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MEMORANDUM

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AZ CORP COMMISSION
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TO: Docket Control
FROM: Ernest G. Johnson *EGJ*
Director
Utilities Division

DATE: July 23, 2003

RE: STAFF REPORT FOR SEVEN CANYONS WATER COMPANY AND SEVEN CANYONS WATER TREATMENT COMPANY - APPLICATIONS FOR EXTENSIONS OF EXISTING CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WATER AND WASTEWATER SERVICE IN YAVAPAI COUNTY (DOCKET NOS. W-03388A-03-0150 AND SW-03389A-03-0150)

Attached is the Staff Report for Seven Canyons Water Company and Seven Canyons Water Treatment Company applications for Extension of its Existing Certificates of Convenience and Necessity for water and wastewater services. Staff recommends approval with conditions.

EGJ:JEF:hml

Originator: Jim Fisher

Arizona Corporation Commission
DOCKETED

JUL 23 2003

DOCKETED BY *CR*

Service List for: Seven Canyons Water Company
And Seven Canyons Water Treatment Company
Docket Nos. W-03388A-03-0150 and SW-03389A-03-0150

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**SEVEN CANYONS WATER COMPANY
AND
SEVEN CANYONS WATER TREATMENT COMPANY**

**DOCKET NOS. W-03388A-03-0150
AND
SW-03389-03-0150**

**APPLICATIONS FOR EXTENSIONS
OF EXISTING CERTIFICATES
OF CONVENIENCE AND NECESSITY**

JUNE 2003

EXECUTIVE SUMMARY
SEVEN CANYONS WATER COMPANY &
SEVEN CANYONS WASTEWATER COMPANY
DOCKET NOS. W-03388A-03-0150 & SW-03389A-03-0150

On March 7, 2003, Seven Canyons Water Company ("Canyons Water" or "Water Company") and Seven Canyons Water Treatment Company ("Canyons Wastewater" or "Wastewater Company") (collectively, "the Companies") filed with the Arizona Corporation Commission ("ACC" or "Commission") applications for extensions of its existing Certificates of Convenience and Necessity ("CC&N") to provide water and wastewater services in portions of Yavapai County, Arizona.

Canyons Water and Canyons Wastewater are Arizona corporations engaged in providing wastewater and water utility services to a small area near Sedona. The Companies began providing service to its one customer at the beginning of 2003. In Decision No. 60718 (March 23, 1998), the Commission required the Companies to file the appropriate tariff with the authorized rates and charges on or before March 31, 1998. On July 14, 2003, Seven Canyons filed the required tariffs and requested a retroactive extension of time to comply with Decision No. 60718.

Seven Canyons has predicted an additional 20 customers in its requested CC&N extension area by the end of five years. Staff concludes that the Companies will have adequate capacity to serve the existing and proposed CC&N area within a conventional five year planning period.

Staff recommends that Seven Canyons Water Company's and Seven Canyons Water Treatment Company's original CC&N be reinstated and the Commission should approve the Companies applications to extend their CC&N consistent with the following conditions:

1. To require that Canyons Water Company to charge its existing rates and charges in the proposed extension area.
2. To require that Canyons Water Company file copy of the municipal franchise for the extension area.
3. To require that Seven Canyons Water Company shall file with the Commission a copy of the developers' Letter of Adequate Water Supply, where applicable or when required by statute.
4. To require Seven Canyons Water Treatment Company to charge its existing rates and charges in the proposed extension area.
5. To require Seven Canyons Water Treatment Company to obtain and file copy of the municipal franchise for the extension area.

Staff further recommends that the Commission's Decision granting these extensions to a CC&N to the Companies be considered null and void without further order from the Commission should the Companies fail to meet conditions 2, 3 and 5 within 365 days of any decision in this matter.

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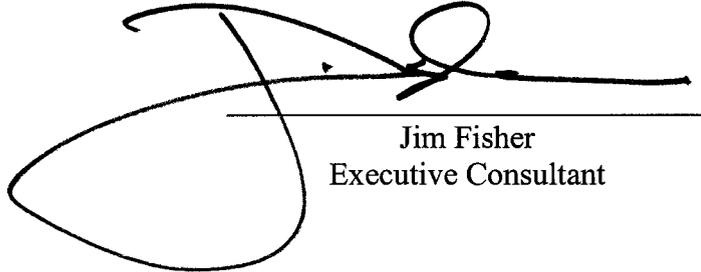
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STAFF ACKNOWLEDGMENT

The Staff Report for Seven Canyons Water Company and Seven Canyons Water Treatment Company (Docket Nos. W-03388A-03-0150 and SW-03389A-03-0150) was the responsibility of the Staff members listed below. Jim Fisher was responsible for the review and analyses of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis.



Jim Fisher
Executive Consultant



Dorothy Hains
Engineering Consultant

Introduction

On March 7, 2003, Seven Canyons Water Company ("Canyons Water" or "Water Company") and Seven Canyons Water Treatment Company ("Canyons Wastewater" or "Wastewater Company") (collectively, "the Companies") filed with the Arizona Corporation Commission ("ACC" or "Commission") applications for extensions of their existing Certificates of Convenience and Necessity ("CC&N") to provide water and wastewater services in portions of Yavapai County, Arizona.

On March 17, 2003, Staff informed the Companies that the applications were insufficient for administrative purposes. Staff requested additional information and conducted a site review. The Companies provided additional information on April 24, 2003, May 20, 2003, and May 30, 2003.

On June 5, 2003, Staff informed the Companies the applications were sufficient. Subsequently, Staff reviewed the Companies compliance with original CC&N filing requirements and found them deficient. The Companies were informed of the deficiencies, their need to cure the deficiencies and need to request reinstatement of the original CC&Ns. On July 14, 2003, Seven Canyons filed to cure the deficiencies and obtain reinstatement of the original CC&N.

Background

Canyons Water and Canyons Wastewater are Arizona corporations engaged in providing wastewater and water utility services to a small area near Sedona, approximately one mile north of Boynton Pass on Long Canyon Road. The Commission authorized the Companies the initial CC&Ns in Decision No. 60718 (March 23, 1998). The Companies are owned by a timeshare and golf resort developer located near Sedona. The Companies are to serve a proposed development and 40 lots in the Canyon del Oro area. The Companies began providing service to its one customer at the beginning of 2003.

In Decision No. 60718, the Commission required the Companies to file the appropriate tariffs with the authorized rates and charges on or before March 31, 1998. The Commission further ordered that in the event the Companies do not timely file the required tariffs, the CC&N application shall be deemed denied without further action by the Commission. On July 14, 2003, Seven Canyons filed the required tariffs and requested a retroactive extension of time to comply with Decision No. 60718.

The CC&N Extension Request

The Companies are requesting additional non-contiguous territory which will add approximately one sixteenth square mile to their existing one fourth square mile of certificated area. US Forest Service lands are between the existing service area and the proposed service area. The developer has been in the process of obtaining an easement agreement from the U. S.

Department of Agriculture Forest Service ("USDAFS"). On April 7, 2003, USDAFS issued the necessary easement.

Water Capacity

Canyons Water currently owns one well with a production capacity of 94 gal/min ("GPM"), a 200,000 gallon storage tank, booster pumps, a pressure tank, and a distribution system serving one customer. Seven Canyons has predicted an additional 20 customers in its requested CC&N extension area by the end of five years.

The owner/developer, Seven Canyons of Sedona, is in the process of installing two additional wells, which is expected to bring total well production to 450 GPM. The developer plans to transfer one of the new wells to the Canyon Water with the other well retained by the developer for irrigation purposes.

Canyons Water reported that 1,178,773 gallons of water was consumed in a three month period. However, Staff believes the majority of this water was used for irrigating a golf course. Based on the Canyons Water's data, existing and projected production, with storage capacity, the system can serve at minimum 26 additional connections. When the drinking water wells are no longer supporting the irrigation usage, the system will be able to support more than 26 connections. Therefore, Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.

Wastewater Capacity

In 2001, the Arizona Department of Environmental Quality ("ADEQ") issued an on-site wastewater disposal permit to Canyons Wastewater; however, the utility has not installed its proposed treatment plant. Rather than installing the ADEQ approved plant, Canyons Wastewater installed a temporary on-site wastewater disposal system which includes a 6,000-gallon septic tank with effluent filter and a pad disposal system.

Yavapai County Development Services Department issued a two-year life span permit for the temporary septic plant in September 2002. Therefore, Canyon Wastewater must install the approved, permanent on-site 83,000 gallons per day ("GPD") treatment plant prior to September 2004.

The Water Company estimated water usage peak demand could approximate 74,466 GPD when the development reaches complete build out. Staff estimates that 90 percent of that water usage will be converted into wastewater flow. Therefore, Staff estimates that maximum wastewater flow is approximately 67,019 GPD.

Canyons Wastewater asserts that the treatment plant was designed for two phases, Phase I will have a 41,500 GPD capacity and Phase II will have the remaining 41,500 GPD of capacity. Based on the information available, Staff estimates that the permanent treatment plant will have adequate capacity to treat a minimum of 20 additional customers in the requested area.

Canyons Wastewater is also considering interconnecting the collection system to the City of Sedona Wastewater Treatment System as an alternative plan. It is unlikely that interconnecting with the City could be implemented prior to the 2004 cut-off date for installing the approved facilities. Staff concludes that the Canyons Wastewater will have adequate wastewater treatment capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional capacity as required in the future.

ADEQ Compliance

1. Water System

ADEQ regulates the water system under the ADEQ's Public Water System I.D. # 13-248. Based on data received from ADEQ on March 20, 2003, ADEQ has determined that this system is currently delivering water that does not exceed any maximum contaminant level ("MCL") and meets the Safe Drinking Water Act quality requirements.

2. Wastewater System

On April 14, 2003, ADEQ informed Staff that Canyons Wastewater is in "Total Compliance" with ADEQ.

Arizona Department of Water Resources ("ADWR") Compliance

Canyons Water is not within any ADWR Active Management Area, and consequently is not subject to reporting and conservation rules (GPCD requirements). Staff recommends that the Seven Canyons shall file with the Commission a copy of the developers' Letter of Adequate Water Supply, where applicable or when required by statute.

ACC Compliance

A check with the Utilities Division Compliance Unit showed that the Companies have failed to timely file their initial tariffs and were not in compliance with ACC requirements as discussed above.

Curtailment Plan Tariff

Canyons Water filed a curtailment tariff with this application. Staff reviewed the proposed curtailment and found it conforms with Commission policy. Therefore, Staff

recommends the Commission approve the curtailment tariff. Staff further recommends Canyon Water submit the approved curtailment tariff to the Utilities Division within 30 days after the effective date of any decision and order pursuant to this application. Staff further recommends that the tariff filed by Canyon Water generally conform to the tariff attached in Exhibit A.

Arsenic Status

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic MCL in drinking water from 50 micrograms per liter ($\mu\text{g}/\text{l}$) to 10 $\mu\text{g}/\text{l}$. The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that the arsenic level in its source supply is 8 $\mu\text{g}/\text{l}$. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

Authorized Rates

The Companies will provide service in the proposed extension area under their currently authorized rates and tariffs.

Recommendations

Staff recommends that the Commission grant Seven Canyons Water Company's request for retroactive extension of time to comply with Decision No. 60718 and reinstate the original CC&N.

Staff recommends that in the event Seven Canyons Water Company's original CC&N is reinstated, the Commission should approve the Company's application to extend its CC&N consistent with the following conditions:

1. To require that Canyons Water Company to charge its existing rates and charges in the proposed extension area.
2. To require that Canyons Water Company file copy of the municipal franchise for the extension area.
3. To require that Seven Canyons Water Company shall file with the Commission a copy of the developers' Letter of Adequate Water Supply, where applicable or when required by statute.

Staff recommends that the Commission approve Seven Canyons Water Company's proposed curtailment tariff filed in this application.

Staff further recommends that the Commission's Decision granting this extension to a CC&N to Seven Canyons Water Company be considered null and void without further order

from the Commission should Seven Canyons Water Company fail to meet conditions 2 and 3 within 365 days of any decision in this matter

Staff further recommends that in the event Seven Canyons Water Treatment Company's original CC&N is reinstated, the Commission should approve the Company's application to extend its CC&N consistent with the following conditions:

1. To require Seven Canyons Water Treatment Company to charge its existing rates and charges in the proposed extension area.
2. To require Seven Canyons Water Treatment Company to obtain and file copy of the municipal franchise for the extension area.

Staff further recommends that the Commission's Decision granting this Extension to a CC&N to Seven Canyons Water Treatment Company be considered null and void without further order from the Commission should Seven Canyons Water Treatment Company fail to file the municipal franchise within 365 days of any decision in this matter.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: April 30, 2003

RE: **SEVEN CANYONS WATER COMPANY (DOCKET NO. W-03388A-03-0150)**
SEVEN CANYONS WATER TREATMENT COMPANY (DOCKET NO. SW-03389A-03-0150)

The area requested by Seven Canyons for an extension has been plotted with no complications.

Attached is a copy of the map for your files.

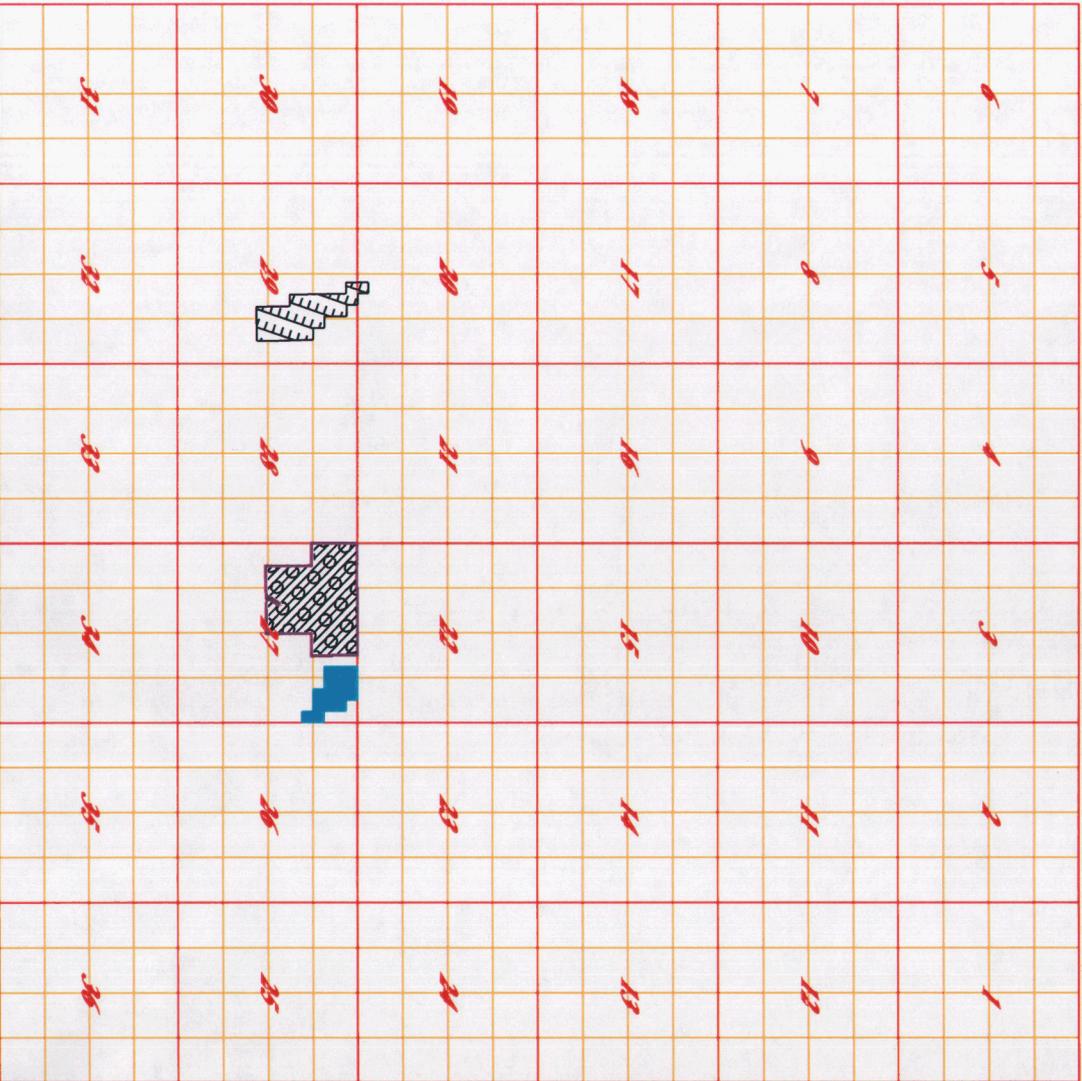
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Attachment

cc: Docket Control
Mr. Timothy Berg
File

COUNTY: Yavapai

RANGE 5 East



TOWNSHIP 18 North



W-2510 (1)

Boynton Canyon Enchantment
Homeowner's Association



W-3388 (1)

Seven Canyons Water Company



Sewer

Seven Canyons Water Treatment Company



Seven Canyons Water Company

Docket No. W-3388-03-150

Seven Canyons Water Treatment Company

Docket No. SW-3389-03-150

Application for Extension

Legal Description
(Sedona at Seven Canyons, Unit II)

A parcel lying in the Northeast Quarter of Section 27, Township 18 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona and more particularly described as follows:

The East half of the Northeast quarter of the Northwest quarter of the Northeast quarter;

The Northeast quarter of the Southeast quarter of the Northwest quarter of the Northeast quarter;

The Northwest quarter of the Northeast quarter of the Northeast quarter;

The Southwest quarter of the Northeast quarter of the Northeast quarter of the Northeast quarter;

The West half of the Southeast quarter of the Northeast quarter of the Northeast quarter;

The Southeast quarter of the Southeast quarter of the Northeast quarter of the Northeast quarter;

The East half of the Southwest quarter of the Northeast quarter of the Northeast quarter;

Thence Northwest quarter of the Southwest quarter of the Northeast quarter of the Northeast quarter;

The Northeast quarter of the Northeast quarter of the Southeast quarter of the Northeast quarter of said Section 27,

ALSO described as follows:

All that portion of the Northeast quarter of Section 27, Township 18 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Northeast corner of Section 27;

Thence South $88^{\circ}49'40''$ West, 665.78 feet (record 605.84 feet), to a 3/4 inch iron pipe, the TRUE POINT OF BEGINNING.

Thence South $88^{\circ}50'40''$ West, 998.71 feet (record South $88^{\circ}49'40''$ West, 998.76 feet) to a found 1/2 inch iron pipe;

Thence South 00°05'44" East, 992.00 feet (record South 00°04'00" East, 992.48 feet) to a found 1/2 inch iron pipe;

Thence North 89°06'18" East, 665.00 feet (record North 89°04'25" East, 665.44 feet) to a found 3/4 inch iron pipe;

Thence South 00°03'38" East, 331.62 feet (record South 00°05'52" East, 331.75 feet) to a found 1/2 inch iron pipe;

Thence North 89°11'07" East, 665.84 feet (record North 89°09'20" East, 665.30 feet) to a found 1/2 inch iron pipe;

Thence South 00°04'37" East, 332.46 feet (record South 00°04'37" East, 332.75 feet) to a found 1 inch iron pipe;

Thence North 89°14'15" East, 332.65 feet (record North 89°14'15" East, 332.58 feet) to a found 1/4 inch iron pipe;

Thence North 00°04'00" West, 666.54 feet (record North 00°04'00" East, 666.42 feet) to a found 1 inch iron pipe;

Thence South 89°04'25" West, 332.94 feet (record South 89°04'25" West, 332.72 feet) to a set 5/8 inch rebar and cap marked LS 7908;

Thence North 00°04'00" West, 666.10 feet (record North 00°04'00" West, 665.50 feet) to a found 1/2 inch iron pipe;

Thence South 88°49'32" West, 332.67 feet (record South 88°54'35" West, 332.86 feet) to a found 1 inch iron pipe;

Thence North 00°02'14" West, 332.00 feet (record North 00°05'15" West, 332.25 feet) to a found 3/4 inch iron pipe, the TRUE POINT OF BEGINNING.

Containing 38.02 Acres, more or less.

MEMORANDUM

DATE: June 18, 2003

TO: James E. Fisher

FROM: D. Hains *DH*

RE: **Seven Canyons Water Company
Application for an Extension of its Certificate of Convenience &
Necessity To Provide Water Service
Dockets No. W-03388A-03-0150 & SW-03389A-03-0150**

Introduction

Seven Canyons Water Company ("Water Company") has applied to extend its Certificates of Convenience and Necessity ("CC&N") for water and wastewater. The requested service area will add approximately one sixteenth square mile to its existing one fourth square mile of certificated area. Because the requested CC&N area is separated from the existing CC&N area by National Forest, Seven Canyons has to get an easement agreement from the U. S. Department of Agriculture Forest Service ("USDAFS"). On April 7, 2003, USDAFS issued the necessary easement. Seven Canyons is located southwest of City of Sedona in Yavapai County.

Capacity

I. Water System

At present Seven Canyons Water Company has only one well with a production capacity of 94 gal/min ("gpm"), a 200,000-gallon storage tank, booster pumps, a pressure tank, and a distribution system serving one customer. Seven Canyons has predicted an additional 20 customers in its requested CC&N extension area by the end of five years. Seven Canyons of Sedona ("Seven Canyons"), the developer, is in the process of installing two additional wells, this would bring total well production to 450 gpm. Seven Canyons plans to transfer at least one of the new wells which is expected to produce 200 gpm flow to the Water Company. (The remaining well would be used for irrigation only). The Water Company reported that 1,178,773 gallons of water was consumed in a three month period. However, Engineering believes the majority of this water was used for irrigating a golf course. Based on the Water Company's data, existing and projected production and storage capacity in the system can serve at minimum 26 additional connections. When the drinking water wells are no longer supporting the

irrigation usage, the system will be able to support more than 26 connections. Therefore, Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.

II. Wastewater System

In 2001, the Arizona Department of Environmental Quality ("ADEQ") issued an on-site wastewater disposal permit to the Water Company, however the Water Company has not yet installed its proposed treatment plant. Instead, the Water Company installed a temporary on-site wastewater disposal system that includes a 6,000-gallon septic tank with effluent filter and a pad disposal system. Yavapai County Development Services Department issued a two-year life span permit for this temporary plant in September 2002. Therefore, the Water Company must install the approved, permanent on-site 83,000 gpd treatment plant prior to September 2004.

The Water Company estimated water usage would be as high as 74,466 gallons per day ("gpd") when the development reaches complete build out. Engineering estimates that 90% of this water will be converted into wastewater flow, therefore, maximum wastewater flow is estimated to be 67,019 gpd. The Water Company also states that this treatment plant was designed for two phases, phase I will have a 41,500 gpd capacity and Phase II will have the remaining 41,500 gpd of capacity. Therefore, this permanent treatment plant will have adequate capacity to treat at minimum 20 additional customers in the requested area.

The Water Company is also considering connecting to the City of Sedona Wastewater Treatment System as an alternative plan, but it is unlikely that this option could be implemented prior to the 2004 cut-off date. Staff concludes that the Company will have adequate wastewater treatment capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional capacity as required in the future.

ADEQ Compliance

I. Water System

ADEQ regulates the water system under the ADEQ's Public Water System I.D. # 13-248. Based on data received from ADEQ on March 20, 2003, ADEQ has determined that this system is currently delivering water that does not exceed any maximum contaminant level ("MCL") and meets the Safe Drinking Water Act quality requirements.

II. Wastewater System

In the April 14, 2003 memo from ADEQ to Staff, ADEQ stated that the Company is in "Total Compliance".

Arizona Department of Water Resources ("ADWR") Compliance

Seven Canyons is not within any ADWR Active Management Area, and consequently is not subject to reporting and conservation rules (GPCD requirements). Staff recommends that the Seven Canyons shall file with the Commission a copy of the developers' Letter of Adequate Water Supply, where applicable or when required by statute.

ACC Compliance

A check with the Utilities Division compliance Unit showed no outstanding compliance issues.

Others:

I. Curtailment Plan Tariff

Seven Canyons filed a curtailment tariff with this application. Staff reviewed and recommends the Commissioners' approval. Staff further recommends Seven Canyons submit the approved curtailment tariff to the Utilities Division within 30 days after the effective date of any decision and order pursuant to this application. Staff further recommends that the tariff filed by Seven Canyons generally conform to the tariff attached in Exhibit A.

II. Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic MCL in drinking water from 50 micrograms per liter ($\mu\text{g/l}$) to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that the arsenic level in its source supply is 8 $\mu\text{g/l}$. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

Summary

I. Recommendations:

1. Staff recommends that the Seven Canyons Water Company shall file with the Commission a copy of the developers' Certificate of Assured Water Supply, where applicable or when required by statute.
2. Staff recommends that Seven Canyons submit its curtailment tariff to the Utilities Division within 30 days after the effective date of any decision and order pursuant to this application. Staff further recommends that the tariff filed by Seven Canyons generally conform to the tariff attached in Exhibit A.

II. Findings:

1. Engineering Staff concludes that the proposed water system will have adequate production and storage capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.
2. Staff concludes that the Company will have adequate wastewater treatment capacity to serve the existing and proposed CC&N area within a conventional five year planning period and can reasonably be expected to develop additional capacity as required in the future.

TARIFF SCHEDULE

Utility: Seven Canyons Water Company
Docket No.: W-03388A-03-0150
Phone No.: 928/639-2667

Tariff Sheet No.: 1 of 3
Decision No.: _____
Effective: _____

CURTAILMENT PLAN FOR: Seven Canyons Water Company

ADEQ Public Water System Number: 13-248

Seven Canyons Water Company ("Company") is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

TARIFF SCHEDULE

Utility: Seven Canyons Water Company
Docket No.: W-03388A-03-0150
Phone No.: 928/639-2667

Tariff Sheet No.: 2 of 3
Decision No.: _____
Effective: _____

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least 5 signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and

TARIFF SCHEDULE

Utility: Seven Canyons Water Company
Docket No.: W-03388A-03-0150
Phone No.: 928/639-2667

Tariff Sheet No.: 3 of 3
Decision No.: _____
Effective: _____

- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The tilling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least 5 signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.