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MEMORANDUM

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division
DATE: February 9, 2005

Arizona Corporation Commission

DOCKETED

FEB 09 2005

DOCKETED BY	<i>KS</i>
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RE: ARIZONA WATER COMPANY, INC. - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY ("CC&N") TO PROVIDE WATER SERVICE IN PINAL COUNTY, ARIZONA (DOCKET NO. W-01445A-04-0773)

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

EGJ:JEF:red

Originator: Jim Fisher

Attachment: Original and Thirteen Copies

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AZ CORP COMMISSION
DOCUMENT CONTROL

Service List for: Arizona Water Company, Inc.
Docket No. W-01445A-04-0773

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-04-0773

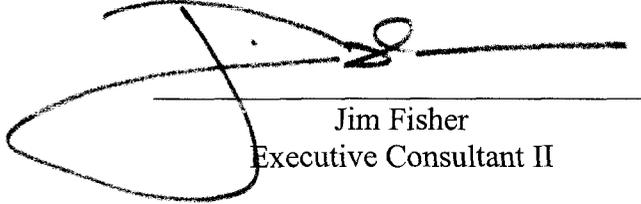
APPLICATION FOR AN EXTENSION OF ITS CC&N
TO PROVIDE WATER SERVICE IN PINAL COUNTY, ARIZONA

FEBRUARY 9, 2005

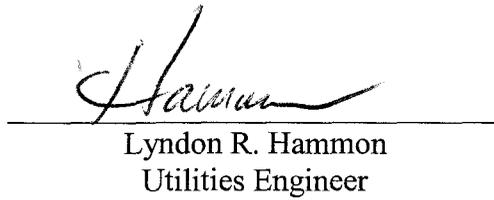
STAFF ACKNOWLEDGEMENT

The Staff Report for Arizona Water Company, Inc. (Docket No. W-01445A-04-0773) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analyses of the Company's application. Lyndon R. Hammon was responsible for the engineering and technical analysis.

Contributing Staff:



Jim Fisher
Executive Consultant II



Lyndon R. Hammon
Utilities Engineer

**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-04-0773**

On October 27, 2004, Arizona Water Company, ("Arizona Water" or "Company"), a certificated Arizona public service company, 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 January 12, 2005, Staff informed the Company that the application was sufficient for administrative purposes.

Arizona Water 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 Arizona Water a CC&N in 1955. The Company currently serves approximately 65,000 customers.

By this application, Arizona Water is seeking to extend and interconnect its current 128 square mile Casa Grande CC&N to include an additional one-half (1/2) square mile parcel located within and surrounded by, the existing CC&N. The Company has been requested by the owner of the property, to serve Villago, a proposed development. Arizona Water is currently certificated to serve approximately 25 percent of phase one of the proposed development and is seeking authority to serve that portion outside the current CC&N.

Staff recommends that the Commission approve the Arizona Water Company application for an extension of its CC&N 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 a copy of the developer's 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 Arizona Water Company to file the Main Extension Agreement associated with the proposed extension area within 365 days of the effective date of any decision in this matter.

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 above conditions No. 2 and No. 3 within the time specified.

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INTRODUCTION

On October 27, 2004, Arizona Water Company, ("Arizona Water" or "Company"), a certificated Arizona public service company, 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 November 12, 2004, Utilities Division Staff ("Staff") informed the Company that the application was insufficient for administrative purposes.

On December 28, 2004, Arizona Water provided Staff with additional documentation to support the application. On January 12, 2005, Staff informed the Company that the application was sufficient for administrative purposes.

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 Arizona Water a CC&N in 1955. The Company currently serves approximately 65,000 customers.

By this application, Arizona Water is seeking to extend and interconnect its current 128 square mile Casa Grande CC&N to include an additional one-half (1/2) square mile parcel located within and surrounded by the existing CC&N.

THE EXTENSION REQUEST

Arizona Water is requesting the Commission allow the Company to extend its service territory to include one-half (1/2) section of Section 33, Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian. The requested property is contiguous to the existing Arizona Water CC&N.

The Company has been requested by Diamond Ventures, Inc., the owner of the property, to serve Villago, a proposed development in the extension area. Arizona Water is currently certificated to serve approximately 25 percent of phase one of the proposed development. By this application, Arizona Water is requesting certification of all the property included in Villago's phase one.

Arizona Water intends to supply the development with water from the Casa Grande system. According to the application, Arizona Water anticipates a relatively fast build out of the project as it is expected to provide 1,019 additional connections within Villago Phase 1.

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.

The Company has informed Staff that service will be extended by installing 12-inch, 8 inch and 6-inch distribution lines, fire hydrants, and service connections.

A Main Extension Agreement has not been finalized between the parties. 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

Arizona Water at Casa Grande has fourteen wells with a total production capacity of 15,320 gallons-per-minute ("GPM") and 14.2 million gallons of storage capacity. The system has approximately 15,000 service connections.

Using a simple analysis of overall well production and storage for the Casa Grande system, the existing water system can accommodate approximately 2,600 additional connections.

According to the December 21, 2004, Design Report for Villago Phase 1, the current 14 wells will have adequate capacity to serve the 1,019 additional anticipated customers.

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 MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that wells in the Casa Grande system exceed the new arsenic MCL.

Arizona Water is in the process of developing a treatment plan to comply with the new arsenic standard. In Decision No. 66400, dated October 14, 2003, the Commission approved a cost recovery method which will allow the Company to recoup its arsenic treatment costs in the Company's northern systems. In Docket No. W-01445A-02-0619, Arizona Water proposed to use the same cost recovery method for the Casa Grande system, however, a final decision in this matter is currently pending before the Commission.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

ADEQ regulates the Casa Grande system under ADEQ Public Water System (“PWS”) I.D. No. 11-009. 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 meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The developer has not completed the final design of the proposed distribution system and therefore has not obtained the Certificate of Approval to Construct from the ADEQ. Staff recommends that the Commission require Arizona Water to provide a copy of the ADEQ Certificate of Approval to Construct within 365 days of any decision in this matter.

ARIZONA DEPARTMENT OF WATER RESOURCES (ADWR) COMPLIANCE

Arizona Water is within the ADWR Pinal Active Management Area, and is in compliance with ADWR’s reporting and conservation rules.

Staff recommends that Arizona Water be required to file with the Commission a copy of the developer’s Certificate of Assured Water Supply, where applicable or when required by statute within 365 days of any decision in this matter.

CURTAILMENT PLAN TARIFF

Arizona Water updated its company-wide curtailment tariff in the Eastern Division rate case during the fall of 2004 (See Docket No. W-01445A-02-0619). That revised curtailment tariff has been approved and is on file with the Commission.

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.

COUNTY FRANCHISE

Arizona Water has been authorized the necessary City of Casa Grande franchise which includes the proposed extension area. However, on January 27, 2003, the Company was informed by the City of Casa Grande that the franchise agreement had expired. The City further informed the Company that Arizona Water is allowed to operate within the City’s rights-of-way, subject to a city inspection fee equal to 3 percent of the construction cost of the plant inspected.

RECOMMENDATIONS

Staff recommends that the Commission approve the Arizona Water application for an extension of its CC&N 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 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 Arizona Water Company to file the Main Extension Agreement associated with the proposed extension area within 365 days of the effective date of any decision in this matter.

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 above conditions No. 2 and No. 3 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: November 3, 2004

RE: **ARIZONA WATER COMPANY (DOCKET NO. W-01445A-04-0773)**

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.

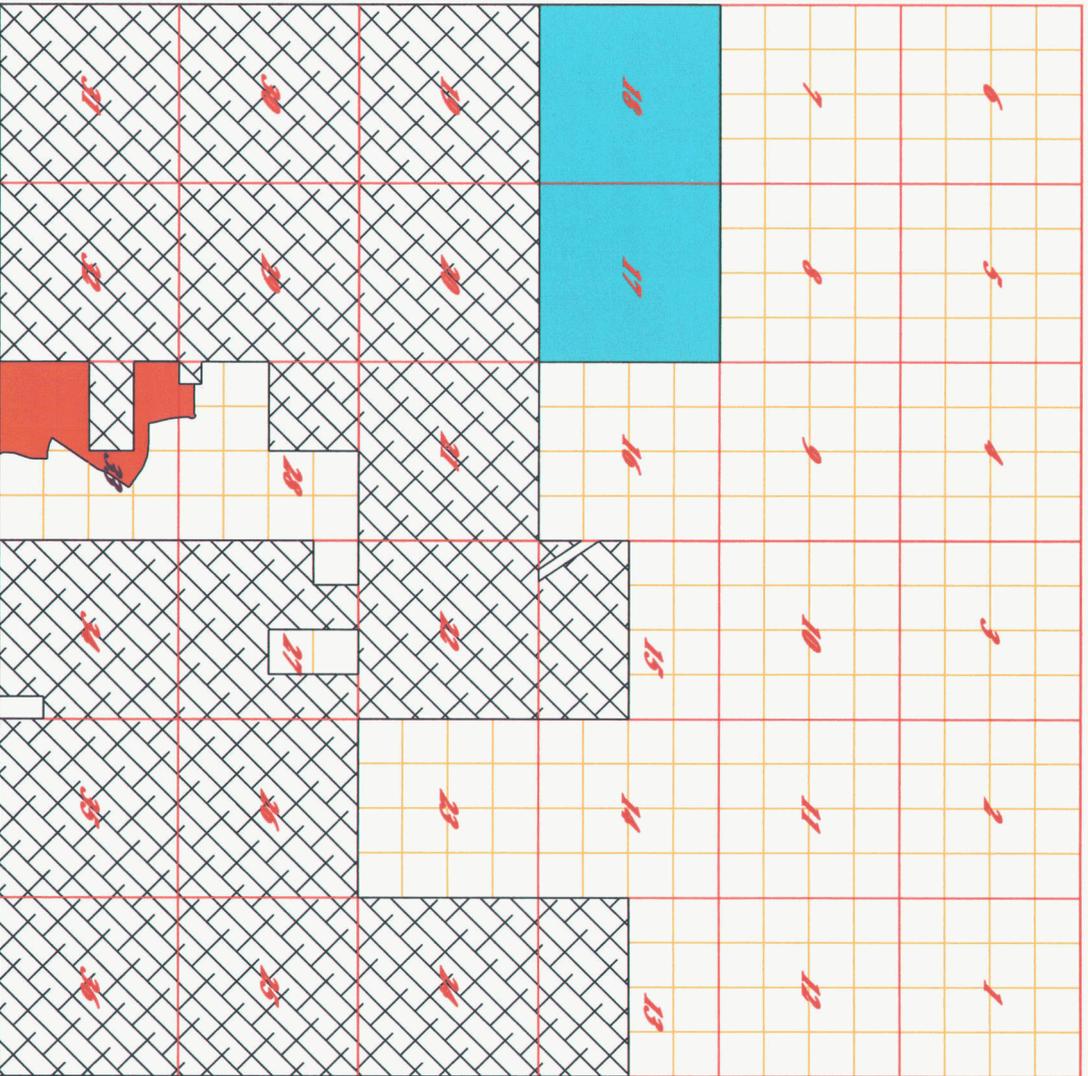
:bsw

Attachments

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

COUNTY: Pinal

RANGE 6 East



TOWNSHIP 5 South

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

 Arizona Water Company
Docket No. W-1445-04-743
Application for Extension

 Arizona Water Company
Docket No. W-1445-04-773
Application for Extension

Exhibit "1"

Legal Description - Phase 1 Boundary

That portion of Section 28 & 33, Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the Southwest corner of said Section 33, said corner bears South 89 Degrees 59 Minutes 04 Seconds West, a distance of 2,648.88 feet from the South quarter corner of said Section;

Thence North 00 Degrees 07 Minutes 16 Seconds West, along the West line of said Section 33, a distance of 2,640.55 feet to the West quarter corner of said Section 33;

Thence North 00 Degrees 07 Minutes 46 Seconds West, along the West line of said Section 33, a distance of 2,640.48 feet to the Northwest corner of said Section 33, said corner also being the Southwest corner of said Section 28;

Thence North 00 Degrees 18 Minutes 38 Seconds West, along the West line of said Section 28, a distance of 438.12 feet;

Thence North 89 Degrees 44 Minutes 38 Seconds East, a distance of 1,534.53 feet to a point on a non-tangent curve, concave to the Northwest, having a radius of 35.00 feet, the center of which bears North 00 Degrees 15 Minutes 35 Seconds West;

Thence northerly along said curve, through a central angle of 90 Degrees 00 Minutes 00 Seconds, an arc length of 54.98 feet to a point of tangency;

Thence North 89 Degrees 44 Minutes 25 Seconds East, a distance of 80.00 feet to a point on a non-tangent curve, concave to the Northeast, having a radius of 35.00 feet, the center of which bears North 89 Degrees 44 Minutes 25 Seconds East;

Thence easterly along said curve, through a central angle of 90 Degrees 00 Minutes 00 Seconds, an arc length of 54.98 feet, to a point of tangency;

Thence South 00 Degrees 15 Minutes 35 Seconds East, a distance of 110.00 feet to a point on a non-tangent curve, concave to the Southeast, having a radius of 35.00 feet, the center of which bears South 00 Degrees 15 Minutes 35 Seconds East;

Thence southerly along said curve, through a central angle of 90 Degrees 00 Minutes 00 Seconds, an arc length of 54.98 feet, to a point of tangency;

Thence South 00 Degrees 15 Minutes 35 Seconds East, a distance of 210.64 feet to a point on a tangent curve, concave to the East, having a radius of 1,640.00 feet, the center of which bears North 89 Degrees 44 Minutes 25 Seconds East;

Thence southerly along said curve, through a central angle of 13 Degrees 13 Minutes 12 Seconds, an arc length of 378.40 feet, to a point of tangency;

Thence South 13 Degrees 28 Minutes 47 Seconds East, a distance of 480.47 feet, to a point on a tangent curve, concave to the Southwest, having a radius of 1,739.51 feet, the center of which bears South 76 Degrees 31 Minutes 13 Seconds West;

Thence southeasterly along said curve, through a central angle of 04 Degrees 55 Minutes 09 Seconds, an arc length of 149.35 feet to a point of non-tangency;

Thence South 89 Degrees 59 Minutes 17 Seconds East, a distance of 642.77 feet;

Thence South 89 Degrees 25 Minutes 28 Seconds East, a distance of 63.47 feet;

Thence South 86 Degrees 50 Minutes 34 Seconds East, a distance of 65.41 feet;

Thence South 84 Degrees 03 Minutes 51 Seconds East, a distance of 65.41 feet;

Thence South 81 Degrees 17 Minutes 08 Seconds East, a distance of 65.41 feet;

Thence South 78 Degrees 20 Minutes 04 Seconds East, a distance of 72.85 feet;

Thence South 75 Degrees 52 Minutes 02 Seconds East, a distance of 44.00 feet;

Thence South 73 Degrees 24 Minutes 01 Seconds East, a distance of 72.84 feet;

Thence South 70 Degrees 26 Minutes 58 Seconds East, a distance of 65.41 feet;

Thence South 67 Degrees 40 Minutes 15 Seconds East, a distance of 65.41 feet;

Thence South 64 Degrees 53 Minutes 32 Seconds East, a distance of 65.41 feet;

Thence South 62 Degrees 06 Minutes 49 Seconds East, a distance of 65.41 feet;

Thence South 59 Degrees 20 Minutes 06 Seconds East, a distance of 65.41 feet;

Thence South 56 Degrees 35 Minutes 31 Seconds East, a distance of 64.71 feet;

Thence South 55 Degrees 31 Minutes 50 Seconds East, a distance of 554.00 feet;

Thence South 34 Degrees 28 Minutes 10 Seconds West, a distance of 735.00 feet;

Thence South 21 Degrees 42 Minutes 09 Seconds West, a distance of 173.28 feet;

Thence South 21 Degrees 42 Minutes 09 Seconds West, a distance of 166.11 feet;

Thence South 34 Degrees 28 Minutes 10 Seconds West, a distance of 1,634.34 feet to a point on a non-tangent curve, concave to the Northeast, having a radius of 1,220.00 feet, the center of which bears North 27 Degrees 30 Minutes 07 Seconds East;

Thence easterly along said curve, through a central angle of 30 Degrees 28 Minutes 55 Seconds, an arc length of 649.05 feet, to a point of tangency;

Thence South 02 Degrees 34 Minutes 51 Seconds East, a distance of 80.00 feet to a point on a non-tangent curve, concave to the Southeast, having a radius of 15.00 feet, the center of which bears South 02 Degrees 35 Minutes 57 Seconds East;

Thence southerly along said curve, through a central angle of 87 Degrees 35 Minutes 10 Seconds, an arc length of 22.93 feet, to a point of tangency;

Thence South 00 Degrees 11 Minutes 07 Seconds East, a distance of 274.64 feet to a point on a tangent curve, concave to the West, having a radius of 740.00 feet, the center of which bears South 89 Degrees 48 Minutes 53 Seconds West;

Thence southerly along said curve, through a central angle of 21 Degrees 15 Minutes 17 Seconds, an arc length of 274.50 feet, to a point of tangency;

Thence South 21 Degrees 04 Minutes 10 Seconds West, a distance of 228.92 feet to a point on a tangent curve, concave to the Southeast, having a radius of 660.00 feet, the center of which bears South 68 Degrees 55 Minutes 50 Seconds East;

Thence southerly along said curve, through a central angle of 21 Degrees 05 Minutes 06 Seconds, an arc length of 242.88 feet, to a point of tangency;

Thence South 00 Degrees 00 Minutes 56 Seconds East, a distance of 227.58 feet to a point on a tangent curve, concave to the Northeast, having a radius of 35.00 feet, the center of which bears North 89 Degrees 59 Minutes 04 Seconds East;

Thence southerly along said curve, through a central angle of 90 Degrees 00 Minutes 04 Seconds, an arc length of 54.98 feet, to a point;

Thence South 00 Degrees 01 Minutes 00 Seconds East, a distance of 70.00 feet;

Thence South 89 Degrees 59 Minutes 00 Seconds West, a distance of 75.00 feet;

Thence South 89 Degrees 59 Minutes 04 Seconds West, a distance of 2,648.88 feet to THE POINT OF BEGINNING.

EXCEPT those portions already in Arizona Water Company's Certificate of Convenience and Necessity, described as follows:

The South half of the Northwest quarter of Section 33, Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, and

The Southwest quarter of the Southwest quarter of the Southwest quarter of Section 28, Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, Except any portion lying North of the North boundary line of the above-described Phase 1 Boundary.