

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

TO: THE COMMISSION

DOCKETED

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FROM: Utilities Division

NOV 26 2013

2013 NOV 26 P 3:05

DATE: November 26, 2013

DOCKETED BY

AZ CORP COMMISSION
DOCKET CONTROL

RE: **COMPLIANCE FILING PER DECISION NO. 71902** - Best Management Practices for Payson Water Co., Inc. (Docket Nos. W-03514A-10-0116 AND W-03514A-10-0117)

Introduction

On September 28, 2010, the Arizona Corporation Commission ("Commission") issued Decision No. 71902 approving an emergency water augmentation surcharge tariff for the Payson Water Co., Inc. ("Payson Water" or "Company") Mesa Del Caballo System. As part of the Decision, the Commission ordered that Payson Water on behalf of its Mesa del Caballo System file with Docket Control, as a compliance item in this docket within 120 days of the effective date of the Decision, at least five Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff for Commission review and consideration. The Commission also ordered that a maximum of two of these BMPs may come from the "Public Awareness/PR" or "Education and Training" categories of the BMPs.¹

Company's Compliance Filing

On November 15, 2013, Payson Water on behalf of its Mesa Del Caballo System filed BMP tariffs. In its compliance filing the Company is requesting Commission approval to implement the water conservation measures listed below.

1. **New Homeowner Landscape Information Tariff – BMP 2.3:** A program for the Company to promote the conservation of water by providing a landscape information package for the purpose of educating its new customers about low water use landscaping.
2. **Water Waste Investigations and Information Tariff – BMP 3.8:** A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency.
3. **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the Company to systematically assess all in-service water meters (including

¹ Decision No. 71902 at 15:2-8.

Company production meters) in its water service area to identify under-registering meters for repair or replacement.

4. **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.
5. **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

The Mesa Del Caballo System was serving 364 customers as of December, 2012.³ The Mesa Del Caballo System serves primarily residential customers located northeast of Payson in Gila County, Arizona. The Mesa Del Caballo System service area encompasses approximately 134 acres (less than one-quarter square mile). The Company is not located in an Arizona Department of Water Resources' ("ADWR") 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 address high water use and waste by educating customers about water conservation and the need to conserve. The Company believes the selected BMPs will allow Company personnel to better interface with customers as to why water conservation is important and why wasting water is a community problem and not just an individual customer problem. The Company also believes that these BMPs are the most beneficial to its customers and the most cost effective for the Company to implement. The Company has already implemented many of the provisions contained in the selected BMPs.

Payson Water 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 also available to customers when they visit the Company's office.

The Company's billing system enables it to determine if a customer's water use is abnormally 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 Arizona Department of Water Resources documents.

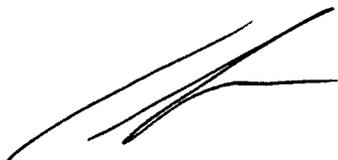
³ Per information contained in the Company's Annual Report filed with the Commission for the year ending December 31, 2012.

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, 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 the Mesa Del Caballo service area characteristics. The tariffs proposed by Payson Water on behalf of its Mesa Del Caballo System conform to the templates developed by Staff. Staff recommends approval of the BMP tariffs filed by the Company on November 15, 2013, attached to the proposed order as Exhibit A.



Steven M. Olea
Director
Utilities Division

SMO:DWS:sms\RRM

Originator: Del Smith

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BEFORE THE ARIZONA CORPORATION COMMISSION

- BOB STUMP
Chairman
- GARY PIERCE
Commissioner
- BRENDA BURNS
Commissioner
- BOB BURNS
Commissioner
- SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION)
 OF PAYSON WATER COMPANY ON)
 BEHALF OF ITS MESA DEL CABALLO)
 SYSTEM FOR APPROVAL OF A WATER)
 AUGMENTATION)
 SURCHARGE/EMERGENCY RATE)
 TARIFF - COMPLIANCE FILING PER)
 DECISION NO. 71902.)

DOCKET NO. W-03514A-10-0116

IN THE MATTER OF THE NOTICE OF)
 FILING OF PAYSON WATER)
 COMPANY'S PROPOSED CHANGES TO)
 ITS CURTAILMENT TARIFF (MESA DEL)
 CABOLLO SYSTEM).)

DOCKET NO. W-03514A-10-0117

DECISION NO. _____

ORDER

Open Meeting
 December 17 and 18, 2013
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Payson Water Co., Inc. ("Payson Water" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.
2. On September 28, 2010, the Arizona Corporation Commission ("Commission") issued Decision No. 71902 approving an emergency water augmentation surcharge tariff for the Payson Water Mesa Del Caballo System. As part of the Decision, the Commission ordered that Payson Water on behalf of its Mesa Del Caballo System file with Docket Control, as a compliance item in this docket within 120 days of the effective date of the Decision, at least five Best

1 Management Practices (“BMPs”) in the form of tariffs that substantially conform to the templates
2 created by Staff for Commission review and consideration. The Commission also ordered that a
3 maximum of two of these BMPs may come from the “Public Awareness/PR” or “Education and
4 Training” categories of the BMPs.¹

5 3. On November 15, 2013, Payson Water on behalf of its Mesa Del Caballo System
6 filed BMP tariffs. In its compliance filing the Company is requesting Commission approval to
7 implement the water conservation measures listed below.

- 8 • **New Homeowner Landscape Information Tariff – BMP 2.3:** A program for the
9 Company to promote the conservation of water by providing a landscape
10 information package for the purpose of educating its new customers about low
11 water use landscaping.
- 12 • **Water Waste Investigations and Information Tariff – BMP 3.8:** A program for
13 the Company to assist customers with water waste complaints and provide
14 customers with information designed to improve water use efficiency.
- 15 • **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the
16 Company to systematically assess all in-service water meters (including Company
17 production meters) in its water service area to identify under-registering meters for
18 repair or replacement.
- 19 • **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to
20 promote the conservation of groundwater by enabling the Company to bring an
21 action for damages or to enjoin any activity against a person who tampers with the
22 water system.
- 23 • **Public Education Program Tariff:** A program for the Company to provide free
24 written information on water conservation measures to its customers and remind
25 them of the importance of conserving water.²

26 Staff’s Analysis

27 Background Information and Service Area Characteristics

28 4. The Mesa Del Caballo System was serving 364 customers as of December, 2012.³
The Mesa Del Caballo System serves primarily residential customers located northeast of Payson
in Gila County, Arizona. The Mesa Del Caballo System service area encompasses approximately
134 acres (less than one-quarter square mile). The Company is not located in an Arizona
Department of Water Resources’ (“ADWR”) Active Management Area.

¹ Decision No. 71902 at 15:2-8.

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.

³ Per information contained in the Company’s Annual Report filed with the Commission for the year ending December 31, 2012.

1 5. The Company selected the above BMPs based on the characteristics of its current
2 service area and believes these BMPs will allow it to address high water use and waste by
3 educating customers about water conservation and the need to conserve. The Company believes
4 the selected BMPs will allow Company personnel to better interface with customers as to why
5 water conservation is important and why wasting water is a community problem and not just an
6 individual customer problem. The Company also believes that these BMPs are the most beneficial
7 to its customers and the most cost effective for the Company to implement. The Company has
8 already implemented many of the provisions contained in the selected BMPs.

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

13 7. The Company's billing system enables it to determine if a customer's water use is
14 abnormally high. Company field personnel are in the service area on a daily basis which allows
15 the Company to identify and investigate problems such as water standing or running down the
16 street.

17 Proposed Tariffs

18 8. Staff created a set of BMP tariff templates that were developed using the BMP
19 descriptions outlined in the ADWR Modified Non-Per Capita Conservation Program and relevant
20 ADWR documents. ADWR representatives were provided with a copy of these templates,
21 revisions were made to the templates where appropriate to incorporate any comments/suggestions
22 provided by ADWR. The tariffs proposed conform to the templates developed by Staff.

23 **Recommendation**

24 9. Staff has concluded that the BMPs proposed are relevant to the Mesa Del Caballo
25 service area characteristics. The tariffs proposed by Payson Water on behalf of its Mesa Del
26 Caballo System conform to the templates developed by Staff. Staff has recommended approval of
27 the BMP tariffs filed by the Company on November 15, 2013, and attached as Exhibit A.

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CONCLUSIONS OF LAW

1. Payson Water Company is a public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Payson Water Company and of the subject matter of the Application.

3. The Commission, having reviewed the filing and Staff's Memorandum dated November 26, 2013, concludes that it is in the public interest to approve the proposed BMP tariffs attached hereto as Exhibit A.

ORDER

IT IS THEREFORE ORDERED that the Payson Water Co., Inc. BMP tariffs attached hereto as Exhibit A are hereby approved.

IT IS FURTHER ORDERED that Payson Water Co., Inc. shall notify its customers, in a form acceptable to Staff, of the BMP tariffs authorized herein and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP tariffs to any customer upon request.

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1 IT IS FURTHER ORDERED Staff shall file a letter in the Docket confirming that the
2 Payson Water Co., Inc.'s tariffs have been updated with the tariffs approved herein.

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

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

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, JODI JERICH, 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 _____, 2013.

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JODI JERICH
EXECUTIVE DIRECTOR

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DISSENT: _____

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DISSENT: _____

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SMO:DWS:sms\RRM

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1 SERVICE LIST FOR:
2 DOCKET NO. W-03514A-10-0116 ET AL.

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23 Ms. Lyn Farmer
24 Chief Administrative Law Judge
25 Hearing Division
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EXHIBIT A

New Homeowner Landscape Information Tariff – BMP 2.3

PURPOSE

A program for the Company to promote the conservation of water by providing a landscape information package for the purpose of educating its new customers about low water use landscaping (Modified Non-Per Capita Conservation Program BMP Category 2: Conservation Education and Training 2.3: New Homeowner Landscape Information).

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. Upon establishment of water service the Company shall provide a free "Homeowner Landscape Packet" to each new customer in the Company's service area. The packet will include at a minimum: a cover letter describing the water conservation expectations for all customers in the Company's service area, all applicable tariffs, a basic interior-exterior water saving pamphlet, xeriscape landscape information, and information on where to find low water use plant lists, watering guidelines, and a rain water harvesting pamphlet.
2. Upon customer request, the Company shall provide:
 - a. On-site consultations on low water use landscaping and efficient watering practices.
 - b. A summary of water saving options.
3. The number of packets provided to new customers will be recorded and made available to the Commission upon request.

Water Waste Investigations and Information Tariff – BMP 3.8

PURPOSE

A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.8: Water Waste Investigations and Information).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission specifically R14-2-403 and R14-2-410 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 water waste complaints as calls are received.
2. Calls shall be taken by a customer service representative who has been trained to determine the type of water waste and to determine if it may be attributed to a leak or broken water line.
3. The Company shall follow up on every water waste complaint.
4. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to investigate further and notify the responsible party of the waste and offer assistance and information to prevent waste in the future.
5. A letter of enforcement will be issued to customers with water running beyond the curb and/or off the customers property due to such things as, but not limited to, backwashing of pools, broken sprinkler heads, and over watering of lawns beyond the saturation point.
6. The same procedures outlined above in item #4 will be followed in the event of a second violation. Termination of service may result in the event of the third violation within a 12 month period. In the event of a third violation the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E (applicable service reconnection fees shall apply).
7. The Company shall record each account and each instance noted for water waste, the action taken and any follow-up activities.
8. Subject to the provisions of this tariff, compliance with the water waste restriction will be a condition of service.
9. The Company shall provide to its customers a complete copy of this tariff and all attachments upon request and to each new customer. The customer shall abide by the water waste restriction.
10. 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.

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: Payson Water Co., Inc.

Docket No.: W-03514A-10-0116 *etal*

Phone: (800) 270-6084

Effective Date: 11-15-2013

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.

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.