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MEMORANDUM
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TO: Docket Control

2008 FEB -7 *for* 53

FROM: Ernest G. Johnson
Director
Utilities Division

for
AZ CORP COMMISSION
DOCKET CONTROL

DATE: February 7, 2008

RE: STAFF REPORT FOR KINGS RANCH UNIT II TREATMENT PLANT APPLICATION FOR APPROVAL TO SELL ASSETS AND CANCEL ITS CERTIFICATE OF CONVENIENCE AND NECESSITY AND APPLICATION TO ESTABLISH KINGS RANCH UNIT II DOMESTIC WASTEWATER IMPROVEMENT DISTRICT (DOCKET NOS. SW-02573A-07-0650, SW-20492A-06-0766)

Attached is the Staff Report for Kings Ranch Unit II Treatment Plant application for approval to sell assets and cancel its certificate of convenience and necessity and application to establish Kings Ranch Unit II Domestic Wastewater Improvement District. Staff recommends approval of the application to sell assets and cancel its certificate of convenience and necessity, subject to conditions.

EGJ:RGG:tdp

Originator: Robert Gray

Arizona Corporation Commission
DOCKETED

FEB -7 2008

DOCKETED BY	<i>RG</i>
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Service List for: Kings Ranch Unit II Treatment Plant
Docket Nos. SW-02573A-07-0650, SW-20492A-06-0766

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Kings Ranch Unit II Treatment Plant
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Black Canyon City, Arizona 85324

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

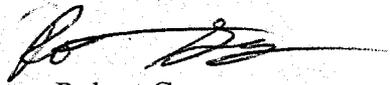
KINGS RANCH UNIT II TREATMENT PLANT

**DOCKET NOS. SW-02573A-07-0650 AND
SW-20492A-06-0766**

FEBRUARY 7, 2008

STAFF ACKNOWLEDGMENT

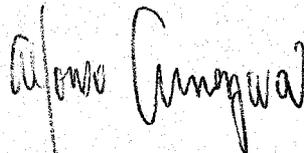
The Staff Report for Kings Ranch Unit II Treatment Plant, Docket Nos. SW-02573A-07-0650 and SW-02492A-06-0766, was the responsibility of the Staff member listed below. Robert Gray was responsible for the review and analyses of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis. Alfonso Amezcua was responsible for reviewing customer complaints filed with the Commission.



Robert Gray
Executive Consultant III



Marlin Scott, Jr.
Utilities Engineer (Water/Wastewater)



Alfonso Amezcua
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
KINGS RANCH UNIT II TREATMENT PLANT
DOCKET NOS. SW-02573A-07-0650, SW-20492A-06-0766

On November 16, 2007, Kings Ranch Unit II Treatment Plant ("Kings Ranch") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sales of its assets to Kings Ranch Unit II Wastewater Improvement District ("Improvement District") and for the cancellation of its Certificate of Convenience and Necessity ("CC&N") to provide sewage treatment service. On December 14, 2007, Staff notified Kings Ranch that its filing had met sufficiency requirements.

On December 8, 2006, a separate docket was opened in the matter of the establishment of the Kings Ranch II Domestic Water Improvement District. On December 21, 2007, Staff filed a motion to consolidate the two dockets. On January 3, 2008, the Administrative Law Judge issued a procedural order, approving consolidation of the two dockets.

In Kings Ranch's most recent rate case (Decision No. 68655, April 12, 2006), the Commission ordered Staff to meet with representatives of Kings Ranch to explore whether creation of an improvement district was a viable alternative to current ownership. The Order in the rate case placed additional requirements on Kings Ranch if an improvement district was not formed.

Kings Ranch is currently out of compliance with the Arizona Department of Environmental Quality ("ADEQ") and is working with ADEQ to come into compliance.

Staff believes it is in the public interest for the assets of Kings Ranch Unit II Treatment Plant to be transferred to the Kings Ranch Unit II Wastewater Improvement District, and recommends approval of the transfer and cancellation of the CC&N of Kings Ranch Unit II Treatment Plant, subject to certain conditions.

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Background

Kings Ranch is a Sole Proprietorship, engaged in providing wastewater utility service to the public in a portion of Yavapai County, Arizona, pursuant to authority granted by the Commission in Decision No. 57447 (July 10, 1991). Kings Ranch is a Sole Proprietorship owned by Mr. Philip Albins and its service area is located east of Black Canyon City, Arizona. On November 16, 2007, Kings Ranch filed an application with the Commission for approval of the sales of its assets to Improvement District and for the cancellation of its Certificate of Convenience and Necessity ("CC&N") to provide sewage treatment service. On December 14, 2007, Staff notified Kings Ranch that its filing had met sufficiency requirements.

On December 8, 2006, a separate docket was opened in the matter of the establishment of the Kings Ranch II Domestic Water Improvement District. On December 21, 2007, Staff filed a motion to consolidate the two dockets. On January 3, 2008, the Administrative Law Judge issued a procedural order, approving consolidation of the two dockets.

In Kings Ranch's most recent rate case (Decision No. 68655, April 12, 2006), the Commission ordered that Staff "shall contact representatives of the Kings Ranch Unit II Treatment Plant and its customers, within 60 days of this Decision, to determine if creation of a wastewater improvement district represents a viable option to current ownership." The Order further stated that "absent creation of a wastewater improvement district, Kings Ranch Unit II Treatment Plant shall, prior to its next rate case filing, take every possible action to bring its costs under control, while maintaining safe and reliable service. In Kings Ranch Unit II Treatment Plant's next rate case filing, Staff shall carefully scrutinize all of Kings Ranch Unit II Treatment Plant's operations and provide recommendations as to how rates can be brought under control." In its Findings of Fact, the Order expressed deep concern over on-going financial difficulties and revenue losses experienced by the Company for many years.

On November 6, 2007, the Yavapai County Board of Supervisors voted unanimously to approve establishment of the Kings Ranch Unit II Wastewater Improvement District. Given Kings Ranch Unit II Wastewater Improvement District's status as an improvement district, the granting of a CC&N, as contemplated initially in Docket No. SW-20492A-06-0766 is unnecessary. Attached is a map showing the service territory of Kings Ranch.

Operations

The Kings Ranch facility is currently managed by a certified operator. The Yavapai County Board of Supervisors' November 6, 2006 order of establishment appointed an initial Board of Directors for the Improvement District. Elections for the Board of Directors are held every two years on the general election date.

Compliance

Kings Ranch is currently out of compliance with the Arizona Department of Environmental Quality ("ADEQ") according to a January 18, 2008 letter from ADEQ. By letter dated February 04, 2008 the Improvement District has indicated that the certified operator currently operating the system is working with a representative from ADEQ's Yavapai County office to address the areas of noncompliance. Staff's Engineering Report and a copy of the January 17, 2008 ADEQ compliance status letter are attached.

The Utilities Division Compliance Section indicated there are no delinquent Arizona Corporation Commission ("ACC" or "Commission") compliance items outstanding for the Company. The Utilities Division Consumer Services Section indicated that from January 2004 to November 2007 there were no complaints filed. Attached is a copy of the Consumer Services Section report.

Notice

On December 13, 2007, Kings Ranch filed an Affidavit of Publication indicating that a notice regarding this application was published in the local newspaper, The Big Bug News. Pursuant to the December 19, 2007 Procedural Order, notice of this proceeding was provided by the Company to each customer.

Recommendations

Staff believes it is in the public interest for the assets of Kings Ranch Unit II Treatment Plant to be transferred to the Kings Ranch Unit II Wastewater Improvement District, and recommends approval of the transfer and cancellation of the Certificate of Convenience and Necessity of Kings Ranch Unit II Treatment Plant, subject to the following condition.

Given the outstanding compliance issues with ADEQ at the time of the filing of this Staff Report, Staff recommends that approval of the transfer be conditioned on Kings Ranch resolving all compliance matters with ADEQ. To fulfill this condition, the applicant should work with ADEQ to correct its deficiencies and docket an ADEQ letter stating that the Company is in compliance with ADEQ.

MEMORANDUM

DATE: February 1, 2008

TO: Bob Gray
Executive Consultant III
Utilities Division

FROM: Marlin Scott, Jr. *msj*
Utilities Engineer
Utilities Division

RE: Kings Ranch Unit II Treatment Plant
Docket No. SW-02573A-07-0650 (Sale/Transfer)

Introduction

Kings Ranch Unit II Treatment Plant ("Company") has submitted an application for approval to transfer its assets to the Kings Ranch Unit II Wastewater Improvement District ("District") and to cancel its Certificate of Convenience and Necessity to provide wastewater treatment service. The Company operates a wastewater system east of Black Canyon in Yavapai County.

Existing Wastewater System

The existing wastewater treatment plant consists of a Santec extended aeration plant of a nominal 9,000 gallons per day capacity. The secondary effluent is disinfected and then de-chlorinated. The effluent discharges to the Agua Fria River. The collection system consists of approximately 5,000 feet of main, one lift station, 29 manholes, and 5 cleanouts that serve approximately 31 customers in the Kings Ranch II Subdivision.

According to the Company, the system's operation was taken over by the District in June 2007 with a new operator.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Company's wastewater system under Inventory #100354 and Permit #36400. This system is currently not in compliance with ADEQ requirements. According to an ADEQ Compliance Status Report, dated January 17, 2008, the Company has not been complying with its Arizona Pollutant Discharge Elimination System Permit reporting and monitoring requirements, in which 29 deficiency items were reported. According to the system's new operator, this operator is currently working with ADEQ to resolve these deficiencies. It is the operator's belief that these deficiencies are "paper"

Bob Gray
February 1, 2008
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related and could quickly be resolved. Once these deficiencies are corrected, Staff will request an updated Compliance Status Report from ADEQ and will docket this updated report when received.

Arizona Corporation Commission (“ACC”) Compliance

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



Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us



Stephen A. Owens
Director

January 17, 2008

Arizona Corporation Commission
Mr. Marlin Scott, Utilities Engineer
1200 W. Washington
Phoenix, Arizona 85007

RE: Compliance Status for Kings Ranch- Unit -II WWTP, Inventory number 100354.
permit number: 36400.

Dear Mr. Scott,

Your request for evaluation of compliance status for the above facility is completed. Our records indicate that Kings Ranch- Unit II WWTP has Arizona Pollutant Discharge Elimination System (AZPDES) Permit number 36400 issued on 4/17/2006.

The AZPDES Permit reporting requirements and monitoring results which have been submitted indicate the facility **is not in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending at this time. The following information details the reason for non-compliance:

1. Concentration average exceedance for total residual chlorine (MAX), on 6/2006.
2. Load max and average exceedances for nitrate-nitrite on 6/2006.
3. Concentration minimum exceedances for 5-day BOD and suspended solids (% removal).
4. Load max and average exceedances for nitrate-nitrite on 8/2006.
5. Load average exceedances for suspended solids on 8/2006.
6. Load max and average exceedances for nitrate-nitrite on 9/2006.
7. Load average exceedances for suspended solids on 9/2006.
8. Load max and average exceedances for nitrate-nitrite on 10/2006.
9. Load max and average exceedances for nitrate-nitrite on 11/2006.
10. Load average exceedances for suspended solids on 11/2006.
11. Load max and average exceedances for nitrate-nitrite on 12/2006.
12. Load max and average exceedances for nitrate-nitrite on 1/2007.
13. Load max and average exceedances for nitrate-nitrite on 2/2007.
14. Load max and average exceedances for nitrate-nitrite on 3/2007.
15. Concentration average exceedance for total residual chlorine (MAX) on 3/2007.
16. Load max and average exceedances for nitrate-nitrite on 4/2007.

Northern Regional Office
1515 East Cedar Avenue • Suite F • Flagstaff, AZ
86004

Southern Regional Office
400 West Congress Street • Suite 433 • Tucson, AZ
85701

17. Missing result for load maximum exceedance for residual chlorine max, 6/2007.
18. Load max and average exceedances for nitrate-nitrite on 6/2007.
19. Load max and average exceedances for nitrate-nitrite on 5/2007.
20. Missing result for load maximum exceedance for residual chlorine max, 6/2007.
21. Load max and average exceedances for nitrate-nitrite on 6/2007.
22. Load max and average exceedances for nitrate-nitrite on 8/2007.
23. Load max and average exceedances for nitrate-nitrite on 8/2007.
24. Concentration average exceedance for total residual chlorine (MAX) on 9/2007.
25. Load max and average exceedances for nitrate-nitrite on 9/2007.
26. No report has been received for semi- annual , twice yearly for the second half of year 2006.
27. Load max and average exceedances for nitrate-nitrite on 11/2007.
28. Concentration average exceedance for total residual chlorine (MAX) on 12/2007.
29. Load max and average exceedances for nitrate-nitrite on 12/2007.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

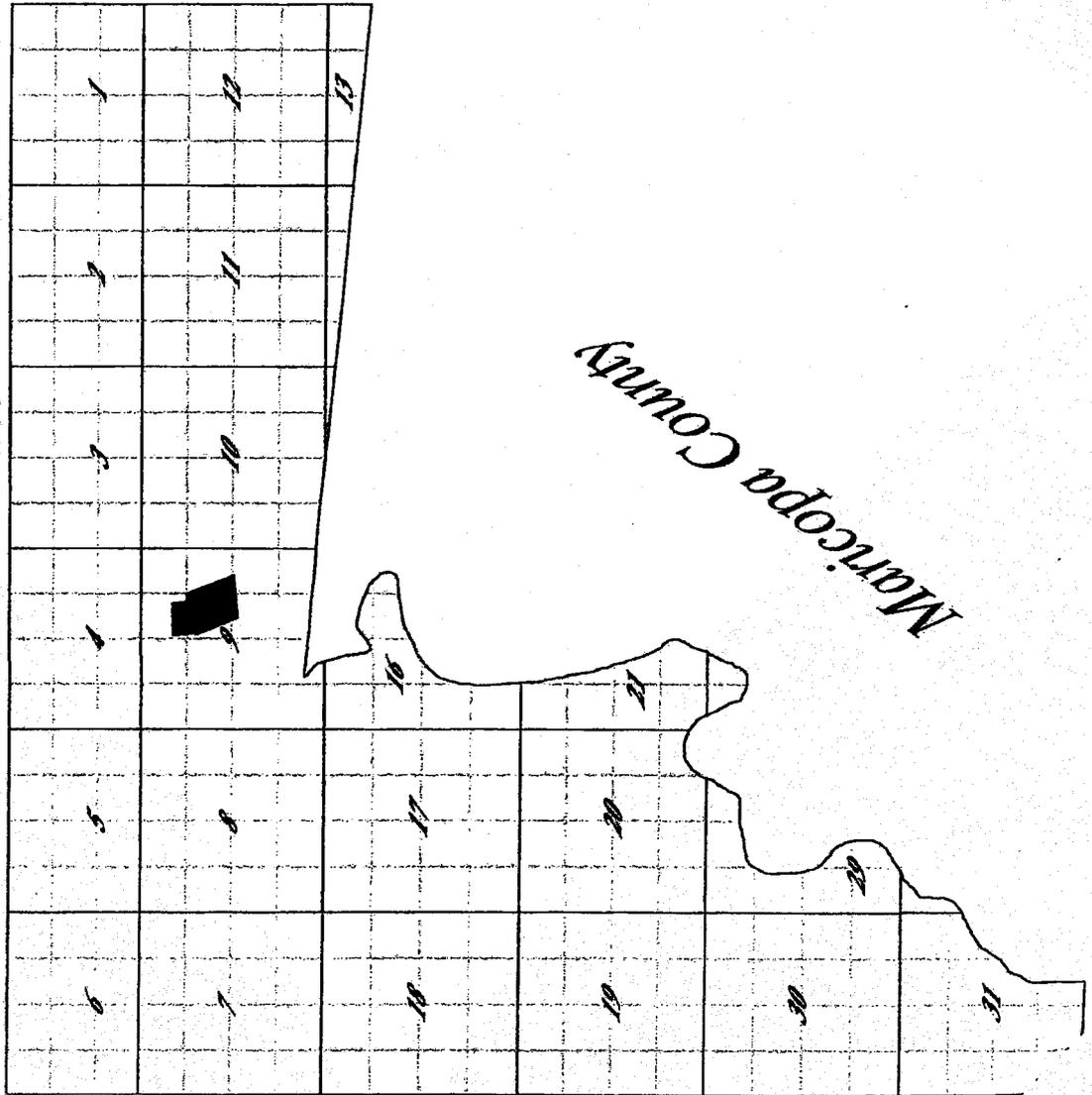
Fred Vakili, EHS- II
Water Quality Data Unit
Water Quality Compliance Section
FAV@AZDEQ.GOV

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

Map No. 44

COUNTY: Yavapai

RANGE 2 East



TOWNSHIP 8 North

- 
SW-2573 (1)
 Kings Ranch Unit II Treatment Plant
- Kings Ranch Unit II Treatment Plant**
 Docket No. SW-02573A-07-0650
 Application to Cancel and Sell Assets to
 Kings Ranch Unit Two Wastewater
 Improvement District

MEMORANDUM

To: Robert Gray
Executive Consultant III
Utilities Division

From: Alfonso Amezcua ~~A~~ A.
Public Utilities Consumer Analyst II
Utilities Division

Date: December 3, 2007

RE: **KINGS RANCH UNIT II TREATMENT PLANT
DOCKET NO. SW-02573A-07-0650**

Kings Ranch Unit II Treatment Plant filed an application to sell its assets to another provider and cancel the Certificate of Convenience and Necessity to provide sewage treatment service.

The Corporations Division reports on December 3, 2007 no listing for Kings Ranch Unit II Treatment Plant.

A search of Consumer Services database reveals the following history of customer complaints.

From January 2004 through November 30, 2007 there were no complaints filed.

If I could be of further assistance please call me at (602) 542-0842.

cc: File