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TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

Date: June 21, 2004

RE: JAKE'S CORNER WATER SYSTEM - APPLICATION FOR APPROVAL OF THE SALE OF ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY (DOCKET NOS. W-03745A-04-0249 AND W-04249A-04-0249)

Attached is the Staff Report for Jake's Corner Water System, application for the Sale of Assets and Transfer of its Certificate of Convenience and Necessity. Staff recommends approval of the sale of assets and cancellation of the Certificate of Convenience and Necessity.

EGJ:JEF:lmh

Originator: Jim Fisher

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Service List for: Jake's Corner Water System
Docket Nos. W-04249A-04-0249 and W-03745A-04-0249

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JAKE'S CORNER WATER SYSTEM

APPLICATION FOR APPROVAL OF THE SALE
OF ASSETS AND TRANSFER OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY

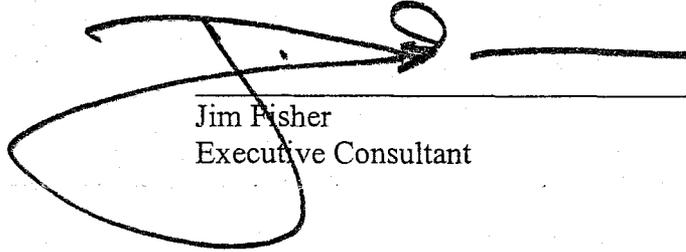
DOCKET NOS. W-04249A-04-0249
AND
W-03745A-04-0249

June 2004

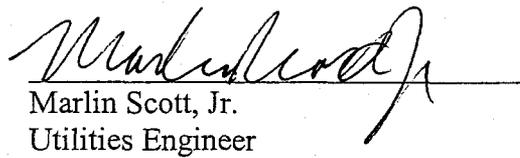
STAFF ACKNOWLEDGEMENT

The Staff Report for Jake's Corner Water System, Docket Nos. W-04249A-04-0249 and W-03745A-04-0249 was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

Contributing Staff:



Jim Fisher
Executive Consultant



Marlin Scott, Jr.
Utilities Engineer

EXECUTIVE SUMMARY
JAKE'S CORNER WATER SYSTEM
DOCKET NOS. W-04249A-04-0249
and W-03745A-04-0249

On April 1, 2004, Jake's Corner Water System ("Jake's Corner" or "Company") filed an application with the Arizona Corporation Commission ("ACC") requesting approval of the sale of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Kacy J. Parker ("Mr. Parker")

Jake's Corner is a sole proprietorship authorized to provide water service to certain portions of Gila County pursuant to authority granted by the ACC in Decision No. 50872 (April 22, 1980). Jake's Corner is currently serving approximately sixteen (16) customers. The Company is located 18 miles south of Payson and three miles southwest of Highway 188. By this Application, Mr. Wetzler is seeking ACC authorization for the sale of assets to Mr. Parker, a sole proprietor.

Mr. Parker, in conjunction with other family members, has purchased Arroyo Water System from Mr. Rich Williamson. Arroyo Water System is located approximately 15 miles from Jake's Corner. Currently, Mr. Parker retains Mr. Williamson's services as a certified water system operator for Arroyo Water System and has informed Staff that Mr. Williamson will also be the certified operator for Jake's Corner. Mr. Parker also informed Staff that it is his intention to upgrade the water system by installing a storage tank.

Per Arizona Department of Environmental Quality ("ADEQ") rules, the Jake's Corner water system is a semi-public water system and is not required to monitor all of the regulated contaminants. Therefore, no compliance status can be determined because semi-public water systems are only regulated by ADEQ if a health hazard is identified. To date, ADEQ has not identified any health hazard which would necessitate ADEQ regulation.

As this water company is a semi-public water system, it is not required to monitor for arsenic until such time as ADEQ declares the system to be a community water system.

Staff recommends that the Commission approve Jake's Corner Water System's Application for the Sale of Assets and Transfer of CC&N to Mr. Kacy J. Parker, subject to the following conditions:

1. That the Commission require Mr. Kacy J. Parker, dba Jake's Corner Water System, to charge the authorized rates.
2. That the Commission require Mr. Kacy J. Parker, dba Jake's Corner Water System, to file a Backflow Prevention Tariff within 60 days of any Decision in this matter.

3. That the Commission require Mr. Kacy J. Parker, dba Jake's Corner Water System, to file a Curtailment Plan Tariff within 365 days of any decision and subsequent to the addition of a storage tank on the system.

Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to Mr. Kacy J. Parker, dba Jake's Corner Water System, be considered null and void without further order from the Commission should Mr. Kacy J. Parker, dba Jake's Corner Water System fail to meet Conditions 2 and 3 within the time specified.

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Introduction

On April 1, 2004, Jake's Corner Water System ("Jake's Corner" or "Company") filed an application with the Arizona Corporation Commission ("ACC") requesting approval of the sale of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Kacy J. Parker ("Mr. Parker")

Background

Jake's Corner is a sole proprietorship authorized to provide water service to certain portions of Gila County pursuant to authority granted by the ACC in Decision No. 50872 (April 22, 1980). In that decision, the Commission authorized the transfer of the system from United Utilities, an Arizona Corporation, to Gladys Meredith Stern, dba Jake's Corner.

In Decision No. 62221 (January 10, 2000), the Commission authorized the sale and transfer of Jake's Corner from Arthur W. Wetzler to Edwin L. Wetzler. In that Decision, the Commission found in part that it was not necessary for Mr. Wetzler to obtain a county franchise because the service area is located in a private easement.

Jake's Corner is currently serving approximately sixteen (16) customers. The Company is located 18 miles south of Payson and three miles southwest of Highway 188. By this Application, Mr. Wetzler is seeking ACC authorization for the sale of assets to the Mr. Parker, a sole proprietor.

Mr. Parker

Mr. Parker is a long term resident of Payson area. In association with a family owned business, Parker Excavating, Mr. Parker constructs water and wastewater systems in the Payson area. Mr. Parker, also in conjunction with other family members, has purchased Arroyo Water System from Mr. Rich Williamson. Arroyo Water System is located approximately 15 miles from Jakes Corner.

Currently, Mr. Parker retains Mr. Williamson's services as a certified water system operator for Arroyo Water System and has informed Staff that Mr. Williamson will also be the certified operator for Jake's Corner.

Mr. Parker also informed Staff that it his intention to upgrade Jake's Corner by installing a storage tank.

The Water System

According to its 2003 Annual Report, the Jake's Corner water system consists of one (1) well which produces thirty (30) gallons-per-minute ("GPM"), one (1) five thousand (5,000) gallon pressure tank and the associated distribution lines serving approximately 12 full-time and

four part-time connections. According to Staff's analysis, the water system has adequate well production and pressure tank capacity to serve the existing customer base.

The Transaction

On March 30, 2004, the Mr. Wetzler and Mr. Parker entered into a sale agreement in which Mr. Parker agreed to pay ten dollars (\$10.00) to Mr. Wetzler for the water system.

According to the application, all customer security deposits have been refunded and there are no refunds due service line installations nor refunds due on any main extension agreements.

ACC Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for the Company. However, Staff notes that the Company has not filed a Backflow Prevention Tariff and recommends approval of the transaction be conditional on the filing of the tariff. Staff also notes that the Company does not have a Curtailment Tariff on file. The Company's current water system does not have a storage tank; therefore, Staff recommends that a Curtailment Tariff be filed when a storage tank is installed on the system. Staff also recommends that the storage tank be installed by June 2005.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Per ADEQ rules, the Jake's Corner water system is a semi-public water system and is not required to monitor all of the regulated contaminants. Therefore, no compliance status can be determined because semi-public water systems are only regulated by ADEQ if a health hazard is identified. To date, ADEQ has not identified any health hazard which would necessitate ADEQ regulation.

As this water company is a semi-public water system it is not required to monitor for arsenic until such time as ADEQ declares the system to be a community water system.

Recommendations

Staff recommends that the Commission approve Jake's Corner Water System's Application for the Sale of Assets and Transfer of CC&N to Mr. Kacy J. Parker subject to the following conditions:

1. That the Commission require Mr. Kacy J. Parker, dba Jake's Corner Water System, to charge the authorized rates.
2. That the Commission require Mr. Kacy J. Parker, dba Jake's Corner Water System, to file a Backflow Prevention Tariff within 60 days of any decision in this matter.

3. That the Commission require Mr. Kacy J. Parker, dba Jake's Corner Water System to file a Curtailment Plan Tariff within 365 days of any Decision and subsequent to the addition of a storage tank on the system.

Staff further recommends that the Commission's Decision granting this Certificate of Convenience and Necessity to Mr. Kacy J. Parker, dba Jake's Corner Water System be considered null and void without further order from the Commission should Mr. Kacy J. Parker, dba Jake's Corner Water System fail to meet Conditions 2 and 3 within the time specified.