

ORIGINAL

OPEN MEETING



0000123101

MEMORANDUM

Arizona Corporation Commission

RECEIVED

TO: THE COMMISSION

DOCKETED

2011 FEB 14 P 3:47

FROM: Utilities Division

FEB 14 2011

AZ CORP COMMISSION
DOCKET CONTROL

DATE: February 14, 2011

DOCKETED BY

RE: THE ESTATE OF WILLIAM F. RANDALL D/B/A VALLE VERDE WATER COMPANY FOR AN INCREASE IN ITS WATER RATES AND FOR AUTHORITY TO INCUR LONG-TERM DEBT (DOCKET NOS. W-01431A-09-0360 AND W-01431A-09-0361 - COMPLIANCE FILING PER DECISION NO. 71899)

Introduction

On September 28, 2010, the Commission issued Decision No. 71899 granting Valle Verde Water Company ("Valle Verde" or "Company") a rate increase. As part of the Decision, the Commission ordered that Valle Verde submit "... for Commission consideration, within 120 days of the effective date of this Decision, at least three Best Management Practices (as outlined in the Arizona Department of Water Resources' modified Non-Per Capita Conservation Program)."¹ The Decision further ordered that a maximum of two of these Best Management Practices ("BMPs") may come from the "Public Awareness/PR" or "Education and Training" categories of the BMPs and that these BMPs "... generally follow the templates contained on the Commission's website."²

Company's Compliance Filing

On January 26, 2011, the Company filed its proposed BMP tariffs. In its compliance filing the Company is requesting Commission approval to implement the conservation measures listed below.

1. **Local and/or Regional Messaging Program Tariff – BMP 1.1:** A program for the Company to actively participate in a water conservation campaign with local or regional advertising.
2. **Customer High Water Use Notification Tariff – BMP 3.7:** A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation.

¹ Decision No. 71899 at 25:1-4.

² Decision No. 71899 at 25:4-7.

3. **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

Staff's Analysis

Valle Verde Background Information and Service Area Characteristics

Valle Verde is providing water utility service to approximately 800 customers near the City of Nogales, Arizona, in Santa Cruz County. The Commission granted Valle Verde a Certificate of Convenience and Necessity in Decision No. 28887 (April 27, 1955).

Valle Verde is currently owned by the Estate of William F. Randall, who had operated the system for many years prior to his death. Upon Mr. Randall's death, the system fell into financial and operational disarray and became non-compliant with several Arizona Department of Environmental Quality ("ADEQ") Rules.

On August 29, 2007, the Commission issued Decision No. 69882, an Order to Show Cause, ordering Valle Verde to answer allegations concerning the violation of Commission Rules and directing Staff to appoint an interim manager to operate the system. The Commission entered into an agreement with Southwestern Utility Management ("SUM") to act as the interim manager of Valle Verde. SUM has been operating the system as interim manager, pursuant to an agreement with the Commission, since September 2007. SUM provided the following information to Staff in support of the BMPs selected for this compliance filing.

SUM currently provides a web site to promote water conservation, rules and regulation, etc., according to SUM, this information is currently being provided to Valle Verde customers at no cost to the water company.

A high water use program is already being provided by SUM as well. SUM's Field Technicians can identify high usage in the field while doing the meter reads and leave door hangers on the customer's door to that affect. SUM's water utility billing program notifies business office personnel when high usage is detected and the customer is notified. The Field Technicians visit the site and/or business office personnel contact the customer either by mail or phone. The customer is informed as to how to check for leaks in toilets, valves, sprinklers, etc.

According to SUM the water system tampering tariff would provide more enforcement capabilities when it comes to this issue as they are already covered under the rules and regulations of the Commission when customers tamper with the lines or meters. When SUM has an issue it turns the customer off and/or caps the service if the customer continues to violate the rules (SUM has had occasions where water customers turn their water meter back on after it has been turned off).

The Field Technicians have also discovered in the past that a few customers illegally tapped into the water system main. As these issues are discovered they are rectified by notifying the person responsible, if possible, and disconnecting the line to the main. SUM believes this may explain some of the water loss the Company has experienced in the past. The water system tampering tariff will further develop the issue and help the Company bring an action for damages against the person who tampers with the water system. Staff concludes that each BMP proposed is relevant to Valle Verde's service area characteristics and current water use issues.

Proposed Tariffs

Staff created a set of BMP tariff templates that were developed using the BMP descriptions outlined in the Arizona Department of Water Resources' ("ADWR") modified Non-Per Capita Conservation Program and relevant ADWR documents. ADWR representatives were provided with a copy of these templates and revisions were made to the templates where appropriate to incorporate any comments/suggestions provided by ADWR. Valle Verde was provided a copy of Staff's templates. The tariffs proposed by the Company conform to the templates developed by Staff.

Recommendation

Staff concludes that the BMPs proposed are relevant to Valle Verdes' service area characteristics. The tariffs proposed by Valle Verde conform to the templates developed by Staff. Therefore, Staff recommends approval of the Company's proposed BMP tariffs.



Steven M. Olea
Director
Utilities Division

SMO:DWS:lh\CH

Originator: Del Smith

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION)
OF THE ESTATE OF WILLIAM F.)
RANDALL D/B/A VALLE VERDE WATER)
COMPANY FOR AN INCREASE IN ITS)
WATER RATES AND FOR AUTHORITY)
TO INCUR LONG-TERM DEBT -)
COMPLIANCE FILING PER DECISION)
NO. 71899)

DOCKET NOS. W-01431A-09-0360
W-01431A-09-0361

DECISION NO. _____

ORDER

Open Meeting
March 1 and 2, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Valle Verde Water Company ("Valle Verde" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.

2. On September 28, 2010, the Commission issued Decision No. 71899 granting Valle Verde Water a rate increase. As part of the Decision, the Commission ordered that Valle Verde submit "... for Commission consideration, within 120 days of the effective date of this Decision, at least three Best Management Practices (as outlined in the Arizona Department of Water Resources' modified Non-Per Capita Conservation Program)."¹ The Decision further ordered that a maximum of two of these Best Management Practices ("BMPs") may come from the "Public ...

¹ Decision No. 71899 at 25:1-4.

1 Awareness/PR” or “Education and Training” categories of the BMPs and that these BMPs “. . .
2 generally follow the templates contained on the Commission’s website.”²

3 3. On January 26, 2011, the Company filed its proposed BMP tariffs. In its
4 compliance filing the Company is requesting Commission approval to implement the conservation
5 measures listed below.

- 6 • **Local and/or Regional Messaging Program Tariff – BMP 1.1:** A program for the
7 Company to actively participate in a water conservation campaign with local or
8 regional advertising.
- 9 • **Customer High Water Use Notification Tariff – BMP 3.7:** A program for the
10 Company to monitor and notify customers when water use seems to be abnormally
11 high and provide information that could benefit those customers and promote water
12 conservation.
- 13 • **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to
14 promote the conservation of groundwater by enabling the Company to bring an
15 action for damages or to enjoin any activity against a person who tampers with the
16 water system.

14 Staff’s Analysis

15 Valle Verde Background Information and Service Area Characteristics

16 4. Valle Verde is providing water utility service to approximately 800 customers near
17 the City of Nogales, Arizona, in Santa Cruz County. The Commission granted Valle Verde a
18 Certificate of Convenience and Necessity in Decision No. 28887 (April 27, 1955).

19 5. Valle Verde is currently owned by the Estate of William F. Randall, who had
20 operated the system for many years prior to his death. Upon Mr. Randall’s death, the system fell
21 into financial and operational disarray and became non-compliant with several Arizona
22 Department of Environmental Quality (“ADEQ”) Rules.

23 6. On August 29, 2007, the Commission issued Decision No. 69882, an Order to
24 Show Cause, ordering Valle Verde to answer allegations concerning the violation of Commission
25 Rules and directing Staff to appoint an interim manager to operate the system. The Commission
26 entered into an agreement with Southwestern Utility Management (“SUM”) to act as the interim
27

28 ² Decision No. 71899 at 25:4-7.

1 manager of Valle Verde. SUM has been operating the system as interim manager, pursuant to an
2 agreement with the Commission, since September 2007. SUM provided the following information
3 to Staff in support of the BMPs selected for this compliance filing.

4 7. SUM currently provides a web site to promote water conservation, rules and
5 regulation, etc., according to SUM, this information is currently being provided to Valle Verde
6 customers at no cost to the water company.

7 8. A high water use program is already being provided by SUM as well. SUM's Field
8 Technicians can identify high usage in the field while doing the meter reads and leave door
9 hangers on the customer's door to that affect. SUM's water utility billing program notifies
10 business office personnel when high usage is detected and the customer is notified. The Field
11 Technicians visit the site and/or business office personnel contact the customer either by mail or
12 phone. The customer is informed as to how to check for leaks in toilets, valves, sprinklers, etc.

13 9. According to SUM the water system tampering tariff would provide more
14 enforcement capabilities when it comes to this issue as they are already covered under the rules
15 and regulations of the Commission when customers tamper with the lines or meters. When SUM
16 has an issue it turns the customer off and/or caps the service if the customer continues to violate
17 the rules (SUM has had occasions where water customers turn their water meter back on after it
18 has been turned off).

19 10. The Field Technicians have also discovered in the past that a few customers
20 illegally tapped into the water system main. As these issues are discovered they are rectified by
21 notifying the person responsible, if possible, and disconnecting the line to the main. SUM believes
22 this may explain some of the water loss the Company has experience in the past. The water
23 system tampering tariff will further develop the issue and help the Company bring an action for
24 damages against the person who tampers with the water system. Staff concludes that each BMP
25 proposed is relevant to Valle Verde's service area characteristics and current water use issues.

26 Proposed Tariff

27 11. Staff created a set of BMP tariff templates that were developed using the BMP
28 descriptions outlined in the Arizona Department of Water Resources' ("ADWR") modified Non-

1 Per Capita Conservation Program and relevant ADWR documents. ADWR representatives were
 2 provided with a copy of these templates and revisions were made to the templates where
 3 appropriate to incorporate any comments/suggestions provided by ADWR. Valle Verde was
 4 provided a copy of Staff's templates. The tariffs proposed conform to the templates developed by
 5 Staff.

6 **Recommendation**

7 12. Staff concludes that the BMPs proposed are relevant to Valle Verdes' service area
 8 characteristics. The tariffs proposed conform to the templates developed by Staff. Therefore,
 9 Staff recommends approval of the proposed BMP tariffs attached hereto.

10 CONCLUSIONS OF LAW

11 1. The Company is an Arizona public service corporation within the meaning of
 12 Article XV, Section 2, of the Arizona Constitution.

13 2. The Commission has jurisdiction over the Company and of the subject matter in
 14 this Application.

15 3. The Commission having reviewed the filing and Staff's Memorandum dated
 16 February 14, 2011, concludes that it is in the public interest to approve the proposed BMP tariffs.

17 ORDER

18 IT IS THEREFORE ORDERED that Valle Verde Water Company's BMP tariffs attached
 19 hereto are hereby approved.

20 ...
 21 ...
 22 ...
 23 ...
 24 ...
 25 ...
 26 ...
 27 ...
 28 ...

1 IT IS FURTHER ORDERED that Valle Verde Water Company shall file with Docket
 2 Control, as a compliance item in this docket, the BMP tariffs authorized herein within 30 days of
 3 the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5
 6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7
 8 _____

CHAIRMAN		COMMISSIONER
----------	--	--------------

9
 10
 11 _____

COMMISSIONER	COMMISSIONER	COMMISSIONER
--------------	--------------	--------------

12
 13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
 14 Executive Director of the Arizona Corporation Commission,
 15 have hereunto, set my hand and caused the official seal of
 16 this Commission to be affixed at the Capitol, in the City of
 17 Phoenix, this _____ day of _____, 2011.

18
 19 _____

ERNEST G. JOHNSON
 EXECUTIVE DIRECTOR

20
 21 DISSENT: _____

22
 23 DISSENT: _____

24 SMO:DWS:lh\CH

1 SERVICE LIST FOR: VALLE VERDE WATER COMPANY
2 DOCKET NO.: W-01431A-09-0360

3 Mr. Steve Wene
4 Attorney for Valle Verde Water Company
5 Moyes Sellers & Sims LTD.
6 1850 North Central Avenue, Suite 1100
7 Phoenix, Arizona 85004

8 Mr. Steven M. Olea
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Ms. Janice M. Alward
14 Chief Counsel, Legal Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18
19
20
21
22
23
24
25
26
27
28

Company: Estate of William F. Randall D/B/A Valle Verde
Water Company

Decision No.: 71899

Phone: 520-623-5172

Effective Date: September 28, 2010

Local and/or Regional Messaging Program Tariff – BMP 1.1

PURPOSE

A program for the Company to actively participate in a water conservation campaign with local or regional advertizing (Modified Non-Per Capita Conservation Program BMP Category 1: Public Awareness/Public Relations 1.1: Local and/or Regional Messaging Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company or designated representative shall actively participate in water conservation campaign with local and/or regional advertising.
2. The campaign shall promote ways for customers to save water.
3. The Company shall facilitate the campaign through one or more of the following avenues (not an all inclusive list):
 - a. Television commercials
 - b. Radio commercials
 - c. Websites
 - d. Promotional materials
 - e. Vehicle signs
 - f. Bookmarks
 - g. Magnets
4. The Company shall keep a record of the following information and make it available to the Commission upon request.
 - a. A description of the messaging program implemented and program dates.
 - b. The number of customers reached (or an estimate).
 - c. Costs of Program implementation.

Company: Estate of William F. Randall D/B/A Valle Verde
Water Company

Decision No.: 71899

Phone: 520-623-5172

Effective Date: September 28, 2010

Customer High Water Use Notification Tariff – BMP 3.7

PURPOSE

A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services Program 3.7: Customer High Water Use Notification).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall track water usage for each customer and notify the customer if water use seems excessive for that particular billing for that time of the year.
2. The Company shall identify customers with high consumption and investigate each instance to determine the possible cause.
3. The Company shall contact the high water use customers via telephone, email, by mail or in person. The Company shall contact the customer as soon as practical in order to minimize the possible loss of water. The customer will not be required to do anything to receive this notification.
4. In the notification the Company shall explain some of the most common water usage problems and common solutions and points of contact for dealing with the issues.
5. In the notification, the customer will be reminded of at least the following water-saving precautions:
 - a. Check for leaks, running toilets, or valves or flappers that need to be replaced.
 - b. Check landscape watering system valves periodically for leaks and keep sprinkler heads in good shape.
 - c. Adjust sprinklers so only the vegetation is watered and not the house, sidewalk, or street, etc.
 - d. Continue water conservation efforts with any pools such as installing covers on pools and spas and checking for leaks around pumps.
6. In the notification, the customer will also be reminded of at least the following ordinary life events that can cause a spike in water usage:
 - a. More people in the home than usual taking baths and showers.
 - b. Doing more loads of laundry than usual.
 - c. Doing a landscape project or starting a new lawn.
 - d. Washing vehicles more often than usual.
7. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs.

Company: Estate of William F. Randall D/B/A Valle Verde
Water Company

Decision No.: 71899

Phone: 520-623-5172

Effective Date: September 28, 2010

8. The Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing the high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).
9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

Company: Estate of William F. Randall D/B/A Valle Verde
Water Company

Decision No. 71899

Phone: 520-623-5172

Effective Date: September 28, 2010

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

PURPOSE

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically AAC R14-2-403 and R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers a complete copy of this tariff and all attachments. The customers shall follow and abide by this tariff.
4. If after a customer has been connected to the Company water system, the Company discovers that the customer has taken action(s) contrary to the above requirements, the Company shall notify (in writing) the customer of such violation and provide the customer with the appropriate educational materials informing the customer of some possibilities of how to correct the problem. The customer shall be allowed sixty (60) days to come into compliance with the above requirements. If after sixty (60) days the customer is not in compliance with the above requirements, the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E.

Company: Estate of William F. Randall D/B/A Valle Verde
Water Company

Decision No. 71899

Phone: 520-623-5172

Effective Date: September 28, 2010

5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.