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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**CARL J. KUNASEK**  
Chairman

**JIM IRVIN**  
Commissioner

**WILLIAM A. MUNDELL**  
Commissioner

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

Docket No: W-02234A-00-0371

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

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

Docket No: WS-02987A-00-0618

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

Docket No: W-02859A-00-0074

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

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**REQUEST FOR PREHEARING CONFERENCE**

Pursuant to A.A.C. R14-3-108, Johnson Utilities L.L.C. ("Johnson Utilities") respectfully requests that a prehearing conference be held during the week of January 2, 2001, for the purposes of addressing several issues that have arisen in recent weeks.

Assistant Chief Administrative Law Judge Nally issued a Procedural Order on October 16, 2000, that set forth a schedule and due dates for a staff report, pre-filed testimony, a hearing and other procedural items to govern the above-captioned proceeding. Since that procedural order was issued, several significant events have occurred that may require modification of that procedural order:

First, landowners in Diversified Water Utilities' certificated area have begun the process of requesting the Pinal County Board of Supervisors to establish a water improvement district. It is Johnson Utilities' understanding that materials requesting a district have been filed with the County and that the matter will be placed before the County Board of Supervisors in the very near future. The district will be empowered to acquire Diversified Water Utilities facilities. As a result, at the instigation of Pinal County, three of the parties (Johnson Utilities, H2O and Queen Creek Water Company) met to discuss settlement of this matter. Those three parties agreed in principle to a settlement that is described in the attached letter to Teena Wolfe (see Exhibit A). That settlement is based on the parties' understanding that a water improvement district is in the process of being established for a portion of northern Pinal County.

1 Second, in a related complaint proceeding, Diversified Water Utilities sought an  
2 order prohibiting Johnson Utilities from taking certain actions. A temporary restraining  
3 order, without notice, was issued on December 1, 2000. A hearing on Johnson Utilities'  
4 Motion to Quash that temporary restraining order was held on December 6, 2000. Johnson  
5 Utilities' motion is currently under advisement by the administrative law judge.  
6

7 Third, Johnson Utilities filed a motion to bifurcate and expedite the hearing on its  
8 wastewater certificate expansion. Through this motion, Johnson Utilities seeks to have its  
9 uncontested wastewater certificate expansion application considered separately from and  
10 more expeditiously than the competing water service applications.  
11

12 Fourth, Sweetwater Creek Utilities, Inc. filed a motion to intervene on December  
13 14, 2000. Sweetwater's application indicates that it will file an application to provide  
14 wastewater service in selected portions of the properties covered by these proceedings.  
15 Johnson Utilities filed an objection to that intervention application.  
16

17 As a result, Johnson Utilities requests a procedural conference at which the parties  
18 can discuss whether the currently pending schedule should be modified. For these  
19 reasons, Johnson Utilities believes a prehearing conference should be convened to  
20 consider several issues, including:  
21

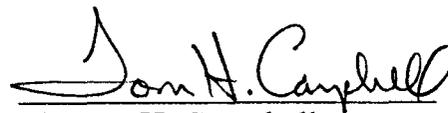
- 22 1. The status of the December 1, 2000 restraining order;
- 23 2. The time frame within which the staff will release its staff report and the due  
24 dates for pre-filed testimony, if any;
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3. Whether the release of the staff report should be postponed to fully account for:
- a) The proposed settlement;
  - b) The proposed establishment of a water improvement district in the certificated area of Diversified Water Utilities; and
  - c) The intervention application filed by Sweetwater;
4. A procedure for formal consideration of the proposed settlement.

RESPECTFULLY SUBMITTED this 2<sup>nd</sup> day of January, 2001.

LEWIS AND ROCA LLP



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

Attorneys for Johnson Utilities Company

ORIGINAL and ten (10) copies  
of the foregoing filed this 2<sup>nd</sup> day  
of January, 2001, with:

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

1 COPY of the foregoing hand-  
2 delivered this 2<sup>nd</sup> 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

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

13 Mark DeNunzio  
14 Utilities Division  
15 Arizona Corporation Commission  
16 1200 W. Washington Street  
17 Phoenix, Arizona 85007

18 Administrative Law Judge Marc Stern  
19 Arizona Corporation Commission  
20 1200 W. Washington Street  
21 Phoenix, Arizona 85007

22 COPY of the foregoing mailed  
23 this 2<sup>nd</sup> day of January, 2001,  
24 to:

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

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AND  
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*Betty J Griffin*

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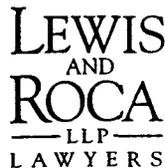
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Our File Number 40123-00001

December 21, 2000

**VIA FACSIMILE TRANSMISSION**

Teena I. Wolfe  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Re: Settlement Outline

Dear Teena:

This letter will outline the major points of the settlement agreement among Johnson Utilities, H2O and Queen Creek Water Company. To assist, I have attached a description of the 23 parcels included in the Johnson Utilities' certificate expansion application. Reference to Parcel numbers are from the enclosed list.

1. H2O's certificate expansion will include Parcels 15, 16, 17, 18 and 22. In addition, Johnson Utilities will drop its request for the deletion of H2O's certificate in Parcels 14 and 20.
2. Johnson Utilities' certificate expansion will include Parcels 1 through 13 and Parcels 21 and 23.
3. Queen Creek will expand its certificate to include the County Thunder property (the west portion of Section 30, Range 8 East, Township 2 South) and H2O will agree to the deletion of this parcel from its existing certificated area.
4. Queen Creek will amend its certificate expansion application to add the uncertificated portion of Section 14, Range 7 East, Township 2 South. H2O will amend its certificate expansion application to add Section 13 in Range 7 East, Township 2 South. Both of these parcels are in Maricopa County. None of the parties to the settlement will oppose these amended applications.
5. H2O is not currently amending its certificate application to add the state land portion of Section 5, Township 3 South, Range 8 East to the extent that land lies

EXHIBIT A

north and east of the railroad tracks. However, the parties agree that if H2O requests a certificate expansion to this portion of state land at some time in the future, neither Johnson Utilities or Queen Creek will oppose that application.

6. The parties agree not to contest Johnson Utilities' application to provide wastewater service to all 23 parcels.

The complete details of this settlement will be set forth in a formal Settlement Agreement that will be presented to the Commission in the near future. As you know, the parties have been informed by Pinal County that Diversified Utilities' service area would become part of a municipal water district. This settlement is based on that understanding and, therefore, does not include Diversified.

Teena, please circulate this letter to Mark, John and Marlin. Please feel free to call if you have any questions.

Very truly yours,

LEWIS AND ROCA LLP



Thomas H. Campbell

THC/bjg  
Enclosure

cc: Jay Shapiro  
Jenny Clevanger

## JOHNSON UTILITIES COMPANY CC&N EXPANSION

### PARCEL 1 (Arizona Farms) (2,240 Acres)

Section 1, Township 4 South, Range 8 East, and  
Section 4 and 6, and  
The North one-half of Section 7, all in Township 4 South, Range 9 East of the  
Gila and Salt River Meridian ("G. & S. R. M."), Pinal County, Arizona.

### PARCEL 2 (Bella Vista Farms) (2,560+ Acres)

Section 13, 15 and 23, and  
The West one-half of Section 14, and  
That portion lying North and East of the Southern Pacific Railroad right-of-  
way in Section 16, all in Township 3 South, Range 8 East G. & S. R. M.,  
Pinal County, Arizona.

### PARCEL 3 (Bonanza Land Co) (118+ Acres)

Property located in Section 2, Township 3 South, Range 7 East of the  
G. & S. R. M., Pinal County, Arizona, as follows:

The West 2066.42 feet of the North 2669.96 feet of Section 2, Except any  
portion lying south of the center line of Hunt Highway in Township 3 South,  
Range 7 East, G. & S. R. M. Pinal County, Arizona,

### PARCEL 4 (Whitehead) (160 Acres)

The East one-half of the West one-half of Section 31, Township 3 South,  
Range 8 East, G. & S. R. M., Pinal County, Arizona.

### PARCEL 5 (Skyline) (620 Acres)

A parcel of land being a portion of Section 12, Township 3 South, Range 7  
East and a portion of Section 7, Township 3 South, Range 8 East of the G. &  
S. R. M., Pinal County, Arizona, being more particularly described as follows:

All of said Section 12 lying North and East of the Hunt Highway Right-of-  
Way except the north 1320 feet of the West 1320 feet lying North and East of  
Hunt Highway, and

The West Half of said Section 7 except the Hunt Highway Right-of-Way.

PARCEL 6 (Cravath) (480 Acres)

Section 1, Township 3 South, Range 7 East, of the G. & S. R. M., Pinal County, Arizona.

PARCEL 7 (Shelton ) (160 Acres)

The West half of the West half of Section 8, Township 3 South, Range 9 East G. & S. R. M., Pinal County, Arizona.

PARCEL 8 (Various) (640 Acres)

Section 28, Township 3 south, Range 9 East G. & S. R. M., Pinal County, Arizona.

PARCEL 9 (Walker Butte Granite, L.L.C. and others) (1,600 Acres)

Property located in Sections 22, 23, 25, 27, and 34, Township 4 South, Range 8 East, of the G. & S. R. M., Pinal County, Arizona, as follows:

The East half of Section 22;  
The West half of Section 23;  
The West half of the Northeast Quarter of Section 23;  
The Southeast Quarter of Section 25;  
The East half of Section 27;  
And  
The East half of Section 34;  
All in Township 4 South, Range 8 East, G. & S. R. M.,  
Pinal County, Arizona

PARCEL 10 (State of Arizona) (2,200 Acres)

Property located in Section 10, 14, 15, 23 and 35, Township 4 South, Range 8 East of the G. & S. R. M., Pinal County, Arizona, as follows:

The Southeast quarter of Section 10;  
The Northeast Quarter of Section 14;  
The West half of Section 14;  
The North half of the Southeast Quarter of Section 14;  
The Southwest Quarter of the Southeast Quarter of Section 14;  
The East half of Section 15;  
The Southeast Quarter of Section 23;  
All of Section 26;  
And  
The North half of Section 35.

All in Township 4 South, Range 8 East, G. & S. R. M., Pinal County, Arizona.

PARCEL 11 (El Dorado Holdings) (795 Acres)

Property located in Section 31, Township 2 South, Range 8 East and property located in Section 6, Township 3 South, Range 8 East, of the G. & S. R. M., Pinal County, Arizona, as follows:

The portion of The West half of Section 31 lying South and West of the Southern Pacific Railroad Right-of Way;

And

The portion of the Southeast Quarter of Section 31 lying South and West of the Southern Pacific Railroad right-of-way.

All in Township 2 South, Range 8 East.

And

All of Section 6 lying South and West of the Southern Pacific Railroad right-of-way, Township 3 South, Range 8 East.

Both in G. & S. R. M., Pinal County, Arizona.

PARCEL 12 (San Tan Shadows) (360 Acres)

Property located in Section 2, and 12, Township 3 South, Range 7 East of the G. & S. R. M., Pinal County, Arizona, as follows:

All of Section 2 lying North and East of Hunt Highway, except a portion of said Section 2 lying West of the following DESC line beginning at a point which lies 2,066.42 feet Easterly from the Northwest Corner of said Section 2, Thence 2,669.96 feet Southerly to an intersection with the centerline of Hunt Highway and point of terminus Section 2;

And

The North 1320 feet of the West 1320 of Section 12 lying North of Hunt Highway;

All in Township 3 South, Range 7 East, G. & S. R. M., Pinal County, Arizona.

PARCEL 13 (Bureau of Land Management) (480 Acres)

Southeast quarter of Section 12, Township 4 South, Range 8 East;

East half of Section 13, Township 4 South, Range 8 East;

All in Township 4 South, Range 8 East, of the G. & S. R. M., Pinal County, Arizona.

PARCEL 14 (Johnson Farms) (160 Acres)

Section 32, Township 2 South, Range 8 East, G. & S. R. M., Pinal County, Arizona.

The Northwest quarter of Section 5, Township 3 South, Range 8 East G. & S. R. M., Pinal County, Arizona.

PARCEL 15 (Pecan Ranch/Ralph Thomas) (640 Acres)

Section 29, Township 2 South, Range 8 East G. & S. R. M., Pinal County, Arizona.

PARCEL 16 (Home Place) (640 Acres)

Section 28, Township 2 South, Range 8 East G. & S. R. M., Pinal County, Arizona.

PARCEL 17 (Ware Farms) (480 Acres)

South half and Northwest quarter of Section 33, Township 2 South, Range 8 East G. & S. R. M., Pinal County, Arizona

PARCEL 18 (various) (160 Acres)

Northeast quarter of Section 33, Township 2 South, Range 8 East, G. & S. R. M., Pinal County, Arizona.

PARCEL 19 (various) (320 Acres) (SEWER ONLY)

Property located in Section 34, Township 2 South, Range 8 East of the G. & S. R. M., Pinal County, Arizona, as follows:

North half of Section 34, Township 2 South, Range 8 East, G. & S. R. M., Pinal County, Arizona.

PARCEL 20 (Pecan Ranch/Ralph Thomas) (240 acres)

Property located on Section 20, Township 2 South, Range 8 East, G. & S. R. M., Pinal County, Arizona, as follows;

The South half of the Southwest Quarter;  
The South half of the Southeast Quarter;  
The South half of the North half of the Southwest Quarter;  
The South half of the North half of the Southeast Quarter;  
All in Section 20, Township 2, South, Range 8 East, of the G. & S. R. M., Pinal County, Arizona

PARCEL 21 (Dobson Farms) (1920 acres)

Property located in Section 36, Township 3 South, Range 8 East and Sections 30 and 31, Township 3 South, Range 9 East, of the G. & S. R. M., Pinal County, Arizona, as follows:

All of Section 36, Township 3 South, Range 8 East  
All of Sections 30 and 31, Township 3 South, Range 9 East,  
All in the G. & S. R. M., Pinal County, Arizona.

PARCEL 22 (El Dorado Holdings) (485 acres)

Property located in Section 31, Township 2 South, Range 8 East and property located in Section 6, Township 3 South, Range 8 East, of the G. & S. R. M., Pinal County, Arizona, as follows:

The portion of The East half of Section 31 lying North and East of the Southern Pacific Railroad Right-of Way;

And

The portion of the Northwest Quarter of Section 31 lying North and East of the Southern Pacific Railroad Right-ofWay.

All in Township 2 South, Range 8 East.

And

The portion of Section 6 lying North and East of the Southern Pacific Railroad right-of-way, Township 3 South, Range 8 East.

Both in G. & S. R. M., Pinal County, Arizona.

PARCEL 23 (Lee Smith ) (317 acres)

Property located in Section 20, Township 3 South, Range 9  
East, of the G. & S. R. M., Pinal County, Arizona, as follows:

The South half of Section 20, Township 3 South, Range 9 East, Except for the  
South 150 feet of the East 814 feet of the G. & S. R. M., Pinal County, Arizona