BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF OAK CREEK UTILITY CORPORATION FOR AN INCREASE IN ITS WATER AND WASTEWATER RATES FOR CUSTOMERS WITHIN COCONINO COUNTY, ARIZONA.	DOCKET NO. WS-02061A-04-0835
IN THE MATTER OF THE APPLICATION OF OAK CREEK UTILITY CORPORATION FOR AUTHORITY TO ISSUE PROMISSORY NOTE(S) AND OTHER EVIDENCES OF INDEBTEDNESS PAYABLE AT PERIODS OF MORE THAN TWELVE MONTHS AFTER THE DATE OF ISSUANCE.	DOCKET NO. WS-02061A-04-0836 DECISION NO. 67986 **ORDER**

Open Meeting
July 12 and 13, 2005
Phoenix, Arizona

RECEIVED
JUL 20 2005
Corporation Commission
Director of Utilities

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

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FINDINGS OF FACT

1. Oak Creek Utility Corporation ("Oak Creek" or "Company"), an Arizona Subchapter S Corporation, provides water and wastewater utility service to approximately 31 customers on the east side of Oak Creek, along Highway 89A in Coconino County, Arizona.

2. On November 19, 2004, Oak Creek filed an application for a rate increase in Docket No. WS-02061A-04-0835. Oak Creek also filed on November 19, 2004, an application for authority to issue promissory note(s) and other evidence of indebtedness in Docket No. WS-02061A-04-0836.

3. On December 7, 2004, Mr. David Peck filed a Motion to Intervene. Mr. Peck was granted intervention by Procedural Order issued April 15, 2005.

4. On December 17, 2004, the Commission's Utilities Division Staff ("Staff") filed a Letter of Deficiency listing various areas of the application that Staff deemed insufficient.

5. On December 22, 2004, First National Management, on behalf of Oak Creek, filed an Affidavit of Mailing with an attached copy of the notice mailed to customers regarding the proposed rate increase. Letters were filed by various customers on December 3, 2004 (2), December 6, 2004, December 7, 2004, January 4, 2005, and January 28, 2005 stating opposition to the Company's proposed rate increase.

6. On January 12, 2005, Oak Creek filed responses to Staff's Letter of Deficiency.

7. On February 9, 2005, Staff filed a Letter of Sufficiency and classified the Company as a Class E utility.

8. On March 17, 2005, Oak Creek filed a Motion to Consolidate in each of the above-captioned dockets. The dockets were formally consolidated by Procedural Order issued April 12, 2005.

9. On April 11, 2005, Staff filed its Staff Report, recommending approval of the applications without a hearing, subject to adoption of Staff's proposed rates and charges. The Company did not oppose the recommended rates and charges set forth in the Staff Report.

10. On April 20, 2005, a Procedural Order was issued scheduling a public comment hearing in Sedona, Arizona on May 5, 2005. The Company was directed to send notice of the public comment hearing to all customers.

11. Oak Creek filed an Affidavit of Mailing on April 28, 2005, attesting that the required notice had been sent to all customers on April 21, 2005.

12. The public comment hearing was conducted on May 5, 2005, as scheduled. Seven customers offered public comment, and the Company's owner, Dean Orem, also made a statement. Most of the customers in attendance stated opposition to the Company's proposed rates but were not opposed to Staff's recommended rates. However, several customers expressed displeasure with customer service issues. Customers specifically mentioned a water outage on July 4, 2004 and another outage that occurred on a Sunday evening in January 2005. Mr. Orem, who is a licensed

operator in the City of Cave Creek, stated that the July 4, 2004 outage was caused by a pump malfunction but, despite the holiday, the pump was replaced within 24 hours. With respect to the January 2005 outage, Mr. Orem claims that the pump experienced electrical problems that were remedied the following day. He indicated that the operator, Randy Sosin, is on call 24 hours a day. Mr. Orem stated that his home phone number and Mr. Sosin's pager number are posted on the fences surrounding both the well site and the wastewater treatment site and that Mr. Sosin is on call 24 hours a day. In response to customer complaints that Mr. Sosin refused to come out immediately to the site during the January 2005 outage, Mr. Orem indicated that he would talk to Mr. Sosin regarding his 24-hour response obligations.

13. Oak Creek's current rates and charges were approved in Decision No. 54664 (August 22, 1985).

14. During the test year ended December 31, 2003, Oak Creek served approximately 31 metered residential customers within its 6.63 acre certificated service area. All of the Company's customers are residential, and are served by 5/8 inch x ¾ inch water meters. Oak Creek provides wastewater service to the same customers.

15. Average and median usage during the test year were 3,686 and 2,074 gallons per month, respectively.

16. During the test year, as adjusted by Staff, Oak Creek had total operating revenues for water service of $11,309 and total operating expenses of $9,976, for net water operating income of $1,333. Based on a Staff adjusted original cost rate base ("OCRB") of $34,268, Oak Creek experienced a 3.89 percent rate of return during the test year for the provision of water service.

17. For wastewater service, as adjusted by Staff, Oak Creek had total operating revenues of $6,989 and total operating expenses of $6,572, for net wastewater operating income of $417. Based on a Staff adjusted OCRB of $33,505, Oak Creek experienced a 1.24 percent rate of return during the test year for the provision of wastewater service.

18. Oak Creek proposed water rates that would produce total operating revenues of $30,115 and total operating expenses of $17,661, for a net operating income of $12,454 for water

service. The Company's proposed water rates would produce a rate of return of 57.04 percent on Oak Creek's proposed water OCRB of $21,835.

19. Oak Creek proposed wastewater rates that would produce total operating revenues of $21,655 and total operating expenses of $10,310, for a net operating income of $11,345 for wastewater service. The Company's proposed wastewater rates would produce a rate of return of 25.03 percent on Oak Creek's proposed wastewater OCRB of $45,325.

20. Staff recommends water rates that would produce total operating revenues of $17,537 and total operating expenses of $10,026, for a net operating income of $7,511 for water service. Staff's proposed water rates would produce a rate of return of 21.92 percent on Staff's recommended water OCRB $34,268.

21. Staff recommends wastewater rates that would produce total operating revenues of $10,582 and total operating expenses of $6,764, for a net operating income of $3,818 for wastewater service. Staff's proposed wastewater rates would produce a rate of return of 11.40 percent on Staff's recommended wastewater OCRB $33,505.

22. The water rates and charges for Oak Creek at present, as proposed in the application, and as recommended by Staff are as follows:

Water Service

	Present Rates	Proposed Rates Company	Proposed Rates Staff
MONTHLY USAGE CHARGE:			
5/8" x ¾" Meter	$18.00	$45.00	$30.00
¾" Meter	18.00	45.00	45.00
1" Meter	N/A	N/A	75.00
1 ½" Meter	N/A	N/A	150.00
2" Meter	N/A	N/A	240.00
3" Meter	N/A	N/A	450.00
4" Meter	N/A	N/A	750.00
6" Meter	N/A	N/A	1,500.00
COMMODITY CHARGE IN EXCESS OF MINIMUM:	0	0	0
Flat Rate per 1,000 gallons	$2.50	$6.50	N/A
0-3,000 gallons	N/A	N/A	$2.90

3,001 – 15,000 gallons	N/A	N/A	4.00
Over 15,000 gallons	N/A	N/A	5.00

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-40-5)

5/8" x ¾" Meter	$350.00	$500.00	$500.00
¾" Meter	350.00	575.00	575.00
1" Meter	N/A	N/A	660.00
1 ½" Meter	N/A	N/A	900.00
2" Meter	N/A	N/A	1,525.00
3" Meter	N/A	N/A	2,165.00
4" Meter	N/A	N/A	3,360.00
6" Meter	N/A	N/A	6,035.00

SERVICE CHARGES:

Establishment	$25.00	$30.00	$30.00
Establishment (After Hours)	25.00	45.00	45.00
Reconnection (Delinquent)	25.00	30.00	30.00
Reconnection (Delinquent) after hours	25.00	45.00	45.00
Meter Test (If Correct)	N/A	25.00	25.00
Deposit	*	*	*
Deposit Interest	*	3.00%	*
Reestablishment (Within 12 Months)	**	**	**
NSF Check	10.00	15.00	15.00
Deferred Payment	N/A	N/A	1.50%
Meter Reread (If Correct)	5.00	10.00	10.00
Late Payment Penalty	N/A	5.0%	1.5%
Main Extension	N/A	N/A	Cost

* Per Commission rule A.A.C. R-14-2-403(B).

** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

23. The wastewater rates and charges for Oak Creek at present, as proposed in the application, and as recommended by Staff are as follows:

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Wastewater Service

	Present Rates	Proposed Rates Company	Proposed Rates Staff
MONTHLY USAGE CHARGE:			
Measure Rate Customers			
Residential (monthly minimum)	$15.00	$45.00	$20.00
Commercial (monthly minimum)	45.00	45.00	55.00
Measured Rate Customers			
Residential (per 1,000 gallons)	1.00	3.50	2.25
Commercial (per 1,000 gallons)	3.50	3.50	4.00
SERVICE LATERAL INSTALLATION CHARGES:			
Residential	$350.00	$500.00	$500.00
Commercial	350.00	575.00	575.00
SERVICE CHARGES:			
Establishment	$25.00	$30.00	$30.00
Establishment (After Hours)	25.00	45.00	45.00
Reconnection (Delinquent)	25.00	30.00	30.00
Deposit	*	*	*
Deposit Interest	*	3.00%	*
Reestablishment (within 12 months)	**	**	**
NSF Check	10.00	15.00	15.00

* Per Commission rule A.A.C. R-14-2-403(B).

** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

24. Pursuant to the Staff Report, Oak Creek's fair value rate base ("FVRB") for water service is determined to be $34,268, which is the same as its original cost rate base. Staff's adjusted FVRB reflects an increase of $12,433 from the Company's proposed $21,835 rate base, primarily due to Staff's adjustment to accumulated depreciation. As described in the Staff Report, Staff decreased the Company's proposed plant in service by $5,263; decreased accumulated depreciation by $18,375

based on Staff's calculation using approved depreciation rates for the period since the last rate case; and reduced cash working capital by $678.

25. For wastewater service, Staff determined Oak Creek's FVRB to be $33,505, which is the same as its original cost rate base. Staff's adjusted FVRB reflects a decrease of $11,820 from the Company's proposed $45,325 rate base, due to Staff's adjustment to plant in service and accumulated depreciation. As described in the Staff Report, Staff decreased the Company's proposed plant in service by $52,606; decreased accumulated depreciation by $41,084 based on Staff's calculation using approved depreciation rates for the period since the last rate case; and reduced cash working capital by $298.

26. For water service, Staff decreased the Company's proposed test year operating expenses by $7,685, from $17,661 to $9,976. Staff's recommended test year operating expense adjustments consist of: using a truncated eight-year average allocated 65 percent to water and 35 percent to wastewater, thereby reducing repairs and maintenance by $1,333; decreasing outside services expense by $505; decreasing water testing expense by $712; removal of $150 for rent expense; decreasing rate case expense by $350; decreasing miscellaneous expense by $1,815; and decreasing depreciation expense by $2,258.

27. For wastewater service, Staff decreased the Company's proposed test year operating expenses $3,738, from $10,310 to $6,572. Staff's recommended test year operating expense adjustments consist of: using a truncated eight-year average allocated 65 percent to water and 35 percent to wastewater, thereby reducing repairs and maintenance by $23; increasing office supplies expense by $501; increasing professional contractual services expense by $1,202; eliminating contractual services testing expense and other contractual services expense; removal of $150 for rent expense; decreasing rate case expense by $650; decreasing miscellaneous expense by $274; and decreasing depreciation expense by $214.

28. Oak Creek's proposed rates for water service would increase the average monthly customer bill by 153.4 percent, from $27.21 to $68.96, and the median monthly customer bill by 152.2 percent from $23.19 to $58.48. The Company's proposed rates for wastewater service would

increase the average monthly customer bill by 209.8 percent, from $18.69 to $57.90, and the median monthly customer bill by 206.2 percent from $17.07 to $52.26.

29. Staff's recommended water rates would increase the average monthly customer bill by 52.3 percent, from $27.21 to $41.44 and the median monthly customer bill by 55.3 percent, from $23.19 to $36.01. Staff's recommended wastewater rates would increase the average monthly customer bill by 51.4 percent, from $18.69 to $28.29 and the median monthly customer bill by 44.5 percent, from $17.07 to $24.67.

30. Staff's recommended rates and charges are reasonable and they shall therefore be adopted.

31. According to the Staff Report, Oak Creek has no outstanding compliance issues with the Commission.

32. Oak Creek is not located within an Active Management Area ("AMA") and is therefore not subject to AMA reporting and conservation requirements. According to the Arizona Department of Environmental Quality ("ADEQ"), the Company is currently delivering water that meets the water quality standards under the Arizona Administrative Code. Although no water quality problems were reported, the Staff Report indicates that ADEQ has identified two major operation and maintenance deficiencies for the Oak Creek system: lack of a one-day minimum of storage capacity (see discussion below regarding plan to add storage); and lack of an approved microbiological site sampling plan. The microbiological site sampling plan is required by ADEQ rules to insure that the procedure, quantity, and location of coliform sampling will accurately measure the biological quality within a water distribution system. Staff recommends that that the Company be required to submit evidence of an ADEQ approved microbiological site sampling plan before new rates become effective in this case.

33. Regarding wastewater, Oak Creek's system consists of a simple septic tank and subsurface disposal system for the effluent. The Staff Report states that, under ADEQ permit rules, smaller septic tank systems are treated differently than more sophisticated bio-mechanical systems.

ADEQ confirmed that the Oak Creek system has a General Permit in good standing in accordance with aquifer protection rules, and that no monitoring or reporting is required at this time.

34. The U.S. Environmental Protection Agency has promulgated rules that will reduce the maximum allowable contaminant level for drinking water from the current 50 parts per billion ("ppb") to 10 ppb by January 23, 2006. The Staff Report indicates that the most recent laboratory analysis shows that the Oak Creek system complies with the new standard with an arsenic level of 8.7 ppb.

Financing Application

35. Oak Creek's water system consists of one well, which directly pressurizes a hydro-pneumatic tank and distribution mains. As stated above, ADEQ rules require a minimum of one-day's storage capacity for water systems, and the Company's system does not currently meet this standard. Oak Creek plans to obtain a $40,000 loan from the Water Infrastructure Finance Authority ("WIFA") to install a 10,000 gallon storage tank in order to comply with the ADEQ requirement.

36. The debt service coverage ("DSC") ratio represents the number of times internally generated cash will cover required principal and interest payments on long-term debt. A DSC greater than 1.0 indicates that operating cash is sufficient to cover debt obligations. For Oak Creek, Staff calculated a pro forma DSC ratio of 4.31 based on the assumption that the Company would obtain a WIFA loan for a 20-year term at 6.00 percent, and that Staff's proposed rate increase would be authorized.

37. The times interest earned ratio ("TIER") represents the number of times earnings will cover interest expense on a long-term debt. A TIER greater than 1.0 means that operating income is greater than interest expense. Staff calculated a pro forma TIER of 4.78 based on the same WIFA loan and rate increase assumptions.

38. According to Staff, Oak Creek had a $36,908 negative equity position as of the end of the test year. Staff indicates that normally it would be inappropriate for an entity with negative equity to obtain new debt. However, because the Company has no known ability to obtain the necessary equity capital needed to satisfy the ADEQ storage requirement, Staff states that it is in the

public interest for the Company to obtain a WIFA loan to finance the storage tank project, since the pro forma TIER and DSC ratios for Oak Creek show an ability to service the new debt and the WIFA loan is the only alternative available for obtaining the necessary funds.

Non-Account Water

39. According to Staff, non-account water should be 10 percent, or less, and never more than 15 percent. Staff stated that it is important to reconcile the difference between water sold and water produced by the source to enable the Company to identify water and revenue losses due to leakage, theft, and flushing. In its analysis, Staff calculated the Company's water loss ratio to be 13.5 percent. However, Staff noted that the monthly non-account water data provided by the Company was ambiguous, with variations from a 77 percent loss to a 133 percent gain.

40. Staff believes this wide discrepancy may be due to the location of the well meter. Staff Engineering stated that a totalizing turbine well meter usually works best in an application where the flows are relatively constant. On the Oak Creek system, the well meter is located on the demand side of the pressure tank and the turbine meter would typically read low during low flow periods. As a result, according to Staff, water pumped would be less than water sold such as is occurring on the Oak Creek system. To remedy the situation, Staff recommends that the well meter should be relocated between the well discharge and the storage tank, or in conformance with the manufacturer's recommended location. Staff states that the meter relocation could be accomplished at the time the new storage tank is installed.

41. The well meter should be relocated within 90 days of a Decision in this case. In addition, the Company shall file with Docket Control quarterly reports, beginning October 15, 2005, showing water sold and water pumped for each of the previous three months. Within 30 days of the quarterly report filed on January 15, 2006, Staff shall file its recommendations regarding water loss with Docket Control.

Staff Recommendations

42. Based on its review of the Company's rate and financing applications, Staff made the following recommendations:

(a) Staff's recommended rates and charges, as described above, should be approved;

(b) Oak Creek should be required to adopt the depreciation rates set forth in the Staff Report;

(c) Oak Creek should be ordered to maintain separate books for water and wastewater utilities in accordance with the NARUC Uniform System of Accounts, and no future rate case should be permitted to be filed without complying with this requirement;

(d) Oak Creek should be required to file an amended Curtailment Tariff within 30 days of the effective date of this Decision containing the following provision: "If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.";

(e) Oak Creek should be required to notify its customers of the new Curtailment Tariff in its next regularly scheduled billing, and no later than 60 days after the effective date of the tariff;

(f) Oak Creek should be required to provide a copy of the new Curtailment Tariff to any customer upon request;

(g) Oak Creek should be required to file a tariff schedule of its approved rates and charges in the same form approved by the Commission within 30 days after the effective date of this Decision;

(h) In addition to the collection of its regular rates and charges, the Company should collect from its customers their proportionate share of any privilege, sales or use tax, as provided for in A.A.C. R14-2-409(D);

(i) The permanent rates and charges approved in this Decision shall not become effective until the first day of the month after the Director of the Utilities Division receives notice from ADEQ that Oak Creek has an approved microbiological site sampling plan;

(j) The existing well meter should be relocated or, alternatively, a new well meter installed between the well discharge and the storage tank, or in a location that best conforms to the manufacturer's recommended location;

(k) The 10,000 gallon storage tank project should be completed within 18 months after the effective date of this Decision, and the

Company should file the ADEQ Approval of Construction within 18 months of the effective date of the Decision; and

(l) Oak Creek's request for authority to obtain a $40,000 WIFA loan to install a 10,000 gallon storage tank should be approved contingent on filing copies of all executed financing documents within 90 days of loan closing.

CONCLUSIONS OF LAW

1. Oak Creek is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-285, 40-301, and 40-302.

2. The Commission has jurisdiction over the Company and of the subject matter of the applications.

3. Notice of the applications was provided in the manner prescribed by law.

4. The proposed long-term financing is for lawful purposes, is within the Company's corporate powers, is compatible with the public interest, is compatible with sound financial practices and the proper performance by the Company of service as a public service corporation, and will not impair the Company's ability to perform that service.

5. The financing approved herein is for the purposes described herein and is reasonably necessary for those purposes and such purposes are not, wholly or in part, reasonably chargeable to operating expenses or to income.

6. The rates and charges authorized herein are just and reasonable and should be approved without an evidentiary hearing.

7. Staff's recommendations are reasonable and should be adopted without an evidentiary hearing.

ORDER

IT IS THEREFORE ORDERED that Oak Creek Utility Corporation is hereby directed to file on or before July 31, 2005 revised rate schedules setting forth the following water rates and charges:

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MONTHLY USAGE CHARGE:

5/8'x ¾'Meter	$30.00
¾'Meter	45.00
1'Meter	75.00
1 ½'Meter	150.00
2'Meter	240.00
3'Meter	450.00
4'Meter	750.00
6'Meter	1,500.00

COMMODITY CHARGE:

0-3,000 gallons	$2.90
3,001–15,000 gallons	4.00
Over 15,000 gallons	5.00

SERVICE LINE AND METER INSTALLATION CHARGES:

5/8'x ¾'Meter	$500.00
¾'Meter	575.00
1'Meter	660.00
1 ½'Meter	900.00
2'Meter	1,525.00
3'Meter	2,165.00
4'Meter	3,360.00
6'Meter	6,035.00

SERVICE CHARGES:

Establishment	$30.00
Establishment (After Hours)	45.00
Reconnection (Delinquent)	30.00
Reconnection (Delinquent) after hours	45.00
Meter Test (If Correct)	25.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	15.00
Deferred Payment	1.50%
Meter Reread (If Correct)	10.00
Late Payment Penalty	1.50%
Main Extension	Cost

* Per Commission rule A.A.C. R-14-2-403(B).

** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

IT IS FURTHER ORDERED that Oak Creek Utility Corporation is hereby directed to file on or before July 31, 2005 revised rate schedules setting forth the following wastewater rates and charges:

MONTHLY USAGE CHARGES:

Measured Rate Customers	
Residential (monthly minimum)	$20.00
Commercial (monthly minimum)	55.00
Measured Rate Customers	
Residential (per 1,000 gallons)	2.25
Commercial (per 1,000 gallons)	4.00

SERVICE LATERAL INSTALLATION CHARGES:

Residential	$500.00
Commercial	575.00

SERVICE CHARGES:

Establishment	$30.00
Establishment (After Hours	45.00
Reconnection (Delinquent)	30.00
Deposit	*
Deposit Interest	*
Reestablishment (within 12 months)	**
NSF Check	15.00

* Per Commission rule A.A.C. R-14-2-403(B).

** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

IT IS FURTHER ORDERED that the above rates and charges shall be effective the first day of the month after the Director of the Utilities Division receives notice from ADEQ that Oak Creek Utility Corporation has an approved microbiological site sampling plan, but no sooner than August 1, 2005.

IT IS FURTHER ORDERED that Oak Creek Utility Corporation shall file a tariff schedule of its approved rates and charges in the same form approved by the Commission within 30 days after the

effective date of this Decision.

IT IS FURTHER ORDERED that Oak Creek Utility Corporation shall, in addition to the collection of its regular rates and charges, collect from its customers their proportionate share of any privilege, sales or use tax, as provided for in A.A.C. R14-2-409(D).

IT IS FURTHER ORDERED that Oak Creek Utility Corporation shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert in its next regular monthly billing.

IT IS FURTHER ORDERED that Oak Creek Utility Company is hereby directed to comply with the Staff recommendations as described herein.

IT IS FURTHER ORDERED that Oak Creek Utility Company shall on a going forward basis utilize the depreciation rates contained in the Staff Report.

IT IS FURTHER ORDERED that Oak Creek Utility Company shall maintain separate books for water and wastewater utilities in accordance with the NARUC Uniform System of Accounts, and no future rate case shall be permitted to be filed without complying with this requirement.

IT IS FURTHER ORDERED that Oak Creek Utility Company shall file an amended Curtailment Tariff within 30 days of the effective date of this Decision containing the following provision: "If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation."

IT IS FURTHER ORDERED that Oak Creek Utility Company shall notify its customers of the new Curtailment Tariff in its next regularly scheduled billing, and no later than 60 days after the effective date of the tariff.

IT IS FURTHER ORDERED that Oak Creek Utility Company shall provide a copy of the new Curtailment Tariff to any customer upon request.

IT IS FURTHER ORDERED that Oak Creek Utility Company's request for authority to obtain a $40,000 WIFA loan for a term of no more than 20 years, at terms set forth in the application and as described herein, shall be approved.

IT IS FURTHER ORDERED that Oak Creek Utility Company is hereby authorized to engage in any transactions and to execute any documents necessary to effectuate the authorization granted hereinabove, and shall file within 90 days of the date the loan agreement is executed, copies of all signed loan documents certifying that the transaction has been completed.

IT IS FURTHER ORDERED that Oak Creek Utility Company shall be authorized to grant liens in favor of the lender as required to secure the authorized loan, and to engage in any transaction and execute any documents necessary to effectuate the loan transaction.

IT IS FURTHER ORDERED that the financing authority granted herein shall be expressly contingent on Oak Creek Utility Company using the loan proceeds for the purposes described herein.

IT IS FURTHER ORDERED that the approval of the financing authorized herein does not constitute or imply approval or disapproval by the Commission of any particular expenditure of the proceeds derived thereby for purposes of establishing just and reasonable rates.

IT IS FURTHER ORDERED that Oak Creek Utility Company shall complete the 10,000 gallon storage tank project within 18 months after the effective date of this Decision, and the Company shall file the ADEQ Approval of Construction within 18 months of the effective date of the Decision.

IT IS FURTHER ORDERED that within 90 days of the effective date of this Decision, Oak Creek Utility Company shall relocate its existing well meter or, alternatively, install a new well meter between the well discharge and the storage tank, or in a location that best conforms to the manufacturer's recommended location.

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IT IS FURTHER ORDERED that Oak Creek Utility Company shall file with Docket Control quarterly reports, beginning October 15, 2005, showing water sold and water pumped for each of the previous three months. Within 30 days of the quarterly report filed on January 15, 2006, Staff shall file its recommendations regarding water loss with Docket Control.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 18th day of July, 2005.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____

DISSENT _____

DDN:mj

SERVICE LIST FOR: OAK CREEK UTILITY COMPANY

DOCKET NO. WS-02061A-04-0835 et al.

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