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BEFORE THE ARIZONA CORPORATION COMMISSION

2006 JUL -6 P 4: 16

COMMISSIONERS

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

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION  
OF ARIZONA WATER COMPANY FOR  
AN EXTENSION OF THE SERVICE  
AREA UNDER ITS EXISTING  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER  
UTILITY SERVICES

Docket No. W-01445A-03-0559

**CERTIFICATE OF FILING OF  
REBUTTAL TESTIMONY  
AND EXHIBITS**

Arizona Water Company is today filing the rebuttal testimony and exhibits of its  
witness William M. Garfield.

RESPECTFULLY SUBMITTED this 6th day of July 2006.

**ARIZONA WATER COMPANY**

By: Robert W. Geake

Robert W. Geake  
Vice President and General Counsel  
Arizona Water Company  
P. O. Box 29006  
Phoenix, AZ 85038

And

Bryan Cave LLP  
Steven A. Hirsch  
Rodney W. Ott  
Two North Central, Suite 2100  
Phoenix, AZ 85004-4406  
Attorneys for Arizona Water Company

1 AN ORIGINAL and thirteen (13) copies of the Foregoing and attachments filed this 6<sup>th</sup>  
2 day of July 2006 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 W. Washington  
6 Phoenix, AZ 85007

7 And copies of the foregoing and attachments delivered this 6th day of July 2006 to:

8 Teena Wolfe  
9 Administrative Law Judge  
10 Hearing Division  
11 Arizona Corporation Commission  
12 1200 W. Washington  
13 Phoenix, AZ 85007

14 David Ronald, Staff Counsel  
15 Legal Division  
16 Arizona Corporation Commission  
17 1200 W. Washington  
18 Phoenix, AZ 85007

19 Jeffrey W. Crockett  
20 Snell & Wilmer  
21 One Arizona Center  
22 400 E. Van Buren  
23 Phoenix, AZ 85004-2202  
24 Attorneys for Cornman Tweedy 560, LLC

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By: Robert W. Beske

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

Jeff Hatch-Miller - Chairman  
William A. Mundell  
Marc Spitzer  
Mike Gleason  
Kristin K. Mayes

IN THE MATTER OF THE APPLICATION  
OF ARIZONA WATER COMPANY FOR AN  
EXTENSION OF ITS CERTIFICATE  
OF CONVENIENCE AND NECESSITY  
AT CASA GRANDE, PINAL COUNTY,  
ARIZONA

**DOCKET NO. W-01445A-03-0559**

**Rebuttal Testimony  
of  
William M. Garfield**

1 ARIZONA WATER COMPANY

2  
3 **Rebuttal Testimony of**  
4 **William M. Garfield**  
5

6 **Q. PLEASE STATE YOUR NAME, EMPLOYER AND OCCUPATION:**

7 A. My name is William M. Garfield. I am employed by Arizona Water Company (the  
8 "Company") as President.  
9

10 **Q. ARE YOU THE SAME WILLIAM M. GARFIELD THAT PREVIOUSLY**  
11 **SUBMITTED DIRECT TESTIMONY IN THIS CASE?**

12 A. Yes, I am.  
13

14 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
15 **MATTER?**

16 A. The purpose of my rebuttal testimony is to respond to the direct testimony of Jim  
17 Poulos on behalf of Cornman Tweedy 560, L.L.C. ("Cornman Tweedy") and to  
18 the Staff Report, both filed on June 12, 2006.  
19

20 **I. REBUTTAL TO CORNMAN TWEEDY'S DIRECT TESTIMONY**  
21

22 **Q. IN THE TESTIMONY OF CORNMAN TWEEDY VICE PRESIDENT JIM**  
23 **POULOS, HE TESTIFIES THAT, BECAUSE OF "CHANGED**  
24 **CIRCUMSTANCES", THE PROPERTY OWNED BY CORNMAN TWEEDY,**  
25 **WHICH IS IDENTIFIED IN EXHIBITS CT-1 AND CT-2 TO HIS TESTIMONY,**  
26 **SHOULD NOT BE INCLUDED IN THE EXTENSION OF THE COMPANY'S**  
27 **CERTIFICATED AREA ("CCN") THAT WAS APPROVED BY THE**  
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**COMMISSION IN DECISION NO. 66893. DO YOU AGREE WITH MR. POULOS?**

A. No, I do not. Mr. Poulos now states that Cornman Tweedy is holding for investment purposes the property it purchased from the Core Group. The Core Group had requested service from the Company before the Company filed its CCN application in this case. Mr. Poulos contends that simply because Cornman Tweedy, long after the CCN was granted, has apparently decided to defer development on its property within the Company's CCN, that property should be deleted from the Company's CCN. I completely disagree with this conclusion. As noted at page 3, lines 13-19 of Mr. Poulos's testimony, the scope of the hearing in this case is limited to "the circumstances and events that have resulted in Arizona Water not complying with the time periods established in Decision No. 66893", and the "hearing will not be a reopening of the Decision granting Arizona Water a CC&N". Much of Mr. Poulos's direct testimony goes beyond the limitations set out in the March 22, 2006 procedural order and is irrelevant to the issues in this proceeding. Moreover, his testimony confirms the Company's assertions that it did everything it could do to fulfill the CCN conditions and that Cornman Tweedy's own actions have made it impossible for the Company to complete those conditions at this time.

The Commission decided when it entered Decision No. 66893 on April 12, 2004 that it was in the public interest to approve an extension of the Company's CCN in this matter, and that there was a need for service to the properties now owned by Cornman Tweedy. Cornman Tweedy, which was not a party in that proceeding, did not participate in this matter until 2005, and has no legal standing now to challenge the Commission's conclusions on these issues. Whether

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Cornman Tweedy now plans to develop the property or hold it for investment and development later is completely irrelevant to this proceeding.

In addition, the use that Cornman Tweedy now claims for its property has no bearing on the circumstances and events that resulted in the Company's inability to comply with the post-Decision conditions in Decision No. 66893.

**Q. A letter dated April 21, 2004 from the Dermer Family Trust is attached to Mr. Poulos's testimony. Are you familiar with this letter?**

A. Yes. After Decision No. 66893 became final on April 12, 2004 the Dermer Family trust sent this letter to the Commission and sent a copy to the Company. In the letter, the Dermer Family trust, which has never been a party to this case, alleged that it owned property within the Company's CCN expansion area and did not receive notice of the hearing held in 2003 on the Company's application.

**Q. Did you take any action after the Company received a copy of the letter?**

A. Yes. I asked the Company's administrative staff to review the Company's records and they confirmed that a copy of the notice of the 2003 hearing in this matter was mailed to the correct address, that is, the address that was available from the records of the Pinal County Assessor, for the Dermer property. I also confirmed that the notice of hearing sent to the Dermers, which was sent by First Class United States Mail, was never returned to the Company as being undeliverable because of an incorrect address, or for any other reason.

1 **Q. What was your conclusion concerning the notice mailed to the Dermer**  
2 **Property?**

3  
4 A. The Company mailed a notice of the 2003 hearing (properly addressed with first  
5 class postage) to the Dermer Family Trust property in compliance with the  
6 Commission order that established the procedure for providing notice of the  
7 hearing and because the notice was not returned to the Company as  
8 undeliverable, the property owner must be deemed to have received it.

9  
10 **Q. Did you receive any oral or written communications from Commission Staff**  
11 **concerning the Dermer letter?**

12  
13 A. Yes. I received a telephone call from Paul Walker, advisor to Commissioner  
14 (then Chairman) Marc Spitzer shortly after receiving the Dermer letter.

15  
16 **Q. What was the subject and nature of the telephone call?**

17  
18 A. Mr. Walker asked me my impression of the Dermer letter. I said that the  
19 Company sent a notice to the Dermers, the address for the Dermers was correct,  
20 that the notice was not returned to the Company, and that there must be another  
21 reason why the Dermers were now belatedly objecting to the Company's CCN.  
22 Mr. Walker informed me that Mr. Poulos had visited the Commission offices, met  
23 with certain ACC Staff and was making inquiries about the Commission's  
24 Decision in this matter and the extent of the Company's new CCN. Mr. Walker  
25 had some indication that Robson or its affiliates were looking at purchasing  
26 property in the same area.

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**Q. What are your conclusions, based upon your review of Mr. Poulos's testimony, of Cornman Tweedy's cooperation with the Company concerning the Company's ability to file a certificate of assured water supply and main extension agreement for what is now the Cornman Tweedy property?**

A. Cornman Tweedy has refused to cooperate with the Company to complete the process of filing the certificate of assured water supply or entering into a main extension agreement. I will point out that Decision No. 66893 instructs the Company to file a copy of a certificate of assured water supply for two developments, as discussed in my testimony - Post Ranch and Florence Country Estates and a main extension agreement for the CCN expansion area. As also discussed in my direct testimony, the cooperation of both developers is required for the Company to comply with the Decision's conditions.

As noted in my direct testimony, the Post Ranch developer has cooperated with the Company, and the Company obtained, in February 2006, the certificate of assured water supply for the Post Ranch development. The Post Ranch developer will soon execute a main extension agreement for the Post Ranch development and the Company will file it with the Commission following its receipt.

In contrast, Mr. Poulos's testimony confirms that Cornman Tweedy never had any intention of cooperating with the Company in the Company's efforts to obtain a certificate of assured water supply or a main extension agreement for the Cornman Tweedy development.

1 **Q. Please describe your efforts to obtain the certificate of assured water**  
2 **supply and the main extension agreement from Cornman Tweedy.**

3  
4 A. I have had several communications with Mr. Poulos since April 2005. In  
5 particular, in early April 2005, Mr. Poulos, by telephone, stated that the  
6 Company's CCN was (in his opinion) now void and that Cornman Tweedy's sister  
7 company, Picacho Water Company, intended to provide water service to the  
8 property. The Company also sent a letter to Cornman Tweedy dated June 7,  
9 2006, requesting that it enter into the main extension agreement and complete  
10 the assured water supply process. Cornman Tweedy has not responded to this  
11 letter. (Exhibit WMG-14)

12  
13 **Q. Did anyone from Cornman Tweedy notify you at that time that they did not**  
14 **need water service for their development?**

15  
16 A. No. In fact, Mr. Poulos seemed very certain that the need for service would  
17 expand in the near future, but that Cornman Tweedy intended to have its own  
18 subsidiary, Picacho Water Company, take over the Company's CCN and serve  
19 the development.

20  
21 **Q. What actions did Cornman Tweedy take which show they need water**  
22 **service for their development?**

23  
24 A. Cornman Tweedy filed an application for an analysis of an assured water supply  
25 with the Arizona Department of Water Resources on October 18, 2004, which  
26 included the Florence Country Estates development (Exhibit WMG-15). This was  
27 a first step in obtaining certificates of assured water supply for a larger  
28 development, which Cornman Tweedy intended to develop. That is when

1 Cornman Tweedy first started to actively undermine the Company's request for  
2 an extension of time to comply with conditions in Decision No. 66893.

3  
4 Cornman Tweedy requested water service from Picacho Water Company (see p.  
5 13 of Mr. Poulos's testimony), on April 7, 2005. It is clear that Cornman  
6 Tweedy's intentions have always been to block the Company's efforts to  
7 successfully fulfill the conditions of Decision No. 66893. Cornman Tweedy knew  
8 that because of Cornman Tweedy's own actions, the Company would be  
9 prevented from satisfying those conditions.

10

11 **Q. Mr. Poulos testifies that Cornman Tweedy has no present plans to finish**  
12 **the process of obtaining a certificate of assured water supply. However, he**  
13 **also testifies that Cornman Tweedy has obtained an analysis of assured**  
14 **water supply from the Arizona Department of Water Resources for the**  
15 **Cornman Tweedy property that is included in the Company's CCN**  
16 **extension that was approved in Decision No. 66893. What is the**  
17 **significance of an analysis of assured water supply, as compared to a**  
18 **certificate of assured water supply, for the Cornman Tweedy property?**

19

20 **A.** First of all, Cornman Tweedy's decision not to complete the process the Florence  
21 Country Estates developer initiated to obtain a certificate of assured water supply  
22 for its property again confirms its determination to frustrate the Company's ability  
23 to comply with the conditions of Decision No. 66893. Also, Cornman Tweedy  
24 failed to inform the Company that it was filing an analysis of assured water  
25 supply with the Arizona Department of Water Resources (the "Department"). The  
26 Company learned about this filing after reviewing the Arizona Department of  
27 Water Resource's records.

28

1 Clearly, obtaining an analysis of assured water supply is a significant step toward  
2 development and it satisfies Staff's objective, which I will address below, that a  
3 water company this is granted a new CCN can show that adequate water is  
4 available for a development.

5  
6 An analysis of assured water supply not only proves that water supplies are  
7 adequate (assured) to serve a development which is the subject of such an  
8 analysis, but once approved by the Department, essentially locks up or allocates  
9 those physical supplies to those developments for at least ten years.  
10 Accordingly, the analysis of assured water supply for the Cornman Tweedy  
11 property has been approved by the Department, demonstrating adequate  
12 supplies for the development (Exhibit WMG-16).

13  
14 **Q. Mr. Poulos testified that the Company "has not been willing to engage in**  
15 **meaningful settlement discussions" with Cornman Tweedy. Do you agree**  
16 **with his assessment?**

17  
18 **A.** No, I do not. As directed by the Commission, the Company met and conferred  
19 with Cornman Tweedy representatives, Mr. Poulos and Peter Gerstman, Vice  
20 President and General Counsel, on July 12, 2005 to discuss these issues for  
21 approximately two and one-half hours at the Company's office attended by me,  
22 other Company officers and the Company's legal counsel. At that meeting, Mr.  
23 Poulos and Mr. Gerstman did not waver from their position that plans to develop  
24 the property were moving forward and that their subsidiary, Picacho Water  
25 Company, not the Company, would be the water provider.

1 **Q. Did Cornman Tweedy discuss the status of the certificate of assured water**  
2 **supply or request a main extension agreement?**

3  
4 A. No. Cornman Tweedy did not discuss the status of the certificate of assured  
5 water supply or request a main extension agreement.

6  
7 **Q. During the July 12, 2005 meeting, did anyone with Cornman Tweedy state**  
8 **that no water service was needed for the development or that it had been**  
9 **withdrawn from development?**

10  
11 A. No. To the contrary, they made it clear that Cornman Tweedy acquired the  
12 property for the purpose of developing it and was looking to acquire additional  
13 properties in the adjacent area for it to develop.

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16  
17 **Q. You testified that Cornman Tweedy requested water service from Picacho**  
18 **Water Company. Do you know, or did anyone from Cornman Tweedy**  
19 **explain to you, why they requested water service from Picacho Water**  
20 **Company?**

21  
22 A. It was clear from our discussions that Cornman Tweedy intended for its affiliate,  
23 Picacho Water Company, to serve its property.

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**Q. Did Picacho Water Company, Cornman Tweedy, or anyone else ever object to the extension of the Company's CCN while the Commission was considering the Company's CCN application in this case?**

A. No, none of these entities objected or intervened and the Company and the Staff were the only parties. In fact, Cornman Tweedy's predecessor, the developer of Florence Country Estates, actively supported the Company's CCN application.

**II. REBUTTAL TO THE STAFF REPORT**

**Q. What are your comments concerning the Staff Report filed on June 12, 2006?**

A. The conditions attached to CCN orders should be as few in number as possible, especially when they relate to matters outside the utility's control. The best procedure, in the Company's view, is for the Staff and the Commission to require as much information as necessary from the CCN applicant during the application and hearing process so that proceedings, such as the one in which we are now engaged, are not necessary. The Staff and the Commission should require the applicant to present the information they believe is necessary to satisfy the showing concerning the public interest but, once that is determined and the CCN is granted, as it was in this case, that should be the end of the inquiry and the conditions should be deemed satisfied.

Even so, if the Commission finds it necessary to continue to condition CCN orders, the Company recommends providing a longer time period (at least two years) to comply with the conditions that the Staff now supports. In addition,

1 where physical supplies are shown to be adequate such as in an analysis of  
2 assured water supply or a demonstration of physical availability, a certificate of  
3 assured water supply should not be required. The Company also agrees that it is  
4 not necessary to file main extension agreements as CCN conditions, as A.A.C.  
5 R14-2-406 already requires such agreements to be filed with the Commission for  
6 approval.

7  
8 Finally, the Company urges the Commission and Staff to acknowledge, both in  
9 formulating its recommendations on conditions and on extensions of time to  
10 comply with them, that the developer, not the utility, controls the compliance  
11 timetable. It is not sound regulatory policy to make a utility responsible for  
12 satisfying a condition that it does not control and, in effect, penalize the utility if  
13 the developer needs more time or, as in this case, especially where the  
14 developer can actively subvert the utility's efforts to fulfill the requirements in the  
15 Commission decision granting the CCN extension.

16  
17 **Q. The Staff Report suggests that Staff consider whether any changes in**  
18 **circumstances support the need for an extension of time for a utility to**  
19 **comply with the conditions in a CCN decision. Are there any such changes**  
20 **in circumstances in this case?**

21  
22 **A. Yes. The developer, Cornman Tweedy, has refused to cooperate with the**  
23 **Company to satisfy the conditions and has actively sought to interfere with and**  
24 **frustrate the Company's efforts to comply with those conditions. Cornman**  
25 **Tweedy caused the former owner of the Cornman Tweedy property who had**  
26 **requested service from Arizona Water and actively supported the Company's**  
27 **CCN application to withdraw its certificate of assured water supply application**  
28

1 and has failed to respond to the Company about entering into a main extension  
2 agreement.

3  
4 **Q. But doesn't Cornman Tweedy stand to benefit by cooperating with the**  
5 **Company to satisfy those conditions as expeditiously as possible?**

6 A. Yes, of course. Having an experienced and reliable water utility like Arizona  
7 Water Company authorized to provide service should be very beneficial to  
8 Cornman Tweedy and all of the water utility customers ultimately residing in the  
9 development. But, in this case, Cornman Tweedy is subverting the Company's  
10 efforts to comply with the conditions of the CCN decision in the misguided hope  
11 that the Commission will rescind the Company's CCN extension to pave the way  
12 for Cornman Tweedy's sister-company, Picacho Water Company, to apply for a  
13 CCN to take over the area the Commission already granted to the Company.  
14 Clearly, that motive is improper because it is intended to attack a final  
15 Commission decision granting the CCN to the Company.

16  
17 In addition, Mr. Poulos has failed to disclose his true motive – namely, that  
18 Cornman Tweedy seeks to have its sister company, Picacho Water Company,  
19 provide service to the Cornman Tweedy property.

20  
21 **Q. Are there any other changes in circumstances that would provide support**  
22 **for extending the time for the Company to provide the certificates of**  
23 **assured water supply and main extension agreements?**

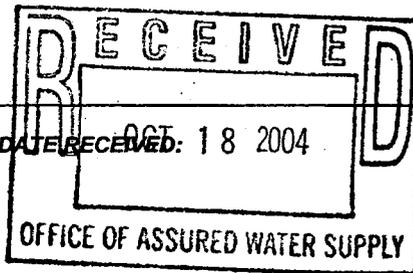
24  
25 A. Yes. In reliance on the Commission having granted the Arizona Water Company  
26 CCN extension in this case, a number of other landowners and developers have  
27 contacted the Company for water utility service to their developments within this  
28 CCN. They are: JBC Development, Storey Farms, AG Robertson, Springwater

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Pointe, LLC, Hacienda Estates and Hacienda Highlands, as discussed on pages 13-14 of Michael J. Whitehead's direct testimony in this matter.

**Q. Does this complete your rebuttal testimony?**

**A. Yes, it does.**



**ARIZONA DEPARTMENT OF WATER RESOURCES**

OFFICE OF ASSURED AND ADEQUATE WATER SUPPLY

500 NORTH THIRD STREET

PHOENIX, ARIZONA 85004-3903

(602) 417-2465 FAX (602) 417-2467

DATE RECEIVED: 18 2004

OFFICE OF ASSURED WATER SUPPLY

28-401544.0000  
EJR RANCH

**APPLICATION FOR AN ANALYSIS OF ASSURED WATER SUPPLY**

NOTE: Where insufficient space exists on this form, please submit attachments and reference them on the form. Refer to application guidelines for assistance in completing this form

IMPORTANT NOTE: This application is intended to be used for master plan communities where one owner will be developing the entire master plan. If six or more parcels, any one of which will be less than 36 acres, will be sold, then you must complete an application for a Certificate of Assured Water Supply.

**PART A - GENERAL INFORMATION**

1. Name of Development: EJR Ranch
2. Location: 6 S 7 E 26,27,28,32,33,&34 Pinal Pinal  

Township	Range	Section(s)	County	AMA
<u>7 S</u>	<u>7 E</u>	<u>1 &amp; 2</u>	<u>Pinal</u>	<u>Pinal</u>
3. Owner Name: Attachment I Phone: Attachment I  
Address: Attachment I
4. Water Provider: Picacho Water Company and Arizona Water Company Phone: Attachment I  
Address: Attachment I
5. Consultant Name: Southwest Ground-water Consultants, Inc. Phone: (602) 955-5547  
Address: 3900 E. Camelback Rd., Suite 200, Phoenix, AZ 85018-2636
6. Primary Contact: Name: Nathan Miller Phone: (602) 955-5547  
Address: 3900 E. Camelback Rd., Suite 200, Phoenix, AZ 85018-2636

**PART B - WATER DEMAND INFORMATION**

1. Include a map of the proposed development plan, and reference as an attachment: See Attachment II
2.
  - a. Estimated number of residential lots: 8,099 Lots
  - b. Residential lot acreage (total): 1,972 Acres
  - c. Non-residential acreage (total): 638 Acres

3. a. Projected build-out year for entire plat: 2018  
 b. Indicate total expected demand for each year (through the build-out year only):

Calendar Year	Demand (AF)	Calendar Year	Demand (AF)	Calendar Year	Demand (AF)	Calendar Year	Demand (AF)
1. 200 <sup>5</sup>	402	6. 2010	2,409	11. 2015	4,417	16.	
2. 200 <sup>6</sup>	803	7. 2011	2,811	12. 2016	4,819	17.	
3. 2007	1,205	8. 2012	3,213	13. 2017	5,220	18.	
4. 2008	1,606	9. 2013	3,614	14. 2018	5,622	19.	
5. 2009	2,008	10. 2014	4,016	15.		20.	

4. a. Provide the following residential demand information (refer to guidelines for acceptable methods):

	1	2	3	4	5	6
Category	Average Persons per Housing Unit	Gallons per Person per Day	Demand per Housing Unit per Year (AF/YR)	Number of Housing Units	Total Expected Demand per Year (AF/YR)	100 Year Demand (AF/YR)
Single family	3.0	125	0.42	7,644	3,211	321,100
Multi-family	2.0	125	0.28	455	127	12,700

b. Indicate the source of the "persons per household" figure(s): Pinal AMA staff

c. Indicate the source of the "demand per housing unit" figure(s): ADWR Office of Assured Water Supply

5. a. Will there be any water demands within this master plan or subdivision that are not accounted for within the residential water use rates? Possible non-residential demands include, but are not limited to golf courses, common areas, apartment units, schools, parks, or community centers.  Yes  No  
 If "yes", please provide the following non-residential demand information:

Non-Residential Water Use Category:	Estimated date of completion	Total demand (AF/YR)
Turf-related facilities:		
Other (specify): Schools, Parks, Open Space, Commercial, Construction, & System Losses	2018	2,284

b. Describe assumptions used in this table: ADWR Pinal AMA Third Management Plan and Office of Assured Water Supply

6. Conservation requirements have been prescribed for water providers through the Management Plan for each active management area. The following information is needed to support provider efforts to meet these requirements.
- List current and proposed conservation ordinances which apply to this development: \_\_\_\_\_  
Compliance with the Pinal AMA Third Management Plan
  - Will the development incorporate CC&Rs or other restrictions to limit landscape water use? \_\_\_ Yes  No
  - Will landscaping in public rights of way associated with this development conform to the Department's Low Water Use Plant List?  Yes \_\_\_ No
  - Describe steps to be taken to limit distribution system losses to those prescribed by the Management Plan:  
New construction technology
  - Generally describe any other current or proposed conservation practices, rates, fees, restrictions, policies and devices to be utilized within the development to meet the conservation requirements of the Management Plan:  
\_\_\_\_\_  
\_\_\_\_\_

#### PART C - WATER SUPPLY INFORMATION

- Will the development be a member land of the Central Arizona Groundwater Replenishment District upon issuance of a Certificate of Assured Water Supply?  Yes \_\_\_ No
  - Method of water distribution:  central distribution system \_\_\_ dry lot subdivision (individual wells)
  - If water is to be obtained from a water provider, include a "Notice of Intent to Serve" agreement and reference the attachment: Not yet available, please complete analysis without Notice of Intent to Serve forms
  - If provider's Certificate of Convenience and Necessity (CCN) has been modified to include this development, provide an updated copy of the map showing the CCN boundaries, and reference the attachment: N/A
- Has a water distribution system been constructed for this development? \_\_\_ Yes  No
  - Generally describe any storage or treatment facilities (for surface water or effluent) which will serve this development. Indicate whether the facilities are planned or existing. If planned, indicate the anticipated completion date(s): N/A
  - For any existing or planned storage or treatment facilities noted in "a" above, provide a statement of capacity certified by a registered professional engineer, and reference as an attachment: N/A
  - If this development will not be a member land of the Central Arizona Groundwater Replenishment District upon issuance of a Certificate of Assured Water Supply, provide evidence that a performance bond has been posted for

the entire cost of any planned facilities indicated in "a" above, and reference as an attachment: N/A

5. Include a map of the central distribution system and any on-site treatment or storage facilities and reference attachment: Not yet available, please complete analysis without distribution system map
6. a. Are any wells proposed to serve the development within one mile of a Water Quality Assurance Revolving Fund or Superfund site or monitor wells associated with such sites?  Yes  No
- b. Do any supplies proposed for this development fail to meet safe drinking water quality standards?  Yes  No
- c. If the response to either "a" or "b" above is "Yes," provide a study identifying and describing this water and reference the attachment: \_\_\_\_\_

7. Please indicate sources to be used:

Source of Supply	100 Year Volume (acre feet)	Required Supporting Information (reference any attached documents)
Surface Water Directly Delivered (except CAP or Colorado River Water) (also include water stored and recovered in the same year, but not long-term storage credits)		Hydrologic study demonstrating physical availability of water to be diverted (attachment): _____ Surface water right number(s) and type(s) or water district name: _____ Will a demonstration of backup supplies or a drought response plan be submitted? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, reference attachment: _____
CAP or Colorado River Water Directly Delivered (also include water stored and recovered in the same year, but not long-term storage credits)		Will a demonstration of backup supplies or a drought response plan be submitted? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, reference attachment: _____
Effluent Directly Delivered (also include water stored and recovered in the same year, but not long-term storage credits)		Name of entity providing effluent: _____ Any related contracts or agreements (attachment): _____
Groundwater (Do not include storage project credits)	562,200	Indicate any grandfathered groundwater right or permit number(s) and type(s): _____ Hydrologic study demonstrating physical availability of water to be withdrawn (attachment): <u>Attachment III</u>
Existing Long-Term Storage Credits (From all sources)		Long-term storage credit account number: 70-_____ Hydrologic study demonstrating physical availability of water to be recovered from outside of the area of hydrologic impact (attachment): _____
Anticipated Long-Term Storage Credits (From all sources)		Water storage permit number: 73-_____ Existing? <input type="checkbox"/> Yes <input type="checkbox"/> No Water storage permit number: 73-_____ Existing? <input type="checkbox"/> Yes <input type="checkbox"/> No Hydrologic study demonstrating physical availability of water to be recovered from outside of the area of hydrologic impact (attachment): _____ Evidence of physical, legal and continuous availability of the water to be stored (attachment): _____

8. Indicate if the applicant at this time intends to claim an exemption for the withdrawal and use of:  
 Poor quality water pursuant to a proposed remedial action:  Yes  No  
 Water from an area exempt from conservation requirements due to waterlogging:  Yes  No
9. If a "Letter of Water Availability" has previously been issued for this property, provide a copy of the document and reference the attachment: N/A
10. If the development will be receiving any water pursuant to an exchange agreement, provide a copy of the agreement and reference the attachment: N/A
11. If grandfathered rights have been extinguished for dedication to this development, provide evidence and reference the attachment: N/A

**PART D - FEES**

The application fee for an Analysis of Assured Water Supply is \$1,000. The payment may be made by cash, check, or in some cases, by entry in an existing Department fee credit account. Checks should be made payable to the Department of Water Resources. Failure to enclose the required fees will cause the application to be returned.

Fee for Application for Analysis of Assured Water Supply: \$1,000.00

**I DO HEREBY** certify that the information contained in this application and all information accompanying it is true and correct to the best of my knowledge and belief.

See following signature pages

Owner Name (Please type or print)

Signature

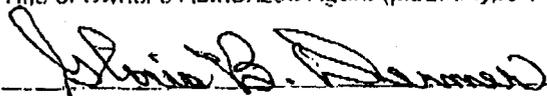
Date

Signature Page  
Application for an Analysis of Assured Water Supply  
EJR Ranch

G Loria B. Dermer and Timothy L. Dermer, as Co-Trustees of the Dermer Family Trust, created July 13<sup>th</sup>, 1976

Name of Owner's Authorized Agent (please type or print): GLORIA B. DERMER

Title of Owner's Authorized Agent (please type or print): Trustee



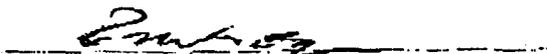
10/08/04

Signature of Owner or Owner's Authorized Agent

Date

Name of Owner's Authorized Agent (please type or print): TIMOTHY L. DERMER

Title of Owner's Authorized Agent (please type or print): Trustee



10/08/04

Signature of Owner or Owner's Authorized Agent

Date

Signature Page  
Application for an Analysis of Assured Water Supply  
EJR Ranch

- Hwy 287 FLORENCE BOULEVARD INC
- Madison Diversified 882 Corporation

Name of Owner's Authorized Agent (please type or print): BRIAN CARPENTER  
 Title of Owner's Authorized Agent (please type or print): SECRETARY/TREASURER OF BSH CORP.

B Carpenter 047/2004  
 Signature of Owner or Owner's Authorized Agent Date

**Signature Page**  
**Application for an Analysis of Assured Water Supply**  
**EJR Ranch**

**Sun Lakes – Casa Grande Development, L.L.C.**

Name of Owner's Authorized Agent (please type or print): Steven Soriano

Title of Owner's Authorized Agent (please type or print): VP of Mgr

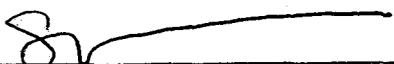
 10-7-04  
Signature of Owner or Owner's Authorized Agent Date

**Signature Page**  
**Application for an Analysis of Assured Water Supply**  
**EJR Ranch**

**Cornman Tweedy 560, L.L.C.**

Name of Owner's Authorized Agent (please type or print): Steven SORIANO

Title of Owner's Authorized Agent (please type or print): VP of MER

 10-7-04  
Signature of Owner or Owner's Authorized Agent Date

ARIZONA DEPARTMENT OF WATER RESOURCES  
 Office of Assured and Adequate Water Supply  
 500 North Third Street, Phoenix, Arizona 85004  
 Telephone (602) 417-2465  
 Fax (602) 417-2467



JANET NAPOLITANO  
 Governor

HERB GUENTHER  
 Director

**ANALYSIS OF ASSURED WATER SUPPLY**

March 2, 2005

**File Number:** 28-401544.0000  
**Development:** EJР Ranch  
**Location:** Township 6 South, Range 7 East, Sections 26, 27, 28, 32, 33 & 34, and  
 Township 7 South, Range 7 East, Sections 1, 2 & 3  
 Pinal County, Arizona  
 Pinal AMA  
**Land Owner:** John H. Dermer and Gloria Dermer, Trustees of the Dermer Family Trust, dated  
 July 13, 1976, with Gloria B. Dermer, sole beneficiary; Highway 287-Florence  
 Boulevard Inc., an Arizona corporation; Madison Diversified 882 Corp., an  
 Arizona corporation; Cornman Tweedy 560, LLC, a Delaware limited liability  
 company; and Sun Lakes-Casa Grande Development, LLC, a Delaware limited  
 liability company

The Arizona Department of Water Resources has evaluated the Analysis of Assured Water Supply application for EJР Ranch pursuant to A.A.C. R12-15-712. The proposed development includes 7,644 single-family residential lots, 455 multifamily residential lots and 679 non-residential acres containing commercial and open space areas, schools, and rights-of-way. The water provider has yet to be determined. Conclusions of the review are indicated below based on the assured water supply criteria referenced in A.R.S. § 45-576 and A.A.C. R12-15-701 *et seq.*

- Physical, Continuous, and Legal Availability of Water for 100 Years**  
 On the basis of the hydrologic study submitted and the Department's review, the Department has determined that 5,624 acre-feet per year of groundwater will be physically and continuously available, which equals the projected demands for the development of 5,623.89 acre-feet per year. The legal availability of the water is not proven at this time. The development is not located within any current service area or Certificate of Convenience and Necessity boundary. Applications for Certificates of Assured Water Supply that follow the Analysis of Assured Water Supply will need to provide a detailed plan of how water service will be established. This may include use of Type 1 or Type 2 water rights or recovery of long term storage credits to create a new or satellite service area, or extension of existing service area lines to include the proposed development. Individual Notices of Intent to Serve will be required for each application for a Certificate of Assured Water Supply.
- Adequate Water Quality**  
 Adequate water quality has not been demonstrated at this time. The proposed development lies outside any current service area, therefore, no drinking water compliance data are available. No water quality data was submitted with the application. To provide service in this area, a provider will likely have to construct new wells. The

Arizona Department of Environmental Quality will require water quality analyses for new source approval for each well. This requirement of an Analysis of Assured Water Supply will be reevaluated for each application for a Certificate of Assured Water Supply.

- **Consistency with Management Plan for the Pinal Active Management Area**  
The projected demand for the development is consistent with the Third Management Plan for the Pinal AMA. EJ Ranch will use low water use landscaping and plumbing fixtures will comply with the statewide Low Flow Plumbing Code.
- **Consistency with Management Goal of the Pinal Active Management Area**  
The Assured and Adequate Water Supply Rules (A.A.C. § R12-15-705) allocate a volume of groundwater to each new subdivision in an AMA to allow for the phasing in of renewable supplies. This groundwater allowance may be increased by extinguishing irrigation grandfathered groundwater rights (IGFR). Any groundwater delivery in excess of the groundwater allowance must be met through the direct or indirect use of renewable water supplies (surface water or effluent). Options for demonstrating "consistency with management goal" include: 1) direct use of surface water or effluent; 2) recharge and recovery of surface water or effluent; or 3) membership in the Central Arizona Groundwater Replenishment District (CAGRDR).

The application indicates that the proposed development will enroll the lands of the entire development, including the commercial and open space areas, schools, and other non-residential areas, in the CAGRDR to meet this requirement. The membership documents must be executed and recorded before a Certificate of Assured Water Supply will be issued.

Prior to preparing an application for a Certificate of Assured Water Supply for an individual subdivision plat, the Pinal AMA Office or the Office of Assured Water Supply may be contacted for further guidance.

- **Financial Capability of the Owner to Construct the Necessary Distribution System**  
Pursuant to A.A.C. R12-15-707, financial capability will be evaluated by the local platting authority as a part of the process for obtaining a Certificate of Assured Water Supply for each subdivision. The application for a Certificate of Assured Water Supply includes a Verification of Construction Assurance for a Proposed Subdivision form. This form should be signed by the appropriate platting entity to provide evidence of financial capability. This requirement of an assured water supply will be evaluated upon application for a Certificate of Assured Water Supply.

The term of this Analysis of Assured Water Supply is ten years from the date of this letter and may be renewed upon request, subject to approval by the Department. Throughout the term of this determination, the projected demand of this development will be considered when reviewing other requests for assured water supply in the area.

**Prior to obtaining plat approval by the local platting authority and approval of the public report by the Department of Real Estate, a Certificate of Assured Water Supply must be obtained for each subdivision plat. The findings of this Analysis of Assured Water Supply may be used to demonstrate that certain requirements for a Certificate have been met. This determination may be invalidated if the development plan or other conditions change prior to filing for a Certificate of Assured Water Supply.**

Questions may be directed to the Office of Assured Water Supply at (602) 417-2465.

*Mark Frank*

Mark Frank, Acting Assistant Director  
Water Management Division

cc: Randy Edmond, Area Director, Pinal Active Management Area

ADWR000055A