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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2006 DEC -8 P 3: 20

JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, TO EXTEND
ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY AT
COOLIDGE, PINAL COUNTY, ARIZONA

DOCKET NO. W-01445A-04-0453

**CERTIFICATE OF FILING OF
TESTIMONY AND EXHIBITS**

Arizona Water Company is today filing the testimony and exhibits of its witness
Michael J. Whitehead.

RESPECTFULLY SUBMITTED this 8th day of December 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

Arizona Corporation Commission
DOCKETED
DEC -8 2006

DOCKETED BY nr

1 Original and thirteen (13) copies of the foregoing filed this 8th day of December 2006
with:

2 Docket Control Division
3 Arizona Corporation Commission
4 1200 West Washington Street
Phoenix, Arizona 85007

5 A copy of the foregoing was hand-delivered this 8th day of December 2006 to:

6 Honorable Yvette B. Kinsey
7 Administrative Law Judge
8 Hearing Division
9 Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

10 And a copy of the foregoing was mailed this 8th day of December 2006 to:

11
12 Christopher Kempley, Chief Counsel
13 Legal Division
14 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

15 Ernest G. Johnson
16 Director, Utilities Division
17 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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By: Robert W. Meake

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Jeff Hatch-Miller - Chairman
William A. Mundell
Mike Gleason
Kristin K. Mayes
Barry Wong

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

DOCKET NO. W-01445A-04-0453

Direct Testimony
of
Michael J. Whitehead

1 ARIZONA WATER COMPANY

2
3 Direct Testimony of

4 Michael J. Whitehead

5
6 Q. WHAT ARE YOUR NAME, EMPLOYER AND OCCUPATION?

7
8 A. My name is Michael J. Whitehead. I am employed by Arizona Water
9 Company (the "Company") as Vice President — Engineering.
10

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12 Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE AND EDUCATIONAL
13 BACKGROUND.

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15
16 A. I was employed by Arizona Water Company in September 1980 as an
17 Engineer. I was promoted to Senior Engineer in 1985, Engineering
18 Manager in 1989, and in 1996 to Vice President - Engineering.

19
20
21 I completed my college degree at Arizona State University and received a
22 B.S.M.E. I became a Certified Professional Engineer in 1985. I am
23 currently a member of the American Water Works Association.
24

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
2

3 A. A November 17, 2006 Procedural Order in this matter directed the
4 Company to file pre-filed testimony discussing why certain time period
5 deadlines established in Decision No. 67439, dated December 3, 2004
6 (the "Decision") should be extended. I will also describe the Company's
7 and the developer's efforts to meet the requirements in the Decision and
8 the status of those efforts.
9
10

11
12 Q. PLEASE DESCRIBE THE REASON FOR THE COMPANY'S
13 APPLICATION THAT LED TO THE DECISION.
14

15 A. The Company filed the Application in this case to expand its Coolidge
16 Certificate of Convenience and Necessity ("CCN") to provide public utility
17 water service after receiving requests for water service from property
18 owners in the area. One request was from Everett Lee; the other from
19 Omega Management Services, Inc. ("Omega"). Mr. Lee's property is
20 located in Pinal County in the South Half of Section 12, Township 5 South,
21 Range 8 East. Mr. Lee requested water service from the Company for an
22 existing mobile home park. After the Commission issued the Decision
23 expanding the Company's CCN, Mr. Lee made arrangements with the
24 Company to receive service from a water main being constructed pursuant
25 to a Main Extension Agreement with Mark Brinton, whose property is
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1 located in the Northwest Quarter of Section 13, Township 5 South, Range
2 8 East. Both properties were included in the Application and in the
3 Decision expanding the Company's CCN. Omega requested the Company
4 to include its property in the Company's CCN and to provide public utility
5 water service to Omega's master planned development known as "Verona"
6 (previously known as "Cole Farms"), located in Sections 6 and 7 of
7 Township 6 South, Range 8 East.
8

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10
11 In addition, Sections 9 and 10 in Township 5 South, Ranges 8 and 9 East,
12 respectively, were also included in the Application and added to the
13 Company's CCN because the Company already serves customers in those
14 sections, and the Company has water system facilities in Section 10.
15

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17 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR DIRECT**
18 **TESTIMONY?**

19
20
21 **A.** Yes. I am sponsoring two exhibits (Exhibits MJW-1 and MJW-2) which are
22 attached to my testimony. MJW-1 is a May 20, 2005 letter from the Arizona
23 Corporation Commission approving a Main Extension Agreement between
24 Arizona Water Company and Mark D. Brinton. MJW-2 is an Arizona
25 Department of Environmental Quality ("ADEQ") Certificate of Approval to
26 Construct dated April 7, 2005. These documents are from the business
27 records and files of the Company and are of the type regularly kept in the
28

1 course of our business activity as part of our regular practice, or were
2 prepared directly by me or my staff.
3

4
5 **Q. WHAT TIME PERIOD DEADLINES ARE YOU REFERRING TO?**

6
7 **A.** The Decision granted the Company's application for an expansion of its
8 CCN for its Coolidge system with the following conditions:
9

- 10
- 11 • That the Company file with Docket Control the main extension
12 agreement associated with the proposed extension area within 365
13 days of the effective date of any Decision in this matter.
14
 - 15 • That the Company file with Docket Control a copy of the ADEQ
16 Certificate of Approval to Construct within 365 days of the effective
17 date of any Decision in this matter.
18
 - 19 • That the Company file a copy of the developer's Certificate of
20 Assured Water Supply, where applicable or required by statute,
21 within 365 days of the effective date of any Decision in this matter.
22
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1 Q. DID THE COMPANY COMPLETE ANY ARRANGEMENTS FOR
2 PROVIDING WATER SERVICE TO PROPERTY IN THE NEW CCN
3 AREA?
4

5
6 A. Yes. The Company entered into a main extension agreement with Mr.
7 Brinton, a developer in the CCN area approved in the Decision. The
8 Company also applied for and received an ADEQ Certificate of Approval to
9 Construct for the water main that will be used to serve Mr. Brinton's
10 development and that will also be used to provide water service to Mr.
11 Lee's property. Copies of these documents are attached to my testimony
12 as Exhibits MJW-1 and MJW-2 as previously described.
13
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16 Q. PLEASE DESCRIBE THE STEPS OMEGA HAS TAKEN TO START THE
17 VERONA DEVELOPMENT.
18

19 A. In preparation for my testimony, the Company's Engineering Department
20 contacted Jim Boyden, Omega's project manager for the Verona
21 development. Mr. Boyden informed the Company that:
22

23
24 1. Since 2004, Omega has sought, and on June 12, 2006, finally
25 succeeded in having the Verona development annexed into the City
26 of Coolidge.
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2. Omega has been pursuing its application for, and was recently told that it will receive, a Certificate of Assured Water Supply from the ADWR, perhaps before December 31, 2006.
3. Omega deferred application for an ADEQ Certificate of Approval to Construct for Verona until:
 - a. The property was annexed by Coolidge;
 - b. It receives a Certificate of Assured Water Supply; and
 - c. It has a final, approved subdivision plat.
4. Omega will enter into a main extension agreement with the Company following Omega's receipt of the ADEQ Certificate of Approval to Construct.

Q. WHY HAS OMEGA BEEN UNABLE TO OBTAIN AN ADEQ CERTIFICATE OF APPROVAL TO CONSTRUCT, A CERTIFICATE OF ASSURED WATER SUPPLY AND ENTER INTO A MAIN EXTENSION AGREEMENT FOR THE VERONA DEVELOPMENT WITHIN THE TIME PERIOD IN THE DECISION?

1 A. Since the Decision was entered on December 3, 2004, Omega has been
2 taking steps required to develop its property and meet the deadlines, as I
3 described in my previous answer. I must point out that the time needed
4 (since 2004 in some cases) to meet such deadlines is not unusual,
5 because the development process is always time consuming and
6 complicated. Throughout this time, Omega remains determined to develop
7 its property, and continues to rely on the Company to provide the
8 necessary water service.
9

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13 **Q. IN YOUR EXPERIENCE, MR. WHITEHEAD, WHAT DO THE**
14 **FOREGOING ACTIONS BY OMEGA SHOW?**
15

16
17 A. It demonstrates that Omega has been diligently pursuing its plans for the
18 Verona development since 2004. It also demonstrates that Omega is
19 making satisfactory progress to obtain the certificates and documents the
20 Commission requires pursuant to the conditions in the Decision detailed
21 above, and that Omega should soon be able to complete some, if not all of
22 the requirements. Again, it also illustrates the time-consuming nature of
23 the development process, and that the developer's need for the
24 Company's commitment to provide water service remains the same,
25 irrespective of how long it may takes to complete the governmental
26 processes required before the Verona development can get underway.
27
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1 Q. WHAT IS THE STATUS OF MR. LEE'S DEVELOPMENT?

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4 A. Mr. Lee's property contains an existing mobile home park. Water service
5 will be extended to his property and a fire hydrant will be installed for public
6 health and public safety purposes. Mr. Lee does not plan to subdivide his
7 property

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9

10 Q. WHAT DOES THIS MEAN CONCERNING MEETING THE DECISION'S
11 DEADLINES WITH RESPECT TO MR. LEE'S PROPERTY?

11

12

13 Because the main extension to Mr. Brinton's property also will be used to
14 provide water service to Mr. Lee's mobile home park, there is no need for a
15 separate main extension agreement or ADEQ Certificate of Approval to
16 Construct for Mr. Lee's property. Also, as Mr. Lee is not planning to
17 subdivide his property, under Arizona law, A.R.S. 45-576, a Certificate of
18 Assured Water Supply is not necessary for Mr. Lee's property, as a
19 certificate is required only for land being subdivided within an active
20 management area, which is not the case with Mr. Lee's property.

21

22

23 Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?

24

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26 A. Since it is clear, as demonstrated by my testimony and exhibits, that the
27 Company and Omega have made significant progress toward satisfying
28 the Decision's conditions, (and the applicable conditions are already

1 satisfied concerning water service to Mr. Lee's property), the Commission
2 should approve the Company's request to extend the time for completing
3 the certificates and main extension agreement for the Verona development
4 for an additional year, to December 31, 2007. Not extending the time
5 would be harmful and undermine Omega, which has expended a
6 significant amount of time, effort, and money to develop Verona in reliance
7 on the Company's commitment to provide water service in accordance with
8 the CCN expansion approved in the Decision. As my testimony shows,
9 Omega has diligently pursued those efforts but the time required for
10 Omega to complete all of the various governmental agency approvals
11 required for the development and the time required to obtain the
12 certificates and to enter into the main extension agreement is not within
13 Omega's or the Company's control.
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18 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

19
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21 **A. Yes, it does.**
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COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES



BRIAN C. McNEIL
Executive Secretary

ARIZONA CORPORATION COMMISSION

May 20, 2005

Brinton Property
2-3728

Mr. James T. Wilson
Arizona Water Company
Post Office Box 29006
Phoenix, Arizona 85038-9006

Dear Mr. Wilson:

The enclosed Main Extension Agreement between Arizona Water Company – Coolidge and Mark D. Brinton has met the provisions of A.A.C. R14-2-406, or company approved tariffs, and is approved, excepting those provisions, if any, not within the jurisdiction of the Arizona Corporation Commission.

A copy of this agreement will remain on file in the Utilities Division's Central Files.

Sincerely,

Bradley G. Morton

Bradley G. Morton
Public Utilities Consumer Service Analyst II
Utilities Division

BGM:cal

Enclosures

cc: Brian Bozzo



ARIZONA WATER COMPANY

448 W. Central Ave.
P.O. Box 1568
Coolidge, AZ. 85228
Voice: 520.723.5346
Fax: 520.723.3081

AGREEMENT FOR EXTENSION OF WATER FACILITIES

CUSTOMER: Mark D. Brinton
Name
P.O. Box 145
Address
Valley Farms, AZ. 85291
City and State *Zip Code*

Contract No. 3330
W.A. No. 2-3728

DATE OF AGREEMENT August 12, 2004

CONSTRUCTION START: Approximately 15 days after receiving all material and obtaining all necessary permits and approvals.

PROJECT COMPLETION: Estimated to be within 60 (sixty) days from the start date.

DATE OF COST ESTIMATE (Attachment "A"): August 12, 2004

WATER SYSTEM: Coolidge

WATER FACILITIES: Install approximately 10,560 LF of 12" C-900 north along Attaway Road, then west along Highway 287 at Coolidge, AZ. in a portion of Sec. 30 T.5S., R.8E. Per DWG CL-255 as per drawing (Attachment "B").

REFUNDABLE ADVANCE		
IN AID OF CONSTRUCTION for: <u>Install 10,560 LF of 12" C-900 pipe w/related fittings</u>	\$	320,319
NON-REFUNDABLE CONTRIBUTION for: <u>Install 1-6" fire hydrant w/related fittings</u>		3,508
	AGREEMENT TOTAL	\$ 323,827
	LESS: MAIN EXTENSION DEPOSIT RECEIVED	450
	BALANCE DUE	\$ 323,377

THIS AGREEMENT is made and entered into by and between ARIZONA WATER COMPANY, an Arizona corporation, (hereinafter called the "Company"), and the Customer named above. In consideration of the services to be performed by the Company and the sums of money to be paid by the Customer, in accordance with the related Cost Estimate, it is agreed as follows:

- The Company will construct, or will arrange for the construction of the Water Facilities as described above.
- The Customer will pay to the Company upon signing this Agreement the Total shown above, receipt of which is hereby acknowledged by the company. The Total shown above to be paid by the customer to the Company is the Company's estimated cost of construction of the Water Facilities. The Company will determine and inform the Customer of the actual cost of construction within sixty (60) days after the completion of construction or the Company's receipt of all invoices and charges related to the construction. If the Company's actual cost of construction is less than the Total amount paid, the Company will refund the difference to the Customer; conversely, if the Company's actual cost of construction is more than the Total amount paid, the Customer shall pay the difference to the Company within sixty (60) days of receipt of an invoice from the Company. However, if the actual cost is more than five percent (5%) greater than the Total amount paid, the Customer will only be required to pay five percent (5%) more than the Total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the Total amount paid was made. The Company and the Customer further agree that the amount subject to refund pursuant to paragraph 3 of this Agreement shall be the refundable portion of the Company's actual cost of construction. Information about the actual cost of construction will be attached to this Agreement and forwarded to the Customer.
- Refunds of any advances in aid of construction shall be made as follows: Each year for a period of 10 years the Company shall pay to the Customer or the Customer's assignee or successor in interest, provided the Company has first received written notice and evidence of such assignment or succession and approved of same, an amount equal to 1% percent of the total gross annual revenue received by the Company from water sales to each bona fide customer whose service line is directly connected to pipelines installed pursuant to this Agreement. Refunds shall be made by the Company on or before August 31 of each year, covering any water revenues received during the preceding July 1 to June 30 period. Any balance remaining subject to refund at the end of the 10-year period shall become non-refundable. Aggregate refunds shall in no event exceed the total of the refundable advance in aid of construction received from the Customer. No interest shall be paid by the Company on any amounts paid hereunder.
- All Water Facilities installed under this Agreement shall be the sole property of the Company, and the customer shall have no right, title or interest in or to any such facilities.
- The size, design, type and quality of materials and of the system, location and manner of installation, shall be specified by the Company and shall comply with requirements of the Arizona Corporation Commission or other public agencies having authority therein.
- The Customer agrees to furnish to the Company adequate and recordable easements and required surveying necessary to serve each parcel or lot within the Customer's subdivision, tract, development, or project.
- The Customer agrees that all easements and rights-of-way shall be free of obstacles which may interfere with the construction of the Company's Water Facilities. If the Customer's subdivision, tract, development, or project involves road construction, all roads and drainageways will be brought to grade by the Customer prior to the commencement of the installation of the Company's Water Facilities. No pavement or curbs shall be installed prior to completion of all Water Facilities. If any street, road, alley or drainageway is installed at a different grade or location after the beginning of the installation of Water Facilities, the Customer shall bear all costs incurred by the Company to relocate the Water Facilities as a result of said facilities having improper cover or location. Such costs shall be non-refundable.
- The Customer agrees to pay to the Company any additional costs incurred as a result of design changes made or caused by the Customer or its employees, agents, servants, contractors or subcontractors, the Arizona Department of Environmental Quality, the Arizona Corporation Commission, any county health department or other public agency under whose jurisdiction the subject construction may fall, or anticipated or un-anticipated changes in existing Company facilities, due to any work associated with this subdivision, tract, development or project which causes said facilities to have improper cover or location.
- This Agreement shall be binding upon and for the benefit of the successors and assigns of the Company and the Customer. No assignment or transfer of this Agreement by the Customer shall be binding upon the Company or create any rights in the assignee until such assignment or transfer is approved and accepted in writing by the Company.
- This Agreement, and all rights and obligations hereunder, including those regarding water service to the Customer, are subject to the Arizona Corporation Commission's "Rules and Regulations Relating to the Operation of Domestic Water Utility Companies" and the Company's tariff schedule TC-243, "Terms and Conditions for the Provision of Water Service."

ARIZONA WATER COMPANY

Company

By: [Signature]

Title: [Signature]
RGM

Date Approved: 5-20-05

Decision No.: _____

Director of Utilities

Arizona Corporation Commission

By: Beverly G. Morton

MARK D. BRINTON

Customer

By: [Signature]

Title: Trustee

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CERTIFICATE OF APPROVAL TO CONSTRUCT
 DRINKING WATER FACILITIES

ADEQ FILE NO.: 20030590		LTF NO.: 31544	
SUPPLYING SYSTEM NAME: Arizona Water Company		PUBLIC WATER SYSTEM NO.: 11-014	
PROJECT NAME: Mark Brinton Water Line			
PROJECT OWNER: Arizona Water Company			
ADDRESS: P. O. Box 29006, Phoenix, AZ 85038-9006			
LOCATION: HWY 287 and Attaway Rd., Coolidge		COUNTY: Pinal	
PROJECT DESCRIPTION: Install drinking water distribution extension on Attaway Rd. and HWY 287 to serve future development in the area. Project consist of the installation of approx. 10,560 LF of 12-inch DIP waterline and related fittings.			

Approval to Construct the above-described facility as represented in approved plan documents on file with the Arizona Department of Environmental Quality is hereby given subject to the following provisions:

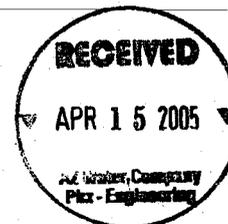
1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion, and forward it to the ADEQ's Southern Regional Office - Tucson. If all requirements have been completed, that office will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin. Code. At the project owner's request, the Department *may* conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.

Provisions 3 through 5 are continued on Page 2 of 2 total pages

KA:MAH:mah
 30590dbm.54t

By: Kwame Agyare 4/07/05
 Kwame Agyare, P.E., Acting Manager Date Approved
 Technical Engineering Unit
 Drinking Water Section
 Water Quality Division

cc: File No: 20030590, 31544
 County Health Department: Pinal
 Drinking Water Field Engineering/Inspection Unit - Phoenix
 Planning & Zoning: Pinal County
 Michael Whitehead, Arizona Water Company
 Larry B. Hansen, P.E.
 Engineering Review Database
 Romann Diaz, Manager, Field Service Unit



CERTIFICATE OF APPROVAL TO CONSTRUCT DRINKING WATER FACILITIES:
ADEQ FILE NO. 20030590: MARK BRINTON WATER LINE EXTENSION
PAGE 2 OF 2: PROVISIONS, CONTINUED

3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time; the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.
5. Before construction of a modification, expansion, or alteration of this distribution system begins, a separate Approval to Construct applicable to each addition must be obtained. R18-5-505(B), Ariz. Admin. Code.

