

ORIGINAL

OPEN MEETING
MEMORANDUM



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Arizona Corporation Commission

TO: THE COMMISSION

2010 MAR 15 P 4:09

DOCKETED

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

MAR 16 2010

DATE: March 16, 2010

DOCKETED BY [Signature]

RE: INDIADA WATER COMPANY, INC. – APPLICATION FOR APPROVAL OF A CURTAILMENT TARIFF (DOCKET NO. W-02031A-09-0518)

BACKGROUND

On November 12, 2009, Indiada Water Company, Inc. (“Indiada” or “Company”) filed an “Application for Approval of Curtailment Tariff”. On November 30, 2009, the Company and Staff agreed to extend the time clock requirements by ninety (90) days to provide for more time to adequately examine and discuss the application. Indiada's current curtailment tariff became effective on June 10, 2004; the proposed tariff deviates from the current curtailment tariff in that when a customer violates water use restrictions and his or her service is disconnected, the Company would now be allowed to assess a reconnection fee. The proposed tariff included the following reconnection fee for each violation:

- 1st violation: \$300.00
- 2nd violation: \$600.00
- 3rd violation: \$900.00

The Company modeled its proposed penalty provision and fee amounts after Pine Water Company, Inc. (“Pine”) curtailment tariff, which was approved by the Commission in Decision No. 62846. In Pine, the company “had to disconnect some customers for repeated violations” of the Stage 5 curtailment tariff restrictions. The reconnection fee tariff modification approved for Pine only applied for the second disconnection for a violation of the Pine curtailment tariff. Any fees Pine collected were to be used for hauling and buying water from another water system, which it had been doing since late May 2000 due to a critical shortage of adequate water supplies within its certificated area. In support of its proposed tariff, Pine reported that it had hauled approximately 2,301,000 gallons of water from May 29, 2000 to July 19, 2000.

INDIADA RECENT EMERGENCY SURCHARGE REQUEST AND SYSTEM ANALYSIS

On August 18, 2009, the Commission approved an interim Emergency Surcharge for Indiada in Decision No. 71321.¹ In reviewing this request, Staff found that a financial

¹ In support of the proposed surcharge the Company asserted that the water table in the service area was dropping dramatically; the Company’s wells consistently have not been able to keep up with customers’ water demands. The Company feared water shortages during the summer. Indiada also sited a lack of adequate storage for the Indiada water system.

emergency existed and recommended approval of an emergency surcharge. The Commission adopted Staff's recommended surcharge. Staff's engineering analysis concluded that the Indiada water system had adequate production and storage capacity to serve existing and future customers.²

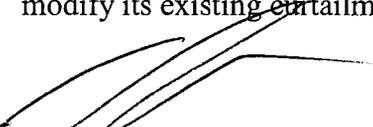
ANALYSIS OF INDIADA'S PROPOSED TARIFF

Based on the information provided by the Company, the Company has neither consistently, nor to any great extent, exercised enforcement of the mandatory water use restriction provisions in its existing curtailment tariff. In support of the proposed penalty provision, the Company submitted an Affidavit signed by a field technician employed by Southwest Utility Management, Inc. ("SWUM"),³ the company that manages Indiada. In the affidavit, the technician stated that during Stage 4 curtailment that he encountered only one customer who refused to obey the mandatory water use restrictions. Additionally, the Company did not exercise its ability to disconnect the customer's service for non-compliance contained in the existing curtailment tariff. In addition, Indiada has not hauled water during curtailments, it is therefore a different factual scenario than Pine.

Staff believes that it would be premature to establish the Company's proposed reconnection fees at this time. In Decision No. 71321, the Company was ordered to file for a permanent rate increase no later than April 30, 2010. Staff suggests that the Company review its existing \$10 reconnection fee in the context of its permanent rate filing to ensure this charge is reasonable and adequate to cover appropriate costs incurred as a result of this activity.

RECOMMENDATION

Based on the foregoing discussion, Staff recommends denial of the Company's request to modify its existing curtailment tariff.



Steven M. Olea
Director
Utilities Division

SMO:DMH:lhmkR

ORIGINATOR: Dorothy Hains

² Staff's review concluded that the Company's water system consisted of three wells with a total production of 52 gallons per minute ("GPM"), a 12,000 gallon storage tank, a booster pump station and a 2,170 gallon pressure tank system to serve 56 customers in an unincorporated area near Sierra Vista, Cochise County, Arizona. There is an existing temporary interconnection between the Company and Antelope Run Water Company (a sister owned and operated Company). Based on 2008 water usage data, the Company had adequate production and storage capacity to serve its existing customers and future growth.

³ Indiada hired SWUM in September 2008 to manage the Company.

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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 THE APPLICATION)
OF INDIADA WATER COMPANY, INC.,)
FOR A CURTAILMENT TARIFF)
_____)

DOCKET NO. W-02031A-09-0518
DECISION NO. _____
ORDER

Open Meeting
March 31 and April 1, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Indiada Water Company, Inc. ("Indiada" or "Company") is certificated to provide water as a public service corporation in the State of Arizona.
2. On November 12, 2009, Indiada filed an "Application for Approval of Curtailment Tariff".
3. On November 30, 2009, the Company and Staff agreed to extend the time clock requirements by ninety (90) days to provide for more time to adequately examine and discuss the application.
4. Indiada's current curtailment tariff became effective on June 10, 2004; the proposed tariff deviates from the current curtailment tariff in that when a customer violates water use restrictions and his or her service is disconnected, the Company would now be allowed to assess a reconnection fee. The proposed tariff included the following reconnection fee for each violation:
....

1		1 st violation:	\$300.00
2		2 nd violation:	\$600.00
3		3 rd violation:	\$900.00

4 5. The Company modeled its proposed penalty provision and fee amounts after Pine
5 Water Company, Inc. ("Pine") curtailment tariff, which was approved by the Commission in
6 Decision No. 62846.

7 6. In Pine, the company "had to disconnect some customers for repeated violations" of
8 the Stage 5 curtailment tariff restrictions. The reconnection fee tariff modification approved for
9 Pine only applied for the second disconnection for a violation of the Pine curtailment tariff. Any
10 fees Pine collected were to be used for hauling and buying water from another water system,
11 which it had been doing since late May 2000 due to a critical shortage of adequate water supplies
12 within its certificated area. In support of its proposed tariff, Pine reported that it had hauled
13 approximately 2,301,000 gallons of from since May 29, 2000 to July 19, 2000.

14 7. On August 18, 2009, the Commission approved an interim Emergency Surcharge
15 for Indiada in Decision No. 71321.¹ In reviewing this request, Staff found that a financial
16 emergency existed and recommended approval of an emergency surcharge. The Commission
17 adopted Staff's recommended surcharge. Staff's engineering analysis concluded that the Indiada
18 water system had adequate production and storage capacity to serve existing and future
19 customers.²

20 8. Based on the information provided by the Company, the Company has neither
21 consistently, nor to any great extent, exercised enforcement of the mandatory water use restriction
22 provisions in its existing curtailment tariff.

23 _____

24 ¹ In support of the proposed surcharge the Company asserted that the water table in the service area was dropping
25 dramatically; the Company's wells consistently have not been able to keep up with customers' water demands. The
26 Company feared water shortages during the summer. Indiada also sited a lack of adequate storage for the Indiada
27 water system.
28 ² Staff's review concluded that the Company's water system consisted of three wells with a total production of 52
gallons per minute ("GPM"), a 12,000 gallon storage tank, a booster pump station and a 2,170 gallon pressure tank
system to serve 56 customers in an unincorporated area near Sierra Vista, Cochise County, Arizona. There is an
existing temporary interconnection between the Company and Antelope Run Water Company (a sister owned and
operated Company). Based on 2008 water usage data, the Company had adequate production and storage capacity to
serve its existing customers and future growth.

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ORDER

THEREFORE, IT IS ORDERED that the application by Indiada Water Company, Inc. to amend its existing Curtailment Tariff is denied.

IT IS FURTHER ORDERED that this Decision become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN	COMMISSIONER	COMMISSIONER
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COMMISSIONER	COMMISSIONER
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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 _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:DMH:lhmkR

1 SERVICE LIST FOR: Indiada Water Company, Inc.
2 DOCKET NO. W-02031A-09-0518

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