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**Transcript Exhibit(s)**

**Docket #(s):** W-019691A-08-0219

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**Exhibit #:** 51

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Arizona Corporation Commission  
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MEMORANDUM  
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LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

2008 JUL -1 P 4: 46

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

AZ CORP COMMISSION  
DOCKET CONTROL

Date: July 01, 2008

RE: STAFF REPORT FOR THE APPLICATION FOR APPROVAL OF SALE OF  
ASSETS AND CANCELLATION OF CERTIFICATE OF CONVENIENCE  
AND NECESSITY OF HATCH VALLEY WATER COMPANY TO HATCH  
VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT  
DOCKET NO: W-0969A-08-0219  
01969

Attached is the Staff Report for the transfer of Hatch Valley Water Company to Hatch Valley Domestic Water Improvement District. Staff recommends approval.

EGJ:KMS:kdh

Originator: Kiana M. Sears

Attachment: Original and 13 Copies

FILE COPY

Service List for: Hatch Valley Water Company  
Docket Nos. W-01969A-08-0219

Mr. Richard Schneider  
Hatch Valley Water Company  
HC 35 Box 271  
Peach Springs, Arizona 86434

Mr. Steve Wene  
Moyes, Sellers & Sims  
1850 North Central Avenue  
Suite 1100  
Phoenix, Arizona 85004

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

Ms. Janice Alward  
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

HATCH VALLEY WATER COMPANY  
DOCKET NO. W-01969A-08-0219

APPROVAL OF SALE AND CANCELLATION OF CERTIFICATE OF  
CONVENIENCE AND NECESSITY OF HATCH VALLEY WATER COMPANY  
TO HATCH VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT

July 01, 2008

## STAFF ACKNOWLEDGMENT

The Staff Report for Hatch Valley Water Company, Docket No. W-01969A-08-0219 was prepared by the Staff members shown below.



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Kiana M. Sears  
Executive Consultant I



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Del Smith  
Utilities Chief Engineer

**EXECUTIVE SUMMARY  
HATCH VALLEY WATER COMPANY  
DOCKET NO. W-01969A-08-0219**

On April 29, 2008, Hatch Valley Water Company ("Hatch Valley" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for approval to sell and transfer the ownership of the assets from Hatch Valley to Hatch Valley Domestic Water Improvement District ("District") and to cancel the Certificate of Convenience and Necessity ("CC&N") of Hatch Valley Water Company.

Hatch Valley Water Company is an Arizona non-profit corporation providing water service to approximately 74 customers in an area 40 miles northwest of Kingman, Arizona.

The operators of the water system for the Company will be the operators of the District and are listed as the five members of the Board of Directors for the District. The current rates charged by the Company will also be the rates charged by the District.

Staff recommends the Commission approve of the sale and transfer of the assets of Hatch Valley Water Company to Hatch Valley Domestic Water Improvement District and cancellation of the Company's CC&N.

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## **Introduction**

On April 29, 2008, Hatch Valley Water Company ("Hatch Valley" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for approval to sell and transfer the ownership of the assets from Hatch Valley Water Company to Hatch Valley Domestic Water Improvement District ("District") and to cancel the Certificate of Convenience and Necessity ("CC&N") of Hatch Valley Water Company. If the application for approval to sell and transfer Hatch Valley's assets and property to the District is approved, the District will assume all of the Company's debt and will continue to provide service to all the Company's customers.

## **Background**

Hatch Valley Water Company is an Arizona non-profit corporation providing water service to approximately 74 customers in an area 40 miles northwest of Kingman, Arizona. The residents and customers of Hatch Valley petitioned to form the Hatch Valley Domestic Water Improvement District. On December 4, 2006, the Board of Supervisors of Mohave County decided to schedule a public hearing regarding the petition. On January 8, 2007, a hearing to form the District was held. The motion to create the District was passed, approved, and adopted.

## **Company Water System**

The Company has one well with a total production capacity of 60 gal/min, one 20,000 gallon storage tank, booster pumps and two pressure tanks having a total capacity of 15,000 gallons, and a distribution system serving 74 metered connections. The average annual growth rate for the previous five-year period has been very modest with less than two new connections added per year. Based on Water Use Data information reported in the Company's 2007 Annual Report filing, Staff concludes that this system does not have adequate storage capacity. Staff understands that the District is currently investigating funding options that would enable it to complete system improvements, including plans to add additional storage. According to the District, approval of the Application will help it obtain the funds necessary to complete system improvements.

## **Operation and Rates**

The operators of the water system for the Company will be the operators of the District and are the five members of the Board of Directors for the District. The rates charged by the Company will also be the rates charged by the District.

## **Compliance**

Arizona Department of Environmental Quality, ("ADEQ") regulates Hatch Valley's water system under ADEQ Public Water System I.D. # 08-014. 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. Hatch Valley is not within any Active Management Area, and consequently is not subject to Arizona Department of Water Resources reporting and conservation rules. A check of the Utilities Division Compliance Database showed no delinquent compliance items for the Company.

**Recommendation**

Staff recommends the Commission approve of the sale and transfer of the assets of Hatch Valley Water Company to Hatch Valley Domestic Water Improvement District and cancellation of the Company's CC&N.

MEMORANDUM

DATE: June 6, 2008

TO: Kiana Sears  
Executive Consultant I

FROM: Del Smith   
Engineering Supervisor

RE: HATCH VALLEY WATER COMPANY APPLICATION FOR APPROVAL OF  
THE SALE OF ASSETS AND/OR FOR CANCELLATION OF THE  
CERTIFICATE OF CONVENIENCE AND NECESSITY  
(DOCKET NO. W-01969A-08-0219)

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**Introduction**

Hatch Valley Water Company ("Company" or "Applicant") has applied to the Arizona Corporation Commission ("Commission") for Approval of the Sale of Assets and/or for Cancellation of the Certificate of Convenience and Necessity ("CC&N"). The Company has entered into an agreement to sell and transfer its assets to Hatch Valley Domestic Water Improvement District ("District"). Recently, the residents and customers within the Company's service area petitioned to form the District. The Mohave County Board of Supervisors granted the petition and established the District. Applicant requests that the Commission approve the transfer of the Company's utility assets to the District. The District will continue to provide service to all Company customers.<sup>1</sup>

The Company provided water utility service to 74 customers in 2007.<sup>2</sup> The Company serves the Community of Truxton which is located approximately 40 miles northeast of Kingman in Mohave County on historic highway US-66. The Company's CC&N covers an area of roughly one and one-half square miles.

**Company Water System**

The Company has one well with a total production capacity of 60 gal/min, one 20,000 gallon storage tank, booster pumps and two pressure tanks having a total capacity

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<sup>1</sup> See Application Page 2 beginning at Line 1.

<sup>2</sup> Per Company Annual Report filed with Commission for year ending 12/31/2007.

of 15,000 gallons, and a distribution system serving 74 metered connections.<sup>3</sup> The average annual growth rate for the previous five-year period has been very modest with less than two new connections added per year.<sup>4</sup> Based on Water Use Data information reported in the Company's 2007 Annual Report filing, Staff concludes that this system does not have adequate storage capacity. Staff understands that the District is currently investigating funding options that would enable it to complete system improvements, including plans to add additional storage.<sup>5</sup> According to the District, approval of the Application will help it obtain the funds necessary to complete system improvements.<sup>6</sup>

Staff understands that the proposed transfer will not have an adverse effect on service quality or operation of the Company. Key management and certified operator personnel will not change as result of the transfer.

#### **Arizona Department of Environmental Quality ("ADEQ") Compliance**

ADEQ regulates the water system under ADEQ Public Water System I.D. # 08-014. The ADEQ has determine 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.<sup>7</sup>

#### **Arizona Department of Water Resources ("ADWR") Compliance**

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

#### **Commission Compliance**

A check of the Utilities Division Compliance Database showed no delinquent compliance items for the Company<sup>8</sup>.

#### **Conclusions**

1. Staff concludes that the Company's system does not have adequate storage capacity. Staff understands that the District is currently investigating funding options that would enable it to complete system improvements, including plans to

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<sup>3</sup> Per Company Annual Report filed with Commission for year ending 12/31/2007.

<sup>4</sup> Historical growth rate based on number of connections added during the years 2003 thru 2007 (per the Company's 2007 Annual Report filing).

<sup>5</sup> The District has had discussions with the County regarding low interest loans and grant money that may be available to fund the planned system improvements.

<sup>6</sup> Per Staff discussions with Richard Schneider held on June 5, 2008.

<sup>7</sup> ADEQ Drinking Water Compliance Status Report dated June 6, 2008.

<sup>8</sup> Per status check dated May 23, 2008.

add additional storage. According to the District, approval of the Application will help it obtain the funds necessary to complete system improvements.

2. Staff concludes that the proposed transfer will not have an adverse effect on service quality or operation of the Company. Key management and certified operator personnel will not change as result of the transfer.
3. ADEQ has determined that the Company's 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.
4. The Company 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 showed no delinquent compliance items for the Company.

MEMORANDUM

TO: Kiana Sears  
Executive Consultant I  
Utilities Division

FROM: Barb Wells   
Information Technology Specialist  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: June 6, 2008

RE: **HATCH VALLEY WATER COMPANY (DOCKET NO. W-01969A-08-0219)**

Hatch Valley has filed an application to cancel their CC&N and sell their assets to Hatch Valley Domestic Water Improvement District.

Attached is a copy of the map for your files

:bsw

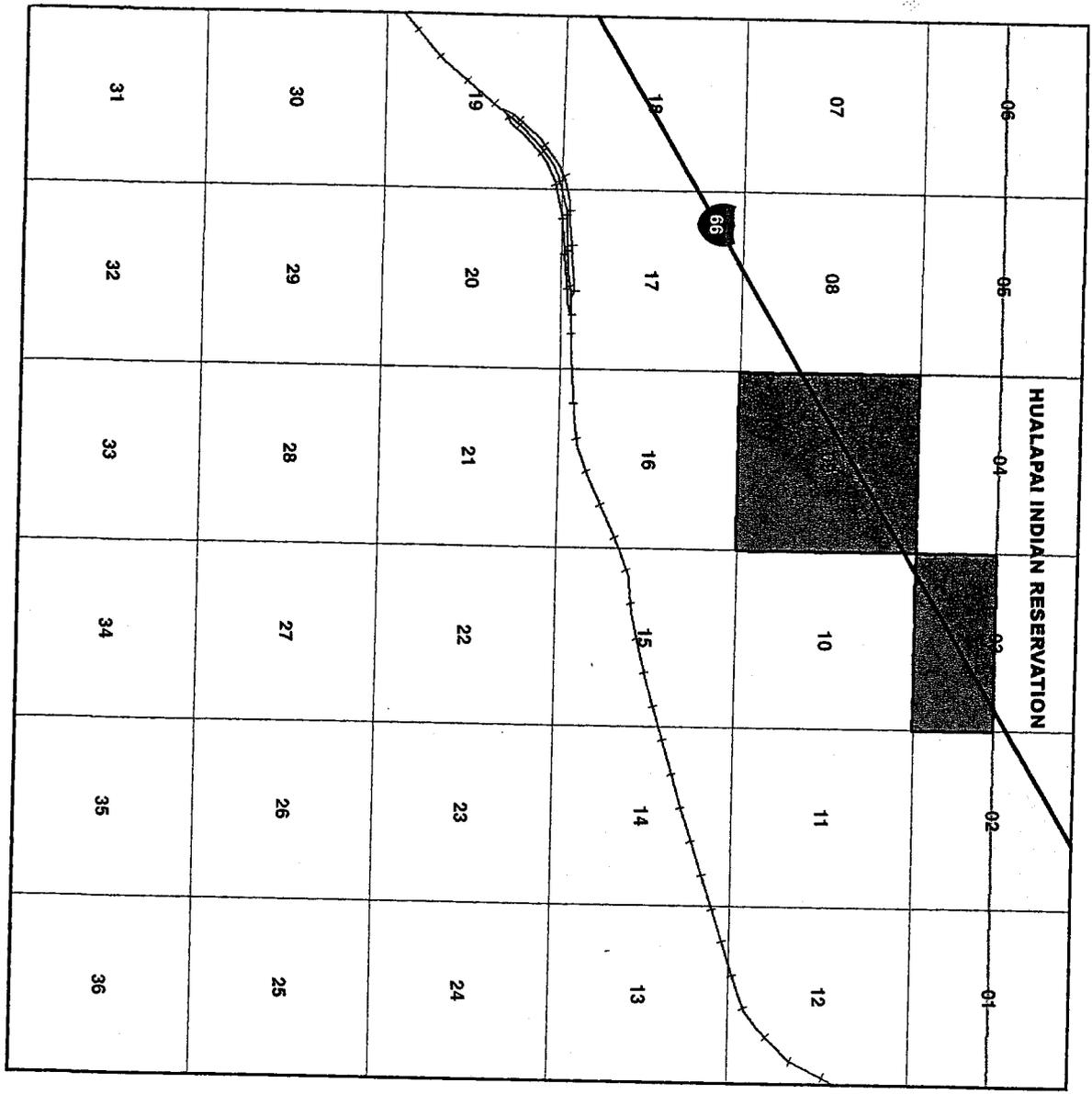
Attachments

cc: Mr. Steve Wene  
Ms. Deb Person (Hand Carried)  
Mr. Del Smith

# MOHAVE COUNTY

Map No. 22

## RANGE 12 West



## TOWNSHIP 24 North

W-1969 (1)

Hatch Valley Water Company

Hatch Valley Water Company

Docket No. W-01969A-08-0219

Application to Cancel - Sale of Assets to

Hatch Valley Domestic Water Improvement District