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Transcript Exhibit(s)

Docket #(s): W-02245A-05-0857

Exhibit # : SI

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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

2006 JAN -6 IP 1:50

FROM: Ernest G. Johnson *EGJ*
Director
Utilities Division

AZ CORP COMMISSION
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LEGAL DIV.
ARIZ. CORPORATION COMMISSION

Date: January 6, 2006

RE: STAFF REPORT FOR APPLICATION OF LOMA ESTATES WATER COMPANY, LLC FOR SALE OF ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY (DOCKET NO. W-02245A-05-0857)

Attached is the Staff Report for the application of Loma Estates Water Company, LLC for a sale of assets and transfer of its CC&N. Staff recommends approval of the transfer subject to certain conditions.

EGJ:LAJ:red

Originator: Linda A. Jaress

Attachment: Original and 13 Copies

EXHIBIT
S1
Admitted

Service List for: Loma Estates Water Company
Docket Nos. W-02245A-05-0857

Mr. and Mrs. Klemmedson
12200 E. State Rt. 69, #371
Dewey, Arizona 86327

Mark and Julie Baker
2117 Miramonte Drive
Prescott, Arizona 86301

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

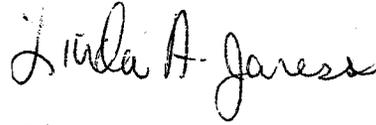
LOMA ESTATES WATER COMPANY, LLC
DOCKET NO. W-02245A-05-0857

APPLICATION FOR SALE OF ASSETS AND TRANSFER OF CERTIFICATE OF
CONVENIENCE AND NECESSITY

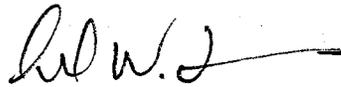
JANUARY 6, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Loma Estates Water Company, LLC (Docket No. W-02245A-05-0857) was prepared by the Staff members shown below.



Linda A. Jaress
Executive Consultant III



Del Smith
Engineering Supervisor

On November 23, 2005, Loma Estates Water Company, LLC ("Loma Estates" or "the Company") filed an application for approval to sell its assets and transfer its Certificate of Convenience and Necessity ("CC&N") to Mark and Julie Baker ("the Bakers"). According to the application, Mr. Klemmedson, one of the owners, is very ill and requests approval of the transfer to the Bakers by January 1, 2006.

Loma Estates is currently owned by Mr. and Mrs. Klemmedson, and serves 31 customers including 7 full-time homes. The Company is located approximately five miles south of the City of Prescott. Attached as Exhibit 1 is the legal description of the certificated area of Loma Estates.

The Klemmedson's believe that the Bakers are fit and proper to purchase and operate the assets of the Company. Mrs. Baker has computer skills which Mrs. Klemmedson does not have, so the Company will be able to avail itself of more on-line information such as information from the Arizona Department of Environmental Quality ("ADEQ") and other regulatory agencies and will be able to use the computer for billing. Mr. Baker has previous experience repairing pumps and wells. The Bakers are going to retain the current certified operator for the Company. Also, the Bakers live closer to the system than the Klemmedson's.

The Loma Estates water system is comprised of one well with a capacity of 25 gallons per minute, a 20,000 gallon storage tank, a booster pump, a pressure tank and a distribution system. The service territory is not growing significantly. These and other operational observations are contained in Staff's Engineering report attached to the Staff Report as Attachment 2.

ADEQ has determined that Loma Estates well is currently delivering water that meets the water quality standard required by Arizona Administrative Code Title 18, Chapter 4. Loma Estates is also meeting the new arsenic standard. Finally, Loma Estates is in compliance with the Arizona Corporation Commission.

However, Staff's Engineer has recommended that the Company install water level sensors in the storage tank which control the well pump. This will eliminate the potential for overflows of the storage tank. Because the Company does not have a curtailment tariff on file, Staff is providing for the Company's use, a sample curtailment tariff and attaching it to this Staff Report.

Conclusions and Recommendations

It is often difficult for very small water companies to find new owners when the current owner is unable to operate the utility. In this case, that problem has been solved by the Bakers who have experience in matters somewhat related to the administration and operation of a utility. Staff recommends approval of the transfer of assets and CC&N to the Bakers.

However, Staff also recommends the Company be ordered to comply with the following requirements:

1. The Company should file a Curtailment Plan Tariff in the form of Attachment 3 to the Staff Report, as a compliance item in this docket within 45 days of the effective date of the order in this matter.
2. The Company should install water level sensors in the storage tank to control the well pump. The Company should file in this docket, as a compliance item, evidence showing that the required work has been completed within 180 days of the effective date of the order in this proceeding.
3. Finally, Staff recommends that if the Company does not comply with the above two requirements that, after due process, the CC&N become null and void.

MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: December 8, 2005

RE: **LOMA ESTATES WATER COMPANY (DOCKET NO. W-02245A-05-0857)**

Loma Estates Water Company has filed an application to transfer its CC#N to Mark & Julie Baker.

Attached is a copy of the map for your files.

:bsw

Attachments

cc: Docket Control
Mr. Don Klemmedson
Mr. Mark Baker
Ms. Deb Person (Hand Carried)
File

COUNTY OF YAVAPAI

RANGE 2 West

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

TOWNSHIP 13 North



W-1865 (1)

Groom Creek Water Users Association



W-2245 (1)

Loma Estates Water Company



W-1671 (1)

Sherman Pines Water Company



Ponderosa Park Domestic Water Improvement District (Nonjurisdictional)

Loma Estates Water Company
 Docket No. W-02245A-05-0857
 Application to Transfer to Mark & Julie Baker

MEMORANDUM

DATE: December 12, 2005

TO: Linda Jaress

FROM: Del Smith

RE: Application of Loma Estates Water Company - Sale of Assets (Docket No. W- 02245A-05-0857)

Introduction

On November 23, 2005, Don and Priscilla Klemmedson owners of Loma Estates Water Company ("Loma Estates" or "the Company") applied to have the Company's assets transferred to Mark and Julie Baker ("the Bakers"). Under the proposal the Bakers would become the new owners of Loma Estates. According to the Application, Mr. Klemmedson is not able to manage the Company any longer due to his failing health and the Bakers have agreed to purchase the Company. The Company's CC&N covers an area roughly 40 acres in size and is located in Section 26 of Townships 13 North, Range 2 West. The Company is currently serving 31 connections in the Loma Estates Subdivision which is approximately five miles south of Prescott on the Senator Highway.

Loma Estates System

The Loma Estates water system consists of one well which has a production capacity of 25 gallons per minute, 20,000 gallons of storage capacity, a booster pump, a pressure tank, and a distribution system.¹ Growth within the service area has been minimal with an average of one connection added per year since 2001. Staff concludes that the system has adequate capacity to serve the existing customers.

Staff has been informed that the Company will retain its existing certified operator after the transfer.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Loma Estates water system under ADEQ Public Water System Identification (PWS ID) No. 13-110. ADEQ has determined that PWS ID

¹ Information reported in Company's 2004 Commission Annual Report (*See Water Company Plant Description*).

No. 13-110 is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.²

The Loma Estates water system is delivering water that meets the new arsenic standard of 10 micrograms per liter.

Arizona Department of Water Resources (“ADWR”) Compliance

Loma Estates is not within any Active Management Area, and consequently is not subject to ADWR reporting and conservation rules.

ACC Compliance

A check of the Utilities Division compliance database indicated that there were no delinquencies for Loma Estates.³

Curtailment Tariff

A Curtailment Plan Tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company does not have this type of tariff, this proceeding provides an opportune time to prepare and file such a tariff. Staff recommends that the Company file a Curtailment Plan Tariff in the form of the attached. This tariff shall be filed as a compliance item in this docket within 45 days of the effective date of the order issued in this proceeding for review and certification by Staff.

Non-account Water

Non-account water should be 10% or less and never more than 15%. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing. Non-account water was calculated to be slightly below the 15% threshold for the Loma Estates system.⁴

The well pump for this system is controlled by a timer. Control of water pumping in this manner creates the potential for water overflows of the storage tank and thus a higher amount of non-account water. Staff recommends that the Company

² ADEQ Drinking Water Compliance Status Report dated 12-2-05.

³ Per Compliance Section email dated 12-1-05.

⁴ Calculation based on information reported in the Company’s 2003 Commission Annual Report (*See Water Use Data Sheet*). The water pumped data reported in the 2004 Commission Annual Report was incomplete and therefore could not be used.

install water level sensors in the storage tank which control the well pump. Staff further recommends that evidence showing that the required work has been completed be filed as a compliance item in this docket within 180 days of the effective date of the order issued in this proceeding.

Conclusions

1. Staff concludes that the system has adequate capacity to serve the existing customers.
2. ADEQ has determined that PWS ID No. 13-110 is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. The Loma Estates water system is delivering water that meets the new arsenic standard of 10 micrograms per liter.
4. Loma Estates is not within any Active Management Area, and consequently is not subject to ADWR reporting and conservation rules.
5. A check of the Utilities Division compliance database indicated that there were no delinquencies for Loma Estates.

Recommendations

1. Staff recommends that the Company file a Curtailment Plan Tariff in the form of the attached. This tariff shall be filed as a compliance item in this docket within 45 days of the effective date of the order issued in this proceeding for review and certification by Staff.
2. Staff recommends that the Company install water level sensors in the storage tank which control the well pump. Staff further recommends that evidence showing that the required work has been completed be filed as a compliance item in this docket within 180 days of the effective date of the order issued in this proceeding.

TARIFF SCHEDULE

Utility: _____
 Docket No.: _____
 Phone No.: _____

Tariff Sheet No.: 1 of 4
 Decision No.: _____
 Effective: _____

CURTAILMENT PLAN FOR

(Template 063004)

ADEQ Public Water System No: _____

_____ (“Company”), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

TARIFF SCHEDULE

Utility: _____
Docket No.: _____
Phone No.: _____

Tariff Sheet No.: 2 of 4
Decision No.: _____
Effective: _____

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least ____ signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

TARIFF SCHEDULE

Utility: _____
Docket No.: _____
Phone No.: _____

Tariff Sheet No.: 3 of 4
Decision No.: _____
Effective: _____

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ The use of construction water is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least _____ signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

TARIFF SCHEDULE

Utility: _____
Docket No.: _____
Phone No.: _____

Tariff Sheet No.: 4 of 4
Decision No.: _____
Effective: _____

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.