

ORIGINAL



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MEMORANDUM

TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
for Director
Utilities Division

Date: March 17, 2006

RE: STAFF REPORT FOR THE APPLICATION OF SOUTHLAND SANITATION
COMPANY FOR APPROVAL OF THE DELETION OF A PORTION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO: ~~WS~~-02390A-05-0796
Skj

Attached is the Staff Report for the application of Southland Sanitation Company for approval of the deletion of a portion of its Certificate of Convenience and Necessity. This portion will be served by the City of Sierra Vista. Staff recommends approval of the deletion.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

Attachment: Original and 13 Copies

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 MAR 17 P 3:12

RECEIVED

Service List for: Southland Sanitation Company
Docket No. SW-02390A-05-0796

Mr. Sidney N. Mendelsohn, Jr.
Southland Sanitation Company
3915 E. Broadway, #301
Tucson, Arizona 85711

Mr. Andrew Romo
Southland Sanitation Company
2730 E. Broadway #135
Tucson, Arizona 85716

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

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

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

SOUTHLAND SANITATION COMPANY
DOCKET NO. SW-02390A-05-0796

APPLICATION FOR DELETION OF A PORTION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY

March 17, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Southland Sanitation Company (Docket No. SW-02390A-05-0796) was prepared by the Staff members shown below.



Linda A. Jaress
Executive Consultant III



Dorothy Hains
Utilities Engineer

EXECUTIVE SUMMARY
SOUTHLAND SANITATION COMPANY
SW-02390A-05-0796

On October 21, 2005, Southland Sanitation Company ("Southland" or "the Company") filed an application to delete approximately four square miles of its Certificate of Convenience and Necessity ("CC&N") and transfer it to the City of Sierra Vista ("the City" or "Sierra Vista"). The portion of the CC&N at issue contains certain assets of Southland along with all of Southland's 300 existing wastewater customers. The remaining portion of the certificated area which will be retained by the Company does not currently contain any customers.

Southland's rates were set in Decision No. 61267, dated November 25, 1998. At the time, Southland served approximately 273 customers. Its current rates are \$17.78 per month for sewer service for all customers. Sierra Vista charges \$26.62 bi-monthly (\$13.31 per month) so transferred customers will see their sewer bills fall. The City also allows customers to prepay their bill for an entire year and gives them a 10% discount.

Staff believes that it is in the public interest for the Commission to approve the application. However, Staff also recommends that Southland file the following with Docket Control as a compliance item:

1. The Company should file the sales agreement with Sierra Vista along with the service agreement, signed by appropriate representatives, with Sierra Vista for treatment services for the customers to be located in the remaining service territory. Both documents should be filed in Docket Control as compliance matters by January 31, 2007.
2. The Company should file with Docket Control, as a compliance item in this docket, a copy of the Approval to Construct issued by Arizona Department of Environmental Quality ("ADEQ") related to the interconnection between the City and Southland by January 31, 2007.

Staff further recommends that the service territory not be deleted from Southland's CC&N until Southland has complied with item #1 above.

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Introduction

On October 21, 2005, Southland Sanitation Company ("Southland" or "the Company") filed an application to delete approximately four square miles of its Certificate of Convenience and Necessity ("CC&N") and transfer the area to the City of Sierra Vista ("the City" or "Sierra Vista"). The portion of the CC&N at issue contains certain assets of Southland along with all of Southland's existing 300 wastewater customers. Southland is located near Sierra Vista, in Cochise County, Arizona. Attached as Exhibit 1 is a map and legal description of the area to be deleted. The remaining portion of the certificated area which will be retained by the Company does not currently contain any customers.

Background

In Decision No 67987, dated July 18, 2005, Southland received Commission approval to delete a portion of its CC&N to provide sewer service in Cochise County. At that time, the Company was serving approximately 295 customers. The Decision approved the deletion of 111 acres which the City of Sierra Vista agreed to serve. The effect of the deletion was to bifurcate Southland's certificated area causing a relatively small portion of service territory being separated from the main portion of the service territory by approximately one mile. Staff recommended, and the Decision encouraged Southland to continue discussions with Sierra Vista for transfer of the isolated service area to the service territory of Sierra Vista. This application would transfer most, but not all of that area.

On December 7, 2005, the Company filed a letter from Mr. Charles Potuchek, City Manager of Sierra Vista in which he confirms his intention to recommend to the City Council, the purchase of Southland's existing infrastructure and service area, with the exception of approximately 100 acres. Neither the Company nor the City has provided any further information on the progress of the transaction.

Southland's Wastewater System

Southland owns and operates a lagoon system consisting of two aerated ponds. Upon deletion of the area at issue, Southland will close the lagoon system. For the remaining portion of its certificated area, which currently does not contain any customers, the Company intends to install a new force main and lift station system to interconnect to the City's sewer system when the new development planned for that area is ready to proceed. Attached as Exhibit 2 is Staff's Engineering Report which provides further details.

Arizona Department of Environmental Quality ("ADEQ")

As of December 14, 2005, Southland is in compliance with ADEQ.

Arizona Corporation Commission ("ACC")

Southland is in Good Standing with the Corporations Division of the ACC. According to the Consumer Services Section, there have been no complaints filed against Southland from 2002 to the present. The Compliance Section reports that Southland has no outstanding compliance issues.

The City of Sierra Vista

There are approximately 40,000 residents of Sierra Vista. The City provides sewer and refuse services to its population. Water is provided by Arizona Water, Cloud 9, Pueblo del Sol and Bella Vista water companies.

The City is currently only in substantial, rather than total compliance with ADEQ regarding its wastewater service. However, the City is planning an expansion to its treatment plant sized to accommodate general growth, including the growth from the acquisition of Southland's customers, for 20 years. Construction of the plant expansion is expected to begin in July, 2006.

Rates

Southland's rates were set in Decision no. 61267, dated November 25, 1998. At the time, Southland served approximately 273 customers. Its current rates are \$17.78 per month for sewer service for all customers. Sierra Vista charges \$26.62 bi-monthly (\$13.31 per month) so transferred customers will see their sewer bills fall. The City also allows customers to prepay their bill for an entire year and gives them a 10% discount.

Conclusions and Recommendations

Southland is requesting to delete a portion of its CC&N and transfer it, along with utility assets to the City of Sierra Vista. Staff believes that it is in the public interest to approve the transfer. However, Staff also recommends that Southland file the following with Docket Control as a compliance item:

1. The Company should file the sales agreement with Sierra Vista along with the service agreement with Sierra Vista for treatment services for the customers to be located in the remaining service territory. Both documents should be filed in Docket Control as compliance matters by January 31, 2007.
2. The Company should file with Docket Control, as a compliance item in this docket, a copy of the Approval to Construct issued by ADEQ related to the interconnection between the City and Southland by January 31, 2007.

Southland Sanitation Company

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Staff further recommends that the service territory not be deleted from Southland's CC&N until Southland has complied with item #1 above.

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: December 9, 2005

RE: **SOUTHLAND SANITATION COMPANY (DOCKET NO. SW-02390A-05-0796)**

The area requested by Southland for a partial deletion has been plotted with no complications using the legal description provided with the application (a copy of which is attached). NOTE: This legal description is for the area to be retained, NOT the area being deleted.

Also attached is a copy of the map for your files.

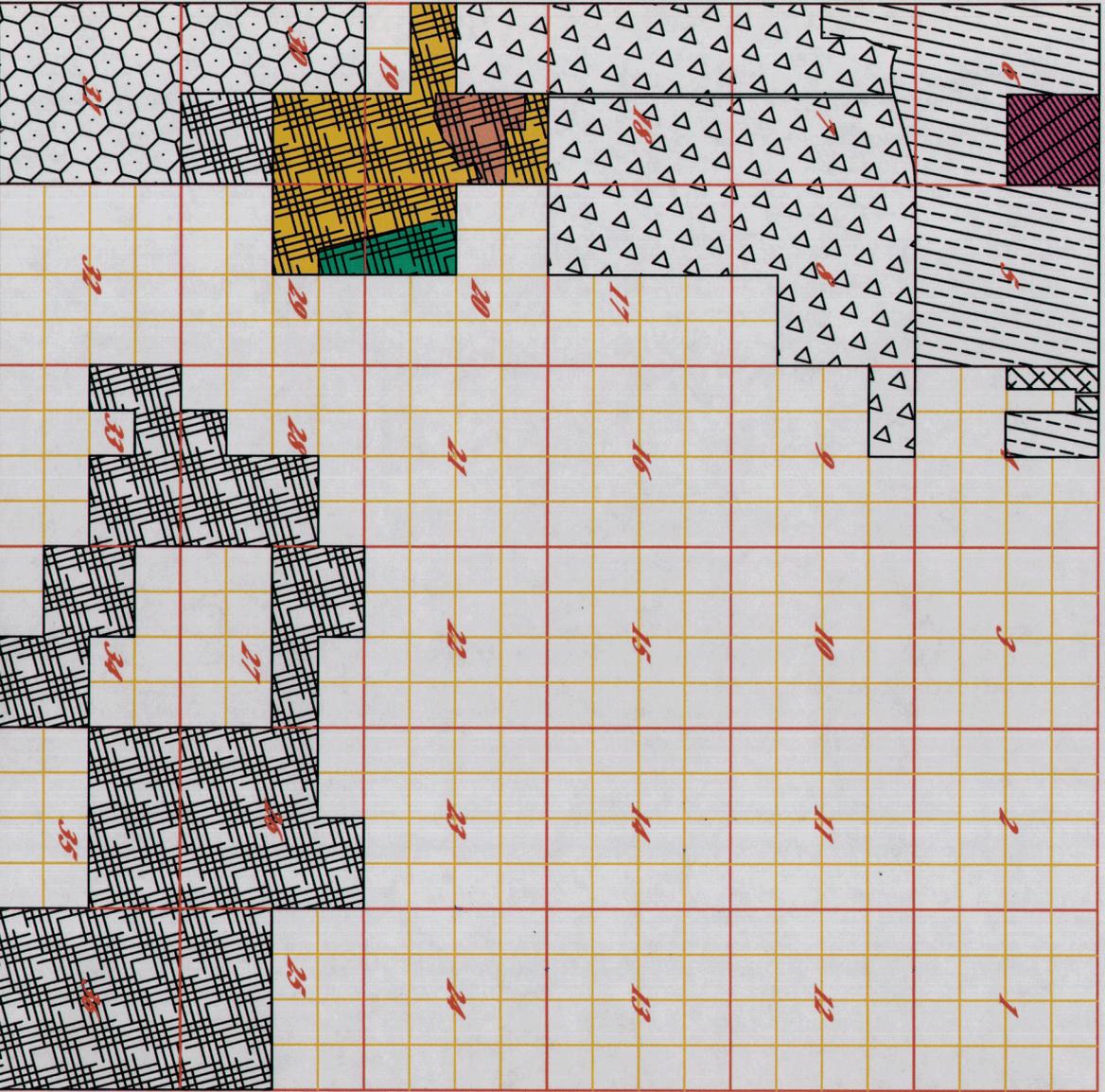
:bsw

Attachments

cc: Docket Control
Mr. Andrew Romo
Ms. Deb Person (Hand Carried)
File

COUNTY: Cochise

RANGE 21 East



TOWNSHIP 22 South

-  W-1445 (3)
Arizona Water Company (Sierra Vista)
-  W-2465 (6)
Bella Vista Water Company, Inc.
-  W-2672 (1) Sewer
Cloud Nine Water Company, Inc.
-  W-1906 (2)
East Slope Water Company
-  W-2208 (2)
Pueblo del Sol Water Company
-  W-2062 (2)
Southland Utilities Company, Inc.
-  Sewer SW-2390 (1)
Southland Sanitation, Inc.
-  Sewer
City of Sierra Vista (Nonjurisdictional)
- 
Southland Sanitation, Inc.
Docket No. SW-02390A-05-0796
Application to Delete - To City of Sierra Vista



civil engineering

DESCRIPTION OF CC&N RETENTION

Those portions of Sections 20 and 29, Township 22 South, Range 21 East, Gila and Salt River Meridian, Cochise County, Arizona described as follows:

transportation

BEGINNING at a found point at the center of said Section 20;

environmental services

THENCE S 89° 55' 52" W, along the North Line of the Southwest One-Quarter (SW ¼) of said Section 20, a distance of 1590.00 feet;

THENCE S 0° 04' 08" E a distance of 550.00 feet;

water resources

THENCE S 13° 50' 21" E a distance of 2157.17 feet to a point on the South Line of said Section 20, said point being on a bearing of S 89° 58' 15" W a distance of 1075.33 feet from the South Quarter Corner of said Section 20;

land surveying

THENCE S 13° 50' 45" E a distance of 1360.99 feet to a point on the South Line of the Northeast One-Quarter (NE ¼) of the Northwest One-Quarter (NW ¼) of said Section 29;

site development

THENCE N 89° 58' 43" E along the South Line of the Northeast One-Quarter (NE ¼) of the Northwest One-Quarter (NW ¼) of said Section 29 a distance of 750.00 feet to the Southeast Corner of the Northeast One-Quarter (NE ¼) of the Northwest One-Quarter (NW ¼) of said Section 29;

hydrology

THENCE N 0° 00' 57" W a distance of 1321.72 feet along the East Line of the Northeast One-Quarter (NE ¼) of the Northwest One-Quarter (NW ¼) of said Section 29 to the South Quarter Corner of said Section 20;

landscape architecture

THENCE N 0° 02' 34" W along the East Line of the Southwest One-Quarter (SW ¼) of said Section 20, a distance of 2645.92 feet to the **POINT OF BEGINNING**.

Containing 111.868 acres, more or less.

Prepared by:

Edward F. Geiser, RLS
ENVIRONMENTAL ENGINEERING CONSULTANTS



MEMORANDUM

DATE March 16, 2006

TO: Linda Jarss
Executive Consultant III

FROM: Dorothy Hains *DH*
Utilities Engineer

RE: **Wastewater CC&N Deletion for Southland Sanitation Co.
Docket No. SW-02390A-05-0796**

Introduction

The Southland Sanitation Co. ("Southland" or "Company") has submitted an application to delete approximately four square miles from its Certificate of Convenience and Necessity (CC&N). Southland currently provides wastewater service to an area that is approximately five square miles in size, however, the Company has no existing customers outside the deletion area.¹ There are three hundred (300) existing wastewater customers in the requested deletion area. Southland's CC&N area is located near the City of Sierra Vista ("City") in Cochise County. If this Application is approved, the requested deletion area would be provided wastewater service by the City. According to a letter from the City Manger to Southland dated November 8, 2005, the City intends to interconnect its sewer infrastructure to provide service in the deletion area no later than December 31, 2006. At this time however, Southland has yet to receive a formal service agreement from the City.

System

Southland owns and operates a lagoon system of two aerated ponds. This system is capable of treating a maximum wastewater flow of 67,000 gallons per day ("gpd"). At present, the Company treats a daily average wastewater flow of 30,000 gpd from its existing customers. After this Application is approved, the Company plans to close the existing lagoon system in accordance with ADEQ's Aquifer Protection Permit program requirements. The Company intends to retain its CC&N for the remaining area and has indicated that will install a new force main and lift station system to interconnect to the City sewer system in the event it receives any requests for service in the remaining area. Because the remaining area is hilly and would require the installation of force mains, the City has refused to serve this area. Therefore, the Company has agreed to retain its CC&N for the remaining area and will install, operate and maintain the force main system in the event service is requested.

¹ Southland Utilities Company, Inc., sister company of Southland, provides water service in the same CC&N area.

Arizona Department of Environmental Quality (ADEQ) Compliance

Staff received a compliance status report from ADEQ dated December 14, 2005, in which ADEQ stated that the Company is in compliance with the permit conditions in Aquifer Protection Permit ("APP") No. P101491. Staff also received a compliance status report from ADEQ dated December 5, 2005, in which ADEQ stated that the City of Sierra Vista Wastewater Treatment Plant ("WWTP") is in substantial compliance. The City is working with ADEQ to resolve the issues in order to bring the City's WWTP in total compliance. Beginning in July 2006, the City plans to expand its WWTP; the planned expansion will accommodate growth for approximately 20 years. Staff recommends that the Company file with Docket Control under this same docket number, a copy of the service agreement between Southland and the City by January 31, 2007. Staff further recommends that Southland file with Docket Control under this same docket number, a copy of Approval to Construct (issued by ADEQ) related to the interconnection between the City and Southland by January 31, 2007.

Arizona Corporation Commission (ACC) Compliance

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

Summary

I. Conclusions

1. Southland has no outstanding ACC compliance issues.
2. The City of Sierra Vista wastewater system is in substantial compliance with ADEQ regulations.
3. The Southland wastewater system is currently in compliance with ADEQ requirements.

II. Recommendations

1. Staff recommends that the Company file with Docket Control under this same docket number, a copy of the service agreement between Southland and the City by January 31, 2007.
2. Staff further recommends that Southland file with Docket Control under this same docket number, a copy of Approval to Construct (issued by ADEQ) related to the interconnection between the City and Southland by January 31, 2007.