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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

AZ CORP COMMISSION
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FROM: Ernest G. Johnson
Director
Utilities Division

Date: May 4, 2005

RE: STAFF REPORT FOR OAK CREEK PUBLIC SERVICE COMPANY-
APPLICATION FOR TRANSFER OF ITS CERTIFICATE OF CONVENIENCE
AND NECESSITY AND ASSETS (DOCKET NO. W-04304A-05-0072)

Attached is the Staff Report for Oak Creek Public Service Company's application for transfer of its Certificate of Convenience and Necessity and assets. Staff recommends approval of the transfer.

EGJ:BNC:red

Originator: Blessing Chukwu

Attachment: Original and 13 Copies

Arizona Corporation Commission
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Service List for: Oak Creek Public Service Company
Docket Nos. W-04304A-05-0072

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

OAK CREEK PUBLIC SERVICE COMPANY
DOCKET NO. W-04304A-05-0072

APPLICATION FOR TRANSFER OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY AND ASSETS
TO
OAK CREEK PUBLIC SERVICE, LLC

MAY 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Oak Creek Public Service Company (Docket No. W-04304A-05-0072) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read 'B. Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to read 'Marlin Scott, Jr.', with a small star-like mark at the end.

Marlin Scott, Jr.
Utilities Engineer

**EXECUTIVE SUMMARY
OAK CREEK PUBLIC SERVICE COMPANY
APPLICATION FOR TRANSFER OF ITS CERTIFICATES OF CONVENIENCE AND
NECESSITY AND ASSETS
DOCKET NO. W-04304A-05-0072**

On February 4, 2005, Oak Creek Public Service Company ("Oak Creek" or "Company" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for issuance of a Certificate of Convenience and Necessity ("CC&N") to provide water service in a portion of Yavapai County, Arizona. On March 6, 2005, Oak Creek filed an amended application requesting approval to transfer its CC&N and assets to Oak Creek Public Service, LLC ("Oak Creek LLC" or "Transferee"). On March 30, 2005, Staff filed a Sufficiency Letter indicating that the transfer application had met the sufficiency requirements of Arizona Administrative Code.

On January 20, 2005, the Commission issued Decision No. 67514, which authorized the Company to increase its rates and charges consistent with the associated conditions required by the Commission. The conditions included, among other things, a requirement that Oak Creek file within sixty days, an application for transfer of the Company's CC&N and its assets to a designated legal business organization. In order to assure compliance with the CC&N and assets transfer requirement, the Commission also required that the ordered CC&N and assets transfer application be filed and be found sufficient before the Company may charge the rate authorized by Decision No. 67514.

According to the Application, Oak Creek was owned and operated since 1979, by Ms. Pauline K. Smith, aka Jackson until her death on September 9, 2001. By this application, the Company is seeking Commission authority to transfer its CC&N and assets (as ordered by Decision No. 67514) to Oak Creek Public Service, LLC. Oak Creek Public Service, LLC is an Arizona limited liability company, in good standing, formed by the Estate of Pauline K. Smith, aka Jackson for the purpose of transferring Oak Creek's CC&N and assets as ordered by Decision No. 67514. The Estate of Pauline K. Smith, aka Jackson is made up of her five children.

Oak Creek is in compliance with the Arizona Department of Environmental Quality, the Commission, and the Arizona Department of Water Resources.

Staff recommends that the Commission approve Oak Creek Public Service Company's application for transfer of the Company's CC&N and assets to Oak Creek Public Service, LLC subject to the following condition:

1. That the Commission require Oak Creek Public Service, LLC to charge the authorized rates and charges of Oak Creek Public Service Company.
2. That the Commission require Oak Creek Public Service, LLC to file with Docket Control, within 30 days of the Estate's emergence from probate, a notice of such emergence.

3. That the Commission require Oak Creek Public Service, LLC to file with Docket Control, within 30 days of the Estate's emergence from probate, a list of Oak Creek Public Service, LLC's members and their respective membership interests.

Staff further recommends that the Commission's Decision granting this CC&N and assets transfer to Oak Creek Public Service, LLC be considered null and void without further order from the Commission should Oak Creek Public Service, LLC fail to meet conditions Nos. 2 and 3 listed above.

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Introduction

On February 4, 2005, Oak Creek Public Service Company ("Oak Creek" or "Company" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for issuance of a Certificate of Convenience and Necessity ("CC&N") to provide water service in a portion of Yavapai County, Arizona.

On February 18, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C."). A copy of the Insufficiency Letter was sent to Oak Creek via U.S. mail. In the letter, Staff listed the deficiency as the Company's failure to comply with one of the requirements of the Commission Decision No. 67514 (January 20, 2005) to "file, within sixty days, **an application for transfer of the Company's Certificate of Convenience and Necessity and its assets to a designated legal business organization.**" (emphasis added) Oak Creek's February 4, 2005 application was for issuance of a CC&N, instead of transfer of the Company's CC&N and its assets.

On March 6, 2005, Oak Creek filed an amended application requesting approval to transfer its CC&N and assets to Oak Creek Public Service, LLC ("Oak Creek LLC" or "Transferee").

On March 30, 2005, Staff filed a Sufficiency Letter indicating that the transfer application had met the sufficiency requirements of A.A.C.

Background

Oak Creek is an Arizona public service corporation engaged in providing water utility service to approximately 248 customers in a residential subdivision called Lower Oak Estates, in Cornville, Arizona. Cornville is located approximately eight miles east of Cottonwood, Arizona in Yavapai County.

According to the Application, Oak Creek was owned and operated as a sole proprietorship since 1979, by Ms. Pauline K. Smith, aka Jackson until her death on September 9, 2001. According to the Commission Record (Decision No. 53439, issued in Docket No. U-1577-82-229, on February 10, 1982, page 4), Ms. Pauline Jackson was the sole shareholder/owner of Oak Creek Public Service Co. aka Jackson Water Co., Inc. However, for failure to file annual reports the corporation was dissolved. Subsequent to the December 10, 1982 hearing in Docket No. U-1577-82-229, Ms. Jackson formed a new corporation named Po-Bru Water Company, Inc., an Arizona corporation, for the purpose of operating the water company. As Oak Creek Public Service Co., the corporation holding the CC&N had been dissolved by operation of law for failure to file annual reports. Decision No. 53439 ordered the Company to make an application within thirty (30) days of the decision for transfer of the Company's CC&N and its assets to a designated legal business organization.

After the death of Ms. Jackson, the ownership of Oak Creek passed to the Estate of Pauline Katherine Smith, aka Jackson ("Estate"). Staff noted, while processing an application for a rate increase filed by the Company, in Docket No. W-01577A-04-0411, that there was no record of the above-referenced ordered filing, and thus, recommended in the Staff Report that the Company again be ordered to make application for transfer of the Company's CC&N and its assets to a designated legal business organization within 30 days. On January 20, 2005, the Commission issued Decision No. 67514, which authorized the Company to increase its rates and charges consistent with the associated conditions required by the Commission. The conditions included, among other things, a requirement that Oak Creek file within sixty days, an application for transfer of the Company's CC&N and its assets to a designated legal business organization. In order to assure compliance with the CC&N and assets transfer requirement, the Commission also required that the ordered CC&N and assets transfer application be filed and be found sufficient before the Company may charge the rate authorized by Decision No. 67514.

The Commission further required Oak Creek, in the event the Company's next required arsenic monitoring result shows that its water exceeds the U.S. Environmental Protection Agency's ("EPA's") new arsenic maximum contaminant level ("MCL"), to file a plan of action for addressing the arsenic issue within sixty days of receiving the result. The Commission also required Oak Creek within 365 days to: (1) install a wellhead meter on its Main Well; (2) docket an affidavit confirming such installation; and (3) submit a plan to the Commission' Utilities Division Director describing how it will resolve its inadequate storage capacity.

A check of the compliance database by the Utilities Division Compliance Section on April 25, 2005, indicated that there were no delinquencies for the Utilities.

The Water System

Oak Creek operates a water system that consists of a Main Well drilled in 1972 that pumps at 250 gallons per minute, a 2,500 gallon pressure tank, two booster pumps, a 50,000 gallon storage tank, and a distribution system consisting of 9,270 feet of 4-inch and 13,900 feet of 6-inch polyvinyl-chloride water mains. Water from the Main Well is treated by a dry pellet chlorinator. All customers are currently served using 5/8 x 3/4 inch meters. An artesian well is also located on the site of the Main Well, but it was taken out of service over 20 years ago and is not connected to the system. The Company also owns an 11,000 gallon storage tank that is not in service.

The Transaction

Oak Creek provides water service to approximately 248 customers in a portion of Yavapai County, Arizona. By this application, the Company is seeking Commission authority to transfer its CC&N and assets (as ordered by Decision No. 67514) to Oak Creek Public Service, LLC. Oak Creek Public Service, LLC is an Arizona limited liability company, in good standing, formed by the Estate for the purpose of transferring Oak Creek's CC&N and assets as ordered by Decision No. 67514. Mr. William E. Jackson, Jr., the son of Ms. Jackson, is the administrator of

the Estate and is also the on-site manager of the Transferee. The Estate of Pauline K. Smith, aka Jackson is made up of her five children, namely: William E. Jackson, Jr., Jari Greene, James Jackson, Suni Feura, and Bruce Jackson. The Estate is currently in probate at the Yavapai County Superior Court.

According to the application, all customer security deposits will be transferred to the Transferee; all refunds due on meter and line installations will be assumed by the Transferee; and there are no refunds due on any main extension agreements.

Compliance

This application is a compliance filing ordered in Decision No. 67514 (January 20, 2005). Oak Creek is currently in compliance with the requirements of the Arizona Department of Water Resources ("ADWR"), the Arizona Department of Environmental Quality ("ADEQ"), and the Commission.

The Company is current in its property tax payments.

The Company is not located within an Active Management Area ("AMA") and as such is not subject to ADWR's reporting and conservation rules.

Recommendation

Staff recommends that the Commission approve Oak Creek Public Service Company's application for transfer of the Company's CC&N and assets to Oak Creek Public Service, LLC subject to the following condition:

1. That the Commission require Oak Creek Public Service, LLC to charge the authorized rates and charges of Oak Creek Public Service Company.
2. That the Commission require Oak Creek Public Service, LLC to file with Docket Control, within 30 days of the Estate's emergence from probate, a notice of such emergence.
3. That the Commission require Oak Creek Public Service, LLC to file with Docket Control, within 30 days of the Estate's emergence from probate, a list of Oak Creek Public Service, LLC's members and their respective membership interests.

Staff further recommends that the Commission's Decision granting this CC&N and assets transfer to Oak Creek Public Service, LLC be considered null and void without further order from the Commission should Oak Creek Public Service, LLC fail to meet conditions Nos. 2 and 3 listed above.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells *BW*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: April 25, 2005

RE: **OAK CREEK PUBLIC SERVICE, LLC (DOCKET NO. W-04304A-05-0072)**

Oak Creek originally filed an application for a new CC#N, acting upon advice given by Commission Staff. However, due to further research, Staff determined that they should have filed an application for a transfer instead, which they subsequently did. It was further determined by Staff that when the company filed the application for a transfer, it would be filed under the same docket number as the previous application; however, when that decision was made it wasn't taken into consideration that we still have the original company (Oak Creek Public Service Company) with the original docket number (Docket No. W-1577) certificated to serve the same area being requested in this application. Typically, when an application is filed for a transfer, two docket numbers are assigned, one for the company that is transferring and one for the company being transferred to. In this application, we have only one docket number, which leaves the original company still certificated to serve. In order for all public records to be accurate and correct, the original docket number should be added to this application so that the original company can be closed out in a manner that is clear and understandable to anyone making an inquiry ten or twenty years from now.

Attached is a copy of the legal description of the area being transferred; also attached is a copy of the map for your files.

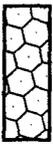
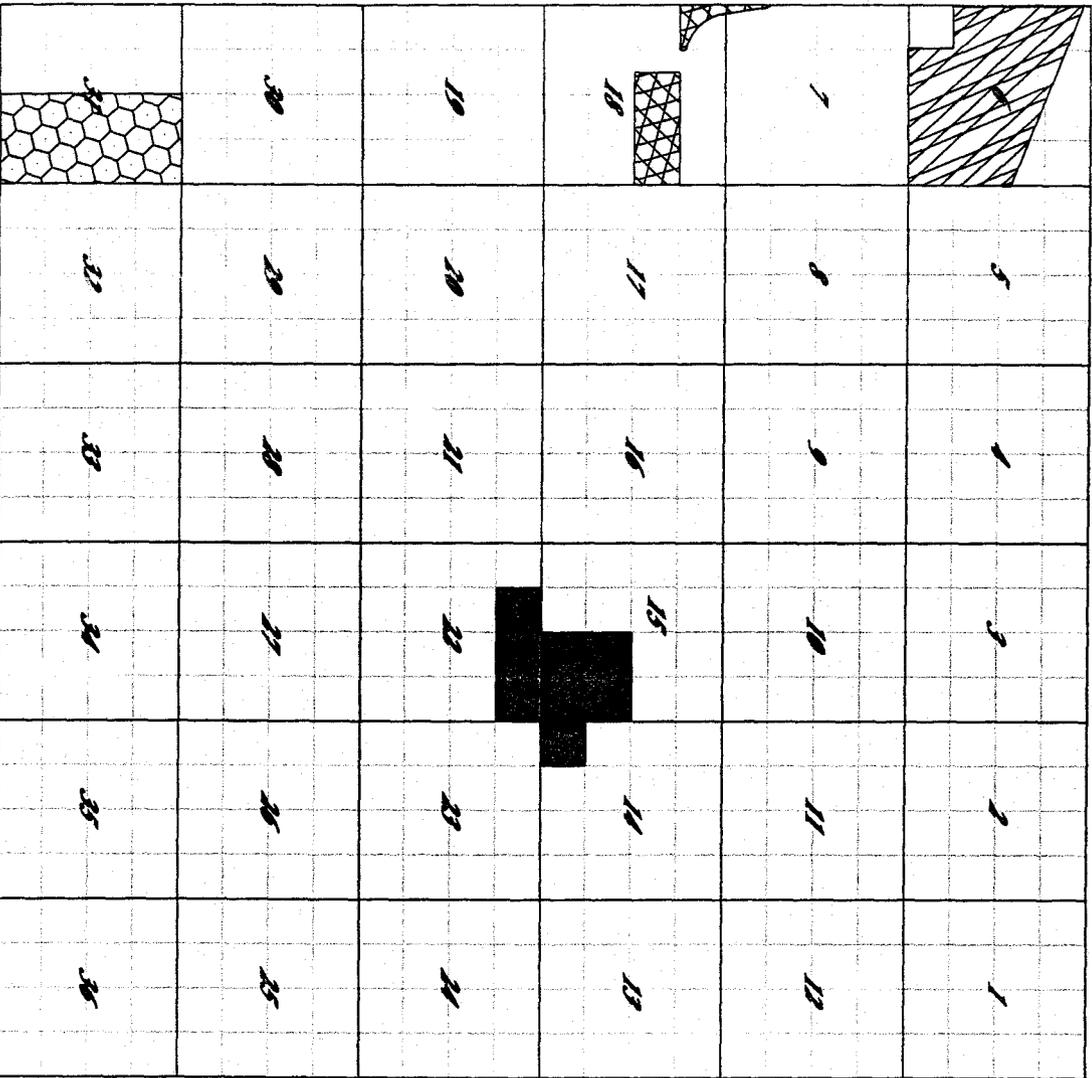
:bsw

Attachments

cc: Docket Control
Mr. William E. Jackson, Jr.
Ms. Deb Person (Hand Carried)
File

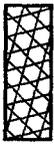
COUNTY OF YAVAPAI

RANGE 4 East



W-1419 (5)

Camp Verde Water System, Inc.



W-2060 (3)

Cordes Lakes Water Company (Verde Village)



W-1577 (1)

Oak Creek Public Service Company



W-3231 (1)

Verde Santa Fe Water Company, LLC



Oak Creek Public Service, LLC

Docket No. W-4304-05-072

Application to Transfer from

Oak Creek Public Service Company

Docket No. W-1577-05-072

