

ORIGINAL



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MEMORANDUM

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2015 OCT -9 P 2:55

FROM: Thomas M. Broderick
Director
Utilities Division

A handwritten signature in black ink, appearing to read "T. M. Broderick".

AZ CORP COMMISSION
DOCKET CONTROL

DATE: October 9, 2015

RE: IN THE MATTER OF THE APPLICATION OF BOX 1, INC. DBA LAZY C
WATER SERVICE FOR AN EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY (DOCKET NO. W-01536A-15-0269)

Attached is the Staff Report for the above-referenced application. Staff is recommending approval of the application with conditions.

TMB:JL:VW:nr/ML

Originator: Vicki Wallace

Arizona Corporation Commission

DOCKETED

OCT 09 2015

DOCKETED BY	Handwritten initials in black ink, possibly "VW".
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Service List for: Box 1 Inc. dba Lazy C Water Service
Docket No. W-01536A-15-0269

Mr. Patrick Farrell
Farrell & Bromiel, P.C.
One South Church Avenue, Suite 2130
Tucson, Arizona 85701

Ms. Rebecca Hiser
Post Office Box 1
Tucson, Arizona 85702

Mr. Bob Canfield, II
Post Office Box 1
Tucson, Arizona 85702

Box 1 Inc.
Attn: Robert Canfield
Post Office Box 1
Tucson, Arizona 85702

Mr. Thomas Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

Mr. Dwight Nodes
Chief Administrative Law Judge
Hearing Division
1200 West Washington
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

BOX 1 INC. DBA LAZY C WATER SERVICE

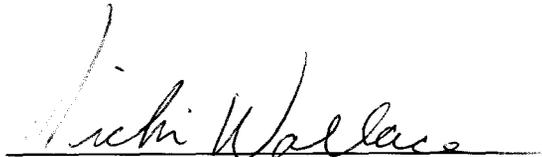
DOCKET NO. W-01536A-15-0269

IN THE MATTER OF THE APPLICATION OF BOX 1, INC. DBA LAZY C WATER
SERVICE INC. FOR AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE & NECESSITY

OCTOBER 9, 2015

STAFF ACKNOWLEDGEMENT

The Staff Report for Box 1, Inc. dba Lazy C Water Service (Docket No. W-01536A-15-0269) was the responsibility of the Staff members listed below. Vicki Wallace was responsible for the review and analyses of the Company's application and preparation of the Division's Staff Report, and Jeff Francis was responsible for the engineering and technical analysis.

A handwritten signature in cursive script, reading "Vicki Wallace", written over a horizontal line.

Vicki Wallace
Executive Consultant

A handwritten signature in cursive script, reading "Jeff Francis", written over a horizontal line.

Jeff Francis
Utilities Engineer

EXECUTIVE SUMMARY
BOX 1, INC., DBA LAZY C WATER SERVICE
DOCKET NO. W-01536A-15-0269

On July 17, 2015, Box 1, Inc. dba Lazy C Water Service ("Lazy C" or "Company"), a certificated Arizona public service corporation, filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of an existing Certificate of Convenience and Necessity ("CC&N").

Lazy C was initially certificated by the Commission to provide water services in Arizona, pursuant to Decision No. 30454, dated August 16, 1957. By this application, Lazy C is seeking to extend its CC&N to two, ten-acre parcels located in the vicinity of the Company's existing service area, but not contiguous to the existing CC&N. No other areas are requested, and no new development in the requested extension area is planned. The individual owner (customer) of these parcels is already being served by Lazy C and is included in the current 132 customer base.

CONCLUSIONS

1. Staff concludes that the existing water system has adequate production and storage capacity to serve the existing and proposed CC&N area within a conventional five year planning period, and can reasonably be expected to develop additional storage and production as required in the future.
2. Based on data submitted by the Company, Arizona Department of Environmental Quality ("ADEQ") has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4, and is in compliance.
3. Staff concludes that the Company has no delinquencies with the ACC at this time.
4. Arizona Department of Water Resources ("ADWR") has determined that the Company is currently non-compliant with departmental requirements governing water providers and/or community water systems.
5. Staff concludes that Lazy C is operating at a 14.7 percent level of water loss, which exceeds acceptable limits.
6. Staff concludes that if the Company receives additional requests for service from within the proposed CC&N extension area, or if the single current customer within the proposed extension area changes, then the Company should request a Main Extension Agreement and install a minimum 6-inch main from their existing system into the proposed extension area in accordance with A.A.C. R14-2-406.
7. Staff concludes that it is in the public interest to approve this request for an extension of Lazy C's CC&N.

RECOMMENDATIONS

Staff recommends that the Commission approve Lazy C's request for an extension of its existing CC&N to provide water service to the two parcels that are the subject of this application, subject to compliance with the following conditions:

1. To require Lazy C to charge its existing rates and charges in the proposed extension area.
2. To require Lazy C to monitor the water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meter each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is chosen to be submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

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INTRODUCTION

On July 17, 2015, Box 1, Inc. dba Lazy C Water Service ("Lazy C") or ("Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval for an extension of its existing Certificate of Convenience and Necessity ("CC&N").

After Staff's initial review and discussion, the ACC Utilities Division Staff ("Staff") filed a Sufficiency Letter on August 24, 2015, indicating that the Company's application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.") R14-2-402.

On August 28, 2015, a Procedural Order was issued setting the matter for hearing November 12, 2015.

BACKGROUND

Lazy C is a "C" Corporation, certificated by the Commission to provide water service in Arizona, pursuant to Decision No 30454, dated August 16, 1957. The original CC&N was issued to Mrs. Joseph Canfield dba Lazy C Water Service. In Decision No. 56606, dated August 24, 1989, the Commission authorized the current owner, Box One, Inc., to acquire Lazy C. The Company is currently in Good Standing with the ACC Corporations Division. The Company serves an area of approximately 1 and 1/2 square miles that is approximately six miles northwest of downtown Tucson in Pima County. Lazy C has been issued a Franchise Agreement by Pima County. Lazy C is currently providing water to 132 residential customers based on rates and charges that were approved in Decision No. 71832 issued August 10, 2010.

By this application, Lazy C is seeking to extend its CC&N to two ten-acre parcels, located in the vicinity of the Company's existing service area but not contiguous to the existing CC&N. The legal description and maps of the proposed extension area are shown as Exhibit 1. No other areas are requested, and no new development in the requested extension area is planned. The individual owner of these parcels is already being served by Lazy C and is included in the 132 customer base mentioned above.

At one time, the owner of the two parcels comprising the requested area was not connected to the Lazy C water system as he had his own operating well. Sometime in 1997, his well went dry and was abandoned. The property owner subsequently requested service from Lazy C. After receiving a positive response from the Company, the property owner then built, at his own expense, a service connection from his property to a meter within the Lazy C certified area and has been a customer since that time. A follow-up letter was sent from the property owner to the Company expressing his desire to have the Company's CC&N formally extended to include his parcels. Subsequently, Lazy C requested a CC&N to cover this area; however, to date, this matter has not been successfully resolved. Thus, when the instant application was filed, Staff conducted a field visit of the area and discussed the extension request with both Lazy C and the parcel owner (customer). An updated Request for Service letter for the two parcel area from Mr. Thomas Wiewandt (customer) is attached as Exhibit 3.

THE EXISTING WATER SYSTEM

Staff's Engineering Report which is attached as Exhibit 2 describes the existing water system in detail. Lazy C's system has a total production capacity of 78 gallons per minute. The Company's system also has an interconnection with the City of Tucson water system ("Tucson"), which can supply 90 gallons per minute. This interconnection is designed such that if the Lazy C system pressure falls below 70 psi, water will automatically flow from Tucson.

Even if there was growth in the existing service area as discussed in the Engineering Report, Staff concludes that the existing system has adequate production and storage capacity to serve the existing area and any proposed CC&N area within a conventional five year planning period. Also, the Company can reasonably be expected to develop additional storage and production as required in the future.

PROPOSED RATES

Lazy C has indicated the proposed service area would be charged at its currently approved tariffed rates and charges established in Decision No. 71832 issued August 10, 2010.

CONSUMER SERVICES AND PUBLIC INTEREST

A research of the Consumer Services database for complaints revealed that in the last three years, no complaints have been received. Any prior complaints have been resolved and closed. No opinions opposing this application have been received.

Staff concludes that it is in the public interest to approve this request for an extension of Lazy C's CC&N.

WASTEWATER PROVIDER

Wastewater service in the requested extension area is provided through individual septic systems designed within each residence and permitted at the time of construction of the individual residence.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

ADEQ regulates the Lazy C water system under ADEQ Public Water System I.D. #10-065. Based on data submitted by the Company, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, and is in compliance.

ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

The Lazy C water system is located within the Tucson Active Management Area. ADWR, as of the Compliance report completion date, has determined that Lazy C is currently non-compliant with departmental requirements governing water providers and/or community water systems.

The non-compliant items in the ADWR report fall into two categories: missing or late reporting, and water loss greater than 10 percent. Further investigation shows the Lazy C system is operating at a 14.7 percent level of water loss, which exceeds acceptable limits.

ACC COMPLIANCE

A check of the Utilities Division Compliance Database indicates that there are currently no ACC delinquencies for “Box 1, Inc., dba Lazy C Water Service” at this time.

CURTAILMENT AND BACKFLOW PREVENTION TARIFFS

Lazy C has approved curtailment and backflow prevention tariffs on file with the Commission.

CONCLUSIONS

1. Staff concludes that the existing water system has adequate production and storage capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.
2. Based on data submitted by the Company, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, and is in compliance.
3. Staff concludes that the Company has no delinquencies with the ACC at this time.
4. ADWR has determined that the Company is currently non-compliant with departmental requirements governing water providers and/or community water systems.
5. Staff concludes that Lazy C is operating at a 14.7 percent level of water loss, which exceeds acceptable limits.
6. Staff concludes that if the Company receives additional requests for service from within the proposed CC&N extension area, or if the single current customer within the proposed extension area changes, then the Company should request a Main

Extension Agreement and install a minimum 6-inch main from their existing system into the proposed extension area in accordance with A.A.C. R14-2-406.

7. Staff concludes that it is in the public interest to approve this request for an extension of Lazy C's CC&N.

RECOMMENDATIONS

Staff recommends that the Commission approve Lazy C's request for an extension of its existing CC&N to provide water service to the two parcels that are the subject of this application, subject to compliance with the following conditions:

1. To require Lazy C to charge its existing rates and charges in the proposed extension area.
2. To require Lazy C to monitor the water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meter each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is chosen to be submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

Exhibit 1

Legal Description and Maps

MEMORANDUM

TO: Vicki Wallace
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
Programs and Projects Specialist II
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: August 24, 2015

RE: LAZY C WATER SERVICE (DOCKET NO. W-01536A-15-0269)

The area requested by Lazy C 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 are copies of the maps for your files.

/lhm

Attachments

cc: Mr. Robert J. Canfield
Ms. Deb Person (Hand Carried)
Mr. Jeff Francis
File

**LAZY C WATER SERVICE
LEGAL DESCRIPTION**

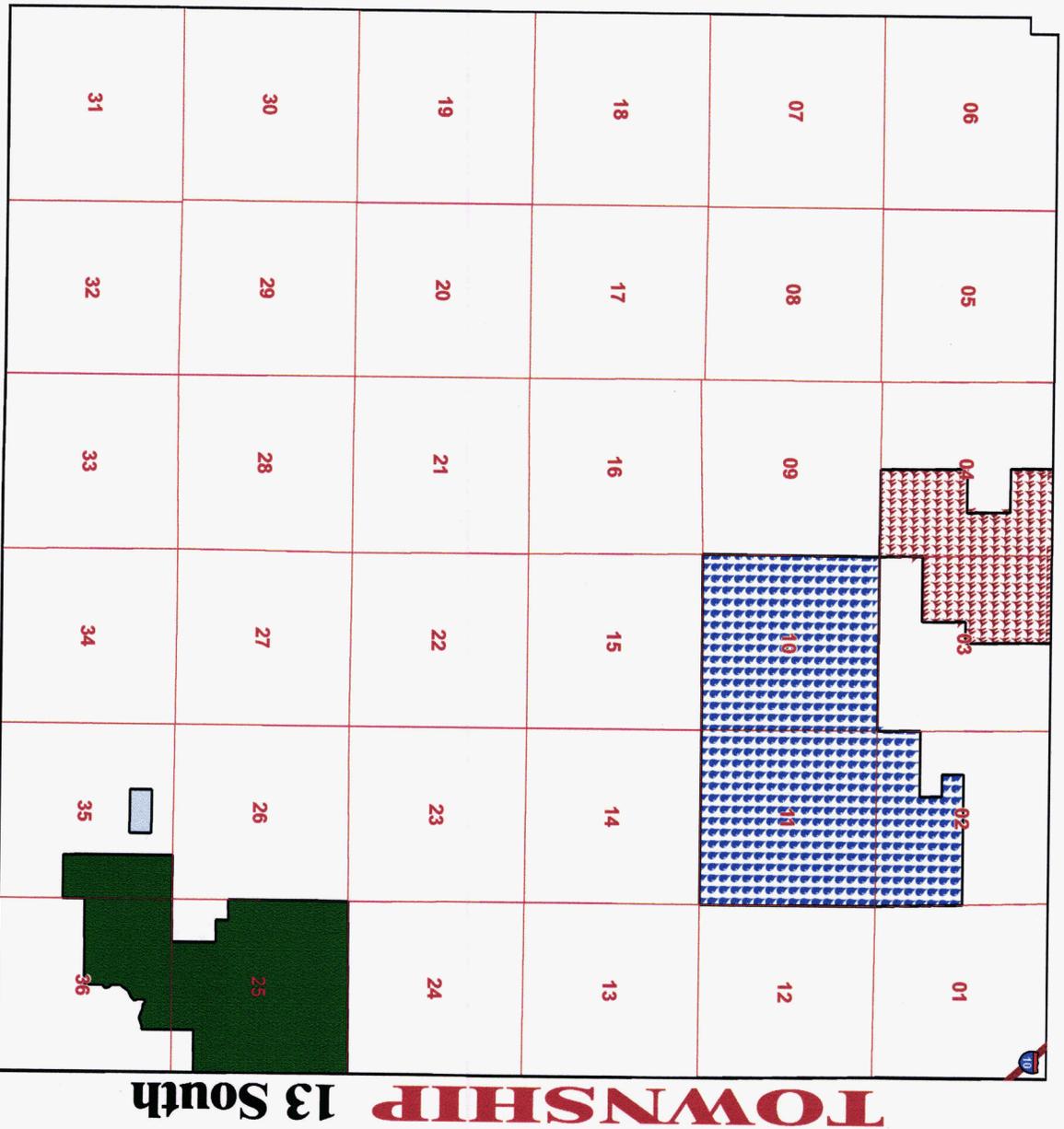
Southwest Quarter of the Northwest Quarter of the Northeast Quarter of Section 35, Township 13 South, Range 12 East; and

Southeast Quarter of the Northeast Quarter of the Northwest Quarter of Section 35, Township 13 South, Range 12 East.

PIMA COUNTY

Map No. 17

RANGE 12 East



TOWNSHIP 13 South

 W-01536A (2)

 Lazy C Water Service

 (8)

 City of Tucson (Nonjurisdictional)

 (4)

 Town of Marana (Nonjurisdictional)

 (1)

Lazy C Water Service
Docket No. W-01536A-15-0269
Application for 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'

TR13S12E 06 AUG 1998

PROTECTED LAND : OWNED BY THE UNIVERSITY OF ARIZONA

PARCEL C (10 acres)

5795 W. Sweetwater Dr.

DIRT ROAD

PROTECTED LAND

WELL SITE

ORIGINAL WATER LINES

5757 W Sweetwater Dr

PARCEL D (10 acres)

PARCEL B (10 acres)

LAZY C DRIVE - GANFIELD WATER LINE

1" WATER METER

PARCEL A (20 acres)

2-INCH SERVICE LINE

DIRT DRIVEWAY

5881 W. Sweetwater Dr

Henke Residence

WEST SWEETWATER DRIVE

Exhibit 2

Engineering Report

MEMORANDUM

DATE: September 29, 2015

TO: Vicki Wallace
Executive Consultant III

FROM: Jeff Francis
Utilities Engineer

RE: Lazy C Water Service
Docket No. W-01536A-15-0269 (CC&N Extension)

Introduction

Box 1 Inc. dba Lazy C Water Service (“Lazy C” or “Company”) filed an application with the Arizona Corporation Commission (“ACC” or “Commission”), on July 17, 2015, to extend its Certificate of Convenience and Necessity (CC&N). The requested extension area consists of two parcels located in Section 35 of Township 13 South, Range 12 East in the vicinity of the Company’s existing service area which is approximately six miles northwest of downtown Tucson in Pima County. The requested area is not contiguous to the existing service area, and will add 20 acres to the currently certificated area of approximately 1-1/2 square miles. The Company is currently providing water service to 132 customers, which includes the single customer within the requested area. No new development in the requested extension area is planned.

At one time the owner of the two parcels comprising the requested area was not connected to the Lazy C water system, as he had an operating well which was providing water for the two homes he owns, one on each parcel. Sometime in 1997 the well went dry and was abandoned, and the property owner subsequently requested service from the Company. The Company responded, “Your request to have your property added to the Lazy C Water Service Certificate of Convenience and Necessity has been verbally received and this answer to you is positive.”¹ The property owner then built, at his expense, a service connection from his property to a meter within the Lazy C certificated area, and has been a customer ever since. A follow up letter was sent from the property owner to the Company expressing his desire to have the Company’s CC&N formally extended to include his parcels, “I am writing to formally request that my property be added to Lazy C Water District’s Certificate of Convenience and Necessity.”²

¹ Excerpt from September 21, 1997 letter from Lazy C Water Service to Thomas Wiewandt/David Morton.

² Excerpt from January 5, 2009 letter from Thomas Wiewandt to Lazy C Water Service.

Existing Water System

The Lazy C water system's plant is located on four separate sites and consists of two wells with a total production capacity of 78 gal/min, three storage tanks with a total capacity of 135,000 gallons, three booster pumps, three pressure tanks, and a distribution system serving 132 connections. The Company's system also has an interconnection with the City of Tucson water system ("Tucson"), which can supply 90 gal/min. This interconnection consists of a 1-1/2 inch meter with a back flow assembly, check valve, and a pressure regulator set at 70 psi. It is designed such that if the Lazy C system pressure falls below 70 psi water will automatically flow from Tucson.

Based on historical growth rates, it is anticipated that the existing service area would have 134 total customers at the end of five years. Therefore, Engineering concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Lazy C system under ADEQ Public Water System I.D. # 10-065. Based on data submitted by the Company, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4, and is in compliance.³

Arizona Department of Water Resources ("ADWR") Compliance

The Lazy C water system is within the Tucson Active Management Area ("AMA"). ADWR, as of the Compliance Report completion date, has determined that the Company is currently non-compliant with departmental requirements governing water providers and/or community water systems.⁴

The non-compliant items in the ADWR report fall into two categories: missing or late reporting, and water loss greater than 10 percent. Further investigation shows the Lazy C system is operating at a 14.7 percent level of water loss⁵, which exceeds acceptable limits.

ACC Compliance

A check of the Compliance Database indicates that there are currently no delinquencies for "Box 1, Inc. DBA Lazy C Water Service" at this time.⁶

³ ADEQ Drinking Water Compliance Status Report dated September 10, 2015.

⁴ ADWR Water Provider Compliance Report dated September 1, 2015.

⁵ Based on the 2014 water use numbers filed in this application.

⁶ Per ACC Compliance status check email dated September 2, 2015.

Curtailment Tariff

Lazy C has an approved curtailment tariff on file with the Commission.⁷

Backflow Prevention Tariff

Lazy C has an approved backflow prevention tariff on file with the Commission.⁸

Summary

Conclusions

1. Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.
2. Based on data submitted by the Company, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, and is in compliance.
3. A check of the Compliance Database indicates that there are currently no delinquencies for "Box 1, Inc. DBA Lazy C Water Service" at this time. The Company is therefore "in Compliance" with the Compliance Database.
4. Staff concludes that if the Company receives additional requests for service from within the proposed CC&N extension area, or if the single current customer within the proposed extension area changes, then the Company should request a Main Extension Agreement and install a minimum 6-inch main from their existing system into the proposed extension area in accordance with A.A.C. R14-2-406.

Recommendations

1. The Lazy C system is operating at a 14.7 percent level of water loss, which exceeds acceptable limits. Staff recommends that Lazy C monitor the water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meter each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water

⁷ Docket No. W-01536A-03-0591.

⁸ Docket No. W-01536A-04-0318.

loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce the water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

Exhibit 3

Request for Service

1 October 2015

Robert Canfield
Lazy C Water Service
P. O. Box 1
Tucson, AZ 85702

Dear Mr. Canfield:

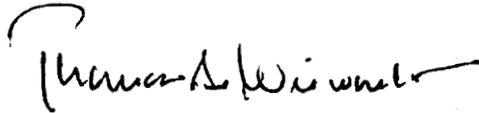
This will serve as an update to my previously requested service letter. I am formally requesting that my property be added to Lazy C's Water Service's Certificate of Convenience and Necessity. The property's legal parcel descriptions are as follows:

5757 W. Sweetwater Dr.: SW4 NW4 NE4 10 AC SEC 35-13-12
5795 W. Sweetwater Dr.: NW4 SW4 NE4 10 AC SEC 35-13-12

I am not requesting service to any additional parcels nor do I anticipate further requests within the near future.

Thank you for considering this request, and if you have any further questions, please advise.

Sincerely,



Thomas Wiewandt
tom@wildhorizons.com
tel. 520-743-4848 or 743-4551
mobile: 520-780-1235 (when traveling only)
5757 W. Sweetwater Dr., Tucson, AZ 85745

Cc: Jeff Francis, ACC Engineering