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BEFORE THE ARIZONA CORPORATION

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AZ CORP COMMISSION
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COMMISSIONERS

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDREW TOBIN

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY TO
EXTEND ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY IN CASA
GRANDE, PINAL COUNTY, ARIZONA.

DOCKET NO. W-01445A-03-0559

NOTICE OF FILING THE REJOINER
TESTIMONY OF CORNMAN TWEEDY
560, LLC'S WITNESSES STEVEN
SORIANO, FRED GOLDMAN AND
ERNEST JOHNSON

CROCKETT LAW GROUP PLLC
2198 E. Camelback Road, Suite 305
Phoenix, Arizona 85016-4747
602.441.2775

Pursuant to the Procedural Order dated December 9, 2015, as modified by the Procedural Order dated January 27, 2016, Cornman Tweedy 560, LLC, hereby files: (i) the Rejoinder Testimony of Steven Soriano (Remand Proceeding II) dated February 1, 2016, attached hereto as Attachment 1; (ii) the Rejoinder Testimony of Fred E. Goldman, Ph.D., P.E. (Remand Proceeding II) dated February 1, 2016, attached hereto as Attachment 2; and (iii) the Rejoinder Testimony of Ernest G. Johnson, Sr., Esq. (Remand Proceeding II) dated February 1, 2016, attached hereto as Attachment 3.

RESPECTFULLY submitted this 1st day of February, 2016.

CROCKETT LAW GROUP PLLC

Jeffrey W. Crockett, Esq.
2198 E. Camelback Road, Suite 305
Phoenix, Arizona 85016-4747
Attorney for Cornman Tweedy 560, LLC

ORIGINAL plus thirteen (13) copies filed
this 1st day of February, 2016, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

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COPY of the foregoing hand-delivered
this 1st day of February, 2016, to:

Dwight Nodes, Chief Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
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Phoenix, Arizona 85007

Thomas M. Broderick, Director
Utilities Division
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COPY of the foregoing mailed this
1st day of February, 2016, to:

Steven A. Hirsch, Esq.
BRYAN CAVE LLP
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ATTACHMENT 1

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE – Interim Chairman
BOB STUMP
BOB BURNS
TOM FORESE

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY TO
EXTEND ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY IN
CASA GRANDE, PINAL COUNTY,
ARIZONA

DOCKET NO. W-01445A-03-0559

**REJOINDER TESTIMONY OF STEVEN SORIANO
(REMAND PROCEEDING II)
ON BEHALF OF CORNMAN TWEEDY 560, LLC
FEBRUARY 1, 2016**

CORNMAN TWEEDY 560 LLC

**Rejoinder Testimony of Steven Soriano
(Remand Proceeding II)**

February 1, 2016

I. INTRODUCTION.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven Soriano. My business address is 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

A. Yes. On July 18, 2014, I provided rebuttal testimony in this proceeding. In addition, I have adopted as my own testimony the following pieces of pre-filed testimony previously submitted by the late Jim Poulos:

- Direct Testimony of Jim Poulos dated June 12, 2006.
- Rebuttal Testimony of Jim Poulos dated July 6, 2006.
- Direct Testimony and Exhibits of Jim Poulos in the Remand Proceeding dated January 4, 2008.
- Rebuttal Testimony and Exhibits of Jim Poulos in the Remand Proceeding dated February 5, 2008.

As I testified previously, Mr. Poulos ran the various water and wastewater utilities that are owned by members of the Robson family. Being involved in land development and project development, I worked closely with Mr. Poulos on water and wastewater planning for the various Robson developments. Mr. Poulos passed away in September 2009 and after his passing I became the general manager of the utilities owned by Robson family members and I continue to serve as the general manager of the utilities today.

1 **Q. DO YOU ADOPT YOUR EARLIER PRE-FILED TESTIMONY AT THIS**
2 **TIME?**

3 A. Yes. I adopt my rebuttal testimony previously filed as well as all of the pieces of
4 testimony provided by Mr. Poulos, as listed above.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Robson Communities, Inc., as vice-president. Robson
7 Communities, Inc., provides accounting, human resources, legal, capital
8 budgeting and other administrative services to a group of approximately 50-60
9 affiliated companies collectively referred to in my testimony as "Robson" or the
10 Robson family of companies. I am an officer of many of the companies within
11 the Robson family, including the water and wastewater utilities that I identify
12 later.

13 **Q. WHAT IS YOUR RELATIONSHIP TO CORNMAN TWEEDY 560, LLC?**

14 A. I am the vice-president of Arlington Property Management Company, which is the
15 Manager and a member of Cornman Tweedy 560, LLC ("Cornman Tweedy"). I
16 am testifying in this proceeding on behalf of Cornman Tweedy.

17 **Q. WHAT UTILITIES IN ARIZONA ARE OWNED BY MEMBERS OF THE**
18 **ROBSON FAMILY?**

19 A. Robson family members own interests in the following operating utilities in
20 Arizona:

- 21 • Pima Utility Company
- 22 • Lago Del Oro Water Company
- 23 • Ridgeview Utility Company
- 24 • Saddlebrooke Utility Company
- 25 • Quail Creek Water Company
- 26 • Picacho Water Company
- 27 • Picacho Sewer Company
- 28 • Mountain Pass Utility Company

1 **II. PURPOSE OF TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

3 A. I respond to testimony contained in the Surrebuttal Testimony of William A.
4 Garfield (Hearing on Remand-Phase II) filed on January 11, 2016.

5 **III. RESPONSE TO THE SURREBUTTAL TESTIMONY OF WILLIAM M.**
6 **GARFIELD**

7 **Q. IN HIS REBUTTAL TESTIMONY, MR. GARFIELD IS CRITICAL OF**
8 **PIMA UTILITY COMPANY BECAUSE IT DID NOT USE ALL OF ITS**
9 **AVAILABLE EFFLUENT IN 2014 TO OFFSET GROUNDWATER**
10 **PUMPING. IS THAT A FAIR CRITICISIM?**

11 A. Absolutely not. In fact, it actually highlights Arizona Water Company's
12 fundamental lack of understanding regarding the integrated water and wastewater
13 utility model. Let me begin by providing some background regarding Pima
14 Utility Company and the Sun Lake community it serves.

15 Sun Lakes is a master-planned active-adult community that was
16 constructed in three phases between 1973 and 2008, and currently has
17 approximately 10,000 homes with supporting neighborhood commercial
18 development. Pima Utility Company was formed in 1972 to provide integrated
19 water and wastewater services to the Sun Lakes community. In addition to Sun
20 Lakes, Pima Utility Company serves two adjacent subdivisions known as
21 Oakwood Hills and San Tan Vista. Oakwood Hills was developed in 1991 and
22 consists of 32 custom home lots and San Tan Vista began development in 2004
23 and consists of approximately 200 custom home lots.

24 In 1980, the Arizona Legislature enacted the Groundwater Management
25 Code which, among other things, established an Assured Water Supply Program
26 to address groundwater decline in major urban and agricultural areas of the State
27 called active management areas ("AMAs"). Under the Assured Water Supply
28

1 Program, developers must demonstrate a 100-year water supply for new
2 developments located within an AMA. The Arizona Department of Water
3 Resources developed Assured Water Supply Rules which became effective in
4 1995. Under the rules, there are now strict limits on the amount of groundwater
5 that may be withdrawn to serve a new development. Any groundwater pumped in
6 excess of those strict limits must be replenished.

7 Sun Lakes Phase I began construction in 1973 and Phase II began
8 construction in approximately 1982. Because these two phases were designed and
9 constructed well before the Assured Water Supply Rules were adopted—and well
10 prior to any requirement to replenish excess groundwater withdrawals—Robson
11 did not install facilities that would have allowed for the direct use of effluent to
12 water golf courses and common areas in those phases. In those days, Pima Utility
13 Company was not generating effluent of adequate quality for reuse or recharge,
14 and we simply were not thinking about reuse of effluent. I don't believe that any
15 other developers at the time were thinking seriously about reuse of effluent either,
16 and I would venture to say the same applied for most of the private and municipal
17 wastewater providers.

18 **Q. WHAT ABOUT SUN LAKES PHASE III?**

19 A. That is a very different story. Unlike the earlier phases, Phase III was designed
20 and constructed with the Assured Water Supply Rules firmly in mind. As a result,
21 the golf course and many common areas in Phase III were designed to directly use
22 effluent. Pima Utility Company spent more than \$8 million to construct a new
23 state of the art wastewater treatment plant to treat wastewater to aquifer-quality
24 standards. In fact, Pima Utility Company was one of the pioneers in Arizona in
25 treating wastewater to this high quality for use on golf courses and common areas
26 and for recharge. Pima Utility Company was also in the forefront of permitting
27 and constructing recharge and recovery wells to store effluent during times of the
28 year when the effluent cannot all be used directly. Mr. Goldfield talks more about

1 this in his rejoinder testimony.

2 Today, Pima Utility Company directly delivers all of the effluent it can
3 based upon customer demand. The balance of the effluent produced is recharged
4 to the aquifer which benefits every person who relies upon that aquifer.

5 **Q. MR. GARFIELD STATES ON PAGES 5-6 OF HIS SURREBUTTAL**
6 **TESTIMONY THAT IN 2014 PIMA UTILITY COMPANY DELIVERED**
7 **719.89 ACRE-FEET OF EFFLUENT TO GOLF COURSES BUT THAT IT**
8 **DID NOT DELIVER ALL OF ITS AVAILABLE EFFLUENT AND**
9 **INSTEAD STORED 522.68 ACRE-FEET. DOES THIS INDICATE ANY**
10 **ISSUE WITH PIMA UTILITY COMPANY'S MANAGEMENT OF THE**
11 **EFFLUENT RESOURCE?**

12 **A.** No. As I explain above, because Sun Lakes Phases I and II were constructed
13 decades ago, there is no delivery infrastructure to deliver effluent to the golf
14 courses or common areas in those phases. While Pima Utility Company can
15 deliver effluent directly to golf courses and common areas in Phase III, the
16 wastewater treatment plant produces more effluent than is currently required to
17 satisfy customer demand. Thus, Pima Utility Company recharges the balance of
18 the effluent to the aquifer. What is important to recognize is that Pima Utility
19 Company uses 100% of the effluent produced at its wastewater treatment plant
20 either through direct delivery or through recharge to the aquifer.

21 **Q. MR. GARFIELD IS CRITICAL OF THE ROBSON UTILITIES FOR**
22 **RECHARGING EFFLUENT AND ACCRUING STORAGE CREDITS**
23 **INSTEAD OF DIRECTLY USING EFFLUENT TO OFFSET**
24 **GROUNDWATER PUMPING. HOW DO YOU RESPOND?**

25 **A.** Again, this statement reflects a fundamental lack of understanding regarding the
26 beneficial use of effluent. When an acre-foot of effluent is directly delivered to a
27 golf course, this obviously avoids the pumping of an acre-foot of groundwater.
28 However, when an acre-foot of effluent is recharged in the aquifer, the volume of

1 water stored in the aquifer increases by an acre-foot and that water is available for
2 future use. Whether effluent is directly used or stored through recharge, the
3 benefit to the aquifer is the same. That is exactly the situation with respect to the
4 522.68 acre-feet of effluent that was stored by Pima Utility Company in 2014—
5 that water has increased the stored water in the aquifer.

6 Mr. Garfield is essentially quibbling with the timing of Robson's use of the
7 effluent storage credits that are accumulated as a result of recharging the aquifer.
8 However, the decision regarding when to use storage credits is a business decision
9 to be made by the utility. The utilities that are owned by members of the Robson
10 family are operated from a conservative business perspective. Because no one
11 can know what the future may bring, including what new laws may be enacted or
12 current laws changed, the conservative decision has been made to store water in
13 the aquifer for future use. The timing of using effluent recharge storage credits is
14 not important. What is important is that effluent is recharging the aquifer. The
15 way we see it, putting money in a savings account is always a good thing. The
16 fact that recharge credits are not used in the very same year they are accrued is a
17 red herring.

18 **Q. IS AN INTEGRATED WATER AND WASTEWATER PROVIDER**
19 **BETTER ABLE THAN STAND-ALONE WATER AND WASTEWATER**
20 **PROVIDERS TO ENSURE THE MOST BENEFICIAL USE OF**
21 **EFFLUENT?**

22 **A.** Yes. Integrated water and wastewater providers plan for the delivery of effluent
23 from day one, and working together, they ensure the most beneficial use of the
24 resource. In addition, when you are an integrated provider, you do not see
25 effluent as competition to potable water sales. For example, an integrated utility
26 may request that the Commission approve a reduced rate so that there is more
27 demand for effluent within the service area. While the sale of the effluent may
28 displace the sale of potable water to those customers, the integrated utility is

1 willing to accept the trade-off in order to manage the effluent from its wastewater
2 treatment plant. By comparison, a stand-alone water company such as Arizona
3 Water Company simply loses revenue when effluent use supplants the use of
4 potable water. In point of fact, Arizona Water Company has previously been
5 involved in litigation to attempt to stop the municipalities of Bisbee and Casa
6 Grande from delivering effluent to customers within the company's service
7 territory.

8 As another example, an integrated utility may implement tariffs, with prior
9 Commission approval, that promote the use of effluent by certain classes of
10 customers. The end result is that effluent is beneficially used within the service
11 territory which reduces the amount of groundwater or surface water that is used in
12 the service territory.

13 **Q. WHEN YOU TALK OF AN INTEGRATED WATER AND**
14 **WASTEWATER PROVIDER, WHAT DO YOU MEAN BY THAT?**

15 **A.** An integrated water and wastewater provider does not treat the delivery of water
16 and the treatment of wastewater as separate unrelated activities. Rather, an
17 integrated water and wastewater provider recognizes that the delivery of water
18 services is substantially interrelated with the provision of wastewater services. An
19 integrated provider recognizes that groundwater is a scarce resource and that the
20 use of reclaimed (recycled) water for turf facilities and recharge of the aquifer are
21 critical to the long-term sustainable provision of water and wastewater services to
22 its customers.

23 As I stated above, Pima Utility Company is one of the pioneers of effluent
24 recharge and recovery in Arizona. Pima uses groundwater as its initial source of
25 water supply. Using a system of wells, storage facilities and booster stations,
26 groundwater is distributed to residential and commercial customers throughout
27 Pima's service area. Pima then collects the wastewater generated by its customers
28 and treats that wastewater at its reclamation facility. The reclaimed wastewater is

1 then used in the Sun Lakes community through Pima's reclaimed water
2 distribution system. Pima delivers reclaimed water to the Oakwood Golf Course
3 for direct use and to five dual-use recharge and recovery wells for recharge into
4 the local aquifer. Reclaimed effluent is recovered from the recharge and recovery
5 wells for delivery to landscaping and golf course uses in the Sun Lakes
6 community. Pima's fully integrated system directly reduces groundwater
7 pumping by meeting turf and landscaping demands with reclaimed water, and
8 Pima replenishes the aquifer by returning remaining unused effluent to the
9 aquifer.

10 Arizona Water Company appears to believe that if they have a contract to
11 acquire effluent that they can deliver within their service territory, then they are
12 effectively operating as an integrated provider. There is simply much more to it
13 than that. The many benefits of service from an integrated water and wastewater
14 provider can only be provided by an integrated provider.

15 **Q. MR. GARFIELD ASSERTS IN HIS SURREBUTTAL TESTIMONY THAT**
16 **PIMA UTILITY COMPANY HELD 3,245.53 ACRE-FEET OF EFFLUENT**
17 **STORAGE CREDITS AS OF DECEMBER 31, 2013, AND HE QUESTIONS**
18 **WHY PIMA UTILITY COMPANY DID NOT USE SOME OF THOSE**
19 **CREDITS TO OFFSET GROUNDWATER PUMPING FOR WATER**
20 **DELIVERED TO FOUR GOLF COURSES IN 2014. HE STATES THAT**
21 **"SOUND WATER MANAGEMENT STRATEGIES CALL FOR FULL USE**
22 **OF RECOVERED EFFLUENT TO OFFSET THE USE OF**
23 **GROUNDWATER."**¹ **DO YOU AGREE?**

24 **A.** No. As I stated before, Mr. Garfield is really quibbling with the timing of the use
25 of the effluent storage credits that are accumulated as a result of recharging the
26 aquifer. What is relevant and important is that Pima Utility Company has
27 increased stored water in the aquifer by 3,245.53 acre-feet as of December 31,

28 ¹ Surrebuttal Testimony of William M. Garfield (Hearing on Remand-Phase II) at 6, lines 14-15.

1 2013, through the recharge of effluent, a point that Mr. Garfield does not and
2 cannot refute. Consistent with the conservative approach that Robson applies in
3 all of its business operations, Pima Utility Company maintains a balance of
4 recharge storage credits so that the utility will be prepared for whatever
5 circumstances may arise in the future. I respectfully submit that the conservative
6 approach is a “sound water management strategy.” Whether Pima Utility
7 Company applies recharge storage credits today to offset current pumping or
8 accumulates credits for future use, the fact remains that the utility is prudently
9 recharging in the aquifer 100% of the effluent that cannot be directly delivered to
10 customers.

11 **Q. IS SUN LAKES IN THE PHOENIX AMA OR THE PINAL AMA?**

12 A. Sun Lakes is in the Phoenix AMA, whereas the Cornman Tweedy property is
13 located in the Pinal AMA.

14 **Q. MR. GARFIELD STATES THAT “NO EFFLUENT WAS RECOVERED**
15 **TO OFFSET QUAIL CREEK WATER COMPANY’S USE OF**
16 **GROUNDWATER OR THE ROBSON AFFILIATE’S USE OF**
17 **GROUNDWATER FOR GOLF COURSES EVEN THOUGH ROBSON**
18 **RANCH QUAIL CREEK LLC HAD 16,745.22 ACRE-FEET OF**
19 **EFFLUENT IN STORAGE ACCORDING TO ADWR AS OF 12/31/2014.”²**
20 **AGAIN, MR. GARFIELD STATES THAT ROBSON HAS THE ABILITY**
21 **TO OFFSET ITS USE OF GROUNDWATER THROUGH STORED**
22 **EFFLUENT BUT CHOOSES NOT TO. HOW DO YOU RESPOND?**

23 A. As Mr. Garfield correctly acknowledges, Quail Creek Water Company is a water-
24 only company serving the Quail Creek master-planned community in the Tucson
25 AMA. As a result, Quail Creek Water Company does not enjoy the above-
26 described benefits of delivering water and wastewater services as an integrated
27 provider. Thus, my first response to Mr. Garfield is that he is making an apples to

28 ² *Id.* at 7, lines 3-6.

1 oranges comparison because he is not talking about integrated services. Second, I
2 would submit that the example he cites actually demonstrates Robson's
3 commitment to sound water management strategies.

4 **Q. PLEASE EXPLAIN.**

5 A. Pima County is the wastewater provider for the area that is served by the Quail
6 Creek Water Company. Pima County did not have a recharge facility to recharge
7 its effluent and the effluent was being discharged to a wash. Seeing that the
8 effluent resource was going to waste, Robson funded a \$1.2 million upgrade to
9 Pima County's wastewater treatment plant so that it could produce high quality
10 effluent suitable for recharge. Robson then funded and constructed a recharge
11 facility so that the effluent storage credits could be captured. Pursuant to a
12 contract with Pima County, Robson Ranch Quail Creek LLC takes effluent from
13 the County and recharges it at the recharge facility. As of December 31, 2014,
14 Robson Ranch Quail Creek LLC had recharged 16,745.22 acre-feet of effluent in
15 the aquifer.

16 **Q. WHY DOESN'T QUAIL CREEK WATER COMPANY APPLY SOME OF**
17 **THE RECHARGE CREDITS TO OFFSET ITS GROUNDWATER**
18 **PUMPING?**

19 A. The simple answer is that Quail Creek Water Company does not use the credits
20 because it does not own the credits. Quail Creek Water Company did not pay for
21 the recharge facility, nor does it pay to operate and maintain the facility. Thus,
22 the customers of Quail Creek Water Company do not pay for the construction,
23 operation and maintenance of the recharge facility in their rates. I would also
24 point out that Robson Ranch Quail Creek LLC is not a public service corporation.

25 I would also like to point out that under the contract between Pima County
26 and Robson Ranch Quail Creek LLC, the price paid for the effluent increases over
27 time. Knowing that the effluent will be more expensive later, Robson Ranch
28 Quail Creek LLC is accruing credits today in case they are needed in the future.

1 **Q. DO THE CUSTOMERS OF QUAIL CREEK WATER COMPANHY**
2 **BENEFIT IN ANY WAY FROM THE RECHARGE?**

3 A. Yes. The customers benefit greatly from the recharge project because 16,745.22
4 acre-feet of effluent have been recharged in the aquifer underlying the Quail
5 Creek community, thereby firming up the supply of groundwater upon which they
6 rely. By focusing on the accounting for the credits, Mr. Garfield again tries to
7 misdirect the discussion away from the fact that the Robson utilities are exercising
8 wise stewardship over groundwater resources in water challenged areas.

9 **Q. MR. GARFIELD STATES THAT "ROBSON RANCH QUAIL CREEK**
10 **LLC ASSIGNS EFFLUENT CREDITS THAT IT HAS ACCUMULATED**
11 **IN ROBSON'S QUAIL CREEK DEVELOPMENT SO THAT ROBSON**
12 **DOES NOT HAVE TO PAY TO REPLENISH GROUNDWATER FOR ITS**
13 **GOLF COURSE."**³ **WHY ARE THE CREDITS ASSIGNED?**

14 A. Robson Ranch Quail Creek LLC does currently assign a limited number of
15 recharge credits for use at the golf course at SaddleBrooke Ranch. This will
16 continue until there are enough homes within the development to produce
17 sufficient effluent to water the entire golf course. As a result of the great
18 recessions of 2009-2009, sales of homes at SaddleBrooke Ranch has been slower
19 than was originally forecast.

20 **Q. IS MR. GARFIELD CORRECT WHEN HE ASSERTS THAT ROBSON**
21 **AVOIDS PAYING THE \$615 PER ACRE-FOOT REPLENISHMENT**
22 **COST IN THE TUCSON AMA?**⁴

23 A. Robson avoids the \$615 per acre-foot replenishment tax because Robson is using
24 effluent recharge credits to offset its groundwater withdrawals. The replenishment
25 tax is charged to cover the cost of replenishing pumped groundwater. By using
26 effluent recharge credits, Robson Ranch Quail Creek LLC has itself paid the cost

27
28 ³ *Id.* at 9, lines 6-8.

⁴ *Id.*

1 of recharging the groundwater pumped.

2 **Q. MR. GARFIELD STATES THAT “WHILE SADDLEBROOK RANCH**
3 **AND QUAIL CREEK UTILITY CUSTOMERS COULD BENEFIT FROM**
4 **THE USE OF STORED EFFLUENT TO OFFSET THE USE OF**
5 **CONTINUED MINING OF GROUNDWATER..., ROBSON CHOOSES**
6 **NOT TO DO SO.”⁵ IS THIS A VALID CRITICISM?**

7 A. No. As I discussed above, the credits which are accrued by Robson Ranch Quail
8 Creek LLC for recharging effluent at Quail Creek belong to Robson Ranch Quail
9 Creek LLC, which paid for the construction of the recharge facility and pays the
10 on-going operation and maintenance costs of the facility. Thus, there is certainly
11 nothing improper at all about Robson Ranch Quail Creek LLC assigning a portion
12 of those credits for use within the same AMA at SaddleBrooke Ranch. But more
13 to the point, Mr. Garfield glosses over the critical fact that it is effluent—via
14 recovered effluent storage credits—that is being used to water the SaddleBrooke
15 Ranch golf course. Robson is not “mining” groundwater but is using effluent
16 recharge credits to water the golf course. This is wise management of the effluent
17 resource and it accrues to the benefit of those living in Quail Creek and
18 SaddleBrooke Ranch.

19 Moreover, as I stated before, the customers at Quail Creek benefit greatly
20 from the recharge of the 16,745.22 acre-feet of effluent that is represented by the
21 accrued storage credits.

22 **Q. DOES MR. GARFIELD MENTION ROBSON’S SADDLEBROOKE**
23 **DEVELOPMENT IN HIS SURREBUTTAL TESTIMONY?**

24 A. No, and his omission is noteworthy. SaddleBrooke is a master-planned
25 community north of Tucson that was started in 1987. Water and wastewater
26 services at SaddleBrooke are fully integrated and virtually all of the effluent at
27 SaddleBrooke is directly used. SaddleBrooke and Sun Lakes Phase III were

28 ⁵ *Id.* at 9, lines 10-13.

1 constructed by Robson with the Assured Water Supply Rules in mind to maximize
2 the direct use of effluent. Among the various Robson communities, these are the
3 best examples of the benefits of integrated water and wastewater communities.

4 **Q. MR. GARFIELD STATES THAT “IN A WATER CHALLENGED AREA,**
5 **ONE WITH A HISTORY OF GROUNDWATER OVERDRAFT AND**
6 **LAND SUBSIDENCE, I FIND IT UNREASONABLE THAT PUBLIC**
7 **SERVICE CORPORATIONS LIKE ROBSON’S THAT HAVE THE**
8 **ABILITY TO OFFSET GROUNDWATER USE WITH STORED**
9 **EFFLUENT FAIL TO DO SO.”⁶ HOW DO YOU RESPOND?**

10 **A.** Robson’s utilities have been recognized leaders in the use of effluent to reduce
11 groundwater pumping. Our model of integrated water and wastewater utilities
12 provides superior benefits to customers as compared to stand-alone water and
13 wastewater providers. Mr. Garfield cites examples from the Phoenix AMA (Pima
14 Utility Company) and the Tucson AMA (Quail Creek Water Company and
15 Mountain Pass Utility), but I would like to point out the focus of this proceeding
16 is on the Cornman Tweedy property in the Pinal AMA. The Pinal AMA is
17 uniquely different than either the Phoenix or Tucson AMAs. The benefits of
18 integrated water and wastewater providers have been clearly demonstrated in the
19 evidence that we have presented in this docket. Robson’s track record clearly
20 shows that it is a vigilant and wise steward of groundwater resources, and that it
21 provides a level of service and value to its utility customers that is unsurpassed by
22 any other utility provider in this state, Arizona Water Company included.

23 **Q. MR. GARFIELD NOTES IN THIS TESTIMONY THAT THIS CASE IS**
24 **NOT ABOUT WHETHER ANOTHER UTILITY SHOULD PROVIDE**
25 **WATER SERVICE TO THE CORNMAN TWEEDY PROPERTY, BUT**
26 **“WHETHER A PUBLIC SERVICE CORPORATION, LIKE ARIZONA**
27 **WATER, IN THIS WATER CHALLENGED AREA AND UNDER THE**

28 ⁶ *Id.* at 7, lines 13-16.

1 **CIRCUMSTANCES PRESENTED IN THIS CASE, IS PROVIDING**
2 **REASONABLE SERVICE IF IT IS NOT ABLE OR NOT WILLING TO**
3 **PROVIDE INTEGRATED WATER AND WASTEWATER SERVICES.”⁷**
4 **DO YOU AGREE?**

5 A. Yes. For all of the reasons that have been described by the witnesses for Cornman
6 Tweedy, Cornman Tweedy would like the opportunity to have its property served
7 by an integrated water and wastewater provider when there is a need for services
8 at some time in the future. Because Arizona Water Company does not hold the
9 wastewater CC&N to serve the property (nor does it hold any wastewater
10 CC&Ns), Arizona Water Company can never provide integrated water and
11 wastewater service. For this reason, the Cornman Tweedy property should not be
12 included in the CC&N of Arizona Water Company.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.

28 ⁷ *Id.* at 3.

ATTACHMENT 2

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE – Interim Chairman
BOB STUMP
BOB BURNS
TOM FORESE

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY TO
EXTEND ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY IN
CASA GRANDE, PINAL COUNTY,
ARIZONA

DOCKET NO. W-01445A-03-0559

**REJOINDER TESTIMONY OF FRED E. GOLDMAN, Ph.D., P.E.
(REMAND PROCEEDING II)
ON BEHALF OF CORNMAN TWEEDY 560, LLC
FEBRUARY 1, 2016**

1 **Q. DO YOU HAVE ANY GENERAL COMMENTS REGARDING MR.**
2 **SCHNEIDER'S SURREBUTTAL TESTIMONY?**

3 A. Yes. Rather than offer new information that would be useful in understanding the
4 advantages and/or disadvantages of service to the Cornman Tweedy property by
5 an integrated water and wastewater utility versus separate stand-alone utilities,
6 Mr. Schneider: (i) presents Arizona Water Company's plans for recharging
7 Central Arizona Project ("CAP") water to reduce groundwater mining; (ii) offers
8 a relatively recent Memorandum of Understanding between AWC and PERC
9 Water Corporation as a solitary demonstration that AWC intends to provide
10 wastewater services to developments, if there is a need; (iii) offers two reports as
11 evidence that AWC has made some planning efforts to deliver effluent; (iv)
12 misrepresents by understating the impact and importance of the reclaimed water
13 recharge done by utilities owned and operated by members of the Robson family;
14 (v) presents misguided representations of the difficulty of recharging reclaimed
15 water successfully; and (vi) misrepresents my opinion and Robson's opinion
16 regarding the importance of reclaimed water to the people of Arizona. I will
17 address these items in my rejoinder testimony.

18 **Q. DID YOU STATE IN YOUR REBUTTAL TESTIMONY THAT THE CASA**
19 **GRANDE AND COOLIDGE SYSTEMS ARE NOT CONNECTED?¹**

20 A. No, I did not. I stated in a footnote on page 2 of my July 18, 2014, rebuttal
21 testimony that the documents I reviewed were not clear and that a data request
22 would be used to resolve the discrepancy. I am pleased that Arizona Water
23 Company has added a 16" water line to interconnect its two systems and improve
24 reliability. However, none of this (nor the long discussion in Mr. Schneider's
25 testimony on system-wide water system planning) addresses Cornman Tweedy's
26 desire that its property be served by an integrated water and wastewater provider;
27 none of this changes the fact that Cornman Tweedy does not want its property

28 ¹ Surrebuttal Testimony of Fredrick K. Schneider (Hearing on Remand – Phase 2) at 4, lines 6-9.

1 included in AWC's CC&N; and none of this changes the fact that there is no need
2 or necessity for water service at the Cornman Tweedy property now or for the
3 foreseeable future.

4 **Q. MR. SCHNEIDER STATES AT PAGE 5, LINES 10-12, OF HIS**
5 **SURREBUTTAL TESTIMONY THAT IT IS AWC'S LONG-STANDING**
6 **POLICY "TO PROVIDE WASTEWATER SERVICE IN THOSE AREAS**
7 **WHERE IT PROVIDES WATER SERVICE AND WHERE THERE IS NO**
8 **EXISTING WASTEWATER PROVIDER ALREADY ESTABLISHED OR**
9 **CERTIFICATED AND THERE IS A NEED FOR SUCH SERVICE." HAS**
10 **AWC SHOWN AN INTEREST IN PROVIDING INTEGRATED WATER**
11 **AND WASTEWATER SERVICES IN PINAL COUNTY?**

12 **A.** No. Although it may be a "long-standing" policy of AWC to provide wastewater
13 service where no wastewater provider already exists, I find it very telling that
14 AWC has not found the opportunity to provide wastewater service anywhere in its
15 service territory. While Mr. Schneider offers up a fairly recent Memorandum of
16 Understanding ("MOU") between AWC and PERC Water Corporation which
17 states that the companies will work cooperatively on unspecified future projects,
18 this does not make AWC an integrated water and wastewater provider.

19 Also, I searched AWC's website and could not find any place where the
20 company states that it can provide wastewater services. Rather, it states on the
21 home page that "[t]he Company exists as an Arizona corporation ... furnishing
22 domestic, commercial, and industrial water service to customers."² I would add
23 that I could find no mention on AWC's website of the MOU signed with PERC
24 Water Corporation. Thus, there appears to be no current mechanism to inform
25 potential customers about AWC's professed willingness to provide wastewater
26 services as an integrated service provider. I believe that actions speak louder than
27 words.

28 ² <http://azwater.com/index.html> visited January 31, 2016.

1 **Q. AFTER A LONG DISCUSSION BY MR. SCHNEIDER BEGINNING ON**
2 **PAGE 6, LINE 12, OF HIS SURREBUTTAL TESTIMONY REGARDING**
3 **AWC'S PLANS TO RECHARGE CAP WATER, MR. SCHNEIDER**
4 **STATES "AND THIS IS CONTRARY TO MR. GOLDMAN'S REBUTTAL**
5 **TESTIMONY." DOES THIS STATEMENT REPRESENT YOUR**
6 **TESTIMONY OR YOUR VIEWS ON RECHARGING CAP WATER?**

7 A. No. My testimony supports utility service for the Cornman Tweedy property by
8 an integrated water and wastewater provider. I did state that removing less than
9 1% of the current AWC service area (*i.e.*, the Cornman Tweedy property) would
10 have no impact on the reliability and efficiency of water service to the area. I still
11 maintain this is true and the Surrebuttal Testimony of Mr. Schneider, in fact,
12 supports my statement. Figure 3 on page 11 of Mr. Schneider's rebuttal testimony
13 shows that in 2020, less than 60% of the Pinal Valley Service Area will receive
14 CAP water. Thus, the AWC recharge program would simply not be impacted by
15 removing the Cornman Tweedy property. Conservation of groundwater, on the
16 other hand, would clearly be enhanced by allowing the Cornman Tweedy property
17 to be served by an integrated water and wastewater provider.

18 **Q. WHY DO YOU BELIEVE THAT CONSERVATION OF GROUNDWATER**
19 **WOULD BE ENHANCED IF THE CORNMAN TWEEDY PROPERTY IS**
20 **SERVED BY AN INTEGRATED WATER AND WASTEWATER**
21 **PROVIDER?**

22 A. An integrated provider does not have to worry about competition in the sale of its
23 effluent from a water company supplying potable water to the same area. For
24 example, if AWC constructs the potable water system to serve the Cornman
25 Tweedy property, it is unlikely that the wastewater provider would undertake the
26 financial risk of constructing an effluent delivery system to serve the same area.
27 The water supplied by AWC would be competition to the use of effluent. An
28 integrated provider, however, does not view the sale of potable water as

1 competition. An integrated provider understands the necessity of finding the most
2 beneficial use of the effluent that continuously discharges from its treatment
3 plants. Thus, a utility which provides both water and wastewater services has
4 various tools at its disposal to manage its business so that there is a market for the
5 effluent.

6 **Q. MR. SCHNEIDER TAKES ISSUE WITH THE STATEMENT IN YOUR**
7 **REBUTTAL TESTIMONY THAT “[YOU] DON’T SEE THAT AWC HAS**
8 **DONE ANYTHING TO PLAN FOR THE DELIVERY OF EFFLUENT IN**
9 **ITS PINAL VALLEY PLANNING AREA.”³ HOW DO YOU RESPOND?**

10 **A.** I stand by my statement. An integrated utility that provides water and wastewater
11 services includes reclaimed water distribution lines in its planning. It’s not an
12 afterthought or a retrofit. This is demonstrated by the planning of Picacho Water
13 Company and Picacho Sewer Company. Purple pipe for reclaimed water delivery
14 is installed at the same time potable water lines are installed. This planning
15 optimizes the utilization of effluent in the service area and preserves groundwater
16 for its highest and best uses.

17 In his Direct Testimony (Hearing on Remand-Phase 2), Mr. Schneider
18 includes Exhibit FKS-9 which is the Copper Mountain Ranch Reclaimed Water
19 Masterplan dated September 21, 2012, (sealed by Mr. Schneider) as an example
20 of the reclaimed water planning work done by AWC. The report starts with the
21 statement “As part of the application requirements the Arizona Corporation
22 Commission ... requires the Company to describe any plans for reclaimed water
23 use within the CCN extension area.”⁴ The report contains an estimate of the
24 demand for reclaimed water within the 13,000 residential unit/3,500-acre project
25 which includes large turfing areas, recreation centers and one 18-hole golf course.
26 The report then develops an estimated cost of \$7.8 million for infrastructure

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28 ³ Surrebuttal Testimony of Fredrick K. Schneider (Hearing on Remand – Phase 2) at 15, lines 10-13.

⁴ Direct Testimony of Frederick K. Schneider (Hearing on Remand-Phase 2), Exhibit FKS-9 at page 3.

1 which includes distribution lines (ductile iron pipe, incidentally, and not purple
2 pipe) and two booster pump stations. The report concludes that “[b]ased on this
3 analysis, the Company recommends constructing a reclaimed water system for
4 irrigating the turf areas and golf course within CMR.”⁵

5 Copper Mountain Ranch, the development addressed in the report, is a
6 Planned Area Development which was approved by the City of Casa Grande.
7 However, there is no discussion in AWC’s report about whether the City of Casa
8 Grande will require the reclaimed water distribution system to be built, who will
9 pay for construction of the system, how it will be operated, how customers will be
10 charged for the system, and most importantly, how customers will choose the
11 water source for their irrigation needs. Thus, I question whether the report
12 provides a roadmap on how a reclaimed water system will be implemented by
13 AWC or is simply an exercise to meet an ACC requirement. I note also that there
14 is no mention made in Mr. Schneider’s testimony of any design work or
15 construction underway to implement this plan at Copper Mountain Ranch.

16 **Q. DO YOU AGREE WITH MR. SCHNEIDER’S CHARACTERIZATION OF**
17 **YOUR VIEWS THAT DEVELOPERS TYPICALLY SEE EFFLUENT AS A**
18 **“PAIN TO DEAL WITH?”⁶**

19 **A.** No, that is a clear mischaracterization of my view, and may be reflective of the
20 fact that AWC does not understand the integration of water and wastewater
21 services because it has always been a water-only utility. Throughout my career, I
22 have always viewed effluent as a valuable resource and not a liability, a view
23 incidentally that is shared by Robson and the utilities that are operated by
24 members of the Robson family. My first engineering job was in Israel where I
25 learned how treated effluent could extend limited water resources. I later worked
26 with cities, towns, Indian communities and developers to maximize the usage of

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28 ⁵ *Id.* at page 7.

⁶ Surrebuttal Testimony of Frederick K. Schneider (Hearing on Remand-Phase 2) at 15, lines 23-24.

1 effluent within their jurisdictions and properties. My work with Pima Utility
2 Company is a great example. Twenty years ago, there were operational problems
3 at the wastewater treatment plant that served Sun Lakes, but working with
4 integrated Pima Utility we developed a plan to recharge reclaimed water in the
5 winter for use during the summer. In effect, we used the aquifer as our storage
6 reservoir. This required building a new wastewater treatment plant that generated
7 aquifer-quality effluent, reclaimed water distribution systems, and recharge and
8 recovery wells. This reclaimed water management system pioneered by Robson
9 created a very valuable asset for Pima Utility and its customers, and it became an
10 innovative model which has often been emulated by other Robson utilities, cities
11 and other integrated utilities. I am very proud of this truly innovative project.

12 Obviously, this model is dependent upon the well-planned integration of
13 water and wastewater services. The management and beneficial use of effluent is
14 much more difficult in the case of separate water and wastewater providers,
15 notwithstanding AWC's claims that the benefits of integration can be achieved
16 through collaborative arrangements.

17 **Q. DOES MR. SCHNEIDER MISREPRESENT YOUR COMMENTS**
18 **REGARDING WASTEWATER PLANNING FOR THE CORNMAN**
19 **TWEEDY PROPERTY?**

20 **A.** Yes. My comments were related to Mr. Schneider's Direct Testimony (Hearing
21 on Remand-Phase 2) at page 14, lines 10-14, and page 17, lines 1-10, on how
22 AWC would provide wastewater service to the Cornman Tweedy property. His
23 testimony leaves the impression that an agreement with an entity like PERC
24 Corporation is all that is necessary to integrate water and wastewater services. In
25 my view, the treatment and management of the wastewater would be much more
26 complicated and expensive if provided by an AWC-PERC collaboration than if
27 done by Picacho Sewer Company working in integration with Picacho Water
28 Company. These impacts were apparently not considered by Mr. Schneider and

1 misrepresent the reality of providing a separate and isolated wastewater
2 management system for the Cornman Tweedy property.

3 **Q. DO YOU AGREE WITH THE STATEMENT ON PAGE 16, LINE 14, OF**
4 **MR. SCHEIDER'S SURREBUTTAL TESTIMONY THAT "MR.**
5 **GOLDMAN AND ROBSON PLACE LITTLE VALUE ON RECLAIMED**
6 **WATER?"**

7 A. Definitely not. The basis of this statement was that an integrated utility can
8 implement tariffs (with prior Commission approval of course) that could promote
9 the use of effluent to manage the effluent even though it displaces the sale of
10 potable water. A stand-alone water company that delivers effluent on behalf of
11 the wastewater utility has little incentive to sell effluent since it would reduce its
12 potable water sales.

13 I would also like to comment on the implication in his testimony regarding
14 me and the utilities that are owned and operated by members of the Robson
15 family. I wish to make it clear that our views on the use of effluent are vastly
16 different than Mr. Schneider's view, and apparently that of Arizona Water
17 Company. Effluent is a very important resource in an arid climate such as
18 Arizona generally and Pinal County specifically. The future of our state depends
19 upon our ability to maximize the utilization of our water resources, including
20 effluent, and as engineers and utility companies we have a duty to serve the
21 people of Arizona by promoting the recharge and reuse of effluent to the greatest
22 extent possible. My personal career is full of examples of how innovative
23 management of effluent has enhanced the availability of water resources and
24 helped communities. The utilities owned and operated by members of the Robson
25 family are excellent examples of maximizing effluent to benefit the communities
26 served.

27
28

1 **Q. DO YOU AGREE WITH MESSRS. SCHNEIDER AND GARFIELD THAT**
2 **ROBSON’S USE OF RECHARGE CREDITS IS NOT IN THE BEST**
3 **INTEREST OF CUSTOMERS OR THE BEST INTEREST OF WATER**
4 **CHALLENGED AREAS?⁷**

5 **A.** No. Recharging effluent is hydrologically beneficial to the groundwater
6 regardless of the timing of the use of recharge storage credits. A review of rising
7 well water depth hydrographs for three wells in the Sun Lakes area demonstrates
8 the positive impact of recharge by Pima Utility Company carried out since the
9 mid-90’s and the City of Chandler. Attached hereto as Exhibit FEG-1 are
10 hydrographs and maps from the Arizona Department of Water Resources for the
11 referenced wells.

12 Mr. Schneider states at page 16, lines 4-6, of his surrebuttal testimony that
13 “Robson’s use of mined groundwater where it could offset its mined groundwater
14 use with recharged effluent shows Robson’s mismanagement of water resources
15 in a water challenged area.” However, this statement makes no sense. Consider
16 Mr. Garfield’s Surrebuttal Testimony at page 6, lines 7-10, where he states that
17 Pima Utility Company’s supply of mined water to the golf courses south of Riggs
18 Road instead of recovered effluent was poor water management. This statement
19 is a hydrological red herring. Every drop of effluent generated by the Pima Utility
20 Company wastewater treatment plant is either used instead of mined groundwater
21 or recharged to the aquifer. There is no way Pima Utility Company can increase
22 the amount recharged. Using or not using storage credits has no effect on the
23 impact of recharge on the aquifer. Whether water is pumped from a well using
24 effluent recharge credits or not, it is still pumped from the aquifer. The net impact
25 on the groundwater of the recharge and well pumping is the same.

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28 ⁷ Surrebuttal Testimony of Frederick K. Schneider (Hearing on Remand-Phase 2) at 16, lines 4-8, and
Surrebuttal Testimony of William M. Garfield (Hearing on Remand-Phase II) at 6, lines 5-15.

1 **Q. DO YOU AGREE WITH MR. SCHNEIDER'S STATEMENT AT PAGE 16,**
2 **LINES 21-23, OF HIS SURREBUTTAL TESTIMONY THAT**
3 **RECHARGING EFFLUENT IS NOT MORE DIFFICULT THAN**
4 **RECHARGING CAP WATER?**

5 A. No. Mr. Schneider is incorrect. It is much more difficult to recharge effluent than
6 CAP water. Disinfected effluent, although free of coliform bacteria, is abundant
7 with facultative bacteria (able to grow in environments with and without the
8 presence of dissolved oxygen) and anaerobic bacteria (able to grow in oxygen
9 deficient environments) which use dissolved organics in the effluent and metals in
10 the soil to grow and to form a polysaccharide coating on the soil particles
11 resulting in clogging. The coating protects the bacteria and is difficult to remove.
12 Thus, the issue of clogging makes it much more difficult and expensive to
13 recharge effluent than CAP water.

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 A. Yes.

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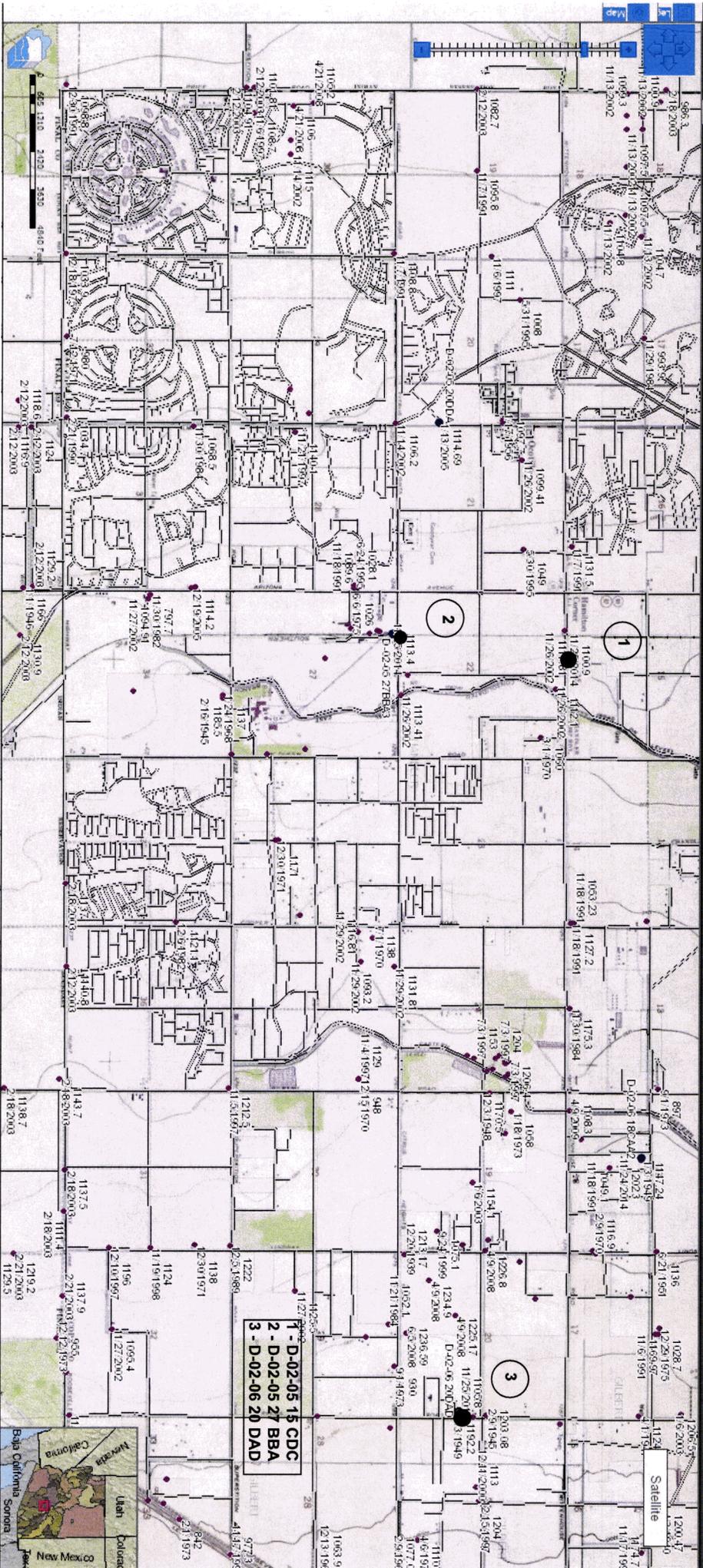
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EXHIBIT FEG-1

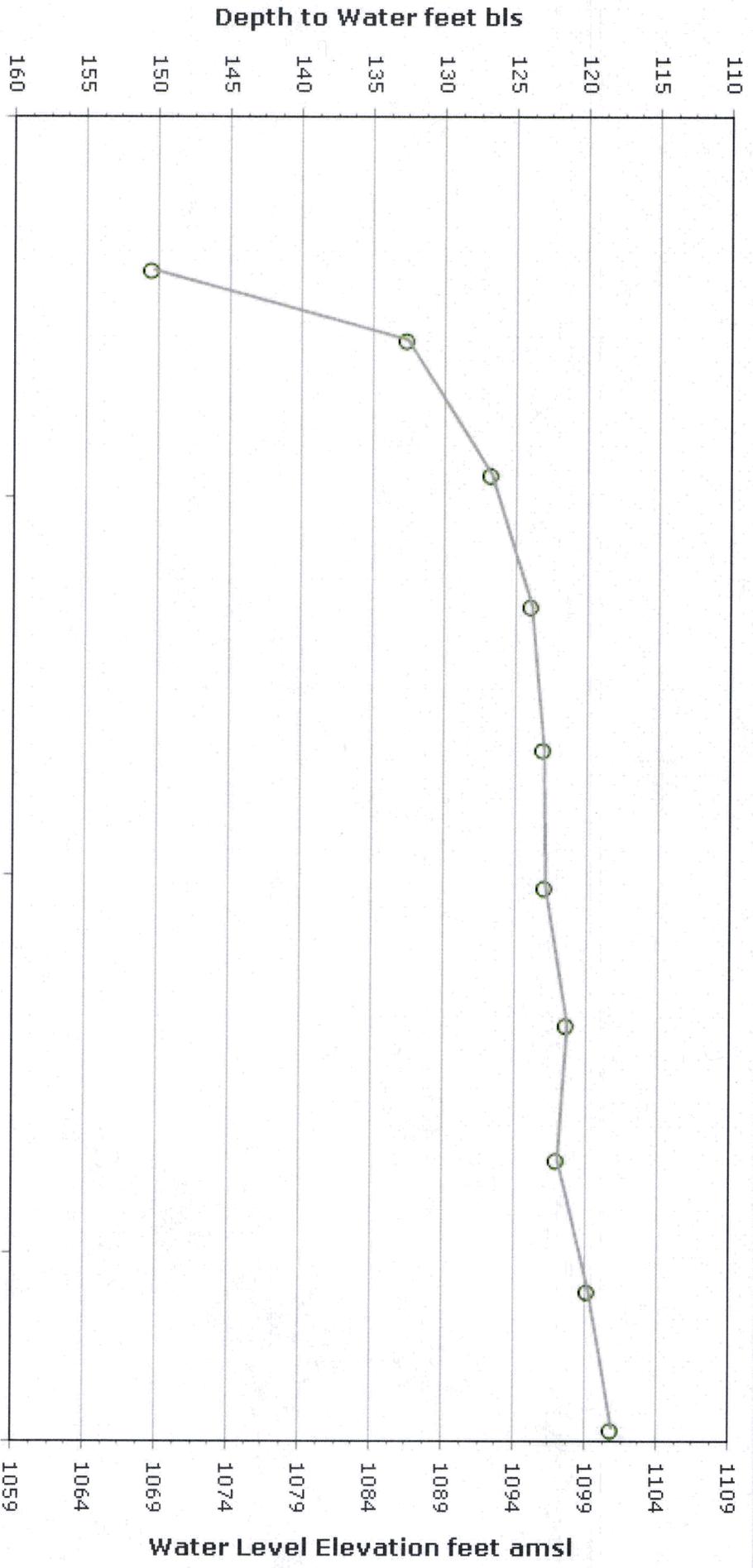


Map Scale: 1:36000



Arizona Groundwater Monitoring Site Hydrograph

Local ID	Site ID	Registry ID	Latitude NAD27	Longitude NAD27	Alt. (ft amsl)	Water Use	Well Depth (ft)	Case Dia. (in)	Drill Date	Latest WL Date	DTW (ft)	WL Elev. (ft)
D-02-05 15CDDC	331452111500201	085100	33° 14' 52.2"	111° 50' 2.2"	1219	DOMESTIC	650	8	8/11/1980	11/25/2014	118.1	1100.9



GWSI is ADWR's technical database of well locations, construction data, and water levels.

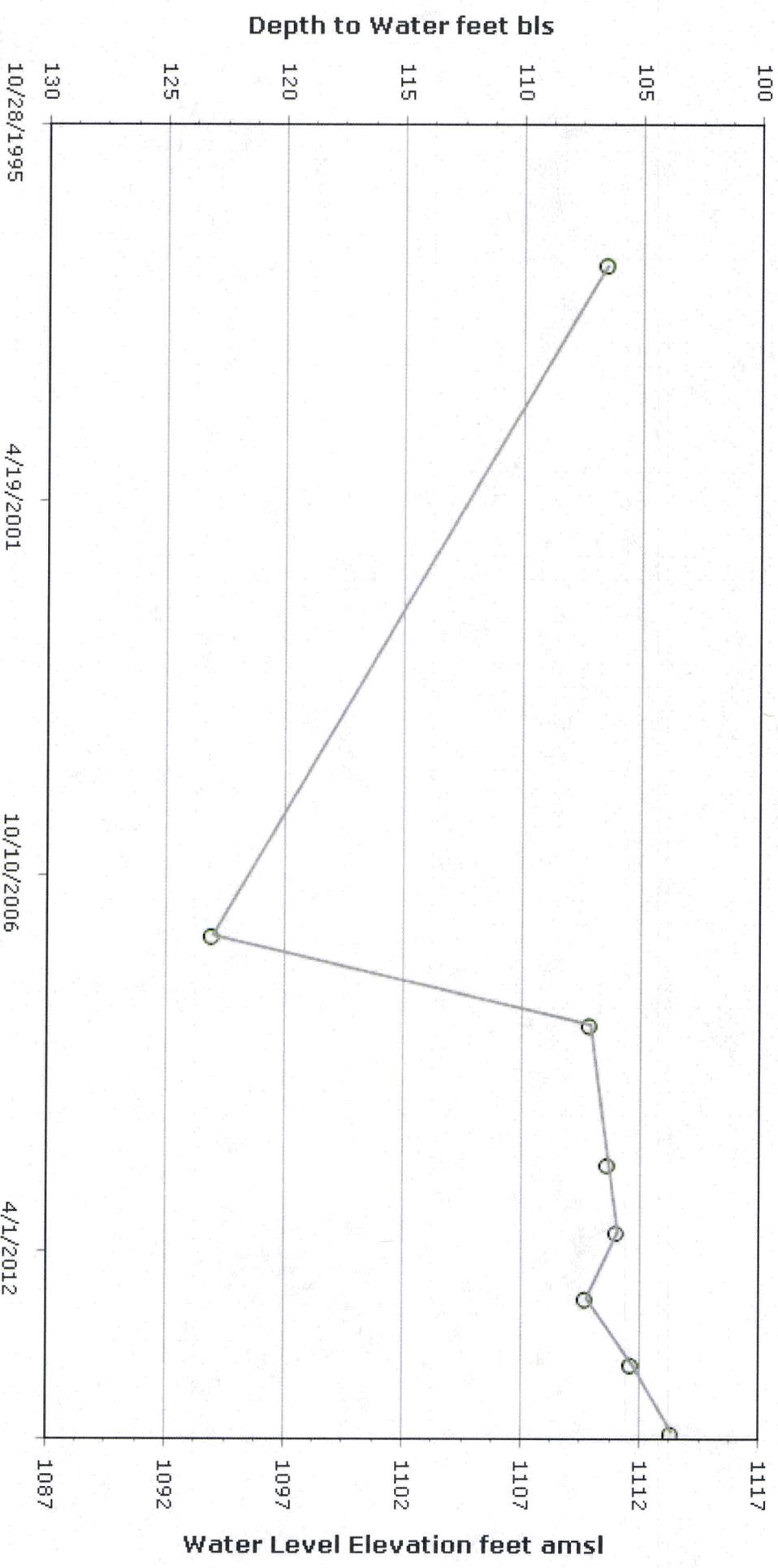
Measurement Date

○ Water Level ● Water Level with Remark

Created on 1/26/2016

Arizona GroundWater Monitoring Site Hydrograph

Local ID	Site ID	Registry ID	Latitude NAD27	Longitude NAD27	Alt. (ft amsl)	Water Use	Well Depth (ft)	Case Dia. (in)	Drill Date	Latest WL Date	DTW (ft)	WL Elev. (ft)
D-02-05 27BBA3	331357111501001	626097	33° 13' 57.0"	111° 50' 10.0"	1217	INDUSTRIAL	12.89			11/25/2014	103.6	1113.4



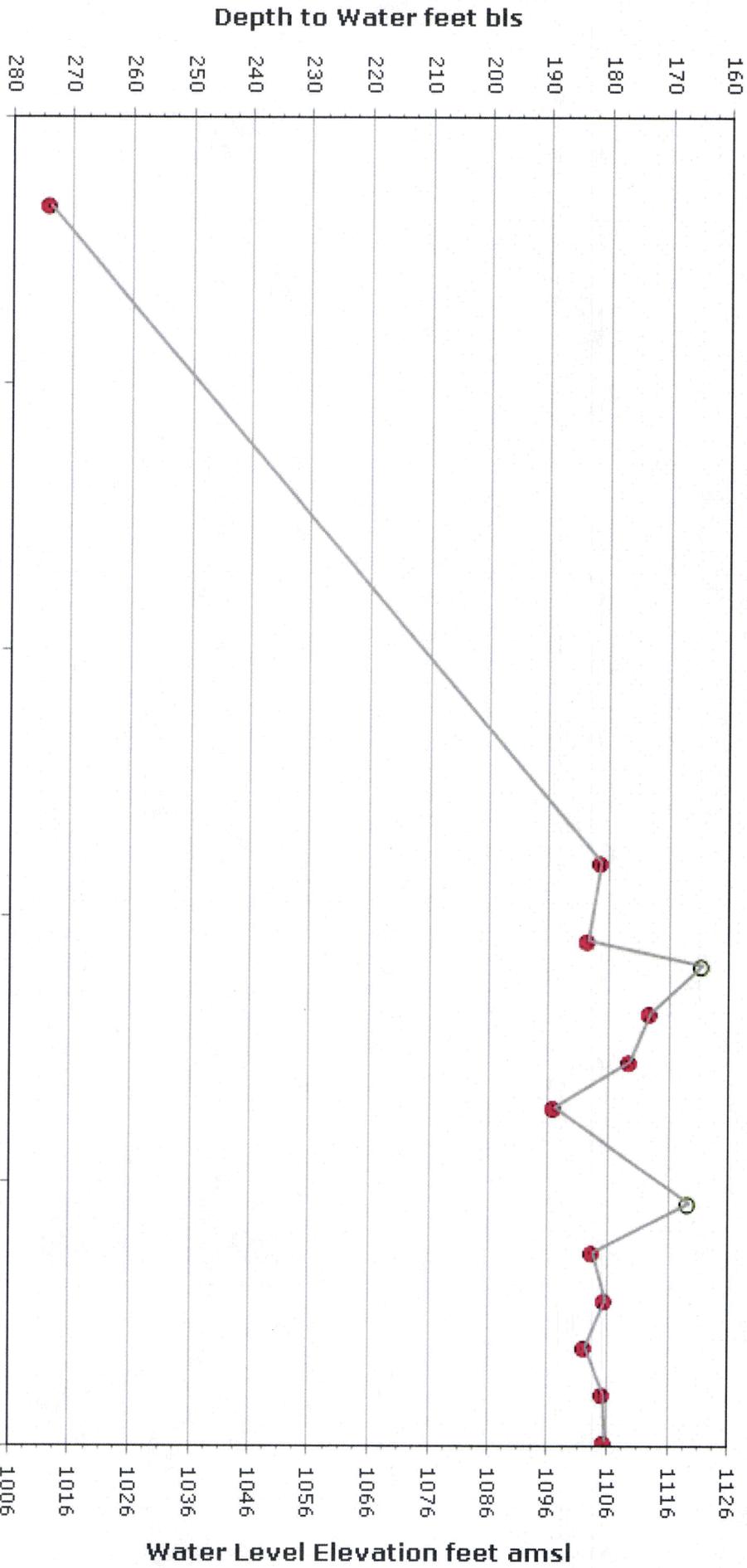
GWIS is ADWR's technical database of well locations, construction data, and water levels.

Measurement Date

○ Water Level ● Water Level with Remark

Arizona Groundwater Monitoring Site Hydrograph

Local ID	Site ID	Registry ID	Latitude NAD27	Longitude NAD27	Alt. (ft amsl)	Water Use	Well Case	Drill Date	Latest WL Date	DTW (ft)	WL Elev. (ft)
D-02-06 20DAD	33142111451701	625145	33° 14' 20.6"	111° 45' 19.2"	1286	DOMESTIC			12/11/2009	166.5	1119.5



GWSI is ADWR's technical database of well locations, construction data, and water levels.

Created on 1/28/2016

ATTACHMENT 3

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE – Interim Chairman
BOB STUMP
BOB BURNS
TOM FORESE

IN THE MATTER OF THE APPLICATION) DOCKET NO. W-01445A-03-0559
OF ARIZONA WATER COMPANY TO)
EXTEND ITS EXISTING CERTIFICATE OF)
CONVENIENCE AND NECESSITY AT)
CASA GRANDE AND PINAL COUNTY,)
ARIZONA.)
_____)

REJOINDER

TESTIMONY

OF

ERNEST G. JOHNSON SR., ESQ.

(REMAND PROCEEDING II)

ON BEHALF OF CORNMAN TWEEDY 560, LLC

FEBRUARY 1, 2016

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1 **I. INTRODUCTION.**

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

3 A. My name is Ernest G. Johnson Sr. My business address is Post Office Box 12376, Chandler,
4 Arizona, 85249.

5
6 **Q. Did you previously file testimony in this proceeding?**

7 A. Yes, I filed rebuttal testimony dated July 18, 2014, on behalf of Cornman Tweedy 560, LLC
8 (“Cornman Tweedy”) in this second remand proceeding.

9
10 **Q. Does that testimony set forth your background and professional experience?**

11 A. Yes, my rebuttal testimony details my background, professional experience and expertise.

12
13 **Q. On whose behalf are you submitting this rejoinder testimony?**

14 A. I am submitting this rejoinder testimony on behalf of Cornman Tweedy.

15
16 **Q. Are you adopting your earlier rebuttal testimony?**

17 A. Yes. I am adopting my July 18, 2014, rebuttal testimony as modified by the
18 Procedural Order dated December 9, 2015, in this docket.

19
20 **II. PURPOSE.**

21 **Q. What is the purpose of your rejoinder testimony?**

22 A. My rejoinder testimony is provided in response to the surrebuttal testimonies of Mr. Paul
23 Walker and Mr. William Garfield filed January 11, 2016, on behalf of Arizona Water
24 Company (“AWC”).

25

1 **III. RESPONSE TO THE SURREBUTTAL TESTIMONY OF PAUL WALKER.**

2 **Q. Mr. Johnson, did you review the surrebuttal testimony of Mr. Paul Walker filed in this**
3 **proceeding?**

4 A. Yes, I have reviewed and considered Mr. Walker's surrebuttal testimony.

5
6 **Q. Do you have any general observations after reviewing and considering Mr. Walker's**
7 **surrebuttal testimony?**

8 A. Yes. After reviewing and considering Mr. Walker's surrebuttal testimony, I am even more
9 convinced that AWC should not hold the certificate of convenience and necessity
10 ("CC&N") to serve water to the property owned by Cornman Tweedy (the "Cornman
11 Tweedy Property") based upon the public interest and the specific facts of this case.

12
13 **Q. Mr. Walker states in his surrebuttal testimony that "this case is actually about ... an**
14 **entity trying to revoke a CC&N so that its parent company can have an affiliate take**
15 **the CC&N for itself."¹ Do you agree with that characterization?**

16 A. Absolutely not. This case is about "whether a public service corporation, like Arizona
17 Water, in this water challenged area and under the circumstances presented in this case, is
18 providing reasonable service if it is not able or not willing to provide integrated water and
19 wastewater services."² In short, this case is about "whether Arizona Water should continue
20 to hold a CC&N for the Cornman extension area at this time."³ For the reasons that are set
21 forth in my rebuttal testimony and this rejoinder testimony, I do not believe that AWC can
22 provide reasonable or adequate service to the Cornman Tweedy Property and I do not
23 believe that AWC should continue to hold the CC&N for the Cornman Tweedy Property.

24
25

¹ Surrebuttal Testimony of Paul Walker at page 4, lines 5-6.

² Procedural Order dated February 10, 2011 at page 2, lines 7-10.

³ Decision 69722 at page 19, Finding of Fact 101.

1 **Q. Have your opinions and conclusions changed as a result of Mr. Walker's surrebuttal**
2 **testimony?**

3 A. No. I remain of the opinion that:

- 4 ● Service to the Cornman Tweedy Property by an integrated water and wastewater
5 provider is reasonable service under the facts of this case.
- 6 ● Service to the Cornman Tweedy Property by a standalone water provider is not
7 reasonable or adequate service where quality service by an integrated water and
8 wastewater provider is an option.
- 9 ● Service to the Cornman Tweedy Property by an integrated water and wastewater
10 provider is a better option under the facts of this case. At a minimum, the Arizona
11 Corporation Commission ("Commission" or "ACC") should preserve this option in
12 light of the fact that there is no need or necessity for water service on the property.
- 13 ● Service from an integrated water and wastewater provider offers greater customer
14 benefits/experiences than other options under the facts of this case.

15
16 **Q. Do you have any further observations?**

17 A. Yes, after reviewing Mr. Walker's surrebuttal testimony, I note that:

- 18 ● Mr. Walker rightly acknowledges that the public interest is the appropriate
19 regulatory policy premise to be utilized in addressing the issues presented in this
20 case.⁴
- 21 ● Mr. Walker's testimony indirectly supports utilization of my recommended
22 analytical framework.⁵
- 23 ● Mr. Walker continues to favor regulatory entitlements notwithstanding his denials.⁶
- 24 ● Mr. Walker's wide-ranging arguments and assertions are unsupported by the facts
25 of this case.⁷

⁴ Surrebuttal Testimony of Paul Walker at page 7, line13-page 8, line 5.

⁵ *Id.* at page 5, lines 2-5.

⁶ *Id.* at page 3-page 4, line 2.

⁷ *Id.* at page 11, lines 8-18.

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- Mr. Walker provides no evidence to support his broad assertions that the future of the water/wastewater industries hinges upon the outcome of this proceeding.⁸
- Mr. Walker concedes that integrated water and wastewater service offers many benefits.⁹

Q. Mr. Johnson would you please elaborate regarding each of your observations?

A. Yes. Removal of the Cornman Tweedy Property from AWC's CC&N remains the better regulatory outcome. Contrary to Mr. Walker's assertion,¹⁰ the public interest is not best served by allowing AWC to hold the CC&N covering the Cornman Tweedy Property.

Efficiently utilizing scarce resources (groundwater and effluent) through an integrated water and wastewater provider is the most reasonable, practical, policy and public interest-based outcome that can come out of this proceeding. This proceeding affords the ACC the opportunity to clearly recognize that in the water challenged area affected by this proceeding, maximizing the efficient use of both groundwater and effluent is providing reasonable service to customers, and is the best public interest¹⁰ outcome. I would add also that removing the Cornman Tweedy Property from AWC's CC&N does not result in a decision today regarding the water service provider for the property, but it leaves all options on the table for the Commission once development proceeds at some future time.

Q. Mr. Johnson, after reviewing Mr. Walker's surrebuttal testimony, why do you still believe that service from an integrated water and wastewater provider would be reasonable and adequate service under the facts of this case?

A. Service from an integrated water and wastewater provider best ensures the efficient use of both groundwater and effluent. In addition, integrated water and wastewater service "can

⁸ *Id.* at page 11, lines 8-18.
⁹ *Id.* at page 5, lines 7-12.
¹⁰ *Id.* at page 3, lines 21, 22.

1 provide “financial, environmental, and engineering benefits” as Mr. Walker correctly
2 acknowledges.¹¹ In my many years of regulatory experience, consideration of the totality
3 of the circumstances is always a necessary step in achieving a result that is in the public
4 interest. Under the facts of this case, permitting AWC to hold the CC&N for the Cornman
5 Tweedy Property will eliminate the option of an integrated water and wastewater provider
6 in the future when the property is developed which will not provide the best customer
7 experience from a qualitative perspective. My experience based on talking to utility
8 customers for more than two decades is that the customer experience is enhanced
9 qualitatively when customers can interact with a single utility provider, a single point of
10 contact, a single relationship, a single utility experience, and a single expectation.

11
12 **Q. Mr. Johnson, after reviewing Mr. Walker’s surrebuttal testimony, do you still believe**
13 **that standalone water service would not constitute reasonable or adequate service**
14 **where quality service from an integrated water and wastewater provider is an option?**

15 A. Yes. In circumstances where no quality integrated water and wastewater option exists,
16 standalone service providers must be used. However, that is not the case here, and we
17 certainly don’t need to foreclose the option for an integrated provider when there is no
18 present need or necessity for water or wastewater service on the Cornman Tweedy Property.
19 Even Mr. Walker acknowledges that standalone water companies operating in Arizona are
20 facing a challenging future and will need to develop more innovative and collaborative
21 arrangements with wastewater companies.¹² I certainly agree with his comment that “we
22 are in a situation of much decreased surface water and precipitation that appears to be ‘the
23 new normal.’”¹³ Thus, it is all the more important that we maximize the efficient use of
24 scarce groundwater and effluent resources by certificating providers that can integrate the
25 provision of water and wastewater service.

¹¹ *Id.* at page 5, lines 11- 12.

¹² *Id.* at page 5, line 27 - page 6, line 3.

¹³ *Id.* at page 5, line 27 – page 6, line 20 (citation omitted).

1 Mr. Walker's surrebuttal testimony does not explain why standalone service or standalone
2 providers working together is in the best interest of the customer under the facts of this case.
3 Instead, Mr. Walker tries to make the case that through the use of a so-called collaborative
4 arrangement between AWC and wastewater providers, AWC can approximate the benefits
5 that can be achieved by an integrated provider.¹⁴ It may be the case that a collaborative
6 arrangement can help approximate some of the benefits of an integrated water and
7 wastewater provider where there is no option for an integrated provider. However, where
8 there is an option for an integrated provider, as is the case here, the Commission should not
9 settle for an approximation of some of the benefits through collaborative arrangements
10 between standalone providers. As other Cornman Tweedy witnesses testify, standalone
11 providers simply do not have the same incentives to work together to efficiently use
12 groundwater and effluent resources that an integrated provider has. Certainly, the
13 Commission should leave open the option for an integrated provider in this case by
14 removing the Cornman Tweedy Property from AWC's CC&N.

15
16 **Q. What are your observations regarding Mr. Walker's testimony that AWC has**
17 **developed innovative and collaborative arrangements with wastewater companies?**¹⁵

18 A. While collaborative arrangements can potentially be innovative, they may not be optimal
19 nor represent the best public interest-based regulatory solution. Public interest regulatory
20 solutions generally result from a broad inquiry on the part of the regulatory authority. That
21 may or may not be the case with a negotiated arrangement between utilities, especially
22 where such arrangements are not submitted to nor approved by the Commission. Public
23 interest-based solutions reflect the regulatory perspective, which is necessarily broad,
24 because the public interest is broad. Collaborative arrangements may be constrained by the
25 negotiations and not reflect the broader public interest. As a result, I believe that

¹⁴ *Id.* at page 6, line 8 - page 7 line 40.

¹⁵ *Id.* at page 6 line 8 - page 7 line 4.

1 collaborative arrangements are less optimal than fully integrated water and wastewater
2 options.

3
4 Moreover, negotiated arrangements are always optional for a utility. This point is made
5 clear by the examples cited by Mr. Walker. In those two cases, AWC *chose* to enter into
6 those arrangements.¹⁶ However, AWC could have exercised its prerogative not to enter into
7 those very arrangements. The point being that AWC maintains all of the discretion. How
8 this discretion is exercised by AWC may or may not result in the optimal use of groundwater
9 and effluent in a given area such as the Cornman Tweedy Property. Individual
10 circumstances will ultimately determine the appropriateness of the structure or model that
11 should be utilized. In this case, I believe that a fully integrated model will represent the best
12 and most optimal regulatory outcome.

13
14 **Q. Why do you state above that quality integrated water and wastewater service may**
15 **provide greater customer benefits/experiences than other options?**

16 A. The experience of the customer is a fundamental and significant regulatory consideration.
17 As I state in my rebuttal testimony,

18 *"In my experience as Utilities Director, having personally received many*
19 *telephone calls from frustrated and highly agitated customers, it is my*
20 *opinion that from a qualitative perspective, the customer experience is*
21 *enhanced by having a single provider, a single point of contact, a single*
22 *relationship, a single experience and a single expectation."*¹⁷

23 Mr. Walker neglects to address this aspect of integrated service versus stand-alone service.
24 I believe his omission further illuminates the benefits and distinction between these two
25 options. On balance, the facts of this case favor utilization of an integrated service model.
26

¹⁶ *Id.* at page 6, lines 8-23.

¹⁷ Rebuttal Testimony of Ernest G. Johnson, Sr., at page 30, lines 23-26.

1 Also, Mr. Walker mentions two contractual arrangements between AWC and other
2 entities.¹⁸ While contractual models have been implemented before between standalone
3 providers, I haven't seen any evidence that such arrangements enhance the customer
4 experience. From a regulatory policy perspective, facts matter, and each case presents
5 unique facts and circumstances. Based upon the facts of this case, I remain convinced that
6 the customer experience will be enhanced by utilizing a single integrated provider for the
7 reasons that I previously outlined.

8
9 **Q. Does Mr. Walker acknowledge that the “public interest” is the appropriate regulatory**
10 **policy premise to be utilized in considering the policy issues presented in this case?**

11 A. Yes, although he makes the concept more difficult than it is in reality. Mr. Walker sets forth
12 the public interest definition that he embraces at page 7, lines 24-25 of his surrebuttal
13 testimony, while also identifying what he believes to be the public interest in this case.¹⁹ In
14 addition, Mr. Walker identifies what he asserts are the public interest issues to be determined
15 on page 8, lines 1-5.²⁰ What is important here is that Mr. Walker recognizes that the public
16 interest—however it is defined by the Commission—is relevant and foundational to the
17 consideration of the policy issues presented by this case.

18
19 **Q. Do you believe that Mr. Walker’s surrebuttal testimony indirectly supports utilization**
20 **of your recommended analytical framework in addressing the policy issues present in**
21 **this case?**

22 A. Yes. Mr. Walker asserts that the public interest is not served by a “one size fits all
23 approach.”²¹ I agree with that statement and that is why my recommended analytical
24 framework looks at the unique facts and circumstances of each case. Mr. Walker asserts
25 that I believe that the public interest is *only* served by allowing integrated water and

¹⁸ Surrebuttal Testimony of Paul Walker at page 6, lines 8-23.

¹⁹ *Id.* at page 7, lines 24-25.

²⁰ *Id.* at page 8, lines 1-5.

²¹ *Id.* at page 5 lines 2-3.

1 wastewater providers to serve new growth.²² Ironically, it is Mr. Walker who appears to
2 favor a one-size-fits-all approach because he fails to even consider the possibility that
3 allowing for an integrated water and wastewater provider to serve the Cornman Tweedy
4 Property is in the public interest. Having considered all the facts and circumstances in this
5 case comparing integrated service to standalone service, I believe that the integrated
6 approach represents the optimal structure for the Cornman Tweedy Property, keeping in
7 mind that there is no need and necessity for utility services today.

8
9 Mr. Walker also asserts that the Commission's job is much more complex than a "one-size-
10 fits-all" approach, and that it requires balancing competing legal, financial, environmental
11 and engineering questions.²³ Again I agree. That is why I have developed and
12 recommended the regulatory analytical framework set forth in my rebuttal testimony.²⁴ My
13 recommended framework recognizes the unique procedural and factual history of this case
14 and provides a framework in which the ACC can examine all of the legal, financial,
15 environmental and engineering questions that come into play. The process that I
16 recommend is flexible and recognizes that facts and circumstances differ from case to case.
17 It recognizes the need to balance complex competing issues fully cognizant of the impact
18 upon customers. More importantly, it recognizes and highlights that the public interest is a
19 broad concept requiring a broad examination.

20
21 **Q. Why do you say that Mr. Walker continues to support regulatory entitlements**
22 **notwithstanding his denials?**

23 A. Mr. Walker asserts that: "A CC&N is not a 'regulatory entitlement' it is instead a regulatory
24 obligation, and that obligation comes with both costs and potential future benefits."²⁵ The
25 fundamental concern that I have with this statement is that the public interest doesn't appear

²² *Id.* at page 5, lines 1-2.

²³ *Id.* at page 5, lines 3-5.

²⁴ Rebuttal Testimony of Ernest G. Johnson, Sr., at page 28, line 7 - page 29, line 3.

²⁵ Surrebuttal Testimony of Paul Walker at page 3, line 27 - page 4, line 2.

1 to be the focus of his concerns; rather his focus appears to be on costs and rights associated
2 with the obligation to serve. While those narrow concerns merit consideration, they do no
3 comprise the entirety of the broad public interest.
4

5 From a policy perspective, the utility regulator must consider and assess broader concerns
6 impacting the public interest determination. This case isn't limited to cost considerations
7 nor rights associated with the obligation to serve. The Commission, consistent with
8 consideration of the broad public interest, has identified the issue of reasonable service.
9 While AWC may have an obligation to serve the Cornman Tweedy Property, AWC may be
10 unable to provide reasonable or adequate service to the Cornman Tweedy Property under
11 the facts and circumstances of this case. For the reasons that I and the other witnesses for
12 Cornman Tweedy have articulated, the specific facts and circumstances present in the water
13 challenged area where the Cornman Tweedy Property is located require an integrated
14 provider in order to maximize the efficient use of groundwater and effluent.
15

16 **Q. Why do you say that Mr. Walker's wide-ranging arguments and assertions are**
17 **unsupported by the facts of this case?**

18 A. While conceding that the larger water companies have not intervened in this proceeding
19 (despite an awareness of the issues before the Commission in this docket), Mr. Walker
20 nonetheless argues that these same companies share his concerns and would be willing to
21 weigh in and strongly support AWC's position in this case.²⁶
22

23 If his assertion is correct, why haven't these same companies intervened and provided the
24 support that he claims exists. Mr. Walker has not provided a single piece of evidence to
25 support his contention. These same companies certainly could have intervened during the
26 many years that this matter has been pending.

²⁶ *Id.* at page 8, lines 11-17.

1 In its February 2011 Open Meeting, the Commission specifically and publicly ordered a
2 review of whether AWC, as a non-integrated water company operating in a water-
3 challenged area, can provide reasonable service to the Cornman Tweedy Property under the
4 facts and circumstances of this case. While Mr. Walker alleges that the large utilities in the
5 State are worried about the significant and adverse consequences that a decision in favor of
6 Cornman Tweedy would have, the fact is that not one intervention request was made by a
7 single water company nor any entity or association on behalf of its water members. In light
8 of Mr. Walker's assertions regarding the dire consequences potentially resulting from this
9 proceeding,²⁷ I remain puzzled why not one of the 282 water companies or their
10 representatives chose to intervene in this case.

11
12 **Q. Why do you say that Mr. Walker provides no evidence to support his broad assertions**
13 **that the future of the water/wastewater utility industries hinge upon the outcome of**
14 **this proceeding?**

15 A. Mr. Walker's testimony does not contain any evidence or proof that establishes that the
16 water and wastewater industries will collapse as a result of the Commission removing the
17 Cornman Tweedy Property from AWC's CC&N. Instead, Mr. Walker provides his
18 speculation, admonitions and arguments.²⁸

19
20 **Q. Does Mr. Walker concede that integrated water and wastewater service offers many**
21 **benefits?**

22 A. Yes. Mr. Walker specifically acknowledges this point in his surrebuttal testimony, stating
23 as follows:

24 *Q. But you have, many times in the past, argued for integrated water and*
25 *wastewater service, have you not?*

²⁷ *Id.* at page 14, lines 7-12.

²⁸ *Id.* at page 11, lines 8-18.

1 A. *I have made that argument in appropriate circumstances because*
2 *integrated water and wastewater service can, as Mr. Johnson*
3 *recognizes, provide benefits - addressing each of the questions the*
4 *Commission must balance. It can provide financial, environmental, and*
5 *engineering benefits.*²⁹

6 Mr. Walker has been one of the State's most zealous advocates of the benefits of integrating
7 water and wastewater providers in the work he has done for Global Water. However,
8 because AWC is a stand-alone water company, he is unwilling to consider the benefits that
9 integration would provide to the customers who will someday live on the Cornman Tweedy
10 Property.

11
12 **Q. Mr. Walker asserts that you favor a one-size-fits-all approach.³⁰ Is that a correct**
13 **characterization of your position?**

14 A. As a general rule, no. However, it is difficult for me to envision a scenario where customers
15 would be better off with stand-alone water and wastewater providers where an integrated
16 provider is an option, assuming that the stand-alone providers and the integrated providers
17 are each technically and financially solid. That being said, each case must be reviewed and
18 considered on its own merits. The relevant facts in this case are well established:

- 19 ● There is no current or foreseeable need for water service to the Cornman Tweedy
20 Property;
- 21 ● Cornman Tweedy has not asked for its property to be included in AWC's CC&N;
- 22 ● Cornman Tweedy has provided many reasons why it does not want its property
23 included in AWC's CC&N; and

²⁹ *Id.* at page 5, lines 7-12.

³⁰ *Id.* at page 5, lines 2-3.

1 ● Permitting AWC to have the CC&N for the Cornman Tweedy Property will
2 foreclose the possibility of service from an integrated water and wastewater provider
3 in the future.³¹

4
5 **Q. Does Mr. Walker believe that “public interest” is a difficult concept to define?**

6 A. Yes. Beginning on page 7, line 13 of his Surrebuttal Testimony, Mr. Walker provides a
7 lengthy dissertation concerning a very convoluted definition of public interest and the
8 attributes he associates with the public interest. In fact, Mr. Walker states that he tries very
9 hard to avoid even using the phrase, opting instead for this user-friendly alternative: “[T]o
10 a substantial extent, sound ratemaking policy is a policy of reasonable compromise among
11 partly conflicting objectives.”³²

12
13 **Q. Do you agree that the public interest is a difficult concept to define?**

14 A. No. As a utility regulator for over two decades, I have observed that utility regulators are
15 well equipped and adept at understanding the concept of public interest. While different
16 people may use different words to define the concept, utility regulators understand that
17 acting in the public interest means doing what best serves the general welfare, interests and
18 well-being of the affected public, considering all of the facts and circumstances of a
19 particular case.

20
21 **Q. Is that how you define the concept of public interest?**

22 A. Yes. My definition is based upon over two decades of utility regulatory training and
23 experience, having served as a Utilities Division Director in both Arizona and Oklahoma.

24

³¹ Rebuttal Testimony of Ernest G. Johnson Sr., at page 5, line 20 - page 6, line 2.

³² Surrebuttal Testimony of Paul Walker at page 7, lines 24-25.

1 **Q. During your regulatory career, was the public interest routinely identified, assessed**
2 **and determined by the ACC and other public utility commissions.**

3 A. Yes. As a Utilities Division Director both in Arizona and Oklahoma, I was directly involved
4 in identifying, assessing and determining the public interest and its implications in the
5 regulation of public utilities on a daily basis. In my experience, the concept of public
6 interest is not some intellectual exercise but is real, discernible and sometimes inconvenient
7 and messy, but it always lies at the heart of meeting the needs of the public.

8
9 **Q. Based upon your experience as a utility regulator, is there a relationship between**
10 **public need and public interest?**

11 A. Yes, in my experience as a utility regulator, the public interest is premised upon the public
12 need and public need initiates public interest.

13
14 **Q. Please explain.**

15 A. During my career as a utility regulator, identifying and ascertaining the public interest was
16 the paramount regulatory consideration in utility regulatory matters. I observed that public
17 need usually preceded and initiated the public interest. However, both components were
18 necessary when identifying and considering matters affecting the general welfare, interests
19 or well-being of the affected public.

20
21 **Q. Does Mr. Walker recognize that reasonableness is a factor in considering the public**
22 **interest?**

23 A. Yes, I believe he does. Mr. Walker refers to reasonableness when he discusses the *James*
24 *P. Paul* case³³ and when discussing what he describes as a “more reasonable regulatory
25 process.”³⁴

26

³³ *Id.* at page 13, line 19 - page 14, line 5.

³⁴ *Id.* at page 15, lines 14-18.

1 **Q. In your role as a utility regulator, charged with identifying and pursuing the public**
2 **interest, was “reasonableness” a consideration?**

3 A. Yes, in my experience, utility regulators consider the reasonableness of their regulatory
4 actions at all times, particularly when they are attempting to evaluate and balance
5 competing, complex and important utility regulatory issues affecting the broad public
6 interest.

7
8 **Q. In your opinion, and based on your experience, is reasonableness a component of the**
9 **public interest assessment and determination?**

10 A. Yes. Reasonableness must always be considered in determining what is in the public
11 interest.

12
13 **Q. As a former utility regulator, how did you derive reasonableness?**

14 A. Reasonableness was derived from consideration and balancing of multiple disparate and
15 oftentimes competing interests.

16
17 **Q. Please elaborate.**

18 A. Evaluating and balancing competing, conflicting and diverse interests presents fundamental
19 challenges for the utility regulator. The utility regulator is challenged to keep his or her eye
20 on the broad public interest while simultaneously considering the individual concerns or
21 outcomes (often referred to as regulatory considerations). This balancing on the part of the
22 utility regulator is comprised of both art and science. The art is comprised of common sense
23 and good judgment and it considers the qualitative aspects such as customer/end-user
24 experience, benefits, hardships, and so forth.

25
26 The science or quantitative side of the balancing is generally focused on mathematical or
27 logic-based outcomes (e.g., revenue requirement/cost of equity). In my experience, the best

1 and most reasonable regulatory outcomes are premised upon both the art and the science
2 present in utility regulatory proceedings.

3
4 **Q. What role does reasonableness play in this second remand proceeding?**

5 A. The Commission has raised the issue of reasonableness in its consideration of this matter.
6 At its February 1, 2011, Open Meeting, the Commission directed further proceedings to
7 determine:

8 *[W]hether a public service corporation, like Arizona Water, in this water*
9 *challenged area and under the circumstances presented in this case, is*
10 *providing reasonable service if it is not able or not willing to provide*
11 *integrated water and wastewater services.*³⁵

12
13 **Q. Is the Commission's inquiry focusing on reasonable service consistent with your**
14 **experience in identifying, assessing and determining the public interest?**

15 A. Yes. However, I would first reiterate that there is no present need and necessity for utility
16 services on the Cornman Tweedy Property. With that understanding, as I stated earlier,
17 public interest is premised upon public need. When there is a public need for utility services
18 on the Cornman Tweedy Property at some future date, certificating the provider that best
19 meets the needs of the customers will best serve the public interest. Based on the facts and
20 circumstances of this case, the Commission should not foreclose the opportunity for the
21 future customers of the Cornman Tweedy Property to enjoy the benefits of integrated water
22 and wastewater service.

23
24

³⁵ See Procedural Order dated February 10, 2011 at 2, lines 7-10.

1 **Q. In your opinion, based upon the facts of this case and in consideration of the public**
2 **interest, would it be reasonable for the Commission to remove the Cornman Tweedy**
3 **Property from AWC's CC&N?**

4 A. Yes. Considering all the facts and circumstances, reasonableness favors removing the
5 Cornman Tweedy Property from AWC's CC&N.

6
7 **Q. Please elaborate.**

8 A. The Cornman Tweedy Property is located in a water-challenged area. The Commission
9 recognized this very fact when it issued its directive during the February 1, 2011, Open
10 Meeting. It is also a fact that permitting AWC to hold the CC&N for the Cornman Tweedy
11 Property will not permit an integrated water and wastewater provider to serve the property.
12 Therefore, when the property is developed at some unknown date in the future, customers
13 will not experience the benefits of integration that have been rightly acknowledged by Mr.
14 Walker³⁶ and thoroughly described by the witnesses of Cornman Tweedy in this case. Such
15 an unfortunate outcome would not be consistent with meeting the public need for service or
16 the public interest associated with that need for service.

17
18 **Q. In your opinion and based upon your experience as a utility regulator, does the public**
19 **interest necessitate regulatory vigilance and continual review?**

20 A. Yes. In my experience, the public interest is not a static consideration because it can change
21 over time as facts and circumstances change. As a consequence, regulators must remain
22 vigilant and continue to always pursue that which is in the public interest, as warranted by
23 the facts and circumstances of each case.

24

25

26

³⁶ Surrebuttal Testimony of Paul Walker at page 5, lines 9-12.

1 **Q. Do you believe that Mr. Walker supports regulatory vigilance?**

2 A. Yes. I do believe that Mr. Walker supports regulatory vigilance based upon his comments
3 regarding water scarcity and the need for regulatory leadership.³⁷
4

5 **Q. Based upon your understanding of the facts and circumstances present in this case, is**
6 **AWC providing reasonable and adequate service if it is not able to provide integrated**
7 **water and wastewater services to the Cornman Tweedy Property?**

8 A. No. The public interest, simple common sense and good judgment all support the more
9 efficient use of a scarce resource which is accomplished by integrating water and
10 wastewater service. For both practical and policy reasons, regulators should ensure that
11 regulated utilities efficiently and effectively maximize the use of both groundwater and
12 effluent, particularly in water challenged areas. Efficient use of groundwater and effluent
13 through an integrated provider remains the right policy decision and is the right thing to do,
14 consistent with the broad public interest.
15

16 **IV. RESPONSE TO SURREBUTTAL TESTIMONY OF WILLIAM GARFIELD.**

17 **Q. Mr. Johnson, did you review the surrebuttal testimony of Mr. William Garfield on**
18 **behalf of Arizona Water Company?**

19 A. Yes.
20

21 **Q. Does Mr. Garfield contend that you are incorrect in your assessment of AWC's**
22 **business model?³⁸**

23 A. Yes.
24
25
26

³⁷ *Id.* at page 15 lines 14-18.

³⁸ *Id.* at page 11, lines 4-16.

1 **Q. Do you have any observations concerning Mr. Garfield's statements?**

2 A. Yes. It is undisputed fact that AWC does not provide wastewater service. The Company's
3 website states that "[t]he Company exists as an Arizona corporation, specifically a public
4 utility, as defined by the Arizona Revised Statutes, furnishing domestic, commercial, and
5 industrial water service to customers in several communities throughout the State of
6 Arizona under the Terms and Conditions for the Provision of Water Service approved by
7 the Commission."³⁹

8
9 The fact that AWC may have on occasion signed collaborative arrangements with
10 wastewater providers does not change the business purpose for which AWC was created
11 and under which it operates. Nor does it change the primary business focus, business
12 interests or practices employed by AWC. Nor does it necessarily result in the optimal use
13 of a scarce natural resource. With respect to the Cornman Tweedy Property, an integrated
14 water and wastewater provider will provide greater benefits. AWC is a water company
15 whose primary revenues are derived from the furnishing of water and whose business model
16 is premised upon the sale of water, not effluent. AWC files rate cases at the ACC related to
17 the furnishing of water service, *not* water and wastewater service.

18
19 **Q. Mr. Garfield argues that the ACC has not adopted the view that integrated water and**
20 **wastewater services are necessary to advance sustainability in water scarce regions of**
21 **the state.⁴⁰ Do you agree?**

22 A. No, not at all. The Commission clearly expressed its view that integrated providers are
23 superior to standalone providers where the option exists when it granted CC&Ns to
24 integrated provider Woodruff Water Company and Woodruff Utility Company over a
25 competing application by AWC (Consolidated Docket Nos. W-04264A-04-0438, SW-
26 04265A-04-0439 and W-01445A-04-0755). In that case, the Commission found that "[t]he

³⁹ <http://azwater.com/index.html> visited January 30, 2016.

⁴⁰ Surrebuttal Testimony of William M. Garfield at page 13, lines 12-23.

1 benefits of developing and operating integrated water and wastewater utilities in this
2 instance outweigh the economies imputed to AWC's larger scale."⁴¹ I am not aware of any
3 decision since where the Commission has abandoned or backtracked from that view. In my
4 opinion, the fact that AWC has recently entered into collaborative agreements regarding
5 wastewater service is evidence that AWC believes the Commission holds this view.

6
7 **Q. Mr. Garfield reasons that the lack of a prescriptive rule mandating integrated water**
8 **and wastewater service signals that the Commission does not embrace the "settled**
9 **view" preferring integrated water and wastewater service.⁴² Do you agree with his**
10 **assertion?**

11 A. Absolutely not. The reasoning employed by Mr. Garfield requires a great mental leap in
12 order to reach his desired outcome. The rules for water and wastewater CC&Ns cited by
13 Mr. Garfield contain the requirements for submitting an application for a new CC&N or a
14 CC&N extension. There is nothing in the 2010 revision to the rules which contradicts or in
15 any way suggests that the Commission has backtracked from its finding in the Woodruff
16 Water Company and Woodruff Utility Company case.

17
18 **Q. Mr. Johnson, do you believe that the Commission today favors an integrated water**
19 **and wastewater provider over standalone providers where there is an option for an**
20 **integrated provider?**

21 A. Yes I do.

⁴¹ Decision 68453 at page 29, lines 4-6.

⁴² Surrebuttal Testimony of William M. Garfield at page 14, lines 1-13.

1 V. **CONCLUSION.**

2 Q. **Please summarize your conclusions**

3 A. Removal of the Cornman Tweedy Property from AWC's CC&N is the better regulatory
4 outcome based upon the public interest and the specific facts of this case.

5

6 Q. **Does this conclude your testimony?**

7 A. Yes, it does