

ORIGINAL



0000052285

**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

AZ CORP COMMISSION  
DOCUMENT CONTROL

2006 MAY -1 P 3:13

RECEIVED

**IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. W-01157A-05-0706**  
**WEST END WATER COMPANY FOR )**  
**EXTENSION OF EXISTING CERTIFICATE ) NOTICE OF FILING TESTIMONY**  
**OF CONVENIENCE AND NECESSITY ) OF RICHARD WILLIAMS**  
**)**

The City of Surprise hereby gives notice that the Testimony of Richard Williams is attached and has been filed this same date.

Dated this 1<sup>st</sup> day of May, 2006.

OSBORN MALEDON, P.A.

By 

Joan S. Burke  
Danielle D. Janitch  
2929 North Central Avenue, Suite 2100  
Phoenix, Arizona 85012-2793  
(602) 640-9000  
jburke@omlaw.com  
djanitch@omlaw.com  
Attorneys for the City of Surprise

Original and thirteen (13) copies of  
the foregoing were filed this 1<sup>st</sup> day of  
May, 2006, with:

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

Copies of the foregoing mailed this  
1<sup>st</sup> day of May, 2006, to:

J. Scott Rhodes, Esq.  
Jennings, Strouss & Salmon, PLC  
201 E. Washington St., 11<sup>th</sup> Floor  
Phoenix, AZ 85004-2385

Amy Bell Bjelland  
Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

David Ronald, Staff Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Blessing Chukwu  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

  
\_\_\_\_\_

**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 ) DOCKET NO. W-01157A-05-0706  
OF WEST END WATER COMPANY FOR )  
EXTENSION OF EXISTING )  
CERTIFICATE OF CONVENIENCE AND )  
NECESSITY )  
\_\_\_\_\_ )  
 )  
 )  
 )

**TESTIMONY**

**OF**

**RICHARD WILLIAMS**

**ON BEHALF**

**OF**

**THE CITY OF SURPRISE**

**MAY 1, 2006**

**Table of Contents**

I. INTRODUCTION AND QUALIFICATIONS..... 1  
II. PURPOSE AND SCOPE OF TESTIMONY.....2  
III. THE CITY OF SURPRISE WATER AND SEWER SERVICE PLANNING.....2  
IV. OPPOSITION TO THE COMPANY'S APPLICATION .....6  
V. RESPONSE TO THE APRIL 21, 2006 STAFF REPORT.....7

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS**

A. My name is Richard Williams. My business address is Surprise Water Services Department, 12425 West Bell Road, Suite D 100, Surprise, AZ 85374-9002.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by the City of Surprise as Director of the Surprise Water Services Department.

**Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND TRAINING?**

A. I have been the Director of the Surprise Water Services Department for the past ten years. Prior to that, I was employed at the City of Avondale as the Chief Water Reclamation Facility Operator from approximately 6/94 to 7/95.

I have over thirty years of combined water and wastewater experience, ongoing years of water and wastewater training, and I hold the following current ADEQ operator certifications: Grade 4 Water Distribution System Operator, Grade 3 Water Treatment Plant Operator, Grade 4 Wastewater Treatment Plant Operator and Grade 4 Wastewater Collection System Operator. I received a Technical Certification from the Southern Maine Vocational Technical Institute.

**Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF THE SURPRISE WATER SERVICES DEPARTMENT?**

A. I administer, manage and oversee all water and sewer service related issues within the City of Surprise and its associated General Planning Area ("GPA"). These duties include but are not limited to: infrastructure master planning, development agreements related to infrastructure, design, construction and perpetual operation and maintenance of City owned facilities. I report directly to the City of Surprise Assistant City Manager's office. In my capacity as Director, I frequently perform economic, demographic, financial and market analysis related to water and sewer services for the City of Surprise and its GPA. This includes analysis for water and sewer service areas that are currently served by the City of Surprise, as well as

1 water and sewer service areas that will be served by the City of Surprise in the  
2 future.

3  
4 **Q. PLEASE DESCRIBE ANY OTHER RELEVANT WORK EXPERIENCE.**

5 A. My first employment in Arizona was working as the General Manager for a small  
6 private water/wastewater contract operating company. While I served as General  
7 Manager, the company contracts grew over 100%. Therefore, I am experienced with  
8 planning for and dealing with the various challenges that water and wastewater  
9 service providers face when confronted with a rapidly growing service area.

10  
11 While working in New England, I was responsible for operation, expansion, billing  
12 and collection related to my employer's water systems.

13  
14 **II. PURPOSE AND SCOPE OF TESTIMONY**

15  
16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

17 A. The purpose of my direct testimony is to:  
18 1. Describe the City of Surprise's plans for providing water and sewer services  
19 within its GPA;  
20 2. Explain why West End Water Company's Application to expand its existing  
21 CC&N should be denied; and  
22 3. Respond to the April 21, 2006 Staff Report.

23  
24 **Q. HAVE YOU REVIEWED THE APRIL 21, 2006 STAFF REPORT FILED IN THIS**  
25 **CASE, AS WELL AS THE WEST END WATER COMPANY'S OCTOBER 4, 2005**  
26 **APPLICATION, JANUARY 4, 2006 LETTER, AND JANUARY 30, 2006 LETTER?**

27 A. Yes.

28  
29 **III. THE CITY OF SURPRISE WATER AND SEWER SERVICE PLANNING**

30  
31 **Q. WHY DID THE CITY OF SURPRISE INTERVENE IN THIS CASE?**

32 A. The City of Surprise owns the City of Surprise Water Services Department, which  
33 provides water services, through the use of a subcontractor, and sewer services to  
34 City residences and businesses. Further, the City of Surprise shortly will be

1 providing sewer services to not only City residences and businesses, but also to  
2 many residences and businesses presently located outside of the City but within its  
3 GPA. The City of Surprise anticipates providing water and sewer services to the  
4 area targeted by the West End Water Company for future service. The City of  
5 Surprise and its citizens will be directly and substantially affected by the outcome of  
6 the requested extension because West End Water Company's Application seeks  
7 authority to provide water utility service to an area that is within the City of Surprise's  
8 planned annexation area and which the City intends to serve.

9  
10 **Q. IS THE AREA THAT WEST END WATER COMPANY HAS TARGETED FOR**  
11 **FUTURE WATER SERVICE ("THE REQUESTED AREA") WITHIN THE CITY OF**  
12 **SURPRISE'S GPA?**

13 A. Yes. The Requested Area is presently within the City of Surprise's GPA. Further,  
14 the City of Surprise intends to move diligently in annexing land within its GPA.  
15 Pursuant to that strategy, it anticipates that the entire GPA will be annexed by no  
16 later than 2020.

17  
18 **Q. WHAT IS THE CURRENT STATUS OF ANNEXATION WITHIN THE CITY OF**  
19 **SURPRISE'S GPA?**

20 A. Today, there are annexation projects ongoing throughout the GPA, as shown by the  
21 Tentative Annexation Map, prepared on March 24, 2006, attached hereto as Exhibit  
22 A. For example, it is expected that Annexation Areas B and H will be annexed within  
23 the next four months and Annexation Areas A, C, E, F, G and J will be annexed  
24 shortly thereafter.

25  
26 **Q. WHAT IS THE CITY OF SURPRISE'S PLAN FOR ANNEXING THE REQUESTED**  
27 **AREA?**

28 A. The Requested Area is part of the Walden Ranch development. As stated above,  
29 the City intends to move diligently in annexing the entire GPA, which would include  
30 the entire Walden Ranch development. Currently, the southern boundary of the  
31 Walden Ranch development is within 1 mile of the City of Surprise's corporate city  
32 limits. However, the City of Surprise expects to complete the annexation of two other  
33 nearby developments, Sun Haven Ranch and Asante North, by July 2006, as well as  
34 the annexation of certain State Trust lands by later this year. When these

1 annexations are completed, the City of Surprise's corporate limits will be within 1/2  
2 mile on the north and east of Walden Ranch development.

3  
4 At this time, the City is conducting short term planning for annexation of the  
5 Requested Area, including researching whether to approach annexation from the  
6 south or east following the anticipated July 2006 annexation. (See Exhibit A.)  
7 Devising a fixed annexation solution at this time, prior to the completion of the  
8 anticipated July 2006 annexations, is difficult because the surrounding area is highly  
9 fragmented, with multiple landowners.

10  
11 **Q. HOW IS WATER SERVICE PRESENTLY PROVIDED TO THE CITY OF SURPRISE**  
12 **AND ITS GPA?**

13 A. Presently, in addition to the City of Surprise Water Services Department, ten private  
14 water companies and one additional municipality provide services within the City of  
15 Surprise and its GPA. Attached hereto as Exhibit B is a map showing these water  
16 providers and their respective service areas. West End Water Company is one of  
17 the ten private water companies.

18  
19 **Q. IS THE CITY OF SURPRISE WATER SERVICES DEPARTMENT PLANNING TO**  
20 **EXPAND ITS SERVICE AREA IN THE FUTURE?**

21 A. Yes. The City of Surprise has adopted a General Plan, Infrastructure Master Plan,  
22 and Water Resources Master Plan. Under these plans, the City of Surprise  
23 anticipates that the City of Surprise Water Services Department will become the  
24 water service provider in the GPA to all areas not currently served by existing legal  
25 private water companies.

26  
27 Consistent with these plans, the City of Surprise Water Services Department recently  
28 agreed to enter into a Pre-Annexation Development Agreement with the proposed  
29 Broadstone Ranch development, located in Special Planning Area 5 of the GPA,  
30 approximately one mile north of the Walden Ranch development. (See Exhibit A.)  
31 Under this agreement, the City of Surprise has agreed to provide water service to  
32 any areas of the Broadstone Ranch development that are not currently covered by  
33 an existing legal water Franchise or CCN, and sewer services to the entire  
34 Broadstone Ranch development, prior to annexation of Broadstone Ranch

1 development. In return, Broadstone Ranch development has agreed to work to  
2 expedite its annexation into the City of Surprise. This effort to provide water and  
3 sewer services outside the City limits, until annexation is possible, is expected to  
4 continue throughout the GPA.  
5

6 **Q. HOW IS SEWER SERVICE PRESENTLY PROVIDED TO THE CITY OF SURPRISE**  
7 **AND ITS GPA?**

8 A. Presently, in addition to the City of Surprise Water Services Department, one private  
9 sewer company, Arizona American, provides services within the City of Surprise and  
10 its GPA. Attached hereto as Exhibit C is a map showing these sewer providers and  
11 their respective service areas.  
12

13 Further, the City of Surprise has been designated as the sewer service provider for  
14 all future development within its entire GPA, as it identified and included all GPA  
15 lands within the City of Surprise's "Maricopa Association of Government" Section 208  
16 Sewer Service Planning Area. Arizona American, the only competing sewer provider  
17 within the GPA, has no current plans to expand its sewer services to add additional  
18 customers within the City of Surprise GPA.  
19

20 **Q. HOW WILL SEWER SERVICES BE PROVIDED TO THE REQUESTED AREA?**

21 A. The Requested Area is within the City of Surprise's "Maricopa Association of  
22 Government" Section 208 Planning Area. Therefore, the City of Surprise Water  
23 Services Department will provide sewer services to the Requested Area once sewer  
24 facilities are constructed and available.  
25

26 While awaiting permanent sewer facilities, the Walden Ranch development (within  
27 the Requested Area) will use-temporary, on-site septic systems (approved by the  
28 Maricopa County Environmental Services Department) and dry on-site sewer lines  
29 will also be installed. Once the City's regional sewer system infrastructure is  
30 available, the temporary septic systems will be properly abandoned and the on-site  
31 dry sewers will be connected to the City's regional sewer collection system.  
32

1 **IV. OPPOSITION TO WEST END WATER COMPANY'S APPLICATION**

2  
3 **Q. WHAT IS THE CITY OF SURPRISE'S POSITION CONCERNING EXPANSION OF**  
4 **EXISTING PRIVATE WATER COMPANY SERVICE AREAS WITHIN THE GPA, AS**  
5 **WELL AS THE CREATION OF NEW PRIVATE WATER COMPANIES SEEKING**  
6 **TO PROVIDE WATER SERVICES WITHIN THE GPA?**

7 A. The City of Surprise vigorously opposes both. The City of Surprise Water Services  
8 Department is planning to be the water provider to all areas in the GPA (which the  
9 City of Surprise anticipates will be entirely annexed by 2020) not currently served by  
10 existing legal private water companies.

11  
12 **Q. WHY IS INTEGRATED MUNICIPAL WATER AND SEWER SERVICE IN THE**  
13 **LONG-TERM INTEREST OF ALL RESIDENTS AND BUSINESSES WITHIN THE**  
14 **GPA?**

15 A. Having one, integrated municipal water and sewer service provider, as opposed to a  
16 dozen, or so, small, private water service providers and a separate municipal sewer  
17 service provider is in the long-term interest of all residents and businesses within the  
18 GPA. An integrated system will:

- 19 o best promote water and wastewater policy goals;
- 20 o ensure uniform pricing across the City;
- 21 o provide an immediate assured water supply;
- 22 o provide an immediate CAP allotment;
- 23 o provide reclaimed water for reuse and recharge purposes;
- 24 o provide enhanced regulatory compliance/enforcement through
- 25 reduced providers;
- 26 o reduce customer confusion;
- 27 o provide a strong sense of customer security;
- 28 o promote unified water conservation efforts by the City;
- 29 o facilitate the City's economic development plans; and
- 30 o minimize the risk of local area shortages.

31  
32 Long term water use and distribution goals can be better met by an integrated utility  
33 that distributes clean water and efficiently uses and distributes reclaimed water.

34 Consequently, when assessing competing applications to serve an area, the

1 Commission should (barring exceptional circumstances not present in this case)  
2 select the public utility that provides integrated water *and* wastewater services. The  
3 integrated City of Surprise utilities will provide the best long term solution to the water  
4 and sewer requirements within the GPA of the City of Surprise.  
5

6 **Q. CAN WEST END WATER COMPANY PROVIDE INTEGRATED WATER AND**  
7 **SEWER SERVICE IN THE REQUESTED AREA?**

8 A. No. Only the City of Surprise can offer integrated services.  
9

10 **V. RESPONSE TO THE APRIL 21, 2006 STAFF REPORT**  
11

12 **Q. DO YOU AGREE WITH STAFF'S POSITION ON THIS MATTER?**

13 A. No. Staff's April 21, 2006 Report merely notes that the City of Surprise intervened in  
14 this case before recommending approval of the West End application subject to  
15 several conditions. The City of Surprise believes that Staff should consider whether  
16 the City of Surprise Water Services Department would not be better suited to service  
17 the Requested Area given the above information.  
18

19 **Q. DO YOU HAVE AN COMMENTS ABOUT WEST END WATER COMPANY'S**  
20 **WITTMANN SYSTEM'S 19 PERCENT WATER LOSS, NOTED ON PAGE 5 OF**  
21 **THE STAFF REPORT?**

22 A. Yes. It is my belief that municipal owned water systems typically provide better  
23 water conservation than privately owned water companies. The high percentage of  
24 water loss by West End Water Company is illustrative. West End Water Company  
25 operates an older water system, which is prone to more water loss than more  
26 recently built systems. Because the West End Water Company is a private company  
27 and is subject to Arizona Corporation Commission regulation, it operates at a  
28 disadvantage. A municipal water company, unlike a private water company, does  
29 not need to apply to the Arizona Corporation Commission to obtain rate increases  
30 and to fund improvements, replacements or rehabilitation. Also, a municipal water  
31 provider serves solely to benefit the long and short term interests of its customers. A  
32 private water company must, by definition, be a profitable investment over the long-  
33 term for its owners. Thus, the private water company makes system improvement  
34 decisions with one eye on customer needs and the other eye on shareholder

1 tolerance for low investment returns. The absence of these pressures makes it  
2 easier for municipal owned water providers to build, maintain, and run more efficient  
3 water systems. Here, the City of Surprise Water Services Department operates  
4 newer water systems with less water loss than the West End Water Company.  
5

6 **Q. DOES THE WEST END WATER COMPANY PROPOSE DUAL WATER SYSTEMS,**  
7 **WITH BOTH POTABLE AND NON-POTABLE SYSTEMS, WITHIN THE**  
8 **REQUESTED AREA?**

9 A. From reviewing the West End Water Company's application and related filings, it  
10 does not appear to be proposing a dual water system for the Requested Area.  
11

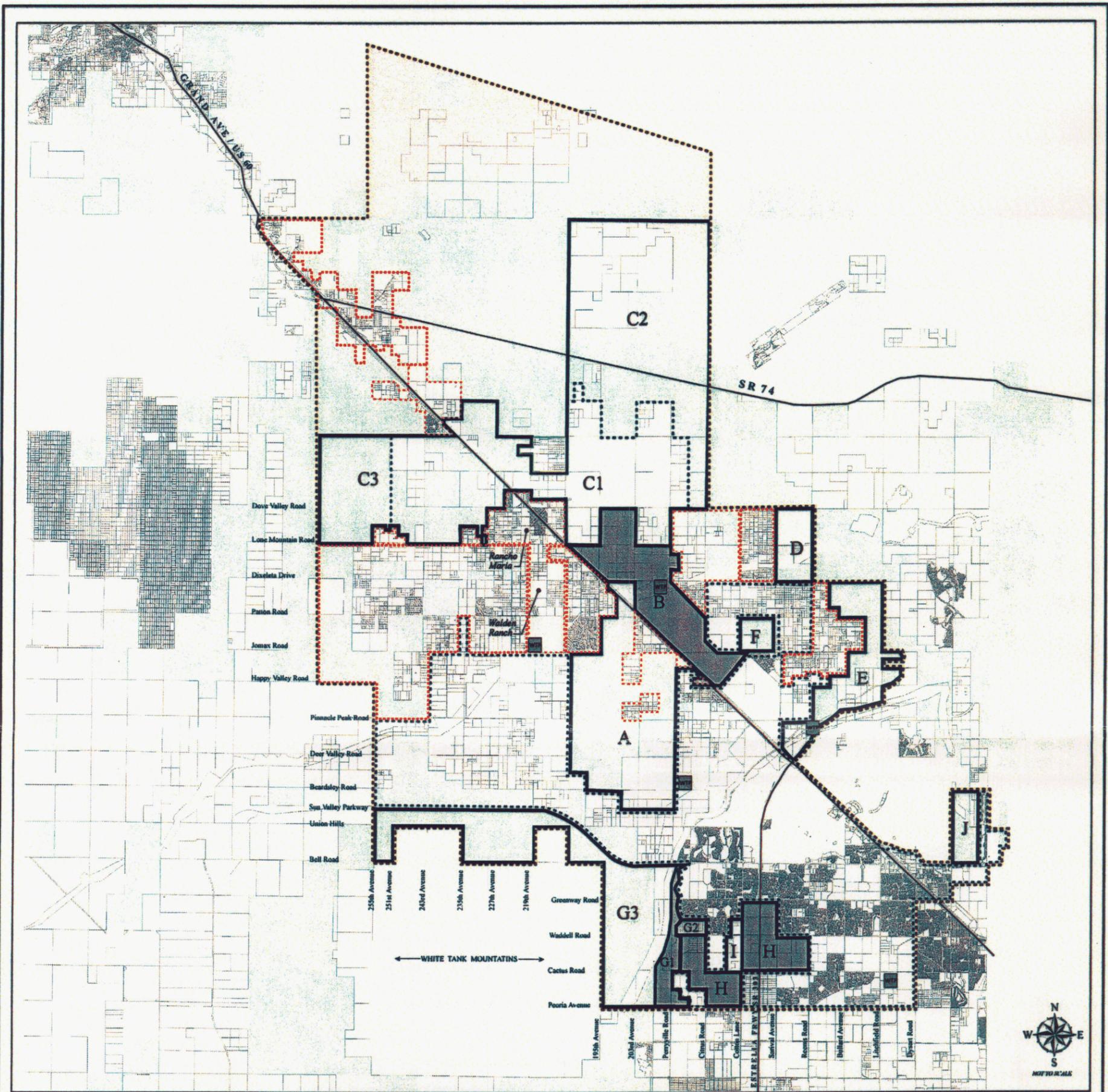
12 **Q. IF THE CITY OF SURPRISE WATER SERVICES DEPARTMENT WERE TO**  
13 **SERVICE THE REQUESTED AREA, WOULD IT REQUIRE A DUAL WATER**  
14 **SYSTEM?**

15 A. Although it is not yet formalized by a vote of the City Council, City of Surprise Water  
16 Services Department policy is to require dual water systems in all new service areas.  
17 Currently, the City of Surprise Water Services Departments is working with ongoing  
18 development in Special Planning Areas 2 and 3 to accelerate standardization of dual  
19 water systems. Should the City of Surprise Water Services Department provide  
20 service to the Requested Area, it will make its best efforts for such a dual system to  
21 be built.  
22

23 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

24 A. Yes, it does.  
25  
26

A



### CITY OF SURPRISE TENTATIVE ANNEXATION MAP

**LEGEND**

- State Lands
- Bureau of Land Management
- Annexations in Progress
- Short Term Research Area
- Long Term Research Area
- Incorporated Area
- General Planning Area
- WTP Wastewater Treatment Plant

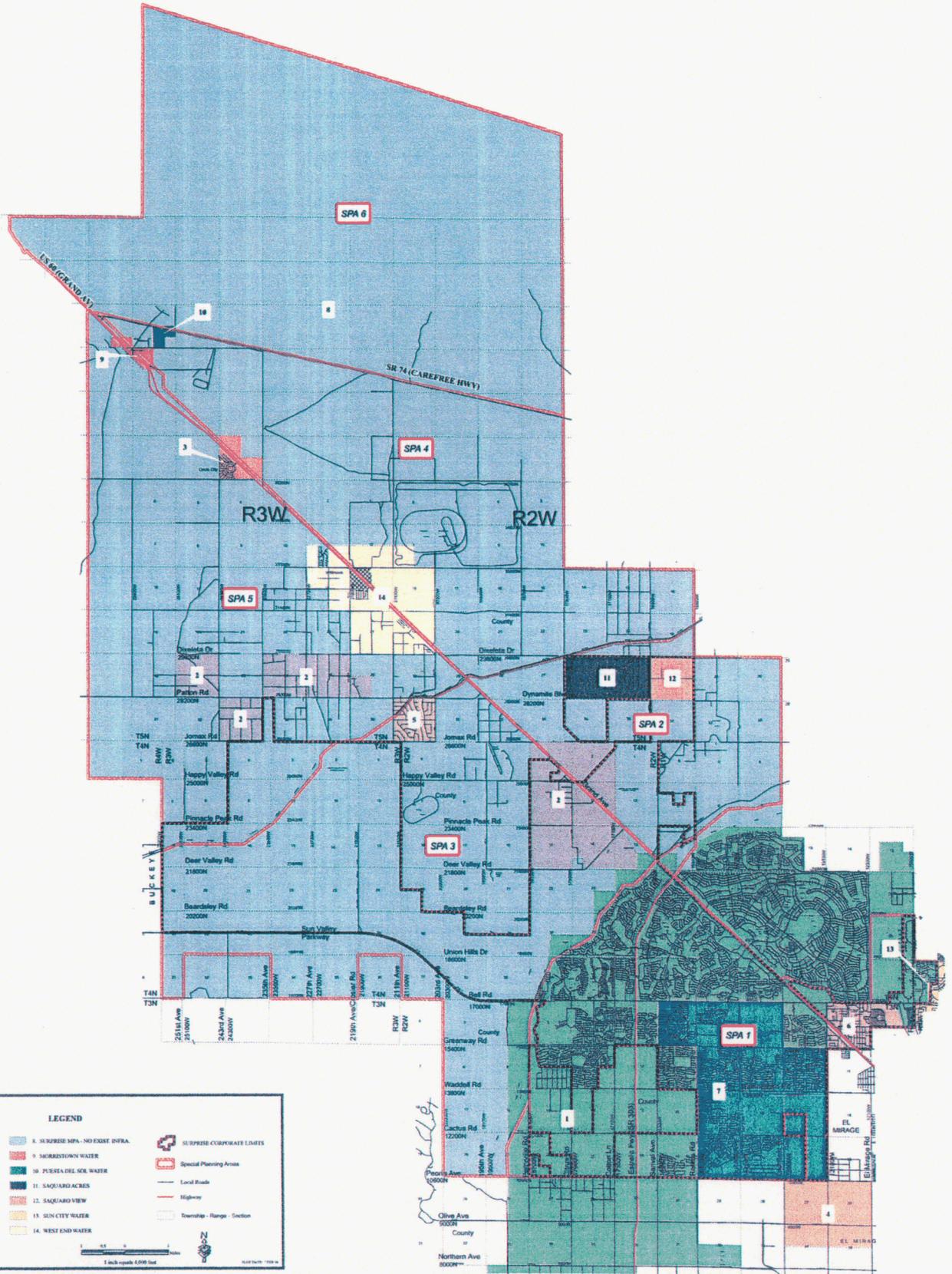
Note: Letters designate annexation areas shown on the above map.

Area	Annexation Projects
A	Voivo Proving Grounds, Northwest Regional Landfill
B	Asante North, Sunhaven Ranch
C1	Chrysler Proving Grounds, Wittman Ranch, Broadstone Ranch, BNSF, Grand Oasis, Nelson 160
C2	LakePleasant 5000
C3	State Lands
D	Marisol Ranch
E	Rancho Mercado
F	Sunrise Ranch
G1	Zanjero Trails
G2	Waddell Haciendas
G3	State Lands
H	Prasada
I	County Island Infill
J	River Bottom



**B**

# WATER PROVIDERS in the CITY of SURPRISE GENERAL PLAN AREA

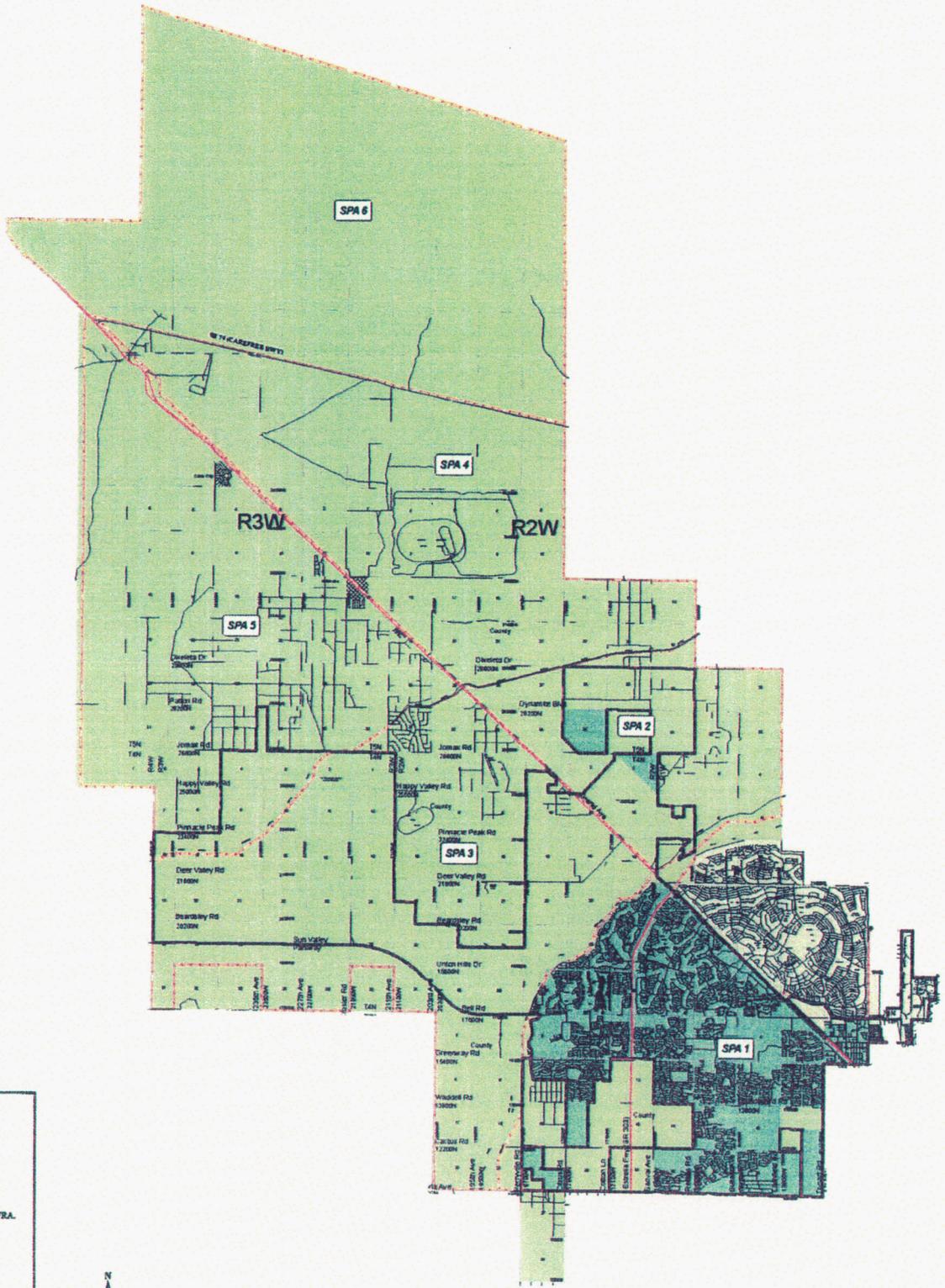


For additional information contact the City of Surprise Water Services Dept. at 623-875-4290.  
NOTE: The City of Surprise makes no claims concerning the accuracy of the data provided nor assumes any liability resulting from the use of the information herein.

C



# Sewer Providers for City of Surprise General Planning Area



**LEGEND**

**SEWER PROVIDERS**

- ARIZONA AMERICAN
- SURPRISE SGA - EGST INFRA.
- SURPRISE MPA - NO EXIST INFRA.

Special Planning Areas

Surprise Corporate Limits

LOCAL ROADS

HIGHWAY

Township - Range - Section

PLAT 0003 170000



For additional information contact the city of Surprise Water Services Dept. at 623-875-4290.  
NOTE: The City of Surprise makes no claims concerning the accuracy of the data provided nor assumes any liability resulting from the use of the information here-in.