

OPEN MEETING



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ORIGINAL

MEMORANDUM

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TO: THE COMMISSION

FROM: Utilities Division

DATE: August 26, 2011

RE: CHAPARRAL CITY WATER COMPANY - APPLICATION FOR A WAIVER OF AFFILIATED INTERESTS RULES UNDER A.A.C. R14-2-806 (DOCKET NO. W-02113A-11-0294)

AZ CORP COMMISSION
DOCKET CONTROL

Summary of Filing

On July 25, 2011, Chaparral City Water Company, Inc. ("CCWC" or "Company") filed an application for a waiver under Arizona Administrative Code ("A.A.C.") R14-2-806 ("Affiliated Interests Rules") with the Arizona Corporation Commission ("Commission"). The purpose of the filing was to request that the Commission grant CCWC a waiver under A.A.C. R14-2-806 with respect to the American Water Works Company sale of Arizona-American Water Company ("Arizona-American") outstanding shares of common stock to EPCOR Water (USA), Inc. ("EPCOR USA").

Background

CCWC is an Arizona public service corporation and a Class "A" water utility. It provides water utility services in portions of eastern Maricopa County, including the town of Fountain Hills. At the present time, CCWC provides water services to approximately 13,000 customers, of which the vast majority are residential customers.

On June 30, 2011, EPCOR USA completed the purchase of CCWC pursuant to Decision No. 72259, authorizing the purchase. EPCOR USA is also in the process of acquiring a financial interest in Arizona-American, another Arizona public service corporation. EPCOR USA's purchase of Arizona-American's stock is the subject of a pending affiliated interests rules proceeding (Docket No. W-01303A-11-0101) filed on March 2, 2011.

CCWC filed an application with the Commission on July 25, 2011, for a waiver of the requirements of the Rules that may be allowed under A.A.C. R14-2-806. The Company is requesting the Commission's approval without a hearing pursuant to A.A.C. R14-2-803(C).

Arizona Corporation Commission

DOCKETED

AUG 26 2011

DOCKETED BY	<i>MLA</i>
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Consumer Services

Staff reviewed the Commission's records for the period beginning January 1, 2008, to July 29, 2011, and found the following:

- 2011 – Zero complaints
- 2010 – Two complaints (disconnect/termination)
- 2009 – Four complaints (three billing, disconnect/termination)
- 2008 – One complaint (new service)

All Complaints have been resolved and closed.

Financial and Operational Aspects

The application states that the waiver in this case would be in the public interest, would reduce the cost and burden on both the Commission and other parties involved by avoiding duplication of a review that is already being conducted by the Commission.

The application further asserts that the transaction will not impact CCWC and its operations. CCWC is a separate and separately-regulated public service corporation from Arizona-American. None of the utility plant, revenue or other assets currently owned by CCWC will be sold transferred or encumbered as part of the transaction. In effect, CCWC's ability to raise capital and its creditworthiness will not be impaired by the transaction.

The application further states that the transaction will not have a direct impact on CCWC's cost of providing utility service. The transaction will not change the manner in which CCWC will be operated; the transaction will not affect CCWC's utility service to its customers; nor will it affect the Commission's regulatory oversight or rate making responsibilities to CCWC.

Conclusion

CCWC contends that a waiver would be in the public interest because it would reduce the use of resources by both the Commission and other parties involved, by avoiding duplication of a review that is already being conducted by the Commission (Docket No. W-01303A-11-0101).

Staff concludes that a waiver of the rule in this case would be in the public interest. Staff agrees that the transaction will not affect CCWC's cost and manner of providing utility service; nor will it affect the Commission's regulatory oversight or rate making responsibility. A waiver would reduce the cost of the use of resources on both the Commission and other parties, and avoid duplication of review and evaluation that is being conducted by the Commission in a pending case.

THE COMMISSION

August 26, 2011

Page 3

Recommendation:

Staff recommends approval of the request for a waiver of the Affiliated Interests Rules for CCWC in this matter.



Steven M. Olea
Director
Utilities Division

SMO:BCA:kdh\CHH

ORIGINATOR: Brendan C. Aladi

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION)
OF CHAPARRAL CITY WATER)
COMPANY, INC. FOR A WAIVER UNDER)
A.A.C. R14-2-806)

DOCKET NO. W-02113A-11-0294
DECISION NO. _____
ORDER

Open Meeting
September 6, and 7, 2011
Phoenix, Arizona

BY THE COMMISSION:

On July 25, 2011, Chaparral City Water Company, Inc. ("CCWC" or "Company") filed an application for a waiver under Arizona Administrative Code ("A.A.C.") R14-2-806 ("Affiliated Interests Rules") with the Arizona Corporation Commission ("Commission"). The purpose of the filing was to request that the Commission grant CCWC a waiver under A.A.C. R14-2-806 with respect to the American Water Works Company sale of Arizona-American Water Company ("Arizona-American") outstanding shares of common stock to EPCOR Water (USA), Inc. ("EPCOR USA").

FINDINGS OF FACT

1. CCWC is an Arizona public service corporation and a Class "A" water utility. It provides water utility services in portions of eastern Maricopa County, including the town of Fountain Hills. At the present time, CCWC provides water services to approximately 13,000 customers, of which the vast majority are residential customers.

1 2. On June 30, 2011, EPCOR USA completed the purchase of CCWC pursuant to
2 Decision No. 72259, authorizing the purchase. EPCOR USA is also in the process of acquiring a
3 financial interest in Arizona-American, another Arizona public service corporation. EPCOR
4 USA's purchase of Arizona-American's stock is the subject of a pending affiliated interests rules
5 proceeding (Docket No. W-01303A-11-0101) filed on March 2, 2011.

6 3. CCWC filed an application with the Commission on July 25, 2011, for a waiver of
7 the requirements of the Rules that may be allowed under A.A.C. R14-2-806. The Company is
8 requesting the Commission's approval without a hearing pursuant to A.A.C. R14-2-803(C).

9 4. The application states that the waiver in this case would be in the public interest,
10 would reduce the cost and burden on both the Commission and other parties involved by avoiding
11 duplication of a review that is already being conducted by the Commission.

12 5. The application further asserts that the transaction will not impact CCWC and its
13 operations. CCWC is a separate and separately-regulated public service corporation from
14 Arizona-American. None of the utility plant, revenue or other assets currently owned by CCWC
15 will be sold transferred or encumbered as part of the transaction. In effect, CCWC's ability to raise
16 capital and its creditworthiness will not be impaired by the transaction.

17 6. The application further states that the transaction will not have a direct impact on
18 CCWC's cost of providing utility service. The transaction will not change the manner in which
19 CCWC will be operated; the transaction will not affect CCWC's utility service to its customers;
20 nor will it affect the Commission's regulatory oversight or rate making responsibilities to CCWC.

21 7. CCWC contends that a waiver would be in the public interest because it would
22 reduce the use of resources by both the Commission and other parties involved, by avoiding
23 duplication of a review that is already being conducted by the Commission (Docket No. W-
24 01303A-11-0101).

25 8. Staff concludes that a waiver of the rule in this case would be in the public interest.
26 Staff agrees that the transaction will not affect CCWC's cost and manner of providing utility
27 service; nor will it affect the Commission's regulatory oversight or rate making responsibility. A
28 waiver would reduce the cost of the use of resources on both the Commission and other parties,

1 and avoid duplication of review and evaluation that is being conducted by the Commission in a
2 pending case.

3 9. Commission Utilities Division Staff ("Staff") reviewed the Commission's records
4 for the period beginning January 1, 2008, to July 29, 2011 and found no complaints for 2011.
5 CCWC had two complaints for 2010 (both for disconnection/termination). There were four
6 complaints in 2009 (three billing and one disconnection/termination). There was only one
7 complaint in 2008 (new service). All complaints were resolved as of July 29, 2011.

8 10. Staff recommends approval of the request for a waiver of the Affiliated Interests
9 Rules for CCWC in this matter.

10 CONCLUSIONS OF LAW

11 1. Chaparral City Water Company, Inc. is an Arizona public service corporation
12 within the meaning of Article XV, Section 2 of the Arizona Constitution and Title 14 of the
13 Arizona Administrative Code.

14 2. The Commission has jurisdiction over Chaparral City Water Company, Inc. and
15 over the subject matter of the application.

16 3. The Commission, having reviewed the application and Staff's Memorandum dated
17 August 26, 2011, concludes that it is in the public interest to approve a waiver to Chaparral City
18 Water Company, Inc. pursuant to A.A.C. R14-2-806 with respect to Arizona American's sale of
19 outstanding shares of common stock to EPCOR.

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ORDER

IT IS THEREFORE ORDERED that Chaparral City Water Company, Inc.'s application for a waiver pursuant to A.A.C. R14-2-806 with respect to Arizona American Water's sale of outstanding shares of common stock to EPCOR is hereby approved.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2011.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:BCA:kdh/CHH

1 SERVICE LIST FOR: Chaparral Water Company, Inc.
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