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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY FOR APPROVALS
ASSOCIATED WITH A TRANSACTION
WITH THE MARICOPA COUNTY
MUNICIPAL WATER CONSERVATION
DISTRICT NUMBER ONE

Docket No. W-01303A-05-0718

Arizona Corporation Commission

DOCKETED

JAN 23 2007

Direct Testimony of

Mike Brilz

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| DOCKETED BY | nr |
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on Behalf of

Pulte Home Corporation

January 23, 2007

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1 I. INTRODUCTION

2 **Q. Please state your name and business address.**

3 A. My name is Mike Brilz. My business address is 15111 North Pima Road, Suite
4 100, Scottsdale, Arizona 85260.

5 **Q. By whom are you employed and what is your position?**

6 A. I am Vice-President of Planning and Development for the West Valley Division
7 of Pulte Home Corporation's Arizona Territory.

8 **Q. Please describe your education and experience.**

9 A. I hold a Bachelor of Science in engineering, and am a registered professional
10 civil engineer. I have 15 years of consulting engineering experience followed by
11 8 years of development experience.

12 **Q. What are the purposes of your direct testimony in this proceeding?**

13 A. The purposes of my direct testimony are to provide a summary of Pulte's interest
14 and requests in this proceeding, respond to several issues that have arisen in the
15 filings to date, and provide testimony on area hook-up fees.

16
17 **II. PULTE HOME CORPORATION'S INTEREST IN THIS PROCEEDING**

18 **Q. Why is Pulte interested in this proceeding?**

19 A. Pulte is interested in this proceeding because Arizona-American Water Company
20 requested increased hook-up fees in its Agua Fria Division that directly impact
21 Pulte's development costs, which are ultimately included in the purchase price
22 paid by our homebuyers.

23 Currently, Pulte is developing or building homes in several locations
24 within Arizona-American's Agua Fria Division, including the Sienna Hills (a/k/a
25 Tesota Hills) community with approximately 1100 homes, the White Tanks
26 Foothills community with 579 homes, and Cortessa with 126 homes.

1 **III. SURFACE WATER TREATMENT FACILITY FINANCING OPTIONS**

2 **Q. Does Pulte support the construction of a new surface water treatment**
3 **facility in the West Valley?**

4 A. Pulte supports expedited construction of a new surface water treatment facility in
5 the West Valley. A surface water treatment facility will provide a renewable
6 water supply for the West Valley.

7 **Q. Does Pulte support financing a new surface water treatment facility in the**
8 **West Valley as initially proposed by Arizona-American Water Company in**
9 **this case through an agreement with the Maricopa Water District?**

10 A. The initial financing concept proposed by Arizona-American Water Company in
11 this case is acceptable to Pulte.

12 **Q. Does Pulte support financing a new surface water treatment facility in the**
13 **West Valley with hook-up fees?**

14 A. Absent a cooperative agreement between MWD and AAWC, Pulte supports
15 reasonable, Commission-approved hook-up fees as an acceptable alternative
16 means of financing a new surface water treatment facility in the West Valley.

17 **Q. If the surface water treatment facility is financed through hook-up fees, how**
18 **should the Commission determine the hook-up fee amount?**

19 A. Pulte's primary concern in intervening in this action is to ensure the Commission
20 is taking a close look at the proposed construction costs and hook-up fees in the
21 application, as amended, and carefully evaluating the assumptions upon which
22 the requests were made. The proposed hook-up fees are significantly higher than
23 previous fees. Hook-up fees should be an approximation of the reasonable
24 projected construction costs for the facility, but should be fairly similar to impact
25 fees charged by other municipalities in the region.
26

1 Further, as was noted in the October 27, 2006 Staff Report in this matter,
2 the hook-up fee estimates depend on a variety of present-day assumptions,
3 including customer growth rates, meter sizes, new third party contracts, inflation,
4 and construction cost increases. Because of the amount of the requested fees,
5 and the potential variability in these assumed factors, it is important that the
6 Commission re-evaluate the accuracy of its assumptions from time-to-time in
7 order to ensure the appropriate amount is being collected.

8 **Q. What hook-up fees are charged by other cities, towns, and providers in the**
9 **area?**

10 **A.** In order to assist the Commission in evaluating similar fees charged in the area, I
11 am submitting as Exhibit A to this testimony a spreadsheet I prepared of existing
12 fee amounts in several West Valley cities. I obtained this information directly
13 from the municipalities in the normal course of my work. The hook-up fee
14 amounts recommended in the Staff's October 27, 2006 Staff Report appear
15 acceptable if supported by evidence presented at the upcoming hearing.

16
17 **IV. RESPONSES TO STATEMENTS MADE BY ARIZONA-AMERICAN**
18 **WATER COMPANY**

19 **Q. On November 13, 2006, Arizona-American Water Company filed its**
20 **"Response to Pulte Home Corporation's Response to Staff Report and Staff**
21 **Recommended Order." In that Response, AAWC stated the following:**
22 **"Further, it makes no sense to process new CC&N-expansion requests for**
23 **Agua Fria Water, if there may not be sufficient water for new development.**
24 **For that reason, Arizona-American will ask to adjourn – until this docket is**
25 **concluded – the November 20, 2006, hearing scheduled in Docket No. WS-**
26 **01303A-06-0242 where Arizona-American is asking to extend its CC&N to**

1 include Pulte's planned Sienna Hills community." Does the Sienna Hills
2 development depend on Arizona-American's new surface water treatment
3 facility?

4 A. No. The Sienna Hills community can be served with groundwater to be
5 replenished by the Central Arizona Groundwater Replenishment District
6 consistent with the Department of Water Resources' assured water supply rules.
7 Pulte and Arizona-American Water Company executed a line extension
8 agreement in April 2006 that requires Pulte to drill a well or wells and provide
9 the necessary infrastructure. Pulte, in cooperation with the developers of
10 Verrado, is extending water supply infrastructure to Sienna Hills. To date, Pulte
11 and the developers of Verrado, pursuant to a joint development agreement, have
12 worked together to extend both water and sewer service to the Sienna Hills
13 project. In fact, these extensions are for the most part completed as of this
14 testimony. Further, as a function of the executed Water Facilities Line Extension
15 Agreement with Arizona-American Water Company, Pulte was obligated to
16 financially participate in a water storage reservoir within the Verrado project.
17 Pulte has fulfilled its financial obligation related to this requirement by
18 advancing approximately \$570,000 toward the cost of constructing this facility.
19 Pulte submitted an Application for a Certificate of Assured Water Supply to the
20 Department of Water Resources on October 5, 2006 that is currently under
21 review. The application demonstrates that Sienna Hills has a 100-year supply of
22 groundwater available, and is not depending on surface water. The Corporation
23 Commission staff, in docket number WS-01303A-06-0242, reviewed the
24 proposed CC&N extension and issued a favorable staff report on October 20,
25 2006. In that report, Staff concluded that Arizona-American's water and
26 wastewater systems "have adequate production, storage, and treatment capacity

1 to serve the existed certificated area and the proposed CC&N extension area.”
2 Staff Report, October 20, 2006, Executive Summary, Docket No. WS-01303A-
3 06-0242. I understand Arizona-American Water Company agrees with this
4 conclusion and has requested the Commission move forward with the Sienna
5 Hills CC&N extension review.

6
7 **V. PULTE HOME CORPORATION’S REQUESTED RELIEF**

8 **Q. What relief is Pulte Home Corporation requesting in this proceeding?**

9 A. Pulte asks the Commission to investigate the alternatives for construction and
10 financing of a West Valley surface water treatment facility and support a solution
11 that ensures the surface water treatment facility will be constructed in a timely
12 manner and at a reasonable cost. If the Commission approves hook-up fees as a
13 financing method for the facility, Pulte requests that the approved fees be a
14 reasonable amount supported by evidence presented at the hearing and in line
15 with similar fees charged in the area.

16 In addition, the Commission should require that the new fees not be
17 charged retroactively, but instead the tariff should provide that the increased fees
18 are only applicable to new requests for placements of meters for which hook-up
19 fees have not previously been paid, and that are requested after the
20 Commission’s tariff approval date.

21 Further, any approved hook-up fee tariff should require that Arizona-
22 American Water Company credit against hook-up fees otherwise payable the cost
23 of off-site facilities contributed to Arizona-American Water Company as a
24 contribution in aid of construction.

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DATED this 23rd day of January, 2007.

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23rd day of January, 2006,
served the foregoing documents
on all parties of record in this
proceeding by hand delivering an
original and thirteen copies to:

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Arizona Corporation Commission
1200 W. Washington St.
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**EXHIBIT A
TO
TESTIMONY OF MIKE BRILZ**

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West Valley Impact Fees

| Meter Size | Surprise | | Goodyear | | Avondale | | Buckeye | | Peoria | |
|------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | Water Resource | Water System |
| 3/4" | 456 | 2879/**2100 | 2183/**1277 | 1620/**2210 | NA | 3289/**5251 | NA | 2302 | 616 | 3289 |
| 1" | 580 | 3665/**2673 | 3711/**2171 | 2268/**3757 | NA | 5563/**8833 | NA | 3869 | - | - |

Reference or Website Links

- Surprise <http://www.surpriseaz.com/common/modules/documentcenter2/documentview.asp?DID=283>
- **Proposed 2007 plan: <http://www.surpriseaz.com/DocumentView.asp?DID=2008>
- Goodyear <http://www.ci.goodyear.az.us/index.asp?NID=1074#newfees>
- ** Fees are effective as of 4/1/07
- Avondale <http://www.ci.avondale.az.us/documents/City%20Departments/Finance%20%20Budget/Fee%20Schedule/3073-DevelopmentFees.pdf>
- ** Fees were approved in December 2006 and will be effective for 2007; not posted on website yet
- Buckeye <http://www.buckeyeaz.gov/documents/Community%20Development/New%20Submittal%20Requirements.pdf>