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BEFORE THE ARIZONA CORPORATION COMMISSION

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PAUL NEWMAN  
BRENDA BURNS

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
ANASAZI WATER CO., LLC FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION"

DOCKET NO. W-20765A-0432

IN THE MATTER OF THE APPLICATION OF  
ANASAZI WATER CO., LLC FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION"

DOCKET NO. W-~~20765A-0432~~

02350A-10-0163

IN THE MATTER OF THE APPLICATION OF  
HYDRO-RESOURCES, INC. FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION"

DOCKET NO. W-20770A-10-0473

ANASAZI WATER CO., LLC'S NOTICE OF FILING DIRECT TESTIMONY

Anasazi Water Co., LLC ("Anasazi") hereby files the Direct Testimony  
of Pamela Fain in the above referenced matter.

RESPECTFULLY SUBMITTED this 20<sup>th</sup> day of June, 2011.

Shorall McGoldrick Brinkmann

Paul L. Brinkmann  
Attorney for Anasazi Water Co., LLC

ORIGINAL and 13 COPIES of the  
foregoing filed this 20<sup>th</sup> day of  
June, 2011, with:

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

Arizona Corporation Commission  
DOCKETED

JUN 20 2011

DOCKETED BY

SHORALL MCGOLDRICK BRINKMANN  
702 North Beaver Street  
Flagstaff, Arizona 86001

**SHORALL MCGOLDRICK BRINKMANN**

702 North Beaver Street  
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1 **COPY** of the foregoing hand-delivered  
this 20<sup>th</sup> day of June, 2011 to:

2 Hearing Division  
3 Arizona Corporation Commission  
4 1200 W. Washington  
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5 Steven M. Olea  
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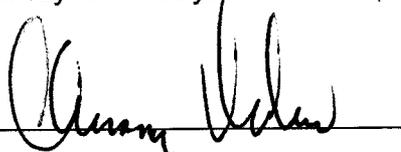
10 **COPY** of the foregoing mailed  
11 this 20<sup>th</sup> day of June, 2011 to:

12 Steven A. Hirsch  
13 Bryan Cave, LLP  
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24  
25 By 

**SHORALL MCGOLDRICK BRINKMANN**  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

1  
2 CARY PIERCE  
Chairman  
3 BOB STUMP  
Commissioner  
4 SANDRA D. KENNEDY  
Commissioner  
5 PAUL NEWMAN  
Commissioner  
6 BRENDA BURNS  
Commissioner

7 IN THE MATTER OF THE APPLICATION OF DOCKET NO. W-02350A-10-0163  
8 TUSAYAN WATER DEVELOPMENT  
ASSOCIATION, INC. FOR  
9 ESTABLISHMENT OF RATES FOR WATER  
SERVICE

10 IN THE MATTER OF THE APPLICATION OF DOCKET NO. W-20765A-0432  
11 ANASAZI WATER CO., LLC FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION"

12 IN THE MATTER OF THE APPLICATION OF DOCKET NO. W-20770A-10-0473  
13 HYDRO-RESOURCES, INC. FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION"

14  
15  
16 DIRECT  
17 TESTIMONY  
18 OF  
19 PAMELA FAIN  
20 MANAGER  
21 ANASAZI WATER CO., LLC  
22

23 JUNE 20, 2011  
24  
25

1 I. INTRODUCTION

2 Q. Please state your name, when you were born, your occupation, your  
3 business address and explain where you are from.

4 A. My name is Pamela Fain. I was born in 1946 and I am the granddaughter of  
5 R.P. Thurston. I am the Manager of Anasazi Water Co., LLC ("Anasazi" or the  
6 "Company") and I am a co-manager of Fain Properties, LLC. I am also  
7 currently serving as the President of Red Feather Properties Inc., which is the  
8 General Partner of Red Feather Properties Limited Partnership. My business  
9 address is 620 West Meade, Williams, Arizona 86046. I have lived in the  
10 Williams/Grand Canyon area all of my life.

11 Q. Please describe what Anasazi is.

12 A. Anasazi is an Arizona limited liability company that was formed in 1996.  
13 Anasazi owns and operates a water system in the Town of Tusayan, Arizona.  
14 Anasazi sells the water wholesale to the Certificate of Convenience and  
15 Necessity ("CCN") holder, Tusayan Water Development Association Inc.,  
16 ("TWDA"). All of the properties serviced by Anasazi, with one exception are or  
17 were at one time owned by members of the Thurston family and/or Red  
18 Feather Properties LP ("RFP"). Anasazi was formed to limit RFP's liability as it  
19 relates to the ownership and operation of its water system and to ensure water  
20 service to RFP and Thurston family owned properties and businesses.

21 Q. According to Anasazi's Articles of Organization what is the Company's  
22 purpose?

23 A. No purpose is set forth in the Company's Articles of Organization, but  
24 according to Article II of Anasazi's Operating Agreement the Company's  
25 'Purpose' "is to engage in running a water distribution, production company,

1 hauling water and construction for said purpose.” Nowhere do the documents  
2 suggest that Anasazi will operate as a public service corporation.

3 **Q. Please describe who the Members of Anasazi are?**

4 A. The Members and the percent ownership interest of the Members are  
5 essentially the same as RFP: Fain Properties, LLC’s Membership Interest is  
6 approximately 31%, the Christopher Robert Thurston Revocable Trust’s  
7 Membership Interest is approximately 31%, the Thurston Estates’ Membership  
8 Interest is approximately 31% and Nimmons Trusts’ Membership Interest is  
9 approximately 7%.

10 **Q. Please describe who the Thurston family is?**

11 A. The Thurston family is comprised of the children and the grandchildren and  
12 other descendants of R.P. Thurston.

13 **Q. Please describe what RFP is.**

14 A. RFP is an Arizona limited partnership that owns a number of properties  
15 throughout the Tusayan area including commercial real estate and it also  
16 operates the Red Feather Lodge and R.P.’s Stage Stop.

17 **Q. What is the relationship between Anasazi and RFP?**

18 A. The members of Anasazi are essentially the same as the limited partners in  
19 RFP and the properties serviced by Anasazi (with the exception of South Rim  
20 Mobile Home Park which abutted Thurston family property) are or were owned  
21 by the Thurstons and/or RFP.

22 **Q. Please describe the history of the water system Anasazi has come to**  
23 **own.**

24 A. The water system was originally constructed by R.P. Thurston. Portions of the  
25 water system pre-date 1964 when the original Red Feather Lodge was built.

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The water system was built by my grandfather as a means of providing water to his properties, which at the time consisted of the Red Feather Lodge, a service station, a café and a bar. The water system was passed down to his heirs and assigns via RFP and in 1996, transferred to Anasazi. Over the years water lines were added as new tenants came on and property changed hands.

In 1989, the National Park Service ("NPS") gave RFP the water tank that is currently in use in exchange for an agreement to remove it from the location it was in at that time. Sometime thereafter RFP relocated the tank to its current location on the Kaibab National Forest, with permission from the U.S. Forest Service through a Special Use Permit. Repairs and general maintenance were performed as necessary and upgrades, such the construction of a new booster station in 1994, have also been made as necessary.

**Q. How has the management and operation of the water system changed since Anasazi took over control from RFP?**

A. While Anasazi is a separate entity from RFP and operates independently, the day-to-day operations remain the same since Anasazi has taken over the water system. This is attributable to the fact actual people managing and operating the system are the same and the owners remain unchanged.

**Q. Please describe your responsibilities as Manager of Anasazi.**

A. As the Manager of Anasazi I have been active in Anasazi since its inception in 1996. My duties include supervising the operations of the water system which is essentially purchasing water, distributing water and paying the bills.

1 **Q. Are you familiar with Anasazi's history and assets comprising the water**  
2 **utility facilities (i.e. water system)?**

3 A. Yes.

4 **Q. Are you familiar with the daily operations of Anasazi?**

5 A. Yes.

6 **Q. Please briefly describe Anasazi's water system.**

7 A. Anasazi's water system services six properties in Tusayan with the three  
8 remaining properties serviced by the Hydro-Resources, Inc. ("Hydro") water  
9 system through Anasazi's connections and meters. All of the properties  
10 serviced are billed by TWDA. The water system includes a well (Arizona  
11 Department of Water Resources # 55-560179), a storage tank, meters and  
12 lines. In 1997, Anasazi drilled the current well on property owned by RFP.  
13 The wells depth is approximately 3,120 feet below ground, and when the  
14 pump is operational it produces between 12 and 15 gallons of water per  
15 minute. Anasazi's pump was damaged during an electrical storm and must be  
16 replaced. We estimate the cost of replacing the pump and installing the new  
17 one to be between \$60,000.00 and \$100,000.00. We have not made the  
18 investment in a new pump due to the on-going matter before the ACC and the  
19 potential sale of the system to the Town of Tusayan. Repairs, maintenance  
20 and upgrades have otherwise continued, such as the replacement of 2240 feet  
21 of water lines in 2002, including the main water line from the tank.

22 **Q. Are you familiar with Anasazi's Exhibit B?**

23 A. Yes.

24 **Q. What is Anasazi's Exhibit B?**

25

- 1 A. It is a list of Anasazi's assets including without limitation the fixtures,  
2 furnishings and equipment belonging to Anasazi.
- 3 **Q. Is Anasazi's Exhibit B a complete and accurate list of its assets?**
- 4 A. I believe it is.
- 5 **Q. Please describe Anasazi's current involvement in the water system it**  
6 **owns.**
- 7 A. Anasazi contracts with A Quality Water Company, LLC to manage the day-to-  
8 day operations of its physical facilities. Anasazi obtains the water for its  
9 system from Valle-Canyon Water Co., Inc. ("Valle-Canyon") and Hydro. The  
10 bulk water is then sold to TWDA who in turn sells it to the end users for those  
11 properties serviced by Anasazi's water system. Anasazi bills TWDA for the  
12 water it delivers and TWDA sells it to the customers.
- 13 **Q. Please describe Anasazi's involvement in the management and**  
14 **operation of its water system.**
- 15 A. Anasazi maintains, repairs and upgrades its water system as necessary,  
16 however, TWDA invoices and collects for the water distributed.
- 17 **Q. Please describe Anasazi's involvement in ensuring regulatory**  
18 **compliance with the Arizona Department of Environmental Quality**  
19 **("ADEQ").**
- 20 A. ADEQ approved the construction of various parts of the system and inspects  
21 the system. Anasazi has a certified operator and ADEQ passed inspection of  
22 our physical facilities and monitoring and reporting requirements as indicated  
23 in the documents attached to our Application for Adjudication Not a Public  
24 Service Corporation as Exhibit 4(A).
- 25

- 1 **Q. Please describe Anasazi's involvement with the handling of repairs and**  
2 **maintenance to the water system.**
- 3 A. Most repairs and maintenance are performed by Anasazi or by A Quality  
4 Water Company, LLC or other third party contractors.
- 5 **Q. Please describe Anasazi's involvement with the payment of the**  
6 **operating expenses for the water system.**
- 7 A. Anasazi charges TWDA \$55.00 per thousand gallons of water it provides  
8 through its system. The proceeds of those sales are used to pay the operating  
9 expenses for the water system.
- 10 **Q. Please describe the document marked as Anasazi's Exhibit A.**
- 11 A. It is a Plat Map of Tusayan from the Coconino County Assessor's Office.
- 12 **Q. Are you familiar with Anasazi's Exhibit A?**
- 13 A. Yes.
- 14 **Q. Has Anasazi's Exhibit A been altered in any way?**
- 15 A. Yes, the approximate location of Anasazi's well, water storage tank,  
16 distribution lines, connections and the identity of the parties who receive water  
17 from Anasazi have been identified on the map
- 18 **Q. Please list the parties who currently receive water service through**  
19 **Anasazi System by referring to Anasazi's Exhibit A.**
- 20 A. Starting on the west side of State Route 64 going from south to north there is  
21 the Red Feather Lodge, which is owned and operated by RFP has two  
22 connections (parcel 7L), Café Tusayan, which is currently unoccupied, but the  
23 property is owned by RFP (parcel 7L), Wendy's, which is owned by Grand  
24 Canyon Management, Inc. and is located on property owned by RFP (parcel  
25

1 7J), and RP's Stage Stop, which is also owned and operated by RFP (parcel  
2 9B).

3 On the east side of State Route 64 going from south to north there is the  
4 McDonald's Dormitory, which is owned by Cook Enterprises Inc. and the real  
5 estate is owned by Greg Cook (parcel 18C) and the Grand Canyon Trading  
6 Post, which is owned by Xanterra Parks and Resorts and is located on  
7 property owned by RFP (parcel 4J).

8 Moving further north on the east side of State Route 64 is the Express Mini  
9 Mart Gas Station, which is owned by Express Mini Mart Inc., and is located on  
10 property owned by RFP (parcel 2L), Babbitt's General Store, which is owned  
11 by Delaware North Park Service and is on property owned by John, Bess and  
12 Clarinda Vail Thurston (parcel 2M), and the South Rim Mobile Home Park,  
13 which is owned by South Rim Mobile Home Park Inc., which also owns the  
14 real estate (parcels 2D, 1C and 1H).

15 **Q. Why do the South Rim Mobile Home Park and the McDonald's Dormitory**  
16 **receive water through Anasazi if those properties are not owned by RFP**  
17 **or Thurston family members?**

18 A. All of the property on the east side of State Route 64 from approximately the  
19 well site north, with the exception of what is now the South Rim Mobile Home  
20 Park was originally owned by my grandfather, R.P. Thurston. Over the years  
21 some of the properties were sold and some were passed on to my  
22 grandfather's heirs and assigns and some were lost through litigation. For  
23 instance, the property commonly referred to as Camper Village (parcel 1P on  
24 Anasazi's Exhibit A) used to be owned by me, but through a lawsuit I no longer  
25 own that property. As you can see, however from Anasazi's Exhibit A, the

1 water line that runs north serving the properties on the east side of State  
2 Route 64 runs through what used to be all Thurston and or RFP properties.  
3 The water lines originally just served RFP and Thurston family properties and  
4 the main distribution line ran continuously up to Babbitt's General Store. That  
5 main distribution line is now broken up as it runs through the Camper Village  
6 property.

7 It is my understanding that the South Rim Mobile Home Park requested that  
8 we extend service to that property many years ago since we already had the  
9 line running most of the way there. RFP extended service to the South Rim  
10 Mobile Home Park as favor. As for the McDonald's Dormitory that property  
11 was sold to Greg Cook by RFP many years ago at a time when the lines  
12 extending through that property already existed. Since the lines were already  
13 there when Mr. Cook built the dorms he requested and we agreed to provide  
14 them service.

15 **Q. Please describe Anasazi's efforts, if any, to bring in new customers onto**  
16 **its service.**

17 A. Anasazi technically has only one customer, TWDA. Anasazi makes no effort  
18 to bring expand its water system to service any additional properties. Anasazi  
19 does not advertise for nor does it accept requests for new service from any  
20 other property owners.

21 **Q. If any of the parties that receive water through Anasazi's water system**  
22 **requested service from another source, what would Anasazi do?**

23 A. If someone receiving water through the Anasazi system wanted to get water  
24 from another service provider, Anasazi advises TWDA who then requests  
25 service be transferred. Anasazi is losing money right now, and to no longer

1 have to provide service to most of the parties it is currently serving would  
2 actually be beneficial to Anasazi.

3 **Q. It is part of Anasazi's business model to compete for control of water**  
4 **service in Tusayan?**

5 A. No, absolutely not. As I have stated before, Anasazi was formed to limit the  
6 liability of RFP and to provide water service to RFP and Thurston owned  
7 properties. It was never to be *the* water provider for Tusayan or to compete  
8 with other service providers for customers.

9 **Q. Does Anasazi consider itself a competitor with any other water providers**  
10 **in Tusayan?**

11 A. No. Since Anasazi was founded to serve only RFP and Thurston Family  
12 properties the organization of Anasazi and its predecessors was more about  
13 ensuring water service to those businesses and properties owned by RFP and  
14 the Thurstons rather than operating a for profit business venture competing  
15 with other water providers for the community's water business.

16 **Q. Please describe Anasazi's interactions with the parties who are served**  
17 **by the Anasazi system.**

18 A. Except for necessary repairs, Anasazi only interacts with TWDA who then  
19 invoices and collects proceeds from these properties served. All of the  
20 properties that receive water from Anasazi's system are essentially RFP or  
21 Thurston owned with two notable exceptions I have already pointed out. The  
22 interactions tend to be very informal as one could expect in a small town.  
23 Anasazi maintains good relationships with all of the parties on its water lines.

24 **Q. Does Anasazi have contracts with the parties serviced by the Anasazi**  
25 **system?**

1 A. No not directly. The parties have an agreement with TWDA, and Anasazi  
2 simply sells its bulk water to TWDA. If there is a problem with the meter or  
3 Anasazi owned infrastructure, Anasazi will investigate and make repairs as  
4 necessary to ensure continued service.

5 **Q. Does Anasazi set its own rates?**

6 A. Yes and no. Anasazi sets the rates it bills to TWDA, and TWDA set the rates  
7 that ultimately are charged to TWDA's customers.

8 **Q. How does Anasazi set those rates?**

9 A. Anasazi purchases its water from Valle-Canyon Water Co., Inc. ("Valle-  
10 Canyon") for \$45.00 per thousand gallons. Valle-Canyon delivers that water to  
11 Anasazi. Anasazi in turn charges TWDA \$55.00 per thousand gallons of water  
12 it delivers to each property served by Anasazi's water system. The additional  
13 \$10.00 per thousand gallons Anasazi charges TWDA is used to operate and  
14 maintain the water system.

15 **Q. Does Anasazi dedicate any of its property for use by the public?**

16 A. No, and notably Anasazi does not own and real property nor does it have any  
17 easements for the lines it owns.

18 **Q. Do you believe that Anasazi is a public service corporation?**

19 A. No, it is not.

20 **Q. Why not?**

21 A. Anasazi does not directly sell water to any member of the public in Tusayan.  
22 Anasazi sells water on a bulk, wholesale basis to TWDA, the CCN holder in  
23 the Tusayan area. TWDA then directly sells water to its customers in  
24 Tusayan. Because Anasazi does not directly sell water to any member of the  
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public, it should not be considered a public service corporation as that phrase is defined in Arizona law.

Additionally, Anasazi should not be considered a public service corporation under any of the other factors because its actions do not affect the public in a way which is not otherwise addressed by the Commission's oversight of the CCN holder, TWDA.

**Q. Does this conclude your prepared direct testimony?**

A. Yes, however, I would like to reserve the right to raise and/or comment upon these and other issues in Rebuttal Testimony as the need arises due to additional discovery or based upon my further review of the parties' testimony in this docket.

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Flagstaff, Arizona 86001

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**EXHIBITS**

1. **Anasazi's Exhibit A** – Map of Tusayan indicating approximate location of properties serviced by Anasazi and Anasazi's assests.
2. **Anasazi's Exhibit B** – Inventory of Anasazi's assets

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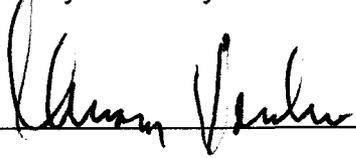
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By 

**EXHIBIT A**

**ANASAZI WATER COMPANY LLC**

**MAP OF TUSAYAN**

(indicating approximate location of properties serviced by Anasazi  
and Anasazi's assets)



## **EXHIBIT B**

### **ANASAZI WATER COMPANY LLC LIST OF FACILITIES**

1. 400,000 Gallon Water Tank;
2. Well with associated Pump House and miscellaneous Electrical Equipment;
3. Fencing around the Water Tank;
4. All water lines from Well and/or Tank to propertied serviced by Anasazi;
5. Ten (10) water meters.
6. Booster Station and all associated equipment.