

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
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ORIGINAL

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 31, 2014

DOCKETED BY 

RE: IN THE MATTER OF THE APPLICATION OF MT. TIPTON WATER COMPANY, INC. FOR A PERMANENT INCREASE IN ITS WATER RATES AND CHARGES

COMPLIANCE FILING PER DECISION NO. 74755 - Best Management Practices
(Docket No. W-02105A-13-0415)

Introduction

On September 15, 2014, the Arizona Corporation Commission ("Commission") issued Decision No. 74755 approving new rates for Mt. Tipton Water Company, Inc. ("Mt. Tipton" or "Company"). As part of the Decision, the Commission ordered that Mt. Tipton file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of the Decision, at least five Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates available at the Commission's website, for the Commission's review and consideration. In selecting the five BMP tariffs, Mt. Tipton was further ordered to focus particularly on BMPs designed to alleviate problems identified on its system, such as water theft, faulty meters and unsecured meters.¹

Company's Compliance Filing

On December 12 and 15, 2014, Mt. Tipton filed BMP tariffs.² In its compliance filing the Company is requesting Commission approval to implement the water conservation measures listed below.

1. **Public Education Program Tariff:** A program for the Company to provide free written information on water conservation measures to its customers and remind them of the importance of conserving water.³
2. **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for the Company to assist its customers with their high water-use inquiries and complaints.
3. **Water Waste Investigations and Information Tariff – BMP 3.8:** A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency.

¹ Decision No. 74755 at 38:12-21.

² The tariffs listed were filed on December 12th except for the Customer High Water Use Inquiry Resolution tariff which was filed on December 15th.

³ While the Public Education Program counts toward meeting the BMP requirement, it is not officially referred to as a BMP in Arizona Department of Water Resources documents.

4. **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement.
5. **Water System Tampering Tariff – BMP 5.2:** 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.

Staff's Analysis

Background Information and Service Area Characteristics

Mt. Tipton is a nonprofit Class C public service corporation providing water service to approximately 660 customers. Mt. Tipton's service area is located approximately 35 miles northwest of the City of Kingman in Mohave County and consists of approximately 10.5 square miles. The Company is not located in any Arizona Department of Water Resources' ("ADWR") Active Management Area.

BMP Tariff Benefits

The Company selected the above BMPs based on the characteristics of its service area and believes these BMPs will allow it to address high water use and waste by educating customers about water conservation and the need to conserve. The Company believes that these BMPs are the most beneficial to its customers and the most cost effective for the Company to implement and will help alleviate problems identified on its system, such as water theft, faulty meters and unsecured meters. The Company provided a description of the benefits expected to be realized from the implementation of each BMP. According to the Company, the Public Education Program tariff will benefit the Company by encouraging good public relations with its customers and could save the Company time and money by preventing customer leaks that cause the Company to look for leaks in its system. A high water use program is already provided by Mt. Tipton, implementation of the Customer High Water Use Inquiry Resolution Tariff will allow the Company to charge its Commission approved meter re-read tariff fee if the customer requests an on-site inspection. A water waste investigations program is already provided by Mt. Tipton. Therefore, the Water Waste Investigations and Information BMP will be easy to implement. The Company's calculated water loss during the test year was 27 percent. The Company believes that implementation of the Meter Repair and Replacement BMP will help lower system water loss by identifying faulty under-registering meters. The Company believes the Water System Tampering tariff may provide additional enforcement capability and help reduce any water loss due to theft.

BMP Tariff Costs

Decision No. 74755 further ordered the Company to provide an estimate of the initial cost to implement each BMP tariff and to provide an estimate of the annual cost to maintain the implementation of the BMP. The Company provided the following projected yearly costs for each BMP.

Projected Cost Breakdown	Pub Ed	Customer High Water Use	Water Waste Investigations	Meter Repair/Replacement	Water System Tampering	Totals
Tariff & Materials	\$150	-	\$30	-	\$30	\$210
Website	\$200	-	-	-	-	\$200
Recordkeeping	-	\$50	\$50	\$200	-	\$300
Inspection & Follow-up	-	\$300	\$300	\$500	-	\$1,100
Meter Replacement (Labor)	-	-	-	\$3,500	-	\$3,500
Meter Replacement (Meters)	-	-	-	\$6,500	-	\$6,500
Estimated Yearly Cost	\$350	\$350	\$380	\$10,700	\$30	\$11,810

The Company provided Staff with a breakdown of its estimated yearly labor and material costs to implement each BMP tariff. Staff believes the cost estimates listed above are reasonable. The actual incremental cost to implement the Meter Repair and Replacement tariff should be significantly less than the Company's cost estimate listed above since the Company has already been replacing approximately 50 meters yearly and plans to increase the yearly meter replacements to 70 if the tariff is approved. Thus, the Company is already incurring a significant portion of the estimated meter replacement expense. The expenses listed above will be reviewed and verified by Staff in the Company's next rate filing.

Proposed Tariffs

Staff created a set of BMP tariff templates that were developed using the BMP descriptions outlined in the ADWR Modified Non-Per Capita Conservation Program and relevant ADWR documents. ADWR representatives were provided with a copy of these templates. Revisions were made to the templates where appropriate to incorporate any comments/suggestions provided by ADWR. The tariffs proposed conform to the templates developed by Staff.

Recommendation

Staff has concluded that the BMPs proposed are relevant to Mt. Tipton's service area characteristics and will help educate customers on the importance of water conservation. Staff believes that the BMPs selected could benefit customers by helping reduce the amount of water lost to theft and under-registering meters. Finally, the tariffs proposed by Mt. Tipton conform to the templates developed by Staff. Staff recommends approval of the BMP tariffs filed by the Company on December 12 and 15, 2014, attached to the proposed order as Exhibit A.

FOR 

Steven M. Olea
Director
Utilities Division

SMO:DH:sms\BES

Originator: Dorothy Hains

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION
OF MT. TIPTON WATER COMPANY, INC.
FOR A PERMANENT INCREASE IN ITS
WATER RATES AND CHARGES—
COMPLIANCE FILING PER DECISION
NO. 74755.

DOCKET NO. W-02105A-13-0415
DECISION NO. _____

ORDER

Open Meeting
January 13 and 14, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Mt. Tipton Water Company, Inc. ("Mt. Tipton" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.
2. On September 15, 2014, the Arizona Corporation Commission ("ACC" or "Commission") issued Decision No. 74755 approving new rates for Mt. Tipton. As part of the Decision, the Commission ordered that Mt. Tipton file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of the Decision, at least five Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates available at the Commission's website, for the Commission's review and consideration. In selecting the five BMP

1 tariffs, Mt. Tipton was further ordered to focus particularly on BMPs designed to alleviate problems
2 identified on its system, such as water theft, faulty meters and unsecured meters.¹

3 3. On December 12 and 15, 2014, Mt. Tipton filed BMP tariffs.² In its compliance filing
4 the Company is requesting Commission approval to implement the water conservation measures listed
5 below.

- 6 • **Public Education Program Tariff:** A program for the Company to provide free
7 written information on water conservation measures to its customers and remind them
8 of the importance of conserving water.³
- 9 • **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for
10 the Company to assist its customers with their high water-use inquiries and complaints.
- 11 • **Water Waste Investigations and Information Tariff – BMP 3.8:** A program for the
12 Company to assist customers with water waste complaints and provide customers with
13 information designed to improve water use efficiency.
- 14 • **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the Company
15 to systematically assess all in-service water meters (including Company production
16 meters) in its water service area to identify under-registering meters for repair or
17 replacement.
- 18 • **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to
19 promote the conservation of groundwater by enabling the Company to bring an action
20 for damages or to enjoin any activity against a person who tampers with the water
21 system.

22 **Staff's Analysis**

23 Background Information and Service Area Characteristics

24 4. Mt. Tipton is a nonprofit Class C public service corporation providing water service to
25 approximately 660 customers. Mt. Tipton's service area is located approximately 35 miles northwest
26 of the City of Kingman in Mohave County and consists of approximately 10.5 square miles. The
27 Company is not located in any Arizona Department of Water Resources' ("ADWR") Active
28 Management Area.

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¹ Decision No. 74755 at 38:12-21.

² The tariffs listed were filed on December 12th except for the Customer High Water Use Inquiry Resolution tariff which was filed on December 15th.

³ While the Public Education Program counts toward meeting the BMP requirement, it is not officially referred to as a BMP in Arizona Department of Water Resources documents.

1 BMP Tariff Benefits

2 5. The Company selected the above BMPs based on the characteristics of its service area
3 and believes these BMPs will allow it to address high water use and waste by educating customers
4 about water conservation and the need to conserve. The Company believes that these BMPs are the
5 most beneficial to its customers and the most cost effective for the Company to implement and will
6 help alleviate problems identified on its system, such as water theft, faulty meters and unsecured
7 meters. The Company provided a description of the benefits expected to be realized from the
8 implementation of each BMP. According to the Company, the Public Education Program tariff will
9 benefit the Company by encouraging good public relations with its customers and could save the
10 Company time and money by preventing customer leaks that cause the Company to look for leaks in
11 its system. A high water use program is already provided by Mt. Tipton. Implementation of the
12 Customer High Water Use Inquiry Resolution Tariff will allow the Company to charge its
13 Commission approved meter re-read tariff fee if the customer requests an on-site inspection. A water
14 waste investigations program is already provided by Mt. Tipton. Therefore, the Water Waste
15 Investigations and Information BMP will be easy to implement. The Company's calculated water loss
16 during the test year was 27 percent. The Company believes that implementation of the Meter Repair
17 and Replacement BMP will help lower system water loss by identifying faulty under-registering meters.
18 The Company believes the Water System Tampering tariff may provide additional enforcement
19 capability and may help reduce any water loss due to theft.

20 BMP Tariff Costs

21 6. Decision No. 74755 further ordered the Company to provide an estimate of the initial
22 cost to implement each BMP tariff and to provide an estimate of the annual cost to maintain the
23 implementation of the BMP. The Company provided the following projected yearly costs for each
24 BMP.

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Projected Cost Breakdown	Pub Ed	Customer High Water Use	Water Waste Investigations	Meter Repair/Replacement	Water System Tampering	Totals
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Meter Replacement (Meters)	-	-	-	\$6,500	-	\$6,500
Estimated Yearly Cost	\$350	\$350	\$380	\$10,700	\$30	\$11,810

The Company provided Staff with a breakdown of its estimated yearly labor and material costs to implement each BMP tariff. Staff believes the cost estimates listed above are reasonable. The actual incremental cost to implement the Meter Repair and Replacement tariff should be significantly less than the Company's cost estimate listed above since the Company has already been replacing approximately 50 meters yearly and plans to increase the yearly meter replacements to 70 if the tariff is approved. Thus, the Company is already incurring a significant portion of the estimated meter replacement expense. The expenses listed above will be reviewed and verified by Staff in the Company's next rate filing.

Proposed Tariffs

7. Staff created a set of BMP tariff templates that were developed using the BMP descriptions outlined in the ADWR Modified Non-Per Capita Conservation Program and relevant ADWR documents. ADWR representatives were provided with a copy of these templates. Revisions were made to the templates where appropriate to incorporate any comments/suggestions provided by ADWR. The tariffs proposed conform to the templates developed by Staff.

Recommendation

8. Staff has concluded that the BMPs proposed are relevant to Mt. Tipton's service area characteristics and will help educate customers on the importance of water conservation. Staff

...

1 believes that the BMPs selected could benefit customers by helping reduce the amount of water lost to
2 theft and under-registering meters. Finally, the tariffs proposed by Mt. Tipton conform to the
3 templates developed by Staff. Staff has recommended approval of the BMP tariffs filed by the
4 Company on December 12 and 15, 2014, attached to the proposed order as Exhibit A.

5 CONCLUSIONS OF LAW

6 1. Mt. Tipton Water Company, Inc. is a public service corporation within the meaning of
7 Article XV, Section 2, of the Arizona Constitution.

8 2. The Commission has jurisdiction over Mt. Tipton Water Company, Inc. and of the
9 subject matter of the Application.

10 3. The Commission, having reviewed the filing and Staff's Memorandum dated
11 December 31, 2014, concludes that it is in the public interest to approve the proposed BMP tariffs
12 attached hereto as Exhibit A.

13 ORDER

14 IT IS THEREFORE ORDERED that the Mt. Tipton Water Company, Inc. BMP tariffs
15 attached hereto as Exhibit A are hereby approved.

16 IT IS FURTHER ORDERED that Mt. Tipton Water Company, Inc. shall notify its
17 customers, in a form acceptable to Staff, of the BMP tariffs authorized herein and their effective date
18 by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall
19 provide copies of the BMP tariffs to any customer upon request.

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IT IS FURTHER ORDERED that Staff shall file a letter in the Docket confirming that the Mt. Tipton Water Company, Inc. tariffs have been updated with the tariffs approved herein.

IT IS FURTHER ORDERED that the BMP tariffs authorized herein shall go into effect 30 days after the date notice is sent to customers.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:DH:sms\BES

1 SERVICE LIST FOR:
2 DOCKET NO. W-02105A-13-0415

3 Michelle Sharp, Business Administrator
4 Mt. Tipton Water Company, Inc.
5 15996 Ironwood Drive
6 P.O. Box 38
7 Dolan Springs, Arizona 86441

8 Janice M. Alward
9 Chief Counsel, Legal Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Steven M. Olea
14 Director, Utilities Division
15 Arizona Corporation Commission
16 1200 West Washington Street
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18 Lyn Farmer
19 Chief Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
22 1200 West Washington Street
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EXHIBIT A

Company: MT TIPTON WATER CO., INC.Decision No.: 74755Phone: 928-767-3713Effective Date: 12/10/2014

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: MT TIPTON WATER CO., INC.Decision No.: 74755Phone: 928-767-3713Effective Date: 12/10/2014

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

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 handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and provide the customer with water conservation measures. The leak detection inspection may consist of a meter read check for flow verification. If the on-site inspection is requested by the customer, the Commission approved meter re-read tariff fee shall apply.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

MT TIPTON WATER CO. INC.

Company: _____

Decision No.: 74755Phone: 928-767-3713Effective Date: 12/10/2014**Water Waste Investigations and Information Tariff – BMP 3.8****PURPOSE**

A program for the Company to assist customers with water waste complaints and provide customers with information designed to improve water use efficiency (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.8: Water Waste Investigations and Information).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission specifically R14-2-403 and R14-2-410 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 handle water waste complaints as calls are received.
2. Calls shall be taken by a customer service representative who has been trained to determine the type of water waste and to determine if it may be attributed to a leak or broken water line.
3. The Company shall follow up on every water waste complaint.
4. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to investigate further and notify the responsible party of the waste and offer assistance and information to prevent waste in the future.
5. A letter of enforcement will be issued to customers with water running beyond the curb and/or off the customers property due to such things as, but not limited to, backwashing of pools, broken sprinkler heads, and over watering of lawns beyond the saturation point.
6. The same procedures outlined above in item #4 will be followed in the event of a second violation. Termination of service may result in the event of the third violation within a 12 month period. In the event of a third violation the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E (applicable service reconnection fees shall apply).
7. The Company shall record each account and each instance noted for water waste, the action taken and any follow-up activities.
8. Subject to the provisions of this tariff, compliance with the water waste restriction will be a condition of service.
9. The Company shall provide to its customers a complete copy of this tariff and all attachments upon request and to each new customer. The customer shall abide by the water waste restriction.
10. 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.

Revised: 9-30-10

Decision No. _____

Company: Mt. Tipton Water Co., Inc.Decision No.: 74755Phone: 928-767-3713Effective Date: 12/10/2014

Meter Repair and / or Replacement Tariff – BMP 4.2

PURPOSE

A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.2 Meter Repair and/or Replacement Program).

REQUIREMENTS

The requirements of this tariff are governed by the 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. On a systematic basis, the Company will inspect 100 percent of its 1-inch and smaller in-service water meters at least once every ten years for one of the following reasons (whichever occurs first):
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has registered 1,000,000 gallons of usage,
 - c. A meter has been in service for ten years.
2. Meters larger than 1-inch shall be inspected for one of the following reasons:
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has been in service for five years.
3. The inspection will be accomplished by having the meter pulled and having a Company Technician physically inspect each meter and its fittings for leaks, registers which may have become loose or are not properly attached to the meter and could be under-registering or other broken parts which need repair. In addition, meters shall be randomly selected for flow testing to identify potentially under-registering meters.
4. The Company shall also replace or reprogram any water meters that do not register in gallons. Upon the effective date of this tariff, the Company shall install all replacement meters with new:
 - a. 1-inch and smaller meters that can be read in 1 gallon increments,
 - b. 1-1/2-inch through 4-inch meters that register in 10 gallon increments, and
 - c. 6-inch and larger meters that register in 100 gallon increments.
5. The Company shall keep records of all inspected and replacement meters and make this information available to the Commission upon request

Decision No. _____

Company: MT TIPTON WATER CO., INC.Decision No.: 74755Phone: 928-767-3713Effective Date: 12/10/2014**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.

Revised: 5-26-11

Decision No. _____