

ORIGINAL

# OPEN MEETING



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## MEMORANDUM

Arizona Corporation Commission

### DOCKETED

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TO: THE COMMISSION

FROM: Utilities Division

DATE: July 27, 2011

JUL 27 2011

DOCKETED BY *[Signature]*

AZ CORP COMMISSION  
DOCKET CONTROL

RE: **COMPLIANCE FILING PER DECISION NO. 72251** –BELLA VISTA WATER CO., INC., NORTHERN SUNRISE WATER COMPANY, INC., SOUTHERN SUNRISE WATER COMPANY, INC., BELLA VISTA WATER CO., INC. APPLICATION FOR APPROVAL OF A RATE INCREASE (DOCKET NOS. W-02465A-09-0411 W-20453A-09-0412, W-20454A-09-0413, W-02465A-09-0414, W-20453A-09-0414 AND W-20454A-09-0414)

### Introduction

On April 7, 2011, the Arizona Corporation Commission (“Commission”) issued Decision No. 72251 approving consolidated rates and operations and transferring utility assets for Bella Vista Water Company, Inc. (“Company”). As part of the Decision, the Commission ordered that “Bella Vista Water Company shall file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, at least five Best Management Practices in the form of tariffs that substantially conform to the templates created by Staff available at the Commission’s website, for the Commission’s review and consideration. A maximum of two of these BMPs may come from the “Public Awareness/Public Relations” or “Education and Training” categories of the BMPs as outlined by the ADWR in its Modified Non-Per Capita Conservation Program and relevant ADWR documents.”

### Company’s Compliance Filing

On July 5, 2011, the Company filed its five proposed Best Management Practices (“BMPs”) and the Company is requesting Commission approval for the five BMP tariffs listed below:

1. **Special Events/Programs and Community Presentations Tariff – BMP 1.2:** A program for the Company to give presentations and/or display and make available water conservation information and related material at community and special events.
2. **Youth Conservation Education Program Tariff – BMP 2.2:** A program for the Company to promote water conservation by increasing students’ understanding of water resources and the need to conserve.
3. **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for the Company to assist its customers with their high water-use inquiries and complaints.

4. **Leak Detection Program Tariff – BMP 4.1:** A program for the Company to systematically evaluate its water distribution system to identify and repair leaks.
5. **Evaluation of New and Emerging Technologies and Practices Tariff – BMP 7.3:** A program for the Company to evaluate new and emerging technologies and practices that promote the conservation of water.

### **Staff's Analysis**

#### Company Service Area Characteristics

The Company's water service area is within the City of Sierra Vista and covers a major portion of the southwest area of Cochise County. The Certificate of Convenience and Necessity held by the Company to serve around Sierra Vista was issued in 1955. The Company is not located in any Arizona Department of Water Resources' Active Management Areas. The Company serves approximately 9,800 service connections; 8,900 residential and 900 non-residential customers. The Company also serves nine schools. Staff concludes that each of the BMP tariffs proposed is relevant to the Company's service area characteristics.

#### Proposed Tariffs

The five BMP tariffs proposed by the Company conform to the templates developed by Staff.

### **Recommendations**

Staff concludes that the five BMP tariffs proposed are relevant to the Company's service area characteristics and that these tariffs conform to the templates developed by Staff. Staff recommends approval of the Company's proposed five BMP tariffs.

Staff further recommends that the Company may request cost recovery of the actual costs incurred for the implementation of the BMPs tariffs in its next rate case.



Steven M. Olea  
Director  
Utilities Division

SMO:MSJ:lh\RM

Originator: Marlin Scott, Jr.

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF  
BELLA VISTA WATER CO., INC. AN ARIZONA  
CORPORATION, FOR A DETERMINATION OF  
THE FAIR VALUE OF ITS UTILITY PLANTS  
AND PROPERTY AND FOR INCREASES IN ITS  
WATER RATES AND CHARGES FOR UTILITY  
SERVICE BASED THEREON

DOCKET NO. W-02465A-09-0411

IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER CO., INC.,  
AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE FAIR VALUE OF ITS  
UTILITY PLANTS AND PROPERTY AND FOR  
INCREASES IN ITS WATER RATES AND  
CHARGES FOR UTILITY SERVICE BASED  
THEREON

DOCKET NO. W-20453A-09-0412

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER CO., INC.,  
AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE FAIR VALUE OF ITS  
UTILITY PLANTS AND PROPERTY AND FOR  
INCREASES IN ITS WATER RATES AND  
CHARGES FOR UTILITY SERVICE BASED  
THEREON

DOCKET NO. W-20454A-09-0413

IN THE MATTER OF THE JOINT APPLICATION  
OF BELLA VISTA WATER CO., INC.,  
NORTHERN SUNRISE WATER CO., INC.  
AND SOUTHERN SUNRISE WATER CO., INC.  
FOR APPROVAL OF AUTHORITY TO  
CONSOLIDATE OPERATIONS, AND FOR THE  
TRANSFER OF UTILITY ASSETS TO BELLA  
VISTA WATER CO., INC., PURSUANT TO  
ARIZONA REVISED STATUTES 40-285

DOCKET NO. W-02465A-09-0414  
DOCKET NO. W-20453A-09-0414  
DOCKET NO. W-20454A-09-0414

DECISION NO. \_\_\_\_\_

ORDER

**COMPLIANCE FILING PER  
DECISION NO. 72251 FOR ADWR  
BEST MANAGEMENT  
PRACTICES**

1 Open Meeting  
2 August 16 and 17, 2011  
3 Phoenix, Arizona

4 BY THE COMMISSION:

5 FINDINGS OF FACT

6 1. Bella Vista Water Company, Inc. ("Company") is certificated to provide water  
7 service as a public service corporation in the State of Arizona.

8 2. On April 7, 2011, the Arizona Corporation Commission ("Commission") issued  
9 Decision No. 72251 approving consolidate rates and operations and transferring utility assets for  
10 the Company. As part of the Decision, the Commission ordered that "Bella Vista Water Company  
11 shall file with Docket Control, as a compliance item in this docket, within 90 days of the effective  
12 date of this Decision, at least five Best Management Practices in the form of tariffs that  
13 substantially conform to the templates created by Staff available at the Commission's website, for  
14 the Commission's review and consideration. A maximum of two of these BMPs may come from  
15 the "Public Awareness/Public Relations" or "Education and Training" categories of the BMPs as  
16 outlined by the ADWR in its Modified Non-Per Capita Conservation Program and relevant  
17 ADWR documents."

18 3. On July 5, 2011, the Company filed its five proposed Best Management Practices  
19 ("BMPs") and the Company is requesting Commission approval for the five BMP tariffs listed  
20 below:

- 21 • **Special Events/Programs and Community Presentations Tariff – BMP 1.2:** A  
22 program for the Company to give presentations and/or display and make available water  
23 conservation information and related material at community and special events.
- 24 • **Youth Conservation Education Program Tariff – BMP 2.2:** A program for the  
25 Company to promote water conservation by increasing students' understanding of water  
26 resources and the need to conserve.
- 27 • **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for the  
28 Company to assist its customers with their high water-use inquiries and complaints.
- **Leak Detection Program Tariff – BMP 4.1:** A program for the Company to  
systematically evaluate its water distribution system to identify and repair leaks.

- 1       • **Evaluation of New and Emerging Technologies and Practices Tariff – BMP 7.3:** A  
2       program for the Company to evaluate new and emerging technologies and practices that  
3       promote the conservation of water.

#### 4       **Staff's Analysis**

##### 5       Company Service Area Characteristics

6           4.       The Company's water service area is within the City of Sierra Vista and covers a  
7       major portion of the southwest area of Cochise County. The Certificate of Convenience and  
8       Necessity held by the Company to serve around Sierra Vista was issued in 1955. The Company is  
9       not located in any Arizona Department of Water Resources' Active Management Areas. The  
10       Company serves approximately 9,800 service connections; 8,900 residential and 900 non-  
11       residential customers. The Company also serves nine schools. Staff concludes that each of the  
12       BMP tariffs proposed is relevant to the Company's service area characteristics.

##### 12       Proposed Tariffs

13           5.       The five BMP tariffs proposed by the Company conform to the templates developed  
14       by Staff.

#### 15       **Recommendations**

16           6.       Staff concludes that the five BMP tariffs proposed are relevant to the Company's  
17       service area characteristics and that these tariffs conform to the templates developed by Staff.  
18       Therefore, Staff recommends approval of the Company's proposed five BMP tariffs attached  
19       hereto as Exhibit A.

20           7.       Staff further recommends that the Company may request cost recovery of the actual  
21       costs incurred for the implementation of the BMP tariffs in its next rate case.

#### 21                               CONCLUSIONS OF LAW

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

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

26           3.       The Commission having reviewed the filing and Staff's Memorandum dated  
27       July 27, 2011, concludes that it is in the public interest to approve the proposed five BMP tariffs  
28       attached hereto as Exhibit A.

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ORDER

IT IS THEREFORE ORDERED that Bella Vista Water Company, Inc.'s five BMP tariffs attached hereto as Exhibit A are hereby approved.

IT IS FURTHER ORDERED that Bella Vista Water Company, Inc. shall file with Docket Control, as a compliance item in this docket, the five BMP tariffs authorized herein within 30 days of the effective date of this Decision.

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

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

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

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 \_\_\_\_\_, 2011.

\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:MSJ:lh\RM

1 SERVICE LIST FOR: Bella Vista Water Company, Northern Sunrise Water Company and  
2 Southern Sunrise Water Company  
3 DOCKET NOS.: W-02465A-09-0411, W-20453A-09-0412, W20454A-09-0413, W-  
4 02465A-09-0414, W-020453A-09-0414, and W-20454A-09-0414

5 Mr. Jay Shapiro  
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7 3003 North Central Avenue  
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10 Ms. Michelle Wood  
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14 Mr. Steven M. Olea  
15 Director, Utilities Division  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Ms. Janice M. Alward  
20 Chief Counsel, Legal Division  
21 Arizona Corporation Commission  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

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# Exhibit A

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Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

## **Special Events/Programs and Community Presentations Tariff – BMP 1.2**

### **PURPOSE**

A program for the Company to give presentations and/or display and make available water conservation information and related material at community and special events (Modified Non-Per Capita Conservation Program BMP Category 1: Public Awareness/Public Relations 1.2: Special Events/Programs and Community Presentations).

### **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 attend and staff at least three events per year in which the Company shall remind customers of the importance of water conservation measures. Events may include home and garden shows, art shows, community celebrations, environmental shows etc.
2. Information shall include water saving tips, home preparation recommendations for water systems/pipes, landscape maintenance issues for summer and winter, Xeriscape information, youth education materials and any additional pertinent topics.
3. The Company shall keep a record of the following information and make it available to the Commission upon request.
  - a. A description of each special event and the date.
  - b. The number of customers reached (or an estimate).
  - c. A description of the written water conservation material provided free to customers.
  - d. Costs of the Special Events/Programs and Community Presentations implementation.

Decision No. \_\_\_\_\_

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

## **Youth Conservation Education Program Tariff – BMP 2.2**

### **PURPOSE**

A program for the Company to promote water conservation by increasing students' understanding of water resources and the need to conserve (Modified Non-Per Capita Conservation Program BMP Category 2: Conservation Education and Training 2.2: Youth Conservation Education 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 work with schools in its service area to increase students' understanding of water resources and to promote water conservation.
2. The Company shall provide a combination of instructional assistance, education materials, teacher education, classroom presentations, and field trips to water related facilities.
3. The Company shall provide the following teacher resources.
  - a. Offer Project WET (Water Education for Teachers) workshops to teachers twice yearly.
  - b. Provide free resource materials and information upon request.
  - c. Provide in-classroom presentations upon request.
4. The Company shall make available free water conservation workbooks for elementary school students.
5. The Company shall keep a record of the following information and make it available upon request.
  - a. A description of the youth conservation education process implemented.
  - b. The number of students reached (or an estimate).
  - c. A description of the written water conservation material provided free to students.
  - d. Costs of the Youth Conservation Education Program implementation.

Decision No. \_\_\_\_\_

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

**Customer High Water Use Inquiry Resolution Tariff – BMP 3.6**

**PURPOSE**

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

**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 handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and further assist the customer with water conservation measures.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Decision No. \_\_\_\_\_

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

### **Leak Detection Program Tariff – BMP 4.1**

#### **PURPOSE**

A program for the Company to systematically evaluate its water distribution system to identify and repair leaks (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.1 Leak Detection 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 shall implement a comprehensive leak detection and repair program to attain and maintain a less than 10 percent unaccounted for water loss in its system(s). The program must include auditing procedures, in-field leak detection and repair efforts. The Company shall take whatever steps are necessary to ensure that its water system is operating at optimal efficiency.
2. On a systematic basis, at least every two years (annually for smaller systems), the Company shall inspect its water distribution system (to include hydrants, valves, tanks, pumps, etc. in the distribution system) to identify and repair leaks. Detection shall be followed by repair or in some cases replacement. Repair vs. replacement will depend upon site-specific leakage rates and costs.
3. Leak Detection efforts should focus on the portion of the distribution system with the greatest expected problems, including:
  - a. areas with a history of excessive leak and break rates;
  - b. areas where leaks and breaks can result in the heaviest property damage;
  - c. areas where system pressure is high;
  - d. areas exposed to stray current and traffic vibration;
  - e. areas near stream crossings; and,
  - f. areas where loads on pipe may exceed design loads.
4. The Company shall keep accurate and detailed records concerning its leak detection and repair/rehabilitation program and the associated costs. Records of repairs shall include: possible causes of the leak; estimated amount of water lost; and date of repair. These records shall be made available to the Commission upon request.
5. The Company shall maintain a complete set of updated distribution system maps.

Decision No. \_\_\_\_\_

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

6. The Company shall ensure that properly functioning (accurate) and appropriately sized meters are installed on all service and source connections. All meters 1-inch and smaller shall be inspected at least once every ten years or upon registering 1,000,000 gallons of usage, whichever comes first. Meters larger than 1-inch shall be inspected at least once every five years or upon registering 1,000,000 gallons of usage, whichever comes first.
7. The inspection will be accomplished by having the meter pulled and having a Company Technician physically inspect each meter and its fittings for leaks, registers which may have become loose or are not properly attached to the meter and could be under-registering or other broken parts which need repair. In addition, meters shall be randomly selected for flow testing to identify potentially under-registering meters.
8. The Company shall conduct a water audit annually which includes the following steps to determine how efficient each water system is operating and where the losses might be.
  - a. Use coordinated monthly source and service meter readings to calculate how much water enters and leaves the system during the 12 month review period.
  - b. Track and estimate any unmetered authorized uses.
  - c. Calculate the total amount of leakage using the following formula:  
  
$$\text{Unaccounted for water (\%)} = [(\text{Production and/or purchased water minus metered use \& estimated authorized un-metered use}) / (\text{Production and/or purchased water})] \times 100\%$$
  - d. Authorized un-metered uses may include firefighting, main flushing, process water for water treatment plants, etc. Water losses include all water that is not identified as authorized metered water use or authorized un-metered use.
  - e. Determine possible reasons for leakage, including physical leaks and unauthorized uses.
  - f. Analyze results to determine the improvements needed, such as, better accounting practices, leak survey or replacing old distribution pipes.
9. The Company shall keep accurate and detailed records concerning its annual water audit results. These records shall be made available to the Commission upon request.

Decision No. \_\_\_\_\_

Company: \_\_\_\_\_

Decision No.: \_\_\_\_\_

Phone: \_\_\_\_\_

Effective Date: \_\_\_\_\_

**Evaluation of New and Emerging Technologies and Practices Tariff – BMP 7.3**

**PURPOSE**

A program for the Company to evaluate new and emerging technologies and practices that promote the conservation of water (Modified Non-Per Capita Conservation Program BMP Category 7: Research/Innovation Program 7.3: Evaluation of New and Emerging Technologies and Practices).

**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 evaluate new technologies and practices that promote the conservation of water to determine the economic and technical feasibility of implementing these new technologies and practices in its service area.
2. The Company shall remain current on new products, advice, and innovations through on-going communication with manufacturers of state of the art water conservation technologies, other water providers, landscape watering equipment providers and landscape providers and experts.
3. Prior to evaluating a new technology or practice the Company shall file a detailed explanation with the Commission describing how the evaluation would work, the possible results and expected costs.
4. At minimum, one new evaluation shall be proposed every three years for Commission approval.
5. If the evaluation is approved by the Commission the Company shall submit with the Commission Docket Control on an annual basis, documentation stating the objectives of the evaluation, methods used to conduct the evaluation, results of the investigation, plans for implementation and any other information the Commission requests. A report for each calendar year reporting period will be due January 31 of the following year.

Decision No. \_\_\_\_\_