

ORIGINAL

OPEN MEETING



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MEMORANDUM

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TO: THE COMMISSION

2013 DEC -3 A 11: 11

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: December 3, 2013

Arizona Corporation Commission
DOCKETED

DEC 03 2013

DOCKETED BY

RE: IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC., WATER DIVISION, FOR AUTHORITY TO INCUR LONG-TERM DEBT, AND IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC., WATER AND WASTEWATER DIVISIONS, FOR PERMANENT RATE INCREASES. (DOCKET NOS. W-01689A-11-0401 AND WS-01689A-11-0402 - COMPLIANCE FILING PER DECISION NO. 74037)

Introduction

On August 16, 2013, the Commission issued Decision No. 74037 granting Clear Springs Utility Company, Inc. ("Clear Springs" or "Company") a rate increase. As part of the Decision, the Commission ordered that Clear Springs submit for the Commission's review and consideration, within 90 days of the effective date of this Decision, at least three Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates available at the Commission's website.¹

Company's Compliance Filing

On November 7, 2013, the Company filed its proposed BMP tariffs. On November 21, 2013, the Company filed a revised Water System Tampering Tariff – BMP 5.2 to replace the BMP 5.2 tariff the Company included in its November 7, 2013, filing. On November 25, 2013, the Company filed a "Notice of Errata Filing Regarding BMP 5.2". The BMP 5.2 Tariff attached to the Notice replaces BMP 5.2 Tariff filed by the Company on November 21, 2013. 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 advertizing.
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. 74037 at 52:4-7.

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

Clear Springs Background Information and Service Area Characteristics

Clear Springs is providing water utility service to approximately 565 customers, mostly residential, in a number of non-contiguous areas southwest of Wilcox in Cochise County. According to the Company's operations manager there has been very little growth in the region in the past few years and the customers in the Company's service area are mostly retirees. The water system is currently comprised of five individual public water systems (only two of the five systems are large enough to be regulated by the Arizona Department of Environmental Quality ("ADEQ")). The Commission granted Clear Springs a Certificate of Convenience and Necessity to provide water service in Decision No. 33803 (March 28, 1962).

Southwestern Utility Management ("SUM"), Clear Springs' management company, 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 regulations. According to SUM, this information is currently being provided to Clear Springs' customers.

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 the Company is already covered under the rules and regulations of the Commission when customers tamper with the Company's lines or meters. When the Company has an issue it turns the customer off and/or caps the service if the customer continues to violate the rules. The Company has had occasions where water customers turn their water meter back on after the Company has turned them 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 Company's main. SUM believes this may explain some of the water loss the Company has experience in the past. The water system tampering tariff would help the Company bring an action for damages against the

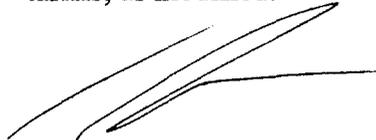
person who tampers with the water system. Staff concludes that each BMP proposed is relevant to Clear Springs' service area characteristics and current water use issues.

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

Recommendation

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



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 CLEAR SPRINGS UTILITY COMPANY,)
INC., WATER DIVISION, FOR)
AUTHORITY TO INCUR LONG-TERM)
DEBT AND IN THE MATTER OF THE)
APPLICATION OF CLEAR SPRINGS)
UTILITY COMPANY, INC., WATER AND)
WASTEWATER DIVISIONS, FOR)
PERMANENT RATE INCREASES.)
(DOCKET NOS. W-01689A-11-0401 AND)
WS-01689A-11-0402 - COMPLIANCE)
FILING PER DECISION NO. 74037)

DOCKET NOS. W-01689A-11-0401
WS-01689A-11-0402
DECISION NO. _____
ORDER

Open Meeting
December 17 and 18, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Clear Springs Utility Company, Inc. ("Clear Springs" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.
2. On August 16, 2013, the Commission issued Decision No. 74037 granting Clear Springs a rate increase. As part of the Decision, the Commission ordered that Clear Springs submit for the Commission's review and consideration, within 90 days of the effective date of this Decision, at least three Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates available at the Commission's website.¹

¹ Decision No. 74037 at 52:4-7.

1 3. On November 7, 2013, the Company filed its proposed BMP tariffs. On November
2 21, 2013, the Company filed a revised Water System Tampering Tariff – BMP 5.2 to replace the
3 BMP 5.2 tariff the Company included in its November 7, 2013, filing. On November 25, 2013, the
4 Company filed a “Notice of Errata Filing Regarding BMP 5.2”. The BMP 5.2 Tariff attached to
5 the Notice replaces BMP 5.2 Tariff filed by the Company on November 21, 2013. In its
6 compliance filing the Company is requesting Commission approval to implement the conservation
7 measures listed below.

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

16 **Staff’s Analysis**

17 Clear Springs Background Information and Service Area Characteristics

18 3. Clear Springs is providing water utility service to approximately 565 customers,
19 mostly residential, in a number of non-contiguous areas southwest of Wilcox in Cochise County.
20 According to the Company’s operations manager there has been very little growth in the region in
21 the past few years and the customers in the Company’s service area are mostly retirees. The water
22 system is currently comprised of five individual public water systems (only two of the five systems
23 are large enough to be regulated by the Arizona Department of Environmental Quality (“ADEQ”).
24 The Commission granted Clear Springs a Certificate of Convenience and Necessity to provide
25 water service in Decision No. 33803 (March 28, 1962).

26 4. Southwestern Utility Management (“SUM”) currently provides a web site to
27 promote water conservation, rules and regulations. According to SUM, this information is
28 currently being provided to Clear Springs’ customers.

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

7 6. According to SUM the water system tampering tariff would provide more
 8 enforcement capabilities when it comes to this issue as the Company is already covered under the
 9 rules and regulations of the Commission when customers tamper with the Company's lines or
 10 meters. When the Company has an issue it turns the customer off and/or caps the service if the
 11 customer continues to violate the rules. The Company has had occasions where water customers
 12 turn their water meter back on after the Company has turned them off.

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

20 Proposed Tariff

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

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1 **Recommendation**

2 9. Staff concludes that the BMPs proposed are relevant to Clear Springs' service area
3 characteristics. The tariffs proposed by Clear Springs, as modified, conform to the templates
4 developed by Staff. Staff has recommended approval of the Company's proposed BMP tariffs, as
5 modified.

6 CONCLUSIONS OF LAW

7 1. Clear Springs Utility Company, Inc. is an Arizona public service corporation within
8 the meaning of Article XV, Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over Clear Springs Utility Company, Inc. and of
10 the subject matter of the Application.

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

14 ORDER

15 IT IS THEREFORE ORDERED that Clear Springs Utility Company, Inc. BMP tariffs
16 attached hereto as Exhibit A are hereby approved.

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

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1 IT IS FURTHER ORDERED that Staff shall file a letter in the Docket confirming that the
2 Clear Springs Utility Company, 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.

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

8
9 _____
CHAIRMAN

COMMISSIONER

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12 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

13
14 IN WITNESS WHEREOF, I, JODI JERICH, Executive
15 Director of the Arizona Corporation Commission, have
16 hereunto, set my hand and caused the official seal of this
17 Commission to be affixed at the Capitol, in the City of
18 Phoenix, this _____ day of _____, 2013.

19 _____
20 JODI JERICH
21 EXECUTIVE DIRECTOR

22 DISSENT: _____

23
24 DISSENT: _____

25 SMO:DWS:sms
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1 SERVICE LIST FOR: CLEAR SPRINGS UTILITY COMPANY, INC.
2 DOCKET NO.: W-01689A-11-0401, et al.

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4 Attorney for Clear Springs Utility Company, Inc.
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EXHIBIT A

Company: Clear Springs Utility Co.

Decision No.: 74037

Phone: 520-624-1460

Effective Date: 8/16/2013

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: Clear Springs Utility Co.

Decision No.: 74037

Phone: 520-624-1460

Effective Date: 8/16/13

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

Company: Clear Springs Utility Co.

Decision No.: 74037

Phone: 520-624-1460

Effective Date: 8/16/13

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: Clear Springs Utility Company, Inc.

Decision No.: 74037

Phone: 520-623-5172

Effective Date: 9/1/2013

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.