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MEMORANDUM
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FROM: Ernest G. Johnson
Director
Utilities Division

2009 MAY 22 A 9:41

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

MAY 22 2009

DATE: May 22, 2009

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RE: SONOITA VALLEY WATER CO. - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINE (DOCKET NO. W-20435A-07-0649)

In Decision No. 70202, dated March 20, 2008, the Arizona Corporation Commission ("Commission") approved the application of Sonoita Valley Water Co. ("Sonoita Valley" or "Company") for an emergency rate increase.

As part of Decision No. 70202, the Commission ordered the following:

"...that Sonoita Valley Water Company shall file an application for a permanent rate increase no later than April 30, 2009, based on a year end 2008 test year."

On April 13, 2009, Sonoita Valley docketed a 90 to 120 day request for extension of time to file the permanent rate application outlined above. The original letter mentioned pressing issues that had delayed the rate application process but provided little other detail for Staff to review. On May 12, 2009, the Company subsequently provided a more detailed letter with examples of the types of problems the Company has been experiencing that have taken its time and limited its ability to timely comply with the rate case requirement of Decision No. 70202. Per this later filing, these problems included the following:

- Sonoita Valley's system cannot meet demand as it only pumps 18 gallons per minute between its two existing wells. If a line breaks in that system, the storage tanks are quickly drained and the Company is placed in a water hauling position to catch up with demand.
- A 10,000 gallon storage tank is on private land and there is a continuing problem in that the owner will not grant access or permission to maintain or upgrade the tank. This includes researching county records for and determining that no right of way easements exist or have been recorded with the County. The Company states that there is no community help with the existing situation and the community turns a "blind eye" when approached as to a possible new location for additional storage.

- The Company is experiencing two to three line breaks a week due to aging infrastructure.
- In the “Southern” downtown portion of the system, they are trying to determine if a well casing has holes below the 100 foot level which would cause replacement of the casing. Additionally, they state that the entire distribution system needs replacing due to age and bad condition.

In summary, the Company states that the pressure to handle these other “pressing needs” has delayed the application process for the rate case because they struggle daily to keep solvent financially as various utility plant goes out of service.

Staff concludes that while this particular Company may have experienced pressing problems, it is still exceedingly important for Sonoita Valley to file the required rate case application in the very near future. As such, Staff concludes it is reasonable to allow some additional time for the applicant but objects to the length requested in the application. Staff concludes that a shorter extension of time is appropriate due to the ongoing financial difficulties of the Company. Staff therefore recommends that Sonoita Valley be granted until June 30, 2009 to provide the permanent rate application.

EGJ:BKB:lhv

Originator: Brian K. Bozzo

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DOCKET NO. W-20435A-07-0649

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