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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission  
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DEC 27 2007



W-01580A-04-0672

IN THE MATTER OF APPLICATION of )  
TONTA VILLAGE WATER CO., INC. )  
FOR A RATE INCREASE )

DOCKET NO. ~~W-01580A-072~~

DECISION NO. 69911

REQUEST TO REVOKE REQUIREMENTS  
TO INSTALL NEW WATER SOURCE and  
WIFA FINANCING APPLICATION

The Tonto Village Water Co., Inc., an Arizona corporation, ("Company"), in compliance with prior order of the Arizona Corporation Commission ("Commission"), has this date filed a rate application with a 2006 test year.

In connection therewith, the Company respectfully requests that the Commission revoke, or, in the alternative, suspend, the requirement that the Company install a new water source and the attendant activities therefor, as there have been substantial changes (1) in the circumstances which led to the immediate need for a new water source and (2) in circumstances which may make proceeding with a new water source at this time unnecessary or not in the best interests of the owners and customers within the certificated area.

In support of this request the Company states as follows:

**I. Substantial change in circumstances alleviating immediate need for new water source:**

1. In June, 2004 Well No. 1 ceased to produce and was taken off-line.

2. In 2004 the Company was in the process of requesting a rate increase before the Commission. The inability and uncertainty of Well #1 to provide water was a major consideration in the rate application process. As a result the Company was required to seek and provide a new water source. A rate increase was granted in August 2005 with 2006 being the first full test year.

3. In the Spring of 2005 it was determined that Well #1 had recovered to a level at which the well could return to production. The Company altered the mechanical pumping operations to allow Well #2 to assume the demand from Well #1 should Well #1 be unable to meet customer demand. Well #1 was returned to production in 2005 and has been on-line continuously.

4. The Company's three wells are now linked and adjust water delivery to meet changing load demands.

5. Since the 2003 the pumps and motors in all wells have been replaced and most of the booster pumps have been replaced.

6. There have been no major disruptions in water service for the test year 2006 and for for 2007. Well #3 was down for a few days in September 2007 due to a chlorinator malfunction, however upon discovery, Well #2 assumed the demand and customers were returned to full service immediately.

The Company asserts that the immediate concern for a new water source occasioned by the temporary problem with Well #1 and high customer demand no longer exists. With conservation by customers and the coordination of wells to equalize water loads in response to varied customer demands, Company customers have had consistent water delivery.

## **II. Water Improvement District actively investigating purchase of Company assets:**

1. In 1997 the owners of the Company established the Tonto Village Domestic Water Improvement District. Due to discord and factions within the community, the initial board was not sworn and seated.

2. On January 28, 2007, Ron Standage, President of the Company, invited a number of residents of Tonto Village to meet and discuss the future of the water company and the improvement district. Approximately fifteen people attended including some members of the initial, unseated board. There was a determined interest in activating the water improvement district and exploring the purchase of the water company assets.

3. Some of the residents contacted Gila County representatives and were informed that due to the lapse in time from the appointment of the initial board to the present, a new board would need to be elected. In the meantime, the Gila County Board of Supervisors ("Supervisors") would serve as the board of directors of the improvement district ("Board").

4. On June 16, 2007, a meeting was held at the chapel in Tonto Village. Present were Steven Besich, Gila County Manager, and John F. Nelson, Deputy County Manager. The purpose of the meeting was to gauge interest in activating the improvement district and answering questions.

5. On July 7, 2007, a properly noticed meeting was held at the chapel in Tonto Village. Present were John F. Nelson, Deputy County Manager, and Harry D. Johns, a consultant familiar with water improvement districts, with HDJ Management LLC. Attendees were advised that the Supervisors wanted more input, notice and consensus of residents and owners before taking official actions as the Board. Attendees were also informed in general terms of the processes involved including, but not limited to, organization, budgeting, tax levies, water operations/requirements, etc. One attendee, interested in serving on the elected Board and who had been in contact with Gila County

representatives, informed those present of the availability of the County credit line with banks and the availability of WIFA funds for use in improving the water delivery system.

6. At the afore-described July 7, 2007 meeting Mr. Nelson emphasized that time was of the essence if the District wanted to proceed with a tax levy to be assessed and collected with the upcoming 2007 property taxes. Attendees were notified that it would take approximately \$45-50,000 in initial operating funds to retain professionals, such as appraisers, hydrologists, engineers, attorneys, and accountants, to advise the Board in its decisions and negotiations of water company asset purchases. Mr. Nelson estimated that a tax levy of approximately \$2.50 per \$100 assessed valuation would provide the necessary funds. There was a general question and answer period on all subjects. A vote was taken by Mr. Nelson with a majority present approving the Supervisors proceeding with a November election of a new Board and the property tax levy.

7. The Supervisors timely approved the property tax assessment and property tax owners commenced paying taxes for the Improvement District in October 2007.

8. A new Board was elected on November 6, 2007, consisting of John R. Digman, Jerry Lewinson, Daryl Kilbourne, Gary Martin, and DeWayne Stewart. The Company has been advised that the new Board will be sworn and seated after January 1, 2008 at which time it will then draft its bylaws and contact the Company relative to the purchase the water company assets.

9. The Company has indicated to the Board that it will cooperate in all reasonable ways to enable the Improvement District to make an informed and reasonable decision concerning the purchase of Company assets.

The Company represents that the Improvement District is very interested and motivated in purchasing the assets of the Company and locally managing their water needs and resources, presently and in the future.

### III. Company lacks finances to obtain engineering prerequisite for WIFA and ADEQ.

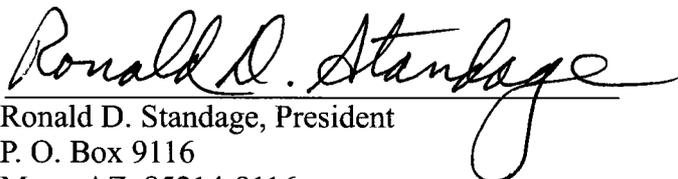
1. The Company has been informed that it will cost approximately \$ 12,200 to obtain the preliminary engineering work necessary to apply to ADEQ for approval of construction for a new water source and to file a financing application with WIFA. See attached proposal dated December 6, 2007 from Robert Mitchell, P.E., R.L.S., of Landaide, Inc., an Arizona civil engineering firm.

2. The Company has consistently maintained that it lacks sufficient revenue and funds for its regular operations and repairs, not including future expansion projects. The concurrently filed rate application confirms this avowal.

In summary, the Company respectfully requests the Commission to revoke, or in the alternative, suspend, the prior requirement that the Company install a new water source, and the attendant actions relating thereto, due to the change in circumstances of immediate need for a new source of water, the active interest of the Improvement District in securing the water company assets, and the Company's lack of finances to begin the engineering process, all as above set forth.

Dated this 27<sup>th</sup> day of December, 2007.

TONTO VILLAGE WATER CO., INC.,  
an Arizona corporation

By   
Ronald D. Standage, President  
P. O. Box 9116  
Mesa, AZ 85214-9116  
(480) 792-9187

# LANDAIDE INC.

December 6, 2007

Mr. Ron Standage  
**Tonto Village Water Company**  
P.O. Box 9116  
Mesa, AZ 85214

Re: New Well Site No. 3 Expansion Plans and Specification.

Dear Mr. Standage:

The following proposal is submitted for the preparation of plans for the installation of a new water production well for the Tonto Village Water Company system.

1. **Field Services.** Perform boundary survey to locate the corners of the well site; Perform topographic survey to locate existing well site appurtenances, fences, roads, drainage features and ground elevations necessary for well site improvement design.

\$ 1,200.00

2. **Water System Study.** Consult with water system owner/ operator to discuss system inadequacies and future planning; Review the water system's current equipment (pumps, tanks, valves, power source, etc.) and performance; Assess system needs by current ADEQ standards and perform analysis of system to determine required improvements and expansion of the system; Coordinate findings and design with groundwater hydrologist familiar with the geographic area; Prepare report to address findings, conclusions and recommendations for review by the Water Company and for improvement plans for the water system.

\$ 5,000.00

3. **Well Site Improvements Plans.** Using field information obtained in Item #1 and the results of the system analysis performed in Item #2 prepare well site improvements plans for well site # 3 – Upper Pressure Zone; Plans to include the addition of a larger deeper well to provide for the daily demands of the entire system; Review FEMA floodplain maps to determine if a flood hazard exists; Design water storage tank, booster pumps, pressure tank and related equipment as required for system improvement; Prepare submittal package and pertinent forms for plan and study submittal to ADEQ for review and approval.

\$ 6,000.00

**Total all Engineering Services .....** \$ 12,200.00

December 6, 2007  
Tonto Village Water Company  
Well Site Engineering Proposal  
Page 2 of 2

We appreciate the opportunity to prepare this proposal and look forward to working with you.

Should you have any questions please do not hesitate to give us a call.

Respectfully

Landaide, Inc.

Robert Mitchell, P.E., R.L.S.  
Principal

