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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF SOUTHWEST ENVIRONMENTAL UTILITIES, L.L.C. FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER AND WASTEWATER SERVICES IN PINAL COUNTY, ARIZONA.

DOCKET NO. WS-20878A-13-0065

NOTICE OF FILING VAULTING AND HAULING AND/OR FLUSHING TARIFF AND PROPOSED LANGUAGE REGARDING A FUTURE CAGR D ADJUSTER MECHANISM

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At the conclusion of the May 11, 2015 hearing in this case, the administrative law judge (“ALJ”) directed Utilities Division Staff (“Staff”) and Southwest Environmental Utilities, LLC (“SEU” or the “Company”) to work together to develop a proposed tariff for vaulting and hauling and/or flushing SEU’s sewer lines and to file the tariff as a late-filed exhibit. Additionally, the ALJ directed the parties to jointly develop language to be included in a decision in this case that would allow SEU to file a motion in the future to amend the decision prospectively pursuant to A.R.S. § 40-252 to authorize a Central Arizona Groundwater Replenishment District (“CAGR D”) adjuster mechanism like others approved by the Arizona Corporation Commission in the event that SEU subsequently obtains a designation of assured water supply (“DAWS”) for its service area.

Pursuant to the ALJ’s directives, attached hereto as Attachment 1 is a proposed Tariff Schedule VH: Vaulting and Hauling and/or Flushing Sewer Lines. Attached hereto as Attachment 2 is proposed language addressing a future CAGR D adjuster mechanism for SEU in the event that SEU subsequently applies for and obtains a DAWS. Utilities Division Staff has approved and supports both the tariff and the proposed CAGR D language.

Arizona Corporation Commission
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JUN 30 2015

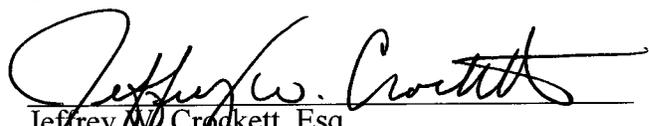
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RESPECTFULLY submitted this 30th day of June, 2015.

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ORIGINAL and thirteen (13) copies of the foregoing
filed this 30th day of June, 2015, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPIES of the foregoing hand-delivered
this 30th day of June, 2015, to:

Dwight Nodes, Chief Administrative Law Judge
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ATTACHMENT 1

Tariff Schedule VH: Vaulting and Hauling and/or Flushing Sewer Lines

1. General.

There are two circumstances whereby a wastewater treatment plant and collection system require temporary additional procedures in order to function properly. First, a newly constructed wastewater treatment plant requires a minimum inflow of sewage to operate properly. Where there are insufficient users on the system to produce the required minimum inflow, sewage must be collected in a lift station and/or underground vault and periodically pumped into a tank truck as needed for disposal at another wastewater treatment plant. This process, referred to herein as vaulting and hauling, may be discontinued once the required minimum inflow is reached on a sustained basis.

Second, in order to prevent the accumulation of sewage solids in the sewage collection lines, the collection system is engineered to achieve a minimum flow velocity. The minimum flow velocity at which no solids accumulate on the bottom of the sewage lines is called self-cleaning flow velocity. When home sales first commence in a new subdivision, there is relatively little sewage produced and discharged into the collection system. As a result, there may be insufficient flow to move the sewage solids through the collection system to the wastewater treatment plant. In such event, the collection system will require periodic flushing with water until such time as there are sufficient inflows to reach self-cleaning flow velocity. The flushing process may be discontinued once self-cleaning flow velocity is reached on a sustained basis.

2. Applicability.

This Tariff Schedule VH applies to any person or entity (hereinafter, "Customer" or "Developer") signing a collection main extension agreement ("CMEA") with the Company.

3. Customer Responsibility.

A. Vaulting and Hauling. Until such time as, in the Company's determination, the Company's wastewater treatment plant receives the required sustained minimum sewage inflow to operate properly based on sound engineering principles, the Company shall be responsible for vaulting and hauling the sewage collected from all lots covered under the CMEA. The Developer shall reimburse the Company at cost for any of the costs of vaulting and hauling. Once the required minimum sewage inflow is reached on a sustained basis, the Company shall notify the Developer in writing that the vaulting and hauling has been discontinued and the Customer will no longer be billed for vaulting and hauling.

B. Flushing Collection Lines. Until such time as, in the Company's determination, sewage inflows from any subdivision or commercial development subject to a CMEA reach self-cleaning flow

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Effective: [TBD]

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velocity, the Company shall be responsible for periodically flushing the collection lines within the subdivision or development to prevent the accumulation of sewage solids in the collection lines. The Developer shall reimburse the Company at cost for any of the costs of flushing. Once self-cleaning flow velocity is reached for a subdivision or commercial development on a sustained basis, the Company shall notify the Customer in writing that the flushing has been discontinued and that the Customer will no longer be billed for flushing.

4. Charges.

The Company shall render a bill to the Developer on a monthly basis for actual costs of vaulting and hauling and/or flushing the collection lines, which costs shall include all applicable service charges and applicable taxes.

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ATTACHMENT 2

CAGR Language to be included in Decision

As the Commission first discussed in Decision 71854 (August 25, 2010) in Docket WS-02987A-08-0180, the Central Arizona Groundwater Replenishment District (“CAGR”) was established in 1993 by the Arizona legislature to serve as a groundwater replenishment entity for its members. The CAGR is operated by the Central Arizona Water Conservation District which operates the Central Arizona Project. The CAGR provides a mechanism for landowners and designated water supply providers to demonstrate a 100-year water supply under Arizona’s assured water supply rules (“AWS Rules”) which became effective in 1995. Members of the CAGR must pay the CAGR to replenish, or recharge, any groundwater pumped by the member that exceeds the pumping limits imposed by the AWS Rules. The CAGR includes the Phoenix, Tucson and Pinal active management areas (“AMAs”). The area to be served by Southwest Environmental Utilities (the “Company”) is located within the Pinal AMA.

Joining the CAGR is one of the steps in the process of becoming a designated provider, which means that a water provider has demonstrated to the Arizona Department of Water Resources (“ADWR”) that it has a 100-year water supply. The AWS Rules were designed to protect groundwater supplies within each AMA and to ensure that people purchasing or leasing subdivided land within an AMA have a water supply of adequate quality and quantity. The AWS Rules require new subdivisions to demonstrate to ADWR that a 100-year water supply is available to serve the subdivision before home sales can begin. An assured water supply can be demonstrated in one of two ways: the subdivision owner can prove an assured water supply for the specific subdivision and receive a certificate of assured water supply (“CAWS”) from ADWR or, alternatively, a subdivision owner can receive service from a city, town or private water company that has been designated by ADWR as having a 100-year water supply.

The costs of the CAGR are covered by a replenishment assessment levied on CAGR members. Designated water providers that serve a Member Service Area pay a replenishment tax directly to the CAGR according to the number of acre-feet of “excess groundwater” delivered within a provider’s service area during a year. The amount due the CAGR is based on CAGR’s total cost per acre-foot of recharging groundwater, including the capital costs of constructing recharge facilities, water acquisition costs, operation and maintenance costs and administrative costs.

On prior occasions, the Commission has approved adjustor mechanisms in order to advance important policy concerns that protect the public interest. Conservation and wise stewardship of increasingly stressed water supplies is a matter of paramount concern in Arizona. The CAGR assessment fee is not discretionary for designated utilities.

The Company is evaluating whether or not it will seek a Designation of Assured Water Supply (“DAWS”) from ADWR for the area to be included in its CC&N. A DAWS would eliminate the need for individual developers to obtain a CAWS for their respective developments. The Company has requested and Staff has agreed that Recommendation 16 in the Staff Report can be expanded to include a DAWS as an option for the Company in lieu of the filing of CAWS for the various developments.

Additionally, in the event that the Company pursues and obtains a DAWS, it requests specific authority in this docket to seek approval of a CAGR adjuster mechanism like those already

approved by the Commission. The Commission has previously determined that a CAGR D adjuster is an appropriate mechanism to pass through to customers the taxes associated with membership in the CAGR D. Thus, we will order that in the event the Company obtains a DAWS within two years from the date of the decision in this case, the Company may file a motion to amend this decision prospectively pursuant to A.R.S. § 40-252 to authorize a CAGR D adjuster mechanism.