

ORIGINAL



0000023579

BEFORE THE ARIZONA CORPORATION COMMISSION

30T

COMMISSIONERS

- JEFF HATCH-MILLER – Chairman
- WILLIAM A. MUNDELL
- MARC SPITZER
- MIKE GLEASON
- KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF PALO VERDE UTILITIES COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-04-0767

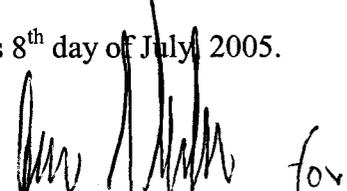
IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-04-0767

STAFF'S NOTICE OF FILING DIRECT TESTIMONY

Staff of the Arizona Corporation Commission hereby files the Direct Testimony of Blessing Nkiruka Chukwu, of the Utilities Division, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 8<sup>th</sup> day of July 2005.

  
 David M. Ronald  
 Attorney, Legal Division  
 Arizona Corporation Commission  
 1200 West Washington Street  
 Phoenix, Arizona 85007  
 (602) 542-3402

The original and thirteen copies of the foregoing were filed this 8<sup>th</sup> day of July, 2005 with:

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

Copy of the foregoing were mailed this 8<sup>th</sup> day of July, 2005 to:

Raymond S. Heyman, Esq.  
Michael W. Patten, Esq.  
One Arizona Center  
400 East Van Buren Street  
Suite 800  
Phoenix, Arizona 85004

AZ CORP COMMISSION DOCUMENT CONTROL

2005 JUL - 8 P 1:33

RECEIVED

1 Christopher Kempley, Chief Counsel  
Legal Division

2 Arizona Corporation Commission  
1200 West Washington Street  
3 Phoenix, Arizona 85007

4 Lyn Farmer, Chief Hearing Officer  
Hearing Division

5 Arizona Corporation Commission  
1200 West Washington Street  
6 Phoenix, Arizona 85007

7 Ernest Johnson, Director  
Utilities Division

8 Arizona Corporation Commission  
1200 West Washington Street  
9 Phoenix, Arizona 85007

10 

11 Angela L. Bennett, Secretary to  
David M. Ronald

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

**BEFORE THE ARIZONA CORPORATION COMMISSION**

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MARC SPITZER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

IN THE MATTER OF THE APPLICATION OF )  
PALO VERDE UTILITIES COMPANY )  
FOR AN EXTENSION OF ITS CERTIFICATE )  
OF CONVENIENCE AND NECESSITY )  
\_\_\_\_\_ )

DOCKET NO. SW-03575A-04-0767

IN THE MATTER OF THE APPLICATION OF )  
SANTA CRUZ WATER COMPANY )  
FOR AN EXTENSION OF ITS CERTIFICATE )  
OF CONVENIENCE AND NECESSITY )  
\_\_\_\_\_ )

DOCKET NO. W-03576A-04-0767

DIRECT

TESTIMONY

OF

BLESSING NKIRUKA CHUKWU

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 8, 2005

**TABLE OF CONTENTS**

	<u>Page</u>
Introduction.....	1
Background.....	3
Staff's Position.....	6

**EXECUTIVE SUMMARY  
PALO VERDE AND SANTA CRUZ  
DOCKET NOS. SW-03575A-04-0767 AND W-03576A-04-0767**

This testimony provides Staff's position as ordered by the June 2, 2005 Procedural Order regarding the performance bond requirement imposed on Palo Verde Utilities Company, L.L.C. ("Palo Verde") and Santa Cruz Water Company L.L.C. ("Santa Cruz") (collectively referred to as "The Utilities") by Decision No. 67240 (September 23, 2004) and Decision No. 67830 (May 5, 2005).

Staff's position remains the same as was recommended in the May 28, 2004 Supplemental Staff Report; which was subsequently adopted and clarified in the July 19, 2004 Settlement Agreement entered into with the Utilities and GWR, in which the Utilities and GWR agreed to Staff's recommendations. The ultimate obligation of the Commission is to protect the public interest. To that end, Staff believes that the imposition of the performance bonds with a total value of \$750,000 for each system for a period of at least two years from the effective date of Decision No. 67240; the requirement for the maintenance of the bonds until such time as the Commission approves a reduction request; and the requirement to provide evidence on a quarterly basis of the maintenance of the required performance bonds by filing of a letter of bond confirmation are reasonable conditions, to ensure the Utilities are conducting their business operations in a manner which will not compromise the interest of the customers.

1 **Introduction**

2 **Q. Please state your name, business address, by whom and where you are employed**  
3 **and in what capacity.**

4 A. My name is Blessing Nkiruka Chukwu. My business address is 1200 West Washington  
5 Street, Phoenix, Arizona 85007. I am employed by the Utilities Division ("Staff") of the  
6 Arizona Corporation Commission ("ACC" or "Commission") as an Executive Consultant  
7 III.

8  
9 **Q. Please describe your educational and professional background.**

10 A. I received a B.Sc. in Accounting and a M.B.A. in Finance from the University of Central  
11 Oklahoma. I was employed for over eight years by The City of Oklahoma City ("City")  
12 in various capacities. For approximately eight years of my employment with the City, I  
13 was an Administrative Aide with the responsibility of overseeing the various  
14 Environmental Protection Agency's mandates on Stormwater Quality within the  
15 Corporate City limits. Prior to being an Administrative Aide, I was a Budget Technician  
16 where I was responsible for reviewing, analyzing, and recommending budget requests  
17 and/or proposed budget, fund transfers, appropriations and/or any other budget related  
18 issues proposed by assigned departments. Prior to joining the Commission, I was  
19 employed by the Oklahoma Corporation Commission ("OCC") for five years in the  
20 Public Utility Division, where I held various Public Utility Regulatory Analyst positions  
21 of increasing responsibilities. My responsibilities at the OCC included processing of  
22 applications consisting of rates and charges, streamline tariff revisions and requests for  
23 Certificates of Convenience and Necessity filed by local exchange telecommunications  
24 companies, payphone providers, resellers, and operator service providers. I also reviewed  
25 mergers and acquisitions, Interconnection Agreements (including Arbitrations), and

1 performed special projects as requested by the Director of Public Utility Division and/or  
2 the Commissioners.

3  
4 **Q. How long have you been employed with the ACC?**

5 A. I have been employed with the ACC since May 27, 2003.

6  
7 **Q. What are your responsibilities as an Executive Consultant III?**

8 A. I perform special projects for the Director's Office which include, but are not limited to,  
9 serving on the case teams; development of policies and procedures for appropriate  
10 regulatory oversight of public utilities; and writing Staff Reports and Testimony.

11  
12 **Q. Have you testified previously before this Commission?**

13 A. Yes, I have testified before this Commission.

14  
15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to provide Staff's position as ordered by the June 2, 2005  
17 Procedural Order regarding the performance bond requirement imposed on Palo Verde  
18 Utilities Company, L.L.C. ("Palo Verde") and Santa Cruz Water Company L.L.C.  
19 ("Santa Cruz") (collectively referred to as "The Utilities") by Decision No. 67240  
20 (September 23, 2004) and Decision No. 67830 (May 5, 2005).

21  
22 **Q. Please describe Palo Verde and Santa Cruz.**

23 A. Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs"), in good  
24 standing with the Commission's Corporation Division, and engaged in providing  
25 wastewater and water utility services, respectively, in portions of Pinal County, Arizona.

1 The Utilities are wholly-owned subsidiaries of Global Water Resources, LLC (“GWR”).  
2 GWR is a utility holding company, formed as an LLC, and is engaged in the business of  
3 acquiring utility companies. GWR’s subsidiaries provide utility service to over 10,000  
4 customers in Arizona.

5  
6 **Background**

7 **Q. Would you please describe the procedural history of the imposition of the**  
8 **performance bond?**

9 A. On August 18, 2003, the Utilities jointly filed an application in Docket Nos. SW-  
10 03575A-03-0586 and W-03576A-03-0586 seeking to extend their Certificates of  
11 Convenience and Necessity (“CC&N”) to various specified areas in Pinal County,  
12 Arizona. On February 5, 2004, the Utilities disclosed, through a Monthly Status Report  
13 filed pursuant to Decision No. 66394 (October 6, 2003), that Mr. Michael Reinbold had  
14 resigned as the president of the Utilities, and that GWR had acquired 100 percent of the  
15 Utilities’ membership interests. On March 30, 2004, the Commission discussed the  
16 Recommended Opinion and Order on the extension request and directed the Hearing  
17 Division to conduct additional hearings regarding GWR’s structure and qualifications.  
18 Subsequently, a Procedural Order was issued on March 31, 2004, requiring GWR to file,  
19 “at a minimum, the structure and qualifications of GWR, underlying ownership interests  
20 of other individuals companies, willingness to abide by reasonable ongoing oversight of  
21 GWR and the Utilities’ operations, and other relevant issues related to the ownership and  
22 operations of Palo Verde and Santa Cruz.” On April 14, 2004, the Utilities filed their  
23 testimony addressing the organizational structure and qualifications of GWR and on  
24 April 28, 2004, the Utilities filed articles of amendment to the LLCs naming Mr. Trevor  
25 Hill as the President and manager for the Utilities. On April 30, 2004, Staff met with Mr.

1 Hill, President of the Utilities and informed him of Staff's concern that GWR/Utilities'  
2 April filing was non-responsive to a number of issues Staff had discovered in the course  
3 of reviewing GWR's acquisition of the LLC membership interests in the Utilities per the  
4 instruction of the Commission. Staff's review of GWR found that three of the principals  
5 in GWR, Mr. Trevor Hill, its President, Mr. Leo Commandeur, the Secretary and  
6 Treasurer, and Mr. Graham Symmond, its Vice President of Compliance, had all been  
7 previously associated with Hill, Murray and Associates, ("HMA") a wastewater facilities  
8 design and build firm based in Vancouver, Canada. HMA was responsible for the  
9 construction of two problematic treatment plants in Powell River British Columbia and  
10 Iqaluit, Nunavut. The same individuals were later employed by Algonquin Water  
11 Resources, and left its employment at the same time, in the fall of 2003. Staff informed  
12 Mr. Hill of its findings and requested he address the issues in the docket. On May 14,  
13 2004, the GWR/Utilities filed the testimony of Mr. Hill and Ms. Cindy Liles addressing  
14 among other things, Mr. Hill's history in HMA. In order to provide assurance that  
15 customers will be protected, Staff recommended in its May 28, 2004 Supplemental Staff  
16 Report and clarified in a Settlement Agreement between the Utilities, GWR, and Staff on  
17 July 19, 2004, among other things, that Palo Verde and Santa Cruz be required to each  
18 post performance bonds with a total value of \$750,000 for each system and maintain the  
19 said bond for a period of at least two years and maintain the bonds until such time as the  
20 Commission approves a reduction request. On September 23, 2004, the Commission  
21 issued Decision No. 67240, which authorized the Utilities to extend their service  
22 territories to include approximately 600 acres consistent with the associated conditions  
23 required by the Commission. The conditions included, among other things, a  
24 requirement for the Utilities to increase their current performance bonds to \$750,000  
25 each, maintain such bonds for a minimum of five years, and to provide evidence on a

1           quarterly basis of the maintenance of the required performance bond by filing of a letter  
2           of bond confirmation. The Commission further required the Utilities to submit quarterly  
3           reports documenting compliance with all Arizona Department of Environmental Quality  
4           ("ADEQ"), Arizona Department of Water Resources ("ADWR"), and Commission  
5           requirements. The Commission also required GWR, the Utilities' parent company, to file  
6           an Acquisition Schedule describing each acquisition GWR makes in a utility. The  
7           Utilities and GWR were also ordered to notify the Commission of any proposed change  
8           in the ownership of their membership interests (including transfer or additional  
9           memberships), prior to execution, through filing of a Notice of Intent (which indicates the  
10          filing is made pursuant to Decision No. 67240). On January 27, 2005, the Utilities filed  
11          Proof of Performance Bonds ("Proof") in compliance to Decision No. 67240. On May 9,  
12          2005, the Commission issued Decision No. 67830, in Dockets Nos. SW-03575A-04-0767  
13          and W-03576A-04-0767, which authorized the Utilities to extend their service territories  
14          to include approximately 5,000 acres consistent with the associated conditions required  
15          by the Commission. The conditions included, among other things, a requirement for the  
16          Utilities to maintain their current performance bonds of \$750,000 each until at least  
17          September 23, 2009, (five years from the effective date of Decision No. 67240) and to  
18          provide evidence on a quarterly basis of the maintenance of the required performance  
19          bond by filing of a letter of bond confirmation. During the discussions of Docket Nos.  
20          SW-03575A-04-0767 and W-03576A-04-0767 at the Commission's May 3, 2005 Open  
21          Meeting, questions were raised regarding the need for maintaining the \$750,000  
22          performance bond by the Utilities. By a Procedural Order issued on June 2, 2005, Staff  
23          was directed to file the instant testimony regarding its position on the performance bond  
24          requirement.

1 **Q. Have the Utilities posted performance bonds as required by Decision No. 67240?**

2 A. Yes, as mentioned above, on January 27, 2005, the Utilities filed Proof of Performance  
3 Bonds in compliance to Decision No. 67240. The Proof included riders increasing the  
4 bonds issued by Travelers Casualty and Surety Company of America from \$368,000 to  
5 \$750,000 for Palo Verde (Bond No. 104367406) and from \$332,000 to \$750,000 for  
6 Santa Cruz (Bond No. 104367407).

7  
8 **Staff's Position**

9 **Q. What is Staff's position on the performance bond requirement?**

10 A. Staff's position remains the same as was recommended in the May 28, 2004  
11 Supplemental Staff Report; which was subsequently adopted and clarified in the July 19,  
12 2004 Settlement Agreement entered into with the Utilities and GWR, in which the  
13 Utilities and GWR agreed to Staff's recommendations. The ultimate obligation of the  
14 Commission is to protect the public interest. To that end, Staff believes that the  
15 imposition of the performance bonds with a total value of \$750,000 for each system for a  
16 period of at least two years from the effective date of Decision No. 67240; the  
17 requirement for the maintenance of the bonds until such time as the Commission  
18 approves a reduction request; and the requirement to provide evidence on a quarterly  
19 basis of the maintenance of the required performance bonds by filing of a letter of bond  
20 confirmation are reasonable conditions, to ensure the Utilities are conducting their  
21 business operations in a manner which will not compromise the interest of the customers.

22

1 **Q. Is there any additional information that Staff would like to bring to the Court's**  
2 **attention?**

3 A. Yes. According to the Utilities Division Compliance Section, the Utilities have no  
4 outstanding ACC compliance issues.

5  
6 **Q. Does this conclude your direct testimony?**

7 A. Yes, it does.