

OPEN MEETING ITEM
ORIGINAL



0000061005

COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG



ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

AUG 29 2006

DATE: August 29, 2006

DOCKET NO.: WS-20432A-05-0874

TO ALL PARTIES:

DOCKETED BY	<i>nr</i>
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Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

WILLOW SPRINGS UTILITIES, L.L.C.
(CC&N)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

SEPTEMBER 7, 2006

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for Open Meeting to be held on:

SEPTEMBER 19 and 20, 2006

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

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BRIAN C. McNEIL
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MIKE GLEASON
6 KRISTIN K. MAYES
7 BARRY WONG

8 IN THE MATTER OF THE APPLICATION OF
9 WILLOW SPRINGS UTILITIES, L.L.C., FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER AND
WASTEWATER SERVICE IN PINAL COUNTY,
ARIZONA.

DOCKET NO. WS-20432A-05-0874

DECISION NO. _____

OPINION AND ORDER

10 DATE OF HEARING:

July 18, 2006

11 PLACE OF HEARING:

Phoenix, Arizona

12 ADMINISTRATIVE LAW JUDGE:

Marc E. Stern

13 APPEARANCES:

SALLQUIST, DRUMMOND & O'CONNOR,
P.C., by Richard L. Sallquist, on behalf of
Willow Springs Utilities, L.L.C.; and

Linda M. Fisher, Staff Attorney, Legal Division,
on behalf of the Utilities Division of the Arizona
Corporation Commission.

17 **BY THE COMMISSION:**

18 On December 5, 2005, Willow Springs Utilities, L.L.C. ("Company" or "Applicant"), filed an
19 application for a Certificate of Convenience and Necessity ("Certificate") with the Arizona
20 Corporation Commission ("Commission") to provide public water and public wastewater utility
21 service to various parts of Pinal County, Arizona.

22 On January 4, 2006, the Commission's Utilities Division ("Staff") issued a notice of
23 insufficiency which indicated that the Company's application had not met the sufficiency
24 requirements of A.A.C. R14-2-411(C), and A.A.C. R14-2-610(C).

25 On May 10, 2006, Staff issued a letter of administrative completeness to Applicant.

26 On May 22, 2006, by Procedural Order, a hearing was scheduled for July 13, 2006, and other
27 procedural dates established.
28

1 On May 25, 2006, counsel for the Company and Staff telephonically requested the matter be
2 rescheduled to July 18, 2006, with other procedural dates to remain the same. By Procedural Order,
3 pursuant to the request of the parties, the proceeding was rescheduled to convene on July 18, 2006.

4 On June 14, 2006, Staff filed its report which recommends conditional approval of the
5 Company's application.

6 On July 18, 2006, a full public hearing was convened before a duly authorized Administrative
7 Law Judge of the Commission at its offices in Phoenix, Arizona. The Company and Staff appeared
8 with counsel. At the conclusion of the hearing, the matter was taken under advisement pending
9 submission of a Recommended Opinion and Order of the Commission.

10 * * * * *

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

13 **FINDINGS OF FACT**

14 1. Applicant is an Arizona limited liability company¹ that was formed to provide public
15 water and wastewater treatment service to a 4,600 acre parcel that is to be developed into a master-
16 planned community called Willow Springs which is being developed by WSP. Willow Springs will
17 be built out in 10 to 15 years and consist of approximately 6,000 residential units along with 43 acres
18 of commercial development, one school, 40 acres of parks and recreational facilities, and a golf
19 course on what is presently a desert area located approximately 30 miles north of Tucson
20 approximately 5 miles northeast of State Route 79 in Pinal County, Arizona.

21 2. On December 5, 2005, the Company filed an application for a Certificate to provide
22 public water and public wastewater treatment service to Willow Springs which area is more fully
23 described in Exhibit A, attached hereto and incorporated herein by reference.

24 3. In support of the Company's application, the following witnesses testified: Mr. Kevin
25 Tarbox, Lennar's land division president, Ms. Kristen Whatley, a project engineer with Westland
26 Resources, and Mr. Ronald L. Kozoman, a CPA.

27 _____
28 ¹ The Company is owned by Willow Springs Properties, L.L.C. ("WSP") which is owned by ANAM, Inc. ("ANAM") and U.S. Home Corporation ("US Home") which is in turn owned by the Lennar Corporation ("Lennar").

1 4. On July 18, 2006, pursuant to the Commission's Procedural Order, the Company filed
2 certification that public notice had been given of the proceeding and hearing thereon.

3 5. Although WSP explored the possibility of using other providers, there are no
4 municipal or public water or wastewater utilities operating nearby or within in the area sought to be
5 certificated by the Company. In order to provide Willow Springs with electrical service, it is
6 expected that Trico Electric Cooperative will seek an extension of its Certificate from the
7 Commission in the near future if a Certificate is approved for the Company in this proceeding.

8 6. Willow Springs is surrounded by 160,000 acres of leased state and federal grazing
9 land. According to promotional materials, the community will have a town center which will provide
10 social, civic and cultural amenities, with 40 percent of the development being devoted to open space
11 in order to preserve "the unique pristine desert landscape" and provide residents with recreational
12 facilities close at hand.

13 7. Besides being an official with Lennar, Mr. Tarbox is the managing member of WSP
14 and the general manager of the Company which is seeking a Certificate in this proceeding.

15 8. According to Mr. Tarbox, Willow Springs will be connected to State Route 79 by
16 means of a 4.8 mile roadway to be known as Black Mountain Boulevard and will be provided with
17 fire protection by the Golder Ranch Fire District.

18 9. Homes at Willow Springs will be priced from approximately \$240,000 on up.

19 10. WSP owns the entire 4,600 acres to be developed as Willow Springs and over the
20 course of development some parcels will have homes built on them by other home builders besides
21 US Home and Lennar.

22 11. WSP anticipates the construction of 1,000 homes during Willow Springs' first phase
23 of development.

24 12. It is anticipated that the community's golf course will not be developed until its third
25 phase of construction which it is anticipated will add another 2,000 homes to the subdivision.
26 Although it is anticipated that development will be slower in its first year of development, Willow
27 Springs will add approximately 400 homes per year thereafter.

28 13. As of the date of the hearing, WSP has expended approximately \$4.8 million for the

1 development of Willow Springs.

2 14. During the first phase of construction, the Company anticipates that it will expend
3 approximately \$5.5 million for water facilities infrastructure, \$9.6 million for wastewater treatment
4 infrastructure and \$1.5 million for its water reclamation system for a total of \$16.6 million.

5 15. It is anticipated that the first phase of construction will be treated primarily as paid-in
6 capital by WSP's owners and as time passes, additional funds will be paid in along with what Mr.
7 Tarbox termed "traditional line-extension agreements". He also noted that although the Company
8 has withdrawn its previous request for approval of hook-up fees for the water and wastewater
9 facilities, it might seek approval for them in the future in order to fund additional backbone plant for
10 the Company's water and wastewater treatment facilities.

11 16. Mr. Tarbox also indicated that the Company does not anticipate that any debt would
12 be incurred with its initial capital expenditures.

13 17. Mr. Tarbox testified that he believes that the Company will operate at a loss for the
14 first several years of its operations and that its owners are willing and able to underwrite these losses.

15 18. When the community's golf course is constructed during the third phase of
16 development, it is anticipated that it will be provided with water from the Company's reclaimed
17 water system once sufficient effluent flows have been achieved.

18 19. Mr. Tarbox also indicated that the Arizona Department of Water Resources
19 ("ADWR") approved the Company's Physical Availability Demonstration ("PAD") in May, 2001
20 and that its 208 Permit with respect to its wastewater treatment system had been approved by the
21 Arizona Department of Environmental Quality ("ADEQ") and that it is presently under review by the
22 United States Environmental Protection Agency ("EPA").

23 20. The Company will seek approval from ADEQ for its Aquifer Protection Permit
24 ("APP") in September, 2006.

25 21. Mr. Tarbox indicated that the Company will be applying for a franchise from the Pinal
26 County Board of Supervisors and will file a copy with the Commission upon its receipt from the
27 County.

28 22. The Company will retain accounting professionals to maintain its books and records in

1 conformance with Commission requirements and has also hired a certified operator to operate its
2 water and wastewater treatment systems.

3 23. In general, Mr. Tarbox indicated that the Applicant is in agreement with the
4 recommendations made by Staff in its Staff Report with the exception of Staff's proposed rates.

5 24. According to ADWR's analysis of assured water supply dated October 14, 2004, the
6 Company has 4,350 acre feet of water per year available physically and continuously for 100 years
7 which slightly exceeds what was projected with the original plans for the development.

8 25. Mr. Tarbox pointed out that originally ADWR's initial analysis was based on the
9 projected development of two golf courses, four lakes and possibly two schools. However, WPS'
10 plans for development have been scaled back and only one golf course with one possible lake on the
11 course which will utilize reclaimed water is now planned and it is anticipated that only one school
12 will be built.

13 26. The development of the Company is of the utmost importance to WSP in order to have
14 a successful project and while not having actual experience in the operation of a public utility, WSP
15 chose to develop the Company to provide water and wastewater treatment service to Willow Springs.

16 27. Mr. Tarbox indicated that the Company's owners are agreeable to posting a bond to
17 insure the continued operation of the water and wastewater utilities in the event of unforeseen
18 developments which would render them financially insolvent.

19 28. Ms. Whatley, who is working as the Company's project engineer, testified that she had
20 been involved in the development of the master plan and cost estimates for water, wastewater
21 treatment and reclaimed infrastructure for Willow Springs.

22 29. Ms. Whatley described the construction that will take place during Willow Springs'
23 first phase of the development which includes the construction of a 750,000 gallon storage tank along
24 with the development of six wells which will all ultimately be utilized by the entire community. She
25 explained that the Company's first well, when it is brought on line, will have a capacity of 800
26 gallons per minute and that the Company's sixth well will be used as a back-up well. Storage
27 capacity will be added as the various phases of construction are begun.

28 30. Ms. Whatley estimated that the water system's backbone plant for the Company's first

1 phase will cost approximately \$6 million.

2 31. Phase One of development will require a wastewater treatment plant that will treat
3 approximately 400,000 gallons of wastewater per day and will be operated as a gravity fed system.
4 The first phase of the wastewater treatment plant will be part of the 1.5 million gallon wastewater
5 treatment plant for reclaimed water.

6 32. Mr. Whatley estimates that first phase costs for the backbone infrastructure for
7 wastewater treatment will be approximately \$9.6 million.

8 33. The golf course which will be developed during a later phase of the development of
9 Willow Springs will be served with reclaimed wastewater once there are approximately two to three
10 thousand homes in the community which will produce enough effluent to provide the reclaimed water
11 necessary to water the golf course.

12 34. Mr. Whatley estimates that the Company will spend approximately \$2 million for its
13 reclaimed water facility.

14 35. Ms. Whatley testified that the Company has submitted its 208 amendment to the
15 Central Arizona Association of Governments ("CAAG") which was approved and forwarded to
16 ADEQ which submitted a letter to the EPA recommending approval of the Company's 208 Plan
17 amendment in mid-June, 2006.

18 36. Ms. Whatley indicated that she believed the Company would have its final 208 Plan
19 approval within approximately one year, but indicated that it would take between one and two years
20 to secure its APP for its wastewater treatment facilities.

21 37. On July 5, 2006, Ms. Whatley submitted to ADWR an Application for a Designation
22 of Assured Water Supply ("Designation") for the Company and believes that within one year, the
23 Company will receive its approval for a Designation.

24 38. Ms. Whatley believes that it will take approximately two years to secure the necessary
25 ADEQ approvals of Applicant's water system.

26 39. The Company has tested for arsenic with water from its fifth well which is presently
27 being used for construction purposes. The company has thus far found only minimal amounts of
28 arsenic which are well below the new limit. Based on this information, the Company does not

1 believe it will have to treat the water from its other planned wells. In the event of excess arsenic
2 concentration, the Company will have to examine how its water will be treated and how these costs
3 will be addressed in the future.

4 40. Mr. Ronald Kozoman, a CPA retained by the Company, testified with respect to the
5 Company's documentation and its exhibits concerning its projected balance sheet, projected cash
6 flow and projected plant and income statement along with the Company's proposed rates and charges
7 for water and wastewater service.

8 41. Mr. Kozoman pointed out that in response to certain concerns voiced by Staff in its
9 report, the Applicant revised its initial filings and withdrew its request for approval of hook-up fees
10 related to the establishment of water and wastewater service by new customers.

11 42. Mr. Kozoman testified that the Company believes that its proposed wastewater rates
12 are more reasonable than those proposed by Staff primarily because the Company is proposing to
13 phase-in the depreciation expense using a ratio based upon the number of customers that are being
14 served in a year by the number of customers that could potentially be served. In this manner, the
15 Company would avoid imposing the depreciation expense based on a plant constructed to serve more
16 customers and making the costs overly burdensome.

17 43. The Company does not oppose the depreciation rate used by Staff, but proposes an
18 additional step be taken by dividing the actual number of customers in a year by the number of
19 customers that the plant could serve resulting in holding down the initial rates during the Company's
20 start-up years.

21 44. As a result, after the initial five years of operation, since the Company would recover
22 less depreciation, it would have a higher rate base on which to base a rate of return in the future.

23 45. After further review, Mr. Kozoman indicated that the Company is willing to accept the
24 Staff's proposed depreciation rates and expense levels and its accumulated depreciation.

25 46. The Company is further concerned with Staff's recommended proposed rate of return
26 of 8 percent for the Applicant because, according to Mr. Kozoman, it would actually be over earning
27 due to the annualization of revenues attributable to its customers in a rate proceeding.

28 47. The Company is requesting that the Applicant's proposed water and wastewater rates

1 and charges be approved by the Commission as set forth in Exhibit B attached hereto and
2 incorporated by reference.

3 48. According to Mr. Kozoman, the Company's proposed rates and charges will result in
4 approximately a five to six percent rate of return in its fifth year of operations resulting in lower bills
5 for its initial customers. The Applicant is recommending that its proposed rates and charges be
6 adopted to avoid a subsequent Commission finding that the Company over earned.

7 49. Mr. Jamie Moe, a utility analyst with Staff, recommended that the Commission
8 approve Staff's proposed water (revised) and wastewater rates and charges for the Company as set
9 forth in Exhibit C attached hereto and incorporated by reference.

10 50. Staff's primary recommendation for wastewater rates for the Applicant is that they
11 should be based on meter size. However, Staff also prepared an alternative form of rate design for
12 the Company's wastewater system if the Commission wishes to consider that the Company's initial
13 wastewater rates be based on water usage rather than meter sizes.

14 51. In response to the Company's proposal that it be permitted to earn a lower rate of
15 return than that proposed by Staff in its fifth year of operations, Mr. Moe testified that Staff continues
16 to recommend that the Company should earn an eight percent rate of return by its fifth year of
17 operations.

18 52. During the hearing, Mr. Moe testified that the Company is being operated as a limited
19 liability company and that typically the Commission does not allow income taxes to such entities as
20 they are allowed a flow-through option to the members. He indicated Staff's water utility expenses
21 had inadvertently included these expenses, but that they were properly excluded from wastewater
22 expenses.

23 53. As a result, on July 20, 2006, Staff, in a late-filed exhibit, removed the Company's
24 projected income tax expenses of \$229,725 in the fifth year of the water utility's operations and
25 revised its proposed water rates and charges. The Company did not file a response to Staff's late-
26 filed exhibit.

27 54. Based on Staff's revised rates for the Company's water division, projections based on
28 Staff's and Applicant's proposed rates for average usage of 9,034 gallons of water per month for

1 residential users result in only an eighty cent difference in bills between the Company's and Staff's
2 proposed water rates.

3 55. Mr. Moe testified that if the Commission chooses to approve wastewater rates based
4 on commodity charges, that the Company would be subject to more risk and that its rate design
5 would be more complicated than wastewater rates based on meter sizes.

6 56. Mr. Moe recommended that rates should be set to allow the Applicant to earn
7 approximately an eight percent return in its fifth year of operations in order to avoid a huge increase
8 in utility bills resulting in rate shock for customers after its rates are evaluated following a
9 recommended rate application by the Company in its sixth year of operations.

10 57. Staff recommended approval of the Company's application for a Certificate to provide
11 water and wastewater service for the area in Exhibit A for which the Company is seeking a
12 Certificate.

13 58. Staff also made the following recommendations:

- 14 (1) that the Company work with Staff to make certain changes in its tariff after
consulting with a representative of the Commission's Consumer Services Section;
- 15 (2) that the Commission find that the Company's projected fair value rate base for
16 year five to be \$4,556,235 for the water division and \$6,786,880 for the wastewater
division;
- 17 (3) that the Company collect from its customers a proportionate share of any
18 privilege, sales or use tax pursuant to A.A.C. R14-2-409 and A.A.C. R14-2-608,
respectively;
- 19 (4) that the Company adjust its capital expenditure funding so as to be in
20 compliance with the final Commission Decision in Docket No. W-00000C-06-0149
when filing its first rate application;
- 21 (5) that the Company file, not later than December 30, 2007, with the
22 Commission's Docket Control, as a compliance item in this docket, a copy of the
Certificate of Approval to Construct issued by ADEQ for the proposed Phase One
23 water source/treatment and distribution system;
- 24 (6) that the Company file, not later than December 31, 2008, with the
Commission's Docket Control, as a compliance item in this docket, a copy of the
25 Certificate of Approval of Construction issued by ADEQ for the proposed Phase One
water source/treatment and distribution system;
- 26 (7) that the Company file, within one year of the effective date of this Decision,
27 with the Commission's Docket Control, as a compliance item in this docket, a copy of
the Designation or Certificate of Assured Water Supply issued by ADWR;
- 28 (8) that the Company file, not later than December 31, 2008, with the

Commission's Docket Control, as a compliance item in this docket, a copy of the notice issued by ADEQ that the Company's APP and Arizona Pollutant Discharge and Elimination System ("AZPDES") has been approved;

- (9) that the Company file, by May 31, 2007, with the Commission's Docket Control, as a compliance item in this docket, a copy of the Central Arizona Association of Governments' approved 208 Plan;
- (10) that the Company utilize the depreciation rates shown on Tables I and II of Exhibit Two of the Staff Report;
- (11) that the Company file, not later than 90 days from the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket, a Curtailment Tariff for Staff's review and approval;
- (12) that the Company charge the meter and service line installation charges which are refundable pursuant to A.A.C. R14-2-405 as proposed by the Company and agreed to by Staff as shown on Table III of Exhibit Two of the Staff Report;
- (13) that the Company charge the water and wastewater rates and charges, respectively, as recommended by Staff in Exhibit C in revised Schedule JRM-6 and JRM-10 as filed;
- (14) that the Company file a rate application in its sixth year of operations, using the fifth year of its operations as its test year;
- (15) that the Company file, within thirty days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges;
- (16) that the Company maintain its books and records in accordance with the NARUC Uniform System of Accounts; and
- (17) that the Company file, within 15 days of serving its first customer, with the Commission's Docket Control, as a compliance item in this docket, a notification of service to its first customer.

59. Staff further recommends that the Commission's decision approving a Certificate for the Company be considered null and void, after due process, if the Company fails to meet the filing requirements of items five through nine within the time specified in Findings of Fact No. 58.

60. After our review of the evidence in this matter, we believe that the application of the Company for a Certificate to provide water and wastewater service for the Willow Springs community as described in Exhibit A should be granted. We also believe that Staff's recommendations with respect to the Company's application are reasonable and should be approved as should Staff's recommended rates and charges for the Company's water and wastewater divisions as set forth herein.

61. Additionally, we believe since there is no evidence in the record which reveals that the

1 Company has any prior experience in successfully operating a public utility, a performance bond in
2 the amount of \$500,000 should ensure that the Company will be able to continue operations for a
3 reasonable period without a related entity's financial support, if necessary.

4 62. Because an allowance for the property tax expense of Willow Springs is included in
5 the Company's rates and will be collected from its customers, the Commission seeks assurances from
6 the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing
7 authority. It has come to the Commission's attention that a number of utility companies have been
8 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers,
9 some for as many as twenty years. It is reasonable, therefore, that as a preventive measure, Willow
10 Springs should annually file, as part of its annual report, an affidavit with the Utilities Division
11 attesting that the company is current in paying its property taxes in Arizona.

12 CONCLUSIONS OF LAW

13 1. The Company is a public service corporation within the meaning of Article XV of the
14 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

15 2. The Commission has jurisdiction over the Company and the subject matter of the
16 application.

17 3. Notice of the application and the hearing thereon was given in accordance with the
18 law.

19 4. The public convenience and necessity require the issuance of a Certificate to the
20 Company authorizing it to provide water and wastewater service to the public in the area described in
21 Exhibit A.

22 5. The Company is a fit and proper entity to provide water and wastewater service to the
23 public and to receive a Certificate which encompasses the areas more fully described in Exhibit A.

24 6. The Company's application for a Certificate to provide water and wastewater service
25 to Willow Springs should be approved subject to Staff's recommendations and the Company's timely
26 compliance with conditions five through nine as set forth in Findings of Fact No. 58 or the Certificate
27 authorized hereinafter should be null and void after due process.

28 7. The rates and charges authorized hereinafter for the Company are just and reasonable.

1	Over 80,000 Gallons	\$4.50
	2" – All Customers	
2	From 1 to 125,000 Gallons	3.50
	Over 125,000 Gallons	4.50
3	2" – School	
	From 1 to 100,000 Gallons	2.50
4	100,001 to 500,000 Gallons	3.50
	Over 500,000 Gallons	4.50
5	3" – All Customers	
6	From 1 to 225,000 Gallons	3.50
	Over 225,000 Gallons	4.50
7	4" – All Customers	
	From 1 to 325,000 Gallons	3.50
8	Over 325,000 Gallons	4.50
9	6" – All Customers	
	From 1 to 600,000 Gallons	3.50
10	Over 600,000 Gallons	4.50
	8" – All Customers	
11	From 1 to 1,000,000 Gallons	3.50
	Over 1,000,000 Gallons	4.50
12	10" – All Customers	
13	From 1 to 1,300,000 Gallons	3.50
	Over 1,300,000 Gallons	4.50
14	12" – All Customers	
	From 1 to 2,250,000 Gallons	3.50
15	Over 2,250,000 Gallons	4.50
16	Irrigation Water Sales to Sewer Utility per 1,000 Gallons	
17	All Usage	\$1.50
18	Construction Water per 1,000 Gallons	\$3.00
19	<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u>	
20	(Refundable pursuant to A.A.C. R14-2-40-5)	
21	5/8" x 3/4" Meter	\$ 480.00
	3/4" Meter	560.00
22	1" Meter	650.00
	1 1/2" Meter	895.00
23	2" Meter – Turbo	1,555.00
	2" Meter – Compound	2,280.00
24	3" Meter – Turbine	2,235.00
	3" Meter – Compound	3,070.00
25	4" Meter – Turbine	3,440.00
	4" Meter – Compound	4,395.00
26	6" Meter – Turbine	6,210.00
27	6" Meter – Compound	7,970.00
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SERVICE CHARGES:

Establishment	\$30.00
Establishment (After Hours)	50.00
Reestablishment (Within 12 Months)	*
Reconnection (Delinquent)	50.00
Meter Reread (If Correct)	30.00
Meter Test (If Correct)	30.00
Deposit	**
Deposit Interest	**
NSF Check	25.00
Late Payment Penalty (per month)	1.50%
Deferred Payment (per month)	1.50%
Main Extensions/Additional Facilities	Cost
Revenue Taxes & Assessments	***

- * Per Commission rule A.A.C. R-14-2-403(D).
- ** Per Commission rule A.A.C. R14-2-403(B).
- *** Per Commission rule A.A.C. R14-2-409(D)

WASTEWATER

MONTHLY USAGE CHARGE:

Residential & Commercial	
5/8" x 3/4" Meter	\$ 72.25
3/4" Meter	72.25
1" Meter	180.63
1 1/2" Meter	361.25
2" Meter	578.00
3" Meter	1,156.00
4" Meter	1,806.00
6" Meter	3,612.00

Effluent Sales	
Per Acre Foot	449.67
Per 1,000 Gallons	1.38

SERVICE CHARGES:

Establishment	\$30.00
Establishment (After Hours)	50.00
Reestablishment (Within 12 Months)	*
Reconnection (Delinquent)	50.00
Deposit	**
Deposit Interest	**
NSF Check	25.00
Late Payment Penalty (per month)	1.50%

1	Deferred Payment (per month)	1.50%
	Main Extensions/Additional Facilities	Cost
2	Revenue Taxes & Assessments	***

3 * Per Commission rule A.A.C. R-14-2-603(D).

4 ** Per Commission rule A.A.C. R14-2-603(B).

5 *** Per Commission rule R14-2-608(D).

6 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C.'s application for a
7 Certificate of Convenience and Necessity shall be expressly contingent upon Willow Springs, L.L.C.
8 filing with the Commission's Docket Control, as a compliance item in this docket, at least 15 days
9 before it first provides water and wastewater utility service to any customer, a copy of a form of
10 performance bond in the amount of \$500,000 to ensure Willow Springs, L.L.C. shall meet its
11 obligations arising under its Certificate. The performance bond shall be maintained and copies of
12 same filed annually on the anniversary date of the initial filing until further Order of the Commission
13 or ten years have passed, whichever is sooner, at which time the bonding requirement may be
14 terminated upon Willow Springs Utilities, L.L.C.'s application for same.

15 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall file a rate application
16 in its sixth year of operations using its fifth year as its test year.

17 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall annually file as part
18 of its annual report, an affidavit with the Utilities Division attesting that the Company is current in
19 paying its property taxes in Arizona.

20 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall comply in all respect
21 with Findings of Fact No. 58 and Conclusion of Law No. 6 above.

22 IT IS FURTHER ORDERED that the Certificate of Convenience and Necessity granted to
23 Willow Springs Utilities, L.L.C. for the areas described in Exhibit A shall be deemed null and void,
24 after due process, if Willow Springs Utilities, L.L.C. does not timely comply with the following
25 ordering paragraphs.

26 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall file, not later than
27 December 30, 2007, with the Commission's Docket Control, as a compliance item in this docket, a
28

1 copy of the Certificate of Approval to Construct issued by ADEQ for the proposed Phase One water
2 source/treatment and distribution system.

3 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall file, not later than
4 December 31, 2008, with the Commission's Docket Control, as a compliance item in this docket, a
5 copy of the Certificate of Approval of Construction issued by ADEQ for the proposed Phase One
6 water source/treatment and distribution system.

7 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall file, within one year
8 of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in
9 this docket, a copy of the Designation or Certificate of Assured Water Supply issued by ADWR.

10 IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall file, not later than
11 December 31, 2008, with the Commission's Docket Control, as a compliance item in this docket, a
12 copy of the notice issued by ADEQ that the Company's APP and Arizona Pollutant Discharge and
13 Elimination System has been approved.

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IT IS FURTHER ORDERED that Willow Springs Utilities, L.L.C. shall file, by May 31, 2007, with the Commission's Docket Control, as a compliance item in this docket, a copy of the Central Arizona Association of Governments' approved 208 Plan.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN _____ COMMISSIONER _____

COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER _____

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2006.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

MES:mj

1 SERVICE LIST FOR: WILLOW SPRINGS UTILITIES, L.L.C.

2 DOCKET NO.: WS-20432A-05-0874

3
4 Richard L. Sallquist
5 SALLQUIST, DRUMMOND & O'CONNOR
6 4500 S. Lakeshore Drive, Ste;. 339
7 Tempe, AZ 85282

8 Christopher Kempley, Chief Counsel
9 Legal Division
10 ARIZONA CORPORATION COMMISSION
11 1200 West Washington Street
12 Phoenix, AZ 85007

13 Ernest G. Johnson, Director
14 Utilities Division
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, AZ 85007

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Wood, Patel & Associates, Inc.
(480) 834-3300
www.woodpatel.com

November 1, 2005
WP# 052340.01
Page 1 of 3
See Exhibit "A"

PARCEL DESCRIPTION
Willow Springs
Proposed South Village

Parcel No. 1:

The Southeast quarter of the Northwest quarter of Section 8, Township 8 South, Range 13 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT all gas, oil, metals and mineral rights as reserved by the State of Arizona in the patent to said land; and

EXCEPT an undivided 3/4th interest in all oil, gas and mineral rights as reserved in document recorded in Docket 556, Page 352.

Parcel No. 2:

The East half of Section 8 AND the South half of Section 9, BOTH in Township 8 South, Range 13 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT all the coal and other minerals as reserved by the United States of America in the patent to said land.

Parcel No. 3:

The Southwest quarter AND the South half of the Southeast quarter of Section 14, Township 8 South, Range 13 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT all the coal and other minerals as reserved by the United States of America in the patent to said land.

Parcel No. 4:

The West half of the Southeast quarter AND the East half of the Southwest quarter of Section 15, Township 8 South, Range 13 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT all the coal and other minerals as reserved by the United States of America in the patent to said land.

Parcel Description
Willow Springs
Proposed South Village

November 1, 2005
WP# 052340.01
Page 2 of 3
See Exhibit "A"

Parcel No. 5:

All of Sections 22, 23, 25, 27 and the North half of Section 26, ALL in Township 8 South, Range 13 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT all the coal and other minerals as reserved by the United States of America in the patent to said land, as to all except the Northwest quarter of the Northeast quarter AND the Southeast quarter of the Northwest quarter of said Section 23.

Parcel No. 6:

The West half of Section 20, Township 8 South, Range 14 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT all the coal and other minerals as reserved by the United States of America in the patent to said land.

Parcel No. 7:

The North half of the Northwest quarter of Section 29 AND the Southeast quarter of the Northwest quarter and the North half of the Southeast quarter and the Northeast quarter of Section 30, ALL of Township 8 South, Range 14 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT all the coal and other minerals as reserved by the United States of America in the patent to said land, as to the North half of the Northwest quarter of said Section 29 AND the North half of the Southeast quarter and the Northeast quarter of said Section 30.

Containing 4,640.4685 acres, or 202,138,807 square feet of land, more or less.

Subject to existing rights-of-way and easements.

This parcel description is based on the ALTA Survey recorded in Survey Book 7, page 297, Pinal County Records and other client provided information. This parcel description is located within an area surveyed by Wood, Patel & Associates, Inc. during the month of April, 2005 and any monumentation noted in this parcel description is within acceptable tolerance (as defined in Arizona Boundary Survey Minimum Standards dated 02/14/2002) of said positions based on said survey.

Y:\Parcel Descriptions\052340 Willow Springs Proposed South Village.doc



DECISION NO. _____

**Willow Springs Water Company
REPRESENTATIVE RATE SCHEDULE**

Exhibit
Schedule 4
Page 1
Witness: Kozoman

PROPOSED RATES

LINE
NO.

	<u>METER SIZE</u>		<u>MONTHLY CHARGE</u>
1			
2			
3	MONTHLY MINIMUMS:		
4	5/8 x 3/4 And	\$	28.00
5	3/4	\$	28.00
6	1	\$	70.00
7	1 1/2	\$	140.00
8	2	\$	224.00
9	3	\$	448.00
10	4	\$	700.00
11	6	\$	1,400.00
12	8	\$	2,240.00
13	10	\$	3,220.00
14	12	\$	6,020.00

15			
16 COMMODITY RATES / ALL METERS			
	Usage	Usage	
	From	To	
17			5/8 & 3/4 Inch Meters
18			
19	-	4,000	\$ 2.50
20	4,001	9,000	\$ 3.50
21	9,001	Infinity	\$ 4.50
22			
23			1 Inch Meters
24			
25	-	10,000	\$ 2.50
26	10,001	22,500	\$ 3.50
27	22,501	Infinity	\$ 4.50
28			
29			1 1/2 Inch Meters
30			
31	-	20,000	\$ 2.50
32	20,001	45,000	\$ 3.50
33	45,001	Infinity	\$ 4.50
34			
35			2 Inch Meters
36			
37	-	32,000	\$ 2.50
38	32,001	72,000	\$ 3.50
39	72,001	Infinity	\$ 4.50

40			
41 COMMODITY RATES / SCHOOL			
	Usage	Usage	
	From	To	
42			2 Inch Meters
43			
44	0	100,000	\$ 2.50
45	100,001	500,000	\$ 3.50
46	500,001	Infinity	\$ 4.50

47

**Willow Springs Water Company
REPRESENTATIVE RATE SCHEDULE**

Exhibit
Schedule 4
Page 2
Witness: Kozoman

LINE NO.	<u>PROPOSED RATES</u>			
1	Usage	Usage	3 Inch Meters	
2	From	To		
3	-	7,000	\$	2.50
4	7,001	144,000	\$	3.50
5	144,001	Infinity	\$	4.50
6				
7	Usage	Usage	4 Inch Meters	
8	From	To		
9	-	7,000	\$	2.50
10	7,001	225,000	\$	3.50
11	225,001	Infinity	\$	4.50
12				
13	Usage	Usage	6 Inch Meters	
14	From	To		
15	-	7,000	\$	2.50
16	7,001	450,000	\$	3.50
17	450,001	Infinity	\$	4.50
18				
19	Usage	Usage	8 Inch Meters	
20	From	To		
21	-	7,000	\$	2.50
22	7,001	720,000	\$	3.50
23	720,001	Infinity	\$	4.50
24				
25	Usage	Usage	10 Inch Meters	
26	From	To		
27	-	7,000	\$	2.50
28	7,001	1,035,000	\$	3.50
29	1,035,001	Infinity	\$	4.50
30				
31	Usage	Usage	12 Inch Meters	
32	From	To		
33	-	7,000	\$	2.50
34	7,001	1,935,000	\$	3.50
35	1,935,001	Infinity	\$	4.50
36				
37	Irrigation Water Sales to Sewer Utility (No other customer qualifies for this tariff)			\$ 1.50
38				
39				
40	Construction Water			\$ 3.00

**Willow Springs Water Company
REPRESENTATIVE RATE SCHEDULES
STATEMENT OF CHARGES**

Exhibit
Schedule 5
Page 1
Witness: Kozoman

LINE NO.		<u>Proposed</u>
1	A. Establishment of Service	\$ 30.00
2	Establishment of Service, after hours	\$ 50.00
3	(Charged at either Water or Wastewater Utility, but not both.) /	
4	B. Re-establishment of Service	see (a)
5	C. Reconnection of service	\$ 50.00
6	D. After hours service charge, per hour	\$ 50.00
7	E. Minimum Deposit	
	Two Times Monthly Bill	
8	F. Charge for NSF Check	\$ 35.00
9	G. Late payment charge for delinquent bills	
10	H. Deferred Payment Finance Charge	1.50%
11	I. Main Extension and additional facilities agreements,	@ COST (b)
12	J. All Revenue related taxes will be charged customers.	
13	K. Meter Test (If Meter is reading correctly)	\$ 30.00
14	L. Meter Re-Read	\$ 30.00
15	M. Deferred Payment	1.50% Per Month
16	N. Late Payment	1.50% Per Month
17	Meter and Service Line Installation (c)	

LINE		<u>Service</u>	<u>Meter</u>	<u>Total</u>
18				
19		Line		
20	5/8 x 3/4 inch	\$ 370.00	\$ 110.00	\$ 480.00
21	3/4 inch	370.00	190.00	560.00
22	1 inch	420.00	230.00	650.00
23	1 1/2 inch	455.00	440.00	895.00
24	2 Inch - Turbo	615.00	940.00	1,555.00
25	2 inch - Compound	615.00	1,665.00	2,280.00
26	3 inch - Turbo	790.00	1,445.00	2,235.00
27	3 Inch - Compound	830.00	2,240.00	3,070.00
28	4 Inch - Turbo	1,140.00	2,300.00	3,440.00
29	4 inch - Compound	1,200.00	3,195.00	4,395.00
30	6 Inch - Turbo	1,715.00	4,495.00	6,210.00
31	6 inch - Compound	1,740.00	6,230.00	7,970.00

RULES AND REGULATIONS

* The Company has adopted the Rules and Regulation established by the Commission as the basis for its operating procedures. Arizona Corporation Commission Rules will be controlling of Company procedures, unless specific Commission Orders provide otherwise.

(a) Monthly minimum times months off the system

(b) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.

(c) Plus income tax, as meter and service lines to single customer are taxable by IRS Codes. Income tax will be refunded along with meter and service line charge over term of refund period. Charge based on Memo from Marlin Scott, Jr. 6/30/04. Average of high and low costs used.

Willow Springs Utility Company
 REPRESENTATIVE RATE SCHEDULE

Exhibit
 Schedule 4 Revised
 Page 1
 Witness: Kozoman

**WASTEWATER
 RATES**

PROPOSED RATES

<u>LINE NO.</u>	<u>METER SIZE</u>	<u>MONTHLY CHARGE</u>
1		
2		
3	MONTHLY MINIMUMS:	
4	5/8 x 3/4 And	\$ 52.00
5	3/4	\$ 52.00
6	1	\$ 130.00
7	1 1/2	\$ 260.00
8	2	\$ 416.00
9	3	\$ 832.00
10	4	\$ 1,300.00
11	6	\$ 2,600.00
12	8	\$ 4,160.00
13	10	\$ 5,980.00
14	12	\$ 11,180.00
15		
16	Flat Rate Based on Meter Size	
17		
18	Effluent:	
19	Per 1,000 Gallons	\$ 1.38
20	Per Acre Foot	\$ 449.67

DECISION NO. _____

WILLOW SPRINGS UTILITY COMPANY
 DOCKET NO.: SW-20432A-05-0874
 SCHEDULE OF RECOMMENDED RATES AND CHARGES
 WATER DIVISION

Schedule JRM-6
 Page 1 of 2
 Revised

	Company Proposed	Staff Recommended
Monthly Minimum for Water Service:		
Residential & Commercial Service		
5/8 x 3/4 Inch	\$ 28.00	\$ 28.00
3/4 Inch	28.00	28.00
1 Inch	70.00	70.00
1 1/2 Inch	140.00	140.00
2 Inch	224.00	224.00
3 Inch	448.00	448.00
4 Inch	700.00	700.00
6 Inch	1,400.00	1,400.00
8 Inch	2,240.00	2,240.00
10 Inch	3,220.00	3,220.00
12 Inch	6,020.00	6,020.00
Commodity Rates by Meter Size for Water Service:		
5/8 x 3/4 Inch and 3/4 Inch - Residential		
Per 1,000 Gallons		
From 1 to 4,000 Gallons	\$ 2.50	\$ 2.30
From 4,001 to 9,000 Gallons	3.50	3.50
Over 9,000 Gallons	4.50	4.50
5/8 x 3/4 Inch and 3/4 Inch - Commercial		
Per 1,000 Gallons		
From 1 to 4,000 Gallons	\$ 2.50	N/A
From 4,001 to 9,000 Gallons	3.50	N/A
Over 9,000 Gallons	4.50	N/A
From 1 to 9,000 Gallons	N/A	3.50
Over 9,000 Gallons	N/A	4.50
1 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 10,000 Gallons	\$ 2.50	N/A
From 10,001 to 22,500 Gallons	3.50	N/A
Over 22,500 Gallons	4.50	N/A
From 1 to 40,000 Gallons	N/A	3.50
Over 40,000 Gallons	N/A	4.50
1 1/2 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 20,000 Gallons	\$ 2.50	N/A
From 20,001 to 45,000 Gallons	3.50	N/A
Over 45,000 Gallons	4.50	N/A
From 1 to 80,000 Gallons	N/A	3.50
Over 80,000 Gallons	N/A	4.50
2 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 32,000 Gallons	\$ 2.50	N/A
From 32,001 to 72,000 Gallons	3.50	N/A
Over 72,000 Gallons	4.50	N/A
From 1 to 125,000 Gallons	N/A	3.50
Over 125,000 Gallons	N/A	4.50
2 Inch - School		
Per 1,000 Gallons		
From 1 to 100,000 Gallons	\$ 2.50	\$ 2.50
From 100,001 to 500,000 Gallons	3.50	3.50
Over 500,000 Gallons	4.50	4.50
3 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 7,000 Gallons	\$ 2.50	N/A
From 7,001 to 144,000 Gallons	3.50	N/A
Over 144,000 Gallons	4.50	N/A
From 1 to 225,000 Gallons	N/A	3.50
Over 225,000 Gallons	N/A	4.50

WILLOW SPRINGS UTILITY COMPANY
 DOCKET NO.: SW-20432A-05-00874
 SCHEDULE OF RECOMMENDED RATES AND CHARGES
 WATER DIVISION

Schedule JRM-6
 Page 2 of 2
 Revised

4 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 7,000 Gallons	\$ 2.50	N/A
From 7,001 to 225,000 Gallons	3.50	N/A
Over 225,000 Gallons	4.50	N/A
From 1 to 325,000 Gallons	N/A	3.50
Over 325,000 Gallons	N/A	4.50
6 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 7,000 Gallons	\$ 2.50	N/A
From 7,001 to 450,000 Gallons	3.50	N/A
Over 450,000 Gallons	4.50	N/A
From 1 to 600,000 Gallons	N/A	3.50
Over 600,000 Gallons	N/A	4.50
8 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 7,000 Gallons	\$ 2.50	N/A
From 7,001 to 720,000 Gallons	3.50	N/A
Over 720,000 Gallons	4.50	N/A
From 1 to 1,000,000 Gallons	N/A	3.50
Over 1,000,000 Gallons	N/A	4.50
10 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 7,000 Gallons	\$ 2.50	N/A
From 7,001 to 1,035,000 Gallons	3.50	N/A
Over 1,035,000 Gallons	4.50	N/A
From 1 to 1,300,000 Gallons	N/A	3.50
Over 1,300,000 Gallons	N/A	4.50
12 Inch - All Customers		
Per 1,000 Gallons		
From 1 to 7,000 Gallons	\$ 2.50	N/A
From 7,001 to 1,935,000 Gallons	3.50	N/A
Over 1,935,000 Gallons	4.50	N/A
From 1 to 2,250,000 Gallons	N/A	3.50
Over 2,250,000 Gallons	N/A	4.50
Irrigation Water Sales to Sewer Utility (No other customer qualifies for this tariff)		
Per 1,000 Gallons		
All Usage	\$ 1.50	1.50
Construction Water		
Per 1,000 Gallons		
All Usage	\$ 3.00	3.00
Other Rates and Charges:		
Establishment of Service - Regular Hours	\$ 30.00	\$ 30.00
Establishment of Service - After Hours	50.00	50.00
Re-establishment of Service (Within 12 Months)	(1)	(1)
Reconnection - Delinquent	50.00	50.00
Meter Reread - If Correct	30.00	30.00
Meter Test - If Correct	30.00	30.00
Customer Deposit	(2)	(2)
Deposit Interest	3.50%	(2)
NSF Check Charge	30.00	25.00
Late Payment Penalty - Per Month	1.50%	1.50%
Deferred Payment Interest - Per Month	1.50%	1.50%
Main Extensions/Additional Facilities	Cost	Cost
Revenue Taxes & Assessments	(3)	(3)

Notes:

- (1) Per Rule R14-2-403D - Months off system times the minimum charge.
- (2) Per Rule R14-2-403B
- (3) Per Rule R14-2-409D

DECISION NO. _____

WILLOW SPRINGS UTILITY COMPANY
DOCKET NO.: SW-20432A-05-00874
SCHEDULE OF RECOMMENDED RATES AND CHARGES
WASTEWATER DIVISION

Schedule JRM-10

	Company Proposed	Staff Recommended
Monthly Wastewater Service:		
Residential & Commercial Service		
5/8 x 3/4 Inch	\$ 52.00	\$ 72.25
3/4 Inch	52.00	72.25
1 Inch	130.00	180.63
1 1/2 Inch	260.00	361.25
2 Inch	416.00	578.00
3 Inch	832.00	1,156.00
4 Inch	1,300.00	1,806.25
6 Inch	2,600.00	3,612.50
Effluent Sales		
Per Acre Foot	\$ 449.67	\$ 449.67
Per 1,000 Gallons	1.38	1.38
Other Rates and Charges:		
Establishment of Service - Regular Hours	\$ 30.00	\$ 30.00
Establishment of Service - After Hours	50.00	50.00
Re-establishment of Service (Within 12 Months)	(1)	(1)
Reconnection - Delinquent	50.00	50.00
Customer Deposit	(2)	(2)
Deposit Interest	3.50%	(2)
NSF Check Charge	35.00	25.00
Late Payment Penalty - Per Month	1.50%	1.50%
Deferred Payment Interest - Per Month	1.50%	1.50%
Main Extensions/Additional Facilities	Cost	Cost
Revenue Taxes & Assessments	(3)	(3)

Notes:

- (1) Per Rule R14-2-603D - Months off system times the minimum charge.
(2) Per Rule R14-2-603B
(3) Per Rule R14-2-608D

DECISION NO. _____