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Director
Utilities Division

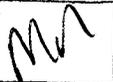
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

OCT 30 2008

DATE: October 30, 2008

DOCKETED BY 

RE: MOUNT TIPTON WATER COMPANY ORDER TO SHOW CAUSE -
PROCEDURAL ORDER FILING DOCKET NO. W-02105A-07-0510

HISTORY

On September 5, 2007, Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("ACC" or "Commission") filed a Complaint and Petition for an Order to Show Cause ("OSC") against Mount Tipton Water Company ("Mount Tipton" or "Company") for failure to provide compliance items in a timely manner.

The Complaint and OSC mentioned above is the second complaint Staff has filed against Mount Tipton relating to compliance items from the same Decision that was the basis for the earlier Complaint. As part of Decision No. 67162 (dated August 11, 2004), the Commission initially ordered Mount Tipton to comply with a number of compliance related conditions, some of which were due within the first two and a half months after the date the Decision was issued. On December 10, 2004, Staff filed its first complaint (W-02105A-04-0880) against Mount Tipton for failure to meet the initial compliance due dates from that decision. The Complaint remained open as the Company gradually complied with these particular items over a period of months. The Complaint was closed when all the items in the Complaint were ultimately provided to the Commission.

In addition to the compliance requirements due within the first two and one half months of the decision, Decision No. 67162 also included additional requirements with longer, Commission assigned due dates. The Company failed to provide the remaining Compliance items in Decision No. 67162 in a timely manner and, on September 5, 2007, Staff filed its second Complaint and OSC against Mount Tipton for failure to comply with Decision No. 67162.

The current complaint has remained open as the Company gradually complied with the remaining compliance items over a period of months. The only formal Count remaining from the pending Complaint and OSC is for Count Eight, a violation of the satisfactory and continuous level of service requirement pursuant to A.A.C. R14-2-407(C). Specifically, Mount Tipton failed to provide the Arizona Department of Environmental Quality ("ADEQ") with the appropriate monitoring and reporting that would allow ADEQ to determine if the system was delivering water that met water quality standards required by the Arizona Administrative Code.

Although Count Eight is the only formal count open in the pending Complaint and OSC, during the pending Complaint docket, Staff discovered a Hook-Up Fee issue that was ultimately added to the pending Complaint and OSC. Staff believes the Company utilized accumulated Hook-Up Fee funds on expenditures that were not authorized by the Commission. This became a major portion of the hearing in this matter and an unresolved item.

MOUNT TIPTON HOOK-UP FEES

In Decision No. 60988, dated July 15, 1998, the Commission granted Mount Tipton authority to incur up to \$1,200,000 in long-term debt from the Water Infrastructure Financing Authority ("WIFA") and the United States Department of Agriculture ("USDA") – Rural Development and also granted authorization to implement hook-up fees. These authorizations were granted in order to execute planned improvements to integrate certain Detrital Well Improvements into the Mount Tipton system.

The Detrital Well Improvements included costs related to a well, eight miles of transmission main, a booster station and a 200,000 gallon storage tank. Although the storage tank and the booster pump were constructed, the Detrital Well Improvement project was never completed. The Hook-Up Fees authorized in Decision No. 60988 were accumulating but the project for which they were originally authorized was not being constructed.

As for the Commission's expectation of these Hook-Up Fee funds, detail was provided in the next rate case order – Decision No. 67162, dated August 11, 2004. On page 13, the Commission denied a Company request to utilize the Hook-Up Fee funds as revenue and additionally stated that "the purpose of Off-Site Facilities Hook-Up Fees is strictly for the funding of capital improvements and not for payment of operating expenses". The decision also stated that the Commission would "require the Company to file an Off-Site Facilities Hook-Up Fee Tariff that conforms with the tariff" attached to the rate decision as "Exhibit A", and require the Company to "abide by the terms of the filed tariff regarding the collection, disposition, and expenditure of Off-Site Facilities Hook-Up Fees".

In section IV (B) of Exhibit A of Decision No. 67162, the tariff states the following about the use of the Hook-Up Fee funds:

"Hook-Up Fees may only be used to pay for the capital items of Off-Site Facilities, or for repayment of loans obtained for installation of Off-Site Facilities. Off-Site Facilities Hook-Up fees shall not be used for repairs, maintenance, plant replacements, or operational purposes."

Decision No. 67162 clearly identifies that Hook-Up Fees should not be used for the repair, maintenance or replacement of plant nor for general costs of operations. After the hearing in the current matter, the Company was ordered to file late filed exhibits which would provide missing information on the Hook-Up Fees and their ultimate expenditure.

HOOK-UP FEE AMOUNTS AND REVIEW OF EXHIBITS

On September 9, 2008, a Procedural Order was issued that ordered Mount Tipton to file by September 18, 2008, with Docket Control the following items, as late-filed exhibits R-4, R-5, R-6, R-7 and R-8:

1. **R-4:** - A copy of the Company's hook-up fee report for quarterly and year-ending 2005-2007 that includes the missing information for the period between October 4, 2006, and May 1, 2007, or if no information is missing from the report as filed in Exhibit S-5, and Exhibit R-1, an explanation of the gap in time and the increase in the running balance shown on the report.
2. **R-5:** - A document stating the number of metered customers that Mount Tipton is currently serving.
3. **R-6:** - A document stating, for each hook-up fee that has been charged by the Company since August 11, 2004; (1) the date on which the hook-up fee was charged, (2) the name of the customer charged the hook-up fee, (3) the service address for which the hook-up fee was charged, (4) the meter size for the service address, and (5) the amount of the hook-up fee charged.
4. **R-7:** - A document providing a complete accounting of the items on which the hook-up fees collected were spent for the period from August 11, 2004, to the present, including for each expenditure, (1) the date on which the expenditure was made, (2) the amount of the expenditure, and (3) a description of what was purchased or paid for, and
5. **R-8:** - Mount Tipton's response to the ADEQ Sanitary Survey Report, which shall include a response to each item of deficiency listed therein.

The Procedural Order further ordered Staff to review the information submitted by Mount Tipton and file as a late-filed exhibit, by October 30, 2008, a document (1) analyzing the information submitted by the Company for compliance with Decision No. 67162 (including the hook-up fee tariff approved therein) and making any revision and/or additions to Staff's previous recommendations resulting from Staff's analysis of the information; (2) making any revisions and/or additions to Staff's previous recommendations regarding Count 8, in light of Mount Tipton's current compliance status with ADEQ; and (3) indicating if Staff believes that an additional hearing is warranted in this matter and, if so, what should be addressed in that additional hearing.

Staff Analysis:

Staff reviewed and analyzed the hook-up fee information submitted by Mount Tipton on September 18, 2008. The information submitted conforms to the requirements of the Procedural Order dated September 9, 2008.

Based on the information submitted by the Company, the total amount of hook-up fees collected from August 11, 2004, through December 31, 2007, is \$40,400.00. See Exhibit -1.

The Company did not have a separate interest bearing checking account as required in Decision No. 67162. Staff imputed the interest that would have been earned if the Company had an interest bearing checking account. The interest was computed from August 2004 through December 31, 2007, using the various interest rates in effect during that time and at the bank the Company used for its regular checking account. The total amount of imputed interest is \$6,246. See Exhibit - 2

Staff determined that the combined amount of hook-up fees and interest is \$46,646. See Exhibit-2.

ENGINEERING REVIEW

On September 18, 2008, Mount Tipton filed its response to the Procedural Order ('PO') requirement to provide additional information.

On September 30, 2008, Staff received an updated ADEQ Water Quality Compliance Status Report ("ADEQ Status Report") for Mount Tipton (Exhibit 3).

ADEQ Compliance

According to the ADEQ Status Report, ADEQ cannot determine if Mount Tipton is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. In addition, Mount Tipton has monitoring and reporting deficiencies because of failure to submit total coliform test results for May, June and July 2008. Finally, Mount Tipton is in violation of operation and maintenance requirements because of deficiencies in its water source, treatment and distribution system.

Staff continues to support its recommendation that Mount Tipton be in compliance with ADEQ by January 31, 2009.

Analysis

1. Wells (water source)

According to ADEQ, Mount Tipton must get ADEQ approval prior to using the spring wells and Well No. 5 as potable water sources. ADEQ records indicate that those three wells have never been approved for drinking water purposes. ADEQ further stated that the unapproved water source should be taken off the system. Staff recommends that Mount Tipton take immediate action to seek the required water source approval from ADEQ.

Because the spring wells are considered a surface water related supply, the water delivered through the use of these wells must undergo proper surface water treatment before the water is delivered to customers. It could be very costly to install a surface water treatment plant in Mount Tipton's system. Therefore, an economic selection study should be performed to determine whether it is more cost effective to treat water from the spring wells or to drill a new well. Staff recommends that Mount Tipton conduct such a study to determine the most effective solution for improving its water supply.

2. Hook-up Fee Report

The Company's approved Off-site Water Facilities Hook-up Fee Tariff allows the Company to collect hook-up fees from new customer connections to help pay for capital improvements that benefit the entire system such as interconnecting the Detrital Well with the on-site storage system. Company records suggest that the Company used the money collected from the tariff to pay for maintenance expenses that the hook-up fee revenues were not intended to cover.

Conclusions

1. Mount Tipton is not in compliance with ADEQ rules and regulations for water quality and for its use of unapproved water sources.
2. Mount Tipton has misused the funds collected from its Off-site Hook-up Fee tariff to pay for maintenance related expenses.

STAFF SUMMARY

In summary, Staff has concluded that the Company has a history of failing to manage the Hook-Up Fee account in accordance with Commission intent and requirements. This has been demonstrated by the Company's overall performance and by the fact that it has repeatedly used or attempted to use the funds for purposes other than the funding of new Off Site Facilities capital items (backbone plant). The 2004 – 2007 Hook-Up Fee funds were expended numerous times on items that did not meet the tenants of the Hook-Up Fee tariff. The tariff schedule approved in Decision No. 67162 states in Section IV that "Off-Site Facilities Hook-Up fees shall not be used for repairs, maintenance, plant replacements, or operational purposes." Staff's recent review of the Company exhibits shows that Hook-Up Fee funds were expended on the following types of items:

1. Software
2. Well Repair
3. Fax Machine
4. Existing Well Drilling
5. Copier
6. Printer

7. Existing Well Work
8. Pump and Motor
9. Meters and Paint
10. 1997 Chevy S-10
11. Meters & Valve
12. Kepner 1 ½ motor
13. Hydrant meter
14. Pump Repair

The above items fall into the exact categories outlined in the tariff as inappropriate uses for Hook-Up Fee funds.

RECOMMENDATIONS

1. Staff continues to support its recommendation that Mount Tipton be in compliance with ADEQ by January 31, 2009.
2. Staff further recommends that Mount Tipton take immediate action to seek the required water source approvals from ADEQ.
3. Staff further recommends that Mount Tipton conduct a study to determine the most effective solution for improving its water supply.
4. Staff further recommends that the Company provide more detailed explanations about the nature of the Hook-Up Fee expenditures which occurred after December 31, 2007 than that which has been received in the docket at this time.
5. Staff further recommends that the Company be ordered to replace the funds expended from the Hook-Up Fee account after Decision No. 67162 and through the end of 2007. The replenishment should equal the amount of Hook-Up Fee funds collected through 2007 of \$40,400 plus the lost interest through that period of \$6,246 - for a total of \$46,646 (as outlined in Exhibit 1 and 2). The Company should also be ordered to replenish any Hook-Up Fee funds, plus interest, for post 2007 items that are determined at a later date to have been inappropriate expenditures.
6. Staff further recommends that the Company be formally admonished for its mismanagement of the Hook-Up Fee account and specifically for the nature of the expenditures of Hook-Up Fee funds between the 2004 and 2007 timeframes.
7. Staff further recommends that the Company be formally notified that Hook-Up Fee funds should never have been used on repairs, maintenance, plant replacements, or operational purposes and should never be so used again on threat of fine.

8. Staff further recommends that Mount Tipton be ordered not to make any further expenditures from its Hook-Up Fee funds until the entire Hook-Up Fee issue is resolved in its upcoming, full rate case.
9. Staff further recommends that no further hearing is required prior to the consideration of this issue in the upcoming, full rate case.

EGJ:BKB:red

Originators: Brian K. Bozzo

Attachments

SERVICE LIST FOR: MOUNT TIPTON WATER COMPANY
DOCKET NO. W-021052A-07-0510

Mr. John Janik, President
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HOOK-UP FEES ANALYSIS
August 2004 through December 2007

Date	Customer	Acct #	System Address	Meter Size	Hook-up Amount	Expense Date	Expense Amount	Amount (Debit)	Quarterly Balance	Plant Items Purchased
2004 Year										
8/23/2004	Steven, Ken	893	15820 N. Jasper	3/4"	700.00					
8/31/2004	Turcios, Rafael	902	17369 Mariposa	3/4"	700.00					
10/18/2004	Blevins, George	905	15272 Del Norte	3/4"	700.00					
9/28/2004	Parada, Jesus	915	Lost Mine Road	3/4"	700.00					
10/8/2004	Morganthaler, Cas	929	15669 N. Edgemont Rd.	3/4"	700.00	1/31/2005	2,399.00			Rvs Software
10/20/2004	Klopfenstein, Lee	930	14621 Canyon	3/4"	700.00					
11/15/2004	Staffens, Belinda	941	14385 Canyon	3/4"	700.00	6/15/2005	2,850.00			Well Repair
11/29/2004	Klopfenstein, Lee	942	15789 N. Ivy	3/4"	700.00					
11/29/2004	Klopfenstein, Lee	943	Edgemont	3/4"	700.00	9/19/2005	2,451.00			New Well Drilling
11/29/2004	Williams, Marvin	944	15932 Ivy	3/4"	700.00					
11/30/2004	Klopfenstein, Lee	945	Ladara	3/4"	700.00					
					7700.00	Total	7,700.00		(7,700.00)	
Balance 3rd & 4th Qtr										
2005 Year										
3/15/2005	ANCE	980	15197 N. Ivy	3/4"	700.00					
4/12/2005	Adams, Harold W.	993	15697 Edgemont	3/4"	700.00					
4/18/2005	Klopfenstein, Lee	994	Edgemont & Del Norte	3/4"	700.00	9/6/2005	4,200.00			Bob Duey Drill Well
4/30/2005	Interest Earned							0.66		
5/23/2005	Destiny Developer	1010	15532 Iron Drive	3/4"	800.00	11/14/2005	296.50			Fax Machine
5/23/2005	Klopfenstein, Lee	1011	Del Norte Lot 79	3/4"	800.00					
5/30/2005	Interest Earned							2.84		
6/20/2005	Hernandez, Franc	1024	Longhorn Lot 135	3/4"	800.00					
					4500.00	Total	4,496.50	3.50	4,496.50	
Balance 2nd Qtr										
7/24/2005	Vincent, DePaul	1043	7141 W. 11th Street	3/4"	700.00	9/9/2005	3,097.03			Bob Duey Drill Well
9/20/2005	Parada Rosario	1062	15901 N. Ironwood Dr.	3/4"	800.00					
9/20/2005	Hart, Norman	1063	1661 Kitmit	3/4"	800.00					
9/20/2005	Knissely, Davd	1064	16 Mead De.	3/4"	800.00					
9/30/2005	Interest Earned							2.97		
					3100.00	Total	3,907.03	2.97	3,097.03	
Balance 3rd Qtr										
10/20/2005	Waller, Dennis E.	912	5933 17th Street	3/4"	800.00					
10/26/2005	Klopfenstein, Lee	1073	16th Merry Dr.	3/4"	700.00	8/13/2005	2,950.00			Chambers Well Drill
10/26/2005	Klopfenstein, Lee	1074	Kitmit Dr.	3/4"	700.00	4/30/2005	1,185.27			Copier
11/30/2005	Guevera, Rodrigo	946	8943 Palomino Dr.	3/4"	700.00	11/14/2005	161.56			Lexmark Printer
11/30/2005	ANCE	947	15917 N. Ivr Dr.	3/4"	700.00					
11/30/2005	Rodriguez, Jose	948	15565 N. Flores Rd.	3/4"	700.00					
12/31/2005	Interest Earned							3.17		
					4300.00	Total	4,296.83	3.17	4,296.83	
Balance 4th Qtr										
Balance Year Ending 2005										
					0.00				(19,590.36)	
2006 Year										
1/7/2006	Walch, Robert	1090	17257 Longhorn	3/4"	800.00					
1/25/2006	Romero, Yolanda	1095	16677 N. Lariat Dr.	3/4"	800.00					
1/25/2006	Horace, Bradley	1096	17208 N. Longhorn	3/4"	800.00	3/6/2006	3,456.90			Chamber Well Work
2/1/2006	Phillips, Patrick	1102	17320 N. Lost Mine Rd.	3/4"	800.00	7/24/2006	3,641.60			Warren Torso/Pump Moto
2/1/2006	Blair, Steve	1103	16933 N. Lariat Dr.	3/4"	800.00	8/31/2006	97.91			Duey Drill Final Payment
2/7/2006	Thompson, Carolyn	1104	8129 W. 10th Street	3/4"	800.00					
3/16/2006	Bums, Jack	1111	15517 N. Fortune Dr.	3/4"	800.00					
3/20/2006	Hemamdez, Claude	1113	14788 Eureka Dr.	3/4"	800.00					
3/20/2006	Walker, Charles	1114	15597 N. Gila Dr.	3/4"	800.00					
3/31/2006	Interest Earned							3.59		
					7200.00	Total	7,196.41	3.59	(7,196.41)	
Balance 1st Qtr										

Date	Customer	Acct #	System Address	Meter Size	Hook-up Amount	Expense Date	Expense Amount	Amount (Debit)	Quarterly Balance	Plant Items Purchased
4/5/2006	Sanders, tim	1121	14321 Mariposa Dr.	3/4"	800.00					
6/26/2006	Beverly, Bishop	1147	15917 N. Jasper Dr.	3/4"	800.00	6/30/2006	2,740.50			T&F Enterprs Install Polly
6/26/2006	Beverly, Bishop	1148	15933 N. Jasper Dr.	3/4"	800.00	8/17/2006	450.08			Payment on Polly
6/26/2006	Margit, Nielsen	1149	15934 Jasper Dr.	3/4"	800.00					
6/30/2006	Interest Earned							9.42		
Balance 2nd Qtr					3200.00	Total	3,190.58	9.42	3,190.58	
7/26/2006	Harold Adams	1195	15697 Edgemont	3/4"	800.00					
7/26/2006	Harold Adams	1196	15697 Edgemont	3/4"	800.00	7/18/2006	1,586.23			Meters & Paint
9/30/2006	Interest Earned							13.77		
Balance 3rd Qtr					1600.00	Total	1,586.23	13.77	1,586.23	
10/4/2006	Gustavo Galvin	1155	7th St. Unit , Lot 11	3/4"	800.00					
10/4/2006	Dan McEirath	1189	15096 N. Del Norte	3/4"	800.00	10/6/2008	4,799.91			1997 Chevy S-10
10/11/2006	Victor Liborio	1052	8061 W. 8th Street	3/4"	800.00					
10/11/2006	Salusito Liborio	1161	15329 N. Edgemont Rd	3/4"	800.00					
10/17/2006	Domingo Vivero	1068	15821 N. El Dorado Dr.	3/4"	800.00					
10/31/2006	Stander/Baker	1197	15693 Ivy	3/4"	0.00					
12/26/2006	Corral, Camerino	1437	15693 Ivy	3/4"	800.00					
	Stander/Baker	1197	15693 Ivy (refund/wrong)					(800.00)		
12/31/2006	Interest Income							0.09		
Balance 4th Qtr					4800.00	Total	4,799.91	0.09	(4,799.91)	
Balance Year Ending 2006									(16,82.56)	
2007 Year										
Balance 1st Qtr							0.00			
4/30/2007	Ed Coliana	1232	17193 N. Merry	3/4"	800.00	4/17/2007	1,196.78			Kepner meters and valves
5/1/2007	S. Dessalines	1239	15615 Gila	3/4"	800.00	6/7/2007	403.04			Kepner 1 1/2 motor
5/31/2007	Interest Income							0.09		
6/30/2007	Interest Income							0.09		
Balance 2nd Qtr					1600.00	Total	1,599.82	0.18	1,599.92	
7/30/2007	Interest Income							0.08		
8/30/2007	Interest Income							0.09		
9/30/2007	Bruce Keller	1268	16820 N. Kitmit	3/4"	800.00	6/14/2007	799.73			Hoffman Hydrant meter
Balance 3rd Qtr					800.00	Total	799.73	0.17	(799.83)	
10/15/2007	Rice, Dennis	1272	15692 Ironwood Dr.	3/4"	800.00	9/28/2007	1,600.00			Pump repair
12/6/2007	Kloppfenstein, Lee	158			800.00					
Balance 4th Qtr					1600.00	Total	1,600.00		(1,600.00)	
Balance Year Ending 2007									(3,999.65)	
Total Hook-Up Fees					40400.00					
Total paid out							41,173.04			
Interest Earned								36.86		

**HOOK-UP FEES AND INTEREST IMPUTED
August 2004 through December 2007**

Date	Hook-up fee Amount Collected	Hook-up fee Monthly Total	Hook-up fee Cumulated Total	Detrital Well Paid Out	Detrital Well Cumulated Paid Out	Interest Rate	Interest Amount
8/23/2004	700.00						
8/31/2004	700.00	\$ 1,400.00	\$ 1,400.00	0.00	0.00	0.0025	3.50
9/28/2004	700.00	700.00	2,100.00	0.00	0.00	0.0025	5.25
10/8/2004	700.00						
10/18/2004	700.00						
10/20/2004	700.00	2,100.00	4200.00	0.00	0.00	0.0025	10.50
11/15/2004	700.00						
11/29/2004	700.00						
11/29/2004	700.00						
11/29/2004	700.00						
11/30/2004	700.00	3,500.00	7,700.00	0.00	0.00	0.0025	19.25
12/31/2004	0.00	0.00	7,700.00	0.00	0.00	0.0025	19.25
1/31/2005	0.00	0.00	7,700.00	0.00	0.00	0.0025	19.25
2/28/2005	0.00	0.00	7,700.00	0.00	0.00	0.0026	20.02
3/15/2005	700.00	700.00	8,400.00	0.00	0.00	0.0030	25.20
4/12/2005	700.00						
4/18/2005	700.00	1,400.00	9,800.00	0.00	0.00	0.0035	34.30
5/23/2005	800.00						
5/23/2005	800.00	1,600.00	11,400.00	0.00	0.00	0.0036	41.04
6/20/2005	800.00	800.00	12,200.00			0.0030	36.60
7/24/2005	700.00	700.00	12,900.00	0.00	0.00	0.0030	38.70
8/31/2005		0.00	12,900.00	0.00	0.00	0.0030	38.70
9/20/2005	800.00						
9/20/2005	800.00						
9/20/2005	800.00	2,400.00	15,300.00	0	0	0.0031	47.43

HOOK-UP FEES and INTEREST IMPUTED
August 2004 through December 2007

Date	Hook-up fee Amount Collected	Hook-up fee Monthly Total	Hook-up fee Cumulated Total	Detrital Well Paid Out	Detrital Well Cumulated Paid Out	Interest Rate	Interest Amount
10/20/2005	800.00						
10/26/2005	700.00						
10/26/2005	700.00	2,200.00	17,500.00	0.00	0.00	0.0050	87.50
11/30/2005	700.00						
11/30/2005	700.00						
11/30/2005	700.00	2100.00	19,600.00	0.00	0.00	0.0050	98.00
12/31/2005	0.00	0.00	19,600.00	0.00	0.00	0.0050	98.00
1/7/2006	800.00						
1/25/2006	800.00						
1/25/2006	800.00	2,400.00	22,000.00	0.00	0.00	0.0054	118.80
2/1/2006	800.00						
2/1/2006	800.00						
2/7/2006	800.00	2,400.00	24,400.00	0.00	0.00	0.0054	131.76
3/16/2006	800.00						
3/20/2006	800.00						
3/20/2006	800.00	2,400.00	26,800.00	0.00	0.00	0.0050	134.00
4/5/2006	800.00	800.00	27600.00	0.00	0.00	0.0050	138.00
5/31/2006	0.00	0.00	27,600.00	0.00	0.00	0.0059	162.84
6/26/2006	800.00						
6/26/2006	800.00						
6/26/2006	800.00	2,400.00	30,000.00	0.00	0.00	0.0060	180.00
7/26/2006	800.00						
7/26/2006	800.00	1,600.00	31,600.00	0.00	0.00	0.0067	211.72
8/31/2006	0.00	0.00	31,600.00	0.00	0.00	0.0083	262.28
9/30/2006	0.00	0.00	31,600.00	0.00	0.00	0.0060	189.60

HOOK-UP FEES and INTEREST IMPUTED
August 2004 through December 2007

Date	Hook-up fee Amount Collected	Hook-up fee Monthly Total	Hook-up fee Cumulated Total	Detrital Well Paid Out	Detrital Well Cumulated Paid Out	Interest Rate	Interest Amount
10/4/2006	800.00						
10/4/2006	800.00						
10/11/2006	800.00						
10/11/2006	800.00						
10/17/2006	800.00						
10/31/2006	0.00	4,000.00	35,600.00	0.00	0.00	0.0085	302.60
11/30/2006	0.00	0.00	35,600.00	0.00	0.00	0.0085	302.60
12/31/2006	800.00	800.00	36,400.00	0.00	0.00	0.0085	309.40
1/31/2007	0.00	0.00	36,400.00	0.00	0.00	0.0084	305.76
2/28/2007	0.00	0.00	36,400.00	0.00	0.00	0.0075	273.00
3/31/2007	0.00	0.00	36,400.00	0.00	0.00	0.0075	273.00
4/30/2007	800.00	800.00	37,200.00	0.00	0.00	0.0075	279.00
5/1/2007	800.00	800.00	38,000.00	0.00	0.00	0.0075	285.00
6/30/2007	0.00	0.00	38,000.00	0.00	0.00	0.0075	285.00
7/30/2007	0.00	0.00	38,000.00	0.00	0.00	0.0075	285.00
8/30/2007	0.00	0.00	38,000.00	0.00	0.00	0.0075	285.00
9/30/2007	800.00	800.00	38,800.00	0.00	0.00	0.0075	291.00
10/15/2007	800.00	800.00	39,600.00	0.00	0.00	0.0050	198.00
11/30/2007	0.00	0.00	39,600.00	0.00	0.00	0.0050	198.00
12/6/2007	800.00	800.0	40,400.00	0.00	0.00	0.0050	202.00

Total Hook-Up Fees Collected	\$40,400.00						
Total Paid Out Detrital Well				\$0.00	\$0.00		
Interest Earned on Hook-Up Fees							\$6,245.85
Total Hook-Up Fees and Interest		\$	46,646				

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
 Mail Code 5415B-2
 1110 West Washington Street
 Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type	Is system consecutive?
MT TIPTON WATER CO INC	<input checked="" type="checkbox"/> Community	Yes, to PWS #
System ID #	Non-transient Non-community	
08059	Transient Non-community	<input checked="" type="checkbox"/> No

Overall compliance status	No major deficiencies	<input checked="" type="checkbox"/> Major deficiencies
Monitoring and Reporting status	No major deficiencies	<input checked="" type="checkbox"/> Major deficiencies
Comments: The system did not submit any total coliform samples for May, June or July 2008.		

Operation and Maintenance status	No major deficiencies	<input checked="" type="checkbox"/> Major deficiencies
Date of last Sanitary Survey	8/28/08	Inspector
		Andy Wilson, NRO
Major unresolved/ongoing operation and maintenance deficiencies:		
<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage	
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule	
<input checked="" type="checkbox"/> treatment deficiencies	<input type="checkbox"/> approval to construct/of construction	
<input type="checkbox"/> certified operator	<input checked="" type="checkbox"/> other = distribution; M&R	
Comments: System has significant deficiencies for source, treatment, distribution system and monitoring and reporting. Please see attached Inspection Report.		

Is an ADEQ administrative order in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	<input type="checkbox"/> No
Comments: None.			

System Information	
Population Served	3900
Service Connections	898
Number of Entry Points to the Distribution System	6
Number of Sources	8
Initial Monitoring Year	1994
Monitoring Assistance Program (MAP) System	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Evaluation completed by	Donna Calderon, Manager <i>AC</i> Drinking Water Monitoring and Protection Unit		
Phone	802-771-4641	Date	September 30, 2008
	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		
<input checked="" type="checkbox"/> X	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		
<input checked="" type="checkbox"/> X	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

Mount Tipton Water Company, Inc.
Docket No. W-02105A-07-0510

ENTERED SEP 25 2008



Janet Napolitano
Governor

ARIZONA DEPARTMENT
OF
ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.azdeq.gov



Stephen A. Owens
Director

September 16, 2008

Inspection ID: 126602

Mount Tipton Water Co.
Attn: John Janak
P. O. Box 38
Dolan Springs, AZ, 86441

SEP 25 2008

RE: Mount Tipton W. Co., PWS: 08-059; Place ID: 5776

Dear Mr. Janak:

Please find enclosed a copy of a sanitary survey report for the above referenced facility. The inspection (Sampling Event) was performed on 8/28/08, in accordance with Arizona Administrative Code R18-4-101, et sequi, R18-5-101, et sequi, and Arizona Revised Statutes 49-101, et sequi. The report may include a summary of inspection, checklist and inspection rights form, or other information regarding the facility.

If there are any questions please contact A. T. Wilson at the referenced address, or at 928-773-2708.

Sincerely,

H. Ken Herd
For Robert E. "Buck" Herd, PE
Field Services Manager
Northern Regional Office
Arizona Department of Environmental Quality

Cc: ADEQ/WQCS
MCHD/ES, 3675 E. Hwy 66, Kingman, 86401
MCP&Z, same

Northern Regional Office
1801 W. Route 66 • Suite 117
Flagstaff, AZ 86001

Southern Regional Office
400 West Congress Street • Suite 433
Tucson, AZ 85701

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
 Northern Regional Office
 1801 West Route 66, Suite 117, Flagstaff, Arizona 86001

INSPECTION REPORT

Facility: Mt. Tipton	System # 08-059
Inspected By: A. Wilson	Date: 8/28/08
Accompanied By: R. Raymond, others	County: Mohave
Recommendations By: A. Wilson	Report Date: 9/12/08
Number of Plants: 0	Wells: 10
Population: 3900	Service Connections: 898, +/- 742 active

COMPLIANCE SUMMARY

The water system is in compliance with the following ADEQ requirements:

	YES	NO	N/A	N/E
Certified Operator (System Grade)	x			
Physical Facilities		x		
Monitoring and Reporting		x		

INSPECTION SUMMARY

The survey of the above referenced facility included:

Sampling of well in question	x
Interview with personnel	x
A review of ADEQ monitoring and reporting databases	x
A review of the NRO files	x
A review of files at the facility	x

The following observations and recommendations were based upon the criteria checked above:

Sampling Results:

Split samples were taken from the well designated "non-potable"; believed to be ADWR well #: 55-601849. This is an artesian well located in the "Dolan Spring Field." It has an 8" x 12' vertical shaft. At the bottom of the shaft there are 4, 4" perforated pipes all running up-gradient to collect the underground flow. It is connected to the distribution system but currently valved off from the system.

Recent flow monitoring indicates that it is flowing greater than 5000 gallons per day.

There were two each coliform samples taken and one each nitrate sample taken. The water company samples were taken to Mohave Environmental Lab in Bull Head City.

The ADEQ samples were taken to the pick-up point for Test America Labs located in Las Vegas, then transshipped by air to the Lab in Phoenix. The ADEQ samples also included one shipment blank of distilled water.

The shipment blank was clean, with no contaminants.

Each of the two coliform samples indicated presence of coliform, but no e-coli.

The Nitrate sample registered 2.5 ppm with an MCL of 10 ppm this indicates that the nitrate level is well under the limit and the water can be used for drinking.

However, actual source approval and usability will be determined by the results of the source approval analysis.

Inspection Recommendations:

1. ADEQ recommends that a new coliform sample be taken from the well and analyzed as an MPN (most probable number) sample to determine the actual coliform concentration in the well water.

2. Recent file research in the company files and certifications obtained from individuals formerly associated with one or another of the original companies appear to indicate that none of the wells located within the spring field have received either source or construction approval from the Department. Some documents do exist for the wells.

ADEQ requests that the company retain the services of an engineer registered in the State of Arizona, Obtain Source Approval sampling for each of the wells and submit the necessary applications and documentation to the SDW Construction Approval Unit located at 1100 W. Washington St., Phoenix, AZ, 85001.

Documentation for the "non-potable" well should be included in the package.

As soon as Approvals to Construct are obtained, submit the required documentation to the Construction Approval Unit at the NRO to obtain the required Approvals of Construction and Source Approvals for the wells.

3. It also appears that well # 5 (Chambers well) was originally drilled for private use and is being leased by the water company. As a private well it was not subject to either construction or source approval requirements by the Department. However, as soon as the well was converted to public use it became subject to