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BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE
Chairman
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
ANDY TOBIN
Commissioner
BOYD DUNN
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 22 2017

DOCKETED BY

IN THE MATTER OF WATER OUTAGES,
WATER QUALITY AND CUSTOMER
SERVICE AT BEAVER VALLEY WATER
COMPANY AND THE NEED FOR
POTENTIAL REMEDIAL ACTIONS.

DOCKET NOS. W-02015A-17-0126

DECISION NO. 76157ORDER

Open Meeting
June 13 and 14, 2017
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT**Background**

1. Beaver Valley Water Company ("Beaver Valley" or "Company") is an Arizona public service corporation that provides water utility service in Gila County, Arizona. Beaver Valley was granted its Certificate of Convenience and Necessity ("CC&N") by Decision No. 38565 (July 5, 1966). In Decision No. 55705 (August 26, 1987), the CC&N was transferred from Beaver Valley Water Company, Inc. (a Corporation which has since been dissolved) to Beaver Valley Water Company, a partnership of Edgar Delaney and R.E. Ward. The Commission then authorized Beaver Valley Water Company to transfer its CC&N from the partnership to Mike Davoren as a sole proprietor in Decision No. 69244, dated January 19, 2007.

2. On May 24, 2017, the Commission held a Special Open Meeting at the Beaver Valley Fire Department to take public comment in the matter of water outages, water quality, and customer service at Beaver Valley, and to discuss the need for remedial actions. Fourteen people provided

1 comments having to deal with outages, leaks, curtailment communication issues, dirty water, water
2 pressure inconsistencies, inappropriate communications and various forms of retaliation from the
3 current owner, a lack of timely annual reports, and inaccurate notices being sent to ratepayers. The
4 community also made it clear that they have been dealing with these issues for about 20 years.
5 However, they are encouraged by the fact that the Commission is now listening and hopeful that they
6 will start to see changes.

7 3. The plant facilities were field inspected on May 24, 2017, by Staff members Al
8 Amezcua, Michael Buck and Frank Smaila in the accompaniment of Mr. Mike Armstead. ADEQ also
9 inspected the water system on May 24, 2017.

10 **Staff Recommendations**

11 4. On June 5, 2017, Beaver Valley requested that the Commission appoint Michael
12 Armstead of Management Systems LLC as the interim manager of Beaver Valley. As a result of
13 meeting with representatives of both Beaver Valley and Management Systems, Staff understands that
14 Mr. Armstead, has already begun taking action to correct the issues that the Beaver Valley system is
15 facing, as voiced by the community. Implementation of an interim manager puts in place a manager
16 that Staff believes possesses the requisite skills and abilities to competently operate a water system.

17 5. Staff recommends that the Commission appoint Mr. Armstead the interim manager
18 for Beaver Valley.

19 6. Staff recommends that the Company install an additional 15,000 gallons of water
20 storage capacity to fulfill storage requirement for system at full customer buildout.

21 7. Staff recommends that within 180 days of the effective date of the order in this matter
22 Beaver Valley complete the needed improvements listed in the attached Table 1 and file, as a
23 compliance item with the Commission's Docket Control, documentation demonstrating that the
24 improvements have been completed.

25 8. Staff recommends the Company retain on site a complete and operational spare 7.5 hp
26 booster pump to supply drinking water to the distribution system.

27 9. Staff recommends that the Company install a minimum of three blowoff valves in the
28 distribution system to allow flushing of repaired water mains.

1 10. Staff recommends that the Company hire a Professional Engineer to design a
2 permanent water line to supply drinking water to Beaver Valley Subdivision Unit 6.

3 11. Staff recommends that within 90 days the Company file with Docket Control, as a
4 compliance item in this docket, documentation from ADEQ indicating that Beaver Valley's water
5 system is compliant with departmental requirements.

6 12. Staff will continue to monitor this situation and make appropriate filings before the
7 Commission in the event that further action is warranted.

8 CONCLUSIONS OF LAW

9 1. Beaver Valley Water Company is an Arizona public service corporation within the
10 meaning of Article XV, Section 3, of the Arizona Constitution and A.R.S. § 40-321.

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

12 3. Staff's recommendations in Finding of Fact Nos. 5-12 are reasonable.

13 4. The Commission, having reviewed the request and considered the matter, finds that it
14 is in the public interest to authorize Staff to implement Mr. Mike Armstead of Management Systems,
15 LLC as the interim manager of Beaver Valley Water Company.

16 ORDER

17 IT IS THEREFORE ORDERED that Staff is hereby authorized to commence efforts to
18 obtain an agreement appointing Mr. Mike Armstead of Management Systems, LLC as the interim
19 manager of Beaver Valley Water Company.

20 IT IS FURTHER ORDERED that Beaver Valley Water Company shall install an additional
21 15,000 gallons of water storage capacity to fulfill storage requirement for system at full customer
22 buildout.

23 IT IS FURTHER ORDERED that within 180 days of the effective date of this order Beaver
24 Valley Water Company shall complete the improvements listed in Table 1 and file, as a compliance
25 item with the Commission's Docket Control, documentation demonstrating that the improvements
26 have been completed.

27 IT IS FURTHER ORDERED that Beaver Valley Water Company retain on site a complete
28 and operational spare 7.5 hp booster pump to supply drinking water to the distribution system.

1 IT IS FURTHER ORDERED that Beaver Valley Water Company install a minimum of three
2 blowoff valves in the distribution system to allow flushing of repaired water mains.

3 IT IS FURTHER ORDERED that Beaver Valley Water Company retain a Professional
4 Engineer to design a permanent water line to supply drinking water to Beaver Valley Subdivision Unit
5 6.

6 IT IS FURTHER ORDERED that within 90 days of the effective date of this order, Beaver
7 Valley Water Company file with Docket Control, as a compliance item in this docket, documentation
8 from ADEQ indicating that Beaver Valley Water Company's water system is compliant with
9 departmental requirements.

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IT IS FURTHER ORDERED that Staff shall monitor the situation and make the appropriate filings before the Commission in the event that further action is warranted.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN FORESE


COMMISSIONER DUNN

  
COMMISSIONER TOBIN COMMISSIONER LITTLE COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, 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 22nd day of June, 2017.


TED VOGT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:BAB:red/CHH

1 Beaver Valley Water Company
2 Docket Nos. W-02015A-17-0126

3 Mr. Michael Armstead
4 Management Systems, LLC
5 211 West Saddle Lane
6 Payson, Arizona 85541

7 Mr. Andy Kvesic
8 Director/General Counsel, Legal Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007
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Table 1. List of Deficiencies and Recommended Course of Action

Location	Issue Type	Description of Issue	Possible Consequence	Recommend Company	Regulation - Guideline	Estimated Cost
Wellsite	Health and Safety	Cracks in Production Well Pad/Slab	Contamination of Well	Seal cracks or install new well pad/slab	Bulletin No. 10 Chapter 2.E.9 ¹	\$50 - \$500
Wellsite	Health and Safety	Top of Well less than 12-inch above Well Slab	Contamination of Well	Raise Well Head	Bulletin No. 10 Chapter 2.E.8	\$200
Wellsite	Health and Safety	Well Discharge Line Missing Check Valve	Contamination of Well	Install Check Valve on Well Discharge Line	Bulletin No. 10 Chapter 3.C.4	\$200
Wellsite	Health and Safety	Well Discharge Line Missing Shut Off Valve	Contamination of Well	Install Shut Off Valve on Well Discharge Line	Bulletin No. 10 Chapter 3.C.4	\$300
Storage Tanks	Water Capacity	Does not have Minimum Storage Capacity	Drinking Water depleted before 24 hours	Increase Storage Capacity by Minimum of 5,000 gallons	AAC R18-5-503.A ²	\$15,000
Storage Tanks	Health and Safety, Security and/or Vandalism	Fencing in disrepair where one may gain access to wellsite	Contamination of drinking water and/or Vandalism	Repair security fencing	Bulletin No. 10 Chapter 6.E.3	\$4,000
Storage Tanks	Health and Safety	Immediate area is graded toward Storage Tanks	Undermining of Storage Tank Foundation	Grade to prevent surface water from ponding near Foundations	Bulletin No. 10 Chapter 6.E.14	\$1,000
Storage Tanks	Health and Safety	Ladder left at Storage Tank	Contamination of drinking water and/or Vandalism	Remove Ladder to prevent access to Storage Tank Interior	Bulletin No. 10 Chapter 6.E.3	\$0
Storage Tanks	Safety, Security and/or Vandalism	It is unknown if Top Hatch on either Storage Tank is lockable	Contamination of drinking water and/or Vandalism	Insure that Top hatch for each Storage is lockable	Bulletin No. 10 Chapter 6.E.8	\$200
Storage Tanks	Operational	Neither Storage Tank incorporates an Overflow Pipe	Overflow of Storage Tank and undermining Foundation	Install Overflow Piping on each Storage Tank	Bulletin No. 10 Chapter 6.E.6*	\$800
Storage Tanks	Health and Safety	Leaky Valve at Storage Tanks	Contamination of drinking water if loss of Pressure	Repair or Replace Valve to prevent Back-Siphonage	Bulletin No. 10 Chapter 7.B.5*	\$50 - \$3,000

¹ Arizona Department of Environmental Quality Engineering Bulletin No. 10, "Guidelines for the Construction of Water Systems", May 1978 ("Bulletin 10").

² Arizona Administrative Code ("AAC").