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BEFORE THE ARIZONA CORPORATION C

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Arizona Corporation Commission

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AZ CORP COMMISSION
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IN THE MATTER OF THE JOINT APPLICATION
OF BEARDSLEY WATER COMPANY AND
ARIZONA-AMERICAN WATER COMPANY TO
REALIGN THEIR CERTIFICATED WATER
SERVICE TERRITORIES IN MARICOPA
COUNTY, ARIZONA.

DOCKET NO. W-02074A-07-0079
DOCKET NO. W-01303A-07-0079

STAFF'S REPLY BRIEF

Staff submits its response to the Joint Brief filed by the applicants, Beardsley Water Company and Arizona-American Water Company.

A. Staff Agrees With The Applicants Position Regarding The Granting Of An Extension Of A Certificate of Convenience and Necessity In An Area Where There Is No Request For Service.

While it is the recent practice of the Commission to require that applications for Certificates of Convenience and Necessity ("CC&N") and applications for extensions of CC&Ns be accompanied by a request for service, the Commission has allowed the addition of territory that where there has been no request for service. The Commission recently granted an extension of a CC&N for Johnson Utilities Company for an area where there was not a request for service.

In the Matter of the Application of Johnson Utilities Company, Docket No. WS-02987A-06-0663, Johnson Utilities Company ("Johnson") received a request for service for all but 40 acres of the proposed extension area. Despite the fact that there was no request for service, Staff recommended inclusion of the 40 acres. Johnson's stated reasons for requesting inclusion of the area as matter of efficiency; to avoid the time and expense of requesting approval of a CC&N extension on a piecemeal basis for the very few potential customers. Staff, in its Staff Report, agreed "that it may be inefficient to leave that area out of the proposed extension". (Staff Report, December 29, 2006 at p. 1). Staff also noted that no other water company expressed a desire to serve the area, that no landowner had requested to be deleted from the proposed extension area and the closest water and

1 sewer provider was located several miles away. Under those set of circumstances, Staff
2 recommended that the area without a request for service be included in Johnson's CC&N.

3 During the hearing, Johnson's witness, Brian Tompsett, testified that its application covers
4 three (3) sections of land and all but approximately 40 acres was owned by the developer that was
5 requesting service. He further testified that the 40 acres without a request for service had multiple
6 landowners. (TR 18-19:19-15). Additionally, he testified that Johnson's existing CC&N surrounded
7 the area without a request for service on four sides. (TR 19:1-3). Against this background, the
8 Commission approved Johnson's application in Decision 69414, dated April 16, 2007.

9 When a company files an application for an extension of a CC&N that is not accompanied by
10 a request for service, Staff reviews carefully, among other things, the configuration of the proposed
11 area, its proximity to other utilities, whether the requested area is currently within a utility's service
12 territory and whether it would serve the public interest to allow for inclusion. In the instant case,
13 there are three water providers who have agreed to realign service areas in a manner that would be
14 cost effective and avoid unnecessary construction costs to properly serve the areas in question.

15 During the hearing, held April 26, 2007, Linda Jaress testified that despite the fact that there
16 was no request for service for a portion of the area in question, "it wouldn't seem efficient" should a
17 fourth water provider be granted a CC&N for the area. (TR 39:7-10). She further testified that all of
18 the proposed area is presently within a regulated or municipal utility service territory, unlike most of
19 the other applications for extensions where the parcel in question is not served by any utility. (TR
20 40:19-24; TR 41:1-7).

21 Utilities engineer Katrin Stukov testified that Staff was in agreement with the Applicants'
22 assessment that due to certain geographical barriers the parties would need to complete extensive
23 engineering (TR 46:17-25). Certain of the parcels require extensive permitting and construction in
24 order to provide service. Realignment, as proposed by the parties, is more efficient and cost-
25 effective.

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1 **B. Arizona-American Has Satisfied The Outstanding Compliance Matter With Respect To**
2 **The Tariff Required By Decision No. 68917.**

3 During the hearing, Ms. Jaress testified that Arizona-American was required to file an
4 amendment, as ordered in Decision 68917, with respect to Water Service Termination Agreement
5 with the City of Surprise, as well as an amended tariff. As of the morning of the hearing, Arizona-
6 American had not filed the agreement or the tariff. (TR 37:8-24) The Procedural Order issued June
7 22, 2007, Arizona-American was ordered to file a compliance update. On May 31, 2007, Arizona
8 American filed both the amendment to the Water Service Termination Agreement entered into
9 between Arizona-American and City of Surprise and the amended tariff agreement. On June 1, 2007,
10 Arizona-American filed its Compliance Update.

11 RESPECTFULLY SUBMITTED this 30 day of July 2007.

12 
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18 Original and thirteen (13) copies
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