

ORIGINAL



0000046243

MEMORANDUM

30

TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

Date: April 3, 2006

RE: STAFF REPORT FOR ARIZONA WATER COMPANY TO EXTEND ITS
EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY AT CASA
GRAND, PINAL COUNTY, ARIZONA. (DOCKET NO. W-01445A-06-0059)

Attached is the Staff Report for the application of Arizona Water Company for an extension of its existing Certificate of Convenience and Necessity. Staff recommends approval with conditions.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

Attachment: Original and 13 Copies

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 APR -3 P 3:26

RECEIVED

Service List for: Arizona Water Company
Docket No. W-01445A-06-0059

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

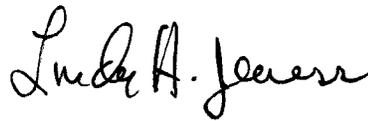
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-06-0059

APPLICATION FOR EXTENSION
OF CERTIFICATE OF ITS
CONVENIENCE AND NECESSITY

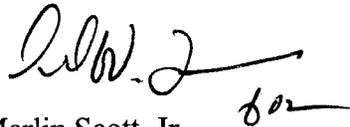
April 3, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Arizona Water Company (Docket No. W-01445A-06-0059) was prepared by the Staff members listed below. Linda A. Jaress performed the review and analysis of the Company's application. Marlin Scott, Jr. prepared the Engineering Report.



Linda A. Jaress
Executive Consultant III



Marlin Scott, Jr.
Utility Engineer

**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY.
APPLICATION TO EXTEND ITS CERTIFICATE OF CONVENIENCE
DOCKET NO. W-01445A-06-0059**

On February 1, 2006, Arizona Water Company ("Arizona Water" or "the Company") filed an application for approval of five extensions to its Certificate of Convenience and Necessity ("CC&N") for its Casa Grande system. Before the end of five years, Arizona Water expects to serve 2,400 customers in the extension areas.

Staff has concluded that Arizona Water is fit and proper to serve in the proposed extension area and that it is in the public interest for the Commission to approve the extension of Arizona Water's CC&N into Parcels One through Five.

Staff also recommends the following:

1. Arizona Water should file in Docket Control, as compliance items in this docket, copies of the Approvals to Construct for the extension facilities within two years from the date of the final decision in this matter.
2. Arizona Water should charge its authorized Casa Grande system rates and charges to the customers within the extension area until such time as they are changed by order of the Commission.
3. Staff recommends that the Company docket as a compliance item in this case within two years of the effective date of an order in this proceeding copies of the developers' Certificates of Assured Water Supply for the requested areas, where applicable or when required by statute

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Arizona Water be considered null and void, after due process, should the Company fail to meet conditions 1 and 3 listed above within the time specified.

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Introduction

On February 1, 2006, Arizona Water Company ("Arizona Water" or "the Company") filed an application for approval of an extension to its Certificate of Convenience and Necessity ("CC&N") for its Casa Grande system. Before the end of five years, Arizona Water expects to serve 2,400 customers in the extension area.

The Company is a corporation providing water utility service to approximately 75,000 customers in eight counties in Arizona. The Casa Grande system, to which these extensions will be added, serves approximately 18,895 customers.

The Extension Area Requested

The proposed extension area is comprised of five parcels of land, all contiguous to various portions Arizona Water's current service territory in the Casa Grande area. The maps and legal descriptions of the parcels at issue are included in Exhibit 1 attached to this Staff Report. They are further identified and described in Exhibit 2 attached, which is Staff's Engineering Report.

The plant necessary for the extensions will be financed by multiple main extension agreements with the developers. The Company filed the requests for service in the proposed areas from developers or their representatives with its application.

The Casa Grande Water System

The Company reports that it has 14 wells which produce a total of 15,320 gallons per minute. The Company also reports 14.27 million gallons of storage capacity and a distribution system serving 18,895 service connections as of November, 2005. Staff concludes that the existing system will have adequate production and storage capacity to serve the existing and proposed CC&N expansion areas within the five year planning period. Further information regarding the water system is found in Exhibit 2.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Casa Grande water system and has determined that this system is currently delivering water that meets water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. However, the Company indicated its arsenic levels for its wells range from 7 parts per billion ("ppb") to 45 ppb. The maximum contaminant level in drinking water allowed by the U.S. Environmental Protection Agency is 10 ppb. The Company is in the process of developing a treatment plan to comply with the new arsenic standard.

The Company has not received the Certificates of Approval to Construct for the proposed facilities. Staff recommends that the Company submit such approvals to the Commission as docketed, compliance items, within two years from the date of the final order in this proceeding.

Arizona Department of Water Resources Compliance (“ADWR”)

The Casa Grande system is located within the Pinal Active Management Area and is in compliance with its reporting and conservation requirements. Staff recommends that the Company docket as a compliance item in this case within two years of the effective date of an order in this proceeding copies the developers’ Certificates of Assured Water Supply for the requested areas, where applicable or when required by statute

ACC Compliance and Complaints

According to the Utilities Division Compliance Section, Arizona Water has no outstanding ACC compliance issues. According to a review of complaints from customers filed with the Consumer Services section, there were four complaints or comments filed by customers of the Casa Grande division during 2005 through the date of the application. The complaints have been resolved and the two comments indicating confusion related to a customer notice were addressed.

Conclusions and Recommendations

Staff concludes that Arizona Water is fit and proper to serve in the proposed extension area due to its experience in providing similar service in the same vicinity and to its compliance with applicable rules and regulations of the relevant government agencies and that it is in the public interest for the Commission to approve the extension of Arizona Water’s CC&N into Parcels One through Five.

Staff also recommends the following:

1. Arizona Water should file in Docket Control, as compliance items in this docket, copies of the Approvals to Construct for the extension facilities within two years from the date of the final decision in this matter.
2. Arizona Water should charge its authorized Casa Grande system rates and charges to the customers within the extension area until such time as they are changed by order of the Commission.
3. Staff recommends that the Company docket as a compliance item in this case within two years of the effective date of an order in this proceeding copies of the developers’ Certificates of Assured Water Supply for the requested areas, where applicable or when required by statute

Staff further recommends that the Commission’s Decision granting the requested CC&N extension to Arizona Water be considered null and void, after due process, should the Company fail to meet conditions 1 and 3 listed above within the time specified.

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: March 9, 2006

RE: **ARIZONA WATER COMPANY (DOCKET NO. W-01445A-06-0059)**

The area requested by Arizona Water 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 are copies of the maps for your files.

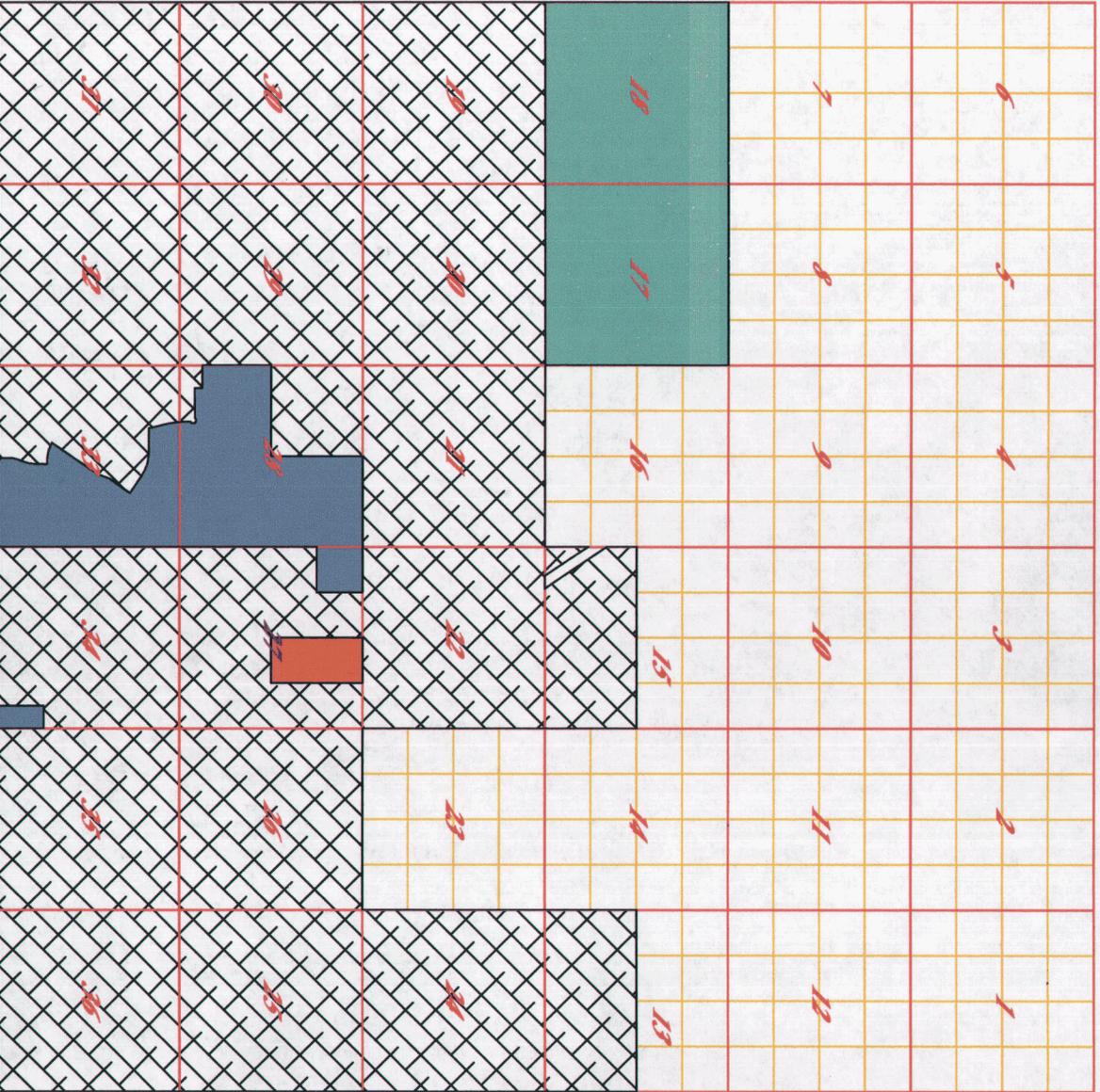
:bsw.

Attachments

cc: Docket Control
Mr. Robert Geake
Ms. Deb Person (Hand Carried)
File

COUNTY: Pinal

RANGE 6 East

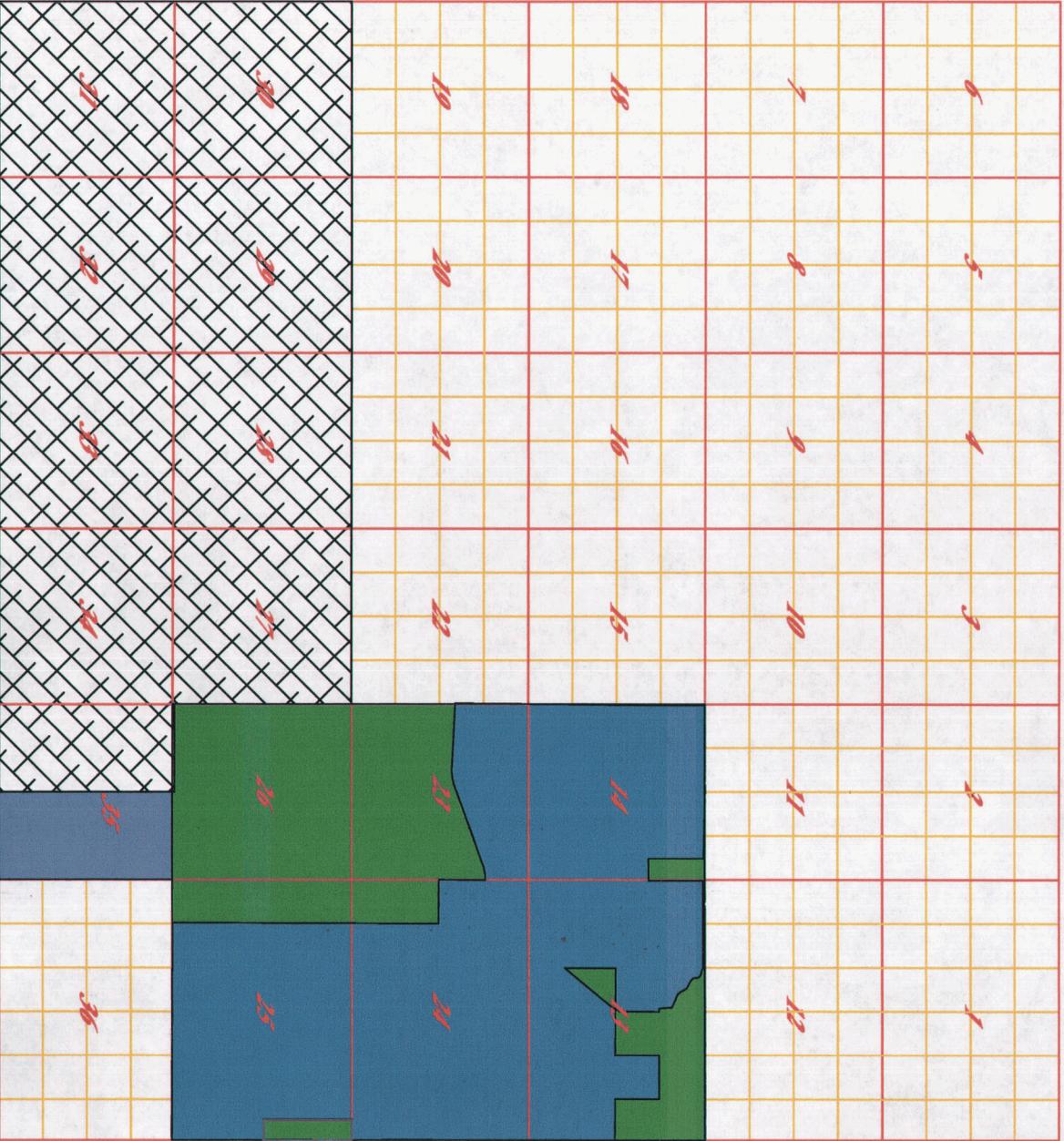


TOWNSHIP 5 South

-  W-1445 (35)(10)
Arizona Water Company (Casa Grande)
-  (2)
Arizona Water Company
Docket No. W-1445-04-743
Application for Extension
-  (8)
Arizona Water Company
Docket No. W-01445A-05-0469
Application for Extension
-  (4)
Arizona Water Company
Docket No. W-01445A-06-0059
Application for Extension

COUNTY: Pinal

RANGE 7 East



TOWNSHIP 5 South



W-1445 (34)(9)

Arizona Water Company (Casa Grande)



Woodruff Water Company, Inc.
Docket No. W-4264-04-438
Application for CC&N for Water



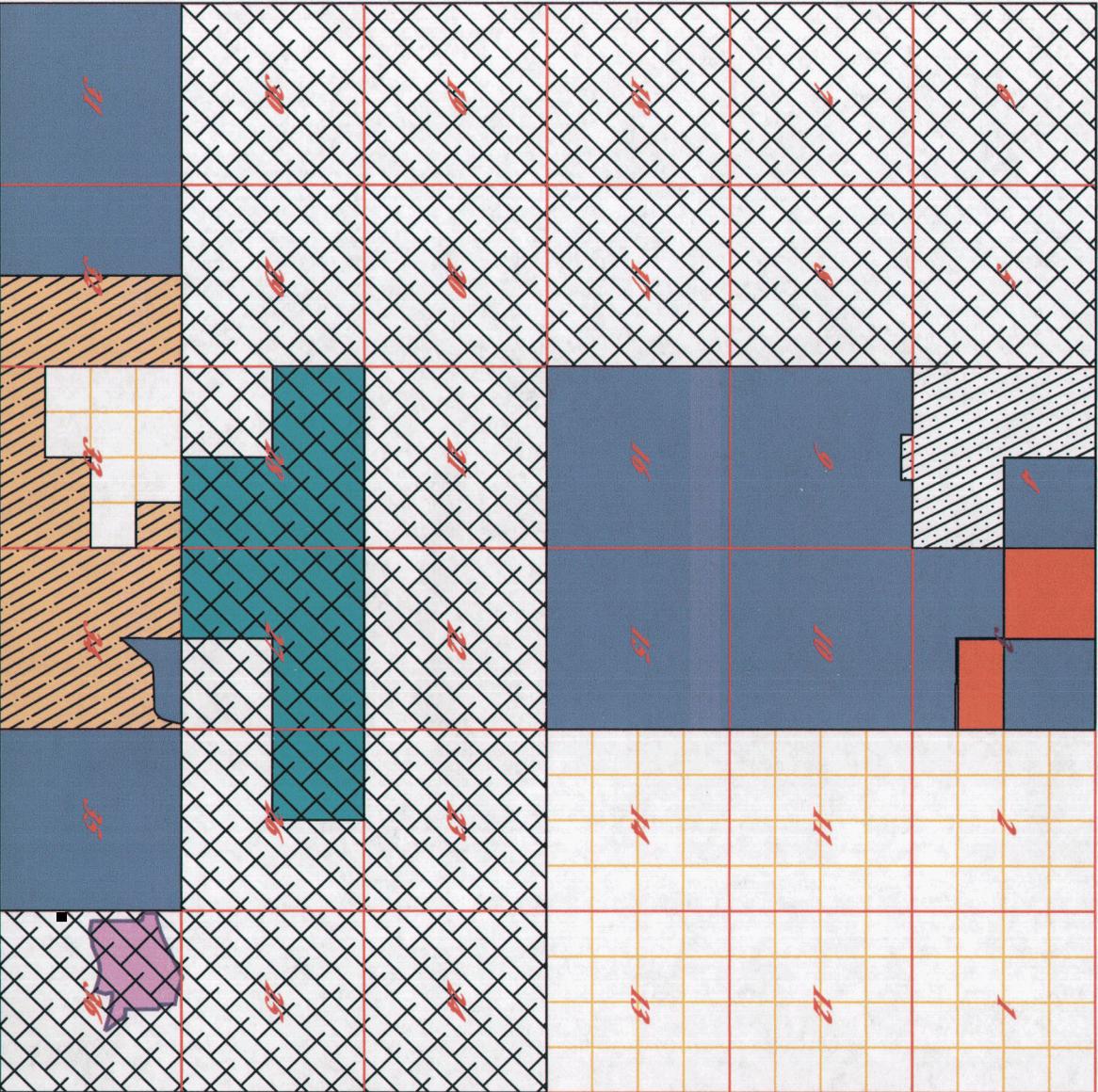
Arizona Water Company
Docket No. W-1445-04-755
Application for Extension



(4)
Arizona Water Company
Docket No. W-01445A-06-0059
Application for Extension

COUNTY: Pinal

RANGE 7 East



TOWNSHIP 6 South



W-1445 (34)(9)

Arizona Water Company (Casa Grande)



SW-3709 (2)

Sewer



W-3528 (2)

Picacho Water Company



W-2109 (1)

Signal Peak Water Company, Inc.



SW-2701 (1)

Sewer



(8)

Arizona Water Company

Docket No. W-01445A-05-0469

Application for Extension



Picacho Water Company

Docket No. W-3528-05-281

Application for Extension



(4)

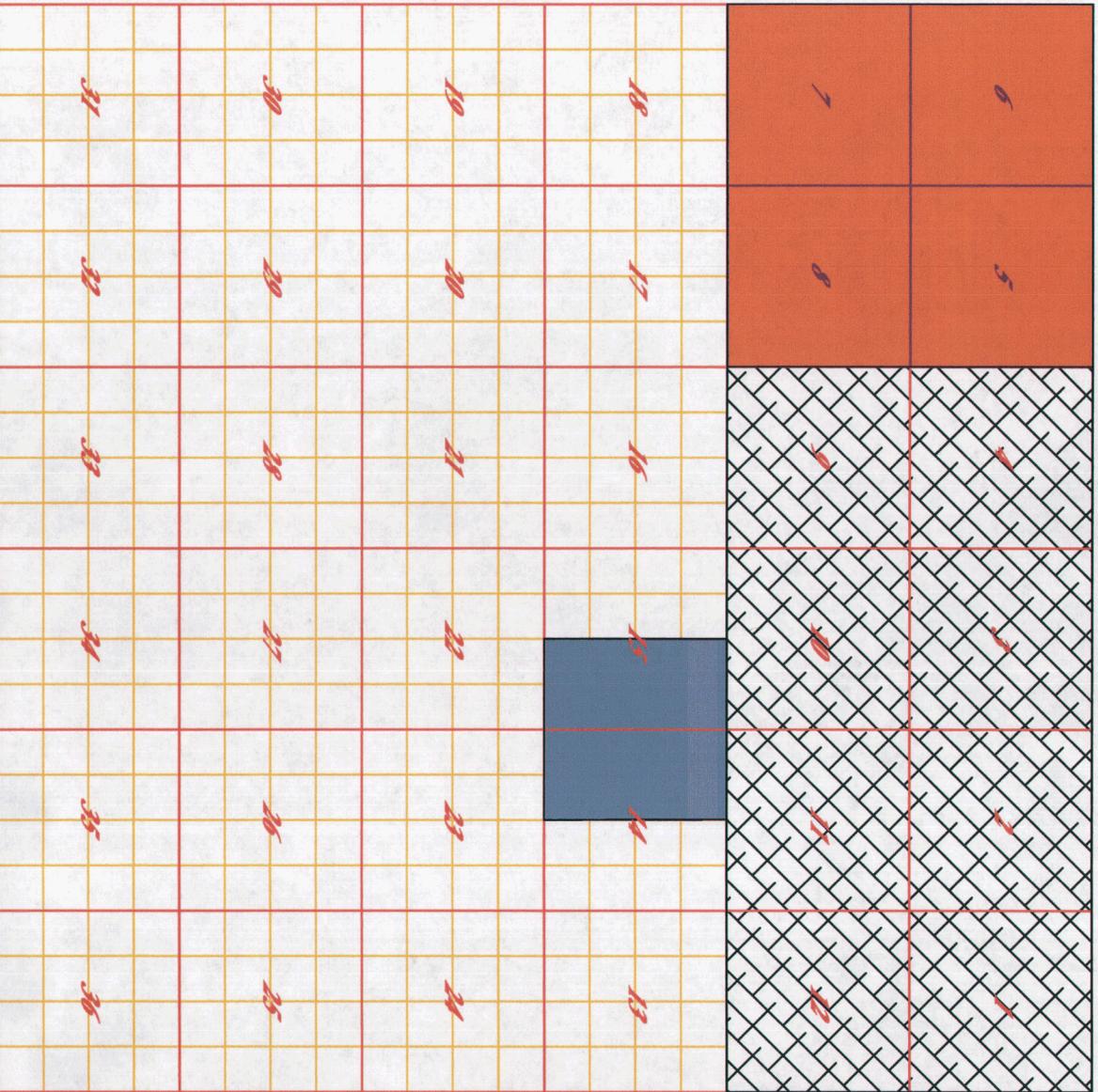
Arizona Water Company

Docket No. W-01445A-06-0059

Application for Extension

COUNTY: Pinal

RANGE 5 East



TOWNSHIP 7 South



W-1445 (34)(9)

Arizona Water Company (Casa Grande)



(8)

Arizona Water Company
Docket No. W-01445A-05-0469
Application for Extension



(4)

Arizona Water Company
Docket No. W-01445A-06-0059
Application for Extension

EXHIBIT 1

CC&N Application

PARCEL ONE

The Northwest quarter of the Northwest quarter of Section 27; The Southwest quarter and the East half of Section 28; Section 33; The East half of the Southeast quarter of the Southeast quarter of Section 34, all in Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPTING THEREFROM any portion currently certificated to Arizona Water Company.

PARCEL TWO

The West half of Section 14 and the East half of Section 15, Township 7 South, Range 5 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL THREE

The East half of Section 35, Township 5 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona; And

The Northeast quarter and The Southwest quarter and the South half of the Southeast quarter of Section 3; The Northeast quarter of Section 4; All of Section 9, Except that portion presently certificated to Signal Peak Water Company; Sections 10, 15, & 16, all in Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL FOUR

BEGINNING at the North quarter corner of Section 34, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

Thence $S00^{\circ}12'07''W$, coincident with the North-South mid-section line of said Section 34, a distance of 1778.63 feet to the southeasterly line of the Florence-Casa Grande Canal, per A.L.T.A. Survey created by B & R Engineering, Inc., Project #919500, Casa Grande 1800 Acres, as evidenced by the southeasterly edge of the southerly dirt access road that abuts said Canal;

Thence along said Southeasterly line, $N40^{\circ}11'45''E$, a distance of 1111.79 feet to the beginning of a tangent curve, concave to the southeast, having a radius of 285.00 feet;

Thence northeasterly along the said curve, through a central angle of $45^{\circ}44'36''$, an arc distance of 227.54 feet;

Thence N85°56'21"E, a distance of 100.95 feet;

Thence N88°25'57"E, a distance of 988.19 feet to the beginning of a tangent curve, concave to the northwest, having a radius of 344.00 feet;

Thence northeasterly along the said curve, through a central angle of 51°58'23", an arc distance of 312.04 feet;

Thence N36°27'34"E, a distance of 75.32 feet to the beginning of a tangent curve, concave to the northwest, having a radius of 520.00 feet;

Thence northeasterly along the said curve, through a central angle of 23°44'47", an arc distance of 215.51 feet;

Thence N12°42'47"E, a distance of 411.06 feet to the North line of said Section 34;

Thence S89°59'00"W, coincident with the North line of said Section 34, a distance of 2488.82 feet to the POINT OF BEGINNING; And

All of Section 35, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL FIVE

Section 31; The West half of Section 32, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

MEMORANDUM

DATE: March 22, 2006

TO: Linda Jaress
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Arizona Water Company – Casa Grande System
Docket No. W-01445A-06-0059 (CC&N Extension)

Introduction

Arizona Water Company (“Company”) has applied to extend its Certificate of Convenience and Necessity (“CC&N”) for its Casa Grande system to include five different parcels. The requested areas will add approximately 10 square-miles to the Company’s existing 138 square-miles of local certificated area. The Company serves the City of Casa Grande in Pinal County.

Capacity

Existing Utility Plant

According to water use data submitted by the Company, the Company has 14 wells producing 15,320 gallons per minute (“GPM”), 14.27 million gallons of storage capacity, and a distribution system serving 18,895 service connections as of November 2005. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 27,500 connections at the end of five years. The Company has predicted an additional 2,400 connections for the proposed CC&N extensions at the end of five years, resulting in a projected total customer base of approximately 29,900 at the end of five years. Based on the existing well production and storage capacities, the system can serve approximately 22,200 service connections.

Proposed Plant Facilities

The Company is proposing to extend its water system into the requested areas by extension of its distribution system using advances in aid of construction. The development of each parcel will result in the following number of service connections:

Parcel 1: This parcel is part of a master planned community called Villago. The initial phases of Villago are currently served by the Company. The balance of the Villago development will be served through multiple main extensions from the

Company's existing system. Within the first five years, the Company anticipates serving 0, 0, 50, 150 and 500 customers, respectively. At build out, this parcel could have approximately 2,000 connections.

Parcel 2: This parcel is a proposed 67-acre subdivision located on the south side of Interstate 10. This development will be served through two main extensions from the Company's existing system. Within the first five years, the Company anticipates serving 0, 0, 20, 50 and 100 customers, respectively. At build out, the Company anticipates approximately 200 customers for this parcel.

Parcel 3: This parcel is a proposed 160-acre subdivision called Saddle Creek III. It will be served through multiple main extensions from the Company's existing system. Within the first five years, the Company anticipates serving 0, 0, 100, 300 and 1,000 customers, respectively. At build out, the Company anticipates approximately 5,000 customers for this parcel.

Parcel 4: This parcel is a proposed subdivision which will be served through multiple main extensions from the Company's existing system. Within the first five years, the Company anticipates serving 0, 0, 100, 200 and 400 customers, respectively. At build out, this parcel could have approximately 1,500 connections.

Parcel 2: This parcel is a proposed subdivision which will be served through multiple main extensions from the Company's existing system. Within the first five years, the Company anticipates serving 0, 0, 100, 200 and 400 customers, respectively. At build out, the Company anticipates approximately 1,500 customers for this parcel.

For all parcels, the total customer count to be served in the first five years is 2,400 customers and at total build out, the customer count is anticipated at 10,200.

Staff concludes that the existing system will have adequate production and storage capacity to serve the existing and proposed CC&N extension areas within a conventional five year planning period and can reasonably be expected to develop additional production and storage as required in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

ADEQ regulates the water system under ADEQ Public Water System I.D. #11-009. Based on compliance information submitted by the Company, the system has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Certificate of Approval to Construct

The ADEQ Certificate of Approval to Construct ("ATC") for facilities needed to serve the requested areas have not been submitted by the Company. Staff recommends that the Company docket as a compliance item in this case within two years of the effective date of an order in this proceeding copies of the ATC for facilities needed to serve the requested areas issued by ADEQ.

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 Company indicated its arsenic levels for its wells range from 7 ppb to 45 ppb. Based on these levels, the Company is in the process of developing a treatment plan to comply with the new arsenic standard. In Decision No. 67518 (dated January 20, 2005), the Commission approved an accounting order which will allow the Company to record its arsenic treatment costs for the Company's Western Group. The Case Grande system is part of this Western Group.

Arizona Department of Water Resources Compliance

Compliance Status

The Company is located within the Pinal Active Management Area ("AMA") and is in compliance with its reporting and conservation requirements.

Certificate of Assured Water Supply

Staff recommends that the Company docket as a compliance item in this case within two years of the effective date of an order in this proceeding a copy the developers' Certificates of Assured Water Supply for the requested areas, where applicable or when required by statute.

Arizona Corporation Commission Compliance

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

Curtailment Tariff

The Company has an approved curtailment tariff for "All Service Areas" that became effective on July 23, 2004 per Decision No. 66235.

Summary

Conclusions

- A. Staff concludes that the existing system will have adequate production and storage capacity to serve the existing and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional production and storage as required in the future.
- B. Based on compliance information submitted by the Company, the Casa Grande system has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
- C. The Company indicated its arsenic levels for its wells range from 7 ppb to 45 ppb. Based on these levels, the Company is in the process of developing a treatment plan to comply with the new arsenic standard.
- D. The Company is within the Pinal AMA and is in compliance with its reporting and conservation requirements.
- E. A check with the Utilities Division Compliance Section showed no outstanding compliance issues.
- F. The Company has an approved curtailment tariff for all its systems.

Recommendations

- 1. Staff recommends that the Company file in Docket Control, as compliance items in this docket, proceeding copies of the ATC for facilities needed to serve the requested areas issued by ADEQ.
- 2. Staff recommends that the Company docket as a compliance item in this case within two years of the effective date of an order in this proceeding copies of the developers' Certificates of Assured Water Supply for the requested areas, where applicable or when required by statute.