

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

Date: September 7, 2007

RE: STAFF REPORT FOR VALENCIA WATER COMPANY, INC. AND WATER UTILITY OF GREATER BUCKEYE, INC. – JOINT APPLICATION FOR APPROVAL TO TRANSFER THE ASSETS AND CERTIFICATE OF CONVENIENCE AND NECESSITY OF WATER UTILITY OF GREATER BUCKEYE, INC. TO VALENCIA WATER COMPANY, INC. (DOCKET NOS.W-01212A-06-0666 AND W-02451A-06-0666)

Attached is the Staff Report for the joint application of Valencia Water Company, Inc. and Water Utility of Greater Buckeye, Inc. for approval to transfer the Assets and Certificate of Convenience and Necessity of Water Utility of Greater Buckeye, Inc. to Valencia Water Company, Inc. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

Arizona Corporation Commission  
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Service List for: Valencia Water Company, Inc. and Water Utility of Greater Buckeye, Inc.  
Docket Nos. W-01212A-06-0666 and W-02451A-06-0666

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

VALENCIA WATER COMPANY, INC.  
AND  
WATER UTILITY OF GREATER BUCKEYE, INC.

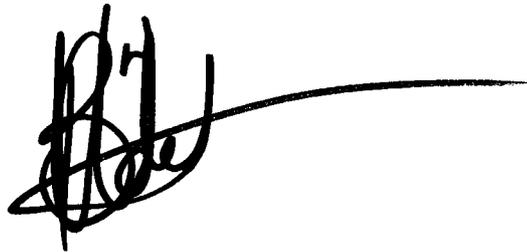
DOCKET NOS. W-01212A-06-0666 AND  
W-02451A-06-0666

JOINT APPLICATION FOR APPROVAL OF THE TRANSFER OF ASSETS AND  
CERTIFICATE OF CONVENIENCE AND NECESSITY OF WATER UTILITY OF  
GREATER BUCKEYE, INC. TO VALENCIA WATER COMPANY, INC.

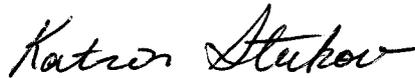
SEPTEMBER 7, 2007

## STAFF ACKNOWLEDGMENT

The Staff Report for Valencia Water Company, Inc. and Water Utility of Greater Buckeye, Inc. (Docket Nos. W-01212A-06-0666 and W-02451A-06-0666) 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**  
**VALENCIA WATER COMPANY, INC. AND**  
**WATER UTILITY OF GREATER BUCKEYE, INC.**  
**DOCKET NOS. W-01212A-06-0666 AND W-02451A-06-0666**

On October 16, 2006, Valencia Water Company, Inc. ("VWC" or "Company" or "Transferee") and Water Utility of Greater Buckeye, Inc. ("WUGB" or "Transferor") (collectively, the "Companies") filed a joint application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the transfer of assets and Certificate of Convenience and Necessity ("CC&N") of Water Utility of Greater Buckeye, Inc. to Valencia Water Company, Inc. On July 20, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

VWC and WUGB provide water service to approximately 3,890 customers and 617 customers, respectively, in and around the Town of Buckeye, Maricopa County, Arizona. By this joint application, the Companies are seeking Commission authority to transfer the assets and CC&N of WUGB to VWC. VWC's CC&N area is approximately 7,480 acres, while WUGB's CC&N area is approximately 4,273 acres. The distance between the VWC and WUGB's CC&N areas ranges from approximately 3 to 8 miles. A majority of VWC's CC&N area is within the Town of Buckeye's boundaries, whereas, a minor portion of WUGB is within the Town of Buckeye's boundaries. All customer security deposits will be transferred to the Transferee; and refunds due on Main Extension Agreements or on meter and line installations will be assumed by the Transferee. The Companies have common ownership interests, the same office address, main phone number, On-Site Manager, and Certified Operator. Staff understands that the proposed transfer of assets and CC&N from WUGB to VWC will not result in any change in the management or operation of the water system. Certified operator personnel will not change as a result of the transfer. Basically, the transfer would result in VWC having two divisions.

Based on Staff's review and analysis of the application, Staff believes VWC's water system has adequate storage capacity and inadequate source production capacity; WUGB's Sun Valley/Sweetwater I water system has adequate source production capacity and inadequate storage capacity; and WUGB's Sweetwater II water system has inadequate production and storage capacity to serve their current customer base. WUGB's Sonoran Ridge and the Bulfer/Primrose water systems have adequate source production capacity and storage capacity to serve their current customer base and a reasonable level of growth.

Staff recommends the Commission approve the joint application of VWC and WUGB for the transfer of assets and CC&N of WUGB to VWC, subject to compliance with the following condition:

1. To require VWC to charge WUGB's authorized rates and charges in the transfer area.

2. To require VWC to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of WUGB's assets to VWC, within 90 days of the decision in this matter.
3. To require VWC to file with Docket Control, copies of the approval from Maricopa County and the Town of Buckeye to transfer WUGB's franchise to VWC, within 365 days of the decision in this matter.
4. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction ("AOC") issued by Maricopa County Environmental Services Department ("MCESD") for the addition of three wells with a total minimum production capacity of 1,200 GPM to VWC's water system, within six months of the effective date of the decision in this case.
5. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the addition of a well or wells with a minimum capacity of 300 GPM to the Sun Valley/Sweetwater I water system, within six months of the effective date of the decision in this case.
6. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the addition of a storage tank with a minimum capacity of 16,000 gallons to the Sweetwater II water system, within six months of the effective date of the decision in this case.
7. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the interconnect/blending infrastructure for the Sweetwater II water system, within six months of the effective date of the decision in this case.
8. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the arsenic treatment systems for Sonoran Ridge and VWC water systems, within six months of the effective date of the decision in this case.
9. To require VWC to file with Docket Control, as a compliance item in this docket, a copy of the MCESD Compliance Status Report showing that the Sweetwater II water system is in full compliance and delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, within six months of the effective date of the decision in this case.
10. To require VWC to file with Docket Control, as a compliance item in this docket, a quarterly status report on the Town of Buckeye condemnation proceeding. The status report shall be filed within 30 days after the end of each calendar quarter and shall remain in place until further Order of the Commission.

Staff further recommends that the Commission's Decision granting the approval of transfer of Assets and CC&N of WUGB to VWC be considered null and void, after due process, should VWC fail to meet Conditions No. 2, 3, 4, 5, 6, 7, 8, and 9 listed above within the time specified.

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## **Introduction**

On October 16, 2006, Valencia Water Company, Inc. ("VWC" or "Company" or "Transferee") and Water Utility of Greater Buckeye, Inc. ("WUGB" or "Transferor") (collectively, the "Companies") filed a joint application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the transfer of assets and Certificate of Convenience and Necessity ("CC&N") of Water Utility of Greater Buckeye, Inc. to Valencia Water Company, Inc.

On November 14, 2006, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that joint application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On January 16, 2007, April 13, 2007, June 22, 2007, and June 26, 2007, the Company provided additional documentation to support its relief requested.

On July 20, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

## **Background**

Valencia Water Company, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division, authorized to provide water utility services in the vicinity of the Town of Buckeye, Maricopa County, Arizona pursuant to the Commission's Decision No. 17778, issued on December 8, 1947. VWC provides service to approximately 3,890 customers.

Water Utility of Greater Buckeye, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division, authorized to provide water utility services in and around the Town of Buckeye, Maricopa County, Arizona pursuant to authority granted by the Commission in Decision Nos. 46160 (June 16, 1975), 54121 (July 19, 1984), 41072 (December 28, 1970), 57607 (November 6, 1991), 57742 (February 22, 1992), 57808 (April 22, 1992), 59494 (January 31, 1996), and 62756 (July 25, 2000). WUGB provides service to approximately 617 customers.

The immediate parent company of VWC and WUGB is West Maricopa Combine, Inc. ("WMC"). WMC also owns Willow Water Company, Water Utility of Greater Tonopah, Inc. and Water Utility of Northern Scottsdale, Inc. VMC, WUGB, and WMC's ultimate parent company is Global Water Resources, LLC. ("Global"). According to the joint application "Global's regulated subsidiaries serve more than 30,000 customers in Arizona."

VMC, WUGB, and WMC share common Officers and Directors, office address, and main phone number. Mr. Trevor Hill (the President) and Ms. Cindy Liles (the Secretary and Treasurer) are the Officers. Both Mr. Hill and Ms. Liles are the Directors.

### **The Water System**

VWC's water system PWS# 07-078, consists of five wells with a total production capacity of 1,180 gallon per minute ("GPM"), ten storage tanks with total storage capacity of 2,105,000 gallons, and a distribution system serving approximately 3,890 customers. VWC system provides for fire flow. Staff concludes that VWC's water system has adequate storage capacity, but inadequate well production capacity to serve the existing customer base. VWC has acknowledged this inadequacy and is proposing to add three new wells with estimated additional production capacity of 1,200 GPM. The anticipated total production capacity of 2,380 GPM should adequately serve approximately 5,570 service connections (governed by production capacity). Staff recommends that VWC file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction ("AOC") issued by Maricopa County Environmental Services Department ("MCESD") for the addition of three wells with a total minimum production capacity of 1,200 GPM to VWC's water system, within six month of the effective date of the decision in this case.

WUGB operates four separate water systems: SunValley/Sweetwater I (PWS # 07-195), Sweetwater II (PWS # 07-129), Bulfer/Primrose (PWS # 07-114), and Sonoran Ridge (PWS # 07-732). The water systems are located approximately 3 to 8 miles from VWC's water system. Below is the plant description for each of the four WUGB's water systems:

- SunValley/Sweetwater I water system has one well producing 300 GPM, a 120,000 gallon storage tank, and a distribution system serving approximately 378 customers. The water system has fire hydrants. Staff concludes the water system has adequate well production capacity, but inadequate storage capacity to serve the existing customer base. WUGB has acknowledged this inadequacy and is proposing to add another well with estimated additional production capacity of 300 GPM and related infrastructure by October 31, 2007. If these production improvements are installed, the total anticipated production capacity of 600 GPM and storage capacity of 120,000 gallons should adequately serve approximately 800 customers (governed by storage capacity). The Company anticipates over 680 customers to be served by this water system in the next five years<sup>1</sup>.
- Sweetwater II water system has one well producing 40 GPM, four storage tanks with a total storage capacity of 44,000 and a distribution system serving approximately 93 customers. The water system has fire hydrants. Staff concludes the water system has inadequate production and storage capacities to serve the existing customer base. In response to the production deficiency issue, WUGB has indicated that this water system

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<sup>1</sup> Based on the Company's responses of July 30, 2007 in Docket No. 06-0792.

has an emergency connection to the City of Goodyear water system. Upon completion of the permanent interconnect infrastructure, the City of Goodyear will provide additional production capacity of 15 GPM to the existing capacity of 40 GPM. In order to resolve storage deficiency, Staff recommends an additional minimum storage capacity of 16,000 gallons. If these production and storage improvements are installed, the production capacity of 55 GPM and storage capacity of 60,000 gallons should adequately serve approximately 100 service connections (governed by storage capacity).

- Bulfer/Primrose water system has one well producing 40 GPM, a 140,000 gallon storage tank, and a distribution system serving approximately 88 customers. The water system has fire hydrants. Staff concludes the water system has adequate well production and storage capacities to serve the existing customer base and a reasonable level of growth.
- Sonoran Ridge water system has one well producing 150 GPM, a 200,000 gallon storage tank, and a distribution system serving approximately 58 customers. The water system has fire hydrants. Staff concludes the water system has adequate well production and storage capacities to serve the existing customer base and a reasonable level of growth.

Staff recommends that VWC file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the addition of a storage tank with a minimum capacity of 16,000 gallons to the Sweetwater II water system, within six months of the effective date of the decision in this case.

Staff also recommends that VWC file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the addition of a well or wells with a minimum capacity of 300 GPM to the Sun Valley/Sweetwater I water system, within six months of the effective date of the decision in this case.

Staff further recommends that VWC be required to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of WUGB's assets to VWC, within 90 days of the decision in this matter.

### **The Transaction**

VWC and WUGB provide water service to approximately 3,890 customers and 617 customers, respectively, in and around the Town of Buckeye, Maricopa County, Arizona. By this joint application, the Companies are seeking Commission authority to transfer the assets and CC&N of WUGB to VWC. VWC's CC&N area is approximately 7,480 acres, while WUGB's CC&N area is approximately 4,273 acres. The distance between the VWC and WUGB's CC&N areas ranges from approximately 3 to 8 miles. A majority of VWC's CC&N area is within the Town of Buckeye's boundaries, whereas, a minor portion of WUGB is within the Town of Buckeye's boundaries.

According to the application, all customer security deposits will be transferred to the Transferee; and refunds due on Main Extension Agreements or on meter and line installations will be assumed by the Transferee.

VWC and WUGB have common ownership interests, the same office address, main phone number, On-Site Manager, and Certified Operator. Staff understands that the proposed transfer of assets and CC&N from WUGB to VWC will not result in any change in the management or operation of the water system. Certified operator personnel will not change as a result of the transfer. Basically, the transfer would result in VWC having two divisions.

The Town of Buckeye ("Town") is in the process of condemning the WUGB's water system and assets. According to the Town's Special Council Meeting Agenda of January 11, 2007, the Town made a pre-condemnation offer to WUGB, on June 30, 2006, to acquire the water system and assets for \$2,000,000. WUGB did not accept the Town's offer and on July 21, 2006, an action of eminent domain was filed in the Maricopa County Superior Court No. CV2006-010954, to condemn the water system and assets of WUGB so that they may be operated by the Town as part of the Town's municipal water system while the final price to be paid for the acquisition is either settled or determined, if necessary, by a trial. The condemnation proceeding is ongoing. Staff recommends that VWC be required to file with Docket Control, as a compliance item in this docket, a quarterly status report on the condemnation proceeding. The status report shall be filed within 30 days after the end of each calendar quarter and shall remain in place until further Order of the Commission.

#### **Arizona Department of Environmental Quality ("ADEQ") Compliance**

ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department ("MCESD") monitors for compliance. MCESD has determined that out of the five (5) existing water systems, four (4) systems (Valencia, Sun Valley/Sweetwater I, Bulfer/Primrose, and Sonoran Ridge) are in compliance and currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. MCESD has determined that the Sweetwater II water system is in Substantial Compliance.

Staff recommends that VWC file with Docket Control, as a compliance item in this docket, a copy of the MCESD Compliance Status Report showing that the Sweetwater II water system is in full compliance and delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, within six months of the effective date of the decision in this case.

### **Arizona Department of Water Resources ("ADWR") Compliance**

VWC and WUGB are located within the Phoenix Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that the Companies are in compliance with the Phoenix AMA reporting and conservation requirements.<sup>2</sup>

### **ACC Compliance**

According to the Utilities Division Compliance Section, VWC and WUGB have no outstanding ACC compliance issues.<sup>3</sup>

### **Arsenic and Other Water Quality Issues**

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 Sweetwater II water system's arsenic and nitrate concentrations exceed 10 ppb. Presently, the system is effectively a consecutive system, serving water from City of Goodyear water system through an emergency connection. To address water quality deficiencies, WUGB is constructing a permanent interconnection with the City of Goodyear distribution system and a blending system with estimated completion prior to the end of 2007.

Sonoran Ridge water system's arsenic level is above 10 ppb. As a result, WUGB is planning to install an arsenic treatment system at the well site with estimated completion prior to the end of 2007.

VWC indicated that it maintains three existing sites with five wells and is in the process of adding three new sites with three wells. Each site produces water quality with an arsenic level above 10 ppb. As a result, VWC is installing six arsenic treatment systems (one at each site) with estimated completion prior to the end of 2007.

VWC and WUGB have not yet obtained AOCs issued by MCESD for the interconnect/blending infrastructure for Sweetwater II and the arsenic systems for Sonoran Ridge and VWC. Therefore, Staff recommends that VWC file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the interconnect/blending infrastructure for the Sweetwater II water system, within six months of the effective date of the decision in this case. Staff further recommends that VWC file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the arsenic treatment systems for Sonoran Ridge and VWC water systems, within six months of the effective date of the decision in this case.

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<sup>2</sup> Per ADWR Compliance status check on April 25, 2007

<sup>3</sup> Per ACC Compliance status check dated April 17, 2007

### **Curtailment Plan Tariff**

VWC and WUGB have an approved curtailment tariff that became effective on January 26, 2005.

### **Proposed Rates**

VWC will provide water service to the transfer area under WUGB's authorized rates and charges.

### **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.

Staff recommends that VWC be required to file with Docket Control, as a compliance item in this docket, copies of the approval from Maricopa County and the Town of Buckeye to transfer WUGB's franchise to VWC, within 365 days of the decision in this matter.

### **Recommendations**

Staff recommends the Commission approve the joint application of VWC and WUGB for the transfer of assets and CC&N of WUGB to VWC, subject to compliance with the following condition:

1. To require VWC to charge WUGB's authorized rates and charges in the transfer area.
2. To require VWC to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of WUGB's assets to VWC, within 90 days of the decision in this matter.
3. To require VWC to file with Docket Control, copies of the approval from Maricopa County and the Town of Buckeye to transfer WUGB's franchise to VWC, within 365 days of the decision in this matter.
4. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the addition of three wells with a total minimum production capacity of 1,200 GPM to VWC's water system, within six months of the effective date of the decision in this case.

5. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the addition of a well or wells with a minimum capacity of 300 GPM to the Sun Valley/Sweetwater I water system, within six months of the effective date of the decision in this case.
6. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the addition of a storage tank with a minimum capacity of 16,000 gallons to the Sweetwater II water system, within six months of the effective date of the decision in this case.
7. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the interconnect/blending infrastructure for the Sweetwater II water system, within six months of the effective date of the decision in this case.
8. To require VWC to file with Docket Control, as a compliance item in this docket, copies of the AOC issued by MCESD for the arsenic treatment systems for Sonoran Ridge and VWC water systems, within six months of the effective date of the decision in this case.
9. To require VWC to file with Docket Control, as a compliance item in this docket, a copy of the MCESD Compliance Status Report showing that the Sweetwater II water system is in full compliance and delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, within six months of the effective date of the decision in this case.
10. To require VWC to file with Docket Control, as a compliance item in this docket, a quarterly status report on the Town of Buckeye condemnation proceeding. The status report shall be filed within 30 days after the end of each calendar quarter and shall remain in place until further Order of the Commission.

Staff further recommends that the Commission's Decision granting the approval of the transfer of Assets and CC&N of WUGB to VWC be considered null and void, after due process, should VWC fail to meet Conditions No. 2, 3, 4, 5, 6, 7, 8, and 9 listed above within the time specified.

**MEMORANDUM**

DATE: August 23, 2007

TO: Blessing Chukwu  
Executive Consultant III

FROM: Katrin Stukov *KS*  
Utilities Engineer

RE: VALENCIA WATER CO. & WATER UTILITY OF GREATER BUCKEYE  
DOCKET NOS. W- 01212A-06-0666 & W-02451A-06-0666

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**Introduction**

Valencia Water Company, Inc. ("Valencia" or "Company") and Water Utility of Greater Buckeye ("WUGB" or "Company") (collectively, the "Companies" or the "Applicants") have applied to transfer WUGB's assets, including its Certificate of Convenience and Necessity ("CC&N") to Valencia. The Applicants indicated that WUGB's CC&N contains 4,273 acres and Valencia contains 7,480 acres. The present service areas of the two Companies are not contiguous. The combined total area will be 11,753 acres consisting of separate parcels in and around the Town of Buckeye in Maricopa County.

**Existing Utility Plant**

WUGB currently operates four (4) separate water systems and serves over 600 customers. Valencia currently operates one (1) water system and serves over 3,880 customers. According to the Companies, there are no plans to interconnect the WUGB and Valencia water systems at this time.

The Table I below lists specific information about each system:

Table I<sup>1</sup>

Company Name	WUGB				VALENCIA
	Sun Valley/ Sweetwater 1	Sweetwater II	Bulfer / Primrose	Sonoran Ridge	Valencia
System Name	Sun Valley/ Sweetwater 1	Sweetwater II	Bulfer / Primrose	Sonoran Ridge	Valencia
PWS ID#	07-195	07-129	07-114	07-732	07-078
# of wells	1	1	1	1	5
Total production (gallons per minute- "GPM")	300	40	40	150	1,180
# of storage tank	1	4	1	1	10
Total storage capacity (gallons)	120,000	44,000	140,000	200,000	2,105,000
Existing # of customers	378	93	88	58	3,890
Does system provides fire flow?	Yes	Yes	Yes	Yes	Yes
Is a storage capacity adequate	No	No	Yes	Yes	Yes
Is a production capacity adequate?	Yes	No	Yes	Yes	No
MCESD Compliance Status Date	Compliant 2/7/07	Substantial Compliance 4/19/07	Compliant 6/18/07	Compliant 2/5/07	Compliant 2/14/07
Does arsenic level exceed standards?	No	Yes	No	Yes	Yes

<sup>1</sup> The information presented in the following Table I was based on submitted Water Use Data, Water System Data, Responses to Data Requests and Maricopa County Environmental Services Department's ('MCESD') Compliance Status Reports.

### Capacity Conclusion and Recommendation

Based on the Companies' 2005 Annual Reports, WUGB and Valencia water systems have fire hydrants. Therefore, Staff's Capacity Analysis includes fire flows requirements.

Based on the Capacity Analysis, Staff concludes that out of five water systems, three of those systems have the following capacity deficiencies:

#### a) Sun Valley / Sweetwater I

Based on the existing source production, storage capacity and water use data, the system's storage capacity is inadequate to serve the current customer base of 378 service connections. The Company has acknowledged this inadequacy and is proposing to add another well with estimated additional production capacity of 300 GPM and related infrastructure by October 31, 2007. If these production improvements are installed, the total anticipated production capacity of 600 GPM and storage capacity of 120,000 gallons should adequately serve approximately 800 customers (governed by storage capacity). The Company anticipates over 680 customers to be served by this water system in the next five years<sup>2</sup>.

#### b) Sweetwater II

Based on the existing source production, storage capacity and water use data, both the production and storage capacities for this system are inadequate to serve the current customer base of 93 service connections. In response to the production deficiency issue, the Company has indicated that this system has an emergency connection to the City of Goodyear water system. Upon completion of the permanent interconnect infrastructure, the City of Goodyear will provide additional production capacity of 15 GPM to the existing capacity of 40 GPM. In order to resolve storage deficiency, Staff recommends an additional minimum storage capacity of 16,000 gallons. If these production and storage improvements are installed, the production capacity of 55 GPM and storage capacity of 60,000 gallons should adequately serve approximately 100 service connections (governed by storage capacity).

#### c) Valencia

Based on the existing source production, storage capacities and water use data, the system can currently adequately serve approximately 2,760 service connections (governed by production capacity). The existing production capacity of 1,180 GPM is inadequate to serve the current customer base of 3,890 service connections. The Company has acknowledged this inadequacy and is proposing to add three (3) new wells with estimated additional production capacity of 1,200 GPM. The anticipated total production capacity of 2,380 GPM should adequately serve approximately 5,570 service connections (governed by production capacity).

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<sup>2</sup> Based on the Company's responses of July 30, 2007 in Docket No. 06-0792.

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

### Compliance Status

ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department (“MCESD”) monitors for compliance. MCESD has determined that out of five (5) existing water systems, four (4) systems (Valencia, Sun Valley/ Sweetwater I, Bulfer/Primrose and Sonoran Ridge) are in compliance and currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. MCESD has determined that Sweetwater II water system is in Substantial Compliance.

### Water quality issues

#### a) Sweetwater II

According to the MCESD’s Compliance Status Report, the Sweetwater II water system’s well produces water quality with an arsenic level above 10 ppb and the nitrate level above 10 ppb. Presently, the system is effectively a consecutive system, serving water from the City of Goodyear water system through an emergency connection. To address water quality deficiencies, the Company is constructing a permanent interconnection with the City of Goodyear distribution system and a blending system with estimated completion prior to the end of 2007.

#### b) Sonoran Ridge

The Company indicated that the Sonoran Ridge well produces water quality with an arsenic level above 10 ppb. As a result, the Company is planning to install an arsenic treatment system at the well site with estimated completion prior to the end of 2007.

#### c) Valencia

The Company indicated that it maintains three (3) existing sites with five wells and adding three (3) new sites with three wells. Each site produces water quality with an arsenic level above 10 ppb. As a result, the Company is installing six (6) arsenic treatment systems (one at each site) with estimated completion prior to the end of 2007.

### Approval of Construction (“AOC”)

The Companies have not yet obtained AOCs for the interconnect/blending infrastructure for the Sweetwater II and the arsenic systems for the Sonoran Ridge and Valencia from MCESD.

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

The Companies are located within the Phoenix Active Management Area (“AMA”), as designated by ADWR. ADWR has indicated that the Companies are in compliance with the Phoenix AMA reporting and conservation requirements.<sup>3</sup>

### **Arizona Corporation Commission (“ACC”) Compliance**

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for Valencia or for WUGB.<sup>4</sup> Both Companies have approved Curtailment Tariffs and Backflow Prevention Tariffs.

### **Summary**

#### Conclusions

1. MCESD has determined that out of five (5) existing water systems, four (4) systems (Valencia, Sun Valley/ Sweetwater I, Bulfer/Primrose and Sonoran Ridge) are in compliance and currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4. MCESD has determined that Sweetwater II system is in Substantial Compliance.
2. Valencia and Sonoran Ridge water systems’ arsenic concentrations exceed the new 10 ppb standard, and the Sweetwater II system’s arsenic and nitrate concentrations exceeds 10 ppb.
3. The Valencia water system has adequate storage capacity, but does not have adequate source production capacity to serve the current customer base.
4. The Sun Valley/Sweetwater I system has adequate source production capacity, but does not have adequate storage capacity to serve the current customer base.
5. The Sweetwater II system does not have adequate production and storage capacity to serve the current customer base.
6. The Sonoran Ridge and the Bulfer/Primrose systems have adequate source production capacity and storage capacity to serve the current customer base and a reasonable level of growth.
7. ADWR has indicated that the Companies are in compliance with the Phoenix AMA reporting and conservation requirements.

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<sup>3</sup> Per ADWR Compliance status check on April 25, 2007

<sup>4</sup> Per ACC Compliance status check dated April 17, 2007.

8. A check with Utilities Division Compliance Section showed that there are currently no delinquencies for Valencia or for WUGB. The Companies have an approved Curtailment Tariff and Backflow Prevention Tariff.

#### Recommendations

1. Staff recommends that the Companies file with Docket Control, as a compliance item in this docket, a copy of the MCESD Compliance Status Report showing that Sweetwater II water system is in full compliance and delivering water that meets water quality standards required by Arizona Administrative Code, Title 18 within six months of the effective date of the decision in this case.
2. Staff recommends that the Companies file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction issued by MCESD for the interconnect/blending infrastructure for Sweetwater II water system within six months of the effective date of the decision in this case.
3. Staff recommends that the Companies file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction issued by MCESD for the addition of a storage tank with a minimum capacity of 16,000 gallons to the Sweetwater II water system within six months of the effective date of the decision in this case.
4. Staff recommends that the Companies file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction issued by MCESD for arsenic treatment systems for Sonoran Ridge and Valencia water systems within six months of the effective date of the decision in this case.
5. Staff recommends that the Companies file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction issued by MCESD for the addition of three wells with a total minimum production capacity of 1200 GPM to the Valencia water system within six months of the effective date of the decision in this case.
6. Staff recommends that the Companies file with Docket Control, as a compliance item in this docket, copies of the Approval of Construction issued by MCESD for the addition of a well or wells with a minimum capacity of 300,000 GPM to the Sun Valley/Sweetwater I water system within six months of the effective date of the decision in this case.

**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: November 8, 2006

RE: **WATER UTILITY OF GREATER BUCKEYE, INC. (DOCKET NO. W-02451A-06-0666)**  
**VALENCIA WATER COMPANY, INC. (DOCKET NO. W-01212A-06-0666)**

Water Utility of Greater Buckeye has filed an application to transfer its CC#N to Valencia.

Attached are copies of the maps for your files.

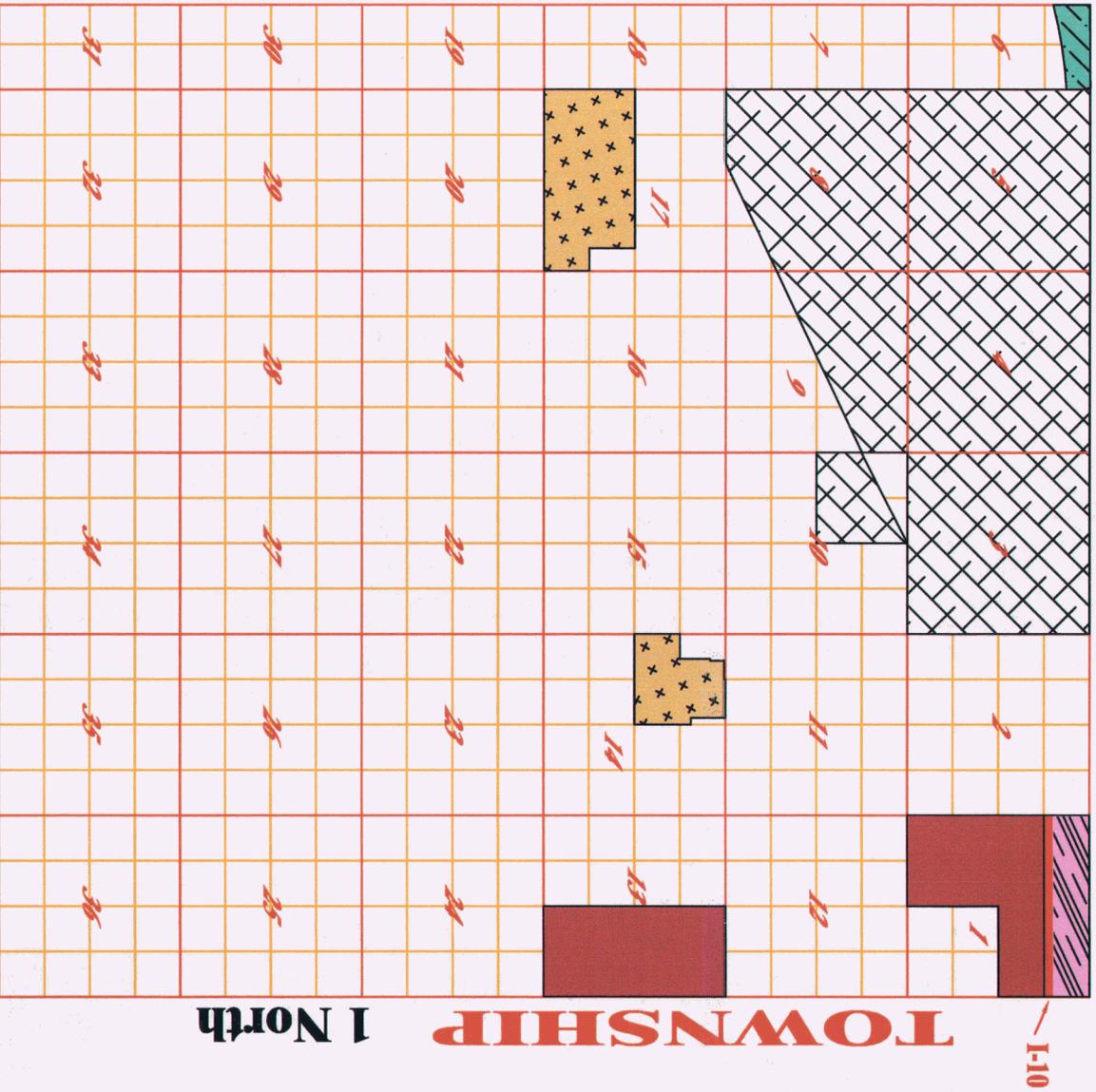
:bsw

Attachment

cc: Mr. Graham Symmonds  
Ms. Deb Person (Hand Carried)  
File

# GOODYEAR : Maricopa

## RANGE 2 West

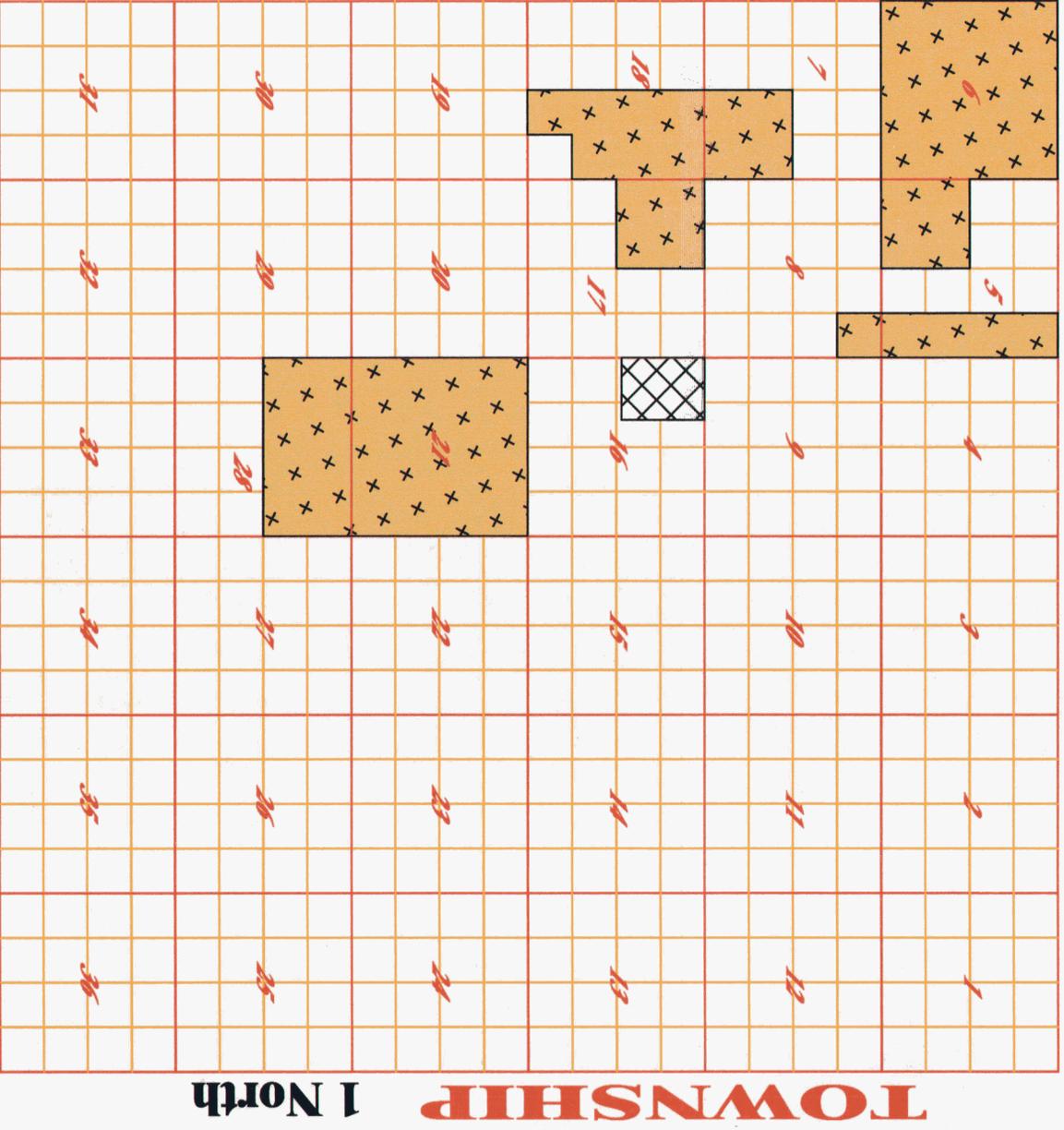


TOWNSHIP 1 North

-  WS-1303 (14)  Sewer
-  Arizona-American Water Company (Agua Fria) W-1445 (3)
-  Arizona Water Company (White Tanks) W-1427 (4)
-  Litchfield Park Service Company Sewer SW-1428 (4)
-  Litchfield Park Service Company W-2451 (5)
-  Water Utility of Greater Buckeye, Inc. C-0006 (2)
-  City of Goodyear (Nonjurisdictional)
-  Water Utility of Greater Buckeye, Inc. Docket No. W-02451A-06-0666
-  Application to Transfer to Valencia Water Company Docket No. W-01212A-06-0666

# COUNTY: Maricopa

## RANGE 4 West



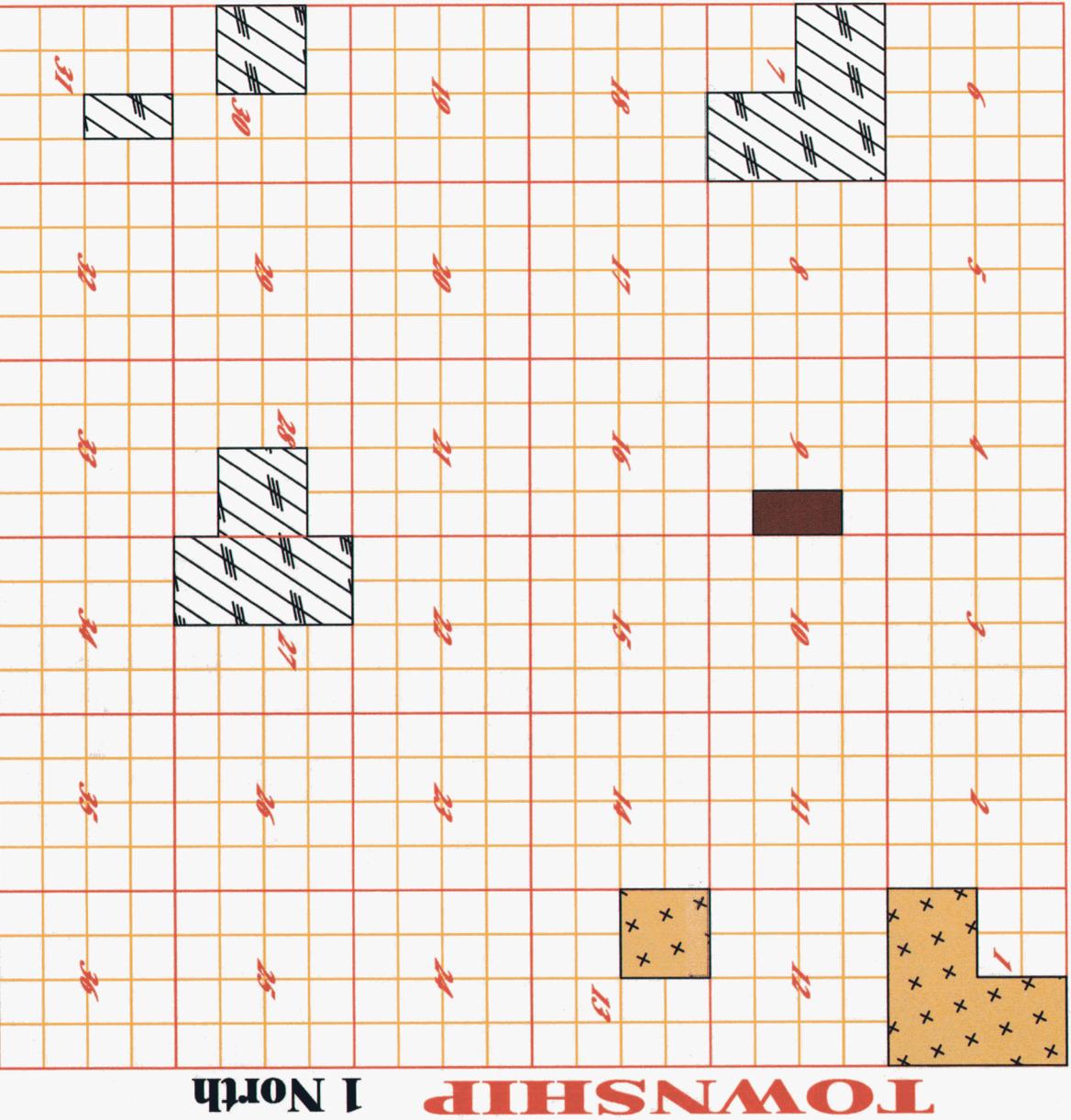
 W-2077 (1)  
Allenville Water Company, Inc.

 W-2451 (5)  
Water Utility of Greater Buckeye, Inc.

 Water Utility of Greater Buckeye, Inc.  
Docket No. W-02451A-06-0666  
Application to Transfer to  
Valencia Water Company  
Docket No. W-01212A-06-0666

# COUNTY: Maricopa

## RANGE 5 West

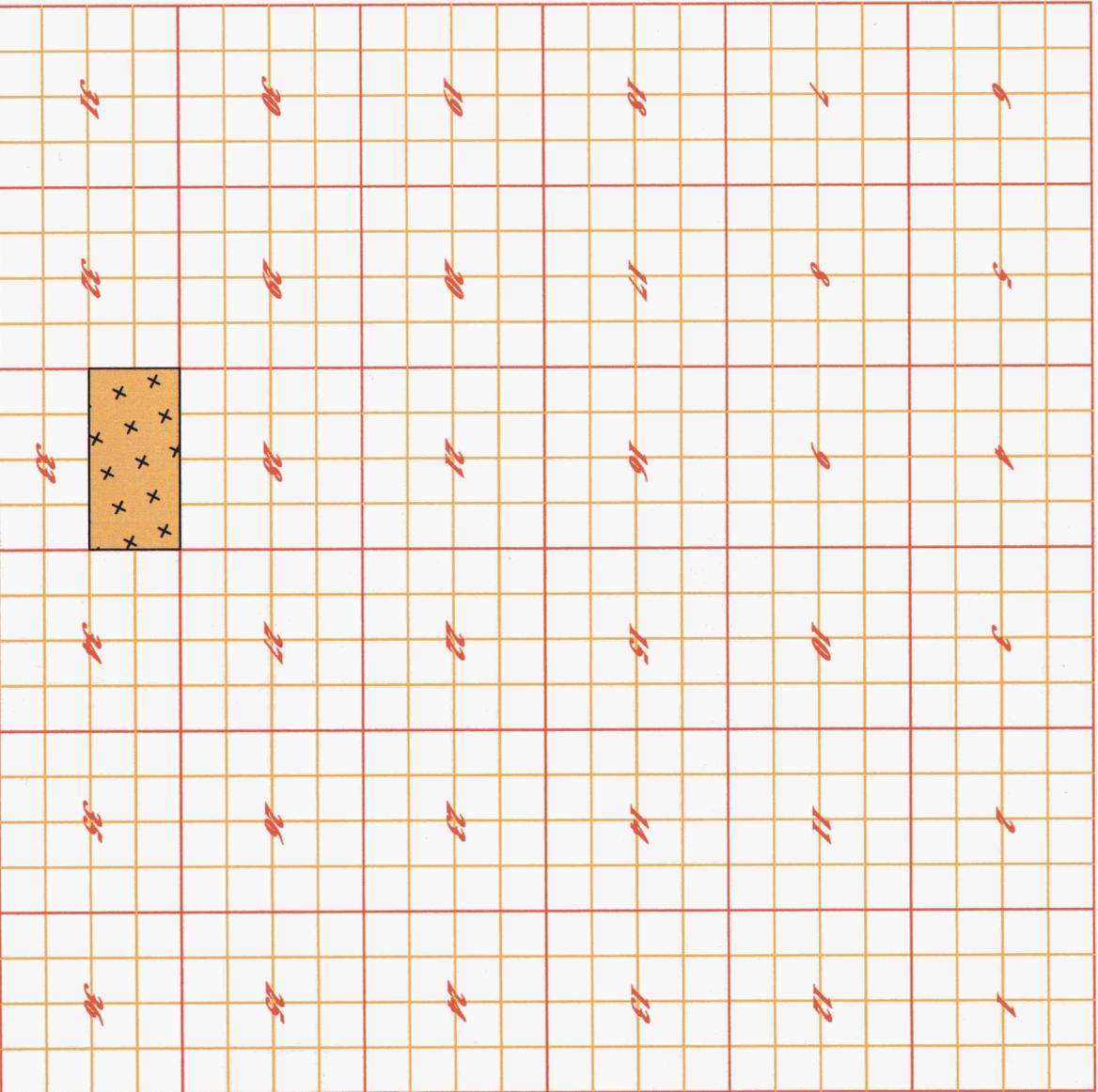


## TOWNSHIP 1 North

-  W-2451 (5)  
Water Utility of Greater Buckeye, Inc.
-  W-2450 (11)  
Water Utility of Greater Tonopah, Inc. (Sunshine)
-  Hassayampa Water Co-op  
Adjudicated 'Not a Public Service Corporation'
-  Water Utility of Greater Buckeye, Inc.  
Docket No. W-02451A-06-0666  
Application to Transfer to  
Valencia Water Company  
Docket No. W-01212A-06-0666

# COUNTY: Maricopa

## RANGE 4 West



## TOWNSHIP 2 North



W-2451 (5)

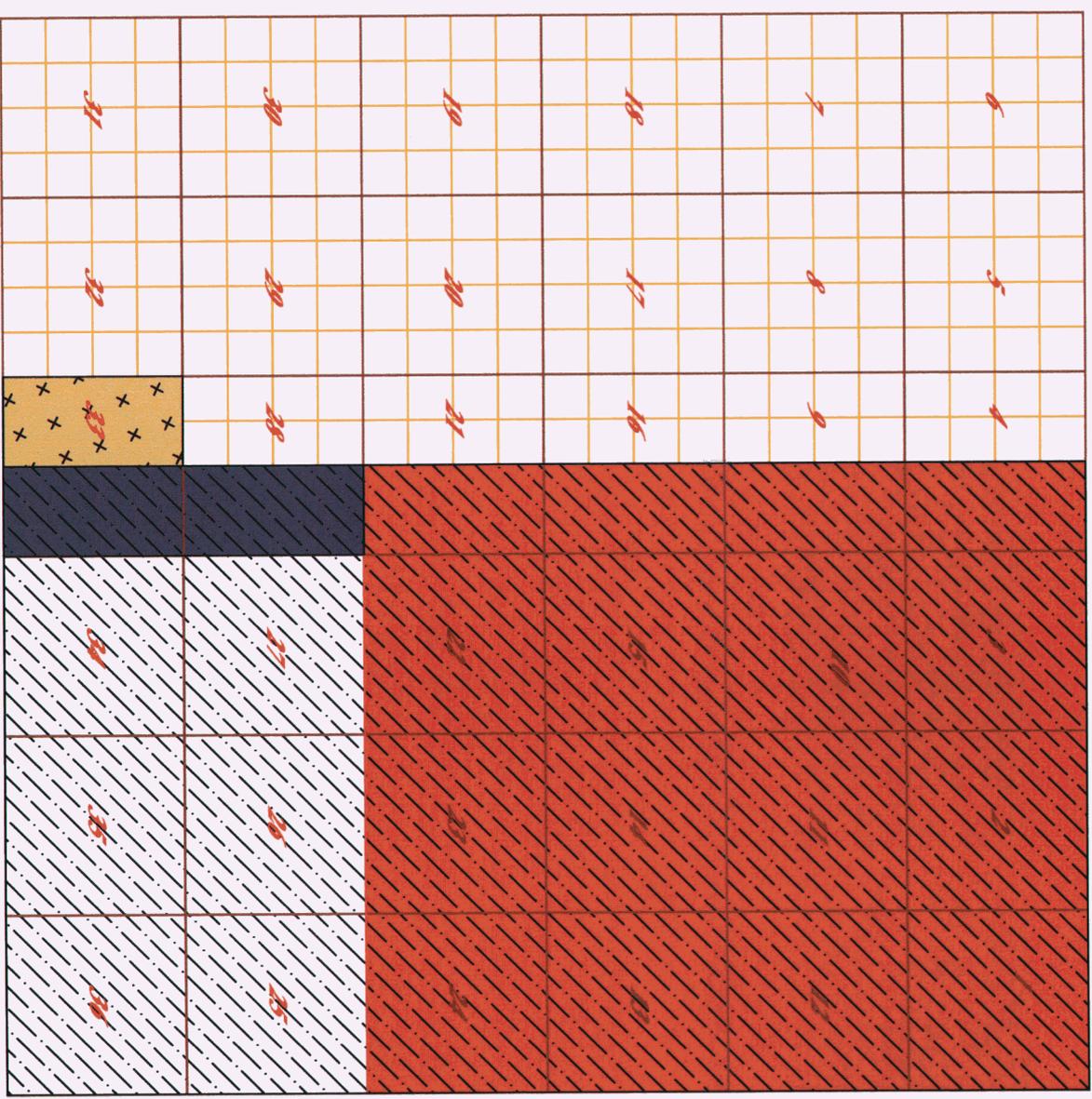
Water Utility of Greater Buckeye, Inc.



Water Utility of Greater Buckeye, Inc.  
 Docket No. W-02451A-06-0666  
 Application to Transfer to  
 Valencia Water Company  
 Docket No. W-01212A-06-0666

# COUNTY: Maricopa

## RANGE 2 West



## TOWNSHIP 3 North

-  WS-1303 (14)  
Arizona-American Water Company (Agua Fria)
-  W-2451 (5)  
Water Utility of Greater Buckeye, Inc.
-  Sewer (4)  
City of Surprise (Nonjurisdictional)
-  Litchfield Park Service Company  
Docket No. SW-01428A-05-0022  
Application for Extension for Sewer
-  Water Utility of Greater Buckeye, Inc.  
Docket No. W-02451A-06-0666  
Application to Transfer to  
Valencia Water Company  
Docket No. W-01212A-06-0666

W-1997  
Adaman Mutual Water Company

W-2077  
Allenville Water Company, Inc.

WS-1303  
Arizona-American Water Company (Agua Fria)

W-1445  
Arizona Water Company

Nonjurisdictional  
Hassayampa Water Co-op

W-1427  
Itchenfield Park Service Company

W-1212  
Valencia Water Company

W-2451  
Water Utility of Greater Buckeye, Inc.

W-2450  
Water Utility of Greater Tonopah, Inc.

Water Utility of Greater Buckeye, Inc.  
Docket No. W-02451A-06-0666  
Application to Transfer to  
Valencia Water Company  
Docket No. W-01212A-06-0666

Water Utility of Greater Buckeye, Inc.  
Docket No. W-02451A-06-0666  
Application to Transfer to  
Valencia Water Company  
Docket No. W-01212A-06-0666

RANGE 2 West

TOWNSHIP 3 North

TOWNSHIP 2 North

TOWNSHIP 1 North

RANGE 4 West

TOWNSHIP 2 North

RANGE 5 West

RANGE 3 West

MARICOPA COUNTY

