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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION OF
VAIL WATER COMPANY FOR AUTHORITY TO
ISSUE PROMISSORY NOTE(S) AND OTHER
EVIDENCE OF INDEBTEDNESS PAYABLE AT
PERIODS OF MORE THAN TWELVE MONTHS
AFTER THE DATE OF ISSUANCE.

DOCKET NO. W-01651B-99-0351

IN THE MATTER OF THE APPLICATION OF
VAIL WATER COMPANY FOR A RATE
INCREASE.

DOCKET NO. W-01651B-99-0406

PROCEDURAL ORDER

BY THE COMMISSION:

On April 14, 2000, the Arizona Corporation Commission ("Commission") issued Decision No. 62450, which *inter alia*, authorized Vail Water Company ("VWC" or "Company") to implement a Central Arizona Project ("CAP") Hook-up Fee and Service Charge conditioned on VWC submitting Final Plans for the direct use of CAP water within VWC's service area by December 31, 2010. Pursuant to the Order, if VWC does not file Final Plans by December 31, 2010 or use the CAP allocation within its service territory by December 31, 2015, all CAP charges would cease and any monies remaining in the CAP account would be refunded in a manner to be determined by the Commission.

On June 22, 2011, the Commission's Utilities Division ("Staff") notified the Company that it had not complied with Decision No. 62450's requirement to file Final Plans for the direct use of CAP water by the deadline. On August 2, 2011, Staff filed a second notification of compliance status that informed the Company that it should cease CAP surcharge collections and propose a mechanism to refund any monies remaining in the CAP account, and that any CAP funds collected since January 1, 2011 were collected in violation of a Commission Order.

1 On July 5, 2011, VWC docketed a request for extension of time to file the Final Plans
2 required by Decision No. 62450. On August 17, 2011, VWC withdrew this request for an extension.

3 On August 19, 2011, VWC filed a second request for extension of time until June 30, 2013 to
4 provide the Final Plans. The Company stated that a great deal of money has been spent attempting to
5 make a renewable water supply available to VWC, but not until recently has the City of Tucson
6 expressed a willingness to wheel CAP water across the Tucson valley.

7 On October 31, 2011, Staff filed a memorandum which recommended denying the
8 Company's request for extension of time for providing the Final Plans, and recommended that the
9 Company file a Status Update by November 15, 2011, to clarify that the Company has ceased
10 collecting the CAP charges and to propose a refund mechanism.

11 On November 15, 2011, VWC filed a Status Update regarding various matters relating to its
12 efforts to import CAP water for use in the Company's service area. The Company discusses its
13 actions taken in 2011 in response to Staff's inquiries, and reports that the Company has had, and
14 continues to have, discussions with Tucson Water for a CAP water wheeling agreement. The
15 Company stated it suspended billing CAP Service Charges and collecting CAP Hook-up fees, and
16 proposed a refund plan.

17 In an Open Meeting on December 1, 2011, the Commission passed a Motion to reopen
18 Docket No. W-01651B-99-0406 and Decision No. 62450, in order to refer the matter to the Hearing
19 Division to take testimony to determine a plan going forward to accomplish the goal of obtaining the
20 direct use of CAP water in VWC's service area; whether there should be a refund of CAP surcharges;
21 whether penalties should be assessed against the Company for the violation of Commission Order;
22 and consideration of the Company's request for time extension.

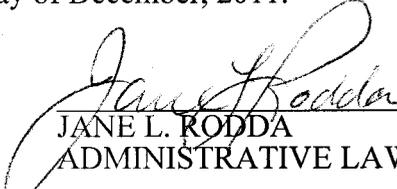
23 A Company representative and its legal counsel were present at the December 1, 2011, Open
24 Meeting. The Company stated at that time that it had ceased collection of the CAP charges and
25 would hold all CAP fees which remain in the CAP account in a constructive trust until further order
26 of the Commission.

27 IT IS THEREFORE ORDERED that a **Procedural Conference** for the purpose of discussing
28 procedures and timeline for considering the amendment of Decision No. 62450 as directed by the

1 Commission in its December 1, 2011 Open Meeting, shall commence on **December 14, 2011, at**
2 **10:00 a.m., or as soon thereafter as is practical, at the Commission's Tucson Office, Room 222,**
3 **400 West Congress St., Tucson, Arizona.**

4 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
5 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
6 hearing.

7 DATED this 2nd day of December, 2011.

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9 
10 JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

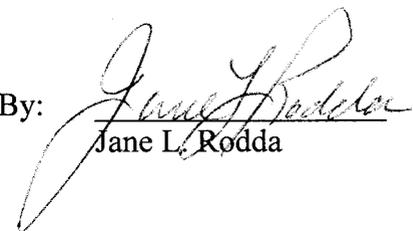
11 Copies mailed this ___ day
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By: 
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