

ORIGINAL



MEMORANDUM

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

EA for SMD

DATE: April 2, 2013

RE: STAFF REPORT FOR JOHNSON UTILITIES, L.L.C. – APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER AND WASTEWATER SERVICES (DOCKET NO. WS-02987A-12-0136)

Attached is the Staff Report for Johnson Utilities, L.L.C.'s application for an extension of its Certificate of Convenience and Necessity for water and wastewater service. Staff recommends approval of an Order Preliminary for this application.

SMO:RGG:tdp\BH

Originator: Robert Gray

Arizona Corporation Commission
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APR 02 2013

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[Signature]

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DOCKET CONTROL

Service List for: JOHNSON UTILITIES, L.L.C.
Docket No. WS-02987A-12-0136

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

JOHNSON UTILITIES, L.L.C.

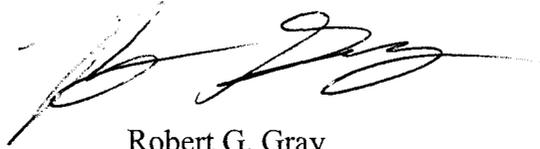
DOCKET NO. WS-02987A-12-0136

**APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY FOR WATER AND WASTEWATER SERVICE**

APRIL 2, 2013

STAFF ACKNOWLEDGMENT

The Staff Report for Johnson Utilities, L.L.C., Docket No. WS-02987A-12-0136, was the responsibility of the Staff members listed below. Robert Gray prepared the Staff Report. Jian Liu prepared the Engineering Report.



Robert G. Gray
Executive Consultant



Jian Liu
Utilities Engineer



Trish Meeter
Consumer Analyst II

**EXECUTIVE SUMMARY
JOHNSON UTILITIES, L.L.C.
DOCKET NO. WS-02987A-12-0136**

On April 6, 2012, Johnson Utilities, L.L.C. (“Johnson” or “Company”) filed an application for Commission approval of an extension of Johnson’s Certificate of Convenience and Necessity (“CC&N”) for water and wastewater service. On April 18, 2012, Johnson filed an amendment to its application. On May 7, 2012, Staff issued an insufficiency letter in this proceeding. On May 23, 2012, Johnson filed responses to Staff data requests in this proceeding. On July 27, 2012, Johnson filed additional information. On November 30, 2012, Johnson filed another amendment to its application. On December 20, 2012, Johnson filed an additional amendment to its application. On February 6, 2013, Staff found Johnson’s application to be sufficient. On February 12, 2013, a procedural order was issued in this proceeding, setting a hearing date of April 18, 2013. On March 8, 2013, Johnson filed a request to modify the procedural order to provide Johnson additional time to provide information to Staff prior to Staff’s filing of its Staff Report in this proceeding. On March 12, 2013, a second procedural order was issued, extending the due dates for filing the Staff Report and objections to the Staff Report and maintaining the April 18, 2013 hearing date.

Staff recommends inclusion of the Bella Vista Farms area requested by Johnson within Johnson’s CC&N for water service. Staff further recommends inclusion of Merrill Ranch Expansion One area requested by Johnson within Johnson’s CC&N for water and wastewater service. These recommendations would be subject to conditions that Johnson file an Arizona Department of Environmental Quality Approval to Construct for each expansion area and provide separate wastewater descriptions for each wastewater system in future Commission Annual Reports. These recommendations would also be subject to Order Preliminary conditions regarding Johnson coming into compliance with ADEQ regulations and providing additional information for phases 3, 4, and 5 of Bella Vista Farms and for Merrill Ranch Expansion One.

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Introduction

On April 6, 2012, Johnson Utilities, L.L.C. (“Johnson” or “Company”) filed an application for Commission approval of an extension of Johnson’s Certificate of Convenience and Necessity (“CC&N”) for water and wastewater service. On April 18, 2012, Johnson filed an amendment to its application. On May 7, 2012, Staff issued an insufficiency letter in this proceeding. On May 23, 2012, Johnson filed responses to Staff data requests in this proceeding. On July 27, 2012, Johnson filed additional information. On November 30, 2012, Johnson filed another amendment to its application. On December 20, 2012, Johnson filed an additional amendment to its application. On February 6, 2013, Staff found Johnson’s application to be sufficient. On February 12, 2013, a procedural order was issued in this proceeding, setting a hearing date of April 18, 2013. On March 8, 2013, Johnson filed a request to modify the procedural order to provide Johnson additional time to provide information to Staff prior to Staff’s filing of its Staff Report in this proceeding. On March 12, 2013, a second procedural order was issued, extending the due dates for filing the Staff Report and objections to the Staff Report and maintaining the April 18, 2013 hearing date.

The Company’s Johnson Ranch system provides water service to approximately 20,170 service connections as of December 2012. The Company’s Anthem at Merrill Ranch system provided water service to approximately 2,000 service connections in December 2012. Johnson’s most recent rate proceeding was decided by the Commission in Decision No. 71854 (August 25, 2010), with subsequent amendments. Attached as Exhibit 1 is the Engineering Report regarding this matter.

Proposed Extension Areas

Bella Vista Farms

The Bella Vista Farms proposed extension area consists of two square miles. Johnson already provides wastewater service to this area, so the Company is seeking to extend only its water CC&N to Bella Vista Farms. The Bella Vista Farms extension area involves a number of parcels owned by the following entities: Pantano Development Bella Vista LLC, PV Bella Vista LLC, El Dorado Holdings Inc., BVF Opportunity LLC/BVF Land LLC, Pinal County Community College District dba Central Arizona College, and Salt River Project. Johnson has received requests for service from all of the landowners with the exception of Salt River Project. The Salt River Project parcel is very small, 2.27 acres, and is surrounded by parcels that have requested service from Johnson in this proceeding. Salt River Project has affirmed to Staff that it has no objection to its parcel being included in the area Johnson is seeking to extend its CC&N to in this proceeding.

Johnson operates two water systems, Johnson Ranch and Anthem at Merrill Ranch. The Bella Vista Farms area would be served by the Johnson Ranch system. The Bella Vista Farms area is currently served by Johnson’s Section 11 wastewater system.

Merrill Ranch Expansion One

The area being requested by Johnson in the Merrill Ranch Expansion One area has been reduced several times by Johnson subsequent to Johnson's initial application in this proceeding. The reduced area now in question has a single owner and is also in the process of changing ownership. Johnson has indicated to Staff that the transaction is waiting for the CC&N to be granted in this proceeding before being completed. Both the current owner, SWVP-GTIS MR LLC ("Southwest Value Partners") and the prospective future owner, Pulte Group, have provided requests for service to Johnson for the area in question.

The Merrill Ranch Expansion One area would be served by the Anthem at Merrill Ranch water system. Johnson operates four wastewater systems, Pecan, San Tan, Section 11, and Anthem. The Merrill Ranch Expansion One area would be served by Johnson's Anthem wastewater system.

The Merrill Ranch Expansion One area is located within the town of Florence. Johnson filed a letter dated April 12, 2012, from the Town of Florence, indicating it supports the application by Johnson to provide water and wastewater service to Merrill Ranch Expansion One.

Attached as Exhibit 2 is a memorandum containing a map and legal description for the areas where Johnson is requesting an extension of its CC&N in this proceeding. Also attached as Exhibit 3 is a map showing the location of phases 1 and 2 of the Bella Vista Farms area requested by Johnson. As discussed below, Staff is recommending an Order Preliminary for phases 3, 4, and 5 of the Bella Vista Farms area (as well as for the Merrill Ranch Expansion One), reflecting the balance of the Bella Vista Farms area not shown in Exhibit 3.

Water and Wastewater Facilities

The existing Johnson Ranch water system entails 17 wells producing approximately 10,600 gallons per minute, a distribution system, and 12 storage tanks totaling 6.25 million gallons as of December 2012. Johnson's operates four wastewater systems; Pecan, San Tan, Section 11, and Anthem, comprising a total of over 29,200 service laterals as of December 2012. Exhibit 1, Staff's Engineering Report, discusses the water and wastewater systems and notes that the current systems and reasonably expected additional facilities should be adequate to serve existing customers and the proposed CC&N extension areas.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

Water

1. Johnson Ranch Water System

Based on ADEQ Compliance Status Reports, dated February 5, 2013, April 12, 2011, the Johnson Ranch water system had an acute violation of the total coliform rules from August 2012, and did not issue a Public Notice within 10 days as required. After several months of testing, the system is back in compliance for monitoring and reporting. The Johnson Ranch Water system has major deficiencies for operation and maintenance and the Emergency Operations Plan needs updating. On October 9, 2012, ADEQ issues a Notice of Violation (“NOV”) to the water system.

2. Anthem at Merrill Ranch Water System

Based on ADEQ Compliance Status Reports, dated February 26, 2013, the Anthem at Merrill Ranch water system has no deficiencies and ADEQ has determined that this water system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Wastewater

According to ADEQ Compliance Status Reports, dated February 4, 2013, ADEQ has reported that the Anthem and San Tan wastewater systems are in compliance with ADEQ regulations and the Pecan and Section 11 wastewater systems are not in compliance due to five (5) open Notice of Violations.

Certificate of Approval to Construct

The ADEQ Certificate of Approval to Construct (“ATC”) for water and wastewater facilities needed to serve the requested area has not been submitted by the Company.

Arizona Department of Water Resources (“ADWR”) Compliance

The Johnson Ranch water system is located in the Phoenix Active Management Area (“AMA”) and ADWR has reported that this system is in compliance with requirements governing water providers and/or community water systems. The Anthem water system is located in the Pinal AMA and ADWR has reported that this system is in compliance with requirements governing water providers and/or community water systems.

Arizona Corporation Commission Compliance

On February 29, 2013 the Utilities Division Compliance Section reported that the Company has no delinquent ACC compliance issues.

Arizona Corporation Commission Complaints

According to a review of complaints from customers filed with the Consumer Services section, there have been no opinions or complaints from customers regarding this application. In 2010, there were 39 complaints, in 2011 there were 45 complaints, in 2012 there were 28 complaints and five opinions, and in 2013 there have been twelve complaints. Currently there are two complaints that remain open pending investigation.

Curtailment Tariff

The Company has an approved curtailment tariff that became effective on July 9, 2005.

Backflow Prevention Tariff

The Company has an approved backflow prevention tariff that became effective on June 30, 1997.

Best Management Practice (“BMP”) Tariffs

The Company has approved BMP tariffs that became effective on August 17, 2011.

Conclusions

- A. Staff concludes that the Company’s existing water and wastewater systems will have adequate well production, storage and wastewater treatment capacities or can be upgraded to serve the existing customers and proposed CC&N extension areas and it can reasonably be expected that the Company will develop additional production, storage and wastewater treatment as required in the future.
- B. Staff concludes that the estimated cost for the proposed water and wastewater plant facilities is reasonable. 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 water and wastewater plant facilities was made and no conclusions should be inferred for rate making or rate base purposes.
- C. According to ADEQ Compliance Status Reports, dated February 5, 2013, the water system (PWS #11-128) had an acute violation for the total coliform rule from August 2012 (Twenty five samples collected on August 13, 2012 were analyzed as positive for the presence of total coliform bacteria of the 60 samples required each month. Three of

the 25 total coliform positive samples collected on August 13, 2012, tested positive for the presence of E. coli bacteria.) The water system did not properly issue a Public Notice within 10 days required period. After several months of proper sampling, the system is back in compliance for monitoring and reporting. This water system has major deficiencies for operation and maintenance. Emergency Operations Plan needs updating. On October 9, 2012, ADEQ issued a Notice of Violation (“NOV”) to the water system.

- D. According to ADEQ Compliance Status Reports, dated February 26, 2013, the water system (PWS #11-136) has no deficiencies and ADEQ has determined this water system is currently delivering water that meets water quality standards required by CFR 141/ Arizona Administrative Code, Title 18, and Chapter 4.
- E. According to ADEQ Compliance Status Reports, dated February 4, 2013, ADEQ has reported that the Anthem and San Tan wastewater systems are in compliance with ADEQ regulations and the Pecan and Section 11 wastewater systems are not in compliance due to five (5) open Notice of Violations.
- F. ADWR has reported that Company’s water systems are in compliance with its requirements governing water providers and/or community water systems.
- G. On February 29, 2013, the Utilities Division Compliance Section reported the Company had no delinquent ACC compliance issues.

Recommendations

1. Staff recommends the Commission grant an Order Preliminary for the Bella Vista Farms areas requested by Johnson for water service and for the Merrill Ranch Expansion One area requested by Johnson, for water and wastewater service, with the following conditions:
2. Staff recommends that the Company docket, as a compliance item in this docket, within two years of the effective date of an order granting a conditional CC&N, a copy of the ADEQ-ATC for water and wastewater facilities needed to serve the first parcel in the requested extension areas.
3. Staff recommends that the Company be required to provide separate wastewater descriptions for each wastewater system (for example, separate wastewater flows including peak flow and average flow) in future Commission Annual Reports, beginning with the 2013 Annual Report filed in 2014.

Bella Vista Farms Phases One and Two

4. For Bella Vista Farms Phases One and Two, Staff recommends that the Company file updated ADEQ Compliance Status Reports indicating that all water systems are in compliance with ADEQ regulations by December 31, 2014.

Bella Vista Farms Phases Three, Four, and Five

5. For Bella Vista Farms Phases Three, Four, and Five, Staff recommends that the Company file updated ADEQ Compliance Status Reports indicating that all water systems are in compliance with ADEQ regulations by December 31, 2014.
6. Staff recommends that the Company docket as a compliance item in this docket no later than January 1, 2015 for Phase Three, January 1, 2018 for Phase Four, and January 1, 2022 for Phase Five of Bella Vista Farms (as shown in the table on page 4 of Staff's engineering report), a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water system and the principal components of each water system (e.g., source, storage, transmission lines, distribution lines, etc.) to allow verification of the estimated costs provided under the Arizona Administrative Code R14-2-402 subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.

Merrill Ranch Expansion One

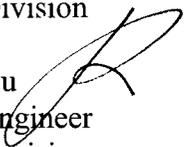
7. For Merrill Ranch Expansion One, Staff recommends that the Company file updated ADEQ Compliance Status Reports indicating that all water systems are in compliance with ADEQ regulations by December 31, 2014.
8. Staff recommends that the Company docket as a compliance item in this docket no later than January 1, 2015 for Unit 53A, January 1, 2015 for Unit 53B, January 1, 2016 for Unit 55A, January 1, 2016 for Unit 55C, January 1, 2017 for Unit 55B, January 1, 2017 for Unit 57A, January 1, 2018 for Unit 57B, January 1, 2018 for Unit 59B, January 1, 2019 for Unit 59A, January 1, 2019 for Unit 59D, January 1, 2020 for Unit 59C, January 1, 2020 for Unit 59E, and January 1, 2017 for Phase 3 of Merrill Ranch Expansion One (as shown in the table on page 5 of Staff's engineering report), a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water/waste system and the principal components of each water/waste system to allow verification of the estimated costs provided under the Arizona Administrative Code R14-2-402 subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.

9. Staff further recommends that Staff be required to file, within thirty days of the Company's filings for each Phase or Unit described in recommendations 4, 5, 6 7, and 8 above, a Staff response to the filings for each Phase or Unit, in the form of a Proposed Order confirming compliance and granting a conditional CC&N for an extension to include the areas included in the Order Preliminary; and that the Proposed Order confirming compliance should then be scheduled as soon as possible for a Commission vote.
10. Staff further recommends that if Johnson does not timely comply with the requirements contained in Staff recommendations 4, 5, 6, 7, and 8 for any Phases or Units, that the Order Preliminary approved herein shall be deemed null and void for those Phases or Units.

MEMORANDUM

DATE: March 18, 2013

TO: Bob Gray
Executive Consultant III
Utilities Division

FROM: Jian W. Liu 
Utilities Engineer
Utilities Division

RE: Johnson Utilities Company – Water and Wastewater Divisions
Docket No. WS-02987A-12-0136 (CC&N Extension)

Introduction

On April 6, 2012, Johnson Utilities L.L.C. dba Johnson Utilities Company (“Company”) filed an application to extend its Certificate of Convenience and Necessity (“CC&N”) for its water and wastewater divisions. After several revisions, Company’s application met the sufficiency requirements on February 6, 2013. The requested extension areas will add approximate 2.54 square-miles¹ to the Company’s water and wastewater CC&N service areas. The Company’s existing water CC&N covers 72.3 square miles and its wastewater CC&N covers 87.4 square miles. The Company serves the community between Queen Creek and Florence in Pinal County.

Utility Plant Capacities

Existing Water Utility Plants

The Company operates two water systems; Johnson Ranch (Public Water System (“PWS”) #11-128) and Anthem at Merrill Ranch (PWS #11-136). The Company’s requested extension area for Bella Vista Farms will be served by the Johnson Ranch water system, and area for Merrill Ranch Expansion One will be served by the Anthem at Merrill Ranch water system.

Johnson Ranch Water System

The Johnson Ranch water system consists of 17 wells producing approximately 10,600 gallons per minute (“GPM”), 12 storage tanks totaling 6.25 million gallons, and a distribution system serving approximately 20,170 service connections as of December 2012. Based on the

¹ The Bella Vista Farms Development would add two square miles of service area (water only) and the Merrill Ranch Expansion One Development would add approximately one-half square-mile of service area (water and wastewater).

historical growth rate, it is anticipated that the Johnson Ranch water service area could grow to approximately 23,000 connections at the end of five years. Based on the existing well production and storage capacities, the Johnson Ranch system has adequate capacity or can be upgraded to serve existing customers and reasonable growth, including growth in the proposed extension area.

Anthem at Merrill Ranch Water System

The Anthem water system consists of four wells producing over 2,500 GPM, two storage tanks totaling to 1.5 million gallons and a distribution system serving approximately 2,000 service connections as of December 2012. Based on the historical growth rate, it is anticipated that the Anthem at Merrill Ranch water service area could grow to approximately 2,500 connections at the end of five years. Based on the existing well production and storage capacities, the Anthem at Merrill Ranch water system has adequate capacity or can be upgraded to serve existing customers and reasonable growth, including growth in the proposed extension area.

Existing Wastewater Utility Plants

The Company operates four wastewater systems; Pecan, San Tan, Section 11, and Anthem. The Company records plant and flow data for the four systems as if they were one integrated system. The four systems served a total of approximately 29,240 service laterals (or service connections) as of December 2012. Based on the historical growth rate, it is anticipated that the wastewater service areas could grow to approximately 34,000 service laterals at the end of five years.

San Tan Wastewater System

The San Tan system has a 2.0 million gallon per day (“MGD”) extended aeration WRP that served approximately 7,275 service laterals as of December 2012.

Section 11 Wastewater System

The Section 11 system has a 1.6 MGD anaerobic lagoon wetland WRP that served approximately 6,750 service laterals as of December 2012.

Pecan Wastewater System

The Pecan system has a 2.0 MGD extended aeration WRP that served approximately 10,515 service laterals as of December 2012.

Anthem Wastewater System

Anthem system has a 1.5 MGD extended aeration WRP that served approximately 4,700 service laterals as of December 2012.

Staff recommends that Company be required to provide separate wastewater descriptions for each wastewater system (for example, wastewater flows including peak flow and average flow) in future Commission Annual Reports, beginning with the 2013 Annual Report filed in 2014.

Proposed Plant Facilities

The proposed plant facilities to serve these areas will be constructed as needed to include the following facilities:

A. Bella Vista Farms (*Water Facilities for Phase 1 and Phase 2 only*)

The Phase 1 consists of parcels A and B, including the Community College Campus and a 17.9 acres commercial site.

The Phase 2 consists of parcels C through F which are medium to medium-low density residential areas.

1. Source Development Infrastructure:	
a. One well	\$ 1,500,000
b. 1.0 MG storage tank	\$ 950,000
c. Other (12" mains, boosters, etc.)	\$ 1,294,000
	Total: \$ 3,744,000
2. On-site Water Distribution Infrastructure:	
a. 8" Waterline	\$ 2,158,000
b. 12" Waterline	\$ 575,000
c. 1300 1.5" Water Services	\$ 910,000
d. Other (Fire Hydrants, Valve, Box & Cover etc.)	\$ 1,619,290
	Total: \$ 5,262,290
	=====
Phase 1 and Phase 2 Total: \$9,006,290	

The Company provided the following phased development data with estimated development start dates (see attached figure 1):

Planning Areas	Estimated Development Start Dates
Phase 1 - parcel A - parcel B	Community College under development Fall 2014
Phase 2 - parcels C & D - parcels E and F	Fall 2014 Fall 2015
Phase 3 - parcels U, X & Y Phase 4 - parcels V & W	3 rd Quarter in 2015 1 st Quarter of 2018
Phase 5 - parcels AA & Z	3 rd Quarter of 2022

Staff recommends that the Company docket as a compliance item in this docket at least one year before the Phase 3, Phase 4 and Phase 5 of the Bella Vista Farms construction start date provided, a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water system and the principal components of each water system (e.g., source, storage, transmission lines, distribution lines, etc.) to allow verification of the estimated costs provided under the Arizona Administrative Code R14-2-402 subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.

B. Merrill Ranch Expansion One

1. Unit Budget:

a. Water	\$ 1,433,516
b. Sewer	\$ 1,716,059
Total:	\$ 3,149,575

2. Road Budget:

a. Water	\$ 121,586
b. Sewer	\$ 145,639
Total:	\$ 267,225

3. Lift Station *\$ 1,000,000*

The Company provided the following phased development data with estimated development start dates (see attached figure 2):

Planning Area	Estimated Development Start Date
- Unit 53A	June 2015
- Unit 53B	December 2015
- Unit 55A	June 2016
- Unit 55C	December 2016
- Unit 55B	June 2017
- Unit 57A	December 2017
- Unit 57B	June 2018
- Unit 59B	December 2018
- Unit 59A	June 2019
- Unit 59D	December 2019
- Unit 59C	June 2020
- Unit 59E	December 2020
Phase III	2017

Staff recommends that the Company docket as a compliance item in this docket at least one year before any Units (or Phases) of the Merrill Ranch Expansion One construction start date, a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water/wastewater system and the principal components of each water/wastewater system to allow verification of the estimated costs provided under the Arizona Administrative Code R14-2-402 subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.

Conclusions

Staff concludes that the Company's existing water and wastewater systems will have adequate capacity to serve the existing customers and proposed CC&N extension areas or it can reasonably be expected that the Company will develop additional production, storage and wastewater treatment capacity as required in the future.

Staff concludes that the estimated cost for the proposed water and wastewater plant facilities is reasonable. 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 water and wastewater plant facilities was made and no conclusions should be inferred for rate making or rate base purposes.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

ADEQ regulates the Company's water and wastewater facilities under the following identification numbers:

Water:

1. Johnson Ranch Water System, PWS #11-128

According to ADEQ Compliance Status Reports, dated February 5, 2013, this water system had an acute violation for the total coliform rule from August 2012 (Twenty five samples collected on August 13, 2012 were analyzed as positive for the presence of total coliform bacteria of the 60 samples required each month. Three of the 25 total coliform positive samples collected on August 13, 2012, tested positive for the presence of E. coli bacteria). The water system did not properly issue a Public Notice within 10 days as required. After several months of proper sampling, the system is back in compliance for monitoring and reporting. This water system now has major deficiencies for operation and maintenance. Emergency Operations Plan needs updating. On October 9, 2012, ADEQ issued a Notice of Violation ("NOV") to the water system.

2. Anthem at Merrill Ranch Water System, PWS #11-136

According to ADEQ Compliance Status Reports, dated February 26, 2013, the water system has no deficiencies and ADEQ has determined this water system is currently delivering water that meets water quality standards required by CFR 141/ Arizona Administrative Code, Title 18, and Chapter 4.

Wastewater:

1. Pecan Wastewater System, Inventory #105324
2. San Tan Wastewater System, Inventory #105325
3. Section 11 Wastewater System, Inventory #103081
4. Anthem Wastewater System, Inventory #105646

According to ADEQ Compliance Status Reports, dated February 4, 2013, ADEQ has reported that the Anthem and San Tan wastewater systems are in compliance with ADEQ regulations, the Pecan and Section 11 wastewater systems are not in compliance due to five (5) open Notice of Violations.

Staff recommends that any CC&N extension approved in this proceeding be conditioned upon the Company's filing updated ADEQ Compliance Status Reports indicating that all water and wastewater systems are in compliance with ADEQ regulations.

Certificate of Approval to Construct

The ADEQ Certificate of Approval to Construct ("ATC") for water and wastewater facilities needed to serve the requested area has not been submitted by the Company. Staff recommends that the Company docket as a compliance item in this docket and within two years of the effective date of an order in this proceeding, a copy of the ADEQ-ATC for water and wastewater facilities needed to serve the first parcel in the requested extension areas.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Johnson Ranch water system is located in the Phoenix Active Management Area ("AMA"). ADWR has reported that this system is in compliance with its requirements governing water providers and/or community water systems.

The Anthem water system is located in the Pinal AMA. ADWR has reported that this system is in compliance with its requirements governing water providers and/or community water systems.

Arizona Corporation Commission ("ACC") Compliance

On February 29, 2013, the Utilities Division Compliance Section reported the Company had no delinquent ACC compliance issues.

Curtailment Tariff

The Company has an approved curtailment tariff that became effective on July 9, 2005.

Backflow Prevention Tariff

The Company has an approved backflow prevention tariff that became effective on June 30, 1997.

Best Management Practice (“BMP”) Tariffs

The Company has approved BMP Tariffs that became effective on August 17, 2011.

Summary

Conclusions

- A. Staff concludes that the Company’s existing water and wastewater systems will have adequate capacity to serve the existing customers and proposed CC&N extension areas or it can reasonably be expected that the Company will develop additional production, storage and wastewater treatment capacity as required in the future.
- B. Staff concludes that the estimated cost for the proposed water and wastewater plant facilities is reasonable. 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 water and wastewater plant facilities was made and no conclusions should be inferred for rate making or rate base purposes.
- C. According to ADEQ Compliance Status Reports, dated February 5, 2013, the water system (PWS #11-128) had an acute violation for the total coliform rule from August 2012 (Twenty five samples collected on August 13, 2012 were analyzed as positive for the presence of total coliform bacteria of the 60 samples required each month. Three of the 25 total coliform positive samples collected on August 13, 2012, tested positive for the presence of E. coli bacteria). The water system did not properly issue a Public Notice within 10 days as required. After several months of proper sampling, the system is back in compliance for monitoring and reporting. This water system now has major deficiencies for operation and maintenance. Emergency Operations Plan needs updating. On October 9, 2012, ADEQ issued a Notice of Violation (“NOV”) to the water system.
- D. According to ADEQ Compliance Status Reports, dated February 26, 2013, the water system (PWS #11-136) has no deficiencies and ADEQ has determined this water system is currently delivering water that meets water quality standards required by CFR 141/ Arizona Administrative Code, Title 18, and Chapter 4.
- E. According to ADEQ Compliance Status Reports, dated February 4, 2013, ADEQ has reported that the Anthem and San Tan wastewater systems are in compliance with ADEQ regulations, the Pecan and Section 11 wastewater systems are not in compliance due to five (5) open Notice of Violations.

- F. ADWR has reported that Company's water systems are in compliance with its requirements governing water providers and/or community water systems.
- G. On February 29, 2012, the Utilities Division Compliance Section reported the Company had no delinquent ACC compliance issues.

Recommendations

1. Staff recommends that any CC&N extension approved in this proceeding be conditioned upon the Company filing updated ADEQ Compliance Status Reports indicating that all water and wastewater systems are in compliance with ADEQ regulations.
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 of the ADEQ-ATC for water and wastewater facilities needed to serve the first parcel in the requested extension areas.
3. Staff recommends that the Company docket as a compliance item in this docket at least one year before the Phase 3, Phase 4 and Phase 5 of the Bella Vista Farms construction start date provided, a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water system and the principal components of each water system (e.g., source, storage, transmission lines, distribution lines, etc.) to allow verification of the estimated costs provided under the Arizona Administrative Code R14-2-402 subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.
4. Staff recommends that the Company docket as a compliance item in this docket at least one year before any Units (or Phases) of the Merrill Ranch Expansion One construction date, a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water/waste system and the principal components of each water/waste system to allow verification of the estimated costs provided under the Arizona Administrative Code R14-2-402 subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.
5. Staff recommends that Company be required to provide separate wastewater descriptions for each wastewater system (for example, wastewater flows including peak flow and average flow) in future Commission Annual Reports, beginning with the 2013 Annual Report filed in 2014.

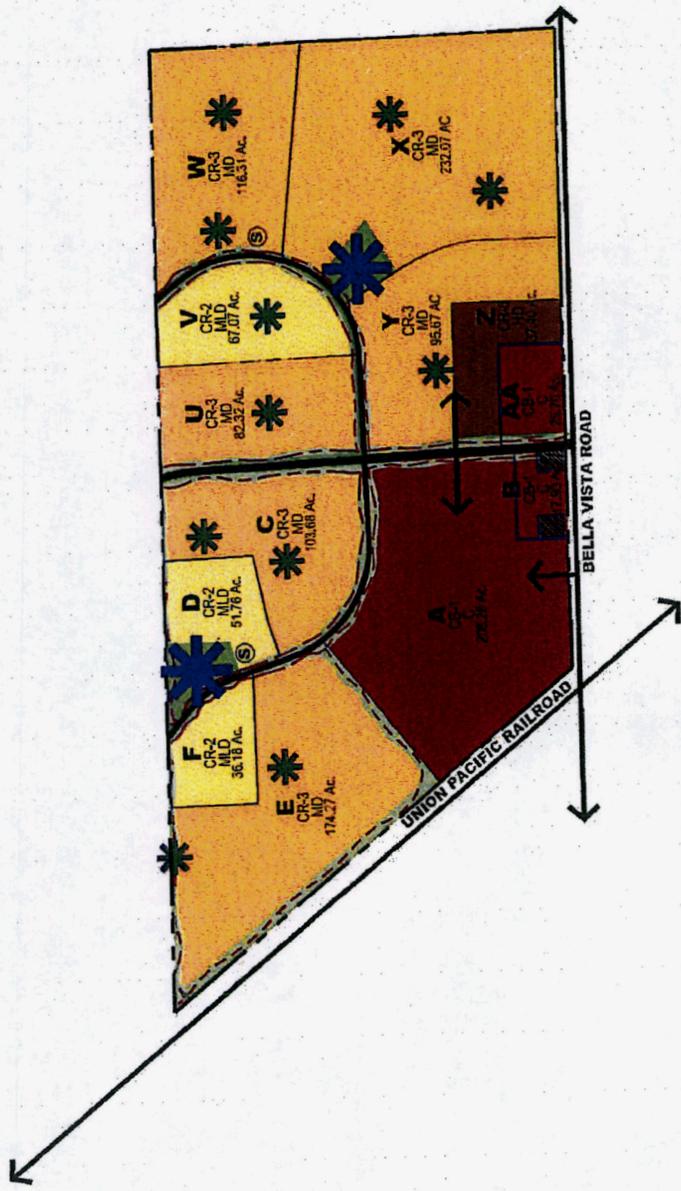
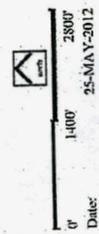
Bella Vista Farms

CONCEPTUAL LAND USE & OPEN SPACE PLAN

EXHIBIT II-3

- LEGEND**
- PEDESTRIAN PATH OR TRAIL
 - G** PARCEL DESIGNATION
 - CR-3 ZONING CATEGORY
 - MD LAND USE
 - 12 AC. NUMBER OF ACRES
 - W** COMMUNITY PARK (10-20 ACRES)
 - X** FOCAL PARK (1/2-1 1/2 ACRES)
 - Y** LINEAR PARK / OPEN SPACE
 - Z** CR-2 - MEDIUM LOW DENSITY RESIDENTIAL (1.6 - 4.0 DU/AC, 2.9 DU/AC TARGET)
 - AA** CR-3 - MEDIUM DENSITY RESIDENTIAL (3.1 - 5.6 DU/AC, 3.9 DU/AC TARGET)
 - B** CR-5 - HIGH DENSITY RESIDENTIAL (10.1 - 20.0 DU/AC, 16.1 DU/AC TARGET)
 - C** CB-1 - COMMUNITY COMMERCIAL
 - D** POTENTIAL K-8 SCHOOL LOCATION
 - E** POTENTIAL SRP SUBSTATION LOCATION

Note:
 • The total units allowed within the Bella Vista Farms PAD is capped at 7,505 Units.



- NOTES:**
1. ALL OPEN SPACE REPRESENTED ON THE CONCEPTUAL MASTER PLAN IS CONCEPTUAL IN NATURE AND HAS AN UNDERLYING RESIDENTIAL ZONING DESIGNATION.
 2. ALL INFRASTRUCTURE LOCATIONS ARE CONCEPTUAL AND SUBJECT TO CHANGE.

Figure 1

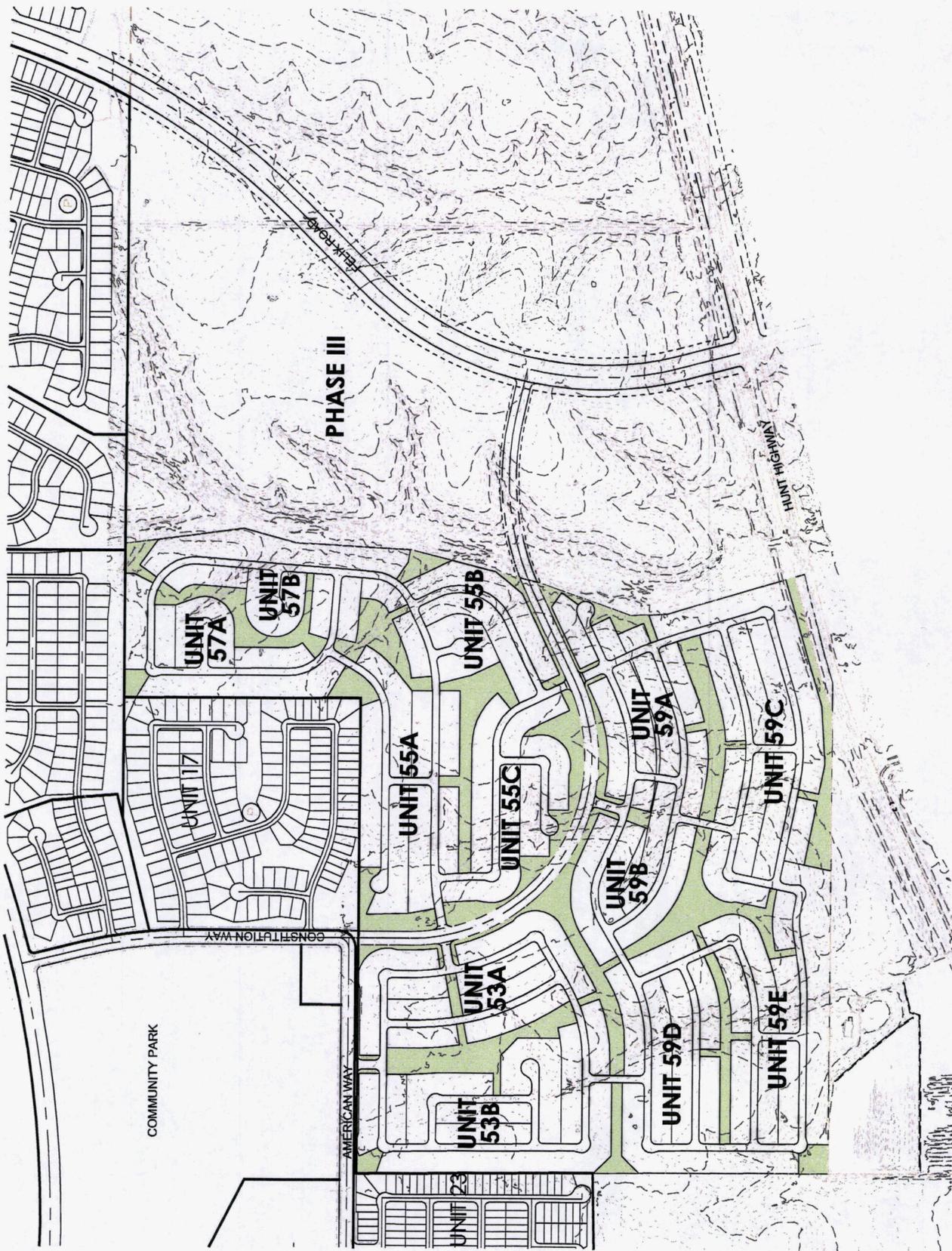


Figure 2



Units 53 - 59
Phasing Plan



Scale: 1" = 50'
March 18, 2013



MEMORANDUM

TO: Bob Gray
Executive Consultant III
Utilities Division

FROM: Lori H. Miller *lh*
GIS Technician
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: January 2, 2013

RE: **JOHNSON UTILITIES COMPANY (DOCKET NO. WS-02987A-12-0136)**
SECOND AMENDED LEGAL DESCRIPTION

The area requested by Johnson for an extension for water and sewer service has been plotted with no complications using an amended legal description, which has been docketed. This legal description is attached and should be used in place of the original and all subsequent descriptions submitted with the application.

Also attached are copies of the maps for your files.

:lh

Attachments

cc: Mr. Jeffrey Crockett
Mr. Daniel Hodges
Ms. Deb Person (Hand Carried)
Mr. Jian Liu
File

CC & N Legal Description for T3S, R8E for water only

All of the West Half of Section 14;

All of Section 15;

All of Section 16 not presently certificated for water to Johnson Utilities Co.; all in Township 3 South, Range 8 East, being more particularly described as follows:

Beginning at the Southeast Corner of Section 16;

Thence North $37^{\circ} 07' 25''$ West along the Southern Pacific Railroad Right-of-Way, a distance of 6619.56 feet to a point on the North line of Section 16;

Thence North $89^{\circ} 59' 17''$ East along the North Line of Section 16, 15, and 14, a distance of 11,915.14 feet to the North Quarter Corner of Section 14;

Thence South $00^{\circ} 00' 00''$ East, along the North-South Mid-Section Line of Section 14 a distance of 5280.00 feet to the South Quarter Corner of Section 14;

Thence South $89^{\circ} 59' 47''$ West along the South Section Lines of Sections 14, 15, and 16 a stance of 7920.00 feet the Southeast Corner of Section 16 and the TRUE POINT OF BEGINNING;



Johnson Utilities
Water and Sewer CC&N Request – Boundary Description

A Parcel of Land lying within the Northwest Quarter of Section 29 and Section 30, Township 4 South, Range 9 East, of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the North Quarter Corner of Section 30 (#5 RB w/2" AC LS 21065, Found), said point being the POINT OF BEGINNING from which the Northeast Corner of Section 30 (#5 RB w/2" AC LS 21065) bears South 89 degrees 55 Minutes 26 Seconds East (Basis of Bearing), a distance of 2622.97 feet;

Thence, South 89 Degrees 55 Minutes 26 Seconds East, a distance of 2622.97 feet;

Thence, North 89 Degrees 54 Minutes 12 Seconds East, a distance of 698.65 feet;

Thence Southwesterly, an arc distance of 1126.18 feet along a curve to the Right having a radius of 3932.50 feet and a central angle of 16 Degrees 24 Minutes 30 Seconds (Radial Bearing North 61 Degrees 52 Minutes 32 Seconds West);

Thence, South 44 Degrees 31 Minutes 58 Seconds West, a distance of 550.46 feet;

Thence Southerly, an arc distance of 1983.37 feet along a curve to the Left having a radius of 1917.50 feet and a central angle of 59 Degrees 15 Minutes 50 Seconds (Radial Bearing South 45 Degrees 28 Minutes 02 Seconds East);

Thence, South 14 Degrees 43 Minutes 53 Seconds East, a distance of 375.12 feet;

Thence, South 75 Degrees 16 Minutes 42 Seconds West, a distance of 1688.93 feet;

Thence Westerly, an arc distance of 148.89 feet along a curve to the Left having a radius of 2804.79 feet and a central angle of 02 Degrees 58 Minutes 40 Seconds (Radial Bearing South 14 Degrees 43 Minutes 18 Seconds East);

Thence, North 89 Degrees 57 Minutes 08 Seconds West, a distance of 2720.62 feet;

Thence, North 00 Degrees 25 Minutes 48 Seconds West, a distance of 1321.69 feet;

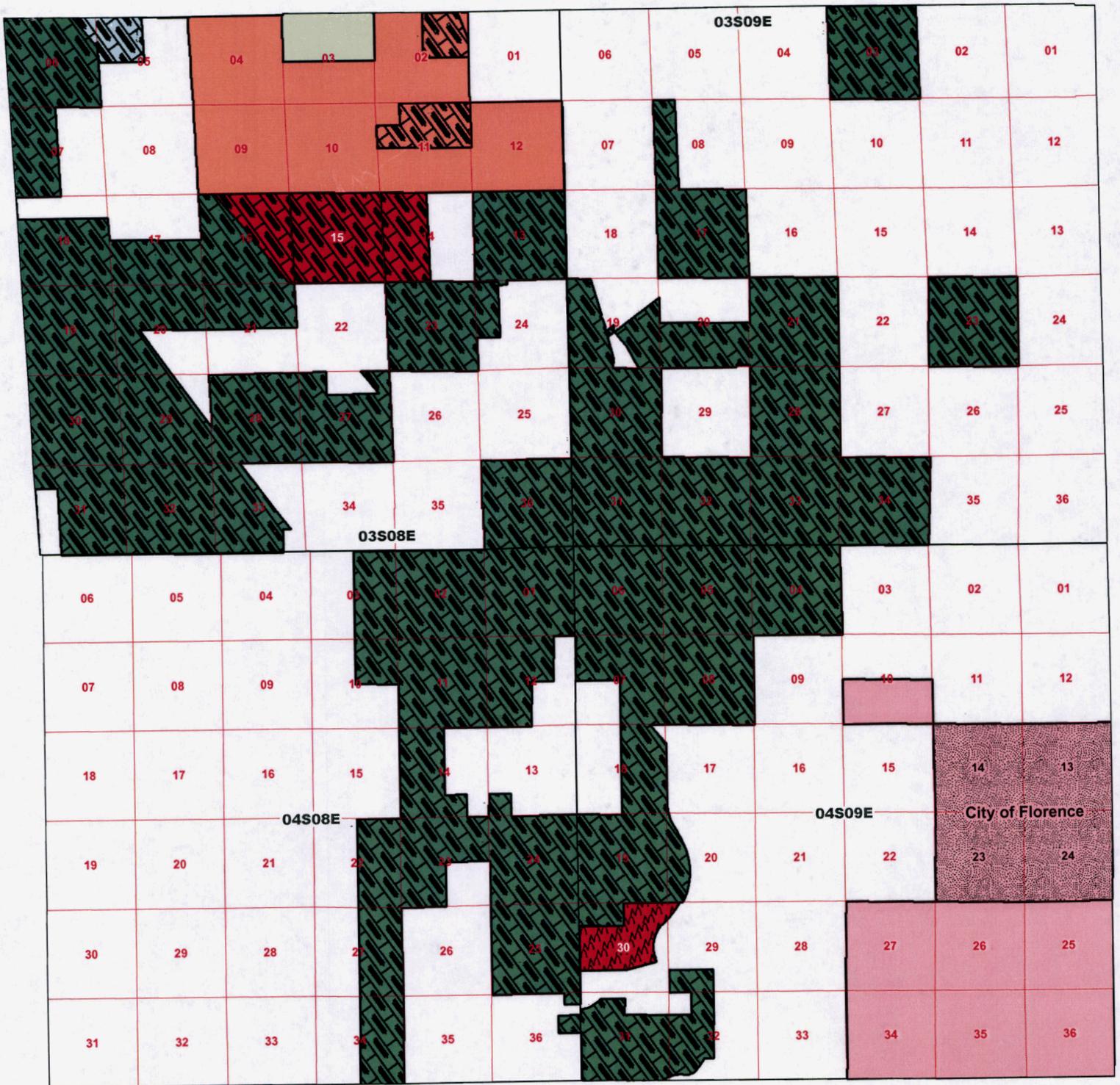
Thence, North 00 Degrees 25 Minutes 29 Seconds West, a distance of 1322.48 feet;

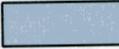
Thence South 89 Degrees 55 Minutes 50 Seconds East, a distance of 2641.28 feet;

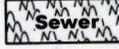
Thence North 00 Degrees 07 Minutes 47 Seconds West, a distance of 1321.63 feet to the POINT OF BEGINNING.

Containing 348.19 acres, more or less.

PINAL COUNTY



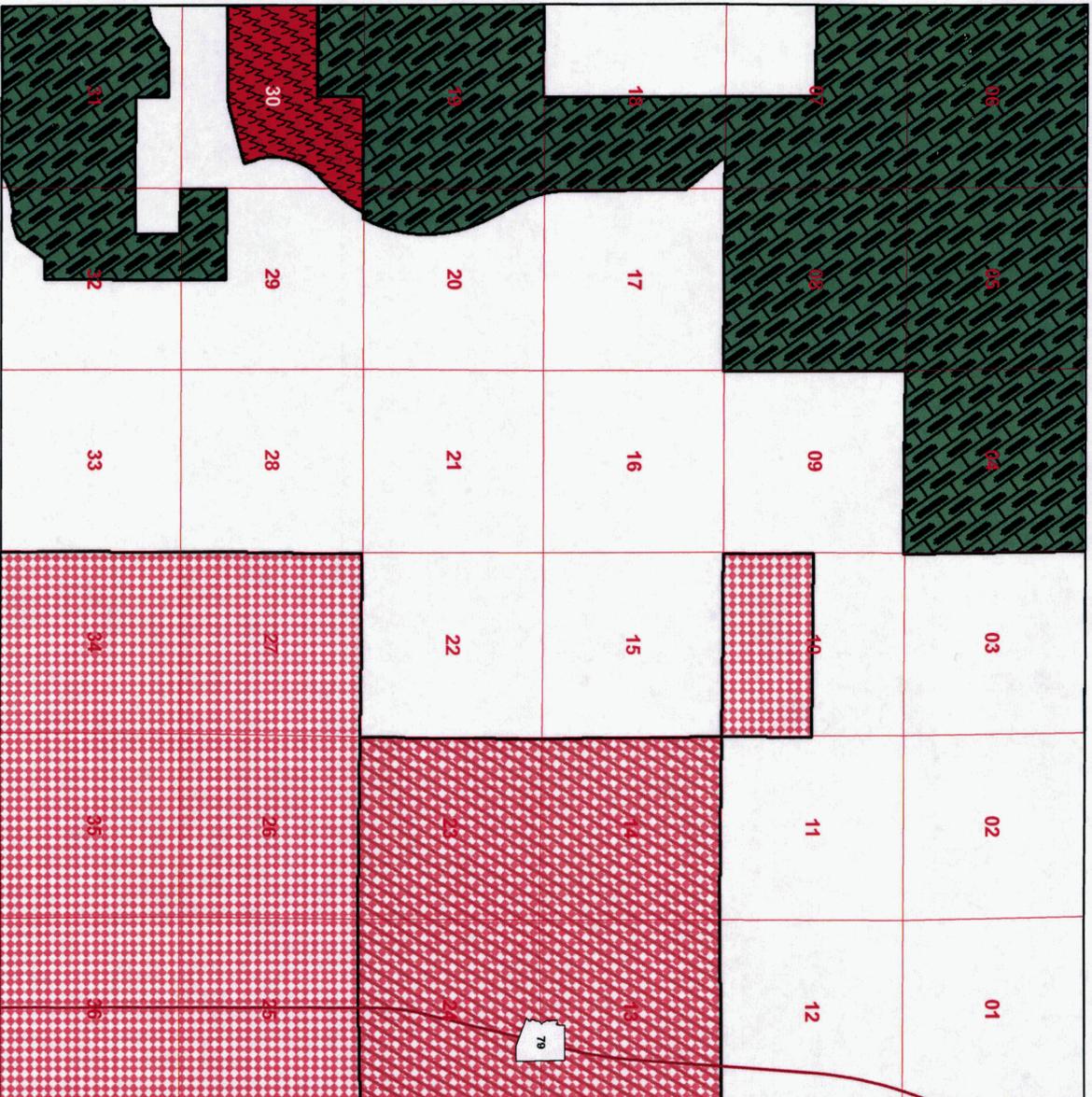
-  Diversified Water Utilities
-  H2O, Inc.
-  Johnson Utilities, LLC
-  Sun Valley Farms Unit VI Water Company

-  Johnson Utilities, LLC
Docket No. WS-02987A-12-0136
2nd Amended Application for Extension
-  Sewer

PINAL COUNTY

Map No. 12

RANGE 9 East



TOWNSHIP 4 South



WS-02987A (8)



Johnson Utilities, LLC



(4)



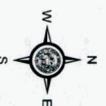
City of Florence (Nonjurisdictional)



(2)



Johnson Utilities, LLC
 Docket No. WS-02987A-12-0136
 2nd Amended Application for
 Extension for Water & Sewer



Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251

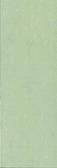
PINAL COUNTY

Map No. 11

RANGE 8 East



TOWNSHIP 3 South

-  W-02859A (3)
-  Diversified Water Utilities, Inc.
W-02234A (2)
-  H2O, Inc.
WS-02987A (8)
-  Johnson Utilities, LLC
W-02425A (2)
-  Sun Valley Farms Unit VI Water Company
-  Johnson Utilities, LLC
Docket No. WS-02987A-12-0136
2nd Amended Application for Extension for Water Only (2)



08

09

10

11

Parcel 7

Parcel 6

Parcel 4

A
(207.931081 Acres)

Parcel 5

17

16

15

14

20

21

22

23

