

EXCEPTION

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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
RANCHO SAHUARITA WATER COMPANY,
L.L.C., FOR THE TRANSFER OF ITS
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO SAHUARITA WATER
COMPANY, L.L.C., AND EXTENSION OF THE
CERTIFICATE OF CONVENIENCE AND
NECESSITY FOR WATER SERVICE

Docket No. W-03718A-07-0687

EXCEPTIONS

ORIGINAL

Sahuarita Water Company, L.L.C. ("Sahuarita"), submits its Exceptions to Staff's Memorandum and Proposed Order dated September 25, 2014. While Sahuarita appreciates Staff's recommendation to eliminate five Best Management Practices ("BMPs") tariffs, it believes that eliminating all eleven BMP tariffs is appropriate and justified. Also, Sahuarita believes that there may be some confusion and seeks to clarify what it originally requested.

Sahuarita filed its request on October 22, 2014. In that request, Sahuarita explained that the Commission had originally ordered it to implement BMPs in Decision No. 70620 (November 19, 2008). In that Decision, the Commission specifically ordered that Sahuarita "shall implement . . . at least five more [BMPs] (as outlined in ADWR's Modified Non-Per Capita Conversation Program) than would otherwise be required for a water company of its customer size . . ." For Sahuarita, it was to submit a total of eleven BMP tariffs. In Decision No. 72177 (February 11, 2011), the Commission essentially approved all but one of the eleven proposed BMP tariffs.¹ On November 29, 2011, Sahuarita submitted its proposed eleventh BMP.² Staff filed a notice of

¹ Docket No. W-03718A-09-0359.

² <http://images.edocket.azcc.gov/docketpdf/0000132506.pdf>

1 compliance on December 23, 2011 regarding this eleventh BMP.³ Thus, Sahuarita has eleven
2 BMP tariffs in effect.

3 In its request, Sahuarita also explained that it is within the Tucson Active Management
4 Area ("Tucson AMA"). This means that it is subject to ADWR's authority and state groundwater
5 protection laws. To clarify, Sahuarita is currently regulated as small municipal provider in terms
6 of conservation requirements by ADWR. Even so, Sahuarita continues to meet applicable
7 conservation requirements of a large provider, including the Total Gallons-Per-Capita-Per-Day
8 ("Total GPCD") program. Sahuarita, as a designated provider, also continues to demonstrate
9 consistency with the Tucson Active Management Area goals by having joined the Central Arizona
10 Groundwater Replenishment District ("CAGR"), and is below the 15% threshold for lost-and-
11 unaccounted-for water applicable to small providers.

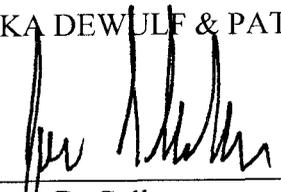
12 Notably, the GPCD program is an alternative to ADWR's Modified Non-Per Capita
13 Conversation Program ("MNPCCP"). The MNPCCP requires providers to implement BMPs as an
14 alternative to the GPCD program. If Sahuarita were a large provider, it would have the choice of
15 being within the GPCD program or the MNPCCP. If it were to choose the GPCD, it is then not
16 required by ADWR to implement BMPs. Even so, the GPCD program imposes strict targets that
17 Sahuarita would meet. Sahuarita has also implemented several measures (detailed in its October
18 22, 2014 letter) showing its full commitment to conversation. Attached as Exhibit 1 is a letter
19 from ADWR dated April 15, 2009, explaining how ADWR regulates Sahuarita. Sahuarita has
20 requested an update and will provide if and when ADWR provides one to it.

21 Attached as Exhibit 2 are Sahuarita's proposed changes to the Staff's proposed order
22 submitted October 22, 2014. Sahuarita believes its request is reasonable, appropriate and in the
23 public interest. Thus, it requests that its proposed amendment be adopted and its request to
24 eliminate the BMP tariffs requirement be adopted.

25
26
27 ³ <http://images.edocket.azcc.gov/docketpdf/0000133103.pdf>.

1 RESPECTFULLY submitted this 5th day of December 2014.

2 ROSHKA DEWULF & PATTEN, PLC

3
4 By 

5 Jason D. Gellman
6 Roshka, DeWulf & Patten, PLC
7 One Arizona Center
8 400 East Van Buren Street, Suite 800
9 Phoenix, Arizona 85004

10 Attorney for Sahuarita Water Company, L.L.C.

11 Original and 13 copies of the foregoing
12 filed this 5th day of December, 2014, with:

13 Docket Control
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007

17 Copy of the foregoing hand-delivered/mailed
18 this 5th day of December, 2014 to:

19 Belinda A. Martin
20 Administrative Law Judge
21 Hearing Division
22 Arizona Corporation Commission
23 400 West Congress
24 Tucson, AZ 85701-1347

25 Steve Olea
26 Director, Utilities Division
27 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Brian Bozzo
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
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By 

Exhibit-1

JANICE K. BREWER
Governor



HERBERT R. GUENTHER
Director

ARIZONA DEPARTMENT OF WATER RESOURCES

3550 North Central Avenue, Second Floor
PHOENIX, ARIZONA 85012-2105

(602) 771-8500

April 15, 2009

Mr. Mark Seamans, President
Sahuarita Water Company
4549 East Fort Lowell Road
Tucson, AZ 85712

RE: Conservation Requirements for Sahuarita Water Company, Provider No. 56-000373.0000

Dear Mr. Seamans:

This letter is in follow-up to our recent discussion regarding Arizona Department of Water Resources (ADWR) conservation requirements under which Sahuarita Water Company would be regulated. I will summarize the requirements in general, and outline which of them are currently applicable to Sahuarita Water Company (SWC).

SWC was issued a service area right on December 15, 2000, and at that time was sent an Official Notice of Conservation Requirements as a small municipal provider. The conservation requirements for a small provider are fairly general: To minimize waste of all water supplies, maximize efficiency in outdoor watering, encourage reuse of water supplies, and reduce total GPCD usage.

A large municipal provider is a provider whose annual water use exceeds 250 acre-feet for three consecutive years. Under these criteria, SWC would have qualified as a large provider after the 2004 reporting year. However, ADWR has not sent an official notice of conservation requirements to SWC noticing them as a large provider; additionally, conservation requirements as a large provider would take effect two years after a party is noticed. Thus, you are currently regulated as a small municipal provider in terms of conservation requirements.

I wanted to give you an idea of the conservation requirements under which large municipal providers are regulated. Currently under the Tucson AMA Third Management Plan, large providers are regulated under the Total Gallons Per Capita Per Day (Total GPCD) conservation program. Under the Total GPCD program, a GPCD target is calculated each year based on the number of single-family and multi-family housing units that are served by a large provider. Within the GPCD program is incorporated an operating flexibility account, which allows a provider to "bank" water in years when it serves less than its GPCD target volume; the flex

account also allows the provider to draw against that balance in years when it would serve water in excess of its GPCD target, such as in exceptionally hot or dry years.

Table 1 (attached) summarizes SWC's water use, water deliveries, and target and actual GPCD for each year. As you see, SWC's GPCD has dropped over the years, and its flexibility account balance has grown each year. If SWC were regulated as a large provider under the Total GPCD program, it appears that SWC would be in compliance with the applicable conservation requirements.

Some large municipal providers have had difficulty meeting the GPCD targets for various reasons, which may include:

- a customer profile with a large proportion of older homes with inefficient plumbing fixtures;
- a large proportion of customers with predominantly high water use landscaping;
- an older distribution system with significant leaks and/or aging meters;
- one or more golf courses or other turf facilities being served groundwater, rather than effluent;
- a high proportion of water served to non-residential / commercial customers.

Additionally, a number of providers have expressed that the Total GPCD program may not take into account some of the conservation measures that providers have implemented. Partially in response to these issues, beginning in January 2010, many large providers will be regulated under the Modified Non Per Capita Conservation Program (MNPCCP); rather than being required to meet a GPCD target each year, a provider regulated under the MNPCCP is required to implement a certain number of conservation measures, depending on the number of connections it serves. Currently SWC has xx connections; it would thus be in Tier xx, which would require xx conservation measures be implemented, in addition to a public education program.

Large municipal providers that are not designated as having an assured water supply are required to enter the MNPCCP beginning in 2010. However, large providers having a designation of assured water supply have a choice of remaining in the Total GPCD program, or entering the MNPCCP. As SWC is a designated provider, it could opt for either program if it were regulated as a large provider.

As you know, a designated provider has taken the necessary steps toward proving a 100 year assured water supply for its entire service area. A designated provider must prove its future water supply is physically, legally, and continuously available for 100 years; that the sources of water meet existing state water quality standards; that the provider is financially capable of constructing and operating its water delivery, storage, and treatment systems; that it meets any applicable conservation requirements under the AMA Management Plans; and that its water use is consistent with the management goal of the AMA. The management goal of the Tucson AMA is to reach Safe Yield by the year 2025; SWC has demonstrated consistency with the Tucson AMA management goal by joining the Central Arizona Groundwater Replenishment District, which will replenish excess groundwater withdrawn by SWC.

Lastly, all providers are required to monitor Lost & Unaccounted-for water, which is the difference between the amount of water pumped or received, and the amount delivered to

customers. A small provider must not exceed 15% lost and unaccounted for water. A large provider, regardless of whether regulated in the MNPCCP or the Total GPCD program, must not exceed 10% lost/unaccounted for water on a 3-year average basis. As the figures in Table 1 show, SWC has met the applicable requirements every year since it began operation.

In summary, Sahuarita Water Company has exceeded its conservation requirements as a small municipal provider, and has met or exceeded the requirements it would be under if regulated as a large provider. I want to commend Sahuarita Water Company on its dedication to water conservation and management, and look forward to working with you in the future.

Sincerely,

Jeff Tannler
Director, Tucson Active Management Area
Arizona Department of Water Resources
400 West Congress, Suite 518
Tucson, AZ 85701

Attachment: Table 1

Table 1 - Sahuarita Water Company

4/15/2009

Year	Single Family Population	Multifamily Population	Total Population	Total Use (AF)	Total Customer Deliveries (AF)	Percent Lost / Unaccounted For Water (L&U)	3 year average L&U	Target GPCD	GPCD over/under target	Flexibility Account Balance (Acre-feet)
2000	-	-	-	16.00	16.00	0.00%		-	-	0.00
2001	812	-	812	139.00	132.85	4.42%		126	27	-9.09
2002	2,001	-	2,001	259.00	220.00	15.06%	6.49%	131	-15	25.17
2003	3,691	-	3,691	433.00	380.85	12.04%	10.51%	130	-25	124.02
2004	5,980	-	5,980	497.00	488.60	1.69%	9.60%	121	-46	200.97
2005	7,724	-	7,724	840.00	810.90	3.46%	5.73%	123	-26	259.57
2006	10,268	-	10,268	984.00	865.70	12.02%	5.73%	126	-41	345.06
2007	11,938	-	11,938	1252.50	1,165.10	6.98%	7.49%	105	-11	401.17
2008	13,290	-	13,290	1328.20	1,247.30	6.09%	8.36%	98	-9	446.60

Exhibit-2

PROPOSED AMENDMENT

Docket No. W-03718A-07-0687

Page 2, lines 3 through 4, DELETE existing Finding of Fact 3 and INSERT new Finding of Fact 3:

“3. On October 22, 2014, SWC filed a request to amend Decision No. 70620 to eliminate the BMPs requirement, pursuant to A.R.S. § 40-252.”

Page 2, line 20, ADD new Findings of Fact:

“8. On December 5, 2014, SWC filed Exceptions clarifying its request to eliminate its entire BMPs requirement. SWC summarized the reasons behind its request, including explaining how it is regulated by ADWR.”

“9. The requirement that SWC maintain eleven BMPs pursuant to Decision No. 70620 should be eliminated, and with the elimination of this BMP requirement, that portion of Decision No. 72177 approving the specific BMPs is rendered moot.”

MAKE ALL CONFORMING CHANGES