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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

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MAR 12 2007

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

AZ CORP COMMISSION
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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

**JOINT NOTICE OF FILING
SURREBUTTAL TESTIMONY**

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

Scott Wagner
Chris Janson

DATED this 12th day of March, 2007.

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By

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ORIGINAL and thirteen (13) copies
filed with Docket Control March 12,
2007.

COPY of the foregoing hand-delivered
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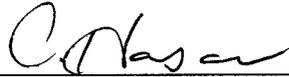
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BEFORE THE ARIZONA CORPORATION COMMISSION

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MIKE GLEASON – Chairman
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JEFF HATCH-MILLER
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 SURREBUTTAL TESTIMONY OF SCOTT WAGNER
ON BEHALF OF SUBURBAN LAND RESERVE, INC., and
WESTCOR/SURPRISE, LLC
MARCH 12, 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. HAVE YOU TESTIFIED PREVIOUSLY IN THIS DOCKET?**

5 A. Yes. I presented Prefiled Direct Testimony on behalf of Suburban Land Reserve,
6 Inc. and Westcor/Surprise LLC, which is cumulatively identified in my testimony
7 as the Prasada Commercial Group, on January 24, 2007.

8 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

9 A. The Prasada Commercial Group is concerned that testimony presented by Arizona
10 American Water Company ("AAWC") and Maricopa Water District Number One
11 ("MWD") does not recognize the need to develop a coordinated potable
12 groundwater procurement program in the Agua Fria District. Instead, each
13 organization is demanding that the landowners develop competing procurement
14 programs, which the groundwater basin is not likely to support. The development
15 of an integrated groundwater procurement program is critical to Prasada
16 Commercial Group not only because it is the only way to avoid a moratorium on
17 connections while the surface water treatment plan is being built, but also a
18 reliable groundwater supply will be needed even after the surface water treatment
19 plant is built.

20 **Q. WHAT SPECIFIC AAWC TESTIMONY GIVES YOU CONCERN?**

21 A. At page 15, lines 17 through 19, Mr. Thomas Broderick of AAWC, says that
22 developers' concerns about a moratorium during construction of the proposed
23 surface water treatment plant will be discussed by Mr. Troy Day in his testimony
24 for AAWC. Yet at page 4, lines 4 through 13, of Mr. Day's testimony, he says he
25 can understand why the developers are concerned about a moratorium but does
26 not offer any constructive suggestions as to how such an event can be avoided.
27 Instead, Mr. Joseph Gross in his testimony for AAWC at pages 15, lines 9
28 through 25 and page 16, lines 1 through 12 describes the difficulties in

1 “converting” an MWD irrigation well to a potable well and connecting it to a
2 potable water delivery system.

3 **Q. WHY DOES THE QUOTED AAWC TESTIMONY GIVE YOU**
4 **CONCERN?**

5 A. It doesn't address the realities of the situation on the ground. For example,
6 development of the Prasada Commercial Lands will require six new potable wells
7 and the relocation of three MWD irrigation wells, which MWD is requiring be
8 constructed to potable standards. There may be sufficient groundwater
9 underlying the three sections comprising the Prasada Commercial Lands to
10 support nine potable wells, but spacing and quality requirements are likely to
11 limit the number of potable wells to less than that number. Therefore,
12 development can only progress if AAWC and MWD agree on development of the
13 groundwater underlying these sections. Further, Mr. Gross' testimony concerning
14 the cost of “converting” irrigation wells to potable standards and connecting
15 those wells to the potable delivery system overlooks the obvious: it is the
16 developers who will have to pay the costs associated with constructing new
17 potable wells and new connecting facilities, not AAWC, and it would be less
18 costly for the developers and the public to fund one integrated system than two
19 competing systems.

20 **Q. DOES MWD'S TESTIMONY ADDRESS YOUR GROUNDWATER**
21 **DEVELOPMENT CONCERNS?**

22 A. No. At page 13, lines 24 through 27, and page 14, lines 1 through 12, of his
23 direct testimony, MWD General Manager Jim Sweeney talks about providing
24 “interim” water supplies to AAWC if the construction of the treatment plant is
25 extended for a year or to “temporarily” swap poor quality landowner wells for
26 potable MWD wells, under conditions to be determined in the indefinite future.
27 Similarly, James Albu of Malcolm Pirnie, Inc., testifying on behalf of MWD at
28 page 6, lines 7 through 10, of his direct testimony, says that MWD has the ability
to provide a “temporary supply” of groundwater if the construction of the

1 treatment plant is delayed.

2 **Q. WHY DOES MWD'S TESTIMONY GIVE YOU CONCERN?**

3 A. Like AAWC, MWD doesn't address the realities on the ground. To the best of
4 my knowledge, the three MWD wells located within Prasada Commercial Lands
5 are not capable of providing potable water and even if they do, all three MWD
6 wells will have to be relocated in order to provide for construction of the Loop
7 303 and major arterials. Further, successful completion of nine potable wells
8 within the Prasada Commercial Lands, three for MWD and six for AAWC, is
9 impractical if not impossible. It will be difficult enough to bring in six potable
10 wells required to meet the water requirements for the currently planned
11 improvements on the Prasada Commercial Lands and once those wells are
12 constructed and connected to the potable water delivery system, it is unlikely that
13 they will ever be disconnected from the system and therefore, they will not be
14 "temporary". I want to re-emphasize that only six potable wells are required for
15 the Prasada Commercial Lands. It will be not only unnecessary, by physically
16 and economically unviable to attempt to develop nine potable wells on the
17 Prasada Commercial Lands.

18 **Q. WHAT IS PRASADA COMMERCIAL GROUP ASKING THE COMMISSION TO DO IN THIS DOCKET?**

19 A. Prasada Commercial Group is asking the Commission to use its authority and
20 good offices to address the realities on the ground by requiring AAWC to work
21 cooperatively with the developers of Prasada and MWD to maximize the local
22 potable groundwater supply and dedicate it to permanent use within the Prasada
23 Project.

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

25 A. Yes, thank you.
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IN THE MATTER OF THE APPLICATION
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ONE.

DOCKET NO. W-01303A-05-0718

**PRE-FILED SURREBUTTAL TESTIMONY OF CHRIS JANSON
ON BEHALF OF FULTON HOMES CORPORATION
MARCH 12, 2007**

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 (“Fulton”).

4 Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS DOCKET?

5 A. Yes. I filed direct testimony in this docket on January 24, 2006.

6 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

7 A. The purpose of my surrebuttal testimony is to respond to one issue addressed by
8 Arizona-American set forth in its direct testimony.

9 Q. PLEASE SUMMARIZE THE ISSUE THAT YOU WILL ADDRESS IN
10 YOUR SURREBUTTAL TESTIMONY.

11 A. My surrebuttal testimony will address the following:

- 12 • The testimony of G. Troy Day relating to the need for developer provided
13 wells.

14 Q. WHAT ARE YOUR COMMENTS IN RESPONSE TO MR. DAY’S
15 TESTIMONY?

16 A. In my direct testimony, I took the position that there is no “water shortage” in the
17 Agua Fria District as there is an adequate water supply. Although Arizona-
18 American holds the CC&N to provide water to its utility customers, it does not
19 currently have the necessary water resources to meet the future demand of its
20 customers in this area. With the exception of its efforts to obtain additional
21 resources from the surface water treatment plant, Arizona-American does not
22 appear to be investing in other water resources to meet its future demand.
23 Instead, Arizona-American has taken the position that if a developer needs water
24 to serve a proposed project, it is the developer’s obligation and not the water
25 company’s obligation to provide new wells. However, it is my understanding
26 from discussions with MWD that there are potable ground resources and existing
27 potable wells in the area that are owned by MWD. In my direct testimony, I
28 suggested that if Arizona-American and MWD would work together to address
the water issue in the Agua Fria District, there would be sufficient water to meet

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demand which would negate (or at the very least minimize) the need for additional developer provided wells. Therefore, developers would not have to bear the redundant expense of being required to drill additional wells for Arizona-American and replace existing irrigation wells for MWD with potable wells while also paying higher Hook-Up Fees to finance construction of the treatment plant.

In its testimony, Arizona-American did not address this issue. Mr. Day testified that developers will still need to supply wells even after the plant is built, although there may be a need for fewer wells. (See page 4, line 14.) He also indicated that so long as the “developer can provide the required water, Arizona-American will continue to set meters and take on new customers in the development. However, if the water supplies are not delivered, Arizona-American will continue to *refuse* to set meters until the supplies are delivered.” (See page 4, line 10, *emphasis added*.)

Fulton submits that if Arizona-American is not going to invest the money to drill its own wells, the Commission should require Arizona-American to use its best efforts to enter into bulk water supply agreements with MWD, not only during the construction of the plant (which it has done so in at least one instance for a project), but also thereafter, to minimize the need and expense of the requirement that developers must provide wells in order to receive water utility service.

- Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?
- A. Yes.