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9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 COMMISSIONERS

11 BOB STUMP, Chairman  
12 GARY PIERCE  
13 BRENDA BURNS  
14 BOB BURNS  
15 SUSAN BITTER SMITH

ORIGINAL

16 THE MATTER OF THE APPLICATION OF  
17 JOHNSON UTILITIES, LLC, DOING  
18 BUSINESS AS JOHNSON UTILITIES  
19 COMPANY, FOR APPROVAL OF SALE AND  
20 TRANSFER OF ASSETS AND  
21 CONDITIONAL CANCELLATION OF ITS  
22 CERTIFICATE OF CONVENIENCE AND  
23 NECESSITY

Docket No. WS-02987A-13-0477

**NOTICE OF FILING  
PULTE HOME CORPORATION'S  
DIRECT TESTIMONY**

24 Pulte Home Corporation, through its undersigned counsel, hereby provides notice of  
25 filing the Direct Testimony of Daniel Bonow in the above-referenced matter.

26 DATED this 9<sup>th</sup> day of May, 2014.

RYLEY CARLOCK & APPLEWHITE

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1 ORIGINAL and 13 copies of the foregoing  
2 filed this 9<sup>th</sup> day of May, 2014, with:

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

7 COPY of the foregoing mailed this  
8 9<sup>th</sup> day of May, 2014, to:

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1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2    COMMISSIONERS

3    BOB STUMP, Chairman  
4    GARY PIERCE  
5    BRENDA BURNS  
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7    SUSAN BITTER SMITH

8    THE MATTER OF THE APPLICATION OF  
9    JOHNSON UTILITIES, LLC, DOING  
10   BUSINESS AS JOHNSON UTILITIES  
11   COMPANY, FOR APPROVAL OF SALE AND  
12   TRANSFER OF ASSETS AND  
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Docket No. WS-02987A-13-0477

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**Direct Testimony**  
**of**  
**Daniel Bonow**  
**on behalf of Pulte Home Corporation**  
**May 9, 2014**



1 **Q. Please state your name, position, business address, and telephone number.**

2 A. My name is Daniel Bonow. I am a Manager of Land Development at Pulte Home  
3 Corporation (“Pulte”). My business address is 16767 Perimeter Dr., Suite 100 Scottsdale,  
4 Arizona 85260.

5 **Q. Have you ever testified at the Arizona Corporation Commission before?**

6 A. No.

7 **Q. Why has Pulte intervened in this proceeding?**

8 A. Pulte has been in the process of developing and building the over 3,100-acre Anthem at  
9 Merrill Ranch community within the Town of Florence and within Johnson Utilities,  
10 LLC’s (“JU’s”) certificated service territory since 2004, and the proposal to transfer JU’s  
11 assets and agreements to the Town of Florence during this development and construction  
12 process will affect Pulte in significant ways. As of May 1, 2014, more than 2,000 homes  
13 have been sold within Anthem at Merrill Ranch, and we estimate there will be  
14 approximately 9,000 homes within the master planned community when it is built out. It  
15 is critical for the existing Anthem residents and for Pulte to ensure that water and sewer  
16 service continues uninterrupted, and that the transition occurs in a manner that presents  
17 no significant negative effects for the affected parties.

18 **Q. How will Pulte likely be affected by the proposed sale?**

19 A. Initially, Pulte is affected by the timing of this proceeding. As part of the ongoing  
20 development process, JU was requested to serve a parcel, referred to as Merrill Ranch  
21 Expansion #1. On April 6, 2012, JU filed an application [docket number WS-02987A-  
22 12-0136], to expand its CC&N to respond to this request. The application is still  
23 pending, and Pulte would like the Commission’s consideration and approval of the  
24 application to go forward now without further delay as Pulte needs to have utility service  
25 to proceed with its plats for the property, regardless of the outcome or timing of this case.  
26 Pulte appreciates the Town’s statement of intent to serve the expansion property should  
the sale of JU assets be approved as stated by Mr. Montoya on page 6 of his Direct  
Testimony.

1           Second, the proposed transfer of assets and loss of Commission oversight raises a  
2 number of questions regarding the future of Pulte's in-process master utility agreements  
3 and line extension agreements with JU. Pulte understands that the Town will assume  
4 JU's commitments under JU's existing line extension agreements and master utility  
5 agreements. The Town's assumption of all the existing agreements is an essential term  
6 for Pulte because, as part of the sale, JU is transferring its assets and entitlements that  
7 have enabled JU to comply with the existing agreements, raising the significant  
8 possibility that JU will be unable or unwilling to perform its contractual commitments  
9 after the closing. We look forward to seeing more details regarding the assignment and  
10 assumption as they are made available.

11           Other questions raised relate to the contracting parties' reference in existing utility  
12 agreements to some Commission processes that may not apply in the same manner going  
13 forward given that the Commission would no longer regulate service. For example, both  
14 JU and Pulte have already made significant investments in water and sewer infrastructure  
15 intended to serve future Anthem residents. Pulte has contributed land and facilities, and  
16 JU has constructed the Anthem wastewater treatment plant, wells, and storage for the  
17 community. JU has for a number of years collected non-refundable hook-up fees from  
18 Pulte. These hook-up fees were collected to fund certain off-site infrastructure  
19 construction, and the Commission has strict policies regarding accounting procedures and  
20 the types of infrastructure that may be funded with hook-up fees. JU proposes to transfer  
21 the remaining balance of the hook-up fee funds to the Town, but it is not clear yet from  
22 the available testimony how the Town will administer the existing hook-up fee funds.

22 **Q. What questions do you have about the draft Asset Purchase and Lease Agreement?**

23 **A.** Most of my questions can be addressed directly with Town, and we are working to do so  
24 now. For example, the purchase agreement lacks detail regarding how current  
25 construction work-in-progress will be transitioned.

26           As another example, the drafts attached to Mr. Montoya's testimony identify only  
one of the two Anthem master utility agreements in the attached list of master agreements

1 to be assigned to the Town. Both agreements will need to be assigned and assumed by  
2 the Town. The Town's assumption of JU's obligations in all existing agreements will  
3 address many of my remaining questions. We would like to see the form of the  
4 assignment and assumption agreement that the Town will use to assume JU's obligations  
5 under the various agreements when it is available.

6 **Q. Do you have any issues that should be specifically considered by the Commission?**

7 A. The Commission will consider whether the transfer of assets is in the public interest, and  
8 it is not my intent to list all public interest factors that might be identified for  
9 consideration by the other parties, such as RUCO as to consumer interests. As to Pulte  
10 specifically, we would like further clarification regarding how the Town will hold and  
11 use the hook-up fee funds already collected by JU as it would be in the public interest to  
12 ensure that such funds are used for the purposes they were collected. It is also important  
13 that all existing agreements are assumed.

14 **Q. Does Pulte support or oppose Johnson Utilities, L.L.C.'s application in this case?**

15 A. In general, Pulte does not oppose the proposals to transfer JU's assets to the Town of  
16 Florence and extinguish its CC&N on reasonable terms that are sufficiently protective of  
17 the interests of affected customers and parties with existing agreements. A number of the  
18 terms proposed by the Town in its testimony should provide some protection, such as  
19 keeping rates the same for at least 18 months after the sale. Pulte is working quickly to  
20 address Pulte's remaining questions, and review information shared by other parties, and  
21 so I'll reserve the right to ask additional questions and take additional positions as this  
22 process moves forward.  
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