NEW APPLICATION

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ORIGINAL RECEIVED

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Arizona Corporation Commission
DOCKETED
MAR 3 1 2010
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BEFORE THE ARIZONA CORPORATION COMMISSION

W-03514A-10-0117

IN THE MATTER OF THE NOTICE OF FILING OF PAYSON WATER COMPANY'S PROPOSED CHANGES TO ITS CURTAILMENT TARIFF (MESA DE CABALLO SYSTEM)	DOCKET NO: W-03514A-10-_____ **NOTICE OF FILING PROPOSED CHANGES TO CURTAILMENT TARIFF**

Payson Water Company, an Arizona public service corporation ("Payson Water" or "the Company"), hereby submits this Notice of Filing Proposed Changes to Curtailment Tariff. The purpose of this filing is to establish a modified Curtailment Tariff specific to the needs of its Mesa del Caballo system customers. A copy of the revised tariff, attached hereto as **Exhibit 1**, was drafted in conjunction with members of the Mesa del Caballo Water Committee. Further, a letter of support from the Mesa del Caballo Water Committee is attached hereto as **Exhibit 2**.

Payson Water has filed an Application for Approval of Water Augmentation Surcharge Tariff concurrent with this filing. The proposed changes to the Company's Curtailment Tariff are made in anticipation that a water augmentation surcharge will be approved by the Commission that will allow Payson Water to supplement its water supply in the event shortages occur. As set forth in the proposed changes, water augmentation requirements are triggered once Stage 3 goes into effect. There are also water augmentation requirements for Stage 4 and Stage 5. Again, these triggers have been

discussed and developed in detail with the Mesa del Caballo Water Committee and other community members.

The proposed revised Curtailment Tariff will not go into effect unless the Company receives approval of its Water Augmentation Surcharge Tariff, filed concurrently with this Notice of Filing.

RESPECTFULLY SUBMITTED this 31st day of March, 2010.

FENNEMORE CRAIG, P.C.

By: _____
Patrick J. Black
Attorneys for Payson Water Company

ORIGINAL and 15 copies filed
this 31st day of March, 2010, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: Maria San Jose

2297057.2

Exhibit 1

CURTAILMENT PLAN FOR: PAYSON WATER CO., INC.'S

MESA DEL CABALLO WATER SYSTEM (PWS 04-030)

APPLICABILITY

Payson Water Co, Inc. (the "Company") is authorized by the Arizona Corporation Commission (the "Commission") to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff. As needed this tariff will be implemented by the Company for customers of the Mesa del Caballo water system ("Water System").

The 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 this tariff.

For the purposes of this curtailment plan the term "Peak Season" shall be defined as the period between May 1 and October 1 annually. The term "Off-Peak Season" shall be defined as all other periods not defined as Peak Season.

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

STAGES

Stage 1 Exists When: Water System's storage level is 85% or more of capacity and there are no known problems with well production or storage.

RESTRICTIONS: Under Stage 1 conditions the water system is deemed to be operating normally and no curtailment is necessary, except as follows: (a) no outside watering is permitted on Mondays; (b) outside water is permitted on Tuesdays, Thursdays, and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays, Fridays, and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or any form of irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

WATER AUGMENTATION: Under Stage 1 conditions no water augmentation is required.

NOTICE: Under Stage 1 conditions no notice is required.

Stage 2 Exists When: Water System's storage level is less than 85% of capacity but more than 70% of capacity for at least forty-eight (48) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

RESTRICTIONS: Under Stage 2 conditions **voluntary** conservation measures should be employed by customers to reduce indoor and outdoor water consumption by at least 20% as measured on a daily basis. Further water use restrictions shall include: (a) no outside watering is permitted on Monday's, Thursdays, and Fridays; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

WATER AUGMENTATION: Under Stage 2 conditions no water augmentation is required.

NOTICE: Under Stage 2 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 2 conditions, and a need to conserve water.

Stage 3 Exists When: Water System's storage level is less than 70% of capacity but more than 60% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

RESTRICTIONS: Under Stage 3 conditions **mandatory** conservation measures should be employed by customers to reduce indoor and outdoor water consumption by at least 30% as measured on a daily basis. Further water use restrictions shall include: (a) no outside watering is permitted on Monday's, Thursdays, and Fridays.; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 3 conditions the Company shall inform customers of the Water System of the **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 3 conditions the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of

any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other indoor or outdoor water intensive activity. Under Stage 3 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

WATER AUGMENTATION: Under Stage 3 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

NOTICE: Under Stage 3 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 3 conditions, and a need to conserve water.

ENFORCEMENT: Once the Company has properly provided notice of Stage 3 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan will result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be: (1) first offense $200; (2) second offense $350; and (3) third offense $750. If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 4 Exists When: Water System's storage level is less than 60% of capacity but more than 50% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

RESTRICTIONS: Under Stage 4 conditions **mandatory** conservation measures should be employed by customers to reduce indoor and outdoor water consumption by at least 40% as measured on a daily basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, Fridays, and Sundays; (b) outside watering is permitted on Tuesdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 4 conditions the Company shall inform customers of the Water System's **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure of

customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 3 conditions the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other indoor or outdoor water intensive activity. Under Stage 4 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

WATER AUGMENTATION: Under Stage 4 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

NOTICE: Under Stage 4 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 4 conditions, and a need to conserve water.

ENFORCEMENT: Once the Company has properly provided notice of Stage 3 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan will result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be: (1) first offense $400; (2) second offense $750; and (3) third offense $1,500. If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 5 Exists When: Water System's storage level is less than 50% of capacity for at least twelve (12) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

RESTRICTIONS: Under Stage 5 conditions **mandatory** conservation measures should be employed by customers to reduce indoor and outdoor water consumption by at least 50% as measured on a daily basis. Under Stage 5 conditions no outside watering is permitted. Under Stage 5 conditions the Company shall inform customers of the Water System's **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure of customers to comply with this requirement may result in service

disconnection as described by this Curtailment Plan. Under Stage 5 conditions the following uses of water are strictly prohibited: (1) all outdoor watering; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other indoor or outdoor water intensive activity. Under Stage 5 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

WATER AUGMENTATION: Under Stage 5 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

NOTICE: Under Stage 5 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 5 conditions, and a need to conserve water.

ENFORCEMENT: Once the Company has properly provided notice of Stage 5 conditions, the failure of a customer to comply with this Curtailment Plan within twelve (12) hours of receiving notice of its violation of this Curtailment Plan will result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be: (1) first offense $800; (2) second offense $1,500; and (3) third offense $3,000. If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

WATER CONSERVATION STAGING SIGN NOTICES

If the Company elects to provide customer water conservation stage notice by use of local sign postings the Company shall post and maintain at least two (2) signs per water system in noticeable locations that include the entrance to major subdivisions indicating the Company is operating under its Curtailment Plan Tariff, beginning with Stage 1. Each signs shall be at least four feet by four feet and color-coded to denote the current stage, as follows:

Stage 1	Green
Stage 2	Blue
Stage 3	Yellow
Stage 4	Orange
Stage 5	Red

The Company shall notify the Consumer Services Division of the Utilities Division within two hours of entering Stage 3, Stage 4, or Stage 5 conditions.

RECONNECTION FEES

All reconnection fees shall be cumulative for a calendar year regardless of the Stage that an offense occurs. For example, if a customer fails to meet the requirements of a water conservation stage, observe required water conservation measures under a Stage 3 condition, and after receiving notice that a water conservation stage is in effect, the reconnection fee will be $200. If the same customer in the same calendar year commits an offense under Stage 5 conditions, the reconnection fee shall be $1,500. By May 15 and October 15 annually the Company shall provide the Director of the Utilities Division with a list of customers why paid reconnection for failure to comply with the mandatory provisions of the Curtailment Plan Tariff.

Any customer who has service disconnected according to this Curtailment Plan Tariff more than once during a calendar year shall have those terminations count against them in the next calendar year for purposes of establishing the reconnection fee, should another disconnection occur.

WATER CONSUMPTION CALCULATION OF "DAILY USE"

For the purpose of calculating "daily use" under the Restriction section of Stage 2, Stage 3, Stage 4, and Stage 5 water conservation conditions, the following definition shall apply:

Customer water meter reading today, minus the customer water meter yesterday, multiplied by 30 days, compared to the higher of (a) the immediately preceding month's actual water consumption, or (b) the same month last year for the same service location. Under this definition of "daily use" the water customer shall be deemed in violation of a specific water conservation Stage if the calculation of "daily use" exceeds the higher of either (a) or (b) herein.

Example 1: Customer meter reads 0000986654 today. Customer meter reads 0000986354 yesterday. The difference in meter reads is 300 gallons for one day or 9,000 gallons for 30 days. Customer actual use in the immediately preceding month was 7,000 gallons. Customers actual in the same month last year was 6,000 gallons. Under Stage 3 mandatory water conservation conditions the customer is required to reduce consumption 30% or 2,700 gallons. Customer is in violation of Stage 3 condition because his current "daily use" calculation is greater than either period (a) or period (b) as defined herein.

Example 2: Customer meter reads 000055411 today. Customer meter reads 000055311 yesterday. The difference in meter reads is 100 gallons for one day or 3,000 gallons for 30 days. Customer actual use in the immediately preceding month was 6,000 gallons. Customer actual in the same month last year was 5,000 gallons. Under Stage 3 mandatory water conservation conditions the customer is required to reduce consumption 30% or 900 gallons. Customer is not in violation of Stage 3 condition because his current "daily use" calculation has been reduced more than either period (a) or period (b) as defined herein.

Example 3: Customer meter reads 003130 today. Customer meter reads 003000 yesterday. The difference in meter reads is 130 gallons for one day or 3,900 gallons for 30 days. Customer actual use in the immediately preceding month was 6,000 gallons. Customer's actual use in the same month last year was 3,000 gallons. Under Stage 3 mandatory water conservation conditions the customer is required to reduce consumption 30% or 1,170 gallons. Customer is in violation of Stage 3 conditions because his current "daily use" calculation has not been reduced more than period (b) as defined herein.

Exhibit 2

8025 Vista del Norte
Payson, AZ 85541-6163
March 16, 2010

Arizona Corporation Commission
Commissioners Wing
1200 West Washington
Phoenix, AZ 85007-2996

To Whom It May Concern:

Mesa del Caballo is a small community of approximately 1200 citizens located 2 miles NE of Payson. The Mesa del Caballo Water Committee consists of Ed Schwebel, Irene Schwartzbauer, Minnie Norman, and Randy Norman. Since August, 2009, we have worked with Brooke Utilities, a.k.a. Payson Water Co, Inc., to revise the Curtailments for our community. The Curtailments and Water Augmentation Surcharge being submitted to you have been composed with our direct and continuous input. These will help our community deal with our available water supply in a more reasonable manner both for us and the Payson Water Co., Inc.

Sincerely,

Randy Norman

Minnie Norman

Irene Schwartzbauer

Ed Schwebel