

OPEN MEETING



0000157660

ORIGINAL

MEMORANDUM

RECEIVED

TO: THE COMMISSION

Arizona Corporation Commission

DOCKETED

2014 NOV -3 P 3: 20

FROM: Utilities Division

NOV 3 2014

DATE: November 3, 2014

DOCKETED BY

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF THE ARIZONA CORPORATION COMMISSION UTILITIES DIVISION STAFF'S INQUIRY INTO CITRUS PARK WATER COMPANY -- DOCKET NO. W-03868A-14-0381

Over the past few months, Citrus Park Water Company, Inc. ("Citrus Park") has failed to respond to Staff inquiries and has apparently failed to appropriately oversee its utility operations. In order to avoid potential disruptions in utility service, Staff is requesting that the Commission authorize Staff to appoint an interim manager on a preliminary basis.

BACKGROUND

Citrus Park is an Arizona public service corporation that provides water utility service in the Tacna area. The Company was certificated to provide water utility service by Decision No. 63258 (December 14, 2000). The Corporations Division Annual Report lists Michael Smith and Areelie Smith as shareholders. They reside in Lynnwood, Washington. Mr. and Mrs. Smith apparently do not personally oversee the day-to-day operations of the Company, but instead employ a manager to do so.

Until recently, Citrus Park was operated by a manager (Edd Murray) and a certified operator (Nancy Miller). In March of this year, Mr. Murray elected to resign his position as manager of the Company. According to Mr. Murray, he personally contacted Mr. Smith, advised him of his intention to leave the Company, and arranged to drop off the Company's computer and paperwork at Mr. Smith's home. Although Mr. Murray clearly informed Mr. Smith of his intention to leave, Mr. Smith apparently did not hire a replacement.

In April, Staff received several calls from customers, who stated that Mr. Murray had left his position with Citrus Park and that he had not been replaced. One customer indicated that she had attempted to contact Citrus Park's owner in Washington state, but had received no response.

On one occasion, the Wellton-Mohawk Irrigation District ("Wellton") was ready to terminate electric service to the Company's pump. A customer of Citrus Park was able to make payment to Wellton, and this prevented termination of electric service. Apparently, the Wellton bills continue to be paid by the customers of Citrus Park, thereby enabling the continuation of electric service to the well pump. As an interim measure, this arrangement may not be immediately objectionable to the customers, because the amount of the monthly electric bill may be less than the Company's rates. Nonetheless, this situation may raise problems over the long-term.

THE COMMISSION

November 3, 2014

Page 2

Staff has made numerous efforts to contact the Company's owners of record, Mike and Areelie Smith, to determine what the Company intends to do about hiring a successor manager. Though they are out of state owners, it is their responsibility to ensure seamless utility service and to provide for a new manager. Unfortunately, despite numerous attempts to reach them (by phone at a number provided by Mr. Murray and by certified and regular mail), Mr. and Mrs. Smith have failed and/or refused to respond. In order to avoid potential disruptions in utility service, Staff is requesting that the Commission authorize Staff to appoint an interim manager.

STAFF RECOMMENDATIONS

Pursuant to A.A.C. R14-2-402.C, a public service corporation may not discontinue service without Commission authorization. In addition, Citrus Park has a duty to provide continuous and satisfactory utility service. See A.R.S. § 40-321; A.A.C. R14-2-407. Given the present circumstances, it appears that Mr. Smith has, for all intents and purposes, abandoned the Company. As a result, Staff believes that the appointment of an interim manager is desirable to ensure continuous service to Citrus Park's customers.

Implementation of an interim manager does not alter the ownership of the utility. Rather, it puts in place a manager that Staff selects from a list of persons and companies known to possess the requisite skills and abilities to competently operate a water utility. Under the circumstances, Staff believes that the balance of interests clearly weighs in favor of implementing an interim manager.

Staff therefore recommends that the Commission authorize Staff to select and install an interim manager to operate the Company.

As facts continue to emerge in this developing matter, Staff will monitor the situation and make appropriate filings before the Commission in the event that further action is warranted.

Steven M. Olea
Director
Utilities Division

SMO:PM:sms\BES

ORIGINATOR: Trish Meeter

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

- BOB STUMP
Chairman
- GARY PIERCE
Commissioner
- BRENDA BURNS
Commissioner
- BOB BURNS
Commissioner
- SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE COMMISSION
UTILITIES DIVISION STAFF'S
INVESTIGATING THE FAILURE OF
CITRUS PARK WATER COMPANY TO
COMPLY WITH COMMISSION RULES
AND REGULATIONS

DOCKET NO. W-03868A-14-0381
DECISION NO. _____

PROPOSED ORDER

Open Meeting
November 13, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Over the past few months, Citrus Park Water Company ("Citrus Park" or "Company") has failed to respond to inquiries made by the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") and has apparently failed to appropriately oversee its utility operations. In order to avoid potential disruptions in utility service, Staff is requesting that the Commission authorize Staff to appoint an interim manager on a preliminary basis.

2. Citrus Park is an Arizona public service corporation that provides water utility service in the Tacna area. The Company was certificated to provide water utility service by Decision No. 63258 (December 14, 2000).

3. The Corporations Division Annual Report lists Michael Smith and Areele Smith as shareholders of the Company. Mr. and Mrs. Smith reside in Lynnwood, Washington and apparently

1 do not personally oversee the day-to-day operations of the Company, but instead employ a manager to
2 do so.

3 4. Until recently, Citrus Park was operated by a manager, Edd Murray, and a certified
4 operator, Nancy Miller. In March of this year, Mr. Murray elected to resign his position as manager.
5 According to Mr. Murray, he personally contacted Mr. Smith, advised him of his intention to leave the
6 Company, and arranged to drop off the Company's computer and paperwork at Mr. Smith's home.
7 Although Mr. Murray clearly informed Mr. Smith of his intention to leave, Mr. Smith apparently did
8 not hire a replacement.

9 5. In April of 2014, Staff received several calls from customers who stated that Mr.
10 Murray had left his position with Citrus Park and had not been replaced. One customer indicated that
11 she had attempted to contact Citrus Park's owner in Washington state but had received no response.

12 6. On one occasion, the Wellton-Mohawk Irrigation District ("Wellton") was ready to
13 terminate electric service to the Company's pump. A Citrus Park customer was able to make payment
14 to Wellton and this prevented termination of electric service. Apparently, the Wellton bills continue
15 to be paid by the customers of Citrus Park, thereby enabling the continuance of electric service to the
16 well pump. As an interim measure, this arrangement may not be immediately objectionable to the
17 customers because the amount of the monthly electric bill may be less than the Company's rates.
18 Nonetheless, this situation may raise problems over the long-term.

19 7. Staff has made numerous efforts to contact the Company's owners of record, Mike
20 and Areelie Smith, to determine what the Company intends to do about hiring a successor manager.
21 Though they are out of state owners, it is their responsibility to ensure seamless utility service and to
22 provide for a new manager. Unfortunately, despite numerous attempts to reach them (by phone at a
23 number provided by Mr. Murray and by certified and regular mail), Mr. and Mrs. Smith have failed
24 and/or refused to respond. In order to avoid potential disruptions in utility service, Staff is requesting
25 that the Commission authorize Staff to appoint an interim manager.

26 8. Pursuant to A.A.C. R14-2-402.C, a public service corporation may not discontinue
27 service without Commission authorization. In addition Citrus Park has a duty to provide continuous
28 and satisfactory utility service. *See* Section 40-321; A.A.C. R14-2-407. Given the present

1 circumstances, it appears that Mr. Smith has, for all intents and purposes, abandoned the Company.
2 As a result, Staff believes that the appointment of an interim manager is desirable to ensure
3 continuous service to Citrus Park's customers.

4 9. Implementation of an interim manager does not alter the ownership of the utility.
5 Rather, it puts in place a manager that Staff selects from a list of persons and companies known to
6 possess the requisite skill and abilities to competently operate a water utility. Under the circumstances,
7 Staff believes the balance of interests clearly weighs in favor of implementing an interim manager.

8 10. Staff therefore recommends that the Commission authorize Staff to select and install
9 an interim manager to operate the Company.

10 11. As facts continue to emerge in this developing matter, Staff will monitor the situation
11 and make the appropriate filings before the Commission in the event that further action is warranted.

12 CONCLUSIONS OF LAW

13 1. The Commission has jurisdiction over Citrus Park Water Company and over the
14 subject matter herein pursuant to Article XV Section 3 of the Arizona Constitution and A.R.S. § 40-
15 321.

16 2. Notice of the proceeding has been given in the manner prescribed by law.

17 3. Staff's recommendations in Findings of Fact 10 - 11 are reasonable and should be
18 adopted.

19 4. The Commission, having reviewed the request and considered the matter, finds that it
20 is in the public interest to authorize Staff to implement an interim manager for Citrus Park Water
21 Company if necessary to protect public convenience, health, and safety.

22 ORDER

23 **IT IS THEREFORE ORDERED** that Staff is hereby authorized to commence efforts to
24 appoint an interim manager who shall operate Citrus Park Water Company if Staff determines that
25 appointing an interim manager is necessary to protect public convenience, health, and safety.

26 **IT IS FURTHER ORDERED** that Citrus Park Water Company shall cooperate fully with
27 the interim manager and supply all necessary documents, records, and other information requested by
28 the interim manager.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IT IS FURTHER ORDERED that Staff shall monitor the situation and make the appropriate filings before the Commission in the event that Staff determines that further action or potential enforcement is warranted by the circumstances.

IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:PM:sms\BES

1 SERVICE LIST FOR: Citrus Park Water Company
2 DOCKET NO. W-03868A-14-0381

3 Mr. Steven M. Olea
4 Director, Utilities Division
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 Ms. Janice M. Alward
9 Chief Counsel, Legal Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Citrus Park Water Company
14 ATTN: Mr. Mike Smith and
15 Mrs. Areelie Smith
16 15216 23rd Place West
17 Lynnwood, WA 98087-6308

18 Edward J. Murray
19 34720 Mountain Loop Hwy.
20 Granite Falls, WA 98252

21 Wade Nobel, Esq.
22 Noble Law Offices
23 1405 W. 16th St., Ste. A
24 Yuma, AZ 85364-4420

25
26
27
28