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ARIZONA CORPORATION COMMISSION

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MEMORANDUM

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To: Docket Control
Arizona Corporation Commission

From: Ernest G. Johnson
Director
Utilities Division

Date: August 15, 2005

RE: STAFF'S RESPONSE TO SANTA ROSA UTILITY COMPANY AND SANTA ROSA WATER COMPANY LATE-FILED EXHIBIT OF AUGUST 3, 2005 - APPLICATIONS FOR EXTENSION OF CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WASTEWATER AND WATER SERVICES (DOCKET NOS. SW-04136A-05-0287 AND W-04137A-05-0286)

Background

On April 18, 2005, Santa Rosa Utility Company ("SRUC" or "Wastewater Company") and Santa Rosa Water Company ("SRWC" or "Water Company") (collectively with Santa Rosa Wastewater Company referred to as "The Utilities", "Santa Rosa" or "Applicants") filed their respective application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of their respective Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water services to an additional area in Pinal County, Arizona.

On May 25, 2005, the Applicants filed a Motion to Consolidate the above mentioned applications.

On May 25, 2005, a Procedural Order was issued consolidating both applications for the purpose of hearing.

On July 27, 2005, Utilities Division Staff ("Staff") filed its Staff Report recommending, among other things, that SRWC and SRUC be required to comply with all requirements and conditions set forth in Decision No. 65753, issued March 20, 2003.

The Hearing on the Merit of the Applications was held on August 1, 2005, before the Administrative Law Judge ("ALJ"). At the Hearing, Staff amended its recommendation

mentioned above (based on an agreement between the parties) to clarify that the recommendation is applicable only to the requirements and conditions "that have not already been met." Also at the Hearing, the ALJ, after taking evidence from both parties, ordered the Utilities to file by August 8, 2005, a Compliance Filing as a Late-filed Exhibit identifying those requirements and conditions of Decision No. 65753 with which the Utilities have already complied. Staff was ordered to file its responses to the Compliance Filing by August 15, 2005.

Compliance Filing

Staff verified with the Compliance Section of the Utilities Division that SRWC and SRUC are in compliance with the five (5) items listed in their August 3, 2005 Late-filed Exhibit. However, Staff notes that there are Outstanding Compliance Items that were ordered by Decision No. 65753 which were either conditioned upon when the Utilities start providing services or will be applicable when the Utilities start providing services. These Outstanding Compliance Items are:

1. That SRWC notify the Commission within 15 days of providing service to its first permanent customer;
2. That SRWC file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer;
3. That SRWC maintain its books and records in accordance with NARUC Uniform System of Accounts for water facilities;
4. That SRWC file a Curtailment Plan for approval by the Utilities Division Director within 30 days of providing service to its first customers;
5. That SRUC notify the Commission within 15 days of providing service to its first permanent customer;
6. That SRUC file a rate application no later than three months following the fifth anniversary of the date the Company begins providing service to its first customer; and
7. That SRUC maintain its books and records in accordance with NARUC Uniform System of Accounts for wastewater facilities.

Staff also notes that Decision No. 65753 requires SRUC to file within 24 months of the effective date of the Decision a copy of the initial "Approval to Construct" issued by the Arizona Department of Environmental Quality ("ADEQ"). ADEQ no longer issues "Approvals to Construct" for wastewater facilities. ADEQ now issues Aquifer Protection

Permits ("APP") for wastewater facilities and SRUC has already filed its APP as was ordered by Decision No. 65753.

Recommendations

As it relates to the requirements and conditions set forth by Decision No. 65753, Staff recommends that SRUC and SRWC be required to comply with the remaining conditions identified above except for the condition that requires SRUC to file an "Approval to Construct", as ADEQ no longer issues this type of permit for wastewater facilities.

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Service List for: Santa Rosa Utility Company and Santa Rosa Water Company
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