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2009 MAR 16 P 4: 25 Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

7 IN THE MATTER OF THE COMPLAINT
8 OF STEVE PRAHIN,
9 Complainant,
10 v.
11 PAYSON WATER COMPANY,
12 Respondent.

DOCKET NO: W-03514A-07-0386

12 IN THE MATTER OF THE COMPLAINT
13 OF REBECCA SIGETI,
14 Complainant,
15 v.
16 PAYSON WATER COMPANY,
17 Respondent.

DOCKET NO: W-03514A-08-0047

REPLY TO COMPLAINANTS AND
STAFF'S RESPONSES TO STATUS
REPORT - WATER SYSTEM
IMPROVEMENT PLAN

18 Payson Water Company ("Payson Water" or "Company") hereby submits this
19 Reply ("Reply") to the Responses filed by Complainants Steven Prahin, Rebecca Sigeti
20 and James Dunne (collectively the "Complainants"), and Commission Staff, to the
21 Company's Status Report filed on January 30, 2009. The Company replies to the relevant
22 issues¹ raised by the Complainants and Staff as follows:

23
24
25 ¹ Although Complainants Prahin and Sigeti once again raise the "takings" issues concerning Payson Water's
26 ownership of the two water systems serving the Geronimo Estates (GE) and Elusive Acres (EA) subdivisions, these
issues fall outside the Commission's jurisdiction, and therefore are not relevant to the case. As such, the Company
did not address the ownership issue in this Reply.

1 1. Installation of Second 10,000 gallon Storage Tank.

2 The Complainants and Staff recommend in their responses that the Company
3 install the second 10,000 gallon storage tank as soon as possible. In its Report dated
4 August 5, 2008, Staff recommended that the company add “at least” 10,000 gallons of
5 storage by no later than December 31, 2008. This has been completed. In its August 19,
6 2008 response to the Staff Report, Payson Water stated that a second 10,000 gallon
7 storage tank “will be installed when needed to accommodate customer growth in the
8 system.” While the Complainants have consistently held that more water storage is
9 needed (above 25,000 gallons and have suggested as much as 50,000 gallons are required)
10 to serve the GE and EA systems, Staff’s March 6, 2009 recommendation to install the
11 second 10,000 gallon storage tank “as soon as possible” is unclear whether such plant
12 would be considered “used and useful” for purposes of future rate-making treatment.

13 There are currently 84 connections. According to the Staff Report dated August 5,
14 2008, 15,000 gallons of storage capacity can adequately serve up to 113 connections,
15 while 25,000 gallons can adequately serve 312 connections.² Furthermore, attached
16 hereto as **Exhibit 1** is a Water Supply and Storage Analysis performed by the Company.
17 Based on Arizona Department of Environmental Quality administrative rule R18-4-503,
18 the 25,000 gallons of existing storage capacity already exceeds the minimum fixed storage
19 capacity needed for the number of existing connections. Payson Water submits that the
20 installation of a second 10,000 gallon storage tank *at this time* would not be “used and
21 useful” for customers, and respectfully requests that Staff clarify its position in this
22 regard. Further, Payson Water submits that based on a peak demand analysis beginning in
23 2003 that no justification for such additional storage can be made at this time.

24 In light of the facts, as well as the Commission’s policy that “growth should pay
25 for growth,” it would be imprudent and unnecessary for the Company to install the second

26 ² Presuming water production can be increased to over 24 gpm.

1 10,000 gallon storage tank without some form of acknowledgment by the Commission
2 (not Staff) that such plant is “used and useful” for future rate-making purposes.³ Payson
3 Water submits that the Complainants should also strongly consider what effect
4 implementing their facility improvement recommendations would have on customer rates.

5 2. Current Moratorium

6 In Decision No. 68696 (May 5, 2006), the Commission modified a then existing
7 moratorium on new connections to allow the Whispering Pines Fire Direct and eight
8 additional customers to connect and begin taking service from Payson Water.⁴ The
9 Company was also ordered to search for new sources of water, which it has done for
10 approximately the past three years. The Commission has the exclusive authority to
11 modify or lift the current moratorium based on data collected and analyzed by Staff.
12 Decision at 12. The Company has worked cooperatively with Staff in providing water
13 use/water supply data and information, as well as access to the water system for site
14 inspections when requested. Issues concerning the moratorium are more appropriately
15 addressed in Docket No. W-03514A-05-0729.

16 3. Verification of Improvements

17 Complainant Dunne expresses frustration with the lack of confirmation regarding
18 the well repairs and other system improvements included in the Company’s Status Report.
19 In response, Commission Staff is welcome to perform a field and office inspection to
20 confirm that the repairs and improvements Payson Water included in the Status Report
21 have been made in accordance with sound industry standards. Complainant Sigeti alleges
22 that there is a lack of certain monitoring devices and shut-off valves for the water system.
23 However, Payson Water is unaware of any Staff report or other documentation that the

24 _____
25 ³ See Decision No. 70662 (Order Clarifying Decision No. 70624 – December 23, 2008). The Commission removed
26 approximately \$1,000,000 worth of plant in service from Gold Canyon Sewer Company’s rate base on finding that
there was “excess capacity” in sewer treatment facilities built by the utility – despite Staff’s contention otherwise.

1 water system is lacking in these components.

2 **CONCLUSION**

3 Payson Water has already installed additional water storage (10,000 gallons) and
4 increased water production at existing facilities to address Complainants' water-service
5 related concerns. While these improvements may not be everything that Complainants
6 desire, the Company must be cognizant of capital expenditures and the impact these costs
7 will have on customer rates. Likewise, building plant needed to accommodate future
8 growth presents two main concerns: (1) the current lack of growth, and (2) a risk that the
9 installation of an additional 10,000 gallons of storage capacity would be deemed not used
10 and useful by the Commission in future rate proceedings given the current lack of growth.
11 However, the Company will install the second 10,000 gallon storage facility if the
12 Commission issues an order finding that the installation is required to serve the needs of
13 existing customers.

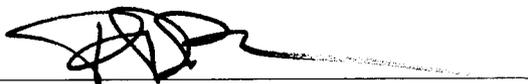
14 RESPECTFULLY SUBMITTED this 16th day of March, 2009.

15 FENNEMORE CRAIG, P.C.

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18

By 

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22 **ORIGINAL** and thirteen (15) copies
of the foregoing filed this 16th day of March, 2009:

23

24 Docket Control
Arizona Corporation Commission
25 1200 W. Washington St.
Phoenix, AZ 85007

26

1 **Copy of the foregoing hand delivered**
this 16th day of March, 2009 to:

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3 Dwight D. Nodes
4 Assistant Chief Administrative Law Judge
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21 **Copy of the foregoing mailed**
this 16th day of March, 2009 to:

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EXHIBIT 1

Service and Storage Capacity Analysis

Gerónimo Estates/Elusive Acres

PWS 04-028

A.A.C. R-18-4-503 states,

The minimum storage capacity for a CWS or a noncommunity water system that serves a residential population or a school shall be equal to the average daily demand during the peak month of the year. Storage capacity may be based on existing consumption and phased as the water system expands. B. The minimum storage capacity for a multiple-well system for a CWS or a noncommunity water system that serves a residential population or a school may be reduced by the amount of the total daily production minus the production from the largest producing well.

	Jul-03	Jul-04	Jul-05	Jul-06	Jun-07	Jun-08
Peak Consumption Month	31	31	31	31	30	30
Days in Cycle	242,540	216,702	189,070	240,670	204,060	238,384
Peak Monthly Consumption	7,824	6,990	6,099	7,764	6,802	7,690
Peak Average Daily Demand						

Meters Set	72	84	86	86	86	86
Peak Monthly Consumption per Meter	3,369	2,580	2,198	2,798	2,373	2,772
Peak Daily Consumption per Meter	109	83	71	90	79	92

Largest Producing Well (EA) Monthly Production	115,970	141,870	128,100	218,650	201,300	115,150
Largest Well: Daily Production	3,741	4,576	4,132	7,053	6,710	3,838

SUMMARY

Peak Average Daily Demand	7,824	6,990	6,099	7,764	6,802	7,690
Largest Well : Daily Production	3,741	4,576	4,132	7,053	6,710	3,838
Minimum Fixed Storage Capacity Needed	4,083	2,414	1,967	710	92	3,851
Existing Fixed Storage	15,000	15,000	15,000	15,000	15,000	25,000
Storage Surplus	11,259	10,424	10,868	7,947	8,290	21,162

Brooke Utilities, Inc.

Geronimo Estate/Elusive Acres Water Supply and Storage Analysis

12-Feb-09

Water Supply Analysis:	GPM	Gallons/Day	Gallons/Month	Gallons/Month @ 50% Utilization
GE well #1 (projected)	2	2,880	86,400	43,200
GE well #2	9	12,960	388,800	194,400
EA well	13	18,720	561,600	280,800
<i>total</i>	24	34,560	1,036,800	518,400

Water Storage Analysis (gallons):

GE tank #1 (in progress)	10,000
GE tank #2 (projected)	10,000
EA tank	15,000
Title 18 ADEQ Standard (see R18-5-503 (b))	15,840
<i>Total</i>	50,840

Customer Analysis:

GE	Current	69	Projected	159
EA		15		30
<i>Total</i>		84		189

Water Demand Analysis:

GE	Current	230	Projected	100	Storage Requirement	June 2007 WUUDS	5,589
EA		1,248		624	TOP Standard		1,251
<i>Total</i>		1,478		724		252	6,840

GE/EA Meter Waiting List:

Number of Waiting List Applicants:	Yes	16
May 2007 - May 2008 Water Loss:		5.41%