



BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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AZ CORP COMMISSION
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ORIGINAL 2014 MAY 12 PM 2 23

IN THE MATTER OF THE APPLICATION OF
PAYSON WATER CO., INC. AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. W-03514A-13-0111
Arizona Corporation Commission

DOCKETED

MAY 12 2014

DOCKETED BY

DOCKET NO. W-03514A-13-0142

IN THE MATTER OF THE APPLICATION OF
PAYSON WATER CO., INC. FOR AUTHORITY
TO ISSUE EVIDENCE OF INDEBTEDNESS IN
AN AMOUNT NOT TO EXCEED \$1,238,000 IN
CONNECTION WITH INFRASTRUCTURE
IMPROVEMENTS TO THE UTILITY SYSTEM;
AND ENCUMBER REAL PROPERTY AND
PLANT AS SECURITY FOR SUCH
INDEBTEDNESS.

**STATUS UPDATE REGARDING
APPLICABLE MEASURES TO
ENSURE ADEQUATE AND
REASONABLE WATER SUPPLIES
FOR MESA DEL CABALLO**

On May 6, 2014, Staff of the Arizona Corporation Commission (“Staff”) received an e-mail from a representative of Payson Water Company (“PWC” or “Company”) regarding a potentially urgent situation. As noted in the e-mail, the Company has been unable to recover its storage volume in its Mesa del Caballo (“MDC”) system due to recent heavy water consumption.¹ As a result, it has been required to implement measures to ensure necessary water conservation. In the coming days and weeks, the Company may be required to obtain supplemental water supplies for its MDC system.

The Company further asserts that its ability to recover the costs of securing supplemental water for MDC is presently limited to its Commission-approved Water Augmentation Tariff, which authorizes it to recover the costs of water hauling.² In its pending rate case, however, the Company has requested a Purchased Water Adjustment Mechanism (“PWAM”) for the MDC system, which would allow it to recover the costs of purchased water obtained through the new pipeline approved in Phase I of this proceeding (Decision No. 74175). Supplementing the water supply by hauling water

¹ The e-mail is attached to this pleading as Exhibit A.

² A Water Augmentation Surcharge was approved by Commission Decision No. 71902 on September 28, 2010.

1 is significantly more expensive than supplementing the water supply by transporting purchased water
2 through the new pipeline. The PWAM is not yet available to the Company, as it awaits Commission
3 approval in the Company's pending rate case.

4 Given these circumstances, Staff is concerned that the Company's water supply may be
5 insufficient. Staff is also concerned that customers may be subjected to the expensive costs of water
6 hauling, even though a cheaper alternative appears to be available. Staff believes that the instant
7 circumstances constitute a potential emergency for MDC's customers, and Staff therefore
8 recommends that the Commission consider the implementation of an interim PWAM for the MDC
9 system until a decision is issued in the pending rate case. It is Staff's recommendation that the
10 interim PWAM would **ONLY** apply to the Company's MDC customers.

11 Toward this end, Staff intends to place this matter on the agenda of the Commission's May
12 22, 2014 contingent open meeting. The Company has indicated that it will provide notice (as
13 practicable under the circumstances) to all MDC customers and to all parties to the above-captioned
14 docket on or before May 15, 2014. Staff will prepare a staff report and proposed order prior to the
15 May 22, 2014 open meeting.

16 RESPECTFULLY SUBMITTED this 12th day of May, 2014.

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21 Brian E. Smith, Staff Attorney
22 Robin R. Mitchell, Staff Attorney
23 Legal Division
24 Arizona Corporation Commission
25 1200 West Washington Street
26 Phoenix, Arizona 85007
27 (602) 542-3402

28 Original and thirteen (13) copies of the
foregoing filed this 9th day of May,
2014 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 Copy of the foregoing emailed and/or
2 mailed this 9th day of May, 2014, to:

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22 ~~*Monica A. Martin*~~

EXHIBIT A

Connie Walczak

To: John LeSueur
Subject: FW: NOTICE - Mesa Del Caballo - STAGE 4 Conservation

From: Jason Williamson [<mailto:jw@jwwater.net>]
Sent: Tuesday, May 06, 2014 2:29 PM
To: Jason Williamson
Subject: NOTICE - Mesa Del Caballo - STAGE 4 Conservation

Payson Water Company Customers in Mesa Del Caballo:

Please note that due to heavy water consumption over the weekend, we have been unable to recover from the reduction of our storage volume, and are required to move back to Stage 4 conservation.

Note that the new pipeline from the Town of Payson to Mesa Del Caballo is substantially complete and operational. However, because the Arizona Corporation Commission has not yet approved the new rates (which include the Purchased Water Surcharge for MDC customers), the company cannot afford to purchase water through the new line. At present, and until new rates take effect, the only ACC-approved method for the company to augment water into Mesa Del Caballo and recover the cost, remains hauling water into the system with trucks. So far, we have not yet had to haul, and will continue to do everything possible to avoid having to take such action.

The ACC has been unable to produce a recommended order in time to make the May 13 open meeting agenda, so at this time, it is unknown when the recommended order will come out, and when the open meeting for the commissioners to vote on new rates will be. We will continue to update you on the status of the rate case as information becomes available.

As a reminder I've provided the stage 4 restrictions below:

Restrictions: Under Stage 4 conditions **mandatory** conservation measures require customers to reduce water consumption; by at least 40% as measured on a daily basis. Water use restrictions shall include: (a) no outside watering is permitted on Mondays and Sundays; (b) outside watering is permitted on Tuesdays for customers with street addresses with an odd number; (c) outside water is permitted on Wednesdays for customers with addresses with an even number; (d) during the Peak Season outdoor watering using sprinklers shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 7:00 a.m. and 12:00 p.m. Under Stage 4 conditions the Company shall inform customers of a **mandatory** restriction to employ water conservation measures to reduce daily water consumption. Failure of customers to comply with this requirement may result in service disconnection under this Curtailment Plan. Under Stage 4 conditions the following uses of water are 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) irrigation or misting systems of any kind, except as otherwise provided herein; (5) swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all restaurant or convenience store patrons shall be served water only on request; (7) all other uses of water not specifically listed herein.