

ORIGINAL



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MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson
for Director
Utilities Division

DATE: December 16, 2005

RE: DIABLO VILLAGE WATER CO. - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN PIMA COUNTY, ARIZONA (DOCKET NO. W-02309A-05-0501)

Attached is the Staff Report for the above referenced application. Staff recommends denial or, in the alternative, the issuance of an order preliminary.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

Attachment: Original and Thirteen Copies

RECEIVED
2005 DEC 16 P 2:53
AZ CORP COMMISSION
DOCUMENT CONTROL

Service List for: Diablo Village Water Company
Docket No. W-02309A-05-0501

Mr. Robin Thim
Diablo Village Water Company
Post Office Box 13145
Tucson, Arizona 85732

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

DIABLO VILLAGE WATER COMPANY

Docket No. W-02309A-05-0501

APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND
NECESSITY
TO PROVIDE WATER SERVICE IN PIMA COUNTY, ARIZONA

DECEMBER 2005

STAFF ACKNOWLEDGEMENT

The Staff Report for Diablo Village Water Company (Docket No. W-02309A-05-0501) was prepared by the Staff members listed below. Linda Jaress performed the review and analyses of the Company's application. Dorothy M. Hains performed the engineering and technical analysis.



Linda A. Jaress
Executive Consultant III



Dorothy M. Hains
Utilities Engineer

EXECUTIVE SUMMARY
DIABLO VILLAGE WATER COMPANY
APPLICATION TO EXTEND ITS CERTIFICATE OF CONVENIENCE
DOCKET NO. W-02309A-05-0501

On July 14, 2005, Diablo Village Water Company ("Diablo Village") filed an application for approval to extend its Certificate of Convenience and Necessity ("CC&N") to serve one additional section of land, approximately one square mile.

The application expresses some uncertainty over whether the proposed extension area will be developed in the foreseeable future. The current owner and part-owner of the section of land which comprises the proposed extension area already has water service from his own well. Furthermore, the extension area is very close to the service territory of the City of Tucson. In the future, this potential customer may be better served by the City of Tucson.

Staff recommends approval of the curtailment tariff filed by Diablo Village in Docket Control on August 23, 2005.

Staff recommends denial of the request to extend the CC&N of Diablo Village because there is no public need for the extension nor is there evidence it would currently be in the public interest.

In the alternative, if the Commission desires to not prohibit the extension, Staff recommends the Commission issue an Order Preliminary to the extension of the CC&N.

On July 14, 2005, Diablo Village Water Company ("Diablo Village") filed an application for approval to extend its Certificate of Convenience and Necessity ("CC&N") to serve one additional section of land, approximately one square mile.

The application states that "It is anticipated that Section 18 [the section at issue], like much of the property in the surrounding area will be developed further in the future. When and *if*, [emphasis added] this occurs, permission will be obtained from the effected regulatory agencies."

Diablo Village serves approximately 360 customers near the Tucson Airport in Pima County, Arizona. Exhibit 1 (attached) illustrates the current service territory along with the requested area. The Company's Annual Report to the Corporation Commission shows that it experienced \$3,250 of net income generated by \$278,146 in revenues for the year ending December 31, 2004.

The Company's application included a request for service from an individual who owns or owns with others all of the entire section of land at issue. According to the Staff Engineering Report attached as Exhibit 2, the owner of the extension area currently receives water service from his own well. The Engineering Report also states that to serve the individual who requested the extension, Diablo Village would extend an 8-inch water line 340 feet.

Diablo Village is in full compliance with the Arizona Department of Environmental Quality ("ADEQ"), has no outstanding compliance issues with the Corporation Commission and is in full compliance with Arizona Department of Water Resources. Furthermore, Diablo Village is delivering water that meets the new arsenic standard.

Conclusions and Recommendations

The owner of the property in the proposed extension area currently has access to water and does not appear to have development plans for the area. That fact, along with the language from the application quoted above, leads Staff to believe that there are no current plans for development in the area and therefore no need for the extension. Furthermore, the extension area is very close to the service territory of the City of Tucson. In the future, this potential customer may be better served by the City of Tucson.

Staff recommends approval of the curtailment tariff filed by Diablo Village in Docket Control on August 23, 2005.

Staff recommends denial of the request to extend the CC&N of Diablo Village because there is no public need for the extension nor is there evidence it would currently be in the public interest.

In the alternative, if the Commission desires to grant the extension, Staff recommends the Commission issue an Order Preliminary for the extension of the CC&N. After the following conditions are fulfilled, Diablo Village should file documentation demonstrating compliance with conditions and request that it be granted a CC & N for the extension area. These conditions are:

1. Diablo Village should demonstrate that it has an adequate water supply. This demonstration shall be accomplished by submitting to Docket Control, as a compliance item, either an Arizona Department of Water Resources ("ADWR") Certificate of Assured Water Supply or an ADWR Physical Availability Demonstration for the extension area within three years of the date of the decision in this matter.
2. Diablo Village should submit to Docket Control, as a compliance item, an Arizona Department of Environmental Quality Approval to Construct water system (production, storage and distribution facilities) to begin service to the extension area within three years of the date of the decision in this matter.
3. In the event Diablo Village fails to meet Conditions 1 and 2 above, Diablo Village should be required to submit a new application to provide service to the extension area if it still desires to pursue such authority.

MEMORANDUM

DATE: November 30, 2005
TO: Linda Jaress
FROM: Dorothy Hains
RE: **Water CC&N Extension Application for Diablo Village Water Co.
Docket Nos. W-02309A-05-0501**

I. Introduction

Diablo Village Water Co. ("Diablo Village" or "Company") has submitted a Certificate of Convenience and Necessity (CC&N) extension application to include an additional one square mile area of land to its service area. The Company is located southwest of the City of Tucson ("City"). The Company's existing CC&N area includes two and one-half square miles near the Tucson International Airport in Pima County. The requested area is adjacent to Diablo Village's existing service area and there is only one applicant for service in the requested extension area. The applicant who owns all of the land in the extension area has indicated that he plans to develop this area at some point in the future but has not developed specific plans to date.

II. Water System Analysis

The Company owns and operates a system which includes one well which is capable of producing 400 gallons per minute ("GPM") and one 210,000 gallon storage tank. This plant was installed in 2002. The Company also holds a service agreement from the City of Tucson ("City") in which the City agrees to sell 500 gpm of water to the Company whenever the Company needs it. The Company has adequate storage capacity to serve its existing customers. Staff concludes that the Company has adequate storage and production capacities to serve the requested area. There is an existing water main at W. Valencia Road and Ron Road. Diablo Village proposes to extend 340 feet of 8-inch water main from Ron Road to serve the requested area.

III. Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Diablo Village system under ADEQ Public Water System ("PWS") I.D. # 10-357. ADEQ has determined that the Diablo Village system is currently delivering water that does not exceed any maximum contaminant level

("MCL") and meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.¹

IV. Arizona Department of Water Resources ("ADWR") Compliance

The Company is located in the Tucson Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that Diablo Village is in compliance with the Tucson AMA requirements. Staff recommends that Diablo Village file with the Commission Docket Control a copy of the developers' Certificate of Assured Water Supply, where applicable or when required by statute within three years of the effective date of the final decision and order issued pursuant to this Application.

V. Arizona Corporation Commission ("ACC") Compliance

According to the Utilities Division Compliance Section, Diablo Village has no outstanding ACC compliance issues.

VI. Other Issues

A. Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis provided by the Company indicates that the arsenic level in its well is 1.3 $\mu\text{g/l}$, which is below the new arsenic standard.

B. Curtailment Tariff

Diablo Village has an approved Curtailment Tariff for a Consecutive Water System. Since, the Company is no longer operating as a secondary water supplier (as a consecutive system), the Company recently filed to modify its existing curtailment tariff to reflect this. Staff has reviewed the curtailment tariff that was recently filed by the Company in this Docket and found that it is consistent with the terms, and conditions contained in Staff's model tariff which has been approved by the Commission for other water companies. Staff recommends

¹ ADEQ Compliance report dated August 15, 2005, and received on August 17, 2005.

approval of the curtailment plan filed by the Company. Staff further recommends that the Company file this curtailment tariff with the Commission's Docket Control, as a compliance item, within thirty (30) days of the final decision and order issued pursuant to this Application.

VII. Summary

I. Conclusions

1. Diablo Village has no outstanding ACC compliance issues.
2. Diablo Village is in compliance with ADWR monitoring and reporting requirements.
3. ADEQ has determined that the Diablo Village system is currently delivering water that does not exceed any maximum contaminant level ("MCL") and meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. Diablo Village is delivering water that meets the new arsenic standard.

II. Recommendations

1. Staff recommends approval of the curtailment plan filed by the Company in this Docket. Staff further recommends that the Company file this curtailment tariff within the Commission's Docket Control, as a compliance item, with thirty (30) days of the final decision and order issued pursuant to this Application.
2. Staff recommends that Diablo Village file with the Commission Docket Control a copy of the developers' Certificate of Assured Water Supply, where applicable or when required by statute within three years of the effective date of the final decision and order issued pursuant to this Application.

MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

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

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: September 9, 2005

RE: **DIABLO VILLAGE WATER COMPANY (DOCKET NO. W-02309A-05-0501)**

The area requested by Diablo Village 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.

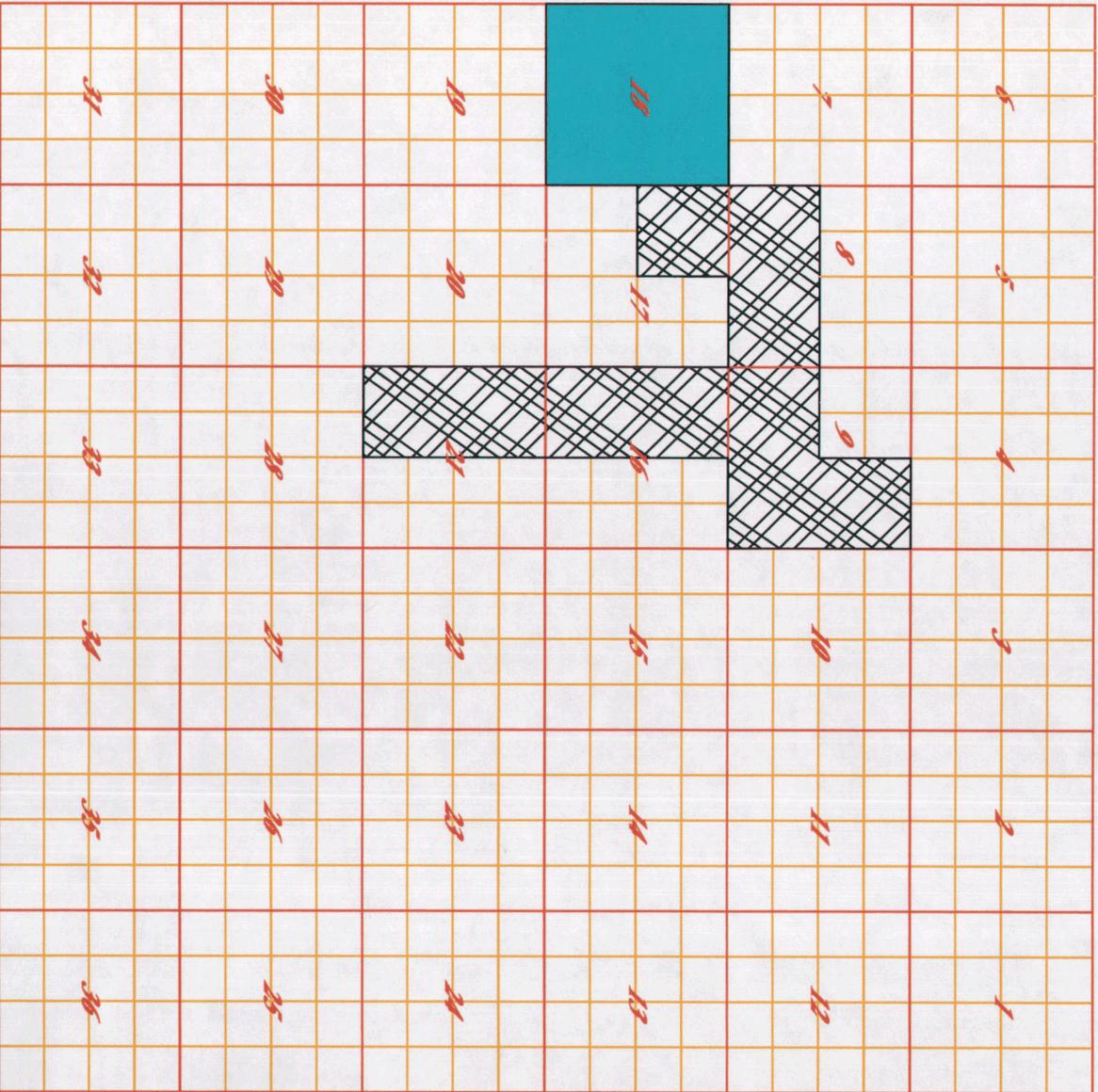
:bsw

Attachments

cc: Docket Control
Mr. Robin Thim
Ms. Deb Person (Hand Carried)
File

COUNTY: Pima

RANGE 12 East



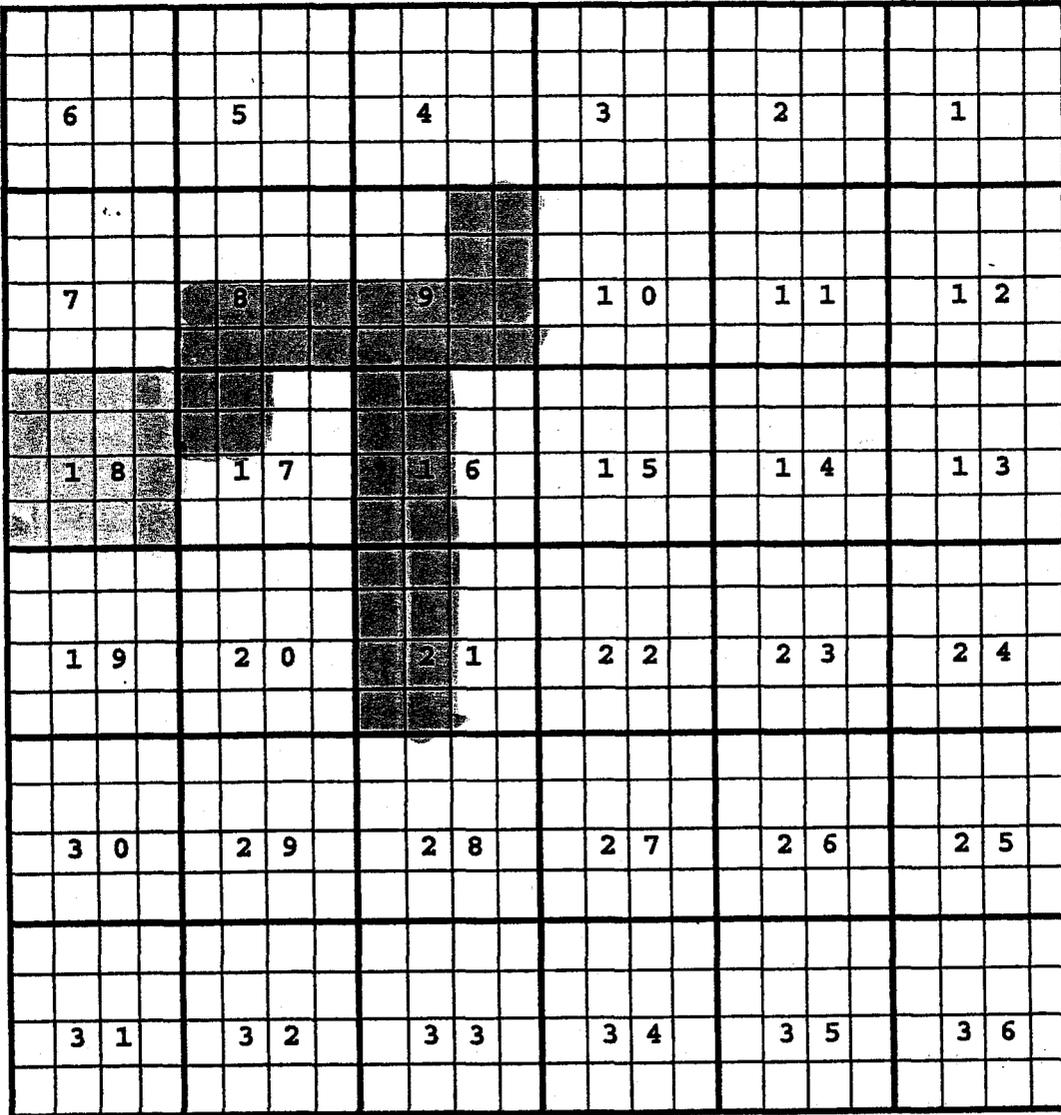
TOWNSHIP 15 South

 W-2309 (1)
Diablo Village Water Company


Diablo Village Water Company
Docket No. W-02309A-05-0501
Application for Extension

ATTACHMENT "B"

PIMA	18	15S	12E
COUNTY	SECTION	TOWNSHIP	RANGE



Type or Print Description Here:

SECTION 18 TOWNSHIP 15S RANGE 12E
GILA AND SALT RIVER BASE AND MERIDIAN
PIMA COUNTY, ARIZONA

 REQUESTED AREA

 PRESENT CERTIFICATED AREA