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ORIGINAL

MEMORANDUM

TO: Docket Control Center

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: March 20, 2008

RE: GLOBAL WATER-PICACHO COVE UTILITIES COMPANY AND GLOBAL WATER-PICACHO COVE WATER COMPANY - APPLICATION FOR EXTENSION OF THEIR CERTIFICATES OF CONVENIENCE AND NECESSITY (DOCKET NOS: SW-20494A-09-0016 AND W-20495A-09-0016)

Attached is the Staff Report for Global Water – Picacho Cove Utilities and Picacho Cove Water Company. Staff recommends approval of the application and recommends that conditions be adopted by the Commission.

EGJ:LAJ:red

Originator: Linda A. Jaress

Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Service List for: Global Water – Picacho Cove Utilities Company and Picacho Cove Water Company

Docket Nos. SW-20494A-09-0016 and W-20495A-09-0016

Mr. Michael Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Ms. Janice A. Alward
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**

**GLOBAL WATER – PICACHO COVE UTILITIES COMPANY
GLOBAL WATER - PICACHO COVE WATER COMPANY**

DOCKET NOS. SW-20494A-09-0016 AND W-20495A-09-0016

**APPLICATION FOR EXTENSION OF THEIR
CERTIFICATES OF CONVENIENCE AND NECESSITY FOR
WATER AND WASTEWATER**

MARCH 20, 2009

EXECUTIVE SUMMARY
GLOBAL WATER – PICACHO COVE UTILITIES AND GLOBAL WATER –
PICACHO WATER COMPANY
DOCKET NOS. SW-20494A-09-0016 AND W-20495A-09-0016

Global Water – Picacho Cove Utilities Company (“Picacho Cove Utilities”) and Global Water – Picacho Cove Water Company (“Picacho Cove Water”) filed an application for an extension of their Certificates of Convenience and Necessity (“CC&N”) on January 16, 2009. Picacho Cove Utilities and Picacho Cove Water (combined, “the Companies”) received their CC&Ns to provide utility service in Pinal County near the City of Eloy on April 24, 2008, in Decision No. 70312. The Companies currently do not serve any customers.

The application included an October 2, 2008, request for service from the City of Mesa who is the owner of the real property in the CC&N extension area. The Companies’ application also included a copy of an August 25, 2008 Memorandum of Understanding (“MOU”), between the City of Eloy (“Eloy”), and Global Water Resources, LLC (“Global”) as evidence that the application is supported by the City of Eloy.

Staff has reviewed the proposed water and wastewater plant infrastructure and related costs and finds them to be reasonable and appropriate. Staff believes the Companies are fit and proper utilities to serve the extension area.

Staff recommends approval of the application of the Companies to extend their service territory. Staff also recommends the following:

That Picacho Cove Water file with Docket Control, as a compliance item in this docket, copies of the Approval to Construct (“ATC”) for Phase 1 of the development when received by Picacho Cove Water, but in any event no later than 2 years after the effective date of the order granting this application.

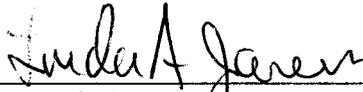
That Picacho Cove Water file with Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Water Resources (“ADWR”) Designation of Assured Water Supply or Physical Availability Demonstration for the CC&N extension area within 2 years of the effective date of the Order granting this application.

That Picacho Cove Utilities file with Docket Control, as a compliance item in this docket, copies of the General Permits for Phase 1 of the development when received by Picacho Cove Utilities, but in any event no later than 2 years after the effective date of the Order granting this application.

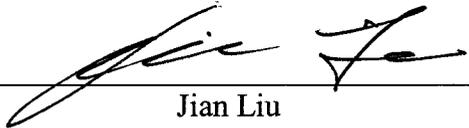
That Picacho Cove Utilities file with Docket Control, as a compliance item in this docket, a copy of the Aquifer Protection Permit (“APP”) within 2 years after the effective date of the order.

STAFF ACKNOWLEDGEMENT

The Staff Report for Picacho Cove Water Company and Picacho Cove Utilities, Docket Nos. SW-20494A-09-0016 and W-20495A-09-0016, was prepared by the Staff members listed below. Linda Jaress performed the review and analysis of the Company's application and Jian Liu performed the engineering analysis.



Linda A. Jaress
Executive Consultant III



Jian Liu
Utilities Engineer

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INTRODUCTION

Global Water – Picacho Cove Utilities Company (“Picacho Cove Utilities”) and Global Water – Picacho Cove Water Company (“Picacho Cove Water”) filed an application for an extension of their Certificates of Convenience and Necessity (“CC&N”) on January 16, 2009. Picacho Cove Utilities and Picacho Cove Water (collectively, “the Companies”) received their CC&Ns to provide utility service in Pinal County near the City of Eloy on April 24, 2008, in Decision No. 70312. The Companies currently do not serve any customers. The southernmost part of the extension area is within a mile of the northernmost part of Picacho Cove Water and Picacho Cove Utility’s current service territory. The Companies are subsidiaries of Global Water Resources, LLC (“Global”) which also owns other Arizona water and wastewater utilities which, combined, serve approximately 30,000 customers.

The application included an October 2, 2008 request for service from the City of Mesa who is the owner of the real property in the CC&N extension area. The Companies’ application also included a copy of an August 25, 2008 Memorandum of Understanding (“MOU”), between the City of Eloy (“Eloy”), and Global as evidence that the application is supported by the City of Eloy. Through the MOU, Global and Eloy agree that Global (not the Companies) will pay Eloy a fee based upon water and wastewater revenue within Eloy’s city limits and within a joint, Global/Eloy planning area which includes the extension area. Global also will fund \$369,000 of the City’s economic development efforts and pay Eloy \$100 per hook-up within Eloy’s planning area. The MOU also requires that Eloy support Global in receiving the Commission’s approval of the Companies expansion.

The proposed service area is just a few miles east of Interstate 17, and adjacent to the Eloy city limits. The Southern Pacific Railroad line runs north and south through the extension area. According to the City of Mesa, the property is now in escrow and is being sold to a developer who specializes in transportation hub developments. The area’s use is expected to be primarily industrial. The Companies have not yet completed appropriate mapping of the extension area so Staff’s map and legal description is not attached but will be filed before the hearing.

PICACHO COVE WATER

Plant

Picacho Cove Water may construct two wells or convert agricultural wells to potable wells. It is planning to construct and install 1.5 million gallons of storage, booster systems and approximately 19,367 lineal feet of transmission and distribution mains during the first five years of operation in the extension area. Picacho Cove Water is projecting to extend service to a minimum of 100 acres per year during the first five years. Staff concludes that Picacho Cove Water’s proposed water system will have adequate infrastructure to serve the requested area.

Picacho Cove Water submitted its water plant expenditure spreadsheet as follows:

Year 1:	\$4,392,649
Year 2:	\$434,149
Year 3:	\$434,149
Year 4:	\$746,649
Year 5:	\$434,149

Staff has reviewed the proposed water plant infrastructure and related costs and finds them to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed water 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") Compliance

Picacho Cove Water has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that Picacho Cove Water file with Docket Control, as a compliance item in this docket, copies of the ATC for Phase 1 of the development when received by Picacho Cove Water, but in any event no later than 2 years after the effective date of the order granting this application.

Arizona Department of Water Resources ("ADWR") Compliance

There is no ADWR compliance status to report because Picacho Cove Water does not yet have customers. The proposed CC&N Extension will be located in the Pinal Active Management Area ("AMA") and will be subject to the Pinal AMA reporting and conservation requirements.

According to the application, Picacho Cove Water will apply to ADWR for a Designation of Assured Water Supply. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Designation of Assured Water Supply or Physical Availability Demonstration for the CC&N Extension area within 2 years of the effective date of the Order granting this application.

ACC Compliance

According to the Utilities Division Compliance Section, the Company has no delinquent compliance issues as of March 12, 2009, with the ACC.

PICACHO COVE UTILITIES

Plant

Picacho Cove Utilities will be phasing in its water reclamation facility (“WRF”) by constructing an initial phase of 0.4 million gallon per day (“MGD”) for the first five years. The collection system will consist of approximately 6,325 lineal feet of mains. The recycled water distribution main may parallel the route of the gravity sewer backbone infrastructure approximately 6,325 lineal feet for the first five years. The Company plans to use recycled water to irrigate turf, sell directly to reuse customers, use for construction, etc. Staff concludes that Picacho Cove Utilities’s proposed wastewater system will have adequate infrastructure to serve the requested areas.

Picacho Cove Utilities submitted its wastewater plant expenditure spreadsheet as follows:

Year 1:	\$1,326,497
Year 2:	\$1,326,497
Year 3:	\$126,497
Year 4:	\$2,526,497
Year 5:	\$126,497

Staff has reviewed the proposed wastewater plant infrastructure and related costs and finds them to be reasonable and appropriate. 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.

ADEQ Compliance

Picacho Cove Utilities has not received its ADEQ General Permit for construction of the wastewater facilities. Staff recommends that Picacho Cove Utilities file with Docket Control, as a compliance item in this docket, copies of the General Permits for Phase 1 of the development when received by Picacho Cove Utilities, but in any event no later than 2 years after the effective date of the order granting this application.

Aquifer Protection Permit

An Aquifer Protection Permit (“APP”) represents fundamental authority for the designation of a wastewater service area and a wastewater provider. Staff recommends that Picacho Cove Utilities file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years of the effective date of the order granting this application.

ACC Compliance

According to the Utilities Division Compliance Section, the Company has no delinquent compliance issues as of March 12, 2009 with the ACC.

Fit and Proper

Although the Companies themselves do not have experience providing water and wastewater service, they will have the expertise of the other Global entities available to them. Financially, the downturn in the real estate market has had a negative effect on Global. For that reason and others, on February 20, 2009, six of the global utilities filed for rate relief including Global-Santa Cruz Water Company and Global-Palo Verde Utilities which serve an area in Pinal County on the western side of Interstate 17. Global's experience operating water and sewer companies, the proximity of the extension to the current Picacho Cove service territory and to other Global utilities lead Staff to the conclusion that the Companies are fit and proper utilities to serve the extension area.

RECOMMENDATIONS

Staff recommends approval of the Companies applications to extend their service territory. Staff also recommends the following:

That Picacho Cove Water file with Docket Control, as a compliance item in this docket, copies of the ATC for Phase 1 of the development when received by Picacho Cove Water, but in any event no later than 2 years after the effective date of the order granting this application.

That Picacho Cove Water file with Docket Control, as a compliance item in this docket, a copy of the ADWR Designation of Assured Water Supply or Physical Availability Demonstration for the CC&N extension area within 2 years of the effective date of the Order granting this application.

That Picacho Cove Utilities file with Docket Control, as a compliance item in this docket, copies of the General Permits for Phase 1 of the development when received by Picacho Cove Utilities, but in any event no later than 2 years after the effective date of the order granting this application.

That Picacho Cove Utilities file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years after the effective date of the order.

MEMORANDUM

DATE: March 13, 2009

TO: Linda A. Jaress
Executive Consultant III

FROM: Jian W. Liu 
Utilities Engineer

RE: Global Water – Picacho Cove Utilities Company
Docket No. SW-20494A-09-0016 (CC&N Extension – Wastewater) and
Global Water – Picacho Cove Water Company
Docket No. W-20495A-09-0016 (CC&N Extension – Water)

INTRODUCTION

Global Water – Picacho Cove Utilities Company (“PCUC”) and Global Water – Picacho Cove Water Company (“PCWC”) applied to extend their Certificates of Convenience and Necessity (“CC&N”) to provide wastewater and water services to a parcel of land in Pinal County. The requested areas will add approximately 2,296 acres to PCUC and PCWC (collectively the “Companies”) existing 1,480 acres of certificated area.¹ The extension area is being planned as a regional transportation hub integrating rail and road services into a consolidated distribution nexus. The Companies were granted their respective CC&Ns by the Arizona Corporation Commission (“ACC”) in Decision No. 70312 (effective April 24, 2008). There are currently no water or wastewater customers receiving service in the certificated area.

WATER

PCWC’s Proposed Water System

PCWC is proposing to construct two wells (may convert agricultural wells to potable wells), 1.5 million gallons of storage, booster systems and approximately 19,367 lineal feet of transmission and distribution mains during the first five years of operation for serving the extension area. PCWC is projecting to extend service to a minimum of 100 acres per year during the first five years.

Cost Analysis

PCWC submitted its water plant expenditure spreadsheet as follows:

¹ The CC&Ns for PCUC and PCWC include the same geographical area.

Year 1:	\$4,392,649
Year 2:	\$434,149
Year 3:	\$434,149
Year 4:	\$746,649
Year 5:	\$434,149

Staff has reviewed the proposed water plant infrastructure and related costs and finds them to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed water 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") Compliance

Approval to Construct

PCWC has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that PCWC file with Docket Control, as a compliance item in this docket, copies of the ATC for Phase 1 of the development when received by PCWC, but in any event no later than 2 years after the effective date of the order granting this application.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

There is no ADWR compliance status to report at this time because there are currently no customers in the existing CC&N. The proposed CC&N Extension will be located in the Pinal Active Management Area ("AMA") and will be subject to the Pinal AMA reporting and conservation requirements.

Designation of Assured Water Supply

According to the application, PCWC will apply to ADWR for a Designation of Assured Water Supply.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Designation of Assured Water Supply or Physical Availability Demonstration for the CC&N Extension area within 2 years of the effective date of the Order granting this application.

ACC Compliance

According to the Utilities Division Compliance Section, the Company has no delinquent compliance issues as of March 12, 2009, with the ACC.

Water Summary

Conclusions

- A. Staff concludes that PCWC's proposed water system will have adequate infrastructure to serve the requested area.
- B. Staff concludes that the proposed water plant facilities and cost 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.
- C. The proposed CC&N Extension will be located in the Pinal AMA and will be subject to the Pinal AMA reporting and conservation requirements.

Recommendations

- 1. Staff recommends that PCWC file with Docket Control, as a compliance item in this docket, copies of the ATC for Phase 1 of the development when received by PCWC, but in any event no later than 2 years after the effective date of the order granting this application.
- 2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Designation of Assured Water Supply or Physical Availability Demonstration for the CC&N Extension area within 2 years of the effective date of the Order granting this application.

WASTEWATER

PCUC's Proposed Wastewater System

PCUC will be phasing in its water reclamation facility ("WRF") by constructing an initial phase of 0.4 million gallon per day ("MGD") for the first five years. The collection system will consist of approximately 6,325 lineal feet of mains.

The recycled water distribution main may parallel the route of the gravity sewer backbone infrastructure approximately 6,325 lineal feet for the first five years. The Company plans to use recycled water to irrigate turf, sale directly to reuse customers, and use for construction etc.

Cost Analysis

PCUC submitted its wastewater plant expenditure spreadsheet as follows:

Year 1:	\$1,326,497
Year 2:	\$1,326,497
Year 3:	\$126,497
Year 4:	\$2,526,497
Year 5:	\$126,497

Staff has reviewed the proposed wastewater plant infrastructure and related costs and finds them to be reasonable and appropriate. 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.

ADEQ Compliance

General Permit

PCUC has not received its ADEQ General Permit for construction of the wastewater facilities. Staff recommends that PCUC file with Docket Control, as a compliance item in this docket, copies of the General Permits for Phase 1 of the development when received by PCUC, but in any event no later than 2 years after the effective date of the order granting this application.

Aquifer Protection Permit

Since an Aquifer Protection Permit ("APP") represents fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that PCUC file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years of the effective date of the order granting this application.

ACC Compliance

According to the Utilities Division Compliance Section, the Company has no delinquent compliance issues as of March 12, 2009, with the ACC.

Wastewater Summary

Conclusions

- A. Staff concludes that PCUC's proposed wastewater system will have adequate infrastructure to serve the requested areas.
- B. Staff has reviewed the proposed total wastewater plant-in-service and found the plant facilities and cost to be reasonable and appropriate. 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.

Recommendations

- 1. Staff recommends that PCUC file with Docket Control, as a compliance item in this docket, copies of the General Permits for Phase 1 of the development when received by PCUC, but in any event no later than 2 years after the effective date of the order granting this application.
- 2. Staff recommends that PCUC file with Docket Control, as a compliance item in this docket, a copy of the APP within 2 years after the effective date of the order granting this application.