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Arizona Corporation Commission

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Transcript Exhibit(s)

Docket #(s): W-02481A-07-0168

W-20540A-07-0168

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AZ ARIZONA CORPORATION COMMISSION
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Exhibit # : A1, S1

Docket Nos. W-02481A-07-0168
W-20540A-07-0168

State of Arizona)
County of Apache)

ss.

Affidavit of Publication

White Mountain Independent

PUBLIC NOTICE OF THE HEARING FOR APPROVAL FOR MARK GRAPP DBA SERVICEBERRY WATER COMPANY FOR APPROVAL OF THE SALE OF ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO VERNON VALLEY WATER, INC.

DOCKET NOS. W-02481A-07-0168 AND DOCKET NO. W-20540A-07-0168

On March 22, 2007, Mark Grapp dba Serviceberry Water Company ("SWC") filed with the Arizona Corporation Commission ("Commission") an application for approval of the sale of SWC's assets and transfer of SWC's Certificate of Convenience and Necessity ("Certificate") to Vernon Valley Water, Inc. ("VWV"). The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona, and at the offices of the Company in Show Low, at 340A North 9th Street, Show Low, Arizona and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

The Commission will hold a hearing on this matter commencing on September 20, 2007, at 9:30 a.m. at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission, which motion should be sent to Applicant or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.

A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of Applicant, a shareholder of Applicant, a competitor, etc.).

A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before August 30, 2007. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any customer from appearing at the hearing and making a statement on such customer's own behalf.

If you have any questions about this application, or want information on intervention, you may contact the Consumer Services Section of the Commission, at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail: lhogan@azcc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

Published in the White Mountain Independent August 17, 2007 (WMI 9664 A, 1x, 8/17/07)E

I, Diane R. Janot being first duly sworn, depose and say: I am the agent of the White Mountain Publishing Company, publisher of the White Mountain Independent, a semi-weekly newspaper of general circulation published at St. Johns, County of Apache, Arizona and that the copy hereto attached is a true copy of the advertisement as published in the White Mountain Independent on the following date

August 17, 2007



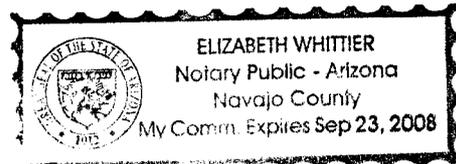
White Mountain Independent

Diane R. Janot

Sworn to me this day of

August 20, 2007 A.D.

Elizabeth Whittier
Notary Public



FILE COPY

LE Rabin

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

Date: August 14, 2007

RE: STAFF REPORT FOR MARK GRAPP DBA SERVICEBERRY WATER COMPANY - APPLICATION FOR APPROVAL OF THE SALE OF ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE TO VERNON VALLEY WATER, INC. (DOCKET NOS. W-02481A-07-0168 AND W-20540A-07-0168)

Attached is the Staff Report for Mark Grapp dba Serviceberry Water Company's application for approval of the sale of its Assets and transfer of its Certificate of Convenience and Necessity for water service to Vernon Valley Water, Inc. Staff is recommending approval with conditions.

EGJ:BNC:lhbm

Originator: Blessing Chukwu

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admitted

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Service List for: Mark Grapp dba Serviceberry Water Company and Vernon Valley Water, Inc.
Docket Nos. W-02481A-07-0168 and W-20540A-07-0168

Mr. Mark Grapp
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Phoenix, Arizona 85902

Mr. Christopher C. Kempley
Chief, Legal Division
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Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
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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

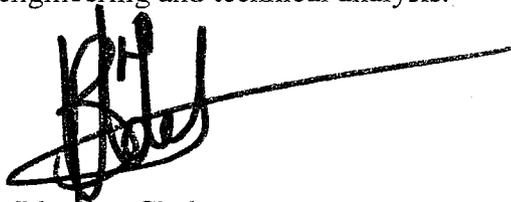
MARK GRAPP DBA SERVICEBERRY WATER COMPANY
DOCKET NOS. W-02481A-07-0168 AND W-20540A-07-0168

APPLICATION FOR APPROVAL OF THE SALE
OF ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY TO VERNON VALLEY WATER, INC.

AUGUST 14, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for Mark Grapp dba Serviceberry Water Company (Docket Nos. W-02481A-07-0168 and W-20540A-07-0168) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Katrin Stukov was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read 'Blessing Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to read 'Katrin Stukov', written in a cursive style.

Katrin Stukov
Utilities Engineer

EXECUTIVE SUMMARY
MARK GRAPP DBA SERVICEBERRY WATER COMPANY AND VERNON VALLEY
WATER, INC.

DOCKET NOS. W-02481A-07-0168 AND W-20540A-07-0168

On March 22, 2007, Mark Grapp dba Serviceberry Water Company ("SWC" or "Company" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to provide water service to Vernon Valley Water, Inc. ("Vernon" or "Transferee") in Apache County, Arizona. On July 10, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.")

Mark Grapp dba Serviceberry Water Company is a sole proprietorship authorized to provide water utility services to certain portions of Apache County, Arizona, pursuant to the Commission's Decision No. 57852, issued on May 14, 1992, in Docket Nos. U-2481-91-087 and U-2481-91-111. The instant application is a compliance filing, pursuant to Decision No. 69391, issued on March 22, 2007, in Docket No. W-20475A-06-0549 et al. On January 17, 2007, Mr. Grapp testified during the hearing in Docket No. W-20475A-06-0549 et al that he has been operating SWC recently as "dba Vernon Valley Water Company, Inc." As a result, the Commission ordered Mr. Grapp to file within 90 days of the effective date of Decision No. 69391 an application for Commission approval of the sale of assets and the transfer of CC&N to Vernon. The purpose of this application is to formally transfer the assets and CC&N of SWC to Vernon

Based on Staff's review and analysis of the application, Staff believes the water system has adequate well production and storage capacity to serve the existing customer base of 21 connections.

Staff recommends the Commission approve SWC's application for the sale of its assets and transfer of its CC&N for water service within portions of Apache County, Arizona, to Vernon, subject to compliance with the following condition:

1. To require Vernon to charge SWC's authorized rates and charges in the transfer area.
2. To require Mr. Mark Grapp to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of SWC's assets to Vernon, within 90 days of the decision in this matter.
3. To require Vernon to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Apache County for the transfer area within 365 days of the decision in this matter.
4. To require Vernon to file a rate case application by June 30, 2009, using a 2008 test year, if in April 2008 the Annual Report shows a loss.

Staff further recommends that the Commission's Decision granting the Approval of Sale of Assets and the transfer of the CC&N to Vernon be considered null and void, after due process, should Vernon fail to meet Conditions No. 2, 3, and 4 listed above within the time specified.

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Introduction

On March 22, 2007, Mark Grapp dba Serviceberry Water Company ("SWC" or "Company" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to provide water service to Vernon Valley Water, Inc. ("Vernon" or "Transferee") in Apache County, Arizona.

On April 19, 2007, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that SSC's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S. mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On May 3, 2007, and June 13, 2007, the Company provided additional documentation to support its relief requested.

On July 10, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

Mark Grapp dba Serviceberry Water Company is a sole proprietorship authorized to provide water utility services to certain portions of Apache County, Arizona, pursuant to the Commission's Decision No. 57852, issued on May 14, 1992, in Docket Nos. U-2481-91-087 and U-2481-91-111. In that decision, the Commission authorized the sale of Serviceberry Water Company's assets and the transfer of its CC&N from Mr. Warren Stevens to Mr. Mark Grapp.

Vernon Valley Water, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division. The only shareholders of Vernon are Mr. Mark E. Grapp, Sr. (the President) and Mrs. Barbara Grapp (the Secretary and Treasurer). Mr. Grapp also owns three other water systems, namely: Cedar Grove Water Company, Watco, Inc., and A. Petersen Water Company, Inc.

The instant application is a compliance filing, pursuant to Decision No. 69391, issued on March 22, 2007, in Docket No. W-20475A-06-0549 et al. On January 17, 2007, Mr. Grapp testified during the hearing in Docket No. W-20475A-06-0549 et al. that he has been operating SWC recently as "dba Vernon Valley Water Company, Inc." As a result, the Commission ordered Mr. Grapp to file within 90 days of the effective date of Decision No. 69391 an application for Commission approval of the sale of assets and the transfer of CC&N to Vernon. The purpose of this application is to formally transfer the assets and CC&N of SWC to Vernon

According to SWC's Annual Report for the year ending December 31, 2006, SWC reported an annual revenue of \$10,566, expenses of \$14,905, and a loss of \$4,436. SWC also reported the Company is current on property and sales taxes.

The Water System

SWC has one well with a total production capacity of 25 gallon per minute, 10,000 gallons of storage capacity, booster pumps, pressure tank, and a distribution system serving 21 connections.¹ Based on historical growth rates, it is anticipated that the existing service area would have 26 total customers at the end of five years.² Based on Water Use Data information reported in the Company's 2006 Annual Report, Staff concludes that this system has adequate well production and storage capacity to serve the existing customer base. The Company stated that it will continue to monitor storage capacity since the highest month usage in 2005 was slightly over available storage capacity.

Staff recommends that Mr. Mark Grapp be required to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of SWC's assets to Vernon, within 90 days of the decision in this matter.

The Transaction

SWC is certificated to provide water service in a portion of Apache County, Arizona. By this application, the Company is seeking Commission authority to sell its assets and transfer its CC&N to Vernon Valley Water, Inc., an Arizona Corporation, in good standing with the Commission's Corporation Division. The Company's CC&N area is approximately two square miles and is located about 16 miles east of Show Low in Apache County, Arizona.

According to the application, all customer security deposits will be transferred to the Transferee; and there are no refunds due on Main Extension Agreements or on meter and line installations.

Mr. Grapp has been managing SWC's water system since he acquired SWC's assets. Staff understands that the proposed transfer of assets and CC&N from SWC to Vernon Valley Water, Inc. will not result in any change in the management or operation of the water system. Certified operator personnel will not change as result of the transfer.

¹ Information reported in Company's 2006 Commission Annual Report.

² Historical growth rate based on number of connections added during the years 2002 thru 2006 (*See Annual Reports for period*).

Arizona Department of Environmental Quality ("ADEQ") Compliance

The ADEQ assigns each water system it regulates a Public Water System ("PWS") Identification Number which is used for tracking purposes. The ADEQ has determined that SWC's water system PWS # 01-054 is in full compliance with ADEQ requirements and is currently delivering water that meets water quality standards as required by Arizona Administrative Code, Title 18, Chapter 4.³

Arizona Department of Water Resources ("ADWR") Compliance

The Company is not within an Active Management Area ("AMA"), and consequently is not subject to ADWR reporting and conservation requirements.

ACC Compliance

According to the Utilities Division Compliance Section, the Company has no outstanding ACC compliance issues.⁴

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g}/\text{l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g}/\text{l}$. Recent data on arsenic concentration shows the Company's well complies with the new arsenic standard of 10 $\mu\text{g}/\text{l}$.⁵

Curtailment Plan Tariff

The Company has an approved curtailment tariff that became effective on August 25, 2004.

Proposed Rates

Vernon will provide water service to the transfer area under the Company's authorized rates and charges.

It seems that current rates may be inadequate. The Annual Report for the last four consecutive years has reflected a loss. If in April 2008 the Annual Report shows a loss, Staff recommends that Vernon file a rate case application by June 30, 2009 using a 2008 test year.

³ ADEQ Drinking Water Compliance Status Report dated August 11, 2006.

⁴ Per ACC Compliance status check dated June 4, 2007

⁵ Based on information contained in the Company's 2006 Annual Report

County Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Staff recommends that Vernon be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Apache County for the transfer area within 365 days of the decision in this matter.

Recommendations

Staff recommends the Commission approve SWC's application for the sale of its assets and transfer of its CC&N for water service within portions of Apache County, Arizona, to Vernon, subject to compliance with the following condition:

1. To require Vernon to charge SWC's authorized rates and charges in the transfer area.
2. To require Mr. Mark Grapp to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of SWC's assets to Vernon, within 90 days of the decision in this matter.
3. To require Vernon to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Apache County for the transfer area within 365 days of the decision in this matter.
4. To require Vernon to file a rate case application by June 30, 2009, using a 2008 test year, if in April 2008 the Annual Report shows a loss.

Staff further recommends that the Commission's Decision granting the Approval of Sale of Assets and the transfer of the CC&N to Vernon be considered null and void, after due process, should Vernon fail to meet the Conditions No. 2, 3, and 4 listed above within the time specified.

MEMORANDUM

DATE: July 16, 2007

TO: Blessing Chukwu
Executive Consultant III

FROM: Katrin Stukov *KS*
Utilities Engineer

RE: Serviceberry Water Company Application for approval of the transfer of assets and CC&N from Serviceberry Water Company to Vernon Valley Water, Inc. (Docket No. W- 02481A-07-0168 & W-20540A-07-0168)

Introduction

Serviceberry Water Company ("Serviceberry" or "the Company") has applied to transfer its assets and Certificate of Convenience and Necessity ("CC&N") to Vernon Valley Water, Inc. The Company's CC&N covers an area roughly two square miles and is located approximately sixteen miles east of Show Low in Apache County. Staff understands that the proposed transfer will not result in any change in the management or operation of the Company. Certified operator personnel will not change as result of the transfer either.

Capacity

Serviceberry has one well with a total production capacity of 25 gal/min, 10,000 gallons of storage capacity, booster pumps, pressure tank, and a distribution system serving 21 connections.¹ Based on historical growth rates, it is anticipated that the existing service area would have 26 total customers at the end of five years.² Based on Water Use Data information reported in 2006 Annual Report, Staff concludes that this system has adequate well production and storage capacity to serve the existing customer base. The Company stated that it will continue to monitor storage capacity since the highest month usage in 2005 was slightly over available storage capacity.

¹ Information reported in Company's 2006 Commission Annual Report.

² Historical growth rate based on number of connections added during the years 2002 thru 2006 (*See Annual Reports for period*).

Arizona Department of Environmental Quality (“ADEQ”) Compliance

ADEQ regulates the water system under ADEQ Public Water System I.D. # 01-054. The ADEQ has determined that this system is in full compliance with ADEQ requirements and is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.³

Recent data on arsenic concentration shows compliance with the new arsenic standard of 10 micrograms per liter.⁴

Arizona Department of Water Resources (“ADWR”) Compliance

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

ACC Compliance

A check with Utilities Division Compliance Section showed no outstanding compliance issues for the Company⁵.

Other Issues

Serviceberry has an approved Curtailment Tariff that has been in effect since August 25, 2004.

Conclusions

1. Staff concludes that the existing water system has adequate production and storage capacity to serve the existing customer base.
2. The ADEQ has determined that this system is in full compliance with ADEQ requirements and is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Recent data on arsenic concentration shows compliance with the new arsenic standard of 10 micrograms per liter.

³ ADEQ Drinking Water Compliance Status Report dated August 11, 2006.

⁴ Based on information contained in the Company's 2006 Annual Report

⁵ Per ACC Compliance status check dated June 4, 2007

4. Serviceberry is not within any Active Management Area, and consequently is not subject to reporting and conservation rules.
5. A check with Utilities Division Compliance Section showed no outstanding compliance issues for the Company.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: August 7, 2007

RE: **SERVICEBERRY WATER COMPANY (DOCKET NO. W-02481A-07-0168)**
VERNON VALLEY WATER, INC. (DOCKET NO. W-20540A-07-0168)
AMENDED

The original application filed by Serviceberry to transfer its CC#N to Vernon Valley Water, Inc., was assigned only one docket number. The purpose of this memo is to reflect the addition of a docket number for Vernon Valley.

Attached is a copy of the map for your files.

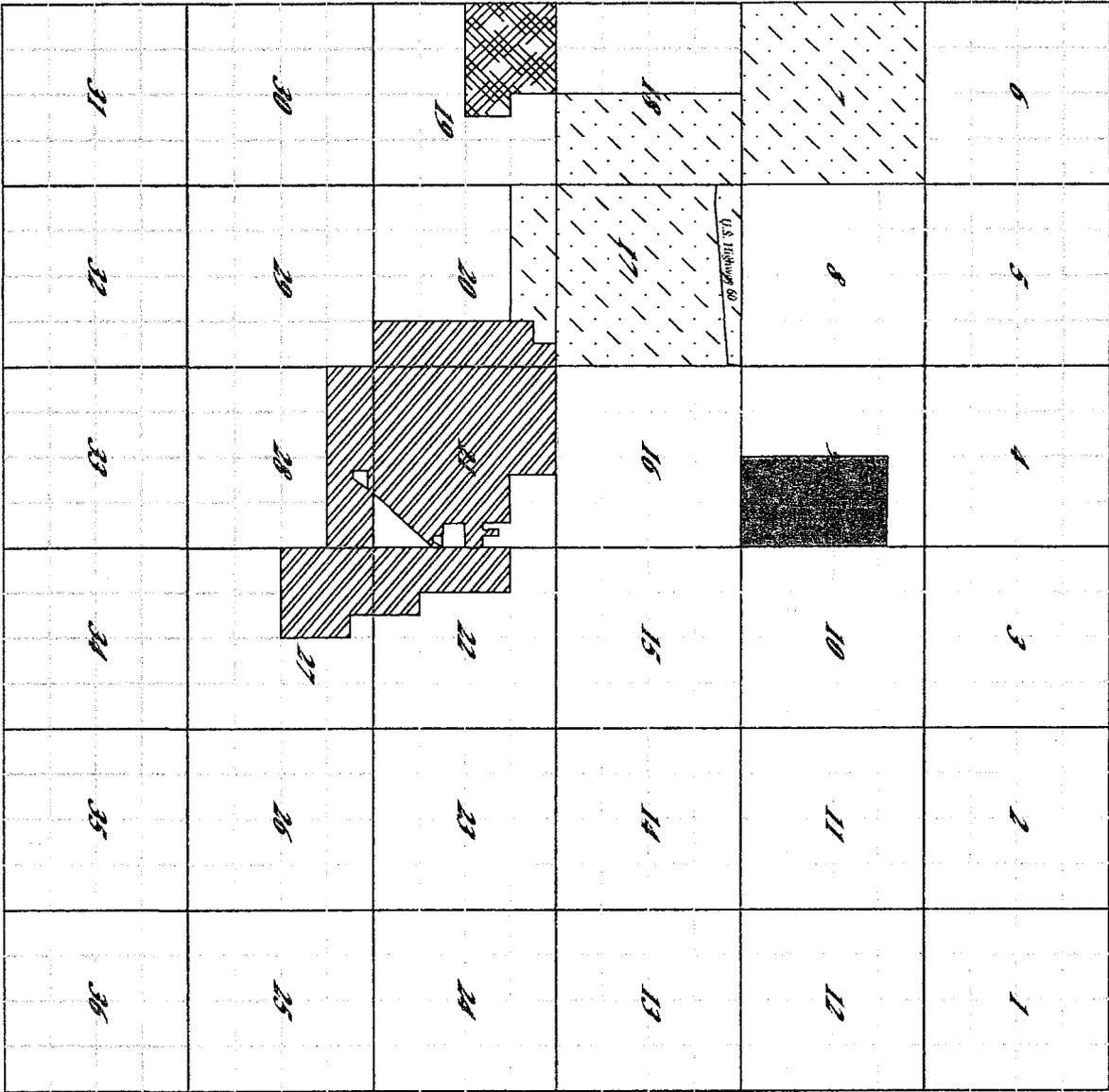
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Attachment

cc: Mr. Thomas Grapp
Ms. Deb Person (Hand Carried)
File

COUNTY OF Apache

RANGE 25 East



TOWNSHIP 10 North

-  W-2479 (2)
Lord Arizona Water Systems, Inc.
-  W-2481 (1)
Serviceberry Water Company
-  W-1902 (1)
T. K. Water Service
- 
Serviceberry Water Company
Docket No. W-02481A-06-0547
Application for Extension
- 
Serviceberry Water Company
Docket No. W-02481A-07-0168
Application to Transfer to
Vernon Valley Water, Inc.
- 
Docket No. W-20540A-07-0168