

ORIGINAL



0000041409

MEMORANDUM

30A

TO: Docket Control 2006 MAR 24 A 8:55
FROM: Ernest G. Johnson AZ CORP COMMISSION
Director DOCUMENT CONTROL
Utilities Division
DATE: March 24, 2006
RE: **SUPPLEMENTAL INFORMATION TO THE STAFF REPORT FOR ANTELOPE LAKES WATER COMPANY, INC. – APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY DOCKET NO. W-02740A-05-0089**

Introduction

On September 8, 2005, Staff filed its Staff Report for Antelope Lakes Water Company, Inc. (“Company”) application to extend its Certificate of Convenience and Necessity. On November 15, 2005, a hearing was held. At the conclusion of the hearing, the matter was taken under advisement pending submission of a Recommended Opinion and Order (“ROO”) to the Commission. However, before a ROO could be issued, the Administrative Law Judge requested additional information regarding the arsenic concentration, the costs, if necessary, for bringing the arsenic level into compliance for the Company’s proposed new system’s well source. On December 5, 2005, a Procedural Order was issued ordering that;

“the Company shall test its new well for the arsenic level and file, within 60 days of the Procedural Order, to the Commission’s Docket Control, a copy of its Inorganic Chemical Analysis Report which will show the arsenic concentration of the new well source.” and,

“Staff shall file, within 21 days of the Company’s filing, with the Commission’s Docket Control, its response and/or additional recommendations which Staff may feel necessary to the Inorganic Chemical Analysis Report filed by the Company.”

On February 6, 2006, the Company filed a request for an extension of time. On February 14, 2006, by Procedural Order, the Company was ordered to file its new system’s arsenic level by February 28, 2006, with Staff’s response following 21 days of the Company’s filing. The Company filed its Inorganic Chemical Analysis Report on March 16, 2006. This memorandum is Staff’s response.

Discussion

On March 6, 2006, Staff received by fax a copy of the Company's inorganic chemical ("IOC") analysis for the new system's well source indicating the arsenic concentration of 2.17 milligrams per Liter ("mg/L") or 2,170 parts per billion ("ppb"). The IOC analysis also reported the fluoride concentration of 9.32 mg/L. The arsenic and fluoride maximum contaminant levels ("MCLs") allowed by the Arizona Department of Environmental Quality ("ADEQ") are 0.010 mg/L and 4.0 mg/L, respectively. (See attached IOC analysis.) Based on the IOC analysis results, the Company will be submitting a financing application to address the water quality and/or plant facilities.

ADEQ Capacity Development

The ADEQ Capacity Development rules require new public drinking water systems to meet, 1) financial capacity, 2) managerial capacity, and 3) technical capacity requirements. ADEQ will accept a financial determination made by this Commission as meeting the financial capacity requirements for new water systems under the jurisdiction of the Commission. The technical and managerial capability is determined by ADEQ.

All three components are combined in the final approval of the water company's "elementary business plan", pursuant to ADEQ rule R-18-4-606. The three components are reviewed and approved sequentially, with the technical capacity approval and the "Approval to Construct" and/or "Approval of Construction" being the last performed.

Therefore, in order for the Company to meet the ADEQ financial capacity for its new water system, the Company must demonstrate its financial capability. This financial demonstration should address not only water supply and distribution system facilities but also meeting the water quality standards for arsenic and fluoride.

Conclusions and Recommendations

The Company's proposed new water system's well supply has arsenic and fluoride concentrations of 2.17 mg/L and 9.32 mg/L. These concentrations exceed the arsenic and fluoride MCLs of 0.010 mg/L and 4.0 mg/L, respectively.

In order for the Company to meet the ADEQ financial capacity for its new water system, the Company must demonstrate its financial capability. Therefore, Staff recommends that this docket be suspended until the Company submits a plan detailing how the Company is going to comply with the arsenic and fluoride standards. The plan should also explain, in detail, how the Company will finance any required treatment.

EGJ:MSJ:red\DR

Originator: Marlin Scott, Jr.

Service List for: Antelope Lakes Water Company, Inc.
Docket No. W-02740A-05-0089

Mr. Paul D. Levie
Antelope Lakes Water Company, Inc.
2465 Shane Drive
Prescott, Arizona 86305

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

Inorganic Chemical Analysis

Method	MCL	Reporting Limit	Contaminant Name	Cont. Code	Analysis Run Date	Result	Exceeds MCL	Exceeds Reporting Limit
EPA 200.7	0.05	0.05	Arsenic	1005	02/13/2006 16:22	2.17	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EPA 200.7	2	2	Barium	1010	02/16/2006 0:00	0.03	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.9	0.005	0.005	Cadmium	1015	02/14/2006 11:35	<0.0002	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.7	0.1	0.1	Chromium	1020	02/13/2006 16:22	<0.005	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.7	1.3*	0.050	Copper	1022	02/13/2006 16:22	0.01	<input type="checkbox"/>	<input type="checkbox"/>
SM 4500 F C	4.0	2.0	Fluoride	1025	02/13/2006 18:30	9.33	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EPA 200.9	0.015*	0.0025	Lead	1030	02/14/2006 11:35	0.007	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EPA 245.1	0.002	0.002	Mercury	1035	02/13/2006 9:31	<0.0002	<input type="checkbox"/>	<input type="checkbox"/>
Calculation	10	5	Nitrate (as N)	1040	02/13/2006 9:32	0.11	<input type="checkbox"/>	<input type="checkbox"/>
SM 4500 NO2 B 1		0.5	Nitrite	1041	02/08/2006 17:00	<0.10	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.9	0.05	0.05	Selenium	1045	02/14/2006 11:35	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.9	0.006	0.006	Antimony	1074	02/16/2006 7:08	<0.004	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.7	0.004	0.004	Beryllium	1075	02/13/2006 16:22	<0.002	<input type="checkbox"/>	<input type="checkbox"/>
SM 4500 CN E	0.2	0.2	Cyanide (as free cyanide)	1024	02/09/2006 16:15	<0.0097	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.7	0.1	0.1	Nickel	1036	02/13/2006 16:22	<0.02	<input type="checkbox"/>	<input type="checkbox"/>
EPA 200.9	0.002	0.002	Thallium	1085	03/01/2006 16:59	<0.001	<input type="checkbox"/>	<input type="checkbox"/>

LABORATORY INFORMATION

Specimen Number: 6020410-01

Lab ID Number: AZ0004 Name: Legend Technical Services of Arizona

Comments: Notification 02/17/06

Authorized Signature: Franklin L. Holley

* Action Level

Physical Analysis

Analysis Method	MCL	Reporting Limit	Contaminant Name	Cont. Code	Analysis Run Date	Result
EPA 300.0			Sulfate	1055	02/16/2006 17:15	60
EPA 200.7			Sodium	1052	02/20/2006 0:00	668
EPA 150.1			pH	1925	02/08/2006 7:30	9.6
SM 2320 B			Alkalinity	1927	02/16/2006 17:59	1390
SM 2340B			Hardness/Calcium	1918	02/16/2006 0:00	5
Miscellaneous			Langelier Index	1997	02/20/2006 0:00	0.940
SM 2540 C			Total Dissolved Solids-TDS	1930	02/10/2006 12:38	1580

LABORATORY INFORMATION

Specimen Number: 6020410-01

Lab ID Number: AZ0004 Name: Legend Technical Services of Arizona

Comments: _____
 Authorized Signature: Franklin L. Holley

ORIGINAL SENT TO ADEQ