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BEFORE THE ARIZONA CORPORATION COMMISSION

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

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 AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
 WEST END WATER COMPANY FOR AN
 EXTENSION OF ITS CERTIFICATE OF
 CONVENIENCE AND NECESSITY.

DOCKET NO. W-01157A-05-0706

APPLICANT'S RESPONSE TO FILED TESTIMONY BY INTERVENOR SURPRISE

The Applicant, West End Water Co. ("WEWC"), by and through undersigned counsel, hereby responds to the filed testimony of Richard Williams, Director of the Surprise Water Services Department ("Surprise"), on behalf of Surprise. Mr. Williams' written testimony was filed May 1, 2006 (the "Williams Testimony").

WEWC IS READY, WILLING, AND ABLE TO SERVE THE EXPANSION AREA.

The Walden Ranch development is nearly seventy percent (70%) within WEWC's existing CC&N. Therefore, Surprise's intervention and attempt to block the application for expansion would result in residents within the proposed development receiving water services from two entities. This result would be far from achieving the uniform and integrated system that the City of Surprise alleges it desires to promote.

1 WEWC, for the reasons set forth in the Application, is currently ready and capable
2 of extending its water delivery system to Walden Ranch. In stark contrast, the southern
3 boundary of Walden Ranch is 1.5 miles from the current city limit (not “within one mile”
4 as stated by Mr. Williams in his testimony). (See Williams Testimony, at 3, line 31.)
5 Moreover, the Williams testimony admits that there is no current plan to annex the
6 Walden Ranch development; indeed, there is no expectation for annexation, only a mere
7 speculation that annexation could occur “by no later than 2020.” Thus, Surprise asks the
8 Arizona Corporation Commission (“Commission”) to deny the application of an existing
9 water company, whose service area covers seventy percent (70%) of the proposed
10 Walden Ranch development, only because Surprise speculates that sometime in the next
11 fourteen (14) years it will annex the development and be prepared to provide it with fully
12 integrated utility services.

13 Even assuming that the proposed annexations stated in the Williams testimony
14 actually occur (see Williams Testimony, at 3, lines 20-24), the new city boundaries will
15 then still be approximately 1.25 miles from the portion of Walden Ranch that is the
16 subject of this Application.

17 It is particularly telling and demonstrative of Surprise’s aggressive intervention in
18 this case that its General Planning Area (“GPA”) encompasses approximately 359 square
19 miles. Within that substantial geographic area, Mr. Williams admits that ten (10) private
20 water companies and one (1) municipality already serve the City of Surprise. Indeed,
21 upon information and belief, those entities currently serve far more water customers than
22 does the City of Surprise.

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1 of temporary septic tanks. Second, at an unidentified time in the future, Surprise will
2 connect those homes to a wastewater treatment system. The initial phase, however,
3 would not be necessary if Surprise were truly concerned about the customers receiving
4 integrated services.

5 In effect, Surprise would force the 1,162 residential customers in Walden Ranch
6 who will live within the existing WEWC service area to receive non-integrated services,
7 all so Surprise can force 425 customers inside the expansion area not to receive water
8 service from WEWC, and also force those customers to wait for Surprise eventually to
9 provide both water and wastewater treatment service.
10

11 Surprise should not be allowed to create, exacerbate, or prolong the legal
12 conditions that serve as the basis for its opposition to this Application. In a level playing
13 field, WEWC would be not only ready and willing, but would also be legally able, to
14 provide a dual, integrated utility service. Surprise, however, will not allow that to
15 happen.
16

17 Similarly, Surprise should not be allowed to create a condition of non-uniform,
18 non-integrated water utility service within the same development. That is exactly what
19 will happen, however, if Surprise's intervention succeeds. Instead of having a single
20 water company deliver water under regulated rates to the entire Walden Ranch
21 development, seventy percent (70%) of the development will be subject to WEWC's
22 regulated service and rates, while thirty percent (30%) will be subject to the whims of
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1 Surprise's rate structures and its admitted inability to provide current service to the
2 development.

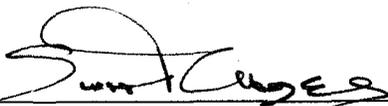
3 **SURPRISE'S CONCERN OVER WATER LOSS SHOULD NOT AFFECT THE**
4 **RESULT.**

5 WEWC, like Surprise, is concerned about lost and/or unaccounted for water.
6 Notwithstanding the implications of the Williams Testimony, lost and/or unaccounted for
7 water has only recently become an issue for WEWC. Such lost and/or unaccounted for
8 water first exceeded ten percent (10%) in calendar year 2004, jumping unexpectedly to
9 seventeen percent (17%) for that year. WEWC has already indicated that it embraces the
10 Staff's proposed condition with respect to this issue. Indeed, WEWC has not waited for a
11 final determination on this Application before acting. Specifically, WEWC has already
12 made field investigations for leaks and/or unauthorized connections, finding none to date.
13 WEWC has also tested the well pump meter, finding it accurate. WEWC has also
14 initiated a meter replacement program targeting the oldest and highest use meters.
15 Approximately eight percent (8%) of the installed meter base will have been replaced by
16 the end of May, 2006. Finally, WEWC has requested a proposal from Heath Consultants
17 for a system-wide professional survey to locate leaks and unauthorized connections. To
18 date, WEWC's efforts have decreased the amount of lost and/or unaccounted for water to
19 fourteen and two tenths percent (14.2 %) from the most recent 12-month period.
20 Moreover, WEWC has master planned a new system to service Walden Ranch, including
21 the CC&N expansion area. WEWC fully expects lost and/or unaccounted for water to be
22 below five percent (5%) in the Walden Ranch development. Thus, the condition
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1 proposed by the Staff in respect to lost and/or unaccounted for water will be more than
2 sufficient to resolve the issue.

3 Dated this 9th day of May, 2006.

4 JENNINGS, STROUSS & SALMON, P.L.C.

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