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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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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, AN ARIZONA CORPORATION, TO EXTEND ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY IN THE CITY OF CASA GRANDE AND IN PINAL COUNTY, ARIZONA	**DOCKET NO. W-01445A-06-0199**
IN THE MATTER OF THE APPLICATION OF PALO VERDE UTILITIES COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	**DOCKET NO. SW-03575A-05-0926**
IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	**DOCKET NO. W-03576A-05-0926** **NOTICE OF FILING SUPPLEMENTAL TESTIMONY OF ROGER PRYOR ON BEHALF OF INTERVENOR CHI CONSTRUCTION COMPANY**

Pursuant to the Procedural Order dated November 29, 2006, in this docket, intervenor CHI Construction Company files the Supplemental Testimony of Roger Pryor.

DATED this 14th day of February, 2007.

SNELL & WILMER

Arizona Corporation Commission
DOCKETED
FEB 14 2007
DOCKETED BY KK NR

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ORIGINAL and seventeen (17) copies filed with Docket Control this 14th day of February, 2007.

COPY of the foregoing hand-delivered this 14th day of February, 2007, to:

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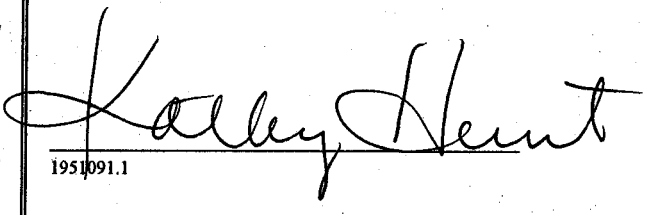

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SUPPLEMENTAL TESTIMONY OF ROGER PRYOR

ON BEHALF OF INTERVENOR CHI CONSTRUCTION COMPANY

FEBRUARY 14, 2007

Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.

A. My name is Roger Pryor. I am employed as Vice President of Land Entitlements for D.R. Horton-Continental Series, one of the family of companies owned and/or controlled by D.R. Horton, Inc. ("D.R. Horton"). I am also the Vice President of CHI Construction Company ("CHI"), one of the intervenors in this case. CHI is the land acquisition and construction entity for D.R. Horton-Continental Series in Arizona. My business address is 16430 North Scottsdale Road, Suite 200, Scottsdale, Arizona, 85254.

Q. HAVE YOU PREVIOUSLY PROVIDED PRE-FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes. I submitted pre-filed direct testimony on October 25, 2006. I incorporate in this supplemental testimony my pre-filed direct testimony, except for those portions of my direct testimony that are specifically updated and modified herein.

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

A. My direct testimony was on behalf of intervenors CHI and CP Water Company ("CP"), a water company previously owned by CHI. My supplemental testimony is only on behalf of intervenor CHI. Although CP is still technically an intervenor in this proceeding, the Commission excluded CP's service territory from AWC's proposed extension area in an order dated December 18, 2006. With CP's service territory excluded from this proceeding, CP has no need to file supplemental testimony.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

A. The purpose of my supplemental testimony is to (1) provide updated information as to the development plans of CHI's master planned community known as Legends; (2) inform the Commission about CHI's recent stock sale of CP; (3) respond to direct testimony filed by Palo Verde Utilities Company ("Palo Verde") and Santa

Cruz Water Company ("Santa Cruz") and Arizona Water Company ("AWC"); and (4) continue to oppose AWC's request to extend its certificate of convenience and necessity ("CC&N") to include any portion of CHI's Legends development.

Q. PLEASE DESCRIBE THE CURRENT STATUS OF CHI'S DEVELOPMENT PLANS OF LEGENDS.

A. According to my direct testimony, CHI had been working on a comprehensive strategy for the provision of integrated water and wastewater services for its approximately 7,000-acre Legends development. As of October 25, 2006, CHI had not finalized a plan for the provision of these services for Legends. As a result, I testified that it was premature to certificate any water provider for Legends. Since that time, CHI has finalized its plan and is prepared to issue a request for service to Palo Verde and Santa Cruz for the provision of integrated water and wastewater service to Legends. In finalizing its plan to provide water and wastewater services to Legends, CHI entered into two agreements with Global Water, Inc., whose parent company is Global Water Resources, LLC ("Global Water"), at the end of last year.

Q. PLEASE DESCRIBE THE AGREEMENTS BETWEEN CHI AND GLOBAL WATER.

A. The first agreement is an infrastructure coordination agreement whereby Palo Verde and Santa Cruz would provide service to Legends subject to the inclusion of Legends in the utilities' CC&Ns. The second agreement is a sale and purchase agreement whereby CHI sold all of its stock in CP to Global Water. In another agreement not involving CHI, Global Water also acquired all of the stock in Francisco Grande Utilities Company ("Francisco Grande").

Q. WHY DID CHI SELECT PALO VERDE AND SANTA CRUZ TO PROVIDE WATER AND WASTEWATER SERVICES TO LEGENDS?

A. Looking at the map attached as Exhibit CHI-2 to my direct testimony, which outlines the boundary of Legends in black, a substantial portion of Legends is in the existing water and wastewater CC&Ns of Francisco Grande. Another portion of Legends—approximately 2.4 sections—is within the existing water CC&N of CP. A small portion—less than one-half of one section—is within the existing water CC&N of AWC. The remaining portion of Legends is currently uncertificated and is the subject of this proceeding. With the acquisition of Francisco Grande and CP by Global Water, Global Water's subsidiaries—Palo Verde and Santa Cruz—are in the best position to serve substantially all of the Legends development. Since it is neither efficient nor desirable for a single master-planned community to be carved up to be served by multiple providers, CHI has selected Palo Verde and Santa Cruz to be the water and wastewater services provider for Legends. In addition, CHI believes that an integrated water and wastewater provider can deliver the best service to the future residents of Legends.

Q. IN THIS DOCKET, HAVE PALO VERDE AND SANTA CRUZ REQUESTED TO EXTEND THEIR CC&NS TO INCLUDE LEGENDS?

A. No. When Palo Verde and Santa Cruz filed their applications to extend their CC&Ns in this docket, CHI was not engaged in discussions with their parent company Global Water. Hence, Palo Verde and Santa Cruz did not include Legends in their CC&N extension requests. Only AWC included a portion of Legends in its CC&N extension request. Palo Verde and Santa Cruz will file for a CC&N extension to include the uncertified portion of Legends in the very near future.

Q. HAVE YOU REQUESTED SERVICE FROM ANY WATER OR WASTEWATER PROVIDER FOR LEGENDS?

A. Not yet. CHI plans to issue a request for service to Palo Verde and Santa Cruz very soon. CHI has never requested service from AWC to serve Legends, and adamantly opposes service from AWC for Legends.

Q. WOULD CERTIFICATION OF AWC TO SERVE ONLY A PORTION OF LEGENDS DISRUPT CHI'S DEVELOPMENT PLAN?

A. Yes. Certification of AWC would prevent CHI's development plan of providing integrated water and wastewater service to Legends. If the Commission granted AWC's extension request, portions of the northern part of Legends would be served by AWC and an unknown sewer provider, while the remaining and substantial part of Legends would be served by Palo Verde and Santa Cruz. As stated above, it is neither efficient nor desirable for Legends to be divided in such a manner.

Q. PLEASE RESPOND TO THE DIRECT TESTIMONY FILED BY PALO VERDE AND SANTA CRUZ.

A. CHI concurs with the statements made by Trevor Hill and Cindy Liles in regards to requests for service. The Commission should honor landowner's requests for service. In fact, the Commission has a well-documented history of doing just that. The Commission has reasoned in the past that without a request for service, there is no need or necessity for the property to be served. And, without establishing a need, the Commission cannot grant a CC&N.

Q. PLEASE RESPOND TO THE DIRECT TESTIMONY FILED BY AWC.

A. CHI continues to oppose AWC's request to extend its CC&N to include any portion of the Legends development. AWC's witnesses repeatedly posit in their direct testimony that AWC's requested extension is a "logical extension of growth"

and that it merely "squares off" its service territory. Although CHI may agree that the Commission should not create small doughnut holes of uncertificated areas when granting CC&N extension requests, CHI does not believe AWC's "logical extension" and "squaring off" argument applies in this case. With only receiving requests for service for 175 of the 70,494 acres that AWC seeks to serve, it is unreasonable to call the inclusion of the remaining 70,319 acres in AWC's CC&N a "logical extension" or "squaring off" of its service territory. Although Staff may have indicated that "squaring off" can be a factor to consider in granting CC&N extensions, Staff certainly did not envision squaring off almost 110 square-miles of land.

Furthermore, the Commission should not be swayed by AWC's so-called "Master Plan." AWC seems to cite to its Master Plan as if it was authority. The Commission needs to determine what is in the public convenience and necessity and not be controlled by AWC's "Master Plan" for the provision of water service in the Casa Grande area.

Q. WHAT IS CHI ASKING THE COMMISSION TO DO IN THIS PROCEEDING?

A. CHI asks that the Commission deny AWC's request to include any part of the Legends development in AWC's requested CC&N extension. Any such extension would be contrary to our need and plan for integrated water and wastewater service. In addition, it would grant a monopoly for only a portion of Legends over CHI's objections.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes. Thank you.

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