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BEFORE THE ARIZONA CORPORATION COMM

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2013 DEC 23 P 3:33

ARIZONA CORPORATION COMMISSION  
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IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE

DOCKET NO. WS-03478A-12-0307

**COMPLIANCE FILING  
SERVICE LATERAL REPORT**

As required by Decision No. 74097, Far West Water and Sewer, Inc. ("Far West") hereby files a service lateral report.

Respectfully submitted on December 23, 2013, by:

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Arizona Corporation Commission  
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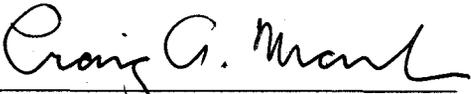
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# Memorandum

## **ARICOR** Water Solutions

To: Paula Capestro  
President, Far West Water & Sewer, Inc.

From: Ray L. Jones, P.E.

Date: December 21, 2013

Re: Report of Investigation  
Service Lateral Discrepancy  
Decision No. 74097

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### **INTRODUCTION**

Arizona Corporation Commission ("Commission") Decision No. 74097 required Far West Water and Sewer, Inc. ("Far West" or "Company") to research a discrepancy between the number of wastewater service laterals and the number of wastewater customers reported during the 2011 test year used in the Company's most recent rate case and file an explanation for the discrepancy with the Commission. ARICOR Water Solutions, LC ("Aricor") was retained to conduct the required research and to produce a report documenting its findings. This memorandum is the result of that work and is prepared for the purpose of meeting the reporting requirements of Decision No. 74097.

### **REPORT OF INVESTIGATION**

During the 2011 test year used for the Company's most recent rate case, Far West reported 10,355 wastewater service laterals and 7,824 wastewater customers. During the rate case, the Company reported that the discrepancy appeared to be, in part, due to i) the improper inclusion of 980 RV lots in the service lateral count, ii) over counting of service laterals for certain subdivisions served by Far West and ii) the fact that many service laterals are installed to lots that are not taking wastewater service (e.g. vacant lots). However, these items did not appear to fully explain the discrepancy.

Because the full extent of the discrepancy could not be readily explained, ARICOR coordinated an investigation of the matter with the assistance of Far West personnel. Primary participants in the investigation were Roxxane Fiddes, Office Manager and Debbie Smith, Controller. Also assisting were Isaac Yocupicio, Wastewater Superintendent and Andrew Capestro, Legal Counsel.

The scope of the investigation included the following activities:

1. The Company's wastewater service area was delineated using maps from the Company's GIS mapping system.
2. Each of the subdivisions or un-subdivided areas within the Company's wastewater service area was identified.
3. The number of lots with wastewater services installed in each subdivision or un-subdivided area was determined and cross checked using a combination of data sources including:
  - a. Company's billing records.
  - b. Company's main extension agreements.
  - c. Yuma County GIS Maps.
  - d. As-Built construction drawings.
4. Based on the data review, a tabular summary of all subdivisions and un-subdivided areas was developed that included the following data:
  - a. Name of Subdivision or Un-subdivided Area

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- b. Service Type (Recreational Vehicle, Residential, or Commercial)
- c. Number of Wastewater Service Laterals Installed
- d. Size of Wastewater Service Lateral Installed
- e. Number of Recreational Vehicle Spaces Served through common lateral
- f. Number of Manufactured Home Spaces Served through common lateral
- g. Wastewater Treatment Facility providing service

5. Lastly, the data was reviewed to determine the reason for the difference between the between the number of wastewater service laterals and the number of wastewater customers reported during the 2011 test year during the Company's last rate case.

Based on the investigation it was determined that the Company's has 8,695 wastewater service laterals as summarized in Table 1. As indicated, five large laterals serve a total of 761 Recreational Vehicle Spaces and 268 Manufactured Home spaces.

**TABLE 1**

<u>Wastewater Service Laterals -- SUMMARY - By Type</u>	<u>Services</u>	<u>Size</u>	<u>RV Spaces</u>	<u>MH Spaces</u>
RV Parks / Manufactured Home Parks	5	8	761	268
Residential Subdivisions	8,579	4		
Commercial Areas	97	4		
Commercial Areas	14	6		
<b>TOTAL</b>	<b>8,695</b>			

Table 2 provides a summary of the wastewater service laterals connected to each of the Company's wastewater treatment plants.

**TABLE 2**

<u>Wastewater Service Laterals -- SUMMARY - By WWTP</u>	<u>4" Services</u>	<u>6" Services</u>	<u>8" Services</u>	<u>Total</u>
Section 14	3,483	0	4	3,487
Marwood	3,121	1	1	3,123
Del Oro	1,239	13	0	1,252
Seasons	684	0	0	684
Del Rey	114	0	0	114
Royale	35	0	0	35
<b>TOTALS</b>	<b>8,676</b>	<b>14</b>	<b>5</b>	<b>8,695</b>

During the Company last rate case the Company reported 10,355 wastewater service laterals as compared to the actual number of actual number of service laterals of 8,695 as reported above. The difference can be reconciled as follows:

Wastewater service lateral count from rate case	10,355
Recreational Vehicle Lots reported as laterals	(713)
Manufactured Home Lots reported as laterals	(268)
Unreported Services to RV Parks	5
Over-reported laterals	
Villa Del Rey 1 & 2	(24)
Villa Royale	(3)
Yuma Meadows	(36)
Rancho Del Oro	(106)
MDS Commercial	(101)
Reported laterals, but not in service	
Yuma Estates 9 & 10	(122)
MTN Vista	(44)
Remaining Unidentified Difference	(278)
Actual Number of service laterals	8,695

After correcting the service lateral count, the remaining difference between service laterals and customers is summarized as follows:

Reported Number of Service Laterals	8,695
Reported Number of Customers	<u>7,824</u>
Difference	871

This difference between wastewater service laterals and customers is attributable to several factors, including:

1. Much of the development in the Company's service area consists of lot sales, rather than the sale of completed homes. Consequently, numerous lots throughout the community have never been occupied and do not take wastewater service.
2. Many of the lots within the Company's service area are used for seasonal occupation by recreational vehicles. When a lot owner "skips a season" the lot will not take wastewater service and will not be reported in the customer count for that year.
3. The Company's service area includes several new subdivisions constructed in the 2006 to 2008 time frame. Due to the ongoing economic downturn in the Yuma area, these subdivisions contain several hundred unsold lots that remain vacant and do not take wastewater service.
4. Some service laterals, predominately in commercial areas, are installed to occupied lots that utilize septic tanks for wastewater service rather than take wastewater service from the Company.
5. Due to small lot sizes, some lot owners have combined lots in order to construct larger homes. In these instances the lot will have two or more wastewater service laterals, but only one customer.

### **ONGOING REPORTING**

Company personnel have been provided the final wastewater service lateral tracking spreadsheet developed during this investigation and have modified tracking and reporting procedures to insure the future Annual Reports to the Commission accurately reflect the number of service laterals.

Due to the expected ongoing differences in customer counts (active laterals) and installed wastewater service laterals, the Company will continue to report active customer counts (active laterals) in the wastewater flows section of the Annual Report to the Commission and installed wastewater laterals in the plant description section of the Annual Report to the Commission. However, Company personnel have modified tracking and reporting procedures to add descriptive notation to the reported data clearly identifying what data is being reported in each section of the Annual Report.