

INTERVENTION
ORIGINAL



BEFORE THE ARIZONA CORPORATION CC
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2007 SEP 24 P 2: 17

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

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Arizona Corporation Commission
DOCKETED

SEP 24 2007

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IN THE MATTER OF THE JOINT
APPLICATION OF CP WATER COMPANY
AND FRANCISCO GRANDE UTILITIES
COMPANY TO TRANSFER THEIR
CERTIFICATES OF CONVENIENCE AND
NECESSITY AND ASSETS TO PALO VERDE
UTILITIES COMPANY AND SANTA CRUZ
WATER COMPANY.

Docket No. WS-01775A-07-0485

Docket No. SW-0375A-07-0485

Docket No. W-02442A-07-0485

Docket No. W-03576A-07-0485

APPLICATION TO INTERVENE

Arizona Water Company, an Arizona corporation, hereby applies for an order permitting it to intervene in the above captioned matters pursuant to A.A.C. R14-3-105. Arizona Water Company is directly and substantially affected by these proceedings. This application is based upon the following:

1. Arizona Water Company presently holds Certificates of Convenience and Necessity ("CCNs") issued by the Arizona Corporation Commission (the "Commission") for the purpose of providing water utility service in the Casa Grande and Stanfield areas of Pinal County, and has served customers within those CCNs since 1955. Arizona Water Company currently provides water service to more than 19,000 customers in its Casa Grande and Stanfield systems and has invested more than \$65 million in gross utility plant in these two systems.

1 2. Since 1985, Arizona Water Company has provided all water service to customers of
2 CP Water Company (“CP Water”), an applicant in this docket, as part of its Casa Grande water
3 system operations. Arizona Water Company provides water service to CP Water customers and
4 performs other utility operation functions pursuant to an operating agreement between CP Water
5 and Arizona Water Company (a copy of which is attached hereto as Exhibit 1), including all of the
6 following:

7 Install and read water meters, prepare and render monthly water bills to customers, collect
8 payments sent by mail or paid in person at Arizona Water Company’s local office, provide an
9 annual accounting of revenues collected, and provide labor and materials required to operate,
10 maintain, and repair the CP Water system.

11 3. Francisco Grande Utilities Company (“Francisco Grande”) has previously
12 transferred portions of its CCN and all of its active utility service CCN areas to Arizona Water
13 Company, because Francisco Grande was unable or unwilling to resolve water quality issues within
14 such CCN areas and Arizona Water Company was ready, willing and able to provide the necessary
15 water utility service.

16 4. Arizona Water Company has filed a formal complaint action that is pending against
17 Global Water Resources, LLC and its affiliated entities (“Global”). The applicants in this docket,
18 CP Water and Francisco Grande, are requesting authority to transfer their CCNs and water and
19 wastewater assets to Santa Cruz Water Company and Palo Verde Utilities Company, both of which
20 are part of Global. The formal complaint against Global is Docket No. W-01445A-06-0200 (the
21 “Formal Complaint”). In the Formal Complaint, the Commission is scrutinizing the following
22 issues and allegations:

23 a. That Global collects and uses various fees from property owners or others
24 without Commission approval under the terms of Global’s unique financing scheme, its
25 Infrastructure Coordination and Finance Agreement (“ICFA”), which is unlawful. In addition, in
26 Global’s prefiled testimony in Docket No. W-01445A-06-0199, Global admitted that those very
27 same ICFA fees being scrutinized in the Formal Complaint were used by Global to acquire CP
28 Water and Francisco Grande.

1 b. That certain Global entities that are currently not regulated by the
2 Commission are acting as public service corporations and as alter egos of Global's regulated
3 affiliates such as Santa Cruz Water Company and Palo Verde Utilities Company in violation of the
4 Arizona Constitution and statutes.

5 5. The current date for the beginning of the Commission's hearings on the Formal
6 Complaint is October 15, 2007 but the presiding administrative law judge has directed Global,
7 Arizona Water Company, and the Commission's Staff to meet and confer for the purpose of
8 agreeing upon a later date for the Commission's hearings on the Formal Complaint. It is very likely
9 that the outcome of the hearings and the subsequent decision by the Commission on the Formal
10 Complaint, will directly touch and concern the actions that might otherwise be taken in this docket,
11 such as whether the transfer of the CP Water assets to Santa Cruz Water Company was unlawful
12 and whether Global's use of ICFA fees to acquire CP Water and Francisco Grande was also
13 unlawful. Arizona Water Company's intervention in this proceeding is thus appropriate to allow the
14 Commission the opportunity to determine these important Arizona legal and public policy issues
15 before it makes a decision in this docket that is likely to be impacted by its investigation, findings,
16 and decision in the Formal Complaint case.

17 6. CP Water and Francisco Grande filed their application in this docket on August 20,
18 2007. As of the date hereof, the Commission has not deemed the application to be sufficient and no
19 hearings have been noticed or scheduled. CP Water's customers (according to the application,
20 Francisco Grande has no customers) are continuing to receive all water service from Arizona Water
21 Company. This service will, to Arizona Water Company's knowledge, continue while this case is
22 pending. Thus, because this case is in its earliest stages, no party would be prejudiced in any way
23 by permitting Arizona Water Company to intervene.

24 7. For the foregoing reasons, Arizona Water Company is directly and substantially
25 affected by these proceedings and is entitled to intervene pursuant to A.A.C. R14-3-105.
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1 ORIGINAL and 13 COPIES of the foregoing filed this 24th day of September 2007 with:

2 Docket Control Division
3 Arizona Corporation Commission
4 1200 West Washington Street
Phoenix, Arizona 85007

5 COPY of the foregoing was mailed this 24th day of September, 2007 to:

6
7 Christopher Kempley, Chief Counsel
8 Legal Division
9 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

10 Ernest G. Johnson
11 Director, Utilities Division
12 Arizona Corporation Commission
13 1200 West Washington Street
Phoenix, Arizona 85007

14 Michael W. Patten, Esq.
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400 E. Van Buren, Ste. 800
17 Phoenix, AZ 85004
18 Attorneys for CP Water Company,
Francisco Grande Utilities Company,
19 Santa Cruz Water Company and
Palo Verde Utilities Company

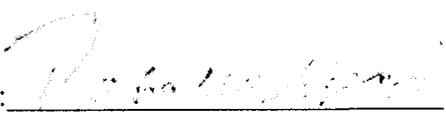
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21 By: 
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EXHIBIT 1

AGREEMENT FOR OPERATION
OF WATER SYSTEM

RECORDED
INDEXED
OCT 24 1985

THIS AGREEMENT, made and entered into this 27th day of October, 1985, by and between Arizona Water Company ("AWC"), an Arizona Corporation, and CP Water Company ("CP"), an Arizona Corporation.

CP is a wholly-owned subsidiary of Getty Mining Company, a Delaware Corporation, which is a wholly-owned subsidiary of Getty Oil Company.

RECITALS

A. AWC and CP are public service corporations subject to the jurisdiction of the Arizona Corporation Commission;

B. CP operates a water distribution system (the "Water System") located in an area west of Casa Grande, Arizona, which is located within the boundaries of the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 7, Township 6 South, Range 5 East, Gila and Salt River Base and Meridian, Pinal County, Arizona; the Water System is presently operated by CP on behalf of Getty Mining Company, the owner of the Water System.

C. CP is desirous of having AWC operate the Water System, and AWC is willing to operate the Water System for CP, subject to the terms and conditions set forth herein.

THEREFORE, In consideration of the premises and the mutual agreements, covenants, promises, representations and understandings contained in this Agreement and other valuable consideration, the parties hereto have entered into the following Agreement:

1. AWC agrees to perform the following acts for CP in conjunction with the operation by AWC of the Water System:

- (a) Install a two-inch (2") compound water meter and sell water to CP pursuant to the terms and conditions established by AWC's Tariff W-103 for its Casa Grande Operating System. AWC will not assess sales taxes to CP on sales of water pursuant to Tariff W-103;
- (b) Read meters, prepare and compute monthly water bills according to CP's water service tariff as approved by and filed with the Arizona Corporation Commission, mail bills to customers, pay postage, reasonably endeavor to collect payments due from customers, and render an annual accounting thereon to CP for a minimum fee of \$100 per month for up to 18 customers. The monthly fee will be increased by AWC at such time as its cost for labor increases, and/or at such time that CP increases the number of active, permanent services beyond 18 customers presently being served.
- (c) Provide labor and materials required to operate and maintain the Water System and repair damages to it;
- (d) Designate AWC's Casa Grande office, located at 220 East 2nd Street, Casa Grande, Arizona, as the location where the customers of the Water System may come regularly to pay their bills. If payment by mail is preferred by customers of the Water System, the following address shall be used: Arizona Water Company, P.O. Box 1019, Casa Grande, AZ 85222.

AWC shall have no obligation to advance its own funds for any of the items referred to above. AWC may use operating revenue from the Water System

for such purposes. If operating revenue is not sufficient, AWC may use its own funds and CP shall reimburse AWC within fifteen (15) days following receipt of an invoice for such from AWC for any expenditures AWC makes in excess of revenue available for such purposes.

2. CP shall, prior to the date when AWC is to commence operation of the Water System, cause the two water wells which presently provide water to the Water System, and which are owned by Getty Mining Company, to be physically disconnected from the Water System. The disconnection of said water wells shall be carried out according to specifications approved by AWC, and shall be monitored by AWC operations personnel.

3. The entire cost of purchasing and installing the 2" compound water meter as provided in Paragraph 1(a), above, shall be paid by CP in advance upon request for such by AWC. AWC shall be under no obligation to advance any of its own funds for the purpose of accomplishing said water meter installation.

4. AWC does not, by this Agreement or by the transactions contemplated herein, assume any responsibilities and obligations for CP except for duties which AWC expressly agrees to perform hereunder. CP shall hold harmless, indemnify and defend AWC against any obligation, damage, loss or liability of any kind arising, directly or indirectly, from AWC's operation of the Water System.

5. This Agreement shall commence on the 22nd day of October, 1985.

6. Either party may terminate this Agreement upon giving to the other party thirty (30) days' written notice of its intention to so terminate; in addition, if CP fails or refuses to reimburse AWC as provided in Paragraph 1, above, AWC shall have the right to terminate this Agreement and any duty

arising hereunder upon giving CP ten (10) days notice of its intention to so terminate on account of said failure or refusal.

7. CP and AWC agree to cooperate and use their best efforts in obtaining such approvals of this Agreement as may be required by law. In the event that the approval of the Arizona Corporation Commission, the Arizona Department of Water Resources, or other governmental authority becomes required, the proposed plan of operation detailed herein shall be conditional upon the receipt of such necessary approvals. If any necessary approval cannot be obtained, or is denied, then this Agreement shall be null and void and all rights and obligations of the parties hereunder shall be abrogated and of no further force and effect.

8. Required or permitted notices to either party concerning this Agreement shall be sent by certified mail, except that invoices and other written communications may be sent by first-class mail.

Notices and written communications to CP shall be addressed as follows:

CP Water Company
c/o James W. Johnson
Fennemore, Craig, von Ammon,
Udall & Powers
1700 First Interstate Bank Plaza
100 West Washington Street
Phoenix, Arizona 85003

Notices and written communications to AWC shall be addressed as follows:

Arizona Water Company
Post Office Box 5396
Phoenix, Arizona 85010
Attention: President

9. This Agreement shall be binding and enforceable upon the parties hereto, their successors, agents and assigns.

10. This Agreement represents the entire Agreement between the parties hereto and supersedes any prior representations or understandings.

11. This Agreement may be modified or amended as mutually agreed in writing by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first hereinabove written by their duly authorized corporate officers.

ARIZONA WATER COMPANY

By *X. E. Plumb*
Title PRESIDENT

CP WATER COMPANY

By *Don A. Nichols*
Don A. Nichols
Title Vice President