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TO: Docket Control Center

2006 MAY 22 P 4: 03

FROM: Ernest G. Johnson  
*[Signature]*  
Director  
Utilities Division

AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: May 22, 2006

RE: GOLD CANYON SEWER COMPANY - APPLICATION FOR AN  
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY  
(DOCKET NO. SW-02519A-06-0078)

Attached is the Staff Report for Gold Canyon Sewer Company. Staff recommends approval with conditions.

EGJ:LAJ:red

Originator: Linda A. Jaress

Service List for: Gold Canyon Sewer Company  
Docket No. SW-02519A-06-0078

Mr. Jay L. Shapiro  
FENNEMORE CRAIG  
3003 North Central Avenue  
Suite 2600  
Phoenix, Arizona 85012

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

GOLD CANYON SEWER COMPANY

DOCKET NO. SW-02519A-06-0078

APPLICATION FOR AN EXTENSION OF ITS  
CERTIFICATE OF CONVENIENCE AND NECESSITY

MAY 22, 2006

**EXECUTIVE SUMMARY**  
**GOLD CANYON SEWER COMPANY**  
**DOCKET NO. SW-02519A-06-0078**

On February 8, 2006, Gold Canyon Sewer Company ("Gold Canyon" or "the Company") filed an application for approval of an extension to its Certificate of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("ACC" or "the Commission"). Gold Canyon provides wastewater service to an area east of Apache Junction in Pinal County. This request for an extension encompasses a small area, nineteen acres, in which Gold Canyon is currently serving ten connections. The Company expects to serve an additional fourteen customers in the extension area within the next five years.

Based upon Gold Canyon's compliance with the ACC and Arizona Department of Environmental Quality ("ADEQ") and its experience providing wastewater utility service, Staff concludes that Gold Canyon is a fit and proper entity to provide service in the proposed extension area. It is in the public interest for Gold Canyon to serve this area because the area is contiguous to its CC&N and the additional customers should contribute to the achievement of economies of scale. Staff recommends approval.

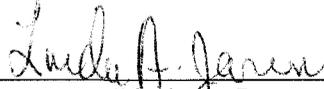
Staff recommends that the Company be ordered to charge its current rates and charges to the customers in the extension area until a rate change by Commission order.

Staff recommends that the Company file a copy of the county franchise including the extension area within 365 days after the date of the decision in this matter. The franchise should be filed in this docket with Docket Control as a compliance matter.

Staff recommends that within 180 calendar days of the effective date of the decision in this matter, the Company file with Docket Control in this docket, as a compliance matter, Discharge Authorization documentation from ADEQ that the facilities needed to serve the extension area are in service.

## STAFF ACKNOWLEDGEMENT

The Staff Report for Gold Canyon Sewer Company, Docket No. SW-02519A-06-0078 was prepared by the Staff members listed below. Linda Jaress performed the review and analysis of the Company's application and Dorothy Hains performed the engineering analysis.



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Linda A. Jaress  
Executive Consultant III



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Dorothy Hains  
Utilities Engineer

TABLE OF CONTENTS

	<u>PAGE</u>
<b>Introduction</b> .....	1
<b>Agreement between Gold Canyon and Hieroglyphic Trails Homeowner Association, Inc.</b> ..	1
<b>The Wastewater Treatment System</b> .....	1
<b>Arizona Department of Environmental Quality (“ADEQ”)</b> .....	2
<b>Arizona Corporation Commission (“ACC”)</b> .....	2
<b>Franchise</b> .....	2
<b>Central Arizona Association of Governments</b> .....	2
<b>Conclusions and Recommendations</b> .....	2

EXHIBITS

Amended Legal Description .....	1
Engineering Report .....	2

## **Introduction**

On February 8, 2006, Gold Canyon Sewer Company ("Gold Canyon" or "the Company") filed an application for approval of an extension to its Certificate of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("the Commission").

Gold Canyon is owned by Algonquin Water Resources of American, Inc. ("Algonquin"), which is a subsidiary of Algonquin Power Income Fund ("the Fund"), an unincorporated trust established under the laws of Ontario, Canada. Including Gold Canyon, Algonquin currently owns five Arizona water utilities. The others are: Bella Vista Water Company, Litchfield Park Service Company, Black Mountain Sewer Corporation, and Rio Rico Utilities. Algonquin has applications pending by other subsidiaries, Northern Sunrise Water Company and Southern Sunrise Water Company, to serve the areas formerly served by the McLain Systems in Southeastern Arizona. The Commission's Utilities Division Compliance Section reports that there are no outstanding compliance issues with the five companies.

Gold Canyon provides wastewater service to an area east of Apache Junction in Pinal County. Attached as Exhibit 1 is the map of the proposed area along with the legal description. According to its Annual Report to the Commission, at December 31, 2005, Gold Canyon was serving approximately 5,300 connections. This request for an extension encompasses a small area, nineteen acres, in which Gold Canyon is currently serving ten connections. The Company expects to serve an additional fourteen customers in the extension area within the next five years.

## **Agreement between Gold Canyon and Hieroglyphic Trails Homeowner Association, Inc.**

The customers already being served in the proposed extension area are being served by Gold Canyon pursuant to an interim bulk wastewater treatment agreement Gold Canyon entered with Hieroglyphic Trails Homeowners Association ("the HOA") on January 31, 2005, whereby after the installation of a lift station by the HOA, Gold Canyon would treat the HOA's wastewater for \$35 per month per service connection. The \$35 rate is equal to Gold Canyon's current residential rate for customers in its certificated area. The agreement terminates upon an order of the Commission extending Gold Canyon's CC&N to include the HOA area. The costs incurred for Gold Canyon to serve the HOA were paid through a line extension agreement.

## **The Wastewater Treatment System**

Gold Canyon owns and operates a new 1.9 million gallon per day ("MGD") wastewater treatment plant. Exhibit 2, attached, is Staff's Engineering Report which describes the system in detail. The plant treated 1.17 MGD of wastewater flow during the peak day in 2005. If the extension is granted, wastewater flow is expected to increase to 1.175 MGD. The Report concludes that the existing system has adequate treatment capacity to serve the existing CC&N area plus the extension area. The cost of the line, force mains and manholes necessary to serve the extension area has been estimated at \$86,528. The Report also concludes that the estimated cost is reasonable and appropriate for this project.

### **Arizona Department of Environmental Quality (“ADEQ”)**

ADEQ issued its Approval of Construction for the new plant on October 19, 2005. ADEQ has determined that the Company is in compliance with the permit conditions in its Aquifer Protection Permit. Staff recommends that within 180 calendar days of the effective date of the decision in this matter, the Company file with Docket Control in this docket, as a compliance matter, documentation from ADEQ that the facilities needed to serve the extension area are in service.

### **Arizona Corporation Commission (“ACC”)**

The Utilities Division Compliance Section reports no outstanding compliance issues for Gold Canyon. Since January 1, 2003 to the present, Consumer Services Section has received nine complaints, six inquiries and one-hundred ninety-two opinions regarding Gold Canyon. The opinions were related to the current rate case. All the complaints have been resolved.

### **Franchise**

Gold Canyon has not yet filed an application with Pinal County to include the subject area within its current franchise. Staff recommends that the Company file a copy of the franchise including the extension area within 365 days after the date of the decision in this matter. The franchise should be filed in this docket with Docket Control as a compliance matter.

### **Central Arizona Association of Governments**

Gold Canyon’s application included documentation from the Central Arizona Association of Governments (“CAAG”) indicating that a CAAG 208 amendment is not required for Gold Canyon to serve the extension area.

### **Conclusions and Recommendations**

Based upon Gold Canyon’s compliance with the ACC and ADEQ and its experience providing wastewater utility service, Staff concludes that Gold Canyon is a fit and proper entity to provide service in the proposed extension area. It is in the public interest for Gold Canyon to serve this area because the area is contiguous to its CC&N and the additional customers should contribute to the achievement of economies of scale. Staff recommends approval.

Staff recommends that the Company be ordered to charge its current rates and charges to the customers in the extension area until a rate change by Commission order.

Staff recommends that the Company docket a copy of the county franchise including the extension area within 365 days after the date of the decision in this matter. The franchise should be filed in this docket as a compliance matter.

Staff recommends that within 180 calendar days of the effective date of the decision in this matter, the Company file with Docket Control in this docket, as a compliance matter, Discharge Authorization documentation from ADEQ that the facilities needed to serve the extension area are in service.

## MEMORANDUM

TO: Linda Jaress  
Executive Consultant III  
Utilities Division

FROM: Barb Wells   
Information Technology Specialist  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: March 13, 2006

RE: **GOLD CANYON SEWER COMPANY (DOCKET NO. SW-02519A-06-0078)**

The area requested by Gold Canyon 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.

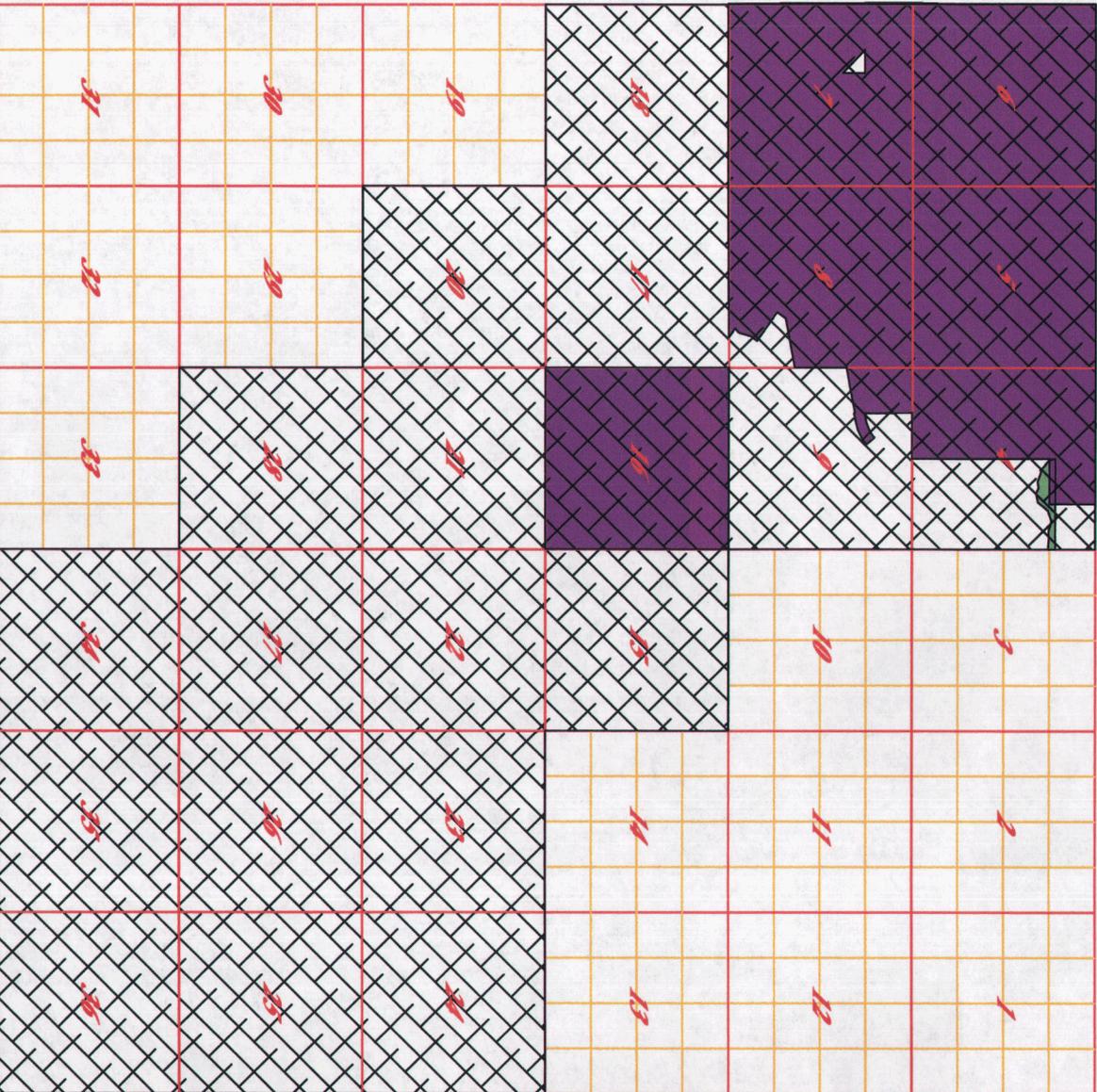
:bsw

Attachments

cc: Docket Control  
Mr. Jay Shapiro  
Ms. Deb Person (Hand Carried)  
File

# COUNTY: Pinal

## RANGE 9 East



## TOWNSHIP 1 South



W-1445 (34)(7)

Arizona Water Company (Apache Junction)



Sewer

SW-2519 (2)

Gold Canyon Sewer Company



Gold Canyon Sewer Company  
Docket No. SW-02519A-06-0078  
Application for Extension

**LEGAL DESCRIPTION  
HIEROGLYPHIC TRAILS  
FOR USE BY ALGONQUIN WATER RESOURCES  
PINAL COUNTY, ARIZONA**

Hieroglyphic Trails, a subdivision recorded in Cabinet C, Slide 134, Official Records of Pinal County, Arizona, lying within a portion of the Northeast quarter of Section 4, Township 1 South, Range 9 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

**COMMENCING** at the Northeast corner of Section 4;

Thence South 0 degrees 03 minutes 29 seconds East, 1,150.00 feet along the east line of Section 4 to the northeast corner of Hieroglyphic Trails and the **POINT OF BEGINNING**;

Thence the following 18 courses along the boundary of said Hieroglyphic Trails:

thence South 0 degrees 03 minutes 29 seconds East, 209.51 feet;  
thence North 86 degrees 32 minutes 26 seconds West, 250.32 feet;  
thence South 89 degrees 45 minutes 01 seconds West, 303.51 feet;  
thence North 72 degrees 15 minutes 32 seconds West, 229.47 feet;  
thence North 89 degrees 25 minutes 01 seconds West, 81.09 feet;  
thence South 71 degrees 50 minutes 33 seconds West, 280.42 feet;  
thence South 47 degrees 41 minutes 15 seconds West, 83.58 feet;  
thence South 38 degrees 56 minutes 02 seconds West, 300.31 feet;  
thence South 78 degrees 44 minutes 06 seconds West, 268.60 feet;  
thence North 67 degrees 09 minutes 16 seconds West, 176.05 feet;  
thence South 79 degrees 22 minutes 45 seconds West, 164.51 feet;  
thence North 71 degrees 08 minutes 59 seconds West, 246.39 feet;  
thence North 73 degrees 11 minutes 10 seconds West, 83.46 feet;  
thence South 61 degrees 56 minutes 08 seconds West, 50.00 feet to the beginning of a non-tangent curve, concave Southwest, from which the radius point bears South 61 degrees 56 minutes 08 seconds West a distance of 337.03 feet;  
thence Northwesterly 166.89 feet along the arc of said curve to the left through a central angle of 28 degrees 22 minutes 20 seconds;  
thence North 56 degrees 26 minutes 12 seconds West, 73.66 feet to the beginning of a curve, concave Northeast, having a radius of 337.03 feet;  
thence Northwesterly 322.04 feet along the arc of said curve to the right through a central angle of 54 degrees 44 minutes 49 seconds;  
thence on a non-tangent line North 89 degrees 56 minutes 41 seconds East, 2637.34 feet to the **POINT OF BEGINNING**.

Containing 19.284 acres, more or less.

JMI & ASSOCIATES

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2/16/05

## MEMORANDUM

DATE April 20, 2006

TO: Linda Jarss  
Executive Consultant III

FROM: Dorothy Hains Dht  
Utilities Engineer

RE: **Wastewater CC&N Extension for Gold Canyon Sewer Co.  
Docket No. SW-02519A-06-0078**

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### Introduction

The Gold Canyon Sewer Co. ("Gold Canyon" or "Company") has submitted an application to extend its Certificate of Convenience and Necessity (CC&N) to include nineteen acres adjacent to its existing CC&N area. The Company is located in the Gold Canyon area, east of the City of Apache Junction in Pinal County, Arizona. The Company currently provides wastewater service to an area that is approximately seven square miles in size. The Company is currently serving 10 customers who are located within the extension area and has indicated that the potential exists that an additional 14 new customers could be served who are located in this area.

### System

Gold Canyon owns and operates a new 1.9 million gallon per day ("MGD") waste water treatment plant ("WWTP").<sup>1</sup> The principle treatment of this WWTP is based on biological nutrient remediation technology. The plant consists of two bioreactors for nitrification/denitrification, two secondary clarifiers, sludge digester, filter and chlorine disinfection/dechlorination devices. The treated effluent is discharged to three effluent recharge ponds for groundwater recharge and irrigation on golf courses<sup>2</sup>. At present, the Company treats 0.65 MGD<sup>3</sup> of daily average wastewater flow from its existing 5,300 customers. The Company treated 1.17 MGD of wastewater flow during the peak day in 2005. If the extension is granted, wastewater flow is expected to increase slightly to 1.175 MGD. Staff concludes that the existing system has adequate treatment capacity to serve the existing CC&N area plus the requested extension area.

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<sup>1</sup> The Arizona Department of Environmental Quality issued its Approval of Construction for the new plant on October 19, 2005.

<sup>2</sup> Arizona Water Company purchases the treated effluent and sells it to golf courses.

<sup>3</sup> Average daily flow from individual customers is 128 gallons per day. During the peak day, wastewater flow per customer increased to 237 gallons per day.

## **Arizona Department of Environmental Quality (ADEQ) Compliance**

Staff received a compliance status report from ADEQ dated February 23, 2006, in which ADEQ stated that the Company is in compliance with the permit conditions in Aquifer Protection Permit ("APP") No. P100217.

The Company proposes to install 2,410 feet of 8-inch sewer collection line, 1,025 feet of 3-inch force main and 13 manholes to serve the request area. Staff recommends that within six months of the effective date of the decision in this matter, the Company file with Docket Control as a compliance item in this docket Discharge Authorization documentation from ADEQ that the new facilities needed to serve the extension area are in service.

## **Arizona Corporation Commission (ACC) Compliance**

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

## **Construction Costs**

The Company estimates that construction costs for serving the requested extension area are approximately \$86,528. Staff concludes that the estimated costs are reasonable and appropriate for this project. The approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant in service was made, and no conclusions should be inferred for rate making or rate base purposes.

## **Summary**

### **I. Conclusions**

1. Gold Canyon has no outstanding ACC compliance issues.
2. The Gold Canyon wastewater system is currently in compliance with ADEQ requirements.

### **II. Recommendations**

1. Staff recommends that within six months of the effective date of the decision in this matter, the Company file with Docket Control as a compliance item in this docket Discharge Authorization documentation from ADEQ that the new facilities needed to serve the extension area are in service.