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Transcript Exhibit(s)

Docket #(s): W-02350A-10-0163,

W-20765A-10-0432

W-20770A-10-0473

W-02350A-13-0312

W-20770A-13-0313

Exhibit #: 3-1-3-4, Town-1, Tusayan-1, Anasazi-1
Hydro-1, Hydro 5.6, Squire-1

Arizona Corporation Commission
DOCKETED

JUN 19 2014

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner



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

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

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

DIRECT

TESTIMONY

OF

KIANA M. SEARS

EXECUTIVE CONSULTANT I

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 27, 2011

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EXECUTIVE SUMMARY
TUSAYAN WATER DEVELOPMENT ASSOCIATION, INC.
DOCKET NOS. W-02350A- 10-0163, W-20765A-10-0432 AND
W-20770A-10-0473

On April 29, 2010, Tusayan Water Development Association ("TWDA") filed a rate application with the Arizona Corporation Commission ("Commission") Tusayan, Arizona is a small community of approximately 500 residents located just south of the Grand Canyon National Park ("Park") south rim entrance. In Decision No. 50492, TWDA received a Certificate of Convenience & Necessity ("CC&N") from the Commission on December 13, 1979, to purchase water from the National Park Service for delivery in Tusayan. TWDA continued service under the agreement with the Park for approximately fifteen years. During the mid-1990's Anasazi Water Co., LLC ("Anasazi") and Hydro- Resources, Inc. ("Hydro") both drilled wells and began production of water for separate areas of Tusayan. TWDA did not submit to the Commission for new tariffs or inform the Commission of its new service providers until the filing of this rate application.

In its rate application, TWDA has stated that it does not own any plant or equipment used for the pumping and or distribution of water. TWDA has further explained that it serves in an administrative capacity, as a billing agent to Anasazi and Hydro. There are 41 customers (5 residential and 36 commercial) served within the CC&N territory. The customers receive water from Anasazi or Hydro. Staff's review of the operations of Hydro and Anasazi is to determine if the two entities should be classified as public service corporations and be subject to the jurisdiction of the Commission.

The Town of Tusayan ("Town") has intervened in this docket. Currently, the customers within TWDA's CC&N are paying different rates based on which water company provides them water, Hydro or Anasazi. Anasazi bills customers \$54.40 per 1,000 gallons used while Hydro bills customers \$24.90 per 1,000 gallons used. After consultation with Staff, on October 21, 2010, Anasazi filed, an Application for Adjudication "Not a Public Service Corporation". On November 19, 2010, Hydro filed, an Application for a Determination That It Is Not Acting as a Public Service Corporation. The dockets for TWDA, Anasazi and Hydro have been consolidated since these matters are interrelated.

Staff has evaluated all three entities and recommends the following:

The Commission adjudicates TWDA not a public service corporation. TWDA is merely a billing agent for Hydro and Anasazi. Conversely, Hydro and Anasazi both appear to be acting as public service corporations and Staff recommends that the Commission order Hydro and Anasazi to each file an application for a CC&N with the Commission.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Kiana M. Sears. I am an Executive Consultant employed by the Arizona
4 Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff").
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Briefly describe your responsibilities as an Executive Consultant.**

8 A. In my capacity as an Executive Consultant, I review applications for Certificate of
9 Convenience and Necessity ("CC&N"). The CC&N applications include but are not
10 limited to new CC&Ns, cancellations, extensions, deletions and adjudications. I also work
11 on various other projects as assigned by the Utilities Division.

12
13 **Q. Please describe your educational background and professional experience.**

14 A. In 2000, I graduated cum laude from Arizona State University, receiving a Bachelor of
15 Arts degree in Human Communication with a Minor in Business Administration. In 2002,
16 I graduated with a Master of Public Administration. I worked for the Arizona State Senate
17 for 44th legislative session as bipartisan Staff presenting to Caucus and making
18 presentations on the Senate Floor. In 2008, I became employed by the Commission as an
19 Executive Consultant I. I continue to serve in that capacity today.

20
21 **Q. What was your assignment in this proceeding?**

22 A. I was assigned to evaluate the applications filed by Hydro Resources ("Hydro"), and
23 Anasazi Water Company, LLC ("Anasazi") in these consolidated dockets. During the
24 procedural conference held February 7, 2011, Tusayan Water Development Association

1 ("TWDA") agreed that the scope of these proceedings could be expanded to adjudicate
2 whether TWDA is a public service corporation ("PSC").¹
3

4 **Q. What is the purpose of your testimony in this matter?**

5 A. The purpose of my testimony is to review the applications filed by Hydro and Anasazi,
6 and the current operations of TWDA, and make recommendations regarding whether each
7 entity should be adjudicated not public service corporations.
8

9 **Q. How is your testimony organized?**

10 A. My testimony is organized into three sections. The first section discusses and evaluates
11 the operations of and the prefiled testimony of TWDA and presents Staff's
12 recommendations regarding TWDA. The second section discusses and evaluates the
13 application filed by Hydro, and presents Staff's recommendations regarding Hydro. The
14 third section discusses, evaluates and makes recommendations regarding the application
15 filed by Anasazi.
16

17 **Q. What is the scope of your testimony in this case?**

18 A. The scope of this testimony will cover background information regarding TWDA, Hydro
19 and Anasazi. Staff will then, address and make recommendations regarding, the
20 applications of Anasazi and Hydro for adjudication not a PSC. My testimony will also
21 include an evaluation of whether to adjudicate TWDA not a PSC. Staff will also make
22 recommendations regarding future filings that the various companies should make to the
23 Commission.

¹ Tr. at 7-8.

1 **Q. Are there any other Staff witnesses assigned to this matter?**

2 A. Yes. Marlin Scott, Jr., will be addressing engineering issues.
3

4 **Q. Will you briefly describe the term public service corporation?**

5 A. Yes. While I am not a lawyer, pursuant to Arizona Constitution, Article 15, Section 2, a
6 public service corporation is described as follows:
7

8 All corporations other than municipal engaged in- gas, oil, or electricity for light,
9 fuel, or power; or in furnishing water for irrigation, fire protection, or other public
10 purposes; or in furnishing, for profit, hot or cold air or steam for heating or cooling
11 purposes; or engaged in collecting, transporting, treating, purifying and disposing
12 of sewage through a system, for profit; or in transmitting messages or furnishing
13 public telegraph or telephone service, and all corporations other than municipal,
14 operating as common carriers, shall be deemed public service corporations.
15

16 **Q. Has the Commission adjudicated a company not a PSC in the past?**

17 A. Yes.
18

19 **Q. Are there factors that the Commission uses to determine whether an entity is PSC?**

20 A. Yes, the factors that Staff uses as a guideline to determine if an entity is a PSC are known
21 as the "*Serv-Yu*" factors"².
22

23 **Q. Please state the Serv-Yu factors used by the Commission to determine whether an
24 entity is a PSC.**

25 A. The Serv-Yu factors are as follows:
26

- 27
- 28 • Dedication to public use,
 - 29 • What the corporation actually does,
 - 30 • Articles of incorporation, authorization, and purposes,
 - 31 • Dealing with the service of a commodity in which the public has been generally held to have an interest,

² Natural Gas Service Co. V. *Serv-Yu* Cooperative, Inc., 70 ARIZ. 235, 219 P.2d 324 (1950).

- 1 • Monopolizing or intending to monopolize the territory with a public service
- 2 commodity,
- 3 • Acceptance of substantially all requests for service,
- 4 • Service under contracts and reserving the right to discriminate is not always
- 5 controlling, and
- 6 • Actual or potential competition with other corporations whose business is clothed with
- 7 public interest.
- 8

9 **TUSAYAN WATER DEVELOPMENT ASSOCIATION (“TWDA”)**

10 **Q. Please briefly discuss the history of TWDA.**

11 A. The Commission granted TWDA an order preliminary to the issuance of a CC&N in
12 Decision No. 49808 dated March 28, 1979. Decision No. 49808 required the Company to
13 obtain the necessary franchise from Coconino County for certain areas of its proposed
14 CC&N before issuance of a CC&N. On December 23, 1979, the Commission determined
15 that TWDA had complied with this condition. Accordingly, the Commission granted
16 TWDA a permanent CC&N in Decision No. 50492.

17
18 TWDA was originally established to purchase water from the National Park Service for
19 distribution within Tusayan. Tusayan is a small community of approximately 300 to 500
20 residents, located south of the Grand Canyon National Park. TWDA currently services
21 approximately 32 customers through infrastructures owned and operated by Hydro and
22 Anasazi. Thus, TWDA does not own or operate any water infrastructure utilized for
23 provision of water service within its certificated territory. TWDA only provides billing
24 services to customers served by Hydro and Anasazi.

1 **Q. Did Decision No. 49808 impose any additional requirement on TWDA?**

2 A. Yes. Decision No. 49808 states that "Prior to the commencement of the provision of
3 water service to its customers, TWDA shall comply with each and every requirements of
4 this Commission, including but not limited to the filing of tariff and the securing of
5 appropriate Health Department approvals."

6
7 **Q. Is TWDA in compliance with the provisions of Decision No. 49808 stated above?**

8 A. No. TWDA has not filed its tariff with the Commission.
9

10 **Q. Please elaborate on your comment that TWDA does not own or control any water
11 system facilities?**

12 A. In the direct testimony of Christopher Brainard, he states that TWDA neither owns nor
13 controls any water infrastructure.³ Also, Mr. Brainard stated that, TWDA does not
14 perform or provide any maintenance, repairs or capital improvements to any of the wells,
15 pumps, tanks or distribution lines.
16

17 **Q. Does TWDA manage or operate the water system?**

18 A. No. Mr. Brainard testifies that TWDA only performs billing functions, which includes
19 compiling consumption data, preparation of invoices, transmittal of invoices, collection of
20 payments and payment of TWDA's obligations to taxing authorities.⁴
21

22 **Q. Does TWDA provide any commodity to its customers?**

23 A. No. TWDA has no producing well and its customers are served through water systems
24 owned by Hydro and Anasazi. Therefore, the Company does not provide any commodity
25 to the public.

³ Direct Testimony of Christopher Brainard, at 5.

⁴ Id.

1 **Q. Currently, is TWDA dedicated to public use?**

2 A. No. Based on Staff's analysis, review of Mr. Brainard's testimony and the *Serv Yu*
3 factors, TWDA is not dedicated to public use.

4

5 **Q. Are there other entities acting as PSCs within TWDA's certificated territory?**

6 A. Yes. Hydro and Anasazi provide water service directly to customers allegedly served by
7 TWDA. In other words, water systems owned and operated by Hydro and Anasazi are
8 dedicated to public service within TWDA's CC&N.

9

10 **Q. What function does TWDA currently provide?**

11 A. As I mentioned above, since the mid 1990's it appears that TWDA does nothing more
12 than serve as a billing agent for Hydro and Anasazi. In other words, while TWDA
13 initially may have provided water service to customers in the area of Tusayan, it does not
14 appear that it has done so for approximately 20 years.

15

16 **Q. Did you review the Articles of Incorporation for TWDA?**

17 A. Yes.

18

19 **Q. What is the stated purpose of TWDA in the articles of incorporation?**

20 A. TWDA was originally established to purchase water from the National Park Service for
21 distribution within Tusayan.

22

23 **Q. Does TWDA provide a commodity which the public has an interest?**

24 A. No. After having reviewed all of the testimony of TWDA in this matter, it is clear that
25 TWDA does nothing more than provide billing services for Hydro and Anasazi. While
26 this may be an integral part of providing water service to the area of Tusayan, Staff does

1 not believe on its own that this rises to the level of providing a commodity that the public
2 has an interest. In other words, TWDA does not deal with a service of a commodity.
3 TWDA has no capacity to serve a commodity. TWDA does not haul, distribute or have
4 any water related equipment. Ultimately water service is provided by Hydro and Anasazi
5 within the TWDA CC&N.

6
7 **Q. Does TWDA accept all requests for service?**

8 A. According to the testimony of Mr. Brainard, new customers send a letter to TWDA
9 requesting water service from either Hydro or Anasazi. TWDA then makes a formal
10 request to either Hydro or Anasazi. After TWDA receives confirmation that they have the
11 capacity to service the new customer, the customer connects to the water system.⁵ Mr.
12 Brainard states that TWDA accepts substantially all requests for service provided the
13 customer arranges to connect to Hydro's or Anasazi's distribution lines.⁶

14
15 **Q. Does TWDA have the ability to discriminate or limit who will be provided service in
16 the Tusayan area?**

17 A. No, but this factor is generally applicable in the context of mobile home park or an Home
18 Owners Association ("HOA") where service would be limited to those individuals either
19 residing at the mobile home park or who own homes served by that HOA. In this case,
20 this factor does not apply, since customers requests for service are not typically effected
21 by TWDA, as TWDA does nothing more than provide billing services. However, TWDA
22 does bill at disparate rates to customers based on the customer's connection to either
23 Anasazi or Hydro. TWDA disparate rates, result from difference in the cost of service
24 charged by Hydro and Anasazi.

25

⁵ Direct Testimony of Christopher Brainard at 6.

⁶ Direct Testimony of Christopher Brainard at 8.

1 **Q. Is there actual or potential competition with other corporations whose business is**
2 **clothed with public interest?**

3 A. Yes. Both Hydro and Anasazi provide water to customers in the Tusayan area. As
4 mentioned earlier, both Hydro and Anasazi filed applications seeking to be adjudicated not
5 public service corporations and those dockets have been consolidated with the TWDA rate
6 case docket. I will be addressing the Staff analysis of Hydro and Anasazi in subsequent
7 sections of this testimony.

8
9 **Q. Using the *Serv-Yu* factors should TWDA be adjudicated not a PSC?**

10 A. Yes. Staff believes that TWDA is not a PSC and does not have the capacity to act as a
11 PSC.

12
13 **Q. What is Staff's recommendation regarding TWDA?**

14 A. Based on Staff's analysis of TWDA using the *Serv Yu* factors and the current role that
15 TWDA acknowledges it is currently providing, TWDA is not a public service corporation.
16 Accordingly it should be adjudicated not a public service corporation.

17
18 **Q. Do you have any additional recommendations regarding TWDA?**

19 A. Yes. As I noted earlier, the Commission granted a CC&N to TWDA in 1979. However,
20 since TWDA is not acting in the capacity of a PSC, Staff recommends that the
21 Commission cancel TWDA's CC&N effective with the Decision in this case. In addition,
22 Staff recommends that the rate case application filed by TWDA be dismissed without
23 prejudice.

1 **ANASAZI WATER CO., LLC (“ANASAZI”)**

2 **Q. Briefly describe the customers and operation of the Anasazi water system.**

3 A. The water system currently referred to as Anasazi was constructed in 1964. The system
4 was originally design to be a self serving system. Over the years, the system was
5 expanded and owners for the associated properties changed. Once the ownership of the
6 properties changed, the system was no longer self serving. According to its application,
7 the present Anasazi system was created in 1996, and has 9 customers with 10 or more
8 connections. However, the testimony of Anasazi’s witness Pamela Fain states that
9 Anasazi services 6 connections with 3 being served by Hydro.⁷ Anasazi serves customers
10 through lines of their system but also serves 3 customers that are physically connected to
11 the Hydro water distribution system. For those customers, Anasazi purchases the water
12 from Hydro.

13
14 **Q. Did Staff have the opportunity to review the testimony filed on the behalf of**
15 **Anasazi?**

16 A. Yes.

17
18 **Q. Can Staff briefly describe Anasazi’s justification for adjudication not a PSC?**

19 A. Anasazi contends that it is not a PSC because TWDA holds the CC&N for Tusayan.
20 Further, the Company argues that it merely services customers that are related entities and
21 those entities are connected to its water system on behalf of TWDA, and that TWDA bills
22 and collects revenue from customers served through its water system..

⁷ Direct Testimony of Pamela Fain at 5.

1 **Q. Is Staff in agreement with the Anasazi's position?**

2 A. No. Staff does not agree with this position. Staff will demonstrate that Anasazi is acting
3 in the capacity of a PSC within portions of TWDA's CC&N based on the *Serv-Yu* factors.
4

5 **Q. Using the *Serv-Yu* factors does Staff believe that Anasazi acting in the capacity of a
6 PSC?**

7 A. Yes. Anasazi is acting in the capacity of a PSC.
8

9 **Q. What is Staff's rationale for the determination Anasazi is acting as a PSC.**

10 A. Anasazi has 9 customers with over 10 connections including some connections to the
11 public. Therefore, Anasazi is no longer self serving but acts as a PSC. Anasazi also has
12 an interconnection with Hydro. Anasazi owns and operates the majority of its water
13 facilities with the exception of the customers connected to Hydro. Anasazi is also the
14 entity that is responsible for working with Arizona Department of Environmental Quality
15 ("ADEQ") for all compliance and regulation.
16

17 **Q. Is Anasazi dedicated to public use?**

18 A. Anasazi witness Pamela Fain states that because all the properties except for one, are
19 owned by related parties to the founder of Anasazi, Robert Thurston and/or to Red Feather
20 Properties LP ("RFP") (who owns a membership interest in Anasazi), Anasazi is not
21 dedicated to public use.⁸ However, Anasazi services entities that do not have common
22 ownership with Anasazi, South Rim Mobile Home Park and the McDonalds Dormitory.⁹
23 Further, another customer, Wendy's, while it sits on land owned by RFP, does not have a
24 common ownership with Anasazi. Anasazi is serving the public and its water system is
25 dedicated to public use.

⁸ Direct Testimony of Pamela Fain at 2-5.

⁹ ID. At 8.

1 **Q. What function does Anasazi currently provide?**

2 A. Anasazi serves water to customers through its distribution lines, and facilities. The only
3 function of the business not provided by Anasazi is billing. As a result Staff concludes
4 that Anasazi is acting in the capacity of a PSC.
5

6 **Q. Did you review the Articles of Organizations for Anasazi?**

7 A. Yes.
8

9 **Q. What is the stated purpose of Anasazi in the Articles of Organizations?**

10 A. Staff's review of Anasazi's Articles of Organizations, reveals that its purpose was set forth
11 in the Articles. However, according to the Anasazi's Operating Agreement, its purpose is
12 to engage in running water distribution, production company, hauling water and
13 construction.¹⁰ When a company engages in these functions to serve others, it is operating
14 as a public serve corporation, hence Anasazi is acting in the capacity of a PSC.
15

16 **Q. Does Anasazi provide a commodity in which the public has an interest?**

17 A. Yes. Anasazi is dealing with a commodity in which the public holds an interest. Anasazi
18 has the water and all the necessary infrastructure to serve the water. Anasazi serves
19 entities other than itself. Hence the entity providing the water is Anasazi.
20

21 **Q. Does Anasazi accept all requests for service?**

22 A. Anasazi does accept all service request through TWDA.
23

¹⁰ Direct Testimony of Pamela Fain at 2-3

1 **Q. Is there actual or potential competition with other corporations whose business is**
2 **clothed with public interest?**

3 A. Yes. Anasazi and Hydro provide water to customers within TWDA's CC&N. However,
4 both Hydro and Anasazi filed applications seeking to be adjudicated not public service
5 corporations.

6
7 **Q. Based on the above discussion, what is Staff's recommendation regarding Anasazi?**

8 A. Staff recommends the following:

- 9 • Staff recommends denial of Anasazi's application for adjudication not a public service
10 corporation.
11 • Staff further recommends that Anasazi file an application with the Commission, for a
12 CC&N within 120 days of the Commission decision in this matter.
13 • Staff further recommends that the Commission order Anasazi to continue providing
14 water service until the outcome of its recommended CC&N application.
15

16 **HYDRO- RESOURCES, INC. ("HYDRO")**

17 **Q. Briefly describe the customers and operation of the Hydro water system.**

18 A. Hydro is an Arizona corporation created in April 7, 1994 for the sole purpose of securing
19 water and water resources for businesses owned and operated by Hydro's ownership in
20 Tusayan. The Company's witness, John Rueter, testifies that Hydro currently serves 32
21 customers, including businesses not owned by it. Mr. Rueter further states that that Hydro
22 is no longer self serving because it provides water to the public and interconnects with
23 Anasazi. Mr. Rueter states that, Hydro owns and operates all of the infrastructure (one
24 well, one storage tank, meters, fire hydrants, and pumps, etc.) and equipment used to bring

1 water service to customers. Also, Hydro is responsible for all ADEQ reporting and
2 compliance.¹¹

3
4 **Q. Did Staff have the opportunity to review the testimony filed on the behalf of Hydro?**

5 A. Yes.

6
7 **Q. Can you briefly describe the Hydro's position as it relates to the adjudication not a
8 PSC?**

9 A. Yes. Hydro asserts it is not a PSC based on the fact that TWDA is the certificated entity
10 and that TWDA is responsible for billing the customers on its water system. Further,
11 Hydro asserts that TWDA is the PSC because the customers belong to TWDA.

12
13 **Q. Is Staff in agreement with Hydro's position?**

14 A. No. Staff does not agree with this position and will provide information in the proceeding
15 questions that will demonstrate that Hydro is acting in the capacity of a PSC.

16
17 **Q. Does Hydro rely on any infrastructure owned by any other entity?**

18 A. Yes. Hydro has a relationship with Squire, a separate company that has common
19 ownership with Hydro, to purchase excess water from it.

20
21 **Q. Using the *Serv-Yu* factors, is Hydro a PSC?**

22 A. Yes. Hydro is acting in the capacity of a PSC.
23

1 **Q. Currently, is Hydro dedicated to public use?**

2 A. Yes. Hydro is not serving itself. Hydro states in its direct testimony, "it does not directly
3 sell water to the public".¹² Hydro delivers water to 32 entities which receives a bill from
4 TWDA. Staff finds that the water service provided in this manner, whether it is termed
5 indirect or direct, results in Hydro acting as a PSC. There is obviously the issue of public
6 interest in Hydro's acknowledged provision of water service to members of the public
7 within TWDA's CC&N. The water is being provided to customers through Hydro's
8 distribution lines, using Hydro's water equipment and in some cases using Hydro's
9 meters. Hydro provides every aspect of service to its customers except the billing.

10

11 **Q. What function does Hydro currently provide?**

12 A. Hydro provides water service to customers in Tusayan within TWDA's CC&N. The
13 water is being provided to customers through Hydro's distribution lines, using Hydro's
14 water equipment.

15

16 **Q. Did you review Hydro's Articles of Incorporation?**

17 A. Yes.

18

19 **Q. What is the stated purpose of Hydro in the Articles of Incorporation?**

20 A. Hydro's Articles of Incorporation only address the drilling of a well. However, based on
21 the information provided by Hydro in data requests as well as its prefiled direct testimony,
22 Staff determined that Hydro serves water to customers in Tusayan through its distribution
23 lines. When a company engages in the function to serve others, it is operating in a public
24 serve capacity, Therefore, Hydro is acting in the capacity of a PSC.

25

¹² Id. At 5.

1 **Q. Does Hydro provide a commodity in which the public has an interest?**

2 A. Yes. Hydro is dealing with a commodity in which the public holds an interest. Hydro has
3 the water and all the necessary infrastructure to serve the water. As result, Hydro is
4 providing water to the public in Tusayan.

5

6 **Q. Does Hydro accept all requests for service?**

7 A. Yes. Hydro does accept all service request through TWDA.

8

9 **Q. Is there actual or potential competition with other corporations whose business is**
10 **clothed with public interest?**

11 A. Yes. Both Hydro and Anasazi provide water service within TWDA's CC&N. Also,
12 TWDA confirmed that a customer could elect to transfer service to either company.
13 Based on these facts, there is potential competition within TWDA's CC&N.

14

15 **Q. Based on the above discussion, what is Staff's recommendation regarding Hydro?**

16 A. Staff recommends the following:

- 17
- 18 • Staff recommends denial of Hydro's application for adjudication not a public service
19 corporation.
 - 20 • Staff further recommends that Hydro file an application with the Commission for a
21 CC&N within 120 days of the Commission decision in this matter.
 - 22 • Staff further recommends that the Commission order Hydro to continue providing
23 water service until the outcome of its recommended CC&N application.

1 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

2 **Q. Please summarize Staff's recommendation regarding the applications and filings of**
3 **TWDA, Anasazi and Hydro.**

4 **A.** Staff has the following recommendations:

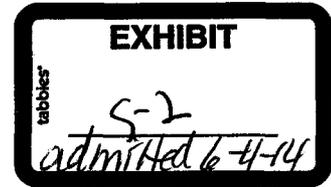
- 5 • Staff recommends that the Commission adjudicate Tusayan Water Development
6 Association not a public service corporation.
- 7 • Staff further recommends that the Commission cancel TWDA's CC&N effective with
8 the Decision in this docket.
- 9 • Staff recommends that the Commission deny Anasazi's application for adjudication
10 not a public service corporation.
- 11 • Staff recommends that the Commission find that Anasazi is a public service
12 corporation
- 13 • Staff recommends that the Commission order Anasazi to file for a CC&N within 120
14 days from the date of Commission order in this proceeding.
- 15 • Staff recommends that the Commission deny Hydro's application for adjudication not
16 a public service corporation.
- 17 • Staff recommends that the Commission find that Hydro is a public service corporation
- 18 • Staff recommends that the Commission order Hydro to file for a CC&N within 120
19 days from the date of the Commission order in this proceeding.

20
21 **Q. Does this conclude your direct testimony?**

22 **A.** Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
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DIRECT TESTIMONY
OF
MARLIN SCOTT, JR.
UTILITIES ENGINEER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JULY 27, 2011

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1 **INTRODUCTION**

2 **Q. Please state your name, place of employment and job title.**

3 A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation
4 Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix,
5 Arizona 85007. My job title is Utilities Engineer.

6
7 **Q. How long have you been employed by the Commission?**

8 A. I have been employed by the Commission since November 1987.

9
10 **Q. Please list your duties and responsibilities.**

11 A. As a Utilities Engineer, specializing in water and wastewater engineering, my
12 responsibilities include: the inspection, investigation, and evaluation of water and
13 wastewater systems; preparing reconstruction cost new and/or original cost studies,
14 reviewing cost of service studies and preparing investigative reports; providing technical
15 recommendations and suggesting corrective action for water and wastewater systems; and
16 providing written and oral testimony on rate applications and other cases before the
17 Commission.

18
19 **Q. How many cases have you analyzed for the Utilities Division?**

20 A. I have analyzed approximately 560 cases covering various responsibilities for the Utilities
21 Division.

22
23 **Q. Have you previously testified before this Commission?**

24 A. Yes, I have testified in 86 proceedings before this Commission.

1 **Q. What is your educational background?**

2 A. I graduated from Northern Arizona University in 1984 with a Bachelor of Science degree
3 in Civil Engineering Technology.

4
5 **Q. Briefly describe your pertinent work experience.**

6 A. Prior to my employment with the Commission, I was Assistant Engineer for the City of
7 Winslow, Arizona, for about two years. Prior to that, I was a Civil Engineering
8 Technician with the U.S. Public Health Service in Winslow for approximately six years.

9
10 **Q. Please state your professional membership, registrations, and licenses.**

11 A. I am a member of the National Association of Regulatory Utility Commissioners
12 (“NARUC”) Staff Subcommittee on Water.

13

14 **PURPOSE OF TESTIMONY**

15 **Q. What was your assignment in this proceeding?**

16 A. My assignment was to provide Staff’s engineering evaluation for Anasazi Water Co. LLC
17 (“Anasazi”) and Hydro-Resources, Inc. (“HR”) in this consolidated proceeding.

18

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. To present the findings of Staff’s engineering evaluation of the operation of Anasazi and
21 HR. The findings are contained in the Engineering Report that I have prepared for this
22 proceeding and is included as Exhibit MSJ attached to this Direct Testimony.

23

24 **Q. Does this conclude your Direct Testimony?**

25 A. Yes, it does.

EXHIBIT MSJ

**ENGINEERING REPORT
FOR
TUSAYAN WATER DEVELOPMENT ASSOCIATION, INC.,
ANASAZI WATER CO., INC., AND
HYDRO-RESOURCES, INC.**

INTRODUCTION

Tusayan Water Development Association ("TWDA") was granted its Certificate of Convenience and Necessity ("CC&N") in 1979. Prior to the Commission granting the CC&N, the community of Tusayan's water service was by individual or the shared cost of hauling water.

TWDA holds the CC&N but does not have any plant facilities. Hydro-Resources ("HR") and Anasazi Water Company ("Anasazi") are TWDA's water providers. Since TWDA did not have any capital, certain property owners like HR and Anasazi have constructed water systems within TWDA's CC&N. HR and Anasazi operate and maintain their own water systems and provide monthly meter readings to TWDA for customer billing.

DESCRIPTION OF WATER SYSTEMS

HR Water System

The current operation of the HR System consists of two deep wells, two storage tanks and a distribution system serving approximately 32 customers. Tusayan Well No. 2 has a 12-inch casing with a depth of 3,000 feet and is equipped with a 75-Horsepower ("Hp") submersible pump that registers 63 gallons per minute ("GPM") through a 3-inch meter. Tusayan Well No. 2, drilled in 1994, is located on land owned by Halvorson-Seibold (Squire Inn) and the well is owned by HR. Squire Well No. 1 has a 12-inch casing with a depth of 3,108 feet and is equipped with a 75-Hp submersible pump that registers 60 GPM through a 3-inch meter. Squire Well No. 1, drilled in 1989, is owned by Squire Inn.

The two wells pump into the distribution system and up hill to a tank site. This tank site consists of 525,000 gallon and 3.0 million gallon ("MG") storage tanks with a diesel-powered fire pump. These storage tanks feed the distribution system by gravity. HR owns the 525,000 gallon tank and uses 2.0 MG of the storage capacity in the 3.0 MG tank owned by Squire Inn. The remaining entire tank site facility is owned by Squire Inn. The tank site land is leased from the Forest Service.

The entire distribution system consists of approximately 23,000 feet of mains and fire hydrants serving 32 service connections. HR owns approximately 12,000 feet of water mains while the remaining 11,000 feet of water mains are owned by Squire Inn and many individual property owners within their property perimeters.

According to HR's water sales data for 2010, July was the peak month with 3,852,470 gallons used by 29 connections, equating to 4,285 gallons per day ("GPD") per connection. This high GPD per connection is reflected by commercial usages like apartments, hotels, restaurants, stores, etc. Based on this 4,285 GPD per connection usage, HR System's total well capacity of 123 GPM and storage tank capacity of 3,525,000 gallons (combined ownership of HR and Squire Inn) is adequate to service its present customer base.

Anasazi Water System

The current operation of the Anasazi System consists of water hauling, a 400,000 gallon storage tank and a distribution system serving nine customers. The Anasazi Well was taken out of service sometime in 2009 due to electrical storm damage. When water is hauled, a booster station is used to unload the water tankers and pump water into the distribution system and into a 400,000 gallon storage tank. This storage tank is located on a hill that feeds the distribution system by gravity.

The distribution system consists of approximately 3,000 feet of mains serving nine customers. Fire protection service is provided by the Anasazi and HR Systems.

Since the Anasazi System does not have a permanent well source of its own, the system relies on water hauling. Therefore, Anasazi's water source is not adequate to service its customer base.

ARIZONA DEPARTMENT OF ENVIRONMENT QUALITY ("ADEQ") COMPLIANCE

HR System

According to an ADEQ Compliance Status Report, dated June 24, 2011, ADEQ reported no deficiencies and has determined that the HR System, PWS #03-312, is currently delivering water that meets the water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Anasazi System

According to an ADEQ Compliance Status Report, dated June 24, 2011, ADEQ reported no deficiencies and has determined that the Anasazi System, PWS #03-048, is currently delivering water that meets the water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

HR System

The HR System is not located in any Active Management Area. According to ADWR’s Water Provider Compliance Status Report, dated June 27, 2011, the HR System is in compliance with ADWR’s requirements governing water providers and/or community water systems.

Anasazi System

ADEQ classifies the Anasazi System as a non-transient non-community water system, therefore, ADWR does not regulate this system at this time.

TUSAYAN MUNICIPAL WATER STUDY

A Tusayan Municipal Water Study (“Study”), dated April 27, 2011, was prepared for the Town of Tusayan (“Town”) to serve as the research and basis for Tusayan Town Council in making an informed decision to purchase the assets of the HR and Anasazi Systems and form a municipal water system. This Study was prepared by Willdan Engineering, Interim Public Management, LLC and Aricor Water Solutions LC to provide descriptions, operations, ownerships and cost estimates for the HR and Anasazi Systems. Although a copy of this Study labeled as “Preliminary – For Review Only” was provided to Staff, Staff believes the following Study’s Conclusions and Recommendations should be noted:

Study Conclusions

1. TWDA holds the CC&N to provide water service to Tusayan, but TWDA has no physical assets. Therefore, no payment to TWDA is contemplated.
2. HR reported 32 customers. HR reported ownership of one well and one 525,000 gallon reservoir. HR relies upon water lines owned by Squire Motor Inns, Incorporated (“Squire”) and others to supply and move water through the system. HR advises the costs to use these assets and system elements are \$17.72 per 1,000 gallons.
3. Based upon the technical information supplied by HR, a Reconstruction Cost New Less Depreciation (“RCNLD”) value of \$919,906 is established for the HR assets.
4. Anasazi reported nine customers with two customers actually served by HR’s distribution system. Anasazi did not provide detailed information regarding its physical facilities. Anasazi owns one well and a 400,000 gallon storage tank. The system is supplied by hauled water from Valle Canyon Water, and some purchases from HR. The well pump and motor have been removed from underground and are lying on the ground at the well site.
5. Financial information from Anasazi indicates the cost of hauling water is presently \$45.00 per 1,000 gallons or 82% of the billing rate of \$54.40 per 1,000 gallons.
6. The RCNLD value of the Anasazi assets is \$542,263.

7. The RCNLD valuation provides an indicator of the value of the HR and Anasazi water systems. However, when establishing value of a water system, RCNLD is not the only consideration.
8. The physical age and condition of several of the major assets make it likely that they will require extensive reconstruction in the near future.
9. The lack of financial information from HR makes it difficult to determine the cost of providing municipal water service to Tusayan. It is unknown if municipal water service can be provided below current rates.
10. The HR distribution system cannot be operated in its present configuration without use of the Squire distribution system and other privately owned water lines.
11. Common ownership of the distribution system facilities is desirable and would allow for improved planning, maintenance and operation of the system without danger of conflict or misunderstanding between the various system owners.
12. The Town should consider acquiring the Anasazi and HR distribution systems as part of a purchase of all distribution facilities used to provide water service to Tusayan.
13. If the Town does not purchase the distribution facilities used, but not owned by HR, the Town will need to obtain operating agreements with Squire and other private entities to use the well capacity, reservoir storage and water mains in order to be able to operate the system in its present configuration.
14. ARS §§ 9-511 through 9-514 authorizes municipalities to acquire, construct, purchase or lease facilities necessary to provide municipal water services. The statute further requires an affirmative vote of the majority of the electors voting in an election prior to the municipality providing utility service. Voter approval must be received prior to final negotiations, acquisition and financing of a municipal water utility.
15. Any recommendation and approval by the voters must include authorization to borrow in excess of the acquisition costs to pay for this reconstruction and possible new construction to development a municipal water system.

Study Recommendations

1. As a matter of public policy, and given the current actions at the Commission, it is in the best long-term interests of the Town for the Mayor and Council to establish a single municipal water system for the community. This allows for public discussion and direction in the management of this natural resources which is essential for the long term viability of the community.
2. However, such an effort is not without significant risks, since the assets of HR and Anasazi alone are not sufficient to operate the present municipal system. The assets owned by others as identified in this report are essential to the operations, and need to be addressed and resolved in the long-term for the entire community.

EXHIBIT
5-3
admitted 6-4-14
tabbles

MEMORANDUM

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2014 MAR 14 PM 12 35

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

EA for SMD

LEGAL

DATE: March 14, 2014

RE: STAFF REPORT FOR THE CONSOLIDATED JOINT APPLICATIONS OF TUSAYAN WATER DEVELOPMENT FOR A CANCELLATION OF A CERTIFICATE OF CONVENIENCE AND NECESSITY, ANASAZI WATER CO., LLC FOR ADJUDICATION "NOT A PUBLIC SERVICE CORPORATION", AND FOR HYDRO-RESOURCES, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE.
DOCKET NOS. W-02350A-10-0163, W-20765A-10-0432, W-20770A-10-0473, W-02350A-13-0312 and W-20770A-13-0313

Attached is the Staff Report for the consolidated joint applications of Tusayan Water Development Association, Inc., Anasazi Water Co., LLC, and Hydro-Resources, Inc. Staff recommends approval of all three applications. Staff further recommends that a hearing should be held in this matter.

SMO:KMS:tdp\RRM

Originator: Kiana Sears

RECEIVED
MAR 14 2014
LEGAL DIVISION
AZ CORP COMM

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**HYDRO-RESOURCES, INC.,
TUSAYAN WATER DEVELOPMENT ASSOCIATION
AND ANASAZI WATER CO., LLC**

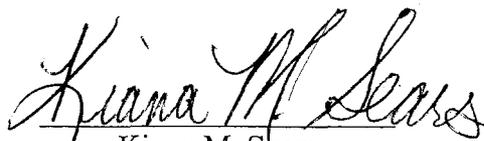
**DOCKET NOS.
W-02350A-10-0163, W-20765A-10-0432, W-20770A-10-0473,
W-02350A-13-0312, AND W-20770A-13-0313**

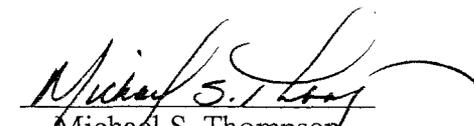
**CONSOLIDATED JOINT APPLICATION FOR TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR CANCELLATION OF CERTIFICATE OF CONVENIENCE
AND NECESSITY, ANASAZI WATER CO. FOR ADJUDICATION "NOT A PUBLIC
SERVICE CORPORATION" AND HYDRO-RESOURCES FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY**

MARCH 14, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for the consolidated joint application of Tusayan Water Development Association, Inc., Anasazi Water Co., LLC and Hydro-Resources, Inc. Docket Nos. W-0235A-10-0163, W-20765A-10-0432, W-20770A-10-0473, W02350A-13-0312 and W-20770A-13-0313 was the responsibility of the Staff members listed below. Kiana M. Sears was responsible for preparing the Staff Report and Michael Thompson prepared the Engineering Report.


Kiana M. Sears
Executive Consultant I


Michael S. Thompson
Utilities Engineer Supervisor

EXECUTIVE SUMMARY
TUSAYAN WATER DEVELOPMENT ASSOCIATION, INC., ANASAZI WATER CO.,
LLC AND HYDRO-RESOURCES, INC.
DOCKET NOS. W-02350A-10-0163, W-20765A-10-0432, W-20770A-10-0473,
W-02350A-13-0312, W-20770A-13-0313

Tusayan Water Development Association ("TWDA") received a Certificate of Convenience & Necessity ("CC&N") from the Arizona Corporation Commission ("Commission") on December 13, 1979, Decision No. 50492, to purchase water from the National Park Service for delivery in Tusayan, Arizona. On April 29, 2010, TWDA filed an application for a rate increase, after notice from Staff. According to the rate application, TWDA purchased water from "two water companies", Hydro Resources, Inc. ("Hydro") and Anasazi Water Company, LLC ("Anasazi"). TWDA stated that it did not own the water distribution systems. The water a customer receives and the charge to the customer for that water depends upon the customer's location and to which water system they are connected. TWDA then billed the customer and collects the receipts. Although TWDA holds the CC&N, Staff was concerned that Hydro and Anasazi may be acting as public service corporations. Both companies were notified of Staff's concerns and invited to either file for a CC&N or an application to be adjudicated not a public service corporation. Both companies filed applications to be adjudicated. The adjudications and the rate applications were consolidated. A number of parties intervened: the Town of Tusayan ("Town"), Squire Motor Inn ("Squire") and Tusayan Ventures (TVentures).

In an effort to resolve Docket Nos. W-02350A-10-0163, W-20765A-10-0432 and W-20770A-10-0437, in August 2013, TWDA, Anasazi, Hydro, the Town, Squire and Staff entered into a Settlement Agreement, which required, among other things, that Hydro apply for a new CC&N to for the area currently within TWDA's CC&N and to have TWDA file to cancel its CC&N. Under the terms of the Settlement Agreement, Anasazi would terminate its existence, resolving its application for adjudication "Not a Public Service Corporation".

On September 12, 2013 Hydro filed for a CC&N and on that same date Tusayan filed for a cancellation of its CC&N. Anasazi's application for adjudication "Not a Public Service Corporation" remains as an open docket as well. On September 25, 2013 at the request of Hydro, Tusayan, Anasazi and with the agreement of all parties of interest in these proceedings, the above mentioned filings were consolidated into one docket and that docket also includes all dockets which remain open relating to the Tusayan service area.

Staff recommends approval of the Settlement Agreement, the cancellation of TWDA's CC&N, the administrative closure of the TWDA rate case docket, the administrative closure of Anasazi's application for adjudication not a public service corporation, the administrative closure of Hydro's application for adjudication not a public service corporation and the granting of Hydro's CC&N application, subject to conditions.

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BACKGROUND

In Decision No. 50492, Tusayan Water Development Association ("TWDA") received a Certificate of Convenience & Necessity ("CC&N") from the Arizona Corporation Commission ("Commission") on December 13, 1979 to purchase water from the National Park Service for delivery in Tusayan. During the mid-1990's Anasazi Water Co., LLC ("Anasazi") and Hydro-Resources, Inc. ("Hydro") both drilled wells and began production of water for separate areas of Tusayan.

On April 29, 2010, TWDA filed a rate application ("Rate Case Docket"). TWDA stated that it was directed to file the application by a Commission letter dated November 16, 2009. Although Tusayan holds the certificate of convenience and necessity, The Utilities Division ("Staff") was concerned that Hydro and Anasazi may be acting as public service corporations. Both companies were notified of Staff's concerns and invited to either file for a CC&N or an application to be adjudicated not a public service corporation. On October 21, 2010, Anasazi filed, an Application for Adjudication "Not a Public Service Corporation" ("Anasazi Docket"). Hydro filed an Application for Adjudication "Not a Public Service Corporation" on November 19, 2010 ("Hydro Docket").

The Rate Case, Anasazi and Hydro dockets were consolidated on January 28, 2011. The following parties were granted intervention: The town of Tusayan Arizona ("Town"), Squire Motor Inns, Inc. ("Squire") and Tusayan Ventures, LLC ("T-Ventures").

On August 12, 2013, TWDA, Anasazi, Hydro, the Town, Staff, and Squire executed a settlement agreement ("Settlement Agreement") that, if approved by the Commission, would result in the consolidation of the water delivery system infrastructure, located in Tusayan, into a single system, to be owned, managed, and controlled by Hydro. In addition, the Settlement Agreement called for TWDA to apply for the cancellation of their CC&N, and for Hydro to apply for and obtain a CC&N for the Certified Area currently held by TWDA. A separate agreement between Hydro and Anasazi ("Transfer Agreement") addressed the transfer of certain assets and also provided that Anasazi would wind up its affairs and terminate its existence.

In accordance with the terms of the Settlement Agreement, TWDA filed an application to cancel their CC&N, on September 12, 2013, while Hydro filed an application with the Commission for an issuance of the CC&N. The TWDA and Hydro applications were filed under Docket Numbers W-02350A-13-0312 ("Tusayan Cancellation Docket") and W-20770A-13-0313 ("Hydro CC&N Docket"), respectively. Hydro's application was found sufficient on December 16, 2013. TWDA's application was found sufficient on October 11, 2013.

On September 17, 2013, in the Tusayan Cancellation Docket, TWDA filed a Motion to Consolidate, requesting that the Tusayan Cancellation Docket and the Hydro CC&N Docket be consolidated with each other. On September 20, 2013, Hydro and Anasazi filed a motion joining in TWDA's Motion to Consolidate. On September 25, 2013, the Commission filed a procedural

order consolidating the Tusayan Cancellation Docket and Hydro CC&N Docket with Docket No. W-02350A-10-0163 ET AL.

SETTLEMENT AGREEMENT

The purpose of the Settlement Agreement is to resolve the contested Rate Case Docket, Hydro Docket and Anasazi Docket in a manner consistent with the public interest. The Settlement Agreement resolves 2 major issues: the transfer of assets necessary for Hydro to act as the public service corporation and the resolution of the Rate Case, Anasazi and Hydro dockets.

Section 2 of the Settlement Agreement describes the actions of TWDA, Hydro and Anasazi. These parties entered into the Transfer Agreement, which describes the assets that will be transferred to Hydro that will be necessary for Hydro to provide water service, such as physical plant and property, including water distribution lines and meters, and the easements and rights-of-way associated with those items that are within Anasazi's control. Section 2 also indicates that by the terms of the Transfer Agreement, Anasazi will assist Hydro in obtaining certain easements outside of Anasazi's control which are necessary for Hydro to serve those parcels previously served by Anasazi which are east of Route 64 ("Anasazi Serviced Parcels") and that Anasazi will terminate its existence. The conveyances shall occur no later than ten (10) days following the date at which the Commission's Decision and Order approving this Settlement Agreement and deleting TWDA's CC&N and providing for a new CC&N to Hydro becomes final and non-appealable ("Transfer Date").

Section 2, further provides that within thirty days of the execution of the Settlement Agreement, TWDA will apply for deletion/cancellation of its CC&N and Hydro will simultaneously file an application seeking a new CC&N covering the same area and providing for service to TWDA's existing customers in the Certificated Area except for the property owned by Red Feather Properties Limited Partnership, which property is commonly known as Coconino County Assessor parcel numbers 502-17-007L and 502-17-009B ("RFP Campus"), for which the property owners shall provide their own service and shall not receive service from Hydro.

Section 3 of the Settlement Agreement provides that, prior to the Transfer Date, Squire and Hydro shall enter into a new contract or amend their existing water supply contract, to ensure that Squire is a private, stand-alone point of service, selling water to Hydro under said contract.

Section 4 provides that the Hydro and Anasazi dockets will continue to remain open until a Commission decision is issued in the Hydro CC&N docket and the TWDA cancellation docket. Section 4 also provides that in the event the Commission fails to approve the Settlement Agreement and issue an order deleting TWDA's CC&N and providing for a new CC&N to Hydro the Settlement Agreement shall be deemed terminated and the Hydro docket and Anasazi docket shall resume. In the event the Commission issues an Order deleting TWDA's CC&N and providing for a new CC&N to Hydro but fails to approve all terms of this Agreement without

material change, the Settlement Agreement shall be deemed terminated and the Anasazi docket and the Hydro shall resume and any CC&N granted shall be null and void after due process.

Section 5 states that TWDA shall file a request to delete/cancel its CC&N and Hydro shall simultaneously file an application for a new CC&N covering the same area as the Certificated Area as describe in Section 2. The parties would request that the Hydro docket be closed upon the issuance of an Order by the Commission granting the New CC&N to Hydro and deleting or cancelling the CC&N of TWDA. Until the Commission has granted TWDA's request to cancel its CC&N and granted the New CC&N to Hydro, Hydro and Anasazi will continue to supply water to TWDA and TWDA will continue to provide water service in the Certificated Area. Until the Commission grants the New CC&N to Hydro, TWDA shall continue to charge its current rates unless such rates are revised by agreement of the Parties and approved by the Commission. Upon Anasazi's transfer of the property described in Section 2 and Hydro thereafter supplying water to TWDA so that TWDA may serve the Anasazi Serviced Parcels, TWDA shall charge such customers the Hydro rates.

Section 6 of the Settlement Agreement describes the Signatories understanding of the Commission's independent authority in the review and consideration of the Agreement. This Section also describes the rights of the Signatories should the Commission fail to adopt the material terms of the Agreement. This Section also sets forth the role of the Signatories to support the Agreement. It also describes the Signatories legal rights with respect to the Agreement and future proceedings Section 7 is the legal "fine print".

RESOLUTION

Staff believes the Settlement Agreement is an appropriate resolution of the complex issues in this case and believes the Settlement Agreement is in the public interest. Staff recommends its approval by the Commission.

ANASAZI DOCKET

Anasazi was created in 1996 by the Thurston family members with the origins of the water system dating back to 1964, when R.P. Thurston built the Red Feather Lodge in Tusayan. The water system was constructed to only serve water to Red Feather Properties Limited Partnership ("RFP" and or "themselves"), hence serving themselves. Anasazi at one time had to total of 9 customers, 7 of which were RFP, one a former RFP Property and the other customer had requested service from Hydro in April 2010. Under the terms of the Settlement Agreement, Anasazi will terminate its existence. In an area that was formerly served by Anasazi was parcels owned by Red Feather Properties Limited Partnership, which property is commonly known as Coconino County Assessor parcel numbers 502-17-007L and 502-17-009B ("RFP Campus"), for the property owners shall provide their own service and serve only RFP campus. Anasazi has agreed to convey certain physical plant, property, equipment, provide easements and relinquish to Hydro any customers present or future on the parcels east of Route 64.

Because Anasazi will no longer exist, it is no longer necessary to continue the Anasazi Docket. Upon an order by the Commission approving the Settlement Agreement, the Anasazi Docket should be closed.

TWDA's DOCKETS

Tusayan, Arizona is a small community of approximately 500 residents located just south of the south rim entrance to the Grand Canyon National Park ("Park"). TWDA continued to service under the agreement with the Park for approximately fifteen years. TWDA does not own any water plant or equipment used for the pumping and or distribution of water. The customers within TWDA's CC&N were paying different rates depending on which water company provides them water. Anasazi's customers are billed \$54.40 per 1,000 gallons used while Hydro's customers were billed \$24.90 per 1,000 gallons used. TWDA further explained that it serves in an administrative capacity, as a billing agent to the two separate water companies within its CC&N. There are 41 customers (5 residential and 36 commercial) being served within the CC&N territory. TWDA filed a rate application on April 29, 2010 to address this issue.

TWDA Under the terms of the Settlement Agreement TWDA agreed to seek the cancellation of its CCN. On September 12, 2013 TWDA filed an application seeking the cancellation of its CCN. This cancellation is predicated on the granting of a CCN to Hydro. Upon the granting of the CCN to Hydro, Docket W-02350A-10-0163(Rate Case Docket) should be closed since TWDA will no longer be the public service corporation providing service in Tusayan.

HYDRO CC&N APPLICATION

Hydro is an Arizona corporation created in April 7, 1994 for the sole purpose of securing water and water resources for businesses owned and operated by Hydro in Tusayan. Before the August 12, 2013 Settlement Agreement, Hydro had grown to serve businesses other than Hydro and had an interconnection with Anasazi. Hydro also had 32 customers of TWDA. Thus the water served by Hydro which is billed by TWDA is served to the public and is of public interest. Like Anasazi, Hydro owns and operates the entire infrastructure (one well, one storage tank, meters, fire hydrants, and pumps, etc.) and equipment used to bring water service to customers receiving from them through the billing of TWDA. Hydro also has a relationship with Squire, a separate company that has common ownership with Hydro, to purchase excess from water from it.

A. THE CC&N TERRITORY

TWDA was authorized to serve within the borders of the Town of Tusayan and the Grand Canyon National Park Airport, in Coconino County, Arizona. TWDA's CC&N covers approximately 1,018 acres in portions of Sections 23, 24, 25, 26, 27, 34, and 35 of Township 30 North, Range 2 East, and Section 3 of Township 29 North, Range 2 East of the Gila and Salt River Base and Meridian in the Town of Tusayan, Coconino County, Arizona. Figure 1 shows

the location of the TWDA CC&N within Coconino County, and Figures 2, 3, and 4 provide detailed maps of the CC&N certified area within the County Township and Range areas. This area is the area requested by Hydro in its application.

B. WASTEWATER SERVICE PROVIDER

The South Grand Canyon Sanitary District ("District") is the designated management authority providing wastewater service in the CC&N area.

C. PROPOSED RATES AND CHARGES

Staff recommends, as indicated in the terms of the Settlement Agreement, Hydro shall continue charging customers its current rates once the CC&N is granted. Staff also recommends that Hydro adopt the service line and meter installation charges listed under "Staff's Recommendation" in Table B of the Engineering Report. Staff further recommends that meter sizes 8-inches and larger be priced on an individual case basis ("ICB") at cost.

Staff recommends that Hydro adopt Staff's typical and customary depreciation rates in accounts illustrated in Table A of the Engineering Report.

CONCLUSIONS AND RECOMMENDATIONS

Staff concludes it is in the public interest for the Town of Tusayan to have a unified regulated water delivery system in the area thus agreeing with the approval of the cancellation of the CC&N of TWDA and the approval of a CC&N for the territory that TWDA is currently serving. Staff concludes that Hydro is a fit and proper entity to service the CC&N it is requesting. Hydro has the current experience and has been a long time partner in this area. Staff believes it will continue to serve the customers of Tusayan with no foreseen issues.

Staff recommends the following:

- Approval of the Settlement Agreement.
- Docket No. W-02350A-10-0163 - Application of Tusayan Water Development Association, Inc. for Establishment of Rates for Water Service be administratively closed, based on the CC&N cancellation application of TWDA in this same docket, in accordance with the terms of the Settlement Agreement.
- Docket No. W-20765A-10-0432 Anasazi Water Co., Inc. for Adjudication "Not A Public Service Corporation" should be administratively closed, in accordance with the terms of the Settlement Agreement.

- Docket No. W-2077A-10-0473 Application of Hydro-Resources, Inc. for adjudication, “Not a Public Service Corporation” should be administratively closed, based on their CC&N application in this same docket.
- Staff recommends approval of the application to cancel TWDA’s CC&N. Staff also recommends the approval of Hydro’s CC&N with the following conditions:
 1. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three (3) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission’s review and consideration. The templates created by Staff are available on the Commission’s website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. Staff further recommends that a maximum of two (2) BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories.
 2. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, a copy of an updated ADEQ Compliance Status Report indicating that the noted deficiencies have been corrected and Hydro is in compliance.
 3. Staff recommends that Curtailment and Backflow Prevention Tariffs submitted with its application be approved.
 -  4. Staff recommends Hydro be ordered to notify the Director of the Utilities Division, through the Compliance Section, within 15 days of providing services to its first customers under the new CC&N.
 -  5. Staff recommends that Hydro adopt the charges listed under “Staff’s Recommendation” in Table B of the Engineering Report. Staff further recommends that meter sizes 8-inches and larger be priced on an individual case basis (“ICB”) at cost.
 6. Staff also recommends as indicated in the terms of the Settlement Agreement Hydro shall continue charging it current rates once the CC&N is granted. Staff further recommends that Hydro be required to file a rate application no later than September 30, 2015, using a 2014 test year. Staff recommends that Hydro adopt Staff’s typical and customary depreciation rates in accounts illustrated in Table A of the Engineering Report.
 7. Staff recommends, as indicated in the Settlement Agreement, that Hydro and Squire amend their existing water system agreement or enter into a new agreement that ensures Hydro the continued use of the 3.0 million gallon storage tank, and that Squire continues to produce and sell water to Hydro. Staff further recommends that the amended or new agreement include an established period or length of time the agreement will be in effect.

8. Staff recommends that an engineering review be conducted to evaluate and determine the feasibility and cost for converting the fire pump from manual to automatic control.

MEMORANDUM

TO: Kiana Sears
Executive Consultant

FROM: Michael S. Thompson, P.E. ^{MS}
Utilities Engineer Supervisor

DATE: December 13, 2013

RE: Tusayan Water Development Association, Inc. (CC&N CANCELLATION) and
Hydro-Resources, Inc. (CC&N APPLICATION)
TUSAYAN CONSOLIDATED DOCKET NO. W-02350A-10-0163 ET AL.

Introduction

On August 12, 2013, Tusayan Water Development Association, Inc. ("TWDA"), Anasazi Water Company, LLC (Anasazi"), Hydro-Resources, Inc. ("Hydro"), the Town of Tusayan, Arizona ("Town"), the Arizona Corporation Commission Utilities Division Staff ("Staff"), and Squire Motor Inns, Inc. ("Squire") executed a settlement agreement that would result in the consolidation of the water delivery system infrastructure, located in Tusayan, into a single system, to be owned, managed, and controlled by Hydro. In addition, the Settlement Agreement called for TWDA to apply for the cancellation of their Certificate of Convenience and Necessity ("CC&N"), and for Hydro to apply for and obtain a CC&N for the Certified Area currently held by TWDA.

On September 12, 2013, TWDA filed an application with the Arizona Corporation Commission ("ACC" or "Commission"), to cancel their CC&N, while Hydro filed an application with the Commission for an issuance of the CC&N being cancelled by TWDA. The TWDA and Hydro applications were filed under Docket Numbers W-02350A-13-0312 ("Tusayan Cancellation Docket") and W-20770A-13-0313 ("Hydro CC&N Docket"), respectively.

On September 17, 2013, in the Tusayan Cancellation Docket, TWDA filed a Motion to Consolidate, requesting that the Tusayan Cancellation Docket and the Hydro CC&N Docket be consolidated with each other. On September 20, 2013, Hydro and Anasazi made a filing joining in TWDA's Motion to Consolidate.

On September 25, 2013, the Commission filed a procedural order consolidating the Tusayan Cancellation Docket and Hydro CC&N Docket with Docket No. W-02350a-10-0163 ET AL.

Tusayan Water Development Association, Inc. CC&N

TWDA was granted a CC&N in Commission Decision No. 50492, dated December 13, 1979, authorizing TWDA's provision of water service within the borders of the Town of Tusayan and the Grand Canyon National Park Airport, in Coconino County, Arizona. TWDA's CC&N covers approximately 1,018 acres in portions of Sections 23, 24, 25, 26, 27, 34, and 35 of Township 30 North, Range 2 East, and Section 3 of Township 29 North, Range 2 East of the Gila and Salt River Base and Meridian in the Town of Tusayan, Coconino County, Arizona. Figure 1 shows the location of the TWDA CC&N within Coconino County, and Figures 2, 3, and 4 provide detailed maps of the CC&N certified area within the County Township and Range areas.

TWDA is a private non-profit corporation formed in 1978 as a condition for receiving water from the National Park Service ("NPS") water system serving the Grand Canyon National Park ("Park"). TWDA continued service under the agreement with the NPS for approximately fifteen years. Currently, TWDA does not purchase water from the NPS. However, TWDA is receiving water from Hydro. TWDA has never owned any facilities or directly provided water service within Tusayan. Hydro and Anasazi own and operate water distribution systems that provide water service in Tusayan. TWDA currently purchases water from Hydro and bills 41 customers, (5 residential and 36 commercial customers), for their water consumption. Several of TWDA's 41 customers have multiple meters. Those customers are billed for the combined total of those meters rather than being billed for each meter separately. The actual number of TWDA customer meter connections is 94.

Hydro-Resources, Inc. Water System¹

Hydro Water System Description

The Hydro water system, by itself, consists of one (1) well designated as Tusayan #2 (ADWR #55-542928), a four (4) ringed steel bolted 525,000 gallon storage tank, a diesel powered fire pump and pump house, 11,800 linear feet ("lf") of water distribution main, and 6 fire hydrants. Mr. John Rueter, President and CEO of Hydro, is also the Certified Operator.²

Tusayan #2, owned by Hydro, was drilled in 1994 and yields approximately 63 gallons per minute ("gpm") or 90,720 gallons per day ("gpd"). The well is located on property owned by Squire Motor Inns, Inc. ("Squire") on the west side of Tusayan directly behind the Canyon Plaza Resort. Hydro also receives water from an additional groundwater well, owned by Squire, identified as Squire #1 (ADWR #55-523284). Squire #1, drilled in 1989 and yielding

¹ Information regarding the Hydro water system was taken from ARICOR Water Solutions Tusayan Municipal Water Study, dated April 27, 2011, Direct Testimony of Marlin Scott, Jr., dated July 20, 2011, conversations with Mr. John Rueter, President and CEO of Hydro-Resources Water Company, and the Hydro-Resources Water Company CC&N Application.

² Mr. Rueter has certifications from ADEQ: Grade 4 Water Distribution System Operator; Grade 3 Water Treatment Plant Operator; Grade 4 Wastewater Treatment Plant Operator; and Grade 4 Wastewater Collection System Operator. ADEQ Operator Identification No. OP009562.

approximately 60 gpm or 86,400 gpd, is located on the west side of Tusayan directly behind the Grand Canyon Squire Inn. Both wells are deep wells with the water table located at approximately 2,700 to 3,100 feet ("ft") below ground level ("bgl").

Liquid sodium hypochlorite, a disinfectant, is added at each well. The disinfectant is injected; via chemical injection feed pumps, into the discharge piping at each well head to disinfect the water prior to entering the distribution system.

In addition to Hydro's 525,000 gallon storage tank, Hydro also utilizes approximately 2.0 million gallons of storage capacity from a 3.0 million gallon storage tank owned by Squire. The Hydro and Squire tanks are located at the same tank site, which is leased by Squire from the United States Forest Service ("USFS"). The combined storage capacity, of the Hydro and Squire tanks, is equivalent to approximately 3,525,000 gallons. The tank site is located approximately 0.2 miles southeast of Tusayan at an elevation of 6,670 feet ("ft"), which is approximately 130 ft higher in elevation than Tusayan. The higher elevation allows water to flow, via gravity, from the storage tanks to the distribution system. Subsequently, booster pumps are not needed to boost system pressure. However, a diesel powered fire booster pump, located at the tank site, is available should the need for additional water pressure arise (i.e. increased customer demand or fire flow).

The Hydro distribution system consists of an assortment of 2-inch, 4-inch, 6-inch, and 8-inch schedule 40 and poly vinyl chloride ("PVC") water mains. The piping was installed between 1984 and 2000. The Hydro water distribution system is interconnected with the Squire water distribution system and sections of privately owned distribution piping; which are operated by Hydro as a single distribution system ("combined system"). The combined system consists of approximately 23,000 lf of water main. Hydro owns approximately 12,000 lf of water main, while the remaining 11,000 lf of water main is owned by Squire and several private owners. Hydro also owns and maintains six (6) fire hydrants in Tusayan.

A diesel powered fire booster pump, owned and operated by Hydro, is located at the tank site. The fire pump, built and installed in 1997, provides 2,500 gpm with a discharge pressure of 80 pounds per square inch ("psi"). When required, the fire pump provides additional water pressure and fire flow should the distribution system pressure and flow, normally provided through gravity drainage of the storage tanks, become insufficient to fight a fire. Generally, fire pumps are designed to operate via automatic control to prevent any delay in meeting the pressure and fire flow demand required in the distribution system during an incident such as a fire. However, the Hydro fire pump is operated and controlled manually, which is potentially problematic. Staff concludes that there is potential for significant delays in providing sufficient pressure and fire flow, in a timely manner during a fire related incident, should the fire pump continue to be operated and controlled manually. Staff recommends that an engineering review be conducted to evaluate and determine the feasibility and cost for converting the fire pump from manual to automatic control.

Hydro and Squire Water System Agreement³

Hydro currently has a Water System Agreement ("Agreement") with Squire, dated January 1, 2011. Within the Agreement, Squire agrees to provide Hydro: 1) excess potable water produced from its well, Squire #1; 2) the use of its water main for transportation of water from and to the Hydro and Squire storage tanks; and, 3) the use of 2 million gallons of storage in its 3 million gallon storage tank. In return, Hydro agrees to reimburse Squire for the volume of water produced by the Squire well at an established rate of \$0.01772 per gallon, or \$17.72 per 1000 gallons of water.

Hydro Water System Operation and Analysis

The current Hydro water system, operating as a combined system, consists of two wells, two storage tanks, and a distribution system serving approximately 94 connections. The 94 connections include TWDA customers and the ADOT Grand Canyon Airport. The two (2) wells, Tusayan #2 and Squire #1, pump directly into the distribution system with the Hydro and Squire storage tanks serving as elevated storage for the system. Tusayan #2 and Squire #1 produce approximately 63 gpm (90,720 gpd) and 60 gpm (86,400 gpd), respectively. Both wells provide a combined water production of approximately 123 gpm (177,120 gpd). When the system demand is less than well production, the wells pump water to the storage tanks. Water pumped to the distribution system and storage tanks is disinfected with liquid sodium hypochlorite by injection at each well head with chemical injection metering pumps. A process schematic of the water system and map of Tusayan are illustrated in Figure 5 and Figure 6, respectively.

The system had 92 customers during the peak month, (July 2012), when Hydro reported 2,921,744 gallons of water sold. Based on those figures, average daily demand for the month of July 2012 was determined to be 94,250 gpd. Neither well, by itself, is capable of meeting the average daily demand. However, the combined production from both wells exceeds the average daily demand. Staff concludes that the Hydro water system has adequate production and storage capacity to serve the current customer base and allow for reasonable growth if both wells, Tusayan #2 and Squire #1, are operating. Staff recommends, as indicated in the executed settlement agreement⁴, that Hydro and Squire amend their existing water system agreement or enter into a new agreement that ensures Hydro the continued use of the 3.0 million gallon storage tank, and that Squire continues to produce and sell water to Hydro. Staff further recommends that the amended or new agreement include an established period or length of time the agreement will be in effect.

Hydro reported 6,255,957 gallons of water purchased, 23,369,508 gallons of water pumped, and 28,258,697 gallons of water sold for calendar year 2012. Water loss for the system was reported to be 4.6% which is within acceptable limits.

³ The Water System Agreement, dated January 1, 2011, was signed by Hydro and Squire representatives on December 14, 2010.

⁴ The executed Settlement Agreement, signed August 12, 2013, between TWDA, Anasazi, Hydro, the Town, Squire, and Staff. See page 3, Item 3, Squire and Hydro Actions.

The historical growth rate has been flat for the past several years. Little or no growth is expected in the Tusayan area. Therefore, Hydro does not anticipate a change in its customer base.

Arizona Department of Environmental Quality (“ADEQ”) Compliance

Compliance Status

Since TWDA does not own any water infrastructure, ADEQ does not regulate TWDA. Consequently, a compliance status report for TWDA has not been issued by ADEQ.

ADEQ regulates the Hydro water system, combined system, under ADEQ Public Water System (“PWS”) I.D. No. 03-312.⁵ According to the ADEQ Compliance Status Report, dated October 13, 2013, the Hydro system has major deficiencies and ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. ADEQ has not received the 2012 Consumer Report (“CCR”) or the 2012 CCR Mailing Waiver which were due July 1, 2013 and October 1, 2013, respectively. Hydro has not submitted the Disinfection By-Products (“DBP”) sample results since 2009.⁶ Only Haloacetic Acids (“HAA5”) were received in 2009. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, a copy of an updated ADEQ Compliance Status Report indicating that the noted deficiencies have been corrected and Hydro is in compliance.

ADEQ’s most recent Sanitary Survey (“Inspection”) of the Hydro system was conducted on May 2, 2012. Based from the results of the inspection, no major deficiencies were discovered in the operation or maintenance of the system. However, the report mentions that Hydro’s steel bolted storage tank, built and placed in service in 1975, is leaking between the third and top ring and should be repaired. According to Mr. John Rueter the leak has been repaired.

Arizona Department of Water Resources (“ADWR”) Compliance

Compliance Status

The Hydro water system is not located within an Active Management Area (“AMA”). ADWR has determined that the Hydro water system is currently in compliance with departmental requirements governing water providers and/or community water systems.⁷

ADWR has no record of TWDA’s existence; as a result ADWR does not regulate TWDA.

⁵ The Hydro water system is interconnected with the Squire water system and is operated as a combined water system. ADEQ has assigned the combined system PWS 03-312.

⁶ Disinfection By-Products (“DBP”) include Total Trihalomethanes (“TTHM”) and Haloacetic Acids (“HAA5”).

⁷ Per ADWR Water Provider Compliance Status Report dated October 3, 2013.

Adequate Water Supply

Neither TWDA nor Hydro has ever submitted an Analysis of Adequate Water Supply ("Water Report"), an Analysis of Assured Water Supply ("AWS"), or an application for a Physical Availability Determination ("PAD") to ADWR. Since the CC&N already exists, ADWR has indicated that they will not require Hydro to submit a Water Report or apply for a PAD. Also, since an Analysis of AWS is only required of water systems within an AMA, Hydro is not required to submit an Analysis of AWS to ADWR. However, if Hydro were to expand the existing CC&N or drill a new well, ADWR would then require proof of physical availability which would require Hydro to apply for a PAD. If a new subdivision with six (6) or more lots were added within the existing CC&N, ADWR would then require the subdivision developer to submit a Water Report.

Hydro has submitted, with its CC&N Application, a technical memorandum suggesting that previous hydrogeological studies have provided insufficient and questionable data regarding water supplies in the Tusayan Area.⁸ The memorandum recommends that an initial and long term Ground Water-Level/Production Monitoring Plan ("Monitoring Plan") be implemented; and has selected Tusayan #2 and Squire #1 for water level and production monitoring. These wells are not currently equipped with monitoring tubes which enable the emplacement of digital pressure-transducers/data loggers for obtaining water level measurements. Due to a potential risk in damaging the wells, and the expense of removing and replacing the submersible pumping equipment, the Monitoring Plan recommends that the required monitoring tubes and equipment be installed whenever the pumping equipment for the wells are removed for repair or replacement. The Monitoring Plan further recommends that Hydro purchase and have ready the monitoring equipment and instruments, as well as having the hydrogeological expertise and on-site inspections services, be available when a failure of any component of the well necessitates removal for repair or replacement. According to the application, Hydro has agreed to implement the monitoring and reporting plan recommended in the technical memorandum.

ADWR has indicated that they support Hydro's plans for monitoring the wells. Although not required, ADWR also indicated that they would like Hydro to submit an application to ADWR for a PAD once Hydro has collected adequate monitoring data (approximately 1 to 2 years of data) from the wells.

ACC Compliance

A check with the Utilities Division Compliance Section ("Compliance") indicated that neither TWDA nor Hydro appear in the Compliance Database. Accordingly, there are no trackable compliance items or delinquencies existing for TWDA or Hydro. Therefore, Compliance considers TWDA and Hydro to currently be in compliance.

⁸ Technical Memorandum, dated September 10, 2013, was submitted to Hydro-Resources, Inc. from Hydro Logic, Inc.

Depreciation Rates

Staff's typical and customary depreciation rates, which vary by National Association of Regulatory Utility Commissioners ("NARUC") plant categories, are illustrated in Table A. These rates represent typical and customary values within a range of anticipated equipment life. Staff recommends that Hydro use the depreciation rates presented in Table A on a going forward basis.

Table A. Depreciation Rate Table for Water Companies

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.00
320.3	Point-of-Use Treatment Devices	10	10.00
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Miscellaneous Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	---	-----

Service Line and Meter Installation Charges

Hydro submitted proposed service line and meter installation charges with the application. The proposed charges are refundable advances, and are equivalent to the charges listed in Table B under "Staff's Recommendations", with the exception of the 5/8 x 3/4-inch Meter Size proposed charges. The charges listed under "Staff's Recommendations" are at the lower end of Staff's customary range of service line and meter installation charges. Since Hydro may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been included in Table B.

Staff recommends that meter sizes 8-inches and larger be priced on an individual case basis ("ICB") at cost. Staff further recommends that the charges listed under "Staff's Recommendation" in Table B be adopted.

Table B. Service Line and Meter Installation Charges

Meter Size	Company Proposed			Staff's Recommendation		
	Service Line Charge	Meter Charge	Total Charge	Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$385	\$135	\$520	\$415	\$105	\$520
3/4-inch	\$415	\$205	\$620	\$415	\$205	\$620
1-inch	\$465	\$265	\$730	\$465	\$265	\$730
1-1/2-inch	\$520	\$475	\$995	\$520	\$475	\$995
2-inch Turbine	\$800	\$995	\$1,795	\$800	\$995	\$1,795
2-inch Compound	\$800	\$1,840	\$2,640	\$800	\$1,840	\$2,640
3-inch Turbine	\$1,015	\$1,620	\$2,635	\$1,015	\$1,620	\$2,635
3-inch Compound	\$1,135	\$2,495	\$3,630	\$1,135	\$2,495	\$3,630
4-inch Turbine	\$1,430	\$2,570	\$4,000	\$1,430	\$2,570	\$4,000
4-inch Compound	\$1,610	\$3,545	\$5,155	\$1,610	\$3,545	\$5,155
6-inch Turbine	\$2,150	\$4,925	\$7,075	\$2,150	\$4,925	\$7,075
6-inch Compound	\$2,270	\$6,820	\$9,090	\$2,270	\$6,820	\$9,090
8-inch and Larger	ICB*	ICB*	ICB*	ICB*	ICB*	ICB*

*Indicates Individual Case Basis ("ICB") at Cost.

Curtailment and Backflow Prevention Tariffs

Currently, Hydro does not have an approved Curtailment or Backflow Prevention Tariff. However, Curtailment and Backflow Prevention Tariffs that conform with tariffs found on the Commission's website were submitted with its application. Staff recommends that both tariffs be approved.

Best Management Practice (“BMP”) Tariff

Hydro currently does not have a BMP Tariff. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three (3) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission’s review and consideration. The templates created by Staff are available on the Commission’s website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>.

Staff further recommends that a maximum of two (2) BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories. Hydro may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

Wastewater Service Provider

The South Grand Canyon Sanitary District (“District”) is the designated management authority providing wastewater service in the CC&N area.

Summary

Conclusions

1. Staff concludes that the Hydro water system has adequate production and storage capacity to serve the current customer base and allow for reasonable growth if both wells, Tusayan #2 and Squire #1, are operating.
2. ADEQ does not regulate TWDA. Consequently, a compliance status report for TWDA has not been issued by ADEQ.
3. According to the ADEQ Compliance Status Report, dated October 13, 2013, the Hydro system has major deficiencies and ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.
4. ADWR has determined that the Hydro water system is currently in compliance with departmental requirements governing water providers and/or community water systems.
5. The Hydro water system is not located within an AMA.
6. Neither TWDA nor Hydro has ever submitted an Analysis of Adequate Water Supply (“Water Report”), an Analysis of Assured Water Supply (“AWS”), or an application for a Physical Availability Determination (“PAD”) to ADWR.

7. ADWR will not require Hydro to submit a Water Report or apply for a PAD, since the Tusayan CC&N already exists. Furthermore, ADWR will not require Hydro to submit an AWS since an AWS is only required of water systems with an AMA.
8. Hydro has agreed to implement a monitoring and reporting plan, recommended in a technical memorandum submitted to Hydro from Hydro Logic, Inc., to determine the groundwater levels and production of Tusayan #2 and Squire #1 wells. ADWR has indicated that they would like Hydro to submit an application to ADWR for a PAD once Hydro has collected adequate monitoring data (approximately 1 to 2 years of data) from the wells.
9. The Utilities Division Compliance Section ("Compliance") has reported that neither TWDA nor Hydro appear in the Compliance Database. Accordingly, there are no trackable compliance items or delinquencies existing for TWDA or Hydro. Therefore, Compliance considers TWDA and Hydro to currently be in compliance with the Compliance Database.
10. Staff concludes that Hydro does not have approved Curtailment, Backflow Prevention, and BMP Tariffs. However, curtailment and backflow prevention tariffs were submitted with Hydro's application for approval.
11. The South Grand Canyon Sanitary District is the designated management authority providing wastewater service in the CC&N area.
12. Staff concludes that there is potential for significant delays in providing sufficient pressure and fire flow, in a timely manner during a fire related incident, should the fire pump continue to be operated and controlled manually.

Recommendations

1. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least three (3) BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. Staff further recommends that a maximum of two (2) BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories.
2. Staff recommends that Hydro file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, a copy of an updated ADEQ Compliance Status Report indicating that the noted deficiencies have been corrected and Hydro is in compliance.
3. Staff recommends that Curtailment and Backflow Prevention Tariffs submitted with its application be approved.

4. Staff recommends that Hydro adopt the charges listed under "Staff's Recommendation" in Table B. Staff further recommends that meter sizes 8-inches and larger be priced on an individual case basis ("ICB") at cost.
5. Staff recommends that Hydro adopt Staff's typical and customary depreciation rates in accounts illustrated in Table A.
6. Staff recommends, as indicated in the executed settlement agreement, that Hydro and Squire amend their existing water system agreement or enter into a new agreement that ensures Hydro the continued use of the 3.0 million gallon storage tank, and that Squire continues to produce and sell water to Hydro. Staff further recommends that the amended or new agreement include an established period or length of time the agreement will be in effect.
7. Staff recommends that an engineering review be conducted to evaluate and determine the feasibility and cost for converting the fire pump from manual to automatic control.

COCONINO COUNTY

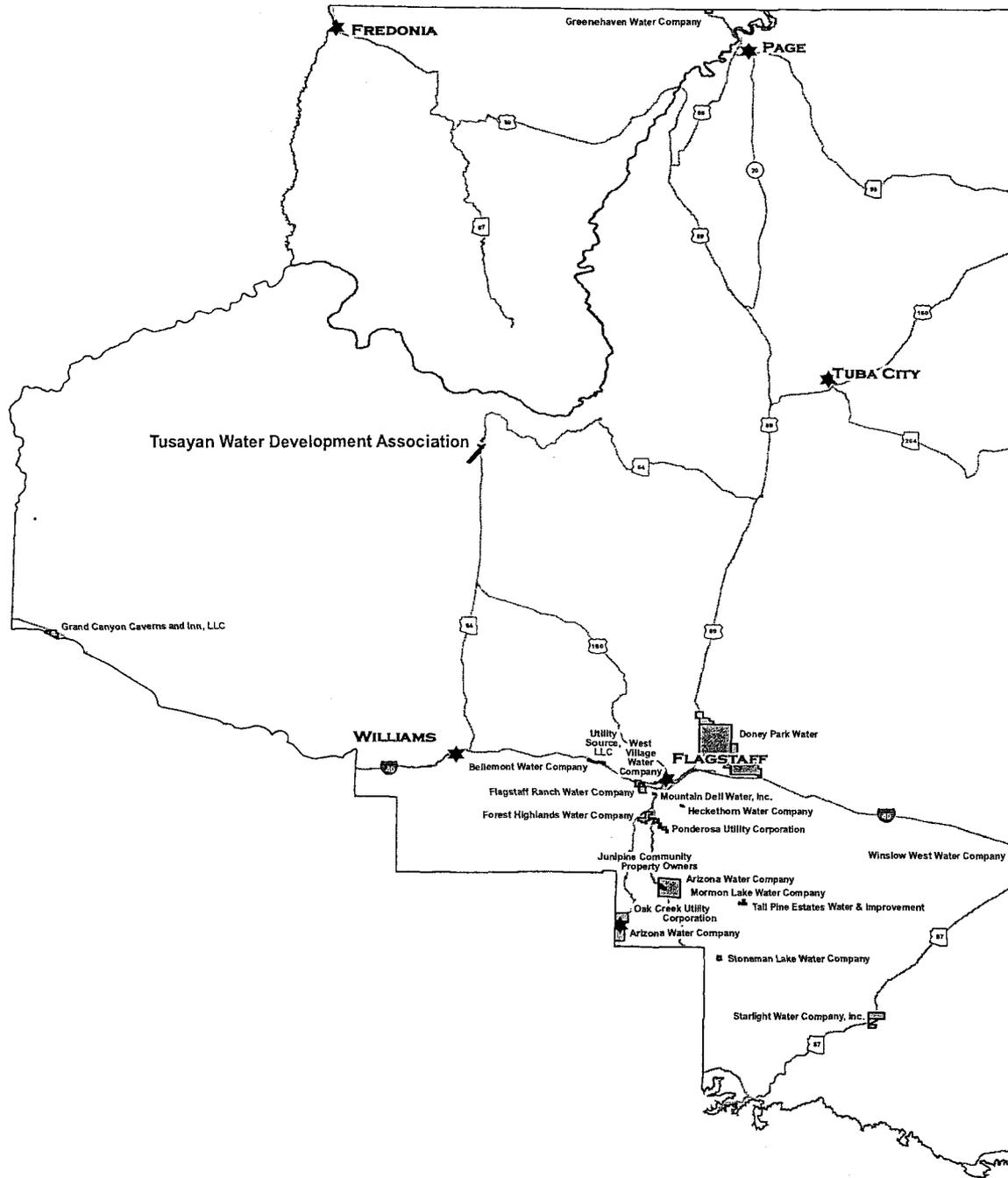
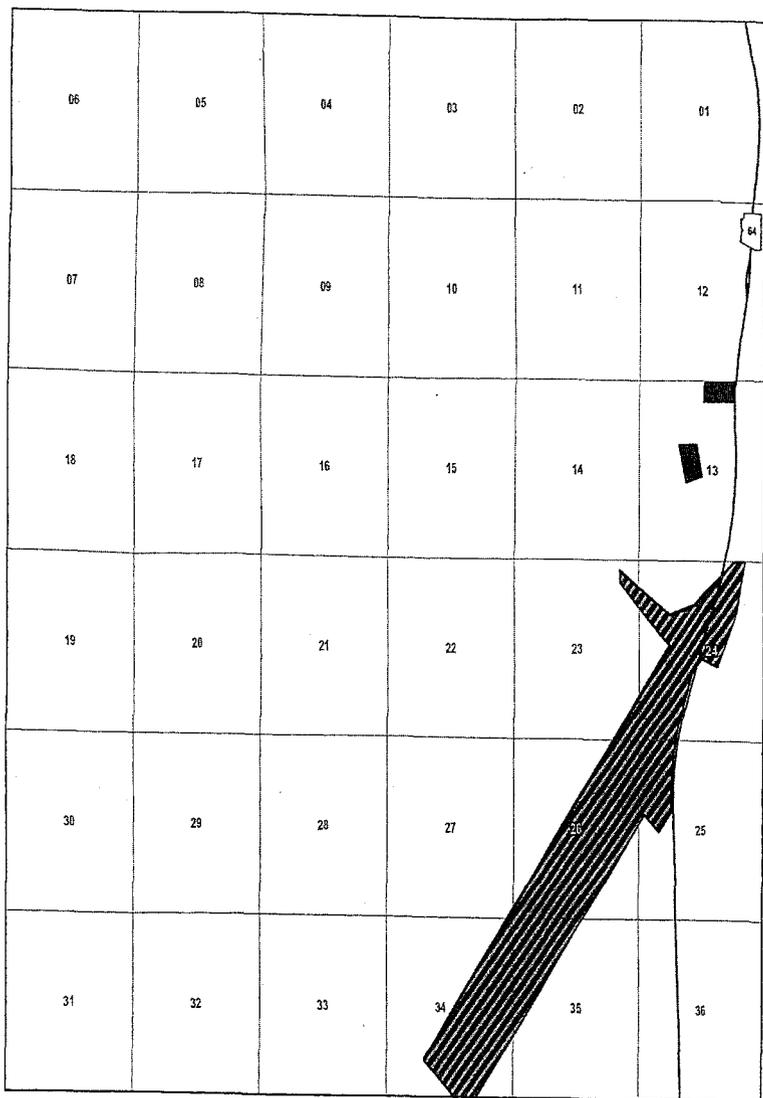


Figure 1. Coconino County Map

COCONINO COUNTY

RANGE 2 East



W-02350A (2)
 Tusayan Water Development Association, Inc.

TOWNSHIP 30 North

(2)
 Tusayan Water Development Association, Inc.
 Docket No. W-02350A-13-0312
 Application for Cancellation

(2)
 Hydro-Resources, Inc.
 Docket No. W-20770A-13-0313
 Application for CC&N

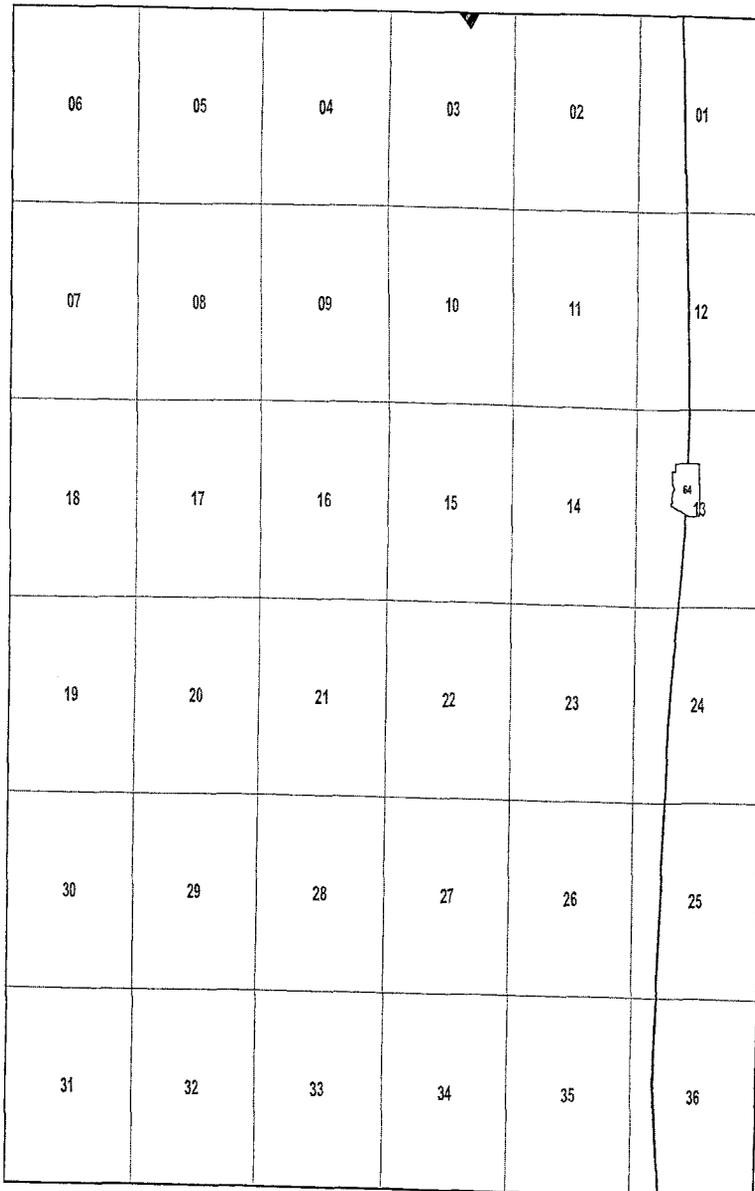
2
 Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251
 TR30N2E 13 APR 1989

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

Figure 2. Certified Areas

COCONINO COUNTY

RANGE 2 East



W-02350A (2)
 Tusayan Water Development Association, Inc.

TOWNSHIP 29 North

(2)
 Tusayan Water Development Association, Inc.
 Docket No. W-02350A-13-0312
 Application for Cancellation

(2)
 Hydro-Resources, Inc.
 Docket No. W-20770A-13-0313
 Application for CC&N

2

Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

TR29N2E 13 APR 1989

Figure 3. Certified Area

COCONINO COUNTY

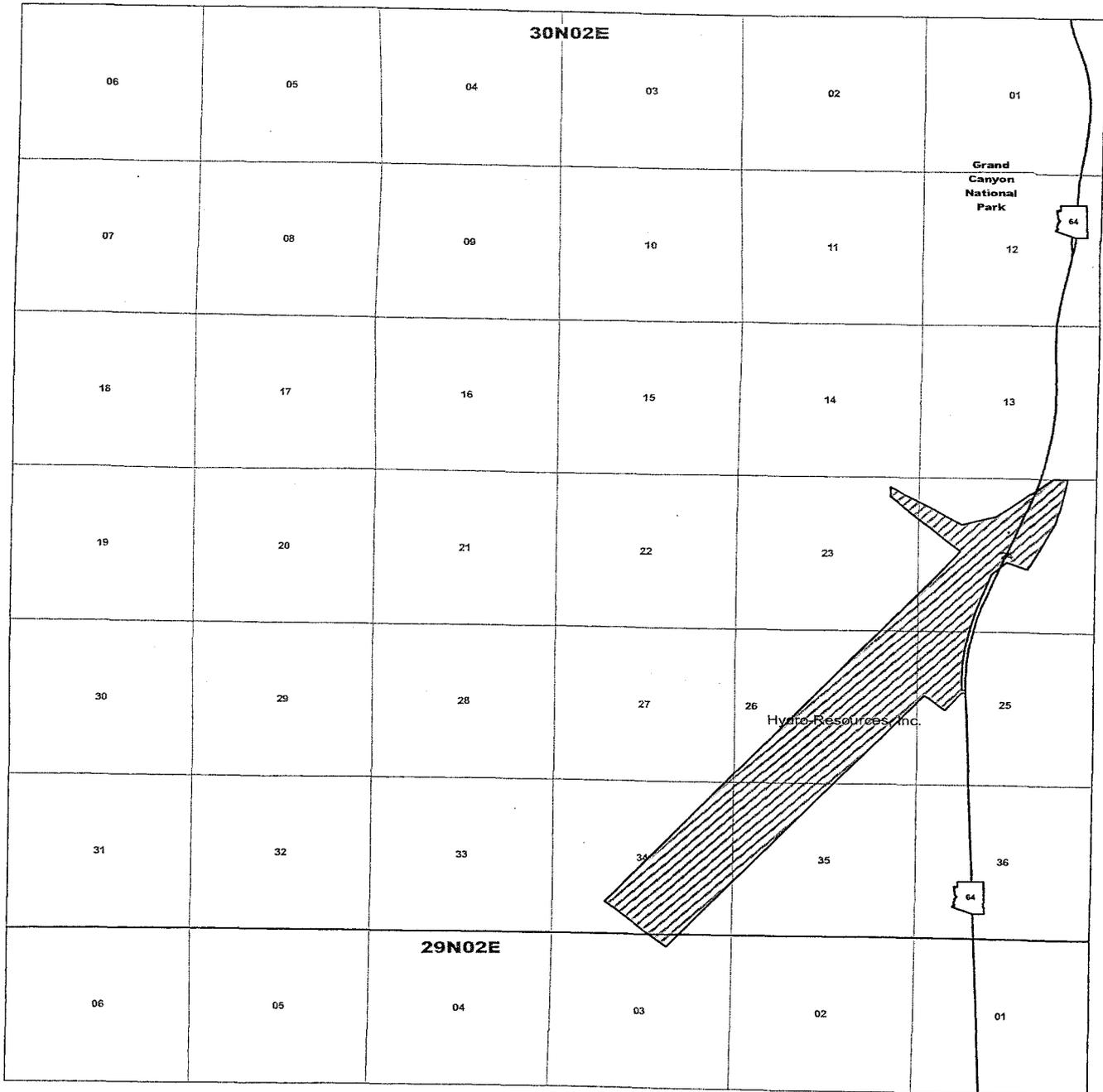


Figure 4. Certified Area

**PROCESS SCHEMATIC – HYDRO-RESOURCES WATER COMPANY
 SYSTEM ID #03-312**

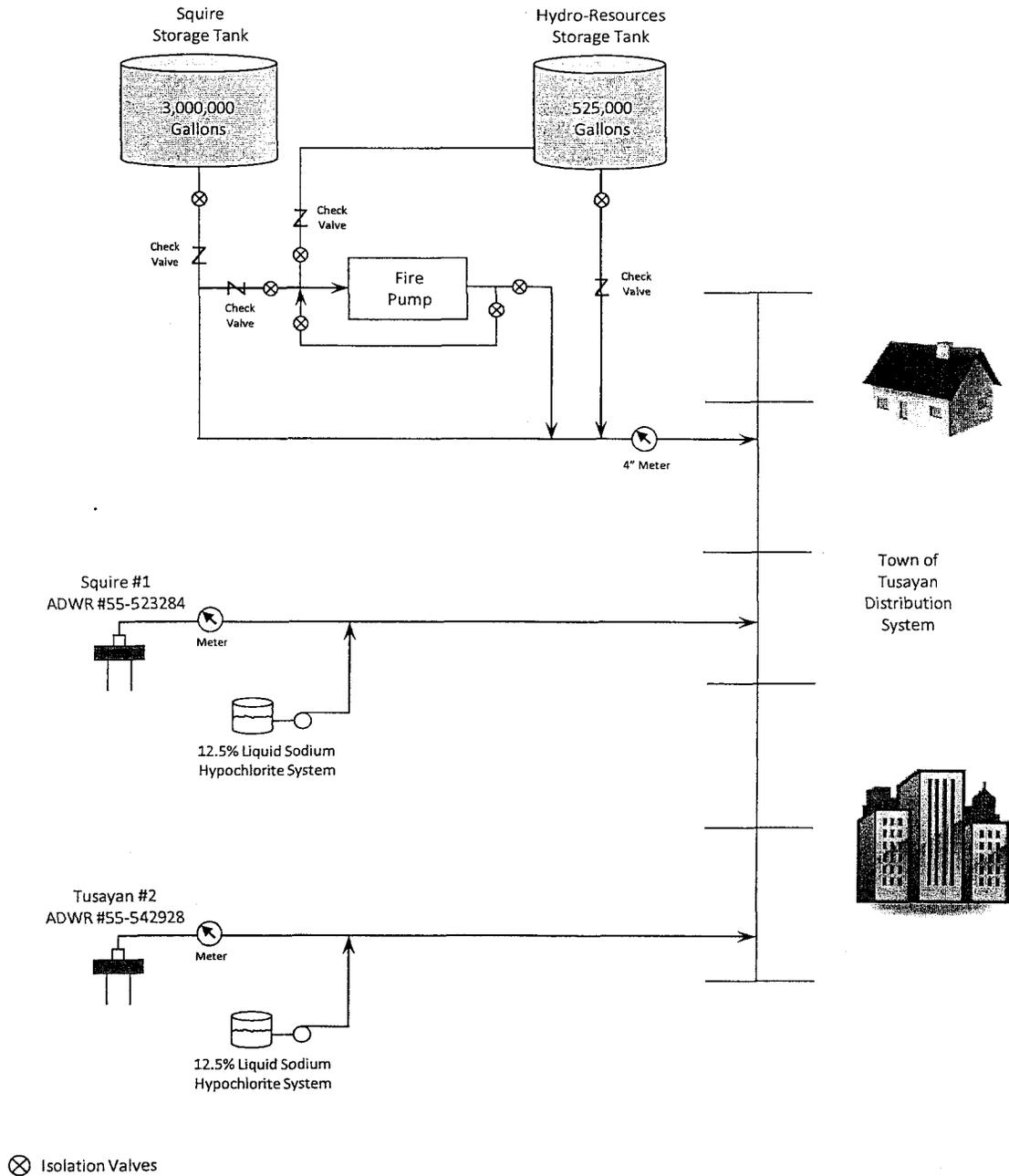


Figure 5. Process Schematic

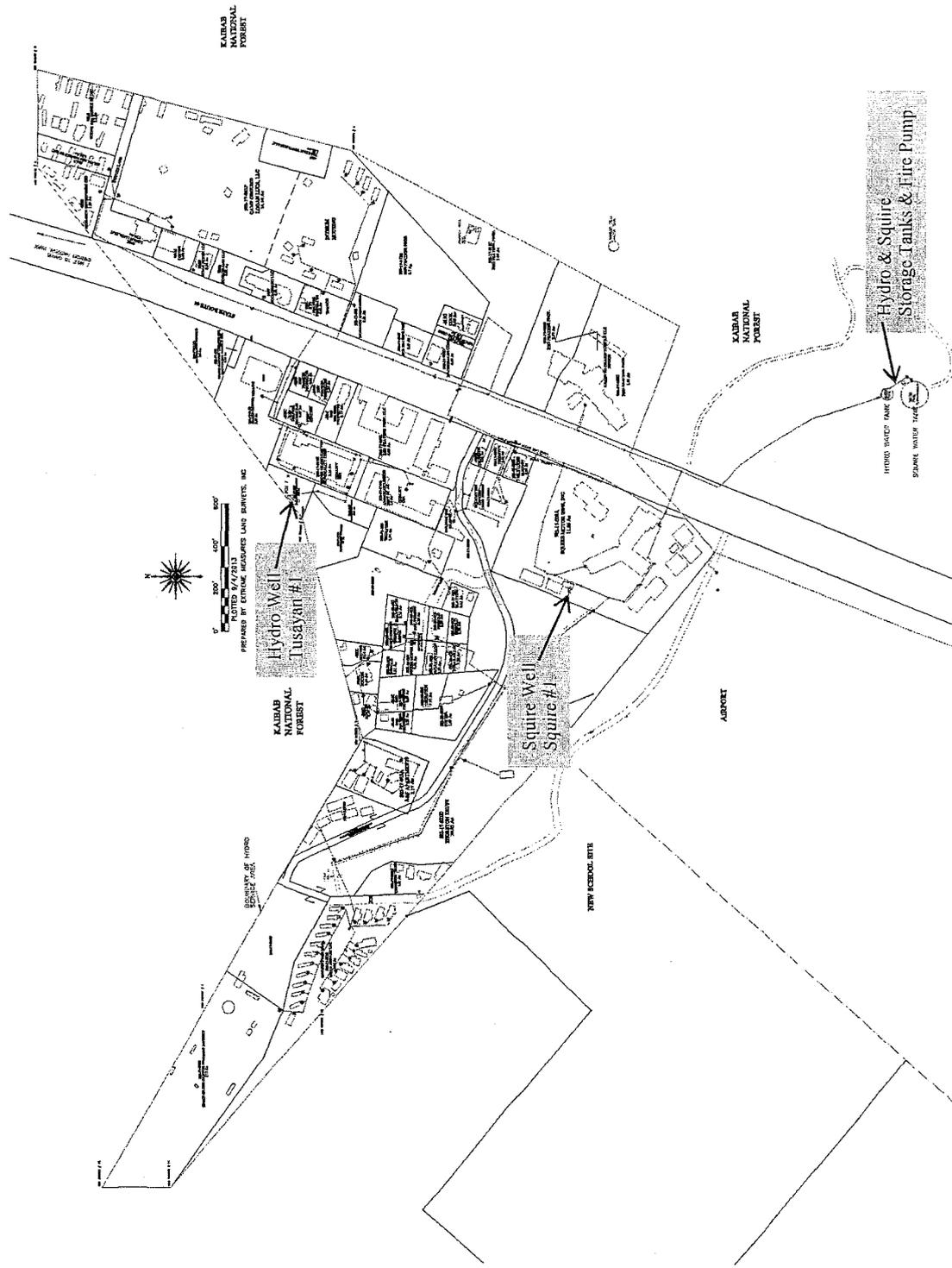


Figure 6. Map of Tusayan

MEMORANDUM

TO: Kiana Sears
Executive Consultant
Utilities Division

FROM: Lori H. Miller 
GIS Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: October 7, 2013

RE: **Tusayan Water Development Association, Inc. (Docket No. W-02350A-13-0312)**
Hydro-Resources, Inc. (Docket No. 20770A-13-0313)

Tusayan Water Development has filed an application to cancel its CC&N. Hydro-Resources has filed an application for a CC&N for the area being cancelled by Tusayan Water Development. These applications have been consolidated.

The area requested by Hydro-Resources has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the maps for your files.

/lhm

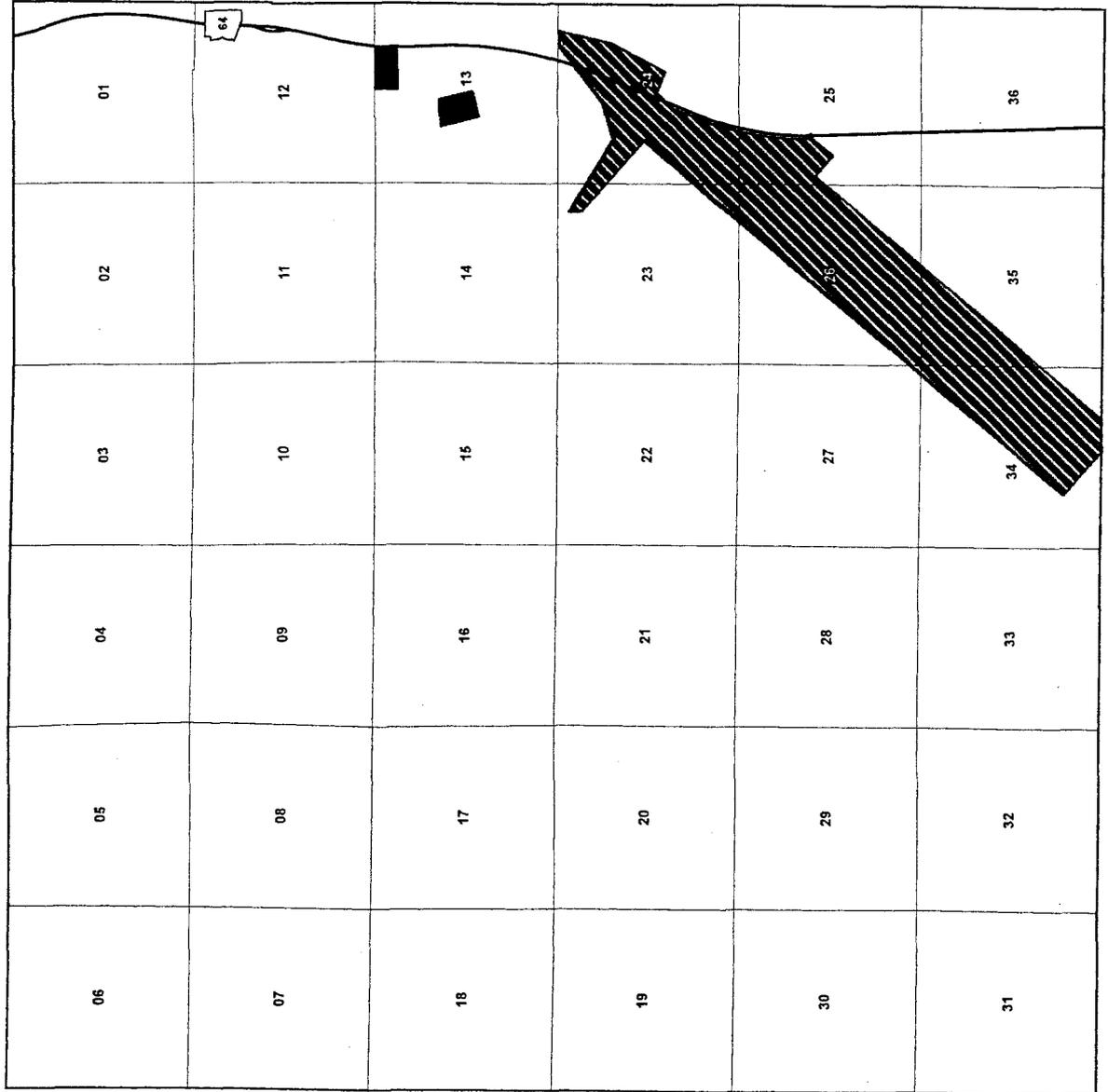
Attachments

cc: Mr. Steve Hirsch
Mr. Ryan J. Lorenz
Mr. Michael Thompson
Ms. Deb Person (Hand Carried)
File

COCONINO COUNTY

RANGE 2 East

TOWNSHIP 30 North



W-02350A (2)

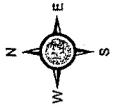
Tusayan Water Development Association, Inc.

(2)

Tusayan Water Development Association, Inc.
Docket No. W-02350A-13-0312
Application for Cancellation

(2)

Hydro-Resources, Inc.
Docket No. W-20770A-13-0313
Application for CC&N



Prepared by:
Arizona Corporation Commission
Utilities Division
Engineering Section/GIS Mapping
602-542-4251

COCOONINO COUNTY

RANGE 2 East

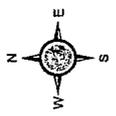
TOWNSHIP 29 North

06	05	04	03	02	01
07	08	09	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

W-02350A (2)
 Tusayan Water Development Association, Inc.

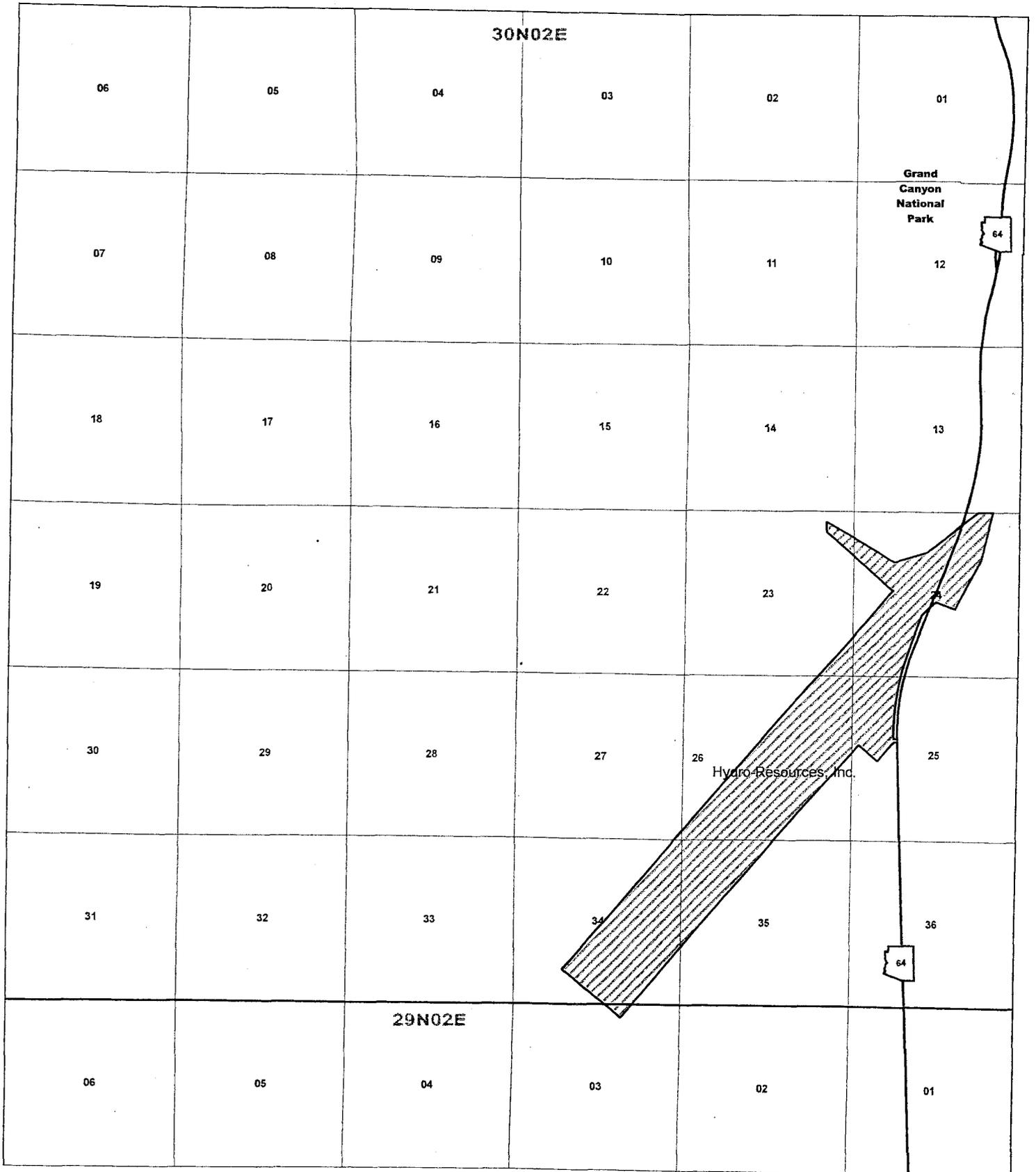
(2)
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 Application for CC&N



Prepared by:
 Arizona Corporation Commission
 Utilities Division
 Engineering Section/GIS Mapping
 602-542-4251

COCONINO COUNTY



That portion of HES 401 as shown in the Dependent Resurvey officially filed by the BLM in November of 2004 as File No. 1247-B lying Northerly of the Grand Canyon National Park Airport AND the Grand Canyon National Park Airport as Retraced and recorded on August 31, 1987 in Book 6 of Land Surveys, Pages 9-9E of the Official Records of the Coconino County Recorder's Office, said parcel of land is situated Sections 23, 24, 25, 26, 27, 34 and 35 all in Township 30 North, Range 2 East AND Section 3 of Township 29 North, Range 2 East, all of the Gila and Salt River Base and Meridian in the Town of Tusayan, Coconino County, Arizona, and is more particularly described by metes and bounds as follows:

BEGINNING at Corner No. 5 of HES 401, said point lies South 89°32" West a distance of 13.22 Chains (872.5 feet) from the Northeast corner of said Section 24;

THENCE South 13°52'00" West a distance of 1575.42 feet to Corner No. 6 of HES 401;
THENCE South 27°38'00" West a distance of 1769.46 feet to AP2 of Tract 38 as shown on the plat of HES 401;
THENCE North 68°50'00" West a distance of 656.70 feet to AP1 of Tract 38;
THENCE South 47°08'00" West a distance of 615.78 feet to the Northeast corner of the Grand Canyon Park National Airport;

The following courses follow the boundary of said airport;

THENCE South 20°58'11" West a distance of 1046.11 feet to the beginning of a non-tangent curve, concave to the East;
THENCE Southwesterly along said curve with an arc length of 3061.30 feet, through a central angle of 22°46'34", the radius of said curve is 7701.01 feet, with a chord bearing of South 09°57'48" West and with a chord length of 3041.18 feet;
THENCE North 88°34'29" East a distance of 100.00 feet to the beginning of a non-tangent curve, concave to the East;
THENCE Southwesterly along said curve with an arc length of 99.96 feet, through a central angle of 00°45'13", the radius of said curve is 7601.01 feet, with a chord bearing of South 01°48'10" East and with a chord length of 99.96 feet;
THENCE South 87°49'16" West a distance of 100.00 feet;
THENCE South 40°44'40" West a distance of 800.00 feet;
THENCE North 49°15'19" West a distance of 786.92 feet;
THENCE South 40°44'12" West a distance of 11511.18 feet;
THENCE North 49°19'15" West a distance of 2395.98 feet;
THENCE North 40°43'00" East a distance of 15978.99 feet to AP5 of Tract 37 as shown on the plat of HES 401;

THENCE North 49°46'00" West a distance of 473.88 feet to Corner No. 9 of HES 401;
THENCE North 47°55'00" West a distance of 1199.88 feet to Corner No. 10 of HES 401;
THENCE continuing North 47°55'00" West a distance of 1120.02 feet to Corner No. 11 of HES 401;
THENCE North 00°11'00" West a distance of 330.66 feet to Corner No. 12 of HES 401;

THENCE South 58°55'00" East a distance of 975.48 feet to Corner No. 1 of HES 401;
THENCE South 58°55'00" East a distance of 1503.48 feet to Corner No. 2 of HES 401;
THENCE North 74°18'00" East a distance of 1076.46 feet to Corner No. 3 of HES 401;
THENCE North 52°05'00" East a distance of 2094.84 feet to Corner No. 4 of HES 401;
THENCE North 89°32'00" East a distance of 456.06 feet to the Point of Beginning.

All as shown on the attached Exhibit A-1 which is made a part of this description by this reference.

Arizona Department of Environmental Quality
 Drinking Water Monitoring and Protection Unit
 Mail Code 5415B-2
 1110 West Washington Street
 Phoenix, AZ 85007

EXHIBIT
 S-4
 admitted 6-4-14

Drinking Water Compliance Status Report

System Name	System Type	Is system consecutive?
HYDRO RESOURCES-TUSAYAN	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes, to PWS #
System ID #	<input type="checkbox"/> Non-transient Non-community	<input checked="" type="checkbox"/> No
03312	<input type="checkbox"/> Transient Non-community	

Overall compliance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Monitoring and Reporting status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies

Comments: None

Operation and Maintenance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of last Sanitary Survey	5-2-12	Inspector
		Steve Camp, PHX

Major unresolved/ongoing operation and maintenance deficiencies:

- | | |
|---|---|
| <input type="checkbox"/> unable to maintain 20psi | <input type="checkbox"/> inadequate storage |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies | <input type="checkbox"/> ATC/AOC |
| <input type="checkbox"/> certified operator | <input type="checkbox"/> other = |

Comments: During the last sanitary survey recommendations were made on the distribution system; needs repair - the 2 storage tanks that provide storage for the distribution system have a leak between the third and top ring that need to be fixed.

Is an ADEQ administrative order in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
---	------------------------------	--

Comments: None

System Information

Population Served	2100
Service Connections	107
Number of Entry Points to the Distribution System	2
Number of Sources	2
Initial Monitoring Year	1995
Monitoring Assistance Program (MAP) System	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Evaluation completed by	Donna Calderon, Senior Drinking Water Technical Program Specialist Drinking Water Monitoring and Protection Unit
--------------------------------	---

Phone	602-771-4641	Date	June 4, 2014
--------------	--------------	-------------	--------------

<input checked="" type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 **BOB STUMP - CHAIRMAN**
4 **GARY PIERCE**
5 **BRENDA BURNS**
6 **BOB BURNS**
7 **SUSAN BITTER SMITH**

2014 APR 10 A 9:40

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

8 IN THE MATTER OF THE APPLICATION OF
9 TUSAYAN WATER DEVELOPMENT
10 ASSOCIATION, INC. FOR ESTABLISHMENT
11 OF RATES FOR WATER SERVICE.

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

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

DOCKET NO. W-20770A-10-0473

20 IN THE MATTER OF THE APPLICATION OF
21 TUSAYAN WATER DEVELOPMENT
22 ASSOCIATION, INC. FOR CANCELLATION
23 OF CERTIFICATE OF CONVENIENCE AND
24 NECESSITY.

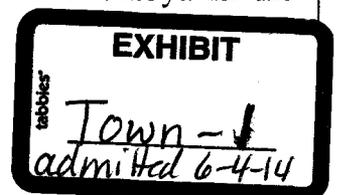
DOCKET NO. W-02350A-13-0312

25 IN THE MATTER OF THE APPLICATION OF
26 HYDRO-RESOURCES, INC. FOR A
27 CERTIFICATE OF CONVENIENCE AND
28 NECESSITY TO PROVIDE WATER SERVICE.

DOCKET NO. W-20770A-13-0313

29 **TOWN OF TUSAYAN'S NOTICE OF FILING DIRECT TESTIMONY**

30 The Town of Tusayan ("Town") through its counsel hereby files the direct
31 testimony in support of the Settlement Agreement of Vice Mayor Al Montoya in the
32 above-referenced matter.



1 RESPECTFULLY SUBMITTED this 10th day of April, 2014.

2
3 SIMS MURRAY, LTD.

4 

5 _____
6 William J. Sims III
7 Attorneys for the Town of Tusayan

8 Original and 13 copies of foregoing filed
9 this 10th day of April, 2014, with:

10 Docket Control Division
11 ARIZONA CORPORATION COMMISSION
12 1200 W. Washington
13 Phoenix AZ 85007

14 Copies of the foregoing mailed this
15 10th day of April, 2014, to:

16 Janice Alward, Chief Counsel
17 Legal Division
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington
Phoenix AZ 85007

20 Steven M. Olea, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington
Phoenix AZ 85007

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27 14850 N. Scottsdale Road, Suite 500
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3 702 North Beaver
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12 Two North Central Avenue, Suite 2200
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13 Michael W. Patten
14 Timothy J. Sabo
15 ROSHKA, DEWULF & PATTEN, PLC
16 One Arizona Center
400 E. Van Buren Street, Suite 800
17 Phoenix AZ 85004
Attorneys for Squire Motor Inns, Incorporated

18 Will Wright
19 Town Manager
20 Town of Tusayan
21 PO Box 709
Tusayan AZ 86023

22 
23 _____
24
25
26
27
28

TOWN OF TUSAYAN
TESTIMONY OF
AL MONTOYA, VICE MAYOR

TABLE OF CONTENTS

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III.	TERMS OF THE SETTLEMENT AGREEMENT	2
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1 **I. INTRODUCTION**

2
3 **Q: PLEASE STATE YOUR NAME AND TITLE.**

4 A: My name is Al Montoya. I am the Vice Mayor of the Town of Tusayan.

5
6 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A: The purpose of my testimony is to support the proposed Settlement Agreement
8 establishing a process whereby Hydro-Resources, Inc. ("**Hydro**") will become the
9 sole provider of water utility service in the Town of Tusayan and to support
10 Hydro's CC&N application.

11
12 **II. SETTLEMENT PROCESS**

13 **Q: PLEASE PROVIDE A SUMMARY OF THE PROCEEDINGS LEADING TO**
14 **THE SETTLEMENT.**

15
16 A: Following incorporation of the Town of Tusayan in 2010, one of the first actions
17 that the Town Council took in order to address disparate and untariffed rates in the
18 Town of Tusayan was to consider options for establishing a Town of Tusayan
19 water department. The Town of Tusayan authorized the preparation of a Tusayan
20 Municipal Water Study, dated July 26, 2011 (the "**Town Water Study**"). That
21 study acknowledged that multiple parties owned various components of the water
22 system serving the Town of Tusayan. At that time, the Town became aware that
23 the Tusayan Water Development Association ("**TWDA**") had filed a rate
24 application ("**Rate Case**"), followed by filings by Anasazi Water Co., LLC
25 ("**Anasazi**") and Hydro of Applications for Adjudications "Not a Public Service
26 Corporation," (collectively, the "**Anasazi and Hydro Dockets**"). The Town
27 intervened in the consolidated Rate Case and Anasazi and Hydro Dockets, made
28 the Town Water Study available to the parties, and entered into negotiations with

1 the parties in connection with the Settlement Agreement.

2 **Q: PLEASE DESCRIBE THE SETTLEMENT NEGOTIATIONS.**

3
4 A: The settlement negotiations were open and included all parties, with the parties
5 participating fully to reach consensus. One intervenor, Tusayan Ventures, LLC
6 (“**Tusayan Ventures**”) declined to execute the Settlement Agreement for reasons
7 unknown to the Town. The Town of Tusayan’s objective was to identify one water
8 utility service provider that would be subject to regulation by the Arizona
9 Corporation Commission (“**Commission**”).

10 **Q: WHAT WAS THE OUTCOME OF THE NEGOTIATIONS?**

11
12 A: The parties (other than Tusayan Ventures) reached agreement on terms that
13 allowed the transfer of necessary assets to Hydro and a resolution of the Rate Case
14 that promotes the best interests of the residents of the Town of Tusayan.

15 **III. TERMS OF THE SETTLEMENT AGREEMENT**

16
17 **Q: WHAT ARE THE SIGNIFICANT TERMS OF THE SETTLEMENT**
18 **AGREEMENT?**

19 A: The following are the significant terms of the Settlement Agreement:

- 20 1. Provides for the transfer of assets to Hydro in order to allow Hydro to
21 provide water service in the certificated area. Assets include the physical
22 plant and property, water distribution lines and meters, as well as easements
23 and rights-of-way previously used by Anasazi.
- 24 2. Establishes a process whereby TWDA will apply for the
25 deletion/cancellation of its CC&N (the “**Tusayan Cancellation Docket**”)
26 filed under Docket #W-02350A-13-0312 and Hydro will file an application
27 for a new CC&N for the certificated area (the “**Hydro CC&N Docket**”)
28 filed under Docket #W-20770A-13-0313 in order to provide service to

1 TWDA's existing customers except for property owned by Red Feather
2 Properties Limited Partnership known as the "RFP Campus."

- 3 3. Requires Hydro and intervener Squire Motor Inns, Inc ("Squire") to enter
4 into a contract to supply water from Squire to Hydro.
- 5 4. Requires TWDA to continue to provide service until the Commission
6 renders a decision in the Hydro CC&N Docket and the Tusayan
7 Cancellation Docket.
- 8 5. Provides that until the Commission grants a new CC&N to Hydro, TWDA
9 must continue to charge its current rates unless the rates are revised by
10 agreement of the parties to the Settlement Agreement and approved by the
11 Commission.
- 12 6. Provides that after the transfer of Anasazi's assets to Hydro, Hydro will
13 supply water to TWDA at Hydro's rates so that TWDA may serve certain
14 properties east of Route 64 at Hydro's rates.

15 **IV. PUBLIC INTEREST**

16
17 **Q: PLEASE EXPLAIN WHY THE COMMISSION'S APPROVAL OF THE**
18 **SETTLEMENT AGREEMENT RESULTS IN RATES, CHARGES AND**
19 **CONDITIONS OF SERVICE THAT ARE JUST AND REASONABLE AND**
20 **IN THE PUBLIC INTEREST.**

21 **A:** As the elected Vice Mayor of the Town of Tusayan, I am not in a position to render
22 an opinion regarding the rates that the Commission will establish. I am, however,
23 in a position to comment on the beneficial impact that the negotiations leading to
24 the Settlement Agreement and the process required by the Settlement Agreement
25 will have on the residents of the Town of Tusayan. For over thirty years, disparate
26 rates have been charged to water customers in the area that has now become
27 incorporated as the Town of Tusayan. Upon the Commission's review and
28 approval of the Tusayan Cancellation Docket and the Hydro CC&N Docket, rates

1 approved by the Commission will be charged to customers in the certificated area,
2 establishing consistent rates that are fair and reasonable as determined by the
3 Commission.

4 **Q: DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**
5 **SETTLEMENT AGREEMENT?**

6
7 A: Yes.
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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. Christopher Brainard, 6241 E. Friess Drive, Scottsdale, Arizona 85254.

4 Q. IN WHAT CAPACITY ARE YOU EMPLOYED?

5 A. I am a certified public accountant. I have been licensed as an accountant by the Arizona
6 State Board of Accountancy since 1990. I have been employed by TWDA and have provided it
7 administrative, accounting and professional services since 1995.

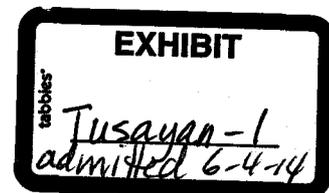
9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10 A. The purpose of my testimony is to present to the Arizona Corporation
11 Commission ("ACC") my knowledge concerning the following:

- 12 • TWDA's provision of water service to customers in the Tusayan, Arizona area;
- 13 • TWDA's ownership and control of water system facilities;
- 14 • TWDA's involvement in management and operation of the water systems (including
15 regulatory compliance with the Arizona Department of Environmental Quality, the
16 handling of repairs and maintenance, and the payment of operating expenses);
- 17 • TWDA's involvement in bringing any new customers onto service;
- 18 • TWDA's interaction with current customers.

19
20
21 I am prepared to discuss and am knowledgeable about the following issues:

- 22 • The procedural path that TWDA's application for establishment of rates for water service
23 (docket no. W-02350A-10-0163) ("TWDA Rate Case") followed.
- 24 • The entry of TWDA into a Settlement Agreement with Hydro-Resources, Inc. ("Hydro"),
25 Anasazi Water Co., LLC ("Anasazi") and the advantages and reasons for doing so for
26 TWDA.



- 1 • The completion of TWDA's performances of the Settlement Agreement, if approved.

2 **Q. WHAT IS YOUR LEVEL OF FAMILIARITY WITH TWDA?**

3 A. I am familiar with TWDA because I have provided it with services since 1995. Since
4 first providing services, I have learned about TWDA's origin and historical development. Other
5 than Ann Wren, the current president of TWDA, and the board members, Bess Foster and
6 Clarinda Vail, I am the most knowledgeable person concerning TWDA's operations.
7

8 **II. ORIGIN AND HISTORICAL DEVELOPMENT**

9 **Q. HOW AND WHY WAS TWDA INCORPORATED?**

10 A. TWDA was incorporated by filing articles of incorporation ("Articles") with the ACC -
11 Corporations Division on September 28, 1978. TWDA was granted and maintains non-profit
12 status from the Internal Revenue Service. The Tusayan area began to see an increase in
13 development because of its proximity to the south main entrance to Grand Canyon National
14 Park. Tusayan is completely surrounded by the Kaibab National Forest, with very little privately
15 owned land. In the late 1970's, the increase in development resulted in a collective desire to
16 have regular water service for residents and businesses. At that time, water was delivered to the
17 area by tanker trucks because there were no wells. TWDA was formed to apply to the ACC for a
18 certificate of convenience and necessity ("CC&N") because water could not be purchased from
19 the United States Department of the Interior - National Park Service ("National Park Service")
20 without it. A further dilemma was created by the fact that the ACC would not approve the
21 CC&N without first securing a commitment from the National Park Service to provide a supply
22 of water adequate to meet the needs of the Tusayan area.
23
24

25 **Q. DID TWDA APPLY FOR A CC&N AND IF SO, WHAT WAS THE OUTCOME?**

1 A. Yes. On December 7, 1978, TWDA applied to the ACC for a CC&N to provide water
2 service to the Tusayan area (DOCKET NO. U-2350) ("CC&N Case"). A hearing was conducted
3 on February 8, 1979. On March 28, 1979, the ACC issued its opinion and order (Decision no.
4 49808) in the CC&N Case, a copy of which is attached to this testimony as Exhibit 1
5 ("Preliminary CC&N"). The CC&N Decision was preliminary and was conditioned on
6 obtaining a water supply from the National Park Service and a franchise from Coconino County.
7 On December 13, 1979, the ACC issued a second opinion and order (Decision no. 50492)
8 affirming that TWDA had met the conditions and rendering the CC&N final for a designated and
9 legally described area ("Final CC&N"). A copy of the Final CC&N is attached as Exhibit 2.
10

11 **Q. HAS TWDA HAD ANY FURTHER INVOLVEMENT WITH THE ACC SINCE**
12 **THE CC&N CASE?**

13 A. Each year, I have caused TWDA to file its annual report with the ACC – Corporations
14 Division and the ACC – Utilities Division. Otherwise, TWDA did not file any further
15 documents or applications until prompted to file this case by letter dated November 16, 2009
16 from the ACC.
17

18 **Q. WHAT WATER SERVICE DID TWDA PROVIDE UNDER THE CC&N?**

19 A. For approximately fifteen years, TWDA bought and sold water supplied by the National
20 Park Service to residents and business in the Tusayan area. In the mid-1990s Hydro-Resources,
21 Inc. ("Hydro") and Anasazi Water Co., LLC ("Anasazi") drilled private wells and began
22 production of water. Because TWDA still held the Final CC&N, it billed customers for water
23 produced by Hydro and Anasazi. TWDA received reports from Anasazi and Hydro of customer
24 consumption through meters for each customer. The wells, pumps, tanks, meters, and
25 distribution lines (both on public and private land) were owned either by Hydro, Anasazi, or the
26
27
28

1 customers. TWDA did not and does not own any water infrastructure. TWDA charges an
2 administrative fee to defray its costs. TWDA charges appropriate transaction privilege (sales)
3 tax. TWDA did and does not perform or provide any maintenance, repairs or capital
4 improvements to the wells, pumps, tanks, and distribution lines. In the TWDA Rate Case, I
5 prepared a set of schedules to the best of my ability depicting various matters as evidence of
6 TWDA's current operations, which were attached to its original application, filed April 29, 2010.

8 III. SPECIFIC OPERATIONAL INQUIRIES

9 Q. WHAT WATER SYSTEM FACILITIES DOES TWDA OWN OR CONTROL?

10 A. TWDA neither owns nor controls any water system infrastructure. Hydro and Anasazi
11 have an implied license to enter upon the property of TWDA customers to read customer meters.
12 TWDA does not own the meters. TWDA owns no physical property other than a moderate
13 quantity of office supplies.

15 Q. WHAT IS TWDA'S INVOLVEMENT IN MANAGEMENT AND OPERATION 16 OF THE WATER SYSTEM?

17 A. TWDA is the holder of the CC&N and performs billing functions, including compiling
18 consumption data, preparation of invoices, transmittal of invoices, collection of payments, and
19 payment of obligations to taxing authorities.

21 Q. WHAT IS TWDA'S INVOLVEMENT IN REGULATORY COMPLIANCE WITH 22 ADEQ?

23 A. TWDA does not perform any functions relating to regulatory compliance. Anasazi,
24 Hydro and Squire perform quality control functions for the water they supply and ensure
25 compliance.

1 **Q. WHAT IS TWDA'S INVOLVEMENT IN BRINGING NEW CUSTOMERS ONTO**
2 **SERVICE?**

3 A. New customers send a letter to TWDA requesting water service. TWDA makes a formal
4 request for water supply to either Hydro or Anasazi. When TWDA receives confirmation that
5 they have the capacity to service the new customer, the customer connects to the water system.
6 TWDA commences billing as soon as a physical connection and service are established. Due to
7 the small size of the certificated area and the limited quantity of private land, TWDA does not
8 have a fixed procedure for bringing new customers onto service.
9

10 **Q. WHAT REPAIRS AND MAINTENANCE DOES TWDA HANDLE?**

11 A. None. All repairs and maintenance are performed by Hydro, Anasazi or other private
12 owner of the water distribution infrastructure.
13

14 **Q. HOW DOES TWDA PAY ITS OPERATING EXPENSES?**

15 A. TWDA's operating expenses were historically limited to the cost of data collection, and
16 clerical expenses of billing. I provided accounting and billing services at no cost for a couple
17 years. Thereafter, I charged nominal fees, at a rate lower than standard for a certified public
18 accountant. The collected revenue from customers has been adequate to pay Anasazi and Hydro
19 for the water it supplies to TWDA. The filing of this application has resulted in TWDA
20 expenditures for professional fees to its counsel and to me for legal and accounting services,
21 respectively.
22

23 **Q. HOW DOES TWDA INTERACT WITH ITS CUSTOMERS?**

24 A. TWDA mails its invoices for water service to its customers and collects payments.
25 TWDA's president, Ann Wren, or myself are available to deal with customer complaints,
26 concerns, and other communication. If matters arise which fall within the administrative
27
28

1 functions of TWDA, those issues would be brought either to Ms. Wren's attention or mine to be
2 rectified.

3 **IV. SETTLEMENT AGREEMENT AND TRANSFER AGREEMENT**

4 **Q. WHAT IS YOUR UNDERSTANDING OF WHAT OCCURRED IN THE TWDA**
5 **RATE CASE?**

6
7 A. I submitted pre-filed testimony in that case that is consistent with my testimony here. It is
8 my understanding that ACC – Utilities Division staff took the position that TWDA did not
9 appear to meet criteria to be a public service corporation. I also understand that the TWDA Rate
10 Case was consolidated with two other dockets, filed by Hydro (no. W-20770A-10-0473) and
11 Anasazi (no. W-20765A-10-0432), in which Hydro and Anasazi applied for determinations to be
12 adjudicated “not public service corporations” (“Hydro PSC Case” and “Anasazi PSC Case,”
13 respectively). I also understand that the Town of Tusayan (“Town”), Squire and a developer,
14 Tusayan Ventures, L.L.C. (“T-Ventures”) successfully intervened to be heard on the three
15 consolidated applications.
16

17 The three applicants, TWDA, Hydro and Anasazi, the three intervenors, Squire, the Town
18 and T-Ventures, and the ACC – Utilities Division staff tried to formulate plans for a
19 consolidation of the water system and have a single entity operate it, as a public service
20 corporation. Through extensive negotiations, a Settlement Agreement was reached which is
21 subject to approval by the ACC.
22

23 **Q. WHAT DO YOU UNDERSTAND THE SETTLEMENT AGREEMENT TO**
24 **ACCOMPLISH?**

25 A. The Settlement Agreement calls for Hydro to take over the provision of water service to
26 all TWDA customers and to add customers who obtained water from Anasazi. The Settlement
27
28

1 Agreement also calls for TWDA to seek cancellation of its CC&N and for Hydro to apply for a
2 CC&N for the Tusayan area. There are two parcels that are not contiguous to TWDA's service
3 area that were included in the legal description of TWDA's CC&N. Hydro will not provide
4 service to those parcels because they are not developed and have no plans for development. No
5 service has ever been provided to the non-contiguous parcels of TWDA's service area. The
6 Settlement Agreement requires Hydro to continue charging former TWDA customers the lower
7 rate for water of \$24.50/thousand gallons.

9 **Q. WHAT ARE TWDA'S PERFORMANCES UNDER THE SETTLEMENT**
10 **AGREEMENT?**

11 A. TWDA is required to apply to the ACC to cancel the Permanent CC&N. TWDA is
12 required to dissolve and wind up its business.

14 **Q. HAS TWDA PERFORMED ITS OBLIGATIONS UNDER THE SETTLEMENT**
15 **AGREEMENT?**

16 A. Yes. TWDA applied for cancellation of the Final CC&N in docket no. W-02350A-13-
17 0312 ("Cancellation Case"), which is now consolidated with the TWDA Rate Case, the Hydro
18 PSC Case, and the Anasazi PSC Case. TWDA has participated in providing notice to its
19 customers of the Settlement Agreement and the ACC dockets now pending. The Cancellation
20 Case and the original three consolidated cases are also consolidated with the docket for Hydro's
21 application for issuance of a new CC&N (no. W-20770A-13-0313).

23 **Q. WHY DID TWDA ENTER INTO THE SETTLEMENT AGREEMENT?**

24 A. It is not in the public interest for TWDA to continue to hold the Final CC&N. Because
25 wells and a water supply have been privately owned in Tusayan for decades, TWDA would have
26 had to purchase the wells, the water, and the infrastructure from the private owners, including
27
28

1 Hydro, Anasazi, and others to consolidate the components of a water delivery system. TWDA
2 would have had to negotiate the purchase price, finance the purchase by going into debt, and
3 increase rates to service and pay back the debt. TWDA reasoned that if an entity would provide
4 service under regulated rates of the ACC, TWDA's customers would be better served and more
5 likely to obtain service at reasonable rates by passing along the administrative functions to the
6 owner or owners of the physical infrastructure of the water delivery system. TWDA has always
7 charged its customers just and reasonable rates based on the cost of obtaining water in the
8 vicinity. The ACC has authority to ensure that that practice continues by exercising its regulatory
9 authority over Hydro.
10

11 **V. CONCLUSION**

12 **Q. DO YOU HAVE ANY OTHER TESTIMONY RELATING TO THE ISSUES**
13 **DISCUSSED THAT YOU WOULD LIKE TO GIVE AT THIS TIME?**
14

15 A. No. However, I would like to reserve the right to raise and/or comment upon these and
16 other issues in pre-filed response testimony and live testimony as the need arises or based upon
17 review of the parties' testimony in this docket.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes, it does.
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EXHIBIT 1

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

1 BUD TINS
Chairman
2 JIM WEEKS
Commissioner
3 STAN AKERS
Commissioner

1-110

4 IN THE MATTER OF THE APPLICATION OF)
5 TUSAYAN WATER DEVELOPMENT ASSOCIATION,)
6 INC., AN ARIZONA NON-PROFIT PUBLIC)
7 SERVICE CORPORATION, FOR AN ORDER PRE-)
8 LIMINARY TO THE ISSUANCE OF A CERTIFICATE)
9 OF CONVENIENCE AND NECESSITY TO PRO-)
10 VIDE A DOMESTIC WATER SUPPLY TO THE)
11 RESIDENTS OF TUSAYAN, ARIZONA.)

DOCKET NO. U-2350

DECISION NO. 49808

OPINION AND ORDER

9 DATE OF HEARING: February 8, 1979
10 PLACE OF HEARING: Phoenix, Arizona
11 HEARING OFFICER: Andrew W. Bettwy
12 APPEARANCES: Mangum, Wall, Stoops & Warden, by Karl H. Mangum,
13 Attorneys for the Applicant
14 Barney Paulsen, Deputy Director, Utilities Division, for
15 the Arizona Corporation Commission

16 By an application dated December 7, 1978, Tusayan Water Development Association, Inc.
17 has applied for a certificate of convenience and necessity authorizing the provision of water
18 service as a public service corporation within the area described in the APPENDIX hereto.

19 As reflected in the application and by the testimony presented during the February 8, 1979
20 hearing, compliance with certain initial requirements of this Commission is dependent on the
21 outcome of negotiations with the Grand Canyon National Park for the purchase by contract
22 of certain waters.

23 On the basis of the record submitted in connection with the above-captioned matter, it
24 is the determination of this Commission that Tusayan Water Development Association, Inc.
25 is a fit and proper entity to receive a certificate of convenience and necessity from this
26 Commission authorizing the provision of water service within the area described in the
27 APPENDIX hereto and that the issuance of a certificate of convenience and necessity authoriz-
28 ing such service would be consistent with the best interest of the public.

29 We note that Coconino County's franchise has been received, except with respect to the
30 area described in the last paragraph of the APPENDIX hereto, and that Tusayan Water
31 Development Association, Inc. is in the process of seeking an appropriate franchise for that
32 area.

1 ACCORDINGLY, IT IS ORDERED: Subject to the receipt of the appropriate franchise
2 from Coconino County pertaining to the area described in the last paragraph of the APPENDIX
3 hereto, Tusayan Water Development Association, Inc.'s application for a certificate of con-
4 venience and necessity authorizing the provision of water service within the area described
5 in APPENDIX hereto is hereby granted.

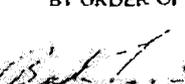
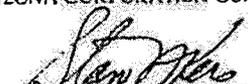
6 IT IS ORDERED FURTHER: This Decision shall constitute the certificate of convenience
7 and necessity contemplated herein.

8 IT IS ORDERED FURTHER: Prior to the commencement of the provision of water service
9 to its customers, Tusayan Water Development Association, Inc. shall comply with each and
10 every requirement of this Commission, including but not limited to the filing of a tariff and
11 the securing of appropriate Health Department approvals.

12 IT IS ORDERED FURTHER: Tusayan Water Development Association, Inc. shall at all
13 times do any and all things necessary to make appropriate disclosures to its customers, pre-
14 sent and future, regarding the rights of termination enjoyed by the Secretary of the Interior
15 which could jeopardize a continued supply of water to its customers.

16 IT IS ORDERED FURTHER: The Orders contained herein shall become effective
17 immediately.

18 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

19 
20 CHAIRMAN  COMMISSIONER  COMMISSIONER

21
22
23 IN WITNESS WHEREOF, I, G. C. ANDERSON, JR.,
24 Executive Secretary of the Arizona Corporation
25 Commission, have hereunto set my hand and caused
26 the official seal of this Commission to be affixed at
27 the Capitol in the City of Phoenix, this 28th day
28 of March, 1979.

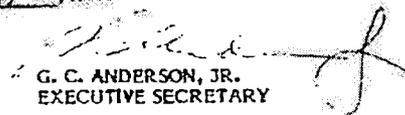
29
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32

G. C. ANDERSON, JR.
EXECUTIVE SECRETARY

EXHIBIT "A"

That portion of Coconino County, Arizona, described as follows, to-wit:

Being within Section 23 and 24, T 30 N, R 2 E, G & S R B & M, Coconino County, Arizona, the coterminous exterior boundaries of the entire composite and consolidated territory lying within the following boundaries: Beginning at a point on the north line of said Section 24, said point of beginning being Corner No. 5 of Homestead Entry Survey No. 401 (hereinafter HES 401); thence S 14° W, 1574.76 feet to Corner No. 6, HES 401; thence S 27°30' W, 1769.46 feet; thence N 68°43' W, 656.70 feet to an easterly line of said HES 401; thence along said easterly line S 47°20' N., 593.73 feet to Corner 6-C, HES 401; thence southerly along the easterly boundary of Grand Canyon National Park Airport property 3061.29 feet to a corner of said airport property; thence S 40°40'07" W, 800 feet to a corner of said airport property; thence S 40°40'07" W, 11,515.33 feet to the most southerly corner of said airport property; thence N 49°19'53" W, 2,400 feet to the most westerly corner of said airport property; thence N 40°40'07" E, 15,993.57 feet to the most northerly corner of said airport property; thence N 49°47' W 471.21 feet to Corner 9, HES 401; thence N 48°20' W, 1198.56 feet to Corner 10, HES 401; thence N 48°20' W 1119.36 feet to Corner 11, HES 401; thence North, 330 feet to Corner 12, HES 401; thence S 58°50' E, 972.84 feet to Corner 1, HES 401; thence S 58°50' E, 1506.12 feet to Corner 2, HES 401; thence North 74°18' E, 1077.12 feet to Corner 3, HES 401; thence N 52°02' E, 2092.86 feet to Corner 4, HES 401; a point on said north line of Section 24; thence along said north section line, N 89°32' E, 458.70 feet to the point of beginning;

Together with MOQUI CAMP, lying within the Northeast Quarter of Section 13, and westerly of State Highway 64, and that portion of Grand Canyon National Park Airport lying within Sections 25 and 26, all in Township 30 North, Range 2 East, G & S R B & M, Coconino County, Arizona.

APPENDIX

EXHIBIT 2

BEFORE THE ARIZONA CORPORATION COMMISSION

1 BUD TIMS
Chairman
2 JIM WEEKS
Commissioner
3 JOHN AHEARN
Commissioner
4

5 IN THE MATTER OF THE APPLICATION OF)
TUSAYAN WATER DEVELOPMENT ASSOCIA-)
TION, INC., AN ARIZONA NON-PROFIT)
6 PUBLIC SERVICE CORPORATION, FOR AN)
ORDER PRELIMINARY TO THE ISSUANCE)
7 OF A CERTIFICATE OF CONVENIENCE TO)
PROVIDE A DOMESTIC WATER SUPPLY TO)
8 THE RESIDENTS OF TUSAYAN, ARIZONA.)

DOCKET NO. U-2350

DECISION NO. 50492

OPINION AND ORDER

9 BY THE COMMISSION:

10 On March 28, 1979, this Commission issued Decision No. 49808 in the
11 above-numbered and entitled matter, which granted an order preliminary to the
12 issuance of a certificate of convenience and necessity to Tusayan Water Develop-
13 ment Association, Inc. pending the filing of the appropriate franchise from
14 Coconino County pertaining to the area described in the last paragraph of the
15 APPENDIX hereto, which is required for the issuance of the certificate of
16 convenience and necessity.

17 As of the date of this order, the above-mentioned document has been filed,
18 and the Commission is of the opinion that the certificate of convenience and
19 necessity should be issued.

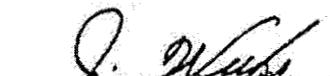
20 WHEREFORE IT IS ORDERED that this order shall constitute and be a certi-
21 ficate of convenience and necessity, pursuant to Section 40-281, Arizona Revised
22 Statutes, authorizing applicant herein to construct, operate and maintain a public
23 domestic water utility to serve water in the area described in the APPENDIX hereto.

24 IT IS FURTHER ORDERED that the remainder of Decision No. 49808 shall
25 remain in full force and effect.

26 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

27
28 
29 CHAIRMAN


COMMISSIONER


COMMISSIONER

30 IN WITNESS WHEREOF, I, G. C. ANDERSON, JR., Executive Secretary of the
31 Arizona Corporation Commission, have hereunto set my hand and caused
the official seal of this Commission to be affixed at the Capitol in
32 the City of Phoenix, this 15th day of December, 1979.

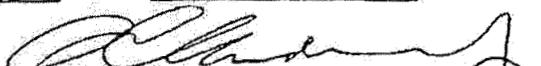

G. C. ANDERSON, JR.,
Executive Secretary

EXHIBIT "A"

That portion of Coconino County, Arizona, described as follows, to-wit:

Being within Section 23 and 24, T 30 N, R 2 E, G & S R B & M, Coconino County, Arizona, the coterminous exterior boundaries of the entire composite and consolidated territory lying within the following boundaries: Beginning at a point on the north line of said Section 24, said point of beginning being Corner No. 5 of Homestead Entry Survey No. 401 (hereinafter HES 401); thence \textcircled{S} 14° W, 1574.76 feet to Corner No. 6, HES 401; thence \textcircled{S} $27^{\circ}30'$ W, 1769.46 feet; thence \textcircled{N} $68^{\circ}43'$ W, 656.70 feet to an easterly line of said HES 401; thence along said easterly line \textcircled{S} $47^{\circ}20'$ W., 593.73 feet to Corner 6-C, HES 401; thence southerly along the easterly boundary of Grand Canyon National Park Airport property 3061.29 feet to a corner of said airport property; thence \textcircled{S} $40^{\circ}40'07''$ W, 800 feet to a corner of said airport property; thence \textcircled{S} $40^{\circ}40'07''$ W, 11,515.33 feet to the most southerly corner of said airport property; thence \textcircled{N} $49^{\circ}19'53''$ W, 2,400 feet to the most westerly corner of said airport property; thence \textcircled{N} $40^{\circ}40'07''$ E, 15,993.57 feet to the most northerly corner of said airport property; thence \textcircled{N} $49^{\circ}47'$ W 471.21 feet to Corner 9, HES 401; thence \textcircled{N} $48^{\circ}20'$ W, 1198.56 feet to Corner 10, HES 401; thence \textcircled{N} $48^{\circ}20'$ W 1119.36 feet to Corner 11, HES 401; thence North, 330 feet to Corner 12, HES 401; thence \textcircled{S} $58^{\circ}50'$ E, 972.84 feet to Corner 1, HES 401; thence \textcircled{S} $58^{\circ}50'$ E, 1506.12 feet to Corner 2, HES 401; thence North $74^{\circ}18'$ E, 1077.12 feet to Corner 3, HES 401; thence \textcircled{N} $52^{\circ}02'$ E, 2092.86 feet to Corner 4, HES 401; a point on said north line of Section 24; thence along said north section line \textcircled{N} $89^{\circ}32'$ E, 458.70 feet to the point of beginning;

Together with MOQUI CAMP, lying within the Northeast Quarter of Section 13, and westerly of State Highway 64, and that portion of Grand Canyon National Park Airport lying within Sections 25 and 26, all in Township 30 North, Range 2 East, G & S R B & M, Coconino County, Arizona.

APPENDIX

SHORALL MCGOLDRICK BRINKMANN
702 North Beaver Street
Flagstaff, Arizona 86001

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Bob Stump – Chairman
Gary Pierce
Brenda Burns
Bob Burns
Susan Bitter Smith

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

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

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

IN THE MATTER OF THE APPLICATION OF
TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR CANCELLATION
OF CERTIFICATE OF CONVENIENCE AND
NECESSITY DOCKET NO. W-02350A-13-0312

IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER
SERVICE. DOCKET NO. W-20770A-13-0313

ANASAZI WATER COMPANY, LLC'S NOTICE OF FILING TESTIMONY

Anasazi Water Company, LLC, by and through its undersigned counsel hereby
files the testimony of Manager Pamela Fain in support of the settlement in the above-
captioned matter.

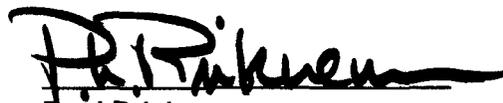
EXHIBIT
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Anasazi-1
admitted 6-4-14

SHORALL MCGOLDRICK BRINKMANN
702 North Beaver Street
Flagstaff, Arizona 86001

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RESPECTFULLY SUBMITTED this 10th day of April, 2014.

Shorall McGoldrick Brinkmann



Paul Brinkmann
702 N. Beaver Street
Flagstaff, AZ 86001
Attorney for Anasazi Water Company, LLC

An original and thirteen (13) copies of the foregoing were delivered this 10th day of April, 2014 to:

Docketing Supervisor
Docket Control Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

A copy of the foregoing was mailed this 10th day of April, 2014 to:

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Ryan J. Lorenz
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Scottsdale, AZ 85254
Attorneys for Tusayan Water
Development Association, Inc.

Garry D. Hays
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Two North Central Avenue, Suite 2200
Phoenix, AZ 85004-4406
Attorneys for Hydro-Resources, Inc.

William J. Simms III
SIMS MURRAY, LTD.

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Flagstaff, Arizona 86001

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- 3 Will Wright
Town Manager
- 4 TOWN OF TUSAYAN
P.O. Box 709
- 5 Tusayan, AZ 86023

- 6 Michael W. Patten
Timothy J. Sabo
- 7 ROSHKA, DEWULF & PATTEN, PLC
One Arizona Center
- 8 400 East Van Buren Street, Suite 800
Phoenix, AZ 85004
- 9 Attorneys for Squire Motor Inns, Incorporated

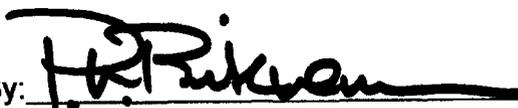
- 10 Janice Alward, Chief Counsel
Legal Division
- 11 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
- 12 Phoenix, AZ 85007

- 13 Steven M. Olea, Director
Utilities Division
- 14 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
- 15 Phoenix, AZ 85007

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By: 

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SHORALL MCGOLDRICK BRINKMANN
702 North Beaver Street
Flagstaff, Arizona 86001

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DIRECT TESTIMONY
OF
PAMELA FAIN
MANAGER OF ANASAZI WATER COMPANY, LLC
IN SUPPORT OF SETTLEMENT AGREEMENT

SHORALL MCGOLDRICK BRINKMANN
702 North Beaver Street
Flagstaff, Arizona 86001

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I. Introduction

Q. PLEASE STATE YOUR NAME, COMPANY, AND TITLE.

A. My name is Pamela Fain. I am the manager for Anasazi Water Company, LLC ("Anasazi").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the proposed settlement agreement between Anasazi, the Arizona Corporation Commission Utilities Division ("Staff"), Hydro-Resources, Inc. ("Hydro"), Town of Tusayan Arizona ("Town"), Squire Motor Inns, Inc. ("Squire") and Tusayan Water Development Association, Inc. ("TWDA") (collectively referred to as "Signatory Parties") filed on August 13, 2013 in this proceeding. In supporting the proposed Settlement Agreement, I discuss the settlement process, as well as the terms of the Settlement Agreement and the public interest.

II. Settlement Process

Q. PLEASE PROVIDE A SUMMARY OF THE PROCEEDING LEADING UP TO THE SETTLEMENT.

A. On March 28, 1979, the Arizona Corporation Commission issued a CC&N to TWDA, which authorized it to provide water service in the Tusayan, Arizona area. At the time, the TWDA CC&N was appropriate for the provision of water to customers in the unincorporated community of Tusayan. Over the years, Tusayan grew, and the TWDA CC&N became problematic as it provided unequal rates to customers in the same CC&N.

On April 29, 2010, TWDA filed a rate application, Docket No. W-02350A-10-0163, with the Arizona Corporation Commission ("Commission"). At the time, TWDA purchased water from two wholesale providers, Hydro and Anasazi. Although TWDA held the CC&N, Staff was concerned that Hydro and Anasazi were acting as public

1 service corporations, and TWDA was acting as their billing agent. Staff therefore
2 asked the companies to either file for a CC&N or apply to be adjudicated not a public
3 service corporation.

4 Both Hydro and Anasazi applied to be adjudicated not a public service
5 corporation, and the adjudications and rate applications were consolidated
6 (collectively "ACC Adjudication"). Since that time, numerous procedural conferences
7 have been held. Tusayan Ventures, LLC, the Town and Squire have all been
8 granted leave to intervene in the ACC Adjudication. Although originally engaged,
9 Tusayan Ventures, LLC ultimately decided not to participate in this Settlement.

10 On August 13, 2013, TWDA, Anasazi, Hydro, the Town, and Staff entered into
11 a Settlement Agreement designed to resolve the parties' differences by simplifying
12 the provision of water utility service in the town.

13 **Q. WHICH PARTIES PARTICIPATED IN THE SETTLEMENT NEGOTIATIONS?**

14 A. Since the goals of the negotiations changed over time, each party's level of
15 involvement changed accordingly. TWDA, Anasazi, Hydro, the Town, and Staff have
16 all actively participated in the settlement negotiations from their inception in 2010 until
17 the settlement agreement entered in August 2013.

18 **Q. PLEASE DESCRIBE THE SETTLEMENT NEGOTIATIONS.**

19 A. The settlement negotiations were open, transparent, and inclusive. Each party
20 was given an equal opportunity to participate and express their respective positions
21 and their desired result. As is the nature of settlement negotiations, no single party
22 received everything they wanted. Yet there was a genuine desire and commitment
23 on the part of all of the signatory parties to reach a compromise in the best interests
24 of all parties.

25 **Q. WHAT WAS THE OUTCOME OF THE SETTLEMENT NEGOTIATIONS?**

A. Anasazi was able to come to an agreement on all of the issues with the major
participants that were directly involved (i.e. Staff, Hydro and TWDA). Additionally, the

1 other parties, the Town and Squire, both participated and have agreed to the terms
2 and conditions of the settlement agreement. If approved by the Commission, the
3 agreement will consolidate the water delivery infrastructure into a single system that
4 is owned, managed, and controlled by Hydro. The agreement requires, among other
5 things, that: (1) Anasazi will terminate its existence and convey to Hydro certain
6 physical plant and property, and other miscellaneous equipment; (2) Hydro will apply
7 for a CC&N covering the area currently within TWDA's CC&N; (3) TWDA will apply
8 for cancellation of its CC&N, and (4) Hydro and Anasazi will transfer certain assets to
9 Red Feather Properties Limited Partnership ("RFP") to allow it to serve itself. The
10 settlement negotiations produced results that benefit all parties, are in the public
11 interest, and are just and reasonable.

11 **III. Terms of the Settlement Agreement**

12 **Q. WHAT ARE THE MAJOR TERMS OR PROVISIONS OF THE SETTLEMENT**
13 **AGREEMENT?**

14 A. The following terms are contained in the proposed Settlement Agreement:

- 15 • Anasazi will transfer to Hydro certain assets that will be necessary
16 for Hydro to provide water service, including physical plant and
17 property, water distribution lines and meters, and easements and
18 rights-of-way. Anasazi will dissolve, wind up and terminate its
19 existence.
- 20 • TWDA will apply for deletion/cancellation of its CC&N and Hydro will
21 file an application for a new CC&N covering generally the same area
22 and providing service to TWDA's existing customers in the Certified
23 Area except for the property owned by RFP, which shall provide
24 water to itself.
- 25 • Hydro will acquire from Anasazi the physical plant and property, and
property rights described above. It will provide service to customers

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currently served by TWDA in the Tusayan area except for the RFP campus. Hydro will also transfer to RFP the water distribution lines and fire hydrants located on the RFP campus to allow it to serve itself.

- Additionally, Squire and Hydro shall enter into a new contract or amend their existing water supply contract to ensure that Squire is a private, stand-alone point of service that sells water to Hydro.

IV. Public Interest

Q. PLEASE EXPLAIN WHY THE COMMISSION'S APPROVAL OF THE SETTLEMENT AGREEMENT RESULTS IN RATES, CHARGES AND CONDITIONS OF SERVICE THAT ARE JUST AND REASONABLE AND IN THE PUBLIC INTEREST.

A. In my opinion, the Agreement is fair, balanced and in the public interest. Hydro is an established entity with the ability to service the CC&N. It will continue to serve the customers of the CC&N with no foreseeable issues. The proposed settlement balances the interests of TWDA, Anasazi, and Hydro and the ratepayers in the CC&N by creating a single utility with uniform rates. Hydro will have the tools and financial health to provide safe, adequate, and reliable service, while complying with Commission requirements at just and reasonable rates.

Q. DOES THAT CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE AGREEMENT?

A. Yes.

1 COMMISSIONERS

2 Gary Pierce – Chairman

3 Bob Stump

4 Sandra D. Kennedy

5 Paul Newman

6 Brenda Burns

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE APPLICATION
9 OF TUSAYAN WATER DEVELOPMENT
10 ASSOCIATION, INC. FOR
11 ESTABLISHMENT OF RATES FOR
12 WATER SERVICE.

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

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

DOCKET NO. W-20770A-10-0473

21 **PRE-FILED DIRECT TESTIMONY OF JOHN W. RUETER**
22 **ON BEHALF OF HYDRO-RESOURCES, INC.**

23 **JUNE 20, 2011**

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TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

EXHIBIT
Hydro-1
admitted 6-4-14

6-20-11

1 **Q. Please give us your name, employer and occupation?**

2 A. My name is John W. Rueter, and I am employed by Hydro-Resources, Inc.
3 (“Hydro”) as President and CEO.

4 **Q. Please describe your work experience, educational background and**
5 **professional affiliations.**

6 A. I first became employed by Hydro in 1995, at which time I had the title of General
7 Manager. I currently hold the position of President and CEO, which I have held
8 since 1999. I am the certified operator for Hydro and oversee all maintenance and
9 operation of Hydro’s assets.

10 After receiving my high school degree in Missouri in 1970, I moved to the Grand
11 Canyon area in 1972. I have lived in the Tusayan area for more than 20 years,
12 during the periods of 1973-1980 and 1995 to the present. I have had extensive
13 experience in the water service industry, including construction of water lines,
14 water tanks and wells in northern Arizona, as well as driving water trucks. I have
15 Grade 4 operator certificates from ADEQ in water distribution, water treatment and
16 wastewater treatment, as well as a Grade 3 certificate in water treatment. I also
17 served as chairman of the South Grand Canyon Sanitary District for four years, and
18 I am currently a member of the Town Council for the Town of Tusayan.

19 **Q. What issues will you address in your testimony?**

20 A. I will describe Hydro’s history and assets in Tusayan, Arizona; identify Hydro’s
21 sources of water; and explain Hydro’s relationship with other entities such as the
22 Squire Motor Inns, Inc. (“Squire”), the Tusayan Water Development Association,
23 Inc. (“TWDA”), Anasazi Water Company (“Anasazi”) and the other customers of
24 TWDA’s in Tusayan. Finally, I will explain why Hydro should not be considered a
25 public service corporation under Arizona law.

26 **Q. Will you be sponsoring any exhibits with your direct testimony?**

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- 1 A. Yes. I will be sponsoring the exhibits listed on the attached Exhibit List, with the
- 2 exhibits themselves following the Exhibit List in tabbed order:
- 3 A. Map of Hydro's water-related assets in Tusayan ("Hydro Assets");
- 4 B. Map of non-Hydro water-related assets in Tusayan ("Non-Hydro Assets");
- 5 and
- 6 C. Map showing all water-related assets in Tusayan.
- 7 D. List of Hydro's Assets.

8 These maps were prepared from a survey Hydro had conducted of the physical area
9 of the Town of Tusayan, including plotting the water lines and related production
10 and distribution assets, in February, 2011. The survey was conducted by Alisa
11 Templeton, a Registered Land Surveyor with Extreme Measures Land Surveys, Inc.
12 in Flagstaff, Arizona. The data inserted on the survey map is based on information
13 taken from Hydro's business records, and from my personal knowledge based on
14 continuous, first-hand field observation of the matters depicted on the maps. The
15 information overlaid on the survey was prepared directly by me or by Hydro's part-
16 time staff.

17 **Q. In your years with Hydro, have you become familiar with the Company's**
18 **history, assets and operations in Tusayan, Arizona?**

19 A. Yes, I have. During my 16 years of working for Hydro, I have become very
20 familiar with the Company's history, assets and operations. I helped build and
21 install many of the times of physical plant and property. In addition, I have
22 managed Hydro's operations and assets on a daily basis for 16 years. I have
23 participated in virtually all ADEQ inspections of the Hydro assets, and have
24 prepared all reports and testing for ADEQ. I have also submitted all required meter
25 readings and related information to Hydro's customer, TWDA, over these years.

26 **Q. Briefly describe Hydro formation and history.**

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1 A. Hydro is an Arizona corporation created on April 7, 1994. Its original purpose and
2 function was to explore for and secure additional water resources for private
3 businesses owned or operated by Hydro's ownership in Tusayan. Hydro is not the
4 certificated water provider in the Tusayan area and Hydro has never sought a CCN
5 in the Tusayan area. Hydro does not provide water directly to any retail customer in
6 Tusayan. Rather, the certificated water provider in the Tusayan area is TWDA, an
7 entity completely unrelated to Hydro, that had existed as the certificated water
8 provider in Tusayan for many years before Hydro was even created. TWDA was
9 formed in September 1978, and holds a Certificate of Convenience and Necessity
10 ("CCN") from the Commission that was granted in 1979, approximately 15 years
11 before Hydro was even formed. *See* Decision No. 50492 (December 13, 1979).
12 Hydro has always recognized the role of TWDA as the CCN holder and water
13 service provider in Tusayan.

14 As the roles have developed over the years, Hydro's original role of providing water
15 strictly for its related business uses transitioned to a circumstance where Hydro
16 provides water, generally through facilities owned by Hydro or its owners, to
17 TWDA, which in turn sells water received from Hydro to TWDA's customers.
18 TWDA bills its own customers directly for that commodity. There are 32 service
19 connections by which TWDA delivers water developed by Hydro to TWDA's
20 customers.

21 **Q. Briefly describe Hydro's assets in the area of Tusayan, Arizona.**

22 A. Hydro owns one well (with related structures, and pumping and treatment
23 equipment), one storage tank, various segments of transmission and distribution
24 mains and a tanker truck, as well as a number of meters, fire hydrants, tools, pumps,
25 and office equipment, as generally described below:

26 Well and Related Equipment. Hydro owns one well (ADWR # 55-542928) which
27 was drilled in 1994 and is located on land leased from Hydro's owners. The well is
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approximately 3,200 feet deep and produces 65-80 gallons per minute. The well is equipped with a 75 horsepower pump and liquid chlorination equipment, and is surrounded by a security fence. During the 13 month period of Feb. 2010 to Feb. 2011, the well produced more than 23.5 million gallons of water. The location of Hydro's well (which is known as "Tusayan #2") is identified on Exhibit A to this testimony.

Storage Tank. Hydro owns one 525,000 gallon storage tank built in 1975 and located on land leased from the Squire southeast of Tusayan. (Squire in turn has a special use permit for the land from the U.S. Forest Service.) Hydro also owns a fire pump, pump house, control shed, and various electrical equipment located near this tank site, which is surrounded by a security fence. In addition to this 525,000 gallon storage tank, which it owns, Hydro leases 2 million gallons of storage capacity in a 3 million gallon storage tank separately owned by Squire. The locations of the two storage tanks are identified on Exhibit A to this testimony.

Transmission and Distribution Mains. Hydro owns twelve segments of transmission and distribution mains, installed from approximately 1984 to 2000, and totaling 11,808 feet, as listed below:

- Segment B: 1113 feet of Schedule 40, 8" pipe. This segment runs north along the east side of Highway 64 from the Squire Inn to the McDonald's.
- Segment C: 732 feet of C-900 PVC, 8" pipe. This segment also runs north along the east side of Highway 64, from McDonald's to the IMAX highway crossing.
- Segment D: 480 feet of Schedule 40, 8" pipe. This segment runs from Segment B west under Highway 64 to serve the IMAX Theatre and Canyon Plaza.

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- Segment E: 1351 feet of Schedule 40, 6” pipe. This segment runs north along Highway 64 from the IMAX crossing to Halvorson Mobile Home Park.
- Segment F: 313 feet of C-900 PVC, 4” pipe. This segment connects with Segment E at Halvorson Mobile Home Park and goes south to connect with a meter vault at Grand Canyon Camper Village.
- Segment G: 400 feet of Schedule 40 2” pipe. This segment connects with Segment F at the corner of Grand Canyon Camper Village and runs east to connect with structures owned by Logan Luca, LLC.
- Segment H: 2022 feet of Schedule 40, 6” pipe. This segment connects at the Squire Inn and then runs west to connect with the Canyon Pines mobile home area.
- Segment I-1: 532 feet of Schedule 40, 8” pipe. This segment extends from Segment H further to the Canyon Pines interior, along the lower level of the mobile home park.
- Segment I-2: 820 feet of Schedule 40, 8” pipe. This segment extends from Segment H further to the Canyon Pines interior, along the upper level of the mobile home park.
- Segment J: 727 feet of C-900 PVC, 8” pipe. This segment connects Segment H and heads roughly north to connect with Canyon View housing and other entities.
- Segment K: 318 feet of C-900 PVC, 8” pipe. This segment connects Hydro’s well, Tusayan #2, through mains owned by Canyon Plaza.
- Segment L: 430 feet of C-900 PVC, 4” pipe. This segment from the Squire’s loop connects with the Arizona Department of Transportation’s water facilities at the Grand Canyon National Park Airport.

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(602) 364-7000

1 The segments of mains owned by Hydro are shown on Exhibit A, attached to this
2 testimony. All other sections of transmission and distribution mains in the Tusayan
3 area are owned by other parties.

4 Meters. Hydro owns 24 meters in the Tusayan area. All other meters are owned by
5 other parties.

6 Fire Hydrants. Hydro owns 6 fire hydrants in the Tusayan area, all of which are
7 shown on Exhibit A. All other fire hydrants are owned by other parties.

8 Other Significant Assets. In addition to the assets discussed above, Hydro owns a
9 semi-truck and tanker for hauling water, a backhoe, various structures associated at
10 the well site and storage tank site, tools and work equipment, and office equipment.
11 As noted above, Hydro's well, storage tank and transmission and distribution lines
12 are identified on Exhibit A, attached to this testimony. Hydro has also listed its
13 assets in more detail in Exhibit 1 attached to its March 31, 2011 Responses to Data
14 Requests served by the Staff of the Commission. A slightly amended version of
15 that Asset List is attached as Exhibit D and adopted as part of my testimony.

16 **Q. Besides the well owned by Hydro, does the Company get water from any other**
17 **source?**

18 A. Yes. Hydro also has the right to purchase surplus water from Squire at the price of
19 \$.01772 per gallon, pursuant to a contract with Squire.

20 **Q. Describe Hydro's relationship with Squire.**

21 A. Hydro and Squire are separate companies with common ownership. As noted
22 above, Squire owns a 3 million gallon storage tank. Hydro leases 2 million gallons
23 of that storage capacity. Squire also owns a well, ADWR # 55-523284 (known as
24 Tusayan #1) which produces the water purchased by Hydro from Squire. Squire
25 also owns an individual water distribution system serving itself by linking its well
26 and storage tank to lines providing water service to the Grand Canyon Squire Inn.
27
28

1 The locations of Squire's well, tank and distribution system are identified on
2 Exhibit B.

3 **Q. Is Hydro in compliance with all regulations of the Arizona Department of**
4 **Environmental Quality?**

5 A. Yes. Hydro is in compliance with all ADEQ regulations. The ADEQ considers
6 Hydro, together with Squire and other privately-owned systems, to be a single water
7 "system" for environmental regulatory purposes, although the collection of assets is
8 separately owned, has no certificate of convenience and necessity to provide
9 service, and is not a "system" in any real sense.

10 **Q. How does Hydro handle repairs to and maintenance of its water-related**
11 **assets?**

12 A. Hydro is responsible for repair and maintenance of all assets owned by Hydro,
13 including its water lines, well and storage tank. If maintenance or repair is needed
14 on a water line on private property belonging to another person or entity, that party
15 is responsible for the necessary maintenance and repair to its own assets.

16 **Q. How does Hydro pay for its operating expenses?**

17 A. There was an initial capital contribution by Hydro's owners when Hydro was
18 formed. Since that time, Hydro's operations in Tusayan, including repair and
19 maintenance, insurance, salaries, and so on have been funded by the payments
20 received by Hydro from TWDA for bulk, wholesale water Hydro has sold to
21 TWDA.

22 **Q. Is Hydro involved in bringing any new customers onto service?**

23 A. No. If and when Hydro receives an inquiry from a party seeking water service,
24 Hydro refers them to TWDA. Hydro understands that TWDA will require the
25 prospective customer to pay membership fee. Hydro's role is then limited to
26 occasional consultations with the TWDA customer's engineers or contractors
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1 concerning water line connections, the individual setting of meters by the TWDA
2 customer, or similar issues.

3 **Q. Does Hydro have any interaction with current customers of TWDA?**

4 A. Hydro may interact with a current customer of TWDA to the extent that the
5 customer has questions about connections to a Hydro-owned line, or about water
6 quality testing results and consumer confidence reports required by ADEQ.

7 **Q. Besides Hydro, does TWDA get water from any other sources?**

8 A. Yes. Hydro is not the only entity that sells water to TWDA. TWDA also purchases
9 water from Anasazi Water Co., L.L.C.

10 **Q. Explain the basis for your knowledge regarding Anasazi Water Company.**

11 A. During the 16 years I have worked for Hydro, I have had frequent opportunity to
12 visit Anasazi's assets and interact with Anasazi's personnel. Hydro has one
13 interconnection with Anasazi's assets, at the request of TWDA.

14 **Q. What is your knowledge about the assets and operations of Anasazi?**

15 A. Anasazi operates as a separate holder of water-related assets that was originally set
16 up to serve the Red Feather Lodge and was later expanded to serve various separate
17 businesses associated with either the Red Feather Lodge or its owners. Anasazi
18 owns one well, ADWR 55-560179, located on land owned by the owners of the Red
19 Feather; a 400,000 gallon storage tank located on United States Forest Service land;
20 and a 3,000 feet distribution line serving the Red Feather Lodge and approximately
21 eight other businesses.

22 Anasazi's well is currently out of service and its future is questionable. Anasazi has
23 chosen to haul in water from Valle, Arizona, by tanker trucks, which are unloaded
24 at a hauled water booster station owned by Anasazi. Anasazi provides only
25 domestic water to its service connections, and has no fire protection capabilities.
26 The locations of Anasazi's well, tank site, booster station and distribution system
27 are identified on Exhibit B.

28

1 **Q. Do you believe that Hydro is a public service corporation?**

2 A. No, it is not.

3 **Q. Explain the basis for your position that Hydro is not a public service**
4 **corporation.**

5 A. The most significant fact is that Hydro does not directly sell water to any member
6 of the public in Tusayan. Rather, Hydro sells water on a bulk, wholesale basis to
7 TWDA, the regulated CCN holder in the Tusayan area. TWDA then directly sells
8 water to its customers in Tusayan. Because Hydro does not directly sell water to
9 any member of the public, it should not be considered a public service corporation
10 as that phrase is defined in Arizona law.

11 Hydro also should not be considered a public service corporation under any of the
12 other factors considered when deciding this issue. Because Hydro does not sell
13 water directly to the public, its actions do not affect the public in a way which
14 requires Commission regulation and oversight (other than the existing oversight
15 over TWDA, the CCN holder, itself). In addition, the fact that the Commission
16 oversees TWDA, the CCN-holder in the Tusayan area, indicates that the
17 Commission can protect the interests of the public in that manner. Hydro has not
18 dedicated any of its property to the public use. Rather, Hydro uses its water
19 production and distribution assets for its own private purposes, and sells water to
20 TWDA (as does other sellers). Hydro's articles of incorporation do not indicate that
21 it was intended to operate as a public service corporation. Hydro has never sought
22 to monopolize a territory or maintain a monopoly over a commodity; instead,
23 TWDA holds the CCN for Tusayan and has a monopoly over the provision of water
24 service within that territory. Hydro does not accept requests for water service from
25 the public. Instead, members of the public request water service from TWDA, the
26 regulated water service provider. Hydro does not have any contracts with the
27 public, and may chose to refuse to allow any of its private assets to be used in the
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provision of TWDA's water service to the public who may request water. Finally, Hydro does not compete with TWDA or any other public service corporation.

Q. Does this complete your prepared direct testimony?

A. Yes.

EXHIBITS

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- A. Map of Hydro's Assets in Tusayan ("Hydro Assets")
- B. Map of non-Hydro water-related assets in Tusayan ("Non-Hydro Assets")
- C. Map showing all water-related assets in Tusayan.
- D. Asset List

TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

Exhibit A

HYDRO LINES ONLY



THIS PLAN IS A COMPILED OF THE ESCROW COUNTY OF MAP
 AN OLD-TIME TOPOGRAPHIC MAP AND EXISTING WATERLINE VALVES,
 METER AND WATERMETER,
 8 MARCH 2010



-  = Hydro Owned Lines
-  = Hydro's Well
-  = Hydro's Tank
-  = Hydro's Hydrant

WATER SYSTEM LAYOUT OF TUCSON, ARIZONA

EXTREME MEASURES LAND SURVEYS, INC
 18800 NIGHTMARE LANE FLAGSTAFF ARIZONA 86001
 920-630-3801

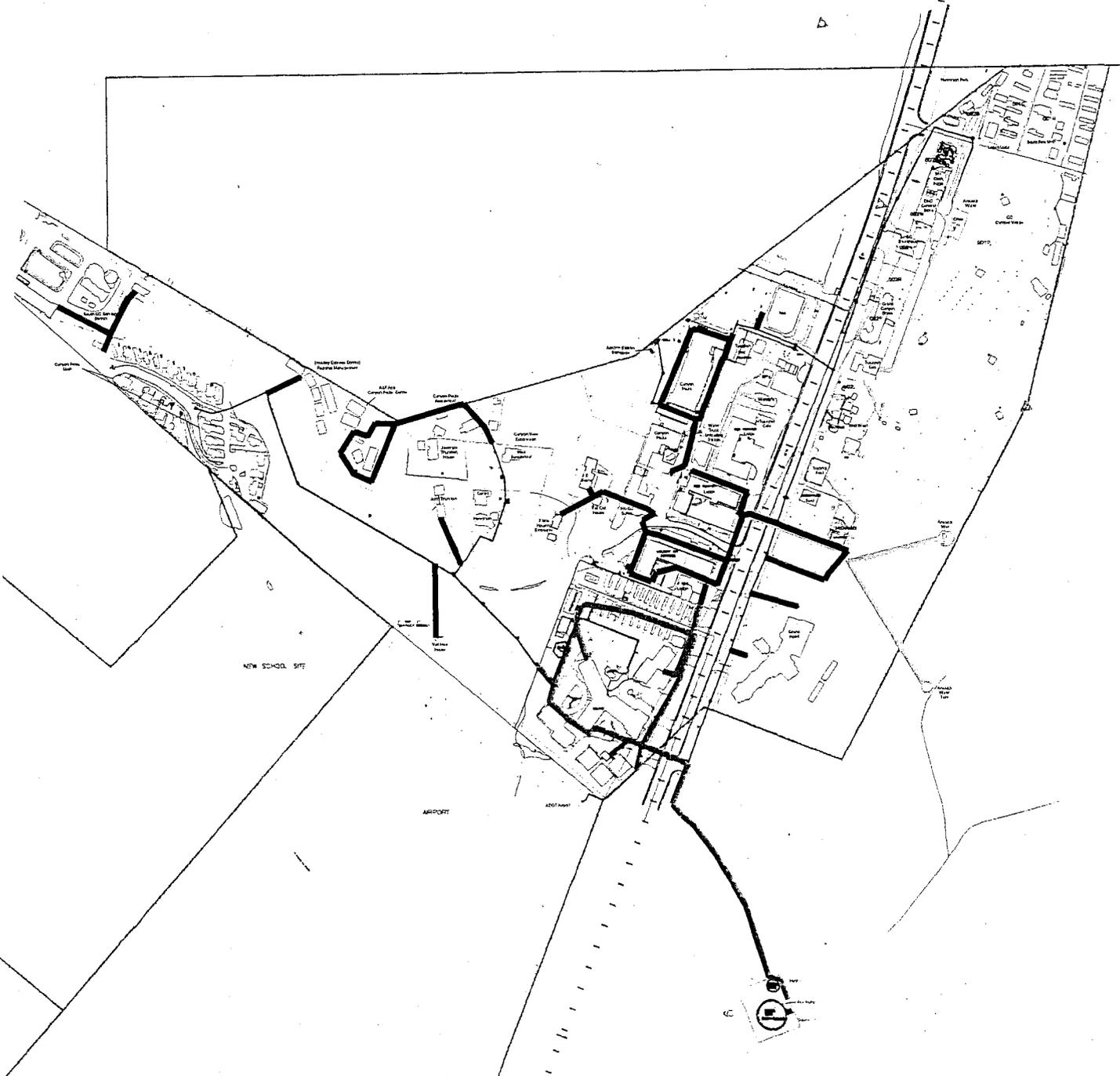
DATE: 3/10/10
DRAWN BY: J. HARRIS
CHECKED BY: J. HARRIS
DATE: 3/10/10
SCALE: AS SHOWN

Exhibit B

ALL NON-HYDRO LINES



THIS PLAN IS A COMPLETION OF THE RECORDS COUNTY OF MARICOPA, ARIZONA, AND IS SUBJECT TO THE RECORDS OF THE COUNTY OF MARICOPA, ARIZONA, AND THE RECORDS OF THE COUNTY OF MARICOPA, ARIZONA.



-  = Anasazi
-  = Squire
-  = Intraproperty

WATER SYSTEM LAYOUT OF TUSAYAN, ARIZONA

EXTREME MEASURES LAND SURVEYS, INC.
 18000 REDKEYLIFE LANE FLAGSTAFF, ARIZONA 86004
 909-422-2888

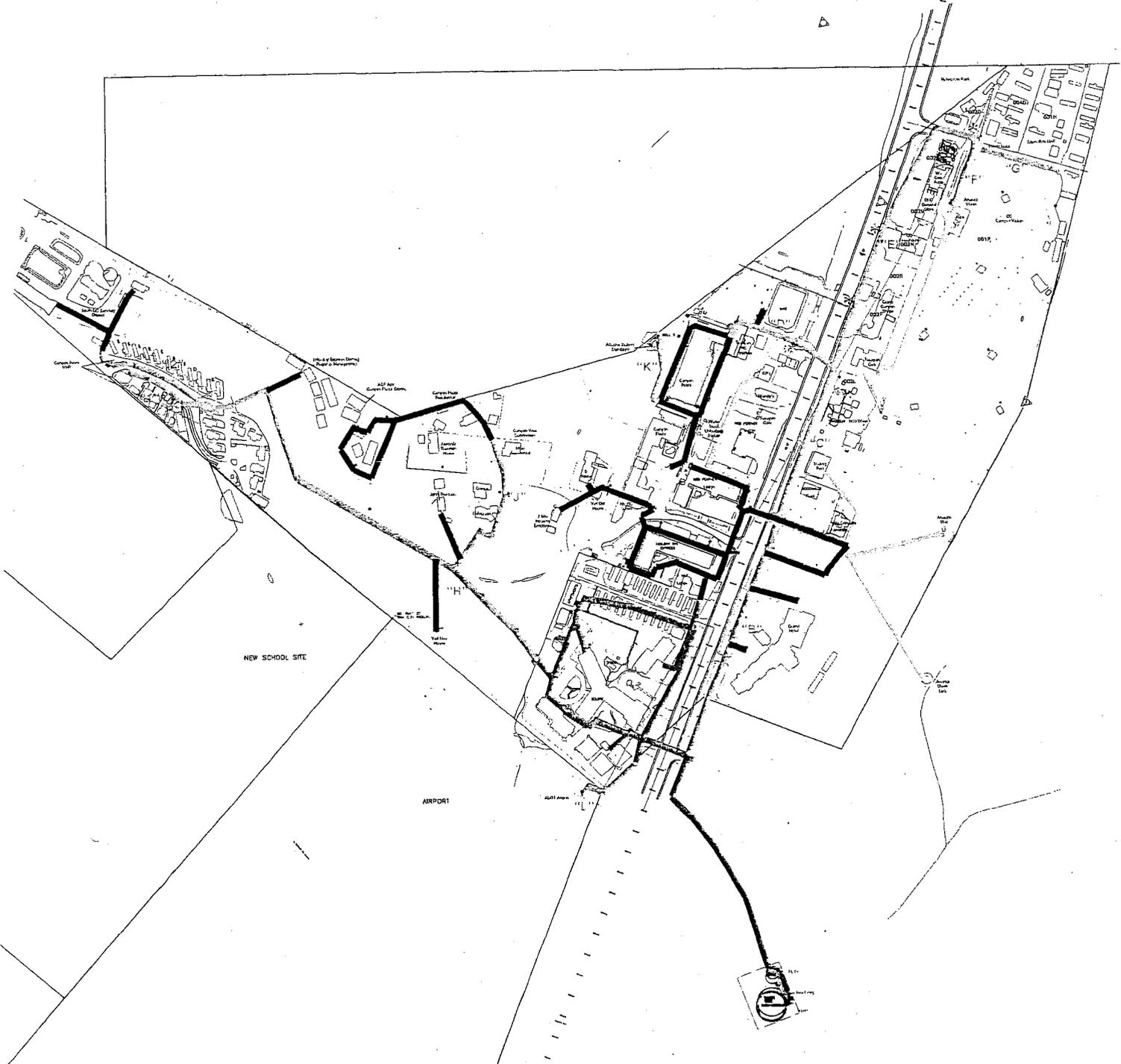
Exhibit C

ALL TUSAYAN LINES



0 150' 300' 450'

THIS PLOT IS A COMPILED OF THE COCHISE COUNTY GIS MAP
 AN OLDER TOPOGRAPHIC MAP AND EXISTING WATERLINE MAPS.
 VECTORS AND WATERLINES
 8 MARCH 2010



	= Hydro Owned Lines		= Anasazi
	= Hydro's Well		= Squire
	= Hydro's Tank		= Intraproperty Owned by Others
	= Hydro's Hydrant		

Exhibit D

Hydro Resources, Inc.				
Plant-in-Service				
Acct. No.	Plant Facilities	Year Installed	Owned By	Costs
301	Organization	1994		
302	Franchise – none	None	None	
303	Land & Land Rights			
	Well Site #2 (55-542928) Land Lease from Halvorson Seibold		Hydro Resources lease	\$1,500/mo.
	Tank Site – Land Lease from Squire Inn		Hydro Resources lease	
304	Structures & Improvements			
	Well #2(55-542928) – well houses	2006	Hydro-Resources	\$16,000
	Well #2 (55-542928)– fencing	1994	Hydro-Resources	
	Well #2 (55-542928)– standpipe	2006	Hydro-Resources	\$500
	Tank Site – fire pump house	1998	Hydro-Resources	\$150,000
	Accessory Meter/Valve House	1998	Hydro-Resources	
307	Wells & Springs			
	Well #2 (55-542928)– 12" x 3,200 feet, 65-80 gpm.	1994	Hydro-Resources	\$400,000
311	Electric Pumping Equip.			
	Well #2 (55-542928)– 75-Hp well pump at 65 GPM thru 3" meter	2006	Hydro-Resources	\$68,000
320	Water Treatment Equip.			
	Well #2 (55-542928)– Liquid chlorination –chemical pump	2009	Hydro-Resources	\$900.
330	Dist. Reservoir & Standpipe			
	525,000 gallon storage tank	1975	Hydro-Resources	
	Hydro-Resources leases 2 million gallons of storage capacity in a 3 million gallon tank owned by Squire	1991	Hydro-Resources lease	
331	Transmission & Dist. Mains – 9,238 total feet			
	Segment B: 1113 feet of Schedule 40, 8" pipe	1986	Hydro-Resources	
	Segment C: 732 feet of C-900 PVC, 8" pipe	1997	Hydro-Resources	
	Segment D: 480 feet of Schedule 40, 8" pipe	1986	Hydro-Resources	
	Segment E: 1351 feet of Schedule 40, 6" pipe	1992	Hydro-Resources	
	Segment F: 313 feet of C-900 PVC, 4" pipe	2000	Hydro-Resources	
	Segment G: 400 feet of Schedule 40 2" pipe	1984	Hydro-Resources	
	Segment H: 2022 feet of Schedule 40, 6" pipe	1984	Hydro-Resources	
	Segment I-1: 532 feet of Schedule 40, 8" pipe	1984	Hydro-Resources	
	Segment I-2: 820 feet of Schedule 40, 8" pipe	1984	Hydro-Resources	
	Segment J: 727 feet of C-900 PVC, 8" pipe	2000	Hydro-Resources	
	Segment K: 318 feet of C-900 PVC, 8" pipe	1984	Hydro-Resources	
	Segment L: 430 feet of C-900 PVC, 4" pipe	2000	Hydro-Resources	
	5 Road Crossings	1975, 1986, 2000, 2011	Hydro-Resources	
333	Services – One customer, Tusayan Water Development Association, with 32 service connections			
334	Meters – total 24 meters (other meters owned by other parties)			
	11 – 2" meters		Hydro-Resources	
	6 – 1" meters		Hydro-Resources	
	3 – 5/8" meters		Hydro-Resources	
	2 – 3" meters		Hydro-Resources	
	1 – 1.5" meter		Hydro-Resources	

BRIAN CAVE LLP
TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

1 **ORIGINAL and 13 COPIES** of the
2 foregoing filed this 20th day of June,
3 2011, with:

4 Docket Control Division
5 Arizona Corporation Commission
6 1200 W. Washington
7 Phoenix, AZ 85007

8 **COPY** of the foregoing hand-delivered
9 this 20th day of June, 2011, to:

10 Hearing Division
11 Arizona Corporation Commission
12 1200 W. Washington
13 Phoenix, AZ 85007

14 Steven M. Olea
15 Director, Utilities Division
16 Arizona Corporation Commission
17 1200 W. Washington
18 Phoenix, AZ 85007

19 Janice Alward, Esq.
20 Chief Counsel, Legal Division
21 Arizona Corporation Commission
22 1200 W. Washington
23 Phoenix, AZ 85007

24 **COPY** of the foregoing mailed this
25 20th day of June, 2011, to:

26 Russell A. Kolsrud
27 Ryan J. Lorenz
28 Clark Hill PLC
14850 N. Scottsdale Road, Suite 500
Scottsdale, AZ 85254
Attorneys for Tusayan Water
Development Association, Inc.

26
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18 Town of Tusayan
19 P. O. Box 709
20 Tusayan, AZ 86023

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TWO NORTH CENTRAL AVENUE, SUITE 2200
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(602) 364-7000

Southwest Delivery Solutions L.L.C.

P.O. Box 83734
Phoenix, AZ 85071

Phone: (602) 266-5577
Fax: (602) 266-5578

TIME STAMP: _____

FROM: BRYAN CAVE LLP 2 NORTH CENTRAL AVENUE, SUITE 2200 PHOENIX, ARIZONA 85004 (602) 364-7000	TO: Arizona Corporation Commission 1200 W. Washington Phoenix, AZ 85007-2929 Hydro Resources, Inc. Docket No. W-02350A-10-0163 (consolidated)	DATE: 6/20/11 JOB #: 778 CLIENT MATTER NO: 0231862
INSTRUCTIONS: Please file the original and 13 copies of Hydro-Resources' Pre-Filed Direction Testimony of John W. Rueter. Please deliver the envelopes to the Hearing Division, Steve Olea and Janice Alward at the ACC. Please have the extra copies date stamped and returned on the next run to Cathy Tardy. Thank you. Cathy Tardy 602-364-7360		<input type="checkbox"/> Deliver to: <input type="checkbox"/> Pickup from <input type="checkbox"/> Roundtrip <input type="checkbox"/> 1 Hour Rush (\$7 Add. Chg.) <input type="checkbox"/> 2 Hour <input checked="" type="checkbox"/> Same Day – Delivery Before 5 pm <input type="checkbox"/> Notary
REQ. BY: S.Hirsch/C.Tardy Emp. ID # 4301 Direct Telephone Contact: 602-364-7360	Leave without signature <input type="checkbox"/> YES <input type="checkbox"/> NO	MAIL SLOT <input type="checkbox"/> YES <input type="checkbox"/> NO
DRIVER SIGNATURE:	RECEIVED BY:	TIME:



1 COMMISSIONERS

2 Gary Pierce – Chairman

3 Bob Stump

4 Sandra D. Kennedy

5 Paul Newman

6 Brenda Burns

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2011 AUG 10 P 3:53

AZ CORP COMMISSION
DOCKET CONTROL

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE APPLICATION
9 OF TUSAYAN WATER DEVELOPMENT
10 ASSOCIATION, INC. FOR
11 ESTABLISHMENT OF RATES FOR
12 WATER SERVICE.

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

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

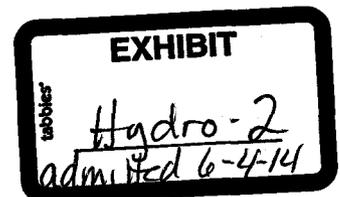
DOCKET NO. W-20770A-10-0473

21 **PRE-FILED REBUTTAL TESTIMONY OF JOHN W. RUETER**
22 **ON BEHALF OF HYDRO-RESOURCES, INC.**

23 **AUGUST 10, 2011**

TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

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1 **Q. Please give us your name, employer and occupation?**

2 A. My name is John W. Rueter, and I am employed by Hydro-Resources, Inc.
3 (“Hydro”) as President and CEO.

4 **Q. You previously provided direct testimony in this matter, isn’t that correct?**

5 A. Yes, I provided direct testimony on behalf of Hydro on June 20, 2011.

6 **Q. What is this purpose of this rebuttal testimony?**

7 A. I will provide a response on behalf of Hydro to the direct testimony of Kiana M.
8 Sears and Marlin Scott, Jr., offered on behalf of the Commission’s Staff, and to the
9 direct testimony of Ray L. Jones on behalf of Intervenor Town of Tusayan
10 (“Town”).

11 **Q. Initially, do you have any general comments about the testimony offered by the**
12 **Staff and the Town concerning the Tusayan Water Development Association,**
13 **Inc. (“TWDA”)?**

14 A. Yes. I agree with the testimony on behalf of Staff and the Town concerning
15 TWDA. In the direct testimony of Ray L. Jones offered by the Town, Mr. Jones
16 noted TWDA has “no physical assets” and the Town therefore contemplated no
17 payment to TWDA. Jones Direct Testimony at 4, and Exhibit B at 2. Mr. Scott
18 also testified that TWDA does not have any “plant facilities” and, paraphrasing the
19 preliminary Tusayan Municipal Water Study, stated that TWDA has “no physical
20 assets.” Scott Direct Testimony, Exhibit MSJ at 1 and 3. Hydro agrees with this
21 testimony and these findings.

22 Ms. Sears on behalf of Staff testified that TWDA “does not own or operate any
23 water infrastructure utilized for the provision of water service within its certificated
24 area” and primarily provides “billing services.” Sears Direct Testimony at 4; *see*
25 *also id.* at 5 (TWDA “only performs billing functions”); *id.* at 6 (TWDA serves “as
26 a billing agent”). Ms. Sears ultimately recommended that the Commission
27 adjudicate TWDA as not a public service corporation (“PSC”) and cancel TWDA’s
28

1 Certificate of Convenience and Necessity (“CCN”). *See* Sears Direct Testimony at
2 8, 16. Again, Hydro agrees with the testimony of Ms. Sears, Mr. Scott, and Mr.
3 Jones concerning TWDA and with the conclusions they reach.

4 **Q. Do you agree with Mr. Jones concerning the desirability of the Town**
5 **establishing a municipal water system?**

6 A. Yes. Mr. Jones testified that the Town should establish a single municipal water
7 system. Jones Direct Testimony at 4, 5; *see id.*, Exhibit B at 3. Mr. Scott repeated
8 this recommendation when he paraphrased Mr. Jones’ preliminary water study.
9 Scott Direct Testimony, Exhibit MSJ at 4.

10 Hydro has long agreed that, for numerous reasons, the Town should establish a
11 single municipal water system. Indeed, as Mr. Jones noted in his water study,
12 Hydro wrote the Town in December 2010 advising just such a course and indicating
13 Hydro’s willingness to consider selling its water system to the Town. *See* Jones
14 Direct Testimony, Ex. B at 1.

15 However, the Town has only offered testimony by Mr. Jones making his
16 recommendation of such a course of action. Hydro agrees that the Town should
17 establish a municipal water system and continues to be willing to consider selling
18 its water system to the Town. Hydro understands that the Town is continuing to
19 study its options in this regard.

20 **Q. Do you agree with the testimony of Mr. Jones and Mr. Scott that Hydro’s**
21 **ability to operate relies to some degree upon the use of assets owned by others,**
22 **including Squire Motor Inns, Inc. (“Squire”)?**

23 A. Yes. As I explained in my Direct Testimony, Hydro purchases water produced by a
24 well (ADWR #55-523284) owned by Squire. Hydro also leases 2 million gallons of
25 storage capacity in a 3 million gallon storage tank owned by Squire. Hydro also
26 uses the water distribution system owned by the Squire to provide water to various
27 customers of TWDA.

28

1 Hydro agrees with Mr. Jones' testimony that Hydro relies upon water lines and a
2 tank owned by Squire to provide water service, *see* Jones Direct Testimony at 4,
3 and that "The Hydro distribution system cannot be operated in its present
4 configuration without use of the Squire distribution system and other privately
5 owned lines." *Id.* at 5; *see also id.* at 6 ("The Hydro distribution system cannot
6 function without interconnection with the Squire and private distribution facilities").
7 Mr. Scott and Ms. Sears have also noted that Hydro relies to a large extent on
8 agreements with Squire allowing Hydro to use some of Squire's assets. *See* Sears
9 Direct Testimony at 13; Scott Direct Testimony, Exhibit MSJ at 1-2.

10 For these reasons, Hydro believes Squire is a necessary and essential party to these
11 proceedings. The involvement of Squire is central to any long term solution of
12 water related issues in the Tusayan area. Any decision by the Commission would
13 impact Squire to some degree because Hydro relies on Squire's assets to provide
14 water service. Likewise, any decision by the Town to establish a municipal water
15 service would affect Squire.

16 **Q. Do you agree with the testimony offered by the Staff and the Town concerning**
17 **Anasazi Water Company ("Anasazi")?**

18 A. Generally, yes, as to the current status of Anasazi's operations. Both the Staff and
19 the Town offered testimony that Anasazi's well is not operational, that Anasazi
20 relies upon water hauling, and that Anasazi's current resources are inadequate to
21 provide water to its existing customers. *See* Scott Direct Testimony, Exhibit MSJ at
22 2, 3; Jones Direct Testimony at 4-5, 7. This testimony comports with my
23 understanding of the Anasazi's operations.

24 **Q. Do you agree with the testimony of Ms. Sears that Hydro is a PSC?**

25 A. No. As Ms. Sears acknowledged, Hydro is not the certified water provider in the
26 Tusayan area and has never sought to become the certified water provider. Rather,
27 the certified water provider in the Tusayan area is TWDA, an unrelated entity
28

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created in 1978, long before Hydro existed. TWDA received a CCN from the Commission in 1979, *see* Decision No. 50492 (Dec. 13, 1979), and Hydro has always recognized TWDA's role as the CCN-holder and certified water provider in the Tusayan area.

Hydro provides water, generally through facilities owned by Hydro or its owners, on a bulk or wholesale basis to TWDA, which in turn directly sells the water to TWDA's customers. Hydro generally does not deal directly with the public, has not dedicated its assets to public use, has never sought to monopolize territory or maintain a monopoly over a commodity, and has no contracts with the public. Until this proceeding, the Commission has overseen TWDA, the party billing the customers, not Hydro, and has protected the interests of the public in that manner. Ms. Sears' assertion that Hydro is a PSC because it "delivers water to 32 entities," Sears Direct Testimony at 14, ignores Hydro's specific operations and, if accepted at the test for PSC, would result in all bottled water delivery companies being declared PSCs.

However, as noted above, Hydro agrees with Staff's position that the Commission should revisit TWDA's status, declare that TWDA is not PSC, and cancel TWDA's CCN. If the Commission were to take those steps, the changed conditions in the area could lead to the establishment of a new or different public service corporation holding a CCN for the area, if the Town does not ultimately take over the operation of the water system.

Q. Do you agree with Ms. Sears' proposed solution to the water service questions in the Town?

A. No. While Hydro agrees with Staff's recommendation that the Commission find TWDA is not PSC and cancel TWDA's CCN, Hydro disagrees with the remainder of Staff's recommendation, which could lead to a situation in which the Town (a small community with approximately 500 residents, *see* Sears Direct Testimony at

1 4) is divided between two PSCs and two CCN holders. Such a solution is
2 impractical and perhaps even physically impossible at this point.

3 Hydro agrees with the recommendation of Mr. Jones, that is, that there should be a
4 *single* water system in the Tusayan area, preferably operated by the Town. *See*
5 Jones Direct Testimony at 4. At this point, Hydro is waiting to hear if the Town
6 itself agrees with Mr. Jones' recommendation.

7 **Q. Do you disagree with the testimony of Mr. Jones and Mr. Scott in any**
8 **particulars?**

9 A. Yes. On Hydro's behalf, I worked with Mr. Jones when he sought information for
10 his Municipal Water Study, and Hydro fully cooperated with him and the Town in
11 his research and investigations, as it did with Mr. Scott and Commission Staff.
12 However, I disagree with Mr. Jones on some of the details of his particular
13 assertions concerning the age, condition, location and operational characteristics of
14 some of Hydro's assets. I believe the inventory and description of Hydro's assets as
15 set forth in my Direct Testimony and exhibits is the most accurate source of
16 information concerning Hydro's assets. In addition, I disagree with Mr. Jones
17 concerning his opinion of the Reconstruction Cost New Less Depreciation value of
18 Hydro's and Anasazi's assets. I also disagree with Mr. Scott to the extent he
19 repeats these assertions in his paraphrasing of Mr. Jones' Preliminary Water Study
20 (Mr. Scott appears to have based his testimony on Mr. Jones' earlier April 27, 2011
21 Preliminary Study as opposed to his final July 26, 2011 Study). However, this is
22 not a valuation proceeding, and the value of these assets and companies are not
23 relevant to the issues under determination in these proceedings at this time. Beyond
24 confirming that Hydro does not waive its position that the RCNLD figures as to
25 Hydro and Anasazi's assets as proposed by Mr. Jones are inaccurate and do not
26 reflect fair market value, I will not discuss my disagreements in detail.

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1 Q. Does this complete your prepared rebuttal testimony?

2 A. Yes.

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2 foregoing filed this 10th day of August,
3 2011, with:

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7 Phoenix, AZ 85007

8 **COPY** of the foregoing hand-delivered
9 this 10th day of August, 2011, to:

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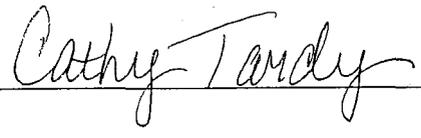
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21 

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ARIZONA CORPORATION COMMISSION
SECRET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR
ESTABLISHMENT OF RATES FOR
WATER SERVICE.

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

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

DOCKET NO. W-20770A-10-0473

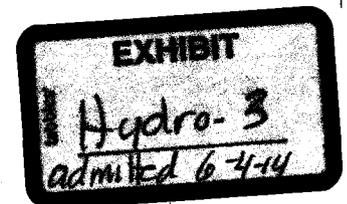
IN THE MATTER OF THE APPLICATION
OF TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR
CANCELLATION OF CERTIFICATE OF
CONVENIENCE AND NECESSITY

DOCKET NO. W-02350A-13-0312

IN THE MATTER OF THE APPLICATION
OF HYDRO-RESOURCES, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER
SERVICE.

DOCKET NO. W-20770A-13-0313

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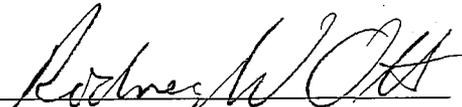
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**NOTICE OF FILING PRE-FILED
DIRECT TESTIMONY OF JOHN W. RUETER**

Applicant Hydro-Resources, Inc. hereby files the Direct Testimony of John W. Rueter.

DATED this 14th day of April, 2014.

BRYAN CAVE LLP

By 
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1 authority to operate as a public service corporation providing water service in the
2 Tusayan area.

3
4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. I will summarize provisions of the proposed Settlement Agreement of August 13,
6 2013, and Hydro's subsequent application for a CCN dated September 12, 2013. I
7 will then explain why it is just, reasonable and in the public interest for the
8 Commission to approve the proposed Settlement Agreement and to grant Hydro the
9 requested CCN to provide public utility water service in the Tusayan area.

10
11 **Q. PLEASE PROVIDE A SUMMARY OF THE PROCEEDINGS LEADING UP
12 TO THE SETTLEMENT DISCUSSIONS.**

13 A. On April 29, 2010, Tusayan Water Development Association ("Tusayan"), which
14 currently holds the CCN to provide water service in the Tusayan area, filed a rate
15 application with the Commission (the "Tusayan Docket"). The Commission Staff
16 subsequently raised questions as to whether Hydro and Anasazi Water Company,
17 LLC ("Anasazi"), both of which provided water on a wholesale basis to Tusayan,
18 should be considered public service corporations. In July 2010, both Hydro and
19 Anasazi filed applications to be adjudicated "Not a Public Service Corporation"
20 (respectively, the "Hydro Docket" and "Anasazi Docket"). On January 18, 2011,
21 the Commission consolidated the Tusayan, Hydro and Anasazi dockets
22 ("Consolidated Adjudication"). The Town of Tusayan ("Town"), Squire Motor
23 Inns, Incorporated ("Squire") and Tusayan Ventures, LLC subsequently moved, and
24 were granted leave, to intervene in the Consolidated Adjudication. Following an
25 extended period of system inspections, meetings and negotiations, and multiple
26 procedural conferences before the Commission, the parties entered into the August
27 13, 2013 Settlement Agreement.

1 **Q. WHICH PARTIES PARTICIPATED IN THE SETTLEMENT**
2 **DISCUSSIONS?**

3 A. Hydro, Tusayan, Anasazi, the Town, Squire, Tusayan Ventures, LLC and the
4 Arizona Corporation Commission Utilities Division (“Staff”) all participated in the
5 settlement discussions. All of those entities, with the exception of Tusayan
6 Ventures, LLC, subsequently entered into the proposed Settlement Agreement. The
7 bulk of the discussions related to water production and distribution facilities and
8 property interests involving Tusayan, Anasazi and Hydro, and these parties
9 conducted the majority of the negotiations while keeping the Commission advised
10 in procedural conferences and the other parties advised through meetings and other
11 communications.

12
13 **Q. PLEASE DESCRIBE THE SETTLEMENT NEGOTIATIONS.**

14 A. The settlement discussions were open and transparent, and each party had an
15 opportunity to participate and fully express their respective positions. There was a
16 genuine desire and commitment on the part of the parties to find common ground on
17 a result that would provide the residents and visitors in Tusayan with reliable water
18 service at fair and reasonable rates, and to provide for a single regulated public
19 utility water provider in the Town.

20
21 **Q. WHAT WAS THE OUTCOME OF THE SETTLEMENT NEGOTIATIONS?**

22 A. As a result of the commitment and compromises that are inherently part of any
23 successful settlement effort, the parties were able to reach a result agreeable to
24 Hydro, Tusayan, Anasazi, the Town, Squire and the Staff. Although Tusayan
25 Ventures, LLC chose not to sign the final proposed Settlement Agreement, it has
26 not opposed the result reached, to my knowledge.

27
28

1 Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

2 A. Yes. I am sponsoring the following exhibits:

3 (1) The Settlement Agreement docketed on August 13, 2013.
4

5 Q. WHAT ARE THE MAJOR TERMS OR PROVISIONS OF THE
6 SETTLEMENT AGREEMENT?

7 A. Under the proposed Settlement Agreement, TWDA would apply for the deletion
8 and/or cancellation of its water CCN in the Tusayan area, and Hydro would
9 simultaneously apply for a new CCN generally covering the same area as TWDA's
10 CCN. Anasazi would (a) transfer to Hydro certain physical plant and property,
11 including water distribution lines and meters, and associated easements and rights-
12 of-way within Anasazi's control, and (b) assist Hydro in obtaining other easements
13 and rights-of-way necessary for Hydro to serve certain properties on the east side of
14 Highway 64. Anasazi would subsequently dissolve, wind up, and terminate its
15 existence.
16

17 Under the new proposed CCN, Hydro would provide water service to all properties
18 within the CCN with the exception of certain properties owned by Red Feather
19 Properties Limited Partnership ("RFP"), which are Coconino County Assessor's
20 Office parcel numbers 502-17-007L and 502-17-009B (the "RFP Campus"), which
21 would provide water service to themselves. Hydro would acquire certain physical
22 plant and property, and property rights, from Anasazi and others, provide water
23 service to customers and properties currently served by TWDA, and transfer to Red
24 Feather Properties Limited Partnership certain water distribution lines and hydrants
25 located on the properties owned by RFP.
26
27
28

1 The parties entering into the proposed Settlement Agreement seek Commission
2 approval of the Settlement Agreement, but have provided for termination of the
3 Settlement Agreement if the Commission fails to approve it.
4

5 **Q. PLEASE EXPLAIN WHY THE COMMISSION'S APPROVAL OF THE**
6 **SETTLEMENT AGREEMENT WOULD BE JUST, REASONABLE, AND IN**
7 **THE PUBLIC INTEREST.**

8 A. Hydro believes that Commission approval of the Settlement Agreement would serve
9 the public interest because it would provide the Tusayan area with a unified and
10 regulated public utility water system in place of the complex and somewhat
11 confusing assemblage of historical service and rates that currently exists. Hydro
12 has significant experience in the area and has long been involved in the provision of
13 water supplies to the area, and Hydro is now a fit and proper entity to receive a
14 CCN for the provision of water service to the Tusayan area, largely replacing
15 TWDA.
16

17 **Q. PURSUANT TO THE SETTLEMENT AGREEMENT, DID HYDRO FILE**
18 **AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND**
19 **NECESSITY TO PROVIDE WATER SERVICE IN THE TUSAYAN AREA?**

20 A. Yes. Pursuant to the proposed Settlement Agreement, Hydro filed an application
21 for a CCN to provide water service in the Tusayan area on September 12, 2013.
22

23 **Q. DOES THE CCN AREA REQUESTED BY HYDRO CORRESPOND**
24 **EXACTLY WITH THE PRESENT CCN AREA OF TUSAYAN WATER**
25 **DEVELOPMENT ASSOCIATION?**

26 A. In large part yes, but it excludes two small parcels. Hydro's requested CCN will
27 cover the exact same area as Tusayan's CCN, with the exception of two small,
28 isolated non-contiguous parcels in section 13 north of the main area of Tusayan's

1 CCN. Hydro is not requesting a CCN for these two isolated parcels. These two
2 parcels are not and have never been served by TWDA, and to Hydro's knowledge
3 there is no water utility infrastructure on or to the parcels. Hydro understands that
4 the two isolated parcels are within the Kaibab National Forest and were at one time
5 the subject of a special use permit and under discussion for development as
6 campgrounds and other uses. However, no development occurred, the special use
7 permits are no longer in place, and to the best of Hydro's knowledge, the parcels are
8 not slated for development now or in the future. Because the two isolated parcels
9 have never been served by TWDA and there are no current plans for development
10 of the areas, Hydro has not included them in its requested CCN area. The details of
11 the parcels' location and the background of the parcels are explained in a Joint
12 Statement Regarding Issues Raised By Isolated Tusayan CCN Areas Not Requested
13 In Hydro's CCN Application that was filed in this docket on March 11, 2014, which
14 I incorporate by reference into my testimony.

15
16 **Q. PLEASE DESCRIBE THE MAJOR COMPONENTS OF THE HYDRO**
17 **WATER SYSTEM.**

18 **A.** Hydro owns one well, Tusayan #2, ADWR #55-542928, located on property owned
19 by Hydro's owners. The Tusayan #2 well, which was drilled in 1994, produces 63
20 gallons of water per minute or 90,720 gallons of water per day. In addition to the
21 well owned by Hydro, Hydro is able to use water from a well owned by Squire,
22 Squire #1, ADWR #55-523284, pursuant to a Water Sales Agreement with Squire.
23 The Squire #1 well, which was drilled in 1989, produces 60 gallons of water per
24 minute, or 86,400 gallons of water per day. A disinfectant, liquid sodium
25 hypochlorite, is added at each well via chemical injection feed pumps in accordance
26 with Arizona Department of Environmental Quality ("ADEQ") regulations..

27
28

1 Hydro also owns a 525,000 gallon storage tank built in 1975, a diesel powered fire
2 pump and pump house, 11,800 linear feet of water transmission and distribution
3 mains, and six fire hydrants. Exhibit EE of Hydro's CCN application provides a
4 detailed list of the components of Hydro's water system.

5
6 Hydro's proposed transmission and distribution system, which is a combination of
7 2-inch, 4-inch, 6-inch and 8-inch schedule 40 and PVC water mains, is
8 interconnected to Squire's water distribution system and various privately-owned
9 distribution mains. As part of the transfer agreement with Anasazi and RFP, certain
10 additional mains are being transferred to Hydro to create a more complete water
11 transmission and distribution system.

12
13 The Water Sales Agreement with Squire also allows Hydro to lease from Squire 2.0
14 million gallons of water storage space in Squire's 3.0 million gallon storage tank on
15 Forest Service land, significantly increasing Hydro's storage capacity to a combined
16 2,525,000 gallons.

17
18 **Q. PLEASE DESCRIBE HYDRO'S WATER SALES AGREEMENT WITH**
19 **SQUIRE.**

20 **A.** Hydro and Squire entered into an updated Water Sales Agreement, effective as of
21 January 1, 2013, which allows Hydro to purchase excess potable water (up to 12.5
22 million gallons per year) from Squire beyond what Squire uses for domestic,
23 landscaping, and related incidental uses, including use by Squire's hotel, the Squire
24 Inn. The initial price for water sold by Squire to Hydro is \$14.35 per thousand
25 gallons, subject to increase for inflation in accordance with a CPI adjustment, as
26 well as an electric surcharge. Squire pays Hydro for routine maintenance,
27 supervision and water testing of the Squire's water facilities.

28

1 The Water Sales Agreement between Hydro and Squire has a term of fifteen (15)
2 years, with automatic renewals of five (5) years unless either party sends a notice of
3 termination. Thus, Hydro is ensured continued access to water from the Squire #1
4 well and continued use of the Squire storage tank until at least January 1, 2028, with
5 potential automatic renewals after that time.

6
7 **Q. PLEASE DESCRIBE THE ANTICIPATED OPERATIONS OF THE**
8 **PROPOSED HYDRO WATER SYSTEM.**

9 A. Tusayan at present has approximately 94 metered connections to the water system
10 in the Town. The majority of these connections are commercial customers,
11 including hotels, restaurants and employee dormitories. Hydro anticipates that it
12 would serve roughly the same number of metered connections and same
13 consumption for the next five years. During a recent peak month, July 2012,
14 approximately 2,921,744 gallons were sold, indicating an average daily demand of
15 approximately 94,250 gallons per day. Although this amount is greater than either
16 the Tusayan #2 or Squire #1 wells produce separately, it falls far below their
17 combined production amount.

18
19 During calendar year 2012, Hydro pumped approximately 23 million gallons of
20 water, purchased approximately 6 million gallons, and sold approximately 28
21 million gallons.

22
23 **Q. DO YOU AGREE WITH THE STAFF'S RECOMMENDATION THAT**
24 **HYDRO CONTINUE CHARGING ITS CURRENT RATES UNTIL NEW**
25 **RATES CAN BE SET FOLLOWING A RATE APPLICATION IN 2015?**

26 A. Yes. The Staff recommends that Hydro continue charging its current rate of \$24.50
27 per thousand gallons. The Staff further recommends that Hydro be required to file a
28 rate application no later than September 30, 2015 using a 2014 test year. Hydro

1 agrees with these recommendations. Following a rate application in 2015, after a
2 year of Hydro's operations as CCN holder, the Commission and Commission Staff
3 will be able to more accurately assess the revenue requirements and resulting rates
4 needed for Hydro to serve as water provider in the unique Tusayan area.
5

6 **Q. PLEASE DESCRIBE HYDRO'S COMPLIANCE WITH REGULATIONS OF**
7 **THE ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY.**

8 A. Hydro is regulated by the ADEQ as a combined system with the Squire water
9 system, Public Water System #03-312. ADEQ has noted certain deficiencies,
10 which Hydro has corrected. A sanitary inspection was conducted in 2012 and no
11 major deficiencies were found. Hydro agrees with the Staff's recommendation that
12 Hydro file as a compliance item an updated ADEQ Compliance Status Report
13 indicating that deficiencies have been corrected and that Hydro is in compliance
14 with ADEQ standards and regulations.
15

16 **Q. PLEASE DESCRIBE HYDRO'S COMPLIANCE WITH REGULATIONS OF**
17 **THE ARIZONA DEPARTMENT OF WATER RESOURCES.**

18 A. Hydro is not located within an Active Management Area and is in compliance with
19 all Arizona Department of Water Resources ("ADWR") requirements. Because
20 Hydro will be largely taking over the existing CCN of TWDA, ADWR will not
21 require Hydro to submit an Analysis of Adequate Water Supply or apply for a
22 Physical Availability Determination ("PAD"). Hydro has also proposed and agreed
23 to a monitoring plan related to water levels and production monitoring for the two
24 wells used by Hydro. See Hydro's CCN Application at Exhibit Z.5. Once
25 sufficient monitoring data exists, Hydro may be in a better position to address water
26 supply issues with ADWR.
27
28

1 **Q. HAS HYDRO PROPOSED CURTAILMENT AND BACKFLOW**
2 **PREVENTION TARIFFS?**

3 A. Yes. Hydro has proposed curtailment and backflow prevention tariffs, which the
4 Staff has recommended that the Commission approve.
5

6 **Q. DO YOU HAVE ANY COMMENTS ON THE STAFF REPORT PREPARED**
7 **IN RELATION TO HYDRO'S APPLICATION FOR CCN?**

8 A. Hydro agrees with the Staff's conclusions, including the primary conclusion that the
9 Commission should approve the proposed Settlement Agreement and Hydro's CCN
10 application. Hydro also agrees with the Staff's Recommendations regarding
11 compliance items, recommended charges, and depreciation rates.
12

13 Concerning Staff Engineering Report Recommendation #6, Hydro notes that the
14 updated Water Sales Agreement between Hydro and Squires effective January 1,
15 2013, which Hydro has provided to Staff, includes a term of fifteen (15) years,
16 which would satisfy Staff recommendation #6.
17

18 Concerning Staff Engineering Report Recommendation #7, Hydro agrees that an
19 engineering review be conducted to determine the feasibility and cost of converting
20 Hydro's manually controlled fire pump to automatic control. After conducting such
21 a review, Hydro and the Commission can more accurately determine the need, cost,
22 and feasibility of the contemplated conversion.
23

24 **Q. PLEASE EXPLAIN WHY THE COMMISSION'S APPROVAL OF**
25 **HYDRO'S CCN APPLICATION WOULD BE JUST, REASONABLE AND**
26 **IN THE PUBLIC INTEREST.**

27 A. As noted by the Staff, the Tusayan area needs a unified water service provider,
28 rather than the complex and inconsistent situation that currently exists. Hydro is

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willing to take on that task of serving as the regulated water service provider for the Tusayan area under the terms and conditions set forth in the Settlement Agreement and its CCN Application. As also noted by the Staff, Hydro has long served a role in providing water service to the area, and has the experience, skills and assets to take on the role of regulated water service provider and CCN-holder in the Tusayan area. Because of the inherent difficulties in providing potable water to the Tusayan area, it is fair and reasonable to require Hydro to continue charging its current rates until after new rates are set following a rate application on or before September 30, 2015.

Q. DOES THAT CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE SETTLEMENT AGREEMENT AND HYDRO'S APPLICATION FOR A CCN?

A. Yes.

Exhibit A

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into as of the ___ day of August 2013 by, between and among Tusayan Water Development Association, Inc. ("TWDA"), Anasazi Water Company LLC ("Anasazi"), Hydro-Resources, Inc., ("Hydro"), Arizona Corporation Commission Utilities Division ("Staff"), Town of Tusayan, Arizona ("Town"), and Squire Motor Inns, Inc. ("Squire"). TWDA, Anasazi and Hydro may be referred to collectively as "Applicants." The Town and Squire may be referred to collectively as "Settling Intervenors." Staff, Applicants and Settling Intervenors may be referred to individually as a "Party" or collectively as "Parties."

RECITALS

On April 29, 2010, TWDA, which holds the Certificate of Convenience and Necessity ("CC&N"),¹ filed with the Arizona Corporation Commission ("Commission" or "ACC"), in Docket No. W-02350A-10-0163 ("Tusayan Docket"), a rate application, which has been suspended by Procedural Order dated January 18, 2011; and

In response to a letter from Staff dated July 21, 2010, on October 21, 2010, Anasazi, which provides water on a wholesale basis to TWDA through Anasazi's water distribution system, filed an Application to be adjudicated "Not A Public Service Corporation" in Docket No. W-20765A-10-0432 ("Anasazi Docket"); and

In response to a letter from Staff dated July 21, 2010, on November 1, 2010, Hydro, which provides water on a wholesale basis to TWDA through Hydro's water distribution system, filed an Application for a Determination that it is not acting as a Public Service Corporation in Docket No. W-20770A-10-0437 ("Hydro Docket"); and

On January 18, 2011, a Procedural Order was issued consolidating the three dockets (i.e. the Tusayan Docket, the Anasazi Docket and the Hydro Docket) which dockets may be referred to collectively as the "ACC Adjudication";² and

Tusayan Ventures, LLC, the Town and Squire have all been granted leave to intervene in the ACC Adjudication, however, Tusayan Ventures LLC has decided not to participate in this Settlement; and

Anasazi, Hydro and TWDA, have agreed to the terms and conditions of Anasazi's conveyance to Hydro of certain physical plant and property, and other miscellaneous equipment, and for cancellation of TWDA's CC&N and Hydro's application

¹ On March 28, 1979, the Arizona Corporation Commission issued Decision No. 49808 in Docket U-2350 with a legal description of the certificated area for the CC&N. That Decision was later re-affirmed in Decision No. 50492, issued on December 13, 1979. A copy of the legal description of the certificated area is attached to this Agreement as Exhibit A ("Certificated Area").

² During the Procedural Conference of February 7, 2011, TWDA stated it had no objection to being adjudicated in this proceeding.

for a CC&N covering the same Certificated Area, pursuant to a separate agreement of even date herewith ("Transfer Agreement");

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

1. **PURPOSE.** The purpose of this Agreement is to resolve contested matters in Docket Nos. W-02350A-10-0163, W-20765A-10-0432 and W-20770A-10-0437 in a manner consistent with the public interest. The Parties further recognize that: (a) this Agreement acts as a procedural device to propose the Parties' settlement terms to the Commission; and (b) this Agreement has no binding force or effect until finally approved by an Order of the Commission. Nothing contained in this Agreement is an admission by any Party that any of the positions taken, or that might be taken by each Party in the ACC Adjudication, is unreasonable or unlawful, and the terms and conditions of this Agreement are in compromise of disputed claims and constitute compromise settlement positions. In addition, acceptance of this Agreement by any of the Parties is without prejudice to any position taken by any Party in the ACC Adjudication.

2. **ANASAZI, HYDRO AND TWDA ACTIONS.** By a separate Transfer Agreement of even date herewith ("Transfer Agreement"), Anasazi, Hydro and TWDA have agreed, in pertinent part, that:

2.1 Anasazi will (a) transfer to Hydro certain physical plant and property, including water distribution lines and meters, and the easements and rights-of-way associated with those items that are within Anasazi's control; (b) assist Hydro in obtaining certain easements outside of Anasazi's control which are necessary for Hydro to serve those parcels previously served by Anasazi which are east of Route 64 ("Anasazi Serviced Parcels"); and (c) dissolve, wind up and terminate its existence.

2.2 Within thirty days of the execution of this Agreement, TWDA will apply for deletion/cancellation of its CC&N and Hydro will simultaneously file an application seeking a new CC&N covering the same area and providing for service to TWDA's existing customers in the Certificated Area except for the property owned by Red Feather Properties Limited Partnership, which property is commonly known as Coconino County Assessor parcel numbers 502-17-007L and 502-17-009B ("RFP Campus"), for which the property owners shall provide their own service and shall not receive service from Hydro.

2.3 Hydro will (a) acquire from Anasazi the physical plant and property, and property rights, described in section 2.1 above, (b) provide water service to the various properties currently served by TWDA in the Tusayan area except for the RFP Campus, and (c) transfer to Red Feather Properties Limited Partnership the water distribution lines and fire hydrants located on the Red Feather Properties Limited Partnership property, all in accordance with the terms of the Transfer Agreement.

2.4 The Parties shall immediately commence and diligently proceed to effect the conveyances summarized in sections 2.1 and 2.3 above, but in any event such conveyances shall occur no later than ten (10) days following the date at which the Commission's Decision and Order approving this Agreement and deleting TWDA's CC&N and providing for a new CC&N to Hydro as set forth in section 2.2 above becomes final and non-appealable ("Transfer Date"). Additionally, until the consummation of the conveyances or Commission action, whichever first occurs, Anasazi shall provide the Parties with monthly updates as to the status of the conveyances.

3. **SQUIRE AND HYDRO ACTIONS.** Prior to the Transfer Date, Squire and Hydro shall enter into a new contract or amend their existing water supply contract to ensure that Squire is a private, stand-alone point of service, selling water to Hydro under said contract.

4. **CONTINUED ACC ADJUDICATION PROCEEDINGS.**

4.1 The ACC Adjudication and all proceedings related thereto shall be continued until the Commission approves a new CC&N for Hydro and deletes/cancels the CC&N for TWDA.

4.2 In the event the Commission fails to approve this Agreement and issue an Order deleting TWDA's CC&N and providing for a new CC&N to Hydro as set forth in section 2.2 above, this Agreement shall be deemed terminated and the ACC Adjudication shall thereafter resume. In the event the Commission issues an Order deleting TWDA's CC&N and providing for a new CC&N to Hydro but fails to approve all terms of this Agreement without material change, this Agreement shall be deemed terminated and the ACC Adjudication shall thereafter resume and any CC&N granted shall be null and void after due process.

5. **SETTLEMENT.** The Parties shall proceed with the settlement of the ACC Adjudication as follows:

5.1 TWDA shall file a request to delete/cancel its CC&N and Hydro shall simultaneously file an application for a new Certificate of Convenience and Necessity ("New CC&N") covering the same area as the Certificated Area within the time frames set forth in section 2.2, above.

5.2 Upon filing their respective CC&N requests, the Parties shall also file a request that the dockets associated with the ACC Adjudication be closed and dismissed as moot upon the issuance of an Order by the Commission granting the New CC&N to Hydro and deleting or cancelling the CC&N of TWDA.

5.3 Each Party shall execute and deliver to the other Party and the Commission such documents and perform such acts as reasonably requested by any other Party or required to obtain the Order of the Commission that the ACC Adjudication be closed and dismissed.

5.4 Until the Commission has granted TWDA's request to cancel its CC&N and granted the New CC&N to Hydro, Hydro and Anasazi will continue to supply water to

TWDA and TWDA will continue to provide water service in the Certificated Area. Nothing herein shall preclude Hydro from supplying water to TWDA for TWDA's use in serving the Anasazi Serviced Parcels at Hydro rates upon Anasazi's transfer of the property described in section 2.1 above.

5.5 Until the Commission grants the New CC&N to Hydro, which Decision is anticipated to provide a Fair Value Rate Base and rates for the New CC&N area, TWDA shall continue to charge its current rates unless such rates are revised by agreement of the Parties and approved by the Commission. Upon Anasazi's transfer of the property described in section 2.1 above and Hydro thereafter supplying water to TWDA so that TWDA may serve the Anasazi Serviced Parcels, TWDA shall charge such customers the Hydro rates.

6. COMMISSION EVALUATION OF AGREEMENT.

6.1 **Staff Authority.** The Parties recognize that (a) the Staff does not have the power to bind the Commission; and (b) for the purposes of settlement, the Staff acts in the same manner as a Party in proceedings before the Commission.

6.2 **Commission Authority to Modify.** Each provision of this Agreement is in consideration and support of all other provisions, and expressly conditioned upon acceptance by the Commission without material change; provided, however, that the Parties further recognize that the Commission will evaluate the terms of this Agreement, and that after such evaluation the Commission may require immaterial modifications to any of the terms hereof before accepting this agreement.

6.3 **Commission Approval.** In the event that the Commission adopts an Order approving all of the terms of this Agreement without material change, such action by the Commission constitutes approval of the Agreement, and thereafter the Parties shall abide by its terms.

6.4 **Effect of Modification by the Commission.** In the event that any Party objects to any modification to the terms of this Agreement made by the Commission in an Order approving this Agreement, such Party shall timely file an Application for Rehearing under A.R.S. § 40-253. In the event that a Party does not file such an application, that Party shall be deemed (a) to have accepted any modifications made by the Commission; and (b) to have conclusively and irrefutably accepted that any modifications to terms of this Agreement were not material and therefore that the Commission Order adopted the terms of this Agreement without material change.

6.5 **Application for Rehearing.** If any Party to this Agreement files an Application for Rehearing and alleges that the Commission has failed to approve all terms of the Agreement without material change, then such application shall be deemed a withdrawal of the Agreement, and the Parties shall request a Procedural Order setting the Parties' Applications for Adjudication for hearing. Such hearing shall be without prejudice to the position of any Parties, and this Agreement and the Transfer Agreement, any of the terms and conditions of this Agreement or the Transfer Agreement, any communications leading up to

the execution of this Agreement or the Transfer Agreement, and any supporting documents relating thereto shall not be admitted into evidence for any purpose nor used by the Commission in its final consideration of the issues raised in this consolidated Docket. If a Party files an Application for Rehearing before the Commission, Staff shall not be obligated to file any document or take any position regarding the withdrawing Party's Application for Rehearing.

6.6 Appeal of Commission Decision. If a Party's application for rehearing alleges that the Commission has failed to approve all terms of this Agreement without material change, and the application for rehearing is denied, either by Commission Order or by operation of law, and such Party still objects to any modification to the terms of this Agreement made by the Commission, that Party shall timely file an appeal of the Commission's decision pursuant to A.R.S. § 40-254 or § 40-254.01, as appropriate. In the event that the Party does not file such an appeal, it shall be deemed (a) to have accepted any modifications made by the Commission, and (b) to have conclusively and irrefutably accepted that any modifications to the terms of this Agreement were not material and therefore that the Commission's Order adopted the terms of this Agreement without material change.

6.7 Limitations. The terms and provisions of this Agreement apply solely to and are binding only in the context of the provisions and results of this Agreement and neither this Agreement nor any of the positions taken in this Agreement by any of the Parties may be referred to, cited to, or relied upon by any other Party in any fashion as precedent or otherwise in any proceeding before the Commission or any other regulatory agency or before any court of law for any purpose except in furtherance of the purpose and results of this Agreement.

6.8 Definitive Text. The 'Definitive Text' of this Agreement shall be the text adopted by the Commission in an Order adopting substantially all the terms of this Agreement including all modifications made by the Commission in such an Order.

6.9 Severability. Each of the terms of the Definitive Text of this Agreement is in consideration and support of all other terms. Accordingly, such terms are not severable.

6.10 Support and Defend. The Parties shall make reasonable and good faith efforts necessary to obtain a Commission Order approving this Agreement. The Parties further pledge to support and defend this Agreement before the Commission. If this Agreement is approved, the Parties will support and defend this Agreement before any court or regulatory agency in which it may be at issue.

7. GENERAL.

7.1 This Agreement represents the Parties' mutual desire to compromise and settle disputed issues in a manner consistent with the public interest. The terms and provisions of this Agreement apply solely to and are binding only in the context of the purposes and results of this Agreement.

7.2 No Party is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.

7.3 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule, or regulation, this Agreement shall control. Nothing contained in this Agreement is intended to interfere with the Commission's authority to exercise any regulatory authority by the issuance of orders, rules or regulations.

7.4 This Agreement may be executed by facsimile or in any number of counterparts; all such counterparts shall be deemed to constitute one and the same instrument and each of the executed counterparts shall be deemed an original hereof. The individuals executing this Agreement represent and warrant that he or she has the full power and authority to execute this Agreement and to create binding obligations of the Parties in accordance with the terms hereof.

7.5 No change, modification, or waiver of any provision of this Agreement shall be valid or binding unless it is in writing, dated after the date hereof, and signed by the Parties intended to be bound and approved by the Commission.

7.6 To the extent permitted by the context in which used, words in the singular number shall include the plural and vice versa; words in the masculine gender shall include the feminine and neuter and vice versa; and references to "persons" or "Parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnerships, trusts, and all other entities. All references to "days" shall mean calendar days unless stated otherwise. If the last day of any time period stated herein shall fall on a Saturday, Sunday, or legal holiday in the State of Arizona, then the duration of such time period shall be extended so that it shall end on the next succeeding day which is not a Saturday, Sunday, or legal holiday in the State of Arizona.

7.7 Neither this Agreement nor any of the positions taken in this Agreement by any of the Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of securing the approval and enforcement of this Agreement.

7.8 This Agreement shall not be construed for or against any Party as a result of its participation or the participation of its counsel in the preparation and/or drafting of this Agreement or any exhibits hereto.

7.9 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective owners, shareholders, directors, members, principals, agents, heirs, assigns and successors-in-interest.

Anasazi Water Company LLC

By: _____

Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

By: _____

Its: _____

Approved Town of Tusayan:

Its: General counsel

EXHIBIT "A"

That portion of Coconino County, Arizona, described as follows, to-wit:

Being within Section 23 and 24, T 30 N, R 2 E, G & S R B & M, Coconino County, Arizona, the coterminous exterior boundaries of the entire composite and consolidated territory lying within the following boundaries: Beginning at a point on the north line of said Section 24, said point of beginning being Corner No. 5 of Homestead Entry Survey No. 401 (hereinafter HES 401); thence S 14° W, 1574.76 feet to Corner No. 6, HES 401; thence S 27°30' W, 1769.46 feet; thence N 68°43' W, 656.70 feet to an easterly line of said HES 401; thence along said easterly line S 47°20' W., 593.73 feet to Corner 6-C, HES 401; thence southerly along the easterly boundary of Grand Canyon National Park Airport property 3061.29 feet to a corner of said airport property; thence S 40°40'07" W, 800 feet to a corner of said airport property; thence S 40°40'07" W, 11,515.33 feet to the most southerly corner of said airport property; thence N 49°19'53" W, 2,400 feet to the most westerly corner of said airport property; thence N 40°40'07" E, 15,993.57 feet to the most northerly corner of said airport property; thence N 49°47' W 471.21 feet to Corner 9, HES 401; thence N 48°20' W, 1198.56 feet to Corner 10, HES 401; thence N 48°20' W 1119.36 feet to Corner 11, HES 401; thence North, 330 feet to Corner 12, HES 401; thence S 58°50' E, 972.84 feet to Corner 1, HES 401; thence S 58°50' E, 1506.12 feet to Corner 2, HES 401; thence North 74°18' E, 1077.12 feet to Corner 3, HES 401; thence N 52°02' E, 2092.86 feet to Corner 4, HES 401; a point on said north line of Section 24; thence along said north section line, N 89°32' E, 458.70 feet to the point of beginning;

Together with MOQUI CAMP, lying within the Northeast Quarter of Section 13, and westerly of State Highway 64, and that portion of Grand Canyon National Park Airport lying within Sections 25 and 26, all in Township 30 North, Range 2 East, G & S R B & M, Coconino County, Arizona.

APPENDIX

Anasazi Water Company LLC

By: *[Signature]*
Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____
Its: Director

Hydro Resources Inc.

By: _____
Its: _____

Tusayan Water Development Association, Inc.

By: _____
Its: _____

Squire Motor Inns, Inc.

By: _____
Its: _____

Town of Tusayan

By: _____
Its: _____

Approved Town of Tusayan:

Its: General counsel

Anasazi Water Company LLC

By: _____

Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

By: _____

Its: _____

Approved Town of Tusayan:

Its: General counsel

Anasazi Water Company LLC

By: _____

Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____

Its: Director

Hydro Resources Inc.

By: John W. Ruetz

Its: President

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

By: _____

Its: _____

Approved Town of Tusayan:

Its: General counsel

Anasazi Water Company LLC

Arizona Corporation Commission

Utilities Division

By: _____

By: _____

Its: Manager/Member

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: *[Signature]*

Its: BOARD MEMBER

8-12-13

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

Approved Town of Tusayan:

By: _____

Its: _____

Its: General counsel

Anasazi Water Company LLC

Arizona Corporation Commission

Utilities Division

By: _____

By: _____

Its: Manager/Member

Its: Director

Hydro Resources Inc.

By: _____

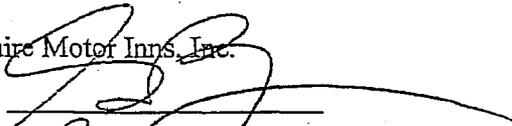
Its: _____

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By:  _____

Its: Vice President

Town of Tusayan

Approved Town of Tusayan:

By: _____

Its: _____

Its: General counsel

Anasazi Water Company LLC

By: _____
Its: Manager/Member

Arizona Corporation Commission
Utilities Division

By: _____
Its: Director

Hydro Resources Inc.

By: _____
Its: _____

Tusayan Water Development Association, Inc.

By: _____
Its: _____

Squire Motor Inns, Inc.

By: _____
Its: _____

Town of Tusayan

By: AL M. [Signature]
Its: Vice Mayor

Approved Town of Tusayan:
[Signature]
Its: General Counsel
Town Attorney

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR ESTABLISHMENT
OF RATES FOR WATER SERVICE.

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

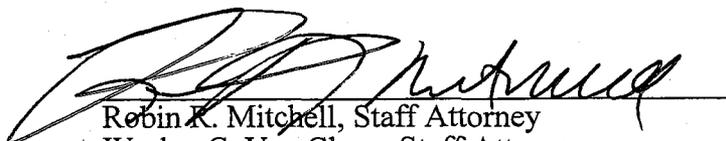
IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR
ADJUDICATION "NOT A PUBLIC SERVICE
CORPORATION."

DOCKET NO. W-20770A-10-0473

STAFF'S NOTICE OF FILING

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission"), on behalf of the Signatories to the Proposed Settlement Agreement ("Agreement"), files the Agreement in the above-referenced matter.

RESPECTFULLY SUBMITTED this 13th day of August, 2013.

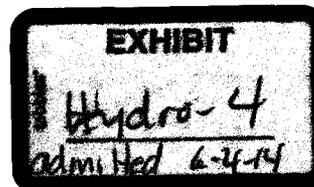


Robin K. Mitchell, Staff Attorney
Wesley C. Van Cleve, Staff Attorney
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing were filed this
13 day of August, 2013 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

...



1 Copies of the foregoing were mailed and/or
2 emailed this 13th day of August, 2013,1 to:

3 Russell A. Kolsrud
4 Ryan J. Lorenz
5 CLARK HILL PLC
6 14850 North Scottsdale Road, Suite 500
7 Scottsdale, Arizona 85254
8 Attorneys for Tusayan Water Development
9 Association, Inc.
10 RKolsrud@clarkhill.com

11 Garry D. Hays
12 THE LAW OFFICES OF GARRY D. HAYS, P.C.
13 1702 East Highland Avenue, Suite 204
14 Phoenix, Arizona 85016
15 Attorneys for Tusayan Ventures LLC
16 ghays@lawgdh.com

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21 Attorney for Anasazi Water Co., LLC
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One Arizona Center
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Attorneys for Squire Motor Inns, Incorporated
mpatten@rdp-law.com
tsabo@rdp-law.com

20 *Monica A. Marty*

SETTLEMENT AGREEMENT

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In response to a letter from Staff dated July 21, 2010, on October 21, 2010, Anasazi, which provides water on a wholesale basis to TWDA through Anasazi's water distribution system, filed an Application to be adjudicated "Not A Public Service Corporation" in Docket No. W-20765A-10-0432 ("Anasazi Docket"); and

In response to a letter from Staff dated July 21, 2010, on November 1, 2010, Hydro, which provides water on a wholesale basis to TWDA through Hydro's water distribution system, filed an Application for a Determination that it is not acting as a Public Service Corporation in Docket No. W-20770A-10-0437 ("Hydro Docket"); and

On January 18, 2011, a Procedural Order was issued consolidating the three dockets (i.e. the Tusayan Docket, the Anasazi Docket and the Hydro Docket) which dockets may be referred to collectively as the "ACC Adjudication";² and

Tusayan Ventures, LLC, the Town and Squire have all been granted leave to intervene in the ACC Adjudication, however, Tusayan Ventures LLC has decided not to participate in this Settlement; and

Anasazi, Hydro and TWDA, have agreed to the terms and conditions of Anasazi's conveyance to Hydro of certain physical plant and property, and other miscellaneous equipment, and for cancellation of TWDA's CC&N and Hydro's application

¹ On March 28, 1979, the Arizona Corporation Commission issued Decision No. 49808 in Docket U-2350 with a legal description of the certificated area for the CC&N. That Decision was later re-affirmed in Decision No. 50492, issued on December 13, 1979. A copy of the legal description of the certificated area is attached to this Agreement as Exhibit A ("Certificated Area").

² During the Procedural Conference of February 7, 2011, TWDA stated it had no objection to being adjudicated in this proceeding.

for a CC&N covering the same Certificated Area, pursuant to a separate agreement of even date herewith ("Transfer Agreement");

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

1. **PURPOSE.** The purpose of this Agreement is to resolve contested matters in Docket Nos. W-02350A-10-0163, W-20765A-10-0432 and W-20770A-10-0437 in a manner consistent with the public interest. The Parties further recognize that: (a) this Agreement acts as a procedural device to propose the Parties' settlement terms to the Commission; and (b) this Agreement has no binding force or effect until finally approved by an Order of the Commission. Nothing contained in this Agreement is an admission by any Party that any of the positions taken, or that might be taken by each Party in the ACC Adjudication, is unreasonable or unlawful, and the terms and conditions of this Agreement are in compromise of disputed claims and constitute compromise settlement positions. In addition, acceptance of this Agreement by any of the Parties is without prejudice to any position taken by any Party in the ACC Adjudication.

2. **ANASAZI, HYDRO AND TWDA ACTIONS.** By a separate Transfer Agreement of even date herewith ("Transfer Agreement"), Anasazi, Hydro and TWDA have agreed, in pertinent part, that:

2.1 Anasazi will (a) transfer to Hydro certain physical plant and property, including water distribution lines and meters, and the easements and rights-of-way associated with those items that are within Anasazi's control; (b) assist Hydro in obtaining certain easements outside of Anasazi's control which are necessary for Hydro to serve those parcels previously served by Anasazi which are east of Route 64 ("Anasazi Serviced Parcels"); and (c) dissolve, wind up and terminate its existence.

2.2 Within thirty days of the execution of this Agreement, TWDA will apply for deletion/cancellation of its CC&N and Hydro will simultaneously file an application seeking a new CC&N covering the same area and providing for service to TWDA's existing customers in the Certificated Area except for the property owned by Red Feather Properties Limited Partnership, which property is commonly known as Coconino County Assessor parcel numbers 502-17-007L and 502-17-009B ("RFP Campus"), for which the property owners shall provide their own service and shall not receive service from Hydro.

2.3 Hydro will (a) acquire from Anasazi the physical plant and property, and property rights, described in section 2.1 above, (b) provide water service to the various properties currently served by TWDA in the Tusayan area except for the RFP Campus, and (c) transfer to Red Feather Properties Limited Partnership the water distribution lines and fire hydrants located on the Red Feather Properties Limited Partnership property, all in accordance with the terms of the Transfer Agreement.

2.4 The Parties shall immediately commence and diligently proceed to effect the conveyances summarized in sections 2.1 and 2.3 above, but in any event such conveyances shall occur no later than ten (10) days following the date at which the Commission's Decision and Order approving this Agreement and deleting TWDA's CC&N and providing for a new CC&N to Hydro as set forth in section 2.2 above becomes final and non-appealable ("Transfer Date"). Additionally, until the consummation of the conveyances or Commission action, whichever first occurs, Anasazi shall provide the Parties with monthly updates as to the status of the conveyances.

3. **SQUIRE AND HYDRO ACTIONS.** Prior to the Transfer Date, Squire and Hydro shall enter into a new contract or amend their existing water supply contract to ensure that Squire is a private, stand-alone point of service, selling water to Hydro under said contract.

4. **CONTINUED ACC ADJUDICATION PROCEEDINGS.**

4.1 The ACC Adjudication and all proceedings related thereto shall be continued until the Commission approves a new CC&N for Hydro and deletes/cancels the CC&N for TWDA.

4.2 In the event the Commission fails to approve this Agreement and issue an Order deleting TWDA's CC&N and providing for a new CC&N to Hydro as set forth in section 2.2 above, this Agreement shall be deemed terminated and the ACC Adjudication shall thereafter resume. In the event the Commission issues an Order deleting TWDA's CC&N and providing for a new CC&N to Hydro but fails to approve all terms of this Agreement without material change, this Agreement shall be deemed terminated and the ACC Adjudication shall thereafter resume and any CC&N granted shall be null and void after due process.

5. **SETTLEMENT.** The Parties shall proceed with the settlement of the ACC Adjudication as follows:

5.1 TWDA shall file a request to delete/cancel its CC&N and Hydro shall simultaneously file an application for a new Certificate of Convenience and Necessity ("New CC&N") covering the same area as the Certificated Area within the time frames set forth in section 2.2, above.

5.2 Upon filing their respective CC&N requests, the Parties shall also file a request that the dockets associated with the ACC Adjudication be closed and dismissed as moot upon the issuance of an Order by the Commission granting the New CC&N to Hydro and deleting or cancelling the CC&N of TWDA.

5.3 Each Party shall execute and deliver to the other Party and the Commission such documents and perform such acts as reasonably requested by any other Party or required to obtain the Order of the Commission that the ACC Adjudication be closed and dismissed.

5.4 Until the Commission has granted TWDA's request to cancel its CC&N and granted the New CC&N to Hydro, Hydro and Anasazi will continue to supply water to

TWDA and TWDA will continue to provide water service in the Certificated Area. Nothing herein shall preclude Hydro from supplying water to TWDA for TWDA's use in serving the Anasazi Serviced Parcels at Hydro rates upon Anasazi's transfer of the property described in section 2.1 above.

5.5 Until the Commission grants the New CC&N to Hydro, which Decision is anticipated to provide a Fair Value Rate Base and rates for the New CC&N area, TWDA shall continue to charge its current rates unless such rates are revised by agreement of the Parties and approved by the Commission. Upon Anasazi's transfer of the property described in section 2.1 above and Hydro thereafter supplying water to TWDA so that TWDA may serve the Anasazi Serviced Parcels, TWDA shall charge such customers the Hydro rates.

6. COMMISSION EVALUATION OF AGREEMENT.

6.1 **Staff Authority.** The Parties recognize that (a) the Staff does not have the power to bind the Commission; and (b) for the purposes of settlement, the Staff acts in the same manner as a Party in proceedings before the Commission.

6.2 **Commission Authority to Modify.** Each provision of this Agreement is in consideration and support of all other provisions, and expressly conditioned upon acceptance by the Commission without material change; provided, however, that the Parties further recognize that the Commission will evaluate the terms of this Agreement, and that after such evaluation the Commission may require immaterial modifications to any of the terms hereof before accepting this agreement.

6.3 **Commission Approval.** In the event that the Commission adopts an Order approving all of the terms of this Agreement without material change, such action by the Commission constitutes approval of the Agreement, and thereafter the Parties shall abide by its terms.

6.4 **Effect of Modification by the Commission.** In the event that any Party objects to any modification to the terms of this Agreement made by the Commission in an Order approving this Agreement, such Party shall timely file an Application for Rehearing under A.R.S. § 40-253. In the event that a Party does not file such an application, that Party shall be deemed (a) to have accepted any modifications made by the Commission; and (b) to have conclusively and irrefutably accepted that any modifications to terms of this Agreement were not material and therefore that the Commission Order adopted the terms of this Agreement without material change.

6.5 **Application for Rehearing.** If any Party to this Agreement files an Application for Rehearing and alleges that the Commission has failed to approve all terms of the Agreement without material change, then such application shall be deemed a withdrawal of the Agreement, and the Parties shall request a Procedural Order setting the Parties' Applications for Adjudication for hearing. Such hearing shall be without prejudice to the position of any Parties, and this Agreement and the Transfer Agreement, any of the terms and conditions of this Agreement or the Transfer Agreement, any communications leading up to

the execution of this Agreement or the Transfer Agreement, and any supporting documents relating thereto shall not be admitted into evidence for any purpose nor used by the Commission in its final consideration of the issues raised in this consolidated Docket. If a Party files an Application for Rehearing before the Commission, Staff shall not be obligated to file any document or take any position regarding the withdrawing Party's Application for Rehearing.

6.6 Appeal of Commission Decision. If a Party's application for rehearing alleges that the Commission has failed to approve all terms of this Agreement without material change, and the application for rehearing is denied, either by Commission Order or by operation of law, and such Party still objects to any modification to the terms of this Agreement made by the Commission, that Party shall timely file an appeal of the Commission's decision pursuant to A.R.S. § 40-254 or § 40-254.01, as appropriate. In the event that the Party does not file such an appeal, it shall be deemed (a) to have accepted any modifications made by the Commission, and (b) to have conclusively and irrefutably accepted that any modifications to the terms of this Agreement were not material and therefore that the Commission's Order adopted the terms of this Agreement without material change.

6.7 Limitations. The terms and provisions of this Agreement apply solely to and are binding only in the context of the provisions and results of this Agreement and neither this Agreement nor any of the positions taken in this Agreement by any of the Parties may be referred to, cited to, or relied upon by any other Party in any fashion as precedent or otherwise in any proceeding before the Commission or any other regulatory agency or before any court of law for any purpose except in furtherance of the purpose and results of this Agreement.

6.8 Definitive Text. The 'Definitive Text' of this Agreement shall be the text adopted by the Commission in an Order adopting substantially all the terms of this Agreement including all modifications made by the Commission in such an Order.

6.9 Severability. Each of the terms of the Definitive Text of this Agreement is in consideration and support of all other terms. Accordingly, such terms are not severable.

6.10 Support and Defend. The Parties shall make reasonable and good faith efforts necessary to obtain a Commission Order approving this Agreement. The Parties further pledge to support and defend this Agreement before the Commission. If this Agreement is approved, the Parties will support and defend this Agreement before any court or regulatory agency in which it may be at issue.

7. GENERAL.

7.1 This Agreement represents the Parties' mutual desire to compromise and settle disputed issues in a manner consistent with the public interest. The terms and provisions of this Agreement apply solely to and are binding only in the context of the purposes and results of this Agreement.

7.2 No Party is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.

7.3 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule, or regulation, this Agreement shall control. Nothing contained in this Agreement is intended to interfere with the Commission's authority to exercise any regulatory authority by the issuance of orders, rules or regulations.

7.4 This Agreement may be executed by facsimile or in any number of counterparts; all such counterparts shall be deemed to constitute one and the same instrument and each of the executed counterparts shall be deemed an original hereof. The individuals executing this Agreement represent and warrant that he or she has the full power and authority to execute this Agreement and to create binding obligations of the Parties in accordance with the terms hereof.

7.5 No change, modification, or waiver of any provision of this Agreement shall be valid or binding unless it is in writing, dated after the date hereof, and signed by the Parties intended to be bound and approved by the Commission.

7.6 To the extent permitted by the context in which used, words in the singular number shall include the plural and vice versa; words in the masculine gender shall include the feminine and neuter and vice versa; and references to "persons" or "Parties" in this Agreement shall be deemed to refer to natural persons, corporations, general partnerships, limited partnerships, trusts, and all other entities. All references to "days" shall mean calendar days unless stated otherwise. If the last day of any time period stated herein shall fall on a Saturday, Sunday, or legal holiday in the State of Arizona, then the duration of such time period shall be extended so that it shall end on the next succeeding day which is not a Saturday, Sunday, or legal holiday in the State of Arizona.

7.7 Neither this Agreement nor any of the positions taken in this Agreement by any of the Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of securing the approval and enforcement of this Agreement.

7.8 This Agreement shall not be construed for or against any Party as a result of its participation or the participation of its counsel in the preparation and/or drafting of this Agreement or any exhibits hereto.

7.9 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective owners, shareholders, directors, members, principals, agents, heirs, assigns and successors-in-interest.

Anasazi Water Company LLC

By: _____

Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

By: _____

Its: _____

Approved Town of Tusayan:

Its: General counsel

EXHIBIT "A"

That portion of Coconino County, Arizona, described as follows, to-wit:

Being within Section 23 and 24, T 30 N, R 2 E, G & S R B & M, Coconino County, Arizona, the coterminous exterior boundaries of the entire composite and consolidated territory lying within the following boundaries: Beginning at a point on the north line of said Section 24, said point of beginning being Corner No. 5 of Homestead Entry Survey No. 401 (hereinafter HES 401); thence S 14° W, 1574.76 feet to Corner No. 6, HES 401; thence S 27°30' W, 1769.46 feet; thence N 68°43' W, 656.70 feet to an easterly line of said HES 401; thence along said easterly line S 47°20' W., 593.73 feet to Corner 6-C, HES 401; thence southerly along the easterly boundary of Grand Canyon National Park Airport property 3061.29 feet to a corner of said airport property; thence S 40°40'07" W, 800 feet to a corner of said airport property; thence S 40°40'07" W, 11,515.33 feet to the most southerly corner of said airport property; thence N 49°19'53" W, 2,400 feet to the most westerly corner of said airport property; thence N 40°40'07" E, 15,993.57 feet to the most northerly corner of said airport property; thence N 49°47' W 471.21 feet to Corner 9, HES 401; thence N 48°20' W, 1198.56 feet to Corner 10, HES 401; thence N 48°20' W 1119.36 feet to Corner 11, HES 401; thence North, 330 feet to Corner 12, HES 401; thence S 58°50' E, 972.84 feet to Corner 1, HES 401; thence S 58°50' E, 1506.12 feet to Corner 2, HES 401; thence North 74°18' E, 1077.12 feet to Corner 3, HES 401; thence N 52°02' E, 2092.86 feet to Corner 4, HES 401; a point on said north line of Section 24; thence along said north section line, N 89°32' E, 458.70 feet to the point of beginning;

Together with MOQUI CAMP, lying within the Northeast Quarter of Section 13, and westerly of State Highway 64, and that portion of Grand Canyon National Park Airport lying within Sections 25 and 26, all in Township 30 North, Range 2 East, G & S R B & M, Coconino County, Arizona.

APPENDIX

Anasazi Water Company LLC

By: *[Signature]*
Its: Manager/Member

Arizona Corporation Commission
Utilities Division

By: _____
Its: Director

Hydro Resources Inc.

By: _____
Its: _____

Tusayan Water Development Association, Inc.

By: _____
Its: _____

Squire Motor Inns, Inc.

By: _____
Its: _____

Town of Tusayan

By: _____
Its: _____

Approved Town of Tusayan:

Its: General counsel

Anasazi Water Company LLC

By: _____

Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

By: _____

Its: _____

Approved Town of Tusayan:

Its: General counsel

Anasazi Water Company LLC

By: _____

Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____

Its: Director

Hydro Resources Inc.

By: John W. Rector

Its: President

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

By: _____

Its: _____

Approved Town of Tusayan:

Its: General counsel

Anasazi Water Company LLC

Arizona Corporation Commission

Utilities Division

By: _____

By: _____

Its: Manager/Member

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: *Carlson Luna*

Its: BOARD MEMBER
8-12-13

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

Approved Town of Tusayan:

By: _____

Its: _____

Its: General counsel

Anasazi Water Company LLC

Arizona Corporation Commission

Utilities Division

By: _____

By: _____

Its: Manager/Member

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: *Vice President* _____

Town of Tusayan

Approved Town of Tusayan:

By: _____

Its: _____

Its: General counsel

Anasazi Water Company LLC

By: _____

Its: Manager/Member

Arizona Corporation Commission

Utilities Division

By: _____

Its: Director

Hydro Resources Inc.

By: _____

Its: _____

Tusayan Water Development Association, Inc.

By: _____

Its: _____

Squire Motor Inns, Inc.

By: _____

Its: _____

Town of Tusayan

By: Al M. [Signature]

Its: Vice Mayor

Approved Town of Tusayan:

[Signature]

Its: General Counsel

Tina Arroyo

1 **COMMISSIONERS**

2 **Bob Stump – Chairman.**

3 **Gary Pierce**

4 **Brenda Burns**

5 **Bob Burns**

6 **Susan Bitter Smith**

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 IN THE MATTER OF THE APPLICATION
10 OF TUSAYAN WATER DEVELOPMENT
11 ASSOCIATION, INC. FOR
12 ESTABLISHMENT OF RATES FOR
13 WATER SERVICE.

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

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

DOCKET NO. W-20770A-10-0473

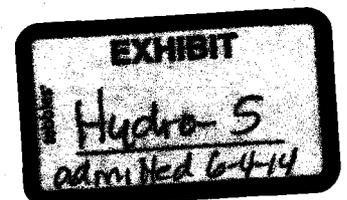
19 IN THE MATTER OF THE APPLICATION
20 OF TUSAYAN WATER DEVELOPMENT
21 ASSOCIATION, INC. FOR
22 CANCELLATION OF CERTIFICATE OF
23 CONVENIENCE AND NECESSITY

DOCKET NO. W-02350A-13-0312

23 IN THE MATTER OF THE APPLICATION
24 OF HYDRO-RESOURCES, INC. FOR A
25 CERTIFICATE OF CONVENIENCE AND
26 NECESSITY TO PROVIDE WATER
27 SERVICE.

DOCKET NO. W-20770A-13-0313

BRYAN CAVE LLP
TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000



1 Janice Alward, Esq.
2 Chief Counsel, Legal Division
3 Arizona Corporation Commission
4 1200 W. Washington
5 Phoenix, AZ 85007

6 **COPY** of the foregoing e-mailed and mailed
7 this 14th day of April, 2014, to:

8 Garry D. Hays
9 The Law Offices of Garry D. Hays, P.C.
10 1702 E. Highland Avenue, Suite 204
11 Phoenix, AZ 85016
12 Attorney for Tusayan Ventures LLC

13 Ryan Lorenz
14 CLARK HILL, PLC
15 14850 N. Scottsdale Road, Suite 500
16 Scottsdale, AZ 85254
17 Attorneys for Tusayan Water Development
18 Association, Inc.

19 Paul L. Brinkmann
20 Shorall McGoldrick Brinkmann
21 702 N. Beaver Street
22 Flagstaff, AZ 86001
23 Attorneys for Anasazi Water Co., LLC

24 William J. Sims, III
25 Sims Murray, Ltd.
26 2020 N. Central Avenue, Suite 670
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28 Attorney for Town of Tusayan

29 Will Wright
30 Town Manager
31 Town of Tusayan
32 P. O. Box 709
33 Tusayan, AZ 86023

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Cathy Russell

BRYAN CAVE LLP
TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

1 **HYDRO-RESOURCES, INC.**

2 **TESTIMONY OF THOMAS BOURASSA**

3 **Q. PLEASE STATE YOUR, EMPLOYER AND TITLE.**

4 A. My name is Thomas J. Bourassa, and I am a self-employed Certified Public
5 Accountant.

6
7 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE AND**
8 **BACKGROUND.**

9 A. I received a Bachelor of Science degree from Northern Arizona University in 1980,
10 with a dual major in chemistry and accounting. I received an Masters of Business
11 Administration from University of Phoenix in 1991, with an emphasis in finance. I
12 received my C.P.A. license from the State of Arizona in 1995, and continue to fulfil
13 requirements for continuing professional education. I am a member of the Arizona
14 Society of CPAs, the Water Utility Association of Arizona, the American Water
15 Works Association, and the Society of Regulatory Financial Analysts. A copy of
16 my resume is attached as Exhibit A.

17
18 Since 1995, I have regularly consulted with utilities on regulatory matters, including
19 all aspects of rate applications, rate reviews, certificate of convenience applications
20 and extension requests, financing applications, accounting order applications, and
21 off-site hook-up fee applications. I also regularly consult on various aspects of
22 business, financial and accounting matters, including best business practices,
23 generally accepted accounting principles, generally accepted ratemaking principles,
24 rate reviews, and other matters.

1 Q. **HAVE YOU EVER PROVIDED TESTIMONY TO THE COMMISSION**
2 **BEFORE?**

3 A. Yes. By my count, I have consulted on approximately eighty (80) rate applications
4 and/or accounting orders pending before the Arizona Corporation Commission. I
5 have provided pre-filed testimony in approximately 70 of those dockets, and live
6 testimony in approximately 60 of those dockets.
7

8 Q. **DID YOU ASSIST THE APPLICANT HYDRO-RESOURCES, INC. IN**
9 **PREPARATION OF ITS APPLICATION FOR A CERTIFICATE OF**
10 **CONVENIENCE AND NECESSITY?**

11 A. Yes, I did. I prepared the financial worksheets attached as Exhibit R to the
12 application for a Certificate of Convenience and Necessity ("CCN") by Hydro-
13 Resources, Inc. ("Hydro"). My work was based on historical information from both
14 Hydro and the Tusayan Water Development Association ("TWDA") during the
15 twelve-month period ended December 31, 2012.
16

17 Q. **HAVE YOU READ THE STAFF REPORT DATED MARCH 14, 2014 IN**
18 **THIS CASE?**

19 A. Yes. In particular, I have read the Staff's recommendation that Hydro continue
20 charging its current rates once a CCN is granted. The Staff also recommends that
21 Hydro be required to file a rate application no later than September 30, 2015, using
22 a 2014 test year.
23

24 Q. **DO YOU AGREE WITH THE STAFF'S RECOMMENDATION**
25 **REGARDING HYDRO'S RATES AND A RATE APPLICATION IN 2015?**

26 A. Yes, I do.
27
28

1 Q. DO YOU BELIEVE THAT IT WOULD SERVE THE PUBLIC INTEREST
2 FOR THE COMMISSION TO GRANT HYDRO'S CCN APPLICATION
3 AND REQUIRE HYDRO TO CONTINUE CHARGING ITS CURRENT
4 RATES UNTIL THE COMMISSION ORDERS DIFFERENT RATES
5 FOLLOWING A RATE APPLICATION IN 2015?

6 A. Yes, I do. By requiring that Hydro file a rate application on or before September
7 30, 2015, using a 2014 test year, the Commission will be able to fully assess
8 Hydro's revenue requirements and the resulting rates based on a full year of
9 operations. Designing a rate structure at that time, based on a year of Hydro's
10 operations, will allow the Commission's Staff and the Commission itself to better
11 understand Hydro's requirements to serve as certified water provider in the unique
12 setting of Tusayan.

13
14 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

15 A. Yes.

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28

Exhibit A

Exhibit A
RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)
M.B.A. University of Phoenix with Emphasis in Finance (1991)
C.P.A. State of Arizona (1995)
Continuing Professional Education – In areas of tax, accounting, management, economics, finance, ethics (80 hrs every two years)

MEMBERSHIPS

Arizona Society of CPAs
Water Utilities Association of Arizona
American Water Works Association
Society of Regulatory Financial Analysts

EMPLOYMENT EXPERIENCE

1995 – Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required. Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, generally accepted ratemaking principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews. Litigation support services.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager

1982-1985

Employed by and part owner in Area Sand and Clay Company,
Pensacola, Florida.

1981-1982

Employed by Purdue University, West Lafayette, Indiana as
Teaching Assistant.

**SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED
CONSULTANT**

COMPANY/CLIENT

FUNCTION

Abra Water Company
ACC Docket No. W-01782A-14-0084

Permanent Rate Application – Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

EPCOR Water Arizona, Inc.
ACC Docket No. W-01303A-14-0010

Permanent Rate Application – Prepared rate designs and cost of Service studies for Mohave Water District, Mohave Wastewater District, Paradise Valley Water District, Tubac Water District, and Sun City Water District.

Liberty Utilities (Midstates Natural Gas),
Inc.
Missouri Public Service Commission
Case No. GR-2014-0152

Permanent Rate Application – Assist in preparing required rate application schedules for Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Hydro Resources, LLC.
ACC Docket No. W-20770A-13-0313

CC&N Application. Prepared required schedules and initial rates.

Little Park Water Company
ACC Docket No. W-02192A-13-0336

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Utility Source, LLC.
ACC Docket No. WS-04235A-13-0331

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Payson Water Company
ACC Docket No. W-03514A-13-0111
W-03514A-13-0142

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Financing Application. Prepared financial ratios and debt surcharge mechanism.

COMPANY/CLIENT

FUNCTION

Goodman Water Company

Valuation

Verde Santa Fe Wastewater
ACC Docket No. SW-03437A-13-0292

Permanent Rate Application – Sewer.
Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Del Lago Water Company
ACC Docket No. W-01944A-13-0215

Permanent Rate Application – Water.
Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Chaparral City Water Company
ACC Docket No. W-02113A-13-0118

Cost of Service Study.

Las Quintas Serenas Water Company
ACC Docket No. W-01583A-13-0117

Permanent Rate Application – Water.
Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Litchfield park Service Company
ACC Docket No. SW-01428A-13-0043
W-01428A-13-0042

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.

Beaver Dam Water Company
ACC Docket No. WS-03067A-12-0232

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Rio Rico Utilities
ACC Docket No. WS-02676A-12-0196

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Vail Water Company
ACC Docket No. W-01651B-12-0339

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

COMPANY/CLIENT

Avra Water Co-Op.
ACC Docket No. W-02126A-11-0480

Pima Utility Company
ACC Docket No. W-02199A-11-0329
ACC Docket No. SW-02199A-11-0330

California Pacific Energy Company

Livco Water Company
ACC Docket No. SW-02563A-11-0213

Orange Grove Water Company
ACC Docket No. W-02237A-11-0180

Goodman Water Company
ACC Docket No. W-02500A-10-0382

Doney Park Water
ACC Docket No. W-01416A-10-0450

Grimmelmann, et. al. v. Pulte Home Corporation, et. al., case no. CV-08-1878-PHX-FJM, the United States District Court for the District of Arizona.

Southern Arizona Home Builders Association

FUNCTION

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital.

Work on financing application.

Work on preparation of permanent rate application.

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Consultant to defendant and expert witness for defendant on rates and ratemaking.

Consultant on ratemaking aspects to line extension policies (electric).

COMPANY/CLIENT

FUNCTION

H2O Water Company

Valuation

Tierra Linda HOA Water Company

Valuation

Las Quintas Serenas Water Company
ACC Docket No. W-01583A-09-0589

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Coronado Utilities
ACC Docket No. SW-04305A-09-0291

Permanent Rate Application – Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Little Park Water Company
ACC Docket No. W-02192A-09-0531

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Sahuarita Water Company
ACC Docket No. W-03718A-09-0359

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.

Bella Vista Water Company
Southern Sunrise Water Company
Northern Sunrise Water Company
ACC Docket No. W-02465A-09-0414
W-02453A-09-0414
W-02454A-09-0414

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.

Rio Rico Utilities, Inc
ACC Docket No. WS-02676A-09-0257

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Litchfield park Service Company
ACC Docket No. SW-01428A-09-0103
W-01428A-09-0104

Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.

COMPANY/CLIENT

FUNCTION

Town of Thatcher v. City of Safford, CV
2007-240, Superior Court of Arizona

Consultant to plaintiff on ratemaking and
cost of service.

Valencia Water Company
California Public Utility Commission Case
No. 09-05-002

Cost of Capital

Valley Utilities
ACC Docket No. W-01412A-08-0586

Permanent Rate Application. Prepared
schedules and testified on Rate Base,
Plant, Income Statement, Revenue
Requirement, and Rate Design.

Black Mountain Sewer Company
ACC Docket No. SW-02361A-08-0609

Permanent Rate Application – Sewer.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, and Cost of
Capital.

Far West Water and Sewer Company
ACC Docket No. WS-03478A-08-0608

Interim Rate Application (Emergency
Rates)

Farmers Water Company
ACC Docket No. W-01654A-08-0502

Permanent Rate Application. Prepared
schedules and testified on Rate Base,
Plant, Income Statement, Revenue
Requirement, and Rate Design.

Far West Water and Sewer Company
ACC Docket No. WS-03478A-08-0454

Permanent Rate Application. Sewer.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design and Cost of
Capital.

Ridgeline Water Company, LLC
ACC Docket No. W-20589A-08-0173

Certificate of Convenience and Necessity
– Water. Prepared pro-forma balance
sheets, income statements, plant
schedules, rate base, and financing.

Sacramento Utilities, Inc.
ACC Docket No. SW-20576A-08-0067

Certificate of Convenience and Necessity
– Wastewater. Prepared pro-forma
balance sheets, income statements, plant
schedules, rate base, and financing.

Johnson Utilities

Permanent Rate Application. Water and

COMPANY/CLIENT

ACC Docket No. WS-02987A-08-0180

Orange Grove Water Company
ACC Docket No. W-02237A-08-0455

Far West Water and Sewer Company
ACC Docket No. WS-03478A-07-0442

Oak Creek Water No.1
ACC Docket No. W-01392A-07-0679

ICR Water Users Association
Docket W-02824-07-0388

Johnson Utilities

H2O, Inc
ACC Docket No. W-02234A-07-0550

Chaparral City Water Company
ACC Docket No. W-02113A-07-0551

Valley Utilities
ACC Docket No. W-01412A-07-0561

Valley Utilities
ACC Docket No. W-01412A-07-280

FUNCTION

Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.

Participate in 40-252 proceeding.

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Financing Application. Prepare schedules to support application.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Valuation consultant in the matter of the sale of Johnson Utilities assets to the Town of Florence.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Financing Application. Prepare schedules to support application.

Emergency Rate Application. Prepare schedules to support application.

COMPANY/CLIENT

FUNCTION

Valley Utilities
ACC Docket No. W-01412A-07-0278

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Litchfield Park Service Company
ACC Docket No. W-01427A-06-0807

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Golden Shores Water Company
ACC Docket No. W-01815A-07-0117

Permanent Rate Application. Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Diablo Village Water Company
ACC Docket No. W-02309A-07-0140

Off-site facilities hook-up fee application. Prepare schedules to support application.

Diablo Village Water Company
ACC Docket No. W-02309A-07-0399

Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Sahuarita Water Company
(Rancho Sahuarita Water Co.)
ACC Docket No. W-03718A-07-0687

Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Utility Source, L.L.C.
ACC Docket No. WS-04235A-06-0303

Permanent Rate Application- Water and Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Tierra Buena Water Company

Valuation of Tierra Buena Water Company for estate purposes.

Goodman Water Company
ACC Docket No. W-02500A-06-0281

Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement,

COMPANY/CLIENT

FUNCTION

Links at Coyote Wash Utilities
ACC Docket No. SW-04210A-06-0220

and Cost of Capital.

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

New River Utilities
ACC Docket No. W-0173A-06-0171

Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Johnson Utilities
ACC Docket No. WS-02987A-04-0501
Docket WS-02987A-04-0177

Extension of Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Bachmann Springs Utility
ACC Docket No. WS-03953A-07-0073

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Avra Water Cooperative
ACC Docket No. W-02126A-06-0234

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Gold Canyon Sewer Company
ACC Docket No. SW-025191A-06-0015

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

State of Arizona v. Far West Water and Sewer, No. 1 CA-CR 06-0160

Expert witness on behalf of defendant in penalty phase of case.

Far West Water and Sewer Company
ACC Docket No. WS-03478A-05-0801

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Black Mountain Sewer Company

Permanent Rate Application – Sewer.

COMPANY/CLIENT

ACC Docket No. SW-02361A-05-0657

Balterra Sewer Company
ACC Docket No. SW-02304A-05-0586

Community Water Company of Green
Valley
ACC Docket No. W-02304A-05-0830

McClain Water Systems
Northern Sunrise Water
Southern Sunrise Water
ACC Docket No. W-020453A-06-0251

Valley Utilities Water Company
ACC Docket No. W-01412A-04-0376

Valley Utilities Water Company
ACC Docket No. W-01412A-04-0376

Beardsley Water Company
ACC Docket No. W-02074A-04-0358

Pine Water Company, Inc.
ACC Docket No. W-03512A-03-0279

Chaparral City Water Company
ACC Docket No. W-02113A-04-0616

FUNCTION

Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Off-site facilities hook-up fee application. Prepare schedules to support application.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Cost of Capital, and Rate Design.

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in

COMPANY/CLIENT

FUNCTION

Tierra Linda Home Owners Association
ACC Docket No. W-0423A-04-0075

preparation Rate Design.

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Diamond Ventures - Red Rock Utilities
ACC Docket No. WS-04245A-04-0184

Certificate of Convenience and Necessity – Water and Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Arizona-American Water Company, Inc.
ACC Docket No. WS-01303A-02-0867
ACC Docket No. WS-01303A-02-0868
ACC Docket No. WS-01303A-02-0869
ACC Docket No. WS-01303A-02-0870
ACC Docket No. WS-01303A-02-0908

Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Bella Vista Water Company, Inc.
ACC Docket No. W-02465A-01-0776

Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Green Valley Water Company
Docket (2000 Not Filed)

Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Gold Canyon Sewer Company
ACC Docket No. SW-02519A-00-0638

Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Rio Verde Utilities, Inc.

Permanent Rate Application – Water and

COMPANY/CLIENT

ACC Docket No. WS-02156A-00-0321

Livco Water Company
Livco Sewer Company
ACC Docket No. SW-02563A-05-0820

Livco Water Company
ACC Docket No. SW-02563A-07-0506

Cave Creek Sewer Company

Avra Water Cooperative
ACC Docket No. W-02126A-00-0269

Town of Oro Valley

Far West Water Company
ACC Docket No. WS-03478A-99-0144

MHC Operating Limited Partnership
Sedona Venture Wastewater
ACC Docket No. W-

Vail Water Company
ACC Docket No. W-01651B-99-0406

E&T Water Company
ACC Docket No. W-01409A-95-0440

FUNCTION

Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Revenue Requirement, Rate Adjustment and Rate Design - Sewer.

Permanent Rate Application – Water. Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Revenue Requirements, Water Rate Adjustments and Rate Design.

Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.

Permanent Rate Application – Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Permanent Rate Application. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.

Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and

COMPANY/CLIENT

FUNCTION

New River Utility
ACC Docket No. W-01737A-99-0633

Rate Design.

Permanent Rate Application - Water.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

Golden Shores Water
ACC Docket No. W-01815A-98-0645

Permanent Rate Application - Water.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

Ponderosa Utility Company
ACC Docket No. W-01717A-99-0572

Permanent Rate Application - Water.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

Chaparral City Water Company
Docket (1999 Not Filed)

Permanent Rate Application - Water.
Prepared schedules and testimony on Rate
Base, Plant, Revenue Requirement, and
Income Statement. Assisted in preparation
of Cost of Capital and Rate Design.

W-20770A-13-0313

ARIZONA CORPORATION COMMISSION

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

WATER AND/OR SEWER

A. The legal name, mailing address and telephone number of the Applicant (Company) is:

Hydro-Resources, Inc.

P.O. Box 3246, 549 Camper Village, Grand Canyon AZ 86023

928-638-8205

B. If doing business (d.b.a.) under a name other than the Applicant (Company) name listed above, specify:

Not Applicable

C. List the full name, mailing address and telephone number of the management contact:

John W. Rueter

P.O. Box 3246, 549 Camper Village, Grand Canyon AZ 86023

928-638-8205

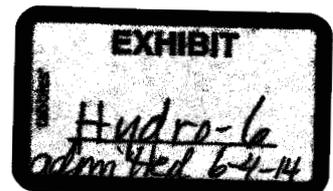
D. List the full name, mailing address and telephone number of the attorney for the Applicant:

Steven A. Hirsch and Rodney W. Ott

Bryan Cave LLP, 2 N. Central Avenue, Suite 2200, Phoenix, AZ 85004

602-364-7000

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2013 SEP 12 P 4: 04
AZ CORP COMMISSION
DOCKET CONTROL



E. List the full name, mailing address and telephone number of the operator certified by the Arizona Department of Environmental Quality who is or will be working for the Applicant:

John W. Rueter

P.O. Box 3246, 549 Camper Village, Grand Canyon, AZ 86023

928-638-8205

F. List the full name, mailing address and telephone number of the on-site manager of the utility:

John W. Rueter

P.O. Box 3246, 549 Camper Village, Grand Canyon, AZ 86023

928-638-8205

G. The Applicant is a:

<input checked="" type="checkbox"/> Corporation: __ C <input checked="" type="checkbox"/> S <input type="checkbox"/> Non-Profit X Arizona <input type="checkbox"/> Foreign	<input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign
<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Limited Liability Company (LLC)
<input type="checkbox"/> Other (Specify)	

H. If Applicant is a corporation:

1. List full names, titles and mailing addresses of all Officers and Directors:

Officers

President/CEO: John W. Rueter, P.O. Box 3246, Grand Canyon, AZ 86023

Vice-President: Barry J. Baker, P.O. Box 3246, Grand Canyon, AZ 86023

Secretary: John R. Seibold, 7000 Pine Springs Rd., Washoe Valley, NV 89704

Directors

Elling Halvorson, 12515 Willows Rd., NE, Suite 200, Kirkland, WA 98034

John R. Seibold, 7000 Pine Springs Rd., Washoe Valley, NV 89704

2. Attach a copy of the corporation's "Certificate of Good Standing" issued by the Corporation's Division of the Arizona Corporation Commission.

See attached Exhibit H.2.

3. Attach a certified copy of the Articles of Incorporation.

See attached Exhibit H.3.

4. Attach a certified copy of the corporation's By-Laws.

See attached Exhibit H.4.

5. If a for-profit corporation, indicate the number of shares of stock authorized for issue.

The Articles of Incorporation allow issuance of 1,000,000 shares of common stock.

6. If stock has been issued, indicate the number of shares issued and date of issue:
5,478.9 shares of stock have been issued.

I. If the Applicant is a partnership:

1. List the full name and mailing address of the general partners:

Not Applicable.

2. List the full name, address and telephone number of the managing partners:

Not Applicable.

3. Attach a copy of the Partnership's Articles of Partnership.

- If the Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" filed with the Arizona Secretary of State.

Not Applicable.

J. If the Applicant is a Limited Liability Company:

1. List the full name and mailing address of all the Applicant's managers or, if management is reserved to the members, the Applicant's members:

Not Applicable.

2. Attach a copy of the Articles of Organization.

Not Applicable.

K. List the legal name and mailing address of each other utility in which the applicant has an ownership interest:

None.

L. Attach a description of the requested service area, expressed in terms of **CADASTRAL** (quarter section description) or **Metes and Bounds** survey. References to parcels and docket numbers will not be accepted.

See attached Exhibit L.

M. Attach a detailed map using the form provided as Attachment "B". Shade and outline the area requested. Also, indicate any other utility within the general area using different colors.

See attached Exhibit M.

N. List the name of each county in which the requested service area is located and a description of the area's location in relation to the closest municipality, which shall be named:

The service area is entirely located within Coconino County and the municipal limits of the Town of Tusayan.

- O. Attach a complete description of the facilities proposed to be constructed, including a preliminary engineering report with specifications in sufficient detail to describe each water system and the principal components of each water system (e.g., source, storage, transmission lines, distribution lines, etc.) to allow verification of the estimated costs provided under subsection (B)(5)(o) and verification that the requirements of the Commission and the Arizona Department of Environmental Quality can be met.

The Applicant does not plan construction of any facilities at this time, except for any line extensions which may be required.

- P. Provide the estimated total construction cost of the proposed offsite and onsite facilities, including documentation to support the estimates, and an explanation of how the construction will be financed, such as through debt, equity, advances in aid of construction, contributions in aid of construction, or a combination thereof.

The Applicant does not plan construction of any facilities at this time, except for any line extensions which may be required.

- Q. Explain the method of financing utility facilities. Refer to the instructions, item no. 7. (Use additional sheets if necessary):

No additional utility facilities are planned at this time.

- R. Attach financial information in a format similar to Attachment "C". Include current assets and liabilities, an income statement, estimated revenue and expenses and the estimated value of the applicant's utility plant in service for the first five years following approval of the application.

See attached Exhibit R.

- S. Provide a detailed description of the proposed construction timeline for facilities with estimated starting and completion dates and, if construction is to be phased, a description of each separate phase of construction.

The Applicant does not plan any additional utility facilities at this time.

- T. Provide a copy of any requests for service from persons who own land within the proposed service area or extension area, which shall identify the applicant by name.

The Applicant has not solicited or received any requests for water service. However, all potential customers are customers of Tusayan Water Development Association, have requested membership in that Association, and will become customers of the Applicant after Tusayan Water Development Association is dissolved. By virtue of the Settlement Agreement docketed on August 13, 2012, the Tusayan Water Development Association has agreed to the transfer of all of its customers to the Applicant.

U. Provide maps of the proposed service area identifying:

1. The boundaries of the area, with the total acreage noted;

See attached Exhibit U.

2. The land ownership boundaries within the area, with the acreage of each separately owned parcel within the area noted;

See attached Exhibit U.

3. The owner of each parcel within the area;

See attached Exhibit U.

4. Any municipality corporate limits that overlap with or are within five miles of the area;

The proposed service area is completely contained with the borders of the Town of Tusayan. No other municipality exists within five miles of the proposed service area.

5. The service area of any public service corporation, municipality, or district currently providing water or wastewater service within one mile of the area, with identification of the entity providing service and each type of service being provided;

The South Grand Canyon Sanitary District provides wastewater service within the same service area. No other entity provides water or wastewater service within one mile of the proposed service area.

6. The location within the area of any known water service connections that are already being provided service by the applicant;

See attached Exhibit U.

7. The location of all proposed developments within the area;

See attached Exhibit U.

8. The proposed location of each water system and the principal components; and

See attached Exhibit U.

9. The location of all parcels for which a copy of a request for service has been submitted.

No parcels have provided requests for service to the Applicant. However, all parcels within the proposed service area are currently receiving water service from the Tusayan Water Development Association, and the Tusayan Water Development Association has agreed to the transfer of its customers to the Applicant.

- V. Provide a copy of each notice to be sent, as required, to a municipal manager or administrator.

See attached Exhibit V.

- W. A copy of each notice sent, as required, to a landowner not requesting service.

Every landowner within the proposed service area has requested service, and has been receiving service, from the existing provider, Tusayan Water Development Association. The Tusayan Water Development Association and the Town of Tusayan are fully aware of, and have consented to, the application. The Applicant will inform each landowner in the proposed service area of the application as directed by the Commission following a finding of sufficiency. See attached Exhibit W.

- X. For each landowner not requesting service, provide either the written response received from the landowner or, if no written response was received, a description of the actions taken by the applicant to obtain a written response.

Every landowner within the proposed service area has requested service, and has been receiving service, from the existing provider, Tusayan Water Development Association. The Tusayan Water Development Association and the Town of Tusayan are fully aware of, and have consented to, the application. The Applicant will inform each landowner in the proposed service area of the application. See attached Exhibit W.

- Y. Attach proposed Tariffs using either the water or sewer format of Attachment "D", unless the Utilities Division, prior to the filing of this application, approves another form.

See attached Exhibit R, Schedule 5.

Z. Attach the following permits:

1. The franchise from either the City or County for the area requested.

Neither the Town of Tusayan nor Coconino County own the roads within the proposed service area. Instead, all of the roads within the proposed service area are either owned by the Arizona Department of Transportation (“ADOT”) or private landowners.

ADOT is aware of the Applicant’s lines, has consented to their presence with ADOT’s right of way, and has issued encroachment permits for the Applicant. The Applicant has attached permits, consents and permissions received from the ADOT as Exhibit Z.1.

By virtue of the Settlement Agreement docketed on August 13, 2013, the Town of Tusayan has consented to the Applicant’s operation within the Town. The Town has no procedures in place to grant franchises and does not plan to do so.

2. The Arizona Department of Environmental Quality (or its designee’s) approval to construct facilities.

No additional facilities are planned at this time.

3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)

No State Trust Land is included within the requested area.

4. Any U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.)

No U.S. Forest Service land is included within the requested area.

5. WATER ONLY) If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources, whichever applies.

The area is outside any Active Management Area.

- a. If the area requested is outside an Active Management Area, attach the developer's Adequacy Statement issued by the Arizona Department of Water Resources, if applied for by the developer.

Not applicable.

- b. If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detail to prove that adequate water exists to provide water to the area requested.

The Applicant has access to water from two wells, drilled in 1989 and 1994, which together have provided the majority of the water for the Tusayan community for the last twenty years. During that time, the water levels in the wells have not decreased and the Applicant has not needed to haul water.

The Applicant recently retained a licensed hydrologist, Ed Squires of Hydro Logic, Inc., who has prepared a report which is attached as Exhibit Z.5. Mr. Squires has determined that, at the present time, there is insufficient information on water supplies in the Tusayan area. For that reason, Mr. Squires has proposed that the Applicant institute a monitoring and reporting plan in order to determine water supplies in the Tusayan area. The Applicant agrees and will undertake such a monitoring and reporting plan as outlined by Mr. Squires.

Institution of such a plan is a first step towards addressing the water supply concerns of the Commission and the Applicant such that Applicant will be in a position in the future to provide sufficient detail on the adequacy of the water supply.

6. Provide a copy of your estimated property taxes. This may be obtained by contacting the Arizona Department of Revenue, Division of Property Valuation and Equalization. You must provide them with a five (5) year projection of the original cost of the plant, depreciation expense, the location of the property and the school district.

The Applicant does not own any of the land on which its well, storage tanks, lines or other facilities are located. Because the Applicant has leased rather than owned real property, it has not paid property taxes in the past.

The Applicant has included estimated property and other taxes in the financial materials provided. See attached Exhibit R, Schedules 2 and 2b.

AA. Indicate the estimated number of customers, by class, to be served in each of the first five years of operation. Include documentation to support the estimates.

Residential:

First Year 3 Second Year 3 Third Year 3 Fourth Year 3 Fifth Year 3

Commercial:

First Year 91 Second Year 91 Third Year 91 Fourth Year 91 Fifth Year 91

Industrial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0 Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0 Fifth Year 0

BB. Indicate the projected annual water consumption or sewerage treatment, in gallons, for each of the customer classes for each of the first five years of operation:

Residential:

First Year	<u>57,000</u>
Second Year	<u>57,000</u>
Third Year	<u>57,000</u>
Fourth Year	<u>57,000</u>
Fifth Year	<u>57,000</u>

Industrial:

First Year	<u>0</u>
Second Year	<u>0</u>
Third Year	<u>0</u>
Fourth Year	<u>0</u>
Fifth Year	<u>0</u>

Commercial:

First Year	<u>27,622,000</u>
Second Year	<u>27,622,000</u>
Third Year	<u>27,622,000</u>
Fourth Year	<u>27,622,000</u>
Fifth Year	<u>27,622,000</u>

Irrigation:

First Year	<u>0</u>
Second Year	<u>0</u>
Third Year	<u>0</u>
Fourth Year	<u>0</u>
Fifth Year	<u>0</u>

CC. Indicate the total estimated annual operating revenue for each of the first five years of operation:

Residential:

First Year	<u>\$10,991</u>
Second Year	<u>\$10,991</u>
Third Year	<u>\$10,991</u>
Fourth Year	<u>\$10,991</u>
Fifth Year	<u>\$10,991</u>

Industrial:

First Year	<u>0</u>
Second Year	<u>0</u>
Third Year	<u>0</u>
Fourth Year	<u>0</u>
Fifth Year	<u>0</u>

Commercial:

First Year	<u>\$821,362</u>
Second Year	<u>\$821,362</u>
Third Year	<u>\$821,362</u>
Fourth Year	<u>\$821,362</u>
Fifth Year	<u>\$821,363</u>

Irrigation:

First Year	<u>0</u>
Second Year	<u>0</u>
Third Year	<u>0</u>
Fourth Year	<u>0</u>
Fifth Year	<u>0</u>

DD. Indicate the total estimated annual operating expenses for each of the first five years of operation:¹

Residential:

First Year _____
Second Year _____
Third Year _____
Fourth Year _____
Fifth Year _____

Industrial:

First Year 0
Second Year 0
Third Year 0
Fourth Year 0
Fifth Year 0

Commercial:

First Year \$677,756
Second Year \$696,862
Third Year \$698,327
Fourth Year \$698,371
Fifth Year \$695,600

Irrigation:

First Year 0
Second Year 0
Third Year 0
Fourth Year 0
Fifth Year 0

¹ Given the small number of residential customers, it is difficult for the Applicant to separate out the small amount of annual operating expenses related to residential customers. Therefore, the Applicant has listed all operating expenses under the commercial customers.

EE. Attach an itemized list of the major components of the water or sewer system (see Attachment C-3).

See attached Exhibit EE.

FF. Indicate the total estimated cost to construct utility facilities:

No additional construction is planned except for any line extensions which may be required.

GG. Provide a description of how wastewater service is to be provided in the proposed service area or extension area and the name of each wastewater service provider for the area, if any.

Wastewater service to the proposed service area is provided by the South Grand Canyon Sanitary District, P.O. Box 3066, Grand Canyon, AZ 86023, telephone (928) 638-0906.

HH. Provide a letter from each wastewater service provider identified under subsection (B)(5)(aa), confirming the provision of wastewater service for the proposed service area or extension area.

See attached Exhibit HH.

II. Provide plans for or a description of water conservation measures to be implemented in the proposed service area or extension area, including, at a minimum:

- i. A description of the information about water conservation or water saving measures that the utility will provide to the public and its customers;
- ii. A description of how the applicant will work with each wastewater service provider identified under subsection (B)(5)(aa) to encourage water conservation;
- iii. A description of the sources of water that will be used to supply parks, recreation areas, golf courses, greenbelts, ornamental lakes, and other aesthetic water features;
- iv. A description of any plans for the use of reclaimed water;
- v. A description of any plans for the use of recharge facilities;
- vi. A description of any plans for the use of surface water; and
- vii. A description of any other plans or programs to promote water conservation;

(i) The public in Tusayan has been keenly aware for years of the need for water conservation. The price of water itself serves as a constant reminder of the need to conserve water. Water conservation in Tusayan is also accomplished by a number of other methods, including double-plumbing in homes and businesses, the use of xeriscape, and low flush toilets.

(ii) The Applicant will work closely with the South Grand Canyon Sanitary District to conserve water through cross-connections and reuse.

(iii) Reclaimed water provided by the South Grand Canyon Sanitary District is used to supply parks, recreation areas, golf courses, greenbelts, ornamental lakes and other aesthetic water features in Tusayan.

(iv) The use of reclaimed water for irrigation and commercial toilet flushing is required by the Town code.

(v) Recharge is accomplished by means of a passive recharge basin in Coconino Wash at the South Grand Canyon Sanitary District.

(vi) No surface water is used.

(vii). See above for programs promoting water conservation.

JJ. Provide a backflow prevention tariff that complies with Commission standards, if not already on file.

See attached Exhibit JJ.

KK. Provide a curtailment tariff that complies with Commission standards, if not already on file.

See attached Exhibit KK.

LL. Provide a copy of a Physical Availability Determination, Analysis of Adequate Water Supply, or Analysis of Assured Water Supply issued by the Arizona Department of Water Resources for the proposed service area or extension area or, if not yet obtained, the status of the application for such approval;

The Applicant has access to water from two wells, drilled in 1989 and 1994, which together have provided the majority of the water for the Tusayan community for the last twenty years. During that time, the water levels in the wells have not decreased and the Applicant has not needed to haul water.

The Applicant recently retained a licensed hydrologist, Ed Squires of Hydro Logic, Inc., who has prepared a report which is attached as Exhibit Z.5. Mr. Squires has determined that, at the present time, there is insufficient information on water supplies in the Tusayan area. For that reason, Mr. Squires has proposed that the Applicant institute a monitoring and reporting plan in order to determine water supplies in the Tusayan area. The Applicant agrees and will undertake such a monitoring and reporting plan as outlined by Mr. Squires.

Institution of such a plan is a first step towards addressing the water supply concerns of the Commission and the Applicant such that Applicant will be in a position in the future to provide sufficient detail on the adequacy of the water supply.

John William Kuter
(Signature of Authorized Representative)

John William Kuter
(Type or Print Name Here)

PRESIDENT
(Title)

SUBSCRIBED AND SWORN to before me this 12th day of September, 2013

Lisa A. Remus
NOTARY PUBLIC

My Commission Expires _____



LISA A. REMUS
Notary Public - Arizona
Maricopa County
Expires 06/30/2015

Exhibit H2

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Jodi A. Jerich, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****HYDRO-RESOURCES, INC.*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on April 7, 1994.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 4th Day of September, 2013, A. D.





Jodi A. Jerich, Executive Director

By: _____ 957437

Exhibit H3

ARIZONA CORPORATION COMMISSION
CORPORATIONS DIVISION

Phoenix Address: 1200 West Washington
Phoenix, Arizona 85007

Tucson Address: 400 West Congress
Tucson, Arizona 85701

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-1084

PLEASE SEE REVERSE SIDE

Hydro-Resources, Inc.
EXACT CORPORATE NAME

CHECK APPROPRIATE BOX(ES) A or B
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT:

- A. No persons serving either by election or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
 2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
 3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
 - (a) involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

- B. For any person or persons who have been or are subject to one or more of the statements in items A.1 through A.3 above, the following information MUST be attached:
1. Full name and prior name(s) used.
 2. Full birth name.
 3. Present home address.
 4. Prior addresses (for immediate preceding 7-year period).
 5. Date and location of birth.
 6. Social Security number.
 7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

STATEMENT OF BANKRUPTCY, RECEIVERSHIP OR REVOCATION
A.R.S. Sections 10-128.01 and 10-1083

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES _____ NO _____

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case.

APR 8 1994

Under penalties of law, the undersigned incorporators/officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete

BY Elling Halvorson DATE 4-1-94
 TITLE Incorporator, Officer, Director
Elling Halvorson

BY _____ DATE _____
 TITLE _____

BY John Seibold DATE 4-6-94
 TITLE Incorporator, Officer, Director
John Seibold

BY _____ DATE _____
 TITLE _____

FISCAL DATE: December

DATE: April 7, 1994

TO: ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION
1300 WEST WASHINGTON
PHOENIX, ARIZONA 85007

RE: HYDRO-RESOURCES, INC.

Please be advised that Tom Chauncey II, having been designated the statutory agent for the above-referenced corporation, approves of such designation and consents to act in such capacity. However, Tom Chauncey II specifically reserves the right to resign as statutory agent in accordance with the provisions of the Arizona Revised Statutes.


Tom Chauncey II

3 2 9 0 3

ARTICLE VI - BOARD OF DIRECTORS

The affairs of the corporation shall be conducted by an initial Board of Directors consisting of two directors. Each member of the Board of Directors after the initial Board of Directors shall be elected by the shareholder(s) at the annual meeting and each member shall serve until such member's successor is elected and qualified. Until the first annual meeting or until their successors are elected and qualified, the following persons shall be the initial members of the Board of Directors:

Elling Halvorson
12515 Willows Road NE, Suite 200
Kirkland, Washington 98034

John Seibold
241 East Reno Avenue
Las Vegas, Nevada 89119

The number of persons to serve on the Board of Directors shall be fixed by the Bylaws.

ARTICLE VII - STATUTORY AGENT

This corporation does hereby appoint Tom Chauncey II, 201 North Central Avenue, Suite 3300, Phoenix, Arizona 84073, who has been a bona fide resident of Arizona for at least three years, as its initial statutory agent.

ARTICLE VIII - KNOWN PLACE OF BUSINESS

The address of the corporation's known place of business in Arizona is Highways 64 and 180, Grand Canyon, Arizona 86023.

ARTICLE IX - STOCK RIGHTS AND OPTIONS

The corporation shall have authority, as provided under the laws of the State of Arizona, to create and issue rights and options entitling the holders thereof to purchase shares of stock of the corporation. The issuance of such rights and options, whether or not to directors, officers or employees of the corporation or of any affiliate thereof and not to the shareholders generally, need not be approved or ratified by the shareholders of the corporation or be authorized by or be consistent with a plan approved or ratified by the shareholders of the corporation.

ARTICLE X - DISTRIBUTIONS FROM CAPITAL SURPLUS

The Board of Directors may from time to time, without shareholder approval, distribute on a pro rata basis to the shareholders, from and to the extent of the capital surplus of the corporation, a portion of the corporation's assets, in cash or property.

ARTICLE XI - DIRECTOR'S LIABILITY

Except as hereinafter provided in this Article, the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as director is eliminated. Nothing in this Article shall eliminate or limit the liability of a director for any of the following:

- (a) Any breach of the director's duty of loyalty to the corporation or its shareholders;
- (b) Acts or omissions which are not in good faith or which involve intentional misconduct or a knowing violation of law;
- (c) Authorizing the unlawful payment of a dividend or other distribution on the corporation's capital stock or the unlawful purchase of its capital stock;
- (d) Any transaction from which the director derived an improper personal benefit; or
- (e) A violation of Section 10-041, Arizona Revised Statutes, as amended from time to time, regarding director conflicts of interest.

In witness whereof, we have hereunto set our hands this 3rd day of March, 1994.

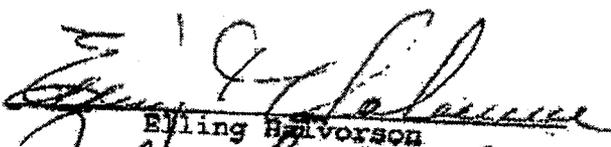
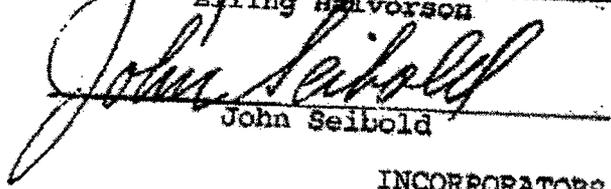

 Elling Halvorsen

 John Seibold
 INCORPORATORS

Exhibit H4

ARTICLES OF INCORPORATION
OF
HYDRO-RESOURCES, INC.

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, having associated ourselves together for the purpose of forming a corporation under and by virtue of the laws of the State of Arizona, do hereby adopt the following Articles of Incorporation:

ARTICLE I - NAME

The name of this corporation shall be:

Hydro-Resources, Inc.

ARTICLE II - INCORPORATORS

The names and addresses of the incorporators are:

Elling Halvorson
12515 Willows Road NE, Suite 200
Kirkland, Washington 98034

John Seibold
241 East Reno Avenue
Las Vegas, Nevada 89119

ARTICLE III - PURPOSE

The purpose for which this corporation has been organized is to transact any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time.

ARTICLE IV - INITIAL BUSINESS

The character of the business the corporation initially intends to engage in Arizona is the drilling of a well.

ARTICLE V - AUTHORIZED CAPITAL

The corporation is hereby authorized to issue One Million (1,000,000) shares of common stock, having a no par value per share.

ARTICLE VI - BOARD OF DIRECTORS

The affairs of the corporation shall be conducted by an initial Board of Directors consisting of two directors. Each member of the Board of Directors after the initial Board of Directors shall be elected by the shareholder(s) at the annual meeting and each member shall serve until such member's successor is elected and qualified. Until the first annual meeting or until their successors are elected and qualified, the following persons shall be the initial members of the Board of Directors:

Elling Halvorson
12515 Willows Road NE, Suite 200
Kirkland, Washington 98034

John Seibold
241 East Reno Avenue
Las Vegas, Nevada 89119

The number of persons to serve on the Board of Directors shall be fixed by the Bylaws.

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ARTICLE X - DISTRIBUTIONS FROM CAPITAL SURPLUS

The Board of Directors may from time to time, without shareholder approval, distribute on a pro rata basis to the shareholders, from and to the extent of the capital surplus of the corporation, a portion of the corporation's assets, in cash or property.

ARTICLE XI - DIRECTOR'S LIABILITY

Except as hereinafter provided in this Article, the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as director is eliminated. Nothing in this Article shall eliminate or limit the liability of a director for any of the following:

(a) Any breach of the director's duty of loyalty to the corporation or its shareholders;

(b) Acts or omissions which are not in good faith or which involve intentional misconduct or a knowing violation of law;

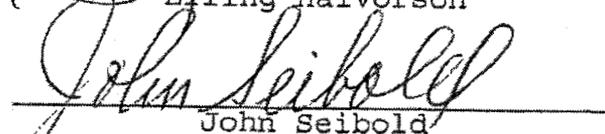
(c) Authorizing the unlawful payment of a dividend or other distribution on the corporation's capital stock or the unlawful purchase of its capital stock;

(d) Any transaction from which the director derived an improper personal benefit; or

(e) A violation of Section 10-041, Arizona Revised Statutes, as amended from time to time, regarding director conflicts of interest.

In witness whereof, we have hereunto set our hands this _____ day of March, 1994.


Eylling Halvorson


John Seibold

INCORPORATORS

BYLAWS OF
HYDRO-RESOURCES, INC.

ARTICLE I

SHAREHOLDERS

Section 1. Shareholders' Meetings: All meetings of shareholders shall be held at the office of the corporation in Grand Canyon, Arizona, or at such other place as may be fixed from time to time by the Board of Directors, or in the absence of direction by the Board of Directors, by the President or Secretary of the corporation, either within or without the State of Arizona, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings: Annual meetings of shareholders shall be held during the second week of December, or at such other date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. At the annual meeting, shareholders shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Section 3. Notice of Annual Meeting: Written notice of the annual meeting stating the place, date and hour of the meeting shall be given by the Secretary of the corporation or the person authorized to call the meeting to each shareholder of record entitled to vote at such meeting not less than ten (10) nor more than fifty (50) days before the date of the meeting. Shareholders entitled to vote at the meeting shall be determined as of 4:00 in the afternoon on the day before notice of the meeting is sent.

Section 4. List of Shareholders: The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of shareholders, a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address and the number of shares registered in the name of each shareholder. Such list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder present.

Section 5. Special Meetings of Shareholders: Special meetings of the shareholders, for any purpose or purposes, unless otherwise proscribed by statute or by the Articles of Incorporation

tion, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of shareholders owning a majority in amount of the entire capital stock of the corporation issued, outstanding, and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Notice of Special Meetings: Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given by the Secretary of the corporation or the person authorized to call the meeting not less than ten (10) days nor more than fifty (50) days before the date of the meeting to each shareholder of record entitled to vote at such meeting. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice. Shareholders entitled to vote at the meeting shall be determined as of 4:00 in the afternoon on the day before notice of the meeting is sent.

Section 7. Quorum and Adjournment: The holders of one-half or more of the shares issued, outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum at all meetings of the shareholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting to another time or place, without notice other than announcement at the meeting at which adjournment is taken, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 8. Majority Required: When a quorum is present at any meeting, the vote of the holders of a majority of the voting power present, whether in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes or of the Articles of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 9. Voting: At every meeting of the shareholders, each shareholder shall be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such shareholder, but no proxy shall be voted or

acted upon after eleven (11) months from its date, unless the proxy provides for a longer period.

Section 10. Action Without Meeting: Any action required or permitted to be taken at any annual or special meeting of the shareholders may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of all of the outstanding shares entitled to vote with respect to the subject matter of the action.

Section 11. Waiver of Notice: Attendance of a shareholder at a meeting, either in person or by proxy of a person entitled to notice, shall constitute waiver of notice of such meeting, except when such attendance at the meeting is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any shareholder may waive notice of any annual or special meeting of shareholders by executing a written notice of waiver either before or after the time of the meeting.

ARTICLE II

DIRECTORS

Section 1. Number: The number of Directors which shall constitute the whole Board shall be not fewer than one (1) nor more than seven (7). The Directors shall be elected at the annual meeting of the shareholders, except as provided in Section 2 of this Article, and each Director elected shall hold office until his or her successor is elected and qualified. Directors need not be shareholders or residents of Arizona.

Section 2. Vacancies: Vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled by the affirmative vote of a majority of the remaining Directors then in office, though less than a quorum, or by a sole remaining Director, and the Directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, unless sooner displaced. If there are no Directors in office, then an election of Directors may be held in the manner provided by statute.

The office of a Director who is convicted of a felony or who is declared of unsound mind by an order of a court may be declared vacant by the affirmative vote of a majority of the Directors then in office, though less than a quorum, or by a sole remaining Director.

Section 3. Powers: The business and affairs of the corporation shall be managed by its Board of Directors, which may exercise all such powers of the corporation and do all such

lawful acts as are not by statute, the Articles of Incorporation, or these Bylaws directed or required to be exercised or done by the shareholders.

Section 4. Place of Meetings: The Board of Directors of the corporation may hold meetings, both regular and special, at any place or in any manner, including but not limited to a conference telephone call, within or without the State of Arizona, that a majority of the Board of Directors may from time to time approve.

Section 5. Annual Meetings: The first meeting of each newly elected Board of Directors shall be held immediately following the annual meeting of shareholders and in the same place as the annual meeting of shareholders, and no notice of such meeting shall be necessary, providing a quorum shall be present. In the event such meeting is not held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver by all of the Directors.

Section 6. Regular Meetings: Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

Section 7. Special Meetings: Special meetings of the Board may be called by the President or the Secretary on one (1) day's notice to each Director, either personally, by mail, by telegram or by telephone, setting forth the time and place of the meeting; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two (2) Directors.

Section 8. Voting Rights: At meetings of the Board of Directors, each Director shall have one (1) vote.

Section 9. Quorum: A majority of the membership of the Board of Directors shall constitute a quorum and if a quorum is present, the acts of a majority of those present shall be the acts of the Board, except as may be otherwise specifically provided by statute or by the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the Directors then present may adjourn the meeting to another time or place, without notice other than announcement at the meeting, until a quorum shall be present. At an adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

Section 10. Action Without Meeting: Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken with-

out a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 11. Compensation: The Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors. No such payment shall preclude any Director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings. The amount or rate of such compensation of members of the Board of Directors or of committees shall be established by the Board of Directors and shall be set forth in the minutes of the Board.

Section 12. Waiver of Notice: Attendance of a Director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any Director may waive notice of any annual, regular or special meeting of Directors by executing a written notice of waiver either before or after the time of the meeting.

Section 13. Removal: At a meeting of shareholders called for that purpose, the entire Board of Directors or any individual Director may be removed from office without assignment of cause by the vote of a majority of the shares entitled to vote at an election for Directors, provided, however, that if the vote cast against the removal of any individual Director would have been sufficient under Arizona law to elect one or more Directors at an election of the full Board, said vote of a majority shall be without effect.

ARTICLE III

OFFICERS, AGENTS AND EMPLOYEES

Section 1. Designation of Titles: The officers of the corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors may also choose a Chairman of the Board, one or more Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers. Any number of offices, except the offices of President and Secretary, may be held by the same person, unless the Articles of Incorporation or these Bylaws otherwise provide.

Section 2. Appointment of Officers: The Board of Directors at its first meeting after each annual meeting of shareholders shall choose a President, a Secretary and a

Treasurer, and may choose a Chairman of the Board and one or more Vice Presidents each of whom shall serve at the pleasure of the Board of Directors. The Board of Directors at any time may appoint such other officers, agents and employees as it shall deem necessary to hold offices at the pleasure of the Board of Directors and to exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 3. Salaries: The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the corporation. The salaries of the officers or the rate by which salaries are fixed shall be set forth in the minutes of the meetings of the Board of Directors. The salaries of other agents and employees of the corporation may be fixed by the Board of Directors or by an officer to whom that function has been delegated by the Board.

Section 4. Vacancies: A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors at any time.

Section 5. Removal of Officers and Agents: An officer or agent of the corporation may be removed by a majority vote of the Board of Directors whenever, in their judgment, the best interests of the corporation will be served by the removal. The removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 6. Chairman of the Board: The Chairman of the Board, if one shall have been appointed and be serving, shall preside at all meetings of the Board of Directors and shall perform such other duties as from time to time may be assigned to him or her.

Section 7. President: The President shall preside at all meetings of shareholders, and if a chairman of the Board shall not have been appointed or, having been appointed, shall not be serving or be absent, the President shall preside at all meetings of the Board of Directors. He or she shall sign all deeds and conveyances, all contracts and agreements, and all other instruments requiring execution on behalf of the corporation, and shall act as operating and directing head of the corporation, subject to policies established by the Board of Directors.

Section 8. Vice Presidents: There shall be as many Vice Presidents as shall be determined by the Board of Directors from time to time, and they shall perform such duties as from time to time may be assigned to them. Any one of the Vice Presidents, as authorized by the Board, shall have all the powers and perform all the duties of the President in case of the temporary absence of the President or in case of his or her temporary inability to act. In case of the permanent absence or inability

of the President to act, the office shall be declared vacant by the Board of Directors and a successor chosen by the Board.

Section 9. Secretary: The Secretary shall see that the minutes of all meetings of shareholders, of the Board of Directors, and of any standing committees are kept. He or she shall be the custodian of the corporate seal and shall affix it to all proper instruments when deemed advisable by him or her or when so directed by the Board of Directors. He or she shall give or cause to be given required notices of all meetings of the shareholders and of the Board of Directors.

Section 10. Treasurer: The Treasurer shall have general custody of all the funds and securities of the corporation except such as may be required by law to be deposited with any state official. He or she shall see to the deposit of the funds of the corporation in such depository or depositories as the Board of Directors may designate. Regular books of account shall be kept under his or her direction and supervision, and he or she shall render financial statements to the President, Directors and shareholders at such time or times as he or she may be directed to do so. The Treasurer shall have charge of the preparation and filing of such reports, financial statements and returns as may be required by law. He or she shall give to the corporation such fidelity bond as may be required, and the premium therefor shall be paid by the corporation as an operating expense.

Section 11. Assistant Secretaries: There may be such number of Assistant Secretaries as from time to time the Board of Directors may fix, and such persons shall perform such functions as from time to time may be assigned to them. No Assistant Secretary shall have power or authority to collect, account for, or pay over any tax imposed by any federal, state or city government.

Section 12. Assistant Treasurers: There may be such number of Assistant Treasurers as from time to time the Board of Directors may fix, and such persons shall perform such functions as from time to time may be assigned to them. No Assistant Treasurer shall have the power or authority to collect, account for, or pay over any tax imposed by any federal, state or city government.

Section 13. Delegation of Duties: Whenever an officer is absent or whenever, for any reason, the Board of Directors may deem it desirable, the Board may delegate the powers and duties of an officer to any other officer or officers or to any director or directors.

ARTICLE IV

CAPITAL STOCK

Section 1. Share Certificates: The share certificates shall be in a form approved by the Board of Directors. Each certificate shall be signed by the President or the Vice President and the Secretary or an Assistant Secretary.

Section 2. Registered Shareholders: All certificates of stock shall be consecutively numbered and the numbers, the names of the owners, the number of shares and the date of issue shall be entered on the books of the corporation. The corporation shall be entitled to treat the holder of record of shares as the holder-in-fact, and, except as otherwise provided by the laws of Arizona, shall not be bound to recognize any equitable or other claim to or interest in the shares.

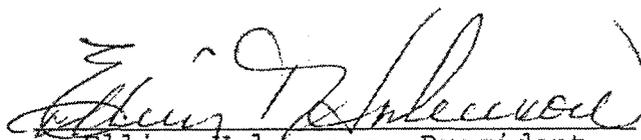
Section 3. Transfers of Shares: Shares of the corporation shall only be transferred on its books upon the surrender to the corporation of the share certificates duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer. In that event, the surrendered certificates shall be cancelled, new certificates shall be issued to the person entitled to them and the transaction recorded on the books of the corporation.

Section 4. Lost Certificates: The Board of Directors may direct a new certificate to be issued in place of a certificate alleged to have been destroyed or lost if the owner makes an affidavit that it is destroyed or lost. The Board, in its discretion, may as a condition precedent to issuing the new certificates require the owner to give the corporation a bond as indemnity against any claim that may be made against the corporation on the certificate allegedly destroyed or lost.

ARTICLE V

REPEAL, ALTERATION OR AMENDMENT

These Bylaws may be repealed, altered or amended, or substitute Bylaws may be adopted at any time, only by a majority of the Board of Directors.


Elling Halvorson, President

Attest to:

John Seibold, Secretary

Exhibit L

That portion of HES 401 as shown in the Dependent Resurvey officially filed by the BLM in November of 2004 as File No. 1247-B lying Northerly of the Grand Canyon National Park Airport AND the Grand Canyon National Park Airport as Retraced and recorded on August 31, 1987 in Book 6 of Land Surveys, Pages 9-9E of the Official Records of the Coconino County Recorder's Office, said parcel of land is situated Sections 23, 24, 25, 26, 27, 34 and 35 all in Township 30 North, Range 2 East AND Section 3 of Township 29 North, Range 2 East, all of the Gila and Salt River Base and Meridian in the Town of Tusayan, Coconino County, Arizona, and is more particularly described by metes and bounds as follows:

BEGINNING at Corner No. 5 of HES 401, said point lies South 89°32" West a distance of 13.22 Chains (872.5 feet) from the Northeast corner of said Section 24;

THENCE South 13°52'00" West a distance of 1575.42 feet to Corner No. 6 of HES 401;
THENCE South 27°38'00" West a distance of 1769.46 feet to AP2 of Tract 38 as shown on the plat of HES 401;
THENCE North 68°50'00" West a distance of 656.70 feet to AP1 of Tract 38;
THENCE South 47°08'00" West a distance of 615.78 feet to the Northeast corner of the Grand Canyon Park National Airport;

The following courses follow the boundary of said airport;

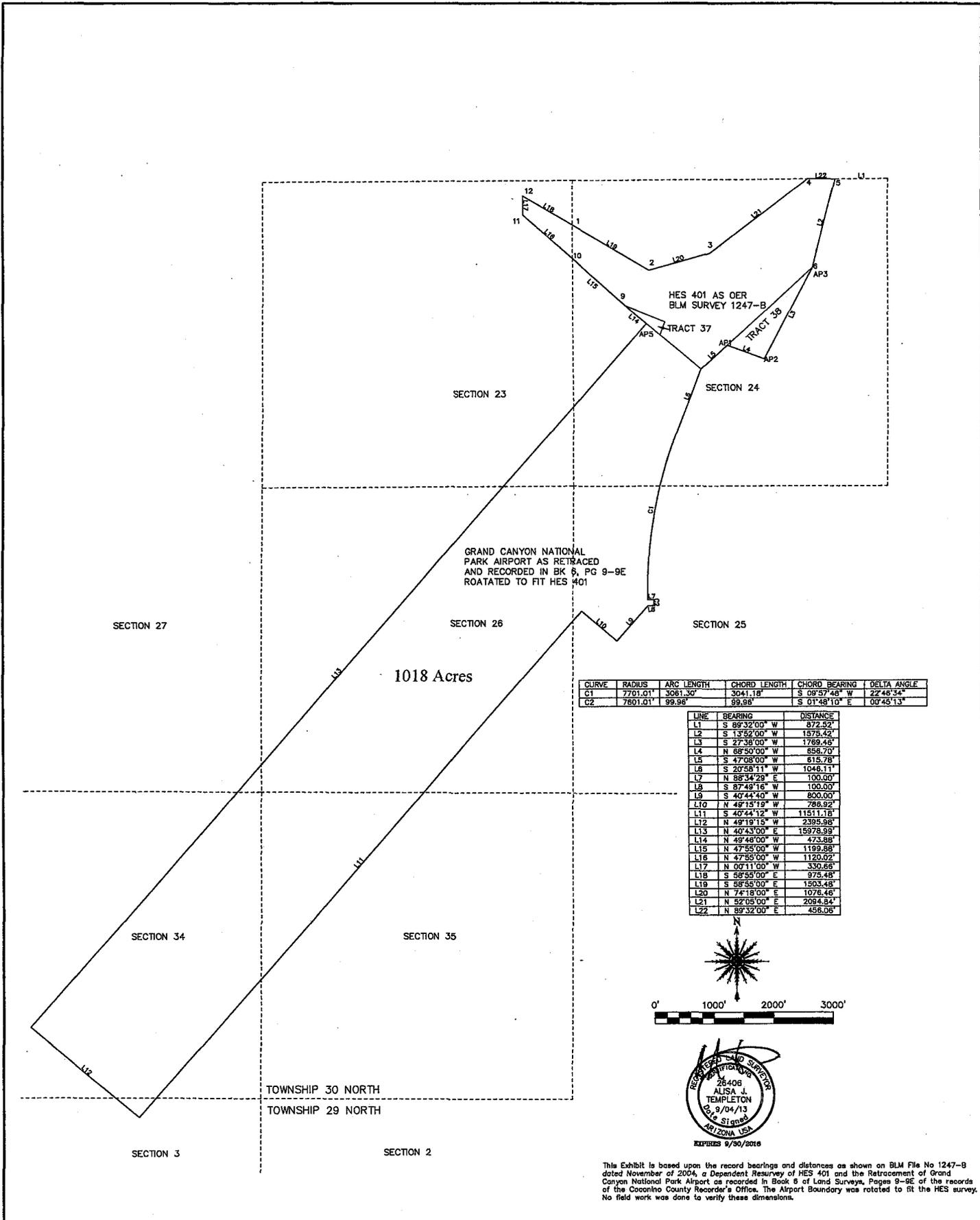
THENCE South 20°58'11" West a distance of 1046.11 feet to the beginning of a non-tangent curve, concave to the East;
THENCE Southwesterly along said curve with an arc length of 3061.30 feet, through a central angle of 22°46'34", the radius of said curve is 7701.01 feet, with a chord bearing of South 09°57'48" West and with a chord length of 3041.18 feet;
THENCE North 88°34'29" East a distance of 100.00 feet to the beginning of a non-tangent curve, concave to the East;
THENCE Southwesterly along said curve with an arc length of 99.96 feet, through a central angle of 00°45'13", the radius of said curve is 7601.01 feet, with a chord bearing of South 01°48'10" East and with a chord length of 99.96 feet;
THENCE South 87°49'16" West a distance of 100.00 feet;
THENCE South 40°44'40" West a distance of 800.00 feet;
THENCE North 49°15'19" West a distance of 786.92 feet;
THENCE South 40°44'12" West a distance of 11511.18 feet;
THENCE North 49°19'15" West a distance of 2395.98 feet;
THENCE North 40°43'00" East a distance of 15978.99 feet to AP5 of Tract 37 as shown on the plat of HES 401;

THENCE North 49°46'00" West a distance of 473.88 feet to Corner No. 9 of HES 401;
THENCE North 47°55'00" West a distance of 1199.88 feet to Corner No. 10 of HES 401;
THENCE continuing North 47°55'00" West a distance of 1120.02 feet to Corner No. 11 of HES 401;
THENCE North 00°11'00" West a distance of 330.66 feet to Corner No. 12 of HES 401;

THENCE South 58°55'00" East a distance of 975.48 feet to Corner No. 1 of HES 401;
THENCE South 58°55'00" East a distance of 1503.48 feet to Corner No. 2 of HES 401;
THENCE North 74°18'00" East a distance of 1076.46 feet to Corner No. 3 of HES 401;
THENCE North 52°05'00" East a distance of 2094.84 feet to Corner No. 4 of HES 401;
THENCE North 89°32'00" East a distance of 456.06 feet to the Point of Beginning.

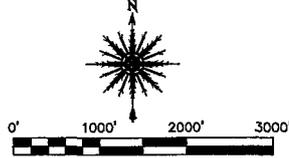
All as shown on the attached Exhibit A-1 which is made a part of this description by this reference.

Exhibit M



CURVE	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING	DELTA ANGLE
C1	7701.01'	3081.30'	3041.18'	S 08°57'45" W	22°45'34"
C2	7801.01'	99.98'	99.98'	S 01°48'10" E	00°45'13"

LINE	BEARING	DISTANCE
L1	S 89°32'00" W	872.52'
L2	S 13°52'00" W	1575.42'
L3	S 27°38'00" W	1769.45'
L4	N 88°50'00" W	858.70'
L5	S 47°03'00" W	615.78'
L6	S 20°58'11" W	1048.11'
L7	N 88°34'29" E	100.00'
L8	S 87°48'16" W	100.00'
L9	S 40°44'40" W	800.00'
L10	N 49°15'19" W	788.92'
L11	S 40°24'12" W	11511.18'
L12	N 49°19'15" W	2395.98'
L13	N 40°43'00" E	15978.99'
L14	N 49°48'00" W	473.88'
L15	N 47°53'00" W	1189.88'
L16	N 47°53'00" W	1120.02'
L17	N 00°11'00" W	330.68'
L18	S 58°58'00" E	975.48'
L19	S 58°58'00" E	1503.48'
L20	N 74°18'00" E	1078.45'
L21	N 52°03'00" E	2084.54'
L22	N 89°32'00" E	456.08'



This Exhibit is based upon the record bearings and distances as shown on BLM File No 1247-B dated November of 2004, a Dependent Resurvey of HES 401 and the Retracement of Grand Canyon National Park Airport as recorded in Book 6 of Land Surveys, Pages 9-9E of the records of the Coconino County Recorder's Office. The Airport Boundary was rotated to fit the HES survey. No field work was done to verify these dimensions.

EXHIBIT A-1

EXTREME MEASURES LAND SURVEYS, INC.
 10800 NIGHTHAWK LANE FLAGSTAFF, ARIZONA 86004
 928-853-3661 extrememeasures@q.com

SCALE: 1"=1000'
DRAWN: ALISA TEMPLETON
DATE: 4 SEPTEMBER 2013

Exhibit R

Hydro Resources, Inc.
 Projected Balance Sheets
 For the Years Ended

Exhibit 1
 Schedule 1

Line No.	Adjusted 2012	Label	1st Year Changes	Projected Year					
				1	2	3	4	5	
1									
2									
3									
4	982,463	(a)	973,538	1,956,001	2,209,001	2,859,001	2,859,001	2,859,001	2,859,001
5	(688,914)	(b)	(388,523)	(1,077,437)	(1,155,190)	(1,229,243)	(1,297,480)	(1,355,054)	(1,355,054)
6	293,549		585,015	878,564	1,053,811	1,629,759	1,561,521	1,503,947	1,503,947
7									
8									
9									
10									
11									
12	217,716		(21,688)	196,028	178,409	168,231	391,918	609,846	609,846
13	66,209		-	66,209	66,209	66,209	66,209	66,209	66,209
14									
15	6,358		-	6,358	6,358	6,358	6,358	6,358	6,358
16									
17	290,284		(21,688)	268,596	250,976	240,799	464,485	682,414	682,414
18	583,833		563,327	1,147,160	1,304,787	1,870,358	2,026,006	2,186,360	2,186,360
19									
20									
21									
22	50,000	(d)	719,353	789,353	769,353	1,179,353	1,179,353	1,179,353	1,179,353
23	(657,917)		-	(657,917)	(657,917)	(657,917)	(657,917)	(657,917)	(657,917)
24	1,147,373	(e)	174,774	1,322,147	1,479,775	1,635,545	1,790,994	1,951,348	1,951,348
25	539,456		894,127	1,433,583	1,591,211	2,156,981	2,312,430	2,472,784	2,472,784
26									
27									
28									
29									
30	25,670		-	25,670	25,670	25,670	25,670	25,670	25,670
31		(i)	-	-	-	-	-	-	-
32	186		-	186	186	186	186	186	186
33	18,520		-	18,520	18,520	18,520	18,520	18,520	18,520
34	44,376		-	44,376	44,376	44,376	44,376	44,376	44,376
35									
36									
37		(j)	-	-	-	-	-	-	-
38		(g)	-	-	-	-	-	-	-
39		(h)	-	-	-	-	-	-	-
40		(i)	-	-	-	-	-	-	-
41									
42	583,833		894,127	1,477,960	1,635,588	2,201,358	2,356,806	2,517,160	2,517,160
43									
44									
45									
46									
47									
48									

(a) Plant Additions/Retirements (See Schedule 1a)
 (b) Depreciation Computations (See Schedule 1a)
 (c) Change in cash (See Schedule 3)
 (d) Common Stock Issuance and/or repurchase. (See Schedule 1b)
 (e) Profit or loss from operations (See Schedule 2)

(f) Advances in Aid of Construction, if applicable (See Schedule 1c)
 (g) Contributions in Aid of Construction, if applicable (See Schedule 1e)
 (h) Amortization of Contributions in Aid of Construction, if applicable (See Schedule 1e)
 (i) Security deposits (2 times average bill)
 (j) Unrefunded meter deposits (See Schedule 1d)

Line No.	NARUC Account No.	Description	Deprec. Rate	Accum.		Net Plant 12/31/2012	Year 1						
				Plant at 12/31/2012	Deprec. At 12/31/2012		Plant Additions (Per Books)	Plant Retirements (Per Books)	Salvage AID Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.33%	3,970	1,277	2,693	-	-	82,802	3,196	187,973	87,275	-
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	784,097	546,987	237,110	130,000	-	-	28,275	914,097	575,262	-
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	3,511	1,232	2,279	-	-	46,750	4,689	71,511	52,671	-
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	1,125	37	2,250	1,162	-
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	42,000	42,000	-	-	-	-	-	42,000	42,000	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	1,667	535	1,132	-	-	-	83	1,667	618	-
18	331	Transmission & Distribution Mains	2.00%	-	-	-	119,385	-	89,968	3,483	348,273	92,451	-
19	333	Services	3.33%	-	-	-	-	-	-	-	-	-	-
20	334	Meters	8.33%	-	-	-	45,000	-	-	1,874	45,000	1,874	-
21	335	Hydrants	2.00%	-	-	-	4,800	-	15,871	558	55,936	16,429	-
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	55,083	32,789	22,294	-	-	70,285	6,180	146,759	109,255	-
24	340	Office Furniture & Equipment	6.67%	1,493	1,493	-	-	-	-	-	1,493	1,493	-
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	45,896	31,190	14,706	-	-	25,000	3,674	70,896	59,864	-
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	8,572	2,359	6,213	-	-	-	704	19,572	3,063	-
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-	625	12,500	625	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	20.00%	35,920	22,115	13,806	-	-	-	4,344	35,920	26,459	-
34		Unreconciled Plant and AID		254	6,937	(6,682)	-	-	-	-	254	6,937	-
35													
36		TOTALS		982,463	688,914	293,549	299,185	-	330,800	57,723	1,956,001	1,077,437	-

See work papers

Line No.	NARUC Account No.	Description	Deprec. Rate	Year 2					
				Plant Additions (Per Books)	Plant Retirements (Per Books)	Salvage AID Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-
4	304	Structures & Improvements	3.33%	-	-	-	6,260	187,973	93,534
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	28,552	914,097	603,813
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	-	-	-	8,939	71,511	61,610
12	320	Water Treatment Equipment	3.33%	-	-	-	75	2,250	1,237
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	42,000	42,000
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	83	1,667	701
18	331	Transmission & Distribution Mains	2.00%	253,000	-	-	9,495	601,273	101,946
19	333	Services	3.33%	-	-	-	-	-	-
20	334	Meters	8.33%	-	-	-	3,749	45,000	5,623
21	335	Hydrants	2.00%	-	-	-	1,117	55,836	17,546
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	9,238	146,759	118,492
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	1,493	1,493
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	70,896	63,538
27	342	Stores Equipment	4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	979	19,572	4,041
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	1,250	12,500	1,875
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-
33	348	Other Tangible Plant	20.00%	-	-	-	4,344	35,920	30,803
34		Unreconciled Plant and AID		-	-	-	-	254	6,937
35									
36		TOTALS		253,000	-	-	77,753	2,209,001	1,155,190

See work papers

Line No.	NARUC Account No.	Description	Deprec. Rate	Year 3					
				Plant Additions (Per Books)	Plant Retirements (Per Books)	Salvage AID Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-
4	304	Structures & Improvements	3.33%	-	-	-	6,260	187,973	99,794
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	15,106	914,097	618,919
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	-	-	-	8,939	71,511	70,549
12	320	Water Treatment Equipment	3.33%	-	-	-	75	2,250	1,312
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	650,000	-	-	7,215	692,000	49,215
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	83	1,667	785
18	331	Transmission & Distribution Mains	2.00%	-	-	-	12,025	601,273	113,972
19	333	Services	3.33%	-	-	-	-	-	-
20	334	Meters	8.33%	-	-	-	3,749	45,000	9,371
21	335	Hydrants	2.00%	-	-	-	1,117	55,836	18,682
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	9,238	146,759	127,730
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	1,493	1,493
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	3,674	70,896	67,211
27	342	Stores Equipment	4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	979	19,572	5,020
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	1,250	12,500	3,125
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-
33	348	Other Tangible Plant	20.00%	-	-	-	4,344	35,920	35,147
34		Unreconciled Plant and AID		-	-	-	-	254	6,937
35									
36		TOTALS		650,000	-	-	74,052	2,859,001	1,229,243

See work papers

Line No.	NARUC Account No.	Description	Deprec. Rate	Year 4						
				Plant Additions (Per Books)	Plant Retirements (Per Books)	Salvage AID Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.33%	-	-	-	6,260	187,973	106,053	-
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	15,106	914,097	634,025	-
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	-	-	-	439	71,511	70,988	-
12	320	Water Treatment Equipment	12.50%	-	-	-	75	2,250	1,387	-
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	14,430	692,000	63,645	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	83	1,667	868	-
18	331	Transmission & Distribution Mains	2.00%	-	-	-	12,025	601,273	125,997	-
19	333	Services	3.33%	-	-	-	-	-	-	-
20	334	Meters	8.33%	-	-	-	3,749	45,000	13,120	-
21	335	Hydrants	2.00%	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	6.67%	-	-	-	1,117	55,836	19,779	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	6.67%	-	-	-	8,558	146,759	136,289	-
25	340.1	Computers & Software	20.00%	-	-	-	-	1,493	1,493	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-
27	342	Stores Equipment	4.00%	-	-	-	3,394	70,896	70,605	-
28	343	Tools, Shop & Garage Equipment	4.00%	-	-	-	979	19,572	5,999	-
29	344	Laboratory Equipment	5.00%	-	-	-	-	-	-	-
30	345	Power Operated Equipment	10.00%	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	1,250	12,500	4,375	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-
33	348	Other Tangible Plant	20.00%	-	-	-	774	35,920	35,920	-
34		Unreconciled Plant and AID		-	-	-	-	254	6,937	-
35				-	-	-	-	-	-	-
36		TOTALS		-	-	-	68,238	2,859,001	1,297,480	-

See work papers

Hydro Resources, Inc.
Plant Additions and Retirements

Exhibit
Schedule 1a
Page 5

Line No.	NARUC Account No.	Description	Deprec. Rate	Year 5					
				Plant Additions (Per Books)	Plant Retirements (Per Books)	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-
4	304	Structures & Improvements	3.33%	-	-	-	6,260	187,973	112,313
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	15,106	914,097	649,131
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	-	-	-	427	71,511	71,415
12	320	Water Treatment Equipment	3.33%	-	-	-	75	2,250	1,462
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	14,430	692,000	78,075
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	83	1,667	951
18	331	Transmission & Distribution Mains	2.00%	-	-	-	12,025	601,273	138,023
19	333	Services	3.33%	-	-	-	-	-	-
20	334	Meters	8.33%	-	-	-	3,749	45,000	16,868
21	335	Hydrants	2.00%	-	-	-	1,117	55,836	20,896
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	1,784	148,759	138,072
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	1,493	1,493
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	290	70,896	70,896
27	342	Stores Equipment	4.00%	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	979	19,572	6,977
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	1,250	12,500	5,625
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	35,920	35,920
33	348	Other Tangible Plant	20.00%	-	-	-	-	254	6,937
34		Unreconciled Plant and A/D		-	-	-	-	-	-
35				-	-	-	-	-	-
36		TOTALS		-	-	-	57,574	2,859,001	1,355,054

See work papers

Hydro Resources, Inc.
Plant Additions and Retirements

Line No.	NARUC Account No.	Description	Deprec. Rate
1	301	Organization Cost	0.00%
2	302	Franchise Cost	0.00%
3	303	Land and Land Rights	0.00%
4	304	Structures & Improvements	3.33%
5	305	Collecting & Impounding Reservoirs	2.50%
6	306	Lake, River, Canal Intakes	2.50%
7	307	Wells & Springs	3.33%
8	308	Infiltration Galleries	6.67%
9	309	Raw Water Supply Mains	2.00%
10	310	Power Generation Equipment	5.00%
11	311	Pumping Equipment	12.50%
12	320	Water Treatment Equipment	3.33%
13	320.1	Water Treatment Plants	3.33%
14	320.2	Solution Chemical Feeders	20.00%
15	330	Distribution Reservoirs & Standpipes	2.22%
16	330.1	Storage Tanks	2.22%
17	330.2	Pressure Tanks	5.00%
18	331	Transmission & Distribution Mains	2.00%
19	333	Services	3.33%
20	334	Meters	8.33%
21	335	Hydrants	2.00%
22	336	Backflow Prevention Devices	6.67%
23	339	Other Plant & Misc Equipment	6.67%
24	340	Office Furniture & Equipment	6.67%
25	340.1	Computers & Software	20.00%
26	341	Transportation Equipment	20.00%
27	342	Stores Equipment	4.00%
28	343	Tools, Shop & Garage Equipment	5.00%
29	344	Laboratory Equipment	10.00%
30	345	Power Operated Equipment	5.00%
31	346	Communication Equipment	10.00%
32	347	Miscellaneous Equipment	10.00%
33	348	Other Tangible Plant	20.00%
34		Unreconciled Plant and AID	
35			
36		TOTALS	

See work papers

Hydro Resources, Inc.
 Projected Capital Financing
 Projected Years Ended

Exhibit
 Schedule 1b

Line No.		1	2	3	4	5
		Projected Year				
1						
2						
3						
4						
5	Plant to be Constructed	\$ 973,538	\$ 253,000	\$ 650,000	\$ -	\$ -
6						
7	Financing:					
8	Hydrants and Distrip. Lines Advanced	\$ -	\$ -	\$ -	\$ -	\$ -
9						
10	Plant Installed with Customer Deposits (Advances)	-	-	-	-	-
11						
12	Hook-up Fees	-	-	-	-	-
13						
14	Common Equity Issued for Plant Construction	719,353	-	410,000	-	-
15						
16	Common Equity Issued For Working Capital	-	-	-	-	-
17						
18	Debt Financing Issued for Plant Construction	-	-	-	-	-
19						
20	Internal Cash Used for Plant Additions	254,185	253,000	240,000	-	-
21						
22	Total Financing	\$ 973,538	\$ 253,000	\$ 650,000	\$ -	\$ -
23						
24						
25						
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Hydro Resources, Inc.
 Schedule of Developer Advances and Refunds
 Projected Years

Exhibit
 Schedule 1c

Line No.	1	2	3	4	5
	Projected Years				
1					
2					
3					
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Developer Advances Collected
 Developer Advances - Trans & Dist.
 Developer Advances - Hydrants

Total Collected
 Cumulative Collected

Developer Advances Refunded (a)

Advances from Year 1
 Advances from Year 2
 Advances from Year 3
 Advances from Year 4
 Advances from Year 5 to 10
 Total Refunds

Cumulative Refunds
 Cumulative Balance

(a) Refund Rate per Year 10%

Hydro Resources, Inc.
 Exhibit
 Schedule 1d
 Schedule of Meter Deposits and Refunds
 Projected Years

Line No.		1	2	3	4	5
Service Line and Meter Installations						
1						
2						
3						
4						
5						
6	Service Line Installations					
7	5/8x3/4 Inch	\$ -	\$ -	\$ -	\$ -	\$ -
8	3/4 Inch	-	-	-	-	-
9	1 Inch	-	-	-	-	-
10	1 1/2 Inch	-	-	-	-	-
11	2 Inch	-	-	-	-	-
12	3 Inch	-	-	-	-	-
13	Subtotal Metered Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
14						
15	Meter Installations					
16	5/8x3/4 Inch	\$ -	\$ -	\$ -	\$ -	\$ -
17	3/4 Inch	-	-	-	-	-
18	1 Inch	-	-	-	-	-
19	1 1/2 Inch	-	-	-	-	-
20	2 Inch	-	-	-	-	-
21	3 Inch	-	-	-	-	-
22	Subtotal Misc revenues	\$ -	\$ -	\$ -	\$ -	\$ -
23						
24	Total Collected	\$ -	\$ -	\$ -	\$ -	\$ -
25						
26	Cummulative Collected	\$ -	\$ -	\$ -	\$ -	\$ -
27						
28						
29	Service Line and Meter Installations Refunded (a)					
30	Meter Deposits from Year	1	-	-	-	-
31	Meter Deposits from Year	2	-	-	-	-
32	Meter Deposits from Year	3	-	-	-	-
33	Meter Deposits from Year	4	-	-	-	-
34	Meter Deposits from Year	5	-	-	-	-
35	Total Refunds		\$ -	\$ -	\$ -	\$ -
36						
37	Cummulative Refunds		\$ -	\$ -	\$ -	\$ -
38						
39	Cummulative Balance		\$ -	\$ -	\$ -	\$ -
40						
41	(a) Refund Rate per Year	10%				
42						

Hydro Resources, Inc.
 Schedule of Contributions-in-Aid of Construction
 Projected Years

Exhibit
 Schedule 1a

Line No.	1	2	3	4	5
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Contributions/(Hook-up Fees)

12	Total Collected	\$ -	\$ -	\$ -	\$ -	\$ -
13	Cummulative Collected	\$ -	\$ -	\$ -	\$ -	\$ -

16	Amortization					
17	Composite Rate (1/2 Yr Conv.)(b)	2.9525%	3.5213%	2.5910%	2.3876%	2.0215%

18	Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
20	Cummulative Amortization	\$ -	\$ -	\$ -	\$ -	\$ -

22	Cummulative Balance	\$ -	\$ -	\$ -	\$ -	\$ -
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(a) Hook-up fees
 (b) from plant schedule

23						
24						
25						
26						
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Hydro Resources, Inc.
Projected Statements of Income
For the 12 Months Ended

Exhibit
Schedule 2

Line No.		Actual		Projected Year					
		2012	Adjustments ¹	2012	1	2	3	4	5
2	Revenues								
3	Metered Revenues	\$ 692,330	\$ -	\$ 692,330	\$ 832,353	\$ 832,353	\$ 832,353	\$ 832,353	\$ 832,353
4	Miscellaneous Revenues	18,000	-	18,000	18,000	18,000	18,000	18,000	18,000
5	Total Revenues	\$ 710,330	\$ -	\$ 710,330	\$ 850,353	\$ 850,353	\$ 850,353	\$ 850,353	\$ 850,353
6									
7									
8	Operating Expenses								
9	Salaries and Wages(a)	\$ 81,707	\$ 48,293	\$ 130,000	\$ 132,600	\$ 135,252	\$ 137,957	\$ 140,716	\$ 143,530
10	Employee Pensions and Benefits(a)	3,875	4,500	8,375	8,543	8,714	8,888	9,066	9,247
11	Purchased Water (b)	110,856	-	110,856	82,151	82,151	82,151	82,151	82,151
12	Pumping Power (b)	43,006	-	43,006	44,325	45,212	46,116	47,038	47,979
13	Fuel For Power Production	-	-	-	-	-	-	-	-
14	Chemicals (b)	-	-	-	1,412	1,440	1,469	1,498	1,528
15	Repairs and Maintenance(a)	27,584	-	27,584	28,136	28,698	29,272	29,858	30,455
16	Office Supplies and Expense(a)	7,070	-	7,070	7,212	7,356	7,503	7,653	7,806
17	Contractual Services - Engineering	-	-	-	-	-	-	-	-
18	Contractual Services - Accounting	10,705	14,295	25,000	25,000	25,000	25,000	25,000	25,000
19	Contractual Services - Legal	69,295	(61,795)	7,500	7,500	7,500	7,500	7,500	7,500
20	Contractual Services - Other	65,495	(18,719)	46,776	46,776	46,776	46,776	46,776	46,776
21	Contractual Services - Testing	6,318	-	6,318	6,318	6,318	6,318	6,318	6,318
22	Rents	18,000	18,000	36,000	36,000	36,000	36,000	36,000	36,000
23	Transportation Expenses(a)	-	-	-	-	8,778	8,954	9,133	9,315
24	Insurance - General Liability(a)	32,725	-	32,725	33,380	34,047	34,728	35,423	36,131
25	Reg Comm. Expense	-	70,000	70,000	70,000	70,000	70,000	70,000	70,000
26	Miscellaneous Expense(a)	9,277	-	9,277	9,462	9,652	9,845	10,042	10,242
27	Depreciation net of Amortization of CIAC (c)	40,606	-	40,606	57,723	77,753	74,052	68,238	57,574
28	Taxes Other Than Income (d)	7,438	-	7,438	10,144	10,347	10,554	10,765	10,980
29	Property Taxes (e)	253	-	253	18,465	18,546	18,627	18,701	18,708
30	Income Tax	-	-	-	44,005	37,324	36,618	36,498	38,359
31									
32	Total Operating Expenses	\$ 542,648	\$ 74,574	\$ 617,222	\$ 677,756	\$ 696,862	\$ 698,327	\$ 698,371	\$ 695,600
33									
34	Operating Income (loss)	\$ 167,682	\$ (74,574)	\$ 93,108	\$ 172,597	\$ 153,490	\$ 152,026	\$ 151,982	\$ 154,753
35	Less:								
36	Interest(Expense) Income on Work. Cap. (c)	-	-	-	2,177	4,137	3,744	3,466	5,601
37	Interest Expense Long-term Debt (c)	-	-	-	-	-	-	-	-
38	Net Income	\$ 167,682	\$ (74,574)	\$ 93,108	\$ 174,774	\$ 157,628	\$ 155,770	\$ 155,448	\$ 160,354
39									
40									
41									
42									
43									
44									
45									

(a) 2012 actual with annual inflation of 2.00%
(b) See Gallons Sold Summary Schedule 2a, page 3.
(c) See Plant Schedule 1a and CIAC Schedules 1e
(d) Payroll Taxes at 7.65% of Salaries and Wages
(e) See Property Tax Calculation Schedule 2b

¹ See Work papers

Hydro Resources, Inc.
 Schedule of Projected Revenues
 For the Years Ended

Exhibit
 Schedule 2a
 Page 1

Line No.	1	2	3	4	5
	Projected Year				
1					
2					
3					
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46					

See Schedule 2a pages 4 through 10

Hydro Resources, Inc.
Customer Counts
For Projected Years Ended

Exhibit
Schedule 2a
Page 2

Line No.	Year Ended	Projected Year				
		1	2	3	4	5
1						
2						
3						
4	3/4 Inch - Residential	2	2	2	2	2
5	2 Inch - Residential	1	1	1	1	1
6	Subtotal	3	3	3	3	3
7						
8	3/4 Inch - Commercial	53	53	53	53	53
9	1 Inch - Commercial	12	12	12	12	12
10	1 1/2 Inch - Commercial	4	4	4	4	4
11	2 Inch - Commercial	19	19	19	19	19
12	3 Inch - Commercial	3	3	3	3	3
13	Subtotal	91	91	91	91	91
14						
15	Total	94	94	94	94	94
16						
17						
18	1/2 Year Convention					
19	Year Ended	1	2	Year	3	4
20						
21	3/4 Inch - Residential	2.00	2.00	2.00	2.00	2.00
22	2 Inch - Residential	1.00	1.00	1.00	1.00	1.00
23	Subtotal	3.00	3.00	3.00	3.00	3.00
24						
25	3/4 Inch - Commercial	53.00	53.00	53.00	53.00	53.00
26	1 Inch - Commercial	12.00	12.00	12.00	12.00	12.00
27	1 1/2 Inch - Commercial	4.00	4.00	4.00	4.00	4.00
28	2 Inch - Commercial	19.00	19.00	19.00	19.00	19.00
29	3 Inch - Commercial	3.00	3.00	3.00	3.00	3.00
30	Subtotal	91.00	91.00	91.00	91.00	91.00
31						
32						
33						
34						
35	Total	94.00	94.00	94.00	94.00	94.00
36						
37						
38						
39						
40						

See Schedule 2a pages 4 through 10

Hydro Resources, Inc.
 Gallons Sold (1,000's)
 For Projected Years Ended

Exhibit
 Schedule 2a
 Page 3

Line No.	Year Ended	1	2	3	4	5
3	3/4 Inch - Residential	24	24	24	24	24
4	2 Inch - Residential	33	33	33	33	33
6	Subtotal	57	57	57	57	57
7	3/4 Inch - Commercial	1,448	1,448	1,448	1,448	1,448
8	1 Inch - Commercial	622	622	622	622	622
9	1 1/2 Inch - Commercial	1,237	1,237	1,237	1,237	1,237
10	2 Inch - Commercial	15,539	15,539	15,539	15,539	15,539
11	3 Inch - Commercial	8,776	8,776	8,776	8,776	8,776
12	Subtotal	27,622	27,622	27,622	27,622	27,622
13						
14						
15						
16						
17	Total Gallons Sold (in 1,000s)	27,679	27,679	27,679	27,679	27,679
18						
19						
20	See Schedule 2a pages 4 through 10					
21						
22	Purchased Water					
23	Annual Gallons (in 1,000s) From Co. Wells	25,000	25,000	25,000	25,000	25,000
24	Less: Water Loss at 10% (in 1,000s)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
25	Annual net gallons from Co. owned Well (in 1000s)	22,500	22,500	22,500	22,500	22,500
26	Gallons sold (in 1,000s)	27,679	27,679	27,679	27,679	27,679
27	Addl Gallons required to be purchased (in 1,000s)	5,179	5,179	5,179	5,179	5,179
28	Plus: Water Loss at 10% (in 1,000s)	518	518	518	518	518
29	Gallons purchased (in 1,000s)	5,697	5,697	5,697	5,697	5,697
30	Cost Per 1,000 gallons	14.42	14.42	14.42	14.42	14.42
31	Total Purchased Water Cost	\$ 82,151	\$ 82,151	\$ 82,151	\$ 82,151	\$ 82,151
32						
33	Pumping Power					
34	Gallons Pumped (in 1,000s)	27,679	27,679	27,679	27,679	27,679
35	Cost Per 1,000 gallons (\$1.57 plus inflation at 2%)	1,601.4	1,633.4	1,666.1	1,699.4	1,733.4
36	Total Pumping Power Expense	\$ 44,325	\$ 45,212	\$ 46,116	\$ 47,038	\$ 47,979
37						
38	Chemicals					
39	Gallons Treated (in 1000s)	27,679	27,679	27,679	27,679	27,679
40	Cost Per 1,000 gallons (\$0.05 plus inflation at 2%)	0.0510	0.0520	0.0531	0.0541	0.0552
41	Total Chemicals expense	\$ 1,412	\$ 1,440	\$ 1,469	\$ 1,498	\$ 1,528
42						

Hydro Resources, Inc.
 Schedule of Projected Revenues
 For the Years Ended

Exhibit
 Schedule 2a
 Page 4

Line No.	Description	Year					
		Actual 2012	1	2	3	4	5
6	Estimated connections installed by year end (Cumulative)	2	2	2	2	2	2
8	Estimated connection installed during the year	2	-	-	-	-	-
10	1/2 Year Convention for Revenue		2.00	2.00	2.00	2.00	2.00
12	Projected Revenue						
14	Annual gallonage delivered (in 1,000's)		24	24	24	24	24
15	Assuming average usage per month of:						
16	Daily Gallons		67	67	67	67	67
17	Residential:						
18	Monthly Mins.						
19	Commodity Rev.		\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700
20			460	460	460	460	460
21							
22			\$ 19.00				
23			up to 10,000 gals				
24			\$ 19.00				
25			Over 10,001 gals				
26	Metered Revenues		\$ 3,160	\$ 3,160	\$ 3,160	\$ 3,160	\$ 3,160
27							
28	Establishment Fees at		\$ 25.00				
29	Total Revenue		\$ 3,160	\$ 3,160	\$ 3,160	\$ 3,160	\$ 3,160
30							
31							
32							
33							
34							
35							

Hydro Resources, Inc.
 Schedule of Projected Revenues
 For the Years Ended

Exhibit
 Schedule 2a
 Page 6

Line No.	Description	Year				
		2012	1	2	3	4
1	<u>Projected Customers / 1 Inch Meter - Commercial</u>					
2	Estimated connections installed by year end (Cumulative)	12	12	12	12	12
3	Estimated connection installed during the year	12	-	-	-	-
4	1/2 Year Convention for Revenue		12.00	12.00	12.00	12.00
5	<u>Projected Revenue</u>					
6	Annual gallonage delivered (in 1,000's)		622	622	622	622
7	Assuming average usage per month of:					
8	Daily Gallons		4,322	1,729	1,729	1,729
9	Commercial					
10	Monthly Mins. 6 Inch Meter \$		187.50	187.50	187.50	187.50
11	Commodity Rev.		-	-	-	-
12			\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00
13			up to 25,000 gals			
14			\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00
15			Charge per/1,000			
16			Over 25,000 gals			
17	Metered Revenues		\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
18	Establishment Fees at		\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
19	Total Revenue		\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
20			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
21			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
22			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
23			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
24			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
25			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
26			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
27			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
28			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
29			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
30			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
31			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
32			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
33			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
34			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826
35			\$ 38,826	\$ 38,826	\$ 38,826	\$ 38,826

Hydro Resources, Inc.
 Schedule of Projected Revenues
 For the Years Ended

Exhibit
 Schedule 2a
 Page 7

Line No.	Description	Year					
		Actual 2012	1	2	3	4	5
2	Projected Customers / 1 1/2 Inch Meter - Commercial						
6	Estimated connections installed by year end (Cumulative)	4	4	4	4	4	4
8	Estimated connection installed during the year	4	-	-	-	-	-
10	1/2 Year Convention for Revenue		4.00	4.00	4.00	4.00	4.00
12	Projected Revenue						
13	Annual gallonage delivered (in 1,000's)		1,237	1,237	1,237	1,237	1,237
14	Assuming average usage per month of:						
15	Daily Gallons		3,435	3,435	3,435	3,435	3,435
17	Commercial						
18	Monthly Mins. 6 Inch Meter		\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
19	Commodity Rev.		23,494	23,494	23,494	23,494	23,494
20							
21	Charge per/1,000		50,000	50,000	50,000	50,000	50,000
22	up to						
23	Charge per/1,000		19.00	19.00	19.00	19.00	19.00
24	Over		50,000	50,000	50,000	50,000	50,000
25	Metered Revenues						
26			\$ 41,494	\$ 41,494	\$ 41,494	\$ 41,494	\$ 41,494
27	Establishment Fees at						
28			\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
29	Total Revenue		\$ 41,494	\$ 41,494	\$ 41,494	\$ 41,494	\$ 41,494
30							
31							
32							
33							
34							
35							

Hydro Resources, Inc.
 Schedule of Projected Revenues
 For the Years Ended

Exhibit
 Schedule 2a
 Page 8

Line No.	Description	Year					
		Actual 2012	1	2	3	4	5
1							
2	Projected Customers / 2 Inch Meter - Residential						
3							
4							
5							
6	Estimated connections installed by year end						
7	(Cumulative)	1	1	1	1	1	1
8	Estimated connection installed during the year	1	-	-	-	-	-
9							
10	1/2 Year Convention for Revenue		1.00	1.00	1.00	1.00	1.00
11							
12	Projected Revenue						
13							
14	Annual gallonage delivered (in 1,000's)		33	33	33	33	33
15	Assuming average usage per month of:						
16	Daily Gallons		92	92	92	92	92
17	Commercial						
18	Monthly Mins. 6 Inch Meter	\$	7,200	7,200	7,200	7,200	7,200
19	Commodity Rev.		631	631	631	631	631
20							
21		\$	19.00	19.00	19.00	19.00	19.00
22			up to	80,000	gals		
23		\$	19.00	Charge per/1,000			
24			Over	80,000	gals		
25							
26	Metered Revenues	\$	7,831	\$	7,831	\$	7,831
27							
28	Establishment Fees at	\$	-	\$	-	\$	-
29							
30	Total Revenue	\$	7,831	\$	7,831	\$	7,831
31							
32							
33							
34							
35							

Hydro Resources, Inc.
 Schedule of Projected Revenues
 For the Years Ended

Exhibit
 Schedule 2a
 Page 10

Line No.	Description	Year				
		1	2	3	4	5
1	Projected Customers / 3 Inch Meter - Commercial					
2	Estimated connections installed by year end (Cumulative)	3	3	3	3	3
3	Estimated connection installed during the year	3	-	-	-	-
4	1/2 Year Convention for Revenue	3.00	3.00	3.00	3.00	3.00
5	Projected Revenue					
6	Annual gallonage delivered (in 1,000's)	8,776	8,776	8,776	8,776	8,776
7	Assuming average usage per month of:					
8	Daily Gallons	24,377	24,377	24,377	24,377	24,377
9	Commercial					
10	Monthly Mins. 6 Inch Meter	\$ 43,200	\$ 43,200	\$ 43,200	\$ 43,200	\$ 43,200
11	Commodity Rev.	166,741	166,741	166,741	166,741	166,741
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25	Metered Revenues	\$ 209,941	\$ 209,941	\$ 209,941	\$ 209,941	\$ 209,941
26						
27						
28	Establishment Fees at	\$ -	\$ -	\$ -	\$ -	\$ -
29	Total Revenue	\$ 209,941	\$ 209,941	\$ 209,941	\$ 209,941	\$ 209,941
30						
31						
32						
33						
34						
35						

Hydro Resources, Inc.
 Schedule for the Computation of Projected
 Property Taxes for the Years Ended

Exhibit
 Schedule 2b
 Page 1

Line No.	Projected Year				
	1	2	3	4	5
2					
3	\$ 850,353	\$ 850,353	\$ 850,353	\$ 850,353	\$ 850,353
4	850,353	850,353	850,353	850,353	850,353
5	850,353	850,353	850,353	850,353	850,353
6					
7	\$ 850,353	\$ 850,353	\$ 850,353	\$ 850,353	\$ 850,353
8					
9	0	0	0	0	0
10					
11	11,032	7,358	3,684	290	0
12					
13	\$ 839,321	\$ 842,995	\$ 846,669	\$ 850,062	\$ 850,353
14					
15					
16	20.00%	20.00%	20.00%	20.00%	20.00%
17					
18	\$ 167,864	\$ 168,599	\$ 169,334	\$ 170,012	\$ 170,071
19					
20	11.00%	11.00%	11.00%	11.00%	11.00%
21					
22	\$ 18,465	\$ 18,546	\$ 18,627	\$ 18,701	\$ 18,708
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Hydro Resources, Inc.
 Projected Cash Flows
 For the Years Ended

Exhibit
 Schedule 3

Line No.	Projected Year				
	1	2	3	4	5
Cash from Operations					
1					
2					
3					
4	\$ 217,716	\$ 196,028	\$ 178,409	\$ 168,231	\$ 391,918
5					
6	174,774	157,628	155,770	155,448	160,354
7	57,723	77,753	74,052	68,238	57,574
8					
9	\$ 232,497	\$ 235,381	\$ 229,822	\$ 223,686	\$ 217,928
10	Total Cash From Operations				
Cash from Financing					
11					
12					
13	\$ -	\$ -	\$ -	\$ -	\$ -
14					
15	719,353	-	410,000	-	-
16	-	-	-	-	-
17	-	-	-	-	-
18	-	-	-	-	-
19					
20					
21	\$ 719,353	\$ -	\$ 410,000	\$ -	\$ -
22	Total Cash from Financing				
23					
24					
25					
26					
27					
28					
29					
30	\$ -	\$ -	\$ -	\$ -	\$ -
31					
32	973,538	253,000	650,000	-	-
33					
34	\$ 973,538	\$ 253,000	\$ 650,000	\$ -	\$ -
35	Total Cash Uses				
36					
37	\$ 196,028	\$ 178,409	\$ 168,231	\$ 391,918	\$ 609,846
38					
39	(21,688)	(17,619)	(10,178)	223,686	217,928
40	Net Cash Flow				
41					
42	\$ 206,872	\$ 187,218	\$ 173,320	\$ 280,074	\$ 500,882
43	4,137	3,744	3,466	5,601	10,018
44					
45					

Interest Income: Assuming Earning Equal to Inflation Factor on Average Cash Balance

Average Cash Balance \$ 206,872 \$ 187,218 \$ 173,320 \$ 280,074 \$ 500,882

Interest Earned \$ 4,137 \$ 3,744 \$ 3,466 \$ 5,601 \$ 10,018

Hydro Resources, Inc.
Rate Base

Exhibit
Schedule 4

Line No.	Projected Year				
	1	2	3	4	5
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Plant In-Service	\$ 1,956,001	\$ 2,209,001	\$ 2,859,001	\$ 2,859,001	\$ 2,859,001
Less: Accumulated Depreciation	1,077,437	1,155,190	1,229,243	1,297,480	1,355,054
Net Plant In-Service	\$ 878,564	\$ 1,053,811	\$ 1,629,759	\$ 1,561,521	\$ 1,503,947
Less:					
Refundable Meter Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
AIAC Net	-	-	-	-	-
CIAC Net	-	-	-	-	-
Plus:					
Cash Working Capital	59,156	59,791	60,440	61,101	61,776
Rate Base at Original Cost	\$ 937,720	\$ 1,113,602	\$ 1,690,198	\$ 1,622,622	\$ 1,565,722
Operating Income	\$ 172,597	\$ 153,490	\$ 152,026	\$ 151,982	\$ 154,753
Rate of Return	18.41%	13.78%	8.99%	9.37%	9.88%

Hydro Resources, Inc.
 REPRESENTATIVE RATE SCHEDULE

Exhibit
 Schedule 5
 Page 1

LINE NO.	MONTHLY MINIMUMS:	MONTHLY MINIMUM	GALLONS IN MINIMUM
1			
2			
3			
4	3/4 inch	\$ 112.50	-
5	1 inch	\$ 187.50	-
6	1 1/2 inch	\$ 375.00	-
7	2 inch	\$ 600.00	-
8	3 inch	\$ 1,200.00	-
9	4 inch	\$ 1,875.00	-
10	6 inch	\$ 3,750.00	-
11	8 inch	\$ 6,000.00	-
12			
13			
14			
15	<u>COMMODITY CHARGE PROPOSED RATES:</u>		
16			
17	All meter sizes		
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			

Per 1000 gallons \$ 19.00

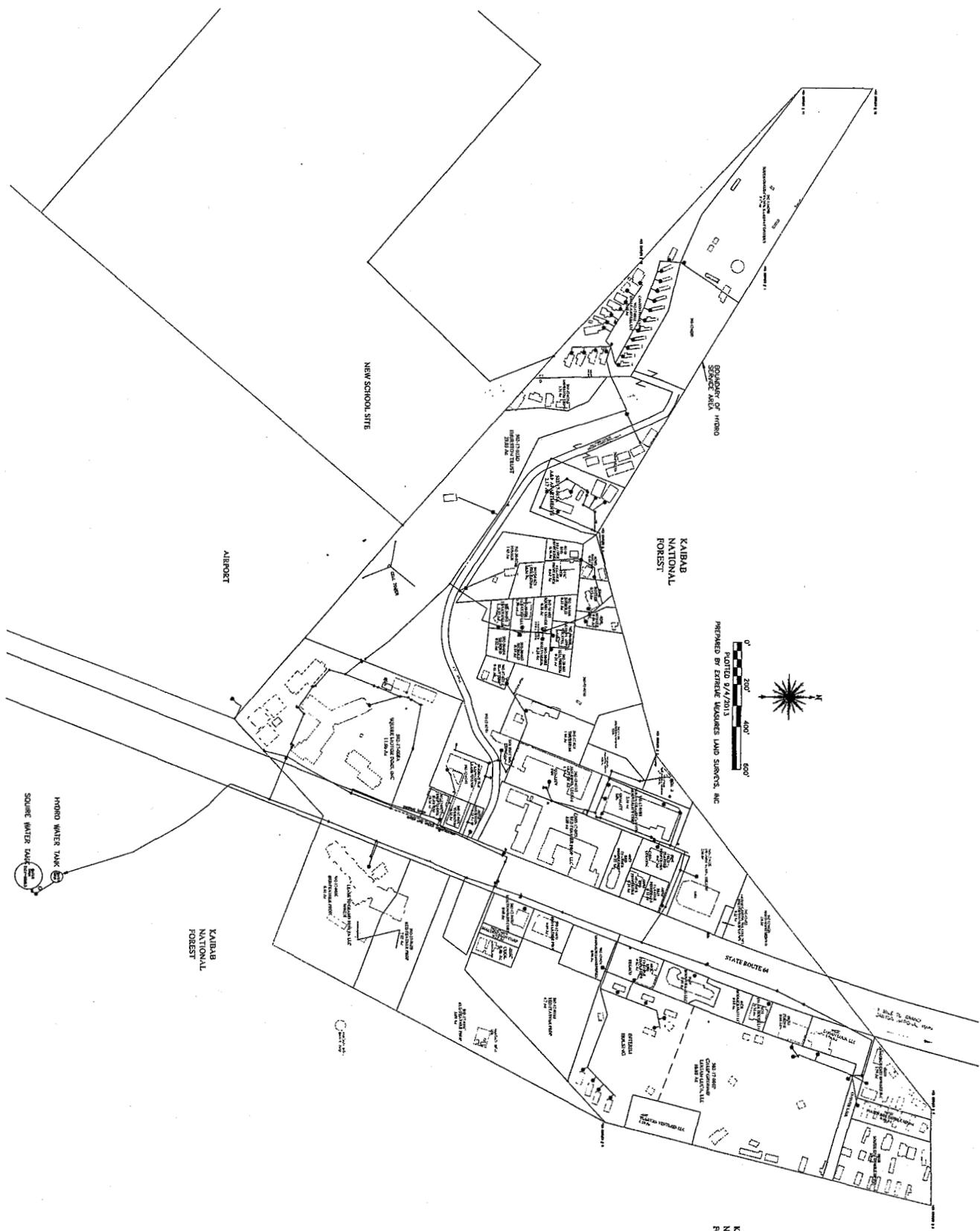
LINE NO.

Hydro Resources, Inc.
 REPRESENTATIVE RATE SCHEDULES
 STATEMENT OF CHARGES

Exhibit
 Schedule 5
 Page 2

LINE NO.	Description	Proposed	Current
1	A. Establishment of Service per Rule R14-2-403.D	\$ 25.00	
2			
3	B. Re-establishment of Service per Rule 14-2-403.D	see (a)	
4			
5	C. Reconnection of service per Rule R14-2-403.D.1	\$ 30.00	
6			
7	D. Charge for moving meter at customer request per Rule R14-2-405.B.5	@ Cost	
8			
9			
10	E. After hours service charge, per hour, R14-2-403.D	\$ 50.00	
11			
12	F. Minimum Deposit per Rule R-14-2-403.B		
13			
14	H. Meter Reread per Rule R14-2-408	\$ 15.00	
15			
16	I. Charge for NSF Check per Rule R14-2-409.F.1	\$ 25.00	
17			
18	J. Late payment charge for delinquent bills as defined in Rule R14-2-409.C.1	1.50%	
19			
20			
21	K. Deferred Payment Finance Charge, R14-2-409.G	1.50%	
22			
23	L. Service Line and Meter Installation per R14-12-405.B		
24	Meter Size		
25	5/8 x 3/4 inch	\$ 135.00	\$ 520.00
26	3/4 inch	205.00	620.00
27	1 inch	265.00	730.00
28	1 1/2 inch	475.00	995.00
29	2 inch - Turbo	995.00	1,795.00
30	2 inch - Compound	1,840.00	2,640.00
31	3 inch - Turbo	1,620.00	2,635.00
32	3 inch - Compound	2,495.00	3,630.00
33	4 inch - Turbo	2,570.00	4,000.00
34	4 inch - Compound	3,545.00	5,155.00
35	6 inch - Turbo	4,925.00	7,075.00
36	6 inch - Compound	6,820.00	9,090.00
37	8 inch and Larger		
38			
39	M. Main Extension and additional facilities agreements, per Rule R14-2-406.B	@ COST	(b)
40			
41			
42	N. All Revenue related taxes will be charged customers.		
43			
44	RULES AND REGULATIONS		
45	* The Company has adopted the Rules and Regulation established by the Commission as the basis for its operating procedures. AAC R14-204-01 Through ACC R14-2-411 will be controlling of Company procedures, unless specific Commission Orders provide otherwise.		
46			
47			
48			
49	(a) Monthly minimum times months off the system		
50	(b) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.		
51	(c) If meter is reading correct per rule.		

Exhibit U



NEW SCHOOL SITE

AIRPORT

0 200' 400' 600'
PLOTTED 9/4/2013
PREPARED BY ESTERRE SURVEYS LAND SURVEY, INC.



HYBRID WATER TANK
SQUARE WATER TANK

KABAB
NATIONAL
FOREST

KABAB
NATIONAL
FOREST

STATE ROUTE 61

Exhibit V

September 10, 2013

Mr. Will Wright
Town Manager
Town of Tusayan
P.O. Box 709
845 Mustang Drive
Tusayan, AZ 86023

Re: Application for Certificated Area

Dear Mr. Wright:

On September 12, 2013, Hydro-Resources, Inc. filed an application with the Arizona Corporation Commission for a certificate of convenience and necessity for the provision of water service within the town limits of Tusayan.

The application has been docketed by the Commission in Docket No. _____. If the application is approved, Hydro-Resources, Inc. plans to provide water service in the area for all residential and commercial purposes.

I have enclosed a copy of the application for your files. A description of the proposed service area is included within the application.

Very truly yours,

John W. Rueter
President and C.E.O

Enclosure

cc: _____

Exhibit W

[insert current date]

«PropertyOwner»
«Address1»
«Address2»
«City» «State» «PostalCode»

RE: COCONINO COUNTY ASSESSOR'S PARCEL NO.: «ParcelNumber»

PUBLIC NOTICE OF AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY BY HYDRO-RESOURCES, INC.

Hydro-Resources, Inc. has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water utility service to an area in which records indicate that you are a property owner. If the application is granted, Hydro-Resources, Inc. would be the provider of water utility service to the proposed area. The Commission will require Hydro-Resources, Inc. to provide this service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission at 1200 West Washington Street, Phoenix, Arizona and at Hydro-Resources, Inc., 549 Camper Village, Grand Canyon, Arizona.

The Commission will hold a hearing on this matter. As a property owner you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless you request it.

If you have questions or concerns about this application, have any objection to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Arizona Corporation Commission at 1200 West Washington St., Phoenix, Arizona 85007 or call 1-800-222-7000.

John W. Rueter
President/C.E.O.

Exhibit Z-1

HYDRO RESOURCES

ARIZONA DEPARTMENT OF TRANSPORTATION

By: JOHN RUETER

JOHN HALIKOWSKI, DIRECTOR

Title: PRESIDENT

By: Mona Aglan
Mona Aglan, P.E., Statewide Utility Engineer
Utility & Railroad Engineering Section

Its: John Rueter
Date: 3/30/2010

Date: 4/11/2010

ACKNOWLEDGMENT BY UTILITY

STATE OF ARIZONA)
) ss
COUNTY OF COCONINO)



The foregoing instrument was acknowledged before me this 31st day of March 2010, by John Rueter, the President on behalf of the corporation.

My Commission Expires:
July 30, 2010

Ilse R. Harvey
Notary Public

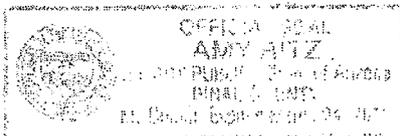
ACKNOWLEDGMENT BY STATE

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)

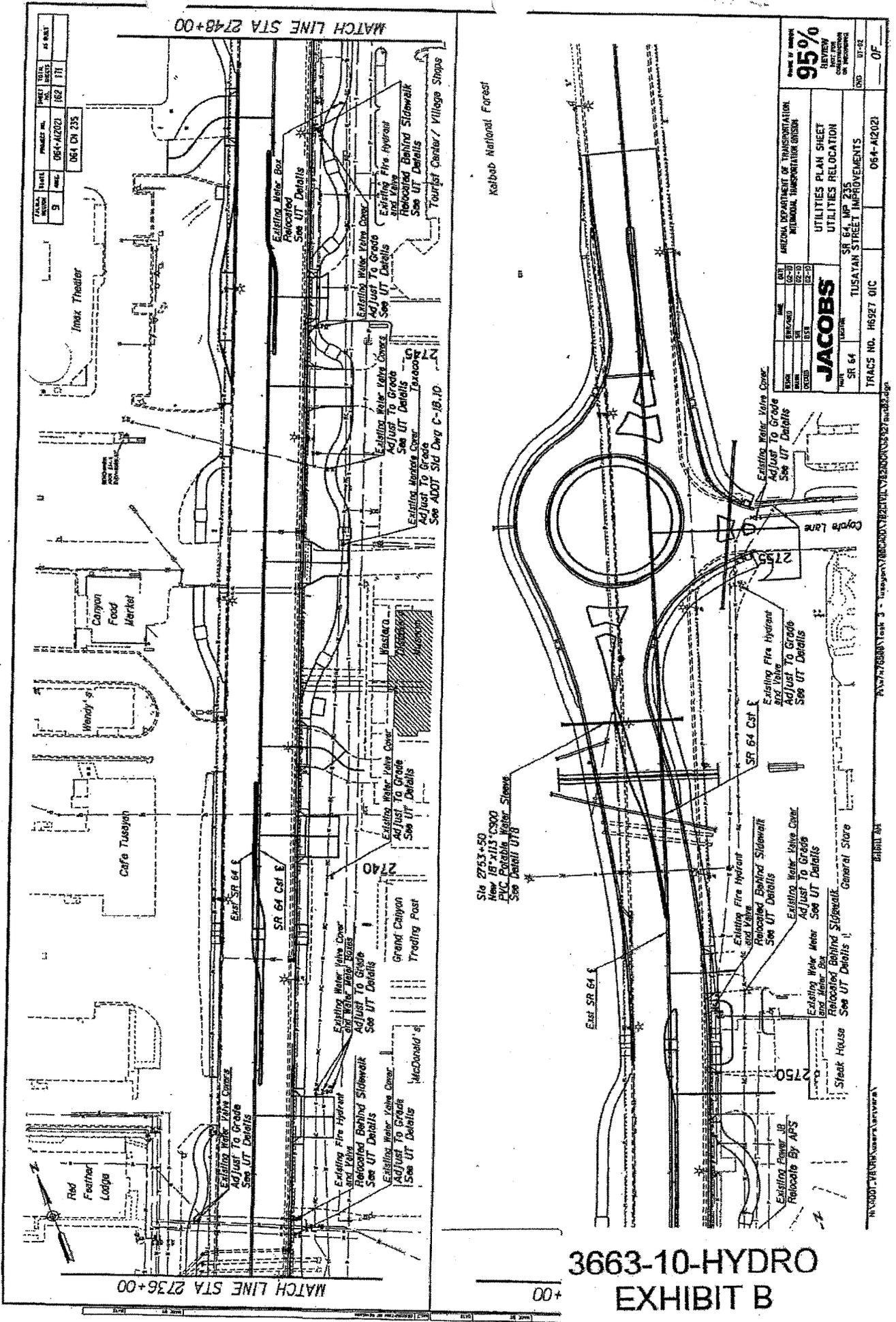
The foregoing instrument was acknowledged before me this 1st day of April, 2010, by Mona Aglan, P.E., Statewide Utility Engineer, Arizona Department of Transportation.

My Commission Expires:
March 24, 2012

Amy Boff
Notary Public



Agreement # 3262-10-HYDRO



PROJECT NO.	064-AI2021	SHEET NO.	162	TOTAL SHEETS	171
DATE	06-11-23	SCALE	AS SHOWN		

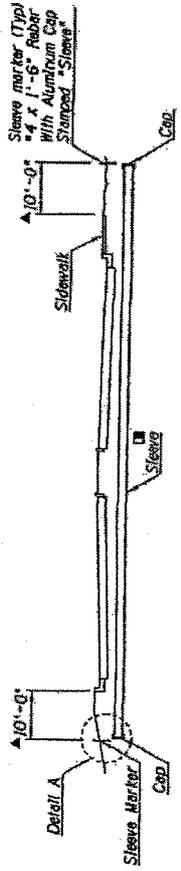
JACOBS CONSULTANTS 1000 N. GILBERT ST. SUITE 200 TULSA, OK 74103 PHONE: (918) 438-7000 FAX: (918) 438-7001 WWW: JACOBS.COM		PROJECT NO. 064-AI2021	SHEET NO. 162	TOTAL SHEETS 171
ARIZONA DEPARTMENT OF TRANSPORTATION ARIZONA HIGHWAY DEPARTMENT		PROJECT TITLE UTILITIES PLAN SHEET UTILITIES RELOCATION		
TRACIS NO. H6927 01C		DRAWING NO. 064-AI2021		

3663-10-HYDRO
EXHIBIT B

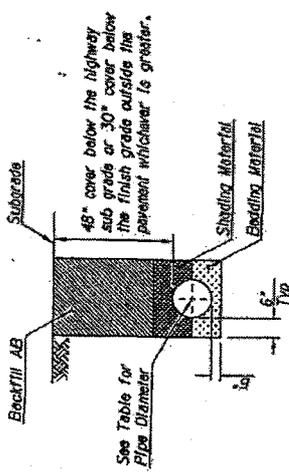
DATE	NO.	BY	REVISION
3	064	064	064
PROJECT NO.	064-A(202)	DATE	064
PROJECT NAME	064 CA 235	DATE	064
PROJECT NO.	064	DATE	064
PROJECT NAME	064	DATE	064

GENERAL NOTES:

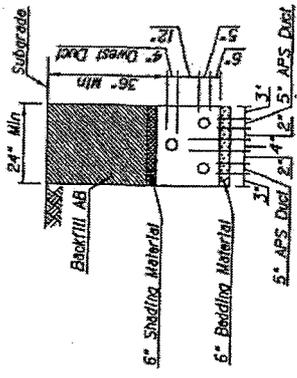
- Sleeves shall be installed in a trench condition. See Std Dwg C-13.15.
 - Bedding and back fill material shall be AB used on project.
 - Pipe installation shall conform to Section 501 of Std Specs.
 - The contractor shall install a 4" x 4" high letter "S" on the face of all curbs at sleeve locations. The width of the letter shall be 1/2" and shall penetrate the concrete surface 1/2".
 - For non-continuous sleeves under crossroads, Std Dwg C-05.10 Type "A-1" curb shall be required where median is irrigated. See plans for locations.
 - Materials used for caps or plugs shall be as recommended by the pipe supplier and approved by the Engineer.
 - The exact location of sleeves can be adjusted as necessary for a best fit to existing or proposed conditions.
- Sleeves shall be installed parallel to the roadway subgrade. Slopes may vary in super-elevated sections. Minimum slope nominal to drain.
 The sleeves must extend 10' beyond the back of curb, edge of pavement or back of walkway whichever is greater.



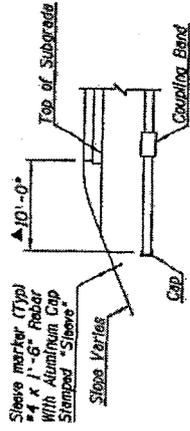
DUCT / SLEEVE UNDER MAINLINE



TYPICAL PIPE INSTALLATION



TYPICAL PIPE INSTALLATION



DETAIL A
SLEEVE TERMINATION
AT ELEVATED ROADWAY

TABLE

Location	Facility	Sleeve Material	Diameter	Length
Sta 2719+10	Reclaimed Water	C900 PVC	20"	93'
Sta 2719+20	Potable Water	C900 PVC	18"	93'
Sta 2719+30	AFS / Overst	Sched. 40 PVC (12'-5" / (1)-4"	18"	93'
Sta 2753+50	Potable Water	C900 PVC	18"	113'
Sta 19+10	Potable Water	C900 PVC	18"	54'

DETAIL UT8
UTILITY SLEEVES

DATE	06-10	SCALE	AS SHOWN
BY	SR	DATE	06-10
CHECKED	SR	DATE	06-10
DESIGNED	SR	DATE	06-10
JACOBS			
ARIZONA DEPARTMENT OF TRANSPORTATION MIDWINTER IMPROVEMENT DIVISION			
95% FINAL DESIGN CONSTRUCTION OR REVISION			
DETAIL SHEET UTILITY SLEEVES			
SR 64 IMP 235 TUSAYAN STREET IMPROVEMENTS			
TRACS NO. H6927 01C			
064-A(202)			
OF			



Arizona Department of Transportation
Intermodal Transportation Division

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janice K. Brewer
Governor

John S. Halikowski
Director

Floyd Roehrich Jr.
State Engineer

April 5, 2010

HYDRO Resources, Inc.
John Rueter, President
P.O. Box 3246
Grand Canyon, Arizona 86023

RE: Project 064-A(202)
TRACS 64 CN 235 H69327 01C
Highway State Highway SR 64
Location Tusayan Street Improvements

Mr. Rueter,

Attached for your use and files is a copy of the fully executed Utility Agreement 3260-10-HYDRO. Your check for \$21,528.00 has been deposited in the project account. It is still the intention of ADOT to advertise the project for bids in late April or early May of this year in order to ensure a one season project.

Thank you for your assistance and input in the design of the project and we look forward to continuing that relationship as the project begins actual construction. Please feel free to contact me if you have any questions.

Respectfully,


Wayne L. Smith, Utility Coordinator
1801 S. Milton Road, Flagstaff AZ 86001
928.779.7535



Intermodal Transportation

Janice K. Brewer, Governor
John S. Halikowski, Director
Jennifer Toth, State Engineer
Robert Samour, Senior Deputy State Engineer, Operations
Dallas Hammit, Senior Deputy State Engineer, Development

June 5, 2013

Hydro Resources
John Rueter
PO Box 3294
Grand Canyon, AZ 86023

Re: ADOT Encroachment Permit No.: 1210898
Purpose: Water line improvements
Location: SR 64, mp 235.54

Dear John:

This courtesy notice is to advise you that the above referenced highway encroachment permit for the purpose noted will expire on **06/26/13**.

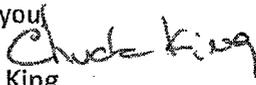
Should the permit purpose not be complete and the need for an additional period of time be necessary in order to complete the permit, an extension to the permit expiration date may be requested. Extensions to the expiration date of the permit may be requested in amounts up to 90 days.

Should the permit work be complete or there be expectation of completion by the current expiration date, please notify this office and a final inspection of the work by ADOT personnel will be made.

If the permit is no longer necessary and work specified by the permit will not be pursued please notify this office of the circumstances. The permit will then be cancelled and a new request may be made should the work be attempted in the future.

Please contact this office in writing at the address, fax or email noted below.

Thank you


Chuck King
Permits Inspector
Arizona Department of Transportation
Flagstaff District
1801 S. Milton Rd.
Flagstaff, AZ 86001
Phone 928.779.7558
Fax 928.779-5905

C: File



Intermodal Transportation

Janice K. Brewer, Governor
John S. Halikowski, Director
Jennifer Toth, State Engineer
Robert Samour, Senior Deputy State Engineer, Operations
Dallas Hammit, Senior Deputy State Engineer, Development

June 6, 2013

Hydro Resources
John Rueter
PO Box 3294
Grand Canyon, AZ 86023

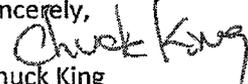
Attn John:

This letter will serve to advise you that the original completion date of your permit has been extended based on review of your request.

PERMIT NUMBER	1210898
PURPOSE	Water line improvements
LOCATION	SR 64 mop 235.54
ORIGINAL COMPLETION DATE	06/26/13
NEW COMPLETION DATE	09/26/13

Thank you in advance for ensuring that the permit work is completed within the new time frame established by this extension.

Sincerely,


Chuck King
Permits Inspector
1801 S. Milton Rd.
Flagstaff, AZ 86001
Phone: 928.779.7558
Fax: 928.779.5905
Cking2@azdot.gov

CC: Area Maintenance Foreman
Maintenance Permits, Phoenix
File

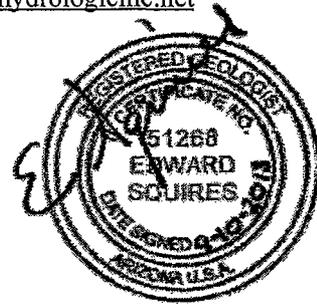
Exhibit Z-5

Hydro Logic, Inc.

1002 W. Franklin Street, Boise, ID 83702 (208) 342-8369, Fax (208) 342-3100, hli@hydrologicinc.net

TECHNICAL MEMORANDUM

TO: John Rueter/ Hydro Resources Inc. / Tusayan, Arizona
FROM: Ed Squires/ Hydro Logic, Inc. / Boise, Idaho
DATE: September 10, 2013
SUBJECT: Tusayan, Arizona Ground Water-Level/Production Monitoring Plan



Exp. 9 / 30 / 2016

OVERVIEW

Hydro Resources Inc. (HRI) has access to water supplies provided from two deep public drinking water supply wells in Tusayan, Arizona. These are the "Squire Well #1" and the "Tusayan Well #2, drilled and constructed in 1989 and 1994, respectively. These two water wells comprise the lion's share of the ground water supply for the town of Tusayan with approximately 40 million gallons of ground water per year being produced from these two wells.

Tusayan, AZ is located on the Coconino plateau adjacent to the Grand Canyon where surface and ground water supplies are believed by some to be in short supply such that there are have been expressed concerns about the affects of additional ground water development on existing water users from the regional Redwall-Muav limestone aquifer (RMA) and on natural spring discharges in Grand Canyon National Park.

Although a significant body of scientific research and studies of the geologic structures and stratigraphy exists for the general area, useful hydrogeologic studies are almost non-existent. A numerical computer model has been developed for the regional RMA but the model is based on only a handful (five) of questionable spot water level measurements (of unspecified origin) and many unsupported assumptions. Therefore the model predictions must be viewed with a very high degree of scientific uncertainty and should not be relied upon to simulate ground water/surface water interconnections in this hydrogeologic setting because the model has almost no essential high-quality hydrogeologic data on which to base its predictions on and/or to calibrate to. Unfortunately, such hydrogeologic data does not exist for the Tusayan area even though water wells have been in existence here for many decades. There are also no quality constant-rate discharge hydraulic test data for the Tusayan wells because such tests are typically conducted on newly completed water wells. All researchers agree, however, that the hydrogeologic data base is lacking and inadequate for meaningful studies.

Needed, are long-term, high quality, defensible and interpretable water level and ground water production monitoring data from area wells. Such data are the essential baseline information from which much can be interpreted about the aquifer and upon which additional studies and evaluations can be based. The monitoring plan that follows is aimed at providing a high-quality and consistent ground water monitoring database as a first step in characterizing the ground water resource in this area aimed at answering the expressed concerns for ground water / surface water interference effects and from which any future impacts to the aquifer and springs from increased pumping may be assessed. Without such good-quality ground water monitoring data, it will never be possible to understand and/or characterize the hydrogeologic setting in the RMA beneath Tusayan.

Good quality water level data are often found to be lacking in ground water basins because ground water level monitoring is both a difficult and expensive task to accomplish in any meaningful way. When water levels in wells are as deep below land surface (bls) as they are in the Tusayan area (~2,400 feet bls), the difficulty in obtaining high-quality monitoring data is increased significantly owing to a host of circumstances including 1) small diameter well bores/casings filled with submersible pump columns and inadequately secured electrical power cables, 2) deviated (crooked) well bores, 3) lack of technical knowledge of how the water level data can and will be used on the part of water system operators, 4) failure and drift of down hole digital instruments, 5) the time and expense of incorporating monitoring tubes into the pumping plant installation and removal processes, 6) lack of consistency of measurements due to lackadaisical monitoring practices, 7) remoteness of the site to be monitored, and 8) a general ignorance of the importance and usefulness of the data to long-term characterization of the water resource

To commence a meaningful monitoring of the source aquifer pressures, to be able to quantify the sustainability of the ground water resource, and to monitor its own effects from pumping, HRI contracted with Hydro Logic, Inc. (HLI) to develop and formalize a water level/water production monitoring and reporting plan. Two production supply wells have been identified for water level monitoring (Tusayan Well #2 and the Squire Well #1) because HRI has long-term access and/or ownership of these wells. Given the almost complete absence of hydrogeological data in this area, the proposed HRI monitoring plan will constitute a major contribution to understanding and characterizing the regional aquifer near Tusayan. In addition to the two-well monitoring network, ground water levels and pumped ground water volume will be monitored in any future water supply production wells if they are constructed and brought into production. The details of the monitoring plan, including the protocols, instrumentation, types of measurements, proposed timelines for measuring, and reporting requirements are presented below:

WELLS TO BE MONITORED

The Tusayan Well #2 and the Best Western "Squire Inn Well #1 (the original well in Tusayan) have been selected for initial and long-term monitoring. These wells are currently not equipped with monitoring pipes to enable deep water level measurements with electric well sounders or emplacement of digital pressure-transducer/data-loggers. As such, the monitoring plan contemplates that the required monitoring tubes and equipment will be installed whenever the pumping plants for these wells are extracted for repair and replacement. Because of the great risk in damaging a well facility, and the expense of removing and replacing submersible pumping plants to such depths in the Tusayan wells, it is not advisable from a safety standpoint, nor economically feasible, to remove an existing pumping plant solely for the purpose of equipping the well with monitoring equipment. Rather, this monitoring plan envisions emplacing the monitoring equipment opportunistically as pumping plants are extracted for repair and/or replacement. This requires HRI to purchase and have ready the monitoring equipment and instruments, including the hydrogeological expertise and on-site inspection services, to be available when an emergent failure of any component of a pumping plant necessitates removal and repair of one of the pumping plants in these wells. HRI recognizes that monitoring is an essential component of water well operation such that installation of the monitoring devices is

equally as important as installation of the pumping plant itself such that compromising the ability to monitor a well is not an option in the rush to bring a failed plant back on line. Once a well has been equipped with monitoring capability, that capability shall not be compromised during any future pump extractions and/or replacements because this would result in years of "lost" data. If HRI constructs any additional well for its water system, such well shall be subject to monitoring requirements in this Monitoring Plan.

MONITORING RESPONSIBILITY

HRI, as the current owner and operator of the Tusayan water system, has the primary responsibility for its ground water monitoring program. John Rueter is the current president and CEO of HRI. John can be contacted at:

John Rueter, President
Hydro Resources Inc.
P.O. Box 3246
Grand Canyon, AZ 86023
(928) 638-3336 office
rueter.jw@gmail.com e-mail

Currently, HRI has charged Ed Squires of HLI with operating its monitoring network and to interpret and report on its findings¹. HLI can be contacted at:

Ed Squires, President
Hydro Logic, Inc.
1002 W. Franklin Street
Boise, Idaho 83702
(208) 342-8369 office
ed@hydrologicinc.net e-mail

MONITORING INSTRUMENTS AND EQUIPMENT

All ground water level measurements will be obtained from a combination of electronic pressure-transducer/digital data-logger instruments calibrated to, and verified with, periodic manual measurements using non-stretch electric well sounders. The digital water level measurements² are taken with *Solinst Gold Levelogger*® (or equivalent) non-vented pressure-transducer/data-loggers suspended within dedicated monitoring tubes using stainless steel and/or

¹ Hydro Logic, Inc. is currently contracted to conduct HRI's monitoring but this function shall be accomplished by whatever consultant is hired by HRI, by HRI itself, or by HRI's successors.

² The pressure-transducer/data-logger measures the weight of the water column over the instrument (plus barometric pressure). The weight of the water column is converted to feet of water over the pressure-transducer by the software of the instrument. To convert these pressures to depth-to-water, the thickness of the water column over the transducer must first be subtracted. The hand-measured depth-to-water is then added to the corresponding data-point and used to calibrate the digital data.

Kevlar® braided cable to suspend and remove instruments in/from the designated monitoring tubes. Braided cables shall be periodically replaced if wear is apparent. A digital barometric data-logger, such as a *Solinst Barologger*® (or equivalent), installed inside of the pump house or well casing well located on HRI property, will be used to record changing atmospheric pressure and to compensate the pressure readings of the unvented data loggers by subtracting the component of water level fluctuations caused solely by changes in barometric pressure³. Manual water level measurements, using non-stretch electric water level tapes, such as manufactured by *Testwell Instruments*® will be used to convert the water level pressures to depth-to-water measurements. All hand measurements will be recorded and reported to 0.01 foot.

MEASUREMENT INTERVALS

All electronic data loggers will measure and record water levels at 3-hour intervals.⁴ Manual on-site measurements will be taken at a minimum of six times per year: a minimum of three during the seasonal high water-level period (January through early March) and a minimum of three during the seasonal low water-level period (September through October)⁵.

WATER LEVEL PROCESSING AND ANALYSIS

Each data logger will be removed from the well and connected to a portable computer (PC) for data uploading. The data from the digital instrument (time and pressure) will be transferred to the PC, brought back to the office and then processed using *MS Excel*®. Raw data logger readings first will be converted to pressure above the data logger by subtracting the simultaneously-measured atmospheric pressure (*Barologger*® or equivalent) data. All the digitally-measured water levels will be converted to depth-to-water measurements using the manually-measured water level recorded prior to removal of the data logger. The Barometric Efficiency (BE) effects of the aquifer⁶ will also be removed using the method outlined in the Ground Water Manual (US Department of the Interior, 1981).

The following equation is the accepted industry standard for aquifer BE corrections and will be used in the interpretive reports:

³ The barometric efficiency of the Redwall-Muav aquifer, assumed to be high, will also be able to be ascertained from this continuous data.

⁴ For long-term monitoring, and to ensure adequate battery life and reasonably manageable data file size, six daily measurements (every three hours) are considered optimal for future hydrogeological analysis and to best calibrate the digital data to hand-measured water levels. The data files can easily be pared down in size with MS Excel for long-term data storage if desired.

⁵ Unless the seasonal water-level highs and lows are found to occur at different annual time periods (they are currently not known)

⁶ Barometric Efficiency ("BE") of an aquifer describes how changes in barometric pressure affect water levels (or pressures) in the *aquifer* compared with how the same change in barometric pressure affect water levels in a *well* open to the atmosphere. In an aquifer with a BE of 50 percent, a barometrically-caused change in *well* water level of 1 foot, results in a change in *aquifer* water level (or pressure) of 0.5 feet. Well water level data are corrected for BE to indicate what the water levels in the aquifer would be, were there no well (open to the atmosphere) completed in the aquifer. Calculation of BE is somewhat subjective to the assumptions and interpretation of the analyst. Therefore, it is an interpretation rather than data and the calculation of BE will be included in the interpretive Monitoring Reports of this monitoring plan.

$$WL_{\text{aquifer}} = WL_{\text{well}} + [(P_t - P_{\text{ave}}) * BE]$$

- WL_{aquifer} = corrected depth-to-water in the aquifer, in feet
WL_{well} = depth-to-water in the well calibrated to the manual measurement, in feet
P_{ave} = mean atmospheric pressure for the year, in feet of water
P_t = atmospheric pressure at the time of each measurement, in feet of water
BE = dimensionless scaling factor of Barometric Efficiency (varies 0 to 1.0)

The BE correction factor applied to each well will be calculated from water levels and atmospheric pressure data recorded during periods when no pumping is occurring in the vicinity of the HRI wells and seasonal water-level-trend effects are relatively small. The BE correction factor derived will be based on the best available data from the monitoring. If better data become available and a better BE correction factor becomes available, then an improved value and its derivation shall be reported on. The raw data to be processed and analyzed will be submitted to HRI twice per year as described below in the Interpretation and Reporting section of this report.

Individual well head equipment and instrument specifications (examples attached as Appendix A to this document) for the actual installed equipment will be included in the monitoring plan and subsequent reports as appendices. Additionally, annotated photos of the two wellheads, GPS coordinates, and reference measurement point distances above ground level will be recorded and presented with the monitoring data.

WELL HEAD CONFIGURATIONS AND FIELD-MONITORING PROTOCOLS

1. Tusayan Well #2⁷.

a. Flow-Meter:

- i. All HRI water supply wells will be equipped with high-quality electromagnetic induction flow-meters manufactured by national suppliers.
- ii. All flow-meters will either be new, factory-calibrated meters or, for used and/or aging meters, the meter will be calibrated every five years in the installed state. The rated discharge range of the installed pumping plant and will indicate instantaneous flow and total volume pumped.

b. Measurements when Well #2 is on line and actively pumping:

- i. Water system personnel from HRI or its successor will visit all pumping wells at least one time per week.

⁷ Also known as the Siebold-Halvorson Well in some reports.

- ii. Flow-meter totalizer readings, instantaneous flow rate readings, and date and time of measurement will be manually recorded on a pump-house chart.

c. Monitoring Tubes:

- i. Two, designated 1¼-inch diameter, coupled galvanized steel monitoring tubes will be installed with and attached to, the pump column with the lower end just above the pump bowl assembly.
- ii. Two monitoring tubes are planned to provide one designated tube for the digital instruments and a second tube for electric sounder and air-line⁸ pressure water level measurements.
- iii. The well is open to the RMA through 683 feet of open, unlined limestone borehole below the 8-inch diameter steel casing over the depth interval from ~2,301-to-2,984 feet below ground.
- iv. The well is “fully-penetrating” through the RMA.
- v. Well #2 is currently protected by a removable, locking, pump house enclosure.
- vi. If necessary, the wellhead will be modified to incorporate the monitoring tubes.
- vii. Any changes in grade and/or well head elevation will be carefully documented to maintain a consistent measuring datum.

d. Digital Data Acquisition:

- i. Two Model # 3001 LT F300 “Levelogger” ® data-logger/pressure-transducers, produced by Solinst Canada (or equivalent), will be suspended within the well on a 1/16-inch diameter braided stainless steel or Kevlar® cable inside of a designated (for that purpose only) steel monitoring tube.
- ii. Two removable data-loggers are to be installed in the monitoring tube in an attempt to prevent data loss in the event of a failure of one of the instruments, e.g. as a back-up⁹.
- iii. In addition to the removable instruments, a third data-logger will be permanently affixed to the base of the pump column to be accessible and downloaded only when the pumping plant is removed from the well.
- iv. These instruments record a combination of pressure of water and atmospheric pressure over the transducer along with the time of measurement. Measurement accuracy of the instrument is 0.05 percent of full scale (300 feet), or about 0.15 feet (about one inch).

⁸ For this use, the coupled joints of the monitoring tubes must be sealed with an NSF-approved pipe compound and anti-seize properties. The precise length of the monitoring tube must be known to be able to use the air-line method of water-level measurement effectively. It is anticipated that the consultant responsible for the monitoring program will be on site to observe the installation of the monitoring tubes.

⁹ Even the best of these types of instruments can fail or develop “drift” within a few years of deployment. Only through duplicative data-sets can one ensure that the data record is not interrupted and only with uninterrupted data sets can meaningful information about the aquifer be interpreted beginning about five years after the commencement of monitoring.

- v. The data-logger and battery are capable of recording and storing ~24,000 data points (measurements) such that at six measurements per day, the instrument could record and store data for 10 years which is the approximate expected battery life.
 - vi. The serial number of the installed instrument will be recorded in the raw data files. If a replacement data logger is required, a description of the new data logger, its serial number, its range and accuracy will be noted in the raw data files. An explanation for any instrument replacements will be included in the next annual interpretative report prepared after replacement.
 - vii. Because Well #2 is equipped and used as a water supply well, it will be similarly equipped with the same monitoring devices used to monitor all other production wells depending on the equipment specified for the water system.
- e. Measuring Datum:
- i. Measuring point is inside upper edge of the well head casing.
 - ii. HRI shall remain vigilant for an opportunity to have the well head measuring datum surveyed with a “survey-grade” GPS instrument when and if such an instrument is brought to town for another purpose.
- f. Barometric Efficiency:
- i. The barometric efficiency (BE) of this well will be calculated from the best available data as described above and reported in the interpretive reports.
 - ii. The annual mean of the recorded fluctuations of the variations in atmospheric pressure, as measured by the HRI site barometer, will be calculated from the monitored data.
- g. Monitoring Protocol:
- i. With each site visit, the well head condition will be inspected for any tampering or damage to the casing which would be documented along with weather conditions (temperature, precipitation or any other factors that might affect data reading, data reporting, or data interpretation).
 - ii. The lower 5 feet of the clean electric water level tape is sterilized in a chlorine bleach solution.
 - iii. The depth-to-water is measured to the nearest 0.01 ft using a hand-held electric tape measure (with readings to 0.01 ft). The depth-to-water is measured to the inside lip of the open well head casing (the “measuring point) for which an annotated photograph will be supplied to document the measuring point with respect to ground level. The tape is lowered to a depth that shows a full-scale electric conductance connection with the water column surface in the well. The total depth-to-water from the measuring point and the time of measurement are recorded.
 - iv. The depth-to-water measurement is repeated one or more times to verify its accuracy and repeatability.

- v. When Well #2 is being pumped, the electric tape may not be as accurate as a means of measuring pumping water levels owing to normal fluctuations in the water surface under pumping conditions. In this case, an average pumping water level will be recorded using multiple readings from the non-stretch electric well sounding tape (such as manufactured by *Testwell Instruments®*).
- vi. The data logger is then removed with the cable carefully wound up and the entire assembly (data logger, cable and cap to the 1-inch steel monitoring tube) is placed on a clean plastic tarp to maintain cleanliness of the logger assembly while the data is uploaded to the PC. Every safeguard will be exercised to avoid introducing bacteria or any other substance into the well during monitoring.
- vii. The data-logger is connected to a portable PC. Using the appropriate software and peripherals, the data from the data logger are transferred to the PC.
- viii. The data logger is reset (memory cleared) if and only if a previous upload of data has been duplicated and therefore verified.
- ix. The battery life of the data-loggers will be taken into account and replaced before the expected lifetime of the instrument's to avoid problems.
- x. The data logger is returned to the monitoring tube and the depth-to-water re-measured as per step iii, above.
- xi. The well head security enclosure is closed and locked with the lock double-checked.
- xii. In the event of a removal of the pumping plant, the caged data-logger at the base of the pump column will be removed, downloaded, and replaced with a new data-logger when the well pump is reinstalled in the well.

2. Best Western "Squire Inn" Well #1¹⁰.

a. Flow-Meter:

- i. All HRI water supply wells will be equipped with high-quality electromagnetic induction flow-meters manufactured by national suppliers.
- ii. All flow-meters will either be new, factory-calibrated meters or, for used and/or aging meters, the meter will be calibrated every five years in the installed state. The rated discharge range of the installed pumping plant and will indicate instantaneous flow and total volume pumped.

b. Measurements when the Squire Well #1 is on line and actively pumping:

- i. Water system personnel from HRI or its successor will visit all pumping wells at least one time per week.

¹⁰ Also known as the "Southwestern Groundwater Well" or "Well #1 (owing to it being the first well in Tusayan) in some reports.

- ii. Flow-meter totalizer readings, instantaneous flow rate readings, and date and time of measurement will be manually recorded on a pump-house chart.

c. Monitoring Tubes:

- i. Two, designated 1¼-inch diameter, coupled galvanized steel monitoring tubes will be installed with and attached to, the pump column with the lower end just above the pump bowl assembly.
- ii. Two monitoring tubes are planned to provide one designated tube for the digital instruments and a second tube for electric sounder and air-line¹¹ pressure water level measurements.
- iii. The well is open to the RMA through ~766 feet of open, unlined limestone borehole below the 8-inch diameter steel casing over the depth interval from ~2,322-to-3,088 feet below ground.
- iv. A 4/14/2004 video inspection of the well showed a non-pumping water level of 2,438 feet below top of 8-inch casing.
- v. The well is “fully-penetrating” through the RMA.
- vi. The Squire Well #1 is currently protected by a removable, locking, pump house enclosure.
- vii. If necessary, the wellhead will be modified to incorporate the monitoring tubes.
- viii. Any changes in grade and/or well head elevation will be carefully documented to maintain a consistent measuring datum.

d. Digital Data Acquisition:

- i. Two Model # 3001 LT F300 “Levellogger” ® data-logger/pressure-transducers, produced by Solinst Canada (or equivalent), will be suspended within the well on a 1/16-inch diameter braided stainless steel or Kevlar® cable inside of a designated (for that purpose only) steel monitoring tube.
- ii. Two removable data-loggers are to be installed in the monitoring tube in an attempt to prevent data loss in the event of a failure of one of the instruments, e.g. as a back-up¹².
- iii. In addition to the removable instruments, a third data-logger will be permanently affixed to the base of the pump column to be accessible and downloaded only when the pumping plant is removed from the well.
- iv. These instruments record a combination of pressure of water and atmospheric pressure over the transducer along with the time of

¹¹ For this use, the coupled joints of the monitoring tubes must be sealed with an NSF-approved pipe compound and anti-seize properties. The precise length of the monitoring tube must be known to be able to use the air-line method of water-level measurement effectively. It is anticipated that the consultant responsible for the monitoring program will be on site to observe the installation of the monitoring tubes.

¹² Even the best of these types of instruments have failures and “drift” within a few years of deployment. Only through duplicative data-sets can one ensure that the data record is not interrupted and only with uninterrupted data sets can meaningful information about the aquifer be interpreted beginning about five years after the commencement of monitoring.

measurement. Measurement accuracy of the instrument is 0.05 percent of full scale (300 feet), or about 0.15 feet (about one inch).

- v. The data-logger and battery are capable of recording and storing ~24,000 data points (measurements) such that at six measurements per day, the instrument could record and store data for 10 years which is the approximate expected battery life.
- vi. The serial number of the installed instrument will be recorded in the raw data files. If a replacement data logger is required, a description of the new data logger, its serial number, its range and accuracy will be noted in the raw data files. An explanation for any instrument replacements will be included in the next annual interpretative report prepared after replacement.
- vii. Because the Squire Well #1 is equipped and used as a water supply well, it will be similarly equipped with the same monitoring devices used to monitor all other production wells depending on the equipment specified for the water system.

e. Measuring Datum:

- i. Measuring point is inside upper edge of the well head casing.
- ii. HRI shall remain vigilant for an opportunity to have the well head measuring datum surveyed with a "survey-grade" GPS instrument when and if such an instrument is brought to town for another purpose.

f. Barometric Efficiency:

- i. The barometric efficiency (BE) of this well will be calculated from the best available data as described above and reported in the interpretive reports.
- ii. The annual mean of the recorded fluctuations of the variations in atmospheric pressure, as measured by the HRI site barometer, will be calculated from the monitored data.

g. Monitoring Protocol:

- i. With each site visit, the well head condition will be inspected for any tampering or damage to the casing which would be documented along with weather conditions (temperature, precipitation or any other factors that might affect data reading, data reporting, or data interpretation).
- ii. The lower 5 feet of the clean electric water level tape is sterilized in a chlorine bleach solution.
- iii. The depth-to-water is measured to the nearest 0.01 ft using a hand-held electric tape measure (with readings to 0.01 ft). The depth-to-water is measured to the inside lip of the open well head casing (the "measuring point) for which an annotated photograph will be supplied to document the measuring point with respect to ground level. The tape is lowered to a depth that shows a full-scale electric conductance connection with the water column surface in the well. The total depth-to-water from the measuring point and the time of measurement are recorded.

- iv. The depth-to-water measurement is repeated one or more times to verify its accuracy and repeatability.
- v. When the Squire Well #1 is being pumped, the electric tape may not be as accurate as a means of measuring pumping water levels owing to normal fluctuations in the water surface under pumping conditions. In this case, an average pumping water level will be recorded using multiple readings from the non-stretch electric well sounding tape (such as manufactured by *Testwell Instruments*®).
- vi. The data logger is then removed with the cable carefully wound up and the entire assembly (data logger, cable and cap to the 1¼-inch steel monitoring tube) is placed on a clean plastic tarp to maintain cleanliness of the logger assembly while the data is uploaded to the PC. Every safeguard will be exercised to avoid introducing bacteria or any other substance into the well during monitoring.
- vii. The data-logger is connected to a portable PC. Using the appropriate software and peripherals, the data from the data logger are transferred to the PC.
- viii. The data logger is reset (memory cleared) if and only if a previous upload of data has been duplicated and therefore verified.
- ix. The battery life of the data-loggers will be taken into account and replaced before the expected lifetime of the instrument's to avoid problems.
- x. The data logger is returned to the monitoring tube and the depth-to-water re-measured as per step iii, above.
- xi. The steel well head security enclosure is closed and locked with the lock double-checked.
- xii. In the event of a removal of the pumping plant, the caged data-logger at the base of the pump column will be removed, downloaded, and replaced with a new data-logger when the well pump is reinstalled in the well.

MONITORING EQUIPMENT, INSTRUMENTS, AND CALIBRATION

1) Measuring Instruments.

- a. Water-level sounding tapes.
 - i. *Monitoring tubes:* All wells will be equipped with designated 1¼-inch inside diameter galvanized coupled steel pipe monitoring tubes for measuring water levels without becoming entangled with the pump column or submersible power cables and to avoid "casing suck" whereby the measuring tape can temporarily stick to the wetted steel casing above the water level preventing measurement. Two monitoring tubes will be installed with the pump column in each well and will be banded to the pump column below each coupled joint with stainless steel banding.
 - ii. *Electric Water Level Sounding Tapes:* For all pumping wells, non-stretch electric water level sounders such as manufactured by *Testwell Instruments*® will be used to measure water levels to 0.01/ft.

iii. *Steel tapes.* Spring-steel tapes, such as manufactured by *Lufkin®*, specifically constructed for chalked water level measurements, incremented in one-foot intervals with the lowermost 20-feet of the tape embossed in 1/100th of a foot increments are not manufactured or available in the lengths necessary to measure Tusayan water levels and cannot be used.

b. Electronic pressure-transducer/data loggers:

- i. Electronic water level monitoring instruments (data loggers) to be installed in the designated monitoring tubes require no periodic calibration or maintenance. If a data logger appears to be failing, it is returned to the manufacturer for repair, data recovery and/or replacement. To prevent loss of critical data to the extent possible, a replacement new data logger will be available during all site visits so that a failed data-logger can be replaced on the spot during the same site visit.
- ii. All water supply production wells will be equipped with digital electronic equipment to measure and record system pressure, water-level, instantaneous flow, pumped volume, etc. as any high-quality municipal systems do. These are generally standardized monitoring packages that are identical for each well and which record and store the data for download to a computer during field visits. The exact manufacturers and/or type of remote sensing and data-transmission system that will be used are not currently designed or known but shall be from a nationally recognized manufacturer with a proven track record. Unfortunately, there are currently no manufacturers of digital down hole data loggers with connecting data cables so that the water level data can be downloaded without removing the instrument from the well. This is why the data-logger must be physically removed during each field visit and then reinstalled in the monitoring tube.
- iii. All pressure-transducer/data-logging instruments will be housed inside of designated monitoring tubes within the well and within a welded cage at the base of the pump column. Tubes of sufficient rigidity and diameter will be used to ensure continued insertion and removal of the instruments to/from the well. The "cage" housing the data-logger at the base of the drop pipe will be sufficiently strong and rigid to protect the data-logger instrument during installation, operation, and removal of the pumping plant in an open borehole situation.

c. Permanently Installed Flow Meters:

i. *Flow-Meter Type.*

1. All HRI water production wells will be equipped with high-quality electromagnetic induction flow-meters manufactured by national suppliers. The precise equipment will be chosen according to cost, performance, and reliability.

ii. *Flow Range.*

1. All flow-meters will be within the calibrated and rated flow range of the installed pumping plant and will indicate and record instantaneous flow and total volume pumped. Tusayan Well #2 is currently equipped with a 65 gpm submersible pumping plant.

iii. *Flow Meter Calibration.*

1. All new high-quality flow-meters are factory-calibrated within close tolerances. Periodically, at approximately five-year intervals, flow-meter calibrations will be checked by means of pumped filling of tanks of known volume, by pumping tests using a circular orifice weir, or using another calibrated flow-meter.

ADDITIONAL WATER LEVEL DATA

After a HRI Supply Well has been equipped with the monitoring instruments described above, it will be pump-tested following good hydrogeologic practice for constant-rate discharge hydraulic tests to derive aquifer characteristics such as transmissivity and to determine the specific capacity of the well. The data from these tests will be submitted in electronic format to HRI as part of the raw monitoring data collected for that year. These data will be analyzed, interpreted, and reported by the groundwater consultant (currently HLI) preparing the interpretive monitoring reports (described below).

INTERPRETATION AND REPORTING

Annual Data Submittals: The raw electronic and hand-measured water level data, including data corrected for fluctuations in atmospheric pressure, for each well will be submitted to HLI twice per year – once on or before December 31st (for data collected from June 1st-to-November 30th) and once on or before June 30th (for data collected from December 1st-to May 31st).¹³ These data will be submitted to HRI on compact disc in MS Excel[®], non-encrypted format with column headings included at the beginning of the file, posted above each recorded data type. For pumping wells, the raw data submittal will include field and digitally-acquired pumping and non-pumping water levels and pump house production data for all HRI water supply wells.

Annual Monitoring Report: On or before July 31 each year, HLI shall prepare and file with HRI an interpretive monitoring report by a professional hydrogeologist (“Monitoring Report”) which shall include:

- 1) The amount, timing, and location of ground water production for the year.
- 2) Plotted hydrographs for each monitored well using BE-corrected data showing seasonal variations, water-level trends, and pumping effects, along with a discussion of water level

¹³ The June 1-to-November 30 and December 1-to-May 31) monitoring periods are intended to ensure that the highest and lowest water levels of the year are measured and recorded. The lowest levels are expected to occur in September-October, while the highest levels probably occur during January-March. The first year continuous monitoring data will help to define the high and low levels.

trends, and notable changes in water levels, the high and low water level measurements recorded, and an explanation of any other factors that may be relative to the measured water levels in the RMA.

- 3) Other information describing hydrologic impacts of HRI's Tusayan ground water pumping (to the extent data is available) and a determination or interpretation of the cause(s) of any observed water level declines and/or increases.
- 4) A discussion of the effects of HRI's ground water pumping on the RMA.

The monitoring and reporting requirements are envisioned as a permanent necessity for aquifer stewardship as set forth herein and shall remain in place as long as pumping from the RMA continues. All data obtained, developed, interpreted, and reported to HRI by HLI shall be the sole property of HRI and considered proprietary to HRI by HLI. Only HRI shall have the discretion to release or otherwise disseminate the data from this monitoring program.

APPENDIX A

WLM SERIES WATER LEVEL METERS

Ranked #1 by University Field Course
Best for accuracy, ease of use and performance

Unique Bridge Proof Probe
Testwell sets a new standard for probe performance during pump tests and for well sounding

Best Resolution & Accuracy
1/100 ft or 1mm & 5x more accurate than white tapes

Choice of Probe diameters
Standard 5/8, 7/16, 3/8 or 1/4 inch diameter stainless steel and Teflon probes

Hook & Cable Protector protects tape from casing and lets unit hang from casing

5 Times More Accurate
Than white tapes with complete polyethylene jacket to protect 1/100 ft or 1mm graduations and stranded stainless steel conductors

Standard Sensitivity Control
Prevents false readings in high conductivity water-ideal for pump and draw down tests

FIELD-TESTED & AWARD-WINNING

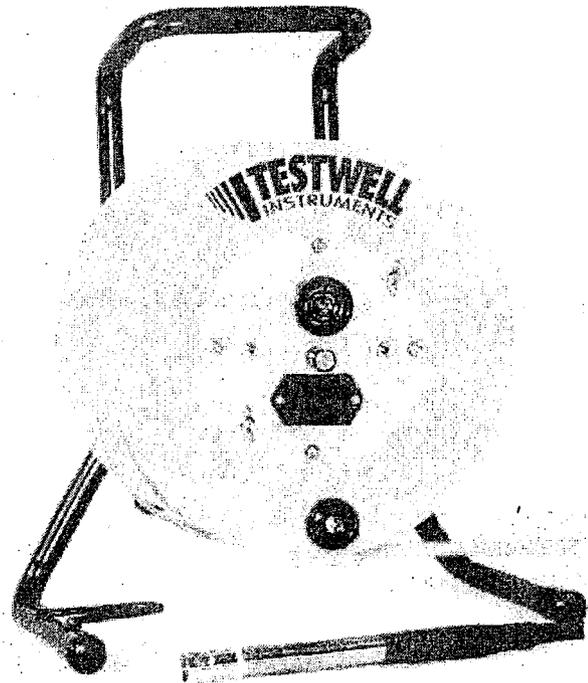
Ranked #1 for accuracy, durability and ease of use since 1995. Many of the features found on the original SST units are also found in the new units. This design has been tested extensively in the field for several years now and is a reliable performer. The tapes meet or exceed federal specification US GGG-T-106E (U.S.A.) or EEC CLASS II (Europe) for a guaranteed accuracy of .008%. A flat spring steel core ensures tapes hang perfectly straight in large and



small diameter wells. This provides unparalleled accuracy when compared to the flat white tapes, where kinks in the tape introduce slight errors, in addition to the displacement of water changing the static level.

The WLM Water Level Meter set new standards for reliability and accuracy. This unit has a 5/8 diameter stainless steel and Teflon probe. It uses a shrouded probe and unique probe design to prevent bridging.

Bridging is often encountered during pump tests with other



units. All units carry a sensitivity adjustment for different water qualities, with a choice of internal or external controls. The time proven Sonalert buzzer is also used on all units.

SPECIFICATIONS

Operating Principle:

Water Sensing

Conductivity

Power

9 volt battery

Shipping weight

8 lbs

Tape lengths

50 -3000 ft

(Metric)

15-600 meters

Tape material

Polyethylene

Probe diameter

7/16 or 12 mm

DISTRIBUTED BY:

Baro-Diver



Request Pricing »

Ideal for accurate barometric compensation
Estuary and wetlands monitoring

Pressure Transducer for Barometric Compensation

Features

- Compact size: Ø 22 mm - length 90 mm
- 24,000 records of time stamp, atmospheric pressure and temperature
- 30-Point Pressure Factory Calibration
- Corrosion-proof ceramic pressure sensor

Benefits

- Easy installation
- Cost effective frequent, long-term measuring
- Reliable and accurate data
- Low maintenance, No user calibration

Applications

- Barometric compensation
- Groundwater monitoring projects
- Surface water monitoring
- Monitoring of shallow waters
- Estuary and wetlands monitoring
- Aquifer storage and recovery

Quick specifications

Pressure

Model	Value	Unit
Range	1.5	meter
Accuracy	± 0.5	cmH ₂ O
Resolution	0.1	cmH ₂ O

Temperature

Model	Value	Unit
Range	-20 .. +80	°C
Accuracy	± 0.1	°C
Resolution	0.01	°C

Micro-Diver



Request Pricing »

Easy installation in small diameter wells
Ideal for pump and slug tests

Compact Datalogger for Groundwater Monitoring

Features

- Compact size: Ø 18 mm - length 88 mm
- 48,000 records of time stamp, pressure and temperature
- 30-Point Pressure Factory Calibration
- Pre-programmed and user defined pumping tests

Benefits

- Fits 3/4 inch drive points and piezometers
- Event based, averaging and pumping tests sample methods to conserve memory
- Cost effective frequent, long-term measuring
- Reliable and accurate data
- No need to search through extraneous data
- Fits any application

Applications

- Groundwater monitoring projects
- Direct push/Drive point Piezometers
- Pumping tests and slug tests
- Estuary and wetlands monitoring
- Groundwater monitoring network automation
- Aquifer storage and recovery projects

Long term water level monitoring

Quick specifications

Pressure

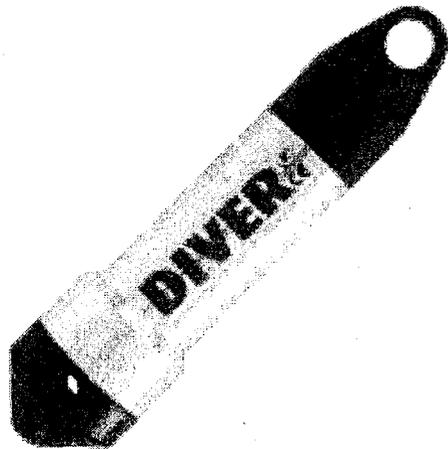
Model	D1301	D1302	D1303	D1304	unit
Range	10	20	50	100	meter
Accuracy	±1.0	±2.0	±5.0	±10.0	cmH2O
Resolution	0.2	0.4	1.0	2.0	cmH2O

Temperature

	value	unit
Range	-20 .. +80	°C
Accuracy	±0.1	°C
Resolution	0.01	°C



Mini-Diver



Request Pricing »

Easy installation in almost any well
Ideal for long-term monitoring of water levels and temperature

Cost-effective Long-term Groundwater Monitoring

Features

- Compact size: Ø 22 mm - length 90 mm
- 24,000 records of time stamp, pressure and temperature
- 30-Point Pressure Factory Calibration
- Corrosion-proof ceramic pressure sensor

Benefits

- Easy installation in almost every well
- Cost effective frequent, long-term measuring
- Reliable and accurate data
- Low maintenance, No user calibration

Applications

- Long term water level monitoring
- Groundwater monitoring projects
- Groundwater monitoring network automation
- Watershed, drainage basin and recharge areas
- Stream gauging, lake levels and reservoirs
- Wetlands and stormwater run-off monitoring

Quick specifications

Pressure

Model	D1501	D1502	D1505	D1510	unit
Range	10	20	50	100	meter
Accuracy	±0.5	±1.0	±2.5	±5.0	cmH2O
Resolution	0.2	0.4	1.0	2.0	cmH2O

Temperature

	range	unit
Range	-20 .. +80	°C
Accuracy	±0.1	°C
Resolution	0.01	°C

Monitoring tubes

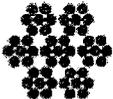
API J55

Minimum Yield Strength:	55,000 psi
Maximum Yield Strength:	80,000 psi
Minimum Tensile Strength:	75,000 psi
Hardness Requirement:	None

Notes: General purpose pipe manufactured to API specification 5CT. Similar to K55 except the minimum tensile strength is lower. Usually, this grade is used in tubing applications.

top of page

7 x 7 Strand Core



7 x 7 Strand
Core

Stainless cable for suspending data-loggers

Dia.	Breaking Strength, lbs.	Available Lengths, ft.	Meets Spec.	Type 302 Stainless Steel		Type 304 Stainless Steel	
				Per Ft.	Per Ft.	Per Ft.	Per Ft.
0.018"	40	10, 25, 50, 100, 300	—	—	—	3461T31	\$0.44
0.027"	90	10, 25, 50, 100, 300	—	—	—	3461T32	.60
	140	25, 50, 100, 300, 500	—	3458T429	\$0.35	3461T325	.36
0.036"	160	10, 25, 50, 100, 300	—	—	—	3461T33	.59
3/16"	270	25, 50, 100, 300, 500	Fed. Spec. RR-W-410, MIL-DTL-83420	3458T43	.33	3461T35	.34
1/8"	480	25, 50, 100, 300, 500	Fed. Spec. RR-W-410, MIL-DTL-83420	3458T44	.31	3461T44	.32
5/16"	650	25, 50, 100, 300, 500	—	3458T451	.36	3461T57	.37
3/32"	920	25, 50, 100, 300, 500	Fed. Spec. RR-W-410, MIL-DTL-83420	3458T46	.46	3461T45	.47
1/8"	1,700	10, 25, 50, 100, 300	—	3458T47	.61	3461T46	.63

* Lubricated.
* Not performed.

Exhibit EE

ITEMIZED LIST OF MAJOR COMPONENTS OF WATER SYSTEM

Hydro Resources, Inc.			
Plant-in-Service			
Acct.		Year	
No.	Plant Facilities	Installed	Owned By
301	Organization	1994	
302	Franchise – none	None	None
303	Land & Land Rights		
	Well Site #2 (55-542928) Land Lease from Halvorson Seibold		Hydro Resources lease
	Tank Site – Land Lease from Squire Inn		Hydro Resources lease
304	Structures & Improvements		
	Well #2(55-542928) – well houses	2006	Hydro-Resources
	Well #2 (55-542928)– fencing	1994	Hydro-Resources
	Well #2 (55-542928)– standpipe	2006	Hydro-Resources
	Tank Site – fire pump house (includes 2,500 gpm Diesel-powered fire pump at tank site)	1998	Hydro-Resources
	Accessory Meter/Valve House	1998	Hydro-Resources
307	Wells & Springs		
	Well #2 (55-542928)– 12" x 3,200 feet, 65-80 gpm.	1994	Hydro-Resources
311	Electric Pumping Equip.		
	Well #2 (55-542928)– 75-Hp well pump at 65 GPM thru 3" meter	2006	Hydro-Resources
320	Water Treatment Equip.		
	Well #2 (55-542928)– Liquid chlorination –chemical pump	2009	Hydro-Resources
330	Dist. Reservoir & Standpipe		
	525,000 gallon storage tank	1975	Hydro-Resources
	Hydro-Resources leases 2 million gallons of storage capacity in a 3 million gallon tank owned by Squire	1991	Hydro-Resources lease
331	Transmission & Dist. Mains – 11,808 total feet		
	Segment B: 1113 feet of Schedule 40, 8" pipe	1986	Hydro-Resources
	Segment C: 732 feet of C-900 PVC, 8" pipe	1997	Hydro-Resources
	Segment D: 480 feet of Schedule 40, 8" pipe	1986	Hydro-Resources
	Segment E: 1351 feet of Schedule 40, 6" pipe	1992	Hydro-Resources
	Segment F: 313 feet of C-900 PVC, 4" pipe	2000	Hydro-Resources
	Segment G: 3026 feet of Schedule 40 2" pipe	1984	Hydro-Resources
	Segment H: 2022 feet of Schedule 40, 6" pipe	1984	Hydro-Resources
	Segment I-1: 476 feet of Schedule 40, 8" pipe	1984	Hydro-Resources
	Segment I-2: 820 feet of Schedule 40, 8" pipe	1984	Hydro-Resources
	Segment J: 727 feet of C-900 PVC, 8" pipe	2000	Hydro-Resources
	Segment K: 318 feet of C-900 PVC, 8" pipe	1984	Hydro-Resources
	Segment L: 430 feet of C-900 PVC, 4" pipe	2000	Hydro-Resources
	5 Road Crossings	1975, 1986, 2000, 2011	Hydro-Resources
	8" line extension	2013	Hydro-Resources
333	Services –94 service connections		
334	Meters – total 24 meters (other meters owned by other parties)		
	11 – 2" meters		Hydro-Resources
	6 -- 1" meters		Hydro-Resources
	3 – 5/8" meters		Hydro-Resources

ITEMIZED LIST OF MAJOR COMPONENTS OF WATER SYSTEM

	2 – 3" meters		Hydro-Resources
	1 – 1.5" meter		Hydro-Resources
	1 – 6" meter		Hydro-Resources
335	Hydrants		
	6 hydrants (all other hydrants are owned by individual property owners)	1984, 1993, 1997	Hydro-Resources
	16 hydrants		Hydro-Resources
336	Backflow Prevention Devices – all owned by other parties		
339	Other Plant & Miscell. Equip.		
	34 valves/valve cans (8, 6, 4 and 2 inch)	Various	Hydro-Resources
	150 kv transformer	1994	Hydro-Resources
	Controls – ESP CTI, Reda Control Panel	1994	Hydro-Resources
	3 Manholes	1982	Hydro-Resources
	4 check valves		Hydro-Resources
	Wells & Aquifer metering & monitoring equipment	2013	Hydro-Resources
340	Office Furn. & Improvements		
	2 desks, file cabinets, computer, fax, phone, etc.	2010	Hydro-Resources
341	Transportation Equipment –		
	Semi-truck	1987	Hydro-Resources
	Tanker	1998	Hydro-Resources
	Pickup truck	2008	Hydro-Resources
343	Tool & Work Equip.		
	Miscellaneous welding equipment	2005	Hydro-Resources
	Handpumps & miscellaneous tools		Hydro-Resources
	Location marking equipment	2013	Hydro-Resources
	Emergency repair materials – pipes, fittings, inventory		Hydro-Resources
346	Communication Equipment (phone & computer listed above)		

Exhibit HH



Moyes Sellers & Hendricks

STEVE WENE • 602-604-2189 • swene@law-msh.com
1850 N. Central Avenue, Suite 1100 • Phoenix, AZ 85004 • fax 602.274.9135

September 5, 2013

Rodney W. Ott
Bryan Cave LLP
2 North Central Ave., Suite 2200
Phoenix, Arizona 85004

RE: Wastewater Service Provider

Mr. Ott:

Our firm represents the South Grand Canyon Sanitary District ("District"). We understand that you have asked the District to provide you a letter confirming the provision of wastewater service within the area where Hydro-Resources' is requesting a Certificate of Convenience and Necessity ("CC&N").

The District is the Designated Management Agency with authority to provide wastewater service in Township 30 North, Range 2 East, Sections 13, 14, 23, 24, 25, 26, 34, 35, and 36. Currently, the District provides wastewater service within the Town of Tusayan located in Sections 23 and 24. Based upon our review of the map and legal description you provided, the District is authorized to serve the proposed CC&N area, except for the land in Section 27 and Township 29 North, Range 2 East, Section 3. The District is willing to accept an application for wastewater service for these areas as well.

You are authorized to submit this correspondence to the Arizona Corporation Commission to establish that the proposed CC&N will receive wastewater service from the District. The District is looking forward to working with you on this matter. If you have any questions or concerns, please feel free to call me at your convenience.

Respectfully,

Steve Wene

Exhibit JJ

CROSS-CONNECTION OR BACKFLOW TARIFF

PURPOSE:

The purpose of this tariff is to protect Hydro-Resources, Inc. ("Company") water from the possibility of contamination caused by the backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code ("A.A.C.") R14-2-405.B.6 and A.A.C. R18-4-215.

REQUIREMENTS:

In compliance with the Rules of the Arizona Corporation Commission ("Commission") and the Arizona Department of Environmental Quality ("ADEQ"), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-215 relating to backflow prevention:

1. The Company may require a customer to pay for and to have installed a backflow-prevention assembly if A.A.C. R18-4-215.B or C applies.
2. A backflow-prevention assembly required to be installed by the customer under Paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-215.D and E.
3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with Paragraphs 1 and 7 of this tariff, the Company may terminate service or may deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff
4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is **not** applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why he cannot install the backflow-prevention assembly within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

****FOR OFFICIAL USE ONLY****

Effective Date: _____

5. Testing shall be in conformance with the requirements of A.A.C. R18-4215.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests.
6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:
 - a. assembly identification number and description;
 - b. location
 - c. date(s) of test(s);
 - d. description of repairs and recommendations for repairs made by tester; and
 - e. the tester's name and certificate number.
7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.
8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is **not** applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency or dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

****FOR OFFICIAL USE ONLY****

Effective Date: _____

Exhibit KK

TARIFF SCHEDULE

Utility: Hydro-Resources, Inc.
Docket No.: _____
Phone No.: 928-638-8205

Tariff Sheet No.: 1 of 4
Decision No.: _____
Effective: _____

CURTAILMENT PLAN FOR: Hydro-Resources, Inc.
(Template 102109)

ADEQ Public Water System No: _____

Hydro-Resources, Inc. ("Company"), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 90 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, the Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 70 percent of capacity for at least 96 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

TARIFF SCHEDULE

Utility: Hydro-Resources, Inc.
Docket No.: _____
Phone No.: 928-638-8205

Tariff Sheet No.: 2 of 4
Decision No.: _____
Effective: _____

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 72 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, the Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, the Company shall post at least 4 signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

TARIFF SCHEDULE

Utility: Hydro-Resources, Inc.
Docket No.: _____
Phone No.: 928-638-8205

Tariff Sheet No.: 3 of 4
Decision No.: _____
Effective: _____

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 36 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- The use of construction water is prohibited
- Restaurant patrons shall be served water only upon request
- Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least 4 signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

TARIFF SCHEDULE

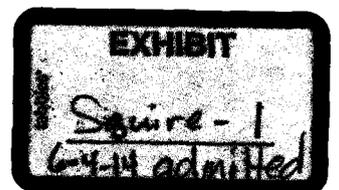
Utility: Hydro-Resources, Inc.
Docket No.: _____
Phone No.: 928-638-8205

Tariff Sheet No.: 4 of 4
Decision No.: _____
Effective: _____

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply with two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Exhibit Squire-1



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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

BOB STUMP, Chairman

GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

2014 APR 14 P 3:34

ARIZONA CORPORATION COMMISSION
BUCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF
TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR ESTABLISHMENT OF
RATES FOR WATER SERVICE.

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

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

DOCKET NO. W-20770A-10-0473

IN THE MATTER OF THE APPLICATION
OF TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR CANCELLATION
OF CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. W-02350A-13-0312

IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR A
CERTIFICATE OF CONVIENCE AND
NECESSITY TO PROVIDE WATER SERVICE.

DOCKET NO. W-20770A-13-0313

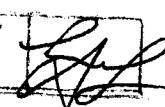
**NOTICE OF FILING
DIRECT TESTIMONY**

Intervenor Squire Motor Inns, Incorporated ("Squire") files the attached pre-filed Direct
Testimony of Greg Bryan.

Arizona Corporation Commission

DOCKETED

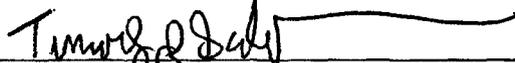
APR 14 2014

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RESPECTFULLY SUBMITTED this 14th day of April, 2014.

ROSHKA DEWULF & PATTEN, PLC

By 

Michael W. Patten
Timothy J. Sabo
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Attorneys for Squire Motor Inns, Incorporated

ROSHKA DEWULF & PATTEN, PLC
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PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Original + 13 copies of the foregoing
filed this 14th day of April, 2014, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing hand-delivered/mailed
this 14th day of April, 2014, to:

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Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Janice Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
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Phoenix, Arizona 85007

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
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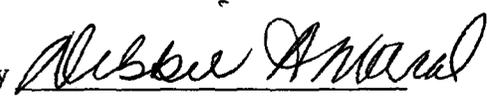
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23 William J. Sims III
24 Sims Murray, Ltd.
25 2020 N. Central Avenue, Suite 670
26 Phoenix, AZ 85004
27 *Attorney for the Town of Tusayan*

Will Wright
Town Manager
TOWN OF TUSAYAN
P.O. Box 709
Tusayan, AZ 86023

By 

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman

GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

**IN THE MATTER OF THE APPLICATION OF
TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR ESTABLISHMENT OF
RATES FOR WATER SERVICE.**

DOCKET NO. W-02350A-10-0163

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

DOCKET NO. W-20765A-10-0432

**IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR
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CORPORATION."**

DOCKET NO. W-20770A-10-0473

**IN THE MATTER OF THE APPLICATION
OF TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR CANCELLATION
OF CERTIFICATE OF CONVENIENCE AND
NECESSITY.**

DOCKET NO. W-02350A-13-0312

**IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR A
CERTIFICATE OF CONVIENCE AND
NECESSITY TO PROVIDE WATER SERVICE.**

DOCKET NO. W-20770A-13-0313

DIRECT TESTIMONY

OF

GREG BRYAN

APRIL 14, 2014

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 **Q. Please state your name and business address for the record.**

2 A. My name is Greg Bryan. My business address is 74 Highway 64, Tusayan, AZ, and the
3 mailing address is P.O. Box 130, Grand Canyon, AZ 86023.

4
5 **Q. By whom are you employed, and in what capacity.**

6 A. I am the Vice President and General Manager of Squire Motor Inns, Inc. (Squire). In that
7 capacity, I manage Squire's hotel, the Best Western Premier Grand Canyon Squire Inn. I
8 am also the Mayor of the Town of Tusayan, but I have recused myself from acting as
9 Mayor with respect to this docket, and I am not testifying in my capacity as Mayor. Vice
10 Mayor Al Montoya is testifying on behalf of the Town.

11
12 **Q. Why did Squire intervene in this case?**

13 A. Squire owns a well that is used to serve its hotel, and which also provides significant water
14 to Hydro Resources, Inc. (Hydro).

15
16 **Q. Have Squire and Hydro entered into a new Water Sales Agreement?**

17 A. Yes, as a result of concerns expressed by the Commission Staff regarding the previous
18 agreement, and as contemplated in the Settlement Agreement in this case, Squire and
19 Hydro entered into a new Water Sales Agreement, dated January 1, 2013. A copy of the
20 agreement is attached as Exhibit A.

21
22 **Q. Have you reviewed the Staff Report filed on March 14, 2014?**

23 A. Yes.

24
25
26
27

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

- 1 **Q. Do you believe that the January 1, 2013 Water Sales Agreement addresses the**
2 **concerns expressed in Condition 7 of the Staff Report?**
- 3 **A. Yes. Unfortunately, due to a miscommunication, Staff did not have a copy of the new**
4 **agreement when they prepared the report. I believe the new agreement should satisfy the**
5 **concerns expressed by Staff.**
- 6
- 7 **Q. Does Squire have any other concerns or comments regarding the Staff Report?**
- 8 **A. No.**
- 9
- 10 **Q. Did Squire sign the settlement agreement in this case?**
- 11 **A. Yes.**
- 12
- 13 **Q. Squire request that the Commission approve the settlement agreement?**
- 14 **A. Yes. The settlement agreement is reasonable, fair and in the public interest.**
- 15
- 16 **Q. Does this conclude your testimony?**
- 17 **A. Yes.**
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Exhibit

"A"

WATER SALES AGREEMENT

This Water Sales Agreement ("Agreement") is entered into as of this 1st day of January, 2013 by and between Squire Motor Inns, Incorporated ("Squire"), a Washington corporation and Hydro Resources, Inc. ("Hydro"), an Arizona corporation (Squire and Hydro each a "Party" and together, the "Parties").

Recitals

1. Squire is the owner of land located in the Town of Tusayan, Arizona (the "Land"). Squire conducts business on the Land, including operation of a hotel.
2. Squire owns a well ("Well"), ADWR Registration Number 55-523284. Squire also owns a water storage tank ("Tank") located on Forest Service land, and water distribution facilities ("Squire Distribution System", and together with the Well and Tank, the "Squire Water Facilities") connecting the Well and Tank to Squire's buildings and to a connection point with Hydro.
3. Hydro owns portions of a water distribution system and well (the "Hydro System") in the Town of Tusayan, Arizona.
4. On July 18, 2000, Squire and Hydro entered into a Water System Agreement ("2000 Agreement") under which Squire agreed to provide excess potable water to Hydro. Squire and Hydro entered into a "Water System Agreement Modification" ("2011 Agreement") on January 1, 2011.

Agreement

NOW THEREFORE, for good and sufficient consideration, the receipt and sufficiency of which the Parties acknowledge, the Parties agree as follows:

1.0 Sale of Water.

1.1 Sale. Squire agrees to sell to Hydro water from the Squire Water Facilities.

1.2 Excess Water. Squire's obligation to sell water to Hydro under this Agreement is limited to the amount of water (the "Excess Water") produced by the Well, plus the amount held in storage in the Tank, less the amount used by Squire, currently and in the future. In no event shall the annual sales of water to Hydro exceed 12.5 million gallons. The parties expressly acknowledge that water in Tusayan is a precious commodity and that it is not anticipated that additional users or supplies will be able to be accommodated without additional production and storage facilities.

1.3 Consumptive use by Squire. The amount used by Squire as set forth in Section 1.2 shall be limited to the amount used by Squire for domestic, landscaping and related incidental uses by Squire on the Land, including use by the hotel and its guests.

1.4 Hydro water production. Hydro produces potable water and stores it in the Tank. During certain periods Squire utilizes Hydro's water in the Tank for Squire's purposes. For purposes of calculating the total gallons of water sold to Hydro under the Agreement in any given month, Hydro shall deduct the amount of any such usage by Squire from the total gallons of water sold to Hydro in that month.

2.0 Price.

2.1 Initial Price. The initial price for the Excess Water sold to Hydro shall be \$14.35 per thousand gallons. Squire may annually increase the price for inflation in accordance with the CPI Adjustment described below.

2.2 CPI Adjustment. CPI Adjustment shall be based on the Consumer Price Index – United States City Average – for All Urban Consumers and all Items published by the United States Department of Labor, Bureau of Labor Statistics (the "CPI Index"). The index for the month this Agreement is signed shall be treated as the base Index. If the CPI Index is discontinued or revised during the term of this Agreement, such other government index or computation with which it is replaced shall be utilized, and modified as necessary, to obtain substantially the same result as would be obtained if the CPI Index had not been discontinued or revised.

2.3 Electric Surcharge. Squire currently purchases the electricity used to operate the Squire Water Facilities. If the rate Squire pays for electricity is increased in an amount greater than that year's annual CPI Adjustment, Squire may (at its option) cause a separate meter to be installed to meter electricity used by the Squire Water Facilities. In that case, Squire may include in the bill to Hydro (and Hydro shall pay to Squire) an electric surcharge. If billed, the electric surcharge shall be based on Hydro's portion of the electricity used by the Squire Water Facilities, calculated as follows: (water delivered to Hydro / total water delivered through the Squire Water Facilities) * total electric bill for the separately metered Squire Water Facilities.

2.4 Maintenance Services. Hydro shall provide all necessary routine maintenance, supervision, and water testing to the Squire Water Facilities at Hydro Expense. Hydro shall keep the Squire Water Facilities in good repair, mechanical condition and running order. Squire shall pay Hydro a base monthly fee for the services provided under this section of \$2,500 per month.

3.0 Billing and Payment

3.1 Meter Reading. Squire shall be responsible for reading the meters and calculating the amount of Excess Water provided to Hydro.

3.2 Meters. Currently, the Well is metered and Squire's business facilities are metered, allowing Squire to calculate the amount of Excess Water provided to Hydro. However, either Party (at their sole expense) may cause meters to be installed that directly measure the amount of Excess Water flowing into the Hydro System.

3.3 Meter Testing. Either Party may, at their sole expense, test the accuracy of the meters. A Party that tests one or more meters shall provide the results of the test to the other Party within thirty (30) days after the test is completed. If, after such test, the meters are found to be in error by more than five percent (5%), Squire shall, at its sole cost and expense, repair or replace the meters, and Squire shall make an equitable adjustment to the Fees in the month following correction of the error.

3.4 Monthly Invoicing. Squire shall render a monthly invoice to Hydro for the Excess Water sold to Hydro for the preceding month. Each monthly invoice shall be due and payable twenty (20) days from the date of the invoice.

3.5 Late Payments. If Hydro fails to pay Squire an amount owed by Hydro pursuant to this Agreement in full when due, interest shall accrue on the overdue amount, from the date overdue until the date paid, at a rate equal to three percent (3%) per annum plus the prime lending rate as may be published from time to time by The Wall Street Journal under the "Money Rates" section, provided, that in no event shall such interest rate exceed the maximum rate permitted by law.

3.6 Unaccounted for usage. The Parties agree that there is water that may unaccounted for due to leakage, theft or other means that are unidentifiable as to which parties' system may be responsible. In the case of unaccountable variances in water supply and usage, the difference shall be born equally by the Parties.

4.0 Hydro Rights.

4.1 Operational Control. At all times while the Agreement remains in effect, Hydro shall have full operational control of the Squire Water Facilities. Hydro shall ensure that it has one or more operators with the required ADEQ certifications to operate the Squire Water Facilities and the Hydro System.

4.2 Physical access. Hydro may, at any time, physically access the Squire Water Facilities through its officers, employees or contractors.

4.3 Access by Regulators. Hydro may allow duly-authorized employees, inspectors, officers, or agents of the ACC, ADEQ, ADWR, USFS or any other regulatory agency with jurisdiction over Hydro, the Hydro System or the Squire Water Facilities to inspect the Squire Water Facilities.

4.4 Access to books and records. Hydro may (for its own purposes, or as necessary to comply with any request or requirement of the ACC, ADEQ, ADWR or any other regulatory agency with jurisdiction over Hydro, the Hydro System or the Squire

Water Facilities) obtain copies from Squire of any books, records, or accounts of Squire pertaining to the Squire Water Facilities.

4.5 Continuity of Service. Subject to the provisions of Section 2.5, if any repairs or replacements are required to ensure that the Squire Water Facilities are able to continue to provide Excess Water to Hydro in accordance with this Agreement, Hydro may cause such repairs or replacements to be made. Hydro may take any necessary steps to ensure that the Excess Water meets all regulatory requirements for potable water. In case of repairs or replacements to Squire Water facilities, Hydro shall make every effort to provide necessary water service from its facilities to Squire for Squire's use in the interim.

4.6 License. Squire grants Hydro a license to access Squire's Land for any of purposes set forth in this Section 4 or in Section 2.4.

5.0 Hydro obligations.

5.1 Compliance with Law. Subject to the provisions of Section 2.4 regarding a monthly fee, Hydro, at its sole cost and expense, shall comply in all material respects with all laws, ordinances, statutes, orders and regulations of any governmental agency applicable to the Squire Water Facilities or the Excess Water.

5.2 Conduct on the Land. Hydro shall conduct its activities on the Land in a safe manner. Hydro shall not commit or permit any waste or any unlawful, improper or offensive use of the Land or the Squire Water Facilities, or create or permit any public or private nuisance or act. Hydro's activities on the Land shall comply with all existing and future rules, regulations, ordinances, orders, codes, laws and requirements of all federal, state, local or other governmental agency or entity including all Environmental Laws (as herein defined).

5.3 Environmental Matters.

5.3.1 No Hazardous Materials. Without limiting any other provisions of this Agreement, Hydro may not, except in compliance with all Environmental Laws, cause, permit or suffer any Hazardous Materials to be brought upon, treated, kept, stored, disposed of, discharged, released, produced, manufactured, generated, refined or used upon, about or beneath the Land or the Squire Water Facilities or any portion thereof by Hydro, its agents, employees, invitees or contractors; provided, however, that Hydro is not responsible for any existing environmental conditions on the Land except to the extent such condition is exacerbated by Hydro's activities. Further, Hydro may not use, stock or store any type or quantity of Hazardous Materials upon the Land or the Squire Water Facilities or any portion thereof except that which is customary and ordinary in the operation of a potable water system. Hydro shall immediately notify Squire and provide Squire with copies upon receipt of all written complaints, claims, citations, demands, inquiries, reports or notices relating to any Hazardous Materials.

5.3.2 Remediation. With regard to the presence or release of any Hazardous Materials caused by Hydro, its employees, agents or invitees, concessionaires, or contractors, Hydro shall promptly remove or remediate same in compliance with Environmental Laws, at Hydro's sole cost and expense.

5.3.3 Indemnification. Hydro shall indemnify, defend (with counsel reasonably acceptable to Squire and at Hydro's sole cost and expense), and hold Squire and the Squire Indemnitees (as hereafter defined) harmless for, from and against any claims that may be imposed upon, incurred by or asserted or awarded against Squire in connection with or arising out of (in whole or in part and whether directly or indirectly) the transportation, treatment, storage, disposal, production, manufacture, generation, refinement or use or the actual or threatened escape, dispersal, seepage, migration, emission, discharge or release of any Hazardous Materials placed on the Land or the Squire Facilities by Hydro, its employees, agents or invitees, concessionaires, or contractors from or at the Land or the Squire Water Facilities. This indemnity shall survive the expiration or termination of this Agreement.

5.3.4 Definitions.

5.3.4.1 "Hazardous Materials" shall mean (i) "hazardous substances" as defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended; (ii) "PCBs" as defined in 40 C.F.R. § 761, et seq., or analogous regulations promulgated under the Toxic Substances Control Act, as amended; (iii) "asbestos" as defined in 29 C.F.R. § 910.1001, et seq., or analogous regulations promulgated under the Occupational Safety and Health Act of 1970, as amended; (iv) oil and petroleum based products; (v) radioactive material or waste; (vi) biological and other medical products and waste material; and (vii) "hazardous wastes" as defined in Resource Conservation and Recovery Act, as amended; as such acts may be amended from time to time, and as such terms may be expanded by additional legislation of a general nature.

5.3.4.2 "Environmental Laws" shall mean any federal, state and local law, statute, ordinance, regulation or order and all amendments thereto pertaining to industrial hygiene, environmental conditions or Hazardous Materials, and to public health and safety, public nuisance or menace.

5.3.5 Environmental Notification. Hydro and its employees, agents, representatives, contractors, and invitees shall promptly notify Squire: (i) upon becoming aware of any release or threatened release of Hazardous Materials under, on, from or about the Land or the Squire Water Facilities; (ii) of any proceeding, inquiry or notice from any federal, state, local or other governmental agency or entity with respect to the use or presence of any Hazardous Materials on the Land or the Squire Water Facilities, or the migration thereof to or from other property; and (iii) of all claims made or threatened by any third party against the Land or the Squire Water Facilities relating to loss or injury from any Hazardous Materials.

5.4 Insurance. Hydro shall immediately procure and maintain for so long as this Agreement remains in effect the following policies of insurance, naming Squire as an additional named insured with insurers rated "A" or better:

5.4.1 Property damage insurance in amounts agreed to by Squire and Hydro, not less than replacement cost, including the Squire Water Facilities insurance against Special Perils and mechanical breakdown, with waiver of co-insurance agreed value, and deductible not to exceed \$5,000 per occurrence.

5.4.2 Comprehensive General liability insurance in an amount not less than \$1,000,000 per occurrence, \$2,000,000 General Aggregate and \$20,000,000 umbrella coverage.

5.4.3 Worker's compensation, casualty and any other appropriate insurance in amounts satisfactory to Squire and Hydro and as required by law.

5.4.4 Certificates. Squire shall be provided certificates of insurance at inception and on each renewal.

6.0 Nature of Agreement.

6.1 No partnership. Nothing in this Agreement shall be interpreted or construed to create an association, joint venture, partnership or franchise between the Parties.

6.2 Water Rights. This Agreement shall not be construed to sever, transfer, forfeit, abandon or impair in any way, any rights to water from any source that may be held by Squire.

6.3 Not a Public Dedication. Nothing contained in this Agreement shall be deemed to be a gift or dedication of the Squire Water Facilities or any portion of Squire's property, or the Excess Water, or any Water Rights held by Squire, to the general public or for any public purpose whatsoever, and this Agreement is strictly limited to and for the purposes expressed herein.

6.4 No Utility. This Agreement shall not be construed to impose on Squire any obligations, requirements or burdens of a public utility or public service corporation. Nothing contained in this Agreement shall be deemed to impart to Squire the status of a public utility or public service corporation.

6.5 Title. This Agreement is not a sale or creation of any right, title, interest, easement, or security interest in the Land or the Squire Water Facilities. Squire shall remain the sole owner of the Squire Water Facilities. Hydro expressly disclaims any right, title or interest in or to the Land or the Squire Water Facilities.

7.0 Term.

7.1 Term. The term of this Agreement shall be fifteen (15) years.

7.2 Renewal. Upon the expiration of this Agreement, the Agreement shall automatically renew for an additional five (5) years, unless either Party sends to the other Party a Notice of Termination not less than six months before the expiration date. Likewise, after the expiration of each five (5) year renewal term, this Agreement shall automatically renew for an additional five (5) years, unless either Party sends to the other Party a Notice of Termination not less than six months before the expiration date.

7.3 Termination. This Agreement and all rights and obligations hereunder, unless expressly provided otherwise herein, shall terminate sixty (60) days following Squire providing written notice to Hydro that any of the following circumstances has occurred:

- (a) It is determined as a result of final, non-appealable legal proceeding that Squire does not have the legal right to withdraw or transport the Excess Water or to sell the Excess Water to Hydro;
- (b) It is determined by the ACC (or any court with jurisdiction over the matter) that by virtue of this Agreement, or otherwise, Squire is a public service corporation as that term is defined in Article 15, Section 2 of the Arizona Constitution and as such is regulated by the ACC;
- (c) Hydro remains in default of any of its obligations under this Agreement for more than one hundred and eighty (180) days after Squire provides Hydro with written notice of the default;
- (d) The Hydro system (or any substantial portion thereof) is conveyed in lieu of condemnation or acquired through condemnation by the Town of Tusayan or any other political subdivision, governmental authority, or person; or
- (e) A controlling interest in shares of Hydro (or any other right to control the activities of Hydro) is conveyed in lieu of condemnation or acquired through condemnation by the Town of Tusayan or any other political subdivision, governmental authority, or person.

7.4 Squire Cooperation. In the event of termination of this Agreement, Squire shall cooperate with Hydro, to the reasonable extent possible, to minimize any disruption to Hydro resulting from an event of termination.

8.0 Condemnation. In the event of actual or threatened condemnation of the Squire Water Facilities (or any portion thereof) or any right related thereto, including Hydro's rights under this Agreement, each of the parties shall have the right to seek just compensation and relocation benefits for their respective interests being acquired.

9.0 Dispute Resolution.

9.1 Arbitration. Any and all claims, demands, damages, disputes, and controversies of every kind and nature whatsoever, known or unknown, fixed or contingent, whether at law or in equity, that either Party may have arising out of or related to this Agreement or the actions of either Party hereunder shall be finally resolved pursuant to the Commercial Arbitration Rules and Mediation Procedures of the American Arbitration Association (AAA) and the Revised Uniform Arbitration Act, A.R.S. Sec. 12-3001 *et seq.* Any arbitration conducted under this Agreement shall be held in Phoenix, Arizona. The arbitration shall be decided by a single arbitrator appointed by both parties, or if they cannot agree, by the AAA. The arbitrator's final award shall be binding and enforceable against the Parties in accordance with Arizona law.

9.2 Injunction. Notwithstanding the provisions of Section 9.1, either Party may apply to any court of competent jurisdiction in Arizona for a preliminary injunction or other preliminary remedies to preserve the Squire Water Facilities or their rights under this Agreement pending resolution of any disputed issues by arbitration.

9.3 Fees, expenses and costs. The prevailing party in any dispute under this Agreement (including arbitration) is entitled to their reasonable attorney's fees, expert witness fees, arbitrator's fees, and other litigation or arbitration expenses and costs.

10. General Indemnification.

10.1 By Hydro. Squire shall not be liable for, and Hydro covenants and agrees to indemnify and save Squire and its officers, directors, employees, agents, successors and assigns (collectively with Squire, the "Squire Indemnitees"), entirely harmless for, from and against any and all claims (including third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, damages, penalties, fines, costs, liabilities, interest or losses (including sums paid in reasonable settlement of claims, attorney's fees, consultant fees, expert fees and any fees and expenses incurred in enforcing this indemnity) (collectively, "Claims"), arising out of or related to (i) any accident or other occurrence causing injury to or death of persons or damage to property by reason of Hydro's sole negligence or intentionally wrongful use or operation of the Squire Water Facilities or the Excess Water; (ii) the quality of the Excess Water used by Hydro or its customers; (iii) the use, management or any other handling of the Excess Water by Hydro or any agent, employee, invitee, contractor, or customer of Hydro; or (iv) the sole negligence or intentionally wrongful conduct of Hydro or any agent, employee or contractor of Hydro related to the Squire Water Facilities or the Excess Water. Hydro further agrees to indemnify and save all Squire Indemnitees entirely harmless for, from and against all Claims arising out of any failure of Hydro to comply with any of Hydro's obligations under this Agreement. These indemnities shall survive the expiration or termination of this Agreement.

10.2 By Squire. Hydro shall not be liable for, and Squire covenants and agrees to indemnify and save Hydro and its officers, directors, employees, agents, successors,

and assigns (collectively with Hydro, the "Hydro Indemnitees"), entirely harmless for, from and against any and all Claims, arising out of or related to (i) Squire's activities, and the activities of Squire's guests and invitees and third persons under Squire's control on the Land, except to the extent such damage or injury is caused by the operations, activities, sole negligence or willful misconduct of Hydro; or (ii) Squire's use of its own water; (iii) the sole negligence or intentionally wrongful conduct of Squire or any agent, employee or contractor of Squire occurring in relation to the Squire Water Facilities; or (iv) existing environmental conditions on the Land, except to the extent the condition(s) are exacerbated by the Hydro's activities. This indemnity shall survive the expiration or termination of this Agreement.

11.0 Miscellaneous Provisions.

11.1 Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof, and any prior or contemporaneous agreements, discussions or understandings, written or oral are superseded by this Agreement and shall be of no force or effect. No addition or modification of any term or provision of this Agreement shall be effective unless set forth in writing and signed by each of the Parties.

11.2. Governing Law. The validity, interpretation and enforcement of this Agreement are governed by the laws of the State of Arizona.

11.3. Interpretation. The Parties agree that the terms and provisions of this Agreement embody their mutual intent and that such terms and conditions are not to be construed more liberally in favor of, or more strictly against, either Party. Headings used herein are for convenience of reference only and do not define, limit or otherwise affect the scope, meaning or intent hereof. Squire and Hydro each acknowledge that they had access to legal counsel in drafting this Agreement. The Parties agree that any principle of law concerning construction of terms against the drafter shall not apply to this Agreement.

11.4 Counterparts; Facsimiles. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument. Each Party shall be entitled to rely upon executed copies of this Agreement transmitted by facsimile or electronic mail to the same and full extent as the originals.

11.5. No Waiver. No waiver of any right under this Agreement shall be effective for any purpose unless it is in writing and is signed by the Party hereto possessing the right, nor shall any such waiver be construed to be a waiver of any subsequent right, term or provision of this Agreement.

11.6. Notices. All notices or other communications required or permitted hereunder, including payments to Squire, shall, unless otherwise provided herein, be in writing, and shall be personally delivered, delivered by reputable overnight courier, or

sent by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

If to Squire:

Greg Bryan
Vice President and General Manager
Best Western Premier Grand Canyon Squire Inn
Street Address:

74 Highway 64
Tusayan, AZ 86023

Mailing Address:

P.O. Box 130
Grand Canyon, AZ 86023

With a copy to:

Timothy J. Sabo, Esq.
Roshka, DeWulf, & Patten, PLC
One Arizona Center
400 East Van Buren, Suite 800
Phoenix, Arizona 85004

If to Hydro:

John W. Rueter
President
Hydro-Resources, Inc.
P.O. Box 3246, 549 Camper Village
Grand Canyon AZ 86023

With a copy to:

Steven A. Hirsch, Esq.
Rodney W. Ott, Esq.
Bryan Cave LLP
2 N. Central Avenue, Suite 2200
Phoenix, AZ 85004

Notices personally delivered shall be deemed given the day so delivered. Notices given by overnight courier shall be deemed given on the first business day following the mailing date. Notices mailed as provided herein shall be deemed given on the third business day following the mailing date. Either Party may change its address for purposes of this subsection by giving written notice of such change to the other Party in the manner provided in this subsection.

11.7 Force Majeure. A Party is not liable for failure to perform the Party's obligations under this Agreement if such failure is as a result of:

- (a) Acts of God (including fire, flood, drought, earthquake, storm, hurricane, epidemic, famine, plague or other natural disaster);
- (b) war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalization, government sanction, blockage, embargo, or riot;
- (c) labor dispute, strike, lockout or interruption;
- (d) pollution of water sources, chemical or radioactive contamination or ionizing radiation;
- (e) failure of electricity service; or
- (f) Any order, judgment, decree, preliminary or permanent injunction, rule, regulation, requirement, mandate, statute, ordinance, or other governmental action issued by any court, agency, city, county, political subdivision, tribe, or other governmental authority.

If any of the above occurs that prevents a Party from performing some or all of its obligations under this Agreement, then the nonperforming party shall take reasonable steps to minimize delay or damages.

11.8 Authority. Each of the Parties executing this Agreement warrants and represents that they have authority to do so and have obtained all necessary consents and resolutions to perform the acts set forth in this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

SQUIRE MOTOR INNS, INCORPORATED

By: 

Print Name: Gary Bryant

Title: Vice President

HYDRO RESOURCES, INC.

By: John W. Rueter

Print Name: JOHN W. RUETER

Title: PRESIDENT