



0000008792

OPEN MEETING ITEM

MEMORANDUM

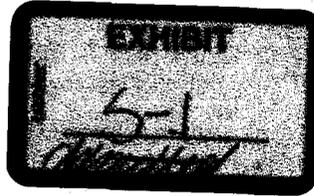
*Legal*

RECEIVED

TO: THE COMMISSION

FROM: Utilities Division

DATE: September 1, 2000



SEP -1 P 3: 15

AZ CORP COMMISSION  
DOCUMENT CONTROL

RE: IN THE MATTER OF THE COMPLAINT AND ORDER TO SHOW CAUSE ON  
GEORGE M. PAPA WATER COMPANY (DOCKET NO. W-01894A-00-0654)

George Papa is the sole proprietor of a public service corporation<sup>1</sup> known as the George Papa Water Company ("Papa Water") operating in Navajo County, Arizona. On July 10, 1963, the Commission, pursuant to Decision No. 34647 authorized the granting of a Certificate of Convenience and Necessity ("CC&N") to Papa Water to provide water service in three separate service areas in the communities of Linden, Pinedale, and Clay Springs, located in Navajo County, Arizona.

Pursuant to the grant of authority contained in Decision No. 34647, Papa Water is obligated to maintain domestic water utility service in the above-mentioned areas. Arizona Department of Revenue ("ADOR") subsequently seized these water utility assets of Papa Water pursuant to Arizona Revised Statute ("A.R.S.") § 42-1201, for delinquent Department of Revenue taxes (sales tax). On February 23, 2000, these assets were sold at public auction to Mr. and Ms. William Parker. Pursuant to A.R.S. §12-1281, Mr. Papa had until August 23, 2000, to pay all back taxes and applicable fees and interest in order to redeem these assets. Mr. Papa failed to redeem by the specified time and as a result, title to the assets has passed to Mr. and Mrs. Parker. Mr. and Mrs. Parker have formed Mountain Glen Water Company ("Mountain Glen") and have a pending CC&N application before the Commission to provide water service to the same area certificated to Papa Water in Decision No. 34647.

Pursuant to A.R.S. §40-361, every public service corporation is required to furnish and maintain service, equipment and facilities to promote safety, health, comfort and convenience of the public. As a result of the auction sale and passing of the redemption period, Papa Water no longer has the equipment and facilities to furnish and maintain service pursuant to A.R.S. §40-361. Pursuant to A.R.S. Const. Art. 15, §3 and A.R.S. §§ 40-202, 246, 281, 282, 361, the Commission may institute a Complaint proceeding to rescind a CC&N if such rescision is in the .

RECEIVED

SEP 1 2000

LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

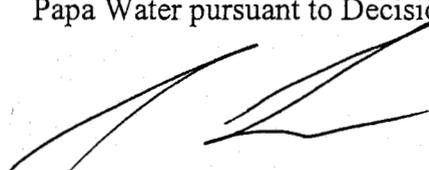
<sup>1</sup> Utilities operated as sole proprietorships constitute public service corporations and are under the jurisdiction of the Arizona Corporation Commission, Van Dyke v. Geary, 218 F.111 Aff'd 244 U.S. 39 (1917).

THE COMMISSION

September 1, 2000

Page 2

public interest.<sup>2</sup> Because Papa Water no longer has the equipment and facilities to furnish and maintain service pursuant to A.R.S. §40-361, the Commission has the authority to rescind Papa Water's CC&N.<sup>3</sup> Staff, therefore, requests that the Commission rescinds the CC&N granted to Papa Water pursuant to Decision No. 34647.

*for*  
  
Deborah R. Scott  
Director  
Utilities Division

DRS:MAD:lh\RJM

ORIGINATOR: Mark A. DiNunzio

---

<sup>2</sup> See, James P. Paul Water Company v. Arizona Corporation Commission, 137 Ariz. 426 671 P.2d 404 (1983) "The Corporation Commission's authority to delete and reassign a parcel of land under a certificate of convenience and necessity is controlled by the public interest."

<sup>3</sup> "Once granted, a certificate of convenience and necessity confers upon its holder an exclusive right to provide the relevant service for as long as the grantee can provide adequate service as reasonable rates." Id. 137 Ariz. at 429.

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

CARL J. KUNASEK  
Chairman  
JIM IRVIN  
Commissioner  
WILLIAM A. MUNDELL  
Commissioner

ARIZONA CORPORATION COMMISSION,  
  
COMPLAINANT,  
  
v.  
  
GEORGE M. PAPA WATER COMPANY,  
  
RESPONDENT.

DOCKET NO. W-01894A-00-0654  
DECISION NO. \_\_\_\_\_  
  
**COMPLAINT  
AND  
ORDER TO SHOW CAUSE**

Open Meeting  
September 12 and 13, 2000  
Phoenix, Arizona

**BY THE COMMISSION:**

**FINDINGS OF FACT**

The Arizona Corporation Commission ("Commission") for its Complaint against Respondent alleges:

1. Complainant is a governmental agency of the State of Arizona, existing by virtue of Article 15 of the Arizona Constitution.
2. Respondent is the sole proprietor of a public service corporation<sup>1</sup> known as the George Papa Water Company ("Papa Water") operating in Navajo County, Arizona.
3. The Commission, pursuant to Decision No. 34647 (July 10, 1963), authorized the granting of a Certificate of Convenience and Necessity ("CC&N") to Papa Water to provide water service in three separate service areas in the communities of Linden, Pinedale, and Clay Springs, located in Navajo County, Arizona.

...

<sup>1</sup> Utilities operated as sole proprietorships constitute public service corporations and are under the jurisdiction of the Arizona Corporation Commission, Van Dyke v. Geary, 218 F.111 Aff'd 244 U.S. 39 (1917).

- 1 4. Pursuant to the grant of authority contained in Decision No. 34647, Papa Water is  
 2 obligated to maintain domestic water utility service in the above-mentioned areas.
- 3 5. The water utility assets of Papa Water were seized by Arizona Department of  
 4 Revenue ("ADOR") pursuant to Arizona Revised Statute ("A.R.S.") § 42-1201, for  
 5 delinquent Department of Revenue taxes (sales tax).
- 6 6. These assets were sold at public auction on February 23, 2000.
- 7 7. The assets were purchased by Mr. and Ms. William Parker.
- 8 8. Pursuant to A.R.S. § 12-1281, Mr. Papa had until August 23, 2000, to pay all back  
 9 taxes and applicable fees and interest in order to redeem these assets.
- 10 9. Mr. Papa failed to redeem by the specified time and as a result, title to the assets has  
 11 passed to Mr. and Mrs. Parker.
- 12 10. Mr. and Mrs. Parker have formed Mountain Glen Water Company ("Mountain Glen")  
 13 and have a pending CC&N application before the Commission to provide water  
 14 service to the same area certificated to Papa Water in Decision No. 34647.
- 15 11. Pursuant to A.R.S. § 40-361, every public service corporation is required to furnish  
 16 and maintain service, equipment and facilities to promote safety, health, comfort and  
 17 convenience of the public.
- 18 12. Papa Water no longer has the equipment and facilities to furnish and maintain service  
 19 pursuant to A.R.S. § 40-361.

20 **RELIEF REQUESTED**

- 21 13. Pursuant to Ariz. Const. Art. XV, § 3, and A.R.S. §§ 40-202, -246, -252, -281, -282,  
 22 -361, the Commission may institute a Complaint proceeding to rescind a CC&N if  
 23 such rescission is in the public interest.<sup>2</sup>
- 24 ...
- 25 ...
- 26

27 <sup>2</sup> See, James P. Paul Water Company v. Arizona Corporation Commission, 137 Ariz. 426 671 P.2d 404 (1983) "The  
 28 Corporation Commission's authority to delete and reassign a parcel of land under a certificate of convenience and necessity is controlled by the public interest."

1 14. Because Papa Water no longer has the equipment and facilities to furnish and  
2 maintain service pursuant to A.R.S. § 40-361, the Commission has the authority to  
3 rescind Papa Water's CC&N<sup>3</sup> pursuant to A.R.S. § 40-282(c).<sup>4</sup>

4 15. Staff, therefore, requests that the Commission rescind the CC&N granted to Papa  
5 Water in Decision No. 34647.

6 **ORDER**

7 THEREFORE, IT IS ORDERED that Respondent, Papa Water, appear before the Arizona  
8 Corporation Commission at a time and place designated by the Hearing Division, and show cause,  
9 if any exists, why the Commission should not grant the relief requested by this Order.

10 IT IS FURTHER ORDERED that this Order shall become effective immediately.

11 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

12  
13 CHAIRMAN

COMMISSIONER

COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
15 Executive Secretary of the Arizona Corporation  
16 Commission, have hereunto, set my hand and caused the  
17 official seal of this Commission to be affixed at the Capitol,  
18 in the City of Phoenix, this \_\_\_\_ day of \_\_\_\_\_, 2000.

19 \_\_\_\_\_  
BRIAN C. McNEIL  
Executive Secretary

20  
21 DISSENT: \_\_\_\_\_

22 DRS:MAD:lhk  
23  
24  
25 \_\_\_\_\_

26 <sup>3</sup> "Once granted, a certificate of convenience and necessity confers upon its holder an exclusive right to provide the relevant service for as long as the grantee can provide adequate service at reasonable rates." *Id.* 137 Ariz. at 429.

27 <sup>4</sup> "The Commission's authority to grant a certificate of convenience and necessity is controlled by public interest, A.R.S. § 40-282(c). Therefore, its authority to delete and reassign a parcel of land is controlled by the same because reassignment is equivalent to granting a certificate anew." *Id.* 137 Ariz. at 428.

*Legal*

**BEFORE THE ARIZONA CORPORATION COMMISSION**

CARL J. KUNASEK  
Chairman  
JIM IRVIN  
Commissioner  
WILLIAM A. MUNDELL  
Commissioner

Arizona Corporation Commission

**DOCKETED**

SEP 18 2000

DOCKETED BY *sd*



ARIZONA CORPORATION COMMISSION,  
COMPLAINANT,  
v.  
GEORGE M. PAPA WATER COMPANY,  
RESPONDENT.

DOCKET NO. W-01894A-00-0654

DECISION NO. 62906

**COMPLAINT  
AND  
ORDER TO SHOW CAUSE**

**RECEIVED**

SEP 19 2000

LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

Open Meeting  
September 12 and 13, 2000  
Phoenix, Arizona

**BY THE COMMISSION:**

**FINDINGS OF FACT**

The Arizona Corporation Commission ("Commission") for its Complaint against Respondent alleges:

1. Complainant is a governmental agency of the State of Arizona, existing by virtue of Article 15 of the Arizona Constitution.
2. Respondent is the sole proprietor of a public service corporation<sup>1</sup> known as the George Papa Water Company ("Papa Water") operating in Navajo County, Arizona.
3. The Commission, pursuant to Decision No. 34647 (July 10, 1963), authorized the granting of a Certificate of Convenience and Necessity ("CC&N") to Papa Water to provide water service in three separate service areas in the communities of Linden, Pinedale, and Clay Springs, located in Navajo County, Arizona.

<sup>1</sup> Utilities operated as sole proprietorships constitute public service corporations and are under the jurisdiction of the Arizona Corporation Commission, Van Dyke v. Geary, 218 F.111 Aff'd 244 U.S. 39 (1917).

- 1 4. Pursuant to the grant of authority contained in Decision No. 34647, Papa Water is  
2 obligated to maintain domestic water utility service in the above-mentioned areas.
- 3 5. The water utility assets of Papa Water were seized by Arizona Department of  
4 Revenue ("ADOR") pursuant to Arizona Revised Statute ("A.R.S.") § 42-1201, for  
5 delinquent Department of Revenue taxes (sales tax).
- 6 6. These assets were sold at public auction on February 23, 2000.
- 7 7. The assets were purchased by Mr. and Ms. William Parker.
- 8 8. Pursuant to A.R.S. § 12-1281, Mr. Papa had until August 23, 2000, to pay all back  
9 taxes and applicable fees and interest in order to redeem these assets.
- 10 9. Mr. Papa failed to redeem by the specified time and as a result, title to the assets has  
11 passed to Mr. and Mrs. Parker.
- 12 10. Mr. and Mrs. Parker have formed Mountain Glen Water Company ("Mountain Glen")  
13 and have a pending CC&N application before the Commission to provide water  
14 service to the same area certificated to Papa Water in Decision No. 34647.
- 15 11. Pursuant to A.R.S. § 40-361, every public service corporation is required to furnish  
16 and maintain service, equipment and facilities to promote safety, health, comfort and  
17 convenience of the public.
- 18 12. Papa Water no longer has the equipment and facilities to furnish and maintain service  
19 pursuant to A.R.S. § 40-361.

20 **RELIEF REQUESTED**

- 21 13. Pursuant to Ariz. Const. Art. XV, § 3, and A.R.S. §§ 40-202, -246, -252, -281, -282,  
22 -361, the Commission may institute a Complaint proceeding to rescind a CC&N if  
23 such rescision is in the public interest.<sup>2</sup>
- 24 ...
- 25 ...
- 26

27 <sup>2</sup> See, James P. Paul Water Company v. Arizona Corporation Commission, 137 Ariz. 426 671 P.2d 404 (1983) "The  
28 Corporation Commission's authority to delete and reassign a parcel of land under a certificate of convenience and necessity is controlled by the public interest."

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

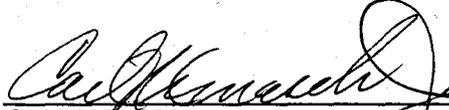
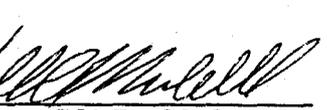
- 14. Because Papa Water no longer has the equipment and facilities to furnish and maintain service pursuant to A.R.S. § 40-361, the Commission has the authority to rescind Papa Water's CC&N<sup>3</sup> pursuant to A.R.S. § 40-282(c).<sup>4</sup>
- 15. Staff, therefore, requests that the Commission rescind the CC&N granted to Papa Water in Decision No. 34647.

**ORDER**

THEREFORE, IT IS ORDERED that Respondent, Papa Water, appear before the Arizona Corporation Commission at a time and place designated by the Hearing Division, and show cause, if any exists, why the Commission should not grant the relief requested by this Order.

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

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

 CHAIRMAN	 COMMISSIONER	 COMMISSIONER
---	--	---

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary 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 15<sup>TH</sup> day of SEPT., 2000.

  
BRIAN C. McNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

DRS:MAD:lh

<sup>3</sup> "Once granted, a certificate of convenience and necessity confers upon its holder an exclusive right to provide the relevant service for as long as the grantee can provide adequate service at reasonable rates." *Id.* 137 Ariz. at 429.

<sup>4</sup> "The Commission's authority to grant a certificate of convenience and necessity is controlled by public interest, A.R.S. § 40-282(c). Therefore, its authority to delete and reassign a parcel of land is controlled by the same because reassignment is equivalent to granting a certificate anew." *Id.* 137 Ariz. at 428.



Description of Property

Business inventory of George M. Papa Water Company and any and all improvements to land, including but not limited to: wells, pipes, buildings, filters, tanks (storage, air pressure), casings, meters, furniture, pumps (well, booster), valves, gauges, fittings, and any prescriptive easements relating to transportation of water.

Legal

The following legal descriptions are from a transaction title report

Linda System:

That part of Lot 2, Show Low West, according to Book 5 of plats, page 34, records of Navajo County, Arizona, described as follows:

Beginning at the Northeasterly corner of said lot 2;

Thence South 04°26' West, along the Easterly boundary of said Lot 2, a distance of 90 feet;

Thence South 89°53'15" West, to a point on the Northwest boundary of said Lot 2;

Thence North 47°06' East, along said Northwest boundary of Lot 2 to the POINT OF BEGINNING;

That part of Section 34, Township 11 North, Range 21 East, of the Gila and Salt River Base and Meridian, Navajo County, Arizona, described as follows:

Commencing at the South quarter corner of said Section;

Thence North 0°5'40" West, 211.98 feet;

Thence North 5°47'52" West, 666.88 feet;

Thence South 89°30' West, 188.84 feet to the POINT OF BEGINNING;

Thence South 0°11'45" West, 100 feet;

Thence North 89°30' West, 23.5 feet;

Thence South 0°11'45" West, 60 feet;

Thence South 89°30' East, 40 feet;

Thence North 0°11'45" East, 160 feet;

Thence North 89°30" West, 16.5 feet to the POINT OF BEGINNING.

Clay Springs System:

That part of the Northwest quarter of section 18, Township 11 North, Range 19 East, of the Gila and Salt River Base and Meridian, Navajo County, Arizona, described as follows:

Commencing at the West quarter corner of said Section 18, point being monumented by a GLO Brass Cap;

Thence north 88°27'58" East, along the mid-section line, a distance of 1354.86 feet to the POINT OF BEGINNING;

Thence North 00°02'54" East, a distance of 84.00 feet;

Thence North 88°27'58" East, a distance of 133.01 feet to a 1/2" rebar;

Thence South 00°05'31" West, a distance of 84.00 feet to a 1/2" rebar;

Thence South 88°27'58" West, a distance of 133.01 feet to the POINT OF BEGINNING.

EXCEPT all existing minerals and/or oil as reserved in Deed recorded in Docket 633, page 65, records of Navajo County, Arizona.

Pinedals System:

That part of Section 29, Township 11 North, Range 20 East, of the Gila and Salt river Base and Meridian, Navajo County, Arizona, described as follows:

Commencing at the Northwest corner of the Southwest quarter of the Northwest quarter of said section;

Thence North 89°10'15" East, a distance of 297.66 feet to the POINT OF BEGINNING;

Thence North 89°10'15" East, 50 feet;

Thence South 00°38'6" East, 50 feet;

Thence South 89°10'15" West, 50 feet;

Thence North 0°38'06" West, 50 feet to the POINT OF BEGINNING.

Unless said amounts are paid before the time fixed for sale, the property will be sold at Public Auction on February 23, 2000, at 10:00 a.m. at the Navajo County Courthouse (steps), Government Complex, Holbrook, AZ, to the

highest bidder. Only the right, title and interest of George M. Papa Water Company, in and to the property, will be offered for sale. Payment must be by cash or certified funds payable to the Arizona Department of Revenue and must be paid upon acceptance of the bid.

The auction will be including the real and personal property of George M. Papa Water Company as a whole to preserve interest. Please be advised the successful bidder will also need the approval of the Arizona Corporation Commission to operate as a utility. The property will be subject to redemption as provided in A.R.S. Section 12-1281 et. seq. The Department reserves the right to reject any and all bids.

## ARIZONA DEPARTMENT OF REVENUE

1600 WEST MONROE - PHOENIX, ARIZONA 85007-2650

JANE DEE HULL  
GOVERNORMARK W. KILLIAN  
DIRECTOR

October 26, 2000

Robert Metli  
Attorney  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

RE: Papa Water Company

Dear Mr. Metli:

Per our conversation today, the Papa Water Co. was sold at auction to Mr. and Mrs. Parker. Mr. Papa had the right of redemption per the Arizona Revised Statutes. When the redemption period passed, the Arizona Department of Revenue filed a deed to transfer ownership from George Papa to Mr. and Mrs. Parker who are now the new owners. The property will not revert back to Mr. Papa. In our description, we included the sentence "Please be advised the successful bidder will also need the approval of the Arizona Corporation Commission to operate as a utility". We put this sentence in to clarify to potential bidders of the fact that they were not automatically guaranteed to be a utility. We did this as we received several calls from potential buyers inquiring if they bought Papa Water Co. would they be granted his ability to operate as a utility. In talking with you, we found out the new owners would have to contact the Arizona Corporation Commission to apply as a new operator to be granted the ability to operate as a utility by getting their on CCN. If you have any questions please feel free to call me at (602) 255-1156 x 4040.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeff Caviness".

Jeff Caviness  
Administrator for Field Operations

OTHER LOCATIONS: Tucson Government Mall - 400 W. CONGRESS - TUCSON  
East Valley - 3191 N. WASHINGTON STREET - CHANDLER  
North Valley - 2902 W. AGUA FRIA FREEWAY - PHOENIX

*Legal*

MEMORANDUM

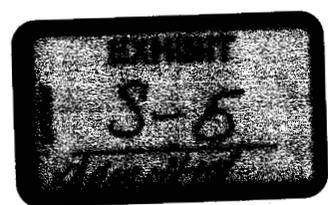
RECEIVED

2000 OCT -2 P 1:27

AZ CORP COMMISSION  
DOCUMENT CONTROL

TO: Docket Control  
Arizona Corporation Commission

FROM: Deborah R. Scott  
Director  
Utilities Division *Deborah R. Scott*



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

RECEIVED

OCT 2 2000

ARIZ. CORPORATION COMMISSION



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

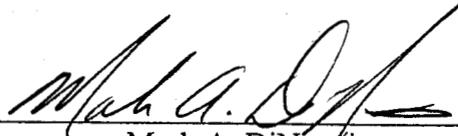
DOCKET NOS. W-01894A-00-0289 AND W-03875A-00-0289

October 2000

## STAFF ACKNOWLEDGEMENT

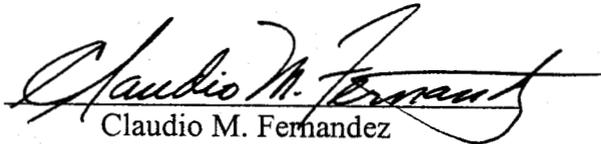
The Staff members designated below contributed elements of this Staff Report.

### CONTRIBUTING STAFF MEMBERS:



---

Mark A. DiNunzio  
Executive Consultant



---

Claudio M. Fernandez  
Manager, Revenue Requirements Analysis



---

John Chelus  
Utilities Engineer

TABLE OF CONTENTS

PAGE

Introduction .....	1
Background and Staff Analysis .....	1
Rate Design.....	2
Recommendations.....	3
Schedule 1.....	4

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.