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MEMORANDUM

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AZ CORP COMMISSION
DOCKET CONTROL

TO: Docket Control
FROM: Thomas M. Broderick *for T.M. Broderick*
Director
Utilities Division

Date: April 29, 2016

RE: **SUPPLEMENTAL** STAFF REPORT FOR CIRCLE CITY WATER COMPANY L.L.C. - APPLICATION FOR DELETION OF PORTIONS OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY AND THE REQUIREMENT TO FILE A RATE APPLICATION PURSUANT TO DECISION NO. 68246 (DOCKET NO. W-03510A-13-0397)

Attached is the Supplemental Staff Report, as required by Procedural Order dated April 4, 2016, for Circle City Water Company L.L.C.'s application for deletion of portions of its existing Certificate of Convenience and Necessity and the requirement to file a rate application pursuant to Decision No. 68246. Staff is recommending denial.

TMB:BNC:nr\BES

Originator: Blessing Chukwu

Arizona Corporation Commission

DOCKETED

APR 29 2016

DOCKETED BY	<i>KG</i>
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Service List for: Circle City Water Company L.L.C.
Docket No. W-03510A-13-0397

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**SUPPLEMENTAL STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**CIRCLE CITY WATER COMPANY L.L.C.
DOCKET NO. W-03510A-13-0397**

**APPLICATION FOR DELETION OF PORTIONS OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY AND THE REQUIREMENT TO FILE A RATE
APPLICATION PURSUANT TO DECISION NO. 68246**

APRIL 29, 2016

STAFF ACKNOWLEDGMENT

The Supplemental Staff Report for Circle City Water Company L.L.C. (Docket No. W-03510A-13-0397) was prepared by the Staff member signed below.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', is written over a horizontal line. The signature is stylized and somewhat cursive.

Blessing Chukwu
Executive Consultant

**SUPPLEMENTAL STAFF REPORT
CIRCLE CITY WATER COMPANY L.L.C.
DOCKET NO. W-03510A-13-0397**

On November 19, 2013, Circle City Water Company L.L.C. ("Circle City" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") requesting approval to delete approximately 5,042 acres of its Certificate of Convenience and Necessity ("CC&N") as extended by Decision No. 68246, and to delete the Decision's requirement for the Company to demonstrate in its next rate case filing that its existing customers have been positively impacted by the addition of new water facilities necessary to serve the extension area.

On October 17, 2014, the Commission's Utilities Division ("Staff") filed a Staff Report recommending denial of the Company's application to delete portions of its CC&N, but recommending approval of the Company's request to remove the "positive impact" requirement as set forth in Decision No. 68246.

On December 10, 2014, by Procedural Order the Company was directed to mail and publish notice of the application by January 2, 2015; and other procedural deadlines were established.

Hearing was held on October 16, 2015, and November 23, 2015.

On March 29, 2016, a telephonic procedural conference was held. Discussions were held regarding the Company's compliance with the December 10, 2014, Procedural Order related to notice and publication of the application. The Company stated that it had failed to provide notice in accordance with the Procedural Order. Staff was directed to update the Commission on the Company's compliance with Commission, Arizona Department of Water Resources ("ADWR") and Maricopa County Environmental Services Department ("MCESD") requirements and, if necessary, include any additional amended recommendations.

On April 4, 2016, by Procedural Order, Staff was ordered to file on or before April 29, 2016, an update related to the Company's compliance with Commission, ADWR, and MCESD requirements and, if necessary, include any additional or amended Staff recommendations.

This Supplemental Staff Report addresses the Company's compliance with Commission, ADWR, and MCESD requirements and amends Staff recommendations.

A check of the Commission's Compliance Section database dated April 11, 2016, indicates there is no delinquent compliance items for Circle City. The Company is current on its ACC Utilities Division Annual Report filings. Attachment A contains the Compliance Status Reports from ADWR, and MCESD. Based on the Reports, the Company is in compliance with the Commission and MCESD requirements, but non-compliant with ADWR's requirements governing water providers and/or community water systems.

Staff has previously recommended that the Commission deny Circle City's application for deletion of a portion of its CC&N within portions of Maricopa County, Arizona, to provide water service. Staff also recommended that the Commission eliminate the requirement that Circle City comply with Decision No. 68246's requirement to demonstrate in its next rate case filing that its

existing customers have been positively impacted by the addition of new water facilities necessary to serve the extension area. Staff further recommended that the Company file with Docket Control, as a compliance item in this Docket by June 30, 2015, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/or community water systems.

Since the June 30, 2015, date contained in Staff's recommendation has past, Staff recommends that the Company file the documentation from ADWR by April 30, 2017.

Staff's recommendations remain unchanged, except in regards to the date change.

Staff recommends the Commission deny Circle City's application for deletion of a portion of its CC&N within portions of Maricopa County, Arizona, to provide water service. Staff also recommends that the Commission eliminate the requirement that Circle City comply with Decision No. 68246's requirement to demonstrate in its next rate case filing that its existing customers have been positively impacted by the addition of new water facilities necessary to serve the extension area. Staff further recommends that the Company file with Docket Control, as a compliance item in this Docket by April 30, 2017, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/or community water systems.

DOUGLAS A. DUCEY
Governor



THOMAS BUSCHATZKE
Director

ARIZONA DEPARTMENT of WATER RESOURCES
3550 North Central Avenue, Second Floor
Phoenix, Arizona 85012-2105
602.771.8500
azwater.gov

Water Provider Compliance Report

Water System Name: Circle City Water Company		Water System ID No: 56-002166-0000		
Report Requested by: Karim Stukov		Report Completed by: Ryan Jackisch		
Report Request Date: 04/08/2016		Report Complete Date: 04/18/2016		
Compliance Requirement	Compliance Determination			
	Compliant	Non-Compliant	Undetermined	Not Applicable
<i>Assured/Adequate Water Supply Program</i>				
1. Designation of assured or adequate water supply in good standing				X
2. Annual Report filed on-time				X
<i>Community Water Systems Program</i>				
1. Annual Report filed on-time (outside AMAs)				X
2. System Water Plan filed on-time		X		
<i>Active Management Areas (AMAs)</i>				
1. Annual Report filed on-time		X		
2. Annual Report filed on-time for INAs (non-exempt wells only)				X
3. Management Plan Requirements				X
a. Lost and Unaccounted for Water <10% of total use for large providers				X
b. Lost and Unaccounted for Water <15% of total use for small providers	X			
c. Annual submission of service area distribution maps	X			
d. ACP requirements are met				X
e. GPCD Program requirements are met	X			
f. NPCCP requirements are met				X
g. MNPCCP requirements are met				X
h. Individual User requirements are met				X
4. Permitted well volumes	X			
5. Type I and Type II Non-IGFR withdrawal authority				X
6. Maintenance of approved/accurate measuring devices (INAs also)		X		
7. Groundwater transportation restrictions				X
8. Groundwater deliveries to other AMA water providers				X

ADWR Compliance Determination

 The Arizona Department of Water Resources, as of the report completion date, has determined that this water system is currently **compliant** with departmental requirements governing water providers and/or community water systems.

 X The Arizona Department of Water Resources, as of the report completion date, has determined that this water system is currently **non-compliant** with departmental requirements governing water providers and/or community water systems.

Additional Notes:

If you have any additional questions or concerns regarding the compliance status of this water system, please contact ADWR at (602) 771-8585.



Maricopa County
Environmental Services Department

PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT

A review of all available records for the public water system listed below revealed that this permit is currently in COMPLIANCE with drinking water system regulations included in the Maricopa County Environmental Health Code as of 04/11/2016.

PWS ID #: 07-112 PWS Name: Brooke Water LLC-Circle City WC
 System Type*: Community Water System Water Source Type(s): Ground Water Only
 Population Served: 465 Number of Service Connections: 186
 MCESD Permit Exp: 09/30/2016 Initial Monitoring Year: 1993
 PWS Distribution Grade: 2 PWS Treatment Grade: 1
 Certified Operator (CO): Dale Allred CO Certification(s) Exp: 09/30/2017
 CO Distribution Grade: 3 CO Treatment Grade: 3
 Date of Last Sanitary Survey: 10/26/2015 Date of Last Facility Inspection: 10/26/2015
 Report for: Other Regulatory Agency Report Tracking #: DWR-
 Requestor Name/Contact Info: Katrin Stukov (ACC) / kstukov@azcc.gov

This above listed public water system currently has unresolved violations or deficiencies in the following compliance areas:

<input type="checkbox"/> Source Water	<input type="checkbox"/> Monitoring or Reporting (data verification)
<input type="checkbox"/> Treatment	<input type="checkbox"/> Management and Operations
<input type="checkbox"/> Distribution	<input type="checkbox"/> Operator Compliance
<input type="checkbox"/> Finished Water Storage	<input type="checkbox"/> Department Issued Permit
<input type="checkbox"/> Pumps	<input type="checkbox"/> Department Issued Plan Approvals
<input type="checkbox"/> Others (List): CCR	

Description of unresolved violations or deficiencies noted in categories above:

No Violations

Additional documentation related to this review can be made available upon receipt of a public record's request. Contact the Drinking Water Program for more information.

Review Completed By: **Bryce Denton, Environmental Specialist**

Phone: (602) 506-5173

Drinking Water Program

1001 N. Central Ave., Suite 250

Phoenix, Arizona 85004-1940 Phone: (602) 506-6935 Fax: (602) 372-0866

Revised 9/2015