

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Steve M. Olea  
Director  
Utilities Division

2013 JUL 29 P 4 41

AZ CORP COMMISSION  
DOCKET CONTROL

Date: July 29, 2013

RE: STAFF REPORT FOR ST. DAVID SPRINGS, LLC – APPLICATION FOR THE CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE (DOCKET NO. W-20460A-13-0004)

Attached is the Staff Report for St. David Springs, LLC's application for the cancellation of its Certificate of Convenience and Necessity for water service in portions of Cochise County, Arizona. Staff is recommending approval.

SMO:BNC:red|BH

Originator: Blessing Chukwu

Arizona Corporation Commission  
DOCKETED

JUL 29 2013

DOCKETED BY *nr*

Service List for: St. David Springs, LLC  
Docket No. W-20460A-13-0004

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St. David Springs, LLC  
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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

ST. DAVID SPRINGS, LLC  
W-20460A-13-0004

APPLICATION FOR THE CANCELLATION OF THE  
CERTIFICATE OF CONVENIENCE AND NECESSITY  
FOR WATER SERVICE

JULY 29, 2013

## STAFF ACKNOWLEDGMENT

The Staff Report for St. David Springs, LLC (Docket No. W-20460A-13-0004) was the responsibility of the Staff member signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Del Smith was responsible for the engineering and technical analysis.

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

Blessing Chukwu  
Executive Consultant III

A handwritten signature in black ink, appearing to be 'Del Smith', with a long horizontal stroke extending to the right.

Del Smith  
Utilities Engineer Supervisor

**EXECUTIVE SUMMARY  
ST. DAVID SPRINGS, LLC  
DOCKET NO. W-20460A-13-0004**

On January 4, 2013, St. David Springs, LLC ("St. David" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") to cancel its Certificate of Convenience and Necessity ("CC&N") for water service, in portions of Cochise County, Arizona. On May 3, 2013, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code.

St. David is authorized to provide water service in portions of Cochise County, Arizona, by Decision No. 69257 (January 19, 2007).

By this application, St. David is requesting that the Commission issue an Order canceling its CC&N. According to the application, the Company intends to cancel its CC&N because, with only two customers, expenses exceed revenue and continued operation of the Company is not economically viable. Also, the customers have other sources for water. One of the two customers has a private well and purchases water from St. David to water livestock.

Staff believes that the approval of the Application would be in the public interest. The approval would release the land within the Company's certificated area and make it available to prospective water providers thereby fostering future development of the lands. Staff also believes that the denial of the Application, on the other hand, would hinder future development of the lands within the certificated area.

For the above mentioned reasons, Staff recommends the Commission approve St. David's application to cancel its Certificate of Convenience and Necessity for water service without a hearing. If the Commission cancels the St. David CC&N, the Company shall no longer be authorized to provide water service.

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## **INTRODUCTION**

On January 4, 2013, St. David Springs, LLC ("St. David" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") to cancel its Certificate of Convenience and Necessity ("CC&N") for water service, in portions of Cochise County, Arizona.

On May 3, 2013, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code.

## **BACKGROUND**

St. David is an Arizona Limited Liability Company, in good standing with the Commission's Corporation Division. The Company is authorized to provide water service in portions of Cochise County, Arizona, by Decision No. 69257, issued on January 19, 2007, in Docket Nos. W-01898A-06-0326 and W-20460A-06-0326.

## **PROPOSED CANCELLATION**

The Company is certificated to provide water service in approximately 40 acres, in the southeast quarter of Section 28 in Township 18 South, Range 21 East, Cochise County, Arizona. St. David's service area is located approximately ten miles southeast of Benson near the Town of St. David. At the time the Company filed its application it was serving two metered water connections. St. David Water Improvement District, a non-jurisdictional entity, serves the area approximately two miles north of the Company's CC&N.

By this application, St. David is requesting that the Commission issue an Order canceling its CC&N. According to the application, the Company intends to cancel its CC&N because, with only two customers, expenses exceed revenue and continued operation of the Company is not economically viable. Also, the customers have other sources for water. One of the two customers has a private well and purchases water from St. David to water livestock.

In support of the application, the Company submitted: (1) a letter from Mr. Mike Donley ("Customer No. 1") stating he had no objection to the Company's intention to cease providing water service; (2) documentation showing that Customer No. 1 recently completed construction of a new well on customer's property; and (3) a notice from Customer No. 1 that as of February 1, 2013, the customer had disconnected customer's service line from the Company's service.

Ms. Heather Leah Swanson ("Customer No. 2") has been without the Company's service since February 1, 2013. Customer No. 2 used the Company's water to fill a horse trough located approximately 40 feet from the home of Customer No. 2. According to the Company, the home of Customer No. 2 is served by a private well, which would indicate Customer No. 2 has an alternative source of water. The Company provided well registration records (Well Registration

No. 55-610373) that it believes is the alternative source of water serving the home of Customer No. 2.

Customer No. 2 did contact the Commission's Consumer Services Division on December 31, 2012 in regard to the termination of service. Staff made repeated attempts to reach Customer No. 2, via telephone calls, certified mail and regular mail, to no avail. These include correspondence sent by certified mail on April 19, 2013, which was not picked up by the customer; the same correspondence sent by regular mail on June 26, 2013, which has not been returned to Staff; and a telephone call on or about April 17, 2013 which was terminated by the customer upon Staff identifying itself. To date Customer No. 2 has refused to respond to these repeated attempts by Staff to obtain information regarding the subject application. Staff concludes that Customer No. 2 has an alternative source of water to fill customer's horse trough.

### **WATER SYSTEM**

According to plant description data included in the Company's Annual Report filed for 2011, the water system consists of one well (pump yield 25 gallons per minute), one 3,000 gallon storage tank, one pressure tank and distribution system. The system has adequate production and storage capacity to serve existing customers. Based on the water use data reported by the Company for 2012 non-account water is within acceptable limits.

### **ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE**

The Company's Water System is not regulated by ADEQ because it is not considered a public water system. It serves less than 15 connections. Therefore, water system monitoring and reporting requirements and operation and maintenance requirements do not apply.

### **ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE**

The Company is not located within an ADWR's Active Management Area ("AMA"). ADWR reported that it does not regulate St. David under its Community Water System Program. Therefore, there is no compliance status to report.

### **ACC COMPLIANCE**

A check of the Utilities Division compliance database indicated that there were no delinquent compliance items for St. David.

### **HEARING**

On June 28, 2013, Staff was directed by Procedural Order to file the instant Staff Report indicating whether Staff believes a hearing is necessary in this matter.

Staff does not believe a hearing is necessary in this matter for the following reasons:

1. Both customers have had actual notice of the Company's request;
2. Neither St. David, the two Customers, nor the property owners have requested a hearing;
3. Public Notice will be provided by St. David pursuant to the procedural order;
4. This matter will go to Open Meeting for deliberation; and
5. The Arizona Administrative Code does not require a hearing in this situation.

### **RECOMMENDATIONS**

For the above mentioned reasons, Staff recommends the Commission approve St. David's application to cancel its Certificate of Convenience and Necessity for water service without a hearing. If the Commission cancels the St. David CC&N, the Company shall no longer be authorized to provide water service.

## MEMORANDUM

DATE: May 9, 2013

TO: Blessing Chukwu

FROM: Del Smith 

RE: Application of St. David Springs, LLC for Cancellation of Certificate of Convenience and Necessity (Docket No.W-20460A-13-0004)

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### **INTRODUCTION**

On January 4, 2013, St. David Springs, LLC ("St. David" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for cancellation of Certificate of Convenience and Necessity ("CC&N") to provide water service in Cochise County, Arizona. The purpose of this Application is to cancel the CC&N held by the applicant St. David Springs, L.L.C. St. David's service area is located approximately ten miles southeast of Benson near the Town of St. David. At the time the Company filed its application it was serving two metered water connections.<sup>1</sup> The Commission granted St. David a CC&N in Decision No. 69257 dated January 19, 2007. The Company's CC&N covers an area of roughly 40 acres in the southeast quarter of Section 28 in Township 18 South, Range 21 East. St. David Water Improvement District, a non-jurisdictional entity, serves area approximately two miles north of the Company's CC&N. St. David's application to cancel its CC&N was made sufficient on May 8, 2013.

### **REASONS GIVEN IN APPLICATION FOR COMPANY'S INTENT TO DISCONTINUE SERVICE**

- With only two customers, expenses exceed revenue and continued operation of the Company is not economically viable.
- Customers have other sources for water. One of the two customers has a private well and purchases water from St. David to water livestock.

### **STAFF'S INVESTIGATION AND REVIEW OF THE CASE**

Additional supporting documentation collected from the Company included:

- Letter from Customer No. 1 stating customer had no objection to the Company's intention to cease providing water service. Documentation showing that Customer No. 1 recently completed construction of a new well on customer's property. Notice

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<sup>1</sup> See Paragraph I of the January 4, 2013 application.

from Customer No. 1 that as of February 1, 2013, customer had disconnected customer's service line from the Company's service.

- According to the Company, Customer No. 2 has not received service since February 1, 2013. Customer No. 2 had purchased the Company's water to fill a horse trough which is located approximately 40 feet from the home of Customer No. 2. According to the Company, the home of Customer No. 2 is served by a private well. The Company provided well registration records (Well Registration No. 55-610373) that it apparently believes is the alternative source of water that serves the home of Customer No. 2.

To date Customer No. 2 has refused to respond to repeated attempts by Staff to obtain information regarding the subject application. Staff concludes that Customer No. 2 has an alternative source of water to fill customer's horse trough.

#### **ST. DAVID WATER SYSTEM**

According to plant description data included in the Company's Commission annual report filed for 2011, the water system consists of one well (pump yield 25 gallons per minute), one 3,000 gallon storage tank, one pressure tank and distribution system. The system has adequate production and storage capacity to serve existing customers. Based on the water use data reported by the Company for 2012 non-account water is within acceptable limits.

#### **ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE**

The St. David Water system is not regulated by ADEQ because it is not considered a public water system because it serves less than 15 connections. Therefore, water system monitoring and reporting requirements and operation and maintenance requirements do not apply.

#### **ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE**

St. David is not located within an ADWR Active Management Area ("AMA"). ADWR reported that it does not regulate St. David under its Community Water System Program. Therefore, there is no ADWR compliance status to report.

#### **ACC COMPLIANCE**

A check of the Utilities Division compliance database indicated that there were no delinquent compliance items for St. David.<sup>2</sup>

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<sup>2</sup> Per Compliance Section email dated January 16, 2013.

## **SUMMARY**

### **Conclusions**

1. Based on the water use data reported by the Company for 2012 non-account water is within acceptable limits.
2. The St. David Water system is not regulated by ADEQ.
3. ADWR reported that it does not regulate St. David under its Community Water System Program. Therefore, there is no compliance status to report.
4. There were no delinquent ACC compliance items for St. David.
5. Staff concludes that Customer No. 2 has an alternative source of water.

**MEMORANDUM**

TO: Blessing Chukwu  
Executive Consultant III  
Utilities Division

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

THRU: Del Smith *DS*  
Engineering Supervisor  
Utilities Division

DATE: February 15, 2013

RE: **ST. DAVID SPRINGS, LLC (DOCKET NO. W-20460A-13-0004)**

St. David Springs has filed an application to cancel their CC#N.

Attached is a copy of the map for your files.

:bsw

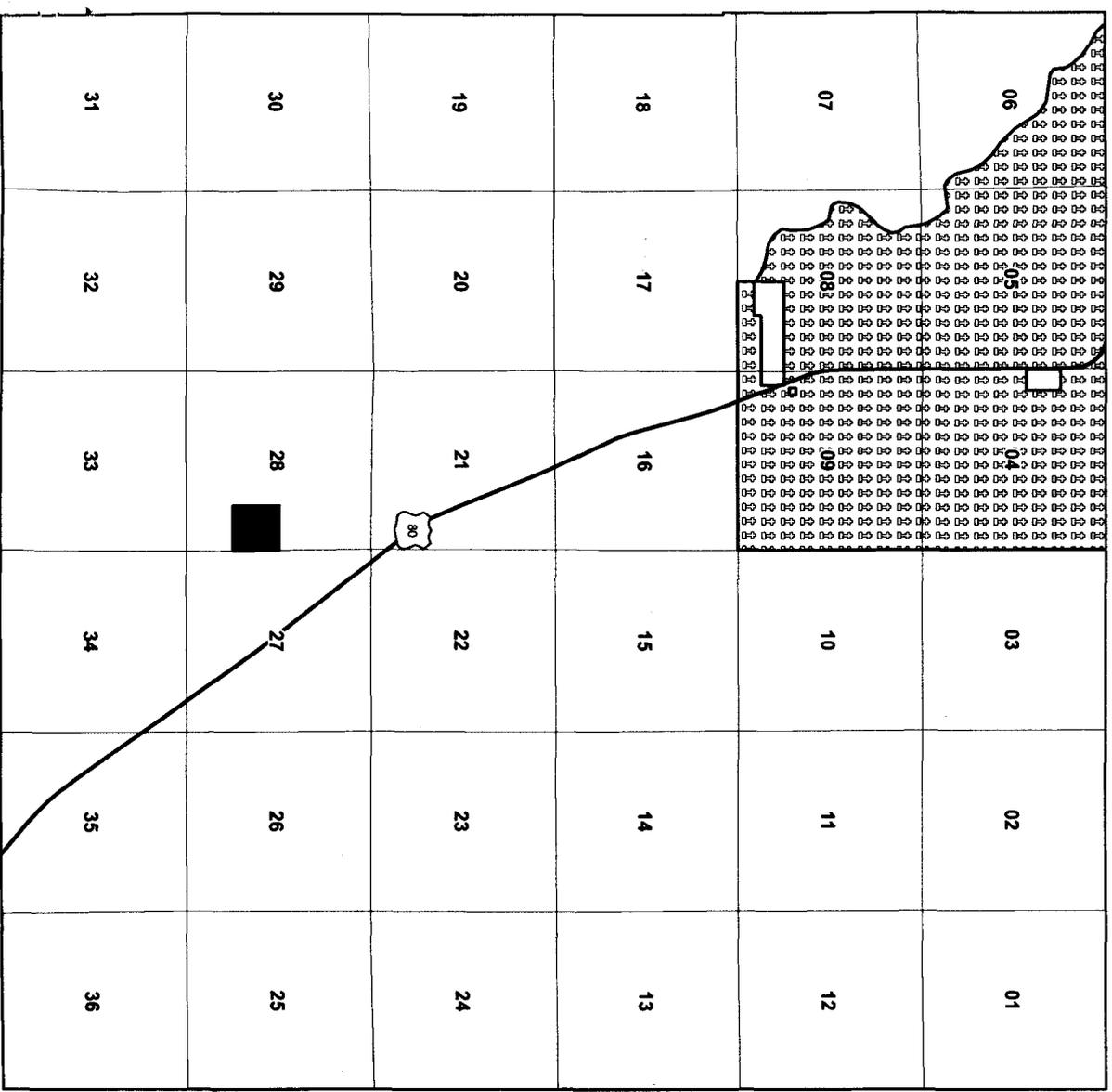
Attachments

cc: Ms. Diana Dessy  
Mr. Del Smith  
Ms. Deb Person (Hand Carried)  
File

# GOCHISE COUNTY

Map No. 16

## RANGE 21 East



## TOWNSHIP 18 South



W-20460A (1)

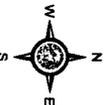
St. David Springs, LLC



(2)

St. David Water Improvement District  
(Nonjurisdictional)

St. David Springs, LLC  
Docket No. W-20460A-13-0004  
Application for Cancellation



Prepared by:  
Arizona Corporation Commission  
Utilities Division  
Engineering Section/GIS Mapping  
602-542-4251  
TR18S21E 19 JAN 2007