

ORIGINAL

OPEN MEETING



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MEMORANDUM

TO: THE COMMISSION

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

FROM: Utilities Division

2012 OCT 15 PM 10 20

DATE: October 15, 2012

RE: **COMPLIANCE FILING PER DECISION NO. 71906** - Best Management Practices for Cayetano, Inc. dba Lakewood Water Company (Docket No. W-01809A-10-0061)

Introduction

On September 28, 2010, in Decision No. 71906, the Commission issued an Order Preliminary to Cayetano, Inc. dba Lakewood Water Company ("Lakewood" or "Company") for a proposed extension of the Company's Certification of Convenience and Necessity ("CC&N"). The issuance of a final order granting the CC&N extension is subject to the Company meeting certain requirements. Decision No. 71906 further ordered that Lakewood submit for Commission consideration six Best Management Practices ("BMPs")¹

Company's Compliance Filing

On September 28, 2012, Lakewood 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 Inquiry Resolution Tariff – BMP 3.6:** A program for the Company to assist its customers with their high water-use inquiries and complaints.
3. **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.

Arizona Corporation Commission
DOCKETED

OCT 15 2012

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¹ Decision No. 71906 at 10:1-5.

4. **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the Company to systematically access all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement.
5. **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.
6. **Public Education Program Tariff:** A program for the Company to provide free written information on water conservation measures to its customers and remind them of the importance of conserving water.²

Staff's Analysis

Background Information and Service Area Characteristics

Lakewood provides water service to approximately 310 primarily residential customers near the community of Amado/Arivaca Junction located approximately 35 miles south of Tucson on Interstate Highway 19 in Pima County, Arizona. Lakewood's current certificated area consists of 485 acres. The Company is located in the Arizona Department of Water Resources' ("ADWR") Santa Cruz Active Management Area.

The Company selected the above BMPs based on the characteristics of its current service area and believes these BMPs will allow it to combat high water use and waste by educating customers about water conservation and the need to conserve. The Company hopes to control its water loss by replacing old and/or defective meters and also intends to crack down on meter tampering.

Lakewood has a web site and the web site address is printed on each bill sent to its customers. Included on the web site is information regarding water conservation and ways to obtain water conservation pamphlets and brochures at no cost. Water conservation information is available to customers when they visit the Company's office.

The Company's billing system allows it to readily know if a customer's water use is abnormally high. The Company maintains customer contact information that allows it to contact the customer whenever water usage is high. Company field personnel are in the service area on a daily basis which allows the Company to identify and investigate problems such as water standing or running down the street.

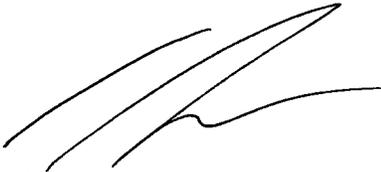
² While the Public Education Program counts toward meeting the BMP requirement it is not officially referred to as a BMP in ADWR documents.

Proposed Tariffs

Staff created a set of BMP tariff templates that were developed using the BMP descriptions outlined in the 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. The tariffs proposed conform to the templates developed by Staff.

Recommendation

Staff has concluded that the BMPs proposed are relevant to Lakewood's service area characteristics. The tariffs proposed by Lakewood conform to the templates developed by Staff. Staff recommends approval of the BMP tariffs filed by the Company on September 28, 2012, attached hereto as Exhibit A.



Steven M. Olea
Director
Utilities Division

SMO:DWS:sms

Originator: Del Smith

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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 CAYETANO, INC. DBA LAKEWOOD
 WATER COMPANY FOR AN EXTENSION
 OF ITS EXISTING CERTIFICANT OF
 CONVENIENCE AND NECESSITY FOR
 WATER SERVICE - COMPLIANCE FILING
 PER DECISION NO. 71906

DOCKET NO. W-01809A-10-0061
 DECISION NO. _____
ORDER

Open Meeting
 November 7 and 8, 2012
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Cayetano, Inc. dba Lakewood Water Company ("Lakewood" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.
2. On September 28, 2010, in Decision No. 71906, the Commission issued an Order Preliminary to Lakewood for a proposed extension of the Company's Certification of Convenience and Necessity ("CC&N"). The issuance of a final order granting the CC&N extension is subject to the Company meeting certain requirements. Decision No. 71906 further ordered that Lakewood submit for Commission consideration six Best Management Practices ("BMPs").¹

...
 ...

¹ Decision No. 71906 at 10:1-5.

1 3. On September 28, 2012, Lakewood filed its proposed BMP tariffs. In its
2 compliance filing the Company is requesting Commission approval to implement the conservation
3 measures listed below.

- 4 • **Local and/or Regional Messaging Program Tariff – BMP 1.1:** A program for the
5 Company to actively participate in a water conservation campaign with local or
6 regional advertizing.
- 7 • **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for
8 the Company to assist its customers with their high water-use inquiries and
9 complaints.
- 10 • **Customer High Water Use Notification Tariff – BMP 3.7:** A program for the
11 Company to monitor and notify customers when water use seems to be abnormally
12 high and provide information that could benefit those customers and promote water
13 conservation.
- 14 • **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the
15 Company to systematically access all in-service water meters (including Company
16 production meters) in its water service area to identify under-registering meters for
17 repair or replacement.
- 18 • **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to
19 promote the conservation of groundwater by enabling the Company to bring an
20 action for damages or to enjoin any activity against a person who tampers with the
21 water system.
- 22 • **Public Education Program Tariff:** A program for the Company to provide free
23 written information on water conservation measures to its customers and remind
24 them of the importance of conserving water.²

17 **Staff's Analysis**

18 Background Information and Service Area Characteristics

19 4. Lakewood provides water service to approximately 310 primarily residential
20 customers near the community of Amado/Arivaca Junction located approximately 35 miles south
21 of Tucson on Interstate Highway 19 in Pima County, Arizona. Lakewood's current certificated area
22 consists of 485 acres. The Company is located in the Arizona Department of Water Resources'
23 ("ADWR") Santa Cruz Active Management Area.

24 5. The Company selected the above BMPs based on the characteristics of its current
25 service area and believes these BMPs will allow it to combat high water use and waste by
26 educating customers about water conservation and the need to conserve. The Company hopes to
27 _____

28 ² While the Public Education Program counts toward meeting the BMP requirement it is not officially referred to as a
BMP in Arizona Department of Water Resources documents.

1 control its water loss by replacing old and/or defective meters and also intends to crack down on
2 meter tampering.

3 6. Lakewood has a web site and the web site address is printed on each bill sent to its
4 customers. Included on the web site is information regarding water conservation and ways to
5 obtain water conservation pamphlets and brochures at no cost. Water conservation information is
6 available to customers when they visit the Company's office.

7 7. The Company's billing system allows it to readily know if a customer's water use is
8 abnormally high. The Company maintains customer contact information that allows it to contact
9 the customer whenever water usage is high. Company field personnel are in the service area on a
10 daily basis which allows the Company to identify and investigate problems such as water standing
11 or running down the street.

12 Proposed Tariffs

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

19 **Recommendation**

20 9. Staff has concluded that the BMPs proposed are relevant to Lakewood's service
21 area characteristics. The tariffs proposed by Lakewood conform to the templates developed by
22 Staff. Staff has recommended approval of the BMP tariffs filed by Lakewood on November 16,
23 2012, attached hereto as Exhibit A.

24 CONCLUSIONS OF LAW

25 1. Lakewood is a public service corporation within the meaning of Article XV,
26 Section 2, of the Arizona Constitution.

27 2. The Commission has jurisdiction over Lakewood and of the subject matter of the
28 Application.

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

4 IT IS FURTHER ORDERED that the BMP tariffs authorized herein shall go into effect 30
5 days after the date notice is provided to all customers.

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

7

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

9

10 _____
CHAIRMAN COMMISSIONER

11

12

13 _____
COMMISSIONER COMMISSIONER COMMISSIONER

14

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

18

19

20 _____
ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

21

22 DISSENT: _____

23

24 DISSENT: _____

25 SMO:DWS:sms

26

27

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1 SERVICE LIST FOR:
2 DOCKET NO.

3 Mr. Lawrence V. Robertson, Jr.
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ATTACHMENT 1

Company: Cayetano, Inc. dba Lakewood Water Company

Decision No.: 71906

Phone: (520) 398-9815

Effective Date: 10/01/2012

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: Cayetano, Inc. dba Lakewood Water Company

Decision No.: 71906

Phone: (520) 398-9815

Effective Date: 10/1/2012

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 provide the customer with water conservation measures. The leak detection inspection may consist of a meter read check for flow verification. If the on-site inspection is requested by the customer, the Commission approved meter re-read tariff fee shall apply.
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.

Company: Cayetano, Inc. dba Lakewood Water Company

Decision No.: 71906

Phone: (520) 398-9815

Effective Date: 10/01/2012

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.
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

Company: Cayetano, Inc. dba Lakewood Water Company

Decision No.: 71906

Phone: (520) 398-9815

Effective Date: 10/01/2012

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: Cayetano, Inc. dba Lakewood Water Company

Decision No.: 71906

Phone: (520) 398-9815

Effective Date: 10/01/2012

Meter Repair and/or Replacement Tariff – BMP 4.2

PURPOSE

A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.2 Meter Repair and/or Replacement 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. On a systematic basis, the Company will inspect 100 percent of its 1-inch and smaller in-service water meters at least once every ten years for one of the following reasons (whichever occurs first):
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has registered 1,000,000 gallons of usage,
 - c. A meter has been in service for ten years.
2. Meters larger than 1-inch shall be inspected for one of the following reasons:
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has been in service for five years.
3. 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.
4. The Company shall also replace or reprogram any water meters that do not register in gallons. Upon the effective date of this tariff, the Company shall install all replacement meters with new:
 - a. 1-inch and smaller meters that register in 1 gallon increments,
 - b. 1-1/2-inch through 4-inch meters that register in 10 gallon increments, and
 - c. 6-inch and larger meters that register in 100 gallon increments.
5. The Company shall keep records of all inspected and replacement meters and make this information available to the Commission upon request.

Company: Cayetano, Inc. dba Lakewood Water Company

Decision No.: 71906

Phone: (520) 398-9815

Effective Date: 10/01/2012

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 Arizona Administrative Code ("AAC") 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, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
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.

Company: Cayetano, Inc. dba Lakewood Water Company

Decision No.: 71906

Phone: (520) 398-9815

Effective Date: 10/01/2012

Public Education Program Tariff

PURPOSE

A program for the Company to provide free written information on water conservation measures to its customers and to remind them of the importance of conserving water (Required Public 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 shall provide two newsletters to each customer; one to be provided in the spring, the other in the fall. The goal of the letters is to provide timely information to customers in preparation of the hot summer months, and the cold winter months, in regards to their water uses. The Company shall remind customers of the importance of water conservation measures and inform them of the information available from the Company.
2. Information in the newsletters shall include water saving tips, home preparation recommendations for water systems/pipes, landscape maintenance issues for summer and winter, water cistern maintenance reminders and additional pertinent topics. Where practical, the Company shall make this information available in digital format which can be e-mailed to customers upon request or posted on the Company's website.
3. Communication channels shall include one or more of the following: water bill inserts, messages on water bills, Company web page, post cards, e-mails and special mailings of print pieces, whichever is the most cost-effective and appropriate for the subject at hand.
4. Free written water conservation materials shall be available in the Company's business office and the Company shall send information to customers on request.
5. The Company may distribute water conservation information at other locations such as libraries, chambers of commerce, community events, etc., as well.
6. The Company shall keep a record of the following information and make it available to the Commission upon request.
 - a. A description of each communication channel (i.e., the way messages will be provided) and the number of times it has been used.
 - b. The number of customers reached (or an estimate).
 - c. A description of the written water conservation material provided free to customers.