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MEMORANDUM

TO: Docket Control  
Arizona Corporation Commission

Arizona Corporation Commission

DOCKETED

FROM: Ernest G. Johnson  
Director  
*EGJ*  
Utilities Division

AUG 28 2007

Date: August 28, 2007

DOCKETED BY *[Signature]*

RE: STAFF REPORT FOR PALO VERDE UTILITIES COMPANY, L.L.C. AND  
SANTA CRUZ WATER COMPANY, L.L.C. – APPLICATION TO AMEND  
DECISION NO. 68498 PURSUANT TO A.R.S. SECTION 40-252 (DOCKET  
NOS. SW-03575A-07-0305 AND W-03576A-07-0305)

Attached is the Staff Report for Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. application to amend Decision No. 68498. Staff is recommending denial and also offering an alternative for approval with conditions.

EGJ:BNC:kdh

Originator: Blessing Chukwu

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Service List for: Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C.  
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STAFF REPORT  
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ARIZONA CORPORATION COMMISSION

PALO VERDE UTILITIES COMPANY, L.L.C.  
AND  
SANTA CRUZ WATER COMPANY, L.L.C.  
DOCKET NOS. SW-03575A-07-0305  
AND  
W-03576A-07-0305

APPLICATION TO AMEND DECISION NO. 68498  
PURSUANT TO A.R.S. SECTION 40-252

AUGUST 28, 2007

## STAFF ACKNOWLEDGMENT

The Staff Report for Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. (Docket Nos. SW-03575A-07-0305 and W-03576A-07-0305) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Companies' application. Dorothy Hains was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read 'Blessing Chukwu', with a stylized, overlapping structure.

Blessing Chukwu  
Executive Consultant III

A handwritten signature in black ink, appearing to read 'Dorothy Hains', written in a cursive style.

Dorothy Hains  
Utilities Engineer

**EXECUTIVE SUMMARY**  
**PALO VERDE UTILITIES COMPANY, L.L.C. AND**  
**SANTA CRUZ WATER COMPANY, L.L.C.**  
**DOCKET NOS. SW-03575A-07-0305 and W-03576A-07-0305**

On May 21, 2007, Palo Verde Utilities Company, L.L.C. ("Palo Verde" or "Wastewater Company") and Santa Cruz Water Company, L.L.C. ("Santa Cruz" or "Water Company") collectively referred to as ("The Utilities") jointly filed an application with the Arizona Corporation Commission ("ACC" or "Commission") to amend Decision No. 68498, pursuant to A.R.S. Section 40-252.

Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs"), in good standing, and engaged in providing wastewater utility service to over 14,200 customers and water utility service to over 14,600 customers, respectively, in portions of Pinal County, Arizona. The Utilities were granted an Order Preliminary to the issuance of the Certificate of Convenience and Necessity ("CC&N") for the 387 Domestic Water Improvement District and the 387 Wastewater Improvement District (collectively, the "387 Improvement District") areas upon completion of the requirements contained in Findings of Fact Nos. 24 and 34, in Decision No. 68498, issued on February 23, 2006, in Docket Nos. SW-03575A-05-0470 and W-03576A-05-0470.

Pursuant to Finding of Fact No. 24b and 34b of Decision No. 68498, Santa Cruz was to file a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC") for the proposed water line interconnection by December 31, 2006, and Palo Verde was to file a copy of the ADEQ AOC for the sewer line interconnection by December 31, 2006, respectively. Neither Santa Cruz nor Palo Verde filed the required ADEQ AOC within the time specified by the order. On March 20, 2007, and May 7, 2007, Staff filed memoranda to close Docket Nos. SW-03575A-05-0470 and W-03576A-05-0470, pursuant to Decision No. 68498. On May 8, 2007, the dockets were Administratively Closed. (See Decision No. 69493.) The Utilities, albeit late, have filed a copy of the AOC for the sewer interconnection and a letter from ADEQ stating that AOC is not required for the water interconnection since the construction cost is less than \$50,000.

In the instant application, The Utilities specifically request that the requirements regarding filing the AOC from ADEQ be eliminated. The elimination of the AOCs will in essence reinstate the Order Preliminary with the last requirement before the issuance of the CC&N being the dissolution of the 387 Improvement District by Pinal County. This last requirement has no deadline. Pinal County plans to dissolve the 387 Improvement District after certain litigation<sup>1</sup> involving the 387 Improvement District is resolved.

Staff recommends the Commission deny The Utilities' application to amend Decision No. 68498. The Utilities are out of compliance with Commission rules and regulations and prior Commission decision due to The Utilities' failure to comply with prior Commission Order, in Decision No. 68448. The Utilities have a pending request for time extension to comply with the

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<sup>1</sup> See Findings of Fact Nos. 38 and 39, in Decision No. 68498

delinquent compliance requirements. Staff believes it is not in the public interest to grant the relief requested until The Utilities are in compliance with the Commission.

However, Staff will reconsider its recommendation if, by the date of the hearing in this matter, The Utilities file documentation demonstrating that The Utilities have complied with Decision No. 68448.

In the alternative, should the Commission decide to grant an Order Preliminary, Staff recommends that the final CC&N not be granted until:

1. The Utilities are in full compliance with Decision No. 68448 or granted their time extension.

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## **Introduction**

On May 21, 2007, Palo Verde Utilities Company, L.L.C. ("Palo Verde" or "Wastewater Company") and Santa Cruz Water Company, L.L.C. ("Santa Cruz" or "Water Company") collectively referred to as ("The Utilities") jointly filed an application with the Arizona Corporation Commission ("ACC" or "Commission") to amend Decision No. 68498, pursuant to A.R.S. Section 40-252.

On June 15, 2007, the Commissioners voted to have a hearing on The Utilities' Application to Amend Decision No. 68498, pursuant to A.R.S. Section 40-252.

On July 19, 2007, a Procedural Order was issued in the docket setting the procedural schedule.

On August 9, 2007, The Utilities provided additional documentation to support their relief requested.

## **Background**

Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs") in good standing and engaged in providing wastewater utility service to over 14,200 customers and water utility service to over 14,600 customers<sup>2</sup>, respectively, in portions of Pinal County, Arizona. The original Certificates of Convenience and Necessity ("CC&N") for The Utilities were granted by the Commission in Decision No. 61943 (September 17, 1999) as Arizona Corporations. On October 6, 2003, the Commission issued Decision No. 66394 which approved the transfer of the CC&Ns from the Corporations to the LLCs. The Utilities were granted extensions to their CC&Ns in Decision Nos. 66394 (October 6, 2003), 67240 (September 23, 2004), 67830 (May 5, 2005), and 68448 (February 2, 2006). In addition, The Utilities were granted an Order Preliminary for the 387 Domestic Water Improvement District and the 387 Wastewater Improvement District (collectively, the "387 Improvement District") areas in Decision No. 68498 (February 23, 2006).

The Utilities are wholly-owned subsidiaries of Global Water Resources, LLC ("GWR"). GWR is a utility holding company, formed as an LLC, and is engaged in the business of acquiring utility companies. Altogether, GWR's subsidiaries provide utility service to approximately 36,000 customers in Arizona.

Palo Verde and Santa Cruz are currently certificated by the Commission to provide wastewater and water services to approximately a 30 square mile area within the corporate city limits of the City of Maricopa, in northwest Pinal County, Arizona. The Utilities were granted an Order Preliminary to the issuance of the CC&Ns for the 387 Improvement District areas upon

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<sup>2</sup> The number of customers is as of August 15, 2007, and includes the 387 Improvement District customers. 387 Improvement District is the subject of the instant application.

completion of the requirements contained in Findings of Fact Nos. 24 and 34, in Decision No. 68498, issued on February 23, 2006, in Docket Nos. SW-03575A-05-0470 and W-03576A-05-0470.

The 387 Improvement District includes approximately 5,000 acres or seven and one-half (7.5) square miles; is located adjacent to The Utilities' existing CC&N area; comprises of several master planned communities; and includes over 16,300 lots. The 387 Improvement District was formed in 2003 by the Pinal County to provide water and wastewater services to an area which The Utilities were not then able to serve. Sonoran Utility Services ("Sonoran") contractually operated the 387 Improvement District since its inception. On April 14, 2005, GWR took over the operating obligations of the 387 Improvement District from Sonoran and on June 15, 2005, The Utilities acquired the assets of the 387 Improvement District.

Pursuant to Findings of Fact Nos. 24b and 34b of Decision No. 68498, Santa Cruz was ordered to file a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC") for the proposed water line interconnection by December 31, 2006, and Palo Verde was to file a copy of the ADEQ AOC for the sewer line interconnection by December 31, 2006, respectively. Neither Santa Cruz nor Palo Verde filed the required ADEQ AOC within the time specified by the decision. Due to The Utilities' failure to file these required compliance items, the Order Preliminary approved in Decision No. 68498 became null and void. On March 20, 2007, and May 7, 2007, Staff filed memoranda to close Docket Nos. SW-03575A-05-0470 and W-03576A-05-0470, pursuant to Decision No. 68498. On May 8, 2007, the dockets were Administratively Closed. (See Decision No. 69493.) The Utilities, albeit late, have filed a copy of the AOC for the sewer interconnection and a letter from ADEQ stating that AOC is not required for the water interconnection since the construction cost is less than \$50,000.

In the instant application, The Utilities requests that the Commission amend Decision No. 68498, pursuant to A.R.S. Section 40-252. Specifically, The Utilities requests that the requirements regarding filing the AOC from ADEQ be eliminated. The elimination of the AOCs will in essence reinstate the Order Preliminary with the last requirement before the issuance of the CC&N being the dissolution of the 387 Improvement District by Pinal County. This last requirement has no deadline. Pinal County plans to dissolve the 387 Improvement District after certain litigation<sup>3</sup> involving the 387 Improvement District is resolved. According to The Utilities' August 9, 2007 response to Staff First Set of Data Requests, "[r]ecently, Sonoran filed a "Third Amended Complaint" which added certain Global affiliates as defendants: (1) Global Water Resources, LLC; (2) Santa Cruz Water Company, LLC; (3) Global Water - Santa Cruz Water Company; (4) Palo Verde Utilities Company, LLC; and (5) Global Water - Palo Verde Utilities Company. The Global defendants answered denying all allegations of wrong-doing."

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<sup>3</sup> See Findings of Fact Nos. 38 and 39 in Decision No. 68498

## The Water System

Santa Cruz operates a water system that consists of four drinking water wells (having a combined production rate of 7,400 gallons per minute ("GPM")), four storage tanks (having a combined capacity of 4,000,000 gallons), four pressure tanks (having a combined capacity of 20,000 gallons) and one irrigation well. Santa Cruz has an existing customer base of approximately 14,200 customers.<sup>4</sup> The Water Company currently experiences an average monthly growth rate of over 225 new connections. Santa Cruz water system does not have adequate production to serve its existing base of customers. However, Santa Cruz is in the process of completing the following plant additions: (1) a 3,500,000 gallon Rancho Mirage storage tank system which the Water Company expects will be in service by August 2007; and (2) a 2,800 GPM Rancho Mirage well which is expected to be in service in October 2007. When these plant additions are completed and in service Santa Cruz will have adequate production and storage capacity to serve its existing base of customers.

Santa Cruz delivers its water to the 387 Improvement District to serve customers in the 387 Improvement District. The two wells the 387 Improvement District owns have been converted to irrigation wells. The 500,000 gallon storage tank and booster station that the 387 Improvement District owned still remain in the system to serve the 387 Improvement District customers. The 387 Improvement District has approximately 1,000 customers and experiences an average monthly growth rate of over 150 connections. On July 24, 2007, ADEQ issued a letter to Santa Cruz stating "[a]n "Approval to Construct" is not required for the construction work of water interconnections between 387 DWID and Global-Santa Cruz Water Company because the total project cost was less than \$50,000. It follows that an AOC is also not required.

The Santa Cruz and 387 Improvement District systems are physically interconnected. After the Rancho Mirage storage tank and well are in service, Santa Cruz will be able to serve approximately 1,000 additional customers. Staff concludes that Santa Cruz will have adequate production and storage capacity to serve customers in the extension area. Staff further concludes that it is reasonable to assume that Santa Cruz will develop additional capacity as needed to meet future growth in the expanded service area.

Staff recommends that the Commission eliminate the AOC requirement that was ordered in Decision No. 68498 for the water line interconnection, since ADEQ does not require Approval to Construct nor an AOC for projects with total construction cost of less than \$50, 000.

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<sup>4</sup> The number of customers is as of August 15, 2007, and includes the 387 Improvement District customers. 387 Improvement District is the subject of the instant application.

### **Arizona Department of Environmental Quality Compliance**

Staff received compliance status reports<sup>5</sup> for Santa Cruz and the 387 Improvement District systems from ADEQ stating that it has determined that Santa Cruz is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. ADEQ also stated that the 387 Improvement District is currently classified as an inactive water system because the system is physically interconnected to Santa Cruz and the 387 Improvement District wells have been permanently disconnected from the distribution system.

### **Arizona Department of Water Resources (“ADWR”) Compliance**

Santa Cruz is located in the Pinal Active Management Area (“AMA”), as designated by ADWR. As a result, Santa Cruz is subject to the reporting and conservation rules of ADWR. ADWR has indicated that Santa Cruz is in compliance with the Pinal AMA requirements.

ADWR issued a Decision and Order (No. 26-401667.0000) on May 4, 2006. This order stated that ADWR approved the Water Company’s Designation of Assured Water Supply (“DAWS”) modification request to include the 387 Improvement District in its existing DAWS.

### **ACC Compliance**

A check with the Utilities Division Compliance Section showed that there are three delinquent compliance requirements for Santa Cruz. These compliance items were required per Commission Decision No. 68448 and include the following: a Pinal County Franchise Agreement, a fully executed main extension agreement for the extension area, and an amendment to the Company’s existing Designated Assured Water Supply for the Southwest area. The Company has a pending request for extension of time to comply with those items.

### **Arsenic**

The U.S. Environmental Protection Agency (“USEPA”) has reduced the arsenic maximum contaminant level (“MCL”) in drinking water from 50 micrograms per liter (“µg/l”) or parts per billion (“ppb”) to 10 µg/l. The date for compliance with the new MCL is December 31, 2007. The most recent lab analysis provided by Santa Cruz indicates that the arsenic levels in both Wells are 10.1 µg/l and 17.71 µg/l which are above the new arsenic MCL. Santa Cruz indicated that blending will be used to reduce this arsenic concentration to meet the new standard. In an ADEQ Certificate issued on July 20, 2005, ADEQ stated that the blending plan for the Santa Cruz Company was approved.

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<sup>5</sup> Staff received the compliance status reports from ADEQ on May 17, 2007 (related to Santa Cruz) and July 26, 2007 (related to 387 District).

### **Curtailment Plan Tariff**

Santa Cruz has an approved curtailment tariff that was filed in October 2003 and approved by Decision No. 66394. The tariff was subsequently amended by Decision No. 67830.

### **The Wastewater System**

Palo Verde owns and operates an enclosed three million gallons per day ("MGD") sequential batch reactor treatment plant, sand filters, ultra violet disinfection units and an effluent reuse and surface water disposal system to serve its existing CC&N area.

The 387 Improvement District had installed a 0.99 MGD treatment plant (Maricopa #1 Wastewater Treatment Plant)<sup>6</sup>; however, this treatment plant has never been in service and its ADEQ's Aquifer Protection Permit ("APP") was cancelled in 2006. Currently all wastewater from the 387 Improvement District area is being pumped to the Palo Verde treatment plant for treatment and disposal.

Palo Verde had extended its existing wastewater collection system to interconnect with the 387 Improvement District sewer collection systems at Smith Road and Bowlin Road<sup>7</sup>. This interconnection work was completed in March 2007.

Palo Verde, albeit late, filed in this docket a copy of the ADEQ Approval of Construction for the sewer line interconnection between 387 Improvement District and Palo Verde. Staff recommends that the Commission eliminate the deadline or due date for the AOC requirement that was ordered in Decision No. 68498 for the sewer line interconnection. An AOC is required by ADEQ for the sewer line interconnection and ADEQ issued one for the project which has been filed with the Commission.

### **Clean Water Act Section 208 Plan**

On August 1, 2006, the Central Arizona Association of Government ("CAAG") issued a 208 amendment to approve Palo Verde's 208 Water Quality Management Plan that covers 300 square miles and includes the 30 square miles of the Palo Verde existing CC&N service area and the 7.5 square miles of the 387 District service area. On January 19, 2007, ADEQ issued a letter to the USEPA stating that the *Clean Water Act Sect 208 Plan Amendment for The Palo Verde Utility Company Consolidated Service Area, June 2006*, is consistent with both the State of Arizona's and the CAAG's Water Quality Management Plans.

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<sup>6</sup> According to the Company, this treatment plant will be modified and used to treat Central Arizona Project water in the future.

<sup>7</sup> ADEQ issued a Discharge Authorization Permit on May 8, 2007.

### **ADEQ Compliance**

Staff received a compliance status report from ADEQ dated August 10, 2007, in which ADEQ stated that ADEQ has closed the Notice of Violation ("NOV") issued to Palo Verde on April 6, 2007. ADEQ has closed the NOV based upon its determination that Palo Verde has met the Documenting Compliance provisions of the NOV. Palo Verde is in compliance with ADEQ Aquifer Protection Permit monitoring and reporting requirement.

### **ACC Compliance**

A check with the Utilities Division Compliance Section showed that there is one delinquent compliance requirement for Palo Verde. Commission Decision No. 68448 requires Palo Verde to file: a Pinal County Franchise Agreement. The Company has a pending request for extension of time to comply with this item.

### **Proposed Rates**

Palo Verde and Santa Cruz provide utility services to the 387 Improvement District under their respective authorized rates and charges.

### **Municipal Franchise**

Every applicant for a CC&N and/or CC&N extension 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.

Palo Verde and Santa Cruz filed a copy of the Operating/License Agreement they had entered into with the City of Maricopa. Operating/License Agreement is an acceptable substitute for franchise agreement.

### **Recommendations**

Staff recommends the Commission deny The Utilities' application to amend Decision No. 68498. The Utilities are out of compliance with Commission rules and regulations and prior Commission decision due to The Utilities' failure to comply with prior Commission Order, in Decision No. 68448. The Utilities have a pending request for time extension to comply with the delinquent compliance requirements. Staff believes it is not in the public interest to grant the relief requested until The Utilities are in compliance with the Commission.

However, Staff will reconsider its recommendation if, by the date of the hearing in this matter, The Utilities file documentation demonstrating that The Utilities have complied with Decision No. 68448.

In the alternative, should the Commission decide to grant an Order Preliminary, Staff recommends that the final CC&N not be granted until:

1. The Utilities are in full compliance with Decision No. 68448 or granted time extension.

**MEMORANDUM**

DATE August 13, 2007

TO: Blessing Chukwu  
Executive Consultant III

FROM: Dorothy Hains, P. E. DH  
Utilities Engineer

RE: **WATER & WASTEWATER CERTIFICATE OF CONVENIENCE & NECESSITY ("CC&N") EXTENSIONS FOR SANTA CRUZ WATER & PALO VERDE UTILITIES, L.L.C., DOCKET NOS. W-03576A-07-0305 & SW-03575A-07-0305**

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**I. Introduction**

In Decision No. 68498 the Commissioners gave an Order Preliminary Approval to Santa Cruz Water Co. ("Santa Cruz") and Palo Verde Utilities Co. ("Palo Verde"), collectively referred to herein as "the Company", to serve the 387 Domestic Water Improvement District and the 387 Wastewater Improvement District (collectively, the 387 Districts"). Due to the Company's failure to comply with the requirements in Decision No. 68498, the Commissioners administratively closed Decision No. 68498 on May 8, 2007. The Company is seeking to amend Decision No. 68498 to change certain compliance requirements. Santa Cruz and Palo Verde currently serve approximately thirty square miles, near the Town of Maricopa in northwest Pinal County. The requested extension area, the 387 Districts, includes approximately nine square miles in Pinal County and is located adjacent to the Company's existing CC&Ns.

**II. Water System****A. System Analysis****(a) Existing Santa Cruz System**

Santa Cruz operates a water system that consists of four drinking water wells (having a combined production rate of 7,400 gallons per minute ("GPM")), four storage tanks (having a combined capacity of 4,000,000 gallons); four pressure tanks (having a combined capacity of 20,000 gallons) and one irrigation well. Santa Cruz has an existing customer base of almost 14,000 customers<sup>1</sup> and experiences an average monthly growth rate of over 225 connections. The existing Santa Cruz system does not have adequate production to serve its existing base of customers. However, Santa Cruz is in the process

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<sup>1</sup> According to the Company, the Company was serving 13,830 customers as of May 2007; this customer count includes customers in the 387 District.

of completing the following plant additions: (1) a 3,500,000 gallon Rancho Mirage storage tank system which the Company expects will be in service by August 2007; and (2) a 2,800 GPM Rancho Mirage well which is expected to be in service in October 2007. When these plant additions are completed and in service Santa Cruz will have adequate production and storage capacity to serve its existing base of customers.

**(b) 387 District Water System**

Santa Cruz delivers its water to the 387 District to serve customers in the 387 District. The two wells the 387 District owns have been converted to irrigation wells. The 500,000 gallon storage tank and booster station that the 387 District owned still remain in the system to serve the 387 District customers. 387 District has approximately 1,000 customers and the 387 District experiences an average monthly growth rate of over 150 connections. The Arizona Department of Environmental Quality ("ADEQ") issued a letter dated July 24, 2007, stating that the requirement of a Certificate of Approval to Construct for the interconnection work had been waived because the total cost was less than \$50,000.

**(c) Combined Water System**

The Santa Cruz and 387 District systems are physically interconnected. After the Rancho Mirage storage tank and well are in service, Santa Cruz will be able to serve approximately 1,000 additional customers. Staff concludes that Santa Cruz will have adequate production and storage capacity to serve customers in the extension area. Staff further concludes that it is reasonable to assume that Santa Cruz will develop additional capacity as needed to meet future growth in the expanded service area.

**B. ADEQ Compliance Status**

Staff received compliance status reports<sup>2</sup> for Santa Cruz and the 387 District systems from ADEQ stating that it has determined that Santa Cruz is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. ADEQ also stated that the 387 District is currently classified as an inactive water system because the system is physically interconnected to the Santa Cruz and the 387 wells have been permanently disconnected from the distribution system

**C. Arizona Department of Water Resources ("ADWR") Compliance Status**

Santa Cruz is located in the Pinal Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that Santa Cruz is in compliance with the Pinal AMA requirements.

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<sup>2</sup> Staff received the compliance status reports from ADEQ on May 17, 2007 (related to Santa Cruz) and July 26, 2007 (related to 387 District).

ADWR issued a Decision and Order (no. 26-401667.0000) on May 4, 2006. This order stated that ADWR approved the Company's Designation of Assured Water Supply ("DAWS") modification request to include the 387 District in its existing DAWS.

**D. Arizona Corporation Commission (ACC) Compliance Status**

A check with the Utilities Division Compliance Section showed that there were three compliance requirements for Santa Cruz. These compliance items were required per Commission Decision No. 68448 and include the following: a Pinal County Franchise Agreement, a fully executed main extension agreement for the extension area and an amendment to the Company's existing Designated Assured Water Supply for the Southwest area. The Company has a pending request for extension of time to comply with those items.

**E. 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 December 31, 2007. The most recent lab analysis provided by Santa Cruz indicates that the arsenic levels in both Wells are 10.1  $\mu\text{g/l}$  and 17.71  $\mu\text{g/l}$  which are above the new arsenic MCL. Santa Cruz indicated that blending will be used to reduce this arsenic concentration to meet the new standard. In an ADEQ Certificate issued on July 20, 2005, ADEQ stated that the blending plan for the Santa Cruz Company was approved.

**F. Curtailment Tariff**

Santa Cruz has an approved curtailment tariff that was filed in October 2003, and approved in Decision No. 66394. This tariff was subsequently amended by Decision No. 67830.

**Wastewater System**

**A. Wastewater System**

**(a) Existing Palo Verde Wastewater System**

Palo Verde owns and operates an enclosed three million gallon per day ("MGD") sequential batch reactor treatment plant, sand filters, ultra violet disinfection units and an effluent reuse and surface water disposal system to serve its existing CC&N area.

**(b) 387 District Wastewater System**

The 387 District had installed a 0.99 MGD treatment plant (Maricopa #1 Wastewater Treatment Plant)<sup>3</sup>; however, this treatment plant has never been in service and its ADEQ's Aquifer Protection Permit ("APP") was cancelled in 2006. Currently all wastewater from the 387 District area is being pumped to the Palo Verde treatment plant for treatment and disposal.

**(c) Future Wastewater System**

Palo Verde had extended its existing wastewater collection system to interconnect with the 387 District sewer collection systems at Smith Road and Bowlin Road<sup>4</sup>. This interconnection work was completed in March 2007.

**B. Clean Water Act Section 208 Plan**

On August 1, 2006, the Central Arizona Association of Government ("CAAG") issued a 208 amendment to approve Palo Verde's 208 Water Quality Management Plan that covers 300 square miles and includes the 30 square miles of the Palo Verde existing CC&N service area and the 9 square miles of the 387 District service area. On January 19, 2007, ADEQ issued a letter to the U. S. Environmental Protection Agency ("USEPA") stating that the *Clean Water Act Sect 208 Plan Amendment for The Palo Verde Utility Company Consolidated Service Area, June 2006*, is consistent with both the State of Arizona's and the CAAG's Water Quality Management Plans.

**C. ADEQ Compliance**

Staff received a compliance status report from ADEQ dated August 10, 2007, in which ADEQ stated that ADEQ has closed the Notice of Violation ("NOV") issued to Palo Verde on April 6, 2007. ADEQ has closed the NOV based upon its determination that Palo Verde has met the Documenting Compliance provisions of the NOV. Palo Verde is in compliance with ADEQ Aquifer Protection Permit monitoring and reporting requirements.

**D. ACC Compliance**

Palo Verde currently is not in compliance with the ACC. A check with the Utilities Division Compliance Section showed there is one delinquent compliance item. This delinquent compliance item, required per Decision No. 68448, include filing a Pinal County Franchise Agreement.

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<sup>3</sup> According to the Company, this treatment plant will be modified and used to treat Central Arizona Project water in the future.

<sup>4</sup> ADEQ issued a Discharge Authorization Permit on May 8, 2007.

#### **IV. Summary**

##### **I. Conclusions**

1. Staff believes Palo Verde has adequate production and treatment capacities to serve the requested area.
2. Santa Cruz is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Santa Cruz is in compliance with the Pinal AMA requirements.
4. A check with the Utilities Division Compliance Section showed that there were three compliance requirements for Santa Cruz. These compliance items were required per Commission Decision No. 68448 and include the following: a Pinal County Franchise Agreement, a fully executed main extension agreement for the extension area and an amendment to the Company's existing Designated Assured Water Supply for the Southwest area. The Company has a pending request for extension of time to comply with those items.
5. Santa Cruz has an approved curtailment tariff that was filed in October 2003, and approved in Decision No. 66394. This tariff was subsequently amended by Decision No. 67830.
6. Staff concludes that Santa Cruz will have adequate capacity to serve the existing customer base in the expanded service area after the Rancho Mirage well is in service in October 2007. Staff further concludes that it is reasonable to assume that Santa Cruz will develop additional capacity as needed to meet future growth in the expanded service area.
7. Staff concludes that the Palo Verde system has adequate capacity to serve the existing customer base in the expanded service area. Staff further concludes that it is reasonable to assume that Palo Verde will develop additional capacity as needed to meet future growth in the expanded service area.
8. On January 19, 2007, ADEQ issued a letter to US EPA, stating that the *Clean Water Act Sect 208 Plan Amendment for The Palo Verde Utility Company Consolidated Service Area, June 2006*, is consistent with both the State of Arizona's and the CAAG's Water Quality Management Plans.
9. Palo Verde is in compliance with ADEQ's Aquifer Protection Permit monitoring and reporting requirement.

10. ADWR issued a Decision and Order (no. 26-401667.0000) on May 4, 2006. This order stated that ADWR approved the Company's Designation of Assured Water Supply ("DAWS") modification request to include 387 District in its existing DAWS.

**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: June 18, 2007

RE: **SANTA CRUZ WATER COMPANY (DOCKET NO. W-03576A-07-0305)**  
**PALO VERDE UTILITIES COMPANY (DOCKET NO. WS-03575A-07-0305)**

Santa Cruz and Palo Verde have filed an application to amend Decision No. 68498.

Attached are copies of the maps for your files.

:bsw

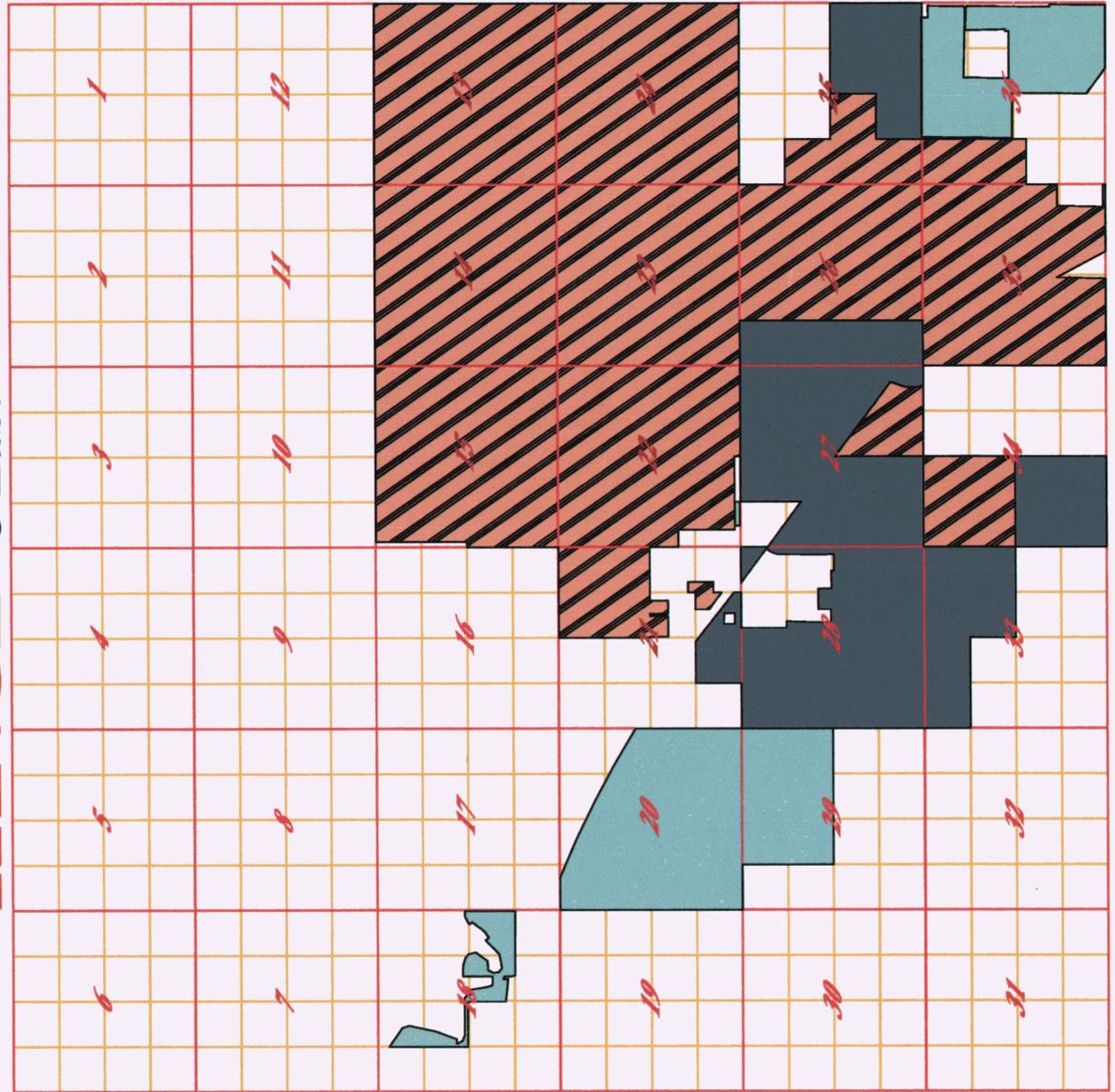
Attachments

cc: Mr. Michael W. Patten  
Ms. Dorothy Hains  
Ms. Deb Person (Hand Carried)  
File

# COUINTRY: Pinal

## RANGE 3 East

## TOWNSHIP 4 South



 W-3576 (3)  
Santa Cruz Water Company

 Sewer SW-3575 (3)  
Palo Verde Utilities Company

 68498 (4) Order Preliminary Issued  
Santa Cruz Water Company  
Docket No. W-03576A-07-0305  
Palo Verde Utilities Company  
Docket No. SW-03575A-07-0305  
Application to Amend Decision No. 68498

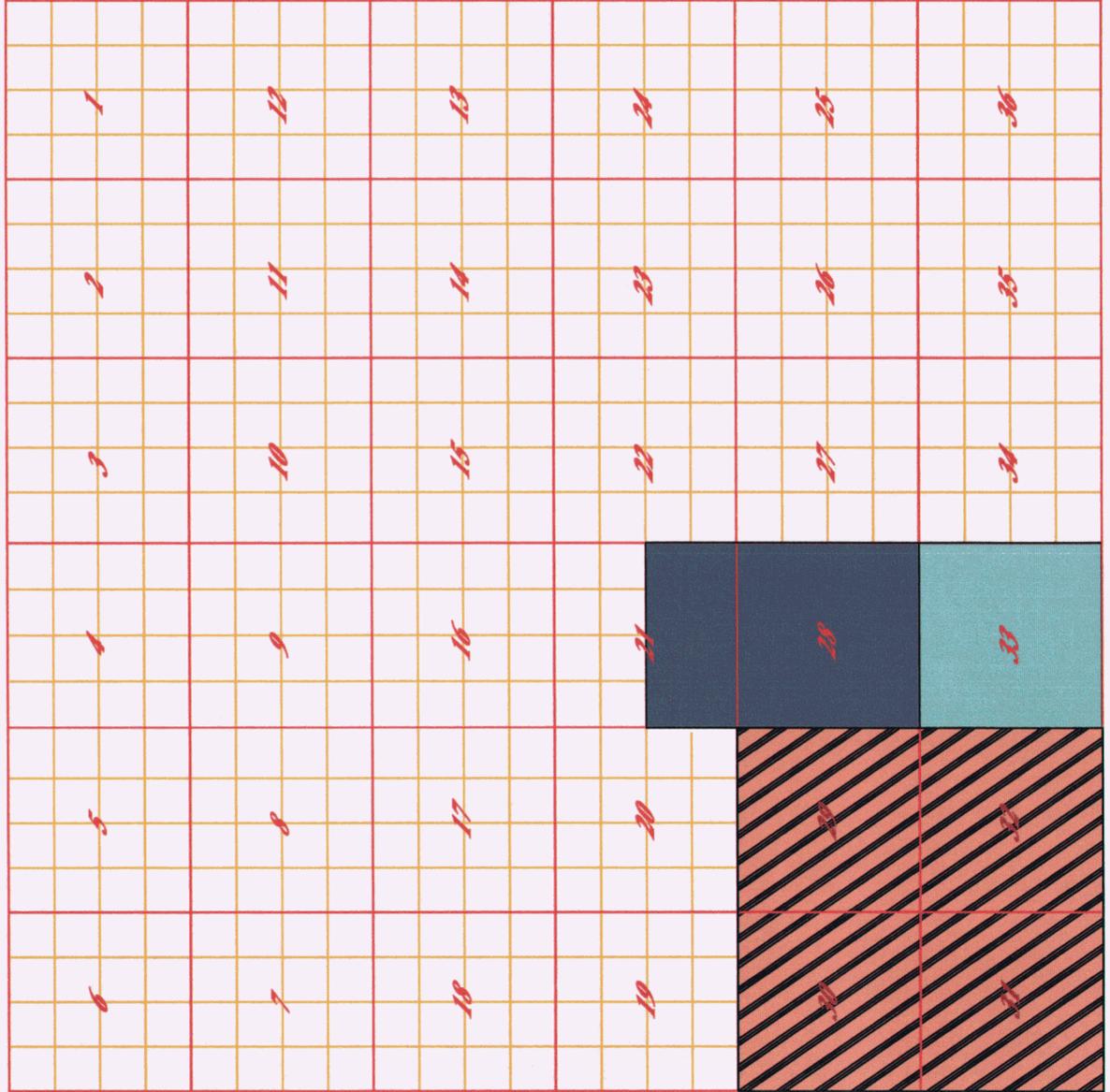
 (6)  
Santa Cruz Water Company  
Docket No. W-03576A-06-0155  
Palo Verde Utilities Company  
Docket No. SW-03575A-06-0155  
Application to Transfer to Global Water  
Docket Nos. W-20446 and SW-20445

 (8)  
Santa Cruz Water Company  
Docket No. W-03576A-06-0545  
Palo Verde Utilities Company  
Docket No. SW-03575A-06-0545  
Application for Extension

# COUINTRY Pinal

## RANGE 4 East

## TOWNSHIP 4 South



 W-3576 (3)  
Santa Cruz Water Company

 Sewer SW-3575 (3)  
Palo Verde Utilities Company

 68498 (4) Order Preliminary Issued  
Santa Cruz Water Company  
Docket No. W-03576A-07-0305  
Palo Verde Utilities Company  
Docket No. SW-03575A-07-0305  
Application to Amend Decision No. 68498

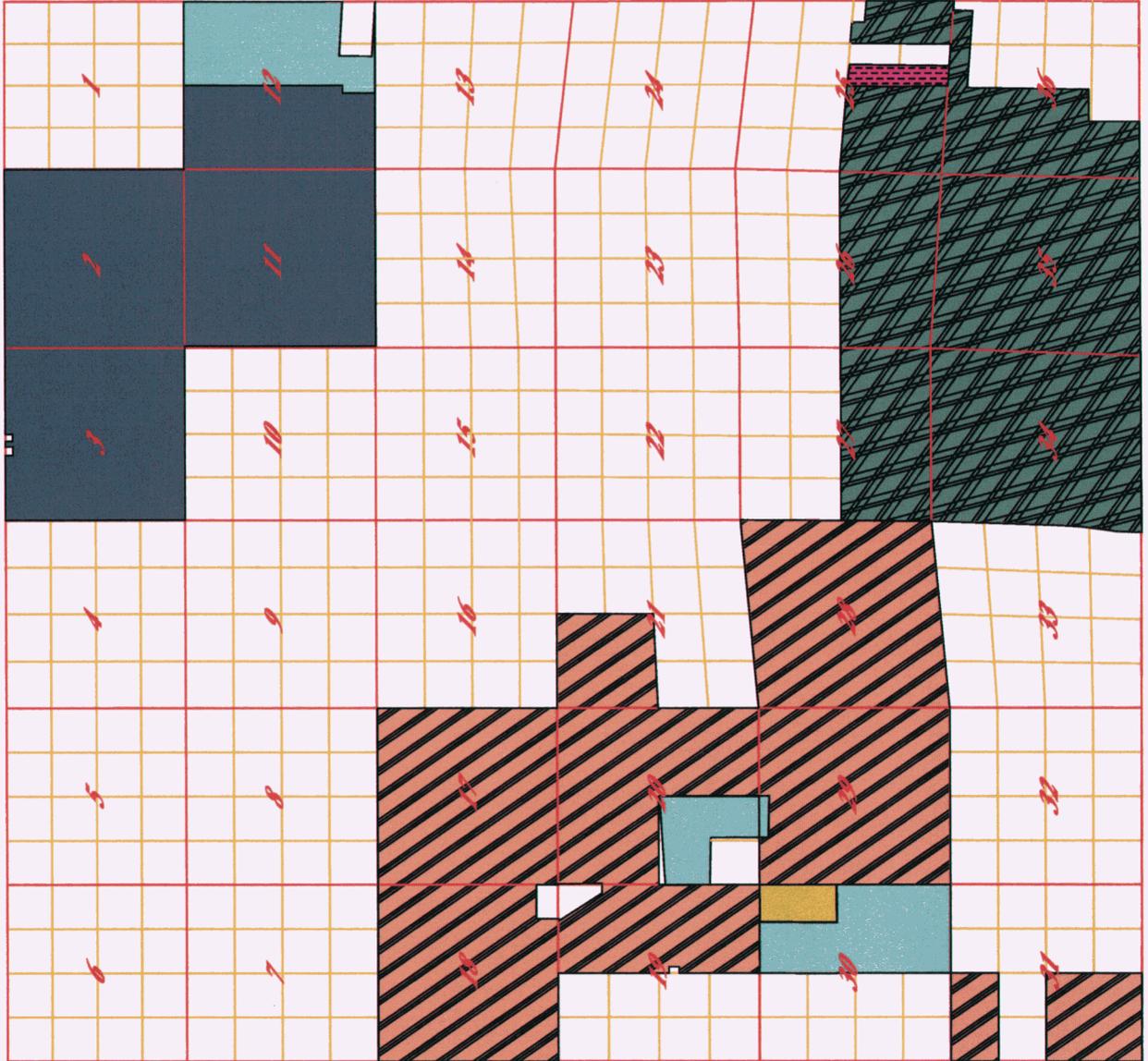
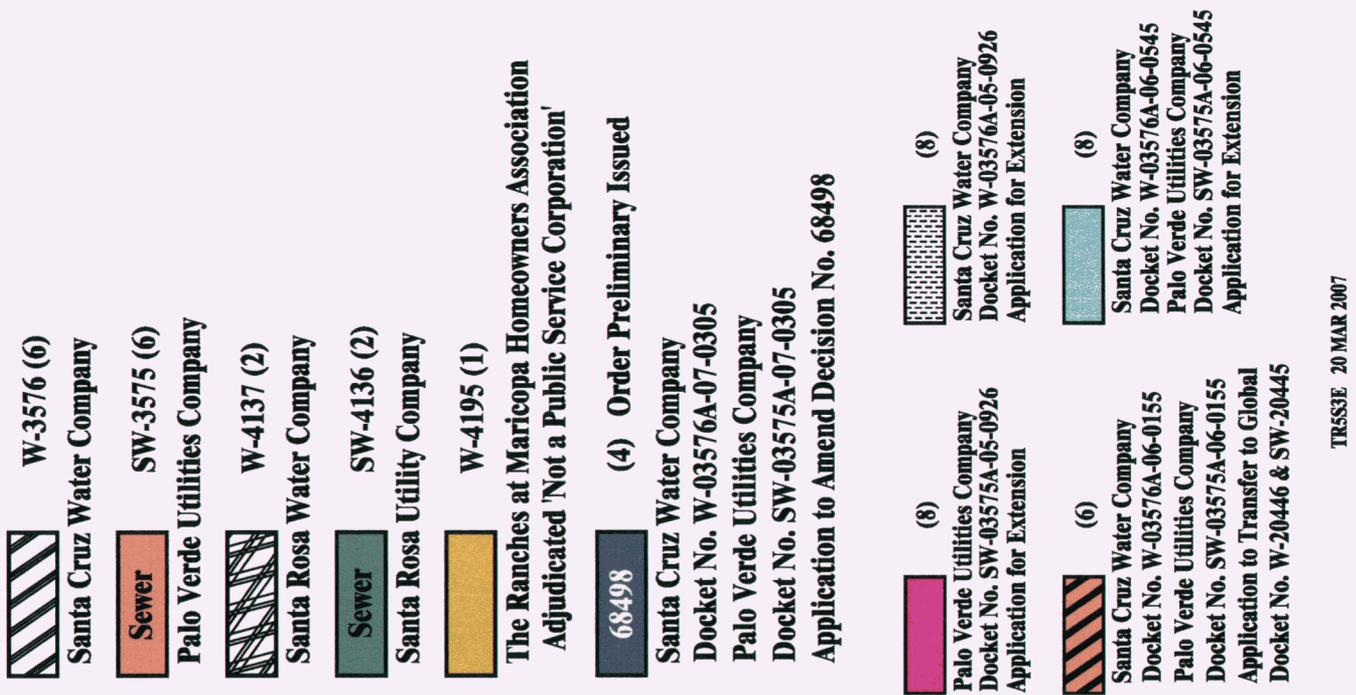
 (6)  
Santa Cruz Water Company  
Docket No. W-03576A-06-0155  
Palo Verde Utilities Company  
Docket No. SW-03575A-06-0155  
Application to Transfer to Global Water  
Docket Nos. W-20446 and SW-20445

 (8)  
Santa Cruz Water Company  
Docket No. W-03576A-06-0545  
Palo Verde Utilities Company  
Docket No. SW-03575A-06-0545  
Application for Extension

# COUNTY: Pinal

## RANGE 3 East

## TOWNSHIP 5 South



# COUINTY Pinal

## RANGE 4 East

## TOWNSHIP 5 South

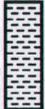
 W-1445 (39)(5)  
Arizona Water Company (Stanfield)

 W-3576 (3)  
Santa Cruz Water Company

 Sewer  
Palo Verde Utilities Company

 Nonjurisdictional (2)  
Copper Mountain Ranch Community Facilities District

 68498  
(4) Order Preliminary Issued  
Santa Cruz Water Company  
Docket No. W-03576A-07-0305  
Palo Verde Utilities Company  
Docket No. SW-03575A-07-0305  
Application to Amend Decision No. 68498

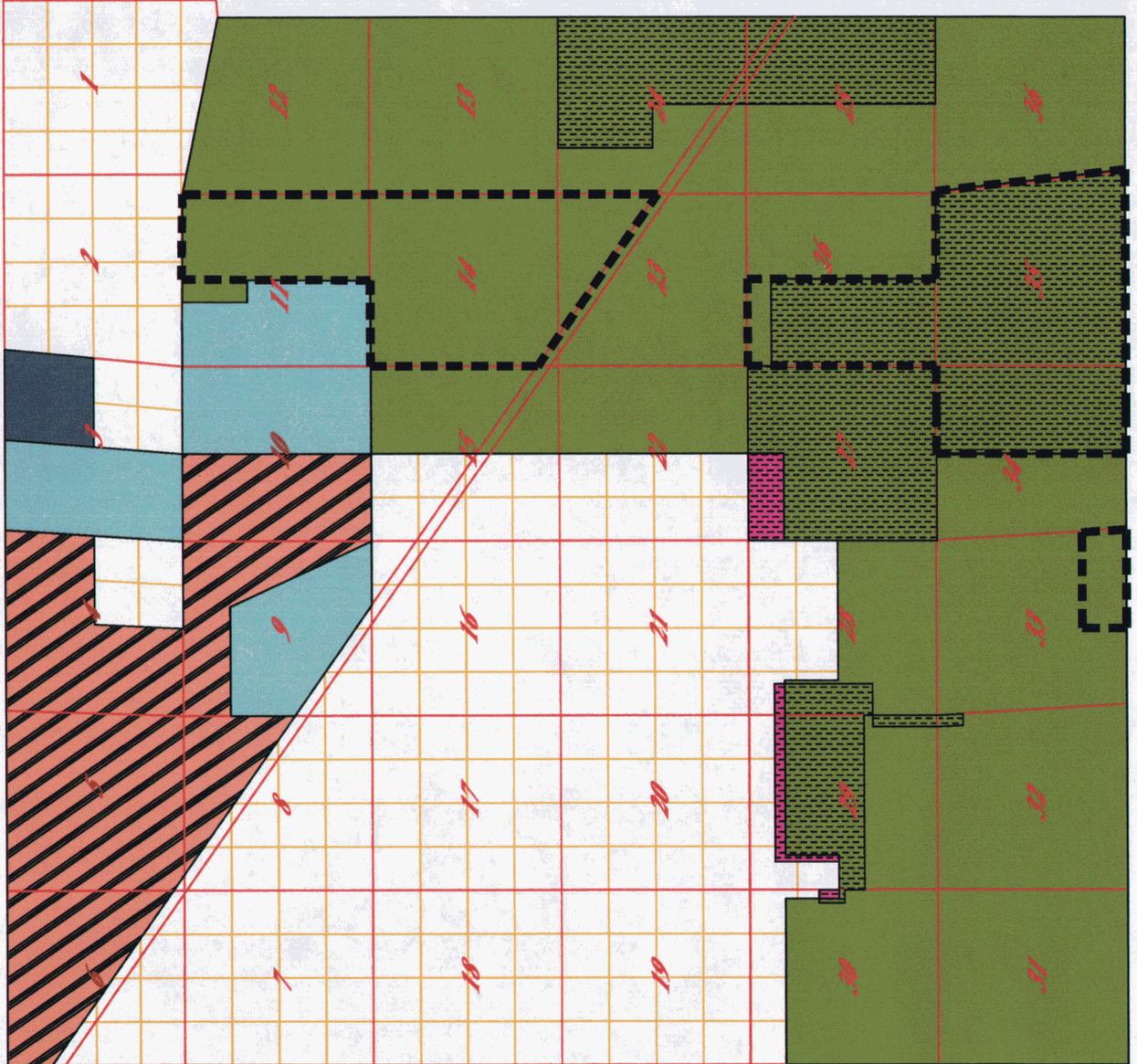
 (8)  
Santa Cruz Water Company  
Docket No. W-03576A-05-0926  
Application for Extension

 (8)  
Palo Verde Utilities Company  
Docket No. SW-03575A-05-0926  
Application for Extension

 (6)  
Santa Cruz Water Company  
Docket No. W-03576A-06-0155  
Palo Verde Utilities Company  
Docket No. SW-03575A-06-0155  
Application to Transfer to Global Water  
Docket Nos. W-20446 and SW-20445

 (8)  
Santa Cruz Water Company  
Docket No. W-03576A-06-0545  
Palo Verde Utilities Company  
Docket No. SW-03575A-06-0545  
Application for Extension

 (8)  
Arizona Water Company  
Docket No. W-01445A-06-0199  
Application for Extension

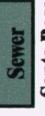


**COUNTY: Pinal**

**RANGE 3 East**      **RANGE 4 East**

**TOWNSHIP 4 South**

**TOWNSHIP 5 South**

-  W-3576  
Santa Cruz Water Company
-  Sewer  
Palo Verde Utilities Company
-  Nonjurisdictional  
Copper Mountain Ranch Community Facilities District
-  W-4137 (2)  
Santa Rosa Water Company
-  Sewer  
Santa Rosa Utility Company
-  W-4195 (1)  
The Ranches at Maricopa Homeowners Association  
Adjudicated 'Not a Public Service Corporation'
-  68498  
Order Preliminary Issued  
Santa Cruz Water Company  
Docket No. W-03576A-07-0305  
Palo Verde Utilities Company  
Docket No. SW-03575A-07-0305  
Application to Amend Decision No. 68498

