

ORIGINAL

Arizona Corporation Commission
DOCKETED

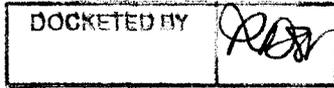


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Ronald L. McDonald

FEB 4 2011

Pineview Water Company
5198 Cub Lake Road
Show Low, Arizona 92801
Telephone: 928-537-4858
General Manager of Pineview Water Company, Inc.



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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATER OF THE)	
APPLICATION OF PINEVIEW)	
WATER COMPANY, INC. FOR AN)	DOCKET NO. W-01676A-08-0366
INCREASE IN ITS WATER RATES)	Decision # 71693 Compliance Filing

On June 11, 2009 the Arizona Corporation Commission granted Pineview Water Company, Inc. authority to incur long term debt. In Decision #71167, Page 8, Lines 10 through 18 of the decision states the following:

“IT IS FURTHER ORDERED that Pineview Water Company, Inc. shall reduce its water loss to below 10 percent by December 10, 2010, or before it files its next rate increase application and/or Certificate of Convenience and Necessity application, whichever comes first. The Company shall begin immediately water loss monitoring and shall take action to reduce water loss to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. The Company shall be required to file the cost effectiveness or cost analysis report with Docket Control, as a compliance item in this docket, by January 31, 2011”.

However, in a prior order of the Commission (Docket #W-01676A-04-0463, Decision #67989, dated July 18, 2005), the Commission ordered the Company to file a rate increase application by July 18, 2008. When Decision #71167 was rendered the Company was already in the midst of meeting the order in Decision #67989.

1 Therefore, on April 27, 2010 the Arizona Corporation Commission granted Pineview
2 Water Company, Inc. an Increase in Rates and Charges. In Decision #71693, Page 27, Lines 5
3 through 20 of this decision it states the following:

4 “IT IS FURTHER ORDERED that Pineview Water Company, Inc. shall begin water loss
5 monitoring and take action to reduce its water loss to a level lower than 10 percent.

6 IT IS FURTHER ORDERED that Pineview Water Company, Inc. shall evaluate its water
7 system and file with the Commission, as a compliance item in this docket, by January 31, 2011,
8 either a water loss report setting forth the corrective measures that Pineview Water Company,
9 Inc. will use to reduce its water loss to a level lower than 10 percent or, if Pineview determines
10 that a reduction of water loss to a level lower than 10 percent is not cost effective, a detailed cost
11 analysis and explanation demonstrating why water loss reduction to a level lower than 10
12 percent is not cost effective.

13 IT IS FURTHER ORDERED that Pineview Water Company, Inc. shall analyze whether
14 reducing its water loss to a level lower than 10 percent will necessitate replacement of all of the
15 transite pipe within its system and shall determine the costs that would be incurred in replacing
16 all of the transite pipe.

17 IT IS FURTHER ORDERED that Pineview Water Company, Inc. shall include its
18 analysis regarding the need to replace transite pipe and the estimated costs of replacing the
19 transite pipe in its compliance filing required to be made in this docket by January 31, 2011.”

20 In 2007 Pineview Water Company, Inc. developed a program to reduce its water loss to a
21 level lower than 10 percent. In 2010 Pineview Water Company, Inc. took aggressive, proactive
22 steps to find the cause of its excessive water loss.

23 Pineview Water Company has exhausted all avenues of reducing its water loss to less
than 10 percent. It is the firm opinion of Pineview Water Company that the transite pipes in the

1 Scotts Pine Subdivision is the cause of the excessive loss. The Company has placed hundreds of
2 repair clamps on the transite pipe throughout the Scotts Pine Subdivision. Leaks in this
3 subdivision or very difficult to find due to the fact that the Pinetop/Lakeside Sanitary District
4 backfilled their trenches with cinders. They crossed our mains literally hundreds of times. The
5 result is that leaks do not come to the surface. Pineview Water Company field staff would need
6 to expose the entire water main system to find all the leaks. This is not physically realistic or
7 economically feasible.

8 Attached, for the Commission's review, as Exhibit 1, are the measures Pineview Water
9 Company, Inc. has put into place to reduce its water loss to a level lower than 10 percent.
10 Exhibit 1 also includes the analysis regarding the need to replace the transite pipe in the Scotts
11 Pine Meadow subdivision.

12 Exhibit 2 is a copy of the program Pineview Water Company put into effect to keep track
13 of water pumped, sold, flushed from the system, leaks and inspections.

14 Exhibit 3, is a copy of the Planning and Designing Grant that Pineview Water Company
15 obtained from Water Infrastructure Finance Authority on August 9, 2010. The grant was used to
16 contract with Tetra Tech, Inc., an Engineering Firm, to design a plan to replace all the transite
17 pipe in the Scotts Pine Meadow subdivision. Exhibit 3 also includes the Engineer's estimated
18 cost analysis and a color copy of the plan.

19 The plan has not been submitted to ADEQ for an Approval to Construct. The Company
20 seeks the Commission's direction on this matter.

21 An Original and thirteen copies of the
22 foregoing filed this 27th day
of January, 2011 with:

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

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Utilities Division
Compliance Section
1200 West Washington
Phoenix, Arizona 85007

Utilities Division
1200 West Washington
Phoenix, Arizona 85007

Legal Division
1200 West Washington
Phoenix, Arizona 85007

EXHIBIT 1

Steps Pineview Water Company has take to reduce Water Loss

An ADEQ Representative performed an Operation and Maintenance evaluation on August 15, 2007. The ADEQ O. & M. report was received on September 5, 2007. At that time the company had not yet determined the probable source of the excessive water loss. The evaluation included developing a facility schematic and description of the system. It evaluated our site sampling plan, as well as our Emergency Operation, Vulnerability Assessment and Backflow/Cross-Connection Control Plans.

It was not until after the evaluation that the company learned of leaks in the Scotts Pines subdivision's water system.

Through a process of elimination the company is prudently certain that the source of the excess water loss is in the Scotts Pine Meadow subdivision's water system. The company has come to this conclusion based on the following:

- The company performed a meter flow test on every meter. Meters found to not be registering accurately were replaced.
- All main lines were walked. Many are in backyard easements or through undeveloped forested areas. All leaks discovered were repaired.
- The company maintains records of estimated water lost prior to the leak being found and repaired.
- The company maintains records of water lost through monthly flushing.
- The company maintains records on adjusted bills due to miss reads.
- The company's construction specifications included mega lug fittings and joint restraints (no glued fittings on main lines). Service lines are brass fittings on poly pipe.
- "Clay Dams" are installed where leaks have been found in areas where cinders were used as backfill by other utilities.
- In October 2010 the company began a program of temporarily isolating sections of the main lines to do pressure tests.

As a result of the above noted process, the company has discovered that leaks located in the Scotts Pines subdivision's water system are the most likely source of the excess water loss.

Therefore, on August 9, 2010, the company obtained a Planning and Design grant from WIFA. The company has contracted with Tetra-Tec Engineering to Plan, Design and provide an Engineer's estimate to replace the water system in the Scotts Pine Meadow Subdivision.

Exhibit 2

2010

<u>MONTH</u>	<u>PUMPED</u>	<u>SOLD b/r</u>	<u>FINAL BILLS</u>	<u>TOTAL SOLD</u>	<u>FLUSHING</u>	<u>LEAKS</u>	<u>INSPECTIONS</u>	<u>DIFFERENCES</u>	<u>PERCENTAGE</u>
January	8,583,500	5,230,185	7,525	5,237,710	-	165,000	85	3,180,705	37.06%
February	6,837,300	6,290,031	3,378	6,293,409	281,750	48,844	140	213,157	3.12%
March	5,604,600	4,520,592	7,007	4,527,599	248,200	40,000	-	788,801	14.07%
April	6,437,500	5,367,970	11,528	5,379,498	165,400	56,000	-	836,602	13.00%
May	10,033,800	7,669,783	8,328	7,678,111	257,050	35,000	720	2,062,919	20.56%
June	13,784,200	13,399,126	21,125	13,420,251	56,250	360,400	-	(52,701)	-0.38%
July	12,632,700	10,651,099	28,336	10,679,435	-	72,000	49	1,881,216	14.89%
August	9,934,800	8,065,471	46,344	8,111,815	381,200	24,000	-	1,417,785	14.27%
September	10,949,800	9,558,352	5,490	9,563,842	224,800	26,000	220	1,134,938	10.36%
October	9,442,000	7,444,710	14,552	7,459,262	316,236	-	-	1,666,502	17.65%
November	6,290,200	5,152,202	26,773	5,178,975	265,875	146,040	57	699,253	11.12%
December	6,414,000	5,791,138	23,192	5,814,330	270,100	929,900	-	(600,330)	-9.36%
TOTAL	106,944,400	89,140,659	203,578	89,344,237	2,466,861	1,903,184	1,271	13,228,847	12.20%

<u>MONTH</u>	<u># of BILLS</u>
January	1,144
February	1,143
March	1,143
April	1,141
May	1,146
June	1,146
July	1,149
August	1,149
September	1,152
October	1,155
November	1,166
December	1,169
TOTAL	13,803

JANICE K. BREWER
Governor



JUDY NAVARRETE
Executive Director

Exhibit 3

Water Infrastructure Finance Authority of Arizona
BENJAMIN H. GRUMBLES
Chairman

August 9, 2010

Ron McDonald
Pineview Water Company
5198 Cub Lake Rd.
Show Low, Arizona 85901

Notice to Proceed
WIFA Grant Agreement 820051-11

Dear Mr. McDonald,
The Water Infrastructure Finance Authority (WIFA) of Arizona has received a signed Planning and Design Assistance Grant Agreement from the Pineview Water Company. Enclosed you will find your copy of the signed Agreement.

To request a disbursement of grant funds, the project manager should fill out and sign one of the Disbursement Request forms e-mailed to you previously. When submitting a disbursement requisition you will need to include documentation of the expenses in the form of an invoice or receipt. When task items are completed, please include a copy of the applicable deliverable(s) as described in the Grant Agreement, Exhibit A.

Please mail all documents to the attention of our Environmental Program Supervisor, Melanie Ford, at the address below. We look forward to working with you on your grant project. If you have any questions, please contact Melanie at (602) 364-1321.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandy Sutton". The signature is fluid and cursive, written over a horizontal line.

Sandy Sutton
Interim Director

PINEVIEW WATER COMPANY
 Scotts Pine Meadow
 Engineer's Construction Estimate

EXHIBIT 3

	QTY	UNIT	PRICE	TOTAL
8" x 8" Tee	16	EA.	\$ 441	\$ 7,056
8" x 6" Tee	3	EA.	\$ 386	\$ 1,158
6" x 6" Tee	2	EA.	\$ 328	\$ 656
8" x 90° Bend	9	EA.	\$ 331	\$ 2,979
8" x 45° Bend	12	EA.	\$ 284	\$ 3,408
8" x 22.5° Bend	4	EA.	\$ 281	\$ 1,124
8" x 11.25° Bend	7	EA.	\$ 265	\$ 1,855
6" C-900, Class 200, PVC Pipe	1,071	L.F.	\$ 38	\$ 40,698
8" C-900, Class 200, PVC Pipe	16,582	L.F.	\$ 44	\$ 729,608
8" Valve, Box, & Cover	65	EA.	\$ 1,315	\$ 85,475
6" Valve, Box, & Cover	7	EA.	\$ 947	\$ 6,629
Double Meter Service	34	EA.	\$ 1,250	\$ 42,500
Single Meter Service	228	EA.	\$ 1,050	\$ 239,400
Blow Off Device	1	EA.	\$ 1,250	\$ 1,250
Pavement Remove and Replace	210	S.Y.	\$ 63	\$ 13,230
Tapping Sleeve	3	EA.	\$ 1,250	\$ 3,750
			Total	\$ 1,180,776

