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BEFORE THE ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission
DOCKETED

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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

**ARIZONA WATER COMPANY'S
REPLY IN SUPPORT OF ITS
APPLICATION TO INTERVENE**

Arizona Water Company, an Arizona public service corporation, submits this Reply in Support of its Application to Intervene in the above captioned matters pursuant to A.A.C. R14-3-105. Francisco Grande Utilities Company ("Francisco Grande"), CP Water Company ("CP Water"), Global Water - Palo Verde Utilities Company, and Global Water - Santa Cruz Water Company (collectively, "Global") opposed that application in a response that Global filed on October 4, 2007 but did not serve on Arizona Water Company.

On November 9, 2007, the Commission's Legal Division filed its Response to Application to Intervene stating that "Staff feels that the intervention would be appropriate", agreeing that Arizona Water Company is directly and substantially affected by these proceedings. Arizona Water

1 Company's participation should aid the Commission's review of Global's application and that
2 participation will not unduly broaden the issues in this matter. Global's arguments to the contrary
3 should be rejected.

4
5 ARGUMENT

6 Global argues that none of the grounds put forth by Arizona Water Company results in
7 Arizona Water Company being directly and substantially affected by this case. Each of these
8 arguments is incorrect.

9
10 Global first argues that Arizona Water Company's 1985 water service agreement with CP
11 Water (the "CP Water Service Agreement") does not give Arizona Water Company "long-term
12 rights" because it can be terminated on 30 days' notice. Global's argument is specious. Arizona
13 Water Company summarized the comprehensive and detailed nature of the water utility services it
14 has been providing CP Water continuously since 1985 at page 2, lines 1-10, of its Application to
15 Intervene. The CP Water Service Agreement affects virtually every aspect of utility service by CP
16 Water. Global focuses on the 30 day notice of termination provision while deliberately ignoring the
17 fact that, notwithstanding this clause, the CP Water Service Agreement has been in effect for over
18 22 years. Clearly, Arizona Water Company interests under the CP Water Service Agreement have
19 been "long-term". Moreover, Arizona Water Company has an interest and the legal right
20 concerning any assignment of the CP Water Service Agreement, and thus possesses a vital and
21 undeniable interest in whom it provides service to under the CP Water Service Agreement. For this
22 reason alone, Arizona Water Company is directly and substantially affected by this case and should
23 be permitted to intervene.

24 It is also highly significant that the Staff agrees that Arizona Water Company's intervention
25 is appropriate. In its November 9, 2007 response, Staff stated that Arizona Water Company should
26 be allowed to intervene because Arizona Water Company is directly and substantially affected by
27 the proceedings in this matter per A.A.C. R14-3-105. Significantly, the Staff found that the CP
28 Water Service Agreement (a copy of which was attached to the Application to Intervene) could be
affected by the proposed transfer. Staff's position is correct.

1 The remainder of Global's arguments also lack merit. The Certificates of Convenience and
2 Necessity ("CCN") of Francisco Grande and Arizona Water Company are adjacent. Large portions
3 of Arizona Water Company's CCN surround Francisco Grande and, as noted in Arizona Water
4 Company's Application to Intervene, parts of the Francisco Grande CCN already have been
5 transferred to Arizona Water Company in the past when Francisco Grande concluded that it was
6 unable to provide water service. Arizona Water Company thus has a substantial interest in the
7 fitness of the entity holding a CCN in the midst of Arizona Water Company's CCN.

8 With respect to the formal complaint, Docket W-01445A-06-0200, the Commission is
9 scrutinizing Global and its related entities' use of so-called Infrastructure Coordination and
10 Financing Agreements ("ICFA") to determine whether Global is evading Commission oversight and
11 unlawfully collecting fees through those ICFAs. Global has admitted that it used ICFA funds to
12 acquire Francisco Grande and CP Water which is contrary to the original stated purpose of their
13 questionable ICFAs. As the Commission knows, the formal complaint case is set for hearings to
14 begin on January 8, 2008. Depending on the outcome of the Commission's scrutiny of Global and
15 its practices, Global's acquisition of Francisco Grande and CP Water could very well be rendered
16 unlawful. Global's use of ICFA funds is a crucial issue in this case, even though Global tries to
17 argue that this case involves only a standard CCN transfer request that the Commission should
18 approve with minimal investigation. (Response, at page 3, lines 5-11).

19 Global also argues that the "alter ego" issue is not relevant to this case, and cannot be a
20 factor in deciding Arizona Water Company's intervention, because the currently unregulated Global
21 entities are not parties to this case. Again, Global ignores the fact that, depending on the outcome
22 of the Commission's scrutiny of Global and its practices in the formal complaint, the currently
23 unregulated Global entities would become necessary parties to this case. The fact of the matter is
24 that Global admits that it channeled the monies it obtained from landowners elsewhere in Arizona
25 under the questionable ICFAs to pay for its acquisition of CP Water and Francisco Grande. In
26 short, a determination of the issues raised in the formal complaint directly affects the outcome of
27 this case. Arizona Water Company is the proper party to raise these issues because it is directly and
28 substantially affected by this case.

1 Global also argues that Arizona Water Company's intervention would unduly broaden the
2 issues in this case. In reality, Global seeks to avoid any Commission scrutiny of its transfer
3 application and instead desires a rapid rubber stamp approval. In contrast, Arizona Water Company
4 submits that the crucial issue in this docket involves Global as a fit and proper potential transferee
5 of the Francisco Grande and CP Water Company CCNs. Whether Global has unlawfully obtained
6 and used ICFA funds to acquire a public service corporation, and whether unregulated public
7 service corporations are involved, implicate Global's fitness to serve under the Francisco Grande
8 and CP CCNs. Arizona Water Company seeks intervention to protect its identifiable interests, and
9 the interests of its customers, in making sure that these issues are fully addressed and considered by
10 the Commission in connection with Global's application. If there was any doubt as to Global's
11 interest in preventing these issues from being aired (Global obviously wants them ignored
12 altogether), Global's opposition to Arizona Water Company's intervention dispels that doubt.

13 Finally, Global complains that Arizona Water Company has not stated the relief it seeks in
14 this matter. Of course, A.A.C. R14-3-105, in stating the bases for intervention, does not require an
15 intervenor to make such a statement. Nevertheless, to respond to Global's concern, Arizona Water
16 Company seeks a comprehensive examination of all the issues that Global's application raises as
17 discussed in detail above, including strict scrutiny by the Commission of Global's questionable use
18 of ICFA funds, before the Commission makes a decision.

19 CONCLUSION

20 Arizona Water Company is directly and substantially affected by this case, and its
21 participation in it will not unduly broaden the issues it includes. The Staff agrees that intervention
22 is appropriate. For these reasons, Arizona Water Company's Application to Intervene should be
23 approved.

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1 RESPECTFULLY SUBMITTED this 19th day of November 2007.

2 ARIZONA WATER COMPANY

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1 ORIGINAL and 13 COPIES of the foregoing filed this 19th day of November 2007 with:

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6 COPY of the foregoing was mailed this 19th day of November, 2007 to:

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