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Attorney for Mashie, LLC dba Corte Bella Golf Club

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS AQUA FRIA
WATER DISTRICT, HAVASU WATER
DISTRICT, AND MOHAVE WATER DISTRICT

DOCKET NO. W-01303A-10-0448

**TESTIMONY IN SUPPORT OF
SETTLEMENT AGREEMENT
OF
MR. GORDON W. D. PETRIE
ON BEHALF OF
CORTE BELLA GOLF CLUB
December 15, 2011**

1 **I. IDENTIFICATION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Gordon W. D. Petrie. My business address is 10601 East 56th Street
4 Scottsdale, AZ 85254.

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

6 A. I am employed by the Scottsdale Golf Group as President and Chief Financial
7 Officer and I serve as the President of Mashie, LLC. In this capacity, I am
8 responsible for financial reporting, legal, tax, risk management and human
9 resources oversight, strategic planning, acquisitions, and day-to-day operations
10 for Mashie, LLC.

11 **Q. ARE YOU THE SAME GORDON W. D. PETRIE WHO FILED DIRECT**
12 **TESTIMONY ON JUNE 27, 2011, IN THIS PROCEEDING?**

13 A. Yes, I am.

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15 **II. PURPOSE OF TESTIMONY**

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. I am offering this testimony on behalf of Corte Bella Golf Club (“Corte Bella”) in
18 support of the Settlement Agreement to be filed on this same date in Docket No.
19 W-01303A-10-0448) (“Settlement Agreement”). My testimony will describe how
20 settlement was reached by Corte Bella and Arizona American Water Company
21 (“Arizona-American”), explain why the rate arrived at for non-potable irrigation
22 water used by Corte Bella is fair, and express Corte Bella’s support for the
23 Settlement Agreement.

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Q. WAS THE NEGOTIATION PROCESS FAIR AND TRANSPARENT?

A. All intervenors, including Corte Bella, were given notice of settlement discussions and were also given notice of meetings held for purposes discussing whether settlement negotiations might be useful. Attorneys for Arizona American were available and responsive when Corte Bella inquired about status, meetings and substantive decisions.

Q. WHAT WAS THE POSTION OF CORTE BELLA ON THE APPROPRIATE NON-POTABLE WATER RATE FOR CORTE BELLA WHEN SETTLEMENT DISCUSSIONS WERE INITIATED?

A. Corte Bella Golf Club asked, in my Direct Testimony, for the rate it pays for water – recovered from single use wells that are unassociated with the Arizona-American water system – to be reduced to \$.77 per 1,000 gallons (\$250.00 per acre foot). The circumstances surrounding use of water at Corte Bella are unique: The wells were given to Arizona-American for purposes of serving the golf course; no distribution system was built by Arizona-American; Arizona-American has a separate contractual obligation to supply the course; and the course must use water that is characterized as “recovered” water, not groundwater. The current rate of \$1.24 per 1,000 gallons (\$414 per acre foot) was set in June 2010,¹ through an emergency proceeding to reduce an unsustainable rate of \$2.72 per 1,000

¹ Order issued in Docket SW-01303A-08-0227 (June 17, 2010).

1 gallons (\$889 per acre foot).² Prior to December 2009, Corte Bella's paid \$.62
2 per 1,000 gallons (\$202 per acre foot). The rate Corte Bella proposed in this
3 proceeding (\$.77 rate per 1,000 gallons (\$250 per acre foot)) was a 25% increase
4 over the rate Corte Bella had paid for years.

5 **Q. HOW DOES THE SETTLEMENT RATE COMPARE TO THE RATE**
6 **SOUGHT BY CORTE BELLA?**

7 **A.** The Settlement Agreement sets a non-potable irrigation rate for Corte Bella of
8 \$.92 per 1,000 gallons (\$300 per acre foot) ("Settlement Rate). The Settlement
9 Rate is almost 50% higher than the rate Corte Bella had paid before the enormous
10 inadvertent rate increase in early 2010. In this case, Arizona American sought to
11 apply a rate of \$1.34 (untreated groundwater) to the non-potable water used by
12 Corte Bella, however, Arizona American's untreated surface water rate of \$1.09
13 per 1,000 gallons would be the rate most applicable to Corte Bella water use. By
14 prior contractual arrangement, Corte Bella water must be categorized as
15 renewable water (such as untreated surface water) by Arizona American. As
16 mentioned above, Corte Bella Golf Club proposed a rate of \$.77 per 1,000 gallons
17 in this case. The Settlement Rate is roughly in the middle of the spectrum of
18 proposed rates.

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² Decision No. 71410 (Dec. 8, 2009) (a potable water rate appeared to be mistakenly assigned to Corte Bella in the prior rate case).

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2 **II. CORTE BELLA'S POSITION ON THE SETTLEMENT AGREEMENT**

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4 **Q. IS SETTLEMENT RATE FAIR AND REASONABLE?**

5 **A.** Yes. From Corte Bella's perspective, the Settlement Rate resulted from a fair
6 compromise by both Arizona American and Corte Bella on this issue in this
7 particular case. The value of the Settlement Agreement includes the avoided
8 costs of additional hearing days, post-hearing briefing, further litigation and future
9 rate uncertainty for Corte Bella. Corte Bella supports the Settlement Agreement
10 and requests that the Commission approve the Agreement.

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

12 **A.** Yes, it does.