

OPEN MEETING ITEM



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PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



ARIZONA CORPORATION COMMISSION

2010 DEC 22 P 3: 00

DATE: DECEMBER 22, 2010

AZ CORP COMMISSION
DOCKET CONTROL

DOCKET NOS.: W-01445A-06-0199, SW-03575A-05-0926, W-03576A-05-0926,
SW-03575A-07-0300, W-03576A-07-0300, W-01445A-06-0200,
SW-20445A-06-0200, W-20446A-06-0200, W-03576A-06-0200,
SW-03575A-06-0200, WS-01775A-07-0485,
SW-03575A-07-0485, W-02442A-07-0485, and W-03576A-07-0485.

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Yvette B. Kinsey. The recommendation has been filed in the form of an Opinion and Order on:

ARIZONA WATER COMPANY, PALO VERDE UTILITIES COMPANY, SANTA CRUZ WATER COMPANY, GLOBAL WATER RESOURCES, LLC, CP WATER COMPANY and FRANCISCO GRANDE UTILITIES (CC&N EXTENSION/COMPLAINT/TRANSFER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JANUARY 3, 2011

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

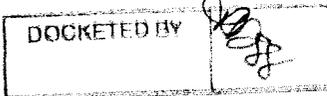
JANUARY 11, 2011 and JANUARY 12, 2011

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

DEC 22 2010



ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES - Chairman
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF
9 ARIZONA WATER COMPANY FOR AN
10 EXTENSION OF ITS EXISITNG CERTIFICATE
11 OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-01445A-06-0199

12 IN THE MATTER OF THE APPLICATION OF
13 PALO VERDE UTILITIES COMPANY FOR AN
14 EXTENSION OF ITS EXISTING CERTIFICATE
15 OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-05-0926

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

DOCKET NO. W-03576A-05-0926

20 IN THE MATTER OF THE APPLICATION OF
21 PALO VERDE UTILITIES COMPANY FOR AN
22 EXTENSION OF ITS EXISTING CERTIFICATE
23 OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-07-0300

24 IN THE MATTER OF THE APPLICATION OF
25 SANTA CRUZ WATER COMPANY FOR AN
26 EXTENSION OF ITS CERTIFICATE OF
27 CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-07-0300

28 ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION,

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

COMPLAINANT,

VS.

29 GLOBAL WATER RESOURCES, LLC, A
30 FOREIGN LIMITED LIABILITY COMPANY;
31 GLOBAL WATER RESOURCES, INC., A
32 DELAWARE CORPORATION; GLOBAL
33 WATER MANAGEMENT, LLC, A FOREIGN
34 LIMITED LIABILITY COMPANY; SANTA
35 CRUZ WATER COMPANY, LLC, AN ARIZONA
36 LIMITED LIABILITY CORPORATION; PALO
37 VERDE UTILITIES COMPANY, LLC, AN
38 ARIZONA LIMITED LIABILITY

1 CORPORATION; GLOBAL WATER – SANTA
2 CRUZ WATER COMPANY, AN ARIZONA
3 CORPORATION; GLOBAL WATER – PALO
4 VERDE UTILITIES COMPANY, AN
5 ARIZONA CORPORATION; JOHN AND JANE
6 DOES 1-20; ABC ENTITIES I-XX,

RESPONDENTS.

7 IN THE MATTER OF THE JOINT
8 APPLICATION OF CP WATER COMPANY
9 AND FRANCISCO GRANDE UTILITIES
10 COMPANY TO TRANSFER THEIR
11 CERTIFICATES OF CONVENIENCE AND
12 NECESSITY AND ASSETS TO PALO VERDE
13 UTILITIES COMPANY AND SANTA CRUZ
14 WATER COMPANY.

DOCKET NO. WS-01775A-07-0485
DOCKET NO. SW-03575A-07-0485
DOCKET NO. W-02442A-07-0485
DOCKET NO. W-03576A-07-0485

DECISION NO. _____

OPINION AND ORDER

10 DATES OF HEARING: June 8 and 9, 2009
11 PLACE OF HEARING: Phoenix, Arizona
12 ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes¹
13 APPEARANCES: Mr. Steven Hirsch and Mr. Rodney Ott, BRYAN
14 CAVE, LLP, and Mr. Robert W. Geake, on behalf of
15 Arizona Water Company;
16 Mr. Timothy Sabo, ROSHKA, DEWULF & PATTEN,
17 PLC, on behalf of Palo Verde Utilities and Santa Cruz
18 Water Company; and
19 Mr. Charles Hains, Staff Attorney, Legal Division, on
20 behalf of the Utilities Division of the Arizona
21 Corporation Commission.

BY THE COMMISSION:

* * * * *

21 Having considered the entire record herein and being fully advised in the premises, the
22 Commission finds, concludes, and orders that:

FINDINGS OF FACT

I. PROCEDURAL HISTORY

1. Global-Santa Cruz Water Company, LLC (“Global-Santa Cruz”) and Global-Palo

¹ Administrative Law Judge Dwight D. Nodes conducted the hearing in this matter. The Recommended Opinion and Order was drafted by Administrative Law Judge Yvette B. Kinsey.

1 Verde Utilities (“Global-Palo Verde”) (collectively “the Global Utilities”)² filed the first of a series of
 2 competing Certificate of Convenience and Necessity (“CC&N”) extension applications with the
 3 Arizona Corporation Commission (“Commission”) on December 28, 2005.³ The Global Utilities are
 4 limited liability corporations owned by Global Water Resources, LLC (“GWR”). At the time the
 5 application was filed, Global-Santa Cruz served approximately 9,650 water customers and Global-
 6 Palo Verde served more than 9,500 wastewater customers.⁴

7 2. The CC&N extension application requested an extension of the Global Utilities’
 8 respective water and wastewater CC&Ns to include more than 69 square miles in the Maricopa/Casa
 9 Grande geographic areas in Pinal County.⁵ The application proposed extending Global-Santa Cruz’s
 10 CC&N to include 19,300 acres, or 30 sections of land, and to include 26,000 acres, or 40 sections of
 11 land, in Global-Palo Verde’s CC&N.⁶ The proposed service area for Global-Palo Verde was larger
 12 because the application requested approval to provide wastewater service in some areas where
 13 Arizona Water Company (“AWC”) currently holds a CC&N to provide water service.⁷ According to
 14 the application, the Global Utilities planned to serve several proposed master planned communities
 15 within portions of the extension areas.⁸ The Global Utilities’ application acknowledged that AWC’s
 16 CC&N was located within the proposed extension area, but indicated that Global-Santa Cruz was not
 17 requesting an extension into AWC’s certificated area. However, Global-Santa Cruz stated that it *may*
 18 seek to serve the AWC areas where Global-Palo Verde had wastewater requests for service in order
 19 to provide a more integrated approach in the proposed extension areas.⁹ The Global Utilities’
 20 application included 52 requests for service, covering 100 percent of the requested extension area.¹⁰

21 3. On March 29, 2006, AWC filed an application with the Commission for an extension
 22 of its Casa Grande system CC&N, to include virtually the same areas requested in the Global
 23

24 ² In Decision No. 69920 (September 27, 2007), the Commission approved the requests of Palo Verde Utilities Company,
 25 LLC, and Santa Cruz Water Company, LLC, to transfer their respective assets and CC&Ns to the newly formed
 corporations known as Global Water-Palo Verde and Global Water-Santa Cruz.

26 ³ Global Utilities’ application filed in Docket No. W-03576A-05-0926.

27 ⁴ Staff Report dated October 26, 2006 at 1.

28 ⁵ Id. at 1.

⁶ Id. at 2.

⁷ Staff Report dated October 26, 2006 at 3.

⁸ Global Utilities’ application filed in Docket No. W-03576A-05-0926.

⁹ Id. at 2.

¹⁰ Id.

1 Utilities' application.¹¹ AWC provides water service to approximately 84,000 customers in 22
 2 systems throughout Arizona,¹² but does not provide wastewater service.¹³ On the same date, AWC
 3 filed a request to intervene in the Global Utilities' CC&N extension docket. Intervention was granted
 4 by Procedural Order on April 12, 2006.

5 4. AWC's CC&N application included parcels of land adjacent to AWC's existing
 6 CC&N, as well as other areas.¹⁴ AWC's application requested the extension of 112 parcels of land,
 7 or approximately 70,000 acres, into AWC's Casa Grande CC&N.¹⁵ AWC provided four requests for
 8 service totaling approximately 200 acres and attached to its application the 52 requests for service
 9 filed with the Global Utilities' application.¹⁶ AWC's application also requested an extension of
 10 AWC's CC&N to include the existing certificated area of CP Water Company ("CP Water"). CP
 11 Water subsequently filed a motion to be excluded from AWC's proposed extension area.¹⁷

12 5. On March 29, 2006, AWC filed a Formal Complaint against GWR and various GWR
 13 affiliates alleging that GWR was conducting business as a public service corporation; that GWR was
 14 illegally using financing arrangements and fee demands; and that GWR was illegally infringing on
 15 AWC's CC&N and interfering with AWC's customers ("Complaint Docket").¹⁸

16 6. On April 7, 2006, the Global Utilities filed a request to intervene in the AWC CC&N
 17 extension docket.¹⁹ Contemporaneously, 14 of the 52 property owners for which the Global Utilities
 18 had received requests for service filed objections to being included in AWC's proposed CC&N
 19 extension area.²⁰ Subsequently, 11 of the 52 property owners filed and were granted intervention in
 20 the AWC CC&N extension docket.²¹

21 7. On May 17, 2007, the Global Utilities filed a second application requesting an
 22 extension of their respective CC&Ns to include the same general area in Pinal County where AWC
 23

24 ¹¹ Docket No. W-01445-06-0199. On March 31, 2006, AWC filed a Formal Complaint against the Global Utilities and
 various Global entities in Docket No. W-01445-06-0200.

¹² Prepared Testimony of William M. Garfield, Exhibit A-1 at 8.

¹³ Staff Report dated October 26, 2006 at 1.

¹⁴ AWC's application at 2.

¹⁵ Staff Report filed in Docket No. W-01445-06-0199 dated October 26, 2006.

¹⁶ Staff Report dated April 10, 2009 in Docket No. W-01445A-06-0199 et al.

¹⁷ Motion to Exclude filed June 6, 2006 in Docket No. W-01445A-06-0199.

¹⁸ See Docket No. W-01445A-06-0200 et al.

¹⁹ Motion to Intervene dated April 6, 2006.

²⁰ Docket No. W-01445-06-0199.

²¹ Id.

1 provides service.²² The application included a request for service from CHI Construction Company
 2 (“CHI”) requesting that the Global Utilities provide integrated water and wastewater services to
 3 CHI’s proposed master planned community called Legends.²³ According to the application, Legends
 4 would encompass 7,000 acres near the City of Casa Grande (“Casa Grande”), in Pinal County.²⁴ Out
 5 of those 7,000 acres, Global-Santa Cruz sought 1,400 acres and Global-Palo Verde 3,300 acres.²⁵
 6 The application stated that the requested CC&N extension areas were not in the certificated area of
 7 any water or wastewater provider.²⁶ Further, the application stated that the portions of the requested
 8 extension areas were located within the CC&N of CP Water and Francisco Grande Utilities Company
 9 (“Francisco Grande”), and that the Global Utilities’ parent company, GWR, had recently acquired the
 10 equity of both CP and Francisco Grande and would be filing an application with the Commission to
 11 transfer the assets and CC&Ns of CP and Francisco Grande to Global-Santa Cruz and Global-Palo
 12 Verde, respectively.²⁷ AWC filed a motion to intervene in the Global Utilities’ second CC&N
 13 extension docket, stating that AWC was “first in the field” and AWC had facilities located adjacent
 14 and contiguous to the proposed extension area.²⁸ AWC was granted intervention in the Global
 15 Utilities’ extension docket. AWC also requested consolidation of the two Global Utilities dockets
 16 with the AWC CC&N extension docket. The three dockets were consolidated by Procedural Order
 17 issued December 20, 2007.

18 8. On August 20, 2007, Francisco Grande and CP Water filed an application to transfer
 19 their assets and CC&Ns to the Global Utilities (“Transfer Docket”).²⁹ The application specifically
 20 requested that Francisco Grande’s wastewater CC&N and assets be transferred to Global-Palo Verde
 21 and that CP Water’s CC&N and assets be transferred to Global-Santa Cruz.³⁰ AWC requested
 22 intervention in the Transfer Docket, stating that AWC has been providing all water service to
 23

24
 25 ²² Global Utilities application filed in Docket No. SW-03575A-07-0300.

26 ²³ Global Utilities application filed in Docket No. SW-03575A-07-0300, Exhibit 2.

27 ²⁴ Id. at 2.

28 ²⁵ Id.

²⁶ Id.

²⁷ Id.

²⁸ AWC’s Motion to Intervene dated May 17, 2007.

²⁹ Application filed in Docket No. WS-01775A-07-0485.

³⁰ Id.

1 customers of CP Water since 1985 and that AWC had an interest in the proceeding.³¹ AWC was
 2 granted intervention in the Transfer Docket by Procedural Order issued December 6, 2007.

3 9. In response to the issues raised in the competing CC&N extension dockets and
 4 Transfer docket, Staff filed a Staff Report and suggested the following three options to resolve the
 5 issues:

- 6 1. Grant each of the two water companies the areas for which they
 7 have requests for service;
- 8 2. Grant AWC approval to serve the areas for which there are
 9 requests for service which are contiguous to AWC's current
 10 service territory, regardless of which utility received the request for
 11 service, and to grant to Global-Santa Cruz those areas which are
 12 not contiguous to AWC current service area; or
- 13 3. Grant Global-Santa Cruz approval to serve the areas for which
 14 there are requests for service north of Korston Road and grant
 15 AWC approval to serve the areas south of Korston Road based on
 16 the location of the Utilities' major water utility plant.³²

17 10. Staff explained that Option 1 would effectively approve the application of the Global
 18 Utilities, and limit AWC's request to extend its CC&N to approximately 200 acres for which it had
 19 requests for service.³³ Staff noted the efficiencies that would be achieved in the extension area due to
 20 Global-Palo Verde's and Global-Santa Cruz's ability to offer integrated water and wastewater
 21 services in the areas.³⁴ In addition, Staff asserted that Option 1 recognizes the importance of requests
 22 for service in extension of CC&Ns.³⁵

23 11. Staff stated that Option 2 creates efficiencies in as far as extensions of service would
 24 be shorter and less costly because AWC has facilities in the area.³⁶ However, Staff expressed
 25 concern that Option 2 would leave property owners and developers dissatisfied if they desired to have
 26 integrated water and wastewater services provided by the Global Utilities.³⁷ Further, Staff stated that
 27 Option 2 may hamper the Global Utilities' ability to expand their service territories in the
 28 southeastern direction of the proposed extension areas.³⁸

31 Motion to Intervene dated September 24, 2007.

32 Staff Report dated October 26, 2006 at 3.

33 Id. at 6.

34 Id.

35 Id.

36 Id.

37 Id.

38 Id.

1 12. Staff indicated that Option 3 would afford both AWC and Global-Santa Cruz the
2 ability to expand their respective service areas without having to compete for territory.³⁹ Staff stated
3 that although the north/south line (Korston Road) may appear arbitrary, it was based on Global-Santa
4 Cruz's indication that its major water facilities will be constructed north of Korston Road.⁴⁰

5 13. Staff recommended that only the areas where there were requests for service be
6 included in the CC&N extensions.⁴¹ Staff also expressed concerns regarding AWC's request to
7 extend its CC&N into CP Water's CC&N area.⁴² Staff stated that even though AWC has been
8 providing water to CP, that fact did not diminish CP Water's rights under its existing certificate.⁴³
9 Staff concluded that AWC had not shown that it is in the public interest to cancel CP Water's CC&N
10 and award it to AWC.⁴⁴ Further, Staff asserted that to do so would set a precedent for a utility losing
11 its CC&N due to the utility having services provided to it from a management company.⁴⁵ Staff
12 recommended denial of AWC's request to include CP's CC&N area in AWC's CC&N.⁴⁶ By
13 Procedural Order issued December 18, 2006, CP Water's motion to be excluded from AWC's
14 proposed CC&N extension area was granted.

15 14. At the request of AWC, the Global Utilities and AWC CC&N extension dockets, the
16 Transfer docket, and the Complaint docket were consolidated for purposes of resolution and hearing.

17 **II. SETTLEMENT AGREEMENT BETWEEN AWC AND GLOBAL**

18 15. On May 15, 2008, AWC and the Global Utilities (collectively "the Utilities") executed
19 a Settlement Agreement ("Agreement") (attached hereto as "Exhibit A"). The Agreement purports to
20 resolve the issues raised in the competing CC&N extension applications, the Transfer docket, and the
21 Complaint docket.⁴⁷ The Global Utilities described the time leading up to the Agreement as a battle
22 raging on between AWC and the Global Utilities for more than 600 days.⁴⁸ AWC stated that the
23

24 _____
25 ³⁹ Id.

⁴⁰ Id.

⁴¹ Id. at 6.

⁴² Id. at 4.

⁴³ Id.

⁴⁴ Id.

⁴⁵ Id.

⁴⁶ Id.

⁴⁷ See Settlement Agreement.

⁴⁸ Initial Testimony of Graham Symmonds in Support of Settlement Agreement, Exhibit G-1 at 3.

1 disagreement was of “such a magnitude that the City of Casa Grande and the Mayor of Maricopa met
2 with the Companies and encouraged us to settle our differences.”⁴⁹ The Global Utilities further stated
3 that rather than being faced with lengthy hearings, briefings, and possible appeals, as well as the
4 uncertainty the litigation was creating in the development communities in the proposed extension
5 areas, the parties realized that the best way to move forward was to reach a settlement they could both
6 live with.⁵⁰

7 16. Subsequently, AWC and the Global Utilities filed amended applications for extension
8 of their respective CC&Ns reflecting the provisions set forth in the Agreement. In addition, AWC,
9 the Global Utilities, and Staff filed additional evidence and testimony in support of the Agreement.
10 On June 8 and 9, 2009, hearings were conducted in the consolidated proceeding.

11 17. The Agreement establishes “Planning Areas” for each party; contemplates each party
12 receiving a specified CC&N extension within their proposed Planning Areas; lays the ground work
13 for increased cooperation between AWC and the Global Utilities for the use of reclaimed water; and
14 ends the lengthy dispute that has consumed the resources of AWC, the Global Utilities, and Staff.⁵¹
15 As part of the Agreement, AWC agreed to dismiss the Complaint filed against Global if the
16 Agreement is approved by the Commission.⁵² Further, AWC states that the Agreement supports
17 compelling public interests because the amended CC&N extension areas follow logical and
18 supportable geographic boundaries in Pinal County, and encourages the use of reclaimed water
19 throughout the proposed areas.⁵³

20 18. AWC asserts the three options presented in Staff’s original Staff Report helped to
21 form the basis for the Agreement.⁵⁴ AWC contends that Staff’s option three (described above)
22 suggested a practical rationale for the Planning Areas and for dividing the CC&N extension areas by
23 recommending that AWC serve the area south of Korston Road and that Global-Santa Cruz serve the
24

25 _____
⁴⁹ Tr. at 88.

26 ⁵⁰ Initial Testimony of Graham Symmonds in Support of Settlement Agreement, Exhibit G-1 at 3.

27 ⁵¹ Id. at 4.

⁵² Id.

⁵³ Prepared Testimony of William M. Garfield on behalf of AWC, Exhibit A-1 at 6.

28 ⁵⁴ Rebuttal Testimony of William M. Garfield, Exhibit A-2 at 25. See also Direct Testimony of Graham Symmonds, Exhibit G-1 at 7.

1 area north of Korston Road.⁵⁵ Mr. Garfield stated:

2 Staff's view of the dividing line between the two water providers was
3 driven by the water utility plant planned for construction by Global-Santa
4 Cruz Water Company for the area north of Korston Road, in other words,
5 following a logical and rational approach. Staff's reasoning is precisely
6 the rationale that AWC and Global Water adopted in establishing logical
7 and practical boundaries for their respective planning areas and in
8 establishing the CC&N extension areas requested by both utilities.⁵⁶

9 19. AWC further contends that there are compelling public interest benefits for the
10 Commission to approve the Agreement, which include:

- 11 1. The amended CC&N extension applications and the Planning
12 Areas described in the Agreement follow logical and supportable
13 geographic boundaries between major thoroughfares in Pinal
14 County, consistent with the concept behind an earlier allocation of
15 territory proposed by Staff;
- 16 2. The Agreement includes the expanded use of reclaimed water,
17 which will reduce reliance on other water resources that may be
18 used for potable purposes, including both renewable and non-
19 renewable sources of water;
- 20 3. AWC and Global, the two largest and most significant water
21 service providers in the Pinal Valley area will set aside their
22 differences, and will work cooperatively to assist and expand water
23 conservation efforts, provide for prudent, sustainable uses of
24 groundwater and other water resources, and encourage and provide
25 for the expanded use of reclaimed water; and
- 26 4. Global, AWC, Staff, and the Commission will avoid the expense
27 and use of increasingly limited resources that would otherwise be
28 expended on prosecuting the contested CC&N application, and
Complaint, and thereby achieve the compelling public benefits.⁵⁷

19 20. AWC and the Global Utilities specifically request that the Commission approve the
20 Agreement, including the amended CC&N extension applications and the Planning Areas.⁵⁸

21 21. Staff believes that the Agreement, by resolving the dispute over the service territories
22 and the Complaint filed by AWC against Global, reduces the legal costs and time of both utilities.⁵⁹
23 Further, Staff believes the Agreement should aid the Utilities in their efforts to plan capital
24 improvements and would offer a higher degree of certainty regarding the enforceability of the
25

26 _____
⁵⁵ Id.

⁵⁶ Id.

⁵⁷ Testimony of William M. Garfield on behalf of AWC dated January 12, 2009, Exhibit A-1.

⁵⁸ Prepared Testimony of William M. Garfield, Exhibit A-1 at 24.

⁵⁹ Staff Exhibit S-2, Direct Testimony of Linda A. Jaress dated April 10, 2009 at 1.

1 Agreement.⁶⁰ However, Staff does not believe it is necessary for the Commission to “give its stamp
 2 of approval” on the Agreement.⁶¹ Staff asserts that the Commission’s explicit approval of the
 3 Agreement would limit the Commission’s future discretion. Staff witness Linda Jaress stated that the
 4 Commission “should retain its flexibility to choose among the universe of water utilities to serve an
 5 area and not limit itself to specific companies.”⁶² Ms. Jaress indicated that the issue is whether “it is
 6 beneficial for the Commission . . . to put its approval on an agreement that divides up service
 7 territories well in advance of when service is needed.”⁶³

8 22. In support of its recommendation, Staff cited a prior case involving competing CC&N
 9 extension applications filed by Johnson Utilities, Inc., (“Johnson”), and Diversified Water Company
 10 (“Diversified”) (collectively “Johnson/Diversified”) in Docket No. W-02859-04-0844. The
 11 Johnson/Diversified proceeding involved competing CC&N extension applications to provide utility
 12 service to several parcels of land located in Pinal County.⁶⁴ After more than a year of litigation,
 13 Johnson and Diversified executed a settlement agreement under which each party agreed to seek
 14 CC&N extensions for mutually agreed upon areas and to not seek to extend their certificates or
 15 operations within the other’s planning areas.⁶⁵ Staff indicated that Johnson and Diversified have been
 16 operating under an agreement similar to the AWC/Global Utilities’ Agreement, despite the lack of
 17 Commission approval of the Johnson/Diversified agreement.⁶⁶

18 23. AWC contends that the Johnson/Diversified settlement can be distinguished from this
 19 proceeding because Johnson/Diversified involved a much smaller area and did not involve regional
 20 planning for water, wastewater, and reclaimed water.⁶⁷ AWC also claims that the
 21 Johnson/Diversified parties did not explicitly ask the Commission to approve the agreement, but only
 22 asked that the Commission “acknowledge the efforts of the companies and that the Letter of Mutual
 23

24
 25 ⁶⁰ Id. Tr. at 47.

⁶¹ Staff Exhibit S-2 at 1.

⁶² Id. at 2.

⁶³ Tr. at 49.

⁶⁴ Decision No. 70181 (February 27, 2008) at 1.

⁶⁵ Joint Settlement Statement of Johnson Utilities Company and Diversified Water Utilities, Inc., Docket No. W-02859A-04-0844.

⁶⁶ Staff Exhibit S-2 at 2.

⁶⁷ Tr. at 153.

1 Understanding, Cooperation and Settlement is consistent with the public interest.”⁶⁸ Further, AWC
 2 asserts that in the Johnson/Diversified case, the Commission never presented any substantive
 3 arguments against approving the settlement agreement, but that the Commission implicitly approved
 4 the agreement by granting CC&N extensions consistent with the settlement.⁶⁹

5 **A. Benefits of Settlement Agreement Asserted By the Utilities**

6 **1. Establishment of Planning Areas**

7 24. The Global Utilities and AWC assert that there are public policy and public interest
 8 benefits to the Commission approving the Planning Areas, which include: 1) promotion of reclaimed
 9 water usage; 2) resolution of current and future disputes; and 3) the use of regional planning.
 10 According to the Utilities, the Agreement establishes Planning Areas for both AWC and the Global
 11 Utilities (see Exhibit A attached hereto). The Global Utilities’ Planning Area includes parcels of land
 12 near the Global Utilities’ existing service areas in the City of Maricopa (“Maricopa”) area; the
 13 Southwest Service Area (southwest of Maricopa and the Ak-Chin Indian Community); the Francisco
 14 Grande area; and the area between Francisco Grande and Maricopa.⁷⁰ AWC’s Planning Area
 15 includes parcels of land adjacent to AWC’s existing Casa Grande, Stanfield, Coolidge, and Arizona
 16 City service areas.⁷¹ The Global Utilities assert that the Planning Areas will help facilitate future
 17 regional planning efforts.⁷²

18 25. The Global Utilities contend that the Commission’s approval of the Planning Areas
 19 will avoid future certificate disputes in the area and that the Planning Areas will allow for much
 20 needed regional planning in the area.⁷³ According to the Global Utilities, the parcels of land within
 21 “the planning areas are uncertificated areas that lie in between the existing certificates of AWC and
 22 the Global Utilities. . . and the geography naturally leads to rivalry and disputes over the in-between
 23 areas [and] absent approval of the planning areas future disputes are a distinct possibility.”⁷⁴ The
 24 Global Utilities’ witness stated that approval of the Planning Areas would allow the parties to plan
 25

26 ⁶⁸ AWC’s Post-Hearing Response Brief at 6.

27 ⁶⁹ Id.

28 ⁷⁰ Initial Testimony of Graham Symmonds in Support of Settlement Agreement, at 5.

⁷¹ Id.

⁷² Initial Testimony of Graham Symmonds in Support of Settlement Agreement, at 6.

⁷³ Id.

⁷⁴ Id.

1 “the most efficient locations to place mains, treatment plants . . . to take maximum advantage of
2 gravity flows” as well as to “size facilities on a regional basis, to capture economies of scale.”⁷⁵
3 AWC asserts that the Planning Areas are “located in an area that has limited access to surface water
4 resources and project significant customer growth . . . therefore, the demands on water resources
5 require long-term water resource and service area planning to assure that current and future
6 customers continue to receive reliable water service.”⁷⁶ Both AWC and the Global Utilities believe
7 the Planning Areas will provide a degree of certainty moving forward because they will have known
8 boundaries to use for starting the planning process.⁷⁷ The parties concur that a degree of certainty
9 and the ability to plan service areas is a benefit for both the Utilities and the public.⁷⁸

10 26. Staff recommended that the Commission deny the Utilities’ request for approval of the
11 Planning Areas.⁷⁹ Staff stated that Commission approval of Planning Areas, and the Agreement in
12 general, may:

- 13 1. Implicitly reserve service territories for the Global Utilities and
14 AWC;
- 15 2. Imply approval of accompanying costs for regional planning and
16 approval of excess capacity in rate cases;
- 17 3. Result in higher costs if the Planning Areas are enforced and
18 development in the Planning Areas occurs in unanticipated areas;
- 19 4. AWC and the Global Utilities could evolve into companies which
20 are no longer fit or proper to provide service to new areas; and
- 21 5. Result in the Commission acting as an arbitrator, if disputes arise
22 over the Planning Areas.⁸⁰

23 27. Staff also raised concerns that the Commission’s approval of the Planning Areas could
24 signal to other utilities that they should seek planning areas adjacent to their CC&Ns for the purpose
25 of long-range planning.⁸¹ Staff’s witness stated that a flood of requests for approval of Planning
26 Areas by utilities, to ward off other utilities invading the areas adjacent to their CC&N areas, could
27 have a draining effect on Commission resources.⁸² Staff expressed further concern that if a utility

25 ⁷⁵ Id.

26 ⁷⁶ Testimony of William M. Garfield on behalf of AWC, at 24.

27 ⁷⁷ Tr. at 276.

28 ⁷⁸ Tr. at 277.

⁷⁹ Staff Exhibit S-2, Direct Testimony of Linda A. Jaress dated April 10, 2009 at 2.

⁸⁰ Id.

⁸¹ Tr. at 68.

⁸² Id. and Tr. at 70.

1 builds plant in an approved Planning Area without requests for service in the area, it may appear
2 contradictory for the Commission to later deny recovery of the cost of the plant even though there is
3 not an immediate need for service.⁸³

4 28. Staff's witness testified that other problems could arise if the Commission approves
5 the Planning Areas.⁸⁴ Staff explained that although the Utilities are currently fit and proper entities to
6 receive an extension of their respective CC&Ns, the companies may evolve into companies which are
7 no longer fit or proper to serve the Planning Areas, or a new utility may emerge that could offer the
8 same services at lower costs to the public.⁸⁵

9 29. The Utilities claim that the Commission's approval of the proposed Planning Areas
10 would not constitute pre-approval of a CC&N area.⁸⁶ However, the Utilities assert that approval of
11 the Planning Areas would offer a degree of certainty for future planning and for government entities
12 and the public.⁸⁷

13 30. AWC disagrees with Staff's argument that Commission-approved Planning Areas
14 would amount to a reservation of service territories for AWC and the Global Utilities.⁸⁸ AWC
15 contends that approval of the Planning Areas would not be equivalent to the grant of a CC&N
16 because extensions within the Planning Areas would still require Commission approval.⁸⁹ Further,
17 AWC argues that Commission-approved Planning Areas would offer a degree of certainty that the
18 Planning Areas are reasonable.⁹⁰

19 31. The Global Utilities similarly contend that approval of the Planning Areas would not
20 create a right to a CC&N in the future and the Commission's approval would not constitute an Order
21 Preliminary.⁹¹ To insure that the Agreement makes no such implicit reservation of service areas, the
22 Global Utilities suggested that the Commission's Decision state that the Agreement has no impact on
23

24 _____
25 ⁸³ Direct Testimony of Linda A. Jaress, Exhibit S-2 at 2.

26 ⁸⁴ Tr. at 45.

27 ⁸⁵ Id. See also Tr. at 45.

28 ⁸⁶ Rebuttal testimony of Graham Symmonds Exhibit G-2 at 3 and Rebuttal Testimony of William Garfield Exhibit A-2 at 19.

⁸⁷ Id. at 25. See also Initial Testimony of Graham Symmonds in Support of Settlement Agreement at 5.

⁸⁸ AWC's Post Hearing Brief at 12.

⁸⁹ Rebuttal Testimony of William M. Garfield, Exhibit A-2 at 19.

⁹⁰ Tr. at 205.

⁹¹ Direct Testimony of Graham Symmonds, Global Exhibit G-1 at 5.

1 third parties and that there is no implicit reservation of certificate areas.⁹² Further, the Global
2 Utilities assert that all of Staff's concerns can be addressed in future certificate cases.⁹³

3 32. The Global Utilities dismiss Staff's concerns that approval of the Planning Areas
4 could create a precedent for future cases and will cause other utilities to flood the Commission with
5 similar requests for approval, as speculative.⁹⁴ Further, the Global Utilities assert that the
6 Commission could make clear that approval of the Planning Areas in this case is unique and that
7 future applications for approval of Planning Areas would be viewed with disfavor.⁹⁵

8 33. The Global Utilities also argue that Staff's rate recovery concerns could be cured by
9 including a statement in the Commission's Decision that no pre-approval of cost is implied by the
10 Commission's approval of the Planning Areas.⁹⁶ Further, the Global Utilities assert that under A.R.S.
11 §40-281, facilities in the Planning Areas could not be built until a certificate is issued; prudence of
12 facilities can only be made in a rate case; and under Commission rules, prudence is determined at the
13 time investments are made and not at the time the Planning Area is approved.⁹⁷ Therefore, the Global
14 Utilities believe that approval of the Planning Areas will not constitute pre-approval of any
15 facilities.⁹⁸

16 34. The Utilities contend that approval of the Planning Areas is vital because regional
17 planning cannot be achieved in a piecemeal fashion.⁹⁹ AWC contends that long-range planning in the
18 extension area is in the public interest and is evidenced by support for the Agreement expressed by
19 Casa Grande, Maricopa, and Pinal County.¹⁰⁰ AWC asserts that regional planning is essential to meet
20 the growing needs for service in Pinal County, in order to develop the additional water supplies,
21 reclaimed water delivery systems, and other water infrastructure needed to meet the projected
22 growth.¹⁰¹ AWC asserts that approving the Planning Areas would further the important public policy
23

24 _____
⁹² Tr. at 44.

⁹³ Rebuttal Testimony of Graham Symmonds at 19.

⁹⁴ Global's Reply Brief at 6.

⁹⁵ Id.

⁹⁶ Global Utilities' Reply Brief at 2.

⁹⁷ Rebuttal Testimony of Graham Symmonds at 12, 21.

⁹⁸ Global Utilities' Reply Brief at 6.

⁹⁹ Initial Testimony of Graham Symmonds at 6. Rebuttal Testimony of William Garfield Exhibit A-2 at 18.

¹⁰⁰ Rebuttal Testimony of William Garfield Exhibit A-2 at 18.

¹⁰¹ Rebuttal Testimony of William Garfield Exhibit A-2 at 18.

1 of long-range regional planning.¹⁰²

2 35. AWC further claims that in Commission Decision No. 68302 (November 14, 2005),
3 the Commission required AWC to prepare a Central Arizona Project (“CAP”) Water Use Plan for the
4 entire area, projecting customer growth and water demands through 2025.¹⁰³ AWC asserts the CAP
5 plan could not have been completed without considering the areas adjacent to and near AWC’s
6 current CC&N boundaries.¹⁰⁴

7 36. Staff claims that even if the Commission does not approve the Planning Areas, it may
8 be in the Utilities’ best interest to abide by the Planning Area boundaries,¹⁰⁵ and Staff pointed out that
9 the Global Utilities and AWC may decide to follow the Planning Area boundaries without
10 Commission approval.¹⁰⁶ Although the Utilities agree that there is nothing precluding them from
11 abiding by the Planning Area boundaries absent Commission approval, the Utilities state they have
12 not made a decision to do so.¹⁰⁷ The witness for the Global Utilities acknowledged that the terms of
13 the Agreement and Planning Areas provide advantages to both parties, even without the
14 Commission’s approval of the Agreement.¹⁰⁸

15 **2. Avoidance of Potential Anti-Trust Claims**

16 37. Although the Utilities acknowledge that the Commission has not previously approved
17 Planning Areas separate and distinct from the grant of a CC&N, the Utilities both assert that without
18 Commission approval of the Planning Areas and Agreement the Utilities could face claims of
19 violating anti-trust laws.¹⁰⁹ The Utilities argue that Commission approval of the Planning Areas, as
20 well as the Agreement, would “shield” them from claims brought by third parties that the Agreement
21 or Planning Areas violate anti-trust laws.¹¹⁰ The Utilities contend that Commission approval of the
22 Agreement and Planning areas would provide the Utilities, as well as the Commission, a defense
23

24
25 ¹⁰² Id.

¹⁰³ Id. at 19.

¹⁰⁴ Id. at 20.

¹⁰⁵ Tr. at 282.

¹⁰⁶ Staff Exhibit S-2 at 2.

¹⁰⁷ Tr. at 147, 282.

¹⁰⁸ Tr. at 282.

¹⁰⁹ Tr. at 284.

¹¹⁰ Tr. at 130.

1 against anti-trust claims under the doctrine of “state action.”¹¹¹ According to the Utilities, the
 2 Commission enjoys “state action” immunity for its decisions to award monopolies in the form of
 3 CC&Ns and that approval of the Agreement would constitute “state action.” The Utilities state that
 4 they would be afforded a defense against anti-trust claims by extension of the Commission’s approval
 5 of the Agreement.¹¹²

6 38. To support their arguments, the Utilities rely on a “state action” immunity standard
 7 articulated in *Parker v. Brown*, 317 U.S. 341 (1943). In *Parker*, the Supreme Court stated that the
 8 two standards for anti-trust immunity are: first, the challenged restraint must be one clearly
 9 articulated and affirmatively expressed as state policy; and second, the policy must be actively
 10 supervised by the State itself.¹¹³

11 39. Staff contends that the Utilities’ “state action” defense argument is not grounded in the
 12 merits of a potential claim that the Planning Areas would trigger anti-trust liability.¹¹⁴ While Staff
 13 acknowledges that there are benefits to reducing litigation costs and the use of long-range planning
 14 for capital projects based on the Agreement, Staff continues to recommend that the Commission deny
 15 approval of the Agreement.¹¹⁵ Staff asserts that it did not evaluate whether the Agreement would
 16 give rise to anti-trust liability because the issue was first raised during testimony at the evidentiary
 17 hearing,¹¹⁶ and “absent specific evidence on the record as to how the Utilities believe the Agreement
 18 or Planning Areas will trigger anti-trust liability, neither Staff or the Commission can evaluate the
 19 merits of the assertion.”¹¹⁷ Staff states that AWC has failed to meet the burden of proof regarding its
 20 assertion of potential anti-trust claims, and approval of the Agreement for the sole purpose of
 21 extending “state action” is not compelling.¹¹⁸ Staff also contends that extending “state action”
 22 defenses to vaguely described problems that can be traced back to the conduct of the parties
 23 requesting the defense is not in the public interest.¹¹⁹ Staff concludes that there is no way to
 24

25 ¹¹¹ Id. at 15.

¹¹² AWC’s Opening Post-Hearing Brief at 15.

26 ¹¹³ AWC’s Opening Post-Hearing Brief at 16, citing 317 U.S. 341 (1943).

¹¹⁴ Staff’s Closing Brief at 2.

¹¹⁵ Id. at 3.

27 ¹¹⁶ Staff’s Closing Brief at 3 and Tr. at 130.

¹¹⁷ Staff’s Closing Brief at 3.

¹¹⁸ Staff’s Closing Brief at 3.

28 ¹¹⁹ Staff’s Closing Brief at 4.

1 determine if the “state action” immunity the Utilities seek would be afforded by Commission
2 approval of the Agreement.¹²⁰

3 **3. Greater Use of Reclaimed Water in Planning Areas**

4 40. The Agreement provides for the use of reclaimed water throughout the Planning
5 Areas.¹²¹ Under paragraph 7(a) of the Agreement, the Global Utilities agree not to sell reclaimed
6 water within AWC’s Planning Area, except to AWC, and AWC agrees to provide reclaimed water to
7 customers within its CC&N and Planning Area as a retail provider.¹²² According to the Global
8 Utilities, the reclaimed water would come from treatment of wastewater in the Overlap Areas,¹²³
9 which AWC would then sell to end users for irrigation and other allowable purposes.¹²⁴ The Global
10 Utilities contend that the “expanded use of reclaimed water . . . will reduce reliance on other water
11 sources and on the Central Arizona Groundwater Conservation District.”¹²⁵ The Global Utilities also
12 state that the proposed use of recycled water in AWC’s Planning Area is a positive and progressive
13 step because historically AWC has not provided recycled water in its CC&N areas.¹²⁶

14 41. AWC asserts that it has historically espoused the benefits and use of recycled water
15 throughout AWC’s service areas.¹²⁷ Under the Agreement, AWC would provide recycled water to
16 customers in all areas where Global-Palo Verde provides wastewater service and AWC provides
17 water service.¹²⁸ AWC states it has partnered with Casa Grande to plan for the use of reclaimed
18 water in Casa Grande’s planning area, as well as within Casa Grande’s city limits.¹²⁹ Further, AWC
19 asserts that Casa Grande has requested that AWC be the primary provider of reclaimed water service
20 in the area west of Montgomery Road, in the planning areas of both Casa Grande and Maricopa.¹³⁰
21 In addition to its work with Casa Grande, AWC claims the provision of reclaimed water in the
22 Agreement is an important factor because it will further AWC’s efforts to expand the use of
23

24 ¹²⁰ Staff’s Closing Brief at 5.

25 ¹²¹ See, Settlement Agreement, Paragraph 7.

26 ¹²² See, Settlement Agreement, Paragraph 7(a).

27 ¹²³ Initial Testimony of Graham Symmonds in Support of Settlement Agreement at 10.

28 ¹²⁴ Overlap Areas as used in the Settlement Agreement refer to areas within AWC’s existing CC&N, proposed CC&N extension areas, and proposed Planning Area where Global-Palo Verde is requesting to provide wastewater service.

¹²⁵ Initial Testimony of Graham Symmonds in Support of Settlement Agreement at 10.

¹²⁶ Id.

¹²⁷ Initial Testimony of William Garfield at 15.

¹²⁸ Settlement Agreement, Paragraph 7(a).

¹²⁹ Testimony of William Garfield, Exhibit A-1 at 15.

¹³⁰ Testimony of William Garfield Exhibit A-1 at 16.

1 reclaimed water in its Planning Area.¹³¹

2 42. AWC points out that it has been a party to a Cooperative Service Agreement (“CSA”)
3 since 2002 with Southwest Water Company (“Southwest”), whereby Southwest provides wastewater
4 services to the areas served by AWC. AWC contends that the CSA offers additional assurance that
5 wastewater services will be provided in AWC’s service territories.¹³² AWC states that it has plans to
6 construct a surface water treatment plant to treat CAP water for its Pinal Valley Service Area.¹³³

7 43. According to AWC, increasing the use of reclaimed water in the Planning Areas is
8 significant because it provides for the use of reclaimed water in the western part of AWC’s proposed
9 CC&N and Planning Area where Casa Grande or other entities are not planning to serve
10 customers.¹³⁴ AWC claims that the expanded use of reclaimed water in Pinal County will benefit
11 both customers and municipalities.¹³⁵

12 44. Staff acknowledged that the “availability and appropriate use of reclaimed water [is] a
13 benefit to the public,” but it asserts that paragraph 7(a) of the Agreement seems to contract away [the]
14 obligations of [public service corporations] to provide reclaimed water to other parties who request
15 such service.¹³⁶ Staff stated that although paragraph 7(a) appears to advance greater use of reclaimed
16 water, if there is a better use for the reclaimed water in AWC’s Planning Area (for example, a large
17 golf course using groundwater), paragraph 7(a) of the Agreement could preclude Global-Palo Verde
18 from providing reclaimed water to the golf course.¹³⁷ Therefore, in Staff’s opinion, pre-approval of
19 the Planning Areas could restrict the Commission’s ability to be the final arbiter of which utility
20 would most efficiently provide services in a given geographic area.¹³⁸

21 45. Staff’s witness also testified that if Global-Palo Verde is “providing wastewater
22 service and then selling the reclaimed water to AWC for AWC to resell, that arrangement may result
23 in a higher cost to the . . . consumer, than if Global-Palo Verde sold [the reclaimed water]
24

25 ¹³¹ Testimony of William Garfield, Exhibit A-1 at 16.

26 ¹³² Id.

¹³³ Id. at 17.

¹³⁴ Id. at 17.

27 ¹³⁵ Id.

¹³⁶ Direct Testimony of Linda Jaress, Exhibit S-2 at 1.

28 ¹³⁷ Tr. at 64.

¹³⁸ Staff Exhibit S-2 at 1.

1 directly.”¹³⁹ Staff contends that a provision to sell reclaimed water does not represent a benefit of the
 2 Agreement because AWC already has a tariff authorizing the sale of reclaimed water within its
 3 existing CC&N areas, and therefore AWC already has the ability to sell reclaimed water irrespective
 4 of whether the Commission approves the Agreement.¹⁴⁰

5 46. AWC asserts that Commission-approved Planning Areas would not grant the Utilities
 6 an “absolute right to serve”¹⁴¹ because the Commission would retain full authority to decide when,
 7 and under what conditions and circumstances to grant a CC&N.¹⁴² The Global Utilities contend that
 8 the scenario presented by Staff is unlikely; but that if the Commission approved another utility to
 9 provide reclaimed water in AWC’s Planning Area, paragraph 7(a) in the Agreement simply would
 10 not apply.¹⁴³

11 47. The Global Utilities claim that Staff’s concerns that reclaimed water in the Planning
 12 Areas may result in higher costs to customers is unfounded.¹⁴⁴ Global points out that Staff’s assertion
 13 is not based on any cost analysis for providing reclaimed water as stated under the Agreement,¹⁴⁵ and
 14 the Global Utilities assert that AWC has stated it will implement a reclaimed water tariff that would
 15 serve as a pass through for the cost of Global-Palo Verde providing the reclaimed water in the
 16 proposed extension areas.¹⁴⁶

17 4. Conclusion on Settlement Agreement and Planning Areas

18 48. The Utilities are requesting that the Commission approve the Settlement Agreement
 19 based on claims that the Agreement would: benefit the public interest by establishing Planning Areas;
 20 approve specified CC&N extension areas within each company’s proposed Planning Area; lay the
 21 groundwork for increased cooperation between AWC and the Global Utilities for greater use of
 22 reclaimed water; and end the lengthy dispute that has consumed time and resources of the Utilities
 23 and Staff.
 24

25 ¹³⁹ Tr. at 43.

26 ¹⁴⁰ Tr. at 132. Staff’s Closing Brief at 4.

¹⁴¹ Rebuttal Testimony of William Garfield Exhibit A-2 at 24, 29.

¹⁴² Id.

27 ¹⁴³ Rebuttal Testimony of Graham Symmonds Exhibit G-2 at 5.

¹⁴⁴ Global’s Post Hearing Brief at 3.

28 ¹⁴⁵ Tr. at 43.

¹⁴⁶ Tr. at 132.

1 49. Staff acknowledges that the Agreement could provide certain benefits, such as: 1)
2 resolve the dispute over service territories and the Complaint issues; 2) enhance regional planning for
3 the Planning Areas; and 3) reduce the legal costs and time for the Utilities. However, Staff
4 recommends that the Commission deny the Utilities' request for approval of the Agreement and
5 Planning Areas based on Staff's belief that approval of the Agreement would: 1) restrict the
6 Commission's future discretion to choose from a pool of appropriate water utilities; 2) divide up
7 service territories well in advance of a need for service; and 3) provide an unnecessary Commission
8 approval of an agreement that the Utilities could abide by with or without Commission approval.

9 50. The Utilities concede that there are no prior instances in which the Commission has
10 approved a Settlement Agreement separate and distinct from granting a CC&N, and we note that in a
11 similar case involving Johnson and Diversified a settlement that assigned specific planning areas to
12 those companies was not approved by the Commission.¹⁴⁷

13 51. For the reasons identified by Staff, and consistent with prior decisions, we decline to
14 adopt or approve the Agreement and proposed Planning Areas agreed to by AWC and the Global
15 Utilities. Decisions regarding initial CC&Ns and CC&N extensions should be based on the merits of
16 the individual applications submitted for our approval, and not on predetermined Planning Areas
17 developed by competing utilities. Further, nothing prevents AWC and the Global Utilities from
18 implementing the terms of the Agreement related to the Planning Areas.

19 **III. PROPOSED EXTENSION AREAS**

20 **A. Current Requests for Service by AWC and Global**

21 52. The Utilities initially filed competing applications to extend their respective CC&Ns.
22 Both AWC and the Global Utilities filed requests for service with their original CC&N extension
23 applications. The Global Utilities filed requests for service covering 100 percent of their proposed
24 extension area. AWC filed requests for service covering approximately 200 acres and attached to its
25 application the 52 requests for service filed with the Global Utilities' application.¹⁴⁸

26 53. Due to the length of time that had elapsed between when the requests for service were
27

28 ¹⁴⁷ Commission Decision No. 70181 (February 27, 2008).

¹⁴⁸ Staff Report dated April 10, 2009, in Docket No. W-01445-06-0199 et al.

1 initially obtained and the time the Utilities executed the Agreement, the Utilities were directed to file
 2 updated requests for service.¹⁴⁹ Staff stated some of the initial requests for service dated back to
 3 2005.¹⁵⁰ Staff noted that in light of the changes in economic conditions, and the decline in the pursuit
 4 of new development and construction of new homes in Pinal County, updated requests for service
 5 were an important factor in considering whether to recommend granting some portion or all of the
 6 requested CC&N extension areas.¹⁵¹

7 54. Staff has recommended:

- 8 a. The Commission approves CC&N extensions only in the areas where
 9 AWC and the Global Utilities have matching updated and/or new
 10 requests for service for both water and wastewater service;
 11 b. The Commission approve CC&N extensions for areas where Global has
 12 a request for wastewater service, and the area is either in an existing
 13 AWC service territory or AWC has a verbal affirmation of a request for
 14 service; and
 15 c. That the Decision approving CC&N extensions for AWC and the Global
 16 Utilities be conditioned on each Company filing legal descriptions,
 17 found to be acceptable by Staff, and consistent with the Order in this
 18 proceeding.¹⁵²

19 55. The Global Utilities assert that they should be awarded extensions of their respective
 20 CC&Ns for areas where they have either an original or new or renewed request for service.¹⁵³ Under
 21 the Agreement, the Global Utilities are requesting to extend their respective CC&Ns to include
 22 approximately 33,273 acres.¹⁵⁴ Although the Global Utilities provided requests for service covering
 23 100 percent of the proposed extension areas with their original application, the Global Utilities
 24 obtained updated or new requests for service for approximately 80.1 percent of the requested
 25 extension area, or approximately 25,002 acres.¹⁵⁵ The Global Utilities' Exhibit G-27, attached hereto
 26 as Exhibit B, shows that in areas where the Global Utilities are proposing to provide integrated water
 27 and wastewater services, they received updated requests for 8,897 of the original 9,813 acres (91
 28

¹⁴⁹ Exhibit S-1 at 2, Attachment RGG-2 at 2.

¹⁵⁰ Tr. at 313.

¹⁵¹ Staff Report, Exhibit S-2 at 2 and Attachment RGG-2 at 2.

¹⁵² Staff Exhibit S-1 at 4.

¹⁵³ Initial Testimony of Graham Symmonds in Support of Settlement at 12.

¹⁵⁴ Rebuttal Testimony of Graham Symmonds in Support of Settlement at 6.

¹⁵⁵ Global Exhibit G-27. The Global Utilities docketed a late-filed exhibit on June 30, 2009, showing that they received an additional request for service from Dugan Lands, LLC. The total acres with reaffirmed requests for service increased to 26,327.

1 percent).¹⁵⁶ In the areas where Global-Palo Verde is requesting to extend only its wastewater CC&N,
 2 it received updated requests for 9,987 of the original 15,235 total acres.¹⁵⁷ The aggregate percentage
 3 of acres for which the Global Utilities received reaffirmed requests for service is 80.1 percent in the
 4 proposed extension area.¹⁵⁸

5 56. To address Staff's concerns that requests for service may be stale or that property
 6 owners may have changed, the Global Utilities requested a second letter for requests for service from
 7 each property owner in the amended extension area.¹⁵⁹ According to the Global Utilities, they
 8 conducted research of current ownership of all the properties located within the proposed extension
 9 area through Pinal County public records.¹⁶⁰ The Global Utilities' Exhibit GSS-1, attached hereto as
 10 Exhibit C, outlines the properties in the proposed extension area which remained under the same
 11 ownership from the first request for service to the second request. The Global Utilities' Exhibit GSS-
 12 1 shows that of the 37 property owners who originally requested integrated water and wastewater
 13 services, 26 property owners remained the same. In the areas where Global-Palo Verde is requesting
 14 an extension of only its wastewater CC&N, only 5 of the 21 landowners who originally requested
 15 service remained the same.

16 57. Exhibit GSS-1 also shows the properties where GWR executed Infrastructure
 17 Coordination Financing Agreements¹⁶¹ ("ICFAs") in the proposed extension area.¹⁶² The Global
 18 Utilities assert that a majority of the property owners have executed ICFAs with GWR, and the
 19 ICFAs are recorded with Pinal County.¹⁶³ Therefore, according to the Global Utilities, any new
 20

21 _____
 22 ¹⁵⁶ Global Exhibit G-27.

¹⁵⁷ Id.

¹⁵⁸ Tr. at 266.

¹⁵⁹ Initial Testimony of Graham Symmonds in Support of Settlement at 12.

¹⁶⁰ Id.

¹⁶¹ Trevor Hill, President and CEO of Global Parent described ICFAs as:

An ICFA is a voluntary contract between Global Parent and a landowner. These contracts provide for Global Parent to coordinate the planning, financing and construction of off-site water, wastewater and recycled water plant. The Global Utilities will own and operate this plant when construction is complete. Under the ICFAs, Global Parent is responsible for funding both the planning and the construction of water, wastewater, and recycled water plant. This a significant investment for Global Parent. The landowners who enter into the ICFAs agree to cooperate with Global Parent's plant planning and construction process. ICFAs formalize the cooperation between the landowner and Global, but also provide fees which allow Global Parent to impress conservation and consolidation into regional planning initiatives. Direct Testimony of Trevor Hill (Ex. A-7) filed in Docket No. SW-020445A-09-0077 et al.

¹⁶² Initial Testimony of Graham Symmonds in Support of Settlement at 12.

¹⁶³ Id.

1 property owners would be on notice of the original request for service.¹⁶⁴ The Global Utilities assert
 2 that the lack of responses for updated requests for service is likely the result of the slow economy and
 3 the overall lack of progress on this application rather than an explicit request to be removed from the
 4 proposed amended extension area.¹⁶⁵

5 58. AWC is seeking to extend its CC&N by approximately 56,215 acres (approximately
 6 88 sections of land).¹⁶⁶ AWC stated that it employed the use of both U.S. mail and telephone calls to
 7 obtain updated/renewed requests for service.¹⁶⁷ As of June 5, 2009, AWC had received updated or
 8 renewed requests for service covering 15,152 acres, or approximately 27 percent of the total
 9 extension area requested.¹⁶⁸ According to AWC, one third of the total requested acreage, or
 10 approximately 17,931 acres, is owned by the Arizona State Land Department ("ASLD") and the
 11 ASLD requested service for 4,480 acres, or approximately 25 percent of the government controlled
 12 land AWC is requesting.¹⁶⁹ The remaining portion of the government lands are controlled by the
 13 Bureau of Land Management (designated as part of the Sonoran Desert Monument), the Bureau of
 14 Reclamation, and land owned by the county.¹⁷⁰ According to AWC, it received updated/renewed
 15 requests for service (as shown in AWC's Exhibit A-7, attached hereto as Exhibit D), with the
 16 exception of Parcels Nos. 13, 17, and 18, from all property owners where original requests for service
 17 had been obtained.¹⁷¹

18 59. AWC claims that there are approximately 932 landowners within its requested
 19 extension area, and AWC received requests for service from 24 of those landowners (approximately 3
 20 percent).¹⁷² AWC contends that it notified every landowner in the amended extension area by
 21 publication and written notice, and none of the property owners objected to being included in AWC's
 22 amended CC&N extension area.¹⁷³ AWC also states that of the 932 landowners in the proposed
 23

24 ¹⁶⁴ Initial Testimony of Graham Symmonds in Support of Settlement at 13.

25 ¹⁶⁵ Id.

26 ¹⁶⁶ Supplemental Affidavit of Frederick K. Schneider dated July 9, 2009 at 3.

27 ¹⁶⁷ Tr. at 78, see also AWC Exhibit A-3.

28 ¹⁶⁸ Supplemental Affidavit of Frederick K. Schneider dated July 9, 2009 at 3.

¹⁶⁹ Id.

¹⁷⁰ Id.

¹⁷¹ Tr. at 94.

¹⁷² Supplemental Affidavit of Frederick K. Schneider dated July 9, 2009 at 4.

¹⁷³ Id. at 4. See also, Certification of mailing and publication docketed December 5, 2008.

1 CC&N extension area, 619 (66 percent) own less than 10 acres.¹⁷⁴ Of the 10 landowners that own
 2 640 acres or more, AWC received requests for service from 5 of them (50 percent).¹⁷⁵ AWC's
 3 witness testified that AWC concentrated on getting updated requests from the larger landowners.¹⁷⁶

4 60. AWC argues that there is "no Arizona statute, case, or regulation that requires a water
 5 utility to have a request for service for every parcel of land included in a new CC&N or CC&N
 6 extension."¹⁷⁷ AWC also contends that "no rule or case exists that requires a utility to have requests
 7 for service not only for the service it provides, but also for the service that another utility
 8 provides."¹⁷⁸ AWC claims that Staff's recommendation, if adopted by the Commission, would
 9 require landowners to request all potential utility services at the same time or else receive no services
 10 at all.¹⁷⁹ AWC further argues that Staff's assumption that the passage of time renders a request for
 11 service "stale, moot and worthy of rejection" substitutes Staff's judgment for that of the property
 12 owner and ignores the fact that no objection to inclusion in the CC&N area exists.¹⁸⁰ AWC states
 13 that the better policy would be "to accept a request for service as genuine absent evidence to the
 14 contrary."¹⁸¹ Finally, AWC asserts that the need for service can be demonstrated in ways other than a
 15 request for service; for example, through the planning for development by landowners (*i.e.*, county
 16 and city planning and zoning submittals); Pinal County's General Plan; Casa Grande's General Plan;
 17 and Maricopa's General Plan.¹⁸² AWC submitted maps showing the General Plans, Planning
 18 Boundaries, and Land Use for Pinal County, Casa Grande, and Maricopa,¹⁸³ claiming that the depth
 19 of planning by landowners, cities, and county entities demonstrates that there is a need for service in
 20 the proposed extension areas.¹⁸⁴

21 61. AWC argues that Staff's recommendation regarding requests for service in this docket
 22 is inconsistent with recommendations Staff has made in other CC&N extension dockets.¹⁸⁵ AWC
 23

24 ¹⁷⁴ Id. at 4.

¹⁷⁵ Id. at 5.

¹⁷⁶ Tr. at 181.

¹⁷⁷ Rebuttal Testimony of William Garfield at 5.

¹⁷⁸ Id. at 6.

¹⁷⁹ Id.

¹⁸⁰ Id. at 7.

¹⁸¹ Id.

¹⁸² Id. at 11.

¹⁸³ Rebuttal Testimony of William Garfield, Attachments WMG 8-12.

¹⁸⁴ Id. at 11.

¹⁸⁵ Id.

1 noted Staff's testimony in another docket which stated:

2 Staff reviewed the letters filed by Robson, Global and Ms. Robertson, along
 3 with the response of Arizona Water. First, Staff does not agree that the
 4 Commission has an inflexible, long-standing policy against approving CC&N
 5 extensions into areas in which there are no requests for service. Second, Staff
 6 is concerned that if the Commission were to establish a firm policy against
 7 approving extensions where there is no request for service (as Global and
 8 Robson seem to favor), utilities would be motivated to shop for requests for
 9 service to reserve areas for planning purposes. At best, this would increase
 costs to the utilities. At worst, these costs could be passed on to the ratepayers.
 Also a request for service could become a commodity going to the highest
 bidder rather than to the company which is best able to further the public
 interest. Staff believes there are certain circumstances under which the
 Commission should consider approving extensions into areas for which there
 are no requests for service.¹⁸⁶

10 62. AWC asserts that a better approach would be to use the nine factors previously
 11 articulated by Staff to determine whether to extend CC&Ns into areas where there are no requests for
 12 service.¹⁸⁷ The nine factors are:

- 13 1. Whether inclusion of the area could reasonably be expected to
 contribute to operational efficiencies;
- 14 2. Whether exclusion of the area could reasonably be expected to
 result in operational inefficiencies;
- 15 3. Whether there is a competing application for the area;
- 16 4. Whether a customer in the area requests to be excluded and the
 nature of the request;
- 17 5. Whether the area is contiguous to the company's current service
 area;
- 18 6. Whether the requested area "squares off" the service territory or
 fills in holes in the service territory;
- 19 7. Whether the company at issue is financially sound;
- 20 8. Whether the company at issue is in compliance with Commission
 decisions, ADEQ and ADWR; and
- 21 9. Other showings by the company at issue that it is in the public
 22 interest to approve the extension.¹⁸⁸

23 63. Based on the nine factors, AWC asserts that most, if not all, factors weigh in favor of
 24 granting AWC an extension of its CC&N into areas not covered by requests for service.¹⁸⁹ AWC
 25 points out that the proposed extension area lends itself to operating efficiencies; no landowner has
 26

27 ¹⁸⁶ Rebuttal Testimony of William Garfield, quoting from Staff Report at 2 in Docket No. W-01445A-06-0059.

28 ¹⁸⁷ Testimony of William Garfield dated January 12, 2009 at 26. See also Decision No. 69163 (December 5, 2006).

¹⁸⁸ Testimony of William Garfield dated January 12, 2009, at 26.

¹⁸⁹ Rebuttal Testimony of William Garfield at 13.

1 objected to inclusion in the extension area; the areas are contiguous to either AWC's existing service
2 territory or to areas where AWC has a request for service; and not granting the extension would leave
3 large gaps in AWC's CC&N area making it more difficult to extend facilities in a logical manner.¹⁹⁰

4 64. The Global Utilities also assert that Staff's recommendation to require renewed
5 requests for service is inconsistent with past Commission decisions.¹⁹¹ The Global Utilities claim
6 that in Commission Decision No. 70381 (June 13, 2008) the Global Utilities provided 100 percent
7 requests for service with the application for an extension of their CC&Ns.¹⁹² According to the Global
8 Utilities, they were required in that prior case to obtain updated requests for service because Staff
9 expressed concern that 37 out of 47 of the requests for service were not addressed to either Santa
10 Cruz or Palo Verde, but were instead addressed to Global Water, LLC.¹⁹³ Decision No. 70381
11 indicated that Staff was concerned that landowners and developers appeared to be confused as to
12 which entity would be providing service, and that some of the requests for service were more than
13 two years old.¹⁹⁴ The Global Utilities were therefore directed to provide updated requests for service
14 and were able to obtain 71 percent renewed/updated requests for service, with 100 percent of those
15 landowners expressing a continuing need for service.¹⁹⁵ The Commission approved the Global
16 Utilities' request to extend their CC&Ns to include the entire area originally requested.¹⁹⁶ The
17 Global Utilities assert that, in this case, they have obtained 80.1 percent updated/renewed requests for
18 service, exceeding the renewed service request percentage achieved in the prior Decision, thereby
19 demonstrating a need for service in this matter for the entire requested area.¹⁹⁷

20 65. The Global Utilities stated that development in the proposed extension areas is in
21 varying stages.¹⁹⁸ They indicated that some of the developers hope to begin construction of homes by
22 the end of 2011, while other developers are not so far along in the process.¹⁹⁹ The Global Utilities
23

24 ¹⁹⁰ Id.

¹⁹¹ Rebuttal Testimony of Graham Symmonds at 6.

¹⁹² See Docket No. SW-03575A-06-0545 et al.

¹⁹³ Decision No. 70381 at 5.

¹⁹⁴ Id.

¹⁹⁵ Id.

¹⁹⁶ Id.

¹⁹⁷ Rebuttal Testimony of Graham Symmonds at 6. The Global Utilities provided additional evidence during the hearing that they had obtained renewed/updated requests totaling 80.1 percent of the requested extension area (Exhibit G-27).

¹⁹⁸ Id. at 14.

¹⁹⁹ Id.

1 provided updated information for three of the developments in the proposed extension area, showing
 2 that they have approved Physical Availability Demonstrations ("PADs") from ADWR, and zoning
 3 and approved preliminary plats from Pinal County.²⁰⁰ According to the Global Utilities, due to the
 4 downturn in the economy some of the landowners have reverted to farming for the immediate future,
 5 but others have moved forward as far as they can without having an approved source of water and
 6 wastewater.²⁰¹ The Global Utilities assert that not including these property owners in the Certificate
 7 "may act to unduly delay some developments – including the jobs and economic activities related to
 8 those developments."²⁰²

9 66. The Global Utilities reported that the land use plans vary throughout the proposed
 10 extension area.²⁰³ According to the Global Utilities, several of the developments have no plans to
 11 include golf courses.²⁰⁴ They also assert that regardless of the developer's plans, the ICFAs and main
 12 extension agreements include minimum requirements that developers are expected to follow. The
 13 ICFAs require landowners to commit to the following:

- 14 1. Construct, operate and maintain a Recycled Water Retention Structure
 15 for use as irrigation supply throughout common areas;
- 16 2. Submit a recycled water master plan that at a minimum includes the
 17 following:
 - 18 a. Acreage and percentage breakdown of total open space and
 19 turf, xeriscape, and retention structure areas, and approximate
 20 number of trees associated with the landscaping plan;
 - 21 b. Anticipated irrigation usage by month based on landscaping
 22 plan;
 - 23 c. Anticipated recycled water production;
 - 24 d. Table indicating recycled water production, anticipated
 25 irrigation demand and resulting recycled water balance broken
 26 down by month;
 - 27 e. Calculated Peak Hour and Peak Day irrigation demands; and
 - 28 f. Design drawings showing Recycled Water Retention Structure
 general arrangement, including plan, elevation and cross-
 section.
3. Adherence to the Global Code of Practice Irrigation and Land Use
 Requirements, which requires that open areas meet the following:
 - a. Turf = 22%
 - b. Xeriscape = 75%
 - c. Retention Structure = 3%

200 Id.

201 Id.

202 Id.

203 Id. at 15.

204 Id.

d. Retention Structure Freeboard = 2 feet

4. To accept recycled water equivalent to the amount generated by their particular development.²⁰⁵

67. The Global Utilities contend that although the specific development plans are not known at this time, minimum requirements will require landowners to use reclaimed water and to conserve outdoor water use.²⁰⁶ Further, under the Agreement AWC will have access to reclaimed water in the areas where AWC would provide water service and Global-Palo Verde would provide wastewater services.²⁰⁷

B. Description of AWC and Global Systems

1. AWC's Casa Grande System and Stanfield System

68. AWC's existing Casa Grande CC&N includes 164.9 square miles in Pinal County.²⁰⁸ AWC provides water utility service to the City of Casa Grande through its Casa Grande System and serves the Casa Grande vicinity using its Coolidge, Stanfield, and Tierra Grande Systems.²⁰⁹ According to AWC, in the future the three water systems will be interconnected with the Casa Grande System, and will ultimately become the Pinal Valley Water System.²¹⁰

69. According to Staff, AWC's proposed CC&N extension area is in the western portion of the Pinal Valley Water System, which includes only the Casa Grande and Stanfield Systems.²¹¹ Therefore, Staff's analysis of the facilities needed to serve the proposed extension areas included only the Casa Grande and Stanfield Systems.²¹²

70. Staff's Engineering Report states that AWC's Casa Grande System is comprised of 17 wells, producing 17,580 gallons per minute ("GPM"); five arsenic treatment plants; nine storage tanks, with a storage capacity of 15.11 million gallons; and a distribution system serving approximately 22,600 service connections.²¹³ Staff indicates that AWC predicts an additional 13,367 connections for the proposed CC&N extension area, for a projected total customer base of

²⁰⁵ Id.
²⁰⁶ Id. at 16
²⁰⁷ Id.
²⁰⁸ Id.
²⁰⁹ Id.
²¹⁰ Id.
²¹¹ Staff Exhibit S-1, Attachment RGG at 2.
²¹² Id.
²¹³ Staff Exhibit S-1, Attachment RGG-3 at 1.

1 approximately 36,000.²¹⁴ Staff concluded that the Casa Grande System has sufficient well production
2 and storage capacity to serve approximately 38,250 service connections.²¹⁵

3 71. AWC's Stanfield System is comprised of two wells, producing 520 GPM; two storage
4 tanks, with a storage capacity of 120,000 gallons; and a distribution system serving approximately
5 220 connections.²¹⁶ AWC's CC&N for the Stanfield System covers approximately 16 square miles,
6 located approximately one mile from AWC's Casa Grande System, and serves the community of
7 Stanfield.²¹⁷ According to Staff, AWC predicts it will eventually serve an additional 14,010 service
8 connections, for a total customer base of 14,250 in the proposed extension area.²¹⁸ Staff concluded
9 that the Stanfield System can serve approximately 550 service connections based on its existing well
10 production and storage capacity.²¹⁹

11 72. Staff reviewed a Design Report submitted by AWC in support of the proposed
12 infrastructure and projected water demands for the proposed CC&N extension areas.²²⁰ According to
13 Staff, AWC's Design Report shows the needed infrastructure projected for 50 years.²²¹ The Design
14 Report also shows the projected peak demand for the Casa Grande and Stanfield Systems, proposed
15 transmission mains, and pipeline grids.²²² AWC's proposed total cost for infrastructure for the Pinal
16 Valley Water System is approximately \$31 million for wells, \$302 million for treatment plants, and
17 \$23 million for storage tanks.²²³

18 73. Staff concluded that, based on the information provided in AWC's flow model and
19 Design Report, AWC's proposed system is adequately sized and has adequate production and storage
20 to serve the entire Casa Grande System, the Stanfield System, and the proposed extension area.²²⁴
21 Further, Staff believes that AWC will have the ability to develop the additional production and
22 storage needed in the proposed CC&N extension area.²²⁵

23 _____
24 ²¹⁴ Id. at 2.

²¹⁵ Id. at 2.

²¹⁶ Id. at 2.

²¹⁷ Id.

²¹⁸ Staff Exhibit S-1, Attachment RRG-3 at 3.

²¹⁹ Id. at 3.

²²⁰ Staff Exhibit S-1, Attachment RGG-3 at 3.

²²¹ Id.

²²² Id.

²²³ Id.

²²⁴ Id.

²²⁵ Id.

1 74. According to Staff, AWC plans to provide service in the proposed extension areas by
 2 extending its distribution systems, by using advances in aid of construction (“AIAC”) and a proposed
 3 Off Site Facilities Fee.²²⁶ Staff reviewed the proposed off-site and on-site cost estimates, which total
 4 approximately \$47 million and \$600 million, respectively.²²⁷ Staff concluded that the cost estimates
 5 for the proposed off-site and on-site facilities are reasonable; however, Staff stated that no “used and
 6 useful” determination has been made and no conclusions should be inferred for future rate making or
 7 rate base purposes.²²⁸

8 75. ADEQ has determined that AWC’s Casa Grande, Stanfield, Coolidge, and Tierra
 9 Grande Systems are in compliance and are delivering water that meets water quality standards as of
 10 February 9, 2009.²²⁹

11 76. AWC’s Pinal Valley Water System is located in the Pinal Active Management Area
 12 and ADWR has determined that AWC’s Casa Grande, Stanfield, and Tierra Grande Systems are in
 13 compliance with ADWR requirements.²³⁰ According to Staff, ADWR reported that AWC’s Coolidge
 14 System is out of compliance due to unaccounted for water loss violations. Staff states that AWC is
 15 currently working with ADWR to resolve the issues.²³¹

16 77. Staff states that ADWR has determined that AWC’s PAD for its Pinal Valley Water
 17 System Planning Area allows for 120,000 acre-feet of groundwater annually for 100 years.²³² Based
 18 on the use of reclaimed water, CAP water, and available irrigation district water, Staff believes AWC
 19 has a total available water supply of over 250,000 acre-feet annually.²³³

20 **2. Global-Santa Cruz Water and Global-Palo Verde Wastewater Systems**

21 78. Under the proposed Agreement, the Global Utilities are seeking to extend their
 22 respective CC&Ns to provide water and wastewater services to an area southeast of Maricopa and
 23

24
 25 ²²⁶ Id. at 4. According to Staff, AWC’s proposed Off Site Facilities Fee is a Hook-Up Fee Tariff to be filed by AWC.

26 ²²⁷ Id. 4-5.

27 ²²⁸ Id. at 5.

28 ²²⁹ Id. at 6.

²³⁰ Id.

²³¹ Id. at 6. We note that AWC’s non-account water issues were addressed in detail in its recent rate case (see Decision No. 71845, August 25, 2010, at 70-77).

²³² Id.

²³³ Id.

1 west of Casa Grande in northwest Pinal County.²³⁴ The Global Utilities are requesting to extend the
 2 Global-Santa Cruz's water CC&N to include approximately 19 square miles and the Global-Palo
 3 Verde's wastewater CC&N by approximately 42 square miles.²³⁵ According to Staff, the Global
 4 Utilities expect to add approximately 6,000 new water and wastewater customers in the extension
 5 area in the next five years.²³⁶

6 **a. Global-Santa Cruz Water System**

7 79. Global-Santa Cruz's water system currently serves approximately 15,700 customers
 8 and is comprised of five wells, with a production capacity of 8,815 GPM; five storage tanks, with
 9 storage capacity of 6.5 million gallons; and five pressure tanks, with a capacity of 30,000 gallons.²³⁷
 10 Staff believes Global-Santa Cruz has adequate capacity to serve its current customers plus reasonable
 11 growth in the future.²³⁸

12 80. According to Staff, Global-Santa Cruz plans to construct a new water system, called
 13 the South East Water System ("SEWS") to provide water service within the requested extension
 14 area.²³⁹ Staff states that the SEWS will be comprised of multiple wells with a minimum production
 15 capacity of 3,200 GPM, 2.5 million gallons of storage capacity, and fire flow protection of 2,100
 16 GPM for four hours.²⁴⁰ Global-Santa Cruz expects to have on-site infrastructure consisting of
 17 approximately two-miles of distribution lines, two wells, one booster pump stand, and one three-
 18 million gallon storage tank during the first year.

19 81. Staff concluded that Global-Santa Cruz's proposed water system would have adequate
 20 capacity to serve customers in the extension area as well as reasonable growth in the future.²⁴¹

21 82. Based on ADEQ Compliance Status Reports dated December 9, 2008, ADEQ
 22 determined Global-Santa Cruz is in compliance and delivering water that meets applicable water
 23 quality standards.²⁴² According to Staff, Global-Santa Cruz's service area is located within the Pinal
 24

25 ²³⁴ Staff Exhibit S-1, Attachment RGG-4 at 1.

26 ²³⁵ Id.

27 ²³⁶ Id.

28 ²³⁷ Id.

²³⁸ Id. at 2.

²³⁹ Id.

²⁴⁰ Staff Exhibit S-1, Attachment RGG-4 at 2.

²⁴¹ Id.

²⁴² Staff Exhibit S-1, Attachment RGG-4 at 2, referencing ADEQ Compliance Status Report dated December 9, 2008.

1 AMA, and ADWR has determined that Global-Santa Cruz is in compliance with departmental
2 requirements governing water providers and/or community water systems.²⁴³

3 83. The Commission's Utilities Division Compliance Section has determined that Global-
4 Santa Cruz has no current delinquent compliance issues.²⁴⁴

5 84. Global-Santa Cruz has an approved curtailment tariff on file with the Commission.

6 85. Staff states that Global-Santa Cruz has an approved Designation of Assured Water
7 Supply that would need to be modified to include the requested extension area.²⁴⁵

8 86. Global-Santa Cruz estimates that the total construction costs to serve the extension
9 area would be approximately \$1.8 million over five years.²⁴⁶ Staff concludes that Global-Santa
10 Cruz's costs are reasonable and appropriate for the facilities needed in the extension area; however,
11 Staff made no "used and useful" determination for the proposed plant and Staff stated no conclusions
12 should be inferred for future rate making or rate base proposes.²⁴⁷

13 **b. Global-Palo Verde Wastewater System**

14 87. Global-Palo Verde currently operates a Water Reclamation Facility ("WRF") referred
15 to as WRF Camp 1.²⁴⁸ Staff described WRF Camp 1 as an enclosed three million GPD sequential
16 batch reactor treatment plant with sand filters, ultra-violet disinfection units, and an effluent reuse
17 and surface water disposal system.²⁴⁹ The WRF Camp 1 currently treats 1.5 million GPD of
18 wastewater and the treated wastewater is used to irrigate golf courses, parks, and other green areas.²⁵⁰
19 Staff concluded that Global-Palo Verde has adequate capacity to serve its existing customer base plus
20 reasonable growth in the future.²⁵¹

21 **i. Proposed WRFs Camp 3 and Camp 7**

22 88. Global-Palo Verde intends to construct a new WRF referred to as WRF Camp 3,
23
24

25 ²⁴³ Staff Exhibit S-1, Attachment RGG-4 at 2.

26 ²⁴⁴ Id.

27 ²⁴⁵ Id.

28 ²⁴⁶ Id.

²⁴⁷ Id.

²⁴⁸ Staff Exhibit S-1, Attachment RGG-4 at 3.

²⁴⁹ Id.

²⁵⁰ Id.

²⁵¹ Id.

1 which would be constructed in the same manner as the WRF Camp 1.²⁵² According to Staff, Global-
2 Palo Verde proposes to use its WRF Camp 1 to initially serve the extension area, which Staff believes
3 would need to handle an additional 643,500 GPD of wastewater to serve the extension area.²⁵³ Staff
4 stated that Global-Palo Verde was unable to provide any on-site wastewater infrastructure plans, but
5 that Global-Palo Verde estimates that it will construct a 500,000 GPD wastewater treatment plant,
6 with a one mile long gravity flow main to serve the requested extension area within the first year.²⁵⁴
7 Staff concluded the proposed WRF Camp 3 would have adequate capacity to serve customers in the
8 extension area and that Global-Palo Verde can be expected to add the capacity needed to meet future
9 growth.²⁵⁵

10 89. The requested extension area is within Global-Palo Verde's approved 208 Plan area.²⁵⁶

11 90. According to an ADEQ Compliance Status Report dated January 29, 2009, Global-
12 Palo Verde is in compliance with its Aquifer Protection Permit for reporting requirements and
13 monitoring results.²⁵⁷ Global-Palo Verde is also currently in compliance with the Commission's
14 Compliance Division and has an approved curtailment tariff on file with the Commission.²⁵⁸ Global-
15 Palo Verde projects that construction costs for the facilities needed in the extension area would be
16 approximately \$12.6 million over a five-year period. Staff concluded that Global-Palo Verde's
17 proposed costs are reasonable, but Staff made no "used and useful" determination of proposed
18 facilities and stated that no inference should be made for rate base or ratemaking purposes.

19 **ii. Odor Issues**

20 91. The Global Utilities' witness testified that the proposed WRFs would be at least 350
21 feet from homes in the proposed extension area as required by ADEQ.²⁵⁹ The witness also stated that
22 all wastewater processing equipment associated with the WRFs would be located a minimum of 350
23 feet from homes in the extension area.²⁶⁰ According to the witness, the WRFs would be fully
24

25 ²⁵² Id.
²⁵³ Id.
²⁵⁴ Id.
26 ²⁵⁵ Id.
²⁵⁶ Id.
27 ²⁵⁷ Id.
²⁵⁸ Id.
28 ²⁵⁹ Tr. at 240.
²⁶⁰ Id.

1 equipped with odor, aesthetic, and noise controls,²⁶¹ and would have covers on all of the process
 2 equipment.²⁶² The Global Utilities claim that one of the benefits of the proposed regional planning of
 3 the WRFs is that they would be able to take advantage of the available gradient in order to eliminate
 4 the use of small lift stations throughout the extension area.²⁶³ The witness further stated that the sites
 5 for the proposed WRF No. 3 and No. 7 are included in the ICFAs and the land will be deeded over to
 6 the utility from the developer.²⁶⁴

7 **C. Staff's Recommendations**

8 92. Staff recommends that the Commission approve limited CC&N extensions for AWC
 9 and the Global Utilities, as shown in Staff's Exhibits S-8 and S-9 (attached hereto collectively as
 10 Exhibit E),²⁶⁵ subject to the conditions listed below. Staff further recommends approval of the
 11 transfer of the CP Water and Francisco Grande CC&Ns to Global-Santa Cruz and Global-Palo Verde,
 12 subject to the conditions listed below. Staff recommends that AWC:

- 13 1. File with Docket Control, as a compliance item in this docket by
 14 December 31, 2012, a copy of the Approval to Construct ("ATC") for
 15 the first parcel to be served in the extension areas;
- 16 2. File with Docket Control, as a compliance item in this docket by
 17 December 31, 2011, a copy of the updated ADWR Physical
 18 Availability Determination ("PAD") to include the requested extension
 19 areas; and
- 20 3. File legal descriptions consistent with the CC&N extension areas
 21 approved by the Commission in this proceeding, and that the Order in
 22 this proceeding not be effective until the legal descriptions are found
 23 to be acceptable by Staff.

24 93. Staff further recommends that:

- 25 1. Global-Santa Cruz file with Docket Control as a compliance item by
 26 December 31, 2012, a copy of Certificate of ATC issued by the ADEQ
 27 for the wells, mains, storage tank and booster pump station installed to
 28 serve the first parcel of the requested extension area;
2. Global-Santa Cruz file with Docket Control as a compliance item in
 this Docket by December 31, 2011, a letter from ADWR indicating

²⁶¹ Id.

²⁶² Id.

²⁶³ Id. at 242.

²⁶⁴ Id.

²⁶⁵ In general terms, Staff recommended that CC&N extensions be granted to AWC and the Global Utilities only for areas in which the Utilities have obtained renewed or current requests for service and requests for both water and wastewater service. The specific Staff recommendations for the extension areas are discussed in greater detail in the Discussion and Analysis section below.

1 that the Santa Cruz Designation of Assured Water Supply ("DAWS")
2 has been modified and approved to include the requested extension
3 area;

- 3 3. Global-Palo Verde file with Docket Control as a compliance item by
4 December 31, 2012, a copy of the ATC for the sewer mains that serve
5 the first parcel in the extension area;
- 6 4. Global-Santa Cruz file with Docket Control as a compliance item by
7 December 31, 2011, a letter from ADWR indicating that the Santa
8 Cruz DAWS has been modified and approved to include the CP and
9 Francisco Grande service areas; and
- 10 5. The Global Utilities file legal descriptions consistent with the CC&N
11 extension areas approved by the Commission in this proceeding, and
12 that the Order in this proceeding not be effective until the legal
13 descriptions are found to be acceptable by Staff.

9 **D. Discussion and Analysis of CC&N Extension Requests**

10 94. Staff concluded that the Utilities are fit and proper entities to extend their respective
11 CC&Ns, and is recommending that the Commission approve limited CC&N extensions for the
12 Utilities. Staff recommends that the Commission grant CC&N extensions only to the areas where the
13 Utilities have matching requests for service for both water and wastewater. Staff stated that the
14 request for service issue was the "primary driver" in deciding whether to recommend approval of the
15 extension requests. Staff argues that the Commission has in recent years shifted its approach to
16 requiring parcel for parcel requests for service in CC&N extension cases. According to Staff, prior to
17 the shift in policy, the Commission granted CC&N extensions that "squared off" or "rounded off"
18 service territories granting areas larger than those requested by the utilities.

19 95. As described above, AWC asserts that there is no rule, case law, or statute that
20 requires a utility to have a request for service for each parcel of land requested in a CC&N extension.
21 AWC claims that for the areas where it has no request for service but the area is contiguous to its
22 existing territory, the Commission should "square off" the extension area using the nine factor
23 guideline. AWC stated that it primarily focused on obtaining updated/renewed requests for service
24 from larger (640 acres or more) property owners in AWC's proposed extension areas. AWC had
25 original requests for service totaling approximately 6,800 acres out of the 56,215 acres requested.
26 However, by the time this matter went to hearing, AWC had received updated/renewed requests for
27 service for approximately 27 percent or 15,152 acres.

1 96. The Global Utilities sought updated/renewed requests for service in their proposed
2 CC&N extension areas and were able to provide an aggregate of 80.1 percent reaffirmed requests for
3 their proposed extension areas. The Global Utilities submitted evidence showing the name of each
4 developer/development; the number of acres for each development; approximate number of units for
5 each development; and if the development had a recorded ICFA. The Global Utilities also submitted
6 evidence showing how many of the developers/landowners had remained the same from the time the
7 utilities first obtained the request to the second request. Consequently, the Global Utilities provided
8 91 percent updated/renewed requests for service in the areas where they plan to provide integrated
9 water and wastewater services, and 68 percent renewed/updated requests in areas where Global-Palo
10 Verde would provide only wastewater and AWC would provide water.

11 97. The Global Utilities contend that because they have achieved a higher percentage of
12 reaffirmed requests for service in this matter than was required in a prior case (Decision No. 70381),
13 the Commission should extend the Global Utilities' CC&Ns to include 100 percent of the requested
14 area.

15 98. In this case, the Global Utilities are requesting an extension area containing 33,273
16 acres, compared to the prior case in which they requested an extension for 8,473 acres.²⁶⁶ In the prior
17 matter, Staff also expressed concern that the requests were two years old and that property owners
18 were confused as to which utility would be providing them with service, as a basis for requiring
19 updated service requests. In this case, more than four years elapsed between the time the Global
20 Utilities obtained the original requests for service and when the matter went to hearing. During that
21 four-year time period, there has been a significant downturn in the national and local economy as
22 well as a slow down in the real estate development market.

23 99. Staff acknowledged that in prior years the Commission had an informal policy of
24 encouraging "rounding off" or "squaring off" CC&N extension areas.²⁶⁷ However, Staff's witness
25 testified that, in recent years, the Commission's informal policy has shifted away from the "rounding
26 off" or "squaring off" approach and has begun to require that CC&N extension areas have specific
27

28 ²⁶⁶ Decision No. 70381 at 3.

²⁶⁷ Tr. at 340.

1 requests for service for each parcel.²⁶⁸ Staff concedes that, in some instances, the request for service
 2 approach could increase administrative review requirements because utilities would be required to
 3 apply for CC&N extensions only after they receive requests for service.²⁶⁹

4 100. Staff argues that the Commission has never formally adopted the nine factor criteria
 5 cited by AWC.²⁷⁰ Staff claims that although it was aware of the nine factors when it formulated its
 6 recommendations in this case, Staff believed that the "primary driver" in this particular case was the
 7 request for service.²⁷¹ To illustrate the point, as shown in Staff's Exhibit S-8, Staff stated that there
 8 are two small parcels north of Parcel D that do not have requests for wastewater service, although
 9 AWC has a request for water service.²⁷² Staff explained that if it were recommending granting a
 10 CC&N for parcel D, Staff would have looked to the nine factors to consider whether inclusion of the
 11 smaller northern parcels was appropriate, where no requests for service were received.²⁷³

12 101. We agree with the guidelines recommended by Staff in this case (subject to minor
 13 modifications) with respect to approving CC&N extensions only for areas in which the Utilities have
 14 obtained renewed or current requests for service, and in which the Utilities are proposing to provide
 15 both water and wastewater either through integrated service (in the case of the Global Utilities) or
 16 through cooperative arrangement (with AWC providing water and Global-Palo Verde providing
 17 wastewater). Each of the individual parcels requested is discussed below.

18 1. AWC's Proposed Planning Area

19 102. Regarding CC&N extensions for AWC, Staff recommends extending AWC's CC&N
 20 to include nine parcels of land totaling approximately 3,450 acres.²⁷⁴ Staff's Exhibit S-8, attached
 21 hereto, shows Staff's recommended extension areas for AWC. Staff is recommending approval of
 22 parcels 4, 5, 6, 7, 8, 9, 12, 15, and 19. Staff noted that although Parcel No. 4 does not have a
 23 matching request for sewer service, Staff is recommending including it in AWC's extension area
 24 because Parcel No. 4 is located within the city limits of Casa Grande and therefore wastewater will be
 25

26 ²⁶⁸ Id.

²⁶⁹ Tr. at 342.

²⁷⁰ Tr. at 343.

²⁷¹ Tr. at 319.

²⁷² Tr. at 320.

²⁷³ Id.

²⁷⁴ Staff Exhibit S-8.

1 provided by Casa Grande.²⁷⁵ We find Staff's recommendation to include parcels 4, 5, 6, 7, 8, 9, 12,
 2 15, and 19 on Exhibit S-8 reasonable under the facts and circumstances presented in this case and
 3 those recommendations will therefore be adopted.

4 **a. Parcels Nos. 1, 2, and 3**

5 103. Staff recommends that AWC's CC&N not be extended to include parcels 1, 2, and 3,
 6 as shown in AWC's Exhibit A-7 (attached hereto as Exhibit D), because the parcels do not have
 7 matching wastewater requests for service.²⁷⁶ Staff expressed concerns that parcels 1, 2, and 3 are
 8 located outside Casa Grande's city limits and therefore Casa Grande has no obligation to provide
 9 wastewater to the parcels. AWC submitted evidence showing that Casa Grande provides wastewater
 10 collection and treatment in the area bounded by Interstate 10 on the east, the Maricopa Casa Grande
 11 Highway on the south and west, and Korston Road to the north.²⁷⁷ AWC argued that although
 12 Parcels 1, 2, and 3 are not located in Casa Grande's city limits, they are within Casa Grande's
 13 approved 208 Plan boundary and that Casa Grande will provide wastewater service to the area.²⁷⁸
 14 Because it is unclear when or if Casa Grande will extend wastewater service to Parcels 1, 2, and 3,
 15 we concur with Staff's recommendation not to extend AWC's CC&N to include Parcels 1, 2, and 3,
 16 at this time.

17 **b. Parcels A, B, C, D, and E**

18 104. AWC requested an extension of its CC&N to include Parcels A and B, as shown in
 19 AWC's Exhibit A-7 (attached as Exhibit D hereto).²⁷⁹ Parcel A consists of 1,823 acres owned by a
 20 single developer.²⁸⁰ Various sections of land labeled as Parcel B are owned by Arizona State Land
 21 Trust.²⁸¹ Parcel A, and one portion of Parcel B, are located within the 208 Plan boundary for Casa
 22 Grande.²⁸² There is no matching request for wastewater service for Parcels A and B.²⁸³ Because it is
 23 unclear at this time when or if Casa Grande will extend wastewater service to Parcel A and the
 24

25 ²⁷⁵ Tr. at 317.

26 ²⁷⁶ Tr. at 310.

27 ²⁷⁷ AWC Exhibit A-5.

28 ²⁷⁸ Tr. at 115.

²⁷⁹ AWC Exhibit A-7.

²⁸⁰ Id.

²⁸¹ Id.

²⁸² Id.

²⁸³ Staff Exhibit S-9.

1 above-referenced portion of Parcel B, we find that Parcel A and the portion of Parcel B located
2 within the 208 Plan area for Casa Grande should not be included in AWC's CC&N at this time.

3 105. There are seven remaining portions of Parcel B. Five portions of Parcel B are
4 currently located within the Global Utilities' 208 Plan boundary and two portions are not.²⁸⁴ The
5 Global Utilities stated that Global-Palo Verde would provide wastewater service to the remaining
6 portions of Parcel B. Additionally, the Global Utilities stated that Global's 208 Plan boundary would
7 be amended to include the two portions of Parcel B that are not currently within Global's current 208
8 Plan. Because Global-Palo Verde is willing and able to provide wastewater service to the seven
9 remaining portions of Parcel B, AWC's and Global-Palo Verde's CC&Ns should be extended to
10 include those areas. In addition, the portion of B located adjacent to Parcel C should be filled in to
11 create a more logical boundary.

12 106. Parcel C consists of 160 acres owned by a single land owner.²⁸⁵ AWC obtained a
13 verbal and updated written request for service for Parcel C.²⁸⁶ Global-Palo Verde does not have a
14 matching request for wastewater service; therefore, Staff has recommended against extending AWC's
15 and Global-Palo Verde's CC&Ns to include Parcel C. Parcel C is located within Global's 208 Plan
16 boundary and Global-Palo Verde is willing and able to provide wastewater service to Parcel C.
17 Therefore, we will extend AWC's and Global-Palo Verde's CC&Ns to include Parcel C.

18 107. AWC requested an extension of its CC&N to include Parcel D as shown on AWC's
19 Exhibit A-7. AWC claimed that portions of Parcel D are contiguous to AWC's existing CC&N,
20 portions of Parcel D are included in Global-Palo Verde's 208 Plan boundary, and portions of parcel D
21 are located within the 208 Plan boundary for Casa Grande. Parcel D is owned by a single developer
22 and consists of 1,528 acres. Staff recommended excluding Parcel D from AWC's CC&N because
23 there is no matching wastewater request for service. However, Staff stated that if it were
24 recommending extending AWC's CC&N to include the portion of Parcel D within AWC's proposed
25 Planning Area, Staff would have recommended filling in the two small portions north of Parcel D,
26

27 ²⁸⁴ The two portions of B not included in Global's existing 208 Plan boundary are located at the southernmost boundary
of AWC's proposed planning area.

28 ²⁸⁵ AWC Exhibit A-7.

²⁸⁶ Id.

1 which are adjacent to AWC's existing CC&N. AWC received an updated/renewed request for
 2 service for Parcel D. We find that the portions of Parcel D that are within the 208 Plan boundary for
 3 Global-Palo Verde should be included in AWC's CC&N because Global-Palo Verde is willing and
 4 able to provide wastewater services to the area. However, the portions of Parcel D that are within the
 5 208 Plan boundary of Casa Grande will not be included in AWC's CC&N at this time because it is
 6 unclear when or if Casa Grande will extend wastewater service to those locations. In addition,
 7 consistent with Staff's statement described above, we find that the two small portions north of Parcel
 8 D, as well as below D, and adjacent to AWC's existing CC&N, should also be included.

9 108. AWC obtained a new request for service for Parcel E, which consists of 303 acres.
 10 Global-Palo Verde does not have a matching request for wastewater service and Staff is
 11 recommending that Parcel E not be included in AWC's and Global-Palo Verde's CC&Ns. Because
 12 Parcel E has an updated request for water service, and is within Global's 208 Plan boundary, and
 13 Global-Palo Verde is willing and able to serve the area, we find that Parcel E should be included in
 14 AWC's and Global-Palo Verde's CC&Ns. Further, we find it appropriate to fill in the areas
 15 surrounding Parcel E of which portions are contiguous to AWC's Stanfield System, to create a more
 16 logical boundary.

17 **c. Parcel Nos. 12, 14, 15, 17, and 18**

18 109. AWC stated that Parcel 14 will serve as part of the interconnection between AWC's
 19 Casa Grande and Stanfield Systems because it is contiguous on two sides to AWC's existing Casa
 20 Grande CC&N. Staff recommended denial of AWC's extension request for Parcel 14 because
 21 Global-Palo Verde was unable to obtain a renewed request for service for Parcel 14. According to
 22 Global's Exhibit G-27 (Exhibit B attached hereto), Global-Palo Verde had an original request for
 23 service for Parcel 14 and there is a recorded ICFA for the parcel. The landowner has not filed an
 24 objection to Global-Palo Verde being the wastewater provider. We find that AWC's and Global-Palo
 25 Verde's CC&Ns should be extended to include Parcel 14 because AWC has an updated/renewed
 26 request for water service and the parcel has a recorded ICFA (thereby providing additional notice of
 27 Global-Palo Verde's intent to provide wastewater service), and the landowner has not objected to
 28

1 Global-Palo Verde's intent to provide wastewater services to the area.

2 110. Global-Palo Verde obtained an updated request for wastewater service for Parcel 18.
3 Although AWC obtained an initial request for water service for Parcel 18, it was unable to obtain a
4 renewed request for that parcel.²⁸⁷ Parcel 18 consists of 372 acres.²⁸⁸ The landowner has not objected
5 to being included in AWC's CC&N and we find that AWC's and Global-Palo Verde's CC&Ns
6 should be extended to include Parcel 18. We also find that it is appropriate to round off the small
7 portion to the east of Parcel 18 and the southern portion below Parcel 18 to create a more logical
8 boundary.²⁸⁹

9 111. Staff recommended extending AWC's and Global-Palo Verde's CC&Ns to include
10 Parcel Nos. 12 and 15, which are contiguous to Parcel 17. Parcel 17 consists of 156 acres and both
11 AWC and the Global Utilities had original requests for service for Parcel No. 17. The landowner for
12 Parcel 17 has not objected to being included in AWC's or Global-Palo Verde's CC&N. Therefore,
13 we find that it is appropriate, based on Staff's recommendation to extend AWC's and Global-Palo
14 Verde's CC&Ns to include Parcel 12 and Parcel 15, to also include Parcel 17 and to fill in the
15 portion north of Parcel 17 and the southeast portion below Parcel 12 to create a more logical
16 boundary.

17 **d. Parcel Nos. 10, 11, 13, and 16.**

18 112. Regarding Parcel Nos. 10 and 11, AWC had original requests for service and obtained
19 updated requests for these parcels.²⁹⁰ The Global Utilities had an original request for service for
20 parcel 11, but they were unable to obtain an updated/renewed request for service.²⁹¹ The two parcels
21 consist of approximately 110 acres.²⁹² Staff recommended exclusion of parcels 10 and 11 because
22 there is not a matching updated request for wastewater service. We find that because AWC obtained
23 updated requests for water service, because Parcels 10 and 11 are within Global-Palo Verde's
24 existing 208 Plan boundary, and Global-Palo Verde is willing and able to provide wastewater service,
25

26 ²⁸⁷ AWC Exhibit A-7.

27 ²⁸⁸ Id.

28 ²⁸⁹ Id.

²⁹⁰ Id.

²⁹¹ Staff Exhibit S-9.

²⁹² AWC Exhibit A-7.

1 AWC's and Global-Palo Verde's CC&Ns should be extended to include Parcels 10 and 11. Further,
2 we find it appropriate to fill in the area adjacent to Parcel 11 and contiguous to AWC's Stanfield
3 system to create a more logical boundary.

4 113. Parcel 13 is contiguous to Parcels 10 and 11 and consists of 80 acres. Both AWC and
5 the Global Utilities had original requests for service, but neither utility was able to obtain updated
6 requests for service for Parcel 13. However, Global has a recorded ICFA for Parcel 13. Because
7 Parcel 13 is contiguous to Parcels 7, 10, and 11, which we agree should be included in AWC's and
8 Global-Palo Verde CC&N, (see discussion above) we find that AWC's and Global-Palo Verde's
9 CC&Ns should be extended to also include Parcel 13. Further, we find it appropriate to fill in the
10 portion east of Parcel 13 in order to create a more logical boundary.

11 114. Parcel 16 consists of 80 acres. AWC received an updated verbal affirmation for water
12 service from the property owner of Parcel 16.²⁹³ Global-Palo Verde does not have a matching request
13 for wastewater service for Parcel 16,²⁹⁴ although Parcel 16 is located within the approved Global 208
14 boundary.²⁹⁵ Because AWC has an updated request for water service for Parcel 16 and the parcels
15 adjacent to Parcel 16 have been approved herein, and in order to create a more logical boundary, we
16 find that AWC's and Global-Palo Verde's CC&Ns should be extended to include Parcel 16.

17 2. Global Utilities' Proposed Planning Area

18 115. According to the Agreement between AWC and the Global Utilities, Global-Palo
19 Verde agreed to provide wastewater service within AWC's CC&N and proposed Planning Area,
20 including within AWC's Stanfield System. Global-Palo Verde obtained a significant number of
21 reaffirmed wastewater requests for service in AWC's Stanfield System.²⁹⁶ Although Staff
22 recommended extending Global-Palo Verde's CC&N to only those areas where it has reaffirmed
23 requests for service, we find it appropriate to extend Global-Palo Verde's CC&N to provide
24 wastewater service within AWC's entire Stanfield System.

25 116. In addition to the areas discussed above, the Global Utilities received a considerable
26

27 ²⁹³ AWC Exhibit A-7.

²⁹⁴ Staff Exhibit S-9.

²⁹⁵ AWC Exhibit A-7.

²⁹⁶ Staff Exhibit S-9.

1 number of updated and/or new requests for service for both water and wastewater, and for wastewater
 2 only in some instances, within the Global proposed Planning Area.²⁹⁷ Staff recommended extending
 3 the Global Utilities' CC&Ns where there are matching requests for water and wastewater, and where
 4 Global has a request for wastewater either within AWC's existing service territory or where AWC
 5 has a corresponding verbal affirmation requesting water service. We concur with Staff's
 6 recommendation regarding those areas, and also find it appropriate to fill in areas around which the
 7 Global Utilities received requests for service, in order to create more logical boundaries as illustrated
 8 in Exhibit F attached hereto. Further, extension of the Global Utilities' CC&Ns shall be in accordance
 9 with Commission Decision No. 64361 (January 15, 2002) regarding Copper Mountain Ranch
 10 Community Facilities District.²⁹⁸

11 117. The Global Utilities filed as a late-filed exhibit an updated request for service from
 12 Dugan Lands, LLC ("Dugan") for wastewater service. Staff recommended inclusion of the Dugan
 13 parcel in Global-Palo Verde's CC&N extension area.²⁹⁹ Dugan is located within AWC's Stanfield
 14 system and, consistent with the areas approved herein for Global-Palo Verde in AWC's Stanfield
 15 System, we concur with Staff's recommendation.

16 IV. TRANSFER APPLICATIONS

17 118. On August 20, 2007, Francisco Grande and CP Water filed an application with the
 18 Commission requesting authority to transfer their respective CC&Ns and assets to Global-Palo Verde
 19 and Global-Santa Cruz ("Transfer Docket").³⁰⁰ Specifically, the application seeks to:

- 20 1. Transfer Francisco Grande's wastewater CC&N to Global-Palo Verde;
- 21 2. Transfer Francisco Grande's water CC&N to Global-Santa Cruz;
- 22 3. Transfer CP Water's CC&N to Global-Santa Cruz;
- 23 4. Transfer Francisco Grande's wastewater assets to Global-Palo Verde;
- 24 5. Transfer Francisco Grande's water assets to Global-Santa Cruz; and

25 ²⁹⁷ Staff Exhibit S-9.

26 ²⁹⁸ The Commission's Maps show that a portion of the area requested by the Global Utilities is part of the Copper
 Mountain Ranch Community Facilities District. In Commission Decision No. 64361 (January 15, 2002) the Commission
 approved the transfer/sale of assets of Mohawk Water Company ("Mohawk") and Anderson Brothers Farms, Inc., dba
 Anderson Brothers Water Company ("Anderson") to Copper Mountain Ranch Community Facilities District. The
 27 Decision also cancelled the CC&Ns of Anderson and Mohawk upon completion of the transfer/sale.

28 ²⁹⁹ See the Global Utilities Motion to Admit Late-Filed Exhibit dated June 30, 2009. See also Staff's Memorandum dated
 July 29, 2009.

³⁰⁰ See, Docket No. WS-01775A-07-0485 et al.

1 6. Transfer CP Water's assets to Global-Santa Cruz.

2 119. AWC initially sought intervention in the Transfer Docket, objecting to the transfer of
3 CC&Ns to the Global Utilities. AWC claimed that it has been providing water service in portions of
4 Francisco Grande's CC&N area and that AWC was the sole water provider for CP Water's service
5 territory.³⁰¹ Under the terms of the Agreement, AWC is now supporting the transfer application of
6 Francisco Grande and CP Water.³⁰²

7 120. Francisco Grande and CP Water have been acquired by GWR.³⁰³ Both Francisco
8 Grande and CP Water are located in Pinal County southeast of Maricopa and west of Casa Grande.³⁰⁴
9 According to Staff, CP Water's service territory encompasses approximately two square miles and
10 currently serves 18 customers.³⁰⁵ Staff states that Francisco Grande's water service territory
11 encompasses approximately 14 square miles and its wastewater service territory includes 18 square
12 miles; but has no existing customers or water infrastructure.³⁰⁶ In support of the transfer applications,
13 the Global Utilities assert that: the transfer will consolidate the CC&Ns in an area adjacent to Global
14 service areas; no objections have been filed to the transfer; and therefore the transfer should be
15 approved.³⁰⁷

16 121. Staff recommends approval of the Francisco Grande and CP Water transfer
17 applications.³⁰⁸ Staff states that the proposed transfer should have no impact on customers in the
18 transfer service territories because Francisco Grande has no customers and CP Water's 18 customers
19 have rates that are lower than the rates CP's customers would pay to Global-Santa Cruz.³⁰⁹ Staff
20 believes that the transfer of the CP Water and Francisco Grande CC&Ns and assets will provide for
21 economies of scale, and the transfers are consistent with the policy goal of encouraging small water
22

23 ³⁰¹ Procedural Order (December 6, 2007) grants intervention. See Docket No. WS-01775A-07-0485 et al.

24 ³⁰² Testimony of William Garfield, Exhibit A-1 at 14.

24 ³⁰³ Staff Report, Exhibit S-1 at 6.

24 ³⁰⁴ Id.

25 ³⁰⁵ Id.

25 ³⁰⁶ Id.

26 ³⁰⁷ Global Closing Brief at 9.

26 ³⁰⁸ Staff Report, Exhibit S-1 at 7.

27 ³⁰⁹ Subsequent to the filing of the Staff Report in this matter, the Commission issued Decision No. 71878 (September 15,
2010) approving a rate increase for Global-Santa Cruz. The new rate for 5/8 x 3/4-meter customers is \$27.68, with zero
28 gallons included in the minimum. CP Water's rate for 5/8 x 3/4-inch meter customers at the time of the Staff Report was
\$5.00 for the first 5,000 gallons. According to the Decision, notice was given to CP Water's customers in accordance
with the law.

1 company consolidation when feasible and practicable.³¹⁰

2 122. Under the terms of the Agreement, the Global Utilities are also requesting authority to
3 transfer to AWC the CC&N for a small parcel of land that is currently located in Global-Santa Cruz's
4 CC&N. The parcel is located on the westernmost boundary of AWC's proposed Planning Area just
5 south of Arizona Highway 84. The Global Utilities state that no party has opposed the transfer and it
6 should be granted.

7 **A. Resolution of Transfer Applications**

8 123. The transfer applications requested authority to transfer CP Water's CC&N and assets
9 to Global-Santa Cruz. Although AWC initially opposed the transfers, under terms of the Settlement
10 Agreement AWC withdrew its objections. Staff recommended approval of the transfer of assets and
11 CC&Ns of CP Water and Francisco Grande to the respective Global Utilities based on Staff's
12 conclusion that the transfers are in the public interest. We agree with Staff's recommendation for
13 approval of the CP Water and Francisco Grande transfers.

14 124. The Global Utilities are also requesting the transfer to AWC's CC&N a small parcel
15 of land that is currently located in Global-Santa Cruz's CC&N. Although the Global Utilities had an
16 original request for water service for the parcel, Staff did not address the transfer in the Staff Report
17 and the issue was not discussed in testimony. Therefore, we decline to approve the requested transfer
18 at this time.

19 **V. COMPLAINT DOCKET**

20 125. Under the terms of the Agreement, AWC agreed to withdraw its Complaint
21 proceeding, without prejudice, filed against the Global Utilities and various Global entities.
22 According to the Agreement, AWC's withdrawal of the Complaint is contingent upon the
23 Commission's approval of the Settlement Agreement.

24 126. For the reasons discussed above, we have declined to approve the Settlement
25 Agreement between AWC and the Global Utilities. We have, however, approved a number of the
26 extension requests in accordance with the parameters of the Agreement, as modified in part by Staff's
27

28 ³¹⁰ Staff Report, Exhibit S-1 at 7.

1 recommendations. AWC should file within 30 days of the effective date of this Decision, as a
2 compliance item in this docket, a statement regarding whether it believes its Formal Complaint
3 should be dismissed.

4 **CONCLUSIONS OF LAW**

5 1. Arizona Water Company, Global-Palo Verde, Global-Santa Cruz, CP Water
6 Company, and Francisco Grande Utility Company are public service corporations within the meaning
7 of Article XV of the Arizona Constitution and A.R.S. §§ 40-246, 40-281, 40-282, and 40-285.

8 2. The Commission has jurisdiction over Arizona Water Company, Global-Palo Verde,
9 Global-Santa Cruz, CP Water Company, and Francisco Grande Utility Company and the subject
10 matter of the CC&N extension and transfer applications, and the Complaint.

11 3. Notice of the applications was provided in accordance with the law.

12 4. There is a public need and necessity for water and wastewater service in the proposed
13 service territories as set forth herein.

14 5. Subject to compliance with the conditions and modifications discussed herein, Arizona
15 Water Company, Global-Palo Verde, and Global-Santa Cruz are fit and proper entities to receive
16 extensions of their respective water and wastewater Certificates.

17 6. There is a public need and necessity for water utility service in the transfer area.

18 7. Approval of the transfer applications is in the public interest.

19 8. Global-Santa Cruz and Global-Palo Verde are fit and proper entities to acquire the
20 assets and CC&Ns of CP Water Company and Francisco Grande Utility Company.

21 9. Staff's recommendations, as modified and set forth herein, are reasonable and should
22 be adopted.

23 **ORDER**

24 IT IS THEREFORE ORDERED that Arizona Water Company's Certificate of Convenience
25 and Necessity to provide water service in Pinal County is hereby extended as set forth herein.

26 IT IS FURTHER ORDERED that Global-Palo Verde Certificate of Convenience and
27 Necessity to provide wastewater service in Pinal County is hereby extended as set forth herein.
28

1 IT IS FURTHER ORDERED that Global-Santa Cruz Certificate of Convenience and
2 Necessity to provide water service in Pinal County is hereby extended as set forth herein.

3 IT IS FURTHER ORDERED that CP Water Company's application to transfer its assets and
4 Certificate of Convenience and Necessity to Global-Santa Cruz is hereby approved.

5 IT IS FURTHER ORDERED that Francisco Grande Utility Company's application to transfer
6 its water assets and water Certificate of Convenience and Necessity to Global-Santa Cruz and to
7 transfer Francisco Grande Utility Company's wastewater assets and Certificate of Convenience and
8 Necessity to Global-Palo Verde, are hereby approved.

9 IT IS FURTHER ORDERED that Arizona Water Company shall file with Docket Control, as
10 a compliance item in this docket by December 31, 2012, a copy of the Approval to Construct for the
11 first parcel to be served in the extension areas.

12 IT IS FURTHER ORDERED that Arizona Water Company shall file with Docket Control, as
13 a compliance item in this docket by December 31, 2011, a copy of the updated Arizona Department
14 of Water Resources Physical Availability Determination demonstrating inclusion of the approved
15 extension areas.

16 IT IS FURTHER ORDERED that Arizona Water Company shall file legal descriptions
17 consistent with the Certificate of Convenience and Necessity extension areas approved in this
18 Decision, and this Decision shall not go into effect until the legal descriptions are found to be
19 acceptable by Staff.

20 IT IS FURTHER ORDERED that Arizona Water Company shall file with Docket Control, as
21 a compliance item in this docket, within 30 days of the effective date of this Decision, a statement
22 regarding whether it believes its Formal Complaint should be dismissed.

23 IT IS FURTHER ORDERED that Global-Santa Cruz shall file with Docket Control, as a
24 compliance item by December 31, 2012, a copy of the Certificate of Approval to Construct issued by
25 the Arizona Department of Environmental Quality for the wells, mains, storage tank, and booster
26 pump station installed to serve the first parcel in the requested extension area.

27 IT IS FURTHER ORDERED that Global-Santa Cruz shall file with Docket Control, as a
28 compliance item by December 31, 2011, a letter from Arizona Department of Water Resources

1 indicating that Global-Santa Cruz's Designation of Assured Water Supply has been modified and
2 approved to include the approved extension areas.

3 IT IS FURTHER ORDERED that Global-Santa Cruz shall file with Docket Control, as a
4 compliance item by December 31, 2011, a letter from Arizona Department of Water Resources
5 indicating that Global-Santa's Designation of Assured Water Supply has been modified and approved
6 to include the CP Water Company and Francisco Grande Utilities Company service areas

7 IT IS FURTHER ORDERED that Global-Palo Verde shall file with Docket Control, as a
8 compliance item in this docket by December 31, 2011, a copy of the Approval to Construct for the
9 sewer mains that serve the first parcel in the approved extension area.

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1 IT IS FURTHER ORDERED that Global-Palo Verde and Global-Santa Cruz shall file legal
2 descriptions consistent with the CC&N extension areas approved herein, and that this Decision shall
3 not become effective until the legal descriptions are found to be acceptable by Staff.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6
7

8 CHAIRMAN _____ COMMISSIONER

9
10 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER

11 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
12 Executive Director of the Arizona Corporation Commission,
13 have hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of Phoenix,
15 this _____ day of _____, 2011.

16 _____
17 ERNEST G. JOHNSON
18 EXECUTIVE DIRECTOR

19 DISSENT _____

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21 DISSENT _____
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1 SERVICE LIST FOR:
2
3
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ARIZONA WATER COMPANY, PALO VERDE
UTILITIES COMPANY, SANTA CRUZ WATER
COMPANY, GLOBAL WATER RESOURCES, LLC, CP
WATER COMPANY and FRANCISCO GRANDE
UTILITIES

W-01445A-06-0199, SW-03575A-05-0926, W-03576A-
05-0926, SW-03575A-07-0300, W-03576A-07-0300, W-
01445A-06-2200, SW-20445A-06-0200, W-20446A-06-
0200, W-03576A-06-0200, SW-03575A-06-0200, WS-
01775A-07-0485, SW-03575A-07-0485, W-02442A-07-
0485, and W-03576A-07-0485.

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EXHIBIT "A"**SETTLEMENT AGREEMENT**

This Settlement Agreement ("Agreement") is entered into as of May 15th, 2008 between Arizona Water Company and Global Water Resources, LLC and its subsidiaries and affiliates, including but not limited to Global Water Inc., Global Water - Santa Cruz Water Company, Global Water - Palo Verde Utilities Company, Francisco Grande Utility Company, CP Water Company, Global Water - Picacho Cove Water Company and Global Water - Picacho Cove Utilities Company (collectively, "Global" or the "Global Entities"). Arizona Water Company and the Global Entities are referred to as the "Parties."

RECITALS

A. Arizona Water Company and certain of the Global Entities are parties to certain cases pending before the Arizona Corporation Commission ("Commission") that are listed in Exhibit A to this Agreement and incorporated by this reference. Collectively, these cases are referred to as the "Related Proceedings."

B. In the Related Proceedings, one or more of the Parties filed an application for extension of its Certificate of Convenience and Necessity ("CCN"), intervened in and protested one or more of the CCN applications, filed a complaint with the Commission involving one or more of the Parties, sought Commission approval for the transfer of their CCN, or intervened in and protested an application for the transfer of CCNs.

C. The Parties desire to end their disputes and to provide for the resolution of the Related Proceedings on certain terms and conditions that are in the public interest. The Parties' agreement concerning a comprehensive settlement of their disputes in the Related Proceedings has compelling public benefits. It is therefore in the public interest for the Commission to

approve this Agreement, including the planning areas and CCN Applications amended as set forth below, for the following reasons, among others:

(1) Arizona Water Company, Global Water - Santa Cruz Water Company, Francisco Grande Utility Company, CP Water Company, and Global Water - Picacho Cove Water Company (collectively, the "Concurring Water Utilities") have identified and established logical and supportable geographic boundaries between their respective CCNs and planning areas, such as major thoroughfares like Kortsen Road and John Wayne Parkway;

(2) The expanded use of reclaimed water in areas where the CCNs and planning areas of Arizona Water Company and Global Water - Palo Verde Utilities Company overlap (the "Overlap Areas") will reduce reliance on other water sources and on the Central Arizona Groundwater Conservation District;

(3) Two large, regionally significant water providers will set aside their differences and work cooperatively in a manner that will assist in water conservation efforts and prudent, sustainable uses of groundwater and other water resources; and

(4) The Parties, Commission and Commission Staff will be spared the expense and resources necessary to adjudicate the numerous disputed cases between the Parties.

D. A central premise and material consideration of the Parties' settlement of the Related Proceedings is their agreement about the urgent need for the Concurring Water Utilities to undertake and continue their long-term master planning process. The Parties' planning areas lie within an Active Management Area that has limited access to surface water with projected continued record growth. The resulting demands on water resources require the Concurring

Water Utilities to engage in long-term water resource and service planning to assure that current and future customers continue to receive reliable water service. That process requires the Concurring Water Utilities to plan, design, construct, finance, and operate water supply, treatment, storage, and transmission and distribution infrastructure to meet the public water supply requirements within defined geographic areas which include their existing CCNs and in their respective CCN extensions and planning areas as provided for in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, obligations, representations and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. Compromise of Dispute. The Parties acknowledge, represent and warrant the truth, accuracy and correctness of the foregoing recitals. The Parties each agree that this Agreement is a compromise of disputed claims, and that fully implementing this Agreement will advance important public policies favoring orderly and efficient regional planning, development, and management of water supplies.

2. Planning Area Boundary Settlement. As part of a comprehensive settlement of their disputes in the Related Proceedings, the Parties have reached agreement on the logical and supportable geographic boundaries between the Concurring Water Utilities' respective planning areas. Arizona Water Company shall amend its Pinal Valley Water System Planning Area and Global shall amend its planning areas (collectively the "Planning Areas") as set forth on the Settlement Map dated April 18, 2008 which is attached as Exhibit B to this Agreement and incorporated by this reference (the "Settlement Map").

3. Amendments to CCN Applications.

a. Arizona Water Company shall amend its CCN application in Docket W-01445A-06-0199 to exclude from its application the area shown on the Settlement Map as Arizona Water Company CCN Application Deletion Area.

b. Arizona Water Company shall amend its Planning Area and amend its CCN application in Docket W-01445A-06-0199 to include the area west to John Wayne Parkway, as shown on the Settlement Map as Arizona Water Company Addition to CCN Application Area.

c. Global Water - Santa Cruz Water Company shall amend its CCN application in Docket W-03576A-05-0926 to exclude the areas shown on the Settlement Map as Santa Cruz Water Company CCN Application Deletion Areas.

d. Global Water - Santa Cruz Water Company shall include within its Planning Area those areas shown on the Settlement Map as Arizona Water Company CCN Application Deletion Area which are not presently included in Global Water - Santa Cruz Water Company's CCN application in Docket W-03576A-05-0926.

e. The Concurring Water Utilities shall jointly apply for and support the Commission's approval of the Parties' Planning Areas and CCN applications as amended in accordance with the Settlement Map (the "Amended Planning Areas and CCN Applications").

4. Procedures to Enforce Settlement.

a. The Parties shall prepare and file a joint, stipulated motion identifying and jointly supporting and requesting Commission approval of the Amended Planning Areas and CCN Applications in accordance with the Commission's procedures.

b. Global shall withdraw its objections to Arizona Water Company's CCN application in Docket W-01445A-06-0199 et seq., as amended.

c. Arizona Water Company shall withdraw its objection to Global's application for approval of the transfer to Global Water - Santa Cruz Water Company and Global Water - Palo Verde Utilities Company of the CCNs of Francisco Grande Utility Company and CP Water Company.

d. Arizona Water Company shall withdraw its objections to Global Water - Santa Cruz Water Company's CCN application in Docket W-03576A-05-0926, as amended.

e. Arizona Water Company shall withdraw its objection to Global Water - Palo Verde Utilities Company's applications for wastewater CCNs in Arizona Water Company's existing CCN or its amended CCN application.

f. The Concurring Water Utilities shall jointly request and actively support Commission approval of Arizona Water Company's CCN application in Docket No. W-01445A-04-0743.

g. Following the Commission's approval of the Amended Planning Areas and CCN Applications, Arizona Water Company and Global shall jointly request the Commission to dismiss Arizona Water Company's complaint against Global, without prejudice, in accordance with the terms of this Agreement.

5. Condition of Commission Approval of Amended Planning Areas and CCN Applications; Contingencies. The terms and conditions of this Agreement are expressly subject to, among other things, the condition that the Commission approve the Amended Planning Areas

and CCN Applications. Any Party may withdraw from this Agreement and terminate any of the agreements and understandings contained herein if the Commission: (i) does not approve the Amended Planning Areas and CCN Applications; (ii) does not dismiss the complaint case as contemplated in this Agreement; or (iii) imposes conditions or restrictions in any order which any Party determines to be materially burdensome or unacceptable. If the Commission's decision or decisions in the Related Proceedings causes a Party to invoke one of the foregoing contingencies, the Parties agree to jointly apply for rehearing and, if one of the Parties deems it appropriate, support an appeal of the Commission's decision or decisions in a court of competent jurisdiction. The Parties shall communicate the substance of this provision to the Commission so that the Commission understands that the settlement is subject to the foregoing contingencies, and the joint motion to the Commission to approve the Concurring Water Utilities' Amended Planning Areas and CCN Applications shall include language providing that if the Commission fails to issue an order adopting all material terms of this Agreement, any or all of the Parties may withdraw from this Agreement.

6. Agreement Not To Interfere.

a. The Parties shall respect and not interfere with each other's existing CCNs or CCNs to be approved in the Related Proceedings as set forth on the Settlement Map.

b. The Parties shall respect and not interfere with each other's Planning Areas as set forth on the Settlement Map in the same fashion and to the same extent as they shall respect and not interfere with each other's CCNs.

c. The Parties' respect and non-interference with each other's CCNs and Planning Areas means they shall not apply for, or encourage others to apply for, water CCNs in the other

Parties' CCNs or Planning Areas. The Parties shall not directly or indirectly solicit or encourage any person, entity, landowner, or developer to request water service from any entity other than the Concurring Water Utility in whose CCN or Planning Area such water service is requested.

7. Agreement to Cooperate.

a. Global, including without limitation its subsidiary Global Water - Palo Verde Utilities Company, shall enter into an agreement with Arizona Water Company to supply available reclaimed water to Arizona Water Company, if requested, to be sold and delivered by Arizona Water Company within its CCN and Planning Area. In order to ensure that maximum efficiencies can be attained by Arizona Water Company in its deployment of potable and reclaimed water, neither Global nor Global Water - Palo Verde Utilities Company shall sell or distribute reclaimed water within Arizona Water Company's CCN or Planning Area except to Arizona Water Company, which shall be the retail provider of reclaimed water in such areas. Global Water - Palo Verde Utilities Company shall not be obligated to sell reclaimed water to Arizona Water Company in any amount in excess of the amount of reclaimed water generated in the Overlap Areas.

b. Global and Arizona Water Company shall work cooperatively in connection with Global's efforts to provide wastewater service within the western part of Arizona Water Company's CCN and Planning Area in places where the City of Casa Grande or other entity is not planning to provide wastewater service.

8. Operations in the Overlap Areas. The Managers of Arizona Water Company's Casa Grande Division and Global Water - Palo Verde Utilities Company shall meet as required to exchange information and coordinate the provision of service in the Overlap Areas.

9. Resolution of Complaint. Arizona Water Company shall withdraw the Complaint against the Global Entities as follows:

a. Following the Commission's approval of the Amended Planning Areas and CCN Applications, the Parties shall jointly request the Commission to dismiss the Complaint without prejudice.

b. The Parties agree that such disposition of the Complaint shall not be deemed to be an admission of liability, responsibility, or wrongdoing by Global nor an admission, acknowledgment, acceptance, or approval by Arizona Water Company of any of Global's activities or practices.

c. Arizona Water Company agrees not to raise or pursue allegations such as those asserted in its Complaint against Global as long as Global does not protest, oppose, or interfere with any CCN or prospective CCN of Arizona Water Company. Nothing in the foregoing prohibits either Party from filing competing CCN applications or raising or pursuing such allegations or arguments as they deem appropriate in areas outside of those set forth in the Settlement Map.

10. Fees and Costs. The Parties agree that each Party shall bear its own attorney fees, costs, expert witness fees, and other litigation expenses for each of the Related Proceedings and this Agreement. In the event a dispute arises between the Parties to enforce the terms of this Agreement, the successful or prevailing Party to such dispute shall be entitled to an award of its reasonable attorneys' fees, costs and expenses, whether or not an action is filed.

11. Advice and Assistance of Counsel. Each Party represents and warrants that the terms of this Agreement have been completely read, fully understood and voluntarily accepted, with advice of counsel, and that each of the Parties has participated in its preparation.

12. Entire Agreement. This Agreement shall constitute the entire agreement between the Parties with respect to its subject matter, and supersedes any prior verbal or written agreement. No modification of this Agreement shall be binding upon any Party unless it is in writing and executed by duly authorized representatives of the Parties.

13. Parties Affected by Agreement. The terms and conditions, representations and covenants of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, personal representatives, heirs and assigns.

14. Time of the Essence. Time is of the essence and each Party shall diligently perform its obligations hereunder in a timely fashion in accordance with the provisions of this Agreement.

15. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Arizona.

16. Additional Acts. The Parties agree to cooperate fully to take all additional actions that may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

17. Counterparts. This Agreement may be executed in any number of counterparts. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

Arizona Water Company

William M Garfield
By: **WILLIAM M. GARFIELD**
Its: **President**
Global Water Resources, LLC

By:
Its:

Global Water Inc.

By:
Its:

Global Water – Santa Cruz Water Company

By:
Its:

Global Water – Palo Verde Utilities Company

By:
Its:

Francisco Grande Utility Company

By:
Its:

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and
year first written above.

Arizona Water Company

By:
Its:

Global Water Resources, LLC



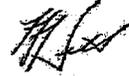
By: Trevor T. Hill
Its: President

Global Water Inc.



By: Trevor T. Hill
Its: President

Global Water – Santa Cruz Water Company



By: Trevor T. Hill
Its: President

Global Water – Palo Verde Utilities Company



By: Trevor T. Hill
Its: President

Francisco Grande Utility Company



By: Trevor T. Hill
Its: President

CP Water Company



By: Trevor T. Hill
Its: President

Global Water - Picacho Cove Water Company



By: Trevor T. Hill
Its: President

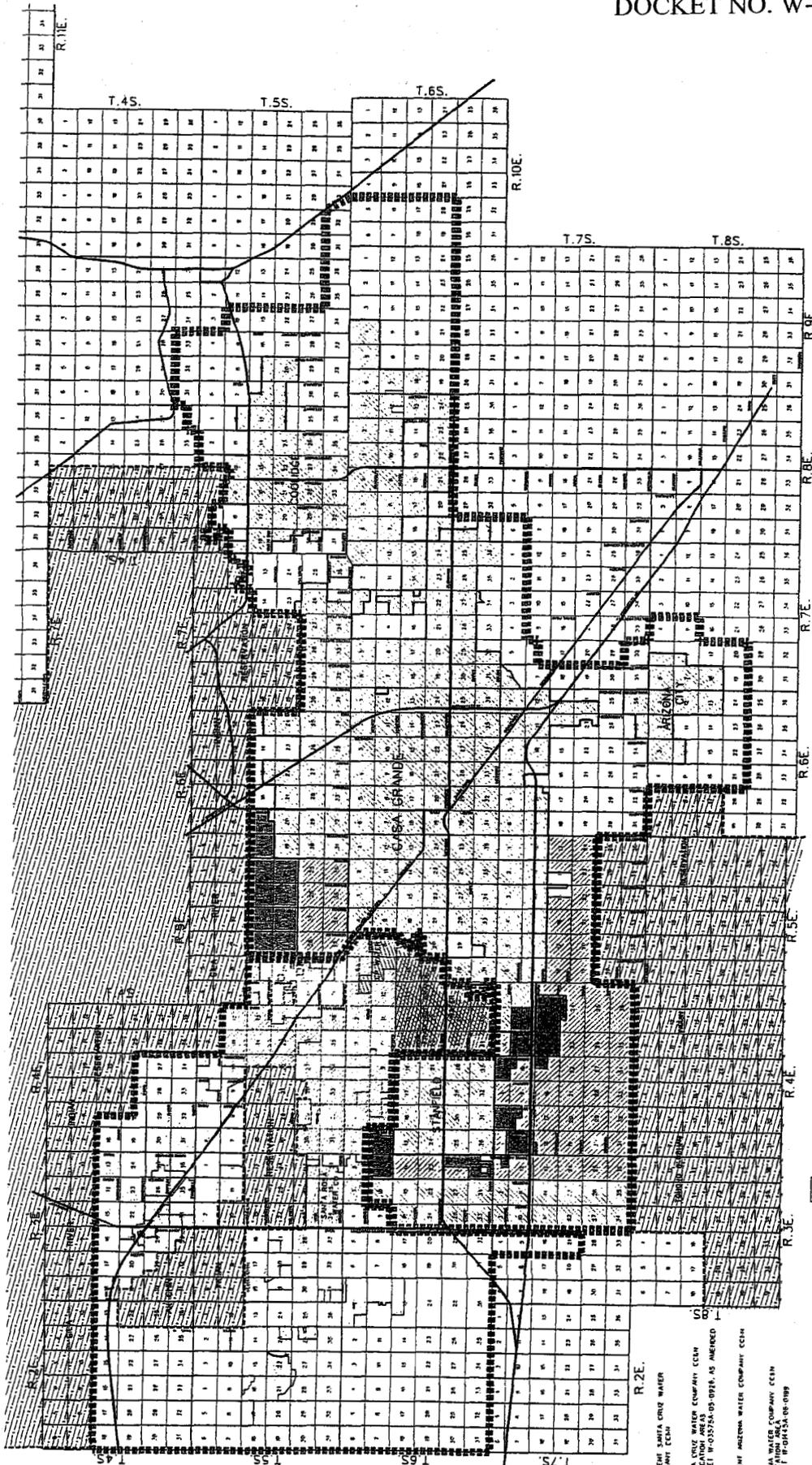
Global Water - Picacho Cove Utilities Company



By: Trevor T. Hill
Its: President

Related Proceedings

Docket Number	Applicant or Complainant	Description
W-1445A-04-0743	Arizona Water Company	Extension of water CCN
SW-03575A-05-0926	Global Water - Palo Verde Utility Company	Extension of wastewater CCN
W-03576A-05-0926	Global Water - Santa Cruz Water Company	Extension of water CCN
W-01445A-06-0199	Arizona Water Company	Extension of water CCN
W-01445A-06-0200 et al	Arizona Water Company	Complaint by Arizona Water Company
SW-03575A-07-0300	Global Water - Palo Verde Utilities Company	Extension of wastewater CCN (for Legends development)
W-03576A-07-0300	Global Water - Santa Cruz Water Company	Extension of water CCN (for Legends development)
WS-01775A-07-0485 SW-03575A-07-0485 W-02442A-07-0485 W-03576A-07-0485	Francisco Grande Utility Company; CP Water Company; Global Water - Santa Cruz Water Company; Global Water - Palo Verde Utilities Company	Transfer of CCNs from Francisco Grande Utility Company and CP Water Co.



- PRESENT SANTA CRUZ WATER COMPANY CCM
- SANTA CRUZ WATER COMPANY CCM APPLICATION AREAS DOCKET W-03575A-05-0959, AS AMENDED
- PRESENT ARIZONA WATER COMPANY CCM
- ARIZONA WATER COMPANY CCM APPLICATION AREAS DOCKET W-03575A-05-0959
- INDIAN RESERVATION
- ARIZONA WATER COMPANY AMOUNT TO CCM DOCKET W-0445A-06-0199
- ARIZONA WATERS COMPANY CCM APPLICATION AREAS DOCKET W-0445A-06-0199
- ARIZONA WATERS COMPANY CCM APPLICATION AREAS DOCKET W-0445A-06-0199
- SANTA CRUZ WATER COMPANY CCM APPLICATION AREAS DOCKET W-03575A-05-0959

FOR SETTLEMENT PURPOSES ONLY



ARIZONA WATER COMPANY

April 18, 2008

DECISION NO. _____

EXHIBIT "B"

G-27

Status of Request for Service letters for the SESA						
Developer/Development	ICFA recorded	Status of New RES	approximate acres	approximate units	acres received	
Santa Cruz/Palo Verde						
2 Stanfield Partners / Turner Dunn	yes	received	95	334	95	
3 Dart Property / Terry Button	yes	no reply	620	2,170		
4 Santa Cruz Land Co / Santa Cruz Ranch / Anderson Val Vista 5	yes	received	1,188	4,157	1,188	
5 SCR, LLC / Scott Cole & Bryan Hartman	yes	received	674	2,359	674	
6 JP Holdings LP / Solana Ranch North	yes	received	667	2,335	667	
7 Anderson & Barnes S80 LLP / Solana Ranch South	yes	received	580	2,030	580	
8 120 Townsend (Yount)	yes	received	200	700	200	
9 NS120 (Yount)	yes	received	120	420	120	
10 Montgomery 156 (Yount)	yes	received	156	546	156	
11 CG 215 (Yount)	yes	received	215	753	215	
12 Casa Grande Montgomery 240 (Yount)	yes	received	240	840	240	
13 RRY Casa Grande 320 (Yount)	yes	received	320	1,120	320	
14 SVVM 80 (Yount)	yes	received	80	280	80	
15 VV Monty (Yount)	yes	received	60	210	60	
16 RRY Real Estate (Yount)	yes	received	40	140	40	
17 Robin R Yount LTD (Yount)	yes	received	40	140	40	
18 Richard and Dana (Yount)	yes	received	40	140	40	
19 Bruce and Karen (Yount)	yes	received	40	140	40	
20 Sacaton BL (Yount)	yes	received	280	980	280	
21 Trading Post Road LLC (Yount)	yes	received	80	210	60	
22 Chartwell Casa Grande (Yount)	yes	received	40	140	40	
23 Gallup Financial (Commercial)	yes	received	1,216	4,256	1,216	
24 Gallup Financial (Residential)	yes	received	1,484	5,194	1,484	
25 CRW Holdings, LLC	yes	no reply	30	105		
26 Val Vista & Montgomery (Mark Williams)	yes	received	40	140	40	
27 Williams Trusts (Mark Williams)	yes	received	160	560	160	
28 Blevins Farms	yes	no reply	160	560		
29 Kronwald Family Trust	yes	no reply	80	280		
30 Henry McMillan and Alexander McMillan	yes	no reply	25	88		
31 Teel 80 (Reinbold)	yes	received	82	287	82	
34 Kasson and Company	NO	New	125	438	125	
35 Val Vista & Midway	NO	New	40	140	40	
36 William MacKenzie	NO	New	77	270	77	
37 Maricopa Weber	NO	New	283	991	283	
43 Langley Properties (Stanmar 160)	yes	received	160	560	160	
44 Langley Properties (CCB is now Stanmar 95)	yes	received	95	333	95	
			9,813	34,344	8,897	91%
Palo Verde only						
1 Carranza Associates / Turner Dunn	yes	received	80	280	80	
32 Ken Lowman - KEJE	yes	no reply	80	280		
33 Hampden and Chambers	yes	received	807	2,825	807	
38 ROB-LIN Marketing (Sundt)	yes	received	1,228	4,298	1,228	
39 Vistoso Partners / Jorde Hacienda	yes	no reply	3,120	10,920		
40 ABCDW, LLC (Vistoso Stanfield 1942)	yes	received	1,942	6,797	1,942	
41 Vanderbilt Farms, LLC (Thude/Vistoso)	yes	received	1,920	6,720	1,920	
41 Langley Stanfield Estates (Hay Hollow)	yes	received	220	770	220	
42 Langley Stanfield Estates (Hay Hollow PH 2)	yes	no reply	220	770		
45 Terbus Investments	yes	no reply	40	140		
46 Douglas Payne	yes	no reply	80	280		
47 Matt Montgomery/SPD, INC	yes	no reply	1,200	4,200		
48 El Dorado: Parker Estates	yes	received	640	2,240	640	
49 El Dorado: Honda 640	yes	received	640	2,240	640	
50 El Dorado: Rio Lobo, LLC	yes	received	640	2,240	640	
51 El Dorado: Big Trail, LLC / Dunmar Farms / B Bennett	NO	received	640	2,240	640	
52 El Dorado:Lonely Trail 780	NO	received	780	2,730	780	
53 Langley Properties (Talia West)	NO	received	431	1,509	431	
54 Langley Properties (south part of jv with wolfswinkle)	NO	received	625	2,188	625	
54 Langley Properties (south part of jv with wolfswinkle)	NO	waiting	218	763		
55 Selma & Midway	NO	New	221	774	221	
56 Stanfield 370	NO	no reply	370	1,295		
57 BET, Inv.	NO	received	60	210	60	
			15,235	53,323	9,987.14	66%
58 Legends	yes	received	7,143	25,000	7,143	100%

*updated 6/4/09

EXHIBIT "C"

Status of Request for Service/Offers for the SPSA
 Developer/Development
 (Legal Record)
 Status of NEWTOS
 Approved/Revised
 Units
 Acres
 Received

GSS-1

Item #	Requester/Developer	Status	Units	Acres	Received
Santa Cruz/Palo Verde					
1	Carranza Associates / Turner Dunn	Yes	80	280	
2	Stanfield Estates / Turner Dunn	Yes	95	334	
3	Dart Property / Terry Burton	Yes	no reply	334	
4	Santa Cruz Land Co / Santa Cruz Ranch / Anderson Val Vista 6	Yes	no reply	2,170	
5	SCR LLC / Scott Cole & Bryan Hartman	Yes	1,188	4,157	1,188
6	J.P. Holdings LP / Solana Ranch North	Yes	674	2,359	674
7	Anderson & Barnes 580 LLP / Solana Ranch South	Yes	667	2,335	667
8	IZO Townsend (Yount)	Yes	580	2,030	580
9	NS120 (Yount)	Yes	200	700	200
10	Montgomery 156 (Yount)	Yes	120	420	120
11	CG 215 (Yount)	Yes	156	546	156
12	Casa Grande Montgomery 240 (Yount)	Yes	215	753	215
13	RRV Casa Grande 320 (Yount)	Yes	240	840	240
14	SVW 80 (Yount)	Yes	320	1,120	320
15	VV Monty (Yount)	Yes	80	280	80
16	RRV Neal Estate (Yount)	Yes	60	210	60
17	Robin R Yount TD (Yount)	Yes	40	140	40
18	Richard and Dana (Yount)	Yes	40	140	40
19	Brice and Karen (Yount)	Yes	40	140	40
20	Sachon Bl (Yount)	Yes	40	140	40
21	Trading Post Road LLC (Yount)	Yes	280	980	280
22	Charwell Casa Grande (Yount)	Yes	60	210	60
23	Gallop Financial (Commercial)	Yes	40	140	40
24	Gallop Financial (Residential)	Yes	received	received	received
25	CRW Holdings LLC	Yes	1,216	4,256	1,216
26	Val Vista & Montgomery (Mark Williams)	Yes	30	105	
27	Williams Trusts (Mark Williams)	Yes	40	140	40
28	Blevins	Yes	received	received	received
29	Kronwald Family Trust	Yes	160	560	160
30	Henry McMillan and Alexander McMillan	Yes	80	280	
31	Tei 80 (Reinbold)	Yes	25	88	
32	Ken Lowman	Yes	no reply	287	
33	Im Nyberg / Handpend and Chambers	Yes	82	287	
34	Kasson and Company	Yes	80	280	
35	Val Vista & Midway	NO	807	2,825	
36	William Mackenzie	NO	125	438	
37	Maricopa Weber	NO	40	140	
		NO	77	270	
		NO	283	991	
Palo Verde only					
38	ROB-LIN Marketing (Vistoso)	Yes	10,525	36,837	7,940
39	Vistoso Partners / Jorde Hacienda	Yes	1,228	4,298	
40	ABCDW, LLC (Vistoso Stanfield 1942)	Yes	3,120	10,920	
41	Vanderbilt Farms, LLC (Thude/Vistoso)	Yes	1,942	6,797	
42	Langley Stanfield Estates (Hay Hollow)	Yes	1,920	6,720	
		Yes	441	1,544	

EXHIBIT "C"

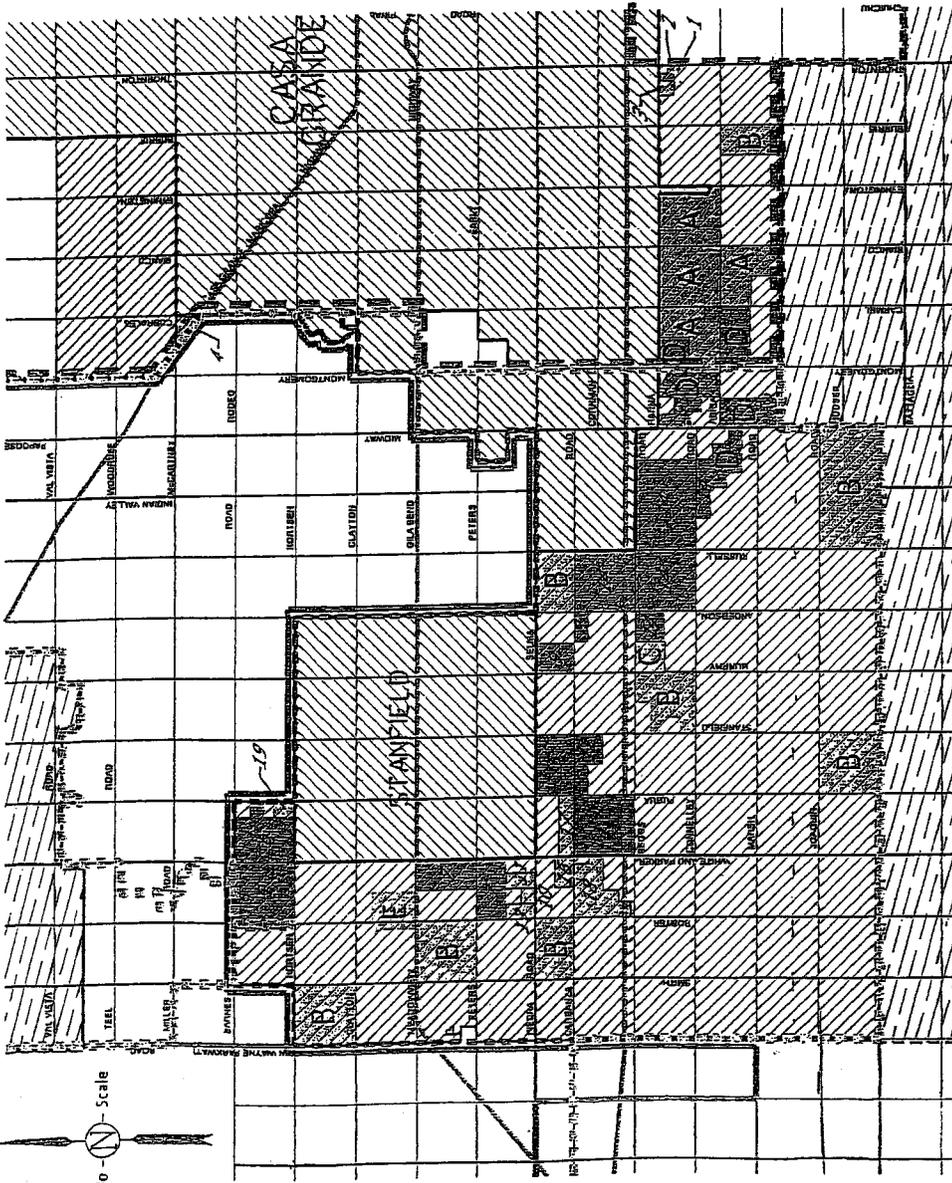
Case No.	Requester/Developer	Status of Request	Status of Reply	Approximate Date	Approximate Value	Total Value	Total Value
43	Langley Properties (Stammar 160)	Yes	no reply	160	560	-	-
44	Langley Properties (CCB Standfield Estates)	Yes	no reply	96	336	-	-
45	Terbus Investments	Yes	no reply	40	140	-	-
46	Douglas Payne	Yes	no reply	80	280	-	-
47	Matt Montgomery/SPD, INC	Yes	no reply	1,200	4,200	-	-
48	El Dorado Park Estates	Yes	no reply	640	2,240	-	-
49	El Dorado Florida 640	Yes	no reply	640	2,240	-	-
50	El Dorado Rio Lugo 1,000	Yes	no reply	640	2,240	-	-
51	El Dorado Big Trail/Dunbar Farms/Schenck	NO	no reply	640	2,240	-	-
52	El Dorado Long Trail 780	NO	no reply	780	2,730	-	-
53	Langley Properties (Talla West)	NO	no reply	431	1,509	-	-
54	Langley Properties (south part of JV with wolfswinkle)	NO	no reply	843	2,951	-	-
55	Selma & Midway	NO	no reply	221	774	-	-
56	Stanfield 370	NO	no reply	370	1,295	-	-
57	BET, Inv.	NO	no reply	60	210	-	-
58	Legends	Yes	received	7,143	25,000	7,143	7,143
				15,492	54,224	-	-
				7,143	25,000	7,143	7,143

GSS-1

EXHIBIT "D"



- Indian Reservation
- Arizona Water Company
Docket W-01445A-06-0199
- A Portion of Arizona
Water Company CC&N
- Arizona Water Company
Planning Boundary
- Global Planning Boundary
- Global Approved 208 Area Boundary
- City of Casa Grande Approved 208 Area Boundary

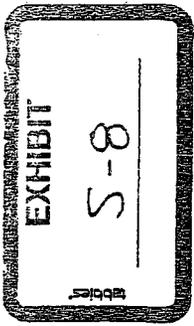


LEGEND	PROPERTY OWNER	ACRES (UNDEVELOPED)	ORIGINAL PROPERTY FOR SERVICE	UPDATED VERTICAL AFFIRMATION	UPDATED WRITTEN AFFIRMATION	AWC WATER SYSTEM
1	Iron Box	28	Yes	✓	✓	CASA GRANDE
2	Self Held	20	Yes	✓	✓	CASA GRANDE
3	Loren Whipple	49	Yes	✓	✓	CASA GRANDE
4	Bismuth Properties	99	Yes	✓	✓	CASA GRANDE
5	Florida 400	608	Yes	✓	✓	STANFIELD
6	Peter Shales	110	Yes	✓	✓	STANFIELD
7	Big Lake	392	Yes	✓	✓	STANFIELD
8	Corona Associates	80	Yes	✓	✓	CASA GRANDE
9	Langley Investment	117	Yes	✓	✓	CASA GRANDE
10	Texas Investments	48	Yes	✓	✓	STANFIELD
11	Boyle Properties	70	Yes	✓	✓	STANFIELD
12	Harmon & Chambers - Spectrum Office	809	Yes	✓	✓	STANFIELD
13	REI Group	89	Yes	✓	✓	STANFIELD
14	Terlebach	2,313	Yes	✓	✓	CASA GRANDE
15	BCI Health Partners	479	Yes	✓	✓	STANFIELD
16	Cambridge & Sons United	80	Yes	✓	✓	STANFIELD
17	Harvest Capital	156	Yes	✓	✓	STANFIELD
18	Rock Development	273	Yes	✓	✓	STANFIELD
19	BET Investments	80	Yes	✓	✓	STANFIELD
A	BET Investments	883	Yes	✓	✓	CASA GRANDE
B	Arizona State Land	4000	Yes	✓	✓	CASA GRANDE
C	BET Holdings	100	Yes	✓	✓	CASA GRANDE
D	Bingham Arizona Land LLC	1,378	Yes	✓	✓	CASA GRANDE
E	Red River Cattle, LLP	300	Yes	✓	✓	STANFIELD

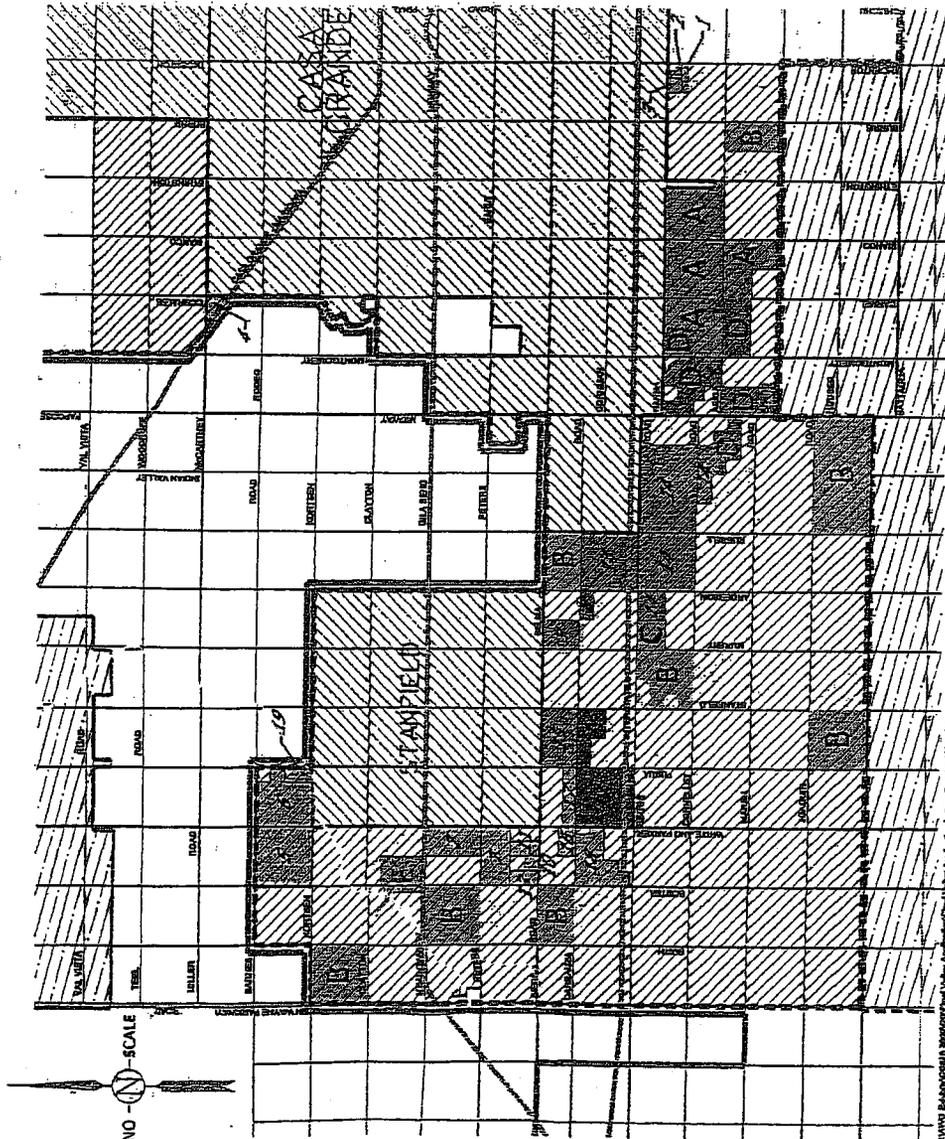
06/05/2009

A-7

DECISION NO. _____

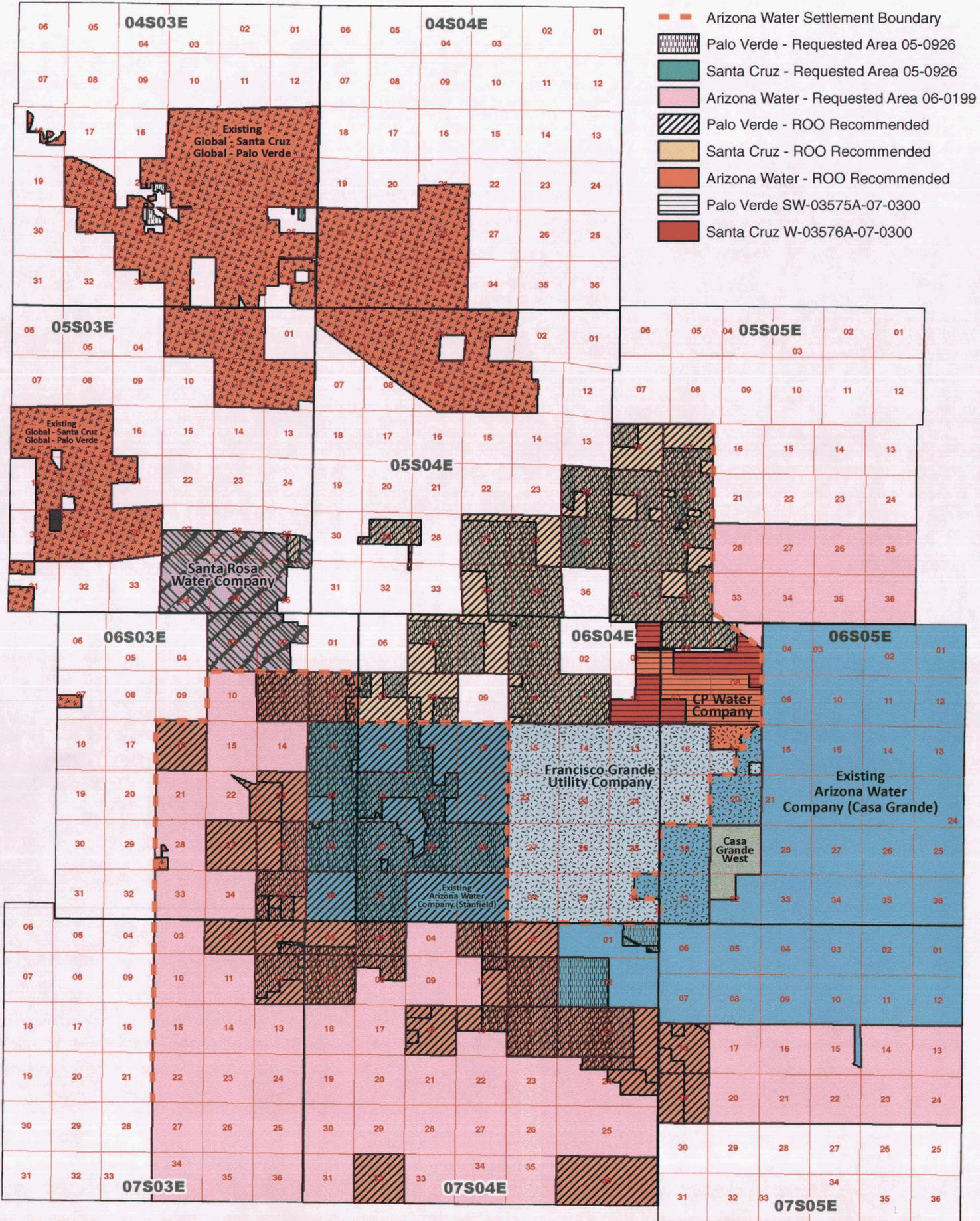


-  Indian Reservation
-  Arizona Water Company
Docket W-01445A-06-0199
-  A Portion of Arizona-
Water Company CC&N
-  Arizona Water Company
Planning Boundary
-  Global Planning Boundary



05/20/2009

LEGEND	PROPERTY OWNER	ACRES (INCLUDED)	ORIGINAL REQUIREMENT SERVICES	UPDATED AFFIRMATION	UPPER AFFIRMATION	AVC WATER SYSTEM
1	Stanfield	24	Yes	✓	✓	CALA BUNKER
2	Stanfield	30	Yes	✓	✓	CALA BUNKER
3	Stanfield	40	Yes	✓	✓	CALA BUNKER
4	Stanfield	50	Yes	✓	✓	CALA BUNKER
5	Stanfield	60	Yes	✓	✓	CALA BUNKER
6	Stanfield	70	Yes	✓	✓	CALA BUNKER
7	Stanfield	80	Yes	✓	✓	CALA BUNKER
8	Stanfield	90	Yes	✓	✓	CALA BUNKER
9	Stanfield	100	Yes	✓	✓	CALA BUNKER
10	Stanfield	110	Yes	✓	✓	CALA BUNKER
11	Stanfield	120	Yes	✓	✓	CALA BUNKER
12	Stanfield	130	Yes	✓	✓	CALA BUNKER
13	Stanfield	140	Yes	✓	✓	CALA BUNKER
14	Stanfield	150	Yes	✓	✓	CALA BUNKER
15	Stanfield	160	Yes	✓	✓	CALA BUNKER
16	Stanfield	170	Yes	✓	✓	CALA BUNKER
17	Stanfield	180	Yes	✓	✓	CALA BUNKER
18	Stanfield	190	Yes	✓	✓	CALA BUNKER
19	Stanfield	200	Yes	✓	✓	CALA BUNKER
20	Stanfield	210	Yes	✓	✓	CALA BUNKER
21	Stanfield	220	Yes	✓	✓	CALA BUNKER
22	Stanfield	230	Yes	✓	✓	CALA BUNKER
23	Stanfield	240	Yes	✓	✓	CALA BUNKER
24	Stanfield	250	Yes	✓	✓	CALA BUNKER
25	Stanfield	260	Yes	✓	✓	CALA BUNKER
26	Stanfield	270	Yes	✓	✓	CALA BUNKER
27	Stanfield	280	Yes	✓	✓	CALA BUNKER
28	Stanfield	290	Yes	✓	✓	CALA BUNKER
29	Stanfield	300	Yes	✓	✓	CALA BUNKER
30	Stanfield	310	Yes	✓	✓	CALA BUNKER



ROO RECOMMENDED AND COMPANY REQUESTED

DECISION NO. _____