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MEMORANDUM

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Arizona Corporation Commission

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2011 APR -8 P 2:07

FROM: Steven M. Olea
Director
Utilities Division

APR - 8 2011

AZ CORP COMMISSION
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DATE: April 8, 2010

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

In Decision No. 68610, dated March 23, 2006, the Arizona Corporation Commission ("Commission") approved the application of Willow Valley Water Co., 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 a one year extension of time to comply with the LAWS requirement. Staff filed its memo on April 4, 2007, and the Commission issued a Procedural Order on April 19, 2007, 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 one year "Motion for Extension of Time" in this matter. Staff docketed its memo on April 16, 2008, and the Commission issued a Procedural Order that extended the deadline for Willow Valley to file the LAWS until March 23, 2009.

On March 23, 2009, McKellips Land Corporation ("MLC") filed a third "Motion for Extension of Time" in this matter, requesting an additional year for the provision of the LAWS requirement. Staff docketed its response on May 8, 2009, recommending approval and the Commission issued Decision No. 71174 on June 30, 2009, which granted an extension of time, until March 23, 2010, for the provision of the final ADWR LAWS for Parcel C.

On March 23, 2010, MLC filed a fourth Motion for Extension of Time in this matter, requesting until March 23, 2011, for the provision of the ADWR LAWS for Parcel C. The Company had provided the LAWS on Parcels A and B but encountered difficulties in obtaining

the LAWS for Parcel C. Staff did not object and, on September 1, 2010, the Commission issued Decision No. 71861 which extended the due date for the LAWS on Parcel C until March 23, 2011.

On March 1, 2011, MLC filed the current request for extension of time seeking another one year extension for the provision of the LAWS for Parcel C. The application once again outlines that MLC has encountered significant difficulties in obtaining the LAWS for Tract C. As a result of these delays, MLC has not been able to complete Tract C within the extended time frames and requests another one year extension of time until March 23, 2012.

The economic downturn continues to affect Arizona and could continue to be a driving force behind delayed development in terms of construction and certification. In this instance, significant water allocation fees have been paid to the irrigation district to assure water availability. Additionally, an updated Water Facilities Extension Agreement was signed on December 10, 2010, between MLC and the Company.

Given the information provided by MLC, Staff concludes that the Company has been working toward complying with the requirement to obtain the LAWS on Parcel C. Staff further recognizes that the LAWS for Tract "C" is the only outstanding compliance item remaining. Based on all of the above, Staff does not oppose the pending motion for extension of time until March 23, 2012.

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

SMO:BKB:lhbm

Originator: Brian K. Bozzo

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DOCKET NO.

WILLOW VALLEY WATER CO., INC.
W-01732A-05-0532

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