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MEMORANDUM

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

*EA for SMD*

ORIGINAL

DATE: March 14, 2014

RE: STAFF REPORT FOR THE CONSOLIDATED JOINT APPLICATIONS OF TUSAYAN WATER DEVELOPMENT FOR A CANCELLATION OF A CERTIFICATE OF CONVENIENCE AND NECESSITY, ANASAZI WATER CO., LLC FOR ADJUDICATION "NOT A PUBLIC SERVICE CORPORATION", AND FOR HYDRO-RESOURCES, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE.  
DOCKET NOS. W-02350A-10-0163, W-20765A-10-0432, W-20770A-10-0473, W-02350A-13-0312 and W-20770A-13-0313

Attached is the Staff Report for the consolidated joint applications of Tusayan Water Development Association, Inc., Anasazi Water Co., LLC, and Hydro-Resources, Inc. Staff recommends approval of all three applications. Staff further recommends that a hearing should be held in this matter.

SMO:KMS:tdp\RRM

Originator: Kiana Sears

Arizona Corporation Commission

DOCKETED

MAR 14 2014

DOCKETED BY 

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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**HYDRO-RESOURCES, INC.,  
TUSAYAN WATER DEVELOPMENT ASSOCIATION  
AND ANASAZI WATER CO., LLC**

**DOCKET NOS.  
W-02350A-10-0163, W-20765A-10-0432, W-20770A-10-0473,  
W-02350A-13-0312, AND W-20770A-13-0313**

**CONSOLIDATED JOINT APPLICATION FOR TUSAYAN WATER DEVELOPMENT  
ASSOCIATION, INC. FOR CANCELLATION OF CERTIFICATE OF CONVENIENCE  
AND NECESSITY, ANASAZI WATER CO. FOR ADJUDICATION “NOT A PUBLIC  
SERVICE CORPORATION” AND HYDRO-RESOURCES FOR A CERTIFICATE OF  
CONVENIENCE AND NECESSITY**

**MARCH 14, 2014**

## STAFF ACKNOWLEDGMENT

The Staff Report for the consolidated joint application of Tusayan Water Development Association, Inc., Anasazi Water Co., LLC and Hydro-Resources, Inc. Docket Nos. W-0235A-10-0163, W-20765A-10-0432, W-20770A-10-0473, W02350A-13-0312 and W-20770A-13-0313 was the responsibility of the Staff members listed below. Kiana M. Sears was responsible for preparing the Staff Report and Michael Thompson prepared the Engineering Report.

  
Kiana M. Sears  
Executive Consultant I

  
Michael S. Thompson  
Utilities Engineer Supervisor

**EXECUTIVE SUMMARY**  
**TUSAYAN WATER DEVELOPMENT ASSOCIATION, INC., ANASAZI WATER CO.,**  
**LLC AND HYDRO-RESOURCES, INC.**  
**DOCKET NOS. W-02350A-10-0163, W-20765A-10-0432, W-20770A-10-0473,**  
**W-02350A-13-0312, W-20770A-13-0313**

Tusayan Water Development Association ("TWDA") received a Certificate of Convenience & Necessity ("CC&N") from the Arizona Corporation Commission ("Commission") on December 13, 1979, Decision No. 50492, to purchase water from the National Park Service for delivery in Tusayan, Arizona. On April 29, 2010, TWDA filed an application for a rate increase, after notice from Staff. According to the rate application, TWDA purchased water from "two water companies", Hydro Resources, Inc. ("Hydro") and Anasazi Water Company, LLC ("Anasazi"). TWDA stated that it did not own the water distribution systems. The water a customer receives and the charge to the customer for that water depends upon the customer's location and to which water system they are connected. TWDA then billed the customer and collects the receipts. Although TWDA holds the CC&N, Staff was concerned that Hydro and Anasazi may be acting as public service corporations. Both companies were notified of Staff's concerns and invited to either file for a CC&N or an application to be adjudicated not a public service corporation. Both companies filed applications to be adjudicated. The adjudications and the rate applications were consolidated. A number of parties intervened: the Town of Tusayan ("Town"), Squire Motor Inn ("Squire") and Tusayan Ventures (TVentures).

In an effort to resolve Docket Nos. W-02350A-10-0163, W-20765A-10-0432 and W-20770A-10-0437, in August 2013, TWDA, Anasazi, Hydro, the Town, Squire and Staff entered into a Settlement Agreement, which required, among other things, that Hydro apply for a new CC&N to for the area currently within TWDA's CC&N and to have TWDA file to cancel its CC&N. Under the terms of the Settlement Agreement, Anasazi would terminate its existence, resolving its application for adjudication "Not a Public Service Corporation".

On September 12, 2013 Hydro filed for a CC&N and on that same date Tusayan filed for a cancellation of its CC&N. Anasazi's application for adjudication "Not a Public Service Corporation" remains as an open docket as well. On September 25, 2013 at the request of Hydro, Tusayan, Anasazi and with the agreement of all parties of interest in these proceedings, the above mentioned filings were consolidated into one docket and that docket also includes all dockets which remain open relating to the Tusayan service area.

Staff recommends approval of the Settlement Agreement, the cancellation of TWDA's CC&N, the administrative closure of the TWDA rate case docket, the administrative closure of Anasazi's application for adjudication not a public service corporation, the administrative closure of Hydro's application for adjudication not a public service corporation and the granting of Hydro's CC&N application, subject to conditions.

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## **BACKGROUND**

In Decision No. 50492, Tusayan Water Development Association (“TWDA”) received a Certificate of Convenience & Necessity (“CC&N”) from the Arizona Corporation Commission (“Commission”) on December 13, 1979 to purchase water from the National Park Service for delivery in Tusayan. During the mid-1990’s Anasazi Water Co., LLC (“Anasazi”) and Hydro-Resources, Inc. (“Hydro”) both drilled wells and began production of water for separate areas of Tusayan.

On April 29, 2010, TWDA filed a rate application (“Rate Case Docket”). TWDA stated that it was directed to file the application by a Commission letter dated November 16, 2009. Although Tusayan holds the certificate of convenience and necessity, The Utilities Division (“Staff”) was concerned that Hydro and Anasazi may be acting as public service corporations. Both companies were notified of Staff’s concerns and invited to either file for a CC&N or an application to be adjudicated not a public service corporation. On October 21, 2010, Anasazi filed, an Application for Adjudication “Not a Public Service Corporation” (“Anasazi Docket”). Hydro filed an Application for Adjudication “Not a Public Service Corporation” on November 19, 2010 (“Hydro Docket”).

The Rate Case, Anasazi and Hydro dockets were consolidated on January 28, 2011. The following parties were granted intervention: The town of Tusayan Arizona (“Town”), Squire Motor Inns, Inc. (“Squire”) and Tusayan Ventures, LLC (“T-Ventures”).

On August 12, 2013, TWDA, Anasazi, Hydro, the Town, Staff, and Squire executed a settlement agreement (“Settlement Agreement”) that, if approved by the Commission, would result in the consolidation of the water delivery system infrastructure, located in Tusayan, into a single system, to be owned, managed, and controlled by Hydro. In addition, the Settlement Agreement called for TWDA to apply for the cancellation of their CC&N, and for Hydro to apply for and obtain a CC&N for the Certified Area currently held by TWDA. A separate agreement between Hydro and Anasazi (“Transfer Agreement”) addressed the transfer of certain assets and also provided that Anasazi would wind up its affairs and terminate its existence.

In accordance with the terms of the Settlement Agreement, TWDA filed an application to cancel their CC&N, on September 12, 2013, while Hydro filed an application with the Commission for an issuance of the CC&N. The TWDA and Hydro applications were filed under Docket Numbers W-02350A-13-0312 (“Tusayan Cancellation Docket”) and W-20770A-13-0313 (“Hydro CC&N Docket”), respectively. Hydro’s application was found sufficient on December 16, 2013. TWDA’s application was found sufficient on October 11, 2013.

On September 17, 2013, in the Tusayan Cancellation Docket, TWDA filed a Motion to Consolidate, requesting that the Tusayan Cancellation Docket and the Hydro CC&N Docket be consolidated with each other. On September 20, 2013, Hydro and Anasazi filed a motion joining in TWDA’s Motion to Consolidate. On September 25, 2013, the Commission filed a procedural

order consolidating the Tusayan Cancellation Docket and Hydro CC&N Docket with Docket No. W-02350A-10-0163 ET AL.

### **SETTLEMENT AGREEMENT**

The purpose of the Settlement Agreement is to resolve the contested Rate Case Docket, Hydro Docket and Anasazi Docket in a manner consistent with the public interest. The Settlement Agreement resolves 2 major issues: the transfer of assets necessary for Hydro to act as the public service corporation and the resolution of the Rate Case, Anasazi and Hydro dockets.

Section 2 of the Settlement Agreement describes the actions of TWDA, Hydro and Anasazi. These parties entered into the Transfer Agreement, which describes the assets that will be transferred to Hydro that will be necessary for Hydro to provide water service, such as physical plant and property, including water distribution lines and meters, and the easements and rights-of-way associated with those items that are within Anasazi's control. Section 2 also indicates that by the terms of the Transfer Agreement, Anasazi will assist Hydro in obtaining certain easements outside of Anasazi's control which are necessary for Hydro to serve those parcels previously served by Anasazi which are east of Route 64 ("Anasazi Serviced Parcels") and that Anasazi will terminate its existence. The conveyances shall occur no later than ten (10) days following the date at which the Commission's Decision and Order approving this Settlement Agreement and deleting TWDA's CC&N and providing for a new CC&N to Hydro becomes final and non-appealable ("Transfer Date").

Section 2, further provides that within thirty days of the execution of the Settlement Agreement, TWDA will apply for deletion/cancellation of its CC&N and Hydro will simultaneously file an application seeking a new CC&N covering the same area and providing for service to TWDA's existing customers in the Certificated Area except for the property owned by Red Feather Properties Limited Partnership, which property is commonly known as Coconino County Assessor parcel numbers 502-17-007L and 502-17-009B ("RFP Campus"), for which the property owners shall provide their own service and shall not receive service from Hydro.

Section 3 of the Settlement Agreement provides that, prior to the Transfer Date, Squire and Hydro shall enter into a new contract or amend their existing water supply contract, to ensure that Squire is a private, stand-alone point of service, selling water to Hydro under said contract.

Section 4 provides that the Hydro and Anasazi dockets will continue to remain open until a Commission decision is issued in the Hydro CC&N docket and the TWDA cancellation docket. Section 4 also provides that in the event the Commission fails to approve the Settlement Agreement and issue an order deleting TWDA's CC&N and providing for a new CC&N to Hydro the Settlement Agreement shall be deemed terminated and the Hydro docket and Anasazi docket shall resume. In the event the Commission issues an Order deleting TWDA's CC&N and providing for a new CC&N to Hydro but fails to approve all terms of this Agreement without

material change, the Settlement Agreement shall be deemed terminated and the Anasazi docket and the Hydro shall resume and any CC&N granted shall be null and void after due process.

Section 5 states that TWDA shall file a request to delete/cancel its CC&N and Hydro shall simultaneously file an application for a new CC&N covering the same area as the Certificated Area as describe in Section 2. The parties would request that the Hydro docket be closed upon the issuance of an Order by the Commission granting the New CC&N to Hydro and deleting or cancelling the CC&N of TWDA. Until the Commission has granted TWDA's request to cancel its CC&N and granted the New CC&N to Hydro, Hydro and Anasazi will continue to supply water to TWDA and TWDA will continue to provide water service in the Certificated Area. Until the Commission grants the New CC&N to Hydro, TWDA shall continue to charge its current rates unless such rates are revised by agreement of the Parties and approved by the Commission. Upon Anasazi's transfer of the property described in Section 2 and Hydro thereafter supplying water to TWDA so that TWDA may serve the Anasazi Serviced Parcels, TWDA shall charge such customers the Hydro rates.

Section 6 of the Settlement Agreement describes the Signatories understanding of the Commission's independent authority in the review and consideration of the Agreement. This Section also describes the rights of the Signatories should the Commission fail to adopt the material terms of the Agreement. This Section also sets forth the role of the Signatories to support the Agreement. It also describes the Signatories legal rights with respect to the Agreement and future proceedings Section 7 is the legal "fine print".

## **RESOLUTION**

Staff believes the Settlement Agreement is an appropriate resolution of the complex issues in this case and believes the Settlement Agreement is in the public interest. Staff recommends its approval by the Commission.

## **ANASAZI DOCKET**

Anasazi was created in 1996 by the Thurston family members with the origins of the water system dating back to 1964, when R.P. Thurston built the Red Feather Lodge in Tusayan. The water system was constructed to only serve water to Red Feather Properties Limited Partnership ("RFP" and or "themselves"), hence serving themselves. Anasazi at one time had to total of 9 customers, 7 of which were RFP, one a former RFP Property and the other customer had requested service from Hydro in April 2010. Under the terms of the Settlement Agreement, Anasazi will terminate its existence. In an area that was formerly served by Anasazi was parcels owned by Red Feather Properties Limited Partnership, which property is commonly known as Coconino County Assessor parcel numbers 502-17-007L and 502-17-009B ("RFP Campus"), for the property owners shall provide their own service and serve only RFP campus. Anasazi has agreed to convey certain physical plant, property, equipment, provide easements and relinquish to Hydro any customers present or future on the parcels east of Route 64.

Because Anasazi will no longer exist, it is no longer necessary to continue the Anasazi Docket. Upon an order by the Commission approving the Settlement Agreement, the Anasazi Docket should be closed.

### **TWDA's DOCKETS**

Tusayan, Arizona is a small community of approximately 500 residents located just south of the south rim entrance to the Grand Canyon National Park ("Park"). TWDA continued to service under the agreement with the Park for approximately fifteen years. TWDA does not own any water plant or equipment used for the pumping and or distribution of water. The customers within TWDA's CC&N were paying different rates depending on which water company provides them water. Anasazi's customers are billed \$54.40 per 1,000 gallons used while Hydro's customers were billed \$24.90 per 1,000 gallons used. TWDA further explained that it serves in an administrative capacity, as a billing agent to the two separate water companies within its CC&N. There are 41 customers (5 residential and 36 commercial) being served within the CC&N territory. TWDA filed a rate application on April 29, 2010 to address this issue.

TWDA Under the terms of the Settlement Agreement TWDA agreed to seek the cancellation of its CCN. On September 12, 2013 TWDA filed an application seeking the cancellation of its CCN. This cancellation is predicated on the granting of a CCN to Hydro. Upon the granting of the CCN to Hydro, Docket W-02350A-10-0163(Rate Case Docket) should be closed since TWDA will no longer be the public service corporation providing service in Tusayan.

### **HYDRO CC&N APPLICATION**

Hydro is an Arizona corporation created in April 7, 1994 for the sole purpose of securing water and water resources for businesses owned and operated by Hydro in Tusayan. Before the August 12, 2013 Settlement Agreement, Hydro had grown to serve businesses other than Hydro and had an interconnection with Anasazi. Hydro also had 32 customers of TWDA. Thus the water served by Hydro which is billed by TWDA is served to the public and is of public interest. Like Anasazi, Hydro owns and operates the entire infrastructure (one well, one storage tank, meters, fire hydrants, and pumps, etc.) and equipment used to bring water service to customers receiving from them through the billing of TWDA. Hydro also has a relationship with Squire, a separate company that has common ownership with Hydro, to purchase excess from water from it.

#### **A. THE CC&N TERRITORY**

TWDA was authorized to serve within the borders of the Town of Tusayan and the Grand Canyon National Park Airport, in Coconino County, Arizona. TWDA's CC&N covers approximately 1,018 acres in portions of Sections 23, 24, 25, 26, 27, 34, and 35 of Township 30 North, Range 2 East, and Section 3 of Township 29 North, Range 2 East of the Gila and Salt River Base and Meridian in the Town of Tusayan, Coconino County, Arizona. Figure 1 shows

the location of the TWDA CC&N within Coconino County, and Figures 2, 3, and 4 provide detailed maps of the CC&N certified area within the County Township and Range areas. This area is the area requested by Hydro in its application.

### **B. WASTEWATER SERVICE PROVIDER**

The South Grand Canyon Sanitary District (“District”) is the designated management authority providing wastewater service in the CC&N area.

### **C. PROPOSED RATES AND CHARGES**

Staff recommends, as indicated in the terms of the Settlement Agreement, Hydro shall continue charging customers its current rates once the CC&N is granted. Staff also recommends that Hydro adopt the service line and meter installation charges listed under “Staff’s Recommendation” in Table B of the Engineering Report. Staff further recommends that meter sizes 8-inches and larger be priced on an individual case basis (“ICB”) at cost.

Staff recommends that Hydro adopt Staff’s typical and customary depreciation rates in accounts illustrated in Table A of the Engineering Report.

### **CONCLUSIONS AND RECOMMENDATIONS**

Staff concludes it is in the public interest for the Town of Tusayan to have a unified regulated water delivery system in the area thus agreeing with the approval of the cancellation of the CC&N of TWDA and the approval of a CC&N for the territory that TWDA is currently serving. Staff concludes that Hydro is a fit and proper entity to service the CC&N it is requesting. Hydro has the current experience and has been a long time partner in this area. Staff believes it will continue to serve the customers of Tusayan with no foreseen issues.

Staff recommends the following:

- Approval of the Settlement Agreement.
- Docket No. W-02350A-10-0163 - Application of Tusayan Water Development Association, Inc. for Establishment of Rates for Water Service be administratively closed, based on the CC&N cancellation application of TWDA in this same docket, in accordance with the terms of the Settlement Agreement.
- Docket No. W-20765A-10-0432 Anasazi Water Co., Inc. for Adjudication “Not A Public Service Corporation” should be administratively closed, in accordance with the terms of the Settlement Agreement.

- Docket No. W-2077A-10-0473 Application of Hydro-Resources, Inc. for adjudication, “Not a Public Service Corporation” should be administratively closed, based on their CC&N application in this same docket.
- Staff recommends approval of the application to cancel TWDA’s CC&N. Staff also recommends the approval of Hydro’s CC&N with the following conditions:
  1. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three (3) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission’s review and consideration. The templates created by Staff are available on the Commission’s website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. Staff further recommends that a maximum of two (2) BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories.
  2. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, a copy of an updated ADEQ Compliance Status Report indicating that the noted deficiencies have been corrected and Hydro is in compliance.
  3. Staff recommends that Curtailment and Backflow Prevention Tariffs submitted with its application be approved.
  4. Staff recommends Hydro be ordered to notify the Director of the Utilities Division, through the Compliance Section, within 15 days of providing services to its first customers under the new CC&N.
  5. Staff recommends that Hydro adopt the charges listed under “Staff’s Recommendation” in Table B of the Engineering Report. Staff further recommends that meter sizes 8-inches and larger be priced on an individual case basis (“ICB”) at cost.
  6. Staff also recommends as indicated in the terms of the Settlement Agreement Hydro shall continue charging it current rates once the CC&N is granted. Staff further recommends that Hydro be required to file a rate application no later than September 30, 2015, using a 2014 test year. Staff recommends that Hydro adopt Staff’s typical and customary depreciation rates in accounts illustrated in Table A of the Engineering Report.
  7. Staff recommends, as indicated in the Settlement Agreement, that Hydro and Squire amend their existing water system agreement or enter into a new agreement that ensures Hydro the continued use of the 3.0 million gallon storage tank, and that Squire continues to produce and sell water to Hydro. Staff further recommends that the amended or new agreement include an established period or length of time the agreement will be in effect.

8. Staff recommends that an engineering review be conducted to evaluate and determine the feasibility and cost for converting the fire pump from manual to automatic control.

**MEMORANDUM**

TO: Kiana Sears  
Executive Consultant

FROM: Michael S. Thompson, P.E. *MS*  
Utilities Engineer Supervisor

DATE: December 13, 2013

RE: Tusayan Water Development Association, Inc. (CC&N CANCELLATION) and  
Hydro-Resources, Inc. (CC&N APPLICATION)  
TUSAYAN CONSOLIDATED DOCKET NO. W-02350A-10-0163 ET AL.

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**Introduction**

On August 12, 2013, Tusayan Water Development Association, Inc. ("TWDA"), Anasazi Water Company, LLC (Anasazi"), Hydro-Resources, Inc. ("Hydro"), the Town of Tusayan, Arizona ("Town"), the Arizona Corporation Commission Utilities Division Staff ("Staff"), and Squire Motor Inns, Inc. ("Squire") executed a settlement agreement that would result in the consolidation of the water delivery system infrastructure, located in Tusayan, into a single system, to be owned, managed, and controlled by Hydro. In addition, the Settlement Agreement called for TWDA to apply for the cancellation of their Certificate of Convenience and Necessity ("CC&N"), and for Hydro to apply for and obtain a CC&N for the Certified Area currently held by TWDA.

On September 12, 2013, TWDA filed an application with the Arizona Corporation Commission ("ACC" or "Commission"), to cancel their CC&N, while Hydro filed an application with the Commission for an issuance of the CC&N being cancelled by TWDA. The TWDA and Hydro applications were filed under Docket Numbers W-02350A-13-0312 ("Tusayan Cancellation Docket") and W-20770A-13-0313 ("Hydro CC&N Docket"), respectively.

On September 17, 2013, in the Tusayan Cancellation Docket, TWDA filed a Motion to Consolidate, requesting that the Tusayan Cancellation Docket and the Hydro CC&N Docket be consolidated with each other. On September 20, 2013, Hydro and Anasazi made a filing joining in TWDA's Motion to Consolidate.

On September 25, 2013, the Commission filed a procedural order consolidating the Tusayan Cancellation Docket and Hydro CC&N Docket with Docket No. W-02350a-10-0163 ET AL.

## **Tusayan Water Development Association, Inc. CC&N**

TWDA was granted a CC&N in Commission Decision No. 50492, dated December 13, 1979, authorizing TWDA's provision of water service within the borders of the Town of Tusayan and the Grand Canyon National Park Airport, in Coconino County, Arizona. TWDA's CC&N covers approximately 1,018 acres in portions of Sections 23, 24, 25, 26, 27, 34, and 35 of Township 30 North, Range 2 East, and Section 3 of Township 29 North, Range 2 East of the Gila and Salt River Base and Meridian in the Town of Tusayan, Coconino County, Arizona. Figure 1 shows the location of the TWDA CC&N within Coconino County, and Figures 2, 3, and 4 provide detailed maps of the CC&N certified area within the County Township and Range areas.

TWDA is a private non-profit corporation formed in 1978 as a condition for receiving water from the National Park Service ("NPS") water system serving the Grand Canyon National Park ("Park"). TWDA continued service under the agreement with the NPS for approximately fifteen years. Currently, TWDA does not purchase water from the NPS. However, TWDA is receiving water from Hydro. TWDA has never owned any facilities or directly provided water service within Tusayan. Hydro and Anasazi own and operate water distribution systems that provide water service in Tusayan. TWDA currently purchases water from Hydro and bills 41 customers, (5 residential and 36 commercial customers), for their water consumption. Several of TWDA's 41 customers have multiple meters. Those customers are billed for the combined total of those meters rather than being billed for each meter separately. The actual number of TWDA customer meter connections is 94.

## **Hydro-Resources, Inc. Water System<sup>1</sup>**

### *Hydro Water System Description*

The Hydro water system, by itself, consists of one (1) well designated as Tusayan #2 (ADWR #55-542928), a four (4) ringed steel bolted 525,000 gallon storage tank, a diesel powered fire pump and pump house, 11,800 linear feet ("lf") of water distribution main, and 6 fire hydrants. Mr. John Rueter, President and CEO of Hydro, is also the Certified Operator.<sup>2</sup>

Tusayan #2, owned by Hydro, was drilled in 1994 and yields approximately 63 gallons per minute ("gpm") or 90,720 gallons per day ("gpd"). The well is located on property owned by Squire Motor Inns, Inc. ("Squire") on the west side of Tusayan directly behind the Canyon Plaza Resort. Hydro also receives water from an additional groundwater well, owned by Squire, identified as Squire #1 (ADWR #55-523284). Squire #1, drilled in 1989 and yielding

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<sup>1</sup> Information regarding the Hydro water system was taken from ARICOR Water Solutions Tusayan Municipal Water Study, dated April 27, 2011, Direct Testimony of Marlin Scott, Jr., dated July 20, 2011, conversations with Mr. John Rueter, President and CEO of Hydro-Resources Water Company, and the Hydro-Resources Water Company CC&N Application.

<sup>2</sup> Mr. Rueter has certifications from ADEQ: Grade 4 Water Distribution System Operator; Grade 3 Water Treatment Plant Operator; Grade 4 Wastewater Treatment Plant Operator; and Grade 4 Wastewater Collection System Operator. ADEQ Operator Identification No. OP009562.

approximately 60 gpm or 86,400 gpd, is located on the west side of Tusayan directly behind the Grand Canyon Squire Inn. Both wells are deep wells with the water table located at approximately 2,700 to 3,100 feet ("ft") below ground level ("bgl").

Liquid sodium hypochlorite, a disinfectant, is added at each well. The disinfectant is injected; via chemical injection feed pumps, into the discharge piping at each well head to disinfect the water prior to entering the distribution system.

In addition to Hydro's 525,000 gallon storage tank, Hydro also utilizes approximately 2.0 million gallons of storage capacity from a 3.0 million gallon storage tank owned by Squire. The Hydro and Squire tanks are located at the same tank site, which is leased by Squire from the United States Forest Service ("USFS"). The combined storage capacity, of the Hydro and Squire tanks, is equivalent to approximately 3,525,000 gallons. The tank site is located approximately 0.2 miles southeast of Tusayan at an elevation of 6,670 feet ("ft"), which is approximately 130 ft higher in elevation than Tusayan. The higher elevation allows water to flow, via gravity, from the storage tanks to the distribution system. Subsequently, booster pumps are not needed to boost system pressure. However, a diesel powered fire booster pump, located at the tank site, is available should the need for additional water pressure arise (i.e. increased customer demand or fire flow).

The Hydro distribution system consists of an assortment of 2-inch, 4-inch, 6-inch, and 8-inch schedule 40 and poly vinyl chloride ("PVC") water mains. The piping was installed between 1984 and 2000. The Hydro water distribution system is interconnected with the Squire water distribution system and sections of privately owned distribution piping; which are operated by Hydro as a single distribution system ("combined system"). The combined system consists of approximately 23,000 lf of water main. Hydro owns approximately 12,000 lf of water main, while the remaining 11,000 lf of water main is owned by Squire and several private owners. Hydro also owns and maintains six (6) fire hydrants in Tusayan.

A diesel powered fire booster pump, owned and operated by Hydro, is located at the tank site. The fire pump, built and installed in 1997, provides 2,500 gpm with a discharge pressure of 80 pounds per square inch ("psi"). When required, the fire pump provides additional water pressure and fire flow should the distribution system pressure and flow, normally provided through gravity drainage of the storage tanks, become insufficient to fight a fire. Generally, fire pumps are designed to operate via automatic control to prevent any delay in meeting the pressure and fire flow demand required in the distribution system during an incident such as a fire. However, the Hydro fire pump is operated and controlled manually, which is potentially problematic. Staff concludes that there is potential for significant delays in providing sufficient pressure and fire flow, in a timely manner during a fire related incident, should the fire pump continue to be operated and controlled manually. Staff recommends that an engineering review be conducted to evaluate and determine the feasibility and cost for converting the fire pump from manual to automatic control.

### *Hydro and Squire Water System Agreement<sup>3</sup>*

Hydro currently has a Water System Agreement (“Agreement”) with Squire, dated January 1, 2011. Within the Agreement, Squire agrees to provide Hydro: 1) excess potable water produced from its well, Squire #1; 2) the use of its water main for transportation of water from and to the Hydro and Squire storage tanks; and, 3) the use of 2 million gallons of storage in its 3 million gallon storage tank. In return, Hydro agrees to reimburse Squire for the volume of water produced by the Squire well at an established rate of \$0.01772 per gallon, or \$17.72 per 1000 gallons of water.

### *Hydro Water System Operation and Analysis*

The current Hydro water system, operating as a combined system, consists of two wells, two storage tanks, and a distribution system serving approximately 94 connections. The 94 connections include TWDA customers and the ADOT Grand Canyon Airport. The two (2) wells, Tusayan #2 and Squire #1, pump directly into the distribution system with the Hydro and Squire storage tanks serving as elevated storage for the system. Tusayan #2 and Squire #1 produce approximately 63 gpm (90,720 gpd) and 60 gpm (86,400 gpd), respectively. Both wells provide a combined water production of approximately 123 gpm (177,120 gpd). When the system demand is less than well production, the wells pump water to the storage tanks. Water pumped to the distribution system and storage tanks is disinfected with liquid sodium hypochlorite by injection at each well head with chemical injection metering pumps. A process schematic of the water system and map of Tusayan are illustrated in Figure 5 and Figure 6, respectively.

The system had 92 customers during the peak month, (July 2012), when Hydro reported 2,921,744 gallons of water sold. Based on those figures, average daily demand for the month of July 2012 was determined to be 94,250 gpd. Neither well, by itself, is capable of meeting the average daily demand. However, the combined production from both wells exceeds the average daily demand. Staff concludes that the Hydro water system has adequate production and storage capacity to serve the current customer base and allow for reasonable growth if both wells, Tusayan #2 and Squire #1, are operating. Staff recommends, as indicated in the executed settlement agreement<sup>4</sup>, that Hydro and Squire amend their existing water system agreement or enter into a new agreement that ensures Hydro the continued use of the 3.0 million gallon storage tank, and that Squire continues to produce and sell water to Hydro. Staff further recommends that the amended or new agreement include an established period or length of time the agreement will be in effect.

Hydro reported 6,255,957 gallons of water purchased, 23,369,508 gallons of water pumped, and 28,258,697 gallons of water sold for calendar year 2012. Water loss for the system was reported to be 4.6% which is within acceptable limits.

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<sup>3</sup> The Water System Agreement, dated January 1, 2011, was signed by Hydro and Squire representatives on December 14, 2010.

<sup>4</sup> The executed Settlement Agreement, signed August 12, 2013, between TWDA, Anasazi, Hydro, the Town, Squire, and Staff. See page 3, Item 3, Squire and Hydro Actions.

The historical growth rate has been flat for the past several years. Little or no growth is expected in the Tusayan area. Therefore, Hydro does not anticipate a change in its customer base.

### **Arizona Department of Environmental Quality (“ADEQ”) Compliance**

#### *Compliance Status*

Since TWDA does not own any water infrastructure, ADEQ does not regulate TWDA. Consequently, a compliance status report for TWDA has not been issued by ADEQ.

ADEQ regulates the Hydro water system, combined system, under ADEQ Public Water System (“PWS”) I.D. No. 03-312.<sup>5</sup> According to the ADEQ Compliance Status Report, dated October 13, 2013, the Hydro system has major deficiencies and ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. ADEQ has not received the 2012 Consumer Report (“CCR”) or the 2012 CCR Mailing Waiver which were due July 1, 2013 and October 1, 2013, respectively. Hydro has not submitted the Disinfection By-Products (“DBP”) sample results since 2009.<sup>6</sup> Only Haloacetic Acids (“HAA5”) were received in 2009. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, a copy of an updated ADEQ Compliance Status Report indicating that the noted deficiencies have been corrected and Hydro is in compliance.

ADEQ’s most recent Sanitary Survey (“Inspection”) of the Hydro system was conducted on May 2, 2012. Based from the results of the inspection, no major deficiencies were discovered in the operation or maintenance of the system. However, the report mentions that Hydro’s steel bolted storage tank, built and placed in service in 1975, is leaking between the third and top ring and should be repaired. According to Mr. John Rueter the leak has been repaired.

### **Arizona Department of Water Resources (“ADWR”) Compliance**

#### *Compliance Status*

The Hydro water system is not located within an Active Management Area (“AMA”). ADWR has determined that the Hydro water system is currently in compliance with departmental requirements governing water providers and/or community water systems.<sup>7</sup>

ADWR has no record of TWDA’s existence; as a result ADWR does not regulate TWDA.

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<sup>5</sup> The Hydro water system is interconnected with the Squire water system and is operated as a combined water system. ADEQ has assigned the combined system PWS 03-312.

<sup>6</sup> Disinfection By-Products (“DBP”) include Total Trihalomethanes (“TTHM”) and Haloacetic Acids (“HAA5”).

<sup>7</sup> Per ADWR Water Provider Compliance Status Report dated October 3, 2013.

### *Adequate Water Supply*

Neither TWDA nor Hydro has ever submitted an Analysis of Adequate Water Supply (“Water Report”), an Analysis of Assured Water Supply (“AWS”), or an application for a Physical Availability Determination (“PAD”) to ADWR. Since the CC&N already exists, ADWR has indicated that they will not require Hydro to submit a Water Report or apply for a PAD. Also, since an Analysis of AWS is only required of water systems within an AMA, Hydro is not required to submit an Analysis of AWS to ADWR. However, if Hydro were to expand the existing CC&N or drill a new well, ADWR would then require proof of physical availability which would require Hydro to apply for a PAD. If a new subdivision with six (6) or more lots were added within the existing CC&N, ADWR would then require the subdivision developer to submit a Water Report.

Hydro has submitted, with its CC&N Application, a technical memorandum suggesting that previous hydrogeological studies have provided insufficient and questionable data regarding water supplies in the Tusayan Area.<sup>8</sup> The memorandum recommends that an initial and long term Ground Water-Level/Production Monitoring Plan (“Monitoring Plan”) be implemented; and has selected Tusayan #2 and Squire #1 for water level and production monitoring. These wells are not currently equipped with monitoring tubes which enable the emplacement of digital pressure-transducers/data loggers for obtaining water level measurements. Due to a potential risk in damaging the wells, and the expense of removing and replacing the submersible pumping equipment, the Monitoring Plan recommends that the required monitoring tubes and equipment be installed whenever the pumping equipment for the wells are removed for repair or replacement. The Monitoring Plan further recommends that Hydro purchase and have ready the monitoring equipment and instruments, as well as having the hydrogeological expertise and on-site inspections services, be available when a failure of any component of the well necessitates removal for repair or replacement. According to the application, Hydro has agreed to implement the monitoring and reporting plan recommended in the technical memorandum.

ADWR has indicated that they support Hydro’s plans for monitoring the wells. Although not required, ADWR also indicated that they would like Hydro to submit an application to ADWR for a PAD once Hydro has collected adequate monitoring data (approximately 1 to 2 years of data) from the wells.

### **ACC Compliance**

A check with the Utilities Division Compliance Section (“Compliance”) indicated that neither TWDA nor Hydro appear in the Compliance Database. Accordingly, there are no trackable compliance items or delinquencies existing for TWDA or Hydro. Therefore, Compliance considers TWDA and Hydro to currently be in compliance.

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<sup>8</sup> Technical Memorandum, dated September 10, 2013, was submitted to Hydro-Resources, Inc. from Hydro Logic, Inc.

**Depreciation Rates**

Staff’s typical and customary depreciation rates, which vary by National Association of Regulatory Utility Commissioners (“NARUC”) plant categories, are illustrated in Table A. These rates represent typical and customary values within a range of anticipated equipment life. Staff recommends that Hydro use the depreciation rates presented in Table A on a going forward basis.

**Table A. Depreciation Rate Table for Water Companies**

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.00
320.3	Point-of-Use Treatment Devices	10	10.00
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Miscellaneous Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	---	-----

**Service Line and Meter Installation Charges**

Hydro submitted proposed service line and meter installation charges with the application. The proposed charges are refundable advances, and are equivalent to the charges listed in Table B under “Staff’s Recommendations”, with the exception of the 5/8 x 3/4-inch Meter Size proposed charges. The charges listed under “Staff’s Recommendations” are at the lower end of Staff’s customary range of service line and meter installation charges. Since Hydro may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been included in Table B.

Staff recommends that meter sizes 8-inches and larger be priced on an individual case basis (“ICB”) at cost. Staff further recommends that the charges listed under “Staff’s Recommendation” in Table B be adopted.

**Table B. Service Line and Meter Installation Charges**

Meter Size	Company Proposed			Staff’s Recommendation		
	Service Line Charge	Meter Charge	Total Charge	Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$385	\$135	\$520	\$415	\$105	\$520
3/4-inch	\$415	\$205	\$620	\$415	\$205	\$620
1-inch	\$465	\$265	\$730	\$465	\$265	\$730
1-1/2-inch	\$520	\$475	\$995	\$520	\$475	\$995
2-inch Turbine	\$800	\$995	\$1,795	\$800	\$995	\$1,795
2-inch Compound	\$800	\$1,840	\$2,640	\$800	\$1,840	\$2,640
3-inch Turbine	\$1,015	\$1,620	\$2,635	\$1,015	\$1,620	\$2,635
3-inch Compound	\$1,135	\$2,495	\$3,630	\$1,135	\$2,495	\$3,630
4-inch Turbine	\$1,430	\$2,570	\$4,000	\$1,430	\$2,570	\$4,000
4-inch Compound	\$1,610	\$3,545	\$5,155	\$1,610	\$3,545	\$5,155
6-inch Turbine	\$2,150	\$4,925	\$7,075	\$2,150	\$4,925	\$7,075
6-inch Compound	\$2,270	\$6,820	\$9,090	\$2,270	\$6,820	\$9,090
8-inch and Larger	ICB*	ICB*	ICB*	ICB*	ICB*	ICB*

\*Indicates Individual Case Basis (“ICB”) at Cost.

**Curtilment and Backflow Prevention Tariffs**

Currently, Hydro does not have an approved Curtilment or Backflow Prevention Tariff. However, Curtilment and Backflow Prevention Tariffs that conform with tariffs found on the Commission’s website were submitted with its application. Staff recommends that both tariffs be approved.

### **Best Management Practice (“BMP”) Tariff**

Hydro currently does not have a BMP Tariff. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three (3) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission’s review and consideration. The templates created by Staff are available on the Commission’s website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

Staff further recommends that a maximum of two (2) BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories. Hydro may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

### **Wastewater Service Provider**

The South Grand Canyon Sanitary District (“District”) is the designated management authority providing wastewater service in the CC&N area.

### **Summary**

#### *Conclusions*

1. Staff concludes that the Hydro water system has adequate production and storage capacity to serve the current customer base and allow for reasonable growth if both wells, Tusayan #2 and Squire #1, are operating.
2. ADEQ does not regulate TWDA. Consequently, a compliance status report for TWDA has not been issued by ADEQ.
3. According to the ADEQ Compliance Status Report, dated October 13, 2013, the Hydro system has major deficiencies and ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.
4. ADWR has determined that the Hydro water system is currently in compliance with departmental requirements governing water providers and/or community water systems.
5. The Hydro water system is not located within an AMA.
6. Neither TWDA nor Hydro has ever submitted an Analysis of Adequate Water Supply (“Water Report”), an Analysis of Assured Water Supply (“AWS”), or an application for a Physical Availability Determination (“PAD”) to ADWR.

7. ADWR will not require Hydro to submit a Water Report or apply for a PAD, since the Tusayan CC&N already exists. Furthermore, ADWR will not require Hydro to submit an AWS since an AWS is only required of water systems with an AMA.
8. Hydro has agreed to implement a monitoring and reporting plan, recommended in a technical memorandum submitted to Hydro from Hydro Logic, Inc., to determine the groundwater levels and production of Tusayan #2 and Squire #1 wells. ADWR has indicated that they would like Hydro to submit an application to ADWR for a PAD once Hydro has collected adequate monitoring data (approximately 1 to 2 years of data) from the wells.
9. The Utilities Division Compliance Section ("Compliance") has reported that neither TWDA nor Hydro appear in the Compliance Database. Accordingly, there are no trackable compliance items or delinquencies existing for TWDA or Hydro. Therefore, Compliance considers TWDA and Hydro to currently be in compliance with the Compliance Database.
10. Staff concludes that Hydro does not have approved Curtailment, Backflow Prevention, and BMP Tariffs. However, curtailment and backflow prevention tariffs were submitted with Hydro's application for approval.
11. The South Grand Canyon Sanitary District is the designated management authority providing wastewater service in the CC&N area.
12. Staff concludes that there is potential for significant delays in providing sufficient pressure and fire flow, in a timely manner during a fire related incident, should the fire pump continue to be operated and controlled manually.

#### *Recommendations*

1. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three (3) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. Staff further recommends that a maximum of two (2) BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories.
2. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, a copy of an updated ADEQ Compliance Status Report indicating that the noted deficiencies have been corrected and Hydro is in compliance.
3. Staff recommends that Curtailment and Backflow Prevention Tariffs submitted with its application be approved.

4. Staff recommends that Hydro adopt the charges listed under “Staff’s Recommendation” in Table B. Staff further recommends that meter sizes 8-inches and larger be priced on an individual case basis (“ICB”) at cost.
5. Staff recommends that Hydro adopt Staff’s typical and customary depreciation rates in accounts illustrated in Table A.
6. Staff recommends, as indicated in the executed settlement agreement, that Hydro and Squire amend their existing water system agreement or enter into a new agreement that ensures Hydro the continued use of the 3.0 million gallon storage tank, and that Squire continues to produce and sell water to Hydro. Staff further recommends that the amended or new agreement include an established period or length of time the agreement will be in effect.
7. Staff recommends that an engineering review be conducted to evaluate and determine the feasibility and cost for converting the fire pump from manual to automatic control.

# COCONINO COUNTY

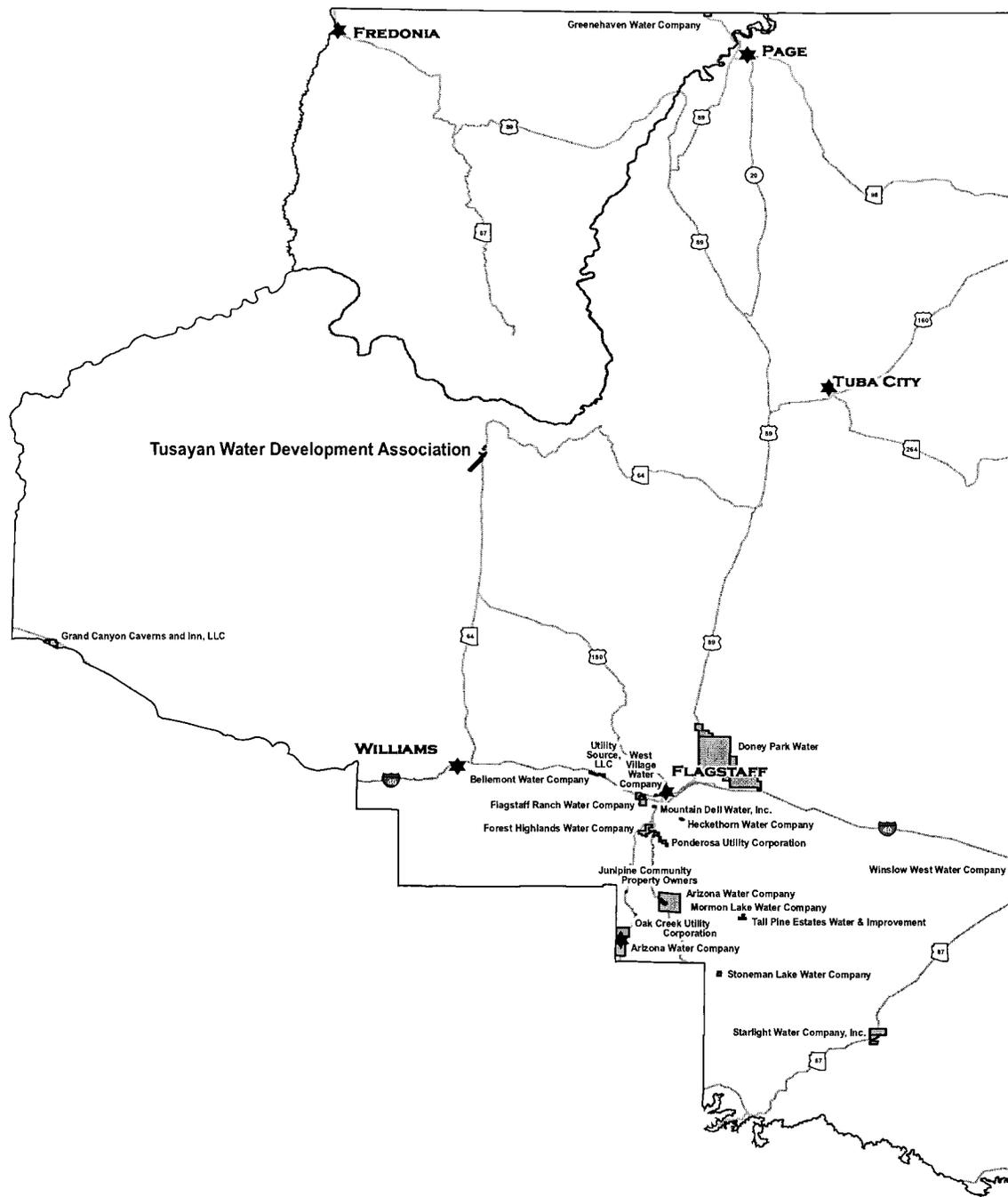
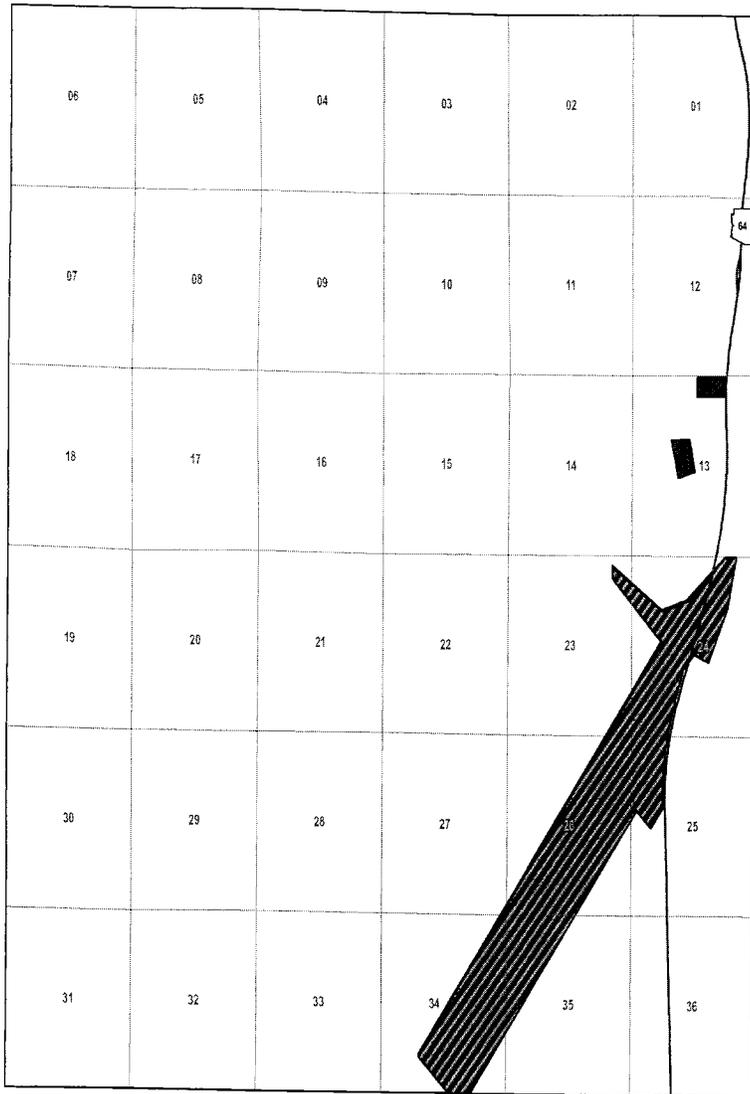


Figure 1. Coconino County Map

COCONINO COUNTY

RANGE 2 East



W-02350A (2)  
Tusayan Water Development Association, Inc.

(2)  
Tusayan Water Development Association, Inc.  
Docket No. W-02350A-13-0312  
Application for Cancellation

(2)  
Hydro-Resources, Inc.  
Docket No. W-20770A-13-0313  
Application for CC&N

2

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

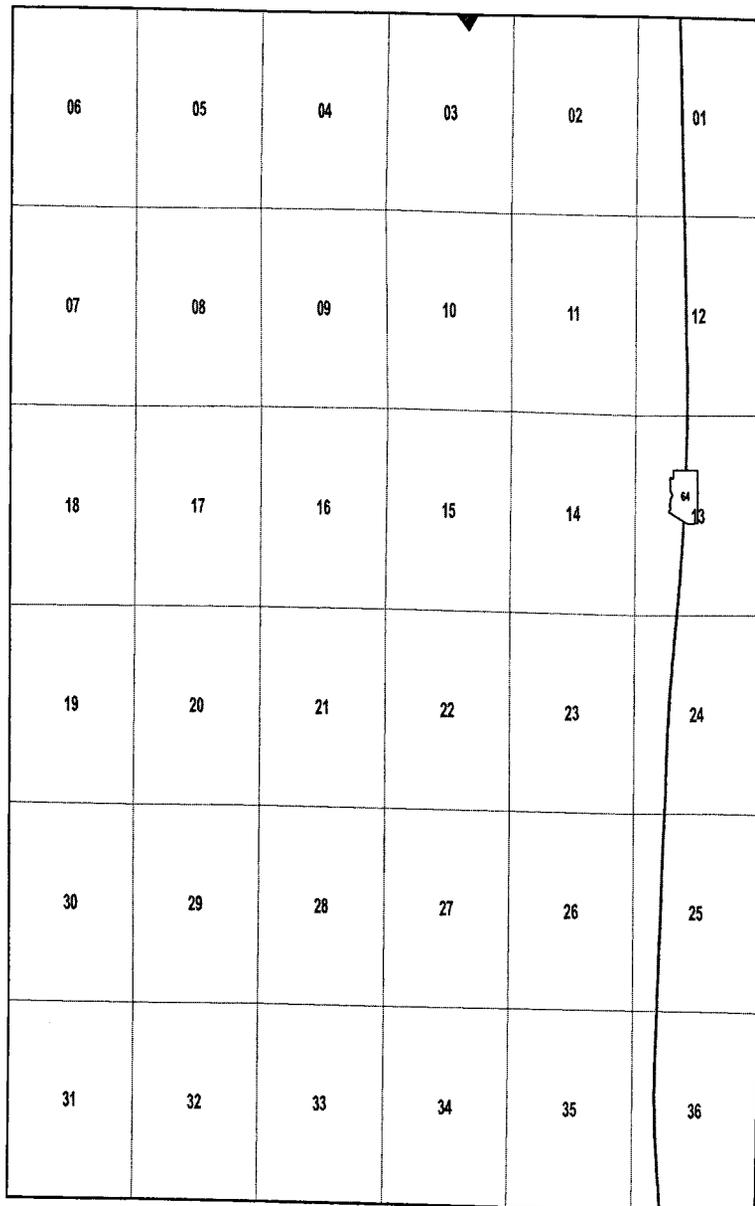
TR30N2E 13 APR 1989

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

Figure 2. Certified Areas

COCONINO COUNTY

RANGE 2 East



W-02350A (2)  
 Tusayan Water Development Association, Inc.

TOWNSHIP  
 29 North  
 (2)  
 Tusayan Water Development Association, Inc.  
 Docket No. W-02350A-13-0312  
 Application for Cancellation

(2)  
 Hydro-Resources, Inc.  
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Prepared by:  
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 Utilities Division  
 Engineering Section/GIS Mapping  
 602-542-4251

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

TR29N2E 13 APR 1989

Figure 3. Certified Area

COCONINO COUNTY

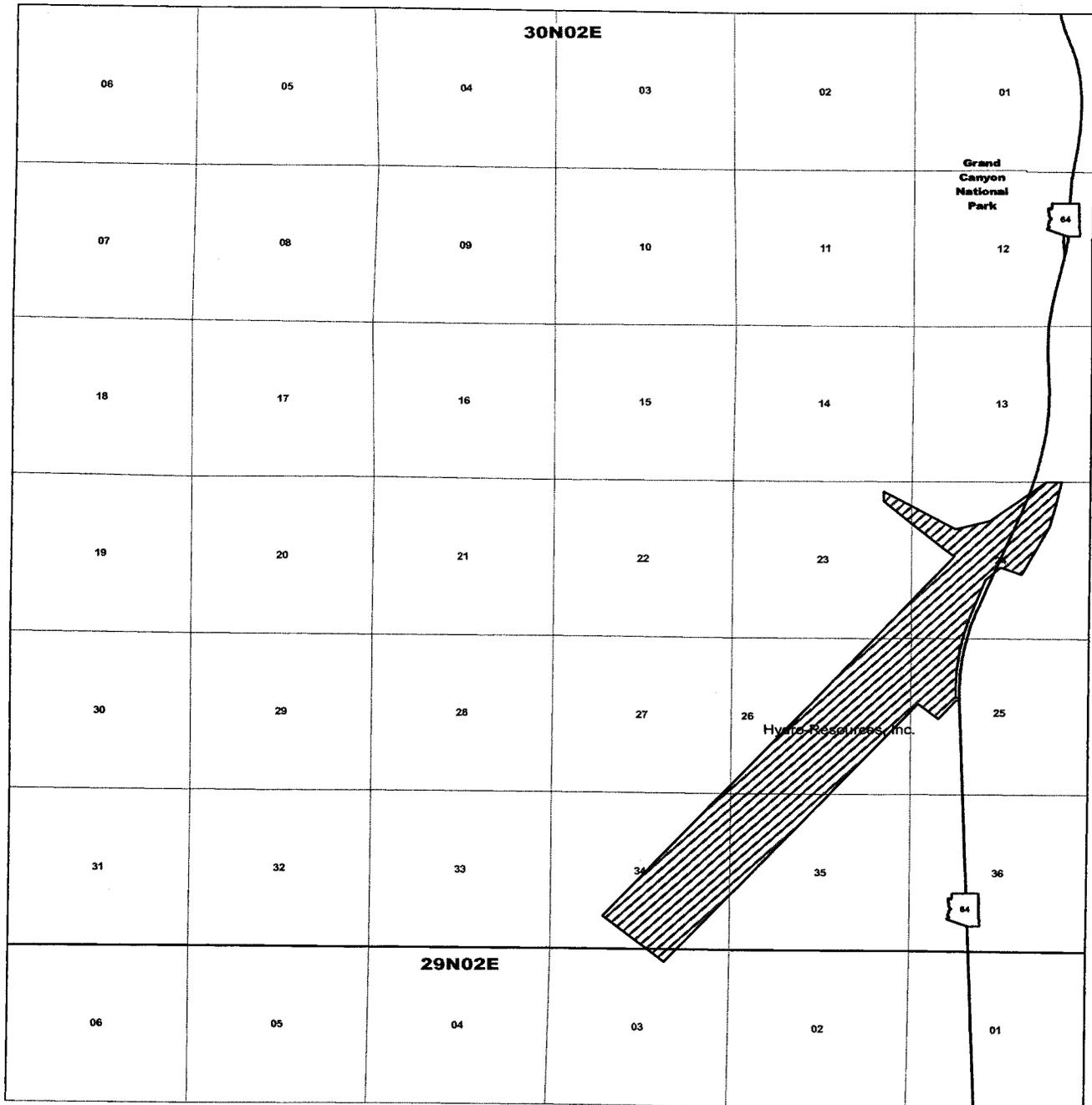
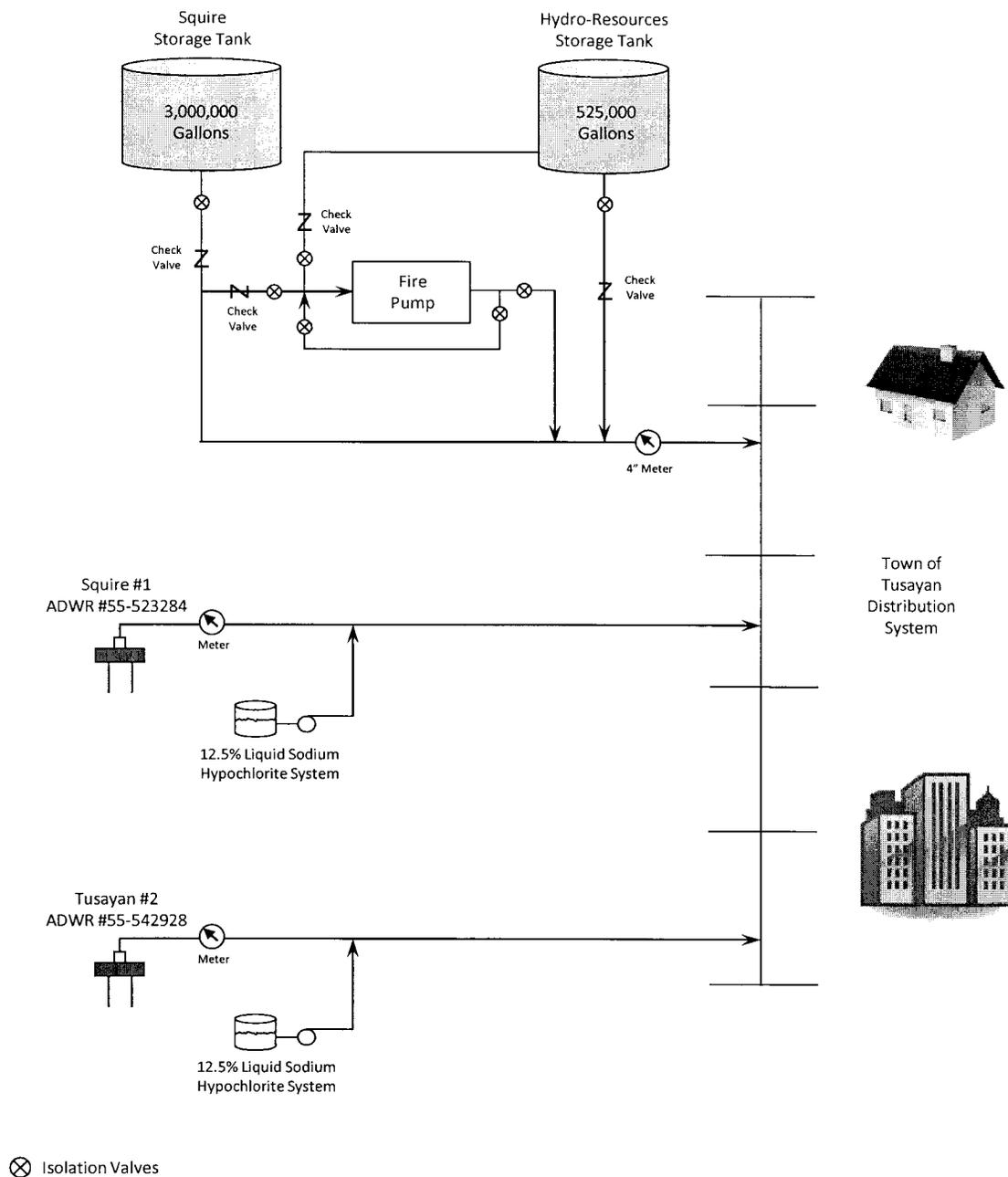


Figure 4. Certified Area

**PROCESS SCHEMATIC – HYDRO-RESOURCES WATER COMPANY  
 SYSTEM ID #03-312**



**Figure 5. Process Schematic**

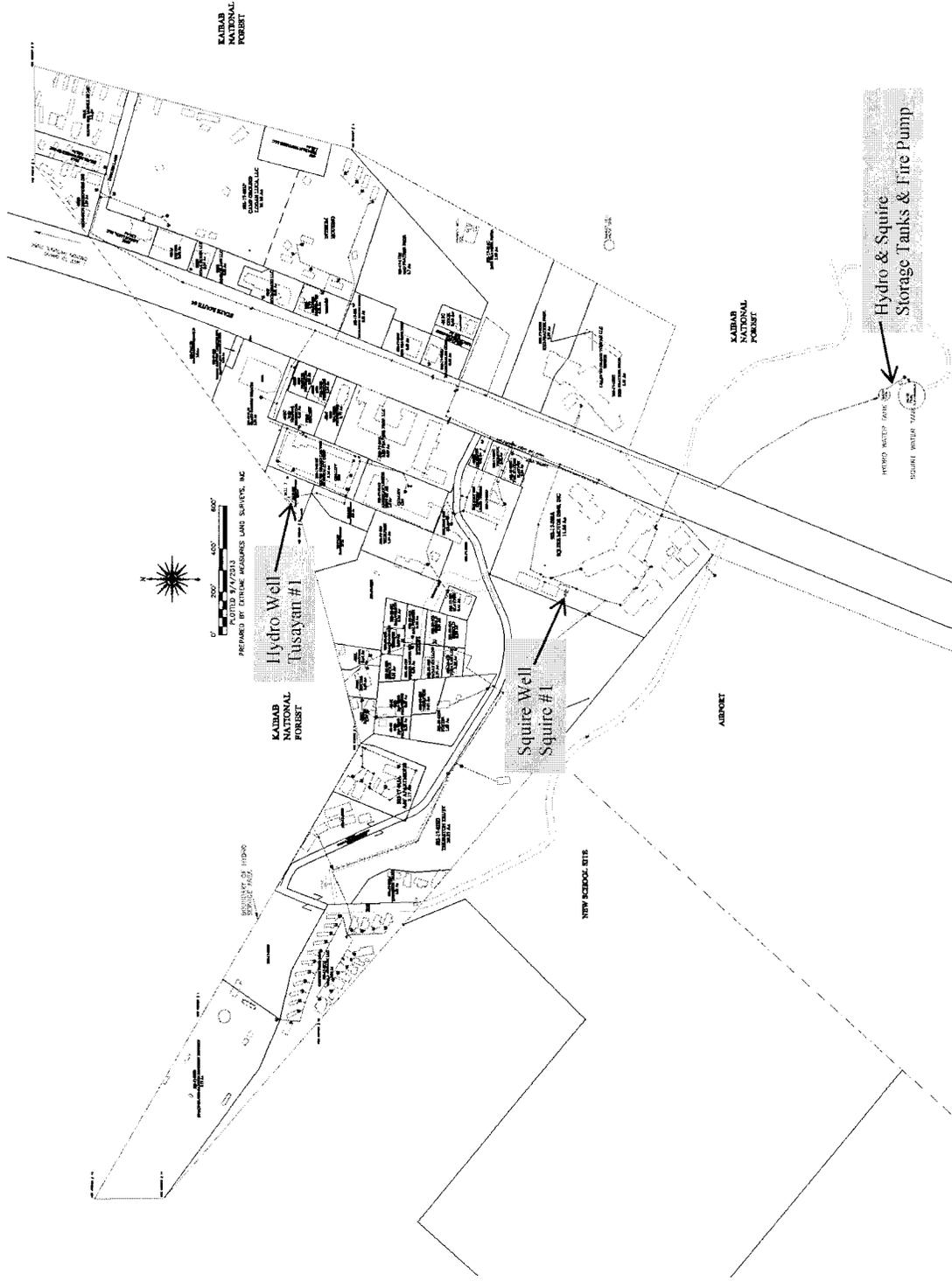


Figure 6. Map of Tusayan

**MEMORANDUM**

TO: Kiana Sears  
Executive Consultant  
Utilities Division

FROM: Lori H. Miller   
GIS Specialist  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: October 7, 2013

RE: **Tusayan Water Development Association, Inc. (Docket No. W-02350A-13-0312)**  
**Hydro-Resources, Inc. (Docket No. 20770A-13-0313)**

Tusayan Water Development has filed an application to cancel its CC#N. Hydro-Resources has filed an application for a CC#N for the area being cancelled by Tusayan Water Development. These applications have been consolidated.

The area requested by Hydro-Resources 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 maps for your files.

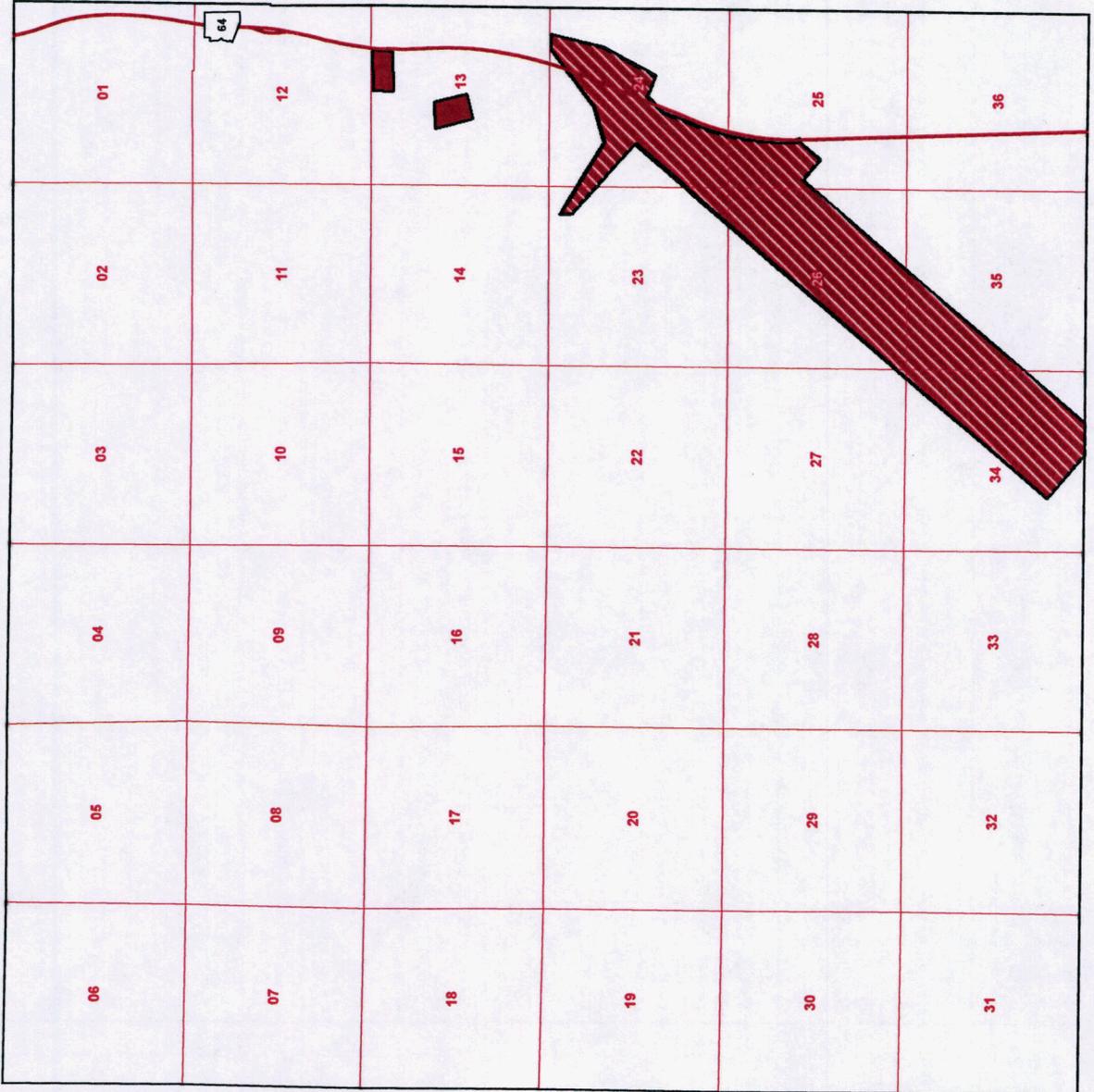
/lhm

Attachments

cc: Mr. Steve Hirsch  
Mr. Ryan J. Lorenz  
Mr. Michael Thompson  
Ms. Deb Person (Hand Carried)  
File

RANGE 2 East

TOWNSHIP 30 North

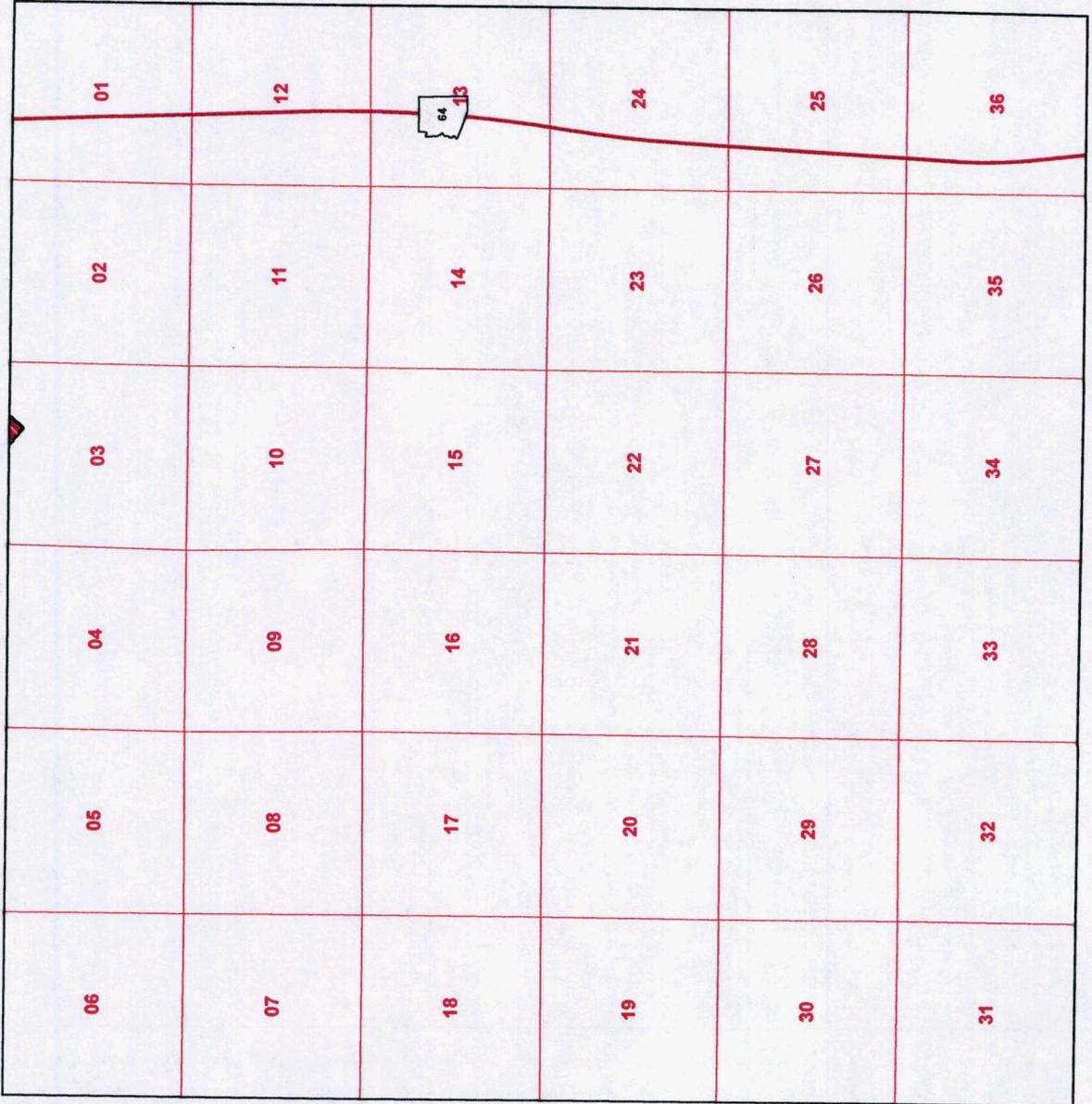


Prepared by:  
 Arizona Corporation Commission  
 Utilities Division  
 Engineering Section/GIS Mapping  
 602-542-4251

TR30N2E 13 APR 1989

RANGE 2 East

TOWNSHIP 29 North



W-02350A (2)  
Tusayan Water Development Association, Inc.

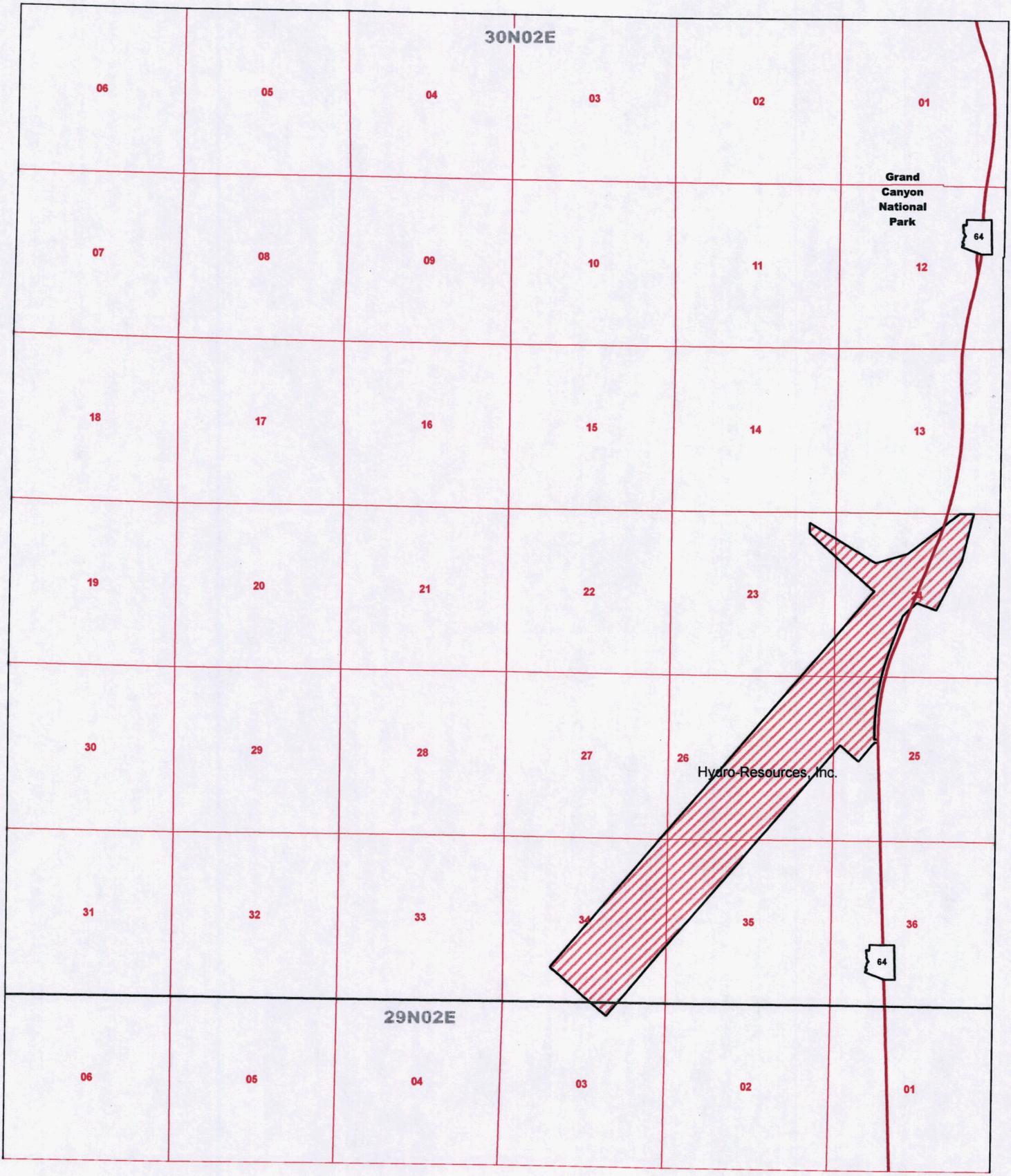
(2)  
Tusayan Water Development Association, Inc.  
Docket No. W-02350A-13-0312  
Application for Cancellation

(2)  
Hydro-Resources, Inc.  
Docket No. W-20770A-13-0313  
Application for CC&N



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

# COCONINO COUNTY



That portion of HES 401 as shown in the Dependent Resurvey officially filed by the BLM in November of 2004 as File No. 1247-B lying Northerly of the Grand Canyon National Park Airport AND the Grand Canyon National Park Airport as Retraced and recorded on August 31, 1987 in Book 6 of Land Surveys, Pages 9-9E of the Official Records of the Coconino County Recorder's Office, said parcel of land is situated Sections 23, 24, 25, 26, 27, 34 and 35 all in Township 30 North, Range 2 East AND Section 3 of Township 29 North, Range 2 East, all of the Gila and Salt River Base and Meridian in the Town of Tusayan, Coconino County, Arizona, and is more particularly described by metes and bounds as follows:

BEGINNING at Corner No. 5 of HES 401, said point lies South 89°32" West a distance of 13.22 Chains (872.5 feet) from the Northeast corner of said Section 24;

THENCE South 13°52'00" West a distance of 1575.42 feet to Corner No. 6 of HES 401;  
THENCE South 27°38'00" West a distance of 1769.46 feet to AP2 of Tract 38 as shown on the plat of HES 401;  
THENCE North 68°50'00" West a distance of 656.70 feet to AP1 of Tract 38;  
THENCE South 47°08'00" West a distance of 615.78 feet to the Northeast corner of the Grand Canyon Park National Airport;

The following courses follow the boundary of said airport;

THENCE South 20°58'11" West a distance of 1046.11 feet to the beginning of a non-tangent curve, concave to the East;  
THENCE Southwesterly along said curve with an arc length of 3061.30 feet, through a central angle of 22°46'34", the radius of said curve is 7701.01 feet, with a chord bearing of South 09°57'48" West and with a chord length of 3041.18 feet;  
THENCE North 88°34'29" East a distance of 100.00 feet to the beginning of a non-tangent curve, concave to the East;  
THENCE Southwesterly along said curve with an arc length of 99.96 feet, through a central angle of 00°45'13", the radius of said curve is 7601.01 feet, with a chord bearing of South 01°48'10" East and with a chord length of 99.96 feet;  
THENCE South 87°49'16" West a distance of 100.00 feet;  
THENCE South 40°44'40" West a distance of 800.00 feet;  
THENCE North 49°15'19" West a distance of 786.92 feet;  
THENCE South 40°44'12" West a distance of 11511.18 feet;  
THENCE North 49°19'15" West a distance of 2395.98 feet;  
THENCE North 40°43'00" East a distance of 15978.99 feet to AP5 of Tract 37 as shown on the plat of HES 401;

THENCE North 49°46'00" West a distance of 473.88 feet to Corner No. 9 of HES 401;  
THENCE North 47°55'00" West a distance of 1199.88 feet to Corner No. 10 of HES 401;  
THENCE continuing North 47°55'00" West a distance of 1120.02 feet to Corner No. 11 of HES 401;  
THENCE North 00°11'00" West a distance of 330.66 feet to Corner No. 12 of HES 401;

THENCE South 58°55'00" East a distance of 975.48 feet to Corner No. 1 of HES 401;  
THENCE South 58°55'00" East a distance of 1503.48 feet to Corner No. 2 of HES 401;  
THENCE North 74°18'00" East a distance of 1076.46 feet to Corner No. 3 of HES 401;  
THENCE North 52°05'00" East a distance of 2094.84 feet to Corner No. 4 of HES 401;  
THENCE North 89°32'00" East a distance of 456.06 feet to the Point of Beginning.

All as shown on the attached Exhibit A-1 which is made a part of this description by this reference.