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MEMORANDUM

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TO: Docket Control Center

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: June 6, 2008

RE: OAK CREEK UTILITY CORPORATION - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINES (DOCKET NOS. WS-02061A-04-0835 AND WS-02061-04-0836)

Arizona Corporation Commission AZ CORP COMMISSION
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In Decision No. 67986, dated July 20, 2005, the Arizona Corporation Commission ("A.C.C." or "Commission") approved the application of Oak Creek Utility Corporation ("Oak Creek" or "Company") for extension of its Certificate of Convenience and Necessity. In issuing its decision, the Commission ordered that the Company develop additional storage and provide a filing relating to the subsequent Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC").

Specifically, Decision No. 67986 ordered that Oak Creek shall:

"complete the 10,000 gallon storage tank project within 18 months after the effective date of this Decision, and the Company shall file the ADEQ Approval of Construction within 18 months of the effective date of the Decision."

Based on the July 20, 2005 date of Decision No. 67986, the original Commission due date on the above items was on or about January 20, 2007.

On October 2, 2006, due to the timeframe required to obtain Water Infrastructure Finance Authority ("WIFA") financing approval, Oak Creek filed a motion for an extension of time to complete construction of the 10,000 gallon storage tank. On October 25, 2006, Staff filed a memorandum recommending a four month extension of time until May 31, 2007 on the above item. Via a Procedural Order dated November 17, 2006, the Commission granted the extension of time until May 31, 2007.

On January 31, 2007, Oak Creek filed a second motion in which it sought an additional one-year extension of time to comply with the storage tank requirement. According to the filing, this second motion was filed due to re-evaluation of the property size and funding amount necessary to complete the construction. Staff filed a memorandum on April 4, 2007, recommending approval of the requested one-year extension of time. Via a Procedural Order dated November 17, 2006, the Commission granted the extension of time to the current due date of May 31, 2008.

On May 19, 2008, Oak Creek filed a third motion for extension of time. The new motion requests an additional one-year extension of time from the current May 31, 2008 due date until May 31, 2009. The applications states that the project has been reconfigured by ADEQ and delayed due to the need for specialized engineering services.

Staff contacted Ms. Kimberly Marsh, Senior Loan Officer at WIFA, to verify that the Oak Creek loan had been filed with WIFA. Ms. Marsh stated that Oak Creek applied under WIFA Loan # 920116-08 and the parties were able to close on the loan on November 2, 2007, after a number of delays in getting the funding available to the Company. Based on statements in the application and the discussion with Ms. Marsh, delays in this project have consisted of issues relating to an ownership change from Mr. Dean Orem to Ms. Dixie Potter, a WIFA extension of processing time due to an illness for Ms. Potter, an ADEQ redesign of the project to include additional plant and problems in the engineering and preparation of the construction lots. Ms. Marsh confirmed that the Company has been actively working on the loan and the engineering of the project.

Based on the application and all of the above, Staff will not object to the Company's request for an additional extension of time to comply with the AOC required in Decision No. 67986. Staff therefore recommends that the due date for the 10,000 gallon storage tank project be moved from May 31, 2008 to May 31, 2009. Staff further recommends that no further time extensions be granted in this matter.

EGJ:BKB:lhm

Originator: Brian K. Bozzo

Attachment

SERVICE LIST FOR:
DOCKET NOS.

OAK CREKK UTILITY CORPORATION
WS-02061A-04-0835 and WS-02061A-04-0836

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
Attorneys for Oak Creek Utility Corporation

Mr. David Peck
Post Office Box 1354
Sedona, Arizona 86339

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

Mr. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

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OAK CREEK UTILITY CORPORATION
771 SKIPJACK DRIVE
HENDERSON, NV 89015
702-568-1321 oakcreekaz@gmail.com

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May 5, 2008

AZ CORP COMMISSION
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Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

RE: Extension Request for Decision No. 67986

Docket #s WS02061A-04-0835
WS02061A-04-0836

I am writing in regards to the construction of a 10-thousand gallon storage tank located at Twin Springs Terrace Mobile Estates Sub-Division. Oak Creek Utility Corporation (OCUC) has asked for two prior extensions for this construction project because of the creative engineering and the change of location for the actual placement of the 10-gallon tank.

Arizona Department of Environmental Quality has added to this project requesting two booster pumps which was not indicated in the previous loan for \$40,000 from WIFA to begin this project. Because this tank will have to be placed in a very limited space, this required extra engineering and costs. OCUC has applied and has been awarded \$35,000 in grants for engineering services for this project. One of the contractors have started on some pre-construction for storage of equipment at location because of the delay in starting actual construction for the tank.

OCUC has employed Arizona Engineering Services, Flagstaff, Karl Tobin, and just received an approved contract/scope of work from Mr. Tobin approximately one week ago. After corresponding with Mr. Tobin, he requested that I request another extension from ACC to allow extra time for creative engineering and to apply for more construction costs if needed due to the booster pump additions. OCUC is requesting our construction deadline be moved to May 2009 from May 2008.

We apologize for the untimely request and will supply any additional information needed.

Thank you in advance for any consideration given for this request.

Sincerely,

Dixie R. Potter, President

Arizona Corporation Commission
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MAY 19 2008

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