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ORIGINAL

MEMORANDUM

RECEIVED

2006 AUG 31 A 9:17

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: August 31, 2006

RE: STAFF REPORT FOR WORDEN WATER COMPANY – APPLICATION FOR TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE TO JANICE E. WORDEN AND LAWRENCE A. WORDEN D/B/A WORDEN WATER COMPANY (DOCKET NOS. W-02221A-05-0505 AND W-20391A-05-0505)

Attached is the Staff Report for the application filed by Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company for transfer of the Certificate of Convenience and Necessity for water service previously held by their father, Arthur O. Worden d/b/a Worden Water Company. Staff is recommending approval with conditions.

EGJ:BNC:mfm

Originator: Blessing Chukwu

Arizona Corporation Commission
DOCKETED

AUG 31 2006

DOCKETED BY *NR*

Service List for: Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company
Docket Nos. W-02221A-05-0505 and W-20391A-05-0505

Mr. Michael F. McNulty
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Tucson, Arizona 85701

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Mr. Ernest G. Johnson
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Arizona Corporation Commission
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Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JANICE E. WORDEN AND LAWRENCE A. WORDEN D/B/A WORDEN WATER
COMPANY

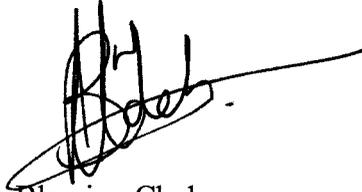
DOCKET NOS. W-02221A-05-0505 AND W-20391A-05-0505

APPLICATION FOR TRANSFER
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY

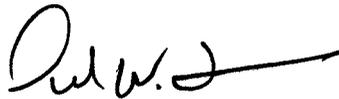
AUGUST 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company (Docket Nos. W-02221A-05-0505 and W-20391A-05-0505) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Del Smith was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read 'B. Chukwu', with a long horizontal stroke extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to read 'Del Smith', with a long horizontal stroke extending to the right.

Del Smith
Utilities Engineer Supervisor

EXECUTIVE SUMMARY
JANICE E. WORDEN AND LAWRENCE A. WORDEN D/B/A WORDEN WATER
COMPANY APPLICATION FOR TRANSFER OF CERTIFICATE OF CONVENIENCE
AND NECESSITY
DOCKET NOS. W-02221A-05-0505 AND W-20391A-05-0505

On July 15, 2005, Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company ("Worden" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for transfer of the Certificate of Convenience and Necessity ("CC&N") to provide water service in Pima County, Arizona, previously held by their father. On May 8, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

Worden is a sole proprietorship engaged in providing water utility service to approximately 23 customers near Robles Junction, in Pima County, Arizona. According to the Company's Annual Report for the year ending December 31, 2005, the Company reported an annual revenue of \$8,760.65, expenses of \$6,933.55 and a net profit of \$1,827.10.

The purpose of this application is to transfer the CC&N from Arthur O. Worden d/b/a Worden Water Company (deceased) to his children, Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company. The Company's CC&N area is approximately 120 acres and is located approximately 20 miles southwest of the City of Tucson, in Section 29, Township 15 South, Range 10 East.

Based on Staff's review and analysis of the application, Staff believes that Worden's water system has more than adequate production capacity to serve the existing base of customers. The water system, however, lacks adequate storage capacity.

Staff recommends the Commission approve Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company's application for transfer of the CC&N previously held by Arthur O. Worden d/b/a Worden Water Company within portions of Pima County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require Worden to charge the authorized rates and charges of Arthur O. Worden d/b/a Worden Water Company.
2. To require Worden to install at a minimum 20,000 gallons of storage capacity or as an alternative, Worden could install the 5,400 gallon storage tank if it also installed a second well with a minimum capacity of 10 gallons per minute ("gpm").
3. To require Worden to file with Docket Control, as a compliance item in this matter, the Approval of Construction ("AOC") documentation issued by the Pima County Department of Environmental Quality ("PDEQ") for either the 20,000 gallons of storage capacity needed to meet minimum storage requirements or the alternative within six months of the effective date of the Commission's order in this matter.

4. To require Worden to file with Docket Control, as a compliance item in this matter, documentation issued by Arizona Department of Environmental Quality (“ADEQ”) showing that PWS ID #10-132 is in **full compliance** with ADEQ requirements, within six months of the effective date of the Commission’s order in this matter.
5. To require Worden to file a curtailment tariff within 45 days of the effective date of the Commission’s order in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. The tariff shall generally conform to the sample tariff found on the Commission’s website at www.cc.state.az.us/utility/forms/curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

Staff further recommends that the Commission’s Decision granting the requested CC&N transfer to Worden be considered null and void, after due process, should Worden fail to meet Conditions No. 3, 4, and 5 listed above within the time specified.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
THE WATER SYSTEM	1
THE TRANSACTION	2
ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE	2
ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE	3
ACC COMPLIANCE	3
ARSENIC	3
CURTAILMENT PLAN TARIFF	3
PROPOSED RATES	4
COUNTY FRANCHISE	4
HEARING	4
RECOMMENDATIONS	4

ATTACHMENT(S)

ENGINEERING REPORT	A
ENGINEERING MAP	B

Introduction

On July 15, 2005, Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company ("Worden" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for transfer of the Certificate of Convenience and Necessity ("CC&N") to provide water service in Pima County, Arizona, previously held by their father.

On August 12, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S. mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On March 20, 2006, April 14, 2006, April 27, 2006, and May 1, 2006, the Company provided additional documentation to support its relief requested.

On May 8, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

Worden is a sole proprietorship engaged in providing water utility service to approximately 23 customers¹ near Robles Junction, in Pima County, Arizona. Worden's service area is located approximately 20 miles southwest of the City of Tucson near the intersection of State Highways 86 and 286 in Pima County. The Commission approved the original CC&N for the Company in Decision No. 43178, issued on March 15, 1973, in Docket No. U-2221-92-152.

According to the Company's Annual Report for the year ending December 31, 2005, the Company reported an annual revenue of \$8,760.65, expenses of \$6,933.55 and a net profit of \$1,827.10.

The Water System

Worden's water system consists of one well and a distribution system serving 27 connections. The well produces 24 gallons per minute ("GPM") which is more than adequate to serve the existing base of customers. The Company has experienced minimal growth in recent years.² The number of metered connections as reported by the Company in its annual reports has not changed since 2002. The Company's system lacks adequate storage capacity.

¹ Information reported in the Company's 2005 Commission Annual Report.

² Information reported in the Company's 2005 Commission Annual Report.

The Company informed Staff in its response to Staff's Data Request that it is planning to install a 5,400 gallon storage tank to address its storage deficiency.³ A.A.C. R18-5-503 requires that the Company have a minimum storage capacity equal to the average daily demand during the peak month of the year. In August 2005 the Company sold 397,734 gallons of water to 23 customers which equates to 558 gallons per day per connection. The Company currently has 27 metered connections which equates to 15,066 average daily demand during the peak month. Staff therefore recommends that the Company install at a minimum 20,000 gallons of storage capacity or as an alternative, Worden could install the 5,400 gallon storage tank if it also installed a second well with a minimum capacity of 10 gpm. Staff further recommends that the Company file with Docket Control, as a compliance item in this matter, the Approval of Construction ("AOC") documentation issued by the Pima County Department of Environmental Quality ("PDEQ") for either the 20,000 gallons of storage capacity needed to meet minimum storage requirements or the alternative. This documentation shall be filed within six months of the effective date of the Commission's order in this matter.

The Transaction

Mr. Arthur O. Worden owned and operated the water company as a sole proprietorship. Mr. Worden is deceased per the Certificate of Death No. 1307546 filed on March 19, 1997, and recorded in Docket No. 11395 at Page 686 in the Pima County Recorder's Office, Pima County, Arizona. Since the death of Mr. Worden, Janice E. Worden and Lawrence A. Worden (his children) have been operating the Company.

The purpose of this application is to transfer the CC&N from Arthur O. Worden d/b/a Worden Water Company (deceased) to his children, Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company. The Company's CC&N area is approximately 120 acres (less than one-quarter of a square mile) and is located in Section 29, Township 15 South, Range 10 East.

According to an April 14, 2006 letter from the Company⁴, all customer security deposits have been refunded; no refunds are due on meter or line installations; and there are no refunds due on any main extension agreements.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Worden water system under ADEQ Public Water System Identification No. (PWS ID #) 10-132. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

³ Company's response dated July 14, 2006, to Staff's First Set of Data Requests.

⁴Company docketed the April 14, 2006 letter on April 14 and 27, 2006.

ADEQ also reported that this system has major monitoring and reporting deficiencies for failure to provide consumer confidence reports and major operation and maintenance deficiencies for inadequate storage.⁵ The Company believes that it has addressed its monitoring and reporting deficiencies.⁶ Staff has requested an updated compliance status report from ADEQ but has not received ADEQ's response. As such, Staff has not been able to verify this compliance.⁷ Staff recommends that the Company file with Docket Control, as a compliance item in this matter, documentation issued by ADEQ showing that PWS ID #10-132 is in **full compliance** with ADEQ requirements. This documentation shall be filed within six months of the effective date of the Commission's order in this matter.

Arizona Department of Water Resources ("ADWR") Compliance

Worden is within the Tucson Active Management Area ("AMA"). Since the Company supplies less than 250 acre-feet of water per year for non-irrigation use, it is considered a "small provider" and is not subject to the gallons per capita per day ("GPCD") limit and conservation rules, and is only required to monitor and report water use. ADWR indicated that Worden is in compliance with its monitoring and reporting requirements.⁸

ACC Compliance

According to the Utilities Division Compliance Section, Worden has no outstanding ACC compliance issues.⁹

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g}/\text{l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g}/\text{l}$ effective January 23, 2006. The level of arsenic reported by the Company for its well is 7 $\mu\text{g}/\text{l}$.¹⁰ Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

⁵ ADEQ Drinking Water Compliance Status Report dated 8-15-05.

⁶ Company's response dated July 14, 2006, to Staff's First Set of Data Requests.

⁷ An updated ADEQ Compliance Status Report was requested on 7-14-06.

⁸ ADWR compliance status as of 8-22-06.

⁹ Per Compliance Section email dated 8-21-06.

¹⁰ Information reported in the Company's 2005 Commission Annual Report.

Worden does not have a CPT. Therefore, Staff recommends that the Company file a curtailment tariff within 45 days of the effective date of the Commission's order in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at www.cc.state.az.us/utility/forms/curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

Proposed Rates

Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company will provide water service to the transfer area under Arthur O. Worden d/b/a Worden Water Company's authorized rates and charges.

County Franchise

Every applicant for a CC&N and/or CC&N transfer is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Worden filed, in the docket, a copy of the franchise agreement it had entered into with Pima County, Arizona.

Hearing

By a Procedural Order issued on June 16, 2006, Staff was ordered to file its Staff Report, including its recommendation of whether a hearing, is required by August 31, 2006. Staff believes that, if the Company accepts all Staff's recommendations in this matter, a hearing is not necessary.

Recommendations

Staff recommends the Commission approve Janice E. Worden and Lawrence A. Worden d/b/a Worden Water Company's application for transfer of the CC&N previously held by Arthur O. Worden d/b/a Worden Water Company within portions of Pima County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require Worden to charge the authorized rates and charges of Arthur O. Worden d/b/a Worden Water Company.

2. To require Worden to install at a minimum 20,000 gallons of storage capacity or as an alternative, Worden could install the 5,400 gallon storage tank if it also installed a second well with a minimum capacity of 10 gpm.
3. To require Worden to file with Docket Control, as a compliance item in this matter, the Approval of Construction ("AOC") documentation issued by the Pima County Department of Environmental Quality ("PDEQ") for either the 20,000 gallons of storage capacity needed to meet minimum storage requirements, within six months of the effective date of the Commission's order in this matter or the alternative.
4. To require Worden to file with Docket Control, as a compliance item in this matter, documentation issued by ADEQ showing that PWS ID #10-132 is in **full compliance** with ADEQ requirements, within six months of the effective date of the Commission's order in this matter.
5. To require Worden to file a curtailment tariff within 45 days of the effective date of the Commission's order in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. The tariff shall generally conform to the sample tariff found on the Commission's website at www.cc.state.az.us/utility/forms/curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

Staff further recommends that the Commission's Decision granting the requested CC&N transfer to Worden be considered null and void, after due process, should Worden fail to meet Conditions No. 3, 4, and 5 listed above within the time specified.

MEMORANDUM

DATE: August 22, 2006

TO: Blessing Chukwu

FROM: Del Smith 

RE: APPLICATION OF WORDEN WATER COMPANY FOR TRANSFER OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY (DOCKET NOS. W-
02221A-05-0505 AND W-20391A-05-0505)

Introduction

Worden Water Company (“Worden” or “the Company”) has filed an Application for Approval of Transfer of its Certificate of Convenience and Necessity (“CC&N”) with the Arizona Corporation Commission (“Commission”). The purpose of this Application is to transfer the CC&N from Arthur O. Worden (deceased) to his children, Janice E. Worden and Lawrence A. Worden dba Worden Water Company. Worden’s service area is located approximately 20 miles southwest of the City of Tucson near the intersection of State Highways 86 and 286 in Pima County. As of December 2005, the Company was providing water utility service to 23 customers.¹ The Commission granted the Company a CC&N in Decision No. 43178 dated March 15, 1973. The Company’s CC&N covers an area of roughly 120 acres (less than one-quarter of a square mile) in Section 29 of Township 15 South, Range 10 East.

Worden Water System

The Company’s system consists of one well and a distribution system serving 27 connections. The well produces 24 gallons per minute (“gpm”) which is more than adequate to serve the existing base of customers. The Company has experienced minimal growth in recent years.² The number of metered connections as reported by the Company in its annual reports has not changed since 2002. The Company’s system lacks adequate storage capacity.

In response to a data request the Company has informed Staff that it is planning to install a 5,400 gallon storage tank to address its storage deficiency.³ Arizona Administrative Code R18-5-503 requires that the Company have minimum storage capacity equal to the average daily demand during the peak month of the year. In August 2005 the Company sold 397,734 gallons of water to 23 customers which equates to 558 gallons per day per connection. The Company currently has 27 metered connections which equates to 15,066 average daily demand during the peak month. Staff therefore recommends that the Company install at a minimum 20,000 gallons

¹ Information reported in the Company’s 2005 Commission Annual Report.

² Information reported in the Company’s 2005 Commission Annual Report.

³ Company’s response dated July 14, 2006, to Staff’s First Set of Data Requests.

of storage capacity. As an alternative Worden could install the 5,400 gallon storage tank if it also installed a second well with a minimum capacity of 10 gpm. Staff further recommends that the Company file with Docket Control, as a compliance item in this matter, the Approval of Construction (“AOC”) documentation issued by the Pima County Department of Environmental Quality (“PDEQ”) for either the 20,000 gallons of storage capacity needed to meet minimum storage requirements or the alternative. This documentation shall be filed within six months of the effective date of the Commission’s order in this matter.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

ADEQ regulates the Worden water system under ADEQ Public Water System Identification No. (PWS ID #) 10-132. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. ADEQ also reported that this system has major monitoring and reporting deficiencies for failure to provide consumer confidence reports and major operation and maintenance deficiencies for inadequate storage.⁴ The Company believes that it has addressed its monitoring and reporting deficiencies.⁵ Staff has requested an updated compliance status report from ADEQ but has not received ADEQ’s response ,therefore, Staff has not been able to verify this compliance.⁶ Staff recommends that the Company file with Docket Control, as a compliance item in this matter, documentation issued by ADEQ showing that PWS ID #10-132 is in full compliance with ADEQ requirements. This documentation shall be filed within six months of the effective date of the Commission’s order in this matter.

The level of arsenic reported by the Company for its well complies with the new arsenic standard of 10 micrograms per liter that became effective on January 23, 2006.⁷

Arizona Department of Water Resources (“ADWR”) Compliance

Worden is within the Tucson Active Management Area (“Tucson AMA”). Since the Company supplies less than 250 acre-feet of water per year for non-irrigation use, it is considered a “small provider” and is not subject to the gallons per capita per day (“GPCD”) limit and conservation rules, and is only required to monitor and report water use. ADWR indicated that Worden is in compliance with its monitoring and reporting requirements.⁸

ACC Compliance

⁴ ADEQ Drinking Water Compliance Status Report dated 8-15-05.

⁵ Company’s response dated July 14, 2006, to Staff’s First Set of Data Requests.

⁶ An updated ADEQ Compliance Status Report was requested on 7-14-06.

⁷ Information reported in the Company’s 2005 Commission Annual Report.

⁸ ADWR compliance status as of 8-22-06.

A check of the Utilities Division compliance database indicated that there are no delinquencies for Worden.⁹

Curtailment Tariff

A curtailment tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since Worden does not have a curtailment tariff, Staff recommends that the Company file a curtailment tariff within 45 days of the effective date of the Commission's order in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at www.cc.state.az.us/utility/forms/curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

Summary

Conclusions

1. The Company's system lacks adequate storage capacity.
2. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. ADWR indicated that Worden is in compliance with its monitoring and reporting requirements.
4. A check of the Utilities Division compliance database indicated that there are no delinquencies for Worden.

Recommendations

1. Staff recommends that the Company install at a minimum 20,000 gallons of storage capacity or as an alternative, Worden could install the 5,400 gallon storage tank if it also installed a second well with a minimum capacity of 10 gpm. Staff further recommends that the Company file with Docket Control, as a compliance item in this matter, the Approval of Construction ("AOC") documentation issued by the Pima County Department of Environmental Quality ("PDEQ") for either the 20,000 gallons of storage capacity needed to meet minimum storage

⁹ Per Compliance Section email dated 8-21-06.

requirements or the alternative. This documentation shall be filed within six months of the effective date of the Commission's order in this matter.

2. ADEQ reported that this system has major monitoring and reporting deficiencies for failure to provide consumer confidence reports and major operation and maintenance deficiencies for inadequate storage. Staff recommends that the Company file with Docket Control, as a compliance item in this matter, documentation issued by ADEQ showing that PWS ID #10-132 is in **full compliance** with ADEQ requirements. This documentation shall be filed within six months of the effective date of the Commission's order in this matter.
3. Staff recommends that the Company file a curtailment tariff within 45 days of the effective date of the Commission's order in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.azcc.gov.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: September 9, 2005

RE: **WORDEN WATER COMPANY (DOCKET NO. W-02221A-05-0505)**
WORDEN WATER COMPANY (DOCKET NO. W-20391A-05-0505)

Worden Water Company has filed an application to transfer its CC#N from the father, Arthur O. Worden, to the son, Lawrence A. Worden, and the daughter, Janice E. Worden.

Attached is a copy of the map for your files.

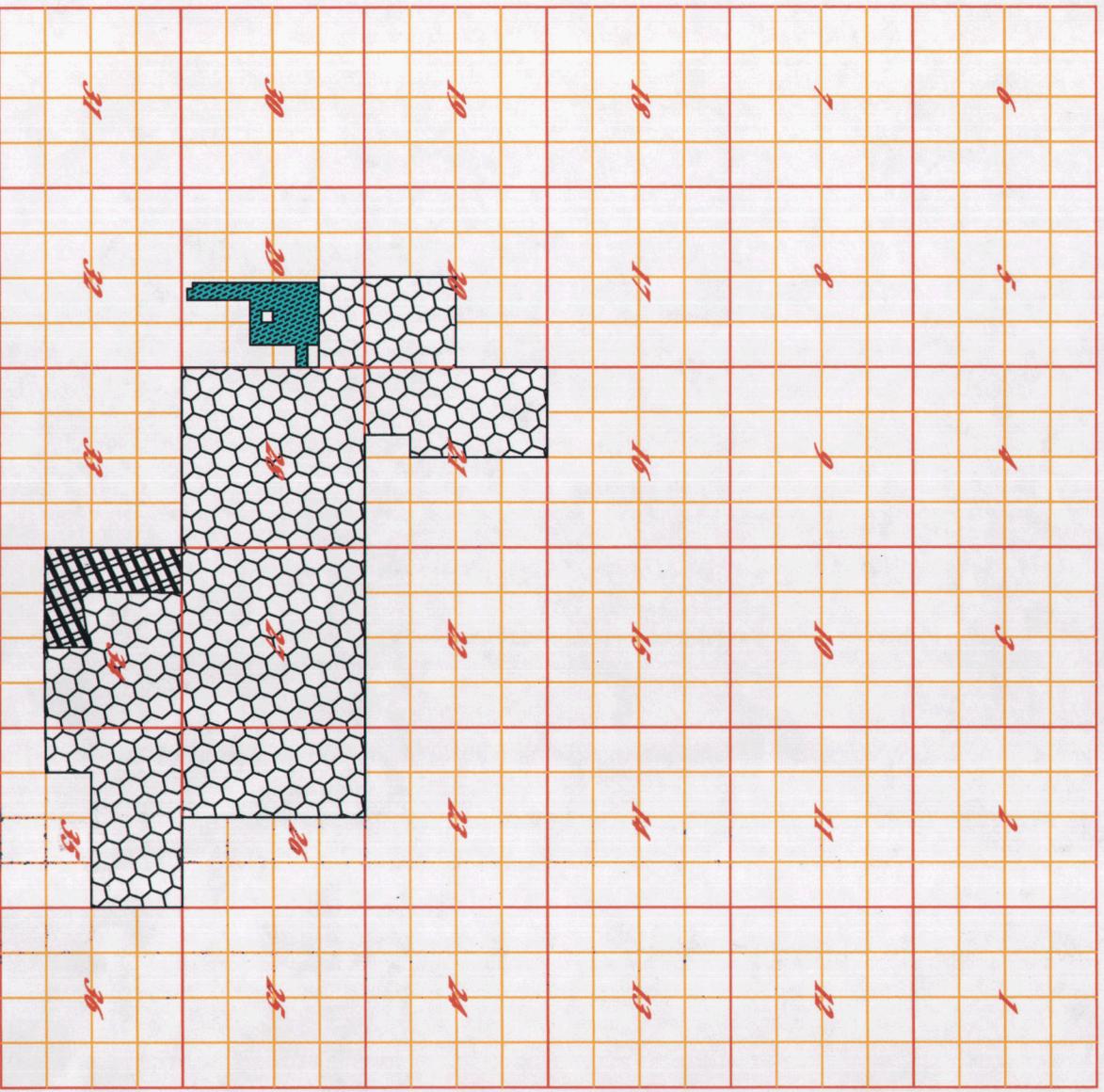
:bsw

Attachment

cc: Docket Control
Worden Water Company
Ms. Deb Person (Hand Carried)
File

COUNTY: Pima

RANGE 10 East



TOWNSHIP 15 South

 W-3293 (4)

Thim Utility Company

 W-2594 (2)

Thim Water Corporation

 W-2221 (1)

Worden Water Company



Worden Water Company
 Docket No. W-02221A-05-0505
 Application to Transfer to
 Worden Water Company (Son & Daughter)
 Docket No. W-20391A-05-0505