

OPEN MEETING ITEM



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ORIGINAL

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



BRIAN C. McNEIL
Executive Director

ARIZONA CORPORATION COMMISSION

DATE: SEPTEMBER 30, 2008

DOCKET NO: W-01969A-08-0219

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Yvette B. Kinsey. The recommendation has been filed in the form of an Opinion and Order on:

HATCH VALLEY WATER COMPANY
(SALE OF ASSETS/CANCEL CC&N)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

OCTOBER 9, 2008

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

OCTOBER 15, 2008 AND OCTOBER 16, 2008

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF
HATCH VALLEY WATER COMPANY FOR
APPROVAL OF THE SALE OF ASSETS AND/OR
FOR CANCELLATION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY.

DOCKET NO. W-01969A-08-0219
DECISION NO. _____

OPINION AND ORDER

DATE OF HEARING: July 31, 2008
PLACE OF HEARING: Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey
APPEARANCES: Mr. Steve Wene, Moyes, Sellers & Sims, on behalf of Applicant; and
Ayesha Vohra, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On April 29, 2008, Hatch Valley Water Company ("HVWC" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for approval of the sale of assets to the Hatch Valley Domestic Water Improvement District ("District") and for cancellation of its Certificate of Convenience and Necessity ("CC&N"). The application states that residents and customers within HVWC's service territory petitioned to form the Hatch Valley Domestic Water Improvement District, which has been approved by the Mohave County Board of Supervisors.

On May 28, 2008, the Commission's Utilities Division ("Staff") filed a Sufficiency Letter in this docket indicating HVWC's application had met the sufficiency requirements as outlined in the Arizona Administrative Code ("A.A.C").

On June 6, 2008, by Procedural Order, a hearing was scheduled for July 31 2008, and other procedural deadlines were established.

1 On July 1, 2008, Staff issued its Staff Report recommending approval of HVWC's
2 application.

3 On July 9, 2008, HVWC docketed notice of this application and an affidavit certifying that
4 notice of the application and hearing date was published in the *Kingman Daily Miner*, a newspaper of
5 general circulation, on June 26, 2008.

6 On July 31, 2008, a full public hearing was convened before a duly authorized Administrative
7 Law Judge of the Commission at its offices in Phoenix, Arizona. The Applicant and Staff appeared
8 through counsel. No members of the public appeared to give public comment. At the conclusion of
9 the hearing, the matter was taken under advisement pending submission of a Recommended Opinion
10 and Order to the Commission.

11 * * * * *

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

14 **FINDINGS OF FACT**

15 1. HVWC is an Arizona non-profit corporation providing water service to approximately
16 74 customers in an area 40 miles northwest of Kingman, Arizona.

17 2. HVWC provides water utility service to the Community of Truxton, Arizona.

18 3. HVWC's service territory encompasses approximately one and one-half square miles
19 near highway US-66.

20 4. After reviewing a petition from the HVWC customers and homeowners to form a
21 water improvement district, the Mohave County Board of Supervisors approved the formation of the
22 District on January 8, 2007.

23 5. On March 21, 2008, HVWC and the District entered into a Purchase Agreement
24 ("Agreement"), in which the close of the transaction was conditioned upon HVWC cancelling its
25 CC&N with the Commission. Under the Agreement, the District will pay the purchase price of \$10
26 and the District will assume responsibility for HVWC's existing customer accounts, including
27 customer deposits, and meter advance credits.
28

1 6. On April 29, 2008, HVWC filed the above captioned application seeking Commission
2 approval to sell its assets and transfer ownership of HVWC to the District. The application also
3 requested to cancel the CC&N of HVWC.

4 7. On July 1, 2008, Staff filed a Staff Report recommending approval of HVWC's
5 application.

6 8. Mr. Richard Schneider, President of HVWC, testified on behalf the Applicant and
7 stated that the homeowners wanted to form the District to "get better interest rates, grants and to
8 make it easier to get smaller rate increases." (Tr. Pg. 7, lines 4-8) He further testified that there will
9 be no changes in operations and management under the transfer agreement. (Tr. Pg. 7, lines 10-19)

10 9. According to Staff's Report, HVWC's water system is comprised of one well with a
11 total production capacity of 60 gallons per minute ("GPM"), one 20,000 gallon storage tank, booster
12 pumps and two pressure tanks having a total capacity of 15,000 gallons, and a distribution system
13 serving 74 metered connections.

14 10. HVWC reported Water Use Data Information for 2007 in its annual report. Based on
15 the information contained in HVWC's Water Use Data, Staff concluded that HVWC's system does
16 not have adequate storage. Mr. Schneider testified that plans are to locate land to drill a new well and
17 to construct an additional 50,000 gallon storage tank to correct the storage capacity issues.
18 (Tr. Pg. 8, lines 1-8)

19 11. Mr. Del Smith, Utilities Engineer, testified that based on Staff's calculations, HVWC
20 needs approximately 12,000 additional gallons of storage, and that the addition of a 50,000 gallon
21 storage tank would be sufficient to correct HVWC's storage capacity issues. (Tr. Pg. 20, lines 10-25)

22 12. Mr. Schneider testified that all of HVWC's employees will continue to be employed
23 by the District and that any transition to the District would be seamless to the customers.
24 (Tr. Pg. 12, lines 9-25)

25 13. The Arizona Department of Environmental Quality has determined that HVWC is
26 delivering water that meets water quality standards as required by the A.A.C.

27 14. HVWC's service territory is not located within an Active Management Area ("AMA")
28 and therefore is not subject to reporting or conservation rules.

1 14. HVWC's service territory is not located within an Active Management Area ("AMA")
2 and therefore is not subject to reporting or conservation rules.

3 15. HVWC has no outstanding compliance issues with the A.C.C.

4 16. Staff's recommendation for approval of the application is reasonable and in the public
5 interest and should be adopted.

6 **CONCLUSIONS OF LAW**

7 1. Hatch Valley Water Company is a public service corporation within the meaning of
8 Article XV of the Arizona Constitution and A.R.S. §§ 40-281, 40-282 and 40-285.

9 2. The Commission has jurisdiction over Hatch Valley Water Company and the subject
10 matter of the application.

11 3. Notice of the application was provided in accordance with the law.

12 4. The proposed transfer will not have an adverse effect on service quality or operation
13 of the utility.

14 5. Hatch Valley Water Company's CC&N will be cancelled upon the closing of the sale
15 of its assets to Hatch Valley Water Improvement District.

16 6. Staff's recommendations, as set forth herein, are reasonable and should be adopted.

17 **ORDER**

18 IT IS THEREFORE ORDERED that the application of Hatch Valley Water Company to sell
19 its assets to the Hatch Valley Water Improvement District and to cancel its Certificate of
20 Convenience and Necessity is hereby approved, and the cancellation will be effective upon the
21 closing of the sale and transfer of its assets to Hatch Valley Water Improvement District.

22 IT IS FURTHER ORDERED that Hatch Valley Water Company shall file, with Docket
23 Control, as a compliance item in this docket, notice of the closing of the sale of assets to Hatch
24 Valley Water Improvement District, within 15 days of such event.

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IT IS FURTHER ORDERED that approval of the application in this matter is conditioned on Hatch Valley Water Improvement District's commitment to honor all liabilities of Hatch Valley Water Company relating to customer accounts, including, but not limited to, customer deposits, and customer meter advance credits.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN		COMMISSIONER
COMMISSIONER	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2008.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

YBK:db

1 SERVICE LIST FOR: HATCH VALLEY WATER COMPANY

2 DOCKET NO.: W-01969A-08-0219

3

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