

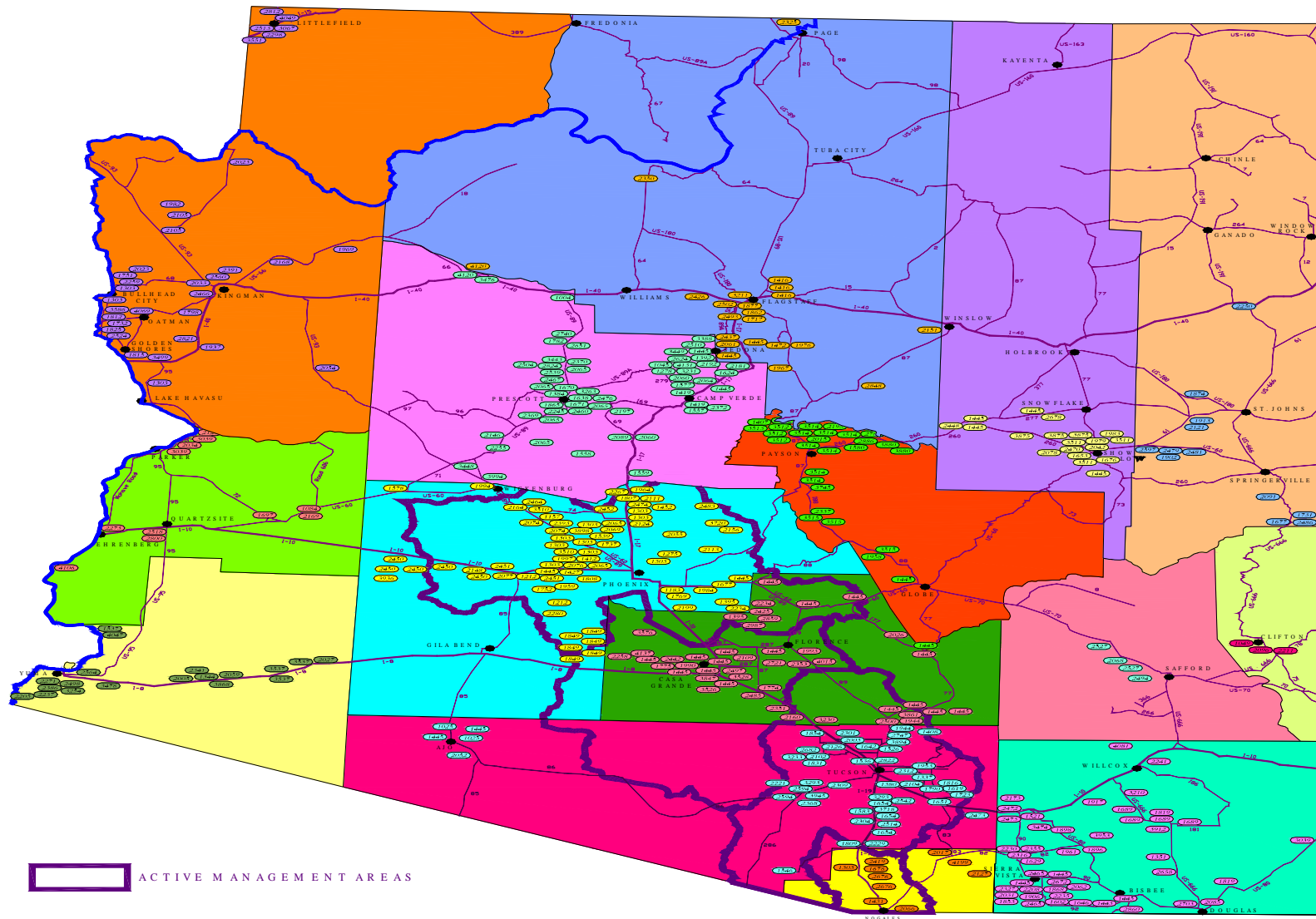
Arizona Corporation Commission



PRIVATE WATER COMPANY REGULATION

**PRESENTED BY:
COMMISSIONER KRISTIN K. MAYES**

June 20, 2006



**APPROXIMATE LOCATIONS OF WATER COMPANIES
REGULATED BY THE CORPORATION COMMISSION**

STATE OF ARIZONA

The seal of the Arizona Corporation Commission is circular, featuring a landscape with a mountain, a cactus, and a deer. The text around the seal reads "SEAL OF THE ARIZONA CORPORATION COMMISSION" and "1912".

Current Issues with Water Company Regulation

● **Orders Preliminary**

- Used to set conditions before granting companies a certificate of convenience and necessity (CC&N)

● **Tiered Rates**

- To encourage conservation.

● **Use of Effluent**

- How do water companies effectively use effluent in developments?

● **Consolidation**

- What role should consolidation play with the numerous small water companies in AZ?



Orders Preliminary

- **With the explosive growth currently underway outside of Arizona's Active Management Areas (AMA) it is imperative that we take the necessary steps to protect the public interest *before* granting water companies CC&N to serve in these regions.**
- **ACC has the ability to use Orders Preliminary but by practice has issued Conditional CC&Ns. Developers prefer these because they allow for construction to begin as soon as the CC&N is issued.**
 - Water companies/developers are given up to 24 months to meet the conditions.



Orders Preliminary

- **Using Orders Preliminary, the Commission can outline pre-conditions to be met by the companies that are specific to the needs and particular concerns of the service area in question.**
- **Special Open Meeting will be held in August to establish OP's as the norm when doing new CC&N's or CC&N extensions; Staff now moving forward with OP's outside AMA's.**
- **Determination of an assured or adequate water supply is crucial before granting a CC&N and the Orders Preliminary can be used to require such assurances by the company to be verified by a third party.**
 - AZ Department of Water Resources



Tiered Rates

- **Goal is to encourage conservation**
- **Set the tiers so a breaking point is below the median or average usage – depending on the system (Not all systems have tiered rates)**
- **Three or two tiers**
- **GENERAL rule of thumb**
 - For a high usage system set the top of the second tier below the average or median usage
 - For low usage system set the bottom of the second tier below the average or median usage



Tiered Rates

- **The ACC has adopted tiered rates in recent rate cases**
 - Chaparral City
 - Arizona Water (Western System)
 - Arizona Water (Eastern System)
 - Arizona-American Water (ex., Tubac & Anthem)

Chaparral City Water Company



Monthly Usage Charge

<u>Meter Size</u>	<u>Charge</u>
3/4"	\$13.60
1"	\$22.70
1.5"	\$45.40
2"	\$73.00
3"	\$146.00
4"	\$227.00
6"	\$454.00
8"	\$730.00
10"	\$1,043.00
12"	\$1,980.00



Chaparral City Water Company

● Commodity Rates (per 1,000 Gallons)

¾" Residential

1,000-3,000 Gallons:	\$1.68
3,001-9,000 Gallons:	\$2.52
Over 9,000 Gallons:	\$3.03

¾" Commercial & Industrial

1,000-9,000 Gallons:	\$2.52
Over 9,000 Gallons:	\$3.03

2" Meter (Residential, Commercial & Industrial)

From 1,000-100,000 Gallons:	\$2.52
Over 100,000 Gallons:	\$3.03



Effluent

- **In recent orders, the ACC has ordered water companies to study the use of effluent on their system.**
- **The general language adopted by the ACC:**

“In recognition of ongoing drought conditions in Arizona, the Company shall provide the Commission within one year of the effective date of this order a detailed report describing the Company’s progress toward the use of effluent specifically as it pertains to golf courses, ornamental lakes and other aesthetic water features. This report shall be filed annually with the Commission’s Utility Division until the Company’s next general rate case.”



Effluent

- **What other policies should the ACC adopt to encourage better use of effluent?**
- **Some companies are pro-actively working on ways to better use and incorporate effluent into their planning.**
 - Global Water in Pinal County
- **One particular development outside of Prescott still uses groundwater to water their golf course because development hasn't come about as quickly as anticipated.**
- **How should the ACC work with companies that don't provide wastewater service?**
- **Given the current drought in AZ, should there be a prohibition on using groundwater for golf courses, ornamental lakes & irrigation?**
 - DWR has requirements/regulations for the use of effluent in AMA's



Curtailment Tariffs

- **Not originally developed for drought - although are extremely useful in time of drought**
- **Originally developed to allow water companies to deal with emergencies, e.g., lightning striking a well or a truck crashing into a storage tank**
- **The tariff allows companies to respond to emergencies (a decrease in production) in a timely manner**
- **Without a curtailment tariff a company would need to seek an order from the ACC, a process that could take weeks**
- **With a curtailment tariff a company can respond in a matter of hours**
- **The first step is a call from the company to ACC Consumer Services, after which the company can notify its customers and implement curtailment measures**

TARIFF SCHEDULE

Utility: _____
Docket No.: _____
Phone No.: _____

Tariff Sheet No.: _____ Page 1 of 4
Decision No.: _____
Effective: _____

CURTAILMENT PLAN FOR

(Template 063004)

ADEQ Public Water System No: _____

_____ (“Company”), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company’s water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Moratoriums



- **Moratoriums are a mechanism the ACC can use to deal with water shortage problems**
- **The duration of a moratorium may be for months or years – depending on the company’s ability to restore existing wells to meet capacity or to find another water source**
- **2 recent examples:**
 - Pine Water
 - McLain Water Systems

Pine Water



- **The water systems in Pine and the surrounding area have experienced water shortages for over a decade**
- **In Decision No. 59753 (1996) the ACC limited the Pine system to one residential connection per month with a complete moratorium on new main extensions**
- **In Decision No. 64400 (2002) the ACC modified the moratorium to allow the company to add up to 25 new service connections per month and to allow the company to enter into main extension agreements provided that the developer could contribute a certain minimum quality of water to the water company. This change was due to the completion of Project Magnolia, a pipeline that brings water from the system in Strawberry to Pine**
- **Currently ACC Staff is proposing to reinstitute the moratorium instituted in Decision No. 59753**



McLain Water

- **Decision No. 68272, the ACC ordered a moratorium on new hook-ups on the McLain water systems in Cochise County.**
- **The multiple McLain water systems had been neglected by its owner for decades and came to a head last year with numerous lengthy outages.**
- **The ACC hook-up moratorium order will be in place until numerous repairs on the system are complete**



Consolidation

- **Most of the 400 water companies the ACC regulates are small companies**
 - We have few large companies such as Arizona-American, Arizona Water, Global
- **What policies can the ACC enact in order to consolidate the small companies into larger systems?**
- **Benefits:**
 - Rate increases – like for arsenic – can be spread across more customers
 - Infrastructure costs
 - Simplified billing

The seal of the Arizona Corporation Commission is located in the top left corner. It is a circular emblem with a gold border. Inside the circle, there is a landscape scene featuring a brown deer standing in the foreground, a saguaro cactus to the left, and mountains in the background. The text "SEAL OF THE ARIZONA CORPORATION COMMISSION" is written around the inner edge of the circle. At the bottom of the circle, the Latin motto "DITAT DEUS" is inscribed, and the year "1912" is at the very bottom.

Other Issues

- **Small water companies providing service to growing developments**
- **Developers providing utility services to their developments**
- **Infrastructure costs – let growth pay for growth**
- **Water Conservation**



Conclusion

Any Questions?