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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
GOODMAN WATER COMPANY, AN ARIZONA
CORPORATION, FOR (i) A DETERMINATION OF
THE FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND (ii) AN INCREASE IN ITS
WATER RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. W-02500A-10-0382

**STAFF'S NOTICE OF FILING
LATE-FILED EXHIBITS**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") files herewith as late-filed exhibits a Re-Evaluation of Excess Storage Tank Capacity and Staff's September 2, 2010 Memorandum.

RESPECTFULLY SUBMITTED this 8th day of September, 2011.

Arizona Corporation Commission
DOCKETED
SEP 8 2011

DOCKETED BY *MS*

Bridget A. Humphrey
Ayesha K. Vohra, Staff Attorney
Bridget A. Humphrey, Staff Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing were filed this
8th day of September, 2011 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

AT CORP COMMISSION
DOCKET CONTROL

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RECEIVED

1 Copies of the foregoing were mailed
and/or emailed this 8th day of September, 2011 to:

2
3 Lawrence V. Robertson, Jr.
4 P.O. Box 1448
5 Tubac, Arizona 85646
6 Attorney for Goodman Water Co.
7 tubaclawyer@aol.com

8 Daniel Pozefsky
9 Chief Counsel
10 Residential Utility Consumer Office
11 1110 West Washington, Suite 220
12 Phoenix, Arizona 85007
13 dpozefsky@azruco.gov

14 Lawrence Wawryzniak
15 39485 S. Mountain Shadow Drive
16 Tucson, Arizona 85739
17 l.wawryzniak05@comcast.net

18 James Schoemperlen
19 39695 S. Horse Run Drive
20 Tucson, Arizona 85739
21 JSchoemperlen@sargentaerospace.com

22
23
24
25
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EXHIBIT #1

**LATE-FILED EXHIBIT #1
FOR
RE-EVALUATION OF EXCESS STORAGE TANK CAPACITY**

Step 1:

The storage tank capacity totaling 1,000,000 gallons (= 400,000 + 600,000), minus the fire flow requirement (2,000 GPM at 2 hours = 240,000 GPD), could adequately serve up to approximately 3,300 connections (= (1,000,000 - 240,000) / 230). For this proceeding, the 600,000 gallon tank is divided into 410,000 gallon and 190,000 gallon (upsized) capacities.

The usable storage tank capacity totaling 803,000 gallons (= 316,000 + 487,000), minus the fire flow requirement (2,000 GPM at 2 hours = 240,000 GPD), could adequately serve up to approximately 2,450 connections (= (803,000 - 240,000) / 230).

Step 2:

As shown above, the total storage tank capacity of 1,000,000 gallons, **with 803,000 gallons of usable capacity**, could have excess capacity. To further evaluate how much of the **usable** storage tank capacity is excessive, Staff considered the following:

1. Within a 5-year period, Staff estimated the required storage capacity to be 441,250 GPD. This amount is calculated by the fire flow requirement (240,000 GPD) plus the demand in five years at 201,250 GPD (= 230 GPD/connection x 875 connections), totaling to 441,250 GPD.
2. The entire 400,000 gallon storage tank, **with 316,000 gallons of useable capacity**, is needed because both wells pump into this tank and this tank serves as the chlorination contact time chamber. In addition, this tank serves as the main storage for fire flow protection for the majority of the water system.
3. Staff estimated the 5-year projected storage capacity at 441,250 GPD which is more than the **316,000 gallons of usable capacity by 125,250 gallons**.
4. To determine how much of the 600,000 gallon storage tank, **with 487,000 gallons of useable capacity**, is needed, Staff considered the fire flow of 180,000 gallons (=1,500 GPM at 2 hours) for the K-Zone customers plus the 125,250 gallons **totaling to 305,250 gallons of required capacity**.
5. **The 305,250 gallons of required capacity is 63% of the 487,000 gallons of useable capacity**. However, the Company has claimed that the upsized 190,000 gallon of tank capacity is not part of the rate case, which would reduce the useable tank capacity to 297,000 gallons (= 487,000 – 190,000).

Step 3:

Since the operation of the system's storage tanks have now changed; i.e., Water Plant #3's 600,000 gallon storage tank serves the entire system by gravity and Water Plant #1's 400,000 gallon storage tank has a multi-use purpose; 1) a chlorination contact time chamber, 2) storage for the booster system, 3) holding tank before transporting water to the 600,000 gallon tank, and 4) back-up booster system, Staff calculated how many service connections could be served by this operation:

- a. To determine how much the 600,000 gallon storage tank, **with a useable tank capacity of 297,000 gallons** ($= 487,000 - 190,000$) could serve, Staff subtracted the fire flow of 240,000 gallons ($= 2,000$ GPM at 2 hours) equating to 57,000 gallons. This 57,000 gallons is then divided by 230 GPD per service connection, resulting in 247 service connections.
- b. To determine how much the 400,000 gallon storage tank, **with a useable tank capacity of 316,000 gallons**, could serve, Staff divided by 460 GPD per connection ($= 230$ GPD/connection $\times 2$), resulting in 686 service connections. (Staff double the 230 GPD/connection because this storage tank/pumping site is a multi-use purpose site.)
- c. By combining the 247 connections with the 686 connections, this system could adequately service up to 933 service connections. Since the calculated 933 connection is more than the 875 connections (Staff's estimated growth in 5 years) by 58 connections or 7%, Staff concludes that the total storage tank capacity of 1,000,000 gallons, **with 613,000 gallons of usable capacity for this rate case**, is reasonable for this rate proceeding.

EXHIBIT #2

**LATE-FILED EXHIBIT #2
FOR
STAFF'S SEPTEMBER 2, 2010 MEMORANDUM**

On September 2, 2010, Staff filed a memorandum referenced as "COMPLIANCE ITEM FOR DECISION NO. 69404 – IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY FOR A RATE INCREASE (DOCKET NO. W-02500A-06-0281)" for a request for a Hook-Up Fee Tariff. As part of its analysis, Staff determined that the Company's system could serve approximately 1,800 customers based upon the following:

1. The Company's 2007 Annual Report indicated the water system had two wells (totaling 1,240 GPM), two storage tanks (totaling 930,000 gallons) and serving 597 customers as of December 2007.
2. Using the 2007 water use data sheet, March was the peak month that showed 9,813,000 gallons sold to 532 customers. Based on the data, Staff estimated the average daily demand to be 595 GPD per connection for evaluating if storage capacity was sufficiency. For well capacity evaluation, Staff used 0.52 GPM per connection ($= 595 \times 1.25 \text{ factor} / 1440$) for the peak day demand. Using these factors, Staff determined that:
 - a. The well capacity totaling 1,240 GPM ($= 440 + 800$) could adequately serve 2,384 connections ($= 1,240 / 0.52$).
 - b. The storage capacity totaling 930,000 gallons, minus the fire flow requirement (1,500 GPM at 2 hours = 180,000 GPD), could adequately serve up to 1,260 connections ($= (930,000 - 180,000) / 595$).
 - c. If the second well (at 440 GPM) is included for the storage capacity requirement, this well could serve 532 connections. ($440 \text{ GPM} \times 1440 = 633,600 \text{ GPD}$. Staff used half of 633,600 GPD in order for the well to rest/recover for half a day. Therefore, $633,600 / 2 = 316,800$, equating to $316,800 / 595 = 532$ connections.)
 - d. $1,260 + 532 = 1,792$ connections. Rounded to 1,800 connections (or customers).
 - e. Based on the 1,240 GPM well and 930,000 gallon storage tank capacities, the system could serve up to 1,800 connections. This limit of 1,800 connections is based on the storage tank capacity in a Step 1 system evaluation.
 - f. As a result, Staff recommended that the Commission not authorize a Hook-Up Fee Tariff because the water system had sufficient capacity.