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MEMORANDUM RECEIVED

2014 MAY 23 P 12: 25

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

Date: May 23, 2014

RE: STAFF REPORT FOR THE APPLICATION FOR APPROVAL OF SALE OF ASSETS AND CANCELLATION OF CERTIFICATE OF CONVENIENCE AND NECESSITY OF LIVCO SEWER COMPANY TO CONCHO WASTEWATER IMPROVEMENT DISTRICT
DOCKET NO: SW-02563A-14-0058

Attached is the Staff Report for the transfer of Livco Sewer Company to Concho Wastewater Improvement District. Staff recommends approval.

SMO:KMS:tdp\BES

Originator: Kiana M. Sears

ORIGINAL

Arizona Corporation Commission
DOCKETED

MAY 23 2014

DOCKETED BY 

Service List for: Livco Sewer Company
Docket No. SW-02563A-14-0058

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

LIVCO SEWER COMPANY
DOCKET NO. SW-02563A-14-0058

APPROVAL OF SALE AND CANCELLATION OF CERTIFICATE OF
CONVENIENCE AND NECESSITY OF LIVCO SEWER COMPANY TO CONCH
WASTEWATER IMPROVEMENT DISTRICT

MAY 30, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for Livco Sewer Company, Docket No. SW-02563A-14-0058 was prepared by the Staff members shown below.



Kiana M. Sears
Executive Consultant I



Michael Thompson, P.E.
Utilities Engineer Supervisor

**EXECUTIVE SUMMARY
LIVCO SEWER COMPANY
DOCKET NO. SW-02563A-14-0058**

On February 25, 2014, Livco Sewer Company (“Livco” or “Company”) filed an application with the Arizona Corporation Commission (“Commission”) for approval to sell and transfer the assets of Livco to Concho Wastewater Improvement District (“District”) and to cancel the Certificate of Convenience and Necessity (“CC&N”) of Livco.

Livco is an Arizona corporation providing wastewater service to approximately 29 customers in Concho Valley, approximately 18 miles from St. Johns in Apache County, Arizona. Livco received its original CC&N on August 5, 1992 in Decision No. 57959 and has grown and expanded with Commission’s approval up to and as recently as October 30, 2009. If the application for approval to sell and transfer Livco’s assets and property to the District is approved, the District will assume all of the Company’s obligations and will continue to provide service to all the Company’s customers.

The certified operator of Livco will be the certified operator of the District as well. The current rates charged by the Company will also be the rates charged by the District. This change will have minimal operational impact to customers, if any at all. The main impacts will be financial and legal. Financially, the system will have access to funds and grant opportunities that are available to districts but not to private wastewater companies. Legally, the system would no longer be regulated by the Commission.

Staff recommends Commission approval of the sale and transfer of the assets of Livco to the District and cancellation of the Company’s CC&N.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
BACKGROUND.....	1
COMPANY SEWER SYSTEM	1
OPERATION AND RATES	1
RECOMMENDATION	1

ATTACHMENT(S)

ENGINEERING REPORT	A
ENGINEERING MAP	B

INTRODUCTION

On February 25, 2014, Livco Sewer Company (“Livco” or “Company”) filed an application with the Arizona Corporation Commission (“Commission”) for approval to sell and transfer the assets of Livco to Concho Wastewater Improvement District (“District”) and to cancel the Certificate of Convenience and Necessity (“CC&N”) of Livco. Livco is located in an area known as Concho Valley, approximately 18 miles from St. Johns, Apache County, Arizona. Livco received its original CC&N on August 5, 1992, in Decision No. 57959 and has grown and expanded with Commission’s approval up to and as recently as October 30, 2009. If the application for approval to sell and transfer Livco’s assets and property to the District is approved, the District will assume all of the Company’s obligations and will continue to provide service to all the Company’s customers.

BACKGROUND

Livco is an Arizona corporation providing wastewater service to approximately 29 customers in Concho Valley, Arizona. The customers of Livco petitioned to form the District. On February 1, 2014, a hearing was held by the Apache County Board of Supervisors to form the District. The motion to create the District was passed, approved, and adopted. The sewer system requires several improvements that the District desires to make which are detailed in the Engineering section of this report. Livco is in compliance with the Commission as well as Arizona Department of Environmental Quality (“ADEQ”). Staff concludes that the Livco wastewater system has adequate treatment capacity to serve the existing customer base and reasonable growth.

COMPANY SEWER SYSTEM

Livco is comprised of gravity mains, pressurized lines and a treatment facility. Most of the system was constructed in the early 1980’s. It flows generally from south to north to the treatment site. Most of the system is located in the area south of Concho Lake. Additional information is contained in the Engineering memorandum attached to this report.

OPERATION AND RATES

The operator of the water system for the Company, Mr. Matt Davis, will be the operator of the District and is a member of the Board of Directors for the District. The rates charged by the Company will also be the initial rates charged by the District. There is expected to be minimal impact to customers, if any at all. The main impacts will be financial and legal. Financially, the system will have access to funds and grant opportunities that are available to districts but no to private wastewater companies. Legally, the system would no longer be regulated by the Commission.

RECOMMENDATION

Staff recommends the Commission approve the sale and transfer of the assets of Livco to the District and cancellation of the Company’s CC&N.

MEMORANDUM

TO: Kiana Sears
Executive Consultant

FROM: Michael S. Thompson, P.E. *MS1*
Utilities Engineer

DATE: April 24, 2014

RE: LIVCO Sewer Company – Sale of Assets and Cancellation of CC&N
Docket No. SW-02563A-14-0058

Introduction

On February 25, 2014, Livco Sewer Company (“Livco” or “Company”) submitted an application to the Arizona Corporation Commission (“ACC” or “Commission”) for approval of the sale of its assets and the cancellation of its Certificate of Convenience and Necessity (“CC&N”). Livco currently provides wastewater utility service to approximately 29 connections in an area known as Concho Valley approximately 18 miles southwest of St. Johns, Apache County, Arizona.¹ Livco was granted its original CC&N in Commission Decision No. 57959, dated August 5, 1992. Subsequent CC&N extensions were granted in Commission Decision Nos. 58236, 59490, 61715, and 71314 dated March 24, 1993, January 31, 1996, May 13, 1999, and October 30, 2009, respectively. Figure 2 shows the location of the Livco CC&N which covers an area of roughly 806 acres within Apache County. Figure 3 provides a detailed map of the CC&N area within Apache County Township 12 North and Range 26 East.

Purpose for the Sale of Assets and CC&N Cancellation

According to the application, the purpose of the sale of Livco’s Assets and the cancellation of its CC&N is to enable the residents and customers to benefit from the wastewater provider being a municipal corporation. The perceived benefits include opportunities to receive grants and subsidized loans, tax benefits, and lower market costs for professional services.

As a result, the residents and customers in the Concho community petitioned to form the Concho Wastewater Improvement District (“CWID” or “District”) with the intent to purchase Livco and undertake the responsibility of providing sewer service. The Apache County Board of Supervisors granted the petition and established the District.

¹ Livco’s Annual Report filed for 2012 listed 29 wastewater connections.

On February 1, 2014, a transfer agreement was entered between Livco and CWID for the transfer and sale of Livco Assets. A copy of the transfer agreement is attached, as Exhibit 1, to the Livco Application. Livco has indicated that it has no accounts payable and no incurred long-term debt. Livco Assets that are to be conveyed to CWID include the following:

- Sewer system pipelines, pumps, valves, treatment facilities, equipment, replacement parts, and sewer inventories.
- Operational, maintenance, and technical data/information.
- Specifications, plans, drawings, and influent and effluent data.
- Customer lists, customer deposits, account receivables, other deposits, prepaid items and refunds, financial books and records, and other books and records related to the Assets.
- Rights permits, warranties, representations, guarantees, supplier and service contacts, manufacturers and contractors in connection with the Assets.
- Real property together with all improvements thereon.
- Cash and cash equivalents held by Livco or for Livco as of the Closing Date.
- Records requested by CWID.

As per the transfer agreement, Livco will promptly commence a proceeding before the Commission requesting termination or relinquishment of its CC&N and approval of the Sale of its Assets. Therefore, Livco is currently seeking Commission approval to transfer its property and assets to CWID with the understanding that CWID will assume all obligations and will continue to provide wastewater service to all Livco customers.

Closing will take place no later than ten (10) days after all regulatory approvals have been satisfied, or such other date agreed to in writing by CWID and Livco. At closing, CWID will pay Livco a transfer fee of \$1.00 in cash or cash equivalent and, in turn, title to, possession of, and risk of loss of all of the Assets shall pass to CWID.

Livco Wastewater System

Wastewater System Design and Analysis²

The Livco wastewater system consists of service laterals, gravity mains, force mains, manholes, lift stations, and a treatment facility. The wastewater system contains six (6) lift stations,

² Wastewater system information was taken from Tetra Tech Facilities Assessment Report, dated March 2013, and Livco's Annual Report filed for 2012.

158 manholes, 23,997 linear feet of 4-inch, 6-inch, and 8-inch Polyvinyl Chloride (“PVC”) force main pipe, 3,725 linear feet of 8-inch Ductile Iron (“DI”) gravity main pipe, 48,809 linear feet of 6-inch, 8-inch, and 10-inch PVC gravity main pipe, and twenty nine (29) 4-inch PVC service laterals. The treatment facility, designed to handle influent flows up to 20,000 gallons per day (“gpd”), consists of a settling pond, two (2) wetland cells, a chlorine contact chamber, and a reuse area.

The wastewater system is designed such that wastewater generally flows from the south to the north, where it eventually makes its way to the treatment facility located on the northwest side of Concho, Arizona. The majority of the wastewater system components, including five (5) of the six (6) lift stations, are located in the area to the south of Concho Lake. Wastewater is ultimately collected in the Golf Course Lift Station and then pumped northward, along State Route (“SR”) 61, to the Main Lift Station located west of Concho on the south side of County Road 5020 (“Snowflake Highway”). The wastewater is then pumped from the Main Lift Station to the treatment facility which is also located on the south side of Snowflake Highway. Figure 4 shows the approximate location of the lift stations and treatment facility.

According to a 1991 design report completed by Shreeve & Associates, Inc., it was presumed that each service connection would produce approximately 250 gpd of wastewater. Based on each of the 29 connections producing 250 gpd of wastewater, the total flow to the treatment site would be approximately 7,250 gpd. Since the treatment facility is designed for 20,000 gpd, the facility would be capable of processing an additional 12,750 gpd which equates to an additional 51 connections.

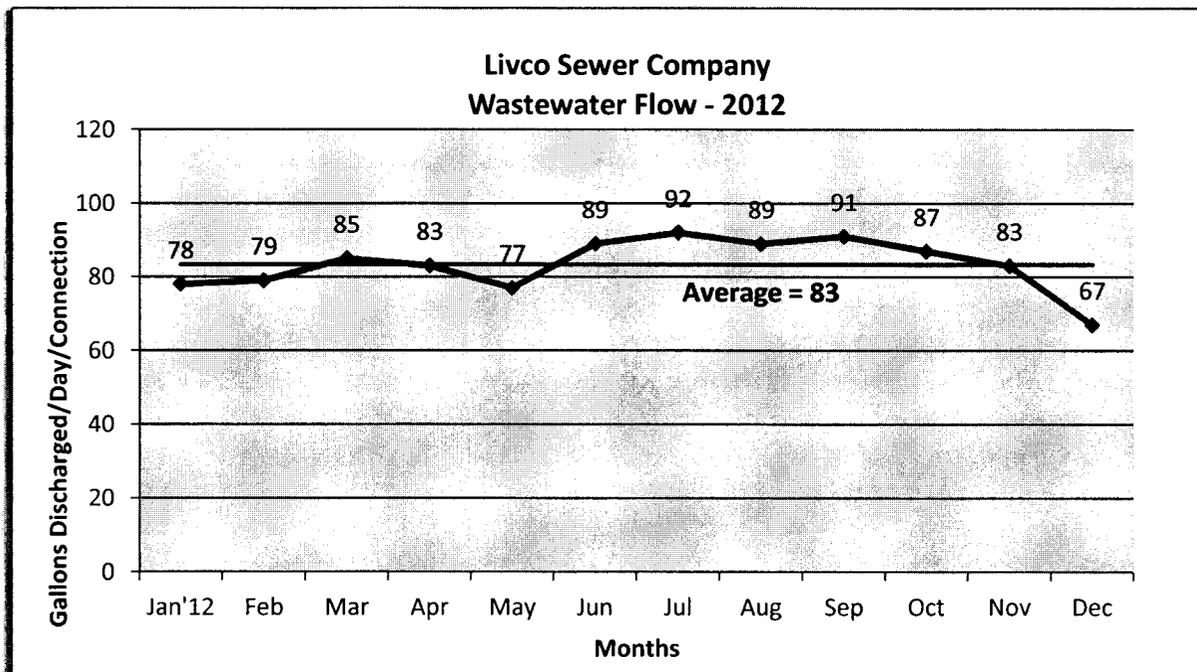


Figure 1. Wastewater Flow

However, according to Livco's 2012 Annual Report, actual wastewater production from each of the 29 connections averaged approximately 83 gpd, and ranged from 67 gpd and 92 gpd in December 2012 and July 2012, respectively (see Figure 1). Based on those figures, the treatment facility is actually processing wastewater at an average of only 2,405 gpd and leaving approximately 17,595 gpd of additional capacity for wastewater treatment. The 17,595 gpd of excess capacity potentially equates to approximately 211 additional connections.

Wastewater System Facilities Assessment³

According to the Tetra Tech Facility Assessment Report, several improvements of the wastewater system facilities are needed to ensure that the wastewater system continues to operate in an efficient, safe, and reliable manner. Tetra Tech categorized the proposed improvements into two groups; immediate needs which should be completed within the next year, and moderate needs which should be completed within the next five (5) years.

Immediate improvements recommended include:

- The replacement all of the existing manholes that accept wastewater flows from force mains.
- Installing additional (redundant) pumps in the lift stations that were identified as having only one pump, but designed for two pumps.
- Epoxy coating existing manholes that were identified to have significant internal deterioration.

Moderate improvements recommended include:

- Clearing vegetation from the Treatment Facility settling pond, grading the berms, and adding rip rap where needed.
- Installing security fencing around four (4) of the six (6) lift stations.
- Adding signs at each lift station that identify the site and provide emergency contact numbers.
- Replacing lift station wet well lids, adding vents, relocating control panels, repairing wiring and alarms, sealing control panel openings, re-routing conduit, and patching lift station wet well concrete where needed.
- Coating the interior of each lift station wet well with epoxy.
- Installation of emergency generator connectors and controls at each lift station.
- Purchasing a portable emergency generator.
- Purchasing spare replacement pumps for the lift stations.

To reduce pumping costs, Tetra Tech has recommended that the existing four-inch force main that feeds wastewater from the Motel Lift Station to the Golf Course Lift Station be eliminated. In its place, a new four-inch force main, approximately 600 linear feet in length, would be installed from the Motel Lift Station to the existing force main located in the right-of-way of SR 61.

³ Wastewater system information was taken from Tetra Tech Facilities Assessment Report, dated March 2013.

Estimated costs associated with the immediate and moderate improvements recommended by Tetra Tech are represented in Tables A, B, C, & D.

Table A. Immediate Improvement Cost Estimates (Lift Stations)

Description	Quantity	Unit	Unit Cost	Total Cost
Replace Manholes & Epoxy Coat	4	EA	\$5,600	\$ 22,400
Epoxy Coat Existing Manholes	8	EA	\$1,750	\$ 14,000
Install Additional Pump (0 - 5 hp)	3	EA	\$2,100	\$ 6,300
Install Additional Pump (6 – 10 hp)	1	EA	\$9,200	\$ 9,200
Total Cost				\$ 51,900

Table B. Moderate Improvement Cost Estimates (Lift Stations)

Description	Quantity	Unit	Unit Cost	Total Cost
Install Security Fence and Sign	4	EA	\$2,400	\$ 9,600
Epoxy Coat Wet Wells	6	EA	\$4,500	\$ 27,000
Replacement Pump (0 – 5 hp)	4	EA	\$2,100	\$ 8,400
Replacement Pump (6 -10 hp)	2	EA	\$9,200	\$ 18,400
Misc. Repairs (All Lift Stations) ¹	6	LS ³	-	\$ 29,700
Portable Generator	1	EA	\$2,900	\$ 2,900
Install New 4-inch Force Main ²	600	LF ⁴	\$ 28	\$ 16,800
Total Cost				\$ 112,800

¹Miscellaneous repairs includes Replacing lift station wet well lids, adding vents, relocating control panels, repairing wiring and alarms, sealing control panel openings, re-routing conduit, and patching lift station wet well concrete where needed. ²Installation of the new 4-inch force main pertains to the Motel Lift Station. ³LS is an abbreviation for Lift Station. ⁴LF is an abbreviation for Linear Feet.

Table C. Moderate Improvement Cost Estimates (Treatment Facility)

Description	Quantity	Unit	Unit Cost	Total Cost
Clearing Vegetation & Grade Berms	685	SY ¹	\$ 7	\$ 4,795
Install Rip Rap	540	SY ¹	\$ 32	\$ 17,280
Total Cost				\$ 22,075

¹Sy is an abbreviation for Square Yard.

Table D. Immediate and Moderate Improvement Cost Estimates

Description	Sites	Total Cost
Immediate Improvement Costs	Lift Stations	\$ 51,900
Moderate Improvement Costs	Lift Stations	\$ 88,500
Subtotal (Tables A & B)		\$ 134,875
Moderate Improvement Costs	Treatment Facility	\$ 22,075
Total Cost (Tables A, B & C)		\$ 186,775

Staff concludes that the improvements to the wastewater system should be addressed as recommended. According to Item 3.3 (Conditions of Assets) of the transfer agreement, the Assets are being transferred as is. Therefore, CWID would be responsible for any and all improvements to the wastewater system. As a newly formed district, CWID would be able to apply for grants and subsidized loans to cover the costs associated with the recommended wastewater system improvements identified by Tetra Tech.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

Compliance Status

ADEQ inspected the Livco wastewater system on November 3, 2009. During the inspection no major deficiencies were found in the operation, maintenance, or certified operator status of the wastewater system.

According to an ADEQ Compliance Status Report dated March 31, 2014, ADEQ has determined that the Livco wastewater system is not currently in violation at a level at which ADEQ will take action or issue a Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment. ADEQ considers the Livco wastewater system to be in compliance.

ACC Compliance

A check of the Utilities Division Compliance Section database showed that there are no delinquent Commission compliance items for Livco.⁴

Summary

Conclusions

1. ADEQ considers the Livco wastewater system to be in compliance.
2. The Utilities Division Compliance Section has reported that there are no delinquent Commission compliance items for Livco.
3. On February 1, 2014, a transfer agreement was entered between Livco and CWID for the transfer and sale of Livco Assets.
4. Estimated costs for the immediate and moderate improvements recommended by Tetra Tech amount to approximately \$51,900 and \$134,875, respectively. Total estimated costs equal approximately \$186,775.
5. Staff concludes that the improvements to the wastewater system should be addressed as recommended.

⁴ Per Compliance Section email, dated April 17, 2014.

6. As a newly formed district, CWID would be able to apply for grants and subsidized loans to cover the costs associated with the recommended wastewater system improvements identified by Tetra Tech.

A P A C H E C O U N T Y - S E W E R

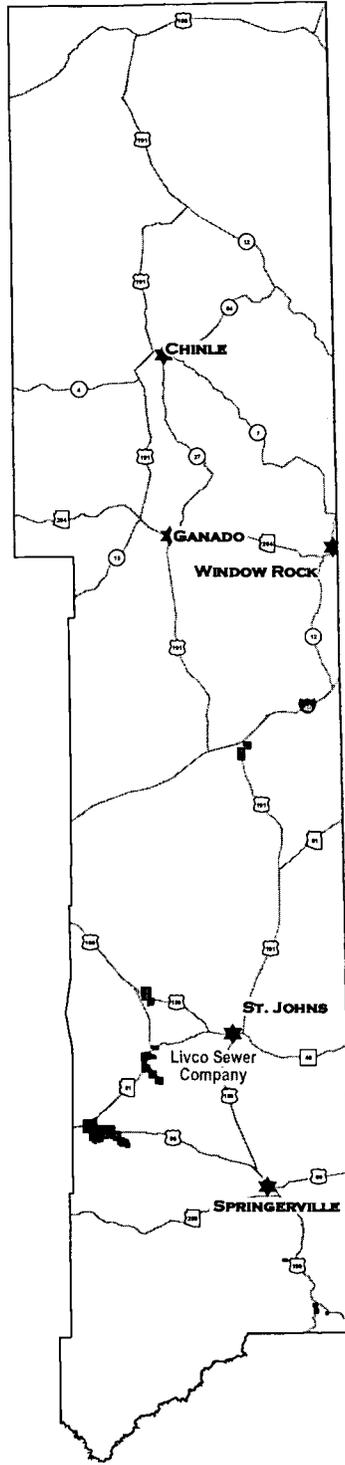


Figure 2. Coconino County Map

A P A C H E C O U N T Y

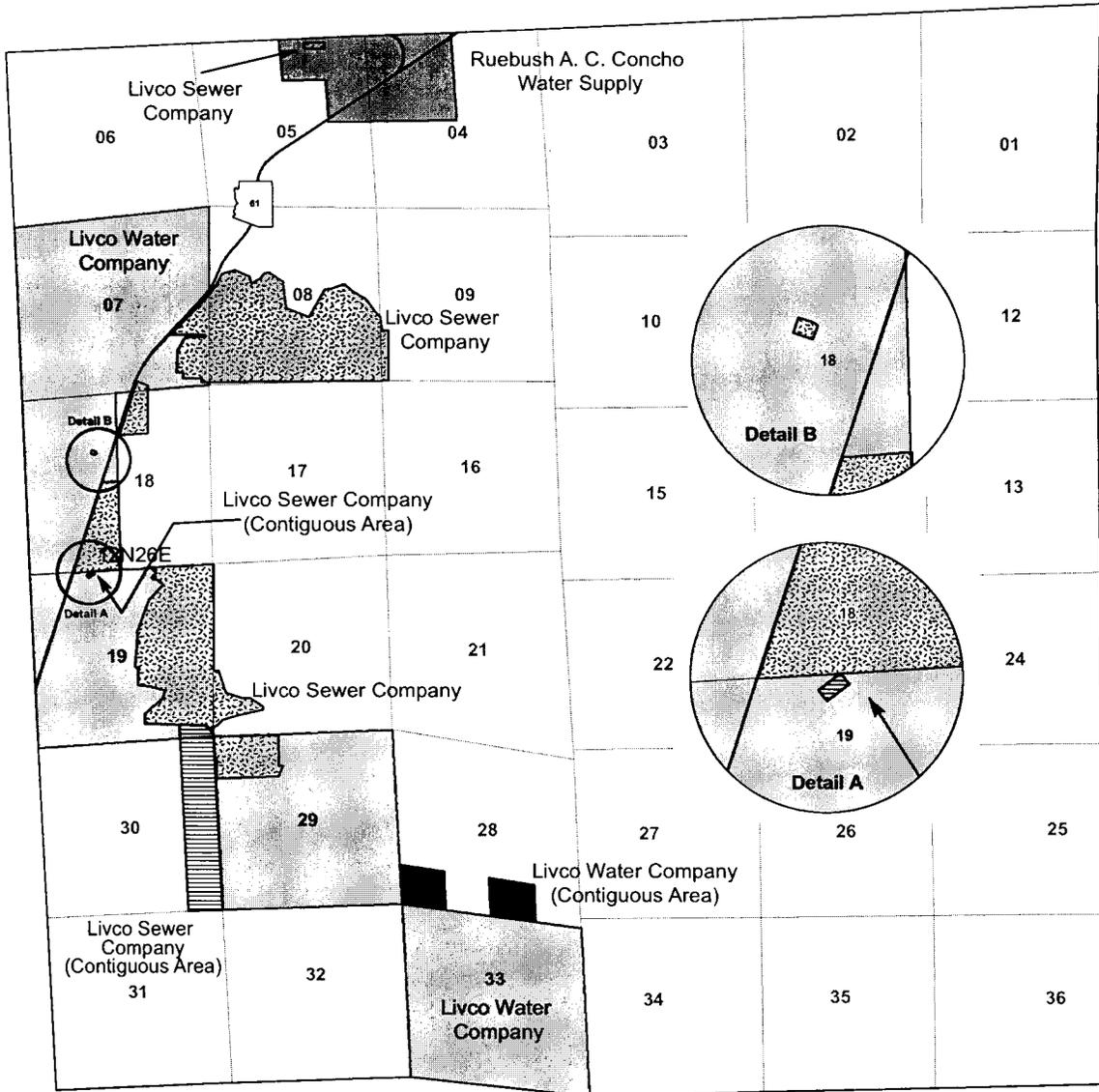


Figure 3. Certified Areas

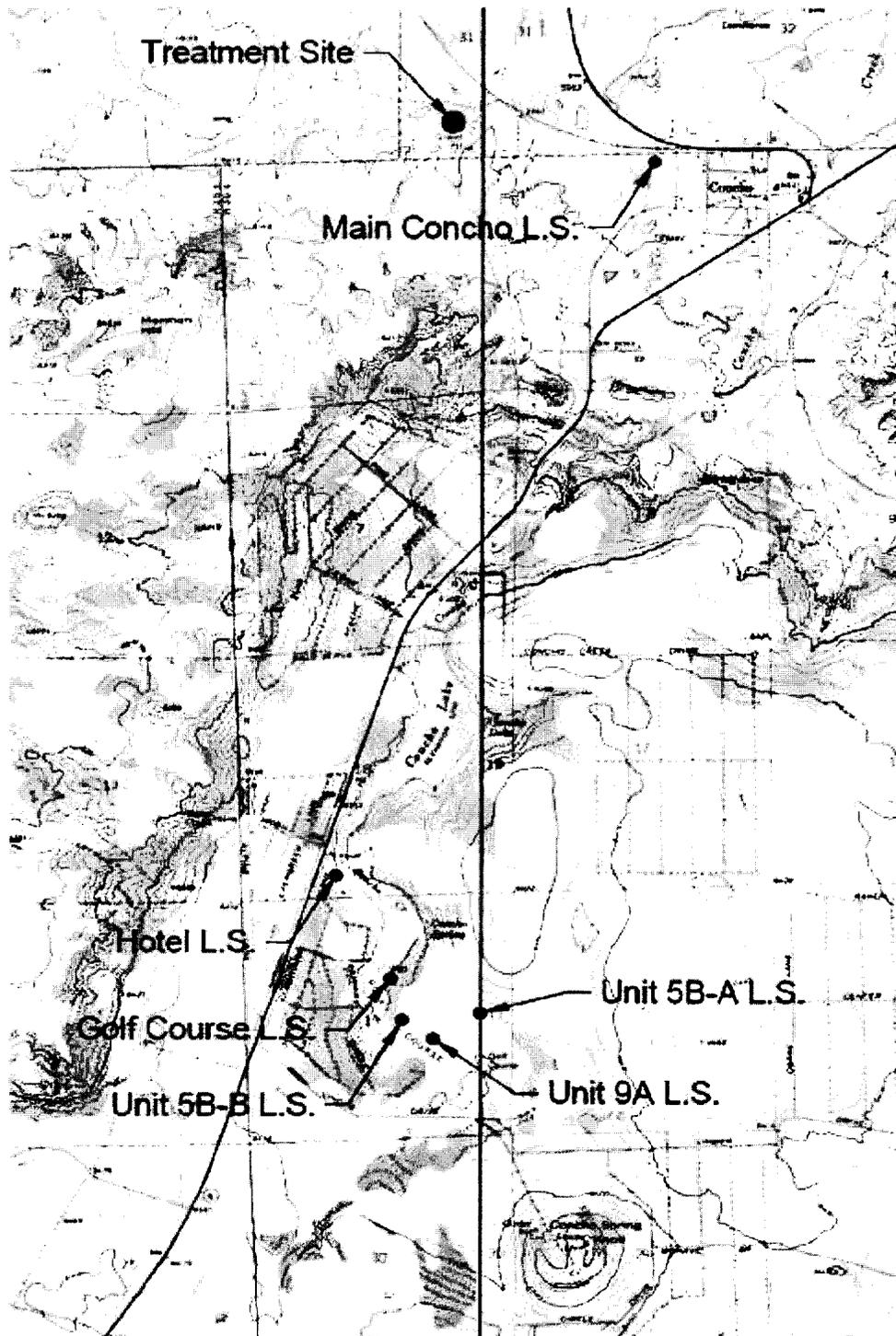


Figure 4. Lift Station & Treatment Facility Location Map⁵

⁵ The abbreviation L.S. signifies Lift Station. The wastewater system contains six (6) lift stations.

MEMORANDUM

TO: Kiana Sears
Executive Consultant I
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: March 24, 2014

RE: LIVCO SEWER COMPANY – DOCKET NO. SW-02563A-14-0058

Livco Sewer has filed an application to cancel its CC&N. Concho Wastewater Improvement District will be serving this area.

Attached is a copy of the map for your files.

/lhm

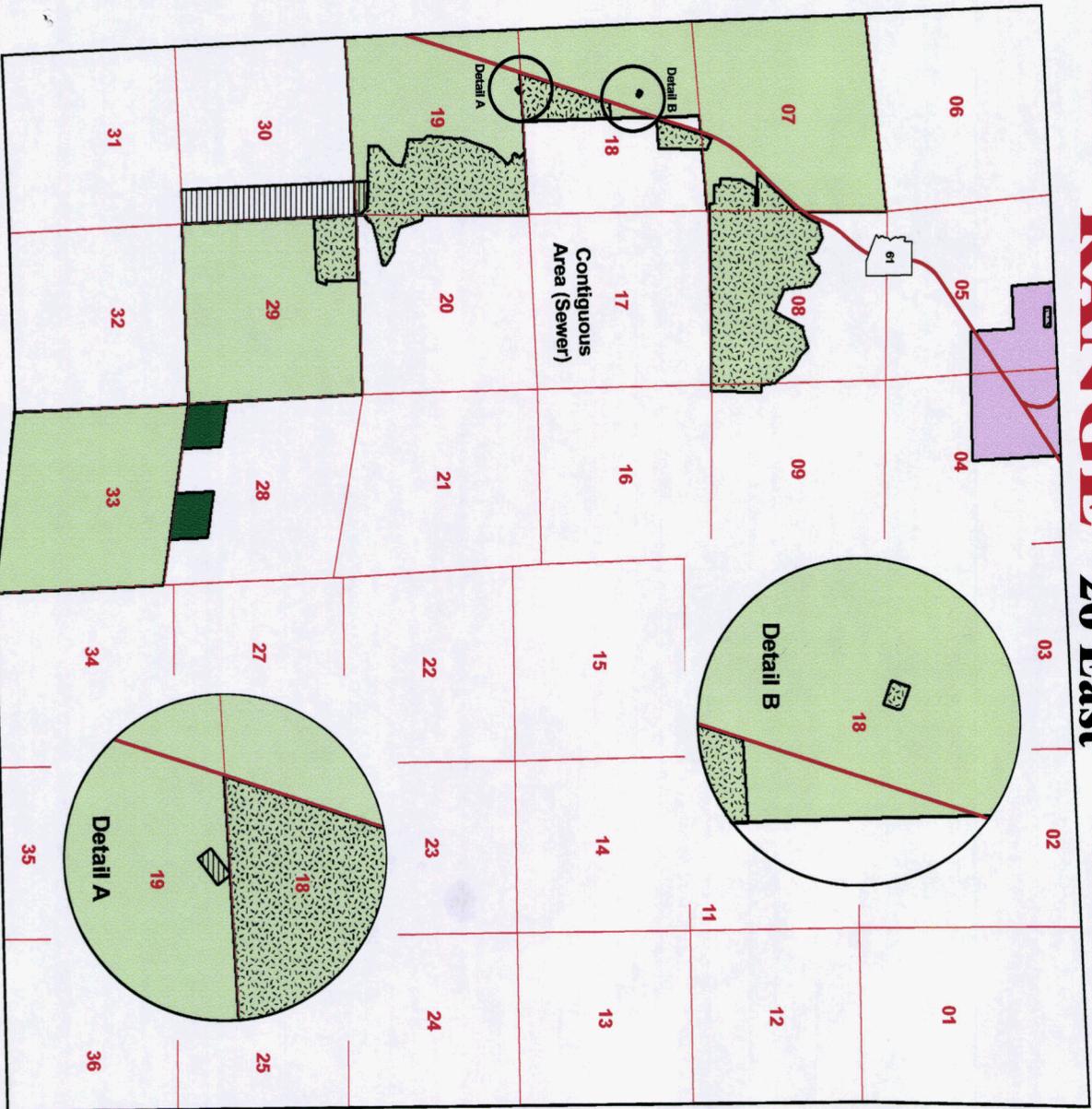
Attachments

cc: Mr. Steve Wene
Ms. Jenni Wicks
Ms. Deb Person (Hand Carried)
Mr. Michael Thompson
File

APACHE COUNTY

Map No. 8

RANGE 26 East



TOWNSHIP 12 North

-  W-02121A (2)
Livco Water Company
-  SW-02563A (1)
Livco Sewer Company
-  W-01913A (1)
Ruebush, A. C. (Concho Water Supply)
-  (2)
Livco Water Company - Contiguous Area
-  (1)
Livco Sewer Company - Contiguous Area
-  Sewer (1)
Livco Sewer Company
Docket No. SW-02563A-14-0058
Application for Cancellation

