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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

2006 NOV 20 A 8:53

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: November 20, 2006

RE: STAFF REPORT FOR NEW RIVER UTILITY COMPANY – APPLICATION FOR EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE (DOCKET NO. W-01737A-06-0171)

Attached is the Staff Report for New River Utility Company application for extension of its existing Certificate of Convenience and Necessity for water service. Staff is recommending approval with conditions.

EGJ:BNC:red

Originator: Blessing Chukwu

Arizona Corporation Commission

DOCKETED

NOV 20 2006

DOCKETED BY	
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Service List for: New River Utility Company
Docket No. W-01737A-06-0171

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

NEW RIVER UTILITY COMPANY

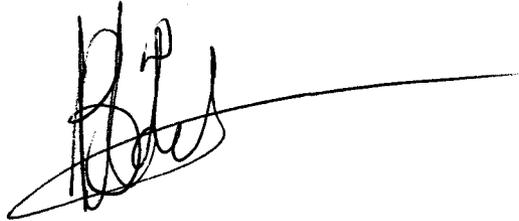
DOCKET NO. W-01737A-06-0171

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE
WATER SERVICE

NOVEMBER 20, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for New River Utility Company (Docket No. W-01737A-06-0171) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Dorothy Hains', written in a cursive style.

Dorothy Hains
Utilities Engineer

**EXECUTIVE SUMMARY
NEW RIVER UTILITY COMPANY
DOCKET NO. W-01737A-06-0171**

On March 16, 2006, New River Utility Company ("New River" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service to an area encompassing a development known as Arrowhead Ranch Industrial Park, in Maricopa County, Arizona. On August 24, 2006, New River filed an amendment to its application. On October 6, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of Arizona Administrative Code.

New River is an Arizona Limited Liability Company, in good standing with the Corporations Division, and engaged in providing water utility service within portions of Maricopa County, Arizona. The Commission granted the Company its original CC&N in Decision No. 33354, issued on August 15, 1961. The Company currently serves approximately 2,653 water utility customers, comprised of both residential and commercial customers. According to the Company's Annual Report for the year ending December 31, 2005, the Company has water utility plant in service of approximately \$3,645,762.

By this application, the Company is seeking Commission authority to extend its water service territory to include a development known as Arrowhead Ranch Industrial Park, located in the City of Peoria ("Peoria"), in Maricopa County, Arizona. The development will contain approximately twenty (20) condominium office units.

Staff believes that the estimated costs are reasonable and appropriate for this project. The approval of this CC&N extension application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes. Staff also believes that the proposed system will have adequate capacity to serve customers in the requested area. Staff further believes that it is reasonable to assume that New River will develop additional capacity as needed to meet future growth in the requested area, if it is needed.

Staff recommends the Commission approve New River's application for extension of its existing CC&N to provide water service in Maricopa County, as amended, subject to compliance with the following conditions:

1. To require New River to charge its tariffed rates and charges in the extension area.
2. To require New River to file with Docket Control, as a compliance item in this docket, a copy of Approval of Construction from Maricopa County Environmental Services Department ("MCESD") for the proposed water system by May 31, 2008.
3. To require New River to correct all six minor operation and maintenance deficiencies by April 30, 2007.

4. To require New River to file with Docket Control, as a compliance item in this docket, a copy of document from MCESD stating that the Company is in compliance with operation and maintenance requirements by May 31, 2007.
5. To require New River to file with Docket Control, as a compliance item in this docket, a copy of the Certificate of Assured Water Supply for the requested area within two years of the effective date of an order in this proceeding.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void, after due process, should the Company fail to meet the Condition Nos. 2, 3, 4, and 5 listed above within the time specified.

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Introduction

On March 16, 2006, New River Utility Company ("New River" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service to an area encompassing a development known as Arrowhead Ranch Industrial Park, in Maricopa County, Arizona.

On April 11, 2006, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S. mail. In the Letter, Staff listed the deficiencies that need to be cured for administrative purposes.

On May 26, 2006, July 6, 2006, and September 8, 2006, New River provided additional documentation to support its relief requested and revised the legal description.

On August 24, 2006, New River filed an amendment to its application.

On October 6, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C.

Background

New River is an Arizona Limited Liability Company, in good standing with the Corporations Division, and engaged in providing water utility service within portions of Maricopa County, Arizona. The Commission issued Decision No. 33131 (May 24, 1961), in Docket No. U-1737, granting New River an order preliminary to the issuance of a CC&N, authorizing the Company to construct, operate, and maintain a public water system within a portion of Maricopa County Arizona. On August 15, 1961, the Commission granted the Company its original CC&N in Decision No. 33354. The Company currently serves approximately 2,653 water utility customers, comprised of both residential and commercial customers.

According to the Company's Annual Report for the year ending December 31, 2005, the Company has water utility plant in service of approximately \$3,645,762. The Company reported an annual revenue of approximately \$1,268,468 and a net profit of approximately \$99,759 for water for year 2005. No long term debt was reported for water.

The Extension Request

New River is currently certificated by the Commission to provide water within portions of Maricopa County, Arizona. By this application, the Company is seeking Commission authority to extend its water service territory to include a development known as Arrowhead

Ranch Industrial Park, located in the City of Peoria ("Peoria"), in Maricopa County, Arizona. The requested will add approximately 10 acres to the Company's existing certificated area of approximately two square miles. The requested area is located northeast of the existing CC&N area. The Company estimates 20 additional water customers will be served in the requested area within five years. According to the Company, the requested area will be designated for commercial/industrial usage. The City of Peoria will provide wastewater service to the extension area.

The Water System

New River operates a water system that consists of four drinking water wells (having a combined production rate of 3,075 gallons per minute ("GPM")), three storage tanks (having a combined capacity of 3,000,000 gallons), a booster pump station, and two 5,000 gallon pressure tanks. New River has an existing customer base of approximately 2,653 customers and experienced an annual average growth rate of over 53 connections in the past three years. Based on the water usage data for January 2005 through December 2005, the daily average consumption was approximately 619 gallons per day ("GPD") per connection.

The Company proposes to extend two 8-inch ductile iron pipe ("DIP") mains on 78th Avenue and 77th Avenue to the requested area, both lines interconnect with existing main on Deer Valley Road. The Company also proposes to install a booster pump station to provide sufficient fire flow and meet the City of Peoria's fire code requirement. The Company has provided cost estimates of \$62,564 to install 2,134 feet of 8-inch DIP (approximately unit cost of \$29/ft), \$16,000 for a booster pump station, and \$88,710 for fire hydrants, service line connections, back flow devices, permitting fees, taxes and other miscellaneous items. The total cost of this proposal is \$167,274 to serve the requested area. The Company plans to finance the utility facilities needed to serve the requested area through main extension agreement.

Staff concludes that the estimated costs are reasonable and appropriate for this project. The approval of this CC&N extension application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes. Staff also concludes that the proposed system will have adequate capacity to serve customers in the requested area. Staff further concludes that it is reasonable to assume that New River will develop additional capacity as needed to meet future growth in the requested area, if it is needed.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of Approval of Construction ("AOC") from Maricopa County Environmental Services Department ("MCESD") for the proposed water system by May 31, 2008.

Maricopa County Environmental Services Department Compliance

Staff received compliance status reports¹ for New River from MCESD in which MCESD stated that it has determined that New River is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

However, MCESD has also determined that the Company has minor operation and maintenance (“O&M”) deficiencies that need to be fixed. The deficiencies include: (1) adjustments are needed to the overflow covers on the storage tanks; (2) tighten cathode protection covers; (3) install screen on air release; (4) install fences; (5) install well signs and (6) clean up site. Staff recommends that the Company correct all six minor O&M deficiencies by April 30, 2007. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of document from MCESD stating that the Company is in compliance with O&M requirements by May 31, 2007.

Arizona Department of Water Resources (“ADWR”) Compliance

New River is located within the Phoenix Active Management Area (“AMA”) and is in compliance with its reporting and conservation requirements.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the Certificate of Assured Water Supply for the requested area within two years of the effective date of an order in this proceeding.

ACC Compliance

According to the Utilities Division Compliance Section, the Company has no outstanding Commission compliance issues.

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”) or parts per billion (“ppb”) to 10 µg/l. Arsenic levels in two of the Company’s existing wells exceed the new MCL. MCESD stated that the Company must sample arsenic no later than March 31, 2007.² The Company plans to purchase City of Glendale water whose arsenic levels are below MCL for blending to meet the new MCL for its existing system.

¹ Staff received the compliance status reports from MCESD on July 11, 2006.

² Id

Curtailment Plan Tariff

The Company has an approved curtailment tariff on file with the Commission.

Proposed Rates

New River is proposing to provide water utility services to the extension area at its tariffed rates and charges.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

New River filed with its application, an Operating Agreement it had entered into with the City of Peoria, dated April 6, 2004, which permits the Company to provide water service in the requested area.

Recommendations

Staff recommends the Commission approve New River's application for extension of its existing CC&N to provide water service in Maricopa County, as amended, subject to compliance with the following conditions:

1. To require New River to charge its tariffed rates and charges in the extension area.
2. To require New River to file with Docket Control, as a compliance item in this docket, a copy of Approval of Construction from Maricopa County Environmental Services Department ("MCESD") for the proposed water system by May 31, 2008.
3. To require New River to correct all six minor operation and maintenance deficiencies by April 30, 2007.
4. To require New River to file with Docket Control, as a compliance item in this docket, a copy of document from MCESD stating that the Company is in compliance with operation and maintenance requirements by May 31, 2007.
5. To require New River to file with Docket Control, as a compliance item in this docket, a copy of the Certificate of Assured Water Supply for the requested area within two years of the effective date of an order in this proceeding.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void, after due process, should the Company fail to meet the Condition Nos. 2, 3, 4, and 5 listed above within the time specified.

MEMORANDUM

DATE: November 14, 2006

TO: Blessing Chukwu
Executive Consultant III

FROM: Dorothy Hains, P. E. *DH*
Utilities Engineer

RE: **Water CC&N Extension for New River Utility, L.L.C**
Docket Nos. W-01737A-06-0171

I. Introduction

New River Utility Co. ("New River" or "the Company"), has submitted to the Arizona Corporation Commission ("the Commission") a Certificate of Convenience and Necessity (CC&N) extension application to provide water services to an approximately 10 acre parcel in the City of Peoria ("Peoria") in Maricopa County. According to the Company, the requested area will be designated for commercial/industrial usage. Peoria will be the sewage service provider. New River currently serves a nearby area that totals approximately two square miles. The requested area is located northeast of the existing CC&N area. The Company estimates 20 additional water customers will be served in the requested area within five years.

II. Water System**A Existing System**

New River operates a water system that consists of four drinking water wells (having a combined production rate of 3,075 gallons per minute ("GPM")), three storage tanks (having a combined capacity of 3,000,000 gallons), a booster pump station and two 5,000 gallon pressure tanks. New River has an existing customer base of approximately 2,653 customers and experienced an annual average growth rate of over 53 connections in the past three years. Based on the water usage data for January 2005 through December 2005, the daily average consumption was approximately 619 gallons per day ("GPD") per connection.

B Proposed Plan

The Company proposes to extend two 8-inch ductile iron pipe ("DIP") mains on 78th Avenue and 77th Avenue to the requested area, both lines interconnect with existing main on Deer Valley Road. The Company also proposes to install a booster pump station to provide sufficient fire flow and meet the City of Peoria fire code requirement.

Staff concludes that the proposed system will have adequate capacity to serve customers in the requested area. Staff further concludes that it is reasonable to assume that New River will develop additional capacity as needed to meet future growth in the requested area, if it is needed. Staff recommends that the Company file with the Commission's Docket Control as a compliance item in this case a copy of Approval of Construction ("AOC") from Maricopa County Environmental Services Department ("MCESD") for the proposed water system by May 31, 2008.

III. MCESD Compliance Status

Staff received compliance status reports¹ for New River from Maricopa County Environmental Services Department ("MCESD") in which MCESD stated that it has determined that New River is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

However, MCESD has determined that the Company has minor operation and maintenance ("O&M") deficiencies that need to be fixed. The deficiencies include (1) adjustments are needed to the overflow covers on the storage tanks; (2) tighten cathode protection covers; (3) install screen on air release; (4) install fences; (5) install well signs and (6) clean up site. Staff recommends that the Company correct all six minor O&M deficiencies by April 30, 2007. Staff further recommends that the Company file with the Commission's Docket Control as a compliance item in this case a copy of document from MCESD that the Company is in compliance with O&M requirements by May 31, 2007.

IV. Arizona Department of Water Resources ("ADWR") Compliance Status

New River is located in the Phoenix Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that New River is in compliance with the Phoenix AMA requirements.

¹ Staff received the compliance status reports from MCESD on July 11, 2006.

Certificate of Assured Water Supply

Staff recommends that the Company docket as a compliance item in this docket, within two years of the effective date of an order in this proceeding, a copy of the Certificate of Assured Water Supply for the requested area.

V. ACC Compliance Status

According to the Utilities Division Compliance Section, New River has no delinquent ACC compliance issues.

E. Arsenic and Other Water Quality Issues

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. Arsenic levels in two of the Company's existing wells exceed the new MCL. MCESD stated that the Company must sample arsenic no later than March 31, 2007². The Company plans to purchase City of Glendale water whose arsenic levels are below the MCL for blending to meet the new MCL for its existing system.

VI. Curtailment Tariff

The Company has an approved curtailment tariff on file with the Commission.

VII. Cost

The Company has provided cost estimates of \$62,564 to install 2,134 feet of 8-inch DIP (approximately unit cost of \$29/ft), \$16,000 for a booster pump station, and \$88,710 for fire hydrants, service line connections, back flow devices, permitting fees, taxes and other miscellaneous items. The total cost of this proposal is \$167,274 to serve the requested area. Staff concludes that the estimated costs are reasonable and appropriate for this project. The approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

VIII. Summary

A. Conclusions

1. Staff concludes that New River has adequate capacity to serve customers in the requested area. Staff further concludes that it is reasonable to

² Staff received the compliance status reports from MCESD on July 11, 2006.

assume that New River and will develop additional capacity as needed to meet future growth in the requested area.

2. New River is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. ADWR has indicated that New River is in compliance with the Phoenix AMA requirements.
4. According to the Utilities Division Compliance Section, New River has no delinquent ACC compliance issues.
5. Staff concludes that the estimated costs provided by New River and are reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

B. Recommendations

1. Staff recommends that New River file with the Commission's Docket Control as a compliance item in this case a copy of Approval of Construction from Maricopa County Environmental Services Department for the proposed water system by May 31, 2008.
2. Staff recommends that the Company docket as a compliance item in this docket, within two years of the effective date of an order in this proceeding, a copy the Certificate of Assured Water Supply for the requested area, where applicable or when required by statute.
3. Staff recommends that the Company correct all six minor O&M deficiencies by April 30, 2007. Staff further recommends that the Company file with the Commission's Docket Control as a compliance item in this case a copy of document from MCESD that the Company is in compliance with O&M requirements by May 31, 2007.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: March 28, 2006

RE: **NEW RIVER UTILITY COMPANY (DOCKET NO. W-01737A-06-0171)**

The area requested by New River for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

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

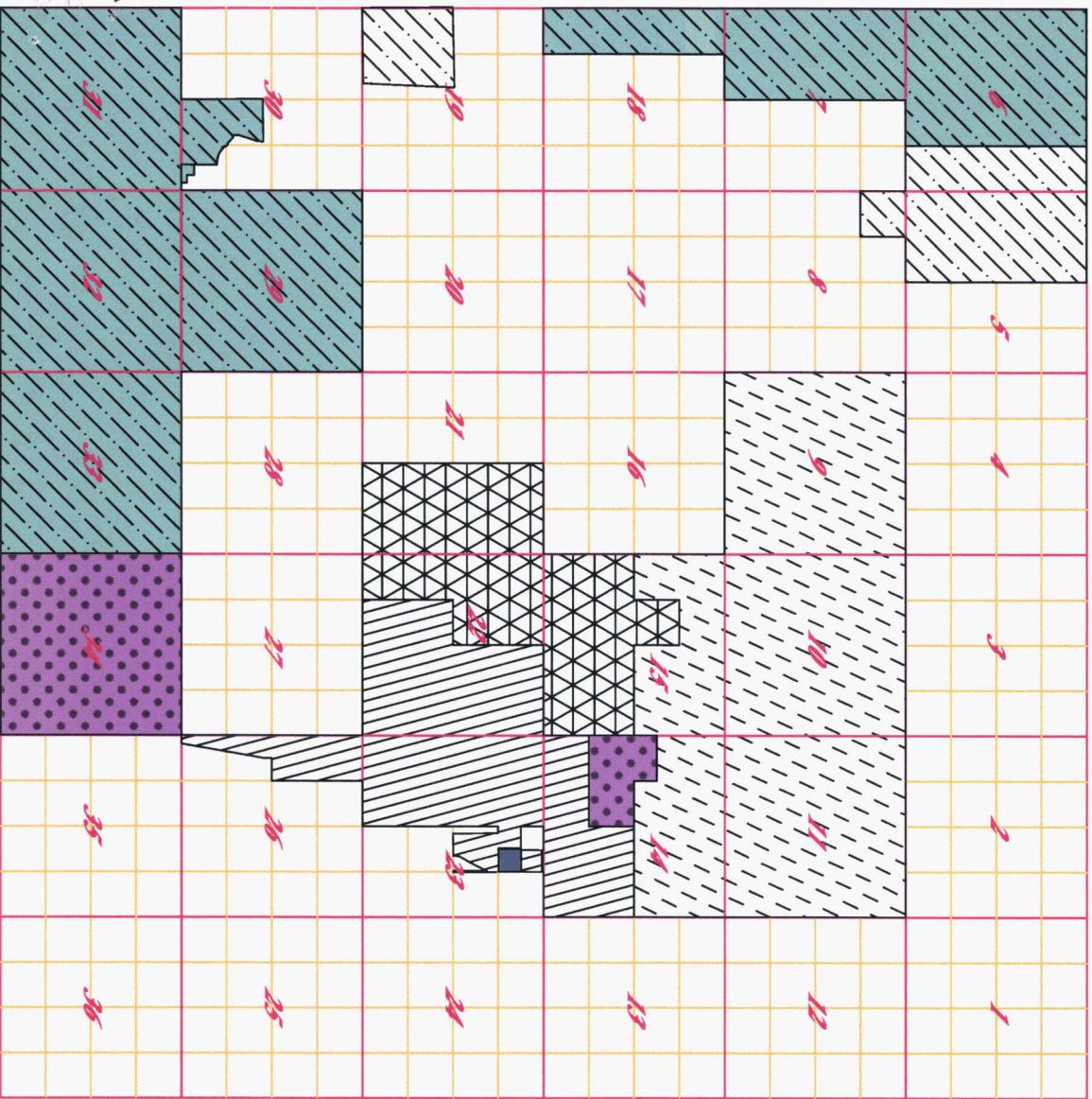
:bsw

Attachments

cc: Docket Control
Mr. Jay Shapiro
Ms. Deb Person (Hand Carried)
File

COUNTY OF Maricopa

RANGE 1 East



TOWNSHIP 4 North

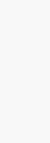
-  WS-1303 (14)  Sewer
-  Arizona-American Water Company
-  W-1737 (1)  Sewer
-  New River Utility Company
-  W-1539 (1)  Sewer
-  Rose Valley Water Company
-  W-2069 (1)  Sewer
-  Sunrise Water Company, Inc.
-  C-0008 (4)  Sewer
-  City of Peoria (Nonjurisdictional)
-   Sewer
-  New River Utility Company
Docket No. W-01737A-06-0171
Application for Extension

EXHIBIT "A"

Parcel No. 1:

The West half of the West half of the Southeast quarter of the Northwest quarter of the Northeast quarter of Section 23, Township 4 North, Range 1 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Except all oil, gas and other minerals as reserved by the United States of America in the Patent of said land.

Parcel No. 2:

The East half of the West half of the Southeast quarter of the Northwest quarter of the Northeast quarter of Section 23, Township 4 North, Range 1 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Except all oil, gas and other minerals as reserved by the United States of America in the Patent of said land.

Parcel No. 3:

The East half of the Southeast quarter of the Northwest quarter of the Northeast quarter of Section 23, Township 4 North, Range 1 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Except all oil, gas and other minerals as reserved by the United States of America in the Patent of said land.