

OPEN MEETING AGENDA ITEM



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ORIGINAL



ARIZONA CORPORATION COMMISSION

December 27, 2005

Chairman Jeff Hatch-Miller
Commissioner William Mundell
Commissioner Mike Gleason
Commissioner Kris Mayes

W-01646A-05-0506
W-01868A-05-0506
W-02235A-05-0506
W-02316A-05-0506
W-02230A-05-0506
W-01629A-05-0506
W-02240A-05-0506

Re: *Miracle Valley Water Company et al.*
Docket No. W-01646A-05-0506 et al.

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2005 DEC 27 P 2:38
AZ CORP COMMISSION
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Dear Colleagues:

Commissioner Gleason argues the December 29 Open Meeting should proceed notwithstanding multi-lateral discussions regarding County and State taxes owed by the companies in bankruptcy (the "Estate").

I agree this matter is urgent. The sooner the conveyance of assets from the Estate takes place, the sooner the customers will receive the water service they deserve and are entitled to. It is also true that the Commission's rate base determination is independent of the amount of the tax obligations.

However, I always look at things practically. As a practical matter, Cochise County and the State of Arizona are the Estate's largest creditors. The burden of taxes ordered paid by the Bankruptcy Court will be borne initially by the buyer of the assets, but ultimately by the ratepayers. Therefore, any relief from tax, penalties and/or interest will inure to the customers' benefit.

In this docket the Commission must balance the objectives of a swift conveyance of assets out of the Estate with reasonable rates for customers. Determination of the tax liabilities is important information to me in performing that task, and I believe a brief delay is warranted.

I recognize that the assets owned by the Estate are in substantial disrepair and any potential buyer must be treated fairly by the Commission. However, I would also point out that a successful and consensual negotiation of the tax issues could expedite the Bankruptcy proceeding, which is the final word on the asset conveyance everyone desires. Funds not used for taxes and penalties are better deployed repairing well pumps and fixing leaky pipes.

Very truly yours,

Marc Spitzer
Commissioner