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MAYES PROPOSED AMENDMENT NO. 1

TIME/DATE PREPARED: 12/13/10, 2 p.m.

AZ CORP COMMISSION
DOCKET CONTROL
COMPANY:

Arizona Water Company

AGENDA ITEM NO. 13

DOCKET NO(S). W-01445A-03-0559

OPEN MEETING DATE: 12/14/10

Arizona Corporation Commission

~~DOCKETED~~

DEC 13 2010

DOCKETED BY
[Signature]

Page 32 through Page 34, DELETE Findings of Fact 155 through 160.

Page 32, line 11, INSERT New Findings of Fact: "In issuing a 40-252 proceeding and sending the matter back for additional fact-gathering, the Commission was clearly concerned about the manner in which this area would be served in the future, and with the fact that Arizona Water Company appeared to no longer have a customer that desired service within the Cornman Tweedy Property.

While we believe that the *Paul* case defines the conditions under which a CC&N can be withdrawn from a Company after it has been granted, and that a Company's CC&N, or a portion of the CC&N, can only be deleted where the Company is unable to provide needed service at reasonable rates, we do not agree that *Paul* prevents the Commission from deleting the Cornman Property from Arizona Water Company's CC&N in this case, where there does not appear to be an imminent need for water service at this time.

The Commission has come to a settled view that integrated water and wastewater systems are needed to help advance water sustainability in a state that faces potentially dire water shortages in the future. We are concerned about the deficiencies that exist when an area is not served by an integrated water and wastewater system. It is clear from the record in this case, and from the Commission's experience, that stand-alone water companies are largely unable to provide effluent for re-use on turfed areas such as parks, golf courses and ornamental water features, and lack the ability to engage in effective groundwater management on the scale that is possessed by integrated water and wastewater systems. Such practices as re-charge of effluent and use of effluent for irrigation purposes are central to the very notion of water sustainability.

Allowing a stand-alone water company to serve an area the size of the territory at issue in this case is all the more problematic in view of the fact that the norm for similarly situated scenarios has become integrated water and wastewater systems. Most of the major water companies serving large areas of the state today also possess the ability to provide wastewater services to their customers. The fact that many water companies are small and serving rural parts of the state and do not offer the conservation solutions that are attendant to integrated water and wastewater solutions is hardly a reason to support

the creation of a large stand-alone water system in an increasingly urban area of the state that is likely to grow at a rapid clip in the future.

We also agree with the testimony of Cornman's witness Hendricks, offered on remand, that integrated water and wastewater systems generally hold benefits beyond facilitating conservation, including providing cost savings, allowing for more effective design of systems for environmental compliance purposes, and facilitating customer convenience by allowing for joint billing and collection.

Additionally, we take note of the fact that Cornman Tweedy has expressed a desire to be served by an integrated water and wastewater provider, and we agree with Cornman that whether a customer has requested service from a water and wastewater provider should be taken into consideration when the Commission grants a CC&N.

Finally, Cornman argues that this case is more akin to *Arizona Corporation Commission v. Arizona Water Company (1974)* than *Paul* and that we should therefore disregard the *Paul* standard. However, we find that, under either the *Paul* standard or the *Arizona Water* standard (or any other standard), the Cornman Tweedy area should be deleted from Arizona Water's CC&N. The facts presented in this case lead us to conclude that, because Arizona Water will not provide combined water and wastewater service and will not be able to provide efficient use of effluent, customers in this part of Pinal County are not going to be served in a manner that will promote water conservation to the greatest extent possible. Therefore, in balancing the public interest, we will delete the Cornman Tweedy property from the Arizona Water CC&N.

This order does not preclude Arizona Water Company or any other water company from filing a future application to provide service in the area owned by Cornman, and the Commission will analyze all the relevant public policy factors at that time, including whether Arizona Water Company or another prospective water company is capable of providing an integrated water and wastewater solution."

Page 35, DELETE lines 7 through 9 and INSERT New Ordering Paragraph: "IT IS FURTHER ORDERED THAT the Cornman Tweedy Property is excluded from the Arizona Water Company CC&N."

Make all conforming changes.

THIS AMENDMENT:

_____ Passed _____ Passed as amended by _____