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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

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FROM: Deborah R. Scott
Director
for Utilities Division

Date: June 14, 2001

RE: WICK WATER, L.L.C. (DOCKET NO. W-03122A-01-0134) –
APPLICATION FOR APPROVAL OF SALE OF ASSETS AND
TRANSFER OF THE CERTIFICATE OF CONVENIENCE AND
NECESSITY TO CDC WICKENBURG WATER, L.L.C (W-03994A-01-
0134) IN YAVAPAI COUNTY, ARIZONA.

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

Originator: Jim Fisher

Attachment: Original and Eleven Copies

ARIZONA CORPORATION
COMMISSION

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JUN 20 2001

Director of Utilities

EXHIBIT
S-1
admitted
PERGAD-Bojome, M.J.

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF WICK WATER, L.L.C. – FOR
APPROVAL OF SALE OF ASSETS AND TRANSFER OF THE CERTIFICATE OF
CONVENIENCE AND NECESSITY TO CDC WICKENBURG WATER, L.L.C. IN
YAVAPAI COUNTY, ARIZONA.

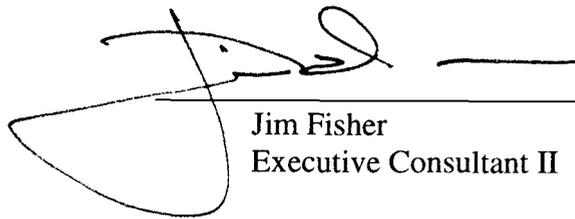
DOCKET NOS. W-03122A-01-0134
AND
W-03994A-01-0134

JUNE 2001

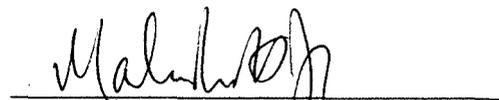
STAFF ACKNOWLEDGEMENT

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

Contributing Staff:



Jim Fisher
Executive Consultant II



Marlin Scott, Jr.
Utilities Engineer

Introduction

Wick Water, L.L.C. (Wick) is requesting Arizona Corporation Commission (ACC) authority to transfer their current Certificate of Convenience and Necessity (CC&N) to CDC Wickenburg Water, L.L.C. (Wickenburg Water). Wick and Wickenburg Water are owned by HMB Partners, Inc. (HMB). HMB also owns the Wickenburg Ranch property, which is located within Wick's service territory.

HMB is a real estate investment and development company headquartered in Denver, Colorado. Wickenburg Ranch, L.L.C. is the project development and ownership entity, which will manage the Wickenburg Ranch development and will sell and lease subdivided lots. Wickenburg Water will hold the water company assets and CC&N.

Wickenburg Ranch is a planned, mixed-use community being developed in Yavapai County beginning six miles northwest of Wickenburg, Arizona. The 2,622-acre project will have 2,000 residential units of various housing types, two 18-hole golf courses, and multiple recreational, retail and civic centers. HMB is currently seeking land use planing approval with a sketch plan provided to Yavapai County in November 1999.

Background

In Decision No. 59646 (May 15, 1996) the Commission approved the transfer of Yavapai Hills Water Company's (Yavapai) CC&N to Wick Water, L.L.C. Yavapai was issued a CC&N (Decision No. 42961, dated November 22, 1972) to provide water service to a planned development near Wickenburg, in Yavapai County, Arizona. That development was intended to include home sites, condominiums and businesses. The planned development never materialized, except for a resort known as the Wickenburg Inn and Tennis Ranch. The associated on-site water system has been used over the years exclusively by the Inn.

Until, 1996, the water system and the Inn were commonly owned. Since 1972, ownership of the water system and the Inn has changed hands on several occasions. The transactions have included voluntary and involuntary conveyances by operation of law, including foreclosures and takeover of a financial institution by the Resolution Trust Corporation (RTC).

In 1994, the Petroleum Company (Petroleum) acquired the water system and the Inn from the RTC. In July 1995, Petroleum and Water Company filed an application for approval of the transfer of the water system and CC&N to Petroleum. After filing an application with the ACC, Petroleum transferred its interest in the water system and the CC&N to its subsidiary, Wick Water, and sold the Inn to GriffWick, L.L.C.

On August 25, 1997, Wick Water L.L.C., a Kansas limited liability company, c/o Petroleum, Inc. was sold to Cascades Denver Corporation, c/o HMB Partners, Englewood, Colorado. The next day, August 26, 1997, Cascades Denver Corporation, c/o HMB Partners, sold Wick Water to CDC Wickenburg Ranch, LLC c/o HMB Partners. On October 27, 1998, CDC Wickenburg Ranch LLC, c/o HMB Partners, sold Wick Water to CDC Wickenburg Water, LLC, c/o HMB Partners. They now seek to transfer the CC&N.

Utility Plant

According to Wick's 2000 Annual Report to the Commission, the listed plant facilities consist of five wells, with two currently equipped with well pumps. No gallons of water were reported sold to its one listed customer. Wick also listed the plant-in-service at an original cost of \$23,780 that consist of Wells at \$2,800; Pumping Equipment at \$1,647; Reservoirs at \$10,548; and Mains at \$8,785.

According to Exhibit A, of the subject Application, the October 27, 1998 Wick Water Bill of Sale and Assignment, the assets of the water company included, one 500,000 storage tank, two 70,000 gallon pressure tanks, five wells, and 16,000 feet of 4 inch distribution mains.

Although water facilities exist, Wick may not be providing service to the public at this time. Wick and its listed one customer is not recognized by the Arizona Department of Environmental Quality (ADEQ), not even as a Semi-public water system, and therefore, does not have a Public Water System number. As such, no compliance status can be given at this time.

HMB has drilled additional test and production wells in association with the process of demonstrating the physical availability of sufficient water resources. On March 14, 2001, Wick submitted a February 22, 2001 letter from the Arizona Department of Water Resources notifying Wick, through DC Wickenburg Ranch, that it had demonstrated an adequate water supply.

Rates

In Decision No. 59646 (May 15, 1996) the Commission approved the transfer of Yavapai's CC&N to Wick and required Wick to file a proposed tariff 90 days prior to serving any customer. Wick granted to GriffWick a license to use, operate, maintain and repair the water equipment for the sole purpose of serving water to the Inn.

Once any additional development begins by the other property owners, Wick will terminate the license to GriffWick and provide water service to the Inn and any other customers desiring water service.

The Inn was conveyed to Childhelp, USA, by its owner, Merv Griffin, in January 2001. Childhelp, USA works with abused children, and anticipates more than twenty children under the age of 13 are expected to live at the facility beginning September 2001, eventually increasing to eighty participants. The children will receive rehabilitation, on-grounds educational programs and recreational activities.

Staff has conducted a review, and found no tariff was filed as required by the prior Commission decision. Service to the Wickenburg Inn was under a mutually agreed contract and therefore may not have met the requirement of "90 days prior to serving any customer." However, HMB is seeking to transfer a CC&N to facilitate development, which will necessitate terminating the water service agreement with Childhelp USA, which as sole customer, should have notice of the proposed rates associated with this transfer.

Wick Water, L.L.C.

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Prior to the Commission requiring Wick to file a tariff, the Commission in Decision No. 42961 authorized the water company to charge a \$6.00 monthly minimum with 2,000 gallons, with each additional 1,000 gallons priced at \$1.00. Staff has discussed this currently authorized rate with Wick's representative and was assured that Wick would provide service under those rates until such time as the Commission authorizes new rates. Staff recommends the Commission require Wick to provide service under these existing rates and charges until such time as Wick obtains approval for new tariff rates and charges.

Recommendations

Staff recommends the Commission approve the Application by Wick Water, L.L.C. to transfer its current Certificate of Convenience and Necessity to CDC Wickenburg Water, L.L.C.

Staff further recommends the Commission require CDC Wickenburg Water, L.L.C. to provide continued water service to its one customer at current authorized rates.