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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION  
OF NORTHERN SUNRISE WATER COMPANY  
AND SOUTHERN SUNRISE WATER COMPANY  
FOR THE APPROVAL OF SALE AND  
TRANSFER OF WATER UTILITY ASSETS, AND  
CANCELLATION OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY, FOR  
MIRACLE VALLEY WATER COMPANY,  
COCHISE WATER COMPANY, HORSESHOE  
RANCH WATER COMPANY, CRYSTAL WATER  
COMPANY, MUSTANG WATER COMPANY,  
CORONADO ESTATES WATER COMPANY,  
AND SIERRA SUNSET WATER COMPANY,  
LOCATED IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251  
W-20454A-06-0251  
W-01646A-06-0251  
W-01868A-06-0251  
W-02235A-06-0251  
W-02316A-06-0251  
W-02230A-06-0251  
W-01629A-06-0251  
W-02240A-06-0251

PROCEDURAL ORDER

**BY THE COMMISSION:**

In Decision No. 68826 (June 29, 2006), the Arizona Corporation Commission ("Commission") authorized Northern Sunrise Water Company ("Northern") and Southern Sunrise Water Company ("Southern") (collectively "Applicants") to acquire the assets of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company (collectively "McLain Water Systems"). In granting the Applicants Certificates of Convenience and Necessities ("CC&Ns") for the areas served by the former McLain Water Systems,

1 the Commission ordered the Applicants to complete a list of system improvements by August 25,  
2 2007. In addition, the Commission ordered Applicants to file a general rate application in 2008 using  
3 a calendar test year ending December 31, 2007. Furthermore, in Decision No. 68826, the  
4 Commission acknowledged that circumstances may cause Applicants to require beyond August 2007  
5 to complete the system improvements. Thus, the Commission found that Applicants could file a  
6 request for extension of time to complete the referenced improvements, and that such request should  
7 detail good cause and be submitted no later than June 30, 2007.

8 On May 30, 2007, Applicants filed a Motion to Extend Time to Comply with Decision No.  
9 68826. Applicants state that because of delays caused by the bankruptcy proceedings of the former  
10 McLain Water Systems, the transfer of assets did not close until February 19, 2007. Applicants  
11 request extending the deadline to complete the system improvements until February 19, 2008, and to  
12 allow a test year ending June 30, 2008, in the rate case required under Decision No. 68826.<sup>1</sup>

13 By Procedural Order dated June 27, 2007, the Commission sent the Applicants' Motion to the  
14 intervenor in the docket, and ordered that Staff and the intervenor, if he desires, to file a response to  
15 the Motion by July 20, 2007.

16 On July 10, 2007, Staff filed its Staff Report in response to the Motion.

17 On July 17, 2007, Applicants filed a Notice of Filing a letter to *The Sierra Vista Herald*  
18 published on July 6, 2007, that compliments the new owners of the McLain Water Systems for the  
19 service since their management and ownership of the systems.

20 The intervenor did not file comments.

21 In their Motion, Applicants assert that the August 25, 2007, deadline to complete system  
22 improvements was founded on "an optimistic expectation that the McLain Systems bankruptcy  
23 proceedings would close within sixty (60) days of the Commission's final decision." Applicants state  
24 that they voluntarily agreed to complete the system improvements within twelve months of the  
25 closing of the sale.<sup>2</sup> The bankruptcy closing did not occur until February 19, 2007, because the  
26 Bankruptcy Court allowed more time to debtor lien holders that were not properly notified and added

27 <sup>1</sup> Decision No. 68826 provides that Applicants should file a rate case some time in 2008, utilizing a test year ending  
28 December 31, 2007, but does not specify a particular deadline, other than the end of the year, for making such filing.

<sup>2</sup> See Finding of Fact No. 51, Decision No. 68826 at p 11.

1 a few additional assets that were used in the former McLain Systems but which were not originally  
2 included in the bankruptcy. Applicants state they could not complete the large capital projects until  
3 the transaction was finalized, and thus, there is good cause to extend the deadline for their completion  
4 to February 19, 2008. Applicants also provided a list of the smaller repairs and maintenance since  
5 they assumed management of the McLain Systems, but before they acquired the systems. Applicants  
6 argue that the six month delay in the bankruptcy closing warrants an extension of the time for filing a  
7 rate case by the same amount of time.

8 Staff confirms that regular and minor maintenance items were completed prior to ownership,  
9 and concurs that the large system improvements could only be completed after the change in  
10 ownership. Staff confirmed that the bankruptcy proceedings were more lengthy than expected and  
11 that the Applicants were not responsible for the delay. Staff believes that the delays in the  
12 bankruptcy proceedings could constitute good cause for extending the compliance requirements that  
13 depended on the close of the sale, such as the system improvements and the rate case timing.

14 Staff states it has no objection to the Company's six month extension request, which would  
15 result in requiring the system repairs be completed by February 19, 2008, and that the rate case be  
16 filed no later than December 31, 2008, utilizing a June 30, 2008 test year.

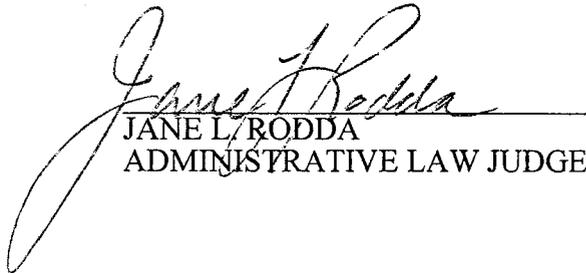
17 The delays in the bankruptcy proceeding which resulted in the sale of the McLain Water  
18 System assets to the Applicants closing approximately six months later than originally anticipated,  
19 and which were not caused by the actions of the Applicants, constitute good cause to grant the  
20 Applicants' request to extend the deadline in Decision No. 68826, from August 25, 2007, until  
21 February 19, 2008. In establishing the original deadline, the Commission found that a year from the  
22 projected sale closing date to complete the system improvements was reasonable. Thus, we find that  
23 under the circumstances, Applicants' six month extension request is reasonable and should be  
24 granted. In addition, given the additional time required to complete the system improvements,  
25 utilizing a test year of June 30, 2008, for the next rate case is reasonable and will result in a more  
26 accurate and complete rate filing.

27 IT IS THEREFORE ORDERED that the deadline established in Decision No. 68826 for  
28 Applicants to complete the system improvements listed in Exhibit B of Decision No. 68826, and the

1 addition of 30,000 gallons of storage for the Sierra Sunset system, shall be extended to February 19,  
2 2008.

3 IT IS FURTHER ORDERED that the provision to file the rate case as set forth in Decision  
4 No. 68826 shall be modified to require a filing by December 31, 2008, utilizing a test year of June 30,  
5 2008.

6 DATED this 14<sup>th</sup> day of August, 2007.

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JANE L. RODDA  
ADMINISTRATIVE LAW JUDGE

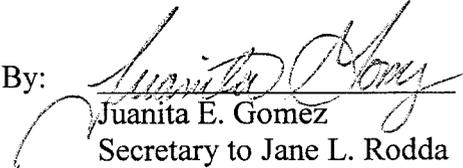
11 Copies of the foregoing mailed  
this 14<sup>th</sup> day of August, 2007 to:

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By:   
Juanita E. Gomez  
Secretary to Jane L. Rodda