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AZ CORP COMMISSION  
DOCKET CONTROL

November 19, 2007

VIA HAND-DELIVERY

Arizona Corporation Commission  
DOCKETED

NOV 19 2007

DOCKETED BY *ne*

Ms. Vicki Wallace  
Chief, Consumer Services  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

Bryan Cave LLP  
One Renaissance Square  
Two North Central Avenue  
Suite 2200  
Phoenix, AZ 85004-4406  
Tel (602) 364-7000  
Fax (602) 364-7070  
www.bryancave.com

Re: Queen Creek Water Company's Application for Approval of Sale of Assets  
and Conditional Cancellation of its Certificate of Convenience and Necessity  
Docket No. W-01395A-07-0556

Chicago  
Hong Kong  
Irvine  
Jefferson City  
Kansas City  
Kuwait  
Los Angeles  
New York  
Phoenix  
Shanghai  
St. Louis  
Washington, DC

And Bryan Cave,  
A Multinational Partnership,  
London

Dear Ms. Wallace:

We write in response to your letter of October 26, 2007 requesting additional information with respect to the above-entitled Application (the "Insufficiency Letter"). Much of the information requested may not be directly relevant to consideration of the pending Application given the circumstances surrounding this acquisition. As noted in Queen Creek Water Company's Application, this transaction and conveyance are taking place in lieu of the Town of Queen Creek's (the "Town") acquisition of Queen Creek Water Company ("QCWC") through condemnation. [See Exhibit A (Town Resolution authorizing acquisition of QCWC through condemnation or purchase).] Rather than engaging in litigation, however, the Town and QCWC agreed to pursue a negotiated acquisition. If Commission approval is not received, QCWC anticipates that the Town will proceed to acquire QCWC through condemnation, at a much higher overall cost and impact to QCWC's current customers.

Notwithstanding the realities of the situation, QCWC's responses to Staff's requests follow. Each information request from the Insufficiency Letter is set out below (in bold), with QCWC's response following the request.

**1. A copy of the executed or draft Sales Agreement between QCWC and the Town of Queen Creek.**

Queen Creek Water Company will provide a copy of the Asset Purchase Agreement approved by the Town's Council on November 7, 2007 to Staff for Review.

**2. Describe the Town of Queen Creek's experience operating water systems.**

As a condition of the Asset Purchase Agreement, the Town is retaining the services of Paul Gardner, the current president and 20+ year employee of QCWC, to oversee the operation of the water system for the Town. Mr. Gardner is being retained for a minimum of 2 years following close of escrow, with a provision to renew his contract with the Town for another 2 years upon mutual consent of the parties. In addition, the Town is planning to retain many of the current employees of QCWC, including those who hold certificates for operating many of the key systems in the company. Assuming completion of a successful employment application and screening process, these QCWC staff will become employees of the Town. Moreover, the Town's Public Works Director as well as the Assistant Town Manager have past experience overseeing water operations in other jurisdictions.

**3. What are the Town's expectations of rate increases for the next five years?**

The Town, as a municipality, is not subject to Commission oversight of its rates. However, the Town retained the firm of Economists.com to evaluate the water rates required to finance the acquisition of QCWC and operate the public water system. Following the successful acquisition of QCWC and its assets, Economists.com has provided the Town with a 10 year rate model. Assuming an increase in new accounts from 500-600 per year over the 10 year period, fully covering operating expenses of the utility including paying debt service on the proposed \$40 million loan from the Water Infrastructure Financing Authority, the Town believes that a customer who is using 10,000 gallons of water per month, will see their monthly water bill go from \$23.70 to \$34.29 per month over a 3 year period. No other increases are planned over the remaining seven years of the rate model. The Town's rate consultant indicates that the average Arizona water bill for a person using 10,000 gallons per month amounts to \$39.04 per month (reflecting water rates in effect at the time the comparison was made in early 2007).

The Town's rate consultant is currently updating the comparison for the county and state to the latest water rates in effect. With many different communities, water rates are always in flux. Given a potential \$34.29 water bill for the 10,000 gallon customer over a three year period, the Town believes its rates will compare quite favorably with those in surrounding communities and will continue to be well below the state's average. Finally, any rate increase will come, pursuant to state statutes, after an extensive public process, with the Town Council making the final rate determination. The Town plans to keep any rate increase to a minimum to the customer, seeking only those increases that cover the operating expenses of the utility, required replacements and reserves, plus the required monies to cover debt reserve costs.

**4. Provide a map illustrating the Town's city limits and the Town's planning area as it relates to QCWC's CC&N area.**

The requested maps are attached at Exhibit B.

**5. Please describe the Town's existing Public Works Department and its place in the Town's organizational chart.**

The Town's Public Works Department (46 approved positions for FY 2007-08) provides the administrative and technical expertise to carry out the design, plan review, inspection and maintenance needs of the Town relative to capital improvement projects, construction, and infrastructure maintenance. The department also provides for the development, coordination, and review of all activities in the department. Divisions include Administration, PW/CIP Project Inspection, Street Maintenance and Operation, CIP Special Projects, Traffic, Fleet Maintenance, Facilities Maintenance, and Wastewater Utility. Upon completion of the acquisition of QCWC, a separate Utilities Department will be formed to oversee both the provision of potable water and continuation of the wastewater duties currently undertaken by the Public Works Department.

With respect to wastewater treatment, the Town owns and maintains its wastewater collection system. The Town has a population of less than 25,000 and is therefore classified as a Grade 3 Collection System. The Town's Maintenance and Operations Manager (Janet Martin, P.E.) maintains a Grade 3 Wastewater Collections System Operator certification. The Wastewater Division staff includes a Manager, a Management Assistant, two Maintenance and Operations Specialists, a Pre-Treatment Inspector, and a Utility Marking Technician. The Specialists clean collection lines, inspect manholes, and maintain lift stations. The Pre-Treatment Inspector monitors commercial grease and sand interceptors, samples the wastewater stream, and reviews plans for new pre-treatment facilities. The Wastewater Division operates a hydrovac truck and three light duty trucks.

The Town discharges its wastewater to the Greenfield Wastewater Treatment Plant (WWTP), located at 4400 South Greenfield Road in Gilbert. The WWTP is owned jointly by the Town, the Town of Gilbert, and City of Mesa. Mesa is responsible for maintenance and operations of the plant. The design average daily flow is 16 million gallons per day (MGD) per the Aquifer Protection and Arizona Pollutant and Discharge Elimination System permits. The Town's current capacity in the plant is 4 MGD, roughly half of its projected build-out needs. Flows are currently averaging 1 MGD. Additional capacity has been built into the plant for future expansions, and the Town will receive an additional 4 MGD capacity as the plant expands to ultimate capacity.

A copy of the Town's organizational chart is attached at Exhibit C.

Ms. Vicki Wallace  
November 19, 2007  
Page 4

Bryan Cave LLP

**6. Provide a copy of any notice provided to the public by QCWC or the Town of Queen Creek about the proposed sale.**

A copy of the notice mailed to each current customer of QCWC, along with proof of mailing, is attached at Exhibit D. A copy of the notice printed in the East Valley Tribune on October 31, 2007, along with an affidavit of publication, is attached at Exhibit E. If necessary, QCWC is willing to separately docket a Notice of Publication.

**7. Please provide Arizona Department of Environmental Quality ("ADEQ") Compliance Status Reports for all existing water facilities. Reports should be dated within the last three months.**

A copy of the Public Water System Compliance Status Report, dated September 19, 2007, demonstrating the compliant status of Public Water System 07-033, operated by QCWC, is attached at Exhibit F.

As noted in the Application, consummation of the acquisition by the Town is conditioned, in part, on receipt of approval of the cancellation of QCWC's Certificate of Convenience and Necessity by the Commission. We would, therefore, appreciate prompt notification of any continued insufficiencies. If you have any questions about these responses, or need further information, please contact the undersigned at 602-364-7003.

Very truly yours,



Stanley B. Lutz

SBL/iaf  
Enclosures

A

**RESOLUTION 610-06**

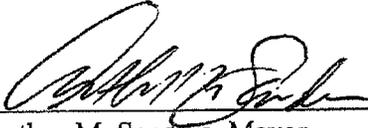
**A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, DECLARING A PUBLIC NEED AND NECESSITY AND A PUBLIC PURPOSE; AUTHORIZING AND DIRECTING THE TOWN MANAGER, TOWN ATTORNEY AND TOWN STAFF TO TAKE ANY AND ALL ACTION NECESSARY; AND, TO SIGN ANY AND ALL DOCUMENTS; AND TO PAY ANY AND ALL COSTS OR FEES IN ORDER TO ACQUIRE THE BUSINESS KNOWN AS THE QUEEN CREEK WATER COMPANY, COMPRISING REAL AND/OR PERSONAL PROPERTY LOCATED IN QUEEN CREEK, ARIZONA, THROUGH GIFT, PURCHASE, OR EMINENT DOMAIN;**

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and Common Council of the Town of Queen Creek, Arizona, as follows:

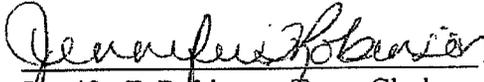
- Section 1.** That pursuant to ARS § 9-241(A), the municipal corporation may purchase, receive, hold, lease and convey property, real and personal, necessary or proper to carry out the purposes of the corporation, within or without its limits.
- Section 2.** That pursuant to ARS §9-511, the municipal corporation may engage in business of a public nature and acquire property to further such purposes.
- Section 3.** That the Town has identified a certain business within the Town known as the Queen Creek Water Company which engages in a service of a public nature which the Town now wishes to provide to its citizens.
- Section 4.** That the Mayor and Common Council find that acquisition of said business and accompanying real and personal property is a public use and in the best interests of the citizens of Queen Creek and that the acquisition is necessary in order for the Town of Queen Creek to continue to protect the health, safety, and welfare of the citizens.
- Section 5.** That the Town Manager, Town Attorney and Town Staff are hereby authorized and directed to acquire the business and property described in Section 4 above by gift, purchase or eminent domain, and to do all acts and to sign all documents and pay all costs necessary to acquire said business and property, including if necessary by use of the power of eminent domain as set forth in A.R.S. § 12-1111 et. seq. and A.R.S. § 9-511 et seq.

**PASSED AND ADOPTED BY** the Mayor and Common Council of the Town of Queen Creek, Arizona, this 4<sup>th</sup> day of October, 2006.

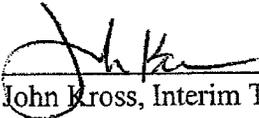
FOR THE TOWN OF QUEEN CREEK:

  
\_\_\_\_\_  
Arthur M. Sanders, Mayor

ATTESTED TO:

  
\_\_\_\_\_  
Jennifer F. Robinson, Town Clerk

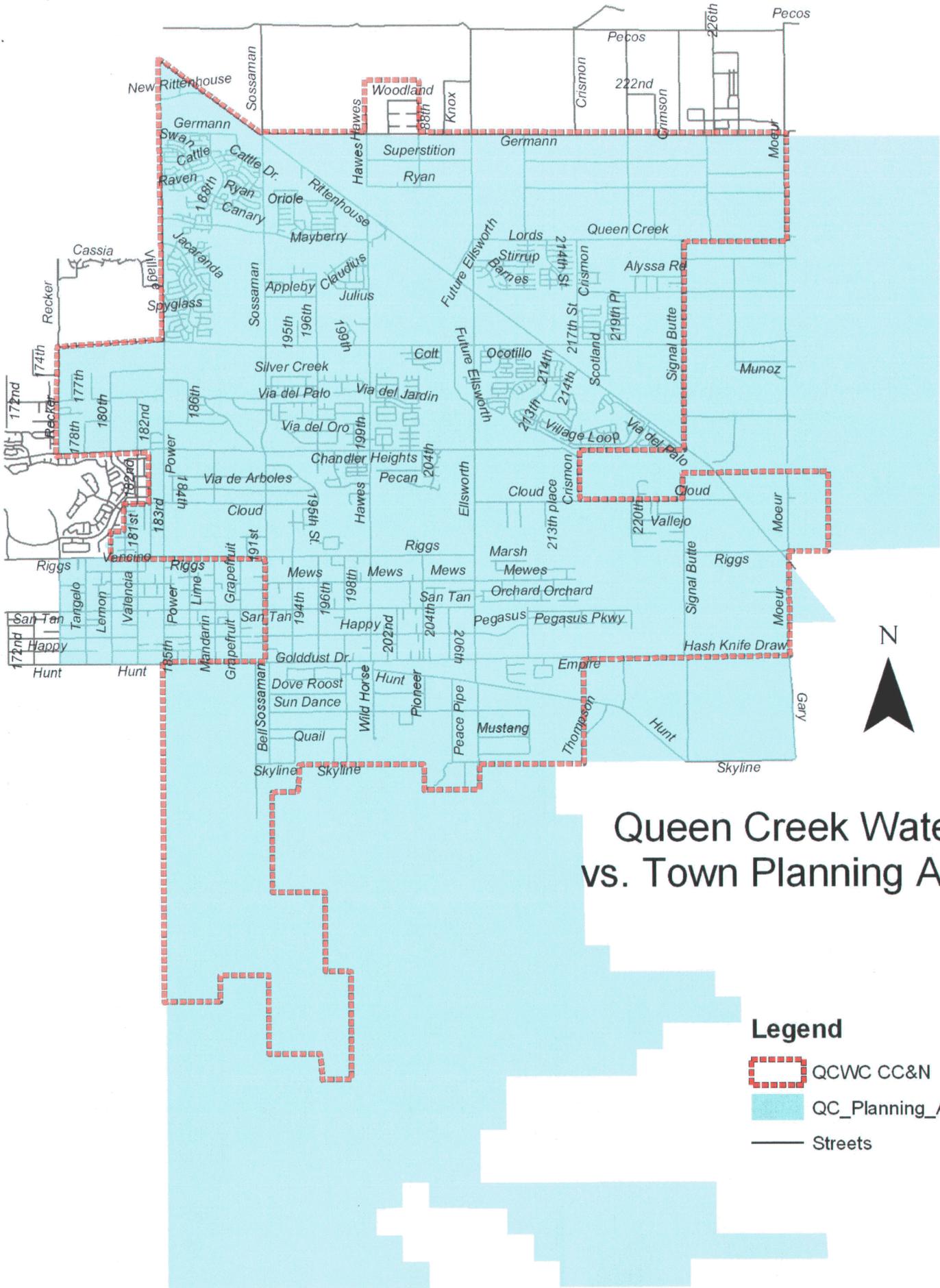
REVIEWED BY:

  
\_\_\_\_\_  
John Kross, Interim Town Manager

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Fredda J. Bisman, Town Attorney





# Queen Creek Water vs. Town Planning Area

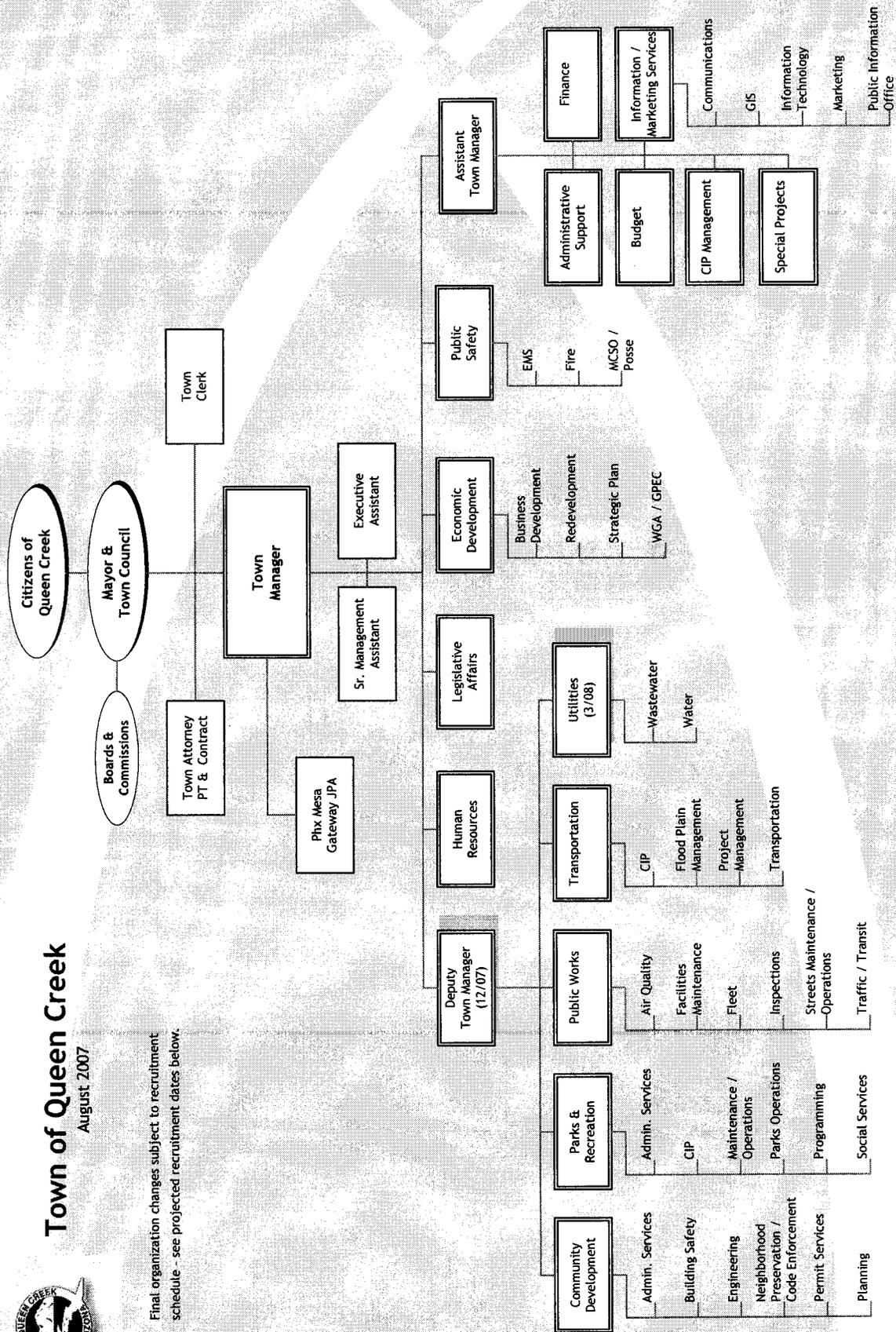
- Legend**
-  QCWC CC&N
  -  QC\_Planning\_Area
  -  Streets



# Town of Queen Creek

August 2007

NOTE: Final organization changes subject to recruitment schedule - see projected recruitment dates below.



**PUBLIC NOTICE OF AN APPLICATION FOR THE SALE OF ASSETS AND  
THE CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND  
NECESSITY BY**

**QUEEN CREEK WATER COMPANY**

Queen Creek Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authorization to sell its assets and cancel its Certificate of Convenience and Necessity to provide water service. Queen Creek Water Company system is being purchased by the Town of Queen Creek. If the application is granted, the Town of Queen Creek would be the exclusive provider of water service to your area and will establish its own rates and charges.

If you have any claims against Queen Creek Water Company, including claims for refunds of security deposits, service line and meter installations (Water Only) or mainline extension agreements and you have not already been contacted by the Company, you must present your claim to Queen Creek Water Company on or before November 21, 2007. Direct your claim(s) to Paul T. Gardner, 22713 S. Ellsworth Rd., Bldg. A, Queen Creek, AZ 85242 or by phone at (480) 987-3240 Ext. 12.

Approval of the application may be given without a hearing. If you have any questions or concerns about this application, have any objections to its approval or would like to request information on intervention in the proceeding, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000 |

PRSR STD  
U.S. POSTAGE  
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P.O. Box 366  
Queen Creek, Arizona 85242

D



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Today's Date: 10/29/2007

Standard Mail - Permit Imprint [Receipt](#)

<b>Final</b>			
<b>3602</b>	POSTAL SERVICE STATEMENT OF MAILING/3607 WEIGHING AND DISPATCH CERTIFICATE		TRANS # 200730214331497M1
Postage Statement: 46376973	Mailer's Job#:		
SIR SPEEDY PRINTING 78 W RAY RD STE 1 CHANDLER AZ 85225-1913		FINANCE NUMBER: 036364	
STATION OR UNIT:	PHX BULK MAIL UNIT (0960C)		PERMIT NO: 4236
DATE OF MAILING 10/29/2007	CLASS Standard Mail	PROC CAT Letter	TYPE PI
WEIGHT OF SINGLE PIECE (LBS) 0.0071	TOTAL PIECES 8176	TOTAL POUNDS 58.3000	Customer Reference ID _____ CAPS Acct No: _____
MAILED FOR: PERMIT NO. _____ NAME: _____			
CONTAINERS 9	AMOUNT FROM TRUST: \$1,468.27		
VERIFICATION SUMMARY: No verification errors.			
SIGNATURE OF WEIGHER	 DATA PROCESSED BY	 RECEIVED FOR PROCESSING BY	
COMMENTS:		BEGINNING BALANCE: \$1,679.25 ENDING BALANCE: \$210.98	

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E

# Tribune

Legal Advertising  
120 W. First Avenue Mesa, Arizona 85210  
Phone(480) 898-6479 Fax (480) 898-6479  
Affidavit of Publication

Account Number: 1998599  
P.O. Number: Public Notice  
Invoice Number: 15616347  
Price: \$74.53

STATE OF ARIZONA  
County of Maricopa

I, Sue Pacholke, Legal Representative, acknowledge that the attached ad was published in a newspaper of general circulation. The dates of the publication are as follows: October 31, 2007

The Tribune (East Valley & Scottsdale Editions)

Sue Pacholke  
Sue Pacholke, Legal Representative

STATE OF ARIZONA  
COUNTY OF MARICOPA

On November 8, 2007, Sue Pacholke personally appeared before me, whom I know personally to be the person who signed the above document and he/she proved he/she signed it.

Theresa Marie Dizona  
NOTARY PUBLIC

**PUBLIC NOTICE OF AN APPLICATION FOR THE SALE OF ASSETS AND THE CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY BY**  
**QUEEN CREEK WATER COMPANY**  
Queen Creek Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authorization to sell its assets and cancel its Certificate of Convenience and Necessity to provide water service. Queen Creek Water Company system is being purchased by the Town of Queen Creek. If the application is granted, the Town of Queen Creek would be the exclusive provider of water service to your area and will establish its own rates and charges.  
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Approval of the application may be given without a hearing. If you have any questions or concerns about this application, have any objections to its approval or would like to request information on intervention in the proceeding, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000.  
October 31, 2007/15616347



F



**Maricopa County**  
Environmental Services Department

**PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT**

**System Name: Queen Creek Water Company**  
**PWS ID#: 07-033**

Type of System: Community Number of POE's: 7 Surface Water: No  
Number of Service Connections: 6418 Population Served: 21821

Assigned Monitoring Dates - Initial: 1/1/95 Phase II: 1/1/95 Phase V: 1/1/95

Does the water system have a Certified Operator? Yes

Does the system have major treatment plant deficiencies? No  
Please describe: \_\_\_\_\_

Date of last inspection: February 8, 2007

Does the system have major O & M deficiencies? No  
Please describe: Minor corrections were completed and documented 3/8/2007.

Does the system have water quality monitoring/reporting deficiencies? No  
Please describe: \_\_\_\_\_

General Public Water System Compliance Status? **Compliant**

Date of compliance review: 09/18/07 By: **Rob Collins** Initials: **RC**  
Phone: **(602) 506-0719**

Requested By: Donald Schnepf Fax Number/ Contact: (480) 492-6739 Tracking Number: 1382  
Supervisor Initials: GY Date: 9/19/07

**Drinking Water Program**  
**John Kolman, Manager**

1001 N. Central Ave., Suite 150 Phoenix, Arizona 85004-1940 Phone: (602) 506-6666 Fax: (602) 506-6925