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ORIGINAL

MORANDUM  
RECEIVED

TO: Docket Control

2015 FEB -9 A 8: 25

FROM: Steve M. Olea  
Director  
Utilities Division

AZ CORP COMMISSION  
DOCKET CONTROL

Date: February 9, 2015

RE: STAFF REPORT IN THE MATTER OF THE APPLICATION OF RIO VERDE UTILITIES, INC., TO EXTEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE TO SERVE PORTIONS OF RIO VERDE UNITS TEN AND ELEVEN (DOCKET NO. WS-02156A-14-0401)

Attached is the Staff Report for Rio Verde Utilities, Inc.'s application to extend its Certificate of Convenience and Necessity to provide water service in portions of Maricopa County, Arizona. Staff is recommending approval with conditions.

SMO:GWB:vsc\ML

Originator: Gerald Becker

Arizona Corporation Commission  
DOCKETED

FEB - 9 2015

DOCKETED BY *nr*

Service List for: Rio Verde Utilities, Inc.  
Docket No. WS-02156A-14-0401

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

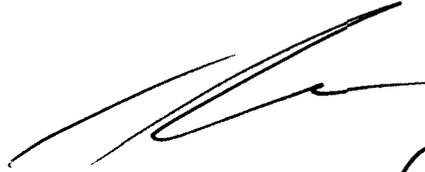
RIO VERDE UTILITIES, INC.  
WS-02156A-14-0401

APPLICATION TO EXTEND ITS  
CERTIFICATE OF CONVENIENCE AND NECESSITY  
FOR WATER SERVICE TO SERVE PORTIONS  
OF RIO VERDE UNITS TEN AND ELEVEN

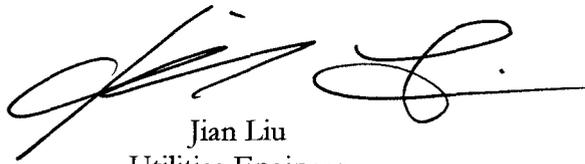
FEBRUARY 9, 2015

## STAFF ACKNOWLEDGMENT

The Staff Report for Rio Verde Utilities, Inc. (Docket No. WS-02156A-14-0401) was the responsibility of the Staff members signed below. Gerald Becker was responsible for the review and analysis of the Company's application. Jian Liu was responsible for the engineering and technical analysis.



Gerald Becker  
Executive Consultant III



Jian Liu  
Utilities Engineer

**EXECUTIVE SUMMARY  
RIO VERDE UTILITIES, INC.  
DOCKET NO. WS-02156A-14-0401**

On December 4, 2014, Rio Verde Utilities, Inc. ("Rio Verde" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") to extend its Certificate of Convenience and Necessity ("CC&N") for water service, in portions of Maricopa County, Arizona. On December 9, 2014, Rio Verde filed a supplement to its application. On January 5, 2015, the Utilities Division ("Staff") of the Commission filed a Sufficiency Letter indicating that the application along with its amendment had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

Rio Verde is an Arizona Corporation, in good standing with the Commission's Corporations Division. The Company was authorized to provide water service in portions of Maricopa County, Arizona, by Decision No. 43509, issued on July 27, 1973, and Decision No. 51873 issued on February 19, 1981. The Company's CC&N was extended by Decision No. 58865 issued November 30, 1994, and Decision No. 60929 dated May 26, 1998.

By this application, Rio Verde states that a portion of Rio Verde Unit Ten and Eleven was never included in its water CC&N and requests extension of the CC&N to correct this recently discovered deficiency. Rio Verde states it is currently providing service to customers in the extension area since the late 1980's and early 1990's.

Staff concludes that Rio Verde has adequate production and storage capacity to serve the present customer base and reasonable growth.

Staff believes that extending Rio Verde's CC&N would be in the public interest. The Company has for years been serving the affected customers along with other customers, with its existing plant.

Staff recommends the Commission approve Rio Verde's application to extend its CC&N to include certain portions of Section 7, in Township 4 North, Range 7 east of the Gila and Salt River Base and Meridian as set forth in Attachment B within portions of Maricopa County, Arizona, subject to compliance with the following conditions:

1. Rio Verde must continue to charge its authorized rates and charges within its CC&N.
2. Rio Verde must 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.
3. Rio Verde must not serve any customers that are not within or contiguous to its CC&N in the future.
4. Rio Verde should comply with A.A.C. R14-2-402(E) for serving contiguous lots.

5. Rio Verde shall provide notice to all affected customers, and those customers shall have an opportunity to be heard.
6. Any CC&N extension approved in this proceeding be conditioned upon the Company filing an updated ADWR Compliance Status Report by December 31, 2015 indicating that the Company is in compliance with ADWR requirements.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void, after due process, should the Company fail to comply with any of these conditions.

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## **INTRODUCTION**

On December 4, 2014, Rio Verde Utilities, Inc. ("Rio Verde" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") to extend its Certificate of Convenience and Necessity ("CC&N") for water service, in portions of Maricopa County, Arizona. On December 9, 2014, Rio Verde filed a supplement to its application. On January 5, 2015, the Utilities Division ("Staff") of the Commission filed a Sufficiency Letter indicating that the application along with its amendment had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

## **BACKGROUND**

Rio Verde is an Arizona Corporation, in good standing with the Commission's Corporations Division. The Company was authorized to provide water service in portions of Maricopa County, Arizona, by Decision No. 43509, issued on July 27, 1973, and Decision No. 51873 issued on February 19, 1981. The Company's CC&N was extended by Decision No. 58865 issued November 30, 1994, and Decision No. 60929 dated May 26, 1998.

The Company's annual report indicates that there are approximately 1,700 customers receiving service including the 52 that would be officially added to the CC&N if this application is approved.

## **PROPOSED EXTENSION OF ITS CC&N**

Rio Verde seeks to extend its CC&N to include customers that are already being served in an already subdivided area of approximately 42.78 acres that is adjacent to its existing CC&N. The Company states that in 2014, it discovered that the customers in this area were not included in its CC&N.

## **WATER SYSTEM**

Rio Verde has been providing water utility service to the property owners within the CC&N extension area for years and only recently determined that the proposed extension area had been excluded from its water CC&N service area. Accordingly, Rio Verde does not need any additional plant facilities to provide service and intends to continue charging its existing rates and charges in the CC&N extension area pursuant to its filed tariffs.

Staff concludes that Rio Verde's water systems have adequate production and storage capacity to serve the present customer base and reasonable growth.

## **ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY COMPLIANCE**

Maricopa County Environmental Services Department ("MCESD") reported that the Rio Verde drinking water system is currently delivering water that meets water quality standards required

by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (MCESD compliance status report dated December 3, 2014).

### **ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE**

Rio Verde is located in the Phoenix Active Management Area (“AMA”) and is subject to ADWR AMA reporting and conservation requirements. ADWR reported that the Rio Verde drinking water system is not in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated January 26, 2015).

Staff recommends that any CC&N extension approved in this proceeding be conditioned upon the Company filing an updated ADWR Compliance Status Report indicating that the Company is in compliance with ADWR requirements.

### **ACC COMPLIANCE**

A check of the Utilities Division compliance database indicated that there were no delinquent compliance items for Rio Verde.

### **CURTAILMENT PLAN TARIFF**

The Company has an approved curtailment tariff on file with the Commission.

### **CROSS CONNECTION TARIFF**

The Company has an approved cross connection tariff on file with the Commission. In Docket No. WS-02156A-15-0003, the Company has filed for approval of a revised Cross-Connection Control and Backflow Prevention Tariff.

### **PROPOSED RATES**

The Company provides water and wastewater utility service to the affected area under its authorized rates and charges, which became effective March 1, 1994, in Decision No. 58525. A review of the unaudited annual reports filed by the Company indicates that the Company appears to be a profitable and viable entity.

### **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 must obtain the franchise from the County. If the applicant

operates in an incorporated area of the County, the applicant must obtain the franchise from the City/Town.

Rio Verde does not have a Maricopa County franchise agreement which includes the proposed extension area. Staff recommends that the Company be required 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.

### **STAFF'S POSITION ON THE CC&N**

The ACC is required by the Arizona Revised Statutes ("A.R.S.") § 40-281 et seq. to investigate all applicants for a CC&N and to issue a CC&N only upon a showing that the issuance to a particular applicant would serve the public interest. In determining whether or not the issuance of a CC&N to a particular applicant is in the public interest, Staff considers whether the applicant is a fit and proper entity to own and operate a water and/or wastewater utility.

The Company provided Staff with maps of the Rio Verde service area and the proposed extension area. As previously discussed in this report, Staff concludes that Rio Verde has adequate production and storage capacity to serve the present customer base and reasonable growth.

The Company has not provided notice to the customers who are being added as part of the CC&N extension. Staff has notified the Company of this requirement, and the Company has yet to comply. Any authorization granted in this proceeding should be conditioned upon the Company providing adequate notice to the affected customers.

Based on the information provided in this docket and from Staff's review of other available materials regarding the Company, Staff concludes that:

- The Company has experience in operating a water facility,
- The Company is out of compliance with ADWR,
- There is no evidence of negative determinations by MCESD Compliance and/or questionable business practices, and
- The Company has adequate financial capability to continue providing water service to its existing customers.

Staff believes that the ultimate obligation of the Commission is to protect the public interest; to that end Staff believes reasonable conditions to ensure the Company is conducting its business operation in a manner which will not compromise the interests of its customers should be required.

### **RECOMMENDATIONS**

Staff recommends the Commission approve Rio Verde's application to extend its CC&N to include certain portions of Section 7, in Township 4 North, Range 7 east of the Gila and Salt River Base and Meridian as set forth in Attachment B within portions of Maricopa County, Arizona, subject to compliance with the following conditions:

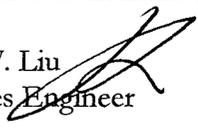
1. Rio Verde must continue to charge its authorized rates and charges within its CC&N.
2. Rio Verde must file with Docket Control, a copy of the county franchise agreement for the extension area as a compliance item in this docket no later than December 31, 2015.
3. Rio Verde must not serve any customers that are not within or contiguous to its CC&N in the future.
4. Rio Verde should comply with A.A.C. R14-2-402(E) for serving contiguous lots.
5. Rio Verde shall provide notice to all affected customers, and those customers shall have an opportunity to be heard.
6. Any CC&N extension approved in this proceeding be conditioned upon the Company filing an updated ADWR Compliance Status Report by December 31, 2015 indicating that the Company is in compliance with ADWR requirements.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void, after due process, should the Company fail to comply with any of these conditions.

**MEMORANDUM**

DATE: January 26, 2015

TO: Gerald Becker  
Executive Consultant III

FROM: Jian W. Liu   
Utilities Engineer

RE: Rio Verde Utilities, Inc.  
Docket No. WS-02156A-14-0401 (Extension of Territory for water service)

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**Introduction and Background**

On December 4, 2014, Rio Verde Utilities, Inc. ("Rio Verde" or "Company") filed with the Arizona Corporation Commission ("ACC" or "Commission") an application for approval to extend its Certificate of Convenience and Necessity ("CC&N") to provide water utility service by adding approximately 48.72 acres in an area adjacent to Rio Verde's current CC&N service area. The Rio Verde service area is located approximately 5 miles north of Fountain Hills and 5.5 miles east of Scottsdale in Maricopa County.

The CC&N extension area, the portion of the Rio Verde Units Ten and Eleven, includes approximately 52 residential lots and is located entirely within the northern portion of Section 7, Township 4 North, Range 7 East of the Gila and Salt River Base and Meridian, Maricopa County.

Rio Verde has been providing water utility service to the property owners within the CC&N extension area for years and only recently determined that the proposed extension area had been excluded from its water CC&N service area. Rio Verde does not need any additional plant facilities to provide service and intends to continue charging its existing rates and charges in the CC&N extension area pursuant to its filed tariffs.

**Description of Existing Water System**

The plant facilities consist of nine active wells with total pumping capacity of 6,510 gallons per minute ("GPM"), two storage tanks with total storage capacity of 1,040,000 gallons, hydro-pneumatic pressure systems and distribution system serving 1,706 active connections at the end of 2013.

### *System Analysis*

Staff concludes that the Rio Verde water system has adequate production capacity and storage capacity to serve existing customers (including the proposed extension area) and reasonable growth.

### **Maricopa County Environmental Services Department (“MCESD”) Compliance**

MCESD reported that the Rio Verde drinking water system is currently delivering water that meets water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (MCESD compliance status report dated December 3, 2014).

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

Rio Verde is located in the Phoenix Active Management Area (“AMA”) and is subject to ADWR AMA reporting and conservation requirements. ADWR reported that the Rio Verde drinking water system is not in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated January 26, 2015).

Staff recommends that any CC&N extension approved in this proceeding be conditioned upon the Company filing an updated ADWR Compliance Status Report by December 31, 2015 indicating that the Company is in compliance with ADWR requirements.

### **ACC Compliance**

A check with the ACC Utilities Division Compliance Section showed no delinquent compliance items for the Company. (ACC Compliance Section Email dated January 23, 2015).

### **Conclusions**

1. MCESD reported that the Rio Verde drinking water system is currently delivering water that meets water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (MCESD compliance status report dated December 3, 2014).
2. ADWR reported that the Rio Verde drinking water system is not in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report dated January 26, 2015).
3. A check with the ACC Utilities Division Compliance Section showed no delinquent compliance items for the Company. (ACC Compliance Section Email dated January 23, 2015).

4. Staff concludes that the Rio Verde has adequate production capacity and storage capacity to serve the existing customer base (including the proposed extension area) and reasonable growth.

**Recommendation**

1. Staff recommends that any CC&N extension approved in this proceeding be conditioned upon the Company filing an updated ADWR Compliance Status Report by December 31, 2015 indicating that the Company is in compliance with ADWR requirements.

MEMORANDUM

TO: Gerald Becker  
Executive Consultant III  
Utilities Division

FROM: Lori H. Miller   
GIS Specialist  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: December 18, 2014

RE: RIO VERDE UTILITIES, INC.

The area requested by Rio Verde Utilities, 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. Craig A. Marks  
Mr. Jian Liu  
Ms. Deb Person (Hand Carried)  
File

# MARICOPA COUNTY

Map No. 31

## RANGE 7 East

06	05	04	03	02	01
07	08	09	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

## TOWNSHIP 4 North



WS-02156A (3)

Rio Verde Utilities, Inc.



(1)

Rio Verde Utilities, Inc.  
 Docket No. WS-02156A-14-0401  
 (Application for CC&N Extension)



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

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

TRAN7E 28 JUL 1987

**Legal Description  
Rio Verde Utilities, Inc.  
Water CC&N Extension**

That portion of Section 7, Township 4 North, Range 7 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona more particularly described as follows:

General Land Office Lots 2 and 3, except any portion lying south of the north right-of-way line of McDowell Mountain Road, being more particularly described as follows:

Commencing at the Northwest Corner of said Section 7;

THENCE South  $89^{\circ}55'51''$  East along the North line of said Section 7 a distance of 1,313.85 feet to the Northwest Corner of said Lot 3 and the TRUE POINT OF BEGINNING;

THENCE continuing South  $89^{\circ}55'51''$  East along the North line of said Section 7 a distance of 1,320.19 feet to the Northeast Corner of said Lot 3 which is also the Northwest Corner of said Lot 2;

THENCE continuing South  $89^{\circ}55'51''$  East along the North line of said Section 7 a distance of 1,320.00 feet to the Northeast Corner of said Lot 2;

THENCE South  $00^{\circ}00'21''$  East along the East line of said Lot 2 a distance of 503.72 feet to a point on the northerly right-of-way line of McDowell Mountain Road;

THENCE South  $80^{\circ}15'23''$  West along the northerly right-of-way line of McDowell Mountain Road a distance of 459.36 feet;

THENCE South  $80^{\circ}27'24''$  West along the northerly right-of-way line of McDowell Mountain Road a distance of 1,390.58 feet;

THENCE South  $80^{\circ}28'45''$  West along the northerly right-of-way line of McDowell Mountain Road a distance of 827.22 feet to a point on the West line of said Lot 3;

THENCE North  $00^{\circ}01'13''$  East along the West line of said Lot 3 a distance of 951.76 feet to the Northwest Corner of said Lot 3, the Point of Beginning.