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MEMORANDUM

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

Arizona Corporation Commission

DOCKETED

JUL 15 2016

DATE: July 15, 2016

DOCKETED BY

RE: ARIZONA WATER COMPANY - REQUEST FOR EXTENSION
COMPLIANCE DEADLINES (DOCKET NO. W-01445A-05-0469)

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In Decision No. 68607, dated March 23, 2006, the Arizona Corporation Commission (“ACC” or “Commission”) approved the application of Arizona Water Company (“Arizona Water” or “Company”) for an extension of its Certificate of Convenience and Necessity (“CC&N”) to provide water service to portions of Pinal County, Arizona. This decision approved an extension area which was divided into a number of parcels, referred to as Parcels 1, 3, 4, 5, 6, 7 and 8.

Decision No. 68607, ordered Arizona Water to file the following compliance filings:

“... a copy of the fully executed main extension agreements for water facilities for each parcel within the extension area, except for Parcel 1, within two years of this Decision.”

“... a copy of the Arizona Department of Environmental Quality Approval to Construct for the facilities needed to serve each of the Parcels within the requested areas, except for Parcel 1, within two years of this Decision.”

“... a copy of the developers’ Certificates of Assured Water Supply for each of the Parcels within the requested areas, except for Parcel 1, stating that there is adequate water supply, where applicable or when required by statute, within two years of this Decision.”

Decision No. 68607, did not require compliance for Parcel 1, as the CC&N was granted initially without further requirement. On February 12, 2007, the Company filed all of the required compliance items relating to Parcel 6. As for Parcel 8, a franchise was required via an order preliminary, but the Company did not receive the franchise within the one year deadline and the CC&N for Parcel became null and void. On July 16, 2012, Arizona Water also docketed the required ATC’s for parcels 3, 4, 5 and 7 fulfilling the ATC requirement for this case. Therefore, the remaining compliance requirements for Arizona Water are the main extension agreements (“MXA’s”) and Certificate of Assured Water Supply (“CAWS”) for Parcels 3, 4, 5 and 7.

Based on the original two year timeframe, the due dates for these compliance items were on or about March 23, 2008. The Company has received multiple extensions of time in this matter, via Procedural Order on March 11, 2008, and followed by formal Commission Decision Nos. 71475, 73220, and 74781. Decision No. 74781, extended the due dates on the above items until March 23, 2016.

On December 23, 2015, Arizona Water Company docketed a subsequent request for extension of time, until March 23, 2018, for the provision of the remaining CAWS and MXA filings for Parcels 3, 4, 5 and 7. The application provided updated request for service letters for three additional property owners and also provided the following as rationale for the further extension of time:

“The severe economic downturn that has battered the Arizona real estate market persists and continues to delay the development of residential and mixed-use development in Arizona, including Pinal County. As noted, the Company is providing water service to customers in the expansion area and the Company hopes to serve additional customers in the next few years...”

On March 1, 2016, the City of Eloy (“City” or “Eloy”) docketed a response to the December 23, 2015, Arizona Water request for extension of time. The City’s current filing discusses their continued objection to the Decision No. 68607, CC&N rights which were granted to Arizona Water by the Commission in 2006. The City specifically discusses their historic interest/plan to provide service to Parcel 2, 3 and 8. However, the property owner’s removed the original request for service on Parcel 2 and Arizona Water was unable to obtain a required Franchise Agreement required for Parcel 8. Therefore, Parcel 2 and 8 are no longer within the subject CC&N and Arizona Water has no authority to serve those areas. The City’s filing relates specifically to their interest in serving Parcel 3. In 2006, the City considered Parcel 3 to be “immediately contiguous to Eloy’s city limits and within Eloy’s planning area and proposed service expansion”. Currently, the City states that it “has water lines within one-half mile of the eastern side of Parcel 3” and it has long intended to serve the area. The City believes that it has shown its commitment to serving the area while Arizona Water has failed to perform and Eloy requests that Parcel 3 be removed from the CC&N territory as it relates to the pending application.

On April 5, 2016, Arizona Water docketed a supplemental response to Eloy’s objection to the Company’s proposed extension of time. Arizona Water provides that its facilities lie closer than Eloy’s facilities and further stresses that the Parcel 3 property owners, the Warrens, have requested service from Arizona Water, not the City:

“On December 17, 2015, the Warrens provided the Company a letter that states they “still need and desire to receive water service from Arizona Water Company,” not the City. The letter also documents that the Warrens have not moved forward with their plans to develop their property because of the severe recession. The letter further documents that the Warrens still plan to develop their property at the earliest possible time. The Company’s request serves to accommodate the Warrens desire to develop their property and to alleviate the delays they have faced because of the recession. In contrast, the City’s objection will harm the Warrens by making it more difficult for them to develop their property.”

“The city’s request that the Commission remove parcel 3 from the CCN extension area will also harm the Warrens because it will make it far more expensive for them to develop their property. As the Mayor admits, the City has no water facilities within one-half mile (2,640 feet) capable of serving the property. In contrast, the Company has a 6-inch water

main in Battaglia Drive, which fronts all but a few feet of parcel 3 on the South, and a 12-inch water main in Lamb Road, which fronts the entire West side of parcel 3. A copy of a portion of the Company's system map showing the Company's facilities next to parcel 3 is attached as Exhibit 11. Exhibit 11 also shows that the Company's well 28 and Arizona City arsenic treatment facility also lie at the intersection of Battaglia Drive and Lamb Road, immediately across the street from parcel number 3. The City's self-serving request to remove parcel 3 from the CCN extension area will place unnecessary, increased costs to extend the City's water facilities to the property squarely on the Warrens and other future customers, all while the Company is ready, willing, and able to provide water service to the property today."

The Company requests that the Commission approve the request for extension of time on the pending compliance requirements over the objection of the City. In addition, the Company's supplemental filing also seeks an extension of time for a longer period based on recent 10 year extensions approved by the Commission. Arizona Water now requests an extension of the compliance due dates on the remaining MXA and CAWS requirements until March 23, 2026 rather than March 23, 2018.

Finally, on May 3, 2016, the Company docketed a second supplement to its request for extension of time. The filing provided the updated request for service letter on parcel 4 of the expansion area and stated:

"One hundred percent of the owners of the property in the extension area have now submitted, in writing, their request for water service from Arizona Water."

Based on the application and all of the above, Staff does not object to the Company request for an extension of time in this matter. Staff recommends approval of the Company's application extending the due date for the provision of the remaining CAWS and MXA requirements for Parcel 3, 4, 5 and 7 until March 23, 2026.

Staff further recommends that no further extensions of time be granted in this matter.

TB:BKB:elr/WVC

Originator: Brian K. Bozzo

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DOCKET NO. W-01445A-05-0469

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