

ORIGINAL

MEMORANDUM



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FROM: Steven M. Olea
Director
Utilities Division

2010 MAR 26 A 8:58

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

MAR 26 2010

DATE: March 26, 2010

DOCKETED BY *MW*

RE: ARIZONA WATER COMPANY - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINE (DOCKET NO. W-01445A-05-0701)

In Decision No. 68919, dated August 29, 2006, the Arizona Corporation Commission ("Commission") approved the application of Arizona Water Company ("Arizona Water" or "Company") for an extension of its Certificate of Convenience and Necessity.

As part of Decision No. 68919, the Commission ordered the following:

"that Arizona Water Company shall file with Docket Control as a compliance item in the docket, a Notice of Filing indicating it has submitted for Staff's review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within two years of the decision in this matter."

"that Arizona Water Company shall file with Docket Control, as a compliance item in the docket, a copy of the Arizona Department of Environmental Quality Certificate of Approval to Construct for facilities needed to serve the extension area within two years of the effective date of this decision."

"that Arizona Water Company shall file with Docket Control, as a compliance item in the docket, a copy of the developer's Certificate of Assured Water Supply, where applicable or when required by statute within two years of the effective date of this Decision."

Based on the August 29, 2006 date of Decision No. 68919, the original due dates for the above compliance items were on or about August 29, 2008.

On June 27, 2008, Arizona Water docketed a filing titled "request for additional time to comply with filing requirement" seeking until August 29, 2010 for the provision of the main extension agreement ("MXA"), the Approval to Construct ("ATC") and the Certificate of Assured Water Supply ("CAWS") filings. Staff filed its response on August 6, 2008 and did not object to the Company requested extension of time. In Decision No. 70527, dated September 30, 2008, the Commission approved the Company's requested extension of time until August 29, 2010 for provision of the MXA, ATC and CAWS filings.

On January 6, 2010, Arizona Water docketed a subsequent "request for additional time to comply with filing requirement" seeking a further extension of time until August 29, 2012 for the provision of the MXA, ATC and the CAWS requirements. In explaining the reason for the extension, the application presents the case of a housing market characterized by a three year decline beginning in 2006 and a deep recession affecting the country and further depressing the market. In turn, this caused the local, Pinal County development landscape and homebuilding sector to bottom out, bringing development to a "near halt".

In support of this contention, the Company further provided an article which was published in the journal "Economic Synopses", produced in conjunction with the Federal Reserve Bank, in which certain indicators were used to analyze United States recessions. The findings of the article, which was titled "The Current Recession: How Bad Is It?", was that "the current recession has been worse than average" and that "recession indicators tend to support the claim that this recession could be the most severe in the past 40 years". As in the previous application for extension of time, the Company also quantified the effect of this recession by quoting that housing permits issued in Pinal County decreased from 11,371 in 2005 to 3,104 in 2008. They further quote that only 1,507 housing permits were issued through the eight months ending August 2009, although they admit that permits picked up slightly in the few months thereafter.

On March 23, 2010, Staff contacted Mr. Robert Geake, Vice President and General Counsel of Arizona Water, to discuss the current request for extension of time. Mr. Geake reiterated that that the items ordered by Decision No. 68919 are under the control of the developer rather than the Company and that the market for development is still currently not ideal. He further outlined that it was a small subdivision area with one property owner ("Ecco Holdings, L.L.C.") that likely would plan to begin development in approximately 24 months. On March 19, 2010, Staff had previously contacted Mr. Eric E. Capranica, of Ecco Holdings, L.L.C. to inquire about his continuing need for service. Mr. Capranica confirmed that the extension time is necessary because of the slow marketplace generally and agreed that he still sought service from Arizona Water.

Based on the application and all of the above, Staff does not object to the Company's request for an extension of time until August 29, 2012 to comply with the MXA, ATC, and CAWS requirements outlined in Decision No. 68919. Staff further recommends that no further time extensions be granted in this matter.

SMO:BKB:ihm

Originator: Brian K. Bozzo

Attachment

SERVICE LIST FOR:
DOCKET NO.

ARIZONA WATER COMPANY
W-01445A-05-0701

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