

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

RENZ D. JENNINGS
COMMISSIONER



0000157182



GEOFFREY E. GONSHER
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

DATE: MARCH 31, 1997

DOCKET NOS: U-2987-95-284 and U-2987-95-285

TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

JOHNSON UTILITIES L.L.C. dba JOHNSON UTILITIES COMPANY
(CC&N and FINANCE)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

APRIL 9, 1997

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

APRIL 15, 1997 and APRIL 16, 1997

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.


Geoffrey E. Gonsher
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK
CHAIRMAN

3 JIM IRVIN
COMMISSIONER

4 RENZ D. JENNINGS
COMMISSIONER

5 IN THE MATTER OF THE APPLICATION OF)
6 JOHNSON UTILITIES, L.L.C. DBA JOHNSON)
7 UTILITIES COMPANY FOR A CERTIFICATE)
8 OF CONVENIENCE AND NECESSITY TO)
SERVICE IN PINAL COUNTY, ARIZONA.)

DOCKET NO. U-2987-95-284

9 _____)
10 IN THE MATTER OF THE APPLICATION OF)
11 JOHNSON UTILITIES, L.L.C. DBA JOHNSON)
12 UTILITIES COMPANY FOR AUTHORITY TO)
13 ISSUE A PROMISSORY NOTE(S) AND OTHER)
EVIDENCE OF INDEBTEDNESS PAYABLE AT)
PERIODS OF MORE THAN TWELVE MONTHS)
AFTER THE DATE OF ISSUANCE, AND A)
REVOLVING LINE OF CREDIT.)

DOCKET NO. U-2987-95-285

OPINION AND ORDER

14 DATE OF HEARING: November 25, 1996

15 PLACE OF HEARING: Phoenix, Arizona

16 PRESIDING OFFICER: Marc E. Stern

17 APPEARANCES: SALLQUIST & DRUMMOND, P.L.L.C., by Mr. Richard
18 L. Sallquist, on behalf of Johnson Utilities, L.L.C.; and
19 Mr. Peter A. Breen, Staff Attorney, Legal Division, on
20 behalf of the Utilities Division of the Arizona Corporation
Commission.

21 **BY THE COMMISSION:**

22 On June 15, 1995, Johnson Utilities, L.L.C. dba Johnson Utilities Company ("JUC" or
23 "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a
24 Certificate of Convenience and Necessity ("Certificate") to provide water and wastewater treatment
25 service to approximately five sections of land southeast of Queen Creek, Pinal County, Arizona. At the
26 same time, Applicant also filed an application requesting the Commission's authorization for the sale of
27 membership interests in JUC which has been organized as a limited liability company ("LLC") and to
28 incur indebtedness ("Financing Application" or collectively "Applications"). JUC's Financing

1 Application sought Commission approval to issue two classes of membership interests, managing
2 membership interests and associate membership interests, with the sale of these interests to raise
3 \$1,815,596 to partially finance the first year of plant construction of both systems. Additionally, JUC's
4 Financing Application sought Commission approval to issue up to \$1,300,000 in long-term debt which
5 would also be used to fund construction of JUC's water and wastewater facilities in its first year of
6 operations and also requested a revolving line of credit not to exceed \$270,000.

7 On August 4, 1995, JUC filed an amendment to its Financing Application.

8 On May 29, 1996, JUC filed an Addendum to the Applications and again amended its Financing
9 Application.

10 On September 24, 1996, the Commission's Utilities Division ("Staff") filed its Staff Report
11 recommending approval of the Applications after a hearing.

12 On September 30, 1996, the Commission, by Procedural Order, consolidated the Applications for
13 hearing and scheduled the proceeding for hearing.

14 On November 25, 1996, pursuant to the Commission's Order, a full public hearing took place
15 before a duly authorized Hearing Officer of the Commission at its offices in Phoenix, Arizona. Both
16 Applicant and Staff appeared with counsel. At the conclusion of the proceeding, the matter was taken
17 under advisement pending submission of a Recommended Opinion and Order to the Commission.

18 * * * * *

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

21 **FINDINGS OF FACT**

22 1. On June 15, 1995, JUC filed with the Commission an Application for a Certificate
23 authorizing it to construct, operate, and maintain facilities to provide water and wastewater treatment
24 service to the public for a parcel of land consisting of approximately five sections (3,200 acres) in an area
25 on both sides of the Hunt Highway southeast of Queen Creek, Pinal County, Arizona, as is more fully
26 described in Exhibit A attached hereto and incorporated by reference.

27 2. JUC was formed by Mr. George H. Johnson, President/CEO of Johnson International, Inc.
28 ("JI") and the Johnson Trust and its affiliates.

1 3. JUC was organized under the laws of Arizona relating to LLCs and will have two classes
2 of membership interests¹, managing memberships which will be owned by Mr. Johnson and his family,
3 and associate memberships which will be owned by five or six major developers of the project.

4 4. Applicant will be managed by Mr. and Mrs. Johnson. Mr. Johnson has been involved in
5 real estate development for approximately 25 years and has developed approximately 8,000 acres in the
6 vicinity of Tucson, Arizona and 6,500 acres in a community outside of Salt Lake City, Utah.
7 Additionally, he has also developed land in the Scottsdale, Arizona area.

8 5. Mr. Johnson has previously been involved in the ownership and operation of another
9 public service corporation, Foothills Water Company, which also held a Certificate for the provision of
10 water and wastewater service. Foothills Water company was sold to Cañada Hills Water Company in
11 late 1986.

12 6. JI is developing the property described in Exhibit A as Johnson Ranch. Mr. Johnson
13 envisions the project to be built out over 10 to 15 years with approximately 10,000 residences and a
14 population of approximately 20,000 people. Johnson Ranch property will include ranchettes, middle
15 income housing, and a number of private residences surrounding a golf course.

16 7. JI owns approximately 50 percent of the land for the envisioned development with the
17 Arizona State Land Department controlling a large portion of the remainder along with a smaller parcel
18 owned by a private individual.

19 8. JI plans on acquiring the State owned lands through an open bidding process and it has
20 received support from the State Land Department and the private land owner who also wishes to develop
21 his property.

22 9. JUC has provided notice of the Application and the hearing thereon in accordance with
23 the law.

24 10. JUC has obtained a franchise from Pinal County for the majority of the area for which it
25

26 ¹ Ownership in an LLC is denoted as a membership interest rather than a share as with a
27 corporation. JUC was originally organized as an LLC in an attempt to circumvent the gross-up tax
28 associated with contributions and advances to utility companies. However, JUC has indicated that it may
reorganize as a Subchapter S corporation because of the recent federal law change regarding the gross-up
tax.

1 seeks a Certificate with the exception of a parcel which lies east of the Hunt Highway for which it is in
2 the process of securing a franchise.

3 11. JUC has submitted a five year construction plan which will be completed in three phases
4 and estimates that the total cost of construction for both water and wastewater treatment systems for
5 Phase I will be just over \$2.6 million.

6 12. Applicant's water facilities will initially consist of two wells, a one million gallon storage
7 tank and the necessary transmission and distribution lines through the first phase of development within
8 Johnson Ranch.

9 13. The first phase of JUC's wastewater treatment system will have a capacity of 300,000-
10 gallons-per-day, and will include collection mains, effluent pumping and transmission lines, and an
11 irrigated lagoon system and wetlands marsh. Plans call for treated effluent to be used on a planned golf
12 course in the project.

13 14. Applicant has not yet secured a Certificate of Approval to Construct ("CAC") from the
14 Arizona Department of Environmental Quality ("ADEQ") for either system and JI has not secured a
15 Certificate of an Assured Water Supply ("CAWS") from the Arizona Department of Water Resources
16 ("ADWR").

17 15. Staff engineers have examined the construction plans and cost figures for both the water
18 and wastewater treatment systems and found the plans to be reasonable and appropriate. However, Staff
19 engineers have made no determination with respect to whether the proposed plant in service will be "used
20 and useful" and reserves the right to determine rate base treatment, if any, in a future rate making
21 proceeding before the Commission.

22 16. Because a shortfall in effluent irrigation will result for JI's golf course, JUC plans to
23 supplement the effluent with CAP canal water. This will require JUC to build a turnout and pumping
24 station with an estimated cost of \$91,000 along the Magma CAP canal and a 2,600 foot long water
25 transmission line from the canal to the golf course where the CAP water will be distributed.

26 17. Due to the extra golf course expense, Staff is recommending that JUC establish a "CAP"
27 tariff similar to that approved by the Commission for Arizona Water Company in Docket No. U-1445-94-

28

1 061 which resulted in Decision No. 58593 (April 6, 1994).²

2 18. There are no public service corporations or municipally owned water or wastewater
3 treatment systems authorized to provide or providing service in or near the area requested to be
4 certificated herein.

5 19. JUC estimates that average water usage per customer will be 7,600 gallons of water per
6 month and projects that it will service approximately 127 water and wastewater customers by the end of
7 its first year of operations. JUC expects customer growth will reach approximately 254 customers per
8 year over the next four years of its operations.³

9 20. Mr. Johnson indicated that he and JI will be responsible for any revenue short fall in order
10 to cover Applicant's initial operating expenses and provided evidence that JUC will have the necessary
11 financial and technical backing to enable it to provide public water and wastewater treatment service in
12 the area described in Exhibit A.

13 21. The initial rates and charges for JUC's water and wastewater service as recommended by
14 Staff and as proposed by JUC are as follows:⁴

15 ...
16 ...
17 ...
18 ...
19 ...
20 ...

21 ² This tariff was designed to pass through all of the costs including administration related
22 to the provision of this service to the customer based on estimated maximum demand. The customer
23 provides the funds necessary to install the facilities required by the utility to provide the service as a
contribution to the utility.

24 ³ These projections were utilized by Staff in preparing the schedules necessary to determine
25 Applicant's initial rates and charges.

26 ⁴ The rates and charges recommended by Staff were determined after a review of JUC's
27 projections for its first five years of operations and by comparing the rates of five neighboring water
28 systems as follows: Quail Hollow; Queen Creek; H2O, Inc.; Sun Valley Farms IV; and Arizona Water
Company/Coolidge Division. Staff's recommended wastewater treatment rates are based on water meter
size regardless of customer type.

WATER RATES

Proposed Rates

	<u>JUC</u>	<u>Staff</u>
<u>MONTHLY USAGE CHARGE:</u>		
(Includes no water)		
5/8" x 3/4" Meter	\$25.00	\$18.00
3/4" Meter	37.50	27.00
1" Meter	62.50	45.00
1 1/2" Meter	N/A	90.00
2" Meter	\$200.00	144.00
3" Meter	N/A	270.00
4" Meter	\$1,250.00	450.00
6" Meter	2,500.00	900.00
Gallonge Charge per 1,000 Gallons (0 to 7,000 gallons)	\$2.50	\$2.25
In Excess of 7,000 gallons	N/A	\$2.50
Construction and standpipe charge (Per 1,000 gallons)	\$3.00	\$3.75
<u>SERVICE LINE AND METER INSTALLATION CHARGES:</u>		
(Refundable pursuant to A.A.C. R14-2-405)		
5/8" x 3/4" Meter	\$ 365.00	\$ 365.00
3/4" Meter	405.00	405.00
1" Meter	455.00	455.00
1 1/2" Meter	665.00	665.00
2" Meter	1,080.00	1,080.00
3" Meter	N/A	2,190.00
4" Meter - Compound	\$2,985.00	2,985.00
6" Meter - Compound	5,780.00	5,780.00
<u>SERVICE CHARGES:</u>		
Establishment	\$25.00	\$25.00
Establishment (After Hours)	\$50.00	\$40.00
Reestablishment (Within 12 Months)	*	*
Reestablishment (After Hours)	*+\$40.00	N/A
Reconnection (Delinquent)	**	\$50.00
Reconnection (After Hours)	** + 30.00	N/A
Meter Test (If Correct)	\$25.00	\$25.00
Meter Re-Read (If Correct)	5.00	5.00
Meter Move at Customer Request	**	**
Deposit (Residential Customer)	***	***
Deposit Interest (Per Annum)	6.00%	6.00%
NSF Check	\$15.00	\$15.00
Deferred Payment (Per Month)	1.50%	1.50%
Late Payment Charge (Per month)	1.50%	1.50%
Hook-up Fee (Including gross-up)	\$1,050.00	\$0.00

- * Number of months off system times the monthly minimum per A.A.C.R14-2-403(D).
 ** Cost to include labor, materials, overhead and applicable taxes. No charge if no labor involved.
 *** Per A.A.C. R14-2-403(B).

WASTEWATER TREATMENT RATES

Proposed Rates

	<u>JUC</u>	<u>Staff</u>
<u>MONTHLY USAGE CHARGE:</u>		
General Residential Service *	\$40.00	N/A
5/8" x 3/4" Meter	N/A	\$35.00
3/4" Meter	N/A	38.50
1" Meter	N/A	49.00
1 1/2" Meter	N/A	63.00
2" Meter	N/A	101.50
3" Meter	N/A	385.00
4" Meter	N/A	735.00
6" Meter	N/A	1,015.00

*Company proposed charging the same flat rate for all residential customers regardless of water meter size. Staff proposes charging according to water meter size.

Commercial Service**		
1" water meter	\$40.00	N/A
2" water meter	125.00	N/A

**Staff proposes to charge according to water meter size, not customer type.

<u>EFFLUENT CHARGE:</u>		
per acre foot	\$200.00	\$200.00
per 1,000 gallons	0.62	0.62

Service Line Connection Charge	\$350.00	\$350.00
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<u>SERVICE CHARGES:</u>		
Establishment	\$25.00	\$25.00
Establishment (After Hours)	\$50.00	\$40.00
Reestablishment (Within 12 Months)	*	*
Reestablishment (After Hours)	* + \$40.00	N/A
Reconnection (Delinquent)	**	N/A
Reconnection (After Hours)	** + \$30.00	N/A
Deposit (Residential Customer)	***	***
Deposit Interest (Per Annum)	6.00%	6.00%
NSF Check	\$15.00	\$15.00
Deferred Payment (Per Month)	1.50%	1.50%
Late Payment Charge (Per Month)	1.50%	1.50%
Hook-up Fee (including gross-up)	\$1,400.00	0.00

- * Number of months off system times the monthly minimum per A.A.C. R14-2-603(D).
 ** Cost to include labor, materials, overhead and applicable taxes. No charge if no labor involved. Staff proposes (N/A) no fee for reconnection after disconnection due to delinquency and for reconnection after hours because sewer systems do not generally have physical disconnection.
 *** Per A.A.C. R14-2-603(B).

1 22. During the hearing, JUC stipulated to all of the initial rates and charges recommended by
2 Staff with the exception that JUC requests that the Commission authorize it to charge a \$1,050 hook-up
3 fee for new water customers and a \$1,400 hook-up fee for new sewer customers.

4 23. Staff recommends that the Commission not approve any hook-up fees for either the water
5 or wastewater treatment systems at this time. In the past, the Commission has authorized such fees only
6 in the cases of existing companies where the risk of plant expansion in new areas is placed on the
7 developer and the new customers who are to be served by the expansion of utility plant thus, old
8 customers are not affected.

9 24. Staff is also recommending that JUC include in its tariff a provision for the collection of
10 any privilege, sales, or use tax with respect to its operations of the water and sewer utility systems, in
11 accordance with A.A.C. R14-2-409(D)(5) and A.A.C. R14-2-608(D)(5), respectively.

12 25. JUC's Financing Application seeks the Commission's authorization for financing approval
13 to partially fund plant construction of both the water and wastewater treatment systems during the first
14 year of operations and JUC will also utilize the funds generated by the sale of the management
15 membership interests to pay for construction.

16 26. In order to facilitate the formation of JUC as an LLC, Applicant has requested that the
17 Commission approve the sale of its managing memberships to Mr. and Mrs. Johnson and their children
18 for \$848,096 and the sale of the associate memberships to the five or six major developers involved in
19 the development of Johnson Ranch for \$967,500 each⁵.

20 27. In addition to the sale of the membership interests of the LLC, JUC is also seeking the
21 Commission's authorization to issue up to \$1.3 million in long-term debt and secure a revolving line of
22 credit not to exceed \$270,000. Applicant would utilize these monies to fund construction in addition to
23 that paid for by the sale of membership interests during its first year of operations.

24 28. JUC's operations are to be controlled by its managing members who have the sole voting
25 rights and rights to the majority of the profits, but they also bear the losses of the utility systems.

26 _____
27 ⁵ The capital raised from the sale of associate memberships will be used to pay for part of
28 backbone plant and 100 percent of the related distribution and collection system costs for each
developer's/builder's share of the overall project with part of these funds to be used immediately to start
paying part of the principal of any outstanding debt.

1 29. Although associate members in JUC would not have voting rights, JUC has proposed that
2 each associate member will be entitled to a percentage share of any profit related to their membership
3 equity and be entitled to an amount equal to 10 percent of the revenues generated from their
4 developments for a fixed period of time in order reduce each associate member's membership equity.

5 30. JUC has indicated that if it elects to reorganize and operate as a corporation, it will enter
6 into standard water and wastewater line extension agreements which it will submit to the Commission
7 for approval.

8 31. JUC's proposed capital structure would consist of approximately 40 percent debt and 60
9 percent equity with the debt to be reduced by the hook-up fees which JUC requested that the Commission
10 authorize in its rate structure.

11 32. Staff recommends that the Commission authorize a capital structure for JUC that consists
12 of approximately 25 percent debt and 75 percent equity in order to protect its future customers from
13 financial risks. Staff believes that the Applicant will not operate profitably until at least the fourth year
14 of its operations, and Staff believes that the risk should be borne by JUC's managing members.

15 33. Staff has recommended the conditional approval of JUC's Applications as follows:

- 16 • adopt Staff's recommended rates and charges and order that JUC file a tariff consistent
17 with same without a gross-up provision or any hook-up charges;
- 18 • that the approval of JUC's Financing Application does not constitute an adjudication that
19 the associate memberships proposed to be offered do not constitute a security nor does
20 the approval hereinafter constitute approval for the sale of the associate memberships as
21 a security;
- 22 • order that JUC file, within 365 days of the effective date of this Decision, a copy of its
23 CAC for its water and wastewater treatment facilities issued by ADEQ;
- 24 • order that JUC file, within 365 days of the effective date of this Decision, a copy of the
25 developer's CAWS issued by ADWR;
- 26 • order that JUC be authorized to issue up to \$1.35 million in managing memberships,
27 \$967,500 for each associate membership, and up to \$772,000 in a combination of short
28 and long-term debt at an interest rate not to exceed 10 percent;

- 1 • that the Commission reserve the right to determine any future rate base treatment of plant
- 2 financed by either the owners or the developers in conjunction with a permanent rate case;
- 3 • order that JUC establish a tariff for non-potable CAP water usage as described
- 4 hereinabove and file it with the Commission for its approval;
- 5 • order that JUC notify the Commission at least 15 days prior to serving its first customer;
- 6 • order that JUC file, within 365 days of the effective date of this Decision, a copy of its
- 7 franchise for the area east of the Hunt Highway for which it does not already have a
- 8 franchise for as described in Exhibit A; and
- 9 • order that JUC file for rate review after 36-months from the date it first provides service
- 10 to any customer.

11 34. Staff's recommendations, as set forth in Finding of Fact No.33 are reasonable.

12 35. Because of Mr. Johnson's past history of successfully operating a public utility, we are
13 not convinced a performance bond is necessary at this time.

14 **CONCLUSIONS OF LAW**

15 1. Upon beginning operations, JUC will be a public service corporation within the meaning
16 of Article XV of the Arizona Constitution and A.R.S. §§ 40-281, 40-282, 40-301 and 40-302.

17 2. The Commission has jurisdiction over JUC and the subject matter of the Applications.

18 3. Notice of the hearing was given in accordance with the law.

19 4. Applicant is a fit and proper entity to receive a Certificate authorizing it to construct,
20 operate, and maintain facilities to furnish water and wastewater treatment service to the public in the area
21 described in Exhibit A.

22 5. The public convenience and necessity require the issuance of a Certificate to Applicant
23 authorizing it to provide water and wastewater treatment service to the public in the areas sought to be
24 certificated herein.

25 6. The rates and charges authorized hereinafter are just and reasonable.

26 7. Staff's recommendations, as set forth in Finding of Fact No. 33 should be adopted.

27 8. Financing should be approved as ordered below.

28 9. The financing approved herein is for lawful purposes within Applicant's corporate powers,

1 is compatible with the public interest, with sound financial practices, and with the proper performance
2 by JUC of service as a public service corporation, and will not impair JUC's ability to perform that
3 service.

4 10. The financing approved herein is for the construction of the water and wastewater
5 treatment systems and is reasonably necessary for that purpose, and such purpose is not, wholly or in part,
6 reasonably chargeable to operating expenses or to income.

7 **ORDER**

8 IT IS THEREFORE ORDERED that the application of Johnson Utilities, L.L.C. dba Johnson
9 Utilities Company for a Certificate of Convenience and Necessity authorizing it to construct, maintain
10 and operate facilities in order to provide water and wastewater treatment service to the public in the area
11 more fully described in Exhibit A be, and is hereby, granted; provided that, within one year of the
12 effective date of this Decision, Applicant files a copy of its Certificate of Approval to Construct its water
13 and wastewater treatment facilities for its first phase of development, a copy of Johnson International's
14 Certificate of Assured Water Supply, and a copy of its Pinal County franchise for the area east of the
15 Hunt Highway described in Exhibit A.

16 IT IS FURTHER ORDERED that in the event that Johnson Utilities, L.L.C. dba Johnson Utilities
17 Company does not timely file copies of the Certificate of Approval to Construct, Certificate of an
18 Assured Water Supply, Pinal County franchise, and the performance bond or its equivalent as required
19 by the preceding ordering paragraphs, then the Certificate of Convenience and Necessity for the area
20 described in Exhibit A shall be deemed to be denied, without further order by the Arizona Corporation
21 Commission.

22 IT IS FURTHER ORDERED that on or before April 1, 1997, Johnson Utilities, L.L.C. dba
23 Johnson Utilities Company shall file a tariff containing the following rates and charges for its water and
24 wastewater treatment services:

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26 ...

27 ...

28 ...

WATER RATESMONTHLY USAGE CHARGE:

(Includes no water)	
5/8" x 3/4" Meter	\$ 18.00
3/4" Meter	27.00
1" Meter	45.00
1 1/2" Meter	90.00
2" Meter	144.00
3" Meter	270.00
4" Meter	450.00
6" Meter	900.00
Gallage Charge per 1,000 Gallons (0 to 7,000 gallons)	\$2.25
In Excess of 7,000 Gallons	2.50

Construction and standpipe commodity charge (Per 1,000 gallons)	\$3.75
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SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

5/8" x 3/4" Meter	\$ 365.00
3/4" Meter	405.00
1" Meter	455.00
1 1/2" Meter	665.00
2" Meter	1,080.00
3" Meter	2,190.00
4" Meter - Compound	2,985.00
6" Meter - Compound	5,780.00

SERVICE CHARGES:

Establishment	\$25.00
Establishment (After Hours)	\$40.00
Reestablishment (Within 12 Months)	*
Reconnection (Delinquent)	\$50.00
Meter Test (If Correct)	25.00
Meter Re-Read (If Correct)	5.00
Meter Move at Customer Request	**
Deposit (Residential Customer)	***
Deposit Interest (Per Annum)	6.00%
NSF Check	\$15.00
Deferred Payment (Per Month)	1.50%
Late Payment Charge (Per Month)	1.50%

- * Number of months off system times the monthly minimum per A.A.C. R14-2-403(D).
 ** Cost to include labor, materials, overhead and applicable taxes. No charge if no labor involved.
 *** Per A.A.C. R14-2-403(B).

WASTEWATER TREATMENT RATESMONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$ 35.00
3/4" Meter	38.50
1" Meter	49.00
1 1/2" Meter	63.00
2" Meter	101.50
3" Meter	385.00
4" Meter	735.00
6" Meter	1,015.00

EFFLUENT CHARGE:

Per acre foot	\$200.00
Per 1,000 gallons	0.62

Service Line Connection Charge	\$350.00
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SERVICE CHARGES:

Establishment	\$25.00
Establishment (After Hours)	\$40.00
Reestablishment (Within 12 Months)	*
Deposit	**
Deposit Interest (Per Annum)	6.00%
NSF Check	\$15.00
Deferred Payment (Per Month)	1.50%
Late Payment Charge (Per Month)	1.50%

* Number of months off system times the monthly minimum per A.A.C. R14-2-603(D).
 ** Per A.A.C. R14-2-603(B).

IT IS FURTHER ORDERED that the rates and charges authorized herein shall be effective for all service rendered until otherwise ordered by the Arizona Corporation Commission.

IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company shall file a schedule with its tariff for the collection of the proportionate share of any privilege, sales or use tax, in accordance with A.A.C. R14-2-409(D)(5) and A.A.C. R14-2-608(D)(5).

IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company is hereby authorized to sell up to \$1.35 million of its managing memberships, \$967,500 for each associate membership, and issue up to \$772,000 in a combination of short and long-term debt, at an interest rate of not more than 10 percent per annum.

IT IS FURTHER ORDERED that the authority stated above shall be expressly contingent upon

1 Johnson Utilities, L.L.C. dba Johnson Utilities Company using the financing proceeds for the purposes
2 set forth in the Financing Application.

3 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company shall
4 be authorized to engage in any transactions and to execute any documents necessary to effectuate the
5 transactions.

6 IT IS FURTHER ORDERED that the approval of the financing set forth hereinabove does not
7 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
8 proceeds derived thereby for purposes of establishing just and reasonable rates.

9 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company shall
10 establish a tariff for non-potable CAP water usage and file it with the Director of the Commission's
11 Utilities Division for approval.

12 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company shall
13 notify the Director of the Commission's Utilities Division at least 15 days prior to serving its first
14 customer.

15 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company shall
16 maintain its books and records in accordance with the National Association of Regulatory Utility
17 Commissioners Uniform System of Accounts.

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1 IT IS FURTHER ORDERED that Johnson Utilities, L.L.C. dba Johnson Utilities Company shall
2 file for rate review within 36 months from the date it first provides service to any customer.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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8 CHAIRMAN

COMMISSIONER

COMMISSIONER

9 IN WITNESS WHEREOF, I, GEOFFREY E. GONSHER, Executive Secretary
10 of the Arizona Corporation Commission, have hereunto set my hand and caused
11 the official seal of the Commission to be affixed at the Capitol, in the City of
12 Phoenix, this _____ day of _____, 1997.

13 _____
14 GEOFFREY E. GONSHER
15 EXECUTIVE SECRETARY

16 DISSENT _____
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SERVICE LIST FOR:

JOHNSON UTILITIES, L.L.C. dba JOHNSON UTILITIES COMPANY

DOCKET NOS.:

U-2987-95-284 and U-2987-95-285

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Carl Dabelstein
Director Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

EXHIBIT A

SE 1/4 OF SEC. 18
S 1/2 OF NE 1/4 OF SEC. 18
S 1/2 OF NW 1/4 OF SEC. 18
N 1/2 OF SW 1/4 OF SEC. 18
SE 1/4 OF SW 1/4 OF SEC. 18
E 1/2 OF SEC. 19

ALL PORTIONS OF SEC. 20, 28 AND 29 THAT ARE SOUTH AND WEST OF THE HUNT HIGHWAY ALIGNMENT AS OF JUNE 1, 1995,
E 1/2 OF SEC. 30 AND 31
SEC. 32

ALL PORTIONS OF SEC. 33 SOUTH AND WEST OF THE HUNT HIGHWAY ALIGNMENT AS OF JUNE 12, 1995, EXCEPT THE SE 1/4 OF SE 1/4.
ALL IN T3S, R8E, GSRB&M, PINAL COUNTY, ARIZONA.
THE TWO PARCELS DESCRIBED BELOW:

THAT PART OF THE NORTH HALF OF SECTION TWENTY (20), TOWNSHIP THREE (3) SOUTH, RANGE EIGHT (8) EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, LYING EAST OF HUNT HIGHWAY.

EXCEPT ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, HELIUM OR OTHER SUBSTANCES OF A GASEOUS NATURE, COAL, METALS, MINERALS, FOSSILS, FERTILIZER OF EVERY NAME AND DESCRIPTION AND EXCEPT ALL MATERIALS WHICH MAY BE ESSENTIAL TO PRODUCTION OF FISSIONABLE MATERIALS AS RESEVED IN ARIZONA REVISED STATUTES;

EXCEPT ANY PORTION THEREOF LYING WITHIN HUNT HIGHWAY.

THAT PORTION OF SECTION 21, TOWNSHIP 3 SOUTH, RANGE 8 EAST, GILA AND SALT RIVER MERIDIAN, PINAL COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF THE NORTHWEST ONE-QUARTER (NW 1/4) OF SAID SECTION 21;

THENCE, N 03° 06' 14" W, ALONG THE WEST LINE OF SAID NORTHWEST ONE-QUARTER (NW 1/4), A DISTANCE OF 5.00 FEET TO THE POINT OF BEGINNING;

THENCE, CONTINUE N 03° 06' 14" W ALONG SAID WEST LINE, 1,313.25 FEET;

THENCE, S 86° 00' 00" E, 151.16 FEET TO A LINE 150.00 FEET EAST OF AND PARALLEL WITH SAID WEST LINE OF THE NORTHWEST QUARTER (NW 1/4) OF SECTION 21;

THENCE, S 03° 06' 14" E, ALONG SAID PARALLEL LINE, A DISTANCE OF 1,294.56 FEET;

THENCE, S 86° 53' 46" W, 150.00 FEET TO THE POINT OF BEGINNING

CONTAINING 4.49 ACRES, MORE OR LESS.