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MEMORANDUM

2007 APR -4 A 9:02

TO: Docket Control Arizona Corporation Commission

FROM: Ernest G. Johnson *E.G.J.* **DOCKETED**
 Director
 Utilities Division

APR -4 2007

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: April 6, 2007

DOCKETED BY	<i>NR</i>
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RE: OAK CREEK UTILITY CORPORATION REQUEST FOR ADDITIONAL TIME TO COMPLY WITH REQUIREMENTS OF DECISION NO. 67986, DOCKET NOS. WS-02061A-04-0836 AND WS-02061A-04-0835

On July 18, 2005, the Arizona Corporation Commission ("Commission") issued Decision No. 67986 which granted Oak Creek Utility Corporation ("Oak Creek" or "Company") a rate increase and authorized the Company to obtain a \$40,000 loan from the Water Infrastructure Finance Authority ("WIFA") for the purpose of constructing a 10,000 gallon storage tank. Oak Creek was directed to complete the storage tank project within 18 months of the Decision. On November 17th, 2006, the Commission granted the Company a time extension, until May 31, 2007, to construct the storage tank and file the Arizona Department of Environmental Quality Approval of Construction.

On January 31, 2007, Oak Creek filed a request for an additional one-year extension to comply with decision No. 67986. Oak Creek currently provides water and sewer service to a small mobile home park near Oak Creek, Arizona. The Company serves approximately 35 customers.

Background

On May 22, 1985, in Decision No. 54538, the Commission approved a transfer of the Certificate of Convenience and Necessity ("CC&N") and sale of assets from R&S Utilities to Oak Creek Utility Corporation which was owned by Scott and Alison Gray ("the Grays"). The Decision also approved the transfer of Parcel C, upon which the well was located, to the Grays. Along with the well site, Parcel C also consisted of acreage which, at the time, was not necessary for utility purposes. The Grays were allowed to lease the well site to the Company. The Decision required the Company to file within six months of the Decision a copy of a Deed reflecting the ownership by Oak Creek of the well.

On December 12, 1985, the Commission issued Decision No. 54799 which allowed Oak Creek an extension of time to comply with Decision No. 54538. On February 21, 1986, Oak Creek filed an application to amend Decision No. 54538. The application argued that the requirement to transfer the deed to the well would result in a substantial detriment to Oak Creek and the Grays, specifically related to the Internal Revenue Code. Decision No. 55044, dated

May 29, 1986, amended Decision No 54538 allowing the Grays to maintain personal ownership of Parcel C and the well.

In June of 2003, Mr. Dean Orem purchased Oak Creek from the Grays. Oak Creek then filed an application for a rate increase and financing. New rates were adopted and a \$40,000 WIFA loan was approved in Decision No. 67986 issued on July 18, 2005. The purpose of the WIFA loan was to purchase and install a tank necessary for compliance with ADEQ's requirement to maintain a one-day minimum of storage capacity. In the case of Oak Creek, the installation of a 10,000 gallon tank would meet the storage requirement.

On October 20, 2006, Ms. Dixie Potter purchased the Company from Mr. Orem. There was some confusion about the ownership of the land upon which Ms. Potter intended to place the new tank and took several months to resolve. With ADEQ's and WIFA's assistance, a tank site was chosen which was not part of the Gray's property. Furthermore, Ms. Potter has experienced some health problems which may have contributed to the delay in reaching compliance.

Staff believes that Ms. Potter is committed to installing the tank and complying with ADEQ's rules and the Commission's Decision. Staff also believes it is in the public interest to grant the requested time extension to comply with Decision No. 67986. Thus, Staff recommends the tank be installed and the loan documents be filed by May 31, 2008.

EGJ:LAJ:red

Originator: Linda A. Jaress

Service List for: Oak Creek Utility Corporation
Docket No. WS-02061A-04-0836 and WS-02061A-04-0835

Ms. Dixie R. Potter
President
Oak Creek Utility Corporation
771 Skipjack Drive
Henderson, Nevada 89015

Mr. Richard L. Sallquist
Sallquist & Drummond
4500 South Lakeshore Drive, Suite 339
Tempe, Arizona 85282

Mr. David Peck
PO Box 1354
Sedona, Arizona 86339

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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ARIZ. CORPORATION COMMISSION

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OAK CREEK UTILITY CORPORATION
771 SKIPJACK DRIVE
HENDERSON, NV 89015
702-568-1321

2007 FEB 12 P 4: 04

AZ CORP COMMISSION
DOCUMENT CONTROL

January 31, 2007

Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

RE: Extension Request for Construction 10k Gallon Water Tank

WS 02061A-04-0836
WS 0206A-04-0835
Dec. # 61986

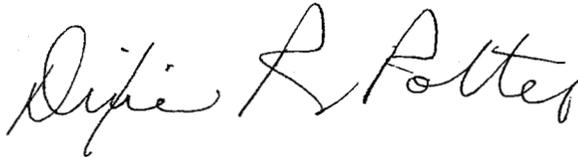
To Whom It May Concern:

Please be advised I am writing in regards to Oak Creek Utility Corporation, (OCUC), concerning the construction of a new 10-thousand gallon storage tank located at Twin Springs Terrace Mobile Home Sub-Division. The OCUC has been under a consent order from ADEQ concerning storage capacity and has granted a prior extension after a request was submitted from Mr. Dean W. Orem, previous owner of OCUC, on September 29, 2006. The debt authority was approved and OCUC was given 18 months to get a storage tank constructed. After purchasing OCUC from the previous owner on October 20, 2006 we learned that the financing from WIFA was approved for this project, but funds were being held pending a legal concern between the Arizona Corporation Commission and Mr. Scott Gray, another previous owner of OCUC.

To date OCUC has not been able to receive any of the financing from WIFA to proceed with this much needed project. After WIFA and ADEQ made a site visit, OCUC was informed that the restrictions from the size of property and the amount of funding applied for (\$40,000) would not be enough to construct a 10k-gallon tank on the property designated for construction. With the help of WIFA, ADEQ and some very creative engineering, we will hopefully be able to employ an engineer through WIFA recommendation and financing. This may also have to be done with additional financing through WIFA and adjusting tank sizes with the permission of ACC, ADEQ and WIFA. After a lot of research, engineering and permission of construction plans, only then will OCUC be able to construct a storage tank that will comply to the original order without violation. To do this OCUC is requesting another extension of 12 months added to the previous extension to make sure that this project is done correctly and protects the safety and welfare of our customers and the environment.

Please feel free to contact me if you need additional information or what we may provide ACC to assist in the consent of this extension request. Please advise if this extension request is acceptable at the above address or telephone number. Thank you for all your help and support in the past and looking forward to learning in the future.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Dixie R. Potter". The signature is written in black ink and is positioned above the printed name.

Dixie R. Potter, President

Encl: Ext. Request from Dean W. Orem 9/29/06, Site visit letter from WIFA on 1/8/07

Cc: Brian Davis-WIFA, Steve Camp-ADEQ

Oak Creek Utility Corporation
P.O. Box 48
Cave Creek, Az. 85327

602-482-5164

September 29, 2006

Arizona Corporation Commission
1200 West Washington
Phoenix, AZ. 85007

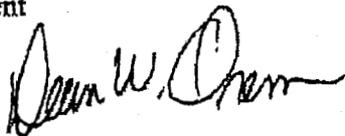
Re: Extension Request

To whom it may concern,

I am writing in regards to the Oak Creek Utility Corporation (OCUC) Concerning the building of a new storage tank for the system. The OCUC has been under a consent order from ADEQ concerning storage capacity. In our rate case approved in July of 2005 decision # 67986 the debt authority was approved and the OCUC was given 18 months from that time to get a storage tank constructed. It has been difficult to get the needed WIFA financing for several reasons, however we are now on track to be on WIFA'S October board meeting agenda where our request for financing will be approved. I would therefore request that a time extension be granted to the OCUC to allow us the necessary time to construct the required storage tank without violating the time frame as established in the original order. Please let me know if this acceptable. If you have any questions or need more information please feel free to contact me at the above phone number.

Sincerely,

Dean W. Oram
President



Date: January 11, 2007
To: Judy Navarrete, WIFA Interim Executive Director
Cc: Jon Bernreuter, WIFA

Brian Davis, WIFA
From: J. Craig Tinney, ADEQ/WIFA Technical Assistance
Subject: Oak Creek Water Company – Site Visit January 8, 2007

WIFA staff comprised of Jon Bernreuter, Brian Davis and Craig Tinney traveled to the Oak Creek Water Company on January 8. Mike Howeth and Steve Camp of the ADEQ-NRO attended the site visit, as well. Scott Gray, land owner of the water plant site, met us at the site.

The water company lacks storage capacity. About 48 parcels are within the platted subdivision; ADEQ water provider storage requirements are for about 10,000 gallons.

The company under guidance from the ACC to come to WIFA for a \$40,000 loan to purchase and install a 10,000 gallon tank. During the loan application process, ownership changed and the original water plant property was subdivided. Earlier concepts for the storage tank placement envisioned the use of the original property dimensions. However, with the reduction of the site the tank will not fit. A subsequent concept employed a separate parcel 30 feet removed from the water plant parcel. None of the concepts had any engineering depth.

The site visit allowed a better visualization. I reflected on the earlier conceptual layouts that were in the WIFA background documents and the associated cost estimates. Because of the proposed storage parcel distance and very severe civil site conditions, I feel the original proposed loan amount would not be sufficient. The severe civil site conditions include large rocks, a concrete roadway, steep unconsolidated soil-facing on the back of the property and a cellular phone repeater tower between the water plant and the storage site.

I have strongly suggested that the storage tank be fit into the existing water plant site. My experience indicates that this solution should be technically feasible and provide for lower operations costs. While the cost categories of the original loan request will need to be reallocated, the probability is improved that this project can proceed with the proposed project budget.

My sense is that a preliminary engineering report is still needed to ensure complete project viability. Staff will inform the water company owner of these opinions and provide firm names from the WIFA pre-qualified engineers list.

The site visit appears to have allowed the project to proceed with a greater potential for success.

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