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MEMORANDUM

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

Arizona Corporation Commission

DOCKETED

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Date: December 3, 2004

RE: JOHNSON UTILITIES COMPANY - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WASTEWATER SERVICE, IN PINAL COUNTY, ARIZONA (DOCKET NO. WS-02987A-04-0501)

AZ CORP COMMISSION  
DOCUMENT CONTROL

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RECEIVED

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

EGJ:JEF:lh

Originator: Jim Fisher

Service List for: Johnson Utilities Company  
Docket No. WS-02987A-04-0501

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

JOHNSON UTILITIES COMPANY

DOCKET NO. WS-02987A-04-0501

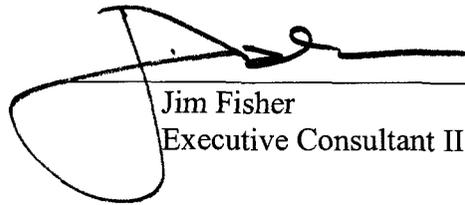
APPLICATION FOR AN EXTENSION OF  
CERTIFICATE OF CONVENIENCE  
AND NECESSITY TO PROVIDE  
WASTEWATER SERVICE

DECEMBER 2004

## STAFF ACKNOWLEDGEMENT

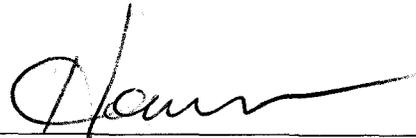
The Staff Report for Johnson Utilities Company (Docket No. WS-02987A-04-0501) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analysis of the Company's application. Lyndon Hammon was responsible for the engineering and technical analysis.

Contributing Staff:



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Jim Fisher  
Executive Consultant II



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Lyndon Hammon  
Utilities Engineer

**EXECUTIVE SUMMARY  
JOHNSON UTILITIES COMPANY  
DOCKET NO. WS 02987A-04-0501**

On July 9, 2004, Johnson Utilities Company ("Johnson Utilities" or "Company"), an 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") in Pinal County, Arizona.

Johnson Utilities is a public service corporation providing water and wastewater service to a portion of the state of Arizona. The Commission provided Johnson Utilities with its original CC&N in Decision No. 60223 (May 27, 1997), and subsequently extended the CC&Ns in Decision Nos. 61069 (August 7, 1998), 62087 (November 19, 1999), 63960 (September 4, 2001) and 64062 (October 4, 2001). According to Johnson Utilities' most recent Annual Report filing with the Commission's Utilities Division, Johnson has installed approximately \$26.3 million in water and wastewater plant to serve the current and future customers in the service area.

By this application, Johnson Utilities is seeking to extend its current CC&N to include approximately 276 acres which are intended to be developed into 966 lots owned by the Laredo Ranch LLC.

Larado Ranch will be served by the newly constructed Pecan Wastewater Reclamation Plant ("Pecan WRP"). The Pecan WRP was issued an Aquifer Protection Permit ("APP") by the Arizona Department of Environmental Quality ("ADEQ") on May 7, 2004.

The Pecan WRP has an existing capacity of 999,999 gallons per day and is expandable to 4 million gallons per day ("MGD") in 1 MGD phases if and when setback requirements are worked out with ADEQ. On November 24, 2004, JUC filed an application with ADEQ to expand the plant to 4 MGD. Included in the application was an encroachment waiver from an adjunct property owner. Current daily average flows vary from 150,000 gallons/day to 250,000 gallons/day. Flow projections indicate that the second 1 MGD phase will not be needed until 2010. The major flows at the Pecan plant are presently the diverted wastewater flows from the Links and Meadow Vista treatment plants in the AUSS service area.

The Pecan WRP is still in a start-up mode and a formal ADEQ compliance inspection has not yet occurred. Therefore a formal compliance determination is not yet available. However, the Pecan plant was visited by Commission and ADEQ staff in August of 2004, and again by DEQ staff in October of 2004. Reports from both visits substantiated that the Pecan plant was operating in conformance with its design and permit conditions. Staff concludes that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area.

Johnson Utilities will extend service at its currently authorized rates.

The proposed extension area is within the current Johnson Utilities county franchise area.

Staff recommends that the Commission approve the Johnson Utilities Company application for an extension to its CC&N to provide wastewater service to Larado Ranch.

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## **Introduction**

On July 9, 2004, Johnson Utilities Company ("Johnson Utilities" or "Company"), an 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") in Pinal County, Arizona.

On October 6, 2004, Staff informed the Company that the application was sufficient for administrative purposes.

## **Background**

Johnson Utilities is an Arizona Limited Liability Company. Johnson Utilities is a public service corporation providing water and wastewater service to a portion of the state of Arizona. The Commission provided Johnson Utilities with its original CC&N in Decision No. 60223 (May 27, 1997), and subsequently extended the CC&Ns in Decision Nos. 61069 (August 7, 1998), 62087 (November 19, 1999), 63960 (September 4, 2001) and 64062 (October 4, 2001).

According to Johnson Utilities' most recent Annual Report filing with the Commission's Utilities Division, Johnson has installed approximately \$26.3 million in water and wastewater plant to serve the current and future customers in the service area. Johnson Utilities reports a combined water and wastewater revenue of \$2.6 million, and reports a combined long term debt of less than \$1 million.

By this application, Johnson Utilities is seeking to extend its current CC&N to include approximately 276 acres which are intended to be developed into 966 lots owned by the Laredo Ranch LLC.

## **The Proposed Extension Area**

The Larado Ranch property is contiguous to Johnson Utilities current CC&N. The property is located in Section 28, Township 2 South, Range 8 East in Pinal County. The proposed property is nearby the CC&N boundary, as well as the existing transmission and treatment.

On March 9, 2004, Larado Ranch requested Johnson Utilities service to ensure the affected property is able to receive wastewater treatment for the proposed residential customers. No other wastewater provider is willing or able to provide service.

Larado Ranch will be served by the newly constructed Pecan Wastewater Reclamation Plant ("Pecan WRP"). Wastewater from the subdivision will be collected and pumped 4,000 feet north to an existing 12-inch wastewater interceptor and will then flow by gravity to the Pecan WRP, located about two miles to the west. The Pecan WRP was issued an Aquifer Protection

Permit ("APP") by the Arizona Department of Environmental Quality ("ADEQ") on May 7, 2004.

### **Plan 208 Approval**

The Federal Water Pollution Control Act as amended by the Water Quality Act of 1987 ("Clean Water Act") is a commitment by the federal government to the elimination of pollution in the nation's waters. Each state is required, under Section 208 of the Clean Water Act, to develop and implement area-wide water quality management plans for pollution control.

In Arizona, six (6) Councils of Government, ("COGs") have been designated by the Governor as "Water Quality Management Planning Agencies" under Section 208, of the Clean Water Act. The Central Arizona Associations of Governments ("CAAG") is designated by the Governor and the Environmental Protection Agency ("EPA") as the area wide water quality management planning agency for Pinal County.

The guidelines for 208 planning set forth in the Clean Water Act are fairly broad so that the various water quality issues in different areas of the nation can be addressed appropriately. Each 208 Plan must identify the water quality management needs in its planning area and provide a program to develop solutions. The CAAG 208 planning process is an ongoing effort in response to changing water resource issues, regulations, treatment technologies and changing demographics.

On the federal level, the EPA has the responsibility of overseeing the planning efforts necessary to meet the specific requirements of Section 208. The Arizona Department of Environmental Quality administers both the basin-wide planning and water quality monitoring programs. In addition, ADEQ is responsible for reviewing and enforcing water quality standards for the State. For the CAAG 208 Program, the EPA and ADEQ provide guidance in the terms of policy, procedure and review of documents to assure adherence to the requirements of the Clean Water Act.

A major effort of the 208 Plan is the Point Source Plan. Point Source Planning is primarily directed at compiling the preferred wastewater collection and treatment system for the affected area through the year 2020. Toward that end, the Point Source Plan examines population and wastewater flow projections, wastewater treatment plant siting, treatment methods, effluent disposal, reclaimed water reuse and sludge management.

### **ADEQ Permits**

The objective of a Point Source Plan is to identify the preferred wastewater collection and treatment and effluent reuse or disposal systems for the affected area. The regulatory framework for management of water quality is comprised of permit compliance and monitoring of protected uses. The ADEQ defines, monitors and enforces water quality standards for protected uses of surface waters, aquifers and public water supplies. The ADEQ permit framework for point

source management consists of three primary elements consisting of the Arizona Pollutant Discharge Elimination System ("AZPDES") the Aquifer Protection Permit ("APP") and the reclaimed water reuse permit program.

The purpose of the AZPDES permit programs is to regulate the quality of point source discharges into the waters of the nation. Based on specific criteria, discharges to rivers, tributaries to the rivers, dry washes and various lakes and canals within the affected area are subject to the AZPDES permit program provisions.

The ADEQ has established Surface Water Quality Standards ("SWQS") as required to meet the goals of the federal Clean Water Act and to protect the quality of surface waters in the state. The EPA incorporates the SWQS and federal regulation related to surface water quality and effluent discharge quality into the AZPDES permits. Pollutant levels established by the AZPDES permit programs vary among wastewater reclamation facilities depending upon the designated use of reclaimed water. Permits are typically issued for a term of five years.

### **Aquifer Protection Permit**

The APP was established by the Environmental Quality Act of 1986 and implemented by rule in 1989. The purpose of the APP program is to protect the groundwater quality and public health from potential environmental risks posed by the facilities that discharge pollutants to the land surface, underlying soil, or groundwater that have a potential to reach an aquifer.

The APP permitting requirements are determined based on the type of facility or land use, capacity of the facility, and/or the type of discharges that the facility will produce. The most crucial requirements for obtaining an APP are demonstrating that the Best Available Demonstrated Control Technology ("BADCT") will be used to minimize the discharge of pollutants, Aquifer Water Quality Standards will not be violated and that the facility possesses the financial and technical capability to comply with the permit conditions.

The Environmental Quality Act requires that all domestic wastewater and disposal facilities requiring an APP use BADCT as part of their wastewater treatment process. The ADEQ adopted BADCT requirements for new sewage treatment facilities. The design review of sewage treatment facilities has been consolidated into the APP application review process. BADCT requirements are defined within the rules which require secondary treatment, removal for new facilities and expansion of existing facilities. The revision of the APP rule took effect January 2001.

The reclaimed water use permit program, established in 1985, allows the reuse of reclaimed water for a variety of applications such as agriculture, urban lakes, golf course irrigation, ponds and industrial uses. Water reclamation plants are required by rules to have a reuse permit for the release of reclaimed water for reuse purposes.

There are two main categories of reclaimed water reuse including direct non-potable reuse and indirect reuse. Direct reuse consists of irrigation and makeup water for urban lakes. Indirect reuse typically involves aquifer recharge and recovery. The indirect reuse of reclaimed water usually involves recharge to an aquifer for storage and future recovery. The reclaimed water is typically allowed to infiltrate through the dry soils above the aquifer allowing additional treatment. Recharge projects using reclaimed water are required to obtain an APP.

### **Pecan Capacity**

The Pecan WRP APP affirms §208 consistency for the wastewater treatment plant. The CAAG §208 Water Quality Plan Amendment 4A, dated May 2002, designated section 27 as a service area for Johnson Utilities. Therefore, it appears that the facility and service area conform to area wide wastewater plans.

The Pecan WRP has an existing capacity of 999,999 gallons per day ("MGD") and is expandable to 4 MGD in 1 MGD phases. On November 24, 2004, JUC filed an application with ADEQ to expand the plant to 4 MGD. Included in the application was an encroachment waiver from an adjunct property owner. Current daily average flows vary from 150,000 gallons/day to 250,000 gallons/day. Flow projections indicate that the second 1 MGD phase will not be needed until 2010. The major flows at the Pecan plant are presently the diverted wastewater flows from the Links and Meadow Vista treatment plants in the AUSS service area.

The Pecan plant is still in a start-up mode and a formal DEQ compliance inspection has not yet occurred and a formal compliance determination is not yet available. However, the Pecan plant was visited by Commission and ADEQ staff in August of 2004, and again by ADEQ staff in October of 2004. Reports from both visits substantiated that the Pecan plant was operating in conformance with its design and permit conditions.

Based on the above data, Staff concludes that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area.

### **Finance of Plant**

The required utility facilities will be financed in accordance with Arizona Administrative Code ("A.A.C.") R14-2-606. A.A.C. R14-2-606 established the minimal acceptable criteria for main extension agreements between wastewater utilities and private parties. 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. Upon acceptance of the facilities by the utility, the developer will convey the wastewater facilities by way of a warranty deed. The utility will refund a portion of the annual revenue associated with development for a period of at least ten (10) years.

### **Arizona Department of Environmental Quality Compliance Wastewater**

ADEQ has informed Staff that the Johnson Utilities is in compliance with the rules for operation, reporting and discharge limits for wastewater facilities.

### **ACC Compliance**

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

### **Proposed Rates**

Johnson Utilities is proposing to extend service to the property at its tariffed rates.

### **Pinal County Franchise**

The requested extension area is within Johnson Utilities current county franchise area.

### **Recommendations**

Staff recommends that the Commission approve the Johnson Utilities Company application for an extension to its CC&N to provide wastewater service to Larado Ranch.

**MEMORANDUM**

**ATTACHMENT A**

TO: Jim Fisher  
Executive Consultant II  
Utilities Division

FROM: Barb Wells  
Information Technology Specialist  
Utilities Division

THRU: Del Smith  
Engineering Supervisor  
Utilities Division

DATE: July 28, 2004

RE: **JOHNSON UTILITIES COMPANY (DOCKET NO. WS-02987A-04-0501)**

The area requested by Johnson Utilities for an extension of its wastewater service area 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.

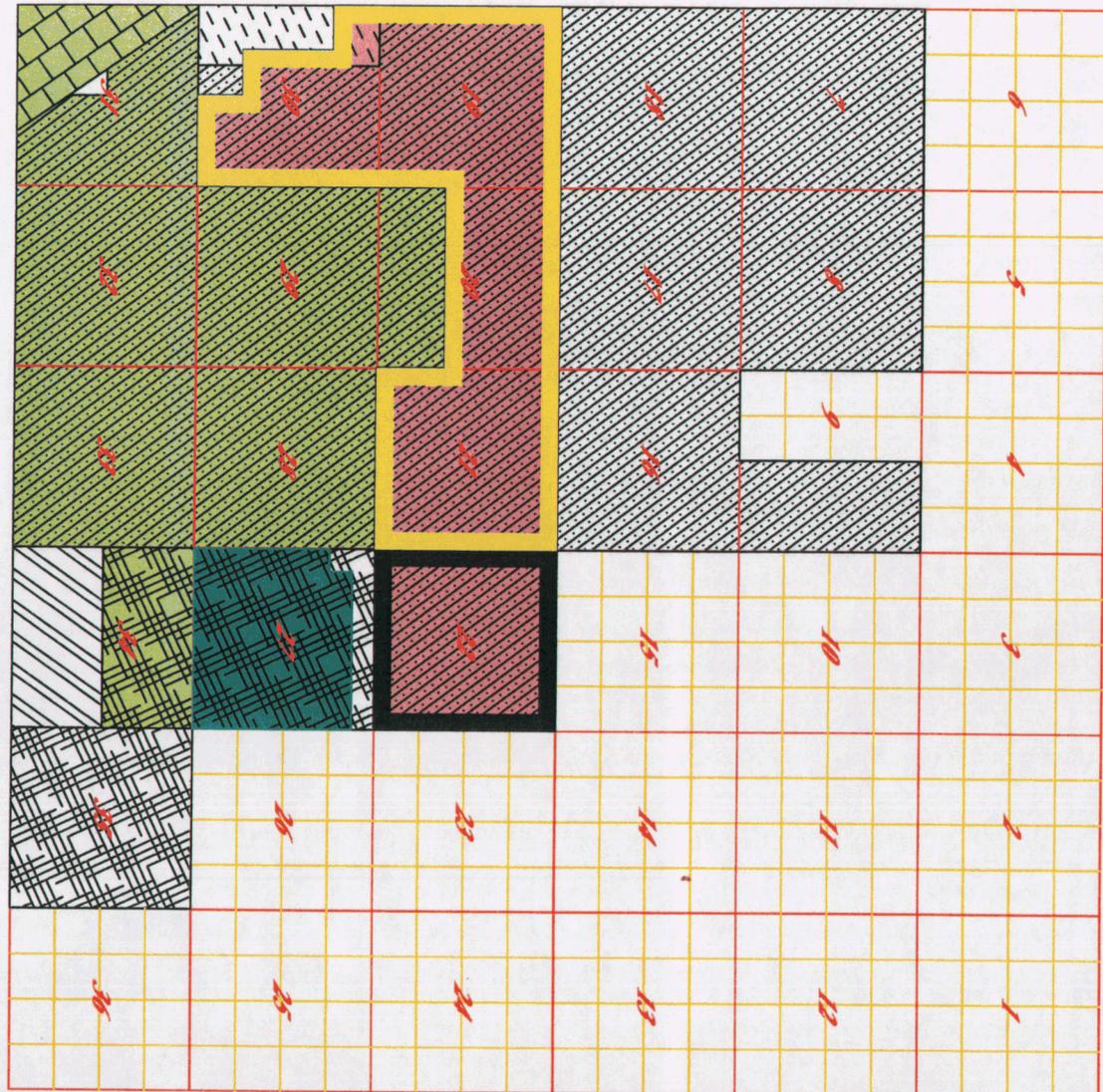
:bsw

Attachments

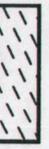
cc: Docket Control  
Mr. Jay Shapiro  
Ms. Deb Person (Hand Carried)  
File

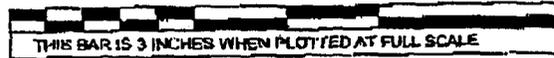
# GOVERNMENT Pinal

## RANGE 8 East



## TOWNSHIP 2 South

-  WS-2987 (6)  
Johnson Utilities Company
-  Sewer
-  Sewer SW-4002 (1)  
Arizona Utility Supply & Services, LLC
-  W-2859 (3)  
Diversified Water Utilities, Inc.
-  W-2234 (2)  
H<sub>2</sub>O, Inc.
-  W-1395 (2)  
Queen Creek Water Company
-  W-2425 (2)  
Sun Valley Farms Unit VI Water Company
-   
Arizona Utility Supply & Services  
Docket No. SW-4002-02-837  
Application to Transfer to Johnson Utilities  
Docket No. WS-2987-02-837
-   
Arizona Utility Supply & Services  
Docket No. SW-4002-04-465  
Application to Transfer to Johnson Utilities  
Docket No. WS-2987-04-465
-   
Johnson Utilities Company  
Docket No. WS-2987-04-501  
Application for Extension for Sewer



SCALE 1" = 300'

SURVEYED LEGAL DESCRIPTION

LEGAL DESCRIPTION

That portion of Section 27, Township 2 South, Range 8 East, Gila & Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Southeast corner of said Section 27, being a;

thence North 00°17'25" West 40.00 feet along section line to point on the Northerly right of way line of Combs Road and the POINT OF BEGINNING; and running

thence South 89°37'42" West 2636.35 feet parallel with and 40.00 feet north of section line to the quarter section line;

thence South 89°38'12" West 2531.16 feet parallel with and 40.00 feet north of section line to a point on the east right of way line of the New Magma Irrigation and Drainage District (NMIDD) lateral system A;

thence along said right of way line of the NMIDD lateral system A through the following ten (10) calls to-wit:

- (1) North 00°13'53" West 2601.56 feet;
- (2) North 00°14'19" West 180.21 feet;
- (3) North 89°33'10" East 10.00 feet;
- (4) North 00°14'20" West 1162.77 feet to a point on the South line of the SW 1/4 of the NW 1/4 of the NW 1/4 of said section 27;
- (5) North 89°39'11" East 543.93 feet along said south line to the Southeast corner of the SW 1/4 of the NW 1/4 of the NW 1/4 of said section 27;
- (6) North 89°41'09" East 4104.30 feet;
- (7) South 80°46'33" East 443.33 feet;
- (8) South 00°12'22" East 1244.33 feet;
- (9) South 00°17'25" East 855.82 feet;
- (10) South 55°45'23" East 84.97 feet to a point on the East line of said Section 27;

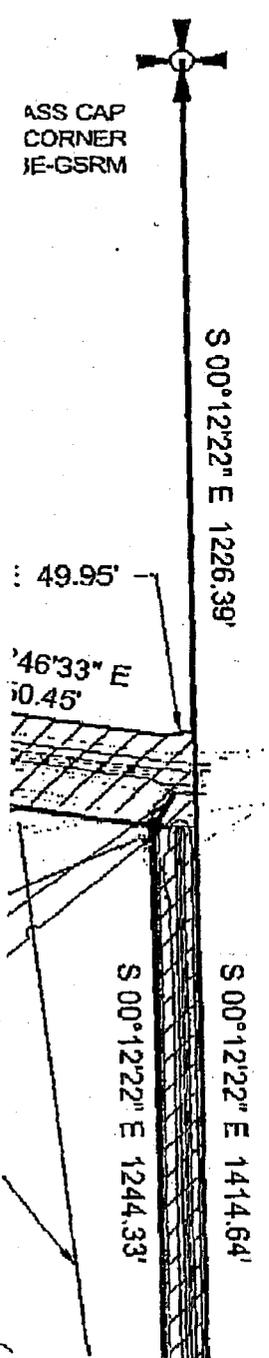
thence South 00°17'25" East 1698.24 feet along the East line of said Section 27 to the POINT OF BEGINNING.

Containing 20081634 square feet or 461.011 acres, more or less.

RECORD LEGAL DESCRIPTION

The South Half, and the South half of the North half; and the South half of the North Half of the North half of Section 27, Township 2 South, Range 8 East of the Gila and Salt River Meridian, Pinal County, Arizona.

EXCEPT the Southwest quarter of the Northwest quarter of the Northwest quarter of said section 27; and



ION = 3.3 AC.  
NON

MEMORANDUM

DATE November 9, 2004

TO: James E. Fisher

FROM: L. Hammon

RE: Wastewater CC&N Extension For Johnson Utilities (Wastewater)  
Docket Number: WS-02987A-04-0501

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Johnson Utilities has requested an extension to its wastewater certificate of convenience and necessity, which will approximately include the south 7/8 of section 28, Township 2 South, Range 8 East. Laredo Ranch will compose the initial development, consisting of 966 residential lots on about 250 acres.

This area will be served by the newly constructed Pecan Wastewater Reclamation Plant. Wastewater from the subdivision will be collected and pumped 4,000 feet north to an existing 12 inch wastewater interceptor and will then flow by gravity to the Pecan plant, located about 2 miles to the west. (Diversified Water Utilities has been awarded the service area for section 27 and will provide the drinking water.)

The Pecan plant has been issued an Aquifer Protection Permit by the Arizona Department of Environmental Quality on May 7, 2004. The aquifer protection permit affirms §208 consistency for the wastewater treatment plant. The CAAG §208 Water Quality Plan Amendment 4A, dated May 2002, designated section 27 as a service area for Johnson Utilities. Therefore, it appears that the facility and service area conform to area wide wastewater plans.

The Pecan plant has an existing capacity of .999999 MGD and is expandable to 4 MGD in 1 MGD phases if and when setback requirements are worked out with ADEQ. Current daily average flows vary from 150,000 gallons/day to 250,000 gallons/day. Flow projections indicate that the second 1 MGD phase will not be needed until 2010. The major flows at the Pecan plant are presently the diverted wastewater flows from the Links and Meadow Vista treatment plants in the AUSS service area.

The Pecan plant is still in a start-up mode and a formal DEQ compliance inspection has not yet occurred and a formal compliance determination is not yet available. However, the Pecan plant was visited by Commission and DEQ staff in August of 2004, and again by DEQ staff in October of 2004. Reports from both visits substantiated that the Pecan plant was operating in conformance with its design and permit conditions.

Based on the above data, Staff concludes that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area.