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MEMORANDUM

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AZ CORP COMMISSION
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TO: Docket Control

FROM: Thomas M. Broderick *T. M. Broderick*
Director
Utilities Division

DATE: July 14, 2016

RE: IN THE MATTER OF THE APPLICATION OF GONZALEZ UTILITY SERVICES, LLC FOR APPROVAL OF THE PURCHASE AND SALE OF ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY FROM LOMA LINDA ESTATES, INC. DBA LOMA LINDA WATER COMPANY (DOCKET NOS. W-20940A-16-0140 AND W-02211A-16-0140)

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/CHH

Originator: Vicki Wallace

Arizona Corporation Commission

DOCKETED

JUL 14 2016

DOCKETED BY	<i>VW</i>
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Service List for: Gonzalez Utility Services, LLC
Docket Nos. W-20940A-16-0140 and W-02011A-16-0140

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**GONZALEZ UTILITY SERVICES, LLC AND
LOMA LINDA ESTATES, INC.**

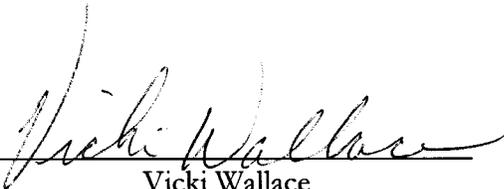
**DOCKET NOS. W-20940A-16-0140
AND W-02211A-16-0140**

**IN THE MATTER OF THE APPLICATION OF GONZALEZ
UTILITY SERVICES, LLC FOR APPROVAL OF THE SALE OF
ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE
AND NECESSITY FOR LOMA LINDA WATER COMPANY**

JULY 14, 2016

STAFF ACKNOWLEDGEMENT

The Staff Report for the application of Gonzalez Utility Services, LLC, for Approval of the Purchase and Sale of Assets and Transfer of the Certificate of Convenience and Necessity (Docket Nos. W-02211A-16-0140 and W-20940A-16-0140) of Loma Linda Estates, Inc. dba Loma Linda Water Company 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.



Vicki Wallace
Executive Consultant



Katrin Stukov
Utilities Engineer

**EXECUTIVE SUMMARY
GONZALEZ UTILITY SERVICES, LLC, AND
LOMA LINDA WATER COMPANY
DOCKET NOS. W-20940A-16-0140
AND W-02011A-16-0140**

On April 28, 2016, Gonzalez Utility Services, LLC (“Gonzalez”) filed an application with the Arizona Corporation Commission (“ACC” or “Commission”) on behalf of the owner of Loma Linda Estates, Inc. dba Loma Linda Water Company (“Loma Linda” 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 Loma Linda Water Company.

Loma Linda is an Arizona C corporation and a Class E water utility providing service, pursuant to a CC&N granted by the Commission in Decision No. 42866 issued October 1, 1972, in a rural service area located approximately six miles southeast of the Town of Clifton in Greenlee County.

Loma Linda has a current Greenlee County Franchise and is providing service to approximately 128 customers. The Company is in Good Standing with the Corporations Division. Current rates for Loma Linda were established in Decision No. 75234 (August 26, 2015) effective September 1, 2015. The CC&N covers approximately 100 acres, and Staff’s legal description and map of the service are attached as Exhibit 1.

CONCLUSIONS

1. Staff concludes that Gonzalez Utility Services, LLC dba Loma Linda 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. Loma Linda’s well and storage capacities are adequate to serve the present customer base and reasonable growth.
3. Ms. Gonzalez will charge the currently approved tariffed rates and charges of Loma Linda.
4. Loma Linda is in compliance with Arizona Department of Environmental Quality, Arizona Department of Water Resources, and ACC regulations.

RECOMMENDATIONS

Staff recommends that the Commission approve the purchase and sale/transfer of assets and CC&N of Loma Linda to Gonzalez Utility Services, LLC, dba Loma Linda Water Company.

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
BACKGROUND.....	1
PURCHASE AGREEMENT AND GONZALEZ UTILITY SERVICES, LLC (TRANSFEREE) 1	1
THE EXISTING WATER SYSTEM.....	2
CONSUMER SERVICES.....	2
PUBLIC INTEREST	2
WASTEWATER PROVIDER.....	2
ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE. 3	3
ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE	3
ACC COMPLIANCE	3
CONCLUSIONS	3
RECOMMENDATIONS	3

EXHIBITS

Legal Description and Map.....	1
Asset Purchase Agreement.....	2
Engineering Report.....	3

INTRODUCTION

On April 28, 2016, Gonzalez Utility Services, LLC (“Gonzalez” or “Applicant”) filed an application with the Arizona Corporation Commission (“ACC” or “Commission”) on behalf of the owner Loma Linda Estates, Inc. dba Loma Linda Water Company (“Loma Linda” 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 Loma Linda Water Company.

After Staff’s initial review and discussions with the Company, the ACC Utilities Division Staff (“Staff”) filed a Sufficiency Letter on May 18, 2016, indicating that the application had met the sufficiency requirements of the Arizona Administrative Code (“A.A.C.”) R14-2-402.

On May 19, 2016, a Procedural Order was issued setting the matter for hearing on August 4, 2016.

BACKGROUND

Loma Linda is an Arizona C corporation and a Class E water utility providing service, pursuant to a CC&N granted by the Commission in Decision No. 42866 issued October 1, 1972, in a rural service area located approximately six miles southeast of the Town of Clifton in Greenlee County.

Loma Linda has a current Greenlee County Franchise and is providing service to approximately 128 customers. The Company is in Good Standing with the Corporations Division. Current rates for Loma Linda were established in Decision No. 75234 (August 26, 2015) effective September 1, 2015. The CC&N covers approximately 100 acres, and Staff’s legal description and map of the service are attached as Exhibit 1.

The applicant reports that there are no refund obligations associated with main line extension agreements. All security deposit obligations are going to be assumed by the transferee though this sale and refunded as agreed in each instance. Additionally, the applicant is not aware of any judgments/liens against any of the entities involved in this transfer of assets and CC&N. The sale and purchase of Loma Linda will have no adverse impact on the utility service to either customers or any other utilities.

PURCHASE AGREEMENT AND GONZALEZ UTILITY SERVICES, LLC (TRANSFEEE)

On April 18, 2016, Bevan Barney on behalf of Loma Linda Estates, Inc. dba Loma Linda Water Company (“Seller”) and Carol 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 Loma Linda and the CC&N to Gonzalez Utility Services, LLC (Carol Gonzalez) pending approval by the ACC. Ms. Gonzalez will operate the utility company as Loma Linda Water Company. Gonzalez Utility Services, LLC is in good standing with the Corporations Division.

The Asset Purchase Agreement ("Purchase Agreement") indicates the Seller (Bevan Barney) sold Loma Linda for a total purchase price of \$130,000. The Purchase Agreement stipulates that \$30,000 would be due at closing, and Seller would carry the balance of \$100,000 with the interest rate of 5 percent for a 5 year term. Ms. Gonzalez understands the \$100,000 balance is not a debt to customers of Loma Linda.

Carol Gonzalez is a Certified Operator; however, for the Loma Linda water system, Ms. Gonzalez will continue to use Mr. John Basteen as the certified operator. Ms. Gonzalez 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 of Loma Linda.

THE EXISTING WATER SYSTEM

Staff's Engineering Report which is attached as Exhibit 3 indicates Loma Linda's water system consists of two wells with a combined pump yield of 160 gallons per minute ("GPM"). The system also has three storage tanks with a combined capacity of 30,000 gallons, four booster pumps, three pressure tanks, and a distribution system. Loma Linda has an approved Curtailment Tariff and an approved Backflow Prevention Tariff on file with the Commission.

Based on the Company's 2015 water use data and plant information, Staff concludes that Loma Linda's well and storage capacities are adequate to serve the present customer base and reasonable growth.

CONSUMER SERVICES

A review of the Consumer Services database revealed that in the last three years, there were no complaints or inquiries for this Company. Additionally, no comments have been filed in this docket.

PUBLIC INTEREST

Carol Gonzalez continues to be very cooperative with Staff in getting the appropriate paperwork filed and expresses a sincere desire to provide continuous and quality water to the customers of Loma Linda. Staff concludes that Ms. Gonzalez of Gonzalez Utility Services, LLC, dba Loma Linda 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

A compliance status report issued by ADEQ on June 6, 2016, indicates that Loma Linda is currently delivering water meeting the water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and A.A.C. Title 18, Chapter 4.

ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

The Loma Linda water system is not located in an Active Management Area. ADWR reported on April 29, 2016, that Loma Linda is in compliance with ADWR requirements governing water providers and/or community water systems.

ACC COMPLIANCE

A check of the Utilities Division Compliance Database indicates that there are currently no ACC delinquencies for Loma Linda.

CONCLUSIONS

1. Staff concludes that Gonzalez Utility Services, LLC dba Loma Linda 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. Loma Linda’s well and storage capacities are adequate to serve the present customer base and reasonable growth.
3. Ms. Gonzalez will charge the currently approved tariffed rates and charges of Loma Linda.
4. Loma Linda is in compliance with ADEQ, ADWR, and ACC regulations.

RECOMMENDATIONS

Staff recommends that the Commission approves the purchase and sell/transfer of assets and Certificate of Convenience and Necessity of Loma Linda to Gonzalez Utility Services, LLC dba Loma Linda Water Company.

MEMORANDUM

EXHIBIT 1

TO: Vicki Wallace
Executive Consultant III
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: June 9, 2016

RE: LOMA LINDA WATER COMPANY (DOCKET NO. W-02211A-16-0140) AND
GONZALEZ UTILITY SERVICES, LLC (DOCKET NO. W-20940A-16-0140)

Loma Linda 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

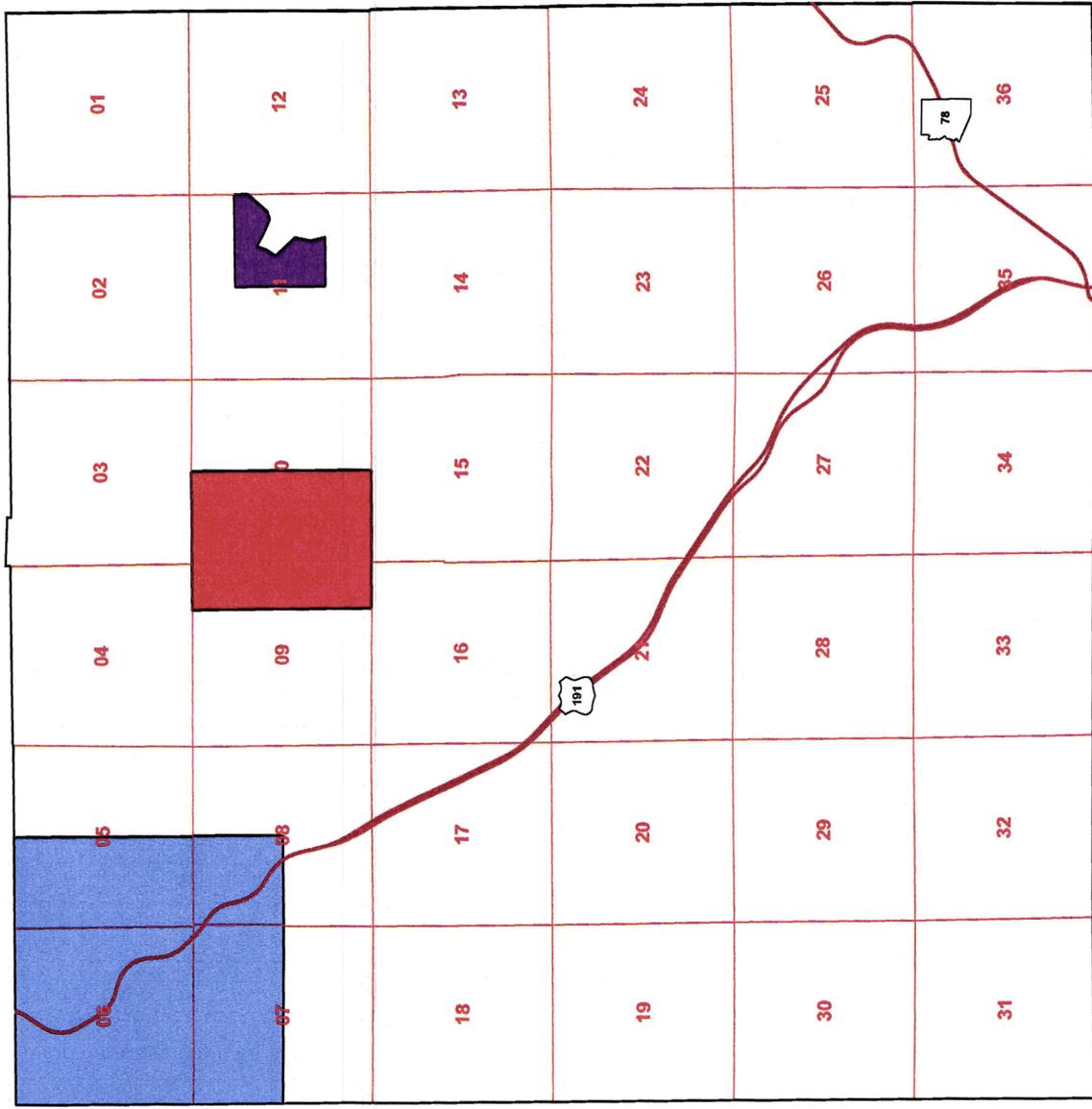
cc:

Bevan Barney
Ms. Katrin Stukov
Ms. Deb Person (Hand Carried)
File

GREENLEE COUNTY

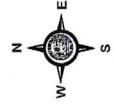
RANGE 30 East

TOWNSHIP 5 South



-  W-02211A (1)
Loma Linda Water Company
-  W-01049A (4)
Morenci Water & Electric Company
-  W-02096A (1)
Verde Lee Water Company

-  (1)
Loma Linda Water Company
(Docket No. W-02211A-16-0140)
Application for Sale of Assets/CC&N Transfer to:
Gonzalez Utility Services, LLC
(Docket W-20940A-16-0140)



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

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

ASSET PURCHASE AGREEMENT

THIS AGREEMENT made this 31 st day of March, 2016, by and between Loma Linda Estates, Inc. (Seller), Gonzalez Utility Services, LLC. (Purchaser).

WITNESETH:

In consideration of the mutual covenants hereinafter contained, it is hereby agreed by and between the parties hereto as follows:

1. Seller shall sell and Purchaser shall purchase, free and clear of all liens, encumbrances and liabilities, those assets of Seller's business, commonly known as Loma Linda Water Company , consisting of Wells, Pipelines, Storage, Franchise, and equipment, all of which are more fully described and enumerated in Schedule A which is attached hereto and by this reference made a part hereof.
2. Purchaser shall pay the Seller as the purchase price for the foregoing the sum of One Hundred and Thirty Thousand DOLLARS. The sum of Thirty Thousand Dollars is due at closing. Seller will carry the balance of the loan, \$100,000.00 with the interest rate of 5%, payment being calculated at \$1887.12 per month for a 5 year term, evidenced by an Installment Note attached to and hereby made a part of this agreement.
3. Seller shall sell, assign, transfer, and convey to Purchaser the assets, free of all liabilities.
4. All equipment included in the sale shall be in good working condition at the time of sale. Purchaser shall accept the assets "as is" without warranty as to their condition and operation. Seller will Warrant the well pump 55-626-303 for a term of one year.
5. The actions to be taken by the parties hereto to close the transaction as provided shall take place on or before March 31, 2016 at the office of Interstate Electronics, Inc., 3776 Main Street, Thatcher, AZ 85552 hereinafter referred to as the ("Closing Date"). At the closing, Seller shall deliver to Purchaser possession of the assets, and good and sufficient instruments of transfer, conveying and transferring the assets to Purchaser. Such delivery shall be made against payment and delivery to the Seller of the price as set forth herein above. The instruments of transfer shall contain covenants and warranties that Seller has good and marketable title in and to the assets. Seller shall indemnify and hold harmless Purchaser from any and all claims of its creditors and such assets shall transfer to Purchaser, free and clear of all liens and encumbrances.

All representations and warranties made by Seller shall survive the Closing.

6. Seller covenants, warrants and represents:

(a) He or She is not presently involved in any activity or outstanding dispute with any taxing authority as to the amount of any property taxes due, nor has he/she received any notice of any deficiency, credit or other indication of deficiency from any taxing authority.

(b) He or She is the owner of and has good and marketable title to all of the assets enumerated in the attached Exhibit A, free from all encumbrances, except --none.

7. Seller hereby assumes all risk of loss, damage or destruction resulting from fire or other casualty to the time of transfer of assets and Closing.

8. This Agreement shall be binding upon the personal representatives, successors and assignees of the parties. This Agreement and any accompanying instruments and documents include the entire transaction between the parties and there are no representations, warranties, covenants or conditions, except those specified herein or in accompanying instruments and documents.

9. All covenants, warranties and representations herein shall survive this Agreement and the Closing Date.

10. This Agreement shall be governed in all respects by the laws of the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals, the date and place first above written.

Loma Linda Estates, Inc.

Seller

Dwain J. Smith, President 4/18/2016

Gonzalez Utility Services, LLC

Purchaser

Carl Gonzalez, President 4/18/16

Operating water company including:

Franchise to operate in Greenlee County, CC&N from Arizona Corporation Commission.

6' chain link fence enclosing 2 wells--55-626-303, 55-626-302--water storage area and pumping facilities and pump house on 2 acres more or less.

3-10,000 gallon vertical storage tanks, 1-4,000 gallon, 1-3,000 gallon, 1-1500 gallon pressure tanks operating in the system, complete with automatic air compressors, valves and piping.

12' x 15' storage shed and pump house.

All 6" and 4" pvc and ac piping for transmission lines, customer service lines and meters, flush valves, vacuum/relief valves, gate valves.

2-3 hp 3 ph. booster pumps, 2-5 hp 3 ph booster pumps, valves and piping, all wiring and automatic controls.

Inventory and parts:

2-15' ac pipes

1-4" pvc saddle tap

2-4" sxs 45 degree els

1-3" pvc compression cplg

1-4" s x s pvc sleeve

1-4" pvc s x t adaptor

1-6" s x s cplg

misc pvc 6" & 4" pipe pieces

1 round concrete meter box

1-18" x 24" concrete meter box

2-spare meter box lids

1-20' pvc CI 160 pipe

1-6" valve lid

1 8" valve lid

Tools:

1-48" valve wrench

1-48" meter angle valve wrench

1-6' aluminum ladder

1-18" crescent wrench

1-18" pipe wrench
2-14" pipe wrench
1 pvc/poly cutter
valve packing tools

Electrical:

3 Ph Entry with breakers
1- Panel Control Box
2-3 Ph Starter boxes
2-3 Ph 3 Hp Booster pumps (Installed)
2-3 Ph 5 Hp Booster pumps (Installed)
1-3 Ph 5 Hp Booster pump (backup)
2-Warrick liquid level controls
Misc. used and new backup electrical parts

Parts:

3-6" transition cplg
4-4" transition cplg
valve packing 1/4 and 3/8"
2 cans blue marking paint
1 can white marking paint
3-metal 1" compression cplg
1-6" collared repair clamp
1-6" 12" repair clamp
1-6" 18" repair clamp
1-4" 6" repair clamp
1-4" spare globe valve
1-6" spare globe valve
2-6" mechanical joints
2-4" mechanical joints
2-4" pvc saddle taps
1-4"x2" pvc saddle tap
8 5/8 x 3/4 lead free meters
1-1/2" air/vac valve
2-6' repair clamps
10-3/4" lead free angle meter valves
100 3/4" meter gaskets
10 3/4" meter cplgs lead free
1-2" banjo male
15' flex hose 2" female
5 rolls teflon tape
1 roll caution tape
1 roll pipe insulation
2-4" pvc compression cplg

1-12' 1" poly pipe
1 dump load bedding sand
1-12" 20 'drainage culvert galvanized
misc solvent cement, cleaner

MEMORANDUM

TO: Vicki Wallace
Executive Consultant
Utilities Division

FROM: Katrin Stukov *KS*
Utilities Engineer
Utilities Division

DATE: June 14, 2016

RE: Gonzalez Utility Services, LLC Application for approval of the purchase of assets and transfer of the Certificate of Convenience and Necessity for Loma Linda Water Company

Docket Nos.W-20940A-16-0140 and W-02211A-16-0140

Introduction

On April 28, 2016, Gonzalez Utility Services LLC (“Gonzalez Utility” or “Company”) filed with the Arizona Corporation Commission (“ACC”) an application for approval of the purchase of assets and transfer of Certificate of Convenience and Necessity (“CC&N”) from Loma Linda Water Company (“Loma Linda”).

Loma Linda is providing service to approximately 128 customers in an area approximately six miles southeast of the Town of Clifton in Greenlee County. The CC&N area covers approximately 100 acres.

Loma Linda Water System¹*Operation*

Loma Linda’s water system consists of two wells with a combined pump yield of 160 gallon per minute (“GPM”), three storage tanks with a combined capacity of 30,000 gallons, four booster pumps, three pressure tanks, and a distribution system.

According to the Company, Gonzalez Utility will continue to utilize the same certified operator, and there will be no effect on customers as a result of the proposed transaction.

¹ Per the Company’s responses to Staff’s Data Requests

Capacity

Based on the Company's 2015 water use data and plant information, Staff concludes that the Loma Linda's well and storage capacities are adequate to serve the present customer base and reasonable growth.

Arizona Department of Environmental Quality ("ADEQ") Compliance

A compliance status report issued by the ADEQ on June 6, 2016, shows that Loma Linda is currently delivering water meeting the water quality standards required by 40 C.F.R. 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

The Loma Linda's water system is not located in an Active Management Area. ADWR reported on April 29, 2016, that Loma Linda is in compliance with ADWR requirements governing water providers and/or community water systems.

ACC Compliance

On May 3, 2016, the Utilities Division Compliance Section noted that a check of the compliance database indicates that there are currently no delinquent compliance items for Loma Linda and Gonzales Utility.

Curtailment Tariff

Loma Linda has an approved Curtailment Tariff.

Backflow Prevention Tariff

Loma Linda has an approved Backflow Prevention Tariff.

Conclusions

Loma Linda is in compliance with ADEQ and ADWR regulations.

The Utilities Division Compliance Section database indicates that there are currently no delinquent compliance items for Loma Linda and Gonzales Utility.