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MEMORANDUM

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Arizona Corporation Commission

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MAY -8 2009

TO: Docket Control Center

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: May 8, 2009

RE: WILLOW VALLEY WATER COMPANY, INC. - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINES (DOCKET NO. W-01732A-05-0532)

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ARIZONA CORPORATION COMMISSION
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In Decision No. 68610, dated March 23, 2006, the Arizona Corporation Commission ("Commission") approved the application of Willow Valley Water Company, Inc. ("Willow Valley" or "Company") for an extension of its Certificate of Convenience and Necessity. In issuing its decision, the Commission ordered the Company to provide filings relating to the Developer's Letter of Adequate Water Supply ("LAWS"). Decision No. 68610 ordered that Willow Valley should file:

"copies of the Developer's Letter of Adequate Water Supply, stating that there is adequate water, no later than one year after a decision in this docket."

The original Commission due date on the above item was March 23, 2007.

On March 21, 2007, Willow Valley filed a motion for extension of time to comply with the LAWS requirement. On April 4, 2007, Staff filed a Staff Report which discussed that the developer was encountering delays obtaining the LAWS due to litigation involving the Mohave Valley Irrigation and Drainage District ("MVIDD"). On April 19, 2007, the Commission issued a Procedural Order that extended the deadline for Willow Valley to file the LAWS from March 23, 2007 to March 23, 2008.

On March 21, 2008, the Company filed a second "Motion for Extension of Time". The second motion discussed the extension area and a subdivision known as "Willow Valley Estates" which consists of three parcels, known as Parcel A, Parcel B and Parcel C. The LAWS for Parcel A and Parcel B were obtained by the Company. The LAWS for Parcel C had not been obtained and represented the basis for the request for extension of time.

The second motion included a March 19, 2008 letter from Mr. G. Wayne McKellips, Jr., the Vice President of the developer, McKellips Land Corporation. His letter reiterated the need for service and explained problems they were having with the Mohave County Planning and Zoning Department ("P&Z") review. According to the motion, Track C of the Willow Valley Estates subdivision "was initiated under Mohave County's former subdivision ordinance and was grandfathered in after the new subdivision ordinance was adopted". Willow Valley stated that the P&Z ultimately required the Company to resubmit the project under the new subdivision

ordinance with a changed name and tract number. The process included a second pre-application process, a new preliminary plan, the production of a development agreement and several rounds of comments and re-submittals. In support of its effort, the Company stated it had "obtained the necessary construction financing and had expended a substantial amount of time and money on legal and engineering services and had completed the initial grading and some of the infrastructure" that would serve the subdivision. On April 29, 2008, the Commission issued a Procedural Order that extended the deadline for Willow Valley to file the LAWS to March 23, 2009.

On March 23, 2009, McKellips Land Corporation ("MLC") filed a conditional Motion for Extension of Time requesting an additional year to comply with the LAWS requirement. The developer states that the MVIDD litigation has been resolved and that McKellips has been able to obtain an allocation of surface water from MVIDD that will be used to serve Tract "C". The developer further believes that the LAWS will be obtained within the next year.

On April 7, 2009, a Procedural Order was issued ordering Willow Valley Water Company to file a response and/or join in the Conditional Motion for an Extension of Time filed by McKellips Land Corporation by April 30, 2009. Staff was ordered to file a response by May 11, 2009. On April 30, 2009, Willow Valley filed a response indicating the Company did not oppose the filing by McKellips.

Staff understands the downturn in the economy has put a damper on much of the development in the state and is concerned with projects being put on hold and the possibility of the development never taking place. Staff previously recommended that no further time extensions be granted in this case; however, Staff's recommendation was not reflected in the April 29, 2008 Procedural Order. Staff recognizes that the Company and the Developer have made significant progress in this extension area and the LAWS for Tract "C" is the only outstanding compliance item remaining. Therefore, Staff recommends approval of the motion for extension of time until March 23, 2010.

Staff once again recommends that no further extensions of time be granted in this case.

EGJ:KDB:lhbm

Originator: Kimberly D. Battista

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DOCKET NO. W-01732A-05-0532

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