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**BEFORE THE ARIZONA CORPORATION COMMISSION**

Arizona Corporation Commission
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AZ Corporation Commission
Director Of Utilities

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF SPANISH TRAIL WATER COMPANY FOR A RATE INCREASE.

DOCKET NO. W-01816A-04-0515

DECISION NO. 67582

**ORDER**

Open Meeting
February 8 & 9, 2005
Phoenix, Arizona

**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**

1. Spanish Trail Water Company ("Spanish Trail" or "Company") provides water utility service to approximately 333 customers in a portion of Pima County, Arizona, approximately 17 miles southeast of downtown Tucson.

2. On July 20, 2004, Spanish Trail filed an application for a permanent rate increase.

3. On August 19, 2004, the Commission's Utilities Division Staff ("Staff") notified the Company that its application was insufficient pursuant to A.A.C. R14-2-103.

4. On September 2, and 23, 2004, the Company submitted additional information.

5. On October 4, 2004, Staff notified the Company that its application was deemed sufficient, and classified the Company as a Class D utility.

6. The Company notified its customers of its proposed rates and charges by first class U.S. mail on July 16, 2004. In response thereto, the Commission received two opinions opposing the increase.

7. On December 20, 2004, Staff filed its Staff Report, recommending that an alternative rate schedule to that proposed by the Company be approved without a hearing.

8. On December 28, 2004, Staff filed an Addendum to the Staff Report, correcting Staff's position on rate design.

9. The Company's current rates and charges were approved in Decision No. 60468 (October 22, 1997).

10. During the test year ended December 31, 2003 ("Test Year"), Spanish Trail had Total Operating Revenue of $123,804, and Total Operating Expenses, as adjusted by Staff, of $114,073, resulting in Operating Income of $9,731, a 29.91 percent rate of return on an adjusted Original Cost Rate base ("OCRB") of $32,533.

11. Spanish Trail proposed rates that would produce Total Operating Revenue of $156,460, an increase of 26.4 percent. Based on Company-proposed Operating Expenses of $144,602, the Company's recommended rates would have produced Operating Income of $11,858, a rate of return of 36.4 percent on Staff's adjusted OCRB.[1]

12. Staff did not recommend an increase in Total Operating Revenue. Staff is recommending revenues of $123,804 and Operating Expenses totaling $98,769,[2] to yield operating income of $25,035, a 76.95 percent rate of return on adjusted OCRB of $32,533.

13. The Company did not file a response to the Staff Report.

14. The rates and charges for Spanish Trail, as proposed in the application, and as recommended by Staff are as follows:

| MONTHLY USAGE CHARGE: | Present Rates | Proposed Company | Proposed Staff |
|---|---|---|---|
| 5/8" x ¾" Meter | $10.00 | $12.70 | $10.00 |
| ¾" Meter | 15.00 | 19.05 | 15.00 |
| 1" Meter | 25.00 | 31.75 | 25.00 |

[1] The Company had originally reported an OCRB of $155,868. Based on the Company's proposed OCRB, the rate of return would have been 7.61 percent.

[2] This reflects Staff's recommended depreciation rates on a going-forward basis.

| | | | |
|---|---|---|---|
| 1 ½" Meter | 50.00 | 63.50 | 50.00 |
| 2" Meter | 80.00 | 101.50 | 80.00 |
| 3" Meter | 150.00 | 190.50 | 150.00 |
| 4" Meter | 250.00 | 317.50 | 250.00 |
| 6" Meter | 500.00 | 635.00 | 500.00 |

COMMODITY CHARGE
(Per 1,000 Gallons)

| | | | |
|---|---|---|---|
| 0 to 9,000 gallons | $1.00 | $1.27 | N/A |
| 9001 to 25,000 gallons | 2.00 | 2.54 | N/A |
| In excess of 25,000 gallons | 3.00 | 3.81 | N/A |
| 0 to 6,000 gallons | N/A | N/A | $1.00 |
| 6,001 to 20,000 gallons | N/A | N/A | 1.75 |
| In excess of 20,000 gallons | N/A | N/A | 2.65 |

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-40-5)

| | Present Rates | Proposed Company | Proposed Staff |
|---|---|---|---|
| 5/8" x ¾" Meter | $400.00 | $520.00 | $520.00 |
| ¾" Meter | 440.00 | 600.00 | 600.00 |
| 1" Meter | 500.00 | 690.00 | 690.00 |
| 1 ½" Meter | 715.00 | 935.00 | 935.00 |
| 2" Meter Turbo | 715.00 | 1,595.00 | 1,595.00 |
| 2" Meter Compound | 1,700.00 | 2,320.00 | 2,320.00 |
| 3" Meter Turbo | 1,585.00 | 2,275.00 | 2,275.00 |
| 3" Meter Compound | 2,190.00 | 3,111.00 | 3,111.00 |
| 4" Meter Turbo | 2,540.00 | 3,520.00 | 3,520.00 |
| 4"Meter Compound | 3,215.00 | 4,475.00 | 4,475.00 |
| 6" Meter Turbo | 4,915.00 | 6,275.00 | 6,275.00 |
| 6" Meter Compound | 6,270.00 | 8,050.00 | 8,050.00 |

SERVICE CHARGE:

| | | | |
|---|---|---|---|
| Establishment | $25.00 | $25.00 | $25.00 |
| Establishment (After Hours) | 40.00 | 40.00 | 40.00 |
| Reconnection (Delinquent) | 25.00 | 25.00 | 25.00 |
| Reconnection (Delinquent) After Hours | N/A | 25.00 | 25.00 |
| Meter Test (If Correct) | 25.00 | 25.00 | 25.00 |
| Deposit | 25.00 | 25.00 | * |
| Deposit Interest | * | * | * |
| Reestablishment (Within 12 Months) | 15.00 | * | ** |
| NSF Check | 15.00 | 25.00 | 25.00 |
| Deferred Payment | * | * | * |
| Meter Reread (If Correct) | 10.00 | 25.00 | 15.00 |
| Late Fee | N/A | 1.5% per month | 1.5% per month |

* Per Commission rule A.A.C. R-14-2-403(B).
** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

15. Staff's adjustments to rate base resulted in a decrease of $123,335, from $155,868 to $32,533. Staff removed $6,115 associated with asset retirements that were not removed from plant-in-service. In addition, Staff removed $160,689 related to the Gusher Well and Cortaro Marana Irrigation District ("CMID"), and made corresponding adjustments to the proposed accumulated depreciation in the amount of $36,129. Staff states that the Gusher Well is a capped well that has no well pump or electrical power to the well site and thus, is not used and useful. The CMID project relates to recharging Central Arizona Project ("CAP") water by landowners within the CC&N. The Company had improperly recorded the accrual of storage credits as part of rate base. In January 1997, the Company agreed to assist landowners recharge CAP water on a cost-reimbursement basis. The accrual of the storage credits was to be transferred back to the landowners who agreed to reimburse all of the costs back to the Company.

16. Spanish Trail's OCRB is determined to be $32,533 which is the same as its fair value rate base ("FVRB").

17. Staff made no adjustments to metered revenues.

18. Staff's adjustments to Operating Expenses resulted in a decrease of $30,529, from $144,602 to $114,073. Staff decreased Outside Service Expenses by $11,236 by removing non-recurring expenses of $13,421 and reclassifying labor in the amount of $2,185 from Water Testing Expense to Outside Services Expense. Staff decreased Water Testing Expense by $1,358, from $3,575 to $2,217, to reflect Staff Engineering's projected cost of the Monitoring Assistance Program ("MAP") expenses. Staff decreased Miscellaneous Expense by $1,925, from $2,881 to $956, by removing $925 which was included in Water Testing Expense and removing $1,000 which was associated with a prior-year's expense. Staff adjusted Depreciation Expense to reflect the rates approved in Decision No. 60468 (October 22, 1997), decreasing Depreciation Expense by $9,095, from $41,087 to $31,992. Finally, Staff decreased Taxes Other Than Income by $6,915, from $6,915 to zero, to remove sales taxes.

19. The Company has been using a depreciation rate of 5.0 percent in every National Association of Regulatory Utility Commissioners ("NARUC") plant category. In recent orders the Commission has been shifting away from the 5 percent composite rate in favor of individual depreciation rates by NARUC category because the 5 percent rate is not appropriate for all types of assets. Staff developed typical and customary depreciation rates within a range of anticipated equipment life. Staff set forth these rates in Table B of the Engineering Report attached to the Staff Report.

20. The average and median usage for the 5/8 x ¾ inch meter customer in the Test Year was 12,447 gallons and 8,775 gallons, respectively.

21. The rates the Company proposed in its application would increase the average 5/8 inch meter bill by 27 percent, or $7.00, from $25.89 to $32.89, and the median 5/8 inch meter bill by 26.9 percent, or $5.06, from $18.78 to $23.84.

22. Staff's recommended rates would increase the average 5/8 inch meter bill by 5.4 percent, or $1.39, from $25.89 to $27.28, and the median 5/8 inch meter bill by 11.1 percent, or $2.08, from $18.78 to $20.86.

23. Both the Company and Staff propose utilizing an inverted three-tier rate structure in order to provide an economic incentive for large consumers to conserve. Neither party recommends including any water in the monthly minimum.

24. The Company requested to change its meter and service line charges. Staff states that the proposed charges are within Staff's experience as being reasonable and customary charges. Staff concurs that the Company's proposed meter and service line charges be adopted.

25. The Company proposes to increase service charges for "Reconnection (Delinquent) After Hours" from zero to $25.00, and its NSF check charge from $15.00 to $25.00. Staff concurs with both requests. The Company also proposes to increase "Meter Re-read (If correct)" from $15.00 to $25.00. Staff states that the Company did not provide adequate information to support its proposed charge, and Staff recommends that the charge remain at $15.00, as it is reasonable and normal. Staff concurs with the Company's request to institute a Late Fee of 1.5 percent per month, as

this is the typical charge for Arizona utilities.

26. The Utilities Division Compliance Section shows no outstanding compliance issues.

27. The Company is current with its property and sales tax payments.

28. Spanish Trail operates three separate water systems and Staff concludes that all three systems have adequate well, storage and booster system capabilities to serve each system's customer base.

29. The Arizona Department of Environmental Quality ("ADEQ") reports that the Company has no deficiencies and is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

30. The U.S Environmental Protection Agency has reduced the arsenic Maximum Containment Level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb effective January 23, 2006. The Company reported arsenic concentration levels of 1 ppb for each of its systems. Based on these test results, the Company is in compliance with the new arsenic MCL set to go into effect in 2006.

31. The Company is located in the Tucson Active Management Area. Because it pumps less than 250 acre-feet of water per year, it is considered a small provider by the Arizona Department of Water Resources ("ADWR") and not subject to the gallons per-capita-per-day limits and conservation rules. ADWR confirms the Company is in compliance with its monitoring and reporting obligations.

32. The Company reported 49,112,000 gallons of water pumped, 6,732,000 gallons of water purchased and 49,224,000 gallons of water sold for all three systems combined during the Test Year, which represents an aggregate water loss of 11.8 percent for all three systems.

33. A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseen events. The Company filed a standard CPT with its rate application. Based on the Company's three water systems, Staff recommends the standard and consecutive type tariffs be

approved in this proceeding. The CPTs are attached as Exhibits CPT-1 and CPT-2 to the Engineering Report, and incorporated herein as Exhibit A.

34. Staff further recommends that:

a. In addition to the rates and charges Staff recommends above, the Company collect a proportionate share of any privilege, sales or use tax;

b. The Company docket with the Commission a schedule of its approved rates and charges within 30 days after the Decision in this matter;

c. The Company monitor each of its systems separately and submit the gallons pumped/purchased and sold to determine the actual water loss for each separate water system. The results of this monitoring and reporting should be docketed as a compliance item in this case within 13 months of the effective date of this Order. If the reported water loss for the period is greater than 10 percent for any of the three systems, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce water loss to 10 percent, it should submit a detailed cost benefit analysis to support its opinion, and docket such report as a compliance item for this proceeding for review and certification by Staff.

d. The Company utilize the depreciation rates delineated in Table B of the Engineering Report on a going forward basis.

e. The curtailment tariffs attached hereto as Exhibit A, be approved, and that the Company docket such tariffs within 45 days of a Decision in this matter for review and certification by Staff.

## CONCLUSIONS OF LAW

1. Spanish Trail 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 Spanish Trail and of the subject matter of the application.

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

4. The rates and charges authorized hereinbelow are just and reasonable and should be approved without a hearing.

5. Staff's recommendations, as set forth in Findings of Fact No. 34, are reasonable and should be adopted.

**ORDER**

IT IS THEREFORE ORDERED that Spanish Trail Water Company is hereby directed to file on or before February 28, 2005, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

| | |
|---|---|
| 5/8" x ¾" Meter | $10.00 |
| ¾" Meter | 15.00 |
| 1" Meter | 25.00 |
| 1 ½" Meter | 50.00 |
| 2" Meter | 80.00 |
| 3" Meter | 150.00 |
| 4" Meter | 250.00 |
| 6" Meter | 500.00 |

COMMODITY CHARGE
(Per 1,000 Gallons)

| | |
|---|---|
| 0 to 6,000 gallons | $1.00 |
| 6,001 to 20,000 gallons | 1.75 |
| In excess of 20,000 gallons | 2.65 |

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-40-5)

| | |
|---|---|
| 5/8" x ¾" Meter | $520.00 |
| ¾" Meter | 600.00 |
| 1" Meter | 690.00 |
| 1 ½" Meter | 935.00 |

| | |
|---|---|
| 2" Meter Turbo | 1,595.00 |
| 2" Meter Compound | 2,320.00 |
| 3" Meter Turbo | 2,275.00 |
| 3" Meter Compound | 3,111.00 |
| 4" Meter Turbo | 3,520.00 |
| 4"Meter Compound | 4,475.00 |
| 6" Meter Turbo | 6,275.00 |
| 6" Meter Compound | 8,050.00 |

SERVICE CHARGE:

| | |
|---|---|
| Establishment | $25.00 |
| Establishment (After Hours) | 40.00 |
| Reconnection (Delinquent) | 25.00 |
| Reconnection (Delinquent) After Hours | 25.00 |
| Meter Test (If Correct) | 25.00 |
| Deposit | * |
| Deposit Interest | * |
| Reestablishment (Within 12 Months) | ** |
| NSF Check | 25.00 |
| Deferred Payment | * |
| Meter Reread (If Correct) | 15.00 |
| Late Fee | 1.5% per month |

* Per Commission rule A.A.C. R-14-2-403(B).

** Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after March 1, 2005.

IT IS FURTHER ORDERED that Spanish Trail Water Company shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert in its next regular monthly billing.

IT IS FURTHER ORDERED that Spanish Trail Water Company shall collect a proportionate share of any privilege, sales or use tax.

IT IS FURTHER ORDERED that Spanish Trail Water Company shall monitor each of its water systems separately and submit the gallons pumped/purchased and sold to determine the actual water loss for each separate system. The results of this monitoring and reporting should be docketed

as a compliance item in this case within 13 months of the effective date of this Order. If the reported water loss for the period is greater than 10 percent for any of the three systems, the Spanish Trail Water Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If Spanish Trail Water Company believes it is not cost effective to reduce water loss to 10 percent, it should submit a detailed cost benefit analysis to support its opinion, and docket such report as a compliance item for this proceeding for review and certification by Staff.

IT IS FURTHER ORDERED that Spanish Trail Water Company shall on a going forward basis utilize the depreciation rates contained in Table B of the Engineering Report attached to the Staff Report.

IT IS FURTHER ORDERED that the Curtailment Plan Tariffs, a copy of which are attached as Exhibit A, is approved.

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IT IS FURTHER ORDERED that Spanish Trail Water Company shall file the Curtailment Plan Tariff within 45 days of the effective date of this Decision for review and certification by Staff.

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, BRIAN C. McNEIL, Executive Secretary 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 Feb., 2005.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____

DISSENT _____

SERVICE LIST FOR: SPANISH TRAIL WATER COMPANY

DOCKET NO. W-01816A-04-0515

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# TARIFF SCHEDULE

Attachment CPT-1

Utility: Spanish Trails Water Company
Docket No.: W-01816A-04-0515
Phone No.: 520-577-2611

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

## CURTAILMENT PLAN FOR SPANISH TRAILS WATER COMPANY
**(Template 063004)**

ADEQ Public Water System No: 10-127 (Barn & York Systems)

**Spanish Trails Water Company** ("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.

# TARIFF SCHEDULE

Utility: Spanish Trails Water Company
Docket No.: W-01816A-04-0515
Phone No.: 520-577-2611

Sheet No: 2 of 4
Decision No.: _____
Effective: _____

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

**Stage 3 Exists When:**

a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 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 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Beginning with Stage 3, Company shall post at least **3 signs per system** showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.

3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

# TARIFF SCHEDULE

Attachment CPT-1

Utility: Spanish Trails Water Company
Docket No.: W-01816A-04-0515
Phone No.: 520-577-2611

Sheet No: 3 of 4
Decision No.: _____
Effective: _____

**Stage 4 Exists When:**

a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 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 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- The use of construction water is prohibited
- Restaurant patrons shall be served water only upon request
- Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least **3 signs per system** showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

# TARIFF SCHEDULE



Utility: Spanish Trails Water Company
Docket No.: W-01816A-04-0515
Phone No.: 520-577-2611


Decision No.: _____
Effective: _____

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. 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.

**TARIFF SCHEDULE** Attachment CPT-2

Utility: Spanish Trails Water Company
Docket No.: W-01816A-04-0515
Phone No.: 520-577-2611

Tariff Sheet: 1 of 3
Decision No.: _____
Effective: _____

## CURTAILMENT PLAN FOR SPANISH TRAILS WATER COMPANY

**(Template 063004)**

**Consecutive Water System**

ADEQ Public Water System No: (for Academy Village System)

**Spanish Trails Water Company** ("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's water supplier **Saguaro Water Company** ("Supplier") is able to provide 100 percent of the Company's water demand.

Restrictions: Under Stage 1, the 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. The Supplier cannot supply more than 80 percent of the Company's daily average demand and,

b. Supplier 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 Supplier 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.

**TARIFF SCHEDULE** Attachment CPT-2

Utility: Spanish Trails Water Company
Docket No.: W-01816A-04-0515
Phone No.: 520-577-2611

Tariff Sheet: 2 of 3
Decision No.: _____
Effective: _____

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

**Stage 3 Exists When:**

a. The Supplier cannot supply more than 50 percent of the Company's daily average demand and,

b. Supplier 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 Supplier will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, the Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. The Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Beginning with Stage 3, the Company shall post at least 3 signs showing the curtailment stage. Signs shall be posted at noticeable locations, like entrance to major subdivisions served by the Company.

3. The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

**Stage 4 Exists When:**

a. The supplier cannot supply more than 25 percent of the Company's daily average demand and,

b. Supplier 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 Supplier will be unable to meet anticipated water demand on a sustained basis.

**TARIFF SCHEDULE**

Attachment CPT-2

Utility: Spanish Trails Water Company
Docket No.: W-01816A-04-0515
Phone No.: 520-577-2611

Tariff Sheet: 3 of 3
Decision No.: _____
Effective: _____

Restrictions: Under Stage 4, the Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pools, spas, fountains, or ornamental ponds is prohibited
- The use of construction water is prohibited
- Restaurant patrons shall serve water only upon request
- Any other water intensive activity shall be prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. The Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both.

2. The Company shall have posted at least **3** signs showing the curtailment stage. Signs shall be posted at noticeable locations, like the entrance to the major subdivisions served by the Company.

3. The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission ("Commission") at least 12 hours prior to entering Stage 4.

Customers who fail to comply with the above referenced restrictions will be given written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees.

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.

Under Stage 4, the Company must rely on emergency hauling or must otherwise provide emergency drinking water for its customers.