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**BEFORE THE ARIZONA CORPORATION COMMISSION**

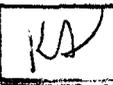
Arizona Corporation Commission

COMMISSIONERS

**DOCKETED**

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

NOV 14 2005

DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF  
CEDAR GROVE WATER COMPANY, TO  
EXTEND ITS EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY IN APACHE  
COUNTY.

DOCKET NO. W-02597A-04-0456

DECISION NO. 68304

**OPINION AND ORDER**

DATE OF HEARING: August 23, 2005  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey  
APPEARANCES: Mark Grapp, on behalf of Cedar Grove Water Company; and  
Mr. David Ronald, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

On June 18, 2004, Cedar Grove Water Company ("Cedar Grove" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("Certificate") to provide water service in Apache County.

On June 21, 2005, the Staff of the Commission's Utilities Division ("Staff") filed a letter indicating that Cedar Grove's application has met the sufficiency requirements as outlined in the Arizona Administrative Code.

On June 27, 2005, by Procedural Order, a hearing on the matter was scheduled for August 23, 2005.

On July 29, 2005, Staff filed its Staff Report recommending approval of the application subject to certain conditions.

On August 23, 2005, a full public hearing was held before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. Cedar Grove appeared and Staff

1 appeared through counsel at the hearing and presented evidence and testimony. No members of the  
2 public appeared to give public comment. At the conclusion of the hearing, the matter was taken  
3 under advisement pending submission of a Recommended Opinion and Order to the Commission.

4 \* \* \* \* \*

5 Having considered the entire record herein and being fully advised in the premises, the  
6 Commission finds, concludes, and orders that:

7 **FINDINGS OF FACT**

8 1. Cedar Grove is a sole proprietorship authorized to provide water service in an area  
9 east of Show Low, Arizona in Apache County. Cedar Grove is owned by Mr. Mark Grapp. In  
10 Decision No. 57990 (August 26, 1992), the Commission authorized the sale of assets and transfer of  
11 CC&N from Sunrise Vista Water Company to Mr. Mark Grapp, dba Cedar Grove Water Company.

12 2. Mr. Grapp also owns three other water systems, which include Silverwell Service  
13 Corporation dba Watco, Inc., Serviceberry Water Company, and A. Petersen Water Company, Inc.  
14 The water systems are current on their property taxes.

15 3. On June 18, 2004, Cedar Grove filed an application for an extension of its Certificate  
16 to provide water service in Apache County. Specifically, Cedar Grove's application requests  
17 authority to add approximately one-quarter square mile to it's existing certificated area of  
18 approximately seven and one-half square miles. Cedar Grove is located about 11 miles east of Show  
19 Low in Apache County.

20 4. On October 18, 2004, December 1, 2004 and June 17, 2005, Cedar Grove provided  
21 additional documentation to support its application.

22 5. On June 21, 2005, Staff filed a Letter of Sufficiency in this matter.

23 6. On June 27, 2005, a Procedural Order was issued setting the matter for hearing on  
24 August 23, 2005 and setting various other procedural deadlines.

25 7. On July 29, 2005, Cedar Grove docketed an Affidavit of Publication and letter  
26 indicating it had notified the property owners in the proposed extension area giving notice of the  
27 application and hearing date.

28 8. On July 29, 2005, Staff filed its Staff Report in this matter recommending approval of

1 the Application, subject to certain conditions. Specifically, Staff recommended that Cedar Grove  
2 charge its existing rates for the extension area, file its Approval to Construct from the Arizona  
3 Department of Environmental Quality within 365 days of an Order approving this Application, file a  
4 rate case application by March 31, 2006, using a 2005 test year and that all compliance deficiencies  
5 in Decision No. 66175 be cured prior to the hearing.<sup>1</sup> Additionally, Staff recommended that Cedar  
6 Grove's Certificate be considered null and void without further Order of the Commission should  
7 Cedar Grove fail to meet the above conditions with the time specified.

8 9. No intervention requests or objections to the application were filed.

9 10. The hearing was held as scheduled on August 23, 2005.

10 11. According to Staff's Report, Cedar Grove's Annual Report indicates that for the year  
11 ending December 31, 2004, the company was serving 260 customers. Cedar Grove also reported  
12 annual revenues of \$90,271, expenses of \$110,596 and a loss of \$20,325.

13 12. Staff's Report states that Cedar Grove's existing water system is comprised of three  
14 wells with a total production capacity of 99 gallons per minute, 322,500 gallons of storage capacity,  
15 booster pumps, pressure tanks and a distribution system serving 260 connections.

16 13. Staff concluded that based on historical growth rates, it is anticipated that the existing  
17 service area would serve 365 customers at the end of five years. Cedar Grove anticipates that it will  
18 provide service to an additional 12 customers in the proposed CC&N extension at the end of five  
19 years. Therefore, Staff concluded that existing system has adequate production and storage capacity  
20 to serve the existing and proposed CC&N area within a conventional five year planning period.

21 14. Cedar Grove has acquired a well in the requested service area and plans to develop  
22 that well for domestic water service. Cedar Grove plans to construct 2,700 feet of new transmission  
23 main to connect the new well to the existing system. Additionally, the Applicant will construct a  
24 pumphouse and 15,000 gallon storage tank adjacent to the new well.

25 15. Cedar Grove anticipates that construction of the project will be \$36,000 and Staff  
26 finds those estimates to be reasonable; however, Staff makes no conclusions about the proposed plant

27  
28 <sup>1</sup> Decision No. 66175 (August 13, 2003) relates to Silverwell Service Corporation, another water utility owned by Mr. Mark Grapp. See Finding of Fact No. 20.

1 costs for rate-making purposes.

2 16. The facilities necessary to provide service to the extension area will be financed  
3 through owner investment.

4 17. Cedar Grove is in compliance with Arizona Department of Environmental Quality  
5 (“ADEQ”) and is delivering water that meets the water quality standards of the Safe Drinking Water  
6 Act.

7 18. Cedar Grove is not within any Active Management Area (“AMA”) and is not subject  
8 to reporting and conservation rules.

9 19. According to Cedar Grove’s application, the extension area will be comprised of  
10 approximately 12 lots. Since the extension area is not a subdivision the developer is not required by  
11 Arizona Department of Water Resources (“ADWR”) to demonstrate an adequate water supply before  
12 recording plats or selling parcels.

13 20. According to the Utilities Division Compliance Section, Cedar Grove has no  
14 outstanding Commission compliance issues. However, Staff noted that Silverwell Service  
15 Corporation, known as Watco, which is a water system owned by Mr. Grapp, is out of compliance  
16 with Commission Decision No. 66175 (August 13, 2003). See Exhibit B, attached hereto and  
17 incorporated herein by reference. At the hearing, Mr. Grapp testified that he believed that all  
18 documentation regarding the Silverwell compliance issues had been submitted to the Commission  
19 and that all compliance issues had been resolved.

20 21. The U.S. Environmental Protection Agency (“EPA”) has reduced the arsenic  
21 maximum containment level (“MCL”) in drinking water from 50 micrograms per liter (“ug/l”) to 10  
22 ug/l. The date for compliance with the MCL is January 23, 2006.

23 22. According to Staff’s Report, Cedar Grove’s most recent data on arsenic concentration  
24 showed that the company’s three wells were in compliance with the new arsenic standard of 10 ug/l.

25 23. A Curtailment Plan Tariff (“CPT”) is an effective tool to allow a water company to  
26 manage its resources during periods of shortages due to pump breakdowns, droughts or other  
27 unforeseeable events. Cedar Grove has an approved CPT that has been in effect since August 25,  
28 2004.



1 the following ordering paragraphs.

2 IT IS FURTHER ORDERED that Mr. Mark Grapp, owner of Cedar Grove Water Company  
3 and Silverwell Service Corporation shall comply with all unresolved compliance issues in Decision  
4 No. 66175, attached hereto and incorporated herein by reference as Exhibit B, within 30 days of this  
5 Decision.

6 IT IS FURTHER ORDERED that Cedar Grove Water Company shall charge the customers in  
7 the area more fully described in Exhibit A, its existing rates and charges until further ordered by the  
8 Commission.

9 IT IS FURTHER ORDERED that Cedar Grove Water Company shall file with Docket  
10 Control, as a compliance item in this docket, a copy of the Approval to Construct issued by the  
11 Arizona Department of Environmental Quality for the extension facilities within 365 days from the  
12 date of the Decision in this matter.

13 IT IS FURTHER ORDERED that Cedar Grove Water Company shall file a rate case  
14 application by March 31, 2006, using a 2005 test year.

15 IT IS FURTHER ORDERED that in the event Cedar Grove Water Company fails to meet the  
16 above conditions outlined in the last two ordering paragraphs, within the time specified, this Decision  
17 is deemed null and void.

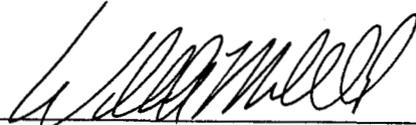
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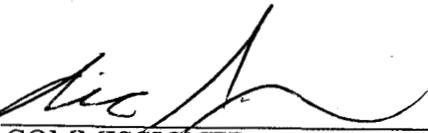
1 IT IS FURTHER ORDERED that Cedar Grove Water Company shall annually file as part of  
2 its annual report, an affidavit with the Utilities Division attesting that the Company is current in  
3 paying its property taxes in Arizona.

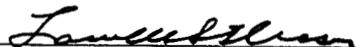
4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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8 CHAIRMAN

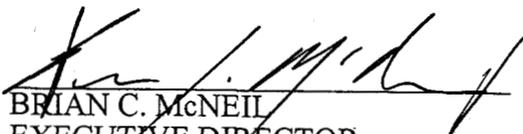
  
9 COMMISSIONER

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12 COMMISSIONER

  
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14 COMMISSIONER

15 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
16 Director of the Arizona Corporation Commission, have  
17 hereunto set my hand and caused the official seal of the  
18 Commission to be affixed at the Capitol, in the City of Phoenix,  
19 this 14<sup>th</sup> day of NOV., 2005.

  
20 BRIAN C. McNEIL  
21 EXECUTIVE DIRECTOR

22 DISSENT \_\_\_\_\_

23 DISSENT \_\_\_\_\_

1 SERVICE LIST FOR: CEDAR GROVE WATER COMPANY

2 DOCKET NO.: W-02597A-04-0456

3  
4 Mark Grapp  
5 Cedar Grove Water Company  
6 P.O. Box 1270  
7 Phoenix, Arizona 85902

8 Christopher Kempley, Chief Counsel  
9 Legal Division  
10 ARIZONA CORPORATION COMMISSION  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Ernest G. Johnson, Director  
14 Utilities Division  
15 ARIZONA CORPORATION COMMISSION  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

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EXHIBIT A

All of the Northeast Quarter of Section 23, Township 10 North, Range 24 East of the Gila and Salt River Base and Meridian, Apache County, Arizona.

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## EXHIBIT B

**COMPLIANCE DELINQUENCIES**

**UTILITY:** Silverwell Service Corporation

**DOCKET:** W-01979A-02-0900      **DECISION NO:** 66175

**ACTION:** Submit a report to the Compliance Section of the Utilities Division stating the amount refunded by customer name within 30 days of the effective date of the completion of the refunds.

**COMPLIANCE DUE DATE:** 4/1/2004       **Compliance Past Due**

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**UTILITY:** Silverwell Service Corporation

**DOCKET:** W-01979A-02-0900      **DECISION NO:** 66175

**ACTION:** Report annually to the Commission the number of meters replaced and the annual non-account water as a percentage of water pumped. Submit the annual water loss reports by April 15th following the year of the effective date of this Decision. The water loss reports shall continue until the water loss is less than 10 percent, but in no case continue less than three years.

**COMPLIANCE DUE DATE:** 4/15/2004       **Compliance Past Due**

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**UTILITY:** Silverwell Service Corporation

**DOCKET:** W-01979A-02-0900      **DECISION NO:** 66175

**ACTION:** File all past and current line extension agreements with the Commission for approval within 60 days of the effective date of this Decision.

**COMPLIANCE DUE DATE:** 10/15/2003       **Compliance Past Due**

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