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TO: Docket Control
FROM: Ernest G. Johnson *EGJ*
Director
Utilities Division

DATE: January 15, 2004

RE: AVRA WATER COOPERATIVE, INC. - APPLICATION FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
TO PROVIDE WATER SERVICE IN PIMA COUNTY, ARIZONA (DOCKET
NO. W-02126A-03-0593)

Attached is the Staff Report for the above referenced application. Staff is recommending approval of the application.

EGJ:JEF:hml

Originator: Jim Fisher

Arizona Corporation Commission
DOCKETED

JAN 16 2004

DOCKETED BY	<i>CAF</i>
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Docket No. W-02126A-03-0593

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

AVRA WATER COOPERATIVE, INC.

DOCKET NO. W-02126A-03-0593

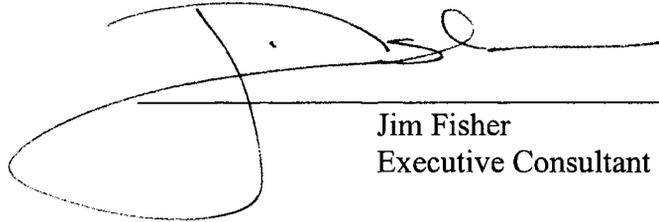
APPLICATION FOR AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE & NECESSITY
TO PROVIDE WATER SERVICE IN
PIMA COUNTY, ARIZONA

JANUARY 2004

STAFF ACKNOWLEDGEMENT

The Staff Report for Avra Water Cooperative, Inc. (Docket No. W-02126A-03-0593) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analyses of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

Contributing Staff:



Jim Fisher
Executive Consultant II



Marlin Scott, Jr.
Utilities Engineer

**EXECUTIVE SUMMARY
AVRA WATER COOPERATIVE, INC.
DOCKET NO. W-02126A-03-0593**

On August 21, 2003, Avra Water Cooperative, Inc. ("Avra" or "Co-op"), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") to include additional properties in Pima County, Arizona. Avra is a member owned, Arizona nonprofit corporation, located approximately 15 miles northwest of Tucson, in Pima County and currently serves approximately 2,500 customers.

By this application, Avra is seeking to extend its current CC&N to include additional properties located adjacent to the existing western boundary of the CC&N. The proposed extension area is planned to include a proposed residential development of 220 homes on 237 acres. The first phase of the development is to include 44 homes. Avra will finance the required transmission and distribution facilities primarily with Advances in Aid of Construction and authorized Hook-up Fees.

Avra has seven wells with a total production capacity of 1,380 gallons per minute and 1.14 million gallons of storage capacity in five storage tanks. Based on historical growth rates, it is anticipated that the Co-op's existing service area could grow to approximately 2,955 connections at the end of five years. Staff has concluded that the existing system has adequate source and storage capacity to serve the customer base at this time but will need additional well capacity starting in 2006 to serve additional new connections.

Arizona Department of Environmental Quality ("ADEQ") has determined that Avra is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. Avra reported its arsenic levels for its seven wells range from 7.4 ppb to 19 ppb. Based on these levels, the Co-op plans to follow the ADEQ Arsenic Master Plan Report to evaluate its options. The Co-op is also in the process of applying for a Water Infrastructure Finance Authority ("WIFA") Loan to address its arsenic issue.

Avra is located within the Tucson Active Management Area and is in compliance with its reporting and conservation requirements. A check with the Utilities Division's Compliance Section showed no outstanding compliance issues for the Co-op.

Staff recommends that the Commission approve Avra Water Cooperative, Inc.'s application for an extension of its CC&N in a portion of Pima County to provide water service, subject to compliance with the following conditions:

1. To require the Avra charge its existing rates and charges in the proposed extension area.
2. To require Avra to file a Curtailment Tariff within 45 days of the effective date of any decision in this matter.

3. To require Avra to file a copy of the developers' Certificate of Assured Water Supply related to the proposed extension area within 365 days of the effective date of any decision in this matter.
4. To require Avra to file a copy of its plan to reduce the arsenic level within its system within 365 days of the effective date of any decision in this matter.
5. To require Avra to file a copy of the ADEQ Approval to Construct for the facilities to serve Phase 1 in the proposed extension area within 365 days of the effective date of any decision in this matter.
6. To require Avra to file a copy of Pima County Franchise for the proposed extension area within 365 days of the effective date of any decision in this matter.

Staff further recommends that the Commission's Decision granting this Extension to a Certificate of Convenience and Necessity to Avra Water Cooperative, Inc., be considered null and void without further order from the Commission should Avra Water Cooperative, Inc., fail to meet the conditions within the time specified.

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Introduction

On August 21, 2003, Avra Water Cooperative, Inc. ("Avra" or "Co-op"), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N") to include additional properties in Pima County, Arizona.

Background

Avra is a member owned, Arizona nonprofit corporation, located approximately 15 miles northwest of Tucson, in Pima County. Avra is authorized by the Commission to act as a public service corporation in providing water service within portions of Pima County, Arizona. Avra has had substantial customer growth. The Co-op has also received Commission authorization to obtain adjacent water utilities and serve those customers as members of Avra. Avra currently serves approximately 2,500 customers.

By this application, Avra is seeking to extend its current CC&N to include additional properties located adjacent to the existing western boundary of the CC&N. The requested service area will add approximately one-half square mile to its current eleven and one-half square mile certificated area.

The Extension Request

Avra is located approximately 15 miles northwest of Tucson, southeast of the Town of Marana. By this application the Co-op is seeking Commission authority to extend its current CC&N to include the approximately one-half of Section 33 of Township 12 South, Range 11 East of the Gila and Salt River Base and Meridian, in Pima County.

Avra currently provides service to approximately 2,500 customers. The proposed extension area is planned to include a proposed residential development of 220 homes on 237 acres. The first phase of the development is to include 44 homes.

Finance of Facilities

Avra will finance the required transmission and distribution facilities primarily with Advances in Aid of Construction ("AIAC"). AIAC are often in the form of Main Line Extension Agreements ("MXA"). MXAs generally require the developer to design, construct and install (or cause to be) all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the collection facilities and common facilities necessary to serve the development. Upon acceptance of the facilities by the utility, the developer will convey the facilities by way of a warranty deed. The utility will often refund ten (10) percent of the annual revenue associated with development for a period of ten (10) years.

The actual MXA is under negotiation, resulting in no plant facility cost being available at this time. Once this MXA is completed, it should be submitted to Staff for review and approval.

Avra also plans to finance the plant through the use of the following tariffed off-site facilities hook-up fee ("HUF"):

1. Off-site plant facilities – HUF
 - a. 12-inch pipe at 2,050 feet for \$82,500
 - b. Hook-Up Fee is \$82,500 divided by 44 units = \$1,875 per unit.

Water Production Capacity

Avra has seven wells with a total production capacity of 1,380 gallons per minute and 1.14 million gallons of storage capacity in five storage tanks. Based on historical growth rates, it is anticipated that the Co-op's existing service area could grow to approximately 2,955 connections at the end of five years.

The Co-op has predicted an additional 44 connections in Phase 1 of the proposed CC&N extension at the end of five years. The predicted growth would result in a projected total customer base of approximately 3,000 at the end of five years. Based on the existing well production and storage capacity, the system can serve approximately 2,815 service connections.

Staff has concluded that the existing system has adequate source and storage capacity to serve the customer base at this time but will need additional well capacity starting in 2006 to serve additional new connections.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006.

Avra reported its arsenic levels for its seven wells range from 7.4 ppb to 19 ppb. Based on these levels, the Coop plans to follow the ADEQ Arsenic Master Plan Report to evaluate its options. The Co-op is also in the process of applying for a WIFA Loan to address its arsenic issue.

Staff recommends that Avra file a copy of its plan to reduce the arsenic level within its system within 365 days of the effective date of any decision in this matter.

Arizona Department of Environmental Quality Compliance

Arizona Department of Environmental Quality ("ADEQ") regulates the water system under ADEQ Public Water System I.D. # 10-006. ADEQ has determined that Avra is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The Co-op has not received its ADEQ Certificate of Approval to Construct for construction of facilities to the developer's requested area. Staff recommends that Avra submit a copy of this ADEQ Certificate when received by the Coop.

Arizona Department of Water Resources Compliance

Avra is located within the Tucson Active Management Area and is in compliance with its reporting and conservation requirements.

Staff recommends that the Co-op file with the Commission a copy of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

ACC Compliance

A check with the Utilities Division's Compliance Section showed no outstanding compliance issues for the Co-op.

Proposed Rates

Avra has proposed to extend service to the property at its tariffed rates.

County Franchise

Avra has not filed the necessary Pima County franchise including the proposed extension area.

Recommendations

Staff recommends that the Commission approve Avra Water Cooperative, Inc.'s application for an extension of its Certificate of Convenience and Necessity in a portion of Pima County to provide water service, subject to compliance with the following conditions:

1. To require the Avra charge its existing rates and charges in the proposed extension area.
2. To require Avra to file a Curtailment Tariff within 45 days of the effective date of any decision in this matter.

3. To require Avra to file a copy of the developers' Certificate of Assured Water Supply related to the proposed extension area within 365 days of the effective date of any decision in this matter.
4. To require Avra to file a copy of its plan to reduce the arsenic level within its system within 365 days of the effective date of any decision in this matter.
5. To require Avra to file a copy of the ADEQ Approval to Construct for the facilities to serve Phase 1 in the proposed extension area within 365 days of the effective date of any decision in this matter.
6. To require Avra to file a copy of Pima County Franchise for the proposed extension area within 365 days of the effective date of any decision in this matter.

Staff further recommends that the Commission's Decision granting this Extension to a Certificate of Convenience and Necessity to Avra Water Cooperative, Inc., be considered null and void without further order from the Commission should Avra Water Cooperative, Inc., fail to meet the conditions within the time specified.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: October 24, 2003

RE: **AVRA WATER COOPERATIVE, INC. (DOCKET NO. W-02126A-03-0593)**

The area requested by Avra has been plotted using an amended legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

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

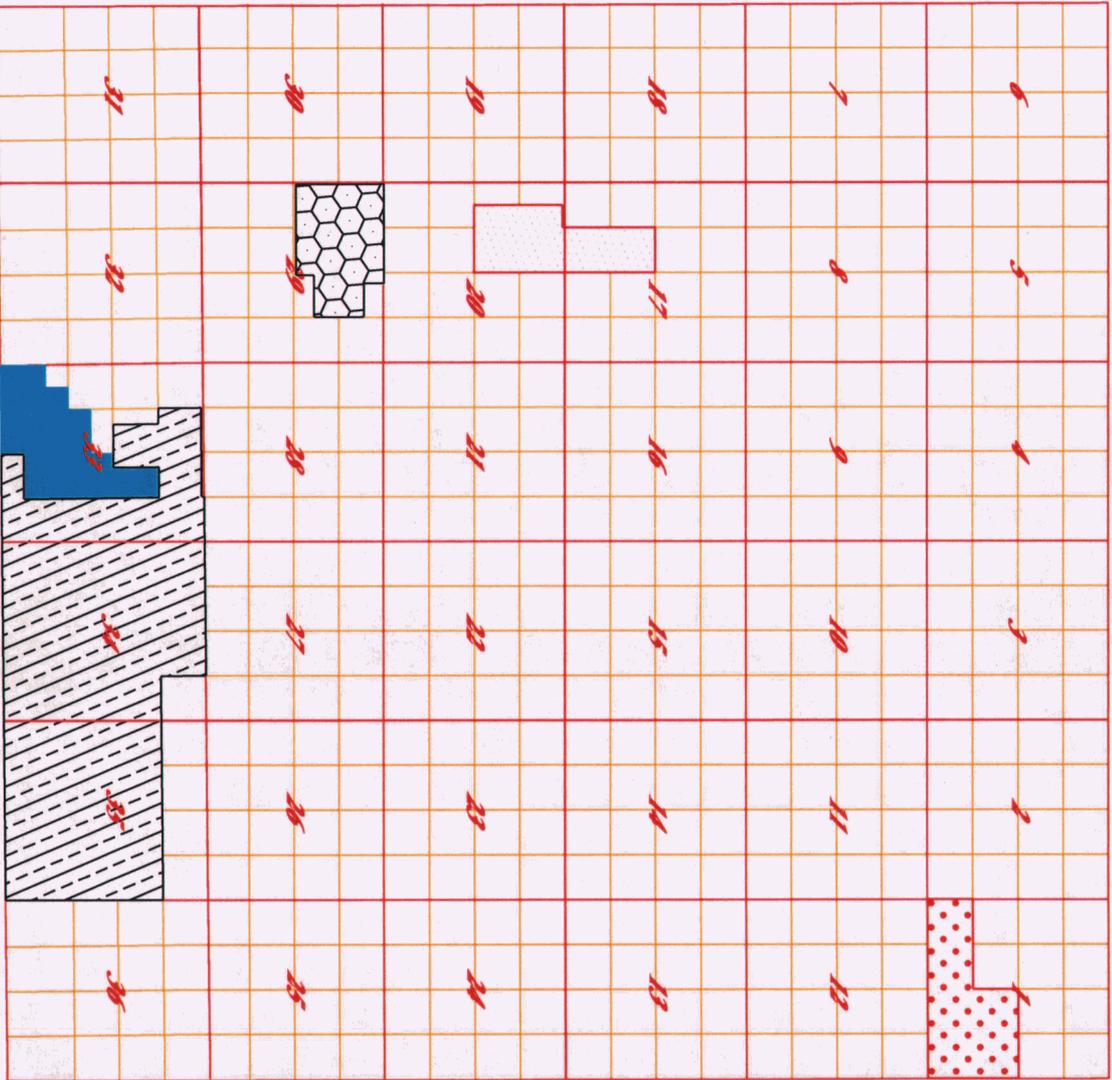
:bsw

Attachments

cc: Docket Control
Mr. Richard Sallquist
Deb Person (Hand Carried)
File

COUNTY: Pima

RANGE 11 East



TOWNSHIP 12 South

-  W-2126 (2)
Avra Water Cooperative, Inc.
-  W-2682 (1)
Tierra Linda Homeowners Association, Inc.
-  (4)
Cortaro-Marana Irrigation District
-  C-0019 (3)
Town of Marana (Nonjurisdictional)
(Palo Verde System)
- 
Avra Water Cooperative, Inc.
Docket No. W-2126-03-593
Application for Extension

AVRA WATER COOPERATIVE, INC.
DOCKET NO. W-2126-03-593
LEGAL DESCRIPTION

Lots 2, 6, 7, 11, 13 and the South Half of Lot 3, TOGETHER WITH the East Half of the Southwest quarter of the Northeast quarter and the East Half of the East Half of the West Half of the Southwest quarter of the Northeast quarter and the East Half of the West Half of the East Half of the West Half of the Southwest quarter of the Northeast quarter of Section 33, Township 12 South, Range 11 East, G&SRB&M, Pima County, Arizona, more particularly described as follows:

Beginning at the Southwest corner of said Section 33, the POINT OF BEGINNING;

Thence N 00° 37' 57" W along the west line of said Section 33, 1316.18 feet,

Thence N 89° 37' 05" E, 659.53 feet,

Thence N 00° 37' 44" W, 660.99 feet,

Thence N 89° 35' 32" E, 659.57 feet,

Thence N 00° 47' 56" W, 661.77 feet,

Thence N 89° 29' 15" E, 1318.65 feet,

Thence N 00° 40' 06" W, 659.60 feet,

Thence N 89° 33' 32" E, 411.82 feet,

Thence N 00° 38' 42" W, 1319.02 feet,

Thence N 89° 27' 37" E, 907.63 feet,

Thence S 00° 34' 07" E, 1320.08 feet,

Thence S 00° 37' 18" E, 2642.57 feet,

Thence S 89° 33' 23" W, 1317.59 feet,

Thence S 00° 35' 46" E, 662.05 feet to the South ¼ corner of said Section 33,

Thence S 89° 40' 09" W along the south line of said Section 33, 2634.67 feet to the POINT OF BEGINNING.

MEMORANDUM

DATE: November 26, 2003

TO: James E. Fisher
Executive Consultant II

FROM: Marlin Scott, Jr. *MSJ*
Utilities Engineer

RE: Avra Water Cooperative, Inc.
Docket No. W-02126A-03-0593 (CC&N Extension)

Introduction

Avra Water Cooperative, Inc. ("Company") has applied to extend its Certificate of Convenience and Necessity ("CC&N"). The requested service area will add approximately 3/8 square-mile to its existing 11-1/2 square miles of certificated area as shown in Figure 1 of this report. The Company is located approximately 15 miles northwest of Tucson in Pima County.

Capacity

Existing Utility Plant

According to the submitted Water Use Data Sheet, the Company has seven wells producing 1,380 gallons per minute ("GPM"), five storage tanks (total capacity of 1.14 million gallons) and a distribution system serving 2,494 service connections. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 2,955 connections at the end of five years. The Company has predicted an additional 44 connections (Phase 1) for the proposed CC&N extension at the end of five years, resulting in a projected total customer base of approximately 3,000 at the end of five years. Based on the existing well production and storage capacity, the system can serve approximately 2,815 service connections. Staff concludes that the existing system has adequate source and storage capacity to serve the customer base at this time but will need additional well capacity starting in 2006 to serve additional new connections.

Proposed Plant Facilities

The Company is proposing to extend its water system into the requested area through the use of the following financing methods:

1. Off-site plant facilities – Funded through a tariffed Off-Site Facilities Hook-Up Fee (“HUF”):
 - a. 12-inch pipe at 2,050 feet for \$82,500
 - b. Hook-Up Fee is \$82,500 divided by 44 units = \$1,875 per unit. (This \$1,875 amount is the same tariffed amount for a 5/8” x 3/4” meter size.)
2. On-site plant facilities – Funded through a Main Extension Agreement (“MXA”) for:
 - a. 8-inch pipe at one-half mile for \$(under negotiation).

Approved HUF Tariff

In the Company’s prior rate proceeding and its rendered Decision No. 64008, dated September 4, 2001, the Commission approved a HUF Tariff. Since the Company has an approved HUF Tariff, Staff recommends that this approved HUF Tariff (\$1,875 per 5/8” x 3/4” meter size) be applied to the requested extension area.

MXA

The actual MXA is under negotiation, resulting in no plant facility cost being available at this time. Once this MXA is completed, the MXA should be submitted to Staff for review and approval.

Arizona Department of Environmental Quality (ADEQ) Compliance

Compliance Status

ADEQ regulates the water system under ADEQ Public Water System I.D. # 10-006. Based on data submitted by the Company, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Certificate of Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct for construction of facilities to the developer’s requested area. Staff recommends that the Company submit a copy of this ADEQ Certificate when received by the Company.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level (“MCL”) in drinking water from 50 parts per billion (“ppb”) to 10 ppb. The date for compliance with the new MCL is January 23, 2006.

The Company indicated its arsenic levels for its seven wells range from 7.4 ppb to 19 ppb. Based on these levels, the Company plans to follow the ADEQ Arsenic Master Plan Report to evaluate its options. The Company is also in the process of applying for a WIFA Loan to address its arsenic issue and will be attending a WIFA board meeting on December 17, 2003 to sign the loan documents.

Arizona Department of Water Resources (ADWR) Compliance

The Company is located within the Tucson Active Management Area and is in compliance with its reporting and conservation requirements.

Staff recommends that the Company file with the Commission a copy of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.

Arizona Corporation Commission (ACC) Compliance

A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.

Curtailement Plan Tariff

A Curtailement Plan Tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company does not have this type of tariff, this CC&N Extension proceeding provides an opportune time to prepare and file such a tariff. Staff has provided the Company a copy of this tariff and recommends that the Company file this Curtailement Plan Tariff within 45 days after the effective date of an order issued in this proceeding.

Summary

Conclusions

- A. Staff concludes that the Company's existing system has adequate source and storage capacity at this time but will need additional well capacity starting in 2006 to serve additional new connections.
- B. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
- C. The Company indicated its arsenic levels for its seven wells range from 7.4 ppb to 19 ppb and is currently using the ADEQ Arsenic Master Plan Report to evaluate

its options. The Company will also be applying for a WIFA Loan to address its arsenic issue.

- D. The Company is within the Tucson AMA and is in compliance with its reporting and conservation requirements.
- E. A check with the Utilities Division Compliance Unit showed no outstanding compliance issues.

Recommendations

1. Staff recommends that the Company apply its HUF Tariff to the requested extension area.
2. Once the MXA is completed, Staff recommends that the MXA be submitted to Staff for review and approval.
3. Staff recommends that the Company submit a copy of the ADEQ Certificate of Approval to Construct for the requested area when received by the Company.
4. Staff recommends that the Company file with the Commission a copy of the developer's Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.
5. Staff recommends that the Company file a Curtailment Plan Tariff within 45 days after the effective date of an order issued in this proceeding.

COUNTY: Pima

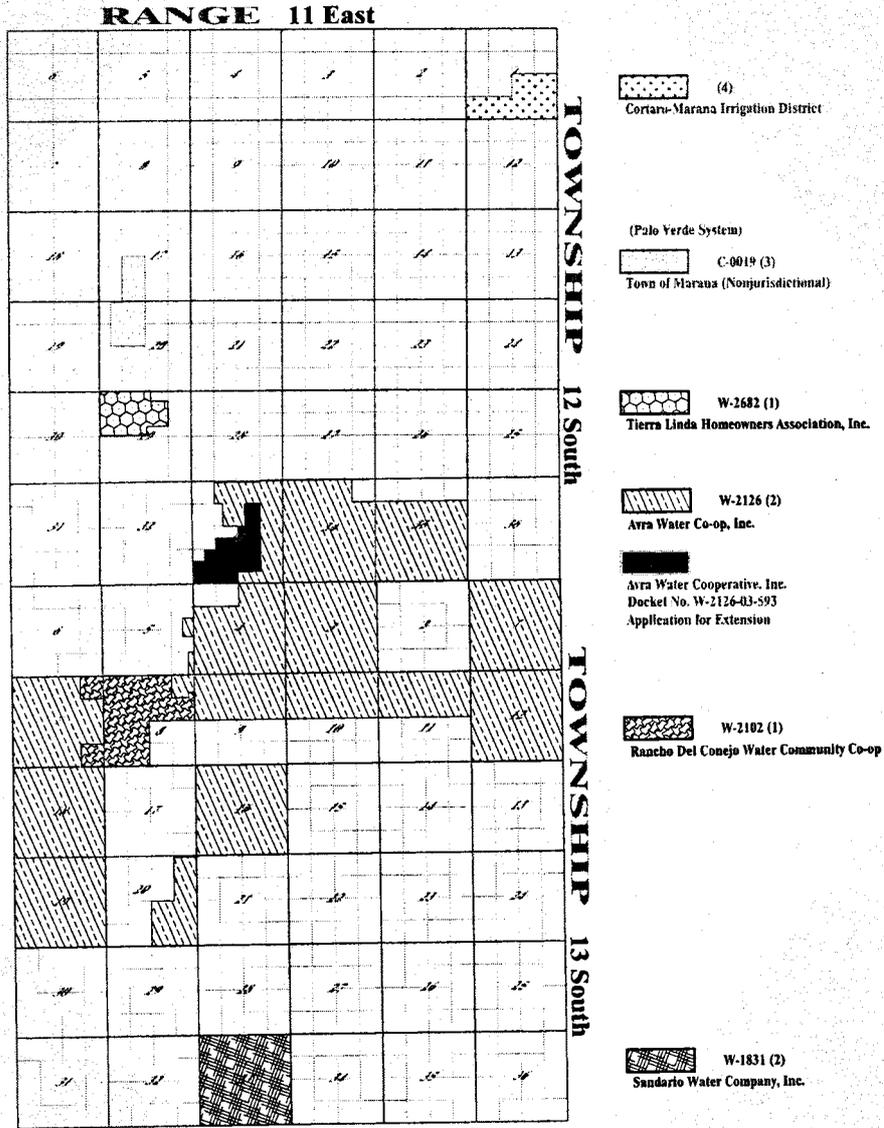


Figure 1. Certicated and Requested Extension Areas