

JIM IRVIN  
COMMISSIONER CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
J. KUNASEK  
COMMISSIONER



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JACK ROSE  
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

DATE: JULY 22, 1998

DOCKET NOS.: W-01666A-98-0122, W-03529A-98-0122 and W-03529A-98-0123

TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Jane Rodda. The recommendation has been filed in the form of an Order on:

WGI, INC. dba LOGAN HILLS WATER COMPANY,  
LOGAN HILLS WATER L.L.C.  
(SALE/TRANSFER CC&N)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JULY 31, 1998

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

AUGUST 4, 1998 and AUGUST 5, 1998

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

  
JACK ROSE  
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN  
3 COMMISSIONER - CHAIRMAN  
4 RENZ D. JENNINGS  
5 COMMISSIONER  
6 CARL J. KUNASEK  
7 COMMISSIONER

8 IN THE MATTER OF THE APPLICATION )  
9 OF VERNON S. SCHWEIGERT, TRUSTEE IN )  
10 IN BANKRUPTCY, FOR AN OPINION AND )  
11 ORDER (i) APPROVING SALE OF ASSETS OF )  
12 LOGAN HILLS WATER COMPANY AND )  
13 (ii) TRANSFERRING RELATED CERTIFICATE )  
14 OF CONVENIENCE AND NECESSITY. )

DOCKET NO. W-01666A-98-0122  
DOCKET NO. W-03529A-98-0122

15 IN THE MATTER OF THE APPLICATION OF )  
16 LOGAN HILLS WATER, L.L.C., AN ARIZONA )  
17 LIMITED LIABILITY COMPANY, FOR AN )  
18 ORDER (i) EXTINGUISHING THE )  
19 CERTIFICATE OF CONVENIENCE AND )  
20 NECESSITY AND (ii) ORDERLY DISPOSING )  
21 OF THE REMAINING PUBLIC SERVICE )  
22 OBLIGATIONS OF LOGAN HILLS WATER )  
23 COMPANY. )

DOCKET NO. W-03529A-98-0123

DECISION NO. \_\_\_\_\_

**ORDER**

24 Open Meeting  
25 August 4 and 5, 1998  
26 Phoenix Arizona

27 **BY THE COMMISSION:**

28 On March 14, 1998, Vernon Sweigert, the trustee in bankruptcy ("Trustee") for WGI, Inc<sup>x</sup> dba Logan Hills Water Company ("WGI" or "Company"), and Logan Hills Water, L.L.C. ("LHW") filed a joint application for approval of the sale of assets and transfer of the Certificate of Convenience and Necessity ("Certificate") from WGI to LHW. On March 14, 1998, LHW filed an application for approval of the sale of assets to the City of Tucson (the "City") and cancellation of its Certificate. On May 13, 1998, the Commission's Utility Division Staff ("Staff") filed its Staff Report in the matters, recommending that the applications be consolidated and approved without a hearing. By Procedural Order dated June 8, 1998, the Commission consolidated the matters and provided the form of notice to be provided to current customers and property owners. On June 18, 1998, LHW mailed notice to all customers and property owners within the Company's certificated service area, and in response thereto, no objections were filed.

1 The Commission approved the Wolfswinkel Group's acquisition of the assets of Logan Hills  
2 Water Company and transfer of its Certificate in 1988. WGI, Inc., an Arizona corporation, succeeded  
3 the Wolfswinkel Group as owner of the water company. In 1990 WGI, Inc. filed for bankruptcy  
4 protection and the assets of the water company became subject to the bankruptcy court's jurisdiction.  
5 The bankruptcy court appointed Vernon Schweigert as Trustee in the WGI, Inc. bankruptcy proceeding.  
6 On March 16, 1995, the Bankruptcy Court issued its Order Confirming Trustee's Liquidation Plan of  
7 Reorganization ("Plan"). Pursuant to his authority under the Plan, the Trustee made the current  
8 application for the sale of WGI's assets to LHW.

9 The water company assets comprise the sole asset remaining in the WGI, Inc. bankruptcy estate.  
10 On January 28, 1997, Trustee entered into an Agreement for Purchase and Sale of Business Assets of  
11 Logan Hills Water Company with Tucson Mountain Associates L.L.C. ("TMA"), an Arizona limited  
12 liability company ("Agreement"). LHW, succeeded to the interest of TMA as purchaser under the  
13 Agreement and its addendums. Pursuant to the Agreement, LHW is to pay the Trustee \$30,000 in cash  
14 for the assets of the water company. Consummation of the sale is contingent upon Commission  
15 approval.

16 Tucson Mountain Investors, L.L.C. ("TMI") owns approximately 1,200 acres of undeveloped real  
17 estate located within the certificated service area of the Company, located northwest of the City of  
18 Tucson ("City") adjacent to the Saguaro National Park-West. TMI plans to sell a portion of the acreage  
19 to the United States government for an expansion of the Saguaro National Park-West, and to develop  
20 approximately 500 of the remaining acres as 3.3 acre residential lots. TMI caused TMA and LHW to  
21 enter into the Agreement to provide a potable water supply to TMI's development.<sup>1</sup>

22 Subsequent to the execution of the Agreement, TMI and LHW began discussions with the City  
23 to acquire the water utility assets of LHW and become the water service provider to the area. LHW and  
24 the City entered into a purchase agreement, which the Tucson City Council approved on June 8, 1998.

25 \* \* \* \* \*

26 Having considered the entire record herein and being fully advised in the premises, the  
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<sup>1</sup> TMI, TMA and LHW share common ownership interests among certain principals.

1 Commission finds, concludes and orders that:

2 **FINDINGS OF FACT**

3 1. Vernon Sweigert is the bankruptcy trustee for WGI, Inc., dba Logan Hills Water  
4 Company, which provides water utility service to approximately 39 customers in a 2 ½ square mile area  
5 of Pima County, Arizona.

6 2. On January 28, 1997, Trustee entered into an Agreement to sell the assets of Logan Hills  
7 Water Company to TMA for \$30,000 in cash.

8 3. LHW succeeded to the interest of TMA under the Agreement.

9 4. Pursuant to the Agreement, LHW is responsible for the payment of any outstanding  
10 customer security deposits prior to the closing of the transaction.

11 5. The Company has no outstanding line extension agreements.

12 6. Subsequent to executing the Agreement, LHW negotiated a sale of the water company  
13 assets to the City.

14 7. The Tucson City Council approved the acquisition of LHW's assets on June 8, 1998.

15 8. On March 14, 1998, WGI and LHW filed a joint application for approval of the sale of  
16 assets and transfer of the Certificate from WGI to LHW.

17 9. On March 14, 1998, LHW filed an application for approval of the sale of assets and  
18 cancellation of its Certificate.

19 10. On May 13, 1998, Staff filed its Staff Report in this matter recommending that the  
20 applications be consolidated and approved without a hearing.

21 11. By Procedural Order dated June 8, 1998, the Commission consolidated the matters and  
22 provided the form of notice to be provided to current customers and property owners.

23 12. On June 18, 1998, LHW mailed notice to all customers and property owners within the  
24 certificated service area of WGI, and no objections to the transaction were filed in response.

25 13. The City has the financial and technological capability to serve the certificated area.

26 **CONCLUSIONS OF LAW**

27 1. WGI and LHW are public service corporations within the meaning of Article XV of the  
28 Arizona Constitution and A.R.S. Sections 40-250 and 40-251.



1 IT IS FURTHER ORDERED that Logan Hills Water, L.L.C. shall file with the Commission  
2 within 30 days of closing an affidavit verifying that all refunds due any customers for security deposits  
3 and matter and service line installations have been made.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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8 \_\_\_\_\_  
COMMISSIONER - CHAIRMAN COMMISSIONER COMMISSIONER

9  
10 IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona  
11 Corporation Commission, have hereunto set my hand and caused the official seal  
12 of the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_  
13 day of \_\_\_\_\_, 1998.

14 \_\_\_\_\_  
JACK ROSE  
EXECUTIVE SECRETARY

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16 DISSENT \_\_\_\_\_  
17 JR/dap

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SERVICE LIST FOR:

WGI, INC. DBA LOGAN HILLS WATER COMPANY  
LOGAN HILLS WATER, L.L.C.

DOCKET NOS.:

W-01666-98-0122, W-03529A-98-0122, and W-03529A-98-0123

Lawrence V. Robertson, Jr.  
Munger Chadwick, PLC  
333 North Wilmot, Suite 300  
Tucson, Arizona 85711

Vernon S. Sweigert, Trustee  
WGI, Inc. dba Logan Hills Water Company  
1110 E. Missouri Ave. #120  
Phoenix, Arizona 85014

Richard F. Fitzgerald  
Logan Hills Water L.L.C.  
2200 E. River Road, Suite 115  
Tucson, Arizona 85715

Paul Bullis, Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

Director, Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007