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2014 MAR -6 P 4: 13

Arizona Corporation Commission

DOCKETED

MAR 06 2014

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE APPLICATION  
9 OF PAYSON WATER COMPANY ON  
10 BEHALF OF ITS MESA DEL CABALLO  
11 SYSTEM FOR APPROVAL OF A WATER  
12 AUGMENTATION  
13 SURCHARGE/EMERGENCY RATE TARIFF.

DOCKET NO: W-03514A-10-0116

14 IN THE MATTER OF THE NOTICE OF  
15 FILING OF PAYSON WATER COMPANY'S  
16 PROPOSED CHANGES TO ITS  
17 CURTAILMENT TARIFF (MESA DEL  
18 CABALLO SYSTEM).

DOCKET NO: W-03514A-10-0117

**NOTICE OF COMPLIANCE WITH  
DECISION NO. 74175**

19 Decision No. 74175 (October 25, 2013) directs Payson Water Co., Inc. ("PWC" or  
20 the "Company") to apply for elimination of the Emergency Interim Water Augmentation  
21 Surcharge Tariff ("Augmentation Tariff") currently in effect for its Mesa del Caballo  
22 system.<sup>1</sup> Towards that end, PWC hereby submits this Notice of Compliance.

23 PWC submits this notice as evidence of compliance and acknowledgment of the  
24 *eventual* need for the Augmentation Tariff's elimination. However, PWC respectfully  
25 requests that the Augmentation Tariff not be eliminated until *after* approval to implement  
26 an alternate mechanism for recovery of purchased water costs for Mesa del Caballo is  
issued. The Company is presently requesting, and Staff is recommending, a Purchased  
Water Adjustment Mechanism ("PWAM") to recover the cost of purchased water from

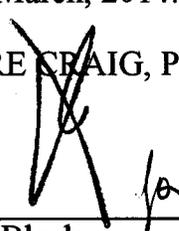
<sup>1</sup> See Docket No. W-03514A-13-0111, *et al.*, where PWC is concurrently filing this same Notice of Compliance.

1 the Town of Payson (the "Town") and to be delivered through the TOP-MDC  
2 interconnect pipeline, the financing of which was the subject of Decision No. 74175.  
3 If the final decision in this matter grants the Company's request effective May 1, 2014,  
4 then at that juncture the Augmentation Tariff will become unnecessary.<sup>2</sup>

5 PWC must have a recovery mechanism in place. Otherwise, it will be unable to  
6 buy water for delivery through the TOP-MDC line as the Augmentation Tariff only allows  
7 for recovery of costs of hauled water. Construction of the TOP-MDC line is scheduled to  
8 begin this month. The Company expects to place the TOP-MDC line into service in  
9 May 2014 and to have it ready for summer 2014. However, the Company will not be able  
10 to serve Mesa del Caballo customers through the TOP-MDC line if there is no PWAM,  
11 nor will it be able to haul water if the Augmentation Tariff is eliminated.<sup>3</sup> Therefore,  
12 PWC respectfully suggests that it is not in the public interest to eliminate the  
13 Augmentation Tariff until a decision in its rate case is issued and an alternative recovery  
14 mechanism is approved to allow PWC to recover the costs of water purchased from the  
15 Town for delivery to its customers.

16 RESPECTFULLY SUBMITTED this 6th day of March, 2014.

17 FENNEMORE CRAIG, P.C.

18  
19 By:    
20 Patrick J. Black  
21 Attorneys for Payson Water Company  
22

23 <sup>2</sup> Pursuant to the Commission's time-clock rule, new rates must be approved by  
24 approximately April 14, 2014. See R14-2-103(B)(11)(d).

25 <sup>3</sup> All purchased water costs for Mesa del Caballo have been removed from the operating  
26 expenses proposed by Staff and the Company. Thus, absent an alternative mechanism for  
recovery like the PWAM, the Company will not be able to recover the costs of purchasing  
water.

1 ORIGINAL and 13 copies filed  
2 this 6<sup>th</sup> day of March, 2014, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 COPY hand-delivered  
8 this 6<sup>th</sup> day of March, 2014, to:

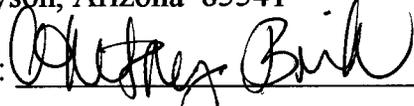
9 Marc Stern, ALJ  
10 Hearing Division  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Robin Mitchell, Esq.  
15 Legal Division  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Carmel Hood, Compliance  
20 Utilities Division  
21 Arizona Corporation Commission  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

24 COPY mailed  
25 this 6<sup>th</sup> day of March, 2014, to:

26 Mesa Del Water Committee  
c/o El Caballo Club, Inc.  
8119 Mescalero  
Payson, Arizona 85541

By:   
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