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**BEFORE THE ARIZONA CORPORATION**

COMMISSIONERS

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

Arizona Corporation Commission

**DOCKETED**

MAR 19 2014

DOCKETED BY ne

IN THE MATTER OF THE APPLICATION OF  
FRANCESCA WATER COMPANY, INC. FOR A  
PERMANENT RATE INCREASE.

DOCKET NO. W-03945A-13-0287

DECISION NO. 74397

**ORDER**

Open Meeting  
March 11 and 12, 2014  
Phoenix, Arizona

**BY THE COMMISSION:**

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

**PROCEDURAL HISTORY**

1. On August 29, 2013, Francesca Water Company, Inc. ("FWC" or "Company") filed an application with the Commission for a permanent rate increase and on September 3, 2013, the Company filed an amendment to the application (collectively, the "Application"). FWC attached a copy of the notice provided to customers on August 29, 2013, regarding the Application. One customer filed an opinion with the Commission objecting to the Company's proposed rate increase.

2. On October 3, 2013, the Commission's Utilities Division ("Staff") filed its Sufficiency Letter stating the Application was sufficient pursuant to Arizona Administrative Code ("A.A.C.") R14-2-103, and classifying FWC as a Class D utility.

3. On December 11, 2013, Staff submitted its Staff Report, recommending approval of the Application using Staff's proposed rates and charges, subject to certain terms and conditions.

4. On December 23, 2013, FWC docketed its response to the Staff Report, objecting to various Staff recommendations ("Response").

**FINDINGS OF FACT**

5. FWC is an Arizona C corporation providing water service to customers in the Three Points area of Pima County, approximately 20 miles southwest of the City of Tucson. The Commission approved FWC's current rates and charges in Decision No. 63660 (May 4, 2001).

6. FWC operates two separate water systems situated approximately four miles apart. The Talaway Water System consists of one well yielding 25 gallons of water per minute ("gpm"), one 40,000 gallon storage tank, a pressure tank, two booster pumps and the distribution system. The Talaway Water System serves approximately 75 connections. The Amber Ann Water System consists of one well yielding 25 gpm, one 25,000 gallon storage tank, a pressure tank, two booster pumps and the distribution system. The Amber Ann Water System serves approximately 35 connections. Staff concluded that FWC's systems each have adequate production and storage capacities to serve existing customers and reasonable growth.

7. During the test year ending December 31, 2012, FWC served 107 customers on 5/8 x 3/4-inch meters and two customers on 1-inch meters.<sup>1</sup> The average and median water use by customers on the 5/8 x 3/4-inch meters were 6,784 gallons and 4,831 gallons per month, respectively.

8. FWC's present rates and charges, as proposed by FWC in its Application, and as recommended by Staff in its Staff Report, are as follows:

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<b><u>MONTHLY USAGE CHARGE:</u></b>			
5/8 x 3/4-inch Meter	\$16.35	\$23.50	\$19.00
3/4-inch Meter	18.50	35.25	30.00
1-inch Meter	21.00	58.75	50.00
1 1/2-inch Meter	29.00	117.50	100.00
2-inch Meter	50.00	188.00	160.00
3-inch Meter	70.00	376.00	320.00
4-inch Meter	109.00	587.00	500.00
6-inch Meter	199.00	1,175.00	1,000.00
Gallons Included in Minimum	0	0	0

<sup>1</sup> There is conflicting information on the size of these two meters. The Application and Staff's Engineering Report list them as 2-inch meters. The main body of the Staff Report and the Company's Response state these two meters are 1-inch.

1 **COMMODITY CHARGE:**  
 2 (All classes, per 1,000 gallons)

3 **All Meter Sizes**

4	0 to 4,000 gallons	\$2.63	N/A	N/A
	4,001 to 20,000 gallons	3.95	N/A	N/A
5	Over 20,000 gallons	4.73	N/A	N/A

6	0 to 3,000 gallons	N/A	\$3.10	N/A
	3,001 to 10,000 gallons	N/A	4.30	N/A
7	Over 10,000 gallons	N/A	5.61	N/A

8 **5/8-inch x 3/4-inch Meter**

8	0 to 3,000 gallons	N/A	N/A	\$ 2.00
9	3,001 to 10,000 gallons	N/A	N/A	4.35
	Over 10,000 gallons	N/A	N/A	6.70

10 **3/4-inch Meter**

11	0 to 10,000 gallons	N/A	N/A	\$4.35
	Over 10,000 gallons	N/A	N/A	6.70

12 **1-inch Meter**

13	0 to 17,000 gallons	N/A	N/A	\$4.35
	Over 17,000 gallons	N/A	N/A	6.70

14 **1 1/2-inch Meter**

15	0 to 37,000 gallons	N/A	N/A	\$4.35
	Over 37,000 gallons	N/A	N/A	6.70

16 **2-inch Meter**

17	0 to 61,000 gallons	N/A	N/A	\$4.35
	Over 61,000 gallons	N/A	N/A	6.70

18 **3-inch Meter**

19	0 to 127,000 gallons	N/A	N/A	\$4.35
	Over 127,000 gallons	N/A	N/A	6.70

20 **4-inch Meter**

21	0 to 200,000 gallons	N/A	N/A	\$4.35
	Over 200,000 gallons	N/A	N/A	6.70

22 **6-inch Meter**

23	0 to 410,000 gallons	N/A	N/A	\$4.35
	Over 410,000 gallons	N/A	N/A	6.70

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**SERVICE LINE AND METER INSTALLATION CHARGES:**

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Company Proposed</u>				<u>Staff Recommended</u>		
	Current Charge	Proposed Service Line Charge	Meter Installation Charge	Total Recommended Charges	Proposed Service Line Charge	Meter Installation Charge	Total Recommended Charges
5/8" x 3/4 " Meter	\$ 455.00	\$ 430.00	\$130.00	\$ 560.00	\$ 430.00	\$130.00	\$ 560.00
3/4 " Meter	515.00	430.00	230.00	660.00	430.00	230.00	660.00
1" Meter	590.00	480.00	290.00	770.00	480.00	290.00	770.00
1-1/2" Meter	820.00	535.00	500.00	1,035.00	535.00	500.00	1,035.00
2" Meter Turbine	1,380.00	815.00	1,020.00	1,835.00	815.00	1,020.00	1,835.00
2" Meter Compound	N/A	815.00	1,865.00	2,680.00	815.00	1,865.00	2,680.00
3" Meter Turbine	1,935.00	1,030.00	1,645.00	2,675.00	1,030.00	1,645.00	2,675.00
3" Meter Compound	N/A	1,150.00	2,520.00	3,670.00	1,150.00	2,520.00	3,670.00
4" Meter Turbine	3,030.00	1,460.00	2,620.00	4,080.00	1,460.00	2,620.00	4,080.00
4" Meter Compound	N/A	1,640.00	3,595.00	5,235.00	1,640.00	3,595.00	5,235.00
6" Meter Turbine	5,535.00	2,180.00	4,975.00	7,155.00	2,180.00	4,975.00	7,155.00
6" Meter Compound	N/A	2,300.00	6,870.00	9,170.00	2,300.00	6,870.00	9,170.00
Over 6"	N/A	N/A	N/A	N/A	At Cost	At Cost	At Cost

	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Proposed Rates Staff</u>
<b><u>SERVICE CHARGES:</u></b>			
Establishment	\$35.00	\$40.00	\$40.00
Establishment (After Hours)	50.00	N/A	N/A
Service Charge (After Hours)	N/A	\$30.00	\$30.00
Reconnection (Delinquent)	\$25.00	35.00	35.00
Meter Re-Read (If Correct)	15.00	25.00	20.00
Meter Test (If Correct)	50.00	50.00	30.00
NSF Check	15.00	25.00	25.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-establishment (Within 12 months)	**	**	**
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
Late Fee (Per Month)	N/A	\$5.00	***

\* Per Commission Rule A.A.C. R-14-2-403(B).

\*\* Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

\*\*\* \$5.00 or 1.50 percent, whichever is greater.

9. Staff determined FWC's original cost rate base to be \$91,840, which is the same as its fair value rate base ("FVRB"). This is a \$1,862 decrease to FWC's proposed FVRB of \$93,702, due to Staff's adjustments to the Company's proposed plant-in-service, accumulated depreciation, and working capital amounts. In the Company's Response to the Staff Report, FWC stated it would not contest Staff's adjustments.

10. We find that Staff's adjustments to FWC's FVRB are reasonable and we adopt Staff's proposed FVRB of \$91,840.

1 11. Staff adopted FWC's proposed test year operating revenues of \$53,772.

2 12. Staff made several adjustments to FWC's proposed test year operating expenses,  
3 resulting in an increase of \$1,093, from \$51,224 to \$52,317, due to Staff's adjustments to FWC's  
4 proposed water testing expense, depreciation expense, income tax and interest on customer deposits.  
5 The Company accepted Staff's operating expense adjustments.

6 13. Based on Staff's analysis, FWC's adjusted operating revenues of \$53,772 and adjusted  
7 operating expenses of \$52,317 resulted in a net test year operating income of \$1,455, for a 1.58  
8 percent rate of return and an operating margin of 2.70 percent.

9 14. In its Application, FWC proposed a \$17,000 increase over test year revenues, or 31.61  
10 percent, for total operating revenues of \$70,772. After projected operating expenses of \$51,083,  
11 FWC would achieve operating income of \$19,689, for a 21.01 percent rate of return on its proposed  
12 FVRB and a 27.82 percent operating margin.

13 15. FWC's proposed rates would increase the average monthly customer water bill by  
14 \$11.20, or 29.59 percent, from \$37.87 to \$49.07, and increase the median monthly customer water  
15 bill by \$10.52, or 34.89 percent, from \$30.15 to \$40.67.

16 16. Staff recommended a \$9,775 increase over adjusted test year revenues, or 18.18  
17 percent, for total revenues of \$63,547. With recommended operating expenses of \$54,363, FWC  
18 would receive \$9,184 in operating income, resulting in a 10.00 percent rate of return on Staff's  
19 recommended \$91,840 FVRB and a 14.45 percent operating margin. Staff's rates will provide the  
20 Company with a cash flow of \$10,267.<sup>2</sup>

21 17. Staff's proposed rates would increase the average monthly customer water bill by  
22 \$3.59, or 9.49 percent, from \$37.87 to \$41.46, and increase the median monthly customer water bill  
23 by \$2.81, or 9.33 percent, from \$30.15 to \$32.96.

24 18. FWC objected to Staff's recommended revenues, arguing that Staff's cash flow  
25 calculations incorrectly excluded \$2,099 in interest on the Company's credit card debt. In its  
26 Response, FWC asserted that it is often necessary for a company of FWC's size to procure short term

27 <sup>2</sup> In Decision No. 63660 (May 4, 2001), the Commission authorized FWC to obtain a \$97,000 loan financed over 20 years  
28 from the Water Infrastructure Finance Authority of Arizona. According to the Application, the annual principal on the  
loan is \$4,930 and interest is \$1,723. (Application, page 23.)

1 financing by using credit cards.<sup>3</sup> The Company did not state the current balances or the interest rates  
2 on its credit cards, nor did FWC state for what expenses it used the credit cards. Including the credit  
3 card interest in cash flow calculations would reduce cash flow from \$10,267 to \$8,168, which FWC  
4 asserts is not sufficient to cover contingencies.

5 19. We do not agree with FWC that current interest charges on a credit card should require  
6 rates to increase. FWC may pay off the balance at any time and the interest payments would cease,  
7 and FWC failed to demonstrate that the costs were reasonable.

8 20. Further, Staff's proposed revenues provide a 10.00 percent rate of return and a 14.45  
9 percent operating margin. Based on its FVRB, we believe that FWC's proposed revenue requirement  
10 is excessive and that Staff's proposed revenues provide the Company with sufficient funds to meet its  
11 operating needs and contingencies.

12 21. We find Staff's operating revenue, operating expense, rate of return and revenue  
13 recommendations are reasonable and we adopt them.

14 22. FWC objected to Staff's rate design, asserting that Staff placed too much of its  
15 proposed increase in the third tier commodity rate for its 5/8 x 3/4-inch meters. The Company argued  
16 that if the high third tier rate results in customers conserving water, then revenues will decline and  
17 FWC will not earn its authorized revenues. The Company also observed that Staff recommends  
18 different tier breaks for each size meter. FWC argues that this creates an administrative burden for  
19 the Company and greatly complicates the layout of its tariff.

20 23. In its exceptions, FWC states that Staff's proposed rate design allocates fifty-five  
21 percent of the revenue increase to the top tier. FWC claims that this allocation assigns too much  
22 revenue to the top tier, thereby placing the Company at substantial risk of not recovering its revenue  
23 requirement. In order to ensure revenue stability, the Company proposes an alternate set of rates (set  
24 forth in Attachment A to its exceptions) that includes as a higher minimum charge for 5/8 x 3/4"

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<sup>3</sup> Response, page 2.

1 meters. The Company also proposes changes to the commodity charge for 5/8 x 3/4" meters. These  
2 alternate rates are intended to produce Staff's recommended revenue requirement and to provide a  
3 conservation incentive.

4 24. Accordingly, we find that Staff's proposed rate design, rates, and charges are  
5 reasonable, as amended by the Company's proposed alternate rates, which are set forth in Attachment  
6 A to the Company's exceptions.

7 25. We disagree with the Company's argument that having different break-over points for  
8 each meter size is complicated or burdensome. Different break-over points for different meter sizes  
9 is a common recommendation for all classes of water utilities. We note that FWC has customers on  
10 only two meter sizes, which simplifies the use of the different tiers in this instance.

11 26. Staff recommends that the Company file with Docket Control, as a compliance item in  
12 this docket, within 30 days of the effective date of this Decision, a schedule of the approved rates and  
13 charges.

14 27. Staff further recommends that FWC adopt Staff's typical and customary depreciation  
15 rates shown in the attached Exhibit A on a going-forward basis.

16 28. According to the Staff Report, FWC's Talaway System had a line break during the test  
17 year, resulting in an 11.4 percent water loss and exceeding Staff's recommended water loss level of  
18 no more than 10 percent. At Staff's request, the Company provided additional water use data for  
19 January 2013 through September 2013, which reflected an acceptable water loss of 9.1 percent. The  
20 Company's Amber Ann System test year water use data reflected a negative 3.3 percent, calling into  
21 question the validity of the reports. At Staff's request, the Company provided additional water use  
22 data for January 2013 through September 2013, which reflected an acceptable water loss of 5.5  
23 percent.

24 29. Given the fluctuating water loss data, Staff recommends the Company begin  
25 monitoring its water systems closely and ensure that water loss for each system remains below 10  
26 percent. Staff also recommends that FWC coordinate its reading of well meters and customer meters  
27 on a monthly basis and report this data in its Annual Reports beginning with its 2014 Annual Report  
28 to be filed in 2015. If the reported water loss is greater than 10 percent, FWC should prepare a report

1 containing a detailed analysis and plan to reduce water loss to less than 10 percent. If the Company  
2 believes it is not cost effective to reduce the water loss to less than 10 percent, the Company should  
3 submit a detailed cost/benefit analysis to support its opinion. In no case should the Company allow  
4 water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis,  
5 whichever is submitted, should be filed with Docket Control as a compliance item in this docket  
6 before the Company files its next rate application. Staff also recommends that any future rate case  
7 filed by the Company may be found insufficient if these items are not properly submitted.

8 30. FWC is within an Arizona Department of Water Resources ("ADWR") active  
9 management area. In a Compliance Status Report dated September 11, 2013, ADWR determined that  
10 both water systems are currently in compliance with departmental requirements governing water  
11 providers and/or community water systems.

12 31. Staff recommends that the Company file with Docket Control, as a compliance item in  
13 this docket, within 90 days of the effective date of this Decision, at least three Best Management  
14 Practices ("BMPs") in the form of tariffs that substantially conform to the templates available at the  
15 Commission's website, for the Commission's review and consideration. Not more than two of the  
16 BMPs may come from the "Public Awareness/Public Relations" or "Education and Training"  
17 categories. In its next general rate application, FWC may request recovery of the actual costs  
18 incurred by BMP implementation.

19 32. The Company did not file any objections to Staff's BMP recommendation.

20 33. FWC has selected three proposed BMPs which include the Public Education Program,  
21 3.7 (Customer High Water Use Notification), and 5.2 (Water System Tampering).

22 34. Staff concluded that FWC's proposed BMP tariffs are relevant to FWC's service area  
23 and that the proposed BMP Tariffs conform to the templates developed by Staff. Staff has  
24 recommended approval of the three BMP tariffs selected, attached hereto as Exhibit B.

25 35. According to Staff, FWC has one outstanding compliance item. In Decision No.  
26 59262 (August 30, 1995), the Commission noted that because FWC was not a public water system  
27 when it was first constructed, the Company had not submitted system plans to Pima County  
28 Department of Environmental Quality ("PCDEQ") for approval. As such, the Commission directed

1 FWC to docket an Approval of Construction ("AOC") from PCDEQ approving construction of the  
2 water system within 365 days of the Decision's effective date. The Company has not filed the AOC,  
3 but Staff believes this filing requirement is no longer necessary.

4 36. Staff observed that in a Compliance Status Report dated October 2, 2013, the Arizona  
5 Department of Environmental Quality ("ADEQ") determined that FWC is in full compliance with  
6 ADEQ requirements and is currently delivering water that meets water quality standards required by  
7 A.A.C., Title 18, Chapter 4. Staff also noted that the current owner does not have sufficient records  
8 to support an AOC.

9 37. Accordingly, Staff recommends that the Commission permanently withdraw the  
10 requirement in Decision No. 59262 that the Company submit an AOC.

11 38. Staff's recommendation is reasonable and we adopt it.

12 39. FWC has Commission-approved Backflow and Curtailment Tariffs.

13 40. Staff's review of the Commission's Consumer Services records shows that between  
14 January 1, 2010, and September 16, 2013, there were no inquiries or complaints filed against FWC.  
15 The Commission's Corporations Division reports that FWC is in good standing.

16 41. FWC is current on its property and sales tax payments.

17 42. We believe it is reasonable to allow FWC to collect from its customers a proportionate  
18 share of any privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).

19 43. Because an allowance for the property tax expense is included in FWC's rates and will  
20 be collected from its customers, the Commission seeks assurances from FWC that any taxes collected  
21 from ratepayers have been remitted to the appropriate taxing authority. It has come to the  
22 Commission's attention that a number of water companies have been unwilling or unable to fulfill  
23 their obligation to pay the taxes that were collected from its ratepayers, some for as many as twenty  
24 years. It is reasonable, therefore, that as a preventive measure FWC shall file annually, as part of its  
25 Annual Report, an affidavit with the Commission's Utilities Division attesting that the Company is  
26 current in paying its Arizona property taxes.

27 44. Staff's recommendations, as well as the requirements stated in Findings of Fact Nos.  
28 42 and 43, are reasonable and shall be adopted.

**CONCLUSIONS OF LAW**

- 1. FWC is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251.
- 2. The Commission has jurisdiction over FWC and the subject matter of the Application.
- 3. FWC gave notice of the Application in accordance with Arizona law.
- 4. The rates and charges authorized herein are just and reasonable and should be approved without a hearing.
- 5. Staff's recommendations, as well as the requirements stated in Findings of Fact Nos. 40 and 41, are reasonable and should be adopted.

**ORDER**

IT IS THEREFORE ORDERED that Francesca Water Company, Inc. is directed to file with Docket Control, as a compliance item in this docket, by March 31, 2014, revised schedules setting forth the following rates and charges:

**MONTHLY USAGE CHARGE:**

5/8 x 3/4-inch Meter	\$22.00
3/4-inch Meter	30.00
1-inch Meter	50.00
1 1/2-inch Meter	100.00
2-inch Meter	160.00
3-inch Meter	320.00
4-inch Meter	500.00
6-inch Meter	1,000.00

**COMMODITY CHARGE:**  
(All classes, per 1,000 gallons)

<b><u>5/8-inch x 3/4-inch Meter</u></b>	
0 to 3,000 gallons	\$ 2.30
3,001 to 10,000 gallons	4.00
Over 10,000 gallons	4.73
<b><u>3/4-inch Meter</u></b>	
0 to 10,000 gallons	\$4.35
Over 10,000 gallons	6.70
<b><u>1-inch Meter</u></b>	
0 to 17,000 gallons	\$4.35
Over 17,000 gallons	6.70
<b><u>1 1/2-inch Meter</u></b>	
0 to 37,000 gallons	\$4.35
Over 37,000 gallons	6.70

1	<b><u>2-inch Meter</u></b>	
2	0 to 61,000 gallons	\$4.35
2	Over 61,000 gallons	6.70
3		
4	<b><u>3-inch Meter</u></b>	
4	0 to 127,000 gallons	\$4.35
5	Over 127,000 gallons	6.70
6		
6	<b><u>4-inch Meter</u></b>	
6	0 to 200,000 gallons	\$4.35
7	Over 200,000 gallons	6.70
8		
8	<b><u>6-inch Meter</u></b>	
8	0 to 410,000 gallons	\$4.35
9	Over 410,000 gallons	6.70

**SERVICE LINE AND METER INSTALLATION CHARGES:**  
 (Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line Charge</u>	<u>Meter Installation Charge</u>	<u>Total Charges</u>
14	5/8" x 3/4" Meter	\$ 430.00	\$ 560.00
15	3/4" Meter	430.00	660.00
15	1" Meter	480.00	770.00
16	1-1/2" Meter	535.00	1,035.00
16	2" Meter Turbine	815.00	1,835.00
17	2" Meter Compound	815.00	2,680.00
17	3" Meter Turbine	1,030.00	2,675.00
18	3" Meter Compound	1,150.00	3,670.00
18	4" Meter Turbine	1,460.00	4,080.00
19	4" Meter Compound	1,640.00	5,235.00
19	6" Meter Turbine	2,180.00	7,155.00
20	6" Meter Compound	2,300.00	9,170.00
20	Over 6"	At Cost	At Cost

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**SERVICE CHARGES:**

1	Establishment	\$40.00
	Service Charge (After Hours)	30.00
2	Reconnection (Delinquent)	35.00
	Meter Re-Read (If Correct)	20.00
3	Meter Test (If Correct)	30.00
	NSF Check	25.00
4	Deposit	*
	Deposit Interest	*
5	Re-establishment (Within 12 months)	**
	Deferred Payment (Per Month)	1.50%
6	Late Fee (Per Month)	***

- 7           \*       Per Commission Rule A.A.C. R-14-2-403(B).  
8           \*\*       Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).  
9           \*\*\*      \$5.00 or 1.50 percent, whichever is greater.

10           IT IS FURTHER ORDERED that, in addition to collection of its regular rates and charges,  
11 Francesca Water Company, Inc. shall collect from its customers a proportionate share of any  
12 privilege, sales or use tax per A.A.C. R14-2-409(D).

13           IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
14 provided on and after April 1, 2014.

15           IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall notify its customers  
16 of the authorized rates and charges and their effective date, in a form acceptable to the Commission's  
17 Utilities Division Staff, by means of an insert in its next regularly scheduled billing.

18           IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall use the depreciation  
19 rates shown in the attached Exhibit A on a going-forward basis.

20           IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall coordinate its reading  
21 of well meters and customer meters on a monthly basis and report this data in its Annual Reports to  
22 the Commission's Utilities Division, beginning with its 2014 Annual Report to be filed in 2015.

23           IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall monitor its water  
24 systems closely to ensure that water loss for each system remains below 10 percent. In the event  
25 water loss for either system is greater than 10 percent, Francesca Water Company, Inc. shall prepare a  
26 report containing a detailed analysis and plan to reduce water loss to less than 10 percent. If  
27 Francesca Water Company, Inc. believes it is not cost effective to reduce the water loss to less than  
28 10 percent, the Company shall submit a detailed cost/benefit analysis to support its opinion. In no  
case shall the Company allow water loss to be greater than 15 percent. The water loss reduction

1 report or the detailed analysis, whichever is submitted, shall be filed with Docket Control as a  
2 compliance item in this docket before the Company files its next rate application.

3 IT IS FURTHER ORDERED that Francesca Water Company, Inc.'s BMP Tariffs attached  
4 hereto as Exhibit B are hereby approved.

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

9 IT IS FURTHER ORDERED that Staff shall file a letter in the Docket confirming that  
10 Francesca Water Company, Inc.'s tariffs have been updated with the tariff's approved herein.

11 IT IS FURTHER ORDERED that the Francesca Water Company, Inc.'s BMP Tariffs  
12 authorized herein shall go into effect 30 days after the date the notice is sent to customers.

13 IT IS FURTHER ORDERED that Francesca Water Company, Inc. may request cost recovery  
14 of the actual costs associated with the BMPs implemented in its next general rate application.

15 IT IS FURTHER ORDERED that the outstanding compliance item from Decision No. 59262  
16 (August 30, 1995), Docket No. U-2838-94-443, as stated in Finding of Fact No. 35, above, is  
17 permanently withdrawn.

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1 IT IS FURTHER ORDERED that Francesca Water Company, Inc. shall file annually, as part  
2 of its Annual Report to the Commission's Utilities Division, an affidavit attesting that it is current in  
3 paying its property taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

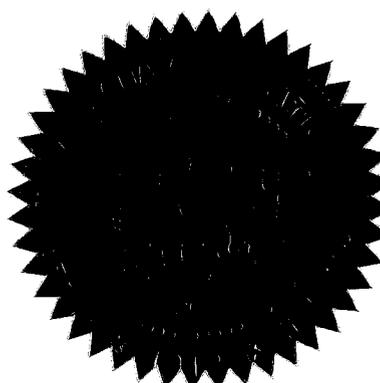
6  
7  
8 CHAIRMAN

COMMISSIONER

9  
10 COMMISSIONER

COMMISSIONER

COMMISSIONER



11  
12 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
13 Director of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this 19<sup>th</sup> day of March 2014.

17 JODI JERICH  
18 EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_

20 DISSENT \_\_\_\_\_

21 BM:tv

1 SERVICE LIST FOR: FRANCESCA WATER COMPANY, INC.

2 DOCKET NO.: W-03945A-13-0287

3 David and Gradi Thompson  
4 FRANCESCA WATER COMPANY, INC.  
5 59 Bighorn Drive  
6 Weippe, ID 83553

7 Cristin Georgitso  
8 DESERT MOUNTAIN  
9 ANALYTICAL SERVICES, PLLC  
10 P.O. BOX 51628  
11 Ahwatukee, AZ 85706

12 Janice Alward, Chief Counsel  
13 Legal Division  
14 ARIZONA CORPORATION COMMISSION  
15 1200 W. Washington Street  
16 Phoenix, AZ 85007

17 Steven M. Olea, Director  
18 Utilities Division  
19 ARIZONA CORPORATION COMMISSION  
20 1200 W. Washington Street  
21 Phoenix, AZ 85007

22

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## EXHIBIT A

## WATER DEPRECIATION RATES (Francesca)

Acct. No.	Depreciable Plant	Decision # 63660 (approved rate %)	Company proposed	Staff recommended Rate (%)
105	CWIP	4.17		
301	Organization	4.17	0	0.00
302	Franchises	4.17	N/A	0.00
303	Land & Land Rights	4.17	N/A	0.00
304	Structures & Improvements	4.17	4.17	3.33
305	Collecting & Impounding Reservoirs	N/A	N/A	2.50
306	Lake, River, Canal Intakes	N/A	N/A	2.50
307	Wells & Springs	4.17	4.17	3.33
308	Infiltration Galleries	N/A	N/A	6.67
309	Raw Water Supply Mains	N/A	N/A	2.00
310	Power Generation Equipment	N/A	N/A	5.00
311	Pumping Equipment	4.17	4.17	12.5
320	Water Treatment Equipment	4.17	4.17	4.17
320.1	Water Treatment Plants	N/A	N/A	3.33
320.2	Solution Chemical Feeders	N/A	N/A	20.0
330	Distribution Reservoirs & Standpipes	4.17	4.17	2.00
330.1	Storage Tanks	N/A	N/A	2.22
330.2	Pressure Tanks	N/A	N/A	5.00
331	Transmission & Distribution Mains	4.17	4.17	2.00
333	Services	4.17	4.17	3.33
334	Meters	4.17	4.17	8.33
335	Hydrants	4.17	4.17	2.00
336	Backflow Prevention Devices	4.17	4.17	6.67
339	Other Plant & Misc Equipment	4.17	4.17	6.67
340	Office Furniture & Equipment	4.17	4.17	6.67
340.1	Computers & Software	N/A	N/A	20.00
341	Transportation Equipment	4.17	4.17	20.00
342	Stores Equipment	N/A	N/A	4.00
343	Tools, Shop & Garage Equipment	4.17	4.17	5.00
344	Laboratory Equipment	4.17	4.17	10.00
345	Power Operated Equipment	4.17	4.17	5.00
346	Communication Equipment	4.17	4.17	10.00
347	Miscellaneous Equipment	4.17	4.17	10.00
348	Other Tangible Plant	---	N/A	5.00

**EXHIBIT B**

Docket No. W-03945A-13-0287

Company: Francesca Water Company

Decision No.: \_\_\_\_\_

Phone: 520-623-5172

Effective Date: \_\_\_\_\_

**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.

Company: Francesca Water Company

Decision No.: \_\_\_\_\_

Phone: 520-623-5172

Effective Date: \_\_\_\_\_

7. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs.
8. The Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing the high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the 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: Francesca Water Company

Decision No.: \_\_\_\_\_

Phone: 520-623-5172

Effective Date: \_\_\_\_\_

## **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.

Company: Francesca Water Company

Decision No.: \_\_\_\_\_

Phone: 520-623-5172

Effective Date: \_\_\_\_\_

## **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.