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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

AUG 29 2006

DOCKETED BY ne

IN THE MATTER OF THE APPLICATION OF  
HASSAYAMPA UTILITIES COMPANY, INC.  
FOR A CERTIFICATE OF CONVENIENCE AND  
NECESSITY.

DOCKET NO. SW-20422A-05-0659

DECISION NO. 68922

OPINION AND ORDER

DATE OF HEARING: June 22, 2006  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Amy Bjelland  
APPEARANCES: Michael Patten, ROSHKA, DeWULF & PATTEN, on behalf of Hassayampa Utilities; and  
Linda Fisher, Staff Attorney, Legal Division, on behalf of the Utilities Division for the Arizona Corporation Commission.

BY THE COMMISSION:

On September 19, 2005, Hassayampa Utilities Company, Inc. ("Hassayampa", "Applicant", or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide wastewater service to the Hassayampa Ranch development in Maricopa County, Arizona ("Application").

On October 19, 2005, the Commission's Utilities Division ("Staff") issued an insufficiency letter.

On October 21, 2005 and January 10, 2006, Hassayampa filed responses to Staff's insufficiency letter.

On March 27, 2006, the Commission's Utilities Division ("Staff") filed a sufficiency letter<sup>1</sup>.

<sup>1</sup> This letter was inadvertently filed under an incorrect docket number. A duplicate sufficiency letter was filed in the correct docket on April 11, 2006.

1 On April 11, 2006, by Procedural Order, the hearing in this matter was rescheduled for June  
2 22, 2006<sup>2</sup>.

3 On April 26, 2006, Hassayampa filed its notices of filing affidavit of mailing and of  
4 publication.

5 On May 26, 2006, Staff docketed its Staff Report, recommending approval of the Application  
6 subject to several conditions.

7 On June 9, 2006, Hassayampa filed its Objections to Staff Report.

8 On June 22, 2006, a hearing convened before a duly authorized Administrative Law Judge of  
9 the Commission. Both parties were represented by counsel. At the conclusion of the hearing, the  
10 matter was taken under advisement pending issuance of a Recommended Opinion and Order.

11 On June 30, 2006, Staff filed a Notice of Errata to make corrections to an exhibit it entered at  
12 hearing.

13 \* \* \* \* \*

14 Having considered the entire record herein and being fully advised in the premises, the  
15 Commission finds, concludes, and orders that:

16 **FINDINGS OF FACT**

17 1. Applicant is a corporation formed for the purpose of providing wastewater utility  
18 service within portions of Maricopa County, Arizona to the Hassayampa Ranch development  
19 ("Hassayampa Ranch"). Hassayampa Ranch is located west of the Town of Buckeye and three miles  
20 north of Interstate 10, and consists of approximately 2,050 acres. Applicant is a wholly owned  
21 subsidiary of Global Water Resources, Inc.

22 2. Harvard Investments, Inc. is the developer of Hassayampa Ranch, and it is expected  
23 that by the end of the fifth year of operations, Hassayampa will serve approximately 3,000 residential  
24 customers and 1 irrigation customer. Hassayampa Ranch Ventures, LLC, requested wastewater  
25 service from Applicant. Water utility service will be provided by the Water Utility of Greater  
26 Tonopah.

27 <sup>2</sup> By Procedural Order on March 28, 2006, a hearing was scheduled for June 29, 2006. On April 7, 2006, Hassayampa  
28 filed a Motion to Reschedule Hearing Date stating that counsel would be unavailable for the hearing and that counsel for  
Staff agreed with the rescheduling of the hearing to either June 22 or June 23, 2006.

1           3.       Hassayampa will install an enclosed sequential batch reactor wastewater treatment  
2 plant in two phases. The plant will have an ultimate capacity of 3.2 million gallons per day (“MGD”)  
3 of wastewater flow. Staff concluded that the Company will have adequate treatment capacity to  
4 service the expected growth in the requested area.

5           4.       The treated effluent will be disposed of in surface water impoundment systems such as  
6 irrigation and ponds. Graham Symmonds, Senior Vice President of Operations and Compliance for  
7 Global Water Resources, Inc., testified that initially there will be a one MGD treatment plant. Mr.  
8 Symmonds stated that Hassayampa has 19.7 acres set aside for the treatment facility, with the option  
9 of acquiring additional land if necessary to facilitate a regional approach to providing wastewater  
10 utility services. Mr. Symmonds also testified that Global Water Resources, Inc., has a “very high  
11 mandate for reclaimed water use,” and therefore requires developers to use reclaimed water to the  
12 largest possible extent. Tr. at 20. Mr. Symmonds further testified that for golf courses and irrigation  
13 of any boulevard areas throughout the development, Hassayampa will provide reclaimed water. Tr.  
14 at 25.

15           5.       The Maricopa County Environmental Services Department (“MCESD”) requires the  
16 proposed treatment plant and sewage collection system to obtain Certificates of Approval to  
17 Construct (“ATC”) and Approval of Construction (“AOC”). Staff recommended that Hassayampa  
18 file with Docket Control, as a compliance item in this docket, copies of the ATC issued by MCESD  
19 for the proposed Phase I treatment plant and sewer collection system no later than July 1, 2007. Staff  
20 further recommended that Hassayampa file with Docket Control, as a compliance item in this docket,  
21 copies of the AOC issued by MCESD for the proposed Phase I treatment plant and sewer collection  
22 system no later than April 30, 2008.

23           6.       At hearing, Dorothy Hains, Utility Engineer for Commission Staff, recommended that  
24 Hassayampa file a pretreatment tariff with the Commission when it becomes available. Tr. at 28.  
25 Mr. Symmonds testified that Hassayampa supports the pretreatment tariff concept. Tr. at 23. He  
26 explained that a pretreatment tariff relates to the Clean Water Act and is for industrial wastewater  
27 utility customers. Tr. at 23. Mr. Symmonds stated that a pretreatment tariff ensures that if such a  
28 customer discharges something into the sewer that causes a permit violation or fails to maintain

1 permit compliance, Hassayampa could shut that customer down. Tr. at 24.

2 7. Sewer companies are required by the Arizona Department of Environmental Quality  
3 (“ADEQ”) to obtain an Aquifer Protection Permit (“APP”) and/or Arizona Pollutant Discharge  
4 Elimination System (“AZPDES”) permit before the plant can be placed in service. Approval by the  
5 Maricopa Association of Governments (“MAG”) for Section 208 Plan amendment will also be  
6 necessary. Hassayampa has applied for, but not yet received, its 208 Plan approval. Staff  
7 recommended that Hassayampa file with Docket Control, as a compliance item in this docket, a copy  
8 of the MAG approved 208 Plan with a map of Hassayampa’s 208 Master Plan boundary no later than  
9 April 30, 2007. Staff further recommended that Hassayampa file with Docket Control, as a  
10 compliance item in this docket, a copy of the notice issued by ADEQ showing Hassayampa’s APP  
11 and/or AZPDES has been approved no later than April 30, 2008.

12 8. Hassayampa has estimated costs of the plant to serve Hassayampa Ranch at year five  
13 to be \$16,058,300. Staff concluded that the estimated costs are reasonable and appropriate for this  
14 project. However, no “used and useful” determination of the proposed plant in service was made,  
15 and no conclusions should be inferred for rate making or rate base purposes.

16 9. Staff estimated that Applicant’s fair value rate base would be \$4,464,201 in its fifth  
17 year. We find Staff’s projected fair value rate base for Hassayampa to be reasonable and appropriate.

18 10. Staff has developed typical and customary depreciation rates within a range of  
19 anticipated equipment life, reflected in Table 1 of Exhibit 2, attached to the Staff Report. Staff  
20 recommended that Hassayampa be ordered to adopt the depreciation rates by individual National  
21 Association of Regulatory Utility Commissioners (“NARUC”) category, as shown on Table 1 of  
22 Exhibit 2 (Engineering Memorandum).

23 11. Hassayampa’s advances-in-aid-of-construction (“AIAC”) are estimated at the end of  
24 year 5 to be \$9,255,920, representing approximately 57 percent of estimated gross capital  
25 expenditures of \$16,058,300. For the same period, Hassayampa projects a net balance of \$0.00 for  
26 contributions-in-aid-of-construction (“CIAC”). Generally, the total AIAC and CIAC should not  
27 exceed 25 to 30 percent of the related estimated capital expenditures. Over-reliance on AIAC and  
28 CIAC can lead to improperly capitalized private water and wastewater companies. However, Staff

1 noted that Hassayampa will have approximately 46 percent in equity capital at the end of year 5. The  
2 total equity balance at that time is estimated to be \$7,976,530. A 46 percent equity balance will  
3 provide some assurance as to Hassayampa's continued access to capital markets for further expansion  
4 beyond year 5. In its Staff Report, Staff recommended that Hassayampa be required to make its initial  
5 equity investment of \$7,150,000 in year one as indicated in its Pro Forma Balance Sheet (Sewer),  
6 Attachment C to Hassayampa's Application. At hearing, Staff revised its recommendation to require  
7 the Company to have no less than \$7,150,000 in equity by the end of the first year of operations; that  
8 the Company should be required to file a notice that this condition has been satisfied 90 calendar days  
9 after the end of the first year of operations; and that the Company agrees that subsequent equity  
10 contributions may be governed by any decision reached in Docket No. W-00000C-06-0149<sup>3</sup>. Staff  
11 testified that it anticipates that the Company's conformance to Docket No. W-00000C-06-0149 will  
12 be evaluated in the Company's next general rate filing. Hassayampa concurred with Staff's language  
13 as proposed at hearing. Tr. at 14. We concur with Staff's original recommendation that Staff's  
14 recommended rates be amended, if necessary, to conform with the Commission decision in Docket  
15 No. W-00000C-06-0149.

16 12. Staff analyzed the Company's projected revenues and expenses for five years, but  
17 concentrated on the fifth year of operation when breakeven or profitability is usually expected. In  
18 year five, Staff projected that Hassayampa would have total revenues of \$1,928,427; total operating  
19 expenses of \$1,570,480; and operating income of \$357,947. Staff recommended that the Company  
20 be ordered to file a rate case in its sixth year of operations, using the fifth year as the test year.

21 13. Hassayampa requested rates based upon water usage. However, Staff recommended  
22 adoption of a flat monthly fee of \$54.25 for 5/8 x 3/4 inch and 3/4 inch meter customers. Staff also  
23 recommended a non-sufficient funds ("NSF") check charge of \$25.00, as this is consistent with the  
24 industry standard. Hassayampa objected to Staff's proposed revenues, arguing that revenues should  
25 be increased to reflect Staff's proposed depreciation rates. Hassayampa also argued that Staff's rate  
26

27 <sup>3</sup> Generic docket for investigating different mechanisms for financing water and wastewater facilities  
28 and related issues.

1 multiples for larger meters do not reflect the extra capacity required to serve customers that require  
2 larger meters.

3 14. At hearing, Jamie Moe, Public Utility Analyst V, provided a revised schedule of  
4 recommended rates and charges that modified the rates and charges for larger meters. Cindy Liles,  
5 Chief Financial Officer and Senior Vice President for Growth Management for Hassayampa's parent  
6 company, Global Water Resources, Inc., testified that the revised rates and changes were acceptable  
7 to Hassayampa. Applicant's proposed rates and charges for initial wastewater service and Staff's  
8 recommendations as revised at hearing are as follows:

	<u>Company Proposed</u>	<u>Staff Recommended</u>
<u>Monthly Wastewater Service</u>		
<u>Residential &amp; Commercial Service</u>		
5/8 x 3/4 inch	\$52.00	\$54.25
3/4 inch	52.00	54.25
One inch	130.00	135.00
1-1/2 inch	260.00	270.00
Two inch	416.00	430.00
Three inch	832.00	860.00
Four inch	1,300.00	1,350.00
Six inch	2,600.00	2,700.00
<u>Effluent Sales</u>		
General Irrigation (Per Acre Foot)	\$400.00	\$400.00
General Irrigation (Per 1,000 gallons)	1.23	1.23
<u>Other Rates and Charges</u>		
Establishment of Service – Regular Hours	\$30.00	\$30.00
Re-establishment of Service (Within 12 Months)	*	*
Reconnection (delinquent)	50.00	50.00
Customer Deposit	**	**
Deposit Interest	3.50%	**
NSF Check Charge	35.00	25.00
Late Payment Charge	1.50%	1.50%
(per month on unpaid balance)		
Deferred Payment Interest – Per Month	1.50%	1.50%
Main Extensions/Additional Facilities	Cost	Cost
Revenue Taxes & Assessments	***	***

\* Per A.A.C. R14-2-603(D)

\*\* Per A.A.C. R14-2-603(B)

\*\*\* Per A.A.C. R14-2-608(D)

15. The revised Staff recommended rates and charges, as agreed to by Hassayampa, are

1 reasonable and appropriate.

2 16. Hassayampa must obtain a franchise from Maricopa County. Staff recommended that  
3 Applicant file the franchise agreement with Docket Control, as a compliance item in this docket,  
4 within one year of this Decision.

5 **Staff's Recommendations**

6 17. Based on its review, Staff recommended that the Commission grant Hassayampa's  
7 Application for a Certificate to provide wastewater services, subject to the conditions as discussed  
8 above and the following additional conditions:

9 (1) Hassayampa should file in Docket Control, as a compliance matter, a schedule  
10 of its approved rates and charges within 30 days after the Decision in this matter is issued.

11 (2) Hassayampa should notify the Commission within 15 days of serving its first  
12 customer through a memo to this docket in Docket Control as a compliance filing.

13 (3) Hassayampa should be authorized to collect from its customers a  
14 proportionate share of any privilege, sales or use tax pursuant to A.A.C. R-14-2-409(D)(5).

15 18. Staff's recommendations in Findings of Fact Nos. 5, 6, 7, 9, 10, 11, 12, 16, and 17  
16 are reasonable and appropriate.

17 **CONCLUSIONS OF LAW**

18 1. Applicant is a public service corporation within the meaning of Article XV of the  
19 Arizona Constitution and A.R.S. §40-281 *et seq.*

20 2. The Commission has jurisdiction over Applicant and the subject matter of the  
21 application.

22 3. Notice of the application was provided in accordance with law.

23 4. There is a public need and necessity for wastewater utility service in the proposed  
24 service territory as set forth in Exhibit A attached hereto.

25 5. Applicant is a fit and proper entity to receive a wastewater CC&N to include the  
26 service area more fully described in Exhibit A attached hereto, subject to compliance with the  
27 conditions set forth herein.

28



1 than \$7,150,000 in equity by the end of the first year of operations and Hassayampa Utilities  
2 Company, Inc. shall file a notice that this condition has been satisfied 90 calendar days after the  
3 end of the first year of operations.

4 IT IS FURTHER ORDERED that subsequent equity contributions may be governed by any  
5 decision reached in Docket No. W-00000C-06-0149.

6 IT IS THEREFORE ORDERED that Staff's recommended rates shall be amended, if  
7 necessary, to conform with the Commission decision in Docket No. W-00000C-06-0149.

8 IT IS FURTHER ORDERED that Hassayampa Utilities Company, Inc. may collect from its  
9 customers a proportionate share of any privilege, sales or use tax pursuant to A.A.C. R-14-2-  
10 409(D)(5).

11 IT IS FURTHER ORDERED that Hassayampa Utilities Company, Inc. shall file a rate case in  
12 its sixth year of operations, using the fifth year as the test year.

13 IT IS FURTHER ORDERED that Hassayampa Utilities Company, Inc. shall adopt the  
14 depreciation rates as shown in Table 1 of Exhibit 2 (Staff Report Engineering Memorandum).

15 IT IS FURTHER ORDERED that Hassayampa Utilities Company, Inc. shall file its franchise  
16 agreement with Maricopa County with Docket Control, as a compliance item in this docket, within  
17 one year of the Commission's decision in this case.

18 IT IS FURTHER ORDERED that Hassayampa Utilities Company, Inc. shall file a pre-  
19 treatment tariff when it is available.

20 IT IS FURTHER ORDERED the following rates and charges are approved:

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Monthly Wastewater Service

*Residential & Commercial Service*

1	5/8 x 3/4 inch	\$54.25
2	3/4 inch	54.25
3	One inch	135.00
4	1-1/2 inch	270.00
5	Two inch	430.00
6	Three inch	860.00
7	Four inch	1,350.00
8	Six inch	2,700.00

Effluent Sales

9	General Irrigation (Per Acre Foot)	\$400.00
10	General Irrigation (Per 1,000 gallons)	1.23

Other Rates and Charges

11	Establishment of Service – Regular Hours	\$30.00
12	Re-establishment of Service (Within 12 Months)	*
13	Reconnection (delinquent)	50.00
14	Customer Deposit	**
15	Deposit Interest	**
16	NSF Check Charge	25.00
17	Late Payment Charge	1.50%
18	(per month on unpaid balance)	
19	Deferred Payment Interest – Per Month	1.50%
20	Main Extensions/Additional Facilities	Cost
21	Revenue Taxes & Assessments	***

\* Per A.A.C. R14-2-603(D)  
 \*\* Per A.A.C. R14-2-603(B)  
 \*\*\* Per A.A.C. R14-2-608(D)

IT IS FURTHER ORDERED that the Hassayampa Utilities Company, Inc. shall file with Docket Control, as a compliance matter, a schedule of its approved rates and charges within 30 days after this Decision.

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1 IT IS FURTHER ORDERED that Hassayampa Utilities Company, Inc. shall notify the  
2 Commission within 15 days of serving its first customer through a memo to this docket in Docket  
3 Control, as a compliance filing.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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*Jeffrey W. Hatch-Decker*  
CHAIRMAN

COMMISSIONER

*Samuel S. Blum*  
COMMISSIONER

COMMISSIONER

*Bryan J. ...*  
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 29<sup>th</sup> day of August, 2006.

*Brian C. McNeil*  
BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

DISSENT *William A. ...*

DISSENT *R. W. ...*

1 SERVICE LIST FOR: HASSAYAMPA UTILITIES

2 DOCKET NO.: SW-20422A-05-0659

3 Michael Patten  
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8 Attorneys for Hassayampa Utilities Company

9 Christopher Kempley, Chief Counsel  
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14 Ernest G. Johnson, Director  
15 Utilities Division  
16 ARIZONA CORPORATION COMMISSION  
17 1200 West Washington  
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**EXHIBIT "A"****PARCEL NO. 1:**

ALL OF SECTION 15, TOWNSHIP 2 NORTH, RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN COUNTY, ARIZONA.

**PARCEL NO. 2:**

THE EAST HALF OF THE NORTHEAST QUARTER, THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER, THE WEST HALF AND THE SOUTHWEST QUARTER OF OF THE SOUTHEAST QUARTER OF SECTION 22, TOWNSHIP 2 NORTH, RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.

**PARCEL NO. 3**

ALL OF SECTION 16, TOWNSHIP 2 NORTH, RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN COUNTY, ARIZONA;

EXCEPT THE NORTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION; AND

EXCEPT ALL THE MINERAL INTEREST RESERVED TO THE STATE OF ARIZONA IN AND TO THE FOLLOWING LAND BY THE FOLLOWING INSTRUMENT;

AS TO THE SOUTH HALF OF SECTION 16, TOWNSHIP 2 NORTH, RANGE 5 WEST BY DEED DATED NOVEMBER 12, 1941 AND RECORDED AT BOOK 366 OF DEEDS, PAGE 563, RECORDS OF MARICOPA COUNTY, ARIZONA; AND

EXCEPT ALL THE MINERAL INTEREST RESERVED TO THE STATE OF ARIZONA IN AND TO THE FOLLOWING LAND BY THE FOLLOWING INSTRUMENT;

AS TO THE NORTHEAST QUARTER OF SECTION 16, TOWNSHIP 2 NORTH, RANGE 5 WEST BY DEED DATED MARCH 3, 1939 AND RECORDED AT BOOK 331 OF DEEDS, PAGE 569, RECORDS OF MARICOPA COUNTY, ARIZONA; AND

EXCEPT ALL THE MINERAL INTEREST RESERVED TO THE STATE OF ARIZONA IN AND TO THE FOLLOWING LAND BY THE FOLLOWING INSTRUMENT;

AS TO THE NORTHWEST QUARTER OF SECTION 16, TOWNSHIP 2 NORTH, RANGE 5 WEST, BY DEED DATED MAY 11, 1949 AND RECORDED AT DOCKET 401, PAGE 326, RECORDS OF MARICOPA COUNTY, ARIZONA.

**PARCEL NO. 4:**

THE EAST HALF OF SECTION 17, TOWNSHIP 2 NORTH, RANGE 5 WEST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, RECORDS OF MARICOPA COUNTY, ARIZONA.

**PARCEL NO. 5 (BYU Parcel):**

THE NORTH HALF OF THE NORTHEAST QUARTER OF SECTION 16, TOWNSHIP 2 NORTH RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA.