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2006 APR -7 P 4: 35

AZ CORP COMMISSION  
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April 7, 2006

Ernest G. Johnson, Esq.  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Avenue  
Phoenix, Arizona 85007

Re: Arizona Water Company CC&N Application, Docket No. W-01445A-06-0199

Dear Mr. Johnson:

Certain subsidiaries of Global Water Resources, LLC (together with its subsidiaries, "Global") are filing a motion to intervene in the above docket. In the course of reviewing Arizona Water Company's ("AWC") application in this docket, we noted several items which would cause AWC's Application to be insufficient pursuant to A.A.C. R14-2-402. These items are:

**1. Requests for Service.** AWC's Application attaches 57 requests for service. But only five of the requests are addressed to AWC. These five requests cover 197 acres (approximately). Yet the AWC Application is for 108 sections (approximately) -- more than 69,000 acres. Thus, AWC has submitted requests for service covering less than 3/10ths of 1% of the requested area. Requests for service are a core requirement for sufficiency. Rarely, if ever, has a utility fallen so far short of this core requirement.

AWC tries to deflect attention away from the fact that it has no requests for service for 99.7% of the extension area by submitting 52 requests addressed to a completely different utility -- Global. There is no indication that any of these parties wish service from AWC. Moreover, these letters request both water and wastewater service from Global. Historically, AWC has steadfastly refused to provide integrated water and wastewater service, and AWC does not propose to provide such integrated service in this case. Because these 52 letters to Global request an integrated service AWC refuses to provide, they have no relevance to AWC's request to provide water-only service. These 52 letters are addressed to a different utility and concern a different service. They should not be considered for the purposes of this case.

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Indeed, the Commission should reject AWC's application based solely on this fact. To accept these letters as valid for AWC is to invite every utility to troll for requests directed to other utilities, and then hijack them to support their own extension applications, regardless of whether the service requested by the landowner and the service the utility proposes to provide are identical, and regardless of whether the landowner wants to deal with the utility.

AWC's submission of these 52 letters raises an important policy issue. AWC is seeking to add these areas to its CC&N without the consent of the landowners, who have expressed a preference for doing business with someone else. During the open meeting on the Woodruff case, several commissioners noted the importance of landowner choices. For example, Commissioner Gleason noted that "it's important that people be allowed to do business with whom they want to do business..."(Open Meeting Transcript, Docket No. W-04264A-04-0438 et al, at 21). Likewise, Commissioner Spitzer stated that "the property owner ought to have some say in how utility service is provided..." (Id. at 109). In that case, AWC requested areas where the request for service was directed to another utility. The Commission rejected that approach, noting the landowners had not requested that "their properties be included in the CC&N extension that AWC seeks." Decision No. 68453 (February 2, 2006) at Finding of Fact No. 129(2). AWC's use of these 52 letters is directly contrary to a Commission Decision involving AWC that is only a few weeks old. And it is directly contrary to the important principle of landowner rights. Thus, Staff should not consider these 52 letters in reviewing the sufficiency of AWC's application.

The Commission has long dealt with contested CC&N areas. But this case can be resolved simply. There is no dispute among the landowners as to which utility would best serve the area. Nor do the utilities provide the same service, as AWC declines to provide wastewater service. Nearly 50,000 acres have absolutely no one requesting service of any kind. Over 19,000 acres have requested integrated service from Global. Only 197 acres have requested water-only service from AWC. To accept AWC's application is to subvert the reasoning behind requiring requests for service and to render the concept void. The Commission may be plagued with additional "land grab" applications in the future if this approach is deemed legitimate. The Commission must still deal with the problems resulting from allowing such land grabs in the past. There is no reason to return to that failed practice.

Moreover, even if Staff for some reason accepted the 52 letters addressed to Global, AWC would still fall far short of the mark. The 52 letters relate to Global's pending CC&N application in Docket Nos. SW-03575A-05-0926 and W-03576A-05-0926 (the "Global Docket"). Global carefully obtained a request for service for each and every acre at issue in the Global Docket. Global seeks to extend its water CC&N by 19,373 acres (approximately 30 sections) and its wastewater CC&N by 25,554 acres (approximately 40 sections). (See Global Docket Application, Exhibit 1). If Global's requests for service (water) of 19,373 acres are

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added to AWC's requests of 197 acres, the total is only 19,570 acres – far short of the more than 69,000 acres requested by AWC. Indeed, the shortfall is more than 49,430 acres.

Global's requested wastewater extension area covers about 10 more sections than the wastewater extension area. (Id.) As Global explained in its application, this is because AWC already has a water CC&N for those additional 10 sections. Yet, in AWC's Application, it submitted requests relating to these 10 sections – i.e. for areas where AWC already has a CC&N.

Indeed, AWC submitted all 52 requests for service to Global from the Global Docket. This includes the requests from LLF Stanmar Estates, LLC; Langley Farm Investments, LLC; Big Trail, LLC; Lonely Trail 780, LLC; ROB-LN Marketing; ABCDW, LLC; TOM-T, LLC; T Farms, LLC; and TTTT Farms, LLC. But these properties are within AWC's existing CC&N. These requests have no relevance to this case. Clearly, requests for service relating to an existing CC&N area cannot be used to justify an extension area.

Under any analysis, AWC falls far short of having the required requests for service. Its Application is thus insufficient. See Staff Insufficiency Letter to AWC dated July 21, 2005 in Docket No. W-01445A-05-0469, Item No. 8. Moreover, AWC does not explain who will be providing wastewater service to its proposed extension area.

**2. Notice.** The Commission has a well-known and well-justified concern that the public be given adequate notice of proceedings, including CC&N proceedings. Accordingly, a utility is required to mail notice to "all property owners in the proposed extension area." See ACC Water CC&N Extension Form, at Instruction 7. Yet AWC states that it will only provide notice by mail to the property owners who provided the 57 requests for service. AWC Application ¶ 10. This means that the owners of the remaining 49,430 acres or more will not receive notice. That is not acceptable given the Commission's concern for notice.

**3. Water Supply.** AWC did submit some information concerning a Physical Availability Determination ("PAD") by the Department of Water Resources. (AWC Application at ¶ 7). But AWC submitted no analysis that the PAD amount will be sufficient to serve the vast extension area in years to come. This is why the Commission requires applicants to provide a Certificate of Assured Water Supply ("CAWS") or a Designation of Assured Water Supply ("DAWS"). AWC submitted neither document. Historically, AWC has always refused to obtain DAWS.

In its Application, AWC was required to submit a CAWS or DAWS. See ACC Water CC&N Extension Form at ¶ M(5). Sometimes, Staff will accept information about the status of pending applications for CAWS or DAWS in lieu of this requirement. But AWC has provided no such information. In the absence of even status information, AWC's application is

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insufficient. See Staff Insufficiency Letter to AWC dated November 3, 2005 in Docket No. W-01445A-05-0701, Item No. 7; Staff Insufficiency Letter to AWC dated July 21, 2005 in Docket No. W-01445A-05-0469, Item No. 8; Staff Insufficiency Letter to AWC dated November 12, 2004 in Docket No. W-01445A-04-0773, Item No. 2.

The CAWS are issued to developers. As noted above, AWC has requests for service for only a tiny fraction of its requested area. It is unlikely that AWC will be able to provide the required CAWS as it has no formal business relationship with the developers of the more than 19,000 acres at issue in the Global Docket. Nor does AWC appear to have such a relationship with the developers, if any, in the nearly 50,000 acres which have no requests for service directed to either utility.

Moreover, ADWR issues the CAWS to developers on a development-by-development basis, looking at cumulative demand. This leaves the question of water availability for the entire area unanswered for many years. In contrast to AWC, Global's Santa Cruz Water Company has a DAWS. Under the DAWS, new areas are not added on a piecemeal, development-by-development basis. Instead, Santa Cruz will demonstrate water availability for its entire requested CC&N area at the same time.

The vast size of AWC's proposed extension area makes a determination of assured water supply even more critical. Global has fast growing water, wastewater and reclaimed water systems in Pinal County. These integrated services promote water conservation. In contrast, AWC only provides water service. Global has a reclaimed water master plan, which is part of Global's comprehensive overall effort to promote the efficient use of scarce water resources. In contrast, AWC has no such plans. Given the importance of water issues to the future of Pinal County, we recommend that Staff pay close attention to water supply and conservation issues in this case.

**4. Proposed facilities.** AWC fails to include any description of the proposed "plant, property or facility proposed to be constructed", as required by A.A.C. R14-2-402(A)(2)(c). Further, AWC did not submit a "complete description of the facilities proposed to be constructed, including preliminary engineering specifications", as required by A.A.C. R14-2-402(A)(2)(d). Likewise, AWC failed to give the proposed starting and finishing dates for construction, as required by A.A.C. R14-2-402(A)(2)(j). See also ACC Water CC&N Extension Form at ¶ L.

**5. Cost.** AWC fails to include any estimate of the cost of the proposed facilities, as required by A.A.C. R14-2-402(A)(2)(f). See also ACC Water CC&N Extension Form at ¶ J. AWC certainly did not provide an "itemized cost breakdown" of the proposed facilities, as is

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often required by Staff. See e.g. Staff Insufficiency Letter to AWC dated November 3, 2005 in Docket No. W-01445A-05-0701.

**6. Financial Projections.** AWC failed to provide the "estimated annual operating revenues and expenses" related to the extension area as required by A.A.C. R14-2-402(A)(2)(i). See also ACC Water CC&N Extension Form at ¶ I(3) and (4).

**7. Estimated Customers.** AWC provided an estimated number of customers at the end of five years. (AWC Application ¶ 6). But AWC failed to provide estimates for Years 1, 2, 3 and 4. AWC was required to provide the "estimated number of customers for each of the first five years of operation." A.A.C. R14-2-402(A)(2)(m); see also ACC Water CC&N Extension Form at ¶ I(1). Moreover, the Year 5 information AWC did provide was not broken down by customer class. (Id.) Further, AWC did not submit projections of annual water consumption for each of the first five years. See ACC Water CC&N Extension Form at ¶ I(2).

**8. Contact Information.** AWC failed to list the name and address of its President and its Secretary, as required for all corporations by A.A.C. R14-2-402(A)(2)(a). Further, AWC failed to list the contact information for its management contact. See ACC Water CC&N Extension Form at ¶ B. AWC also failed to provide contact information for its ADEQ certified operator. See ACC Water CC&N Extension Form at ¶ C. AWC's Application is therefore insufficient. See e.g. Staff Insufficiency Letter to AWC dated November 3, 2005 in Docket No. W-01445A-05-0700, Item No. 1.

**9. ADEQ Approvals.** AWC did not provide the ADEQ "approval to construct" for any of the proposed facilities. See ACC Water CC&N Extension Form at ¶ M(3). Nor did AWC indicate the status of any application for such an approval. AWC's application is therefore insufficient. See Staff Insufficiency Letter to AWC dated November 3, 2005 in Docket No. W-01445A-05-0701, Item No. 6.

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I hope that this information is helpful as Staff conducts its sufficiency review. If you have any questions, please feel free to call me.

Very truly yours,



Michael W. Patten

MWP:mi

cc: Chairman Jeff Hatch-Miller  
Commissioner William A. Mundell  
Commissioner Marc Spitzer  
Commissioner Mike Gleason  
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ACC Docket Control