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7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 COMMISSIONERS

9 GARY PIERCE, Chairman  
10 SANDRA D. KENNEDY  
11 PAUL NEWMAN  
12 BOB STUMP  
13 BRENDA BURNS

Docket No. SW-02361A-08-0609

13 IN THE MATTER OF THE APPLICATION OF  
14 BLACK MOUNTAIN SEWER CORPORATION,  
15 AN ARIZONA CORPORATION, FOR A  
16 DETERMINATION OF THE FAIR VALUE OF  
17 ITS UTILITY PLANT AND PROPERTY AND  
FOR INCREASES IN ITS RATES AND  
CHARGES FOR UTILITY SERVICE BASED  
THEREON

Notice of Filing Direct Testimony

18 Wind P1 Mortgage Borrower L.L.C., doing business as The Boulders Resort and Golden Door  
19 Spa (the "Resort"), by and through its undersigned attorneys, respectfully submits the attached Direct  
20 Testimony of Susan Madden, Thomas McCahan, and Dean Hunter pursuant to the Procedural Order  
21 docketed March 7, 2012, for consideration by the Commission.

22 DATED this 16<sup>th</sup> day of March, 2012.

RYLEY CARLOCK & APPLEWHITE

23 Arizona Corporation Commission

24 **DOCKETED**

25 MAR 16 2012

26 DOCKETED BY

27 By Michele Van Quathem  
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1 ORIGINAL and 13 copies of the foregoing  
2 filed this 16<sup>th</sup> day of March, 2012, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, Arizona 85007

7 COPY of the foregoing mailed this  
8 16<sup>th</sup> day of March, 2012, to:

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By 

1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2    **COMMISSIONERS**

3    GARY PIERCE, Chairman  
4    SANDRA D. KENNEDY  
5    PAUL NEWMAN  
6    BOB STUMP  
7    BRENDA BURNS

Docket No. SW-02361A-08-0609

7    IN THE MATTER OF THE APPLICATION  
8    OF BLACK MOUNTAIN SEWER  
9    CORPORATION, AN ARIZONA  
10   CORPORATION, FOR A  
11   DETERMINATION OF THE FAIR VALUE  
12   OF ITS UTILITY PLANT AND PROPERTY  
13   AND FOR INCREASES IN ITS RATES  
14   AND CHARGES FOR UTILITY SERVICE  
15   BASED THEREON

13                                   **Direct Testimony**

14                                   **of**

15                                   **Susan Madden**

16                                   **on behalf of Wind P1 Mortgage Borrower, L.L.C.**

17                                   **d/b/a The Boulders Resort and Golden Door Spa**

18                                   **March 16, 2012**



1 **Q1. Please state your name, address and occupation.**

2 A1. My name is Susan Madden. My business address is 34361 N. Tom Darlington Drive,  
3 Carefree, Arizona. I am employed by Waldorf Astoria LLC, the manager of The  
4 Boulders Resort and Golden Door Spa (the "Resort"). The Resort is owned by Wind P1  
5 Mortgage Borrower, L.L.C. I am the Director of Finance for the Resort.

6 **Q2. Please describe the purpose of your testimony.**

7 A2. The purpose of my testimony is to describe the Resort and, at least in part, describe why  
8 water provided to the Resort is critical to the Resort's business. As a member of the  
9 Resort's management team, I have been directly involved in the Resort's search for  
10 replacement water supplies for the water that is currently provided to the Resort by Black  
11 Mountain Sewer Company ("Black Mountain"). In addition to my testimony, Tom  
12 McCahan, the Director of Club Operations, and Dean Hunter, the Golf Course  
13 Superintendent, will testify regarding their knowledge of the Resort's need for the current  
14 water supply for the golf courses and their efforts to find replacement supplies and/or  
15 reduce water use at the courses as an alternative to replacement.

16 **Q3. Please describe The Boulders Resort and Golden Door Spa.**

17 A3. The Resort consists of a hotel with 160 high-end casitas, meeting spaces, a spa, tennis  
18 courts, four swimming pools, and seven restaurants. Adjacent to the Resort there are  
19 privately-owned villas and hacienda units. The Resort also has two 18-hole  
20 championship golf courses, the North Course and the South Course. The Resort is  
21 located in the foothills of Black Mountain near Carefree and the two golf courses are  
22 located in areas that include small hills and large granite boulder formations. The Resort  
23 is branded as one of Hilton's Waldorf Astoria hotels. The Resort employs approximately  
24 550 people, and we estimate that it annually generates revenues of \$40 million for the  
25 surrounding communities, including the Towns of Cave Creek, Carefree, and the City of  
26 Scottsdale.

1 **Q4. You have heard customer comments regarding smells coming from the treatment**  
2 **plant, right?**

3 A4. Yes. I am aware of the complaints. The Resort has been and still is quite concerned  
4 about the complaints and the odors. We have Resort visitors that regularly golf near the  
5 treatment plant, and many local golf club members, so their satisfaction with their golf  
6 experiences is very important to us.

7 **Q5. You work at the Resort. Have you ever witnessed odors?**

8 A5. Yes. I have smelled odors from time to time emanating from the treatment plant,  
9 especially when I am golfing near the plant.

10 **Q6. Wouldn't it be better for everyone if the treatment plant is removed?**

11 A6. If we can find an acceptable solution to address the Resort's golf course replacement  
12 water supply needs, yes. However, as I think we have all learned, there is no easy answer  
13 on this one.

14 **Q7. Please describe how the two golf courses are utilized as part of the Resort's business.**

15 A7. The Resort is a destination golf resort. Many visitors come for the primary purpose of  
16 golfing. Both of the Resort's golf courses are world class courses that are designed and  
17 operated to compete with courses at other luxury properties, both in the United States and  
18 internationally. Our Resort course is repeatedly ranked as one of the nation's top golf  
19 courses by GOLF Magazine and Travel and Leisure Magazine. One of the 18-hole golf  
20 courses is dedicated primarily to the use of Resort customers. The other 18-hole golf  
21 course is dedicated primarily for the use of members of The Boulders Club, a private golf  
22 club whose members include some members of the Boulders Homeowners Association.  
23 If the Resort is not able to maintain the golf courses in world-class condition, it will have  
24 an impact on the Resort's ability to continue attracting visitors and golf club members.

25 **Q8. Please describe the water supplies used to maintain the golf course turf and**  
26 **landscaping.**

1 A8. The Resort has two contracts through which it obtains its golf course non-potable water  
2 supplies. The Resort has an Effluent Delivery Agreement with Black Mountain (attached  
3 as Exhibit A) that entitles the Resort to purchase all effluent generated by operation of the  
4 Boulders East Plant or a new wastewater treatment facility constructed by Black  
5 Mountain through March 2021. The quantity of water typically purchased under this  
6 agreement is approximately 130 to 135 acre-feet per year. The parties agreed that the  
7 cost for this water is set by the Commission, and that amount is currently \$0.460510 per  
8 thousand gallons (approximately \$150 per acre-foot). The second water supply  
9 agreement is between Wind P1 Mortgage Borrower, LLC and the City of Scottsdale and  
10 includes the Pipeline Capacity Agreement dated February 3, 1992, the First Amendment  
11 to Pipeline Capacity Agreement No. 920004 dated December 19, 1994, and the Second  
12 Amendment to Agreement No. 920004 Pipeline Capacity Agreement dated April 1, 2008  
13 (collectively, the "RWDS Agreement"). The RWDS Agreement authorizes the Resort to  
14 use 1.25 MGD of capacity in the City's Reclaimed Water Distribution System ("RWDS")  
15 pipeline. A copy of the RWDS Agreement is attached as Exhibit B. The current rate for  
16 RWDS water is \$1.3510 per 1000 gallons (approximately \$440 per acre-foot). The  
17 annual quantity of water typically purchased under the RWDS Agreement is  
18 approximately 740 acre-feet per year.

19 **Q9. What is the RWDS pipeline?**

20 A9. The RWDS pipeline is a 20 MGD pipeline owned by the City of Scottsdale that  
21 transports a mixture of reclaimed water and Central Arizona Project water from the City's  
22 wastewater treatment plant to 23 golf courses pursuant to pipeline capacity agreements  
23 between the City and users.

24 **Q10. The Resort became aware at some point that Black Mountain Sewer Corporation**  
25 **was proposing to close the Boulders wastewater treatment plant?**

26 A10. Yes, the Resort discovered that Black Mountain was thinking of closing the plant before  
27 the Arizona Corporation Commission's final decision was made in the rate case. We  
28

1 were obviously very concerned about the prospect of losing that portion of the water  
2 supply, but understood at that time that the treatment plant would not be closed until  
3 Black Mountain made an agreement with the Resort regarding the Effluent Delivery  
4 Agreement.

5 **Q11. Was the Resort a party to the settlement agreement in the rate case?**

6 A11. No. The Resort was not a party to the settlement agreement. Although the Resort is  
7 aware of the odor issues that have been experienced in the neighboring properties  
8 (including at times the Resort property), the situation has improved somewhat, and the  
9 Resort disagrees that the treatment plant should be closed until the Resort is able to  
10 secure a replacement water supply on acceptable terms that recognize its contractual  
11 rights to continued water deliveries under the Effluent Delivery Agreement.

12 **Q12. How did the Resort respond to the news that Black Mountain was proposing to close  
13 the treatment plant?**

14 A12. Well, as you can imagine, we had discussions with Black Mountain about the proposal.  
15 When the idea of plant closure was presented to us, it was presented in a manner that  
16 indicated the plant closure was going to occur by order of the Commission, and the  
17 Resort could not do anything about it. We immediately starting trying to figure out how  
18 the Resort would cope without the water provided by the treatment plant. After our  
19 attorney conducted further research in the ACC's docket and reviewed the actual  
20 settlement agreement terms, however, we learned that closure was actually proposed as  
21 part of a settlement agreement between Black Mountain and BHOA, and that the Resort  
22 would be protected through the condition in the agreement requiring that Black Mountain  
23 reach an agreement with the Resort to terminate the Effluent Delivery Agreement. Our  
24 attorney approached Black Mountain's attorney in approximately February 2010 about  
25 discussing a resolution, but there was not much desire to meet until the Commission  
26 considered the settlement agreement.

1 **Q13. Did Black Mountain eventually meet with the Resort to discuss the closure**  
2 **proposal?**

3 A13. Yes. After the Recommended Order and Opinion was issued in the rate case, Les  
4 Peterson, the Boulders Homeowners Association's ("BHOA's") president at the time,  
5 organized a meeting between representatives of BHOA, Black Mountain, and the Resort  
6 on September 26, 2010, to discuss the situation. At that meeting, Black Mountain made it  
7 clear that Black Mountain would not pay anything for termination of the Effluent  
8 Agreement unless the payment could be recovered in rates. Given that sentiment, the  
9 parties then focused on finding a way to replace the treatment plant water supply and  
10 potential funding sources.

11 **Q14. Why didn't the Resort request to intervene in the earlier rate case once it learned**  
12 **what was happening?**

13 A14. By the time we discovered what was really going on with the settlement agreement, it  
14 was late in the rate case, and it was also clear that the closure could not move forward  
15 until Black Mountain addressed its contractual obligations under the Effluent Delivery  
16 Agreement with the Resort. The Resort felt it could work out those issues directly with  
17 Black Mountain.

18 **Q15. Why did the Resort request to intervene last summer?**

19 A15. The Resort intervened because BHOA was threatening to go back to the Commission and  
20 use the Commission's authority in an attempt to terminate Black Mountain's Effluent  
21 Delivery Agreement obligations to the Resort. The Resort wanted the opportunity to  
22 present evidence regarding the Resort's interests that was not provided to the  
23 Commission by the parties in this case before the Black Mountain/BHOA settlement  
24 agreement was adopted by the Commission. The Resort also regrets how its role in  
25 negotiations regarding potential plant closure have been presented by other parties, and  
26 wants the opportunity to provide evidence to the Commissioners of its significant efforts  
27 to find a resolution.  
28

1 **Q16. What alternatives were considered by the Resort to meet the BHOA objectives?**

2 A16. We have considered a number of alternatives, both in the group meetings that we held  
3 with the BHOA and Black Mountain, and also internally with the Resort's advisors. I'll  
4 describe the alternatives generally, but Tom McCahan and Dean Hunter will provide  
5 additional detail in their direct testimony. Generally, there were three categories of  
6 alternatives considered. First, we considered whether the Resort could simply operate  
7 without the treatment plant's water supply by implementing further conservation  
8 measures or even possibly not overseeding one or both courses during the winter months.  
9 Second, we considered replacement water supplies. Third, we considered possible  
10 replacement of the treatment plant with a new plant near the Resort.

11 **Q17. How many more group meetings were held that included representatives of the**  
12 **BHOA and Black Mountain?**

13 A17. We had two large group meetings with BHOA and Black Mountain, with periodic written  
14 correspondence, phone calls and side meetings between various parties. In addition to  
15 meeting with the large group, the Resort met separately with Black Mountain, the Town  
16 of Carefree once, the City of Scottsdale on at least two occasions, and had numerous  
17 meetings with Resort staff and our hired consultants regarding potential solutions.

18 **Q18. What physically available water supplies were identified in the area of the Resort?**

19 A18. We looked at groundwater options. The Boulders is located in the foothills of mountains,  
20 so there is not much groundwater available in this area. We identified one well in  
21 Carefree referred to as Carefree Well #6 that we believe would have enough capacity to  
22 replace the water we currently purchase from Black Mountain. Well #6 is a high-arsenic  
23 well currently used by another golf course that could be used if an agreement could be  
24 reached with the well owner. The Resort would need to construct a new pipeline to  
25 transport water from Well #6 to the golf course irrigation lake. However, the Resort's  
26 RWDS Agreement with Scottsdale prohibits the use of groundwater on most of the  
27 Resort's golf course areas.

28

1 **Q19. Are there any other physically available supplies?**

2 A19. Yes. We looked at whether we could purchase more RWDS water from the City of  
3 Scottsdale. Tom McCahan will testify about this alternative, although I am also familiar  
4 with the RWDS discussions, including the possibility of an exchange of pipeline capacity  
5 with Desert Mountain. We also had conversations with the City of Scottsdale regarding  
6 whether potable water could be made physically available through existing potable water  
7 distribution pipes to the Resort that would be sufficient to replace the treatment plant  
8 supply. However, City staff members have informed the Resort that the City is unwilling  
9 to provide potable water except on a temporary, emergency basis. Use of potable water,  
10 if ever allowed, could require the payment of a one-time water resources development fee  
11 for the amount of water committed, and the rate would be the City's potable rate.

12 **Q20. Are there any other physically available supplies?**

13 A20. Not that I am aware of. We looked at the new Cave Creek wastewater treatment plant on  
14 Carefree Highway, which would require construction of an approximately four-mile-long  
15 pipeline through rocky terrain. But we learned the treatment plant does not have  
16 available effluent, and will not have any for the foreseeable future.

17 **Q21. You also mentioned considering a new wastewater treatment plant? What was  
18 considered there?**

19 A21. First, let me say that I am not an expert in wastewater treatment plants. We understood  
20 from inquiries, however, that it should be technically possible to install a small new  
21 efficient wastewater plant that would be fully enclosed and that could partially treat  
22 wastewater before sending a more concentrated waste stream to Scottsdale for further  
23 treatment. The new plant could still send treated water to the Resort for use at the golf  
24 courses. This was an intriguing idea. In order to investigate this option, we conferred  
25 with Black Mountain regarding the possibility of the Resort providing a nearby parcel of  
26 land it owns to Black Mountain for such a new plant. I will leave it to Black Mountain to  
27 explain their thoughts on this alternative.

28

1 **Q22. Has the Resort decided not to pursue any of these alternatives further?**

2 A22. No, the Resort is still considering options, but has been unable so far to find a  
3 replacement water supply that is available and acceptable from a cost standpoint. The  
4 Resort also expects Black Mountain to contribute financially to a solution if the contract  
5 would be terminated prior to March 2021.

6 **Q23. Does this conclude your direct testimony?**

7 A23. Yes.

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 GARY PIERCE, Chairman  
4 SANDRA D. KENNEDY  
5 PAUL NEWMAN  
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8 IN THE MATTER OF THE APPLICATION  
9 OF BLACK MOUNTAIN SEWER  
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16 BASED THEREON

17 **Direct Testimony**

18 **of**

19 **Tom McCahan**

20 **on behalf of Wind P1 Mortgage Borrower, L.L.C.**

21 **d/b/a The Boulders Resort and Golden Door Spa**

22 **March 16, 2012**



1 **Q1. Please state your name, address and occupation.**

2 A1. My name is Tom McCahan. My business address is 34361 N. Tom Darlington Drive,  
3 Carefree, Arizona. I am employed by Waldorf Astoria LLC, the manager of The  
4 Boulders Resort and Golden Door Spa (the "Resort"). I am the Director of Club  
5 Operations for the Resort.

6 **Q2. Please describe the purpose of your testimony.**

7 A2. The purpose of my testimony is to describe my contact with Boulders Homeowners  
8 Association and efforts to find a solution for the Boulders Golf Club's water supply if the  
9 Black Mountain Sewer Corporation ("Black Mountain") wastewater treatment plant  
10 should close before the expiration of the Effluent Delivery Agreement in March 2021.

11 **Q3. The Resort became aware at some point that Black Mountain Sewer Corporation**  
12 **was proposing to close the Boulders wastewater treatment plant?**

13 A3. Yes, In about November 2009, I received a call from Les Peterson with the Boulders  
14 Homeowners Association, who told me that the Association was going ask the Arizona  
15 Corporation Commission to get the plant closed.

16 **Q4. Have you been involved with the efforts described by Susan Madden and Dean**  
17 **Hunter to research alternative water supply options?**

18 A4. Yes, all three of us have worked on the issue.

19 **Q5. Can't the Resort simply order more RWDS water from the City of Scottsdale?**

20 A5. The Resort already gets most of its golf course water supplies through Scottsdale's  
21 RWDS pipeline, so we considered whether additional RWDS water might be available.  
22 Currently, however, the RWDS capacity is all tied up with other users. The Resort  
23 through its agreement is limited to 1.25 MGD of pipeline capacity. The peak water use  
24 times are the same for other golf courses on the RWDS pipeline too, so there simply is no  
25 more physical capacity in the pipeline to take greater deliveries during peak use times  
26 without impacting other users. If another golf course user gives up its RWDS capacity,  
27 then it may be possible to purchase the capacity. During negotiations, we heard that  
28

1 Scottsdale might be planning to increase the RWDS pipeline capacity, but we determined  
2 the City has no plans to do so in the area of the Resort in the next ten years.

3 **Q6. What about the potential solution suggested by Black Mountain during the rate case**  
4 **hearing regarding purchasing water from Desert Mountain?**

5 A6. The potential alternative identified by Black Mountain at the November 18, 2009, hearing  
6 would require that another RWDS pipeline capacity holder, Desert Mountain Club, Inc.  
7 (“Desert Mountain”), agree to release a portion of its RWDS pipeline capacity to the  
8 Resort. The Resort has investigated the viability of this option and understands the  
9 following: In order for Desert Mountain to release a portion of its capacity in the RWDS  
10 pipeline, (which is Desert Mountain’s lower cost golf course water supply), Desert  
11 Mountain would likely require the Resort to pay the difference in cost between Desert  
12 Mountain’s more expensive alternative water supply delivered to Desert Mountain  
13 through Scottsdale’s Irrigation Water Delivery System (“IWDS”) pipeline and its RWDS  
14 water. IWDS water is currently roughly double the cost per acre-foot of RWDS water.  
15 The Resort does not have physical access to the IWDS pipeline, but through this sort of  
16 paper exchange arrangement could pay Desert Mountain to use IWDS water instead of  
17 RWDS water. The City of Scottsdale would need to agree to this sort of exchange too.  
18 The Resort understood that Desert Mountain would require an upfront payment of  
19 approximately \$10 million for this potential solution, although it is possible that number  
20 could change. The purchase would also likely require the Resort to pay future monetary  
21 obligations associated with construction of infrastructure required for the IWDS supply.  
22 In summary, in order to make such an arrangement work, both Desert Mountain and the  
23 City of Scottsdale would have to be willing to enter into the proposed exchange  
24 agreement, and the Resort would need to pay up to \$10 million upfront, followed by  
25 higher water rates that are roughly double the Resort’s current RWDS rates, plus  
26 unknown future infrastructure obligations.

27 **Q7. Does this conclude your direct testimony?**

28 A7. Yes.

1                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2    COMMISSIONERS

3    GARY PIERCE, Chairman  
4    SANDRA D. KENNEDY  
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17                   **Direct Testimony**

18                   **of**

19                   **Dean Hunter**

20                   **on behalf of Wind P1 Mortgage Borrower, L.L.C.**

21                   **d/b/a The Boulders Resort and Golden Door Spa**

22                   **March 16, 2012**

1 **Executive Summary**

2 Dean Hunter is the Golf Superintendent for The Boulders Resort and Golden Door Spa  
3 (the "Resort"). Mr. Hunter describes his efforts to find a solution for the Resort's golf course  
4 water supply if the Black Mountain Sewer Corporation ("Black Mountain") wastewater  
5 treatment plant should close before the expiration of the Effluent Delivery Agreement in March  
6 2021. In particular, Mr. Hunter considered potential water savings options through additional  
7 water conservation. Although additional water savings could be realized by not overseeding the  
8 courses, this action would have a significant negative effect on the Resort's business. Upgrades  
9 to the sprinkler systems could save water, but are quite expensive and the water savings are  
10 uncertain.

11 The Resort also considered adding lake storage, but the amount of storage capacity  
12 needed to replace the Black Mountain water supply during the peak water use times would  
13 require a very large lake to be constructed at significant cost. The additional lake would require  
14 additional water pumping facilities, related additional operational expenses, and would likely  
15 cause significant odors near residences when emptied.  
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1 **Q1. Please state your name, address and occupation.**

2 A1. My name is Dean Hunter. My business address is 34361 N. Tom Darlington Drive,  
3 Carefree, Arizona. I am employed by Waldorf Astoria LLC, the manager of The  
4 Boulders Resort and Golden Door Spa (the "Resort"). I am the Golf Course  
5 Superintendent for the Resort.

6 **Q2. Please describe the purpose of your testimony.**

7 A2. The purpose of my testimony is to describe my efforts to find a solution for the Resort's  
8 golf course water supply if the Black Mountain Sewer Corporation ("Black Mountain")  
9 wastewater treatment plant should close before the expiration of the Effluent Delivery  
10 Agreement in March 2021.

11 **Q3. How much of the Resort's golf course water supply is provided by Black Mountain.**

12 A3. Currently, about 15% of our annual golf course water supply comes from the Black  
13 Mountain treatment plant. We purchase approximately 130 to 135 acre-feet per year  
14 from Black Mountain.

15 **Q4. Please briefly describe the alternatives that were considered or are still being  
16 considered.**

17 A4. As Susan Madden testified, we considered a number of options. I will testify regarding  
18 potential conservation savings and additional water storage options.

19 **Q5. Is it possible for the golf courses to operate without the Black Mountain water  
20 supply?**

21 A5. When we learned that we might be losing the treatment plant water supply, I was curious  
22 to see if the Resort might be able to operate the two golf courses with only the amount  
23 RWDS water we get from Scottsdale. We researched our historical golf course water use  
24 and conducted our own internal study by actually stopping some of our water use to see if  
25 it could be done. Based upon that experiment, I concluded that the Resort could not  
26 operate at the same level as we currently operate without the treatment plant water.

1 **Q6. What did the Resort determine regarding the potential for additional conservation?**

2 A6. Most water use in the golf courses occurs to keep turf healthy and growing. The Resort's  
3 golf courses are already both constructed as desert courses, and have a minimum amount  
4 of turf needed for playing surfaces. In fact, I understand that, possibly with the exception  
5 of the Legend Trail golf courses in north Scottsdale, the Resort's courses have less turf  
6 than other golf courses using Scottsdale's RWDS water. Removal of additional turf  
7 would significantly impact the size of the playing surfaces, which would not be  
8 acceptable. Removal of additional low water use landscaping around the playing surfaces  
9 would have a noticeable negative effect on the appearance of the courses without a  
10 sufficient corresponding water savings benefit. We are still looking for areas where  
11 water might be saved, including a small landscaped area watered by the Resort for the  
12 BHOA, and a small area near the west gate, but the estimated water savings so far  
13 identified would be negligible, and are not sufficient to replace the water supply from  
14 Black Mountain.

15 **Q7. What other potential conservation was studied?**

16 A7. With the assistance of representatives from the Rainbird and Toro companies, we  
17 examined potential upgrades of our current sprinkler heads to a computerized system that  
18 may apply water more efficiently than the current system. We estimated the cost of  
19 installing these types of devices would be in excess of \$1.9 million. Even at this cost, the  
20 companies were unable to confirm the amount of potential water savings in our harsh  
21 desert environment, so we are simply unsure whether the savings would be enough to  
22 eliminate the need for the Black Mountain water. I have estimated roughly that the  
23 Resort could cut back approximately 2% or 3% more of its overall outdoor water use and  
24 still maintain the current conditions on the courses, but that is not enough to make up for  
25 the loss of 15% of the water supply.

26 **Q8. Were there any other alternatives considered?**

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1 A8. Yes. We considered not overseeding one or both golf courses in the winter. Currently,  
2 each year the fairways in both courses are overseeded, and the rough in one course is  
3 overseeded. We currently alternate overseeding the rough in each course every other  
4 year. The only way we could continue to operate without the Black Mountain water is to  
5 stop overseeding all the roughs on both courses every year and all the fairways on one or  
6 possibly both courses every year. This would leave one or both golf courses brown for  
7 several months each winter. In addition, the reduction of water demand in the winter  
8 does not necessarily eliminate the need to apply additional water in the spring as the  
9 Bermuda grass is reestablished, so the turf playing quality could suffer in the spring too.  
10 We expect that allowing the turf to go brown during the peak tourist season in the winter  
11 months would have a significant if not devastating impact on the Resort's ability to attract  
12 seasonal vacation golfers, and may even cause us to lose local golf club members to  
13 competing courses. In general, such changes will not be good for the Resort's business  
14 or the neighboring property owners, who expect to be located next to a world-class  
15 Resort.

16 **Q9. Were there any other alternatives you considered?**

17 A9. The Resort considered whether it could increase golf course lake storage sufficiently to  
18 take extra RWDS water during non-peak times and stretch it through the peak usage  
19 times, but concluded that is not a feasible solution. We determined we would need a very  
20 large pond with a 28-day supply of water. Such a pond, even without considering  
21 evaporation losses, would need to have a surface area of roughly 30,400 square feet,  
22 approximately two-thirds the size of a football field. Some of the engineering sketches  
23 we reviewed are attached as Exhibit A to give an idea of the size. The pond would have  
24 significant evaporation losses, and we expect there would likely be significant odor issues  
25 near the golf course and homes as the pond was emptied and the sides of the pond were  
26 exposed to air. In addition, the site we identified for such a large pond was located  
27 downhill from the irrigation lake, so there would be additional infrastructure and costs to  
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1 pump the stored water uphill. A related option considered briefly was offsite  
2 underground water storage of RWDS water or possibly another source of water, but the  
3 well infrastructure and permitting and pumping costs will likely be quite high, and this  
4 sort of option would require further study by a hydrologist. We understand that another  
5 RWDS user may challenge the Resort if the Resort takes extra RWDS water for storage  
6 purposes during non-peak times. I also researched briefly whether it might be possible  
7 to haul water by truck to fill the lakes, but the cost was prohibitive at roughly \$780,000  
8 more per year than our current cost, and would have resulted in quite a lot of new truck  
9 traffic near the Resort for approximately six months during each year.

10 **Q10. Does this conclude your direct testimony?**

11 A10. Yes.

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