

ORIGINAL
MEMORANDUM



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TO: Docket Control

FROM: Steve M. Olea
Director
Utilities Division

Date: December 23 2010

RE: **STAFF REPORT FOR WHY UTILITY COMPANY, INC. – APPLICATION FOR APPROVAL OF THE SALE OF ITS ASSETS TO WHY DOMESTIC WATER IMPROVEMENT DISTRICT AND CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE (DOCKET NO. W-02052A-10-0020)**

Arizona Corporation Commission
DOCKETED

DEC 23 2010

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Attached is the Staff Report for Why Utility Company, Inc.'s Application for approval of the sale of its Assets to Why Domestic Water Improvement District and Cancellation of its Certificate of Convenience and Necessity for water service in Pima County, Arizona. Staff is recommending approval with conditions.

SMO:BNC:red

Originator: Blessing Chukwu

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Docket No. W-02052A-10-0020

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

WHY UTILITY COMPANY, INC.
DOCKET NO. W-02052A-10-0020

APPLICATION FOR APPROVAL OF THE SALE
OF ITS ASSETS TO WHY DOMESTIC WATER IMPROVEMENT DISTRICT AND
CANCELLATION OF ITS CERTIFICATE CONVENIENCE AND NECESSITY

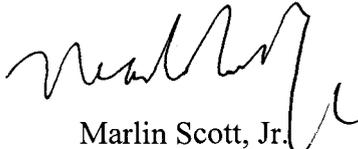
DECEMBER 23, 2010

STAFF ACKNOWLEDGMENT

The Staff Report for Why Utility Company, Inc. (Docket No. W-02052A-10-0020) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'Blessing Chukwu', written over a horizontal line.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Marlin Scott, Jr.', written over a horizontal line.

Marlin Scott, Jr.
Utilities Engineer

**EXECUTIVE SUMMARY
WHY UTILITY COMPANY, INC.
DOCKET NO. W-02052A-10-0020**

On January 21, 2010, Why Utility Company, Inc. ("Why" or "Company" or "Transferors") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its Assets to Why Domestic Water Improvement District ("WDWID" or "District" or "Transferee") and cancellation of its Certificate of Convenience and Necessity ("CC&N") for water service in Pima County, Arizona. On October 28, 2010, Staff filed a Sufficiency Letter indicating that the Application had met the sufficiency requirements of the Arizona Administrative Code.

Why Utility Company, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division. Why is located approximately 10 miles southeast of Ajo, Pima County, where it provides potable water to approximately 91 customers. The Company provides water service to its customers pursuant to Commission Decision No. 40053 (June 9, 1969). Why serves an area approximately 0.5 square miles in size. WDWID was established on July 14, 2009 by the Pima County Board of Supervisors. According to the application, "the sole purpose of WDWID is to acquire the assets and facilities of Why and provide on-going management to supply the Community of Why, Arizona, with domestic water service and campground facilities for Rvers."

According to the Company, no refunds are due on Main Extension Agreements; no refunds are due on meter and service line installations; and all customer security deposits will be transferred to the District subject to the Commission granting the relief requested in the Application. The Company formed WDIWD to facilitate receiving grants and low interest loans to upgrade the water infrastructure system. The Company does not anticipate any changes in the operation and maintenance of the Company's water system as a result of the proposed transaction. However, the ability to receive the grants and loans as a District will greatly enhance the ability to upgrade and modernize the water system.

Based on Staff's review and analysis of the application, Staff believes the Company's existing system has adequate production and storage capacity to serve existing customers.

Staff recommends the Commission approve Why's Application for the sale of its assets to WDWID and cancellation of its CC&N for water service within portions of Pima County, Arizona, subject to compliance with the following condition:

1. That Why be required to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of its water system and assets to WDWID, within 120 days of the effective date of a decision in this matter.

Staff further recommends that the Commission's Decision granting the approval of the sale of assets to WDWID and the cancellation of the CC&N be considered null and void, after due process, should Why fail to meet Condition No. 1 listed above within the specified time.

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INTRODUCTION

On January 21, 2010, Why Utility Company, Inc. ("Why" or "Company" or "Transferors") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its Assets to Why Domestic Water Improvement District ("WDWID" or "District" or "Transferee") and cancellation of its Certificate of Convenience and Necessity ("CC&N") for water service in Pima County, Arizona.

On October 28, 2010, Staff filed a Sufficiency Letter indicating that the Application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

BACKGROUND

Why Utility Company, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division.

Why is located approximately 10 miles southeast of Ajo, Pima County, where it provides potable water to approximately 91 customers. The Company provides water service to its customers pursuant to Commission Decision No. 40053 (June 9, 1969). Why serves an area approximately 0.5 square miles in size.

WDWID was established on July 14, 2009 by the Pima County Board of Supervisors. According to the application, "the sole purpose of WDWID is to acquire the assets and facilities of Why and provide on-going management to supply the Community of Why, Arizona, with domestic water service and campground facilities for Rvers."

THE WATER SYSTEM

The Company's water system consists of two wells (producing 157 gallons per minute), two storage tanks totaling 164,000 gallons, and a distribution system serving 91 service connections. The water system has adequate well production and storage capacity to serve the existing service connections.

THE TRANSACTION

Why's CC&N area is located approximately 10 miles southeast of Ajo, Pima County. The CC&N area is approximately 0.5 square miles in size.

By this Application, Why is seeking Commission authority to sell its assets to WDWID and cancel its CC&N, in the location described above. The Company provided a plant listing of assets totaling to \$2,765,719 (owned by the Company) to be transferred to the District. This plant listing is attached to the Engineering Report as Attachment 1.

According to the Application, no refunds are due on Main Extension Agreements; no refunds are due on meter and service line installations; and all customer security deposits will be transferred to the District subject to the Commission granting the relief requested in the Application.

The Company formed WDIWD pursuant to Title 48 of the Arizona Revised Statutes to facilitate receiving grants and low interest loans to upgrade the water infrastructure system. The Company does not anticipate any changes in the operation and maintenance of the Company's water system as a result of the proposed transaction. However, the ability to receive the grants and loans as a District will greatly enhance the ability to upgrade and modernize the water system

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

According to an ADEQ compliance status report, dated November 18, 2010, the Company's water system, Public Water System No. 10-118, is in compliance with ADEQ regulations and is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company is not located in any ADWR Active Management Area. According to an ADWR compliance status report, dated August 18, 2010, ADWR reported that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

ACC COMPLIANCE

According to the Utilities Division Compliance Section, the Company has no outstanding ACC compliance issues.

CURTAILMENT PLAN TARIFF

The Company has an approved curtailment plan tariff that became effective on September 4, 2004.

CROSS CONNECTION TARIFF

The Company has an approved backflow prevention tariff that became effective on September 6, 1996.

PROPOSED RATES

Upon the acquisition of the Company's assets, the customers in the affected CC&N area will be charged the Company's existing rates for water service.

RECOMMENDATIONS

Staff recommends the Commission approve Why's Application for the sale of its assets to WDWID and cancellation of its CC&N for water service within portions of Pima County, Arizona, subject to compliance with the following condition:

1. That Why be required to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of its water system and assets to WDWID, within 120 days of the effective date of a decision in this matter.

Staff further recommends that the Commission's Decision granting the approval of the sale of assets to WDWID and the cancellation of the CC&N be considered null and void, after due process, should Why fail to meet Condition No. 1 listed above within the specified time.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Marlin Scott, Jr. *MSJ*
Utilities Engineer
Utilities Division

DATE: November 18, 2010

RE: Engineering Report for Why Utility Co., Inc.
Docket No. W-02052A-10-0020 (Sale of Assets and Cancellation of CC&N)

Introduction

Why Utility Co., Inc. ("Company") has filed an application for approval of the sale of its assets and cancellation of its Certificate of Convenience and Necessity ("CC&N") to the Why Domestic Water Improvement District ("District"). The Company is located in Why, approximately 10 miles southeast of Ajo, Pima County, with a CC&N area covering approximately 1/2 square-mile.

Water System*Operation*

The Company's water system consists of two wells (producing 157 gallons per minute), two storage tanks totaling 164,000 gallons, and a distribution system serving 91 service connections.

Capacity

The water system has adequate well production and storage capacity to serve the existing service connections.

Sale of Assets

In response to Staff's Insufficiency Letter, the Company provided a plant listing of assets totaling to \$2,913,765, which listed assets owned by the Company (\$2,765,719), Non-Company owned RV Parks (\$148,046) and the District (\$0). In addition, Staff submitted data requests to the Company to understand the ownership of these listed assets. According to the Company responses, the Company revised and provided the following ownership listings:

Table A. Company Assets

Acct. No.	Plant-in-Service	Amounts
303	Land & Land Rights	
304	Structures & Improvements	
	Tractor shed (2/1/95)	1,878
	Metal bldg. (2/1/05)	4,000
307	Wells & Springs	
	#2 well & improve (1/93 - 12/04)	357,369
311	Electric Pumping Equip.	
	General Plant (1-1-88)	67,440
	General Plant (1-1-89)	6,328
320	Water Treatment Equip.	
	Filtration system (11/17/08)	1,941,363
	Add filtration (10/1/09)	170,178
	RO machine & bldg. (6/01)	8,314
330	Dist. Reservoir & Standpipe	
331	Transmission & Dist. Mains	
	Distribution system (1-1-88 - 1-1-98)	156,339
333	Services	
334	Meters	
	Meters (1/07)	1,385
335	Hydrants	
340	Office Furn. & Improvements	
341	Transportation Equipment	
345	Power Operated Equipment	
	Tractor, trailer, repr (1/91 - 9/94)	45,143
347	Miscellaneous Equipment	
	Dump truck (4/09)	5,982
	Total:	\$ 2,765,719

Table B. Non-Company owned RV Park Assets

RV Park Assets:	Amounts
Coin machine (1/91)	269
Forklift (3/06)	5,550
Septic tank ((1/03)	6,295
RR bldg. ((1/92)	5,029
Coolers (1/92 - 3/05)	1,003
West Park equipment (11/02 - 10/05)	6,165
Land 3 parcels (\$123,735 - \$38,270 =)***	85,465
Total:	\$109,776

*** Note: In response to Staff's Insufficiency Letter, the Company provided within Exhibit 2 a listing of "Land 3 parcels" at \$123,735. Through further data request responses, the Company reduced this amount to \$85,465 (= \$123,735 - \$38,370) and reclassified the \$38,370 amount to the District Assets. Included within Exhibit 2, the Company provided six Quitclaim Deeds which were later found to be the assets of the RV Parks.

In further response to Staff's Insufficiency Letter, the Company provided Exhibit 7 which was the Resolution and Order Establishing the Why Domestic Water Improvement District of Pima County, Arizona, dated July 7, 2009. Based on the establishment of the District, the District itself purchased land for Well Site #3 at a cost of \$38,270. In addition, to further develop Well Site #3, the District completed its new Well #3 with the issuance of the ADEQ Approval of Construction on June 2, 2010, for the following District's assets:

Table C. District Assets

District's List of Assets	Amounts
Land - Well Site #3	38,270
Well #3 - 12" casing @ 1,200 ft.	405,000
Well #3 - 40-Hp submersible pump at 100 GPM	135,306
Total:	\$578,576

Arizona Department of Environmental Quality (“ADEQ”) Compliance

In an ADEQ compliance status report, dated November 18, 2010, ADEQ reported the Company’s water system, Public Water System #10-118, is currently delivering water that meets water quality standards and is in compliance with ADEQ regulation.

Arizona Corporation Commission (“ACC”) Compliance

According to the Utilities Division Compliance database, the Company has no delinquent ACC compliance items.

Arizona Department of Water Resources (“ADWR”) Compliance

The Company is not located in any ADWR Active Management Area. According to an ADWR compliance status report, dated August 18, 2010, ADWR reported that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

Conclusion

The Company is in compliance with ADEQ, ACC and ADWR regulations.

MEMORANDUM

TO: Vicki Wallace
Chief, Consumer Services & Special Projects
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: February 11, 2010

RE: **WHY UTILITY COMPANY, INC. (DOCKET NO. W-02052A-10-0020)**

Why Utility Company has filed an application to transfer its CC&N and sell its assets to Why Domestic Water Improvement District.

Attached is a copy of the map for your files.

:bsw

Attachment

cc: Mr. Stephen Cooper
Ms. Deb Person (Hand Carried)
Mr. Marlin Scott, Jr.

PIMA COUNTY

RANGE 5 West

TOWNSHIP 13 South

06	05	04	03	02	01
07	08	09	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36


 W-02052A (1)
 Why Utility Company, Inc.

Why Utility Company, Inc.
 Docket No. W-02052A-10-0020
 Application to Transfer to
 Why Domestic Water Improvement District

