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MEMORANDUM

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TO: Docket Control Center

FROM: Thomas M. Broderick
Director
Utilities Division

DATE: January 14, 2016

RE: IN THE MATTER OF THE APPLICATION OF GONZALEZ UTILITY SERVICES, LLC DBA CARTER WATER COMPANY FOR APPROVAL OF THE PURCHASE AND SALE OF ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY FROM CARTER WATER COMPANY (DOCKET NOS. W-02721A-15-0328 AND W-20940A-15-0328)

Attached is the Staff Report for the above-referenced application. Staff is recommending approval of the application with a condition of service.

TMB:VW:red\ML

Originator: Vicki Wallace

Arizona Corporation Commission

DOCKETED

JAN 14 2016

DOCKETED BY

SERVICE LIST FOR: Gonzalez Utility Services, LLC and Carter Water Company
Docket Nos. W-02721A-15-0328 and W-20940A-15-0328

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Phoenix, Arizona 85006

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Carter Water Company
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Coolidge, Arizona 85728

Ms. Janice Alward
Chief, Legal Division
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Phoenix, Arizona 85007

Mr. Thomas Broderick
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Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**GONZALEZ UTILITY SERVICES, LLC
AND CARTER WATER COMPANY**

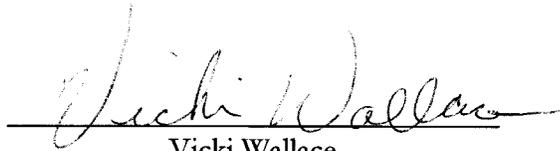
**DOCKET NOS. W-02721A-15-0328
AND W-20940A-15-0328**

**APPLICATION OF GONZALEZ UTILITY SERVICES, LLC, DBA CARTER WATER
COMPANY FOR APPROVAL OF THE PURCHASE AND SALE OF ASSETS AND
TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY FROM
CARTER WATER COMPANY**

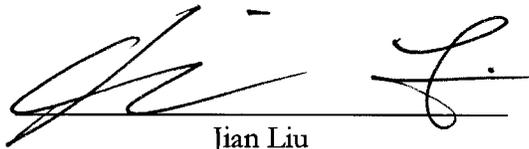
JANUARY 14, 2016

STAFF ACKNOWLEDGEMENT

The Staff Report for the application of Gonzalez Utility Services, LLC, dba Carter Water Company for Approval of Purchase and Sale of Assets and Transfer of the Certificate of Convenience and Necessity (Docket Nos. W-02721A-15-0328 and W-20940A-15-0328) was the responsibility of the Staff members listed below. Vicki Wallace was responsible for the review and analyses of the Company's application and preparation of the Division's Staff Report, and Jian Liu was responsible for the engineering and technical analysis.



Vicki Wallace
Executive Consultant



Jian Liu
Utilities Engineer

EXECUTIVE SUMMARY
GONZALEZ UTILITY SERVICES, LLC AND
CARTER WATER COMPANY
DOCKET NOS. W-02721A-15-0328 AND W-20940A-15-0328

On September 15, 2015, Gonzalez Utility Services, LLC dba Carter Water Company ("Gonzalez") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") on behalf of Gene Carter, the owner of Carter Water Company ("Carter Water" or "Company") for approval of the purchase and sale of assets and transfer of the Certificate of Convenience and Necessity ("CC&N") to Gonzalez, who is doing business as Carter Water Company.

Carter Water is a sole proprietorship owned by Gene D. Carter that was authorized to provide water service in an area seven and one-half miles southeast of Coolidge, Arizona, in Pinal County pursuant to authority granted by the ACC in Decision No. 59742 issued July 17, 1996. Records indicate that the water utility system began operation in 1972, when Mr. Carter's mother began providing water to her neighbors. Mr. Carter began operating the system in 1988.

Carter Water has obtained a Pinal County Franchise and has service available to 12 home sites, ten of which are currently being provided water service. The Certificate of Convenience and Necessity ("CC&N") covers approximately 148 acres (approximately .22 square mile).

Staff concludes that Gonzalez Utility Services, LLC dba Carter Water Company is a fit and proper entity to own and operate a public utility water system, and the purchase and transfer is in the public interest.

Staff recommends that the Commission approve the purchase and transfer of assets and CC&N of Carter Water Company to Gonzalez Utility Services, LLC dba Carter Water Company subject to compliance with the following condition:

1. Staff recommends that Carter Water Company monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meter each month with customer meter reading so that an accurate accounting is determined. The results of this monitoring and reporting shall 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 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 the 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, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the Order issued in this proceeding.

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INTRODUCTION

On September 15, 2015, Gonzalez Utility Services, LLC dba Carter Water Company ("Gonzalez") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") on behalf of Gene Carter, the owner of Carter Water Company ("Carter Water" or "Company") for approval of the purchase and sale of assets and transfer of the Certificate of Convenience and Necessity ("CC&N") to Gonzalez, who is doing business as Carter Water Company.

After Staff's initial review and discussion, the ACC Utilities Division Staff ("Staff") filed an Insufficiency Letter on October 15, 2015, indicating that additional information was required. Gonzalez filed an amended application, and a Sufficiency Letter was filed on November 18, 2015, indicating that the Company's application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.") R14-2-402.

On November 25, 2015, a Procedural Order was issued setting the matter for hearing on February 4, 2015.

BACKGROUND

Carter Water is a sole proprietorship owned by Gene D. Carter that was authorized to provide water service in an area seven and one-half miles southeast of Coolidge, Arizona, in Pinal County pursuant to authority granted by the ACC in Decision No. 59742 issued July 17, 1996. Records indicate that the water utility system began operation in 1972, when Mr. Carter's mother began providing water to her neighbors. Mr. Carter began operating the system in 1988.

Carter Water has obtained a Pinal County Franchise and has service available to 12 home sites, ten of which are currently being provided water service. The CC&N covers approximately 148 acres (approximately .22 square mile). Staff's legal description and map of the service area is attached as Exhibit 1.

The applicant reports there are no refund obligations associated with customer deposits or main line extension agreements, and no other utility will be affected by this transaction. Additionally, the applicant is not aware of any judgments/liens against any of the entities involved in this transfer of assets and CC&N.

PURCHASE AGREEMENT AND GONZALEZ UTILITY SERVICES, LLC (TRANSFEEE)

On April 15, 2014, Gene Carter dba Carter Water Company ("Seller") and Flavio Gonzalez on behalf of Gonzalez Utility Services, LLC ("Buyer") entered into a Purchase Agreement before a Notary which is attached as Exhibit 2. The Purchase Agreement officially sold and transferred all of the assets of Carter Water and the CC&N to Gonzalez Utility Services, LLC (Flavio and Carol Gonzalez) with certain land conditions pending approval by the ACC. Due to the recent passing of

Flavio Gonzalez, Carol Gonzalez will operate the utility company as Carter Water Company. Gonzalez Utility Services, LLC is in good standing with the Corporations Division.

Carol Gonzalez is a Certified Operator and currently owns and/or successfully operates several water systems in Arizona. She has performed a wide range of duties associated with the delivery of water to customers. Ms. Gonzalez will charge the currently approved tariffed rates and charges.

THE EXISTING WATER SYSTEM

Staff's Engineering Report which is attached as Exhibit 3 indicates the facility consists of one well, producing approximately 20 gallons per minute ("GPM"). The system also has one storage tank, and a distribution system serving 10 customers as of December of 2014. The Company has an existing Curtailment Tariff. There are no public service corporations or municipally owned water systems authorized to provide or providing service in the certified area. Arizona Water Company's ("Arizona Water") CC&N surrounds the certified territory of Carter Water, but Arizona Water has expressed no interest in acquiring or operating this water system.

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 a company to identify water and revenue losses due to leakage, theft and flushing.

No water use information is available for the Carter Water Company. The Company charges a flat rate of \$20 per month per customer.

Thus, Staff recommends that Carter Water Company monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. Further details of how this monitoring should occur and compliance requirements thereof are included in the Recommendations Section of this report.

CONSUMER SERVICES

A review of the Consumer Services database revealed that in the last three years, two complaints were received in 2014 regarding service not working. All complaints have been resolved and closed. No opinions opposing this application have been received.

PUBLIC INTEREST

Carol Gonzalez has been very cooperative with Staff in getting the appropriate paperwork filed and expressed a sincere desire to provide continuous and quality water to the customers of Carter Water. Staff concludes that Ms. Gonzalez of Gonzalez Utility Services, LLC dba Carter Water Company has the financial, technical, and managerial ability to own and operate a public utility water service, and that the sale and transfer would be consistent with the public interest.

WASTEWATER PROVIDER

Wastewater service in the requested extension area is provided through individual septic systems designed within each residence and permitted at the time of construction of the individual residence.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

ADEQ reported that Carter Water Company is inactive, non-public. Therefore, ADEQ does not monitor or regulate this water system.

ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

ADWR has determined that Carter Water Company is inactive. ADWR does not monitor or regulate this water system.

ACC COMPLIANCE

A check of the Utilities Division Compliance Database indicates that there are currently no ACC delinquencies for Carter Water Company.

CONCLUSIONS

1. Staff concludes that Gonzalez Utility Services, LLC dba Carter Water Company is a fit and proper entity to own and operate a public utility water system, and the purchase and transfer is in the public interest.
2. ADEQ does not monitor or regulate Carter Water Company.
3. ADWR does not monitor or regulate Carter Water Company.
4. There are no delinquent ACC compliance items for Carter Water Company.

RECOMMENDATIONS

Staff recommends that the Commission approve the purchase and transfer of assets and Certificate of Convenience and Necessity of Carter Water Company to Gonzalez Utility Services, LLC dba Carter Water Company subject to compliance with the following condition:

1. Staff recommends that Carter Water Company monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meter each month with customer meter reading so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case

13 months of the effective date of the Order issued in this proceeding. If the reported water loss 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 the 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, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the Order issued in this proceeding.

MEMORANDUM

TO: Vicki Wallace
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: October 14, 2015

RE: CARTER WATER COMPANY (DOCKET NO. W-02721A-15-0328) AND
GONZALEZ UTILITY SERVICES, LLC (DOCKET NO. W-20940A-15-0328)

Carter Water Company has filed an application for sale of assets/transfer of CC&N to Gonzalez Utility Services, LLC.

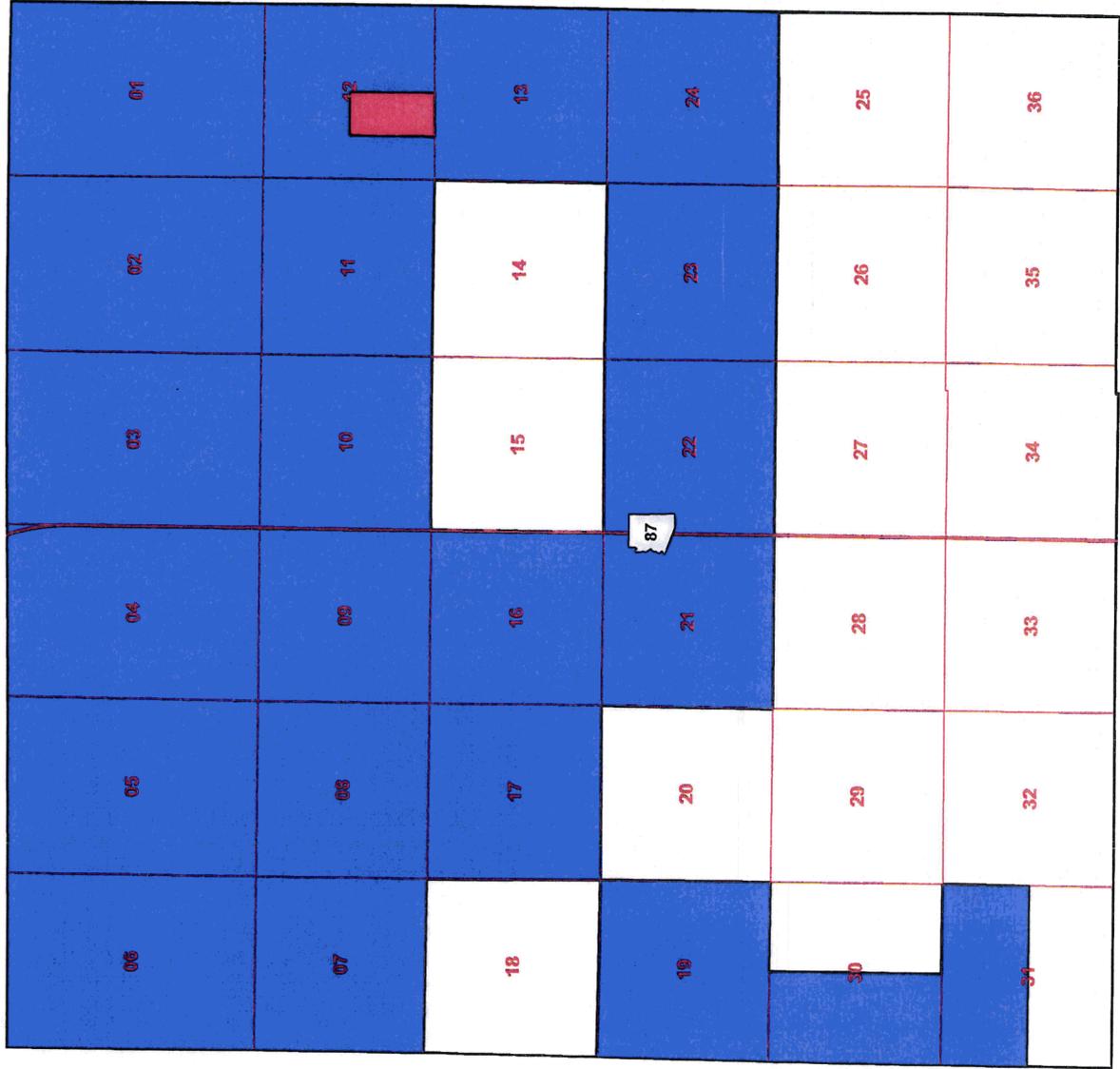
Attached are copies of the maps for your files.

/lhm

Attachment

cc: Mr. Gene Carter
Ms. Carol Gonzalez
Mr. Jian Liu
Ms. Deb Person (Hand Carried)
File

RANGE 8 East



 W-01445A (40)(20)
 Arizona Water Company (Pinal Valley)
 W-02721A (2)
 Carter Water Company

 (2)
 Carter Water Company

Docket No. W-02721A-15-0328
 Gonzalez Utility Services, LLC
 Docket No. W-20940A-15-0328
 Application for Sale of Assets/Transfer of CC&N

TOWNSHIP 6 South



Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251

TR6S8E 22 MAR 2007

RANGE 9 East

TOWNSHIP 6 South



 W-01445A (40) (20)
 Arizona Water Company (Pinal Valley)

 W-02721A (2)
 Carter Water Company

 (2)
 Carter Water Company
 Docket No. W-02721A-15-0328
 Gonzalez Utility Services, LLC
 Docket No. W-20940A-15-0328
 Application for Sale of Assets/Transfer of CC&N



Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251

TR6S9E 22 MAR 2007

Purchase Agreement

This purchase agreement is entered into by and between Gene Carter, owner of Carter Water Company (Seller) and Flavio Gonzalez, owner of Gonzalez Utility Services, LLC (Purchaser) on this date being April 15, 2014.

The above named agree to Sell/Purchase Carter Water Company.

Flavio Gonzalez representing Gonzalez Utility Services, LLC will purchase from Gene Carter representing the Carter Water Company for the sum of ten dollars (\$10.00) all property, fixtures, infrastructure, tanks, pumps, motors, customer base information, all assets, equipment, all pertaining easements, and any other information associated to the operation of said company.

This agreement when executed will release Gene Carter from any and all liability associated with the Carter Water Company.

It is further understood in this agreement that when future upgrades to the Carter Water Company are made by the Gonzalez Utility Services, LLC the Southern portion of property where the hydro-pneumatic tank exists, upon removal of said tank the Southern boundary will be moved a distance of forty-five (45) feet to the North.

This portion of land will be reassigned to Celeste Adele Carter, daughter of Gene Carter, and the South fence will be relocated to its new location.

Agreed Gene Carter
Gene Carter
Carter Water Company
(Seller)

Date: 4/15/2014

Agreed Flavio Gonzalez
Flavio Gonzalez
Gonzalez Utility Services, LLC
(Purchaser)

Date: 4-15-14

IN WITNESS WHEREOF, the undersigned have executed this Purchase Agreement, consisting of two (2) pages, as of the date and year first above written.

Dated as of: April 15, 2014

Gene Carter
Gene Carter, Carter Water Company (Seller)

Flavio Gonzalez
Flavio Gonzalez, Gonzalez Utility Services, LLC (Purchaser)

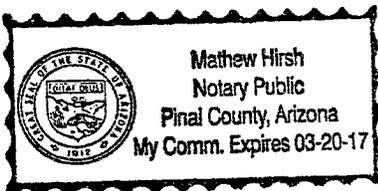
STATE OF ARIZONA)
) ss.
COUNTY OF PINAL)

Before me, Notary Public, personally appeared **Gene Carter and Flavio Gonzalez**, Who proved to me on the basis of satisfactory evidence to be the persons whose names Are subscribed to the within instrument and acknowledged to me that they executed the Same in their authorized capacity, and that by their signature on the instrument the Person, or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Arizona that the Foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Matthew Hirsh
Notary Public



My Commission Expires: 03-20-2017

MEMORANDUM

DATE: December 24, 2015

TO: Vicki Wallace
Executive Consultant III

FROM: Jian W. Liu, P. E.
Utilities Engineer 

RE: The APPLICATION OF GONZALEZ UTILITY SERVICES, LLC, DBA
CARTER WATER COMPANY FOR APPROVAL AND SALE OF ASSETS
AND/OR TRANSFER OF THE CERTIFICATE OF CONVENIENCE AND
NECESSITY
(DOCKET NOS. W-02721A-15-0328 AND W-20940A-15-0328)

INTRODUCTION

On September 15, 2015, Gonzalez Utility Services, LLC, dba Carter Water Company ("Carter Water Company" or "Company") filed an application requesting that the Arizona Corporation Commission ("ACC" or "Commission") approve the sale of Carter Water Company's utility system and transfer of its Certificate of Convenience and Necessity ("CC&N") to Gonzalez Utility Services, LLC.

On November 5, 2015, Gonzalez Utility Services, LLC, dba Carter Water Company amended its application.

WATER SYSTEM

The facility consists of one well, producing approximately 20 gallons per minute ("GPM"). The system also had one storage tank, and a distribution system serving 10 customers as of December 2014.

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 a company to identify water and revenue losses due to leakage, theft and flushing.

No water use information is available for Carter Water Company. The Company charges a flat rate of \$20 per month per customer.

Staff recommends that Carter Water Company monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meter each month with customer billing so that an accurate

accounting is determined. The results of this monitoring and reporting shall 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 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 the 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, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

ADEQ reported that Carter Water Company is inactive, non-public. Therefore, ADEQ does not monitor or regulate this water system¹.

ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

ADWR has determined that Carter Water Company is inactive. ADWR does not monitor or regulate this water system².

ACC COMPLIANCE

A check of the Utilities Division compliance database indicates that there are currently no delinquent compliance items for Carter Water Company.

TARIFF

Curtailment Tariff

Carter Water Company has an approved Curtailment tariff on file with the ACC.

SUMMARY

Conclusions

1. ADEQ does not monitor or regulate Carter Water Company.
2. ADWR does not monitor or regulate Carter Water Company.
3. A check of the Utilities Division compliance database indicates that there are currently no delinquent compliance items for Carter Water Company.

¹ The company serves less than 15 connections.

² The system isn't regulated by ADEQ.

Recommendation

1. Staff recommends that Carter Water Company monitor its water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meter each month with customer meter reading so that an accurate accounting is determined. The results of this monitoring and reporting shall 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 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 the 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, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.