

ORIGINAL



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MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

Date: January 28, 2008

RE: STAFF REPORT FOR BACA FLOAT WATER COMPANY, INC. -
APPLICATION FOR EXTENSION OF CERTIFICATE OF CONVENIENCE
AND NECESSITY FOR WASTEWATER SERVICE (DOCKET NO. WS-
01678A-07-0459)

Attached is the Staff Report for Baca Float Water Company, Inc.'s application for extension of its existing Certificate of Convenience and Necessity for wastewater services. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

Arizona Corporation Commission
DOCKETED

JAN 28 2008

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Service List for: Baca Float Water Company, Inc.
Docket No. WS-01678A-07-0459

Mr. Jeffrey W. Crockett
Ms. Marcie A. Shuman
SNELL & WILMER LLP
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004-2202

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

BACA FLOAT WATER COMPANY, INC.

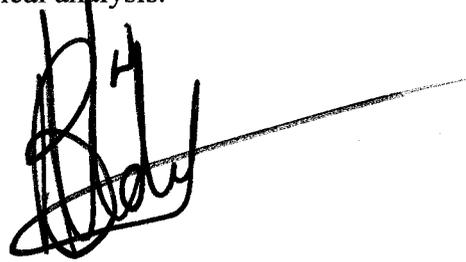
DOCKET NO. WS-01678A-07-0459

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY

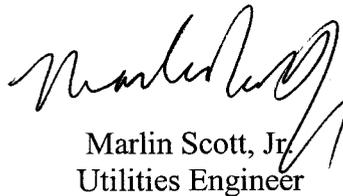
JANUARY 28, 2008

STAFF ACKNOWLEDGMENT

The Staff Report for Baca Float Water Company, Inc. (Docket No. WS-01678A-07-0459) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', written over a horizontal line.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Marlin Scott, Jr.', written over a horizontal line.

Marlin Scott, Jr.
Utilities Engineer

EXECUTIVE SUMMARY
BACA FLOAT UTILITY COMPANY, INC.
DOCKET NO. WS-01678A-07-0459

On August 2, 2007, Baca Float Water Company, Inc. ("Baca Float" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide wastewater service in Santa Cruz County, Arizona. On November 30, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code.

Baca Float Water Company, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division, authorized to provide water and wastewater utility services within portions of Santa Cruz County, Arizona pursuant to authority granted by the Commission in Decision Nos. 32233 (May 31, 1960) and 60721 (March 23, 1998). Baca Float was incorporated on December 1, 1959. The Company provides water and wastewater utility services to approximately 271 and 350 customers, respectively, in the vicinity of Tubac, Arizona.

By this application, Baca Float is seeking Commission authority to add approximately 40 acres (1/16 square-mile) to the Company's existing certificated area of approximately 2 square-miles. The requested area consists of 82 lots. Arizona-American Water Company is the water provider for the requested extension area.

Based on Staff's review and analysis of the application, Staff believes that the Company's proposed sewer system will have adequate sewer treatment capacity to serve the proposed CC&N extension area. Staff also believes that the Company's proposed plant facilities and cost appear to be reasonable. However, no "used and useful" determination of the proposed sewer plant facilities was made and no particular treatment should be inferred for rate making or rate base purposes.

Staff recommends the Commission approve Baca Float's application for an extension of its CC&N within portions of Santa Cruz County, Arizona, to provide wastewater services, subject to compliance with the following conditions:

1. To require Baca Float to charge its authorized rates and charges in the extension area.
2. To require Baca Float to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Santa Cruz County for the requested area, within 365 days of the decision in this matter.
3. To require Baca Float to file with Docket Control, as a compliance item in this docket, within two years of the effective date of an order in this proceeding, copies of the General Permits for, (a) the wetland treatment facility and (b) the collection system for the development in the requested area.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Baca Float be considered null and void, after due process, should Baca Float fail to meet Conditions No. 2 and 3 listed above within the time specified.

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Introduction

On August 2, 2007, Baca Float Water Company, Inc. ("Baca Float" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide wastewater service in Santa Cruz County, Arizona.

On August 31, 2007, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.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 October 30, 2007, the Company provided additional documentation to support the relief requested.

On November 30, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C. R14-2-610 (C).

Background

Baca Float Water Company, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division, authorized to provide water and wastewater utility services within portions of Santa Cruz County, Arizona pursuant to authority granted by the Commission in Decision Nos. 32233 (May 31, 1960) and 60721 (March 23, 1998). Baca Float was incorporated on December 1, 1959. The Company provides water and wastewater utility services to approximately 271 and 350 customers, respectively, in the vicinity of Tubac, Arizona.

Baca Float is owned by Baca Float Land Development Limited Partnership. Baca Float's Officers are Mr. Gary P. Brasher (the President) and Mr. Richard Lockwood (the Secretary). Mr. Brasher is a Co-General Partner of Baca Float Land Development Limited Partnership.

By this application, Baca Float is seeking Commission authority to add approximately 40 acres (1/16 square-mile) to the Company's existing certificated area of approximately 2 square-miles. The requested area consists of 82 lots. Tubac 40, LLC ("Tubac 40") owns the 40 acres and has requested sewer service from Baca Float. Mr. Brasher, the President of Baca Float, is a member of Tubac 40, LLC. Baca Float Land Development Limited Partnership has no interest in Tubac 40. Arizona-American Water Company is the water provider for the requested extension area.

The Wastewater System

Baca Float's existing sewer system has a 100,000 gallon per day ("GPD") subsurface constructed wetland treatment plant and a collection system serving approximately 350 service

laterals. This existing sewer system is approximately 1-1/2 miles south of the requested extension area.

The Company is proposing to construct a new independent sewer system in the requested extension area through the use of advances in aid of construction and the use of main extension agreements. This new proposed sewer system will consist of a 19,000 GPD subsurface constructed wetland treatment system with sub-surface trench disposal that will serve 82 lots. The Company is projecting to serve 10 customers in the first year and 82 customers by the fifth year. Staff concludes that the Company's proposed sewer system will have adequate sewer treatment capacity to serve the proposed CC&N extension area.

Baca Float intends to finance the construction of the plant facilities needed to serve the extension area through advances in aid of construction. The estimated cost of the sewer plant facilities needed to serve the proposed CC&N extension area is as follows:

Off-Site Plant Facilities – Construction of Wetland & Disposal System	\$722,525
On-Site Plant Facilities – Construction of Collection System	\$320,500

TOTAL	\$1,043,025

Staff has reviewed the proposed sewer plant facilities for the proposed development and its cost estimate totaling \$1,043,025, and concludes that the plant facilities and cost appear to be reasonable. However, no "used and useful" determination of the proposed sewer plant facilities was made and no particular treatment should be inferred for rate making or rate base purposes.

According to the Company, an application for a Type 4 General Permit (i.e., less than 24,000 GPD) will be filed with Arizona Department of Environmental Quality ("ADEQ") in lieu of seeking an amendment to the Areawide Water Quality Management Plan, or 208 Plan. A 208 Consistency Review Form will be included as part of the Type 4 General Permit application.

The General Permits for constructing the plant facilities needed to serve the requested area have not been submitted by the Company. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, within two years of the effective date of an order in this proceeding, copies of the General Permits for, (a) the wetland treatment facility and (b) the collection system for the development in the requested area.

Arizona Department of Environmental Quality Compliance

ADEQ regulates the Company's existing sewer system under ADEQ Permit No. 36054 and the system is in compliance with ADEQ requirements.

ACC Compliance

According to the Utilities Division Compliance Section, Baca Float has no outstanding ACC compliance issues.

Proposed Rates

Baca Float will provide wastewater service to the extension area under its authorized rates and charges.

Baca Float's current rates have been in effect for at least ten years. In Docket No. W-01678A-07-0116, Staff's review of Baca Float's 2006 Annual Report revealed some anomalies which caused Staff to suspect that the Company is combining revenues and expenses for its water and sewer operations, but not plant, in the same annual report. Because Staff is concerned about the Company's accounting methods, the reliability of its financial statements, and the suitability of its rates, the Commission Ordered Baca Float to file a rate case by May 31, 2009, using a 2008 Test Year. (See Decision No. 69949, issued October 30, 2007).

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.

According to the Application, the extension area "is located within the boundaries of Baca Float's present Santa Cruz County franchise." However, no evidence of the franchise was filed in this docket. Therefore, Staff recommends that Baca Float be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Santa Cruz County for the requested area, within 365 days of the decision in this matter.

Recommendations

Staff recommends the Commission approve Baca Float's application for an extension of its CC&N within portions of Santa Cruz County, Arizona, to provide wastewater services, subject to compliance with the following conditions:

1. To require Baca Float to charge its authorized rates and charges in the extension area.
2. To require Baca Float to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Santa Cruz County for the requested area, within 365 days of the decision in this matter.

3. To require Baca Float to file with Docket Control, as a compliance item in this docket, within two years of the effective date of an order in this proceeding, copies of the General Permits for, (a) the wetland treatment facility and (b) the collection system for the development in the requested area.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Baca Float be considered null and void, after due process, should Baca Float fail to meet Conditions No. 2 and 3 listed above within the time specified.

MEMORANDUM

DATE: January 3, 2008

TO: Blessing N. Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Baca Float Water Company
Docket No. WS-01678A-07-0459 (Sewer CC&N Extension)

Introduction

Baca Float Water Company ("Company") has applied to extend its Certificate of Convenience and Necessity ("CC&N") for its sewer division. The requested area will add approximately 1/16 square-mile or 40 acres to the Company's existing approximate 2 square-miles of certificated area. The Company serves the community of Tubac in Santa Cruz County.

Capacity

Existing Sewer System

The Company's existing sewer system has a 100,000 gallon per day ("GPD") subsurface constructed wetland treatment plant and a collection system serving approximately 350 service laterals. This existing sewer system is approximately 1-1/2 miles south of the requested extension area.

Proposed New Sewer System

The Company is proposing to construct a new independent sewer system in the requested extension area through the use of advances in aid of construction and the use of main extension agreements. This new proposed sewer system will consist of a 19,000 GPD subsurface constructed wetland treatment system with sub-surface trench disposal that will serve 82 lots. The Company is projecting to serve 10 customers in the first year and 82 customers by the fifth year with estimated plant facilities as follows:

I. Off-Site Plant Facilities – Construction of Wetland & Disposal System

<u>Item</u>	<u>Quantity</u>	<u>Units</u>	<u>Unit Cost</u>	<u>Cost</u>
Earthwork	6,000	cy	10	\$ 60,000
30-mil Liner	80,000	sf	1	\$ 80,000
Geotextile	80,000	sf	0.2	\$ 16,000
3-inch Mulch	600	cy	22	\$ 13,200
Rock	5,000	cy	30	\$150,000
Drain pipe	2,600	lf	0.2	\$ 520
Plants	4,000	ea	2	\$ 8,000
Control Structures/Yard Pipe	4	ea	2,000	\$ 8,000
Influent lift station	1	ls	80,000	\$ 80,000
Settling tank concrete	110	cy	550	\$ 60,500
Settling tank excavation	360	cy	50	\$ 18,000
Back-up generator	1	ls	10,000	\$ 10,000
Chlorination/storage	1	ls	20,000	\$ 20,000
Yard piping	1	ls	25,000	\$ 25,000
6' chain link fence	440	lf	20	\$ 8,800
Split rail fence	2,000	lf	10	\$ 20,000

Subtotal				\$578,020
25% Engineering/Contingency				\$144,505

Total				\$722,525

II. On-Site Plant Facilities – Construction of Collection System

<u>Item</u>	<u>Unit</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Cost</u>
Phase 1 – 8-inch PVC sewer	lf	2,620	\$35	\$ 91,700
Manholes	ea	18	\$3,000	\$ 54,000
Services	ea	54	\$400	\$ 21,600
Phase 2 – 8-inch PVC sewer	lf	1,920	\$35	\$ 67,200
Manholes	ea	11	\$3,000	\$ 33,000
Services	ea	28	\$400	\$ 11,200

Subtotal				\$278,700
15% Contingency				\$ 41,800

Total				\$320,500

III. TOTAL = \$1,043,025

Capacity Conclusions

Staff concludes that the Company's proposed sewer system will have adequate sewer treatment capacity to serve the proposed CC&N extension area.

Staff concludes that the proposed sewer plant facilities for the proposed development and its cost estimate totaling \$1,043,025 appear reasonable. However, no "used and useful" determination of the proposed sewer plant facilities was made and no particular treatment should be inferred for rate making or rate base purposes.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

ADEQ regulates the Company's existing sewer system under ADEQ Permit No. 36054 and the system is in compliance with ADEQ requirements.

General Permits

According to the Company, an application for a Type 4 General Permit (i.e., less than 24,000 GPD) will be filed with ADEQ in lieu of seeking an amendment to the Areawide Water Quality Management Plan, or 208 Plan. A 208 Consistency Review Form will be included as part of the Type 4 General Permit application.

The General Permits for constructing the plant facilities needed to serve the requested area have not been submitted by the Company. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, within two years of the effective date of an order in this proceeding, copies of the General Permits for, a) the wetland treatment facility and b) the collection system for the development in the requested area.

Arizona Corporation Commission Compliance

A check with the Utilities Division Compliance Section showed no delinquent compliance items for the Company.

Summary

Conclusions

- A. Staff concludes that the Company's proposed sewer system will have adequate sewer treatment capacity to serve the proposed CC&N extension area.
- B. Staff concludes that the proposed sewer plant facilities for the proposed development and its cost estimate totaling \$1,043,025 appear reasonable.

Blessing N. Chukwu

January 3, 2008

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However, no "used and useful" determination of the proposed sewer plant facilities was made and no particular treatment should be inferred for rate making or rate base purposes.

- C. ADEQ regulates the Company's existing sewer system under ADEQ Permit No. 36054 and the system is in compliance with ADEQ requirements.
- D. A check with the Utilities Division Compliance Section showed no delinquent compliance items for the Company.

Recommendation

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, within two years of the effective date of an order in this proceeding, copies of the General Permits for, a) the wetland treatment facility and b) the collection system for the development in the requested area.

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: August 22, 2007

RE: **BACA FLOAT WATER COMPANY (DOCKET NO. WS-01678A-07-0459)**

The area requested by Baca Float for an extension for sewer service has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

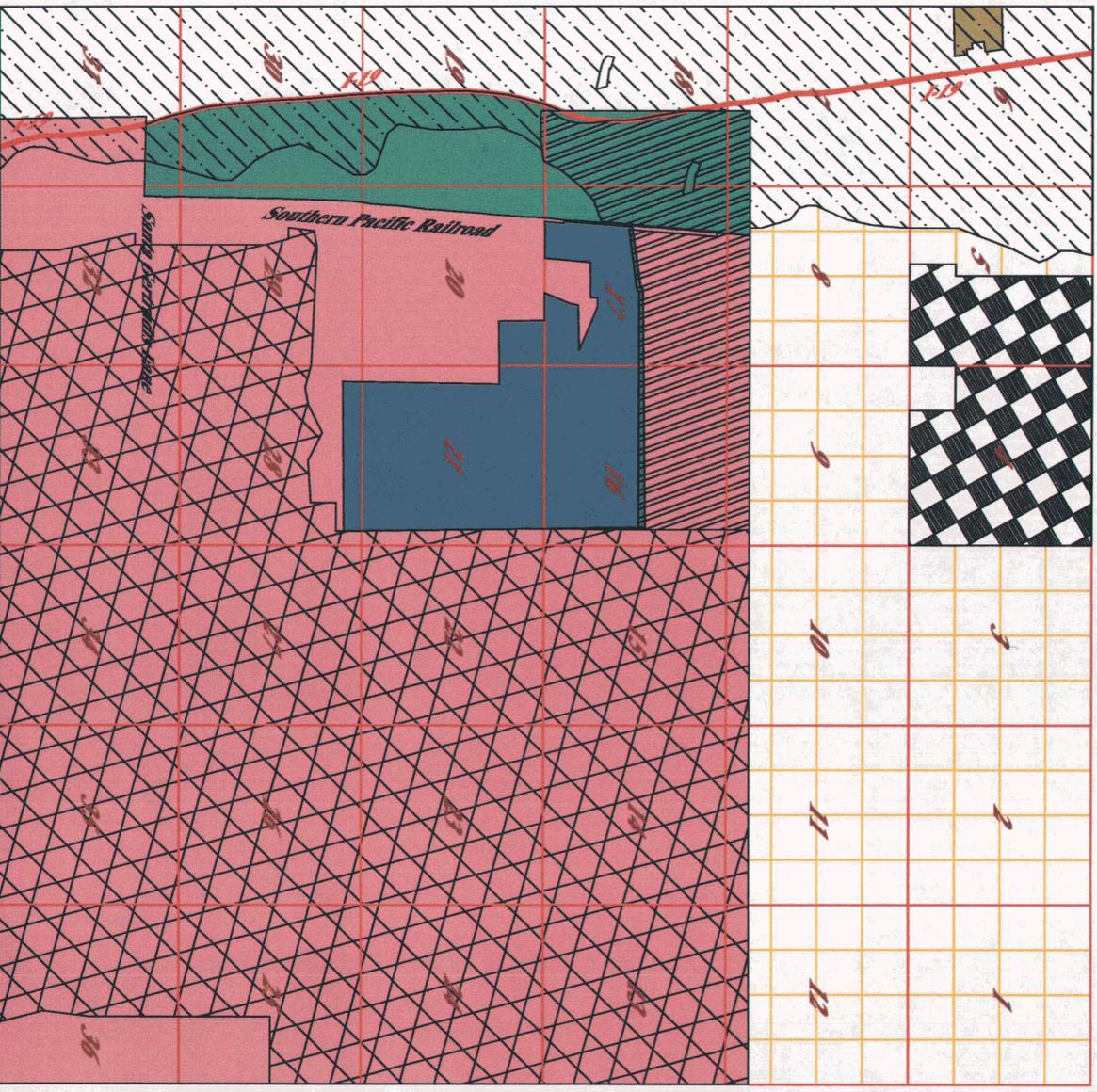
:bsw

Attachments

cc: Mr. Jeffrey Crockett
Ms. Deb Person (Hand Carried)
File

COUNTY Santa Cruz

RANGE 13 East



TOWNSHIP 21 South

-  WS-1303 (3)
Arizona-American Water Company
-  WS-1678 (1)
Baca Float Water Company, Inc.
-  Sewer
-  WS-2676 (6)
Rio Rico Utilities, Inc.
-  Sewer
-  W-2419 (2)
Tubac Water Company, Inc.
-  (1)
Baca Float Water Company, Inc.
Docket No. WS-01678A-07-0116
Application for Extension for Water
-  (1)
Baca Float Water Company, Inc.
Docket No. WS-01678A-07-0459
Application for Extension for Sewer

Exhibit A

All that part of the Southwest quarter of Section 6, Township 21 South, Range 13 East, Gila and Salt River Base and Meridian, Santa Cruz County, Arizona, described as follows:

Beginning at the West quarter corner of said Section 6,

Thence South 00 degrees 36 minutes 03 seconds East, along the West line of said Section, 1389.43 feet;

Thence North 88 degrees 48 minutes 08 seconds East parallel with the North line of said Southwest quarter, 1669.09 feet to a point in the West right-of-way line of the Tucson Nogales Highway;

Thence North 08 degrees 55 minutes 18 seconds West, along right-of-way North line, 1402.08 feet to a point in the North line of said Southwest quarter;

Thence South 88 degrees 48 minutes 08 seconds West, along said North line, 1466.18 feet to the POINT OF BEGINNING.

EXCEPT all coal and other minerals as reserved in the Patent from the United States of America.

AND EXCEPT the following described property:

Those portions of Lot 6 and of the East Half of the Southwest quarter (E1/2 SW1/4) of Section 6, Township 21 South, Range 13 East, Gila and Salt River Base and Meridian, Santa Cruz County, Arizona, as described in that Deed dated November 14, 1972, and recorded December 1, 1972, in Docket 151 at Page 272, records of said County, which lies Easterly of the following described line:

Commencing at the Southwest corner of said Section 6;

Thence North 89 degrees 11 minutes 50 seconds East, along the South line thereof, a distance of 1842.15 feet;

Thence North 08 degrees 27 minutes 50 seconds West, 1100.88 feet;

Thence South 81 degrees 32 minutes 10 seconds West, 185.00 feet to THE POINT OF BEGINNING;

Thence North 08 degrees 27 minutes 50 seconds West, 565.00 feet;

Thence South 81 degrees 32 minutes 10 seconds West, 150.00 feet;

Thence North 08 degrees 27 minutes 50 seconds West, 175.00 feet;

Thence South 81 degrees 32 minutes 10 seconds West, 150.00 feet;

Thence North 08 degrees 27 minutes 50 seconds West, 350.00 feet;

Thence North 81 degrees 32 minutes 10 seconds East, 300.00 feet;

Thence North 08 degrees 27 minutes 50 seconds West, 1000.00 feet to THE POINT OF ENDING.

A.P.N 112-09-058

A handwritten signature in black ink, consisting of a large, stylized cursive name followed by the initials 'DS'.