

Snell & Wilmer  
LLP  
LAW OFFICES

One Arizona Center  
400 East Van Buren Street  
Suite 1900  
Phoenix, Arizona 85004-2202  
602.382.6000  
602.382.6070 (Fax)  
www.swlaw.com

Jeffrey W. Crockett  
602.382.6234  
jcrockett@swlaw.com

**HAND DELIVERED**

Kristin K. Mayes, Chairman  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

**Re: Status of Johnson Utilities, LLC: CAGR D Adjustor Mechanism (Docket No. WS-02987A-08-0180)**

Dear Chairman Mayes:

This letter will serve as a status report of the form and operation of the Central Arizona Groundwater Replenishment District ("CAGR D") adjustor mechanism, and collection of the CAGR D fee, that was approved by the Arizona Corporation Commission ("ACC" or "Commission") in its recent Decision 71854. As you are aware, there has been confusion between Utilities Division Staff ("Staff"), the Central Arizona Water Conservation District ("CAWCD") and the Arizona Department of Water Resources ("ADWR") regarding the determination of the CAGR D replenishment obligation and the corresponding cost to Johnson Utilities. The CAWCD and ADWR came to an understanding many years ago that all groundwater pumped in a member service area would have a replenishment obligation. A dispute has arisen as to whether the replenishment obligation is limited to only all groundwater **delivered** to end user, or to all groundwater **pumped** (emphasis added). If the Commission determines that the appropriate replenishment obligation is that of water delivered, such distinction would result in significant under-recovery of CAGR D fees paid by the members and those amounts recovered from ratepayers.

In response, Johnson Utilities has been working diligently with Staff, CAWCD and ADWR to resolve this confusion. The parties are in the process of setting up a meeting with Mr. Cliff Neal, Manager, Planning and Replenishment, CAWCD, Mr. Douglas W. Dunham, Manager, Assured & Adequate Water Supply Programs, Water Management Division, ADWR, Mr. Steve Olea, Director of Utilities Division, ACC, and representatives from Johnson Utilities.

OPEN MEETING AGENDA ITEM

ORIGINAL

RECEIVED

2010 NOV 19 P 4:44

AZ CORP COMMISSION  
DOCKET CONTROL

November 19, 2010



0000120185

LOS CABOS  
ORANGE COUNTY  
PHOENIX  
SALT LAKE CITY  
TUCSON

Arizona Corporation Commission  
DOCKETED

NOV 19 2010

DOCKETED BY [Signature]

Chairman Kristin Mayes  
ARIZONA CORPORATION COMMISSION  
November 19, 2010  
Page 2

It is our understanding that Mr. Olea is not available for such a meeting until the week of December 6, 2010.

Once the parties reach a mutual resolution and understanding as to what constitutes the proper CAGR charge to be assessed to the members and ultimately ratepayers, Johnson Utilities will file an updated status report within five (5) business days. Until such charge is identified, it would be premature for the Commission to set the CAGR adjustor.

As always, if you have any questions, please contact me at your convenience at the direct line listed above.

Very truly yours,

SNELL & WILMER



Jeffrey W. Crockett

JWC:gb

Original and 13 copies filed with Docket Control.

Copies hand delivered to:  
Gary Pierce, Commissioner  
Paul Newman, Commissioner  
Sandra D. Kennedy, Commissioner  
Bob Stump, Commissioner  
Ernest Johnson, Executive Director  
Steve Olea, Director, Utilities Division