

OPEN MEETING



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ORIGINAL

MEMORANDUM

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TO: THE COMMISSION

FROM: Utilities Division

DATE: September 10, 2009

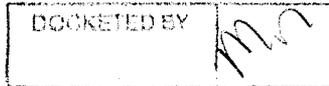
RE: STAFF RESPONSE TO THE BURLINGTON NORTHERN AND SANTA FE RAILWAY COMPANY DBA AUBREY WATER COMPANY'S PETITION TO AMEND DECISION NO. 69379 (DOCKET NO. W-03476A-06-0425)

Arizona Corporation Commission 2009 SEP 10 P 4: 28

DOCKETED

AZ CORP COMMISSION
DOCKET CONTROL

SEP 10 2009



I. Background

On May 13, 2009, the Burlington Northern and Santa Fe Railway Company dba Aubrey Water Company ("Aubrey" or "the Company") filed a Petition to Amend Decision No. 69379 pursuant to Arizona Revised Statutes ("A.R.S.") § 40-252. In the filing, Aubrey requests that the Arizona Corporation Commission ("Commission") revise the condition in the Decision that requires Aubrey to reduce water loss on its system to ten percent. In addition, the Company requests that the Commission permit Aubrey to immediately implement the permanent rate increase authorized by the Commission in Decision No. 69379, and find that Aubrey has complied with the Decision by establishing its books and records in compliance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA"). During an Open Meeting held on May 28, 2009, the Commission decided to reopen Decision No. 69379 pursuant to A.R.S. § 40-252.

The Company's Compliance Filing, docketed on January 30, 2009, included a January 2009 Water Loss Analysis Program Progress Report ("Progress Report").

The Progress Report

The Progress Report outlined the water system's completed improvements and the work in progress. The completed improvements included the following items:

- Meter replacements at two wells;
- Installation of a meter at the coin-operated standpipe;
- Replacement of 8 non-working customer water meters,
- Distribution system's inspection / repairs, including the replacement of 7 valves and repairing of 5 water line leaks.

The work in progress or to be completed identified the following major items:

- Replacement of two leaking transfer station pumps;
- Replacement of four leaking fire hydrants;
- Installation of locks on fire hydrants, in order to prevent unauthorized water use;
- Replacement of approximately 1,300 feet of 4-inch rusted water lines.

The Company has engaged Mr. Ray Jones of Aricor Water Solutions as a consultant to assist in evaluating the system and to prepare a Water Loss Assessment, Analysis and Recommendations Report ("Assessment Report") as to how the water loss issue could be further addressed. The Assessment Report, docketed on August 11, 2009, also included the most recent (June 2009) Water Loss Monitoring Report, based on data from June 2008 through May 2009.

The Water Loss Monitoring Report

In its June 2009 Water Loss Monitoring Report, the Company reported 50,595,800 gallons pumped, 41,859,916 gallons sold and 252,979 gallons of authorized non-revenue uses for flushing and fire protection, resulting in a water loss of 16.8 percent. Though the June 2009 Water Loss Monitoring Report indicates that the Company has not yet achieved a 10 percent water loss for its system, the Company has made significant progress in reducing the water loss from 43.1 percent in 2005 to 16.8 percent.

Summary of Assessment Report's Recommendations with Staff Comments/ Recommendations

1. The Assessment Report's recommendations to improve Data Integrity included the following items:

- Install meter at Transfer Pump Station;
- Verify leakage in transmission line;
- Evaluate and modify the 8" master meter installation (transmission line);
- Evaluate billing procedure and equipment;
- Evaluate reporting procedures;
- Verify meter data;

Staff concurs with the above recommendations to Improve Data Integrity.

2. The Assessment Report's recommendations to improve Apparent Losses included the following items:

- Continue water meter replacement program;
- Perform engineering evaluation and modification of the commercial standpipe meters;

- Continue removal of out-of-service meters;
- Implement meter relocation (to the property line) program;

Staff concurs with the above recommendations to improve Apparent Losses.

3. The Assessment Report's recommendations to improve Real Losses included the following items:

- Replace Transfer Station pumps;
- Continue inspection of water distribution system;
- Replace failing water main (approximately 1,300 feet of 4-inch steel water main);

Staff concurs with the above recommendations to improve Real Losses; however, the replacement of the 1,300 feet of 4-inch steel water main should be re-evaluated after completion of all previous items, before proceeding with replacement.

4. The Assessment Report's recommendations to improve Reporting included the following items:

- Continue Progress and Monitoring Reports to the Commission every January and July until the 12-month rolling average Non-Revenue Water by Volume is below 15% for the distribution system for 12 consecutive months.
- Separate reporting of transmission and distribution system losses.

To improve Reporting, Staff recommends the Company do the following:

- Continue Progress and Monitoring Report to the Commission every January and July, until the annual water loss is less than 10 percent, or until further order of the Commission, whichever comes first. The Water Loss Monitoring Report should include gallons pumped, gallons sold and gallons of authorized non-revenue uses, such as flushing and fire protection for the **entire** system and water loss percentage for each month during the year.
- Continue reporting of water losses for the **entire** system.

II. Staff's Conclusions and Recommendations Regarding Amending Decision No. 69379

Based on the Company's January 2009 Progress Report and the June 2009 Water Loss Monitoring Report, it appears that the Company has been acting in a good faith and demonstrated diligent efforts by reducing the water loss from 43.1 percent in 2005 to 16.8 percent for its system.

In order to enable the Company to continue addressing the water loss issue, Staff recommends that Decision No. 69379 be revised as follows:

On page 7, beginning on line 1, after "shall" DELETE remaining text in Finding of Fact No. 25 and **INSERT** the following in place of the deleted text: "implement Recommendations to improve Data Integrity, Apparent Losses, Real Losses, and Reporting, including the following:

- a. Install meter at Transfer Pump Station;
- b. Verify leakage in transmission line;
- c. Evaluate and modify the 8" master meter installation (transmission line);
- d. Evaluate billing procedure and equipment;
- e. Evaluate reporting procedures;
- f. Verify meter data;
- g. Continue water meter replacement program;
- h. Perform engineering evaluation and modification of the commercial standpipe meters;
- i. Continue removal of out-of-service meters;
- j. Implement meter relocation (to the property line) program;
- k. Replace Transfer Station pumps;
- l. Continue inspection of water distribution system;
- m. Replace failing water main (approximately 1,300 feet of 4-inch steel water main);
- n. Continue Progress and Monitoring Report to the Commission every January and July, until the annual water loss is less than 10 percent, or until further order of the Commission, whichever comes first. The Water Loss Monitoring Report should include gallons pumped, gallons sold and gallons of authorized non-revenue uses, such as flushing and fire protection for the **entire** system and water loss percentage for each month during the year.
- o. Continue reporting of water losses for the **entire** system.

On page 8, line 3½, DELETE “Nos. 28 and 29” and INSERT “No. 28”.

On page 8, DELETE Finding of Fact 28 and renumber Finding of Fact No.29 as “No. 28”.

On page 10, line 26, between “the” and “following” INSERT “first day of the month after the”.

On page 10, line 26, DELETE “three” and INSERT “two”.

On page 11, line 7 ½, DELETE “Third, that the Company has met Staff’s time limits for water loss and has reduced water loss on their system to 10 percent”.

On page 11, line 22 ½, DELETE “its Water Loss Analysis Program” and INSERT “the Company’s Water Loss Assessment Report”.

On page 11, line 24½, DELETE “meet the time limits for its Water Loss Analysis Program” and INSERT “comply with its Water Loss Assessment Report’s recommendations, as modified by Staff”.

On page 11, line 25 ½, DELETE “shall” and INSERT “may”.



Steven M. Olea
Director
Utilities Division

SMO:KS:lhmkOT

Originator: Katrin Stukov

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF STAFF'S RESPONSE)
TO THE BURLINGTON NORTHERN AND)
SANTA FE RAILWAY COMPANY DBA)
AUBREY WATER COMPANY'S PETITION)
TO AMEND DECISION NO. 69379)

DOCKET NO. W-03476A-06-0425
DECISION NO. _____
ORDER

Open Meeting
September 22 and 23, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. The Burlington Northern and Santa Fe Railway Company dba Aubrey Water Company ("Aubrey" or "Company") is certificated to provide water as a public service corporation in the State of Arizona.

2. On May 13, 2009, Aubrey filed a Petition to Amend Decision No. 69379 pursuant to Arizona Revised Statutes ("A.R.S.") § 40-252. In the filing, Aubrey requests that the Arizona Corporation Commission ("Commission") revise the condition in the Decision that requires Aubrey to reduce water loss on its system to ten percent. In addition, the Company requests that the Commission permit Aubrey to immediately implement the permanent rate increase authorized by the Commission in the Decision No. 69379, and find that Aubrey has complied with the Decision by establishing its books and records in compliance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA"). During ...

1 an Open Meeting held on May 28, 2009, the Commission decided to reopen Decision No. 69379
2 pursuant to A.R.S. § 40-252.

3 3. The Company's compliance filing, docketed on January 30, 2009, included a
4 January 2009 Water Loss Analysis Program Progress Report ("Progress Report").

5 a) The Progress Report outlined the water system's completed improvements and the
6 work in progress. The completed improvements included the following items:

- 7 • Meter replacements at two wells;
- 8 • Installation of a meter at the coin-operated standpipe;
- 9 • Replacement of 8 non-working customer water meters,
- 10 • Distribution system's inspection / repairs, including the replacement of 7 valves
11 and repairing of 5 water line leaks.

12 b) The work in progress or to be completed identified the following major items:

- 13 • Replacement of two leaking transfer station pumps;
- 14 • Replacement of four leaking fire hydrants;
- 15 • Installation of locks on fire hydrants, in order to prevent unauthorized water
16 use;
- 17 • Replacement of approximately 1,300 feet of 4-inch rusted water lines.

18
19 4. The Company has engaged Mr. Ray Jones of Aricor Water Solutions as a consultant
20 to assist in evaluating the system and to prepare a Water Loss Assessment, Analysis and
21 Recommendations Report ("Assessment Report") as to how the water loss issue could be further
22 addressed. The Assessment Report, docketed on August 11, 2009, also included the most recent
23 (June 2009) Water Loss Monitoring Report, based on data from June 2008 through May 2009.

24 5. In its June 2009 Water Loss Monitoring Report, the Company reported 50,595,800
25 gallons pumped, 41,859,916 gallons sold and 252,979 gallons of authorized non-revenue uses for
26 flushing and fire protection, resulting in a water loss of 16.8 percent. Though the June 2009 Water
27 Loss Monitoring Report indicates that the Company has not yet achieved a 10 percent water loss

28 ...

1 for its system, the Company has made significant progress in reducing the water loss from 43.1
2 percent in 2005 to 16.8 percent.

3 6. Summary of Assessment Report's recommendations with Staff
4 comments/recommendations follow:

5 a) The Assessment Report's recommendations to improve Data Integrity included the
6 following:

- 7 • Install meter at Transfer Pump Station;
- 8 • Verify leakage in transmission line;
- 9 • Evaluate and modify the 8" master meter installation (transmission line);
- 10 • Evaluate billing procedure and equipment;
- 11 • Evaluate reporting procedures;
- 12 • Verify meter data;

13 Staff concurs with the above recommendations to improve Data Integrity.

14 b) The Assessment Report's recommendations to improve Apparent Losses included the
15 following items:

- 16 • Continue water meter replacement program;
- 17 • Perform engineering evaluation and modification of the commercial standpipe
18 meters;
- 19 • Continue removal of out-of-service meters;
- 20 • Implement meter relocation (to the property line) program;

21 Staff concurs with the above recommendations to improve Apparent Losses.

22 c) The Assessment Report's recommendations to improve Real Losses included the
23 following items:

- 24 • Replace Transfer Station pumps;
- 25 • Continue inspection of water distribution system;
- 26 • Replace failing water main (approximately 1,300 feet of 4-inch steel water
27 main);

28 ...

...

1 Staff concurs with the above recommendations to improve Real Losses; however,
2 the replacement of the 1,300 feet of 4-inch steel water main should be re-evaluated
3 after completion of all previous items, before proceeding with replacement.

4 d) The Assessment Report's recommendations to improve Reporting included the
5 following items:

- 6 • Continue Progress and Monitoring Reports to the Commission every January
7 and July until the 12-month rolling average Non-Revenue Water by Volume is
8 below 15% for the distribution system for 12 consecutive months.
- 9 • Separate reporting of transmission and distribution system losses.

10 To improve Reporting, Staff has recommended the Company do the following:

- 11 • Continue Progress and Monitoring Report to the Commission every January and
12 July, until the annual water loss is less than 10 percent, or until further order of
13 the Commission, whichever comes first. The Water Loss Monitoring Report
14 should include gallons pumped, gallons sold and gallons of authorized non-
15 revenue uses, such as flushing and fire protection for the **entire** system and
16 water loss percentage for each month during the year.
- 17 • Continue reporting of water losses for the **entire** system.

18 7. Based on the Company's January 2009 Progress Report and the June 2009 Water
19 Loss Monitoring Report, it appears that the Company has been acting in a good faith and
20 demonstrated diligent efforts by reducing the water loss from 43.1 percent in 2005 to 16.8 percent
21 for its system. In order to enable the Company to continue addressing the water loss issue, Staff
22 has recommended that Decision No. 69379 be revised as follows:

23 **On page 7, beginning on line 1, after "shall" DELETE** remaining text in Finding
24 of Fact No. 25 and **INSERT** the following in place of the deleted text: "implement
25 Recommendations to improve Data Integrity, Apparent Losses, Real Losses, and
26 Reporting, including the following:

- 27 a. Install meter at Transfer Pump Station;
- 28 b. Verify leakage in transmission line;
- c. Evaluate and modify the 8" master meter installation (transmission line);

- 1 d. Evaluate billing procedure and equipment;
- 2 e. Evaluate reporting procedures;
- 3 f. Verify meter data;
- 4 g. Continue water meter replacement program;
- 5 h. Perform engineering evaluation and modification of the commercial standpipe
- 6 meters;
- 7 i. Continue removal of out-of-service meters;
- 8 j. Implement meter relocation (to the property line) program;
- 9 k. Replace Transfer Station pumps;
- 10 l. Continue inspection of water distribution system;
- 11 m. Replace failing water main (approximately 1,300 feet of 4-inch steel water main);
- 12 n. Continue Progress and Monitoring Report to the Commission every January and
- 13 July, until the annual water loss is less than 10 percent, or until further order of the
- 14 Commission, whichever comes first. The Water Loss Monitoring Report should
- 15 include gallons pumped, gallons sold and gallons of authorized non-revenue uses,
- 16 such as flushing and fire protection for the **entire** system and water loss percentage
- 17 for each month during the year.
- 18 o. Continue reporting of water losses for the **entire** system.

18 **On page 8, line 3½, DELETE “Nos. 28 and 29” and INSERT “No. 28”.**

19 **On page 8, DELETE Finding of Fact 28 and renumber Finding of Fact No.29 as**
20 **“No. 28”.**

21
22 **On page 10, line 26, between “the” and “following” INSERT “first day of the**
23 **month after the”.**

24 **On page 10, line 26, DELETE “three” and INSERT “two”.**

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26 **On page 11, line 7 ½, DELETE “Third, that the Company has met Staff’s time**
27 **limits for water loss and has reduced water loss on their system to 10 percent”.**

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On page 11, line 22 ½, DELETE “its Water Loss Analysis Program” and INSERT “the Company’s Water Loss Assessment Report”.

On page 11, line 24½, DELETE “meet the time limits for its Water Loss Analysis Program” and INSERT “comply with its Water Loss Assessment Report’s recommendations, as modified by Staff”.

On page 11, line 25 ½, DELETE “shall” and INSERT “may”.

CONCLUSIONS OF LAW

1. The Burlington Northern and Santa Fe Railway Company dba Aubrey Water Company is a public service company within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over The Burlington Northern and Santa Fe Railway Company dba Aubrey Water Company and the subject matter of the joint application.

3. Staff’s recommendations in Findings of Fact Nos. 6 and 7 are reasonable and should be adopted.

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ORDER

IT IS THEREFORE ORDERED that Decision No. 69379 be revised as discussed in Findings of Fact No. 7.

IT IS FURTHER ORDERED that this Decision become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN	COMMISSIONER	
COMMISSIONER	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2009.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:KS:lh\KOT

1 SERVICE LIST FOR: The Burlington Northern and Santa Fe Railway Company
dba Aubrey Water Company

2 DOCKET NO. W-03476A-07-0425

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Snell & Wilmer
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