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ARIZONA CORPORATION COMMISSION

ORIGINAL

NOTIFICATION LETTER

October 10, 2007
 Arizona Corporation Commission

DOCKETED

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 AZ CORP COMMISSION
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Mr. Michael Davoren
 Beaver Valley Water Company
 P.O. Box 421
 Payson, AZ 85541

Re: Docket No. W-02015A-03-0274⁷²⁴ Decision No. 69244

Dear Mr. Davoren:

As you recall, Decision No. 69244 transferred the assets and Certificate of Convenience and Necessity relating to the above mentioned company to you, as proprietorship owner. As part of that decision, the Commission also imposed a number of compliance deadlines with December 31, 2007 and January 2008 deadlines. In regard to those compliance requirements, Decision No. 69244 states the following:

“It is further ordered that if Mr. Michael Davoren, a sole proprietorship does not comply with the above stated requirements within the timeframes specified a fine of \$20,000 shall be imposed unless Mr. Davoren can show cause why such a penalty should not be imposed.”

A review of our e-docket database indicates that there have been no filings made in Docket No. W-02015A-03-0724 subsequent to the January 19, 2007 filing of Decision No. 69244. This indicates that no compliance filings have been made in the docket relating to that decision.

Staff wishes to inform you that three quarters of the period available to you to comply with Decision No 69244 have now past. Further, as you know, any Compliance requirements that require Arizona Department of Environmental Quality (“ADEQ”) approval generally take considerable time to be fully processed even if the filing includes all the necessary information. The processing of such an item can take even longer if ADEQ determines that the information filed in support of such approval is not adequate. For instance, work of a certified Engineer may be required as part of such application to meet ADEQ approval.

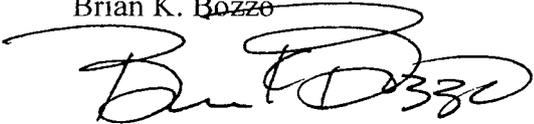
At the time of Decision No. 69244, you indicated that you could and would meet the required timelines imposed on the Company. This is to inform you that we see no formal filings made in support of achieving those requirements. Additionally, we have not received any written updates or communications on the progress made toward completion of those items.

Staff recommended and the Company agreed to the compliance timeframes that were ultimately approved by the Commission. It was anticipated that these timelines would allow you adequate time to overcome any obstacles that might occur so you could meet the deadlines and achieve compliance. We wish to impress most strongly on you that it is essential that you not delay in any of your efforts to comply with the compliance requirements associated with Decision No. 69244. There should be regular and consistent progress toward the completion of the compliance items. This will hopefully assure that you avoid the fines outlined in the decision.

In summary, the Company is in your name and you have assumed all obligations of ownership. This includes an understanding of regulatory processes and the nuances and potential timelags associated with regulatory approvals of State agencies. In the end, all parties have put a significant amount of effort into this case and the formulating of a path which can lead to a positive conclusion overall.

Please be consistent and extremely diligent in your efforts relating to the compliance items in Decision No. 69244.

Brian K. Bozzo

A handwritten signature in black ink, appearing to read 'Brian K. Bozzo', with a stylized flourish at the end.

Compliance and Enforcement Manager
Utilities Division

ARIZONA CORPORATION COMMISSION
PRIMARY COMPLIANCE REQUIREMENTS
DECISION NO. 69244

- 1) Mr. Michael Davoren, a sole proprietorship, shall COMPLETE ALL REFUNDS to Beaver Valley Water Company customers on or before December 31, 2007
- 2) Mr. Michael Davoren, a sole proprietorship, shall ATTAIN FULL COMPLIANCE WITH the Arizona Department of Environmental Quality Notice of Violation requirements by December 31, 2007.
- 3) Mr. Michael Davoren, a sole proprietorship, shall RECONNECT THE EXISTING WELL to the Beaver Valley Water Company system as a back up source AND INSTALL AN ADDITIONAL 20,000 gallon STORAGE TANK by December 31, 2007.
- 4) Mr. Michael Davoren, a sole proprietorship, shall FILE DOCUMENTATION showing the well was reconnected, the storage tank was installed, refunds to customers were completed and that the company has attained full compliance the Arizona Department of Environmental Quality Notice of Violation requirements, with Docket Control as a compliance item in this docket, no later than January 15, 2008.
- 5) Mr. Michael Davoren, a sole proprietorship, shall within 365 days of the Decision in this matter, CONDUCT RESEARCH to determine if a rate case, financing through Water Infrastructure Authority of Arizona, or if grant monies specifically available via the rural financing marketplace is needed.
- 6) *If Mr. Michael Davoren, a sole proprietorship does not comply with the above stated requirements within the timeframes specified a fine of \$20,000 shall be imposed unless Mr. Davoren can show cause why such a penalty should not be imposed.*