BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT “BOB” BURNS, Chairman

BOYD W. DUNN

SANDRA D. KENNEDY

JUSTIN OLSON

LEA MÁRQUEZ PETERSON

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| IN THE MATTER OF THE COMMISSION’S EVALUATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY OF JOHNSON UTILITIES L.L.C.  |  DOCKET NO. WS-02987A-18-0329 |
| IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES L.L.C. TO EXPAND THE SERVICE AREA TO INCLUDE BELLA VISTA NORTH AND-MERRILL RANCH EXPANSION #1 |  DOCKET NO. WS-02987A-12-0136 |
| IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES L.L.C. DBA JOHNSON UTILITIES FOR APPROVAL TO EXTEND ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY |  DOCKET NO. WS-02987A-06-0077 |
| IN THE MATTER OF THE APPLICATION OF QUEEN CREEK WATER COMPANY FOR APPROVAL FOR AN EXTENSION TO ITS CC&N |  DOCKET NO. W-01395A-00-0784 |
| IN THE MATTER OF THE APPLICATION OF DIVERSIFIED WATER UTILITIES, INC. FOR APPROVAL FOR AN EXTENSION TO THEIR CC&N |  DOCKET NO. W-029859A-00-0074 |
| IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES, L.L.C. FOR APPROVAL FOR AN EXTENSION TO ITS CC&N TO PROVIDE WATER AND WASTEWATER SERVICE IN PINAL COUNTY, ARIZONA |  DOCKET NO. WS-02987A-00-0618 |
| IN THE MATTER OF THE APPLICATION OF H2O, INC. FOR APPROVAL FOR AN EXTENSION TO THEIR CC&N |  DOCKET NO. W-02234A-00-0371 |
| IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES, L.L.C. FOR APPROVAL FOR AN EXTENSION TO ITS CC&N TO PROVIDE WATER AND WASTEWATER SERVICE IN PINAL COUNTY, ARIZONA |  DOCKET NO. WS-02987A-99-0583 |

**REPLY TESTIMONY**

**OF**

**RAY L JONES**

**ON BEHALF OF**

**WATER UTILITIES ASSOCIATION OF ARIZONA**

**JULY 12, 2019**

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**EXECUTIVE SUMMARY**

Mr. Jones provides testimony responding to the responsive testimony of Queen Creek. Mr. Jones explains that the *James P. Paul* standard has not been met for any of the properties that Queen Creek is requesting be removed from the Johnson CC&N. There is simply no evidence that any of the properties are requesting water or wastewater service at this time. Mr. Jones also discusses the broad policy considerations relevant to Queen Creek’s request.

# INTRODUCTION

Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. My name is Ray L. Jones. My business address is 1630 Cougar Trail, Prescott, AZ 86303.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Water Utilities Association of Arizona (“WUAA”).

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?

A. Yes. I provided responsive testimony dated June 27, 2019.

# PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REPLY TESTIMONY IN THIS DOCKET?

A. The WUAA is providing reply testimony in reply to the Responsive Testimony of the Town of Queen Creek (“Queen Creek”).

# WUAA’S REPLY TO QUEEN CREEK’S RESPONSIVE TESTIMONY

Q. DID MR. GARDNER CLARIFY THE PURPOSE OF QUEEN CREEK’S TESTIMONY?

A. Yes. Mr. Gardner states that “Queen Creek is involved in this case to request a partial deletion of the Johnson’s CC&N in response to the requests of certain landowners…” He further clarifies that the request is directed at the seven properties shown on Queen Creek’s Exhibit 64. According to Exhibit 64, properties 1, 2 and 3 are within the Johnson Utilities L.L.C. (“Johnson”) wastewater CC&N and properties 4 through 7 are in both the Johnson water and wastewater CC&N.

Q. DOES QUEEN CREEK PROVIDE EVIDENCE THAT DELETION OF THE JOHNSON CC&N WOULD MEET THE STANDARD SET FORTH IN THIS CASE?

A. No. Queen Creek does not address the standard set forth in *James P. Paul* that requires that Johnson be given the opportunity to adequately provide service **after** being presented with a demand for service. Instead, the Queen Creek witnesses continues to focus on land valuations and marketability. For example, Mr. Gardner states “it is not OK to tell landowners they cannot sell their property on a time frame of their own choosing, for it highest and best use…” Likewise, Mr. Shill states “Our family has waited generations to sell our property and now that right is being impacted.” There is simply no evidence that any of the properties are requesting water or wastewater service at this time.

Q. DOES QUEEN CREEK PROVIDE EVIDENCE THAT ANY OF THE PROPERTIES HAVE MADE A REQUEST FOR SERVICE?

A. Mr. Gardner provides evidence that some of the properties have requested will-serve letters and admits that Johnson or EPCOR have provided the requested will-serve letters. These requests for will-serve letters are not a request for service. Rather, they are needed to allow the landowners to proceed with zoning and other entitlement activities. To date, it appears that Johnson has provided everything requested by the landowners and that the landowners are able to proceed with entitlement activities. Again, there is simply no evidence that any of the properties are requesting water or wastewater service at this time.

Q. WAS ANY EVIDENCE PROVIDED THAT ANY OF THE LANDOWNERS HAVE REQUESTED A MAIN EXTENSION AGREEMENT?

A. No, just the opposite. At one point in his testimony, when responding to Mr. Armstrong’s testimony, Mr. Gardner states “allowing new areas that are not under mainline extension agreements to leave would yield great practical effect and value…”

Q. DO YOU ANY FURTHER COMMENTS ON QUEEN CREEK’S TESTIMONY?

A. Yes. As I explain more fully in my responsive testimony, CC&Ns are foundational to the ability of private water providers to provide safe and reliable service to customers in Arizona. Any action by the Commission that has the potential to undermine the certainty of a CC&N issued to a single water and wastewater provider has the potential to undermine the willingness and ability of other water and wastewater providers to invest in and finance water and wastewater infrastructure throughout Arizona. Queen Creek does not consider these state-wide concerns. For example, Mr. Gardner’s states when summarizing his testimony:

The only parties who benefit from Johnson Utilities’ continued monopoly in areas that do not wish to be served by it are: Johnson Utilities, parties who wish to acquire Johnson Utilities, and other developers who stand to profit from the reduced competition as homebuilding slows to a standstill in many areas of Johnson Utilities service area.

 This statement is indicative of Queen Creek’s disregard for the broader policy aspects of this case which the Commission must consider under the *James P. Paul* standard. In upholding the *James P. Paul* standard, the Commission is protecting the customers of Commission regulated water and wastewater utilities throughout Arizona.

Q. HAS YOUR OVERALL ASSESSMENT OF QUEEN CREEK’S TESTIMONY CHANGED AFTER REVIEWING ITS RESPONSIVE TESTIMONY?

A. No. Queen Creek has not met its burden of proof regarding justifying a change to the Johnson CC&N. Queen Creek has not articulated its interest in this proceeding and appears to be largely advocating on behalf of property owners. Queen Creek has not fully explained why a change to the Johnson CC&N would be in the public interest or that the change requested by Queen Creek would meet the standard established in *James P. Paul*.

Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?

A. Yes.