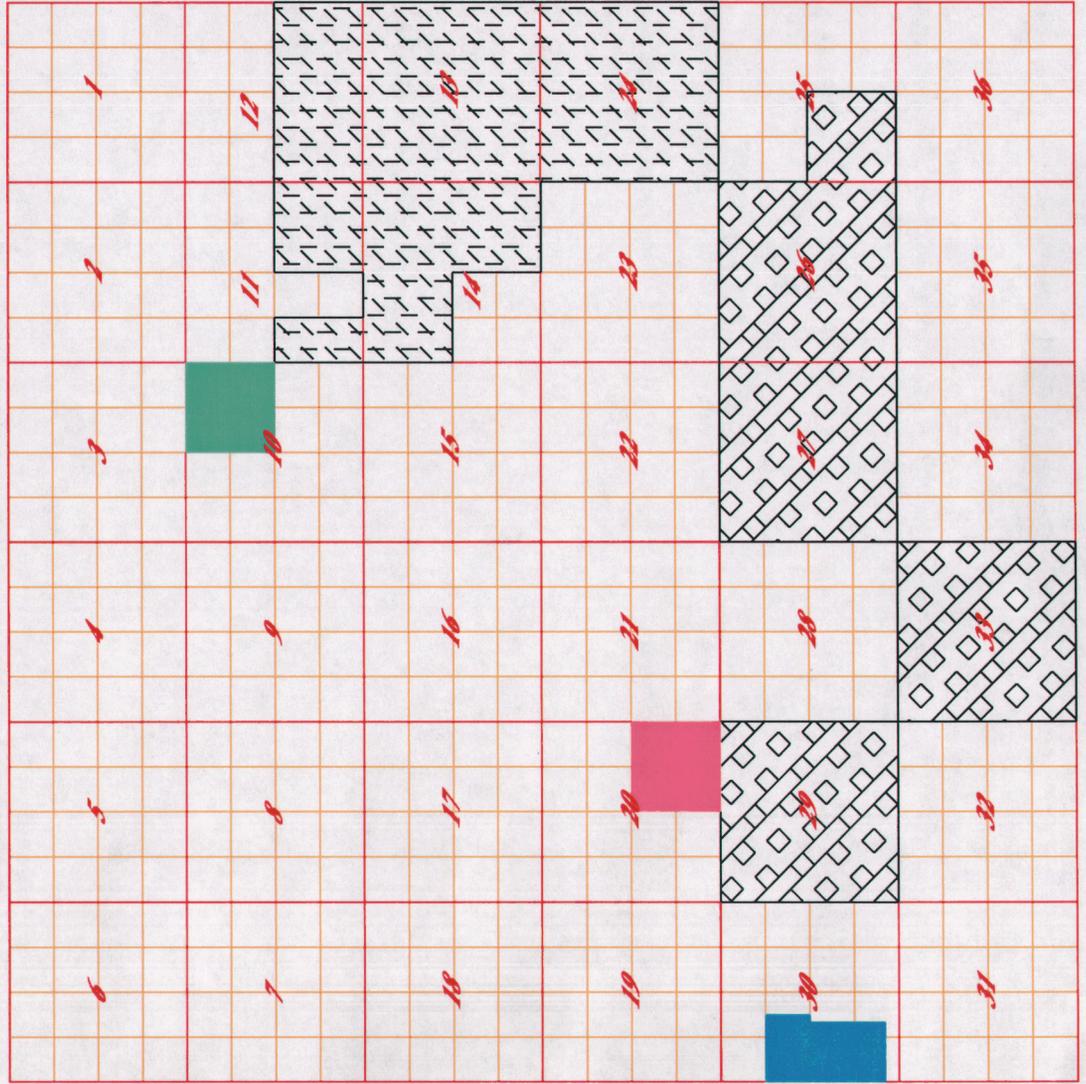
Attachments

cc: Docket Control
First National Management, Inc.
Ms. Deb Person (Hand Carried)
File

COUNTY: Maricopa

RANGE 3 West

TOWNSHIP 5 North



W-2074 (2)

Beardsley Water Company, Inc.



W-1157 (2)

West End Water Company



Beardsley Water Company, Inc.

Docket No. W-2074-03-608

Application for Extension



Signal Peak Water Company, Inc.

Docket No. W-2109-04-183

Application for Extension



Beardsley Water Company, Inc.

Docket No. W-2074-04-241

Application for Extension

MEMORANDUM

DATE May 12, 2004

TO: James E. Fisher

FROM: D. Hains

RE: **Beardsley Water Company (System # 07-0517) -
Application for an Extension of its Certificate of Convenience &
Necessity To Provide Water Service
Docket No. W-02074A-04-0241**

Introduction

Beardsley Water Company (“Beardsley” or “Company”) has applied to extend its Certificate of Convenience and Necessity (“CC&N”) to provide water service in an area adjacent to its service area northwest of the City of Phoenix in Maricopa County. The requested area consists of the southwest quarter of the Section 20 of Township 5 North and Range 3 West. The requested area would add approximately one-quarter square mile to the Company’s existing four and one-quarter square miles of certificated service area.

Capacity

Beardsley owns and operates four systems (Public Water System Nos. 07-007, 07-509, 07-511 and 07-517) however, only one of these systems (PWS #07-517) will be used to serve the requested area. PWS #07-517 (the System) contains a single well with a total flow rate of 160 gallons per minute (“GPM”) and 120,000 gallons of storage capacity. The System was designed to provide fire flow at a rate of 500 GPM for a period of 2 hours. The system is currently serving 68 customers and has the capacity to serve an additional 124 customers. The Company expects to connect 75 additional customers in the requested area by end of first year and 134 additional customers in the requested area by the end of the fifth year. Staff concludes that the System has adequate production and storage capacity to serve the requested area and that the Company can reasonably be expected to develop additional storage and production capacity when it is required in the future.

Maricopa County Environmental Services Department (“MCDES”) Compliance

MCDES regulates the Beardsley Water systems under the Public Water System ID Nos. listed above. MCDES reported that all systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. However, MCDES also reported that all systems have minor monitoring and reporting deficiencies.¹ Staff recommends that the decision approving the subject extension not become effective until Beardsley demonstrates it has addressed any monitoring and reporting deficiencies and is in full compliance with MCDES requirements. Staff further recommends that this decision become effective on the first day of the month following the Company’s filing with the Commission’s Utilities Division Compliance Section MCDES documents that demonstrate full compliance.

Arizona Department of Water Resources (“ADWR”) Compliance

The systems are within ADWR’s Phoenix Active Management Area. Beardsley is in compliance with ADWR’s reporting and conservation rules (GPCD requirements). Staff recommends that the approval of this extension be conditioned upon Beardsley filing with the Commission a copy of the developers’ Certificate of Assured Water Supply, where applicable or when required by statute within 365 days of the effective date of the Commission’s decision in this matter.

Construction Cost

According to the Company, approximately 23,250 feet of 8 inch PVC pipe will be installed to serve the requested areas at an estimated construction cost of \$488,400 (approximately \$21/ft.) Staff considers this cost estimate reasonable for the scope of work provided.

ACC Compliance

A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.

¹ MCDES Compliance Status Reports dated March 30, April 23, April 26 and May 5, 2004.

Other Issues:

I. Arsenic

The U.S. Environmental Protection Agency (“EPA”) has reduced the arsenic maximum contaminant level (“MCL”) in drinking water from 50 micrograms per liter (“µg/l”) to 10 µg/l. The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that all system wells comply with the new Arsenic MCL standard.

Summary

I. Recommendations:

1. Staff recommends that the approval of this extension be conditioned upon Beardsley Water filing with the Commission a copy of the developers’ Certificate of Assured Water Supply, where applicable or when required by statute within 365 days of the effective date of the Commission’s decision in this matter.
2. Staff recommends that the decision approving the subject extension not become effective until Beardsley demonstrates it has addressed all monitoring and reporting deficiencies and is in full compliance with MCDES requirements. Staff further recommends that this decision become effective on the first day of the month following the Company’s filing with the Commission’s Utilities Division Compliance Section MCDES documents that demonstrate full compliance.

II. Conclusions:

1. Staff concludes that the System (PWS #07-517) has adequate production and storage capacity to serve the requested area and that the Company can reasonably be expected to develop additional storage and production capacity when it is required in the future.
2. The most recent lab analysis by the Company indicated that all system wells comply with the new Arsenic MCL standard.
3. MCDES has determined that all Beardsley systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. However, MCDES also reported that all systems have minor monitoring and reporting deficiencies.
4. Staff finds the Company’s construction cost estimates reasonable.

5. Beardsley is in compliance with ADWR reporting and conservation rules (GPCD requirements).
6. A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.