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October 27th, 2009

Compliance Department
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: Water Supply Shortage Plan Report
W-02105A-07-0510 Decision 70837

Here is the water supply shortage analysis and plan required as part of Mt. Tipton Water Company's permanent ratemaking docket. We have been making good progress is reducing our water loss, which has been a significant part of previous water shortages, as noted in our last quarterly water report.

Please contact me if you have any questions, 928-767-3713.
Thank you.

Michelle Monzillo
Business Administrator
Mt. Tipton Water Co.

Arizona Corporation Commission
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Water Supply Shortage Analysis & Plan for Mt. Tipton Water Company

Mt. Tipton Water Company has had a history of inconsistent water delivery to the community of Dolan Springs, AZ. There are many reasons why there have been water shortages in the past; an aging system that the company has been unable to afford to maintain properly, and employees and board members who were either *not* dedicated or not knowledgeable enough to ensure an adequate water supply for the community.

The age of our system varies from over 40 years old to fairly recent, yet there has been minimal maintenance done except for taking care of emergencies such as line breaks. The financial state of the company has not allowed replacing pipe and other maintenance items that would minimize line breaks and leaks in the system. The company has been operating on a philosophy of "putting out fires." When a well stops working or a line breaks, we fix it as soon as we are able to afford to do so. A contributing problem has been that none of the well contractors wanted to work with us due to previously unpaid bills. Thanks to the emergency surcharge, we are paying off past due bills and restoring our reputation with the business community.

The wells have not been properly maintained due to financial problems, which have contributed to problems with being able to supply an adequate amount of water. Because the company has had such a limited budget, *none of the wells were ever cleaned until this year*. In the past, when a well has broken down, it was usually "fixed" by replacing the existing pump with a smaller pump that could pump the smaller amount of water being produced by a well with clogged perforations. The result has been dramatically reduced output of water over the years.

There are several contributing factors to our water loss. The road graders from the county gradually lower the level of the roads year by year bringing our pipes and valves closer and closer to the surface and thereby subject to damage. Also, past field employees had identified many leaks, yet had not fixed them due to a lack of money to hire a backhoe. Another factor is the

recent discovery that 2 line extensions had been connected bypassing the pressure relief valve for that area. This has caused several major line breaks because of very high water pressure. Some very old meters in our system have contributed to water loss as well since older meters often slow down and do not accurately account for customer water usage.

Mt. Tipton Water Company has done many things recently to reduce our water loss. Since our current Field Manager, Tim Clark, started working for the company, at least 50 leaks in the system have been repaired. The water loss for the last quarter was less than 4% for the first time in memory! Our current field staff are not afraid to get their hands dirty and most work is done by hand since we cannot afford to hire a backhoe unless absolutely necessary. We are actively replacing all of the aging meters in our system to reduce water loss due to inaccurate readings. This should raise our income as well by ensuring that customers are paying for all of the water they use. We need to install another pressure relief valve in the area where the bypass was discovered. This has been on hold due to the expense of such a major installation and the time of the field staff has been occupied maintaining the system and completing items to come into compliance with ADEQ. Nonetheless, we are planning on completing this before the end of the year to prevent additional line breaks in the affected area.

The water supply here has been stable for a record period of time. This summer was the first on record where there were no water restrictions for metered customers and the standpipe remained open. We would like to note that the company would not be where it is now if it was not for Field Manager, Tim Clark. Tim has been known to be out working and transferring water around the system at any hour of the day or night, including weekends. He is the reason why we have not had any water restrictions for over a year now. Tim is the kind of dedicated employee that has been lacking in the past history of the company. We are very happy with our current field staff and are confident in their ability to maintain our water supply.

The current board of directors is committed to cleaning the wells to increase our water supply. We have cleaned 2 wells this year and intend to clean at least 3 more in the near future thanks to the funding provided by ARRA (American Reinvestment & Recovery Act of 2009). The downside of cleaning wells, some of which are very old, is that there can be unexpected problems. Our contractor was starting to clean one of our older wells recently and part of the casing collapsed. The board is unsure if this well is worth trying to repair or if the best option may be to drill a brand new well, which would be covered under the ARRA loan/ grant. In the future, if a well breaks down, we will clean it before putting it back online if at all financially possible. Certainly in

the future the company needs at least one new well in order to ensure the water supply in case of unexpected well outages or an expanded customer base.

As a long-term plan, Mt. Tipton Water Company intends to move, redo, and/or bury our lines deeper to prevent line breaks due to road grading, traffic, and aging. We understand that this would be extremely expensive and may not be feasible in actuality with the cost of maintaining and repairing the wells to ensure the water supply. However, Mt. Tipton Water Company does believe that a permanent rate increase would provide us with the funds to do a lot more preventive maintenance and well cleaning in order to maintain a consistent water supply in the future. We are very proud of what we have accomplished in the last year and are looking forward to continued good service to the community of Dolan Springs.

Thank you for your help and support.

Mt. Tipton Water Company Board of Directors and Staff