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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED BY
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IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY FOR AN
EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY

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

MOTION TO STAY PROCEEDINGS

As a result of matters just learned and the filing of a renewed motion for order to show cause filed this past Friday, February 23, 2007, in Docket No. W-01445A-06-0200 (the "Formal Complaint Proceeding"), Arizona Water Company hereby moves to stay the proceedings in this docket, including the hearings scheduled to commence on March 5, 2007, until the Arizona Corporation Commission ("Commission") has resolved the issues concerning Global's activities raised in the Formal Complaint Proceeding, as well as the issues concerning Global's non-traditional financing activities under investigation in the General Docket opened by the Commission in Docket No. W-00000C-06-0149 ("Generic

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1 Docket”). Arizona Water Company has also filed a simultaneous motion for accelerated
2 hearing of this motion to stay under these circumstances.
3

4 **I. IT IS INAPPROPRIATE, WASTEFUL AND UNFAIR TO RENDER A**
5 **DECISION IN THIS DOCKET UNTIL THE COMMISSION HAS**
6 **DETERMINED THE LEGALITY OF GLOBAL’S NON-TRADITIONAL**
7 **FINANCING SCHEMES AND THE PROPRIETY OF THE**
8 **UNREGULATED GLOBAL ENTITIES ACTING AS PUBLIC SERVICE**
9 **CORPORATIONS.**

10 On December 28, 2005, Palo Verde Utilities Company (“Palo Verde”) and Santa
11 Cruz Water Company (“Santa Cruz”) filed an application with the Commission for
12 Certificates of Convenience and Necessity (“CCN”) in Docket Nos. SW-03575A-05-0926
13 and W-03576A-05-0926.

14 On March 29, 2006, Arizona Water Company filed an application with the
15 Commission to extend its CCN in Docket No. W-01445A-06-0199. At the same time,
16 Arizona Water Company requested to intervene in Docket Nos. SW-03575A-05-0926 and
17 W-03576A-05-0926. On April 7, 2006, Palo Verde and Santa Cruz (collectively, the
18 “Regulated Global Entities”) filed an application to intervene in Docket No. W-01445A-06-
19 0199. Arizona Water Company’s request for intervention was granted by procedural order
20 dated April 12, 2006. Palo Verde and Santa Cruz were granted intervention on April 24,
21 2006 and the above-mentioned matters were consolidated for hearing. By procedural order
22 dated November 29, 2006, an evidentiary hearing has been set on March 5, 2007.

23 On March 29, 2006, in addition to its application to extend its existing CCN and its
24 request for intervention, Arizona Water Company filed a Formal Complaint with the
25 Commission alleging that Global Water Resources, LLC, a foreign limited liability
26 company; Global Water Resources, Inc., a Delaware corporation; and Global Water
27 Management, LLC, a foreign limited liability company (collectively, the “Unregulated
28 Global Entities”)¹, were entering into non-traditional financing schemes that are illegal and

¹ Disclosures just made in pre-filed testimony and in disclosures last week reveal that yet another Global entity has been improperly acting as a public service corporation: Global Water, Inc. (the alter ego by which Global has acquired Francisco Grande Utility Company

1 improperly benefited both the Unregulated and the Regulated Global Entities. Additionally,
2 Arizona Water Company's Formal Complaint alleged that the Unregulated Global Entities
3 were illegally and improperly acting as public service corporations without regulatory
4 authority and approval by the Commission. Arizona Water Company's Complaint sought,
5 among other relief, an order to show cause why the Unregulated Global Entities should not
6 be declared to be acting as public service corporations subject to the jurisdiction and
7 regulation of the Commission (Relief, ¶ A, p. 15 of Formal Complaint) and be ordered to
8 cease and desist from soliciting and collecting improper charges and fees assessed under the
9 non-traditional financing schemes called "Infrastructure Coordination and Finance
10 Agreements" ("ICFAs") (Relief ¶¶ B, C and D, p. 15 of Formal Complaint).

11 As set forth more fully in Arizona Water Company's Renewed Motion for an Order to
12 Show Cause filed last Friday in the Formal Complaint Proceeding, Judge Dwight D. Nides
13 ordered that the Formal Complaint be held in abeyance pending a resolution of related issues in
14 the Generic Docket opened by the Commission. At the time, it was believed that the Generic
15 Docket would proceed on an expedited basis. It has not. In short, the Commission has yet to
16 resolve the serious issues raised in the Formal Complaint, which question the corporate
17 structure and methods of the Regulated and Unregulated Global Entities (collectively,
18 "Global"), and which ultimately will have a direct bearing on Global's fitness to be awarded a
19 CCN.

20 A resolution of the allegations in Arizona Water Company's Formal Complaint is
21 crucial to determining whether Arizona Water Company or the Regulated Global Entities
22 should be awarded a CCN in this docket. Arizona Water Company's Formal Complaint and
23 the filings in the Generic Docket call into question Global's corporate structure, business
24

25 and CP Water Company without Commission approval or permit). In using the term
26 "Unregulated Global Entities" in this response, Arizona Water Company includes Global
27 Water, Inc. Arizona Water Company has requested that Global Water, Inc. be added as a
28 previously fictitiously-named respondent in the Formal Complaint (Global Water, Inc. did
not exist when the Formal Complaint was filed).

1 model, financing schemes and fitness to serve. The Formal Complaint Proceeding and the
2 Generic Docket both are testing the very foundation of Global's application for a CCN in this
3 case. These issues must be resolved in Global's favor before the issues of fitness for a CCN
4 can be tried in this proceeding. If the Regulated Global Entities were awarded a CCN in this
5 docket before these crucial issues are resolved, and the Commission then determined that
6 Global's non-traditional financing schemes and corporate structure are improper or illegal, the
7 expenditure of time and resources to conduct the hearing and post-hearing briefing would be
8 wasted. Because the financing schemes are sources of funding for the Unregulated and
9 Regulated Global Entities, including the just-revealed bombshell that ICFA funds are
10 underwriting Global's acquisition of water companies in a furious effort to support its
11 arguments in this case, it is unwise, inefficient and prejudicial for a decision to be made in this
12 docket without the Commission first determining whether Global's business model and capital
13 structure are illegal. Furthermore, Arizona Water Company has recently learned that Global
14 continues to flout Commission authority, and apparently is in a race to capture CCN area
15 before the Commission acts in the Formal Complaint Proceeding and Generic Docket and
16 orders that Global cease and desist from such behavior.

17
18 **II. GLOBAL CONTINUES TO FLOUT COMMISSION AUTHORITY AND
19 HAS INJECTED THE ISSUES RAISED IN THE FORMAL COMPLAINT
20 PROCEEDING AND THE GENERIC DOCKET INTO THIS CASE.**

21 Arizona Water Company just learned in the course of reviewing pre-filed testimony in
22 this case that an unregulated Global affiliate, Global Water, Inc., acquired CP Water Company
23 ("CP Water") and Francisco Grande Utility Company ("Francisco Grande") without
24 Commission oversight, permit or approval. [Direct Testimony of Trevor Hill, January 26,
25 2007 p. 16]. This acquisition was confirmed last Tuesday, February 20—less than one week
26 ago—in a letter from counsel for Global to counsel for Arizona Water Company in response to
27 a request for supplementation of data request responses [See Letter from T. Sabo to S. Hirsch
28 dated 2/20/07 and attachments, attached as Exhibit B to Arizona Water Company's renewed
motion for order to show cause filed last Friday, February 23, 2007 in the Formal Complaint

1 Proceeding]. Clearly, if the Unregulated Global Entities were regulated public service
2 corporations, or were to be deemed to be public service corporations as the alter egos of Santa
3 Cruz, they could not acquire two public service corporations without Commission approval.
4 See A.R.S. §§40-285(D),(E). Nevertheless, without consulting the Commission or acquiring a
5 permit to do so, Global acquired the two new public service corporations and now is heavily
6 relying on these acquisitions as a justification for the award of a CCN to Santa Cruz in this
7 case. Thus, the Unregulated Global Entities continue openly to flout Commission authority
8 and Arizona law, then seek to use the illegal acquisitions to bolster their CCN application case
9 in this docket.

10 Global's revelation that it had acquired CP Water and Francisco Grande came only after
11 Global consistently refused to respond to Arizona Water Company's data requests seeking
12 information relating to Global's efforts to acquire public service corporations. On October 24,
13 2006, Arizona Water Company issued its First Set of Data Requests to Global and specifically
14 requested information relating to acquisitions of utilities or public service corporations by any
15 of the Global entities in request numbers 1.15, 1.16 and 1.100. Global's responses to Arizona
16 Water Company's requests were as follows:

17
18 Objection. This request is overly broad, unduly burdensome,
19 irrelevant and seeking information and/or documents that are
20 privileged and confidential. This request seeks information that
21 is not relevant to the issues and subject matter in this docket and
22 is not likely to lead to the discovery of any relevant or
23 admissible evidence. Further, this question seeks disclosure of
24 proprietary business information. Thus, the information is
25 confidential and privileged and not subject to discovery. [Santa
26 Cruz Water Company and Palo Verde Utilities Company
27 Responses to Arizona Water Company's First Set of Data
28 Requests, October 24, 2006, response to AWC request 1.15]

24 At a meet and confer meeting among counsel on December 14, 2006, and again by
25 follow-up letter dated December 22, 2006, Arizona Water Company requested the same
26 information. Global again refused to provide such information, and disingenuously stated that
27 its acquisition of other companies is not relevant to this docket. Now in pre-filed testimony
28 filed in late January, rebuttal testimony filed on February 14, and in supplementation of data

1 requests dated last Tuesday, February 20 [See T. Sabo letter detailed above], Global suddenly is
2 relying upon its acquisition of CP Water and Francisco Grande as a centerpiece of its
3 application.

4 On January 26, 2007, after refusing to disclose their activities to Arizona Water
5 Company and ignoring the Commission's authority to oversee the acquisition of public service
6 corporations, Global's president Trevor Hill testified that, based on these unregulated actions,
7 Santa Cruz should be awarded an extension of its CCN to provide water service in Pinal
8 County. Specifically, Mr. Hill, speaking as President of the Unregulated Global Entities, stated
9 in his pre-filed direct testimony:

10
11 Again, I am no legal expert. But I understand that AWC argues
12 that they have some sort of right to the extension due to the
13 closeness of their existing certificate area. Whatever the merits
14 of this idea, *our* [again, Global Water, Inc. acquired the
15 companies, not Santa Cruz] acquisition of Francisco Grande
16 and CP deflates its force. *Our current* Francisco Grande and
17 CP certificate areas are closer to much of the disputed areas
18 than AWC. [Direct Testimony of Trevor Hill, January 26, 2007
19 at p. 16 (emphasis supplied)]

20 The use of "our" is revealing because it confirms the alter ego nature of the interchangeable
21 Global entities. But even more importantly, by refusing to respond to Arizona Water
22 Company's data requests on grounds of relevancy, then waiting until the eleventh hour to
23 disclose in prepared testimony the fact of Global Water, Inc.'s unapproved acquisition of CP
24 Water and Francisco Grande, Global has prejudiced Arizona Water Company's right to a
25 fair opportunity to present its case, as well as the Commission's ability to make findings
26 about whether Santa Cruz is fit to serve. Arizona Water Company will not be prepared to
27 adequately present its case at the March 5, 2007 evidentiary hearing without the opportunity
28 to conduct further discovery regarding the Unregulated Global Entities' acquisition of CP
and Francisco Grande, and Global continues to refuse to provide any such information [See
2/20/07 T. Sabo letter].

Furthermore, Global has injected the issues raised in Arizona Water Company's
Formal Complaint and the Generic Docket into this case. Arizona Water Company has long

1 suspected that Global's acquisition activities were funded by the non-traditional financing
2 schemes Global calls ICFAs. To date all ICFAs produced to Arizona Water Company
3 referenced fees collected for utility infrastructure development, not acquisition of public
4 service corporations. Again, only after repeated efforts in discovery to obtain the
5 information, Global *only last week* unambiguously admitted that it purchased CP Water and
6 Francisco Grande with funds it received from its ICFAs, and produced a copy of the
7 particular ICFA documenting that fact. [Id.; "these acquisitions would not have been
8 possible without the use of Infrastructure Coordination and Financing Agreements
9 ('ICFAs')."]

10 Effectively, Global has admitted that it funds its unauthorized expansion by raising
11 money under ICFAs which have never been approved by the Commission, and which
12 remain under the Commission's scrutiny both in the Formal Complaint Proceeding and the
13 Generic Docket. As Commission Staff explained in its February 9, 2007 brief in the Formal
14 Complaint Proceeding, such fees are "actually in the nature of hook-up fees, from
15 landowners that the regulated utility is prohibited from collecting"—in essence
16 contributions in aid of construction of plant and infrastructure needed to serve the eventual
17 homeowners. [2/9/07 Staff Brief in Formal Complaint Proceeding at p. 8, ll. 16-19] But
18 Global has used this CIAC money completely improperly for acquisitions, then compounds
19 the prejudice to Arizona Water Company and the ultimate water customers in the sought-
20 after CCN area by arguing that its illegally-funded acquisition of CP Water and Francisco
21 Grande support its CCN application by making it now "in the field."

22 The legality of the ICFAs has been appropriately challenged by Arizona Water
23 Company, and the Commission is currently investigating the ICFAs in the Generic Docket.
24 Commission Staff also questions the legality of the ICFAs in reports and briefs filed both in
25 the Formal Complaint Proceeding and the Generic Docket. Moreover, Arizona-American
26 Water Company has stated in its filing in the Generic Docket that the ICFAs leave regulated
27 public service corporations who play by the rules without a level playing field.
28

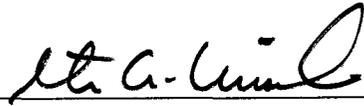
1 Now, on the eve of an evidentiary hearing in this docket, Global is arguing that its
2 acquisition of CP and Francisco Grande with ICFA funds entitles it to a CCN—while
3 refusing to disclose any information concerning the acquisition. By so doing, Global has
4 compounded the numerous reasons why this case should be stayed until the Commission has
5 concluded its scrutiny of Global's actions and rendered final decisions on Arizona Water
6 Company's Formal Complaint and in its own Generic Docket.

7 CONCLUSION

8 Arizona Water Company respectfully requests this docket be stayed pending a
9 resolution of Arizona Water Company's Complaint and the Generic Docket because: 1) if
10 the ICFAs are declared illegal by the Commission, Global's financial viability will be in
11 question, which will drastically affect its fitness and ability to serve under any CCN it is
12 granted in this docket; 2) if the Unregulated Global Entities are considered public service
13 corporations, the Unregulated Global Entities' acquisition of CP Water and Francisco
14 Grande will be illegal and void, because they failed to obtain Commission approval for the
15 acquisitions; and 3) Global's refusal to disclose the fact of its new acquisition until the eve
16 of the evidentiary hearing, and its continuing refusal to this date to disclose any of the
17 details of the acquisition, precipitates the need for Arizona Water Company to conduct
18 additional discovery so it can adequately present its case at the evidentiary hearing, when
19 these matters are ripe for hearing at the conclusion of the other dockets.

20 RESPECTFULLY SUBMITTED this 26th day of February, 2007.

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23
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7 **COPY** of the foregoing hand-delivered
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