



0000011368

ORIGINAL
MEMORANDUM

30

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

DATE: August 30, 2004

RE: ARIZONA WATER COMPANY, INC. - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN PINAL COUNTY, ARIZONA (DOCKET NO. W-01445A-04-0453)

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

EGJ:JEF:lhm

Originator: Jim Fisher

Arizona Corporation Commission
DOCKETED

AUG 30 2004

DOCKETED BY	<i>EP</i>
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AZ CORP COMMISSION
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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-04-0453

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

AUGUST 2004

Service List for: Arizona Water Company, Inc.
Docket No. W-01445A-04-0453

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Vice President
Arizona Water Company
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Phoenix, Arizona 85015

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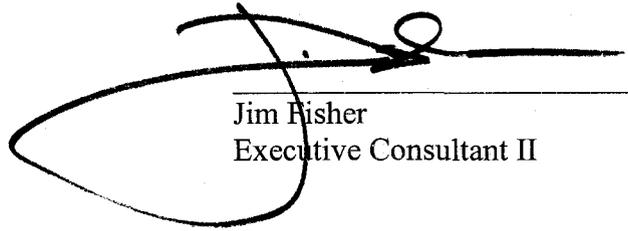
Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

STAFF ACKNOWLEDGEMENT

The Staff Report for Arizona Water Company, Inc. (Docket No. W-01445A-04-0453) 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

**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-04-0453**

On June 16, 2004, Arizona Water Company ("Arizona Water" 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 Pinal County, Arizona.

AWC is an Arizona corporation, authorized by the ACC to provide water service within portions of Gila, Navajo, Cochise, Maricopa, Pima, Yavapai, Coconino and Pinal counties, Arizona. The ACC initially authorized AWC a CC&N in 1955. The Company currently serves approximately 65,000 customers.

By this application, Arizona Water is seeking to extend its current 25 square mile Coolidge CC&N to include an additional four and one-half square miles. The proposed extension is of three separate parcels, each contiguous to Arizona Water's current CC&N.

Arizona Water at Coolidge consists of four wells with a total production capacity of 4,365 gallons-per-minute ("GPM") and 1.8 million gallons of storage capacity. The system has approximately 4,365 service connections. Using a simple analysis of overall well production and storage for the Coolidge system, the existing water system can accommodate approximately 1,150 additional connections.

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

1. To require the Arizona Water Company to charge its existing rates and charges in the proposed extension area.
2. To require Arizona Water Company to file with Docket Control the main extension agreement associated with the proposed extension area within 365 days of the effective date of any decision in this matter.
3. To require Arizona Water Company to file with Docket Control a copy of the ADEQ Certificate of Approval to Construct within 365 days of any decision in this matter.
4. To require Arizona Water Company to file with Docket Control a copy of the developers Certificate of Assured Water Supply, where applicable or when required by statute.

Staff further recommends that the Commission's Decision granting this extension of its Certificate of Convenience and Necessity to the Arizona Water Company be considered null and void without further order from the Commission should Arizona Water Company fail to meet Conditions 2 and 3 within the time specified.

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Background	1
The Extension Request	1
Finance of Facilities	2
Water Production Capacity	2
Arsenic	2
Arizona Department of Environmental Quality (“ADEQ”) Compliance	2
Arizona Department of Water Resources (“ADWR”) Compliance	2
ACC Compliance	3
Proposed Rates	3
City Permit Franchise	3
Recommendations	3

ATTACHMENT(S)

ENGINEERING MAP	A
ENGINEERING REPORT	B

Introduction

On June 16, 2004 Arizona Water Company ("Arizona Water" 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 Pinal County, Arizona.

On July 15, 2004, Staff informed the Company that the application was sufficient for the requirements of the Arizona Administrative Code.

Background

AWC is an Arizona corporation, authorized by the ACC to provide water service within portions of Gila, Navajo, Cochise, Maricopa, Pima, Yavapai, Coconino and Pinal counties, Arizona. The ACC initially authorized AWC a CC&N in 1955. The Company currently serves approximately 65,000 customers.

By this application, Arizona Water is seeking to extend its current 25 square mile Coolidge CC&N to include an additional four and one-half square miles. The proposed extension is of three separate parcels, each contiguous to Arizona Water's current CC&N.

The Extension Request

Arizona Water is requesting the Commission allow the Company to extend its service territory to include three properties.

Property number 1 is described as Sections 9 and 10, Township 5 South, Range 8 East of the Gila and Salt River Base and Meridian. The Company is currently serving three customers in the property. The requested property is adjoining the existing Arizona Water CC&N on the south and reservation properties on the north. No other water utility is situated to extend service.

Property number 2 is described as Sections 6 and 7, Township 6 South, Range 8 East of the Gila and Salt River Base and Meridian. The Company received a request for service from Omega Management Services, Inc. The requested property is adjoining the existing Arizona Water CC&N on the north and east. No other water utility is situated to extend service.

Property number 3 is described as the northwest quarter of section 13, and southern half of Section 12, Township 5 South, Range 8 East of the Gila and Salt River Base and Meridian. The Company received a request for service from Mr. Everett Lee, the owner of 113 acres within the previously described sections. The requested property is adjoining the existing Arizona Water CC&N on the south, west, and east. No other water utility is situated to extend service.

The proposed extension areas are expected to provide 50 additional connections within the next five years.

Finance of Facilities

Arizona Water will finance the required transmission and distribution facilities primarily with Advances in Aid of Construction. Advances in aid of construction are often in the form of Main Extension Agreements. Main Extension 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, 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.

Water Production Capacity

Arizona Water at Coolidge consists of four wells with a total production capacity of 4,365 gallons-per-minute ("GPM") and 1.8 million gallons of storage capacity. The system has approximately 4,365 service connections.

Using a simple analysis of overall well production and storage for the Coolidge system, the existing water system can accommodate approximately 1,150 additional connections.

Arsenic

The U. S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ($\mu\text{g}/\text{l}$) to 10 $\mu\text{g}/\text{l}$. The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that the wells in the Coolidge system meet the new arsenic MCL.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Coolidge system under ADEQ Public Water System ("PWS") I.D. #11-014. Based on data received from ADEQ, ADEQ has determined that the system is currently delivering water that does not exceed any maximum contaminant level ("MCL") and both systems meet water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

The Arizona Water Coolidge system is within the ADWR Pinal County Active management Area, and is in compliance with ADWR's reporting and conservation rules. Staff recommends that the Company 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 365 days of the effective date of any decision in this matter.

ACC Compliance

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

Proposed Rates

Arizona Water has proposed to extend service to the property at its tariffed rates for the Coolidge system.

City Permit Franchise

Arizona Water has been authorized the necessary Coolidge Right of Way franchise permit to ensure the Company is able to operate facilities within the public easements.

Recommendations

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

1. To require the Arizona Water Company to charge its existing rates and charges in the proposed extension area.
2. To require Arizona Water Company to file with Docket Control the main extension agreement associated with the proposed extension area within 365 days of the effective date of any decision in this matter.
3. To require Arizona Water Company to file with Docket Control a copy of the ADEQ Certificate of Approval to Construct within 365 days of any decision in this matter.
4. To require Arizona Water Company to file with Docket Control a copy of the developers Certificate of Assured Water Supply, where applicable or when required by statute.

Staff further recommends that the Commission's Decision granting this extension of its Certificate of Convenience and Necessity to the Arizona Water Company be considered null and void without further order from the Commission should Arizona Water Company fail to meet Conditions 2 and 3 within the time specified.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

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

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: July 19, 2004

RE: **ARIZONA WATER COMPANY (DOCKET NO. W-01445A-04-0453)**

The area requested by Arizona Water for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached are copies of the maps for your files.

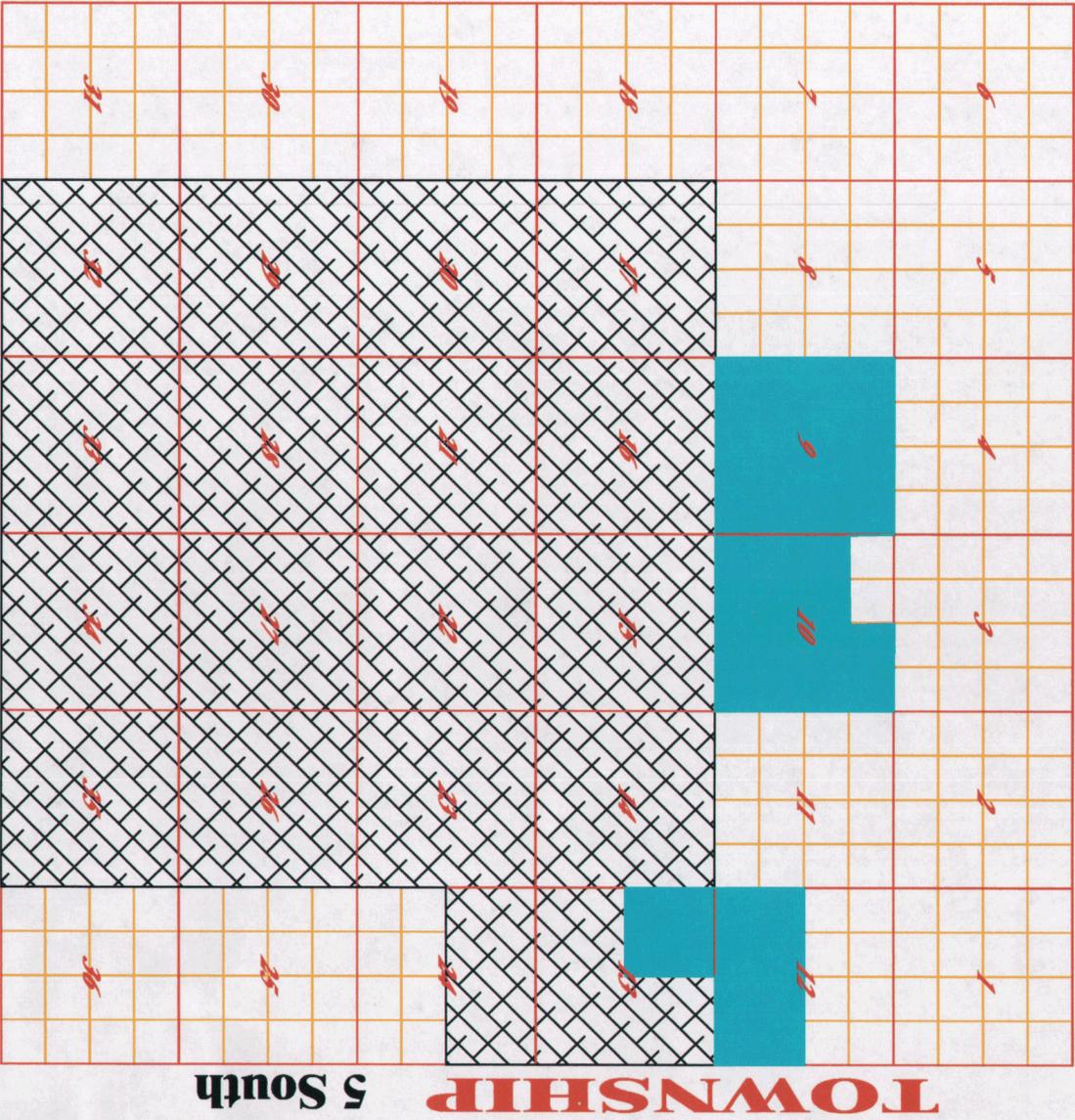
:bsw

Attachments

cc: Docket Control
Mr. Robert Geake
Deb Person (Hand Carried)
File

COUNTY: Pinal

RANGE 8 East



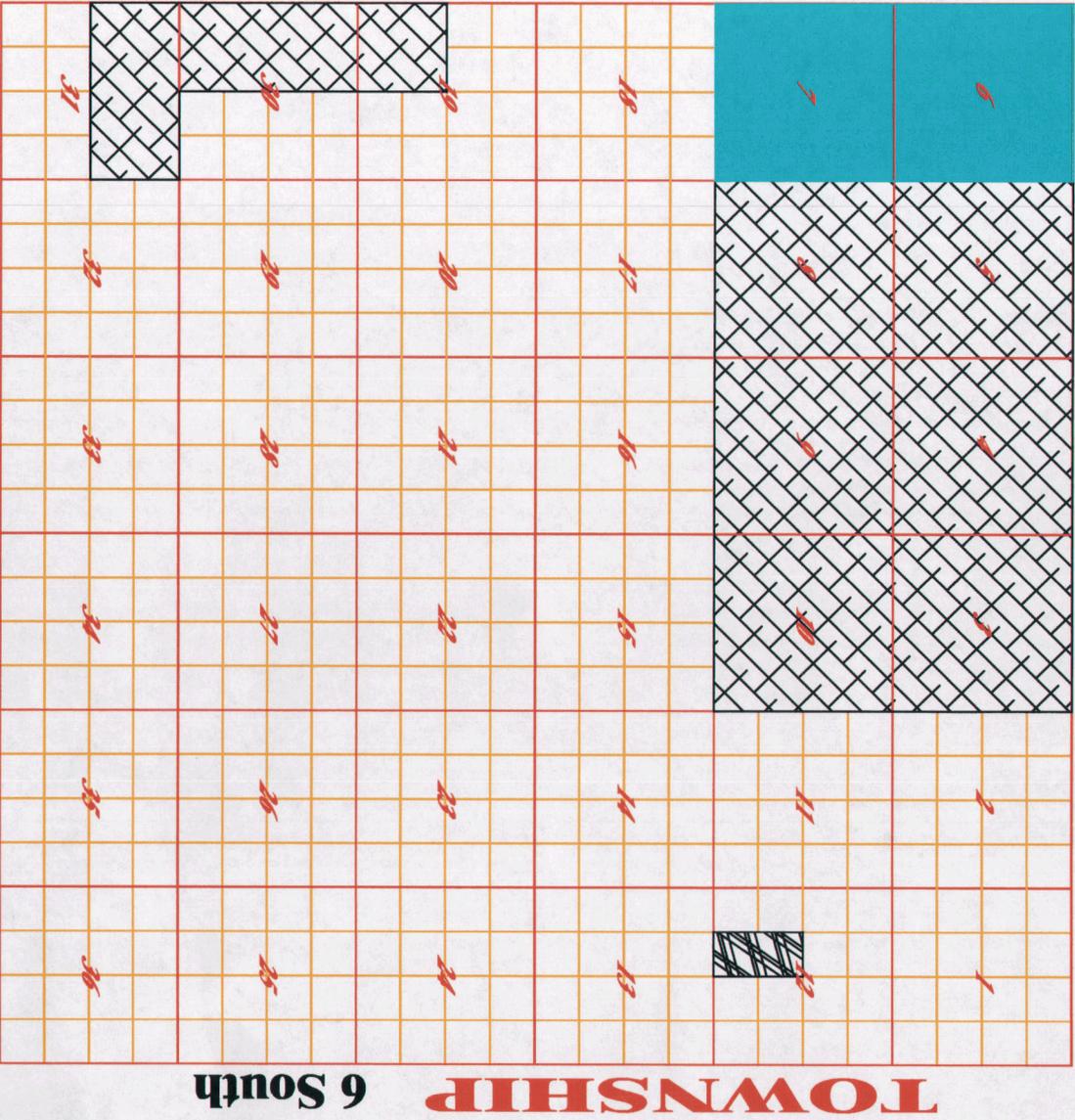
 W-1445 (35)(2)
Arizona Water Company (Coolidge)

 Arizona Water Company
Docket No. W-1445-04-453
Application for Extension

TOWNSHIP 5 South

COUNTY Pinal

RANGE 8 East



-  W-1445 (35)(10)
Arizona Water Company (Casa Grande)
-  W-2721 (2)
Carter Water Company

 Arizona Water Company
Docket No. W-1445-04-453
Application for Extension

Exhibit "1"

Legal Description

Sections 6 and 7 of Township 6 South, Range 8 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Together with:

Section 9, Section 10, The South Half of Section 12 and the Northwest quarter of Section 13, all in Township 5 South, Range 8 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT that portion of Section 10 lying within the Gila River Indian Reservation, described as follows:

BEGINNING a the Northwest corner of said Section 10;
Thence South $01^{\circ}35'$ East, a distance of 1,315.38 feet;
Thence North $89^{\circ}35'$ East, a distance of 2,661.12 feet;
Thence North $01^{\circ}44'$ West, a distance of 1,304.82 feet;
Thence South $89^{\circ}35'$ West, a distance of 2,653.20 feet to the POINT OF BEGINNING.

MEMORANDUM

DATE July 27, 2004

TO: James E. Fisher

FROM: D. Hains

RE: **Arizona Water Company**
Application for an Extension of Certificate of Convenience & Necessity to Provide Water Service in Coolidge Area
Docket No. W-01445A-04-0453

Introduction

Arizona Water Company ("Company") has applied to extend its Certificate of Convenience and Necessity ("CC&N"). The extension area contains three separate parcels located north and south of the Town of Coolidge. This application would add approximately four and one-half square miles to the Company's existing 25 square mile certificated area that includes the Town of Coolidge. The Company estimates 50 new customers would be served over a five-year period in the extension area. The Company's Coolidge water system would be used to provide service.

Capacity

The Coolidge water system consists of four wells¹ which have a flow rate of 4,365 gallons per minute ("gpm"), 1,807,000 gallons of storage capacity and a distribution system serving 4,365 existing customers. This system has adequate storage and production capacity to serve an additional 5,500 customers.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Coolidge system under ADEQ Public Water System ("PWS") I.D. # 11-014. ADEQ has determined that Coolidge system is currently delivering water that does not exceed any maximum contaminant level ("MCL") and meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.²

¹ The Coolidge system also includes a fifth well, Well #2, which is not in-service.

² ADEQ Compliance report dated June 4, 2004, received on June 4, 2004.

Arizona Department of Water Resources (“ADWR”) Compliance

The Company’s Coolidge system is within the ADWR Pinal Active Management Area, and is in compliance with ADWR’s reporting and conservation rules (GPCD requirements). Staff recommends that the Company shall file 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 any decision and order issued pursuant to this application.

Construction Cost

The Company will extend existing mains located in the extension area to serve the estimated 50 new customers. The Company estimates that it will need to construct approximately 10,560 feet of 12-inch PVC at a cost of \$19 per foot to provide service. Staff concludes that based on the scope of work the Company’s cost estimate is reasonable. However, Staff is not making any determination of the capital improvements as “used and useful” at this time, but defers this determination until the Company files its next rate application.

ACC Compliance

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

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 provided by the Company indicates that the four Coolidge system wells are producing water that will comply with the new arsenic MCL.³

Summary

I. Recommendations:

1. The Company’s Coolidge system is within the ADWR Pinal Active Management Area, and is in compliance with ADWR’s reporting and

³ Well #2 which is no longer in-service produced water with arsenic concentrations that exceeded the new MCL (see Company’s June 29, 2004 response to staff’s data request).

conservation rules (GPCD requirements). Staff recommends that the Company shall file 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 any decision and order issued pursuant to this application.

II. Findings:

1. Arizona Water's Coolidge system has adequate production and storage capacity to serve the existing customer base and new customers in the extension area.
2. ADEQ has determined that Coolidge system is currently delivering water that does not exceed any maximum contaminant level ("MCL") and meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. The most recent lab analysis provided by the Company indicates that the four Coolidge system wells are producing water that will comply with the new arsenic MCL.
4. Staff concludes that based on the scope of work the Company's cost estimate to serve the extension area is reasonable.
5. A check with the Utilities Division Compliance Unit showed no outstanding ACC compliance issues with the Arizona Water Company.