

ORIGINAL

OPEN MEETING AGENDA ITEM



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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 SUSAN BITTER SMITH, CHAIRMAN
10 BOB STUMP
11 BOB BURNS
12 TOM FORESE
13 DOUG LITTLE

Arizona Corporation Commission
DOCKETED

JUN 09 2015

DOCKETED BY *RTU*

14 IN THE MATTER OF THE APPLICATION
15 OF TRUXTON CANYON WATER
16 COMPANY, INC. FOR APPROVAL OF A
17 RATE INCREASE.

DOCKET NO. W-02168A-11-0363
DOCKET NO. W-02168A-13-0309
DOCKET NO. W-02168A-13-0332

18 IN THE MATTER OF THE APPLICATION
19 OF TRUXTON CANYON WATER
20 COMPANY, INC. FOR APPROVAL OF A
21 REVISION OF THE COMPANY'S
22 EXISTING TERMS AND CONDITIONS OF
23 WATER SERVICE.

24 IN THE MATTER OF THE APPLICATION
25 OF TRUXTON CANYON WATER
26 COMPANY, INC. FOR AUTHORITY TO
27 INCUR LONG-TERM DEBT.

**SUPPLEMENTAL COMPLIANCE
REPORT**

28 On May 8, 2015, pursuant to Decision No. 74835, Truxton Canyon Water
Company, Inc. ("Truxton" or "Company") filed a compliance report regarding inquires
related to compliance matters set forth in Decision Nos. 74833 and 74835. In response,

1 Staff set a meeting with Truxton on May 21, 2015 to discuss compliance items with the
2 Company. In anticipation of that meeting, on May 20, 2015, Staff sent Truxton a letter
3 identifying specific questions it wanted Truxton to address. The Company did not
4 receive the letter until hours before the meeting, so Staff and the Company agreed it
5 would be beneficial to reschedule the meeting for May 29, 2015 so Truxton could
6 prepare to respond to each question. On May 29, 2015, the meeting was held and
7 Truxton addressed each question. With this submittal, Truxton is setting forth its
8 position regarding each issue and question raised by Staff.
9
10

11 **STAFF QUESTIONS AND TRUXTON'S RESPONSES**

12 **1.0 Hualapai 1 Well.**

13 Staff requests additional details about the project. Please provide the following:
14

15 1.1 A copy of the engineering report submitted to WIFA.
16

17 **Response.** There was no engineering report submitted to WIFA regarding the Hualapai
18 1 Well improvements. Truxton proposed converting the engines from natural gas to
19 electric power and purchasing two generators. During the meeting, Staff stated that if
20 the design flow capacity increased, then engineering would be necessary. However, the
21 Company has not proposed increasing the design capacity of the well.
22

23 1.2 Regarding the replacement of diesel motors with electric motors the
24 Company stated that the cost of converting to electric power was: Two electric
25 generators powered by natural gas - \$50,000; two electric motors - \$70,000; and Electric
26 panels and labor - \$42,000.
27
28

1 **Response.** These cost estimates are more than two years old, and the prices may have
2 risen. However, the Company has no reason to believe the costs today are materially
3 different.
4

5 1.2.1 Please provide details regarding each motor and its costs, as provided by
6 the manufacturer, sufficient to allow Staff to determine that the prices are reasonable and
7 cost effective. This should include whether the motors are three phase or commercial
8 lines and whether the electric panels and labor cost includes a meter.
9

10 **Response.** This information has been provided previously. However, as Truxton
11 acknowledged during the meeting, the cost quotes are more than two years old.
12 Therefore, within 30 days, Truxton will provide a cost breakdown to refit the well with
13 two electric motors in place of the existing natural gas motors, along with panels, labor,
14 materials and all necessary appurtenances.
15
16

17 1.2.2 Please indicate what arrangements for this line have been made with
18 Mohave Electric, the beginning and ending points of the line, the construction schedule,
19 what the estimated costs consist of and whether they include an easement for the power
20 line.
21

22 **Response.** As explained by the Company, to keep costs low, Truxton proposed using
23 gas powered electric generators rather than running electric line to the well site.
24 Nevertheless, Truxton did receive quotes to run electric line to the well site. As
25 explained during the meeting, Truxton does believe that running electric power to the
26 well site is a better alternative, but it will be much more expensive than the generator
27 approach.
28

1 1.2.2.1 Indicate whether the electric control panel must be approved by Mohave
2 Electric Co-op.

3
4 **Response.** If the electric power is being provided by the Co-op, then the Co-op will
5 likely want to approve the control panel.

6 1.2.2.2 Indicate what type of alarm or other system will be installed to
7 notify the operator of any problems. Please describe.

8
9 **Response.** The Company did not suggest installing an alarm system. The Company
10 will request a quote to install an alarm system.

11 1.2.2.3 There currently is no fencing at this well. Indicate whether the
12 Company will install fencing or other security mechanisms.

13
14 **Response.** The Company believes it is currently in compliance with ADEQ's rules, but
15 it will seek a quote to fence the area.

16
17 1.2.2.4 According to ADEQ, the water from this well requires chlorine
18 treatment when the well is used. Indicate whether the Company will include such
19 chlorine treatment when the well is in regular, as opposed to seasonal, use.

20
21 **Response.** Again, the Company believes it is currently in compliance with ADEQ's
22 rules. The Company will confirm with ADEQ that a chlorine injection system is not
23 required. Nonetheless, it will seek a quote to install a new chlorine injection system.

24
25 **2.0 Transmission Line.**

26 2.1 Indicate whether the Company will replace steel pipe with PVC pipe and
27 whether there be a whole new line or the Company will insert new pipe in the old.
28

1 **Response.** The Company will replace the steel pipe with PVC pipe. The PVC will
2 replace the steel pipe.

3
4 2.2 Provide the size of the replacement pipe.

5 **Response.** The Company will replace the one-mile section of pipe with 6" PVC pipe.

6 2.3 The last cost estimate was made approximately 3 years ago; provide the
7 current cost.
8

9 **Response.** The Company will provide current cost estimates.

10 2.4 Indicate whether an ADEQ or County permit will be required and, if so,
11 what the cost will be.
12

13 **Response.** The Company believes it will need an ADEQ approval to construct and a
14 permit from the county to work in the right-of-way. The costs for such permits vary.
15 The Company will seek estimates.
16

17 2.5 During the meeting, Staff raised the following issue: Will the Company
18 need to reduce pressure on the system once the proposed 6" water line is installed.

19 **Response.** This is a question that must be answered by an engineer. If pressure
20 reduction devices are required, the Company anticipates it will be shown on the
21 engineered bid documents and become an aspect of the construction of the line. The
22 Company will request a cost estimate for pressure reduction devices.
23
24

25 **3.0 Acquisition of Water System Assets.**

26 The Commission ordered the Company to acquire all "water system assets"
27 necessary to provide service. *See* Decision No. 74835 at p. 62. On December 31, 2014,
28

1 the Company filed a bill of sale whereby the Trust transferred the wells, transmission
2 lines, storage tanks, and related plant equipment to the Company.
3

4 On April 24, 2015, Staff sent Truxton a memo stating by no later than May 1,
5 2015 (later extended to May 8, 2015) the Company must provide Staff additional
6 documentation showing the following were transferred with ADWR: (a) the 15-mile
7 transmission line; (b) the 500,000 gallon storage tank; and (c) certain wells, including
8 their pumping equipment. In addition, Staff demanded a recorded deed or other
9 document demonstrating Truxton has a permanent right to use of the real property where
10 the water system assets are located.
11
12

13 In response, the Company noted that ADWR does not regulate or track ownership
14 of transmission lines or storage tanks; it only maintains a well registry database.
15 ADWR's well registration database shows that Truxton owns the wells and this
16 information has been provided to Staff. With ADWR's database showing Truxton owns
17 the wells and the documentation transferring the wells being filed with the Commission
18 on December 31, 2014, there should be no further dispute regarding the well ownership
19 at this time.
20
21

22 The Trust did not transfer any real property interest to the Company because the
23 Decision No. 74835 did not require such a transfer. Staff's recently disclosed position
24 that the real property is considered part of the "water system" and the land should have
25 been transferred to the Company was raised for the first time on April 24, 2015. The
26 Company has repeatedly stated that it sees no problem with the Trust granting easements
27 to Truxton. However, this will take three to six months and cost tens of thousands of
28

1 dollars to accomplish. As a practical matter, by taking the position that the “water
2 system” includes real property is that one can argue Truxton is out of compliance on this
3 issue and it prevents Truxton from receiving a WIFA loan.
4

5 But the Company does not believe Staff’s interpretation is correct. If this
6 interpretation were correct, then the Decision set forth a compliance term that was
7 impossible to achieve. Realistically, there was no way that Truxton could have had the
8 property surveyed and transferred between the time Decision No. 74835 was issued and
9 December 31, 2015. As previously stated, such work will take at least 90 days, but may
10 take as long as 180 days after a funding source is secured.
11
12

13 3.1 Transfer of the Warehouse.

14 Staff’s position is that the Company must acquire the warehouse in which the
15 chlorinator is located. To be clear, a chlorinator is smaller than a residential pool pump
16 and such systems are typically housed in a ventilated 6’ x 6’ shed. The warehouse in
17 question is approximately 12,500 square feet. The Company has a chlorinator shed, but
18 it moved the chlorinator into the warehouse out of convenience. The argument that the
19 Company has to acquire a 12,500 square-foot warehouse to house a chlorinator makes
20 little sense. To ensure this issue does not continue to concern anyone, the Company will
21 move the chlorinator back to the shed.
22
23

24 Further, the Company had planned to install the arsenic treatment plant in the
25 warehouse to save money. But Decision No. 74835 agreed with Staff’s argument that
26 the arsenic treatment plant is a fixture attached to the land and the warehouse, therefore
27 the Company should acquire the warehouse. In light of this reasoning, the Trust is no
28

1 longer willing to allow the arsenic treatment plant in the warehouse. A separate
2 enclosure, if needed, will be sited and constructed elsewhere.

3 4 3.2 WIFA Loan

5 The Company understands that WIFA will require that the Company own and
6 have access to the equipment it finances. The water system has been transferred to the
7 Company. The Company has also explained that it foresees using part of the WIFA loan
8 to have a surveyor identify the easements. The Company believes this cost should be
9 expressly identified in the WIFA application and approved by the ACC so there is no
10 question regarding whether or not this is an eligible part of the project. The Company
11 has confirmed with WIFA that such costs can be financed by a WIFA loan.
12

13
14 Finally, WIFA has explained to the Company that it will not enter into a loan
15 with Truxton until its debt issues with VVPOA have been addressed by the Commission.
16 Further, the Company has to be financially viable. Truxton is concerned that its
17 revenues generated by its current rates, coupled with the debt payments to VVPOA, will
18 result in a cash flow insufficient to cover the WIFA loan debt service fees and meet
19 WIFA's debt service coverage ratios.
20
21

22 4.0 Truxton Report

23 Staff has requested that the Company submit a detailed report addressing all of
24 these issues. Staff wants the report to include updated cost estimates. Truxton must
25 receive these quotes from vendors and other parties. Some of these quotes, such as a
26 quote from Mohave Electric Co-op to run wires to the Hualapai 1 Well site, will require
27 analysis by those parties. Truxton believes it will not receive certain quotes for several
28

1 weeks. Therefore, the Company believes it will take until July 8, 2015 to file the report
2 requested by Staff.
3

4 DATED this 9th day of June, 2015.

5 **MOYES SELLERS & HENDRICKS LTD.**

6
7 

8 Steve Wene
9

10
11 Original and thirteen (13) copies
12 of the foregoing filed this
13 9th day of June, 2015 with:

14 Docket Control
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