

ORIGINAL



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MEMORANDUM RECEIVED

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TO: Docket Control  
Arizona Corporation Commission

2006 JUN 23 P 1:59

FROM: Ernest G. Johnson  
Director  
Utilities Division

AZ CORP COMMISSION  
DOCUMENT CONTROL

Date: June 23, 2006

RE: AMENDED STAFF REPORT FOR THE APPLICATION OF UTILITY SOURCE, LLC FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER AND WASTEWATER SERVICE IN COCONINO COUNTY, ARIZONA  
DOCKET NO. WS-04235A-05-0707

Attached is the Amended Staff Report for Utility Source, LLC for an extension of its existing Certificate of Convenience and Necessity for water service. Staff recommends approval of the CC&N extension for water and sewer, except for Parcel D. Staff also recommends several conditions.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

Service List for: Utility Source, LLC  
Docket No. WS-04235A-05-0707

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Sallquist, Drummond & O'Connor  
4500 South Lakeshore Drive, Suite 339  
Tempe, Arizona 85282

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Chief, Legal Division  
Arizona Corporation Commission  
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Director, Utilities Division  
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Phoenix, Arizona 85007

Ms. Lyn Farmer  
Chief, Hearing Division  
Arizona Corporation Commission  
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Phoenix, Arizona 85007

AMENDED  
STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

UTILITY SOURCE, LLC  
DOCKET NO. WS-04235A-05-0707

APPLICATION FOR EXTENSION  
OF EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY

June 23, 2006

## STAFF ACKNOWLEDGMENT

The Staff Report for Utility Source, LLC, Docket No. WS-04235A-05-0707, was the responsibility of the Staff members signed below. Linda Jaress reviewed and analyzed the application. Jian Liu performed the engineering and technical analysis.



Linda A. Jaress  
Executive Consultant III



Jian Liu  
Utilities Engineer

**EXECUTIVE SUMMARY  
UTILITY SOURCE LLC  
APPLICATION FOR EXTENSION OF EXISTING  
CERTIFICATE OF CONVENIENCE AND NECESSITY  
DOCKET NO. WS-04235A-05-0707**

This Amended Staff Report is being filed in compliance with a Procedural Order dated May 31, 2006, and to incorporate additional information filed by Utility Source into Staff's recommendations. The original Staff Report filed on March 24, 2006, recommended denial of Utility Source's application to extend its water and sewer Certificates of Convenience and Necessity because the Company had not filed sufficient information on which to base a recommendation for approval. Since the hearing on this matter, Utility Source has provided Staff additional information upon which to base a recommendation of approval. However, Staff does not believe there is sufficient water to serve one of the requested parcels, Parcel D, and recommends denial of the water and wastewater extension to that parcel.

Staff also recommends the Commission order Utility Source to file the following in this docket as compliance items:

1. A copy of the Approval to Construct the water utility plant for the extension area within one year of the final decision in this case;
2. A copy of the Approval to Construct the wastewater plant for the extension area within one year of the final decision in this case;
3. A copy of its franchise agreement with the appropriate municipal or county government, within one year of the final decision in this case;
4. A copy of the Aquifer Protection Permit issued by ADEQ for the proposed wastewater treatment plant within one year of the date of the final decision in this proceeding.
5. Staff recommends that Utility Source file with Docket Control, as compliance items in this docket, copies of the APP and Section 208 Permit that indicates approval of the proposed WWTP within one year of the effective date of an order in this proceeding if this extension is approved.

If the Commission approves the application for extension, the decision should be null and void, after due process, if the Company does not file the above documents in the time specified.

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## **Introduction**

On October 6, 2005, Utility Source LLC ("Utility Source" or "the Company") filed an application for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater services in Coconino County, Arizona. On March 24, 2006, Staff filed a Staff Report on this matter recommending denial due to lack of information upon which to base recommendation for approval. A brief hearing which was held on April 26, 2006, was ordered continued by the Administrative Law Judge. On May 31, 2006, the Fourth Procedural Order ordered Staff to file an Amended Staff Report on June 23, 2006.

On June 2, 2006, Utility Source filed a revised legal description of the extension area and withdrew its request to serve one of the parcels, Parcel E. Parcel E was withdrawn due to insufficient water resources to serve that parcel. Exhibit 1 contains a map of revised requested extension area along with its legal description.

## **Water**

Exhibit 2 is the Amended Staff Engineering Report which addresses the changes in the Company's request and reflects the additional information provided by the Company since the hearing. The Report concludes that the current water system has adequate production and storage capacity to serve the existing certificated area. The Report discusses the allocation of the use of 101 acre-feet per year physical availability demonstration from the Arizona Department of Water Resources ("ADWR") among the parcels. The report concludes there is not sufficient water to support an extension to Parcel D and recommends denial of the extension of the water CC&N to Parcel D.

The Report also updates Utility Source's compliance status with the Arizona Department of Environmental Quality ("ADEQ") water quality standards including the arsenic standards and finds that Utility Source is in compliance.

## **Wastewater**

Staff's Amended Engineering Report concludes that the current wastewater system has the capacity to serve the existing customers and that the proposed system will have adequate treatment capacity to serve the existing area and the extension area.

Although a previous report from ADEQ indicated that Utility Source's wastewater system was out of compliance with ADEQ regulations, a more current report dated March 21, 2006, indicates that the facility is in compliance, including compliance with effluent disposal rules.

The Report recommends approval of the extension of the wastewater CC&N to the requested area except for Parcel D for which denial is recommended.

### **Recommendations**

Based upon the information received by Staff since the hearing, Staff now recommends approval of the extension of the water CC&N with the exception of Parcel D. Staff also recommends approval of the extension of wastewater service to all parcels to which the extension was requested except Parcel D. Staff also recommends the Commission order Utility Source to file the following in this docket as compliance items:

1. A copy of the Approval to Construct the water utility plant for the extension area within one year of the final decision in this case;
2. A copy of the Approval to Construct the wastewater plant for the extension area within one year of the final decision in this case;
3. A copy of its franchise agreement with the appropriate municipal or county government, within one year of the final decision in this case;
4. A copy of the Aquifer Protection Permit issued by ADEQ for the proposed wastewater treatment plant within one year of the date of the final decision in this proceeding.
5. Staff recommends that Utility Source file with Docket Control, as compliance items in this docket, copies of the APP and Section 208 Permit that indicates approval of the proposed WWTP within one year of the effective date of an order in this proceeding if this extension is approved.

If the Commission approves the application for extension, the decision should be null and void, after due process, if the Company does not file the above documents in 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: June 20, 2006

RE: **UTILITY SOURCE, L.L.C. (DOCKET NO. WS-04235A-05-0707)**  
**SECOND AMENDED LEGAL DESCRIPTION**

The area requested by Utility Source for an extension for water and sewer service has been plotted using a second amended legal description, which has been docketed. The legal description attached is correct and should be used in place of the previously amended and original descriptions submitted with the application.

Also attached are copies of the maps for your files.

:bsw

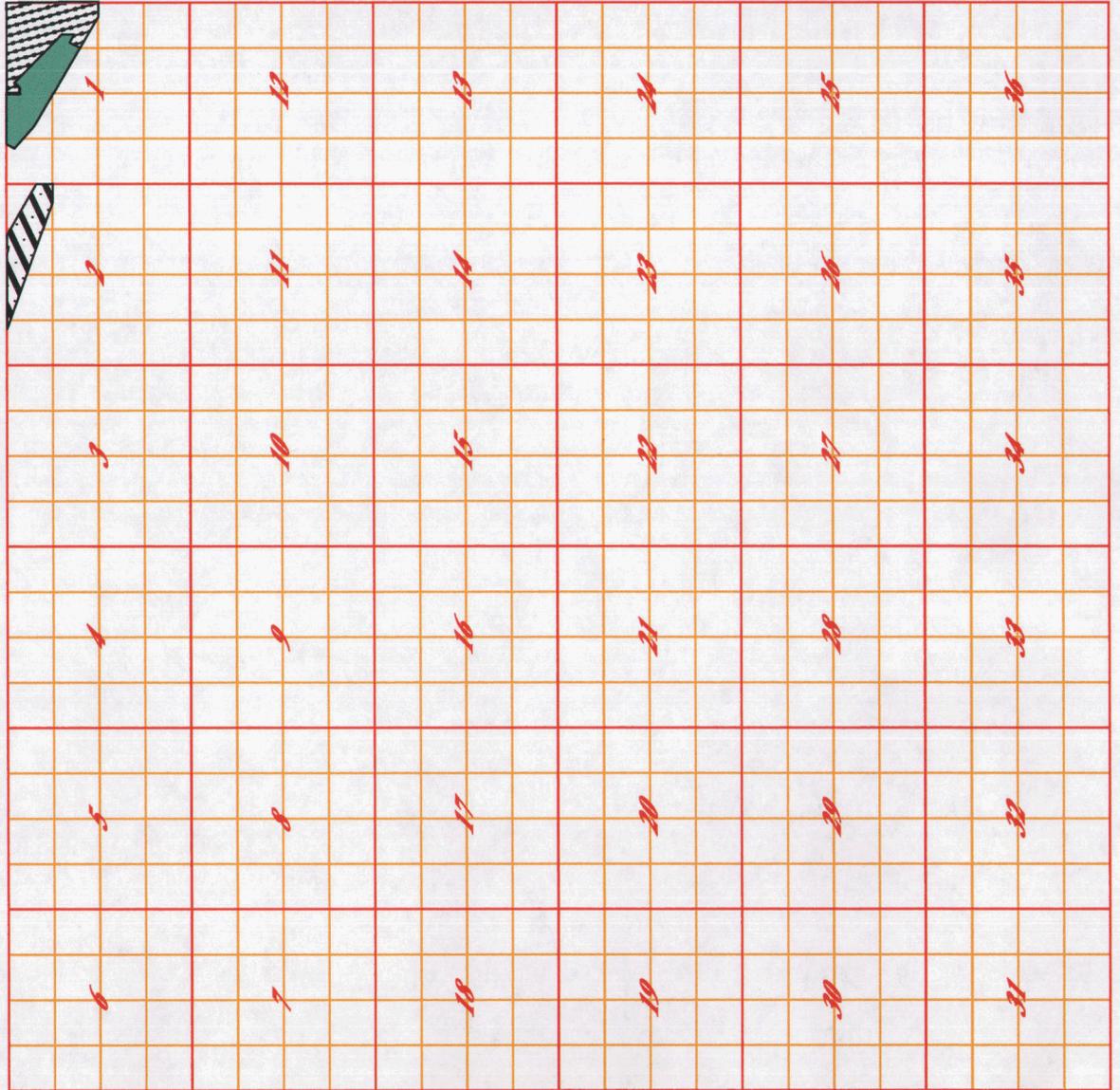
Attachments

cc: Mr. Richard Sallquist  
Ms. Deb Person (Hand Carried)  
File

# COCONINO COUNTY Coconino

**RANGE 5 East**

**TOWNSHIP 21 North**

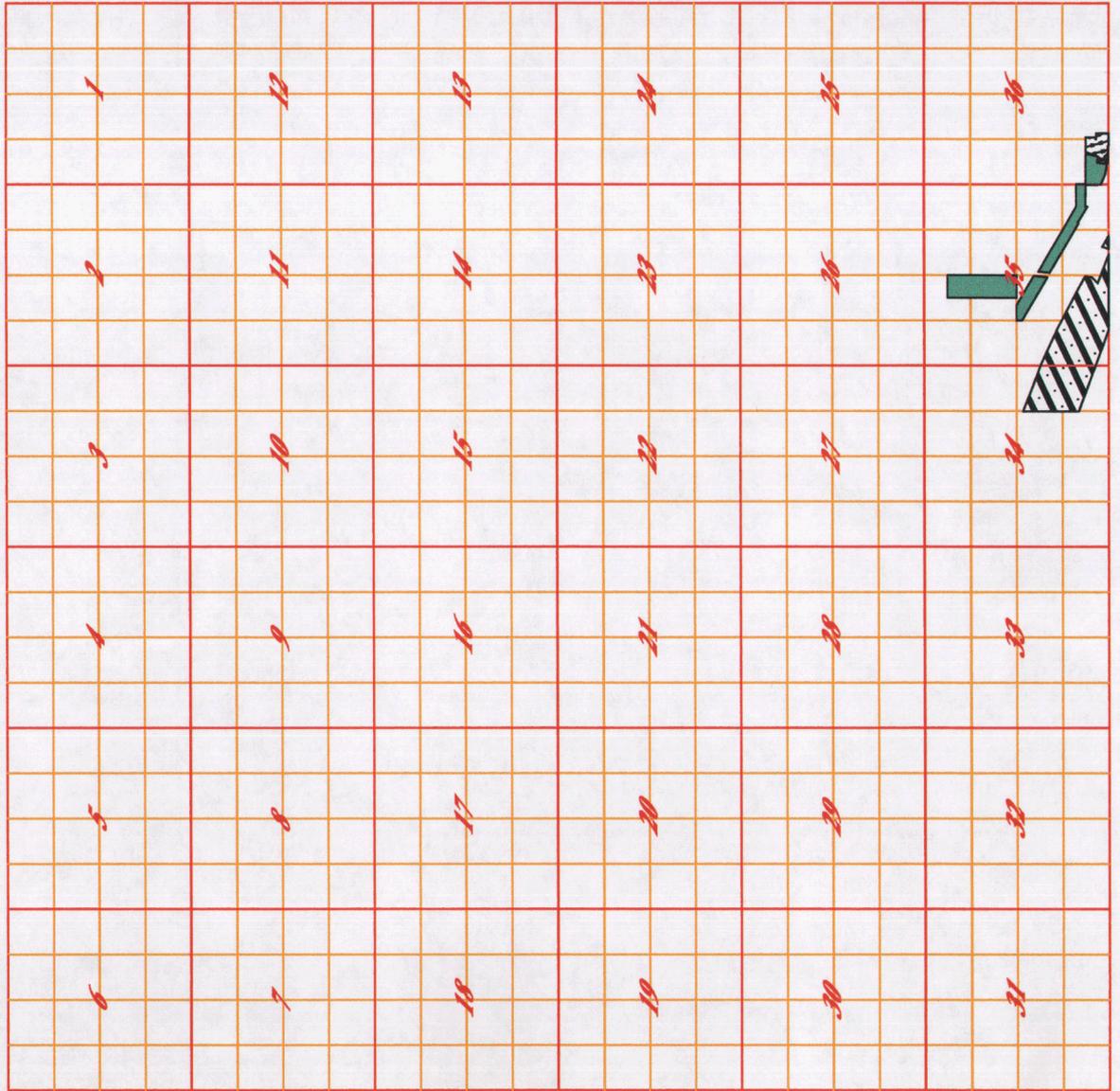


 W-2526 (2)  
 Bellemont Water Company  
 WS-4235 (2)  
 Utility Source, LLC  
 Utility Source, LLC  
 Docket No. WS-04235A-05-0707  
 Application for Extension

# COCONINO COUNTY Coconino

RANGE 5 East

TOWNSHIP 22 North



 W-2526 (2)  
Bellemont Water Company

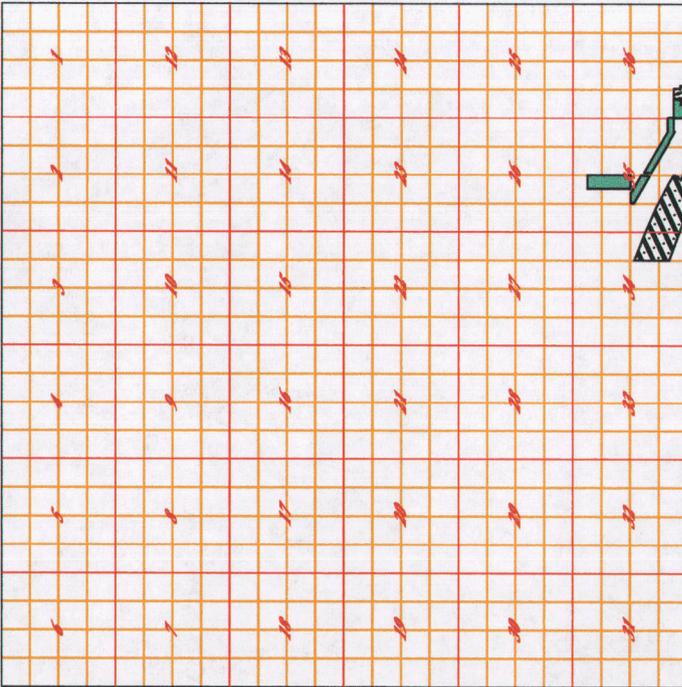
 WS-4235 (2)  
Utility Source, LLC

 Utility Source, LLC  
Docket No. WS-04235A-05-0707  
Application for Extension

# COUNTY

# Coconino

**RANGE 5 East**



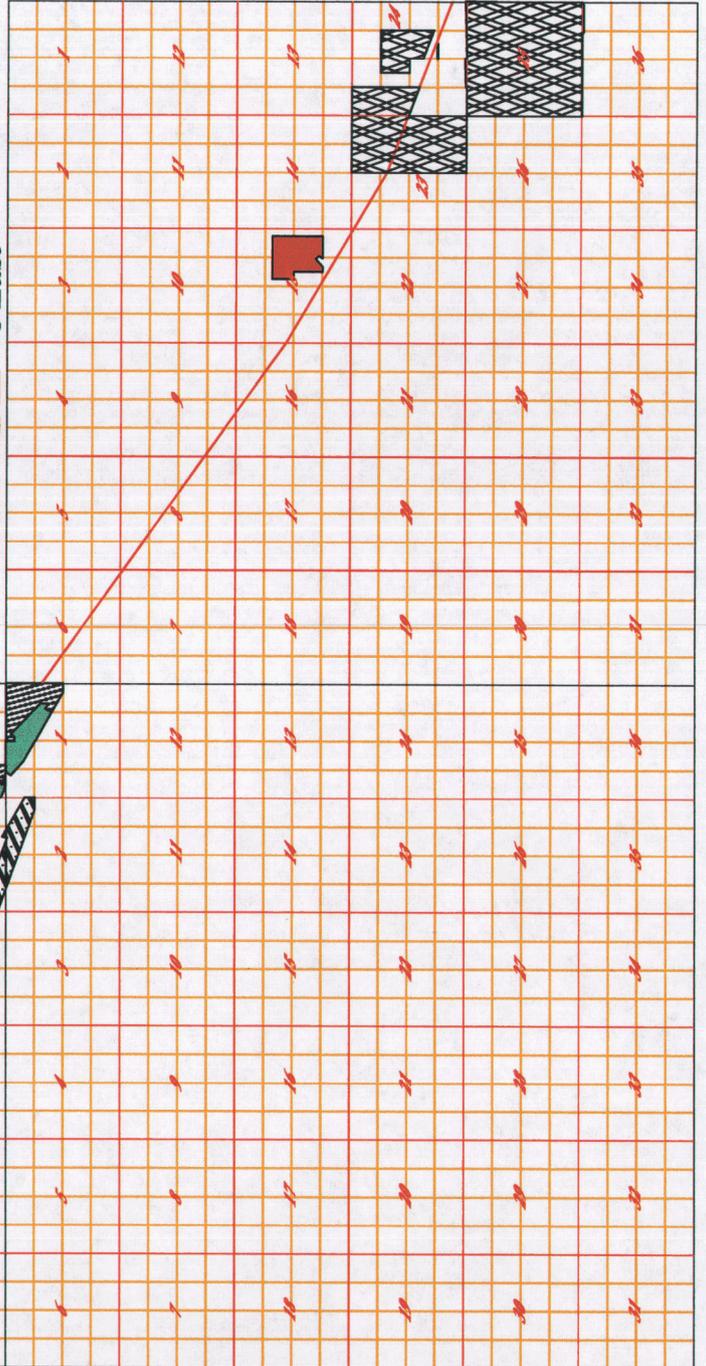
- W-2526 Belmont Water Company
- W-2502 Flagstaff Ranch Water Company, Inc.
- WS-4235 Utility Source, LLC

A-1 Ranch Homeowner's Association  
Adjudicated 'Not a Public Service Corporation'

Utility Source, LLC  
Docket No. WS-04235A-05-0707  
Application for Extension

**TOWNSHIP 22 North**

**RANGE 6 East**



**TOWNSHIP 21 North**

Exhibit A

PARCEL NO. 1:

That portion of the Northeast quarter of Section 1, Township 21 North, Range 5 East, Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

COMMENCING at the North quarter corner of said Section 1;  
THENCE South 00° 10' 18" East along the North-South midsection line of said Section 1, a distance of 362.63 feet to the TRUE POINT OF BEGINNING;  
THENCE North 89° 49' 53" East, a distance of 176.16 feet;  
THENCE North 43° 51' 25" East, a distance of 186.12 feet to a point on the South right-of-way line of Shadow Mountain Drive, as dedicated on plat of Flagstaff Meadows Unit 1 recorded in Case 8, Maps 57-57D, records of Coconino County, Arizona;  
THENCE South 46° 08' 35" East along said South right-of-way line, a distance of 1967.51 feet to the Northwest corner of Tract "B" of said Flagstaff Meadows Unit 1;  
THENCE South 00° 12' 57" West along the West line of said Tract "B", a distance of 367.81 feet to the Northeast corner of Tract "F" of said Flagstaff Meadows Unit 1;  
THENCE North 60° 13' 33" West along the Northerly line of said Tract "F", a distance of 277.14 feet to the Northwest corner thereof;  
THENCE South 27° 47' 14" West along the Westerly line of said Tract "F", a distance of 339.37 feet to the Southwest corner thereof;  
THENCE North 60° 03' 20" West, a distance of 1524.14 feet to a point on the North-South midsection line of said Section 1;  
THENCE North 00° 10' 18" West along the North-South midsection line of said Section 1, a distance of 998.12 feet to the TRUE POINT OF BEGINNING.

PARCEL NO. 2:

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253";

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet to the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 825.71 feet to a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of said Section 1;

THENCE leaving said line, South 00° 24' 00" East, a distance of 1360.53 feet (record South 00° 14' 21" East, 1360.49 feet) to a found 5/8" rebar with plastic cap "LS 19344" on the North right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 60° 16' 09" West, a distance of 1115.91 feet (record North 60° 03' 10" West, 1113.27 feet) to a found ADOT aluminum cap;

THENCE continuing along said right-of-way line, North 48° 41' 23" West (record North 48° 29' 10" West), a distance of 207.40 feet;

THENCE leaving said right-of-way line, South 89° 57' 57" East, a distance of 290.99 feet;

PARCEL A

THENCE North 00° 07' 09" West, a distance of 668.63 feet to the North line of said Section 1 and the TRUE POINT OF BEGINNING.

**PARCEL NO. 3:**

That portion of Section 1, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

BEGINNING at a found 5/8" rebar with plastic cap "LS 19344" at the Northwest corner of Section 1, from which a found 3 1/2" aluminum cap "LS 14671" at the North quarter corner of Section 1 bears North 89° 52' 51" East, a distance of 2648.12 feet (measured and basis of bearing for this description) per revised ALTA/ACSM Land and Title Survey by Earl G. Watts, RLS 27253, on 4/22/04;

THENCE along the North Section line of said Section 1, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 1167.68 feet to a set 1/2" rebar with aluminum cap "LS 27253" and the TRUE POINT OF BEGINNING;

THENCE continuing along said line, North 89° 52' 51" East (record South 89° 58' 00" East), a distance of 654.73 feet;

THENCE leaving said line, South 00° 07' 09" East, a distance of 668.63 feet;

THENCE North 89° 57' 57" West, a distance of 290.99 feet to the intersection with the Northerly right-of-way line of Interstate Highway 40, as created in instrument recorded in Docket 211, page 240, records of Coconino County, Arizona;

THENCE along said right-of-way line, North 48° 41' 23" West, a distance of 664.13 feet to a found ADOT aluminum cap stamped "NO. 1015";

THENCE leaving said right-of-way line, North 30° 19' 06" East, a distance of 264.91 feet to the North Section line of said Section 1 and the TRUE POINT OF BEGINNING.

## LEGAL DESCRIPTION

The East half of the Southeast quarter of the Northwest quarter and the Southeast quarter of the Northeast quarter of the Northwest quarter of Section 35, Township 22 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona.

PARCEL B

## LEGAL DESCRIPTION:

### Parcel No. 1:

That part of section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona. Described as follows:

From the southeast corner of said section 35, a brass cap in hand hole, run N 01° 04' 15" E along the section line a distance of 662.95 feet to the true point of beginning;

Thence N 89° 57' 56" W, a distance of 659.88 feet;

Thence S 0° 56' 32" E, a distance of 51.96 feet to the northerly right of way line of Interstate 40;

Thence N 60° 03' 10" W along the northerly right of way line of Interstate 40, a distance of 548.63 feet;

Thence S 29° 56' 50" W a distance of 25.00 feet;

Thence N 60° 03' 10" W, a distance of 1655.04 feet to a point on Old Timber Road;

Thence N 5° 00' E along the easterly right of way line of Old Timber Road, a distance of 330.87 feet;

Thence S 60° 03' 10" E, a distance of 2188.72 feet;

Thence S 89° 57' 56" E, a distance of 659.28 feet to the east line of said Section 35;

Thence S 1° 04' 15" E along the section line, a distance of 268.49 feet to the true point of beginning.

### Parcel No. 2:

That part of Section 35, Township 22 North, Range 5 east of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

From the center of said section 35, run S 89° 57' 27" W along the mid-section line, a distance of 870.23 feet to the true point of beginning;

Thence S 89° 57' 27" W along the midsection line, a distance of 445.53 feet;

Thence S 0° 23' 57" east, a distance of 156.97 feet to the northerly right of way line of Interstate 40;

Thence S 60° 03' 10" E along the northerly right of way line of Interstate 40, a distance of 1451.69 feet to the Old Timber Road;

Thence N 5° 00' E along the westerly right of way line of Old Timber Road, a distance of 394.95 feet;

Thence N 60° 03' 10" W, a distance of 978.53 feet to the true point of beginning.

Lot 1

A portion of the Southwest quarter of Section 36, Township 22 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, more particularly described as follows:

Commencing at the Southwest corner of said Section 36;  
Thence North  $01^{\circ} 03' 21''$  West along the West line of the Southwest quarter of said Section 36 a distance of 226.41 feet to the point of beginning;

Thence continuing North  $01^{\circ} 03' 21''$  West 436.64 feet to a USDA aluminum cap rebar marked "S-S 1/64 S35/S36 RLS 9431 1989";

Thence South  $89^{\circ} 54' 02''$  East 666.59 feet;

Thence South  $00^{\circ} 20' 15''$  East 371.51 feet;

Thence South  $89^{\circ} 40' 18''$  West 33.94 feet;

Thence South  $00^{\circ} 13' 15''$  West 223.11 feet;

Thence North  $89^{\circ} 44' 08''$  West 113.88 feet to the beginning of a 743.51 foot radius non-tangent curve, concave to the North, a radial to said beginning bears South  $00^{\circ} 12' 16''$  West;

Thence Westerly, along said curve, through a central angle of  $29^{\circ} 44' 56''$  an arc distance of 386.04 feet;

Thence non-tangent to said curve, North  $67^{\circ} 27' 22''$  West 155.35 feet to the point of beginning.

Parcel E in the Application dated October 6, 2005 is withdrawn

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**PARCEL E**

## LOT 2

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 36, TOWNSHIP 22 NORTH RANGE 5 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 36;  
THENCE SOUTH 89°56'29" EAST ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 36, A DISTANCE OF 1141.95 FEET;  
THENCE NORTH 02°24'39" WEST 24.44 FEET;  
THENCE NORTH 89°54'33" WEST 211.55 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89°54'33" WEST 271.24 FEET;  
THENCE NORTH 87°13'35" WEST 36.57 FEET;  
THENCE NORTH 00°13'15" EAST 264.70 FEET;  
THENCE NORTH 89°40'18" EAST 33.94 FEET;  
THENCE NORTH 00°20'15" WEST 371.51 FEET;  
THENCE SOUTH 89°54'02" EAST 293.21 FEET;  
THENCE SOUTH 19°55'51" WEST 389.44 FEET;  
THENCE SOUTH 45°56'35" WEST 87.94 FEET;  
THENCE SOUTH 00°50'20" WEST 60.34 FEET;  
THENCE SOUTH 13°35'23" WEST 33.78 FEET;  
THENCE SOUTH 20°11'26" EAST 45.04 FEET;  
THENCE NORTH 69°13'19" EAST 67.83 FEET;  
THENCE SOUTH 37°02'07" EAST 84.38 FEET;  
THENCE SOUTH 60°50'07" EAST 65.03 FEET TO THE POINT OF BEGINNING.

PARCEL F

MEMORANDUM

DATE: June 21, 2006

TO: Linda Jaress  
Executive Consultant III

FROM: Jian W. Liu  
Utilities Engineer 

RE: Utility Source L.L.C.  
CC&N Extension – Water & Wastewater  
Docket No. WS-04235A-05-0707

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**Introduction**

Utility Source L.L.C. (“Utility Source” or “Company”) has applied to extend its Certificate of Convenience and Necessity (“CC&N”) for its water and wastewater service. The requested areas for water, composed of 4 parcels, will add 0.208 square-mile or 133 acres to existing 0.214 square-mile or 137 acres of certificated area. The requested areas for wastewater, composed of 6 parcels, will add 0.286 square-mile or 183 acres to existing 0.214 square-mile or 137 acres of certificated area. Utility Source presently has approximately 300 water and wastewater customers located in its existing certificated area known as the Flagstaff Meadows Units I, II, and the Flagstaff Town Homes, west of Flagstaff, near Bellemont in Coconino County.

On May 23, 2006, the Company filed an Amended Application stating that it had secured a determination of Physical Availability Demonstration (“PAD”) in the form of an Arizona Department of Water Resources (“ADWR”) letter. Applicant indicated that the water supply was insufficient to serve the originally requested extension area and it was amending its Application to delete Parcel E (20 acres) from its request.

**Capacity****Water****Existing Utility Plant**

Water system consists of three deep wells (107 gallons per minute (“GPM”) total capacity), five shallow wells (44 GPM total capacity), two storage tanks (285,000 gallons, and 422,000 gallons), booster system, and a distribution system.

The water system has adequate production, and storage capacity to serve the existing certificated area.

### Proposed Plant Facilities

Arizona Department of Water Resources ("ADWR") has completed its review for a physical availability demonstration ("PAD") for Utility Source. ADWR has determined that 101 acre-feet per year will be physically and continuously available for 100 years.

The Company projected water demand per residential lot is 255 gallons per day ("GPD"). The water demand for requested Parcel A (approximately 90 acres for 350 single family residences) would be 99.97 acre-feet per year. Therefore, there is only one (1) acre-foot per year water for requested Parcel F (approximately 3 acres for wastewater treatment plant), zero for requested Parcel D (approximately 9 acres for 150 recreational vehicle spaces). The proposed new wastewater treatment plant will use less than 27,154 gallon's water per month (approximately 1 acre-foot per year) based on the Company's estimate.

Staff recommends denial of the Company's request to extend its CC&N for Parcel D.

### Wastewater

#### Existing Utility Plant

Wastewater treatment is provided by a 150,000 gallon per day ("gpd") SANTEC activated sludge process with de-nitrification. Treatment includes a flow equalization chamber, aeration basins, anoxic basins, and re-aeration in the secondary clarifier, influent pump stations, head works, and chlorination/dechlorination basins. There are two lift stations and one evaporation lagoon. An automated phone dialer was added to notify the operator in the event of an overflow. The plant has been operating at approximately 45,000 gpd.

Staff concludes that the existing system has the capacity to serve the existing customers.

#### Proposed Plant Facilities

The proposed new Flagstaff Meadows Site 2 wastewater treatment plant ("WWTP") will be built in two phases to accommodate the increase flow from the existing and proposed CC&N extension area. Both phases will treat 75,000 gpd each for a total of 150,000 gpd, therefore, total plant capacity would be 300,000 gpd at full buildout.

The sewage flow on peak day in December 2004 was 246 gpd per service connection. On April 3, 2006, Utility Source stated this peak day flow was an anomaly that occurred because the manhole covers within the existing service area had not been sealed. Those manhole covers have now been sealed so that storm water will not impact the sewer system.

The Company projected wastewater flow of 175 gpd per unit. Therefore, the expected wastewater flow from the extension areas would be 61,250 gpd.

The proposed wastewater system has adequate treatment capacity to serve the existing certificated area and the requested extension area.

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

### **Water**

#### **Compliance Status**

ADEQ regulates the Company’s Belmont Truck Center System under ADEQ Public Water System (“PWS”) #03-300. 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. (ADEQ report dated February 7, 2006).

#### **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 most recent arsenic levels reported did not exceed 10 ppb for both the shallow wells<sup>1</sup> and the four deep wells. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

#### **Certificate of Approval to Construct**

The ADEQ Certificate of Approval to Construct (“ATC”) for facilities needed to serve the requested areas has not been submitted to Staff by Utility Source. If this application is approved, Staff recommends that Utility Source be required to file with Docket Control, as a compliance item in this docket, a copy of the ATC for the water facilities needed to service the area within one year of the effective date of an order in this proceeding.

### **Wastewater**

#### **Compliance Status**

ADEQ regulates the wastewater system under Inventory #104083, Permit # 32797. The letter from ADEQ dated March 21, 2006, indicates that the facility is in compliance with ADEQ regulations, including those dealing with effluent disposal.

#### **Certificate of Approval to Construct**

The ADEQ Certificate of Approval to Construct (“ATC”) for facilities needed to serve the requested areas has not been submitted to Staff by Utility Source. If this application is approved,

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<sup>1</sup> blending all five shallow wells at the main before tank

Staff recommends that Utility Source be required to file with Docket Control, as a compliance item in this docket, a copy of the ATC for the wastewater facilities needed to service the area within one year of the effective date of an order in this proceeding.

#### Aquifer Protection Permit ("APP") and Section 208 Permit

Utility Source has applied for an APP and the Section 208 Permit for the proposed Flagstaff Meadows Site 2 WWTP. Since an APP and the Section 208 Permit represent fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that Utility Source file with Docket Control, as compliance items in this docket, copies of the APP and Section 208 Permit that indicates approval of the proposed WWTP within one year of the effective date of an order in this proceeding if this extension is approved.

#### **Arizona Department of Water Resources Water Capacity**

Arizona Department of Water Resources ("ADWR") has completed its review for a physical availability demonstration ("PAD") for Utility Source. ADWR has determined that 101 acre-feet per year will be physically and continuously available for 100 years.

Staff recommends approval the Company's request to extend its CC&N for Parcels A and F with conditions, and denial of the Company's request to extend its CC&N for Parcel D.

#### **Arizona Corporation Commission Compliance**

A check with the Utilities Division Compliance Section showed no outstanding Commission compliance issues for Utility Source.

#### **Cost Analysis**

##### Water

Utility Source indicated that the developer will pay the construction costs for a water line extension.

### Wastewater

Wastewater treatment plants at this high level of environmental sophistication usually cost between 8 and 10 dollars per gallon of treated effluent, excluding effluent disposal costs. The estimated project costs for the proposed wastewater system (Phase 1) in this application are as follows:

Facility Equipment:	\$673,940
Facility Construction & Installation:	\$70,000
O & M:	\$49,472
Facility Decommissioning:	\$40,000
Total:	\$833,412

The total cost for Facility Equipment, Facility Construction & Installation (Phase 1) equates to about \$9.92 per gallon of treated effluent.

Staff concludes that the estimated construction costs seem reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

### **Summary**

#### Conclusions

- A. Based on compliance information submitted by the Company, the Water 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.
- B. ADEQ regulates the wastewater system under Inventory #104083, Permit # 32797. The letter from ADEQ dated March 21, 2006, indicates the facility is in compliance with ADEQ regulations, including those dealing with effluent disposal.
- C. 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 most recent arsenic levels reported did not exceed 10 ppb for both the shallow wells and the four deep wells. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.
- D. Staff concludes that the estimated construction costs for wastewater systems seem reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

- E. A check with the Utilities Division Compliance Section showed no outstanding compliance issues for the Company.
- F. Arizona Department of Water Resources ("ADWR") has completed its review for a physical availability demonstration ("PAD") for Utility Source. ADWR has determined that 101 acre-feet per year will be physically and continuously available for 100 years.

Recommendations

- A. Staff recommends approval the Company's request to extend its CC&N for Parcels A and F with conditions, and denial of the Company's request to extend its CC&N for Parcel D based on ADWR's determination.
- B. ADEQ Certificate of Approval to Construct ("ATC") for both water and wastewater facilities needed to serve the requested areas has not been submitted to Staff by Utility Source. If this application is approved, Staff recommends that Utility Source be required to file with Docket Control, as a compliance item in this docket, a copy of the ATC for facilities needed to service the area within one year of the effective date of an order in this proceeding if this extension is approved.
- C. Staff recommends that Utility Source file with Docket Control, as compliance items in this docket, copies of the APP and Section 208 Permit that indicates approval of the proposed WWTP within one year of the effective date of an order in this proceeding if this extension is approved.