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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

IN THE MATTER OF THE APPLICATION  
OF ARIZONA WATER COMPANY FOR AN  
EXTENSION OF THE SERVICE AREA  
UNDER ITS EXISTING CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO  
PROVIDE WATER UTILITY SERVICES

Docket No. W-01445A-03-0559

**CERTIFICATE OF FILING  
OF REBUTTAL TESTIMONY**

Arizona Water Company is filing today the prepared rebuttal testimony of its witnesses William M. Garfield and Frederick K. Schneider. This testimony rebuts the prepared direct testimony and exhibits filed on January 4, 2008 by Cornman Tweedy witnesses James Polous, Paul Hendricks and Dr. Fred Goldman (the "Cornman Tweedy Witnesses").

In filing its rebuttal testimony, however, Arizona Water Company does not waive its objections to the Cornman Tweedy Witnesses' testimony and exhibits, or its position that the great majority of the testimony and exhibits of the Cornman Tweedy Witnesses is beyond the scope of this proceeding on remand and should be stricken.

RESPECTFULLY SUBMITTED this 5<sup>th</sup> of February 2008.

**ARIZONA WATER COMPANY**

By: Robert W. Geake

Robert W. Geake  
Vice President and General Counsel  
Arizona Water Company  
P. O. Box 29006  
Phoenix, AZ 85038

Arizona Corporation Commission  
**DOCKETED**

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AN ORIGINAL and thirteen (13) copies of the foregoing  
and attachments filed this 5<sup>TH</sup> day of February 2008 with:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

And copies of the foregoing and attachments  
mailed/delivered this 5<sup>th</sup> day of February 2008 to:

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By:           *Rodney W. Ott*

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

Mike Gleason - Chairman  
William A. Mundell  
Jeff Hatch-Miller  
Kristin K. Mayes  
Gary Pierce

IN THE MATTER OF THE APPLICATION OF  
ARIZONA WATER COMPANY FOR AN  
EXTENSION OF ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY AT CASA  
GRANDE, PINAL COUNTY, ARIZONA

**DOCKET NO. W-01445A-03-0559**

**Rebuttal Testimony  
of  
William M. Garfield  
  
(Hearing on Remand)**

1 ARIZONA WATER COMPANY

2  
3 Rebuttal Testimony of  
4 William M. Garfield

5  
6 Q. WHAT ARE YOUR NAME, EMPLOYER, AND OCCUPATION?

7  
8 A. My name is William M. Garfield. I am employed by Arizona Water Company as  
9 President.

10  
11 Q. ARE YOU THE SAME WILLIAM M. GARFIELD THAT PREVIOUSLY  
12 PROVIDED DIRECT TESTIMONY FOR THE FEBRUARY 14, 2008 REMAND  
13 HEARING IN THIS CASE REGARDING ARIZONA WATER COMPANY'S  
14 CERTIFICATE OF CONVENIENCE AND NECESSITY ("CCN")?

15  
16 A. Yes, I am.

17  
18 Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY AND EXHIBITS FILED  
19 ON JANUARY 4, 2008 BY JIM POULOS, DR. FRED GOLDMAN, AND PAUL  
20 HENDRICKS ON BEHALF OF CORNMAN TWEEDY 560, LLC ("CORNMAN  
21 TWEEDY")?

22  
23 A. Yes, I have.

24  
25 Q. DO YOU AGREE WITH DR. GOLDMAN'S DIRECT TESTIMONY AT PAGE 3,  
26 LINES 11-13?

1 A. No, I do not. Like Mr. Poulos, at pages 19-20 of his direct testimony, Dr. Goldman  
2 attempts to convince the Commission that the dictates of a property owner, in this case  
3 Cornman Tweedy which is owned and controlled by a developer, Robson Communities,  
4 should predominate over all other factors that affect the public interest and the  
5 Commission's determination as to who should hold a CCN. Mr. Poulos testifies that the  
6 desires of a property owner-developer should be given "appropriate weight" under the  
7 circumstances of a case. However, both his and Dr. Goldman's testimony clearly show  
8 that they believe compelling public interests must be subordinated to Cornman Tweedy's  
9 desires to wrest Arizona Water Company's CCN for the Cornman Tweedy property for  
10 its own captive utility Picacho Water Company. The public interest, not the self-serving  
11 dictates of a property owner-developer, determines who holds the CCN - in this case,  
12 after multiple public hearings and years of disputes, the Commission unconditionally  
13 decided that the public interest calls for Arizona Water Company to be the CCN holder.  
14 This is especially the case where, as here, the "property owner" is merely the tool of the  
15 landowner's captive utility entity, Picacho Water Company, all owned by Robson  
16 Communities.

17  
18 **Q. DO YOU AGREE WITH MR. POULOS, AT PAGES 12-13 OF HIS DIRECT**  
19 **TESTIMONY, THAT THE COMMISSION GRANTED A CCN TO ARIZONA**  
20 **WATER COMPANY WHERE THERE IS NO CURRENT NEED FOR WATER**  
21 **SERVICE?**

22  
23 A. No, I do not. The Commission does not require that there be a request for service in  
24 every portion of a CCN extension area before approving the CCN extension. In Decision  
25 No. 66893, the Commission expressly found that there was a public need and necessity  
26 for water service in the CCN extension area, which includes what is now the Cornman  
27  
28

1 Tweedy property<sup>1</sup>. Cornman Tweedy never objected to Arizona Water Company's CCN  
2 extension before the Commission granted it. But now, for its own self-serving purposes,  
3 it wants the Commission to change that final determination, without any grounds for  
4 doing so and without consideration of the adverse effects of such an action. Besides the  
5 formidable legal presumption in favor of the current CCN holder set forth in the *James P.*  
6 *Paul* case (no CCN deletion can occur unless the CCN holder is unwilling or unable to  
7 serve), there are practical adverse consequences to what Cornman Tweedy is arguing.  
8 The pace of development ebbs and flows, largely due to economic and other factors  
9 beyond individual control. Nonetheless, property owners and developers rely on the  
10 Commission's CCN decisions in making their own development and investment plans. If  
11 Cornman Tweedy's theory was adopted, the certainty and reliability of CCNs, upon  
12 which developers, landowners and other regulatory agencies depend, would be thrown  
13 into uncertainty and disarray. At the demand of a new property owner (like Cornman  
14 Tweedy in this case), the Commission would be asked to disregard its established  
15 findings of public convenience and necessity in favor of narrow, development-oriented  
16 interests of that new owner, and for no other reason, cancel an existing CCN. That, of  
17 course, is completely contrary and a manifest disservice to the greater public interest.  
18 Decisions would never be final under such a system. I also should point out in this  
19 proceeding, that no other landowner or developer has sought to be excluded from Arizona  
20 Water Company's CCN extension, except for Cornman Tweedy, which is an affiliate of  
21 Robson Communities and its captive utilities, Picacho Water Company and Picacho  
22 Sewer Company. In fact, quite the contrary is true. The majority of developers with  
23 developments located in the CCN extension area granted to Arizona Water Company  
24 have proceeded with their entitlement and planning processes, in reliance on Arizona  
25 Water Company providing water service, even though the housing market has  
26 experienced a slow-down.

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27  
28 <sup>1</sup> The Commission's Findings of Fact and Conclusion of Law in Decision No. 69722 cannot be challenged in this remand proceeding. That decision is now final because Cornman Tweedy has not opposed it.

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**Q. DO YOU AGREE WITH MR. POULOS AND MR. HENDRICKS THAT ONLY A COMBINATION WATER AND WASTEWATER PROVIDER CAN PROVIDE RECLAIMED WATER WITHIN A WATER CCN?**

A. No, I do not. That proposition is nothing more than a red herring. There are no good reasons to prevent Arizona Water Company and a developer from making appropriate arrangements for the provision of reclaimed water within a development. As the Commission is aware, Arizona Water Company already provides reclaimed water service to multiple users in its Superstition system and has done so since 1989 under the terms of a Commission-approved tariff and an agreement with a Commission-regulated sewer provider. Arizona Water Company is ready and willing to work with Picacho, Cornman Tweedy, or another sewer provider, if that is necessary. Despite the long and repetitive testimony by Dr. Goldman, Mr. Hendricks, and Mr. Poulos extolling the virtues of combined water and wastewater providers, there is no need to have a combined operation in order to make reclaimed water service available in Arizona Water Company's CCNs. In any event, this topic is irrelevant to the sole question in this proceeding: whether Cornman Tweedy has shown that Arizona Water Company is not ready, willing and able to provide all water service, including service of reclaimed water, in its CCN. The answer, of course, is Cornman Tweedy has failed to do so.

**Q. DO YOU AGREE WITH MR. POULOS THAT ARIZONA WATER COMPANY HAS BEEN UNCOOPERATIVE IN WORKING WITH ROBSON COMMUNITIES CONCERNING ITS SADDLEBROOKE RANCH DEVELOPMENT, RESULTING IN INCREASED DEVELOPMENT COSTS FOR ROBSON?**

1 A. No, he is absolutely wrong. In Robson's first discussions with Arizona Water Company  
2 about utility service to SaddleBrooke Ranch, Robson made it clear that it wanted its own  
3 captive utilities to serve its entire development, at one point even asking Arizona Water  
4 Company to delete part of its Oracle CCN so that Robson's affiliate could serve that area.  
5 However, Arizona Water Company cooperated with Robson to work out a master water  
6 system facilities agreement that has worked well for both parties. Arizona Water  
7 Company has worked closely with Robson in installing water system facilities to serve  
8 SaddleBrooke Ranch. Even though Robson originally insisted that it be allowed to  
9 construct all the water system infrastructure itself, which Arizona Water Company agreed  
10 to in the master water system facilities agreement, Robson (through discussions with Mr.  
11 Poulos himself) then changed its mind and requested Arizona Water Company to  
12 construct the water system infrastructure for the development. Arizona Water Company  
13 was responsive to Robson's request and agreed to construct the water system  
14 infrastructure in the manner that Robson requested. As Mr. Poulos testifies, Robson is  
15 scheduled to begin selling homes in SaddleBrooke Ranch later this year, and that would  
16 not be possible without Arizona Water Company's cooperation and timely and  
17 satisfactory fulfillment of its water service responsibilities. This close and effective  
18 working relationship allowed Arizona Water Company to quickly respond to an eleventh-  
19 hour change in plans by Robson in February 2008 for service to its new fitness center at  
20 SaddleBrooke Ranch. Apart from its unsupported allegations in the testimony in this  
21 case, Robson has not criticized Arizona Water Company's responsive performance at  
22 SaddleBrooke Ranch and has certainly not complained to the Commission about the  
23 service provided by Arizona Water Company, and it is manifestly wrong for Mr. Poulos  
24 to suggest otherwise.

25  
26 Q. AT PAGE 8 OF HIS TESTIMONY, DR. GOLDMAN TESTIFIES ABOUT THE  
27 USE OF AQUIFER STORAGE AND RECOVERY ("ASR") WELLS TO  
28 ENHANCE THE PRESERVATION OF GROUNDWATER RESOURCES. CAN

1           **THIS GOAL ALSO BE ACHIEVED BY COOPERATION BETWEEN ARIZONA**  
2           **WATER COMPANY AND CORNMAN TWEEDY/PICACHO WATER?**

3  
4    A.    Yes. As with his lengthy testimony on the purported advantages of combined water and  
5           wastewater providers, Dr. Goldman either assumes, or wants the Commission to believe,  
6           that the only way to obtain the use of reclaimed water, or the preservation of groundwater  
7           by using ASR wells, is with a combined water and wastewater provider. That is  
8           incorrect. Through cooperation and working closely together, there is no reason that  
9           Arizona Water Company and Cornman Tweedy/Picacho Water cannot jointly preserve  
10          groundwater by using ASR wells. Likewise, Arizona Water Company and Cornman  
11          Tweedy/Picacho Water can work together to achieve the recharge of groundwater  
12          described by Mr. Hendricks at pages 5-6 of his direct testimony. It is nonsensical to  
13          conclude that only a combined water and wastewater provider can achieve such  
14          objectives.

15  
16    Q.    **AT PAGE 10, DR. GOLDMAN TESTIFIES THAT ARIZONA WATER**  
17           **COMPANY CAN ONLY SERVE THE CORNMAN TWEEDY PORTION OF**  
18           **ARIZONA WATER COMPANY'S CCN AS AN "ISLAND" FACILITY BECAUSE**  
19           **ARIZONA WATER COMPANY'S PINAL VALLEY SERVICE AREA WILL**  
20           **NOT BE INTEGRATED FOR YEARS. IS HE CORRECT?**

21  
22    A.    No, he is not. Arizona Water Company's Casa Grande and Coolidge water systems are  
23           already interconnected. At the time of the original CCN extension hearing, Arizona  
24           Water Company was working with two planned developments in the CCN extension  
25           area, Post Ranch and Florence Country Estates. Since then, the number of projects has  
26           substantially increased such that most of the CCN extension area described in Exhibit A  
27           to Decision No. 66893 is fully planned for development. Arizona Water Company  
28           originally planned to extend service to Florence Country Estates from its Tierra Grande

1 water system, which is part of its Casa Grande CCN. Since then, Arizona Water  
2 Company has acquired a site for construction of a Central Arizona Project surface water  
3 treatment plant, and has plans for a large diameter transmission main through the area by  
4 2012 or earlier. Based on Mr. Poulos' testimony, these water facilities would be installed  
5 prior to Cornman Tweedy's plans to develop or market the EJR Ranch development, and  
6 thus Arizona Water Company would have these facilities readily available to serve the  
7 Cornman Tweedy development.

8  
9 **Q. DR. GOLDMAN ALSO TESTIFIES, AT PAGES 10-11, THAT IF ARIZONA**  
10 **WATER COMPANY SERVES THE CORMAN TWEEDY PORTION OF ITS**  
11 **CCN AREA, DUPLICATE ENGINEERING REVIEWS WILL RESULT IN**  
12 **EXTRA COST, AND THAT ARIZONA WATER COMPANY REVIEW TIME**  
13 **CAN DELAY PROJECTS. IS HE CORRECT?**

14  
15 **A.** No, he is not. Mr. Fredrick Schneider, Arizona Water Company's Vice President of  
16 Engineering, discusses this matter in his rebuttal testimony. However, I know that  
17 Arizona Water Company's Engineering Department on a daily basis reviews engineering  
18 plans and related documents concerning water system facilities that consulting engineers  
19 and others prepare for projects within Arizona Water Company's CCNs. As long as the  
20 developer is diligent and cooperative, there should be no additional costs as estimated by  
21 Dr. Goldman, and no delays. As I have testified, Arizona Water Company remains  
22 ready, willing, and able to serve the portion of the Cornman Tweedy property within its  
23 CCN area. Accordingly, there is no legal or factual basis for the deletion of the Cornman  
24 Tweedy property from Arizona Water Company's established CCN area.

25  
26 **Q. DO YOU AGREE WITH MR. HENDRICK'S TESTIMONY, AT PAGES 8-9,**  
27 **THAT A PROVIDER LIKE ARIZONA WATER COMPANY MAY HAVE**

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**INCREASED RESPONSE TIMES AND SECURITY ISSUES IN OPERATING ITS SYSTEM?**

A. No, I do not. Arizona Water Company has successfully operated SCADA systems (as described in Mr. Hendricks’s testimony, page 8) for many years. Arizona Water Company employs many employees certified under ADEQ standards, and their response to emergencies and routine operating problems has been excellent. Mr. Hendricks’ suggestion that a combined water and wastewater provider is needed for superior operations, or security of a water system, or quicker response time is simply not supported by facts or experience.

**Q. ARE YOU AWARE OF ANY OTHER WATER OR WASTEWATER UTILITY OWNED BY ROBSON COMMUNITIES THAT WAS ISSUED A CCN BY THE COMMISSION WHERE CONSTRUCTION OF THE DEVELOPMENT WAS SUBSEQUENTLY DELAYED, AND IF SO, WHAT WAS ROBSON’S APPROACH IN THOSE CASES?**

A. Yes, I am. I have three examples of such cases: 1) The Red River Project to be served by Robson Communities’ affiliate Santa Rosa Water Company; 2) SaddleBrooke Ranch, served by Robson Communities’ affiliated sewer company; and 3) Robson Ranch/EJR Ranch served by Robson Communities’ affiliate Picacho Water Company. The first example involves the Santa Rosa Water Company and its CCN that the Commission approved in early 2003. To date, nearly five years after the CCN was granted, other than Santa Rosa Water Company seeking ADEQ approval for an existing water supply well, no construction has commenced within this development,. Neither Robson, its property affiliate nor its utilities have sought to delete the CCNs because of a delay in the development. The second example, Arizona Water Company’s SaddleBrooke Ranch CCN, was approved in 2000 and is only just now moving to open for home sales. Again,

1 Robson's delayed development did not prompt Robson to seek deletion of the CCNs due  
2 to that delay. The third example is the Robson Ranch/EJR Ranch development. This  
3 CCN was approved in 1999, and the first sewer customer received service on February  
4 17, 2006, nearly seven years after the CCN was approved. Once again, Robson sought  
5 no deletion because of that delay.

6  
7 **Q. WHY IS THE SUBJECT OF TIME LAG BETWEEN CCN APPROVALS AND**  
8 **THE TIME WHEN DEVELOPMENT OCCURS IMPORTANT IN THIS**  
9 **PROCEEDING?**

10  
11 **A.** For two very important reasons. The time lag between CCN approvals and the date that  
12 any development proceeds can be a short time or fairly long period of time, in some cases  
13 approaching ten years or longer. That is not unusual and it is evidenced in many of the  
14 previous CCNs approved by the Commission for many different utilities, including those  
15 affiliated with Robson Communities. Slow development is not a valid reason for deleting  
16 a CCN. If a CCN were deleted simply because a developer was not ready to proceed  
17 with construction, the public interest would be significantly harmed. A developer could  
18 not move forward with any plans, make any financial commitments, or make any  
19 business decision with any degree of certainty about the availability of water service,  
20 without incurring significant risk. More significantly, the existing authorized water  
21 utility, Arizona Water Company in this case, would be limited in its need for water  
22 system master-planning and infrastructure design and construction for such areas.

23  
24 Mr. Poulos testified that because the EJR development is delayed due to market  
25 conditions, there is no current need for service. The fact is that many of Robson  
26 Communities' developments – and other developers' projects – routinely incur time  
27 delays from the date of CCN approval until construction begins. However, unlike this  
28 proceeding, no Robson-affiliated utility has sought to delete or abandon CCN area based

1 solely on delays in Robson's development schedules or changes in market conditions, or  
2 for any other reasons. To my knowledge, neither Robson nor its affiliated interests or  
3 utilities has withdrawn or abandoned any analysis of assured water supply, certificate of  
4 assured water supply, county franchise, or deleted a CCN, or other entitlement critical to  
5 development. Having been clearly shown to have had unclean hands with respect to the  
6 Florence Country Estates development, actively and covertly thwarting Arizona Water  
7 Company's compliance with CCN conditions, Cornman Tweedy cannot now properly  
8 argue that Arizona Water Company's CCN should be deleted because of a condition  
9 affecting Cornman Tweedy's own affiliates' delayed construction at EJR Ranch. In fact,  
10 if this were a justification for deletion, Picacho Water Company's and Picacho Sewer  
11 Company's own CCNs would have to be deleted for the same reasons, because the same  
12 arguments would apply as to portions of EJR Ranch that are not currently under active  
13 construction..

14

15 **Q. FINALLY, HAS ARIZONA WATER COMPANY EVER REFUSED A REQUEST**  
16 **FOR SERVICE TO THE CORNMAN TWEEDY PORTION OF ITS CCN OR**  
17 **ELSEWHERE, AND IS IT READY, WILLING, AND ABLE TO PROVIDE**  
18 **WATER UTILITY SERVICE TO THIS PORTION OF ITS CCN?**

19

20 **A.** Arizona Water Company has never refused such a request for water utility service, and it  
21 is ready, willing, and able to serve the Cornman Tweedy portion of its CCN.

22

23 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY IN THIS MATTER?**

24

25 **A.** Yes, except to add that Arizona Water Company does not waive its right to challenge any  
26 provision or recommendation not specifically addressed in rebuttal testimony.

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BEFORE THE ARIZONA CORPORATION COMMISSION

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**COMMISSIONERS**

Mike Gleason - Chairman  
William A. Mundell  
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IN THE MATTER OF THE  
APPLICATION OF ARIZONA WATER  
COMPANY FOR AN EXTENSION OF  
ITS CERTIFICATE OF CONVENIENCE  
AND NECESSITY AT CASA GRANDE,  
PINAL COUNTY, ARIZONA

**DOCKET NO. W-01445A-03-0559**

**Rebuttal Testimony  
of  
Fredrick K. Schneider, PE  
(Hearing on Remand)**

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**ARIZONA WATER COMPANY**

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**Rebuttal Testimony of  
Fredrick K. Schneider, PE**

**Q. WHAT ARE YOUR NAME, EMPLOYER AND OCCUPATION?**

A. My name is Fredrick K. Schneider and I am employed by Arizona Water Company as Vice President of Engineering and my business address is 3805 N. Black Canyon Highway, Phoenix, Arizona 85015.

**Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

A. In 1987, I began working for the United States Department of Agriculture performing chemical and granular gradation laboratory analysis on soils samples. In 1988, I accepted a position with the City of Tucson as an Engineering Intern in their Engineering Department performing civil engineering site reviews and later transferred to the Water Department working on groundwater modeling, environmental remediation and groundwater contamination investigation until I graduated from the University of Arizona in 1990. Upon obtaining my Bachelor of Science degree, I joined Boyle Engineering Corporation in Phoenix, Arizona as an Assistant Engineer and was promoted to the position of Associate Engineer. Boyle Engineering provides consulting engineering services to the public and private sectors in the areas of water and wastewater. During this time, I was involved in a variety of consulting assignments including system planning and design encompassing a full range of services from reconnaissance level investigations and feasibility studies through final design and construction phase services including water and wastewater master planning, groundwater supply development, surface water supply, storage reservoirs, treatment facilities, pipeline systems, wastewater collection, treatment, and disposal. In 1995, I accepted a position with Wood, Patel and Associates in Phoenix, Arizona. During that time, my duties consisted of engineering design and project management for various water and wastewater pipeline feasibility analyses, evaluation of alternatives, cost estimating, detailed hydraulic analysis and master planning new developments ranging in size from several hundred to several thousand acres in size.

1 In 1998, I joined Citizens Water Resources as a Senior Development Engineer. Within a  
2 few months, I was promoted to the position of Development Services Supervisor where I  
3 negotiated development agreements, reviewed water and wastewater master plans and  
4 facility infrastructure plans and the inspection and approval of the related constructed  
5 facilities for projects within the metro Phoenix area. I became an employee of Arizona-  
6 American Water Company when American Water purchased the water and wastewater  
7 assets of Citizens on January 15, 2001 and was subsequently promoted to the position of  
8 Development Services Manager, responsible for the same duties, statewide. In 2003, I  
9 moved from engineering to operations when I was promoted to the position of Manager  
10 of Arizona-American Water Company, responsible for the operations of all Arizona  
11 water and wastewater treatment facilities, distribution and collection facilities, and  
12 customer service. In May 2004, I was promoted to the position of Director of  
13 Engineering for American Water's Western Region where my responsibilities included  
14 overseeing all capital planning and engineering activities for American Water's  
15 operations in Arizona, California, Hawaii, New Mexico and Texas.

16 In October 2005, I accepted a position as an Associate of Brown and Caldwell managing  
17 the Phoenix Infrastructure Department including the design, project management and  
18 construction administration of water and wastewater infrastructure within the  
19 metropolitan Phoenix area.

20 Then in August 2007, I joined Arizona Water Company as Vice President of Engineering  
21 where my responsibilities include capital planning, design and construction management  
22 of all engineering projects.

23 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

24 A. I graduated in 1990 with a Bachelor of Science degree in Hydrology from the College of  
25 Engineering and Mines at the University of Arizona, in Tucson, Arizona. Additionally, I  
26 have taken classes at the University of Phoenix in working towards an MBA.  
27  
28

1 Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?

2 A. Yes. I am a member of the American Water Works Association, Water Environment  
3 Federation and the Arizona Water and Pollution Control Association.  
4

5 Q. ARE YOU A REGISTERED PROFESSIONAL ENGINEER?

6 A. Yes. I have been a registered professional engineer in the State of Arizona since 1995.  
7 In addition, I am an Arizona Department of Environmental Quality certified water and  
8 wastewater operator.  
9

10 Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE COMMISSION?

11 A. Yes, I have previously testified in rate proceedings and Certificate of Convenience and  
12 Necessity ("CCN") hearings at the Arizona Corporation Commission. In addition, I have  
13 testified in California before the California Public Utilities Commission and presented  
14 prepared written testimony in Hawaii and New Mexico.  
15

16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

17 A. I will respond to certain portions of the direct testimony filed on January 4, 2008 of  
18 Cornman Tweedy 560, LLC ("Cornman Tweedy") witnesses Jim Poulos, Dr. Fred  
19 Goldman and Paul Hendricks and offer some related testimony.  
20

21 Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY AND EXHIBITS FILED  
22 BY MR. POULOS, DR. GOLDMAN AND MR. HENDRICKS?

23 A. Yes, I have.  
24

25 Q. PLEASE RESPOND TO MR. POULOS' TESTIMONY AT PAGE 15, LINES 27  
26 AND 28 CONCERNING ALLEGATIONS THAT WORKING WITH ARIZONA  
27 WATER COMPANY IN ITS SADDLEBROOKE RANCH DEVELOPMENT HAS  
28

1                   **RESULTED IN ADDITIONAL COSTS IN EXCESS OF \$100,000 AND THAT**  
2                   **RATEPAYERS WILL BEAR THIS COST.**

3           A.     Mr. Poulos' allegation is not true. It is not supported by any evidence, and is  
4                inflammatory in nature. Arizona Water Company is a public service corporation that has  
5                provided cost-effective, high-quality, reliable water service to communities in Arizona  
6                for over fifty-two years. Contrary to Mr. Poulos' statement, I can personally attest to  
7                significant cost savings for Robson (the development company that employs Mr. Poulos)  
8                and Arizona Water Company's current and future ratepayers, achieved by  
9                interconnecting Arizona Water Company's SaddleBrooke Ranch water system with its  
10              existing Oracle water system. In this way, Arizona Water Company was able to provide  
11              water service to the first phases of the SaddleBrooke Ranch development from existing  
12              sources of supply, water storage, and pumping facilities associated with its Oracle water  
13              system, avoiding the need to drill a new well, or construct a water storage tank or booster  
14              pump station until later phases of the development. Mr. Poulos did not mention in his  
15              testimony the millions of dollars in cost savings achieved by Arizona Water Company in  
16              this way. Arizona Water Company's interconnection also eliminated the need to drill a  
17              second well as a backup water supply, which would otherwise have been required to  
18              ensure reliable and continuous water service, resulting in significant savings, which is  
19              especially important in the early stages of a new development. Mr. Poulos and Robson  
20              embraced those cost-saving measures achieved by Arizona Water Company at that time.

21           **Q.     PLEASE RESPOND TO MR. POULOS' TESTIMONY AT PAGE 19, LINES 6 –**  
22           **11    CONCERNING    ARIZONA    WATER    COMPANY'S    ALLEGED**  
23           **UNRESPONSIVENESS AND EXCESSIVE COSTS TO RATEPAYERS.**

24           A.     Again, Mr. Poulos is wrong. His allegation is not supported by any evidence. Mr.  
25                Poulos' complaints are symptomatic of a developer which elevates its own interests over  
26                the utility's and the customers' interests. Mr. Poulos unfairly and unrealistically expects  
27                Arizona Water Company and its staff to react instantaneously to his unreasonable  
28                demands, even demanding that utility construction proceed without required ADEQ and  
                ACC regulatory approvals. Mr. Poulos may have little or no respect for regulatory  
                requirements, but a public service corporation, like Arizona Water Company, cannot and

1 should not circumvent ADEQ and ACC rules, and other applicable rules, regulations, and  
2 standards. Mr. Poulos clearly lacks respect for the standards of diligence and compliance  
3 which are commonplace at public service corporations like Arizona Water Company.  
4 Unlike Robson or its captive utility, Picacho Water Company, Arizona Water Company  
5 policies and standards assure compliance with all applicable City, County and State rules,  
6 and Arizona Water Company does not take short cuts, jeopardize the public health or  
7 safety or make risky exceptions to the rules in such a helter-skelter effort to market a  
8 developer's homes.

9 **Q. DO YOU AGREE WITH DR. GOLDMAN'S TESTIMONY AT PAGE 4, LINES**  
10 **13-23, THAT, IF ARIZONA WATER COMPANY SERVES THE CORMAN**  
11 **TWEEDY PORTION OF ARIZONA WATER COMPANY'S CERTIFICATE OF**  
12 **CONVENIENCE AND NECESSITY ("CCN") IT WILL NEED TO BUILD AN**  
13 **INDEPENDENT, ISOLATED WATER SYSTEM, AND THAT IF ARIZONA**  
14 **WATER COMPANY PROVIDES SERVICE TO THIS AREA OF ITS CCN THAT**  
15 **WILL RESULT IN SUBSTANTIAL INFRASTRUCTURE COSTS AND HIGHER**  
16 **CUSTOMER RATES?**

17 **A.** No, absolutely not. There is no basis whatsoever for this assertion. As Arizona Water  
18 Company's witnesses have previously testified in this proceeding, its plan has been, and  
19 consistently remains, that it will serve Cornman Tweedy's EJR Ranch development from  
20 Arizona Water Company's integrated water systems. Since Decision No. 66893 was  
21 entered and in accordance with Arizona Water Company's Pinal Valley Water System  
22 Master Plan, Arizona Water Company's Coolidge water system has been integrated with  
23 its Casa Grande water system. The Casa Grande water system alone has 19 wells, over  
24 15 million gallons of storage and over 450 miles of distribution mains providing more  
25 reliability and redundancy than any other water system in the Pinal Valley. Essentially,  
26 the Cornman Tweedy 1,138 acres will be fully integrated with the Company's 128,000  
27 acres of existing Casa Grande and Coolidge CCN areas where Arizona Water Company  
28 has existing offices, customer service staff and qualified, trained, and state-certified  
operational personnel. These personnel live in the community, are direct employees of  
the Company and report directly to Arizona Water Company's local management.

1 Dr. Goldman's and Mr. Hendricks' direct testimony is flawed, purely speculative, and is  
2 based on the clearly erroneous underlying assumption that Arizona Water Company  
3 would construct a separate, stand-alone water system. Since this assumption is not  
4 factual, lacks merit and contradicts the record in this matter, and because the Cornman  
5 Tweedy witnesses have not provided grounds for the deletion of Arizona Water  
6 Company's CCN, most, if not all of their testimony is not relevant to this proceeding and  
7 should be disregarded. Arizona Water Company has been and remains ready, willing and  
8 able to provide water utility service to the Cornman Tweedy property located within its  
9 existing CCN.

10 **Q. DO YOU AGREE WITH DR. GOLDMAN, AT PAGE 6 OF HIS TESTIMONY,**  
11 **THAT ARIZONA WATER COMPANY WILL NEED TO DRILL TWO NEW**  
12 **WELLS, AT A COST OF \$2,400,000?**

13 **A.** No, I do not. Arizona Water Company will serve the Cornman Tweedy property in  
14 Arizona Water Company's CCN area from its integrated Pinal Valley Water System  
15 without the need to drill new wells. Again, Cornman Tweedy's self-serving and  
16 erroneous assumption was that Arizona Water Company would provide water service to  
17 the Cornman Tweedy development via a separate, stand-alone water system. Arizona  
18 Water Company has far-reaching sources of supply that are not geographically restricted,  
19 as are Picacho Water Company's, and unlike Picacho Water Company, Arizona Water  
20 Company is able to draw from a diverse variety of sources from a wide region currently  
21 covering over two hundred square miles.

22 **Q. DO YOU AGREE WITH DR. GOLDMAN, AT PAGES 7-8 OF HIS DIRECT**  
23 **TESTIMONY, THAT IF THE EJ RANCH DEVELOPMENT IN ARIZONA**  
24 **WATER COMPANY'S CCN IS SERVED BY ARIZONA WATER COMPANY,**  
25 **DUPLICATE FIRE FLOW STORAGE AND BOOSTER PUMP CAPACITY**  
26 **REQUIREMENTS WILL RESULT IN ADDITIONAL COSTS?**

27 **A.** No, I do not. Again, Dr. Goldman's assumption that Arizona Water Company would  
28 provide water service to the Cornman Tweedy development via a separate, stand-alone  
water system is false and conflicts with the record in this matter. Arizona Water

1 Company's Casa Grande and Coolidge integrated water systems currently have fire flow  
2 capacity well in excess of the fire flows Dr. Goldman testifies to, and Arizona Water  
3 Company would not require additional fire flow storage from Cornman Tweedy. In  
4 addition, the fire flow capacity availability will increase as Arizona Water Company's  
5 integrated water system expands regionally. This is typical of the wide-scale economies  
6 achieved by Arizona Water Company and represents a significant savings to Cornman  
7 Tweedy and to Arizona Water Company's ratepayers, including those located within the  
8 Cornman Tweedy property. No redundancy in fire flow storage, booster pump capacity  
9 or costs will result, contrary to Dr. Goldman's testimony.

9 **Q. DO YOU AGREE WITH DR. GOLDMAN'S TESTIMONY AT PAGE 10 LINE 26**  
10 **THROUGH PAGE 11 LINE 13 CONCERNING ADDED COSTS RELATED TO**  
11 **ENGINEERING, PLAN REVIEW AND DIFFERENT DESIGN STANDARDS?**

12 **A.** No, absolutely not. Dr. Goldman incorrectly alleges that Robson's practice of hiring an  
13 outside engineering company to design its water and wastewater systems would  
14 somehow be changed with Arizona Water Company as the water utility, and that a  
15 second review would be necessary, resulting in additional costs. This same engineering  
16 company can continue to design the water distribution system, if Robson so desires. No  
17 change would result. In addition, if the Picacho water and sewer companies are not  
18 currently reviewing plans prepared by an outsourced engineering company and simply  
19 allow outside contractors to construct water system infrastructure without review, they  
20 are not fulfilling their public utility responsibilities and are quite possibly jeopardizing  
21 the public health and safety of their customers. Outsourcing critical path engineering  
22 responsibilities bypasses the degree of operational knowledge and expertise of a water  
23 system that are commonplace with experienced utility operators and utility engineers, like  
24 those employed by Arizona Water Company. Failure of utility operators and engineers to  
25 perform a critical review of engineering plans prepared by an engineering company  
26 without operational knowledge is negligent and irresponsible. Arizona Water Company  
27 always carefully tests and evaluates engineering plans prior to construction. That  
28 practice is prudent, responsible and in the public's best interest.

1 Further, Dr. Goldman's unsubstantiated allegations concerning Arizona Water Company  
2 taking many months to perform its plan reviews and delaying projects is wrong and  
3 unsupported by any evidence and certainly does not support deletion of Arizona Water  
4 Company's CCN. There is nothing in the record in this proceeding concerning Arizona  
5 Water Company's fitness to serve other than the Commission's findings of fact and  
6 conclusions of law that Arizona Water Company is a fit and proper entity. Currently,  
7 Arizona Water Company is completing its design review for water plans submitted for  
8 plan review in 2-4 weeks. If the developer's outside engineering firm does not follow the  
9 Company's written design requirements and specifications, the process could take longer.  
10 The design review process followed by Arizona Water Company for this system is the  
11 same design review process commonly followed by municipalities and other water  
12 companies.

11 **Q. MR. SCHNEIDER, ARE YOU SAYING THAT THE CORNMAN TWEEDY**  
12 **PARCEL WILL NOT INCUR ADDITIONAL WATER INFRASTRUCTURE**  
13 **COSTS BY BEING INTEGRATED WITH ARIZONA WATER COMPANY'S**  
14 **EXISTING CCN?**

15 **A.** That is correct. On the contrary and more importantly, there will be cost savings from  
16 interconnection with the larger regional Pinal Valley Water System, just as there were for  
17 the SaddleBrooke Ranch development referred to earlier in my testimony. The Cornman  
18 Tweedy development and Arizona Water Company's ratepayers located within the  
19 Cornman Tweedy development will also significantly benefit by having more reliable,  
20 cost-effective, efficient water service. Arizona Water Company has a long list of  
21 company-employed experts who can be called upon, and it operates its water systems  
22 with its own trained staff. This means Arizona Water Company does not outsource  
23 operational services, customer service or routine maintenance. Arizona Water Company  
24 is not a homebuilder or developer, its business is providing water utility service.

25 **Q. DO YOU AGREE WITH MR. HENDRICKS' TESTIMONY AT PAGES 6-9 THAT**  
26 **COMBINATION WATER AND WASTEWATER SYSTEMS ARE BETTER AT**  
27 **RESPONDING TO WATER TREATMENT AND SECURITY ISSUES?**

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A. No, I do not. Again, Mr. Hendricks incorrectly assumes that Arizona Water Company would provide water service to the Cornman Tweedy development via a separate, stand-alone water system, which is contrary to the record in this matter. Mr. Hendricks is not knowledgeable about Arizona Water Company's plans, and he is speculating on how Arizona Water Company is planning to serve the area.

During my career, I have had the responsibility of planning, engineering, operating and maintaining both integrated and non-integrated systems. Developing a strong relationship between the water and wastewater utilities provides as good or better service than a so-called "integrated" provider. Arizona Water Company has a strong relationship with wastewater providers within its CCNs throughout the state. Regional water service providers, like Arizona Water Company, working with regional wastewater service providers, like the City of Casa Grande, is the key to successful and efficient water utility operations, far superior to developer-operated, project-specific, and regionally-limited operations. Lastly, my experience has shown that large interconnected regional water systems are far superior to smaller combined water and wastewater systems.

The examples of savings by combined water and wastewater providers alleged by Mr. Hendricks are for small, isolated stand-alone systems. But those savings, such as they may be, are not comparable to the far greater economies of scale achieved by Arizona Water Company's Pinal Valley Water System. Water and wastewater systems require different qualifications, certification and security measures. The operators of wastewater systems are prohibited from using their tools on water systems. The public health threat of cross contamination is a recognized serious ever-present risk, so much so that nearly every sizable water and wastewater utility maintains distinct and separate operational staff. Safe and sound operating practice requires such separation. Such separation may not hold true for the small utilities Mr. Hendricks describes. These small systems are the very systems that typically cause City, County and State agencies the most concerns. Even when I was responsible for the operation of combined water and wastewater companies, there were separate operations crews for water and wastewater, thereby negating any alleged benefit described by Mr. Hendricks.

1 As for response times and emergency responses, Arizona Water Company employs  
2 nearly 120 highly qualified and experienced certified operators, over 40 of which work in  
3 the Pinal Valley Water System area. Many of these individuals are on-call explicitly for  
4 these purposes. They not only work in these communities, but they live in the area.  
5 When an emergency arises, we rely on these employees and also on the other highly  
6 trained Arizona Water Company employees within the region who are available to  
7 respond when needed. Finally, none of the issues raised by Mr. Hendricks is relevant to  
8 the question of whether Arizona Water Company's CCN should be deleted.

8 **Q. BASED UPON YOUR YEARS OF EXPERIENCE IN DESIGNING AND**  
9 **CONSTRUCTING WATER SYSTEMS IN ARIZONA, DO YOU BELIEVE**  
10 **THAT COMBINED WATER AND WASTEWATER SYSTEMS ARE**  
11 **INHERENTLY SUPERIOR TO LARGE WATER SYSTEMS LIKE ARIZONA**  
12 **WATER COMPANY'S PINAL VALLEY WATER SYSTEM?**

13 **A.** No, I do not. We all have seen and read about the terrible outcomes of these small and  
14 medium sized so-called "integrated" systems. Many of the smaller combined providers  
15 lack the skill and certified operators to respond to emergencies. They do not have access  
16 to the capital required for potable water source development and wastewater treatment  
17 plant upgrades with ever more stringent Clean Water Act laws. Once these small systems  
18 are constructed, typically by developers who are focused strictly on cutting initial costs,<sup>1</sup>  
19 they lack sufficient maintenance and routine capital improvement investments. They  
20 become a problem for state regulatory agencies and the communities in which they are  
21 located. Some of these combined systems Mr. Hendricks refers to as being superior in all  
22 cases have had raw sewage flow down public streets, they have been in the newspaper  
23 due to an outpouring of community complaints, and they cannot keep up with the pace of  
24 development resulting in moratoriums on growth and fines from state regulatory  
25 agencies.

25 I believe that in locations where the water and sewer providers are separate, we can point  
26 to companies who have strong ties to the community and work very well together. In  
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28 <sup>1</sup> And in the case of Robson, cutting corners on regulatory compliance.

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many of these locations, Arizona Water Company is the water provider. We can also point to locations where there are combined providers and they are anything but superior. The developer sponsored and dominated combined systems like Robson compares itself to are not comparable to Arizona Water Company.

**Q. DOES ARIZONA WATER COMPANY HAVE REQUESTS FOR SERVICE IN ANY OF ITS CCN AREA NEAR THE CORNMAN TWEEDY PORTION OF ITS CCN AREA?**

A. Yes it does. The necessity for water utility service, which can be demonstrated in part through such requests for service, has already been decided in this case. Any discussions of, or testimony about requests for service or the necessity for service are not properly the subjects of this proceeding. Arizona Water Company has already demonstrated that it is ready, willing and able to serve the CCN established pursuant to Decision No. 66893. Arizona Water Company has already shown to the Commission's unconditional satisfaction that it has planned for, and taken all necessary steps to provide water utility service to the CCN extension area, including commitments to provide water utility service to a number of additional nearby developments, which are preparing for construction. None of the Cornman Tweedy witnesses has shown otherwise.

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY IN THIS MATTER?**

A. Yes, except to add that Arizona Water Company does not waive its right to challenge any provision or recommendation not specifically addressed in rebuttal testimony.