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MEMORANDUM

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Arizona Corporation Commission

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCUMENT CONTROL

FROM: Deborah R. Scott
Director
Utilities Division

OCT 02 2000

DOCKETED BY

DATE: October 2, 2000

RE: IN THE MATTER OF THE APPLICATION OF MOUNTAIN GLEN WATER SERVICE INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY DOCKET NOS. W-01894A-00-0289 AND W-03875A-00-0289

Attached is the Staff Report for the above referenced application. Staff is recommending conditional approval of the application following a hearing.

Originator: Mark A. DiNunzio

Attachment: Original and Eleven Copies

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

IN THE MATTER OF
THE APPLICATION OF MOUNTAIN GLEN WATER SERVICE INC.
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

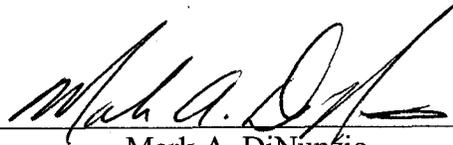
DOCKET NOS. W-01894A-00-0289 AND W-03875A-00-0289

October 2000

STAFF ACKNOWLEDGEMENT

The Staff members designated below contributed elements of this Staff Report.

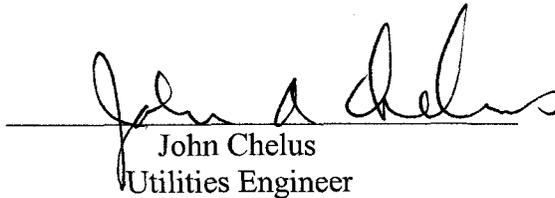
CONTRIBUTING STAFF MEMBERS:



Mark A. DiNunzio
Executive Consultant



Claudio M. Fernandez
Manager, Revenue Requirements Analysis



John Chelus
Utilities Engineer

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Introduction:

On May 1, 2000, Mountain Glen Water Service, Inc. ("MGWS" or "Company") filed an application for a Certificate of Convenience and Necessity ("Certificate" or "CC&N") to provide water service to the former certificated area of the George Papa Water Company ("GPWC") located in Navajo County.

Background and Staff Analysis:

GPWC currently provides water service to approximately 269 customers (1999 annual report) in three separate service areas in the communities of Linden, Pinedale, and Clay Springs in Navajo County, Arizona. Due to delinquent Department of Revenue ("DOR") taxes (sales taxes), the assets of GPWC were seized and subsequently sold at public auction to Mr. and Mrs. William Parker. The Parkers have filed this application to apply for the CC&N area that the former GPWC occupied.

The Company is located within the three different communities of Linden, Pinedale, and Clay Springs, which are all northwest of Show Low, along highway 260. There are a total of four water systems that are not interconnected and are discussed below:

Clay Springs – ADEQ PWS- 09-081- The Clay Springs water system consists of a pressure controlled, 5 hp submersible well which pumps to three 85 gallon, captive air pressure tanks. The Company reported an average of 19 customers on this system in 1999.

Pinedale – ADEQ PWS – 09-054 - The Pinedale water system consists of a pressure controlled, single 5 hp submersible well, which pumps directly to the water system. Two 85 gallon, captive air pressure tanks are located on the well pump discharge. There is no meter on the well. The Company reported an average of 18 customers on this system in 1999.

Linden – Two separate well systems serve the unincorporated community of Linden, and are designated by the Arizona Department of Environmental Quality ("ADEQ") as "East" and "West". The two public water systems are not interconnected, but they approach each other within approximately 1,500 feet at one point.

West Linden - ADEQ PWS –09-070 consists of a level controlled single 7.5 hp submersible well, which pumps directly to a 10,000 gallon storage tank. A booster pump pressurizes the water system. Four 85 gallon, captive air pressure tanks are located on the booster pump discharge. The Company reported an average of 86 customers on this system in 1999.

East Linden - ADEQ PWS – 09-025 consists of a pressure controlled single 20 hp submersible well, which pumps directly to the water system. Five 85 gallon, captive air pressure tanks are located on the well pump discharge. This system has a second well,

which is connected, but is not in service. The Company reported an average of 140 customers on this system in 1999.

The Company has grown from having 217 customers at the end of 1995 to 269 customers at the end of the 1999. This is an average growth rate of 11 customers per year over a four-year period. Based on this current growth rate, the Company could have 315 customers by the end of 2004.

MGWS is not located within any Active Management Area and is not subject to conservation and monitoring requirements.

Arizona Revised Statute (A.R.S.) §49-353.A.2.(d)(i) requires a water system to be in compliance with ADEQ regulations in order to be exempt from ADEQ's plan review process for small projects under \$12,500. Therefore, all projects undertaken by the Company must be submitted for ADEQ plan review and receive prior ADEQ approval until such time as all systems are returned to full compliance. All construction and improvements to the water systems must be done in compliance with Arizona Administrative Code Title 18, Chapter 4, Article 5 Minimum Design Criteria and any other applicable State and local rules. MGWS will be required to submit to the Commission copies, if any, of Approvals of Construction and Approvals to Construct from ADEQ for all projects that require such approvals.

Engineering Staff inspected the facilities on April 4, 2000. The four water systems are out of compliance with ADEQ for both physical plant and water quality violations. These violations occurred under the previous owner. There are also a number of customer meters that are inoperable and the wells have no meters. Staff recommends that MGWS submit to the Director of Utilities, within 90 days from the Commissions decision, an affidavit stating that all wells have been metered and that all customers have working meters. Staff also recommend that MGWS submit written documentation from ADEQ, within 365 days from the effective date of the Commissions decision, that MGWS is providing water with no maximum contaminant level violations and meets the State Drinking Water Act.

Rate Design

Initial rates are usually based on assumptions regarding operating expense levels, growth projections and plant investments. These assumptions are necessary to establish initial rates because historical operational data is not yet available. However, in the case of MGWS, where a previous certificated area formerly known as GPWC is being transferred, historical data exists as well as a recent Commission decision.

On January 4, 2000, GPWC filed a rate increase application that culminated in Decision No. 62905, dated September 18, 2000. The filing consisted of a Test Year ended October 31, 1999 in which actual operational data including plant in service, expense levels and actual revenues were used to determine the resulting rates. Accordingly, Staff is recommending the same rates and charges approved in Decision No. 62905.

Recommendations:

Staff recommends that Mountain Glen Water Service, Inc. application for a Certificate of Convenience and Necessity is hereby approved.

Staff further recommends that Mountain Glen Water Service, Inc. comply with all provisions of Commission Decision No. 62905 dated September 18, 2000 and any other pending compliance items that have been imposed by the Commission for the George M. Papa Water Company.

Staff further recommends the same rates and charges approved in Decision No. 62905 as shown on Schedule 1.

RATE DESIGN

	-Proposed Rates-	
	Company	Staff
<u>Monthly Usage Charge</u>		
5/8" x 3/4" Meter	\$26.00	\$18.60
3/4" Meter	26.00	27.90
1" Meter	35.00	53.10
1½" Meter	40.00	75.60
2" Meter	50.00	89.10
3" Meter	N/A	188.10
4" Meter	N/A	278.10
6" Meter	N/A	368.10
Excess of Minimum - per 1,000 Gallons	\$2.90	\$2.55
Gallons Included in Minimum	2,000	0
<u>Service Line and Meter Installation Charges</u>		
5/8" x 3/4" Meter	\$500.00	\$410.00
3/4" Meter	500.00	440.00
1" Meter	600.00	535.00
1½" Meter	800.00	570.00
2" Meter	1,000.00	970.00
3" Meter	N/A	1,350.00
4" Meter	N/A	2,155.00
6" Meter	N/A	4,165.00
<u>Service Charges</u>		
Establishment	\$40.00	\$30.00
Establishment (After Hours)	65.00	40.00
Reconnection (Delinquent)	40.00	35.00
Meter Test (If Correct)	30.00	40.00
Deposit	*	*
Deposit Interest	*	*
Re-Establishment (Within 12 Months)	**	**
NSF Check	25.00	15.00
Deferred Payment	10.00	1.50%
Meter Re-Read (If Correct)	30.00	10.00
<u>Monthly Service Charge for Fire Sprinkler</u>		
4" or Smaller	\$0.00	***
6"	0.00	***
8"	0.00	***
10"	0.00	***
Larger than 10"	0.00	***

* Per Commission Rules (R14-2-403.B)

** Months off system times the minimum (R14-2-403.D)

*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

REQUEST FOR HEARING DATE

DKT_TYPE - NUMBER DIV - YEAR - MATTER COMPANY and DBA CASE_TYPE ASSIGNMENTS DATE TIME HEARING CITY/LOCATION FOR HEARING

W - 01894A - 00 - 0289	George M. Papa Water Company	Transfer of Ownership	STAFF <u>DINunzio</u> LEGAL <u>D. Williams</u> HEARING <u>Grantham</u>	ESTIMATED TIME REQUIRED	
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OTHER INFORMATION:

09/28/2000 HEARING, LEGAL, 3 COMMISSIONERS COPIED WITH APPLICATION

PLEASE RETURN ORIGINAL TO DOCKET CONTROL

 DIVISION DIRECTOR (SIGNATURE) *Mark Robert* 9/29/00

 (DATE)

 LEGAL DIVISION (SIGNATURE) _____

 (DATE)

 HEARING DIVISION (SIGNATURE) _____

 (DATE)

DATE SENT TO LEGAL

DATE SENT TO HEARING

REQUEST FOR HEARING DATE

DKT_TYPE - NUMBER DIV - YEAR - MATTER COMPANY and DBA CASE_TYPE ASSIGNMENTS DATE TIME HEARING CITY/LOCATION FOR HEARING

W - 03875A - 00 - 0289	Mountain Glen Water Service	Transfer of Ownership	STAFF <u>DjNunzio</u> LEGAL <u>D. Williams</u> HEARING <u>Grantham</u>	ESTIMATED TIME REQUIRED	
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OTHER INFORMATION: 09/28/2000 HEARING, LEGAL, 3 COMMISSIONERS COPIED WITH APPLICATION

PLEASE RETURN ORIGINAL TO DOCKET CONTROL

DIVISION DIRECTOR *Sabah Scott* (SIGNATURE) 9/29/00 (DATE)
 LEGAL DIVISION _____ (SIGNATURE) _____ (DATE)
 HEARING DIVISION _____ (SIGNATURE) _____ (DATE)

DATE SENT TO LEGAL _____
 DATE SENT TO HEARING _____



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ATTACHMENT "B"

ORIGINAL

	25, 26, 34, 35	17S	13E
COUNTY	SECTION	TOWNSHIP	RANGE

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- /// CWC Certificated Area
- === Requested Area for New Development
- Additional Requested Area for "Run Along Rights"

Arizona Corporation Commission

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Type or Print Description Here:

The following described areas lying within T17S, R13E: the NW¹/₄ of the NW¹/₄ of Section 35; the E¹/₂ of the NW¹/₄ of Section 35; the NE¹/₄ of Section 35 (inclusive of existing run-along rights and CWC certificated area); the SW¹/₄ of the SW¹/₄ of Section 25; the E¹/₂ of Section 34 (inclusive of existing run-along rights); and the SE¹/₄ of Section 26, except therefrom that portion of the NE¹/₄ of the SE¹/₄ further described as follows: Beginning at Southeast

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corner of Section 26, Thence $N0^{\circ}19'19''E$, along the east line of Section 26, a distance of 2652.38 feet, Thence $N89^{\circ}37'29''W$, along the north line of the $SE\frac{1}{4}$ of Section 26, a distance of 1365.64 feet to the **Point of Beginning** of exclusion, Thence $S1^{\circ}52'45''E$, a distance of 27.21 feet, Thence continue $S1^{\circ}52'45''E$, a distance of 831.20 feet, Thence $S88^{\circ}48'30''W$, a distance of 1042.91 feet, Thence continue $S88^{\circ}48'30''W$, a distance of 141.20 feet more or less, to the west line of the $SE\frac{1}{4}$ of Section 26, Thence $N01^{\circ}33'07''W$, along the west line of the $SE\frac{1}{4}$ of Section 26, distance of 890.62 feet, Thence $S89^{\circ}37'29''E$, along the north line of the $SE\frac{1}{4}$ of Section 26, a distance of 183.16 feet, Thence continue $S89^{\circ}37'29''E$, along the north line of the $SE\frac{1}{4}$ of Section 26, a distance of 996.69 feet to the **Point of Beginning** of exclusion.