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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

OCT - 4 2012

GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

DOCKETED BY
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IN THE MATTER OF THE APPLICATION OF
DELLS WATER COMPANY, INC. FOR
APPROVAL OF THE SALE OF ITS ASSETS AND
FOR THE TRANSFER OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY TO ACME
WATER, LLC.

DOCKET NO. W-01384A-11-0243
DOCKET NO. W-20809A-11-0243

IN THE MATTER OF THE APPLICATION OF
WILHOIT WATER COMPANY, INC. FOR
APPROVAL OF THE SALE OF ITS ASSETS AND
FOR THE TRANSFER OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY TO ACME
WATER, LLC.

DOCKET NO. W-02065A-11-0246
DOCKET NO. W-20809A-11-0246

DECISION NO. 73519

OPINION AND ORDER

DATE OF HEARING: April 9, 2012
PLACE OF HEARING: Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey
APPEARANCES: Mr. Douglas G. Martin, MARTIN & BELL, LLC, on behalf of Applicants;
Mr. Jim West, on behalf of ACME Water Company; and
Ms. Kimberly Ruht, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On June 16, 2011, Dells Water Company, Inc. ("DWC") and Wilhoit Water Company, Inc. ("WWC") (collectively "the Utilities") each filed with the Arizona Corporation Commission ("Commission") an application for approval of the sale of their assets and the transfer of their Certificates of Convenience and Necessity ("CC&Ns") to ACME Water, LLC ("ACME"). The Utilities each provide water services to various parts of Yavapai County, Arizona, pursuant to their respective CC&Ns.

1 On July 5, 2011, DWC and WWC each docketed certification that notice of their applications
2 had been mailed and published in their respective CC&N service areas.

3 On September 15, 2011, WWC filed a supplement to its application requesting approval of
4 the sale its Willow Lakes water system to the City of Prescott ("Prescott") and for deletion of that
5 portion of its CC&N.

6 On the same date, WWC docketed a second supplement to its application requesting approval
7 to delete a portion of its CC&N area that was never developed and has never served any customers,
8 located in portions of Sections 26, 27, 34, and 35 of Township 11 North, Range 3 West.

9 On December 16, 2011, the Commission's Utilities Division ("Staff") filed Staff Reports in
10 each docket recommending approval of both DWC's and WWC's application.

11 On December 23, 2011, DWC and WWC each filed a letter in their respective above-
12 captioned dockets stating the Utilities had no objections to Staff's recommendations and requested
13 that the dockets be consolidated for purposes of hearing. No objections to the Utilities' requests for
14 consolidation of these matters were filed.

15 On January 10, 2012, by Procedural Order, the above-captioned dockets were consolidated.
16 Because both of the applications filed on behalf of DWC and WWC were signed by Mr. Jim West,
17 acting as Manager for both DWC and WWC, the Utilities were directed to file documentation from
18 either their attorney or a representative verifying that the applications for the sale of assets and
19 transfer of CC&Ns had been filed on behalf of the Utilities. Further, the timeclock in this matter was
20 suspended.

21 On January 18, 2012, Douglas G. Martin, Esq., filed a Notice of Appearance on behalf of
22 DWC and WWC.

23 On February 13, 2012, by Procedural Order, the matter was set for hearing to begin on April
24 9, 2012, public notice was ordered, and other procedural deadlines were established.

25 On March 22, 2012, Baca Enterprises, L.L.C. dba Lakeside Water Company ("Baca") filed a
26 Motion to Intervene ("Motion") in this proceeding. The Motion stated that Baca is the owner of
27 several parcels of land which include homes that are currently being served by DWC, and that Baca
28 has an interest in the continuation of service to its parcels by DWC if the transfer and sale of assets is

1 completed. No objections to Baca’s Motion were filed.

2 On April 2, 2012, a Procedural Order was issued granting Baca intervention in this matter.

3 On April 9, 2012, a full public hearing was convened before a duly authorized Administrative
4 Law Judge of the Commission at its offices in Phoenix, Arizona. DWC, WWC, and Staff appeared
5 through counsel. Mr. Jim West appeared on behalf of ACME. Baca did not appear for the hearing
6 and no members of the public were present to give public comments. At the conclusion of the
7 hearing, Staff was directed to file, by May 11, 2012, a Supplemental Staff Report addressing DWC’s
8 and WWC’s compliance with previous Commission Decisions and ADEQ requirements. Further,
9 Staff was directed to file any additional recommendations in its Supplemental Staff Report and the
10 Utilities were ordered to docket any ADEQ Consent Orders currently in effect.

11 On May 9, 2012, an executed agreement between WWC and Walden Meadows Community
12 Co-op (“Walden”), and copies of various ADEQ Consent Orders were docketed.

13 On May 16, 2012, Staff filed a request for an extension of time, until May 22, 2012, to file its
14 Supplemental Staff Report.

15 On May 17, 2012, by Procedural Order, Staff’s request for an extension of time, until May 22,
16 2012, to file its Supplemental Staff Report was granted. The Procedural Order also extended the
17 deadline for the Utilities response to Staff’s Supplemental Staff Report to June 8, 2012.

18 On May 22, 2012, Staff filed its Supplemental Staff Report.

19 On May 30, 2012, the Utilities docketed a letter stating that they support the
20 recommendations in Staff’s Supplemental Staff Report.

21 * * * * *

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

24 **FINDINGS OF FACT**

25 **Background**

- 26 1. DWC is an Arizona for-profit corporation providing water utility service near the City
- 27 of Prescott in Yavapai County, Arizona.
- 28 2. DWC serves approximately 64 residential customers.

1 3. DWC was granted a CC&N in Commission Decision No. 27705 (June 16, 1953) and
2 serves a CC&N area encompassing approximately one-half square mile in the northwest quarter of
3 Section 13 in Township 14 North, Range 2 West.

4 4. WWC is an Arizona corporation engaged in the business of providing water utility
5 service in the vicinity of Wilhoit, Arizona in Yavapai County.

6 5. The Commission approved a CC&N for WWC in Decision No. 39691 (October 24,
7 1968).

8 6. WWC owns and operates three water systems: Yavapai Estates located in Chino
9 Valley, Arizona; Blue Hills located in the Town of Dewey; and Thunderbird Meadows located
10 southwest of Prescott, Arizona near Kirkland. Yavapai Estates encompasses one-eighth of a square
11 mile; Blue Hills encompasses approximately 1/32 of a square mile; and Thunderbird Meadows
12 encompasses approximately one-half square mile.

13 7. On May 1, 2011, DWC, WWC, and ACME entered into an Asset Purchase Agreement
14 (“Agreement”) whereby ACME would acquire DWC’s and WWC’s water system assets and CC&Ns,
15 subject to prior Commission approval.

16 8. On June 16, 2011, DWC and WWC each filed separate applications with the
17 Commission requesting approval of the sale of their water system assets and the transfer of their
18 CC&Ns to ACME.¹

19 9. On September 15, 2011, WWC filed a supplement to its application requesting
20 retroactive approval of the sale of its Willow Lakes water system to the City of Prescott and to delete
21 that portion of its CC&N.² According to WWC, the City annexed the area served by the Willow
22 Lakes water system and the water system was condemned on June 10, 1981. The area encompassing
23 the Willow Lakes water system is described in Exhibit A, attached hereto and incorporated herein by
24

25 ¹ According to Staff, if the proposed transfer is approved by the Commission this will be the first water system owned and
operated by ACME.

26 ² In Commission Decision No. 58102 (December 9, 1992), Staff indicated that part of WWC’s CC&N area included a
27 water system serving the Willow Lakes subdivision in Yavapai County; that Prescott annexed the subdivision and
28 purchased the company’s water system serving the subdivision; and that the company never obtained prior Commission
approval for the sale or for deletion of the CC&N area. Decision No. 58102 ordered WWC to file an application with the
Commission within six months of the effective date of the Decision requesting approval of the sale of the Willow Lakes
system and deletion of the corresponding CC&N area.

1 reference.

2 10. On the same date, WWC docketed a second supplement to its application requesting
3 approval to delete a portion of its CC&N area that was never developed and has never served any
4 customers. The proposed deleted areas are located in portions of Sections 26, 27, 34, and 35 of
5 Township 11 North, Range 3 West and described in Exhibit B, attached hereto and incorporated
6 herein by reference.

7 Technical, Managerial, Financial Ability

8 11. Mr. West is the owner of ACME and has acted as the manager for the Utilities for the
9 last five years. According to Mr. West, the sale of the Utilities' assets will be financed through his
10 time and effort spent helping the Utilities come into compliance and that no cash will be exchanged.³
11 Mr. West testified that ACME has the ability to finance short term expenses related to the Utilities.⁴

12 12. According to Mr. West, if the sale and transfer are approved by the Commission the
13 day-to-day operations of the Utilities will essentially remain the same. Mr. West testified that he
14 began working for WWC and DWC about five years ago to help the Utilities with a variety of
15 regulatory issues and the filing of a rate case.⁵ Mr. West explained that he handles the day-to-day
16 operations of the Utilities as well as reading meters every month for DWC, and WWC's Blue Hills
17 and Yavapai Estates water systems.⁶ Mr. West stated that the meter readings for the Thunderbird
18 system are handled by a contractor.⁷ According to Staff, Mr. Brian Cunningham, a Grade II Certified
19 Water Operator will continue to operate DWC's water system under ACME if the transfer and sale is
20 approved by the Commission.⁸

21 13. Staff's witness testified that Staff believes Mr. West and ACME are fit and proper
22 entities to hold the CC&Ns of WWC and DWC because over the last four to five years Mr. West has
23 increasingly changed the status of the Utilities, taking them from deteriorating water systems to
24 slowly coming into compliance.⁹ Staff further stated that due to the "aging out" of the current owners

25 ³ Tr. at 23.

26 ⁴ Tr. at 26.

26 ⁵ Tr. at 10, 17.

27 ⁶ Tr. at 15.

27 ⁷ Id.

28 ⁸ Exhibit S-1.

28 ⁹ Tr. at 44.

1 it is in the public interest to grant the transfers and the sale of assets of the Utilities to ACME.¹⁰

2 14. Staff believes Mr. West, as the owner of ACME, has the technical, managerial, and
3 financial ability, as required by the Arizona Administrative Code (“A.A.C.”), to operate the
4 Utilities.¹¹

5 **DWC**

6 **Water System**

7 15. According to Staff’s Engineering Report, DWC’s water system consists of four wells,
8 pumping 240 gallons per minute (“GPM”); three 12,000 gallon storage tanks; one 2,100 gallon
9 pressure tank; and a distribution system consisting of 67 metered connections.¹²

10 16. Staff has concluded that DWC’s water system has adequate production and storage
11 capacity to serve existing customers and reasonable growth.

12 17. Staff states that non-account water should be 10 percent or less.¹³ Staff indicated that
13 in 2010 DWC reported a zero percent non-account water loss, and that the zero percent water loss
14 calls into question the validity of DWC’s reported water loss data.¹⁴

15 18. DWC’s witness testified that the Utilities have not done a good job in the past of
16 making sure they are not losing water either through faulty meters or leaks that are undetected.¹⁵ In
17 an effort to correct the problem, the witness stated that meters are being read every month at the well
18 site and the Utilities are comparing the readings with their sales so that the Utilities’ water loss is
19 being monitored.¹⁶ Further, the witness stated that DWC has no objection to Staff’s recommendation
20 requiring DWC to keep records of the monthly meter readings and water sales.¹⁷

21 19. The Arizona Department of Environment Quality (“ADEQ”) has determined that
22 DWC’s water system has no major deficiencies and is delivering water that meets water quality
23 standards as required by the A.A.C.

24 _____
25 ¹⁰ Tr. at 46.

26 ¹¹ Exhibit S-1 and Exhibit S-2.

27 ¹² Exhibit S-1 at Attachment A.

28 ¹³ Id.

¹⁴ Id.

¹⁵ Tr. at 12.

¹⁶ Id.

¹⁷ Id.

1 20. DWC has no outstanding compliance issues with the Commission.

2 21. DWC has an approved Curtailment Tariff on file with the Commission.

3 22. DWC has an approved Cross Connection and Backflow Tariff on file with the
4 Commission.

5 23. DWC's service area is located within the Arizona Department of Water Resources'
6 ("ADWR") Phoenix Active Management Area ("AMA"). ADWR has determined that DWC is in
7 compliance with AMA reporting and conservation rules.¹⁸ According to Staff, DWC is required by
8 ADWR to participate in the Modified Non-Per Capita Conservation Program for AMAs, which
9 requires participants to implement water conservation measures that result in water use efficiency and
10 requires that water providers' implement a Public Education Program and one or more Best
11 Management Practices ("BMPs") based on the water provider's total number of service
12 connections.¹⁹

13 24. On August 19, 2011, DWC docketed three proposed BMPs which included 3.6
14 (Customer High Water Use Inquiry Resolution); 3.7 (Customer High Water Use Notification), and
15 5.2 (Water System Tampering).

16 25. Staff concluded that DWC's proposed BMP Tariffs are relevant to DWC's service
17 area and that the proposed BMP Tariffs conform to the templates developed by Staff.

18 **Other Issues**

19 26. Baca was granted intervention in this proceeding.²⁰ Baca stated that it owns Lakeside
20 Water Company, a public water system, currently providing water to seven homes located within
21 DWC's CC&N.²¹

22 27. DWC's witness stated that the Baca parcels of land are located within DWC's CC&N
23 area; the homeowners of the parcels have a shared well agreement by which Baca provides water; the
24 homeowners have never requested service from DWC; and that DWC and/or ACME is willing to
25 provide water service if the homeowners request service.²²

26 ¹⁸ Exhibit S-1 at Attachment A, referencing ADWR Compliance Status Report dated June 28, 2011.

27 ¹⁹ Exhibit S-1 at Attachment A.

²⁰ Motion to Intervene docketed March 22, 2012.

²¹ Id.

28 ²² Tr. at 13.

1 28. Baca did not participate in the evidentiary hearing.

2 **WWC**

3 **Water Systems**

4 29. WWC currently owns and operates three water systems in Yavapai County, Arizona
5 known as Yavapai Estates, Blue Hills, and Thunderbird Meadows.

6 **Yavapai Estates**

7 30. According to Staff, the Yavapai Estates system consists of two wells (producing 55
8 GPM); a distribution system; and a storage facility serving 94 metered connections.²³ Staff
9 concluded that the system has adequate production and storage to serve existing customers and
10 reasonable growth.²⁴

11 31. ADEQ has issued a Compliance Order for WWC's Yavapai Estates water system
12 (Consent Order No. DW-128-06). According to Staff, the Compliance Order required WWC to install
13 an arsenic treatment system to comply with the required federal arsenic minimum contaminant level
14 ("MCL") of 10 parts per billion ("ppb") or less.

15 32. WWC's witness stated that WWC attempted a variety of mechanisms to resolve the
16 arsenic issues in the Yavapai Estates water system, including having Prescott supply water to the
17 system on a long term basis.²⁵ According to the witness, Prescott's water line runs in front of the
18 Yavapai Estates water system and Prescott supplied water for over a year at a cost of \$150,000.²⁶
19 The witness stated that Prescott was unwilling to connect the Yavapai Estates and Blue Hills water
20 systems to Prescott's water line because the WWC systems were outside of the city limits.²⁷ Further,
21 WWC's witness stated that arsenic treatment plants have been installed for both Yavapai Estates and
22 Blue Hills water systems, and the Utilities obtained loans in the range of \$70,000 to \$350,000 for
23 installation of arsenic treatment facilities.²⁸

24 33. Staff reports that an Approval of Construction ("AOC") for the Yavapai Estates
25

26 ²³ Exhibit S-2, Attachment A.

27 ²⁴ Id.

28 ²⁵ Tr. at 25.

²⁶ Id.

²⁷ Id.

²⁸ Id.

1 arsenic treatment plant was issued on April 12, 2011, and that WWC has completed its arsenic
2 treatment plant and four quarters of monitoring showing that the Yavapai Estates system has arsenic
3 levels below the mandated MCL. Based on an ADEQ Compliance Report issued July 18, 2011, the
4 Yavapai Estates system is currently delivering water that meets water quality standards as required by
5 the A.A.C.

6 34. Staff states that ADEQ is in the process of closing Compliance Order DW-128-06.

7 Blue Hills

8 35. WWC's Blue Hills system consists of two wells (producing 60 GPM); a storage
9 facility; and a distribution system serving 54 metered connections.

10 36. Staff concluded that the Blue Hills system has adequate production and storage
11 capacity to serve its existing customers and reasonable growth.

12 37. ADEQ has stated that WWC's Blue Hill system has major monitoring and reporting
13 deficiencies and that ADEQ is unable to determine if the system is currently delivering water that
14 meets water quality standards.²⁹ Further, Staff states that the Blue Hill system wells exceed the
15 arsenic MCL.³⁰

16 38. In its Supplemental Staff Report, Staff states WWC is currently under a Consent Order
17 with ADEQ which requires WWC to install an arsenic treatment system for its Blue Hills water
18 system.³¹ Staff reports that on October 4, 2011, ADEQ issued an AOC for the Blue Hills arsenic
19 treatment plant.³²

20 39. WWC's witness testified that the arsenic treatment plant for the Blue Hills system has
21 been completed.³³

22 40. Staff states that ADEQ is requiring WWC to complete four quarters of arsenic
23 monitoring with an average arsenic level below the MCL for its Blue Hills system before ADEQ will
24 close the Consent Order. According to Staff, ADEQ anticipates the Consent Order will be closed on
25 or about January 1, 2013.

26 ²⁹ Exhibit S-2 Attachment A.

27 ³⁰ Id.

27 ³¹ Staff referencing ADEQ Consent Order No. DW-26-10.

28 ³² Id.

28 ³³ Tr. at 15.

1 Thunderbird Meadows

2 41. WWC's Thunderbird Meadows system consists of four wells (producing 20 GPM)
3 and a distribution system serving 123 metered connections.

4 42. According to Staff, ADEQ has determined that WWC's Thunderbird Meadows system
5 has major deficiencies and ADEQ is unable to determine if the Thunderbird Meadows system is
6 currently delivering water that meets water quality standards.³⁴

7 43. WWC's Thunderbird Meadows system is under an ADEQ Consent Order (No. DW-
8 55-08). Under the Consent Order, WWC is required to install a new storage tank(s) to meet
9 minimum storage requirements and to drill a new well for its Thunderbird Meadows water system.
10 Further, the Consent Order requires WWC to submit to ADEQ a Contingency Plan of Action
11 ("Contingency Plan") describing measures WWC will implement in the event the water pressure in
12 the Thunderbird Meadows water system falls below 20 pounds per square inch ("psi"). According to
13 Staff, ADEQ issued an AOC for WWC's new well and a 65,000 gallon storage tank on July 12, 2011,
14 and August 24, 2011, respectively.

15 44. WWC's witness testified that the work required by ADEQ for the Thunderbird
16 Meadows system is continuing.³⁵ According to the witness, the storage tank installation was
17 completed six months prior to the hearing, but there is a remaining issue involving exposed pipes on
18 the storage tank that should be corrected in one week.³⁶

19 45. Staff concluded that WWC has made substantial progress in complying with Consent
20 Order No. DW-55-08, but that full compliance has not been met because WWC has not submitted its
21 Contingency Plan for its Thunderbird Meadows water system to ADEQ. Staff states that WWC has
22 submitted paperwork to ADEQ for the new well and that ADEQ is in the process of reviewing the
23 paperwork for completeness.

24 46. At the time of hearing, ADEQ had determined that the water produced by the
25 Thunderbird Meadows wells exceed the arsenic MCL. Currently water is being purchased from
26 Walden Meadows Community Co-op ("Walden") and blended with water from the Thunderbird

27 ³⁴ Staff referencing ADEQ Compliance Status Report dated July 21, 2011.

28 ³⁵ Tr. at 17.

³⁶ Id.

1 Meadows system to serve customers.³⁷ Walden is an Arizona non-profit corporation and was granted
2 a CC&N in Decision No. 51174 (July 23, 1980).³⁸

3 47. According to Staff, Walden and WWC entered into a Water Purchase Agreement
4 (“WPA”) in 1984, that was modified in 1986 and which provides for the sale of up to 400,000 gallons
5 of water per month by Walden to WWC for use in its Thunderbird Meadows water system.³⁹ Under
6 the WPA, Walden also agrees to provide water in emergency water shortage situations as long as
7 Walden can meet its own customers’ demands.

8 48. Staff concluded that WWC’s Thunderbird Meadows system has adequate production
9 and storage capacity, through its interconnection with Walden, to serve WWC’s existing customers
10 and reasonable growth.

11 49. Staff states that Walden is in compliance with the Commission; that ADEQ reports no
12 major deficiencies for Walden; and that Walden is currently delivering water that meets water quality
13 standards.

14 50. On August 19, 2011, WWC docketed three proposed BMPs which included 3.6
15 (Customer High Water Use Inquiry Resolution); 3.7 (Customer High Water Use Notification), and
16 5.2 (Water System Tampering).

17 51. Staff concluded that WWC’s proposed BMP Tariffs are relevant to DWC’s service
18 area and that the proposed BMP Tariffs conform to the templates developed by Staff.

19 52. WWC has an approved Curtailment Tariff on file with the Commission.

20 53. WWC has an approved Cross Connection & Backflow Tariff on file with the
21 Commission.

22 54. WWC is located within the Prescott AMA, and ADWR reports WWC is currently in
23 compliance with departmental requirements governing water providers and/or community water
24 systems.⁴⁰

25 55. WWC is in compliance with the Commission’s Utilities Division.

26 _____
27 ³⁷ Supplemental Staff Report at 1.

28 ³⁸ Id.

³⁹ Id.

⁴⁰ Staff referencing ADWR Compliance Status Report dated June 28, 2011.

1 Sale/Deletion of Willow Lakes System

2 56. WWC's supplement to its application requests that the Commission approve the sale
3 of its Willow Lakes water system assets to Prescott.

4 57. WWC's witness stated that Prescott annexed the area served by the Willow Lakes
5 water system, and in 1981 condemned the Willow Lakes water system and purchased the assets from
6 WWC as part of the condemnation proceeding.

7 58. Staff reported that WWC failed to seek prior Commission approval of the sale of the
8 Willow Lakes water system and that WWC was ordered in Decision No. 58102 (December 9, 1992)
9 to file an application requesting approval of the sale of the Willow Lakes assets to Prescott and
10 deletion of the corresponding CC&N area.

11 59. Staff recommends approval of the sale of the Willow Lake water system assets to
12 Prescott.

13 Deletion of a Portion of CC&N

14 60. WWC has requested cancellation and deletion of a portion of its CC&N. According to
15 WWC, its CC&N area, located in portions of Sections 26, 27, 34, and 35 of Township 11 North,
16 Range 3 West was never developed by WWC's parent company (Glenarm Land Company) and it has
17 never served any customers.

18 61. Staff states that there are no existing customers in the proposed deletion area and it
19 does not appear the area will be developed in the near future. Staff recommends that the Commission
20 approve WWC's request for deletion of portions of its CC&N located in Sections 26, 27, 34, and 35
21 of Township 11 North, Range 3 West.

22 Staff Recommendations

23 62. Staff recommends approval of WWC's and DWC's applications for the sale of their
24 assets and the transfer of their CC&Ns to ACME, subject to the following conditions:

- 25 a. WWC and DWC coordinate the reading of their well meters and
26 individual customer meters on a monthly basis and report such data in its
27 future Annual Reports beginning with the 2012 Annual Report to be filed
28 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
a Decision in this matter. If the reported water loss for the period is

1 greater than 10 percent WWC shall prepare a report containing a detailed
2 analysis and plan to reduce water loss to 10 percent or less. If the
3 Company believes it is not cost effective to reduce water loss to less than
4 10 percent, it should submit a detailed cost benefit analysis to support its
5 opinion. In no case shall the Company allow water loss to be greater than
6 15 percent. The water loss reduction report or the detailed analysis,
7 whichever is submitted, shall be docketed as a compliance item no later
8 than June 30, 2013.

9 b. WWC and DWC file with Docket Control, as a compliance item in
10 this docket, BMP Tariffs 3.6, 3.7, and 5.2, within 30 days of the effective
11 date of a Decision in this matter.

12 c. WWC file with Docket Control, as a compliance item in this
13 docket, by June 30, 2013, ADEQ Water Quality Compliance Status
14 Reports showing that its Blue Hills water system is in compliance with
15 ADEQ requirements and that its system is delivering water that meets
16 water quality standards required by the A.A.C.

17 d. WWC file with Docket Control, as a compliance item in this
18 docket, by December 31, 2012, ADEQ Water Quality Compliance Status
19 Reports showing that its Thunderbird Meadows water system is in
20 compliance with ADEQ requirements and that its system is delivering
21 water that meets water quality standards required by the A.A.C.

22 63. Staff also recommends approval of the sale and transfer of WWC's Willow Lakes
23 water system assets to the City of Prescott.

24 64. Staff further recommends approval of WWC's request to delete from its CC&N the
25 areas located in portions of Sections 26, 27, 34, and 35 of Township 11 North, Range 3 West.

26 65. Staff's recommendations are reasonable and will be adopted.

27 **CONCLUSIONS OF LAW**

28 1. Dells Water Company and Wilhoit Water Company are public service corporations
within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281, 40-282, and 40-
285.

2. The Commission has jurisdiction over Dells Water Company and Wilhoit Water
Company and the subject matter of the consolidated dockets.

3. Notice of the applications was provided in accordance with the law.

4. The proposed sale of Dells Water Company's and Wilhoit Water Company's assets to

1 ACME Water, LLC, is in the public interest and will not have an adverse effect on the service quality
2 or operations of the Utilities.

3 5. The transfer of the Dells Water Company and Wilhoit Water Company CC&Ns to
4 ACME Water, LLC, is in the public interest, subject to Staff's stated conditions.

5 6. The sale of assets to the City of Prescott and the cancellation of the Willow Lakes
6 portion of Wilhoit Water Company's CC&N is in the public interest.

7 7. Approval of WWC's request to delete from its CC&N the area located in portions of
8 Sections 26, 27, 34, and 35 of Township 11 North, Range 3 West, is in the public interest.

9 8. Staff's recommendations, as set forth herein, are reasonable and should be adopted.

10 **ORDER**

11 IT IS THEREFORE ORDERED that the applications of Dells Water Company, Inc., and
12 Wilhoit Water Company, Inc., for the sale of their assets and the transfer of their Certificates of
13 Convenience and Necessity to ACME Water, LLC, are hereby approved subject to compliance with
14 the following Ordering Paragraphs.

15 IT IS FURTHER ORDERED that Dells Water Company, Inc., and Wilhoit Water Company,
16 Inc., shall coordinate the reading of their well meters and individual customer meters on a monthly
17 basis and report such data in their future Annual Reports beginning with the 2012 Annual Reports to
18 be filed in 2013. The results of this monitoring and reporting should be docketed as a compliance
19 item in this case within 13 months of the effective date of this Decision. If the reported water loss for
20 the period is greater than 10 percent, Dells Water Company, Inc., and Wilhoit Water Company, Inc.,
21 shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or
22 less. If Dells Water Company, Inc., and/or Wilhoit Water Company, Inc., believes it is not cost
23 effective to reduce water loss to less than 10 percent, it shall submit a detailed cost benefit analysis to
24 support its opinion. In no case shall the Utilities allow water loss to be greater than 15 percent. The
25 water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a
26 compliance item no later than June 30, 2013.

27 IT IS FURTHER ORDERED that Dells Water Company, Inc., and Wilhoit Water Company,
28 Inc., shall each file with Docket Control, as a compliance item in this docket, Best Management

1 Practice Tariffs 3.6, 3.7, and 5.2, within 30 days of the effective date of this Decision.

2 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., shall file with Docket
3 Control, as a compliance item in this docket, by June 30, 2013, Arizona Department of
4 Environmental Quality Compliance Status Reports demonstrating that its Blue Hills water system is
5 in compliance with Arizona Department of Environmental Quality requirements and that the Blue
6 Hills water system is delivering water that meets water quality standards required by the Arizona
7 Administrative Code.

8 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc., shall file with Docket
9 Control, as a compliance item in this docket, by December 31, 2012, Arizona Department of
10 Environmental Quality Compliance Status Reports demonstrating that its Thunderbird Meadows
11 water system is in compliance with Arizona Department of Environmental Quality requirements and
12 that its system is delivering water that meets water quality standards required by the Arizona
13 Administrative Code.

14 IT IS FURTHER ORDERED that Wilhoit Water Company's request for the sale and transfer
15 of the Willow Lakes water system assets to the City of Prescott, as described in Exhibit A, is hereby
16 approved.

17 IT IS FURTHER ORDERED that Wilhoit Water Company's request for deletion from its
18 Certificate of Convenience and Necessity the Willow Lakes water system area, as described in
19 Exhibit A, is hereby approved.

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23 ...
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26 ...
27 ...
28 ...

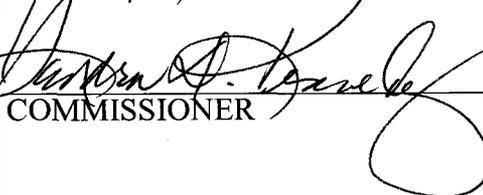
1 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s, request for deletion from
2 its Certificate of Convenience and Necessity the areas located in portions of Sections 26, 27, 34, and
3 35 of Township 11 North, Range 3 West, and as described in Exhibit B, is hereby approved.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6
7 
8 CHAIRMAN

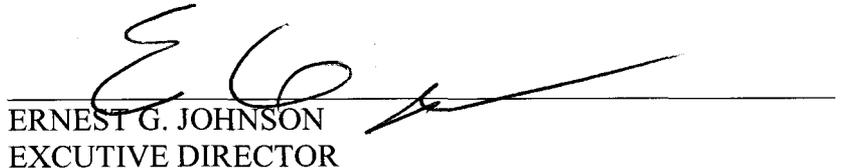

COMMISSIONER

9 
10 COMMISSIONER


COMMISSIONER


COMMISSIONER

11
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this 4th day of October 2012.

17 
18 ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____

1 SERVICE LIST FOR: DELLS WATER COMPANY, INC., WILHOIT WATER
2 COMPANY, INC. AND ACME WATER LLC.

3 DOCKET NOS.: W-01384A-11-0243, W-20809A-11-0243, W-02065A-11-0246
4 and W-20809A-11-0246

5 Douglas G. Martin, Esq.
6 365 East Coronado Road, Suite 200
7 Phoenix, AZ 85004-1560
8 Statutory Agent for Wilhoit Water Company, Inc.
9 and Dells Water Company, Inc.

10 David A. Conlin, Jr., President
11 Anne K. Conlin, Vice-President
12 WILHOIT WATER COMPANY, INC
13 AND DELLS WATER COMPANY, INC.
14 P.O. Box 870
15 Clarkdale, AZ 86324-0870

16 Jim West
17 ACME WATER CO.
18 365 East Coronado Road, Suite 200
19 Phoenix, AZ 85004-1560

20 Janice Alward, Chief Counsel
21 Legal Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 Steven M. Olea, Director
26 Utilities Division
27 ARIZONA CORPORATION COMMISSION
28 1200 West Washington Street
Phoenix, AZ 85007

EXHIBIT A

ATTACHMENT "A"

The North Half of the Northwest Quarter of
Section 14 and the Northeast Quarter of the
Northeast Quarter of Section 15, all in
Township 14 North, Range 2 West, Gila and
Salt River Base and Meridian, Yavapai County,
Arizona.

EXHIBIT B

The Southwest Quarter of Section 26, the Southeast Quarter of Section 26, the North Half of the Northeast Quarter of Section 35; EXCEPT all coal and other minerals as reserved by the United States in Patent on said land. The East Half of the Southeast Quarter and the Southwest Quarter of Section 27; the Northeast Quarter of the Northeast Quarter of Section 34, the North Half of the Northwest Quarter; the Southwest Quarter of the Northwest Quarter and the West Half of the Southwest Quarter of Section 35; all in the Township 11 North, Range 3 West of the Gila and Salt River Meridian, Yavapai County, Arizona.