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BEFORE THE ARIZONA CORPORATION

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COMMISSIONERS

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

AZ CORP COMMISSION
DOCUMENT CONTROL

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

JOINT NOTICE OF
FILING DIRECT TESTIMONY

Fulton Homes Corporation, Suburban Land Reserve, Inc., and Westcor/Surprise,
LLC, through their respective undersigned counsel, hereby file the Direct Testimony for
the following witnesses in the above-captioned matter:

Chris Janson
Scott Wagner

DATED this 24th day of January, 2007.

SNELL & WILMER L.L.P.

By

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Arizona Corporation Commission
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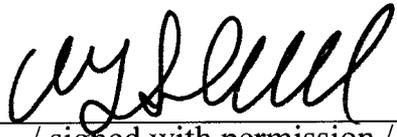
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By 
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ORIGINAL and thirteen (13) copies
filed with Docket Control January 24, 2007.

COPY of the foregoing hand-delivered
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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
Water Company for Approvals Associated with
a Transaction with the Maricopa County
Municipal Water Conservation District Number
One

DOCKET NO. W-01303A-05-0718

**PRE-FILED DIRECT TESTIMONY
OF CHRIS J. JANSON
ON BEHALF OF FULTON HOMES CORPORATION
JANUARY 24, 2006**

- 1 **Q. PLEASE STATE YOUR NAME AND EMPLOYER.**
- 2 A. My name is Chris J. Janson. I am employed as a Project Manager for Fulton
3 Homes Corporation, an Arizona corporation.
- 4 **Q. PLEASE STATE YOUR BUSINESS ADDRESS.**
- 5 A. My business address is 9140 South Kyrene, Suite 202, Tempe, Arizona, 85284.
- 6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
7 **WORK EXPERIENCE.**
- 8 A. I am a graduate of the Oregon State University with a Bachelor of Science in
9 Civil Engineering. I have previously worked as a Project Manager for Morrison
10 Maierle where I was responsible for engineering design and project management
11 of master planned communities, residential developments, public facilities and
12 commercial projects. Prior to that, I was a Project Engineer for Stantec
13 Consulting where I was responsible for utility and roadway infrastructure design,
14 engineering studies, cost estimates and construction plan preparation.
- 15 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**
- 16 A. I am testifying on behalf of Fulton Homes Corporation ("Fulton").
- 17 **Q. ARE YOU AUTHORIZED TO TESTIFY ON BEHALF OF FULTON?**
- 18 A. Yes. I have been authorized by Fulton to testify on its behalf.
- 19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA**
20 **CORPORATION COMMISSION ("COMMISSION")?**
- 21 A. No. This is my first time.
- 22 **Q. HAS FULTON BEEN GRANTED INTERVENOR STATUS IN THIS**
23 **CASE?**
- 24 A. Yes. The Commission granted Fulton's Application for Intervention on
25 December 21, 2006.
- 26 **Q. PLEASE DESCRIBE FULTON AND ITS BUSINESS.**

1 A. Fulton Homes is a privately held local homebuilder that has been building
2 residential homes and developing master planned communities in Arizona since
3 1975.

4 **Q. WHY HAS FULTON INTERVENED IN THIS PROCEEDING?**

5 A. Fulton is currently developing a portion of a 3,355 acre master-planned
6 community known as Prasada. It is composed of 1,225 acres of Gateway Village,
7 530 acres of Urban Village and 1,600 acres of a Lake Village. Fulton is
8 developing 1,470 acres within the Lake Village which will be developed in three
9 major phases and will include 5,870 single family homes. The remaining 130
10 acres in the Lake Village will be developed as commercial and high density
11 homes by others. The Fulton first phase will be at the northwest corner of Cactus
12 and Citrus and will include 1,250 single family homes, a large community park
13 and an elementary school. We plan to break ground on the major infrastructure
14 this spring. The remainder of the property will be developed over the coming
15 years. Consequently, Fulton is directly and substantially impacted by the
16 proposed increase in the water facility hook-up fees ("Hook-Up Fees"), the
17 proposed construction of a regional surface water treatment plant ("Plant"), the
18 need for its customers to have an assured water supply, as well by the other issues
19 that have subsequently been raised in this proceeding.

20 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
21 **PROCEEDING?**

22 A. Given that Fulton is directly and substantially impacted by the issues that have
23 been raised in this proceeding, the purpose of my direct testimony is to set forth
24 Fulton's position with respect to some of those issues for the Commission to take
25 into consideration in determining this matter.

26 **Q. WHAT ARE THE ISSUES THAT YOU WILL DISCUSS IN YOUR**

1 **TESTIMONY?**

2 A. The issues that I will discuss herein are as follows:

3 1. The need for the immediate construction of a cost effective plant
4 and the provision of assured potable water supply during construction which can
5 offset the cost of the higher Hook-Up Fees.

6 2. Arizona-American and MWD's direction to create mutually
7 exclusive water systems by requiring new wells or replacement wells to meet
8 potable standards which is ultimately forcing Fulton to construct a redundant
9 water system with excessive costs.

10 3. The possibility of a moratorium by Arizona-American if there is a
11 delay in the construction of the Plant.

12 **Q. PLEASE DISCUSS FULTON'S POSITION REGARDING THE**
13 **PROPOSED HOOK-UP FEES.**

14 A. Although the proposed increase of the Hook-Up Fees is substantial, Fulton
15 understands the importance of the expeditious construction of the Plant in the
16 Agua Fria Water District. Therefore, it is not opposing the increased Hook-Up
17 Fees if the Commission determines that it is the only way to finance expeditious
18 construction of the Plant and provides an interim water solution at the least cost.

19 **Q. IN ITS FILED COMMENTS, MARICOPA WATER DISTRICT ("MWD")**
20 **HAS ARGUED THAT IF IT BUILDS THE PLANT, IT WOULD NOT BE**
21 **NECESSARY FOR ARIZONA-AMERICAN TO CHARGE THE HIGHER**
22 **HOOK-UP FEES. WHAT IS FULTON'S POSITION ON THIS?**

23 A. Fulton is not taking a position on which entity should build the Plant. What
24 Fulton is primarily concerned with is that the Plant be built as expeditiously as
25 possible in the most cost effective manner and that there is an assured water
26

1 supply for Arizona-American's customers until such time that the Plant is built.¹
2 Fulton believes that as the customer, since it has been put in the middle of this
3 dispute between Arizona-American and MWD, both parties should be willing to
4 address this important issue as part of this proceeding. Additionally, the Plant
5 should be built at the least cost and financed in a way that makes the most sense
6 under the totality of circumstances.

7 **Q. IF THE COMMISSION WAS TO GRANT ARIZONA-AMERICAN'S**
8 **APPLICATION AND ALLOW THE HIGHER HOOK-UP FEES IN**
9 **ORDER TO FUND CONSTRUCTION OF THE PLANT, WHAT ARE**
10 **YOUR RECOMMENDATIONS?**

11 A. If the Commission determines that Arizona-American should build the plant and
12 use the Hook-Up Fees as essentially the financing vehicle to do this, the
13 Commission should: 1) require Arizona-American to construct the Plant as
14 expeditiously as possible so as to address the anticipated future water needs of its
15 customers in the Agua Fria Water District and to monitor such construction
16 through Commission-mandated compliance filings; 2) carefully monitor the
17 collection of the increased Hook-Up Fees to ensure that Arizona-American does
18 not collect such increased fees any longer than is necessary to finance
19 construction of the Plant; 3) make any necessary adjustments to Arizona-
20 American's rates and charges in subsequent filed rate-cases; 4) order Arizona-
21 American to negotiate and enter into interim water supply agreements with MWD
22 or others (to the extent such counterparties agree) to ensure that there is an
23 adequate water supply in the Agua Fria District until such time as the Plant is
24 constructed and on-line; 5) to the extent that an assured water supply has been

25 _____
26 ¹ As discussed more fully below, this will help mitigate for developers the financial impact of increased Hook-Up Fees.

1 procured either through an interim water supply agreement or developer provided
2 wells, order Arizona-American to set meters upon customer request; and 6) to the
3 extent Arizona-American can enter into an interim water supply agreement while
4 charging the higher Hook-Up Fees, order Arizona-American to suspend its
5 requirement that developers must also spend additional money to drill wells as a
6 condition of receiving service.

7 **Q. WOULD YOU PLEASE ELABORATE ON THIS LAST POINT?**

8 A. Yes. Currently, Arizona-American does not have an adequate supply of water in
9 the Agua Fria District to meet customer demand for new developments. This is
10 the primary reason it is seeking authority to build the Plant so it can use surface
11 water to meet customer demand. In the meantime, because of the lack of water in
12 the Agua Fria District, Arizona-American has imposed what is essentially a
13 moratorium on new development unless the developer is willing to bring the wet
14 water to Arizona-American by drilling wells that meet potable water standards.
15 Developers have had no choice but to bear these additional costs if they want to
16 have water for their projects. These costs are in addition to other backbone
17 infrastructure and Hook-Fees that developers are already obligated to pay. I
18 believe that if Arizona-American is going to charge the higher Hook-Up Fees in
19 order to build the Plant which will provide a water supply for the future and, if
20 Arizona-American can secure an interim source of water while the Plant is under
21 construction, there would not be a need for these additional wells and developers
22 should not have to bear the cost of drilling wells to provide a water source *and*
23 pay the much higher Hook-Up Fees to fund construction of the Plant.

24 **Q. IF THE COMMISSION WAS TO DENY ARIZONA-AMERICAN'S**
25 **APPLICATION IN FAVOR OF MWD BUILDING THE PLANT, WHAT**
26 **ARE YOUR RECOMMENDATIONS?**

1 A. If the Commission determines that Arizona-American should not build the Plant
2 and that MWD should, since the Commission does not have jurisdiction over
3 MWD, the Commission should condition its decision to deny Arizona-
4 American's application on MWD's agreement to enter into interim water supply
5 agreement(s) with Arizona-American within 60 days of the decision whereby
6 MWD should agree to be available to supply water until it brings the Plant on
7 line. Moreover, should MWD subsequently not build the Plant, it should be
8 obligated pursuant to these agreements to continue to supply water until such time
9 that Arizona-American (or some other entity) builds the Plant. Additionally,
10 MWD should agree that it be permitted to allow Arizona-American to use any
11 wells that it is currently requiring developers to replace (as a result of
12 development impacts to its existing wells) as a water supply source for the
13 development in lieu of drilling new wells for Arizona-American.

14 **Q. WOULD YOU PLEASE COMMENT ON THE ISSUE OF A**
15 **THREATENED MORATORIUM IN THE AGUA FRIA DISTRICT IF**
16 **THERE IS A DELAY IN THE CONSTRUCTION OF THE PLANT?**

17 A. Yes. First, as I stated above, given Arizona American's constrained water
18 resources, it has, in effect, already imposed a moratorium on water service for
19 new developments if the developer does not provide the wet water to Arizona-
20 American at its expense. As discussed more fully above, Fulton believes that it is
21 within Arizona-American and MWD's power to remove this threat for future
22 projects by simply entering into an interim bulk sale water agreement on a project
23 by project basis whereby MWD will supply Arizona-American potable water
24 until such time that the Plant is built.

25 If however, the parties are unable or unwilling to do this, Arizona-
26 American should not be permitted to institute a moratorium with respect to new

1 water service for a customer who has supplied the water source to Arizona-
2 American and otherwise pays all applicable tariffs. Moreover, to the extent a
3 developer provides the water source to Arizona-American, Arizona-American
4 should be required to use such source to supply the needs of that development
5 before being permitted to use such supply for other customers.

6 **Q. WHAT WOULD BE THE IMPACT IF A MORATORIUM WAS**
7 **INSTITUTED?**

8 A. If a new service moratorium was imposed in the Agua Fria District, it would have
9 a crippling effect on development until such time as the problem was resolved.
10 Moreover, even after the moratorium was lifted, the negative implication of such
11 a moratorium would linger well beyond that point. There are millions of dollars
12 that have already been invested and millions more planned to be invested to
13 develop areas within the Agua Fria District and a moratorium would impact
14 existing and future development activity and contractual relationships, as well as
15 the money that has already been invested and is planned to be invested in the
16 future in this area.

17 **Q. DO YOU HAVE ANY CLOSING REMARKS?**

18 A. Yes. It is important to understand that in reality, there is no "water shortage" in
19 the Agua Fria District as there is an adequate water supply. Prasada has
20 completed an Analysis of Assured Water Supply for its entire development which
21 has been approved by Arizona Department of Water Resources. Arizona-
22 American holds the CC&N to provide water to its utility customers. However,
23 Arizona-American does not currently have the necessary water resources to meet
24 the future demand of its customers in this area. To address this deficiency in
25 current capacity, it has required developers to provide it with new wells. Yet,
26 Arizona-American is seeking authority from this Commission to build the Plant in

1 order to utilize surface water as an additional water source to meet future demand.
2 MWD has wells that can provide potable water. However, MWD is not
3 authorized to provide public utility water service within Arizona-American's
4 certificated area. Therefore, what we have here is one party that is obligated to
5 provide utility water service to the public but has a current shortage of wells, and
6 another party that has the wells and water resources but cannot directly use those
7 resources to supply potable water to the public.

8 If Arizona-American and MWD would work together to address the water
9 issue in the Agua Fria District, there would be sufficient water to meet demand
10 while the Plant is being constructed. Moreover, developers would not have to
11 bear the redundant expense of being required to drill additional wells for Arizona-
12 American and replace existing irrigation wells for MWD with potable wells while
13 also paying higher Hook-Up Fees to finance construction of the Plant. Fulton,
14 therefore, encourages the Commission to do whatever it can through this
15 proceeding to facilitate a resolution of this problem.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A.** Yes, thank you.

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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 WATER
CONSERVATION DISTRICT NUMBER
ONE.

DOCKET NO. W-01303A-05-0718

**PRE-FILED DIRECT TESTIMONY OF SCOTT WAGNER
ON BEHALF OF SUBURBAN LAND RESERVE, INC., and
WESTCOR/SURPRISE, LLC**

JANUARY 24, 2007

1 Q. PLEASE STATE YOUR NAME AND EMPLOYER.

2 A. My name is Scott Wagner. I am employed as Development Manager for RED
3 Development, LLC, a Missouri limited liability company.

4 Q. PLEASE STATE YOUR BUSINESS ADDRESS.

5 A. My business address is 6263 North Scottsdale Road, Suite 330, Scottsdale,
6 Arizona, 85250.

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
8 WORK EXPERIENCE.

9 A. I received a bachelor's degree in civil engineering from the University of Nebraska
10 and a master's degree in engineering from Arizona State University. I am a
11 Professional Engineer registered with the State of Arizona. Before joining RED
12 Development in 2006, I spent nearly 13 years as a consulting civil engineer with
13 two engineering firms in Phoenix.

14 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

15 A. I am testifying on behalf of intervenors Suburban Land Reserve, Inc. and
16 Westcor/Surprise LLC, which I will refer to collectively as the "Prasada
17 Commercial Group".

18 Q. ARE YOU AUTHORIZED TO TESTIFY ON BEHALF OF THE PRASADA
19 COMMERCIAL GROUP?

20 A. Yes. I have been authorized by the Vice President and General Manager of
21 Suburban Land Reserve, Inc. and the managing member of Westcor/Surprise LLC
22 to testify on behalf of the Prasada Commercial Group.

23 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA
24 CORPORATION COMMISSION ("COMMISSION")?

25 A. No. This is my first time.

26 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS

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CASE?

A. The purpose of my direct testimony is two-fold. First, I urge the Commission to utilize its authority and good offices to ensure that the surface water treatment plant, which is the subject of this docket, is constructed at the earliest possible moment and at the least cost to the landowners and consumers it will serve. Second, I urge the Commission to utilize its authority and good offices to ensure that prior to completion of the surface water treatment plant, alternative sources of potable water supply and efficient delivery methods are made available to the land owners and consumers who will eventually be served by the water treatment plant, so that development of the land controlled by the Prasada Commercial Group can continue as scheduled and the Prasada Commercial Group can honor the commitments it has made to the City of Surprise as well as to numerous retail operators and end users.

Q. PLEASE DESCRIBE SUBURBAN LAND RESERVE INC. AND ITS BUSINESS.

A. Suburban Land Reserve, Inc. is a for-profit Utah corporation, commonly referred to as "SLR". SLR is a wholly owned subsidiary of Property Reserve, Inc., a Utah non-profit public benefit corporation. Property Reserve Arizona, LLC, an Arizona limited liability company, another wholly owned subsidiary of Property Reserve, Inc., holds title to approximately seven sections of land in the western portion of Maricopa County. Property Reserve Arizona has optioned all seven sections to SLR, which is authorized to sell the optioned land to various end-user parties that will develop it. Six of the seven sections are included in a residential and commercial development called "Prasada."

Q. PLEASE DESCRIBE WESTCOR/SURPRISE LLC AND ITS BUSINESS.

A. Westcor/ Surprise LLC is an Arizona limited liability company, the members of

1 which include entities owned or controlled by the Macerich Company, WDP
2 Partners and RED Development. All of these entities are involved in real estate
3 development and operations and have a long history of successful projects in
4 Arizona and throughout the nation. The primary purpose of Westcor/Surprise is to
5 develop certain projects on approximately 500 acres of Prasada.

6 **Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN SLR AND**
7 **WESTCOR/SURPRISE.**

8 A. SLR and Westcor/Surprise have entered into five separate option agreements for
9 the development of the 500 acres.

10 **Q. PLEASE DESCRIBE THE PRASADA PROJECT.**

11 A. Prasada is comprised of six of the seven sections controlled by SLR. Fulton
12 Homes, Inc. is developing three of the sections (Sections 15, 22 and 23 of
13 Township 3 North, Range 2 West, Gila and Salt River Base and Meridian)
14 primarily for residential purposes. Fulton Homes has also intervened in this docket
15 and will provide its own direct testimony. The Prasada Commercial Group will
16 develop Sections 12 and 13 in the same Township and Range as the Fulton Parcels
17 and Section 18 of Township 3 North, Range 1 West. I will refer to these Sections
18 as "Prasada Commercial Lands". The Prasada Commercial Lands will include a
19 mix of retail centers, a regional shopping center, office complexes, medical
20 facilities, auto related areas, neighborhood grocery and service retail centers, and
21 some medium- to high-density residential components. Westcor/Surprise is
22 developing some of the first projects in the Prasada Commercial Lands including
23 an auto mall, a regional shopping center, at least two power centers and several
24 neighborhood centers. SLR has also optioned or is in the process of optioning
25 other portions of the Prasada Commercial Lands to other end users for a grocery-
26 anchored center, medical facilities and a major retirement community.

1 Q. IS PRASADA WITHIN THE EXISTING CC&N FOR WATER OF ANY
2 PUBLIC SERVICE CORPORATION?

3 A. Yes; Arizona-American Water Company, Inc.

4 Q. IS PRASADA WITHIN THE BOUNDARIES OF ANY MUNICIPALITY?

5 A. Yes. The City of Surprise annexed Prasada in November 2006. Prasada is also
6 within the boundaries of Maricopa County Water Conservation District Number
7 One or MWD, which currently provides irrigation water to Property Reserve
8 Arizona LLC for farming operations on Prasada lands.

9 Q. WHEN WILL PRASADA COMMERCIAL GROUP NEED WATER
10 SERVICE?

11 A. Almost immediately. The City is very anxious to see development commence as
12 soon as possible. To meet the City's wishes, the Prasada Commercial Group is
13 committing to early implementation of a number of projects, the first of which will
14 be the auto mall and two of the power centers. To meet the needs of the committed
15 auto dealers and retailers, Westcor/Surprise will need to start the process to
16 construct ground water wells in April 2007.

17 Q. DOES THE PRASADA COMMERCIAL GROUP HAVE A PLAN FOR THE
18 PROVISION OF WATER SERVICE FOR PRASADA COMMERCIAL
19 LANDS?

20 A. Yes. The Prasada Commercial Group has developed a comprehensive strategy for
21 the provision of integrated water service for Prasada Commercial Lands based
22 upon initial use of locally available ground water with eventual reliance on water
23 from the proposed regional surface water treatment plant for ultimate build out. A
24 Master Water Report for the development of potable water at Prasada was
25 completed by CMX in May 2006 and submitted to Arizona-American, which has
26 reviewed and approved it.

1 Q. HAS THE PRASADA COMMERCIAL GROUP ESTIMATED THE TOTAL
2 WATER DEMAND FOR PRASADA COMMERCIAL LANDS AT FULL
3 BUILD OUT?

4 A. Yes. As is typical with large master planned projects, it is anticipated that the
5 project will be constructed in phases. Currently the plan is to build out in three
6 phases with the potential for sub-phases as the market dictates. According to the
7 approved Master Water Plan, the build-out water demand is estimated to be:

- 8 ▪ Six or more wells producing 6,100 gallons per minute
- 9 ▪ 3.5 Million Gallons of storage (with Arizona-American adding an
10 additional 0.8 Million Gallons for future use beyond the Prasada
11 project limits)
- 12 ▪ Fire flow protection of up to 4,000 gallons per minute
- 13 ▪ Booster Station capacity of 8,800 gallons per minute (with Arizona-
14 American adding an additional 1,000 gallons per minute for future
15 use beyond the Prasada project limits).

16 The booster station site is planned to accommodate additional Arizona-American
17 facilities.

18 Q. HOW DOES PRASADA COMMERCIAL GROUP PROPOSE TO MEET
19 THIS DEMAND?

20 A. Prasada Commercial Group proposes to meet this demand by constructing the
21 water supply system in two primary phases (with Arizona-American's
22 improvements to be added in a later or third phase of construction by them). The
23 first phase will be comprised of water distribution pipelines, three wells and the
24 first portion of the booster station consisting of a 1.8 Million Gallon tank. Phase 2
25 would include additional distribution pipelines, the build-out of the remaining three
26 water wells and the second phase of the booster station, consisting of an

1 approximately 1.7 Million Gallon tank. Ultimately, potable water for the project is
2 expected to be provided via the new planned surface water treatment plant.

3 **Q. IS THERE ADEQUATE WELL CAPACITY WITHIN PRASADA**
4 **COMMERCIAL LANDS TO PROVIDE THE REQUIRED**
5 **GROUNDWATER?**

6 A. Prasada Commercial Group believes there is sufficient groundwater, as
7 demonstrated by the hydrologic investigation completed by Southwest
8 Groundwater Consultants dated February 2004, which concluded that there is
9 sufficient groundwater to sustain the planned development for the next 100 years.
10 However, the study raises the issue of water quantity and quality and
11 the surrounding well locations. Generally, it is becoming more difficult to locate
12 groundwater in sufficient quantity that meets the Arizona Department of
13 Environmental Quality drinking water requirements without the need for costly
14 treatment. Wells in the general surrounding area have been found to require
15 treatment for nitrates, arsenic and/or fluorides. Wells in the area of Prasada have
16 typically experienced lower production rates than those located farther north or
17 east. Consequently more wells are needed to meet the same water demands. With
18 the surrounding private irrigation wells and Maricopa Water District wells, finding
19 a well location that produces sufficient water quantity and quality that also does not
20 adversely impact the existing MWD and private wells is becoming more difficult
21 and costly. Developing an economically feasible supply of water for Prasada is a
22 concern for the Prasada Commercial Group. In order to meet the water supply of
23 the Prasada Commercial Lands, approximately six potable wells will be needed. In
24 addition, MWD has three wells within the Prasada Commercial Lands, and is
25 requiring that they be replaced with potable water wells.

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1 The Prasada Commercial Group is concerned about the conflicting requirements of
2 MWD and Arizona-American for two reasons. The first is the number of wells and
3 water quality of those wells may be mutually exclusive. Nine wells located in this
4 area may not be able to meet the potable water standards and not impact each other
5 or other adjacent property wells. Second, building nine potable wells for the area
6 would exceed Prasada Commercial Lands' water demand by about 50% as
7 compared with what the water demand model estimates. Prasada Commercial
8 Group believes that there should only be six potable water wells (or the number
9 that eventually are required based on actual withdrawal and quality testing)
10 required to serve potable water to the Prasada Commercial Lands.

11 **Q. HOW DOES PRASADA COMMERCIAL GROUP EXPECT TO**
12 **OVERCOME THIS WELL IMPACT AND CAPACITY ISSUE WITHIN**
13 **PRASADA COMMERCIAL LANDS?**

14 A. Prasada Commercial Group expects to meet the demand through a series of
15 solutions. The initial water supply will be provided by three new potable wells that
16 are in the design process. The Prasada Commercial Group has approached both
17 Arizona-American and MWD about the possibility of using the three MWD
18 replacement wells for additional potable supply under an arrangement in which
19 MWD would wholesale groundwater to Arizona-American. These six wells would
20 provide the required project demands until a long term surface water supply is
21 constructed. Upon completion of the surface water treatment plant the wells would
22 be used as a back-up water supply during larger summer month peaks.

23 **Q. HAVE THESE APPROACHES BEEN SUCCESSFUL?**

24 A. Not yet. The Prasada Commercial Group is still in discussions with Arizona-
25 American and MWD concerning their respective development agreements and
26 required facilities. It is hoped that agreements with both parties can be reached in

1 the next few months. Both Arizona-American and MWD need to focus on regional
2 ground water issues as well as the issue of which entity will build the regional
3 surface water treatment plant.

4 **Q. IS THE PRASADA COMMERCIAL GROUP UNDER PRESSURE TO FIND**
5 **A SOLUTION TO THE WATER SUPPLY PROBLEMS?**

6 A. Yes. The City of Surprise has not only annexed Prasada but also has fully zoned it.
7 The City is working closely with Fulton Homes and the Prasada Commercial
8 Group to initiate development at the earliest possible moment. As a result many
9 projects are moving rapidly toward implementation. For example, six auto dealers
10 have contracted to purchase sites within the Auto Mall. These dealers need to
11 commence construction during the summer of 2007 to accommodate openings near
12 the end of 2008. In addition, Westcor/Surprise has also negotiated agreements with
13 various retail operators to develop stores that will be critical to the viability of other
14 projects within the Prasada Commercial Lands. Similarly, SLR's direct optionees
15 are moving rapidly to implement their projects within Prasada Commercial Lands.
16 Resolution of the groundwater and surface water issues between Arizona-American
17 and MWD are critical to the completion of assured water supply certificates,
18 recordation of plats and the construction sequencing for the water supply system.
19 Decisions on these issues and corresponding development agreements need to be
20 completed in April 2007 in order for the planned projects to remain on schedule.

21 **Q. IN SUMMARY, WHAT IS PRASADA COMMERCIAL GROUP ASKING**
22 **THE COMMISSION TO DO IN THIS DOCKET?**

23 A. In order to meet the Prasada Commercial Group's commitments to the retail and
24 business communities and the City, it needs the surface water treatment plant
25 developed as soon as possible and an arrangement for potable water in the interim.
26 Therefore, Prasada Commercial Group asks that the Commission use its authority

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and good offices to answer the immediate groundwater supply questions at the earliest possible moment. It also asks the Commission to decide which entity, AAWC or MWD, can construct the regional surface water treatment plant at the earliest possible moment and at the least cost for both land owners and water consumers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, thank you.