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1 FENNEMORE CRAIG  
A Professional Corporation  
2 Jay L. Shapiro  
3003 North Central Avenue  
3 Suite 2600  
Phoenix, Arizona 85012  
4 Telephone (602) 916-5000

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AZ CORP COMMISSION  
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Arizona Corporation Commission  
**DOCKETED**

MAR 11 2005

DOCKETED BY

5 Attorneys for Johnson Utilities Company

6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7 IN THE MATTER OF THE APPLICATION  
8 OF JOHNSON UTILITIES COMPANY FOR  
AN EXTENSION OF ITS EXISTING  
9 CERTIFICATE OF CONVENIENCE AND  
NECESSITY FOR WATER AND  
10 WASTEWATER SERVICE.

DOCKET NO. WS-02987A-04-0288

**JOHNSON UTILITIES COMPANY'S  
RESPONSE TO STAFF REPORT**

11  
12 Applicant Johnson Utilities Company ("JUC") hereby files its response to the Staff Report  
13 dated March 4, 2005 in this docket. Specifically, JUC's response is limited to suggesting an  
14 alternative to Staff's recommended condition number 7 (Staff Report at 11). For the reasons  
15 explained below, JUC respectfully suggests that its alternative condition will serve the same  
16 purpose and protect the public interest in the same manner as Staff's proposed condition.

17 **RESPONSE**

18 In the Staff Report, Staff raises the issue of a recent lawsuit brought against George  
19 Johnson, President of JUC, Johnson International and several other Johnson-owned entities by the  
20 State of Arizona. (Staff Report at 9-10). Although JUC disagrees with Staff's characterization of  
21 these entities as "financial affiliates"—chiefly, because it is unclear what the term means, JUC  
22 agrees that it shares common ownership and control with the defendants in the lawsuit. Of  
23 course, it is the position of those defendants that the State's allegations, including its public  
24 pronouncements, are, at best, exaggerated and misleading. More importantly, however, as the  
25 Staff Report reflects, JUC was not named in the La Osa Ranch lawsuit and none of the State's  
26 claims "include actions taken as a public service corporation." (Staff Report at 9.) Put bluntly,

1 JUC does not believe the action brought by the State has any impact on, or relationship to, this  
2 docket or JUC's ongoing operations.

3           Nevertheless, JUC is acutely aware of the Commission's broad view of its duty to protect  
4 the public interest and concurs with Staff that JUC needs to assure the Commission that the  
5 State's lawsuit against Mr. Johnson, et al, will not detrimentally impact JUC's ratepayers. For  
6 this reason, JUC has promised to provide information on the relationship between Johnson  
7 International and JUC, and does not oppose Staff's recommendation that JUC provide quarterly  
8 reports on the status and events in the La Osa Ranch litigation. (Staff Report at 9-11). Nor does  
9 JUC oppose filing additional information regarding any relationships and transactions between  
10 JUC and the entities named in the La Osa Ranch litigation. However, Staff's recommendation  
11 that JUC voluntarily comply with A.A.C. R14-2-801 *et seq.* by filing affiliated interest reports is  
12 overbroad.

13           Instead, JUC proposes that it be required to make a filing containing the following  
14 information regarding each of the defendants in the La Osa Ranch litigation:

- 15           1.     The name, home office location and description of any of the entities that  
16                 are named as defendants in the lawsuit, their relationship to each other and  
17                 JUC, and the general nature of their business.
- 18           2.     A brief description of the business activities conducted by any entity  
19                 identified in number 1 above.
- 20           3.     A description of plans for the entities identified in number 1 above to  
21                 modify or change business activities, enter into a new business venture or  
22                 to acquire, merge or otherwise establish a new business entity.
- 23           4.     An assessment of the effect of current and planned affiliated activities by  
24                 each entity identified in number 1 on JUC's capital structure and its ability  
25                 to attract capital at fair and reasonable rates.

26



1 COPY hand-delivered this 11<sup>th</sup> day of March, 2005:

2 Dwight Nodes, Assistant Chief Administrative Law Judge  
3 Hearing Division  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 Tim Sabo, Esq., Staff Attorney  
8 Legal Division  
9 Arizona Corporation Commission  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

12 Jim Fisher, Executive Consultant  
13 Utilities Division  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

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23  
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By: Mary House  
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