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MEMORANDUM  
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FROM: Ernest G. Johnson *E.G. Johnson*  
Director AZ CORP COMMISSION  
Utilities Division DOCUMENT CONTROL

Arizona Corporation Commission  
**DOCKETED**

**APR 16 2007**

DOCKETED BY *[Signature]*

DATE: April 16, 2007

RE: WATER UTILITY OF GREATER TONOPAH, INC. - MOTION TO EXTEND TIME AND TO AMEND DECISION NO. 68307 TO ALLOW THE FILING OF A DESIGNATION OF ASSURED WATER SUPPLY. DOCKET NO. W-02450A-04-0837

On November 14, 2005, in Decision No. 68307, the Arizona Corporation Commission ("the Commission") approved the application of the Water Utility of Greater Tonopah, Inc ("WUGT" or "the Company") to extend its Certificate of Convenience and Necessity ("CC&N") to approximately 2,066 acres. WUGT received a request to provide water service from Hassayampa Ranch Ventures, L.L.C. which planned to subdivide the extension area into approximately 5,000 residential lots to be developed in four phases.

At the time the Company received the Commission's approval, it was owned by West Maricopa Combine, Inc. In June 2006, West Maricopa Combine, Inc. was purchased by Global Water Resources, L.L.C. ("Global").

The Decision approving the CC&N extension set forth seven requirements. The Company is in compliance with three of the seven requirements. The remaining four requirements are as follows:

1. The Company file before November 14, 2006, a copy of the Maricopa County Environmental Services Department Certificate of Approval to Construct the water source plant, treatment plant and distribution system for Hassayampa Ranch.
2. The Company file before November 14, 2006, a copy of the developer's Certificate of Assured Water Supply issued by the Arizona department of Water resources "where applicable or when required by statute".
3. Storage and production deficiencies be corrected not later than December 31, 2006.
4. The Company file by June 30, 2006, documents showing compliance with the new arsenic standard.

On March 27, 2007, the Company filed a motion with the Commission regarding compliance items 1 and 2 listed above. The motion requests the Commission extend until September 23, 2008 the date of compliance with the requirement to file a Certificate of Approval to Construct. The motion also requested that the requirement to file a copy of the Certificate of Assured Water Supply be changed to a requirement to file a Designation of Assured Water Supply and the filing date of November 14, 2006 be extended to September 23, 2008.

On April 12, 2007, the Company responded to a Staff request for documentation from the developer indicating why an extension was necessary. A letter from the Vice President of Harvard Investments, the parent of Hassayampa Ranch Development, LLC, indicates that the developer and the sewer utility have had great difficulty receiving approval of the Maricopa Association of Governments 208 Plan due to the refusal of the Town of Buckeye to issue a "no objection" letter. According to the developer's letter:

"Without an approved MAG 208, we cannot obtain the requisite zoning approvals, which are needed to obtain the preliminary plat approvals. Without those approvals, we cannot obtain a CAWS [Certificate of Assured Water Supply] and ATC [Approval to Construct] from ADWR and MCESD, respectively. That is why the 208 Plan process is highly relevant to WUGT's CC&N."

The letter also explains that the developer anticipates final MAG 208 Plan approval in January 2008 and ADEQ certification by September 2007.

Although the Company's March 27, 2007 motion only addresses items 1 and 2 two of the compliance items listed above, Staff will address all four outstanding compliance items from Decision No. 68307. Regarding the items which the motion addresses, Staff believes that the developer and the Company have shown by their persistence in the MAG 208 process that their intention continues to be to build a development in the extension area and that there remains a need for service. Therefore, Staff does not oppose the Company's request for extensions of the dates of compliance for the CAWS and ATC requirements.

Regarding item 3 listed above, the Company made a compliance filing on January 2, 2007, indicating that the storage and production deficiencies had been corrected and assumed it had complied with that requirement. However, according to Staff's calculations, there still remains insufficient storage and production for one of the Company's six systems. Therefore, the Company is not in compliance with that portion of the Decision. Staff recommends the Company file a plan to address this deficiency and file a request for a time extension which corresponds with the schedule set forth in the plan. However, the storage issue should be remedied no later than December 31, 2007.

The Company also made a filing regarding compliance item 4 on June 12, 2006. The filing set forth the actions taken in each of the WUGT's six systems to reach compliance with the new arsenic standard. It argued that "in no instance does MCESD indicate any deficiencies with

regard to the new arsenic standard” even though the water in three of the systems exceeded the new 10 parts per billion arsenic standard. It also argued that it would not be considered out of compliance with the standard set by ADEQ until the new ADEQ compliance date of December 31, 2007. Staff does not oppose an extension of time to comply with item 4 until December 31, 2007.

Attached as Exhibit 1 is a summary of the compliance issues, the compliance dates set by Decision No. 68307, the extension requested by the Company and Staff’s position.

The Company’s request for a time extension is the second such request by a Global company since Global’s purchase of the West Maricopa Combine utilities. It is also the second time the request for extension has been filed several months after a compliance deadline. (See W-03720A-99-0192) Staff is extremely concerned with this trend and recommends the Company file any future requests prior to the compliance due date.

Staff further recommends that the Company be strongly admonished regarding its delinquent time extension requests and be put on notice that future delinquent requests may be denied and result in Commission-imposed sanctions.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

## Summary of Compliance Issues

- I. Decision No. 68307 Requirement:** Storage and production deficiencies be corrected.

**Compliance Due Date:** December 31, 2006.

**Extension requested:** No extension requested because the Company believed its January 2, 2007 filing showed compliance.

**Staff's Position:** The Company should file a plan for compliance and request a time extension (no later than December 31, 2007) from the Commission that corresponds with the plan.

- II. Decision No. 68307 Requirement:** The Company file a copy of the Maricopa County Environmental Services Department Certificate of Approval to Construct the water source plant, treatment plant and distribution system for Hassayampa Ranch.

**Compliance Due Date:** November 14, 2006

**Extension Requested:** September 23, 2008

**Staff's Position:** September 23, 2008

- III. Decision No. 68307 Requirement:** The Company file a copy of the developer's Certificate of Assured Water Supply issued by the Arizona department of Water resources "where applicable or when required by statute.

**Compliance Due Date:** November 14, 2006

**Extension Requested:** September 23, 2008

**Staff's Position:** September 23, 2008

- IV. Decision No. 68307 Requirement:** The Company file documents showing compliance with the new arsenic standard.

**Compliance Due Date:** June 30, 2006

**Extension Requested:** December 31, 2007

**Staff's Position:** December 31, 2007