

ORIGINAL

OPEN MEETING ITEM



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COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



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Interim Executive Director

ARIZONA CORPORATION COMMISSION

2009 MAY -7 P 1:48

AZ CORP COMMISSION
DOCKET CONTROL

DATE: MAY 7, 2009

DOCKET NO.: SW-20576A-08-0067

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Dwight D. Nodes. The recommendation has been filed in the form of an Opinion and Order on:

SACRAMENTO UTILITIES, L.L.C.
(CC&N)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

MAY 18, 2009

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MAY 27, 2009 and MAY 28, 2009

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

MAY -7 2009

DOCKETED BY [Signature]

MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES, Chairman
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

7 IN THE MATTER OF THE APPLICATION OF
8 SACRAMENTO UTILITIES, L.L.C., FOR A
9 CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WASTEWATER
SERVICE IN MOHAVE COUNTY, ARIZONA.

DOCKET NO. SW-20576A-08-0067

DECISION NO. _____

OPINION AND ORDER

10 DATE OF HEARING: January 26, 2009
11 PLACE OF HEARING: Phoenix, Arizona
12 ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes
13 APPEARANCES: Mr. Richard L. Sallquist, SALLQUIST, DRUMMOND
14 & O'CONNOR, P.C., on behalf of Sacramento Utilities,
15 LLC; and
16 Ms. Robin Mitchell, Staff Attorney, Legal Division, on
behalf of the Utilities Division of the Arizona
Corporation Commission.

17 **BY THE COMMISSION:**

18 On February 4, 2008, Sacramento Utilities, LLC ("Sacramento" or "Company"), filed with
19 the Arizona Corporation Commission ("Commission") an Application for a Certificate of
20 Convenience and Necessity ("CC&N") to provide wastewater service in an area of Mohave County,
21 Arizona.

22 On February 22, 2008, the Commission's Utilities Division Staff ("Staff") notified the
23 Company that its application was not sufficient pursuant to the Arizona Administrative Code
24 ("A.A.C").

25 On April 10, 2008, Sacramento filed a response to Staff's Insufficiency Letter.

26 On May 2, 2008, Staff filed a second Insufficiency Letter.

27 On June 10, and June 20, 2008, Sacramento filed responses to Staff's second Insufficiency
28 Letter.

1 On July 1, 2008, Sacramento filed an affidavit of mailing regarding the notice sent to property
2 owners in the proposed CC&N area.

3 On July 17, 2008, Staff issued a Sufficiency Letter to the Company stating that the application
4 met the sufficiency standards set forth in the A.A.C.

5 By Procedural Order issued July 23, 2008, the matter was scheduled for hearing to begin
6 September 9, 2008.

7 On August 11, 2008, Staff filed a Motion to Extend Time to file its Staff Report from August
8 28, 2008 to September 5, 2008, due to unsuccessful attempts by Staff in contacting the Company.

9 Staff's extension request was granted verbally during a teleconference with the parties and
10 Staff was directed to file its Staff Report by September 30, 2008. It was also agreed that the
11 September 9, 2008, hearing date would be used for public comment only, and a new hearing date
12 would be set at a later date.

13 On September 9, 2008, the public comment hearing was convened. No members of the public
14 appeared and offered comments. However, Staff indicated that it needed additional time to review
15 Sacramento's application, and Staff stated that it had concerns with the information provided by the
16 Company. It was agreed by the parties that Staff should be granted an additional extension to file its
17 Staff Report, with a hearing date to follow issuance of the Staff Report.

18 On October 30, 2008, a telephonic procedural conference was held and the parties agreed to a
19 60-day extension of the time clock. The parties were directed to find a mutually acceptable time for a
20 hearing and to make a recommendation accordingly.

21 On November 4, 2008, Staff filed a Request to Set a Hearing Date. Staff stated that the
22 parties had mutually agreed to a hearing date during the week of January 26, 2009, and for the Staff
23 Report to be filed by January 9, 2009.

24 A Procedural Order was issued on November 6, 2008, scheduling a hearing to commence on
25 January 26, 2009, extending the time clock in this matter, and directing Staff to file its Staff Report
26 by January 9, 2009.

27 On December 19, 2008, Staff filed a Motion to Extend Time. In its Motion, Staff stated that it
28 had received new data from the Company and needed additional time to review the information.

1 Staff requested that the filing date for the Staff Report be extended until January 16, 2009, but that
2 the January 26, 2009 hearing date remain unchanged.

3 On December 22, 2008, the Company filed a Response stating that it did not object to Staff's
4 extension request.

5 By Procedural Order issued January 7, 2009, Staff's extension request was granted and Staff
6 was directed to file its Staff Report by no later than January 16, 2009.

7 On January 16, 2009, Staff filed its Staff Report as directed.

8 On January 26, 2009, the hearing was convened as scheduled. The Company and Staff
9 appeared through counsel with each offering a single witness.

10 On January 30, 2009, Staff submitted a Late-Filed Exhibit with a revised Rate Design
11 schedule.

12 On February 3, 2009, Sacramento submitted a Late-Filed Exhibit attaching its Approval to
13 Construct ("ATC") from the Arizona Department of Environmental Quality ("ADEQ") for the first
14 subdivision in the requested CC&N area.

15 On February 9, 2009, the transcript of the January 26, 2009, hearing was filed in the docket of
16 this proceeding.

17 After receipt of the Late-Filed Exhibits and transcript, the matter was taken under advisement
18 pending issuance of a Recommended Opinion and Order for the Commission's consideration.

19 * * * * *

20 Having considered the entire record herein and being fully advised in the premises, the
21 Commission finds, concludes, and orders that:

22 **FINDINGS OF FACT**

23 1. On February 4, 2008, Sacramento filed an Application for a new CC&N to provide
24 wastewater service in the Golden Valley area of Mohave County, Arizona.

25 2. Sacramento seeks authority to provide service in a CC&N area encompassing
26 approximately 242 acres which, at build-out, would include a total of approximately 763 residential
27 and commercial lots.

28 3. Staff states that the projected 763 customers would be included within the following

1 developments: Shipp Estates (152 lots - 48 acres); Oliver Estates (86 lots – 17 acres); Villa Serena
2 (234 lots – 110 acres); and Patterson Development (291 customers – 110 acres).

3 4. According to Staff, the Company projects that it would serve approximately 366
4 customers by the end of the fifth year of operation. The Staff Report indicates that the developments
5 and number of customers expected to be served during that same period are as follows: Shipp Estates
6 (152 lots); Oliver Estates (86 lots); Villa Serena (83 lots); and Patterson Development (27 lots).

7 5. Staff states that water service within the Company’s CC&N will be provided by the
8 Golden Valley Improvement District (“Water District”) for Shipp Estates and Oliver Estates, and by
9 Valley Pioneers Water Company (“Valley Pioneers”) for Villa Serena and the Patterson
10 Development.

11 6. The Staff Report indicates that, for Phase I, Sacramento anticipates a wastewater
12 design flow of 50,000 gallons per day (“GPD”), and for Phase II a design flow of 125,000 GPD.
13 Based on its engineering review, Staff concluded that the Company’s proposed wastewater system
14 would have adequate capacity to serve the proposed CC&N area for its Phase I developments.

15 7. In the Staff Report, Staff recommended that Sacramento be required to file its
16 Approval to Construct from ADEQ for the proposed facilities. As stated above, Sacramento
17 submitted a Late-Filed Exhibit attaching its ATC from ADEQ for the first subdivision in the
18 requested CC&N area. The Company has therefore satisfied this Staff recommendation. (Tr. at 89-
19 91).

20 8. As described in the Staff Report, a company’s Aquifer Protection Permit (“APP”)
21 provides the authority for the designation of a specific wastewater service area and a wastewater
22 provider. Staff indicated that Sacramento submitted an approved APP for Phase I of the Shipp
23 Estates wastewater treatment plant.

24 9. Based on its review of the proposed wastewater plant facilities, Staff found that the
25 projected cost estimate of \$1.93 million for plant construction in the first five years of operations
26 appears to be reasonable. However, Staff stated that approval of the application in this case does not
27 imply any particular future rate treatment for determining rate base, and no “used and useful”
28 determination of future plant-in-service was made by Staff. As such, Staff indicated that no

1 conclusions should be inferred for future rate base or ratemaking purposes.

2 10. As amended by Staff's Late-Filed Exhibit docketed on January 30, 2009,
3 Sacramento's proposed rates and charges, and Staff's recommended rates and charges, are as follows:

	<u>Proposed Company</u>	<u>Rates Staff</u>
<u>Residential Service – Per Month:</u>		
5/8" x 3/4" Meter ¹	\$70.00	\$70.75
3/4" Meter	N/A	106.13
1" Meter	N/A	176.88
1 1/2" Meter	N/A	353.75
2" Meter	N/A	566.00
3" Meter	N/A	1,132.00
4" Meter	N/A	1,768.75
6" Meter	N/A	3,537.50
<u>Effluent Sales</u>		
Treated Effluent per acre foot	\$202.00	\$201.00
<u>SERVICE CHARGES:</u>		
Establishment (During normal business hours)	\$25.00	\$30.00
Establishment (After Hours)	50.00	50.00
Reestablishment of Service – During normal business hours (within 12 months)	**	**
Reestablishment of Service – After hours (within 12 months)	**	**
Reconnection of service	\$30.00	\$30.00
After Hours Charge, Per Hour	50.00	50.00
Disconnection Water Utility Service	25.00	25.00
Minimum Security Deposit	*	*
NSF Check Charge	\$25.00	\$25.00
Late Payment Charge for Delinquent Bills	1.50%	1.50%
Deferred Payment (Per Month)	1.50%	1.50%
Late Payment Penalty (Per Month)	1.50%	1.50%
Main Extension and Additional Facilities Agreements	(a)	(a)
Late Charge Per Month	1.50%	1.50%

25 All revenue related taxes will be charged
26 customers.

28 ¹ Based on water meter sizes

Rules and Regulations

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The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. Arizona Corporation Commission Rules will be controlling of Company procedures, unless specific Commission Orders provide otherwise.

- * Per Commission rule A.A.C. R-14-2-603(B).
- ** Per Rule R14-2-603.D – Months off system times monthly minimum.
- (a) Cost to include parts, labor, overhead, and all applicable taxes, including income tax if applicable.

11. In addition to the rates and charges set forth above, Staff made the following recommendations that it proposes be included as conditions of approval by the Commission:

- a. That the Company file with Docket Control, as a compliance item in this docket, a copy of the ATC for Phase I of the four new developments, within three years of the effective date of this Decision²;
- b. That the Company use the wastewater depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category as delineated in Table A attached to the Staff Engineering Report;
- c. That the Company be ordered to notify the Commission, through Docket Control, within 15 days of providing services to its first customers;
- d. That the Company be required to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water and Wastewater Utilities;
- e. That the Company be required to file with Docket Control, as a compliance item in this docket, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the effective date of this Decision;
- f. That the Company be required to file a rate application no later than six months following the fifth anniversary of the date it begins providing service to its first customer; and
- g. That the Company be required, prior to service being provided to any customer, as a compliance item in this docket, to file with the Commission’s Business Office, with copies to Docket Control, the original of an irrevocable sight draft letter of credit or performance bond in the amount of \$250,000.

Performance Bond or Letter of Credit Recommendation

12. As explained in the Staff Report, Staff is recommending that Sacramento be required to obtain a \$250,000 performance bond or letter of credit as a condition of approval of the Company’s

² As stated above, Staff agrees that Sacramento satisfied this condition with the filing of its Late-Filed Exhibit.

1 CC&N. Consistent with prior Commission orders, Staff states that the bond or letter of credit would
2 allow the Commission to draw upon the financial instrument for the benefit of the Company's
3 customers in the event that the Commission determines that Sacramento violated Commission rules
4 or orders, or to use the funds as necessary to protect customers or the public interest.

5 13. Through the testimony of Company witness Dwight Zemp, Sacramento indicated its
6 opposition to Staff's bond requirement. Mr. Zemp is the managing member of Act III Investments,
7 LLC, which is the manager of Sacramento Utilities. He is also the co-owner and vice-president of
8 Santec Corporation, president of Sweetwater Creek Utility, and serves on the boards of five other
9 wastewater public service corporations in Arizona. (Tr. at 6). Mr. Zemp holds certified wastewater
10 operator licenses in Arizona and Colorado.

11 14. Mr. Zemp testified that Sacramento does not oppose the Staff Report
12 recommendations except as to the bond requirement. According to Mr. Zemp, the Company was
13 required by ADEQ to obtain a Certificate of Deposit ("CD") of \$70,000 as a financial assurance to
14 cover operation and maintenance costs, as well as facility closure costs, in the event that the
15 Company ran into financial difficulties. Mr. Zemp claims that Staff's \$250,000 bond requirement is
16 unnecessary because: it is duplicative of the purpose of the \$70,000 ADEQ CD; Sacramento will be
17 financed with 100 percent equity and no debt; and because Sacramento's owners have extensive
18 experience in the management and operation of wastewater companies and facilities. (*Id.* at 15-17).

19 15. In response to Mr. Zemp's testimony, Staff witness Kiana Sears testified that, although
20 Staff was willing to consider the impact of the \$70,000 CD with respect to financial assurances, she
21 would need more time to consider whether Staff's bond recommendation should be reduced to a
22 lesser amount. (*Id.* at 78-79). Ms. Sears indicated that she was not aware of other wastewater
23 companies that had suffered operational difficulties and had no bond in place at the time the problems
24 occurred. She stated, however, that if public health issues had arisen as a result wastewater facility
25 operational problems experienced by other utilities, such occurrences would be relevant for the
26 Commission to consider in determining an appropriate performance bond amount for Sacramento in
27 this case. (*Id.* at 80-81).

28 16. In recent years, the Commission has frequently imposed a performance bond or letter

1 of credit requirement in situations where a utility company is facing financial risk or exposure due to
2 pending litigation against the company or its owners, or where a new CC&N is sought by a start-up
3 company, especially in circumstances in which the owners have little or no prior utility experience³.

4 17. Despite Sacramento's contention that an additional bond would be redundant because
5 of the CD obtained for ADEQ, we believe it is appropriate to impose on the Company the
6 requirement to obtain a performance bond or irrevocable letter of credit that would be accessible at
7 the Commission's discretion in the event violations of Commission rules or orders were to occur, or if
8 financial problems are experienced by the Company that necessitates use of the bond funds to protect
9 the public interest.

10 18. Indeed, examples of financial difficulties leading to operational crises by wastewater
11 providers are anything but hypothetical. In Decision No. 66036 (July 3, 2003), *Staff v. American*
12 *Public Service Co., et al.*, the Commission described a grossly neglected wastewater system as
13 follows: "[T]he wastewater collection system was in such disrepair that raw sewage would overflow
14 and run down the streets of the [Casitas Bonitas] subdivision." (*Id.* at 4-5). In another more recent
15 case involving an undercapitalized company that operated an undersized wastewater treatment plant,
16 the Commission described the situation in the following manner: "Due to multiple and ongoing
17 ADEQ violations [there was] ... by mid-2004, a significant health and safety concern for residents in
18 the AUSS service territory ... [and] a public health crisis in the area was narrowly averted." *Arizona*
19 *Utility Supply and Service*, Decision No. 67586 (February 15, 2005), at 11. In neither of the above-
20 cited cases was a performance bond requirement in place for the now-defunct companies.

21 19. Although we agree with Staff that a performance bond, or alternatively, letter of credit
22 requirement, is an appropriate condition for Sacramento, we find that the amount of the required bond
23 should be reduced to \$100,000 due to several mitigating factors. First, the Company at full build-out
24 is expected to serve no more than 763 customers, with only 366 customers expected during the first
25 five years of operation. Next, the \$70,000 CD that was obtained by Sacramento at the behest of
26 ADEQ provides some additional protection for customers to the extent that those funds would be

27 ³ See, e.g., *Palo Verde Utilities Co. and Santa Cruz Water Co.*, Decision No. 66394 (October 6, 2003) and Decision No.
28 67240 (September 23, 2004); *Johnson Utilities Co.*, Decision No. 68237 (October 25, 2005); *Perkins Mountain Utility*
Co. and Perkins Mountain Water Co., Decision No. 70663 (December 24, 2008).

1 available to ADEQ to provide ongoing operation and maintenance service on an interim basis, or for
2 purposes of clean-up and monitoring in the event the treatment plant were to become non-operational.
3 We also recognize that Mr. Zemp, and the entities with which he is currently associated, have
4 extensive experience in the management and operation of wastewater utility companies and facilities,
5 and that Sacramento will be funded entirely with equity from the managing members of the
6 controlling company. Finally, the Staff witness suggested that, given more time to consider all of the
7 relevant factors related to this application, the amount of Staff's bond recommendation may be lower
8 than the \$250,000 set forth in the Staff Report. Based on these factors, we believe that a performance
9 bond or letter of credit amount of \$100,000 is sufficient to protect the public interest and provide
10 adequate protection to future customers in Sacramento's service area, as long as the \$70,000 CD
11 required by ADEQ remains in effect.

12 Other Issues

13 Location of Wastewater Treatment Plant

14 20. During the hearing, Mr. Zemp was questioned about the location of the wastewater
15 treatment plant that will be used to serve customers in Sacramento's service area. He stated that the
16 plant for the entire CC&N area will be located in the northwest quadrant of the Shipp Estates
17 development and that, although the treatment plant could be categorized as a "package plant," it will
18 not be a steel box that sits above the ground like many smaller package plants that are dropped onto a
19 site fully assembled. Rather, Sacramento's treatment plant will be constructed on-site, and will have
20 multiple, fully enclosed components. (Tr. at 27-28).

21 21. With respect to the proximity of the plant to residential lots, Mr. Zemp testified that
22 ADEQ requires a minimum setback of 50 feet but that Sacramento's plant would be at least 100 feet
23 from any structure built within the CC&N. He indicated that the treatment plant site would cover
24 approximately three acres, it would be surrounded by a block wall, and it would be clearly marked as
25 a "water reclamation facility site." (*Id.* at 29). Mr. Zemp conceded that there are "no totally odor-free
26 wastewater treatment plant[s]" but stated that Sacramento's plant will be "fully enclosed [and] has a
27 filtration system that captures [odors] by putting a vacuum on the system itself to pull those gasses
28 through carbon filtration." (*Id.* at 30).

1 22. Mr. Zemp also explained that the treatment plant site is expected to be “interim” in
2 nature and would eventually become a fully remediated site that will become a park once the
3 Company is designated as the region-wide wastewater provider. He testified that he is working with
4 officials from ADEQ and Mohave County on obtaining the Section 208 permit as a regional provider
5 for an area that would cover more than 50 square miles. (*Id.* at 31-33).

6 23. In response to questions regarding potential odor issues, Mr. Zemp suggested that the
7 majority of odor complaints are due to problems with lift stations and collection system lines, as
8 opposed to the treatment plant. He testified that Sacramento’s system is designed without any
9 “interim stops,” such as lift stations or pumping stations, which should alleviate most of the problems
10 that are experienced when wastewater is allowed to sit in low places. Mr. Zemp stated that odors also
11 frequently escape through manhole covers, but that the installation of carbon filter inserts will
12 “almost always remove those odor[s].” (*Id.* at 40-43). However, he indicated that there was no plan
13 to install filters on Sacramento’s manhole covers because he doesn’t expect that sewage will sit in the
14 Company’s lines long enough to cause significant odor problems. (*Id.* at 44).

15 24. Over the past few years, the Commission has addressed numerous complaints from
16 residential and commercial customers alike regarding odor issues. Many of the complaints were
17 directed at local treatment plants causing offensive odors and which plants, although compliant with
18 ADEQ or county setback requirements, are often built in close proximity to homes and businesses.
19 Other complaints have been lodged regarding odors that appear to emanate from sewage mains and
20 lift stations due, at least partially, to system design flaws⁴. Although we share Mr. Zemp’s optimism
21 that, due to its design features, the Sacramento system will not experience any significant odor issues,
22 we believe that the placement of carbon filters on the system’s manhole covers should be undertaken
23 as a means of mitigating the possibility of such occurrences. In addition, we will direct that
24 Sacramento place signage at the site of the treatment plant that indicates in large, bold, easily
25 observable lettering, that the location is a Wastewater Treatment Plant⁵. The signage should be

26 ⁴ See, *Black Mountain Sewer Corp.*, Decision No. 69164 (December 5, 2006), at 30-37; *Gold Canyon Sewer Co.*,
27 Decision No. 69664 (June 28, 2007), at 30-35; *Litchfield Park Service Co.*, Decision No. 69165 (December 5, 2006).

28 ⁵ We have some concern that the description of the signage proposed by the Company, which Mr. Zemp stated would be
marked as “water reclamation facility site” (Tr. at 29), would not convey clearly to potential buyers of houses near the site
the possibility that odors could be experienced by neighboring customers.

1 posted in a manner that allows it to be read easily from every side of the site.

2 Effluent Sales and Irrigation of Turf Grass

3 25. Sacramento’s witness also responded to questions regarding the sale of effluent
4 generated from the treatment plant. Mr. Zemp testified that the Company plans to “recharge” effluent
5 through the use of an underground, fully enclosed “leeching system.” (Tr. at 35). He stated that there
6 are no plans for golf courses in any of the developments in the proposed CC&N area, but he is not
7 aware of any prohibition against installation of turf grass at individual homes in the service area. (*Id.*
8 at 36-38).

9 26. Under questioning by Staff counsel, Mr. Zemp agreed that the Company projected in
10 its application that it would have effluent sales of approximately \$5,000 per year by the fourth year of
11 operation. He testified that although there would be no effluent sales initially, Mohave County has
12 expressed an interest in purchasing effluent produced by the Company’s treatment plant “as parks
13 [are] developed there.” (*Id.* at 44-45). Mr. Zemp stated that “[a]s soon as ... the County has a
14 location, we will sell effluent.” (*Id.* at 46).

15 27. Because of the importance of using all available sources of water for irrigation
16 purposes that are not reliant on the mining of groundwater, we direct Sacramento to make every
17 reasonable effort to sell effluent to Mohave County and the water providers that will serve the
18 Company’s CC&N area. In order to verify those efforts, we will require Sacramento to file in this
19 docket, as a compliance item, by April 15, 2010, and by April 15 of each year thereafter until further
20 order of the Commission, a report detailing the amount of effluent produced by the treatment plant
21 for the preceding calendar year, the amount of effluent sold in the preceding year, an explanation of
22 any difference between effluent amounts produced and sold in the preceding year, and a detailed
23 description of the efforts undertaken by the Company to sell effluent to other entities.

24 28. Staff’s recommendations, as modified and supplemented in the discussion above, are
25 reasonable and should be adopted.

26 29. Because an allowance for property tax expense is included in Sacramento’s rates and
27 will be collected from its customers, the Commission seeks assurances from Sacramento that any
28 taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to

1 the Commission’s attention that a number of water companies have been unwilling or unable to fulfill
2 their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty
3 years. It is reasonable, therefore, that as a preventive measure Sacramento shall annually file, as part
4 of its annual report, an affidavit with the Utilities Division attesting that the Company is current in
5 paying its property taxes in Arizona.

6 **CONCLUSIONS OF LAW**

7 1. Sacramento is a public service corporation within the meaning of Article XV of the
8 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

9 2. The Commission has jurisdiction over Sacramento and the subject matter of the
10 application.

11 3. Notice of the application was provided in accordance with Arizona law.

12 4. There is a public need and necessity for wastewater service in the proposed service
13 area as set forth in Exhibit A attached hereto.

14 5. Sacramento is a fit and proper entity to receive a CC&N to provide wastewater service
15 in the proposed service area as set forth in Exhibit A attached hereto.

16 6. Staff’s recommendations, as modified and supplemented in the discussion above, are
17 reasonable and should be adopted.

18 **ORDER**

19 IT IS THEREFORE ORDERED that the application of Sacramento Utilities, LLC, for a
20 wastewater utility service Certificate of Convenience and Necessity to include the area described in
21 Exhibit A, attached hereto and incorporated herein by reference, shall be, and is hereby approved,
22 subject to the condition described in the following Ordering Paragraph.

23 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, as a condition of the Certificate
24 of Convenience and Necessity granted herein, shall, prior to service being provided to any customer,
25 as a compliance item in this docket, file with the Commission’s Business Office, with copies to
26 Docket Control, the original of an irrevocable sight draft letter of credit or performance bond in the
27 amount of \$100,000, which irrevocable sight draft letter of credit or performance bond the
28 Commission may draw on for the benefit of Sacramento Utilities, LLC’s customers if the

1 Commission finds, in its discretion, that Sacramento Utilities, LLC, has violated the Commission’s
2 rules or orders, and the funds from which may be used as appropriate to protect Sacramento Utilities,
3 LLC’s customers and the public interest. The bond or irrevocable sight draft letter of credit shall
4 remain in place until further Order of the Commission, and Sacramento Utilities, LLC, shall file
5 semi-annually on each July and January covering the preceding six month period, as a compliance
6 item with Docket Control, proof of maintaining the performance bond or irrevocable sight draft letter
7 of credit.

8 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall maintain its books and
9 records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.

10 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall use the depreciation rates
11 set forth in the Staff Report and as discussed herein.

12 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall file, within fifteen days of
13 providing service to its first customer, notice of such with Docket Control, as a compliance item in
14 this docket.

15 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall file a rate application no
16 later than six months following the fifth anniversary of the date it begins providing service to its first
17 customer.

18 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall install carbon filters on
19 each of the system’s manhole covers prior to wastewater flows being directed through the lines
20 underlying such manholes.

21 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall place signage at the site of
22 the treatment plant, prior to the sale of the first lot in the development, that indicates in large, bold,
23 easily observable lettering, that the location is a Wastewater Treatment Plant. The signage should be
24 posted in a manner that allows it to be read easily from every side of the site.

25 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall make every reasonable
26 effort to sell effluent to Mohave County and the water providers that will serve the Company’s
27 CC&N area.

28 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall file in this docket, as a

1 compliance item, by April 15, 2010, and by April 15 of each year thereafter until further order of the
2 Commission, a report detailing the amount of effluent produced by the treatment plant for the
3 preceding calendar year, the amount of effluent sold in the preceding year, an explanation of any
4 difference between effluent amounts produced and sold in the preceding year, and a detailed
5 description of the efforts undertaken by the Company to sell effluent to other entities.

6 IT IS FURTHER ORDERED that Sacramento Utilities, LLC, shall file, within thirty days of
7 the effective date of this Decision, with the Commission's Docket Control as a compliance item in
8 this docket, tariffs consistent with the following schedule of rates and charges:

9
10

11 Residential Service – Per Month:

12	5/8" x 3/4" Meter	\$70.75
	3/4" Meter	106.13
13	1" Meter	176.88
	1 1/2" Meter	353.75
14	2" Meter	566.00
	3" Meter	1,132.00
15	4" Meter	1,768.75
16	6" Meter	3,537.50

17 Effluent Sales

18	Treated Effluent per acre foot	\$201.00
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19 SERVICE CHARGES:

20	Establishment (During normal business hours)	\$30.00
	Establishment (After Hours)	50.00
21	Reestablishment of Service – During normal	**
	business hours (within 12 months)	
22	Reestablishment of Service – After hours (within	**
	12 months)	
23	Reconnection of service	\$30.00
24	After Hours Charge, Per Hour	50.00
	Disconnection Water Utility Service	25.00
25	Minimum Security Deposit	*
26	NSF Check Charge	\$25.00
	Late Payment Charge for Delinquent Bills	1.50%
27	Deferred Payment (Per Month)	1.50%
	Late Payment Penalty (Per Month)	1.50%

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1 Main Extension and Additional Facilities (a)
2 Agreements
3 Late Charge Per Month 1.50%

4 All revenue related taxes will be charged
5 customers.

6 Rules and Regulations

7 The Company has adopted the Rules and Regulations established by the Commission
8 as the basis for its operating procedures. Arizona Corporation Commission Rules will
9 be controlling of Company procedures, unless specific Commission Orders provide
10 otherwise.

11 * Per Commission rule A.A.C. R-14-2-603(B).

12 ** Per Rule R14-2-603.D – Months off system times monthly minimum.

13 (a) Cost to include parts, labor, overhead, and all applicable taxes, including income tax if
14 applicable.

15 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

16 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

17 CHAIRMAN

18 COMMISSIONER

19 COMMISSIONER

20 COMMISSIONER

21 COMMISSIONER

22 IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim
23 Executive Director of the Arizona Corporation Commission,
24 have hereunto set my hand and caused the official seal of the
25 Commission to be affixed at the Capitol, in the City of Phoenix,
26 this _____ day of _____, 2009.

27 _____
28 MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

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SERVICE LIST FOR:

SACRAMENTO UTILITIES, L.L.C.

DOCKET NO.:

SW-20576A-08-0067

Richard L. Sallquist
SALLQUIST, DRUMMOND &
O'CONNOR, P.C.
1430 East Missouri, Suite B-125
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ARIZONA CORPORATION COMMISSION
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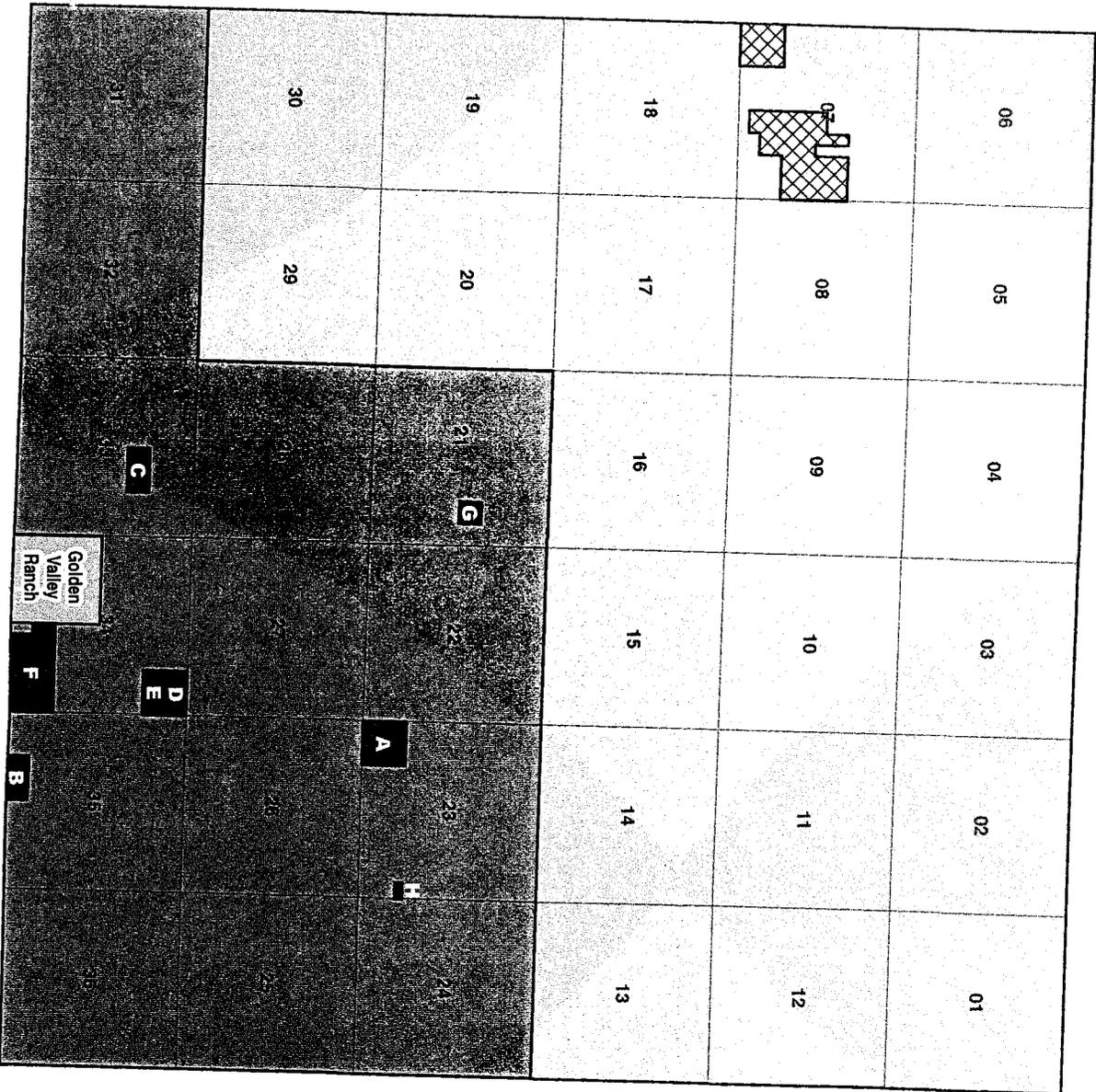
Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

MOHAVE COUNTY

Map No. 17

EXHIBIT A

RANGE 18 West



TOWNSHIP 21 North

DECISION NO. _____

 W-2033 (2)
Valley Pioneer's Water Company, Inc.

 (4)
Perkins Mountain Water Company
Docket No. W-20380A-05-0490
Perkins Mountain Utility Company
Docket No. SW-20379A-05-0489
Application for CC&N - 4th Amended

 (1)
Valley Pioneer's Water Company, Inc.
Docket No. W-02033A-06-0262
Application for Extension

 (1)
Valley Pioneer's Water Company, Inc.
Docket No. W-02033A-06-0262
Staff's Recommended Extension Area

 (2)
Sacramento Utilites, LLC
Docket No. SW-20576A-08-0067
Amended Application for CC&N for Sewer

MOHAVE COUNTY

Map No. 53

RANGE 19 West

06	05	04	03	02	01
07	08	09	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

TOWNSHIP 21 North



Sacramento Utilities, LLC
 Docket No. SW-20576A-08-0067
 Amended Application for CC&N for Sewer

DECISION NO. _____

SACRAMENTO UTILITIES COMPANY
LEGAL DESCRIPTION

PARCEL 1 (Shipp Estates)

The East half of the Southeast quarter of the Southwest quarter (20 acres), and

The South half of the Southwest quarter of the Southeast quarter of the Southwest quarter (5 acres), all in Section 12

PARCEL 2 (Oliver Estates)

The Southwest quarter of the Southeast quarter of the Southeast quarter (10 acres), and

The West half of the Southeast quarter of the Southeast quarter of the Southeast quarter (5 acres), all in Section 12

PARCEL 3 (Blue Sky)

Withdrawn

Parcels 1, 2, and 3 all being in Township 21 North, Range 19 West, G&SRB&M, Mohave County, Arizona.

PARCEL 4 (The Kuden Parcel)

Withdrawn

PARCEL 5 (The Patterson Parcel)

The Southwest quarter of the Southwest quarter (40 acres), all in Section 7

PARCEL 6 (Villa Serena)

The Northeast quarter of the Southeast quarter (40 acres), and

The Northwest quarter of the Southeast quarter (40 acres), except the Northeast quarter of the Northeast quarter of the Northwest quarter of the Southeast quarter (2.5 acres), and

The West half of the Southeast quarter of the Southwest quarter of the Northeast quarter (5 acres), and

The South half of the Southeast quarter of the Northeast quarter (20 acres), and

The North half of the Southwest quarter of the Southeast quarter (20 acres), and

REVISED ATTACHMENT 1 TO TAB B

The North half of the Southwest quarter of the Southwest quarter of the Southeast quarter (5 acres) all in Section 7,

Parcels 4, 5, and 6 all being in Township 21 North, Range 18 West, G&SRB&M, Mohave County, Arizona.