Transcript Exhibit(s)

Docket #(s): SW-02563A-14-0058

Exhibit #: A1, A2, S1

ORIGINAL

NEW APPLICATION

0000152620

Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Avenue, Suite 1100
Phoenix, Arizona 85004
(602)-604-2189
swene@law-msh.com
Attorneys for Applicant

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
SUSAN BITTER SMITH
BOB BURNS

IN THE MATTER OF THE APPLICATION OF LIVCO SEWER COMPANY FOR APPROVAL OF THE SALE OF ASSETS AND FOR CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY

Docket Nos. *SW-02563A-14-0058*

APPLICATION FOR APPROVAL OF THE SALE OF ASSETS AND/OR FOR CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY

Pursuant to Arizona Corporation rules and procedures, Livco Sewer Company (Company or Applicant) submits this Application for Approval of the Sale of Assets and for Cancellation of the Certificate of Convenience and Necessity (CC&N).

PRELIMINARY STATEMENT

The Company is an Arizona corporation engaged in the business of providing wastewater utility service to approximately 28 connections in Concho, Arizona. Recently, the residents and customers within the Company's service area petitioned to

EXHIBIT A-1 ADMITTED

form the Concho Wastewater Improvement District (District or Purchaser). The Apache County Board of Supervisors granted the petition and established the District. *See* Exhibit 1. The Company now seeks Commission approval to transfer the Company's property and assets to the District with the understanding that that the District assumes all of the Company's debt and obligations and will continue to provide wastewater service to all Company customers.

APPLICATION

A. The name, address and telephone number of the Applicant is:

Livco Sewer Company
P.O. Box 659
#1 County Road 5100
Concho, AZ 85924
(928) 337-2266

B. If doing business under a name other than the Applicant name specify:

Not Applicable.

C. The Applicant is a:

For-Profit Corporation

D. List the name, address and telephone number of the attorney for the Applicant:

Steve Wene
Moyes Sellers & Hendricks
1850 N. Central Avenue, Ste. 1100
Phoenix, Arizona 85004
(602) 604-2189

E. List the name, address and telephone number of the management contact:

Jenni Wicks
P.O. Box 659
#1 County Road 5100

Concho, AZ 85924
(928) 337-2266

F. The name, address and telephone number of the Purchaser is:

Concho Wastewater Improvement District
P.O. Box 659
#1 County Road 5100
Concho, AZ 85924
(928) 337-2266

G. List the name and telephone number of the purchaser's representative.

Jenni Wicks
P.O. Box 659
#1 County Road 5100
Concho, AZ 85924
(928) 337-2266

H. The Purchaser is an:

Improvement district, a political subdivision of the State of Arizona.

I. The purpose for the sale is due to:

Enable the community to benefit from the wastewater provider being a municipal corporation. Those benefits include opportunities to receive grants and subsidized loans, tax benefits, and lower market costs for professional services.

J. Provide a copy of the following documents:

1. Sales or purchase agreement

***See* Exhibit 2.**

2. Court order (if condemnation)

Not Applicable.

3. Corporate Resolution authorizing the liquidation of the assets, if required by the Articles of Incorporation

Not Applicable.

K. Have all customer security deposits been refunded?

No. All security deposits will be transferred to the Purchaser for refund pursuant to the terms and conditions of the Company pursuant to the Purchase Agreement.

L. Are there any refunds due on Main Extension Agreements?

No.

M. Are there any refunds due on meter and service line installations?

No.

DATED February 25, 2014.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Steve Wene

Original and 13 copies of the foregoing
filed this 25 day of February, 2014, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Donnelly Herbert

EXHIBIT 1

TRANSFER AGREEMENT

This TRANSFER AGREEMENT ("Agreement") is entered into as of the 1 day of February, 2014 between Livco Sewer Company, an Arizona Corporation ("Company"), and the Concho Wastewater Improvement District ("District"), a political subdivision of the State of Arizona. The Company and District are collectively referred to as "Parties".

RECITALS

A. Currently, Company provides sewer service to approximately 30 customers in the Concho community within its certificate of convenience and necessity ("CC&N").

B. Landowners and customers in the Concho community petitioned the Apache County Board of Supervisors to form the District with the intent that the District would assume sewer service currently provided by the Company.

C. Company desires to sell, and District desires to transfer, the assets of the Company under the terms set forth in this Agreement.

AGREEMENT

Company and District ("Parties") agree as follows:

1.0 Transfer and Sale of Assets

1.1 Assets To Be Acquired. Subject to the terms herein, Company agrees to convey to District, and District agrees to accept from Company, all of Company's right, title and interest in and to all of the assets owned or controlled by Company ("Assets"), including those set forth in Exhibit 1.

1.2 Excluded Assets. Company shall not transfer Company's charter documents and original corporate records unless requested by District.

1.3 Assumed Liabilities. District shall assume, perform, and in due course discharge the Company's obligations, liabilities, meter advance credits, main extension agreements, customer deposits, mortgages, pledges, assignments, monetary encumbrances, judgments, claims, charges, liens or security interests ("Assumed Liabilities") unless excluded in Exhibit 2.

1.4 Excluded Liabilities. District will not become liable for those Company obligations, liabilities or indebtedness expressly noted in Exhibit 2.

1.5 Governmental Approvals; Conditions to Closing. Promptly after the execution of this Agreement, Company shall commence a proceeding before the Arizona Corporation Commission ("ACC") requesting termination or relinquishment of its CC&N. Company shall diligently pursue the proceeding until it obtains a final, non-appealable order of the ACC terminating or relinquishing its CC&N. District shall reasonably cooperate with Company in the proceeding. Company shall cooperate with District to obtain any necessary approvals from any other governmental authority whose approval may be necessary to transfer the Assets to the District. Termination of Company's CC&N and the securing of any other necessary approvals by District shall be conditions to District's obligation to close this transaction.

2.0 Closing and Payment

2.1 Closing. The closing ("Closing") will take place no later than ten (10) days after all regulatory approvals are satisfied, or such other date agreed to in writing by District and Company ("Closing Date").

2.2 Payment. District will pay to Company a Transfer price of $1.00, payable in cash or cash equivalent at Closing.

2.3 Transfer of Title. At the Closing, title to, possession of, and risk of loss of all of the Assets shall pass to District. Company has all risk of loss prior to Closing.

3.0 Representations and Warranties of Company.

3.1 Company Authorization. Company represents:

3.1.1 Company has the authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby;

3.1.2 Company has properly authorized the execution and performance of this Agreement;

3.1.3 This Agreement is a valid and binding Company obligation; and

3.1.4 Except as stated herein, no third party approval is necessary or required to transfer the Assets to District.

3.1.5 Company is not obligated to pay any fee to any broker or other intermediary in connection with the transactions contemplated by this Agreement.

3.2 Title and Condition of Assets. At Closing, Company will convey good and marketable title to each of the Assets to District.

3.3 Condition of Assets. The Assets are being transferred as is.

3.4 Litigation; Disputes. To the best of Company's knowledge, there are no claims, disputes, actions, suits, investigations or proceedings pending or threatened against or affecting Company or the Assets, and there is no basis for any such claim, dispute, action, suit, investigation or proceeding.

3.5 Compliance with Applicable Law. To the best of Company's knowledge, Company is in full compliance with applicable federal, state and local laws (including common law), permits, judgments, orders, or decrees, including without limitation any of the foregoing relating in any manner to safe drinking water, the protection of human health or the environment, public health and safety, or employee health and safety.

4.0 Representations and Warranties of District.

4.1 District Authorization. District represents:

4.1.1 District has the authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby;

4.1.2 District has properly authorized the execution and performance of this Agreement;

4.1.3 This Agreement is a valid and binding District obligation; and

4.1.4 District is not obligated to pay any fee or commission to any broker or other intermediary in connection with the transactions contemplated by this Agreement.

5.0 Covenants.

5.1 Administration of Receivables. The Parties agree that the Company shall receive and be responsible for all income and expenses on or before December 31, 2013 and the District shall receive and be responsible for all income and expenses thereafter provided the Arizona Corporation Commission approves the transfer.

5.2 Tax and Other Matters. Company shall pay all taxes and costs relating to the Assets accruing on or before December 31, 2013 and District shall pay any applicable taxes and costs relating to the Assets for the period thereafter.

5.3 Employees of Company. Company shall retain and perform any and all monetary and other obligations to employees incurred prior to the Closing. Company and District agree that District may hire Company employees and contractors after this Agreement becomes final.

5.4 Further Assurances. From time to time after the Closing, Company will, at its own expense, execute and deliver such documents to District as District may reasonably request, and District will, at its own expense, execute and deliver such documents to Company as Company may reasonably request, in order to more effectively consummate the transactions contemplated by this Agreement.

6.0 Closing Costs and Buyer Investigation

6.1 District's Investigation Contingency. District shall have the right to investigate and inspect the Assets. Company has provided investigative report to District and District acknowledges receipt of report and that inspection has occurred.

6.2 Closing Costs. All Closing costs payable shall be paid by the Company.

6.3 Certification as to "Non-Foreign" Status. At the Closing, Company certify that Company is not a nonresident alien, foreign corporation, foreign partnership, foreign trust, foreign estate, or other foreign person within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986 and the Treasury Regulations hereunder.

7.0 Closing Requirements.

7.1 Company Deliveries. At Closing, Company shall deliver to District the Company's fully executed:

7.1.1 Quit claim deeds with respect to the Real Property ("Deed")

7.1.2 Non-Foreign Affidavit required by this Agreement;

7.1.3 Bill of sale with respect to the non-realty Assets in substantially the form attached hereto as Exhibit 3;

7.1.4 All other documents contemplated by this Agreement to be executed and delivered by Company;

7.1.5 All customer deposits and meter advance credits; and

7.1.6 A current list of all customers' names and addresses.

7.2 District Deliveries. At Closing, District shall deliver to Company cash or cash equivalent in an amount equal to $1.00.

8.0 Indemnification.

8.1 Survival of Representations and Warranties, Covenants and Indemnities. All representations and warranties and each covenant and indemnification provision contained herein, or in any Exhibit hereto, shall survive Closing and remain in full force and effect in accordance with its terms. Each indemnification provision contained herein shall survive any cancellation or termination of this Agreement.

8.2 Indemnification by Company. Company shall indemnify, defend and hold District harmless for, from and against all losses, damages, injuries, liabilities, claims, penalties, costs and expenses of any nature whatsoever (including costs of investigations, suits, other proceedings, and reasonable attorneys' and others fees in connection therewith) ("Losses") resulting from:

8.2.1 Any inaccuracy, misrepresentation, breach, nonfulfillment of any Company representation contained in this Agreement;

8.2.2 Any liability excluded in Exhibit 2; and

8.2.3 The use, ownership, or operation of the Assets prior to the Closing.

8.3 Indemnification By District. After the Closing Date, District shall indemnify, defend and hold Company harmless for, from and against any and all Losses resulting from, any and all Assumed Liabilities and the use, ownership, or operation of the Assets after the Closing.

9.0 Miscellaneous.

9.1 Expenses. Except as otherwise provided in this Agreement, each of the respective Parties to this Agreement shall pay their own costs and expenses relating to this Agreement, the negotiations leading up to this Agreement, and the transactions contemplated by this Agreement.

9.2 Amendment. This Agreement shall not be amended or modified except by a writing duly executed by Company and District.

9.3 Entire Agreement. This Agreement contains all of the agreements of the Parties with respect to the subject matter herein and supersedes all prior agreements and negotiations.

9.4 Notices. All notices regarding this Agreement shall be in writing and shall be given by either (a) personal delivery, (b) prepaid certified mail, (c) facsimile transmission, or (d) email as set forth below:

If to District:

Concho Wastewater Improvement District
P.O. Box 659
#1 Country Road 5100
Concho Arizona 85924

If to Company:

Livco Sewer Company
P.O. Box 659
#1 Country Road 5100
Concho Arizona 85924

Such addresses may be changed, from time to time, by means of a notice given in the manner provided herein.

9.5 Severability. If any provision of this Agreement is held to be invalid or unenforceable, then the remainder of this Agreement shall not be affected thereby, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

9.6 Limits on Remedies. Company's sole remedy in the event of any breach of this Agreement by District shall be to cancel this Agreement by written notice to District, in which event neither Party has any further liability or obligation to the other party related to this Agreement. District's sole remedy in the event of any breach of this Agreement by Company shall be to cancel this Agreement by written notice to Company.

9.7 Waiver. Waiver of any provision of this Agreement by either of the Parties shall only be effective if in writing and shall not be construed as a waiver of any other provision.

9.8 Assignment. No party to this Agreement may assign its rights or obligations under this Agreement without the prior written consent of the other Party, which it may withhold in its absolute discretion. Except as limited in the proceeding sentence, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, personal representatives, successors and assigns.

9.9 Counterparts. This Agreement may be signed in any number of counterparts, and all such counterparts together shall be deemed an original of this Agreement.

9.10 Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

9.11 Construction. The headings used herein are for the purposes of convenience only and shall not be read or interpreted as having any meaning or effect. Exhibits referred to herein are hereby incorporated into and made part of this Agreement. In interpreting any provision of this Agreement no presumption shall be drawn against the Party drafting the provision.

9.12 Attorneys' Fees. In the event of any action arising out of this Agreement, the prevailing Party shall be entitled to recover its costs, expenses and reasonable attorney's fees incurred in connection with the dispute from the other party.

9.13 Cancellation. All parties hereby acknowledge that this Agreement is subject to cancellation by the District pursuant to the provisions of A.R.S. § 38-511.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year first above written.

District	**Company**
By: _____	By: _____
Its: CHAIRPERSON	Its: _____

STATE OF ARIZONA)
) ss.
County of APACHE)

The foregoing instrument was acknowledged before me on FEB. 10, 2014 by PAT MURPHY, CHRISTINE M. BENNETT of _____.

My Commission expires: 01/04/2016

OFFICIAL SEAL
CHRISTINE M. BENNETT
Notary Public - State of Arizona
APACHE COUNTY
My Comm. Expires Jan. 4, 2016

A.R.S. § 11-952(G) CERTIFICATION

This Agreement is determined to be in proper form and within the powers and authority granted under the laws of this State to District:

Dated this _____ day
of _____, 201__.

_____
Attorney for District

and year first above written.

District	Company
	LIVCO SEWER Co.
By:	By: Rick Kautz
Its:	Its: President

STATE OF South Dakota)
) ss.
County of LINCOLN)

The foregoing instrument was acknowledged before me on FEB 4, 2014 by _____, _____ of _____.

Mark L Anderson

My Commission expires: 6/22/18

MARK L. ANDERSON Notary SEAL Public South Dakota

A.R.S. § 11-952(G) CERTIFICATION

This Agreement is determined to be in proper form and within the powers and authority granted under the laws of this State to District:

Dated this _____ day
of _____, 201__.

_____
Attorney for District

EXHIBIT 1

Company Assets Being Conveyed to District

1. All Company sewer system pipelines, pumps, valves, treatment facilities, equipment, replacement parts and sewer system inventories.

2. All Company operational, maintenance and technical data and information, and intangible assets related to the Assets.

3. All Company specifications, plans, drawings, and influent and effluent data.

4. All Company customer lists, financial, and other books and records related to the Assets, and all customer deposits, account receivables, other deposits, prepaid items and refunds.

5. All Company rights permits, warranties, representations, guarantees and service contacts made by suppliers, manufacturers and contractors in connection with the Assets.

6. All Company real property together with all improvements thereon.

7. All Company cash and cash equivalents held by or for Company as of the Closing Date.

8. Copies of Company records that District requests.

EXHIBIT 2

Assumed Liabilities

1. All Company accounts payable disclosed by Company (approximate $ 0 liability)

2. Company long-term debt incurred from loan (approximate $ 0 liability)

Excluded Liabilities

1. None.

EXHIBIT 3

Bill of Sale

BILL OF SALE

THIS BILL OF SALE is made as of ~~January~~ February 1, 2014, by Livco Sewer Company, an Arizona Corporation ("Company"), in favor of the Concho Wastewater Improvement District ("District"), a political subdivision of the State of Arizona.

RECITALS

A. Pursuant to a Transfer Agreement dated as of February 1, 2014 ("Agreement") by and between Company and District, Company has agreed to sell and assign to District certain Assets (as that capitalized term is defined in the Agreement) of Company and District has agreed to accept such Assets from Company and to assume certain utility obligations of Company related thereto.

B. All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company does hereby sell, convey, assign, transfer and deliver unto District, its successors and assigns, all of Company's right, title and interest in and to all of the Assets set forth in Attachment 1,

TO HAVE AND TO HOLD unto District, its successors and assigns, for its use and benefit forever.

This Bill of Sale is subject to the terms and conditions (including the representations and warranties) contained in the Agreement, and shall be governed by, and construed and enforced in accordance with, the laws of the State of Arizona, without regard to its conflicts of laws principles.

IN WITNESS WHEREOF, Wastewater Company has executed and delivered this Bill of Sale on the date first above written.

By: Rick Kautz

Name: LIVCO SEWER Co.

Its: President

Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Avenue, Suite 1100
Phoenix, Arizona 85004
(602)-604-2189
swene@law-msh.com
Attorneys for Applicant

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
SUSAN BITTER SMITH
BOB BURNS

IN THE MATTER OF THE APPLICATION OF LIVCO SEWER COMPANY FOR APPROVAL OF THE SALE OF ASSETS AND FOR CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY	Docket Nos. SW-02563A-14-0058 **RESPONSE TO INSUFFICIENCY LETTER**

Pursuant to Arizona Corporation rules and procedures, Livco Sewer Company (Company or Livco) submits this Response to Staff's Insufficiency Letter dated March 25, 2014.

1. Please review the map Staff has attached and provide the number of connections, if any, that are within the contiguous areas (outside Livco's Certificate of Convenience & Necessity) served by Livco Sewer Company. Also include any Livco Sewer Company facilities that are within the contiguous areas.

Response: During our telephonic conference on April 14, 2014, Staff clarified its concern related to the continued sewer service to all current customers. The Company affirms that all current customers will continue to be served consistent with standard utility practices after the plant is transferred to the district.

2. Please provide a detailed description of the wastewater treatment facility operation, as well as a schematic.

Response: *See* Attachment 1.

3. Please provide a current copy of the ADEQ Compliance Status Report for the LIVCO wastewater facility.

Response: During our telephonic conference on April 14, 2014, Staff confirmed receipt of the ADEQ compliance report, which documents that the Company is in compliance with ADEQ's rules.

DATED April 15, 2014.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Original and 13 copies of the foregoing filed this 15th day of April, 2014, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Attachment 1

FACILITIES ASSESSMENT REPORT

for

LIVCO SEWER COMPANY
CONCHO, ARIZONA

TETRA TECH

133-26591-13001

March 2013

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

1.0 INTRODUCTION

1.1 Purpose

The purpose of this report is to present the results of the facilities assessment that was performed by Tetra Tech, Inc. on behalf of the Livco Sewer Company. A site visit was made to observe the system and assess the facilities in operation that day. This report summarizes the observations that were made as well as provides information on suggested improvement requirements for the facilities.

1.2 Background

The Livco Sewer System is comprised of gravity mains, pressurized lines (force mains and lift stations), and a treatment facility. It appears that some of the system was constructed in the early 1980's or earlier, therefore some of the system is quite old. The system generally flows from south to north, and eventually makes its way to the treatment site on the northwest side of Concho. Most of the system is located in the area south of Concho Lake. The sewer is pumped from the Golf Course Lift Station along Highway 61 to the north. The effluent then travels on the west side of Concho where it then enters another lift station on the south side of the highway to Snowflake (County Road 5020). This lift station then pumps the sewer to the treatment site, which is also on the south side of the Snowflake Highway. A location map showing the approximate location of the lift stations and the treatment site is shown on Figure 1.

On January 31, 2013 Ed Pauling from Tetra Tech and Matt Davis from Livco Sewer Company inspected portions of the sewer system. On that day, six (6) lift stations, seven (7) manholes and the treatment site were inspected. Ed and Matt both went to each location.

The lift station lids were lifted and the wet wells, pumps, piping, and wiring inside the wet wells were examined. The exterior of the lift stations were inspected as well along with the electrical control box and wiring. Photographs were also taken of the lift stations.

All of the manholes that were inspected were located in the Concho Valley Unit 9 subdivision except one. The six (6) manholes that were inspected in Unit 9 had no sewer flow in them and were in good condition. The single manhole not located in Unit 9 is the manhole that the 8" diameter force main enters, which is upstream of the main lift station that pumps the effluent to the treatment facility site.

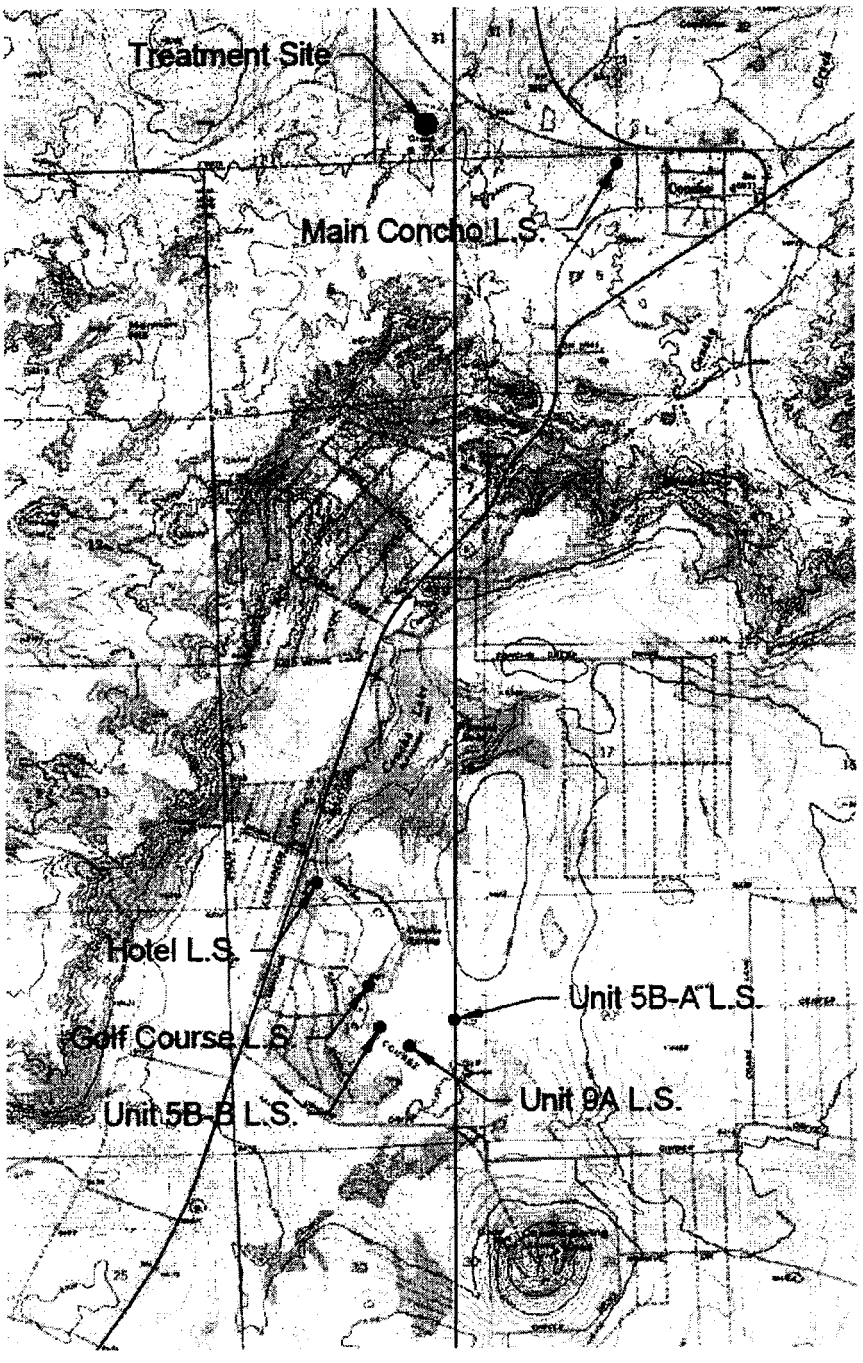


Figure 1. Lift Station & Treatment Site Location Map

2.0 LIFT STATIONS

2.1 Lift Station 9A

The lift station designated as "9A" is located northwest of Concho Valley Unit 9A. It generally receives sewer flow from Units 9 and 9A. It is also the highest lift station in elevation in the sewer system. This lift station wet well is five feet (5') in diameter and has a concrete top with a metal lid and two (2) 2.5 horsepower pumps. The pumps force the effluent through a four inch (4") diameter force main. The force main empties into a manhole located on Lot 402 in Concho Valley Unit 5B. A photo of the exterior of the lift station along with the electrical control panel is shown in Figure 2.

Figure 2. Exterior of Lift Station 9A

The lift station was generally in satisfactory condition. The wet well appeared to be holding together and is not breaking down. The lid was also not rusting. As can be seen in Figure 3, there is some rusting inside the wet well on the rails and the piping, however they seem to be functioning fine. It was assumed that the rails are not too rusted to pull the pumps as it was indicated that the pumps have not been pulled in a long period of time. It appeared that the wet well has a PVC vent that runs from the wet well, over to the control panel, and up into the air above the control panel. This vent appears to be functioning properly as the wet well is in good condition.

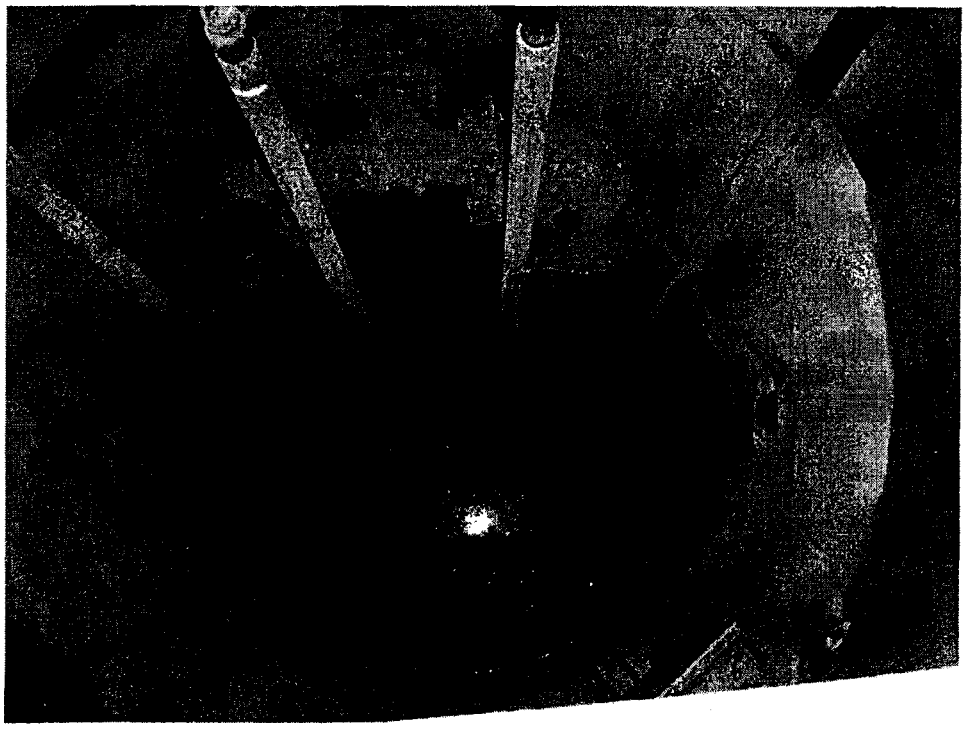


Figure 3. Interior of Lift Station 9A

Although there are duplex pumps in the wet well, it was indicated by Matt that there are no replacement pumps for this lift station on hand. An extra pump should be kept on hand for use when one or both of the pumps in the wet well need repaired or replaced. Also, as can be seen in Figure 3, there is an electrical junction box inside the wet well. This box should be relocated outside the wet well to prevent the box from being submerged in sewer as well as to keep the box away from the harmful and corrosive sewer gases (hydrogen sulfide) that exist in the wet well. When the lift station begins to receive more flows, this could become a problem.

Figure 4 shows that there are exposed wires between the electrical conduit and the control panel. It appears the control box was raised after the construction was completed. The control panel should be lowered so that there are no exposed wires. This will help protect the wires and will also prevent the wires from rubbing on the sharp edge of the control box when the wires move, which movement can be caused from the pumps turning on and off as well as running. After the control panel is lowered to the conduit, the hole in the control panel should be sealed. This will prevent moisture from entering the control box.

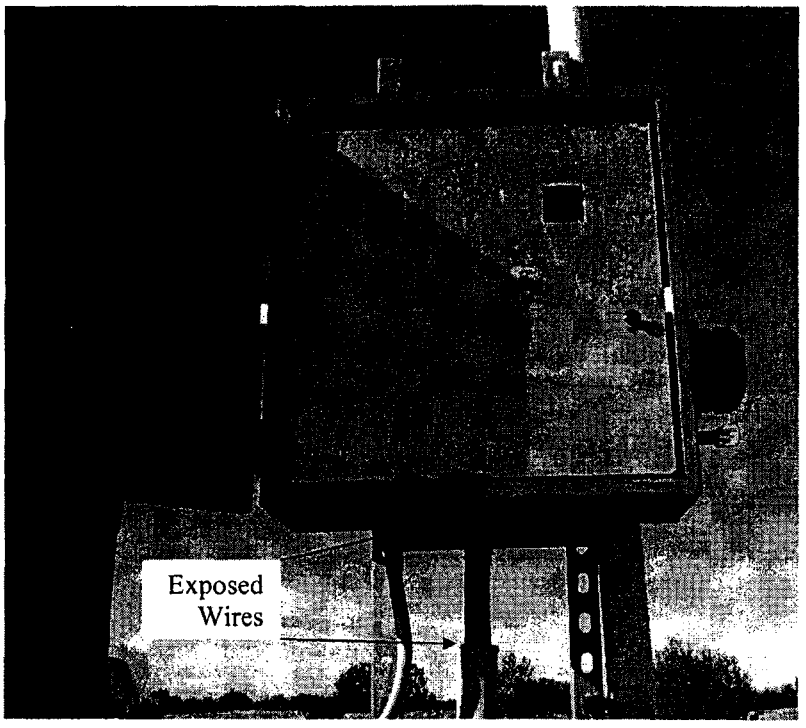


Figure 4. Lift Station 9A Control Panel

A fence should be added to the lift station site to prevent people from tampering with the lift station. A sign should also be attached in a conspicuous location indicating the phone number to call in case the emergency alarm is sounding or warning light is activated.

2.2 Lift Station 5B-1

Lift station 5B-1 is located on the south side of Concho Valley Unit 5B, in between Lots 380 and 381. This lift station is constructed to have redundant pumps, however only a single pump is functioning. The force main from the wet well is a four inch (4") diameter line that runs to a gravity manhole located on Lot 388 of Concho Valley Unit 5B. The wet well is five feet (5') in diameter and has a metal top and lid. The control panel is mounted directly onto the metal top. It appears the control panel started to corrode and break away from the lid so additional bracing was added to hold the control panel up. The corrosion of the control panel post was most likely from the hydrogen sulfide gas entering the post from the wet well. The lid has a small opening for access to the wet well and the pumps. Figure 5 shows a photo of the exterior of the lift station.

Figure 5. Exterior of Lift Station 5B-1

As was mentioned, the access lid to the lift station is too small and should be made larger. The existing lid is also showing a great deal of corrosion. There is not a vent on the wet well to allow the hydrogen sulfide gas to exit the wet well, and a vent should be added to the wet well.

It is also recommended that the control panel be moved from off of the wet well lid and placed near the lift station. Conduit should be ran from the side of the wet well to the control panel and all wiring should be protected and should be contained in the conduit. The entrance to the conduit at the wet well should also be sealed to prevent the sewer gasses from traveling through the conduit to the control panel.

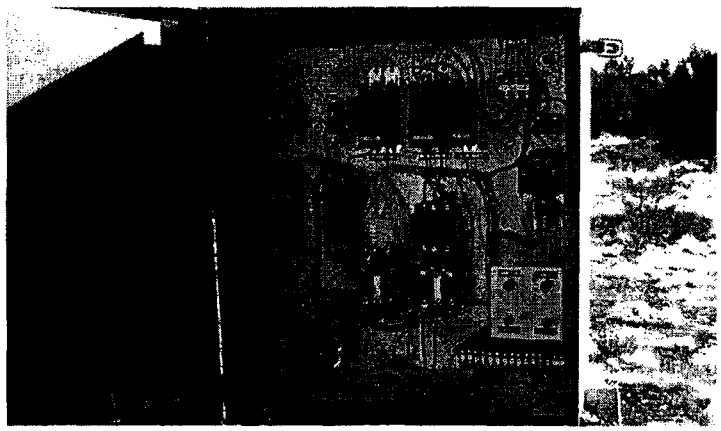


Figure 6. Lift Station 5B-1 Control Panel

As can be seen in Figure 6, the wiring in the control panel is in disrepair. It is recommended that an electrician be hired to check the wiring as there are many wires that are not connected. The emergency alarm on this lift station also does not operate and should be addressed.

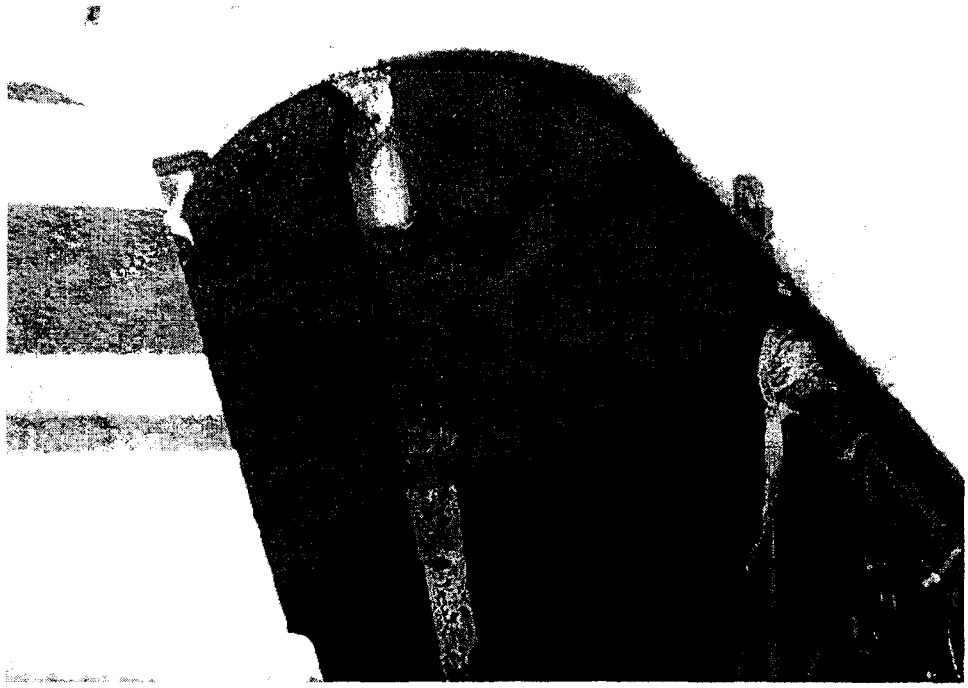


Figure 7. Interior of Lift Station 5B-1

In Figure 7 it can be seen that the metal inside the wet well has a great amount of corrosion. Instead of a metal chain to pull the pump, a nylon strap has been installed. All of the metal in the wet well should be replaced with stainless steel metal, including a pull chain for the pumps.

It can also be seen in Figure 7 that the sewer in the wet well is very high and was approximately three feet (3') from over flowing the wet well. There is only a single working pump in the wet well and it is not known what size of pump it is. It was reported that the other pump would run, but the pipe may not be connected to the pump. It is not the original pump that was installed. Based on the depth of the sewer, it appears that there may be a problem with the floats or the electrical system. This high water problem should be investigated and corrected.

The wet well should have two (2) working pumps installed that have been sized for the flows entering the lift station. The required head and the size of the force main to achieve sufficient velocity to scour the force main should be analyzed. There should also be a backup pump in storage in case the lift station pumps require maintenance or replacement.

Also, there is no fence installed to prohibit tampering of the lift station. It is recommended that a fence be installed to prevent damage. A sign should also be attached in a conspicuous location indicating the phone number to call in case the emergency alarm is sounding or a light is activated.

2.3 Lift Station 5B-2

Lift station 5B-2 is located on the south side of Concho Valley Unit 5B, in the southwest corner of Lot 400. This lift station was in poor condition. The lift station also only has a single functioning pump. The force main from the wet well is a four inch (4") diameter line that runs to the same gravity manhole that Lift Station 9A flows to which is located on Lot 402 of Concho Valley Unit 5B. The wet well is five feet (5') in diameter and has a metal top and lid, similar to the lid on Lift Station 5B-1. Lift Station 5B-2 also has some of the same problems as Lift Station 5B-1.

The control panel was also mounted directly onto the metal top and has the same corrosion problems, although more severe than Lift Station 5B-1. Figure 5 shows a photo of the exterior of the lift station.

This lift station lid is also too small and should be made larger. The existing lid is also showing a great deal of corrosion, and therefore a vent should also be added to the wet well lid. It is also recommended that the control panel be moved from off of the wet well lid and placed near the lift station. Conduit should be ran from the side of the wet well to the control panel and all wiring should be protected and should be contained in the conduit. The entrance to the conduit at the wet well should also be sealed to prevent the sewer gasses from traveling through the conduit to the control panel. It appears some wiring for the float controls has been pulled through the hole in the lift station lid that allows the

wiring to enter the control panel. These float control wires should be in the wet well or in conduit for protection. They should not be opened to the elements.

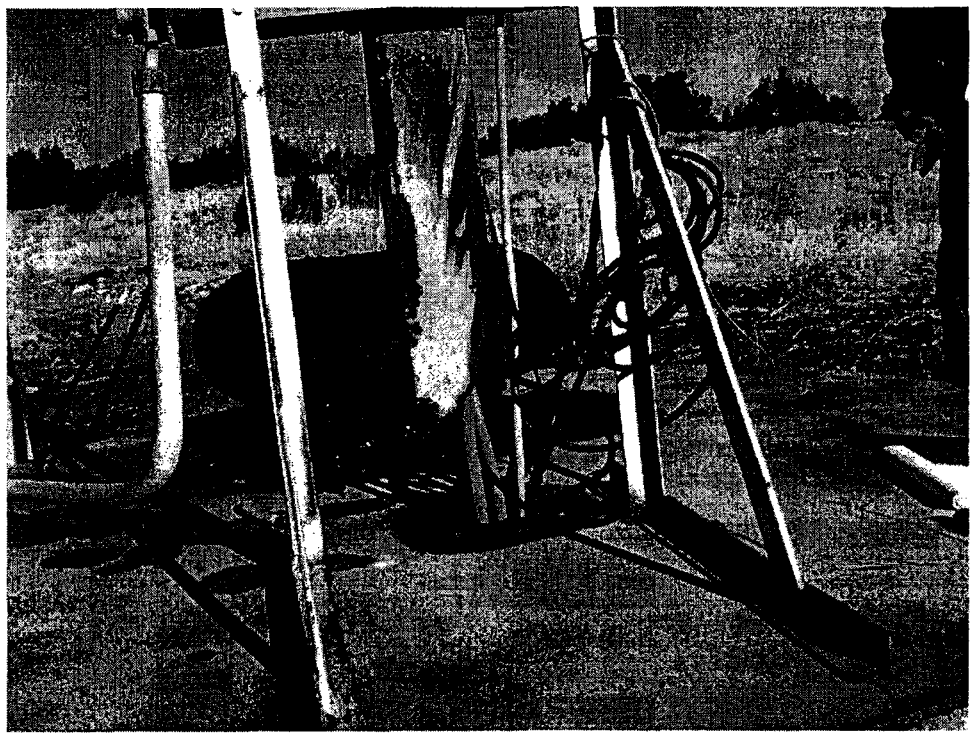


Figure 8. Exterior of Lift Station 5B-2

As can be seen in Figure 9, the wiring in the control panel is in fair condition, however it was reported that the warning alarm does not work at this lift station. It is recommended that an electrician be hired to address this problem. A sign should also be attached in a conspicuous location indicating the phone number to call in case the emergency alarm is sounding. A fence should also be installed to prohibit tampering and damage of the lift station.

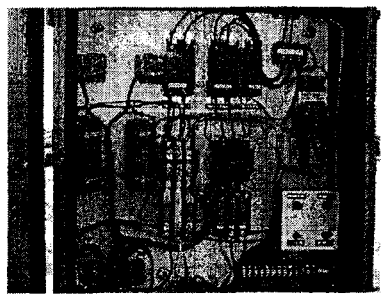


Figure 9. Lift Station 5B-2 Control Panel

In Figure 10 it can be seen that the metal inside the wet well has a great amount of corrosion and there is also a nylon strap to pull the pump. All of the metal in the wet well should be replaced with stainless steel metal, including a pull chain for the pumps.

The wet well should have two (2) working pumps installed that have been sized for the flows entering the lift station, the required head and the size of the force main to achieve sufficient velocity to scour the force main. There should also be a backup pump in storage in case the lift station pumps require maintenance or replacement. It would be beneficial if several of the lift stations use the same pump. Therefore a single pump could be kept on hand for backup of several lift stations instead of having a backup pump for each lift station.

Figure 10. Interior of Lift Station 5B-2

2.4 Golf Course Lift Station

The Golf Course lift station is located west of Lot 123 of Concho Valley Unit 5A. This lift station accepts flows from lift stations 9A, 5B-1 and 5B-2. It has an eight foot (8') diameter wet well with two (2) 10 HP pumps. The Golf Course Lift Station has a six-inch (6") diameter force main and flows to the Motel Lift Station. Generally, the lift station is in fare to good condition. The lift station is configured with a wet well chamber as well as a

separate valve vault for the force main. Figure 11 shows a photo of the exterior of the lift station.

Figure 11. Exterior of Golf Course Lift Station

The wet well is in good condition. The metal in the wet well also appears to be in good condition. The control panel is located off of the wet well and it mounted on an adjacent panel. However, the openings in the control panel are quite a bit larger than the conduit. These openings should be closed to seal the control panel (see Figure 12).

Figure 12. Control Panel Openings

The control panel appears to be in good shape. It was reported that the alarms on the lift station do not work. It is recommended that the alarms be fixed to give a warning if the lift station does not operate correctly. A sign should also be added to the site indicating a phone number to call when the alarm is warning.

Figure 13. Interior of Golf Course Lift Station

In Figure 14 it can be seen that the wet well is in fairly good condition. The metal inside the well does not appear to be corroding and is still in good condition. Stainless steel pull chains should be installed to allow the pumps to be pulled for maintenance and replacement. It was reported that there is not a spare pump for this lift station. As was recommended for the other lift stations, a spare pump should be kept on hand for this lift station as well.

As was mentioned, this lift station has a separate valve vault for the force main as it exits the wet well. The piping in the valve vault has a large amount of corrosion. In Figure 15 it can be seen that water has entered the valve vault and the check valve on the line that allows the valve vault to drain to the wet well has not opened or the line itself is plug. Based on the high water marks in the vault it appears the water sat in the vault for a long period of time. This should be corrected by either repairing or replacing the check valve, or

clearing the line (which ever work is required to correct the problem) to allow the vault to drain.

Also, in the same valve vault, the concrete on the vault itself has deteriorated around the force main that extends out of the vault. This concrete should be patched to keep the vault from deteriorating completely and allowing infiltration.

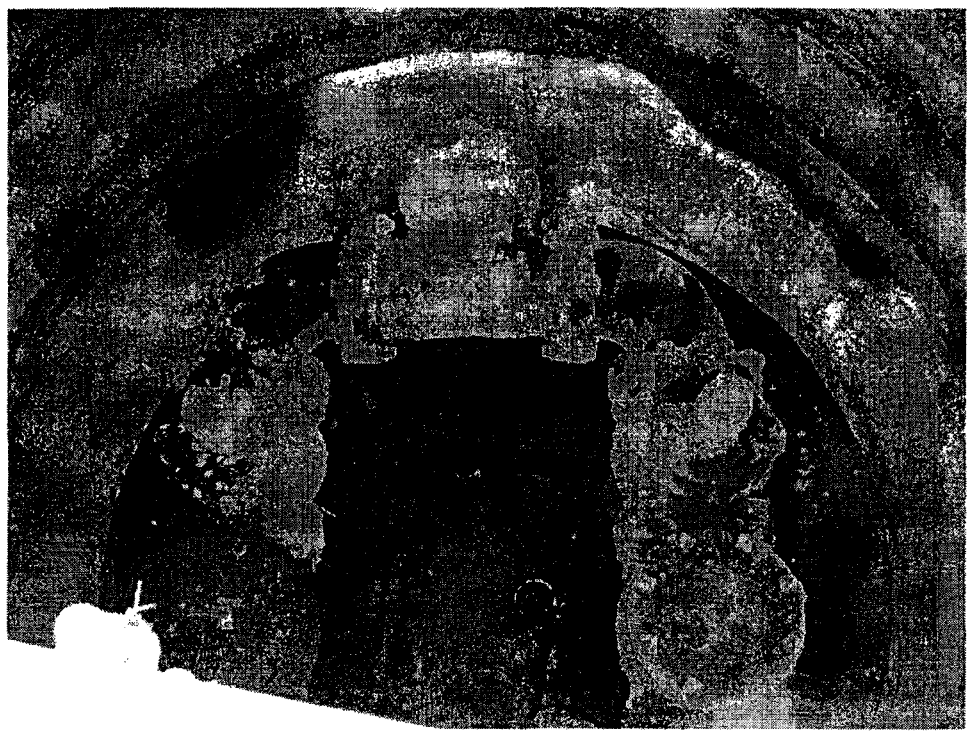


Figure 14. Golf Course Lift Station Valve Vault

The wet well should have two (2) working pumps installed that have been sized for the flows entering the lift station, the required head and the size of the force main to achieve sufficient velocity to scour the force main. There should also be a backup pump in storage in case the lift station pumps require maintenance or replacement.

2.5 Motel Lift Station

The Motel Lift Station is located southeast of the Concho Motel. The lift station handles sewer flows from Concho Valley Unit 1B and the Club House. The wet well is five feet (5') in diameter and was reported to only have a single functioning 2 HP pump. The force main from the wet well is a four inch (4") diameter line that runs to a gravity manhole located on the west side of Concho Valley Unit 5A. The wet well has a metal top and lid. The control panel is mounted directly onto the metal top; however it doesn't appear that

the mounting pole of the panel has corroded much. This lift station also has a hoist base that can be utilized to lift the pumps from the wet well. Figure 15 shows a photo of the exterior of the lift station.

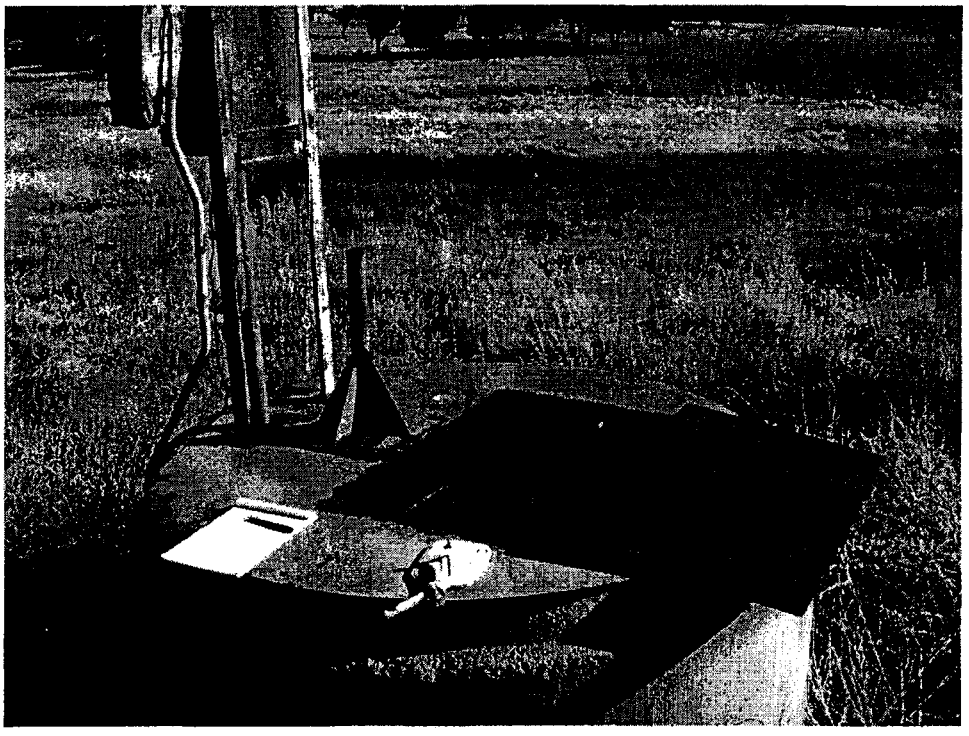


Figure 15. Exterior of Motel Lift Station

The existing lid is also showing a great deal of corrosion. There is also not a vent on this wet well to allow the hydrogen sulfide gasses to exit, but should be added to the wet well.

It is also recommended that the control panel be moved from off of the wet well lid and be placed near the lift station. Conduit should be ran from the side of the wet well to the control panel. Special care should be made to install all wiring in conduit to provide protection. As can be seen in Figure 15, there are wires that are exposed. The entrance to the conduit at the wet well should also be sealed to prevent the sewer gasses from traveling through the conduit to the control panel.

It was also reported that the emergency alarm on this lift station does not work. This problem should also be corrected. Also, there is no fence installed to prohibit tampering of the lift station. It is recommended that a fence be installed to prevent damage to the lift station. A sign should also be attached in a conspicuous location indicating the phone number to call in case the emergency alarm is sounding.

The wet well should have two (2) working pumps installed that have been sized for the flows entering the lift station, the required head and the size of the force main to achieve sufficient velocity to scour the force main. There should also be a backup pump in storage in case the lift station pumps require maintenance or replacement.

As previously mentioned, the Motel Lift Station pumps sewer through a four-inch (4") force main to an existing manhole located in Concho Valley Unit 5A. This sewer in this manhole then gravity flows to the south to the Golf Course Lift Station. The Golf Course Lift Station then pumps the sewer to the west to the right-of-way of Highway 61. The sewer continues north, parallel to Highway 61, and past the Concho Hotel and eventually to the Main Lift Station in Concho. To reduce pumping costs, a new four-inch (4") force main should be installed from the Motel Lift Station, northward to County Road 5100 and then west over to connect to the existing force main located in the right-of-way of Highway 61. This would decrease Golf Course Lift Station operating costs. This would require approximately 600 linear feet of four-inch (4") force main be installed. The approximate location of the proposed force main is shown in Figure 16. This line would need to be designed and constructed to prevent backflow into the Motel Lift Station.

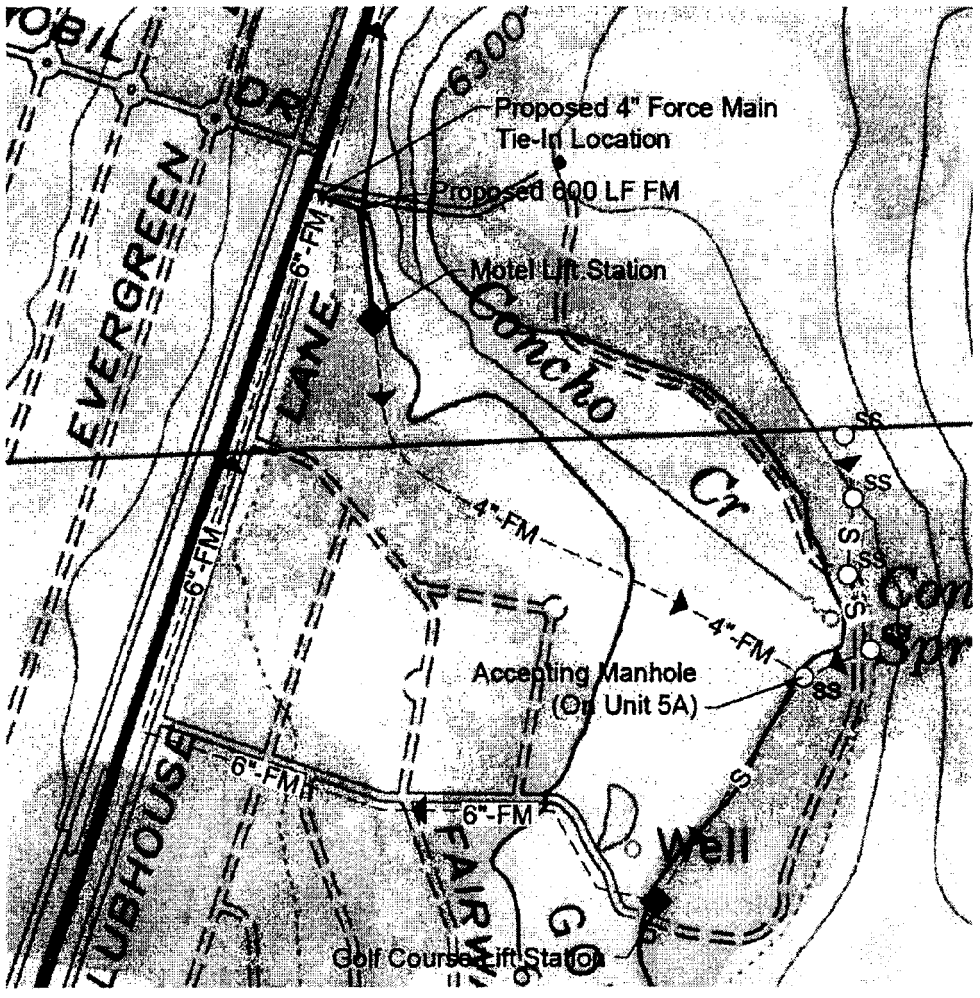


Figure 16. Possible Force Main Location

2.6 Main Lift Station

The Main Lift Station is located west of Concho itself and on the south side of County Road 5020 (Snowflake Highway). This lift station accepts flows from the Golf Course Lift Station, which is approximately 359 feet higher in elevation than the Main Lift Station. The sewer is delivered to the Main Lift Station via force main and gravity line. The Main Lift Station has an eight foot (8') diameter wet well with two (2) 20 HP pumps. The Main Lift Station has an eight-inch (8") diameter force main and sends flows to the treatment facility site. Generally, the lift station is in fair condition. The lift station is configured with a wet well chamber as well as a separate valve vault for the force main. Figure 17 shows a photo of the exterior of the lift station.

Figure 17. Exterior of Main Lift Station

As can be seen in Figure 18, the wet well needs some concrete patching around the pipes that penetrate the wet well wall. The metal in the wet well also appears to be in fair condition. The control panel is located off of the wet well and it mounted on good supports. However, the openings in the control panel are quite a bit larger than the conduit. These openings should be closed to seal the control panel (see Figure 19).

Figure 18. Main Lift Statin Wet Well

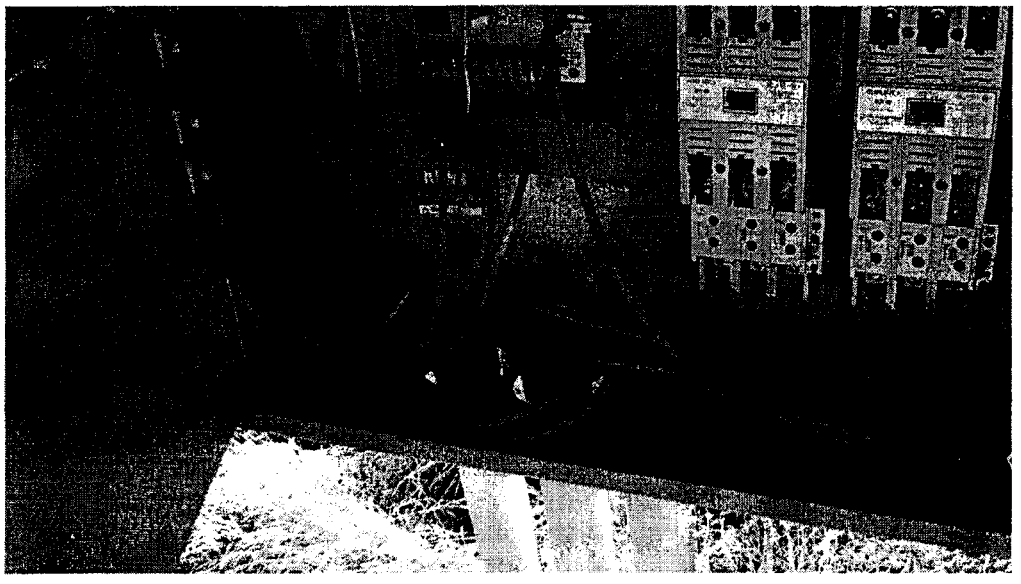


Figure 19. Main Lift Station Control Panel

The control panel appears to be in good shape. It was reported that the alarms on the lift station do not always work. It is recommended that the alarms be fixed to give a warning if the lift station does not operate correctly. A sign should also be added to the site indicating a phone number to call when the alarm is warning.

It was also reported that there is not a spare pump for this lift station. As was recommended for the other lift stations, a spare pump should be kept in reserve.

Only one lift station had a hoist base that could be used to lift the pumps from the lift station. It was reported that the sewer company does not have equipment to pull the pumps from the wet wells, therefore installing a hoist at each lift station will most likely be beneficial, however this was not included in the cost estimates. It is also recommended that all of the wet wells be epoxy coated for protection and a longer life. It was also reported that there are no backup generators for the system. It is recommended that at a minimum, a single portable backup generator be purchased and the control panel at each lift station be modified to enable the generator to operate the lift station. A single portable generator has been included in the cost estimates.

3.0 MANHOLES

There were seven (7) manholes that were observed for inspection. Six (6) of the manholes were located in Concho Valley Unit 9. The other manhole that was inspected was the first manhole in the interceptor line that the Golf Course Lift Station force main empties in to.

3.1 Unit 9 Manholes

The six (6) manholes in Unit 9 were all in very good condition. None of the manholes had any flow in them. It didn't appear that any work is required for these manholes. Figure 20 is a photograph of the manhole located at Lot 138 in Unit 9. This shows the condition of the inside of the manhole.

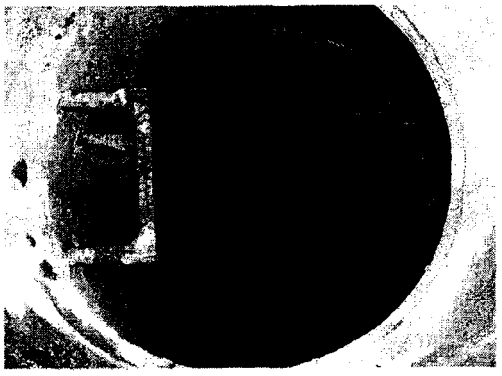


Figure 20. Manhole on Lot 138, Unit 9

3.2 Interceptor Manhole

As was mentioned, the interceptor manhole is the manhole that the Golf Course Lift Station empties in to and is the first manhole on the interceptor line. This manhole is located at station 126+00 in the ADOT right-of-way of Highway 61. The manhole is a four-foot (4') diameter manhole, with a depth of approximately six-feet (6'). The manhole was in poor condition as can be seen in Figure 21.

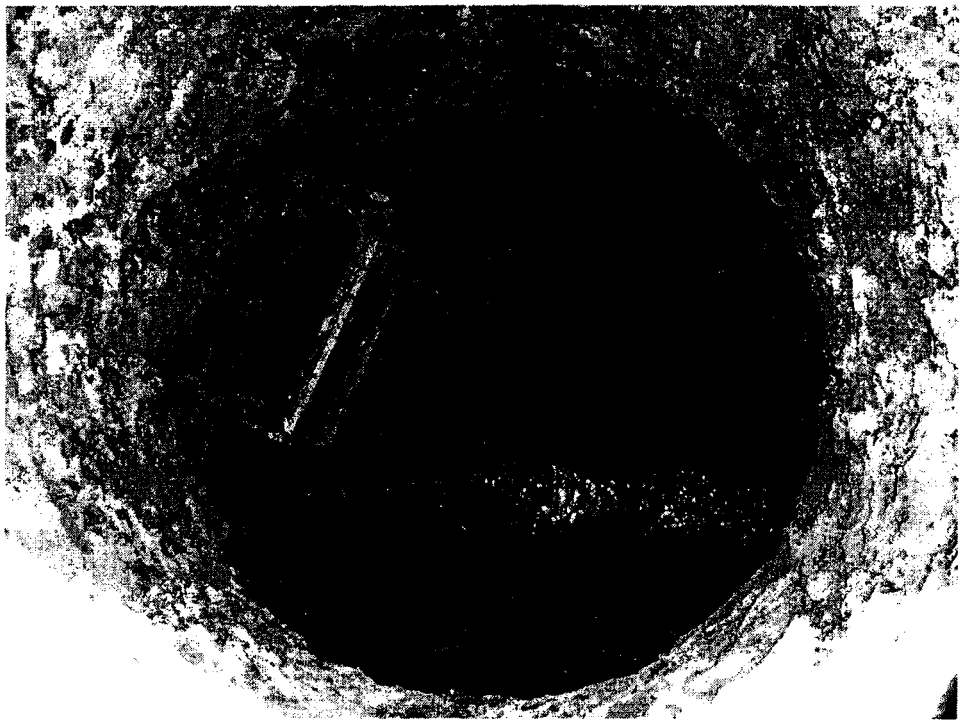


Figure 21. Interceptor Manhole

As can be seen in Figure 21, the concrete of the manhole has deteriorated. This is most likely because of the hydrogen sulfide introduced from the force main. Because there is a relatively small amount of flow into the system, it is likely that the sewer in the force goes septic before the sewer enters the manhole. With the septic sewage also comes the hydrogen sulfide which can cause Microbial Induced Corrosion (MIC) and will severely corrode the concrete in the manhole. This manhole should be replaced and then the manhole should be coated with an epoxy liner. The liner will bond to the concrete of the manhole to prevent the corrosion of the concrete. Although the next downstream manhole is approximately five-hundred feet (500') downstream of this manhole, it should be examined to determine if the hydrogen sulfide gasses have caused corrosion problems in it as well. It may need replaced and/or coated as well.

Other manholes in the system that receive flows from force mains should also be inspected to determine if they are in similar condition as the manhole that was inspected. It is likely that these manholes will be corroded and need replaced and/or coated as well.

4.0 AIR RELIEF VALVES

Based on the construction plans, there appear to be many air relief valves (ARV) in the system. One ARV was observed. The valve was located in a concrete box, and the top of the valve was above the box. There was also a metal pole, indicating the location of the valve. A photo of the valve is shown in Figure 22.

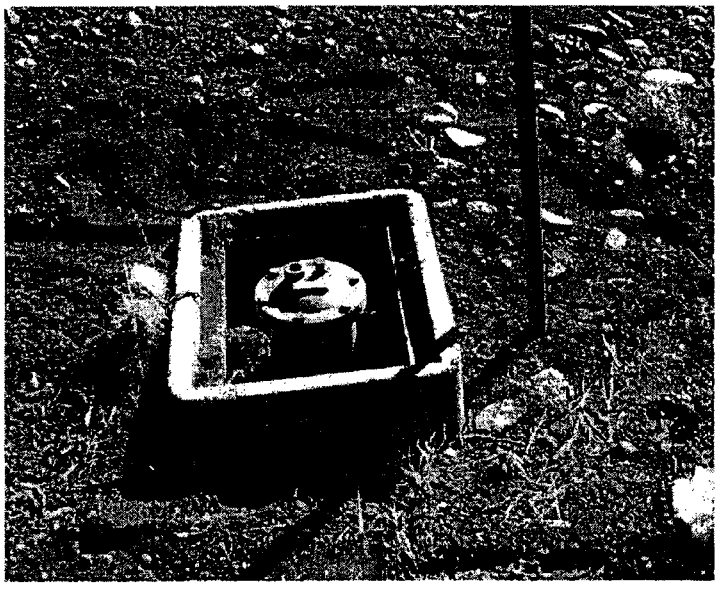


Figure 22. Air Relief Valve

It is suggested that the valve be protected. A higher box is required that can be installed above the valve so that the lid can be placed over the valve. It was not known if the valve was working. The valve should also be checked to make sure that it is allowing air out of the force main. All of the valves in the system should be examined to determine if the same corrective measures are necessary for them as well.

5.0 TREATMENT SITE

The treatment site is located on the south side of the Snowflake Highway. It was designed to handle flows up to 20,000 gallons per day (gpd) and when the site reaches flows greater than this, there is additional area to extend the treatment site to handle flows up to 538,310 gpd.

Based on the Design Report which was completed by Shreeve & Associates, Inc. in 1991, the treatment site was designed with three (3) components. They consist of a settling pond or lagoon, wetland, and reuse area. The treatment plant was designed for the influent to be receive primary treatment by entering the settling pond and allowing the solids to settle to the bottom of the pond. Then the effluent will enter wetland cells for further treatment. There have been two (2) cells constructed for treatment of up to 20,000 gpd. From the wetlands, the effluent will enter the chlorine contact chamber for further treatment, and then be sent to the reuse area for disposal. It is apparent that the treatment site has not recently received enough flows to allow the settling pond to fill and flow over into the wetlands areas. Because of the small flows, the influent has entered into the settling pond and has been treated there instead of the wetlands. As can be seen in Figure 23, a great deal of vegetation has grown in the settling pond.

Figure 23. Settling Pond - Lagoon

The settling pond (lagoon) was designed to allow a detention time between five (5) to ten (10) days to provide time for the solids to settle out of the influent. Based on the Aquifer Protection Permit (APP) number P-102422, the settling pond was designed to have an 18" clay liner. The substantial vegetation root system could penetrate the liner and allow the effluent to flow below the liner and enter the groundwater, which could at some point, show up in the groundwater. Also, based on Part II.A.3 in the APP on page 2 of 27, the accumulated sludge in the pond shall be removed to obtain the required operating depth in

the pond, but at least every five (5) years. Because the flows to the pond are so small compared to the design flow, there most likely has not been a large amount of sludge build up in the pond, however ADEQ may have an issue with this in the future.

The side berms of the settling pond were also examined. A portion of the berm can be seen in Figure 24.

Figure 24. Settling Pond Berm

It appears the berms of the pond are slowly sloughing off in to the pond. Over time, the berm will break down and require maintenance. Based on the APP, the berm should have a free board height of three feet (3'). Although the flows are small now and therefore the required depth of the pond to achieve the free board is not much more than three feet, this could be a problem in the future. It is suggested that the berm be lined with riprap to prevent erosion of the berm.

The design report for the sewer treatment facility as well as the APP indicates the treatment site is designed to treat up to 20,000 gpd. It has been reported that there are 28 houses connected to the system. The design report also indicates that it was assumed that each residential lot will produce 250 gpd per lot. It was noted that this flow was based on restrictions that will require a 3 gallon per flush toilet and low flow shower head or other water restriction devices. It is not known if these restrictions are being practiced, however

because it appears the treatment facility is not receiving a large amount of flow, 250 gpd per lot was assumed. Based on 28 lots producing 250 gpd of sewer, the totals flows to the site are determined as follows:

28 lots X 250 gpd/lot = 7,000 gpd

Since the treatment facility was designed for 20,000 gpd, the treatment plant can handle an additional 13,000 gpd. This equates to approximately 52 additional lots that the treatment facility can handle.

6.0 TIMELINESS OF IMPROVEMENTS & COSTS

The recommendations of improvements have been categorized based upon priority. The improvements were broken down into immediate needs and moderate needs. Because the entire system was not inspected, it was assumed that where problems were found, the same type of problems could exist throughout the system. These assumptions are reflected in the cost estimates. The majority of the work required is very specific to a certain aspect of the sewer system; therefore it was somewhat difficult to determine an accurate cost. The best way to determine costs is to have a contractor provide an actual cost estimate. The costs provided can be used for general budgeting purposes. It should be noted that a generator was not included in the costs because it was reported that a generator that is owned by the water company could be used if required.

6.1 Immediate Needs

The system's immediate needs should be completed in the next year. The immediate needs include replacing all of the existing manholes that accept flows from a force main. As mentioned, it was assumed that all of the manholes that receive flows from force mains will need replaced. Also it was assumed that the next two (2) manholes downstream of the receiving manhole be epoxy coated because of the harmful gasses, but should be examined to determine if this is necessary. The immediate needs also include having two (2) working pumps in each lift station. Because the Golf Course and Motel Lift Stations, as well as Lift Stations 5B-1 and 5B-2 each have only a single working pump, the immediate needs include an additional pump for each of these. Also, it is beyond the scope of this report to determine if any of the lift stations can utilized the same size pumps therefore it was assumed that none of the lift stations will have the same size pumps and therefore each lift station will be required to have its own backup pump.

Table 1. Immediate Needs Cost Estimate

Item	Description	Total Cost	Unit Cost	Quantity	Unit
1	Install new manhole & epoxy coat	$ 22,400	$ 5,600	4	EA
2	Epoxy coat existing manholes	$ 14,000	$ 1,750	8	EA
3	Install new pumps (0 - 5HP)	$ 6,300	$ 2,100	3	EA
4	Install new pumps (6 - 10 HP)	$ 9,200	$ 9,200	1	EA
	Total	**$ 51,900**			

6.2 Moderate Needs

The system's moderate needs should be completed in approximately the next five (5) years, but does depend on the growth (users) that the system receives. The moderate needs include all of the other suggested needs that were not included in the immediate needs. The needs include having an additional pump for each size pump in the system, moving the control panels from the top of the wet wells and adding vents to the wet wells, fixing bare wiring and correcting wiring in control panels and alarms. It also includes replacing metal inside wet wells and installing pull chains. It also includes providing some protection to the lift stations by installing a fence around them and adding a sign to each lift station indicating what number to call if the alarm is going off. Especially when the system receives more flows, the loss of electrical power could be problematic to the system functioning. It is also suggested that a portable backup generator be purchased to mobilize to a lift station in a case when the power is out. This most likely will also require the controls be modified to allow generator use at the lift station. The suggested improvements at the treatment site were included in the costs as well. A detailed list and cost estimates are shown in Table 2.

Table 2. Moderate Needs - Lift Stations Cost Estimate

Item	Description	Total Cost	Unit Cost	Quantity	Unit
Lift Station 9A					
1	Lower control box, seal openings, move float wire juction box, controls for generator	$ 1,400	$ 1,400	1	LS
2	Install chain link fence and sign	$ 2,400	$ 2,400	1	LS
	Sub-Total	**$ 3,800**			
Lift Station 5B-1					
1	Replace wet well lid, add vent, move control panel & fix wiring & alarm, re-route conduit, controls for generator	$ 5,900	$ 5,900	1	LS
2	Replace metal in wet well	$ 4,600	$ 4,600	1	LS
3	Install chain link fence and sign	$ 2,400	$ 2,400	1	LS
	Sub-Total	**$ 12,900**			
	Total Sub-Total	**$ 16,700**			

Table 2 Continued...

Item	Description	Total Cost	Unit Cost	Quantity	Unit
Lift Station 5B-2					
1	Replace wet well lid, add vent, move control panel & fix wiring & alarm, re-route conduit, controls for generator	$ 5,900	$ 5,900	1	LS
2	Replace metal in wet well	$ 4,600	$ 4,600	1	LS
3	Install chain link fence and sign	$ 2,400	$ 2,400	1	LS
	Sub-Total	**$ 12,900**			
Golf Course Lift Station					
1	Seal control panel openings, fix alarm, add sign, add pull chains, controls for generator	$ 1,750	$ 1,750	1	LS
2	Replace check valve from valve vault, patch concrete in valve vault	$ 1,200	$ 1,200	1	LS
	Sub-Total	**$ 2,950**			
Motel Lift Station					
1	Add vent, move control panel & fix alarm, re-route conduit, control for generator	$ 1,750	$ 1,750	1	LS
2	Install new 4" force main	$ 16,800	$ 28	600	LF
3	Install chain link fence and sign	$ 2,400	$ 2,400	1	LS
	Sub-Total	**$ 20,950**			
Main Lift Station					
1	Seal control panel openings, patch concrete in wet well, add sign, control for generator	$ 850	$ 850	1	LS
2	Fix alarm	$ 1,750	$ 1,750	1	LS
	Sub-Total	**$ 2,600**			
Miscellaneous					
1	Epoxy coat each wet well	$ 27,000	$ 4,500	6	EA
2	Generator	$ 2,900	$ 2,900	1	EA
	Sub-Total	**$ 29,900**			
	Total Sub-Total	**$ 69,300**			

Table 3. Moderate Needs - Treatment Facility Site Cost Estimate

Item	Description	Total Cost	Unit Cost	Quantity	Unit
Treatment Site					
1	Clearing vegetation from settling pond and grading berms	$ 4,795	$ 7	685	SY
2	Riprap	$ 17,280	$ 32	540	SY
	Sub-Total	**$ 22,075**			

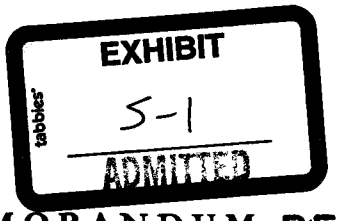
Table 4. Moderate Needs - Replacement Pumps On Hand

Item	Description	Total Cost	Unit Cost	Quantity	Unit
Replacement Pumps					
1	0 - 5HP	$ 8,400	$ 2,100	4	EA
2	6 - 10HP	$ 18,400	$ 9,200	2	EA
	Sub-Total	**$ 26,800**			

Therefore the immediate needs total to $51,900, the moderate needs total $134,875. Based on adding the estimated costs for both the immediate needs and the moderate needs, the total suggested improvement costs are $186,775.

7.0 CONCLUSION

A portion of the Livco Sewer System was inspected to determine the necessary changes to improve the system to ensure the system keeps operating and try to avoid having problems with the operation of the system. It was determined that work is needed for all of the lift stations, most likely all of the manholes that sewer from force mains enter, as well as the treatment plant itself. It was also determined that a new shorter force main can be installed to save on pumping costs.



MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

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

ORIGINAL

Originator: Kiana M. Sears

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

Mr. Steve Wene
Moyes Sellers & Hendricks
1850 North Central Avenue , Ste # 1100
Phoenix , Arizona 88004

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice Alward
Chief Legal Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

ATTACHMENT(S)

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. MST
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 Analysis[2]

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.

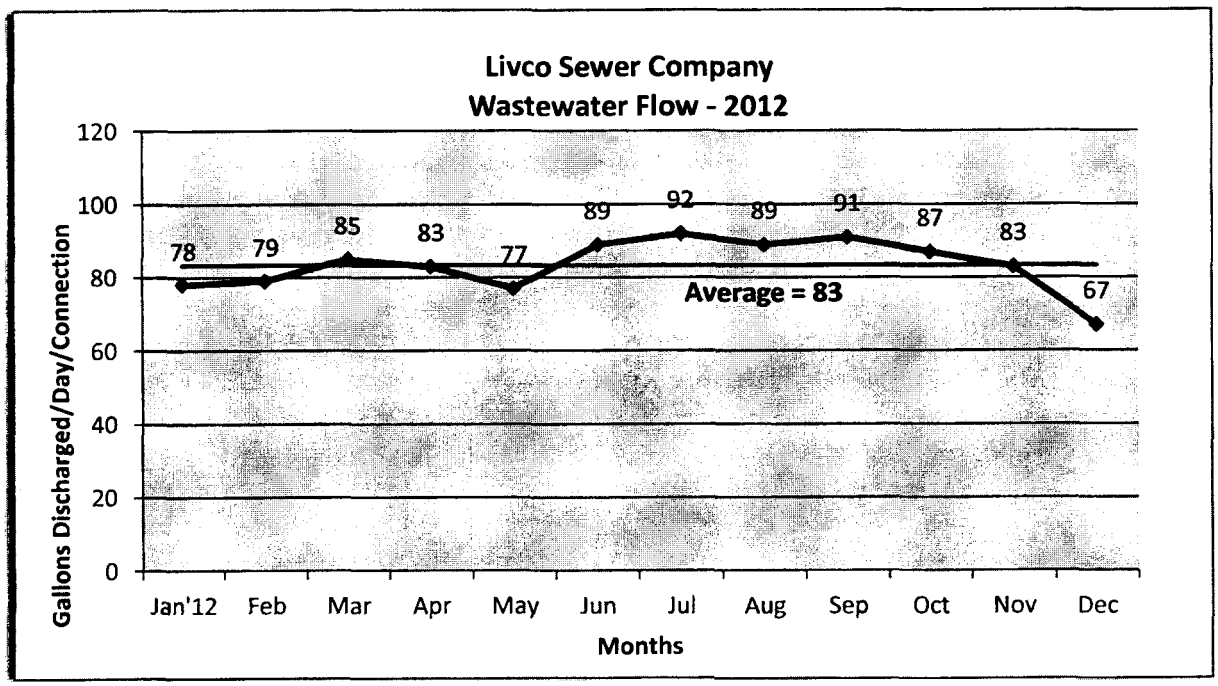


Figure 1. Wastewater Flow

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 Assessment[3]

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**

[1]Miscellaneous 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. [2]Installation of the new 4-inch force main pertains to the Motel Lift Station. [3]LS is an abbreviation for Lift Station. [4]LF 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**

[1]Sy 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.

APACHE COUNTY - SEWER

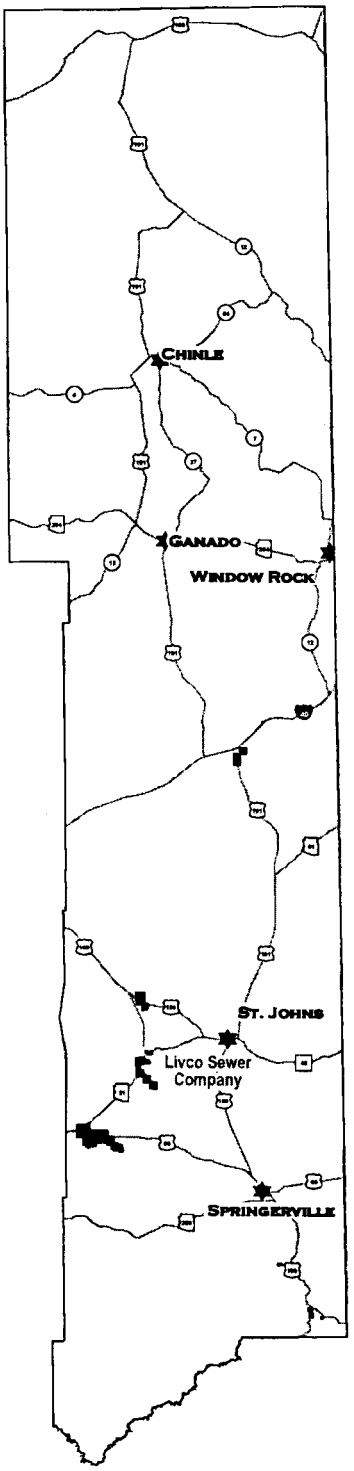


Figure 2. Coconino County Map

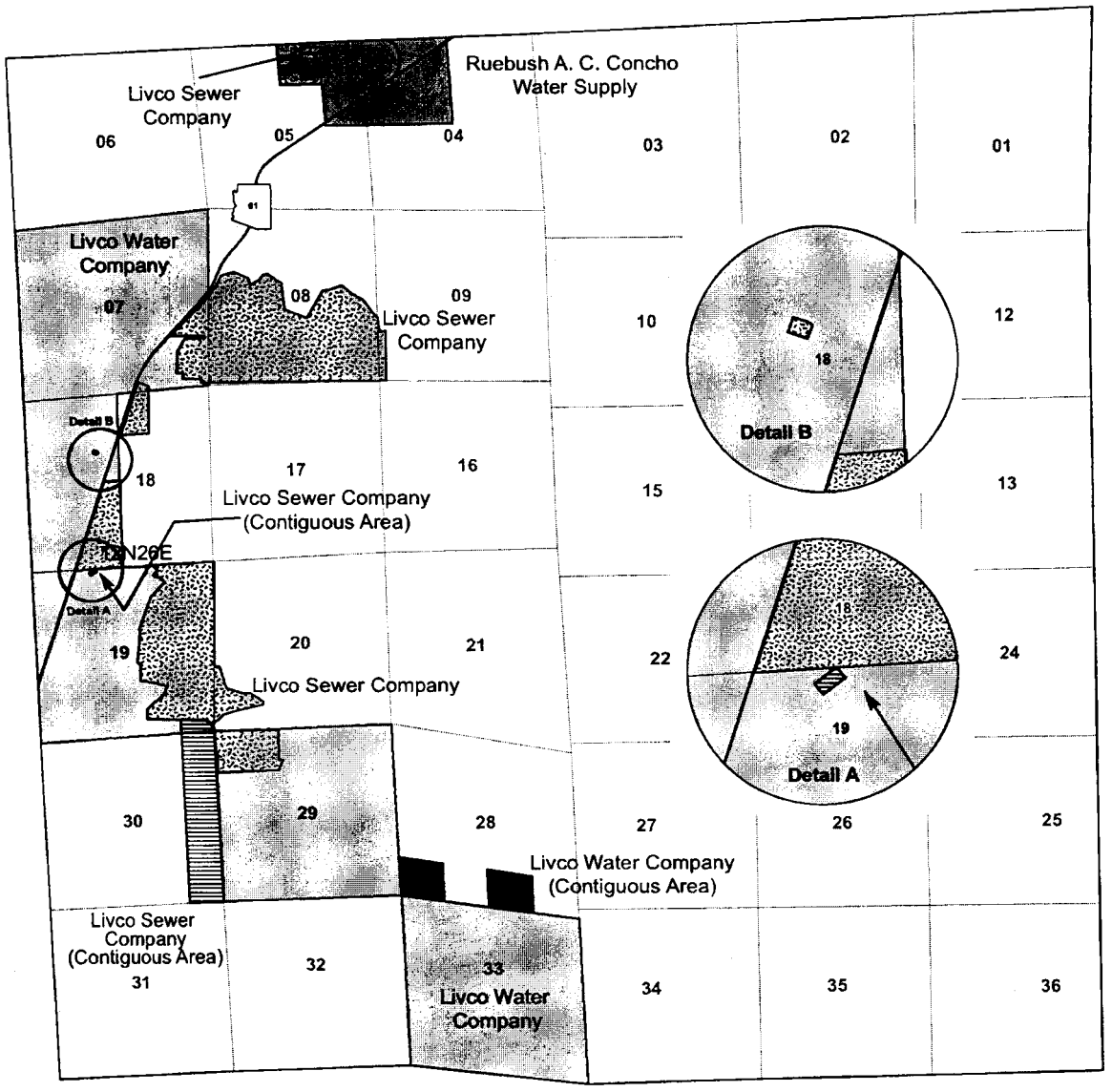


Figure 3. Certified Areas

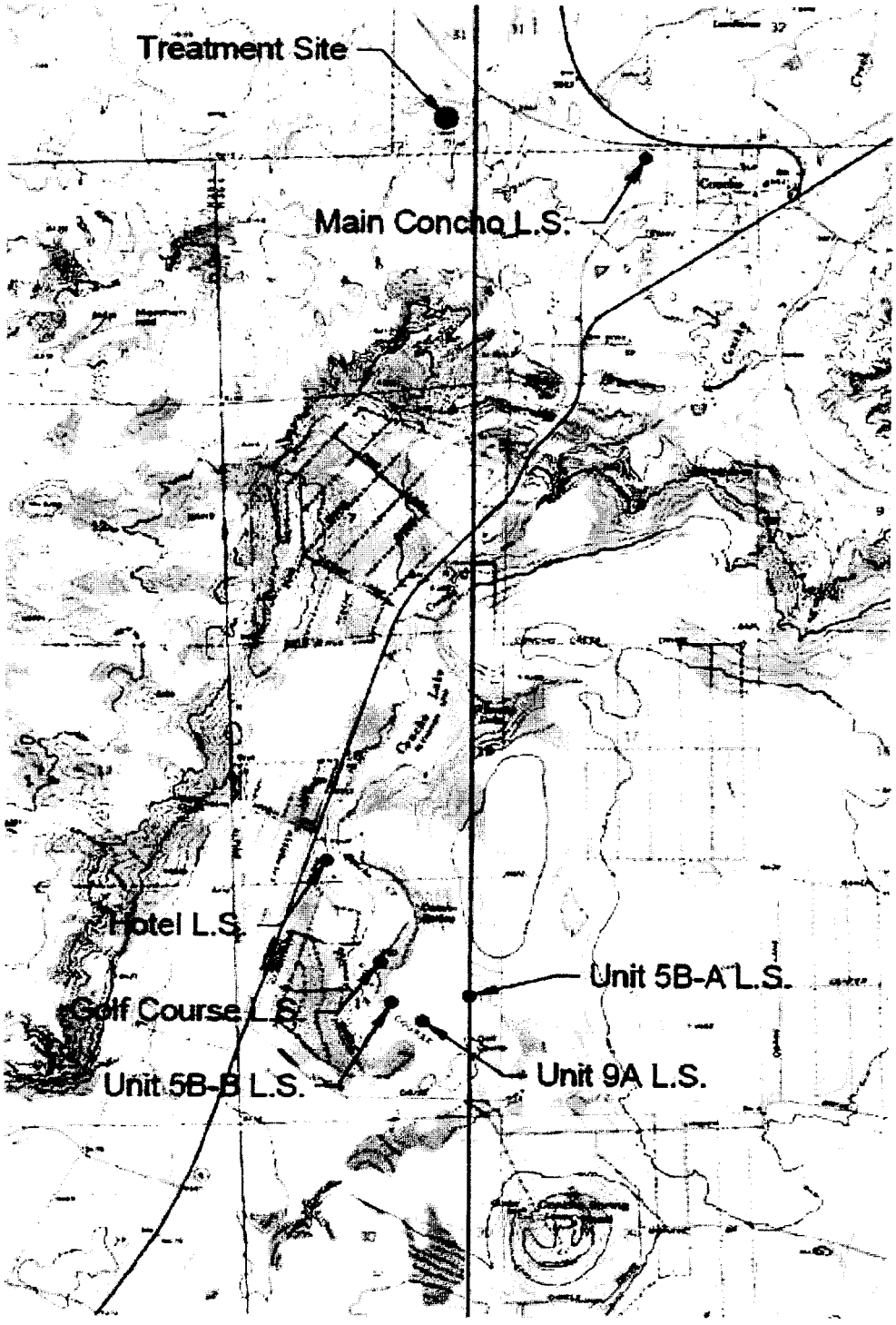


Figure 4. Lift Station & Treatment Facility Location Map[5]

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

ATTACHMENT B

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

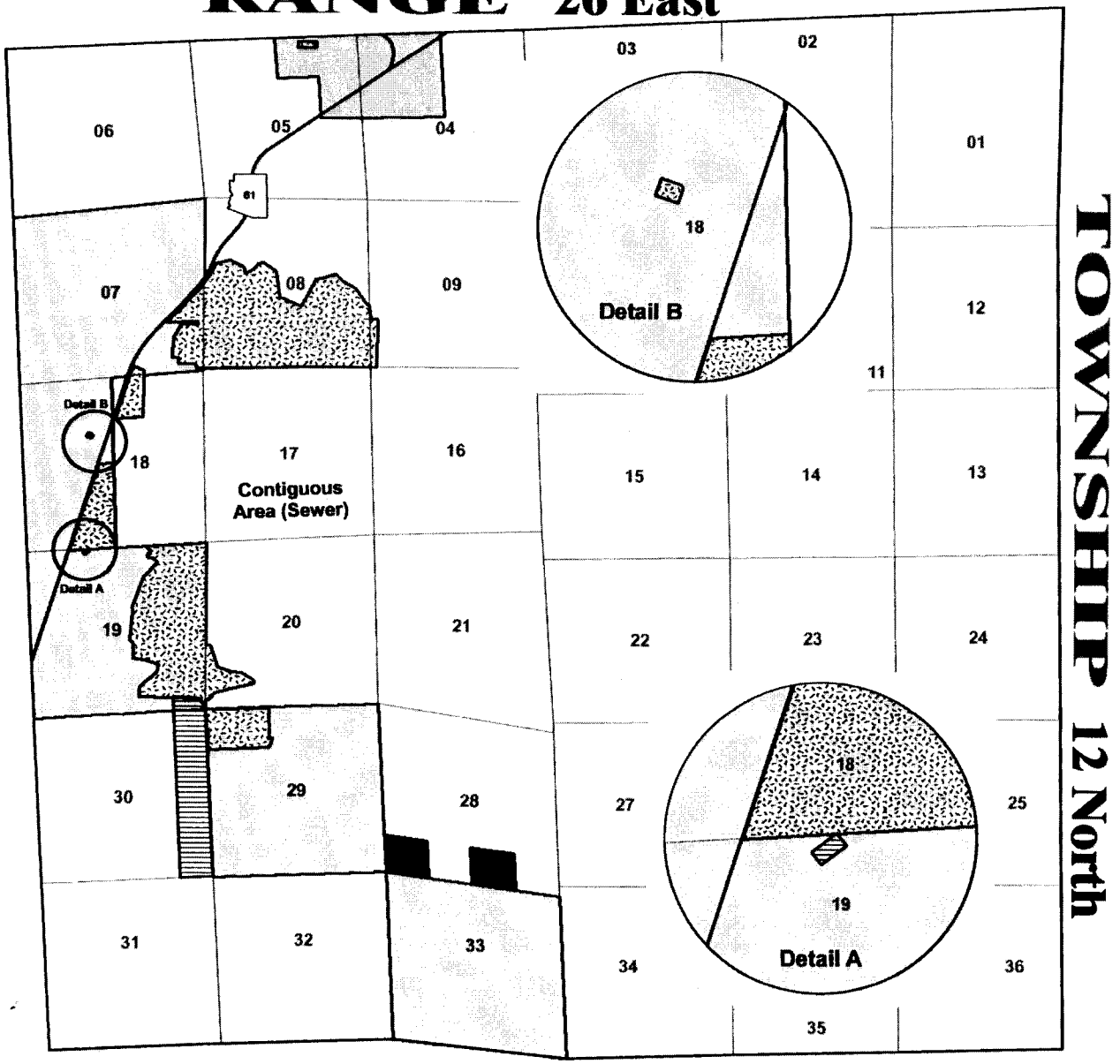
Attachments

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

APACHE COUNTY

Map No. 8

RANGE 26 East



W-02121A (2)
Livco Water Company

Sewer 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

N
W E
S

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

TR12N26E 30 OCT 2009