

Dede



BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

AUG 29 2002

1
2 WILLIAM A. MUNDELL
CHAIRMAN
3 JIM IRVIN
COMMISSIONER
4 MARC SPITZER
COMMISSIONER
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DOCKETED BY

6 IN THE MATTER OF THE APPLICATION OF
MOUNTAIN PASS UTILITY COMPANY FOR
7 APPROVAL OF FINANCING.

DOCKET NO. SW-03841A-01-0166

8 IN THE MATTER OF THE APPLICATION OF
PICACHO WATER COMPANY FOR APPROVAL
9 OF FINANCING.

DOCKET NO. W-03528A-01-0169

10 IN THE MATTER OF THE APPLICATION OF
PICACHO SEWER COMPANY FOR APPROVAL
11 OF FINANCING.

DOCKET NO. SW-03709A-01-0165

DECISION NO. 65133

OPINION AND ORDER

12 DATE OF HEARING: January 31, 2002
13 PLACE OF HEARING: Phoenix, Arizona
14 ADMINISTRATIVE LAW JUDGE: Philip J. Dion III
15 APPEARANCES: Mr. Jason Gellman, Legal Division, on behalf of the
16 Arizona Corporation Commission;
17 Mr. Jim Poulos on behalf of Mountain Pass Utility
18 Company, Picacho Water Company and Picacho Sewer
19 Company; and
Mr. Scott S. Wakefield on behalf of the Residential
Utility Consumer Office.

20 **BY THE COMMISSION:**

21 On November 25, 1998, the Arizona Corporation Commission ("Commission") issued
22 Decision No. 61266 which granted Picacho Water Company ("Picacho Water") a Certificate of
23 Convenience and Necessity ("Certificate") to provide water utility service to the public in Pinal
24 County, Arizona, near the city of Casa Grande. Picacho Water's service area includes a proposed
25 3,000-acre, age-restricted master planned community known as Sun Lakes - Casa Grande.

26 On October 8, 1999, the Commission issued Decision No. 61994 which granted Picacho
27 Sewer Company ("Picacho Sewer") a Certificate to provide sewer utility service to the public in Pinal
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1 County, Arizona, near the city of Casa Grande. Picacho Sewer's service area includes a proposed
2 3,000-acre, age-restricted master planned community known as Sun Lakes - Casa Grande.

3 On July 25, 2000, the Commission issued Decision No. 62757 that granted to Mountain Pass
4 Utility Company ("Mt. Pass") a Certificate to provide wastewater service in a portion of Pinal
5 County, Arizona, near the city of Tucson. Mt. Pass' service area includes a proposed 2,500-acre
6 planned residential community known as SaddleBrook Ranch.

7 On February 26, 2001, Mt. Pass filed a financing application requesting that the Commission
8 authorize Mt. Pass to enter into certain specified financial transactions approving the issuance of up
9 to \$7,200,000 of new common stock.

10 On February 26, 2001, Picacho Water filed a financing application requesting that the
11 Commission authorize Picacho Water to enter into certain financial transactions approving the
12 issuance of up to \$5,700,000 of new common stock.

13 On February 26, 2001, Picacho Sewer filed a financing application requesting that the
14 Commission authorize Picacho Sewer to enter into certain financial transactions approving the
15 issuance of up to \$7,900,000 of new common stock.

16 On February 22, 2001, Picacho Sewer and Picacho Water published notice regarding the
17 financing applications in the Casa Grande Dispatch in Pinal County. The companies docketed the
18 affidavits of publication on June 3, 2002.

19 On February 24, 2001, Mt. Pass published notice regarding its financing application in the
20 Arizona Daily Star in Pima County. The company docketed the affidavit of publication on June 3,
21 2002.

22 On March 30, 2001, the Residential Utility Consumer Office ("RUCO") filed applications to
23 intervene in the above-captioned dockets.

24 On April 11, 2001, the Commission granted RUCO intervention in the above-captioned
25 dockets.

26 On November 16, 2001, Staff filed a Staff Report regarding Mt. Pass' application for approval
27 for financing. In that report, Staff recommended that Mt. Pass be authorized to issue up to
28 \$5,700,000 in stock equity. That amount represents Mt. Pass' requested financing authorization of

1 \$7,200,000 less \$1,500,000 related to the initial collection system. The Staff Report recommended
2 that Mt. Pass should construct the collection system with Advances-in-Aid of Construction
3 ("AIACs"), which Staff refers to as a zero-cost source of capital. In the report, Staff argued that Mt.
4 Pass' proposal to finance operating losses with equity does not conform with A.R.S. §40-301(a).
5 However, Staff stated it recognized that Mt. Pass would have a need for working capital and,
6 therefore, recommended that \$70,000 of the proposed financing be authorized to be used as working
7 capital.

8 On November 28, 2001, Staff filed a Staff Report regarding Picacho Sewer's application for
9 approval for financing. In that report, Staff recommended that Picacho Sewer be authorized to issue
10 up to \$6,200,000 in stock equity. That amount represents Staff Engineering's recommended
11 financing authorization of \$7,700,000 less \$1,500,000 related to the initial collection system. The
12 Staff report recommended that Picacho Sewer should construct the collection system with AIACs.
13 Staff also stated it recognized that Picacho Sewer would have a need for working capital and,
14 therefore, recommended that \$25,000 of the proposed financing be authorized to be used as working
15 capital.

16 On November 16, 2001, Staff filed a Staff Report regarding Picacho Water's application for
17 approval for financing. In that report, Staff recommended that Picacho Water be authorized to issue
18 up to \$4,700,000 in stock equity. That amount represents Picacho Water's requested financing
19 authorization of \$5,700,000 less \$1,000,000 related to the initial distribution system. The Staff
20 Report recommended that Picacho Water should construct the distribution system with AIACs.

21 On November 26, 2001, RUCO filed comments concurring with the Staff Report for Mt. Pass.

22 On December 4, 2001, RUCO filed comments concurring with the Staff Reports for Picacho
23 Water and Picacho Sewer.

24 On December 10, 2001, Picacho Water, Picacho Sewer and Mt. Pass (hereinafter
25 "Applicants" or "Companies") filed identical objections to the respective Staff Reports. The
26 companies objected to the use of AIACs.

27 On January 9, 2002, the Commission issued a Procedural Order that consolidated the above-
28 captioned matters and also set the matters for hearing.

1 On January 31, 2002, a full public hearing was held before a duly authorized Administrative
2 Law Judge of the Commission at its offices in Phoenix, Arizona. At the conclusion of the hearing,
3 the matter was taken under advisement pending submission of a Recommended Opinion and Order to
4 the Commission.

5 Discussion

6 The sole issue in dispute in this matter is whether or not to use AIACs to finance the sewer
7 collection systems and/or the water distribution systems. Applicants argue that they should be
8 allowed to fund the collection and distribution systems with equity. Staff and RUCO recommended
9 that, as a condition of granting the financing applications, the Applicants should be required to use
10 AIACs to fund the collection and distribution systems.

11 **A. Mountain Pass, Picacho Sewer and Picacho Water's Arguments.**

12 In the objections filed to the respective Staff Reports and at the hearing, Applicants objected
13 to Staff's recommendation to use AIACs. Applicants argued that shareholders should provide the
14 funds for the initial facilities.

15 Applicants argued that there is no provision in rates that provide the funds required to refund
16 the obligations under the AIACs. Therefore, Applicants argued, the Applicants may not generate the
17 funds required to pay for the AIACs.

18 Applicants cited to the cash flow problems that affected Pima Utility Company when it used
19 AIACs previously. Applicants stated the Pima Utility Company financed all of the water and sewer
20 line extensions in the community of Sun Lakes with AIACs. The Applicants then noted that, from
21 1987 to 1992, the Company had to file three rate cases. According to the Applicants, the reason for
22 these rate cases was that the Company was so far in arrearages due to the refund requirement of the
23 AIACs that it simply did not have the cash flow to operate properly.

24 The Company argued that the use of AIACs will eventually require an order from the
25 Commission authorizing a rate increase and/or the issuance of equity to repay the obligations. The
26 Company cites Decision No. 57645 (November 2, 1991) which not only authorized Pima Utility
27 Company to increase rates, but also approved over \$2,000,000 in equity, most of which was used to
28 pay the AIAC obligations that were in arrears.

1 Applicants stated that, in more recent applications, similarly situated utilities have been
2 allowed to finance their infrastructure using 100 percent equity. Applicants argued that a benefit to
3 their proposal is that the enormous cost of applying for and litigating an additional rate case and/or
4 financing applications which are passed on to the ratepayers can be avoided if the Company's
5 proposal to finance the initial systems with equity is adopted.

6 Applicants argued that the particular situations where AIACs should be utilized do not exist in
7 these matters. Applicants state they will be providing service to residential lots which are similarly
8 situated, sized uniformly and are constructed sequentially in the development. The lines are neither
9 exclusive to one service area, nor are the costs disproportionate to any one customer, which obviates
10 the need for AIACs. Additionally, the Applicants pointed out that A.A.C. R14-2-406(D) does not
11 mandate the use of AIACs to finance line extensions.

12 Applicants also argued that Staff and RUCO's fear of the Applicants expanding the utility too
13 quickly and, therefore, burdening the ratepayers was unwarranted. Applicant argued that if the
14 utilities proceeded down that path, then the Commission would make determinations as to what plant
15 was used and useful and, thereby, restrict the utilities' ability to earn a return on anything not deemed
16 used and useful.

17 Applicants also argued that the Commission's concern in Decision No. 61266 (November 25,
18 1998) regarding the possibility that Applicants' customers will pay line extension costs twice is
19 unfounded in these applications. In that Decision, the Commission granted Picacho Water Company
20 its Certificate to provide water service in the State of Arizona. RUCO had asserted that when the
21 developer is an affiliate of the utility, as is in the case of Picacho Water, line extensions should be
22 treated as having been funded by AIACs in setting initial rates. RUCO advocated this policy to
23 ensure that ratepayers do not pay the cost of line extensions twice, first in the price of their homes
24 and again in their utility rates. Robson Communities is the developer of both SaddleBrook Ranch
25 and Sun Lakes-Casa Grande, and is an affiliate of each of the Applicants.

26 Mr. Poulos, who testified on behalf of the Applicants, read a letter into the record from Mr.
27 Jack Moody, who is the President of Construction of Robson Communities. Mr. Moody's letter
28

1 discussed the double recovery issue raised by RUCO and addressed by the Commission in Decision
2 No. 61266. In his letter, Mr. Moody told Mr. Poulos that,

3 I am responsible for establishing the selling prices of the homes in the
4 communities that we develop . . . [W]here an affiliate of Robson
5 Communities, Inc., . . . provides the water and wastewater services,
6 Robson Homes does not include those utilities in the cost of the lots
7 because the utility companies bear the cost of the infrastructure, including
8 the cost of the water and sewer lines... In contrast, in our community in
Texas, where the City provides water and wastewater service and assesses
us a utility development fee, we include the cost of the water and sewer
utilities and the lot, in an attempt to recover those costs from the buyers in
the selling cost of the home. (Transcript at page 28.)

9 Applicants argued that there was no evidence in the record that proved Robson Communities
10 would charge a water and wastewater utility development fee to homeowners.

11 **B. Staff and RUCO's arguments.**

12 RUCO and Staff recommend that the collection systems be financed with AIACs in the case
13 of the sewer utilities and, in the case of the water utility, they recommend that the distribution system
14 be financed with AIACs. Staff and RUCO contended that the use of AIACs is appropriate in this
15 case. Staff testified that AIACs benefit ratepayers because they are a cost free source of capital
16 compared to equity. Staff further argued that, when AIACs are used, there is a reduction in rate base,
17 which in turn reduces required operating income. According to Staff, the use of AIACs results in a
18 reduced revenue requirement for the Company, which ultimately results in lower rates for customers.

19 Staff and RUCO also argued that the AIACs in this case can be distinguished from the AIACs
20 used in the Pima Utility Company case. Staff and RUCO noted that in the Pima Utility Company
21 case, Pima was unable to make the refunds that were required under its advances because during that
22 time period, 70 percent of the total plant funded was attributable to AIACs, and that the period of
23 time for calculating the refund amounts was based on a either 10-year or 15-year recovery period. In
24 contrast, in this matter, Staff is recommending that AIACs fund only 19 to 21 percent of the entire
25 new plant for each of the Applicants. Additionally, Staff and RUCO provided testimony that AIACs
26 are generally recoverable over a 10-year period.

27 At the hearing, Bill Rigsby, a Public Utilities Analyst at RUCO, testified that based on his
28 experience, he believes there is a conflict of interest where a utility is affiliated with a developer. He

1 stated that, in developer-owned utility situations, there might be pressure placed on the utility to
2 finance its planned infrastructure through equity as opposed to AIACs. He testified that it was a
3 question of "shifting the risk." He indicated that a utility would not want to take on the risk of having
4 to place capital into a development, especially a new development that may not succeed.

5 During the cross-examination of Mr. Poulos, RUCO asked if the Applicants would commit to
6 making a non-used and useful adjustment in the forthcoming rate case. Mr. Poulos indicated that the
7 Applicants were unwilling to make such a commitment.

8 Finally, RUCO and Staff argued that these are new developments and that although the
9 developer has a track record for successful communities, there are no guarantees in the future as to
10 the success of the communities that these utilities are proposed to serve. In light of the fact that the
11 Company would not commit to making a non-used and useful adjustment in the forthcoming rate
12 case, RUCO argued that AIACs are the only possible way to add some certainty to the future. RUCO
13 argued that the Applicants should be required to finance the line extensions through AIACs, as that
14 would add some certainty that the ratepayers would not be subject to the risk in the event that the
15 development is not successful. Staff and RUCO also pointed to Decision No. 61266 in which the
16 Commission stated it had a concern regarding the possibility that customers will pay line extension
17 costs twice, both in the price of the home and in the utility rates.

18 **C. Analysis**

19 We find Staff and RUCO's arguments compelling in this matter. However, we do not agree
20 that AIACs are a 'cost free source of capital' merely because their costs are not included in Rate
21 Base. A.A.C. R14-2-406.D requires companies to refund "a minimum amount equal to 10% of the
22 total gross annual revenue from water sales" for a period of not less than ten years. Revenues
23 refunded or deferred have the same effect as a cost to the entity and increase the likelihood of
24 financial instability thus necessitating the more frequent filing of rate cases.

25 Given that each of the developments in question is an age-restricted master planned
26 community; we recognize that the difficulty of implementing rate increases over the objections of
27 ratepayers will add to the cost and complexity of rate cases and will increase the likelihood that the
28 utility will under-earn in violation of the Commission's obligation to ensure just and reasonable rates.

1 This Commission must balance the interests of ratepayers in having low rates with the long-term
2 interests of ratepayers and utilities in ensuring that utilities are financially sound and able to meet
3 both anticipated operating and maintenance costs and unanticipated operating and maintenance costs.

4 Therefore, we find in this case, the use of 100% equity financing is in the long-term interest of
5 ratepayers and the utilities.

6 * * * * *

7 Having considered the entire record herein and being fully advised in the premises, the
8 Commission finds, concludes, and orders that:

9 **FINDINGS OF FACT**

10 1. On November 25, 1998, the Commission issued Decision No. 61266 which granted
11 Picacho Water a Certificate to provide water utility service to the public in Pinal County near the city
12 of Casa Grande, Arizona.

13 2. On October 8, 1999, the Commission issued Decision No. 61994 which granted
14 Picacho Sewer a Certificate to own and operate facilities to provide sewer utility service to the public
15 in Pinal County, Arizona.

16 3. On July 25, 2000, the Commission issued Decision No. 62757 that granted to Mt. Pass
17 a Certificate to provide wastewater service in a portion of Pinal County, Arizona.

18 4. On February 26, 2001, Mt. Pass filed a financing application requesting that the
19 Commission authorize Mt. Pass to enter into certain specified financial transactions approving the
20 issuance of up to \$7,200,000 of new common stock.

21 5. On February 26, 2001, Picacho Sewer filed a financing application requesting that the
22 Commission authorize Picacho Sewer to enter into certain financial transactions approving the
23 issuance of up to \$7,900,000 of new common stock.

24 6. On February 26, 2001, Picacho Water filed a financing application requesting that the
25 Commission authorize Picacho Water to enter into certain financial transactions approving the
26 issuance of up to \$5,700,000 of new common stock.

27 7. Mt. Pass' service area includes a proposed 2,500-acre planned residential community
28 known as SaddleBrook Ranch located northeast of Oracle Junction located in Pinal County, Arizona,

1 approximately 30 miles north of Tucson.

2 8. Mt. Pass does not serve any customers. However, it is anticipated that Mt. Pass will
3 provide wastewater services to approximately 6,200 homes at build-out.

4 9. The funds provided by the proposed \$7,200,000 stock issuance will be used to pay for
5 the design and construction of Mt. Pass' initial sewer infrastructure.

6 10. On November 16, 2001, Staff filed a Staff Report regarding Mt. Pass' application for
7 approval for financing. In that report, Staff recommended that Mt. Pass be authorized to issue up to
8 \$5,700,000 in stock equity. That amount represents Mt. Pass' requested financing authorization of
9 \$7,200,000 less \$1,500,000 related to the initial collection system. The Staff Report recommended
10 that Mt. Pass should construct the collection system with AIACs.

11 11. Staff Engineering has reviewed Mt. Pass' application and considers the proposed
12 design construction cost to be reasonable and appropriate.

13 12. AIACs are contracts between a developer and the utility that provide for the developer
14 to finance the initial cost of a line extension. If the development is successful and the utility
15 generates revenues from the customers on the line extension, then the utility refunds a percentage of
16 those revenues to the developer over time.

17 13. In the Staff Report, Staff recognized that Mt. Pass would have a need for working
18 capital, and therefore recommended that \$70,000 of the proposed financing be authorized to be used
19 as working capital.

20 14. On November 26, 2001, RUCO filed comments regarding Mt. Pass' application, which
21 concurred with Staff's recommendations.

22 15. Picacho Sewer service area includes a proposed 3,000-acre, age-restricted master
23 planned community known as "Sun Lakes - Casa Grande located in Pinal County, Arizona, near the
24 city of Casa Grande.

25 16. Picacho Sewer does not serve any customers. However, it is anticipated that Picacho
26 Sewer will provide wastewater services to approximately 8,000 homes at build-out.

27 17. The funds provided by the proposed \$7,900,000 stock issuance will be used to pay for
28 the design and construction of Picacho Sewer's initial sewer infrastructure.

1 18. On November 28, 2001, Staff filed a Staff Report regarding Picacho Sewer's
2 application for approval for financing. In that report, Staff recommended that Picacho Sewer be
3 authorized to issue up to \$6,200,000 in stock equity. That amount represents Staff Engineering's
4 recommended financing authorization of \$7,700,000 less \$1,500,000 related to the initial collection
5 system. The Staff report recommended that Picacho Sewer should construct the collection system
6 with AIACs.

7 19. Staff Engineering has reviewed Picacho Sewer's application and believes the
8 appropriate capital requirements for the projects to be \$7,700,000. Picacho Sewer agreed to accept
9 Staff Engineering's calculation of \$7,700,000.

10 20. In the Staff Report, Staff recognized that Picacho Sewer would have a need for
11 working capital and, therefore, recommended that \$25,000 of the proposed financing be authorized to
12 be used as working capital.

13 21. On December 4, 2001, RUCO filed comments regarding Picacho Sewer's application,
14 which concurred with Staff's recommendations.

15 22. Picacho Water's service area includes a proposed 3,000-acre age-restricted master
16 planned community known as Sun-Lakes located in Pinal County, Arizona, near the city of Casa
17 Grande.

18 23. Picacho Water does not serve any customers. However, it is anticipated that Picacho
19 Water will provide water services to approximately 8,000 homes at build-out.

20 24. The funds provided by the proposed \$5,700,000 stock issuance will be used to pay for
21 the design and construction of Picacho Water's initial water infrastructure.

22 25. On November 28, 2001, Staff filed a Staff Report regarding Picacho Water's
23 application for approval for financing. In that report, Staff recommended that Picacho Water be
24 authorized to issue up to \$4,700,000 in stock equity. That amount represents Picacho Water's
25 requested financing authorization of \$5,700,000 less \$1,000,000 related to the initial distribution
26 system. The Staff report recommended that Picacho Water should construct the distribution system
27 with AIACs.

28 26. Staff Engineering has reviewed Picacho Water's application and considers the

1 proposed design construction cost to be reasonable and appropriate.

2 27. On December 4, 2001, RUCO filed comments regarding Picacho Water's application,
3 which concurred with Staff's recommendations.

4 28. On December 10, 2001, Picacho Water, Picacho Sewer and Mt. Pass filed identical
5 objections to the respective Staff Reports. The companies objected to the use of AIACs.

6 29. On January 9, 2002, the Commission issued a Procedural Order that consolidated the
7 above-captioned matters and also set the matter for hearing.

8 30. Applicants filed affidavits of publication in each of the respective dockets that comply
9 with the notice requirement as prescribed by law.

10 31. On January 31, 2002, a full public hearing was held before a duly authorized
11 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. At the conclusion of
12 the hearing, the matter was taken under advisement pending submission of a Recommended Opinion
13 and Order to the Commission.

14 32. The use of reasonable amounts of AIACs will reduce the risk to ratepayers if a
15 proposed development is not successful.

16 33. When a developer is an affiliate of a utility, stricter scrutiny must be applied when
17 reviewing rate and financing applications.

18 34. It is reasonable and appropriate to allow Picacho Sewer and Mt. Pass to use the Staff
19 recommended portion of the financing approved herein as working capital.

20 35. The Commission has analyzed the issues and evidence as presented by the parties and
21 has resolved the issues as stated in the Discussion above.

22 36. The Commission hereby adopts and incorporates the Discussion and the
23 Commission's resolution of the issues therein.

24 37. The Applicants have agreed to provide financial information from the affiliated
25 developer(s) for Commission Staff to review pursuant to a confidential/proprietary agreement in
26 order to ascertain whether homeowners are being charged for utility plant or expenses in the costs of
27 their homes.

28 38. Further, the Applicants have agreed to not file a rate case application for at least 60

1 months after the date they provide permanent service to their first customer.

2 **CONCLUSIONS OF LAW**

3 1. Mountain Pass Utility Company, Picacho Water Company, and Picacho Sewer
4 Company are public service corporations within the meaning of Article XV of the Arizona
5 Constitution and A.R.S. §§ 40-301 and 40-302.

6 2. The Commission has jurisdiction over Mountain Pass Utility Company, Picacho
7 Water Company, and Picacho Sewer Company and the subject matter of the applications.

8 3. That Staff's recommendations in Findings of Fact Nos. 10, 13, 18, 20 and 25 as
9 modified herein are reasonable and should be adopted.

10 4. A.A.C. R14-2-406(D) does not mandate the use of the AIACs.

11 5. Notices of the applications were given in accordance with the law.

12 6. The financings approved herein are for lawful purposes within Mountain Pass Utility
13 Company's, Picacho Water Company's, and Picacho Sewer Company's corporate powers, are
14 compatible with the public interest, with sound financial practices, and with the proper performance
15 by Mountain Pass Utility Company, Picacho Water Company, and Picacho Sewer Company of
16 service as public service corporations, and will not impair Mountain Pass Utility Company's, Picacho
17 Water Company's, and Picacho Sewer Company's ability to perform that service.

18 7. The financings approved herein are for the purposes stated in the respective
19 applications and are reasonably necessary for those purposes, and such purposes are in part and as set
20 forth herein, reasonably chargeable to operating expenses or to income.

21 **ORDER**

22 IT IS THEREFORE ORDERED that Mountain Pass Utility Company is authorized to issue
23 up to \$7,200,000 in stock equity, and that Mountain Pass Utility Company is authorized to use up to
24 \$70,000 of the proposed financing as working capital.

25 IT IS FURTHER ORDERED that Picacho Sewer Company is authorized to issue up to
26 \$7,700,000 in stock equity, and that Picacho Sewer Company is authorized to use up to \$25,000 of
27 the proposed financing as working capital.

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1 IT IS FURTHER ORDERED that Picacho Water Company is authorized to issue up to
2 \$5,700,000 in stock equity.

3 IT IS FURTHER ORDERED that Mountain Pass Utility Company, Picacho Sewer Company
4 and Picacho Water Company shall provide financial information from the affiliated developer(s) for
5 Staff of the Arizona Corporation Commission to review pursuant to a confidential/proprietary
6 agreement in order to ascertain whether homeowners are being charged for utility plant or expenses
7 in the costs of their homes.

8 IT IS FURTHER ORDERED that Mountain Pass Utility Company, Picacho Sewer Company
9 and Picacho Water Company shall provide the financial information from the affiliated developer(s)
10 to the Staff of the Arizona Corporation Commission within a reasonable time period, not to exceed 30
11 days after such request.

12 IT IS FURTHER ORDERED that Mountain Pass Utility Company, Picacho Sewer Company
13 and Picacho Water Company shall not file a rate case application for at least 60 months after the date
14 they provide permanent service to their first customer.

15 IT IS FURTHER ORDERED that Mountain Pass Utility Company is hereby authorized to
16 engage in any transactions and to execute any documents necessary to effectuate the authorization
17 granted herein.

18 IT IS FURTHER ORDERED that such authority is expressly contingent upon Mountain Pass
19 Utility Company's use of the proceeds for the purposes set forth in its application.

20 IT IS FURTHER ORDERED that Picacho Sewer Company is hereby authorized to engage in
21 any transactions and to execute any documents necessary to effectuate the authorization granted
22 herein.

23 IT IS FURTHER ORDERED that such authority is expressly contingent upon Picacho Sewer
24 Company's use of the proceeds for the purposes set forth in its application.

25 IT IS FURTHER ORDERED that Picacho Water Company is hereby authorized to engage in
26 any transactions and to execute any documents necessary to effectuate the authorization granted
27 herein.

28 IT IS FURTHER ORDERED that such authority is expressly contingent upon Picacho Water

1 Company's use of the proceeds for the purposes set forth in its application.

2 IT IS FURTHER ORDERED that approval of the financings set forth herein does not
3 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
4 proceeds derived thereby for purposes of establishing just and reasonable rates.

5 IT IS FURTHER ORDERED that Mountain Pass Utility Company, Picacho Sewer Company
6 and Picacho Water Company shall each file with the Commission copies of all executed financing
7 documents setting forth the terms of the financing within 30 days of obtaining such financing.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

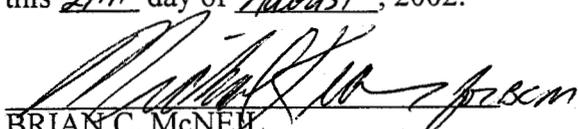
9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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12 CHAIRMAN

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12 COMMISSIONER

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12 COMMISSIONER

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14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
15 Secretary of the Arizona Corporation Commission, have
16 hereunto set my hand and caused the official seal of the
17 Commission to be affixed at the Capitol, in the City of Phoenix,
18 this 29TH day of AUGUST, 2002.

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19 
20 BRIAN C. McNEIL
21 EXECUTIVE SECRETARY

20 DISSENT 

21 PD:mlj

1 SERVICE LIST FOR:

MOUNTAIN PASS UTILITY COMPANY ET AL.

2 DOCKET NO.

SW-03841A-01-0166 ET AL.

3

4 James Poulos
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5 Sun Lakes, AZ 85248

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8 Ernest Johnson, Director
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11 Chris Kempley, Chief Counsel
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