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MEMORANDUM

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division
DATE: March 14, 2005

Arizona Corporation Commission
DOCKETED

APR 26 2005

DOCKETED BY
KW

RE: ARIZONA WATER COMPANY, INC. - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY ("CC&N") TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA (DOCKET NO. W-01445A-05-0007)

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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DOCUMENT CONTROL

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2005 APR 26 P 3: 54

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EXHIBIT
S-1
4-8-05 admitted

Service List for: Arizona Water Company, Inc.
Docket No. W-01445A-05-0007

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Vice President and General Counsel
Arizona Water Company
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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ARIZONA WATER COMPANY

DOCKET NO. W-01445A-05-0007

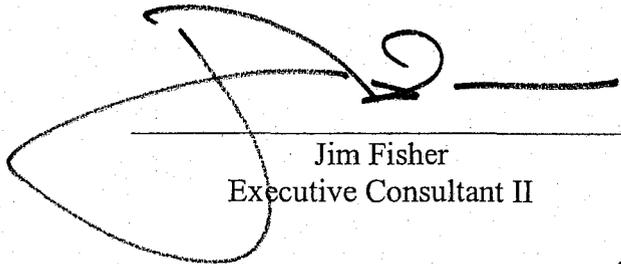
APPLICATION FOR AN EXTENSION OF ITS CC&N
TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA

MARCH 2005

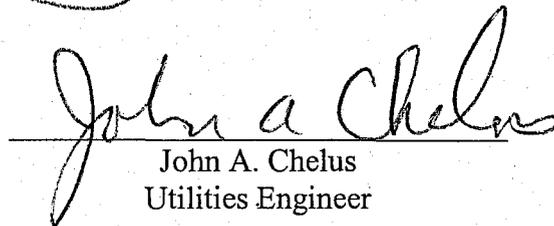
STAFF ACKNOWLEDGEMENT

The Staff Report for Arizona Water Company, Inc. (Docket No. W-01445A-05-0007) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analyses of the Company's application. John A. Chelus was responsible for the engineering and technical analysis.

Contributing Staff:



Jim Fisher
Executive Consultant II



John A. Chelus
Utilities Engineer

**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-05-0007**

On January 7, 2005, 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 property in Maricopa County, Arizona. On February 7, 2005, Utilities Division Staff ("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 Arizona currently serving approximately 65,000 customers. By this application, Arizona Water is seeking to extend its current 11 square mile White Tanks CC&N to include an additional 20 acre parcel located adjacent to the current CC&N.

The existing production and storage can serve approximately 1,725 connections. Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional production and storage as required in the future.

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 Maricopa 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.
4. To require Arizona Water Company to file a Arizona Department of Environmental Quality Certificate of Approval to Construct water production and storage facilities within 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 conditions 2, 3 and 4 within the time specified.

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Introduction

On January 7, 2005, Arizona Water Company, ("Arizona Water", "AWC" 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 property in Maricopa County, Arizona.

On February 7, 2005, Utilities Division Staff ("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 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 11 square mile White Tanks CC&N to include an additional 20 acre parcel located adjacent to the current CC&N.

The Extension Request

On October 8, 2004, Destiny Phoenix, LLC, requested Arizona Water extend its CC&N to include the approximately 20 acre parcel adjacent to the current CC&N boundary. The property is located near 179th Avenue and Van Buren.

Arizona Water is requesting the Commission allow the Company to extend its service territory to include 20 acres located in Section 3, of, Township 1 North, Range 2 West.

According to the Company's application, 4 customers are expected in the extension area in the initial 5 year period.

No other Commission regulated water utility is situated to extend of offer service.

Water Production Capacity

Existing Utility Plant

According to water use data submitted by Arizona Water, the Company has 4 wells producing 998 gallons per minute ("GPM"), 1.6 million gallons of storage capacity, and a distribution system serving 1,337 service connections.

The existing production and storage can serve approximately 1,725 connections. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 2,000 connections at the end of five years. The Company has predicted an additional 4 connections for the proposed CC&N extension at the end of five years.

Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional production and storage as required in the future.

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 or bill of sale. The utility will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

A main extension agreement has not been finalized between the parties, once the parties have finalized an Agreement, Staff recommends the agreement be forwarded to Staff for review consistent with Arizona Administrative Code R14-2-406.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ and Maricopa County regulate the water system under ADEQ Public Water System I.D. No. 07-128. ADEQ and Maricopa County have determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Certificate of Approval to Construct

The ADEQ Certificate of Approval to Construct ("ATC") for facilities needed to serve the requested area has not been submitted by the Company. Staff recommends that the Company docket as a compliance item in this case within one year of the effective date of an order in this proceeding a copy of the ATC issued by ADEQ.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic MCL in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL is January 23, 2006.

The Company indicated its arsenic levels for its wells range from 7 ppb to 32 ppb. Based on these levels, the Company is in the process of developing a treatment plan to comply with the new arsenic standard. In Decision No. 67518 (January 20, 2005), the Commission approved an accounting order which will allow the Company to record its arsenic treatment costs for the Company's Western Group. The White Tanks system is part of this Western Group.

Arizona Department of Water Resources ("ADWR") Compliance

Arizona Water's White Tanks system is within the ADWR Phoenix Active Management Area, and is in compliance with ADWR's reporting and conservation rules.

Certificate of Assured Water Supply

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

Curtailment Plan Tariff

The Company has an approved curtailment tariff for "All Service Areas" that became effective on July 23, 2004 per Decision No. 66235.

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 Maricopa County franchise for the extension area.

Recommendations

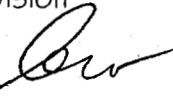
Staff recommends that the Commission approve the Arizona Water Company application for an extension of its Certificate of Convenience and Necessity in a portion of Maricopa County to provide water service, subject to compliance with the following conditions:

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 with Docket Control 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.
4. To require Arizona Water Company to file with Docket Control an Arizona Department of Environmental Quality Certificate of Approval to Construct water production and storage facilities within 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 conditions 2, 3 and 4 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 15, 2005

RE: **ARIZONA WATER COMPANY (DOCKET NO. W-01445A-05-0007)**
AMENDED LEGAL DESCRIPTION

The area requested by Arizona Water 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. Robert Geake
Deb Person (Hand Carried)
File

REVISED EXHIBIT 1

CC&N This Application

BEGINNING at the Southeast corner of Section 3, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;
Thence West (assumed) along the centerline of Van Buren Street, a distance of 2316.81 feet to a point on the South right-of-way line of the Roosevelt Irrigation District Canal;
Thence North 63 Degrees 46 Minutes 30 Seconds East, along the South line of said Canal, a distance of 1544.96 feet to a point on a curve;
Thence easterly along said curve, concave to the South, having a radius of 526.02 feet, through a central angle of 41 Degrees 5 Minutes 50 Seconds, an arc length of 377.30 feet;
Thence South 75 Degrees 07 Minutes 40 Seconds East, along said South line of said Canal, a distance of 582.70 feet to a point on the East Section line of said Section 3;
Thence South 00 Degrees 03 Minutes 30 Seconds East, along said Section line, a distance of 569.80 feet to the POINT OF BEGINNING.

MEMORANDUM

DATE: February 17, 2005
TO: James E. Fisher
FROM: John A. Chelus
Utilities Engineer *JAC*
RE: Arizona Water Company – White Tanks
CC&N Extension – Water
Docket No. W-01445A-05-0007

Introduction

Arizona Water Company – White Tanks has applied to extend its Certificate of Convenience and Necessity (CC&N). The requested service area will add approximately 20.09 acres to its existing 11 square miles of certificated area. Arizona Water Company – White Tanks is located west of Phoenix near 187th Avenue and Van Buren in Maricopa County. The area being added is the southeast corner of Section 3 of Township 1 North, Range 2 West.

Capacity

Arizona Water Company – White Tanks has in existence four well(s) with a total production capacity of 998 gal/min, 1,650,000 gallons of storage capacity, booster pumps, pressure tanks, and a distribution system serving 1,337 connections. Based on historical growth rates, it is anticipated that the existing service area would have 2,000 total customers at the end of five years. The company has predicted an additional four customers for the proposed CC&N extension, at the end of five years. The existing production and storage can serve approximately 1,725 connections. Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future.

Arizona Department of Environmental Quality (ADEQ) and Maricopa County Compliance

ADEQ and Maricopa County regulate the water system under ADEQ Public Water System I.D. No. 07-128. ADEQ and Maricopa County have determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources (ADWR) Compliance

Arizona Water Company – White tanks is within the Phoenix Active Management Area, and consequently is subject to reporting and conservation rules (GPCD requirements). The Phoenix AMA reported that Arizona Water Company - White Tanks is in total compliance with the ADWR reporting and conservation rules.

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 arsenic level in its four wells is 7, 11, 12, and 32 $\mu\text{g}/\text{l}$.

Based on these arsenic levels, the Company will be required to implement a plan to address this issue. Decision No. 67518 approved an accounting order for cost recovery. Arizona Water – White Tanks is currently soliciting bids for the installation of arsenic removal equipment

Summary

1. Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future.
2. ADEQ and Maricopa County has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Arizona Water Company – White Tanks is within the Phoenix Active Management Area, and consequently is subject to reporting and conservation rules (GPCD requirements). The Phoenix AMA reported that Arizona Water Company – White Tanks is in total compliance with the ADWR reporting and conservation rules.

Arizona Water Company White Tanks

