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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

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FEB -2 2009

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AZ CORP COMMISSION  
DOCKET CONTROL

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

DOCKET NO. W-01580A-04-0672

PROCEDURAL ORDER

**BY THE COMMISSION:**

On August 17, 2005, the Arizona Corporation Commission ("Commission") issued Decision No. 68066 which granted Tonto Village Water Company, Inc. ("Tonto Village" or "Company") a rate increase conditioned upon certain filing requirements. Specifically, Tonto Village was ordered to "immediately fix the leakage found on the pressure tank and the 34,000 gallon storage tank at Well site No. 2, and file documentation with Docket Control within 30 days of this Decision showing that the leakage has been repaired." Tonto Village was also directed to "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."

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

On November 17, 2006, the Commission's Utilities Division Staff ("Staff") filed a Memorandum recommending that Tonto Village be granted an extension of time, until April 30, 2008, to install its planned new water source, and that the Company be required to file a rate application, using a 2006 test year, by no later than March 31, 2007. Staff indicated that, based on discussions with the Company's president and general manager, the requested one-year extension

1 was no longer a sufficient amount of time to receive rate relief and complete the required work. Staff  
2 recommended that Tonto Village be required file with its rate application, a financing application to  
3 obtain Commission approval for a WIFA loan for the planned new water source. Staff further  
4 recommended that no additional time extensions be granted in these matters.

5 The Company's rate increase was conditioned on the repair of leaks in the Company's  
6 pressure and storage tanks, as well as on installation of a new water source. (Decision No. 68066,  
7 August 17, 2005) Although Tonto Village eventually repaired the pressure and storage tank leaks,  
8 albeit belatedly, the Company has not yet installed the new water source. The Company has twice  
9 been granted extensions of the deadline for installing the new water source (Decision No. 69911,  
10 February 12, 2007, and Decision No. 70465, August 8, 2008), the most recent of which allowed  
11 Tonto Village until December 31, 2008, to install the new water source. In Decision No. 70465, the  
12 Company was ordered to file as a compliance item, by December 31, 2008, a copy of its Arizona  
13 Department of Environmental Quality ("ADEQ") Approval of Construction for the new water source.  
14 That Decision further ordered that "failure to comply with the requirements set forth herein may  
15 result in penalties for non-compliance, issuance of an Order to Show Cause, and other appropriate  
16 remedial measures necessary to ensure compliance."

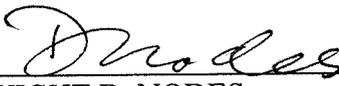
17 On January 22, 2009, Tonto Village filed a letter stating that the well drilling was completed  
18 on December 1, 2008; that the well was successfully test pumped on December 8, 2008; and that  
19 water samples were taken to a lab with an expected testing completion date of four to six weeks  
20 thereafter. The Company's letter also indicates that it has submitted to ADEQ plans for installation  
21 of a permanent pump in the well and connection to the Tonto Village system. The Company claims  
22 that ADEQ may take "up to six weeks" for approval of the pump installation and connection of the  
23 well to the system. Based on these expected timelines for approval, Tonto Village requests that the  
24 latest extension granted by Decision No. 70465 be extended again, until May 1, 2009.

25 IT IS THEREFORE ORDERED that Staff shall file, by February 16, 2009, a response to the  
26 Company's request for an additional extension of the new water source compliance requirement.

27 IT IS FURTHER ORDERED that Tonto Village shall file a reply to Staff's response by no  
28 later than February 26, 2009.

1 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,  
2 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at  
3 hearing.

4 DATED this 2<sup>nd</sup> day of February, 2009.

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7 \_\_\_\_\_  
8 DWIGHT D. NODES  
9 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

10 Copies of the foregoing/mailed  
11 this 2<sup>nd</sup> day of February, 2009 to:

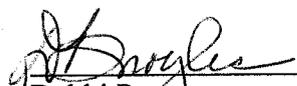
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