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MEMORANDUM

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FROM: Ernest G. Johnson  
Director  
Utilities Division

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MAR 25 2003

AZ CORP COMMISSION  
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DATE: March 24, 2003

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RE: STAFF REPORT FOR MT. LEMMON CO-OP WATER CO., INC. (DOCKET NO. W-01408A-02-0595, DECISION NO. [REDACTED])

Attached is the Staff Report for Mt. Lemmon Co-op Water Co., Inc.'s request for an amendment to Commission Decision No. 65534. Staff recommends approval of the requested amendment.

EGJ:JAC:ihm

Originator: John A. Chelus

Attachment: Original and Thirteen Copies

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Docket No. W-01408A-02-0595

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STAFF REPORT  
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ARIZONA CORPORATION COMMISSION

MT. LEMMON CO-OP WATER CO. INC.

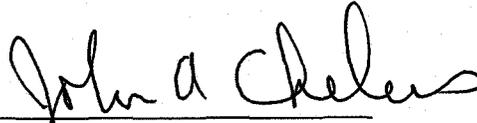
DOCKET NO. W-01408A-02-0595

APPLICATION FOR AN AMENDMENT TO DECISION NO. 65534

MARCH 2003

## STAFF ACKNOWLEDGEMENT

The Staff Report for Mt. Lemmon Co-op Water Co. Inc. (Docket No. W-01408A-02-0595) was the responsibility of the Staff member listed below. John A. Chelus was responsible for the review, analyses and recommendation of the Company's request.

  
\_\_\_\_\_  
John A. Chelus  
Utilities Engineer

**EXECUTIVE SUMMARY**  
**MT. LEMMON CO-OP WATER CO., INC.**  
**DOCKET NO. W-01408A-02-0595**

On March 12, 2003, Mt. Lemmon Co-op Water Co., Inc. ("Company" or "Mt. Lemmon") filed a request to amend Commission Decision No. 65534. This request would allow the Company to charge the new rates approved in Decision No. 65534 prior to submitting to the Director of the Utilities Division, notification from the Arizona Department of Environmental Quality ("ADEQ") stating that the water system has no Maximum Contaminate Level ("MCL") violations and is delivering water that meets the quality standards of the Safe Drinking Water Act. This will allow the Company to install water treatment equipment immediately that will remove lead from the water.

Staff is recommending approval of the Company's request with the condition that all required equipment completion dates and requirements remain as per Decision No. 65534.

Staff further recommends the Company submit a copy of the ADEQ Approval of Construction for the water treatment equipment by February 28, 2007.

Staff would further recommend that if the above timeframe is not met, the Company will be required to show cause why all monies collected from the rate increase should not be refunded and other appropriate sanctions be imposed.

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### **Introduction**

On March 12, 2003, Mt. Lemmon Co-op Water Co., Inc. ("Company" or "Mt. Lemmon") docketed a letter dated March 10, 2003 requesting to amend Commission Decision No. 65534, dated January 23, 2003.

### **Discussion**

In Decision No. 65534, the Commission required that in order for the Company to begin charging the new rates approved by the Commission, Mt. Lemmon must certify that it is providing safe drinking water. At the time of the Decision, Mt. Lemmon lacked lead, copper and nitrate sample results. Mt. Lemmon submitted the required lead, copper and nitrate sample results to the Arizona Department of Environmental Quality ("ADEQ") for review. The lead sample exceeded the maximum contaminant level ("MCL").

The only way to resolve this lead MCL exceedance problem so that the Company can begin to provide safe drinking water is to install the water treatment equipment which was approved for financing as part of this Decision. This can only happen once Mt. Lemmon is allowed to begin collecting the new rates. Once the new rates are in place, the Company will have sufficient funds to meet requirements for loan security. The water treatment equipment will allow Mt. Lemmon to adjust the pH of the water so that the lead does not leach out into the drinking water.

### **Recommendations**

It is Staff's opinion that it is in the public interest to allow the Company to begin charging the rates approved in Decision No. 65534 immediately so that it can install the water treatment equipment and begin providing safe drinking water to its customers at the earliest possible date.

In addition, Staff recommends that the construction completion date and requirements contained in Decision No. 65534 remain the same. The completion date based on Decision No. 65534 is January 23, 2007.

Staff further recommends the Company submit a copy of the ADEQ Approval of Construction for the water treatment equipment by February 28, 2007.

Staff would further recommend that if the above timeframes are not met, the Company will be required to show cause why all monies collected from the rate increase should not be refunded and other appropriate sanctions be imposed.