

OPEN MEETING ITEM

ORIGINAL



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COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

ARIZONA CORPORATION COMMISSION

DATE: APRIL 20, 2007
DOCKET NO: W-02494A-06-0561 AND W-02494A-06-0562

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc Stern. The recommendation has been filed in the form of an Order on:

ASH CREEK WATER COMPANY
(RATES AND FINANCE)

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 ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

APRIL 30, 2007

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 the Commission's Working Session and Open Meeting to be held on:

MAY 8, 2007, AND MAY 9, 2007

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

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BRIAN C. McNEIL
EXECUTIVE DIRECTOR

Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF
ASH CREEK WATER COMPANY FOR AN
ORDER AUTHORIZING THE ISSUANCE OF
DEBT.

DOCKET NO. W-02494A-06-0561

IN THE MATTER OF THE APPLICATION OF
ASH CREEK WATER COMPANY FOR AN
INCREASE IN ITS RATES.

DOCKET NO. W-02494A-06-0562

DECISION NO. _____

ORDER

Open Meeting
May 8 and 9, 2007
Phoenix, Arizona

BY THE COMMISSION:

On September 8, 2006, Ash Creek Water Company (“Applicant” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for an Order authorizing the Company to issue debt in the amount of \$113,380 in Docket No. W-02494A-06-0561, and an application for a permanent rate increase in Docket No. W-02494A-06-0562. The Company also filed certification that it mailed notice of both applications to its customers and the Commission has not received any comments or protest in response thereto.

On October 6, 2006, the Company filed a Motion to Consolidate (“Motion”) the two dockets stating that the issues in the matters are substantially related and no parties’ rights will be prejudiced by the Motion. The Company also waived the application of the Commission’s time-frame rule, A.A.C. R14-2-103, to facilitate the processing of these proceedings.

On October 10, 2006, by Procedural Order, the proceedings were consolidated and the time-frame suspended.

On October 27, 2006, the Commission’s Utilities Division (“Staff”) issued a Letter of Sufficiency on the Company’s rate application and classified the Applicant as a Class E utility.

1 On March 14, 2007, Staff filed its Staff Report recommending that Staff's proposed rates and
2 charges be approved and that the Company's financing application be approved. No comments or
3 objections were filed by the Company to Staff's recommendation.

4 * * * * *

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

7 **FINDINGS OF FACT**

8 1. Pursuant to authority granted by the Commission, Applicant is an Arizona limited
9 liability company engaged in the business of providing water service to an area approximately three
10 miles west the Town of Thatcher in Graham County, Arizona.

11 2. Applicant's present rates and charges for water were approved in Decision No. 55745
12 (September 25, 1987).

13 3. On September 8, 2006, the Company filed an application requesting authority to
14 increase its rates and charges for water service and an application requesting financing approval of
15 \$113,380 in long-term debt.

16 4. Applicant provided notice to its customers of its application for a proposed rate
17 increase and its financing application by first class U.S. mail and, in response thereto, no objections
18 or comments have been received by the Commission opposing the Company's applications.

19 5. On October 10, 2006, by Procedural Order, the proceedings were consolidated and the
20 time frame was suspended.

21 6. On October 27, 2006, Staff filed notice that the Company's rate application had met
22 the Commission's sufficiency requirements pursuant to A.A.C. R14-2-103.

23 7. During the test year ended December 31, 2005 ("TY"), Applicant served 84 metered
24 customers who were all served by 5/8" x 3/4" meters.

25 8. Average and median water usage by residential users during the TY were 9,020 and
26 5,750 gallons per month, respectively.

27
28

1 9. Staff conducted an investigation of Applicant's proposed rates and charges for water
 2 service and filed its Staff Report on the Company's rate application request on March 14, 2007,
 3 recommending that Staff's proposed rates and charges be approved. Staff is also recommending that
 4 the Company's service line and meter installation charges be increased and its other service charges
 5 be modified consistent with Staff's recommendations. Staff further recommended approval of the
 6 Company's financing application.

7 10. The water rates and charges for Applicant at present, as proposed in the application,
 8 and as recommended by the Staff are as follows:

| | <u>Present</u> <u>Rates</u> | <u>Proposed Rates</u> <u>Company</u> | <u>Staff</u> |
|--|--------------------------------|---|--------------|
| <u>MONTHLY USAGE CHARGE:</u> | | | |
| 5/8" x 3/4" Meter | \$18.00 | \$18.00 | \$18.00 |
| 3/4" Meter | 27.00 | 27.00 | 27.00 |
| 1" Meter | 45.00 | 45.00 | 45.00 |
| 1 1/2" Meter | 90.00 | 90.00 | 90.00 |
| 2" Meter | 144.00 | 144.00 | 128.00 |
| 3" Meter | 0.00 | 0.00 | 270.00 |
| 4" Meter | 0.00 | 0.00 | 450.00 |
| 6" Meter | 0.00 | 0.00 | 900.00 |
| <u>GALLONS INCLUDED IN</u> <u>MINIMUM:</u> | | | |
| For all meter sizes | 1,000 | 0 | 0 |
| <u>GALLONAGE CHARGES:</u> (per 1,000 gallons) | | | |
| 0 to 4,000 | \$1.95 | \$1.95 | N/A |
| 4,001 to 16,000 | 1.95 | 2.75 | N/A |
| Over 16,000 | 1.95 | 4.65 | N/A |
| 0 to 3,000 | N/A | N/A | \$1.55 |
| 3,001 to 9,000 | N/A | N/A | 2.75 |
| Over 9,000 | N/A | N/A | 3.95 |
| Bulk Water Rate -per 1,000 Gallons | \$3.50 | \$4.65 | \$3.95 |
| Offsite Hook-up Fee (per hook-up) | N/A | \$2,500 | \$1,000 |

1 SERVICE LINE AND METER INSTALLATION CHARGES:
 2 (Refundable pursuant to A.A.C. R14-2-405)

| | | | | |
|---|-------------------|----------|----------|----------|
| 3 | 5/8" x 3/4" Meter | \$180.00 | \$580.00 | \$440.00 |
| | 3/4" Meter | 220.00 | 620.00 | 520.00 |
| 4 | 1" Meter | 250.00 | 700.00 | 610.00 |
| | 1 1/2" Meter | 375.00 | 875.00 | 855.00 |
| 5 | 2" Meter | 500.00 | 1,000.00 | 1,515.00 |
| | 3" Meter | N/A | N/A | 2,195.00 |
| 6 | 4" Meter | N/A | N/A | 3,360.00 |
| 7 | 6" Meter | N/A | N/A | 6,115.00 |

8 SERVICE CHARGES:

| | | | | |
|----|---------------------------------------|---------|---------|---------|
| 9 | Establishment | \$15.00 | \$40.00 | \$20.00 |
| | Establishment (After Hours) | 20.00 | 80.00 | 30.00 |
| 10 | Reconnection (Delinquent) | 15.00 | 40.00 | 35.00 |
| | Reconnection (Delinquent-After hours) | 15.00 | 80.00 | 50.00 |
| 11 | Meter Test (If Correct) | 30.00 | 50.00 | 30.00 |
| 12 | Deposit | * | * | * |
| | Deposit Interest | * | * | * |
| 13 | Reestablishment (Within 12 Months) | ** | ** | ** |
| | NSF Check | 10.00 | 25.00 | 20.00 |
| 14 | Deferred Payment (Per Month) | 1.50% | 1.50% | 1.50% |
| 15 | Meter Reread (If Correct) | 10.00 | 25.00 | 20.00 |
| | Late Fee | N/A | 15.00 | 1.50% |

17 * Per Commission rule A.A.C. R-14-2-403(B).

18 ** Number of months off system times the monthly minimum per Commission rule
 19 A.A.C. R14-2-403(D).

20 11. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined
 21 to be \$10,373 which is the same as its original cost rate base. The Company's FVRB reflects an
 22 \$91,924 adjustment by Staff to Applicant's proposed FVRB due in large part to an adjustment to
 23 Applicant's gross contributions or CIAC because the Company lacked any supporting documentation
 24 to show who paid for its assets.

25 12. Staff decreased Applicant's TY operating expenses by \$1,205 primarily due to
 26 adjustments caused by the Company inappropriately expensing certain items. The following
 27 expenses were substantially reduced by Staff: salaries and wages (\$2,560); repairs and maintenance
 28

1 (\$1,307); and depreciation expense (\$4,254). These decreases were somewhat offset by Staff
2 increases to expenses for outside services (\$6,000) and for taxes other than income (\$1,565).

3 13. Applicant's present water rates and charges produced adjusted operating revenues of
4 \$33,971 and adjusted operating expenses of \$32,044 which resulted in operating income of \$1,927
5 during the TY or an 18.58 percent rate of return on FVRB, which equates to a 5.67 percent operating
6 margin.

7 14. The water rates and charges Applicant proposed would produce operating revenues of
8 \$45,232 and adjusted operating expenses of \$32,044 resulting in net operating income of \$13,188.
9 This is a 132 percent rate of return on FVRB. Staff notes this is not a meaningful figure due to the
10 Company's rate base being largely unsubstantiated and equates to a 29.16 percent operating margin.

11 15. The water rates and charges proposed by Staff would produce adjusted operating
12 revenues of \$44,208 and adjusted operating expenses of \$32,044 resulting in net operating income of
13 \$12,164 or a 117 percent rate of return on FVRB. Staff again notes this is not a meaningful figure
14 due to Staff's disallowance of proposed additions to the Company's rate base because they were
15 unsubstantiated and therefore treated as contributed plant and equates to a 27.52 percent operating
16 margin.

17 16. Applicant's proposed rate schedule would increase the average monthly customer
18 water bill by 17.7 percent, from \$33.64 to \$39.61, and the median monthly customer water bill by
19 12.3 percent, from \$27.26 to \$30.61.

20 17. Staff's recommended rates would increase the average monthly customer water bill by
21 16.3 percent, from \$33.64 to \$39.13 and the median monthly customer water bill by 12.8 percent
22 from \$27.26 to \$30.76.

23 18. According to the Staff Report, Applicant failed to comply with Commission Decision
24 No. 55745 by failing to maintain its books and records in accordance with the National Association
25 of Regulatory Commissioners ("NARUC") Uniform System of Accounts ("USOA"), by not timely
26 installing, maintaining and reading meters and by failing to file a rate case. As a result, on February
27 21, 2001, Staff filed a complaint against the Company and on August 13, 2003, the Commission
28

1 issued Decision No. 66180, which authorized Staff to hire an interim manager who is operating the
2 Company at the present time.

3 19. Staff found further that the Company is providing water service to 55 customers who
4 are located outside of Applicant's existing certificated service area. This includes 18 customers in
5 the White Fence Farms Subdivision ("WFFS"). However, previously, on June 21, 2005, the
6 Commission issued Decision No. 67951, which approved a "Borderline Agreement" that permits
7 Applicant to provide water service to the 18 customers in WFFS, which is adjacent to the Company's
8 certificated service area, but is located within the certificated service area of Graham County
9 Utilities. Staff is recommending that the Company seek an extension of its Certificate of
10 Convenience and Necessity ("Certificate") to provide water service to its other 55 customers who are
11 receiving water service from the Company, but are located outside of its certificated service area.

12 20. The Company has two water sources. One well produces water which exceeds the
13 new arsenic standard of no more than 10 parts per billion ("ppb") with 19 ppb, but its other well
14 produces water well below the new minimum standard with 3.2 ppb.¹

15 21. According to documentation from the Arizona Department of Environmental Quality
16 ("ADEQ"), the Company is delivering water which meets the requirements of the Safe Drinking
17 Water Act.

18 22. Based on the Engineering Report attached to the Staff Report, on July 7, 2003, ADEQ
19 issued a Notice of Violation ("NOV") to the Company for plant deficiencies because the Company
20 lacked sufficient storage to meet peak demands and minimum pressure requirements. Initially, to
21 solve the storage and demand problems, the Company had planned to construct a 50,000 gallon
22 storage tank, but it revised its plan by deciding to refurbish an existing Company owned 20,000
23 gallon storage tank and increasing water production from its two wells to 75 gallons per minute
24 ("gpm") from its present 50 gpm. The storage tank will also permit Applicant to blend the water
25 from both wells to address the arsenic problem. According to the Staff Report, ADEQ will close the
26

27 ¹ In order to resolve the arsenic problem and a lack of storage capacity, the Company is seeking approval of the
28 aforementioned long-term debt in the amount of \$113,380, which sum includes the costs of installing a transmission line
and a refurbished 20,000 gallon water storage tank for blending the water from its two wells along with other system
improvements including the replacement of an inoperative wellhead meter.

1 NOV upon the completion of the Company's planned improvements. Additionally, the Company
2 was cited for its failure to obtain an Approval to Construct ("ATC") when the Company extended and
3 commenced service, respectively, to WFFS.

4 23. The Company had its Curtailment Tariff approved by the Commission in 2004.

5 24. According to the narrative review by Staff, Applicant has water production of 75 gpm,
6 which is sufficient to meet customer needs, but will need the additional storage capacity to serve
7 current customer usage demands based on water usage during the TY, and to accommodate
8 reasonable growth in the future.

9 25. With its financing application, the Company is requesting Commission approval of
10 long-term debt in the amount of \$113,380 with a loan from the Water Infrastructure Finance
11 Authority ("WIFA") to fund needed system improvements.

12 26. Staff conducted an investigation of Applicant's proposed long-term financing and
13 filed its Staff Report on the Company's financing application request on March 14, 2007.

14 27. The Staff Report indicates that Applicant is in compliance with its Commission
15 compliance action filings and has no outstanding complaints against it. Additionally, Applicant is
16 current on the payment of its sales and property taxes.

17 28. According to the Staff Report, the Company is requesting the Commission's approval
18 to borrow \$113,380 from WIFA to fund system improvements and system reliability in the following
19 manner: by adding a storage tank; by constructing a transmission line so that water from the
20 Company's two wells can be blended to resolve an arsenic problem; by looping its system; by
21 installing valves which will enable the Company to flush its lines; and by constructing 1,420 feet of
22 six inch main to replace old, under-sized mains.

23 29. The storage tank will provide a means to blend water from the well with excess
24 arsenic with water from the Company's other well with low arsenic content to provide water which
25 will meet the new arsenic standard of less than 10 ppb.

26 30. According to the Staff Report, the Company has experienced some low pressure
27 problems during the periods of peak demand, but this problem will be resolved with the addition of
28

1 the refurbished 20,000 gallon storage tank used to blend water from the Company's two wells and
2 with the increase in pumping capacity for the two wells, from 50 gpm to 75 gpm.

3 31. Staff states that the Company indicates the proposed debt will be secured by general
4 revenue.

5 32. The proposed long-term financing will be repaid over 20 years at seven percent
6 interest.

7 33. Based on a projected interest rate of seven percent, Staff projects monthly payments of
8 \$879 per month, which can be readily paid from the Company's cash flow.

9 34. According to Staff, the Company's cash flow will provide Applicant with a Times
10 Interest Earned Ratio ("TIER") of 1.55 and Debt Service Coverage ("DSC") of 1.21. This is
11 sufficient cash flow to support the Company's total debt request.

12 35. Staff states that a TIER greater than 1.0 means that operating income is greater than
13 interest expense.

14 36. Staff states that a DSC greater than 1.0 or more indicates sufficient cash to cover debt
15 obligations.

16 37. Based on the Staff Report, the Company's DSC represents the number of times
17 internally generated cash will cover required principal and interest payments on long-term debt.

18 38. According to the Staff Report, the TIER presents the number of times earnings will
19 cover interest expense on long-term debt. A TIER less than 1.0 is not sustainable in the long term,
20 but does not necessarily mean that debt obligations cannot be met in the short term.

21 39. Staff found the five construction projects proposed for the Company's system to be
22 reasonable and necessary. Staff is recommending approval of the Company's application herein for
23 the issuance of debt in the amount of \$113,380 subject to the terms and conditions described in the
24 application.

25 40. Staff is additionally recommending that the Commission order the following:

- 26
- 27 • that Applicant notify its customers of the water rates and charges approved hereinafter
28 and their effective date by means of an insert in the monthly billing which precedes

1 the month in which they become effective and file a copy of the notice sent to its
2 customers with the Commission's Docket Control as a compliance item in this docket;

- 3 • that Applicant file, within 30 days of the effective date of this Decision, as a
4 compliance item in this docket, with the Commission's Docket Control, a copy of the
5 schedule of its approved rates and charges;
- 6 • that the Company shall capitalize rather than expense costs incurred for service line
7 and meter installations and maintain its books and records in accordance with the
8 NARUC USOA;
- 9 • that the Company be authorized to charge a \$1,000 hook-up fee and adopt the Offsite
10 Hook-up Fee Tariff discussed in Section I, Item No. 4 and shown in Attachment B –
11 HUF of the attached Engineering report;
- 12 • that the Company submit a calendar year Off-Site Hook-up Fee status report each
13 January 31st to Docket Control for the prior twelve (12) month period, beginning
14 January 31, 2008, until the hook-up fee tariff is no longer in effect. This status report
15 shall contain a list of all customers that have paid the hook-up fee tariff, the amount
16 each has paid, the amount of money spent from the account, the amount of interest
17 earned on the tariff account, and a list of all facilities that have been installed with the
18 tariff funds during the 12 month period;
- 19 • that the Company's interim manager determine whether or not customers that are not
20 currently reported as having paid advances, have written documentation showing
21 name, date, and amount paid for their meter and service line installations. If
22 customers have the documentation, then the Company should adjust its records by
23 removing the amount paid from the CIAC account and adding it to the AIAC account.
24 The Company should refund the customers in accordance with Commission rules;
- 25 • that the Company file, within 120 days from the effective date of this Decision, an
26 application to extend its Certificate of Convenience and Necessity for areas other than
27 the WFFS where it is providing service to customers outside its certificated service
28 area;
- that the Company replace Well No. 2's wellhead meter during the construction of the
proposed storage tank installation or within one year from the effective date of this
Decision, whichever is sooner;
- that the Company file with Docket Control, as a Compliance item in this docket, a
copy of the ADEQ Certificate of Approval to Construct for its storage tank project by
December 31, 2007. In addition, Staff recommends that the Company submit the
ADEQ Approval of Construction for the storage tank project by May 31, 2008;
- that long-term debt be authorized not to exceed \$113,380 from WIFA;

- 1 • that the Company engage in any transactions and execute any documents to effectuate
2 the authorizations requested with the application;
- 3 • that the Company file, within 60 days of the effective date of this Decision, with the
4 Commission's Docket Control, as a compliance item in this docket, copies of all notes
5 and other documents related to the transaction;
- 6 • that the Company adopt the depreciation rates delineated in Table B of the
7 Engineering Report attached to the Staff Report on a going forward basis; and
- 8 • that Applicant, in addition to the collection of its regular rates and charges, collect
9 from its customers their proportionate share of any privilege, sales, or use tax as
10 provided for in A.A.C. R14-2-409(D).

11 41. Because an allowance for the property tax expense of Applicant is included in the
12 Company's rates and will be collected from its customers, the Commission seeks assurances from the
13 Company that any taxes collected from ratepayers have been remitted to the appropriate taxing
14 authority. It has come to the Commission's attention that a number of water companies have been
15 unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers,
16 some for as many as twenty years. It is reasonable, therefore, that as a preventive measure the
17 Company shall annually file, as part of its annual report, an affidavit with the Utilities Division
18 attesting that the company is current in paying its property taxes in Arizona.

19 42. Under the circumstances, after our review of the application and the Staff Report, we
20 believe Staff's proposed rates are reasonable and should be adopted. We also believe that the
21 Company's financing application should be approved in an amount not to exceed \$113,380, and that
22 the remainder of Staff's recommendations as stated above should be adopted.

23 **CONCLUSIONS OF LAW**

24 1. Applicant is a public service corporation within the meaning of Article XV of the
25 Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301 and 40-302.

26 2. The Commission has jurisdiction over Applicant and of the subject matter of the
27 applications.

28 3. Notice of the applications was provided in the manner prescribed by law.

| | | |
|----|--|----------|
| 1 | Offsite Hook-up Fee (per hook-up) | \$1,000 |
| 2 | <u>SERVICE LINE AND METER INSTALLATION</u> | |
| 3 | <u>CHARGES:</u> | |
| 4 | (Refundable pursuant to A.A.C. R14-2-405) | |
| 4 | 5/8" x 3/4" Meter | \$440.00 |
| 5 | 3/4" Meter | 520.00 |
| 5 | 1" Meter | 610.00 |
| 6 | 1 1/2" Meter | 855.00 |
| 6 | 2" Meter | 1,515.00 |
| 7 | 3" Meter | 2,195.00 |
| 7 | 4" Meter | 3,360.00 |
| 8 | 6" Meter | 6,115.00 |
| 9 | <u>SERVICE CHARGES:</u> | |
| 10 | Establishment | \$20.00 |
| 11 | Establishment (After Hours) | 30.00 |
| 11 | Reconnection (Delinquent) | 35.00 |
| 12 | Reconnection (Delinquent-After hours) | 50.00 |
| 12 | Meter Test (If Correct) | 30.00 |
| 13 | Deposit | * |
| 13 | Deposit Interest | * |
| 14 | Reestablishment (Within 12 Months) | ** |
| 14 | NSF Check | 20.00 |
| 15 | Deferred Payment (Per Month) | 1.50% |
| 16 | Meter Reread (If Correct) | 20.00 |
| 16 | Late Fee | 1.50% |

18 * Per Commission rule A.A.C. R-14-2-403(B).

19 ** Number of months off system times the monthly minimum per Commission rule
A.A.C. R14-2-403(D).

20 IT IS FURTHER ORDERED that the Ash Creek Water Company shall notify its customers of
21 the rates and charges authorized hereinabove and the effective date of same by means of an insert in
22 the regular monthly billing which precedes the month in which they become effective and file a copy
23 of the notice when sent to its customers with the Commission's Docket Control as a compliance item
24 in this docket.

25 IT IS FURTHER ORDERED that the Ash Creek Water Company shall comply with each of
26 the recommendations appearing in Findings of Fact No. 40.

27 IT IS FURTHER ORDERED that Ash Creek Water Company maintain its books and records
28 in compliance with the NARUC USOA.

1 IT IS FURTHER ORDERED that Ash Creek Water Company be, and the same hereby is,
2 authorized to issue long-term debt in an amount not to exceed \$113,380 for a term of 20 years at no
3 greater rate of interest than seven percent per annum.

4 IT IS FURTHER ORDERED that Ash Creek Water Company is hereby authorized to engage
5 in any transactions and to execute any documents necessary to effectuate the authorization granted
6 hereinabove and file, within 60 days of the effective date of this Decision, with the Commission's
7 Docket Control, as a compliance item in this docket, copies of all executed loan documents certifying
8 that the transactions have been completed.

9 IT IS FURTHER ORDERED that such authority shall be expressly contingent upon Ash
10 Creek Water Company using the proceeds for the purposes set forth in the application.

11 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
12 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
13 proceeds derived thereby for purposes of establishing just and reasonable rates.

14 IT IS FURTHER ORDERED that the Ash Creek Water Company, in addition to the
15 collection of its regular rates and charges, collect from its customers their proportionate share of any
16 privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

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IT IS FURTHER ORDERED that Ash Creek Water Company shall annually file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN _____ COMMISSIONER _____

CHAIRMAN _____ 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 _____, 2007.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

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SERVICE LIST FOR:

ASH CREEK WATER COMPANY

DOCKET NOS.:

W-02494A-06-0561 and W-02494A-06-0562

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