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BEFORE THE ARIZONA CORPORATION CC

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
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KRISTIN K. MAYES

2006 JUN 23 P 3: 26

AZ CORP COMMISSION
DOCUMENT CONTROL

30mo

IN THE MATTER OF THE APPLICATION OF PERKINS MOUNTAIN UTILITY COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-20379A-05-0489

IN THE MATTER OF THE APPLICATION OF PERKINS MOUNTAIN WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-20380A-05-0490

STAFF MOTION TO COMPEL

On March 31, 2006, Staff filed its first set of Data Requests to Perkins Mountain Utility Company and Perkins Mountain Water Company (collectively, "the Companies" or "Applicants"). The Companies have failed to provide adequate responses to BNC 1.13 and BNC 1.25. Staff believes that the responses to BNC 1.13 and BNC 1.25 will provide staff with information that is relevant to this proceeding.

BNC 1.13 Fit and Proper: Please provide a copy of the federal and state income tax returns for each of the listed entities for the years 2003, 2004, and 2005 when completed. The listed entities are Sagebrush Enterprises, Inc., Perkins Mountain Water Company, Perkins Mountain Utility Company, Sedora Holdings, LLC, Desert Community, Inc., American Land Management, LLC, The Rhodes Companies, LLC, Rhodes Homes Arizona, LLC.

BNC 1.25 Fit and Proper: Please provide a copy of the federal and state income tax returns for Mr. Jim Rhodes for the years 2003 and 2004, and 2005 when completed.

For example, Staff is attempting to verify that the sole owner (Mr. Jim Rhodes) of Perkins Mountain Water Company and Perkins Mountain Utility Company has the financial ability to adequately fund the operations of these potential public service companies. In Data Request BNC 1.25, Staff requested the personal income tax returns for Mr. Jim Rhodes. In subsequent discussions with Staff, counsel to the Applicants offered to provide alternative information that might satisfy

1 Staff's concerns. Staff indicated that one possible alternative to providing the tax returns would be an
2 audited personal financial statement for Mr. Rhodes.

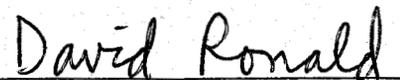
3 On June 19, 2006, the Applicants provided a statement from Mr. Rhodes' independent CPA
4 that "Since all of the affiliated entities are pass through entities, Mr. Rhodes pays the entire tax
5 obligation." If this is in fact the case, Staff is even more concerned that any tax component provided
6 for in the rates of the potential public service companies is in fact a tax obligation of the ultimate
7 taxpayer, Mr. Rhodes.

8 Additionally, the CPA's letter does not indicate the amount of the state or federal tax
9 obligations or the income or other financial information Staff needs in determining the financial
10 ability of Mr. Rhodes, the sole owner of the Applicants.

11 As to the provision of audited personal financial statement for Mr. Rhodes, the Applicants
12 also provided on June 19, 2006, Moody's Investor Services Rating Action for "The Rhodes
13 Companies, LLC" indicating debt ratings information and certain financial metrics. As indicated on
14 the attached "Ownership Summary" Exhibit A, "The Rhodes Companies, LLC" are not the owners of
15 Perkins Mountain Water Company and/or Perkins Mountain Utility Company. Therefore, this data
16 request response is not relevant to determining the financial ability of the Applicants owner, Mr. Jim
17 Rhodes.

18 Staff has contacted Perkins on previous occasions regarding this discovery dispute. However,
19 recent data responses by Perkins have led Staff to the conclusion that Staff and Perkins have reached
20 an impasse regarding BNC 1.13 and BNC 1.25. Thus, Staff respectfully requests that the Companies
21 be ordered to provide Staff the information it is seeking.

22 RESPECTFULLY SUBMITTED this 23rd day of June, 2006.

23
24 

25 David M. Ronald
26 Attorney, Legal Division
27 Arizona Corporation Commission
28 1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-6020

1 Original and fifteen (15) copies
2 of the foregoing were filed this
3 23rd day of June, 2006 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

6 Copy of the foregoing mailed this
7 23rd day of June, 2006 to:

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16 Phoenix, Arizona 85004-1104

17  A handwritten signature in black ink, appearing to be 'Shyl B', is written over a horizontal line. The signature is cursive and somewhat stylized.

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