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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

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Arizona Corporation Commission

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APPROVED FOR  
DOCKET CONTROL

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF  
WALNUT CREEK WATER COMPANY, INC.  
FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-02466A-08-0486

PROCEDURAL ORDER

BY THE COMMISSION:

On September 22, 2008, Walnut Creek Water Company, Inc. ("Walnut Creek") filed with the Arizona Corporation Commission ("Commission") an Application for a Permanent Rate Increase. Walnut Creek included an affidavit stating that it had provided notice to its customers the same day via the U.S. Postal Service.

On October 22, 2008, the Commission's Utilities Division Staff ("Staff") issued a Letter of Deficiency and first set of data requests.

On December 5, 2008, Walnut Creek filed responses to the data requests, including revised pages to its application. Walnut Creek also included an affidavit stating that it had again provided notice to its customers, consistent with the revised application pages, on December 4, 2008, via the U.S. Postal Service.

On January 5, 2009, Staff issued a Letter of Sufficiency stating that Walnut Creek had been classified as a Class D utility.

On March 23, 2009, Staff issued a Staff Report, recommending approval of the application using Staff's recommended rates and charges.

In the application, Walnut Creek indicated that it has \$747,671 in outstanding long-term debt in the form of at least four loans from its shareholders issued from "2004 & Prior" through 2007. Walnut Creek shows "N/A" for date of maturity, interest rate, current year interest, and current year principal and provided no information in the spaces provided for the reason for each loan and the Commission Decision No. authorizing each loan. Staff did not discuss these loans in the Staff

1 Report. Thus, it is not clear from the existing record how these loans were treated by Staff and  
2 whether they actually represent long-term debt that has not been authorized by the Commission. It is  
3 appropriate to obtain additional information regarding these loans before proceeding further in this  
4 matter.

5 In addition, the water use data sheet for the test year shows that Walnut Creek had water loss  
6 of approximately 18 percent. While Staff has recommended in the Staff Report that Walnut Creek be  
7 required to file a plan to bring its water loss down to 10 percent, or an explanation of why such a  
8 water loss reduction is not cost effective, neither Walnut Creek nor Staff has provided any  
9 information concerning the cause of the water loss. Thus, before proceeding further in this matter, it  
10 is appropriate to obtain additional information from Walnut Creek regarding the cause of the  
11 excessive water loss.

12 IT IS THEREFORE ORDERED that **Staff shall, by May 15, 2009, file** an update to the Staff  
13 Report explaining how Staff treated the \$747,671 characterized as long-term debt by Walnut Creek  
14 and providing Staff's analysis of whether this debt requires Commission authorization.

15 IT IS FURTHER ORDERED that **Walnut Creek shall, by May 15, 2009, file** a document  
16 explaining the cause/s of its excessive water loss during the test year and describing in detail what  
17 steps, if any, Walnut Creek has already taken to reduce its system's water loss.

18 IT IS FURTHER ORDERED that the **Commission's deadline** to issue a decision in this  
19 matter is hereby **extended by 28 days**.

20 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules  
21 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admission  
22 *pro hac vice*.

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

3 DATED this 17<sup>th</sup> day of April, 2009.

4  
5  
6   
7 SARAH N. HARPRING  
8 ADMINISTRATIVE LAW JUDGE

9 Copies of the foregoing mailed/delivered  
10 this 17<sup>th</sup> day of April, 2009, to:

11 Dennis J. Sim, Manager  
12 WALNUT CREEK WATER COMPANY, INC.  
13 119 East Andy Devine Avenue  
14 Kingman, Arizona 86401

15 Janice Alward, Chief Counsel  
16 Legal Division  
17 ARIZONA CORPORATION COMMISSION  
18 1200 W. Washington Street  
19 Phoenix, Arizona 85007

20 Ernest Johnson, Director  
21 Utilities Division  
22 ARIZONA CORPORATION COMMISSION  
23 1200 W. Washington Street  
24 Phoenix, Arizona 85007

25 By:   
26 Debra Broyles  
27 Secretary to Sarah N. Harpring  
28