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December 20, 2007
Arizona Corporation Commission

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HAND DELIVERY

Shauna Lee-Rice
Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

Re: Virgin Mountain Utilities Company; Docket No.; Docket No W-03551A-04-0325;
CC&N Extension Application; Decision No. 68449, dated February 2, 2006; Request for
Time for Compliance Filing

Dear Ms. Lee-Rice:

The subject Decision requires, among other things, that the Company file an Arizona Department of Water Resources ("ADWR") Letter of Adequacy or Physical Availability Determination ("PAD") for the expansion area by February 2, 2008.

On August 16, 2006, the Company filed a "Motion to Issue a Certificate of Convenience and Necessity" citing the March 26, 2002 PAD received from ADWR for the Company as compliance with that requirement.

On December 14, 2006, the Commission Staff issued a Staff Report recommending denial of the issuance of the full CC&N based upon an October 31, 2006 letter from ADWR stating the need to "update" the 2002 PAD, and listing certain deficiencies in their prior analysis.

The Company analyzed the required information and thereafter retained geologist Gary Player and engineer Ralph Watson to assist in the update. On April 5, 2007, the Company, along with its geologist and engineer, met with ADWR personnel to seek clarification of the required data and to establish an agreed-upon analysis methodology. On July 26, 2007, the Company's consultants submitted the required data in the agreed-upon format.

On November 13, 2007, ADWR provided the attached letter requesting additional information not previously cited in their October letter or requested during the April

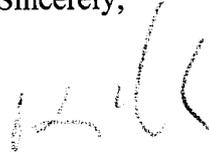
meeting. The Company's consultants have prepared a response to that inquiry, which was hand delivered to ADWR by the Company on December 19, 2007. A copy of ADWR's request and the Company's response are being attached to the Divisions copies of this letter.

ADWR was non-committal as to their review time, but the Company is hopeful it will be timely. However, the Company is of the opinion that ADWR may not complete their review before the February 2, 2008 Compliance Date.

Therefore, the Company hereby requests that the Commission extend the Compliance Date by an additional 180 days to August 2, 2008. The Company will keep the Staff informed of the progress during the pendency of this process.

The Company appreciates the Commission's patience in obtaining the required approval. If we can provide additional information, please do not hesitate to contact the undersigned.

Sincerely,



Richard L. Sallquist

cc: Hearing Division (with attachments)
Legal Division (with attachments)
Utilities Division (with attachments)
Tom Stoddard

ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

2nd Floor, 3550 N. Central Ave, Phoenix, AZ 85012

Telephone 602 771-8585

Fax 602 771-8689



Janet Napolitano
Governor

Herbert R. Guenther
Director

November 13, 2007

Tom Stoddard
Virgin Mt. Utilities Co.
P.O. Box 668
Beaver Dam, AZ 86432

**Re: Application for a Physical Availability Demonstration
Virgin Mountain Utilities (DWR No 52-700385.0000)
Administrative Completeness Review**

Dear Mr. Stoddard:

We received your application for a Physical Availability Demonstration on July 26, 2007. During our administrative review, we have determined your application to be incomplete. Hydrology has reviewed the above application for a Physical Availability Determination. The following items need to be addressed before Hydrology can continue review of the application:

- An impact analysis must be conducted using appropriate methods outlined in the 2007 Hydrologic Guidelines that demonstrates the depth-to-static water at the end of 100 years including:
 - Existing and approved demands, including any recorded lots not yet served, near the study area. There are two issued demands in the area, Terra Vista Skies and Shadow Ridge.
 - An aquifer boundary representing the Virgin Mountains to the southeast. Also, a fault is depicted on a geologic map from (Johnson, et al, 2002) and is approximately located in T39N R16W sections 2, 10, and 16. This may need to be considered as a possible boundary.
 - Input and output files of the model must be submitted in electronic format.
- The study determined aquifer parameters base on the Cooper-Jacob straight line method using the 24-hour aquifer test performed in 2001 for the Frehner well. However no figure showing this determination was included. Graphs and tables must be included demonstrating the aquifer test data and subsequent analysis. The aquifer test data must also be submitted in electronic format for review
- The Muddy Creek Formation is recognized as the primary regional aquifer for the Virgin River Valley. The transmissivity determined from the aquifer test for the Frehner well is much higher than the observed values for other aquifer tests in the area. It is noted that the consultant states that the Frehner well is not completed in the Muddy Creek; however, the future water resources may derive from this formation. It is therefore recommended that a more conservative transmissivity consistent with the Muddy Creek Formation be used for the 100 year depth to water impact analysis. It is estimated that a conservative transmissivity of 6,979 gpd/ft be considered for the Frehner well.
- Determination of the 190 foot saturated thickness is unclear. No current static water level is stated in the study for the Frehner well. ADWR estimates a saturated thickness of 110 feet, at best, based on a nearby well's (55-205993) measured static water level in 2007. Please explain how the saturated thickness was determined.
- Current measurements of static water levels across the study area must be presented.

- Long-term and short-term water level decline trend analysis, both locally and regionally, must be considered. Only one well, 55-516994, in B(39-16)15ddd had current data from 1990-2006. The well's water level trends indicate a decline of 0.1 ft/yr. However, a conservative one foot per year decline rate is recommended.
- A geologic depth-to-bedrock map must be included with a contour interval of 100 feet or less.
- The geologic map must have a descriptive key and location of cross-section lines.
- It is suggested that the consultant reevaluate the placement of the fault in the x-section. If it is presumed to exist, than the fault would occur along the rising slope, as depicted in the figure, and have the movement opposite of that portrayed on the figure. Please refer to Sheet 25 of 28, Completion Diagram of the Frehner, Bowler, and Shadow Ridge wells included in the study.
- The 100-yr depth to water cannot exceed any of the following: 1,200 feet below land surface, the depth to bedrock, the maximum depth of the deepest well in the project area or the proven saturated thickness of the source aquifer.

Please submit the requested information to the Office of Assured and Adequate Water Supply within 60 days of this notice. Our review of your application has stopped and will resume when we receive the missing items. If you do not respond to this letter within the 60-day time frame, the Director of the Department may take action to deny the application and close the file.

If you have any questions regarding the contents of this letter or the application in general, please do not hesitate to contact Richard Obenshain at (602) 771-8585.

Sincerely,



J. Scott Miller, Manager
Office of Assured and Adequate Water Supply

JSM/rbo