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Docket #(s): W-20435A-06-0411

W-02017A-06-0410

Exhibit #: SI

Arizona Corporation Commission

DOCKETED

DEC 11 2006

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FILE COPY

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
for Utilities Division

Date: October 27, 2006

RE: STAFF REPORT FOR SOUTHERN WATER CORPORATION - APPLICATION FOR APPROVAL OF SALE OF ITS ASSETS TO SONOITA VALLEY WATER COMPANY; AND SONOITA VALLEY WATER COMPANY - APPLICATION FOR EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO INCLUDE THE SERVICE TERRITORY OF SOUTHERN WATER CORPORATION (DOCKET NOS. W-02017A-06-0410 AND W-20435A-06-0411)

Attached is the Staff Report for Southern Water Corporation and Sonoita Valley Water Company applications for approval of sale of Southern Water Corporation's Assets to Sonoita Valley Water Company and for extension of Sonoita Valley Water Company's Certificate of Convenience and Necessity for water service to include the service territory of Southern Water Corporation. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

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Service List for: Southern Water Corporation and Sonoita Valley Water Company
Docket Nos. W-02017A-06-0410 and W-20435A-06-0411

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

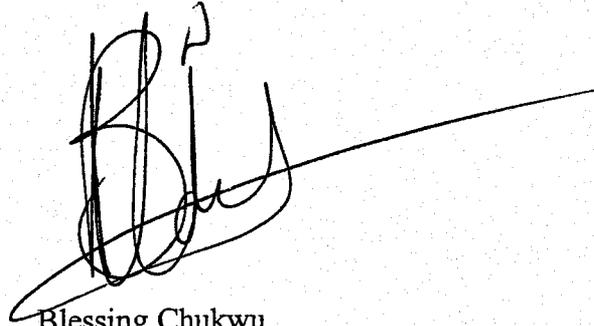
SOUTHERN WATER CORPORATION AND SONOITA VALLEY WATER COMPANY
DOCKET NOS. W-02017A-06-0410 AND W-20435A-06-0411

APPLICATION FOR APPROVAL OF SALE OF SOUTHERN WATER CORPORATION'S
ASSETS TO SONOITA VALLEY WATER COMPANY AND APPLICATION FOR
EXTENSION OF SONOITA VALLEY WATER COMPANY'S CERTIFICATE OF
CONVENIENCE AND NECESSITY TO INCLUDE THE SERVICE TERRITORY OF
SOUTHERN WATER CORPORATION

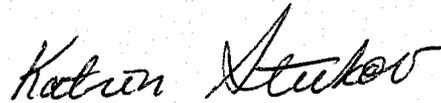
OCTOBER 27, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Southern Water Corporation and Sonoita Valley Water Company (Docket Nos. W-02017A-06-0410 and W-20435A-06-0411) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Katrin Stukov was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Katrin Stukov'.

Katrin Stukov
Utilities Engineer

EXECUTIVE SUMMARY
SOUTHERN WATER CORPORATION'S APPLICATION FOR APPROVAL OF SALE
OF ITS ASSETS TO SONOITA VALLEY WATER COMPANY AND SONOITA
VALLEY WATER COMPANY'S APPLICATION FOR EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY TO INCLUDE THE SERVICE
TERRITORY OF SOUTHERN WATER CORPORATION
DOCKET NOS. W-02017A-06-0410 AND W-20435A-06-0411

On June 21, 2006, Southern Water Corporation ("SWC" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its Assets to Sonoita Valley Water Company ("SVWC" or "Company" or "Transferee") and approval of revoked Certificate of Convenience and Necessity ("CC&N") to be included in SVWC CC&N. On June 21, 2006, SVWC filed an application with the Commission for extension of its CC&N to include the service territory of SWC. On August 29, 2006, Staff filed Sufficiency Letters indicating that the applications had met the sufficiency requirements of the Arizona Administrative Code. On September 12, 2006, by a Procedural Order, SWC's application and SVWC's application were consolidated.

SWC, a bankrupt and dissolved Corporation with a revoked CC&N, provides water service to approximately 38 residential customers and 20 commercial customers in portions of Santa Cruz County, Arizona; whereas, SVWC provides water service to approximately 40 customers in a portion of Santa Cruz County, Arizona. By these applications, SWC is seeking Commission approval for sale of its assets and transfer of its revoked CC&N area to SVWC; and SVWC is seeking Commission authority to extend its CC&N area to include SWC's service territory. Mr. E. H. "Buck" Lewis purchased the assets of SWC from the bankruptcy court with the intentions of transferring its assets to SVWC and combining the CC&N areas under SVWC. SVWC, an Arizona Corporation, in good standing with the Commission's Corporation Division, has a CC&N area that is approximately 240 acres and is located in Section 31 of Township 20 South, Range 17 East. SWC's revoked CC&N covers an area that is approximately 1,360 acres, a portion of which is adjacent to SVWC's service territory in Section 31 Township 20 South, Range 17 East. Southwest Utility Management, Inc. ("SUM") has been managing SWC's water system since Mr. Lewis acquired SWC's assets. SUM will continue to manage and operate the water systems after the transfer. Certified operator personnel will not change as a result of the transfer.

Based on Staff's review and analysis of the applications, Staff concludes that SVWC's water system has adequate storage capacity, but inadequate well production capacity to serve the existing customer base. Staff also concludes that SWC's Public Water System ("PWS") #12-010 has adequate well production capacity, but inadequate storage capacity to serve the existing residential customer base. Finally, Staff concludes that SWC's PWS #12-308 has adequate well production capacity to serve the existing commercial customer base and its expected commercial growth within a five-year planning period based on historical growth rates. Even though a storage tank may not be required by ADEQ at this time, Staff recommends the addition of a storage tank with a minimum capacity of 7,500 gallons.

Staff recommends the Commission approve SWC's application for the sale of its assets to SVWC and SVWC's application for extension of its CC&N for water service to include SWC's service territory, within portions of Santa Cruz County, Arizona, subject to compliance with the following conditions:

1. To require SVWC to charge SWC's authorized rates and charges in the extension area.
2. To require SVWC to file with Docket Control, as a compliance item in this docket, a copy of the Approval of Construction ("AOC") issued by Arizona Department of Environmental Quality ("ADEQ") for the interconnection of SVWC's PWS # 12-005 and SWC's PWS # 12-010 by December 31, 2007.
3. To require SVWC to file with Docket Control, as a compliance item in this docket, a copy of the AOC issued by ADEQ for the addition of storage tank with a minimum capacity of 7,500 gallons to the Southern water system PWS # 12-308 by December 31, 2007.
4. To require SVWC to file with Docket Control, as a compliance item in this docket, documentation showing that PWS #12-010 is in full compliance with ADEQ requirements and is delivering safe water that meets water quality standards required by Arizona Administrative Code, Title 18, within one month of the effective date of the decision in this matter.

Staff further recommends that the Commission's Decision granting the approval of the sale of assets and CC&N extension to SVWC be considered null and void, after due process, should SVWC fail to meet Condition Nos. 2, 3 and 4 listed above within the time specified.

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTION | 1 |
| BACKGROUND | 1 |
| THE WATER SYSTEM | 2 |
| THE TRANSACTION | 3 |
| ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE | 3 |
| ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE..... | 4 |
| ACC COMPLIANCE | 4 |
| ARSENIC | 4 |
| CURTAILMENT PLAN TARIFF | 4 |
| PROPOSED RATES | 4 |
| COUNTY FRANCHISE..... | 5 |
| RECOMMENDATIONS..... | 5 |

ATTACHMENT(S)

| | |
|--------------------------|---|
| ENGINEERING REPORT | A |
| ENGINEERING MAP..... | B |

Introduction

On June 21, 2006, Southern Water Corporation ("SWC" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its Assets to Sonoita Valley Water Company ("SVWC" or "Company" or "Transferee") and approval of revoked Certificate of Convenience and Necessity ("CC&N") to be included in SVWC CC&N.

On June 21, 2006, SVWC filed an application with the Commission for extension of its CC&N to include the service territory of SWC.

On July 20, 2006, the ACC Utilities Division ("Staff") filed Insufficiency Letters, indicating that SWC and SVWC applications did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). Copies of the Insufficiency Letters were sent to SWC and SVWC via U.S mail. In the Letters, Staff listed the deficiencies that needed to be cured for administrative purposes.

On July 28, 2006, and August 7, 2006, SWC and SVWC provided additional documentation to support its relief requested.

On August 29, 2006, Staff filed Sufficiency Letters indicating that the applications had met the sufficiency requirements of the A.A.C.

On September 12, 2006, by a Procedural Order, SWC's application and SVWC's application were consolidated, as their issues are substantially related and no parties' rights would be prejudiced.

Background

Sonoita Valley Water Company is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water utility service to approximately 40 customers in Papago Springs, a 55 lot Subdivision near Sonoita, in Santa Cruz County, Arizona. Sonoita is located approximately 30 miles northeast of Nogales on State Highway 82. The Commission approved the original CC&N for the Company in Decision No. 46061, issued on May 12, 1975. On June 29, 2006, the Commission issued Decision No. 68823 approving the transfer of assets and CC&N from E. H. "Buck" Lewis dba Sonoita Valley Water Company, a Sole Proprietorship, to Sonoita Valley Water Company, an Arizona Corporation. Southwestern Utility Management, Inc. ("SUM") has been managing SVWC since May 2003. SUM was owned and operated by Mr. Lewis until early 2006, when Ms. Bonnie O'Connor took over after Mr. Lewis' retired.

Southern Water Corporation was certificated by the Commission to provide water utility services in portions of Santa Cruz County, Arizona. SWC's CC&N was revoked by the Commission in Decision No. 65649, issued on February 19, 2006, for failing to file the 2001

Utilities Division Annual Report with the Commission. On February 21, 2003, SWC, a C-Corporation, was administratively dissolved by the Commission due to failure to file Corporations Division Annual Report. The Corporation status of SWC was reinstated by the Commission on November 13, 2003, and was again dissolved on August 7, 2006, due to failure to file Corporations Division Annual Report. On April 15, 2005, per the United States Bankruptcy Court of Arizona Order, issued in Chapter 7 Proceeding Case No. 4-04-bk-04658-JMM, Mr. Lewis purchased the assets of the now bankrupt SWC. SUM has been managing SWC's water system since Mr. Lewis acquired SWC's assets.

The Water System

According to the Company's 2005 Annual Report and the Water Use Data Sheet that was submitted by the SVWC, the Company's water system PWS#12-005, consists of two active wells, one booster pump, two 10,000 gallon storage tanks, one pressure tank, and distribution system serving approximately 40 customers as of January 2006. The two active wells have a combined production of 6 gallons per minute ("GPM"). Staff concludes that SVWC's water system has adequate storage capacity, but inadequate well production capacity to serve the existing customer base. The Company has experienced minimal growth in recent years.

SWC has two separate water systems, namely: PWS #12-010 and PWS #12-308. The two water systems are located approximately 1.5 to 2 miles from each other. SWC's PWS #12-010 has one active well producing 35 gallons per minute, a 10,000 gallon storage tank, a booster system, and a distribution system serving 38 residential customers as of June 2006. SWC's PWS #12-308 has one active well producing 45 GPM, and a distribution system serving 20 commercial customers as of June 2006. This water system has no storage tank and appears to be operating as a non-community water system.¹ Staff concludes that PWS #12-010 has adequate well production capacity, but inadequate storage capacity to serve the existing residential customer base. Staff also concludes that PWS #12-308 has adequate well production capacity to serve the existing commercial customer base and its expected commercial growth within a five-year planning period based on historical growth rates. Even though a storage tank may not be required by Arizona Department of Environmental Quality ("ADEQ") at this time, Staff recommends the addition of a storage tank with a minimum capacity of 7,500 gallons.

SVWC is currently evaluating options to resolve water systems inadequacies by drilling a new well and interconnecting SVWC's PWS #12-005 and SWC's PWS #12-010. It is anticipated that when these systems are interconnected, the combined system should have adequate production and storage capacity to serve the existing service base and its expected growth within a five-year planning period based on historical growth rates. SVWC is currently contemplating installing a storage tank for SWC's PWS #12-308. SVWC would need to obtain from ADEQ, the Certificates of Approval of Construction ("AOC") for all water systems improvements. Therefore, Staff recommends that SVWC be required to file with Docket

¹ ADEQ considers this system a non-community water system because the system serves only non-residential connections and does not have to meet minimum storage requirements.

Control, as a compliance item in this docket, a copy of the Approval of Construction ("AOC") issued by Arizona Department of Environmental Quality ("ADEQ") for the interconnection of SVWC's PWS # 12-005 and SWC's PWS # 12-010 by December 31, 2007. Also, Staff recommends that SVWC be required to file with Docket Control, as a compliance item in this docket, a copy of the AOC issued by ADEQ for the addition of storage tank with a minimum capacity of 7,500 gallons to the Southern water system PWS # 12-308 by December 31, 2007

SUM will continue to manage and operate the water systems after the transfer. Certified operator personnel will not change as a result of the transfer.

The Transaction

SWC, a bankrupt and dissolved Corporation with a revoked CC&N, provides water service to approximately 38 residential customers and 20 commercial customers in portions of Santa Cruz County, Arizona; whereas, SVWC provides water service to approximately 40 customers in a portion of Santa Cruz County, Arizona. By these applications, SWC is seeking Commission approval for sale of its assets and transfer of its revoked CC&N area to SVWC; and SVWC is seeking Commission authority to extend its CC&N area to include SWC's service territory. Mr. Lewis purchased the assets of SWC from the bankruptcy court with the intentions of transferring its assets to SVWC and combining the CC&N areas under SVWC. SVWC, an Arizona Corporation, in good standing with the Commission's Corporation Division, has a CC&N area that is approximately 240 acres and is located in Section 31 of Township 20 South, Range 17 East. SWC's revoked CC&N covers an area that is approximately 1,360 acres, a portion of which is adjacent to SVWC's service territory in Section 31 Township 20 South, Range 17 East.

According to SWC's application, all customer security deposits will be transferred to the Transferee; there are no refunds due on meter and line installations; and there are no refunds due on any main extension agreements.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ has determined that SVWC's PWS#12-005 and SWC's PWS #12-308 are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

ADEQ reported major deficiencies of monitoring and reporting requirements for SWC's PWS #12-010. Below are the deficiencies:

1. The ADEQ data base does not show that the required monthly Maximum Residual Disinfection Levels ("MRDLs") have been done for this water system.
2. The ADEQ data base does not show that the required annual Disinfection Byproducts ("DBP") analysis have been done for this water system.

3. The ADEQ data base does not show that the required initial and copper monitoring has been completed.

Based on these compliance monitoring deficiencies, ADEQ cannot determine if this system, PWS #12-010, is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. As such, Staff recommends that SVWC be required to file with Docket Control, as a compliance item in this docket, documentation showing that PWS #12-010 is in full compliance with ADEQ requirements and is delivering safe water that meets water quality standards required by Arizona Administrative Code, Title 18, within one month of the effective date of the decision in this matter.

Arizona Department of Water Resources ("ADWR") Compliance

SWC and SVWC are not located in an Active Management Area ("AMA") and subsequently are not subject to ADWR reporting and conservation rules.

ACC Compliance

According to the Utilities Division Compliance Section, SWC and SVWC have no outstanding ACC compliance issues.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23, 2006. The level of arsenic reported by SWC and SVWC for the three wells ranges from 3.2 to 3.8 $\mu\text{g/l}$. Based on these arsenic concentrations, the three water systems comply with the new arsenic standard of 10 micrograms per liter.

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.

SVWC has a curtailment tariff on file with the Utilities Division, which became effective on June 5, 2002, per Decision No. 64892.

Proposed Rates

SVWC will provide water service to the extension area under SWC'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.

SVWC filed, in the docket, a copy of its Santa Cruz County franchise agreement that extends its franchise area to that previously serviced by SWC.

Recommendations

Staff recommends the Commission approve SWC's application for the sale of its assets to SVWC and SVWC's application for extension of its CC&N for water service to include SWC's service territory, within portions of Santa Cruz County, Arizona, subject to compliance with the following conditions:

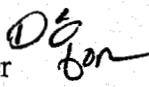
1. To require SVWC to charge SWC's authorized rates and charges in the extension area.
2. To require SVWC to file with Docket Control, as a compliance item in this docket, a copy of the Approval of Construction ("AOC") issued by Arizona Department of Environmental Quality ("ADEQ") for the interconnection of SVWC's PWS # 12-005 and SWC's PWS # 12-010 by December 31, 2007.
3. To require SVWC to file with Docket Control, as a compliance item in this docket, a copy of the AOC issued by ADEQ for the addition of storage tank with a minimum capacity of 7,500 gallons to the Southern water system PWS # 12-308 by December 31, 2007.
4. To require SVWC to file with Docket Control, as a compliance item in this docket, documentation showing that PWS #12-010 is in full compliance with ADEQ requirements and is delivering safe water that meets water quality standards required by Arizona Administrative Code, Title 18, within one month of the effective date of the decision in this matter.

Staff further recommends that the Commission's Decision granting the approval of the sale of assets and CC&N extension to SVWC be considered null and void, after due process, should SVWC fail to meet Condition Nos. 2, 3 and 4 listed above within the time specified.

MEMORANDUM

DATE: August 14, 2006

TO: Blessing Chukwu
Executive Consultant III

FROM: Katrin Stukov 
Utilities Engineer

RE: Sonoita Valley Water Company
Docket No. W-20435A-06-0411 (CC&N Extension)
Southern Water Corporation
Docket No. W-02017A-06-0410 (Sale/Transfer of CC&N)

Introduction

Sonoita Valley Water Company, Inc. ("Sonoita" or "Applicant") has filed an application for Certificate of Convenience and Necessity (CC&N) extension. Sonoita is requesting to extend its existing 0.5 square miles of certificated area by approximately 2.12 square miles in two different areas. These two different areas are being served by two separate Southern Water Company ("Southern") water systems.

Southern has applied for the approval of sale of its assets and the transfer of its CC&N to Sonoita. According to Southern's 2005 Annual Report, Southern's plant-in-service has an original cost of \$ 107,806.

Sonoita and Southern water companies are located in Santa Cruz County.

Existing Systems**Southern**

Southern has two separate water systems approximately 1.5 to 2 miles from each other. *The Arizona Department of Environmental Quality ("ADEQ") assigns each water system it regulates a Public Water System ("PWS") Identification Number which is used for tracking purposes.*

1. Southern System PWS #12-010: According to the data provided by the Applicant, this system has a well producing 35 gallons per minute ("GPM"), a 10,000 gallon storage tank, a booster system and a distribution system serving 38 residential service connections as of June 2006.

2. Southern System PWS #12-308: According to the data provided by the Applicant, this system has a well producing 45 GPM, and a distribution system serving 20 commercial service connections as of June 2006. This water system has no storage tank and appears to be operating as a non-community water system.¹

Sonoita

According to the submitted water use data and its 2005 Annual Report, Sonoita water system, PWS#12-005, consists of two wells (4.5 GPM and 1.5 GPM), two 10,000 gallons storage tanks, a booster pump, pressure tank and a distribution system serving 40 connections as of January 2006.

Capacity

Based on the submitted water use data, existing well production and storage capacity data for each water system, Staff concludes the following:

Southern System PWS #12-308

This water system has adequate well production capacity to serve the existing commercial customer base and its expected commercial growth within a five-year planning period based on historical growth rates. Even though a storage tank may not be required by ADEQ at this time, Staff recommends the addition of a storage tank with a minimum capacity of 7,500 gallons.

Southern System PWS #12-010

This water system has adequate well production capacity, but inadequate storage capacity to serve the existing customer base.

Sonoita System PWS #12-005

This water system has adequate storage capacity, but inadequate well production capacity to serve the existing customer base.

Future Improvements

The Applicant is currently evaluating options to resolve water systems inadequacies by drilling a new well and interconnecting Sonoita System PWS #12-005 and Southern System PWS #12-010. It is anticipated that when these systems are interconnected, the combined system should have adequate production and storage capacity to serve the existing service base and its expected growth within a five-year planning period based on historical growth rates.

¹ ADEQ considers this system a non-community water system because the system serves only non-residential connections and does not have to meet minimum storage requirements.

The Applicant is currently contemplating installing a storage tank for Southern System PWS #12-308. Staff recommends the addition of a storage tank with a minimum capacity of 7,500 gallons.

The Certificates of Approval of Construction ("AOC") for all water systems improvements need to be obtained from ADEQ.

ADEQ Compliance

1. ADEQ has determined that Sonoita Water System PWS#12-005 and Southern Water System PWS #12-308 are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
2. ADEQ reported major deficiencies of monitoring and reporting requirements for Southern Water System PWS #12-010:
 - a) The ADEQ data base does not show that the required monthly Maximum Residual Disinfection Levels (MRDLs) have been done for this water system.
 - b) The ADEQ data base does not show that the required annual Disinfection Byproducts (DBP) analysis have been done for this water system.
 - c) The ADEQ data base does not show that the required initial and copper monitoring has been completed.

Based on these compliance monitoring deficiencies, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arsenic

The U.S. Environmental Protection Agency (EPA) has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g}/\text{l}$ ") to $10\mu\text{g}/\text{l}$. The Applicant indicates that the arsenic level in wells for the three water systems range from 3.2 to $3.8\mu\text{g}/\text{l}$. Based on these arsenic concentrations, the three water systems are in compliance with the new arsenic MCL.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

Sonoita and Southern are not located in any Active Management Area ("AMA") and not subject to AMA reporting and conservation requirements.

Arizona Corporation Commission ("ACC") Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for Sonoita or for Southern.

Curtailement Plan Tariff

Sonoita has an approved curtailement tariff that became effective on 6/5/2002 per Decision No. 64892.

Summary

Conclusions

1. Staff concludes that Southern's existing system PWS# 12-308 has adequate well production capacity to serve the existing commercial customer base. A storage tank with a minimum capacity of 7,500 gallons should be installed for Southern PWS# 12-308.
2. Staff concludes that Sonoita's existing system PWS# 12-005 does not have adequate well production capacity and Southern's system PWS# 12-010 does not have adequate storage capacity to serve the existing customer base.
3. ADEQ has determined that Sonoita Water System PWS#12-005 and Southern Water System PWS#12-308 are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. ADEQ has determined that the Southern Water System PWS#12-010 is currently delivering water that does not meet water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
5. Based on the arsenic concentrations provided, the three water systems are in compliance with the new arsenic MCL.
6. Sonoita and Southern are not located in any Active Management Area and not subject to AMA reporting and conservation requirements.
7. A check with the Utilities Division Compliance Section showed no outstanding compliance issues for Sonoita or for Southern.

Recommendations

1. Staff recommends that the applicant file with Docket Control, as a compliance item in the same docket, documentation showing that the Southern PWS #12-010 is full compliance with ADEQ requirements and delivering safe water that meets

water quality standards required by Arizona Administrative Code, Title 18, within one month after the effective date of the decision in this case.

2. Staff recommends that the applicant file with Docket Control, as a compliance item in this same docket, a copy of the AOC issued by ADEQ for the interconnection of Sonoita PWS # 12-005 and Southern PWS # 12-010 by December 31, 2007.
3. Staff recommends that the applicant file with Docket Control, as a compliance item in this same docket, a copy of the AOC issued by ADEQ for the addition of storage tank with a minimum capacity of 7,500 gallons to the Southern water system PWS # 12-308 by December 31, 2007.

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: July 13, 2006

RE: **SONOITA VALLEY WATER COMPANY (DOCKET NO. W-04199A-06-0411)**
SOUTHERN WATER CORPORATION (DOCKET NO. W-02017A-06-0410)

Southern Water Corporation has filed an application for the sale of assets to Sonoita Valley Water Company.

Sonoita Valley has filed an application for extension for the area previously certificated to Southern Water Corporation. Attached is the legal description for this area which is provided with both applications and should be used for Sonoita Valley's extended area.

Also attached are copies of the maps for your files.

:bsw

Attachments

cc: Southwestern Utility Management
Ms. Deb Person (Hand Carried)
File

COUNTY OF Santa Cruz

RANGE 16 East

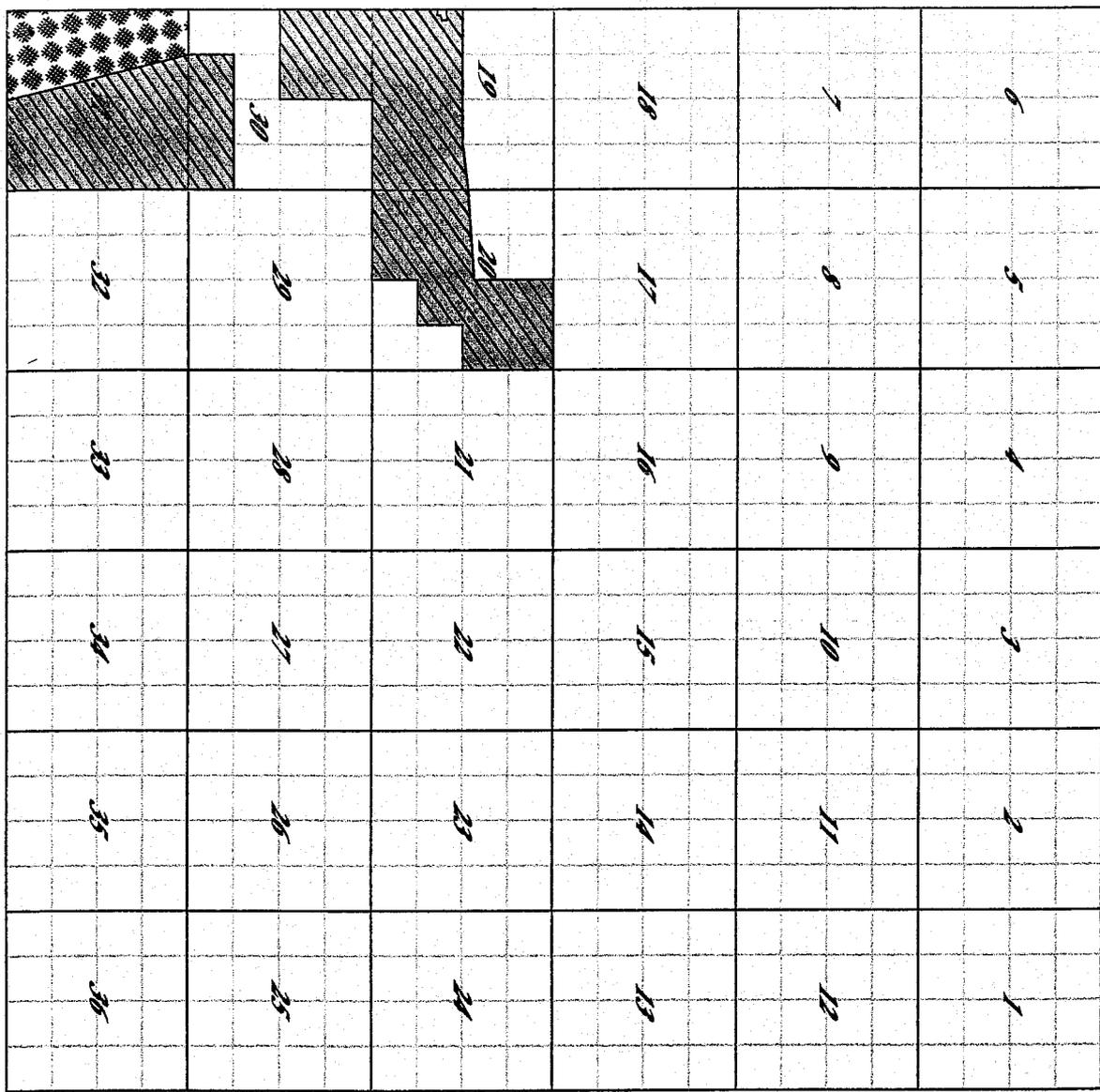
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| 31 | 32 | 32 | 31 | 35 | 36 |

TOWNSHIP 20 South

-  (1)
Sonoma Meadows Property Owners Association, Inc. (Adjudicated)
-  W-2017 (2)
Southern Water Corporation
- 
Southern Water Corporation
Docket No. W-02017A-06-0410
Application for Sale of Assets to
Sonoma Valley Water Company
- 
Sonoma Valley Water Company
Docket No. W-20435A-06-0411
Application for Extension

COUNTY OF Santa Cruz

RANGE 17 East



TOWNSHIP 20 South



W-20435 (1)

Sonoma Valley Water Company



W-2017 (2)

Southern Water Corporation



Southern Water Corporation
 Docket No. W-02017A-06-0410
 Application for Sale of Assets to
 Sonoma Valley Water Company

Sonoma Valley Water Company
 Docket No. W-20435A-06-0411
 Application for Extension

FRANCHISE AREA DESCRIPTION OF
Sonoita Valley Water Company

All of Papago Springs Subdivision No. 1, being more particularly described as all of that portion of Section 31 lying West of a diagonal line commencing at a point 1321 feet East of the Northwest Corner of said Section, running thence South 14 degrees 2 minutes 50 seconds East to a point on the South line of said Section, Township 20 South, Range 17 East, G&SRB&M, Santa Cruz County, Arizona.

**Franchise Area Description of Southern Water Company
(To become part of the Sonoita Valley Water Company Franchise)**

All that portion of Section 31 lying east of a diagonal line commencing at a point 1321 feet North 80° 15' 20" East from the common section corner of Sections 25 and 36 in Township 20 South, Range 16 East and Sections 30 and 31 Township 20 South, Range 17 East, G&SRB&M, Santa Cruz County, Arizona, thence South 14° 2' 50" East, to a point on the south line of Section 31, approximately 2607.40 feet easterly from the southwest corner of said Section 31 and the Southeast Quarter (SE ¼) of the Southwest Quarter (SW ¼) and the South Half (S ½) of the Southeast Quarter (SE ¼) of Section 30, Township 20 South, Range 17 East, G&SRB&M, Santa Cruz County, Arizona and

the Northeast Quarter of Section 20, T20S, R17E;
and the Northwest Quarter of the Southeast Quarter of Section 20, T20S, R17E;
and the Southwest Quarter of Section 20, T20S, R17E;
and the Northwest Quarter of Section 20, T20S, R17E, South of U.S. Hwy #82;
and the South Half of Section 19, T20S, R17E, South of U.S. Hwy #82, excluding the Steakout parcel and the Ranch Restaurant parcel;
and the West 3000 feet more or less of the North Half of Section 30, T20S, R17E;
and the East Half of the East Half of the Northeast Quarter of Section 25, T20S, R16E.

EXCEPT for the following area which is currently certificated to Sonoita Meadows Property Owners Association, Inc.:

A portion of the East Half of the East Half of Section 25, Township 20 South, Range 16 East, Gila and Salt River Base and Meridian, Santa Cruz County, Arizona, more particularly described as follows:

Beginning at the East ¼ corner of said Section 25, said point being a 1¼ inch round pipe;
Thence North 89° 47' 33" West, a distance of 431.10 feet;
Thence North 21° 19' 20" East, a distance of 226.06 feet;
Thence North 4° 29' 50" East, a distance of 224.58 feet;
Thence North 0° 58' 42" East, a distance of 631.42 feet;
Thence North 4° 56' 18" West, a distance of 174.60 feet;
Thence North 4° 36' 11" West, a distance of 171.05 feet;
Thence North 11° 20' 41" East, a distance of 146.37 feet;
Thence North 19° 41' 39" East, a distance of 219.38 feet;
Thence North 23° 37' 01" East, a distance of 370.35 feet;
Thence North 89° 50' 00" East, a distance of 92.06 feet to a point on the East line of Section 25;
Thence South 00° 10' 00" East along the East line of said Section 25, a distance of 2101.48 feet to the Point of Beginning.