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MEMORANDUM

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2014 MAY 30 PM 3 08

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

ORIGINAL

DATE: May 30, 2014

RE: STAFF REPORT FOR APPALOOSA WATER COMPANY'S APPLICATION FOR FINANCING AUTHORIZATION. (DOCKET NO. W-03443-13-0379)

Attached is the Staff Report for Appaloosa Water Company's application requesting authorization to incur long term debt from the Water Infrastructure Finance Authority of Arizona in an amount of \$295,000 ("Financing Application"). Staff recommends approval for the authorization of \$41,000 of debt for one emergency stand-by generator with propane tank, along with Staff's recommended conditions.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before June 10, 2014.

SMO:TBH:vsc\CHH

Originator: Teresa B. Hunsaker

Arizona Corporation Commission
DOCKETED
MAY 30 2014

DOCKETED BY

Service List for: Appaloosa Water Company
Docket No.: W-03443A-13-0379

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

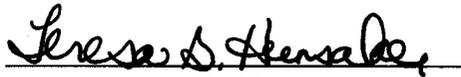
**APPALOOSA WATER COMPANY
DOCKET NO. W-03443A-13-0379**

APPLICATION FOR FINANCING AUTHORIZATION

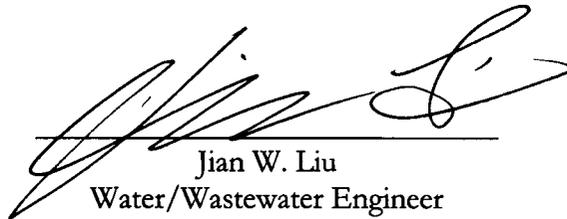
MAY 30, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for Appaloosa Water Company Docket No. W-03443A-13-0379, is the responsibility of the Staff members listed below. Teresa B. Hunsaker is responsible for the financial analysis. Jian Liu is responsible for the engineering review.



Teresa B. Hunsaker
Public Utilities Analyst II



Jian W. Liu
Water/Wastewater Engineer

**EXECUTIVE SUMMARY
APPALOOSA WATER COMPANY
DOCKET NO. W-03443A-13-0379**

Appaloosa Water Company (“Appaloosa” or “Company”) is a for-profit Arizona C-Corporation with only one shareholder, and a Class C Arizona public service corporation that provided water utility service to approximately 231 customers as of December 31, 2012. The Company services the Appaloosa Meadows subdivision within the Town of Chino Valley, Arizona in Yavapai County.

On November 6, 2013, Appaloosa filed an application for the authorization of financing (“Application”) with the Arizona Corporation Commission (“Commission”) for a Water Infrastructure Finance Authority of Arizona (“WIFA”) loan in the amount of \$295,000. Appaloosa is requesting authorization to issue debt and pledge its assets and revenue as security. The Company states that the loan proceeds will be utilized to fund additional storage capacity, storage site improvements, transfer pump, booster system upgrades and provide one emergency generator. The Company was previously authorized to obtain a WIFA loan not to exceed \$160,000 for a 50,000 gallon storage tank (\$100,000) and two emergency generators (\$60,000) in Decision No. 73270, dated July 30, 2012. The application to WIFA was denied as WIFA deemed the storage tank ineligible. However, this previous application to WIFA has a remaining \$60,000 authorization for the two generators and remains open and unused.

Staff Recommends:

- The Company be granted the authorization to incur a 20-year amortizing loan in an amount not to exceed \$41,000 pursuant to a loan agreement with WIFA and at an interest rate not to exceed that available from WIFA for the purpose of acquiring one emergency generator with propane tank and with sufficient capacity to run the Company’s high yield well. The remainder of the Company’s \$295,000 request for authorization to borrow funds should be denied.
- The Company be authorized to pledge its assets in the State of Arizona pursuant to Arizona Revised Statutes § 40-285 and A.A.C. R18-15-104 in connection with the WIFA loan.
- The Company be directed to file as a compliance item in this Docket, within 60 days of the execution of any financing transaction authorized herein, a notice confirming that such execution has occurred and a certification by the shareholder that the terms of the financing fully comply with the authorizations granted.
- The Company be directed to provide to the Utilities Division, upon Staff request, a copy of any WIFA loan documents executed pursuant to the authorizations granted herein.
- The Commission set an expiration date for any unused authorization to incur debt granted in this proceeding at July 31, 2015.

- The Commission rescind the previous financing authorization in Decision No. 73270.
- The Company be authorized to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.
- The denial of the Company's application for financing approval to construct a large storage tank in order to clean the main storage tank.
- The Company be directed to file with Docket Control, as a compliance item in this docket, an updated Arizona Department of Water Resources ("ADWR") Compliance Status Report indicating that the Company is in compliance with ADWR requirements within six months of the effective date of the order issued in this proceeding.
- The Company be directed to take action based on the Water Loss Prevention Plan to reduce water loss to less than 15 percent within 12 months of the effective date of the order issued in this proceeding. Additionally, the Company should be directed to reduce the water loss to less than 10 percent within 24 months of the effective date of the order issued in this proceeding.
- The Company be required to file with Docket Control, as a compliance item in this Docket, a report each January, April, July and October covering the previous three months that contains all activities regarding its Water Loss Prevention Plan, until such time as Appaloosa has a water loss of 10 percent or less, for a period of 12 consecutive months. The report must include gallons pumped and gallons sold for the reporting period, and explain in details all activities for each plan item (There are total 11 items in the Plan).

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INTRODUCTION

On November 6, 2013, Appaloosa Water Company, (“Appaloosa” or “Company”) filed an application for the authorization of financing (“Application”) with the Arizona Corporation Commission (“Commission”) for a Water Infrastructure Finance Authority of Arizona (“WIFA”) loan in the amount of \$295,000. Appaloosa is requesting authorization to issue debt and pledge its assets and revenue as security. The Company states that the loan proceeds will be utilized to fund additional storage capacity, storage site improvements, transfer pump, booster system upgrades and provide one emergency generator. The Company was previously authorized to obtain a WIFA loan not to exceed \$160,000 for a 50,000 gallon storage tank (\$100,000) and two emergency generators (\$60,000) in Decision No. 73270, dated July 30, 2012. The application to WIFA was denied as WIFA deemed the storage tank ineligible. However, this previous application to WIFA has a remaining \$60,000 authorization for the two generators and remains open and unused.

PUBLIC NOTICE

The Company provided a copy of the public notice that the Company intends to include as an insert in its November 2013 billing.

BACKGROUND

Appaloosa is a for-profit Arizona C-Corporation with only one shareholder and a Class C Arizona public service corporation that provided water utility service to approximately 231 customers as of December 31, 2012. The Company services the Appaloosa Meadows subdivision within the Town of Chino Valley, Arizona in Yavapai County. Appaloosa’s Certificate of Convenience and Necessity was granted in Commission Decision No. 60733, dated March 23, 1998. The current rates were established in Decision No. 73270 dated July 30, 2012.

COMPLIANCE AND CONSUMER SERVICES

The Corporations Division reports the Company is in Good Standing. A search of the Consumer Services database from January 1, 2010 to May 19, 2014, reveals the following complaints. All complaints have been resolved and closed.

- 2010 - zero complaints
- 2011 - ten complaints- (five) billing, (one) deposit, (four) rate case items
- 2012 - three complaints- (one) billing, (one) service, (one) other
- 2013 - 2014 zero complaints

The Company is current in its property and sales tax payments based on information provided in the Annual Reports for 2012 and 2013. Staff has determined that Appaloosa is currently deficient in compliance with Commission requirements to report on Water Loss. Staff’s Engineering Memorandum (Attachment A) provides a review and recommendation on the Company’s water losses. Staff may pursue any and all remedies available to it up to and including filing a petition for

an Order to Show Cause against Appaloosa for violation of Decision No. 73270 if the Company continues to fail to comply with the Decision.

PURPOSE AND DESCRIPTION OF THE REQUESTED FINANCING

The Company proposes to use the proceeds of the debt financing for the following purposes:

- Installation of 213,750 gallon storage tank and electrical equipment;
- Construct improvements to site for larger storage tank site;
- Transfer pump for new tank with booster upgrade; and
- One stand-by generator for Main Well No.1 for emergency or outage situations.

ENGINEERING ANALYSIS

The Staff Engineering Memorandum is attached. Staff reviewed the Company's proposed improvements in the last Application and concluded that Appaloosa's current system well production and storage capacities are adequate to serve the present customer base and up to a total of 296 service connections. The estimate for the one proposed stand-by emergency generator with propane tank to be financed, totaling \$41,000, appears to be reasonable for a generator of the appropriate size. However, no "used and useful" determination of the proposed plant was made, and no specific particular future treatment should be inferred for rate making or rate base purposes.

FINANCIAL ANALYSIS

Staff's analysis is presented in Schedule TBH-1. Column [A] of the schedule reflects the Company's historical financial information for the year ended December 31, 2012 provided in the Application, and Column [B] presents pro forma financial information that modifies Column [A] to reflect issuance of a \$41,000, 20-year amortizing loan at 5 percent per annum. Schedule TBH-2 is the Loan Amortization Schedule for a 20-year loan at 5 percent per annum for \$41,000.

Debt Service Coverage

Debt service coverage ("DSC") ratio represents the number of times internally generated cash will cover required principal and interest payments on short-term and long-term debt. A DSC greater than 1.0 indicates that cash flow from operations is sufficient to cover debt obligations. A DSC less than 1.0 means that debt service obligations cannot be met by cash generated from operations and that another source of funds is needed to avoid default.

On Schedule TBH-1, a pro forma 2.01 DSC results for the scenario described above for Column [B] Line 9. The DSC shows that cash flow from operations is sufficient to cover debt service. The Company has existing unused authorizations to issue indebtedness through Decision No. 73270. Staff recommends that the Commission rescind this previous authorization.

Encumbrance

A.A.C. R18-15-104 requires WIFA borrowers to pledge their revenue sources to repay the financial assistance. Arizona Revised Statutes (“A.R.S.”) § 40-285 requires public service corporations to obtain Commission authorization to encumber certain utility assets. The statute serves to protect captive customers from a utility disposing of any of its assets that are necessary for the provision of service. Pledging assets as security typically provides benefits to the borrower in the way of increased access to capital funds or preferable interest rates, and it is often an unavoidable condition for procurement of funds for small or financially stressed entities. Staff recommends the authorization for the Company to issue debt and pledge its assets and revenue as security.

ADDITIONAL ISSUES

Staff has identified a number of additional issues related to the Company’s accounting practices and, therefore continues to recommend that the Company be ordered to file its next case by July 30, 2015 with a test year ending December 31, 2014, as previously ordered in Decision 73270. Staff will be addressing these issues in the next permanent rate case. The Company was ordered in Decision No. 71236 to maintain its books and records in accordance with National Association of Regulatory Commissioners (“NARUC”) Uniform System of Accounts and the Company’s books and records are still NARUC noncompliant.

STAFF RECOMMENDATIONS

- The Company be granted the authorization to incur a 20-year amortizing loan in an amount not to exceed \$41,000 pursuant to a loan agreement with WIFA and at an interest rate not to exceed that available from WIFA for the purpose of acquiring one emergency generator with propane tank and with sufficient capacity to run the Company’s high yield well. The remainder of the Company’s \$295,000 request for authorization to borrow funds should be denied.
- The Company be authorized to pledge its assets in the State of Arizona pursuant to Arizona Revised Statutes § 40-285 and A.A.C. R18-15-104 in connection with the WIFA loan.
- The Company be directed to file as a compliance item in this Docket, within 60 days of the execution of any financing transaction authorized herein, a notice confirming that such execution has occurred and a certification by the shareholder that the terms of the financing fully comply with the authorizations granted.
- The Company be directed to provide to the Utilities Division, upon Staff request, a copy of any WIFA loan documents executed pursuant to the authorizations granted herein.
- The Commission set an expiration date for any unused authorization to incur debt granted in this proceeding at July 31, 2015.

- The Commission rescind the previous financing authorization in Decision No. 73270.
- The Company be authorized to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.
- The denial of the Company's application for financing approval to construct a large storage tank in order to clean the main storage tank.
- The Company be directed to file with Docket Control, as a compliance item in this docket, an updated Arizona Department of Water Resources ("ADWR") Compliance Status Report indicating that the Company is in compliance with ADWR requirements within six months of the effective date of the order issued in this proceeding.
- The Company be directed to take action based on the Water Loss Prevention Plan to reduce water loss to less than 15 percent within 12 months of the effective date of the order issued in this proceeding. Additionally, the Company should be directed to reduce the water loss to less than 10 percent within 24 months of the effective date of the order issued in this proceeding.
- The Company be required to file with Docket Control, as a compliance item in this Docket, a report each January, April, July and October covering the previous three months that contains all activities regarding its Water Loss Prevention Plan, until such time as Appaloosa has a water loss of 10 percent or less, for a period of 12 consecutive months. The report must include gallons pumped and gallons sold for the reporting period, and explain in details all activities for each plan item (There are total 11 items in the Plan).

Appaloosa Water Company

Schedule TBH-1

Docket No. W-03443A-13-0379

For the 12-Month Period Ended December 31, 2012

Application For Financing

FINANCIAL ANALYSIS

Selected Financial Information

	[A] ¹	[B] ²
	<u>Company as of 12/31/2012</u>	<u>Company as of 12/31/2012</u> <u>Pro Forma</u>
1 Operating Income	\$ (5,668)	\$ (5,668)
2 Depreciation & Amort.	34,547	34,547
3 Income Tax Expense	0	0
4		
5 Interest Expense	3,670	5,692
6 Repayment of Principal	7,427	8,652
7		
8 DSC		
9 [1+2+3] ÷ [5+6]	2.60	2.01
10		

11 ¹ Column [A] is based on financial information for the period ending December 31, 2012 provided in the application.

12 ² Column [B] is Column [A] modified to reflect issuance of the Staff Recommended \$41,000 debt financing
 13 amortized for a 20 year term at 5 percent per annum. Schedule TBH-2

Appaloosa Water Company

Schedule TBH-2

Docket No. W-03443A-13-0379

For the 12-Month Period Ended December 31, 2012

Application For Financing

Loan Amount Requested \$	41,000.00		
Down Payment:	-		
Amount Financed:	41,000.00		
Number of years:	20	Compounding Periods:	12
Interest rate (r):	5.00%	APR:	5.12%

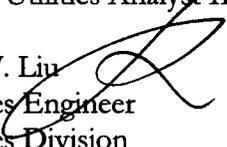
LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning- of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$ 270.58	\$ 41,000.00	\$ 170.83	\$ 99.75	\$ 40,900.25			
2	270.58	40,900.25	170.42	100.16	40,800.09			
3	270.58	40,800.09	170.00	100.58	40,699.51			
4	270.58	40,699.51	169.58	101.00	40,598.51			
5	270.58	40,598.51	169.16	101.42	40,497.08			
6	270.58	40,497.08	168.74	101.84	40,395.24			
7	270.58	40,395.24	168.31	102.27	40,292.97			
8	270.58	40,292.97	167.89	102.69	40,190.28			
9	270.58	40,190.28	167.46	103.12	40,087.15			
10	270.58	40,087.15	167.03	103.55	39,983.60			
11	270.58	39,983.60	166.60	103.98	39,879.62			
12	270.58	39,879.62	166.17	104.42	39,775.20	\$ 2,022.18	\$ 1,224.80	\$ 3,246.98

MEMORANDUM

DATE: April 30, 2014

TO: Teresa Hunsaker
Public Utilities Analyst II

FROM: Jian W. Liu 
Utilities Engineer
Utilities Division

RE: Appaloosa Water Company
Application for Financing Approval
Docket No. W-03443A-13-0379

Introduction and Background

On November 6, 2013 Appaloosa Water Company (“Appaloosa” or “Company”) filed an application with the Arizona Corporation Commission (“ACC” or “Commission”) requesting approval to borrow funds in the amount of \$295,000. The funds would be used to install a new large storage tank, transfer pump, standby generator and to complete booster system upgrades. The Company stated in its application that “A large storage tank is needed to accomplish the task of cleaning the main tank”

Appaloosa provides water utility service to the Appaloosa Meadows subdivision within the Town of Chino Valley, in Yavapai County. The Company’s Certificate of Convenience and Necessity (“CC&N”) includes approximately two-thirds of a square-mile. Appaloosa also serves contiguous parcels covering roughly 60 acres (Two Parcels) north of its CC&N. Appaloosa’s water system consists of two wells, one 65,000 gallon storage tank, a Booster Pump Station (equipped with two booster pumps a pressure tank and fire pump), an arsenic treatment plant and a distribution system serving 231 customers as of December 31, 2012.¹

On January 28, 2013, Appaloosa filed with Docket Control and included the following statement: In Decision No. 73270² Appaloosa Water Company was authorized to obtain a WIFA loan not to exceed \$160,000 for a 50,000 gallon storage tank (\$100,000) and two emergency generators with propane tanks (\$60,000). The application to WIFA for the tank and the generators was denied as WIFA deemed the storage tank ineligible. Further investigation into the need for the storage tank by Appaloosa Water Company and the Chino Valley Fire Department demonstrates that the storage capacity and current daily demand is being met.

¹ Per Appaloosa 2012 Commission Annual Report filing (See Water Use Data Sheet).

² Effective July 30, 2012

Appaloosa Water Company now requests that the financing authorization be revised to omit the storage tank and that the two generators requested be changed to one and the \$60,000 allotted to the cost of the generators be increased to \$100,000.

System Analysis

During Appaloosa's last rate proceeding (the test year was 2010), which resulted in Commission Decision No. 73270 (July 30, 2012), the Commission's Utilities Division Staff ("Staff") concluded that Appaloosa system well production and storage capacities were adequate to serve the present customer base and up to 296 service connections.³

The Company reported 236 customers in 2006, and 231 customers as of December 31, 2012. Appaloosa expects little or no growth in the next 3 to 5 years. Therefore, Staff concludes that the Appaloosa Water system has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.

Staff recommends the Commission deny Appaloosa's application to finance construction of a large storage tank in order to clean the main tank, based on the fact that the additional storage capacity is not needed in the foreseeable future.

One Generator with Propane Tank Project and Cost Estimates

Appaloosa requests Commission approval to finance the purchase of an emergency generator with propane tank that is needed to supply power to run the water system pumps during commercial power interruptions. On March 12, 2014, the Company submitted a quote from Pump Tech for one emergency generator with propane tank.

Standby Generator

1	70KW 3 phase 227/480 Volt propane generator With 100 amp automatic transfer switch	\$30,401.14
1	100 AMP 3 phase 480 volt outdoor panel band	\$ 2,168.84
1	Misc. electrical materials	\$ 1,325.00
1	200 gallon propane tank with 200 Gal. propane	\$ 423.27
1	8'x3'x8" concrete slab	\$ 495.00
1	6'x3'x6" concrete slab	\$ 450.00
		<u>\$35,263.25</u>
	Tax	\$ 2,239.22
	Labor	<u>\$ 3,260.00</u>
	Estimated Total for Standby Generator	\$40,762.47

Based on its review of the Financing Application and information provided by the Company, Staff concludes that it is reasonable to allow the Company to fund and provide an emergency generator with propane tank that is needed to supply power to run the water system pumps during commercial power interruptions.

³ The water system's capacity (to serve a total of 296 service connections) was based on the 65,000 gallons of storage supplied water by multiple wells.

Staff concludes that cost estimate of \$40,762.47 for one emergency generator with propane tank appears to be reasonable for a generator of the appropriate size and the associated plant additions. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Water Quality Compliance

The Arizona Department of Environmental Quality ("ADEQ") regulates the Appaloosa water system under ADEQ Public Water System ("PWS") ID No. 13-208. ADEQ reported that the Appaloosa drinking water system is currently delivering water that meets water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. (ADEQ compliance status report dated January 30, 2014).

ACC Compliance Status

Staff has determined that Appaloosa is not currently in compliance with Commission requirements. Commission Decision No. 73270 effective July 30, 2012, included the following ordering paragraph:

"IT IS FURTHER ORDERED that Appaloosa Water Company shall file with Docket Control, as a compliance item in this Docket, a report each January and July covering the previous six months that contains all activities regarding its Water Loss Prevention Plan, until such time as Appaloosa Water company has a water loss of 10 percent or less, for a period of 12 consecutive months."

Appaloosa has had high water loss since 2010. In Annual Reports for prior years, the monthly figures in either the gallons sold or gallons pumped columns were improperly stated. They were incorrect because the numbers provided for gallons sold and pumped by month were identical.

Water Loss

Year ⁴	Gallons Pumped	Gallons Sold	Water loss (%)
2010	30,316,389	21,680,896	28.48
2011	29,807,100	22,959,480	22.97
2012	30,169,900	23,695,030	21.46

On September 30, 2011 Appaloosa filed its Water Loss Prevention Plan ("Plan") Docket Nos. W-03443A-08-0177 and W-03443A-08-0313 (See attachment I). The Company has not submitted its water loss report in January and July 2013 as required in Decision No. 73270.

⁴ Appaloosa has not filed its 2013 Annual Report as April 21, 2014

Staff has reviewed the Appaloosa's water loss report filed on January 21, 2014 (See attachment II) and found it is insufficient. This report shows the Company has failed to improve its water loss problem. It appears the Company did little if anything to address the problem in its latest report.

Staff recommends that Appaloosa take action based on the Plan to reduce water loss to less than 15 percent within 12 months of the effective date of the order issued in this proceeding. Staff further recommends that Appaloosa reduce the water loss to less than 10 percent within 24 months of the effective date of the order issued in this proceeding.

Staff recommends that Appaloosa Water Company be required to file with Docket Control, as a compliance item in this Docket, a report each January, April, July, and October covering the previous three months that contains all activities regarding its Water Loss Prevention Plan, until such time as Appaloosa Water company has a water loss of 10 percent or less, for a period of 12 consecutive months. The report must include gallons pumped and gallons sold for the reporting time period, and explain in details all activities for each plan item (There are total 11 items in the Plan).

Staff believes that these recommendations are reasonable because Appaloosa's service area is relatively small (less than 500 acres or approximately 3/4 of a square-mile), and the water system appears to be in good condition being less than 15 years old.

With regard to further noncompliance, the Company should be aware of Arizona Revised Statute ("A.R.S.") §40-202, which states:

"A public service corporation shall comply with every order, decision, rule or regulation made by the commission in any matter relating to or affecting its business as a public service corporation, and shall do everything necessary to secure compliance with and observance of every such order, decision, rule or regulation."

Staff may pursue any and all remedies available to it up to and including filing a petition for an Order to Show Cause ("OSC") against Appaloosa for violation of Decision No. 73270 if the Company continues to fail to comply with the Decision.

Arizona Department of Water Resources ("ADWR") Compliance Status

Appaloosa is located within the ADWR Prescott Active Management Area. ADWR reported that Appaloosa's drinking water system is not in compliance with departmental requirements governing water providers and/or community water systems. (ADWR compliance status report⁵ dated March 3, 2014).

⁵ ADWR records indicate that the System Water Plan update has not been received.

Staff recommends that the Company file an updated ADWR Compliance Status Report indicating that the Company is in compliance with ADWR requirements. This Report shall be docketed as a compliance item within 6 months of the effective date of the order issued in this proceeding.

Curtailment and Backflow Prevention tariffs

Appaloosa has approved Curtailment and Backflow Prevention tariffs on file with the ACC.

Best Management Practice (“BMP”) Tariffs

Commission Decision No. 73270, included the following ordering paragraph:

“IT IS FURTHER ORDERED that Appaloosa Water Company shall file, with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, for the Commission's review and approval, at least five Best Management Practices in the form of Tariffs that substantially conform to the templates located on the Commission's website. Appaloosa Water Company's Best Management Practices tariffs shall consist of no more than two from Public Awareness/Public Relations or Education and Training categories.”

The Company filed five BMPs on January 24, 2014. Staff sent its comments to the Company on April 9, 2014. Staff is working with the Company to resolve this compliance issue.

Conclusions

Staff concludes that the Appaloosa Water system has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.

Staff concludes that cost estimate of \$40,762.47 for one emergency generator with propane tank appears to be reasonable and the associated plant additions appropriate. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Recommendations

Staff recommends the Commission deny Appaloosa's application for financing approval to construct a large storage tank in order to clean the main tank, based on the fact that the additional storage capacity is not needed in the foreseeable future.

Staff recommends that the Company file an updated ADWR Compliance Status Report indicating that the Company is in compliance with ADWR requirements. This Report shall be docketed as a compliance item within 6 months of the effective date of the order issued in this proceeding.

Staff recommends that Appaloosa take action based on the Plan to reduce water loss to less than 15 percent within 12 months of the effective date of the order issued in this proceeding. Staff further recommends that Appaloosa reduce the water loss to less than 10 percent within 24 months of the effective date of the order issued in this proceeding.

Staff recommends that Appaloosa Water Company be required to file with Docket Control, as a compliance item in this Docket, a report each January, April, July, and October covering the previous three months that contains all activities regarding its Water Loss Prevention Plan, until such time as Appaloosa Water company has a water loss of 10 percent or less, for a period of 12 consecutive months. The report must include gallons pumped and gallons sold for the reporting time period, and explain in details all activities for each plan item (There are total 11 items in the Plan).

ORIGINAL

UTILITY: Appaloosa Water Company

RECEIVED

DOCKET: W-03443A-08-0177
W-03443A-08-0313

2011 SEP 30 P 4:00

DECISION NO: 71236

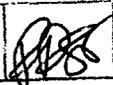
AZ CORP COMMISSION
DOCKET CONTROLWATER LOSS PREVENTION PLAN

To obtain an up to date water company software so that an accurate record that will track the water loss on an ongoing basis.

- 1.To read the master meters daily and at the same time each day. This will minimize water loss due to a large leak that can go undetected for a week or month.
- 2.Read all meters within a 1-2 day period. Although the numbers would average out over a year's period of time if the meters were read in a time span more than the 1-2 day period it could cause fluctuations of monthly water loss numbers.
- 3.Divide the water system into routes if possible and calculate water loss for each route. This will allow for the prioritizing of work based upon the severity of the problem in a particular route.
- 4.Utilize the computer billing software to generate water loss reports for each route as well as an overall water loss report.
- 5.Install bypass monitor meters as needed to isolate lines with potential leaks. A 5/8 x 3/4 inch meter will suffice for each 100-customer section of line.
- 6.Install a 2-inch bypass monitor meter if needed at the water storage tanks to isolate sections of the line with potential leaks during the night.
- 7.Test and change-out all meters that are not working properly.
- 8.Have the operator utilize leak detection equipment to search for leaks each month.
- 9.Identify sections of pipe in the distribution system with the most frequent line breaks. Budget for infrastructure replacement.
- 10.Have additional storage tank and water lines that will be used if any major leak is apparent to minimize water loss.
- 11.To update electrical systems to insure the equipment is working properly.

Arizona Corporation Commission
DOCKETED

SEP 30 2011

DOCKETED BY 

APPALOOSA WATER COMPANY
PO BOX 3150
CHINO VALLEY AZ 86323

ORIGINAL

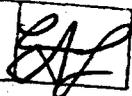
January 15, 2014

W-03443A-10-0143
W-03443A-11-0040
Decision #73270

Arizona Corporation Commission
DOCKETED

JAN 21 2014

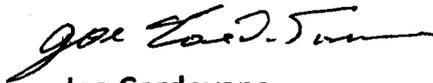
Compliance item-Water Loss Prevention Plan Report:

DOCKETED BY 

Appaloosa Water Company has in accordance with its' water loss prevention plan monitored heavy water use areas for detection of any water leaks in the system.

The Water Loss Percent of 24.98 in 2013 has been reduced to 16.86%.

Sincerely,



Joe Cordovana
President

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2014 JAN 21 A 11: 31
AZ CORP COMMISSION
DOCKET CONTROL