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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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JAN 30 2001

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William Mundell
Chairman

Jim Irvin
Commissioner

Marc Spitzer
Commissioner

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

Docket No: WS-02234A-00-0371

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES, L.L.C. DBA
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION FOR 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-99-0583

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

NOTICE OF FILING REBUTTAL TESTIMONY

Pursuant to the October 16, 2000 Procedural Order, Johnson Utilities files the
rebuttal testimony and associated exhibits of George Johnson, Brian Tompsett, Gerald

1 Bowen, Michael Ingram, Kathy Aleman and Byron Handy. This pre-filed rebuttal
2 testimony both responds to the Commission staff's January 9, 2001 Staff Report and
3 supports Johnson Utilities', H2O's and Queen Creek's joint application for approval of the
4 Settlement Agreement. In light of the Settlement Agreement and the new Staff Report, the
5 attached testimony replaces the testimony of George Johnson, Brian Tompsett, Byron
6 Handay, Stan Griffis, Nate Nathan and Mike Johnson that had been filed in this
7 proceeding in October, 1999.
8

9
10 DATED this 30th day of January, 2001.

11 LEWIS AND ROCA LLP

12
13 

14 Thomas H. Campbell
15 Michael Denby
16 40 N. Central Avenue
17 Phoenix, Arizona 85004
18 (602) 262-5723

19 Attorneys for Johnson Utilities Company
20

21 ORIGINAL and ten (10) copies
22 of the foregoing filed this 30th day
23 of January, 2001, with:

24 The Arizona Corporation Commission
25 Docket Control – Utilities Division
26 1200 W. Washington Street
Phoenix, Arizona 85007

1 COPY of the foregoing hand-
2 delivered this 30th day of January,
3 2001, to:

4 Karen E. Nally
5 Assistant Chief Administrative Law Judge
6 Arizona Corporation Commission
7 1200 W. Washington Street
8 Phoenix, Arizona 85007

8 Teena Wolfe, Legal Division
9 Arizona Corporation Commission
10 1200 W. Washington Street
11 Phoenix, Arizona 85007

11 Mark DeNunzio
12 Utilities Division
13 Arizona Corporation Commission
14 1200 W. Washington Street
15 Phoenix, Arizona 85007

15 Administrative Law Judge Marc Stern
16 Arizona Corporation Commission
17 1200 W. Washington Street
18 Phoenix, Arizona 85007

18 COPY of the foregoing mailed
19 this 30th day of January, 2001,
20 to:

21 Jay Shapiro
22 Karen E. Errant
23 Fennemore Craig
24 3003 N. Central Avenue
25 Suite 2600
26 Phoenix, Arizona 85012-2913

LEWIS
AND
ROCA
LLP

LAWYERS

1 William Sullivan
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3 2712 N. 7th Street
4 Phoenix, Arizona 85008-1090

4 Charles Bischoff
5 Jorden & Bischoff, P.L.C.
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7 Suite 205
8 Scottsdale, Arizona 85151

8 Petra Schadeberg
9 Pantano Development Ltd. Partnership
10 3408 N. 60th Street
11 Phoenix, Arizona 85018-6702

11 Richard N. Morrison
12 Salmon, Lewis & Weldon
13 4444 N. 32nd Street, Suite 200
14 Phoenix, Arizona 85018

14 Kathy Aleman, Manager
15 Wolfcor, LLC & Wolfkin Farms
16 Southwest Properties, Inc.
17 3850 E. Baseline Road, Suite 123
18 Mesa, Arizona 850206

18 Dick Maes, Project Manager
19 Vistoso Partners, LLC
20 1121 W. Warner Road, Suite 109
21 Tempe, Arizona 85284

21

22

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Betty J. Griffin

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BEFORE THE ARIZONA CORPORATION COMMISSION

William Mundell
Chairman

Jim Irvin
Commissioner

Marc Spitzer
Commissioner

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

Docket No: WS-02234A-00-0371

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

Docket No: WS-02987A-99-0583

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

PRE-FILED REBUTTAL TESTIMONY

OF

GEORGE H. JOHNSON

1 **Q. Please state your name for the record.**

2 **A. George H. Johnson.**

3 **Q. What is your title and responsibilities with the applicant, Johnson Utilities?**

4 **A. I am the Managing Member of Johnson Utilities and responsible for its overall**
5 **operations. My primary focus is on the financial aspects of the company. The day-**
6 **to-day operational aspects are handled by Jerry Beeler, our Operator and Manager.**

7 **Q. Have you reviewed the Johnson Utilities' application and supporting**
8 **materials?**

9 **A. Yes, I have.**

10 **Q. Are those materials accurate?**

11 **A. Yes, to the best of my knowledge.**

12 **Q. Have you reviewed the January 9, 2001 Staff Report prepared by the Utilities**
13 **Division of the Arizona Corporation Commission?**

14 **A. Yes, I have.**

15 **Q. Do you have any comments on the Staff Report?**

16 **A. Yes. The staff obviously has put much effort into its report and Johnson Utilities**
17 **agrees with much of the Staff Report as well as many of its recommendations.**
18 **There are certain portions of the Staff Report, however, with which Johnson**
19 **Utilities respectfully disagrees.**

20 **Q. Can you identify and discuss each of those disagreements?**

21 **Y. Yes.**

1 **Q. What is the first point of disagreement?**

2 A. On page 1 of the Staff Report, the staff states that developers in parcels 3, 5, 6 and
3 12 have requested that they no longer be considered by any utility for water and
4 wastewater service. The staff then concludes that there is no need for service in
5 those parcels at this time and does not recommend approval of any extension
6 request into those areas.
7

8 The developers/owners of these parcels had originally requested service
9 from Johnson Utilities and had supported Johnson Utilities' application. Johnson
10 Utilities filed its application, in part, based on these requests. While its application
11 was pending, the developers/owners of these parcels and Johnson Utilities started to
12 negotiate service agreements. Recently, when those negotiations stalled, the
13 developers/owners filed the letters referred to by the Staff Report. Subsequently,
14 the owners of parcels 3, 6 and 12 have, at the urging of Pinal County, reinstated
15 negotiations with Johnson Utilities (*See Exhibit 1*). Johnson Utilities is hopeful that
16 those negotiations will be successfully completed in the near future. Unfortunately,
17 the developer/owner of parcel 5 (Skyline) apparently is not interested in further
18 negotiations at this time.
19
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22 Regardless of the status of the negotiations between Johnson Utilities and
23 developers/owners of these four parcels, it is in the public interest for these parcels
24 to be included in Johnson Utilities' certificated area. These parcels lie between
25 Johnson Utilities' currently certificated area and the Union Pacific Railway. As set
26

1 forth more fully in the Settlement Agreement filed in this docket, the certificated
2 providers in this area, H2O, Queen Creek and Johnson Utilities, have agreed that
3 these parcels should be placed in Johnson Utilities' certificated area. Pursuant to
4 that same Settlement Agreement and at the request of the landowner/developer,
5 Johnson Utilities will be providing service to Parcel 11 (Circle Cross Ranch). As
6 the staff noted in its September 26, 2000 staff report in this proceeding, the railroad
7 tracks, while not an insurmountable barrier, form a natural and obvious dividing
8 line between Johnson Utilities' and H2O's service areas.
9

10
11 In addition, Johnson Utilities, pursuant to the Settlement Agreement, has
12 applied for authority to provide wastewater service to the H2O and Queen Creek
13 water service areas. The construction of a cost-effective, integrated water and
14 wastewater system in this portion of Pinal County will benefit by the inclusion of
15 parcels 3, 5, 6 and 12 in the Johnson Utilities' certificated area. Such an integrated
16 system will benefit the public and is consistent with the Commission's water task
17 force report that encourages existing utilities to serve areas in the vicinity of their
18 current service area, rather than create new, small utilities. It is also Johnson
19 Utilities' understanding that Pinal County is not favorably disposed towards the
20 creation of a water improvement district to serve parcels 3, 5, 6 and 12.
21

22
23 **Q. What is your next point of disagreement with the Staff Report?**

24 **A. The staff states on pages 6 and 9, that due to Johnson Utilities' failure to file**
25 **necessary items required by A.C.C. Decision No. 62087, Johnson Utilities'**
26

1 currently certificated service area has been reduced. As more fully set forth in the
2 Motion to Extend Filing Date attached as Exhibit 2, Johnson Utilities did satisfy the
3 condition of Decision No. 62087 although one item (the franchise) that was secured
4 by Johnson Utilities in a timely fashion was inadvertently not filed in the 62087
5 docket.
6

7 **Q. What is your next concern with the Staff Report?**

8 **A.** On page 8, the staff expresses concern over the ability of Johnson Utilities to meet
9 and maintain ADEQ compliance. Johnson Utilities admits that in the early days of
10 its operation it had several problems with ADEQ but they have now been resolved.
11 The staff acknowledges that Johnson Utilities is currently in compliance. In light of
12 the ADEQ problems, Johnson Utilities retained a new operator, Jerry Beeler, who is
13 highly respected and experienced, having served as operator for Queen Creek
14 Water Company. Mr. Beeler has kept Johnson Utilities in compliance with ADEQ.
15

16 **Q. What is your next issue with the Staff Report?**

17 **A.** On page 10 of the Staff Report, the staff refers to a Centex Homes complaint. The
18 staff is apparently not aware that a tentative settlement has been reached in this
19 complaint proceeding. Moreover, as more fully set forth in the testimony of Brian
20 Tompsett, the staff recommended tariff revision is not the best revision to address
21 the problem raised in that complaint proceeding. Johnson Utilities requests that the
22 tariff revision described in Mr. Tompsett's testimony be adopted by the
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26 Commission.

1 **Q. What is your next concern with the Staff Report?**

2 **A.** On pages 13 and 14, staff states that it is not convinced that all the development
3 will take place in a timely manner and requests that a CC&N review be filed with
4 the Commission. Similarly, the staff recommends that the certificate be conditional
5 subject to ADEQ compliance. For the reasons more fully set forth in the testimony
6 of Mr. Schnepf, Johnson Utilities respectfully disagrees and opposes these
7 provisions. If the staff is concerned about speculative development, ADEQ
8 compliance or any other future issues, it may initiate an order to show cause
9 proceeding if and when its concerns materialize. Self-executing provisions
10 requested by the staff that automatically delete a certificate area without due
11 process and without any consideration of the facts of a particular case are not
12 appropriate.
13
14
15

16 **Q. What is the next staff recommendation about which Johnson Utilities takes**
17 **issue?**

18 **A.** On page 16 of the Staff Report, the staff recommends denial of Johnson Utilities'
19 request to serve Parcels 1, 7, 8, 10 and 13 because there is no immediate need for
20 water and wastewater service for these parcels at this time. Parcels 10 and 13 are
21 state and BLM land. Johnson Utilities has no objection to the staff
22 recommendation on these two parcels at this time. On the other hand, Parcels 1, 7
23 and 8 currently need to be included in Johnson Utilities' area. The pre-filed
24 testimony of Gerald Bowen and Byron Handy as well as Nikolas Shelton's
25
26

1 January 29, 2001 letter (*See Exhibit 3*) describe this current need. It also should be
2 noted that these parcels are surrounded in large part by Johnson Utilities' currently
3 certificated area or parcels that the staff is recommending be included in Johnson
4 Utilities' area. To build a cost-effective, integrated system in this portion of Pinal
5 County, it makes sense that parcels 1, 7 and 8 be included at this time in the
6 Johnson Utilities' certificated area.
7

8 **Q. Do you have any other comments on the Staff Report?**

9 **A.** Yes. The staff recommends on page 16 that Parcel 2 (Bella Vista) be included in
10 Diversified's Water Utilities' area. Johnson Utilities respectfully disagrees for
11 several reasons. First, it is Johnson Utilities' understanding that Diversified's
12 current facilities will be purchased by a water improvement district that is in the
13 process of being established by Pinal County. Second, the developer/owners of
14 Bella Vista, who are intervenors in this proceeding, have specifically requested that
15 their property be included in Johnson Utilities' certificated area, not Diversified's.
16 Third, for the reasons more fully set forth in Brian Tompsett's and Donald
17 Schnepf's testimony, Diversified is not as qualified as Johnson Utilities to provide
18 service to this area.
19
20
21

22 **Q. Do you believe the Settlement Agreement will benefit the public?**

23 **A.** Yes. The Settlement Agreement will promote orderly development in Pinal and
24 Maricopa Counties and will foster cost efficient extension of service to new areas
25 which will help minimize the rate impact of extending service. The settlement will
26

1 avoid lengthy and costly litigation and protect landowners and developers currently
2 threatened by the uncertainty of when and by whom they will receive water and
3 wastewater utility service. The Settlement Agreement is supported by Pinal County
4 and most of the major landowners in the area.
5

6 **Q. Why did Johnson Utilities agree to settle for less than it requested in its**
7 **application?**

8 **A. Both landowners/developers and the County were facing significant financial losses**
9 **if the competing CC&N applications were not resolved in an expeditious manner.**
10 **Dr. Stanley Griffis, the Pinal County Manager, met with Johnson Utilities, H2O and**
11 **Queen Creek to discuss settlement in light of the fact that Pinal County had**
12 **received a petition from landowners in Diversified's certificated service area**
13 **requesting that a water improvement district be created to replace Diversified as the**
14 **water service provider. Based on the County's and landowners' concerns, the fact**
15 **that Diversified's application to extend its CC&N would be rendered moot by the**
16 **formation of a water improvement district and the desire to avoid costly, protracted**
17 **litigation, Johnson Utilities reached an agreement with H2O and Queen Creek.**
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21 **Q. Does this conclude your testimony?**

22 **A. Yes.**
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VERIFICATION

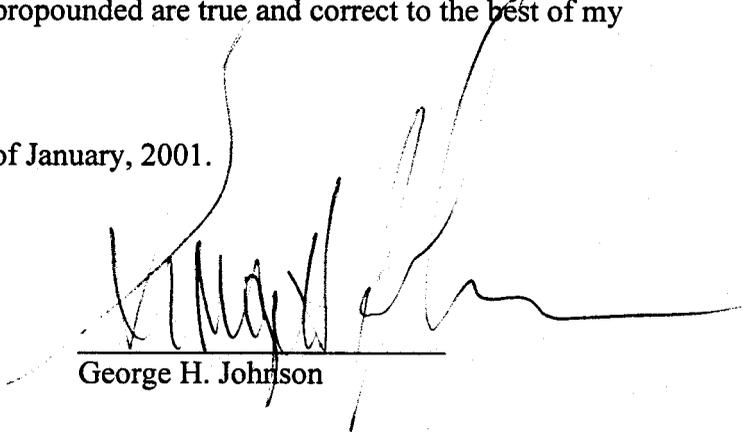
STATE OF ARIZONA :
: SS.
County of Maricopa :

George H. Johnson, of lawful age being first duly sworn, deposes and states:

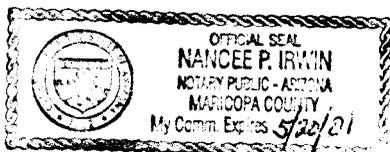
1. My name is George H. Johnson. I am the Managing Member of Johnson Utilities Company, LLC.

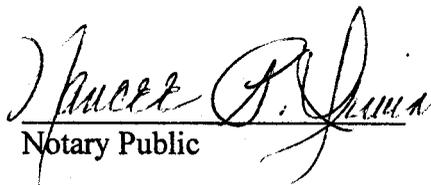
2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

DATED this 25 day of January, 2001.


George H. Johnson

SWORN AND SUBSCRIBED to before me this 26 day of January, 2001.




Notary Public

My commission expires:
May 20, 2001

EXHIBIT 1



CRAVATH COMMERCIAL
APARTMENT ADVISORS

January 16, 2001

Mr. George Johnson
Johnson International
5230 E. Shea Blvd, Ste 200
Scottsdale, AZ 85251

Dear George:

I wanted to confirm that, after my meeting with Stan Griffis, we are going to again try to reach an agreement on service of water and sewer from Johnson Utilities.

Paul Jorde and I have a meeting this Friday with Buzz Slavin. We intend to go over any open issues and then ask Buzz to try to finalize the agreements as quickly as possible. In addition, I have asked Buzz to begin working with Richard Salquist immediately in anticipation of our meeting Friday.

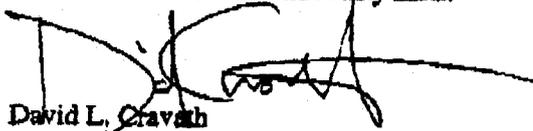
I discussed with Paul the potential tank site at the sewer site and he was agreeable. This would be a good solution because, he has a good well relatively close to this area.

I intend to stay out of the negotiations, as I did not prove successful earlier in obtaining an agreement.

We simply want an agreement that is fair and consistent with current water and sewer standards that will support the contemplated development of both these parcels.

I hope it is possible to complete this as soon as possible.

Sincerely,
Cravath Whole Life Community LLC:



David L. Cravath

c: Stan Griffis, Sandy Smith, Buzz Salvin, Paul Jorde, Terry Fitzgerald, Richard Salquist

EXHIBIT 2

JAN 4 2001

1 Richard L. Sallquist (002677)
Sallquist & Drummond, P.C.
2 2525 East Arizona Biltmore Circle
Suite 117
3 Phoenix, Arizona 85016-2129
(602) 224-9222
4 Attorneys for Johnson Utilities Company

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION) DOCKET NO. WS-02987A-98-0546
OF JOHNSON UTILITIES COMPANY FOR)
7 AN EXTENSION OF ITS CERTIFICATE OF) **MOTION TO EXTEND FILING**
CONVENIENCE AND NECESSITY.) **DATE**
8)

9 1. On November 19, 1999, the Commission issued Decision No. 62087, that, among
10 other things, required the Company, Johnson Utilities Company, (Johnson), to obtain and file
11 certain Pinal County Franchises, Arizona Department of Environmental Quality verifications,
12 and an Arizona Department of Water Resources Designation of Assured Water Supply. That
13 compliance was to be completed within 365 days of the Decision.

14 2. Those documents were provided to the Commission in other proceedings involving
15 Johnson pending before the Commission, however, they were inadvertently not filed with Docket
16 Control as contemplated by the Decision.

17 3. Due to modification of the legal description during the course of the subject
18 application, there are two franchises required to cover the Certificate area. Those Franchises
19 were issued on November 4, 1998 and November 17, 1999. Attached please find the County
20 Franchise and Acceptance by the Company.

21 4. Also attached are the Arizona Department of Environmental Quality Notices of No
22 Deficiencies, dated March 20, 2000 and June 5, 2000 for the water system, and the October 8,
23

1 1999 Amendment to Consent Order and April 2000 Approvals of Construction for the
2 wastewater system.

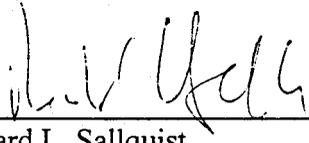
3 5. Attached is the Arizona Department of Water Resources Decision and Order granting
4 Johnson a Designation of Assured Water Supply, dated July 26, 2000.

5 6. Please note that all such approvals predate the November 19, 2000 compliance date set
6 forth in the Subject Decision.

7 WHEREFORE, the Company respectfully requests that the Hearing Division issue a
8 Procedural Order extending the time for filing the subject compliance items to January 3, 2001.

9 Respectfully submitted this 3rd day as January, 2001.

10 SALLQUIST & DRUMMOND, P.C.

11
12 By 
13 Richard L. Sallquist
14 2525 East Arizona Biltmore Circle, Suite 117
15 Phoenix, Arizona 85016
16 Attorney for Rio Verde Utilities, Inc.

17 Original and ten copies of the
18 foregoing filed this 3rd day
19 of January, 2001, with:

20 Docket Control
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

A copy of the foregoing was
mailed this 3rd day of
January, 2001, to:

Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 Utilities Division
Arizona Corporation Commission
2 1200 West Washington
Phoenix, Arizona 85007

3
4 Legal Division
Arizona Corporation Commission
1200 West Washington
5 Phoenix, Arizona 85007

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7 *Carmen Tuballa*

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Expansion and Amendment Of The Johnson Utility Water and Sewer Franchise

WHEREAS, Johnson Utilities L.L.C. had received a water and sewer franchise from Pinal County to establish and maintain water and sewer services on Johnson Utilities L.L.C., see document number 1995-033065 in the Office of the Pinal County Recorder (hereinafter "Original Franchise").

WHEREAS, Johnson Utilities L.L.C., a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Original Franchise for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Expansion").

WHEREAS, upon filing of Johnson Utilities L.L.C.'s application for the Expansion, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 10:00 A.M. on November 4, 1998, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said application for the Expansion and Amendment having come on regularly for hearing at 11:30 A.M. on November 4, 1998; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder and Blade-Tribune published on October 15, 1998, October 22, 1998, and October 29, 1998; and the matter being called for hearing at 11:30 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: Johnson Utilities L.L.C., a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: water and sewer lines and related appurtenances

Section 2: GRANT

Grantor, on November 4, 1998, hereby grants to Grantee, for a period of time not to exceed the Original Franchise, this expanded and amended franchise (hereinafter "Second Amended Franchise") for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Original Franchise (hereinafter "Franchise Area").

Section 3: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Second Amended Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Second Amended Franchise is accepted by County. This Second Amended Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

Section 4: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the Second Amended Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Second Amended Franchise accepts the validity of the terms and conditions of the Second Amended Franchise in their entirety and agrees it

will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Second Amended Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Second Amended Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Second Amended Franchise not expressed therein. Grantee by its acceptance of the Second Amended Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Second Amended Franchise.

C. Grantee by its acceptance of the Second Amended Franchise further acknowledges that it has carefully read the terms and conditions of the Second Amended Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. In case of conflict or ambiguity between the Second Amended Franchise and the Original Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.

E. The Board's decision concerning its selection and awarding of the Second Amended Franchise shall be final.

Section 5: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Second Amended Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Second Amended Franchise, all of which will remain in full force and effect for the term of the Second Amended Franchise or any renewal or renewals thereof.

Section 6: NOTICE

Notices required under the Second Amended Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
P.O. Box 827
31 N. Pinal
Florence, Arizona 85232

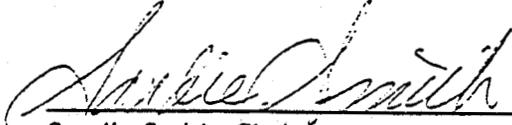
Grantee:

Johnson Utilities L.L.C.
5320 E. Shea Blvd.
Scottsdale, Arizona 85254

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

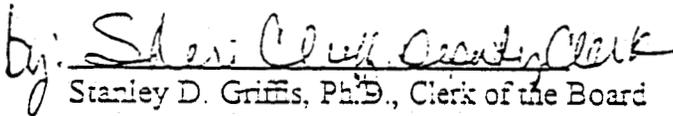
IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on November 4, 1998.

PINAL COUNTY BOARD OF SUPERVISORS



Sandie Smith, Chairman 11-4-98

ATTEST:

by: 
Stanley D. Griess, Ph.D., Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY



Eric L. Waiberg, Deputy County Attorney

Exhibit A

JOHNSON UTILITIES
FRANCHISE EXTENSION APPLICATION

All areas within the following described Sections not previously franchised to the Applicant:

Sections 35 and 36, all in Township 3 South Range 7 East

Sections 13 through 36, all in Township 3 South Range 8 East

Sections 16 through 21 and 28 through 33, all in Township 3 South Range 9 East

Sections 1 through 4, 10 through 14 and 23 through 26, all in Township 4 South Range 8 East

Sections 4 through 9, all in Township 4 South Range 9 East

Exhibit B

SAMPLE ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: . Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., a(n) Arizona corporation, does hereby accept the _____ grant of an Second Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Second Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Second Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Second Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Second Amended Franchise recited to have been or to be made by Grantee.

arrycivil\franchise\19981799 E&A Franchise Final

ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., a(n) Arizona corporation, does hereby accept the November 4, 1998 grant of an Second Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Second Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Second Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Second Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Second Amended Franchise recited to have been or to be made by Grantee.

Dated this 16 day of November, 1998

Johnson Utilities L.L.C.

By: [Signature]

Title: [Signature]

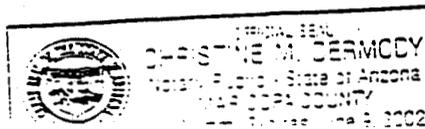
STATE OF ARIZONA)
) ss.
County of)

The foregoing instrument was acknowledged before me this 16 day of November, 1998, by Georgia Johnson, Manager of Johnson Utilities, a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]
Notary Public

My Commission Expires:

June 9 2002



ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., an Arizona limited liability corporation, does hereby accept the November 17, 1999 grant of a Fourth Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Fourth Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Fourth Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Fourth Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Fourth Amended Franchise recited to have been or to be made by Grantee.

Dated this 1 day of Dec 1999.

Johnson Utilities L.L.C.
By: [Signature]
Title: Managing Member

STATE OF ARIZONA

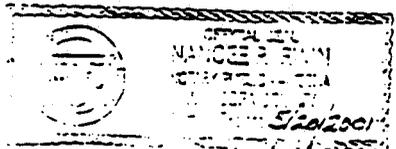
County of Maricopa

The foregoing instrument was acknowledged before me this 1st day of December, 1999, by George A. Gruen, Managing Member

of Johnson Utilities L.L.C. an Arizona limited liability corporation, and being authorized to do so executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]
Notary Public

My Commission Expires:
May 20 2001



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JOHNSON UTILITIES
FRANCHISE EXTENSION APPLICATION

All areas within the following described Sections not previously franchised to the Applicant:

Sections 1 through 34, all in Township 3 South, Range 7 East, and

Sections 5, 6, 7 and 8, all in Township 3 South, Range 8 East, G&SRB&M, Pinal County, Arizona

Arizona Department of Environmental Quality
Drinking Water Compliance Enforcement Unit
3033 N. Central Avenue, M0501B
Phoenix, AZ 85012

COMPLIANCE STATUS REQUEST FORM - To be completed for any written or verbal compliance status request made to the Drinking Water Compliance Enforcement Unit.

PWS Name: Johnson Utilities - Johnson Ranch

PWS ID #: 11-123

Compliance Status: NO MAJOR DEFICIENCIES

If system is in non-compliance, please indicate why in the comment section.

Comments:
ADEQ received compliance monitoring results for POE 001 on March 10, 2000. The sample taken on March 8, 2000, had analytical results of 6.52 mg/L for Nitrate. ADEQ issued an Approval Of Construction (AOC) on March 13, 2000, to Johnson Utilities for the Reverse Osmosis unit used to treat water for this system. The AOC is contingent upon the Blending Plan also granted on March 13, 2000.

Date of last ADEQ inspection/sanitary survey: 12/03/99
Please attach a copy of the most recent inspection/sanitary survey report annotated to reflect current status of correction of deficiencies.

Noncompliance with Administrative Order (please attach order, highlighting noncompliance items)
Is ADEQ compliance order in effect? Yes No
If yes, please attach a copy.
Please attach a list of known violations.

Please fill in the following:
Number of Points of Entry = 1 Connections Served = 100 Population Served = 300
Initial year for Phase II = 2000 Initial year for Phase V = 2000 MAP year = 2000

The latest representative measurements for the following:
TDS 344 mg/L *1997* Fluoride <0.4 mg/L *1997* Nitrate 6.52 mg/L *2000*
(Concentration Code 1030) (Concentration Code 1025) (Concentration Code 1040)

DWCSEU Evaluation completed by: Melanie Barton Title: Compliance Officer
Phone: 207-4443 Date: March 22, 2000

ADEQ has determined that this system is currently delivering water that does not exceed any MCL (maximum contaminant level) and meets Safe Drinking Water Act quality requirements. This compliance status report does not guarantee the water quality for this water system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Compliance Enforcement Unit
3033 N. Central Avenue, M0501B
Phoenix, AZ 85012
(602) 207-4624

COMPLIANCE STATUS REQUEST FORM - To be completed for any written or verbal compliance status request made to the Drinking Water Compliance Enforcement Unit.

PLEASE ALLOW A MINIMUM OF TWO WEEKS NOTICE FOR A COMPLETED REPORT.

Individual Requesting Information: Mr. Rich Campbell, Esq.
Requesting individual(s) firm Storv and Pieroni
Phone: (602) 522-0203
Date of request: June 5, 2000
PWS System name: Johnson Utilities L.L.C. / Sun Valley Unit V
PWS ID # 11-116

THIS SECTION TO BE COMPLETED BY DRINKING WATER SECTION STAFF:

Compliance Status: check one; if system is in non-compliance, please indicate why in the comment section:

MAJOR DEFICIENCIES

YES

NO

Comments: The Water System is now providing water by "hauling" from the Jonsson Ranch Water System PWS ID # 11-128. The "hauling" water meets the state and federal safe drinking water standards. Additionally, the Sun Valley Unit V water system is in the process of obtaining an approval for a new source (well) to provide water to the Sun Valley Unit V water system. That new source requires ADEQ approval prior to being provided to the water system users.

Previously cited deficiencies related to Radiochemical and Lead and Copper monitoring requirements will be addressed in conjunction with the new source approval process and will no longer constitute major monitoring deficiencies.

DWCEU Evaluation completed by: Bill DePaul, Drinking Water Enforcement Coordinator *BAD*

Phone: (602) 207-4652 DATE: June 5, 2000

Copy of completed Compliance Status Report provided to the individual requesting information on June 5, 2000 in person.

cc: Facility File PWS # 11-116

m:\wcc\cab\berpi\comstat\11-116.600

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality Division - Water Quality Compliance Section
Water Quality Enforcement Unit
3032 N. Central Ave., Phoenix, AZ 85012

APPROVAL OF CONSTRUCTION (WASTEWATER)

ADQC File No.: 180215

Inventory No. 180215

Project Description: This is the main sewage pumping station for the Johnson Ranch Utility Company. This new pump station and force main consists of the following items:
SEWER CHAMBER & TRAP HOUSE: 5 ft. dia., 2.5 ft deep, 1/4" 12" of 15 in. PVC pipe to the 70;
PUMP STATION (PS): 8 ft dia.; consists of 2 submersible, variable speed, simplex three pump (4 inch), (Model 410000000-4) (each 315 gpm @ 114 ft), 30 hp motor; pump to alternate; applications include elapsed time meters, controls, alarm, and a standby generator.
VALVE HOUSE: 7 ft. dia.; w/ check and gate valves;
FLOW METER: 1 inch magnetic flow meter (Magna Mag Sensor Model 7-2000-00-01);
FORCE MAIN (FM): approximately 38,775 LF of 8 inch PVC (Class 150) (Class 150) pressure cover pipe; applications include 1) sewage combination air/vacuum release valves, 2 gate valves, 3 elbows and 37 fittings;
SEWER MANHOLE VALVE HOUSE: 10 plant inlet; gate/check valves, the force main is combined with 1,285 LF of 12 inch PVC (Class 150) (Class 150) pressure cover pipe, with final outlet at the sewage treatment plant for screen chamber;
REVISIONS: This project is necessary in order to connect the various subdivisions with the main sewer, which is approx. 5 miles SW (along Road Key.) of the service area.

Location: JOHNSON RANCH SUBDIVISION (Various Sections, 70/40, 273)
 Approx. 6 miles south of Queen Creek along Road Key.
 Queen Creek, AZ (Pinal County)

Project Owner: Johnson Utilities Inc., 250
 5110 East Main Blvd., Suite 200
 Scottsdale, AZ 85254 (480/994-1394)

This Approval of Construction is based upon the following items:

1. 100% Certificates of Approval to Construct for ADQC File No. 980215 signed on June 23, 1999.
2. Engineer's Certificate of Completion, signed on March 7, 2000 by Gerald A. Edwards, P.E., Certificate No. 13736, and submitted after the completion of construction and final inspection.
3. 21 pages of "RECORD DRAWINGS" dated March 7, 2000, reviewed by ADQC on March 3, 2000, with "As-Built" certification provided by Gerald A. Edwards, P.E., Certificate No. 13736. Plans are titled: JOHNSON UTILITIES COMPANY, JOHNSON RANCH, MAIN SEWER PUMPING AND FORCE MAIN PLAN.
4. 4 pages of test logs, indicating that 100% of the force main was tested and passed pressure tests.
5. An O&M Manual titled: JOHNSON RANCH, Phase 2, Force Main Treatment Plant, Operations & Maintenance Manual, March 2000. This manual includes information relative to the various lift stations, including the main low sewage lift station, and the house lift station.

Approval to operate the above described facilities is restricted in the approved plan specifications as filed with the Arizona Department of Environmental Quality and/or the County Health Department if necessary given subject to the following provisions:
 Additional requirements of the state health and force main must be provided, as appropriate the necessary. Due to low critical pumping times, low velocity, or low seasonal flows.
 Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

Reviewed by:

M. Rice 4/7/2000
 M. Rice ADQC Manager Approve Date
 Water Quality Enforcement Unit

cc: Approval of Construction File (Final Copy) 860275
 Freddy Alexander (Inventory No. 10000)
 Engineering Review Desk ADQC File No.: 180215
 Final Construction Cost
 Project Sponsor: The WLS Group, Inc., 255 E. Camel, Suite 280, Phoenix, AZ 85012 (602/278-1010)
 Arizona Corporation Commission

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality Division - Water Quality Compliance Section
Water Quality Enforcement Unit
3033 N. Central Ave., Phoenix, AZ 85012

APPROVAL OF CONSTRUCTION (WASTEWATER)

ADEC File No.: 880007

Inventory No: 133011

Project Description: A trunk sewer (Phase 1) to serve Johnson Ranch. The trunk sewer system consists of approximately 1,375 LF of 18 inch, and 117 LF of 15 inch PVC (SDR 35) gravity sewer pipe, 15 manholes, and appurtenances, to serve present/future developments with discharge to the main pumping station (ADEC File 880011), and the main sewage treatment plant (Section 11) (ADEC File 880011).

Location: Along Hunt Hwy. Sectors 12/ 20, T3S, R8E
About 3 miles South of Queen Creek
Queen Creek, AZ (Pinal County)

Project Owner: Johnson Utilities Inc., LLC
3230 East Camel Blvd., Suite 200
Scottsdale, AZ 85254 (480)838-3300

This Approval of Construction is based upon the following items:

1. Arizona Department of Environmental Quality Certificate of Approval to Construct for ADEC File No. 880007 signed on March 16, 1988.
2. Original Engineer's Certificate of Construction, issued on July 21, 1988, by Brian P. Tomasett, P.E., Certificate No. 27077 and submitted after the completion of construction (7/88), and the final inspection (7/88).
3. 3 pages of "As-Constructed Record Drawings", dated July 23, 1988 and received by ADEC on July 21, 1988, for the construction project. As-built construction is provided by Brian P. Tomasett, P.E., Certificate No. 27077 on July 21, 1988. Plans are titled Sewer Plans, JOHNSON RANCH-TRUNK SEWER-PHASE 1, Pinal County, Arizona.
4. 7 pages of test data indicating that 73% (2,461 LF) of the collection system was tested and passed the low pressure air test, that 70% (7) of the manholes were tested and passed the infiltration test, and that 100% of the sewer height were inspected and video was obtained for video inspection.

Approval to operate the above described facility as represented in the approved plan documents on file with the Arizona Department of Environmental Quality under the County Health Department is hereby given subject to the following provisions. No provisions are included.

Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

Reviewer(s):

M. Ray ABE
M. Ray ABE, Manager
Water Quality Enforcement Unit
4/7/2000
Approval Date

cc: Approval of Construction File: (Pinal County) 880007
Facility Plan/CDU Inventory No. 100041
Engineering Review Date, ADEC File No.: 880007
Pinal County Health Dept.
Consulting Engineer: The W.J. Group, Inc., 333 E. Camel Blvd., Suite 200, Phoenix, AZ 85012 (602)278-1011
Arizona Corporation Commission

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality Division - Water Quality Compliance Section
Water Quality Enforcement Unit
3033 N. Central Ave., Phoenix, AZ 85012

APPROVAL OF CONSTRUCTION (WASTEWATER)

ADCO File No.: 980051

Inventory No.: 980051

Project Description: A sewage collection system to serve the Johnson Ranch Golf Club. The sewage system consists of approximately 4,000 LF of 8 inch, and 3,476 LF of 12 inch PVC (RCP III) gravity sewer pipe, 23 manholes, 1 cleanout, and approximately 164 lots with 3/4" and 1 1/4" x 1/2" (or 1" x 1/2") discharged to collection sewer lines (10/12 inch trunk sewers). (Refer to the utility ponding station (ADCO File 980051), and the main sewage treatment plant (Facility 21) (ADCO File 980051).

Location: South of Santa Vista Road, West of Hunt Hwy. (Section 30, T3S, R9E)
About 1 mile South of Queen Creek
Queen Creek, AZ (Pinal County)

Project Owner: Johnson Utilities Inc., LLC
8220 East Shea Blvd., Suite 200
Scottsdale, AZ 85264 (480)888-1300

The Approval of Construction is based upon the following items:

1. Arizona Department of Environmental Quality Certificate of Approval to Construct for ADCO File No. 980051, dated on June 23, 1998.
2. Original Engineer's Certificate of Construction, dated on September 10, 1998, by Brian P. Tomczak, P.E., Certificate No. 27077 and amended after the completion of construction (SAC), and the final inspection (S/M).
3. 15 copies of "Record Drawings", dated July 12, 1998 and received by ADCO on September 16, 1998, for the above-described project were originally sealed by Brian P. Tomczak, P.E., Certificate No. 27077 on January 2, 1998. Plans are dated Johnson Ranch, Unit 2A - Water and Sewer Plans, Pinal County, Arizona.
4. 15 copies of test logs, including that 24 to 14,108 LF of the collection system was tested and passed the flow test at 2.2 to 5.17 of the manholes were tested and passed the infiltration test, and that 28 to 12,254 LF of the sewer system was tested and passed the deflection tests.
5. The January 22, 1998 SEWER SERVICE AGREEMENT, between the applicant and Johnson Utilities Company, in which the Utility agrees to provide sewer service for 980051.

Approval to operate the above described facilities as represented in the approved plan documents on file with the Arizona Department of Environmental Quality and/or the County Health Department is hereby given subject to the following provisions: be provided and installed.

Arizona Revised Statutes require that the location of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

Reviewed by:

M. Raga Biji 4/7/2000
M. Raga Biji, Manager Approved Date
Water Quality Enforcement Unit

Approval of Construction Plan (Pinal County) 980051
Facility Plan WQEU Inventory No. 100091
Engineering Review Date: ADCO File No.: 980051
Pinal County Health Dept.
Consulting Engineer: The WLS Group, Inc., 333 E. Camel, Suite 380, Phoenix, AZ 85012 (Phone: 602.278.1010)
Arizona Corporation Commission

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
 Water Quality Division - Water Quality Compliance Section
 Water Quality Enforcement Unit
 3033 N. Central Ave., Phoenix, AZ 85012

APPROVAL OF CONSTRUCTION (WASTEWATER)

ADQD File No.: 380811

Inventory No: 380811

Project Description: A sewage collection system to serve the Johnson Ranch Unit #1. The sewage system consists of approximately 3,100 LF of 12 inch and 48 LF of 18 inch PVC gravity sewer pipe (Unit 26), 21 manholes, and appurtenances, to serve approximately 120 lots with 24,800 gpd (avg) dihydrogen treated part of the effluent on existing 18 inch brick sewer (ADQD File 380807) on Johnson Ranch Blvd., and (south part of the Unit) lots on existing 18 inch brick sewer (ADQD File 380808) on Desert Willow Blvd., all flows being tributary to the main pumping station (ADQD File 380811), and the main sewage treatment plant (Location 26) (ADQD File 380817).

Location: Along Hunt Highway (Section 19/20, T3S, R6E)
 About 2 miles South of Queen Creek
 Queen Creek, AZ Pinal County

Project Owner: JARDON UTILITY INC.
 1200 East Shea Blvd., Suite 200
 Scottsdale, AZ 85234 (480) 368-3300

The Approval of Construction is based upon the following items:

1. Arizona Department of Environmental Quality Certificate of Approval to Construct for ADQD File No. 380011 signed on May 28, 1995.
2. Original sealed Engineer's Certificate of Construction issued on March 8, 1993, by Brian P. Tomaszewski, P.E., Certificate No. 27077 and submitted after the completion of construction March 1993, and the final inspection March 1993.
3. 11 pages of "As-Built" plans dated March 8, 1993 and received by ADQD on March 12, 1993, for the above-described project. As-Built construction is covered by Brian P. Tomaszewski, P.E., Certificate No. 27077 on March 8, 1993. Plans are titled Johnson Ranch, Unit 2 - Water and Sewer Plans, Pinal County, Arizona.
4. 2 pages of test results indicating that 30% (1,207 LF) of the sewer system was tested and passed the required low pressure air tests, and that 33% (1,311 LF) of manholes were tested and passed the required infiltration tests, and that 48% (2,288 LF) of the sewer system was tested and passed the required deflection tests.
5. The January 7, 1995 SEWER SERVICE AGREEMENT, between the developer and Utility, in which the Utility agrees to provide sewer service for each lot.

Approval to operate the above described facilities as represented in the approved plan documents on file with the Arizona Department of Environmental Quality and/or the County Health Department is hereby given subject to the following provision: No provisions are included.

Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

Reviewed/Sign:

M. Rego A383 4/7/2000
 M. Rego A383 Approved Date
 Waste Quality Enforcement Unit

ADQD Approval of Construction File: (Pinal County) 380011
 Facility File: WQCU Inventory No. 100087.
 Engineering Review Date: ADQD File No. 380011
 Pinal County: Health Dept.
 Consulting Engineer: The WLS Group, Inc., 333 E. Camel, Suite 380, Phoenix, AZ 85012 (602) 275-1010
 Arizona Construction Commission

BEFORE THE DIRECTOR OF THE
ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

In the matter of:)
)
Johnson Utilities, L.L.C.)
5230 E. Shea Boulevard)
Scottsdale, Arizona 85254)
)
PINAL COUNTY)

AMENDMENT TO CONSENT ORDER

DOCKET NO. P-105-99

WHEREAS, Respondents, Johnson Utilities, L.L.C., (Johnson Utilities) has entered into Consent Order Docket No. P-105099 with the Arizona Department of Environmental Quality (ADEQ):

WHEREAS, The parties agree to amend Part IV of the Compliance Schedule as shown herein in accordance with Part VII.J of Consent Order Docket No. P-105099;

WHEREAS, ADEQ and Johnson Utilities desire to enter into this Amendment to Part IV of the order reflecting the status of Johnson Utilities's Wastewater Treatment Facilities and the Johnson Utilities's compliance with the remaining obligations described in the Order;

WHEREAS, all other parts of Consent Order Docket No. P-105-99 shall remain in effect pursuant to Part VII.H;

WHEREAS, the effective date of this Amendment shall be the date the Director signs the Amendment:

THE DIRECTOR ORDERS and Johnson Utilities agrees that Johnson Utilities shall take the following compliance actions immediately or as expressly set forth below:

AMENDED PART IV COMPLIANCE SCHEDULE

A. INTERIM WASTEWATER SYSTEM :

1. Within five (5) working days of the date of this amendment Johnson Utilities shall submit for ADEQ approval, a revised operations and maintenance plan certified by an Arizona registered engineer, describing the method by which Johnson Utilities will provide an interim sewage conveyance, treatment, and disposal system that will adequately serve one hundred fifty (150) homes during the interim period prior to completing the construction of the Johnson Ranch Main WWTP on or before November 30, 1999. This proposed system may utilize those portions of the sewer conveyance and treatment system that have already received an Approval to Construct (ATC) from ADEQ. This operations and maintenance report shall include, at a minimum, a schedule and plan of operations indicating how the proposed interim wastewater system will be implemented as approved by ADEQ, and the proposed maximum duration that the interim system will be operated as approved by ADEQ, which is until November 30, 1999. The revised O&M plan shall include a list of each sewer line plug utilized in this interim system.

2. Each sewer line plug used in this interim system shall be inspected daily, and the result of that inspection and condition of these plugs shall be reported monthly, until an Approval of Construction is issued in writing by ADEQ.

3. A set of engineering plans and specifications and a design report that describe the entire proposed interim wastewater conveyance, treatment, and disposal system that has been approved by ADEQ. Any amendments or updates needed to make allowances for

the additional eighty (80) connections, as described in the revised O&M Plan, shall be submitted within five working days of the effective date of this Amendment.

4. A description of the method by which the proposed interim wastewater system shall be monitored, operated, and maintained has been approved by ADEQ. This includes the frequency and nature of system monitoring, and the frequency in which the wastewater shall be vaulted and hauled. From the effective date of this amendment, each time the Vault is to be pumped, a beginning sewage depth measurement, in relation to the 1512.00 foot mark on the wall, shall be taken and reported for each hauling with the Consent Order monthly reports. At no time shall the inflow to the sewer vault exceed the 1512.00 foot mark on the wall approved by ADEQ.

5. A map and written description of the location and the address of the additional eighty (80) homes that will be served by the interim system, the projected maximum daily flows associated with those connections, and the approximate dates on which Johnson Utilities proposes to connect each of the additional eighty (80) homes, shall be submitted to ADEQ within five (5) working days of the effective date of this amendment. Each month's additions and changes shall be reported in each monthly report. These reports shall include any engineering calculations or monitoring results necessary to indicate that the system is operating correctly and within the limits of this Order and its Amendment.

6. Pursuant to Section IV.A.1., Johnson Utilities has submitted the following information for final interim system approval by ADEQ: (a) Construction as-built plans; (b) Testing data; (c) An Arizona Registered Engineer's Certificate of Completion; and

(d) Associated fees (as per A.A.C. R18-9-123 and R18-9-805) for any and all aspects of the interim system. No portion of the interim system may be utilized prior to receiving written approval by ADEQ. Nothing approved for the interim operation of this facility shall be considered as a permanent Approval of Construction for any facility. Any additions or corrections to the previously submitted and approved documents shall be submitted for review and approval within five (5) days of the effective date of this Amendment.

B. INTERIM HOUSING ADDITIONS : A maximum of one hundred fifty (150) homes for Johnson Ranch Subdivisions shall be allowed to connect to the interim wastewater system previously approved by ADEQ.

C. VAULT AND HAUL RECORDS : Copies of receipts for the vault and haul service, including the date, time, measurement of the pre-pumping sewage depth in the vault, and volumes hauled to each location, with verification from the City of Florence, shall be recorded and submitted with the monthly reports required by Section VI.A of this Consent Order.

D. COMPLETION OF CONSTRUCTION OF JOHNSON RANCH MAIN WWTP:

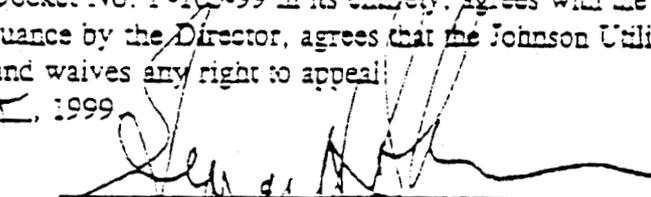
1. No later than October 31, 1999, Johnson Utilities shall complete construction of the Johnson Ranch Main WWTP and sewer conveyance system from subdivision unit no.s 2 and 3 to the main WWTP.
2. No later than November 30, 1999, Johnson Utilities shall submit an application for an AOC, and associated fees for the Johnson Ranch Main WWTP and sewer conveyance system from subdivision unit no.2 and 3. The application for an AOC for

this project shall include but not be limited to as-builts, construction testing data and an Engineers Certificate of Completion by an Arizona Registered Engineer.

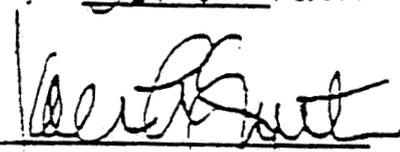
E. **UNAUTHORIZED RELEASES:** Any unauthorized exceedance of the grit chamber 1512.00 foot level, release or discharge shall be reported to ADEQ within five (5) working days after discovering the violation. The written report shall describe the date and time of occurrence, amount released or exceeded, cause of the event, impact to public health and/or the environment, any actions taken to mitigate impacts to public health and/or the environment, and any remedial activities that have been or will be conducted.

CONSENT TO ORDER

The undersigned, on behalf of the Johnson Utilities, L.L.C., hereby acknowledges that Johnson Utilities, L.L.C. was represented by counsel and, having read the foregoing Amendment to Consent Order Docket No. P-105-99 in its entirety, agrees with the statements made therein, consents to its issuance by the Director, agrees that the Johnson Utilities, L.L.C. will abide by the same and waives any right to appeal.
DATED this 7 day of Oct, 1999.


George H. Johnson
Manager, Johnson Utilities, L.L.C.

ISSUED this 8th day of October, 1999.


Karen L. Smith, Director
Water Quality Division
Arizona Department of Environmental Quality

ORIGINAL of the foregoing Consent Order was filed this 8th day of October, 1999, with:

Lavonne Watkins, Case Manager
Office of Administrative Council
Arizona Department of Environmental Quality
3033 North Central Avenue
Phoenix, AZ 85012

ORIGINALS of the foregoing Consent Order was sent by Certified Mail, Return Receipt Requested this 8th day of October, 1999, to:

George E. Johnson, Owner
Johnson Utilities
5230 E. Shea Boulevard
Scottsdale, Arizona 85254

Robert D. Anderson
Storey & Pieroni
3030 E. Camelback Road, Suite 265
Phoenix, Arizona 85016

COPIES of the foregoing Consent Order were sent through regular/inter/intradepartmental mail to the following:

Dan Meer, Chief
CWA Compliance Office (WTR-7)
U.S. EPA, Region IX
75 Hawthorne Street
San Francisco, California 94105

Patrick J. Cunningham, Esq.
Chief Counsel
Environmental Enforcement Section
Office of the Attorney General
1275 West Washington Street
Phoenix, Arizona 85007

Reg Gloss, Environmental Health Director
Pinal County Health Department
188 South Main
Coolidge, Arizona 85228

M. Reza Azizi, Manager
Water Quality Compliance Unit
Water Quality Division
3033 North Central Avenue
Phoenix, Arizona 85012

1 DEPARTMENT OF WATER RESOURCES

2 BEFORE THE DIRECTOR

3
4
5 IN THE MATTER OF THE APPLICATION OF)
6 JOHNSON UTILITIES, L.L.C.)
7 FOR A DESIGNATION AS HAVING AN ASSURED)
WATER SUPPLY)

AWS No. 2000-002

DECISION AND ORDER

No. 26-400090

8 On June 2, 1999, the Department of Water Resources ("Department") received a request from
9 Johnson Utilities, L.L.C. ("Johnson"), to designate Johnson as having an assured water supply pursuant to
10 A.R.S. § 45-576(E) and A.A.C. R12-15-701 *et seq.*

11 After receiving Johnson's request to be designated as having an assured water supply, and after
12 reviewing relevant information regarding the designation request, including a hydrologic study provided with
13 the application, information regarding Johnson's consistency with the management plan and management
14 goal, information provided by the Arizona Department of Environmental Quality regarding the quality of the
15 proposed source of water, information regarding Johnson's financial capability to construct the necessary
16 delivery system, treatment works and storage facilities, information regarding the date that Johnson began
17 water service, and Opinion and Order of the Arizona Corporation Commission ("Commission"), Decision No.
18 60223, the Director finds the following:

- 19 1. Johnson is a private water company whose operations are regulated by the Commission.
- 20 2. Johnson has the legal authority, as granted by the Commission, to deliver water to its
21 customers located within the boundaries of its Certificate of Convenience and Necessity
22 as indicated on maps on file with the Department.
- 23 3. In June of 1999, Johnson began water service in order to establish a new service area
24 right. As of June 23, 2000, the Type 1 Non-Irrigation Grandfathered Right, #58-
25 106657.0009 served water to 362 households. The Department anticipates issuing a
26 service area right number to Johnson on or about October 31, 2000, after which Johnson
27 will have the right to withdraw and serve groundwater in accordance with A.R.S. § 45-492.
28

- 1 4. Johnson currently serves one hundred percent groundwater to its Johnson Ranch
2 residential customers pursuant to its Type 1 Non-Irrigation Grandfathered Right, #58-
3 106857.0009. The maximum groundwater pumping allowed under that right is 127.46
4 acre-feet per year.
- 5 5. Johnson currently serves one hundred percent groundwater to its Sun Valley Farms
6 residential customers under right number 57-002764.
- 7 6. Johnson's current and committed demand for calendar year 1998 is 652 acre-feet.
- 8 7. Johnson's total projected demand for the calendar year 2010 is 2,750 acre-feet.
- 9 8. Johnson has demonstrated the physical, legal and continuous availability of groundwater
10 in a volume of 5,987 acre-feet per year for a minimum of 100 years. After one hundred
11 years, the depth-to-water under Johnson's service area is projected to be less than 700
12 feet below land surface.
- 13 9. Johnson will be regulated as a small provider under the Department's Phoenix Active
14 Management Area Third Management Plan and consequently currently has no GPCD
15 requirement.
- 16 10. There are no Water Quality Revolving Fund Sites or sites on the Superfund National
17 Priority List within Johnson's service area.
- 18 11. The groundwater supply that Johnson intends to provide its customers meets the water
19 quality standards established by the Arizona Department of Environmental Quality. The
20 groundwater supply quality is based on treatment by reverse osmosis and blending of
21 water.
- 22 12. In accordance with Arizona Corporation Commission Rules and Regulations, Johnson
23 finances extensions of its distribution system through line extension agreements with
24 owners of new developments. Any owner of a new subdivision served by Johnson must
25 also prove financial capability to construct the necessary water infrastructure to the
26 appropriate platting entity and the Arizona Department of Real Estate pursuant to Titles 9,
27 11, and 32 of the Arizona Revised Statutes.
- 28 13. On June 9, 2000, the Central Arizona Groundwater Replenishment District ("CAGR")

1 notified the Department that Johnson had completed the process for becoming a Member
2 Service Area of the CAGR D.

3 14. On February 24, 1995, the Director designated that the CAGR D Plan of Operation was
4 consistent with achieving the management goal of the Phoenix Active Management Area.
5 This designation shall terminate on January 1, 2005.

6 15. As of this date, the CAGR D is currently in compliance with its groundwater replenishment
7 obligation for the Phoenix Active Management Area.

8 Having reviewed the Findings of Fact, the Department makes the following conclusions of
9 law based on information that was either provided to the Department or obtained independently by
10 the Department prior to the issuance of this Decision and Order:

- 11 1. The annual volume of water which is physically, continuously, and legally available to
12 Johnson for a minimum of 100 years as prescribed in A.A.C. R12-15-703 exceeds the
13 projected demand for the year 2010.
- 14 2. The water supply served by Johnson is expected to meet the water quality requirements
15 specified in A.A.C. R12-15-704.
- 16 3. Pursuant to A.R.S. § 45-576.01(B), Johnson's projected use of water, as a member
17 service area of the CAGR D, is consistent with achieving the management goal of the
18 Phoenix Active Management Area.
- 19 4. In accordance with A.A.C. R12-15-706, Johnson's proposed use of water is consistent
20 with the Phoenix Active Management Area Second Management Plan requirements.
- 21 5. Johnson satisfies the financial capability criteria prescribed in A.A.C. R12-15-707.
- 22 6. Johnson satisfies all requirements for a designation of an assured water supply.

23 Having reviewed the Conclusions of Law, the Department hereby issues this Decision and
24 Order designating Johnson as having an assured water supply, subject to the following
25 conditions:

- 26 1. The Department reserves the right under A.A.C. R12-15-709 (A) to periodically review
27 and modify the designation as conditions warrant.
- 28

- 1 2. If the findings of fact or the conclusions of law upon which this designation is based are
2 found to no longer remain valid, the Department reserves the right under A.A.C. R12-15-
3 709 (A) to revoke the designation.
- 4 3. As of November 1, 1999, Johnson had begun the process to establish a service area
5 right. This process must be completed by December 31, 2000 or the designation shall be
6 subject to immediate termination.
- 7 4. The Department's determination that an assured water supply exists for Johnson is based
8 solely on its analysis of the groundwater supplies pledged by Johnson. The analysis does
9 not include any other source of water. If Johnson intends to add another source of water
10 to its designated volume, it must request a review pursuant to A.A.C. R12-15-709(C).
- 11 5. Annually, Johnson shall provide to the Department the following information for both the
12 Johnson Ranch system and the Sun Valley Farms system in the manner prescribed in
13 A.A.C. R12-15-711:
- 14 a. The estimated future demand of platted, undeveloped lots which are located in
15 Johnson's service area.
- 16 b. The projected volume of water demand at build-out of customers with which
17 Johnson has entered into a notice of intent to serve agreement in the calendar
18 year.
- 19 c. A report regarding Johnson's compliance with water quality requirements.
- 20 d. The depth-to-static water level of all wells from which Johnson withdrew water
21 during the calendar year.
- 22 e. Any other information required to determine whether to continue Johnson's
23 designated status, which is requested by the Director of Water Resources.

24 IT IS HEREBY ORDERED THAT JOHNSON WATER COMPANY BE DESIGNATED AS
25 HAVING AN ASSURED WATER SUPPLY:

26 DATED this 16th day of July 2000

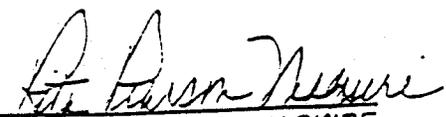
27 
28 RITA PEARSON MAGUIRE
29 Director

EXHIBIT 3

Mark DiNunzio
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: January 9, 2001 Staff Report

Dear Mr. DiNunzio:

I have reviewed your report dated January 9, 2001. On page 16 of the report, it states that "staff recommends denial of Johnson's request to serve Parcels 1, 7, 8, 10, and 13 because there is no immediate need for water and wastewater service for these Parcels at this time."

I am one of the owners and developers of Parcel 7 and disagree with staff's recommendation. There is an immediate need for water and wastewater on Parcel 7. The County has already approved our Plat and we are actively seeking to partner with developers and builders. Failure to secure water and wastewater service at this time would severely impact our ability to continue with our development plans.

Johnson Utilities has indicated its willingness and ability to serve our development. We believe Johnson Utilities can adequately serve our water and wastewater needs. Therefore, we request that you place our property within their CC&N so that we can expedite our development plans.



Nikolas Shelton

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BEFORE THE ARIZONA CORPORATION COMMISSION

William Mundell
Chairman

Jim Irvin
Commissioner

Marc Spitzer
Commissioner

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

Docket No: WS-02234A-00-0371

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES, L.L.C. DBA
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION FOR 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-99-0583

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 BRIAN P. TOMPSETT**

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Q. Please state your name for the record.

A. Brian P. Tompsett.

Q. Please describe your employment and educational history.

A. I am Vice President and Director of Operations of the WLB Group, Phoenix office. I have a college degree in civil engineering and over 15 years experience in engineering and construction of utility facilities. I am licensed as a registered civil engineer with the Arizona Board of Technical Registration, registration No. 27077. My qualifications and experience are more fully set forth in an Exhibit 1.

Q. Are you familiar with the applicant in this matter, Johnson Utilities Company?

A. Yes. I have served as the primary engineering consultant and advisor to Johnson Utilities on its Johnson Ranch Project, Magic Ranch Project and Mystic Ranch developments as well as its planning for the expansion of its certificated area, including the construction of additional water and wastewater facilities. I have been involved in this capacity with Johnson Utilities for approximately 4 years. In that role, I have had day-to-day responsibility and involvement in designing utility facilities, planning for future expansion, meeting with property owners and developers in the expanded area, setting budgets for the proposed facilities, preparing materials filed with the Corporation Commission in this proceeding, as well as with Pinal County and other State agencies, such as the Arizona Department of Environmental Quality.

1 Q. Are you familiar with the Johnson Utilities application, as amended in this
2 proceeding?

3 A. Yes. I am familiar with the application and was primarily responsible for many of
4 the attachments and supporting materials filed with the application.
5

6 Q. Have you reviewed the January 9, 2001 staff report?

7 A. Yes.

8 Q. Does the staff report adequately describe Johnson's water system?

9 A. No. The description of the Johnson Ranch water system does not mention two
10 additional wells that have been approved for construction and that have been
11 constructed. Each well has a 600 gpm capacity. The addition of these wells will
12 almost triple the capacity described in the staff's report. Attached as Exhibit 2 are
13 the authorities to construct for each of those wells and the approval of construction
14 for one of those wells. In addition, Johnson Utilities filed with the staff and with its
15 application, a construction schedule. Pursuant to that schedule, Johnson will build
16 substantial water facilities in the next few years that will increase significantly
17 Johnson Utilities' storage, production and distribution capacity. These projects
18 include storage tanks, pumps, wells and distribution lines.
19
20
21

22 Q. What is the significance of Johnson Utilities' Designation of Assured Water
23 Supply?

24 A. A Designation of Assured Water Supply allows property owners served by Johnson
25 Utilities to more expeditiously receive the necessary regulatory approvals for their
26

1 projects because they are the beneficiaries of this designation. In a sense, a portion
2 of the designation is assigned to them.

3 **Q. Are you familiar with the tariff issue that is discussed on page 10 of the staff**
4 **report?**

5
6 **A.** Yes, I am. The main issue here is how to assess fees for wastewater services during
7 construction. I recommend that the tariff be amended to include a flat rate during
8 the construction phase with a metered rate to go into effect once residents move
9 into the home. The problem is that during construction the wastewater facilities can
10 be used but there is no way to effectively monitor that use. The staff's proposal
11 does not go far enough to address this problem. A flat charge alleviates this
12 problem.
13

14
15 **Q. Have you reviewed the Diversified Water Utilities, Inc. ("Diversified")**
16 **application for extension of its CC&N?**

17 **A.** Yes.

18 **Q. Do you have any comments on Diversified's application?**

19 **A.** Yes, I have the following comments:

- 20
21 1. Diversified would need to make substantial investments and build substantial
22 facilities to serve the area covered in its application. Despite the location of its
23 certificated area, the investments made by Diversified to serve the requested areas
24 would be approximately the same as the investments required by Johnson Utilities.
25
26

1 2. Landowners within the Bella Vista Farms PAD area sought by Diversified have
2 requested service from Johnson Utilities, not Diversified.

3 3. Diversified apparently does not have a Designation of Assured Water Supply.

4 **Q. Have you reviewed Diversified's references to certain natural and institutional**
5 **barriers to Johnson Utilities?**
6

7 **A.** Yes. Diversified's comments are inaccurate. Geographic features can be spanned
8 and Johnson Utilities has done so in the past. That factor has already been
9 incorporated into Johnson Utilities' construction schedule and budget filed with the
10 Commission. Second, state lands are not a barrier because the State Land
11 Department provides rights of way for utility construction. Third, the fact that
12 Johnson Utilities' certificated area is included in both the Phoenix and Pinal Active
13 Management Areas is not a handicap and is easily managed by Johnson Utilities.
14

15 **Q. Have you reviewed Diversified's claims about uneconomical plant?**
16

17 **A.** Yes. Since Diversified would also have to build a similar plant in the area, there is
18 no material cost benefit to Diversified being the provider versus Johnson Utilities.
19 In fact, due to Johnson Utilities' strong financial position and the scale of Johnson
20 Utilities infrastructure improvements, I anticipate that there will be economies of
21 scale for Johnson Utilities that Diversified cannot achieve.
22

23 **Q. Does this conclude your testimony?**
24

25 **A.** Yes.
26

VERIFICATION

STATE OF ARIZONA)
)
County of Maricopa) ss:

Brian P. Tompsett, of lawful age being fire duly sworn, deposes and states:

- 1. My name is Brian P. Tompsett. I am the Vice President and Director of Operations of the WLB Group, Phoenix, office.
- 2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

DATED this 26th day of JANUARY, 2001.

By Brian P. Tompsett
Brian P. Tompsett

SUBSCRIBED AND SWORN TO before me this 26th day of January, 2001.



Theresa Raczky
Notary Public

My commission expires:

Oct. 29, 2004

EXHIBIT 1

7. Brief Resume of Key persons, Specialists, and Individual Consultants Anticipated for the Project.

<p>a. Name & Title: BRIAN P. TOMPSETT, P.E., VICE PRESIDENT</p>	<p>Mr. Tompsett's experience has given him an excellent idea of processing needs, coordination, graphic quality, scheduling and general requirements of governmental contracts.</p>
<p>b. Project Assignment: PRINCIPAL IN CHARGE</p>	<p>SAN MICHELLE APARTMENTS - Las Vegas, Nevada. Developed the site plan and geometric coordination of 225 apartment units within the City of Las Vegas, Nevada. The design included installation of domestic water and fire improvements, sanitary sewer improvements, paving, storm drainage analysis and intersection evaluation. Additional services included coordination of improvements with the appropriate agencies, construction details and the supervision of construction control staking.</p>
<p>c. Name of Firm with which associated: THE WLB GROUP, INC.</p>	<p>CLARK COUNTY FIRE STATION #11 - Las Vegas, Nevada. Responsible for site grading, hydrology evaluation, utility design and offsite coordination. Additional services included emergency traffic signal design and coordination between Clark County Traffic Division and Nevada Department of Transportation.</p>
<p>d. Years experience: With this Firm <u>4</u> With Other Firm <u>11.5</u></p>	<p>SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY - North Las Vegas, Nevada. Developed the site plan and geometric coordination for a 44-acre women's correctional facility. The design included installation of domestic water and fire improvements, sanitary sewer improvements, paving and storm drainage analysis that included a 20-acre detention facility.</p>
<p>e. Education: Degree(s)/Year/Specialization: B.S., Bradley University, Peoria, Illinois, 1984, (Civil Engineering)</p>	<p>TRIPLE OAKS SUBDIVISION, Illinois. Provided master plan and design for a 300-acre single-family residential subdivision. Responsibilities included preparation on offsite and onsite infrastructure construction documents, tentative subdivision mapping, improvement plans and drainage studies that included an area recreational lake and detention.</p>
<p>f. Active Registration: Year First Registered/Discipline: Civil Engineer - Arizona #27007, 1993 Civil Engineer - Nevada #09521, 1991</p>	<p>ONE SCHAUMBURG PLACE - Schaumburg, Illinois. Master plan and design of a 30-acre regional mall and office towers. Responsibilities included preparation of offsite and onsite infrastructure construction documents, improvement plans and drainage studies that included an area recreational lake and detention facility.</p>
<p>g. Other Experience and Qualifications Relevant to the Proposed Project: Mr. Tompsett is the current Phoenix office manager. Throughout his career, Mr. Tompsett has continued to maintain his working knowledge of hydrology/hydraulic programs. Mr. Tompsett has over 14 years experience practicing civil engineering in Arizona, Nevada, Colorado, and Illinois. His extensive experience includes master planning of residential subdivisions, hydrologic analysis, hydraulic analysis, and utility design. Mr. Tompsett has also designed numerous regional commercial centers in Illinois and California.</p> <p>JOHNSON RANCH - Pinal County, Arizona. This 2,100 acre master planned community located near Florence in Pinal County is currently underway. Mr. Tompsett is responsible for the implementation and overseeing of all planning and plating services including scheduling and coordination with local agencies, water and sewer system design, grading and paving design, hydrologic/hydraulic design and analysis, and survey services.</p>	<p>LINCOLNWOOD TOWN CENTER - Lincolnwood, Illinois. Master plan and design of an 80-acre regional mall and industrial complex. Responsibilities included preparation of offsite and onsite infrastructure construction documents, improvement plans and drainage studies that included a 50 foot diameter combination sewer and trunk line.</p> <p>PARK 2000 - Las Vegas, Nevada. Developed the site plan and geometric coordination for additional expansion of commercial office space. The design included installation of domestic water and fire improvements, sanitary sewer improvements, paving and storm drainage analysis.</p>

EXHIBIT 2

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality Division
3033 N. Central Ave., Phoenix, AZ 85012



APPROVAL OF CONSTRUCTION

Project Description One new well (DWR #55-558445) and water
transmission main for Johnson Ranch water system facility, Phase I,
consisting of approx. 1,165 LF of 8" PVC and 5,300 LF of 12"
transmission main. ADEQ File #980006

Location Hunt Highway, S. of intersection (County) Pinal
with Bella Vista Rd.

Project Owner Johnson Utilities Co.
5320 E. Shea Blvd.
Scottsdale, AZ 85254

This Approval of Construction is based upon the May 12, 1999 Engineer's Certificate of Completion and accompanying test results submitted by engineer Brian P. Tompsett, P.E. (Certificate No. 27077).

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

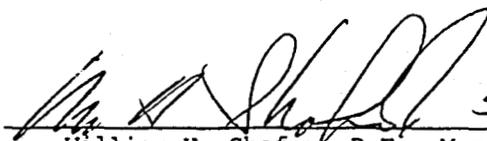
1. This approval is only for the use of well #4. Before an approval can be given for wells 3 and 5, data must be provided to show that the nitrate levels for those wells are less than 10 mg/l.
2. Nitrate monitoring shall be conducted from the well monthly for at least one year. If none of the results exceed 10 mg/l, then sampling may be reduced to quarterly.

Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

WHS:JHB

System Number not yet assigned

cc: CTEU Facility File, (not yet assigned)
TEU Approval of Construction File
ADEQ TEU File #980006
Pinal County Health Department
Planning & Zoning (Pinal County)
Arizona Corporation Commission
Engineer


5/18/99
William H. Shafer, P.E., Manager
FIELD ENGINEERING/INSPECTION UNIT
WATER QUALITY DIVISION - DRINKING WATER SECTION

JU 00619

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

PAGE 1 of 2

SYSTEM NAME: JOHNSON RANCH WSF-PHASE 1	SYSTEM NO.: NEW
PROJECT OWNER: JOHNSON UTILITIES	
ADDRESS: 5320 E. SHEA, SCOTTSDALE, AZ 85254	
PROJECT LOCATION: FLORENCE	COUNTY: PINAL

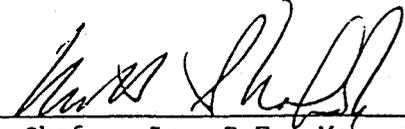
DESCRIPTION: THREE NEW WELLS AND WATER TRANSMISSION LINE FOR JOHNSON RANCH WATER SYSTEM FACILITY-PHASE 1. CONSTRUCT APPROXIMATELY 1,400 L.F. OF 8" PVC WATERLINE, 5,000 OF 12" PVC WATERLINE, WELL #3 (#55-627105), WELL #4 (#55-558445), WELL #5 (#55-559).

Approval to Construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 thru 5 continued on Page 1 thru 2.

1. Notice shall be given to the Southern Regional Office located in Tucson when construction of the project begins to allow for inspection during construction per A.R.S. Section 49-104.B.10.
2. The project owner shall retain a professional engineer as soon as possible to provide detailed construction inspections of this project. Upon completion of construction, the engineer shall fill out the Engineers Certificate of Completion (attached), and forward it to the Regional Office. If all requirements have been completed the Regional Office will issue a Certificate of Approval of Construction.
3. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department.

The State law, A.R.S. Section 49-104.B.10, requires that construction of the project must be in accordance with rules and regulations of the Arizona Department of Environmental Quality. This certificate will be void if construction has not started within one year of the approval date. Upon request a written time extension may be granted by the department.

Reviewed by: KNS:cae

By:  4/21/98
Wm. H. Shafer, Jr., P.E., Manager Approval Date
Technical Engineering Unit
Water Quality Division

cc: File No.: 980006
Regional Office: Southern
County Health Department: Pinal
Owner: Johnson Utilities
Engineer: Wlb Group
Planning and Zoning/Az Corp. Commission
Engineering Review Database

JU 00620

CERTIFICATE OF APPROVAL
Water Facilities
ADEQ File No. 980006
Page 2 of 2: Provisions Continued

4. Wells construction shall conform with DWR regulations.
5. This Approval to Construct does not include approval for the connection of the wells to the water system. Approval to connect the wells will not be given until the water treatment (ADEQ File No. 980115) has been approved by ADEQ.

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BEFORE THE ARIZONA CORPORATION COMMISSION

William Mundell
Chairman

Jim Irvin
Commissioner

Marc Spitzer
Commissioner

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

Docket No: WS-02234A-00-0371

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES, L.L.C. DBA
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION FOR 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-99-0583

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

PRE-FILED REBUTTAL TESTIMONY

OF

GERALD J. BOWEN

1 **Q. Please state your name for the record.**

2 **A. Gerald J. Bowen.**

3 **Q. Are you familiar with Parcel 8 (Section 28, T3S, R9E, in Pinal County)**
4 **referenced in the Commission Staff January 9, 2001 Report?**

5 **A. Yes. Bowen Properties, Inc. owns approximately 200 acres in Parcel 8. I am**
6 **authorized to testify on behalf of Bowen Properties, Inc.**

7 **Q. Do you agree with the staff recommendation on page 16 of the Staff Report**
8 **that Johnson Utilities' request to provide service to Parcel 8 be denied because**
9 **there is no immediate need for water and wastewater service?**
10

11 **A. No.**

12 **Q. Please explain your answer.**

13 **A. Planning and zoning approval has already been completed on the Bowen**
14 **Properties' proposed development in Parcel 8. The County has approved the plat**
15 **for the development. Bowen Properties plans to build 127 homes in this area.**
16 **Bowen Properties anticipates starting construction within 6 to 12 months after it**
17 **receives subdivision approval from the Arizona Real Estate Department.**

18 **Q. When do you anticipate receiving subdivision approval from the Real Estate**
19 **Department?**
20

21 **A. Bowen Properties has been working with the Real Estate Department for over a**
22 **year and is very close to having all information requested by the Department**
23 **completed. The only significant remaining requirement that must be met for**
24
25
26

1 subdivision approval is evidence of an assured water supply. If Parcel 8 is placed
2 in the Johnson Utilities' certificated area, then Bowen Properties will satisfy this
3 Real Estate Department condition because Johnson Utilities has received a
4 designation of assured water supply. If Bowen Properties is not included as
5 recommended by staff, it cannot receive its subdivision approval.
6

7 **Q. Does this conclude your testimony?**

8 **A. Yes.**
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VERIFICATION

STATE OF ARIZONA :
: ss.
County of Maricopa :

Gerald J. Bowen, of lawful age being first duly sworn, deposes and states:

1. My name is Gerald J. Bowen. I am an authorized representative of Bowen Properties, Inc.

2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

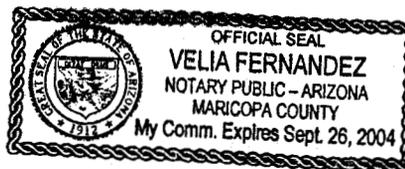
DATED this 26 day of January, 2001.

Gerald J. Bowen
Gerald J. Bowen

SWORN AND SUBSCRIBED to before me this 26 day of January, 2001.

Velia Fernandez
Notary Public

My commission expires:
9/26/04



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BEFORE THE ARIZONA CORPORATION COMMISSION

William Mundell
Chairman

Jim Irvin
Commissioner

Marc Spitzer
Commissioner

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

Docket No: WS-02234A-00-0371

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES, L.L.C. DBA
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION FOR 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-99-0583

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

PRE-FILED REBUTTAL TESTIMONY

OF

MICHAEL INGRAM

1 Q. Please state your name for the record.

2 A. Michael Ingram

3 Q. What is your current employment and responsibilities?

4 A. I am the Co-President for El Dorado Holdings, which is the managing member of
5 Circle Cross, LLC and the Developer of Circle Cross Ranch.

6
7 Q. Have you reviewed the proposed settlement between Johnson Utilities, H2O,
8 Inc., and Queen Creek Water Company resolving the water and wastewater
9 CC&N issues in northern Pinal County?

10
11 A. Yes.

12 Q. Do you think the proposed expansion of the CC&N areas as set forth in the
13 settlement agreement is the best solution for water and wastewater service in
14 the area?

15
16 A. Yes. El Dorado Holdings supports the inclusion of parcel 11 of its property within
17 the CC&N of Johnson Utilities for water service, and parcel 22 within the CC&N
18 of H2O for water service and both parcels 11 and 22 within the CC&N of Johnson
19 Utilities for wastewater service.

20
21 Q. Have you reviewed the conclusions set forth in the document entitled Staff
22 Report, Utilities Division, In the Matter of the Applications of H2O, Inc.,
23 Johnson Utilities Company, Diversified Water Utilities and Queen Creek
24 Water Company for Extension of Their Certificates of Convenience and
25 Necessity, Dockets Nos. W-02234A-00-0371, et al?
26

1 A. Yes.

2 Q. Do you agree with the Staff's conclusion that H2O should serve both parcels
3 11 and 22?

4 A. No. I support the proposed settlement between H2O, Johnson and Queen Creek
5 because it is the best means of promoting orderly, efficient development in northern
6 Pinal County.
7

8 Q. Does that conclude your testimony?

9 A. Yes.
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LEWIS AND ROCA

7148107 2:57 FAXE 014

LEWIS
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VERIFICATION

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STATE OF ARIZONA)
County of Maricopa) ss.

Michael Ingram, of lawful age being first duly sworn, deposes and states:

- 1. My name is Michael Ingram. I am the Co-President for El Dorado Holdings, which is the managing member of Circle Cross, LLC and the Developer of Circle Cross Ranch.
- 2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

DATED this 30th day of January, 2001.

By Michael Ingram
Michael Ingram

SUBSCRIBED AND SWORN to before me this 30th day of January, 2001.

Notary Public
Robyn Broyles
My Commission Expires:

 Notary Public State of Arizona
Maricopa County
Robyn Broyles
Expires September 30, 2004

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BEFORE THE ARIZONA CORPORATION COMMISSION

William Mundell
Chairman

Jim Irvin
Commissioner

Marc Spitzer
Commissioner

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

Docket No: WS-02234A-00-0371

IN THE MATTER OF THE APPLICATION)
OF JOHNSON UTILITIES, L.L.C. DBA)
JOHNSON UTILITIES COMPANY FOR AN)
EXTENSION FOR 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-99-0583

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

**PRE-FILED REBUTTAL TESTIMONY
OF KATHY ALEMAN**

1 Q. Please state your name for the record.

2 A. Kathy Aleman

3 Q. What is your current employment and responsibilities?

4 A. I am a principal with Southwest Properties, Inc., an Arizona corporation, which is
5 involved in the business of commercial land development.

6 Q. How is Southwest Properties related to Bella Vista Farms?

7 A. The principals of Southwest Properties are part owner and co-developer of Bella
8 Vista Farms.

9 Q. Have you previously voiced your company's position in relation to the water
10 company it would prefer to have serve the Bella Vista development?

11 A. Yes. On two occasions. I spoke at the first hearing regarding this matter (the
12 transcript of which is attached as exhibit 1) and I sent a letter to the Corporation
13 Commission (which is attached as exhibit 2) supporting the request by Johnson
14 Utilities that it serve Bella Vista Farms.

15 Q. Has the position of Bella Vista Farms changed since you spoke at the hearing
16 and sent a letter to the Corporation Commission?

17 A. No. We still support Johnson Utilities.

18 Q. Have you reviewed the proposed settlement between Johnson Utilities, H2O,
19 Inc., and Queen Creek Water Company resolving the water and wastewater
20 CC&N issues in Northern Pinal County?

21 A. Yes.

- 1 **Q. Do you think the proposed expansion of the CC&N areas as set forth in the**
2 **settlement agreement is the best solution for water and wastewater service in**
3 **the area?**
- 4
5 **A. Yes. Bella Vista Farms supports the inclusion of its property within the CC&N of**
6 **Johnson Utilities.**
- 7 **Q. Have you reviewed the conclusions set forth on Page 16 in the document**
8 **entitled Staff Report, Utilities Division, In the Matter of the Applications of**
9 **H2O, Inc., Johnson Utilities Company, Diversified Water Utilities and Queen**
10 **Creek Water Company for Extension of Their Certificates of Convenience and**
11 **Necessity, Dockets Nos. W-02234A-00-0371, et al?**
- 12
13 **A. Yes.**
- 14
15 **Q. Do you agree with the Staff's conclusion that Diversified should serve Bella**
16 **Vista Farms?**
- 17 **A. No. It is my understanding that the customers and landowners within Diversified's**
18 **CC&N are unhappy with the water utility service currently provided by Diversified.**
19 **I believe the landowners have petitioned the Pinal County Board of Supervisors to**
20 **approve the formation of a Water Improvement District that would replace**
21 **Diversified as the water provider in the area.**
22
23 **It would appear that Diversified is not able to provide acceptable service to its**
24 **current customers. We have an immediate need for water from a company upon**
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which we can rely. We are confident that Johnson Utilities is that company, not
Diversified.

Q. Does that conclude your testimony?

A. Yes.

LEWIS
AND
ROCA
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LAWYERS

VERIFICATION

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STATE OF ARIZONA)
County of Maricopa) ss.

Kathy Aleman, of lawful age being first duly sworn, deposes and states:

1. My name is Kathy Aleman. I am the Representative for Southwest Properties / LISTOSO PARTNERS, the developer of Bella Vista Farms.

2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

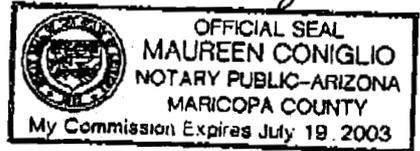
DATED this 26 day of January, 2001.

By Kathy Aleman
Kathy Aleman

SUBSCRIBED AND SWORN to before me this 26th day of January, 2001.

Notary Public Maureen Coniglio

My Commission Expires:
7/19/03



LEWIS
AND
ROCA
LLP
LAWYERS

VERIFICATION

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STATE OF ARIZONA)
County of Maricopa) ss.

Kathy Aleman, of lawful age being first duly sworn, deposes and states:

1. My name is Kathy Aleman. I am the Representative for
Southwest Properties / the developer of Bella Vista Farms.
LISTOSO PARTNERS

2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

DATED this 26 day of January, 2001.

By Kathy Aleman
Kathy Aleman

SUBSCRIBED AND SWORN to before me this 26th day of

January, 2001.

Notary Public Maureen Coniglio

My Commission Expires:

7/19/03

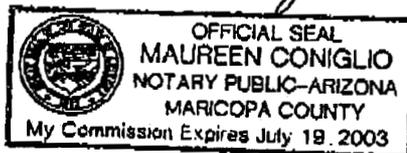


EXHIBIT 1

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At: Phoenix, Arizona

Date: October 19, 2000

Filed: OCT 27 2000

REPORTER'S TRANSCRIPT OF PROCEEDINGS

ARIZONA REPORTING SERVICE, INC.
Court Reporting
Suite Three
2627 North Third Street
Phoenix, Arizona 85004-1103

Prepared for: By: MARY BARRY, RPR, CRR
CCR No. 50260

MR. THOMAS H. CAMPBELL
Attorney at Law

CERTIFIED COPY
(When in red)

1 Butte to get their property zoned and marketed.
2 And without utilities, there is no way that you
3 can even start marketing property unless you
4 have guaranteed water supply and sewer.
5 So under that condition it's really important
6 for us to speed the process up, and we would
7 appreciate it if there is anything you can do to
8 do that.

9 Thank you.

10 ALJ NALLY: Thank you.

11 Kathy Aleman.

12 MS. ALEMAN: Good morning. My name is
13 Kathy Aleman. I am one of the owners of the Bella
14 Vista Farms. Our project is right next to the new
15 road that we have contributed a large amount of
16 money to Pinal County to put through that extends
17 up to the freeway there.

18 We do have an approved PAD with Pinal
19 County, and as the landowner out there with a
20 large investment, we feel we should have the
21 right to be able to request the company that
22 we want that will be able to fill our needs.
23 We do feel Johnson Utilities has the assured
24 water supply and is in a position to be able
25 to step in and do the job that needs to be

1 done. We have -- the total plan there is 3800
2 acres with almost 13,000 homes that are approved
3 for this area.

4 Also we feel that 202 is of great
5 concern to all of the people here who have
6 large investments out in this area. If that is
7 passed, obviously that is going to be a great
8 impact to everyone because you need to have your
9 assured water supply, which they do.

10 So we would request that the hearing be
11 moved up as soon as possible.

12 Thank you very much.

13 ALJ NALLY: Thank you.

14 And Richard Maes.

15 MR. MAES: My name is Richard Maes. I
16 am here representing a portion of Bella Vista
17 Farms, Kathy just spoke about, and Arizona Farms,
18 both master planned communities that all the
19 zoning has been completed and granted through
20 Pinal County, all contributions to road
21 improvements have been done, major investment.

22 We have over the past year and a half
23 worked with Johnson Utilities to work out the
24 details on franchises and delivery of the
25 assured water supply to both of these areas.

1 MS. ALEMAN: Kathy Aleman.

2 We have two sections, and actually one
3 section is contested and one section is not. So I
4 think that is a real problem for us as a
5 developer.

6 COM. IRVIN: I think as the Hearing
7 Officer, that is why I asked the statement. I
8 think that has a been a problem for both our
9 Staff, legal and engineering Staff and the Hearing
10 Officers, that we have been unable to determine.
11 And so I think that was the reason the Hearing
12 Officer made the decision to kind of consolidate
13 these.

14 We will look into that and see if it's
15 possible to separate these things into an
16 uncontested and contested and move one along. But
17 again, I am not going to guarantee that without
18 consulting with Staff and giving them the full
19 opportunity to weigh this.

20 And the reason for that is real simple.
21 This is a very important issue to not only you the
22 developers, but to the county, to the water
23 companies, an economic growth issue, this is a
24 survival issue, from the county standpoint as a
25 development issue, and I know from the state

1 policy that the state has wanted to develop
2 areas other than Maricopa County in order to
3 diversify our businesses and populations and
4 such. So that is something that I do believe I
5 need some input from Staff to see if the course
6 taken is absolutely the best in their mind and
7 that they can give the best possible
8 recommendation to the full Commission when the
9 time comes.

10 MS. ALEMAN: As a landowner, do you not
11 have any input on who you want to serve you so
12 you don't have to go through two different
13 companies?

14 COM. IRVIN: That is why I am asking
15 the landowners to make those comments known, you
16 can make them today for the record, and I would
17 strongly recommend that if you have a preference
18 of one company over another that you also follow
19 that up in writing and make it part of the
20 record noting the docket number on there so
21 that the Hearing Officers get that information
22 so it is in the record prior to the actual
23 hearings.

24 MS. ALEMAN: That should be directed to
25 you?

1 ALJ NALLY: It can be directed to Docket
2 Control.

3 COM. IRVIN: Arizona Docket Control. And
4 all Commissioners will get a copy of the letter as
5 well as the Hearing Officer and all parties of
6 record.

7 MS. ALEMAN: Thank you.

8 ALJ NALLY: Anybody else have a comment
9 before we close the record?

10 State your name again and who you
11 represent.

12 MR. JOHNSON: Mike Johnson, QC Partners,
13 L.L.C.

14 Just listening to this open forum it
15 becomes apparent that we as the developers,
16 several of us seems like we are all getting
17 penalized for an extended period of time. In
18 all due respect to Diversified, you know, our
19 property has been zoned for over a year and a
20 half, we have been through several open meetings
21 at the county, to come in late and delay this six
22 months seems like it's an undue burden for all of
23 us for one person. Everybody else seems to be
24 ready to go.

25 So I would just hope that maybe there is

EXHIBIT 2



RECEIVED

SOUTHWEST PROPERTIES, INC. 14 P 1:19

December 14, 2000

Arizona Corporation Commission

DOCKETED

AZ CORP COMMISSION
DOCUMENT CONTROL

DEC 14 2000

Mr. Carl Kunasek, Chairman
Mr. Jim Irvin, Commissioner
Mr. William A. Mundell, Commissioner
Staff
Arizona Corporation Commission
1300 W. Washington
Phoenix, Arizona 85007

DOCKETED BY	CR
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- Re: Docket No. W-02234A-00-0371 (H2O Extension Application)
- Docket No. WS-02987A-99-0583 (Johnson Utilities Extension Application)
- Docket No. WS-02987A-00-0618 (Johnson Utilities Extension Application)
- Docket No. W-02859A-00-0774 (Diversified Water Utilities Extension Application)
- Docket No. W-01395A-00-0784 (Queen Creek Water Co. Extension Application)

Dear Mr. Chairman, Corporation Commissioners & Staff;

We own 1300 acres of Bella Farms (Section 13 & 23), a 3800-acre master planned community. We would like to file with you our concern that our property, which at this time has not been included in any utility company CC&N, not be awarded to Diversified Water Company. We spoke at the last hearing and asked that our property be included in the CC&N for Johnson Utilities Company.

We feel that Diversified Water Company is too small and inadequately funded and does not have a big enough source of water to handle a development of our size. The total development is approved for over 12,800 homes. Also, we are concerned that they have no real track record or experience to handle water and sewer for a large development.

We have done our own utility companies in the past and we know the difficulties involved. That is why we feel so strongly that we want a company with experience and financial capability.

We tried to meet with your staff but they asked that we write to you instead. Additionally, we would like to act as interveners in the case so that we can ask questions.

Please take heed of our concerns, as the future of our development will depend on it.

Thank you for taking the time to hear our concerns.

Sincerely,

Wolfcor, LLC & Wolfkin Farms

A handwritten signature in cursive script that reads "Kathy Aleman". The signature is written in black ink and is positioned above the printed name and title.

Kathy Aleman
Manager

BEFORE THE ARIZONA CORPORATION COMMISSION

William Mundell
Chairman

Jim Irvin
Commissioner

Marc Spitzer
Commissioner

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

Docket No: WS-02234A-00-0371

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES, L.L.C. DBA
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION FOR 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-99-0583

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

PRE-FILED REBUTTAL TESTIMONY

OF

BYRON F. HANDY

1 **Q. Please state your name for the record.**

2 **A.** Byron F. Handy

3 **Q. What is the purpose of your testimony?**

4 **A.** I am providing testimony in support of the inclusion of the Ware Farms parcel
5 within the CC&N of H2O and the immediate need for water to the Arizona Farms
6 project.
7

8 **Q. What are your current responsibilities in relation to the Ware Farms and**
9 **Arizona Farms projects?**

10 **A.** I am employed by BFH Development Corporation as its President. J-Cor, Inc. has
11 hired BFH Development to work on engineering, planning and entitlement issues
12 associated with the Ware Farms Project. Pantano Development Limited
13 Partnership owns Ware Farms. Pantano has hired J-Cor to develop and market
14 Ware Farms.
15
16

17
18 BFH Development Corporation has also been hired to work on engineering,
19 planning and entitlement issues associated with the Arizona Farms project.
20
21 Vanderbilt Farms, LLC., has hired BFH Development. Vanderbilt is the developer
22 of the 2,848 acres known as Arizona Farms. Vanderbilt has many partners that
23 make up the ownership of Arizona Farms.
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WARE FARMS TESTIMONY

1
2 **Q. Have you reviewed the proposed settlement between Johnson Utilities, H2O,**
3 **Inc., and Queen Creek Water Company resolving the water and wastewater**
4 **CC&N issues in Northern Pinal County?**

5
6 **A. Yes.**

7 **Q. Do you think the proposed expansion of the CC&N areas as set forth in the**
8 **settlement agreement is the best solution for water and wastewater service in**
9 **the area?**

10
11 **A. Yes. The agreement to have H2O serve water and Johnson Utilities provide**
12 **wastewater service to the Ware Farms project is acceptable to us.**

13 **Q. In your prefiled rebuttal testimony of October 5, 2000, you expressed your**
14 **preference that Johnson Utilities rather than H2O provide water utility**
15 **service to the Ware Farms development. Is that still your preference today?**

16
17 **A. No. At the time my previous testimony was filed, we understood that Johnson**
18 **Utilities would not provide wastewater utility service if H2O was the certificated**
19 **water utility provider. As a result, we were concerned that the extension of water**
20 **utility service by H2O would result in the other less acceptable waste treatment**
21 **options such as septic, and that this would have had a detrimental impact on our**
22 **development.**
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1 In contrast, under the Settlement Agreement, Ware Farms is assured that it will
2 receive adequate wastewater service from Johnson Utilities. Therefore, the benefits
3 of the Settlement Agreement clearly eliminate those prior concerns.
4

5 **Q. Mr. Handy, isn't it true that in your previous testimony you also expressed**
6 **concerns regarding H2O's financial ability to extend service to Ware Farms?**
7

8 **A.** Yes that's true. However, as a result of the several months delay since that
9 testimony was filed, we have had the opportunity to better acquaint ourselves with
10 H2O and are now comfortable that they have both the financial as well as the
11 technical expertise to extend water utility service to the Ware Farms development.
12 Our confidence in H2O was further confirmed when the Commission Staff issued
13 its report and came to a similar conclusion. This means that Ware Farms will now
14 be assured adequate water and wastewater utility service and, if the Settlement
15 Agreement is approved, such services will be available without any further undo
16 delay.
17
18

19 **Q. Diversified utilities would also like to provide water utility service to Ware**
20 **Farms. Do you wish to comment on the possibility of having Diversified**
21 **extend service to Ware Farms?**
22

23 **A.** Yes. I understand that the current customers and landowners within Diversified's
24 CC&N are displeased with the water utility service currently provided by
25 Diversified and have petitioned the Pinal County Board of Supervisors to approve
26

1 the formation of a water improvement district that would acquire Diversified's
2 facilities and become the water service provider replacing Diversified. Even if that
3 doesn't occur at this point, we certainly are not interested in having Diversified
4 extend service when it is unable to provide satisfactory service to its current
5 customers. Of course, we would also be concerned, as we were last year, that if
6 Diversified were to become the water service provider it would impact the
7 extension of wastewater utility service by Johnson Utilities.
8

9
10 **Q. Mr. Handy, is there anything else you would like to add at this time regarding**
11 **the Ware Farms project?**

12 **A.** Only to repeat that the developers of Ware Farms urge the Commission to approve
13 the Settlement Agreement at the earliest possible date. The Settlement Agreement
14 is the best means of promoting orderly development in northern Pinal County while
15 protecting the financial interests of property owners who are in the same position as
16 Ware Farms.
17

18 **ARIZONA FARMS TESTIMONY**

19
20 **Q. Have you reviewed the conclusions set forth on Page 16 in the document**
21 **entitled Staff Report, Utilities Division, In the Matter of the Applications of**
22 **H2O, Inc., Johnson Utilities Company, Diversified Water Utilities and Queen**
23 **Creek Water Company for Extension of Their Certificates of Convenience and**
24 **Necessity, Dockets Nos. W-02234A-00-0371, et al?**

25
26 **A.** Yes.

1 **Q. Do you have any comments regarding the conclusions and recommendations of**
2 **the Staff set forth in the January 9, 2001 report?**

3 **A.** Yes. On page 16 of the Staff Report, the Staff recommends denial of Johnson's
4 request to serve the Arizona Farms parcels because Staff concludes there is no
5 immediate need for water or wastewater service for this parcel at this time. This is
6 wrong. There is an immediate need for water and wastewater service at the
7 Arizona Farms parcels.
8

9
10 **Q. Can you elaborate on why there is an immediate need for water and**
11 **wastewater service at the Arizona Farms parcels?**

12 **A.** Yes. We are actively marketing the Master Planned Community to homebuilders.
13 Homebuilders will generally not accept communities where there is not water and
14 wastewater service.
15

16 **Q. Does that conclude your testimony?**

17 **A.** Yes.
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LEWIS
AND
ROCA
LLP
LAWYERS

VERIFICATION

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3 STATE OF ARIZONA)

) ss.

4 County of Maricopa)

5 Byron F. Handy, of lawful age being first duly sworn, deposes and states:

6
7 1. My name is Byron F. Handy. I am the PROJECT MANAGER for
8 J-COR, INC.
~~Ward Farm~~ the developer of Ware Farms.

9 2. I hereby swear and affirm that my answers contained in the attached testimony to the
10 questions therein propounded are true and correct to the best of my knowledge and belief.

11 DATED this 30 day of JANUARY, 2001.

12
13
14 By B. F. Handy
15 Byron F. Handy

16 SUBSCRIBED AND SWORN to before me this 30th day of

17 January, 2001.

18 Mark Felix
19 Notary Public

20 My Commission Expires:

