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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF WOODRUFF WATER COMPANY, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN PINAL COUNTY, ARIZONA.

DOCKET NO. W-04264A-04-0438

IN THE MATTER OF THE APPLICATION OF WOODRUFF UTILITY COMPANY, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE SEWER SERVICE IN PINAL COUNTY, ARIZONA.

DOCKET NO. SW-04265A-04-0439

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, TO EXTEND ITS EXISTING CERTIFICATES OF CONVENIENCE AND NECESSITY AT CASA GRANDE AND COOLIDGE, PINAL COUNTY, ARIZONA.

DOCKET NO. W-01445A-04-0755
NOTICE OF FILING ADDITIONAL INFORMATION IN SUPPORT OF REQUEST TO EXTEND COMPLIANCE DEADLINE IN DECISION 68453

On February 2, 2006, the Arizona Corporation Commission ("Commission") issued Decision 68453 granting Woodruff Water Company, Inc. ("WWC") and Woodruff Utility Company, Inc. ("WUC") Certificates of Convenience and Necessity ("CC&Ns") to provide water utility service and wastewater utility service to a 3,200-acre parcel between Casa Grande and Coolidge to be developed as a master-planned subdivision known as Sandia ("Sandia"). In its decision, the Commission required, *inter alia*, that WWC and WUC (collectively referred to herein as the "Utilities") each file a

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1 rate application no later than three months after the fifth anniversary of the effective date
2 of the Decision.

3 On May 31, 2011, the Utilities filed a request to amend Decision 68453 so that the
4 rate applications need not be filed until development of Sandia commences. On July 5,
5 2011, Utilities Division Staff ("Staff") filed a Memorandum recommending that the rate
6 application filing deadlines for the Utilities be extended to a date no later than five years
7 after service is provided to the first customers.

8 On July 11, 2011, the administrative law judge ("ALJ") issued a procedural order
9 requesting additional information from the Utilities, and directing them to provide that
10 information by August 11, 2011. The procedural order directed Staff to review the
11 information submitted by the Utilities and to file a response supplementing its July 5,
12 2011 Memorandum by September 12, 2011.

13 On July 28, 2011, the Utilities filed a Request to Extend Filing Deadline seeking
14 two additional weeks to docket the information requested by the ALJ. In a Procedural
15 Order dated August 1, 2011, the ALJ granted the request and extended the Utilities' filing
16 deadline to August 25, 2011, and Staff's filing deadline to September 26, 2011. Pursuant
17 to the ALJ's July 11, 2011 Procedural Order, the Utilities hereby respond to the questions
18 presented by the ALJ.

19 1. **Explain the past and current ownership of WWC and WUC.**

20 Past Ownership. WWC and WUC were previously owned by Pivotal Sandia,
21 LLC, which was controlled by Pivotal Group X, LLC, which was controlled by the F.
22 Francis Najafi Trust.

23 Current Ownership. WWC and WUC are currently owned by Sandia 2009, LLC,
24 formerly known as ("fka") Pivotal Sandia, LLC. Sandia 2009, LLC is now controlled by
25 DT Lifestyle, LLC, fka DTR1B, LLC, which is owned and controlled by DTR1, LLC.
26 As part of the change of control of the Utilities, new officers and directors were
27 appointed for WWC and WUC.
28

1 2. Describe the transactions that led to the current ownership of WWC and
2 WUC.

3 Sandia 2009, LLC, fka Pivotal Sandia, LLC, was and still is the parent of WWC
4 and WUC. Sandia 2009, LLC, fka Pivotal Sandia, LLC, was previously owned and
5 controlled by Pivotal Group X, LLC and Arizona PSPRS Trust. In August 2009, Pivotal
6 Group X, LLC and Arizona PSPRS Trust assigned all of their respective member
7 interests in Sandia 2009, LLC, fka Pivotal Sandia, LLC, to DT Lifestyle, LLC, fka
8 DTR1B, LLC, which is owned and controlled by DTR1, LLC. DTR1, LLC is owned
9 and controlled by Desert Troon Limited, LLC and Arizona PSPRS Trust.

10 3. Explain the past and current ownership of the Sandia parcel.

11 The Sandia property is currently owned under a beneficiary trust arrangement
12 whereby the settlors of the trust are various entities owned and controlled by the Wuertz
13 family and the beneficiary of the trust agreement is Sandia 2009, LLC, fka Pivotal
14 Sandia, LLC. The trust agreement is a complicated financing/option mechanism that
15 allows for the gradual takedowns of the Sandia property by Sandia 2009, LLC, fka
16 Pivotal Sandia, LLC, as the developer. To date, Sandia 2009, LLC, fka Pivotal Sandia,
17 LLC, is entitled to request an immediate deed for the conveyance of approximately 700
18 acres out of the entire 3,200 acre parcel. The Wuertz family continues to occupy and
19 farm the Sandia property, which they have done for many years.

20 4. Describe the transactions that led to the current ownership of the Sandia
21 parcel.

22 See the response to question 3 above.

23 5. Describe the current state of development in the Sandia parcel (i.e., what has
24 been built there and whether anyone resides there).

25 With the exception of the construction of a fire station and a major arterial street
26 (Sandia Way), the Sandia parcel remains largely undeveloped and is currently being
27 operated as a farm by the Wuertz family.
28

1 **6. Describe the current utilities infrastructure of WWC and WUC.**

2 Currently, WWC owns two established wells. The first well ("Well No. 1") has
3 complete improvements including the well head, pump assembly, piping, manifold, and
4 small structures for both the pump and electrical service section and controls. There is
5 also approximately 5,300 feet of distribution lines and four digital water meters that
6 serve current customers. The second well ("Well No. 2") has been drilled and improved
7 and is ready to deliver water. WUC currently has no physical utility infrastructure,
8 although engineering design plans have been prepared for the water and wastewater
9 systems.

10 **7. Explain whether and to what extent utility service has been provided in the**
11 **Sandia parcel and by whom, including an explanation as to the water service**
12 **that was identified in the filing of March 2006.**

13 WWC commenced water service to its first customer on or about September 1,
14 2004, in connection with WWC's Initial Request to Establish a New Service Area Right
15 filed with the Arizona Department of Water Resources. Currently, WWC has four
16 residential water customers on ¾-inch water meters. The customers receive water
17 service from WWC's Well No. 1 via a distribution pipeline approximately ½-mile in
18 length.

19 The Utilities' respective rates and charges were authorized in Decision 68453, and
20 WWC and WUC filed conforming tariffs (with an effective date of April 3, 2006) with
21 the Commission on March 3, 2006. The tariffs remain in effect today.

22 **8. Explain whether and to what extent utility service is currently being**
23 **provided in the Sandia parcel and by whom.**

24 See the response to question 7 above.

25 **9. Explain the plans for development in the Sandia parcel, with a projected**
26 **timeline for development.**

27 Sandia 2009, LLC intends to develop the Sandia property as it was originally
28 envisioned by Pivotal Sandia, LLC. Sandia is a master-planned subdivision consisting of
approximately 9,500 or more residential units along with commercial development,

1 schools, parks and a golf course. Sandia 2009, LLC intends to move forward with the
2 development as soon as market conditions improve and create demand for new housing
3 in the region between Casa Grande and Coolidge, Arizona.

4 The deep recession and real estate crash of the past several years are extraordinary
5 circumstances which have not been seen since the Great Depression. The severe
6 economic downturn that has battered the Arizona real estate market has persisted and
7 delayed the start of many planned residential developments, including Sandia. However,
8 market conditions are showing signs of stabilizing in the Phoenix metropolitan area and
9 should begin to improve in the near term. Michael Orr is a housing expert and publisher
10 of the Cromford Report which provides daily analysis on the real estate market in the
11 Greater Phoenix area. In a March 17, 2011 publication, Mr. Orr reported that housing
12 market indicators are turning positive, signaling that prices will strengthen over the next
13 six to nine months.¹ Thus, WWC and WUC expect to see requests for additional new
14 water and wastewater services in the next two to five years. Given that WWC has only
15 four current customers, and that WUC does not have any current customers, it does not
16 seem prudent to incur the costs of a rate case at this time. Thus, the Utilities request a
17 five-year delay in the requirement that they file a rate case.

18 10. **Explain whether WWC and WUC desire to retain CC&N authority for the**
19 **Sandia parcel and, if so, for what purpose, if they “have no plans to develop**
20 **the community any time in the near future.”**

21 WWC and WUC desire to retain their CC&Ns for the Sandia property. WWC has
22 four existing customers receiving water service, and WUC is essential to the developer's
23 plans for an integrated water and wastewater provider. As stated above, the developer of
24 Sandia intends to proceed with development of the property as soon as market conditions
25 improve and create a demand for residential housing within the CC&N.

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¹ See <http://www.cromfordreport.com/good-news.html>.

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RESPECTFULLY submitted this 25th day of August, 2011.

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ORIGINAL and thirteen (13) copies of the
foregoing filed this 25th day of August, 2011, with:

Docket Control
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COPIES of the foregoing hand-delivered
this 25th day of August, 2011, to:

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