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MEMORANDUM

TO: Docket Control Center

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FROM: Steven M. Olea
Director
Utilities Division

2010 MAY 12 P 3:03

AZ CORP COMMISSION
DOCKET CONTROL

DATE: May 12, 2010

RE: WILHOIT WATER COMPANY, INC. – YAVAPAI MOBILE HOME ESTATES SYSTEM - REQUEST FOR EXTENSION OF TIME OF COMPLIANCE ITEM (DOCKET NOS. W-02065A-07-0308, W-02065A-07-0309, W-02065A-07-0311, AND W-02065A-09-0123)

In Decision No. 71235, dated August 6, 2009, the Arizona Corporation Commission (“Commission”) approved the application of Wilhoit Water Company, Inc. – Yavapai Mobile Home Estates System (“Wilhoit – YMHE” or “Company”) for a permanent rate increase and financing.

As part of Decision No. 71235, the Commission ordered that Wilhoit – YHME provide:

“...by March 31, 2009, with the Commissions Docket Control, as a compliance item in this docket, a copy of the ADEQ AOC for the construction of its arsenic treatment facilities.”

Decision No. 71235 states that an Arsenic Remediation system was originally installed to treat the water and bring it into compliance with Arizona Department of Environmental Quality (“ADEQ”) requirements. However, that system failed and the Company was forced to seek a Water Infrastructure Finance Authority (“WIFA”) loan for a more substantial system to address the ongoing arsenic issue. Due to the arsenic problem, the Company was ultimately allowed a temporary interconnection with the City of Prescott (“City”) whose water meets the Safe Drinking Water standards.

On March 9, 2010, Wilhoit – YMHE docketed a filing with the Commission, requesting an extension of time from the current March 31, 2010 due date until December 31, 2010, for the provision of the required ADEQ Approval of Construction (“AOC”). The Company stated that it only recently closed on the loan with WIFA to finance the arsenic treatment system. At the time of the application, the engineering plans were in process but had not been submitted to ADEQ for review. Further, the Company suggests that there may be some additional ADEQ review time necessary to approve the plans and receive the Approval to Construct (“ATC”) prior to the AOC. This is based on the length of review which they say took place on a previous ATC application for a sister company.

Arizona Corporation Commission

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On April 28, 2010, Staff contacted WIFA and spoke with Ms. Angie Valenzuela, Senior Loan Officer, to discuss the Wilhoit – YMHE loan request. Ms. Valenzuela confirmed that the Company's loan application went to the WIFA Board of Directors and was approved on October 14, 2009, and that the loan was closed on March 8, 2010.

On May 7, 2010, Staff contacted Mr. Jim West, Company consultant, to discuss the request for extension and Wilhoit – YMHE's access to potable water while they address the pending arsenic issue. Mr. West confirmed that the Company has been interconnected with the City of Prescott for approximately two years. He stated that the City has been very good about providing water, that Wilhoit – YMHE continues to work with Prescott and that the City continues to provide water through the interconnection. While Mr. West stated that there were no guarantees the City would continue to serve, he commented that the Company continues to working diligently to address the arsenic situation so that they might not rely on City water.

On May 11, 2010, Staff contacted Mr. Mark Nietupski, Director of Public Works at the City of Prescott, to discuss the interconnection and the water service that has been provided to Wilhoit – YMHE. Mr. Nietupski stated that the City has been in periodic contact with Mr. West to inquire when the Company would be able to disconnect from City water. After recent discussion with Mr. West, the City was convinced that he continues to work at getting off the City water system. In closing, Mr. Nietupski stated that there is no imminent plan to sever the interconnection with Wilhoit – YMHE.

Based on all of the above, Staff recommends that the Commission extend the due date for the Wilhoit – YMHE AOC until December 31, 2010. Staff recommends that no further extensions be granted in this matter.

SMO:BKB:lhm

Originator: Brian K. Bozzo

SERVICE LIST FOR: WILHOIT WATER COMPANY, INC.
DOCKET NOS. W-02065A-07-0308, W-02065A-07-0309, W-2065A-07-0311 and
W-02065A-09-0123

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