



# COMMISSION NEWS

## Arizona Corporation Commission

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## **ACC APPROVES DESERT HILLS WATER ASSET TRANSFER Town of Cave Creek to Close Deal by May 15**

PHOENIX – With a unanimous vote of the Commission, the Town of Cave Creek will become the owner and party responsible for the safe, ongoing operation of the Desert Hills Water Company. Desert Hills Water Company serves approximately 1,600 customers in northern Maricopa County in an area between Cave Creek and New River.

Desert Hills ran into serious problems with the Arizona Corporation Commission when customers reported serious, daily and ongoing water outages and periods of extremely low pressure in the summer of 2006. The Commissioners filed an Order to Show Cause against the then-owners of the water company.

In September 2006, the Town of Cave Creek announced plans to purchase the stock of Desert Hills for \$2.5 million and entered into an agreement to have Arizona-American Water Company operate the system. The Town filed an application with the Commission to approve the asset transfer and cancel the Certificate of Convenience and Necessity.

The Commission conducted a hearing in February 2007 to examine the appropriateness and merits of transferring control to the Town. The Commissioners must approve transfers of assets from public utilities such as Desert Hills Water Company to any other entity, including a municipality such as the Town of Cave Creek, which led to today's decision.

The Town has applied for a \$6.2 million low interest loan to make help finance capital improvements to increase storage and water treatment capacity. The Town has also entered into

an agreement with Arizona-American Water Company to provide treatment and transportation of water. That agreement is in effect from April 1, 2007 through March 31, 2017.

The Commissioners' decision states that Cave Creek officials have agreed "to establish a Citizens Water Advisory Committee to review plans policies, the master plan, the capital program, and rates and fees." This permanent committee will work with the Town Engineer, Town Manager and Council.

If the Town contemplates any changes to the water rates, the Town has assured Commissioners that it will provide notice and hold a public hearing before reaching a decision. The decision goes on to state: "The Town does not have plans to increase the rates in the Desert Hills service area and has agreed to freeze current rates for water service for a period of one year from the date of closing."

Finally, the Town has agreed to credit approximately 189 customers who were affected by the water outages and inadequate service. The Town will refund the monthly minimum charges for water service paid between June and September of 2006 when the outages were occurring.

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### **Comments from the Commissioners**

Note: Commissioner Jeff Hatch-Miller was absent due to previously scheduled out-of-state travel.

Chairman Mike Gleason: "I believe that since last summer, we've come a long way in this saga. If we didn't pass this, Desert Hills would be a little water unit sitting out there alone. Now it is part of a regional system and that will help the customers with reliability, safety and long-term supplies."

Commissioner Bill Mundell: “It doesn’t seem right that someone [Desert Hills’ prior owner] could commit all these violations, agree to sell the system and get off scott free – actually walk away with millions. However, I believe the Town has acted in good faith to improve service and create a better system for the residents who depend on it.”

Commissioner Kristin Mayes: “This was a very difficult vote. I worry that the Desert Hills customers do not have political representation at the Town of Cave Creek. However, the Town has committed to create a permanent Advisory Committee modeled after the Tucson Committee to give customers a voice. The Town has also improved water service to Desert Hills in recent months.”

Commissioner Gary Pierce: “I have similar concerns about the penalties being waived against the former owner. But, if at the end of the day you have a much brighter future for the customers on the system, I think you have to support this order. The Town has turned a very serious, very bad situation around and they deserve our support.”