

ORIGINAL



0000013321

MEMORANDUM

30

Arizona Corporation Commission

DOCKETED

NOV 19 2004

DOCKETED BY	CAR
-------------	-----

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGT

DATE: November 19, 2004

RE: COMPLIANCE STAFF REPORT FOR PINE WATER COMPANY REGARDING THE NEED TO INSTITUTE A MORATORIUM PER DECISION NO. 67166 (DOCKET NO. W-03512A-03-0279)

Attached is the Compliance Staff Report for Pine Water Company ("Pine Water") regarding the need to institute a moratorium per Decision No. 67166. Staff recommends that no new service connections be added to the Pine Water system at this time. Staff will continue to review compliance reports as submitted by Pine Water and will provide a full report, including the possibility of operating Strawberry Water Company and Pine Water as one system, by September 30, 2005, as originally ordered in Decision No. 64400.

EGJ:MSJ:red

Originator: Marlin Scott, Jr.

Attachment: Original and 13 Copies

RECEIVED

2004 NOV 19 P 2:39

AZ CORP COMMISSION
DOCUMENT CONTROL

Service List for: Pine Water Company
Docket No. W-03512A-03-0279

Mr. Jay Shapiro
Mr. Patrick Black
Fennemore Craig
3003 N. Central Avenue, Suite 2600
Phoenix, Arizona 85012
Attorneys for Pine Water Company

Mr. Robert Hardcastle
Pine Water Company
P.O. Box 82218
Bakersfield, California 93380-2218

Mr. Robert M. Cassaro
Intervener
P.O. Box 1522
Pine, Arizona 85544

Mr. John O. Breninger
Intervener
P.O. Box 2096
Pine, Arizona 85544

Mr. John G. Giliege
P.O. Box 1388
Flagstaff, Arizona 86002
Attorney for Pine-Strawberry Water Improvement District

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 REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

PINE WATER COMPANY
DECISION NO. 67166
FOR
DOCKET NO. W-03512A-03-0279

COMPLIANCE STAFF REPORT
PER
DECISION NO. 67166

NOVEMBER 2004

STAFF ACKNOWLEDGMENT

The Compliance Staff Report for Pine Water Company per Decision No. 67166, was the responsibility of the Staff member listed below. Marlin Scott, Jr. was responsible for the review and analysis of this compliance report.

A handwritten signature in cursive script, appearing to read "Marlin Scott, Jr.", is written over a horizontal line.

Marlin Scott, Jr.
Utilities Engineer

**EXECUTIVE SUMMARY
PINE WATER COMPANY
DECISION NO. 67166**

On August 10, 2004, Decision No. 67166 was issued for Pine Water Company's ("Pine Water") rate proceeding. In that Decision, Staff was ordered to prepare a Staff Report within three months of the date of the order, to determine whether a moratorium on new water hook ups should be instituted for the Pine Water service area.

Pine Water is currently under a limited moratorium ordered by Decision No. 65435, dated December 9, 2002. This decision limited the number of new service connections to a maximum of 25 per month with no carryover. In addition, any new service connection that required a main extension would be denied unless the owner of the property provided Pine Water with an independent source of water.

Pine Water was ordered to submit semi-annual reports, beginning June 30, 2002 (per Decision No. 64400, dated January 31, 2002) and depending on the reporting information, Staff was ordered to submit a report to the Commission by September 30, 2005, recommending whether to continue the moratorium or to seek modification.

Staff has determined that the Pine Water's 19 well production source could adequately serve up to 555 service connections during the peak month. During the peak month, Pine Water had 1,992 active accounts, consisting of 1,752 accounts which used water and 240 accounts that did not use water.

Depending on the water availability from Strawberry Water Co. via Project Magnolia, water could be transported at 250 to 500 GPM. Although Project Magnolia is available year round, Pine Water would still need to haul water from May to September each year.

As of November 2, 2004, ADEQ has reported that Pine Water has pending a Consent Order, Notice of Violations, and numerous plant deficiencies. Based on this information, ADEQ cannot determine if Pine Water is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that no new service connections be added to the Pine Water system at this time. Staff will continue to review compliance reports as submitted by Pine Water and will provide a full report, including the possibility of operating Strawberry Water Company and Pine Water as one system, by September 30, 2005, as originally ordered in Decision No. 64400.

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
BACKGROUND	1
SYSTEM EVALUATION	1
ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE	2
CONCLUSIONS	2
RECOMMENDATIONS	3

Attachments

Pine Water System – Consumption by Customer Summary	A
Graph.....	1

Introduction

On August 10, 2004, Decision No. 67166 was issued for Pine Water Company's ("Pine Water") rate proceeding. Because the service area of Pine Water continues to suffer under drought conditions, resulting in a water shortage, Staff was ordered to prepare a Staff Report that would determine whether a moratorium on new water hook ups should be instituted for the Pine Water service area. Pine Water serves the community of Pine in Gila County.

Background

Since 1989, due to historical water shortages in and around the Pine area, the Commission ordered various moratoriums on new service connections and main extensions. These moratoriums have remained in effect in one form or another since that time.

Pine Water is currently under a limited moratorium ordered by Decision No.65435, dated December 9, 2002. This decision limited the number of new service connections to a maximum of 25 per month with no carryover. In addition, any new service connection that required a main extension would be denied unless the owner of the property provided Pine Water with an independent source of water.

Pine Water was ordered to submit semi-annual reports, beginning June 30, 2002 (per Decision No. 64400, dated January 31, 2002) and depending on the reporting information, Staff was ordered to submit a report to the Commission by September 30, 2005, recommending whether to continue the moratorium or to seek modification. As stated in Decision No. 64400, Staff notes that the Commission on its own initiative could, at any time, reduce the number of new service connections to any number less than 25 if the Commission believed it was appropriate to do so to protect the public interest.

System Evaluation

According to the Water Use Data Sheets submitted by Pine Water, the operation of the Pine Water system consists of 19 wells (totaling 93.88 gallons per minute ("GPM") based on Pine Water's calculated average), nine storage tanks (totaling 970,000 gallons), interconnection with Strawberry Water Company (Project Magnolia pipeline equipped with two pumps at 250 GPM each), and a distribution system serving 1,990 service connections. The Pine Water well production source fluctuates year round.

Staff evaluated the Water Use Data Sheets covering the last 24 months using "Consumption by Customer" spreadsheets submitted by Pine Water. After evaluating this data, Staff determined that Pine Water's 19 well production source could adequately serve up to 555 service connections during the peak month (using a peaking factor of 2.0). During the peak month, Pine Water had 1,992 active accounts, consisting of 1,752 accounts which used water and 240 accounts that did not use water. (See Attachment A, Pine Water System – Consumption by Customer Summary.)

As part of a Commission compliance filing for Decision No. 67166, Pine Water submitted a report regarding Water Availability and Use for the period from October 2003 to September 2004. Staff combined this data with the same type of data obtained in the recent rate proceeding and prepared the attachment labeled Graph 1. Staff is providing Graph 1 to show the duration water was hauled and pumped via Project Magnolia during this period.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

On November 2, 2004, the Water Quality Field Services Unit of the ADEQ issued an inspection report regarding the system inspections of Strawberry Water Co. (old E&R – Strawberry), PWS 04 – 006, Pine Water Co. (Old E&R – Pine), PWS 04-034, and Pine Water Co. (Old Williamson), PWS 04-043. This one inspection report was issued for the three water systems because 1) they are interconnected, 2) owned by the same entity, and 3) ADEQ policy considers them to be one system.

According to the inspection report, Pine Water has the following deficiencies:

1. A Consent Order, D-36-94, was issued to the old E&R – Pine System on September 27, 1994, which required that a drawing of the water system be submitted. ADEQ has not received an accurate drawing of the water system; therefore, the Consent Order is still valid.
2. A Notice of Violation (“NOV”) was issued for a) operating two wells (Weeks and Bloom Wells) without an Approval to Construct or an Approval of Construction, and b) failure to maintain and keep in proper operating condition facilities used in the production, treatment, or distribution of a water supply resulting in:
 - Deterioration of concrete slabs around several wells.
 - Failure to secure wells and storage tanks to limit unauthorized access.
 - Failure to post signs at each well to notify individuals not to trespass and to allow identification of the well.
 - Failure to have a secure gate on fences around storage tanks.
3. A NOV was issued for the Strawberry facilities for failing to provide a consumer confidence report.
4. In addition to the above violations, ADEQ has reported 20 plant facility items deficient which need to be corrected.

Conclusions

Staff has determined that the Pine Water’s 19 well production source could adequately serve up to 555 service connections during the peak month. During the peak month, Pine Water had

1,992 active accounts, consisting of 1,752 accounts which used water and 240 accounts that did not use water.

Depending on the water availability from Strawberry Water Co. via Project Magnolia, water could be transported at 250 to 500 GPM. Staff does not believe that the water production in Strawberry can support sustained and prolonged use of Project Magnolia without being a detriment to Strawberry's water supply. However, even considering a sustained flow of 250 GPM from Project Magnolia (which is highly unlikely, considering the information on Graph 1), this Project Magnolia source combined with the 19 wells could only support approximately 2,000 connections.

ADEQ has reported that Pine Water has pending a Consent Order, Notice of Violations, and numerous plant deficiencies. Based on this information, ADEQ cannot determine if Pine Water is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Recommendations

Based on the above, Staff recommends that no new service connections be added to the Pine Water system at this time. Staff will continue to review compliance reports as submitted by Pine Water and will provide a full report, including the possibility of operating Strawberry Water Company and Pine Water as one system, by September 30, 2005, as originally ordered in Decision No. 64400.

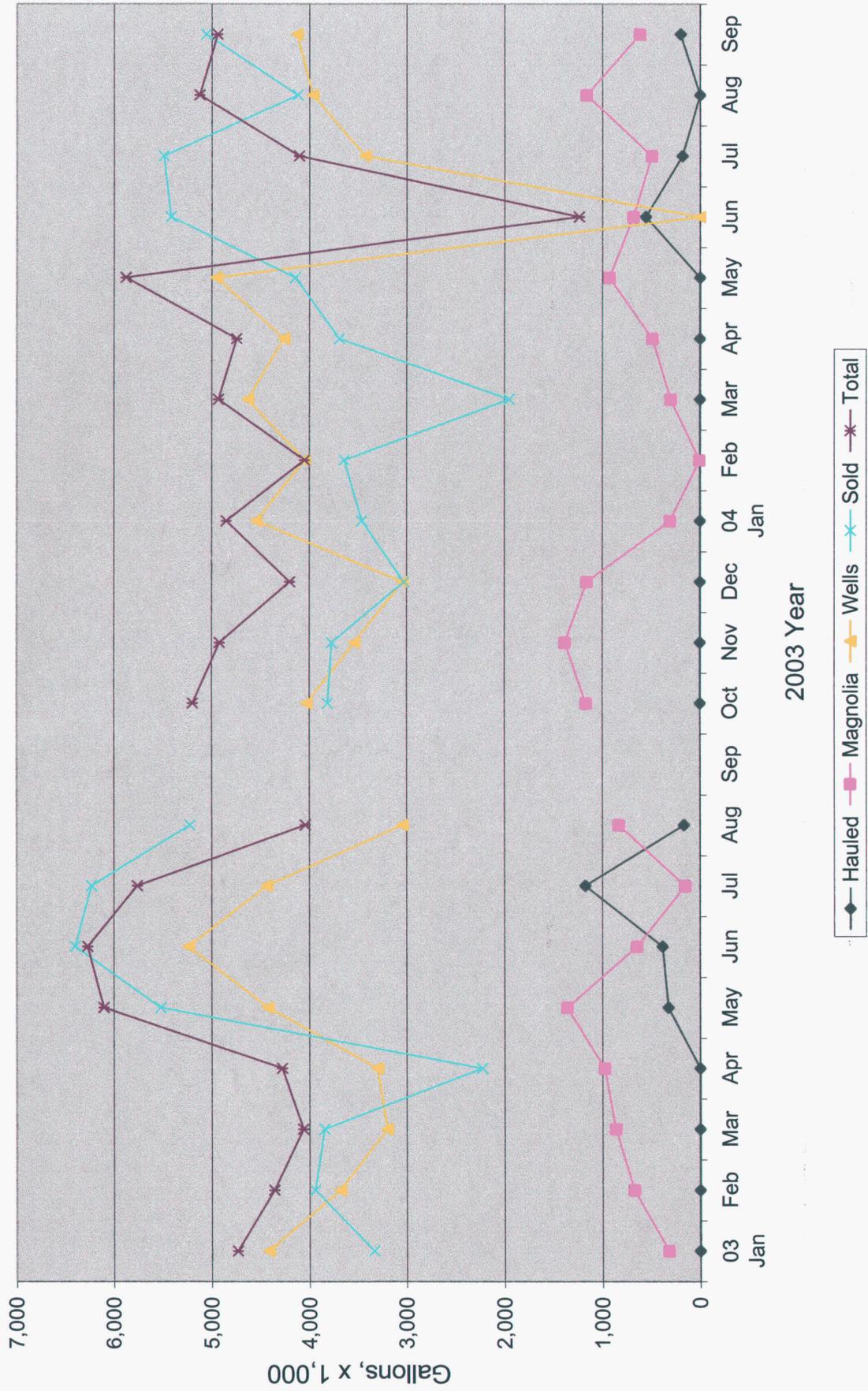
**Pine Water System
Consumption by Customer Summary**

Attachment A

Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
											750
							3880	4410	3680	5190	4080
										1110	90
										1600	940
0	0	1797	-1297	0							1020
0											
						1950	5180	4690	4380	8170	6610
								20	0	11080	-11080
						10	0	800	30	0	0
						10	0	0	0	0	0
						2130	8480	8310	10670	2600	13940
	0	0	0	0							
						0	0	0	0	130	750
						1310	1430	680	850	1190	1690
								5990	9270	8000	8420
4350	7560	6560	3200								
			-1000								
										10	0
						40	80	0	0	0	0
								10	0	0	0
300	220	340	0								
							0	10			
									250	150	350
0	0	110	-110								
0											
2210	200	0	0	0							
0	0	1270						3720	50	30	60
5240	3160										
4480	3780	4910	5090								
											4870
720	420	600	650								
										10	0
											1050
										550	1370
										7270	4520
480	4120	8306									
						4610	4210	3690	3080	1340	580
17,780	19,460	23,893	6,533	0	6,396,479	10,060	23,260	32,330	32,260	48,430	40,010
		Actual use:			6,400,669						
		Days:			30						
		GPD:			213,356						
		# of users:			1752						
		GPD/user:			121.78						
		x 2.0:			243.56						
		GPM/user:			0.17						
		Wells - GPM:			93.88						
		# can serve:			555						

Graph 1

Pine Water Co. - Water Availability and Use



2003 Year