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MEMORANDUM

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AZ CORP COMMISSION
DOCKET CONTROL

TO: Docket Control Center

FROM: Thomas M. Broderick *to r hush*
Director
Utilities Division

DATE: December 28, 2015

RE: IN THE MATTER OF THE APPLICATION OF KACY J. PARKER DBA
JAKE'S CORNER WATER SYSTEMS FOR APPROVAL OF THE SALE OF
ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY TO MANAGEMENT SYSTEMS, LLC (DOCKET NOS. W-
04249A-15-0260 AND W-20935A-15-0260)

Attached is the Staff Report for the above-referenced application. Staff is recommending approval of the application with conditions.

TMB:VW:red\RWG

Originator: Vicki Wallace

Arizona Corporation Commission

DOCKETED

DEC 28 2015

DOCKETED BY *WB*

Service List for: Kacy Parker dba Jakes Corner Water Systems
Docket Nos. W-04249A-15-0260 and W-20935A-15-0260

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Phoenix, Arizona 85006

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Management Systems, LLC
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Mr. Dean Shaffer
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Payson, Arizona 85541

Mr. Kacy Parker
dba Jake's Corner Water Systems
1400 North Beeline Highway
Payson, Arizona 85541-3103

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

Mr. Thomas Broderick
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Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Dwight Nodes
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**KACY J. PARKER DBA JAKE'S CORNER WATER SYSTEMS
DOCKET NO. W-04249A-15-0260**

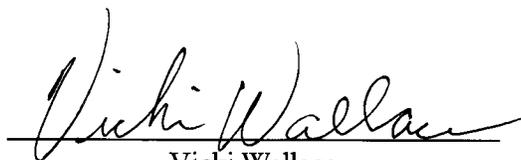
**MANAGEMENT SYSTEMS, LLC DBA JAKE'S CORNER WATER SYSTEM
DOCKET NO. W-20935A-15-0260**

**SALE OF ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE
OF CONVENIENCE AND NECESSITY TO MANAGEMENT SYSTEMS, LLC**

DECEMBER 28, 2015

STAFF ACKNOWLEDGEMENT

The Staff Report for the application of Kacy J. Parker dba Jake's Corner Water Systems and Management Systems, LLC dba Jake's Corner Water System (Docket Nos. W-04249A-15-0260 and W-20935A-15-0260) 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 Katrin Stukov was responsible for the engineering and technical analysis.

A handwritten signature in cursive script that reads "Vicki Wallace". The signature is written in black ink and is positioned above a horizontal line.

Vicki Wallace
Executive Consultant

A handwritten signature in cursive script that reads "Katrin Stukov". The signature is written in black ink and is positioned above a horizontal line.

Katrin Stukov
Utilities Engineer

EXECUTIVE SUMMARY
KACY J. PARKER DBA JAKE'S CORNER WATER SYSTEMS
AND MANAGEMENT SYSTEMS, LLC DBA JAKES CORNER WATER SYSTEM
DOCKET NOS. W-04249A-15-0260 AND W-20935A-15-0260

On July 10, 2015, Kacy J. Parker dba Jake's Corner Water Systems ("Jake's Corner" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Management Systems, LLC dba Jake's Corner Water System ("Management Systems").

Jake's Corner is a sole proprietorship initially authorized to provide water service to certain portions of Gila County pursuant to authority granted by the ACC in Decision No. 50872 (April 22, 1980). In that Decision, the Commission authorized the transfer of the system from United Utilities, an Arizona Corporation, to Gladys Meredith Stern dba Jake's Corner.

In Decision No. 62221 (January 10, 2000), the Commission authorized the sale and transfer of Jake's Corner from Arthur W. Wetzler to Edwin L. Wetzler. Jake's Corner was subsequently transferred to Kacy J. Parker by Edwin L. Wetzler via Decision No. 67231 (September 7, 2004). By this application, the Company seeks approval of the sale of assets and transfer of its CC&N from Kacy J. Parker dba Jake's Corner Water Systems to Management Systems, LLC dba Jake's Corner Water System.

The Company is currently providing service to approximately 20 customers in an area located near the community known as Jake's Corner, approximately 18 miles south of Payson in Gila County, Arizona. The CC&N covers approximately 160 acres (approximately 0.25 square mile). Staff's legal description and map of the service area is attached as Exhibit 1.

Staff concludes that Management Systems, LLC, dba Jake's Corner Water System is a fit and proper entity to own and operate a public utility water system, and the sale and transfer is in the public interest.

Staff recommends that the Commission approve the sale and transfer of assets and Certificate of Convenience and Necessity of Kacy J. Parker dba Jake's Corner Water Systems to Management Systems, LLC dba Jake's Corner Water System. Staff further recommends the Commission adopt the following requirements:

1. To require the Company to charge its existing rates and charges in the proposed extension area until new rates are authorized by the ACC.
2. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from Arizona Department of Environmental Quality ("ADEQ") indicating that there are no compliance deficiencies, and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, or in the alternative, the Company may

file a signed consent agreement with ADEQ demonstrating a plan to reach compliance.

3. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from Arizona Department of Water Resources ("ADWR") indicating that the water system is compliant with departmental requirements governing water providers and/or community water systems.
4. To require the Company to coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed in a format necessary to accurately complete the water use data sheets contained in the Annual Report form).
5. To require the Company to contact ADEQ's Capacity Development Program to request that ADEQ conduct an evaluation of its water system and file with Docket Control in this docket a copy of Jake's Corner water system evaluation report.
6. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, a copy of the ADEQ Approval of Construction for the new storage tank with a minimum capacity of 5,000 gallons.

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INTRODUCTION

On July 10, 2015, Kacy J. Parker dba Jake's Corner Water Systems ("Jake's Corner" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of the Certificate of Convenience and Necessity ("CC&N") to Management Systems, LLC dba Jake's Corner Water System ("Management Systems").

After Staff's initial review and discussion, the ACC Utilities Division Staff ("Staff") filed an Insufficiency Letter on August 10, 2015, indicating that additional information was required. Jake's Corner provided the requested data, and a Sufficiency Letter was filed on October 28, 2015, indicating that the Company's application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.") R14-2-402.

On December 1, 2015, a Procedural Order was issued setting the matter for hearing on January 22, 2016.

BACKGROUND

Jake's Corner is a sole proprietorship authorized to provide water service to certain portions of Gila County pursuant to authority granted by the ACC in Decision No. 50872 (April 22, 1980). In that Decision, the Commission authorized the transfer of the system from United Utilities, an Arizona Corporation, to Gladys Meredith Stern dba Jake's Corner.

In Decision No. 62221 (January 10, 2000), the Commission authorized the sale and transfer of Jake's Corner from Arthur W. Wetzler to Edwin L. Wetzler. In that Decision, the Commission found in part that it was not necessary for Mr. Wetzler to obtain a county franchise because the service area is located in a private easement. Jake's Corner was subsequently transferred to Kacy J. Parker by Edwin L. Wetzler via Decision No. 67231 (September 7, 2004). By this application, the Company seeks approval of the sale of assets and transfer its CC&N from Kacy J. Parker to Management Systems, LLC dba Jake's Corner Water System.

The Company is currently providing service to approximately 20 customers in an area located near the community known as Jake's Corner, approximately 18 miles south of Payson in Gila County, Arizona. The CC&N covers approximately 160 acres (approximately 0.25 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.

MANAGEMENT SYSTEMS, LLC (TRANSFEREE)

On July 1, 2015, Kacy J. Parker dba Jake's Corner Water Systems ("Seller") and Michael Armstead of Management Systems, LLC ("Buyer") entered into an agreement through a "Bill of Sale of Personal Property" before a Notary which is attached as Exhibit 2. The Bill of Sale officially sold and transferred all of the assets of Jake's Corner and the CC&N to Michael Armstead pending approval by the ACC. Mr. Armstead will operate the utility company as Management Systems, LLC dba Jake's Corner Water System. Management Systems, LLC is in good standing with the Corporations Division.

Mr. Armstead has had 9 years of technical and operational experience in the water and wastewater utilities. He has performed a wide range of duties associated with the delivery of water and wastewater from source to customer. Mr. Armstead has also obtained a Certified Operator for Jake's Corner and has filed an emergency rate case with the ACC based on his review of the water system.

THE EXISTING WATER SYSTEM

Staff's Engineering Report which is attached as Exhibit 3 describes the existing water system in detail. Basically it has one well, one 30 gallon bladder tank, one 5,000 gallon pressure tank, and a distribution system. However, there is no well meter. Therefore, the actual well production is unknown, and the system's capacity cannot be determined. Based on the Company's water use data, Staff estimates that the well capacity of 22 GPM could adequately service the present customer base and a reasonable level of growth. However, the system lacks adequate storage capacity to serve the existing customer base as described further in Exhibit 3.

PROPOSED RATES

The Company has indicated the proposed service area would be charged at its currently approved tariffed rates and charges established in Decision No. 58733 issued September 1, 1994. An emergency rate case was filed on September 28, 2015. Staff filed testimony in this emergency rate case on November 16, 2015, and the hearing was held on December 7, 2015.

CONSUMER SERVICES

A review of the Consumer Services database revealed that in the last three years, no complaints have been received. Any prior complaints have been resolved and closed. No opinions opposing this application have been received.

PUBLIC INTEREST

Mr. Armstead has expressed a sincere desire and willingness to provide continuous and quality water to the customers of Jake's Corner, and his enthusiasm to assist these customers is welcomed. As discussed earlier in this report, Staff concludes that Mr. Armstead of Management Systems, LLC dba Jake's Water System has the financial, technical, and managerial ability to operate

a public utility water system, and that the sale and transfer would be consistent with the public interest.

WASTEWATER PROVIDER

Wastewater service in this service 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

According to an ADEQ compliance status report, dated July 22, 2015, the Company has unresolved ongoing arsenic exceedances, monitoring and reporting deficiencies. Based upon these deficiencies, ADEQ cannot determine if the Company system is currently delivering water that meets water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4.

Staff understands that Mr. Armstead has been meeting with ADEQ regarding compliance matters on Jake's Corner.

ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company's water system is not located in ADWR Active Management Area. According to an ADWR compliance status report dated July 23, 2015, ADWR has determined that the Company's water system is not in compliance with ADWR requirements, as the Company failed to file its Annual reports and the System Water Plan.

ACC COMPLIANCE

A check of the Utilities Division Compliance Database indicates that there are currently no ACC delinquencies for Jake's Corner at this time.

CURTAILMENT AND BACKFLOW PREVENTION TARIFFS

The Company has an approved Curtailment Tariff. The Company filed for ACC approval of a Backflow Prevention Tariff on December 2, 2015.

RECOMMENDATIONS

Staff recommends that the Commission approve the sale and transfer of assets and Certificate of Convenience and Necessity of Kacy J. Parker dba Jake's Corner Water Systems to Management Systems, LLC dba Jake's Corner Water System. Staff further recommends the Commission adopt the following requirements:

1. To require the Company to charge its existing rates and charges in the proposed extension area until new rates are authorized by the ACC.
2. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADEQ indicating that there are no compliance deficiencies, and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, or in the alternative, the Company may file a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
3. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/or community water systems.
4. To require the Company to coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed in a format necessary to accurately complete the water use data sheets contained in the Annual Report form).
5. To require the Company to contact ADEQ's Capacity Development Program to request that ADEQ conduct an evaluation of its water system and file with Docket Control in this docket a copy of Jake's Corner water system evaluation report.
6. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, a copy of the ADEQ Approval of Construction for the new storage tank with a minimum capacity of 5,000 gallons.

MEMORANDUM

TO: Vicki Wallace
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
Programs and Projects Specialist II
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: August 7, 2015

RE: JAKE'S CORNER WATER SYSTEMS (DOCKET NO. W-04249A-15-0260) AND
MANAGEMENT SYSTEMS, LLC (DOCKET NO. W-20935A-15-0260)

Jake's Corner Water Systems has filed an application to transfer its CC&N to Management Systems, LLC.

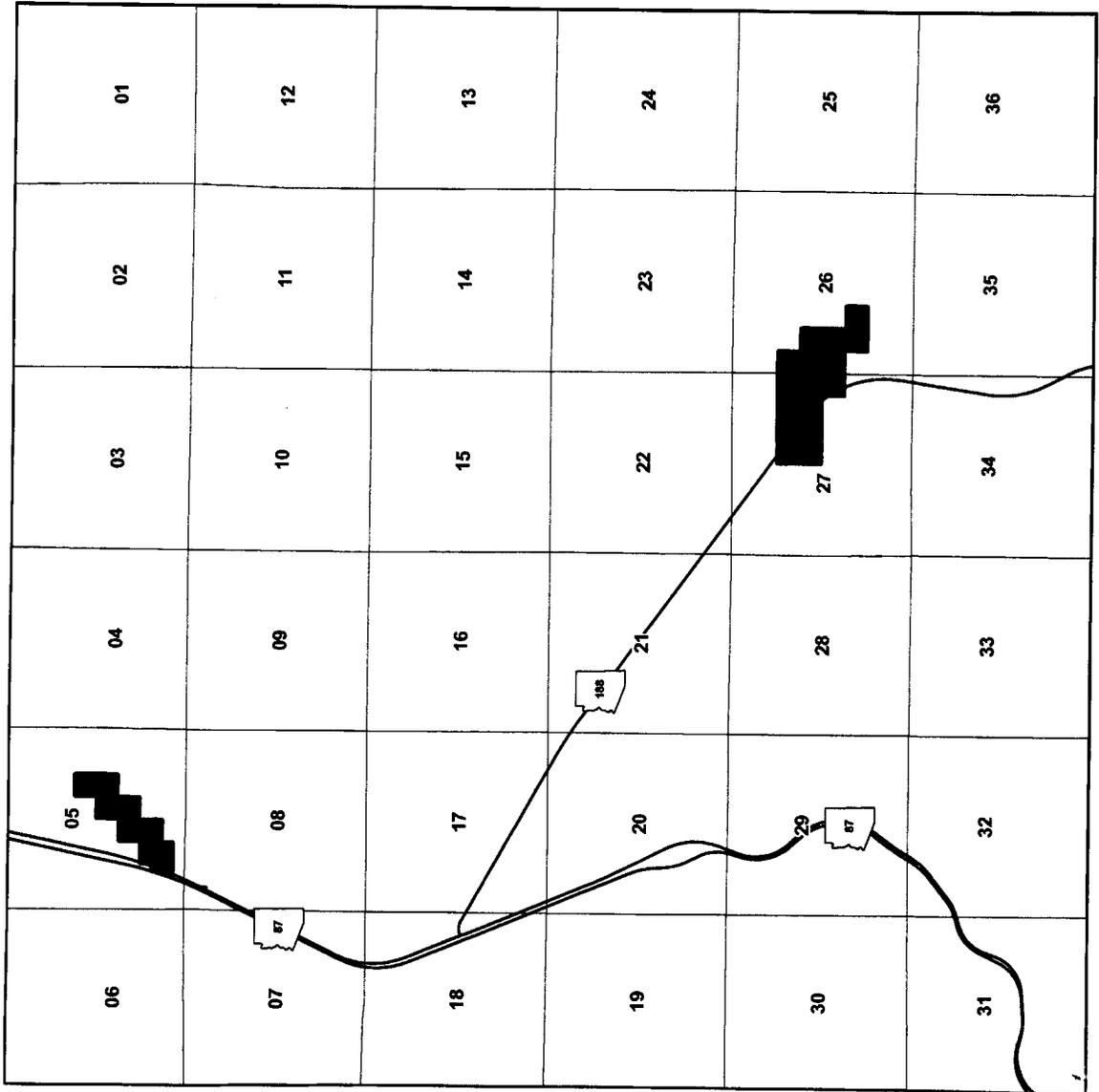
Attached is a copy of the map for your files.

/lhm

Attachment

cc: Mr. Michael R. Armstead
Ms. Katrin Stukov
Ms. Deb Person (Hand Carried)
File

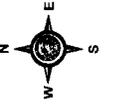
RANGE 10 East



 W-04249A (1)
 Jakes Corner Water Systems
 W-03514A (6)
 Payson Water Company, Inc.

 (1)
 Jake's Corner Water Systems
 Docket No. W-04249A-15-0260
 Application to Transfer CC&N to
 Management Systems, LLC
 Docket No. W-20935A-15-0260

TOWNSHIP 8 North



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

State of Arizona

County: Gila

\$1.00 USD

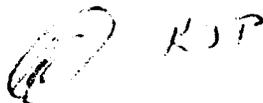
Bill of Sale of Personal Property

IN CONSIDERATION OF the sum of \$1.00 USD, inclusive of all sales taxes, paid by cash, the receipt of which consideration is acknowledged, Kacy Parker of 1400 N. Beeline Highway Payson AZ. 85541 (the 'Seller'), SELLS AND DELIVERS to MANAGEMENT SYSTEMS LLC. of 211 W. Saddle lane Payson AZ. 85541 (the 'Purchaser'), the following personal property (the 'Property'):
Jake's Corner Water System all Assets and Certificate of Convenience and Necessity.

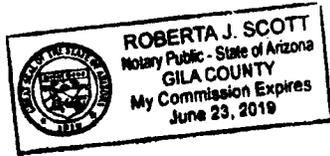
The Seller warrants that (1) the Seller is the legal owner of the Property; (2) the Property is free from all liens and encumbrances; (3) the Seller has full right and authority to sell and transfer the Property; and (4) the Seller will warrant and defend the title of the Property against any and all claims and demands of all persons.

The Property is being sold in an 'as is' condition and the Seller expressly disclaims all warranties, whether expressed or implied, including but not limited to, any implied warranty of merchantability or fitness for a particular purpose. Further, the Seller disclaims any warranty as to the condition of the Property. The Seller does not assume, or authorize any other person to assume on the behalf of the Seller, any liability in connection with the sale of the Property. The Seller's above disclaimer of warranties does not, in any way, affect the terms of any applicable warranties from the manufacturer of the Property.

The Purchaser has been given the opportunity to inspect the Property or to have it inspected and the Purchaser has accepted the Property in its existing condition. This Bill of Sale will be construed in accordance with and governed by the laws of the State of Arizona.

Handwritten initials and signature, possibly "KJP" or similar, located at the bottom center of the page.

SIGNED, SEALED, AND DELIVERED
this 1st day of July, 2015.




Kacy Parker
(Seller)


MANAGEMENT SYSTEMS LLC.
(Purchaser)

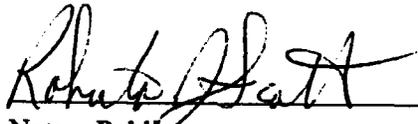
 KJP

NOTARY ACKNOWLEDGMENT - SELLER

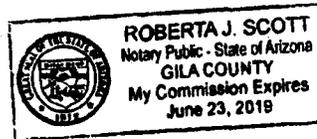
STATE OF ARIZONA

COUNTY OF Gila

On this 1st day of July, 2015, before me personally appeared Kacy Parker, whom I know personally (or whose identity has been proven on the basis of satisfactory evidence), and acknowledged that he/she executed the same.



Notary Public



My commission expires: June 23, 2019

 KJP

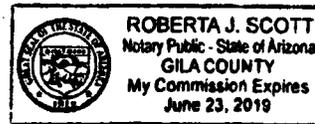
NOTARY ACKNOWLEDGMENT - PURCHASER

STATE OF ARIZONA

COUNTY OF Gila

On this 1st day of July, 2015, before me personally appeared MANAGEMENT SYSTEMS LLC. , whom I know personally (or whose identity has been proven on the basis of satisfactory evidence), and acknowledged that he/she executed the same.


Notary Public



My commission expires: June 23, 2019

 RJP

MEMORANDUM

TO: Vicki Wallace
Executive Consultant
Utilities Division

FROM: Katrin Stukov *KS*
Utilities Engineer
Utilities Division

DATE: December 14, 2015

RE: Jakes Corner Water Systems (Application for approval of the sale of assets and transfer of the Certificate of Convenience and Necessity)
Docket No. W-20935A-15-0260 et.al.

Introduction

On July 10, 2015, Kacy J. Parker dba Jakes Corner Water Systems ("Jakes Corner" or "Company") filed with the Arizona Corporation Commission ("ACC") an application for approval of the sale of assets and transfer of the Certificate of Convenience and Necessity ("CC&N") to Management Systems, LLC.

The Company is providing service to approximately 20 customers in an area located near the community known as Jakes Corner, south of Payson in Gila County. The CC&N area covers approximately 160 acres (approximately 0.25 square mile).

Water System¹*Operation*

The Company's water system includes one well with estimated pump yield of 22-28 gallon per minute ("GPM"), one 30 gallons bladder tank, one 5,000 gallon pressure tank and a distribution system. There is no well meter.

Capacity

Since there is no well meter, the actual well production is unknown and the system's capacity cannot be determined. Based on the Company's 2014 water use data, the Company reported the peak use month as August with 163,917 gallons sold. Using the water use data, Staff estimates that with one well, operating at previous reported level, the well capacity of 22 GPM could adequately serve the present customer base and a reasonable level of growth. However, the system lacks adequate storage capacity to serve the existing customer base. Based on the Company's 2014 water

¹ Per the Company's responses to Staff's Insufficiency letter

use data and the capacity analyses, a minimum of 5,000 gallons of storage is required on this system (with a single source) to meet seasonal peak demand.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

According to an ADEQ compliance status report, dated July 22, 2015, the Company has unresolved ongoing arsenic exceedances, monitoring and reporting deficiencies. Based upon these deficiencies, ADEQ cannot determine if the Company system is currently delivering water that meets water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code (“A.A.C.”), Title 18, Chapter 4.

Arizona Department of Water Resources (“ADWR”) Compliance

The Company’s water system is not located in ADWR Active Management Area. According to an ADWR compliance status report dated July 23, 2015, ADWR has determined that the Company’s water system is not in compliance with ADWR requirements, as the Company failed to file its Annual reports and the System Water Plan.

ACC Compliance

On August 26, 2015, the Utilities Division Compliance Section noted that a check of the compliance database indicates that there are currently no delinquent compliance items for the Company.

Curtailment Tariff

The Company has an approved Curtailment Tariff.

Backflow Prevention Tariff

The Company filed a Backflow Prevention Tariff on December 2, 2015.

Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADEQ indicating that there are no compliance deficiencies and the Company’s water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, or in the alternative the Company shall file a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/ or community water systems.

3. Staff recommends that the Company coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form).
4. Staff recommends that the Company to contact ADEQ's Capacity Development Program to request that ADEQ conduct evaluation of its water system and file with Docket Control in this docket a copy of Jakes Corner water system evaluation report.
5. Staff recommends that the Company file with Docket Control as a compliance item in this docket by December 31, 2016, a copy of the ADEQ Approval of Construction for the new storage tank with a minimum capacity of 5,000 gallons.