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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

Arizona Corporation Commission
DOCKETED
JUL 15 2015
DOCKETED BY

IN THE MATTER OF THE APPLICATION OF TONTO BASIN WATER CO., INC. FOR APPROVAL OF AN ADJUSTMENT IN THE EXISTING RATES CHARGED BY THE COMPANY.

DOCKET NO. W-03515A-14-0310

DECISION NO. 75162

OPINION AND ORDER

DATE OF HEARING: April 20, 2015

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Teena Jibilian

APPEARANCES: Mr. Jay Shapiro, THE SHAPIRO LAW FIRM, on behalf of Applicant;

Mr. Gary Lantagne and Ms. Margaret Lantagne, on behalf of Tonto Creek Trail RV Park, Inc.; and

Mr. Brian E. Smith and Ms. Bridget Humphrey, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

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:

FINDINGS OF FACT

PROCEDURAL HISTORY

1. On August 21, 2014, Tonto Basin Water Co., Inc. ("Tonto Basin" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a rate increase based on a test year ended June 30, 2014, which it supplemented with filings on August 26, 2014, September 10, 2014, and October 7, 2014 (collectively, the "Rate Application").

2. On September 22, 2014, the Commission's Utilities Division ("Staff") filed a Letter of Deficiency.

3. On October 10, 2014, Staff filed a Letter of Sufficiency indicating that the Company's application met the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-103, and classifying Tonto Basin as a Class C Utility. The Letter of Sufficiency stated that a Procedural Order would be issued setting a hearing.

4. On October 20, 2014, Brooke Utilities Inc. ("Brooke") filed an Application for Intervention, asserting a direct and substantial interest in this rate proceeding because it is a party to a transactional agreement with Tonto Basin's parent JW Water Holdings, LLC ("JWWH").[1] Among other claims, Brooke asserted that Tonto Basin's filing of the Rate Application did not comply with the terms of a May 31, 2013, Stock Purchase Agreement ("Stock Purchase Agreement") between JWWH and Brooke.

5. On October 28, 2014, Tonto Basin filed an objection to Brooke's intervention, requesting that Brooke's Application to Intervene be denied.

6. October 29, 2014, Tonto Creek Trail RV Park, Inc. ("Tonto Creek Park") filed a Motion to Intervene.

7. On November 3, 2014, Brooke filed its Response to Tonto Basin's Opposition.

8. On November 7, 2014, a Rate Case Procedural Order was issued setting a hearing and associated procedural deadlines, and granting intervention to Tonto Creek Park. The Rate Case Procedural Order stated that the issue of whether Brooke would be directly and substantially affected by this proceeding was not clear on the record, and allowed Brooke, if it wished any further consideration of its Application to Intervene, to file a supplement to its Application to Intervene specifically indicating how and why the terms and conditions of the Stock Purchase Agreement, in conjunction with the Rate Application, would directly and substantially affect Brooke.

9. On November 14, 2014, Brooke made a filing requesting a revised filing deadline of November 24, 2014 to supplement its Application to Intervene.

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[1] Tonto Basin's rate case application indicates that JWWH purchased Tonto Basin from Brooke on June 1, 2013, and that JWWH owns 100 percent of the shares of Tonto Basin.

10. On November 19, 2014, Staff filed a response to Brooke's request for a revised filing date. Staff had no objection, and stated that Staff would also request an extension of time to file Staff's response.

11. On December 11, 2014, Tonto Basin filed a Request to Modify Procedural Schedule.

12. On December 19, 2014, Staff filed a Response to Tonto Basin's Request to Modify Procedural Schedule.

13. On December 22, 2014, a Procedural Order was issued setting a procedural conference for discussion of Tonto Basin's Request to Modify Procedural Schedule, and extending the deadline for Brooke to file a supplement to its Application to Intervene, to January 6, 2015.

14. On January 6, 2015, Brooke filed its Supplemental Application for Intervention.

15. On January 8, 2015, a procedural conference convened as scheduled. Tonto Basin and Staff appeared through counsel. Intervenor Tonto Creek Park did not appear. Tonto Basin's Request to Modify Procedural Schedule was discussed.

16. On January 8, 2015, a Procedural Order was issued. The Procedural Order waived the requirement for parties to prefile surrebuttal testimony and rejoinder testimony, extended the deadline for intervention to February 17, 2015, and set new deadlines for Tonto Basin to mail and publish notice of the hearing on the Rate Application.

17. On January 8, 2015, a second Procedural Order was issued correcting a typographical error in the prior Procedural Order issued that day.

18. On January 12, 2015, Tonto Basin filed its Response to Brooke's Supplemental Application for Intervention.

19. Also on January 12, 2015, Staff filed its Opposition to Intervention.

20. On January 26, 2015, counsel for Tonto Basin filed a Notice of Change of Address.

21. On January 30, 2015, Tonto Basin filed its Notice of Filing Certification of Publication and Proof of Mailing, which indicated that public notice was provided as required by the January 8, 2015, Procedural Order

22. On January 30, 2015, one consumer comment was filed opposing the Rate Application.

23. On January 30, 2015, a Procedural Order was issued granting intervention to Brooke, effective upon the filing of a notice of appearance by counsel or the filing of evidence of a board resolution authorizing a specifically named officer of the corporation to represent it, which demonstrates compliance with the requirements of Arizona Supreme Court rules.

24. On February 5, 2015, a Procedural Order was issued correcting a rule citation in the January 30, 2015, Procedural Order.

25. On February 10, 2015, Brooke filed a Notice of Filing Board Resolution Authorizing Representation, to which was attached a copy of a January 31, 2015, resolution of Brooke's Board of Directors specifically naming Robert T. Hardcastle as the individual authorized to represent it before the Commission in this docket.

26. On February 17, 2015, Brooke filed Notice of Filing Direct Testimony of Robert T. Hardcastle.

27. On February 23, 2015, Staff filed its Notice of Filing Direct Testimony of Briton A. Baxter and Michael S. Thompson.

28. On February 27, 2015, Staff filed a Notice of Settlement Discussions.

29. On March 16, 2015, Tonto Basin docketed a Notice of Filing, to which was attached a settlement agreement between Tonto Basin and Staff, complete with settlement schedules, which resolved all disputed issues between Tonto Basin and Staff ("Settlement Agreement").

30. On March 30, 2015, Staff filed a Notice of Errata.

31. On March 30, 2015, Staff filed a Notice of Filing Direct Testimony of L. John LeSueur.

32. On April 16, 2015, a pre-hearing conference convened as scheduled. Tonto Basin and Staff appeared through counsel. Tonto Creek Park did not appear, and Brooke Utilities did not appear. No requests for telephonic appearance were received.

33. On April 20, 2015, a hearing on the Rate Application convened as scheduled before a duly authorized Administrative Law Judge of the Commission. The Company and Staff entered appearances through counsel, and presented testimony and evidence for the record. Tonto Creek Park appeared through its owners, Gary and Margaret Lantagne, and presented the oral testimony of

Ms. Lantagne. Brooke did not appear. Several members of the public appeared and provided public comment on the Rate Application. At the conclusion of the hearing, the matter was taken under advisement pending the submission of a Recommended Opinion and Order.

34. On June 11, 2015, a petition signed by 13 people was docketed.

BACKGROUND

35. Tonto Basin is an Arizona "C" corporation engaged in the business of providing potable water utility service to the public in portions of Gila County and Pinal County, to approximately 900 customers.

36. Tonto Basin is a wholly owned subsidiary of JWWH. JWWH purchased Tonto Basin from Brooke through the Stock Purchase Agreement. The Stock Purchase Agreement also included JWWH's purchase from Brooke of Navajo Water Co., Inc. and Payson Water Co., Inc.

37. Tonto Basin's current rates were approved in Decision No. 62401 (January 31, 2000).

38. Tonto Basin operates five water systems: Cactus Forest, Lake Roosevelt Gardens East, Lake Roosevelt Gardens West, Roosevelt Lake Estates, and North Bay Estates.

RATE APPLICATION

39. In the Rate Application, Tonto Basin requested authority to increase its rates to generate operating revenues of $524,460, an annual increase in revenues of $220,872, or 72.62 percent, over Test Year Adjusted Operating Revenues of $303,588. Tonto Basin filed schedules in support of its position.

40. In prefiled direct testimony, Staff proposed an increase in Tonto Basin's rates to generate operating revenues of $494,303, an annual increase in revenues of $187,128, or 60.92 percent, over Test Year Adjusted Operating Revenues of $307,175. Staff filed schedules in support of its position.

41. No other party to this proceeding proposed any alternative to the revenue requirement and rate design proposals of Tonto Basin or Staff, or filed any schedules to support any alternatives to Tonto Basin's or Staff's proposals.

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SETTLEMENT AGREEMENT

42. On March 16, 2015, the Settlement Agreement was docketed. The Settlement Agreement between the Company and Staff ("Signatories") includes provisions addressing all their disputed issues, as summarized in Findings of Fact below.

43. Revenue Requirement. In the Settlement Agreement and Settlement Schedules attached thereto, the Signatories agree to a revenue requirement of $506,991, which reflects an annual increase in revenues of $199,816, or 65.05 percent, over Test Year Adjusted Operating Revenues of $307,175.

44. OCRB and FVRB. The Signatories agree that the Company's original cost rate base ("OCRB") is $610,490, and that its OCRB constitutes the Company's fair value rate base ("FVRB"). The Signatories assert that a FVRB of $610,490 is adequately supported and represents the fair value of the property Tonto Basin devotes to providing public water utility service.

45. Working Capital and Lead/Lag Study. The Settlement Agreement FVRB includes an allowance for Working Capital. The Signatories agree that any request for Working Capital in Tonto Basin's next rate filing will be based on a lead/lag study that will be included in the rate filing, and that inclusion of the lead/lag study may increase the level of rate case expense incurred in that rate case.

46. Test Year Operating Expenses and Operating Income. The Signatories agree to total Test Year Adjusted Operating Expense of $390,690, which with Test Year Adjusted Operating Revenues of $307,175, resulted in a Test Year Operating Income (loss) of ($83,515).

47. Capital Structure. The Signatories agree that a capital structure comprised of 100 percent common equity is reasonable under the circumstances of this rate case.

48. Cost of Equity. The Signatories agree that a cost of common equity of 10 percent is reasonable under the circumstances of this rate case.

49. FVROR. The Signatories agree that a fair value rate of return ("FVROR") of 10 percent is reasonable under the circumstances of this rate case.

50. Protective Coatings. In the Settlement Agreement, Tonto Basin agrees to apply protective coatings to its storage and pressure tanks according to the following progression: (1) the

Roosevelt Gardens East water system hydro-pneumatic pressure tank and storage tank; (2) the Cactus Forest water system hydro-pneumatic pressure tank and storage tank; (3) the Roosevelt Lake Estates water system storage tank; and (4) the North Bay Estates water system hydro-pneumatic pressure tank and storage tank. Tonto Basin agrees to complete all of these protective coatings no later than 12 months from the effective date of new rates in this docket.

51. ADEQ Water North Bay Estates System Inspection. Tonto Basin agrees to make a written request, no later than 30 days from the effective date of new rates in this docket, to the Arizona Department of Environmental Quality ("ADEQ") for it to conduct a water system inspection of the North Bay Estates water system. Tonto Basin agrees to request that ADEQ specifically address the adequacy of storage capacity, and Tonto Basin agrees to provide Staff with a copy of any written report issued by ADEQ within 30 days of Tonto Basin's receipt thereof, along with a plan for Tonto Basin to implement any ADEQ recommendations.

52. BMP Tariffs. Tonto Basin agrees to implement Best Management Practices Tariffs ("BMPs") as follows: (1) for the Cactus Forest system, which is located in an Active Management Area ("AMA"), Tonto Basin agrees to implement five BMPs (copies of which are attached to the Settlement Agreement); and (2) for Tonto Basin's remaining systems, Tonto Basin agrees to implement three BMPs (copies of which are attached to the Settlement Agreement). Tonto Basin agrees to notify its customers, in a form acceptable to Staff, of the BMPs approved by the Commission and their effective date, which notice may be included with notice of the new rates. Staff agrees and acknowledges that Tonto Basin may seek cost recovery related to the implementation of BMPs in a future rate proceeding.

53. Decision No. 60972 (June 19, 1998). The Signatories agree that Tonto Basin will file an application requesting the reopening of Decision No. 60972 in order to rectify the inadvertent omission of Tonto Basin's Cactus Forest water system from its Certificate of Convenience and Necessity ("CC&N").

54. Roosevelt Lakes Water Hauling Tariff. The Signatories agree that this docket should be left open for six months following the rate case determination in this case to allow Tonto Basin the opportunity to propose a water hauling tariff for its Roosevelt Lakes water system. The Signatories

agree that Tonto Basin is not obligated to propose such a tariff and that Staff is not obligated to support such a tariff.

55. Neither Brooke nor Tonto Creek Park participated in the meeting between the Company and Staff that resulted in the Settlement Agreement.

56. At the hearing, Staff indicated that following Staff's February 27, 2015, filing of Notice of Settlement Discussions, Mr. Hardcastle, representing Brooke, had contacted Staff and indicated that Brooke would not attend the settlement meeting. Staff also indicated that it did not hear from Tonto Creek Park in regard to the settlement meeting.

BROOKE

57. Brooke's prefiled Direct Testimony of Robert Hardcastle indicates that Brooke's concern in this case is limited to the effect of the outcome of this proceeding on the requirements of the May 31, 2013 Stock Purchase Agreement between Brooke and Tonto Basin. Brooke filed no rebuttal testimony and no response to the Settlement Agreement.

TONTO CREEK PARK

58. At the hearing, Margaret Lantagne appeared and testified on behalf of Tonto Creek Park. Tonto Creek Park is an 85-site RV park for residents age 55 and over. It is served by a 3-inch master water meter for which Tonto Creek Park pays the bill. Tonto Creek Park indicated in its Intervention Request that it is primarily a "snowbird" RV park, and that its highest water usage is during the winter months. In its Intervention Request and in Ms. Lantagne's testimony at the hearing, Tonto Creek Park expressed concern with the magnitude of the increase proposed in the Rate Application to its monthly usage rate, from $80 to $129.76, and with the effect of tiered rates on its overall bill. Tonto Creek Park expressed concern in its October 29, 2014 Intervention Request that "[h]igher tier rates on residential water are unjust and unreasonable when serving individual park residents whose average water usage is already low."

59. At the hearing, Ms. Lantagne testified that she knew there was a settlement meeting, but that she and Mr. Lantagne were out of town. Ms. Lantagne testified that she did not know that a settlement would be reached at the settlement meeting. Ms. Lantagne believed her concerns would be addressed during the settlement meeting in her absence, and during the scheduled hearing, which

she did make plans to be available to attend.

60. At the hearing, Ms. Lantagne testified that according to her calculations, the Company's proposed increase would result in an 85 percent increase to Tonto Creek Park's monthly bill, and that she believed the increase to Tonto Creek Park would be greater than Tonto Basin's proposed increase to residential customers. Ms. Lantagne testified that she believed such a different treatment would be unfair, because the end users of the water provided to Tonto Creek Park are residential customers. She stated that as owners of the RV park, she and Mr. Lantagne do all that they can to conserve water, and she believes their conservation efforts aren't recognized by the proposed tiered rates.

61. Ms. Lantagne testified that when she and Mr. Lantagne built Tonto Creek Park 22 years ago, they installed the master meter system, and not individual meter hookups, on the advice of the owner of Tonto Basin at that time, Rich Williamson. Tonto Creek Park does not directly charge its customers for the water they use.

62. Tonto Creek Park offered no evidence on FVRB, Operating Expenses, or FVROR, and offered no specific rate design proposal.

63. Ms. Lantagne stated that prior to the hearing, she had not seen the Settlement Agreement. She testified that she had provided an email address to the Commission's Legal Division when they requested it from her by phone, but that because she has no email address of her own, she had provided her daughter's email address instead. Ms. Lantagne's daughter provided her with printed copies of some emailed documents, but Ms. Lantagne was not certain whether her daughter had provided her with a copy of the Settlement Agreement filing. Tonto Basin's attorney indicated that it had served Tonto Creek Park's copy of the docketed Settlement Agreement via the email address that the Legal Division provided to Tonto Basin, and had not mailed a hard copy to Tonto Creek Park via U.S. Mail.

64. Counsel for both Staff and Tonto Basin expressed regret at the hearing regarding the means by which they had served copies of filings on Tonto Creek Park. Counsel further stated that in the future, they would take greater care to ensure that pro se intervenors actually receive copies of filings, and are directly contacted with the date and time of any settlement discussions, whether or not

such parties have affirmatively responded to docketed Notices of Settlement Discussions.

65. At the hearing, following the close of evidence, in light of the fact that Tonto Creek had not previously examined the Settlement Agreement, and had not been directly contacted with the date, time and location of the settlement meeting, an opportunity was provided for the Company, Staff and Tonto Creek Park to meet and confer regarding a possible settlement between all three parties regarding rate design, which was the sole remaining disputed issue at the hearing.

66. The Company, Staff and Tonto Creek Park agreed to meet and discuss rate design issues. A break in the hearing was provided, and the three parties met in the hearing room. After the parties completed their discussions, the hearing reconvened.

67. After the hearing was reconvened following the settlement discussions, Ms. Lantagne stated that she had come to understand, after examining the rate design in the Settlement Agreement, that it does not single out Tonto Creek Park unfairly, but that the rate design would result in a similar increase for Tonto Creek Park as for other Tonto Basin ratepayers. She testified that while Tonto Creek Park objects to the rate increase, that "whatever the other residents pay, then we've got about the same percentage, so I'm going to say we're okay with that."

68. Staff's witness Mr. LeSueur testified at the hearing that while the rate design in the Rate Application would indeed have the effect of an 85 percent rate increase on Tonto Creek Park as Tonto Creek Park had testified, that the rate design presented in the Settlement Agreement would instead result in a 61.3 percent rate increase on Tonto Creek Park, which increase is similar to the percentage increase on residential metered 5/8" x 3/4" metered customers in the Settlement Agreement proposed rates.

SUMMARY OF CURRENT AND PROPOSED RATES

69. The water rates and charges for Tonto Basin at present, as proposed by Tonto Basin in the Rate Application, and as agreed to by Tonto Basin and Staff in the Settlement Agreement, are as follows:

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MONTHLY USAGE CHARGE:	Present Rates	Rate Application	Settlement Agreement Rates
5/8 x 3/4-Inch Meter	$ 16.00	$ 25.95	$ 26.00
3/4-Inch Meter	18.40	29.84	30.00
1-Inch Meter	21.28	34.52	34.50
1-1/2-Inch Meter	32.00	51.90	51.50
2-Inch Meter	56.00	90.83	90.50
3-Inch Meter	80.00	129.76	129.50
4-Inch Meter	128.00	207.62	207.50
COMMODITY RATES: (Per 1,000 Gallons)			
5/8 x 3/4" & 3/4 Meter – Residential			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 3,000 Gallons			$ 2.22
From 3,001 to 9,000 Gallons			3.56
Over 9,000 Gallons			5.31
5/8 x 3/4" & 3/4" Meter – Commercial & Industrial			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 9,000 Gallons			$ 3.56
Over 9,000 Gallons			5.31
1" Residential, Commercial & Industrial			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 11,000 Gallons			$ 3.56
Over 11,000 Gallons			5.31

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1 1/2" Residential, Commercial & Industrial			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 20,000 Gallons			$ 3.56
Over 20,000 Gallons			5.31
2" Residential, Commercial & Industrial			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 43,000 Gallons			$ 3.56
Over 43,000 Gallons			5.31
3" Residential, Commercial & Industrial			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 66,000 Gallons			$ 3.56
Over 66,000 Gallons			5.31
4" Residential, Commercial & Industrial			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 113,000 Gallons			$ 3.56
Over 113,000 Gallons			5.31

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6" Residential, Commercial & Industrial			
From 1 to 4,000 Gallons	$ 1.55		
Over 4,000 Gallons	2.33		
From 1 to 4,000 Gallons		$ 3.00	
From 4,001 to 10,000 Gallons		3.90	
Over 10,000 Gallons		4.80	
From 1 to 500,000 Gallons			$ 3.56
Over 500,000 Gallons			5.31

SERVICE CHARGES:

Establishment	$ 25.00	$ 25.00	$25.00
Establishment (After Hours)	35.00	35.00	0.00
Reconnection (Delinquent)	20.00	20.00	20.00
Reconnection (After Hours)	30.00	30.00	0.00
After Hours Service Charge[a]	-	-	35.00
Meter Test (If Correct)	25.00	25.00	25.00
Meter Re-Read (If Correct)	15.00	25.00	25.00
Deposit	*	*	*
Deposit Interest (Per Year)	*	*	*
Re-establishment (Within 12 Months)	**	**	**
NSF Check	$ 17.50	$ 17.50	$ 17.50
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
Late Payment Penalty (Per Month)	1.50%	1.50%	1.50%
Moving Customer Meter (Customer Request)	***	***	***

[a] After-Hours Service: After regular working hours, on Saturdays, Sundays or holidays if at the customer's request.
* Per Commission Rule A.A.C. R14-2-403(B)(7).
** Number of months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).
*** Per Commission Rule A.A.C. R14-22-405.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission rule A.A.C. R14-409(D)(5).

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

	Current Total Charges	Company Proposed Total Charges	Staff Recommended Service Line	Staff Recommended Meter	Staff Recommended Total Charges
5/8" x 3/4" Meter	$ 430.00	$ 430.00	$ 415.00	$ 105.00	$ 520.00
3/4" Meter	480.00	480.00	415.00	205.00	620.00
1" Meter	550.00	550.00	465.00	265.00	730.00
1-1/2" Meter	775.00	775.00	520.00	475.00	995.00
2" Meter	1,305.00	1,305.00	800.00	995.00	1,795.00
3" Meter	1,815.00	1,815.00	1,015.00	1,620.00	2,635.00
4" Meter	2,860.00	2,860.00	1,430.00	2,570.00	4,000.00
6" Meter	0	0	2,150.00	4,925.00	7,075.00

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RATE BASE

70. The Rate Application proposed an OCRB, and FVRB, of $626,459. Staff in direct testimony proposed an OCRB, and FVRB, of $568,299.

71. The Signatories to the Settlement Agreement propose an OCRB, and FVRB, of $610,490. The FVRB in the Settlement agreement includes Plant in Service of $1,995,269, less $847,660 in Accumulated Depreciation, for Net Plant in Service of $1,147,609. Total deductions from the Settlement Agreement Net Plant in Service are $577,554, comprised of Contributions in Aid of Construction ("CIAC") of $411,727, Advances in Aid of Construction ("AIAC") of $126,057, and Customer Deposits of $39,770, and total additions are $40,435, an Allowance for Working Capital.

72. The FVRB of $610,490 agreed to by the Signatories to the Settlement agreement is supported by the evidence and represents the fair value of the property Tonto Basin devotes to providing public water utility service, and will be adopted for purposes of this rate case.

73. It is reasonable to require that any request for Working Capital in Tonto Basin's next rate filing be based on a lead/lag study to be included in the rate filing. As the Signatories stated in the Settlement Agreement, the inclusion of a lead/lag study may increase the level of rate case expense incurred in that filing.

OPERATING INCOME

Operating Revenue

74. The Rate Application proposed Test Year Adjusted Operating Revenue of $303,588, and Staff in direct testimony proposed Test Year Adjusted Operating Revenue of $307,175. In the Settlement Agreement, the Signatories proposed $307,175.

75. Based on the evidence presented, we find that Test Year Adjusted Operating Revenues were $307,175.

Operating Expenses

76. The Rate Application proposed Test Year Adjusted Operating Expense of $413,588, and Staff in direct testimony proposed Test Year Adjusted Operating Expense of $387,083. In the Settlement Agreement, the Signatories proposed $390,690.

77. According to Decision No. 75038 (April 23, 2015) (Navajo Water Company), JWWH provides services such as water system operations, system maintenance, meter reading, record keeping, compliance filings and reporting, accounts payable, payroll, human resources, and billing to its regulated utility subsidiaries Navajo, Payson, and Tonto Basin. Currently, JWWH charges all such indirect costs incurred on behalf of each of its subsidiary utilities monthly, based on the prior month's customer count for each utility. On average for the test year, Navajo was allocated 13.19 percent, Payson was allocated 48.10 percent, and Tonto Basin was allocated 38.71 percent.

78. Tonto Basin's allocation of service costs should be based not solely on its customer count, but instead on a weighting of four separate factors. The 4-factor allocation methodology adopted in Decision No. 75038 would more accurately reflect all the cost drivers of the indirect expenses. That methodology uses the four following factors, equally weighted: (1) customer counts; (2) net plant in service; (3) operating expenses; and (4) number of systems. These factors have a direct impact on each subsidiary's share of expenses incurred by JWWH to provide shared services to its subsidiary utilities.

79. At the hearing, Tonto Basin's witness Mr. Williamson testified that the $390,690 level of Operating Expenses proposed by the Settlement Agreement is based on the same cost allocation methodology adopted in Decision No. 75038. Tonto Basin agreed to use, on a going forward basis, the same 4-factor allocation methodology that its affiliate Navajo Water Company was ordered to use in Decision No. 75038, and it is reasonable to order Tonto Basin to implement that cost allocation methodology.

80. Based on the evidence presented and the agreement of the Signatories, we find that Tonto Basin's Test Year Adjusted Operating Expense was $390,690.

Test Year Operating Income Summary

81. Test Year Adjusted Operating Expense of $390,690, with Test Year Adjusted Operating Revenues of $307,175, resulted in a Test Year Operating Income (loss) of ($83,515).

COST OF CAPITAL

82. A capital structure comprised of 100 percent common equity is reasonable under the circumstances of this rate case.

83. A cost of common equity of 10 percent, and a resulting FVROR of 10 percent, is just and reasonable under the circumstances of this case.

AUTHORIZED INCREASE

84. Applying a FVROR of 10 percent to FVRB of $610,490 results in a required Operating Income of $61,049. Adjusted Test Year Operating Loss was $83,515, for an Operating Income Deficiency of $144,564. Applying a gross revenue conversion factor of 1.3822 to account for resulting increases in property tax and income tax, Tonto Basin's annual revenue requirement is $506,991, an increase of $199,816, or 65.05 percent, over Adjusted Test Year Revenue of $307,175.

RATE DESIGN

85. In the Rate Application, Tonto Basin proposed a rate design that would result in an increase to the monthly bill for an average usage 5/8" x 3/4" meter residential customer (5,598 gallons per month) of $18.26, from $25.92 to $44.18, an increase of 70.44 percent, and an increase to the monthly bill for a median usage 5/8" x 3/4" meter residential customer (3,205 gallons per month) of $14.60, from $20.97 to $35.57, an increase of 69.62 percent.

86. In prefiled direct testimony, Staff proposed a rate design that would result in an increase to the monthly bill for an average usage 5/8" x 3/4" meter residential customer (5,598 gallons per month) of $14.97, from $25.92 to $40.89, an increase of 57.75 percent, and an increase to the monthly bill for a median usage 5/8" x 3/4" meter residential customer (3,205 gallons per month) of $11.55, from $20.97 to $32.52, an increase of 55.08 percent.

87. In the Settlement Agreement schedules, the Signatories proposed a rate design that would result in an increase to the monthly bill for an average usage 5/8" x 3/4" meter residential customer (5,598 gallons per month) of $15.96, from $25.92 to $41.88, an increase of 61.57 percent, and an increase to the monthly bill for a median usage 5/8" x 3/4" meter residential customer (3,205 gallons per month) of $12.40, from $20.97 to $33.37, an increase of 59.13 percent.

88. The differences in the rate design proposals stem from the differing revenue requirements they were designed to recover.

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89. No other rate design proposals were presented, and as set forth above, Tonto Creek Park, while objecting to the overall rate increase, does not object to the rate design proposed by the Settlement Agreement.

90. The rate design proposed by the Settlement Agreement is just and reasonable and fairly allocates the revenue requirement across all customer classes, and should be adopted.

PROTECTIVE COATINGS

91. Tonto Basin agrees to apply protective coatings to its storage and pressure tanks according to the following progression: (1) the Roosevelt Gardens East water system hydro-pneumatic pressure tank and storage tank; (2) the Cactus Forest water system hydro-pneumatic pressure tank and storage tank; (3) the Roosevelt Lake Estates water system storage tank; and (4) the North Bay Estates water system hydro-pneumatic pressure tank and storage tank. Tonto Basin agrees to complete all of these protective coatings no later than 12 months of the effective date of new rates in this docket.

92. The schedule for completion of the maintenance of Tonto Basin's storage and pressure tanks set forth in the Settlement Agreement is reasonable and will be adopted.

ADEQ NORTH BAY ESTATES WATER SYSTEM INSPECTION

93. Tonto Basin agrees to make a written request, no later than 30 days after the effective date of new rates in this docket, that the Arizona Department of Environmental Quality ("ADEQ") conduct a water system inspection of the North Bay Estates water system. Tonto Basin agrees to request that ADEQ specifically address the adequacy of storage capacity, and to provide Staff with a copy of any written report issued by ADEQ within 30 days of Tonto Basin's receipt thereof, along with a plan for Tonto Basin to implement any ADEQ recommendations.

94. The Settlement Agreement presents a reasonable procedure for investigation of Tonto Basin's North Bay water system, and will be adopted, with compliance requirements as ordered herein.

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BMP TARIFFS

95. For its Cactus Forest system, which is located within the Arizona Department of Water Resources ("ADWR") Pinal Active Management Area ("AMA"), Tonto Basin has agreed to implement the five BMPs which are attached to this Decision as Exhibit A.

96. For its water systems other than the Cactus Forest system, Tonto Basin has agreed to implement the three BMPs which are attached to this Decision as Exhibit B.

97. Implementation of the BMPs that Tonto Basin has chosen and agreed to is in the public interest. We will therefore approve the agreed-upon BMPs for Tonto Basin, which are attached hereto and incorporated herein as Exhibit A (for its Cactus Forest water system) and Exhibit B (for its Lake Roosevelt Gardens East, Lake Roosevelt Gardens West, Roosevelt Lake Estates, and North Bay Estates water systems). Tonto Basin should be allowed to seek cost recovery related to the implementation of these BMPs in a future rate proceeding.

98. Tonto Basin has agreed to notify its customers, in a form acceptable to Staff, of the approved BMPs and their effective date, by a notice that may be included with notice of the new rates we approve in this Decision. It is reasonable to require the Company to provide notice of the BMPs to its customers. The notice may be provided with the notice of new authorized rates as required by this Decision.

APPLICATION TO REOPEN DECISION NO. 60972

99. The Signatories agreed that Tonto Basin would file an application requesting the reopening of Decision No. 60972 in order to rectify the inadvertent omission of Tonto Basin's Cactus Forest water system from its CC&N.

100. Tonto Basin made the agreed-upon filing in Docket No. W-03039A-98-0073 on March 19, 2015, and the Commission issued a Decision correcting the omission in Decision No. 75048 (April 30, 2015).

ROOSEVELT LAKES SYTEM ISSUE

101. The Signatories agreed that this docket should be left open for six months following the rate case determination in this case to allow Tonto Basin the opportunity to propose a water hauling tariff for its Roosevelt Lakes water system. The Signatories further agreed that Tonto Basin

is not obligated to propose such a tariff and that Staff is not obligated to support such a tariff.

102. We agree with the Signatories that it is in the public interest to leave this docket open for a period of six months following the date of this Decision to allow Tonto Basin to make the tariff filing contemplated by the Settlement Agreement, if it so chooses.

103. The Settlement Agreement included a recitation of factual allegations regarding water shortages in the Roosevelt Lakes system. Those allegations were not litigated in the hearing on the Rate Application.

104. If Tonto Basin chooses to make the water hauling tariff filing contemplated by the Settlement Agreement, it must provide public notice of the filing to all potentially affected customers, with an opportunity for intervention, prior to any Commission consideration of the tariff. To that end, we will require that any such tariff filing include either a Request for Procedural Order or a Request for Procedural Conference. In either case, the tariff filing must include a proposed form of notice of the requested tariff, and subsequent to the filing, a Procedural Order will be issued either scheduling a procedural conference, or directing provision of a form of public notice with publication instructions.

COMPLIANCE ISSUES

105. According to Staff, ADEQ Compliance Status Reports indicate that Tonto Basin's water systems are currently delivering water that meets water quality standards required by National Primary Drinking Water Standards and Arizona Administrative Code Title 18, Chapter 4.

106. Tonto Basin's Cactus Forest water system is located within an AMA as designated by ADWR.

107. Tonto Basin's Lake Roosevelt Gardens East, Lake Roosevelt Gardens West, Roosevelt Lake Estates, and North Bay Estates water systems are not located within an AMA.

108. According to Staff, ADWR's Water Provider Compliance Reports dated February 17, 2015, indicate that all of Tonto Basin's water systems are compliant with ADWR requirements governing water providers or community water systems.

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109. Staff reports that Tonto Basin has no delinquent Commission compliance items.

110. Tonto Basin has approved Cross-Connection/Backflow Prevention Tariffs on file with the Commission.

111. Tonto Basin has approved Curtailment Tariffs on file with the Commission.

CONCLUSIONS OF LAW

1. Tonto Basin is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Tonto Basin and the subject matter of the Rate Application.

3. Notice of the Rate Application was provided in the manner prescribed by law.

4. The rates and charges authorized herein are just and reasonable and should be approved.

5. Tonto Basin's FVRB for purposes of this proceeding is $610,490.

6. A FVROR of 10 percent is just and reasonable for Tonto Basin for purposes of this proceeding.

ORDER

IT IS THEREFORE ORDERED that Tonto Basin Water Co., Inc. is hereby directed to file with Docket Control, as a compliance item in this docket, by July 15, 2015, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

5/8 x 3/4-Inch Meter	$ 26.00
3/4-Inch Meter	30.00
1-Inch Meter	34.50
1-1/2-Inch Meter	51.50
2-Inch Meter	90.50
3-Inch Meter	129.50
4-Inch Meter	207.50
6-Inch Meter	0.00
8-Inch Meter	0.00
10-Inch Meter	0.00

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5/8 x 3/4" & 3/4 Meter - Residential

From 1 to 3,000 Gallons	$ 2.22
From 3,001 to 9,000 Gallons	3.56
Over 9,000 Gallons	5.31

5/8 x 3/4" & 3/4 Meter – Commercial & Industrial

From 1 to 9,000 Gallons	$ 3.56
Over 9,000 Gallons	5.31

1" Residential, Commercial & Industrial

From 1 to 11,000 Gallons	$ 3.56
Over 11,000 Gallons	5.31

1 1/2" Residential, Commercial & Industrial

From 1 to 20,000 Gallons	$ 3.56
Over 20,000 Gallons	5.31

2" Residential, Commercial & Industrial

From 1 to 43,000 Gallons	$ 3.56
Over 43,000 Gallons	5.31

3" Residential, Commercial & Industrial

From 1 to 66,000 Gallons	$ 3.56
Over 66,000 Gallons	5.31

4" Residential, Commercial & Industrial

From 1 to 113,000 Gallons	$ 3.56
Over 113,000 Gallons	5.31

6" Residential, Commercial & Industrial

From 1 to 500,000 Gallons	$ 3.56
Over 500,000 Gallons	5.31

SERVICE CHARGES:

Establishment	$25.00
Establishment (After Hours)	0.00
Reconnection (Delinquent)	20.00
Reconnection (After Hours)	0.00
After Hours Service Charge[a]	35.00
Meter Test (If Correct)	25.00

Meter Re-Read (If Correct)	25.00
Deposit	*
Deposit Interest (Per Year)	*
Re-establishment (Within 12 Months)	**
NSF Check	$ 17.50
Deferred Payment (Per Month)	1.50%
Late Payment Penalty (Per Month)	1.50%
Moving Customer Meter (Customer Request)	***

[a] After-Hours Service: After regular working hours, on Saturdays, Sundays or holidays if at the customer's request.

* Per Commission Rule A.A.C. R14-2-403(B)(7).

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

*** Per Commission Rule A.A.C. R14-22-405.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission rule A.A.C. R14-409(D)(5).

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

	Service Line	Meter	Total Charges
5/8" x 3/4" Meter	$415.00	$105.00	$520.00
3/4" Meter	415.00	205.00	620.00
1" Meter	465.00	265.00	730.00
1-1/2" Meter	520.00	475.00	995.00
2" Meter	800.00	995.00	1,795.00
3" Meter	1,015.00	1,620.00	2,635.00
4" Meter	1,430.00	2,570.00	4,000.00
6" Meter	2,150.00	4,925.00	7,075.00

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after July 15, 2015.

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

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

IT IS FURTHER ORDERED that the five BMPs attached hereto as Exhibit A are hereby approved for Tonto Basin Water Co., Inc.'s Cactus Forest water system.

IT IS FURTHER ORDERED that the three BMP tariffs attached hereto as Exhibit B are hereby approved for Tonto Basin Water Co., Inc.'s Lake Roosevelt Gardens East, Lake Roosevelt Gardens West, Roosevelt Lake Estates, and North Bay Estates water systems.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. shall notify its customers, in a form acceptable to Staff, of the approved BMP tariffs and their effective date, by a notice that may be included with the required notice of new rates as ordered above.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. may seek cost recovery related to the implementation of the approved BMP tariffs in a future rate proceeding.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. shall in the future be charged directly for expenses which are being tracked separately at this time, such as the salaries and wages of the system operators, chemicals, water testing, bad debts, etc. rather than by means of a management fee or allocation from its parent company.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. shall in the future be charged for indirect costs incurred on its behalf by its parent company by means of the 4-factor allocation methodology used by its sister company, Navajo Water Co., Inc., as ordered in Commission Decision No. 75038 to charge indirect costs.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. shall file, no later than August 1, 2016, as a compliance item in this matter, a report indicating that it has completed application of protective coatings to the following storage and pressure tanks: (1) the Roosevelt Gardens East water system hydro-pneumatic pressure tank and storage tank; (2) the Cactus Forest water system hydro-pneumatic pressure tank and storage tank; (3) the Roosevelt Lake Estates water system storage tank; and (4) the North Bay Estates water system hydro-pneumatic pressure tank and storage tank.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. shall, within 30 days, as a compliance item in this docket, file in this docket a copy of a written request to ADEQ asking it to conduct a water system inspection of Tonto Basin Water Co., Inc.'s North Bay Estates water system, and to specifically address the adequacy of the North Bay Estates water system's storage capacity.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. shall provide Staff with a copy of any written report issued by ADEQ in regard to its water system inspection of Tonto Basin Water

Co., Inc.'s North Bay Estates water system within 30 days of Tonto Basin's receipt thereof.

IT IS FURTHER ORDERED that Tonto Basin Water Co., Inc. shall file with the Commission within 120 days, as a compliance item in this matter, either (1) a plan for Tonto Basin to implement any ADEQ recommendations included in a written report issued by ADEQ in regard to its water system inspection of Tonto Basin Water Co., Inc.'s North Bay Estates water system, or (2) a filing indicating that ADEQ made no recommendations for action in regard to its water system inspection of Tonto Basin Water Co., Inc.'s North Bay Estates water system.

IT IS FURTHER ORDERED that Staff shall file in this docket, within 150 days, as a compliance item in this matter, a response to the above-ordered filing that includes a recommendation for Commission action.

IT IS FURTHER ORDERED that this docket shall be held open for six months in order to allow Tonto Basin Water Co., Inc. the opportunity to file a proposed water hauling tariff for its Roosevelt Lakes water system.

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IT IS FURTHER ORDERED that in the event Tonto Basin Water Co., Inc. chooses to file a proposed water hauling tariff for its Roosevelt Lakes water system, the proposed tariff filing shall include a proposed form of public notice to its customers of the requested tariff, and either a Request for Procedural Order or a Request for Procedural Conference.

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

BY 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 the Commission to be affixed at the Capitol, in the City of Phoenix, this 15th day of July, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT
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SERVICE LIST FOR: TONTON BASIN WATER CO., INC.

DOCKET NO.: W-03515A-14-0310

Jason Williamson, President
TONTO BASIN WATER COMPANY, INC.
JW Water Holdings, LLC
P.O. Box 200595
Denver, CO 80220

Jay L. Shapiro
SHAPIRO LAW FIRM, PC
1819 E. Morten Ave., Ste. 280
Phoenix, AZ 85020

TONTO CREEK TRAIL RV PARK, INC.
Gary & Margaret Lantagne, Owners
PO BOX 669
Tonto Basin, AZ 85553

Brooke Utilities, Inc.
PO BOX 82218
Bakersfield, CA 93380

Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Steven M. Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

EXHIBIT A

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

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: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

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.

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

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.
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: Tonto Basin Water Company

Decision No.: _____

Phone: 720-949-1384

Effective Date: _____

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 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 register 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.

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

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.

EXHIBIT B

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

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: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

Effective Date: _____

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.

Company: Tonto Basin Water Company

Decision No.: _____

Phone: (720) 949-1384

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.
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.