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MEMORANDUM
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TO: Docket Control Center

2008 JUN 17 A 11: 03

Arizona Corporation Commission

DOCKETED

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

JUN 17 2008

DATE: June 17, 2008

DOCKETED BY	<i>mn</i>
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RE: TONTO VILLAGE WATER COMPANY, INC. - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINES (DOCKET NO. W-01580A-04-0672)

In Decision No. 68066, dated August 17, 2005, the Arizona Corporation Commission ("Commission") approved the application of Tonto Village Water Company, Inc. ("Tonto Village" or "Company") for a rate increase. In issuing its decision, the Commission ordered that the Company install its a new water source and provide the associated Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC").

Specifically, Decision No. 69911 ordered that Tonto Village should:

"install its planned new water source by June 30, 2006, and file a copy of its ADEQ Approval of Construction with Docket Control by June 30, 2006."

The new water source installation was not completed by the original June 30, 2006 due date. As outlined in the attached Decision No. 69911, dated September 27, 2007, the Commission subsequently ordered a hearing and discussed the ability of the Company to comply with Commission requirements, including the installation of the planned new water source. Decision No. 69911 ultimately granted the Company an extension of time until April 30, 2008, to install the new water source and provide a copy of its ADEQ AOC. It also ordered the Company to file a rate application by December 31, 2007, to include a Water Infrastructure Finance Authority ("WIFA") financing application for the planned new water source.

On May 14, 2008, Tonto Village filed a motion entitled "request for extension to install water source" which seeks an additional one-year extension of time, until April 30, 2009, for completion of the water source requirement. The application states that the Company has received financing approval from WIFA and has a financing application pending with the Commission for approval of debt to install the new water source. The Company further stated that incurring the debt was "necessary to enable the Company to proceed with the construction of the new water source". Although the Company has previously received extensions of time, it appears fair to state that it has had trouble complying with the original requirement for this water source which was established by the Commission in Decision No. 68066.

Staff also noted that the Company's May 14, 2008 motion for extension of time was filed after the current April 30, 2008 due date approved in Decision No. 69911. Staff, therefore,

recommends that the Company be admonished to work diligently to meet all Commission due dates, and to make any applications for extension of time prior to the time of the pending or existing Commission due date.

Staff contacted Mr. Ronald Standage, President of Tonto Village, to discuss the request for extension and mentioned that the decision ordering the new well was rather dated being from the year of 2005. Mr. Standage stated that the primary reason the well was not completed was a lack of money and that there were times when he considered taking the Company into bankruptcy. He has operated the Company since August 2003 when he took it from his sister, who had operated the Company since 1993 when their father last owned it.

Mr. Standage indicated that the Company has low rates which he hopes to see addressed in the pending rate case. He asked for the additional extension of time because completion of the new source hinges on the financing application which is consolidated with the rate case. Mr. Standage also admitted that the rate case is currently suspended as the Company attempts to gather information requested by Staff. According to Staff assigned to the rate case filing, there have been a number of delays in the processing of the case which were tied to the Company's inability to respond to Staff's requests for information.

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 installation of the planned new water source and the provision of the AOC as required in Decision No. 68066 and affirmed in Decision No. 69911. However, Staff will not recommend the entire extension period sought by the Company as we remain concerned about the relative lengths of utility company requests in general, especially in those instances where it is not the initial request for extension. Staff, therefore, recommends that the due date for the new well source project be moved from May 31, 2008 to December 31, 2008. Staff also recommends that no further extensions of time be granted.

EGJ:BKB:lhbm

Originator: Brian K. Bozzo

Attachments

SERVICE LIST FOR: TONTO VILLAGE WATER COMPANY, INC.
DOCKET NOS. W-01580A-04-0672

Mr. Ronald D. Standage
Tonto Village Water Company, Inc.
Post Office Box 9116
Mesa, Arizona 85214

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

ORIGINAL

BEFORE THE ARIZONA CORPORATION COM.

COMMISSIONERS:

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01580A-04-0672
TONTA VILLAGE WATER CO., INC. FOR A)
RATE INCREASE.) Decision No. 69911
)
_____) **REQUEST FOR EXTENSION**
TO INSTALL WATER SOURCE

Tonto Village Water Co., Inc., hereinafter referred to as "Company", respectfully requests that the Commission grant an extension of time within which to install a planned new water source until April 30, 2009 and in support of said request, the Company states as follows:

1. On December 27, 2007, the Company filed its pending rate application (W-01580A-07-0070). On January 31, 2008, the Company filed an application with WIFA for financial assistance which application has been approved. On April 22, 2008, the Company filed a financing application (W-01580A-08-0209) for approval to incur the debt to install the new water source, which application is now pending before the Commission. The incurring of this debt is reasonable and necessary to enable the Company to proceed with the construction of the new water source.

2. The Company reasonably delayed filing its rate application until December 27, 2007. It had anticipated prompt, good faith negotiations to sell the assets of the Company to a water improvement district. The district would reasonably want the Company to delay its planned water source so the district, after purchase of the assets of the Company, could design and install the water source. The Company realized that the filing of rate and financing applications could send conflicting statements to those working to get the district functional.

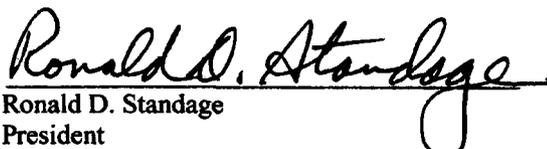
However, almost one year passed from the time the undersigned first contacted residents on January 31, 2007, until the time the water district board of directors was sworn in January 2008. The Company was required to file its rate application before the District was established and able to function. Within three business days of the rate application filing, complaints were filed with the Commission, demanding among other matters, that the planned water source proceed. The Company promptly filed its request for WIFA funds and the pending financing application.

3. The initial reason for the Company's consideration of a new water source has been alleviated. It was determined that Well No. 1 was over-pumped but has since recovered and has been on-line in the water distribution system since 2006.

4. The Company is proceeding in good faith with the pending rate and financing applications and cooperating diligently with the Commission. Under the circumstances, an extension of time within which to conclude these pending matters and install the planned new water source is warranted. The Company respectfully requests an extension of time until April 30, 2009 within which to install the planned new water source.

RESPECTFULLY SUBMITTED this 14th day of May, 2008.

TONTO VILLAGE WATER CO., INC.
an Arizona corporation

By 
Ronald D. Standage
President

Original and 16 copies delivered this
14th day of May, 2008 to:

Docket Control
Arizona Corporation Commission
1200 W Washington Street
Phoenix, AZ 85007

xc: John Gliege, Attorney

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 MIKE GLEASON, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

Arizona Corporation Commission

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SEP 27 2007

AZ CORP COMM
Director Utilities

7 IN THE MATTER OF APPLICATION OF TONTO
8 VILLAGE WATER COMPANY, INC. FOR A
9 RATE INCREASE.

DOCKET NO. W-01580A-04-0672

DECISION NO. 69911

**SUPPLEMENTAL
OPINION AND ORDER**

10 DATE OF HEARING: February 12, 2007

11 PLACE OF HEARING: Phoenix, Arizona

12 ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes

13 IN ATTENDANCE: Mike Gleason, Chairman
14 Kristin K. Mayes, Commissioner

15 APPEARANCES: Mr. Ronald D. Standage, on behalf of Applicant; and

16 Ms. Robin Mitchell, Staff Attorney, Legal Division, on
17 behalf of the Utilities Division of the Arizona
18 Corporation Commission.

18 **BY THE COMMISSION:**

19 On August 17, 2005, the Arizona Corporation Commission ("Commission") issued Decision
20 No. 68066 which granted Tonto Village Water Company, Inc. ("Tonto Village" or "Company") a rate
21 increase conditioned upon certain filing requirements. Specifically, Tonto Village was ordered to
22 "immediately fix the leakage found on the pressure tank and the 34,000 gallon storage tank at Well
23 site No. 2, and file documentation with Docket Control within 30 days of this Decision showing that
24 the leakage has been repaired." Tonto Village was also directed to "install its planned new water
25 source by June 30, 2006 and file a copy of its Arizona Department of Environmental Quality
26 ("ADEQ") Approval of Construction with Docket Control by June 30, 2006."

27 On July 10, 2006, Tonto Village filed copies of photographs that purport to show that the
28 repairs to leaks in the pressure and storage tanks had been made. The Company also filed a request

1 for a one-year extension of time to comply with the requirement that it install a new water source by
2 June 30, 2006. Tonto Village stated that it lacked financial resources to meet the deadline for adding
3 a new water source, but that it intends to seek WIFA financing for the project, and file a new rate
4 case in 2007 "to become profitable and be able to repay the loan arranged through WIFA."

5 On November 17, 2006, the Commission's Utilities Division Staff ("Staff") filed a
6 Memorandum recommending that Tonto Village be granted an extension of time, until April 30,
7 2008, to install its planned new water source, and that the Company be required to file a rate
8 application, using a 2006 test year, by no later than March 31, 2007. Staff indicated that, based on
9 discussions with the Company's president and general manager, the requested one-year extension
10 was no longer a sufficient amount of time to receive rate relief and complete the required work. Staff
11 recommended that Tonto Village be required file with its rate application, a financing application to
12 obtain Commission approval for a Water Infrastructure Finance Authority ("WIFA") loan for the
13 planned new water source. Staff further recommended that no additional time extensions be granted
14 in these matters.

15 On December 4, 2006, Chairman Gleason filed a letter in the docket requesting that a hearing
16 be scheduled to require a representative of the Company to explain why it had failed to comply with
17 the Commission's prior Order.

18 On January 19, 2007, a Procedural Order was issued scheduling a hearing for February 5,
19 2007.

20 On January 23, 2007, a Procedural Order was issued rescheduling the hearing for February
21 12, 2007, due to a scheduling conflict.

22 The hearing was held, as scheduled, on February 12, 2007, before a duly authorized
23 Administrative Law Judge. At the conclusion of the hearing, the matter was taken under advisement
24 pending issuance of a Recommended Opinion and Order.

25 * * * * *

26 Having considered the entire record herein and being fully advised in the premises, the
27 Commission finds, concludes, and orders that:

28

FINDINGS OF FACT

1
2 1. On August 17, 2005, the Commission issued Decision No. 68066 which granted Tonto
3 Village a rate increase conditioned upon certain filing requirements. Specifically, the Company was
4 ordered to "immediately fix the leakage found on the pressure tank and the 34,000 gallon storage tank
5 at Well site No. 2, and file documentation with Docket Control within 30 days of this Decision
6 showing that the leakage has been repaired." Tonto Village was also directed to "install its planned
7 new water source by June 30, 2006 and file a copy of its ADEQ Approval of Construction with
8 Docket Control by June 30, 2006."

9 2. On July 10, 2006, Tonto Village filed copies of photographs purporting to show that
10 the repairs to leaks in the pressure and storage tanks had been made. The Company also filed a
11 request for a one-year extension of time to comply with the requirement that it install a new water
12 source by June 30, 2006. Tonto Village stated that it lacked financial resources to meet the deadline
13 for adding a new water source, but that it intends to seek WIFA financing for the project, and file a
14 new rate case in 2007 "to become profitable and be able to repay the loan arranged through WIFA."

15 3. On November 17, 2006, Staff filed a Memorandum recommending that Tonto Village
16 be granted an extension of time, until April 30, 2008, to install its planned new water source, and that
17 the Company be required to file a rate application, using a 2006 test year, by no later than March 31,
18 2007. Staff indicated that, based on discussions with the Company's president and general manager,
19 the requested one-year extension was no longer a sufficient amount of time to receive rate relief and
20 complete the required work. Staff recommended that Tonto Village be required file with its rate
21 application, a financing application to obtain Commission approval for a WIFA loan for the planned
22 new water source. Staff further recommended that no additional time extensions be granted in these
23 matters.

24 4. A hearing was conducted on February 12, 2007, at which time Ronald Standage
25 appeared on behalf of the Company and offered sworn testimony. When asked why the Company
26 failed to comply with the 30-day repair deadline set forth in the Commission's Order, Mr. Standage
27 testified that "basically I didn't get around to it" (Tr. 7). He went on to explain that, although a
28 leaking valve on the tank was repaired in September [2005], he had to wait to find a welder to repair

1 the pressure tank leak, which was accomplished in January [2006] (*Id.*). However, he did not submit
2 the required compliance filing until July 10, 2006.

3 5. With respect to the requirement that Tonto Village install a new water source and file
4 its ADEQ Approval of Construction by June 30, 2006, Mr. Standage stated that “we don’t have the
5 money to pay for the engineering to put in a new well” (Tr. 8). According to Mr. Standage, a new
6 well is estimated to cost approximately \$35,000, with an additional \$1,500 required for preliminary
7 engineering before the Company could obtain the required ADEQ approval to commence
8 construction (Tr. 8-9). He indicated that, even with the rate increase approved in 2005, Tonto Village
9 has revenues of only \$41,000 per year, but has expenses of \$48,000 per year, with the difference
10 being covered through loans from his family to the Company (Tr. 9).

11 6. Mr. Standage testified that the Company was founded, and has been operated by, the
12 Standage family for approximately 50 years. Tonto Village currently has approximately 190
13 customers. Since his father’s death in 1993, he and his sister have supervised the finances of the
14 Company (Tr. 10-13). The Company has an operator who lives in Star Valley and who is responsible
15 for maintaining the wells and chlorinators, and responding to customers (Tr. 31-32).

16 7. In response to Chairman Gleason’s questions about the importance of complying with
17 Commission Orders, Mr. Standage claims he was not intentionally trying to disregard the Order, but
18 he “was trying to balance all the ... balls in the air ... and unfortunately that one fell through” (Tr.
19 16). Mr. Standage conceded that he was remiss in not submitting the pressure tank repair compliance
20 filing within the timeframe established by the Commission (Tr. 17). Mr. Standage also testified that
21 it is sometimes difficult to provide an adequate supply during the summer months when usage
22 increases, and that many of the water lines are old and in need of repair or replacement (Tr. 19-21).

23 8. Mr. Standage agreed to seek financial assistance from WIFA for drilling the well that
24 was required by the Commission’s prior Order, but he would need to get ADEQ approval of the well
25 plans prior to approaching WIFA (Tr. 25-27). He also indicated that he was attempting to find an
26 existing water company that would be willing to buy Tonto Village (Tr. 27).

27 9. At the conclusion of the hearing, Mr. Standage indicated that he was willing to work
28 with Staff regarding WIFA assistance, and other matters related to ongoing compliance with

1 Commission Orders (Tr. 39-42).

2 **CONCLUSIONS OF LAW**

3 1. Tonto Village Water Company, Inc. is a public service corporation within the meaning
4 of Article XV of the Arizona Constitution and A.R.S. §§40-246, 40-250 and 40-251.

5 2. The Commission has jurisdiction over the Company and the subject matter of the
6 application.

7 3. The Commission has authority to enforce compliance with its Orders pursuant to
8 A.R.S. §40-424.

9 **ORDER**

10 IT IS THEREFORE ORDERED that Tonto Village Water Company, Inc., shall be granted an
11 extension of time, until April 30, 2008, to install its planned new water source in accordance with
12 Decision No. 68066. The Company shall, by April 30, 2008, file with Docket Control, as a
13 compliance item in this docket, a copy of its ADEQ Approval of Construction.

14 IT IS FURTHER ORDERED that Tonto Village Water Company, Inc., shall file a rate
15 application, using a 2006 test year, by no later than December 31, 2007.

16 IT IS FURTHER ORDERED that Tonto Village Water Company, Inc., shall file with its rate
17 application, a financing application to obtain Commission approval for a WIFA loan for the planned
18 new water source.

19 IT IS FURTHER ORDERED that Tonto Village Water Company, Inc., shall work
20 cooperatively with Commission Staff to secure the required new water source approvals and
21 financing, and with respect to the rate application required hereinabove.

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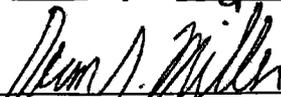
IT IS FURTHER ORDERED that failure to comply with the requirements set forth herein may result in penalties for non-compliance, issuance of an Order to Show Cause, and other appropriate remedial measures necessary to ensure compliance.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

		
CHAIRMAN	COMMISSIONER	
		
COMMISSIONER	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 27th day of Sept., 2007.


DEAN S. MILLER
INTERIM EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR: TONTO VILLAGE WTER COMPANY, INC.

2 DOCKET NO.: W-01580A-04-0672

3

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