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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, TO EXEND ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY IN THE CITY OF CASA GRANDE AND IN PINAL COUNTY, ARIZONA

Docket No. W-01445A-06-0199

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-05-0926

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-05-0926

GLOBAL'S MOTION TO DISMISS

Santa Cruz Water Company, LLC; Palo Verde Utilities Company, LLC; Global Water – Santa Cruz Water Company and Global Water – Palo Verde Utilities Company (collectively, “Global”) move that the Commission dismiss the Application filed by Arizona Water Company (“AWC”). In support of this motion, Global states:

I. Preliminary statement.

AWC's Application has a legion of deficiencies. These deficiencies thwart water conservation, infringe on landowners' rights, risk harming ratepayers and prejudice other utilities:

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- 1) **Conservation.** AWC's Application raises serious questions concerning water conservation and other environmental issues. Is this sort of land grab consistent with sound planning? AWC has not filed any plan with respect to wastewater or reclaimed water services. How will wastewater service be provided, and by whom? Will septic systems be used, and if so, what are the effects on the environment of using septic on such an immense scale? Will reclaimed water be used to reduce the use of groundwater? If not, what are the environmental effects of pumping groundwater to serve such a gargantuan area? Will surface water be used? Will recharge facilities be constructed? In addition, AWC has no practical way to obtain an assured water supply determination. Importantly, if this expansive CC&N is granted, the Commission will limit its ability to later implement water conservation policies – such as use of reclaimed water, surface water, and aquifer recharge – for this mammoth area.
- 2) **Landowner's Rights.** AWC has presented requests for service for only 0.3% of its vast proposed extension area. Rarely, if ever, has an application so lacked landowner support. Moreover, the sheer size of AWC's request demonstrates that it is engaged in a land grab – at the expense of landowners and others.
- 3) **Ratepayers.** AWC provided no description of the proposed facilities, their cost, or the impact of financing the facilities on the Company. Such factors can affect a utility's rate base, capital structure, and access to debt and equity, thus substantially impacting rates.
- 4) **Other utilities.** If AWC's Application is granted, other utilities will be forever banned from serving the area. Utilities that "play by the rules" and support their applications with planning and requests for service are thus prejudiced by AWC's Application. In addition, AWC's proposed extension area actually includes an area currently certificated to another company – CP Water Company.

1 Any one of these deficiencies alone would be enough to reject AWC's Application. Together,
2 these deficiencies doom AWC's Application. Even if the facts alleged in AWC's Application are
3 presumed true, there is no way for AWC to overcome these numerous deficiencies. Accordingly,
4 AWC's Application should be dismissed.

5 **II. AWC's land grab would harm water conservation and the environment.**

6 **A. This unprecedented land grab contravenes the public interest.**

7 It is difficult to describe the sheer size of AWC's proposed extension. AWC's Application
8 covers an area of approximately 108 square miles or more than 69,000 acres (the "AWC Extension
9 Area"). This gigantic area is larger than many countries – 48 to be exact.¹ This enormous size is
10 without precedent for a CC&N application in modern times. The Commission should not
11 countenance this overreaching application because it is contrary to the public interest. Such a
12 massive land grab violates the public interest because it makes planning difficult, poses challenges
13 regarding notice and public participation, imposes substantial burdens on Staff and other parties,
14 and runs counter to the principle of restraint in decision making. In short, it is simply too big.

15 Planning for such a mammoth area is difficult. Typically, CC&N applications cover
16 proposed subdivisions. Such subdivisions are the subject of extensive master planning by
17 developers. This planning includes preparation of a water budget, as well as other environmental
18 factors essential to the sustainability of the development. The subdivision plans are also subject to
19 close review by local governments, who also consider these environmental factors. Local
20 government must also approve shifts from agricultural to other types of zoning. The zoning
21 process often considers environmental issues, as well as related factors, such requirements for
22 greenspace.

23 In contrast to this typical process, little, if any, of AWC's Extension Area is associated
24 with particular subdivisions. Given its vast size, the AWC Extension Area may ultimately
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27 ¹ See www.cia.gov/cia/publications/factbook/rankorder/2147rank.html which lists 48 countries as
having areas smaller than 279.72 square kilometers, which is the equivalent of 108 square miles.

1 encompass dozens, if not hundreds, of future subdivisions. Many of these are currently distant
2 prospects, with little or no planning done at present. Because AWC's Extension Area is not linked
3 with subdivisions, it has not undergone the planning and zoning process. This means critical
4 decisions have yet to be made, and critical information is not yet available. For example, the
5 proposed population density is unknown. Density is important for many reasons. For example, for
6 engineering purposes, it is essential to know population density, as well as other factors such as
7 home sizes, larger homes attract families -- and greatly increase usage, type of landscaping, and
8 projected income levels of residents, in order to estimate likely usage. Without knowing estimated
9 usage, it is impossible to evaluate whether AWC will have sufficient production and storage to
10 serve the area. In sum, the AWC Extension Area has not had the necessary planning or zoning
11 work, and consequently critical information is unknown. It is not in the public interest to proceed
12 in the absence of this information.

13 This lack of planning poses another problem. If AWC is successful, it will have an
14 obligation to serve the entire area. Anyone, anywhere in the 108 square miles will be entitled to
15 demand service. Main extension requests will have to be processed in the order received, and will
16 be subject to strict limits on the funding of off-site facilities. A.A.C. R14-2-406. AWC will not
17 have the ability manage the deployment of infrastructure. The Order to Show Cause recently
18 issued against Desert Hills amply illustrates the dangers of a company facing an obligation to
19 provide service larger than its capabilities. *See Desert Hills Water Co.*, Decision No. 68780 (June
20 19, 2006). Main extensions proved no substitute for advanced planning, and Desert Hills was not
21 able to grow into its CC&N. The Commission should learn from such episodes and not grant large
22 certificates for areas long before there is a need.

23 The area's massive size also obstructs the CC&N process. For example, there are likely
24 many landowners, residents and others interested in this area. This poses challenges in giving
25 notice to so many people, as well as in crafting effective means for allowing public participation.
26 These factors are all the more important given that a decision concerning AWC's Application
27 could have a large impact on the future of Pinal County. In addition, processing on the merits such

1 a large and important case will strain the already stretched resources of Staff and the Commission.
2 Moreover, in order to adequately participate in a case of such consequence, other interested parties
3 would also have to devote inordinate resources to the matter. The CC&N process is simply not
4 designed for a case of such unprecedented size, and the process will be impaired if this case is
5 allowed to go forward. Thus, it is in the public interest to dismiss this case.

6 Moreover, the principle of judicial or quasi-judicial restraint counsels against allowing this
7 case to proceed. The future of a gigantic area is at stake. And once a CC&N is granted it is
8 difficult to revoke. It is not prudent to make permanent decisions about such large areas in one fell
9 swoop, especially when there is no precedent for making such decisions. The risks are too great.
10 Instead, it is more sensible to proceed on a more incremental basis, granting certificates for smaller
11 areas with more complete information, and learning from experience as you go along. The public
12 interest is served by such restraint.

13 The public interest "is the controlling factor in decisions concerning service of water by
14 water companies" and it remains the standard for deciding CC&Ns, as has been the case for
15 decades. *James C. Paul Water Co. v. Arizona Corp. Comm'n*, 137 Ariz. 426, 429, 671 P.2d 404,
16 407 (1983); *see also Pueblo Del Sol Water Co. v. Arizona Corp. Comm'n*, 160 Ariz. 285, 286, 772
17 P.2d 1138, 1139 (App. 1988). It is not in the public interest to proceed with an unprecedented case
18 that lacks critical information, which would impair the CC&N process, and which would violate
19 the principle of restraint. Thus, the Commission should dismiss this case.

20 **B. The triad of conservation is essential.**

21 To state the obvious, our state is an arid region with little rainfall. It is imperative that
22 water not be squandered. This is all the more important in Pinal County, which faces galloping
23 development combined with limited groundwater. Recent calculations show that the Pinal Active
24 Management Area ("AMA") has a renewable groundwater supply of about 82,000 acre feet per
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1 year on an average annual basis². This is the amount of real “wet water” that can be safely
2 withdrawn over the long term without depleting the aquifer. Yet more than 272,000 acres of land
3 have been issued Irrigation Grandfathered Rights. At an extinguishment value of 1.5 AF/acre, this
4 represents a potential draw of 408,000 acre feet of “paper water” that could be allocated for
5 withdrawal. Relying on paper water alone will not be sufficient.

6 Given the limited groundwater capacity of the Pinal AMA, development on a large scale
7 can be sustainable only if water is used – and reused – efficiently and carefully. In a situation of
8 limited groundwater, sustainable water consumption must be based on the “triad of conservation”:
9 (1) maximizing use of reclaimed water; (2) using renewable surface water where available; and (3)
10 recharging the aquifer with any available excess water. For example, use of surface water directly
11 offsets the use of groundwater. AWC has submitted no plan for the use of surface water in this
12 area. Likewise, excess water from reclaimed water facilities or other sources can be used to
13 recharge the aquifers, increasing the amount of groundwater available for later use.³ AWC has
14 submitted no plan for recharging water.

15 Perhaps the most important part of the triad is reclaimed water. Well-planned use of
16 reclaimed water can substantially reduce potable water usage. For example, a surprising amount
17 of water in new developments is used by homeowner’s associations to irrigate common areas and
18 fill water features. It makes no sense to use scarce groundwater for these purposes. Nor does it
19 make sense to spend ratepayer money treating such groundwater to potable water standards only to
20 use the expensive treated water for irrigation or water features. Large scale and widespread use of
21 reclaimed water is thus essential in this area.

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24 ² From the Pinal Active Management Area Groundwater User’s Advisory Committee “Assured
25 Water Supply Modifications Concepts” draft dated December 29, 2005.

26 ³ We are talking about actually recharging water. Unfortunately, much of what passes for
27 “replenishment” is merely a paper shuffle that is no real water is going back in the ground. For
example, through 2003 replenishment obligations for the Pinal AMA totaled just 212 AF and the
CAGRDR satisfied these obligations by purchasing and extinguishing long-term storage credits
within the AMA from the CAWCD. See Assured Water Supply Modifications Concepts, *supra*.

1 Yet AWC has submitted no plan for the use of reclaimed water. And AWC's CC&N does
2 not include reclaimed water.⁴ AWC's lack of planning is not surprising. It has always opposed
3 conservation efforts. For example, it was vigorously opposed conservation-based rate designs, and
4 it fought ADWR all the way to the Arizona Supreme Court over ADWR's conservation
5 requirements. Given the limited amount of groundwater available, the enormous size of the AWC
6 Extension Area, AWC's complete lack of planning and capability to provide reclaimed water, and
7 its active hostility to water conservation, it is not in the public interest to allow AWC's
8 Application to proceed.

9 These issues must be addressed now. As noted above, once a CC&N is issued, it is hard to
10 revoke. And once facilities are built and streets are paved, it becomes impractical and
11 prohibitively expensive to install reclaimed water distribution systems. If AWC succeeds, a 108
12 square mile area will likely never have modern and essential reclaimed water systems.

13 Moreover, reclaimed water is not generated without wastewater systems. In addition,
14 septic systems would pose substantial practical and environmental problems if implemented on
15 such a large scale. And septic systems for such a massive area would run counter to the planning
16 of Pinal County and other local governments. Moreover, excess reclaimed water from wastewater
17 systems is a key source of water for recharge projects. Thus, it is clear that wastewater service is
18 essential here. Yet AWC does not offer wastewater service anywhere in the state, and it does not
19 have a wastewater CC&N. AWC does not request a wastewater CC&N in this case, and it has
20 submitted no plan or explanation concerning how wastewater service will be provided, or who will
21 provide this service.

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24 ⁴ See *Arizona Water Co. v. City of Casa Grande*, No. CV2000-022448 (Superior Court, Maricopa
25 County), Minute Entry dated March 27, 2002 *aff'd* by Case No. 1 CA-CV 02-0671 and 1 CA-CV
26 02-0724 (Arizona Court of Appeals), Memorandum Opinion filed October 14, 2003 (AWC CC&N
27 does not include effluent). The Court of Appeals stated the issue as "whether the trial court
correctly concluded that effluent, regardless of its character or use, is not included in a water
utility's Certificate of Convenience and Necessity." *Id.* at ¶ 7. The Court concluded the trial court
was correct. *Id.* at ¶ 14.

1 Global firmly believes that water, wastewater, and reclaimed water services are best
2 provided on an integrated basis by affiliated companies. The Commission reached the same
3 conclusion in *Woodruff Water Co.*, Decision No. 68453 (Feb. 2, 2006). Integrated providers can
4 work closely together to promote their common goals in providing the integrated service. In
5 contrast, when these functions are separated, the water company has no incentive to promote the
6 use of reclaimed water, because the water company's sales will fall and they won't get the revenue
7 for the reclaimed water. Integrated providers don't have that problem. In addition, integrated
8 providers can benefit from sharing their resources, possibly including facilities, employees,
9 vehicles, or even financial resources. Thus, one integrated provider can be stronger and leaner
10 than two separate providers. But even if different providers are used, water, wastewater, and
11 reclaimed water services are clearly linked, and must be provided on a coordinated basis. AWC
12 has presented no plan for such coordination.

13 It is not in the public interest to grant a CC&N for water service without understanding
14 how related wastewater and reclaimed water services will be provided. Nor is it in the public
15 interest to grant a CC&N in an area of scarce groundwater without the applicant having a plan
16 addressing the triad of conservation – re-use, surface water, and re-charging. If AWC's
17 Application is granted, no element of the triad will be likely be used in this vast area and the
18 Commission effectively loses the opportunity to require such conservation efforts in this area. For
19 these reasons, AWC's Application should be dismissed.

20 **C. AWC cannot obtain an assured water supply.**

21 The public interest requires that water utilities have adequate long-term water resources.
22 For this reason, the Commission insists that each CC&N applicant demonstrate an assured water
23 supply, as determined by the Arizona Department of Water Resources (ADWR). The Commission
24 will sometimes allow a utility to make this showing after the certificate is granted, by making the
25 showing a condition of the certificate. In such cases, the certificate will become null and void if
26 the condition is not satisfied within a set period of time, often one or two years. In other cases, the
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1 Commission has required proof of an assured water supply before the certificate is issued. In
2 either case, an assured water supply determination is required.

3 There are two ways to obtain a determination of an assured water supply from ADWR.
4 One way is to obtain a Designation of Assured Water Supply (DAWS). The DAWS is issued
5 directly to the water utility, and applies to the utility's entire system. The second way is for
6 developers to obtain a Certificate of Assured Water Supply (CAWS). A separate CAWS is issued
7 for each subdivision.

8 AWC does not have a DAWS in Pinal County, and it has never applied for one. Instead,
9 AWC relies on developers to obtain CAWSs.⁵ The vast size of the AWC Extension Area makes
10 getting a CAWS for each parcel practically impossible. There will be dozens, possibly hundreds,
11 of subdivisions in this area. Each would have to get its own CAWS. Some are not yet even on the
12 planning stages. Moreover, AWC will need cooperation from the landowners to obtain the
13 CAWSs. But AWC has support from only a tiny handful of landowners in this area, and it is not
14 likely to get cooperation from those who oppose it.

15 AWC does not have a DAWS, and it would be practically impossible for AWC to obtain
16 the countless CAWSs that would be required for each parcel in the AWC Extension Area.
17 Because AWC will not be able to demonstrate an assured water supply for this vast area, its
18 Application is not in the public interest and should be dismissed.

19 **III. Landowner rights should be respected.**

20 **A. The Commission recognizes landowner rights by requiring requests for**
21 **service.**

22 The Commission has a long-standing practice of respectfully considering the desires of
23 landowners in selecting a utility company. This practice recognizes the substantial impact on the
24 landowner of the Commission granting a monopoly to a utility company over the landowner's
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26 ⁵ Lands included in a CAWS must also enroll in the Central Arizona Groundwater Replenishment
27 District (GAGR). AWC's customers will likely end up footing the bill for CAGR fees, one way or another.

1 land. The Commission evaluates CC&N applications under a public interest standard, and
2 respecting property rights is an important part of the Commission's public interest analysis. The
3 Commission typically looks to requests for service to determine landowner consent.

4 For this reason, requests for service have long played an important role in the
5 Commission's analysis of CC&N applications. This was the case in *Beardsley Water Co.*,
6 Decision No. 59396 (Nov. 28, 1995). Beardsley requested an extension, but only had requests for
7 service for 25% of the proposed extension area. *Id.* at 2. The Commission only granted an
8 extension for the area that had requests for service, and denied the remaining area. The
9 Commission explained that "there is no need to grant exclusive rights to [Beardsley] for the three
10 quarters of [the area] in which no development is taking place." *Id.*

11 This factor was also in play in *Woodruff Water Co.*, Decision No. 68453 (Feb. 2, 2006).
12 In that case, AWC requested an area for which it had no requests for service. The Commission
13 denied this extension, explaining that "we also concur with Staff's recommendation that additional
14 areas which have not requested service should not be included in AWC's certificated area at this
15 time." *Id.* at 29. Also at issue in *Woodruff* was the disputed Sandia development. The property
16 owner of Sandia requested service from Woodruff, not AWC. The Commission rejected AWC's
17 application to serve Sandia, noting that "[n]either...Sandia nor CHC has requested that their
18 properties be included in the CC&N extension that AWC seeks." *Id.*

19 The Commission's decision was based on Staff's recommendation. Staff's witness,
20 Assistant Director Olea, testified that: "Staff has always been [of] the opinion that there has to be
21 a need for service, and without a request, there is not a need, so there is no need to have a
22 certificate of convenience and necessity because the necessity portion isn't met."⁶ The

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24 ⁶ Aug. 4, 2005 Tr. in Docket No. W-04264A-04-0438 et al at 1415. Staff has made this point
25 before. For example, Staff has stated that a CC&N "should not be issued lightly... [it] by
26 definition, requires a showing of necessity. Ordinarily, a showing of necessity is made by
27 demonstrating requests for service for the area. In an exceptional situation, a showing of necessity
can be made by other means." *Staff's Response to Johnson Utilities Company's Motion to
Continue*, at 1, filed April 29, 2005 in Docket Nos. W-02859A-04-0844 et al.

1 Commissioners also discussed the importance of landowner rights in their deliberations on the
2 case. For example, Commissioner Spitzer said: "... Commissioner Gleason alluded to it very
3 early that the property owner ought to have some say in how utility service is provided... the rights
4 of the property owner ought to be accorded some degree of respect."⁷

5 These are not isolated examples. For example, the Commission recently denied part of an
6 extension request because the denied area lacked requests for service. *Lyn Lee Water Co.*,
7 Decision No. 68445 (Feb. 2, 2006) at Finding of Fact No. 22. Likewise, Johnson Utilities
8 Company was forced to withdraw part of an application due to lack of requests for service. *H2O,*
9 *Inc. et al.*, Decision No. 64062 (Oct. 4, 2001) at Finding of Fact No. 48. Likewise, another
10 Johnson application was denied for lack of requests for service in *Johnson Utilities Co.*, Decision
11 No. 64288 (Dec. 28, 2001) at Finding of Fact Nos. 47, 70, and 84.

12 In addition, the Commission indefinitely continued another utility's application after the
13 property owners withdrew their requests for service, noting "the public interest would not be
14 served by conducting a hearing on competing applications, or on one of those applications, where
15 there does not currently exist a request for service from any property owner in the proposed
16 extension areas of either application." *Diversified Water Utilities, Inc.*, Procedural Order dated
17 May 11, 2005 at 4 in Docket Nos. W-02859A-04-0844 et al.

18 **B. AWC lacks requests for service.**

19 AWC is no doubt aware of the Commission's repeated and consistent practice of requiring
20 request for service. However, AWC's Application is almost completely devoid of requests for
21 service. The AWC Extension Area includes more than 69,000 acres. Yet AWC submitted
22 requests for service for only 197 acres. This is less than 0.3% of the AWC Extension Area.

23 AWC attempted to bolster this meager result by attaching to its Application requests for
24 service directed to Global – not AWC. For water service, these requests cover about 30 sections
25 or 19,373 acres. As explained below, these requests should not be considered in evaluating
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27 ⁷ January 27, 2006 Open Meeting Tr. at 109.

1 AWC's Application. But even if the Commission does consider them, it does AWC little good.
2 Only about 28% of the AWC Extension Area has requests, even if Global's requests are counted.
3 Thus, under any analysis, AWC falls far short of having the required requests for service.

4 AWC's tactic of commandeering for its own use requests sent to Global should be rejected.
5 Global provides an integrated portfolio of water, wastewater and reclaimed water services, while
6 AWC only provides water service.⁸ The landowners requesting service from Global want this
7 integrated service. Because the requests to Global are for a different, integrated service, they
8 should not be considered as part of AWC's water-only application. In addition, even if Global and
9 AWC provided the same services, they are still different. Utility companies have different
10 histories, community relationships, business practices and other characteristics. As Commissioner
11 Gleason stated, "it's important that people be allowed to do business with whom they want to do
12 business."⁹

13 The Commission has required requests for service in many orders dating back more than a
14 decade. It has recently re-affirmed this principle in a number of cases, including *Lyn Lee*,
15 *Woodruff*, and *Diversified*. Under any analysis, AWC falls woefully short of this principle. It has
16 submitted requests directed to it for only 0.3% of the AWC Extension Area. The requests to
17 Global concern a different company and a different service. But even if they are considered, the
18 requests cover about 28% of the AWC Extension Area. AWC simply does not have the requests
19 for service to back up its unprecedented request for such a gargantuan area. Accordingly, AWC's
20 Application should be dismissed.

21 **C. AWC's notice to landowners is also deficient.**

22 AWC's Application states that it will mail notice only to property owners who signed
23 requests for service.¹⁰ Likewise, AWC's certification of notice states that it mailed notice only
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26 ⁸ AWC's CC&N does not include sale of effluent or reclaimed water. See footnote 2, *supra*.

27 ⁹ January 27, 2006 Open Meeting Tr. at 23.

¹⁰ AWC Application filed March 29, 2006 at paragraph 10.

1 property owners who signed requests for service.¹¹ But as shown above, signed requests cover
2 only a small fraction of the AWC Extension Area. AWC's notice is wholly inadequate because it
3 was sent only to a small number of landowners representing a small part of the AWC Extension
4 Area. If a monopoly is going to be granted over someone's property, they should at least be told
5 about it. AWC's Application should be dismissed because it has provided inadequate notice.

6 **IV. Existing and future ratepayers may be harmed.**

7 The addition of new territory to a utility can impact ratepayers, both in the existing territory
8 and the new territory. To serve the new territory, new plant will have to be built, increasing rate
9 base. And debt or equity capital will be needed to finance this plant. The utility's expenses will
10 also increase. On the other hand, the utility's revenues will likely increase as well. Changes to
11 rate base, capital structure, expenses and revenues will all have impacts in the ratemaking process.
12 For this reason, the Commission requires CC&N applicants to submit information about the "type
13 of plant, property or facility proposed to be constructed" as well as the "estimated total cost of the
14 proposed construction" and the "estimated annual operating revenues and expenses that are
15 expected to accrue from the proposed construction." A.A.C. R14-2-402(A)(2). AWC's
16 Application does not contain this required information.

17 An applicant is also required to disclose the "manner of capitalization and method of
18 financing for the project." A.A.C. R14-2-402(A)(2)(g). AWC did provide this information.
19 However, the information provided by AWC is disturbing. AWC states that it will "finance the
20 additional utility facilities... through advances in aid of construction."¹² The dangers of excessive
21 use of Advances in Aid of Construction ("AIAC") are well-known. As Staff recently noted,
22 "[o]ver-reliance on AIAC can produce [a] risky... capital structure and result in a utility with little
23 or no investment upon which to earn a return and sustain its growth and viability."¹³ To propose

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25 ¹¹ AWC Certificate of Publication filed April 27, 2006.

26 ¹² AWC Application at ¶ 9.

27 ¹³ Memorandum from James J. Dorf, Chief Accountant, dated February 9, 2006, at 2, attached as Exhibit 3 to Staff Report dated February 10, 2005 in Docket No. SW-01428A-05-0022. Likewise, Staff recently stated that "Staff usually recommends that the total AIAC and CIAC not exceed 25-

1 financing a project of this magnitude entirely with AIAC is inappropriate and contrary to sound
2 financial practices.

3 AWC did not provide the required information necessary to evaluate the rate impacts of its
4 proposal on ratepayers. The little information provided indicates that it will use an inappropriate
5 and potentially risky financing method. Accordingly, AWC's Application is not in the public
6 interest and should be dismissed.

7 **V. Other utilities are prejudiced by AWC's application.**

8 AWC's Application also prejudices other utilities. If it is granted, other utilities will
9 banned from the AWC Extension Area forever. Most utilities support their applications with
10 requests for service and include information required by Commission rules. No other utility has
11 filed an application for such a gigantic area. If AWC's Application is allowed to proceed, other
12 utilities will be faced with a stark choice: do they keep "playing by the rules" and risk getting left
13 behind, or do they file similar applications in order to keep up. The Commission should signal in
14 no uncertain terms that applications that have so many deficiencies will not be tolerated.

15 In addition, the AWC Extension Area includes territory already held by another utility.¹⁴
16 The other utility – CP Water Company – has a valid CC&N issued by the Commission. Global
17 fully supports CP's attempt to defend itself from AWC's attempt to invade its territory. As CP
18 explains, AWC's Application is contrary to law in this respect.

19 **VI. Conclusion.**

20 AWC's Application is riddled with deficiencies. These deficiencies risk harm to water
21 conservation and the environment, landowners, ratepayers, and other utilities. AWC's Application
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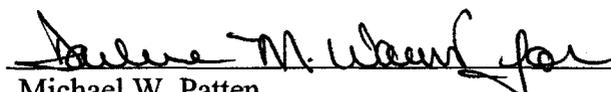
23 30 percent of related estimated capital expenditures. Over-reliance on AIAC and CIAC can lead to
24 improperly capitalized private water and wastewater companies." Memorandum from Jamie R.
25 Moe, Public Utilities Analyst V, dated May 19, 2006 at 2; attached as Exhibit 3 to the Staff Report
dated May 26, 2006 in Docket No. SW-02422A-05-0659.

26 ¹⁴ See "Motion to Exclude CP Water Company's Certificated Territory from Arizona Water
27 Company's Requested Extension Area" filed June 1, 2006.

1 is therefore contrary to the public interest and it should be dismissed. If the Commission grants
2 oral argument on this Motion, Global requests that the oral argument be consolidated with the oral
3 argument for the Motions to Exclude filed by CHI Construction Company and CP Water
4 Company.

5 RESPECTFULLY SUBMITTED this 22nd day of June 2006.

6 ROSHKA DEWULF & PATTEN, PLC

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