

ORIGINAL



0000132971

MEMORANDUM

Arizona Corporation Commission

DOCKETED

DEC 16 2011

DOCKETED BY 

TO: Docket Control

FROM: Steven M. Olea  
Director  
Utilities Division

*EA for SMD*

DATE: December 16, 2011

RE: STAFF REPORT FOR THE APPLICATION FOR APPROVAL OF SALE OF ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY OF DELLS WATER COMPANY TO ACME WATER COMPANY (DOCKET NOS. W-01384A-11-0243 AND W-20809A-11-0243)

Attached is the Staff Report for the sale of assets and transfer of CC&N of Dells Water Company to ACME Water Company.

SMO:KMS:red

Originator: Kiana M. Sears

Attachment: Original and 13 Copies

AZ CORP COMMISSION  
DOCKET CONTROL

2011 DEC 16 P 3:00

RECEIVED

Service List for: DELLS WATER COMPANY  
Docket Nos. W-01384A-11-0243 and W-20809A-11-0243

Mr. Jim West  
365 East Coronado Road, Suite 200  
Phoenix, Arizona 85004

Mr. Steven M. Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Janice Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Lyn Farmer  
Chief Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

DELLS WATER COMPANY  
DOCKET NOS. W-01384A-11-0243 AND W-20809A-11-0243

APPROVAL OF SALE AND TRANSFER OF CERTIFICATE OF  
CONVENIENCE AND NECESSITY OF DELLS WATER COMPANY TO  
ACME WATER COMPANY

DECEMBER 16, 2011

## STAFF ACKNOWLEDGMENT

The Staff Report for Dells Water Company, Docket Nos. W-01384A-11-0243 and W-20809A-11-0243 was prepared by the Staff members shown below.

  
Kiana M. Sears  
Executive Consultant I

  
Dorothy Hains, P.E.  
Utilities Engineer

**EXECUTIVE SUMMARY  
DELLS WATER COMPANY  
DOCKET NOS. W-01384A-11-0243 AND W-20809A-11-0243**

On June 16, 2011, Dells Water Company ("Dells" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for the approval for the sale of assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to ACME Water, LLC ("ACME"). On July 5, 2011, Dells also filed a supplement to its application, the supplement includes documentation that all the customers of Dells have been notified of the filing of this application as is required by the Commission.

Dells is an Arizona non-profit corporation providing water service to approximately 64 residential customers in Yavapai County, Arizona. The Company's CC&N covers an area of approximately one half square mile land in the northwest quarter of Section 13 in Township 14 North, Range 2 West.

According to the Company, the operations of the Company are expected to remain essentially the same with little changes after the sale and transfer of ownership. Jim West will see to the day to day operation of the Company, while Brian Cunningham, a Grade II Certified Water Operator, will continue to operate the Dells water system under ACME if the Commission approves this application. Based on that information, Staff believes the new owner has the technical, managerial and financial ability required by the Rules to run a water company. In its Annual Reports for years 2009 and 2010, Dells reported zero water loss. In Decision No. 70102, issued on December 21, 2007, the water loss issue was addressed with an Order and directives were given to the Company.

#### RECOMMENDATIONS

Staff recommends Commission approval of the sale and transfer of the assets of Dells to ACME and transfer of the Company's CC&N with the following conditions:

- Dells be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with the 2012 Annual Report filed in 2013.
- The results of this monitoring and reporting be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding.
- If the reported water loss for the period is greater than 10 percent, the Company prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent.

- The water loss reduction report or the detailed analysis, be docketed as a compliance item no later than June 30, 2013.

Staff recommends approval of the Dells' three BMP Tariffs, BMPs 3.6, 3.7 and 5.2, attached hereto within the Engineering section of this Staff Report. Staff further recommends that the Dells file with Docket Control, as a compliance item in the docket, the three BMP Tariffs listed above within 30 days of the effective date of the Commission's Decision in this proceeding.

**TABLE OF CONTENTS**

	<b>Page</b>
<b>INTRODUCTION</b> .....	<b>1</b>
<b>BACKGROUND</b> .....	<b>1</b>
<b>COMPANY WATER SYSTEM</b> .....	<b>1</b>
<b>OPERATION</b> .....	<b>1</b>
<b>COMPLIANCE</b> .....	<b>1</b>
<i>ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE</i> .....	<i>1</i>
<i>ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE</i> .....	<i>2</i>
<i>ACC COMPLIANCE</i> .....	<i>2</i>
<b>RECOMMENDATIONS</b> .....	<b>2</b>

**ATTACHMENT(S)**

<b>ENGINEERING REPORT</b> .....	<b>A</b>
<b>ENGINEERING MAP</b> .....	<b>B</b>

## **INTRODUCTION**

On June 16, 2011, Dells Water Company (“Dells” or “Company”) filed an application with the Arizona Corporation Commission (“Commission”) for the approval for the sale of assets and transfer of its Certificate of Convenience and Necessity (“CC&N”) to ACME Water, LLC (“ACME”). On July 5, 2011, Dells also filed a supplement to its application, the supplement includes documentation that all the customers of Dells have been notified of the filing of this application as is required by the Commission.

## **BACKGROUND**

Dells is an Arizona non-profit corporation providing water service to approximately 64 residential customers in Yavapai County, Arizona. The Company’s CC&N covers an area of approximately one half square mile in the northwest quarter of Section 13 in Township 14 North, Range 2 West.

## **COMPANY WATER SYSTEM**

The Dells water system consists of four wells (total pumping yields 240 gallons per minute), three 12,000 gallon storage tanks, one 2,100 gallon pressure tank and a distribution system serving 67 metered connections. Staff concludes that the system has adequate production and storage capacity to serve existing customers and reasonable growth.

## **OPERATION**

According to the Company, the operations of the Company are expected to remain essentially the same with little changes after the sale and transfer of ownership. Jim West will see to the day to day operation of the Company, while Brian Cunningham, a Grade II Certified Water Operator, will continue to operate the Dells water system under ACME if the Commission approves this application. Based on that information, Staff believes the new owner has the technical, managerial and financial ability required by the Rules to run a water company. The rates charged by the Company will also be the rates charged by ACME. In its Annual Reports for years 2009 and 2010, Dells reported zero water loss. In Decision No. 70102, issued on December 21, 2007, the water loss issue was addressed with an Order and directives were given to the Company.

## **COMPLIANCE**

### *Arizona Department of Environmental Quality (“ADEQ”) Compliance*

ADEQ regulates the Dells water system under ADEQ Public Water System I.D. No. 13-029. Based on a Compliance Status Report, dated July 14, 2011, the system has no major deficiencies and is 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 Dells service area is located within the Prescott Active Management Area ("AMA"). ADWR has determined that Dells is currently in compliance with departmental requirements governing water providers and/or community water systems.

*ACC Compliance*

A check of the Utilities Division compliance database indicated that there are currently no delinquent compliance items for Dells

**RECOMMENDATIONS**

Staff recommends Commission approval of the sale and transfer of the assets of Dells to ACME and Transfer of the Company's CC&N with the following conditions:

- Dells be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with the 2012 Annual Report filed in 2013.
- The results of this monitoring and reporting be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding.
- If the reported water loss for the period is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent.
- The water loss reduction report or the detailed analysis, shall be docketed as a compliance item no later than June 30, 2013.

Staff also recommends approval of the Dells' three BMP Tariffs, BMPs 3.6, 3.7 and 5.2, attached hereto within the Engineering section of this Staff Report. Staff further recommends that the Dells file with Docket Control, as a compliance item in the docket, the three BMP Tariffs within 30 days of the effective date of the Commission's Decision in this proceeding.

**MEMORANDUM**

DATE: September 8, 2011

TO: Kiana Sears  
Executive Consultant

FROM: Dorothy Hains, P. E. *EAF DH*  
Utility Engineering

RE: Dells Water Company Application for authorization to sell water system assets and transfer Certificate of Convenience and Necessity to ACME Water Company (Docket Nos. W- 01384A-11-0243 and W-20809A-11-0243)

---

**INTRODUCTION**

On June 16, 2011, Dells Water Company (“Dells” or “Company”) filed an Application with the Arizona Corporation Commission (“ACC” or “Commission”) for approval of the sale of the Dells water system assets and transfer of its Certificate of Convenience and Necessity (“CC&N”) to provide water service near the City of Prescott in Yavapai County, Arizona to ACME Water LLC (“ACME”). The purpose of this Application is to obtain Commission approval of the transfer of the Dells water system assets and CC&N to ACME.<sup>1</sup> The Commission granted Dells a CC&N in Decision No. 27705 dated June 16, 1953. The Company’s CC&N covers an area of approximately one half square mile in the northwest quarter of Section 13 in Township 14 North, Range 2 West. Dells served 64 residential customers at year end 2010.

Brian Cunningham, a Grade II Certified Water Operator, will continue to operate the Dells water system under ACME if the Commission approves this application.

**WATER SYSTEM**

The Dells water system consists of four wells (total pumping yields 240 gallons per minute), three 12,000 gallon storage tanks, one 2,100 gallon pressure tank and a distribution system serving 67 metered connections. Staff concludes that the system has adequate production and storage capacity to serve existing customers and reasonable growth.

**NON-ACCOUNT WATER**

Non-account water should be 10 percent or less. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow

---

<sup>1</sup> On May 1, 2011, Dells and ACME entered into an Asset Purchase Agreement through which ACME would acquire the Dells water system assets and CC&N subject to prior Commission approval. Staff understands that if the proposed transfer is approved this will be the first water system owned and operated by ACME.

a company to identify water and revenue losses due to leakage, theft and flushing. Lost water for the Dells water system was reported to be 0 percent in 2010 which calls into question the validity of the data reported.

Staff recommends that Dells be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with 2012 Annual Report filed in 2013. If the reported water loss for the period is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15%. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item by May 1, 2013.

#### **ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE**

ADEQ regulates the Dells water system under ADEQ Public Water System I.D. No. 13-029. Based on a Compliance Status Report, dated July 14, 2011, the system has no major deficiencies and is 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 Dells service area is located within the Prescott Active Management Area (“AMA”). ADWR has determined that Dells is currently in compliance with departmental requirements governing water providers and/or community water systems.<sup>2</sup>

#### **ACC COMPLIANCE**

A check of the Utilities Division compliance database indicates that there are currently no delinquent compliance items for Dells.<sup>3</sup>

#### **TARIFF**

##### *1. Curtailment Tariff*

The Company has an approved Curtailment Tariff.

---

<sup>2</sup> Per ADWR Water Provider Compliance Status Report dated June 28, 2011.

<sup>3</sup> Per Compliance Section email dated June 24, 2011.

## *2. Cross Connection & Backflow Tariff*

The Company has an approved Cross Connection & Backflow Tariff.

## *3. Best Management Practice ("BMP") Tariff*

In 2008, ADWR added a new regulatory program for the ADWR Third Management Plan for AMAs. The new program, called Modified Non-Per Capita Conservation Program ("Modified NPCCP"), addresses large municipal water providers (cities, towns and private water companies serving more than 250 acre-feet per year) and was developed in conjunction with stakeholders from all AMAs. Participation in the program is required for all large municipal water providers that do not have a Designation of Assured Water Supply and that are not regulated as a large untreated water provider or an institutional provider.

The Modified NPCCP is a performance-based program that requires participating providers to implement water conservation measures that result in water use efficiency in their service areas. A water provider regulated under the program must implement a required Public Education Program and choose one or more additional BMPs based on its size, as defined by its total number of water service connections. The provider must select the additional BMPs from the list included in the Modified NPCCP Program. The BMPs are a mix of technical, policy, and information conservation efforts.

On August 19, 2011, the Dells docketed three selected BMPs 3.6, 3.7 and 5.2. Copies of these BMPs are attached.

Staff concludes that the BMP Tariffs proposed are relevant to the Dells' service area characteristics. The BMP Tariffs selected by the Dells conform to the templates developed by Staff.

Staff recommends approval of the Dells' three BMP Tariffs, BMPs 3.6, 3.7 and 5.2, attached hereto. Staff further recommends that the Dells file with Docket Control, as a compliance item in the docket, the three BMP Tariffs listed above within 30 days of the effective date of the Commission's Decision in this proceeding.

## **SUMMARY**

### *Conclusions*

1. Brian Cunningham, a Grade II Certified Operator, will continue to operate the Dells water system under ACME if the Commission approves this application.
2. Staff concludes that the Dells water system has adequate production and storage capacity to serve existing customers and reasonable growth.

3. ADEQ has reported that Dells water system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.
4. ADWR has reported that Dells is currently in compliance with departmental requirements governing water providers and/or community water systems.
5. A check of the Utilities Division compliance database indicated that there are currently no delinquent Commission compliance items for Dells.

*Recommendations*

Staff recommends the following:

1. That Dells comply with the Order, in Decision No. 70102, issued December 21, 2007, regarding inaccurate reporting of the Company's water loss. In order to comply, Staff recommends that Dells be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with 2012 Annual Report filed in 2013. The results of this monitoring and reporting should be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss for the period is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15%. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item no later than June 30, 2013.
2. Approval of the Dells' three BMP Tariffs, BMPs 3.6, 3.7 and 5.2, attached hereto. Staff further recommends that the Dells file with Docket Control, as a compliance item in the docket, the three BMP Tariffs listed above within 30 days of the effective date of the Commission's Decision in this proceeding.

## ATTACHMENTS

BMP 3.6	1
BMP 3.7	2
BMP 5.2	3

Company: Dells Water Co.

Decision No.: \_\_\_\_\_

Phone: 928-639-1308

Effective Date: \_\_\_\_\_

## **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6**

### **PURPOSE**

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

### **REQUIREMENTS**

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and further assist the customer with water conservation measures.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Company: Dells Water Co.

Decision No.: \_\_\_\_\_

Phone: 928-639-1308

Effective Date: \_\_\_\_\_

## **Customer High Water Use Notification Tariff – BMP 3.7**

### **PURPOSE**

A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services Program 3.7: Customer High Water Use Notification).

### **REQUIREMENTS**

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall track water usage for each customer and notify the customer if water use seems excessive for that particular billing for that time of the year.
2. The Company shall identify customers with high consumption and investigate each instance to determine the possible cause.
3. The Company shall contact the high water use customers via telephone, email, by mail or in person. The Company shall contact the customer as soon as practical in order to minimize the possible loss of water. The customer will not be required to do anything to receive this notification.
4. In the notification the Company shall explain some of the most common water usage problems and common solutions and points of contact for dealing with the issues.
5. In the notification, the customer will be reminded of at least the following water-saving precautions:
  - a. Check for leaks, running toilets, or valves or flappers that need to be replaced.
  - b. Check landscape watering system valves periodically for leaks and keep sprinkler heads in good shape.
  - c. Adjust sprinklers so only the vegetation is watered and not the house, sidewalk, or street, etc.
  - d. Continue water conservation efforts with any pools such as installing covers on pools and spas and checking for leaks around pumps.
6. In the notification, the customer will also be reminded of at least the following ordinary life events that can cause a spike in water usage:
  - a. More people in the home than usual taking baths and showers.
  - b. Doing more loads of laundry than usual.
  - c. Doing a landscape project or starting a new lawn.
  - d. Washing vehicles more often than usual.

7. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs.
8. The Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing the high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).
9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

Company: Dells Water Co. Decision No.: \_\_\_\_\_

Phone: 928-639-1308 Effective Date: \_\_\_\_\_

## **WATER SYSTEM TAMPERING TARIFF – BMP 5.2**

### **PURPOSE**

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

### **REQUIREMENTS:**

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If after a customer has been connected to the Company water system and the Company discovers that the customer has taken actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

**MEMORANDUM**

TO: Kiana Sears  
Executive Consultant I  
Utilities Division

FROM: Lori H. Miller   
Programs and Projects Specialist II  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: June 30, 2011

RE: **DELL'S WATER COMPANY AND ACME WATER, LLC (DOCKET NOS. W-01384A-11-0243 AND W-20809A-11-0243)**

Dell's Water Company has filed an application to transfer its CC#N to ACME Water, LLC.

Attached is a copy of the map for your files.

/lhm

Attachment

cc: Mr. Jim West  
Mr. Del Smith  
Ms. Deb Person (Hand Carried)  
File

**RANGE 2 West**

**TOWNSHIP 14 North**

-  W-01384A (1)  
Dell's Water Company, Inc.
  -  W-01670A(1)  
Granite Dells Water Company
  -  W-01638A (1)  
Holiday Hills Water Company
  -  W-02065A (6)  
Wilhoit Water Company, Inc. (Willow Lakes)
- Dell's Water Company  
Docket No. W-01384A-11-0243  
Transfer to ACME Water, LLC (W-20809A)

