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Paul Newman
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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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MAY - 8 2009

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

DOCKET NO. W-01445A-06-0199

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-05-0926

IN THE MATTER OF THE APPLICATION OF SANTA
CRUZ WATER COMPANY FOR AN EXTENSION OF
ITS CERTIFICATE OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-05-0926

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-07-0300

IN THE MATTER OF THE APPLICATION OF SANTA
CRUZ WATER COMPANY FOR AN EXTENSION OF
ITS CERTIFICATE OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-07-0300

ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION,

COMPLAINANT,

VS.

DOCKET NO. W-01445A-06-0200
DOCKET NO. SW-20445A-06-0200
DOCKET NO. W-20446A-06-0200
DOCKET NO. W-03576A-06-0200
DOCKET NO. SW-03575A-06-0200

GLOBAL WATER RESOURCES, LLC, A FOREIGN
LIMITED LIABILITY COMPANY; GLOBAL WATER
RESOURCES, INC., A DELAWARE CORPORATION;
GLOBAL WATER MANAGEMENT, LLC, A FOREIGN
LIMITED LIABILITY COMPANY; SANTA CRUZ
WATER COMPANY, LLC, AN ARIZONA LIMITED
LIABILITY CORPORATION; PALO VERDE
UTILITIES COMPANY, LLC, AN ARIZONA LIMITED

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LIABILITY CORPORATION; GLOBAL WATER –
SANTA CRUZ WATER COMPANY, AN ARIZONA
CORPORATION; GLOBAL WATER – PALO VERDE
UTILITIES COMPANY, AN ARIZONA
CORPORATION; JOHN AND JANE DOES 1-20; ABC
ENTITITES I-XX,
RESPONDENTS.

5

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.

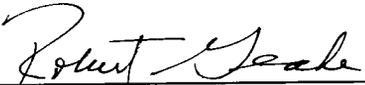
DOCKET NO. W-01775A-07-0485
DOCKET NO. SW-03575A-07-0485
DOCKET NO. W-20442A-07-0485
DOCKET NO. W-03576A-07-0485

**CERTIFICATE OF FILING OF
REBUTTAL TESTIMONY
AND EXHIBITS**

Arizona Water Company is today filing the prepared rebuttal testimony and exhibits of its
witnesses William M. Garfield and Fredrick K. Schneider.

RESPECTFULLY SUBMITTED this 8th day of May, 2009.

ARIZONA WATER COMPANY

By: 
Robert W. Geake
Vice President and General Counsel
ARIZONA WATER COMPANY
Post Office Box 29006
Phoenix, Arizona 85038-9006

and

Steven A. Hirsch
Rodney W. Ott
BRYAN CAVE LLP
Two North Central Avenue, Ste. 2200
Phoenix, Arizona 85004-4406

1 Original and twenty-one (21) copies of the foregoing filed this 8th day of May, 2009 with:

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

6 A copy of the foregoing was hand-delivered this 8th day of May, 2009 with:

7 Dwight D. Nodes, Esq.
8 Assistant Chief Administrative Law Judge
9 Hearing Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Janice Alward, Esq.
14 Chief Counsel, Legal Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 Ernest G. Johnson
19 Director, Utilities Division
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007

23 A copy of the foregoing was mailed this 8th day of May, 2009 with:

24 Michael W. Patten, Esq.
25 Timothy J. Sabo, Esq.
26 ROSHKA, DeWULF & PATTEN
27 400 E. Van Buren, Ste. 800
28 Phoenix, AZ 85004

Philip J. Polich
GALLUP FINANCIAL, LLC
8501 N. Scottsdale, #125
Scottsdale, Az 85253

Jeffrey W. Crockett, Esq.
Marcie Montgomery, Esq.
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202

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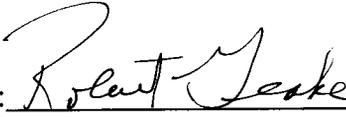
Brad Clough
ANDERSON & BARNES 580, LLP
ANDERSON & MILLER 694, LLP
8501 N. Scottsdale Road, Suite 260
Scottsdale, Arizona 852536

Craig Emmerson
ANDERSON & VAL VISTA 6, LLC
8501 N. Scottsdale Road, Ste. 260
Scottsdale, Az 85253

Kenneth H. Lowman
KEJE Group, LLC
7854 W. Sahara
Las Vegas, NV 89117

Ken Franks, Esq.
Rose Law Group
6613 N. Scottsdale Road, Suite 200
Scottsdale, AZ 85250-0001

Mayor Chuck Walton
City of Casa Grande
510 East Florence Boulevard
Casa Grande, AZ 85222

By: 

William M. Garfield

1 **COMMISSIONERS**

- 2 Kristin K. Mayes – Chairman
3 Gary Pierce
4 Paul Newman
5 Sandra D. Kennedy
6 Bob Stump

7
8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 10 11 12	IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY. AT CASA GRANDE, PINAL COUNTY, ARIZONA	DOCKET NO. W-01445A-06-0199
13 14 15	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-05-0926
16 17 18	IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	DOCKET NO. W-03576A-05-0926
19 20 21	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-07-0300
22 23	IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	DOCKET NO. W-03576A-07-0300
24 25 26 27	ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, COMPLAINANT, VS.	DOCKET NO. W-01445A-06-0200 DOCKET NO. SW-20445A-06-200 DOCKET NO. W-20446A-06-0200 DOCKET NO. W-03576A-06-0200 DOCKET NO. SW-03575A-06-200

1 GLOBAL WATER RESOURCES, LLC, A
2 FOREIGN LIMITED LIABILITY COMPANY;
3 GLOBAL WATER RESOURCES, INC., A
4 DELAWARE CORPORATION; GLOBAL
5 WATER MANAGEMENT, LLC, A FOREIGN
6 LIMITED LIABILITY COMPANY; SANTA
7 CRUZ WATER COMPANY, LLC, AN
8 ARIZONA LIMITED LIABILITY
9 CORPORATION; PALO VERDE UTILITIES
10 COMPANY, LLC, AN ARIZONA LIMITED
11 LIABILITY CORPORATION; GLOBAL WATER
12 – SANTA CRUZ WATER COMPANY, AN
13 ARIZONA CORPORATION; GLOBAL WATER
14 – PALO VERDE UTILITIES COMPANY, AN
15 ARIZONA CORPORATION; JOHN AND JANE
16 DOES 1-20; ABC ENTITITES I-XX,
17
18 RESPONDENTS.

19 IN THE MATTER OF THE JOINT
20 APPLICATION OF CP WATER COMPANY
21 AND FRANCISCO GRANDE UTILITIES
22 COMPANY TO TRANSFER THEIR
23 CERTIFICATES OF CONVENIENCE AND
24 NECESSITY AND ASSETS TO PALO VERDE
25 UTILITIES COMPANY AND SANTA CRUZ
26 WATER COMPANY.

DOCKET NO. W-01775A-07-0485
DOCKET NO. SW-03575A-07-485
DOCKET NO. W-20442A-07-0485
DOCKET NO. W-03576A-07-0485

27
28
REBUTTAL TESTIMONY OF WILLIAM M. GARFIELD
ON BEHALF OF ARIZONA WATER COMPANY

Q. GIVE US YOUR NAME, EMPLOYER, AND OCCUPATION

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

1 Q. ARE YOU THE SAME WILLIAM M. GARFIELD WHO PROVIDED PREPARED
2 TESTIMONY EARLIER IN THIS PROCEEDING?

3
4 A. Yes, I am.

5
6 Q. WILL YOU BE SPONSORING ANY EXHIBITS WITH YOUR REBUTTAL
7 TESTIMONY?

8
9 A. Yes. I will be sponsoring the exhibits listed below. The exhibits follow the Direct
10 Testimony Exhibit List in tabbed order:

11
12 WMG-8 Maps of Casa Grande Planning Boundary for its 2010 and 2020
13 General Plan.

14 WMG-9 City of Maricopa General Plan 2005 Future Land Use and Planning
15 Boundary.

16 WMG-10 Casa Grande General Plan 2020 Future Land Use (Version 1 and
17 Version 2).

18 WMG-11 Pinal County Land Use Plan.

19 WMG-12 City of Casa Grande General Plan 2010.

20 WMG-13 Updated request for service letters received as of
21 May 8, 2009.

22 WMG-14 Map of proposed Settlement area that includes requests for water
23 service.

24 WMG-15 June 23, 2008 letter from City of Casa Grande to Chairman Mike
25 Gleason.

26 WMG-16 Updated Arizona Department of Water Resources Water Provider
27 Compliance Status Report – Coolidge system.

1 Exhibits WMG-8 through WMG-12 are copies of maps obtained from
2 governmental websites.

3
4 Exhibit WMG-13 contains true and accurate copies of requests for service
5 received by our office.

6
7 Exhibit WMG-14 was prepared by Arizona Water Company staff under my
8 supervision and direction.

9
10 Exhibit WMG-15 is a true and accurate copy of a document that was attached to
11 an amendment to Arizona Water Company's CCN Application.

12
13 Exhibit WMG-16 is a true and accurate copy of a document obtained from the
14 Arizona Department of Water Resources ("ADWR").

15
16 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

17
18 **A.** The primary purpose of my rebuttal testimony is to rebut the direct testimony and
19 recommendations of Commission Staff witnesses as they relate to requests for
20 service, extension of Arizona Water Company's Certificate of Convenience and
21 Necessity (CCN), planning areas, and the Settlement Agreement between
22 Arizona Water Company and Global Water.

23
24 **I. REQUESTS FOR SERVICE**

25
26 **Q. DOES ARIZONA PUBLIC UTILITY LAW REQUIRE A REQUEST FOR**
27 **SERVICE BEFORE A CCN FOR A WATER UTILITY CAN BE EXTENDED?**

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A. No, it does not. There is no Arizona statute, case, or regulation requiring that a water utility must have a request for service for every parcel of land included in a new CCN or a CCN extension, or limiting a new CCN or extension only to such areas.

Q. DO THE COMMISSION'S NEW WATER CCN RULES REQUIRE A UTILITY TO HAVE A REQUEST FOR SERVICE FOR EVERY PARCEL FOR WHICH IT SEEKS A NEW CCN OR AN EXTENSION OF AN EXISTING CCN?

A. No, they do not. A.A.C. R14-2-402.B.5.t, when finally adopted, will require a utility that seeks a new water CCN or the extension of an existing CCN to include with its application "... a copy of any request for service" for each parcel included in an application for a new CCN or a CCN extension. In addition, a large amount of other information, such as detailed maps, information concerning notification to property owners, information about the applicant's service plans and financial status, is also required. All of this information is needed to allow the Staff to determine that an application is sufficient to be processed for the Commission's consideration. However, nowhere in the proposed rule does it provide that Staff or the Commission must deny or limit an application to exclude a particular parcel if there is no request for service, or that such a request for service is prerequisite to issuance of a CCN.

Q. STAFF IS ALSO RECOMMENDING THAT THE CCN EXTENSIONS FOR ARIZONA WATER COMPANY AND GLOBAL IN THIS CASE BE LIMITED TO PARCELS FOR WHICH THERE ARE UPDATED REQUESTS FOR BOTH

1 **SEWER AND WATER SERVICE. IS THERE ANY COMMISSION RULE THAT**
2 **REFERENCES THIS TYPE OF POLICY DETERMINATION?**

3
4 A. No such rule exists. This Staff recommendation is unprecedented in my twenty-
5 five (25) years of experience with the Commission. There is no case that I am
6 aware of in which Staff recommended that a utility be required to have a request
7 for service not only for the service it provides, but for service that another utility
8 provides. The Commission should reject this overreaching recommendation for
9 which there is no precedent. If carried to its logical conclusion, such a policy
10 would require that a parcel owner request all potential utility services at the same
11 time or else receive no services of any sort.

12
13 **Q. STAFF ALSO RECOMMENDS NO CCN EXPANSION FOR AREAS FOR**
14 **WHICH ARIZONA WATER COMPANY RECEIVED A REQUEST FOR WATER**
15 **SERVICE BEFORE IT AMENDED ITS APPLICATION IN JULY 2008 WITHOUT**
16 **AN ORAL OR WRITTEN AFFIRMATION THAT THE PROPERTY OWNER**
17 **STILL WANTS TO RECEIVE WATER SERVICE. DO YOU AGREE WITH THIS**
18 **RECOMMENDATION?**

19
20 A. No, I do not. First, Arizona Water Company obtained oral or written affirmations
21 of most of the original requests for service (those obtained by Arizona Water
22 Company in support of its 2006 application; and those that supported Global's
23 2005 application, and are now included in Arizona Water Company's expansion
24 area under the Settlement Agreement). Even for some of those, as noted above,
25 Staff recommends that there be no CCN expansion for the Company without a
26 request for sewer service from Global. As I noted above, Arizona Water
27 Company strongly disagrees with this recommendation, and recommends the
28

1 Commission reject it. Moreover, Arizona Water Company also disagrees that the
2 passage of time alone renders a request for service stale, moot and worthy of
3 rejection by the Commission. Staff's recommendation fails to consider the
4 following issues:

5
6 1. It wrongly assumes that Staff knows that the property owner wants its
7 request for service to be rejected simply because of the passage of time, without
8 the property owner so informing the Commission (and where the only information
9 Staff has from the property owner, shows that the property owner wants service).

10
11 2. It ignores the fact that Arizona Water Company, and, presumably, Staff,
12 have no objection to the inclusion in Arizona Water Company's CCN of a
13 property for which there is an existing request for service. The result of Staff's
14 recommendation is that, even if the property owner has not objected, its request
15 for service is nevertheless rejected.

16
17 Arizona Water Company submits that better public policy would be to accept a
18 request for service as genuine absent evidence to the contrary. As with its
19 recommendation that a property owner must request two types of service, Staff's
20 policy may result in harm to the property owner.

21
22 **Q. ARE THERE OTHER PUBLIC POLICY REASONS FOR REJECTING STAFF'S**
23 **RECOMMENDATION THAT ONLY RENEWED OR NEW REQUESTS FOR**
24 **SERVICE SHOULD BE CONSIDERED WHEN GRANTING ARIZONA WATER**
25 **COMPANY OR GLOBAL A CCN?**

1 A. Yes, there are. A CCN carries with it an obligation to serve, subject to meeting
2 all terms or conditions for service. A CCN is not transitory or subject to the rise
3 and fall of the stock market or the housing market. Granting a CCN should also
4 not be subject to the ebb and flow of any such market, but instead should be
5 based upon the public need and necessity for service. Based on discussions
6 with home builders and developers, Arizona Water Company understands that,
7 with respect to the majority of land in and around Arizona Water Company's
8 requested CCN extension and Global's CCN extension, the timetable for
9 development has been temporarily suspended only but not abandoned during the
10 current recession.

11
12 **Q. FOR PARCELS IN ARIZONA WATER COMPANY'S CCN EXPANSION AREA**
13 **AND PLANNING AREA WHERE ARIZONA WATER COMPANY HAS AN**
14 **ORIGINAL OR AFFIRMED REQUEST FOR SERVICE, STAFF RECOMMENDS**
15 **NO EXPANSION BECAUSE GLOBAL DOES NOT HAVE A REQUEST FOR**
16 **SEWER SERVICE. IS THERE ANY EVIDENCE THAT GLOBAL WOULD NOT**
17 **BE ABLE TO PROVIDE WASTEWATER SERVICE TO EACH SUCH PARCEL?**

18
19 A. No, there is no such evidence. In most of Arizona Water Company's CCN
20 expansion area, Global already has been designated the Rule 208 wastewater
21 provider by the appropriate planning agency, the Central Arizona Association of
22 Governments. For this area, there is no evidence whatsoever to conclude that
23 Global will not be ready, willing, and able to fulfill its Rule 208 obligations to
24 provide wastewater services as development resumes in Pinal County. In areas
25 where the City of Casa Grande plans to provide wastewater services, there is
26 likewise no reason to assume it will not be ready to serve and the City is currently
27 moving to expand its wastewater treatment plant and upgrade reclaimed water
28

1 quality to A+ standards through a loan from WIFA. In fact, Arizona's Growing
2 Smarter and Growing Smarter Plus statutes require cities, towns, and counties to
3 include in each of their respective General Plans, provisions for wastewater and
4 water planning. The City of Casa Grande, the City of Maricopa, and Pinal
5 County have all included in such plans specific provisions for water and
6 wastewater, and recognize that Arizona Water Company and/or Global will each
7 fulfill a major aspect of each such type of utility service.
8

9 **Q. WHAT IS THE EFFECT OF STAFF'S CONTRARY ASSUMPTION?**

10
11 A. The effect of Staff's recommendation, where there is a current request for water,
12 but not yet for sewer, is that a property owner would be arbitrarily denied the
13 opportunity to reliably plan water service for the development of its property. As
14 the Commission knows, such water service planning requires an enormous
15 investment of time and money, as evidenced by the time the Staff recommends
16 allowing for complying with post-order conditions, such as obtaining a certificate
17 of approval to construct water facilities, and a physical availability demonstration.
18 Staff's recommendation would unnecessarily hinder and slow recovery of the
19 homebuilding and development market in Pinal County.
20

21 **Q. CAN THERE BE SOUND PUBLIC POLICY REASONS FOR CCN EXTENSION**
22 **WITHOUT A REQUEST FOR SERVICE?**

23
24 A. Yes. When a utility like Arizona Water Company plans to extend its system to
25 meet present and future demands for service of the growth and development of
26 an area like its Pinal Valley Planning Area (Casa Grande, Coolidge, Stanfield and
27 neighboring areas) sound public policy requires it to have flexibility to extend its
28

1 system into areas that are a natural and logical extension of that growth. Orderly
2 planning and design cannot be accomplished in a fractured, patchwork fashion
3 such as what would result if Staff's recommendations are followed in this case.
4 Much of the area that Staff would leave uncertificated would be nearly, if not
5 entirely, surrounded by Arizona Water Company's CCN, and it makes no sense
6 to assume that another utility would apply to serve this area, or to put Arizona
7 Water Company and the Commission to the enormous time and expense of filing
8 additional applications for CCN expansion in this area where Arizona Water
9 Company is the logical provider. Moreover, leaving the area uncertificated could
10 lead to a situation in which thinly-capitalized start-up companies might seek to fill
11 the gaps.

12
13 **Q. HAS ANY OTHER STATE AGENCY DETERMINED THAT THE PUBLIC**
14 **INTEREST IS SERVED BY BEING INCLUDED IN A CCN, WHETHER IN**
15 **ARIZONA WATER COMPANY'S CCN OR GLOBAL'S CCN?**

16
17 **A.** Yes, a letter of support attached to this testimony as part of Exhibit WMG-13 from
18 the Arizona State Land Department, signed by Ms. Jamie Hogue, Deputy State
19 Land Commissioner, states that the Arizona State Land Department has
20 determined that the best interest for State Trust Land is to have it included in a
21 CCN. In this case, all of the State Trust Land is in Arizona Water Company's
22 proposed CCN extension.

23
24 **Q. ARE REQUESTS FOR SERVICE THE ONLY WAY THAT A UTILITY CAN**
25 **DEMONSTRATE AN UNDERLYING PUBLIC NEED FOR SERVICE?**

1 A. Absolutely not. Requests for service are only one of a variety of ways of
2 demonstrating the public need for service. Public need for service can also be
3 demonstrated by planning for development by landowners, their county and city
4 planning and zoning submittals, preparation of master plans, pre-development
5 agreements, Pinal County's General Plan, the City of Casa Grande's General
6 Plan, and the City of Maricopa's General Plan among other planning efforts. The
7 level and depth of planning and the geographical extent of such planning
8 demonstrate a need for water and wastewater service. I have attached to this
9 rebuttal testimony, as Exhibit WMG 8 through WMG-12, copies of maps related
10 to General Plans, Planning Boundaries and Land Use Maps prepared and
11 adopted, or updated and pending voter approval, for Pinal County, the City of
12 Casa Grande and the City of Maricopa. These land use maps show the level
13 and type of development that these governmental entities expect within their
14 respective planning areas, which are required by law in their General Plans.
15 These are not merely speculative projections but are, in fact, based on the most
16 recent up to date information on land use and zoning. In addition, changes in
17 land use maps from 2010 to 2020 for the City of Casa Grande show plans for
18 increased development in the City.

19
20 **Q. HAS THE STAFF EVER TAKEN A POSITION SUPPORTING CCN**
21 **EXPANSION WITHOUT REQUESTS FOR SERVICE?**

22
23 A. Yes. In a Staff Exhibit filed in Docket No. W-01445A-06-0059, Staff presented the
24 following testimony:

25
26 Staff reviewed the letters filed by Robson, Global, and Ms.
27 Robertson, along with the response of Arizona Water. First, Staff

1 does not agree that the Commission has an inflexible, long-
2 standing policy against approving CCN extensions into areas in
3 which there are no requests for service.

4 Second, Staff is concerned that if the Commission were to establish
5 a firm policy against approving extensions where there is no
6 request for service (as Global and Robson seem to favor), utilities
7 would be motivated to shop for requests for service to reserve
8 areas for planning purposes. At best, this would increase costs to
9 the utilities. At worst, these costs could be passed on to
10 ratepayers. Also, a request for service could become a commodity
11 going to the highest bidder rather than to the company which is
12 best able to further the public interest. Staff believes there are
13 certain circumstances under which the Commission should
14 consider approving extensions into areas for which there are no
15 requests for service.

16 (Exhibit S-2, page 2, Docket No. W-01445A-06-0059)

17
18 Staff also identified in the same Staff Report in that case, factors that the
19 Commission should consider for CCN extensions into areas for which there are
20 no requests for service:

- 21
22 1. Whether inclusion of the area could reasonably be expected
23 to contribute to operational efficiencies.
- 24 2. Whether exclusion of the area could reasonably be expected
25 to result in operational inefficiencies.
- 26 3. Whether there is a competing application for the area.

- 1 4. Whether a customer in the area requests to be excluded and
- 2 the nature of that request.
- 3 5. Whether the area is contiguous to the company's current
- 4 service territory.
- 5 6. Whether the requested area "squares off" the service
- 6 territory or fills in holes in the service territory.
- 7 7. Whether the company at issue is financially sound.
- 8 8. Whether the company at issue is in compliance with the
- 9 Commission decisions, and ADEQ and ADWR.
- 10 9. Other showings by the company at issue that it is in the
- 11 public interest to approve the extension.

12
13 In this case, most, if not all, of these factors weigh in favor of granting additional
14 CCN area to Arizona Water Company under the facts and circumstances of this
15 particular case, to include areas where it does not have a request for service. In
16 addition to operating efficiencies, no property owner in these areas has objected
17 to being included, or requested to be excluded from the CCN expansion area.
18 The areas are contiguous to other existing Arizona Water Company CCN areas
19 and areas for which Arizona Water Company has requests for service. In
20 addition, excluding this area, as Staff recommends, would leave large gaps in
21 Arizona Water Company's CCN area that would make it more difficult for Arizona
22 Water Company to serve the area as the extension of facilities more logically
23 follows CCN boundaries.

24
25 Finally, in a Staff Report in Docket W-01445A-06-0317, Staff again reasoned that
26 the Commission is justified in granting a CCN extension for areas for which there
27
28

1 is no request for service, and cited reasons to grant extensions for areas where
2 there are no requests for service. Staff stated that:

3
4 Staff believes that to enhance regulatory and operational
5 efficiencies, some extensions into areas for which there are no
6 requests for service are justified. This is such a case. Planning
7 and locating mains and distribution lines for larger, contiguous
8 areas is more efficient than planning lines to skip or avoid
9 contiguous sections not granted to Arizona Water to reach other
10 sections included in Arizona Water's CC&N. For example, section
11 18 in the T.6S/R.8.E. portion of the map is the area planned to hold
12 Arizona Water's planned treatment plant. If the Company did not
13 receive approval of sections 15 and 16 in the same township and
14 range where there are no requests for service, it may need to plan
15 a main to turn corners and be longer and more expensive than if it
16 received approval of the inclusion of those sections. The expense
17 of the main would ultimately be borne by ratepayers.

18
19 Also, service territory boundaries that are relatively straight
20 increase the ease of identification. For example, knowing that a
21 company's service territory ends or begins at an identifiable street
22 such as Florence Boulevard helps potential developers and
23 potential customers more easily identify the area the company
24 serves than communicating using precise legal descriptions.
25 Furthermore, approving territory along section lines helps avoid
26 situations where next-door neighbors are served by different water
27 companies and charged different rates.

1
2 Staff's recommendations for the CCN expansion in this case directly contradict
3 its well-reasoned position and arguments in the cases cited above. The
4 Commission should not abandon the sensible policies established in those
5 cases.

6
7 **Q. HAS ARIZONA WATER COMPANY RECEIVED ADDITIONAL WRITTEN**
8 **REQUESTS FOR SERVICE SINCE THE STAFF REPORT WAS FILED?**

9
10 A. Yes, it has. As disclosed to Staff in its response to Staff Data Request No. 12.1,
11 the Company received 13 written requests for service (copies of the requests for
12 service are attached as Exhibit WMG-13, hereto) covering 11,730 acres, shortly
13 before and since the Staff Report was filed on April 10. The areas covered by
14 these requests are shown on Exhibit WMG-14.

15
16 **Q. WHAT IS THE COMPANY'S POSITION CONCERNING THESE REQUESTS?**

17
18 A. Certainly, the Commission should approve CCN expansion to include all of the
19 areas covered by these requests. That is the expectation of the property owners
20 who submitted the letters to Arizona Water Company. As noted in paragraph 3,
21 page 3 of Staff witness Gray's report, Arizona Water Company will continue to
22 provide the Commission with copies of requests for service as they are received.

23
24 **II. PLANNING AREAS AND THE SETTLEMENT AGREEMENT**

1 **Q. CAN YOU CITE EXAMPLES OF PUBLIC SUPPORT FOR THE APPROVAL OF**
2 **ARIZONA WATER COMPANY'S CCN EXTENSION AND PLANNING AREA IN**
3 **THIS CASE?**

4
5 A. Yes. Exhibit 14 to the amendment to Arizona Water Company's application filed
6 in this consolidated docket on July 27, 2008 is a copy of a June 23, 2008 letter
7 from City of Casa Grande Mayor Robert Jackson to Commission Chairman Mike
8 Gleason. A copy of this letter is attached to this testimony as Exhibit WMG-15.
9 In that letter, Mayor Jackson states, among other things that "(t)he City supports
10 the [Arizona Water Company and Global] amended applications for [CCNs]
11 recently filed by [Arizona Water Company and Global] and ... fully supports the
12 planning efforts of [Arizona Water Company and Global], including the Planning
13 Areas identified by each of these utilities."

14
15 **Q. DID THE CITY OF CASA GRANDE INDICATE WHY IT SUPPORTS THE**
16 **REQUEST FOR COMMISSION APPROVAL OF THE PLANNING AREAS?**

17
18 A. Yes. The City refers to the State of Arizona's "Growing Smarter Plus" mandates
19 in A.R.S. §9-461, et seq. that requires municipalities to prepare and adopt a
20 General Plan to address needs concerning growth and growth management, and
21 that the Water Resources Element is a key component of the City's General
22 Plan. The City observes that "...(c)learly, [Arizona Water Company and Global]
23 are in the best position to develop water resources master plans, and to plan for
24 and implement long-range water supply strategies to meet and manage such
25 growth needs."

1 With the City's extensive experience in planning for development and public
2 needs, the City's strong expression of support for the planning areas which
3 Arizona Water Company and Global are requesting the Commission to recognize
4 in this area should be given great weight by the Commission in this case.

5
6 **Q. DO YOU AGREE WITH THE STAFF'S STATEMENT THAT APPROVAL OF**
7 **THE SETTLEMENT AGREEMENT WOULD LIMIT THE COMMISSION'S**
8 **AUTHORITY WITH REGARD TO RECLAIMED WATER?**

9
10 **A.** No, absolutely not. Arizona Water Company strongly supports the beneficial use
11 of reclaimed water. One of the most important parts of the Settlement
12 Agreement is Global's commitment to provide reclaimed water to Arizona Water
13 Company to distribute to its customers who request reclaimed water. The
14 Commission, too, supports Arizona Water Company's service of reclaimed water
15 and the Settlement Agreement would accomplish that. Approval of the
16 Settlement Agreement, as Arizona Water Company and Global requested in their
17 amended applications, would promote that objective, not restrict it, as Staff
18 suggests. Staff's concern about the clause it cites on page 1 of Ms. Jaress'
19 testimony is misplaced, and would discourage Arizona Water Company's and
20 Global's incentives and plans to provide reclaimed water service. Arizona Water
21 Company and Global agree that the Commission has authority to regulate all
22 types of water service, including reclaimed water, and this provision would apply
23 to areas where the Commission authorizes Arizona Water Company to be the
24 water provider.

1 Q. DO YOU AGREE WITH STAFF THAT THERE IS NO NEED FOR THE
2 COMMISSION TO APPROVE THE PLANNING AREAS OF ARIZONA WATER
3 COMPANY OR GLOBAL WATER, AND IF NOT, WHY NOT?
4

5 A. No. Staff's position is very short-sighted. Providing long-range regional planning
6 is in the public interest, as is evidenced by the City of Casa Grande, City of
7 Maricopa, and Pinal County's General Plans and their support for the agreed-
8 upon CCNs and planning areas in this case. Since none of these entities are
9 water providers, and are not planning to be water providers, they are not in a
10 position to plan for the water service in their planning areas. But, advanced,
11 region-wide planning is absolutely necessary to meet the growing public need for
12 service. Contrary to simply reacting to short-term immediate needs for water
13 service, long-range planning, by its own nature, looks beyond the immediate and
14 to the future. In addition, planning cannot be done in a vacuum, based on a
15 single request for service, in disregard of the broader, regional needs to be met
16 in the future, such as the need to develop additional water supplies, reclaimed
17 water delivery systems, and other needed water infrastructure. That is precisely
18 why the long-term regional planning that will result from the Commission's
19 recognition of the Planning Area is so important.
20

21 Staff has indicated that there is no need for the Commission to approve planning
22 areas. But the Commission does recognize the importance of long-range
23 regional planning. Approving planning areas such as the areas proposed by
24 Arizona Water Company and Global furthers that important public policy.
25
26
27
28

1 Q. DO YOU AGREE WITH STAFF THAT IF THE COMMISSION APPROVES
2 ARIZONA WATER COMPANY'S PLANNING AREA, IT WOULD BE AN
3 IMPLICIT RESERVATION OF SERVICE TERRITORIES FOR ARIZONA
4 WATER COMPANY?
5

6 A. No, Staff's conclusion is unwarranted. The Commission carefully considers all
7 CCN applications, including the facts, circumstances and evidence supporting
8 them and ultimately approves or disapproves a CCN extension request, whether
9 within a utility's planning area or not.
10

11 Q. HAS THE COMMISSION REQUIRED ARIZONA WATER COMPANY TO
12 DEVELOP A PLANNING AREA?
13

14 A. Yes. The Commission specifically ordered Arizona Water Company to prepare
15 and submit a CAP Water Use Plan¹, including for the entire area likely to be
16 served, projections of customer growth and water demands through 2025.
17 Arizona Water Company's CAP Water Use Plan was submitted to the
18 Commission on December 29, 2006. The planning area upon which the CAP
19 Water Use Plan was developed is the Pinal Valley Planning Area.
20

21 Q. COULD ARIZONA WATER COMPANY HAVE COMPLETED ITS CAP WATER
22 USE PLAN WITHOUT CONSIDERING THE WATER SUPPLY NEEDS IN ITS
23 PLANNING AREA?
24
25
26

27 ¹ As part of Decision No. 68302.
28

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A. No. Arizona Water Company could not have completed such a water use plan without developing a logical planning area that considers and addresses the water supply needs in areas adjacent and near Arizona Water Company's current CCN boundaries, because future growth, water demands and water supplies by their nature extend outside of Arizona Water Company's current CCN boundaries.

Q. DID ANY OTHER STATE AGENCY OR LOCAL GOVERNMENT REQUIRE ARIZONA WATER COMPANY TO ADDRESS THE GROWING WATER SUPPLY REQUIREMENTS IN ITS PLANNING AREA?

A. Yes. ADWR requires that any new subdivision platted and developed must demonstrate an assured water supply. A key component of demonstrating an assured water supply is to prove that sufficient water supplies will be physically, legally and continuously available to meet a new subdivision's water needs for at least 100 years. However, proving that such water supplies exist requires that all uses for such supplies be accounted for in the hydrologic model of the area's water supplies. Therefore, a planning area is a critical part of any hydrologic model. Arizona Water Company has prepared such a hydrologic model for its Pinal Valley Service Area and it includes not only existing water uses but also new water uses that will reasonably be developed within the planning area.

Q. DID ARIZONA WATER COMPANY FILE ITS PINAL VALLEY PLANNING AREA WITH ADWR?

1 A. Yes. Arizona Water Company filed its Pinal Valley Planning Area with ADWR as
2 part of its application for a Physical Availability Demonstration ("PAD") for the
3 Pinal Valley Service Area.

4
5 **Q. WHY IS ADWR'S APPROVAL OF ARIZONA WATER COMPANY'S PAD SO**
6 **IMPORTANT?**

7
8 A. For several reasons. The PAD demonstrates sufficient water supplies for new
9 subdivisions, which could not be developed without those water supplies. The
10 PAD also provides an efficient planning and administrative tool for ADWR to
11 process assured water supply applications, which is especially important when
12 ADWR resources are limited due to state budget cuts. The PAD and planning
13 areas also provide an efficient and timely way to aid residential and commercial
14 developments to meet assured water supply requirements, which will be key to
15 economic recovery as housing markets improve and home building projects
16 resume.

17
18 **Q. DID ANY CITY OR TOWN WITHIN ARIZONA WATER COMPANY'S PINAL**
19 **VALLEY PLANNING AREA REQUEST THE COMPANY TO DEVELOP ITS**
20 **PLANNING AREA OR HELP TO DEVELOP THE BOUNDARIES OF SUCH**
21 **PLANNING AREA?**

22
23 A. Yes. Arizona Water Company met with senior officials of the City of Casa
24 Grande and the City of Coolidge. These City officials provided direction as to the
25 boundaries and extent of such planning areas and strongly urged Arizona Water
26 Company to develop a planning area and to plan for the growth of new housing
27 and commercial development and the corresponding growth of water demands

1 within such area. Arizona Water Company's Pinal Valley Planning Area is a
2 direct result of those collaborative efforts. Both cities are updating their
3 respective General Plans and their reliance on Arizona Water Company's help to
4 meet water resource planning aspects for the planning areas which are included
5 in their General Plans is critically needed and essential to meeting future water
6 demands. In addition, I met with Mr. Tony Smith, the Mayor of the City of
7 Maricopa, concerning the Pinal Valley Planning Area and the Settlement, and he
8 and the City of Maricopa support both efforts.

9
10 **Q. DO YOU AGREE WITH STAFF'S STATEMENT THAT APPROVAL OF THE**
11 **PLANNING AREAS COULD IMPLY COMMISSION APPROVAL OF THE**
12 **COSTS OF PLANNING AND EVEN APPROVAL OF EXCESS CAPACITY IN**
13 **RATE CASES?**

14
15 **A.** No. Again, neither Arizona Water Company nor Global asked the Commission
16 for such approval. Whatever costs are incurred or investments are made by
17 Arizona Water Company as part of its planning efforts are subject to Commission
18 review and approval in a general rate case – not in this CCN proceeding.
19 Likewise, Arizona Water Company's investments in utility plant and infrastructure
20 incurred in fulfilling utility service needs in its CCN and planning areas are always
21 subject to Commission scrutiny and approval in general rate cases.

22
23 **Q. DO YOU AGREE WITH STAFF THAT IF THE COMMISSION WAS TO**
24 **APPROVE A PLANNING AREA, AND IF UTILITY PLANT IS CONSTRUCTED**
25 **BY THE UTILITY TO SERVE THE PLANNING AREA WHERE THE UTILITY**
26 **DOES NOT HAVE A REQUEST FOR SERVICE, IT MIGHT SEEM**

1 **CONTRADICTION FOR THE COMMISSION TO NOT ALLOW RECOVERY OF**
2 **THE COST OF THE PLANT?**

3
4 A. No. Staff's concerns miss the point. There is a big difference between mere
5 speculation about water service needs and building utility plant to meet the needs
6 of utility customers with long-range planning in mind. For example, without long-
7 range planning, construction of utility plant to meet only immediate customer
8 needs would ultimately result in haphazard, undersized infrastructure, requiring
9 costly future upgrades and replacements. Long-range planning such as the
10 Commission required when it ordered Arizona Water Company to prepare and
11 file a CAP Water Use Plan balances current needs with logical and foreseeable
12 long-term needs, resulting in the most cost-efficient approach to providing water
13 service.

14
15 **Q. DO YOU AGREE WITH STAFF THAT APPROVAL OF THE SETTLEMENT**
16 **AGREEMENT AND PLANNING AREAS MAY BE PROBLEMATIC RESULTING**
17 **IN HIGHER COSTS, UTILITIES THAT ARE NOT FIT OR PROPER TO SERVE**
18 **NEW AREAS AND ENFORCEMENT PROBLEMS FOR THE COMMISSION?**

19
20 A. No. Commission-recognized planning areas would not result in an absolute right
21 of service by any potential applicant, and would not obligate any development to
22 receive water service from Arizona Water Company. Also, a planning area would
23 not bind the Commission to approve any utility's right to serve, especially if such
24 entity were not fit and proper. In fact, even a utility with an approved CCN can
25 lose that CCN if it is not fit and proper or are not ready, willing, and able to serve
26 (see Decision No. 69723, *In The Matter Of The Application Of The Commission*
27 *On Its Own Motion Investigating The Failure Of Carl Harvey, DBA Golden*

1 *Corridor Water Company, To Comply With Commission Rules And Regulations,*
2 *July 30, 2007)* Of course, the Commission has routinely found Arizona Water
3 Company to be fit and proper and has never found otherwise. Furthermore, a
4 planning area, even if recognized by the Commission, does not bestow an
5 absolute right to serve. The Commission retains its full authority to decide when
6 and under what circumstances (and to whom) to grant a CCN. Also, the planning
7 areas in the Settlement Agreement provide certainty between Arizona Water
8 Company and Global Water (the two existing Class A utilities who would logically
9 serve), eliminating any need for the Commission to arbitrate disputes over the
10 two utilities' planning areas.

11
12 **Q. DOES STAFF ITSELF RECOGNIZE SOME BENEFIT OF APPROVING THE**
13 **SETTLEMENT AGREEMENT AND THE PLANNING AREAS?**

14
15 A. Yes. At page 2 of Ms. Jaress' report, Staff states that Commission approval of
16 planning areas in the Settlement Agreement would instill more confidence in
17 enforcing the agreement, reduce potential disagreements, and provide support of
18 long-term planning. Staff expressly recognizes these important benefits but then
19 disregards them in the balance of its report.

20
21 **Q. DID STAFF PROVIDE ANY DIRECTION TO ARIZONA WATER COMPANY**
22 **AND GLOBAL WATER CONCERNING THE SETTLEMENT AGREEMENT,**
23 **PLANNING AREAS OR CCN EXTENSIONS?**

24
25 A. Yes, most definitely. The Staff report docketed in this matter on October 26,
26 2006 included a recommendation to the commission that addressed CCN
27 extension areas for Arizona Water Company and Global Water. Even more
28

1 importantly, Staff suggested a practical rationale for planning areas and a
2 framework for the resulting Settlement Agreement.

3
4 **Q. CAN YOU BE MORE SPECIFIC ABOUT STAFF'S INFLUENCE ON THESE**
5 **MATTERS?**

6
7 A. Yes, certainly. Staff went beyond simply recommending that the Commission
8 grant Arizona Water Company CCN approval to serve the area south of Kortsen
9 Road. Staff's Report went on to provide additional guidance by explaining that
10 Staff's view of the dividing line between the two water providers was driven by
11 the water utility plant planned for construction by Global's Santa Cruz Water
12 Company for the area north of Kortsen Road, in other words, following a logical
13 or rational approach. Staff's reasoning is precisely the rationale that Arizona
14 Water Company and Global Water adopted in establishing logical and practical
15 boundaries for their respective planning areas and in establishing the CCN
16 extension areas requested by both utilities. As a further example of the
17 application of Staff's recommendation, the Legends development near CP Water
18 and Francisco Grande (but south of Kortsen Road) was more logically served by
19 Global Water in its entirety; likewise, Arizona Water Company was the logical
20 provider for the entire Stanfield Ranch development, which extends from Arizona
21 Water Company's existing CCN for Stanfield north of Kortsen Road.

22
23 In summary, this Staff Report was instrumental in guiding Arizona Water
24 Company and Global in establishing the CCN extension areas, planning areas,
25 and the basic structure of the Settlement Agreement.

1 Q. DO YOU AGREE WITH STAFF'S STATEMENT THAT ARIZONA WATER
2 COMPANY AND GLOBAL WATER DO NOT NEED COMMISSION APPROVAL
3 OF THE SETTLEMENT AGREEMENT OR THE PLANNING AREAS, AND
4 THAT THE SERVICE TERRITORIES CAN BE HANDLED IN THE SAME
5 MANNER THAT JOHNSON UTILITIES AND DIVERSIFIED WATER COMPANY
6 RESOLVED THEIR DIFFERENCES, NAMELY BETWEEN THEMSELVES?
7

8 A. No. The Commission expected Arizona Water Company and Global to negotiate
9 a settlement. As early as September 12, 2006, the Commission, through
10 Administrative Law Judge Yvette Kinsey, in a procedural order, ordered Arizona
11 Water Company and Global to meet to "engage in settlement discussions"
12 (Procedural Order, pp. 3-4). The parties have followed the explicit direction of
13 the Commission to engage in discussions to settle the matters, and deserve the
14 Commission's approval of these successful efforts. Without Commission
15 approval of the Settlement Agreement and the Planning Areas, the settlement
16 could fail, and the Commission could find itself arbitrating matters between the
17 parties for years to come, an outcome which even Staff admits should be
18 avoided. In addition, the Johnson Utilities/Diversified Water Company case is not
19 comparable and does not apply to this case in which Arizona Water Company
20 and Global seek to establish regional water planning areas.
21

22 Q. DID THE COMMISSION STAFF ENCOURAGE ARIZONA WATER COMPANY
23 AND GLOBAL WATER TO REACH SETTLEMENT?
24

25 A. Yes, it did. As noted earlier in my testimony, the Commission through Judge
26 Yvette Kinsey on September 12, 2006, ordered Arizona Water Company and
27 Global Water to "engage in settlement discussions", in an effort to reach
28

1 settlement, and they did so, together with Commission Staff. The settlement
2 meetings with continued commitment by Arizona Water Company and Global
3 Water, produced a comprehensive Settlement Agreement which Administrative
4 Law Judge Kinsey and Staff had urged the parties to achieve. At no time during
5 the settlement process did Commission Staff or Administrative Law Judge Nodes
6 express any reservations about settlement not being in the public interest. In
7 fact, quite the contrary is true, as the Settlement Agreement achieved what
8 Administrative Law Judge Kinsey and Commission Staff requested and
9 encouraged both parties to do.

10
11 **Q. DO YOU AGREE WITH STAFF THAT PLANNING FOR EXPANSION IS PART**
12 **OF ANY BUSINESS, REGULATED OR NOT, AND THAT IT IS THE**
13 **RESPONSIBILITY OF UTILITY MANAGEMENT TO APPROPRIATELY PLAN**
14 **FOR EXPANSION AND THAT THE UTILITY SHOULD ASSUME THE RISK**
15 **RELATED TO IMPLEMENTATION OF THOSE PLANS?**

16
17 **A.** Of course it is the utility's responsibility to plan for the service needs of its current
18 and future customers. That is why the Commission should recognize that it is
19 also prudent to plan for nearby and adjacent areas (i.e., the planning areas) that
20 a utility like Arizona Water Company would logically serve. However, Staff is
21 lumping utilities in with other non-regulated businesses, which must address risks
22 associated with their business when competing with other businesses. Requiring
23 a regulated water utility to bear the risks associated with planning outside of its
24 CCN with no recognition of the need for such planning, or approval for such
25 planning, places the utility in an untenable position and jeopardizes the interests
26 of the public. Whatever risks result to the utility from such planning, there are
27 definite benefits to present and future utility customers from such prior planning.

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Q. DO YOU AGREE THAT ARIZONA WATER COMPANY'S AND GLOBAL WATER'S NEED TO PLAN IN THEIR PLANNING AREAS AND TO HAVE COMMISSION RECOGNITION OF SUCH PLANNING IS COMPARABLE TO PLANNING EFFORTS BY ARIZONA PUBLIC SERVICE COMPANY AND TUCSON ELECTRIC POWER COMPANY?

A. No, they are not the same. Arizona Public Service Company and Tucson Electric Power Company are not engaged in a service territory dispute. Any planning these electric utilities perform in their prospective service territories occurs in the absence of competition to any relevant degree. The comparison that Staff makes is simply not relevant.

Q. DO YOU AGREE WITH STAFF'S CONTENTION THAT THE COMMISSION WOULD BE CONFINING ITS DISCRETION BY GIVING APPROVAL TO THE SETTLEMENT AGREEMENT AND THE PLANNING AREAS?

A. No, I do not. The Commission would not be confining its discretion in approving either the Settlement Agreement or the planning areas because the planning areas are not the same as a grant of a CCN area, for which an application and a separate proceeding would be necessary.

Q. DO YOU AGREE WITH STAFF THAT THE COMMISSION WOULD BE GIVING UP ANY FLEXIBILITY OF CHOICE FOR COMPETING UTILITIES OR WOULD LIMIT ITS CHOICES FOR DOING SO IF IT WERE TO APPROVE THE SETTLEMENT AGREEMENT OR THE PLANNING AREAS?

1 A. No. As stated earlier in this testimony, planning areas do not limit the
2 Commission in any way. However, advance regional planning for these areas
3 provides greater certainty of service and the costs associated with the provision
4 of those services will be more transparent to the Commission and Staff.
5 Newcomers to the utility business can prepare estimates of their investments or
6 costs, but as time and past experience proves, estimates are not as certain as
7 verifiable costs. The Settlement Agreement represents a logical and rational
8 compromise of the interests of Arizona Water Company and Global Water and
9 balances those interests to assure they advance the public's interests. Not only
10 that, but it represents a solution that makes logical sense and is a practical
11 service solution to the region. While the Settlement Agreement is binding on the
12 parties, the benefits achieved serve the public interest and provide a reasonable
13 solution that will save the Commission, the Staff, and ultimately the customers
14 the impacts of sustained territory fights that would undoubtedly occur without the
15 benefit of the Settlement Agreement.

16
17 **Q. DO YOU AGREE WITH STAFF THAT THE COMMISSION'S APPROVAL OF**
18 **THE SETTLEMENT AGREEMENT IS NOT IN THE PUBLIC INTEREST?**

19
20 A. Of course not. The effect on the public interest is exactly the opposite of what
21 Staff states. It is absolutely in the public interest for the Commission to approve
22 the Settlement Agreement and the planning areas. It is also in the public interest
23 for the Commission to actively promote utilities to effectively plan for expected
24 customer growth. Planning can achieve more certainty where planning areas are
25 viewed as logical and reasonable by the Commission. It is also in the public
26 interest to have a settlement between Arizona Water Company and Global
27 Water, with CCNs and logical service areas established between the parties.

1 Indeed, as discussed above, Administrative Law Judge Kinsey urged Arizona
2 Water Company and Global to negotiate a settlement and the Staff did likewise,
3 and even recommended the logical dividing line embraced by the parties in the
4 Settlement Agreement. Contesting every acre of a CCN extension does not
5 benefit the public, it ties up valuable and limited Staff resources, and it
6 discourages the consolidation of water and reclaimed water service and
7 planning, and regional water conservation efforts within the planning areas.
8

9 **III. OTHER STAFF RECOMMENDATIONS**

10
11 **Q. DO YOU AGREE WITH THE POST-DECISION RECOMMENDATIONS BY**
12 **STAFF AT PAGE 3 OF MR. GRAY'S REPORT?**

13
14 **A.** Yes, with respect to items 1 through 4. With respect to item 3, concerning the
15 Coolidge water system, Arizona Water Company has received an ADWR
16 compliance report. Attached to my testimony as Exhibit WMG-16, that shows the
17 Coolidge system is in full compliance, so that condition should be removed.
18

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

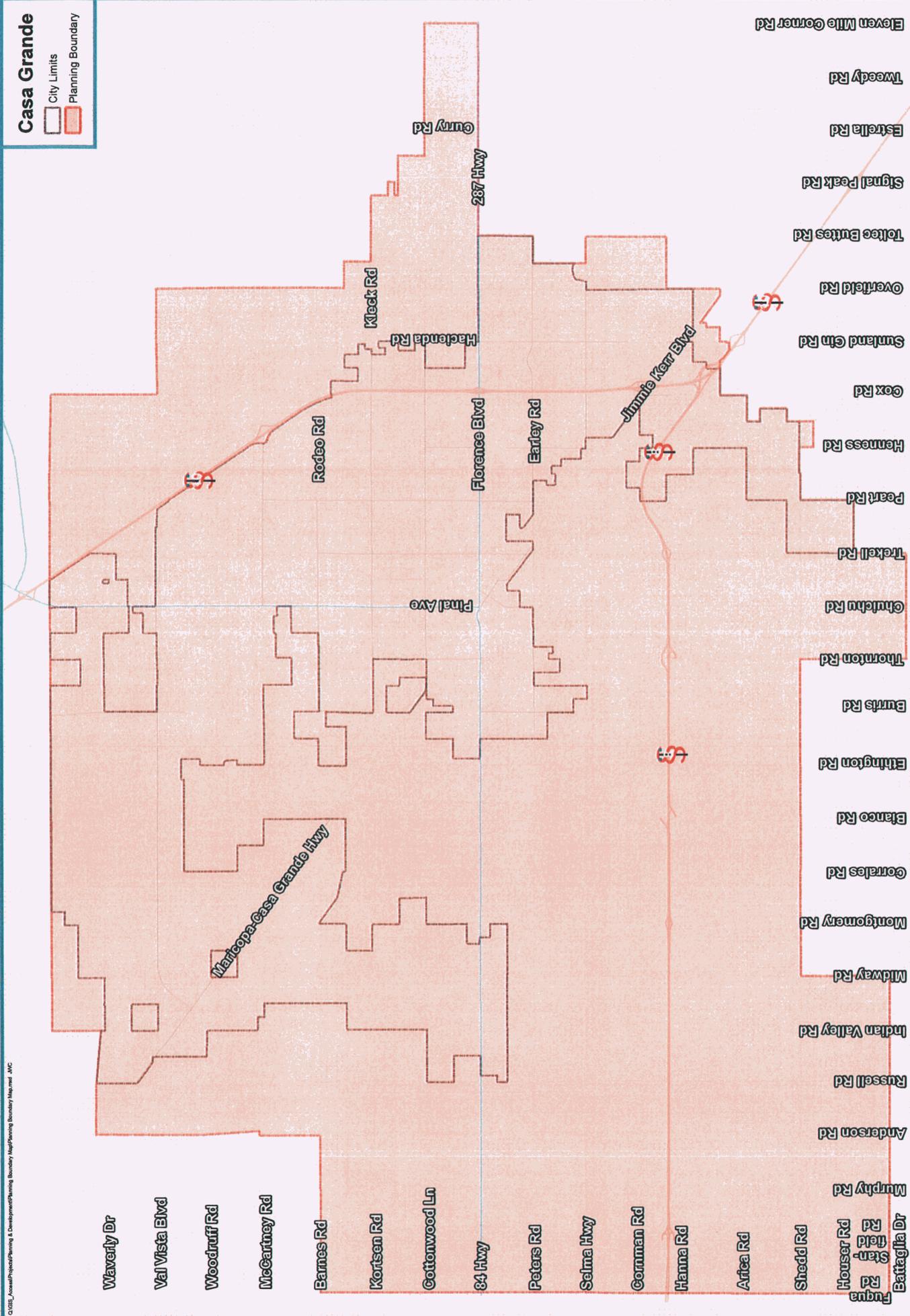
20
21 **A.** Yes.
22
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WMIG-8

EXHIBIT WMG-8

Casa Grande

- City Limits
- Planning Boundary



1106607



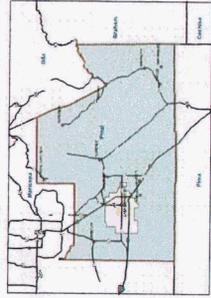
City of Casa Grande Planning Boundary

Disclaimer: Information shown is derived from public records that are constantly changing and do not replace a site survey. Data is not guaranteed for content accuracy. The City of Casa Grande does not guarantee the positions or thematic accuracy of this data.

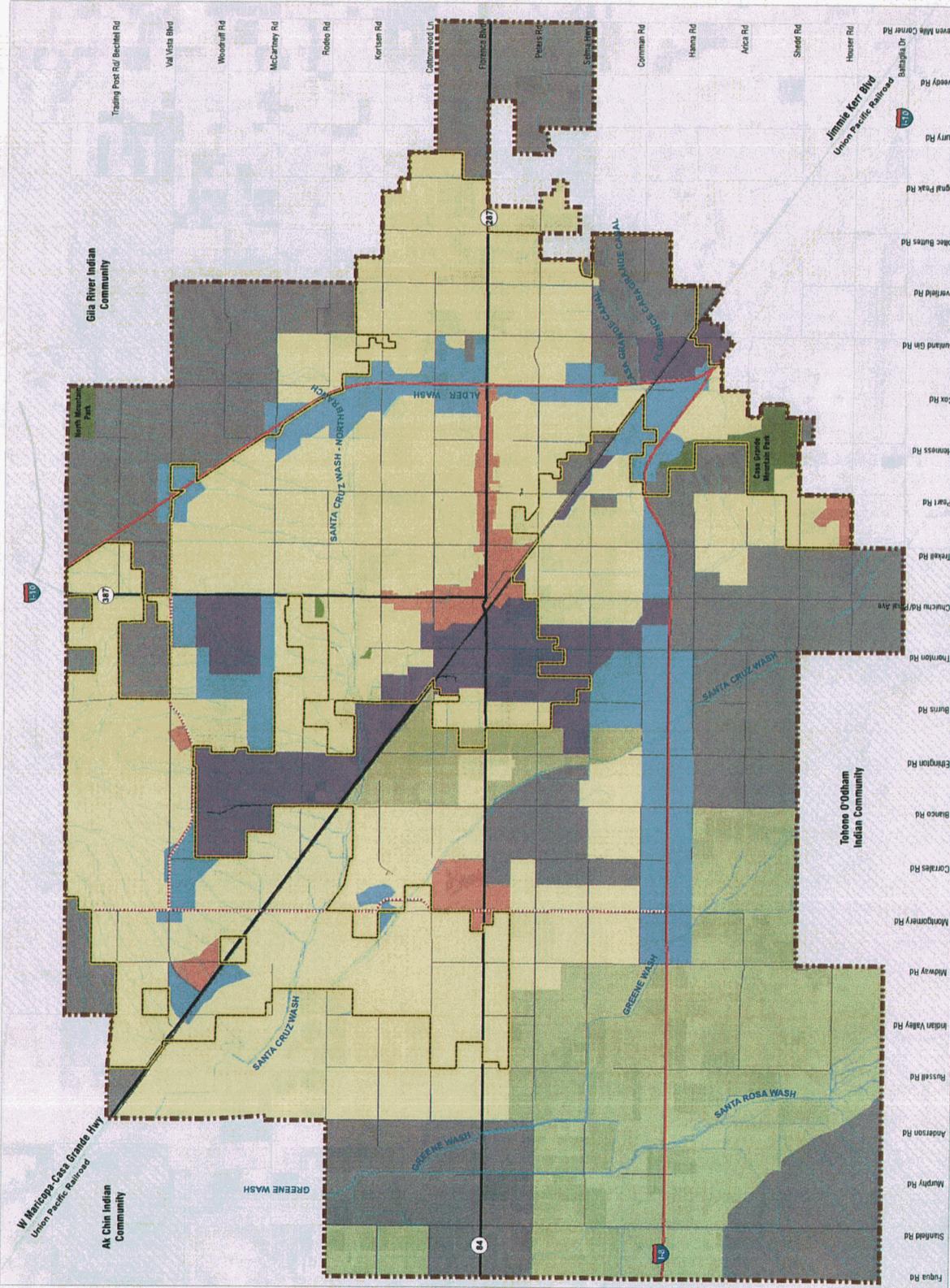


- LEGEND**
- Planning Area Boundary
 - Incorporated City Limits
 - Indian Lands
 - Rivers/Washes/Canals
 - Railroads
 - Interstates
 - State Highways
 - Arterial Streets
 - Future Expressways
- General Plan 2020 Land Use Categories**
- Agriculture
 - Rural
 - Neighborhoods
 - Community Center
 - Commerce and Business
 - Industrial/Manufacturing
 - Open Space

Notes:
 The land use map of the general plan 2020 is intended to be a very different map to the 2008 general plan 2008 and should not be mistaken for a detailed zoning map. The land use map intentionally avoids being unduly prescriptive, and instead, designates the location of the six land use categories within a series of appropriate uses and densities. The principle uses will be a mix of residential densities, supported by an appropriate mix and level of commercial, industrial, and community center uses. The land use map is to be read in conjunction with the land use category description where further details are provided.



February 2009
 0 0.5 1 2 Miles
 SOURCE: The map was prepared using data provided by the City of Casa Grande. Please contact the City for more information on this map.

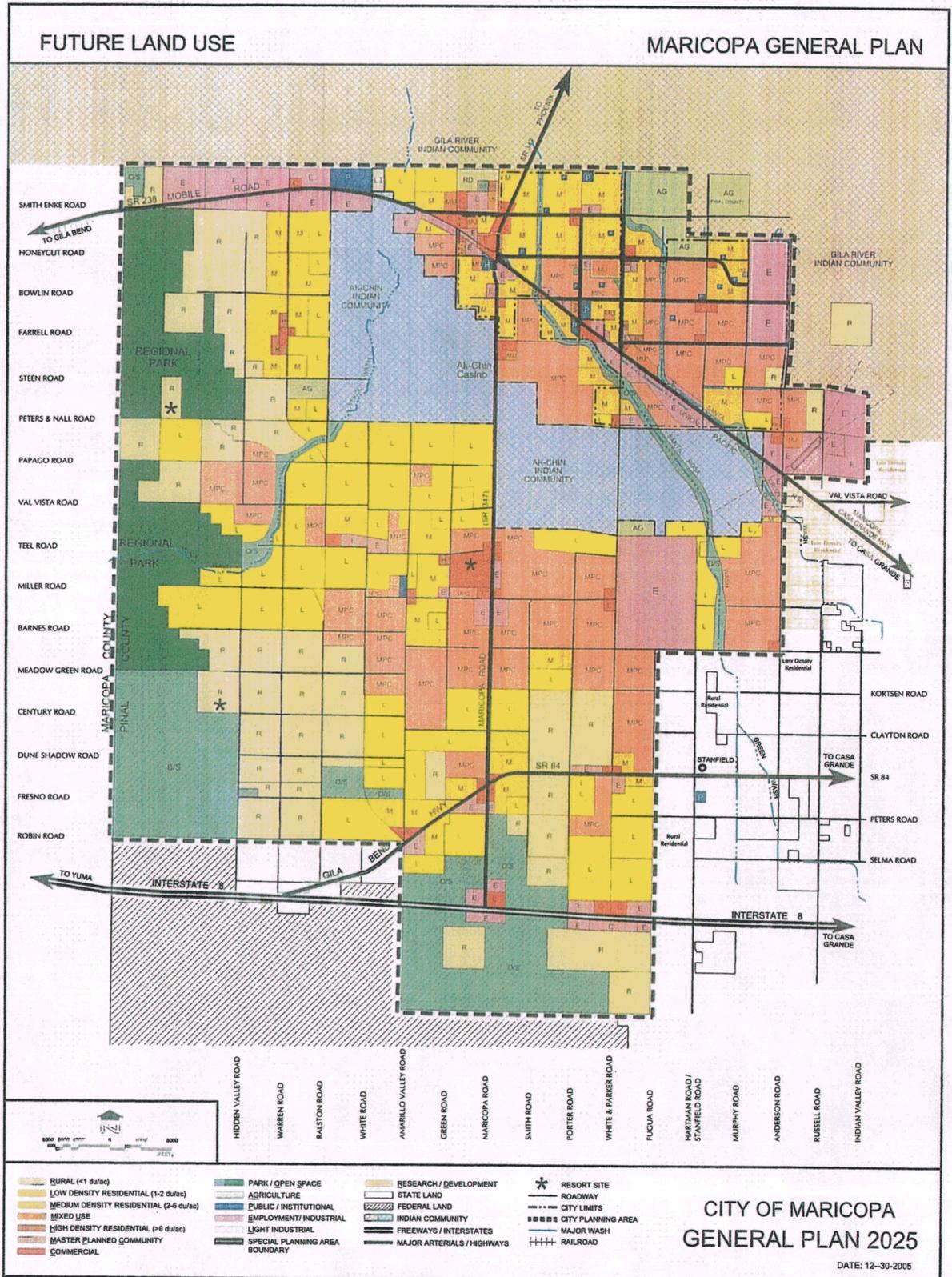


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**Map C-1
 GENERAL PLAN 2020 - LAND USE**

WMIG-9

EXHIBIT WMG-9

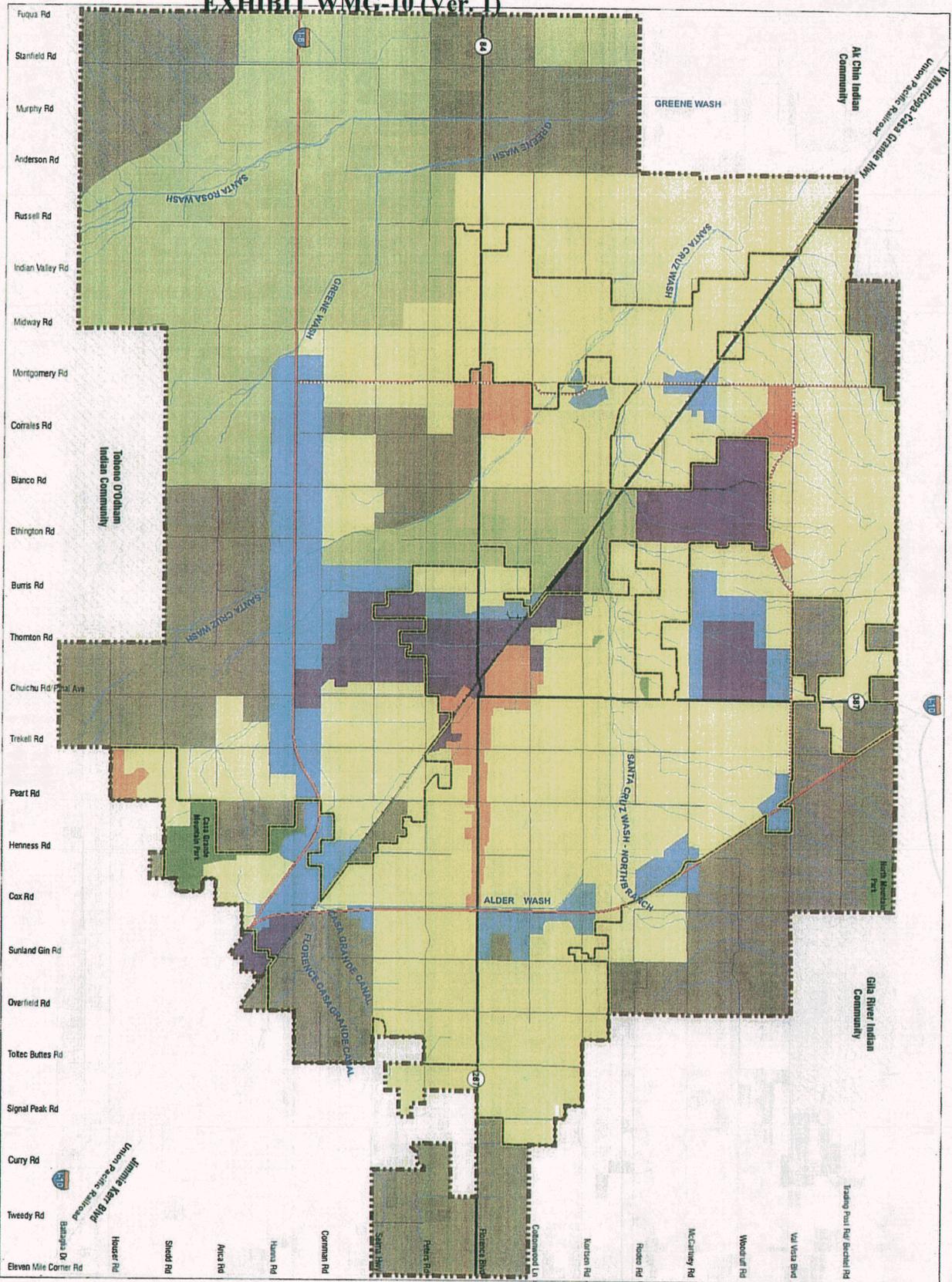


WMIG-10

EXHIBIT WMG-10 (Ver. 1)

GENERAL PLAN 2020 FUTURE LAND USE (Version 1)

DRAFT



LEGEND

- Planning Area Boundary
- Incorporated City Limits
- Indian Lands
- Rivers/Water/Creeks
- Interstates
- Railroads
- State Highways
- Arterial Streets
- Future Expressways

General Plan Land Use 2020

- Green: Agriculture
- Light Green: Rural
- Yellow: Neighborhoods
- Orange: Community Center
- Red: Commerce and Business
- Dark Red: Industrial
- Light Blue: Open Space

October 2008

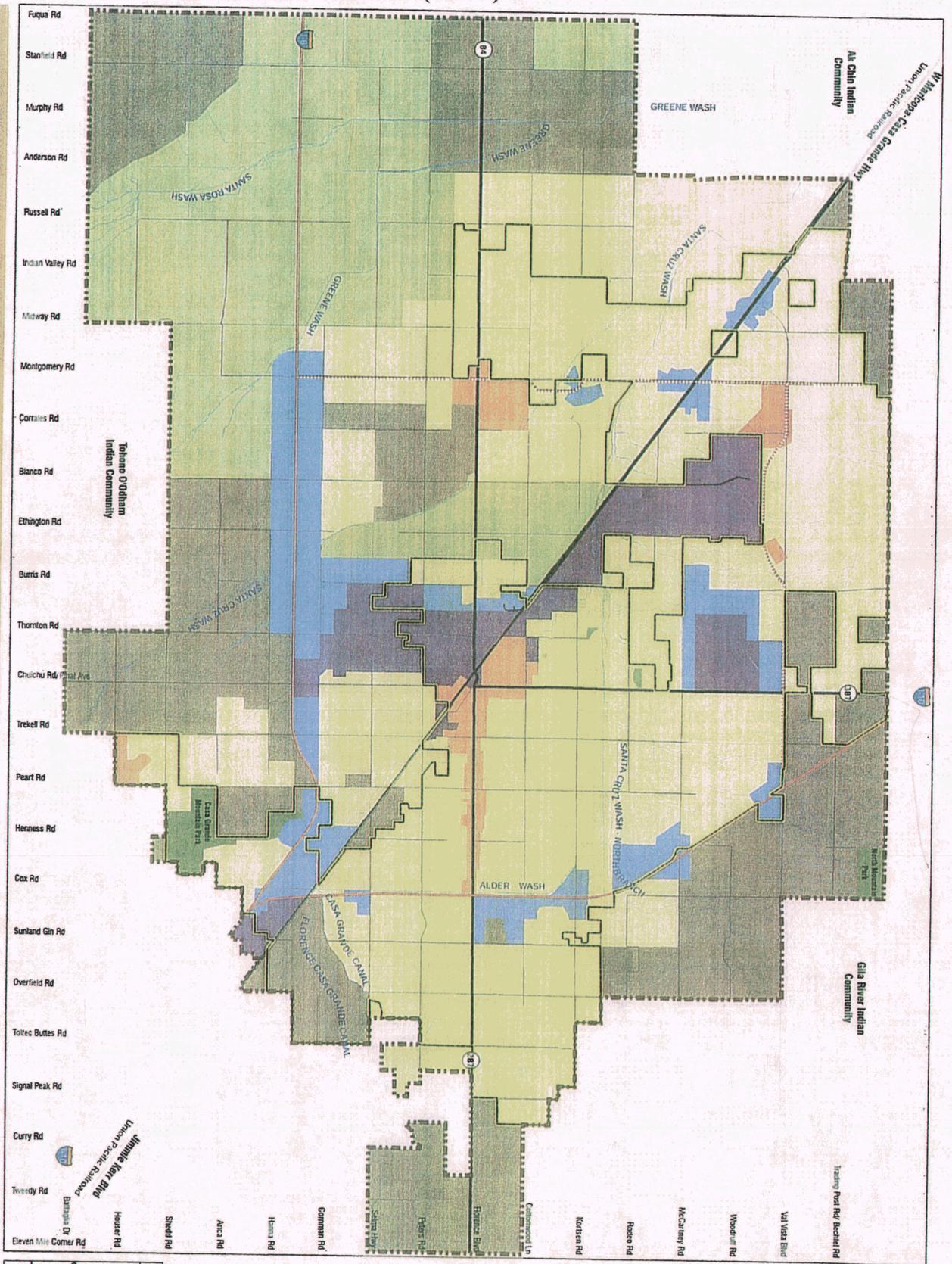
SCALE: 0 0.5 1 2 Miles

SOURCE: General Plan 2020 Future Land Use prepared by the City of Casa Grande. Please contact the City of Casa Grande for more information.

EXHIBIT WMG-10 (Ver. 2)

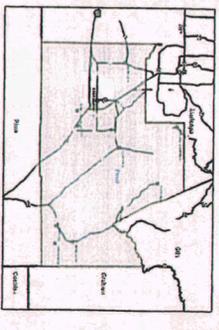
GENERAL PLAN 2020 FUTURE LAND USE (Version 2 - Suggested Amendments)

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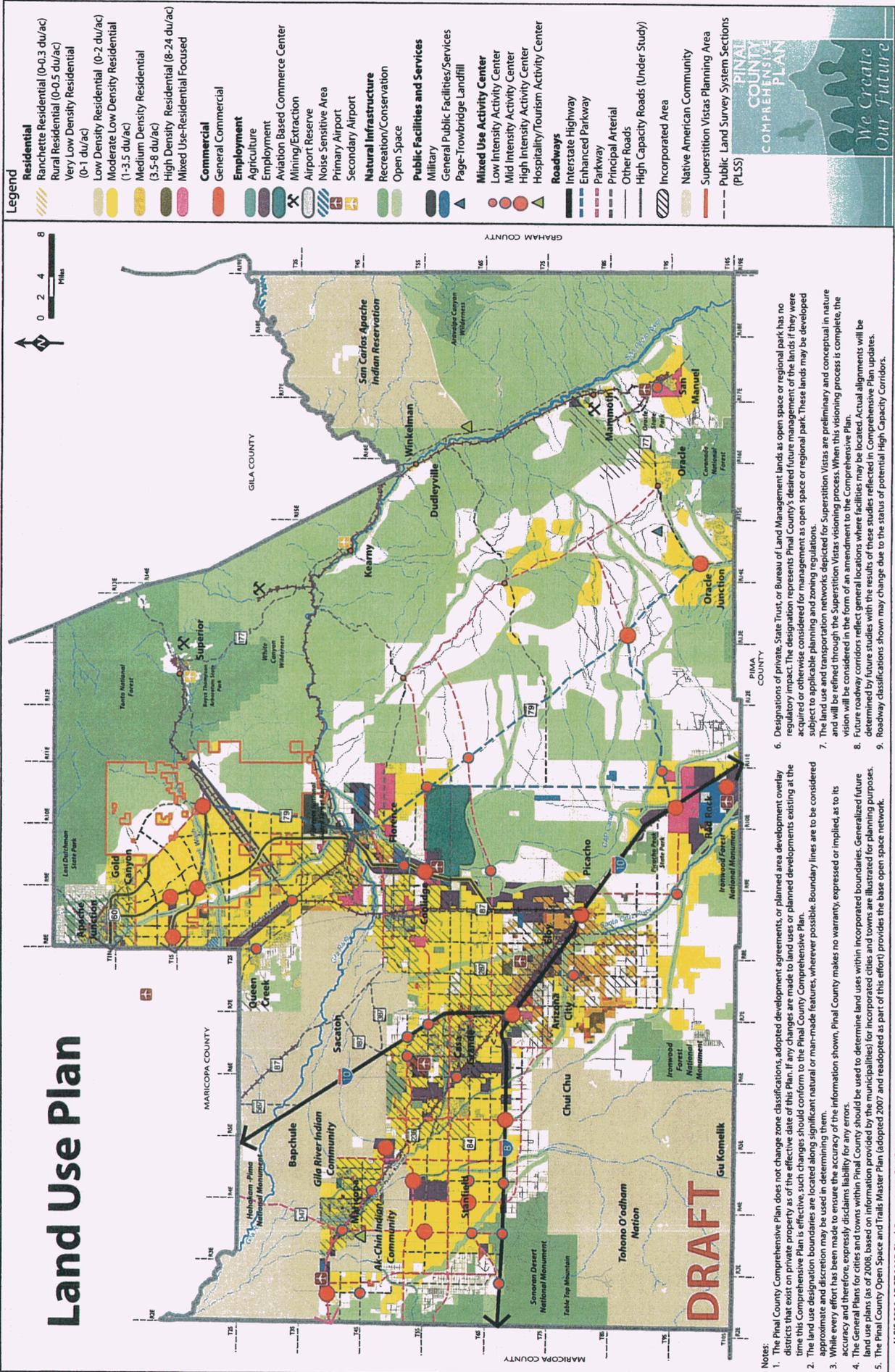


- LEGEND**
- Planning Area Boundary
 - Incorporated City Limits
 - Indian Lands
 - Rivers/Streams/Creeks
 - Railroads
 - Interstates
 - State Highways
 - Arterial Streets
 - Future Expressways
- General Plan 2020 Land Use**
- Agriculture
 - Rural
 - Neighborhoods
 - Community Center
 - Commerce and Business
 - Manufacturing/Industrial
 - Open Space

November 2008
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 SOURCE: The map was prepared using data provided by the City of Casa Grande. Please consult the City of Casa Grande for more information.



WMIG-11



Land Use Plan

DRAFT

Legend

Residential

- Ranchette Residential (0-0.3 du/ac)
- Rural Residential (0-0.5 du/ac)
- Very Low Density Residential (0-1 du/ac)
- Low Density Residential (0-2 du/ac)
- Moderate Low Density Residential (1-3.5 du/ac)
- Medium Density Residential (3.5-8 du/ac)
- High Density Residential (8-24 du/ac)
- Mixed Use-Residential Focused

Commercial

- General Commercial

Employment

- Agriculture
- Aviation Based Commerce Center
- Mining/Extraction
- Airport Reserve
- Noise Sensitive Area
- Primary Airport
- Secondary Airport

Natural Infrastructure

- Recreation/Conservation
- Open Space

Public Facilities and Services

- Military
- General Public Facilities/Services
- Page-Trowbridge Landfill

Mixed Use Activity Center

- Low Intensity Activity Center
- Mid Intensity Activity Center
- High Intensity Activity Center
- Hospitality/Tourism Activity Center

Roadways

- Interstate Highway
- Enhanced Parkway
- Parkway
- Principal Arterial
- Other Roads
- High Capacity Roads (Under Study)

Incorporated Area

- Native American Community
- Superstition Vistas Planning Area
- Public Land Survey System Sections (PLSS)

- Notes:**
- The Pinal County Comprehensive Plan does not change zone classifications, adopted development agreements, or planned area development overlay districts that exist on private property as of the effective date of this Plan. If any changes are made to land uses or planned developments existing at the time this Comprehensive Plan is effective, such changes should conform to the Pinal County Comprehensive Plan.
 - The land use designation boundaries are located along significant natural or man-made features, wherever possible. Boundary lines are to be considered approximate and discretion may be used in determining them.
 - While every effort has been made to ensure the accuracy of the information shown, Pinal County makes no warranty, expressed or implied, as to its accuracy and therefore, expressly disclaims liability for any errors.
 - The General Plans for cities and towns within Pinal County should be used to determine land uses within incorporated boundaries. Generalized future land use plans (as of 2008, based on information provided by the municipalities) for incorporated cities and towns are illustrated for planning purposes.
 - The Pinal County Open Space and Trails Master Plan (adopted 2007 and re-adopted as part of this effort) provides the base open space network.
 - Designations of private, State Trust, or Bureau of Land Management lands as open space or regional park has no regulatory impact. The designations represent Pinal County's desired future management of the lands if they were acquired or otherwise considered for long-term public use as open space or regional park. These lands may be developed subject to applicable planning and zoning regulations.
 - The land use and transportation networks designed for Superstition Vistas are preliminary and conceptual in nature and will be refined through the Superstition Vistas visioning process. When the visioning process is complete, the vision will be considered in the form of an amendment to the Comprehensive Plan.
 - Future roadway corridors reflect general locations where facilities may be located. Actual alignments will be determined by future studies with the results of these studies reflected in Comprehensive Plan updates.
 - Roadway classifications shown may change due to the status of potential High Capacity Corridors.



WMIG-12

WMIG-13

EXHIBIT WMG-13

SMT INVESTORS LIMITED PARTNERSHIP
c/o COWLEY COMPANIES
625 SOUTH 5TH STREET, STE. E2
PHOENIX, AZ 85004

April 7, 2009

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P. O. Box 29006
Phoenix, AZ 85038-9006

Re: Request for Water Service from Arizona Water Company
Tax Parcel Nos.: 511-01-0128, 511-01-012D, 511-01-017B, 511-01-017C,
511-01-017D, 511-01-017G, 511-47-001E, 511-47-001F

Dear Mr. Geake:

The entities listed in the signature blocks below own or control the above-referenced property, consisting of approximately 2,241 acres and hereby request water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

We are continuing to pursue development of this property. This property is in the entitlement process, but is planned to include an overall residential density of between 4 and 5 dwelling units per acre and commercial or industrial uses along the Interstate 8 Freeway frontage. We request that Arizona Water Company confirm that it can serve the future residential units, which will likely be between 9,000 – 11,000 units in addition to the commercial uses along the freeway.

Please feel free to contact me with any questions

Sincerely,

SMT INVESTORS LIMITED PARTNERSHIP,
an Arizona limited partnership

By: MRW Management Company,
an Arizona corporation

Its: General Partner


Michael T. Cowley, Vice President

SMT INVESTORS LIMITED PARTNERSHIP
c/o COWLEY COMPANIES
625 SOUTH 5TH STREET, STE. E2
PHOENIX, AZ 85004

Far Marei, LLC,
 an Arizona limited liability company

By: _____

Its: _____

Mount Olympus Investments, LLC,
 an Arizona limited liability company

By: _____

Its: _____

Neal Management, LLC
 an Arizona limited liability company

By: *David N. Neal* *Manager*
 David Neal, Manager

ANC Irrevocable Trust dated October 18, 2004

By: *M. T. Cowley*
 Michael T. Cowley, Trustee

Cardon Family LLC
 an Arizona limited liability company

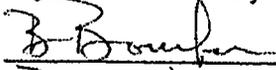
By: _____

Its: _____

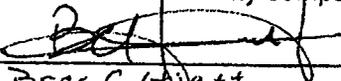
EXHIBIT WMG-13

SMT INVESTORS LIMITED PARTNERSHIP
c/o COWLEY COMPANIES
625 SOUTH 5TH STREET, STE. E2
PHOENIX, AZ 85004

Far Marel, LLC,
an Arizona limited liability company

By: 
Brent A. Bowden
Its: Manager

Mount Olympus Investments, LLC,
an Arizona limited liability company

By: 
Brock C. Watt
Its: MANAGER

Neal Management, LLC
an Arizona limited liability company

By: _____
David Neal, Manager

ANC Irrevocable Trust dated October 18, 2004

By: _____
Michael T. Cowley, Trustee

Cardon Family LLC
an Arizona limited liability company

By: _____
Its: _____

EXHIBIT WMG-13

Jeff Holt
4155 E. Maplewood Street
Gilbert, AZ 85297

February 27, 2009

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, Az 85015

Re: Request for Water Service from Arizona Water Company
511-01-099P

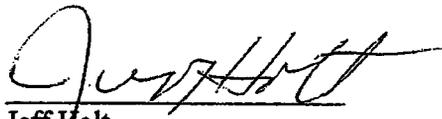
Dear Mr. Geake:

I own or control the above-referenced property and hereby request water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

I am continuing to pursue development of this property. This property is in the entitlement process. Additionally, I do not have plans for any golf courses.

Please feel free to contact me with any questions.

Sincerely,


Jeff Holt

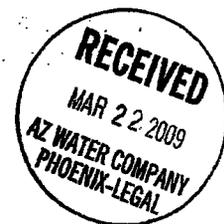


EXHIBIT WMG-13

Mr. and Mrs. Ivan & Didi Jue
786 Homeward Place
San Jose, CA 95123

February 27, 2009

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, Az 85015

Re: Request for Water Service from Arizona Water Company
511-01-099J, 511-01-099K

Dear Mr. Geake:

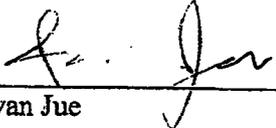
Ivan & Didi Jue own or control the above-referenced property and hereby request water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

Ivan & Didi Jue are continuing to pursue development of this property. This property is in the entitlement process. Additionally, we do not have plans for any golf courses within our development.

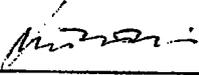
Please feel free to contact us with any questions.

Sincerely,

Ivan & Didi Jue



Ivan Jue



Didi Jue



JORDE HACIENDA
3126 East Vaughn
Gilbert, AZ 85234

March 3, 2009

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, Az 85015

Re: Request for Water Service from Arizona Water Company
500-11-016, 500-11-017, 500-11-018, 500-11-019, 500-11-020,
500-11-021, 500-18-001, 500-19-002A, 500-119-002B, 500-19-
003, 500-19-004A, 500-19-004B, 500-19-005, 500-19-006, 500-
23-003, 500-23-012, 500-23-013C, 509-02-026

Dear Mr. Geake:

We own or control the above-referenced property and hereby request water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

We are continuing to pursue development of this property. This property is in the entitlement process. Additionally, we do not have plans for any golf courses.

Please feel free to contact use with any questions.

Sincerely,

JORDE HACIENDA

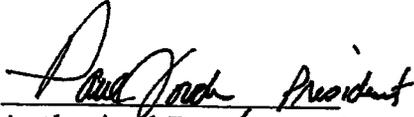
By:  President
Authorized Representative

EXHIBIT WMG-13

BET Investments
200 Witmer Road, Suite 200
Horsham, Pa 19044

February 27, 2009

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, Az 85015

Re: Request for Water Service from Arizona Water Company
500-21-001B, 500-21-001E

Dear Mr. Geake:

BET Investments owns or controls the above-referenced property and hereby requests water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

BET Investments is continuing to pursue development of this property. This property is in the entitlement process. Additionally, we do not have plans for any golf courses within our development.

Please feel free to contact us with any questions.

Sincerely,

BET INVESTMENTS, INC.
On behalf of BT Fuqua, LLC

By: Mehdi Manha
~~Authorized Representative~~
President

BET Investments

2600 Philmont Avenue, Suite 212
Huntingdon Valley, PA 19006
Phone: (215) 938-7300
Fax: (215) 938-8651

January 13, 2009

Fred Schneider, PE
Vice President, Engineering
Arizona Water Company
PO Box 29006
Phoenix, AZ 85038-9006

RECEIVED
MAR - 2 2009

ARIZONA WATER COMPANY
PHOENIX - ENGINEERING

RE: Extension of CC&N for Stanfield 60

Dear Mr. Schneider:

BET Investments, Inc., requests to be included in your next application to extend its Certificate of Convenience and Necessity in or near the intersection of Korsten and Kuqua Roads, Pinal County, Arizona, with the Arizona Corporation Commission to include an overall area of 60 acres, which is more accurately described in Attachment A and depicted on the map as Attachment B, both attached hereto. Please notify us when you have been issued a Procedural order on this extension.

Sincerely,



Scott Moore
Executive Vice President

EXHIBIT WMG-13

ATTACHMENT A

501-21-001B

The Southeast quarter of the Southeast quarter of the Southeast quarter of Section 12, Township 6 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

501-21-001E

The East half of the Southeast quarter of Section 12, Township 6 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona,

Except the North half of the Northeast quarter of the Southeast quarter and The Southeast quarter of the Southeast quarter of the Southeast quarter thereof.

ATTACHMENT B

501-21

SEC. 12, TN. 6S RG. 3E

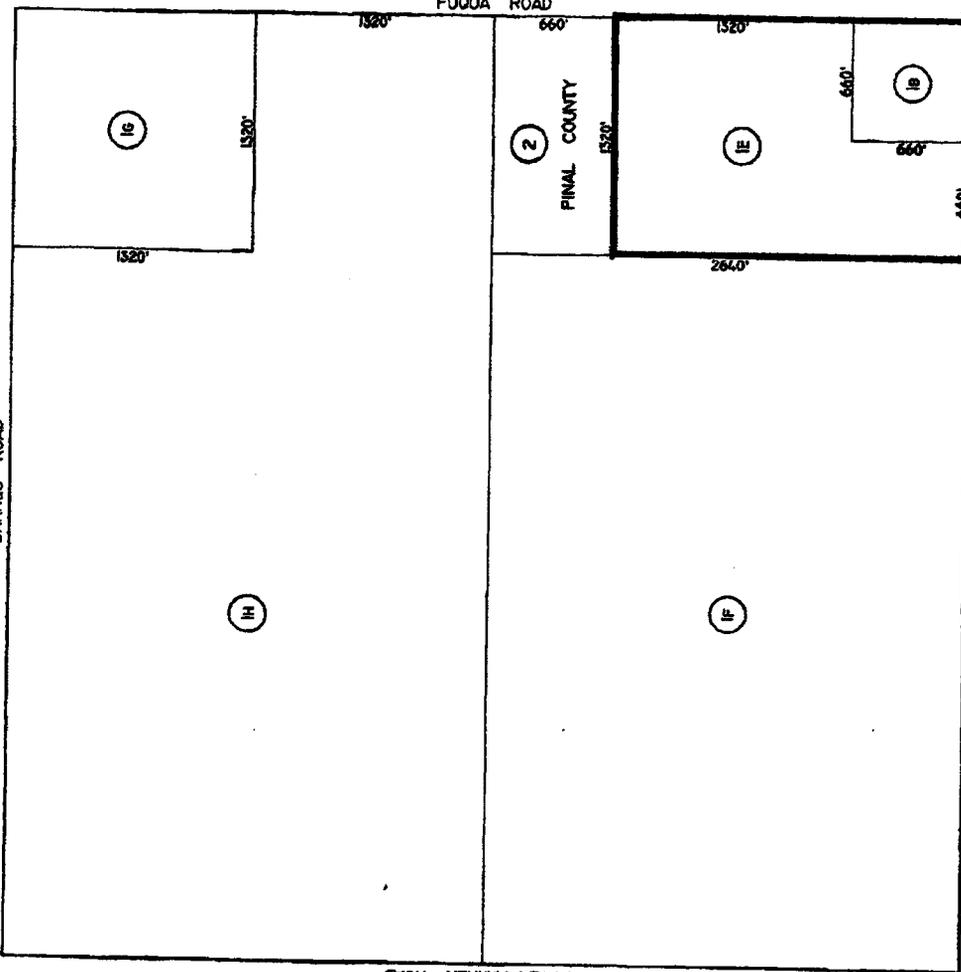
THIS MAP IS FOR TAX PURPOSES ONLY.
THIS OFFICE SHALL NOT ASSUME LIABILITY FOR
REPRESENTATIONAL IMPROPERMENTS OR ACTIONS.

SEE MAP 501-16
BARNES ROAD

SEE MAP 501-15
WHITE / HAKKER ROAD

SEE MAP 503-01

FUQUA ROAD

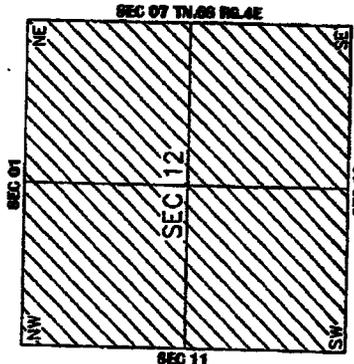


SCALE: 1" = 600'

5-30-2001

PINAL COUNTY ASSESSORS MAP

VICINITY MAP



Janice K. Brewer
Governor

Mark Winkleman
State Land
Commissioner

ARIZONA STATE  LAND DEPARTMENT

April 8, 2009

Arizona Water Company
Robert W. Geake, Vice President and General Counsel
P.O. Box 29006
Phoenix, AZ 85038-9006

RE: Request to include Arizona State Trust Land within your proposed CC&N

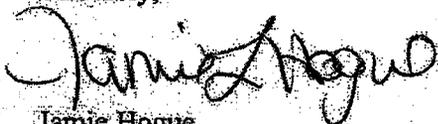
Mr. Geake:

On February 20, 2009, you notified the Arizona State Land Department of your application to the Arizona Corporation Commission (ACC) to include State Trust Lands in your proposed CC&N extension.

After considering comments from within the agency, it has been determined to be in the best interest for State Trust Land to be included in a certificated area. However, we wish to remain neutral as to who the service provider should be, so we leave the decision to the ACC.

If you have any questions, please contact Cynthia Stefanovic, Water Rights and Agriculture Section at (602)542-2669.

Sincerely,



Jamie Hogue
Deputy State Land Commissioner

HAK/

EXHIBIT WMG-13

**Carranza Associates
1501 Westcliff Dr., #280
Newport, CA 92660**

February 27, 2009



Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, Az 85015

Re: Request for Water Service from Arizona Water Company
500-16-001B

Dear Mr. Geake:

Carranza Associates owns or controls the above-referenced property and hereby requests water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

Carranza Associates is continuing to pursue development of this property. This property is in the entitlement process. Additionally, we do not have plans for any golf courses within our development.

Please feel free to contact us with any questions.

Sincerely,

CARRANZA ASSOCIATES

By: _____

A handwritten signature in black ink, appearing to be "B. Carranza", written over a horizontal line.

Authorized Representative

EXHIBIT WMG-13

Date: 4/21/09

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, Az 85015

Re: Request for Water Service from Arizona Water Company
Parcel No.

Dear Mr. Geake:

Bingham Arizona LLC owns or controls the above-referenced property and hereby requests water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

Sincerely,

By: 
Authorized Representative



BTS HOLDINGS
5040 West Post Road, Suite 100
Las Vegas, NV 89118

March 25, 2009

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, Az 85015

Re: Pinal County Assessor's
Parcel No. 500-11-024

Dear Mr. Geake:

BTS Holdings owns or controls the above-referenced property. We request that this property be included in Arizona Water Company's certificate of convenience and necessity area through its application pending in Arizona Corporation Commission Docket No. W-01445A-06-0199 (consolidated).

Please feel free to contact us with any questions.

Sincerely,

BTS HOLDINGS

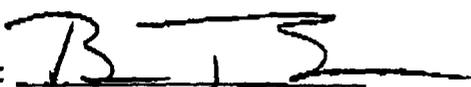
By: 
Authorized Representative

EXHIBIT WMG-13



May 6, 2009

Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, AZ 85015

RE: Request for Water Service from Arizona Water Company

Dear Mr. Geake:

Langley Stanfield Estates owns the property attached hereto as Exhibit "A" and we hereby request water service from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area. Langley Stanfield Estates, LLC has a current need for this service for this property.

Langley Stanfield Estates, LLC will continue to pursue development for this property. We are currently in the process of land use planning and entitlement. Additionally, we do not have plans for any golf courses.

If you have any questions regarding this matter, please do not hesitate to contact our office.

Sincerely,

Langley Stanfield Estates, LLC

By: Langley Farm Investments, LLC
Its: Manager

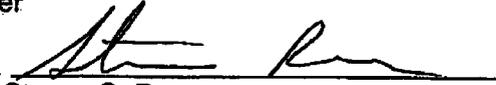
By: 
Steven G. Rees
Its: Manager

EXHIBIT WMG-13

Exhibit "A"
Legal Description

PARCEL NO. 1:

The West Half of the South Half of the South Half of Section 3, Township 7 South, Range 4 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

PARCEL NO. 2:

Lots 3 and 4; AND the West Half of the North Half of the South Half of Section 3, Township 7 South, Range 4 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

EXCEPT all coal and other mineral deposits, as reserved in the Patent from the United States of America.

Hampden & Chambers
Bevnorm Olive
911 Hildebrand Lane
Suite 203
Bainbridge Island, WA 98110

Date: 5/7/2009

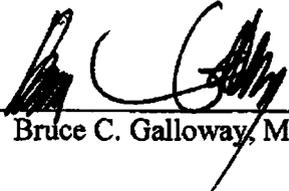
Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, AZ 85015

Re: Request for Water Service from Arizona Water Company
Parcel No. 500-14-001b, 500-14-001c, 500-14-001d, 500-14-002^B, 500-14-002c,
500-60-001a, 500-60-001b, 500-60-002, 500-60-003, 500-60-004, 500-60-005

Dear Mr. Geake:

Hampden and Chambers LLC and BevNorm Olive LLC, both entities managed by Bruce C. Galloway, owns or controls the above-referenced property and hereby requests water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

Sincerely,

By: 

Bruce C. Galloway, Manager

Hampden & Chambers
Bevnorm Olive
911 Hildebrand Lane
Suite 203
Bainbridge Island, WA 98110

Date: 5/7/2009

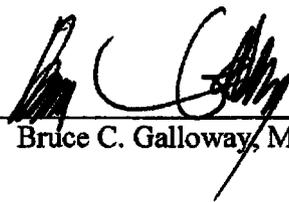
Arizona Water Company
Attn: Robert W. Geake
Vice President & General Counsel
P.O. Box 29006
Phoenix, AZ 85015

Re: Request for Water Service from Arizona Water Company
Parcel No. 500-14-001b, 500-14-001c, 500-14-001d, 500-14-002^B, 500-14-002c,
500-60-001a, 500-60-001b, 500-60-002, 500-60-003, 500-60-004, 500-60-005

Dear Mr. Geake:

Hampden and Chambers LLC and BevNorm Olive LLC, both entities managed by Bruce C. Galloway, owns or controls the above-referenced property and hereby requests water service for this property from Arizona Water Company and for the property to be included in Arizona Water Company's certificate of convenience and necessity area.

Sincerely,

By: 
Bruce C. Galloway, Manager

WMIG-14

WMIG-15



City of Casa Grande

June 23, 2008

Chairman Mike Gleason
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

RE: Docket Nos. W-01445A-06-0199; W-03576A-05-0926; and SW-03575A-05-0926: Arizona Water Company, Global Water-Santa Cruz Water Company and Global Water-Palo Verde Utilities Company; Docket No. W-01445A-04-0743: Application for CCN Extension – CMR/Casa Grande, LLC

Dear Chairman Gleason:

The City of Casa Grande (the "City") is pleased that Arizona Water Company and Global Water Resources, LLC have reached an agreement resolving water service and planning issues that affect areas in and near the City. The logical boundaries for water service and planning areas they have identified are sensible and deserve the Commission's support and approval.

The City supports the amended applications for Certificates of Convenience and Necessity ("CNN") recently filed with the Arizona Corporation Commission (the "Commission") by Arizona Water Company and Santa Cruz Water Company referred to above. In addition, the City fully supports the planning efforts of Arizona Water Company and Santa Cruz Water Company, including the Planning Areas identified by each of these utilities.

The State of Arizona's "Growing Smarter and Growing Smarter Plus" mandates (Arizona Revised Statute §9-461, et seq.), require the City to prepare and adopt a General Plan to address the City's needs concerning growth and growth management. The Water Resources Element is a key component of the City's General Plan. Clearly, Arizona Water Company and Santa Cruz Water Company, the principal public utility water service providers within the City's planning area (see enclosed City planning map), are in the best position to develop water resource master plans, and to plan for and implement long-range water supply strategies to meet and manage such growth needs.

The City supports the coordinated efforts between Arizona Water company and Global's wastewater company, Palo Verde Utilities Company, to provide for the beneficial use of reclaimed water within Arizona Water Company's Planning Area, as well as similar efforts between Santa Cruz Water Company and Palo Verde Utilities Company, and the City is currently working with Arizona Water Company on the coordinated use of reclaimed water within the City's wastewater service area.

Mike Gleason, Chairman, ACC
RE: Arizona Water Company
June 23, 2008
Page 2

Therefore, the City urges the Commission to approve the amended CCN applications and Planning Areas of Arizona Water Company and Santa Cruz Water Company, and thereby advance the public policy objectives these utilities will achieve by effectively planning and providing for future water needs related to population growth within the City and surrounding areas.

Sincerely,



Bob Jackson
Mayor

JVT:cr

cc: Commissioner Jeff Hatch-Miller, ACC
Commissioner William Mundell, ACC
Commissioner Kristin K. Mayes, ACC
Commissioner Gary Pearce, ACC
Docket Control, ACC
City Council, City of Casa Grande
Jim Thompson, City Manager, City of Casa Grande
Kevin Louis, Public Works Director, City of Casa Grande

Attachment

WMIG-16

EXHIBIT WMG-16

**Arizona Department of Water Resources
Water Provider Compliance Status Report**

Water System Name: ARIZONA WATER COMPANY – COOLIDGE

Water System ID #: ADWR #56-001308.0000; PWS #11-014

Compliance Status:

<i>Requirement</i>	<i>In compliance</i>	<i>Not in Compliance</i>	<i>Not yet determined</i>	<i>Not Applicable</i>
Annual water use reports within AMAs and INAs (if using non-exempt wells)	X			
Annual report for community water systems outside of AMAs				X
Annual assured or adequate water supply reports for designated providers				X (Undesignated provider)
Designation of assured or adequate water supply in good standing for designated providers				X
System water plan	X			
Management plan requirements within AMAs 1) Lost and unaccounted for water <10% of total use for large providers <15% of total use for small providers 2) Annual submittal of updated service area and distribution maps 3) NPCCP requirements are met 4) GPCD requirements are met 5) ACP requirements are met 6) Individual user requirements are met	1:X (L&U for water % has been Continuously in compliance since 2004) 2:X 6:X			3 – 5: X
Well permit volumes within AMAs	X			
Type I and II grandfathered right limits within AMAs	X			

EXHIBIT WMG-16

Maintenance of accurate measuring devices within AMAs and INAs	X			
Groundwater transportation restrictions				X
Approval of deliveries of groundwater to other providers within AMAs				X

Comments: As of May 1, 2009, ADWR has determined that Arizona Water Company – Coolidge (ADWR # 56-001308.0000) is currently in compliance with departmental requirements governing water providers and/or community water systems. If you have any additional questions or concerns regarding this matter please contact Andrew Craddock, Compliance Committee Chair at (602) 771-8615.

Completed by:

Program	Reviewed	Not applicable	Name	Phone	Date
AMA Office	X		Andrew Craddock	602-771-8615	5/1/09
Office of Assured & Adequate Water Supply		X	Rick Obenshain	602-771-8622	5/1/09
Community Water Planning	X		Melanie Ford	602-771-8442	5/1/09

This compliance status report does not guarantee the water availability for this system, nor does it reflect the status of any other water system owned by this utility company.

Frederick K. Schneider

1 **COMMISSIONERS**

2 Kristin K. Mayes – Chairman
3 Gary Pierce
4 Paul Newman
5 Sandra D. Kennedy
6 Bob Stump

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 9 10 11	IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY. AT CASA GRANDE, PINAL COUNTY, ARIZONA	DOCKET NO. W-01445A-06-0199
12 13	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-05-0926
14 15 16	IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	DOCKET NO. W-03576A-05-0926
17 18	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-07-0300
19 20 21	IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	DOCKET NO. W-03576A-07-0300
22 23 24	ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, COMPLAINANT, VS.	DOCKET NO. W-01445A-06-0200 DOCKET NO. SW-20445A-06-0200 DOCKET NO. W-20446A-06-0200 DOCKET NO. W-03576A-06-0200 DOCKET NO. SW-03575A-06-0200
25 26 27 28	GLOBAL WATER RESOURCES, LLC, A FOREIGN LIMITED LIABILITY COMPANY; GLOBAL WATER RESOURCES, INC., A DELAWARE CORPORATION; GLOBAL WATER MANAGEMENT, LLC, A FOREIGN LIMITED LIABILITY COMPANY; SANTA CRUZ WATER	

1 COMPANY, LLC, AN ARIZONA LIMITED
2 LIABILITY CORPORATION; PALO VERDE
3 UTILITIES COMPANY, LLC, AN ARIZONA
4 LIMITED LIABILITY CORPORATION; GLOBAL
5 WATER – SANTA CRUZ WATER COMPANY, AN
6 ARIZONA CORPORATION; GLOBAL WATER –
7 PALO VERDE UTILITIES COMPANY, AN
8 ARIZONA CORPORATION; JOHN AND JANE
9 DOES 1-20; ABC ENTITITES I-XX,
10
11 RESPONDENTS.

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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. W-01775A-07-0485
DOCKET NO. SW-03575A-07-0485
DOCKET NO. W-20442A-07-0485
DOCKET NO. W-03576A-07-0485

**REBUTTAL TESTIMONY OF FREDRICK K. SCHNEIDER
ON BEHALF OF ARIZONA WATER COMPANY**

Q. PLEASE GIVE US 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.

**Q. ARE YOU THE SAME FREDRICK K. SCHNEIDER WHO PROVIDED
PREPARED TESTIMONY EARLIER IN THIS PROCEEDING?**

A. Yes, I am.

1 Q. WILL YOU BE SPONSORING ANY EXHIBITS WITH YOUR REBUTTAL
2 TESTIMONY?

3
4 A. Yes. I will be sponsoring the exhibit listed below. The exhibit follows the Direct
5 Testimony Exhibit List in tabbed order:

6
7 FKS-3 Pinal Valley Water System Master Plan.

8
9 This exhibit was prepared by Arizona Water Company Staff under my
10 supervision and direction.

11
12 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

13
14 A. The primary purpose of my rebuttal testimony is to rebut the direct testimony and
15 recommendations of Commission Staff witnesses regarding approval of CCN
16 extensions and planning areas specifically as to engineering and construction
17 issues.

18
19 1. STAFF'S RECOMMENDATIONS WOULD RESULT IN A DISCONNECTED
20 PATCHWORK OF ISOLATED CCN AREAS

21
22 Q. AS NOTED IN ROBERT G. GRAY'S AND LINDA A. JARESS' TESTIMONY,
23 STAFF IS RECOMMENDING THAT THE COMMISSION APPROVE LIMITED,
24 DISCONNECTED AND ISOLATED CCN EXTENSIONS FOR ARIZONA
25 WATER COMPANY AND GLOBAL WATER. DO YOU AGREE WITH STAFF'S
26 RECOMMENDATIONS?

1 A. No, I do not. Staff's recommendations are short-sighted. The property owners,
2 developers and Arizona Water Company are proceeding to plan, install and
3 utilize infrastructure to serve a variety of projects. Staff's piecemeal or patchwork
4 approach to granting CCN areas will require a larger distribution system to be
5 installed upfront with the first few projects, with a strong possibility that a
6 patchwork of isolated CCN areas may be susceptible to diminished water quality
7 and reliability.

8
9 **Q. HOW WOULD GRANTING A PATCHWORK OF ISOLATED CCN AREAS**
10 **RESULT IN DIMINISHED WATER QUALITY AND RELIABILITY AND LARGER**
11 **DISTRIBUTION SYSTEM COSTS?**

12
13 A. An important component in planning, designing, and constructing the water
14 distribution system facilities is to ensure that such facilities are capable of
15 providing water at flows and pressures needed to meet customer needs and, for
16 public fire fighting purposes. These required fire flows can be substantial.
17 Larger flows in a single feed waterline distribution system (i.e., not looped) can
18 lead to considerable head losses, thereby reducing system pressures and
19 degrading fire flows. To overcome these significant head losses, larger diameter
20 waterlines would be required. If a water utility can only plan to provide service to
21 a isolated patchwork of CCN areas and not the surrounding properties, the
22 distribution system must be larger in diameter than with larger, continuous and
23 contiguous CCN areas comprising several adjacent properties. In order to
24 provide service to a patchwork CCN of areas from a single delivery point, this
25 design requirement will result in distribution systems that are not looped, a
26 leading cause of aged water (i.e. poor water quality) and long dead-end mains.
27 When a single pipeline leaks or ruptures, requiring a shutdown for repairs,
28

1 customers dependent on that pipeline for their water service will be without water
2 service and fire protection until the pipeline is repaired and service is restored.

3
4 **Q. HOW WOULD A LARGER, CONTINUOUS, AND CONTIGUOUS CCN AREA**
5 **CHANGE THIS?**

6
7 A. A larger, continuous and contiguous CCN area would allow Arizona Water
8 Company, home builders, developers and property owners to better plan the
9 infrastructure needed to serve such areas and to implement a plan which
10 provides for the construction of more efficiently sized waterlines and the looping
11 of distribution pipelines to avoid long dead-end mains. These CCN areas could
12 also be better planned by designing and strategically locating larger, centralized
13 storage tanks, booster stations, and treatment facilities to serve a wider
14 geographic area than just the patchwork of isolated CCN's.

15
16 **Q. CAN YOU PROVIDE AN EXAMPLE OF THE INFRASTRUCTURE REQUIRED**
17 **TO SERVE A PATCHWORK OF FOUR ISOLATED CCN AREAS VERSUS A**
18 **SINGLE LARGER, CONTINUOUS AND CONTIGUOUS CCN AREA AS**
19 **ARIZONA WATER COMPANY PROPOSES?**

20
21 A. Yes. For the purpose of this answer, assume that there are four isolated CCN
22 areas which would each require its own individual supply, treatment, storage, and
23 pumping facilities. By combining these same four isolated CCN areas, a
24 coordinated master plan approach could be used to reduce or eliminate
25 redundant facilities that would otherwise be required. As an example, using the
26 Staff's recommended approach and assuming an average size development of
27 70 acres, an average density of 3 units per acre, fire flow requirement of 1500
28 gpm for two hours duration, each isolated development would require a separate

1 250,000 gallon storage tank, two wells to meet ADEQ's capacity requirements, a
2 booster station, and possibly separate water treatment facilities. The estimated
3 cost for each item is listed below:

- 4
- 5 • Four 250,000 gallon storage tanks at \$250,000.00 each = \$1,000,000.00
- 6 • Eight production wells at \$800,000.00 each = \$6,400,000.00
- 7 • Four booster stations at \$350,000.00 each = \$1,400,000.00
- 8 • Four Arsenic Treatment facilities at \$750,000.00 each = \$3,000,000.00
- 9 • Total = \$11,800,000.00

10

11 Arizona Water Company's approach to regional master planning for development
12 and the approval of larger, continuous and contiguous CCN areas, would
13 combine each of these four developments and would need only a single booster
14 station, storage tank, and, if necessary, centralized treatment facility. The
15 number of wells required would also be reduced from eight smaller capacity wells
16 to two larger more efficient production wells that Arizona Water Company
17 typically constructs. The estimated cost for each item is listed below:

- 18
- 19 • One 300,000 gallon storage tanks at \$300,000.00 each = \$300,000.00
- 20 • Two production wells at \$1,400,000.00 each = \$2,800,000.00
- 21 • One booster stations at \$400,000.00 each = \$400,000.00
- 22 • Arsenic Treatment facility at \$1,000,000.00 each = \$1,000,000.00
- 23 • Total = \$4,500,000.00

24

25 This example demonstrates the benefits of Arizona Water Company's approach
26 to larger, continuous, and contiguous CCN areas where developers, home
27 builders, Arizona Water Company and customers would enjoy significantly
28 reduced costs and more reliable service.

1 In addition, the on-going, costs of labor and overhead required to operate a
2 regional water system would be significantly lower due to the reduced number of
3 personnel required to operate and maintain fewer facilities, less driving time to
4 and from multiple sites and fewer components to repair, maintain, replace, and
5 manage.

6
7 **Q. IS THIS WHAT THE COMPANY'S PINAL VALLEY WATER MASTER PLAN**
8 **ACCOMPLISHES?**

9
10 **A.** Yes, it is. Arizona Water Company completed the Pinal Valley Water Master
11 Plan on July 7, 2005. Since then, it has been updated several times, most
12 recently February 26, 2009 as provided to Staff as part of Data Request BG 8.5.,
13 and attached to this testimony as Exhibit FKS-3. The Master Plan is a detailed
14 and comprehensive document detailing locations and sizing of water distribution
15 infrastructure facilities, and volumes and locations of wells and storage tanks
16 needed to provide service within the Company's Pinal Valley Planning Area. The
17 Master Plan also includes detailed infrastructure cost projections. Customer
18 water demands in the planning areas were estimated using City of Casa Grande
19 and Pinal County planning and zoning maps and their respective population
20 growth planning area data. The Master Plan details the facilities required to
21 provide service to this planning area for the next 50 years.

22
23 **Q. WHAT OTHER WAYS WOULD THE COMMISSION'S APPROVAL OF**
24 **ARIZONA WATER COMPANY'S CCN AND PLANNING AREA HELP THE**
25 **COMMUNITY?**

26
27 **A.** Arizona Water Company invests a significant amount of time and effort in the
28 master planning of its systems as evidenced by its Pinal Valley Water Master

1 Plan. Arizona Water Company works very closely with the communities it serves
2 so that Arizona Water Company's water system and water supply planning
3 support the communities' own plans for new home building and development.
4 Arizona Water Company meets and confers often with city and county staff in the
5 communities where it serves. A good example of this is Arizona Water
6 Company's recent participation in developing the Reclaimed Water Use
7 Conceptual Master Plan for the City of Casa Grande and the Arizona Water
8 Company Pinal Valley Planning Area final report completed in March 2008. In
9 furtherance of the Commission's expectations, the Company took a proactive
10 approach in this important water supply planning effort, just as it has with other
11 communities' master plans and development studies. The Reclaimed Water
12 Master Plan was completed by the City's consultant with the Company providing
13 significant input and resources. The two parties shared data needed to complete
14 this important water supply plan.

15
16 **Q. WHAT DISADVANTAGES WOULD PROPERTY OWNERS EXPERIENCE IF**
17 **STAFF'S RECOMMENDATIONS ARE ADOPTED?**

18
19 A. As current economic conditions improve, home builders, property owners and
20 developers who plan to move forward with their developments will be required to
21 have Arizona Water Company separately undertake the lengthy and difficult CCN
22 application process at a later date, further delaying their projects and hindering
23 the plans of local communities. For many of these projects, time becomes the
24 most important factor. Many of the property owners are longtime farmers and
25 their land is their investment. If, as Staff recommends, their property is excluded
26 from Arizona Water Company's CCN extension in this proceeding, they will suffer
27 further unnecessary delays and both the communities and the utility's ability to
28 lay out sensible and timely advance development planning will be frustrated.

1 Q. WHAT DISADVANTAGES WOULD THE COMMUNITY EXPERIENCE FROM
2 STAFF'S RECOMMENDATIONS?

3
4 A. Many developments in the requested CCN areas have been or will be annexed
5 into an existing municipality. With any responsible municipality, forward planning
6 is the key to implementation of the municipalities' "vision". Without a water
7 solution, municipalities will have a difficult time developing accurate land use
8 planning that includes the location of water and wastewater facilities.
9 Additionally, a municipality may have to accept an unproven utility unable to
10 properly plan for the future, without the technical and financial ability to
11 implement the required infrastructure. Mr. Garfield discusses this significant
12 problem in his rebuttal testimony.

13
14 2. THE ORIGINAL SERVICE REQUESTS CONTINUE TO DEMONSTRATE THE
15 NEED FOR WATER SERVICE IN THE PROPOSED ARIZONA WATER
16 COMPANY'S CCN AREAS IDENTIFIED IN THE SETTLEMENT AGREEMENT

17
18 Q. DO YOU AGREE WITH STAFF THAT THE ORIGINAL REQUESTS FOR
19 SERVICE ARE VOID AND MUST BE RENEWED?

20
21 A. Absolutely not. The individuals and companies who presented the original
22 requests for service have neither withdrawn those requests nor opposed
23 including their property or the surrounding areas in the requested CCN. The fact
24 that many of these individuals and companies are struggling because of the
25 current economic downturn does not mean that their developments are
26 permanently abandoned. On the contrary, not only is Staff's assumption that
27 these requests for service are "stale" without any evidentiary support, but
28

1 excluding their properties from Arizona Water Company's CCN will only delay
2 their projects further and greatly compound the economic harm already caused
3 by the recession.
4

5 **Q. ARE YOU AWARE OF STAFF EVER TAKING THE POSITION THAT A**
6 **REQUEST FOR SERVICE IS STALE AND THEREFORE INVALID?**
7

8 **A.** No, I am not. During my tenure with private utilities over the past 10 years, this is
9 the first time that this issue has been raised by Staff. Mr. Garfield discusses this
10 in detail in his rebuttal testimony.
11

12 **3. CONCERNS REGARDING A LOWER COST PROVIDER**
13

14 **Q. THE STAFF REPORT CONCLUDES THAT GRANTING ARIZONA WATER**
15 **COMPANY ITS REQUESTED CCN AREA MAY PROHIBIT A LOWER COST**
16 **WATER PROVIDER FROM ENTERING THE MARKET. DO YOU AGREE?**
17

18 **A.** No, that is just not realistic. A significant cost of providing water service is labor
19 and infrastructure construction costs. I explained earlier in my testimony about
20 the infrastructure construction cost example of four separate developments
21 versus a larger master planned development herein, the opposite is true. With
22 Arizona Water Company serving much of the nearby area in Pinal Valley, a new
23 water company would lack Arizona Water Company's economy of scale and
24 experience in serving new customers and would not have a cost of service lower
25 than Arizona Water Company's. Actual experience at the Commission is that
26 new water service providers propose rates that are much higher than the rates of
27 established providers.
28

1 **Q. WHAT IS THE BASIS FOR YOUR CONCLUSION?**

2
3 A. Arizona Water Company has a significant employee base that can be utilized
4 to provide the needed operator and customer service staff, and would
5 have significantly lower costs of service than a new, start-up water provider.
6 Arizona Water Company's three Pinal Valley water systems already benefit from
7 a consolidated management team and sharing of staffing, materials and other
8 company resources.

9
10 Additionally, Arizona Water's Company's infrastructure construction requirements
11 and related costs would be lower than a new start-up water provider. Arizona
12 Water Company's existing distribution, production, storage, and fire flow
13 capabilities would be utilized to provide an integrated system capable of
14 providing superior and reliable service. A smaller start-up water provider in the
15 midst of Arizona Water Company's Pinal Valley Service Area would have to
16 construct distribution, production, treatment, and storage facilities as well as fund
17 the costs of additional facilities to match Arizona Water Company's existing
18 capabilities and system reliability. Sound forward planning policies favor strong
19 regional water utilities like Arizona Water Company that have the scale of
20 operations and resources to provide safe, reliable service to existing customers
21 and to meet public water supply requirements in the future.

22
23 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY IN THIS MATTER?**

24
25 A. Yes, it does.
26
27
28

FKS-3

