

ORIGINAL



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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

Date: July 29, 2005

RE: STAFF REPORT FOR ARIZONA WATER COMPANY TO EXTEND ITS
EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY AT
WHITE TANK, MARICOPA COUNTY, ARIZONA. (DOCKET NO. W-
01445A-05-0381)

Attached is the Staff Report for the application of Arizona Water Company for an extension of its existing Certificate of Convenience and Necessity. Staff recommends approval with conditions.

EGJ:LAJ:red

Originator: Linda A. Jaress

Attachment: Original and 13 Copies

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2005 JUL 29 P 3:59
AZ CORP COMMISSION
DOCUMENT CONTROL

Service List for: Arizona Water Company
Docket Nos. W-01445A-05-0381

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

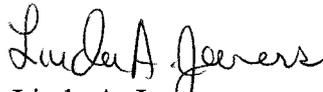
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-05-0381

APPLICATION FOR EXTENSION
OF CERTIFICATE OF ITS
CONVENIENCE AND NECESSITY

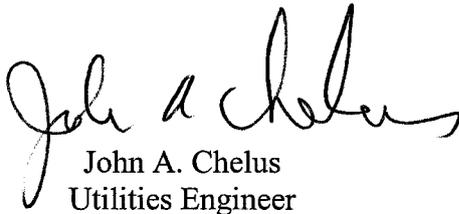
JULY 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Arizona Water Company (Docket No. W-01445A-05-0381) was prepared by the Staff members listed below. Linda A. Jaress performed the review and analysis of the Company's application. John A. Chelus prepared the engineering report.



Linda A. Jaress
Executive Consultant III



John A. Chelus
Utilities Engineer

**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
APPLICATION TO EXTEND ITS CERTIFICATE OF CONVENIENCE
DOCKET NO. W-01445A-05-0381**

On May 27, 2005, Arizona Water Company ("Arizona Water" or "the Company") filed an application for approval of an extension to its Certificate of Convenience and Necessity ("CC&N") for its White Tank system. The White Tank system serves approximately 1,340 customers. The proposed extension encompasses 108.474 acres in an unincorporated area near the White Tank Mountains, near Goodyear and is adjacent at two points to the White Tank system. Eighteen customers are expected to be served in the extension area.

Staff recommends approval subject to compliance with the following;

1. Arizona Water should file in Docket Control a copy of the Approval to Construct for the extension facilities within one year from the date of the decision in this matter.
2. Arizona Water should charge its authorized White Tank system rates and charges to the customers within the extension area.
3. The Company should file in Docket Control a copy of the developer's Certificate of Assured Water Supply for the requested extension area, where applicable or when required by statute, within one year from the date of the decision in this matter.
4. The Company should file the main extension agreement with Staff within one year from the date of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Arizona Water be considered null and void without further order from the Commission should the Company fail to meet conditions 1, 3, and 4 listed above within the time specified.

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Introduction

On May 27, 2005, Arizona Water Company ("Arizona Water" or "the Company") filed an application for approval of an extension to its Certificate of Convenience and Necessity ("CC&N") for its White Tank system. On June 24, 2005, Staff found the application to be sufficient and filed a letter in Docket Control so indicating.

The Company is a corporation providing water utility service to approximately 75,000 customers in eight counties in Arizona. The White Tank system, to which this extension will be added, serves approximately 1,340 customers. According to the Company's Annual Report to the Arizona Corporation Commission, Arizona Water generated \$40.0 million of revenue resulting in net income of \$9.4 million during 2004.

The Extension Area Requested

The proposed extension encompasses 108.474 acres in an unincorporated area near the White Tank Mountains, near Goodyear. The extension area is adjacent at two points to Arizona Water's White Tank system. The attached Exhibit 1 illustrates the extension area and its proximity to the current White Tank system and provides the legal description of the extension.

The property owner of the extension area is First American Title Insurance Company. The developer who provided the request for service letter is Westpac Development Corp. The development will be called Amber Meadows. Arizona Water expects that within five years, the total number of customers that may be served in the extension are will be approximately eighteen.

The Water System

The existing White Tank system is comprised of four wells with production capacity of approximately 1,000 gal/min, 1.65 million gallons of storage capacity, booster pumps, pressure tanks, and a distribution system. Staff's Engineering Report is attached as Exhibit 2 and provides a more complete description of the current system. Staff concludes that the existing production and storage is adequate to serve the existing and proposed CC&N area.

Financing of the Extension Facilities

The facilities necessary to provide service to the extension area will be financed by a main extension agreement.

Maricopa County Environmental Services Department ("MCESD") and 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, Chapter 4.

The Company has not received the Certificate of Approval to Construct for the proposed facilities. Staff recommends that the Company submit such approval to the Commission as a docketed, compliance item, within one year of the effective date of the order in this proceeding.

Arizona Department of Water Resources Compliance (“ADWR”)

Arizona Water’s White Tanks Division is located within the Phoenix Active Management Area. ADWR has confirmed that Arizona Water’s White Tanks Division is in total compliance with the ADWR reporting and conservation rules.

Staff recommends that the Company file in Docket Control copies of the developer’s Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

ACC Compliance and Complaints

According to the Utilities Division Compliance Section, Arizona Water has no outstanding ACC compliance issues. According to a review of complaints from customers filed with the Consumer Services Section, there were four complaints filed by customers of the White Tank division from 2002 to the present. All four were resolved.

Arsenic

The U.S. Environmental Protection Agency (“EPA”) has reduced the arsenic maximum allowable contaminant level (“MCL”) in drinking water from 50 micrograms per liter (“µg/l”) or parts per billion (“ppb”) to 10 µg/l. The date for compliance with the new MCL is January 23, 2006.

The most recent lab analysis by the Company indicated that the arsenic level in its four wells is 7, 11, 12, and 32 µg/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 of arsenic related costs. Arizona Water is currently soliciting bids for the installation of arsenic removal equipment for the White Tank system.

Proposed Rates

Arizona Water will provide water utility service to customers within the extension area under its currently authorized rates and charges for the White Tanks system.

Franchise

Arizona Water has a franchise agreement with Maricopa County which encompasses the extension area.

Recommendations

Staff recommends that the Commission approve the application of Arizona Water for approval of an extension of its CC&N subject to compliance with the following conditions:

1. Arizona Water should file in Docket Control a copy of the Approval to Construct for the extension facilities within one year from the date of the decision in this matter.
2. Arizona Water should charge its authorized White Tanks system rates and charges to the customers within the extension area.
3. The Company should file in Docket Control a copy of the developer's Certificate of Assured Water Supply for the requested extension area, where applicable or when required by statute, within one year of the date of the decision in this matter.
4. The Company should file with Staff the main extension agreement within one year from the date of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Arizona Water be considered null and void without further order from the Commission should Arizona Water fail to meet the conditions 1, 3, and 4 listed above within the time specified.

MEMORANDUM

DATE: June 14, 2005

TO: Linda Jaress
Executive Consultant III

FROM: John A. Chelus 
Utilities Engineer

RE: Arizona Water Company – White Tanks
CC&N Extension – Water
Docket No. W-01445A-05-0381

Introduction

Arizona Water Company – White Tanks (“Company”) has applied to extend its Certificate of Convenience and Necessity (CC&N). The requested service area will add approximately 108.474 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 part of the northwest quarter of Section 10 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 approximately 1,000 gal/min, 1,650,000 gallons of storage capacity, booster pumps, pressure tanks, and a distribution system serving approximately 1,340 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 eighteen 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 regulates 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.

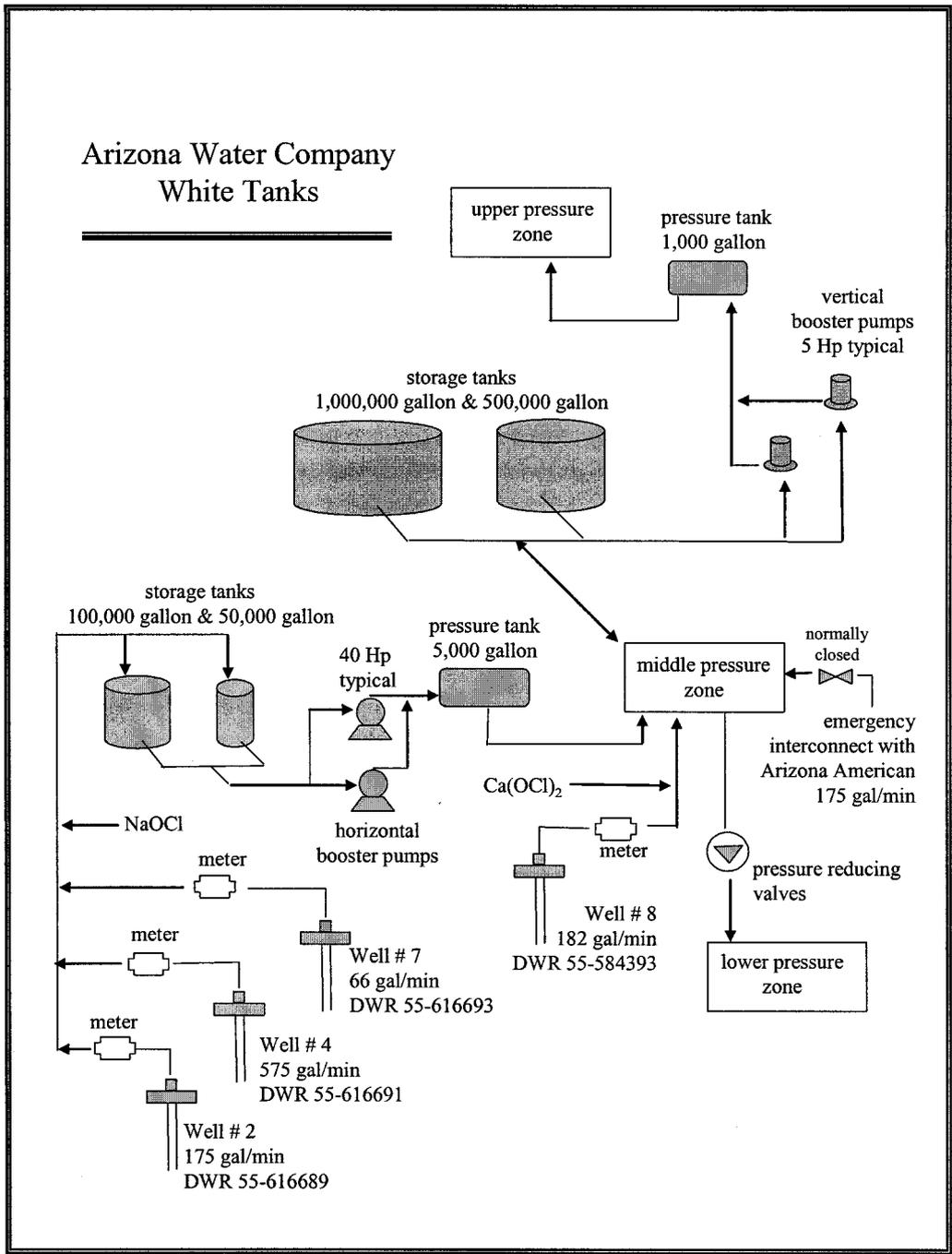
Arsenic

The U.S. Environmental Protection Agency (EPA) has reduced the arsenic maximum contaminant level (MCL) in drinking water from 50 micrograms per liter ($\mu\text{g/l}$) 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 the arsenic level in its four wells is 7, 11, 12, and 32 $\mu\text{g/l}$.

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.



MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: June 22, 2005

RE: **ARIZONA WATER COMPANY (DOCKET NO. W-01445A-05-0381)**

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 is a copy of the map for your files.

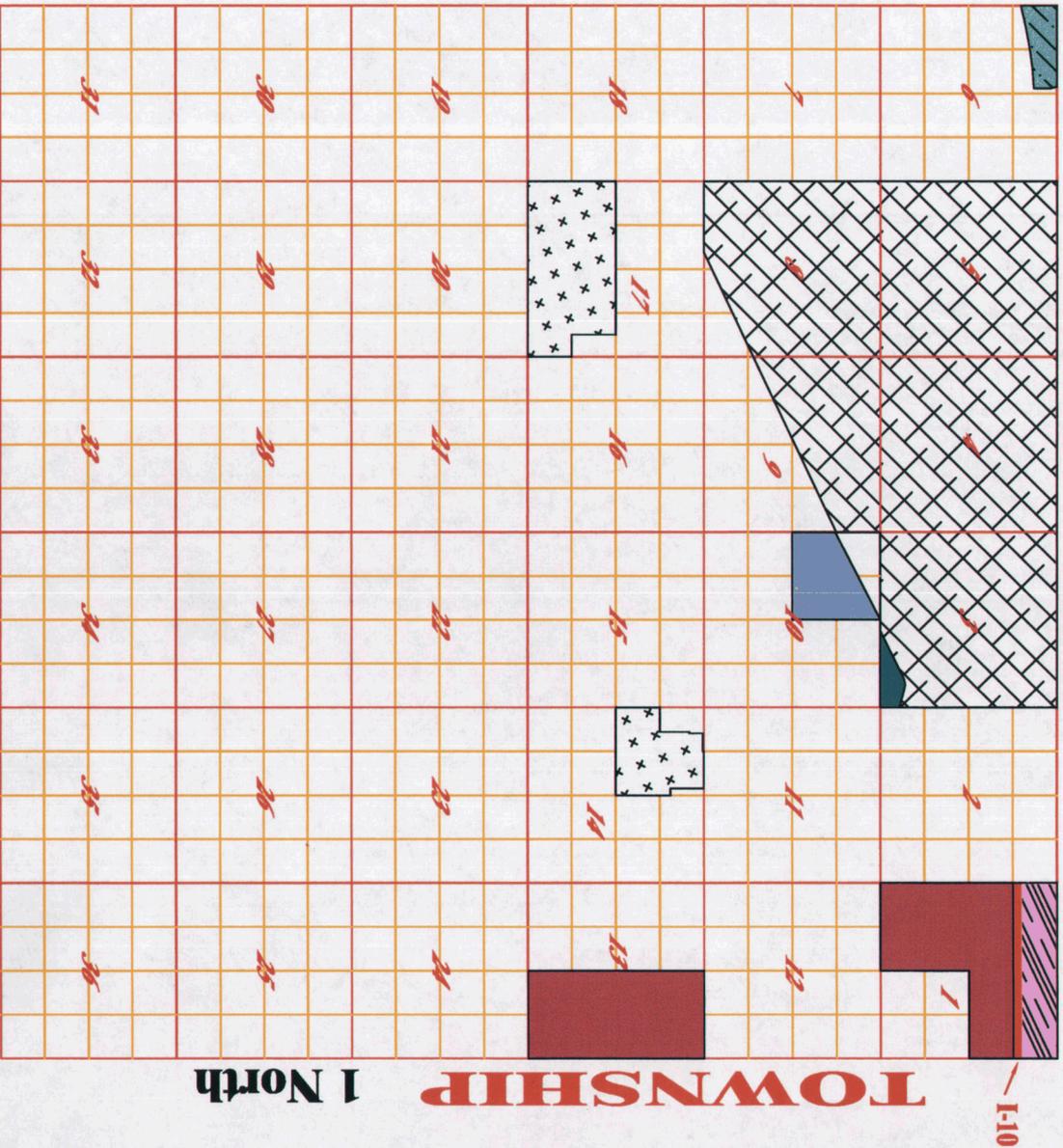
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Attachments

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

COUNTY: Maricopa

RANGE 2 West



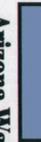
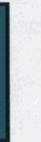
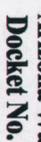
-  WS-1303 (14)  Sewer
-  Arizona-American Water Company (Agua Fria)
-  W-1445 (3)
-  Arizona Water Company (White Tanks)
-  W-1427 (4)
-  Litchfield Park Service Company
-  Sewer
-  SW-1428 (4)
-  Litchfield Park Service Company
-  W-2451 (5)
-  Water Utility of Greater Buckeye, Inc.
-  C-0006 (2)
-  City of Goodyear (Nonjurisdictional)
-  Arizona Water Company
-  Docket No. W-1445-05-007
-  Application for Extension
-  Arizona Water Company
-  Docket No. W-1445-05-381
-  Application for Extension

EXHIBIT 1

CC&N This Application

The Northwest quarter of Section 10, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

EXCEPT any portion lying North of the North Right-Of-Way line of the Roosevelt Irrigation District Canal; said line described as follows:

Commencing at the West quarter corner of said Section 10;
Thence North 00 Degrees 01 Minutes 00 Seconds West, coincident with the West line of said Section 10, a distance of 1294.02 feet to a point on said North Right-Of-Way line and the POINT OF BEGINNING of said described line;
Thence North 62 Degrees 55 Minutes 36 Seconds East, coincident with said North Right-Of-Way line, a distance of 2939.43 feet to a point on the East line of said Northwest quarter and the TERMINUS of said described line.