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MEMORANDUM

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Director
Utilities Division

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Arizona Corporation Commission
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RE: UPDATE TO DOCKET - REQUEST FOR A VARIANCE TO THE MORATORIUM ON NEW SERVICE CONNECTIONS, PAYSON WATER COMPANY, INC. - GERONIMO SYSTEM. DOCKET NO. W-03514A-05-0729

In April of 2014, Payson Water Company, Inc. ("Company") contacted the Arizona Corporation Commission ("Commission"), Utilities Division Staff ("Staff") to inquire about adding service connections to its Geronimo Estates/Elusive Acres water system, PWS 04-028 ("System"). The Company informed Staff that it had four to five customers who had recently expressed an interest in being connected to the System. Staff directed the Company to an order in Commission Decision No. 67747(April 11, 2005) which required the Company to conduct a system monitoring exercise for 12 months and submit data based on that study. The Company began the monitoring exercise. Once Staff received the data, it analyzed the System to see how many connections could be adequately accommodated given its current water usage and system capacity.

The System has been under a moratorium on new connections since Decision No. 52454 dated August 17, 1981. Subsequently, there have been requests to remove the moratorium, either completely or partially, and the Commission has issued a number of Decisions on the matter.¹ A review of these Decisions indicates the System is still under a moratorium, and that the maximum number of connections allowed may be as many as 92 (it should be noted that this number would have been established prior to a significant decline in well production). The 2014 Annual Report filed by the Company shows there were 97 customers in July 2014. However, Staff was informed that this number is due to rental properties changing tenants and the new tenants being counted as additional customers. The Company reports there are currently 88 connections.

Water for the System is supplied by three wells. As shown in Figure 1., production from these wells has been declining for the past three years with the current production level being approximately 10.5 gallons per minute ("GPM"). Staff analysis of the water use data shows the peak month over the past two years was July 2013, with a peak usage per connection of 117.13 gallons per day ("GPD"). The Company hired a consultant, Tres Rios Consulting Engineers ("Tres Rios"), to do an engineering water use analysis in support of its desire to add connections. The Tres Rios report, dated June 18, 2015, also identified July 2013 as the peak month and calculated 113.12 GPD for peak water use per connection. The Tres Rios report uses 10 GPM for the current well production level. A summary of this data can be found in Table 1.

¹ Decision 52454, dated August 17, 1981; Decision 57584, dated October 11, 1991; Decision 67747, dated April 11, 2005; Decision 68232, dated October 25, 2005; Decision 68696, dated May 5, 2006.

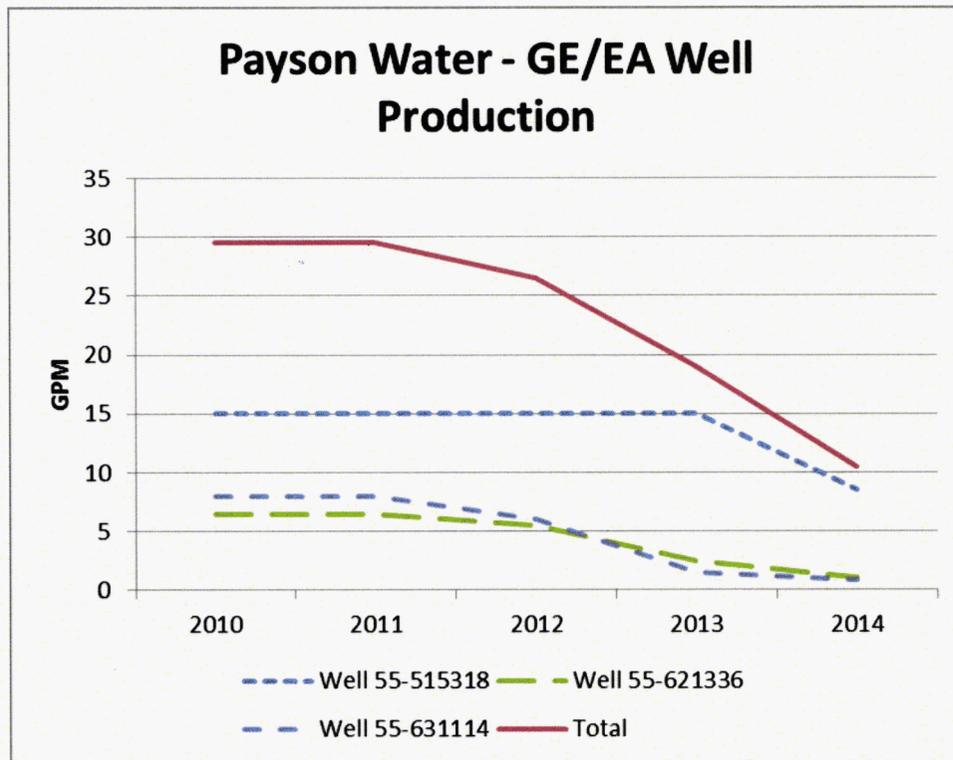


Figure 1. Payson Water Company, Inc. – Geronimo Estates/Elusive Acres Well Production

	Peak Month	Connections during Peak	Gallons pumped	GPD per connection	Current Well Production (GPM)
Staff	July 2013	84	305,000	117.13	10.5
Tres Rios Report	July 2013	87	305,080	113.12	10

Table 1. Payson Water Company, Inc. – Geronimo Estates/Elusive Acres Peak Usage

Water production, storage², and usage rates are used to calculate the number of connections a water system can adequately support. Staff also uses a peaking factor to calculate how many connections can be adequately supported during peak months. Considering the seasonal and weekend nature of residential occupancy for the System, there can be large spikes in water use on weekends and holidays which are considerably higher than steady-state usage. Therefore, Staff used a peaking factor of 2.0 and calculates the maximum allowable number of connections for the System to be minimally adequate to be 67. The Tres Rios report calculates the maximum number of

² The System storage capacity of 25,000 gallons is adequate and not a limiting factor in this analysis.

allowable connections for the System to be 109, however it uses a different approach which is more suited for a large non-seasonal system with peak usage that does not deviate far from steady-state usage.³ Staff feels the Tres Rios approach is not suitable for calculating peak adequacy in the System, as it does not account for the seasonal/weekend nature of usage on the System.

Considering Staff's analysis of peak system adequacy along with the significant decline in well production, Staff makes the following recommendations:

1. The Company should be ordered to immediately stop connecting any new customer meters. (Company states that there are currently 88 meters connected, therefore Company should not be allowed to have more than 88 meters until further order of the Commission.)
2. If the Company wishes to lift the moratorium, it should be required to prepare and docket a report which investigates the cause(s) of the decline in well production on the System, and which contains a plan showing how adequate production will be attained and maintained.

³ Staff estimates the peaking factor in the Tres Rios analysis would be 1.15.

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Docket No. W-03514A-05-0729

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