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ORIGINAL

1 Thomas Bremer
2 6717 E Turquoise Ave.
3 Scottsdale, AZ 85253
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5 BEFORE THE ARIZONA CORPORATION COMMISSION

6
7 IN THE MATTER OF THE APPLICATION
8 OF PAYSON WATER CO., INC., AN ARIZONA
9 CORPORATION, FOR A DETERMINATION OF
10 THE FAIR VALUE OF ITS UTILITY PLANTS
11 AND PROPERTY AND FOR INCREASES IN
12 ITS WATER RATES AND CHARGES FOR
13 UTILITY SERVICE BASED THEREON.
14

DOCKET NO. W-03514A-13-0111

Arizona Corporation Commission
DOCKETED

JAN 23 2014

DOCKETED BY 

15 IN THE MATTER OF THE APPLICATION
16 OF PAYSON WATER CO., INC., AN ARIZONA
17 CORPORATION, FOR AUTHORITY TO (1) ISSUE
18 EVIDENCE OF INDEBTEDNESS IN AN AMOUNT
19 NOT TO EXCEED \$1,238,000 IN CONNECTION
20 WITH INFRASTRUCTURE IMPROVEMENTS TO
21 THE UTILITY SYSTEM; AND (2) ENCUMBER
22 REAL PROPERTY AND PLANT AS SECURITY
23 FOR SUCH INDEBTEDNESS.
24

DOCKET NO. W-03514A-13-0142

25 **RESPONSES TO FIRST SET OF DATA REQUESTS FROM PAYSON WATER CO., INC (PWC). TO**
26 **THOMAS BREMER, in the Applications of Payson Water Company for an Increase in its Rates and**
27 **Charges for Utility Service, and to Incur Debt and Encumber its Property as Security for Such**
28 **Indebtedness.**

29
30 **References:**

- 31 1. W-03514A-13-0111 Document No. 0000150385, PWC Rebuttal Testimony, December 6, 2013.
- 32 2. W-03514A-13-0111 Document No. 0000150670, Bremer Responses to PWC Regarding Impact
- 33 of Water Rate Case on EVP Rate Payers, January 6, 2014.
- 34 3. W-03514A-13-0111 Document No. 0000150671, PWC Rejoinder Testimony, January 6, 2014.
- 35 4. W-03514A-13-0111 Document No. 0000150750, Bremer Pre-Filed Testimony, – Responses to
- 36 PWC Regarding Impact of Water Rate Case on EVP Rate Payers, January 13, 2014.

1 5. W-03514A-13-0111 Document No. 0000150824, PWC Supplemental Rejoinder Testimony,
2 January 15, 2014.

3
4 I, Thomas Bremer, an intervenor in the cases of the above consolidated dockets, hereby submit for the
5 docket record my responses to PWC's "FIRST SET OF DATA REQUESTS FROM PAYSON WATER
6 CO., INC (PWC). TO THOMAS BREMER", dated January 17, 2014. These responses provide further
7 support for the requests made in the "Petition to Prevent Unjust and Unreasonable Increase in Fees and
8 Rates for Water, Proposed by Payson Water Company, for Owners & Residents of the East Verde
9 Estates Community near Payson, Arizona", provided in Attachment 1 of Reference 2.

10
11 Furthermore, my responses to the PWC Data Requests solidify the case against the EVP Water
12 Curtailment Plan proposed by PWC in Exhibit JW-RB3 of the Reference 1 PWC Rebuttal Testimony,
13 since PWC proposed the curtailment plan after the EVP Petition was drafted and signed (the petition
14 addressed the rate and fee increases as proposed in PWC's Public Notice, in September, 2013.)

15
16 Submitted this 22nd day of January, 2014.

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18 
19 _____

20
21 Attachments:

- 22 1. Thomas Bremer Responses to FIRST SET OF DATA REQUESTS FROM PAYSON WATER CO.,
23 INC. TO THOMAS BREMER, dated January 17, 2014.
24 2. Copy of Exhibit JW-RB3 of W-03514A-13-0111 Document No. 0000150385, PWC Rebuttal
25 Testimony, dated December 6, 2013. "CURTAILMENT PLAN FOR: PAYSON WATER CO., INC.
26 ADEQ Public Water System: East Verde Park Water System (#04-026)"

27
28
29 Copies to:

30 ACC Docket Control (13 copies)

31
32 Jason Williamson, President of Payson Water Company

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34 Denver, CO 80230

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18 8157 W. Deadeye Rd.
19 Payson, AZ 85541
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21 Suzanne Nee, Intervenor
22 2051 E. Aspen Dr.
23 Tempe, AZ 85282
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25 Glynn Ross, Intervenor
26 405 S. Ponderosa
27 Payson, AZ 85541
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Attachment 1

Thomas Bremer Responses to FIRST SET OF DATA REQUESTS FROM PAYSON WATER CO.,
INC. TO THOMAS BREMER, dated January 17, 2014.

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**Thomas Bremer
6717 E. Turquoise Avenue
Scottsdale, Arizona 85253**

January 17, 2014

**Thomas Bremer Responses to
FIRST SET OF DATA REQUESTS
FROM PAYSON WATER CO., INC.
TO THOMAS BREMER
Docket Nos. SW-03514A-13-0111 et al.
Dated January 10, 2014**

All responses are compiled and prepared by Thomas Bremer, 6717 E. Turquoise Avenue, Scottsdale AZ, 85253.

1.1 PWC Question: Please state your current occupation.

T. Bremer Response: Engineer.

1.2 Please identify all prior employment and educational experience.

T. Bremer Response:

Education:

- US Marine Corps Officer Candidate School, Graduate, 1981
- Texas A&M University, Bachelor of Science, Aerospace Engineering, 1983
- Arizona State University, Continuing Education Business Curriculum, 1983-1986

Employment:

- Garrett Turbine Engine Company; Allied Signal Aerospace; Honeywell International, 1983-present

1.3 Please identify all experience, training, or other expertise you have in geology, hydrology, and/or hydrogeology.

T. Bremer Response: I have no formal education in these fields. My knowledge of the geology and hydrology in northern Gila County and the East Verde River Basin stems from study of documents available from the Arizona Department of Water Resources.

1.4 Please identify all experience, training or other expertise you have in utilities, including engineering, operations, accounting, finance or ratemaking.

T. Bremer Response: I am a project engineer by profession, with responsibilities including the technical, manufacturing, financial, and regulatory requirements for aerospace turbine engines. My education includes graduate level courses in accounting and finance.

- 1.5 Admit that you have never paid a surcharge associated with the delivery of hauled water to MDC. If you deny this data request, please state the basis for your denial with specificity.

T. Bremer Response: I admit that I have never paid a surcharge associated with the delivery of hauled water to MDC.

- 1.6 Admit that other than purchased water, there is no material difference in the cost of service between the Company's separate systems. If you deny this data request, please state the basis for your denial with specificity, including identifying and providing any and all evidence, whether tangible or intangible, supporting different costs of service for any the Company's separate systems.

T. Bremer Response: I deny that there is no material difference in the cost of service between the Company's separate systems, as this is patently impossible. Exhibit A of PWC's filing on April 22, 2013, ACC Document No. 0000145511, shows the water systems to differ in their geographical location, number of customers, the number of wells, depth of wells, storage tank capacity, age of equipment, and other aspects, which can be expected with a high degree of certainty to produce differences in the cost of service among the separate communities due to differences in the costs of electricity, meter-reading, and maintenance.

- 1.7 Admit that the Company did not recover its cost of service, including a return on and of its investment, during the test year. If you deny this data request, please state the basis for your denial with specificity.

T. Bremer Response: Objection – The only data available for me to determine whether PWC recovered its cost of service or not comes from the Company itself. Absent of audit by an independent agency, I cannot admit or deny whether PWC recovered its cost of service or not. Furthermore, although I am not a professional accountant, I reviewed the accounting coursework from my past education, and I cannot conclude that return on investment is a valid expense for calculating cost of service, according to accepted accounting practices.

- 1.8 When was the last year PWC recovered its cost of service, including a return on and of its investment? Please provide any evidence in your possession that supports your response.

T. Bremer Response: Objection – The only data available for me to determine the last year PWC recovered its cost of service comes from the Company itself. Absent of audit by an independent agency, I cannot ascertain the last year that PWC recovered its cost of service.

1.9 Please provide copies of any and all data requests between you and any other party to this rate case.

T. Bremer Response: There are no data requests between me and any other party in this rate case.

1.10 Admit that under the proposed hauling tariff for East Verde Park (EVP), PWC will recover only the actual cost of hauling water, if any. If you deny this request for any reason, please state the basis of the denial with specificity.

T. Bremer Response, January 14, 2014: The response to this request must consider the entirety of the EVP Curtailment Plan proposed by PWC in exhibit JW-RB3 of PWC's filing on December 6, 2013, ACC Document 0000150385. The water hauling tariff is only one aspect of the proposed EVP curtailment plan. Yes, the hauling tariff is proposed to recover only the actual cost of hauling water. However, the PWC's proposed curtailment plan also sets up a program of disconnecting water service and extremely high reconnection fees for violations of the curtailment criteria, and the curtailment criteria are defined in manner that practically guarantees frequent violations, even for PWC customers who manage their water use for conservation and in good faith. Consider the following two examples:

- a) A part-time EVP resident and PWC customer who uses no water at all in a given month is in violation of curtailment criteria for using any amount of water, however small, in the subsequent month, during the curtailment period. It is not possible to reduce water consumption by 30 to 50 percent of zero.
- b) An EVP resident family and PWC customer uses, for example, 5000 gallons in April, which is a reasonable amount for a full-time resident family of four. April is the month prior to the start of the May-September curtailment period. Then, as was done in 2013, PWC declares a Stage 3 curtailment condition in May. The family must reduce water consumption in May by 30 percent, to a daily-use maximum of $(5000 \times (100\% - 30\%))/30 = 117$ gallons on any day in the month of May. Then, in June, with a continuing Stage 3 condition, the family must reduce consumption by 30% from the May usage, to no more than 82 gallons for any day in the month of June. This continues in July, August, and September, as long as the Stage 3 condition persists (as in 2013), with the curtailment criteria requiring a 30 percent month-over-month reduction, on a daily-use basis. In September, the last month of the curtailment period, the family is allowed to use no more than 28 gallons of water per day per the curtailment criteria, which for a family of four does not even support basic needs for hygiene. The family's water situation becomes even more dire at Stage Levels 4 and 5, which require 40 and 50 percent reductions, respectively, in monthly water use on a daily-use basis.

It makes little difference that the curtailment criteria establish the baseline month as the higher of the previous month or the same month in any of the previous two years, for a PWC customer at EVP whose water use patterns are similar over the years.

These examples represent typical and realistic scenarios, not contrived scenarios to represent unusual circumstances that would rarely occur in reality, and these examples accurately reflect the mathematics defined by the curtailment criteria in PWC's proposed curtailment plan. The above examples illustrate that if PWC's proposed curtailment plan for EVP is approved, PWC customers at EVP will be subject to frequent water disconnection and escalating reconnection fees, which could easily amount to thousands of dollars over the course of the curtailment period, over and above water hauling surcharges. Therefore, I deny the premise of data request 1.10, which focuses only on the water hauling tariff while ignoring the unjust, unreasonable, and downright intimidating curtailment compliance criteria and reconnection fees of PWC's proposed EVP water curtailment plan.

- 1.11 State with specificity every reason you allege that the requested rate increase by PWC is "unjust and unreasonable" as claimed in your filing dated January 6, 2014.

T. Bremer Response, January 14, 2014: The reasons that residents, owners, and PWC customers at EVP allege that the requested rate increase by PWC is unjust and unreasonable are described in Items 1-7 of the EVP Petition provided in Attachment 1 to my filing of November 19, 2013, ACC Document 0000149597, and again with signatures in Attachment 1 to my filing of January 6, 2014, ACC Document 0000150670.

In addition, because the EVP petition regarding PWC's proposed rate increase was drafted and signed prior to PWC's December 6, 2013 filing, ACC Document 0000150385, which announced PWC's proposal to implement the EVP water curtailment plan, my filing of January 6, 2014 also provided in Part 3 the reason why the water curtailment plan is unjust and unfair. My responses to Items 1.10 and 1.13 of this present PWC data request provide further justification of my assessment that PWC's water curtailment proposal is unjust and unreasonable.

Feel free to re-read in detail the EVP petition, as well as all aspects of my November 19 and January 6 filings.

In short, EVP ratepayers face a monthly water bill increase that on average essentially doubles, while facing a severe water curtailment plan for more than one-third of the year, with unjust compliance criteria and unreasonable reconnect fees, while the longstanding shortcomings of the EVP water system, that were acknowledged by PWC thirteen years ago to require improvements, continue to go unaddressed.

- 1.12 State the basis for your claim that SRP has no interest or claim to water supplies in and around the EVP system and provide any evidence to support your response.

T. Bremer Response, January 14, 2014: As described in Part3, Item 5 of my filing of January 6, 2014, ACC Document 0000150670, the basis for this claim is PWC President Robert Hardcastle's statements made on March 20, 2013, when a group of EVP residents including me met with him at the Phoenix office of Fennemore Craig to discuss the results of the 2012 EVP water survey, which was provided as Attachment 3 to my filing on November 19, 2013, ACC Document 0000149597. Mr. Hardcastle described his understanding of SRP's water claims in the East Verde region, and specifically noted that a SRP claim to subsurface groundwater would require evidence that the local aquifer is under the influence of surface water. He further noted that water flow measurements upstream and downstream of the EVP community indicate that PWC's groundwater sources serving EVP are under little or no influence of surface water. (My research of the Arizona Department of Water Resources reports suggests that, if anything, groundwater in the region between the Payson and the Mogollon Rim north of Pine/Strawberry augments surface water flow in the creeks of the canyons in this region. Fossil Springs (on Fossil Creek) and Flowing Springs (on the East Verde River) are prime examples. This is a case of surface water under the influence of ground water, rather than the opposite.)

- 1.13 Admit that the form of hauling tariff proposed for EVP is modeled after and/or materially similar to that approved by the Commission for the Company's MDC system.

T. Bremer Response: Objection - I have no information regarding the hauling tariff for the MDC system. Therefore I can draw not any conclusions about similarities or differences between the MDC hauling tariff and that proposed by PWC for EVP in Document 0000150385, dated December 6, 2013.

As with Data Request 1.10, Data Request 1.13 is misleading in focusing only on the hauling tariff, instead of the entirety of the water curtailment plan. If in fact the curtailment plan being proposed by PWC for EVP is similar to the curtailment plan imposed on MDC, this goes a long way to explain the intimidating effect of PWC's water curtailment strategy that has been reported to me by a number of MDC customers.

- 1.14 Please identify every system improvement you recommend the Company make in its EVP system, the estimated cost of such system and state how such improvement would enhance the Company's water supplies. Please provide any and all evidence in your possession to support your response.

T. Bremer Response: Objection – I assert that it is incumbent upon the utility, not the customer, to arrive at the specific infrastructure plan to assure reliable service and to avoid unreasonable hardship to customers (ie: PWC's proposed curtailment plan).

Furthermore, I have not made any specific recommendations for EVP water system improvements, other than to request that necessary system improvements for EVP are identified by PWC. Item D of the EVP Petition (provided in Attachment 3 of my November 19, 2013 filing, ACC Document 0000149597, and again with signatures in Attachment 1 to my filing of January 6, 2014, ACC Document 0000150670) requests

that PWC “Conduct an evaluation of EVP water system vulnerabilities and upgrade needs to sustain future reliable operation, as requested in the meeting between several EVP residents and PWC’s Robert Hardcastle at the offices of Fennemore Craig law firm in Phoenix on March 20,2013, and tie any proposed rate and fee increases at EVP to the implementation of necessary upgrades.”

The condition of the EVP water system equipment as observed by EVP residents in the 2012 EVP Water Survey (Attachment 3 of my November 19, 2013 filing, ACC Document 0000149597), and PWC President Robert Hardcastle’s acknowledgement in 2001 that system improvements are “warranted and necessary” (Attachment 2b of my November 19, 2013 filing), as well as the prolonged periods every year of Stage Level 3 and higher water restrictions, provide ample evidence of the need for improvements to the EVP water system. Furthermore, as mentioned in the 2012 EVP Water Survey and described by EVP resident C.R. Hewlett during the ACC Public Comment hearing on January 13, 2014, in 1976 the EVP community contracted a consultant, Bartholomew and Follet, to assess the EVP water system. Their recommendations included an additional well and increased storage capacity. These 37 year-old recommendations merit review and update in the course of a PWC assessment of EVP water system improvement needs.

1.15 Do you agree that PWC is entitled to recover revenues or rates for the provision service that allow it to recover its reasonable and prudent operating expenses and earn a return on and of its investment in plant used to provide utility service?

T. Bremer Response, January 14, 2014: Yes. No one has ever disputed that PWC is entitled to earn a return on and of its investment in plant used to provide utility service. In fact, Item 4 of the EVP Petition states “While the owners and residents at EVP acknowledge PWC’s right to a reasonable profit, the proposed increases are not commensurate with the historical low level of service and water system maintenance provided by PWC.” This statement emphasizes that PWC’s right to a reasonable profit must be linked to the rights of EVP ratepayers and water users.

1.16 Assuming that your request to deny the hauling tariff is successful –

a. What do you suggest the Company do if the wells in EVP do not produce sufficient water supplies to meet customer demand?

T. Bremer Response, January 14, 2014: If in fact the wells in EVP do not produce sufficient water to meet customer demand, then PWC will need to haul water as has been done in the past. However, PWC and their predecessor companies have done nothing since 1976, when EVP residents provided the Bartholomew and Follet recommendations, or since 2001, when PWC’s president acknowledged the need for EVP water system improvements, to assure a capable on-site water supply to avoid the need for water hauling in the first place.

b. How would the Company recover the costs of any remedy you suggested in part (a) above.

T. Bremer Response, January 14, 2014: PWC proposes increases in the base fee and commodity charges that double the average water bill. And for customers using higher amounts of water (and therefore responsible for the need for water hauling) PWC is proposing that the commodity charge nearly quadruples, from \$1.93 to \$7.65 per thousand gallons. I contend that such enormous increases can support the cost of seasonal water hauling without additional surcharges, and to the extent that this reduces profit, provide incentive for PWC to identify and implement upgrades to the EVP water system to avoid the need for water hauling in the first place. Without such incentive, history has shown that PWC is unlikely to ever upgrade the aging EVP water system.

1.17 Identify all additional costs you believe the Company is seeking to recover in its rejoinder filing, dated January 6, 2014, that were not previously requested for recovery in this case including the amount, the basis for your position, the reason you oppose recovery and the impact of the alleged recovery on customers in EVP.

T. Bremer Response, January 14, 2014: PWC's rejoinder filing of January 6, 2014, ACC Document 0000150671, maintains the EVP water curtailment plan proposed in PWC's rebuttal filing of December 6, 2013, ACC Document 000015038, with its unjust curtailment compliance criteria and reconnection fees ranging from \$200 to \$3000, as described in my response to Data Request 1.10 above. Apparently PWC seeks to not only recover the cost of water hauling, but also to gain a sizeable revenue stream from reconnection fees.

1.18 Admit that customers would prefer the Company pay to haul water versus letting the supply run dry.

T. Bremer Response, January 14, 2014: I admit that customers would prefer the Company pay to haul water, without surcharges to PWC customers, as described in my response to 1.16b above.

However, Data Request 1.18 is premised on the assumption that if the Company does not haul water, the supply will "run dry". The limiting factor at EVP is not a dry aquifer, but inadequate water system well and storage capacity. PWC has presented no data to substantiate their assumption that the local groundwater at EVP will not support increased water supply by a modest amount, about 6% per year based on the data in Exhibit A of PWC's filing of April 22, 2013, ACC Document 0000145511.

1.19 Admit that the cost of hauling water in the event of insufficient supplies is a cost of service.

T. Bremer Response, January 14, 2014: I admit that the cost of hauling water is a cost of service. However, as described in my response to Data Request 1.16b, recovery of water hauling costs should not be allowed without a plan to correct the longstanding deficiencies of the EVP water system. Furthermore, recovery of water hauling costs

should not be allowed if they are authorized by the curtailment plan as proposed by PWC in exhibit JW-RB3 of Document 0000150385, dated December 6, 2013, which is grossly unfair as described in my response to Data Request 1.10, and which stands to provide PWC with a generous revenue stream from service reconnection fees.

Attachment 2

Copy of Exhibit JW-RB3 of W-03514A-13-0111 Document No. 0000150385, PWC Rebuttal
Testimony, dated December 6, 2013. "CURTAILMENT PLAN FOR: PAYSON WATER CO., INC.
ADEQ Public Water System: East Verde Park Water System (#04-026)"

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EXHIBIT
JW-RB3

		Revised	SHEET NO.	1.1
Payson Water Co., Inc.	East Verde Park	Revised	SHEET NO	
Docket No. W-03514A-13-0111 et al.	(Name of Service Area)			

CURTAILMENT PLAN FOR: PAYSON WATER CO., INC.

ADEQ Public Water System: East Verde Park Water System (#04-026)

APPLICABILITY

Payson Water Company, Inc. (the "Company") is authorized by the Arizona Corporation Commission to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff. As needed, this tariff will be implemented by the Company for customers of the East Verde Park water system ("Water System"). This tariff supersedes the Curtailment Plan approved in Decision No. 67281 (May 5, 2005).

The curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of this tariff.

For the purposes of this curtailment plan the term "Peak Season" shall be defined as the period from May 1 through September 30 annually. The term "Off-Peak Season" shall be defined as all other periods not defined as Peak Season.

The Company shall provide a copy of the curtailment tariff to any EVP customer upon request.

EXEMPTIONS: Customers who use 4,000 gallons or less per month based on a twelve (12) month rolling average are exempt from the mandatory reduction in daily use requirements as outlined in Stage 3, Stage 4 and Stage 5 of this tariff. This is because these customers are already leading a conservative water lifestyle, and mandatory percentage reductions will likely require the loss of use of water essential to health and safety. However, all other restrictions during mandatory conservation periods will still apply.

ISSUED:			EFFECTIVE:	
	Month	Day	Year	Month
				Day
				Year
	ISSUED BY: Jason Williamson			
	7581 E. Academy Boulevard, Suite 229			
	Denver, Co 80230			

		Revised	SHEET NO.	1.2
Payson Water Co., Inc.	East Verde Park	Revised	SHEET NO	
Docket No. W-03514A-13-0111 et al.				
	(Name of Service Area)			

STAGES

Stage 1 Exists When:

Water System's storage level is 85% or more of capacity and there are no known problems with production or storage.

Restrictions: Under Stage 1 conditions the water system is deemed to be operating normally and no curtailment is necessary, except as follows: (a) no outside watering is permitted on Mondays; (b) outside water is permitted on Tuesdays, Thursdays, and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays, Fridays, and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or any form of irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

Water Augmentation: Under Stage 1 conditions, no water augmentation is required.

Notice: Under Stage 1 conditions, no notice is required.

Stage 2 Exists When:

Water System's storage level is less than 85% of capacity but more than 70% of capacity for at least forty-eight (48) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 2 conditions **voluntary** conservation measures should be employed by customers to reduce water consumption by at least 20% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Monday's, Thursdays, and Fridays; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m.

Water Augmentation: Under Stage 2 conditions no water augmentation is required.

ISSUED:		EFFECTIVE:	
	Month Day Year		Month Day Year

ISSUED BY: Jason Williamson
7581 E. Academy Boulevard, Suite 229
Denver, Co 80230

Payson Water Co., Inc.	East Verde Park	Revised	SHEET NO.	1.3
Docket No. W-03514A-13-0111 et al.	(Name of Service Area)	Revised	SHEET NO	

Notice: Under Stage 2 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 2 conditions, and a need to conserve water.

Stage 3 Exists When:

Water System's storage level is less than 70% of capacity but more than 60% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 3 conditions mandatory conservation measures should be employed by customers to reduce water consumption; by at least 30% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, and Fridays.; (b) outside water is permitted on Tuesdays and Saturdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays and Sundays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 3 conditions the Company shall inform customers of the Water System of the mandatory restriction to employ water conservation measures to reduce daily consumption by 30%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 3 conditions, the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 3 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 3 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 2 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

ISSUED:			EFFECTIVE:	
	Month Day Year			Month Day Year
		ISSUED BY: Jason Williamson		
		7581 E. Academy Boulevard, Suite 229		
		Denver, Co 80230		

		Revised	SHEET NO.	1.4
Pavson Water Co., Inc.	East Verde Park	Revised	SHEET NO.	
Docket No. W-03514A-13-0111 et al.	(Name of Service Area)			

Notice: Under Stage 3 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 3 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 3 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be:

First offense:	\$200
Second offense: (see also Reconnection Fees Section)	\$350
Third offense:	\$750

If a customer believes their water service has been disconnected in error, the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 4 Exists When:

Water System's storage level is less than 60% of capacity. but more than 50% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

Restrictions: Under Stage 4 conditions mandatory conservation measures should be employed by customers to reduce water consumption; by at least 40% as measured on a daily use basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, Fridays, and Sundays; (b) outside watering is permitted on Tuesdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 4 conditions the Company shall inform customers of the Water System's mandatory restriction to employ water conservation measures to reduce daily water consumption by 40%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 4 conditions the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein;

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	Month Day Year			Month Day Year
		ISSUED BY: Jason Williamson		
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Payson Water Co., Inc.	East Verde Park	Revised	SHEET NO	
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(2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 4 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 4 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

Notice: Under Stage 4 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 4 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 4 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 4 curtailment notice shall be:

First offense:	\$400
Second offense: (see also Reconnection Fees Section)	\$750
Third offense:	\$1,500

If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 5 Exists When:

Water System's storage level is less than 50% of capacity for at least twelve (12) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

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		Revised	SHEET NO.	1.6
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Restrictions: Under Stage 5 conditions, mandatory conservation measures should be employed by customers to reduce water consumption; by at least 50% as measured on a daily use basis. Under Stage 5 conditions no outside watering is permitted. Under Stage 5 conditions the Company shall inform customers of the Water System's mandatory restriction to employ water conservation measures to reduce daily consumption by 50%. Failure of customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 5 conditions the following uses of water are strictly prohibited: (1) all outdoor watering; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other water intensive activity. Under Stage 5 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

Water Augmentation: Under Stage 5 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 4 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

Notice: Under Stage 5 conditions, the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 5 conditions, and a need to conserve water.

Enforcement: Once the Company has properly provided notice of Stage 5 conditions, the failure of a customer to comply with this Curtailment Plan within twelve (12) hours of receiving notice of its violation of this Curtailment Plan may result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2- 410(B)(1)(d). The reconnection fee for a violation of a Stage 5 curtailment notice shall be:

First offense:	\$800
Second offense: (see also Reconnect-ion Fees Section)	\$1,500
Third offense:	\$3,000

If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

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NOTICE

If the Company elects to provide customer water conservation-stage notice by use of local sign postings the Company shall post and maintain at least two (2) signs per water system in noticeable locations that include the entrance to major subdivisions indicating the Company is operating under its Curtailment Plan Tariff, beginning with Stage 1. Each signs shall be at least four feet by four feet and color-coded to denote the current stage, as follows:

- Stage 1 — Green
- Stage 2 — Blue
- Stage 3 — Yellow
- Stage 4 — Orange
- Stage 5 — Red

The Company shall notify the Consumer Services Division of the Utilities Division at least;

- Twelve (12) hours prior to entering Stage 2.
- Six (6) hours prior to entering Stage 3.
- Six (6) hours prior to entering Stage 4.
- Four (4) hours prior to entering Stage 5.

RECONNECTION FEES

All reconnection fees shall be cumulative for a calendar year regardless of the Stage that an offense occurs. For example, if a customer fails to meet the requirements of a water conservation stage, observe required water conservation measures under a Stage 3 condition, and after receiving notice that a water conservation stage is in effect, the reconnection fee will be \$200. If the same customer in the same calendar year commits an offense under Stage 5 conditions, the reconnection fee shall be \$1,500. By May 15 and October 15 annually, the Company shall provide the Director of the Utilities Division with a list of customers who paid reconnection fees for failure to comply with the mandatory provisions of the Curtailment Plan Tariff.

Any customer who has service disconnected according to this Curtailment Plan Tariff more than once during a calendar year shall have those terminations count against them in the next calendar year for purposes of establishing the reconnection fee, should another disconnection occur.

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		Revised	SHEET NO.	1.8
Payson Water Co., Inc.	East Verde Park	Revised	SHEET NO	
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	(Name of Service Area)			

WATER CONSUMPTION CALCULATION OF "DAILY USE"

For the purpose of calculating "daily use" under the Restriction section of Stage 2, Stage 3, Stage 4, and Stage 5 water conservation conditions, the following definition shall apply:

Daily use is determined by taking the customer water meter reading today and subtracting from the customer's meter reading yesterday. This daily use amount is multiplied by 30 days to obtain a calculated monthly use. This monthly use is then compared to the higher of: (a) the immediately preceding month's actual water consumption, or (b) water consumption for the same month in any one of the two previous years for the same service location, to determine if the customer reduced his/her water consumption by at least the required Stage's percentage. The water customer should reduce their daily water consumption from the higher monthly water consumption of either (a) or (b).

Example: Customer meter reads 986654 today. Customer meter read 986354 yesterday. The difference in meter reads is 300 gallons for one day or 9,000 gallons for 30 days. Customer's actual use in the same month in any one of the two previous years was 6,000 (b) gallons. Customer is in violation of Stage 3 mandatory water conservation conditions because his/her current "daily use" calculation is greater than his/her higher monthly use of (a) 7,000 gallons. Under Stage 3, the customer is required to reduce consumption by 30% of the 7,000 gallons or 2,100 gallons, 7,000 - 2,100 is 4,900. So the customer's daily use needs to be about 165 gallons per day.

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EMERGENCY INTERIM
WATER AUGMENTATION SURCHARGE TARIFF

WATER CONSUMPTION CALCULATION OF "DAILY USE"

For the purpose of calculating "daily use" under the Restriction section of Stage 2, Stage 3, Stage 4, and Stage 5 water conservation conditions, the following definition shall apply:

Daily use is determined by taking the customer water meter reading today and subtracting from the customer's meter reading yesterday. This daily use amount is multiplied by 30 days to obtain a calculated monthly use. This monthly use is then compared to the higher of: (a) the immediately preceding month's actual water consumption, or (b) water consumption for the same month in any one of the two previous years for the same service location, to determine if the customer reduced his/her water consumption by at least the required Stage's percentage. The water customer should reduce their daily water consumption from the higher monthly water consumption of either (a) or (b).

Example: Customer meter reads 986654 today. Customer meter read 986354 yesterday. The difference in meter reads is 300 gallons for one day or 9,000 gallons for 30 days. Customer's actual use in the same month in any one of the two previous years was 6,000 (b) gallons. Customer is in violation of Stage 3 mandatory water conservation conditions because his/her current "daily use" calculation is greater than his/her higher monthly use of (a) 7,000 gallons. Under Stage 3, the customer is required to reduce consumption by 30% of the 7,000 gallons or 2,100 gallons, 7,000 - 2,100 is 4,900. So the customer's daily use needs to be about 165 gallons per day.

Applicability – This interim surcharge shall be in effect between May 1 and September 30 of each year, beginning in 2014, until the conclusion of Payson Water Company's next rate proceeding. It shall only apply to customers served on the East Verde Park water system.

Calculation – Each customer's monthly surcharge shall be calculated based on the company's prior month's water hauling costs, and compared to the customer's water usage during that particular month. The only costs recovered by the company through this interim surcharge will be the cost of the water supply and transportation costs; there will be no administrative costs or profit of this surcharge.

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