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IN THE MATTER OF THE APPLICATION  
OF LIBERTY UTILITIES (LITCHFIELD  
PARK WATER AND SEWER), CORP. FOR  
APPROVAL OF AN EXTENSION OF ITS  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER  
UTILITY SERVICE IN MARICOPA  
COUNTY, ARIZONA.

DOCKET NO. W-01427A-14-0134

IN THE MATTER OF THE APPLICATION  
OF LIBERTY UTILITIES (LITCHFIELD  
PARK WATER AND SEWER), CORP. FOR  
APPROVAL OF AN EXTENSION OF ITS  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WASTEWATER  
UTILITY SERVICE IN MARICOPA  
COUNTY, ARIZONA.

DOCKET NO. SW-01428A-14-0180

IN THE MATTER OF THE APPLICATION  
OF VALLEY UTILITIES WATER  
COMPANY, INC. FOR AN EXTENSION OF  
ITS CERTIFICATE OF CONVENIENCE  
AND NECESSITY TO PROVIDE WATER  
UTILITY SERVICE IN MARICOPA  
COUNTY, ARIZONA.

DOCKET NO. W-01412A-14-0262

**CLOSING BRIEF OF VALLEY UTILITIES WATER COMPANY, INC.**

1 Valley Utilities Water Company, Inc. ("Valley"), by and through undersigned counsel,  
2 hereby files its closing brief.

3 **I. Introduction**

4 Valley is an Arizona public service corporation engaged in providing water utility service  
5 within unincorporated portions of Maricopa County, Arizona, pursuant to a CC&N granted by the  
6 Commission in 1954. Valley is a closely held Arizona C corporation, owned by a family. (V-1 at  
7 1). Marbella Ranch ("Marbella Ranch" or the "Property") is an approximately 365-acre property  
8 located on the El Mirage Road alignment between Glendale Avenue and Northern Avenue. (*Id.*).  
9 The Property is within the City of Glendale strip annex and planning area, but is currently part of  
10 unincorporated Maricopa County. (*Id.*). The Property is currently zoned Rural-43 by Maricopa  
11 County. (*Id.*). The Luke Air Force Base ("Luke") Air Installation Compatible Use Zone runs  
12 along the northwestern portion of the Property. (*Id.*). On July 1, 1998, Valley entered into a  
13 Franchise Agreement with Maricopa County to serve portions of Maricopa County including the  
14 Property. (V-2). In addition, Valley entered into a Main Extension Agreement, approved by the  
15 Commission, with the City of Glendale ("City") on a 16-inch water main that extends from  
16 Glendale Avenue north to Northern Avenue in Dysart Road. (V-3 at 3). This main extension was  
17 entered into with the City to provide water service to assist in the development of the new  
18 Northern Parkway and contemplates, as part of the reimbursement, additional development and  
19 growth on both the east and west side of Dysart Road. (*Id.*).

20 Valley surrounds the extension area on three sides and is contiguous on two sides. (V-3 at  
21 3). Currently, Valley has water mains to the south and to the west of the proposed extension area.  
22 (V-3 at 4). In addition, Valley has 8-inch and 12-inch water mains that are 1,490 feet and 1,100  
23 feet, respectively, south of the extension area. (*Id.*). Valley also has a 16-inch water main just  
24 west of the extension area which provides water to the City of Glendale. (*Id.*).

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1 **II. Procedural Background**

2 On April 17, 2014, Liberty Utilities (Litchfield Park Water and Sewer) Corp., an Arizona  
3 public service corporation, filed an Application for Extension of its CC&N in order to provide  
4 water and utility service to Marbella Ranch (“Liberty Utilities Application”). (V-1 at 2). On June  
5 3, 2014, Liberty Utilities filed with the Commission, in Docket No. SW-01428A-14-0180, an  
6 Application requesting that the Commission approve an extension of its current wastewater  
7 CC&N to provide wastewater utility service to Marbella Ranch. (*Id.*). Thereafter, pursuant to  
8 Procedural Order dated June 13, 2014, the Commission consolidated Liberty Utilities’ water and  
9 wastewater CC&N applications. (*Id.*). On June 18, 2014, Valley filed an Application for Leave  
10 to Intervene and Notice of Intent in the Liberty Utilities’ CC&N Extension cases indicating that  
11 within 30 days of the filing, Valley intended to file this competing Application to serve Marbella  
12 Ranch. (*Id.*). On June 30, 2014, Valley’s Intervention Application was granted. (*Id.*). On July  
13 10, 2014, Valley filed an Application for Extension of its CC&N in order to provide water and  
14 utility service to Marbella Ranch (“Valley’s Application”). (*See*, V-1). On August 5, 2014,  
15 Valley filed a Motion to Consolidate Valley’s Application with the consolidated Liberty Utilities’  
16 water and wastewater CC&N applications. Thereafter, pursuant to Procedural Order dated August  
17 7, 2014, the Commission consolidated Valley’s Application with the consolidated Liberty  
18 Utilities’ water and wastewater CC&N applications.

19 **III. Argument**

20 **a. Valley is Fit and Proper to Serve Marbella Ranch**

21 Staff acknowledged that both Liberty and Valley are fit and proper and both companies  
22 have the capabilities and qualifications to serve water in the extension area. (S-1 at 6; *see also*  
23 Transcript (“Tr.”) at 182, lines 13-19 [Chukwu]). Staff also acknowledged that both companies  
24 have demonstrated the ability to formulate, develop and operate water utilities in Arizona. (S-1 at  
25 6; *see also* Tr. at 182, lines 21-25 [Chukwu]). Yet the financial effects of granting the CC&N  
26 extension to one over the other will be significant to Valley as described below. In addition,

1 Liberty would be amenable to providing wastewater service to Marbella Ranch even if Valley  
2 was granted the water CC&N. (Tr. at 22, lines 1-2 [Carlson], *see also* Tr. at 38, line 12  
3 [Carlson]).

4 **b. Benefits of Granting CC&N Extension to Valley Utilities.**

5 The addition of the Marbella Ranch development would increase Valley's customer base  
6 by 87% (V-3 at 4) and its rate base by 421 %. (V-3 at 6). Valley was compelled to file for this  
7 extension application because Marbella Ranch is located in the last large piece of land available  
8 to Valley for expansion and the development will almost double the size of the utility. (Tr. at 88-  
9 89, lines 19-25, 1-2 [Prince]). Furthermore, the growth that Marbella Ranch would bring to  
10 Valley would allow Valley to benefit from economies of scale that would include increases to its  
11 retained earnings and to provide for capital improvements at a financially healthier pace. (V-3 at  
12 6). This would result in an improved debt to equity ratio, allowing Valley to achieve a better  
13 balance of financial resources. (*Id.*). Valley would be able to allocate its expenses over a much  
14 larger customer base resulting in stabilized rates which benefits current and future customers. (V-  
15 3 at 4; *see also* Tr. at 89, lines 7-12 [Prince]).

16 **c. Requiring Valley to Finance Marbella Ranch with 100% Equity Would put**  
17 **all of the Financial Risk of Future Development on the Utility Company.**

18 To require Valley to assume all of the financial risk of construction, typically the  
19 responsibility of the developer is unreasonable and dangerous. (V-3 at 5). Public Service  
20 Corporations must not be forced into speculative high risk ventures, irrespective of their debt to  
21 equity position. (*Id.*). This violates the conservative nature of the water utility industry and  
22 unnecessarily jeopardizes the financial well-being of any small utility. (*Id.*). Furthermore, it is  
23 unreasonable to require the shareholders of Valley to make an investment of \$7,450,762, resulting  
24 in an investment which would increase Valley's rate base by 421%, yet only increase Valley's  
25 customer base by 87%. (V-3 at 5-6). This places companies the size of Valley in an untenable  
26 position and sets a precedent for growth that only includes larger multinational companies and

1 excludes smaller companies like Valley. (V-3 at 6).

2 In addition, Valley does not agree with the premise that the development risk should be  
3 put onto the public utility, and not the developer. (Tr. 103, lines 5-7 [Prince]). And with good  
4 reason because Valley currently has two developments that it entered into MXAs with that are  
5 sitting idle because they were caught in the bust part of the boom and Valley has no customers on  
6 those yet and the time clock is ticking. (Tr. 103, lines 8-12 [Prince])

7 Furthermore, even Liberty agreed that Staff's recommendation to proscribe specific equity  
8 percentages to construct Marbella Ranch would force the utility to take on development risk and  
9 pass it on to the customers. (L-7 at 3, *see also* Tr. at 54, lines 9-13). Liberty acknowledges that  
10 the purpose of AIAC is to keep the build out risk for new development on the developer, not the  
11 utility and its customers. (L-7 at 3.) Liberty even asserted that Staff's recommendation invades  
12 the management function of a public service corporation. (*Id.*; *see also* Tr. at 60, lines 10-19  
13 [Sorensen]). In addition, the Liberty witness confirmed that by requiring the use of significant  
14 amount of equity to fund such developments will have a significant impact on customer rates. (Tr.  
15 at 52, lines 2-16 [Sorensen]).

16 **d. No Party has provided any Evidence that a Consolidated Utility Providing**  
17 **both Water and Wastewater is More Efficient.**

18 Staff has acknowledged that although not required, neither has provided calculations and  
19 /or information which would allow Staff to determine which company would be the most efficient  
20 provider. (S-1 at 5; *see also* Tr. at 184, lines 6-11 [Chukwu]). In addition, Staff also  
21 acknowledged that Liberty has not demonstrated that the provision of water and wastewater by a  
22 utility or affiliated company is more efficient than the water/wastewater combination of Valley  
23 and Liberty. (S-1 at 5; *see also* Tr. at 184, lines 12-18 [Chukwu]). In fact, Liberty and Staff both  
24 confirmed at hearing that they have not done any monetary analysis or independent financial  
25 analysis to compute such efficiencies. (Tr. at 39, line 11 [Carlson]; *see also* Tr. at 184, lines 19-21  
26 [Chukwu]). So Staff's conclusion that Liberty's ability to provide both water and wastewater



1 would benefit all of Valley's customers and ultimately be in the public interest.

2 RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of October, 2014.

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MUNGER CHADWICK, P.L.C.

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10 Original and 13 copies of the foregoing  
filed this 17<sup>th</sup> day of October, 2014, with:

11 Docket Control  
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