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MEMORANDUM

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FROM: Ernest G. Johnson
sa Director
Utilities Division

2008 MAR - 7 A 11: 56

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCKET CONTROL

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DATE: March 7, 2008

RE: PALO VERDE UTILITIES COMPANY AND SANTA CRUZ WATER COMPANY –
REQUEST FOR MOTION FOR EXTENSION OF TIME (DOCKET NOS. SW-
03575A-05-0307 AND W-03576A-05-0307)

History

In Decision No. 68448, dated February 2, 2006, the Arizona Corporation Commission (“A.C.C.” or “Commission”) approved the application of Palo Verde Utilities Company (“Palo Verde”) and Santa Cruz Water Company (“Santa Cruz” or collectively know as “Global Water”, “the Company” or “the Companies”) for an extension of their respective Certificates of Convenience and Necessity (“CC&N”).

As part of Decision No. 68448, the Commission ordered the following from Santa Cruz Water Company, LLC:

“a copy of the Arizona Department of Environmental Quality Approval of Construction for Phase I of the proposed water system with Docket Control as a compliance item in this case by December 31, 2007”

On December 31, 2007, Palo Verde and Santa Cruz docketed a “Motion for Extension of Time” until June 30, 2008 for the provision of the Arizona Department of Environmental Quality (“ADEQ”) Approval of Construction (“AOC”) for the Terrazo Water Treatment Plant.

The attached application outlines that “Phase I of the water system includes the Terrazo Water Treatment Plant” and that construction of Phase I is largely complete. However, the Company further stated that Santa Cruz was “unable to file the AOC for the Terrazo Plant” at that time “due to damage by copper thieves”. This criminal damage was sustained when thieves twice came in and ripped out copper wiring from the Terrazo Plant.

The Company’s application provided additional detail on the issue, referring to testimony presented in Docket No. SW-03575A-06-0545 at a December 6, 2007 CC&N hearing. In that hearing, Mr. Graham Symmonds, Senior Vice President of the Company, testified that the Terrazo Plant damage had occurred multiple times and was not trivial to repair. This situation prevented the Company from obtaining an AOC for the plant until such time as the damage was repaired.

In reviewing the application, Staff was concerned about Mr. Symmonds comment that this would not be a simple repair to the Terrazo plant, especially given that the Company had proposed an extension date of June 30, 2008. In particular, Staff was concerned about the time involved in the repair and in the subsequent review by ADEQ, both of which are a prerequisite to the ultimate issuance of the certificate of AOC. As time had elapsed since the damage and since the Company filing, Staff sought an update from the Company or its contractor.

On March 5, 2007, Staff contacted Mr. Tim Sabo, company attorney, to discuss whether the issuance of the AOC would likely be made by June 30, 2008. Mr. Sabo stated that the Company has been having back and forth discussions with the contractor, Archer Western, and it was inconclusive as to whether the proposed date would clearly be met. While the Company is still operating on the premise of meeting the June 30, 2008 deadline, Mr. Sabo stated that it would be prudent to request until August 31, 2008 for provision of the Terrazo Plant AOC. Staff accepted this as a verbal request to modify the December 31, 2007 motion for extension of time. Additionally, Staff has concluded that the Terrazo Plant damage was not a foreseeable event and was no fault of the Company.

Based on the application, Staff's review of eDocket records and all of the above, Staff concludes that the Company is pursuing compliance with the AOC portion of Decision No. 68448. Considering that the Company has moved forward in construction and considering that the majority of Phase I appears substantively complete, Staff finds no compelling rationale for objecting to the request for extension.

Therefore, based on the application and all of the above, Staff does not object to the Company's request for an extension of time to file the Terrazo Plant AOC until the period of its amended verbal request - August 31, 2008.

EGJ:BKB:lmh

Originator: Brian K. Bozzo

Attachment

SERVICE LIST FOR: PALO VERDE UTILITIES COMPANY
SANTA CRUZ WATER COMPANY
DOCKET NOS. SW-03575A-05-0307
W-03576A-05-0307

Michael W. Patten
ROSHKA DeWULF & PATTEN, PLC
One Arizona Center
400 East Van Buren, Ste. 800
Phoenix, Arizona 85004
Attorneys for Applicants

Ms. Cindy Liles
Vice President and CFO
Global Water Management
22601 North 19th Avenue, 210
Phoenix, Arizona 85027

Mr. Christopher C. Kempley
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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WILLIAM A. MUNDELL
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AZ CORP COMMISSION
DOCKET CONTROL

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-05-0307

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-05-0307

**MOTION FOR EXTENSION OF TIME
(Terrazo Water Treatment Plant)**

Global Water – Santa Cruz Water Company (“Santa Cruz”) and Global Water – Palo Verde Utilities Company (“Palo Verde”)(collectively, the “Global Utilities”) respectfully request a six month extension of time to file the Approval of Construction (“AOC”) for the Terrazo Water Treatment Plant. This request is due to criminal damage to the Terrazo Plant from copper thieves.

Under Decision No. 68448 (Feb. 2, 2006), Santa Cruz was ordered to file the AOCs for “Phase I of the proposed water system with Docket Control as a compliance item in this case by December 31, 2007”¹ Phase I of the water system includes the Terrazo Water Treatment Plant, as well as distribution mains. Construction of Phase I is largely complete, and numerous AOCs are being filed today as in compliance with Decision No. 68448. However, Santa Cruz is unable to file the AOC for the Terrazo Plant at this time because the plant was damaged by copper thieves. Other than repair to the damage caused by the thieves, the Terrazo Plant is largely complete.

Arizona Corporation Commission

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¹ Decision No. 68448 at 11:1-3.

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1 The criminal damage to the Terrazo Plant was discussed during a recent Global Utilities'
2 CC&N hearing on December 6, 2007.¹ During that hearing, Graham Symmonds, Senior Vice
3 President and Chief Technical Officer, testified about the damage from the copper thieves as
4 follows: "what happens is these guys break in and pull out all the electrical cables, and they don't
5 do it in a very professional way in many ways.... What they do is they will back up a truck, tie
6 chains onto the the big cables, and then just drive off and try to pull them all out. And what
7 happens is it's not only the panels that get destroyed but the conduit in the ground... a lot of that
8 conduit gets damaged when they are ripping everything out, and so it's a non-trivial exercise to
9 fix."

10 Mr. Symmonds' testimony about the damage is included in pages 34 to 37 of the transcript
11 of that hearing. A copy of these transcript pages are attached as attached as Exhibit 1. Mr.
12 Symmonds also referred to two exhibits in his testimony. First, he referred to the two police
13 reports concerning the damage. Those reports were Exhibit A-20 at the hearing, and are attached
14 here as Exhibit 2. Second, he referred to photos of the damage. Those photos were Exhibit A-21
15 at the hearing, and are attached here as Exhibit 3.

16 The damage to the Terrazo plant prevents the Global Utilities from obtaining an AOC for
17 the plant until the damage is repaired. Because the damage was caused by the copper thieves, the
18 delay was beyond the control of the Global Utilities. Moreover, the many other AOCs submitted
19 as part of Phase I show that Santa Cruz has diligently pursued compliance. In addition, the
20 Terrazo plant is basically complete except for repairs to the damage. Mr. Symmonds testified that
21 "actual homeowners down there needing service" would not happen for 4 to 6 months, so the delay
22 will not impact customers. Accordingly, the Global Utilities request an extension of time until
23 June 30, 2008 to file the AOC for the Terrazo plant.

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27 ¹ Docket No. SW-03575A-06-0545 et al.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 RESPECTFULLY SUBMITTED this 31st day of December 2007.

2 ROSHKA DEWULF & PATTEN, PLC

3
4
5 By 
6 Timothy J. Sabo
7 Michael W. Patten
8 One Arizona Center
9 400 East Van Buren Street, Suite 800
10 Phoenix, Arizona 85004
11 (602) 256-6100

11 Original + 15 copies of the foregoing
12 filed this 31st day of December 2007, with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington
16 Phoenix, Arizona 85007

16 Copies of the foregoing hand-delivered/mailed
17 This 31st day of December 2007, to:

18 Yvette Kinsey, Esq.
19 Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

21 Christopher C. Kempley, Esq.
22 Chief Counsel, Legal Division
23 Arizona Corporation Commission
24 1200 West Washington
25 Phoenix, Arizona 85007

24 Ernest G. Johnson, Esq.
25 Director, Utilities Division
26 Arizona Corporation Commission
27 1200 West Washington
28 Phoenix, Arizona 85007

ROSIKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

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Kenneth C. Sundlof, Jr., Esq.
Jennings, Strouss & Salmon, P.L.C.
The Collier Center, 11th Floor
201 E. Washington Street
Phoenix, Arizona 85004

Karen L. Peters, Esq.
Squire Sanders & Dempsey, L.L.P.
Two Renaissance Square
40 North Central Avenue
Suite 2700
Phoenix, Arizona 85004-4498

Mr. Brian Bozzo
Compliance Manager, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

By *Debbie Arnold*

EXHIBIT

"1"

1 right?

2 A. Yes.

3 Q. And there should be a document in front of you
4 marked A-18.

5 A. Yes.

6 Q. And is that a copy of Commission Decision 68448?

7 A. It is.

8 MR. SABO: And, Your Honor, I would also ask for
9 administrative notice of that.

10 ALJ KINSEY: I will take administrative notice of
11 Decision No. 68448.

12 Q. (BY MR. SABO) And could you, Mr. Symmonds, turn
13 to Page 11, Lines 1 through 3.

14 A. Okay.

15 Q. And is that ordering paragraph what you believe
16 Staff was referring to?

17 A. That's my belief, yes.

18 Q. And that ordering paragraph requires an approval
19 of construction for Phase I of the water system by
20 December 31, 2007; is that correct?

21 A. Yes.

22 Q. And the water system they're talking about there,
23 is that the same as the southwest zone shown on the water
24 map?

25 A. It is.

1 Q. It's this area?

2 A. It is. It's this area down in our southwest
3 service area.

4 Q. And have the Applicants obtained an approval of
5 construction for part of the water system?

6 A. Yes. We're working through very hard trying to
7 complete all of the administration for applications for
8 AOC for the Phase I infrastructure. We have received some
9 AOCs, but not all of them as of yet.

10 Q. And in particular I would like to focus on one
11 element where an AOC has not yet been received, and that
12 is for the water distribution center; is that correct?

13 A. Correct. The Terrazo water distribution site has
14 been constructed and we're -- we ended up having all of
15 the copper stolen out of the thing twice, and so we're
16 trying to get the thing back or fixed up. We have a quote
17 from the constructors of \$135,000 to repair that theft.
18 And so I doubt that I'm going to be able to meet the AOC
19 requirement for that by 31 December 2007.

20 Q. And you're a little reluctant to do those repairs
21 until there's some development in the area and the
22 security system is a little improved?

23 A. Yeah. Ultimately, you don't need this water
24 distribution center from a physical sense until you have
25 people living there, customers requiring water. And so

1 that is still, you know, four to six months out, likely,
2 in terms of actual homeowners down in there needing
3 service. And so it's not a requirement that would serve
4 anybody, but I do have the requirement in the order.

5 Q. And was there a police report that was filed
6 relating to the theft?

7 A. Yes. There's two police reports.

8 Q. And are those marked as Exhibit A-20?

9 A. Yes.

10 Q. And then could you turn to Exhibit A-21.

11 A. Yes.

12 Q. And those are some photographs. Could you walk
13 us through what those photographs show?

14 A. Sure. These are some of the power distribution
15 panels that are located at the Terrazo water distribution
16 site. And what happens is these guys break in and pull
17 out all of the electrical cables, and they don't do it in
18 a very professional way in many ways.

19 What they do is they will back up a truck, tie
20 chains onto the big cables, and then just drive off and
21 try to pull them all out. And what happens is it's not
22 only the panels that get destroyed but the conduit in the
23 ground, and now you have got to try and fish new power
24 cables through that conduit. And a lot of that conduit
25 gets damaged when they're ripping everything out, and so

1 it's a non-trivial exercise to fix.

2 And so we're working on getting that thing back
3 up. I have asked the Archer Western guys for a schedule
4 on when they could have this thing repaired for me. I
5 don't have that right now, but I will file that as soon as
6 I get it.

7 Q. And Archer Western is the contractor you're
8 working with?

9 A. Correct. They're the design-build contractor for
10 that facility.

11 Q. And will the Applicants be making a motion in
12 light of this criminal damage in the appropriate docket
13 for an extension of time?

14 A. We will.

15 Q. And we have spent a lot of time discussing Staff
16 Condition No. 2. Do you have some suggested alternative
17 language for that condition?

18 A. Yes.

19 Q. And is that language set forth on Exhibit A-22?

20 A. Yes.

21 Q. And turning, then, to Staff Condition No. 4, does
22 that relate to the designation of assured water supply?

23 A. It does.

24 Q. And are the Applicants requesting two years for
25 the designation of assured water supply?