

ORIGINAL

OPEN MEETING



0000176333

MEMORANDUM

Arizona Corporation Commission

DOCKETED

RECEIVED
AZ CORP COMMISSION
DOCKET # 17-0007

2017 JAN -9 P 3:27

TO: THE COMMISSION

JAN - 9 2017

FROM: Utilities Division

DOCKETED BY

DATE: January 9, 2017

RE: REQUEST FOR A GRANT FROM THE SMALL WATER SYSTEMS FUND TO REPAIR AND REPLACE SERVICE LINES AND METERS TO REDUCE DRASTIC WATER LOSS IN THE ACME WATER COMPANY LLC, THUNDERBIRD MEADOWS SYSTEM (DOCKET NO. W-20809A-17-0007)

INTRODUCTION

Enclosed is the Commission Staff's memorandum and proposed order for REQUEST FOR A GRANT FROM THE SMALL WATER SYSTEMS FUND TO REPAIR AND REPLACE SERVICE LINES AND METERS TO REDUCE DRASTIC WATER LOSS IN THE ACME WATER COMPANY LLC, THUNDERBIRD MEADOWS SYSTEM (DOCKET NO. W-20809A-17-0007). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's recommendations.

Any party who wishes to comment on this matter may appear before the Commission at its Staff Meeting scheduled for January 11, 2017.

If you have any questions about this matter, please contact Briton Baxter of our Staff at (602) 542-7195 or Elijah Abinah, Acting Director, at (602) 542-6935.

BACKGROUND

Acme Water Company, LLC ("Acme") and Walden Meadows Community Cooperative ("Walden Meadows") are both Arizona public service corporations that provide water utility service in Yavapai County, Arizona. Acme is comprised of four public water systems: Thunderbird Meadows, Dells, Yavapai Mobile Home Estates, and Blue Hills #3. As reported in the Annual Report submitted on May 18, 2016, the Acme Thunderbird Meadows water system serves approximately 123 customers with 5/8 X 3/4 inch meters. As reported in the Annual Report submitted on April 5, 2016, Walden Meadows serves approximately 297 customers with 5/8 X 3/4 inch meters. Thunderbird Meadows purchases all of its water from Walden Meadows. Based on information contained in the Annual Report, Staff calculates that in 2015, Thunderbird Meadows had water loss in excess of 44 percent. The Arizona Corporation Commission ("ACC" or "Commission") ordered in Decision No. 75781, dated January 3, 2017, that Walden Meadows shall be appointed as the interim manager of the Acme Thunderbird Meadows system.

On January 6, 2017, Walden Meadows sent a request to the Director of the Utilities Division for funds from the Small Water System Fund to address the Acme Thunderbird Meadows excessive

water loss condition. The Director, in reviewing the request from Walden Meadows, has found that there is a requirement for immediate financial assistance to replace, make repairs to or to rehabilitate the Acme Thunderbird Meadows water system infrastructure. The financial assistance is necessary in order to avoid an interruption in water service to customers of both Walden Meadows and Acme Thunderbird Meadows.

STAFF ANALYSIS AND RECOMMENDATIONS

Staff engineers, Del Smith and Frank Smaila, conducted a site visit of the Acme Thunderbird Meadows water system on December 14, 2016, meeting with representatives from both Walden Meadows and Acme Thunderbird Meadows, along with two independent contractors. The site visit concluded that most of the water loss is attributed to the serious deterioration of the service lines. In addition, the water meters are not working properly, as they are beyond their useful life and need to be replaced. As a result of this visit, the parties developed a plan for the scope of work along with cost estimates for the necessary repairs and meter replacements as discussed further in the Scope of Work and Cost Estimate sections.

Scope of Work

It was determined that the scope of work shall be limited to the repair and/or replacement/installation of: (i) 13 new 4-inch isolation valves to replace valves that do not operate properly or are concealed under the asphalted street; (ii) 99 new customer meters that have processed more than 1,000,000 gallons or are projected to reach 1,000,000 gallons within the next 12 months; (iii) 99 new customer service lines of which 50 require boring and asphalt removal and replacement (the service lines will be replaced where the water pressure is highest and are located in the portion of the subdivision where the majority of the water leaks have occurred), (see Attachment A for a list of the meters and services that have been identified as needing replacement, and Attachment B for a map of the system); (iv) one new 6-inch master meter on the outlet of the storage tank and (v) two 4-inch pressure reducing valves to reduce the pressure in the system to below 100 pounds per square inch ("psi").

Cost Estimate

Walden Meadows submitted a cost estimate of \$191,884, as shown in Attachment C. The Director of the Utilities Division and Walden Meadows agree that the estimate of \$191,884, is reasonable, appropriate and necessary to correct the extensive water loss situation currently being experienced by the Acme Thunderbird Meadows system.

Long-Term Plan

Staff has reviewed the long-term plans of Acme and Walden Meadows and agrees that they are reasonable, appropriate, in the public interest, and comply with the Commission's policy on small system consolidation. It is the intention of the parties that upon completion of the repairs as outlined in the Scope of Work section, an assessment will be made to determine if the system has stabilized or if additional repairs are required to reduce water loss to less than 10 percent per industry standards.

THE COMMISSION

January 9, 2017

Page 3

If water loss has not been reduced to below 10 percent, the parties intend to file a rate application with the Commission so that rates can be adjusted to enable the parties to make any additional repairs required to further stabilize the system.

Regardless of the outcome of the system repairs, it is the intention of the parties that Walden Meadows will assume ownership of the Acme Thunderbird Meadows system at the completion of the repairs and upon approval by the Commission.

Approval Process

The process to request funds from the Small Water Systems Fund is outlined in Decision No. 75626, dated July 25, 2016, and requires an interim manager appointed by the Commission submit a request for grant monies to the Director of the Utilities Division at the Commission. Once the request has been received, the Director will notify the Commissioners, the Executive Director of the Commission, the Water Infrastructure Finance Authority ("WIFA"), and the Water Emergency Team ("WET") that a request has been received, the details of the request, and a recommendation.

Recommendation

Staff recommends that the Commission approve the request from Walden Meadows for a grant not to exceed \$191,884 from the Small Water System Fund and recommends that the Commission send a letter to WIFA requesting that WIFA also approve the request and to provide the funds so that the necessary projects can be completed as soon as practical.



Elijah Abinah
Acting Director
Utilities Division

EOA:BAB:nr\RRM

ORIGINATOR: Briton Baxter

THE COMMISSION

January 9, 2017

Page 4

On this 9th day of January, 2017, the foregoing document was filed with Docket Control as a Utilities Division Memorandum and Proposed Order, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

Mr. DeWald Lucas
Acme Water Company, LLC
356 East Coronado Road
Suite 200
Phoenix, AZ 85004-1560

Mr. Timothy La Sota
Acting General Counsel and Acting Director, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Elijah Abinah
Acting Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By:



Nanisha Ross

Administrative Support Specialist

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

- TOM FORESE
Chairman
- BOB BURNS
Commissioner
- DOUG LITTLE
Commissioner
- ANDY TOBIN
Commissioner
- BOYD DUNN
Commissioner

REQUEST FOR A GRANT FROM THE
SMALL WATER SYSTEMS FUND TO
REPAIR AND REPLACE SERVICE LINES
AND METERS TO REDUCE DRASTIC
WATER LOSS IN THE ACME WATER
COMPANY LLC, THUNDERBIRD
MEADOWS SYSTEM

DOCKET NO. W-20809A-17-0007
DECISION NO. _____
ORDER

Staff Meeting
January 11, 2017
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

BACKGROUND

1. Acme Water Company, LLC (“Acme”) and Walden Meadows Community Cooperative (“Walden Meadows”) are both Arizona public service corporations that provide water utility service in Yavapai County, Arizona. Acme is comprised of four public water systems: Thunderbird Meadows, Dells, Yavapai Mobile Home Estates, and Blue Hills #3. As reported in the Annual Report submitted on May 18, 2016, the Acme Thunderbird Meadows water system serves approximately 123 customers with 5/8 X 3/4 inch meters. As reported in the Annual Report submitted on April 5, 2016, Walden Meadows serves approximately 297 customers with 5/8 X 3/4 inch meters. Thunderbird Meadows purchases all of its water from Walden Meadows. Based on information contained in the Annual Report, Staff calculates that in 2015, Thunderbird Meadows had water loss in excess of 44 percent. The Arizona Corporation Commission (“ACC” or “Commission”) ordered in Decision No. 75781, dated

1 January 3, 2017, that Walden Meadows shall be appointed as the interim manager of the Acme
2 Thunderbird Meadows system.

3 2. On January 6, 2017, Walden Meadows sent a request to the Director of the Utilities
4 Division for funds from the Small Water System Fund to address the Acme Thunderbird Meadows
5 excessive water loss condition. The Director, in reviewing the request from Walden Meadows, has
6 found that there is a requirement for immediate financial assistance to replace, make repairs to or to
7 rehabilitate the Acme Thunderbird Meadows water system infrastructure. The financial assistance is
8 necessary in order to avoid an interruption in water service to customers of both Walden Meadows and
9 Acme Thunderbird Meadows.

10 **STAFF ANALYSIS AND RECOMMENDATIONS**

11 3. Staff engineers, Del Smith and Frank Smaila, conducted a site visit of the Acme
12 Thunderbird Meadows water system on December 14, 2016, meeting with representatives from both
13 Walden Meadows and Acme Thunderbird Meadows along with two independent contractors. The site
14 visit concluded that most of the water loss is attributed to the deterioration of the service lines. In
15 addition, the water meters are not working properly as they are beyond their useful life and need to be
16 replaced. As a result of this visit, the parties developed a plan for the scope of work along with cost
17 estimates for the necessary repairs and meter replacements as discussed further in the Scope of Work
18 and Cost Estimate sections.

19 *Scope of Work*

20 4. It was determined that the scope of work shall be limited to the repair and/or
21 replacement/installation of: (i) 13 new 4-inch isolation valves to replace valves that do not operate
22 properly or are concealed under the asphalted street; (ii) 99 new customer meters that have processed
23 more than 1,000,000 gallons or are projected to reach 1,000,000 gallons within the next 12 months; (iii)
24 99 new customer service lines of which 50 require boring and asphalt removal and replacement (the
25 service lines will be replaced where the water pressure is highest and are located in the portion of the
26 subdivision where the majority of the water leaks have occurred), (see Attachment A for a list of the
27 meters and services that have been identified as needing replacement, and Attachment B for a map of
28 the system); (iv) one new 6-inch master meter on the outlet of the storage tank and (v) two 4-inch

1 pressure reducing valves to reduce the pressure in the system to below 100 pounds per square inch
2 (“psi”).

3 *Cost Estimate*

4 5. Walden Meadows submitted a cost estimate of \$191,884, as shown in Attachment C.
5 The Director of the Utilities Division and Walden Meadows agree that the estimate of \$191,884, is
6 reasonable, appropriate and necessary to correct the extensive water loss situation currently being
7 experienced by the Acme Thunderbird Meadows system.

8 *Long-Term Plan*

9 6. Staff has reviewed the long-terms plans of Acme and Walden Meadows and agrees that
10 they are reasonable, appropriate, in the public interest, and comply with the Commission’s policy on
11 small system consolidation. It is the intention of the parties that upon completion of the repairs as
12 outlined in the Scope of Work section, an assessment will be made to determine if the system has
13 stabilized or if additional repairs are required to reduce water loss to less than 10 percent per industry
14 standards. If water loss has not been cut to below 10 percent, the parties intend to file a rate application
15 with the Commission so that rates can be adjusted to enable the parties to make any additional repairs
16 required to further stabilize the system.

17 7. Regardless of the outcome of the system repairs, it is the intention of the parties that
18 Walden Meadows will assume ownership of the Acme Thunderbird Meadows system at the completion
19 of the repairs and upon approval by the Commission.

20 *Approval Process*

21 8. The process to request funds from the Small Water Systems Fund is outlined in Decision
22 No. 75626, dated July 25, 2016, and requires an interim manager appointed by the Commission submit
23 a request for grant monies to the Director of the Utilities Division at the Commission. Once the request
24 has been received, the Director will notify the Commissioners, the Executive Director of the
25 Commission, the Water Infrastructure Finance Authority (“WIFA”), and the Water Emergency Team
26 (“WET”) that a request has been received, the details of the request, and a recommendation.

27 ...

28 ...

1 *Recommendation*

2 9. Staff has recommended that the Commission approve the request from Walden
3 Meadows for a grant not to exceed \$191,884 from the Small Water System Fund and has recommended
4 that the Commission send a letter to WIFA requesting that WIFA also approve the request and to
5 provide the funds so that the necessary projects can be completed as soon as practical.

6 CONCLUSIONS OF LAW

7 1. Acme Water Company, LLC is an Arizona public service corporation within the
8 meaning of Article XV, Section 3, of the Arizona Constitution and A.R.S. § 40-321.

9 2. Notice of the proceeding has been given in the manner prescribed by law.

10 3. Staff's recommendations in Finding of Fact No. 9 are reasonable.

11 4. The Commission, having reviewed the request and considered the matter, finds that it
12 is in the public interest to approve the request for a grant from the Small Water System Fund and
13 authorize a letter to be sent to WIFA requesting that WIFA also approve the request.

14 ...
15 ...
16 ...
17 ...
18 ...
19 ...
20 ...
21 ...
22 ...
23 ...
24 ...
25 ...
26 ...
27 ...
28 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

IT IS THEREFORE ORDERED that Walden Meadows Community Cooperative's request, as interim manager for Acme Thunderbird Meadows water system, for grant monies from the Small Water Systems Fund Staff not to exceed \$191,884 is hereby approved.

IT IS FURTHER ORDERED that the Commission send a letter to the Water Infrastructure Finance Authority ("WIFA") of Arizona requesting that WIFA also approve the request and to provide the funds so that the necessary projects can be completed as soon as practical.

IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, TED VOGT, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2017.

TED VOGT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:BAB:nr/RRM

1 Acme Water Company, LLC
Docket No. (W-20809A-17-0007)

2

3 Mr. Dewald Lucas
4 Acme Water Company, LLC
356 East Coronado Road
5 Suite 200
Phoenix, AZ 85004-1560

6

7 Mr. Timothy La Sota
Acting General Counsel and Acting Director, Legal Division
8 Arizona Corporation Commission
1200 West Washington Street
9 Phoenix, Arizona 85007

10 Mr. Elijah Abinah
Acting Director, Utilities Division
11 Arizona Corporation Commission
1200 West Washington Street
12 Phoenix, Arizona 85007

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28