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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation 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”) approved the sale and transfer of assets, and cancellation of Certificates of Convenience and Necessity (“CC&N”), 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”) to Northern Sunrise Water Company and Southern Sunrise Water Company (collectively “Applicants”).

1 In Decision No. 68826, the Commission made the following Findings of Fact concerning the  
2 Applicants' CC&N boundaries:

3 Updating CC&N

4 102. In their applications, Applicants raised the issue that there are  
5 currently customers on some of the McLain Systems that are located  
6 outside the existing CC&Ns of the systems. Applicants note that  
7 consequently, the area covered by the CC&N request will not likely  
8 include every customer served by the existing systems. Applicants state  
9 they will continue to ascertain the location of customers and provide  
10 subsequent legal descriptions to Staff so the CC&N maps can be updated.  
(Northern Application at ¶ 12; Southern Application at ¶ 11.)

11 103. In its Amended Staff Report, Staff recommends that no later than  
12 December 31, 2007, Northern and/or Southern file applications for  
13 approval to extend their CC&Ns to areas being served outside of the  
14 CC&N approved in this case.

15 104. Applicants continue to believe that the most efficient means of  
16 bringing customers who are currently on the McLain Systems and  
17 receiving service, but who are outside the boundaries of the CC&Ns, is for  
18 Applicants to file legal descriptions in this docket once such customer has  
19 been identified so that true and correct boundaries for each respective  
20 water service area can be established. Applicants are concerned that the  
21 additional CC&N proceedings envisioned by Staff's recommendation are  
22 unnecessary, and the regulatory burden of future approvals is not  
23 warranted. Applicants state that to the extent there are customers currently  
24 receiving water service outside Northern and Southern's proposed  
25 CC&Ns, such customers are the result of the previous owner's violation of  
26 Arizona law, including the Commission's rules and regulations.  
27 Applicants argue that they should not be burdened with the costs of further  
28 CC&N proceedings when the matter can be handled administratively.  
Applicants agree, however, to provide the Commission with all necessary  
legal descriptions to establish a more accurate CC&N area for Northern  
and Southern by December 31, 2007.

105. Staff does not object to updating the CC&Ns to include current  
customers who are outside CC&N boundaries without a hearing if it is  
possible to do so legally. (TR at 218) Staff is concerned that any  
modification of CC&N boundaries be reasonable and logical.

106. We believe that the CC&N boundaries of Northern and/or  
Southern may be able to be updated to include customers currently  
receiving service without a hearing if no interested party after notice  
requests such hearing. At this point in time, we do not know where these  
customers are physically located, and cannot determine whether we can  
merely update the CC&N map without additional proceedings. These  
customers may be located within the territory of another public service  
corporation, or if they are not currently receiving a bill, may not have  
received notice of this proceeding. In addition, there may be properties  
that are not currently receiving service, but which should logically be  
included within the Northern or Southern CC&N boundaries. We believe  
that Staff's recommendation is the only one that is workable. Depending  
on the location and circumstances of these customers, the Commission

1 may be able to amend the CC&Ns without a hearing, however, only  
2 Applicants future filing will give us sufficient information to make that  
3 determination. In the meantime, Applicants should continue to serve all  
4 existing customers of the McLain Systems regardless of their locations.

5 The Commission ordered the Applicants to file by December 31, 2007, "applications for approval to  
6 extend their CC&N's to areas being serviced outside of the CC&N approved in this case."

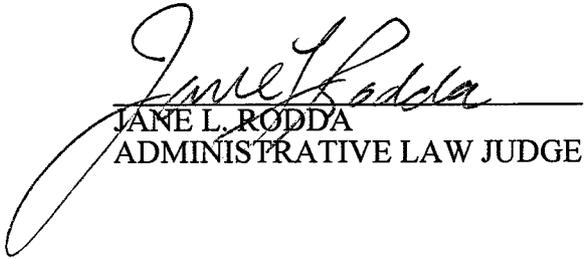
7 On January 3, 2008, Applicants filed "Compliance with Decision No. 68826." By their filing,  
8 Applicants seek to amend their CC&Ns pursuant to Decision No. 68826. Applicants contend that  
9 their filing "requires only an administrative review of the applicable maps and legal descriptions to  
10 determine two core issues: (1) that service has already been established in the Applicants' proposed  
11 amended areas; and (2) the inclusion of areas where service is currently not being provided is  
12 reasonable and logical, and therefore in the public interest." Applicants request a Procedural  
13 Conference to consider and act upon their request.

14 Unusual circumstances led to the relevant portion of Decision 68826 relating to the extension  
15 of the Applicants' CC&Ns. The resulting compliance filing/application is unique, and has been filed  
16 outside the Commission's normal process for CC&N extensions. A Procedural Conference will  
17 enable the Commission to determine how best to proceed with the Applicants' request in a timely  
18 manner.

19 IT IS THEREFORE ORDERED that a **telephonic Procedural Conference** shall commence  
20 on **February 27, 2008, at 10:00 a.m.**, or as soon thereafter as is practical, at the Commission's  
21 Tucson office, Room 218, 400 West Congress, Tucson, Arizona 85701. To participate, parties shall  
22 call the following number at the appointed time: **602 542-9003**.

23 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
24 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

25 DATED this 8<sup>th</sup> day of February, 2008.

26   
27 JANE L. RODDA  
28 ADMINISTRATIVE LAW JUDGE

1 Copies of the foregoing mailed  
this 8<sup>th</sup> day of February, 2008 to:

2 Mr. Jay Shapiro  
3 Mr. Patrick Black  
4 Fennemore Craig, PC  
5 3003 North Central Avenue  
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7 Phoenix, Arizona 85012  
8 Attorneys for Applicants

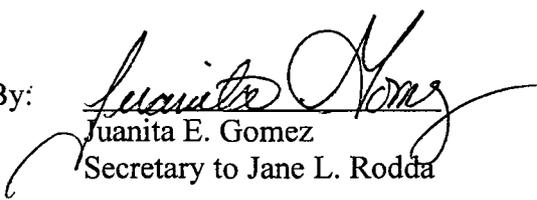
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25 By:

26   
27 Juanita E. Gomez  
28 Secretary to Jane L. Rodda