

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson *EGJ*  
Director  
Utilities Division

Date: September 8, 2005

RE: STAFF REPORT FOR ANTELOPE LAKES WATER COMPANY, INC. –  
APPLICATION FOR EXTENSION OF CERTIFICATE OF CONVENIENCE AND  
NECESSITY FOR WATER SERVICE (DOCKET NO. W-02740A-05-0089)

Attached is the Staff Report for Antelope Lakes Water Company, Inc. application for extension of its existing Certificate of Convenience and Necessity for water service. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

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Docket No. W-02740A-05-0089

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

ANTELOPE LAKES WATER COMPANY, INC.

DOCKET NO. W-02740A-05-0089

APPLICATION FOR EXTENSION  
OF EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY

SEPTEMBER 8, 2005

## STAFF ACKNOWLEDGMENT

The Staff Report for Antelope Lakes Water Company, Inc. (Docket No. W-02740A-05-0089) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.



Blessing Chukwu  
Executive Consultant III



Marlin Scott, Jr.  
Utilities Engineer

**EXECUTIVE SUMMARY**  
**ANTELOPE LAKES WATER COMPANY, INC**  
**DOCKET NO. W-02740A-05-0089**

On February 11, 2005, Antelope Lakes Water Company, Inc. ("Antelope Lakes" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Yavapai County, Arizona. On August 3, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.")

Antelope Lakes is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water service to customers in portions of Yavapai County, Arizona. The original CC&N for the Antelope Lakes was granted by the Commission in Decision No. 59740 (July 17, 1996). Mr. Paul D. Levie and his wife, Mrs. Rae Levie own Antelope Lakes.

According to the Company's Annual Report for the year ending December 31, 2004, the Company is serving two (2) customers. The Company reported an annual revenue of \$681.68, expenses of \$4,240.70, and a loss of \$3,559.02. Antelope Lakes reported \$43,075 in long-term debt.

By this application, Antelope Lakes is seeking Commission authority to add two square-miles to the Company's existing certificated area. The Company's requested extension area, Wineglass Lake Estates, is located approximately three (3) miles west of its certificated area. The certificated area is approximately 30 miles north of Prescott in Yavapai County.

Based on Staff's review and analysis of the application, Staff believes that the proposed new water system will have adequate production and storage capacity to serve the CC&N extension area.

Staff recommends the Commission approve Antelope Lakes' application for an extension of its CC&N within portions of Yavapai County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require Antelope Lakes to charge its authorized rates and charges in the extension area.
2. To require Antelope Lakes to file with Docket Control its Approval to Construct issued by the Arizona Department of Environmental Quality for the proposed new water system within 365 days of an order approving this Application.
3. To require Antelope Lakes to file with Docket Control a copy of the developer's Certificate of Adequate Water Supply, stating that there is adequate water supply, where

applicable or when required by statute, within 365 days of the effective date of the final decision and order issued pursuant to this Application.

4. To require Antelope Lakes to submit to Docket Control a copy of the Inorganic Chemical Analysis Report showing the arsenic concentration for the new well source within 365 days of the effective date of the final decision and order issued pursuant to this Application.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Antelope Lakes may be considered null and void should Antelope Lakes fail to meet Conditions No. 2, 3, and 4 listed above within the time specified.

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## **Introduction**

On February 11, 2005, Antelope Lakes Water Company, Inc. ("Antelope Lakes" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Yavapai County, Arizona.

On March 10, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On June 2, 2005, July 12, 2005, and July 28, 2005, the Company provided additional documentation to support its relief requested.

On August 3, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C. R14-2-402(C)

## **Background**

Antelope Lakes is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water service to customers in portions of Yavapai County, Arizona. The original CC&N for the Antelope Lakes was granted by the Commission in Decision No. 59740 (July 17, 1996).

According to Commission's record, Mr. Paul Levie formed Antelope Lakes to provide water service to the Antelope Lakes I Subdivision ("Subdivision") that was formed, in approximately 1963, near Paulden, in Yavapai County, Arizona.<sup>1</sup> "The development of residential homes in the Subdivision never materialized as planned, but over the years, a few homes were constructed on individual lots in the Subdivision."

Mr. Paul D. Levie and his wife, Mrs. Rae Levie own Antelope Lakes. The Couple also owns two other water systems, namely: Granite Mountain Water Company, Inc., and Chino Meadows II Water Company, Inc. Altogether, the water systems owned by Mr. and Mrs. Levie provide utility service to approximately 985 customers in Arizona.

According to the Company's Annual Report for the year ending December 31, 2004, the Company is serving two (2) customers. The Company reported an annual revenue of \$681.68, expenses of \$4,240.70, and a loss of \$3,559.02. Antelope Lakes reported \$43,075 in long-term debt.

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<sup>1</sup> See Decision No. 59740 issued on July 17, 1996.

By this application, Antelope Lakes is seeking Commission authority to add two square-miles to the Company's existing certificated area. The Company's requested extension area, Wineglass Lake Estates, is located approximately three (3) miles west of its certificated area. The certificated area is approximately 30 miles north of Prescott in Yavapai County.

### The Water System

Antelope Lakes has one (1) well producing 20 gallons per minute ("GPM"), a 6,000 gallon pressure tank and a distribution system serving two service connections.

The Company is proposing a new independent water system to serve the extension area which is located approximately three (3) miles from the existing system. This proposed system will consist of one (1) well producing 200 GPM, two 10,000 gallon storage tanks, a booster system and a distribution system to serve 134 service connections within the first five years.

Staff concludes that the proposed system will have adequate production and storage capacity to serve the CC&N extension area.

Antelope Lakes plans to construct the proposed system in phases. Below is the cost estimate for the proposed plant facilities to be constructed in Phase I:

1.	Well – 6-inch diameter at 710 feet deep	\$ 24,345
2.	Well – 15-Hp submersible well pump	\$ 5,000
3.	Storage Tanks – 10,000 gallons, 2 each	\$ 30,000
4.	Booster pumping station	\$ 45,000
5.	Chlorinator	\$ 1,200
6.	Yard piping	\$ 5,000
7.	Electrical	\$ 20,000
8.	Chain link Fence – 6' height, 710 feet	\$ 10,800
9.	Mains – 6" PVC pipe, 15,310 feet	\$214,340
10.	Services – 3/4" lines and meters	\$ 14,400
		<hr/> <hr/>
	TOTAL:	\$370,085

Staff concludes that the proposed plant items listed above and the Company's cost estimates totaling \$370,085 appear to be reasonable. However, no "used and useful" determinations of the proposed plant facilities were made and no particular treatment should be inferred for rate making or rate base purposes.

The Company has not received the Certificate of Approval to Construct ("ATC") for the proposed new water system. As such, Staff recommends that the Company be required to file with the Commission's Docket Control Section its Approval to Construct issued by the Arizona Department of Environmental Quality for the proposed new water system within 365 days of an order approving this Application.

### **Finance of Utility Facilities**

The Company indicated in the application that the required utility facilities, for the new water system, will be financed through advances and loans.

### **Arizona Department of Environmental Quality ("ADEQ") Compliance**

The Company's existing water system is not a regulated system and therefore, no compliance status can be determined.

### **Arizona Department of Water Resources ("ADWR") Compliance**

Antelope Lakes is not within any Active Management Area ("AMA"), and consequently is not subject to reporting and conservation rules.

According to the additional information filed in the docket, on July 12, 2005, by the Company, the extension area will consist of approximately 264 lots. Since the extension area is a subdivision, the developer(s) is required by ADWR to demonstrate an adequate water supply that will be physically, legally, and continuously available for the next 100 years before the developer can record plats or sell parcels.

Therefore, Staff recommends that the Company be required to file with Docket Control a copy of the developer's Letter of Adequate Water Supply, where applicable or when required by statute, within 365 days of the effective date of the final decision and order issued pursuant to this application. The letter shall state that there is adequate water.

### **ACC Compliance**

According to the Utilities Division Compliance Section, Antelope Lakes has no outstanding ACC compliance issues.

### **Arsenic**

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g}/\text{l}$ ") or parts per billion ("ppb") to 10  $\mu\text{g}/\text{l}$ . The date for compliance with the new MCL is January 23, 2006.

Since the existing system is a semi-public water system, it is not required to monitor for arsenic until such time as ADEQ declares the system to be a community water system.

The arsenic level for the Wineglass Lake Estates' well source is unknown at this time. Therefore, Staff recommends that the Company submit to Docket Control a copy of the Inorganic Chemical Analysis Report showing the arsenic concentration for the new well source

within 365 days of the effective date of the final decision and order issued pursuant to this application.

### **Curtailment Plan Tariff**

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Antelope Lakes has an approved Curtailment Plan Tariff that has been in effect since August 28, 2004.

### **Proposed Rates**

Antelope Lakes has proposed to provide water service to the extension area under its authorized rates and charges.

### **County Franchise**

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Antelope Lakes filed, in the docket, a copy of the franchise agreement it had entered into with Yavapai County.

### **Recommendations**

Staff recommends the Commission approve Antelope Lakes' application for an extension of its CC&N within portions of Yavapai County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require Antelope Lakes to charge its authorized rates and charges in the extension area.
2. To require Antelope Lakes to file with Docket Control its Approval to Construct issued by the Arizona Department of Environmental Quality for the proposed new water system within 365 days of an order approving this Application.
3. To require Antelope Lakes to file with Docket Control a copy of the developer's Letter of Adequate Water Supply, where applicable or when required by statute, within 365 days of the effective date of the final decision and order issued pursuant to this Application. The Letter shall state that there is adequate water.

4. To require Antelope Lakes to submit to Docket Control a copy of the Inorganic Chemical Analysis Report showing the arsenic concentration for the new well source within 365 days of the effective date of the final decision and order issued pursuant to this Application.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Antelope Lakes may be considered null and void should Antelope Lakes fail to meet Conditions No. 2, 3, and 4 listed above within the time specified.

**MEMORANDUM**

DATE: August 22, 2005

TO: Blessing Chukwu  
Executive Consultant III

FROM: Marlin Scott, Jr.   
Utilities Engineer

RE: Antelope Lakes Water Company  
Docket No. W-02740A-05-0089 (CC&N Extension)

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**Introduction**

Antelope Lakes Water Company ("Company") has submitted an application to extend its Certificate of Convenience and Necessity ("CC&N"). The requested extension area will add two square-miles to its existing approximate 1/4 square-mile of certificated area. The Company's requested area is three miles west of the existing CC&N. The Company's service area is approximately 30 miles north of Prescott in Yavapai County.

**Capacity**

Existing System

According to its 2004 Annual Report, this system has one well producing 20 gallons per minute ("GPM"), a 6,000 gallon pressure tank and a distribution system serving two service connections.

New System

The Company is proposing a new independent water system to serve the Wineglass Lake Estates, which is located approximately three miles from the existing system. This proposed system will consist of one well producing 200 GPM, two 10,000 gallon storage tanks, booster system and a distribution system to serve 134 service connections within the first five years.

Staff concludes that the proposed system will have adequate production and storage capacity to serve the CC&N extension area. The Company plans to construct the proposed system in phases.

Phase I – Proposed Plant Facilities

The Company is proposing to construct a new water system in the requested area through the use of advances and loans. The proposed facilities to be constructed are:

1.	Well – 6-inch diameter at 710 feet deep	\$ 24,345
2.	Well – 15-Hp submersible well pump	\$ 5,000
3.	Storage Tanks – 10,000 gallons, 2 each	\$ 30,000
4.	Booster pumping station	\$ 45,000
5.	Chlorinator	\$ 1,200
6.	Yard piping	\$ 5,000
7.	Electrical	\$ 20,000
8.	Chain link Fence – 6’ height, 710 feet	\$ 10,800
9.	Mains – 6” PVC pipe, 15,310 feet	\$214,340
10.	Services – 3/4” lines and meters	\$ 14,400
		=====
	TOTAL:	\$370,085

Staff concludes that the proposed plant items listed above and the Company’s cost estimates totaling \$370,085 appear to be reasonable. However, no “used and useful” determinations of the proposed plant facilities were made and no particular treatment should be inferred for rate making or rate base purposes.

**Arizona Department of Environmental Quality (“ADEQ”) Compliance**

Compliance Status

The Company’s existing water system is not a regulated system and therefore, no compliance status can be determined.

Certificate of Approval to Construct

The Company has not received the Certificate of Approval to Construct (“ATC”) for the proposed new water system. Staff recommends that the Company submit to Docket Control a copy of this ATC when received by the Company, but no later than 12 months after the effective date of the order granting this application.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level (“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.

Since the existing system is not a regulated water system, it is not required to monitor for arsenic until such time as ADEQ declares the system to be a community water system.

The arsenic level for the Wineglass Lake Estates' well source is unknown at this time. Therefore, Staff recommends that the Company submit to Docket Control a copy of the Inorganic Chemical Analysis Report showing the arsenic concentration for the new well source within 12 months of the effective date of an order issued in this proceeding.

### **Arizona Department of Water Resources ("ADWR") Compliance**

#### Compliance Status

The Company is not located in an Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements.

#### Letter of Adequate Water Supply

Staff recommends that the Company file with Docket Control copies of the developer's Letter of Adequate Water Supply for the requested area, where applicable or when required by statute, within 12 months after the effective date of the order granting this application.

### **Arizona Corporation Commission ("ACC") Compliance**

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for this Company.

### **Curtailment Plan Tariff**

The Company has an approved curtailment plan tariff that went into effect on August 28, 2004.

### **Summary**

#### Conclusions

- A. Staff concludes that the proposed new Wineglass Lake Estates system will have adequate production and storage capacity to serve the requested CC&N extension area. The Company plans to construct the proposed system in phases.
- B. Staff concludes that the proposed plant items and the Company's cost estimates totaling \$370,085 appear to be reasonable. However, no "used and useful" determinations of the proposed plant facilities were made and no particular treatment should be inferred for rate making or rate base purposes.
- C. The Company's existing water system is not a regulated system and therefore, no compliance status can be determined.

- D. Since the existing system is not a regulated water system, it is not required to monitor for arsenic until such time as ADEQ declares the system to be a community water system.
- E. The Company is not located in an AMA and is not subject to any AMA reporting and conservation requirements.
- F. A check with the Utilities Division Compliance Section showed no outstanding compliance issues for this Company.
- G. The Company has an approved curtailment plan tariff that went into effect on August 28, 2004.

Recommendations

1. Staff recommends that the Company submit to Docket Control a copy of the ATC when received by the Company, but no later than 12 months after the effective date of the order granting this application.
2. Staff recommends that the Company submit to Docket Control a copy of the Inorganic Chemical Analysis Report showing the arsenic concentration for the new well source within 12 months of the effective date of an order issued in this proceeding.
3. Staff recommends that the Company file with Docket Control copies of the developer's Letter of Adequate Water Supply for the requested area, where applicable or when required by statute, within 12 months after the effective date of the order granting this application.

**MEMORANDUM**

TO: Blessing Chukwu  
Executive Consultant III  
Utilities Division

FROM: Barb Wells *bw*  
Information Technology Specialist  
Utilities Division

THRU: Del Smith *DS*  
Engineering Supervisor  
Utilities Division

DATE: July 21, 2005

RE: **ANTELOPE LAKES WATER COMPANY, INC. (DOCKET NO. W-02740A-05-0089)**

The area requested by Antelope Lakes 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.

:bsw

Attachments

cc: Docket Control  
Mr. Paul Levie  
Ms. Deb Person (Hand Carried)  
File



## **Antelope Lakes Water Company, Inc.**

### **Current Franchise Area**

That part of Antelope Lakes, a subdivision of the Northwest ¼, Section 27, township 18 North, Range 2 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, lying west of Emery Road and Enid Drive, except Lots 639 and 644.

### **Application Area**

Section 13, Township 18 North, Range 3 West, including Wineglass Lake Estates and  
Section 24, Township 18 North, Range 3 West.