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MEMORANDUM

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**DATE:** April 25, 2011  
**TO:** Docket Control  
**FROM:** Steven M. Olea  
Director  
Utilities Division

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Arizona Corporation Commission  
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APR 26 2011

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**RE:** Mount Tipton Water Co., Inc.  
Compliance Report Decision No. 72001  
(Docket No. W-01205A-09-0522)

**INTRODUCTION**

In Decision No. 72001, Mt. Tipton Water Company, Inc. ("Mt. Tipton" or "Company") was ordered to engage in discussions with the Lake Mohave Ranchos Fire District regarding whether the Fire District can and will transition all or most of its non-domestic water use to Mt. Tipton's nonpotable water system. Mt. Tipton was ordered to file a report describing the outcome of the discussions with the Fire District within 120 days after the effective date of the decision. Arizona Corporation Commission ("Commission") Utilities Division ("Staff") was ordered to examine the Company's report and file its report within 45 days after the Company's report.

**COMPANY'S REPORT**

On March 3, 2011, a meeting between Mt. Tipton and the Fire District was held, Staff participated via speaker phone. On March 7, 2011, Mt. Tipton filed its report on its meeting with the Fire District, regarding the following questions:

**Question 1:** Whether Mt. Tipton's non-potable water supply would be sufficient to serve the Fire District's non-domestic water supply needs in a typical year?

**Company Response:** Yes, barring an extreme circumstance such as a large wildfire, the Company has adequate capacity to supply non-portable water to the Fire District.

**Question 2:** What modifications, if any, to the Fire District's equipment would be necessary to enable the Fire District to transition all or most of its non-domestic water use to the nonpotable water system? The estimated costs for any such modifications? The sources of funding available to cover the costs of any such modifications?

**Company Response:** The Fire District proposes to extend the bottom line from the non-potable tank to outside of the gated area. They also propose to increase the size of the

line in order to increase the volume of water available when filling their trucks. They have offered to supply the parts and labor to make these modifications. The cost for these modifications would be minimal.

**Question 3:** What modifications, if any, to Mt. Tipton's equipment or facilities would be necessary to enable the Fire District to transition all or most of its non-domestic water use to the non-potable water system? The estimated costs for any such modifications? The sources of funding available to cover the costs of any such modifications?

**Company Response:** In the past, we have discussed putting a pump on the bottom line of the non-potable for the fire department. They state that they generally do not need to fill their trucks that quickly to necessitate the installation of a pump. In an extreme emergency, they will have to fill their trucks wherever is quickest and most easily available. The modifications proposed above would decrease the filling time of their trucks. Once again, the Fire District has offered to provide these modifications at no cost to Mt. Tipton although we would provide the backhoe to do the necessary dirt work.

**Question 4:** What procedures and/or equipment modifications would help ensure that all of the Fire District's non-domestic water use is accurately accounted for each month?

**Company Response:** A hydrant meter could be installed on this line in order to accurately account for the water usage. However, a meter could reduce the water pressure depending on the water level in the tank.

On April 21, 2011, members of Mt. Tipton approved a flat rate of \$22.25 per month for the Fire District's use of non-portable water. The Company's reported monthly flat rate of \$22.25 was approved through a referendum, and it is consistent with the Fire District request for a flat rate for non-portable water.

## **STAFF RESPONSES**

Pursuant to Decision No. 72001, Staff files the following comments to the Company's report and questions raised in the Commission Order:

**Question No. 1:** Whether the Commission should restrict Mt. Tipton Water Company Inc.'s sales of portable water to the Fire District for non-domestic uses when non-potable water is available

**Staff Comments:** Yes. The Fire District should use nonpotable water first when nonpotable water is available. If nonpotable water is not adequate for fire fighting and/or training, Mt. Tipton should allow the Fire District to use potable water for non-domestic purposes.

**Question No. 2:** Whether any changes should be made to Mt. Tipton Water Company, Inc.'s rates and/or charges for use of non-portable water.

**Staff Comments:** Yes. Staff recommends that the Commission approve a special rate of \$22.25 per month for the Fire District's use of non-portable water. Because a monthly flat rate of \$22.25 results in total annual revenue of \$267, it does not significantly impact the Company's revenue requirement, just approved under this docket. However, it eliminates the lingering dispute between the Company and the Fire District. Staff finds that the proposed flat rate is reasonable for Fire District's use of non-portable water only.

**Question No. 3:** Whether the Commission should impose any additional requirements on Mt. Tipton related to the Fire District's use of water for non-domestic purposes?

**Staff Comments:** Yes. Historically, Mt. Tipton's annual water loss has exceeded 15%, Staff recommends that whenever the Fire District uses Mt. Tipton's potable water for fighting fires or other purposes that the quantity of potable water used be recorded/metered and reported to Mt. Tipton.

## **CONCLUSION & RECOMMENDATION**

Based on the Company's report on its meeting with the Fire District, Staff concludes that the contentious issues between both parties have been adequately resolved. The Fire District has committed to providing necessary materials and labor for modifying the Company's water system. The proposed modification will enhance the Fire District's ability to procure non-portable water for non-domestic purposes. Also, the Fire District will provide a monthly log on its use to non-portable water to assist the Company is accounting for water loss. Finally, members of the Company have approved a monthly flat rate of \$22.25 for the Fire District's use of non-portable water.

Based on these resolutions, Staff recommends that the Commission approve a flat rate of \$22.25 per month for the Fire District's use of portable water.

Service List for: Mount Tipton Water Company  
Docket No. W-02105A-09-0522

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