

ORIGINAL



0000013939

MEMORANDUM

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

DATE: October 1, 2004

RE: BEARDSLEY WATER COMPANY, INC. - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA (DOCKET NO. W-02074A-03-0608)

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

EGJ:JEF:ihm

Originator: Jim Fisher

Arizona Corporation Commission

DOCKETED

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Docket No. W-02074A-03-0608

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

BEARDSLEY WATER COMPANY, INC.

DOCKET NO. W-02074A-03-0608

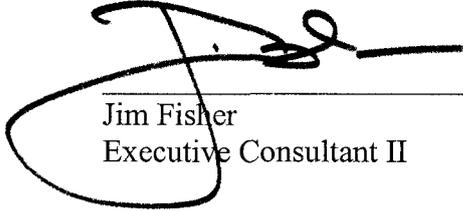
APPLICATION FOR AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY
TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA

OCTOBER 2004

STAFF ACKNOWLEDGEMENT

The Staff Report for Beardsley Water Company, Inc. (Docket No. W-02074A-03-0608) 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
BEARDSLEY WATER COMPANY, INC.
DOCKET NO. W-02074A-03-0608

On August 26, 2003, Mr. Evan Crane, a developer unrelated to 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 the 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. The ACC initially authorized the Company its initial CC&N in Decision No. 40034 (May 26, 1969). Beardsley currently serves approximately 214 customers in the northwest valley.

By this application, Beardsley is requesting the Commission allow the Company to extend its service territory to include a non-contiguous parcel approximately one-quarter square mile to its existing certificated area.

The Beardsley water systems are not fully interconnected; therefore, Staff recommends that the Company be required to upgrade the existing system to ensure adequate service before service is provided to any new customers in the proposed extension area.

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 upgrade the existing system as proposed by Staff to ensure adequate service before service is provided to any new customers in the proposed extension area.
2. To require the Beardsley Water Company to docket copies of the Certificate of Approval to Construct and Certificate of Approval of Construction for the required upgrades to Systems Nos. 07-509 and 07-511 issued by the Maricopa County Environmental Services Department within 365 days of the effective date of a Decision granting approval of the requested extension.
3. To require the Beardsley Water Company to charge its existing rates and charges in the proposed extension area.
4. To require Beardsley Water Company to docket a Curtailment Tariff (as a compliance item in this docket) for the proposed extension are consistent with Commission policy within 45 days of any decision in this matter.

5. To require Beardsley Water Company to docket 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.
6. To require Beardsley Water Company to docket the main extension agreement (as a compliance item in this docket) associated with the proposed extension area within 45 days of the effective date of any decision in this matter.
7. To make 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.

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 any of the above conditions 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	3
Maricopa County Environmental Services Department (“MCDES”)	3
Arizona Department of Water Resources (“ADWR”) Compliance	3
ACC Compliance	3
Proposed Rates	4
County Franchise	4
Recommendations	4

ATTACHMENT(S)

ENGINEERING MAP	A
ENGINEERING REPORT	B

Introduction

On August 26, 2003, Mr. Evan Crane, a developer unrelated to 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 the existing Certificate of Convenience and Necessity ("CC&N") to include additional properties in Maricopa County, Arizona.

On September 18, 2004, Staff informed Mr. Crane that the application he filed on behalf of the utility was insufficient for administrative purposes. On December 23, 2003, February 10, 2004, April 21, April 28, 2004, May 5, 2004 and July 19, 2004, additional materials were provided to support the application. On September 21, 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 initial 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 one quarter square miles. By this application, Beardsley is seeking to extend its CC&N to include a small non-contiguous approximately one-half mile west of its current CC&N boundary.

On August 10, 2004, in Decision No. 67160, the Commission authorized Beardsley to extend its CC&N to include a contiguous parcel.

The Extension Request

By this application, 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 Western Quarter of Section 30, 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 additional subdivisions.

According to the application, the proposed extension area is expected to provide one hundred seventeen (117) 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. 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 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 \$585,755 to construct a well, storage tank and distribution facilities to serve the property. The Company has not finalized an agreement. Once the parties have finalized a Main Extension Agreement, 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 seventy seven (277) customers, through four (4) separate public water systems ("PSW"): Numbers 07-007, 07-509, 07-511 and 07-517.

The combined systems of the Company have a total water production of 245 gallons per minute ("gpm") and 215,000 gallons of storage.

The Beardsley water systems are not fully interconnected; therefore, according to Staff's analysis of available data, two of the four systems do not have adequate production and storage capacity to serve the existing customers. Staff has found that PWS 07-509 and 07-511 require additional production and storage to ensure adequate service to the existing 64 customers served on those systems. Staff recommends that the Company be required to upgrade the existing system to ensure adequate service before service is provided to any new customers in the proposed extension area.

This proposed extension area is approximately one mile west of the existing service area. Beardsley is to install a new stand alone system consisting of an 8-inch well, 600 feet deep, with

an expected 150 gpm production. The system will have a 100,000 gallon storage tank, a pressure tank and related distribution system to serve the expected 117 connections.

Staff concludes the proposed system will develop adequate production and storage capacity to serve the 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 ($\mu\text{g}/\text{l}$) to $10 \mu\text{g}/\text{l}$. The date for compliance with the new MCL is January 23, 2006.

The most recent lab analysis by the Company indicated that its arsenic level at all points-of-entry meet the new standard.

Maricopa County Environmental Services Department ("MCDES")

MCDES regulates the Beardsley system under four separate PWS identification numbers. 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. Staff recommends that the decision approving the subject extension not become effective until Beardsley demonstrates it has addressed any monitoring and reporting deficiencies in PWS 07-007 and 07-517.

Staff 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 Company is within the 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 365 days of 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 for its existing systems. Staff recommends that the Company file as a compliance item in this docket with Docket Control a Curtailment Tariff for the new water system within 45 days.

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.

County Franchise

The Company has applied for the county franchise and anticipates obtaining it before the end of the year.

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 upgrade the existing system as proposed by Staff to ensure adequate service before service is provided to any new customers in the proposed extension area.
2. To require the Beardsley Water Company to docket copies of the Certificate of Approval to Construct and Certificate of Approval of Construction for the required upgrades to Systems Nos. 07-509 and 07-511 issued by the Maricopa County Environmental Services Department within 365 days of the effective date of a Decision granting approval of the requested extension.
3. To require the Beardsley Water Company to charge its existing rates and charges in the proposed extension area.
4. To require Beardsley Water Company to docket a Curtailment Tariff (as a compliance item in this docket) for the proposed extension are consistent with Commission policy within 45 days of any decision in this matter.
5. To require Beardsley Water Company to docket 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.

6. To require Beardsley Water Company to docket the main extension agreement (as a compliance item in this docket) associated with the proposed extension area within 45 days of the effective date of any decision in this matter.
7. To make 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.

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 any of the above conditions within the time specified.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: February 18, 2004

RE: **BEARDSLEY WATER COMPANY (DOCKET NO. W-02074A-03-06081)**

The area requested by Beardsley has been plotted using a revised legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

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

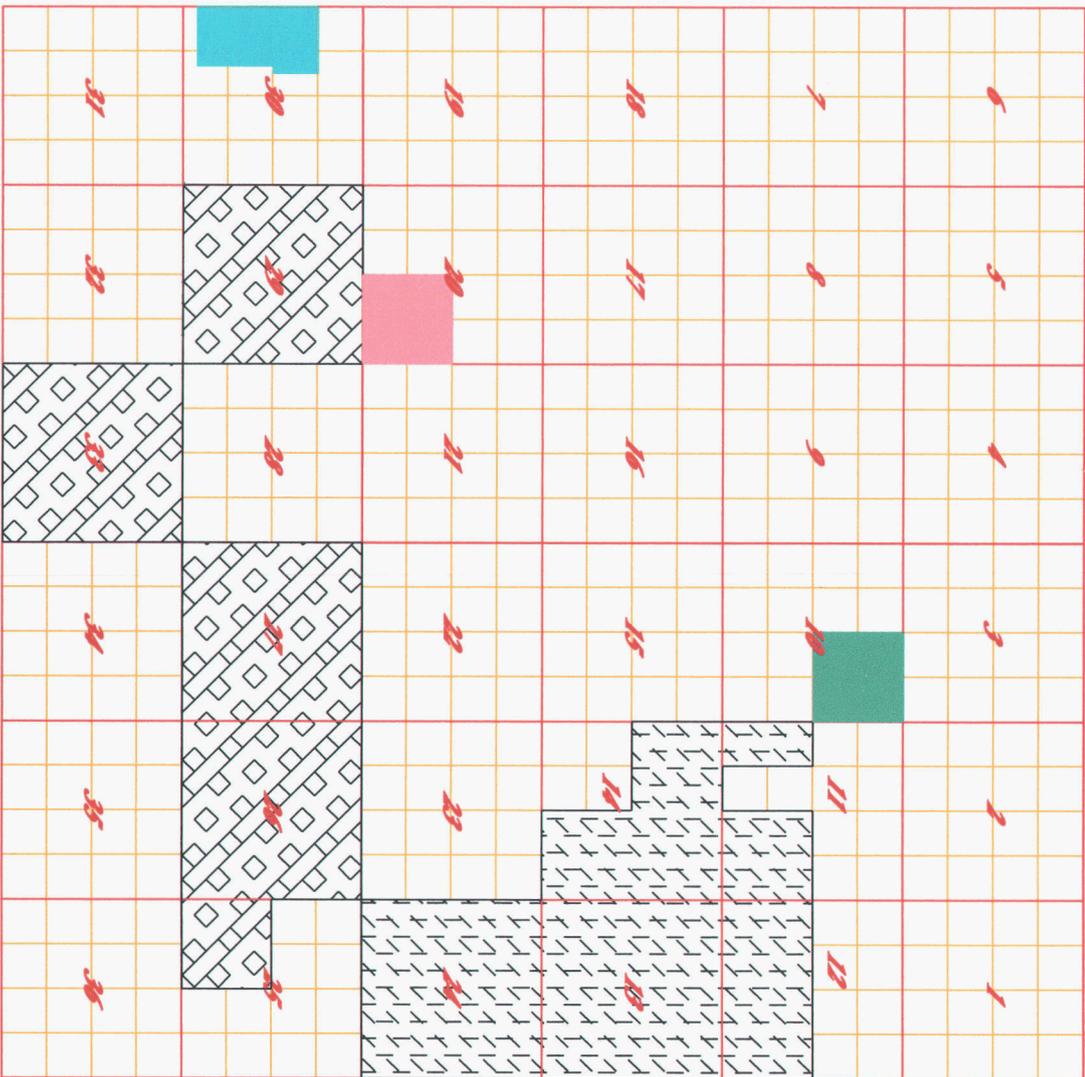
:bsw

Attachments

cc: Docket Control
Mr. Fred Wilkinson
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



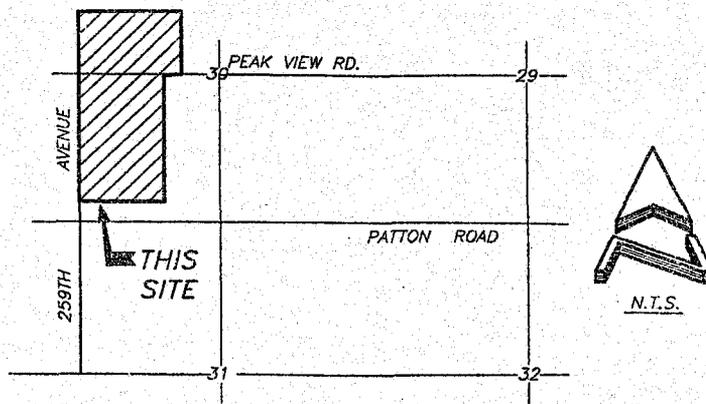
Beardsley Water Company, Inc.
Docket No. W-2074-03-608
Application for Extension



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



Vicinity Map

LEGAL DESCRIPTION

THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER, ALSO KNOWN AS G.L.O. LOT 2, AND THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 30, TOWNSHIP 5 NORTH, RANGE 3 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;
EXCEPT THE EAST 660 FEET;

TOGETHER WITH

THE EAST HALF OF THE WEST TWO-THIRDS OF THE WEST TWO-THIRDS OF THE SOUTHWEST QUARTER OF SECTION 30, TOWNSHIP 5 NORTH, RANGE 3 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;
EXCEPT THE SOUTH 406.57 FEET;

TOGETHER WITH

THE EAST THIRD OF THE WEST TWO-THIRDS OF THE SOUTHWEST QUARTER OF SECTION 30, TOWNSHIP 5 NORTH, RANGE 3 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;
EXCEPT THE SOUTH 406.57;

TOGETHER WITH

THE WEST THIRD OF THE WEST TWO-THIRDS OF THE SOUTHWEST QUARTER OF SECTION 30, TOWNSHIP 5 NORTH, RANGE 3 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;
EXCEPT THE SOUTH 406.57 FEET.



MEMORANDUM

DATE: July 21, 2004

TO: James E. Fisher

FROM: D. Hains

RE: **Beardsley Water Company -
Application for an Extension of its Certificate of Convenience &
Necessity To Provide Water Service (New System)
Docket No. W-02074A-03-0608**

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 northwest of the City of Phoenix in Maricopa County. The requested area which is not adjacent to the Company's existing certificated service area is located in the west quarter of Section 30 in Township 5 North, Range 3 West (see attached map). The requested area would add approximately one-quarter square mile to Beardsley's existing four and one quarter square miles of certificated service area.

Capacity

A. Existing System

Beardsley owns and operates four individual water systems (Public Water System Nos. 07-007, 07-509, 07-511 and 07-517). These four systems contain five wells with a total flow rate of 425 gallons per minute ("GPM") and 215,000 gallons of storage capacity. These systems serve an existing customer base of 277 customers. Systems Nos. 07-509 and 07-511 do not have adequate storage and production capacity to serve their existing customer base of 64 customers. The remaining two systems (System Nos. 07-007 and 07-517) have adequate storage and production capacity to serve their existing customer base of 213 customers. Beardsley plans to construct a separate system to serve the requested extension which is the subject of this Application and thus will not be using the existing systems for this purpose. However, Staff recommends that approval of this extension request be conditioned upon Beardsley upgrading System Nos. 07-509 and 07-511 so that these systems have adequate storage and production capacity to serve their existing customer base. Staff recommends that the Company submit

copies of the Certificate of Approval to Construct and Certificate of Approval of Construction for the required upgrades to System Nos. 07-509 and 07-511 issued by the Maricopa County Environmental Services Department ("MCESD") to the Director of the Utilities Division within 365 days of the effective date of a Decision granting approval of the requested extension.

B. Proposed System

Because the requested area is more than three-quarters of a mile west of Beardsley's existing service area, the Company proposes to install a new water system to serve the requested area. The proposed system includes a 600 foot deep well with an 8-inch casing and expected flow rate of 150 GPM, a 100,000 gallon storage tank, a 4,000 gallon pressure tank and a distribution system to serve 117 connections. The proposed system is designed to provide a fire flow of 1,000 GPM for 2 hours. Staff concludes that the proposed system will have 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. Staff recommends that the Company submit copies of the Certificate of Approval to Construct and Certificate of Approval of Construction for the proposed new system issued by the MCESD to the Director of the Utilities Division within 365 days of the effective date of a Decision granting approval of the requested extension.

Maricopa County Environmental Services Department ("MCDES") Compliance

MCDES regulates the Beardsley Water systems under the Public Water System ID Nos. listed above (see Capacity, Existing System). 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 a 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

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

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.

ACC Compliance

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

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 (" $\mu\text{g/l}$ ") to 10 $\mu\text{g/l}$. The date for compliance with the new arsenic MCL is January 23rd, 2006. The most recent lab analysis provided by the Company indicates that the existing systems' wells comply with the new arsenic MCL. Because the proposed well has not yet been installed and tested there is no arsenic MCL information available for this well.

II. Construction Cost Proposed System

The Company has estimated that it will cost \$585,755 to construct the new system that will be needed to serve the extension area. Itemized plant costs are listed below:

Description	Quantity	Unit Cost (\$/unit)	Cost (\$)
Well (600' deep, 8" casing)	1	37,500	37,500
100,000 gallons storage tank	1	65,000	65,000
30-HP submersible pump	1	5,500	5,500
Booster pump station (4 pump)	1	35,900	35,900
4,000 gallon pressure tank	1	4,000	4,000
8" PVC/valves, tees, etc.	15,164 ft	22.03 (\$/ft)	334,130
Fire hydrants	27	1,850	48,600
1" water service	117	425	49,725
2" curb stop	12	450	5,400
Total			585,755

Staff believes that the estimated costs are reasonable.

III. Curtailment Tariff

The Company's existing curtailment tariff does not include the proposed system. The Company should be required to revise its curtailment tariff to include the new system if the Commission approves the proposed extension. Staff recommends that the Company submit a revised curtailment tariff to cover the proposed extension area to the Director of the Utilities Division for approval within 365 days of the effective date of a Decision granting approval of the extension.

Summary

I. Recommendations:

1. Staff recommends that approval of this extension request be conditioned upon Beardsley upgrading System Nos. 07-509 and 07-511 so that these systems have adequate storage and production capacity to serve their existing customer base. Staff recommends that the Company docket copies of the Certificate of Approval to Construct and Certificate of Approval of Construction for the required upgrades to System Nos. 07-509 and 07-511 issued by the Maricopa County Environmental Services Department ("MCESD") within 365 days of the effective date of a Decision granting approval of the requested extension.
2. Staff recommends that the Company docket copies of the Certificate of Approval to Construct and Certificate of Approval of Construction for the proposed new system issued by the MCESD within 365 days of the effective date of a Decision granting approval of the requested extension.
3. Staff recommends that a 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.
4. Staff recommends that the approval of this extension be conditioned upon Beardsley docketing 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.
5. Staff recommends that the Company docket a revised curtailment tariff to cover the proposed extension area within 365 days of the effective date of a Decision granting approval of the extension.

II. Conclusions:

1. Staff concludes that the proposed system will have 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. Staff finds the Company's construction cost estimates reasonable.
4. Beardsley is in compliance with ADWR reporting and conservation rules (GPCD requirements).
5. A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.