

ORIGINAL

OPEN MEETING



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



BRIAN C. McNEIL  
Executive Director

ARIZONA CORPORATION COMMISSION

DATE: OCTOBER 27, 2008

DOCKET NO: W-01731A-08-0285

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:

ALPINE WATER SYSTEMS, INC.  
(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 thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

NOVEMBER 5, 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:

NOVEMBER 12, 2008 AND NOVEMBER 13, 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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BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

Arizona Corporation Commission  
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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 ALPINE WATER SYSTEMS, INC. FOR  
APPROVAL OF THE SALE OF ASSETS  
AND/OR FOR CANCELLATION OF ITS  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY.

DOCKET NO. W-01731A-08-0285  
DECISION NO. \_\_\_\_\_

OPINION AND ORDER

DATE OF HEARING: September 2, 2008  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey  
APPEARANCES: Mr. Steve Wene, MOYES SELLERS & SIMS, on behalf of Alpine Water Systems, Inc.; and  
Mr. Wesley C. Van Cleve, Staff Attorney, Legal Division on behalf of Utilities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

On June 2, 2008, Alpine Water Systems, Inc., ("Alpine" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for approval of the sale of assets to Alpine Domestic Water Improvement District ("District") and/or for cancellation of its existing Certificate of Convenience and Necessity ("Certificate" or "CC&N") to provide water utility services, in Apache County.

On June 24, 2008, the Commission's Utilities Division ("Staff") filed a Sufficiency Letter in this docket stating that Alpine's application had met the sufficiency requirements as outlined in the Arizona Administrative Code ("A.A.C.").

On July 2, 2008, by Procedural Order, the above-captioned matter was scheduled to be heard on September 2, 2008, and other procedural deadlines were established.

1 On August 4, 2008, Alpine filed an Affidavit of Publication, showing that notice of the  
2 application and hearing date had been published on July 25, 2008, in the *White Mountain*  
3 *Independent*, a newspaper of general circulation on July 25, 2008, and Certification that notice had  
4 been mailed to each customer in the service territory.

5 On September 2, 2008, a full public hearing was convened before a duly authorized  
6 Administrative Law Judge (“ALJ”) of the Commission at its offices in Phoenix, Arizona. Alpine and  
7 Staff appeared through counsel at the hearing and presented evidence and testimony. No members of  
8 the public appeared to give public comments. During the proceeding, the parties jointly presented  
9 some proposed language to modify Staff’s recommendation. At the conclusion of the hearing, Staff  
10 was directed to file, as a late-filed exhibit, the proposed language.

11 On September 8, 2008, Staff filed a Notice of Filing of Late-Filed Exhibit.

12 After receipt of the late-filed exhibit, the matter was taken under advisement pending  
13 submission of a Recommended Opinion and Order to the Commission.

14 \* \* \* \* \*

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

17 **FINDINGS OF FACT**

18 1. Alpine is an Arizona non-profit Arizona Corporation, engaged in the business of  
19 providing water service to approximately 208 customers in Alpine, Arizona.

20 2. Alpine’s service territory is located approximately 30 miles south of Springerville,  
21 Arizona, on state highway AZ-260 in Apache County, and encompasses two and one half square  
22 miles.

23 3. After reviewing a petition from Alpine customers and homeowners to form a water  
24 improvement district, the Apache County Board of Supervisors approved the formation the Alpine  
25 Domestic Water Improvement District (“District”) on June 5, 2007.

26 4. On May 9, 2008, Alpine and the District entered into a Purchase Agreement  
27 (“Agreement”), in which the close of the transaction was conditioned upon Alpine cancelling its  
28 CC&N with the Commission. Under the Agreement, the District will pay the purchase price of \$10

1 and the District will assume responsibility for Alpine's existing customer accounts, including  
2 customer deposits, meter advance credits, and main extension agreements.

3 5. On June 2, 2008, Alpine filed the above-captioned application seeking Commission  
4 approval to sell its assets and transfer ownership of Alpine's assets to the District. The application  
5 also requested to cancel Alpine's CC&N.

6 6. On August 1, 2008, Staff filed a Staff Report recommending approval of Alpine's  
7 application.

8 7. Mr. Gavin Lamont, Manager and Operator for Alpine, testified that Alpine is a  
9 cooperative owned by the customers of Alpine, it has 208 service connections and is comprised of  
10 commercial and residential customers. He further testified that two-thirds of Alpine's customers are  
11 seasonal. (Tr. at 7)

12 8. Mr. Lamont testified that becoming a District will be beneficial to Alpine customers  
13 because it will enable Alpine to get better financing rates, make it easier to file for rate increases and  
14 further plans to merge the water company with the town's existing sanitary district. He testified that  
15 the merger of the water and sewer companies will improve the efficiency of operations in the service  
16 territory. (Tr. at 8-9)

17 9. Alpine's witness testified that the transition from Alpine to the District will be  
18 seamless to Alpine's customers because there will be no change in operations or management and all  
19 Alpine employees will be transferred to the District. (Tr. at 10)

20 10. According to Staff's Engineering Report, Alpine's water system consists of three  
21 wells with a total production capacity of 67 gallons per minute ("GPM"), a 280,000 gallon storage  
22 tank, and a distribution system serving a maximum of 213 metered connections. Staff's Report states  
23 the average annual growth rate for the previous five-years has been very modest, with less than two  
24 new connections per year. <sup>1</sup>

25 11. Staff concluded that Alpine's water system has adequate production and storage  
26 capacity.

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28 <sup>1</sup> Staff's Engineering Report, pg. 2.





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IT IS FURTHER ORDERED that approval of the application in this matter is conditioned on Alpine Water Improvement District's commitment to honor all liabilities of Alpine Water Systems, Inc., relating to customer accounts; including customer deposits, meter advance credits, and main extension agreements.

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: ALPINE WATER SYSTEMS, INC.

2 DOCKET NO.: W-01731A-08-0285

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