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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

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COMMISSIONERS

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MIKE GLEASON-Chairman
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JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
WATER UTILITY OF GREATER TONAPAH,
INC., FOR APPROVAL OF AN EXTENSION
OF ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE WATER
UTILITY SERVICE IN MARICOPA COUNTY,
ARIZONA.

DOCKET NO. W-02450A-06-0626

IN THE MATTER OF THE APPLICATION OF
HASSAYAMPA UTILITY COMPANY, INC.,
FOR APPROVAL OF AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WASTEWATER
UTILITY SERVICE IN MARICOPA COUNTY,
ARIZONA.

DOCKET NO. SW 20422A-06-0566

NOTICE OF FILING

The Arizona Corporation Commission Utilities Division ("Staff") pursuant a request made during the evidentiary hearing held December 17, 2007, files a clarification regarding the Arizona Department of Environmental Quality Approval to Construct process. Also attached is a revised engineering report.

Staff Engineer Katrin Stukov conferred with the Applicants' technical witness, Graham Symmonds. Both Staff and the Applicants agree that a company may *file* for an approval to construct without having a "208 Plan" approved. Both Staff and the Applicants agree that under the ADEQ process, ADEQ will not *issue* an approval to construct until the 208 Plan is approved.

RESPECTFULLY SUBMITTED this 10th day of January, 2008.

Robin R. Mitchell
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

1 Original and fifteen (15) copies
2 of the foregoing were filed this
3 10th day of January, 2008 with:

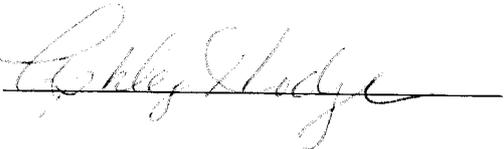
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 Copy of the foregoing mailed this
9 10th day of January, 2008 to:

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MEMORANDUM

DATE: December 13, 2007

TO: Linda Jaress
Executive Consultant III

FROM: Katrin Stukov
Utilities Engineer

RE: Water Utility of Greater Tonopah, Inc.
Docket No. W-2450A-06-0626 (CC&N Extension)
Updated Engineering Evaluation

Introduction

Water Utility of Greater Tonopah, Inc. ("WUGT" or "Company") has applied to extend its Certificate of Convenience and Necessity ("CC&N"). The requested extension area is located in western Maricopa County and is bounded by the Central Arizona Project ("CAP") canal on the north, 443rd Avenue on the west, and the Hassayampa River on the east, and is adjacent to, or in the vicinity of the Company's existing service area. The requested area will add an additional 22,049 acres to the existing 39,000 acres. The total expanded CC&N will include an area of about 68,049 acres.

The Company described the requested extension area as six (6) subdivisions which will include the Belmont and 339th Avenue developments, and portions of Copperleaf, Desert Whisper, Silver Water Ranch and Hassayampa Ranch developments (the balance of Copperleaf, Desert Whisper, Silver Water Ranch and Hassayampa Ranch developments are already in the existing CC&N).

At full build-out, the Company anticipates an additional 88,264 dwelling units ("DU") for the proposed extension area, resulting in a projected total customer base of over 103,000 DU within the expanded CC&N at build out.

Existing Utility Plant

The Company currently operates eight (8) water systems and serves approximately 300 customers. Table I below lists specific information about each system¹.

Table I

System Name	B&D/Buckeye Ranch	Roseview	Tufte WPE #7	Garden City/Big Horn	Dixie	WPE #6	Sunshine	WPE#1
PWS ID#	07-618	07-082	07-617	07-037	07-030	07-733	07-071	N/A ³
# of wells	2	1	1	1	1	1	1	1
Total production (gallons per minute "GPM")	145	30	20	30	40	20	130	20
# of storage tank	2	1	1	2	1	1	1	1
Total storage capacity (gallons)	155,000	10,000	5,000	45,000	10,000	7,500	100,000	5,000
Existing # of customers	94	16	6	16	27	23	121	2
Does system provides fire flow?	Yes	No	No	Yes	No	No	Yes	No
Is a storage capacity adequate	Yes	Yes	Yes	Yes	Yes ²	Yes	Yes	Yes
Is a production capacity adequate? MCESD	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Compliance Status Date	Compliant 2/21/07	Compliant 3/21/07	N/A ³	Compliant 4/11/07	Compliant 3/21/07	Compliant 3/20/07	Compliant 3/28/07	N/A ³
Arsenic levels (parts per billion "ppb") ⁴	17	24	26	3.8	8.5	12	13	18

¹ Based on the Water Use Data submitted on September 29, 2006 and Maricopa County Environmental Services Department's ('MCESD') Compliance Status Reports

² See Docket No. 06-0253 for more information.

³ Water system that serve less than 15 connections is not regulated by MCESD/ADEQ

⁴ Per Company's response dated May 1, 2007

Based on the submitted Water Use Data, Staff concludes that all eight existing water systems in the WUGT, have adequate production and storage capacities to serve the existing customer base and limited growth.

The Company indicated that its existing water systems will continue to provide service to existing customers and will only serve limited future customers in the immediate vicinity of these systems in the next five years. The Company also indicated that it is unlikely that these existing water systems will be interconnected with the future water plant facilities.

With regard to the new arsenic standard, out of eight existing water systems in the WUGT, six of those systems' arsenic level exceed the new 10 ppb arsenic standard.⁵ In Commission Decision No. 68307, WUGT was ordered to correct its systems arsenic deficiencies. By Procedural Order dated May 3, 2007, the Commission has required the Company to correct its systems' arsenic deficiencies by December 31, 2007.

Future Water Plant Facilities

The Company submitted an Engineering Memorandum which discusses the future water plant facilities planned to serve the Extension Area and the projected costs. Also, the Company submitted a Conceptual Water Master Plan Phase 1 prepared by Damon S. Williams Associates for the proposed facilities.

The proposed water plant facilities will be constructed in phases designed to meet the needs of developments growth patterns. The Company estimates that during its first two years of operation in the requested extension area, it will add 200 DU per month and for the following three years it will add 300 DU per month. Accordingly, the Company is projecting 2,400 DU and 0.59 million gallons per day ("MGD") water demand⁶ in the first year, and 15,600 DU and 3.82 MGD water demand in fifth year.

Water for new developments will be provided by groundwater and surface Central Arizona Project ("CAP") water. The Company anticipates that approximately 70% of groundwater will require arsenic treatment. The treatment technologies for the surface water will consist of conventional sedimentation and filtration or membrane filtration. Initially, groundwater will supply all water demands for initial phase of the development⁷.

Phase 1 of the proposed water infrastructure will include wells (with a total production capacity of 3.82 MGD), arsenic treatment facilities, 2.5 MGD surface water treatment plant, 5 million gallon storage facilities, booster stations, and water lines. The Company

⁵ See Table I in this report for more details

⁶ The Company's estimated average water demand for a typical dwelling unit is 245 gallons per day ("GPD").

⁷ The Company projects that the initial development activity in the requested extension area will occur in Belmont and 339th Avenue developments

projects that initial water plant facilities should be operational by Year 2009⁸. The Company projects that the first phase of the future 2.5 MGD surface treatment plant should be operational by Year 2012⁹.

Construction Cost Estimate

The submitted Engineering Memorandum included spreadsheets with the breakdown of the proposed water plant facilities cost for the first five years, at a total projected cost of \$39.2 million.

The summary of costs for each year follows:

Year 1:	\$ 3.9 million
Year 2:	\$ 5.7 million
Year 3:	\$10.3 million
Year 4:	\$11.1 million
Year 5:	\$ 8.8 million

The Company indicated that the construction of the proposed water facilities for the requested extension area will be financed through a combination of equity and advances in aid of construction. The equity, provided by the Company's shareholders, will be used to construct the off-site backbone plant facilities. Advances in aid of construction, provided by main extension agreements, will be used to construct the on-site plant facilities.

Staff has reviewed the proposed water infrastructure along with the Company's cost estimates and concludes that the plant facilities and cost appears to be reasonable and appropriate for the requested extension area. However, approval of this CC&N extension application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Issues

Compliance Status

Out of eight existing water systems in the WUGT, six of those systems are considered Community Water Systems for which ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department ("MCESD") monitors for compliance. Tuft water system (PWS # 07-617) has less than 15 connections and is not considered a community system at this time. MCESD has determined that the Company's

⁸ Based on the Company's responses dated February 2, 2007 and May 1, 2007

⁹ Based on the Company's responses dated May 1, 2007, the Company projects the surface treatment plant location in Belmont (near 355th Avenue and the CAP).

six systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The Company's proposed water infrastructure does not have any plant facilities yet; therefore, the MCESD compliance status is not applicable at this time.

Approval of Construction ("AOC")

The Company has not yet obtained the AOC for the proposed water plant facilities from the MCESD.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Company is located in the Phoenix Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that the Company is in compliance with the Phoenix AMA reporting and conservation requirements¹⁰.

Designation of Assured Water Supply ("DAWS") or Certificate of Assured Water Supply ("CAWS")

The Company has not yet received a copy of ADWR's DAWS or CAWS related to this CC&N extension.

Arizona Corporation Commission Compliance

A check with Utilities Division Compliance Section showed that there are currently no delinquencies for the Company¹¹.

Curtailment Tariff

The Company has an approved Curtailment Tariff that has been in effect since January 26, 2005.

¹⁰ Per ADWR Compliance status check on October 4, 2007

¹¹ Per ACC Compliance status check dated May 17, 2007

Summary

Conclusions

1. Based on the submitted Water Use Data, Staff concludes that all eight existing water systems in the WUGT have adequate production and storage capacities to serve the existing customer base and limited growth.
2. Out of eight existing water systems in the WUGT, six of those systems' arsenic level exceed the new 10 ppb arsenic standard. By Commission Decision No. 68307, WUGT was ordered to correct its systems arsenic deficiencies in. By the Procedural Order dated May 3, 2007, the Commission has requested the Company to correct its systems arsenic deficiencies by December 31, 2007.
3. MCESD has determined that the Company's six public water systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. The Company's proposed water infrastructure does not have any plant facilities yet; therefore, a MCESD compliance status is not applicable at this time.
5. Staff concludes that the Company's proposed water plant's planned production and storage capacities appear to be appropriate and adequate to serve the requested extension area for the first five years.
6. Staff concludes that the proposed water plant facilities and cost estimates totaling \$39.2 million at year five are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
7. The Company has not yet received a copy of the ADWR's DAWS or CAWS related to this CC&N extension.
8. A check with Utilities Division Compliance Section showed that there are currently no delinquencies for the Company.

Recommendations

1. Staff recommends that any approval in this docket be conditional on the Company complying with all requirements and conditions set forth in Decision No. 68307 dated November 14, 2005 and Procedural Order dated May 3, 2007.
2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the AOC issued by MCESD for the initial water plant facilities, including production, storage and water distribution system, needed to serve the initial phase of the development in the requested area, within two years after the effective date of the decision in this case.
3. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR's DAWS or CAWS related to this CC&N extension, within two years after the effective date of the decision in this case.