

OPEN MEETING ITEM



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COMMISSIONERS  
KRISTIN K. MAYES – Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP



ARIZONA CORPORATION COMMISSION

ORIGINAL

Arizona Corporation Commission  
**DOCKETED**

DATE: MAY 7, 2010  
DOCKET NO.: W-01677A-09-0464

MAY - 7 2010

DOCKETED BY *MM*

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:

TURNER RANCHES WATER AND SANITATION COMPANY  
(CANCEL CC&N/SALE OF ASSETS)

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:

MAY 17, 2010

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 Open Meeting to be held on:

MAY 26, 2010 AND MAY 27, 2010

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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*Ernest G. Johnson*  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES - Chairman  
4 GARY PIERCE  
5 PAUL NEWMAN  
6 SANDRA D. KENNEDY  
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF  
9 TURNER RANCHES WATER AND SANITATION  
10 COMPANY FOR APPROVAL TO CANCEL ITS  
11 CERTIFICATE OF CONVENIENCE AND  
12 NECESSITY AND TO SELL ITS ASSETS TO THE  
13 ALPINE DOMESTIC WATER IMPROVEMENT  
14 DISTRICT.

DOCKET NO. W-01677A-09-0464

DECISION NO. \_\_\_\_\_

**OPINION AND ORDER**

11 DATE OF HEARING: March 24, 2010  
12 PLACE OF HEARING: Phoenix, Arizona  
13 ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey  
14 APPEARANCES: Mr. Stanley B. Lutz, BRYAN CAVE, LLP, on behalf of  
15 Applicant; and  
16 Mr. Kevin Torrey, Staff Attorney, Legal Division, on  
17 behalf of the Utilities Division, of the Arizona  
18 Corporation Commission.

19 **BY THE COMMISSION:**

20 On September 28 2009, Turner Ranches Water and Sanitation Company ("TRWSC") filed  
21 with the Arizona Corporation Commission ("Commission") an application to cancel its Certificate of  
22 Convenience and Necessity ("CC&N") for its Alpine Division and for authorization to sell its Alpine  
23 Division assets to the Alpine Domestic Water Improvement District ("ADWID").

24 On October 22, 2009, the Commission's Utilities Division ("Staff") filed an Insufficiency  
25 Letter in this docket stating that TRWSC's application had not met the sufficiency requirements as  
26 outlined in the Arizona Administrative Code ("A.A.C.").

27 On November 30, 2009, TRWSC filed certification that notice of the application had been  
28 published on October 6, 2009.

On December 18, 2009, TRWSC filed a response to Staff's Insufficiency Letter.

1 On January 19, 2010, Staff filed a Sufficiency Letter in this docket stating that TRWSC's  
2 application has met the sufficiency requirements as outlined in the A.A.C.

3 On January 28, 2010, a Procedural Order was issued setting the hearing in this matter for  
4 March 24, 2010, and establishing other procedural deadlines.

5 On February 19, 2010, TRWSC docketed a certification of mailing and publication, stating  
6 notice of the application and hearing date had been mailed to its customers and published in the *White*  
7 *Mountain Independent*, a semi-weekly newspaper of general circulation in TRWSC's service area on  
8 February 4, 2010.

9 On March 24, 2010, a full public hearing was convened before a duly authorized  
10 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. TRWSC and Staff  
11 appeared through counsel and presented testimony. Staff presented evidence in the form of a Staff  
12 Report. No members of the public appeared to give public comment. At the conclusion of the  
13 hearing, the matter was taken under advisement pending submission of a Recommended Opinion and  
14 Order to the Commission.

15 \* \* \* \* \*

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

18 **FINDINGS OF FACT**

19 1. TRWSC is an Arizona public service corporation providing water and sewer utility  
20 services in Apache and Maricopa Counties respectively.

21 2. TRWSC has two divisions. The Alpine Division provides potable water to  
22 approximately 118 customers in Apache County. The Irrigation Division provides non-potable  
23 water for irrigation purposes to over 900 residential customers, 135 fire hydrants, two golf courses,  
24 and the common areas in Leisure World Community located in Maricopa County.<sup>1</sup>

25 3. On September 28, 2009, TRWSC filed an application with the Commission requesting  
26 approval to sell its Alpine Division water system assets to the Alpine Domestic Water Improvement  
27

28 <sup>1</sup> Only the Alpine Division water system assets are the subject of the above captioned application.

1 District ("District") and to cancel its Alpine Division CC&N.<sup>2</sup>

2 4. Notice of the application was given in accordance with the law.

3 5. The Alpine Division's service area encompasses 0.5 square miles and is contiguous to  
4 the District.<sup>3</sup>

5 6. The District, a political subdivision, was formed by the Apache County Board of  
6 Supervisors in June 2007. The District serves approximately 208 customers in Alpine, Arizona and  
7 its service territory is comprised of 2 1/2 square miles and is located approximately 30 miles south of  
8 Springerville, Arizona.

9 7. On February 19, 2010, Staff filed a Staff Report recommending the Commission  
10 approve TRWSC's application to sell its assets to the District and for cancellation of TRWSC's  
11 Alpine Division CC&N, subject to certain conditions.

12 8. Staff further recommends that TRWSC file with Docket Control, as a compliance  
13 item, copies of all documentation transferring ownership of its Alpine Division water system and  
14 assets to the District, within 120 days of a Decision in this matter.

15 9. Staff also recommends that if TRWSC fails to comply with its recommendation within  
16 the specified timeframe, that the approval for the sale of TRWSC's Alpine Division assets and  
17 cancellation of the Alpine Division CC&N should be considered null and void, after due process.

18 10. Mr. Fred T. Wilkinson, president of TRWSC, testified that all of the Alpine Division  
19 customers will be transferred to the District. (Tr. at 11) Mr. Wilkinson further testified that there are  
20 two outstanding main extension agreements ("MXAs") and that the District will assume  
21 responsibility for the MXAs. (Tr. at 8) Mr. Wilkinson also testified that the Alpine Division has no  
22 customer security deposits or meter or service line installation refunds that need to be returned to  
23 customers. (Id.)

24

25 <sup>2</sup> The Alpine Division was granted a CC&N in Commission Decision No. 57072 (August 22, 1990).

26 <sup>3</sup> Mr. Fred T. Wilkinson, president of TRWSC, testified that in 1994 TRWSC contracted with Alpine Water Systems,  
27 Inc., another public service corporation, to run the day-to-day operations of its Alpine Division. (Tr. at 8) In Commission  
28 Decision No. 70614 (November 19, 2008), the Commission granted Alpine Water Systems, Inc., approval to sell its assets  
to the Alpine Domestic Water Improvement District in an effort to create economies of scale in the area and to provide an  
integrated water and sewer company to serve customers. (Pg. 4, line 6) The District referred to in Decision No. 70614 is  
the same District referenced to in this docket. The District has been operating TRWSC's Alpine Division since Alpine  
Water Systems, Inc. became a part of the District.

1 11. Mr. Wilkinson explained that the Alpine Division customer rates will remain the same  
2 for one year and then will be reevaluated by the District. (Tr. at 11)

3 12. Staff's witness testified that based on the fact that the Alpine Division has been  
4 successfully operating with no complaints, that there have been no Arizona Department of  
5 Environmental Quality ("ADEQ"), Arizona Department of Water Resources ("ADWR") or the  
6 Commission compliance issues since 1994 Staff has no concerns regarding the sale of assets to the  
7 District. (Tr. at 18)

### 8 WATER SYSTEM

9 13. According to Staff's Engineering Report, TRWSC's water system consists of one  
10 well, producing 200 gallons per minute; one 250,000 gallon storage tank; and a distribution system  
11 serving 118 service connections.<sup>4</sup>

12 14. Staff has determined TRWSC's water system has adequate well production and  
13 storage capacity to serve its existing service connections.

14 15. TRWSC provided Staff with a list of its Alpine Division assets to be transferred to the  
15 District, totaling \$968,960.<sup>5</sup>

16 16. ADEQ has determined that TRWSC's water system is in compliance with quality  
17 standards as required by the A.A.C.<sup>6</sup>

18 17. TRWSC is not located within an Active Management Area ("AMA"); however, a  
19 January 22, 2010, compliance status report shows the Company as being in compliance with  
20 departmental requirements governing water providers and/or community water systems. (SR at 2)

21 18. The Commission's Utilities Division showed no outstanding Commission compliance  
22 issues.

23 19. TRWSC has an approved curtailment tariff and cross connection tariff on file with the  
24 Commission.

25 20. No public comments were filed in opposition to the application.  
26

27 <sup>4</sup> Staff Report, Attachment A.

28 <sup>5</sup> Staff Report, Attachment 1.

<sup>6</sup> ADEQ Compliance Report, issued December 8, 2009.



1 IT IS FURTHER ORDERED that the approval of this application is conditioned on the  
2 Alpine Domestic Water Improvement District's commitment to honor all liabilities of Turner  
3 Ranches Water and Sanitation Company Alpine Division relating to customer accounts, including,  
4 but not limited to, customer deposits, and customer meter advance credits.

5 IT IS FURTHER ORDERED that the Certificate of Convenience and Necessity for Turner  
6 Ranches Water and Sanitation Company's Irrigation Division is not effected by this Decision and  
7 shall remain in effect until further order of the Commission.

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

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
10  
11

12 CHAIRMAN \_\_\_\_\_ COMMISSIONER

13  
14 COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_ COMMISSIONER

15  
16 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
17 Executive Director of the Arizona Corporation Commission,  
18 have hereunto set my hand and caused the official seal of the  
19 Commission to be affixed at the Capitol, in the City of Phoenix,  
20 this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

21 \_\_\_\_\_  
22 ERNEST G. JOHNSON  
23 EXECUTIVE DIRECTOR

24 DISSENT \_\_\_\_\_

25 DISSENT \_\_\_\_\_  
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SERVICE LIST FOR:

TURNER RANCHES WATER AND SANITATION  
COMPANY

DOCKET NO.:

W-01677A-09-0464

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