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AZ CORP COMMISSION  
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

7 AJF CUSTOM HOMES, LLC., an Arizona )  
8 Limited Liability Company, )  
9 Complainant, )  
10 vs. )  
11 DESERT HILLS WATER COMPANY, Inc., )  
12 An Arizona Corporation, )  
13 Respondent. )

DOCKET NO. W-02124A-04-0416

ANSWER

Arizona Corporation Commission  
DOCKETED

JUN 25 2004

DOCKETED BY

13 Desert Hills Water Company, Inc. ("Desert Hills" or the "Company"), by and through  
14 undersigned counsel, respectfully states the following in Answer to the Complaint of AJF Custom  
15 Homes, LLC, ("AJF"):

- 16 1. Desert Hills admits Paragraphs 2, 4, 5, 8, 13, 14, and 15 of the Complaint.
- 17 2. Desert Hills admits Paragraphs 9, 10, and 11, but alleges that it was not fully aware of the facts  
18 pertaining to the parcels at the referenced times.
- 19 3. Desert Hills denies Paragraphs 6, 7, 12, and 16 of the Complaint.
- 20 4. Desert Hills is without sufficient knowledge of the allegations contained in Paragraphs 1, 3, 17,  
21 18, 19, 20 to admit said allegations, and therefore denies same.
- 22 5. Desert Hills denies each and every allegation not specifically admitted herein.
- 23

AFFIRMATIVE DEFENSE

- 6. On information and belief, Desert Hills alleges that the subject lots are being developed as part of an illegal subdivision, and therefore the Company is not obligated to contribute to that you illegal activity by providing the requested service.
- 7. Respondent is uncertain as to what, if any, other affirmative defenses may exist pursuant to Rule 8(d), Arizona Rules of Civil Procedure, and therefore adopts by reference each and every affirmative defense there set forth.
- 8. Desert Hills alleges that service to the subject lots is not required at this time because Complainant has not met to the requirements of ACRR R 14-403 (C) 2, 4, and 5.

COUNTERCLAIM

- 9. Desert Hills has limited production, storage, transmission, and pressure capacities in the vicinity of the subject lots. The Commission’s Rules and Regulations, and good utility practice, require that the Company not commit to serving additional customers, which service would result in the deterioration in service to existing customers, whether immediately or within the foreseeable future. Any additional demand placed on the system is clearly the responsibility of the new customers. The Company is ready, willing, and able to service this area within its Certificate of Convenience and Necessity, consistent with long-standing and well-reasoned policy of having growth pay for growth. This area is adjacent to a relatively small transmission line from a relatively small storage tank, and is generally up-hill from the point of interconnection. Nor would service to Lots 14 and 15 be served through an essential "looped" system. The Company cannot service the area with adequate volume, pressure, or fire flow without the customer a providing a tank site, storage and pressure facilities, and a distribution system that interconnects to other transmission lines to assure reliable service. The owner of the entire 100 plus lot

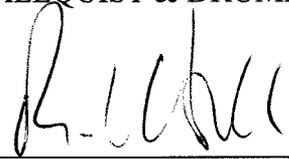
1 subdivision approached the Company regarding service to the entire area and was advised of the  
2 required facilities, including a cost estimates for those facilities. Apparently to avoid that cost,  
3 and the subdivision process through the Arizona Department of Real Estate, that developer has  
4 elected to proceed on a "lot-split" development basis that the Company cannot adequately serve  
5 without additional facilities. Whether by a single developer, or an informal group of lot owners,  
6 a solution for the entire tract must be arranged before the Company can provide service. The  
7 Company would urge the Commission to condition any service to that area on such an  
8 arrangement under the Company's standard refundable Line Extension Agreement, consistent  
9 with the Commission's Rules and Regulations, and as approved by the Commission Staff.

10 WHEREFORE, having fully answered the Complaint, Respondent respectfully prays for  
11 judgment against the Complainant as follows:

- 12 1. That the Complaint be dismissed and the Complainant take nothing thereby;
- 13 2. That the Complainant be ordered to request water service from the Company only  
14 under a Commission approved Line Extension Agreement consistent with the  
15 Commission's Rules and Regulations; and
- 16 3. For such other and further relief as the Commission deems just and proper.

17 Respectfully submitted this 25<sup>th</sup> day of June, 2004

18 SALLQUIST & DRUMMOND, P.C.

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Original and fifteen copies of the foregoing filed this 25<sup>th</sup> day of June, 2004, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Copies of the foregoing hand delivered/mailed this 25<sup>th</sup> day of February, 2004 to:

Hearing Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Legal Division  
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