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JAMES M. IRVIN  
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AZ CORP COMMISSION  
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF  
H2O, INC., FOR AN EXTENSION OF ITS  
EXISTING CERTIFICATE OF CONVENIENCE  
AND NECESSITY.

DOCKET NO. W-02234A-00-0371

IN THE MATTER OF THE APPLICATION OF  
JOHNSON UTILITIES, L.L.C., dba JOHNSON  
UTILITIES COMPANY, FOR AN EXTENSION  
OF ITS CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER AND  
WASTEWATER SERVICE TO THE PUBLIC IN  
THE DESCRIBED AREA IN PINAL COUNTY,  
ARIZONA.

DOCKET NO. W-02987A-99-0583

IN THE MATTER OF THE APPLICATION OF  
JOHNSON UTILITIES, L.L.C., dba JOHNSON  
UTILITIES COMPANY, FOR AN EXTENSION  
OF ITS CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER AND  
WASTEWATER SERVICE TO THE PUBLIC IN  
THE DESCRIBED AREA IN PINAL COUNTY,  
ARIZONA.

DOCKET NO. WS-02987A-00-0618

IN THE MATTER OF THE APPLICATION OF  
DIVERSIFIED WATER UTILITIES, INC. TO  
EXTEND ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY.

DOCKET NO. W-02859A-00-0774

IN THE MATTER OF THE APPLICATION OF  
QUEEN CREEK WATER COMPANY TO  
EXTEND ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY.

DOCKET NO. W-01395A-00-0784

PREFILED REBUTTAL TESTIMONY OF  
PAUL T. GARDNER

1 Q. Please state your name, present position, and place of employment.

2 A. My name is Paul T. Gardner. I am the president of Queen Creek Water Company ("Queen  
3 Creek" or "Company"). Queen Creek's business address is 22036 South Ellsworth Road,  
4 Queen Creek, Arizona, 85242.

5 Q. Have you previously testified before the Commission?

6 A. Yes. I have given testimony on behalf of Queen Creek in various regulatory matters before  
7 the Commission.

8 Q. What is the purpose of your testimony today?

9 A. The purpose of my testimony is to support the Settlement Agreement that H2O, Inc.  
10 ("H2O"), Johnson Utilities L.L.C. ("Johnson Utilities"), and Queen Creek entered into on  
11 January 23, 2001, and to comment on the Staff Report dated January 9, 2001.

12 Q. Did you participate in the negotiations leading to the settlement?

13 A. Yes.

14 Q. Which portions of the contested areas in this consolidated proceeding would be granted to  
15 Queen Creek under the Settlement Agreement?

16 A. None.

17 Q. How, then, does the Settlement Agreement benefit Queen Creek?

18 A. The Settlement Agreement addresses areas contiguous to Queen Creek's certificated area not  
19 previously addressed in any party's application. These areas include the eastern three-fourths  
20 of Section 14, Range 7 East, Township 2 South, Maricopa County, which would be included  
21 in Queen Creek's CC&N. Queen Creek's CC&N would also be extended to include the  
22 "Country Thunder" property, comprising approximately the western one-third of Section 30,  
23 Range 8 East, Township 2 South, south of Queen Creek Wash. In addition, Johnson Utilities  
24 would provide wastewater service to three full sections and portions of four additional  
25 sections within Queen Creek's southeastern CC&N that are not presently within the service  
26 area of any wastewater service provider. These and the remaining provisions of the  
27 Settlement Agreement are addressed in the Joint Application filed by Queen Creek, H2O and  
28 Johnson Utilities on January 24, 2001.

1 Q. What caused Queen Creek to accept a settlement which grants it none of the contested areas?

2 A. As explained in my previous answer, the Settlement Agreement provides finality for a larger  
3 area than that originally contemplated by the parties, and benefits not only Queen Creek, but  
4 also the other settling parties, landowners, developers, and the public.  
5

6 Q. How does the settlement benefit landowners, developers, and the public?

7 A. In the absence of a settlement, resolution of the competing applications would require  
8 protracted litigation, wasting not only the resources of the parties, but of the public. The  
9 Settlement Agreement will promote orderly development in Pinal and Maricopa Counties  
10 and will foster cost-efficient extension of service to new areas. The terms of the Settlement  
11 Agreement provide certainty for area landowners and developers.

12 Q. Did the parties to the Settlement Agreement hold settlement discussions with Diversified  
13 Water Utilities?

14 A. Yes. Settlement discussions among the settling parties and Diversified did take place,  
15 although, unfortunately, no agreement was reached. While Queen Creek would have  
16 preferred to have a settlement agreement acceptable to all parties, it was prepared to sign an  
17 agreement which did not include Diversified because of efforts underway by various  
18 landowners within Diversified's CC&N area to form a water improvement district to replace  
19 Diversified as the water service provider. Dr. Stanley Griffis, the Pinal County Manager, has  
20 informed Queen Creek, H2O and Johnson Utilities that petitions from landowners within  
21 Diversified's CC&N area to create a water improvement district have already been filed, and  
22 that the formation of such a district will undoubtedly occur. With the formation of such a  
23 district, Diversified's application to extend its CC&N area would become moot.  
24

25 Q. Have you reviewed the Staff Report dated January 9, 2001?

26 A. Yes.

27 Q. Do you have any comments about the Staff's analysis and recommendations?  
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A. Yes. While Staff's recommendations respecting what portions of the contested areas should be awarded to Queen Creek are consistent with the Settlement Agreement, those recommendations are not based on the Settlement Agreement, but rather on Staff's analysis of the pending applications. Queen Creek fully supports the Settlement Agreement based on the benefits it will receive and for the additional reasons addressed above. In the absence of those benefits, however, Queen Creek could not support a decision to award none of the contested areas to Queen Creek.



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CERTIFICATE OF MAILING**

I hereby certify that on this 30<sup>th</sup> day of January, 2001, I caused the foregoing document to be served on the Arizona Corporation Commission by hand-delivering the original and ten (10) copies of said document to:

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