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1 FENNEMORE CRAIG, P.C. 2008 FEB 14 P 4: 20
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 3 Jay L. Shapiro (No. 014650)
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 5 3003 North Central Avenue DOCKET CONTROL
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 7 Phoenix, Arizona 85012
 8 Telephone (602) 916-5000

9 Attorneys for Northern Sunrise Water Company
 10 and Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

11 IN THE MATTER OF THE APPLICATION OF
 12 NORTHERN SUNRISE WATER COMPANY FOR A
 13 CERTIFICATE OF CONVENIENCE AND
 14 NECESSITY TO PROVIDE WATER UTILITY
 15 SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

16 IN THE MATTER OF THE APPLICATION OF
 17 SOUTHERN SUNRISE WATER COMPANY FOR A
 18 CERTIFICATE OF CONVENIENCE AND
 19 NECESSITY TO PROVIDE WATER UTILITY
 20 SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

21 IN THE MATTER OF THE JOINT APPLICATION
 22 OF NORTHERN SUNRISE WATER COMPANY
 23 AND SOUTHERN SUNRISE WATER COMPANY
 24 FOR THE APPROVAL OF SALE AND TRANSFER
 25 OF WATER UTILITY ASSETS, AND
 26 CANCELLATION OF CERTIFICATES OF
 CONVENIENCE AND NECESSITY, FOR
 MIRACLE VALLEY WATER COMPANY,
 COCHISE WATER COMPANY, HORSESHOE
 RANCH WATER COMPANY, CRYSTAL WATER
 COMPANY, MUSTANG WATER COMPANY,
 CORONADO ESTATES WATER COMPANY, AND
 SIERRA SUNSET WATER COMPANY, LOCATED
 IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251
 W-20454A-06-0251
 W-01646A-06-0251
 W-01868A-06-0251
 W-02235A-06-0251
 W-02316A-06-0251
 W-02230A-06-0251
 W-01629A-06-0251
 W-02240A-06-0251

MOTION FOR EXTENSION OF TIME TO COMPLY WITH DECISION NO. 68826

23 Northern Sunrise Water Company ("Northern Sunrise") and Southern Sunrise Water
 24 Company ("Southern Sunrise") ("Applicants") hereby submit this Motion for an Extension of
 25 Time to Comply with Decision No. 68826 (June 29, 2006) in the above-captioned matter.
 26

1 **BACKGROUND**

2 Decision No. 68826 required Applicants to complete certain improvements (referenced in
3 Exhibit B to the Decision) to water systems purchased through bankruptcy proceedings for
4 Miracle Valley Water Company (“Miracle Valley”), Cochise Water Company (“Cochise”),
5 Horseshoe Ranch Water Company (“Horseshoe Ranch”), Mustang Water Company
6 (“Mustang”), Crystal Water Company (“Crystal”), Coronado Estates Water Company
7 (“Coronado Estates”), and Sierra Sunset Water Company (“Sierra Sunset”)¹ by August 25, 2007.
8 Decision No. 68826 at Ordering Paragraph ¶ 21. In addition, the Commission simultaneously
9 amended Decision No. 68667 (April 20, 2006) to allow Applicants to file a general rate
10 application using a calendar test year ending December 31, 2007. *Id.* at Ordering Paragraph
11 ¶ 10.

12 In Decision No. 68826, the Commission concluded that “If there is good cause, [Northern
13 Sunrise and Southern Sunrise], may file a request for extension of time to complete the
14 referenced improvements. Any such requests for extension of time shall detail the good cause
15 and be submitted no later than June 30, 2007.” *Id.* at Ordering Paragraph ¶ 21. On
16 May 30, 2007 Applicants filed a motion to extend the deadline to: 1) February 19, 2008 for
17 completing the system improvements; 2) June 30, 2008 to use as a test year ending; and 3)
18 December 31, 2008 to file rate applications. Staff had no objection to Applicants’ extension
19 requests. By Procedural Order dated August 16, 2007 Applicants’ extension requests were
20 granted.

21 Decision No. 68826 also required Applicants to “file with Staff and docket control any
22 proposed update to Exhibit B [ASAP] after they determine such modification is reasonable.”
23 *Id.* at Finding of Fact No. 95. On July 24, 2007, Applicants filed Infrastructure Evaluations
24 prepared by the consulting firm Westland Resources, Inc., which evaluations recommended

25 _____
26 ¹ Mustang, Crystal, Coronado Estates, and Sierra Sunset are owned and operated by Northern Sunrise; Miracle
Valley, Cochise, and Horseshoe Ranch are owned and operated by Southern Sunrise.

1 certain modifications to the plant improvement plan set forth in Exhibit B of the order. On
2 August 7, 2007, Staff filed a report which concluded that Applicants' proposed modifications
3 could not be verified due to several outstanding issues. Applicants addressed Staff's concerns in
4 response memoranda submitted on September 26, 2007 (information regarding Northern
5 Sunrise's Mustang and Crystal water systems, and Southern Sunrise's Cochise, Horseshoe
6 Ranch, and Miracle Valley water systems), and on November 5, 2007 (information regarding
7 Northern Sunrise's Sierra Sunset and Coronado water systems). Ultimately, Staff determined the
8 Company's proposed modifications for infrastructure improvements to be reasonable. *See* Staff
9 Reports filed on October 19, 2007 and November 30, 2007, attached hereto as Exhibit 1.

10 DISCUSSION

11 I. The Deadline to Complete Improvements to the Mustang, Crystal and Miracle Valley
12 Water Systems Should Be Extended to May 30, 2008.

13 Southern Sunrise will complete the improvements to the Cochise and Horseshoe Ranch
14 water systems by February 19, 2008. However, Applicants encountered unanticipated delays of
15 approximately six (6) to eight (8) weeks in the permitting process for improvements to the
16 Mustang, Crystal and Miracle Valley water systems due to an administrative backlog at Cochise
17 County. Applicants' engineers met with Cochise County planning department representatives on
18 several occasions to discuss the improvements, and county requirements concerning same. After
19 several meetings, the required permits were finally issued on December 18, 2007. Despite the
20 administrative delay, Applicants have pursued their maintenance and repair plans to the extent
21 possible, and construction improvements are now well under way for all three systems. *See*
22 survey list of action items, attached hereto as Exhibit 2. Applicants have pursued these
23 infrastructure improvement projects in good faith, and request that the deadline to complete these
24 improvements be extended from February 19, 2008 to May 30, 2008.

1 II. The Deadline to Complete Improvements to the Sierra Sunset and Coronado Estates
2 Water Systems Should Be Extended to December 31, 2008.

3 It has been approximately ten (10) weeks since Staff submitted its November 30, 2007
4 Staff Report, in which it concluded that proposed modifications to capital improvement plans for
5 the Sierra Sunset and Coronado Estates water systems were reasonable. A majority of the work
6 required for these facilities depends upon a joint venture with the Babocomari Group, and the
7 substantial cost savings realized will ultimately be passed on to ratepayers. However, the
8 construction project is currently being held up by the Babocomari Group, which needs to resolve
9 some internal issues. As a result of the delay, the window of opportunity to coordinate system
10 design improvements will close on February 19, 2008.

11 Northern Sunrise would still like to take advantage of an opportunity that it believes can
12 be achieved by December 31, 2008, to the benefit of its ratepayers. However, in the event some
13 written agreement is not reached with the Babocomari Group within the next ninety (90) days,
14 Northern Sunrise would be prepared to proceed with a different system improvement design,
15 albeit at an increased cost. See survey list of action items for Sierra Sunset and Coronado Estates
16 attached hereto as Exhibit 3. Therefore, Applicant respectfully requests on behalf of its
17 ratepayers that the time for compliance be extended from February 19, 2008 to
18 December 31, 2008.

19 III. Applicants Should Be Required to File General Rate Applications by April 1, 2009,
20 Employing a Test-Year Ending December 31, 2008.

21 Because of the delays preventing them from completing the facility improvements for
22 seven separate water systems, Applicants seek approval to extend the deadline to file rate case
23 applications to April 1, 2009, using a test-year ending December 31, 2008.

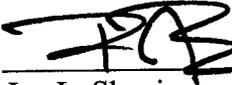
24 CONCLUSION

25 Despite delays caused by: 1) bankruptcy proceedings to close the sale of water system
26 assets; 2) a lengthy administrative review and approval permitting process by Cochise County;

1 and 3) internal matters with the Babocomari Group, Applicants have continued to repair, operate
2 and maintain the McLain Systems so that customers receive safe and reliable water. Once the
3 sale transaction closed on February 19, 2007, Applicants began addressing the more complex
4 system improvements. However, more time is required. Based on the circumstances of the delay,
5 Applicants assert that there is good cause to grant this motion. Finally, in order to make matters
6 consistent with the intent of the Decision No. 68826, Applicants should be allowed to utilize a
7 Test Year ending December 31, 2008, in order to capture as much capital investment in new
8 infrastructure and known and measurable operating expenses as possible.

9 RESPECTFULLY SUBMITTED this 14th day of February, 2008.

10 FENNEMORE CRAIG, P.C.

11
12
13 By: 

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19 Attorneys for Northern Sunrise Water Company
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18 ORIGINAL and 17 copies filed
19 this 14th day of February, 2008 to:

20 Docket Control
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, Arizona 85007

1 **Copy sent via e-mail and U.S. mail**
2 this 14th day of February, 2008 to:

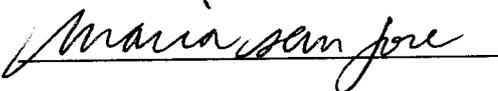
3 Jane L. Rodda, ALJ
4 Hearing Division
5 Arizona Corporation Commission
6 400 W. Congress St.
7 Tucson, AZ 85701

8 **Copy hand delivered**
9 this 11th day of February, 2008 to:

10 Christopher Kempley, Chief Legal Counsel.
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15 Steve Olea, Assistant Director
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17 Arizona Corporation Commission
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24 

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EXHIBIT

1

ORIGINAL

MEMORANDUM RECEIVED

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TO: Docket Control

FROM: Ernest Johnson
Er Director
Utilities Division

2007 OCT 19 A 8:52
AZ CORP COMMISSION
DOCKET CONTROL

DATE: October 19, 2007

RE: **COMPLIANCE FILING FOR DECISION NO. 68826 - STAFF RESPONSE TO THE "RESPONSE OF AUGUST 7, 2007 STAFF REPORT" FILING BY NORTHERN SUNRISE WATER COMPANY AND SOUTHERN SUNRISE WATER COMPANY**
DOCKET NO. W-20453A-06-0247 (CC&N FOR NSWC)
DOCKET NO. W-20454A-06-0248 (CC&N FOR SSWC)
DOCKET NOS. W-20453A-06-0251 (TRANSFER OF MCLAIN SYSTEMS)
W-20453A-06-0251
W-20454A-06-0251
W-01646A-06-0251
W-01868A-06-0251
W-02235A-06-0251
W-02316A-06-0251
W-02230A-06-0251
W-01629A-06-0251
W-02240A-06-0251

Arizona Corporation Commission
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Introduction

On September 26, 2007, Northern Sunrise Water Company, Inc. ("NSWC") and Southern Sunrise Water Company, Inc. ("SSWC") or "Companies" docketed a filing as a "Response To August 7, 2007 Staff Report" for their proposed modification to the capital improvements per Exhibit B to Decision No. 68826. This September 26, 2007 filing responded to five of the seven water systems; 1) Mustang, 2) Crystal, 3) Cochise, 4) Horseshoe, and 5) Miracle Valley. The remaining other two systems, 6) Sierra Sunset and 7) Coronado, will be filed by November 1, 2007.

Background

Pursuant to Decision No. 68826 (June 29, 2006), the Companies docketed on July 24, 2007, a "Notice of Filing" of their proposed modification to the capital improvements attached as Exhibit B to Decision No. 68826. The Decision ordered "that NSWC and SSWC shall file any proposed amendment or modification to Exhibit B with Docket Control as soon as practical. If

Staff has an objection to any proposed modification to Exhibit B, Staff shall file its objections in the docket within 10 business days.”

On August 7, 2007, Staff filed its response to the Companies’ July 24, 2007 filing stating that it was Staff’s opinion that the actual customer demand for each water system was still unknown and possible system interconnections may exist. Based on these unknown factors, Staff could not verify if the modified capital plant improvements were adequately sized. For this reason, Staff reserved the right to suggest revisions to the sizing and timing of certain projects until the Companies submit to the Commission actual demand data for each water system by completing Water Use Data Sheets and confirming if any of the water systems are actually interconnected with one another.

Companies’ Second Filing

In its September 26, 2007 filing, the Companies provided the Water Use Data Sheets, system interconnection verification, and a response to the water loss issue for the Crystal, Mustang, Cochise, Horseshoe, and Miracle Valley water systems. Based on the above requested data, the Companies amended their modified capital plant improvements as follows:

1. Mustang and Crystal Systems – These two systems are confirmed to be interconnected, which modified the original ACC recommendation of two 60,000 gallon storage tanks to a 100,000 storage tank. The existing well capacities were shown to be adequate. The Companies now recommend rehabilitation of the wells in lieu of replacement. The existing hydropneumatic tank system will be replaced with a new pre-packaged booster station.
2. Cochise and Horseshoe Systems – These two systems are interconnected and the Companies concur with the original ACC recommendations.
3. Miracle Valley System – The Companies concur with the original ACC recommendations. The existing hydropneumatic tank system will be replaced with a new pre-packaged booster station.

Staff’s Second Response

After reviewing the Companies’ September 26, 2007 filing for the Crystal, Mustang, Cochise, Horseshoe, and Miracle Valley water systems, it is Staff’s opinion that the Companies’ proposed modifications to the capital improvements are reasonable.

EGJ:MSJ:red

Originator: Marlin Scott, Jr.

Service list for Northern Sunrise Water Company, Inc. et al
Docket Nos. W-20453A-06-0247 et al

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ORIGINAL

MEMORANDUM

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TO: Docket Control
EJ
FROM: Ernest Johnson
Director
Utilities Division

2007 NOV 30 A 9:16

AZ CORP COMMISSION
DOCKET CONTROL

DATE: November 30, 2007

RE: **COMPLIANCE FILING FOR DECISION NO. 68826 - STAFF RESPONSE TO THE "NOTICE OF FILING" FILING BY NORTHERN SUNRISE WATER COMPANY**

DOCKET NO. W-20453A-06-0247 (CC&N FOR NSWC)

DOCKET NO. W-20454A-06-0248 (CC&N FOR SSWC)

DOCKET NOS. W-20453A-06-0251 (TRANSFER OF MCLAIN SYSTEMS)

~~W-20453A-06-0251-~~

W-20454A-06-0251

W-01646A-06-0251

W-01868A-06-0251

W-02235A-06-0251

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Arizona Corporation Commission
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Introduction

On November 5, 2007, Northern Sunrise Water Company, Inc. ("NSWC") docketed a "Notice of Filing" for its proposed modification to the capital improvements per Exhibit B to Decision No. 68826. This November 5, 2007 filing responded to the two remaining water systems; Sierra Sunset and Coronado. The five other water systems; Mustang, Crystal, Cochise, Horseshoe, and Miracle Valley, were filed on September 26, 2007 with a Staff response filed on October 19, 2007.

Background

Pursuant to Decision No. 68826 (June 29, 2006), NSWC and Southern Sunrise Water Company, Inc. ("SSWC") or "Companies" docketed on July 24, 2007, a "Notice of Filing" of their proposed modification to the capital improvements attached as Exhibit B to Decision No. 68826. The Decision ordered "that NSWC and SSWC shall file any proposed amendment or modification to Exhibit B with Docket Control as soon as practical. If Staff has an objection to any proposed modification to Exhibit B, Staff shall file its objections in the docket within 10 business days."

On August 7, 2007, Staff filed its first response to the Companies' July 24, 2007 filing stating that it was Staff's opinion that the actual customer demand for each water system was still unknown and possible system interconnections may exist. Based on these unknown factors, Staff could not verify if the modified capital plant improvements were adequately sized. For this reason, Staff reserved the right to suggest revisions to the sizing and timing of certain projects until the Companies submit to the Commission actual demand data for each water system by completing Water Use Data Sheets and confirming if any of the water systems are actually interconnected with one another.

On October 19, 2007, Staff filed its response to the Companies' September 26, 2007 filing for the Crystal, Mustang, Cochise, Horseshoe, and Miracle Valley water systems which included the above requested data. After review of this data, it was Staff's opinion that the Companies' proposed modifications to the capital improvements for the five systems were reasonable.

Company's November 5, 2007 Filing

In its filing, NSWC provided the Water Use Data Sheets, system interconnection information, and a response to the water loss issue for the Sierra Sunset and Coronado water systems. Based on the above requested data, the Companies amended their modified capital plant improvements as follows:

1. Sierra Sunset System – Although the initial filing stated it is “possible” that the Sierra Sunset system is interconnected with the adjacent water system(s); NSWC recommends a new, adequately-sized interconnection between the Sierra Sunset and Coronado systems. These two systems would then operate together as a single system along with the proposed Babocomari Development. This proposed three-system interconnection would then eliminate the original ACC recommendation of the installation of a 30,000 gallon storage tank on the Sierra Sunset system. The revised Sierra Sunset system's storage requirement of 19,000 gallons would then be added to the proposed Babocomari storage capacity. The existing well capacity of 20 GPM when combined with Coronado and Babocomari is sufficient.
2. Coronado System – The interconnection information is the same as #1 above. The proposed three-system interconnection would then eliminate the original ACC recommendation of the installation of a 100,000 gallon storage tank on the Coronado system. The revised Coronado system's storage requirement of 72,000 gallons would then be added to the proposed Babocomari storage capacity. The existing well capacity of 110 GPM when combined with Sierra Sunset and Babocomari is sufficient.
3. Babocomari Site – The proposed Babocomari site will have a 600 GPM well, 345,000 gallons of storage and a 1,975 GPM booster station.

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Staff's Response to the November 5, 2007 Filing

After reviewing NSWC's filing for the Sierra Sunset and Coronado water systems, along with the proposed Babocomari site, it is Staff's opinion that NSWC's proposed modifications to the capital improvements are reasonable.

EGJ:MSJ:red

Originator: Marlin Scott, Jr.

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Docket Nos. W-20453A-06-0247 et al

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EXHIBIT

2

Mustang and Crystal
Total Customers Served: 127

The ACC mandated improvements for Mustang are:

1. Add meter to well. **Complete.**
2. Construct a minimum 6 ft. high chain link fence with barbed wire 400 LF. **Complete.**
3. Construct 12 ft. wide chain link gate. **Complete.**
4. Replace existing well with new well. Under Construction.
5. Replace well pump and piping. Under Construction.
6. New Electrical Control and wiring system. Under Construction.
7. New 5,000-Gallon Pressure Tank. Not Applicable, see description below.
8. New 60,000 Gallon storage tank (at least this size). Under Construction.
9. Survey Property to establish property boundaries of at least two wells. **Complete.**

The ACC mandated improvements for Crystal are:

1. Add meter to well. **Complete.**
2. Construct a minimum 6 ft. high chain link fence with barbed wire 400 LF. **Complete.**
3. Construct 12 ft. wide chain link gate. **Complete.**
4. Replace existing well with new well. Under Construction.
5. Replace well pump and piping. Under Construction.
6. New Electrical Control and wiring system. **Complete.**
7. New 5,000-Gallon Pressure Tank. Not applicable, see description below.
8. New 60,000 Gallon storage tank (at least this size). Under Construction.
9. Survey Property to establish property boundaries of well site. **Complete.**

As Mustang and Crystal are interconnected, they were treated as one system.

- A new 100,000 Gallon water storage tank is under construction at Mustang.
- A new 350 Gallon per minute VFD booster pumping station has been delivered, and is awaiting installation. This eliminates the need for a hydropneumatic tank.
- New security fencing and gate and upgrades to the electrical system are part of the project.
- Crystal and Mustang are now interconnected.
- Rehabilitation of Mustang and Crystal wells will commence upon completion of tank and booster installation.

Several, Non-ACC mandated improvements were made to both facilities as well. These include:

1. Cleaned up facilities.
2. Installed chlorinators.
3. Necessary valving replaced for interconnect.
4. Installed and replaced necessary piping and pressure vessels.

Miracle Valley
Total Customers Served: 255

The ACC mandated improvements for Miracle Valley are:

1. Add meter to well. **Complete.**
2. Construct a minimum 6 ft. high chain link fence with barbed wire 400 LF. Under Construction.
3. Construct 12 ft. wide chain link gate. Under Construction.
4. Add two 7.5 hp booster pumps. Under Construction.
5. Rebuild Electrical Control and wiring system. Under Construction.
6. Add storage tank Minimum 150,000 gallons. Under Construction.
7. Replace 5,000 Gallon pressure tank. Not applicable, see description below.
8. Add sampling tap to well. **Complete.**
9. Survey property to establish property boundaries of two well sites. **Complete.**
 - A new 150,000 Gallon water storage tank is under construction at Miracle Valley.
 - A new 350 Gallon per minute VFD booster pumping station has been delivered, and is awaiting installation. This eliminates the need for a hydropneumatic tank.
 - New security fencing and gate and upgrades to the electrical system are part of the project.

Several, Non-ACC mandated improvements were made to this facility as well. These include:

1. Cleaned up well site.
2. Installed chlorinator. Started chlorinating system May 24th.
3. Commenced design and approvals for equipping Miracle Valley Well #2. This well will provide redundancy in the system.
4. Installed 40 HP Well pump and motor and electrical starter.

EXHIBIT

3

Sierra Sunset and Coronado Estates

Total Customers Served: 222

The ACC mandated improvements for Sierra Sunset are:

1. Construct a minimum 6 ft. high chain link fence with barbed wire 400 LF. **Complete.**
2. Construct 12 ft. wide chain link gate. **Complete.**
3. Survey Property to establish property boundaries of well site. Ongoing.
4. Install customer meters to 30 customers. **Complete.**

The ACC mandated improvements for Coronado Estates are:

1. Add meter to well. **Complete.**
2. Construct a minimum 6 ft. high chain link fence with barbed wire 400 LF. **Complete.**
3. Construct 12 ft. wide chain link gate. **Complete.**
4. Replace well pump and piping. **Complete.**
5. New Electrical Control and wiring system. **Complete.**
6. New 5,000-Gallon Pressure Tank. Pending Babocomari Project.
7. New 100,000 Gallon storage tank (at least this size). Pending Babocomari Project.
8. Survey Property to establish property boundaries of well site. **Complete.**

Several, Non-ACC mandated improvements were made to both facilities as well. These include:

Coronado Estates

1. Removed old storage tank.
2. Cleaned up well site.
3. Installed flow meters.
4. Replaced 20HP well pump & motor.
5. Replaced column pipe.
6. Cleaned up electrical panels.
7. Installed booster station.
8. Replaced 7 1/2HP booster pump and motor.
9. Installed new 10HP booster pump.

Sierra Sunset

1. Cleaned up site.
2. Replaced 15HP pump & motor.
3. Installed new column pipe and wire on pump.
4. Replace well starter controls.
5. Installed two 120 Gallon surge tanks and pressure switch.
6. Installed chlorinator.
7. Installed 4" valve.