



BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

JUL 30 2007

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION )  
OF ASHCREEK WATER COMPANY FOR )  
A MORATORIUM ON NEW )  
CONNECTIONS )

DOCKET NO. W-02494A-07-0286

DECISION NO. 69734

ORDER

Open Meeting  
July 24 and 25, 2007  
Phoenix, Arizona

BY THE COMMISSION:

On May 11, 2007, Ashcreek Water Company ("Ashcreek" or "Company") filed an application, Docket No. W-02494A-07-0286, with the Arizona Corporation Commission ("Commission") seeking a moratorium on new connections to the Ashcreek Water System ("Ashcreek System").

\* \* \* \* \*

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

FINDINGS OF FACT

Background

1. Ashcreek is a Class E regulated water utility that is currently serving 91 customers<sup>1</sup> near Thatcher in Graham County, Arizona pursuant to a Certificate of Convenience and Necessity

<sup>1</sup> All customers are served by 5/8- x 3/4-inch meters.

1 (“CC&N”) granted by the Commission to the Company in Decision No. 55745, dated  
2 September 25, 1987. Prior to receiving its CC&N, the Company provided water to approximately  
3 20 customers under the name Desert Rose Water System from at least 1975 without Commission  
4 authority. Ashcreek is owned by several members of the Smith family.

5       2.       On February 21, 2001, Staff filed a complaint against Ashcreek. The complaint  
6 alleged among other things that Ashcreek had failed to comply with a previous Commission order  
7 by not timely installing meters for all customers; failing to properly read meters and maintain  
8 meter data; failing to file a required application for rate review; failing to keep books and records  
9 in accordance with the National Association of Regulatory Utility Commissioners Uniform System  
10 of Accounts; and failing to file required proof of ownership of all wells.

11       3.       On July 7, 2003, the Arizona Department of Environmental Quality (“ADEQ”)  
12 issued a Notice of Violation on the Ashcreek System for plant deficiencies because the Company  
13 lacked sufficient storage to meet peak demands and minimum pressure requirements.

14       4.       On August 13, 2003, the Commission issued Decision No. 66180 which authorized  
15 Staff to engage a qualified interim manager to operate and manage Ashcreek. Since May 3, 2004,  
16 Mr. Bevan Barney has been the Company’s interim manager.

17       5.       On May 21, 2007, the Commission issued Decision No.69581 which authorized  
18 Ashcreek to implement new rates and charges and also authorized the Company to issue new debt  
19 to fund system improvements and system reliability in the following manner: by adding a storage  
20 tank; by constructing a transmission line so that water from the Company’s two wells can be  
21 blended to resolve an arsenic problem; by looping its system; by installing valves that will enable  
22 the Company to flush its lines; and by constructing 1,420 feet of six inch main to replace old  
23 under-sized mains.

24       6.       ADEQ has determined that the Ashcreek System is currently delivering water that  
25 meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.<sup>2</sup>

26       7.       Ashcreek currently has no delinquent Commission compliance issues.<sup>3</sup>

27 \_\_\_\_\_  
28 <sup>2</sup> ADEQ Drinking Water Compliance Status Report, dated May 31, 2007.

<sup>3</sup> Utilities Division Compliance report, dated June 1, 2007.

1           8.     The Utilities Division Consumer Services complaint database for the period from  
2 January 1, 2004 to current indicated there were no complaints filed against Ashcreek.<sup>4</sup>

3     **Moratorium Request**

4           9.     In support of its request to implement a moratorium on new connections, Ashcreek  
5 refers to its inability to maintain pressure during periods of peak use. The Company also refers to  
6 its plan to address the Ashcreek System deficiencies by building new storage, test pumping the  
7 primary well and installing larger well transmission lines which will allow for a greater flow of  
8 water into the Ashcreek System. Unfortunately, the construction of these improvements will not  
9 be completed until the Fall of 2007, at the earliest, which is past the periods of peak use common  
10 in the summer months. Ashcreek indicated that customers are already experiencing brief periods  
11 of low pressure and how the Company presently has inquires for 63 additional connections.  
12 Ashcreek requests that the moratorium on new connections remain in effect through the summer  
13 period of peak usage and until construction of the improvements has been completed in the Fall of  
14 2007.

15     **Staff Recommendation**

16           10.    Staff has recommended that the Commission approve a moratorium on new  
17 connections to the Ashcreek System. The Company lacks adequate capacity to serve its existing  
18 base of customers. Staff believes that adding additional customers during a period of peak usage  
19 and prior to completion of the Ashcreek System improvements will only deteriorate the level of  
20 service provided to existing customers. Staff has further recommended that the moratorium  
21 remain in effect until Ashcreek files a copy of the ADEQ Approval of Construction ("AOC") for  
22 the Ashcreek System facility improvements. Staff has further recommended that the AOC be filed  
23 no later than May 31, 2008 with the Commission's Docket Control as a compliance item in this  
24 docket.

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<sup>4</sup> Consumer Services section memorandum, dated May 25, 2007.

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CONCLUSIONS OF LAW

1. The Company is a public water service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-250 and 40-252.

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

3. Staff's recommendations, as set forth in Findings of Fact No. 10, are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application by Ashcreek Water Company for a moratorium on new connections to the Ashcreek System is hereby approved.

IT IS FURTHER ORDERED that the Ashcreek Water Company shall comply with each of the recommendations appearing in Findings of Fact No. 10.

IT IS FURTHER ORDERED that the moratorium shall not apply to any customer that obtained a Graham County building permit prior to the effective date of this Order.

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1 IT IS FURTHER ORDERED that the moratorium shall be lifted the month following the  
2 submission of the ADEQ Approval of Construction.

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

4  
5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 CHAIRMAN

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive  
13 Director of the Arizona Corporation Commission, have  
14 hereunto, set my hand and caused the official seal of this  
15 Commission to be affixed at the Capitol, in the City of  
16 Phoenix, this 30th day of JULY, 2007.

17   
18 BRIAN C. McNEIL  
19 Executive Director

20 DISSENT: \_\_\_\_\_

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22 DISSENT: \_\_\_\_\_

23 EGJ:DWS:lhmrRM  
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1 SERVICE LIST FOR: ASHCREEK WATER COMPANY  
2 DOCKET NO. W-02494A-07-0286

3 Mr. Bevan Barney  
4 Interim Manager  
5 Ashcreek Water Company  
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8 Mr. Ernest G. Johnson  
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