



0000155728

MEMORANDUM

TO: Docket Control

FROM: Steve M. Olea
Director
Utilities Division

ORIGINAL

DATE: September 4, 2014

RE: STAFF REPORT FOR LIBERTY UTILITIES (LITCHFIELD PARK WATER AND WASTEWATER) CORP. - APPLICATIONS FOR EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER AND WASTEWATER SERVICE TO A PORTION OF MARICOPA COUNTY (DOCKET NOS. W-01427A-14-0134 AND SW-01428A-14-0180)

VALLEY UTILITIES WATER COMPANY, INC., - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN MARICOPA COUNTY, ARIZONA (DOCKET NO. W-01412A-14-0262)

Attached is the Staff Report for the consolidated applications of Liberty Utilities (Litchfield Park Water and Sewer), Corp. and Valley Utilities Water Company, Inc. for extensions of their existing Certificates of Convenience and Necessity ("CC&N").

SMO:BNC:vsc\ML

Originator: Blessing Chukwu

Arizona Corporation Commission
DOCKETED

SEP 4 2014

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**LIBERTY UTILITIES (LITCHFIELD PARK WATER AND WASTEWATER) CORP.
AND
VALLEY UTILITIES WATER COMPANY, INC.**

**DOCKET NOS W-01427A-14-0134 AND SW-01428A-14-0180
AND
W-01412A-14-0262**

**APPLICATIONS FOR EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE
AND NECESSITY**

AND

**APPLICATION FOR AN
EXTENSION OF ITS CERTIFICATE
OF CONVENIENCE
AND NECESSITY**

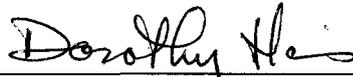
SEPTEMBER 4, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for Liberty Utilities (Litchfield Park Water and Sewer) Corp. and Valley Utilities Water Company, Inc. (Docket Nos. W-01427A-14-0134, SW-01428A-14-0180 and W-01412A-14-0262) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Companies' applications. Dorothy Hains was responsible for the engineering and technical analysis. Brendan Aladi was responsible for the financial analysis.



Blessing Chukwu
Executive Consultant



Dorothy Hains
Utilities Engineer



Brendan Aladi
Public Utilities Analyst

EXECUTIVE SUMMARY
LIBERTY UTILITIES (LITCHFIELD PARK WATER AND WASTEWATER) CORP.
AND VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NOS. W-04264A-04-0438 ET AL

On April 17, 2014, and June 5, 2014, Liberty Utilities (Litchfield Park Water and Sewer), Corp. ("Liberty") filed Applications for extension of its Certificates of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("ACC" or "Commission") to provide water and wastewater services, respectively, to a portion of Maricopa County. On June 13, 2014, Liberty's water and wastewater CC&N extension applications were consolidated. On July 3, 2014, Staff informed Liberty the applications were sufficient for administrative purposes. A hearing was set for September 3, 2014.

On July 15, 2014, Valley Utilities Water Company, Inc., ("Valley") filed an application to extend its CC&N for water service to include the area sought by Liberty. On July 31, 2014, Staff informed Valley that its application was sufficient for administrative purposes.

The Valley and Liberty applications were consolidated on August 7, 2014.

Liberty is a financially viable, interconnected¹ utility that has demonstrated that it has the ability to treat wastewater in conformance with the Clean Water Act as well as deliver potable water consistent with the Commission rules and policy goals. Liberty has been requested to provide potable water and wastewater service to Marbella Ranch development.

Valley is an interconnected² potable water provider. Valley has not received a request for service for the CC&N extension.

Staff recommends the Commission approve Liberty's applications for extension of its Certificate of Convenience and Necessity to provide water and wastewater service in a portion of Maricopa County, Arizona, subject to compliance with the following conditions:

1. To require Liberty to charge its existing rates and charges in the proposed extension area.
2. To require Liberty to file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.
3. To require Liberty to file with Docket Control, a copy of Certificate of Approval to Construct for Phase I wastewater plan as a compliance item in this docket no later than December 31, 2015.

¹ Liberty's water and wastewater systems are interconnected with City of Goodyear's water and wastewater systems. Liberty's water system is also interconnected with Valley's water system.

² Valley's water system is interconnected with Liberty's water system.

4. To require Liberty to file with Docket Control, a copy of the county franchise agreement for the extension area as a compliance item in this docket no later than December 31, 2015.
5. To require Liberty to fund its future infrastructure needs with 70 percent equity and no more than 30 percent AIAC and CIAC combined.

Staff further recommends that the Commission's Decision granting this extension of Certificate of Convenience and Necessity to Liberty be considered null and void, after due process, should Liberty fail to meet Conditions Nos. 2, 3, and 4 within the time specified.

If the Commission, in its discretion, decides to grant Valley's application for extension of its Certificate of Convenience and Necessity to provide water service to the requested extension area, Staff recommends the following conditions:

1. To require Valley to charge its existing rates and charges in the proposed extension area.
2. To require Valley to file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.
3. To require Valley to fund the entire construction costs with equity.

Staff further recommends that the Commission's Decision granting this extension of Certificate of Convenience and Necessity to Valley be considered null and void, after due process, should Valley fail to meet Condition No. 2 within the time specified.

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INTRODUCTION

On April 17, 2014, and June 5, 2014, Liberty Utilities (Litchfield Park Water and Sewer), Corp. ("Liberty") filed Applications for extension of its Certificates of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("ACC" or "Commission") to provide water and wastewater services, respectively, to a portion of Maricopa County. On June 13, 2014, Liberty's water and wastewater CC&N extension applications were consolidated. On July 3, 2014, Staff informed Liberty the applications were sufficient for administrative purposes. A hearing was set for September 3, 2014.

On July 15, 2014, Valley Utilities Water Company, Inc., ("Valley") filed an application to extend its CC&N for water service to include the area sought by Liberty.

On July 31, 2014, Staff informed Valley that its application was sufficient for administrative purposes.

The Valley and Liberty applications were consolidated on August 7, 2014.

LIBERTY'S BACKGROUND

Liberty is an Arizona corporation in good standing with the Commission's Corporation Division. Liberty provides water and wastewater utility service to the public in communities within the cities of Litchfield Park, Goodyear, and Avondale, and in adjacent unincorporated areas of Maricopa County in the west Phoenix valley, west of Agua Fria River and north of Interstate Highway 10. Liberty's affiliates provide services in Santa Cruz County, Cochise County, and Pinal County. Currently, Liberty provides water utility service to approximately 18,400 customers and wastewater utility service to approximately 20,500 customers.

According to Commission records, Liberty is owned by Liberty Utilities, a Delaware corporation, through its operating subsidiary Liberty Utilities (West). Liberty Utilities' ultimate parent is Algonquin Power & Utilities Corp., a Canadian corporation whose shares are traded on the Toronto Stock Exchange.

VALLEY'S BACKGROUND

Valley is an Arizona corporation in good standing with the Commission's Corporation Division. According to Commission records, Valley is a closely held family corporation authorized by the Commission to provide water utility service, pursuant to a CC&N granted by the Commission in 1954, to approximately 1,450 customers in an approximately five-square-mile unincorporated area of Maricopa County located east of Luke Air Force Base. The vast majority of Valley's connections are for single family homes. Valley also serves commercial connections (including multiple-family dwellings) and 5 fire service customers.

PROPOSED EXTENSION AREA

Liberty and Valley are requesting Commission approval to serve a 365 acre property (approximately 248 acres of Marbella Ranch Subdivision land and approximately 117 acres of restricted use land), located on El Mirage Road alignment between Glendale Avenue and Northern Avenue, in Section 2 of Township 2 North, Range 1 West. The requested area is in the unincorporated area of Maricopa County but within the City of Glendale's strip annex and planning area and it is west of Luke Air Force Base ("Luke") Air Installation Compatible Use Zone ("AICUZ").

The requested area will be developed in phases. Phase I is planned for 600 single family homes and is located in the southern portion of the requested area. Phase II is located in the northern portion of the property and is planned for 660 dwelling units (300 single family and 360 apartment units) and includes 50.5 acre industrial parcel.

The property is currently owned by El Paso Natural Gas Company, L.L.C. (El Paso"). TRS 8, LLC ("TRS 8") is under contract to purchase the property from El Paso and expects to close the purchase on September 30, 2014.

Liberty's CC&N for water is located on the southeast corner of the planned development, whereas, the sewer CC&N is located south of the planned development, all within a mile. The requested CC&N extension area is not contiguous to Liberty's current CC&Ns. However, Liberty received a request for service for the proposed extension area.

Valley's CC&N area comes within a mile on the south, west and east sides of this proposed Marbella Ranch development and is contiguous on two sides (east and south). Valley has not received a request for service for the proposed extension area.

Attachment B contains a map which shows the portion of Maricopa County at issue.

THE WATER SYSTEM

Attachment A is Staff's Engineering Report which describes the two companies' current water systems, the proposed water plan, the projected water construction schedule and the costs to serve the requested area. The report includes the findings that Liberty and Valley are in compliance with Arizona Department of Water Resources ("ADWR"), with Maricopa County Environmental Services Department ("MCESD"), and with the Commission decisions.

The report indicates that Liberty's water system has adequate production and storage capacities to support the existing customer base and growth in both Phase I and Phase II of the requested area. Valley's water system has adequate production and storage capacities to support the existing customer base and growth in Phase I of the requested area. However, an additional water source will be needed to serve Phase II customers. Valley states that Well No. 1 would be able to provide adequate production to serve Phase II customers.

Further, the report indicates that the proposed water plans by Liberty and Valley are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes. Staff would note that the Valley proposal does not include any on site water plan or the associated cost estimates. Technically, Valley has not provided a complete engineering construction plan. Valley provided its proposed off-site construction plan and stated that Valley will adopt Liberty's proposed on-site water construction plan.

Regardless of which company receives approval to extend its service territory to the requested area, Staff recommends that the prevailing water company file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.

THE WASTEWATER SYSTEM

Liberty owns and operates its Palm Valley Water Reclamation Facility ("WRF"); two lift stations ("LS") and a collection system. Palm Valley WRF has a treatment capacity of 5.1 million gallon per day ("MGD"). Attachment A describes Liberty's current wastewater system, the proposed wastewater plan, the projected wastewater construction schedule and the costs to serve the requested area. The report includes the finding that Liberty's Palm Valley WRP is currently not in full compliance³ with Arizona Department of Environmental Quality ("ADEQ"), but ADEQ has determined that Palm Valley WRP is not currently in violation at a level at which ADEQ will take an action or issue a Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment. The report indicates that Liberty's wastewater system has adequate treatment capacity to treat the existing customer base and growth in both Phase I and Phase II of the requested area. Further, that the proposed wastewater plan by Liberty is appropriate and the costs are reasonable. No "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.

Valley is not a wastewater service provider. According to Valley, Liberty will provide the sewer service for the CC&N extension area. Valley works closely with Liberty regarding sewer service for Valley customers. Liberty currently provides wastewater service to approximately 49% of Valley customers.

Staff recommends that Liberty file with Docket Control, a copy of Certificate of Approval to Construct for Phase I wastewater plan as a compliance item in this docket no later than December 31, 2015.

FINANCIAL CAPABILITY TO SERVE

Attachment C is Staff's Financial Report which describes the two Companies' Capital Structure. Liberty intends to finance water and wastewater facilities through a combination of contributions, advances in aid of construction and equity. Valley intends to finance the water

³ The violations were due to turbidity and E Coli exceeding the limits.

facilities entirely with advances in aid of construction. Staff normally recommends that the combined Advances in Aid of Construction ("AIAC") and net Contributions in Aid of Construction ("CIAC") funding ratio not exceed 30 percent of total capital for private and investor owned utilities. The report includes the findings that Liberty and Valley's combined AIAC and net CIAC funding ratio exceeds 30 percent of total capital at 12/31/2013. Valley is 76 percent for water while Liberty is 44 percent for water and 61 percent for wastewater. Likewise, both companies' combined AIAC and net CIAC funding ratio exceeds 30 percent of total capital for the pro-forma at 12/31/2013 (including the proposed CC&N extension). Valley is 88 percent for water while Liberty is 43 percent for water and 59 percent for wastewater.

Staff is concerned about a continuing over-reliance on AIAC and CIAC. Liberty is financially fit to provide both water and wastewater services to the extension area. However, Staff recommends that the Company fund its future infrastructure needs with 70 percent equity and no more than 30 percent AIAC and CIAC combined, in order to provide a better balance of financial risk for the Company and its ratepayers. When a Company over-relies on AIAC and CIAC it may not have a rate base sufficient enough to earn a reasonable rate of return.

If the Commission approves Valley to provide water service to the requested extension area, Staff recommends the entire construction costs be funded with equity because of over reliance on AIAC/CIAC and the resultant low equity ratio.

PROPOSED RATES

Both Liberty and Valley intend to provide utility services to the extension area under their respective authorized rates and charges.

SPECIAL SERVICE TARIFFS

Both Liberty and Valley have approved Curtailment Tariffs, Backflow/Cross Connection Tariffs, Offsite Hookup Fee Tariffs, and Best Management Practice ("BMP") Tariffs for water on file. Liberty also has an approved Offsite Hookup Fee Tariff for wastewater on file.

FRANCHISE

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority, authorizing the use of public roads or lands to construct, install, operate and maintain a water and/or wastewater system. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Valley filed, in the docket, a copy of the franchise agreement it had entered into with Maricopa County, for its proposed extension area.

Liberty did not file, in the docket, a copy of the franchise agreement it had entered into with Maricopa County, for its proposed extension area.

REQUEST FOR SERVICE

The property is owned by El Paso. TRS 8 is under contract to purchase the property from El Paso. The expected closing date for the purchase is September 30, 2014. El Paso and TRS 8 jointly requested water and wastewater service from Liberty. A request for service is fundamental in determining whether a need for a CC&N exists. TRS 8 has also filed public comment in opposition to the competing Application filed by Valley.

Valley has not been requested to serve any portion of the extension request

EFFICIENCIES

Both Liberty and Valley have the burden of proof to show that it would be in the public interest for each of them to provide service to the area requested. Although not required, neither has provided calculations and/or information which would allow Staff to determine which company would be the most efficient provider. Liberty has not demonstrated that the provision of water and wastewater by a utility or affiliated companies is more efficient than the water/wastewater combination of Valley and Liberty.

Staff believes that the provision of integrated water and wastewater service by a single utility or affiliated utilities is likely to be more efficient than water and wastewater service being provided to the same area by unrelated entities. It costs less to send a combined bill for both services than to send two separate bills. Centralized customer service and the processing of new customers simultaneously also would be more efficient. The costs of plant purchases, engineering services and insurance, for example, may be less for a utility or two affiliates combined than two non-affiliates purchasing separately. The cost of disconnect for non-payment of utility bills is also more efficient.

Therefore, Staff believes the provision of water and wastewater by a utility such as Liberty or affiliates is likely to result in efficiencies which would not be experienced by unaffiliated utilities or by a utility and a municipality.

STAFF ANALYSIS OF COMPETING APPLICATIONS

In any CC&N proceeding, Staff is charged with reviewing the evidence submitted by an applicant to make a recommendation to the Commission as to whether the applicant is a fit and proper entity with the financial, managerial and technical capabilities to serve the public.

Liberty is seeking Commission authority to provide water and wastewater services to the proposed CC&N extension area, while, Valley is seeking Commission authority to provide only water service to the same property.

TRS 8 is under contract to purchase the property from El Paso and has a business plan to develop the property into a planned development. The development requires potable water and wastewater treatment as essential services. In conjunction with the development plan, El Paso and TRS 8 jointly requested water and wastewater service from Liberty, which resulted to the instant competing CC&N extension applications.

Staff recognizes that both Liberty and Valley are fit and proper and both companies have the capabilities and qualifications to serve water and/or wastewater in the extension area for which they have applied. Both companies are seeking Commission authority to provide water service to the proposed development. Both companies have demonstrated the ability to formulate, develop and operate water utilities in Arizona.

On a going forward basis, the requested area will produce effluent which could result in a recharge credit. Unified water and wastewater utilities should be better suited to comply with groundwater management requirements by sharing customer information between divisions, recognizing groundwater credits and ensuring reuse permits obtain maximum value.

Liberty's water rates are lower than Valley's. Liberty possesses a request for service from the landowner(s) which is an important factor in seeking approval of extensions of CC&Ns. Liberty provided the information needed and/or requested by Staff. Valley opted to adopt Liberty's information. Liberty's ability to provide both water and wastewater service is likely to result in efficiencies that Valley would not have.

RECOMMENDATIONS

Staff recommends the Commission approve Liberty's applications for extension of its Certificate of Convenience and Necessity to provide water and wastewater service in a portion of Maricopa County, Arizona, subject to compliance with the following conditions:

1. To require Liberty to charge its existing rates and charges in the proposed extension area.
2. To require Liberty to file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.
3. To require Liberty to file with Docket Control, a copy of Certificate of Approval to Construct for Phase I wastewater plan as a compliance item in this docket no later than December 31, 2015.
4. To require Liberty to file with Docket Control, a copy of the county franchise agreement for the extension area as a compliance item in this docket no later than December 31, 2015.
5. To require Liberty to fund its future infrastructure needs with 70 percent equity and no more than 30 percent AIAC and CIAC combined.

Staff further recommends that the Commission's Decision granting this extension of Certificate of Convenience and Necessity to Liberty be considered null and void, after due process, should Liberty fail to meet Conditions Nos. 2, 3, and 4 within the time specified.

If the Commission, in its discretion, decides to grant Valley's application for extension of its Certificate of Convenience and Necessity to provide water service to the requested extension area, Staff recommends the following conditions:

1. To require Valley to charge its existing rates and charges in the proposed extension area.
2. To require Valley to file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.
3. To require Valley to fund the entire construction costs with equity.

Staff further recommends that the Commission's Decision granting this extension of Certificate of Convenience and Necessity to Valley be considered null and void, after due process, should Valley fail to meet Condition No. 2 within the time specified.

MEMORANDUM

DATE: August 18, 2014

TO: Blessing N. Chukwu
Executive Consultant III

FROM: Dorothy Hains, P. E. *DH*
Utilities Engineer

RE: The Application of Liberty Utilities (Litchfield Park Water and Wastewater) Corp. For A Certificate Of Convenience and Necessity To Provide Water And Wastewater Utility Services (Docket Nos. W-01427A-14-0134 & SW- 01428A-14-0180)
The Application of Valley Utilities Water Company, Inc. For A Certificate Of Convenience and Necessity To Provide Water Utility Service (Docket No. W-01412A-14-0262)

I. BACKGROUND

On April 17, 2014, Liberty Utilities (Litchfield Park Water and Sewer) Corp. ("Applicant" or "LPSC") filed an application (Docket No. W-01427A-14-0134) for an extension of its water Certificate of Convenience and Necessity ("CC&N") to serve a portion of Section 1, Township 2 North and Range 1 West. The requested area of 365 acres contains 248 acres of Marbella Ranch ("Marbella") Subdivision land and 117 acres of restricted use land. The requested area is located near the Luke Air Force Base and surrounded by Northern Ave., Glendale Ave. and El Mirage Rd.

On May 13, 2014, the Applicant requested to suspend the sufficiency review for Docket No. W-01427A-14-0134.

On June 3, 2014, the Applicant filed an application for an extension its wastewater CC&N (Docket No. SW-01428A-14-0180) to serve Marbella.

On June 13, 2014, Docket Nos. W-01427A-14-0134 and SW-01428A-14-0180 were consolidated.

On June 30, 2014, the Commission granted intervention to Valley Utilities Water Company ("VU").

On July 10, 2014, VU filed its own CC&N application (Docket No. W-01412A-14-0262) to serve Marbella.

On August 7, 2014, Docket Nos. W-01427A-14-0134, SW-01428A-14-0180 and W-01412A-14-0262 were consolidated.

II. THE REQUESTED AREA

The requested area is an approximately three-quarters of a square mile in size, bounded by Northern Ave., El Mirage Road, Glendale Ave and 129th Ave. west of the City of Glendale. Its east, west and south boundaries are adjacent to VU's service area.

III. PROPOSED WATER PLAN

A. LPSC Proposal

LPSC proposes a two-phase construction plan for Marbella. LPSC estimates that all utility construction within Phase I will be completed in year one and the infrastructure for Phase II will be completed in year two.

a. Phase I Water Plan

Phase I contains Marbella Ranch Development Parcels D to H¹, a total of 600 residential dwelling units will be installed. Offsite construction includes approximately 4,000 feet of 16-inch ductile iron pipe ("DIP") extending north from the existing Airline Arsenic Treatment Plant ("ATP") along El Mirage Rd to Glendale Avenue. On-site construction includes Well No. 1² installation; approximately 7,625 feet of 12-inch DIP line installation from Well No. 1 to Glendale Ave. and from Well No. 1 to El Mirage Road. If the initial Well No. 1 test results suggest further water treatment is needed, LPSC will install a treatment plant. The developer proposes to install distribution plant consisting of 5,940 feet of 12-inch DIP, 10,560 feet of 8-inch DIP and 16,440 feet of 6-inch DIP lines to serve Marbella (Phase I). If the Commission approves LPSC to serve the requested area, Staff recommends that LPSC file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.

b. Phase II Water Plan

Phase II contains 660 residential lots³, industrial lots⁴ and restrained use lots⁵. The developer proposed to install another new well, (Well No. 2), 1,500 feet of 12-inch DIP pipe, 7,920 feet of 8-inch DIP pipe and 21,780 feet of 6-inch DIP pipe to serve Marbella (Phase II).

B. VU Proposal

VU proposed a two phase construction plan to serve Marbella. Technically, VU has not provided a complete engineering construction plan. VU provided its proposed off-site construction plan and stated that VU will adopt LPSC's proposed on-site water construction plan.

¹ Parcels D to H are located in the area bounded by El Mirage Road, Glendale Ave and 127th Ave.

² Proposed location for Well No. 1 is in the industrial user area near Northern Ave.

³ Proposed residential lots are in Marbella Ranch Development Parcels A-C which are bounded by El Mirage Road, Northern Ave and 126th Ave.

⁴ Proposed industrial lots are in Parcel Nos. 501-53-12A and 501-53-10C which are bounded by Northern Ave., Dysart Drain and 126th Ave.

⁵ Proposed restrained use lots are in Parcel Nos. 501-53-015 and 501-53-013A which are bounded by Northern Ave., Dysart Drain, 127th Ave. and 126th Ave.

a. Phase I Water Plan

Phase I contains Marbella Ranch Development Parcels D to H⁶, a total of 600 residential dwelling units will be installed. There are two existing mains⁷ that will be extended to Phase I area to serve Marbella. Approximately 1,100 feet of 12-inch ductile iron pipe (“DIP”) pipe and 1,490 feet of 8-inch DIP and a new well (Well No. 1) will be installed to serve Phase I. If the Commission approves VU to serve water in the requested area, Staff recommends that VU file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket, docketed no later than December 31, 2015.

b. Phase II Water Plan

Phase II contains 660 residential lots⁸, industrial lots⁹ and restrained use lots¹⁰. A second new well, (Well No. 2), will be installed to serve customers in Phase II.

C. *Projected Water Construction Schedule*

a. Construction Schedule for LPSC Water Plan

	Year from Decision issued	0	1	1.5	4
Phase I		Off-site construction begins	Off-site construction completed & on-site construction begins	On-site construction completed	Phase I built out
Phase II		Phase I built out	Phase II on-site construction begins	Phase II on-site construction completed	

b. VU Water Plan

VU has not provided its projected construction schedule. In its application VU indicated it was adopting the plan created by LPSC. However, VU did not provide information regarding changes

⁶ Parcels D to H are located in the area bounded by El Mirage Road, Glendale Ave and 127th Ave.

⁷ A 12-inch line located at the intersection of 125th Ave. and Glendale Ave. and an 8-inch line located at the intersection of 127th Ave. and Glendale Ave.

⁸ Proposed residential lots are in Marbella Ranch Development Parcels A-C which is sized by El Mirage Road, Northern Ave and 126th Ave.

⁹ Proposed industrial lots are in Parcel Nos. 501-53-12A and 501-53-10C which are bounded by Northern Ave., Dysart Drain and 126th Ave.

¹⁰ Proposed restrained use lots are in Parcel Nos. 501-53-015 and 501-53-013A which are bounded by Northern Ave., Dysart Drain, 127th Ave. and 126th Ave.

to the construction schedule that logically would result from using different contractors to do the work or changes to the plan as a result of having to tie-in to the onsite infrastructure from a different location.

D. Estimated Engineering Costs Water Plan

a. For LPSC Water Plan

Phase I Water Construction	Estimated Costs by LPSC (\$)
Off-site Main on El Mirage Rd from Airline ATP to Glendale Ave	
4,060' 16" DIP (@ \$90/ft)	365,400
Nine 16" gate valves (@ \$4,000/unit)	36,000
Two air relief valve (@ \$4,500/unit)	9,000
Connection within Airline ATP site	25,000
Others (500 square yards pavement replacement @ \$30/square yard)	15,000
Other (allowance for special construction)	50,000
Engineering (design, survey, etc.) & permits	57,000
Contingency (5%)	24,000
subtotal	581,400
Off-site main from El Mirage Rd & Glendale Rd to Well No. 1	
4,000' 12" DIP (@ \$65/ft) in El Mirage Rd	260,000
150' crossing of the Dysart Drain (cased overshoot @\$200/ft) ¹	30,000
3,625' 12" DIP (@\$45/ft)	163,125
fifteen 12" gate valve (@ \$3,500/unit)	52,500
Six fire hydrants (@ \$5,500/unit)	33,000
Two air relief valve (@ \$4,500/unit)	9,000
Others (90 square yards pavement replacement @ \$30/square yard, etc)	2,700
Engineering (design, survey, etc.) & permits	66,039
Contingency (5%)	27,516
subtotal	643,880
Well No. 1	
Well drilling	667,000
Well slab	5,000
Power line extension to the site	30,000
Site work	25,000
Well pump	120,000
Piping, valves	80,000

One Pressure tank	40,000
Electrical, control panel, etc.	40,000
One diesel generator	70,000
Engineering (design, survey, etc.) & permits	61,500
Contingency (5%)	53,850
subtotal	1,192,350
On-site backbone mains	
1,320' 12" DIP (in Glendale Ave, @ \$65/ft)	85,800
4,620' 12" DIP (@ \$45/ft)	207,900
Twelve 12" gate valves (@ \$3,500/unit)	42,000
Eight fire hydrants (@ \$4,000/unit)	32,000
Others (45 square yards pavement replacement @ \$30/square yard, etc)	1,350
Engineering (design, survey, etc.) & permits	44,286
Contingency (5%)	18,453
subtotal	431,789
On-site (in Marbella)	
10,560' 8" DIP (@ \$32/ft)	337,920
16,440' 6" DIP (@ \$23/ft)	378,120
Twenty one 8" gate valves (@ \$2,300/unit)	48,300
Thirty two 6" DIP gate valves (@ \$1,800/unit)	57,600
sixty fire hydrants (@ \$3,500/unit)	210,000
600 service line connections (@ \$550/unit)	330,000
600 service meter (@ \$200/unit)	120,000
Engineering (design, survey, etc.) & permits	177,833
Contingency (5%)	74,097
subtotal	1,733,870
Total Costs of Phase I Water Construction	4,583,289
Phase II Water Construction	
Well No. 2	
Well drilling	667,000
Well slab	5,000
Power line extension to the site	10,000
Site work	15,000
Well pump	120,000
Piping, valves	80,000
One Pressure tank	40,000

Electrical, control panel, etc.	40,000
One diesel generator	70,000
Engineering (design, survey, etc.) & permits	57,000
Contingency (5%)	52,350
subtotal	1,156,350
On-site backbone mains	
1,500' 12" DIP (@ \$45/ft)	67,500
150' crossing Dysart Drain (cased overshoot @\$200/ft)	30,000
Four 12" gate valves (@ \$ 3,500/unit)	14,000
Six fire hydrants (@ \$4,000/unit)	24,000
Two air relief valve (@ \$4,500/unit)	9,000
Engineering (design, survey, etc.) & permits	17,340
Contingency (5%)	7,225
subtotal	169,065
On-site (in Marbella)	
7,920' 8" DIP (@ \$32/ft)	253,440
21,780' 6" DIP (@ \$23/ft)	500,940
sixteen 8" gate valves (@ \$2,300/unit)	36,800
Forty three 6" DIP gate valves (@ \$1,800/unit)	77,400
Sixty six fire hydrants (@ \$3,500/unit)	231,000
660 service line connections (@ \$550/unit)	363,000
660 service meter (@ \$200/unit)	132,000
Engineering (design, survey, etc.) & permits	191,350
Contingency (5%)	79,729
subtotal	1,865,659
Total Costs of Phase II Constructions for Water Plan	3,191,074

Note 1. The Dysart Drain is a flood control structure owned by the Federal Government and operated and managed by the Maricopa County Flood Control District. Staff concludes that the listed system improvements are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

b. For VU Water Plan

Phase I Water Construction	Estimated Costs by LPSC (\$)
Well No. 1	
Well drilling	750,000

Site work	25,000
Well pump	140,000
Piping, valves	85,000
Electrical, control panel, etc.	150,000
One diesel generator	85,000
subtotal	1,235,000
Off-site	
1,100' 12" DIP (in 125 th Ave to Glendale Ave, @ \$120/ft)	132,000
1,490' 8" DIP (in 127 th Ave to Glendale Ave, @ 85/ft)	126,650
subtotal	258,650
Engineering (design, survey, etc.) & permits	224,048
Contingency (5%)	74,683
Total Costs of Phase I Water Construction	1,792,380
Phase II Water Construction	
Well No. 2	
Well drilling	750,000
Site work	25,000
Well pump	140,000
Piping, valves	85,000
One Pressure tank	
Electrical, control panel, etc.	130,000
One diesel generator	85,000
subtotal	1,215,000
Engineering (design, survey, etc.) & permits	182,250
Contingency (5%)	60,750
Total Costs of Phase II Constructions for Water Plan	1,458,000

Staff concludes that the listed system improvements are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes. Staff would note that the VU proposal does not include any on-site water plan or the associated cost estimates.

IV. PROPOSED WASTEWATER PLAN

A. LPSC Proposal

a. Phase I Wastewater Plan

The developer proposes to install approximately 13,500 feet of 12-inch, SDR¹¹ 35 polyvinyl chloride (“PVC”) pipe and 21,570 feet of 8-inch SDR 35 PVC pipe. Staff recommends that LPSC file with Docket Control, a copy of Certificate of Approval to Construct for Phase I wastewater plan as a compliance item in this docket no later than December 31, 2015.

b. Phase II Wastewater Plan

The developer proposes to install a lift station and approximately 25,275 feet of 8-inch, SDR 35 PVC pipe.

B. Projected Construction Schedule for Wastewater Plan

a. LPSC’s Wastewater Construction Schedule

	Year from Decision issued	0	1	1.5	4
Phase I		Off-site construction begins	Off-site construction completed & on-site construction begins	On-site construction completed	Phase I built out
Phase II		Phase I built out	Phase II on-site construction begins	Phase II on-site construction completed	

C. Estimated Engineering Costs

a. For LPSC Wastewater Plan

Phase I Sewer Construction	Estimated Costs by LPSC (\$)
Off-site El Mirage Rd Trunk Sewer (south of Glendale Ave)	

¹¹ SDR stands for standard dimension ratio.

9,620' 12" SDR 35 PVC (@ \$90/ft) & backfill material	865,800
Twenty 48" diameter manholes (@ \$5,000/unit)	100,000
Others (allowance for special construction)	50,000
Others (12,800 square yards pavement replacement @ \$30/square yard, etc)	384,000
Engineering (design, survey, etc.) & permits	140,000
Contingency (5%)	70,000
subtotal	1,609,800
On-site Sewer Trunk Lines	
1,360' 12" SDR 35 PVC (@ \$90/ft) & backfill material	122,400
2,520' 12" SDR 35 PVC (@ \$40/ft) & backfill native material	100,800
1,320' 8" SDR 35 PVC (@ \$70/ft) & backfill material	92,400
fifteen 48" diameter manholes (@ \$5,000/unit)	75,000
Others (2,400 square yards pavement replacement @ \$30/square yard, etc)	72,000
Engineering (design, survey, etc.) & permits	55,512
Contingency (5%)	23,130
subtotal	541,242
On-site collection system (in Marbella)	
20,250' 8" SDR 35 PVC (@ \$40/ft) & backfill native material	810,000
Fifty three 48" diameter manholes (@ \$2,500 unit)	132,500
600 4" PVC service connections Others (@ \$550/connection)	330,000
Engineering (design, survey, etc.) & permits	152,700
Contingency (5%)	63,625
subtotal	1,488,825
Total Costs of Phase I Constructions for Wastewater	2,030,067
Phase II Sewer Construction	
Lift Station	
One Wet Well	200,000
Power line extension to the site	10,000
Site work	15,000
One pump	50,000
Piping, valves	25,000
Electrical, control panel, etc.	25,000
One diesel generator	30,000
One odor control system	20,000
250' 6" PVC (@ \$45/ft)	11,250

150' crossing Dysart Drain (cased overshoot @\$200/ft)	30,000
Engineering (design, survey, etc.) & permits	32,438
Contingency (5%)	20,813
subtotal	469,500
On-site sewer Trunk lines	
150' 12" SDR 35 PVC (@ \$90/ft) & backfill native material	9,000
3,000' 12" SDR 35 PVC (@ \$40/ft) & backfill native material	120,000
nine 48" diameter manholes (@ \$2,500/unit)	22,500
Engineering (design, survey, etc.) & permits	18,180
Contingency (5%)	7,575
subtotal	177,255
On-site collection system (in Marbella)	
22,275' 8" SDR 35 PVC (@ \$40/ft) & backfill native material	891,000
Fifty eight 48" diameter manholes (@ \$2,500 unit)	145,000
660 4" PVC service connections Others (@ \$550/connection)	363,000
Engineering (design, survey, etc.) & permits	167,880
Contingency (5%)	69,950
subtotal	1,636,830
Total Costs of Phase II Wastewater Construction Plan	2,283,585

Staff concludes that the listed system improvements are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

V. SYSTEM DESCRIPTIONS

A. *Water System*

a. LPSC System

LPSC owns and operates a water system that consists of 12 wells, three arsenic treatment facilities, two storage tanks, three booster systems and a distribution system serving approximately 18,400 customers at present time. LPSC's water system has a total source capacity of 13,100 gallons per minutes ("GPM") and storage capacity of 10.6 million gallons ("MG") that are adequate to serve the present customer base and projected growth in the requested area.

b. VU System

VU owns and operates a water system that consists of seven active wells, two arsenic treatment

facilities, six storage tanks and a distribution system serving approximately 1,450 customers at present time. VU water system has a total source capacity of 1,530 GPM and storage capacity of 2.06 MG that are adequate to serve the present customer base and projected growth Phase I in the requested area, additional water source will be needed to serve Phase II customers. However, VU stated that Well No. 1 would be able to provide adequate production to serve Phase II customers.

B. Wastewater System

a. LPSC System

LPSC owns and operates its Palm Valley Water Reclamation Facility (“WRF”); two lift stations (“LS”) and a collection system. Palm Valley WRF has a treatment capacity of 5.1 million gallon per day (“MGD”). Palm Valley WRF consists of raw sewage inflow LS, headworks, grit removal, equalization (“EQ”) basin, three sequential batch reactors (“SBR”), four tertiary disk filters, and seven UV disinfection trains and a backup disinfection system of chlorination/dechlorination unit. Final treated effluent is permitted for effluent reuse by Arizona Department of Environmental Quality (“ADEQ”) via Arizona Aquifer Protection (“APP”) Permit (Permit No. 47746 and 53068) and Reuse Permits. LPSC disposes of final effluent on different reuse sites such as farm lands, golf courses and parks throughout its service area. ADEQ also allows LPSC to dispose of its final treated effluent in the Roosevelt Irrigation District (“RID”) Canal via Arizona Pollutant Discharge Elimination System (“AZPDES”) Permit No. 45829. Palm Valley WRF has adequate capacity to serve approximately 20,500 customers at present time and projected growth in the requested area.

VI. MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPARTMENT (“MCESD”) COMPLIANCE

a. LPSC’s Water System

MCESD, acting as the formally delegated agent of ADEQ, has reported in a Compliance Status Report dated April 30, 2014, that LPSC’s water system operating under public water system (“PWS”) No. 07-046 has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.)

b. VU’s Water System

Staff received a compliance status report from MCESD dated June 26, 2014, in which MCESD stated that VU’s water system (PWS No. 07-079) has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

VII. ADEQ COMPLIANCE

a. LPSC's Wastewater System

Staff received a compliance status report from ADEQ dated July 10, 2014, in which ADEQ stated that Palm Valley WRP is currently not in full compliance¹², but ADEQ has determined that Palm Valley WRP is not currently in violation at a level at which ADEQ will take an action or issue a Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment.

VIII. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

a. LPSC's Water System

LPSC is in the Phoenix Active Management Area. Staff received a Compliance Status Report from ADWR for LPSC on May 12, 2014. ADWR reports that LPSC is compliant with departmental requirements governing water providers and/or community water systems.

b. VU's Water System

VU is in the Phoenix Active Management Area. Staff received a Compliance Status Report from ADWR for VU on July 3, 2014. ADWR reports that VU is compliant with departmental requirements governing water providers and/or community water systems.

IX. ACC COMPLIANCE

A. LPSC

A check of the Commission's Compliance Section database dated September 2, 2014, indicates there is no delinquent compliance item for LPSC

B. VU

A check of the Commission's Compliance Section database dated July 30, 2014, indicated that VU has no delinquent ACC compliance items.

¹² The violations were due to turbidity and E Coli exceeding the limits.

X. OTHER ISSUES

a. Offsite Hookup Fee Tariff

Both LPSC and VU have approved Offsite Hookup Fee Tariffs for water on file. LPSC also has an approved Offsite Hookup Fee Tariff for wastewater on file.

c. Curtailment Tariff and Backflow/Cross Connection Tariff

Both LPSC and VU have approved Curtailment and Backflow/Cross Connection Tariffs on file.

d. Best Management Practice Tariff ("BMP")

LPSC has ten approved BMP Tariffs on file. VU has five approved BMP Tariffs on file.

SUMMARY

Recommendations

1. If the Commission approves LPSC to serve the requested area, Staff recommends that LPSC file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.
2. If the Commission approves VU to serve water in the requested area, Staff recommends that VU file with Docket Control, a Certificate of Approval to Construct for Phase I water plan as a compliance item in this docket no later than December 31, 2015.
3. Staff recommends that LPSC file with Docket Control, a copy of Certificate of Approval to Construct for Phase I wastewater plan as a compliance item in this docket no later than December 31, 2015.

Conclusions

1. The compliance status reports were issued by MCDES dated April 30, 2014 and June 26, 2014 in which MCDES stated that both LPSC (PWS No. 07-046) and VU (PWS No. 07-079) have no major deficiencies and are delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.
2. In the compliance status report from ADEQ dated July 10, 2014, ADEQ stated that LPSC's Palm Valley WRP is not currently in full compliance but ADEQ has determined that Palm Valley WRP is not currently in violation at a level at which ADEQ will take an action or issue a

Notice of Opportunity to Correct or Notice of Violation and/or is in compliance with the Order/Judgment

3. Both LPSC and VU are in ADWR's Phoenix AMA. In the Compliance Status Reports from ADWR for LPSC (on May 12, 2014) and VU (on July 3, 2014). ADWR reports that both LPSC and VU are compliant with departmental requirements governing water providers and/or community water systems.
4. Staff concludes that LPSC's water system has adequate production and storage capacities to support the existing customer base and growth in both Phase I and Phase II of the requested area.
5. Staff also concludes that VU's water system has adequate production and storage capacities to support the existing customer base and growth in Phase I of the requested area.
6. Staff concludes that LPSC's wastewater system has adequate treatment capacity to treat the existing customer base and growth in both Phase I and Phase II of the requested area.
7. Staff concludes that the proposed water and wastewater plans by LPSC are appropriate and the costs are reasonable. No "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.
8. Staff also concludes that the proposed water plan by VU is appropriate and the costs are reasonable. Staff would note that the VU proposal does not include any on site water plan or the associated cost estimates. No "used and useful" determination of the proposed plants was made, and no conclusions should be inferred for future rate making or rate base purposes.
9. A check of the Commission's Compliance Section database dated July 30, 2014, indicated that VU has no delinquent ACC compliance items.
10. LPSC and VU have approved Curtailment Tariffs, Backflow/Cross Connection Tariffs, BMP tariffs and approved Off-site Hookup Fee Tariffs.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: June 23, 2014

RE: LIBERTY UTILITIES (LITCHFIELD PARK WATER AND SEWER) – DOCKET
NO. W-01427A-14-0134 **AMENDED LEGAL DESCRIPTION**

The area requested by Liberty Utilities (Litchfield Park Water and Sewer) for an extension has been plotted using the Company's amended legal description. Attached is the legal description which will replace the one filed with its application.

Also attached is a copy of the map for your files.

/lhm

Attachments

cc: Mr. Patrick Black
Ms. Dorothy Hains
Ms. Deb Person (Hand Carried)
File

Exhibit 4
REVISED 5-16-14

Legal Description
Liberty Utilities (Litchfield Park Water & Sewer) Corp.
Water CC&N Extension

That portion of Section 2, Township 2 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona more particularly described as follows:

The Northeast Quarter of said Section 2;

EXCEPT the south 20.00 feet of said Northeast Quarter;

The East ½ of the Northwest Quarter of said Section 2;

EXCEPT the south 20.00 feet of said Northwest Quarter, and;

the west 400.44 feet of the south 1,724.91 feet of said Northwest Quarter;

The Southeast Quarter of said Section 2;

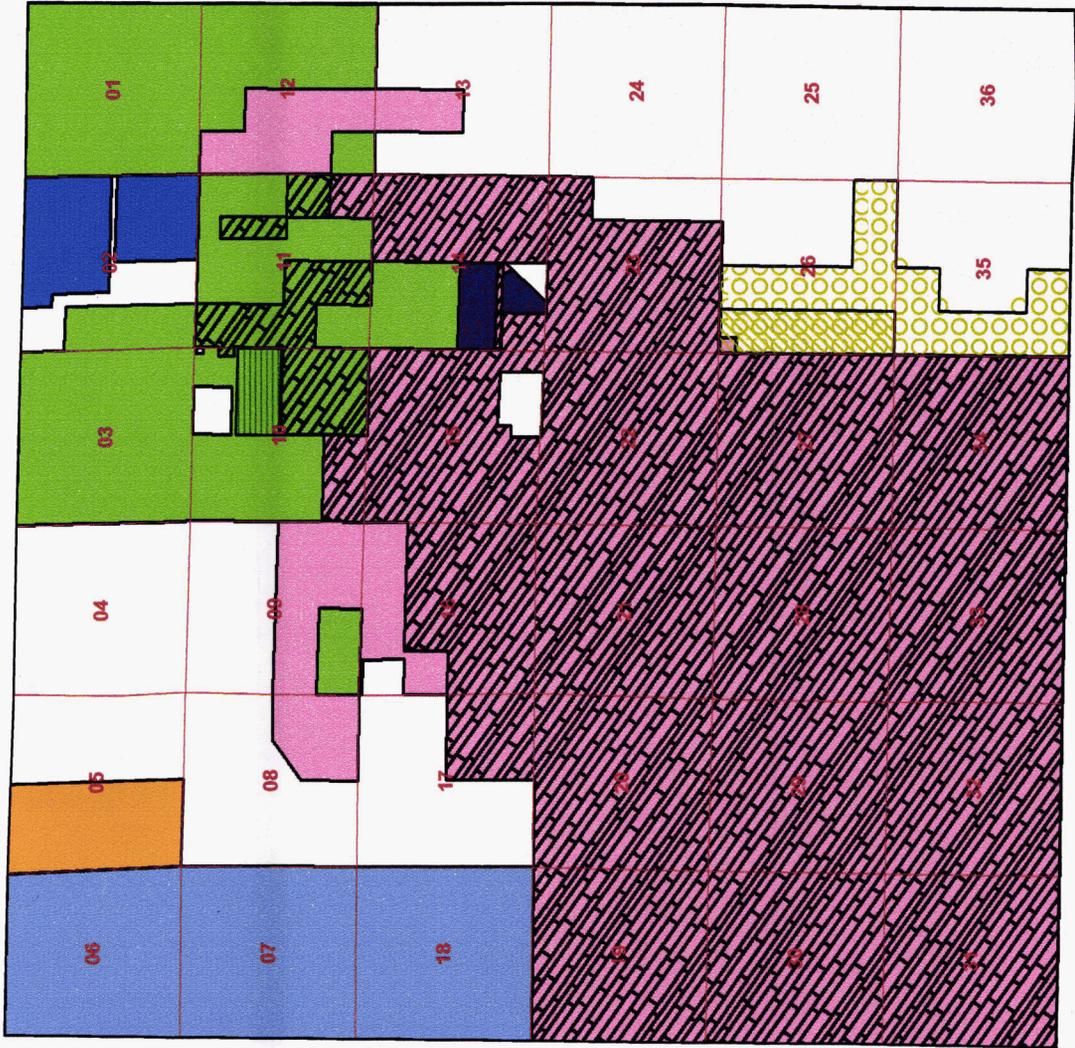
EXCEPT the north 140.00 feet of said Southeast Quarter.

MARICOPA COUNTY

RANGE 1 West

TOWNSHIP 2 North

-  W-01997A (2)
Adaman Mutual Water Company
-  W-01427A (4)
Litchfield Park Service Company
-  Sewer
Litchfield Park Service Company
-  W-02076A (1)
Tierra Buena Water Company
-  W-01412A (1)
Valley Utilities Water Company, Inc.
-  Sewer
Casitas Bonitas Wastewater Improvement District (Nonjurisdictional)
-  (1)
Adaman Mutual Water Company (Contiguous Area)
-  (4)
City of Avondale (Nonjurisdictional)
-  (1)
Liberty Utility Corp.
(Litchfield Park Water and Sewer)
Docket No. W-01427A-14-0134
Request for Extension (Water)



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

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: June 23, 2014

RE: LIBERTY UTILITIES (LITCHFIELD PARK WATER AND SEWER) – DOCKET
NO. W-01427A-14-0180

The area requested by Liberty Utilities (Litchfield Park Water and Sewer) for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

/lhm

Attachments

cc: Mr. Patrick Black
Ms. Dorothy Hains
Ms. Deb Person (Hand Carried)
File

Exhibit 4

**Legal Description
Liberty Utilities (Litchfield Park Water & Sewer) Corp.
Wastewater CC&N Extension**

That portion of Section 2, Township 2 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona more particularly described as follows:

The Northeast Quarter of said Section 2;

EXCEPT the south 20.00 feet of said Northeast Quarter;

The East ½ of the Northwest Quarter of said Section 2;

EXCEPT the south 20.00 feet of said Northwest Quarter, and;

the west 400.44 feet of the south 1,724.91 feet of said Northwest Quarter;

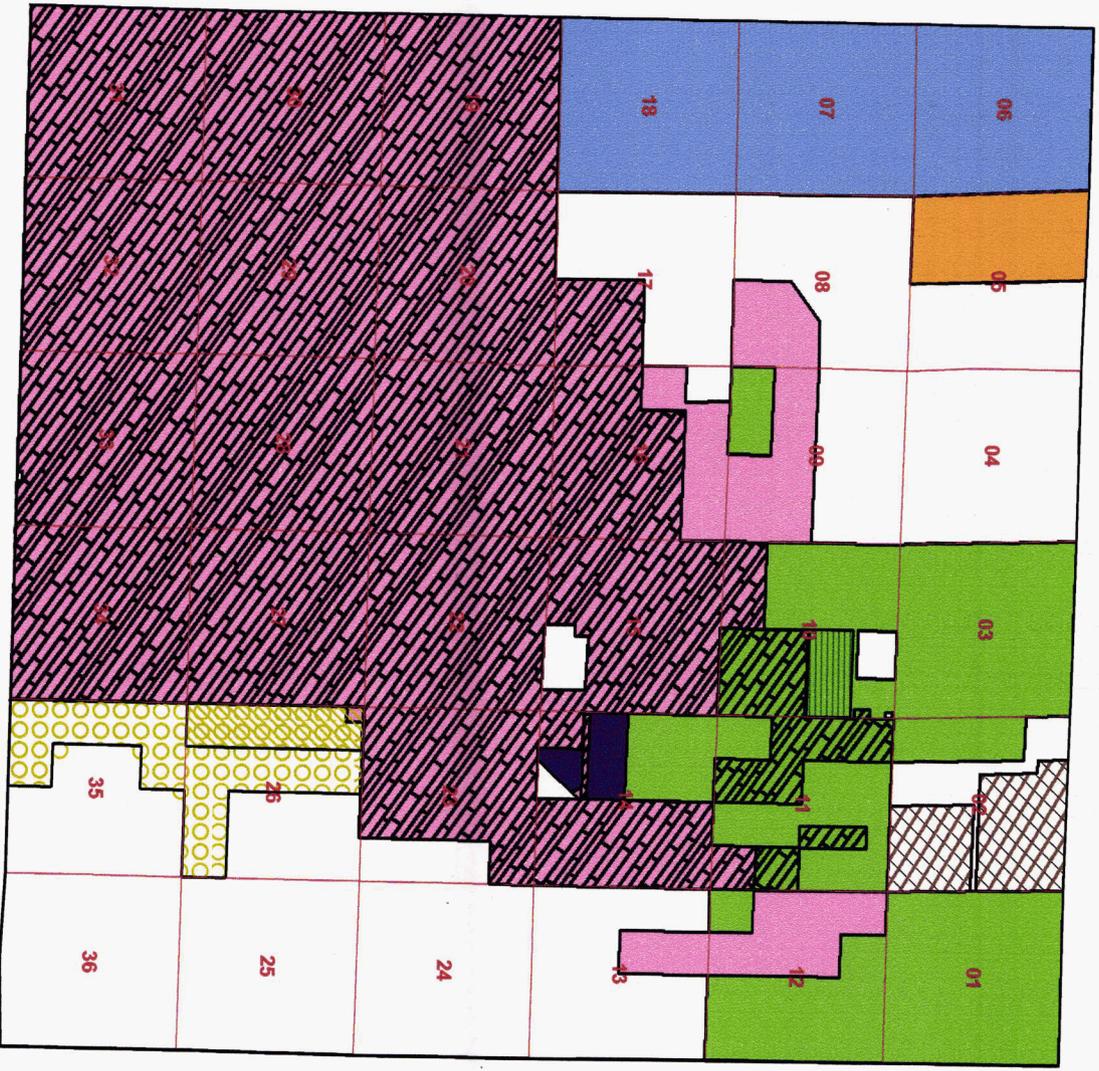
The Southeast Quarter of said Section 2;

EXCEPT the north 140.00 feet of said Southeast Quarter.

MARICOPA COUNTY

Map No. 17

RANGE 1 West



TOWNSHIP 2 North

-  W-01997A (2)
Adaman Mutual Water Company
-  W-01427A (4)
Litchfield Park Service Company
-  SW-01428A (4)
Litchfield Park Service Company
-  W-02076A (1)
Tierra Buena Water Company
-  W-01412A (1)
Valley Utilities Water Company, Inc.
-  (1)
Casitas Bonitas Wastewater Improvement District (Nonjurisdictional)
-  (1)
Adaman Mutual Water Company (Contiguous Area)
-  (4)
City of Avondale (Nonjurisdictional)
-  Sewer
-  Sewer (1)
Liberty Utility Corp.
(Litchfield Park Water and Sewer)
Docket No. W-01427A-14-0180
Request for Extension (Sewer)

Prepared by:
Arizona Corporation Commission
Utilities Division
Engineering Section/GIS Mapping
602-540-4251

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

TR2N1W 05 JUN 2005

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: August 7, 2014

RE: VALLEY UTILITIES WATER COMPANY, INC. – DOCKET NO. W-01412A-14-0262)

The area requested by Valley Utilities Water Company, Inc. for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

/lhm

Attachments

cc: Mr. Robert J. Metli
Ms. Dorothy Hains
Ms. Deb Person (Hand Carried)
File

Legal Description
Valley Utilities Water Company Inc.
Water CC&N Extension

That portion of Section 2, Township 2 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona more particularly described as follows:

The Northeast Quarter of said Section 2;

EXCEPT the south 20.00 feet of said Northeast Quarter;

The East $\frac{1}{2}$ of the Northwest Quarter of said Section 2;

EXCEPT the south 20.00 feet of said Northwest Quarter, and;

The west 400.44 feet of the south 1,724.91 feet of said Northwest Quarter;

The Southeast Quarter of said Section 2;

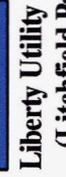
EXCEPT the north 140.00 feet of said Southeast Quarter.

Map No. 17

MARICOPA COUNTY

RANGE 1 West

TOWNSHIP 2 North

-  W-01997A (2)
Adaman Mutual Water Company
-  W-01427A (4)
Litchfield Park Service Company
-  SW-01428A (4)
Litchfield Park Service Company
-  W-02076A (1)
Tierra Buena Water Company
-  W-01412A (1)
Valley Utilities Water Company, Inc.
-  (1)
Sewer
-  (1)
Casitas Bonitas Wastewater Improvement District (Nonjurisdictional)
-  (4)
Adaman Mutual Water Company (Contiguous Area)
-  (1)
City of Avondale (Nonjurisdictional)
-  (1)
Sewer
-  (1)
Liberty Utility Corp.
(Litchfield Park Water and Sewer)
-  (1)
Docket Nos. W-01427A-14-0134 and W-01427A-14-0180
Request for Extension
-  (1)
Valley Utilities Water Company, Inc.
Docket No. W-01412A-14-0262
Request for Extension

Competing Applications



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

MEMORANDUM

DATE: August 25, 2014

TO: Blessing N. Chukwu
Executive Consultant III

FROM: Brendan Aladi ~~BA~~
Public Utilities Analyst

RE: APPLICATION OF LIBERTY UTILITIES (LITCHFIELD PARK WATER AND WASTEWATER) CORP. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER AND WASTEWATER UTILITIES SERVICES (DOCKET NOS. W-01427A-14-0134 AND SW-01428A-14-0180).

THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER UTILITY SERVICE (DOCKET NO. W-01412A-14-0262)

On April 17, 2014, Liberty Utilities (Litchfield Park Water and Sewer) Corp. ("Liberty Utilities") filed an application with the Arizona Corporation Commission ("Commission") requesting approval pursuant to Arizona Revised Statutes Section 40-282 and Arizona Administrative code R14-2-402 for extension of its existing certificate of convenience and necessity ("CC&N") to provide water utility service in Maricopa County, Arizona.

On June 3, 2014, Liberty Utilities filed an application for extension of its CC&N to provide wastewater service to Marbella Ranch. On June 3, 2014, Liberty Utilities filed an application with the Commission, in Docket No. SW-01428A-14-0180, requesting that the Commission approve an extension of its current wastewater CC&N to provide wastewater service to Marbella Ranch.

On July 10, 2014, Valley Utilities Water Company, Inc. ("Valley Utilities") filed a competing application for extension of its CC&N to provide water service to Marbella Ranch. Procedural Order issued August 12, 2014, consolidated Liberty Utilities' water and wastewater and Valley Utilities CC&N water applications.

The area covered by this application includes an approximately 365-acre property located on the El Mirage Road alignment between Glendale Avenue and Northern Avenue. The property is currently owned by El Paso Natural Gas, LLC, and was originally designed for natural gas storage. The Developer has filed a zoning request and comprehensive plan amendment with Maricopa County so that the maximum number of dwelling units on the property will not exceed 1,260 units. A portion of the property is planned for open space or industrial uses.

Liberty Utilities projected the following operating income/loss for the first five years after the approval of the application for its water system: Year 1 (\$28,424); Year 2, (\$32,789); Year 3, \$1,439; Year 4, \$9,525 and Year 5, \$25,875.

Liberty Utilities projected the following operating income/loss for the first five years after the approval of the application for its wastewater system. The Company projects the following operating income/loss for the projected years: Year 1 (\$9,132); Year 2, \$11,448; Year 3, \$51,108; Year 4, \$91,090 and Year 5, \$138,827.

Valley Utilities projected the following operating income/loss for the first five years after the approval of the application for its water system. The Company projects the following operating income/loss for the projected years: Year 1 (\$30,595); Year 2, (\$7,519); Year 3, \$45,835; Year 4, \$66,552 and Year 5, \$93,137.

Liberty Utilities and Valley Utilities provided Statements of Financial Condition, which included a copy of the balance sheet for the year ending December 31, 2013 and comparative statement of income and expense for the years ending December 31, 2013 and December 31, 2013.

Liberty Utilities estimated the total cost for the construction of the water facilities of \$7,774,363 and wastewater facilities of \$4,313,652, which will be financed through a combination of contributions, advances in aid of construction and equity. Valley Utilities estimated \$7,450,762 total cost for the construction of the water facilities, which will be financed entirely with advances in aid of construction.

As noted on the Capital Structure Analysis Schedules, Staff normally recommends that the combined AIAC and net CIAC funding ratio not exceed 30 percent of total capital for private, investor-owned utilities.

At December 31, 2013, combined AIAC (\$29,728,643) and net CIAC (\$4,752,083) is \$34,480,726 for Liberty Utilities water system. Total capital inclusive of AIAC and CIAC is \$77,704,058. The combined total AIAC and net CIAC is 44 percent of total capital.

At December 31, 2013, combined AIAC (\$12,110,401) and net CIAC (\$29,120,016) is \$41,230,417 for the Liberty Utilities wastewater system. Total capital inclusive of AIAC and CIAC is \$67,576,912. The combined total AIAC and net CIAC is 61 percent of total capital.

At December 31, 2013, combined AIAC (\$4,375,073) and net CIAC (\$1,361,348) is \$5,736,421 for Valley Utilities. Total capital inclusive of AIAC and CIAC is \$7,530,647. The combined total AIAC and net CIAC is 76 percent of total capital.

For the Liberty Utilities water system pro-forma at December 31, 2013, (including proposed CC&N extension) the combined AIAC (\$30,894,797) and net CIAC (\$5,918,237) is \$36,813,034. The combined total AIAC and net CIAC is 43 percent of the total capital.

For the Liberty Utilities wastewater system Pro-forma at December 31, 2013, (including proposed CC&N extension) the combined AIAC (\$12,757,449) and net CIAC (\$29,767,064) is \$42,524,513. The combined total AIAC and net CIAC is 59 percent of the total capital.

ATTACHMENT C

For the Valley Utilities water system pro-forma at December 31, 2013, (including proposed CC&N extension) the combined AIAC (\$11,825,835) and net CIAC (\$1,361,348) is \$13,510,784. The combined total AIAC and net CIAC is 88 percent of the total capital.

Staff is concerned about a continuing over-reliance on AIAC and CIAC. Liberty Utilities is financially fit to provide both water and wastewater services to the extension area. However, Staff recommends that the Company fund its future infrastructure needs with 70 percent equity and no more than 30 percent AIAC and CIAC combined, in order to better balance the financial risk for the Company and its ratepayers. When a Company over-relies on AIAC and CIAC it may not have a rate base sufficient enough to earn a reasonable rate of return.

If Valley Utilities is chosen to provide water service, Staff recommends the entire construction costs be funded with equity because of over reliance on AIAC/CIAC and the resultant low equity ratio.