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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

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COMMISSIONERS

MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
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

INTERVENOR CHI CONSTRUCTION COMPANY'S RESPONSE TO STAFF'S RECOMMENDATIONS

Pursuant to the March 9, 2007 Procedural Order in this docket, intervenor CHI Construction Company ("CHI") files its response to the Arizona Corporation Commission ("Commission") Staff's recommendations outlined in their brief dated March 12, 2007.

I. BACKGROUND.

One week prior to the scheduled hearing in this proceeding, Arizona Water Company ("AWC") filed a motion to stay arguing that the Commission needed to resolve two dockets before it could move forward with hearings in this proceeding. The first docket relates to AWC's complaint against Global Water Resources, LLC ("Global") and its affiliates (the "Complaint Docket"), and the second docket relates to the Commission's generic proceeding to evaluate the regulatory impact from the use of non-traditional financing arrangements by water utilities and their affiliates (the "Generic Docket"). In response to AWC's motion to stay, Administrative Law Judge Kinsey temporarily stayed the proceeding and ordered Commission Staff to determine

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1 (1) whether this docket could proceed without first resolving the Complaint Docket and the
2 Generic Docket; and (2) whether this case is an appropriate test case to consider the issues and
3 implications associated with the use of infrastructure construction financing agreements
4 (“ICFAs”). In response to Judge Kinsey’s order, Staff filed its brief recommending that this case
5 move forward and not await the outcomes of the Complaint Docket and Generic Docket. Staff
6 also recommended that this case not be used as a “test case” for development of the
7 Commission’s policy regarding ICFAs. These recommendations were based on Staff’s
8 conclusion that the Commission did not need to determine in this proceeding whether Global was
9 acting as a public service corporation.

10 **II. CHI AGREES WITH STAFF THAT THIS PROCEEDING SHOULD MOVE**
11 **FORWARD.**

12 CHI agrees with Staff that this proceeding should move forward without awaiting
13 resolutions of the Complaint Docket and Generic Docket because these dockets have no
14 significant affect on this proceeding. AWC’s motion to stay muddles the issues before the
15 Commission in this matter by focusing on issues that are not important in determining whether to
16 award a certificate of convenience and necessity (“CC&N”) to either AWC or Santa Cruz Water
17 Company (“Santa Cruz”) and Palo Verde Utilities Company (“Palo Verde”). Instead, AWC
18 focuses on Global’s recent acquisitions of 100 percent of the stock of CP Water Company (“CP”)
19 and Francisco Grande Utility Company (“Francisco Grande), and that by acquiring CP and
20 Francisco Grande, Global is acting as a public service corporation and improperly using ICFA
21 funds.

22 The acquisitions of CP and Francisco Grande should have no effect on the outcome of this
23 proceeding because (1) the service territories of CP and Francisco Grande are not part of the
24 service territory that can be awarded to any of the parties, and (2) Santa Cruz and Palo Verde, not
25 Global, are the parties seeking an extension of their CC&Ns. As to the first reason, CP’s service
26 territory was excluded from this proceeding before Global acquired the stock of CP, while
27 Francisco Grande’s service territory was never a part of the requested extension area to begin
28 with. *See* Procedural Order (December 18, 2006). As to the second reason, the Commission

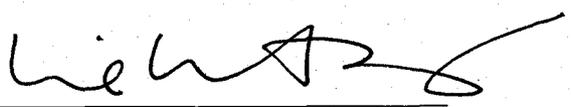
1 needs only to determine whether Santa Cruz and Palo Verde, not Global, are fit and proper
2 entities to provide utility service. Thus, it is unnecessary to evaluate in this proceeding whether
3 Global's use of ICFA funds was proper.

4 Likewise, CHI agrees with Staff that determining whether Global is acting as a public
5 service corporation is not necessary in order to award a CC&N in this proceeding for the same
6 reasons set forth above.

7 Therefore, CHI requests that the Commission move forward with the hearing in this case.

8 DATED this 30th day of March, 2007.

9 SNELL & WILMER

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11 

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18 ORIGINAL and seventeen (17) copies
19 filed with Docket Control this 30th
20 day of March, 2007.

21 COPY of the foregoing hand-delivered
22 this 30th day of March, 2007, to:

23 Yvette B. Kinsey
24 Administrative Law Judge, Hearing Division
25 ARIZONA CORPORATION COMMISSION
26 1200 West Washington Street
27 Phoenix, Arizona 85007

28 COPY of the foregoing sent via first class
mail this 30th day of March, 2007, to:

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